

# Log boom?

A log boom may be something that Canadian loggers use for floating wood downstream after chasing grizzlies away from virgin old-growth forests. It is not something that is currently occurring in New Zealand.

They say that export prices are fantastic. Well, we currently earn perhaps \$130/m<sup>3</sup> for a top quality (P1) log, whereas a relatively inferior P2 log fetched \$190 – in December 1992. Export A grade logs? Perhaps \$120/JASm<sup>3</sup> now, but about \$260 in September 1993. And there's been some inflation in the meantime. Of course, the halcyon prices of the early 90s were unsustainable, but so, I suggest is our current operation. Our Third-World policy of shipping unprocessed fibre to industrial countries such as India and China is not going to automatically invite us to a garden party at the Raffles Club, except maybe as a waiter. Another log of wood, Sahib?

Commodities were once despised. They were seen as the place where low-denomination coins were tossed to the street-urchins after the pudgy middlemen had filled their pockets. The profit was not, we were told, in commodities – in other words, necessities: things like food or minerals. The market didn't care who produced these, and the presence of many suppliers of such undifferentiated products and few buyers guaranteed that prices would always be rock-bottom. No, the real money was in the froth and fluff of designer-handbags, cosmetic surgery, or Club Med vacations. But – stand back and think about it – would people suffer hugely as a result of a shortage in Armani suits, as compared to a scarcity of food? Or timber, because the wood that constitutes a grain silo is as important as the food it protects within, and a timber shelter on a dark and stormy night is as essential as a full belly.

So what has caused the public image of commodities to flip? The answer, I suggest, is that oil prices have increased relative to the US dollar. Prices are now as high, in US inflation-adjusted dollars, as in December 1979 and almost as high as in June 2008. Oil is the ultimate commodity, in that it can be used to lubricate substitution among all the others. Let me explain. If the season is bad for US wheat-growers, how does the world market cope? Easy – just ship wheat from Australia, using cheap oil. If the Moroccan Government refuses to sell cheap phosphate, just use some cheap oil money to excavate some Chinese stuff. And so on. But with oil prices at a continuing high level, profitable alternatives are reduced.

In an energy-constrained world, we must learn to undertake calculations in terms of energy budgets as well as dollars. The energy required to transport raw logs from the Bombay Hills to the port of Mumbai needs to be considered. Pine logs are more than fifty per cent water, to be dried at their destination. The transport of this needless weight is energy-inefficient. As for volume, logs do not make for

the ideal geometrical fit in a container or on a ship. And bark is a biosecurity hazard, treated by unpopular use of toxic, ozone-depleting methyl bromide. An energy and environmentally conscious planet would insist that logs are sawn and dried in the country of origin.

New Zealand's timber processing industry is not experiencing happy times. Our plants are old and cannot foot it with their Asian equivalents. One friend familiar with the sawmilling industry argued that New Zealand would never be able to compete; the Chinese, he said, were better organised, worked harder, and had cheaper labour rates. But ultra-modern plants are conspicuous by the absence of workers: robots are cheaper, more accurate and harder working than any human, Chinese or otherwise. So why doesn't New Zealand just out-technologise the competition?

New Zealand's state-owned plantations were originally privatised because, it was argued, the public did not have the NZ\$7 billion it would require to process this resource. Well, the private companies that now own the trees hail from every part of the globe and have unprecedented access to the world's best technology, but the billions have never arrived and our ability to process wood remains abysmal. Of course, sawmilling is just the first stage of processing. There are few direct uses for a rough-sawn piece of 100x50: it is merely a means to an end. The end product is the finished house, piece of furniture or bioplastic bicycle.

New Zealanders have traditionally enjoyed the pleasures of the open air. People prefer to work in a forest than a factory. It is satisfying to think that our log exports are a sustainable resource – just bottled air, water and sunlight. Best leave the noise and pollution of industry to our northern neighbours while we bask in the southern sunshine? Somehow, I can't imagine a Sri Lankan tea-planter or Bangladeshi jute-grower using these arguments.

So what do we do? We should relish the fact that we are producing a commodity. This is a good thing, and has always been a good thing. But neither should we ignore basic physical rules of energy and geometry. We need to process the resource in New Zealand, using ultra-high-technology machinery, and send the totally finished product to our market. Think kitset houses and furniture, not "log booms".

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