Portfolio Theory and Diversity

There are in fact some very rational arguments for the diversity of options in species choice and management regimes that are starting to occur, irrespective of practical considerations of markets, sites and other available resources.

As with any investment portfolio, a mix of investments incurs a lower overall risk than a single option. Where the addition of another investment reduces the portfolio risk, financial analysts argue for the use of a so-called 'risk free' discount rate to apply in decision making. That rate is often stated as being 3% to 4% real. Applying those rates to Douglas fir, particularly at the present log prices, would have some interesting implications. But then, reducing the diversity debate to the level of single-minded quantitative analysis is exactly the narrow decision making we should be glad to move away from.

To the Future

If the trends to more broadly based decision making continues, it bodes well to those trained in Forestry Science and Marketing, and conversely (is this a blind hope?) should loosen the dominant grip of the bookkeepers. It is the foresters and marketers who are best qualified to contribute to the planning function of management, and to the strategic decisions that need to be made in order to achieve their goals and objectives. The bookkeepers' contributions are necessary, but far less important, particularly in a rapidly changing marketplace. Unfortunately, the Anglo-Saxon disease is to always stack our Corporate Boards with B.Comms and LLBs.

This does not necessarily mean that foresters should be smug. We need to produce foresters who can think broadly, with 'think' being the operative word. Perhaps, like the first Bachelors degrees, philosophy needs to be a prerequisite. Its inclusion was in part to ensure that graduates were able to look at an issue from differing points of view, and to be able to reason and argue to support that view. I say this partly tongue in cheek, but when you are arguing against the myopic quantitative logic of the bean counters, you need all the help you can get.

Chris Perley

PROSEED’S FUTURE

Among the remnants of the now long gone but perhaps increasingly fondly remembered NZ Forest Service is that curious entity we currently know as Proseed.

The terms “increasingly fondly” and “curious” I use deliberately because, in the first instance I suspect many look back with affection on those days of order where everything had a place, was in its place, and any staff member worth his or her salt ensured that everything remained sufficiently in place to ensure a happy and comfortable retirement. The ‘curious’ bit arises from the results of the Forest Service restructuring which meant that everything and everyone was no longer necessarily in their place and Proseed, presumably because of its small size in comparison with the other forest assets, became somewhat of an orphan relegated to a position desperately unworthy of its importance to the forest industry.

Why do we once again seem to have priorities in reverse order? How is it that we can be rapidly increasing exports of forest produce at increasing prices and yet do not have the will to do something about the unsatisfactory state of the company that provides the seed which is the basis of our future forests?

Seed Supply

There are three issues to be addressed. Firstly, seed supply. Enormous progress has been made in the genetic improvement of P. radiata to the extent that New Zealand is the world leader in the field. The advantages of planting genetically superior material are so successfully promoted that the best we had available five or six years ago is now not considered good enough. Foresters want the best, they are learning to be prepared to pay for it and they want lots of it, but supply of seed is restricted. In the 1991 sowing season nurseries received an allocation of two-thirds GF17 and one-third GF16. For the 1992 sowing season allocation of open pollinated seed again had to be made but this time it was one-third GF17 and two-thirds GF16. Admittedly only a small difference but only achieved by collection and artificial ripening of immature cones. So what effect is that going to have on next year's supply?

Then, of course there is the Control Pollinated situation. Reasons have been put forward for the crop failure which, if correct, indicate that the technology we believed made us world leaders is faulty. If the technology is not faulty then the reason for crop failure must lie with the competence with which the technology is applied.

Approximately 100 kg of CP seed was available of which Proseed, in their wisdom, decided to sell 20kg by tender and use the resultant prices to establish a value for the total amount, the rest being allocated to members of the Radiata Breeding Co-op. Curious? This despite their monopolistic position and despite the pleas from the Forest Nursery Growers Association to revert to the equitable system of allocation dependent on total P. radiata seed usage, which meant every grower got something whether for seedling production, establishment or maintenance of cutting stool beds. The result has been:

- an increase in Proseed's perceived value of CP seed based on prices entrepreneurs are prepared to pay for short-term gain;
- the risk of this seed being sent out of the country (visions of kiwifruit);
- the available 20kg of seed being used for mainly seedling production producing at best 40,000 seedlings, instead of using that scarce resource to much greater effect by cutting production;
- the inability of the majority of nurseries to obtain material for the establishment or maintenance of cutting stool beds;
the total loss by Proseed of credibility and client regard within the Nursery industry.

Research and Development

The second issue is Research and Development. Because of its state of limbo Proseed is, to my knowledge, not carrying out any research or development into genetic improvement of any species, nor is there any development of existing or new seed orchards. While the major forestry companies may be carrying out R&D, the results of their efforts will not necessarily be available to the industry as a whole. The Tree Breeding Co-op presumably has some activity in this area but only for the benefit of its own members and I suspect there are reservations as to those benefits.

Suggestions have been made for funding of R&D through some form of levy on tree stocks, but I would suggest that before any nursery manager would participate in collection of levies they would require a system displaying much more equity and integrity than at present.

After all, Proseed still forms part of an SOE and its assets were put in place by the taxpayers, not through any effort by Proseed or its parent, and while it can be conceded that the taxpayer is entitled to a return, that return should be based on performance and service to its industry, not a short-term gain.

The NZ Forest Nursery Growers Association has been established for the very purpose of providing cohesion and discipline to a vital part of the forest industry and the current problems we face are indicative of the need for such an organisation. Membership is high, with almost all growers of forest tree stocks being represented from the major companies to the smaller operators.

Where to Now?

The third issue is the future of Proseed. The present system of ownership, management and relationship with other producers of genetically improved material as well as the Tree Breeders Co-op seems to be impractical.

There must be some sympathy for staff. They have coped with an extended period of uncertainty and rumour pending the sale of their employing company with all the indecision and frustration through lack of resources that must be their lot.

There seem to be two options for the future of Proseed and both have already been canvassed:

- ownership transfer to MOF or FRI. This would protect the 'national interest' status of the company;
- purchase by a consortium, but consisting of forest owners, nursery owners and FRI.

In both instances the company should be managed by a Board consisting of all interested parties and, while I believe the first option to be preferable, there is reservation regarding the ability of FRI to provide competitively priced R&D. This has to be balanced against the expertise within FRI as opposed to any other organisation capable of providing research.

Whatever happens Proseed must be controlled by people experienced in the practicalities, who have an understanding of the requirements and who can make decisions based upon the long-term advantage to all.

There we are! Something to reflect on and hopefully to constructively comment on.

Adrian Ford
President
NZ Forest Nursery Growers Association

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Eucalypt planting in Chile

Chile has taken to eucalypts - as the Chileans says, they have a 'fever'! The following observations on their programme were made in November 1992. While there could well be some inaccuracies in the data (it was not easy to get reliable figures), the overall impression should be of interest.

Chile now has about 100,000 ha of eucalypt plantations. The latest planting expansion only began three seasons back. For the last two years they have planted about 31,000 ha per year. The majority of the planting has been with large private companies (perhaps 22,000 ha per year). The remainder is by private investors.

The objectives of the plantings are to provide short rotation pulp, not sawlogs. The companies have identified the shortage of this type of hardwood pulp. I was told that hardwood pulp is currently worth about 75% more per tonne than radiata pine pulp, making the investment very attractive. Currently only one pulpmill in Chile is using eucalypts, but there are several pulp companies planting.

Most of the area being planted is in the Central Valley region around Los Angeles and Angol. However planting is widely spread - from Santiago in the north to south of Valdivia and on some of the coastal areas. Much of the planting is on farmland but there is some conversion of radiata going on as well. Some of the areas being purchased are degraded farming soils, but others are more fertile, being deep andesitic soils. Even irrigated land has been purchased. The prices being paid for land can exceed $US1000 per ha - $US1300 is not uncommon. The competition for land is pushing up prices. On top of this some companies were willing to invest $US600 in establishment - even higher if the areas are close to the mill.

Eucalyptus globulus is the preferred species (80%) with E. nitens the second species (5%). Depending on sites there are general view of a one-year-old Eucalyptus globulus plantation in the Central Valley, Chile. Photo D.J. Mead.