Profitable processing, passion and log grades

Profitable Wood Processing was the theme of the 2004 NZIF Conference in Gisborne.
A stimulating array of papers was presented on wood processing and the linkages back to the forest resource and forward to the markets for forest products. Congratulations go to Howard Moore and the organising team for developing such a good programme.

This Journal features six papers from the Conference:
• Mark Abbott explores the concept of branding and differences between commodity and differentiated markets.
• Dave Cown and Louw van Wyk call for an improvement in the quality of wood delivered to log purchasers and end users.
• Bruce Anderson emphasises that value comes from meeting customer requirements.
• Graeme Young makes the case for an update of the national log grades.
• Andres Katz specifies the log requirements for log export markets.
• Russell Judd compares the potential for improving value realisation at harvesting with recent practice.

The papers explore ways of profitably adding value through better marketing, manufacturing, harvesting and log-making. They focus, in different ways, on how to meet customer needs.

The presentation by Russell Judd was a cry from the heart for the industry to make better use of both the technology and bright young talent that is available. A forestry graduate with four years experience, he spoke with great passion about the hard lessons that he has learnt and the realities of trying to implement new technology in New Zealand forestry. He noted the relevance of the French management saying “That’s all very well in practice but it will never work in theory” and also adapted a line from Winston Churchill “Men stumble over a good idea from time to time, but most pick themselves up and hurry off as if nothing happened”.

Russell’s presentation was particularly hard-hitting about companies that focus so much on cost-minimisation that they fail to recognise or invest in opportunities that will add value. He gave an example of a company trying to implement a log-making system to maximise value but not giving the log-maker any incentive to cut for value. Rather the log-maker was paid on the volume of logs produced.

The “story-within-the-story” presented by Russell is really about people. The reality of driving cost out of an industry is about driving people out. His challenge is for the sector to provide career opportunities that utilise the energy, enthusiasm and technological know-how of young graduates.

The plea by Graeme Young that “As an industry we need to move together to develop a new set of standard grades and measurements” also struck a chord at the Conference. Bruce Anderson certainly agreed and commented that “refinement of and adherence to log specifications, that the market requires to compete efficiently, can still produce the best forest values”. The key is in producing logs that meet specification and are fit-for-purpose, and thereby allow customers to meet the needs of their customers.

As someone involved with the development of the current “national” log grades in 1985, I would certainly endorse the need for a review. When Gus Whiteside and I developed the FRI log grades there was widespread opposition particularly by sawmillers, many of whom were used to a diet of ungraded “run-of-bush” logs and suspected that log grades were an attempt by the NZ Forest Service to ratchet up log prices. Since then of course, log grading has become standard practice but with many variations applied. Although companies all seem to have their own long list of unique market grades, once they are collapsed back to a set of 5 to 10 key grades, there is considerable commonality.

A national set of log grades provides a common unit within the sector and has a wide range of application including:
• Log trading – although many companies have their own market grades, national log grades provide a benchmark and therefore a basis for comparison.
• Market price information – e.g. MAF publishes a quarterly survey of log prices using the current grades.
• Forest valuation – the log grade prices are an important input to forest valuation.
• National and regional wood supply forecasts by MAF/NEFD – these forecast volume by aggregations of the current log grades.

An overhaul of the current national grades is in order given the changes in market requirements, resource characteristics, assessment techniques and technology over the last 30 years. The need for a review was discussed at the NZIF AGM that followed the Conference. Consequently, a request has been made to Murray Sherwin, Director-General of the Ministry of Agriculture and Forestry, seeking MAF support in facilitating such a review.

Bruce Manley