For Sake of Argument Justifying Costs of Tree Growing

I find recurring references in literature and in conversations with colleagues to tree growing costs in Canada as "investments" rather terrifying. It is almost as though compound interest must rule. The virtues of "economic rotations" are apparently being accepted on an "of course" basis to name only one example. I don't believe the investment perspective is necessarily the right one for general use in Canada, and if applied in the wrong circumstances it could provide very dangerous guidance. Needless to say if reasoning with respect to cost benefits of applied silviculture are awry any pretence at cost-benefit discussion of silvicultural and related research is mythical in the extreme.

A renewable natural resource is a special kind of asset to a country and at best the application of cold economic reasoning in respect to its maintenance or improvement is far from satisfying. Nevertheless, costs incurred in the interests of maintaining or improving the capacity of forest land to produce wood for industry must be judged in economic terms.

We live in a capitalistic economy and investment-style reasoning is at the heart of it. Capital is raised for various purposes and interest charges for the use of capital are a fact of life. When investments are made in tree growing with a view to recouping these at some future date it is entirely reasonable to expect to obtain the original investment plus interest plus profit. Unfortunately in Canada where the rate of tree growth is relatively slow by world standards investment-style reasoning using realistic interest rates, tends to make tree growing look like a poor proposition in relation to money growing.

Ramifications of the concept of competitive investment opportunities concern not only the establishment and growing of stands but time of harvest. Pressures are exerted towards restriction of cultural costs to situations of exceptional potential profitability and by the application of various "economic rotation" formulae, towards the harvesting of fast growing merchantable stands. If expenditures on reforestation and stand care are held at a low level and if "merchantable" stands are harvested well

before they reflect the potential of the site to produce merchantable wood progressively decreasing limit productivity is inevitable.

It is not in the interests of forest industry in Canada or of the Canadian forestry profession to be found by investment-style thinking in respect to costs incurred for tree growing to any greater extent than is absolutely necessary. There may not be any alternative in the relatively rare cases in which capital is raised specifically to finance tree growing. There almost always will be some elements of the total cost which have to be regarded as capital expense. To literally "go overboard" for investment-style reasoning to the extent of pretending that numerous current costs are capital investments would be disastrous.

The typical situation in Canada involves an extensive limit managed by responsible public or private interests. It is operated as a going wood-growing concern. The forest on it is of natural origin and there is no capital cost for forest establishment to be written off. There may be some capital costs involved for such items as limit acquisition and permanent improvements. However, most costs the forester thinks of as silvicultural and protection costs are of a different nature. They are incurred annually in order to justify harvesting more benefits annually from the limit as a whole than would otherwise be reasonable. Costs are incurred each year and benefits due to incurring these costs are obtained each year.

This is essentially a current transaction in the perspective of the limit as a whole. Limit productivity can be maintained or gradually built up. Wood can be grown where it is most likely to be needed. A profit is obtained each year on the costs incurred.

Investment-style reasoning with its tendency in Canadian application to discourage, one by one, the actions which enable the above situation to be achieved should be allowed to intrude only to the extent it genuinely applies.

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