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By **Robert S. Smith**

Can't see the forest for the trees

While still struggling with 9% unemployment, the powers that be in the great state of Oregon have done a remarkable job ignoring the obvious concerning job creation.

Due to abundant rainfall and a mild climate Oregon is still one of the best places on planet earth to grow trees. Prior to federal timber lands being placed off limits due to the Spotted Owl, the Willamette National Forest was the most productive in the world in terms of soft wood lumber.

We may have been willing to tolerate this environmental conceit 20 years ago, but it is a luxury we can ill afford today. Yes, demand for wood in North America collapsed after the housing bust of 2008. But there has been a surge in demand from across the globe, primarily from Asia, Japan, South Korea and China that is driving up demand for timber from the United States. And as the growth of these emerging economies continues to outstrip the west, they are going to use a lot more timber in the future.

Worldwide demand for softwood lumber rose 18% in 2010, continuing a trend that started in early 2009. In the first quarter of 2011 global wood consumption is up 20% compared to the same period last year. Environmental hubris should not prevent us from taking full advantage of this opportunity.

Support for this argument can be found from sources as far afield as legendary value-investing guru Jeremy Grantham. He claims that timberland is the single best long-term investment there is. According to Grantham, timber has risen steadily in price for over 200 years and has returned an average of 6.5% a year over the last century.

Grantham is not alone in his enthusiasm for timber. Over the past few decades, top university endowment and pension funds have plowed an estimated \$40 billion into timberland. The Harvard Endowment Fund currently has about a 9% weighting in timber.

This only makes sense when you consider that trees continue to grow through bear markets, financial meltdowns, recessions and wars. Furthermore, unlike other agricultural commodities, trees do not have to be harvested. If prices or markets are not quite right, wood can simply be "banked on the stump."

And let's not forget that timber is a hard asset. With Ben Bernanke creating more money than God, it is increasingly important for individuals and institutions to be hedged against inflation with a portion of wealth stored in real assets.

But what good does all this stored value do if the vault remains locked? Let's tell the political class to simplify things: This is Oregon. What do we do better than anyone else? We grow trees. So let's put the "folks" back to work and make some real money harvesting trees and processing lumber.

Time is of the essence. Douglas Fir logs rose 19% in price in fourth quarter of 2010 alone. This will only be exacerbated by the recent Tsunami in Japan. Once ports, roads and power are working there again, demand for lumber and plywood will explode. Supplying Japan's rebuilding needs will be a global undertaking. This could employ much of rural Oregon for years to come. Let someone else worry about turning switch grass and cow poop into energy.

Robert S. Smith, MBA, is president of [Peregrine Private Capital Corporation](#).