

Industry levy proposal widely endorsed



Most forest production research benefits all forest owners, but is funded by voluntary levies which not all growers contribute to. A compulsory levy would be fairer and would give everyone a say

Forest owners around the country have been quick to back the suggestion that they may be asked to pay a commodity levy to fund research and other activities.

NZFOA president Peter Berg says calls, mostly very supportive, began almost immediately after the idea was floated in a post-AGM press release. Among those to ring in support were some who are not currently members of the various organisations already funding activities through levies.

"There was a general feeling that a commodity levy would be a mechanism to bring the various industry parties closer together, to co-ordinate activities and generate a greater sense of direction and participation," Berg said.

"There was also a view that industry-wide levy funding would help overcome current frustrations about marketing and development of value-added products."

The Pine Manufacturers' Association was one of the first to endorse the levy idea.

Encouraged by the response, a group is now investigating the proposal in detail.

"Introducing a commodity levy involves a number of rounds of consultation with stakeholders including the minister," Peter Berg said. "If everything goes smoothly, we could have the process in place by mid-2005."

Among the issues to be considered is at what point a levy would be collected (probably around the time of harvest) and on what basis, as well as the amount to be paid, and the uses to which it would be put.

The Farm Forestry Association (FFA) was the first industry group to formally back the idea at its November Council meeting, followed by the NZFIC later in the month. The proposal was endorsed by the NZFOA Council meeting on December 2.

FFA chairman Ken Stephens said the presentation by Lees Seymour made a very good business case, although it is fair to say some of its members are waiting for further information before they will be convinced. FFA has contributed \$10,000 to the \$50,000 cost of investigating the proposal.

FFA has for some time been concerned at the number of people able to take free advantage of material developed with membership funding. A third of all farm foresters belong to the FFA, "but we don't know if they represent a third of all forestry on farms," Stephens says.

Berg says compulsory levies may not mean individuals already paying levies to an organisation will have to pay more, as the overall funding pool will increase.

"There is still a lot to work out. If we are to levy the industry as a whole, we must show excellent stewardship of the funds we raise. This is only the start of a process that should benefit all forest owners, and there will be more and more information coming out next year."

More information: Peter Berg phone 0274 421 291. 

IN THIS ISSUE

Market prospects improve	page 3
Forest owners property rights	page 4
Resource Management Act	page 5
Fairer rural road solutions	page 6
Hyperspectral biosecurity	page 7



In my view

Equitable funding needed

At the NZFOA annual meeting, president Peter Berg supported the introduction of a compulsory levy on forest growers to fund industry-good activities.

The concept of such a levy has been discussed within the industry for several years but Peter Berg's comments have given the idea increased impetus.

Unlike many other primary industries, forestry does not have a tradition of statutory producer boards or compulsory levies. Obviously when the great bulk of forests was owned and operated by the state, industry-good type activities such as training and forest health surveillance were carried out in-house as normal operational activities. Even after the sale of most state forests, the Ministry of Forestry continued to undertake a number of industry-good activities such as market intelligence and investment promotion.

Today, however, the commercial plantation estate is virtually totally privately-owned. Moreover, unlike most other primary sectors which are characterised by a large number of small operators, the forestry sector has a number of different ownership structures from large corporates to small woodlot owners, and a high degree of vertical integration.

The disparate industry ownership structure lends weight to the case for an industry-wide compulsory mechanism to fund those activities which are better undertaken collectively rather than individually – if for no other reason than to provide greater equity.

Industry-good activities like exotic pest and disease identification and eradication, forest fire research and prevention, and training are essential.

But unless a better way of funding them can be devised, the cost could become too burdensome for existing voluntary funders.

This could become a distinct possibility with the increasing fragmentation of ownership and the increase in smaller forests which traditionally have not contributed significantly to these activities.

In addition to domestic industry-wide activities, forest growers need to be committing more resources to better position New Zealand *Pinus radiata* on international markets. All reports on the international perception of our main plantation species tends to place it at the lower end of the market.

However, as New Zealanders know through long usage, *Pinus radiata* is a sound structural and appearance type timber. And the end uses are steadily increasing as science finds new ways for us to exploit this great renewable resource.

But unless a better way of funding them can be devised, the cost could become too burdensome for existing voluntary funders.

To lift *Pinus radiata* out of its current international market position will take a concerted industry-wide effort; an effort which will require significant funding.

As all producers of primary products are aware, they are the price-takers. It is in their interests, therefore, to contribute to increasing the access and promotion of their products in the marketplace so the residual price they receive is higher than it would otherwise be.

Obviously before a compulsory levy can be introduced, important decisions need to be made on a wide range of issues:

- What products should be levied?
- At what stage in the production chain?
- What should the levies be spent on?
- What should the governance arrangements be?

The Commodities Levy Act – the legal vehicle to apply for and collect compulsory levies –

rightly requires high levels of communications with potential levy payers, a high threshold of approval to introduce a levy, and stringent accountability procedures.

The NZFOA Executive Council has formally endorsed president Peter Berg's support to consider a compulsory levy. It will be working hard over the next few months to work through all the issues with a view to seeking all forest growers views on the introduction of such a system to help fund industry good activities, and thereby help grow a profitable industry. 📄

NZFOA Executive Council 2003/2004

The NZFOA Executive Council for 2003/2004 is:

President,

Peter Berg, Berg Forests Limited

George Asher, Lake Taupo Forest Trust

Tony Bond, Fletcher Challenge Forests Ltd

Peter Clark, P F Olsen & Company Ltd

Sheldon Drummond, Juken Nissho Ltd

Kerry Ellem, Selwyn Plantation Board

Jeremy Fleming, Carter Holt Harvey Forests

Brian Pritchard, Pan Pac Forest Products Ltd

Charlie Schell, Crown Lease Forests

Lees Seymour, Weyerhaeuser NZ Ltd

Peter Weir, Ernslaw One Ltd

Neil Woods, Timber Management Co Ltd

Further information on the Executive Council can be accessed on our website: www.nzfoa.nzforestry.co.nz 📄

Forest potential still looking bright

World forest product markets are tipped to make a modest recovery in 2004 but, if the Kiwi dollar remains high, this may not be reflected in returns to NZ forest owners.

NZFOA president Peter Berg says any recovery in log prices to New Zealand growers will be gradual. The main drivers will be the next down-cycle in the Kiwi dollar and improved availability of shipping.

"We would like it to be otherwise, but NZ forest owners are supplying commodity markets."

The softwood forest product trade – in which New Zealand's radiata pine is a player – is being driven by four main factors: economic uncertainty; over-supply in North America; increases in production in Russia, South America and New Zealand; and a dramatic increase in demand from China.

"In 2002, China imported 16 million m³ of logs, a massive increase on the 1.45 million m³ imported five years before," Berg explains.

Surging demand from China for all commodities had a perverse effect on NZ forest product exporters in 2003, pushing up demand for the class of ships which normally service the NZ log and lumber trade. Berg says relief – in the form of new ships – is not expected inside 12 months.

Chinese timber demand is expected to reach 200 million m³ by 2010, of which 100 m³ will need to be imported. Competing with New Zealand will be other suppliers, including Brazil, Chile, and the countries which made up the former Soviet Union, but there may be room for all.

"New Zealand's total log production is expected to reach 30 million m³ by 2010, a small fraction of the world softwood trade," says Berg.

"If our industry strategies have worked, we'll be supplying China and other markets with high-value products, while other countries supply logs."

The Russian harvest is thought to be 180 million m³, of which at least 40 m³ is exported, mostly to Western Europe and China.

A formidable competitor, Russia enjoys a weak currency and abundant low-cost forest resources.



China's demand for softwood timber is growing rapidly. NZ marketers have to compete with suppliers from around the globe, but the size of the market means there may be room for all.

For some time now, Western European producers of sawn softwood have been finding it difficult to compete with low-cost exports from countries of the former Soviet bloc. In response, they have moved into the production of speciality, value-added and engineered wood products.

Berg says the same strategy needs to be adopted here.

"Overall the potential for our forest products exports is very good. We are working with

Government to facilitate more processing and hope to shortly have an internationally recognised sustainability standard available for our products. However we will have to maintain and even lift this effort for sometime yet, if the full potential is to be recognised.

"In the meantime, NZ forest owners are reliant on spot commodity prices for their incomes. In good years, it's not too bad. But in the last 12 months it has been far from satisfactory. 📉

Chinese approve radiata

New Zealand radiata pine is to be recognised in the Chinese Building Code.

New Zealand Forest Industries Council chief executive Stephen Jacobi said the decision opens up higher value markets in China for radiata pine and positions it alongside competing species from North America.

Forest products exports to China in the year to June 2003 were worth NZ\$345 million – making it the industry's fifth largest export market after Australia, Japan, Korea and the United States.

NZ forest product exports, expressed in roundwood equivalents, totalled 16.47 million m³ for the June 2003 year, up 5.3 per cent on the previous year.

Worth NZ\$3,488 million, forest products made up 12.4 per cent of New Zealand's total merchandise exports – up from 11.9 per cent the year before. 📈

Property rights for forest owners

Forest owners are facing multiplying threats to their property rights. They now need to “stand up and be counted”, or risk having their land appropriated or having restrictions put on its future use, NZFOA environment committee member, Murray Parrish says.

Speaking at a post-AGM presentation, he said the bottom line is that any access should be by voluntary agreement and based on existing legal rights, with no retrospective ‘takes’. “If there is to be compulsion, it should be compensated as provided for in the Public Works Act. Otherwise it will be seen as outright theft of property rights,” Parrish said.

Concerns were most recently raised by the findings of the report *Walking Access in the New Zealand Outdoors* by the Land Access Ministerial Group chaired by John Acland, published in August this year.

Parrish says the Public Access Review Group is calling for a “return to the ethos of the 1960s” where public access was seen as a birthright of all New Zealanders. This approach ignores other major societal changes that have taken place.

“It’s not possible to turn back the clock, any more than it would be to reinstate SMPs or have the majority of forest land in state ownership and managed for multiple uses.”

Forest owners have a tradition of granting public recreational access whenever it does not conflict with the needs of forest production. Such agreements have been arrived at voluntarily and generate a large amount of goodwill. This would be lost with compulsory access.

“If the public wants guaranteed access forever, the land should be purchased under

the Public Works Act, and the land owner compensated,” Parrish said.

Carter Holt Harvey made this point in a detailed submission, and he urged other landowners to adopt a similar position.

“Access is an area where farmers and foresters have a common interest. We support the



If New Zealanders want year-round recreational access to plantation forests as of right, the land owner should be compensated and absolved of their legal liabilities under the Health and Safety Act

Federated Farmers’ position that, if access is to be required, then property owners should not bear responsibility under the Health and Safety Act for those who choose to come on to their land for recreation.”

Foresters have a related concern over proposals put forward by Environment Waikato to protect Lake Taupo from excess nitrate, particularly the idea of locking land into its current use.

Parrish argues there can be many reasons, including changes in the use of adjoining land, that may mean forestry is no longer an appropriate use. Any restriction on future land use is an economic penalty on the owner.

“We assume the Government’s motivation in the past has included ensuring high rate and rental returns. Whatever the reason, regulatory constraints on nitrate are unfair to forest owners whose land use helps reduce the nitrogen overload,” Parrish says. “We say: the polluter pays.”

The Government’s Biodiversity Strategy also has the potential to grow into a hydra-headed monster, with a clash of views about how biodiversity on private land should be protected, and who should pay associated costs, Parrish said.

“NZFOA members should make their feelings known on all these issues. Our sector has fewer voters – so we have to make more noise.”

Nitrate in Lake Taupo

The Forest Owners Association believes that Environment Waikato’s proposed strategy in respect to Lake Taupo is another example of the erosion of a property right – and without compensation.

The Association has written to the Council stating that the proposed strategy gives inadequate consideration to the impacts of the proposed regulatory intervention on forestry. The proposed strategy is seen as inequitable, inconsistent with statutory expectations as set out in the Resource Management and Local Government Acts, and may not achieve sustainable reductions in nitrate input to the lake.

The Association believes that the Council’s proposal would have the effect of rewarding the polluters with greater rights and therefore land values than those whose activities have not damaged the environment; in fact, which have enhanced it.

The immediate financial impact on forestry is estimated to be thousands of dollars per

hectare reduction in value by effectively preventing forest owners from changing to an alternative land use.

The available nitrate assimilative capacity of the Taupo catchment should be allocated equally across all landowners within the catchment. The result of such a policy would be a shift in land use over time to those which can operate profitably within the “environmental bottom lines” of the area.

If the Council continues to pursue its draft strategy, the forest industry will again be faced with an appropriation of a right without compensation.



The inefficiencies, costs and delays imposed by the Resource Management Act apply to all industry operators, regardless of their environmental performance or impact

Significant reform needed for RMA

Significant reform of the Resource Management Act is needed, rather than amendments aimed at individual problems, the NZFOA and NZFIC have told the Local Government and Environment Select Committee.

In a joint submission, the organisations said the RMA "requires amendments which result in more national standards and fewer discretionary consent applications."

The proposed amendments, relating to energy and climate change, "are the results of specific concerns raised within Government, but leave the wider issues which give rise to the need for these amendments unaddressed."

Speaking to the Select Committee, forestry representatives underlined the need to set national environmental standards that cannot be changed at the discretion of local authorities. Despite getting little reaction to their presentation, Bruce Chapman says they will continue to take every opportunity to call for an overhaul of the RMA and the inefficiency, costs, duplication and delay inherent in its processes. 📄

Safety

High visibility garment registration

The FOA has for some time been examining the specifications for high visibility clothing for use in silviculture and harvesting operations.

New Australasian standards adopted in 1999 provided generic pan-industry specifications that were largely inappropriate for forestry. The regulations, however, provide for an industry to develop specifications which meet that particular industry's needs.

As a result, and working closely with OSH, the

University of Waikato, and safety clothing suppliers J&S Topp Ltd of Napier, the Association has developed guidelines for high visibility garments appropriate for forestry use. It has instituted a system of voluntary registration for garment manufacturers and suppliers and is now inviting them to submit garments for registration.

For further information contact, Liam Malone, liam.malone@nzfic.org.nz 📄

Fire protection survey

The NZFOA's Fire Committee has recently commissioned research on the economics of forest fire protection.

To be undertaken by consultant Geoff Cameron and scientists from Forest Research, it aims to quantify the forestry sector's contribution to rural fire management in New Zealand, both in financial terms and in the provision of equipment and skilled personnel.

The research also aims to compare current fire protection expenditures with those during the New Zealand Forest Service era, and with expenditures on other forestry risks such as wind, and pests and diseases.

A major component of the research is a survey of individual forest owners. NZFOA members should receive a questionnaire early in the New Year.

NZFOA Fire Committee chair Kerry Ellem stresses that "the survey, while comprehensive, is very important and should be completed by all NZFOA members".

The information gathered will also enable the NZFOA to develop a credible "go forward strategy" in relation to the Department of Internal Affairs review of forest and rural fire legislation and funding. 📄



Forest owners make a major contribution to rural fire management in New Zealand, both in terms of finance and personnel

Co-operation can cut roading costs



High-spec roading solutions are not always needed when forests are harvested. But if they are, forest owners should not be required to pay twice

During the productive lifetime of a forest, logging typically has no more impact on district roads than some other users – such as milk tankers – according to a new report commissioned by the NZFOA.

Yet forestry is being singled out by local bodies to fund roading upgrades.

The *Review of Issues Relating to the use of District Roads for the Transportation of Forest Harvest*, was prepared for the Association by Frame Group Ltd.

It quotes a Waikato Regional Council study that shows that dairy farms generate twice as many truck movements per hectare per year than beef farms or forestry, with sheep farms using the roads even less.

The Frame Report details a number of con-

structive ways in which forest owners and Territorial Local Authorities (TLAs) can work together to ensure that district roads can manage forestry traffic during the peak demand at harvest time. Some options will benefit the whole community at relatively little cost.

Simple strategies, such as ensuring adequate pavement strength when roads are constructed, will reduce lifetime maintenance costs. Traffic management, including good signage, can be very effective, as can restricting the time or weather when roads can be used.

NZFOA chief executive Rob McLagan says that, ideally, forest owners and local bodies should get together to plan for future roading needs. He also says the significant rating contribution made by owners over the whole life of the forest should be considered an advance payment on the short-term demands made on roading services at harvest time.

"If a council finds it cannot fund its infrastructure from its rating base, then it should look to the example of the Banks Peninsula District Council, and actively seek to merge with a larger partner," he said.

Find out more: Trevor Butler, Frame Group Ltd, Trevor@frame.co.nz

Forest Industry Framework Agreement

Climate Change Agreement on track

NZFOA President Peter Berg has welcomed the announcement that the proposed Forest Industry Framework Agreement (FIFA), between the Government and the forestry sector, is expected to be concluded in the next few months.

Berg said that through the FIFA proposal the industry had sought to address issues surrounding the Government's retention of carbon sink credits and their associated liabilities, by ensuring there were market-based incentives for continuing planting.


He recently met with Climate Change Convenor, the Hon Pete Hodgson, along with NZ Forest Industries Council (NZFIC) chairman Devon McLean, and NZ Farm Forestry

Association Executive Council member Denis Hocking to progress the proposed FIFA.

In a joint statement after the meeting, Mr Hodgson said that the FIFA would recognise the essential role forests and their owners play in providing the carbon sinks that will help New Zealand to meet its obligations under the Kyoto Protocol.

"The Government has a keen interest in the

health of the commercial forestry sector. Profitable and expanding wood processing industries are an important part of a healthy forestry sector, encouraging new investments and re investments."

The agreement, which will need to be canvassed with forest growers, will include a package of policies and programmes to support the forestry industry's future growth. 

Targeted spray programme for Dothistroma

A much more targeted spray programme for Dothistroma should be possible soon, following trials using hyperspectral imagery carried out over Labour Weekend. The trials were part-funded by the NZFOA.

As previewed in *Forestry Bulletin*, Winter 2003, GeoSmart (formerly Air Logistics) scanned central North Island radiata forests using a CASI-2 camera which incorporated technology developed by Australia's CSIRO.

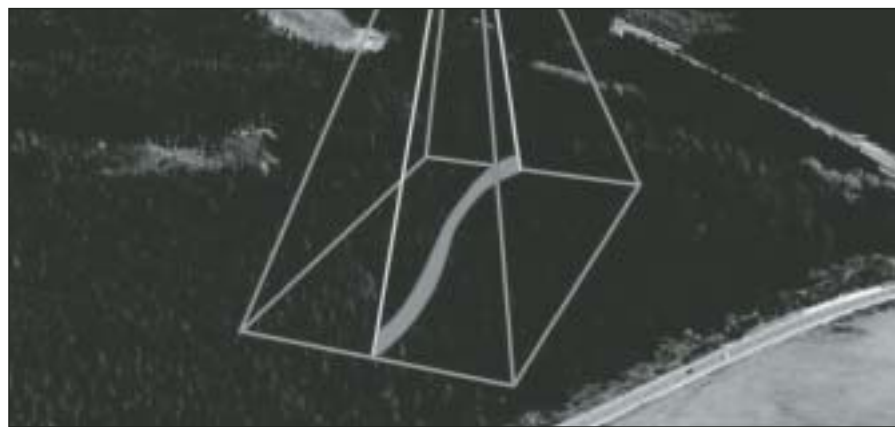
CASI, or Compact Airborne Spectrographic Imager, combines the best features of aerial photography and satellite imagery with the analytical potential of a spectrophotometer. It can be calibrated to identify particular species of trees, weeds, and even diseases.

In the case of the needle blight Dothistroma, the camera will pick up variations in the chlorophyll molecules of the affected radiata pine, and can show different levels of infection, says technology broker Bill Dyck.

"In a couple of months, when the results are analysed, GeoSmart will have a much better idea on where to go with the commercialisation of the technology. The Dothistroma surveillance programme at present relies on visual observations through the plane window. The camera takes the subjectivity out of assessment and should be able to improve spraying precision."

Bill Dyck says CASI has huge potential for use in forest health. "In the current outbreak of Dutch Elm disease, MAF had to map all 18,000 elm trees in Auckland, more or less by hand. Using CASI, it could be done in few hours."

More information: Bill.Dyck@xtra.co.nz



The technology has yet to be commercialised, but CASI can be calibrated to identify particular species of trees, weeds, and even diseases

Third annual forest health workshop

Mark it in your diary now: the third annual Forest Health Workshop for forest owners will be held in Rotorua on Tuesday 24, and Wednesday 25 February, 2004.

Positive feedback about the value of the first two workshops, which provided an opportunity to update on a range of forest health issues, prompted organisers to sched-

ule another day, organiser Bill Dyck says.

"The agenda for the day is still being finalised, but pine pitch canker will definitely be one of the topics."

The workshop is organised by the NZFOA and Ministry of Agriculture and Forestry. More information: Bill.Dyck@xtra.co.nz

New tools for pest spotters

A new tool for forest biosecurity should be available early next year.

It will be a flipchart guide showing the high-risk pests and diseases which we don't have in New Zealand. Like the existing guide for established pests and diseases, it is designed to take with you when working in or visiting a forest.

Wei-Young Wang, chairman of the NZ Forest Health Research Collaborative, which is funding the production of the booklet, says, "If everyone tries to spot new pests and diseases we'll have a better chance of finding them quickly enough to get rid of them."

Peter Thomson, MAF director of forest biosecurity said, "While the formal surveillance funded by MAF and the NZFOA is essential, none of us in the industry can afford to just leave it to the professionals.

"Both the painted apple moth and the fall webworm were discovered following reports from the public."

Thomson says anyone who spots something of concern can contact Vigil, Forest Research's forest health advisory service, on 0800 765 000. However, if pests or diseases are suspected to be new to New Zealand, they must be reported to MAF on 0800 809 966.

Vigil, along with Forest Health Dynamics, has been contracted to carry out this year's forest health surveillance scheme, which is available to all forest owners. As well as a check for pests and diseases, growers can use the scheme to identify wider forest health issues before they become a major problem.

MAF director of biosecurity, Barry O'Neil, says the collaborative forest biosecurity initiatives that have developed in partnership with forest owners are a means to get maximum benefit from resources, and a model of collaboration for other sectors. 📄

BIA decision awaited

The eagerly-awaited Building Industry Authority (BIA) decision, on the circumstances in which framing timber used in housing construction should be treated, is expected before Christmas.

After the Hunn Report into leaky buildings, the BIA initially proposed that all timber used in building construction should be treated to prevent rot.

In a joint submission, major forestry industry players, including the FOA, said this was an "extreme approach" which would require unnecessary expense such as treating Douglas fir, for which there is no evidence of rot where design and construction are appropriate. The decision was originally expected by the end of November. 📄

Fire research hopes

Fire researchers hope to have some indication this month (December) whether they will be able to 'reignite' funding for the rural fire research programme, based at Forest Research.

A bid has been submitted to the Foundation for Research, Science and Technology for funding from the Natural Physical Hazards output area. Earlier this year, an application for continued funding under the Sustainability round was turned down.

The proposal, "Protecting New Zealand from Rural Wildfire" aims to address "the four Rs" of fire risk management: Reduction, Readiness, Response and Recovery, and was developed in partnership between Forest Research and the Forest and Rural Fire Research Advisory Committee (FRFRAC).

Building on previous research, one aim is to develop models for predicting fire behaviour in different vegetation types based on weather and topography. New research is also planned into how communities like Marlborough recover from major fires.

Contact: Kerry Ellem kellem@clear.net.nz 📄

Ireland funds forestry

Irish sheep and beef farmers have been paid \$4000 a hectare to convert marginal land into plantation forestry. To plant species like oak or ash, the payment was \$7000 a hectare, Liam Malone says.

In New Zealand for a year, Liam Malone is on a six month contract with the NZFIC and NZFOA. He is employed by the Irish Forestry Board (Coillte). It manages all the plantation forestry currently being harvested, 450,000 ha or 75 per cent of total plantings.

He says incentives during the past 10 years have encouraged significant expansion in forestry, though it is still a



The NZFOA's man from Ireland, Liame Malone relatively minor land use and current production can meet only 50 per cent of domestic construction needs.

Ireland grows Sitka spruce for domestic construction. "After 40 years the average tree is about half the size of a 30-year old Pinus radiata. It yields about 400 cu m per hectare," Liam says.

Liam has a number of forest visits lined up while in New Zealand. He is enjoying everything except Wellington's weather, which so far is "frighteningly like home".

His first impression: "It's great to see forestry industry so prominent in the overall economy, and the good lines of communication with government."

Contact: liam.malone@nzfic.org.nz 📄

Healthy forests safer

California-style wildfires are not likely to occur in New Zealand despite predictions of a warm, dry summer in key forest regions, especially the eastern North Island.

Our high level of forest health is one reason. Another is the systems in place to ensure early response when conditions look dangerous, National Rural Fire Officer Murray Dudfield says. These include constant monitoring by remote automatic weather stations.

"New Zealand forests don't suffer the defoliation by bark beetles that made the Californian forests so tinder-dry during elevated fire danger periods. And far fewer people live near our forests." 📄

ACC reward safety

For reasons of accountability, forest industry representatives are pleased that ACC has retained the number of risk groups at 130. The NZFOA did not back a proposal to amalgamate and reduce them to only 56.

In submissions on the ACC Levy Rates 2004/05 Consultation, the Forest Industry Contractors Association (FICA) said the proposed 6 per cent overall levy rate increase was too high. FICA's view was endorsed by the NZFOA submission.

It says ACC needs to be as keen to reward good safety performance as it is willing to penalise poor performers, and audits should consider safety culture as well as systems. 📄

NZFOA Executive Council and Staff

wish you a
**Merry Christmas
and a
Happy New Year**

NZFOA closes on
**Wednesday 24 December 2003 and
reopens on Monday 12 January 2004**



Publication date: December 2003

New Zealand Forestry Bulletin is published quarterly by the New Zealand Forest Owners Association, 85 The Terrace, P O Box 1208, Wellington. Tel 04 473 4769, fax 04 499 8893,

email: robmc1@nzfoa.org.nz, www.nzfoa.nzforestry.co.nz
Articles may be reproduced providing the source is acknowledged.