

2017 Forest Growers Research Conference Opening

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Welcome

The Forest Levy funding mechanism for projects benefiting the entire forest industry has been a conspicuous success and I want to take this conference opening as an opportunity to review what has happened and suggest where the system is going.

Research into forestry issues is a longstanding activity which has underpinned the successful industry we now have in plantation forestry. The input came largely from the Government, its Ministers and Research Centres, now MPI and Scion. The major forestry companies contributed and efforts were made to spread this input more equitably.

This led to the proposal to raise funds from a levy on all harvested wood. A referendum was designed with input from large and small growers and the vote was overwhelmingly in favour of such a levy based on a set of parameters presented to the forestry electorate. The referendum also set that range on the levy fee that could be collected. This was set for the first year of operation at 27c per tonne of wood harvested and has not changed since then.

The parameters for allocating the net available proceeds were set and have been largely adhered to since the key focus areas identified were biosecurity protection, health and safety and research. We expected to have some \$5m to allocate of which \$3m was to be for research science and technology.

A conservative approach was taken then and applies now.

A levy has a time limit and the forestry levy mandate has to be renewed in 2019. That could be an opportunity to look at the effectiveness of the administration and the parameters for spending. Certainly the Trust members are thinking about this now as we countdown to preparation for the next referendum.

The primary focus is on what the Trust does that can benefit the whole plantation forest industry.

The Constitution of the levy organisation was carefully constructed to provide formality and balance. The Trust membership elected by both large and small scale forestry is high quality leaders contributing freely for the best interests of the industry and these leaders are influenced by recommendations of numerous FOA/FFA committees on relevant subjects.

The largest committee, the Forest Research Committee, deals with research projects and is chaired by trust member Phil Taylor who took over from David Balfour after David's retirement from Timberlands.

Trust membership is for a term of four years and there is currently an election process in place. Two places for large scale foresters have been filled by existing members but there is a contest for the one position vacant for small scale forestry. All small scale foresters eligible to vote are urged to participate in the election. Voting closes Friday 20th October.

The Trust has had the good fortune to operate in a time of favourable forest markets and the outlook for both the local and export market is sound. Any new Government (unknown identity at point of writing) is going to encourage more house building and the use of timber in all building is increasingly favoured. The export markets are also steady without the wild fluctuations of a few years ago.

The levy is calculated on volume not value so as long as harvesting doesn't fall back then the Trust income will continue at a good rate. The conservative estimates of the Trust Board have been beaten each year but the Trustees attitude is to remain restrained about what we can expect to budget for.

It has been this way from the beginning.

The 2013 Referendum presented a budget with a gross income for 2014 of \$6.550m. Instead the result was an income of \$8m. 2016 was \$8.6m gross income and for 2017 we are expecting much the same after having maintained the same levy rate per tonne.

The significant change that has occurred is the increase in the proportion of distributable funding that is allocated to Research Science and Technology. Now \$5.2m of \$8.4m.

Forestry has a really good research programme advocate in Russell Dale who is acting as our host today. He has strong links with research leaders Scion and commercial industry leaders. He and his small team in Rotorua, along with the Forest Research Committee, filter research proposals and feed recommendations to FOA and FFA which eventually find their way to the Trust Board for the ultimate decision.

We urge all parties to be vigorous and imaginative with ideas for betterment of the industry. Feed them through the system, even proposals that involve significant expenditure into the future.

This year 81.6% of the total expenditure is taken up with the work programme. The Board meets regularly to review the work programme to take into account current developments, progress and sometimes reallocation where a project or committee is not making the progress expected. But there is no problem of this sort with the Research expenditure which has risen to 62% of the work programme spending.

As you would expect Health and Safety is a big commitment at about 12% as is biosecurity at nearly 13%. The incursions of red needle cast, especially in the lower North Island forests is a major talking point and the potential to replace methyl bromide for export log treatments is being strongly supported. The EDN alternative is now being studied by Environmental Protection Authority scientists.

The importance of the relationships between the industry and Scion cannot be over-emphasised. Many of the Institutes' programmes receive funding from the levy. Proposals for research keep bubbling up, results are produced, improvements notified. We will hear more about their work today.

Scion have been particularly active in looking at the co-benefits of growing plantation forests. There is now much better recognition amongst growers, regulators and administrators about benefits beyond the wood grown.

We are hearing a lot more about the benefits of carbon sequestration of new forests. I am sure that this will be a major talking point in the near future as NZ gets its head around satisfying the Paris Accord targets – and forestry features in political policy negotiations, and climate change proposals.

Forestry's benefits for erosion prone hill country are well known as are the water purifying qualities of forests. Habitat benefits, recreational opportunities and the like are all in the mix but a grower gets no financial recognition for this. This should be studied further – how can the eco-benefits be monetised to add to returns to the grower?

Which brings me to the final point I want to make.

Forestry has to maintain its public right to exist – in other words its licence to operate needs to be reinforced. Just as we see dairying being harshly criticised for polluting our waterways, our industry needs a positive image especially amongst the urban population who can easily be swayed by criticism of exotic tree cover, roads impeded by many logging trucks, resentment at the damage to the countryside from harvesting. The positive image is needed to protect against adverse planning laws, government restrictions on how we operate and the like.

The Trust is attracted to ideas for positive promotion of the industry. A year or so ago the FOA team helped develop the billboard series and this was regarded as a success. Another example of a primary industry promoting its image is the fishing series of TV advertisements. Good in my opinion.

This is a field we can do better with and we welcome ideas to make the Trust's expenditure most effective.

I look forward to the presentations at this Research Conference and how the entire forestry industry will be benefitted.