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Necessity for a Compulsory Commodity Levy

The current FOA membership fee and targeted levy structure brings in income from FOA members. FOA member companies collectively manage around 1.2 million ha of stocked forest, or 69% of the plantation estate. FOA has from 120-250 members depending on how partnerships are counted.

There are thousands of small forest owners in New Zealand. Therefore on an area basis almost one third of forest owners do not contribute to the association, and on a number of owners basis only a small percentage contribute.

The voluntary levy offers no certainty of funding as growers can opt out of the system at any time. The ability to do this provides large organisations the opportunity to unduly influence some of the decision making processes.

A voluntary levy is inequitable as it allows non-paying growers to benefit from the contributions of others. It is not possible to restrict the flow of industry benefits arising from FOA activities to FOA members. The results of FOA input to communication, policy development and research for example are nearly always available across the industry and cannot be restricted to FOA members. Projects undertaken by FOA benefit the industry generally.

A compulsory commodity levy on log production will more equitably share the Association costs across all those who benefit from the Association activities.

A compulsory levy on log production is equitable, as eventually the majority of forests are harvested, and the levy will be imposed at the time of greatest cash input for the forest grower.

In the future an increasing share of the production will come from smaller forest blocks and those with mixed land use patterns. It is important that this ownership base is co-ordinated and influences the direction of the forest-growing sector. This is unlikely to happen through a voluntary levy.

Three concurrent developments have highlighted the need for secure funding arrangements:

- a. The move by government to share both decision making but also cost of responding to pest and disease incursions. The industry currently has no provision to meet any share of such costs;
- b. The development by the wider wood industry under Woodco to develop a strategic plan. This exercise has illustrated that both forest growing and wood processing sectors will require additional funding;

- c. Also arising out of the FOA management retreat, significant work has gone into developing an “eye on the future” research and innovation strategy. This will require additional funding to pursue the improved productivity opportunities identified.

A compulsory levy will bring the certainty of funding required to address the major issues facing plantation forest owners over the next few years if the sector is to meet its potential.

