

January 2012

## **The Levy Proposal**

The proposed commodity levy will be on all harvested logs from plantation forests that are either exported in log form or processed in NZ. This includes all species and all production that leaves the forest in log or chip form.

The levy applies to logs, wood chip, binwood and hogged material, but not to other forest products such as domestic firewood, bark, and Christmas trees.

The levy applies to logs, forest waste, binwood and chip being utilised for energy, other than domestic firewood.

As the level is based on volume it will vary annually according to the level of New Zealand's plantation forest harvest in any given year. New Zealand's harvest is not resource constrained, with the harvest being substantially below the increase in annual volume, with this situation expected to continue well into the future. The harvest is constrained by market demand, production costs and skilled labour availability.

Economic activity (particularly housing starts) by our log and lumber trading partners could result in variable harvest activity. This could affect the levy funding stream, causing annual fluctuations.

To mitigate fluctuations in the levy level the budget upon which the levy rate has been calculated has taken a three year average for harvest level. In addition, it is proposed that the levy referendum request a levy range. This would allow the actual levy to be set by the FOA Executive on an annual basis, as long as it was within the range approved in the referendum.