



Funding for industry good activities

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Presentation to NZFFA Conference

April 2004

Points of clarification

- No decision has been made to apply a commodity levy
- Any compulsory commodity levy under the CLA could only be applied to growers
- No levy proposal will be advanced without clear grower support
- A commodity levy is one option for achieving equitable and secure funding

Outline

- Why achieving equitable and secure funding is necessary
- What would this funding aim to achieve
- What does the CLA offer
- What is our initial consultation of the industry telling us
- What process is in train to consider these issues

Vision 2025

2003	2025
\$ 5 billion outputs	> \$ 20 billion outputs
4 % GDP	> 14 % GDP
23,000 employed (100,000 indirectly)	60,000 employed (250,000 indirectly)
\$ 3.5 billion exports	\$ 14 billion exports
3 rd largest exporter	Largest exporter
Top 20 global suppliers	Top 5 global suppliers
1.8 million hectares	3.5 – 4 million hectares
23.2 million m3 harvest	> 40 million m3 harvest
\$ 100 million supporting technologies industry	\$ 1 billion supporting technologies industry

Why is funding necessary ?

- Industry is at a cross roads
 - declining value to owners and shareholders
 - locked into a commodity trap
 - planting and production slowing
- Goals of Vision 2025 unlikely to be realised without increased investment in industry good activities
- New opportunity to leverage Government funding

What do we want to achieve ?

- Ensure the industry can deliver on Vision 2025
- Implement new initiatives
 - Market development, R&D
- Leverage government funding
 - FIFA, FORST
- Spread the costs of existing programmes more fairly
 - Forest health, fire, training
- Refocus existing industry organisations
 - Increase the power of industry's collective voice

Six areas that could be funded

- Forest Health and Biosecurity
- Skills development and training
- Research and development
- Industry positioning and public image
- International market development
 - Market access and generic market promotion
- Funding for industry organisations
 - Representation and lobbying

What does the CLA offer ?

- One method for industry good funding
 - used successfully by other land based sectors, eg fruit, arable research, wool, meat, dairy.
- Overcomes free-riding associated with production of primary commodities
- High hurdles for implementation
 - Extensive consultation leading to referendum
 - Requires 50% support by value and volume
 - Governance and accountability to levy payers
 - Approval by Minister of Forestry
 - Review every six years

How to move forward

- Five stage process
 - I: Develop the concept (we're here !)
 - II: Develop a proposal
 - III: Obtain industry approval
 - IV: Obtain Minister's agreement
 - IV: Implement the programme
- Immediate focus: assess industry views through an independent report

Jaakko Poyry report

- Commissioned by FIC, FOA and FFA Boards
- Aim was to provide initial assessment of industry views and pointers to the way forward
 - no final decisions yet made
- 55 interviews and focus groups nationwide
- Farm foresters actively involved
- Completed end March 2004

JP report: key findings

- Substantive level of support for concept
- Subject to seeing the detail ie what does it really mean ?
- Concerns on the part of some growers
- Concerns on the part of some processors
- Strong message to establish one industry organisation
- Requires active leadership

What process from here

- Boards will need to decide how to respond to JP report's findings
- Task Group established to make recommendations to Boards
- Task Group retreat held 25-26 March
- Good work on industry structures
- More work required on value proposition
- Aiming to report to Boards by end May

Conclusions

- Commodity levy is one (good) option
- Addresses funding but not what funding is used for
- Applies to growers only
- Part of a wider picture of reform of industry structures
- Task Group has “bit between the teeth”
- Watch this space !



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