

Why identify forest owners?

by

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Some good reasons:

- 1 To recruit new FFA members.
- 2 To determine who will be contributing to the 'wall of wood' in the 2020s.
- 3 To explain how wood flows could be coordinated to improve profit.
- 4 To explain the risks of not coordinating.

- 5 To maintain an email data base of small-scale forest owners.
6. To involve all owners, for many reasons such as political or biosecurity matters.
7. To generate income for the Farm Forestry Association by using the public-domain address list.

Progress with identification:

- We used satellite imagery and land survey data to create a spreadsheet of exotic forests by location, area and owner.
- We found 14,600 small-scale forest owners with more than 5ha.
- We found valid public-domain addresses for 49% of them - 26% private owners, 23% companies.



We then ran a pilot in the southern North Island to try to find the remaining 51% of them.



The pilot study

We found 90% of the 756 owners in the region.

- 54% were private owners, taking 10 mins each.
- 30% were companies, taking 3 mins each.
- 6% were Councils, Trusts, taking 4 mins each.
- 10% could not be found.

There are 7,000 addresses yet to find.

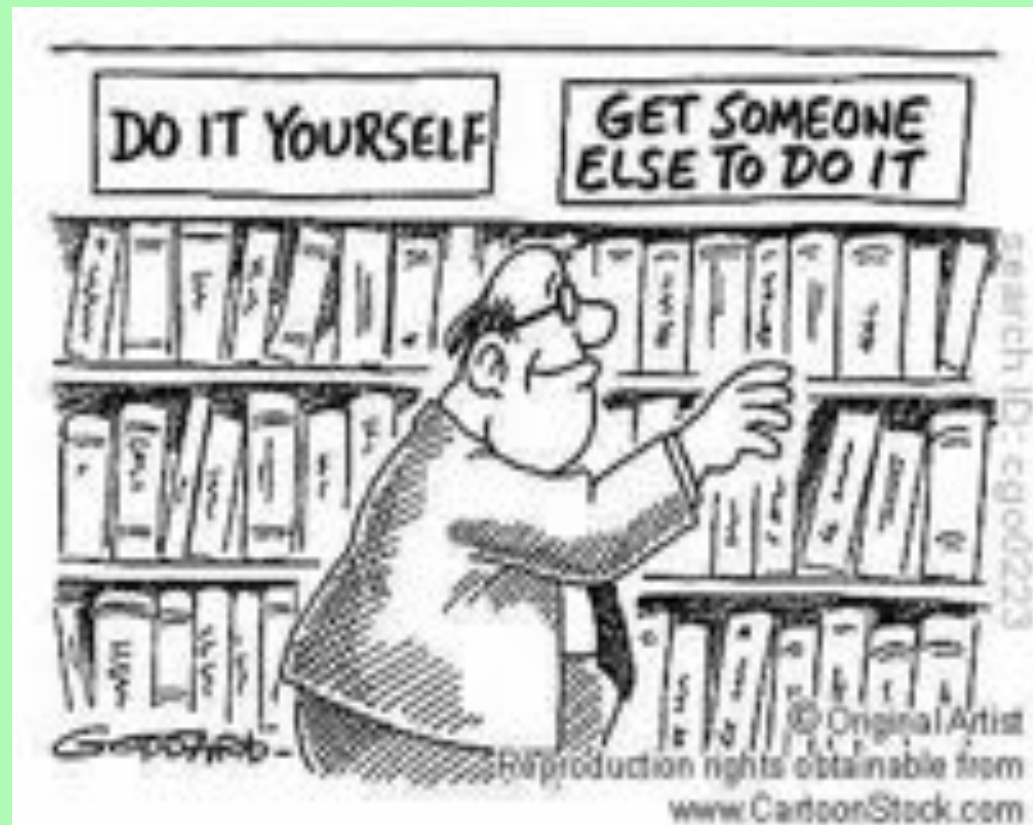
We should find 5,000 of these easily.

At \$5 per successful address the cost = \$25,000.

Finding the rest

There have been no responses to an emailed suggestion last Dec to branches that they find the addresses in their own regions themselves.

Admittedly the “do-it-yourself” instructions were rather complex.



So we will need to pay to get it done

- Branches could split the estimated cost of \$25,000 to get the remaining addresses.
- The Neil Barr foundation might help.
- Service providers might pay (MBIE /ACC in relation to Health and Safety?)
- National Office might help.

The benefits will outweigh the costs.

Mini survey to determine direct cost/ benefit of contacting forest owners

- 50 non-NZFFA owners in Kapiti were sent an info pack and invited to join the NZFFA.
- We got 1 recruit per 25 letters.
- 12,500 letters might get 500 new members.
- NZFFA net income per recruit = \$50/yr.
- So NZFFA gains \$150,000 net if we could recruit and hold 500 members for 6 years.

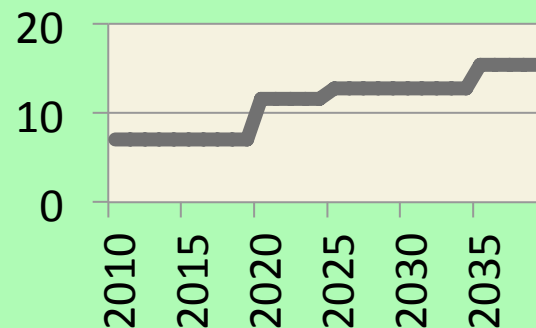
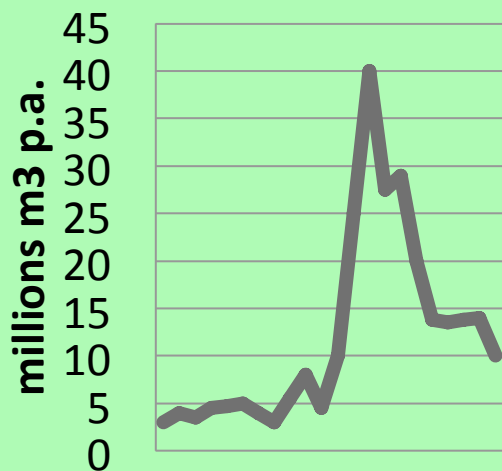
Making initial contact

The addresses are public-domain: we can post out information, then ask for emails.

Posting information to 12,500 addresses at say \$5/pack would cost \approx \$62,500.

It might be done cheaper.

RETURNING TO A MAIN REASON FOR IDENTIFYING SSFOs -ACHIEVING A RELIABLE NON-DECLINING TIMBER YIELD IN THE 2020s



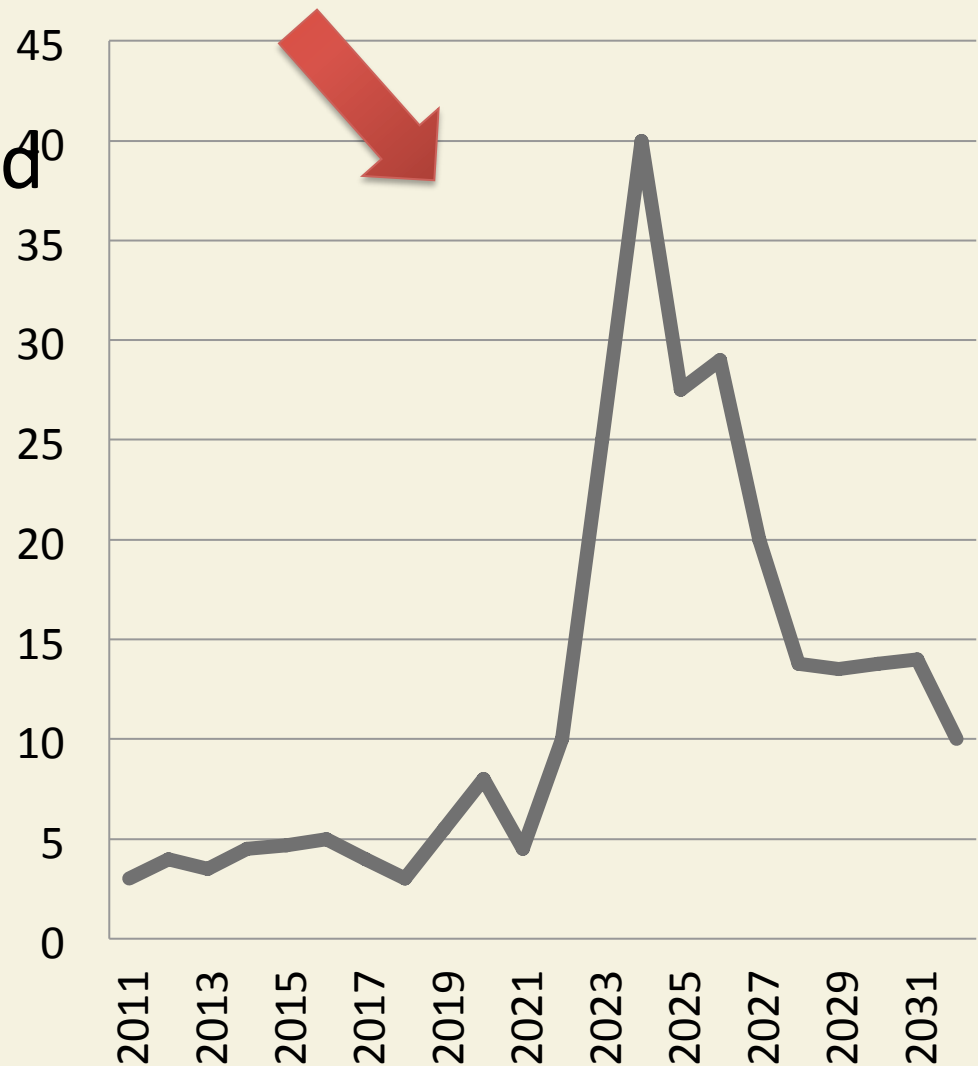
Why did the new planting spike happen?

- Rogernomics reduced interest rates & the cost of transport, wharfage, and land.
- This coincided with the extraordinary 1993 log price increase.
- As a result, half a million ha was afforested between 1993 and 1999 by more than 14,600 SSFOs.



Future combined yield from these SSFOs in millions cubic metres per year.

If their plantings were all harvested at age 28, it would mean a yield spike rising from 5 to 40 million cubic metres per year in the 2020s.



Implication: **big drop in log prices**

big drop in land values

big rise in harvest & transport costs

- Don't expect Asia to digest this spike easily.
- NZ already has a 10 to 15% share of China's log imports. And it is growing e.g. 34% of market share in August 2012.
- A five-fold increase in the total small-scale forest owner cut in 2025 would mean a cost surge because of infrastructure constraints.

Like a shortage of logging trucks



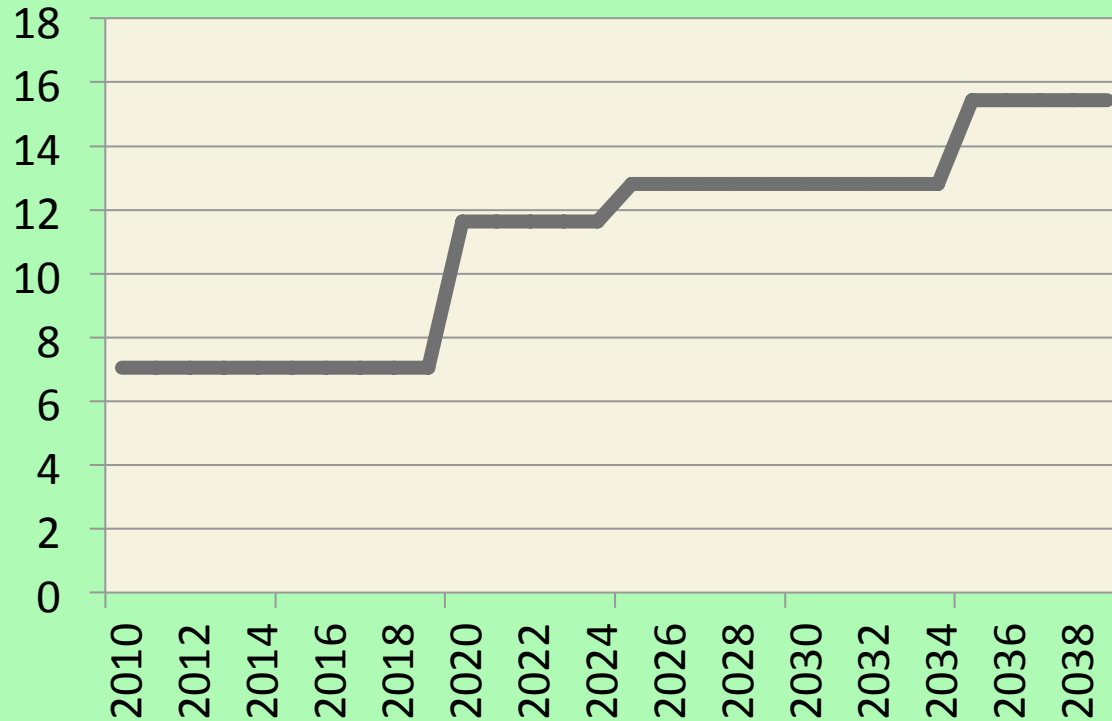
This catastrophe can be avoided,
if the small-scale forest owners
coordinate themselves so that their
tree harvest age is spread
from 25 to 35 years,
and
if a new planting rate of
20,000 hectares per year
is achieved over the next
decade.



Then the spike could be transformed into a non-declining timber yield like this.



Combined SSFO yield
in millions m³/year



Action so far to get 20,000 ha of new planting.

- Woodco recognize that we fitting in with its Strategic Plan.
- We warned the Select Committee that the Climate Change Response Amendment Bill would result in deforestation, loss of carbon sequestration and loss of future production.
- We keep saying new planting is needed to control soil erosion and flood damage.
- Nathan Guy, Jo Goodhew and Shane Jones are now all aware of this.

Results so far:

- NZFFA has been invited by MPI to join a consultative group to work on new planting policy initiatives.
- MFE's proposed RMA reforms should help too.



Opportunity knocks for enlightened politicians!

Coordination - education of owners

An initial information pack has been piloted containing:

- An overview of the log supply spike to raise general awareness.
- A view of what might happen to growers who try to enter the market alone.
- An outline of possible collective strength.
- An offer of membership of the NZFFA.
- A request for an email address

Further education of owners

To manage the log supply spike, further education of owners must cover:

- Log supply / demand forecasts (when).
- Cost , revenue and return trends (why).
- Harvesting and marketing overview (what).
- Reference to Controls and regulations (how).
- Reference to contractors and collectives available (who).

Coordinating the harvest

Grouping forests will help owners to:

- Schedule harvesting within the group.
- Exercise group strength in marketing, and find regional economies of scale.
- Raise capital for roading, harvesting equipment and processing facilities.
- Increase the chance of long-term wood supply agreements; hence
- Earn more \$/m³ through continuity of supply.

Commercial structures

1. Forest management companies can, by agreement, coordinate the harvest of several independent owners.
2. Neighbours can jointly schedule harvesting and agree to share access costs.
3. SSFOs can assign their trees, cutting rights or control of harvest timing into a company or a cooperative. Both structures are well understood – but there is a key difference.

Companies vs cooperatives

Companies do not assume that shareholders generate profits. They distribute benefits to shareholders as dividends, which are paid at the same rate per share to all shares of that class regardless of who provided the benefit.

Cooperatives know that shareholders generate profits. They distribute benefits to shareholders as rebates, which are paid only to those shareholders who provided the trade that led to the benefit.

Coy or Co-op: how do you -

1. Value the forest being exchanged for shares?
2. Adjust for tax on the cost of standing timber?
3. Deal with location-specific costs – roading, slope, access, distance from market?
4. Agree harvest timing – winter? summer? year?
5. Agree income smoothing over time?
6. Share risks – financial, operational, marketing?
7. Deal with replanting?

Some answers to 1 - 4

- Don't sell the forest: leave it with the owner. This avoids the issues of valuation, tax, and location specific costs.
- Give each owner one share only and ensure harvest revenue goes to the owner, not to the organisation. This avoids dividend problems.
- Take full control of harvest timing and schedule the harvest in 5 year lustra based on age-class and wet weather / dry weather access.

An answer to 5

- For those owners whose forests fall within the scheduled 5-year harvest period, smooth grower income by:
 - determining a fixed log price \$/t by grade,
 - paying that fixed log price over the 5 years,
 - banking the true revenue \$/t overs and unders, and
 - distributing the surplus to those owners at the end of 5 years.

An answer to 6

- Financial risks sit with the organisation but it should not have any debt, which helps.
- The owner has the security of his forest until harvest.
- Marketing risk is shared through the income smoothing process between the organisation and those owners whose forests fall within the 5 year period.
- Operational risks sit with the organisation, which may contract field operations.

An answer to 7

- After harvest the owner will still be a member of the organisation unless he chooses to exit.
- The organisation may arrange replanting of the owner's land, if he wishes.
- Since the land and trees never changed hands, the opportunity or responsibility to replant rests with the owner.
- This includes all ETS obligations.

Conclusion.

Identifying SSFOs & transforming the wall of wood into a non-declining yield is the most important issue facing the NZFFA.

Branch liaison is needed.

- to provide the Wellington Working Group with input, to receive updates, and to spread ideas.
- To liaise re finding SSFO addresses
- to begin thinking about regional forestry development planning.

We would like each branch to nominate a suitable contact to liaise with us,

howard.moore@paradise.net.nz

or hlevack@xtra.co.nz

to progress this work.