2. STATE INVOLVEMENT WITH FARM FORESTRY

State Assistance from 1871

Right from the time of the first meetings of the early farm forestry branches, there was a tremendous amount of help and goodwill from the New Zealand Forest Service supporting an accelerating interest in establishing trees on farms.

Government intentions to encourage private planting actually began in 1871 with the "Planting Encouragement Act 1871" which very generously provided that "Any person planting land of one acre in extent or more should be entitled to receive in respect of every acre of land so planted, two acres of rental Crown land". There is no record of the response to this scheme.

There was a Royal Commission on forestry in 1913, which carefully considered the role of the small grower and, by way of encouragement, made three recommendations—

- The trees should be supplied at cost price by the State nurseries.
- The planting should be under Government advice.
- Planting by private individuals should be encouraged by the revision of taxes or otherwise on a certain percentage of the total area of an estate which had been planted to the satisfaction of the proposed forestry board.

No action appeared to come from the Commission's recommendations, as similar concerns were expressed in 1920 by Mr McIntosh Ellis, the first Director of Forestry, who also commented on "an equitable forest taxation law". This theme of fair taxation treatment for forestry compared to other land-based industries continued to be debated at regular intervals until the 1990s, where at last it appears to have become settled.

Although there was a huge planting boom in the depression years of 1929–35, it mostly concerned the State at Kaingaroa, and NZ Perpetual Forests, planted by the sale of bonds and later to become NZ Forest Products Ltd.

This boom was possible because of the availability of huge stretches of pumice country, great for tree growing but no use for farming until cobalt and selenium deficiencies were identified about 1948. Many afforestation companies were formed on the sale of bonds, and it was the amalgamation of some of these companies that formed NZ Perpetual Forests.

There was little incentive for farmers to plant, other than the supply of free trees during the 1930s.

The Forests Act 1949 was a major advance as it gave the Minister of Forests authority to—

(1) Co-ordinate the policies and activities of the Forest Service and other Government Departments, local authorities, and public bodies in relation to the establishment, protection, management, and utilisation of forests.

(2) Advance monies by way of grants, loans, subsidies, or otherwise for the encouragement of tree planting and the establishment, protection, maintenance, and management of forests by persons, local authorities, and companies.

This legislation, combined with a major study of taxation laws both in New Zealand and overseas by Matt Grainger, a Forest Service economist, opened the way for the loan and grant schemes that really started private planting moving in the 1960s and 70s.

Neil Barr

Forest Service Assistance in Forming Early Branches

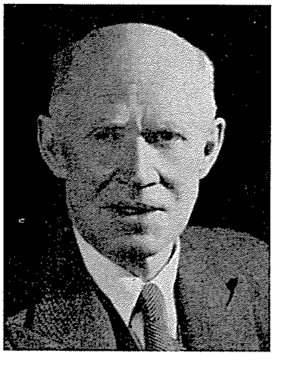
With the formation of Neil Barr's Lower North Farm Forestry Association in 1950, contact was soon made with the Forest Service. Copies of Matt Grainger's report were distributed at the first AGM in 1951, when the Association decided to write to the Hon Clifton Webb regarding anomalies in farm forestry areas.

In 1952, P. Maplesden from Auckland Conservancy of the Forest Service described pruning and thinning *Pinus radiata*, and gave members saws and shears for a practice run of pruning 6-year-old *P. radiata*. With these small beginnings, what Ivan Frost later referred to as a "symbiotic relationship" between the Association and the Forest Service started to take shape.

With Forest Service help from Ron Wells and Gerald Hocking of the Wellington Conservancy office in Palmerston North, Neil Barr held meetings resulting in Branch formation at Poverty Bay, Hawke's Bay, Wairarapa, Middle Districts, and Taranaki during 1956. With Lower Northland, these Branches decided to hold a joint conference at Rotorua on 25 June 1957 at which the Combined Farm Forestry Association of New Zealand (CFFA) was formed.

This meeting immediately recognised two impediments to the wider use of trees on farms—firstly, the effect of death duties on such assets and, secondly, the low stumpage paid by sawmillers to the State.

Discussions with the Forest Service and Government on these two matters went on with some energy for a number of years.



A. R. Entrican

The Director of Forestry during this period was A.R.Entrican, who gave considerable enthusiasm to the new movement, both at its first AGM in Palmerston North in May 1958, and in articles in the first issue of *Farm Forestry*, November 1958. Entrican and Grainger combined to write an article on "Farm Forestry and the Forward Timber Position". In looking forward to 2000, they predicted a shortage of 30 million cubic feet (1 081 623 m^3) annually, and recommended the planting of a further 530 000 acres (214 484 ha) of exotic forest.

References to exports almost all concerned the processed form of pulp and paper—some sawn timber to Australia, but no thoughts then of an export log market or the Asian demand. The State would be planting most of the additional area, but the authors hoped that farmers would use poor and otherwise unproductive land to plant woodlots, and also to plant more shelter on a rotational basis to provide some sawlogs.

Export of logs was opposed by the Forest Service because they were busy building up regional resources for future industries, development, and employment. Many still feel that large-scale log exports represent a huge loss of processing opportunity, although it is steadily increasing

The Deterrent Effect of Low Stumpage

The issue of death duties was fairly quickly dealt with, and was the first success of the CFFA. Russell Smith met with Forest Service officials to put the case to Government, and in the Budget of 1960 the Minister of Finance, the Hon A.H.Nordmeyer, announced that "on the death of the owner of land on which trees are growing, the timber value of the trees will be exempted from estate duty. Some encouragement already exists for farmers to plant trees for agricultural purposes, or to provide shelter, or to prevent erosion. The cost and maintenance of such plantings are allowed as an income tax deduction and income from the sale of any timber may be spread over a period of up to five years".

"Well, provided we've made the right allowance for the prevailing wind and Mr Nordmeyer's last budget still holds good, this could be worth something when we're dead."
Reprinted with permission

In fact, the deductibility of costs of forestry from any income was not fully implemented until 1984.

The low stumpage issue, and price control, were much more difficult problems to resolve.

Here it must be said that Entrican's last few years as Director were largely taken up with assisting the Tasman Pulp and Paper Co., the so-called Murupara Scheme, get off the ground with a guaranteed stumpage of 3d per cubic foot (89c/m^3) for 25 years. While this was set as a price for pulp wood only at Murupara, it became used as a "norm" in bargaining throughout the country, and resulted in depressed stumpages for a long time. The fact that Entrican became a Board member of Tasman after leaving the Forest Service in 1961 must also cast doubt on his recognition of national and Forest Service priorities in trying to build up a larger forest resource.

This attitude probably was a result of his engineering background, rather than that of a forester, but it contributed to Government policy over decades, that wood should be cheap in order to create processing opportunities. The forest-growing industry did not get its just reward until an open export log market became established.

Governments over the years consistently maintained a low stumpage policy, partly because historically New Zealand had used its indigenous resource which had "cost nothing to grow", and later during World War II price control was introduced to hold down the cost of house building. Gradually this control was lifted from sawmillers and retailers, but kept on stumpage. The Forest Service, having to follow this direction from Government at the same time as being asked to increase the planting rate, and to develop incentives for farm forestry, was held to account in the 1980s for having "never paid its way", or not having "returned a cent to the taxpayer".

The closing down of the Forest Service and the sale of cutting rights that followed was justified by politicians using these arguments. The whole story of what the Service achieved both in production and in the management of the Conservation estate (now the Department of Conservation), under political direction, was never explained to the public. The regional development followed by the Forest Service was of great help in employment, particularly of Maori, in places such as Northland, East Coast, and Westland.

The serious effect politicians had on forestry is perhaps best described in "Trees, Timber and Tranquillity" by Lindsay Poole, published in 1998. Lindsay Poole followed Entrican as Director-General of the Forest Service, and has continued to be involved in forestry-related issues to the present day.

Jack Stronge summarised all the problems of price control to the grower in his article "Can the Farmer Obtain a Fair Return for his Woodlot" in *Farm Forestry 6/3*, August 1964. He clearly showed how stumpage was the residual value of a standing forest after all felling, milling, and selling costs, calculated on a cost-plus basis, had been deducted.

The farming industries could not have survived such a structure, and it was clear that loan or other encouragement schemes were doomed to failure unless the grower received a fair price.

In order to encourage woodlot planting as set out in the Forests Act 1949, the Forest Service appointed W.H.(Bill) Jolliffe as Extension Forestry Officer in 1951. With his help, and that of foresters of all ranks up to Conservator, Neil Barr held a number of meetings throughout the country to establish farm forestry branches, so that by 1962 over 25 Branches had been formed with a membership of more than 2000.

During 1961, the Forest Service represented by the new Director-General Lindsay Poole and Bill Jolliffe, and farm forestry represented by Neil Barr, Jack Stronge, and Russell Smith, waited on the Minister of Forests to further press for loans to stimulate farm planting. It was noted that Treasury was reluctant to take the attitude that assistance to farm forestry was Government policy.

The Loan Scheme

The outcome of these negotiations was made clear at the Timaru Conference 11 April 1962 when the Minister, the Hon R.G.Gerard, announced details of the Farm Forestry Act, later named the Forestry Encouragement Act 1962, which made available to farmers a loan of £40 per acre ($200/ha).

Details of the scheme placed a limit of £700 000 ($1.4 million) over the next 5 years. If conditions were met, 50% of the sum borrowed would be placed on suspensory loan and eventually written off.

The maximum loan per person was for 20 acres (8 ha) per year, and the minimum for five acres (2.02 ha). £25 per acre ($124/ha) were allowed for planting, and £15 per acre ($74/ha) for tending; if a stand was already established, the tending loan only was applicable.

Repayment of principal and interest was by table mortgage over 20 years, beginning in the twentieth year after the loan, or from first realisation, whichever was the sooner.

Interest was at 3% with a further 2% for fire insurance, meaning that 5% was being compounded.

It was hoped the scheme would achieve an annual planting rate of 10 000 acres (4047 ha) by the fourth year.

Locality would be taken into account when loan applications were considered, with timber-hungry areas such as South Canterbury, areas close to large centres of population such as Rodney County, or areas close to already established forests such as Bay of Plenty or Nelson being considered more favourably.

The "Loan Scheme" as it became known, was available only to bona fide farmers who spent their days working on the farm. It was not available to investors who did not earn a living from the land. This restriction to bona fide farmers was not written into the Gazette Notice 1965, but was enforced by some Conservators at least in the early stages of the scheme. It may have been relaxed after a few years to create wider interest.

After 2 or 3 years it became apparent that loans were not being taken up by many farmers. The main reason was that interest was payable from the time the loan was uplifted. Charlie Bridgeman, who succeeded Bill Jolliffe as Senior Extension Officer in 1963, was able to negotiate the removal of the 2% fire insurance, and replace it with a 30/- per acre ($7-40/ha) addition to the loan.

There was an absence of skilled labour in rural areas to do the planting or silvicultural work, if the farmer could not do it himself. It was thought that farmers would appreciate the value of tending, but with no differential established for different grades of logs, coupled with some high stumpages reached for unpruned material during the first export log boom, the attitude to tending remained negative.

John Mortimer, Farm Forestry President 1984–86, refers to the rigid nature of the prescription laid down by the Forest Service. No one appreciated the rate of growth on farmland at the time, and John recalls asking permission to prune trees at age 4 because of their size. Permission was refused as the prescription said prune at year 5—end of discussion!

When the scheme was promoted there was a promise to review the rates allowable for each operation after 5 years. John Mortimer thinks this was not done until after 7 years, during which years inflation was high, and recalls calculating that, because of inflation, loan funds covered less than 10% of costs whereas they were designed to cover 50%.

Because of this shortfall in funds, tending was either neglected or deferred which had a big effect on ultimate realisations.

John Mortimer mentions also that payment of claims could often take 3 months or more, and that his loan was approved in 1965, planting was carried out that year, but the loan agreement was not sent for signing until 1969. John wrote to the Minister in June 1969 describing the loan document as being very complicated and mentioned that "I am astounded that it should take eight pages of small print to regularise such a small matter. I note that it is headed 'Farm Forestry ***Encouragement*** Agreement', but I find the document so formidable that it makes me wonder what on earth I am signing".

In spite of these complications, and the administration overload on Extension Officers, some farmers did take advantage of the scheme, but the area planted was nothing like what was hoped for when the scheme was introduced.

The loan was attached to the farm title by caveat; this was seen by many as a legal disincentive in the event of a sale and also created the administrative load handled by Forest Service. From just one Senior Extension Officer in Wellington with South Island Extension Officer Ted Gimblett and North Island Extension Officer Jim Buchanan, the demand for services grew so that when the two island officers retired, they were replaced by one officer per Conservancy, giving seven; by 1970 there was one per district, giving 15 officers throughout the country.

These officers became closely associated with the farm forestry Branches in their area, and gave much organisational assistance as well as practical demonstrations at field days on all aspects of woodlot management from planting to marketing. This practical advice was most important, and the officers felt frustrated at the administration called for in servicing loans.

Even after further amendments to the scheme to waive the 100 acre (40 ha) limit, and to free the suspensory portion of the loan from interest, target plantings were not achieved.

The Forestry Development Conferences

This set the scene for the first of three Forestry Development Conferences—1969, 1974, and 1981. These were sectors of the National Development Conferences, and involved a review of all forestry in relation to the total development of the country.

Jack Stronge and Ivan Frost put a strong case for increasing the private contribution to a growing afforestation programme. This was set out in a paper by Jack Stronge in *Farm Forestry 11/1* February 1969. Firstly, with considerable research, Jack Stronge came up with a figure of 63 000 acres (25 500 ha) of merchantable timber on farms. Following a survey of members he then tried to predict future actions by farmers. This was clearly related to price, with recent export sales creating interest for further woodlot planting, while timber from shelterbelts was expected to decline.

Jack Stronge then predicted an increase in wider tree spacing and grazing—agroforestry—as was being trialled by FRI, Neil Barr, and NZ Forest Products. Much research on tree establishment and improved pasture for this type of forestry was advocated, together with trialling of special-purpose species such as poplars, eucalypts, and blackwood.

The incentive of good stumpages remained the greatest opportunity to increase farm plantings. Tree returns must equal farm returns on a per hectare per year basis, and this had not often been achieved in the past, due largely to heavy subsidies given to grassland farming.

It has always been difficult to make Treasury realise the importance of growing forests, and their long lead time compared to utilisation company balance sheets. Lindsay Poole, who has a high regard for German foresters and the way they manage their resource, noted that the Germans put foresters into their treasuries!

Finally, Jack Stronge pointed to the value of trees in the landscape, and the need for environmental improvement created by nicely planted homesteads, shelterbelts, and woodlots.

The question of landscape improvement became more important for a time in the 1980s, when the Ministry of Works introduced the "Beautiful New Zealand" scheme about 1984, where roadside planting in many areas was used to both improve the landscape and create employment. The Farm Forestry Association argued that this should go further, to link up with indigenous bush remnants on farms with some input from the farmer, but Government would not allow planting inside the road boundary fence for fear of "improving private land."

More recently, with the Resource Management Act and the way different councils interpret it, more emphasis has been given to looking after natural areas of beauty, and even to the colour barns should be painted! While there is no incentive to plant ornamental or native trees, farmers who do such planting are usually more than rewarded in improved sale price for their land, as well as the satisfaction of living in an improved environment.

Other papers presented to the 1969 Conference covered the role of forestry companies and local bodies, and the ever-present question of stumpages. In a paper entitled "Stumpages and Profitability", Ivan Frost stated

> "if it is necessary for the State to be the main wood producer, it should do so on a business basis, and be self supporting through stumpages that properly reflect the cost of growing, plus a reasonable profit margin. Unless this is done, there will be no incentive to the private sector to invest in forestry, as they will then be in direct competition with a State subsidised commodity, a disadvantage competitively with the company buying from the State".

He also quoted Fenton and Tustin (FRI), who showed that two-thirds of the cost of timber at the green sawn stage was due to the logging and milling, with dressing and treatment increasing this proportion. For newsprint, cost of wood on the stump was only 4% of the total cost.

These figures show that a rise in stumpage does not have a huge effect on final retail sale price.

The Forestry Encouragement Grant Scheme

The Conference recommended the introduction of a grant scheme as an alternative to the loan scheme.

In 1970, Government picked up this recommendation and introduced the Forestry Encouragement Grant Scheme, to replace the loan scheme to all except local authorities. The main features of the new scheme were to provide a 50% grant of qualifying costs, which were costs on non-capital items up to a limit of $200 000 per year and a total per-hectare cost of $120.

Past-President of the Association, Mike Smith, had tried to overcome the bona fide farmer rule in the Loan Scheme without success, so quickly took advantage of the new Grant Scheme with Grant No. 2, Rodney Forests Ltd, a public company with 136 shareholders planting some 500 acres (208 ha), and Grant No. 14, Wright's Radiata Ltd, with 16 shareholders and some 400 acres (166 ha), both near Warkworth. The basic aim of both these investments was a low-cost superannuation scheme.

A number of farm foresters always believed that the loan scheme was a better deal than the grant scheme, but because of farmers' reluctance to tie such a loan to their titles, and other misgivings mentioned earlier, it was never popular whereas the grant scheme was taken up on a large scale.

This scheme remained in place until 1984, with amendments due to cost escalations in the high inflation of the times of—

1974 Cost limit increased to $300/ha.
1977 Annual qualifying limit increased to $300 000. Overhead costs limited to 25% of direct costs.
1981 Cost limit increased to $750/ha.

The 1974 Forestry Development Conference had the Association represented by Neil Barr, Peter Smail, Joe Taylor, and Bruce Hamilton, with much background information provided by Ivan Frost.

There was some tenseness at this meeting between environmentalists and foresters, but the main debate for farm foresters was whether the pulp and paper industry should be expanded at the expense of the new log trade. The final meeting came down firmly on the side of the log trade, which gave farm foresters hope of a true world market for timber. The energy consumption of the pulp and paper industry was of concern to many, with the conference taking place just after the first oil price shock.

Following the introduction of the grant scheme, forestry gradually achieved a higher profile throughout New Zealand, and planting steadily increased. The export log market became a permanent large-scale operation, and so people with logs to sell could see that an open market price was available if local sawmillers did not offer a competitive price.

The 1981 Forestry Development Conference gave farm foresters a higher profile, with Joll Hosking leading five other farm foresters in presenting papers. The Conference accepted the view that small grower afforestation:

- was complementary to traditional farm land use,
- would encourage retention of land in family ownership,
- would diversify income, and
- would have other rural job advantages.

Land Use Arguments

Problems now developed in some counties such as Wairoa and Hobson where traditional farming leaders began to object to the spread of forestry, and to introduce into District Schemes regulations making forestry a conditional use, sometimes severely curtailing planting and affecting quite small growers. Members of the Association had mixed views on this issue, as for most of them farming came first.

The Forest Service attempted to get large-scale forestry into the King Country, but there was much hostility from farmers. This was at the time when land development schemes for farming were providing subsidies for clearing land, much of which turned out to be quite unsuitable for quality farming. There was considerable reversion to scrub, but much damage was caused by erosion. Since those days a great deal of afforestation has taken place in the King Country which suggests the Forest Service was right in considering forestry the best land use.

In fact it was more the large-scale operations that were objected to, with huge changes in rural lifestyles where workers came out to the job each day from nearby towns, leaving homes, stores, and schools struggling to maintain enough population to survive. For example, Mangatu Forest workers travel from Gisborne daily, and managers of Kaingaroa Forest live in Auckland where they see One Tree Hill!

This problem remained the cause for heated debate for some years, finally becoming less relevant as farm commodity prices declined, and many farmers could see a forestry company as the only logical buyer for their properties.

Looking back, there is considerable regret felt by many older farm foresters that early exhortations to "plant 5%–10% of your farm in trees" were not more widely followed. Many of those who did establish good plantations, had an alternative income to support their land as farm produce remained at a low value.

During 1981, a protection/production grant was introduced which paid two-thirds of establishment costs up to year three, and half subsequent management and tending costs for areas not suitable for pastoral management because of erosion risk.

In 1983, major amendments were made to the grant scheme against the wishes of both the Forest Service and the 1981 Forestry Development Conference, so that all expenditure by private forest growers qualified for a 45% grant. This also applied to local authorities, and the original loan scheme was revoked for them.

A year later, in Roger Douglas's 1984 Budget, the grant scheme was abolished, and forestry was re-introduced as a tax-deductible activity from Budget night. This removed the anomaly where the cost of shelter trees or trees for erosion control could be claimed against tax. Probably a good many woodlots had used this system iilegally instead of applying for a grant.

There was an outcry from many against the 1984 Budget, as with a maximum tax rate of 66% companies or businessmen on good incomes could plant with handsome deductions, while many forest growers with low incomes on marginal tax rates were severely disadvantaged.

Also, the purchaser of an immature woodlot on a farm could not deduct the cost of a forest from income that year, but had to carry it forward to maturity, the "cost of bush" formula, with no allowance for inflation. The vendor was taxed on the sale.

The Loan and Grant Schemes Justified

In looking back over the period of the incentive schemes, success can be measured in the establishment of 100 000 ha on some 3000 properties under the grant scheme, a total of 125 000 ha on some 3200 properties if those planted with loans are added. While not reaching the targets hoped for, a considerable resource had been established with the potential of adding considerably to New Zealand export capabilities in the future.


Extension Officer Gordon Gillespie demonstrates the use of No.2 Porter Pruners.

Farmer attitudes were also helped to change from grass-only to diversification on a best land-use basis.

Extension Officers had now reached 36 in number, emphasising the efforts made by the Forest Service to help private forest development.

Bill Wise of Balclutha wrote in the *Tree Grower* of August 1985 of the benefits to the nation of the grant scheme, saying that the sale of 2 ha per year of his plantation established under the scheme would return about $40 000. This would yield to Government a tax of $16 000 for an outlay spread over 10 years of $1800.

Joint Ventures Legislation

By the early 1980s, interest in private forestry had begun to attract investors, creating considerable discussion on methods of bringing investors and landowners together in some form of joint venture. As differing partners in these joint ventures had different inputs spread over a number of years, a mechanism needed to be created to allow for inputs and time to be reflected in the final division of profits at forest maturity.

The Forestry Council published a series of information papers, the first of the series being "Guidelines for Participants in Joint Venture Forestry". John Mortimer and Mike Malloy represented NZFFA during a series of meetings, having considerable input into these guidelines.

Mike Malloy, an Auckland solicitor with considerable farm forestry interests near Warkworth, together with Joe Taylor and Mike Smith from the National Executive, formed a joint venture subcommittee and, after meeting with Federated Farmers and Forest Owners' Association, decided to formulate necessary legislation.

As the issue was complex, it was left largely to Mike Malloy to draft an appropriate Bill, which he did, with particular care to include the following aspects:

(1) It must at all costs avoid the necessity to obtain local body consent.

(2) Formal surveying should be avoided due to cost (aerial photographs were accepted).

(3) Possession to the grantee as an automatic assumption should be avoided as grazing and other uses of a woodlot needed consideration.

(4) Legal concepts already in law should be developed to maximise the use of judicial precedent.

(5) The legislation should fit the needs of standardisation of joint venture contracts.

(6) The purchasers of land affected by joint venture contracts, and the contracts themselves would be automatically bound by the terms of the relevant contracts as if they had been original parties thereto.

Mike Malloy spent a good deal of time in Wellington speaking with a professor of law at Victoria University, the

Surveyor-General, and the Registrar-General of Land, so that the principles and wording of law decisions on profits *á prendre* were agreeable to all. A profit *á prendre*, the basis for the whole legislation, registers a grower's interest in the trees by noting his interest in the land title, and gives him the right to remove the crop.

The Bill was duly passed into law as The Forest Rights Registration Act 1983, and came into force on 1 January 1984.

The Hon John Falloon, Minister of Forests, requested a review of the legislation in 1991, with a committee under Mike Smith. No amendments were proposed as the Act was working well where District Land Registrars grasped the concept. Surveyors and some lawyers felt threatened and perceived the idea as a lessening of standards and therefore their control and income.

As well as helping investors from all walks of life to create forests under good management with the use of consultants and contractors, the legislation had a real benefit in the separating of immature forests from farms, so the farm could be sold, while the forest right to the immature trees could be kept by the previous owner, or sold to a third party, thus keeping the farm sale price to a realistic level.

Plantations could be a useful component of family estate planning when removed from the farm under this legislation.

The End of the Forest Service

The New Zealand Forest Service was dismantled in 1987, after nearly 70 years of responsibility for both indigenous and exotic forests, and a range of responsibilities for recreation, rural fire control, erosion control, regional development, and employment as well as wood production.

With the close ties between the Forest Service and farm forestry, it was perhaps a pity that the Association did not speak out more forcibly at the time, but nothing would have stopped the steam-rolling tactics of the Government.

Also, it is fair to say that from about 1980 there had been a move from within the Association to become more independent so that fortunately it was in good heart to carry on growing in stature under its own momentum.

It is interesting to trace the venues for annual Executive meetings of the Association over the years. From Editorial Services to the Forest Service board room, then briefly at the Forestry Council office, to Federated Farmers, and finally to our own office at the Harbour City Centre. This sequence traces the Association's gradual development into a totally independent organisation, paying its way and seen to have a contribution to make on many forestry and land use matters.

Forest Service personnel had two very large areas of input into the development of the farm forestry movement; one was at the beginning when the Director-General, Conservators, and many district officers helped arrange meetings to establish a network of Branches throughout the country. Neil Barr could not have managed without their help and continuing goodwill. The contribution Norm Gill, from the Palmerston North office, made as Treasurer to the national association from 1959 to 1983 was also invaluable.

The second was in the practical help given to thousands of tree growers by the Extension Service (later the Advisory Service), both in administering loans and grants and in field day demonstrations of how to do the planting, pruning, thinning, and measuring, with good marketing advice also.

There was a little tension in later years as Extension Officers continued to push a fairly conservative regime of planting and pruning more stems per hectare than Neil Barr and others advocated*. This was for the very good reason that in their experience around the country, many grantees did not keep up with pruning, and many good untended forests were sold at a good price because they were well stocked with trees with small branches and good log grades. Neil's move towards wider-spaced agroforestry would work only if tending was right on time, and so was for enthusiasts. Debate since about 1996 has been much focused on large-diameter corewood and low density due to fast growth on

* Leith Knowles also reported that early results from the Tikitere trial supported the wide spacing of trees on grass.

farm sites at wide spacing; and so the Forest Service conservatism has been justified.

About 1987, with the restructuring of the Ministries of Forestry and Agriculture, there was talk of abandoning the Tikitere trial, then about 15 years old. (The trial measured tree and grass growth at a number of tree spacings, from 50 to 400 stems/ha.) With the grass nearly gone at this stage, Martin Hawkes who measured the grass, and Leith Knowles who measured the trees, were inclined to wind up the trial.

Farm Forestry, led by Mike Smith and John Mortimer, suggested it was unlikely such a trial would be done again, and until milling was carried out there was no idea of log out-turn at the various spacings. FRI had to find outside finance to retain the trial and so the Agroforestry Collaborative was formed. This followed discussions between Mike Smith and Leith Knowles on an inexpensive way of getting the Association together with some companies and Regional Councils to contribute an annual subscription to assist with FRI funding.

Subsequent work done by Piers Maclaren has provided some outstanding results as to returns, results that would not have been possible if the trial had not continued.

With the Extension Service long gone, farm foresters live in the user-pays era but, fortunately, strong Branches with knowledgeable members, and a growing network of qualified consultants and good contractors, can provide the expertise required, although it is not as easy as was a phone call to your local friendly Extension Officer.

Taxation Policy Under "Rogernomics"

The 1984 Budget saw the abolition of the Forestry Encouragement Grant from 31 January 1985, with minor transition measures relating to protection/production grants, Local Body grants, and Maori authorities.

The new Income Tax Act made expenditure for planting and maintaining trees deductible from income from any source in the year it was incurred. This suited people or companies with high taxable income, but adversely affected landowners with low income or forestry companies with forests not yet earning income.

A deputation led by President John Mortimer, with Bill Gimblett and Bruce Treeby, met with the Production and Marketing Committee of Government on 12 December 1984 to ask for the transition measures to be extended to the non-taxpaying group affected by the new tax laws, so that trees already planted would receive adequate silvicultural treatment.

The deputation also requested Government to make a clear policy statement on the role of the small forest grower, and to recognise the long-term nature of forestry compared to other land industries. They made the point that spending money on planting trees is building up a resource which will be needed in the country's future.

As a result of farm foresters' concerns, Rural Bank loans for forestry were made available to growers facing financial hardship due to the abolition of the grant scheme. They were to be offered up to 1990 at 5% interest initially (rising to market rates), and for a term of 30 years. The maximum amount of the loan was to be the difference between what growers previously received under the grant, and what they would receive by tax deductibility.

Further Changes—The Brash Committee

During 1985 and 1986 a wide-ranging review of taxation of the primary sector was held with both a Parliamentary Select Committee and a Consultative Committee chaired by Dr Don Brash, known as the "Brash Committee".

Suggested changes to taxation divided forestry expenses into four categories, but the most important change was to remove tax deductibility of planting and silvicultural costs in favour of placing these costs in a "cost of bush" account which was to be saved until harvest and then deducted, with no allowance for inflation over a 30-year period.

John Mortimer and Peter Gresham appeared before the Brash Committee on behalf of members, but came home with a pessimistic view of the outcome.

John found that Treasury thinking was not impressed with the small growers' case, and he received a letter from the Minister of Finance, Roger Douglas, claiming that neutrality of the tax system between different forms of investment was the objective of the changes, and that he could not accept that small growers should be treated differently.

John Mortimer had asked all members to write to the Brash Committee and their MPs with their concerns but in the end achieved nothing. He felt very bitter at the time wasted during his term as President, arguing with Government and Treasury officials to no avail, when he would have preferred to spend time on public relations and building membership. John Mortimer pointed out that this was the thirteenth tax change to forestry since 1960, making planning for a long-term investment very difficult.

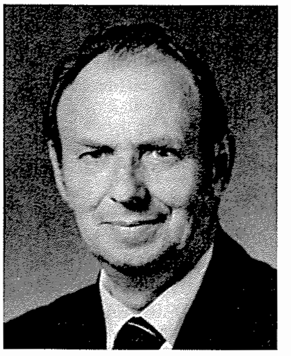
John ended his 1986 President's Report with the comment "So let's all be men and women of vision, get out there and plant our trees — and to hell with Government policy".

Gavin McKenzie, Senior Forest Extension Officer during the last years of the Forest Service but by 1987 Assistant Director of the Advisory Services Division of the Ministry of Forestry, summed up all the new tax regulations in the *Tree Grower* of February 1987, showing the transition period to the new taxation laws allowed tax deductibility to continue under existing contractual arrangements until 1997 for tending and maintenance, with the new "cost of bush" provisions to be phased in over 5 years.

Any farmer could deduct annually up to $2500 (later rising to $7500) for costs incurred in establishment, tending, or maintenance of trees for any purpose. This clause certainly allowed smaller forestry or shelter plantings to continue as before and was probably the only concession to submissions received.

The Cost of "Cost of Bush"

Gavin McKenzie, in considering the effects of the change, thought that farmers could go on planting and pruning using the $7500 deductibility, assuming they had good income. Urban investors and joint ventures would be most adversely affected, along with forest companies. The removal of land tax from forestry land had also been introduced, which would be of some benefit to forestry companies.



Gavin McKenzie

Gavin considered a reduction of planting of about 50% likely, with regional unemployment and reversion of marginally productive hill country. In a personal comment, Gavin later noted that the tax changes resulted in a 70% decline in new planting rates by the private sector, and reduced expenditure on silviculture.

This rapid decline in forest estate growth, combined with countless submissions from growers such as Forest Owners' Association and NZFFA, resulted in tax change number 14 announced in 1990 and coming into effect on 1 April 1991.

In this amendment the "cost of bush" formula was thrown out and tax deductibility of income from any source re-introduced.

Immature standing timber sales remained subject to the "cost of bush" system.

Stability at Last

This tax regime has remained in force for 7 years at the time of writing (1998), so at last there appears to be some stability.

Combined with the Forestry Rights Registration Act, tax deductibility created a climate for investment to rapidly climb again to new heights in 1993–94, far in excess of the 1984 "boom", only to drop again equally rapidly in 1997–98 due to poor farm returns and the crash of log sales to Korea and Japan. Such cyclical movements are inevitable in a commodity market such as log sales, but are partly offset by steady sawn timber prices. The beauty of trees, of course, is that they will keep on growing until better prices return.

All the incentive and taxation changes made between 1962 and 1991, together with the structural changes made in removing the Forest Service and finally in eliminating the Ministry of Forestry Advisory Services, created uncertainty.

At least now, as we approach the end of the century, Government no longer comes into the equation. It becomes a grower's decision to consider whether forestry, with either *P. radiata* or special-purpose species, has a sound future demand. If that is considered likely, we must then pay for good advice, think of joint ventures, and keep on planting with emphasis on silviculture to produce top-quality logs.

Conclusion

The help given to the small forest grower by the State can perhaps be best summarised in a short account of the rise and fall of the Extension/Advisory Service.

Advisory services to the small grower began in 1960 with the Wellington (Head Office) appointment of Bill Jolliffe, the North Island (Rotorua) appointment of Jim Buchanan, and South Island (Christchurch) appointment of Ted Gimblett. These officers travelled widely promoting forestry as an alternative land use.

When the Loan Scheme was introduced in 1963, additional regional officers were required to administer the scheme and to provide practical forestry advice to farmers.

By 1965 there were 10 officers attached to Conservancies of the Forest Service, extending forestry management by meetings with Federated Farmers and Farm Forestry Association branches.

With the successful introduction of the Grant Scheme, further regional officers were required, and the appointment of Extension Officers to Conservancy and main District offices began. This number had grown to 36 by 1980, and remained static until the encouragement schemes were phased out from 1984.

Regional forestry administration and advice was provided from the offices listed in the table on the next page, most having two Extension Officers.

Regional planting achievements varied by location and local interest, but by the end of March 1983, Extension Officer achievements by scheme and Conservancy were as listed in the next table.

All these projects were approved under management plans which included pruning and thinning. One-on-one

Conservancies	District Offices	
AUCKLAND –	Kaikohe	Thames
ROTORUA –	Tauranga	Gisborne
PALMERSTON NORTH –	Napier	Wanganui
	Bulls	Masterton
WELLINGTON		
NELSON –	Blenheim	
HOKITIKA		
CHRISTCHURCH –	Geraldine	
INVERCARGILL –	Dunedin	Tapanui

Conservancy	F.E.Loans				F.E.Grants	
	Private		Local authority		No.	Area
	No.	Area (ha)	No.	Area (ha)		(ha)
Auckland	15	350	6	3 067	453	14 157
Rotorua	6	201	2	909	395	20 508
Wellington	40	747	11	4 210	589	31 467
Nelson	21	836	3	4 952	272	17 773
Westland	1	31	1	27	72	2 418
Canterbury	27	382	6	350	310	4 790
Southland	46	1 241	8	3 896	807	15 873
TOTALS	156	3 873	37	17 411	2 898	106 986

contact between Extension Officers and farmers was the aim, but owner discussion groups and regional courses were also used, and Extension Officer attendance at farm forestry field days played an important role in the promotion of good practice.

Gavin McKenzie estimated that 60–70% of the loan and grant projects achieved a major proportion of their goals.

When the schemes were discontinued in 1984, the administration was no longer required. To enable the well-trained, practical Extension Officers to continue, the Advisory Services Division was set up within the Forest Service, with Ian Trotman as Director and Gavin McKenzie as Assistant Director. Promotion of small grower planting was continued by running courses, producing pamphlets such as the Trees and Timber Series, and giving advice as required.

With the abolition of the Forest Service in 1987 by the next instalment of "Rogernomics" on forestry, the Advisory Services Division passed to the newly formed Ministry of Forestry.

However, this was the beginning of the "user pays" era, and very soon Advisory Officers were having to earn revenue, which was difficult for them and more so for the tree growers accustomed to free advice.

Within a couple of years, Advisory Officers found calls for their services declining, and conflicts developing with private consultants who were competing for the same market.

Industry claimed that the Crown should not be competing with the private sector in this market, and after discussions with Government, MOF Consultancy Services to the small grower ceased in 1990.

Most of the advisory staff became redundant, but many joined the ranks of self-employed consultants and so their practical forest and client knowledge was not entirely lost.

The three decades of Crown services to the small private forest grower had therefore come to an end, and the Crown, growers, and farm forestry members were the poorer for it. The Crown lost a pool of skilled practical forestry officers and the growers lost their experienced supervisors and promoters of regional forestry land use.

Thankfully, many of the friendships formed have remained and, in retirement, a number of old Extension Officers have continued to attend farm forestry field days and maintained their interest.

The author wishes to acknowledge assistance in writing this section from Lindsay Poole, Ivan Frost, Gavin McKenzie, and John Mortimer.