



CAN NEW PLANTING COME OUT OF ITS NOSEDIVE?

Since 1985 national new planting rates have been dropping at an alarming average rate of about 15% or 8000 ha per year. Why?

Maybe it is because:

(a) Many growers have perceived that during the exceptional period of New Zealand's history that we are currently living through it has been better to buy already-established forests than to create new ones. Recently the majority of the nation's forests more or less simultaneously have been up for sale, which implies that there must be bargains around. (See Turland, p. 6 for details of the State forests sales.)

For this reason forestry companies have been delaying new planting while preparing their bids for cutting rights to already established plantations.

(b) The Forestry Corporation has been winding down its afforestation programme, while it has been organising the sale of itself.

But many also lay the blame at the door of the removal of incentives that existed prior to the introduction of the current forestry taxation regime.

The National Party said that if it won the election it would change forestry taxation to stop discouraging afforestation. It said (See Bassett, NZ Forestry, August 1990): "The Forestry Industry must be treated similarly to other agricultural industries from a taxation point of view. The cost of bush formula will be abolished; costs of trees, planting, tending and maintenance will be deductible as incurred."

The Forest Owners Association has raised a few eyebrows by its open support of this view, although they say they want a neutral tax system, and equally unsurprisingly David Caygill, the Labour Government's Minister of Finance, on October 3 expressed shock and dismay that National want to "turn the clock back, favouring forestry, picking winners, and tilting the playing field that had been levelled with so much effort by the Labour Government".

Cost of Bush

Very few people in the forestry sector or for that matter in the Inland Revenue Department understand enough about it to argue whether or not the "cost of bush" account should or should not be capitalised unindexed. To verify one's feelings about this issue one really has to have access to a powerful computer, be a skilled analyst, and be able to devote at least several days to the task uninterrupted. The Minister of Finance, the shadow Minister of Finance and indeed all the captains of the forest industry will not have had the time to do this. Certainly none of them could explain the intricacies of the complex modelling that is needed to demonstrate the argument.

Uneasily, we have to rely on what the experts say. The opinion of the Ministry of Forestry taxation expert who has done all the sums is that as far as the controversial "cost of bush" issue is concerned the present forestry taxation laws are more or less neutral under the existing income tax system. (See the New Zealand Forestry briefing for the Minister of Forestry, February 1990 by the Ministry of Forestry.) With regard to big company investment this view supports

David Caygill. (His Treasury advisers presumably came to the same conclusion as the Ministry of Forestry.)

However the playing field is certainly not level when it comes to small private forest investment. Farmers have special dispensation in that they get full tax deductibility for up to \$7500 p.a. of expenditure on items that other people would have to place in the cost of bush account. Have the Labour Government picked winners after all but thought small instead of big?

But why be horrified by the idea of picking winners?

There is nothing wrong with it as long as you pick the right ones.

For example, few will argue that it is a bad thing to subsidise education. Education, a good long-term investment in growing organisms, tends to fall short of its full potential unless the Government intervenes. Maybe forestry has more than one parallel here?

Is exotic afforestation a likely winner?

Your President (See W.R.J. Sutton p. 18) thinks so.

The Porter Study being carried out at Auckland University reputedly has identified that New Zealand's factor conditions offer several potential sources of



Early-morning strategy session at the White House

advantage to the forestry industry, with most being concentrated at the forest growing level. The country's factor endowments are well suited to tree growing, especially the fast-maturing radiata pine. Coupled with direct State involvement in R & D and tree growing, New Zealand has developed a considerable advantage over its rivals in plantation forestry. (Entrican and others pointed this out long ago.) Our advantage is likely to become more prominent in coming years as a result of a growing world scarcity of high-quality timber, due to overcutting, conservation and increasing logging costs of native forests.

To attract individual firms into more investment in afforestation Government has an important role. It needs to create an atmosphere of stability, confidence and reliability, and to enhance the determinants of competitive advantage.

Farmers need to be targeted because the great majority of New Zealand land available and suitable for afforestation – about five million hectares – is on farms.

On Farms

One senior executive in a major New Zealand forestry company told me that his company was unlikely to invest in much more afforestation in this country because it already had "too many eggs in one basket" and was beginning to lay itself open to charges of monopoly and public resentment. He envisaged that the other large New Zealand-owned forestry company would reach the same conclusion. However, although his company was unlikely to invest much more in afforestation it was still very interested in investing in more forestry processing. He believed that New Zealand's future new planting expansion substantially has to be on farms, and consequently he would welcome Government encouragement of afforestation on farms.

To a certain extent Government seems to have accepted some responsibility here. Apart from the previously discussed \$7500 preferential tax deductibility for farmers the Government announced last July that it would grant the Ministry of Forestry \$3.6 million to provide increased forestry and information advisory services.

Another encouraging signal, although it is aimed more at protection than production afforestation, has come through a Cabinet decision in late September to finance a programme to "achieve sustainable land management". (See D. Allen p. 7.)

Cabinet noted that "Market forces alone are not achieving the necessary changes in the way land is being used and managed, consistent with protecting the land as a resource for future generations".

This major turnaround in thinking is to be applauded. But can we be so positive about another recent Government forestry initiative?

In the run up to the election, Prime Minister Mike Moore announced that Pureora, the scene of a tree sitting protest led by Auckland conservationist Steve King in the late 1970s, was still divided by three Crown-owned exotic forests covering 6000 ha. The Government, through the "Native Forest Restoration Trust", was going to pay for this 6000 ha to be converted back to podocarpus.

No technical information about how this was going to be done has been provided yet, and it is understood that neither the Department of Conservation nor the Ministry of Forestry was consulted about the decision.

Professional foresters, of course, ask themselves: Would there be more net environmental benefits if the existing exotic forest tracts were left and 6000 ha of rimu, totara, or even radiata pine afforestation was carried out elsewhere?

Hamish Levack

Phenoxies, phobias and forestry

If the United States military hadn't overdosed the Vietnamese ecosystem with 2,4,5-T contaminated with dioxins, what would be the public perception of pesticide usage today? Probably not very different. Lead emissions from cars, and Rachel Carson's book "Silent Spring" were but two of the concerns voiced over chemical and pesticide use and the dispersal or accumulation of residues in the environment. Today we may have pesticide or radioactive residues literally raining down on areas hundreds or thousands of miles away from the application site. But then a similar effect happens after each volcanic eruption; so the process is not new. So how concerned should we be about pesticides in the New Zealand environment, and more specifically, how responsive or responsible are forest managers to/for this problem? If nothing else is clear, environmental concerns are here to stay and the issues are not tackled on level playing fields. Publicity, politics and human emotions will always override scientific reasons and economic justifications.

A recent article entitled "Chemophobia"⁽¹⁾ reviewed the New Zealand situation from an agricultural perspective. The authors pointed out that usage of chemicals had increased enormously over the last 40 years, on the justification of productivity increases, reduced labour inputs, profitability maintenance and meeting export requirements. They stressed that chemicals can be harmful to non-target organisms if used carelessly or in excess. This was true for the eras of first and second generation pesticides like the arsenicals and DDT. Quoting a recent survey of food hazards, the reality now is that pesticide residues come a long way after microbiological and natural poisons – but the public perception is exactly the reverse. Testing of primary products and groundwaters in New Zealand

has shown that contamination is rare, generally below international guidelines or undetectable.

This should not lead to complacency as scientific evidence may be substituted by alternative value judgements or political decrees. Increased monitoring, better accountability and disposal of surplus chemicals, and above all more education and training of users should continue to be essential objectives.

The New Zealand forest, sorry, vegetation, manager should be particularly sensitive to these issues and concerns. Radiata forests form the largest monoculture agribusiness; herbicides make up over 60% of the pesticides sold in New Zealand; scrub weed control is by far the largest end-use for herbicides. Forestry may use only 4-8% of all herbicides in New Zealand but it is a conspicuous use – and still tainted by the 2,4,5-T saga.

There have been calls overseas to reduce national use of pesticides by 25% within the next five years and 50% within ten years⁽²⁾ – it would appear that the first target has already been met in New Zealand for herbicide use. The recent "Pesticides: issues and options for NZ" publication⁽³⁾ shows that herbicide use in forestry and pastoral agriculture has dropped steadily in recent years. There is by one calculation⁽⁴⁾ an apparent 25% decrease of product applied per forest hectare. Rates equivalent to 3-4 kg/ha a.i. may be estimated for establishment forestry. Comparative use rates are 0.11 kg/ha on pastoral land; 2.66 kg/ha in horticulture and 2.04 kg/ha for grain and pea crop⁽³⁾; based on 1987 figures).

Why should this reduction have happened in forestry? One of the reasons undoubtedly is the harsher economic climate over the last five years. Manage-