

1 November 2013

Dear Forest Owner

Forest Owner Commodity Levy

The proposed levy will apply from 1 January 2014

The Forest Growers Levy Trust Inc (FGLT) acting on behalf of forest growers conducted a forest grower referendum in March of this year to determine whether forest growers would agree to pay a compulsory levy under the Commodity Levies Act. Under the Commodity Levy order the party identified as being responsible for paying the levy is the forest owner. In voting "yes" forest owners agreed that they will pay the levy. Forest owners will not be able to recover the levy from another party.

The levy order replaces a significant part of the voluntary levies that are currently paid by forest owners through FOA and FFA (the vast majority of production), contributions to the FOA Forest Health Surveillance Scheme and a substantial proportion of the industry spend on Research.

The FOA and FFA have initiated this because of a range of benefits that such a levy would bring including the ability to commit resources to longer term industry good activities, and a greater ability to partner with government and the wider forestry sector.

This concludes a process initiated over a year ago during which time significant modifications have been incorporated based on feedback from both growers and processors.

Following the successful referendum, the Levy Trust submitted an application for a levy order to the Minister of Primary Industries. We have been advised that the Levy Order will be recommended to proceed when the Cabinet meets in November.

The levy will apply from 1 January 2014.

The levy is a forest growing levy and will apply to most products sourced from trees in a plantation forest. This includes logs, posts, poles, forest waste, binwood, hog fuel and woodchip, exported or processed in New Zealand.

The levy does not apply to Christmas trees, non-commercial firewood gathering or bark. Plantation forest is defined as planted forests and forests that have grown as a result of a planted forest such as wildings and regeneration. Production from planted native forests will be levied. Production from natural native forests will not be levied.

The levy will apply on a per tonne basis* (or per cubic metre, JAS cubic metre, etc., as set out below) to all such material and the point of application of the levy will be where this volume of material is being assembled prior to the next stage of the wood use i.e. either at a domestic processing facility or at the wharf. The measurement at these points was selected as being the most practical option where data was already collected and agreed between parties.

The forest owner may not be the owner of the products at this point. The current commodity owner will initially be levied, but the various owners in the supply chain have the right to recover the levy from the previous owner, until the levy is ultimately paid by the forest owner. Forest commodity sales after 1 January 2014 should include allowance for the levy as they will be levied. All products passing over the data collection point from 1 January onwards will be levied, irrespective of felling date.

The levy in year one will be 27c per tonne, with the maximum levy rate over the six years of the levy not able to exceed 30c per tonne.

The Levy Trust will rely on the provision of the data already collected by processors and marshalling companies to be able to generate levy invoices which will be payable by the owner of the commodity. Product supplied in January will be reported to Integral early February, with invoices being despatched approximately mid-February, then monthly subsequently.

At the point the Levy Order is implemented by the government the payment of the levy to the Levy Trust Board is a legal requirement.

To ensure the Forest Grower Levy is collected in an efficient and least onerous manner, an independent third party has been contracted to supply an automated levy collection system – Integral.

To ensure security of information, a separate company will be formed by Integral to manage the levy collection system on behalf of the FGLT. Only this company will have access to individual company data. Volumes, levy paid, etc will not be divulged to other levy payers, industry associations or the FGLT. Data will be stored securely by the company running the levy collection system. The electronic data collection system will use secure data transmission technologies (other than if a collector opts to supply data by fax).

Data identifying the data collector or the levy payer can only be used for levy collection purposes. Amalgamated data may be used by the FGLT to decide levy allocation.

In the case of a domestic processing facility the data sought will relate to the cubic metres and ownership before the consignment passes through the mill gate. In most cases this will be the forest owner or log trader. Where it is not there is provision in the Act for the levy to be passed back down the purchasing chain to the forest owner.

In the case of port facilities the data sought will be the volume and ownership of the logs after they have passed through the wharf gate.

The forest owner, is the ultimate payer of the levy and your participation and co-operation is very much appreciated.

Yours sincerely



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Chair, Forest Grower Referendum Board

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* It is expected the majority of product will be reported in tonnes. If a transaction is in cubic metres then 1:1 will be the conversion factor regardless of whether it was a 2D, 3D, JAS m³.

For bin-wood and fuel-wood, weight suffices with a saw log conversion of 1:1 Assumes both categories would be a mixture of wet and dry wood.

For wood-chip produced in the forest reporting companies need to specify whether the measurement unit is green tonnes, BDMT or BDU's. If a conversion is required by the FGLT to adjust a measurement in BDMT or BDU to Green tonnes then the conversion rate applied will be 2.7 Green Tonnes per BDMT or BDU. Woodchip produced in a mill, where the logs have already been levied WILL NOT be levied and need not be reported.

Wood sold on mass (wood area including air spaces), a factor of 50% wood content will be used by FGLT to calculate the levy.