

PRESIDENTS REPORT
TO THE MARLBOROUGH CONFERENCE 2014

Ladies and gentlemen I present the annual report for 2013, the 57th year of the New Zealand Farm Forestry Association activities. This year, with the implementation of the compulsory forest grower's commodity levy, has been momentous one for our Association, as well as for the entire forest industry. The Association has come of age this year with NZFFA becoming full partners with the Forest Owners Association (FOA) in the administration of levy funds and in industry wide activities. We are the true representatives of the small scale grower and as the harvest from this sector increases, our importance will increase.

Association Matters

Your executive continues to be very active, juggling a number of roles and duties which are only going to increase with the levy structure now in place. There is a huge amount of work and responsibility for what are unpaid and voluntary roles. Bruce Bulloch continues to act as treasurer and run the finances as well as oversees most activities within the association. We are once again indebted to you Bruce and thank you for your input. Bruce has indicated that it may be time to step back from the role and reduce the burden a bit. With this in mind your executive has started taking steps in this direction and Bruce has assured us that he will assist in a smooth transition.

The **National Conference** was ably run by the Lower North Branch with the theme "Back to our roots". A wonderful conference, taking us to Neil Barr's former property and highlighting the early history of NZFFA, as well as, that of the overall industry and the place of forestry in the future of New Zealand. The conference produced a good result with a surplus of almost \$10,000 all the while being an enriching experience for all those involved.

The **Tree Grower** publication continues to be produced by Bateson Publishing to a high standard. The association is into its second year of the three year contract for the production of Tree Grower.

The overall **membership** still shows a slight decline, with the annual deficit this year of \$55,000 being a function of that, as well as due to previous decisions not to increase subscriptions. The impact of special projects on the deficit is highlighted in the treasurers' report.

Many discussions about the strategic direction of this organisation have been had in the past, but to no avail. With the advent of the levy, this is now the time for this organisation to develop, change and move forward as the advocate for all small scale forest growers. Hopefully at this conference the membership can come up and develop some ways forward, certainly the executive are pro-active and ready to adopt a new approach.

Forest Growers Commodity Levy

During much of this year there was a great deal of time and thought taken to create the mechanism that that would administer the forest growers' levy. The actual referendum was carefully planned, promoted and completed. The result of 86% in favour of a levy by weight

of number of voters, as well as by the total area available, was a resounding success and affirmation that there was now a solid support for a forest grower's levy. The Forest Growers Levy Referendum Board of which Hamish Levack was a member did a sterling job in promoting the levy and running the vote. I also wish to make special note of Geoff Thompson, Wellington lawyer, friend of Farm forestry and forester, who has over time been drawn into the forest industry and was Chairman of the Referendum board and is now Chairman of the Levy Trust.

As well as initiating the vote, the mechanism of which the levy would be organised had to be developed over the year. Of primary importance at the beginning was the levy rate. The rate of 27c/m³ or ton was settled on basically because a higher rate was not going to be acceptable to many forest companies. This level will raise about \$7m. The level of funding needed to fund all desired activities is actually higher than the 27c level however getting the levy across the line was paramount. A big job was establishing a work plan and budget; this was fleshed out by Forest Owners CEO, David Rhodes, in consultation with many groups including FFA. The resultant budget is tight, with half the funding going to research projects with the rest going in number of different areas including Health & Safety, communications, Forest biosecurity/surveillance, programme management, and promotion. The research contribution is essential where Government now requires industry contributions, in order to leverage funding for science that was once funded by Government alone. I remind farm foresters that the corporate foresters have for some time been making voluntary contributions to fund research and other activities. An industry wide levy now means that all forest growers will contribute; there will be no free loaders anymore.

Within the budget there is \$75,000 earmarked for NZFFA industry good activities. This will be broken down by: Administrative support, \$30,000, Website, \$3,000, Magazine/newsletters, \$17,000, National database, \$10,000, and Field days, \$15,000. All of these budgeted amounts are designed to help communicate to all small scale forest owners regardless whether they are FFA members or not.

The levy collection company was engaged and the levy system was put in place under a tight time frame, all ready for the January 1, 2014, commencement date.

Within the functioning of the levy administration, careful thought was given to how the desirable outcomes from the levy would be achieved, bearing in mind that there was little desire to create a new forest growers bureaucracy. On that basis the decision was made that the existing FOA committees would remain and that FFA representation would become consolidated with full rights. The FGLTB would contract to FOA/FFA to carry out the predetermined work plan as overseen by the committees. The FGLTB therefore would be solely a management body not a delivery one.

Members must note that the administration of the levy with FOA is very much a partnership where there is a level of power that this Association has never experienced in the past. We are the voice of the small scale grower and we do count.

Forest Growers Levy Trust Board

Once the vote in favour of a levy was past, there needed to be a vote for members on the trust board. FOA and FFA consulted on this and it was decided that there would be represented on the board, four members from the large scale growers, and two from the

small scale growers. There would also be an Independent chair, with the board appointing Geoff Thompson.

The result of the election led to the following being appointed as board members:

Bill McCallum, Hancock Forest Managers Ltd.

David Balfour, Timberlands Ltd.

Paul Nicholls, Rayonier | Matariki Forests Ltd

Philip Taylor, Blakely Pacific Ltd.

Small scale grower representatives:

Steve Wilton, Forest Enterprises Ltd

Ian Jackson, NZFFA

The FGLTB will act differently than other commodity levy boards, in that it is a governance board not an administrative one.

Awards

The awards we present annually have been going for many years, with many prominent farm foresters having been the recipients. I offer my congratulations to the 2013 Husqvarna winners in the south Charlies and Sandi Wiffen, from Nth Canterbury and in the North, Bob and Meg Gaddum, from Gisborne. The Landcare Trust award for innovation in sustainable farm forestry went to Central Hawke's Bay farmer Ewan McGregor.

We are indebted to our long term sponsors for continuing to support these awards each year.

Trees on farms workshops

This project had a setback this year with the untimely death of the main driver, Ian Nicholas. The south Island branches were to be covered this year, but now this will now happen in 2014, with Harriet Palmer and Nick Ledgard taking up the reins.

FSC

The FSC project lead by Patrick Milne has made significant progress this year with the completion of the SFF funded project to establish an on line forest recording system, for the certification of small scale forests. This was funded by a SFF grant of some \$135,000 and contributions of \$30,000 from this association over two years. The resulting software developed by Scion, is very good and user friendly and can be used for any certification scheme. This would be administered within FSC, under a system called SLIMF (small and low intensity managed forests) and would hopefully be operated as a group scheme. Possible costs are unknown at present, but there is acute awareness that these need to be reasonable.

Further to this NZFFA has been granted further funding of 30,000 Euros to further expand the FSC project and promote it.

Patrick has been partnered in this project by Rhys Millar a Dunedin based forestry consultant. Rhys will be involved in the installation of any future FSC scheme and I wish to make a special vote of thanks to Rhys for his efforts thus far.

Website

The NZFFA website continues to evolve under the expert guidance of Dean Satchell who is now single handily maintaining the website. This year there has been major advancements in the subscription software, making it easier for members to signup, or renew their subscriptions. Recent improvements have allowed our database to integrate with the MYOB accounting system. The branch administration side of the site has been boosted and improved. All of the back issues of the Tree Grower are now available to members on the site.

A joint project funded by SFF/ FFA and carried out by Harriet Palmer and Viv Maclean has seen a tree resource database established on the website. Within this library area there are comprehensive links to all manner of information and research concerning the entire tree growing sector.

The **Farm Forestry Timbers** area continues to get good listings and anecdotally generates considerable business in timbers other than radiata pine.

Identifying small scale forest grower's (SSFO's)

This is an ongoing project led by Hamish Levack to establish the names and addresses of the large number of unaffiliated SSFO's. At best estimates there may be up to 12,000 of these and if we can establish the identity of these it would provide a huge potential membership for NZFFA. The Kapiti coast pilot study provided a good result with some new members being recruited. Further means of funding this project are being investigated with Hamish and his group lobbying hard to leverage future levy funds.

As an addition to this project the group would like to group together a number of these forest owners to co-operate in the harvest and marketing of their future harvest. This is all set against the background of the burgeoning harvest from this sector set to happen in the next 10 years, as a result of the 90's planting spike. Infrastructure and maybe markets, will struggle to handle this scattered burst in production. The identifying of these SSFO's is an integral first step in the ultimate setting up of any harvest group.

Of importance to NZFFA at this time is one of philosophy; does this organisation get involved with what essentially is seen as a future marketing co-operative. At the Orewa conference there was by show of hands, a roughly 2/3rds majority in favour of such a move. This association's executive will need guidance from the general membership on how far we progress this venture.

ACC project

Early in the year the Approved Code of Practice (ACoP) was released by the safety administration body MBIE and covers all aspects of forest practice for the general forest industry. With the current emphasis on safety and reducing accidents in the forest industry this is a very important booklet. Hamish Levack and Julian Bateson have been involved with ACC in producing a simplified booklet for the use of farm foresters and other small scale forest growers. At year end the production of this booklet is in limbo pending a review of the overall ACoP.

Forestry insurance

The NZFFA had a long standing relationship with NZI insurance which has since ended. I am pleased to report that AON insurance brokers has partnered with the association in providing forest insurance, with the NZFFA receiving some commission from members insurance premiums.

National Environmental Standard (NES)

Forest growers and Government personal have been meeting for some time in an effort to establish an NES for plantation forestry. This had been under the auspices of the Ministry for the Environment (MFE). An NES is seen as desirable so as to bypass the ever increasing reviews and new legislation being developed by local authorities. Major reviews by local authorities are expected by 2017 and more particularly the corporate foresters do not expect to be able to maintain the work load required by that time if an NES is not in place. Environmental regulations are undoubtedly getting more stringent over time for the forest industry with councils tightening their rules. Forest companies need to dedicate an inordinate amount of time to submit on such legislation, in what is presently a piecemeal approach. A nationwide NES for forestry would take precedence over any individual council legislation and provide the framework for all forest environmental legislation. Wellington member Don Wallace had previously been the NZFFA representative on this committee.

However, when it seemed that the NES was almost agreed, MFE pulled its support, or more correctly, cabinet rejected the proposal. The issue was the lost revenues as determined in the cost benefit analysis (CBA) associated with the setback areas from rivers. The figures being used were much debated as to the accuracies of actual lost revenues.

As a result of prompting from a number of quarters and the initiative of MPI, the NES debate is back on track, with a revue committee of expert policy people being established. While NZFFA does not have direct representation, we now have an existing panel member and NZFFA member, looking after our interests. There are also on the committee, other "friends" of FFA, who are also small scale growers in their own right.

Good Neighbours MOU

There has been developed by FOA in conjunction with FFA and alongside Federated Farmers, a "Good Neighbours Memorandum of understanding". This establishes basic good common sense guidelines of what would be expected of neighbours of forest land and conversely expected by foresters of their farmer neighbours. Whilst this document does not have legal standing it is a good basis for interaction and allows for the peaceful coexistence

of forest and farm neighbours. I signed this MOU on behalf of the NZFFA at a ceremony at the Federated Farmers Office in November.

Health & Safety

The general forestry operating environment and the accident record has this year come sharply into focus. The nine forestry related deaths last year and over 900 serious accidents have precipitated this, while exerting a strong reaction from the unions and government. Because of this appalling record the industry faces the spectre of being legislated out of existence, with the imposition of H&S codes that would be very difficult to adhere to.

At year end the terms of reference of an industry wide safety review are being drawn up, mostly by government agencies in conjunction with the forest industry. The process will include an independent panel of Health and Safety experts to initiate the review and produce a subsequent report. NZFFA will take its place in this review and be asked to make a financial contribution, as well as input into the review by way of submissions. This organisation needs to step up and shoulder responsibility in the field of Health and Safety within the forest.

ETS

The much maligned ETS scheme has ironically been negative for forestry, with new planting rates now at a historical low. The main activity this year has seen participants buying their way out of the scheme by picking up the cheap credits. The last of the grant scheme (AGS) plantings occurred this year, while this is now finished and the likelihood of any further funding being very remote.

There is a complete unwillingness by Government to facilitate an effective ETS scheme and with this underlying sentiment, the ETS will continue to be a nuisance and cloud future forest investment decisions in New Zealand.

Woodco

The industry umbrella group continues to operate as a united voice for the overall wood industry with government and where FFA has a seat around the table. It is the main strategist and priority decider to lobby the various Government agencies involved. The Woodco strategy of growing the industry from the present \$5b to \$12b by 2022 still stands. The main achievements this year were the completion of the Woodscape study; this highlighted what industrial processes may be employed to help fulfil the aim. As well as this there has been drawn up and approved a list of priorities to be presented to Government to help create the environment for the wood industry to flourish.

Further Government interaction has been arrived at by the formation of a Forestry Sector Partnership where the Woodco board will meet with MPI officials, with the main aim of more cohesion between the organisations, information sharing, an increased level of understanding, and develop a relationship of trust between the parties. This level of co-operation is unprecedented for the forest industry.

During the year Panpac chairman Doug Ducker stepped down as Chairman and was succeeded by Bill McCallum from Hancock Forest Managers.

Conclusion

This is my second year as your President and as such I would normally be stepping down from the role, however, with the advent of the levy and some unfinished business, I am taking the opportunity to stand for another year. I have made this decision to provide some continuity with the levy board, in the interaction with our partners FOA and also to oversee the changes in our head office.

Lastly I wish to heartily thank my entire executive for their resounding work, all the branch personnel, and the members and staff of FOA who have done an awful lot this year to help strengthen and develop the NZFFA. There are some truly wonderful people in this association and the overall industry, as well the existence of huge opportunities; let's all work together for the betterment of the entire New Zealand forest industry.

Ian Jackson

President