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The Proposed Forestry Commodities Levy: lets have balanced consideration

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There is at this moment a forest-owner vote on a forestry levy at sale of any and all harvested forest. The *New Zealand Tree Grower* (February 2013) lists the claims for it that include advocacy, extra research and marketing promotion. The advocates for the levy have been widely reported, but it deserves a balanced consideration.

There are costs to a levy that need be recognised. Placed on gross sales the levy will disproportionately reduce profit. Cooperative activity is most successful when it concerns activity and product that are very very similar. Milk is a classic example: its common characteristics make it a natural for cooperative organisation.

But the forest industry is diverse having different varieties of forest developed and managed for different purposes, and large enterprises with long time horizons and small firms with terminal forestry interests. Growers may have forestry simply as part of their portfolio, and reasonably have no great attachment to the future performance of the sector. Differences arise from the different ages of trees, and their owners. Many forest owners will not see personal benefit from the levy. These are real potential sources of conflict about the levy and what it is applied to.

There is already advocacy by two organisations that have chosen to fund what they term "industry good activity" and which cover 80% of New Zealand's forest area; but there is an estimated 15,000 small growers outside the fold. Why should contribution be compulsory? If there was sufficient demand, a cooperative society with voluntary membership might be an alternative route with more like-minded members, and it could engage more directly in commercial activity if it so chose. The advocates of the levy treat growers as one block when there are many diverse grower interests that will be a challenge to unify.

In the *New Zealand Tree Grower* there is discussion of the prospective 2020s wall of wood resulting from the early 1990s plantings that advocates national planning and management of it. A national levy funded organisation will find it hard to resist such calls. But it is very far from clear that a national plan would benefit forest growers. Even Fonterra does not have market power in international markets and nor did the earlier compulsorily held Dairy Board.

Levies are not automatically successful. Because no one owns the levy-organisation, if arrangements are unwound there are typically un-owned funds that produce conflict and legal costs. The wool industry provides a marvellous example of such conflict because suppliers were not very similar, because there was questionable performance, and costly trouble when change was sought.

Acting on a balanced assessment of the forestry levy proposal now is important because the threshold for acceptance is very low. Only an ordinary majority is required with no minimum level of participation in the vote leaving the potential tax or levy vulnerable to forestry special interest groups including enthusiasts.

A balanced assessment requires that all forest owners actually vote.

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