

When price signals go feral

There are many big questions to ponder every day - What is the mass of the Higgs boson? What is “dark matter”? What proportion of tomorrow’s mail delivery will be junk mail? However one big question continues to bug me. Why has there been such a division between farming and forestry in New Zealand?

I confess to having led a sheltered life here. With a father in Forest Service but all other family in farming, I was about 16 before I discovered that not all farms had woodlots and not all rural kids earned pocket money pruning trees. It was disconcerting. My adolescent peers considered me rather strange.

I guess they still do, because 40 odd years later the majority of New Zealand’s land owners still seem reluctant to consider forestry a “worthy” land use and, dare I say it, foresters do tend to take a blanket radiata pine approach to land use without recognising the variety of sites and soils in their forests. We have a land with an intimate mix of different forms and soil types divided into eight land classes ranging from class 1 elite soils (limited areas all too often covered by urban development) through to class 8 (commercially unusable, except perhaps for tourism). In a rapidly rising land of soft, young, sedimentary “rock”, these land classes often wind up in a jumble. Certainly class 2 & 3 arable or dairy land is often next to class 7 land.

The logical response, in my opinion, is the land use capability approach, developed originally by the old Nat. Water & Soil Conservation Authority (NWASCA). This means most New Zealand’s land holdings are not suited to just a single land use and forestry needs to be one of the suite of land uses considered alongside dairy, sheep, beef, arable, horticulture, etc.. This is especially true in eroding hill country, but also on areas such as incised terrace country in South Taranaki or the coastal sands that I inhabit.

It is difficult to believe that forestry does have equal status. The conservative Landcare Research estimate is at least one million hectares of highly erodible land still needs forest cover, but there is little sign of action from landowners. I have my own indicator of interest - an annual visit by students doing the “Trees on Farms” paper at Massey. Visits started in the late 1980s with a minibus load, which grew to a big bus and, briefly, two buses after the 1993 price spike. In recent years we have been back to the minibus, or a minibus and ute, and not all agricultural students. This is from an annual crop of around 70 agricultural graduates.

Another indicator is the vehement resistance to trees coming from Federated Farmers representatives in some of our most erosion prone country, notably Gisborne/East Coast, Ruapehu and Whanganui.

So the next question is - why? I don’t claim great insights, my mates are devout tree huggers, but here are a few suggestions:

1. We still have what my father described as a “pastoral culture”. True, the dairy Moguls have displaced the sheep barons, but the primacy of grass over trees has been reinforced by the belief in Fed. Farmers and Government of New Zealand’s divine mission to feed an increasing world population, or at least those who can pay for our essentially luxury, food exports.
2. “Sustainability” is a marketing slogan rather than an actual, individual responsibility.
3. Like most groupings, rural New Zealand is inherently conservative. They make changes and adopt technology at the margin, but we still have the “great-granddad cleared this land of trees to make it what it is” attitude.
4. Few aspiring farmers really get exposure to trees and wood in school and tertiary education. For practising farmers, the rural media has a very lean offering of forestry fare, mostly deforestation stories recently.
5. The best paying employers of agricultural graduates (banks, fertilizer companies, larger consultancies) will always rate “Intensification 909” over “Trees on Farms”.
6. Land purchase habits militate against forestry. The rule is: pay the absolute maximum you can service, meaning you will not make money from actually farming but capital gain will save you. Or so they believe. This is not an encouragement to cost-today cash-tomorrow activities like forestry. I might note here a paper of a few years ago, by MAF and AgResearch authors, demonstrating that at current interest rates soil conservation made no commercial sense and that the price signals all said “mine the land, take your money and move on”. I hasten to add the authors didn’t advocate this approach.
7. Plantations and trees don’t add serious value to farms, and in view of the importance of capital gain in sustaining agriculture this has to count against it. It was disconcerting to be told, by a very reputable valuer, that the plantations covering almost half my property probably added little, if any, market value. Admittedly this was in 2008 during the peak of the dairy-land purchasing spree, but other anecdotes confirm this opinion.
8. Mid-rotation plantations are also very illiquid assets, courtesy in part of the tax system.

So there are some of my villains and whipping boys. There are bound to be others, but I would be even more interested in suggestions about getting past them....

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