



Mayor voices concern

In the first of a series, *Country-Wide* writers look at the impact of the Government's subsidies and assistance for tree planting which critics say threatens to sabotage rural economies and displace rural communities.



Does NZ want to retain farmland and community or replace it with trees?

WORDS: REBECCA HARPER

Farm sales to forestry are happening at the rate of a steam train in the Tararua region, causing a high level of stress and uncertainty for communities, Tararua District mayor Tracey Collis says.

She calculated 12 farms in the region had been sold to forestry in the last 12 months, compared with four in the previous 12 months, a number she called "significant".

The region, which included a number of small rural support towns, would feel the social, environmental and economic impact of the changing land use, she said.

"There is a lot of speculation out there and this really is causing concern in our rural communities, and it hurts me to watch that," Collis said.

She and Wairoa mayor, Craig Little, travelled to Parliament in late May to voice their concerns and Collis was encouraged that the Government had listened.

"Wairoa is experiencing the same challenges with forestry and the key message is that this has been incredibly fast and significant over a period of 10 months with farm sales.

"The changing landscape is really causing distress. We are used to rolling hills and livestock, and none of us are particularly fond of a mono-culture landscape of pine trees. An analogy that was used by one farmer was that the only biodiversity pine trees created was for magpies. They're not really the bird of choice. Nothing lives under pine trees."

Another issue that came with carbon farming was pest control and how that would be addressed.

"The other concern in the community is,

with such a rapid change in land use, what is the impact on the wider community and jobs? I don't know the answer."

Collis said crunching basic numbers, calculated at 8.5 stock unit carrying capacity over the total amount of land lost, it was more than 68,000 stock units gone.

"It's broad-brush numbers, but it's enough to give an understanding. We are talking 68,000 less stock units - how does that reflect to our shearing contractors, processing companies, local vets? Those are just indirect businesses, then you have the direct job losses on the farms. If you calculate one labour unit for every 3200 stock units that's 21 jobs gone."

She also calculated the cost to the economy, working on the average spend from those farms sold of \$25-30/su, being \$1.7 million.

"If you extrapolate the out-farm expenditure over 28 years, the same as a pine tree harvest, the average loss for the district is \$6.7 million/farm sale. So the loss for the district is huge and will flow through to the towns very quickly."

Collis knew of one shepherd who was unable to secure another job after the farm he worked on was sold to forestry. As a result his wife, who taught at a local rural school, resigned.

"Every conversation that you have in any rural community will involve the rate of change in land and the future cost."

Since the Nelson fires, concerns had also been raised about preparedness and resourcing, if a fire were to break out.

"There are social, environmental and economic concerns. At the moment what



Tararua Mayor Tracey Collis

we are seeing is a steam train and when is it going to stop?"

Collis and Little raised the speed of change with the Minister during their visit and what was causing it.

"We talked about how the billion trees and carbon policies are influencing these decisions and how, actually,

it wasn't meeting the right tree in the right place. Some of the land being purchased is productive. It's not what we would consider the right tree in the right place."

They also wanted to see the issue of inequity addressed, with farmers not able to plant trees to set off their own emissions. "We would like to see some equity for farmers... it sends the message and encourages plantings - in the right places.

"Fossil fuel burning companies being allowed to offset by buying farms for forestry means they are not actually changing their behaviour."

On the flip side of the coin, Collis was worried about those who were deciding to sell to forestry.

"Some farmers want to exit for health or other reasons and for some there is no other bidder, there's no one else there (to buy)."

She didn't want them isolated in their own communities and have ill feeling towards their selling to forestry.

People were worried, but Collis believed the Government had listened to what they had to say and understood the urgency and what it was doing to the regions.

"I will wait and see what actions result from it. As mayor, I will continue to monitor this."





Settings might need to be re-set – Jones

WORDS: REBECCA HARPER

Forestry Minister Shane Jones is puzzled more farmers aren't lining up to take advantage of 'handsome' grants available through the One Billion Trees Fund.

But he says he is listening to concerns raised about the impact of farmland being sold to forestry will have on rural communities, and has officials looking into the issue. He expects to receive advice in about six weeks.

"When the mayors bring to my attention that we, or I am, threatening the future of rural communities... I have undertaken to get officials to do analysis and look at what settings might need to be re-calibrated or re-set, if that is the case. I don't believe it to be the case.

"But I do believe the farming communities themselves need to make more use of the handsome tree subsidies."

Of the 36 grants approved under the One Billion Trees Fund to date, 30 include native planting. Twenty-six of those grants are under 50 hectares and all the grants are under 140ha.

Jones says the political motivation to

back forestry, predominantly driven by him, has three dimensions.

"One, the forestry sector is already largely foreign-owned. The changes to the Overseas Investment Act were to make it simpler for genuine transactions to take place... The changes actually give the Crown greater surveillance of overseas purchasers."

Secondly, he says, trees have a role to play as climate change policies are implemented.

For many years farmers have called for forestry to be added to the mitigation mix.

"Farm foresters are telling us that they are making annual returns of \$1100 per hectare from timber alone (not including carbon prices). This is an important opportunity to diversify income and turn unproductive land into an asset."

Finally, Jones says two thirds of the One Billion Tree Fund money is for manuka and other native trees, but he accepts the message about the intent of this policy has not been heard by the majority of the farming community.

Rather than the One Billion Tree Fund, he thinks what is driving the underlying

interest in land being bought and put exclusively into forestry is a belief the price of carbon units will increase.

National's Nathan Guy says the party is listening to the concerns and much of it would play out in the Zero Carbon Bill Select Committee process, where he anticipated many farmers would turn up to have their voice.

He could not say what a National Government would do, if elected in 2020, as there was a lot of water to go under the bridge before then. "Changes need to be made right now, actually."


Jones says the last thing New Zealand First would want to do is disembowel rural communities.

"We need to bring a form of regulation to the fore to ensure that, when people are buying farms and converting farms for carbon forestry, we don't

undermine the ability of rural New Zealand to operate with critical mass and to continue to grow food."

Jones is keen to examine whether farms are being bought in the pursuit of carbon riches.

Officials will be advising him if it is necessary to tweak existing settings, if it turns out the policy is not achieving the right tree, at the right time, in the right place.

As for speculation on the carbon price, Jones says the Government has not committed to a carbon figure, but is sceptical of it skyrocketing. 



Shane Jones

By the numbers

Between 230,000 and 430,000 hectares to be planted to reach the one billion trees goal over 10 years.

New Zealand has 1.7 million ha of plantation forestry. The policy will take it to 2 million ha.

There is 12.6 million ha of farmland in NZ, of which 8.5 million is in sheep and beef farms.

If all new planting was on farmland that is just 3% of all farms. That does not suggest a major shift, more a gradual redistribution of land use.


Overseas Investment Office data shows

four purchases of existing forests and three of farmland.

Of the farmland bought a total of 2300ha is to be planted and a further 1200ha of this to remain in existing land use.

The provisional new planting estimate for the year to December 31, 2018, is 9100ha.

1700 out of 2100 forestry participants in the ETS are farm foresters.

180,000ha of plantation forestry is already on sheep and beef farms. 

• Figures supplied by Shane Jones' office.



Not a lot grows under trees in a pine plantation.



Here comes the carbon farmer

WORDS: PHIL EDMONDS

A year ago the term 'carbon farmer' would have barely registered with the farming community, let alone most New Zealanders. But following the unveiling of some lucrative Government tree-planting incentives, a well-signposted Emissions Trading Scheme revamp and cautious anticipation of a cross-party agreement on climate change legislation, carbon farming is on track to sit 'uncomfortably' alongside dairy and sheep and beef.

Indeed, depending of the shape and speed of the Government's commitment to reduce carbon emissions, land dedicated to carbon farming may well overtake sheep and beef inside 30 years.

How has this happened?

The emerging sense of a 'tree-rush' is not new. When the ETS was introduced in 2008 a wave of interest in planting emerged when landowners were given the opportunity to generate economic benefit from the sequestration of carbon. That didn't last however as the price of carbon quickly became too volatile to offer the level of confidence needed to make an investment in trees for the purpose of capitalising on carbon credits.

When the scheme was first introduced emissions units were priced at \$17/tonne but collapsed in 2011 after the supply of units escalated with cheap ('junk') international units available to companies to buy and stockpile for later use. The flood of foreign units meant New Zealand emitters didn't have to rely on those locally produced and the price fell to as low as \$1.50/t.

Since 2015 when the Government banned cheap international units the price has steadily risen and is now around \$25/t – the imposed price ceiling, which emitters can buy from the Government.

Back to the fresh explosion in interest. The One Billion Trees programme



Radiata pine on a southern farm.

launched by the coalition Government soon after it was elected in 2017 has been the catalyst, with a fund subsequently created to support individuals and groups across NZ to plant trees. The \$240 million fund launched at the end of last year includes two types of grants – direct to landowner, which will contribute to the cost of planting and establishing trees and fostering indigenous regeneration, and partnerships with organisations and groups with a minimum of 200 hectares that would allow to them to obtain rental and a proportion of harvest revenue.

Increasing confidence in steadier prices has however become a bigger factor in the surging interest. The potential for cross-party support for the Zero Carbon bill currently before parliament, which would create an independent climate commission and place binding targets of emissions reduction on future governments, would be a clear signal of commitment to the ETS and an indicator of upside potential to carbon prices.

Additionally, at the end of March the Government announced changes to the ETS that will enable landowners to get credits based on the average amount of

carbon their block of forestry would take out of the atmosphere over the longer-term.

For a pine forest on a 27–28-year rotation, landowners would receive credits up to year 18, but would not be obliged to pay those back after harvesting providing the land is planted for a second and third rotation. For the second and third rotation there would be no credits.

Farm Forestry Association Chair Neil Cullen says this would further encourage farmers to plant out land in forests, without a concern that it would result in a cash-flow problem while Forestry Minister Shane Jones boldly asserts changes would contribute to the planting of another 89 million trees.

Late last year, Jones reaffirmed the Government's view on the benefits that would accrue for farmers from the policy direction. "We're making good on our promise to make better use of land, especially on erosion-prone land. And by establishing a permanent forest, with indigenous or exotic species, land owners

'If it was me, I'd be thinking forestry could be a component that gives a bit of diversified income. If forestry drops off you've still got some pasture. The key thing is they still have options.'

will be able to better optimise their non-productive agricultural land and enjoy income from the sale of New Zealand units," Jones said.

Farmers – what's not to like?

There are plenty of indications that farmers are heeding the economic opportunity – which Rabobank animal proteins and sustainability analyst Blake Holgate refers to as a "one-time shot". Holgate says at \$25/t, the collective incentives offered by the Government makes planting on unproductive land, and potentially on productive land as well, worthy of serious consideration.

Te Awamutu-based forestry consultant John-Paul Praat shares that view.

"At prices north of \$20/t, and if agriculture comes into the ETS, it may be

worthwhile for livestock farmers with suitable land to establish new forest blocks on existing pastoral land as an alternative income and a hedge against high carbon prices.

"At prices above \$30/t and evidence of a stable market the options for being a carbon farmer could be well worth considering, especially when you factor in other external benefits such as reducing nitrogen, phosphate and soil losses, increasing biodiversity, and improving landscape aesthetics."

Meanwhile, the planting incentives have also brightened the eyes of forestry companies, who, like farmers, appear increasingly convinced by the prospect of a more stable market for carbon.

"Prices that forestry companies are looking at paying for land varies regionally but in different parts of the country foresters are definitely outbidding sheep

and beef farmers for different classes of land, and they are definitely lifting the floor for sheep and beef properties," Holgate says.

Colliers International forestry sales specialist Warwick Searle agrees.

"We've seen a real increase in demand, which hasn't necessarily transferred into a whole lot of land sales to forestry companies yet, but they are definitely far more active at looking and enquiring into sheep and beef property that could be suited to planting.

Searle says companies have identified the East Coast, Wairarapa and North Otago regions for potential afforestation, but that is not exclusive.

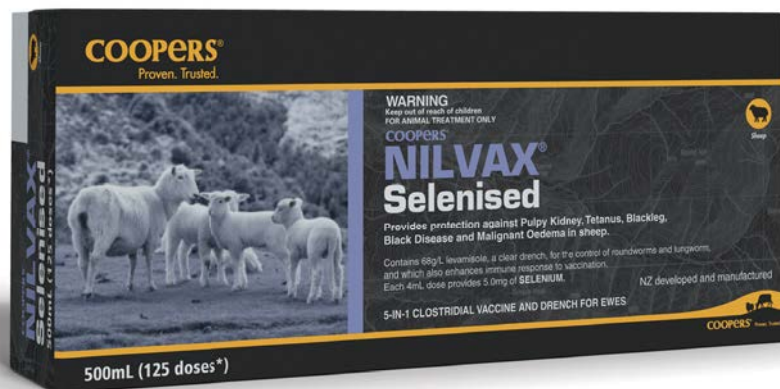
"They are really just trying to chase the cheapest bare land in the country, and that's where it currently is."

Land is probably selling for a premium over what foresters have paid in the past, and the incentives are making foresters more competitive with sheep and beef.

"At the moment I would probably say that sheep and beef is a node ahead but if the economics in sheep and beef turn a little bit then forestry will be right there.

We are seeing some companies paying up

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to \$9000/ha which is a lot more than has previously been offered.”

Should dairy farmers be alert to the opportunities?

The incentives as they stand have more or less exclusive appeal to the sheep and beef sector, but dairy farmers should also be thinking about how they might capitalise on the opportunities. John-Paul Praat says.

“Dairy farmers could be interested if they have run-off blocks, and there are potentially 20%-30% of farms that do have this. If dairy farmers do want exposure to carbon, all they need to do is get together and buy a sheep and beef farm.”

Dairy farmers will also be keeping an eye on the forestry proposition in conjunction with any Government move to bring agriculture into the ETS.

Praat says if the agricultural emissions liability is set at 5% it wouldn't be worth dairy farmers doing anything while the price of carbon is at \$25/t. Only when an emissions liability rises to 10%-15% and the carbon price reaches \$35/t acting to mitigate the costs of emissions could emerge as an opportunity.

“A 5% emissions liability is going to cost a dairy farmer \$12/ha, or 1cent/kg MS and at that point farmers won't even know it. But if you go to 10% and \$50/t that's \$50/ha which might be worth thinking about.”

While the increase in land value may well be welcomed by those with an eye on exiting the industry, the fact it is driven by the incentives to plant trees rather than more optimism for the sheep and beef industry is causing tensions.

Blake Holgate says the bank's message at the moment is about looking at the parts of your farm that aren't producing much, and therefore wouldn't have a fundamental impact on your farming system. That means planting the right trees in the right place at the right time. This, he says, is where planting makes sense.

But stopping farmers thinking beyond planting on unproductive or at least near-unproductive land is difficult when the economic opportunities from planting are put in front of them. Holgate says there is a tension emerging around whether the incentives are encouraging landowners to put trees into places where pasture is still productive. Some farmers have sensed they would make better returns from forestry than livestock even if it is relatively short-term – a 15-20-year, one-tree lifecycle.

The Government's immediate rejection of the Environment Commissioner's recommendation that forests should be exclusively used to offset biological emissions is only likely to further encourage tree planting. In his report *Farms, forests and fossil fuels: The next great landscape transformation* released at the end of March Commissioner Simon Upton recognised that NZ's reliance on forest sinks to soak up fossil carbon dioxide emissions would have a profound effect on many rural communities.

Farmers' response

The response to the threat of forestry's potential to break up communities depends on which side of the fence you sit on.

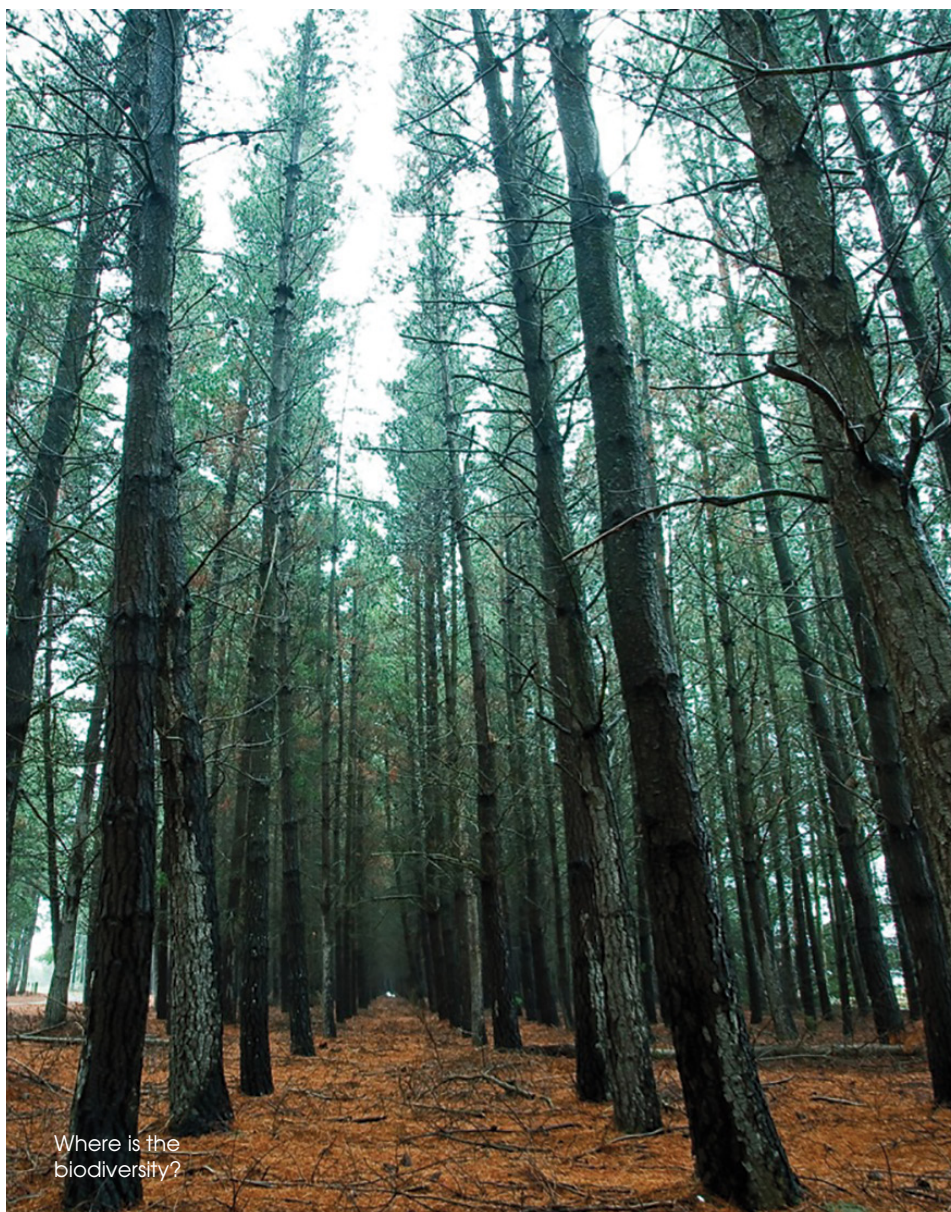
“If you are a farmer trying to sell, you're not really going to mind who wants to pay,” Warwick Searle says. “But if it's your neighbour then there may well be

concern.” Searle acknowledges the friction. “As agents we are there to do the best for our clients, but you do see some deals that forestry companies are chasing and realise it's for pretty good land that probably shouldn't be going into forestry.”

Federated Farmers climate change spokesperson Andrew Hoggard acknowledged it is difficult to speak for all. “If the economics of forestry is telling some farmers they should plant then we would be hypocrites to suggest that farmers shouldn't change their land to the best-value use.” However, he does warn that any decision has lasting consequences.

“If farms are shifted into trees then there is probably no call for shepherds' quarters and wool sheds to be maintained. It is not like switching a dairy farm to a sheep and beef farm or vice versa. It takes a big effort to change back from trees.

“If it was me, I'd be thinking forestry could be a component that gives a bit of



diversified income. If forestry drops off you've still got some pasture. The key thing is they still have options."

There have been murmurs that some farmers looking to exit are considering selling to sheep and beef farmers rather than foresters for a lower price to try and ensure farming communities remain viable.

Meanwhile concern for farming communities is not restricted to those directly in the line of fire.

"I don't want to see farms bought and planted fence-to-fence because that's putting land that should remain in pasture into forest," John-Paul Praat says. "If the price for carbon shifts towards \$30-\$35/t then land use change will really start to happen. You are going to get perhaps 50-60-year-old farmers that have no one to carry on the farm. If someone dangles \$2m in front of them they're going to take it and walk away, and an investment company will plant it in pine trees.

"We need farmers to be proactive and focused on integrated forestry."

Fears around the loss of communities is not something the Government will be wanting to accept.

When revealing the suite of initiatives last year, Forestry Minister Shane Jones said the funding would "support tree planting in areas where wider social,

environmental and regional development goals can be achieved".

It is difficult to see how communities can mobilise against the current forces.

Some have suggested the Government needs to acknowledge that placing productive pasture land in trees would have a materially negative impact on NZ's export receipts.

This argument is however doubted by those with a sense of history. John-Paul Praat says an overall loss of sheep and beef production would be too much of an assumption to make.

"If you look at what happened in the 1990s when there was a huge amount of planting that went on, did we export less? I don't think so. We are talking about low-productivity land.

"If you are considering planting the 10%-15% of the worst part of the farm in trees and focusing on the best 85% then productivity is actually likely to increase. You are no longer wasting the cost of fertiliser for example on

the least-productive land."

Other concerns have emerged over the impact on farm succession. Any decision to change land use from pasture to trees now would be difficult to reverse. With the ETS accounting average approach where farmers would not have to repay credits at harvest – presuming the land is re-planted – then the next generation will not see any income from the carbon sequestration.

Holgate says this is certainly one factor

farmers will need to consider when thinking about how afforestation would impact their personal rather than economic objectives.

But could tree planting contribute rather than take away from sheep and beef farm profitability?

There is some chance that afforestation could

'Prices that forestry companies are looking at paying for land varies regionally but in different parts of the country foresters are definitely outbidding sheep and beef farmers for different classes of land.'

play a positive role in lifting rather than reducing NZ's influence in the international red meat market.

Rabobank's global animal protein strategist Justin Sherrard spoke in NZ recently and told farming audiences red meat producers need to understand the emerging global trend towards sustainability and consider this in the development of their individual business strategies.

Sherrard said NZ farmers would be best served to view sustainability in the context of their broader business planning.

"I don't think industry participants are going to be successful addressing sustainability challenges if they view it as something that's bolted onto the business or as something to focus on in isolation."

Blake Holgate doesn't think there is a direct link between generating higher premiums for sheep and beef products and planting trees. He says the sustainability attribute is more about underpinning a more general holistic NZ story. However, where planting could help generate premiums is in the emissions space.

"There would be benefits if we can link a product story around net zero carbon emissions – either at farm level or nationally – and demonstrate the actions we are taking as a sector to offset the footprint. I'm not sure one initiative can drive a premium, but it is part of the bigger picture."





Competing ethics of land use



WORDS: JAMES HOBAN

There has been a sudden rise in anti-farming sentiment. This time it is not coming from the usual quarters – rather it is a specific awakening coming from existing sheep and beef farmers and it is anti-carbon-farming sentiment.

Rural media and the remaining handful of open country pubs are rife with the now-all-too-familiar story: swaths of prime sheep and beef country is subject to all-but-irreversible blanket afforestation. This transformation is driven by a frightening concoction of foreign investors, Government policy and return on investment.

Ironically not only could a pine monoculture stifle farm sector productivity, it would also be a blow for indigenous biodiversity, a resource held dear by at least one of the parties currently in Government. Some of the farmers who convert good farmland to forestry or sell to forestry investors will be among the same people who bemoan the building of houses on New Zealand's most productive soils.

When the ethics of land use are considered not everyone's views are consistent.

To allay any fears the Minister Shane Jones has announced that in recent history the greater trend in land conversion has been out of trees back into farmland, rather than afforestation. A number of industry leaders have publicly argued the

case that sheep and beef returns trump alternative land uses. At the same time Beef+Lamb NZ maintains this line. It has run workshops for levy payers focused on understanding and accessing the tree-planting opportunities available.

Despite these reassurances, farms that have been bought by forestry interests are real. The trend is growing and the returns from trees make a compelling case.

Where to start?

While much of the tree hype is focussed on carbon farming, not all trees will make money through carbon. The mechanism that offers the carbon opportunity is the Emissions Trading Scheme (ETS).

Subsidies currently available for tree planting offer extra incentives to plant native species rather than blank areas in exotic plantation forestry. Once planted, registering these trees in the ETS is optional.

The Government wants a large portion of its ambitious One Billion Trees target to be indigenous. The catch is that the returns driving mass land use change are based on planting fast-growing forestry species, mainly *Pinus radiata*, and entering these forests into the ETS.

Trees that were already established in 1989 are not eligible. Neither are trees that are not capable of reaching five metres in height and achieving 30% canopy cover. Land that is not able to be proven was clear in 1989 is not eligible.

Different trees offer different returns based on the rate at which they sequester

carbon. These rates are based on standard regional figures or measured for a specific site if the planting area is large enough (100ha). Site-specific measurement can be markedly different to regional default values. For example, in North Canterbury the defaults are based on areas like Balmoral which are typically dry, frost prone and on light soils. In the same district are forests planted on frost-free properties with nearly double the annual rainfall. When these forests have been measured their growth rates have far exceeded the defaults. In many cases, though, measured sequestration rates have been lower than the default values.

What does the right tree in the right place look like?

There is general consensus that a large number of farmers own areas of land that is suitable for trees. The opportunities for subsidised tree planting are unprecedented. The most sensible commentators remind anyone who will listen that the key to making land use transition sustainable is to plant 'the right tree in the right place'.

Under the current policy settings, landowners have the ability to look at various options:

- Establish new native forest with or without Government money
- Establish new exotic forest with or without Government money
- Establish species they never intend to harvest with or without Government money
- Register any of the above in the ETS
- Register existing, post 1990 native or exotic forest in the ETS.

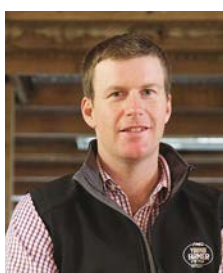
To actually select the 'right tree for the right place' those people investing in trees will need to consider more elements than financial returns.

The Government offers extra money for

TABLE 1

2009-2019	Class 2 SI Hill Country	Class 9 - Northern/Central SI All Classes
Average earnings before interest tax & rent \$/ha	\$112.88	\$209.93
Average rate of return on total farm capital %	0.84%	0.91%

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James Hoban

planting on erosion-prone land. Trees can be a great tool in stabilising land depending on the degree and type of erosion and the tree species. Harvesting practicalities should be a key

consideration when selecting sites and species. Access and erosion implications are key. If a site cannot be harvested without major erosion headaches then it may be better in a species that is never intended to be harvested.

Wilding trees are a major challenge. Certain species spread more readily than others. Some leading foresters have been warning for years that Douglas Fir will be a future problem because unlike the notorious *Pinus contorta* it is still being planted in large numbers.

Pinus radiata is considered at the lower end of the spreading spectrum but native bush areas dotted with wilding radiata trees are testament that it will spread to some degree. The key to assessing the wilding risk is to consider species spreading ability, prevailing wind direction and susceptibility of downwind land to wilding establishment.

Regional policy is another consideration for would-be tree planters. In some areas, biodiversity, landscape and water-short catchment rules may restrict species and site options.

Weeds and pests need careful consideration. Both native and exotic forests can be a great tool in suppressing weeds. It depends on the forest species, weed species, level present and management. There are numerous examples of gorse being eventually surpassed by regenerating, permanent native bush or exotic trees. Broom on the other hand is more shade-tolerant and will continue to grow within forestry blocks.

Removing grazing can increase the weed burden in an area. Pests such as deer are a major hurdle in native areas. If deer are present in even moderate numbers they will put pressure on young plants and prevent a healthy understory developing. Species such as five finger, lemonwood and mistletoes are particularly palatable to deer and possums. Woody species like manuka and kanuka are less susceptible to grazing or pest pressure.

Financial returns

Despite other considerations, if the financial returns are compelling then some people will plant trees or sell farms to forestry investors.

Comparing a new forest to existing sheep and beef land use is not a simple exercise. Forests are a relatively long-term venture and future timber returns and the long-term carbon price cannot be pinned down without a crystal ball.

Farming, too, is subject to market volatility. At present farmers can only really average their meat and wool prices over several years, bearing in mind the last several years have been great for product prices in general, and take an educated guess at the forest returns.

Carbon farming is a young industry so there is no long-term average to look to, while timber prices have suffered from volatility for decades in the same way sheep and beef products have. It is worth considering that if there is a rush on tree planting over the next five years, there could potentially be an unprecedented area of forestry ready for harvesting all within a short period in the future.

An interesting though possibly not entirely fair comparison is to look at the returns of continued sheep and beef

TABLE 2: Average Carbon Income per ha per year (Using South Island average sequestration rates and \$25/tonne carbon price)

	Yr1-5	Yr6-10	Yr11-15	Yr16-20	Yr21-25	Yr26-30	Yr31-35
Native forest \$/ha	50	150	275	325	275	225	150
Pinus Radiata \$/ha	125	575	425	725	775	750	700

Subsidies currently available for tree planting offer extra incentives to plant native species rather than blank areas in exotic plantation forestry. Once planted, registering these trees in the ETS is optional.

farming on hill country versus establishing areas of new, Government-subsidised native or exotic forests.


Return on capital is notoriously low for many hill country farms and while lifestyle and long-term planning drive farming families, investors will look at the return on their potential land uses when buying a farm so the differences in return on capital cannot be ignored. Per-hectare earnings are also an interesting comparison because regardless of what land is used for, the money made off each hectare pays the bills.

In Beef+Lamb NZ's economic service data, a class 2 South Island Hill Country farm is a relevant example. This is Marlborough and Canterbury farmland with tree potential. Table 1 shows the average EBIT/ha and return on total farm capital (TFC) for this class, using Beef+Lamb NZ economic service figures. These have been averaged for the years 2009/10 to 2018/19; 2017/18 figures are provisional and 2018/19 forecast. While there are farmers achieving higher returns on capital, particularly on different land types, these figures are real and relate to land that may be seen by investors as suitable for trees. Using Beef+Lamb NZ figures averaged across all northern/central South Island classes, which include better land, the average EBIT per ha improves substantially but the return on TFC is still under 1%.

Table 2 shows forestry options, working on a carbon price of \$25/tonne and MPI default sequestration rates. These rates change over time so the estimates per year are shown.

Using these figures, the pine forest earns \$20,375/ha over 35 years, the native forest \$7250/ha. Sheep and beef farming at the Class 9 average EBIT totals \$7347.55/ha and on the harder class two properties \$3950.80/ha over 35 years.

One potential catch in the forestry scenario is what happens at the end of the first cycle. Under current policy settings, once trees are harvested there will be a liability to pay or account for. One way to do this is with a second cycle of forestry which will not be subsidised or eligible for carbon credit payments.

This option is reliant on timber prices being financially viable in 35 years. Planting a permanent forest species with no intention of harvesting is another option but this will likely generate lower carbon payments than *Pinus radiata*. 

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Lobby group opposes tree policy

WORDS: REBECCA HARPER

A lobby group, 50 Shades of Green, has been formed with the aim of preserving the economy, health and welfare of the New Zealand provinces.

The group, made up of farmers, business people and supporters, hopes to convince politicians and decision-makers that the push to plant a billion trees will destroy the provinces and, ultimately, the NZ economy.

Spokesperson, Andy Scott, of Professionals real estate, said taking out whole farms for trees, often by foreign companies, was a recipe for disaster.

"In the Wairarapa there have been seven farms moved from production. In Pongaroa, there has been between 6000 and 8000 hectares planted in trees," he said.

"We're not talking non-productive or erosion-prone parts of a farm, we're talking entire productive, food-producing properties.

"You can't eat wood. There's a world-wide shortage of food and here we are planting bloody trees."

Scott, a former farmer and shearing contractor in the region, said taking those farms out of production would devastate local communities.

"My main drive is what is happening to the communities. Then you have the truck drivers and businesses that service the farms, the list goes on. If this continues it will have a huge impact before people realise it, and it will be too late."


Scott said the group was not opposed to trees, but wanted the Government to step back and think about its policies.

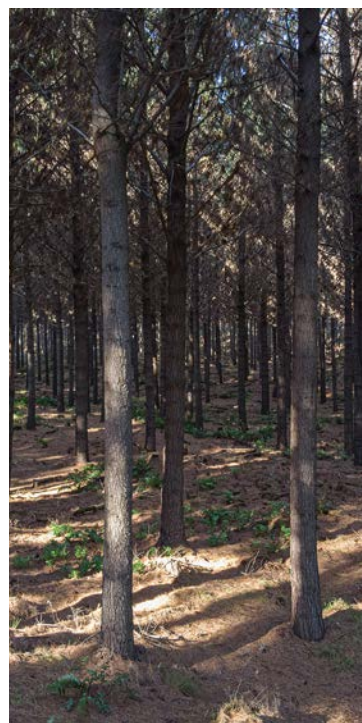
The group is in the process of making a submission to the select committee on the issue and is planning a march on Parliament in mid-July. "We believe the policy is not right, for the whole country."

Scott said he was passionate about rural communities and had witnessed their decline over the years.

"We need support from farmers, but not just farmers, it's also the guys in Auckland. Most people have the blinkers on. Planting a tree seems like the right thing to do, but it's not even going to have an influence, unfortunately.

"As the Parliamentary Commissioner for the Environment stated, *Pinus radiata* is not a credible way of removing CO₂ from the atmosphere."

Pine trees would also decimate sub-soils and ruin biodiversity. "It's dead country. Nothing grows under a pine tree." 



"You can't eat wood."