Both organisations will need to address
the change in membership, assess their
sector position and how they will be best
able to meet the needs of their members
in this changed environment.

Work Opportunities
Harvesting work in the next ten years will
be based on the existing mature to semi-
mature forest and will therefore be with
today’s forest owners.

Forest growing work will increasingly
be with the forest owners of tomorrow and
as shown in Graph 3 the bulk of this work
could be outside the existing forest owners
of today.

Training and Industry Standards
Delivery of training to the diversified for-
est ownership and obtaining some uniform-
ity of work standard will be a challenge.
This must be overcome to ensure that the
sector overall is seen as responsible under
the RMA and HSE legislation.

Local Government
The interface between local government
and the forest-growing sector will be more
dispersed, and this may impact on plan-
ning issues. The diversified ownership
could lead to an increase in smaller-scaled
forest management operations and pose
difficulty for local government in achiev-
ing uniformity and coverage of opera-
tions.

Industry
Processing industries will need to address
securing wood supplies from the dis-
persed forest estate. The confidence to
carry out processing plant expansion may
be dependent on attaining some security
of supply from the multiple owners of
tomorrow’s forests.

Industry Quality
With processors becoming ISO accredited
there will be an increasing need for forest
growers to be ISO accredited to maintain
standards along the production chain. This
will require small growers to establish
good stand records and management sys-
tems.

Regional Variation
The regional variations of today are likely
to be highlighted for tomorrow’s forests.
Regions with rapidly expanding young
forests are likely to see the private forest
owner dominate.

Forest Health
Monitoring of forest health will become
more difficult with the increased number
of owners. There is also the issue of user
pays and recovering a fair share of costs
from the smaller grower.

Secondary Markets
With the diversity of ownership there will
be a greater need for an improved sec-
dondary market for forests as investors may
wish to diversify or invest part way through
the rotation.

Taking the time out to reflect on the
changing forest ownership likely under
the current planting boom reveals some
major issues for the forestry sector at the
beginning of the next century. Today’s
forest owners have the opportunity to pre-
pare the way for tomorrow’s owners and
ensure a confident forestry sector for the
start of the next century.

Mike Marren

Law Reform Bill (No 3): implications for forestry

The Law Reform (Miscellaneous Pro-
visions) Bill (No 3) 1994 proposes amend-
ments to two forestry-related statutes.

Forestry Rights Registration
Act 1983
The Forestry Rights Registration Act 1983
is to be amended by the insertion of a def-
inition of “crop” which makes it clear that
the word crop covers both the plural and
the singular. A robust view of the current
legislation when read in conjunction with
the Acts Interpretation Act 1924 would be
that there is no need for this legislative
change. However, the proposed amend-
ment certainly puts the issue beyond
doubt. It also covers the situations of
mixed species regime with different har-
vast dates.

Forests Act 1949
The Bill also contains a number of amend-
ments to the Forests Act. These amend-
ments focus on those provisions relating to
the sustainable management of indige-
nous forests.

Many of you will note with wry inter-
est that the Crown has struck back fol-
lowing its loss in Ancient trees of New
Zealand Limited v The Attorney General

The Attorney General

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Forestry partnerships and financial reporting

Andrew Caddie*  

Recent legal developments of possible interest to the forestry sector in the areas of taxation and financial reporting include:

- Removal of limitation of numbers for ordinary partnerships;
- Publication of financial reporting standard FRS 4 relating to accounting for inventories.

Partnership Limits  
A little-known effect of the Companies Act reforms over the last year has been the removal of Section 456 of the Companies Act 1955, which formerly prohibited the creation of partnerships of more than 25 persons. The limitation has not been re-enacted in the 1993 Companies legislation or elsewhere. Accordingly it is now possible for forestry promoters or farmers to put together partnerships of more than 25 persons.

Previously it has been necessary to divide a block into several sections and to create a partnership for each one since the entry costs in respect of a larger land area would have been too high for individual investors if limited to 25 in number. Alternatively, partnerships of qualifying companies have been put together at considerable extra cost and administrative effort.

The new legal position should lead to significant simplification and may be of some benefit to forestry promoters.

Financial Reporting  
The Financial Reporting Act 1993 gives statutory effect to formal accounting standards. These standards must be complied with by all companies and issuers of securities when preparing financial statements (which must be prepared within five months of balance date).

One such statement is FRS4 relating to Inventories. This generally requires that all inventories must be accounted for at the lesser of cost or market value. Certain items are excluded from the concept of “inventory” in FRS4, significantly among these being forestry crops. This is a new development of significance to foresters wishing to show their forest at true value in their accounts.

However, an anomaly could arise when the crop is harvested. At that point, the exception in FRS4 ceases to apply and the logs or sawn timber become inventory until such time as sold. They must then be recorded in the books at cost (which will almost always be lower than market value).

The effect may be to radically reduce the balance sheet of a forestry company, since the identifiable cost of the harvest will be low in relation to the market value of the (previously) growing trees (and of course the true market value of the logs or sawn timber itself).

A submission can be made to the Accounting Standards Review Board, the statutory body responsible for the promulgation of binding accounting standards. Those who wish to discuss such a submission can contact the author.

Constructing a stream gauging station

Constructing a stream gauging station near the mouth of a mature radiata pine catchment in the Marlborough Sounds. Photo: Landcare

Andrew C. Caddie