Opinion

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 world 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.

Another indicator is that at current interest rates soil conservation made no 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.

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.

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......

Denis Hocking

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