CHAPTER IX

POLICY IMPLICATIONS

The developing countries have a very large number of small landholdings in which tree planting may fetch better economic returns to the owners. The expectation of smallholder tree planter would be that his incomes should be high, waiting period reasonable, access to market easy, the risks manageable and that his asset liquidity should not be lower than what it would be under agriculture. The long gestations and accompanying risks by way of damages by fire, insect attacks or diseases, policy changes and price fluctuations render tree growing an unattractive proposition.

1. Ecological good and services

Trees provide valuable ecological goods and services like carbon sequestration, soil and water conservation and aesthetic services throughout their life time and if there is a market for these goods and services the owner will not have to wait for the long rotation period before realizing his profits from tree harvest. So it would be necessary for the government to pay for the ecological goods and services caused by the tree plantations.

2. Developing markets

Proper market place to be provided for the producers and consumers to meet, lead to easier financing for both the producers and the purchasers to increase their respective capacities for production, consumption and thus create more trade opportunities.

3. Asset liquidity

The liquidity of assets is a serious concern to the smallholder. The contracts entered by the tree planter for providing ecological services may not be transferable to the purchaser of the assets. The taxation on assets transferred by sale may be charged on not only the value of the land but also the value of the new assets of the trees and thus the increased taxation at the time of asset transfer may become so high as to inhibit transfer.
4. **Enhance collective bargaining power**

In new ventures like tree planting with a high degree of scientific, technological, and business uncertainties and lack of clarity in policy it is necessary for the small ventures to form networks to enhance their bargaining power in the emerging markets.

5. **Risk coverage**

Trees, being long term crops, are exposed to a variety of risks like theft, pest, fires, diseases, floods, droughts and cyclones. Sharp turns in policies can also result in severe drop in demand and, consequently, of the prices. There is thus a need to have a comprehensive risk management strategy to minimize the losses and to cover the losses by appropriate insurance instruments. The state should not only make efforts to reduce the instances of theft but also pay for insurance cover against theft. The risks against diseases and pest attacks, drought, floods and cyclones and drop in demand on account of changes in consumer preferences should lie in the domain of the grower and he should pay for the insurance cover against these risks.

6. **Subsidies and minimum support prices**

Fear of prices crashing down, twenty years or more down the line, acts as a strong deterrent on long term investments. Government to encourage those who invest in longer rotation crops. This encouragement could be in the form of financial benefits linked to length of the rotation to reflect the environmental value of the enterprise. Minimum support prices can also be utilized to reduce the fear of falling prices.