SUBMISSION FROM THE INSTITUTE OF FORESTERS OF AUSTRALIA, Victorian Division

MEETING FUTURE MARKET DEMAND

– Australia's Forest Products and Forest Industry –

RESPONSE TO QUESTIONS FOR CONSIDERATION

VISION AND OBJECTIVES

Q1 What should the vision be for the forest products sector in the coming decades?

"Wood – an increasingly strategic resource for tomorrow"

There will be a significant shortfall in global wood supply within the next 30 years, due to:

- inadequate forest management practices, making the current wood harvest in Asia unsustainable leading to the most dramatic reductions in supply of timber
- rising demand, through population growth and increasing prosperity particularly in Asia, which imposes a radically different regional demand for wood products than previously existed:
    - there will be a five-fold increase in global fuelwood use (see ITTO/UNDP/FAO) that will lead to higher prices for fuelwood and industrial round wood, driven by strong demand from Asia for large wood imports (currently considered to come from South America and Europe)
    - in relation to manufactured wood products, especially in Asia due to the continuing fast growth of China and India, Asia will become a large importer of paper and paperboard from Europe and North America
- a divergence of surplus wood into structural and wood pulp markets
- the limited potential of plantations to replace natural forest harvesting as projected global increase in supply of plantation wood will barely meet increased demand, let alone compensate for declining supplies from traditional sources

Q2 What specific objectives should underpin this vision?

Specific objectives (by 2045) for this vision should include:

1 an increase in value of forest products production of more than 100 %

2 leading to a 30 % increase in forest industry employment and flow-on effects to other secondary employment sectors

3 coupled with a 3-fold increase in commercial timber plantation area throughout Australia

4 maintain all existing commercial production native forest areas to provide forest products, especially those required for high end value products

5 a 3-fold increase in expenditure in all facets of forest and forest products research and development activities to meet future market demands

ISSUE 1: MARKET TRENDS AND PRESSURES

Q3 What forest products does Australia have a local and/or international competitive advantage in producing?

Over the next three decades, Australia has a competitive advantage to produce:

Primary wood products

- **Fuelwood**
- **Industrial round wood**
- **Sawnwood**
- **Veneer**
- **Wood based panels**
- **Wood pulp**

Secondary processed wood products

- **Paper and paper board**
- **Furniture**
- **Other products**

Globally and Australia is no exception, wood fibre now is the material of choice for many projects and products, as it is a renewable resource and stores carbon, and is easy to work with.

Wood fibre has been rediscovered in its versatility as a material for use in public and private sector construction projects; bioenergy; new composite board materials; an innovative element in furniture manufacture and in its potential for creating evocative and unusual forms.

Thinking globally and acting locally will provide opportunities for the Australian forest products industry to expand and actively participate in global economy through development of major export markets to the rest of the world.

Q4 What is the potential demand for forest products in the coming decades?
Refer to Q 1 above

Q5 How can Australia best position itself for this demand, both nationally and internationally?
Refer to Q 2 above.

Q6 What are the other drivers or disruptions that will potentially affect supply and/or demand?
For the Australian producers and exporters to be successful, they must be able to optimize their logistics chain to make their integrated timber harvesting/wood production processes, an efficient and economical material flow and data flow. Without this, Australian producers will not be able to meet the increasing trend of globalization in creating a buyer's market, which is forcing suppliers to produce customer tailored goods more cost effectively and more swiftly. Importers need to know volumes of product on offer, schedules of delivery and above all consistency, quality, quantity and reliability of products being exported.

The problem facing most Australian producers/exporters is to find markets for Australian residual logs and lower quality forest products.

Furthermore, the majority of plantations in Australia are not public forests – they are privately owned. Unless they become part of a sustainable forest management ethic and practice on the part of resource owners, it can be questioned whether they will be an effective base for long-term management goals of government forest policy.

Obstacles to investment in the Australian forest sector

Obstacle 1. Negative outlook for forest investment capital, through factors such as:

a. Australian consumer - negative
b. Australian economy – negative
c. Global economy - negative
d. Local politics and the budgets - negative
e. Monetary settings - negative
f. Risk capital - negative

Unless Australia can overcome impediments such as low consumer confidence, unsustainable and discriminatory taxation burdens, and lack of rural infrastructure development and maintenance, there will be a lack of reinvestment by Australia investors back into the forest sector. Australia does not look after current forest industry investors.

Obstacle 2. The Australian forest industry is on the "user end" of government decisions and actions in regards to a stable investment climate, resource security and consistent administration of regulations especially relating to forest revenue systems and long term forest resource supply contracts.

Obstacle 3. Consistency of long term forest industry policies

With regard to policies and practices, which would encourage industry development, it is not just a question of policies being conducive to attracting the initial investment outlay. Rather it is the whole policy matrix and how practices are formulated within that matrix that will influence the investment outcome.

To achieve an internationally competitive industry, policies must focus on international best practice to be successful. Accordingly, policies which guarantee a secure resource base, in large enough volumes to support the investment, must be the starting point.

Obstacle 4. Competitive trade regulation system

Australian forest industry is getting a name for unreliability because it has become a spot market and price taker.

ISSUE 2: EMERGING USES AND MARKETS

Q7 Which emerging forest products have the greatest potential for Australia?

Refer to Q1 and Q3 responses

Q8 What are some of the barriers to the development and/or uptake of these emerging forest products in Australia?

Refer to Q6 response

Q9 What opportunities exist to better utilise wood resources?

Setting up of bioenergy and biochar plants utilising low quality timber would allow more

efficient and economical timber harvesting (in both native forest and plantations) as well as the production of electricity.
Also refer to Q 3 response.

ISSUE 3: FOREST RESOURCES

Q10 What is required to ensure the plantation estate is able to meet future demand for forest products?

- Considerable extension of the estate (see Q2)
- More research and development for areas including genetic engineering, wood properties, pests and diseases, species selection, silvicultural practices and plantation management
- Review of legislations and regulations such that any impediments to investments in plantations are minimized
- Better financial incentives to invest in long term plantation schemes

Q11 What is required to ensure the native forest estate is able to meet future demand for forest products?

- Ensure that all native forest products investors, be allowed "economic sustainability" of any long term timber harvesting entity which is being managed under active sustainable forest management principles .
- A reduction in the area (or at least no net increase) reserved for nature conservation, where timber harvesting is prohibited.
- Public education of the values and benefits of sustainable timber production from native forests.
- Consistent application of ecologically appropriate fuel reduction programs to reduce the risk of damaging bushfires.
- More research and development for areas including wood properties, monitoring of pests and diseases and silvicultural practices to enhance wildlife habitat.

Q12 What opportunities are there to increase wood supply from farm forestry, private native forestry and indigenous owned and managed lands?

Opportunities exist if the resource is professionally managed. Knowledge of the timber resources on such lands and relevant silviculture needs to be improved.

Although in Australia as elsewhere, forestry agencies perceived that greater reliance on resources at local community levels would yield dividends. . However, areas placed under community management were then, and still are, those that are usually perceived or classified as degraded and of little commercial interest. Farm forestry and PNF have much more potential. Governments have 'dropped the ball' in such areas (at least in Victoria) in recent years.

ISSUE 4 INNOVATIONS, RESEARCH AND DEVELOPMENT

Q13 What is the future research and development needs for Australia's forest products sector, and which of these needs are specific to strengths and opportunities in the Australian context?

We need continued funding of cooperative research centres and the FWPA with contributions coming both from all levels of government and private sources. Desirably, the expertise once in CSIRO's forest and forest products division should be rebuilt if we are serious about the future of the timber industry.

In terms of possible forest industry R&D, in addition to topics at Q10 and Q11, we suggest:

- Wood processing for downstream value-adding
- Development of species for semi-arid areas of Australia

Q14 What are the current inhibitors to private sector investment in research, development and extension and what role, if any, does the Australian Government potentially have in addressing these?

- Lack of support by government to encourage these activities.
- The Australian government can greatly assist research and development activities through improved funding to States and tax rebates to private firms.

Q15 How can the framework for coordinating Australian forestry research and development be strengthened?

- Build up both CSIRO and FWPA through proper government long-term funding to carry out/co-ordinate/facilitate forest R&D activities across Australia
- Re-invigorate Research Working Groups for various areas of forestry and forest products.
- Support more post-graduate research in designated discipline areas.

ISSUE 5 CONSUMER AND COMMUNITY ENGAGEMENT

Q16 How can domestic and international consumers be better engaged on the environmental, economic and social credentials of Australian forest products?

- Through activities such as:
  - timber marketing/promotion initiatives
  - advertising on TV such as that by the FWPA's *Wood - Naturally Better*
  - annual wood design competitions
  - annual forest investment seminar & allied forest trade fair

Q17 How important are consumer awareness programs to the future prosperity of the sector?

- Crucially important, as increased public involvement in forestry issues is evident in Australia and globally.

Q18 Can forest certification be better leveraged to achieve stronger demand and better prices for Australian forest products and, if so, how?

Forest certification is extremely important. Significant forest areas, in both public and private management worldwide, are increasingly being held accountable for environmental and social aspects of forestry, with certification becoming essential for successful businesses.

Certified Australian products need to be contrasted with uncertified products coming from overseas - using marketing campaigns.

ISSUE 6 STRENGTHEN REGIONAL APPROACHES

Q19 How could forestry hubs better utilise resources and promote greater efficiencies and innovation?

The forestry hub concept is vitally important given the geographic spread of Australia's forest estate.
Success within forestry hubs will be achieved only if strong and competent operators are maintained and others attracted to invest in forestry hubs.

Q20 What have been the barriers to the establishment and efficient operation of forestry hubs to date, and what might be the role of the Australian Government in addressing these?

Changing political emphasis of local, state and federal government to forestry hub developments has been a barrier. Consistent policy and incentives across jurisdictions must be provided by government.

Q21 If additional forestry hubs are to be established, where would they best be located?

Given Australia's long term support for development within surrounding nations, the Pacific Islands, especially PNG is one logical selection.

The implications for Australia and PNG of political, economic and security development in terms of a PNG forestry hub is that there is a long standing and enormous wood trade (over 100 years of trade) between Australia and PNG encompassed within a sphere of similar forest types and forest products bound by many existing long term areas of mutual co-operation within the respective government and private sectors.

Further development of this forestry hub is relatively easy to enact, given that already there exists within this proposed forestry hub (economic woodshed) many similarities in terms of:

- similar forest types and forest produce
- similar forest produce markets
- similar forest plantation species
- similar forest industry standards
- similar forestry training curriculum
- similar timber treatment standards and building codes,
- close linkages between Australian and PNG government and industry organizations

ISSUE 7 INFRASTRUCTURES

Q22 What infrastructure will be required to respond to future demand for Australian forest products?

- Development of improved transport routes - road and rail - to ensure unprocessed and processed forest resources moved efficiently from forest to factory and to consumer.

Q23 What can be done to ensure better recognition and understanding of the sector's infrastructure needs?

- Ongoing liaison meetings between local, state and federal government and industry bodies involved in all aspects of the forest industries.

ISSUE 8 INDUSTRY SKILLS AND TRAINING

Q24 What are the skills and training needs of the sector over the coming decades, and where are the current gaps?

- These are generally already identified by existing training providers.
- Providing ongoing programs are maintained, skills and training needs will be met.

Q25 Are Vocational Education and training and university training providers well positioned to meet the future skills and training needs of the sector?

- Yes to some extent, providing funding levels maintained.
- However, Universities in Victoria and Canberra are producing few foresters who are likely to enter the forest industry. There is currently a poor demand for forestry courses. In the 1970s some States needed to import foresters from the US and Canada - we might have to do this again unless we significantly improve output of trained foresters and technicians.

Q26 What improvements are required at an enterprise level to support the recruitment development and retention of the sector's current and future workforce?

- Good long term investors for private enterprise.
- For the govt sector, recognition of the important and necessary role of professional foresters in sustainably managing forests, including in fire protection.