

# Meeting future market demand: Australia's forest products and forest industry — a strategic directions issues paper

## Questions for consideration

### Vision and objectives

#### 1. What should the vision be for the forest products sector in the coming decades?

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Australia's forest products and forest industry vision should be a reflection of current risks and focus on future solutions. Possible 'visions' could be:

*'A forest, wood and paper products industry underpinned by locally sourced, ecologically responsible plantation and native forest resource management that is innovative, profitable, community oriented and carbon-conscious, and promotes Australian wood products as the environmental product of choice.'*

or

*'A forest products and forest industry that is underpinned by a commitment to prioritise and sustain supply from locally sourced forest resources, is innovative, profitable, community oriented and carbon-conscious, and promotes Australian wood and paper products as the ecologically responsible product of choice.'*

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#### 2. What specific objectives should underpin this vision?

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Objectives need to be focussed on what the FIAC can realistically influence and achieve from the federal level 'direction' to state-based policy and outcomes. This starts with incentivising the states and territories to generate procurement commitments that underpin the use of and growth of local resources and jobs; lobbying federal government for appropriate funding for research, innovation and investment in the forestry sector; and guaranteeing resource security by ensuring regional forest agreement processes continue to provide the right balance between the economic, environmental and social values and avoid regulatory creep and operating constraints.

Key objectives:

- Develop a strategy and action plan to address key forest industry risks, such as: resource availability/accessibility, climate, policy changes, lack of innovation, operating costs, social licence, market competition and lack of infrastructure.
- Fund and coordinate development of Industry Investment and Employment Growth schemes
- Develop and implement Market Growth Frameworks that ensure greater collaboration between growers, governments and business.
- Develop an education campaign to increase public understanding around the importance of sourcing timber from responsibly managed, local forests and manufactures

Some example targets might be:

- Ensure no net reduction in available forest resource
- Substitute 5% of imported forest products with domestically grown wood or fibre products per annum for next 5 years
- Doubling the rate or volume of exports

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- Lobby all Government agencies to achieve 50% uptake of ‘wood encouragement policies’ that prioritise domestically produced wood and paper products in their procurement decisions
- Establish / influence development of carbon-trading mechanisms to leverage low carbon cost benefits of forest products
- Provide a framework for valuing and establishing market-based ecosystem services
- Develop framework to allow government take-off agreements to expand forest resource on private land

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## **Issue 1: Market trends and pressures**

### **3. What forest products does Australia have a local and/or international competitive advantage in producing?**

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- Native forest resource provides unique slow grown eucalypt hardwood and sawn timber Products that are of the highest quality, extremely durable with extensive uses in flooring, furniture, high end structural products.
- High quality Australian made paper.
- Low Carbon miles when sourced locally – reasonable distribution and proximity to mills, ports and manufacturing centres, including shipping proximity to Asian Markets compared to other major exporters in Europe, Canada, North and South America
- Local timber comes with a guarantee that it has been sourced responsibly, legally and with consideration of environmental values (regulatory standards surrounding forest management in Australia exceeds many other countries)

### **4. What is the potential demand for forest products in the coming decades?**

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- With an expected growth in population and a willingness of consumers to pay higher price for sustainably managed renewable products; and the potential to grow import substitution and substitute non-wood building materials for wood – demand should increase. The population of Melbourne alone is expected to more than double from 3.4 million to 7.7 million by 2050.
- Great potential within the energy market and carbon-based economy, with a shift in focus environmentally rated construction, also great potential to grow engineered product manufacturing from low-grade residual materials
- Residential Construction market expansion will lead to increased demand from construction materials, both high-end structural and low-end formwork.
- Potential to grow import substitution and substitute non-wood building materials for wood as energy costs increase and reliance on non-renewable products lessens

### **5. How can Australia best position itself for this demand, both nationally and internationally?**

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- Increasing scale is not the primary driver for some sectors. Overcapitalisation could render some sectors and markets uncompetitive. This is particularly the case in certain specific sectors. Remaining competitive particularly in some niche markets, and for high value timbers
  - Increased transparency on Australia’s high standards and a consistent industry approach to promotion of these high standards (inherent reliance on certification bodies to promote – industry needs to step up into marketing and branding space)
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- Generate policies that encourage resource security and growth; incentivise infrastructure and innovation; R&D; port-re-form;
  - influence certification bodies to develop standards that don't disadvantage small growers
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#### **6. What are the other drivers or disruptions that will potentially affect supply and/or demand?**

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- May be affected by public policy, uncertainty with availability of forest resources, uncertainty with policy and legislation.
  - Market-based campaigns against Australian wood products.
  - Diversity of products that can be supplied. Industry needs to coordinate to realise strengths and uses of different grades of timber and how they can be value added
  - Environmental activism; market disruption campaigns and secondary boycotts;
  - Changing rules which affect business confidence, wage pressure and increased operating and energy costs
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### **Issue 2: Emerging uses and markets**

#### **7. Which emerging forest products have the greatest potential for Australia?**

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- Acknowledgement that the above mentioned are really emerging forest products which would occur on the longer term. There are other short-medium term goals which are to be achieved. There is still a significant ability for existing industries to shift to high value adding products. Need to acknowledge that the hardwood sawing industry has room to develop from purely structural timbers to high value appearance timber, to develop to high end applications for sawn timber. As well as new markets for low end timber. However the industries do need resource certainty in order to persist.
  - Carbon-based trading presents a very real potential and should be used proactively to promote locally sourced materials from those imported by properly accounting for substitution costs.
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#### **8. What are some of the barriers to the development and/or uptake of these emerging forest products in Australia?**

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- Some of the barriers are the scale of individual businesses, the growers and the consumer market. There is difficulty for these businesses to market their products and services in a cost-effective way
  - the lack of resource certainty
  - Market size and cost of production are potential barriers as are safety and sovereign risk and the potential reluctance to invest in the native timber industry.
  - Cost structures, regulatory hurdles; availability of markets i.e. a functional carbon market needs to exist before carbon 'products' can be considered as market opportunity
  - We have seen a diminishing land base through management decisions on both public and private land tenures. Predominately based from pressure from environmental groups. There is a high level of policy uncertainty in both State and Commonwealth government and between political cycles.
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#### **9. What opportunities exist to better utilise wood resources?**

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- Looking at the forest end of wood resources. Better utilisation of additional residues, small wood processes and products. Promotional pieces on wood resources.
  - Biofuels and utilisation of residues by current primary processors; new sawing technologies that reduce wood waste / maximise recovery from wood; increased advertising for wood products and benefits of using wood-based materials
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### **Issue 3: Forest resources**

#### **10. What is required to ensure the plantation estate is able to meet future demand for forest products?**

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- The plantation industry also needs support, a viable timber industry encompasses both native and plantation sectors. The advantage is having more trees in the landscape.
  - Government take-off agreements for growers - remove risk of finding viable customers for private landholders by agreeing to harvest and supply products to existing processing customers
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#### **11. What is required to ensure the native forest estate is able to meet future demand for forest products?**

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- Continuation of the Regional Forest Agreement (RFA) process as they have provided a solid framework which has enabled multiple use management of native forests. Important to ensure extensions on the RFAs and consistent approach to balancing all values without compromising security and benefits of forestry industry.
  - Highlight that there is a challenge for all states that the respective native forestry industries are smaller now than they were before. There needs to be a willingness and capacity for businesses within the industry to source expensive and more complicated processes. This willingness/capacity is limited. Often because there is such uncertainty around timber resources and uncertainty around policy/legislation.
  - There is a need to explore new landscape models to better understand our forests collectively
  - Assurance of access and clarity of environmental control along with a stable government policy are all crucial factors in ensuring the native forest estate is able to meet future demand for forest products. There needs to be support for sustainable long term harvesting and recognition of good forest management and that timber harvesting has a place. We need to break the paradigm that National Parks are the only answer.
  - Guarantee access to resource; reduce regulatory creep that siphons available resource
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#### **12. What opportunities are there to increase wood supply from farm forestry, private native forestry and Indigenous owned and managed lands?**

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- Government take off agreements that encourage private landholders including farmers to establish trees on their land with agreement from government owned entities or government in general to harvest/supply to customers; could be coupled with carbon offset incentives / benefits during growth phase.
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### **Issue 4: Innovation, research and development**

#### **13. What are 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?**

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- Most of the R&D that needs to be undertaken in the native forestry sector is underpinning the sustainability of native forest management. Need for promotion of forestry and wood products. Need for work on new and emerging markets.
  - The R&D needs to be landscape not policy driven. We need balanced research and collaboration with experts across the field and not rely on government policy to achieve knowledge and understanding.
  - Increasing productivity (MAI growth) within plantation species/sites;
  - Research within native forests that underpins 'access to resource' and resource 'extension'; understanding of ecosystem services and the sustainability outcomes.
  - Updating of existing datasets and best available information. Data and information is not consistently acquired, maintained or available to all forest sectors.
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**14. 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?**

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- The FWPA is important, especially considering the fragmented nature of the forestry industry. The levies and government matching contributions is important to continue. Forestry is a mature industry, where the margins are tied; there are limited increases in R&D funding.
  - Current inhibitors are that there is a lack of skills, a lack of certainty in the industry, lack of broad scale funding. There have been funding cuts to CSIRO, CRC. Lack of capacity and lack of research.
  - Access to financial security and incentives to encourage self-investment
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**15. How can the framework for coordinating Australian forestry research and development be strengthened?**

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- Government support for AFPA's 'National Institute for Forest Products Innovation' Policy
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**Issue 5: Consumer and community engagement**

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

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- Government purchasing programs and adopting public policy supporting use of locally produced forest products
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**17. How important are consumer awareness programs to the future prosperity of the sector?**

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- Often it is not the consumers which are driving the sector. The challenge comes from the procurement people. Seems like there needs to be a much narrower focus as the procurement sector is responsible for the purchasing of wood products. Though it is important to raise consumer awareness of the industry and Australian wood products, there is a need for a consumers/public to support the industry/sector; this requires an understanding of the industry and its benefits.
  - Less about consumer awareness, more about reducing impacts of negative campaigns and false propaganda from the fanatical opposition
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- The Competition and Consumer Act 2010 (CCA) forbids misleading or deceptive information and conduct (i.e. section 18 of the CCA). However, the CCA allows an exemption for consumer and environmental organisations from this clearly defined principle when it comes to secondary boycotts. This exemption should be reviewed and reformed to ensure that laws prohibiting false, misleading and deceptive conduct are applied to all those who engage directly with trading businesses

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

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- Not in terms of better prices. But there is the scope for an increased and stronger demand for these products. There is a need for certification programs to be actively promoted by the government; however both certification processes should be promoted, with no focus on one over the other. There needs to be clear support for third party certification. There is a need for the government to provide subjective judgement and lead by example. Government also needs to promote Australian sourced timber.
- It provides international consistency if opposing a product from another country. Having both AFS and FSC means unified certification and consistency. It provides benchmarking and quality assurance.
- Federal Government should be mandating commitment within Forest Certification schemes in Australia to benchmark standards to lowest common denominator internationally – there is currently gross imbalance and inconsistency in base-level standards between international growers/suppliers of forest products when initial goal of certification was to ‘level the playing field’ and expectations of responsible forest management from consumers i.e. that they are not illegal or result in conversion or irreversible damage to environment.

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**Issue 6: Strengthened regional approaches**

**19. How could forestry hubs better utilise resources and promote greater efficiencies and innovation?**

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- There is space for greater research and development for emerging future markets – establishment of scientific advisory committee that can provide peer-review services.
- By sharing lessons and breaking barriers between players geographically. Supporting notions and attempting more collaboration. VicForests has tried to be more collaborative globally and will continue to be.

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**20. 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?**

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- State and local governments approval and regulatory processes vary widely, are often inconsistent and inefficient, which burden forest industries in regulatory red-tape and constrain the efficient operation of the forest industry.
- Lack of state and local government reform that addresses instances of unevenly applied regulation across local council boundaries. There isn't always equitable treatment of forest industries, relative to other sectors such as across agricultural industries, on issues such as road and infrastructure charges, planning and development requirements.

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**21. If additional forestry hubs are to be established, where would they best be located?**

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## Issue 7: Infrastructure

### 22. What infrastructure will be required to respond to future demand for Australian forest products?

- An improved road network and better linkages with other modes of transport
- There is a challenge especially in Victoria with the funding on rural regional roads, especially to facilitate the larger B-double trucks. The access is often difficult with roads too small or too narrow to accommodate these larger trucks. This is needed to maintain competitiveness in the industry. Without appropriate funding for rural/regional roads, there is an increased cost for transportation, and increased level of logistics, as transport and access on small roads is not possible and longer alternative pathways need to be planned.
- We need to be able to compete internationally and that means being able to connect bigger, heavier transport with better rail, tunnels and port infrastructure

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

- Requires a national level and state level coordination and action plan
- All levels of Government are required to invest resources for future road needs.

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## Issue 8: Industry skills and training

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

- There has been a university level shift from pure forestry related degrees to broader environmental training. It is much more difficult now to find employees with specific training or for people to gain specific training
- There is a challenge to maintain a safe and capable work force in the forest. Keeping contractors is a challenge especially with intergenerational change. Regulators need to have the capacity to regulate and opportunities to gain a practical understanding.
- OHS and Risk management and mitigation; market and product development; brand building; use of new technology and high-tech machinery or devices such as drones, LIDAR, and other data acquisition equipment

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### 25. Are Vocational Education and Training and university training providers well-positioned to meet the future skills and training needs of the sector?

- There has been a decrease in the number of pure forestry related degrees both at the undergraduate and postgraduate level. There would be good scope for a national accreditation scheme at all levels in the industry from foresters to saw-millers and forest workers. An accreditation system would allow for transferrable skills
- Better integration of University and industry collaboration and work-based programs; too much reliance on TAFE or smaller educational bodies specifically focussing on 'forestry'.

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

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- Needs to be a level of promotion of forestry as a viable career option
- Continual development of staff. Focus on building the capacity of the workforce.
- Initiatives that address the gender imbalance within industry

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### **General Comments**

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We need to have policy and legislative certainty. A commitment to research and development across all land tenures and long term resource security. There needs to be more generic promotion of the industry, wood products and Australian timber as eco-choice. There is a fundamental need for forest science; if we don't have this then there can be no funnelling up. Development of new mechanisms that assist the industry to continue to invest and grow. Continuation of the RFA process is important and critical that it is consistently implemented. The Federal Government should lead support for certification schemes (credible 3<sup>rd</sup> party schemes) without taking any specific position on one particular scheme. There should be further investment in infrastructure particularly to support regional and rural roads.

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