Tasmanian Farmers and Graziers Association

Submission to the Strategic Directions Issues Paper:

Forest Industry Advisory Council

Meeting Future Market Demand

Department of Agriculture

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EXECUTIVE SUMMARY

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

The total Tasmania gross state product (GSP) was $23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2011, there were approximately 3.4M ha of native forests in Tasmania, comprised mainly of Eucalypt medium woodland (approximately 1M ha), Eucalypt tall open (829,000 ha), rainforest (708,400 ha) and Eucalypt tall woodland (261,000 ha) forest types. The majority of the native forests in nature conservation reserves (approx. 1.2M ha), 875,000 ha are privately managed and 923,200 ha are multiple use public forest available for timber production.

The Tasmanian forest industry is undergoing substantial change. Since 2008, downturn in industry activity has resulted in large job losses in the industry; between 2008 and 2011, employment in forest industry jobs declined by around 50%, or 3,500 jobs[1].

Tasmanian communities in which high numbers of forest industry jobs have been lost — such as Burnie, Latrobe, Launceston and Dorset — have and are experiencing significant negative impacts as a result.

Instead of reinventing the wheel we as an industry need to consider models from around the world that demonstrate forests can be managed to deliver a triple bottom line approach. Finland and Sweden not only have sustained and grown their traditional timber industries but are emerging as world leaders in renewable energy from biomass. And they are still considered to have some of the most pristine landscapes in the world.

The TFGA feel that the opportunity is there to build a picture of the industry that demonstrates its sustainability and the importance it has across the community. Be it for conservation, tourism, bioenergy, fuel, wood products, housing or habitat for our terrestrial species.

The strategic directions issues paper presented by the Forest Industry Advisory Council needs to be reversed. That is before we consider the end product we need to get the community on board, as currently the picture of the forest industry, especially in Tasmania, isn't one that is demonstrating its environmental and community benefits well enough.

We need to move away from the old model where we have one side who see the forest as an amenity resource for the purpose of recreation and aesthetic enjoyment and then there are those who perceive it as a product resource, to be managed so as to optimise the output of timber and the useful range of by-products. The two sides should be adjoined, and the only way to this is to get back in touch with the community.

[1] Shirmer, J., et al, Socio-economic impacts of forest industry change Tasmanian forest industry employment and production, 2012-13, University of Canberra.

AGRICULTURE IN TASMANIA

The total Tasmania gross state product (GSP) was $23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing was $1.98 billion. This comprised:

- agriculture - $1.150 billion;
- forestry - $235million; and
- fishing - $597 million.

This is before considering input supply services and value-adding. Taking into account basic multiplier factors, this means the farm-dependent economy contributes more than $5.0 billion to the gross state economy - in spite of adverse pressures on the forestry industry.

Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. Average growth in the farm GVP over the recent past has been slightly slower than average, as a result of reduced export returns due to the high value of the $A and increasing cost pressures along the value chain.

Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value. However, this was partly offset by reduced vegetables output associated with severe wet weather at harvest in the first quarter of 2011.

Some 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania.

The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by DPIPWE) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at $2.7 billion This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.

Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further $400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.

Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP. The vast bulk of our agricultural product is sold interstate and overseas. Farm exports in 2010/11 easily exceeded $550 million (farm gate equivalent value) when account is taken of pharmaceutical products. The share of exports to Asian destination exceeded 50%. In addition, it is estimated that a further $1.8 billion of raw and value-added product was shipped to the mainland.

In 2011/2012, total exports from Tasmania were valued at $3.196 billion. Agricultural products represented some 30% of that total – approximately $1 billion. Almost 25% of total exports ($502 million) were destined for ASEAN countries. Agricultural products valued at approximately $121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from $71 million to $96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy ($42 million); seafood ($32 million) and wood products ($20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 sq km committed to agriculture.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

ABOUT THE TFGA

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

INDUSTRY OVERVIEW

The Tasmanian Reserve Estate spatial layer as at 30 June 2014 indicates a total reserved area of 3,603,200 hectares, including formal and informal reserves on public land, reserves on private land, and Marine Protected Areas (MPAs). The terrestrial reserved area is 3,414,000 hectares, or 50.1% of the area of Tasmania[2].

In 2011, there were approximately 3.4M ha of native forests in Tasmania, comprised mainly of Eucalypt medium woodland (approximately 1M ha), Eucalypt tall open (829,000 ha), rainforest (708,400 ha) and Eucalypt tall woodland (261,000 ha) forest types. The majority of the native forests

[2] Tasmanian Reserve Estate spatial layer, DPIPWE website, Tasmanian Government, Tasmania.

in nature conservation reserves (approx. 1.2M ha), 875,000 ha are privately managed and 923,200 ha are multiple use public forest available for timber production[3].

In 2012-13, the total plantation area in Tasmania was approximately 311,000 hectares, comprised of approximately 236,300 hectares of hardwood plantations and 75,100 hectares of softwood plantations. The main hardwood species planted are blue gum (Eucalyptus globulus) and shining gum (E. nitens), and the main softwood species planted is radiate pine (Pinus radiata)[2].

Between 2006 and 2011, there was a 73% increase in the area of private forests in CAR reserves, from 48,000 to 83,000 ha.

The sustainability of our forests is of interest to us all, but it is of particular concern for the timber and forest products industry and those it employs. As a form of land-use, forestry has a very large footprint, occupying over 50%[1] of the State's land mass, as shown in Figure 1 below.

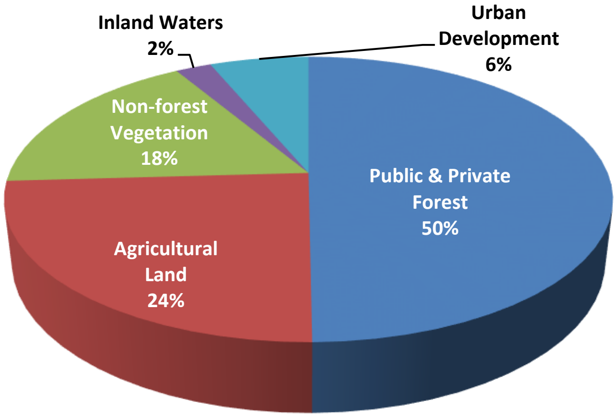


Figure 1 - Tasmanian land use

FORMING A POSITIVE VIEW

The TFGA supports the triple bottom line approach for managing a sustainable forestry industry – environmental, social and economic outcomes. It is very important to understand this before we consider the economic benefits of the forest industry we must understand and demonstrate the sustainable nature of forests in Tasmania and the mainland of Australia.

It would seem that responsible forest managers and environmental groups often want the same thing. Both seek to have a healthy, productive, vibrant and diverse forest for future generations. The difference tends to emerge with economic expectations. Forest managers see the extraction of timber as a cornerstone of sustainable forest management. Environmentalists see it as the main destructive force for all the potential forest values.

To have a healthy, productive, vibrant and diverse forest for future generations we all need to consider and understand the triple bottom line approach. To get the community interested we need to consider: why we have a forest industry; why it is important to the environment; why it is important to the social fabric of regional and rural communities; and why it is important to the Tasmanian (and mainland) economy.

[3] Agriculture, Fisheries and Forestry in Tasmania, 2015. ABARES, April 2015. Commonwealth Government.

Environmental:

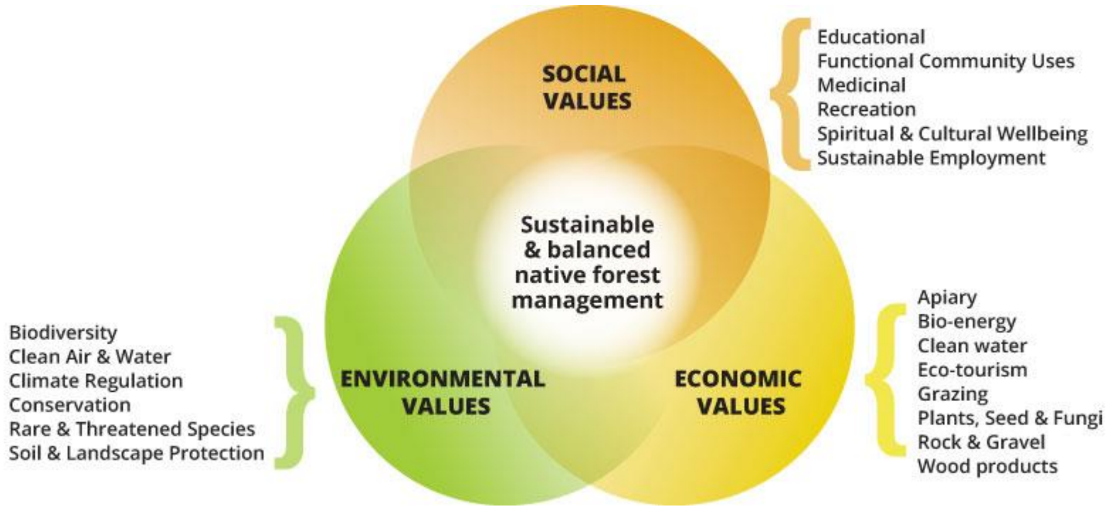
- Active management of native forests is necessary for these forests to survive
- Active management of native forests enhances the biodiversity in the drier native forests when compared to similar forests that are not managed
- Active management of our forests enables greater carbon to be sequestered compared to the forests not being managed
- Active management enables the State to contribute to carbon sequestration and, when added to the contribution farmers really make, it may well mean that the state is now carbon negative
- The capture of solar energy by our forests may enable the State to produce liquid fuels to replace petrol and diesel currently derived from oil

Socially:

- Active management of our native forest requires a lot of labour, offering the opportunity of maintaining the diversified demographic in the State, offering the opportunity of worthwhile jobs for people who want to work out-of-doors and in the industry
- The discussion of these opportunities may provide a mechanism to heal the social divide that has racked the State for the past decades

Economic:

- Active management of our native forests provides a platform for innovation that may lead to a range of new industries capable of replacing or substantially replacing the traditional industries. (We cannot think of a better platform for innovation than to be able to say our State is carbon positive.)
- Industries based on our native forests are the most sustainable industries we can think of.
- Our native forests are one of, if not the, major competitive economic opportunity the State has.



Instead of reinventing the wheel we as an industry need to consider models around the world that show forests can be managed to deliver a triple bottom line approach – as shown above. Finland and Sweden not only have sustained and grown their traditional timber industries but are emerging as world leaders in renewable energy from biomass. And they are still considered to have some of the most pristine landscapes in the world.

OPPORTUNITIES

Interestingly, Tasmania is going through a review of its Regional Forest Agreement (third five-yearly review). The TFGA point this out as the key objective of this bilateral agreement is it determines forest allocation to different uses and forest management practices over a period of 20 years. The objectives of a regional forest agreement are to:

- develop and implement ecologically sustainable forest management and use;
- establish a comprehensive, adequate and representative forest reserve system;
- facilitate development of an internationally competitive wood and wood products industry; and
- promote the conservation and management of privately owned forests.

Not only this the RFAs are only completed after a process of extensive public consultation and a thorough investigation of the wide range of environmental, heritage, social and economic values present in the forests of the region. The assessments include consideration of:

- biodiversity, including endangered species;
- wilderness;
- old-growth;
- national estate;
- the sustainability of forest management practices;
- social values and dependencies;
- economic values of forest resources; and
- industry development options.

Why don't we as an industry provide this information to the community in a format that they can readily understand that the forest industry has an extensive controlled process it undertakes before trees are felled for wood products?

The TFGA feel that the opportunity is there to build a picture of the industry that demonstrates its sustainability and the importance it has across the community. Be it for conservation, tourism, bioenergy, fuel, wood products, housing or habitat for our terrestrial species.

Tasmania boasts a diverse array of native and plantation forests that have produced remarkable timbers for generations past and will supply many generations to come. To do this in a friendly functioning atmosphere the industry must look at a different way of doing things.

NEW MODEL, NEW DIRECTION

The strategic directions issues paper presented by the Forest Industry Advisory Council needs to be reversed. That is before we consider the end product we need to get the community on board, as currently the picture of the forest industry, especially in Tasmania, isn't one that is demonstrating its environmental and community benefits well enough.

We need to move away from the old model where we have one side who see the forest as an amenity resource for the purpose of recreation and aesthetic enjoyment and then there are those who perceive it as a product resource, to be managed so as to optimise the output of timber and the useful range of by-products. The two sides should be adjoined, and the only way to this is to get back in touch with the community.

In terms of the primary role of government this should not change. Their role is to set the policy parameters for forest use, such as land use zoning, codes of forest practice, environmental standards and the allocation of use rights.

The industry needs to address the concerns of the community to demonstrate we are undertaking environmental forest management best practice.

Below details some key areas that could be the basis to inform the community more broadly about the benefits of the forest industry.

Sustainable forestry:

Sustainable is best described as the achievement of a balance between the environmental, social and economic factors.

It gives due consideration to long-term interests, such as biodiversity and rural communities where it places forestry back within the social context.

Under the Australian Forest Standard it states sustainable forest management as the management of forests according to the principles of sustainable development. Sustainable development is a pattern of resource use that aims to meet human needs while conserving environmental values, so that these needs can be met not only in the present, but also for generations to come.

The objective of this Standard is to provide forest managers with environmental, economic, social, and cultural criteria and requirements that support the sustainable management of forests.

This means in Australia we have a Standard that is already doing what the community want, however as an industry we are not taking them on the journey – telling them the story of what the forestry industry is doing.

Policy Approach:

Over half of Tasmania's 6.84 million hectares is under conservation reserves. This means as a state we have vast areas of land and forest to manage with less resources that also add to the problem for neighbouring landowners.

It needs to be pointed out to the public that simply locking up land and assuming that somehow it will revert to its pristine, pre-settlement condition is a fallacy. Without proper management of weeds and wildlife, and without the development of appropriate measures to manage fires, conservation areas simply become havens for pests and infernos.

Currently we have two different environments when standing on the boundary fence in terms of reserves.

i. Public land is too big an area to undertake appropriate control and maintenance, which means the areas we have in reserves may not be protecting the land or species we intended to conserve.

ii. While for private landowners they have to under regulation to reserve parts of their property or put land under voluntary reserves. Either way the land is managed appropriately to minimise weeds, wildlife and fire risks because they are managing their land under a whole farm management plan.

It is very clear the government needs to develop a better strategy whereby they are not only meeting their environmental assurances to these reserves where they will be maintained, but also reducing the risk of weeds and wildlife jumping the boundary fence and the risk of fires to the environment and public.

Innovate:

As an industry we need to ask the question; is business as usual an option?

The TFGA would recommend that given the new expectations of today's marketplace industry transformation must take place.

A good example is the wood first program. This is a government lead program where wood buildings are supported because of the environmental, social and economic drivers. Wood building products are climate friendly, provide jobs in the community that drives economic stimulus.

Standing still isn't an option – doing the same old same old – let's look at biomass or biorefining to produce biofuels, biochemical or biomaterials. Then there are new technologies that are developing cellulose that opens up another array of market opportunities.

Innovation means:

- developing new technologies and products to broaden the industry's product portfolio and maximize the value derived from wood fibre;
- diversifying and expanding markets, both geographically and by end-use, to extend the industry's market reach and to reduce reliance on a small number of markets; and
- developing new tools, techniques and processes for maximizing the environmental stewardship credentials of the industry.

Innovation is paramount to get the Tasmanian (and Australia) forest industry level with those countries already innovating and adapting to enter new markets or develop new products from this wonderful natural resource.

COMMENTS TO KEY ISSUES IN STRATEGIC DIRECTIONS ISSUES PAPER

Overview and Vision:

Firstly, it is stated in the overview (page 6) that Australia's forests are well-managed to balance their full range of values and benefits. From a Tasmanian perspective we have a huge risk of fire for the coming season because of the ground fuel source. Without proper management strategies now Tasmania, especially in the south, has the potential for huge catastrophic bushfires. Fire management needs to be high on the radar.

The vision for the sector must include taking responsibility for the image of the industry; it must have a triple bottom line approach; and sustainably managed.

The vision from the Forest Products Association of Canada[4] provides a good starting point:

"By 2020, the Canadian forest products industry will power Canada's new economy by being green, innovative and open to the world. It is a place to grow and prosper."

Issue 1 Market trends and pressures:

There is no doubt the overall demand for wood will improve, but only through widely communicating the benefits, and this can be done by:

- continually promoting the benefits of forestry and wood as a resource
- continually promoting the regulatory system public and private landowners undertake
- continually promoting the environmental, social and economic benefits

We know there is an anti-forestry lobby continuing to convince our community that they should not support a forest industry. If the industry doesn't get on the front foot the community won't have an opportunity to consider the benefits of a sustainable forest industry.

Issue 4 Innovation, research and development:

It is clear that, for the forest sector to maintain growth, substantial investment will need to be made in infrastructure and R&D to maintain supply chain competitiveness.

The debate as to whether adequate funding is allocated for forestry research in Australia continues. In straightened economic times such as these, perhaps the best we can hope for is to prevent further contraction in investment and to preserve what we have. However, we certainly need to get smarter about how we use existing resources across the board.

The effectiveness of R&D will in part be determined by government commitment to extension services at all levels, predominantly targeted at private and contractors who need to be encouraged to keep pace with change and because they play a critical role in supporting follow-on rural community services. Another key capability measure will be the development and uptake of technological approaches to industry development.

Issue 5 Consumer and community engagement:

Consumer and community engagement should be the first priority for the forest industry, as it all comes down to trust. People don't care how much foresters know, independent authorities need to show how as an industry we are caring for the environment and how sustainable the industry is.

There are three key social goals for the sustainable development to Australia's forests:

- to recognise and respect the diverse range of personal and social values that Australian society places on forests;
- to ensure that the public is able to contribute to the decision making processes that identify sustainable uses of forest resources as well as the planning and continuing management of the forest estate; and
- to ensure an equitable distribution of losses and benefits to society, both material and non-material, resulting from present and future changes in forest uses.

[4] Vision 2020 Report Card: 2010-2012, Pathways to prosperity for Canada's forest products sector, Forest Product Association of Canada, Ontario, Canada.

Forest certification helps inform consumers that the forest product they are purchasing was sourced from sustainably managed forests[5].

Forest certification is a tool to enter markets for a private landowner, that is, if the particular market wants certification this will dictate the grower in undertaking this process.

Issue 6 Strengthened regional approaches:

Forestry has and can continually be a pillar for the State's economy but only if the public and private resources are managed fairly and sustainably.

The Tasmanian forest industry is undergoing substantial change. Since 2008, downturn in industry activity has resulted in large job losses in the industry; between 2008 and 2011, employment in forest industry jobs declined by around 50%, or 3,500 jobs[6].

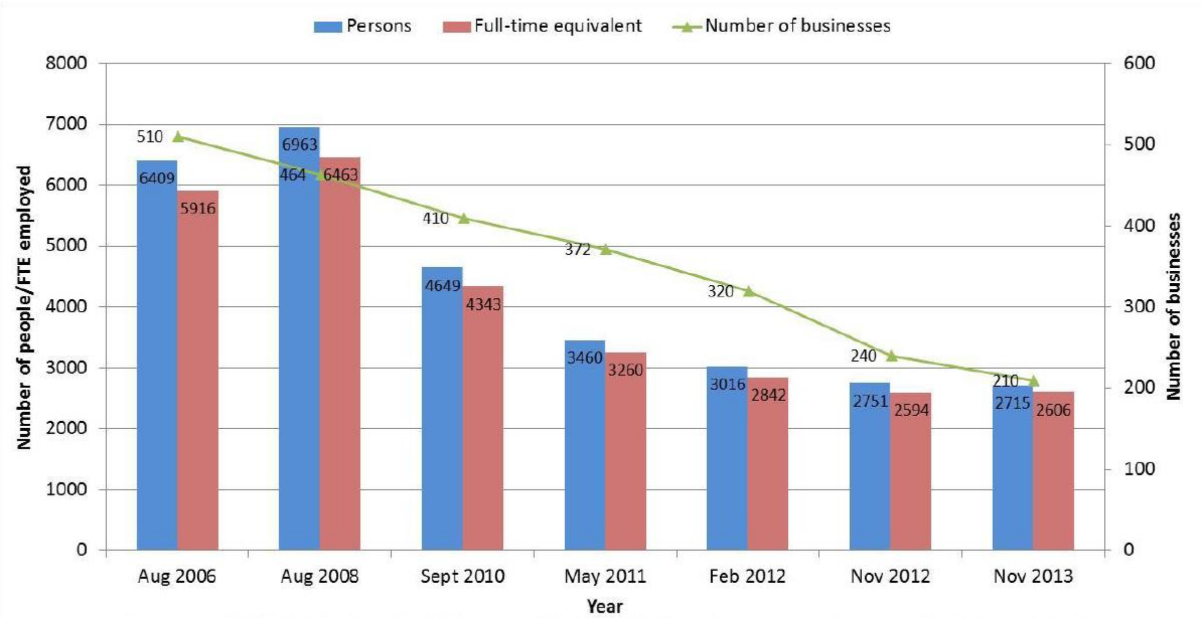


Figure 5: Trends in Tasmanian forest industry employment and business numbers, 2006 to 2013[5]

Tasmanian communities in which high numbers of forest industry jobs have been lost — such as Burnie, Latrobe, Launceston and Dorset — have and are experiencing significant negative impacts as a result. However, the number of jobs lost isn't always the best indicator of the size of the impact. Launceston is a regional city, whereas Dorset is a rural area with far fewer residents, and as a result these two locations will be affected differently by loss of forest industry jobs and the resulting reduction in spending.

For every job lost in the forest industry, as demonstrated in Figure 5 above, it is likely that another one or two jobs are lost in the broader economy, as a result of reduced spending by forest industry businesses and workers. Loss of spending by forest industry businesses and workers will flow on to businesses that service the industry, such as mechanics, engineers and other suppliers of goods and

[5] Forest certification of Tasmania's private forests, 2012, Institute for Regional Development, UTAS Burnie, Tasmania.
[6] Shirmer, J., et al, Socio-economic impacts of forest industry change Tasmanian forest industry employment and production, 2012-13, University of Canberra.

services. Loss of spending by forest industry workers impacts many retail businesses dependent on the spending of workers' wages[7].

This means if we have a strong forest sector we have a strong rural and regional communities.

Issue 7 Infrastructure:

A key aspect of successful forestry development is ensuring that associated infrastructure, such as roads, rail and port facilities, is developed in step with the growing needs of industry. There is also a requirement for future links with emerging energy markets and infrastructure from biomass resources, such as forestry wood wastes.

If infrastructure is not addressed this will detract from the realisation of the full range of positive economic and environmental benefits the industry can provide. A strategic study to identify the transport (i.e. road, rail and ports) and energy infrastructure requirements to underpin the development of the forest, wood and paper products industry would be a good start to make sure we have the appropriate infrastructure now and into the future.

Issue 8 Industry skills and training:

In terms of information resource on forestry there are various sites that are available to assist teachers, such as:

- The WoodSolutions Education site is designed to provide tertiary and TAFE educators with resources to enable them to effectively and efficiently teach and inspire their students about the use of wood and wood products.
- Forest learning website aims to serve school teachers and educators, children, and the public with information on Australian forests and forest-based products, and provision and access to forestry teaching resources. It is further supported by links to key government, industry organisations and educational service providers.
- Plus, there are various VET, undergraduate and post-graduate courses available.

But are potential graduates being scared off because of the bad light the forestry sector is seen currently, especially in Tasmania.

Growing trees is a long term commitment be it for conservation or wood production and products. The future is having skilled labour who can access world class education facilities, which means collaboration between the States and the Commonwealth is a must to develop a better education system that either is subject specialised ie. Tasmania only offers wood processing or having one regional hub for forestry in Australia.

The industry in Australia isn't large enough to have a number of universities offering similar courses across the nation. As a first step an industry skills, education and training strategy needs to be developed for Australia to develop the best option.

[7] Shirmer, J., Tasmania's forest industry: Trends in forest industry employment and turnover, 2006 to 2010, CRC for Forestry.

The primary contact for this submission is Peter Skillern, Chief Executive Officer of Tasmanian Farmers and Graziers Association.

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