



Australian Government

Department of Agriculture, Fisheries and Forestry

A U S T R A L I A

INVESTING IN AUSTRALIAN PULP AND PAPER MILLS

Australia's strong domestic market provides a solid platform for investment strategies to increase production, decrease imports and value-add along the supply chain. Australia is well placed to take advantage of the expanding wood and fibre markets in the Asia-Pacific region. Investment in Australia's forest and wood products industry can provide a springboard to new export markets.

Investments in the forest and wood products industry have totalled more than \$7 billion* over the past five years. The investments were: \$3.5 billion in mergers, takeovers and acquisitions; \$2 billion in new processing capacity; and \$1.5 billion in plantation establishment.

Demand for wood products is expected to grow. The forecast rise in world demand for forest products is 1.2 per cent a year until at least 2010. The estimate for growth in Australia's domestic demand is 5 to 15 per cent over the same period.

However, it is clear from consumption forecasts that, without additional domestic capacity, Australia will increase imports of forest and wood products. In 2001-02, Australia's imports of these products were valued at over \$3.7 billion, creating a trade deficit of nearly \$1.7 billion. Australia's wood fibre production is also forecast to increase. Increased use of current forest resources, combined with an expanding plantation estate, will provide more fibre to meet rises in domestic processing demand, as well as export market opportunities. A comprehensive forecast of wood availability is available at: www.affa.gov.au/nfi

Australia's timber production is relatively cost competitive, particularly its resource, transport and power costs. A DANA-Manners plantation investment 'Attractiveness Index' ranked Australia 11 out of 66 countries, ahead of New Zealand (12), Argentina (13), Chile (16), Uruguay (18), Brazil (20) and South Africa (22). More information on Australia's competitiveness is available at: www.affa.gov.au/forestry/investment

The Australian forest and wood products industry's strengths underpin strategic investment decisions. These strengths are:

- A politically and economically stable economy, and an exchange rate that supports enterprise competitiveness.
- International cost competitiveness when benchmarked against other countries in the Asia-Pacific region. Australia is particularly strong because of its low-cost power, as well as hardwood and softwood fibre costs.
- Available land for new plantation establishment. The World Competitiveness Yearbook 2002 ranked Australia number one for having the most available arable land.
- Suitable soil quality and climate, yielding good rates of tree growth.
- Extensive experience in forest management.
- An expanding wood fibre supply. In the past seven years, the plantation forest estate has increased by more than 50 per cent to 1.6 million hectares. Forecasts suggest a 20 per cent increase in plantation softwood fibre and a 10-fold increase in fibre sourced from hardwood plantations by 2009.
- Established forest and transport infrastructure, including a modern national and regional road and transport system, a competitive rail network and 11 deep water ports. Most resources are within 100 kilometres of processing facilities.
- Diversified processing facilities and specialised, high-value, processing capacity.
- Import replacement opportunities because of the \$1.7 billion imbalance between imports and exports.
- Access to the latest research and development across the production chain, from improved seedlings to enhanced processing.
- Potential for environmental benefits, including reduced soil erosion, salinity control, carbon sequestration and biodiversity improvement.

Further information is available at: www.affa.gov.au/forestry/investment

* Australian dollars



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Opportunities for world-scale pulp and paper mills

Several studies over the past few years clearly identify the opportunities for investment in Australia's forest and wood products industry. The studies have identified opportunities to establish new, world-scale pulp and paper mills within Australia using existing and maturing wood fibre.

Australia has large volumes of plantation hardwood pulpwood. This resource offers significant opportunities for import replacement in the domestic market and exports to nearby, rapidly growing, Asian markets, particularly Japan, Korea and China. In 2001-02, Australia's total pulp import was 314,000 tonnes. Low costs and declining woodchip prices mean a pulp mill in Australia would be increasingly competitive. Opportunities exist in international and domestic markets for increased processing within the Australian pulp and paper sector.

Australia exported more than 4.7 million dry tonnes of woodchips in 2001-02, valued at \$712 million. A Jaakko Pöyry Consulting report, *Investment Opportunities in the Australian Forest Products Industry* (www.affa.gov.au/forestry/investment), indicated the newly established plantation resource within each of Australia's growth regions (the Green Triangle region of south-west Victoria and south-east New South Wales; Tasmania; and the south-west of Western Australia) could supply enough fibre to support a world-scale kraft pulp and paper mill.

Australia's consumption of paper products provides a sound import replacement strategy for establishing a pulp and paper mill. Without extra domestic capacity, Australia expects to significantly increase imports of paper products. By 2010, the import of coated woodfree paper is expected to rise by nearly 65 per cent to over 360,000 tonnes a year, while estimated uncoated woodfree paper consumption is more than 550,000 tonnes a year. A mill could replace a major portion of imported paper and pulp products, which cost more than \$2.2 billion a year. In 2001-02, Australia imported printing and writing paper valued at \$1.26 billion.

Table 1 illustrates the current domestic potential for bleached hardwood kraft pulp (BHKP) production and production of paper products that require BHKP.

Further inquiries

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Table 1: Investment potential for products produced from BHKP

Product	Resource required	Domestic consumption (tonnes)	Domestic production (tonnes)	Imports (tonnes)	Import component of domestic consumption	Investment benefits
BHKP	2,000,000 tonnes a year	180,000	0	180,000	100%	High
Printing and writing papers	BHKP	1,148,000	624,000	524,000	45%	High
Uncoated woodfree paper	BHKP	422,000	311,000	168,000	40%	Medium
Coated wood free paper	BHKP	281,000	55,000	226,000	80%	High

Information on regional forest and wood processing investment studies is available from the following organisations:

Location	Organisation	Web site	Phone
Australia	Invest Australia	www.investaustralia.gov.au	+61 3 8664 7702
New South Wales	Department of State and Regional Development	www.business.nsw.gov.au	+61 2 9228 3111
Queensland	Department of State Development	www.sd.qld.gov.au	+61 7 3405 6537
South Australia	InvestSA	www.ict-southaustralia.sa.gov.au	+61 8 8303-2400
Tasmania	Department of Economic Development	www.development.tas.gov.au	+61 3 6233 5888
Victoria	Department of Innovation, Industry and Regional Development	www.business.vic.gov.au	+61 3 9655 6209
Western Australia	Department of Industry and Resources	www.doir.wa.gov.au	+61 8 9327 5555