



Submission to

Tasmanian Legislative Council Inquiry into

**PUBLIC NATIVE FORESTS
TRANSITION**

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About the TFGA

The Tasmanian Farmers and Graziers Association (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.

With its mission being to advance the development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. The TFGA is also committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of Tasmania to all levels of government and the wider community.

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, water and weeds. This structure enables the organisation to play an active role in championing issues affecting the agricultural sector so that they are recognised by Government, industry and the wider community.

Looking forward, the TFGA will continue its commitment to representing Tasmania's agricultural sector by presenting innovative and progressive solutions to the issues affecting the agricultural sector in Tasmania.

Background

Tasmania's forest industry is experiencing ongoing change. A period of growth between 2006 and 2008, driven by expansion of hardwood plantations and investment in the processing sector, has been followed by a significant downturn.

This downturn has been driven by multiple factors, including:

- reduced demand for wood and paper products as a result of the global financial crisis
- a strong Australian dollar reducing competitiveness of exported wood and paper products
- successful campaigns by environmental non-governmental organisations to reduce demand for native forest woodchips
- reduced investment in new plantations
- closure of processing facilities

Tasmania has a landmass of 6.85 million hectares of which approximately 3.38M ha (49.5% of state's landmass) is covered by forest.¹ Tasmania's privately owned native forest total 885,000ha or 26.1% of total forest cover or 12.9% of the total landmass.²

As farmers and foresters who produce food and fibre, we are very much aware of the looming pressures facing the world's population - nine billion people by 2050, a requirement to double food production in that time and an annual loss of three percent of the world's agricultural

¹ Australia's State of the Forests Report, 2008.

² Ibid

land. It is our firm belief that any changes in land use need very careful consideration especially if that land is to be lost to any form of production.

Kelty Report

There is no doubt Mr Kelty's report realizes the depth and complexity of the dispute over forest use in Tasmania, and that views on all sides are strongly held, evidence-based and, to each party, that view is compelling.

The private forest industry's position is strengthened by our perception of the state of play as explained in the Kelty Report and it is clear Mr Kelty has doubts that peace is at hand.

The private forest industry view remains that:

- Though omitted from the negotiations, private forests and private forest owners will be impacted by the outcomes of the initiative. It is impossible to quarantine the private estate from the outcomes of this initiative because the impact cannot be restricted by land tenure boundaries.
- Any implementation of the Statement of Principles will have inevitable and significant impacts on private native forest owners and managers.
- Inter alia, it will place pressure on private forests to provide additional resources necessary to maintain the productivity and competitiveness of the forest products processing sector. That could involve an immediate increase in harvesting of private native forests.
- An intensification of activity in response to increased sawlog demand from native forests will undoubtedly generate additional pulpwood over and above that generated by harvesting operations in the more sawlog-rich State forests.

Private Forestry

Farmers rely on a diversity of activities to sustain commercial viability in a competitive environment. Individual farm enterprises must be able to access the widest possible range of land use options to maximise profitability including forest production – native or plantation harvesting.

In Tasmania, the forest industry is a critical and fundamental part of the economy, and the social fabric which makes this island State unique. The industry has a long history of effective innovation and was one of the original colony's success stories. It remains an engine for advances in improved technology and management systems, and a driver of regional economies and establishing social bonds that make it a special feature of our way of life.

Until recently, Tasmanian forest industry directly employed more than 6,000 people and over 10,000 across the supply and value chains (using a conservative employment multiplier of 1.5). The industry has focused on adding value to a diverse range of products, which contributed up to \$1.6 billion in total expenditure to Tasmania's annual economy. Of this growers and

processors generate \$940 million to \$1.02 billion while contractors, consultants and nurseries generate \$480–\$580 million.³

Table 1: Area of forest by tenure (hectares)

| | |
|-----------------------------|------------------|
| Leasehold forest | 0 |
| Multiple use public forest | 1,026,000 |
| Nature conservation reserve | 1,121,000 |
| Other crown land | 85,000 |
| Private land | 885,000 |
| <u>Unresolved tenure</u> | <u>0</u> |
| Total Native Forest | 3,116,000 |
| <u>Plantations</u> | <u>248,000</u> |
| <u>Total Forest</u> | <u>3,364,000</u> |

Source: Australia's State of the Forests Report, 2008

Sustainable Forestry Industry

The TFGA supports the triple bottom line approach for managing a sustainable forestry industry – social, economic and environmental outcomes. The main points for each outcome include:

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

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.

³ CRC of Forestry, Forest Industry Employment and Expenditure in Tasmania, 2005–06, viewed at <http://www.crcforestry.com.au/publications/downloads/forest-industry-survey-report_download.pdf>.

Social:

- 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.

Future of Private Forestry

The current Tasmanian outlook sees private native forest owners in a situation of having to manage and maintain a forest estate with no commercial value in order to meet community expectations about landscape and amenity values, which need to be considered by the Committee so it won't be replicated nationally. Ultimately, this would be untenable and the forests will, one way or another, degrade, lose their environmental value and gradually disappear.

However, none of this needs to happen: the asset value of our private native forests can easily be maintained and, as a consequence, these forests can continue to assist underpinning the viability of our rural communities and contributing significantly to the state from an economic, social and environmental perspective.

The solution is to:

- Recognise that in Tasmania we have a distinct natural advantage – we can grow trees very well – and native forest management and utilisation is the most environmentally benign method of growing trees that can produce a wide range of truly sustainable products for our community while providing employment opportunities and sound environmental outcomes.
- Recognise that, considering Tasmania's demographics, we do not have the capacity to fund the management and maintenance of large areas of our landscape from the public purse and recognise that 27% of our important forest landscape is managed "free of charge" by 1,600 on-site managers.
- Recognise that the private forest estate does not have the capacity to replace the production from State owned forests from a volume, product mix or product quality perspective and that the ongoing existence of a viable, private native forest estate is dependent upon a continuation of active management of State owned native forests.
- Recognise that active forest management provides opportunities to maintain, and on occasions enhance, the ecological diversity and regeneration capacity of native forests.
- Recognise that Tasmanian farmers are committed to sequestering more carbon through their agricultural and forest management activities and understand that should their native forests become worthless, and hence a liability, that the inevitable progressive demise of these forests will potentially expose government to considerable deforestation linked carbon imposts.
- Recognise that through the imposition of the Permanent Native Forest Estate Policy private forests owners have been locked into the ongoing commercial management of their native forests with severe restrictions on their capacity to convert these forests

to plantations and that any reduction in their capacity to commercially manage these forests could expose government to considerable claims for compensation.

- Realise that the active management of all our native forests, private and State owned, has contributed significantly to the well-being of all Tasmanians in the past in ways that many in the community don't appreciate (forest products – wood, honey, water; recreation – drives in the forest, bush walking and other active recreation pursuits; employment; wealth generation; environmental protection – control of weeds, pests, wild fire) because these forests have a commercial value.
- Understand that if we destroy or even impair the commercial value of our native forest estate all the benefits we have derived in the past will be lost and, importantly, significant additional benefits that will accrue from new and emerging industries will never be realised.
- Accept that there is a need to update our forestry industry operating model and acknowledge that the old model is out of date and needs updating and rejuvenating but that this must be done without destroying the opportunities that the sustainable, commercial management of our native forest estate can continue to realise for Tasmania.

Private forests can be managed to produce substantial private and public benefits. Forests need to be actively managed to produce the balance of social, economic and environmental benefits sought by forest owners and the broader community.

Environmental Value of Tasmanian Private Forests

The value of carbon stored in Tasmanian private forests, including subsoil was estimated based on approximate benchmarks.

- At a carbon price of \$20 (per tonne CO2 equivalent) the value is estimated at \$9.7 billion.⁴
- Over \$6 billion is associated with forest subject to harvesting and regeneration, including plantations. This value is not likely to be accessible under the proposed Carbon Pollution Reduction Scheme.⁵
- The accessible value, identified with respect to Kyoto plantations, established after 1990 on cleared land, is \$770 million.⁶

Environmental Services = Cost

Farmers plant trees and manage native forests for a myriad of reasons, including for positive landscape health outcomes.

A well-designed and managed farm forestry enterprise generates environmental and socio-economic benefits that flow through to the wider community. These environmental services are public goods and it is imperative that more direct ways be found of communicating the value to the community.

⁴ Felmingham, B (2008) Measuring the Economic Value of Private Forests to the Tasmanian Economy, IMC-Link.

⁵ Ibid

⁶ Ibid

Farmers are often subject to regulations that impose significant forest management and conservation restrictions, which have increased costs and reduced the working capital value of farms. While obligated to adhere to legislative restrictions, the ongoing management of these values are largely voluntary and requires the good will of the land manager to fund conservation through commercial activities, which include wood harvesting.

Farmers should not be expected to manage their assets for community outcomes, unless the community contributes. There is a clear indication that most forest owners can only afford to maintain biodiversity values within forests that also provide some level of commercial return. The destruction of capital value within forests is likely to remove incentives to maintain such services. This is likely to increase the rate of degradation within such forests through increased weed infestation, increased fire regimes, cessation of 'policing' in regards to firewood collection, hunting or other recreational activities.

Comparison of Native Forest Management Option – Conserve or Harvest

A 299 hectare parcel of predominately forested land has the following land management options, the implications of which are detailed below. This study is based on real costs and returns of historical, current and proposed forestry and agricultural operations on part of a property in north-east Tasmania.

These operations are conducted according to the whole farm plan prepared for the whole of the property. The plantation and pasture development and retained native forest are integrated into the farm to meet environmental, landscape and agricultural objectives. This option increases the long term economic, social and environmental sustainability of the property.

Table 2: Management Options

| Option | Activity | |
|--------|--|-------------|
| 1 | Set 205 ha of native forest for protection under Private Forest Reserve Program (CAR) and receive one off negotiated payment.* | \$61,500 |
| 2 | Harvest native forest | \$5,042,740 |
| 3 | Establish and manage 102ha hardwood and softwood plantation | \$8,092,201 |

*\$300/ha is the target price understood to be established by the Private Forest Reserve Program.

Table 3: Option 2 – Harvest 205ha of native forest: mill door price, costs and stumpage

| Timber Sales | Volume | Costs (\$) | | | | | Product price wood chips \$78/t fob & sawn timber \$350/green m3 of log |
|-----------------|--------|---|---------------------------------|-----------------------|--------------------------------------|-----------------------------------|--|
| | | Roading, Compliance & Mgt Fees* (\$7/t) | Harvest (\$15/t & \$17m3) | Transport \$8.17/t | Processing (\$36/t & \$294/m3) | Stumpage (\$13/t & \$26/m3) | |
| Pulpwood (t) | 53,104 | 371,728 | 796,560 | 433,860 | 1,913,040 | 690,352 | 4,142,112 |
| Sawlog (m3) | 2,392 | 16,744 | 40,664 | 14,352 | 703,248 | 62,192 | 837,200 |
| TOTAL | | 388,472 | 837,224 | 448,212 | 2,616,288 | 752,544 | 5,042,740 |
| % Product Price | | 7.70% | 16.60% | 8.90% | 51.90% | 14.90% | 100% |

* Includes planning, roading, industry fees and levies, and supervision. NB. Native forestry harvesting provides 10 man years employment.

Table 4: Option 3 - Establish and manage 102ha of hardwood & softwood plantations

| Activity | Cost (\$) | % | Employment (man-years) |
|--------------------------|-----------|-----|------------------------|
| Plantation establishment | 174,790 | 2 | 1 |
| Management (pruning) | 252,000 | 3 | 1 |
| Harvesting & transport | 1,138,000 | 14 | 8 |
| Stumpage | 1,483,210 | 18 | |
| Export wood chips (fob) | 2,515,201 | 31 | |
| Primary manufacturing | 5,577,000 | 69 | |
| Gross Product Value | 8,092,201 | 100 | |
| | | | |

NB. The average annual of the gross product value is \$231,200 per year over 35 years.

- Option 1 results in reservation of the native forest. The landowner receives a \$61,500 one-off payment.
- Option 2 provides increased farm income adding value and export opportunities, employment and unrealized environmental services.
- Option 3 is based on the native forest being harvested and then the plantation enterprise be ongoing – every 35 years the plantation enterprise would provide stumpages of about \$1,910,000, about 10 man-years employment and over \$13,071,000 worth of manufactured wood products.

Private Landholders are the Biggest Contributors to Conservation

- Australian farmers spent \$3 billion on natural resource Management (NRM) over 2006-07, managing or preventing weed, pest, land and soil, native vegetation or water-related issues on their properties. More than \$2.3 billion was spent on weed and pest management, while land and soil-related activities accounted for \$649 million of total expenditure.⁷
- Natural resource management is a fundamental activity on Australian farms. In fact, 94.3% of Australian farms actively undertake natural resource management.⁸
- 52% of farmers undertake activities to protect native vegetation, 45% wetland protection and 49% river or creek bank protection.⁹
- Farmers improving their Natural Resource Management practices reported doing so to increase productivity (88.6%), farm sustainability (88.4%) and better environmental protection (74.5%).¹⁰

Conclusion

Private forestry has a major contribution to make to the long term development of regional Tasmania and mainland Australia, and provides vital jobs and income in most rural communities.

⁷Australian Bureau of Statistics, *Natural Resource Management on Australian Farms 2006-07*

⁸ Ibid

⁹ Australian Bureau of Statistics, *Year Book Australia*, 2009-10

¹⁰ Ibid

Farmers have been managing native forests and smaller plantations and woodlots for many generations and believe that continuing management of all these forests will be vital to the future of wood processing in Tasmania. Privately managed native forests have recently received Forest Stewardship certification and this confirms our belief that well managed native forests and carefully planned plantation investments are the way forward.