



# **Tasmanian Farmers and Graziers Association**

## **Submission on: Triabunna Woodchip Mill and Future Development Opportunities for the Triabunna Region.**

**August, 2014**



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## 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 DPIPW) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at \$2.7billion 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.

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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 \$550m (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.

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## **Comment**

The TFGA wishes to take this opportunity of thanking the committee for the invitation to make a submission on this important issue. The terms of Reference for the Committee are broad and there are a number items contained therein which we have no knowledge or experience of and accordingly will not seek to make comment on.

The TFGA has consistently held the view and advocated strongly for the rights of individual landowners to undertake whatever legal activities that they see fit to do on their own land. We believe that it would be disingenuous of us to make comment on the alleged activities of the owners or their agents in relation to the systematic dismantling of the Triabunna woodchip mill.

We would however make the observation that such alleged wanton destruction was completely contrary to the stated intent of the TFA agreement. As we understand it, bearing in mind that we were not part of the process, the reopening of the mill was a key component of assurances given by the ENGO signatories and a condition of signing the agreement. Furthermore the stated intent from the mill owners that only certified wood from private land would be acceptable and that other issues would need to be met first underscores in our view that there was never any intent by the owners to allow private landowners to utilise the facility.

The closure and subsequent sale of the mill and its involvement in the TFA process as a negotiation point has had a significant detrimental effect on private landowners in the South of the State. Residues from native forest logging are a component of producing high quality sawlogs and or veneer peeler logs and in a market with slim margins this low value product often is the difference between profit and loss. Private landowners have not had access to government subsidies for transport to port facilities in the North of the State, as a result the closure of the mill has been catastrophic.

The TFGA has consistently stated that the TFA process would impact on the private sector, time and again we were assured that this would not be the case. The closure of Triabunna and the subsequent impact on the private sector has shown that as we said the TFA would and has negatively impacted on private landowners and their ability to undertake forest operations in the South of the State.

Coupled with the ongoing uncertainty surrounding plantations the financial impacts have been severe and the flow on effects to regional communities have exasperated any attempts to recover from the TFA induced downturn in the public forest sector.

The need for a chip mill and export facilities in Southern Tasmania is critical. The private forest sector in Southern Tasmania will not recover unless there is provision to both chip and export residues. We understand that the existing deep water port at Triabunna is still viable, however there are logistical issues around getting residues to the port facility. We urge the Committee

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to initiate an investigation into the feasibility of gaining access to the Triabunna port with a view to recommencing exports of residues as quickly as possible.

If such a proposition proves not to be viable then we need to stress that an alternative option will need to be found quickly. This issue has received scant attention from government and many private landowners in the South of the State have incurred substantial financial costs while they wait for a resolution. Any operations in the South need as a matter of course to introduce competition within the residue export market and provide certainty moving forward.

One of the often unrecognised consequences of this sorry saga has been the significant erosion of confidence and faith in the Tasmanian forest industry. Given the debacle surrounding plantations it is unlikely that many private landowners will readily replant trees and for those with native forest the outlook is potentially bleaker as banks now show native forest as a liability on balance sheets. The emotional and financial costs thrust upon private landowners throughout the State by the demise of Gunns Ltd and the subsequent implementation of the TFA is unmeasurable. The real sting in the tail is the fact that private land owners were not part of the process nor does it appear that they were given anything but scant attention.