

Some plantation wood market and policy realities

What we need to do to make plantations work in the national interest commercially, environmentally and socially. Panel presentation BRS/ANU Conference *Prospects for Australian Plantations 2002*, Canberra 20-21 August 2002.

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I want to revisit the market issues facing Australia's existing plantation industry. This means bringing the native forest part of the industry into the picture. I think the public expects this of us.

I see two key strategies to make Australia's plantations work in the public interest.

1. Move commodity wood production (competition is largely on price) from native forests to plantations. That's around 95% of Australia's wood based industries.

It's in the best interests of:

- cost conscious producers
- native forests
- and degraded agricultural land – if we get the rules right on where and how to plant in future.

<Figure 1 Australia's looming hardwood chip glut>

Moving commodity wood production out of native forests builds the market for Australia's plantation industry. Because the two resources compete. They are substitutes.

- 95%+ of Australia's native forest sawn timber can be substituted by softwood plantation products. Just look at New Zealand. I should add here that within five years, massive volumes of softwood sawlogs from New Zealand will come onto the market. We expect competition in Australia's sawn timber industry to intensify. These market realities were raised by Alf Leslie in the 1986 Prospects conference. Unfortunately they have dropped-off the agenda.
- We've heard from Ian [Ian Ferguson, Professor of Forest Science University of Melbourne] that 9 million m³ per annum of eucalypt plantation chiplogs are projected to come on stream – the orange on the RHS of the figure. It's huge. Within 4 years. In desperate need for markets. Perfectly substitutable for native forest woodchips - the orange on the LHS. It took industry 30 years to build the native forest hardwood

chip export business. Ian tells us that within four years plantations will exceed that – from a small base today.

2. The second strategy [to make Australia's plantations work in the public interest] is to add value to Australia's plantation resource through further processing. We've heard lots of votes for this over the two days.
 - Australia's currently moving in the opposite direction – 2/3 of the increased plantation supply was exported unprocessed as whole logs or chips in the 1990s. More and more of the plantation industry is moving to the bottom of the pile – playing the mugs game of exporting unprocessed wood, being picked-off on price in global markets. Australia's plantation industry should aim high – exporting high volumes of processed product. I hope the next conference puts some serious time into this.
 - Domestic processing is also appealing to rural Australia because processing wood into sawn timber, panels and paper generates 15 time more jobs than exporting the same log volume unprocessed.

To summarise, we have two key strategies:

- Shifting commodity wood production to plantations
- Further processing it in Australia

for three big objectives:

- Globally competitive wood based industries
- Native forest ecological integrity
- Rural jobs.

Unlike multiple use in native forests, the objectives and strategies don't clash. Theoretically, therefore, it's possible to stop the forest conflict spilling into plantations. But that's your choice.

How the plantation industry is viewed by the public - as Virginia Young [National Forest Campaign Coordinator, The Wilderness Society] put it, 'are you a solution to the forest problem or part of the problem' - will be critical in shaping your industry's future business environment.

These are very serious issues for the plantation industry and I think you need to look at them uninfluenced by the interests of the native forest sector.

<Picture of the Styx forests in Tasmania>

The question is where do you [plantation industry] stand on native forests – on the Styx forests in Tasmania?

I thank the Wilderness Society for letting me use this photo.

I've walked in these forests. This is not an isolated tree. You pass through wave after wave of them. They're utterly magnificent. They're up for logging soon. 90% of the wood will be exported as woodchips. Then the land will be put under plantations.

Evan [Evan Rolley Managing Director Forestry Tasmania and fellow panellist] manages Australia's biggest native forest wood selling business. Forestry Tasmania is your single, biggest competitor. Why don't you ask Evan for their native forest pulplog stumpages and run them through your financial models. I think you'll see red.

Irrespective of how you and I might feel about these forests - and we know the public view - let's imagine native forests aren't on the political radar. No one cares about them. You – plantation industry – still have a problem because government policy settings are so skewed against you:

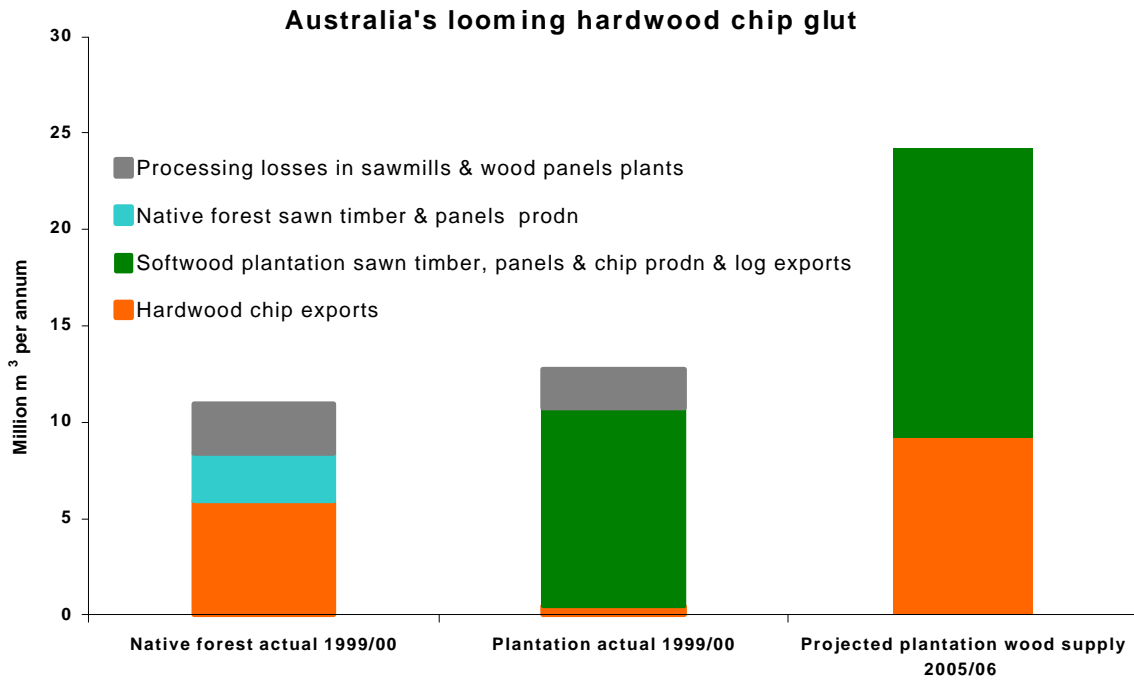
- \$1/2 billion spent on the RFA process that left you out.
- 40% increase in native forest export wood chipping since the first RFA was signed in 1996/97. It needed a 12% real price decline to clear that volume. This is crazy.
- Government's persisting with a picking losers wood industry policy – angling the playing field against your commercial interests. Why plantation industry does your industry association – as represented here earlier today by Richard Stanton [Richard Stanton, Plantation Timber Association of Australia] – deny this reality?

With 9 million m³ per annum of hardwood plantation logs just around the corner, something has to give.

Standing, native forests complement your plantation business. Logged, they become a competing resource.

I suggest there will be no change in government policy settings while you – plantation industry – keep submitting to this awful market reality.

If you choose to seriously engage in Australia's forest policy process, I think you would be successful. And what would then dominate Australia's wood industry policy? Making investment in plantation processing stack up. That's good for plantation growers and processors, native forests and rural Australia.



Prepared by Judy Clark ANU for Prospects for Australian Plantations 2002, Canberra.