



## **SUBMISSION**

### **Senate Standing Committee on Environment, Communications and the Arts: Inquiry into forestry and mining operations on the Tiwi Islands**

**October 2009**

The National Association of Forest Industries (NAFI) is the peak representative body for Australia's forestry and forest based industry. NAFI represents the industry's interests to the public, governments and authorities on matters relating to the national development and use of Australia's forests and wood products.

With respect to forestry development on the Tiwi islands, NAFI supports the sustainable development of the forest based industries and associated rural and regional communities, taking into account the multiple economic, social and environmental benefits from sustainably managed forest resources.

To date, the main investment vehicle for the development of plantation resources on the Tiwi islands has been through Managed Investment Scheme (MIS) projects. The recent collapse of the agribusiness MIS company operating on the Tiwi islands, Great Southern, has been unfortunate in terms of the short term uncertainty for investors, forest industry employees and local communities.

The recent difficulties faced by Great Southern do not indicate an impending collapse in sound plantation forestry investment or an inherent problem with the MIS structure. The difficulties for the company involved were exacerbated from an untimely convergence of factors, including the impact of the drought on returns from agricultural production, tightening debt and equity markets and declining asset values associated with the global financial crisis, at a time when the company was attempting to reduce debt and restructure the business.

However, there are already positive signs that the plantation resources previously managed by Great Southern will be rationalised under new ownership, which will provide much needed stability for the forest industry and dependant regional communities.

Furthermore, recent comments to this Inquiry regarding the short term outlook for exports of plantation hardwood woodchips from Australia need to be put into broader perspective. Forestry is an inherently long term investment given the time frames between tree establishment and harvest revenue and although 'short-term market changes influence individual decision-making, long-term changes in demand have a greater influence on investments in forestry and forest products at the aggregate level'<sup>1</sup>.

As outlined in a recent joint industry submission to a parliamentary inquiry into agribusiness MIS activities (refer attachment), the longer term fundamentals of hardwood plantations in Australia remain sound in terms of markets and improvements in plantation tree growth and yields. These opportunities include traditional pulpwood markets and potentially new markets such as wood based bio-fuels for green energy.

In terms of the short and longer term market prospects for hardwood woodchips, it is important to acknowledge that:

- despite the global financial crisis, Australian woodchip export prices were maintained in 2009, recognising continued demand for high quality eucalypt hardwood resources;
- woodchip prices have remained more stable than most other agricultural commodities that have experienced significant climatic variability and commodity price changes over the past decade;
- the long term global demand for renewable and sustainable forest products remains unchanged, reflecting underlying population growth and consumption of printing and writing papers in the Asia-Pacific region;
- the long term nature of plantation forestry largely protects the industry from many of the market shocks and short-term fluctuations that can affect other agricultural pursuits; and
- with a maturing and high quality resource, the Australian hardwood plantation industry is well positioned to take advantage of the upswing in demand as the world economy recovers.

NAFI welcomes the opportunity to provide comment to this Inquiry and is able to expand on these matters should the Committee require further assistance.

Attachment: Submission by National Association of Forest Industries (NAFI) and Australian Plantation Products and Paper Industry Council (A3P) to the Parliamentary Joint Committee on Corporations and Financial Services: Inquiry into Agribusiness Managed Investment Schemes, July 2009

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<sup>1</sup> FAO State of the World's Forests 2009, Global demand for wood products, page 62.