

SUBMISSION No. 87
Inquiry into the Australian forestry industry

The Secretary
House Standing Committee on Agriculture, Resources, Fisheries and Forestry
House of Representatives
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Inquiry into the Australian forestry industry

Dear Sir

As an ex member of the NSW Government Timber Advisory Council 1978-9 and Councillor of the Associated Country Sawmillers of NSW 1960-79 and since then an active member of the NSW Farmers' Association, I trust that the following submission is accepted with the aim of achieving equal opportunity for Agriculture, Forestry and the inter-dependent Rural Communities involved.

Summary

The biggest constraint upon production is availability in perpetuity of raw material. The reasons for this involve, effects from WWII, industry, Governments, conservationists and a biased media preventing balance discussion.

The impact of forestry on land and water highlighted by Managed Investment Schemes (MIS) shows the result of poor planning, misinformation and undue influence from city and coastal groups who suffer no inconvenience or cost while rural communities do.

To create win-win situations balancing environment and economic opportunities requires an honest reassessment of all renewable resources.

Creating a better business environment for forest industry also requires harmony and fairness of treatment for all in the rural situation. Exploring using PPP is the recommendation.

Land use competition between forestry and agriculture was created by MIS and has left a scar on agriculture and itself in certain locations through increased local government rates.

Opportunities for and constraints upon production

Remove the constraints and the opportunities flow.

Due to the demands of WWII a deviation in forest policy was made by Government that continued on in the case of rain forest timber to help rebuild industry. Because the golden rule of managing forests in perpetuity by harvesting only mature trees or the product left from silviculture, at a rate lower than the growth rate had been flouted the old policy was abandoned and 'Cut out and get out' replaced it. This gave undue influence to the various conservation groups that sprang up in 1973-4. They were backed by a media policy that gave unlimited space to conservation but industry had to buy advertising space to put its case.

The whole situation became politicised on biased and distorted evidence and continues to this day suiting the whims of a few to the disadvantage of the uninformed majority. The result was that improvements in equipment that would have countered the increasing logging costs were not made. Increases needed by the Forestry Commission were watered down but to cut logging costs, harvesting in coops has become the practice.

While harvesting the final stage of a crop of pine plantation (growing period 30 to 40 years) pays dividends, Australian hardwoods that have a faster growth rate than their overseas equivalent, still take 100 years plus. Size of forest and distance to processor becomes a limiting factor.

It is well to remember that Aboriginal populations managed the various types of forests by using the litter for cooking and ceremonies and saplings used for shelter. Wallaroos helped control regrowth. This needs replicating to control forest fires. Up to 1974 the NSW Forestry Commission had a better survival rate of native species than National Parks. (Information suppressed by the media).

Conservation groups with their no logging in native forests and wilderness concepts do not realize the importance of ongoing good forest practice or the unpalatable truth of the extent of destruction done due to their imprudent demands resulting from the Canberra and Victorian fires. Lightning and power lines got the blame but the abundance of fuel did the damage.

If forest industries can recognize their faults, then conservationists need to do the same. Being critical of conservation groups does not mean that they have not got a role to play in achieving good forest management including that of weeds and feral animal control. This aspect is vital to the wellbeing of adjoining agricultural land.

For existing Crown land dedicated to forestry and plantations on private land; security of tenure is of prime importance.

The red gum forests along the Murray are a case in point, where forest land is to be passed over to National Parks. A 75 million dollar per annum industry sacrificed for a two million, it is hoped, industry based on eco tourism.

This means loss of royalties to be replaced by inadequate tax payer funds.

The loss of industry in rural areas is a blow to agriculture's support communities as it ultimately reduces other services such as education and health; all at the behest of Friends of National Parks and others who are unaffected by loss of jobs or services.

Opportunities for diversification, value adding and product innovation

Agriculture's waste from cropping is the same material as timber: cellulose. Therefore any opportunities for developing new rural industries based on old technologies or new, is of importance to farmers and rural communities alike. Getting the crop or forest waste collected and sent to convenient locations for processing in sufficiently compressed form at reasonable cost will be the first problems to solve.

Environmental impacts of forestry:

Impacts of plantations upon land and water availability for agriculture

Plantations on cleared agricultural land looked to be the best political solution to providing an ongoing supply to the timber industry and was predicated on:

- that it would renew capital in the bush,
- provide jobs,
- the trees would prevent salinity
- the trees would be a carbon sink.

The result:

land prices escalated,
 neighbouring farms denied equal competition,
 the GFC spoofed the investors,
 shire rates will increase,
 the trees depending on type and location do very little to reduce salinity
 trees do reduce water flows to rivers

Trees as carbon sinks rely on location and species to give a short one off reduction to a continuous reduction depending on use.

Of the salt in the Murray River near Adelaide 30% comes from NSW and Vic and 70% from SA. At Mally Cliffs the river measures approx 230 EC, a few miles on it goes to 650 EC. The reason is from Mally Cliffs to the mouth of the Murray was prehistorically estuarine and with irrigation the salt laden soil increases the EC.

There are areas where pines would grow well in the Eastern Riverina because of rainfall but the trees would diminish the water flow and increase not decrease salinity into the river. DLW Research Station at Wagga Wagga can verify.

Renewing capital in the bush by subsidising investors, whose working capital has never been taxed, with a tax break; in competition with farmers whose capital has been continuously taxed and with no subsidy, is clearly anti competitive and a travesty of social justice directly to farmers and indirectly to their support communities.

To explain the lack of objection by farmers. Land is regarded as their superannuation so the retiring farmer sees rising land prices as a gain for the future and the increased shire rates as a lesser evil. The other factor in their silence is that they believe nothing can be done about MIS. Farmers do not realise that land has become a commodity requiring fundamental change.

The development of win-win outcomes in balancing environmental costs with economic opportunities

Environmental cost could be termed a matter of interpretation. A forest managed in perpetuity automatically balances environment and economic opportunities even if the product has a higher initial cost.

Forest cover in Australia varies from dense rain forest to open woodland where the latter has been largely replaced by agricultural activities. Clear felling in coops other than in the final cycle of pine plantations needs fazing out. Justification from industry makes out that only 1% of the total hardwood forest area in NSW is affected and that a new forest will be available in the future. Economic transportation of logs to processor reduces the size down from all of NSW to areas around Grafton and Kendal. The reduction in forest areas that gave certainty of supply back in the 1960s and 70s has gone, for purely political reasons, to National Parks. Resisting those royalty increases in the 70s was counter productive. National Parks with no timber or grazing royalties can not hope to finance the necessary weed and animal control without tax payer funds.

It is well established that pine plantations are a successful mono culture but Australian hardwoods naturally grow as multi species and importantly, thereby support a greater array of browsing insects, birds and animals, that in turn increase the density and quality of the particular species of timber.

To gain the economic opportunities from selectively harvesting mature trees the end product should not be expected to compete on an open market where imported timber is obtained

from illegal or unsustainable forest practice in 3rd world economies.

Under the original NSW Forestry Act cc1905 the forest areas were available to all and as stated above proved they were superior to National Parks in preserving bio diversity. National Parks in the UK are working models; it could be worth re-assessing our natural resources strategy in that regard.

Creating a better business environment for forest industries

With the objective of providing security of tenure, free from the vagaries of financial markets and free from variations of timber/pulp markets, Crown land provides the best opportunity. For NSW the highest rainfall areas are in Crown land.

Suggested action requires a PPP

Areas already planted to pines should be acquired by the Crown and the trees and continuing management sold to investors. Areas planted to one species of hardwood should only be acquired if that area can grow pines in the future, or be re-planted with long life-high value varieties, with the assessed volume increases being a tradable commodity.

This will have a negative impact on shire rates requiring a grant via FAGs to restore equity and would change to zero if and when the basis of shire funding moves to a dwellings base with no rates on rural land.

For the farmer, land prices will continue to increase particularly if rural land is declared for rural use only, as is the case in the UK.

For the Crown, the acquired land would be subject to lease and the crop held as security. The trees would be a secure and ongoing carbon sink. The Crown has large areas near Tumut and extending to the North Coast where such forests should be mandated for use in perpetuity. This would be a far better strategy for long term resource and environmental outcomes suited to preserving Australian native plants and animals.

Employment levels will have a better chance of growing and new industries started.

It goes without saying that where plantations are established, be it Crown or private land, feral animals and weeds must be controlled to prevent interference on adjoining agricultural land.

Any future schemes involving private land should not have subsidies for investors that put them at advantage over those in agriculture.

The suitable areas for high production forests is finite, therefore the ultimate size of large scale production units is also finite. At the 1974 Forestry and Wood-Based Industries Development Conference held in Canberra it was shown that 3% of Australian forests under pine produced 18% of requirements. Given the growth in population and that it is not desirable to use pine exclusively, some sacrifice of native forest of lesser commercial value on Crown land should be considered, if further expansion is required.

Land use competition between the forestry and agriculture sectors

The Global Financial Crisis exposed the bad planning resulting in the poor sighting of some very large plantations and now reverting to agriculture. They were a con and would have been a financial disaster sooner or later, but in the meantime the increase in shire rates that will come and will be another hurdle for agriculture to overcome in addition to the aftermath of a long drought.

Shire rates are a tax on that part of capital invested in land. It varies dramatically depending on the structure of the shire and is a consideration for agriculture and plantations alike. Tumut shire with 61% Crown land, charges agriculture with anything from twice to six times that of adjoining shires on a per area basis. The question arises: over the life of the plantation's cycle which land use will be the most fruitful?

Agriculture will carry on producing as now with no need for significant upgrade of infrastructure whereas the plantations will. If it is shire roads and bridges, it will be the local community with agriculture being the biggest contributor paying the bill. The ultimate user of the product in other States from plantations will contribute nothing. From "Arc Councils Sustainable?" May 2006, a report prepared for the LGSA of NSW, the average rate assessment for city holdings \$600.00, country urban \$400.00, rural \$1470.00. Rural rate payers provided 8% of the total revenue from a fraction of a percent of population.

Farm forestry, while not in the realm of the major activity wished for by conservation theorists, could with extreme care and suitable location exist. The product would be small scale requiring the use of portable mills that can process a few logs at a time before moving on to the next location. Drying and value adding the small quantities involved adds to costs and problems. The fact that it is being done proves the point but it is not a nation builder, or a great carbon sink.

The hope of utilising marginal agricultural land for farm forestry is not a practical idea because so much of what is marginal can be used productively by grazing, whereas the same land would not support a commercial forest because of size and location and could be too steep or rocky for harvesting.

The theorists calling for farmers to grow more trees especially forests do not realise that there are harvesting costs that small areas cannot cover and distance from markets or having a market, is the limiting factor.

Yours faithfully

J A Beale