

FFORNE RESPONSE TO THE DRAFT TIMBER INDUSTRY STRATEGY

JUNE 2009

FFORNE welcomes the long awaited release of the draft Timber Industry Strategy and this response addresses only issues affecting FFORNE and the Farm Forestry sector.

Farm Forestry North East (FFORNE) is a commercially based tree grower co operative growing mainly native species high quality saw logs on private land.

Unlike the other Farm Forestry Co operative in Victoria (SMARTtimbers), FFORNE does not yet have any mature trees to sell. Growing native species trees for high quality sawlogs is a very long term exercise which brings its own challenges, not all solvable by the private sector.

The FFORNE Co operative grew out of a very successful Government scheme in the 1990s which saw many landowners financially encouraged to grow trees for saw logs. The Government incentive was instrumental in encouraging landowners to actually plant trees. The landowners then financed 3 – 4 times the original incentive amount to maintain the plantation.

These trees are now mostly growing to maturity with great potential to produce high quality hardwood timbers for furniture, flooring, doors etc.

FFORNE originally had about 70 members with 1700 HA of plantations almost all being in dispersed smaller plantations. In recent years, its plantation estate has been gradually reducing, with now virtually no new plantings and little interest in expansion by its members.

While most original plantations are thriving, there are several good reasons for the overall reduction of area and trees including drought, some disease and the bushfires.

The drop in interest and support from the DPI towards Farm Forestry has rocked our members, and also the wider Victorian Farm Forestry community. In turn, this situation has affected the confidence of prospective tree investors and growers.

The Timber Industry Strategy

One year ago FFORNE presented a 20 page submission to the T.I.S. process.

That well researched paper, covered in detail all the issues facing FFORNE and the overall Farm Forestry sector.

The thrust and message in our submission then that it appeared to FFORNE that the Farm Forestry sector was stagnant, few new plantings were occurring and the sector was in what is known as ‘Market failure’. Our submission went on to provide suggestions and solutions to that intolerable situation.

It is of concern to FFORNE that virtually nothing submitted in our paper at that time was reflected in the current T.I.S. draft strategy.

The proposed Farm Forestry Plan (13.2)

We welcome the proposal to create a farm forestry plan. We would prefer to have this plan developed as quickly as possible rather than as described in the draft strategy “In the longer term”.

We wish to make some basic observations about the following extract from the draft Timber Industry Strategy.

Page 6 *“Markets drive commercial tree growing and production in Victoria. The Victorian Government does not seek to interfere in the operation of these markets, nor drive plantation establishment through providing artificial incentives or targets.”*

This Statement is a direct reversal of successful past Government policies. It has been devised by DPI without any input from the Farm forestry sector and therefore it must be commented on.

Over the last two years FFORNE had quietly observed that it was possible that the DPI was working towards changing its policy as regards financial incentives to plant trees for high quality saw logs.

In response to that potential changing of basic policy, 18 months ago the FFORNE Board decided to act.

To recap, as outlined in its original submission, FFORNE had previously become very worried that throughout Victoria, plantings of native species trees for saw logs appeared to have ceased as various Government incentive schemes finished.

FFORNES first move was in November 2007 when it appointed a paid General Manager. Until that point the co operative had been run on a voluntary basis with a paid accountant. The Manager’s job was to report to the board on how the FFORNE forestry estate could be expanded and to also investigate what was happening to the sector throughout Victoria.

The Board had confirmed that that the total Victorian Farm Forestry sector was stagnant not just FFORNE activity. The Manager’s findings formed the basis of the twenty page submission to the DPI in 2008.

In 2007, FFORNE and its Manager set out to test the theory that the Government could withdraw financial incentives without any adverse affect on the sustainability of the sector. The theory claims that “The Market” can be persuaded to invest and landowners attracted, to plant native species trees for long term saw log production without Government financial involvement.

What was overlooked in this change of DPI policy was that it is the long term nature of both the commitment and the investment that sets the farm forestry sector apart from all others. Therefore it needs to be treated differently by Government from other Primary production sectors.

This is not happening and it appears reforms in all sectors are being lumped in together to accommodate National Competition policies.

When the 2007 FFORNE campaign started to promote more plantings, the Manager and the Board tried every financial avenue, spoke to anyone who would listen, promoted Farm Forestry far and wide and sponsored and financially supported the formation of the Farm Forestry industry group (FFGV).

We can report that despite FFORNE'S proactive approach, it has failed to encourage anywhere near enough trees for sawlogs to be planted to have a sustainable estate at the end of one growing cycle(25 years). The only trees that have been planted have been by a small number of committed and interested people, not a wide cross section of landowners.

We therefore have strenuously tested the theory that the Government can withdraw financial incentives for establishment of long term plantings and instead the "Market" will successfully take over.

We found that theory is flawed and can report it has absolutely no merit.

FFORNE can therefore say with experience that if the DPI and Government persist with this policy, Victoria will **not ever** have a sustainable native species high quality saw log industry based on private land.

History

At times like this, when the Government is planning future directions for Forestry, it is instructive to look at the history of plantation establishment in Victoria.

Victoria has an extensive softwood industry which produces both sawlogs and pulp.

This estate would not exist if the Government of the day, some fifty years ago had not had the vision to finance the planting of the majority of the area now under pines in Victoria.

This is contrary evidence to the current theory that Markets alone will drive investment in long term forestry.

Previous Governments recognised the need to establish the softwood resource, bringing all the long term benefits to regional employment and the State economy which we now all enjoy.

If it was left to the "Market" there would not now be a significant Victorian softwood industry.

The fact that later the Government was able to realise value from selling the estate and private enterprise was proved entirely capable of managing the established and sustainable resource, is a model that should be given some attention.

Last year, FFORNE was present at a meeting where the DPI Department Heads stated it was not going to try and “pick winners”. It is ironic the softwood story is probably the most successful “win” in Victoria’s forestry history.

It is worth suggesting that Victoria’s historical success with softwood may give us a lead on how a future mechanism may work for major Government investment in Hardwood saw log production in partnership with private landowners.

It has now been demonstrated that the “markets” will never be able to establish a significant private saw log industry and its only Government that can absorb the inherent risk and the long term nature of such an investment

This idea for Government to show a major lead in establishing a significant Hardwood saw log estate also comes at a time when the Nation is facing how to deal with climate change, carbon sequestration and carbon emission issues.

FFORNE and the T.I.S.

To FFORNE, the draft TIS is very disappointing because it hardly identifies and addresses the many issues facing the farm forestry sector. This means FFORNE is now faced with some difficult decisions.

FFORNE has had a lack of success in attracting new growers to the co operative because there are no incentives to encourage landowners to put long term native species trees for saw logs in the ground. This in turn means that the finances of FFORNE are now depleted with no prospect of a resurgence of interest and plantings.

Directly coupled with that situation is the obvious disinterest of the DPI and Government in Farm Forestry. This is a body blow to our organization as our members are conscious that Farm Forestry no longer has enough allocated Government resources, thus appears to be a dying sector.

We draw the DPI attention to the concerning fact that the symbolism of the drastic cuts to the DPI Farm Forestry officers and the closing down of the PFDC’s has been profound and has affected the morale and interest of Victorian landowners to plant long term trees.

Given all the above reasons we advise that it most likely FFORNE will now significantly scale down its activity.

The question must be asked,

Is it a concern of DPI that FFORNE, which holds the major private hardwood saw log estate in Victoria , is about to scale down its proactive operation?

If not, what does the DPI suggest should happen in its place?

The trees FFORNE members now have growing will not come on stream for about twelve years. With no new plantings occurring, FFORNE will not have a sustainable estate at the end of the first growing cycle which was always our aim.

The Government must come to understand that Farm Forestry is one sector of primary industries that does not successfully fit the National Competition model.

Farm Forestry therefore needs different treatment and unless that occurs, Victoria will never be able to supply any meaningful amount of high quality hardwood saw timber from private plantations.

When this fact becomes general knowledge, the community will be shocked, as it has been led to believe that Victoria is in a much better position to gain access to hardwood from plantations, to what it really is.

Why is Victoria so different to many other countries which are still actively promoting private plantations through incentives and other positive initiatives?

John Goldsmith

Chairman

FFORNE

June 2009.