

SUBMISSION TO THE VICTORIAN TIMBER INDUSTRY STRATEGY

This submission addresses the issues surrounding native species sawlog plantations situated on formerly cleared farm land, commonly known as farm forestry. Farm forestry generally consists of smaller dispersed plantations growing high quality sawlogs and other timber products.

FFORNE's submission responds to B(iii) of the TIS objectives.

(FFORNE has consulted several sawlog plantation organisations and industry leaders and has, where possible, incorporated their input into this paper.)

Introduction and Background

There is a concerted effort by the DPI Private Forestry Unit and several leaders of the Farm forestry sector to promote whole of farm planning which promotes integrating commercial hardwood forestry into farms.

This concept promotes an integrated multifaceted scheme to develop more robust farming systems while enhancing productivity and environmental outcomes and commercial timber for various uses.

This concept has the potential to open up access to land which would otherwise not be offered by farmers and other landowners.

FFORNE (Farm Forestry North East) is one of two commercially focussed landowner cooperatives in Victoria; SMARTtimbers based in the Western District is the other. FFORNE growers manage arguably the largest private landowner sawlog estate in Victoria. FFORNE has 70 members who have approximately 1700 hectares of native species sawlog plantations. These plantations mainly form part of mixed farm enterprises and are different from industrial size plantations, which are generally for short term rotation of pulp and wood chips.

The FFORNE Cooperative grew out of a 1996-98 state Government scheme called the FFORNE project, in which about 150 plantations were planted.

The FFORNE project was a Government pilot project designed to prove up if native species sawlogs could be successfully grown.

Currently the growing volume of wood and fibre products in Australia has big strategic gap with focus on short rotation. Australia needs to hedge its "product mix" bets by incorporating sawlogs (longer rotation) into its product mix. This requires a long term approach, not short term delivery objectives, as has happened previously. Governments can play a major role in setting the rules/incentives for a more appropriate product mix.

It is of concern that native species for quality sawlogs have NOT continued to be planted in the north east or indeed throughout Victoria at any significant level. This is despite the successful FFORNE

project providing valuable base data and the DPI forestry unit providing excellent assistance encouragement and technical advice on the ground throughout Victoria since 1998.

The 1986 TIS identified the need for a strong native species plantation industry to give some support to resource which comes from public land. It further recommended Government financial support to ensure a sustainable long term industry was established. Some Government schemes were commenced but a longer term approach was required but not implemented. Many Government and NGO (non government organisation) publications regularly point to private sawlog plantations being a vital addition to public land forestry.

Government initiatives such as closing of the Otways to Timber harvesting included sourcing alternative timber from private plantations and \$9 million was put towards establishing plantations. However relatively few hardwood plantations were actually established. Recently the Premier John Brumby announced the Future of Farming strategy. Part of this program includes support for private sawlog plantations – but no financial assistance.

Until now the DPI Private Forestry Unit has had 16 employees offering valuable on ground support and encouragement to plant sawlogs, we are concerned that this unit is to be disbanded at this critical time.

Issues

The main issue – serious “market failure” of the farm forestry sector of the private native species sawlog plantation industry.

Despite all of the current Government and NGO rhetoric supporting private sawlog plantations, no significant areas of plantations have been established apart from various Government schemes. (FFORNE, Plantations for Greenhouse, Sawlogs for Salinity etc.)

One basic flaw of the Government support was that all schemes were short term projects. To deliver the required result (more quality sawlogs and environmental outcomes), Victoria needs a mixture of effective investment, innovation of farmers, community and governments and on-going implementation of tree growing over decades, not political cycles.

The fact there is no ongoing significant plantation establishment proves up our market failure claim and this failure is of grave concern. Basic reasons for this market failure are due to several factors including:

1. Landowners who have suitable land and who are keen to grow sawlogs do not have the capital to establish sawlog plantations which are expensive to establish and have at least a 25 year cycle before any significant returns.
2. Investors are not yet convinced of the financial return from sawlog plantations or are aware of the financial opportunities which do exist. Only a very few “intrepid” investors and landowners are continuing to plant native species sawlog plantations.
3. Ongoing uncertainty about the structure of the future Australian Emissions Trading Scheme (AETS) and carbon sequestration rules as pertains to forestry and sawlog plantations.

4. The commercial focussed grower cooperatives (FFORNE and SMARTtimbers) are unable to be financially supported by their growers to any significant degree. This is because growers do not have regular income from their sawlog plantations. This means in turn those organisations do not have the financial strength to foster the required growth of the sector.
5. Rowan Reid from the University of Melbourne writes, “In Australia, like in most countries around the world, the vast majority of the land targeted for revegetation is controlled by farmers. For many project managers this fact alone has helped define the problem: *Farmers are not growing enough of the right trees, in the right places, in the right way.* Or, we could rephrase that as: *Farmers are not growing enough of the trees **we want**, in the places **we want**, in the way **we want**.*”¹
6. There is strong competition for land and influence on what style of plantation landowners should plant. We understand that the Government is not keen on “picking winners” as stated at the TIS roundtable recently. However, State and Federal Government’s have in effect done that by offering incentives for landowners to plant environmental plantations. This has adversely affected landowner decisions to plant farm forestry plantations.
7. In 2005, FFORNE hosted a “Plantations Investment and Tax Seminar”; John Goldsmith from EL and C Baillieu Stockbroking Ltd pointed out the current tax implications that were stalling plantation investment. “It is not easy for individuals to embark on an exercise with twenty to twenty five year turnaround, and with only one pay day at the end.” The one pay day is then charged at the highest marginal tax rate. This situation has not changed.

The above scenario means that the Victorian Private Native Sawlog plantation industry has been in the doldrums for 10 years and this stalled situation will continue unless a totally new approach is formulated by Government. As demonstrated, financially the industry is not in a position to lead this.

It follows, that supportive rhetoric about this industry from any source is irrelevant because Victoria is not moving at all towards sustainable sawlog plantations and will not do so in the future unless the modelling approach is changed.

This change of approach can only be initiated by State Government. It must be a whole of Government approach not just one department.

This submission claims that the present approach to the native species sawlog plantation industry is not working and this will not change without attention. It goes on to suggest several initiatives that could be taken to get the industry to a sustainable basis. By necessity, all approaches must be long term.

¹ Reid, R. (2004) Direct Subsidies for Agroforestry Technologies – Is it a case of *The Emperor’s New Clothes?*, page 1

A PROPOSAL TO SOLVE THE MARKET FAILURE OF THE FARM FORESTRY SECTOR OF PRIVATE NATIVE SAWLOG PLANTATIONS IN VICTORIA.

This is a submission to encourage Government to create a model designed to significantly increase the establishment of native trees on private land for commercial and environmental uses. These trees would be required to grow to maturity to deliver carbon sequestration, biofuels, wood fibre and landscape level benefits as part of the program. The scheme would promote whole of farm planning and the strategically placed plantations assist farm productivity. These trees would be managed to produce high quality timber for furniture, flooring panelling and decking.

The proposal contains several models of suggested long term business propositions between the whole of government and landowners. It has several key aims:

1. To establish larger and older native trees back into suitable areas for a mixture of uses including sawlogs and provision of ecological services such as improved catchment health and productivity, biodiversity and water management. The plantations would be incorporated into a whole of farm enterprise.
2. It is intended that these trees would provide carbon offsets for at least a twenty year period. This supports the Government's current initiatives in establishing a Carbon Offset Supply Panel.
3. The program would support the development of a viable farm-scale renewable energy scheme, whereby harvest residue (or wood from purpose-grown bioenergy plantations) would provide the feedstock for the production of electricity using gasifier systems.
4. Most of the draft models are business focussed and are not direct incentive programs. They redefine the objectives and principles outlined in the 'Plantation for Greenhouse Project 2000/2005. This new direction is designed to meet new challenges presented to our Governments, business and our communities. They also meet a recent stated objective that the Government is not now keen on "picking winners".

Implementation and success of this proposal will require a 'whole of government' approach as several departments would need to be involved.

All approaches to confronting the threat of Global Warming must be long term so it follows that any such Government scheme to meet those challenges as outlined in this paper, must also be for the long term

This scheme is very different to several past Government direct incentive schemes which had a short budget life and mainly subsidised works on farms.

In contrast, this proposal is directly responding to some urgent issues facing the Victorian (and Australian) community today, and has the potential to grow on a far larger scale and benefit.

There are several important and pressing reasons why a further program of establishing plantation trees, destined to grow to maturity for eventual harvesting, must now be initiated by the Victorian State Government, and embraced by landowners.

1. Global warming.

The recent evidence is overwhelming and points to the necessity for everyone to reduce their Carbon footprint. State and Federal Governments must take the lead and demonstrate practical leadership in providing practical solutions to reduce and neutralise emissions on behalf of the general community. Business will then be encouraged to follow the Government's lead.

Coupled with this, is the need for everyone to prepare for the advent of an official Australian Emission Trading System. In the Government's case, it will have to increase its offsets to neutralise the impact of the Government's own emissions. The Victorian Government has already taken a lead in this situation by the establishment of a Carbon Offset Supply Panel to offset emissions from the Government car fleet, and later from government offices and business enterprises. **However, given the expected increase in demand for offsets, the Government will also need to take the lead in providing incentives for the active creation of the offsets, and not just be a passive buyer of offsets.**

2. A shortage in Australia of high grade Australian grown hardwood timber for furniture, flooring etc, is a distinct possibility.

This likely shortage of local timber will be due to the incremental closure over the past 20 years of Victoria's native forests to logging, coupled with the 2003/2007 bushfires and increasing demand from the rising population, including offshore demands.

The likely and important curtailment of imports from illegally logged Asian rainforests will exacerbate the local shortage. It is probable that private hardwood sawlog plantations now in the ground, will not go close to covering the projected demand for high quality timber when they begin to be harvested, starting in about 10 years time.

3. The steady but inexorable loss of mature larger trees on private land in Victoria and indeed throughout Australia.

This is due to natural attrition in many cases, including senescence, drought, bushfires and human intervention. This loss is having a profound effect on wildlife habitat, salinity, rural amenity and general environment in rural Victoria. This proposition includes a plan to reverse that trend.

4. Landowners will be given enough confidence in the market and respond to outside involvement by offering land for trees.

It has been demonstrated by the success of earlier Government planting schemes that landowners will respond if significant assistance or a partnership is offered to contribute to the initial establishment costs.

Conversely, it has been demonstrated that landowners are **not** attracted to planting native hardwood trees for a long term investment without assistance. To demonstrate this point, while industrial scale corporate blue gum plantations are mainly grown for pulp (under a short-term rotation); very few corporate plantations are grown for long rotation hardwood sawlogs. There are a variety of reasons for this concerning situation, including the long time frame and tax regimes. Another disincentive is the cheap native forest royalties setting the past market, however this is changing with the auction system and product shortage lifting the royalty price. This will partly flow on to farm forestry sawlog plantations, but not enough to change the present situation.

The fact that not enough long-term trees are being planted or are likely to be planted is the fatal flaw in the present discussions and assumptions Government and business are taking on how to deal with emissions. The chronic shortage of the type of plantations referred to in this submission will not change unless there is a lead shown by Government.

We have proposed various models in this submission. Depending on which model is chosen, the take up rate will be proportional. We consider that all models will encourage landowners in proportionate degrees to consider making available land and other resources which are not now available for forestry. The added bonus is that the environment will benefit, as under the proposal, the trees must be allowed to grow on a long rotation (at least 20-25 years).

THE PROPOSAL

This proposal was developed from a basic question.

“What financial and practical arrangements need to be established, to embed a significant percentage of larger and maturing native trees on Victorian farms to provide social, economic and environmental solutions to many issues, including carbon sequestration and the supply of high quality timber?”

Our answer to that question is to propose a type of reverse, commercially focused Public Private Partnership (P.P.P.) to be initiated between the Victorian State Government and participating private landowners. The objective is to encourage private landowners to grow native hardwood trees on long rotations in an arrangement that has a strong environmental focus.

It is important to distinguish between industrial scale plantations “the blue gums” and farm forestry which is the focus in this submission. Modern farm forestry models generally encourages plantations to be incorporated into a whole of farm plan to provide a myriad of uses, environmental benefits, wind break, stock shelter etc. (See page 15). It is this farm forestry sector that has stalled.

There are several ways that arrangements between the Government and landowners can be structured. The overriding criteria are that landowners, especially those who rely on their farming for a living, have some regular return from the land and significant assistance to plant. Otherwise the status quo will remain i.e., not enough trees will go in the ground.

Suggested Draft Models for Discussion

Note: The various proposed business arrangements involving carbon credits are subject to the final outcome of the Garnaut inquiry.

Model one

The landowner will supply and fence the agreed area and the landowner or subsequent owners will be required, legally, to continue with the program and to grant continued access to the site for plantation maintenance.

The Government would finance the planting of the site, including: preparation, soil analysis, species determination, weed control, soil preparation and original fertilisation. The trees are the legal property of the landowner.

The landowner or future owner of the trees, if sold, will legally be required to provide all ongoing maintenance on the plantation for 20 years (after the initial planting), including the thinning and pruning of the trees, subsequent fertilisation, weed control. Management of the plantations would aim to produce future saw logs which would only be available on the basis of future decisions by the owner and future carbon sequestration rulings after year twenty.

For the first ten years of the plantation carbon credits would be shared – two thirds for the Government and one third for the landowner. From year eleven to twenty the plantation carbon

credits would be shared equally for Government and for the landowner. On or about year twenty, the trees revert to the full control of the landowner (or if the trees are sold earlier, to the current owner). The trees may then be sold, probably for saw logs, subject to carbon sequestration rulings at that time (see “notes on models” below). If the trees are left to grow beyond 20 years, they will continue to attract carbon credits, which would accrue to the owner.

Model two

The landowner will supply and fence the agreed area and the landowner or subsequent owners will be required, legally, to continue with the program and to grant continued access to the site for plantation maintenance.

The Government would finance and organise the total preparation and planting of the area and the maintenance, including the thinning and pruning of the trees, for the first nine years. Management of the plantations would aim to produce future saw logs which would only be available after year twenty.

For the first nine years carbon credits would be shared – two thirds for the Government and one third for the landowner. At the start of year ten, all financial returns and any costs from the plantation are shared equally for the next ten years. On or about year twenty, the trees revert to the control of the landowner (or if the trees are sold earlier, to the current owner.) The trees may then be sold, probably for saw logs, subject to pending carbon sequestration rulings (see “notes on models” below.). If the trees are left to grow beyond 20 years, they will continue to attract carbon credits, which would accrue to the owner.

Model three

The landowner will supply and fence the agreed area and the landowner or subsequent owners will be required, legally, to continue with the program and to grant continued access to the site for plantation maintenance.

All establishment and maintenance costs are split – sixty percent to the Government, forty percent to the landowner over the first ten year period, at which time the landowner resumes full responsibility including maintenance.

The Government will contract to the landowner to purchase all the identified carbon credits from the plantation, in yearly periods, at the agreed and going rate as established by the industry and the market at that time.

The terms of the contract will be for twenty years.

At year twenty the carbon contract expires and the landowner may sell the trees, probably for sawlogs, subject to the outcomes of current discussions on carbon sequestration rules. (See “notes on models” below). If the trees are left to grow beyond 20 years, they will continue to attract carbon credits, which would accrue to the owner.

Model four

The tree grower bears a large part of the financial cost and risk but would be encouraged to make a decision to plant by some safeguards and incentives offered by the Government.

For example, the Government could underwrite (without any direct financial outlay) the provision of 20-year interest-only loans (by a commercial bank) to meet the upfront cost of plantation establishment. Government would have first option on the carbon credits at market rates. This model could be adopted with minimal Government financial outlay. In probability, however, this model will not ensure as many trees are planted as other suggested models.

Government input would be in the form of financial and technical advice to the landowner and underwriting of the scheme to enable the landowner to secure the interest-only specialist purpose loan. This model would require the tree grower to meet the interest costs each year, which would be partly offset by carbon income in the first 10 years and then most likely, fully covered thereafter.

At year twenty the carbon contract expires and the landowner may sell the trees, probably for sawlogs, subject to the outcomes of current discussions on carbon sequestration rules. (See “notes on models” below) They could then repay the capital of the loan. If the trees are left to grow beyond 20 years, they will continue to attract carbon credits, which would accrue to the owner.

Model five.

The landowner prepares the site and funds the establishment of trees, subject to criteria.

The Government agrees to purchase Carbon credits from the tree owner for the next twenty years at a price which will be attractive enough to amortise the cost of establishment and give a reasonable return to the tree grower.

At year twenty the carbon contract expires and the landowner may sell the trees, probably for sawlogs, subject to the outcomes of current discussions on carbon sequestration rules. (See “notes on models” below). If the trees are left to grow, they will continue to attract carbon credits.

Model six

Mr Rowan Reid (University of Melbourne, School of Resource Management) has suggested a model which retrospectively rewards landowners for the performance of their commercial plantations.

Sawlogs and Firewood

Rather than contribute to the establishment or management of timber plantations government could use their funds to ensure that those who, through their initiatives produce logs that meet their defined product specifications are attractively rewarded. In the present market, where industry and consumers are reluctant to pay a premium for plantation grown sawlogs or firewood, government could be topping up the stumpage process to reflect the wider community benefit derived from the use of plantation products in preference to imports or native forests.

If it is deemed necessary to bring forward the reward because of the very long investment periods, government could provide successive payments on the basis of a progressive measure of tree growth and quality. For sawlog production, payments might be made every 5 years based on the mean diameter of the best 100 pruned stems per hectare. Those growers able to increase diameter growth (by thinning, site selection or other means) would receive the greatest reward.²

A derivation of this idea is being tested under a federal pilot project called “the stewardship payment” scheme, and is under active assessment by the National Farmers’ Federation (NFF).

Model Seven - A proposed model suggested from Government.

The model could be a combination of any of the above five models, or one developed by the Government.

Other States are ahead in addressing the issues in this submission

Tasmania

Tasmania strongly supports private forestry with a statutory, body Private Forests Tasmania, which involves tree growing groups. Victoria could look at the Tasmanian model. The Tasmanian Government provides \$1.2 million and there are annual levies on plantations.

Western Australia

Western Australia’s [Strategy for Plantations and Farm Forestry](#) was launched on May 8, 2008. The first critical success factor listed is:

- 1. Identify a lead State agent to coordinate a whole-of-Government approach to plantations and farm forestry, and to implement the Strategy.*

Both Western Australia and Tasmania believe Farm forestry is an integral part of forestry for their state. Both have a centralised government agency is necessary to bring together works of all the disparate farm forestry networks and cooperatives. Victoria has larger forestry tracts than Tasmania; it makes sense that this idea is considered into the mix, to create solutions to the problem.

New Zealand

New Zealand has a very active farm forestry sector which attracts strong Government support.

Model Costings

Our costings are available on the various models, (for future discussions)

² Reid, R. (2004) Direct Subsidies for Agroforestry Technologies – Is it a case of *The Emperor’s New Clothes?*, page 5

Notes for all models

- With all models, private forestry cooperatives or companies could be contracted to coordinate all aspects of the original Government investment to ensure the integrity of the program. To be supervised and audited by the relevant Government department. (see page 12)
- The recognition of carbon sequestration for sawlog plantations is a hot issue. The HWP (Harvested Wood Products) retain carbon after being made into products and this issue is being debated strongly in the negotiations leading up to an official Australian Emission Trading scheme. It is likely that carbon sequestration in HWP will be a feature of the proposed AETS.
- The eligibility of individual landowners may centre around criteria based on a minimum of 10 hectares (the smallest viable economic area) and a maximum of 40 hectares at any one site (40 hectares is the maximum area allowed by many Local Government Authorities without a planning permit, so it is a logical and significant figure to choose) Suitable rainfall and soil types would also be important.
- Areas of less than 40 hectares on any one landholding, allotment or property title avoid any environmental and sociological concerns presented by larger monocultures including water concerns. By opting for dispersed multi-purpose sawlog woodlots integrated into farm layouts (farm forestry) these models all use the fact that the economics for farm forestry is inherently better than for industrial forestry.
- A legal agreement would be made between the relevant parties following an independent analysis of the most suitable trees to be planted for the area under agreement. These agreements would be registered on the Land Title.
- The trees or the land can be sold on at any time with the agreement to be changed to reflect the change of ownership. There is existing legislation that covers these issues. (Forestry Rights Act)
- Management over the twenty year cycle could be contracted out to commercially focussed land and tree owner private groups who would be supervised and audited by an appropriate Department. (See next section) or statutory body as in TAS and suggested in WA.

Suggested future role of private land owner tree organizations such as FFORNE and SMARTtimbers in any such commercial scheme.

With any such large program involving many landowners and which is of a commercial nature, it is important that there is a chain of responsibility, that landowner's interests are jointly represented and that there is some uniformity of agreement between landowners and the Government. It is also important that there is ongoing responsibility and supervision of the plantations after planting, so as to ensure that agreements from both parties are being observed.

(History has shown that often with some Government schemes, once they are completed, the Government unit moves on, participants find they have no ongoing support and indeed the project does not continue to be supervised by the Government to protect its investment)

To solve these practical issues, it is suggested that participating landowners be required to join a cooperative or company which has as its specific charter the commercial promotion of plantations on private land. At present there are at least two of these types of organizations. (FFORNE based in the North East and Central Victoria and SMARTtimbers, Western District.)

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There is nothing to prevent other similar commercially focused groups being formed from the various farm forestry networks and land care groups.

Under this project, the charter of these grower organizations would be to officially and jointly represent the landowners, and take ultimate responsibility for the work. This could include organizing and supervising the tenders for each section of the project under the supervision of the forestry unit of the DPI or similar Government Department.

Because of the potential size of this scheme, there is a clear need for private involvement and management as outlined above. The involvement of commercial grower organizations would bring simplicity to the scheme as the many individual landowners would deal through their organizations with their issues rather than block up the departmental system.

The department, or an overarching Government authority would become the technical advisors and supervisors, ensuring transparency and that the work was carried out correctly, thus protecting the Government interest.

Many overseas Governments are active sponsors of private forest owner organisations which perform extension, training, contracting, management and marketing under strictly legislated guidelines. (See "What Happens Overseas?" Section Page 13)

Because of the potential scale of this project there would have to be some financial arrangement between the Government and the grower organisations for them to perform the role outlined above. This arrangement would be the cheapest and most successful option for Government.

Given the present climate, it would be expected private enterprise would follow the Governments lead and also invest in this environmental and sustainable proposition model. This activity could also be managed by the commercial grower organizations.

MARKETING

This is one key reason for the active involvement of grower organizations. Depending on the model adopted, how the thinnings, carbon sequestration and finally sawlogs are best marketed, is up for discussion. However it is done, it is important that it should be on a coordinated basis to achieve best returns to all stakeholders (the growers represented as one by their organisations, if they so wish).

We submit for the Government's consideration that the fostering of grower organisations is a vital key to the future success of private forestry as demonstrated in many countries, including Sweden, Finland and Austria, with thriving forest industries. Without some support, grower organisations will never be able to provide the driving force required to enable private forestry to become a significant Victorian industry.

What happens Overseas?

(Notes are courtesy of Andrew Lang, SMARTimbers, who has studied private forestry in Europe and North America)

1. In Finland, the 330,000 families who own more than 4 hectares of commercial forest must by law belong to a Forest Owner Association. The associations have forest accreditation and are not for profit. The 1000 professionals employed by the associations work out of 200 local and regional offices. They represent grower interests in many areas including extension, managing harvest and assisting with marketing. 80% of timber received by Finnish industry comes from these growers' forests, and totals around 40 million m³ annually.
2. In Norway, there are 54 local Forest Associations representing Growers interests. They maintain a head office which represents growers at the national level and coordinates the regions and maintains the national training body. These organisations do trade in timber themselves as well as assisting their members in many areas of forestry.
3. Finland, Sweden and Norway each have their national timber processing industry's vast supply of wood principally produced from family-owned forests. The sizes of the family forest holdings are not large, averaging about 34 ha in Finland and Norway, and 50 ha in Sweden. Management of harvest and marketing for the forest owners is usually done by forest owner associations. For the 80 to 100 years these have existed this has proved to be an efficient cost-effective system that is very responsive to the grower's interests.
4. In Finland and Denmark where membership is universal these associations, in addition to managing and marketing, perform all the services of a government forestry department in providing all the extension and training, and receive some income from the national government for this.
5. In Sweden and Norway the associations work closely with national forestry departments but also supply most of the training and management services to growers. All are run by elected boards of members. Austria and Germany also have many hundreds of long-established and effective forest owner associations.
6. More recently the government of the Canadian province of Nova Scotia stimulated the development of forest owner cooperatives over the 1990s. The Republic of Ireland has actively fostered development of grower cooperatives since about 1980. Many countries in the EU including Portugal, Belgium, Spain and Slovenia have policies and legislation encouraging and supporting development of grower associations in order to improve forestry management and national wood supply.

What happens in Victoria?

In Victoria, we have fledgling, uncoordinated, private forestry support groups, and there are commercially focussed organisations with little financial backing but the potential to be pivotal to future private forestry initiatives.

ADVANTAGES FOR THE GOVERNMENT, INCLUDING FULFILLING COMMUNITY SERVICE OBLIGATIONS (C.S.O.)

- One important advantage for the State Government is that this project demonstrates a continuing lead to the community with practical action(and fulfilling its Community Service Obligations C.S.O.) to reduce carbon emissions while ensuring more mature trees will eventually be growing in rural Victoria.

- Initiating this scheme now would place the State Government and participating landowners in a very good position when an Australia wide emission trading system is introduced and would show a lead for business to follow.
- Another consideration for State Government is that this project would assist many struggling farmers refocusing their farming operations. The extended drought has meant farmers, even in former higher rainfall areas, have drastically reduced live stock numbers and many are now reluctant or unable to fully restock. At present they are pondering if they should partly move to another enterprise on the farm or sell out entirely. Planting commercial trees on a section of the farm is a viable long term alternative for the farmer and the State, but it will only happen if financial encouragement or a partnership is forthcoming.
- It is instructive and clearly demonstrated by experience over the past 12 years that without professional support and confidence in the market, private landowners or investors are not generally attracted to plant trees that are intended to reach maturity and then be utilised. This is for a variety of reasons. This has meant that few trees of this category are being planted outside Government schemes, except by a few entrepreneurial investors.
- The above point and the urgent necessity for more of this category of trees to go in the ground, points to the need for active and significant Government partnership and proactive involvement. Government financial support and continuing on-ground advice is critical in order to achieve enough plantings for the longer term of native trees for the environment, carbon sequestration and future high quality timber for building, furniture etc.
- There is research in progress, at CSIRO and elsewhere, looking at the potential of using harvest residues and purpose-grown fuel wood plantations (“2nd generation bioenergy”) to produce renewable energy. Much attention has focussed so far on wind and solar energy, but very little on the much more cost-effective generation of electricity using woody biomass as the fuel. The proposed project would provide a much needed stimulus for the production of renewable energy from woody biomass in Victoria. This would follow on from a research project developed by FFORNE and Plantations North-East for the development of the woody biomass renewable energy industry, which is currently under consideration by the National Landcare Program Sustainability Grants Program.
- The environmental, economic and potential return to Government and in turn to the community from a new scheme based on this proposal, will be much greater, and in many more areas than the actual balance sheet will reflect.

Background Information

VICTORIAN PRIVATE FORESTRY GOVERNMENT DEPARTMENTS AND ASSOCIATED COMMITTEES.

1. The Future of the DPI Private Forestry Unit

From page 41 of Action Six of the [Future Farming Strategy](#)

6.8 Support for plantation industry

The Victorian Government has a strong record in facilitating sustainable plantation development on private land in Victoria. In line with the new Timber Industry Strategy, the Government will continue to support the plantation industry by providing an environment that supports sustainable investment and employment, and assist the industry’s adaptation to environment, social and economic change.

Considering the statement issued in April 2008 by State Government (see above), the reality is starkly different. At present the DPI Private Forestry unit has 16 employees throughout

the state working in private forestry extension projects. It is rumoured that after June 2008, only 4 employees will remain doing this work and the Private Forestry Unit will be disbanded.

2. There are four Regional Plantation Committees funded by the State and Federal Governments. These are Plantations North East, Gippsland Private Forestry, Central Victorian Farm Plantations and the Green Triangle Regional Plantation Committee. One of the roles of these committees is to bring a range of stakeholders together and resolve issues with both hardwood and softwood private forestry.
3. There are at least twelve Farm Forestry networks across Victoria. Membership includes landowners, industry, DPI staff etc. These committees are in the main, sponsored and assisted by the DPI, and concentrate on technical information, field days and newsletters. Their brief is all private reforestation issues. In addition there are many tree and land care groups.
4. Of the 12 farm forestry networks, there are two main commercially focused saw log grower organisations. These are FFORNE (Farm Forestry North East) and SMARTimbers (Western District)
5. Australian Forest Growers (AFG) is the national association representing private forestry and commercial tree growing interests in Australia.

There are at least three main Victorian land profiles that could be eligible for a future long term farm forestry program

1. Viable Farm Units

This project is different from industrial scale forestry “the blue gums” and attempts to create many dispersed and integrated plantations on individual farms.

In the cases where plantations are grown on viable farm units, the trees would be integrated into a whole farm plan and current farming operations. The multipurpose plantations can be in strategic places on the farm and assist with other environmental programs and stock sheltering programs.

The concept has been modelled at Mark Wootton and Eve Kantor’s “Jigsaw Farm”, near Hamilton, Andrew Stewart’s farm “Yan Yan Gurt West” near Deans Marsh and many other sites, and is being promoted by the Private Forestry unit of the DPI at present. Present thinking, (including the Jigsaw model) indicates that at least fifteen percent of a viable farm could go into productive trees for carbon and sawlogs, without reducing production from other farm enterprises. Indeed experience has shown that these trees usually increase productivity from other farm operations.

The point has been made that that is more beneficial to have 15% of each farm go into plantation, rather than having 15% of all farmland going under plantations.

To make the proposal attractive enough for full time farmers to respond with land, integration into a farm program should include the generation of some income almost from the start, for the farmer. This will partly compensate for the initial loss of other agricultural production from the planted land

Regular income to the professional farmer is one of the important criteria for success and acceptance of this proposal.

2. Rural Living Blocks

Within two hundred kilometres of Melbourne there has been a dramatic change to land use in the last twenty years. Hundreds, if not thousands, of farms have been subdivided into forty hectares or less and the land is now **not** in full (or for most, not even part) economic production.

This situation can be changed, but only if Government shows the lead.

The opportunity exists to encourage those landowners to commit part or even most of their block to farm forestry under the above scheme and thus bring it back into productive use.

As a minimum of ten hectares is a basic economic area for this project, and less than forty hectares does not require a planning permit from Local Government this is feasible. In addition, if some coordination with adjoining block owners could be brokered, an even more viable area could be planted under the above scheme.

An area larger than ten hectares assists management and logistics plus improving the economics of any future harvesting.

Coordination of these issues with adjacent owners on these rural living blocks could be the responsibility of the grower organisations as listed above.

3. Isolated areas of agriculturally unviable land, probably with few improvements that lends itself to a change of use into trees

There are many such paddocks. Assessment as to their eligibility would be a relatively simple task.

Background Notes

- There are some shires subsidising woodlots on lifestyle or hobby farms by offering rate reductions.
- It is important not to confuse the above tree planting concept with the widespread industrial scale plantings of blue gums throughout Victoria. Generally the plantings of blue gums across Western Victoria and Gippsland are short rotation and destined mainly for paper pulp and chips. There are some blue gums being grown for saw logs, including those by FFORNE members, but these plantations are managed differently. (nearly all as integrated farm forestry)
- At present, there is not nearly enough hardwood sawlogs growing on private land to fulfil future demand, if and when present supplies of high quality timber dry up.(see conclusion)
- Trees destined to grow to maturity, as in this proposal, (at least twenty years) must be managed in a different way to pulp blue gums from the start. Trees in saw log plantations are regularly pruned. In the first years they also must be thinned from 1000 stems per hectares down to between 150 and 250 per hectare. This management technique ensures good growth rates of straight large diameter and vigorous trees.
- Native trees in plantations absorb the highest rate of carbon between years five and twenty. This sequestration can be scientifically measured. After about twenty years the sequestration rate drops away, at which time the standing forest is a substantially static Carbon store. - There is a very convincing argument, based on science as demonstrated by the CRC for Carbon Accounting, that a percentage of the sequestered carbon remains locked up in durable timber products when the tree is harvested and processed. (see next point)
- There is a strong debate under way which claims that the HWP (Harvested Wood Products) retains carbon after being made into products for many years after the tree is harvested for timber. (E.g. flooring, furniture etc). This point is still to be resolved but there is a quiet confidence that the Australian Emissions Trading System (now under development) will eventually recognise that important and practical point.
- Victoria has the knowledge and previous experience to instigate the above scheme and is in a position to advise and alert the new Federal Government on the possibilities of a similar federally funded Australia wide scheme.

(Victoria might offer the Federal Government its expertise to instigate a trial scheme here in Victoria. Perhaps a variation on the National Landcare Program which has seen a large Federal Government investment in trees mainly in WA and TAS. The present WA scheme funded under the Salinity Action Plan to a total of about \$64 million of state and federal money will plant many thousands of hectares of sawlog woodlots on farms to both produce timber and roll back salinity. This scheme builds on the previous NESI sawlog establishment scheme in three catchments in SW WA.

In Tasmania a NHT funded scheme used approximately \$1 million to plant over 1000 ha of integrated farm forestry woodlots to demonstrate the multiple benefits of well sited and designed farm plantings. These include improved habitat, water quality and carbon sequestration, more timber and fuel wood, less erosion, and salinity mitigation.)

- The DPI Private Forestry Unit has some very experienced people who could be charged with honing up this revamped commercial and environmental project using in part the principles outlined in this paper. They may also choose to develop an alternate model to the ones suggested in this proposal.

- Farmer/landowner based forestry organizations such as FFORNE and SMARTtimbers have access to much knowledge, including best private forestry practices in other countries.

These organisations have a comprehensive data base of farmers and other landowners interested in expanding current plantations or establishing new ones in partnership. FFORNE and SMARTtimbers have identified that the main impediment is the lack of confidence by landowners in the economics and market. There is also a chronic lack of awareness generally of the opportunities and benefits of private land forestry.

The criteria for a move forward are landowners must have some financial incentive and official and tangible support before they are prepared to commit land for such a long term project. This support is necessary to both establish the trees and for them to receive some regular return during the life of the plantation.

- FFORNE, SMARTtimbers and other tree groups are in a position to take responsibility and represent their landowner clients by co coordinating and encouraging their members and other landowners to develop plantations for the long term.

This project is moving future commercial tree plantations on private land towards a long term environmental focus. This includes growing trees to maturity, addressing the Global warming/ greenhouse gas emission issue, and anticipating the looming shortage of high quality sawn hardwood timber.

- A debate may emerge as to whether or not the Government should become involved at all in ensuring the future supply of high quality hardwood timber for building and furniture.

State Governments over the past twenty years (on behalf of the community) have closed access to timber harvesting in many areas of Victoria. It follows then that the Government (on behalf of the community that benefited from those decisions) can, and even has a duty to continue to offer schemes that can replace that lost resource.

One precedent is the closing of the Otway's to logging combined with an announcement of a Government project to establish saw log plantations on private land. (Budget \$9million) This project is now finishing, with nothing else on the horizon.

There are serious issues and flaws with the implementation and outcomes of the \$9 million plantation incentive strategy, including the sawlogs for salinity scheme, which we could comment on.

CONCLUSION

Growing trees and other perennial vegetative matter remains the best natural and widely beneficial method of sequestering and storing carbon dioxide from the atmosphere.

Plantations for native hardwood sawlogs are widely promoted by the environment lobby as being the answer to Victoria's future timber resource needs and those groups are constantly pressing to have logging stopped in native forests.

It is believed that there are only about 6000-7000 hectares of hardwood sawlog plantations established on previously cleared land in Victoria. Most of these have been planted under various Government schemes, and which will not be available as a mature resource for at least another ten years.

Not nearly enough native trees are being planted at present to meet future expected demands for hardwood trees for high quality sawn timber and to assist carbon sequestration.

To put the present situation in context, some forestry experts claim that at least 4000 hectares need to be planted each year for the next 30 years for the private plantation sawlog industry to be fully sustainable. These facts, coupled with the Carbon sequestration benefits of plantations and future bio energy / biofuel developments, present a challenge and opportunity for Government to show a lead with major partnership initiatives and tangible encouragement of farm forestry.

Farm forestry has the potential to provide a critical mass of high quality timber in the years ahead. To do that a way must be found to move it forward from its present stalled position.

Unlike past schemes which were not published widely, any future involvement and business partnership should be widely publicised by the Government to convince business to follow the Government's lead.

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