Submission to SA Forest Industry Board re draft SA Forest Industry Strategy

From: SA Division, Institute of Foresters of Australia.

The Green Triangle Branch of the SA Division of the Institute of Foresters of Australia (IFA) attended the meeting organised by the Forest Industry Development Board to discuss the draft "South Australian Forest Industry Strategy Directions for 2011-2015”. The following is a brief summary of our comments following that meeting.

- While the document addresses the short term strategic directions (2011-2015), we believe that the forest industry requires a long term focus, perhaps 30-50 years, and it is only once that has been developed that short term directions over the next five years can be defined.
- The document is focused on South Australia whereas we believe that for many of the points made in the document, and at the meeting, a regional focus is absolutely essential. We believe that the primary focus should be on the Green Triangle Region, which crosses the SA-Vic border, with reference where appropriate to the Mt Lofty Ranges and Mid North forests.
- The term “forest Industry” encompasses three aspects; forest growing, harvesting and utilisation. Often the use of the single term is not appropriate and these components need to be recognised.
- In the Critical Analysis of the Industry there are some points we believe have been missed.
    - Strength/Opportunity. Unlike the rest of Australia the region has multiple industry players in the forest industry, the harvesting industry and in the wood processing industry. This is unique and allows smaller players to operate in a non monopolistic market. It is a major strength that can be built upon.
    - Strengths. The forest-based industries around the world survived the Global Financial Crisis better than almost all other industries. This is generally not clearly recognised. There may have been a cash flow issue as the level of cut was reduced but in plantation enterprises this was balanced by growth accumulating on the forest growing stock so that the asset value remained almost unaffected in strict accounting terms under IAS41.
    - Weakness. The lack of integration between forest and utilization sectors. This integration was previously well developed but, as

in other regions, it has been eroded by transfer of ownership of forest and processing industries.

- Threat. The reduction in the number of industry players.
- Threat. The change in rotation length by the forest sector of the industry in general, to levels well below the rotation of maximum mean annual increment of sawlog, provides short term immediate increases in wood supply, but will in the longer term prejudice longer term levels of cut. It has also reduced forest management flexibility.
- Threat. The reduction in rotation length has severely impacted the ability of the forest to be able to recover from another fire such as Ash Wednesday 1983. This is a reflection of the reduced forest management flexibility.
- Threat. As noted above, the threat from a major fire remains as one of the forest industry's biggest risks. It can be minimised by having competent forest managers, well trained and equipped, and with efficient co-ordination with other emergency agencies. However the increasing risk of environmental extremes and land-use pressure will mean that the risk of major fires remains one of the forest industry's key concerns.
- Threat. Forestry in SA operates at the limit of environmental feasibility and in many ways it is only the skills of our forest researchers which have enabled the industry to continue to expand. In an environment of climate change, any reduction in our forest research expertise will threaten the industry.
- Opportunity. Over the past few years the Green Triangle campus in Mount Gambier of Southern Cross University has expanded to the stage where it now has the largest number of undergraduate forestry students in Australia. This offsets to some degree the decline in students and potential graduates from the Australian National University and the University of Melbourne, which had put at risk the ability to provide graduate foresters into the future. This local capacity is a significant advantage. This education advantage also cascades down to other levels and into other environmental streams.
- Opportunity. The practical forest management technical expertise in the region is more than competitive with other plantation forest regions in Australia and this provides a sound basis for plantation expansion in the region.
- Opportunity. Mount Gambier is the centre of a large and vigorous service sector to all three major industry sectors.
- Opportunity. The Mt Lofty Ranges and Mid North forests have many challenges due to their location near to population centres while being distant from the major forest industry processing centres. There would seem to be potential to change the focus of the management of these forests to include increased

emphasis on firewood production. This would mean that the forests were more suited to recreation, with integrated small operations producing a product close to the major customer base. There is also scope to expand the integration of small forest owners into this form of forest management. This change of focus would also allow these areas to improve their soil and water management aspects in what are highly visible forest regions.

- The plantation area in the Green Triangle Region should be expanded by 50-100,000 ha of radiata pine within 150-200 km of Mount Gambier. This would provide the necessary scale advantages to enable utilization plants to remain viable as world standard plants, would provide flexibility for forest management, and would facilitate diversification.
    - At the meeting the view was expressed by some that the long term before a return was available from a pine plantation is a financial disincentive. The IFA believes that this is not a disincentive for a large financial investor who may wish to invest say 1-5% of their total assets in a long term strategic direction that will yield well in the future and will be relatively insulated against financial or economic recession. The key is to find appropriate investors. Recent investments into pine plantations by large institutional investors would seem to support this argument.
    - It appears that many areas which are now blue gum plantations may revert to other uses when the first crop is cut. This would seem to be an ideal avenue for the forest industry to pursue to allow the growth of the pine plantation area while keeping that land in the forest estate.
    - Expansion of the forest estate may also require some radical thinking on forest management options, which might include alternate crop rotations with forests, to maintain site productivity and diversify land management.
- Farm forestry is likely to be small, but the Green Triangle is one region in Australia where there are enough industry players to make it both practical and economically sensible, as it is a non monopolistic region. Farm forestry is included in Strategic Direction 3.3 but it is relevant to both 2 and 7. It is not given the attention it deserves.
- The potential Carbon issues are inadequately addressed. The IFA accepts that the market is at best immature, but this represents a significant possibility for the future and may provide a trigger that would make an otherwise sound but marginal investment into potentially a great investment.
- The water issue is not well addressed in the document. The state government inaction is currently a real disincentive and the issue needs to be addressed by Government as a matter of urgency. The uncertainty is unhelpful

- While the draft Strategy has many laudable strategic directions and strategies, the key to real outcomes will be adequate resourcing to achieve these strategies. While the IFA recognises that not all of this will need to come from the Government, there will need to be positive action to encourage private industry to participate in this process. The current debate about privatisation of ForestrySA is an example of how Government policy can send a bad message to the forest industry and dampen enthusiasm for investment.

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