

SUBMISSION BY

THE INSTITUTE OF FORESTERS OF AUSTRALIA

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and

AUSTRALIAN FOREST GROWERS

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Trading as



NATIONAL FARM FORESTRY STRATEGY JANUARY 2022



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SUMMARY

Forestry Australia is an independent professional association of forest scientists, managers and growers who work in native forests, plantations and provision of environmental services. Its members are committed to the principles of sustainable forest management and applying these principles to generate environmental, economic and social outcomes in all types of forests and tenures. This submission is based on contributions from members who are highly experienced foresters, forest scientists, forest growers, policy professionals and academics from the public and private sectors.

We welcome the opportunity to provide input into the development of this Strategy. Forestry Australia has been a strong advocate of both federal and state government initiatives to increase Australia's forest resources, decrease Australia's reliance on forest imports and importantly make real contributions to carbon sequestration and mitigating the negative impact of climate change.

While the intent of the National Forest Policy Statement (1992) was to provide national vision for forests and forest management, the current lack of a cohesive shared vision for forest management, with ongoing politicisation and polarisation over forest management, is resulting in bureaucratic paralysis and sub-optimal outcomes for forests and for society (Jackson *et al.*, 2021). It has also led to significant confusion and complexity for landowners and how they might integrate trees into their landscapes, participate in carbon farming and increase the amount of locally grown timber and wood fibre available to supply chains.

Forestry Australia strongly supports national forest policy settings that allow and actively encourage landowners to integrate tree plantings into their farming systems. Accordingly, Forestry Australia draws attention to the comprehensive and detailed work undertaken by University of Melbourne in the Next Generation Forest Plantation Investment Research Project (completed in 2019). This FWPA industry partnership project reviewed what is needed to incentivise an expansion of Australia's plantation estate with particular emphasis on private landowners.

It is time to give serious intent to that objective and provide through clear policy settings a robust national policy framework conducive to enabling more diverse, and more resilient forests and plantations across all land tenures. Greater long-term capacity to provide the cultural, environmental and economic values all Australians can expect from our forests is needed.

To achieve more and better active management, the Australian Government needs to change from being a passive observer to being an active and informed partner and investor in the expansion of Australia's planted forests. An integrated, long-term 'whole-of-country' approach to investment by all levels of government is required to ensure our forests (both natural and planted), and the communities that depend on them, continue to expand and are well managed.

BACKGROUND

Investment in the establishment of new commercial plantations as well as the re-establishment of harvested commercial plantations is important for future wood availability. Australia wide, the annual rate of establishment of new plantations has been in significant decline since 2011 (ABARES – Australia’s State of the Forests Report 2018).

Australia already has a heavy reliance on imports of both softwood and hardwood sawn timber to meet domestic demand, leaving Australia vulnerable to the uncertainties of international trade (prices, availability, foreign exchange etc) and unintentionally contributing to unsustainable degradation of forests overseas.

DISCUSSION

Domestic demand for wood fibre and timber products is predicted to continue growing both on a per-capita basis and due to steady population growth. As such, an increasing domestic supply will be required, or else we will need to increase our imports, with their concomitant risks. However, the realistic potential for significant growth and new establishment of plantation assets in Australia is minimal under current policy settings and economic conditions (Whittle, 2019). This is notably due to the challenges of procuring large areas of suitable, productive land; meeting investor return requirements from greenfield plantations, and the long rotation periods (indicatively 30-50+ years) required to grow plantations that can replace native forest timbers¹.

Forestry Australia believes there needs to be a significant improvement in creating the economic environment conducive to significant investment and participation of existing private land holders, underpinned by a shared vision for forests that is inclusive of all tenures. This must include investment, long term planning, stronger local and regional management and addressing tax and superannuation disincentives. Policy also needs to be developed in genuine partnership with Traditional Owners.

RECOMMENDATIONS

- Renewal of the National Forest Statement to reflect community values and support the expansion of trees in the landscape and ensure alignment of federal and state government policies that actively encourage plantation expansion
- Clear focus on landowner needs and motives which complement and enhance existing systems of agriculture
- Remove disincentives to investment in commercial tree planting inherent in tax and superannuation legislation in recognition of the long investment timeframes to grow and manage commercial trees
- Access to transparent market information

¹ ABARES Outlook 2021 conference proceedings relating to “Growing the plantation estate”. Available at: <https://www.agriculture.gov.au/abares/outlook/program/2021-growing-plantation-estate> (accessed 27/08/2021)

- Focus on developments that lead to a critical mass of resource.
- Implement actions from the *National Forest Industries Plan Growing a better Australia – A billion trees for jobs and growth*, in particular, reviewing legislation, policies and processes that may unintentionally restrict plantation expansion



The Department is developing a National Farm Forestry Strategy to help build Australia's future wood resource through increased farm forestry.

Your feedback will help:

- Identify how we can support farmers and landholders to integrate farm forestry with agriculture to diversify on-farm income and improve productivity
- Increase the potential for farm forestry to address natural resource management and biodiversity issues
- Understand risks and opportunities for farm forestry in a changing climate.

RESPONSES TO SURVEY QUESTIONS

3. Looking out to 2030, what do you think are the major opportunities for expanding farm forestry in Australia?

The increases in timber and fibre required by forest industry supply chains need to be of a scale, quality and established species and product mix that the industry requires. New plantations should also be consolidated in areas that are within economic transport distance of established processing facilities and industry hubs. For farmers to contribute to this expansion they need to be included in planning being undertaken by the managers of the Australian Government supported Forestry Hubs around the country. They need to be supported to identify plantation opportunities with sound financial returns, minimised risk and on land that is not prime agricultural quality. Farmers want to be farmers not foresters. In most cases they require professional advice to plan and establish tree plantings that will enhance the productivity and resilience of their farming enterprise and provide attractive income diversification.

There are also an expanding group of landowners who are not farmers in the traditional sense but have purchased rural land for a variety of reasons including investment opportunity, lifestyle and a genuine desire to improve land stewardship and environmental outcomes. Many of these new generation of landowners have backgrounds in business and the resources sector and possess a sound understanding of financial markets and investment, but seek assistance with technical knowledge and support to develop enterprises that utilise trees for production and environmental services.

Forestry Hubs need to research, document and map potential land areas within their hub catchment that are suited for plantation establishment and will not conflict with other established agricultural industries. Hub industry members need to partner with farmers to plan and agree on contracted arrangements to complement existing plantation supply chain resources.

Additionally, there are opportunities to expand forest resources outside these hub areas to establish new or novel species, for niche markets and to contribute to carbon sequestration programs. The business case to justify such plantings will be quite different to that of an investor in a Forestry Hub catchment but should not be discouraged if the investor wishes to proceed.

The COVID pandemic and recent trade issues with major international Forestry trading markets has also highlighted the vulnerability of Australia to overseas supply chains. Support for increasing local production facilities (paper and cardboard products, CLT and engineered wood products and veneer/plywood) supported by expanded plantation resources would improve market confidence.

4. What would you like a National Farm Forestry Strategy to achieve?

A successful National Farm Forestry Strategy will revitalise interest in investment in forest plantation establishment and achieve significant expansion in the national plantation estate as was achieved in the 1990s and early 2000s by government programs supporting the 2020 Vision. It should also produce greatly improved inventory knowledge and management of private native forest resources so that these contribute to timber supply chains, can be accurately valued for carbon sequestration and managed to minimise wildfire and pest and weed risks.

In response to the Australian government's 2018 'plan': *Growing a Better Australia: A billion trees for jobs and growth* forest industry growers and processors (in AFPA forums and media statements) have suggested that farm forestry could contribute 100,000ha of new plantings or 25% of the proposed 400,000 ha expansion of the plantation estate under this plan.

However, government plans and industry demand for fibre will not encourage investors to expand farm forestry tree plantings unless long-standing disincentives in the tax system and superannuation legislation are addressed. Farms are businesses and any business case will and should consider the marginal returns from various cropping and livestock investment opportunities. If one considers the opportunities to spread annual income over tax years to minimise tax and utilise the Farm Management Deposits Scheme provisions to reduce income tax liability over good and bad seasons, investment in Forestry plantings that require long-term investment (expenditure without returns waiting for trees to mature) and then can be heavily taxed at high marginal income tax rates on the income from one or two harvests many farmers will regard the returns from forestry as being too risky compared to alternative cropping and livestock or horticultural crop returns.

A good strategy will:

- result in explicit and coherent policies
- favour the creation of transparent and accountable investment models
- provide confidence for ongoing investment (not just a spike)
- acknowledge and accommodate regional/state differences and provide consistency in state policy settings that don't favour one state over another
- capitalise and expand the reach and scope of the forestry hubs

- ease the administrative burden and provide consistency in planning regulations
- cater for a full range of forest grower objectives
- recognise tree growing as an “as of right” farming activity for all landowners
- recognise that investment in processing facilities requires both economies of scale and consistency of supply. Investment in processing is mobile and will follow the resource availability.

5. What are your top four priorities for a National Farm Forestry Strategy?

- Farm forestry should be fully integrated into the existing commercial supply chains
- Reviewing legislation, policies and processes that may be unintentionally restricting or disincentivising plantation expansion
- Government attention seriously be applied to tax and superannuation regimes, policies and rulings that apply to private forestry to:
 - i) provide a stable, predictable and neutral tax environment that encourages private investment in forestry by any participant at any scale and
 - ii) enhance the liquidity of long-term private forestry investment
- recognise and account for the ‘period inequity’ inherent in long-term private forestry.

Some of these priorities are referenced in the 2018 ‘plan’: *Growing a Better Australia: A billion trees for jobs and growth* That was launched jointly by The Hon David Littleproud and Senator The Hon Richard Colbeck.

IFA/AFG (now Forestry Australia) included selected relevant extracts from that document in our Submission to the Farm Management Deposits Scheme Evaluation in April 2021.

They are worth revisiting here

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Farmers will play a vital role

The next generation of plantation growth in Australia will also rely on, and reward, our farmers. The Government is determined to ensure that we support our farming communities and regional centres, and they will be a centre piece of this forest industries plan. ...

Working with farmers to secure a long-term ‘wood bank’ for the forest industries’ future will be an economic win for all the parties involved, the farmers and the forest industries. At maturity, when the trees have been established in the right quantities and in the right locations, they will provide wood and fibre resources for processing facilities and income for farming families.

Pages 10 and 11

Reducing barriers to forestry expansion

The forest sector has projected that Australia needs to establish approximately a billion trees (equivalent to 400,000 hectares) of new plantations over the next decade to meet our future demand for wood.

*Planting new trees in commercial plantations **and through farm forestry** [emphasis added] will provide greater certainty and confidence for our forest industries, which in turn will drive investment, innovation and jobs growth. **It is important that farm forestry be fully integrated into the existing commercial supply chains.** [Emphasis added.]*

If the forest industry plants one billion new trees over the next 10 years, an estimated additional 18 megatonnes of carbon dioxide will be sequestered per year by 2030. ...

Plantation trees on farms are investments not only for the present, but for future generations. ...

The Australian Government will take action to remove impediments to, and enable the sustainable expansion of, plantations.

Actions

The Australian Government will support a goal of adding a billion new plantation trees by: ...

ii) working with industry and state governments to allow Regional Forestry Hubs to maximise their capacity to accommodate plantation expansion in the right places

iii) reviewing other legislation, policies and processes that may be unintentionally restricting plantation expansion. [Emphasis added.]

It is important to note that the National Farmers Federation supports this plan and that it was developed from extensive consultations undertaken by the Forest Industries Advisory Council.

In the past decade, the Australian Government and Parliament, and the forest industry, have conducted several inquiries and studies to identify impediments to a revived and expanded plantation estate, and possible policy and program solutions that could achieve that expansion sustainably and acceptably.

Complementing the *Growing a better Australia* plan, quoted above, the 2020 House of Representatives 'Inquiry into timber supply chain constraints in the Australian plantation sector', which reported in March 2021 – *Aussie logs for Aussie jobs* also discusses at length issues raised in our IFA/AFG (now Forestry Australia) submission.

To varying degrees, these inquiries and studies – and many more dating back to the mid-1980s – include references to the **lingering disincentives for private forestry** being taken up and integrated into the timber supply chain at the desired scale that is so often talked about. A number of these – documented by AFG over decades – are not, of course, related to the Farm Management Deposits Scheme. But, taken as a 'collection' of disincentives, they combine to create a formidable impediment to achieving the commitment of yet another Government to reinvigorate the national plantation supply chain.

AFG has learnt over decades that removing some of those well-documented disincentives can involve significant and sometimes complex effort, resources, political will, and sheer good fortune or timing.

6. How important do you think the following focus areas are for inclusion in a National Farm Forestry Strategy?

- Wood and fibre production
Very Important - to establish how much, of what species and quality and in what locations is required to meet projected supply forecast needs.
- Income diversification for farmers and landholders
Very important - given that seasonal weather predictions are forecast to produce more extreme weather patterns and droughts due to climate change impacts in coming decades. Tree crops should provide some buffering to provide income in drought and flood years when returns from cropping and livestock are poor.
- Increased farm productivity
Very important – strategically established tree plantings will assist in building the resilience and economic viability of farming enterprises. Livestock survival and condition has been demonstrated to improve with the shelter provided by tree plantings and fodder production increases of up to 30% are commonly achieved with

the windbreak impact of tree plantings reducing evaporation of soil moisture in paddocks.

- New regional employment or business opportunities
Very important - growth in forestry investment will increase regional employment and businesses that underpin the viability of small regional and rural towns. Population decentralisation from our capital cities and major urban areas is highly desirable to relieve the pressure on costly infrastructure expansion and maintenance. By utilising the expansion opportunities provided by the Forestry Hubs with new plantings contracted and linked into established supply chains new employment and business opportunities will be created to service these expanded plantation resources with additional opportunities created if private native forest is also managed and sustainably harvested.
- Soil and water protection
Very Important - Forest cover even in plantations compared to annual cropping provides stable land use with long periods of little or no land/soil disturbance with many benefits for soil and water protection and quality.
- Improved biodiversity
Very Important - Forest plantings are proven to provide very significant biodiversity improvement over cleared agricultural land due to the habitat they provide for fauna in particular. This is particularly so if wildlife corridors are established in riparian zones (mostly undisturbed long term) and harvested tree plantings are planned and established across contiguous farms so that wildlife can move to adjoining or nearby plantings to avoid the disturbance of harvesting events.
- Carbon sequestration
Very important - Tree plantings have significant potential to contribute to Australia's international agreements to sequester and/or reduce carbon. The Australian Forest Products Association on behalf of the commercial forest industry has documented how significant this contribution could be – refer to "[18 by 2030 - Forest Industries help tackle Australia's climate change challenges - Australian Forest Products Association \(ausfpa.com.au\)](#)".

7. What are the barriers to increased farm forestry in Australia?

- Limited landholder knowledge about forestry and lack of ready access to forestry extension support and advice
- Access to markets and price transparency
- Establishment costs
- Uncertainty over future harvesting rights. For example, addressing the potential sovereign/investment risk around the EPBC Act. The Federal Government should ensure that the establishment and subsequent harvesting of a forestry plantation is a "protected" activity and not subject to the EPBC Act, without compensation. Otherwise, there exists the risk over a long-term investment, that a protected species (such as Carnaby's Cockatoo or Koalas) become dependent/resident in a tree planting, and the farmer cannot realise their investment. Should society's expectations change (which they do), then a removal of the property right to harvest the crop should be

compensated at fair market value (including land lease/purchase). Presently, plantations of pine in WA are protected by the RFA agreements deeming that State protections are sufficient. If RFA's expire, the removal of any quantity of pine greater than 1ha is a referable activity to the EBPC. This scenario is also an area of real investment concern in most other state jurisdictions.

- Farm forestry returns against traditional agricultural activities ... This is the problem of lumpy returns – or period inequity* – inherent in a very long-term primary production enterprise with only one or two intermediate returns (from thinnings, if fortunate to have access to a market like pulp for small log thinnings) and one much larger final harvest return.

*Period inequity is the term for the different tax impacts of lump-sum income compared to annual income. Period inequity is inherent in a plantation forestry enterprise, which offers one to three income events spread over periods from 10 to 40 years. Because most of the income in large income events (commercial thinning harvests and final clearfall harvest) is taxed at the forest grower's highest marginal tax rate, it can be seen that, subject to the taxpayer's individual circumstances, more income tax is likely to be paid on a plantation forestry enterprise than if the same total amount of income had been received and taxed annually over the equivalent period —as is the case with most livestock, cropping and horticultural enterprises.

- Agricultural advisors need to be trained to identify opportunities to integrate tree plantings into farm plans and then engage a qualified Registered Forestry Professional to develop the forestry part of the integrated farm plan. Farmers tend to have regular contact with their agricultural advisors on improved crop lines, markets, fertilisers, pesticides and herbicides and may react more favourably to suggestions to integrate tree plantings into their farming enterprise if the initial suggestion comes from their agricultural advisor rather than a Forestry company or consultant who may be viewed as less independent in identifying the benefits of tree plantings for a farm.

8. What could governments do to support the expansion of farm forestry?

Farm Forestry should be supported to document successful case studies like the Soils for Life program (refer to [Regenerative Agriculture Case studies - Soils For Life](#)). Soils for Life has dozens of case studies documented in every state and territory and many of these 'demonstration' farms have become regular focuses for field days and training courses. There is knowledge of farm forestry plantings that would provide informative case studies amongst the former leaders of the Australian Government Farm Forestry Networks that were discontinued in the late 2000's as well as within Forestry Australia (which includes the former Australian Forest Growers), Private Forests Tasmania and the Australian Agroforestry Network.

To encourage the owners of case study farms to host open days/field days (2-3 per annum) or extension courses it would be reasonable to expect that a financial compensation for this would be provided if requested. The preparation time to provide safe access and facilities and to contribute to information days or courses would be considerable and is a distraction from other income-producing farm activities.

9. How can a National Farm Forestry Strategy support the agricultural sector?

- Income diversification
- Property resilience and health

- Water and soil quality
- Upskill agricultural advisors to identify forestry opportunities for farm planning to improve enterprise productivity and resilience.

10. How can a National Farm Forestry Strategy support the forestry industry?

- Improved supply chains
- Address wood and fibre shortages

11. How can existing federal, state, and local government programs and policies be leveraged to support the expansion of farm forestry to improve landscape biodiversity and resilience?

Most importantly the policy makers in all levels of government would do well to read, data mine, policy mine and implement the wealth of report recommendations made available to them over the last 3+ decades. In his submission to the 2019 House of Representatives Standing Committee on Agriculture and Water Resources - *Inquiry into timber supply chain constraints in the Australian plantation sector*, Alan Cummine (tree farm grower and highly respected former National Policy Director then Executive Director of Australian Forest Growers (AFG) and Chief Executive of Treefarm Investment Managers Association and Manager-Plantation Investment of AP3) noted:

“Since the late 1980s, several Parliamentary Inquiries on this broad subject and different aspects of it have been complemented by major public consultations on specific aspects, and by countless industry-funded and government-funded consultants’ reports and industry strategies, some leading to a range of government and government–industry programs aimed at supporting more planted forestry – from large-scale concentrated industrial plantations to dispersed farm forest plantations of various sizes, configurations and degrees of integration into farming operations. (A very small and personal selection of these is listed here.)

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|------|---|
| 1991 | <i>Integrating forestry and farming: commercial wood production on cleared agricultural land.</i>
Report of the National Plantations Advisory Committee report (Cwlth) |
| 1992 | <i>Forest and Timber Inquiry, Final Report</i> (Resource Assessment Commission) |
| 1992 | <i>National Forest Policy Statement: A new focus for Australia’s forests.</i> (Cwlth, states) |
| 1995 | <i>Wood and Paper Industry Strategy</i> (Cwlth) |
| 1995 | <i>National Farm Forestry Strategy Framework</i> (RIRDC*) |
| 1997 | <i>Plantations for Australia: the 2020 Vision</i> (Cwlth, states, industry associations) |
| 2000 | <i>Action Plan for the Forest and Wood Products Industry</i> (Cwlth) |
| 2004 | <i>Impediments to investment in long rotation timber plantations</i> (FWPRDC*) |
| 2004 | <i>Wood waste for renewable energy</i> (FWPRDC) |
| 2005 | <i>Farm Forestry National Action Statement</i> (Cwlth, states, industry) |
| 2009 | <i>National Climate Change and Commercial Forestry Action Plan</i> (Cwlth, states) |
| 2010 | <i>Plantation investment models and forest policy</i> (AFG) |
| 2011 | <i>Review of policies and investment models to support continued plantation investment in Australia</i> (FWPA*) |
| 2018 | <i>Growing a better Australia</i> (Cwlth) |
| 2020 | <i>Next generation forest plantation investment</i> (FWPA) |
| 2006 | <i>The Australian Government’s proposed taxation arrangement for plantation forestry</i> (Treasury) |

- 2009 Parliamentary Joint Committee on Corporations and Financial Services *Inquiry into Agribusiness Managed Investment Schemes*
- 2011 HoR Standing Committee on Agriculture, Resources, Fisheries and Forestry *Inquiry into the Australian forestry industry*
- 2014 Senate Standing Committee on Economics *Inquiry into the structure and development of forestry managed investment schemes (MIS)*

and various other public inquiries by the House of Representatives, Senate, Productivity Commission and Treasury into related subjects like anti-dumping, illegal logging prohibition, R&D tax incentives, rural R&D corporations, the carbon farming initiative, and the Renewable Energy Target ... and more.

Much of the research and analysis written in this selection of documents is far from out-dated or in need of replacement with 'original' ideas.

Activities supporting the development of a 'new' farm forestry strategy would benefit from taking the time and effort to consider afresh a substantial proportion of what has been recommended before, what has been implemented or rejected and why, what has been successful or unsuccessful, and even what has been wound back, terminated or still-born because of budget cuts, changes in diverse government policies (sometimes seemingly unrelated), changes in departmental structures and personnel, and even political bias and short-sightedness. Some workable, long-running and value-for-money support programs deserve to be considered for revival in some form, without 'going back to the drawing board'.

IN CONCLUSION

Forestry Australia would be pleased to provide further information to assist with Departmental discussions and policy developments, as required, specifically where it relates to opportunities and the challenges associated with encouraging investment in integrating tree plantings into rural farm plans. We would be pleased to follow up with more information if requested and to be readily available for meetings or discussions. Please contact our Forestry Australia CEO, Ms Jacquie Martin at ceo@forestry.org.au who will be able to provide experienced members of our Forest Growers Advisory Committee with farm forestry experience to meet with the Department.

Yours sincerely



Jacquie Martin
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Forestry Australia