



Forestry Australia Myrtleford Forum

Growing a more resilient forest sector in the Murray Valley region'

Forum Report

OVERVIEW

Plantation based forest growing and wood processing industries are major contributors to the economy and communities of north-east Victoria. Growing national and global demand for wood products is a significant opportunity for regional timber industries. However, expansion of the sector is limited by availability of timber resources. No new plantations have been established in the region for nearly 30 years and wildfires, including the 2019-20 Black Summer fires, have impacted on short term wood supply capacity. This situation represents a threat but the region has received relatively little attention from Victorian or Australian Government policy makers.

Forestry Australia, an independent association of forestry professionals, convened a forum on Friday 18 November 2021 to discuss how best to maintain and expand forest-based industries in north-east Victoria and the southwest slopes region of NSW - the Murray Valley timber catchment. 50 people attended from across the plantation industry – growers, contractors and large timber processors. The forum considered land access, processing capacity and key risks for the sector in this region.

Speakers observed that there was an increasing awareness of the need to increase trees and forests to address future timber needs for housing and to provide local resource security for construction, considering difficulties in international supply chains created by the pandemic. Significant capital is potentially available for investment in trees and processing given record low interest rates, investor interest in real assets, demand for carbon credits and for other environment services. Challenges include high land prices, increased fire risks, access to insurance, landowner attitudes towards trees, forest and the industry and poor integration across the sector. The sector has demonstrated considerable resilience following the Black Summer fires, with plantation managers, harvesters, haulers and processors working together to salvage and process an estimated 3.5 Million tonnes timber from about 47 000 ha of burnt plantation, over the last 18 months. This salvage process has created new levels of cooperation, new log standards and new market opportunities, in the face of the loss of major export markets.

RECOMMENDATIONS

The Forum put forward the following recommendations for action by the industry and Victorian and local governments:

- 1. Build on the participants' vision for the sector to be recognised as the lead industry in the region with more plantations and trees on farms with a greater diversity of ownership*
- 2. Communicate the value of the industry for employment and for regional and national economies, the risks under business as usual, and opportunities to expand the sector contribution in NE Victoria*
- 3. Support innovation to increase efficiency and maximise value from all parts of harvested trees and products*
- 4. Develop new tree growing partnerships and relationships with local farmers*
- 5. Improve transparency for harvest and haulage costs and mill-gate log prices*



6. Nurture the next generation of industry participants through training, skills and mentoring
7. State and federal governments to provide policy, incentives and planning to support the vision.

FORUM SYNOPSIS

Local forest grower, Simon Penfold from Landari, chaired the forum. Professor Rod Keenan, Chair of the Victorian committee of Forestry Australia welcomed participants, observing that Forestry Australia supports professional development and public advocacy for forests and sustainable forestry. The forum and field trip was sponsored by AKD, Alpine MDF, Climate Friendly, HVP, Landari, Padgett Group, VFPA and VicForests.

Peter Crowe, Phil Clements and Diana Gibbs from the SW Slopes Forestry Hub (which includes NE Vic)¹ described supply challenges for the Hub region and the outlook for resources to 2050. In the Murray Valley timber catchment (including the major processing centres of Tumut and Tumberumba), the plantation industry supports (directly and indirectly) over 7000 jobs. The plantation-based timber industry within the Hub region directly provides an estimated \$540 Million per year in value-adding (contribution to Gross Regional Product). In Snowy Valleys Council area alone, the GRP generated by the plantation-based industry at \$396 million is more than twice that of the agriculture sector (\$164 M). This is largely caused by the forest industry being able to process raw materials into finished product within the region, compared to agriculture which delivers commodities, not processed products such as bread.

The Hub articulates its vision for the region as:

By 2050, the SW Slopes Forestry Hub softwood plantation estates have been restored to pre-fire levels, and a further 45,000 ha has been added to expand the estate to 215,000 ha.

By 2050 the industry supports the employment of 8,400 people, supports \$3.2 billion in gross output, and contributes \$1.5 billion to regional value-added (at 2020 prices).

Peter Crowe drove home the importance of getting all players in the industry together, being able to describe the industry with credible information on employment, product output and value, and being prepared to talk to politicians at all levels to ensure that they understand the industry's significance.

Simon Gatt from AKD described ways his company is adapting to resource constraints and variability in quality of timber supply, particularly with on-going fire salvage from the 2020 fires. They purchase 2.2 million cubic metres of wood per year at 6 production sites across the country, including Tumut and Colac. He noted that their standards have broadened in the past 12 months, which has reduced risks to their suppliers. AKD also own 10,000 ha of their own forests in Victoria, which they use like a bank, enabling them to supplement external suppliers, but also using it as collateral for business loans.

Dale Mitchell from Alpine Logging spoke from the perspective of forest industry contractors about issues of supply and demand and the vital regional role of contractors in firefighting. He noted that the return on investment in tree growing is still too low, and it is difficult to manage the risk associated with fires.

Tony O'Hara from HVP presented the economics of new plantation establishment and the importance of a carbon price for achieving a competitive rate of return on investment. He also noted the need for

¹ It was noted that the naming of the cross-border Hub is in the process of being reviewed to ensure it does accurately reflect the geographical boundary that it covers.



more transparent pricing on harvest costs and log prices, simplified share farming arrangements and called for an exemption from Foreign Investment Review Board for new plantation establishment by organisations like his.

Greg Lawrence from VicForests spoke about the changing role of VicForests and David Henderson from DR Henderson in Benalla spoke about the opportunities from vertical integration and bioenergy, and also the need for an organisation or investment vehicle that enables investors to come in or out of the plantation industry, in the way that Agriwealth is set up. He also discussed their recent purchase of the timber rights to Agriwealth's forests, which have now been harvested. He called for the establishment of an industry body to create and communicate a clear narrative of the benefits from expanding the whole forest sector and the needs to support that vision.

'If you have the opportunity to grow forests you should do it, because the demand for forest products is only going to increase in the future.'

Rod Keenan described results from the Next Generation plantation investment research project led by the University of Melbourne. Key messages were the opportunity to position plantations as an area for responsible investment; and that investors need to see long-term offtake agreements with processors, government underwriting of risks, and a lending facility that enables multiple investors to trade in or out of a range of tree and forest assets. The land for tree growing is on farms, the sector needs to understand farmer needs and develop tree growing investment models that meet the needs of farmers and the timber industry.

DISCUSSION

Participants in the forum were asked to describe their vision for forestry and forest products in the region in 2050. There were two broad themes identified:

- 1. Forestry recognised as the lead industry in the region**
- 2. More plantations and trees with a greater diversity of ownership.**

1. Forestry recognised as the lead industry in the region

Participants wrote comments such as:

'NE Vic is a business centre for an innovative bio-economy that people want to be part of.'

'Forestry recognised as the No. 1 industry in the region'

'The carbon farming capital of Australia'

'Production forests widely valued and supported'

'Sufficient private plantations so not a niche industry'

'Resource security and protection'

'Timber becomes an accepted part of the fabric of agriculture'.

2. More plantations with greater diversity of ownership.

Area targets of 15,000 ha to 30,000 ha of additional plantations. Another participant proposed 'growth in supply commensurate with growth in demand.' People proposed achieving 'diversity of landholders' with 'scalable ownership and small allotments partnered with industry'. There was also an awareness of maintaining a 'commercial base for growth' and that this would come by providing resource security.



Achieving the vision

Participants were asked to answer the question, ‘How did we get there?’ and think about how best the vision of 2050 could be achieved. Six themes emerged. (Quotes from individual contributions are given where relevant).

1. Improve price transparency on harvest and haulage costs and mill-gate log prices

‘Improved log price transparency with a significant increase in log price’ and ‘greater transparency in pricing for harvest and haulage costs and sawlog/pulp price.’

2. Improve communication about the value of the industry to employment and the regional and national economy

‘Quantify value of trees on land and [ensure] widespread understanding of that’

‘Improved public perception and understanding’

‘Education and promotion of the industry and engagement’

‘Make this industry a destination for tree-changers [who are moving out of big cities]’

3. Better coordination to mitigate risks from fire, pests and diseases

‘More accessible insurance that covers natural disasters’

‘Landscape fire prevention and suppression’

The forum discussed risk management processes at length, particularly fire protection and suppression, but also drought and management of pests and diseases such as the *Sirex* wasp and the *Dothistroma* fungus. The need to protect the plantation for its long lifecycle is one of the disincentives to investors, and there is a need to ensure that fire protection is rigorous, across all tenures, and that the industry supports swift first response suppression. There is also a need for on-going innovation in the types of insurance that can be put in place to mitigate losses. This includes achieving and maintaining the high levels of cooperation throughout the supply chain that occurred in managing salvage material after the 2020 fires.

4. On-going innovation to maximise the use of all trees and products and increase efficiency

Participants were mindful of the opportunities for on-going efficiency innovation, noting the need for on-going research and application of research in close association with researchers and the need to maintain and improve measurement both of the forests themselves but also process research in harvest systems and mill operations.

5. Nurturing the next generation – training, skills and mentoring

There was recognition of training the next generation of industry workers with a call for improved training and skill-development opportunities within the Murray Valley region.

In addition to formal training and skill-development, there was recognition of the power of formal and informal mentoring programs to guide individuals at all stages of their careers.

6. Policy, incentives and planning

There was recognition that the industry needed to coordinate its collective voice to government, and that this could not be done by the Forest Hub on its own. There was a renewed awareness of the need to work closely with local government and ensure that local councils, as well as officials and ministers,



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are well briefed on the role and contribution of the industry to regional and national prosperity, as well as its role in providing a national essential service – both for construction materials, but also as a major contributor to greenhouse gas mitigation.

‘Effective advocacy to government’ including through local government and having a ‘business plan [that includes creating] jobs’.

‘A mechanism that makes it attractive for farmers to make land available for plantations’ which includes ‘decisive federal action on carbon trading’.

‘Government support across issues but not subsidies.’

NEXT STEPS

1. Plantation growers, processors and others in the value chain commit time and resources to develop a practical plan for regional benefit from the increased national demand for wood products and present this to local governments, local members and candidates in forthcoming Victorian and federal elections in the first quarter of 2022
2. The [Forestry Hub](#) develop information materials about the industry that are customised to present the overall benefits of the hub resource to respective state governments, and the federal government.
3. Develop new tree growing partnerships with a focus group including industry, local government, state and federal, farming and catchment actors .
4. Use the Forestry Australia Symposium in Albury in 19-21 October 2022 to bring a national focus to the issues confronting the region.
5. Learn from the [Green Triangle Forest Industries Hub](#) and other Hubs about coordinates cross-border issues, commencing with their ‘Trees into Farming’ seminar on 2/12/21.

TIMING OF ZOOM RECORDING

Location [here](#).

Speaker	Organisation	Zoom Recording
Peter Crowe	Hub	0:00
Phil Clements	Hub	5:07
Diana Gibbs	Hub	14:55
Simon Gatt	AKD	35:10
Deb Kerr	VFPA	1:00:42
Dale Mitchell	Alpine Logging	1:04:10
Tony O’Hara	HVP	1:23:41
Gus McEachern	Beef & sheep farmer	1:42:25
Greg Lawrence	VicForests	1:53:30
David Henderson	DR Henderson	1:57:05
Hugh Dunchue	Forest consultant	2:05:40
Michelle Freeman	Forestry Australia	2:08:30
Rod Keenan	Melbourne University	2:11:47
Ross Potter	DJPR	2:38:15
Zoe Ryan	Climate Friendly	2:54:58
Simon Penfold	Landari	3:45:40



Rod Keenan Synthesis	3:58:52
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Forum Agenda

10:00- 16:00, Friday 19th November 2021

TIME	TOPIC	Speaker
10.00 – 11.00	Arrival & Morning tea	
11.00- 11.15	<i>Welcome & Outline of the day</i>	Rod Keenan David Dore
11.20 – 11.35	<i>a) The role of the Forestry Hub (SWS & NEV) b) Previous Experience & future directions for plantation expansion.</i>	Peter Crowe, Phil Clements SWS Forestry Hub
11.35- 11.50	<i>a) Regional Economic Impacts b) Strategic Plan for the Hub c) Fire losses and Future Sawlog Supply.</i>	Diana Gibbs SWS Forestry Hub
11.50 – 12.00	Questions	
12.00 –12.15	<i>What do timber processors need? Ways that timber security could be improved.</i>	Simon Gatt, AKD
12.15-12.30	<i>The view of contractors</i>	Dale Mitchell, Alpine Logging
12.30 – 12.45	Discussion	
12.45-13.00	<i>Economics of new plantation establishment and alternative ownership models</i>	Tony O’Hara HVP Plantations
13.00- 13.45	LUNCH	
13:45 – 14.05	VicForests role in transforming forestry in NE Victoria	Greg Lawrence VicForests
14.05 – 14.20	<i>How can forestry compete with beef? Engaging agriculture in long-rotation crops – mixed business models; Outcomes from NextGen project</i>	Rod Keenan Melbourne Uni
14.20 – 14.40	<i>Victorian Forestry Plan – Options for NE Victoria.</i>	Ross Potter, DJPR
14.40 – 14.55	Carbon markets and ecosystem services	Zoe Ryan, Climate Friendly
15.00 – 15.40	Discussion	Small group discussions Break-out rooms
15.45-16.00	Conclusion and closing	Simon Penfold Prof. Rod Keenan
16:30 onwards	Social drinks and dinner	

Field Trip

8.00 - 15:30, Saturday 20th November 2021

8.00 Breakfast at Padgett Group in McGeahan Crescent



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- 9.15 HVP intro and safety briefing
- 9.30 Depart from Padgett Group for Stop 1
- 10.00 STOP 1 Bread & Butter Gap - Thomson Rd – Acknowledgement of country. Discussion of fire salvage and replant techniques
- 10.30 Drive to Stop 2
- 10.40 STOP 2 - Location of/ or good view of TMD crew 4-piece CF operation
- 10.40-10.50 Morning Tea (supplied)
- 11.20 Drive to Stop 3
- 11.30 STOP 3 Bruckner Road: Winch assist ground based harvest and site preparation integration
- 12.00 Return to Myrtleford
- 12.30 Lunch (supplied) by the Ovens River (Toilet break)
- 13.30 Drive to Penfold farm at 3710 Snow Rd Whorouly
- 13.45 Agroforestry options for the northeast and next steps.
- 15.00 Afternoon tea / Farewells
- 15.30 CLOSE