



Forestry and related products

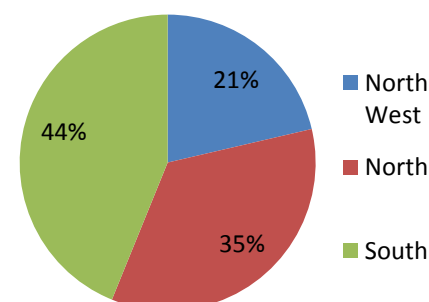
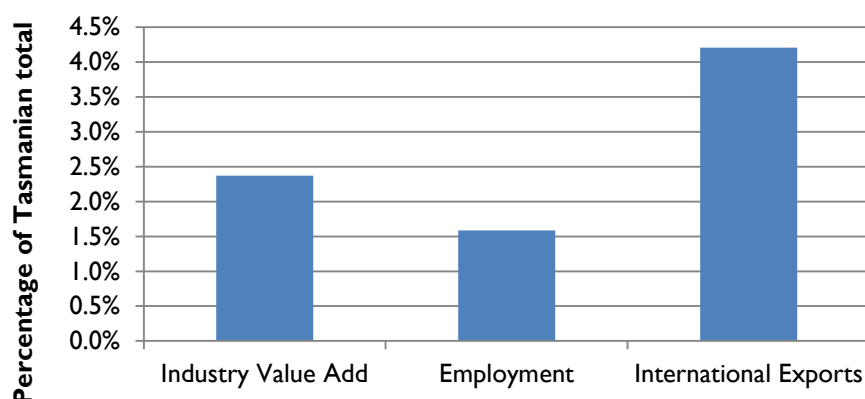
The trade and investment sectors contained in the sector summary series have been compiled from Australian and New Zealand Standard Industry Classification (ANZSIC) classes using a value chain approach. This means that industry classes from ANZSIC have been grouped together to provide estimates of the size of the particular trade and investment sectors.

Coverage: includes all forestry and logging operations, together with log sawmilling, veneer production, chipping, re-sawing and dressing, other wood product manufacturing, and pulp, paper and converted paper product manufacturing.

Key indicators

Regional employment

Forestry and related products



Key statistics at a glance

Indicator	Units	Period	Data	Change From five years ago	Per cent of Tasmania	Per cent of Australia
Industry value add ^(a)	\$M	2012-13	\$574	NA	2.4%	0.6%
Employment ^(b)	No.	2011	3 358	-34.3%	1.6%	0.7%
International exports ^(c)	\$M	2012-13	\$128	NA	4.2%	0.4%
Incomes (average weekly) ^(d)	\$	2011	\$944	10.4%	107.0%	112.2%
Education ^(e)	No.	2011	855	NA	25.5%	40.0%
Employment (proportion full/part) ^(f)	Type	2011	Full-time	NA	82.8%	85.5%

Sources: Australian Bureau of Statistics (2012, 2013), Department of Economic Development, Tourism and the Arts (2013), Department of State Growth (2014), AEC Group

(a) Source AEC Group. Industry value add (IVA) is a component of the ABS estimate of Gross State Product and measures the total value of goods and services produced by the sector, less the value of inputs. Estimated change in IVA from five years ago for a sector is heavily influenced by change at the highest "ANZSIC Division 1" level of industry aggregation and is not reported.

(b) 2011 ABS Census. AEC Group considers this the most accurate estimate of employment at the detailed four-digit ANZSIC level.

(c) Estimates of international exports using ABS data.

(d) 2011 ABS Census. This includes employment and non-employment related income (for example, rents, dividends, interest, child support and government pensions and allowances). A percentage above 100 per cent of average weekly income suggests workers in this industry earn higher than the average wage.

(e) 2011 ABS Census. Education measured by the number of employees who have completed Year 12 (or equivalent studies). Per cent of Tasmania/Australia shows the proportion of workers in this sector who have attained this level of education.

(f) 2011 ABS Census. Per cent of Tasmania/Australia shows the proportion of workers employed in this manner.

Strategy summary

In recent years, Tasmania's forestry sector has faced a process of structural transformation brought about the challenges of a high Australian dollar and changes in forest product markets. These challenges are ongoing and the Tasmanian Government is committed to rebuilding the industry.

As a first step, Government is committed to implementation of the *Forestry (Rebuilding the Forest Industry) Bill* to dismantle the Tasmanian Forests Agreement. This will end uncertainty in the forest industry and the broader community that relies on our forest industry.

The Government's focus will be on:

- No more 'lock-ups' of Tasmania's forest resources
- Encouraging and supporting investment in innovation and new uses for our timber
- Capturing new export markets whilst creating stronger on-island uses for our wood, such as engineered timbers, biofuels and bioenergy
- Securing resources for our sawmills, veneer mills and specialty timber industries
- Supporting Forest Stewardship Council Certification.

The Tasmanian forestry sector is an integrated industry that encompasses native forest and plantation resource (softwood and hardwood), and the production of logs, woodchips, hardwood and softwood sawn timber, pulp and paper, veneer, fuel wood and other wood products.

Tasmanian forest-based industries continue to contribute to the Tasmanian economy, with forestry operations and related processing accounting for 2.4 per cent of industry value add. The industry is a contributor to employment in regional communities, and a source of international export revenue.

The sector operates under well-established environmental standards and native forest resource is only harvested outside of the extensive reserves systems, designed to maintain environmental values. The managed production forests yield some of the strongest commercially-usable timbers available. The sustainable forest sector produces high-quality hardwood products, including timbers held in high regard by architects, craftspeople and artists.

Harvesting from Tasmania's extensive plantation estate will significantly increase over the next decade as hardwood eucalypt plantations mature. This has the potential to provide increased opportunities for processing eucalypt logs grown in plantations as opposed to native forest.

While the hardwood plantation resource does present potential opportunities for sawmilling and value-added processing, and is preferable to using native forests for many in the community, utilising the plantation resource poses technological challenges in harvesting and processing as well as securing new and existing markets for the resource. Plantations cannot produce many of the specialty products currently derived from native forests.

The harvesting and utilisation of native forest from private and public land will also remain important to the industry and the economy. In particular, Tasmania's sawmilling industry and speciality timber processors are reliant on a sustainable and reliable supply of native forest timber.

The government supports the ongoing efforts of Forestry Tasmania to increase the productivity of state forests through improved sustainable management practices, and Forestry Tasmania is working towards Forest

Stewardship Council certification, which is recognised as a critical step for access to future markets for Tasmania's forest products.

The government also recognises the importance of Tasmania's pulp and paper manufacturing industry and supports the development of downstream value-adding through the establishment of a pulp mill in the Tamar Valley that meets world's best practice environmental standards. The government recognises the economic benefits that this project would bring to Tasmania.

The Tasmanian forest industry has a range of opportunities for development, including a structurally-different hardwood sawmilling industry comprised of fewer mills of larger scale, and a change in the focus towards a greater acknowledgement of the variety of value-added products requiring wood and wood fibre as a feedstock. Longer-term opportunities include engineered wood products, and the development of a biomass and bioenergy sector.

Globally, the development and implementation of carbon reduction policies will present opportunities for the forest industry, as there should be an increased demand for wood products to replace more emission intensive products such as steel, concrete and aluminium, and increased opportunities for bioenergy and biofuels. There may also be opportunities for carbon sequestration in terms of reserving existing production forests and through planting additional trees on private land.

Constraints and opportunities

Constraints

- Polarised views in the community on the harvesting of native forest.
- An increased use of digital communications has led to a slowdown in the growth of domestic consumption of paper, particularly in the newsprint sector.
- The forest industry has strong international competition. Competitiveness in these markets is determined by currency exchange rates, transport and resource costs, product quality, and market perceptions about the sustainability of the timber production.
- The native forest sector requires a market for large volumes of by-product (residues) to make harvest and processing of sawlog and veneer logs economically sustainable.
- The plantation sector currently only provides residues – no sawn timber or veneer – and competes strongly in the market with native forest residues.
- The shift from native forest to plantation timber has implications for industry as the plantation resource is inappropriate for native forest markets (sawmill, veneer and specialty timbers) and current processing technology (see below). However, research indicates that the plantation resource might be suitable for structural products.
- Product development research, new investments and retooling for native forest sawmillers will be required to transition to a viable hardwood plantation processing industry due to differences in size and characteristics of wood from native forests.
- Some small-to-medium enterprises in the sawmilling sector may lack the scale required to undertake major investments (downstream processing upgrades) and marketing.
- Ageing capital in existing saw mills.

- The long lead time between planting and harvesting makes new plantation investment unattractive in the absence of incentives.
- Uncertain national and international regulatory environment for carbon pricing.
- Without domestic processing or international market certainty, there is likely to be a conversion of land back to other agricultural uses as existing plantations are harvested.
- Willingness by stakeholders to consider and accept new residue-based processing industries, such as biomass (direct energy generation), biochar, biofuel, wood pellets and briquettes for export.

Opportunities

- Greater recognition that the forestry industry is a renewable industry which can provide sustainable long-term benefits for Tasmania.
- Potential to maintain some exports to international woodchip markets in countries with growing demand, such as China.
- Increasing consumer recognition of wood as a renewable resource which can assist in reducing carbon emissions through the replacement of emissions-intensive non-renewable products with wood products.
- Maturing plantation resource from Tasmanian Private Hardwood Plantation Estate becoming available for international export, under new ownership.
- Processing plantation and regrowth timber for engineered wood products, veneer, plywood, laminated veneer lumber, engineered strand lumber and more.
- Competitive market benefits of Forest Stewardship Council certification of sustainably-produced timber.
- International trend for greater use of wood products in environmentally-friendly buildings, such as prefabricated houses and multi-storey timber buildings.
- Woody biomass processing opportunities, including biofuels and bioenergy.
- Potential for increasing the value of products produced from Tasmania's specialty timbers.
- Opportunities arising from carbon farming through expanded tree planting on private land, and a greater acknowledgement of the role that the forestry industry can play in carbon sequestration.
- Opportunity to export Tasmania's forestry expertise through consultancy services interstate and overseas

The Tasmanian Government recognises the importance of forests on public and private land as a valuable and sustainable economic resource with a range of potential uses.

It is working with the Commonwealth Government to investigate and implement initiatives to ensure that harvesting and processing capacity in Tasmania is maintained by the efficient and cost-effective use of harvest and processing residues, including:

- investigating the economic viability and environmental sustainability of options to minimise, process, value-add and utilise wood residues in Tasmania.
- Immediate solutions for residue utilisation, and facilitate the implementation of medium to long-term sustainable options.

The Government has a role to play in facilitating investments in the forestry sector through ensuring the right business framework is in place to promote an innovative and competitive investment environment.

Key areas where government can play a role in providing a business-enabling environment are through improvements across the areas of regulation, infrastructure and planning, skills and training, research and development and regional planning. Government can also assist by ensuring that industry has a secure and sustainable supply of timber from public forests.