

Australia's Forestry "Vision" holds Challenges for NZ

An ambitious plan to treble the area of plantations in Australia has implications for the wider Australasian forestry region. The programme entitled "Plantations for Australia - The 2020 Vision" is a joint initiative of Australian Forest Growers, Plantations Australia, the National Association of Forest Industries (NAFI) and the Standing Committee on Forestry.

Since being launched by the Federal Minister for Primary Industries and Energy, John Anderson, in late 1997, the 2020 Vision has been widely discussed and reviewed within Australia, with a number of organisations currently considering what role they can play in implementing the vision and how it can benefit their activities.

According to Richard Stanton, the National Plantations Coordinator, there are four "Strategic Imperatives" which must be addressed if the Vision is to be achieved:

- Boost the availability of suitable land for plantations.
- Get the commercial incentives right.
- Establish a commercial plantations culture.
- Improve information flows.

A series of 28 actions have been identified under the Strategic Imperatives as being aimed at creating a regulatory, commercial and cultural environment conducive to plantation expansion and in which plantation growing can compete on an equal footing with alternative uses of land and capital.

Stanton notes that the 2020 Vision does not in itself involve direction, prescription or control over the establishment of plantations, their location, composition or markets. "Investment decisions and risks must be taken by individuals, corporations and government agencies on the basis of the necessary information and the particular circumstances. The 2020 Vision recognises the need for planning and cooperation between all stakeholders at the regional level to facilitate plantation expansion."

Stanton says some members of the forestry professional body, the Institute of Foresters of Australia (IFA) had focused on the trebling target and on the inherent technical problems such as land suitability and availability, species selection and the development of markets. Some had questioned the need to adopt a quantitative target at all. However, Stanton says the target is necessary because it provides a platform on which to build political support and momentum and the vitally important positive media exposure.

"The target must also be suitably ambitious. If the target was easily achievable, with the current knowledge, skills and effort it would not be visionary - it would be unadventurous, mundane and 'business as usual'."

Stanton believes that the technical challenges should not be seen as reasons why the trebling target should not be adopted but as a great opportunity and a responsibility to pursue the issues and to find answers to assist in the achievement of the 2020 Vision.

"Goals must be achievable but visions but are visionary. We must not let the fear of failure prevent us from striving to achieve."

The Vision

The "Vision" behind the programme is that by 2020,

plantation forestry in Australia will be a sustainable and profitable long rotation crop with significant private sector investment.

The plantation growing and processing industries will:

- operate in the global marketplace;
- be internationally competitive; and
- be commercially oriented, market driven and market focused in all their operations.

Returning trees to the landscape as a profitable crop is also seen as a way of significantly benefiting the environment (an important factor in Australia where the harvesting of native hardwoods has been under pressure from green groups).

As a result of the "Vision", the target is to treble the effective area of Australia's plantations between 1996 and 2020. Planting will have to average 80,000 hectares a year to achieve this target, adding 2 million hectares to the 1996 plantation estate of a little over 1 million hectares.

The current estate comprises around 1 million hectares of softwoods and around 160,000 hectares of hardwoods. As the vision will be market driven, the species to be planted will not be prescribed but as a result of the decisions made by companies and investors.

The indications are that there is an increasing proportion of eucalypts being planted and this is likely to continue into the future, given the increasing restrictions on native hardwood harvesting.

The benefits arising from the successful implementation of Vision 2020 have been forecast as:

1. More than A\$3 billion investment to establish new plantations by 2020 - mainly private capital investment.
2. Farm incomes will increase by 20 per cent. Farm forestry in high rainfall zones could contribute up to A\$664 million a year to farm incomes.
3. The current A\$2 billion trade deficit in wood and wood products will be converted into a surplus.
4. Up to 40,000 jobs will be created in rural areas.

Implications for New Zealand and the Region

Such a major expansion of Australia's plantation estate is likely to have important economic implications for forestry in New Zealand. The impacts are derived from points one and three above - massively increased investment in Australian planting and the conversion of its wood deficit into a surplus. There are also implications in the increased rural job creation and even higher farm incomes.

The New Zealand and Australian economies have become increasingly integrated. Major forest industry companies view the Australasian region as a single entity and will therefore weigh the benefits and drawbacks of planting trees in either New Zealand or Australia.

A problem for plantation promoters is that there are competing resource investment opportunities in Australia, so global markets will be targeted in the campaign. These are the same global markets New Zealand has drawn on for investment in its plantations. The Vision 2020 study notes that a Margules Groome Poyry benchmarking report found that Australia should be at least as competitive as New Zealand for the international plantation investment dollar.

To date the evidence has been that the benefits of planting in New Zealand have been considerable. The Vision 2020 documents notes that it is possible to achieve a high rate of plantation expansion, giving both New Zealand and Chile as evidence.

It also notes that the New Zealand experience demonstrates that newly formed private companies focus on harvesting existing stands to provide a cash flow and to establish market relationships in order to attract additional capital to expand plantings.

Major corporates have increasingly considered New Zealand and Australia as a single wood market - hence Fletcher Challenge Paper's Australasian paper strategy and Carter Holt Harvey's similar strategy in wood products. The implication of Australia moving into a wood products surplus must be seen in the light of the New Zealand efforts to increase the markets for Radiata pine - the Australian resource is far more diversified. What impact will this have in markets such as Asia and the US?

Some opportunities will arise, however, for New Zealand's forestry professionals from the wider and more diverse area of work available and the expanded base for research and development work.

It should be noted that the scheme doesn't necessarily mean that the Australian Government is going to launch a series of subsidies for new forest planting. What Vision 2020 does herald to the wider world is that a climate is being created in Australia which is positive to afforestation.

A key goal of the Vision 2020 document is to "Encourage State governments to create the commercial incentives needed to accelerate plantation development". However, the focus is taking into account government agencies' obligations under long-term wood supply contracts as well as their social obligations.

Article prepared by Mike Smith; 2020 Vision background sourced from Richard Stanton; comparative material sourced from the *Southern Hemisphere Forest Industry Yearbook*.

Mixed Outlook for US Forest Products Trade

Solid wood exports from the United States are forecast to decline in fiscal year (FY)1999, dropping by three per cent or a dip from US\$6.0 billion in FY 1998 to US\$5.8 billion in FY 1999. Figures from the US Department of Agriculture (USDA) show that while exports of most products are forecast to drop slightly, these declines are far less significant than the 20 per cent reduction in overall export sales experienced in FY 1998. Last year's sharp decline was due primarily to the sharp drop in Japanese wood products consumption and imports.

Given the sharp decline in Asian demand and the gains in US consumption and the dollar, the US share of the global solid wood export market fell slightly in FY 1998. The US share of global solid wood products trade is expected to remain under pressure, especially from expanding softwood supplies in eastern Canada, Scandinavia, New Zealand, and Chile and expanding hardwood supplies from Europe and Brazil. US domestic regulations at the Federal, State and local levels are also reducing US export capacity in that public and private landholders both must reduce logging in order to comply with environmental management criteria.

Demand by Japan, the US's single largest market, is expected to remain depressed, although actions to stimulate borrowing initiated by the Japanese Government in November 1998 could help restore consumer confidence and housing demand in the coming year.

US solid wood exports to the rest of Asia are expected to achieve mixed returns in FY 1999. Sales to Korea, Taiwan and most of Southeast Asia are expected to face further declines. High labor costs and the loss of its own Asian market has caused a market slowdown in Taiwan. High unemployment, lower real wages, and company indebtedness in the rest of the region have significantly reduced demand for all wood products. US exports to China and Hong Kong are expected to remain at the current level of US\$140 million, with high import tariffs and taxes a leading constraint to growth.

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