

## ***Some issues and solutions for marketing farm forestry forest products in Australia - Bob Newman***

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Farm forestry has been publicised as an alternative source of income on farms. This is true to a very limited extent at present nationally and evidence suggests that farm forestry and the environmental benefits it can provide such as lowering water tables and salinity abatement, providing shelter and wind breaks for livestock and crops may result in economic gains over the long term.

However the sale of timber products from farm forestry and the potential economic gains raises several issues and poses problems that growers and potential growers need to be aware of at the start of their project.

### **ISSUES**

#### **Historical supply**

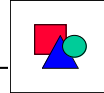
There is a historical commercial difference between crown grown and privately grown forests. Crown forestry has dominated the market since the early 1800s. In years of high demand this has left space for timber to be sold from private sources. In times of low demand private growers have generally had either no market or a market at a depressed price. The reason for this is that the processing industry in order to establish itself has had to have security of supply and has gained this by contractual arrangements with the crown forest services.

#### **Distance to market**

Distance to markets is a key issue when determining the profitability of a forestry project. Transport of logs to a mill or wood to a market is costly and the greater the distance from a market the greater the transport costs and the greater the effect on the bottom-line. Freight costs have a direct effect on the stumpage that can be paid by the processor.

The simple example below shows that for a change in distance of 90km the stumpage price to the grower drops 12.5% purely because of the cost of transport.

	Range of Costs/Prices	
	60 km	150km
Harvesting to roadside including loading	16	16
Transport 60km – 150km	8	13
<b>Mill door price</b>		
2 <sup>nd</sup> thinnings <i>P. radiata</i>	49	49
Stumpage	25	20
<b>Mill door price</b>		
Clear fell <i>P. radiata</i>	64	64
Stumpage	40	35



### **Species selection**

Species selection is an important criterion when establishing a farm forestry project that aims to sell forest products. The choice of species will determine the possible end use and if there is little demand for the species grown because of small volumes the only option left for the grower is to develop their own market via value adding or finding a niche product, an expensive process that may not be feasible given the generally small scale of farm forestry plantings. Otherwise the produce may simply be sold as a commodity product at a much lower price that would be hard to accept given the long period between establishment and harvest.

### **End product**

The limited size of farm forestry projects also limits the choice of product that a grower can aim for. In terms of economic viability this is to a large extent limited to high quality pruned sawlogs. This can be an intensive process that involves good, on time stand management. The grower needs to be aware of the work required and have access to the resources and expertise to produce high quality pruned sawlogs. Stemming from this there is a range of silvicultural and management issues that need addressing and planning.

## **SOLUTIONS**

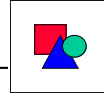
There is a range of solutions that would potentially ease the marketing of farm forestry forest products.

### **Legislation**

If the attitude of governments is strongly in support of farm forestry it may be possible for the government to legislate the amount of total supply (as a percentage) that must be sourced from private growers when negotiating contracts for themselves. This would ensure a market for privately grown timber at comparable prices. There are so many examples of private plantations being established with just as little security as crown plantations, and then the crown gets to supply and not the private people. This is a problem that needs resolving nationally.

### **Strategic Planning and Alliances**

The generally small size of farm forestry projects and nature of farm forestry means that projects are not usually coordinated across a region/district etc and that a number of species are grown, stand management is variable and therefore log quality is variable. A strategic plan at a regional level identifying a species or number of species to be planted and a target for number of hectares to be planted and the timing of planting to achieve a range of age classes would go some way to increasing the commercial resource base. If the growers form an alliance for the management, harvesting, transport and marketing of timber products this would go a long way to ensuring quality of product at a scale that is viable. Here is a strong role for consulting foresters. With this arrangement would come economies of scale in the above-mentioned functions and because of the size of the alliance some degree of market power.



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### **Recent Developments**

The recent announcement of reduction of logging in Victoria has the potential to create good opportunities for the farm forestry sector in that state. At this early stage after the announcement it is difficult to estimate the impact this cut back may have for the traditional forestry sector and the newer farm forestry sector. Existing farm forestry plantation owners may find themselves in a better position but there are underlying issues to be resolved such as the significance of the available volumes etc.

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