

Marketing successfully: Australian experiences of making farm vegetation pay

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Overview

A recent estimate revealed that Australia faces a cost of \$60 billion to repair environmental degradation of our land, vegetation and inland waterways – largely as a result of excessive clearing of native trees and shrubs. Much of this degradation arises from the medium-low rainfall zone (700-300 mm/year), where a growing number of people advocate we must develop new forestry opportunities that can contribute to alternative land-uses in this zone that is currently sub-optimal for traditional commercial forestry. Recent work by CSIRO Land and Water *et al.* (2001) described the development of forestry options for the mid-low rainfall zone as ‘... potentially the most relevant, effective and robust’ land-use option for managing salinity, yet points to the lack of markets of sufficient size and value for these products as the major obstacle to widespread adoption of tree-based farming. While there are numerous prospective agroforestry systems for this zone, relatively few people have actually developed a commercially viable farm business that incorporates forestry.

There has been much recent exploration of how farmers can capture financial returns from the ‘services’ of farm forestry, such as via carbon, salinity and biodiversity credits. However, many of the environmental services of farm forestry are complex and are still to translate into direct payments to individual landholders. Nonetheless, there are some very promising initiatives currently being trailed, including Hancock Timber Resource Group’s integrated forestry investment packages (combining payments for carbon sequestration and timber production), the Victorian Department of Natural Resources and Environment’s Bush Tender Trial (paying landholders to manage bush on private land).

We have entered a new era for our rural landscapes, where we must look at our farm vegetation with a new paradigm. Creating productive and sustainable farms must include the careful analysis of the commercial realities that farmers face. There is an increasing number of landholders who are already successfully marketing a wide range of products and services from farm vegetation, and by doing so are creating distinctly Australian agricultural landscapes – that work for people and the environment.

The considerable investment by government, industry and growers in farm forestry during the 1990s has sought to increase its adoption in many regions of Australia – due to its apparent multiple socio-economic and environmental benefits. Recent estimates suggest there are as many as 5,000 landholders actively exploring the potential of farm forestry. However, many are delaying

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adoption or under-investing in farm forestry due to the uncertainty of how they can effectively access viable markets for their products.

While grower cooperatives have gained attention as a possible marketing approach, this is not the only, nor necessarily the most effective, approach for all small-scale growers around Australia to optimise their commercial returns from farm forestry. Leading farm forestry practitioners around Australia have used a variety of marketing approaches – all with different essential ingredients for their particular situations. Their experiences are of great benefit to those currently exploring and developing farm forestry.

Relevance and benefits

If farm forestry was to reach its full potential it could have a value of \$3.1 billion/year once a sustainable harvest is reached (CIE *et al.* 1996). However, overcoming the fundamental market difficulties faced by many small-scale growers in regional Australia remains a major challenge before farm forestry is likely to near its full potential.

Several national surveys of growers/prospective growers have consistently reported that the difficulties of accessing viable markets remains one of the biggest barriers to the widespread adoption of farm forestry across Australia (Prinsley 1991; AACM *et al.* 1996; Alexandra & Hall 1998; Curtis & Race 1998; Stirzaker *et al.* 2000; CSIRO Land & Water *et al.* 2001). Nevertheless, some leading farm forestry practitioners have developed strategies to overcome considerable market disadvantages – allowing them to develop viable farm forestry enterprises. Providing credible and practical strategies for overcoming the current market difficulties – whether through a marketing cooperative, joint venture, long-term contract, or growing niche products – is needed for the many current and prospective farm forestry practitioners who aim to make it pay.

Access to commercially viable markets for agroforestry or farm forestry products is seen by many as being important for financing further investment in this new industry. However, access to viable regional markets can be difficult for small-scale growers who face commercial disadvantages (eg. distance from markets, new niche products, discontinuous supplies). Some leading farm forestry practitioners have developed strategies for overcoming many commercial disadvantages, thereby making farm forestry a profitable venture.

A recent research project, conducted by the author and supported by the Joint Venture Agroforestry Program, is drawing together the marketing experiences of some leading farm foresters to assist others develop their own successful strategies for making farm forestry pay.

Some marketing tips for farm forestry

1. Carefully assess prospective markets before you make a large investment in your trees. For instance, learn about product requirements, harvesting and transport costs, competitiveness of the market for buyers and sellers, contingencies if your envisaged market declines, your personal (eg. skills) and property's (eg. has some under-utilised areas) comparative advantage, and the additional non-commercial benefits that are important to you.
2. Understand where the costs and returns (eg. profit margins) lie within a farm forestry enterprise. For instance, not all additional processing by a grower leads to value adding – as sometimes it can simply add to your workload and increase your costs. Also, carefully assess the benefits if you develop farm forestry for commodity products (eg. established processing technology and reliable market demand) or specialty products (eg. new and growing markets).
3. Make your farm forestry enterprise match what you can successfully handle – in terms of establishment and on-going maintenance, and commercial risk.
4. Understand long-term market trends and translate this into how you manage your farm forestry, such as, how are product specifications or customer expectations (eg. certification of ecological sustainability) changing over time.
5. Consider joining with other growers to create a larger and continuous supply of your product, perhaps through a growers' marketing cooperative.
6. Consider contracting a marketing agent or distributor on your behalf, as they may have extensive commercial networks (amongst buyers and growers) and strong negotiation skills to efficiently and effectively make the connection between buyers and growers.
7. Keep in touch with your potential buyers – even if harvesting is many years away, so you and they know what each other is doing and how markets are evolving.
8. Allow potential buyers to sample your product, by sending a small complimentary sample so they can better understand the capability of your particular product.

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