



Marketing strategies for farm forestry

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This Agriculture Note provides an outline of the principles regarding marketing and selling wood. Aimed at the smaller grower, it discusses the role of co-operatives and brokers in the marketing cycle and Forestry Rights legislation.

What is marketing

Marketing involves:

- finding out what consumers want or need
- planning and developing a product or service to satisfy that want or need, and
- determining and implementing the best way to price, promote and distribute the product or service.

A producer should:

- define a target market eg. furniture industry
- identify the benefits this market seeks eg. high quality appearance grade timber
- define their business in these terms eg. my business supplies high quality appearance grade timber to the furniture industry.

The fundamental aim of marketing is to start with the end in mind (consumer needs).

Issues to consider when growing and selling timber

The income made from timber produced will depend on:

- consumer requirements and demand
- product end-use flexibility
- critical mass
- continuity of supply
- rotation length
- haulage distance
- value-adding

Consumer requirements

Identifying *who* your buyers are, *what* they buy and *why*, will allow producers to meet the specifications and features of importance for the product. If producers do not accurately gauge customer requirements they may receive a substantially lower price for their timber.

Product end-use flexibility

The small-scale grower should look to a product that can be differentiated from the common run and sold for higher value end-uses. A high quality product gives greatest

flexibility, so if the market requirements change for the product, the producer is well positioned to pursue other avenues. Flexibility during early management of the trees could also produce a marketable product before final harvest. For instance, obtaining posts, poles, or firewood from thinnings.

Critical mass

Critical mass is an important issue on a broad scale, but needs consideration if the individual producer is intending to supply the market with timber on more than one occasion. Critical mass is often determined within a region, occurring at times when local industry is running at full capacity.

There is considerable merit in developing export markets for high quality timber. As export markets demand high levels of supply, producers will not be able to hold them unless they maintain their level of supply. As it is unlikely that any individual could produce enough timber to satisfy this supply, it has been suggested that this supply could be met though producers marketing their timber collectively in co-operatives.

As niche markets are small with limited growth potential, many producers will be looking wider afield for markets. The internet may be of benefit for growers who wish to market specialty timber.

The grower of niche products must be prepared to market and promote their own product.

Continuity of supply

Assuring continuity of supply gives producers greater bargaining power with industry and increases industry confidence for capital investment in processing equipment.

Encouraging small growers to establish 1-2 ha annually will not only put them in a better position to forge ongoing links with industry, but will aid farm forestry development in their region.

Rotation length

Growth rates and associated rotation lengths can be an important consideration when determining the economic potential of a farm forestry venture. Longer rotation lengths (time until harvest) leads to increased interest penalties and decreased profit, due to the decreasing real value of money over time. Unless the producer can off-set

these penalties by capitalising on the non-timber benefits the trees provide (such as shade and shelter for stock, erosion mitigation and landscape beautification), it may make more 'economic' sense to plant faster growing trees which will produce a saleable product sooner.

Haulage

The cost of transporting timber to the mill is a major consideration, especially with high volume, lower value crops. For example, in south west Victoria one of the major requirements of blue gum companies purchasing or leasing land, is that it should be within 150 km of a port.

Value-adding

If a producer is growing a high value crop, (eg. clearwood specialty timber) it may prove economic to transport it longer distances. The other option is for on-farm processing of timber (sawing and drying). This can increase the value of the timber by 5-10 fold, making it economic to transport long distances.

An example of value-adding through on-site milling:

- The value of wood in a standing tree may be \$30 /m³ (a 6 metre log with 50 cm diameter contains around 1 m³ of wood)
- Portable milling (@ 40% recovery) could increase this value to \$100 /m³ of log (\$250 /m³ of sawn timber)
- Air drying/kiln drying (@ 50% of the above sawn timber suitable for high quality – select grade), could increase this value to \$400 /m³ of log (\$2000 /m³ of select grade dried timber)

Smart marketing – minimising risk, maximising returns

Know your industry

Having up-to-date knowledge of the industry you are operating in should form the basis of any marketing plans. Having a sound knowledge of private forestry, your region and available markets is a strong starting point.

Joining local Agroforestry networks and Australian Forest Growers is a great way to learn from the experience of others and to discuss and exchange information and ideas. AFG is a specialised tree grower service that provides advocacy to government on all levels, a competitive plantation insurance scheme and publishes a quarterly magazine on technical/marketing information. Another useful reference is *Agroforestry News*, published quarterly.

Seek out the rules and regulations

Commercial tree growing is one of the most regulated farming activities, and tree growers need to be aware of their legal obligations. Governments at various levels can regulate activities on private land through land use planning rules and codes of practice. Growers should contact their municipal planning officers to ascertain what the requirements are and keep records of all correspondence.

Guidelines for establishing and managing timber plantations in Victoria – including farm forestry is a

useful reference for any growers wanting to find out more about statutory and common law controls, and approvals required for farm forestry.

Forestry Rights

Forestry Rights legislation is one policy supporting farm forestry investment. It is an agreement between the landowner and the tree grower separating the ownership of the trees from the land.

The agreement is registered as a covenant on the title of the land and gives security to the grower who retains the rights to the trees, even if the property is sold. As the agreement doesn't constitute a lease, no stamp duty and expensive survey costs are incurred, even though the forest is properly identified.

This has been an important step for growers and investors and facilitates the National Plantation Vision of trebling the plantation estate by 2020.

Produce quality

Productive farm forestry begins in the nursery and continues through all phases of the rotation. One has a better chance of producing quality timber if they begin with the best genetic stock available.

A properly prepared site with adequate weed control will maximise growth and survival early on. On-going management is crucial to add value to your investment.

High quality timber with minimum defects should be the aim.

When you are milling remember the consumers requirements, what are the specifications?

Stand management records

To see your hard work come to fruition and prove the quality of your stand it is a good idea to keep records (photographic and written) detailing stages of preparation and management. Having your stand certified by a qualified person is the ideal to aim for (your local AFG branch can provide further information on Pruned Stand certification).

Protect your investment

Reducing the physical risks to your investment can be achieved through careful planning and species selection. Table 1 looks at the physical risks associated with timber production and the means of overcoming them.

Table 1. Means of reducing physical risks

Physical Risk	Means of Overcoming Risk
Fire	Insurance, fire breaks, fire management strategies
Insect damage	Spraying, appropriate species selection and regular monitoring
Kino production	Appropriate species selection, research
Disease	Spraying, good hygiene and management

Marketing support

As well as seeking markets individually the grower may wish to:

- engage a broker/consultant to sell on their behalf, or

- join a forest marketing co-operative to increase bargaining power.

“A consultant/broker/co-operative is good value, even where the farmer arranges the harvesting and perhaps sawing and drying of the wood... They will have specialist skills and contacts not available to the average landholder.” (Bird, 2000)

Brokers and consultants

Marketing timber is not easy, developing working relationships with mills, exporters and contractors can be vital to success. Brokers and consultants can aid this process, forming vital links and enhancing communication between growers and industry. Brokers and consultants who understand regional resource and demand are able to effectively communicate with suppliers and producers to establish a more competitive market.

Co-operatives

A co-operative is where a number of growers come together and market their wood collectively. Like networks, co-operatives can provide an opportunity for information exchange, particularly relating to pricing of timber. The advantages of co-operatives accrue due to economies of scale, which gives individual growers greater bargaining power when negotiating with industry. Industry also benefits because they don't have to negotiate with individuals. For example, returns to individual growers can be increased simply by greater efficiency in harvesting and transport. If a few growers can share these costs, substantial gains can be made, even if the mill-door price remains the same.

Bird (2000) outlines the possible aims or role of future forestry co-operatives:

- establishing local and export markets
- providing expert management advice
- arranging contractors
- co-ordinating wood supply to maintain continuity, level and quality of supply for processors or export log buyers
- negotiating with buyers on quality, quantity, price and timing of delivery
- providing modern specialised milling capacity to deal with this new wood supply
- providing kiln-drying facilities to improve the quality of the sawn wood.

As has been the case in other industries, co-operatives are often formed once the product is ready to be sold.

Meanwhile, informal groups such as farm forestry networks have an important role to play in ensuring the

correct volume and species are planted and managed to achieve the desired annual output for a regional industry.

Co-operatives can also play a leading role in the value adding of timber. Sawmills, kilns, and thinning and pruning equipment could be made available to members and can improve the value of a product before it is taken to the market.

Remember the four P's of marketing

Place

Know the market, its products and requirements.

Product

Know your capacity and advantages and produce good quality.

Promotion

Keep in contact with growers, market through a network.

Price

Negotiate from a strong position via a co-operative or consultant.

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