

May 24<sup>th</sup> 2008



## ***VNPA Submission to the Victorian Timber industry Strategy***

### **Introduction:**

The Victorian National Parks Association (VNPA) strongly supports the development of agro-forestry in the flood plain catchments of northern Victoria on historically cleared as a mechanism to address long term land degradation and high water-tables. Many of the highly intensive farming regions such as the Shepparton Irrigation Region are around 98% cleared of their pre European vegetation cover and suffering from a range of environmental problems.

Additionally, high conservation value public land along the Goulburn, Ovens and Murray Rivers contain some of the last significant areas of remnant vegetation and support a range of threatened and endangered flora and fauna listed in State and Federal legislation.

River red Gum forestry in northern Victoria is predominantly produces low value timber used for firewood, fencepost, garden landscaping and mulch. Current Victorian government policy essentially subsidises the industry and prevents the expansion of private agro-forestry by failing to apply competitive neutrality to pricing of the resource.

This, in turn provides a dis-incentive to private landholders who may wish to diversify farm income by investing in agro-forestry enterprises. With current forestry on Public land in the region now acknowledged as being unsustainable at current levels, opportunities exist to remove barriers to private investment in agro-forestry in the region and to deliver multiple benefits for the region and state in relation to timber supply, biodiversity and regional development. Additionally, with a proposed reconfiguration of irrigation in the region as part of the Northern Victoria Infrastructure Renewal Project (NVIRP), there will be large areas of currently irrigated land either retired from irrigation or converted to alternative agricultural uses. Agro-forestry presents an enormous opportunity for future landscape change and use in this region.

### **Background & Context**

- The Victorian Environmental Assessment Council River Red Gum report, released, recently has found that current logging levels in River Red Gum wetland forests are no longer sustainable.

- VEAC has found that figures provided by DSE, the forest managers, indicate logging levels are in the order of 40 – 60 per cent above sustainable limits due to lack of flooding of wetland forests along the Murray River.
- The report states on p.83, ***VEAC advice is that future harvest levels may be only about 30 percent of current levels ( that is, a 70 percent reduction as a result of reduced forest flooding), even if restrictions were not placed on the areas available for harvest.***
- *Our forests Our Future* states, in relation to Sustainable Yield that, “Sustainable yield estimates must determine what level of hardwood sawlog harvesting can occur each year without impacting on the productivity and viability of the forest in the long term. Accordingly volumes of sawlogs that are issued on licence should not exceed that rate.”
- *Our forests Our Future* also states: “The forest Act 1958 prescribes that the Secretary must ensure that timber supply levels over a 15 year period must fall between the permitted margins of plus or minus 2 percent of total sustainable yield for that period.”
- *Red Gum wetland forest logging is clearly unsustainable. As home to over 300 threatened, and near threatened plant and animals, these forests deserve extensive protection.*
- *The Victorian Red Gum forest estate contains internationally recognised wetlands, recognised as Icon Sites under The Living Murray initiative, and are severely stressed due to a lack of water.*

## Industry Development Assistance

- The floodplain catchments of northern Victoria are up to 98% cleared of original vegetation, and suffering a range of ongoing land degradation problems including, salinity, high water tables and loss of biodiversity.
- The establishment of additional firewood/ agro forestry plantations at a rate of 200 hectares per year on a 15 year rotation would provide about 30,000 tonnes of firewood per year from 2020, in addition to a range of services to alleviate the above land use problems. **The initiative if funded at \$10 million will deliver up to 3 times (90,000 tonnes) the production rate of current industry utilizing the Red Gum region.**
- Hardwood plantations offer an alternative use of agricultural land, particularly in light of proposed irrigation reconfiguration schemes which may see some areas of land retired permanently from irrigation. However, without additional incentives private allocation of land use tends to be to the highest value use as dictated by the market.
- A competitive market for the provision of environmental services would mean that hardwood plantations may be commercially viable in areas where they otherwise

could not compete with other land uses eg. drier areas. The location of agro forestry may also have other ecosystem benefits such as reducing salinity.

- Current arrangements by DSE for forestry in the Mid-Murray region do not comply with Competitive Neutrality (CN) principles and fail to deliver full cost recovery and has been identified as a barrier to agro forestry in the region.

Investment	Area planted (Ha)	Timber yield M3 or tonnes
\$3Million	6,000	30,000
\$6 Million	12,000	60,000
\$10 Million	18,000	90,000

Table 2 Estimated investment and return per 15 year rotation

### **Recommendation**

**To meet this demand and expand wood product availability in the region and statewide a \$3- <sup>1</sup>\$10 million private forestry incentive scheme, specifically for northern Victoria should be delivered over a 3- 10 year period as a funded component to DPI’s current “Priorities for Action: Victoria’s Private Forestry Industry 2005 - 2008”.**

**An incentive to achieve ongoing market viability for the private sector must be created through the application of Competitive Neutrality (CN) principles, including full cost attribution, to DSE’s operations. This is to ensure that any public land use for wood production covers all production costs and not allowing public ownership to under price wood sold negating the incentives and range of benefits outlined above.**

### **Business Exit Assistance for current public land forestry.**

- The Victorian government agreed to pay \$100 per m3 of timber licence as part of the Our Forests Our Future package in February 2002 as part of a buyback of over allocated licences. These licences were generally 5 year licences.
- Similarly in River Red Gum, DSE data indicates that current logging is above sustainable yields by up to 60%. Current River red Gum timber licences are annual licences, with an expiry date of June 2008. Current 2006/2007 licences total 19,536 M3 (DSE Table 1)

<sup>1</sup> The \$10M figure is based on an 18,000 hectare target for new agro forestry ventures providing an average funding of \$500 per hectare eventually producing around 90,000 tonnes of timber per annum based on a 15 year rotation. A conservative mean annual increment (MAI) of 5m3 per hectare has been used. This program is similar to previous successful DPI incentive schemes delivered to the Box Iron bark woodland transition and West Victorian RFA sawlog project.

<b>Product Type</b>	<b>Total Allocation (~ m3 gross)</b>	<b>% of Total</b>
Sawlogs	6110	31
Standard logs	4428	23
Residual logs	4618	24
Firewood	4380	22
Total	19,536	

Table 1. 2006/2007  
licence quotas.  
DSE

**Recommendation:**

A buy back of timber licence allocations at \$100 per m3 would equate to \$1.95M, however, given licences are only annual, not 5 year, a more realistic figure of up to \$1M may be more appropriate.

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