Australian Forest and Wood Products Industry
Investment Trends Overview
Richard Stanton, CEO

A3P Members
A Large but Diverse Industry

- $19 billion annual turnover
- Along the value chain – softwood and hardwood growers, chip and log exporters, sawmillers, wood panel and paper manufacturers, recyclers etc
- Ownership structures – private and public companies, State GBEs, Australian and multinational, specialised and diversified
- Products and markets – domestic and export, construction, consumer, commodity and niche
- Location – access to resources and markets
- Therefore generalisation is risky
The Australian Plantation Resource – a $10 billion national asset

Total Plantation Area By Type, Australia, 1999-2008

Forecast Plantation Wood Availability (with replanting but no new planting)

Source: BRS
Ownership of Plantations (2008) – Australia

Ref: National Plantation Inventory (NPI) BRS/DAFF 2008

Plantation investment issues

- Highly competitive environment – funds, land, inputs (labor, fuel, chemicals).
- Markets – slump in hardwood chip to Japan but domestic housing solid and improving, NZ booming softwood log exports to China
- 2nd round of State Government privatisation, 10+ years after the first – Forestry Plantations Qld, Forestry SA, Forest Products Commission WA
Plantation investment issues

- Reduced MIS sales – due to GFC and corporate failures
- Potential new markets such as renewable biomass energy and carbon credits remain illusive
- Capital for replanting 2nd + subsequent rotations
- Additional plantation investment models needed, consideration of international experience

Australian Wood Processing
Sawn Timber Production/Trade

Source: ABARE
Wood Processing in Australia

• Rationalisation
  • Ownership – Carter Holt Harvey and Gunns the major players with a 2nd tier (Hyne, Boral, Fletcher Building, Wespine, AKD etc)
  • Sawmilling consolidating into larger sites
  • Significant investment in new technology – scanning, sawing, peeling, drying etc
  • MDF capacity reduced

• Market strong with positive mid-long term outlook.

Projected Australian Sawntimber Demand (m³)

Source: Nick Roberts, Forests NSW
Wood Processing in Australia

• Market strong with positive long-term outlook
• Domestic wood supply deficit
• Strong competitive pressures faced by all Australian manufacturers….
Australian Paper Manufacturing

- Highly competitive due to low cost, large scale producers – Indonesia, China, Brazil, etc.
- Substantial multinational ownership:
  - Tissue – Kimberly Clark, SCA Hygiene
  - Communication – Nippon Paper, Norske Skog
  - Packaging – Amcor, Visy
- Uncompetitive capacity closes (sites and/or machines) when markets down, as in North America and Europe
- Imports increasing – P&W and tissue

Australian Paper and Paper Products
Supply/Demand - Production/Consumption ref ABARE Australian Forest Products Statistics 2008
Competitive factors for existing and potential new manufacturers

• Value of Australian $

• Trade – dumping, subsidies, illegal logging

• Energy – renewable generation +ve but…
  • Energy market reform
  • Carbon price (CPRS)

• Labour – high wages, competition with mining

• Fibre – export parity set by Japanese market

• Transport infrastructure

Conclusions

• Currently reaping the rewards of historical policy decisions and investment (land, trees, people, R&D, infrastructure, facilities).

• Substantial market opportunities to deliver commercial returns as well as associated environmental and social benefits from forest and wood products industry.

• Are the settings right to support a ‘second round’ of investment required to renew and expand the industry?