Queensland **the Smart State**

The Queensland forest industry

An overview of the commercial growing, management and processing of forest products in Queensland

Queensland Government
Department of **Primary Industries and Fisheries**

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The Department of Primary Industries and Fisheries (DPI&F) seeks a better quality of life for all Queenslanders—a quality of life supported by innovative world-class food and fibre industries, by responsible and ecologically sustainable use of natural resources and by capable and self-reliant rural communities.

Our business is about:

- innovative science and commercial uptake of new technology by food and fibre industries
- sustainable use of natural resources
- food safety and protection against imported pests and diseases
- market-driven and ethical food and fibre production.

This publication provides a profile of the economic, environmental and social contribution of the forest industry to the Queensland community. It also aims to increase community awareness of the scope, diversity and complexity of forest industry activities.

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Foreword

The forest industry has a long and proud history in Queensland. Forest products and forest industry activities have played a vital role in Queensland life since the beginning of European settlement, especially in many regional areas.

Today the forest industry is an important part of Queensland's food and fibre sector. Including processing activities, the forest industry comprises about 2200 businesses, directly employs more than 19 000 people, has a turnover of $2.7 billion with value-added of about $1 billion and earns $215 million for Queensland each year in overseas export income.

Queensland has been able to establish and maintain its position as a world leader in tropical and subtropical forest activities over the last 150 years by successfully adapting to changing community demands and expectations, market conditions, and government policies.

The Queensland forest industry is now part of a global market for forest products. Businesses in the industry have successfully adopted a global business approach and developed a greater awareness of the future challenges. As a result, they are enjoying sustained demand growth for their products in a range of domestic and international markets.

Government has played an integral role in the development of the forest industry since its inception. It has set the regulatory framework for the industry, undertaken much of the research and development underpinning the industry's growth and development, overseen the management and establishment of state-owned forest resources, and marketed commercial forest products from these forests.

The Queensland government will continue to work in partnership with the forest industry to help position it to meet its future challenges. In particular, the Department of Primary Industries and Fisheries will leverage its expertise in economic analysis, trade and market access, targeted research and development, and capacity building to assist the forest industry realise its economic potential and enjoy further profitable growth.

The publication highlights the important contribution that the forest industry makes to Queensland and will assist future government forest policy decisions. It will also be of considerable interest and assistance to current and prospective forest industry members and investors, industry associations, providers of investment advice, and members of the general public interested in finding out more about the Queensland forest industry.

The Honourable Henry Palaszczuk MP
Minister for Primary Industries and Fisheries

Preface

The community expects our forests to deliver a wide range of products and services, ranging from commercial forest products such as timber and fibre for paper production to environmental outcomes such as the conservation of biological diversity and water quality. Community perceptions about the contribution and role of the forest industry will greatly influence future policy decisions.

In 1998, the then DPI produced the report *An overview of the Queensland forest industry* to highlight and describe the various segments of the Queensland forest industry, and to provide information and statistics on the industry's history, development and status. This report was extremely well received and widely referenced.

The main objective of this new publication, which updates most of the information contained in the earlier report, is to profile the contribution of the forest industry to the Queensland community. However, it also aims to increase community awareness of the scope, diversity and complexity of forest industry activities, its products and markets, the research and development initiatives being undertaken to develop new products and improve productivity, the government's role in forest activities, and a description of the future impacts on the forest industry.

A number of profiles of forest industry organisations are included. These provide concrete examples of the diverse range of organisations in the Queensland forest industry, and help illustrate the way these organisations, and the forest industry as a whole, is responding to changes to its markets, operating environment and government policy.

The information contained in this publication will be of use to current and prospective forest industry members, government, industry associations, providers of investment advice, and people interested in finding out more about the forest industry in Queensland.

Compilation of the information in this publication involved considerable effort and many sources of data were assessed and analysed. Although all reasonable attempts have been made to ensure the validity and consistency of the information used in this publication, readers should note that inevitably some definitional, consistency, and accuracy issues between different data sets remain.

Australian Bureau of Statistics (ABS) data were the primary source of information used in this publication. The other main data sources include information collected by the Australian Bureau of Agricultural and Resource Economics (ABARE) and state government agencies.

Further information about the data sources of this publication is in Appendix 1.

The Queensland forest industry has been an integral part of the Queensland

Introduction

economy since the beginning of European settlement. The processing of forest products was one of the earliest manufacturing activities in Queensland, and the industry's products and activities underpinned much of the state's early development. The forest industry continues to play a vital role in Queensland's contemporary economic, social and environmental wellbeing, especially in many rural and regional communities.

The term *forest industry* in this publication refers to those activities relating to the commercial growing, management and transformation (processing) of forest products in Queensland. The industry is divided into five main segments: **forestry, sawmilling, wood product manufacturing, paper product manufacturing and furniture manufacturing.**

Other commercial forest uses, such as recreation and eco-tourism, cattle grazing, beekeeping and quarrying, and the downstream activities associated with these uses, are excluded from the scope of this publication.

The Queensland forest estate

With a total forest estate of around 56 million hectares, Queensland has the largest forested area of all states in Australia. The most productive of Queensland's forests, including purpose-planted plantations, are generally restricted to a narrow strip east of the Great Dividing Range where rainfall and soil conditions are favourable.

About 80 per cent of Queensland's forests (more than 44 million hectares) are publicly owned, with around 6 million hectares of public forests being currently used for the commercial production of forest products. A diversity of management approaches by private landowners means that information is not known about the proportion of Queensland's 10 million hectare private native forest estate being utilised for commercial production activities.

The Queensland plantation estate totals about 216 500 hectares. The estate is dominated by softwood species managed on a long-term rotation basis to produce a range of high-value timber products. The harvesting sector is a small, but important, component of the **forestry** segment.

The processing sector

The processing sector is that part of the forest industry involved in the physical or chemical or biological transformation of log timber input into new products. In Queensland, the processing sector uses about 2.8 million cubic metres of log timber input per year. It includes the **sawmilling, wood product manufacturing, paper product manufacturing** and **furniture manufacturing** segments. These segments are based on standard industrial classifications (see Chapter 3).

Plantations provide most (76 per cent or 2.1 million cubic metres) of log timber inputs to primary processing.

The processing sector is highly diverse, with two stages:

- primary—which transforms the output of the forestry segment through sawing, veneering, and chipping transformation processes
- secondary—which transforms the output of the primary processing sector into more complex timber and fibre-based products.

Processing activities dominate forest industry activity. Over 90 per cent of employment and nearly 95 per cent of the value added in the Queensland forest industry can be attributed to activities that occur down the value chain from the in-forest activities of the **forestry** segment.

Most primary processing happens close to Queensland's commercial forest estate.

Contribution of the forest industry to Queensland

The Queensland forest industry remains an important component of the Queensland economy. The Queensland forest industry comprises about 2200 employing businesses, directly employs more than 19 000 people, has a turnover of $2.7 billion and value-added about $1 billion, and directly exports about $215 million of products.

The forest industry also indirectly impacts on many different parts of the Queensland economy. It is estimated that for every extra $1 of value added generated in the forest industry, an additional $1.80 of value added is generated in the Queensland economy outside the forest industry. Furthermore, for every additional full-time-equivalent job in the forest industry, an estimated 1.3 full-time-equivalent jobs are created in the larger Queensland economy.

There are about 2200 businesses in the Queensland forest industry. Almost two-thirds of all businesses in the Queensland forest industry are located in south-east Queensland.

The forest industry also generates a number of environmental benefits for the community through the retention, or establishment, of forests for the production of commercial forest products. These benefits may include reduced soil salinity levels, improved water quality of streams and rivers, increased biodiversity and mitigated effects of greenhouse gases and climate change.

The forest industry and its employees also make an important social contribution to many rural and regional communities across Queensland. Forest industry employees are active members of sport, hobby and community groups, and a substantial number provide voluntary support to local community groups, or are active on the management or organising committees of these groups.

The market for Queensland forest products

The Queensland forest industry sells a wide range of forest products to domestic and international markets, competing with other producers of forest products and substitute products. Commercial forest products include basic materials that require limited processing, such as landscape timbers, fence posts, sawdust, woodchips and firewood. The forest industry also produces highly transformed products where value has been added through complex processes to make fabricated and structural wood products, paper products and wooden furniture.

Some of the main drivers of demand for forest products include the residential building cycle, demographic factors, economic conditions, government economic policy, development of new products and changing consumer preferences.

Approximately $3.1 billion of forest products were demanded and consumed in Queensland in 1999–2000. This means, on average, each Queenslander consumed about $860 of forest products in the same year. The Queensland market for forest products grew by about $800 million, or 35 per cent, in the period 1991–92 to 1999–2000.

About 83 per cent of the demand for forest products in Queensland was met by the local forest industry in 1999–2000. Paper products dominate local forest product overseas imports, accounting for 42 per cent ($275 million) of Queensland's forest products imports in 2002–03.

Products from the **sawmilling** segment accounted for almost one-quarter ($143 million) of Queensland's total imports of forest products in 2002–03.

About two-thirds of Queensland's overseas imports of forest products are sourced from producers in four countries — New Zealand, Indonesia, Malaysia and China — of which about 33 per cent ($216 million) are sourced from New Zealand.

Queensland is a net importer of overseas forest products, with an overall trading deficit of about $447 million in 2002–03, an increase of about $166 million, compared to a decade earlier.

In overall terms, the Queensland forest industry is not highly export oriented. In 1991–92 approximately 2 per cent of the total turnover of the forest industry was sold overseas. By the end of the decade, in 1999–2000, this ratio had risen to 5.5 per cent.

The import penetration of the Queensland market for forest products (that is, the share of imports in total estimated sales to the domestic market) rose from 12.6 per cent in 1991–92 to 17.5 per cent in 1999–2000.

An estimated 860 000 cubic metres of sawn timber products came out of the Queensland industry in 2002–03, of which 88 per cent was sold locally. Queensland consumes 1.1 million cubic metres of sawn timber product each year.

Forest research and development

The Queensland forest industry is working hard to build on its strengths to achieve or maintain international competitiveness, develop new products and attract investment. Conducting research and development (R&D) is essential to this effort. Investment in R&D is the catalyst for industry innovation and expansion through the development of new products and improvements in productivity and business systems. R&D and innovation are central to the Queensland government's Smart State strategy.

The public sector has traditionally dominated the R&D effort of the forest industry, especially in relation to the **forestry** segment of the industry. **Forestry** segment R&D activities currently focus on developing plantations, particularly through the genetic manipulation of tree stock to optimise form, growth, seed production, and resistance to pests and disease. Research is also being directed towards improving silvicultural methods and managing plantations more efficiently, sustainably and productively.

There is also considerable R&D effort devoted to the development of new and improved forest industry products. The private sector has played a prominent role in this type of forest industry R&D. There are many examples of successful private/ public sector collaborative R&D projects.

Government involvement

Governments have played an integral role in the forest industry since its commencement in Queensland. Today, the Queensland forest industry is regulated by all three levels of government.

State government inputs to the industry come from direct administration of legislation by various departments and major policy initiatives.

Over the last decade, major government policy initiatives have, or will, directly impact on the forest industry, or specific segments of the industry. These include the National Forest Policy Statement, the South East Queensland Forests Agreement (SEQFA), the Statewide Forest Process and Plantations for Australia: the 2020 Vision.

The SEQFA, in particular, was a landmark consensus-driven outcome for the forest industry, conservationists and the Queensland government. It provides for a significantly increased area of conservation reserve for the protection of biodiversity and old growth native hardwood forests in south-east Queensland.

At the same time, the SEQFA provides the south-east Queensland hardwood processing sector of the industry with a secured long-term resource supply which, in turn, has generated new investment, employment and activity in this sector. As a result of the SEQFA, the native hardwood processing sector will transition to plantation log timber input supplies by 2025.

Due to the success of the SEQFA, the Queensland government proceeded in 2001 with a Statewide Forest Process (SFP) for regions outside south-east Queensland. The SFP involves similar assessment and planning approaches that underpinned the SEQFA, and the outcomes of this process will clearly influence the future direction of the native processors not included in the SEQFA.

Government has also encouraged private investment in plantations through joint ventures, improved regulation and information and advice.