

# National Meeting on Future Plantation Investment

## Report & Action Plan

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### **Summary**

To meet future wood demand, the global area of tree plantations may need to double by 2050. Domestically, a growing population and increasing use of wood in construction for design and environmental benefits are driving increased demand for wood products. There is a considerable area of farmland in Australia where different types of planted forest could provide agricultural production and environmental benefits. Strong policy drivers also have the potential to increase investment in trees to mitigate climate change and support forest landscape restoration objectives. However, investment in new plantations is at a standstill. This lack of new investment and relatively flat plantation timber supply are strong constraints on new investment and expansion in the wood processing sector and is likely to lead to an increasing reliance on imported timber products.

The Next Generation Forest Plantation Investment Project hosted a National Meeting on Future Plantation Investment on 2<sup>nd</sup> March 2018 in Melbourne. The meeting brought together nearly 90 stakeholders from a range of sectors to discuss the opportunities, barriers and triggers associated with new plantations in Australia. This report summaries the discussion of that meeting. It presents a possible new goal and draft action plan for relevant stakeholders to work together to achieve the aim of increasing plantation investment in new plantations Australia.

#### **A new goal for plantations?**

As one group suggested, *'If plantations are the answer, what is the question?'*

When asked to indicate the goal for Australian plantations, participants framed it from a range of perspectives: economic security and financial returns, social contribution and acceptability, environmental and conservation benefits, policy alignment or an area target. A possible combined goal might be:

*'A well-regulated and publicly supported plantation sector in Australia, integrated with existing farming enterprises and providing environmental and conservation benefits at the local and landscape scales with sufficient trees in the right places to support diverse, sustainable, secure, resilient and profitable local timber industries.'*

Based on proposals put forward at the meeting, an Action Plan (Table 1) has been developed focused on four areas: setting better policy, stimulating investment, quantifying and monetising co-benefits, and communicating and building capacity. It sets out actions for the relevant stakeholder groups that will help realise the goal of increasing plantations in the Australian landscape.

**Table 1: Draft Action Plan for increasing investment in plantations in Australia**

Governments	Forest industry	Finance Sector	Landowners
<b>Setting better policy</b>			
<ul style="list-style-type: none"> <li>• Clear goal and consistent bipartisan long-term policies</li> <li>• Consistent and logical regulatory policy for plantations at the Federal, State and Local government levels</li> <li>• Invest in infrastructure to support plantation timber production</li> <li>• Invest in R&amp;D to identify innovative and sustainable approaches to plantation investment</li> <li>• Natural capital accounting models that recognise plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Engage constructively with governments and landowners to develop new policy that supports sustainable development of new plantations that are complementary to existing agricultural enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Develop clear and transparent governance frameworks to guide and encourage investment in plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Work collectively with government, forest industry and finance sectors to support investment in trees to improve and diversify incomes and environmental outcomes</li> </ul>
<b>Stimulating investment</b>			
<ul style="list-style-type: none"> <li>• Funding for new research and the effective communication of findings from existing studies on the economic and on-farm benefits of plantations</li> <li>• Explore and commit to the most appropriate financial support mechanisms e.g. underwriting plantation investment, a ‘bank for wood fund’ etc</li> <li>• Establish long term markets for environmental benefits provided by trees</li> <li>• Financial support to develop an ‘honest broker’ agency to facilitate relationships between capital, the forest industry and landowners</li> </ul>	<ul style="list-style-type: none"> <li>• Implement transparent pricing for different products from plantations</li> <li>• Invest in value-adding to lift potential returns</li> <li>• Establish an agency to work as an ‘honest broker’ to facilitate trust between the industry, growers, farmers and the general public, and to stimulate the emergence and expansion of markets for timber products</li> <li>• Invest in value adding and use of all forest outputs to increase potential returns</li> </ul>	<ul style="list-style-type: none"> <li>• Develop simple investment and financial products &amp; instruments that incentivise value chains</li> <li>• Develop instruments that strengthen the value and recognition of the currently non-monetised value of plantations</li> <li>• Provide financial guidance to the ‘Broker agency’</li> <li>• Develop simple investment and financial products and instruments focused on plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Provide landowner relevant guidance to the ‘Broker agency’</li> </ul>

Quantifying and monetising co-benefits			
<ul style="list-style-type: none"> <li>Establish a policy framework that facilitates investments in planted forests for timber production, carbon and other environment services</li> </ul>	<ul style="list-style-type: none"> <li>Encourage and promote studies that quantify co-benefits of tree plantations, including other on farm production, income diversification, carbon and biodiversity</li> <li>Work with the finance sector and landowners to design and implement innovative instruments that support sustainable and profitable approaches to plantation development</li> </ul>	<ul style="list-style-type: none"> <li>Develop new financial instruments supporting innovative and sustainable approaches to plantation development</li> </ul>	<ul style="list-style-type: none"> <li>Work with the forestry and finance sectors to design and implement instruments that support innovative and sustainable approaches to plantation development</li> </ul>
Communicating and building capacity			
<ul style="list-style-type: none"> <li>Develop a national communication strategy promoting the benefits of forestry and trees in rural landscapes</li> <li>Increase in-school adoption of the curriculum developed as part of <a href="http://forestlearning.edu.au">forestlearning.edu.au</a></li> </ul>	<ul style="list-style-type: none"> <li>Build better and enduring relationships with landowners</li> <li>Develop and support new plantation forestry models that better integrate with existing on-farm activities and production</li> <li>Provide long term community support where plantations are present</li> </ul>	<ul style="list-style-type: none"> <li>Develop simple communication strategies outlining investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Promote champion landowners who have successfully integrated trees on farms</li> <li>Work with government, industry and the finance sector to implement new tree planting approaches</li> </ul>

# National Meeting on Future Plantation Investment Report

## 1. Introduction

The Next Generation Forest Plantation Investment Project hosted a National Meeting on Future Plantation Investment on 2<sup>nd</sup> March 2018 in Melbourne. The meeting brought a diversity of stakeholders together to discuss the opportunities associated with new plantation development in Australia. This report summaries the discussion of that meeting. It presents a possible vision and draft action plan for relevant stakeholders to work together to achieve the aim of increasing plantation investment in Australia.

## 2. Background

Globally there is a growing demand for wood. To meet this future demand, the global area of tree plantations may need to double by 2050. Domestically, an expanding population and increasing use of wood in construction for design and environmental benefits are driving increased demand for wood products. There is a considerable area of farmland in Australia where different types of planted forest would provide agricultural production and environmental benefits. Complementing this are some existing policy settings that seek to incentivise investment in trees to mitigate climate change and support forest landscape restoration objectives. Despite these positive influences and the availability of capital for investment in new forest assets, investment in new plantations in Australia is at a standstill.

The lack of plantation development and relatively flat plantation timber supply are strong constraints on new investment and expansion in the forest processing sector. This situation has the potential to lead to an increasing reliance on imported timber products.

*In summary: industry needs more wood, the environment needs more trees, investors need sustainable and reliable sources of return on capital, and farmers need new income options that are fully integrated within their agricultural operations.*

The Next Generation Forest Plantation Investment Project<sup>1</sup> is bringing together a combination of stakeholders to design and test new models of investment in planted forests. The Project presents an opportunity to learn from past experiences in order to design more sustainable models for planted forest investment. These models will involve greater integration of tree growing with agriculture while developing new types of partnerships to provide benefits to a wider range of stakeholders. Realising these opportunities will require a new narrative, industry leadership, and platforms that enable new coalitions of stakeholders to work together. The project research focuses in two key regions in Victoria: Colac-Otway and Gippsland. More information can be found at: <https://blogs.unimelb.edu.au/nextgenplantations/>

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<sup>1</sup> The Project is funded by the Commonwealth Government's Voluntary Matching Program, co-funded by Hancock Victorian Plantations Ltd, Midway Ltd, Australian Paper, AKD Softwoods and OneFortyOne Plantations Ltd with research conducted through the University of Melbourne, with additional support from Swinburne University of Technology. Forest and Wood Products Australia administer the project on behalf of the Department of Agriculture and Water.

Complementary to the applied research components of the project is the development of a national learning network to facilitate shared learning, transfer relevant results to a wider group of partners, and develop a cohesive path forward to increasing plantations in Australia. The National Meeting on Future Plantation Investment was the first nationally focussed activity of the Project. The meeting was enabled through funding associated with the Plantations for Australia: the 2020 Vision policy framework.

### **3. Agenda and facilitator**

The National Meeting was facilitated by Howard Parry-Husbands from Pollinate. The objective of the meeting was to identify transformative solutions to the challenge of meeting future timber needs by progressing the conversation on future plantation investment in Australia. The meeting was designed to generate new and different perspectives by building on the experience and knowledge of a broad range of participants from the forestry, agriculture, investment, legal, environmental and land management sectors. A total of 87 people attended the meeting.

The core themes covered during the day were:

#### **3.1 Introduction**

- An outline of the Next Generation Forest Plantation Investment Project (Rod Keenan)
- An overview and 'status assessment' of plantations in each of the States

#### **3.2 Workshop sessions**

- Identifying the goals for next generation plantations
- Identifying triggers and barriers
- Thinking differently: New ideas to transform plantations

The workshop sessions were supplemented with short presentations from:

- Mark Wootton (Jigsaw Farms);
- Amelia Young (The Wilderness Society);
- Andrew Ashbolt (Arrow Funds Management); and
- Kate Phillips (Baker McKenzie).

### **4. Key outputs from the meeting**

#### **Identifying the goals for next generation plantations**

As one group suggested, *'If plantations are the answer, what is the question?'*

When asked to indicate the goal for Australian plantations, participants framed the goals in five broad ways:

- a. Economic security and financial returns**
  - Import replacement and meeting domestic timber demand
  - Industry sustainability, resilience and security
  - Utilising all products of plantations
  - Attractive returns from investing in plantations – including environmental plantings
  - Access to more diverse and sophisticated markets for plantation products generating increased returns

- Better incentives that make it easy for landowners to grow trees
- b. Social acceptability and social licence**
- A sector that is supported and perceived as a positive contributor to society and environment
  - Linking rural landowners, communities, industry and finance sector through transparency and cooperation
  - Plantation resources as a solution for the ageing agricultural workforce
  - Plantations are the investment of choice – a desirable industry to have in your community
  - Every farmer has a plantation block on their farm and is happy about it
- c. Environmental benefits**
- Reducing pressure on timber requirements from native forests
  - Plantations valued as corridors between native forests to support climate adaptation and conservation
  - Wind and water erosion is reduced
  - Natural predators can reduce insecticide use
  - Shelter can reduce water use by reducing evaporation and evapotranspiration
  - Provide a source of habitat
- d. Policy alignment**
- Plantations are well-regulated with cooperation between federal, state and local governments across policy planning and regulation
- e. Area target**
- The Australia Forest Products Association (AFPA) outlined the following target planted areas: by 2030, 300,000 ha of new industrial plantations and 100,000 ha of farm forestry.

## 5. Agreeing on a collective goal?

There was collective agreement amongst participants that investing in new plantations in Australia had the potential to deliver a wide range of positive economic, social and environmental impacts. A suggested goal for the Australian forestry sector could be articulated as:

*‘A well-regulated and publicly supported plantation sector in rural Australia, integrated with farming and providing environmental and conservation benefits at local and landscape scales with sufficient trees in the right places to support diverse, sustainable, secure and resilient local timber industries.’*

## 6. Barriers and triggers to plantation development

In the workshops participants identified a wide range of barriers and triggers that currently, or in the future, have the potential to impact on plantation development (see Table 1). The most frequently cited barriers to plantation development were those associated with finance and financial constraints and social license. Triggers perceived to have the greatest potential to stimulate plantation development were associated with social, stakeholder and policy-based approaches, while financial based approaches were also considered to be important. The full range of barriers and triggers are listed in Table One.

**Table One. Barriers and Triggers identified for plantation development**

Barriers	Triggers
<b>Financial</b>	
<ul style="list-style-type: none"> <li>• Lack of trust in the forest industry amongst landowners and the need to show ownership benefits</li> <li>• Investment risk and uncertainty</li> <li>• Lack of market diversity</li> <li>• Carbon price and value</li> <li>• Barriers associated with being part of a global market</li> <li>• Cost of resources</li> <li>• The need to share risks between growers and processors</li> <li>• The economic impact of cheaper, non-wood alternatives</li> </ul>	<ul style="list-style-type: none"> <li>• Suitable financial products that incentivise good value chains</li> <li>• High prices/low costs</li> <li>• Markets for wood, non-wood and ecosystems services that a plantation produces</li> <li>• Transparent &amp; open timber markets</li> </ul>
<b>Social, social licence and stakeholder considerations</b>	
<ul style="list-style-type: none"> <li>• Social licence and reputational issues</li> <li>• Lack of knowledge and confidence in markets</li> <li>• Lack of skill development</li> <li>• Farmer antipathy towards forestry</li> </ul>	<ul style="list-style-type: none"> <li>• Better perceptions of, and community support for, forestry</li> <li>• Increased carbon awareness</li> <li>• Long term demand for wood and wood based products</li> <li>• Improved trust and knowledge of the forest industry</li> <li>• Making tree planting easy for landowners</li> <li>• Demonstrated capacity and process to grow regional economies</li> <li>• Changing perceptions to include the full range of benefits provided by plantations</li> <li>• Better stakeholder relationships</li> <li>• Designing plantations that are financially and practically attractive to farmers</li> <li>• Being part of the solution to increasing rural and carbon industry prosperity</li> </ul>
<b>Policy</b>	
<ul style="list-style-type: none"> <li>• Poor policy</li> <li>• Short term thinking</li> <li>• Government inclination toward forestry</li> </ul>	<ul style="list-style-type: none"> <li>• Long term enabling and consistent government policy</li> <li>• Bipartisan support for forestry at all levels of government</li> <li>• Policy settings to place value on non-wood services</li> <li>• Plantation development that is not impeded by government regulation</li> </ul>
<b>Industry</b>	
<ul style="list-style-type: none"> <li>• Forestry entrenched thinking</li> <li>• MIS legacy</li> <li>• Cost of technology</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate mix of species and fibre types</li> <li>• Regional job creation</li> <li>• Supportive regulatory framework and policy</li> <li>• Consistent local government engagement</li> </ul>
<b>Environment</b>	
<ul style="list-style-type: none"> <li>• Impacts of climate change on plantation growth</li> <li>• Water interception / extraction</li> </ul>	

## **7. Potential solutions – New ideas to transform plantations**

The output developed in the workshop session investigating potential solutions included developing new models for plantation investment as well as identifying elements that must be incorporated into new approaches designed to increase plantation development. Attributes within the proposed solutions were primarily financially based and included:

- The need for adequate and sufficient financial returns
- New investment models that allow for 'easy' investment
- Incorporating appropriate value for environmental services
- Plantations to be seen as a positive investment option
- Need for plantations to be proven as a continuous and long-term income solution
- Vertical integration of all elements of the investment model
- Incorporating value adding at all levels within the supply chain
- The opportunity to access niche markets
- Development of a 'bank for wood' fund
- Flexibility to incorporate a range of investors including urban and micro investors (e.g. crowd funding)
- The development of bonds with long term yield
- Models offering a range of investment time frames

Other attributes to be included in potential new investment models included:

- Supportive policy framework (e.g. tax incentives for Australian wood or farm grown trees, streamlined regulatory environment)
- Bringing farmers and timber industry together to improve information flows on markets and returns
- Development of media campaigns promoting plantation development, e.g. 'wood is good for rural people'
- Develop new and innovative marketing campaigns such as 'Follow your trees' (like the Thankyou model)
- Promoting local champions as examples of the positive outcomes landowners can achieve from plantation development
- Make it easy and profitable for landowners to grow trees

## **8. Action Plan**

As an outcome of the National meeting an Action Plan has been developed to help realise the goal of increasing plantations in the Australian landscape. The Action Plan (Table 2) sets out the actions for the relevant stakeholders.



**Table Two: Draft Action Plan for increasing investment in plantations in Australia**

Governments	Forest industry	Finance Sector	Landowners
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<ul style="list-style-type: none"> <li>Develop a national communication strategy promoting the benefits of forestry and trees in rural landscapes</li> <li>Increase in-school adoption of the curriculum developed as part of <a href="http://forestlearning.edu.au">forestlearning.edu.au</a></li> </ul>	<ul style="list-style-type: none"> <li>Build better and enduring relationships with landowners</li> <li>Develop and support new plantation forestry models that better integrate with existing on-farm activities and production</li> <li>Provide long term community support where plantations are present</li> </ul>	<ul style="list-style-type: none"> <li>Develop simple communication strategies outlining investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Promote champion landowners who have successfully integrated trees on farms</li> <li>Work with government, industry and the finance sector to implement new tree planting approaches</li> </ul>

## **9. Next steps**

A small committee has been formed to prioritise and further develop the actions outlined in this report. It is intended to meet 3 times per year. It will periodically report back to stakeholders.