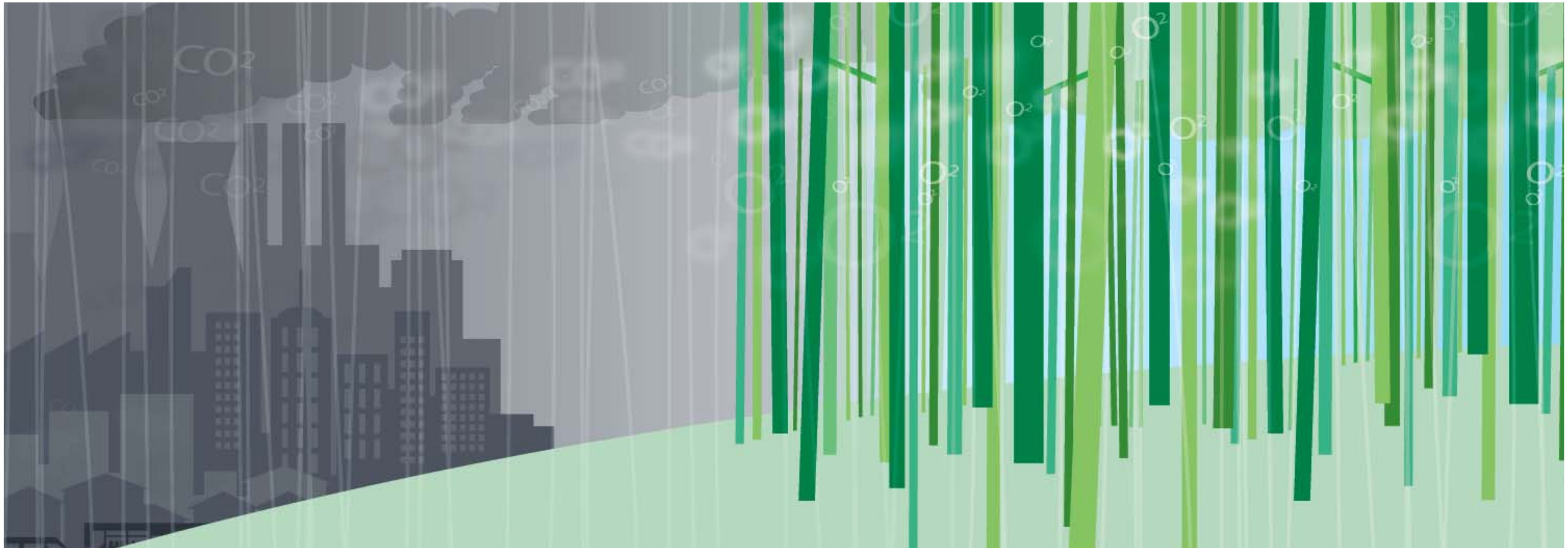

Queensland Forest and Timber Industry Situation Analysis

23 August 2012

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Jim Burgess, Consultant to Timber Queensland

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GVP: $3.8 Billion

Sector	GVP ($A million)	Share
Forestry and Logging	171	5%
Log Sawmilling and Timber Dressing	785	21%
Other Wood Product Mfg	1,294	34%
Pulp, Paper and Converted Paper Product Mfg	1,008	27%
Wooden Furniture and Upholstered Seat Mfg	523	14%

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Employment: 18,680

Sector	Employment	Share
Forestry and Logging	1,700	9%
Log Sawmilling and Timber Dressing	1,900	10%
Other Wood Product Mfg	5,300	28%
Pulp, Paper and Converted Paper Product Mfg	1,800	10%
Wooden Furniture and Upholstered Seat Mfg	7,980	43%

Imports: $880 Million

Sector	Imports ($A million)	Share
Forestry and Logging	9	1%
Log Sawmilling and Timber Dressing	158	18%
Other Wood Product Mfg	134	15%
Pulp, Paper and Converted Paper Product Mfg	299	34%
Wooden Furniture and Upholstered Seat Mfg	280	32%

Multiplier Impacts

- Every $1 of value-added by the industry, generates another $1.80 in the Queensland economy.

- Every 1 FTE in the industry is supported by 1.3 FTE's in the Queensland economy.

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Forest Growing Sector

- Log timber annual harvest around 2.5 million m3 per year.
- 80 percent of annual harvest from the softwood plantation estate of 198,500 ha.
- 20 percent of annual harvest from about 2 million ‘productive’ native forest estate (state/privately owned).
- Native forests are extensive, but most low yielding and unsuitable for timber production.

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Queensland Plantation Estate

Region	Subtropical Queensland	Subtropical Queensland	Tropical Queensland	Tropical Queensland	Speciest totals
Primary product	Sawlog	Pulpwood	Sawlog	Pulpwood	
Softwood species					
Southern (American) pines	127,500		26,500		154,000
Araucaria species	42,000		2 500		44,500
Hardwood species					
Dunn's white gum		14,000			14,000
Spotted gums	8 500	2 000	500	500	11,500
Teak			4 000		4 000
Western white gum	4 000				4 000
Gympie messmate	2 250		250		2 500
African mahogany			1 000		1 000
Red mahogany			500		500
Sandalwood				500	500
Other or mixed species	1 750	1 500	1 750	500	5 500
Totals	186,000	17,500	37,000	1 500	242,000

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Forest Growing Challenges and Opportunities

- Challenges
  - Industry resource constrained – limited opportunity to expand supply.
  - Plantation estate second smallest in Australia and is declining as a result of MIS failures.
  - Greenfield investment in plantations very high risk.
  - No strong competitive advantage in plantation growing – relatively low average growth rates.
  - MIS ‘legacy’ – community angst about plantations.
  - Long term decline in native forest supply

Forest Growing Challenges and Opportunities

- Opportunities
  - FWPA (2011) noted three opportunities to enhance plantation profitability – lower costs (cheaper land etc), increase productivity, and additional sources of revenue (carbon???)
  - Future government policies with respect to state-owned native forests?
  - Opportunities from the hardwood sawlog plantation estate?
  - Private native forests??

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Processing Sector

- 100 primary processors in Queensland in 2010-11 (ABARES).
- Queensland has 26 percent of all primary processors in Australia.
- Number of primary processing plants has declined significantly over the last decade (particularly in hardwood sector).
- 222 fixed location sawmills licensed in Queensland in 2001-02 under the repealed *Sawmills Licensing Act 1936*.

Queensland Primary Processors

Log timber intake capacity (m^3/year)	Number of plants
Hardwood	
< 3000	19
3000 to < 15 000	27
15 000 to < 45 000	8
Total hardwood	**54**
Total cypress pine	**18**
Softwood	
< 3000	0
3000 to < 15 000	5
15 000 to < 45 000	6
45 000 to < 75 000	2
75 000 to < 100 000	0
> 100 000	3
Total softwood	18
Post and pole	**3**
Wood-based panels	**7**
Total primary processing plants	**100**

Processing Sector

- 16 Plantation softwood sawmills – about 2 million m3, concentrated in SEQ.
- Three softwood mills with intake >100,000 m3.
- 18 Cypress pine sawmills – total intake of 150,000m3 of log timber.
- 54 Hardwood sawmills – total intake of 275,000m3, only 8 mills >15,000m3.
- Three Post and pole producers.
- Seven Wood-based panel producers.

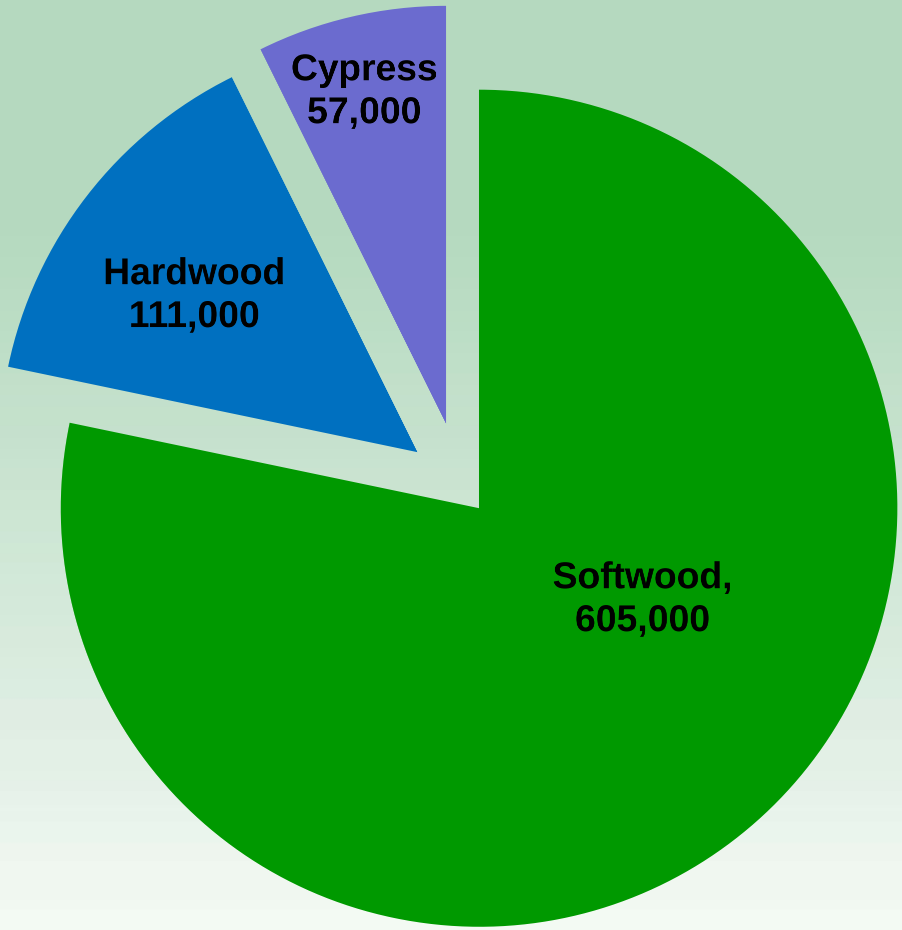
Processing Sector Challenges and Opportunities

- Challenges
  - Not many ‘world-scale’ sawmills/processors.
  - Limited investment in the processing sector in recent years.
  - Recent sawmill/plant closures.
  - High cost structures.
  - Labour/skilling issues.
  - Competition from overseas producers.

Processing Sector Challenges and Opportunities

- Opportunities
  - New product development (Cross Laminated Timber, output from hardwood sawlog plantations?).
  - Economies of scale from business consolidations?
  - Improved market conditions, particularly dwelling construction?
  - Resolution of cypress log timber supply arrangements.
  - New residue opportunities – fuel pellets, biomass?

Queensland Sawnwood Production
(2010/11)



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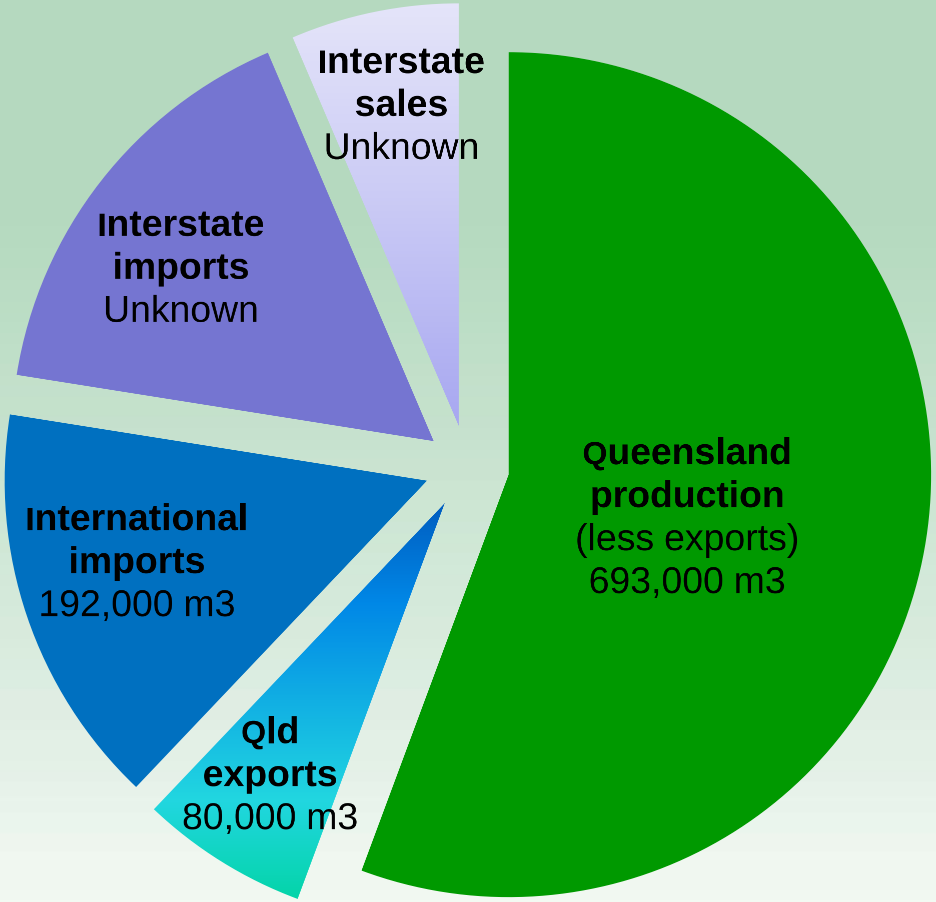
Queensland Sawnwood Consumption (2010/11)



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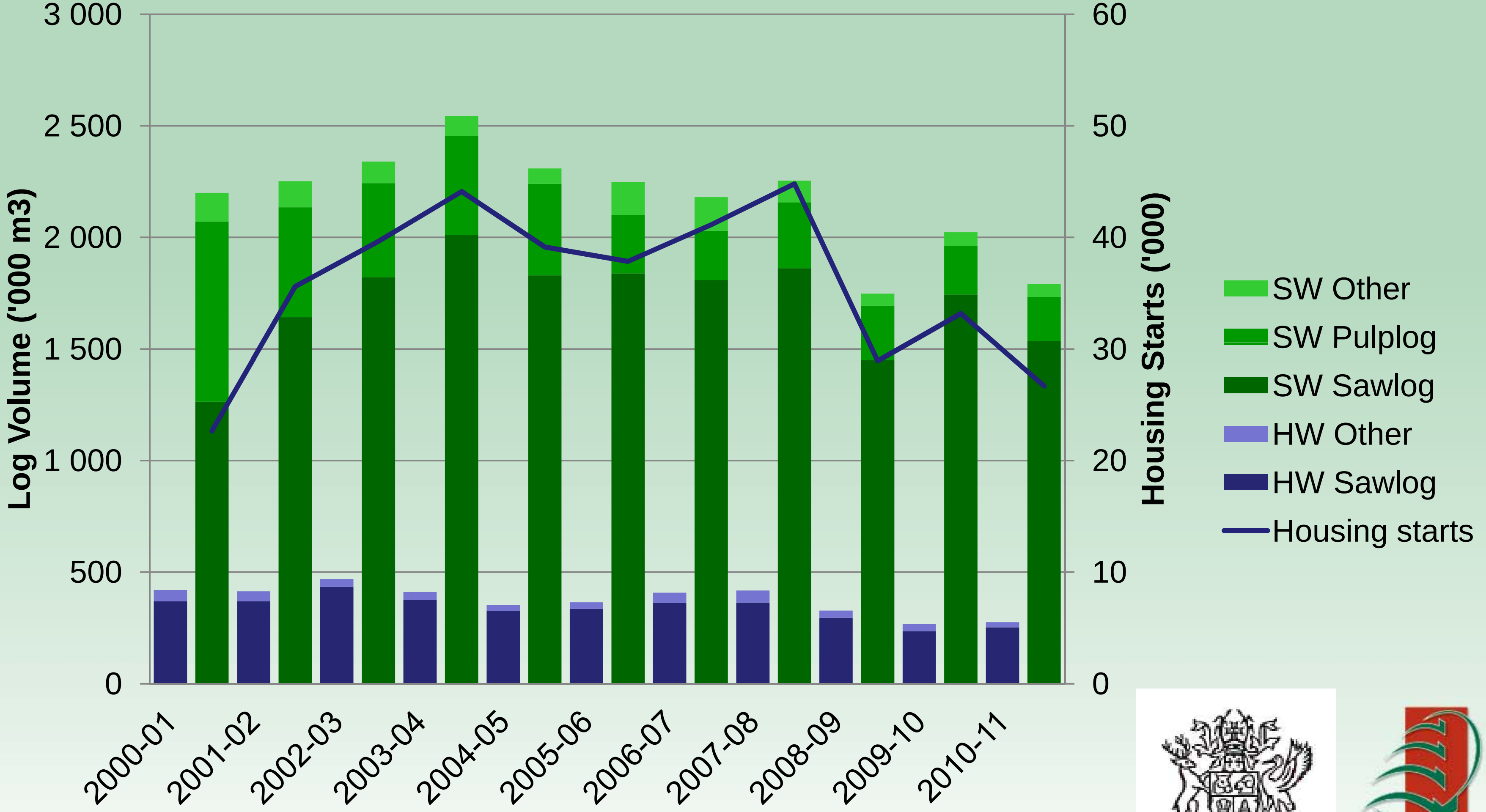
Queensland log volume



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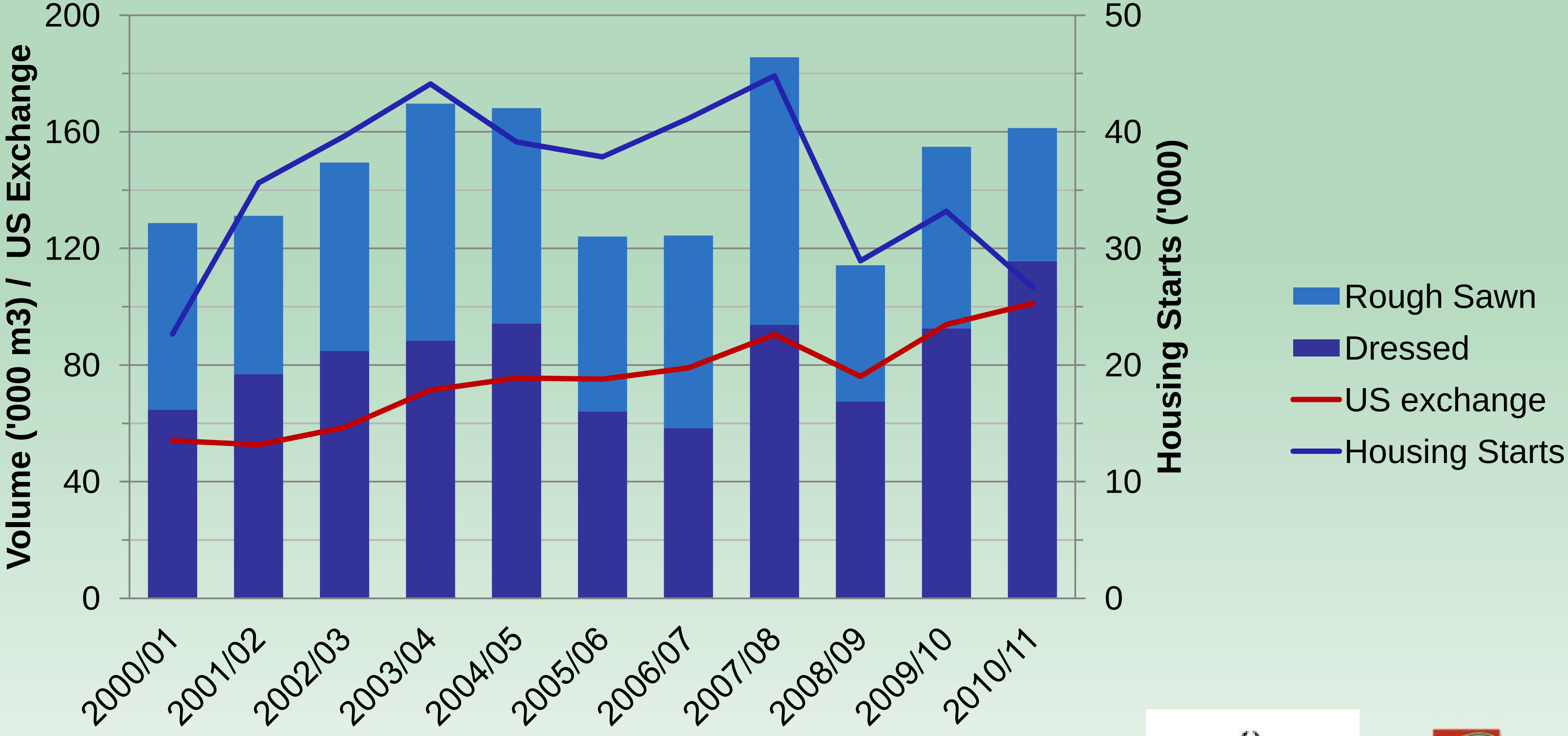
Softwood Imports to Queensland



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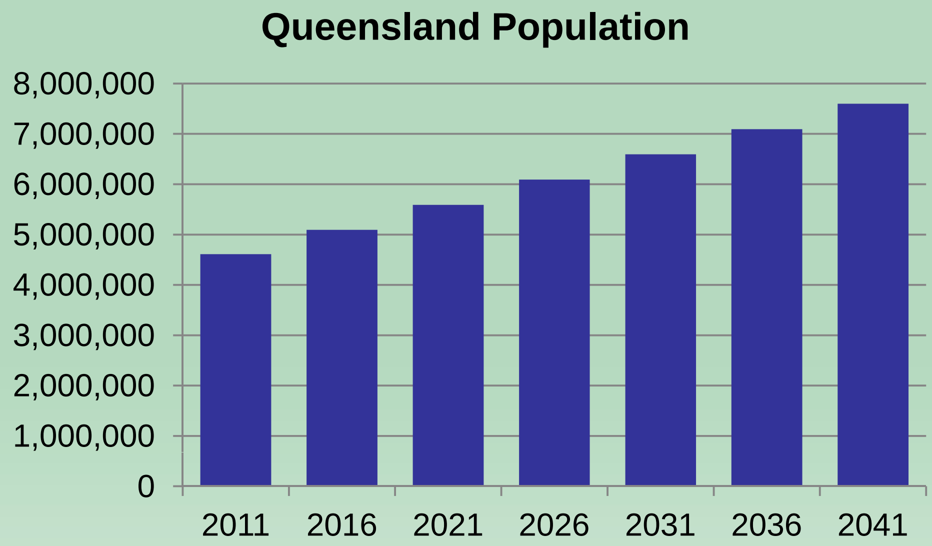
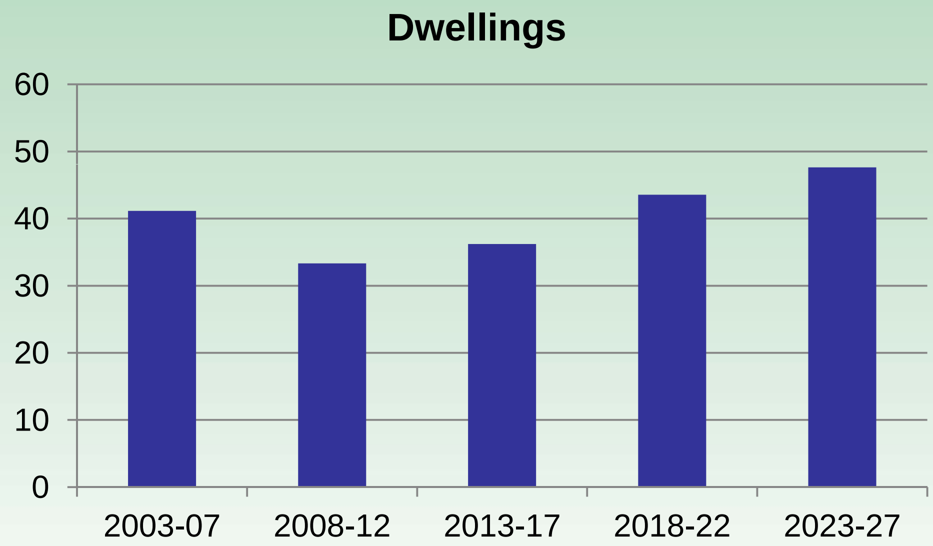
Future indicators



Source: Qld OESR



Source: BIS Shrapnel

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BIS Shrapnel Sawn Timber Projections

- Australian demand to grow from 4.9M to 5.4M m3 between 2012 and 2015, up to 5.7M m3 in 2026 (approx. 14%)
- Australian production will range from 4.5M to 5.2M m3
- Recent import trends will ease by 2014 as domestic and international wood markets recover and exchange rate eases.
- Further decline in demand for hardwood - related to reduced supply & substitution
- Imports will rise in the long term unless resource base is increased.

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Market Challenges and Opportunities

- Opportunities
  - Population and dwelling growth
  - New products – CLT and panelised building systems
  - Illegal logging controls
  - Bio-energy feedstock – implications for current residue users
  - Carbon storage in wood products
  - Potential for wood–first policies

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Market Challenges and Opportunities

- Some constraints
  - Barriers to building – red tape, land release
  - Uncertainty arising from international demand / exchange rates
  - Declining R&D capability

Conclusions

- Positive demand drivers
  - Population and dwelling growth
  - Environmental credentials of wood
  - New products / new markets
- Major challenges
  - Declining competiveness of manufacturing in Australia
  - Current low profitability and return on investment
  - International market pressures (high $A)
  - Resource availability and access
  - Viability of greenfield plantations

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Thank you

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