MGA INDEPENDENT RETAILERS | TMA TIMBER MERCHANTS AUSTRALIA

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# House of representatives

# Standing Committee on Agriculture and Water Resources

# Inquiry into the timber supply chain constraints in the Australian plantation sector

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**06 August 2020**

MGA TMA thanks the House of representatives, Standing Committee on Agriculture and Water Resources for the opportunity to lodge a brief submission in response to the "Inquiry into the timber supply chain constraints in the Australian plantation sector".

- MGA TMA - Timber Merchants Australia, is a national registered employer's organisation comprising timber merchants, hardwood sawmills, wholesalers, fabricators and hardware businesses.
- Representing over 250 family and private business members, generating in excess of $2 Billion Dollars in revenue annually, employing more than 4400 staff, MGA TMA submits that the viability and sustainability of these businesses, relies heavily upon the availability of adequate volumes of timber in structural, appearance and industrial grades.
- In addition to Timber and Hardware member businesses, MGA TMA is also an employer organisation representing over 2500 family owned supermarkets, liquor stores and retail businesses generating revenue exceeding $16 Billion Dollars.
- MGA TMA's members are greatly concerned with the ever increasing locally grown timber supply chain constraints.
- Timber supplies have been put under significant pressure, placing members' businesses at risk as their business rely upon consistent access to adequate timber resources to supply their customers and meet demand.
- MGA TMA submits that there will be more increased pressure placed upon the local timber supply chain in the future, unless immediate provision and investment is made locally into timber plantations to meet the local demand.
- Whist MGA TMA acknowledges that timber imports will have an important role to play in the foreseeable future, this role is best reduced by maximising opportunities to source building timber locally, as well as add value to locally produced timber products.
- MGA TMA would like to draw the Committee's attention to the serious issues pertaining to the current and potential timber supply chain constraints which will influence the markets of our members.

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**Future Demand**

Demand for timber products is growing and, without adequate planning, the supply chain will be stretched for the following reasons:

1. **Population Growth.**
    a. Demand for housing is increasing as Australia's population grows.
    b. It is widely accepted that immigration provides important economic stimulus, and this is particularly true regarding the building industry.
    c. Immigration accounts for approximately 85% of population growth.
    d. Immigrants on average buy their first house approx. two years after their arrival in Australia.
    e. Timber is a key construction material for both builder and trades.

2. **Environmental Credentials.**
    a. The reputation of Timber for being both renewable and an important form of carbon storage means that it is becoming increasingly important to end users, and demand for our members' products will increase as a result.

3. **New Timber Markets.**
    a. While timber has been more broadly used in construction internationally there is now a growing market for timber in medium and high-density construction in Australia.
    b. Due to cost and site efficiencies, conventional timber framing is being used for all types of domestic buildings while there is also increasing acceptance of "cross laminated timber" construction – CLT – in multi-story commercial developments.
    c. Australia's second CLT plant will be operational by 2023 and there will be higher volumes of wood fibre required for this product in the future.

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**Matters Impacting Supply**

Consistent and reliable Timber supply to our members is critical and MGA TMA submits that the following matters have had a negative impact on the supply of timber in Australia:

1. **Plantation Size.**
    a. As the Australian economy has grown, driven by population growth, timber plantations have had little to no increase in size to meet Australia's ever-increasing housing and building demand.
    b. Restricting the Carbon Farming Initiative by way of the 600mm water rule is viewed as counter-productive by the forest industry – plantation owners.
    c. Improved supply will be achieved by implementing the right policy settings.

2. **Bushfires.**
    a. Recent catastrophic bushfires in the Tumut, Bombala and Bathurst regions will affect timber production and availability from the Tumut/Tumbarumba regions where significant volumes of pine are and have been grown and produced for the domestic housing and building market.
    b. The 2009 and 2014 Gippsland fires forced the closer of Carter Holt Harvey's Morwell sawmill.
    c. MGA TMA understands that plantations could be located further apart, in order to isolate plantation fires and avoid the accumulative damage which results from them linking up.
    d. Our understanding is that more can be done to minimise fuel loads thereby reducing the severity of fires on this critical resource.

3. **Log exports**
    a. There is strong international demand for timber logs but locally grown forests should be used for the Australian market.
    b. Australia is experiencing a net deficit of timber supply. It is therefore strongly recommended that local logs should be used for local construction and manufacture.
    c. While low production costs associated with log exports might seem attractive an enormous local economic benefit is lost.
    d. Locally grown logs can be used for value added applications locally, which drives increased employment, a healthier economy and reduced imports.
    e. There is some conjecture regarding sawlog suitability over the entire lot of log exports but MGA TMA's understanding is that any saw logs of poorer quality will still have value in the Australian market regardless of end use.

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**Conclusion**

- In recent year's our members have experienced great difficulty in procuring adequate supply of timber resources for their businesses.
- The world's economies are all in growth phase, there is simply not enough wood fibre in the world to go around as we saw two years ago.
- Australia does not have enough plantations to sustain a full market and if the demand continues to increase (and post COVID) around the world, Australia will again simply miss out due to its tyranny of distance.
- When the US was in its growth phase two years ago (nowhere near its peak) Europe dropped the Australian market and shipped everything they could to the US.
- The timber supply chain will continue to experience stress as Australian demand continues to increase.
- While imports will continue to fill niche requirements our members will require greater amounts of locally produced plantation timber to satisfy their customers' needs and maintain their successful business models.
- Sound timber plantation planning and immediate effective changes to current strategies can facilitate both short- and longer-term improvements to the Australian timber supply chain.

MGA TMA thanks the House of representatives, Standing Committee on Agriculture and Water Resources for the opportunity to lodge a brief submission in response to the "Inquiry into the timber supply chain constraints in the Australian plantation sector".

**PETER ALEXANDER**
**PRESIDENT MGA TMA TIMBER MERCHANTS AUSTRALIA**
**MD – PEUKER & ALEXANDER P/L**

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**Terms of Reference**

Inquiry into timber supply constraints in the Australian plantation sector terms of reference.

to inquire and report on:

- the nature of wood supply from Australia's plantation sector including:
    - Projected timber volumes available over the next 30 years and the potential grades of logs available.
- The plantation wood supply available for domestic softwood processors including:
    - Current and future demand for logs for domestic processors; and
    - Any shortfall in current processing industry demand for logs.
- The competitiveness of log pricing between domestic and export market.
- The term of log supply contracts needed to support the processing sectors.
- Opportunities to increase Australia's wood supply, including identifying and addressing barriers to plantation establishment.
- The role that state governments could have in assisting in addressing any problems identified by the work of this committee.
- Make any recommendations around any code of conduct or management mode that could assist in addressing any problems identified by the work of this committee.

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