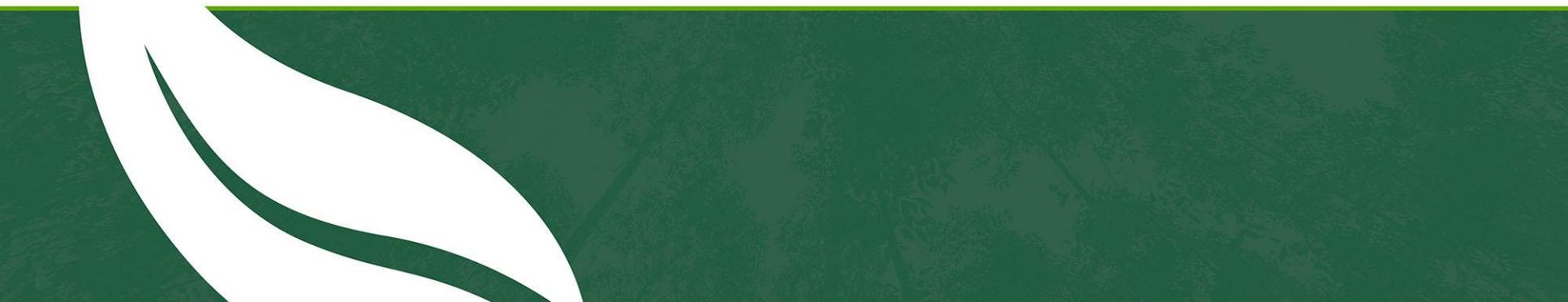

What new approaches might industry adopt to successfully work with landowners ?

2018 Joint IFA-AFG Conference - Forests for healthy cities, farms and people

Tony Price

Managing Director, Midway Limited



Small scale private forestry has a major role to play

Small-scale plantations make a meaningful contributions to wood supply in many other countries but have failed to reach its potential in Australia



- Around 150,000 ha of small scale planted forests in Australia; just 8% of the plantation estate.
- Other countries have built up small scale plantations such that they provide a significant contribution to wood supply for their country:
 - Sweden – 50% of forest land owned by individuals and families
 - South East USA – 57% of total forest area owned by small family landowners
 - NZ – 37% of plantation forest owned by private individuals with parcels of no more than 10,000 ha

Source: NPI 2013; AFPA, 2016, "Plantations: The missing piece of the puzzle"

What issues need to be addressed ?

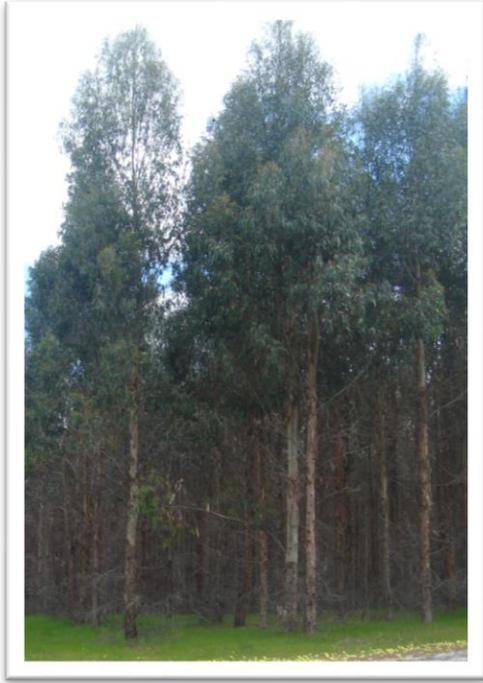
Active engagement, building trust, education on the benefits of plantations and transparency

- Still some MIS negativity among landowners
- Trees are not core business and tie up land for a long period
- A major communication effort to educate of the benefits of growing trees along side traditional agricultural activity
- Market education
 - Wood and fibre products
 - Carbon and environment markets
 - New fibre products
- Third party endorsement
- Need to demonstrate flexibility ie try to accommodate landowner needs
- Need to work with peak industry bodies ie AFPA, NFF, VFF



How can we get landowners growing trees ?

While scale has always been a challenge with getting trees on farms, there are potential commercial benefits to both the landowner and the producer



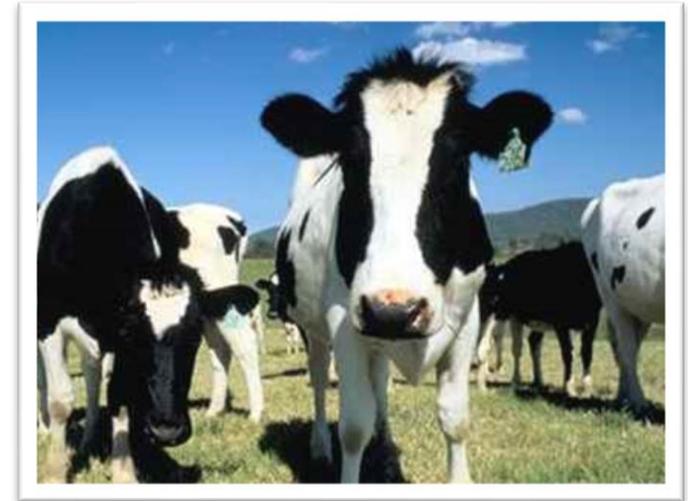
- Acceptable returns - need clear and transparent market signals
- Off-take agreements with processors
- Additional income and complements other farming activities
 - Shelter for stock and crops
 - Soil conservation
 - Salinity mitigation
 - Water catchment protection
- On farm employment, provision of contract service and use of farm equipment

An example from NZ

Recent studies found that plantation forestry is competitive with dairying if economic and environmental costs/benefits are considered

- SCION NZ compared a 28,000 ha forestry enterprise to an equivalent sized dairying enterprise in the Central North Island.
- The study was based over a period of 28 years which was equal to one forestry rotation.
- Forestry came out on top when both economic and environmental costs/benefits were taken into account.

	Forestry	Dairying
Economic benefit	NZ \$161m	NZ \$194m
Environmental cost/benefit	NZ \$31m	-NZ \$18m
Net benefit	NZ \$192m	NZ \$176m



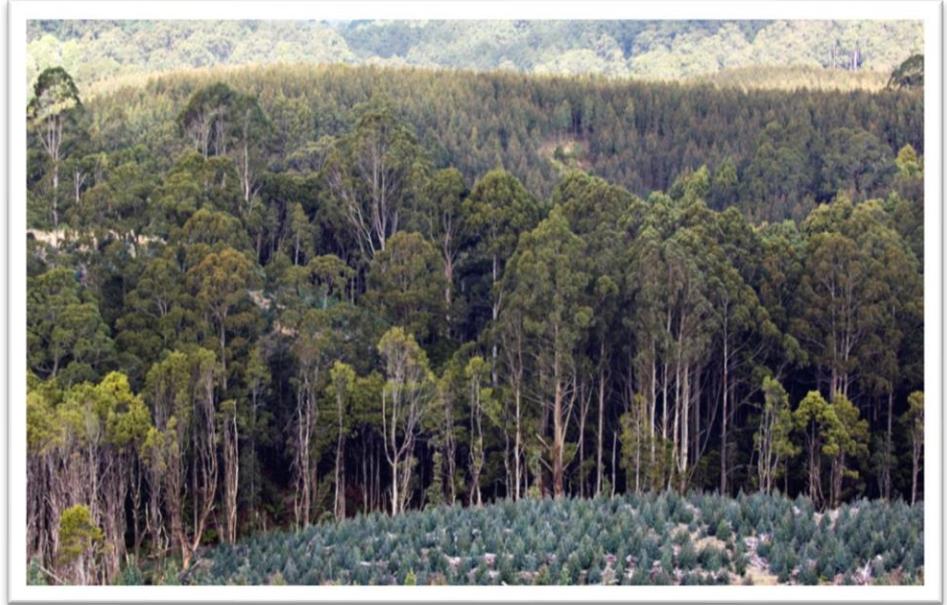
Source: Monge et al, 2015, "Identifying complementarities for the dairy and forestry industries in the Central North Island", Scion Research

What approach are we going to take ?

Prior to the commencement of MIS sector there were many mechanisms available for the establishment of plantations on private land

- Land Leasing
- Joint Ventures
- Joint Assistance
- Marketing or Offtake Agreements
- Extension services
- Or a combination of some of the above

Re-invigorate the old structures that worked !!!!



In Summary

Our new approach need to be more flexible and innovative when engaging with the landowners



- Need to re-engage with landowners with a more flexible landscape approach to plantation development
- Demonstrate improved plantation returns and the possibility of generating returns from sequestering carbon provide a more positive investment climate
- Providing a more transparent pricing mechanism
- Need to convince land owners and high net worth individuals of the benefits of becoming part of our industry
- Development of a suite of options which will allow flexibility when discussing private landowner needs