

**Submission
No 110**

**INQUIRY INTO LONG TERM SUSTAINABILITY AND
FUTURE OF THE TIMBER AND FOREST PRODUCTS
INDUSTRY**

Organisation: Morgan Sawmill Jamestown

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MORGAN SAWMILL

INCORPORATING SAWMILL DIRECT CASE & PALLET AND RIVERLAND TREATED PINE

ABN – 95 597 417 453

PO Box 146
4487 WILKINS HIGHWAY (CALTOWIE ROAD)
JAMESTOWN SA 5491

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Submission to the Inquiry into long term sustainability and future of the timber and forest products industry

Morgan Sawmill Jamestown is the sole remaining log processor in the mid north of South Australia. Various reasons saw the demise of at least 6 processors before the year 2000. Morgan Sawmill expanded and diversified and was successful in negotiating supply with Forestry South Australia. This was a highly successful association until the devastating Bundaleer Fire in 2013 and Bangor Fire in 2014.

After these 2 events Forestry South Australia made a decision not to support the continuation of forestry in the birthplace of forestry in Australia which included the sawmill/processing facility located in Jamestown.

Forestry South Australia facilitated Morgan Sawmill to purchase some salvage log from the burnt forests and then sold the forests off.

As the mid north fires were burning, FSA set up an exporting programme whereby they leased a site (Ocean Steamers Road Port Adelaide) and made an arrangement with Chinese interests (unknown) to sell log to China. Around 300,000 tonnes of log were exported through this site until the operation finally ceased in 2018. This log was unavailable for local processors so Morgan Sawmill had “no supply” but China had “plenty”. After much lobbying, Forestry South Australia grudgingly allowed Morgan Sawmill a small portion of the log being exported. Morgan Sawmill picked up this log from Ocean Steamers road. I feel that the export job was to “bolster up” Forestry South Australia’s income after the sale of the South East assets.

With a change of Government and some shuffling within ForestrySA in 2018 came a 3-year Log Supply Agreement which was negotiated based on Morgan Sawmill paying “Export Parity Pricing”.

I have read through the submission (the Limestone Coast Inquiry) that was made by the South Australian Timber Processors Association. The section devoted to the practice of offering large volumes over short term struck a chord with me. Forestry South Australia set up a tender system so similar that it resembles a carbon copy of the OneFortyOne suspected breach.

In February of 2020 Forestry South Australia offered by Expression of Interest 75,000 tonnes of log. This was to be finished by 30th June 2020. The largest local mill processes 70,000tonnes per annum and the smallest around 5,000tonnes per annum. Forestry South Australia has “take or pay” clauses included in supply agreements and refused to relax that clause, which effectively precluded any local processor access to that tender.

That Tender was won by an exporter with strong Chinese links.

CONCLUSION

My submission can be summed up very simply.

The South Australian Government showed strong ingenuity in the very early days by setting of long-term forests. A full industry has grown alongside giving employment for thousands of South Australians. These processors had stable and long-standing enterprises, but were 100% reliant on supply from the South Australian Government grown resource.

In more recent times (especially after the sale of the very large South East Estate), the focus from Forestry South Australia has been placed onto "Export at any Cost". This has led to a destabilisation within the industry. Indeed, the Mount Lofty Estate has been overcut drastically to introduce and maintain the Export program.

My point is that if Forestry South Australia, had these many hundreds of thousands of tonnes of log available, why couldn't they have been offered to the existing local processors, over a reasonable length of supply, under contract. This would have led to a full utilisation of the local resource for the longer term.

The current management process will lead to a black hole within a short period which will result in the demise of all processing in South Australia. If a forest is overcut (current Forestry South Australia shows a 33% overcut), then in a relatively short period, the entire estate becomes "too young and immature" to produce any sawlog. (The export market is "short term" "large volume" so log must be taken mainly from mature stands, which results in a dramatic reduction in the average plantation age). The only remedy is to "stop all production" for a number of years, so that the average age, again, becomes correct. During that break all processors would be forced to shut down, and could not restart.

Point -1 – If there is log for export, then there is log supply for local processors, so this needs to be nurtured by long-term agreements.

Point – 2 – Local Processors provide a significant number of jobs and a high percentage of monetary value for the Australian communities. We can also fill the current gap in housing timber supply.

Point – 3 – Any profits generated by Local Australian Processors remains in Australia

Point – 4 – The Australian bureau of statistics shows us that every job in log harvesting builds 7 jobs in processing. So, every truckload of log going to export has, 7 Australian families on the back.

Point – 5 – The owner of Forestry South Australia needs to make the connection between a healthy processing sector with a healthy state economy.

Thank you for the opportunity to put a submission in to this very important inquiry.

Kind Regards

Ed Morgan

Partner

Morgan Sawmill Jamestown