



## Playing to our natural strengths

Playing to our natural strengths means differentiating the Australian forestry industry based on our innovation, sustainability and commercialisation of high-end, value-add product.

With a strong vision and coordinated thought through policy framework, Australia's forest, wood and paper product sector could be more internationally competitive in terms of its investment attractiveness, price-premium products and highly skilled workforce.

Our forestry industry could make a very significant contribution to economic, environmental and social wellbeing across regional Australia.

## Forces driving the future of forestry

The opportunity – with targeted actions the Australian forestry industry could dramatically increase the income, jobs and investment it contributes to our economy.

- ▶ **Demand** – With urbanisation and population growth in the Asia region projected to increase to almost 5.2 billion by 2050 and 9.7 billion<sup>1</sup> globally there will be stronger demand for all fibre products
- ▶ **Innovation** – Growing demand and shifting supply are driving innovation in the forest and forest products space
- ▶ **Environment** – Forests play a significant role as carbon sinks as do wood based products
- ▶ **Energy** – Bio-fuels and bio-energy will be a growing part of our region's energy mix
- ▶ **Construction Materials** – Transformative technologies are delivering efficiency, environmental and performance benefits to the construction and manufacturing industries
- ▶ **Exports** – Australia is well positioned to increase exports of high value add wood products and bio-energy
- ▶ **Investment** – Australian forestry is an attractive investment market with quality assets, low risk, stable government and close proximity to growth markets

The challenge – Australia is losing market share, jobs and revenue to nations that have policies in place that realise the value of the industry.

- ▶ **Disconnected** – Australia's forestry industry is disconnected across the supply chain and stakeholder communities
- ▶ **Global competition** – We are increasingly competing with lower cost, more efficient producers
- ▶ **Market share** – Australia's overall market share in forestry exports to key regions is falling
- ▶ **Hurdles** – Growth-limiting hurdles need to be addressed. These include lack of R&D; market access; resource and human capital shortages; land, water and supply chain inefficiencies
- ▶ **Scale** – Lack of log supply constrains the scale enjoyed by international competitors

## Fibre for thought

- ▶ Australia's forest product industry contributes \$20 billion<sup>2</sup> to the economy every year
- ▶ The global bio-economy is estimated to be worth \$200 billion<sup>3</sup> in the future
- ▶ Australia's forest products industries employ over 120,000 people<sup>4</sup> through the value chain
- ▶ Australia is home to 29<sup>5</sup> regional communities that host large forest industry hubs
- ▶ Forests harvested today were planted a quarter of a century ago
- ▶ Managed forests absorb more carbon, have high biodiversity and provide employment in regional communities
- ▶ The more wood used, the greater the demand for trees and the more embedded carbon
- ▶ Australia has a well-established, internationally accredited system for certifying forests are responsibly and sustainably managed
- ▶ Canada is increasing industry value with good policy and focus on the emerging bio-economy and industry transformation pathways. With R&D and a regional focus we could do this in Australia too

EY encourages greater focus on the markets that value and will pay a price premium for sustainable, certified, high quality wood products.

<sup>2</sup> Australian Bureau of Agricultural Resource Economics and Sciences

<sup>3</sup> Forest Products Association of Canada

<sup>4</sup> Australian Bureau of Statistics and Australia's Forestry Industry Database

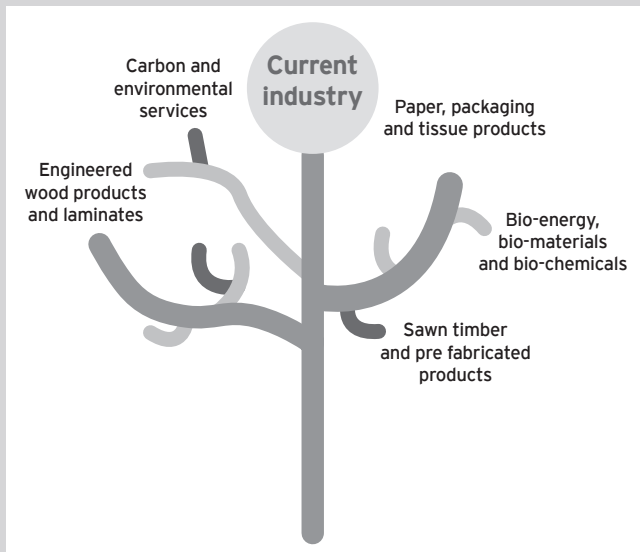
<sup>5</sup> Australian Forest Products Association

<sup>1</sup> French Institute of Demographic Studies, October 2015

The Australian forest, wood and paper products sector is an important industry with a proud history and significant upside possibilities.

What if:

- ▶ We better utilised wood resource from forests and mill processing?
- ▶ We improved the infrastructure that supports the industry?
- ▶ We had best in class economies of scale in forest growing and processing?
- ▶ We better understood future consumer supply chain needs?
- ▶ We concentrated our focus and investments on the most productive and competitive forestry hubs?
- ▶ We focused on the high value emerging bio-economy?
- ▶ Our future R&D needs were agreed and met?



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**Forestry is a strong industry that needs a bold, unified vision. If it has that and it is implemented well, there will be multiple winners.**

New and innovative ways to increase productivity and improve the sector's international competitiveness are possible.

The right policy framework will:

- ▶ Be aligned with business strategies
- ▶ Reflect market dynamics, consumer preferences, supply chain needs and our natural competitive advantages
- ▶ Drive greater cost competitiveness
- ▶ Support a culture of innovation, continuous improvement and ambition to win
- ▶ Reduce international trade barriers
- ▶ Drive productivity growth and new premium markets
- ▶ Reward investment ready businesses

At EY we are passionate about helping to build a better working world, and we are deeply committed to working with industry, academia and government to actively pursue greater prosperity across the forest and forest product industries.

EY has a wealth of experience in the Australian and global forestry industry. We are a leader in the Australian consulting market, having been voted best management consulting firm 2014 by the BRW Client Choice Awards.

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