

***Review of the Taxation of Plantation Forestry
C/- Department of the Treasury
Langton Crescent
PARKES ACT 2600***

Background to submission author Dr Katrina Rainsford

I have lived my life in rural Australia. Growing up on a family farm in the West Wimmera, attending local State and country High Schools, then achieving my veterinary science degree from Melbourne University in 1978.

I have worked in the Goulburn Valley in dairy practice, Gippsland in small animal practice, the upper South East of South Australia in beef sheep practice and then 15 years in partnerships or company owner in mixed rural practice based in Naracoorte and Penola in the South East of South Australia and Edenhope in Western Victoria.

In the last eight years I have worked in the far South West of Western Victoria in the Shires of Glenelg and Southern Grampians, travelling extensively throughout the South West of Victoria and continuing to travel the South East of South Australia.

We have two farms, one in the West Wimmera and one in the Southern Grampians Shire. Family farmers with four children attending local schools we have contributed to our local communities in Landcare, CFA and CFS, school councils, Progress Associations, Race Clubs and local sporting groups alongside providing our trade skills off farm in veterinary science and auto electrical repairs.

I have been a councillor of West Wimmera Shire from 1997 to 2000, representing council on West Wimmera Tourism and the Landcare Network. Now a councillor on the Southern Grampians Shire elected May the November 2004 I chair the Shire Tourism Board, Road Safety Committee and participate in the Grangeburn Wetlands and Stakeholders Committees.

In my second Southern Grampians election community mail out I listed these points relating to the plantation industry and was elected fourth out of fourteen candidates:

“ Understanding the forestry industry. Acknowledging the benefits of the new industry is important but where will we strike a balance and how? ”

“ I acknowledge the achievements of previous councillors and feel my job is to take care of their legacy of community assets whilst responding to today’s issues and planning for the future.”

And on my candidature statement I stated

The challenges...

- ***Impact of tax subsidised broadacre corporate forestry***
- ***Future carbon credit trading***
- ***Integrated family farm forestry***

Finishing with **“ ...this country vet farmer supports rural and regional communities”**.

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We have worked through the deregulation of the wool industry.

Adjusted to the deregulation of the dairy industry.

Face the future of expanded free trade policy.

We in the wool industry are an example of a free global trading that has never had trade or taxation advantages beyond other agricultural industries. Our only sale support was through the self funded reserve price scheme which was originally to set a floor price representing the cost of production of wool. Instead it became a production setter corrupting the true market signals to producers leading to the wool stockpile.

Our prime lamb and beef industries stand alone, funded by commodity levies to support our market promotion and industry research.

But for those in high reliable rainfall areas we now are trying to survive amongst a regulated by deliberate removal of regulation tax driven plantation industry based on a 2020 vision which appears to not have considered the social, economic, ethical and environmental issues or provided a vision of agriculture in this rainfall zone.

In an effort to responded to local community concerns and implement the plan of a local group of women involved in agriculture I placed an add in the local Hamilton Spectator after an Anzac Day service in our local town of Cavendish.

ARE YOU BLUE ABOUT BLUE GUMS?

What is driving the broad acre blue gum industry?
When will they reach their planting target?
How much land is needed to satisfy the tax investors?
How much land is needed to balance those carbon credits?
What is the future of Family Farming?
What will our rural landscapes look like?
Our streams?
Our Lakes?
.....so many questions

**If you want to be part of a project working towards
understanding the plantation industry and investigating the
future of family farming in the South West of Victoria**

*call Katrina Rainsford on 0429 741 256
or email kate@KatrinaRainsford.com*

I received emails and phone calls from people around Hamilton: farmers, environmentalists, researchers, academics and business people. People called or emailed who had moved away but had family or property still in the area. I received emails across network forums contributing to the debate.

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I also received calls from members of the timber industry, some of who are friends and associates through community activities or schools.

The response gave me the confidence to pursue the issue and raise the public debate by conducting some workshops across the South West of Victoria.

To promote the workshops I used radio and local regional papers.

Warrnambool Standard (outline of text for article)

“I am concerned like many others of the environmental, community and economic impact of the tax driven timber plantation industry and don’t believe that this industry has been given the close scrutiny that should be inflicted on any new industry in today’s world which has such major social, environmental, infrastructure and population impacts.

I was concerned when I saw the reduced population of my home shire whilst farming communities sold out, not finding much solace in talking to blue gums. But we acknowledged we should not resist change and diversity of industry and that jobs were a part of the timber industry too. But what was a trickle has become a storm and the high production red gum grasslands are now being planted to blue gums replacing the stringy bark land. The otherwise sterile lifeless blue gum plantations harbouring foxes and deer have become dominant in some areas.

Then at a VFF meeting at Macarthur in I heard of The Water and Land Use Change Study conducted by Deakin University in conjunction with GHCMA and local Shires. This study reported that broad acre; plantations reduced water run off by 20%. The second stage of this study is now due for release and I wait with interest as to the updated information, knowing that pine plantations dry up waterholes, that the Blue Lake at Mount Gambier has dropped two meters in 20 years due to change of land and water use, and that local farmers report planting swampy paddocks to blue gums results in drying them out.

I am concerned that promised wood chip production yields are potentially unachievable and information suggests global competition may not provide the climate for local value adding of the woodchip industry with local pulp mills, that we may have reduced our land to a wood chip minefield that will not support our standard of living like the diverse grazing and cropping systems that can more flexibly move in and out of higher value production.

It appears the money made by the timber companies may be more in the trading of real estate and not in the final product. There is money in change, and change of landownership from local Australians to foreign multinationals may actually be what is going on – but who knows?

Where is the transparency of this industry?
The Environmental Impact Studies?
What are our Catchment Management Authorities doing?
Where is Local Government’s involvement?

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I attended the December 2004 Simpson meeting where 300 dairy farming family members came together to hear about the imminent loss of 50 dairy farms to one company.

The irony is that an industry working its way through deregulation is temporarily vulnerable to another industry that could be provided with a regulated taxation and regulated superannuation investment climate.

Just like the vulnerable woolgrowers around Hamilton in the 1990s.

But we only need to look at the current situation of the wine industry and potentially the olive industry to see how tax incentives producing rapid new investments can cause short term gain with long term pain whilst a new balance is found.”

The goal:

“To conduct a series of forums in the south west of Victoria on the plantation timber industry and investigating how the change in land use is impacting on family farming and our communities. The purpose is to better equip our rural women and families to make informed decisions about their future.”

Plans are underway to develop a series of seminars to provide in depth information to the public on the plantation industry collating up to date information and highlighting issues where more information was needed.

This submission has been prepared in response to being alerted that this review was underway.

It was disappointing that the broader community was not made aware of the review and invited to make submissions.

Two workshops were held, one in Hamilton on 14th July and a second in Camperdown on 19th July. Fifteen and twenty people attended respectively.

Summaries of the issues raised from participants at these workshops are attached.

This submission is not a scientific, economic, statistical analytical review but a series of questions and statements outlining the concerns raised by country people.

Hence the title of this submission is “Country Voices”.

Our communities have welcomed diversity and alternative industries into their fold, recognising during the 1990’s the new industry gave some farmers the opportunity to get out with dignity.

However the magnitude of the industry now is leaving our landscapes and remnant communities with less dignity.

It is also a concern there are no guarantees that Australian consumers will consume Australian paper and wood products on a global market so the replacement of imports theory may not be substantiated by actual free trade practices.

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Hamilton Workshop July 14th

Fifteen attendees, ten concerned farmers and five timber industry representatives.

Economic

- There was a lack of confidence that there was a limit to the spread of plantations through the reliable rainfall areas
- Where was the forestry industry in achieving the Federal Government's 2020 vision of replacing the \$2 billion of wood and paper product imports which was the initial driver of the taxation treatment of the industry?
- Farmers resent the perceived or factual favourable taxation treatment received by the outside investors that drop their excess funds into the coffers of the timber companies so they can go shopping and spraying and ripping and planting out much sought after good agricultural land
- Timber companies continue to provide information to those questioning the taxation incentives that there is no favourable taxation treatment of the timber industry - then why is this review of the taxation treatment of plantations occurring and why the current taxation 12 month rule extension to 2008?
- The result is farmers felt there was an unlevel playing field, who ever is right, even if it is farmers who are being blind to the potential of outside investment using taxation deductions to bring capital finance into their industry
- There seemed not to be an argument that the industry was in fact taxation driven and family farmers feel this is unfair
- Farmers found it hard to stomach the argument that land prices were just “market driven” when the market was clearly driven by supply of taxation deduction investments which the timber companies would be “mad to give back” (quoted from timber industry employee at the forum)
- Farmers questioned the economic viability of the proposed pulp mill(s) in the southwest
- What if the chips or pulp is not worth harvesting or shipping?
- Examples quoted at the local Port of Portland when local know the soft wood chips are not worth shipping due to the change of the Australian dollar so they accumulate on the wharf
- No acceptable explanation could be provided as to the failure of the establishment of a pulp mill in WA with their large amount of blue gum plantings. The global market and fluctuations in value of end product, wood chips or pulp, seemed not to endear any more confidence in farmers than any other commodity.
- The 12 month prepayment rule which allows timber companies to receive money prior to the 30th of June but not spend it until over the next twelve months to purchase land, spray out, rip and bank, plant and fertilise blue

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gums – this is not available to family farmers but only to the group corporate investment model

- When the timber representatives were asked about the impact on the regional production the response that was farmers being “so smart” were producing more of the existing land and there would not be an overall impact on the production – this seemed unrealistic and also unfair as farmers were making these improvements without a taxation advantage of the 12 month prepayment rule.

Environment

- A disagreement that broad acre blue gums are good for the environment
- Environmental Best Management Practice and Environment Management Systems promoted by State and Federal Governments are integrated with diversity of species and height, ground cover and logs for other species compared to a mining monoculture
- Blue Gum Plantations are “dead” “empty” “silent” “voids”
- Farmers questioned the environmental impact of the proposed pulp mill(s) in the southwest
- Farmers felt their long term environmental work was being trashed and felt their work was devalued
- The much acclaimed Victorian Potter Farm Project which integrated forestry and native vegetation renewal within livestock and cropping practices has been cast aside with some of the existing Potter Farm plantations demolished and planted out with blue gums
- In the West Wimmera shire in particular there has been destruction of the nesting sites of the endangered eastern Red Tail Black Cockatoo – now the 2006 Melbourne Commonwealth Games mascot called Karark. These birds need old dead red gums to nest in alongside their feed source. Dead trees are still being knocked over to maximise the area planted to blue gums

Planning

- Common ground was the frustration that those setting up the 2020 Timber industry vision had not provided the required planning and funding structures to provide much needed infrastructure like adequate roads and bridges, particularly local roads managed by local councils
- The right to plant plantations is as of right in Victoria without planning permits required with only environmental overlays in some areas relating to water catchment headlands as in Corangamite shire or treatment of old dead red gums like the Red Tail Black Cockatoo overlay in West Wimmera and Glenelg Shires
- There was also concern about lack of transparency in the funding and potential conflicts of interest between various parties purported as caring for

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the environment. For example Greening Australia was represented as a working or contracted associate party to Timbercorp to conduct ecosystem evaluations and recommendations for environmental planting on offset areas of land purchased for blue gums. Greening Australia also works with the Catchment Management Authorities. These are financial arrangements; this is becoming an environmental industry, which could have commercial interests outweighing environmental assessment independence. Who is the independent watchdog?

- The Catchment Management Authority is managing the Water and Land Use Change Study second stage reporting that is waiting for State Ministerial approval for release – however the findings of the yet to be public and available report were quoted by Timber company representatives. As a councillor repeatedly seeking for an update on this report I was concerned that once again farmers are left in the dark and behind the eight ball in the competition for information that is affecting their world.
- The quote from the Water and Land Use Change Study was that blue gum plantations only represented 1.8 % of Victoria however farmers feel this does not reflect the concentration in certain areas

Social

- Loss of population
- Loss of neighbours to help man the fire trucks
- Loss of a sense of community
- Sense of isolation of living amongst the plantations were reported
- The anguish of trying to compete against corporate money to provide opportunities for young farmers in the area
- Farmers were concerned about the lack of concern demonstrated by their stock agents about the massive increase in blue gum plantations. Farmers thought they would be more concerned about the marked decrease in livestock numbers in the district
- Distress when faced with having the family farms view to magnificent landscapes such as the Grampians obstructed and powerless to do anything about it with there being no legal recognition of the right to a view with no consideration given to neighbouring houses

Public Health

- One common concern was the need to indemnification for fire-fighters who are asked to leave their properties, be it timber or grassland farming, the need to be able to help fight fires without fear of prosecution under legislation like workplace manslaughter laws
- Pest plant and animals associated with plantations was an important issue - one farmer actually hit a roo darting out from the trees on the way to the meeting - a comment back from a timber spokesman that kangaroos were native animals, seeming to indicate that this was therefore not a problem of importance, was not well received

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Camperdown Workshop July 19th

Summary of issues raised by 20 concerned farmers and residents from Camperdown area:

Economic

- Tax driven industry with lack of level playing field – inequity
- Momentum of industry alarming, out of control, destabilising
- Inflating land prices, increasing rates, increasing borrowings
- Superannuation investments – value for investor or developer?
- Previous examples of timber investments providing poor returns
- Ultimate value of woodchips under question – other tax driven investments examples have provided a glut of product, a boom and bust cycle: vines, ostriches, emus, olives?
- Stock Agent offering their farmers “opportunity to invest in plantations \$6,000 minimum with interest free loan offer” selling out the future of their own dairy farmer clients
- Concern on the lack of economic research via organisation like ABARE on the change to Australia’s export earnings from milk, meat, crops and wool when there is a change of land use to timber or wood chips –when the free trade policy forces these tax driven investments to then compete on a free trade global price – will they be worth it?
- Out paddocks being lost to the dairy farmers –future shortage of paddocking and limiting development of dairy farms
- Loss of value to local milk factories
- Used machinery devaluation due to oversupply with so many farms selling up

Environment

- A misnomer that “the Heytesbury is going back to forest” – a forest is a whole diverse ecology not a monoculture plantation of just one kind with no diversity
- Water supply concerns – especially Warrnambool, with most of the catchment being planted being in the town water catchments
- Blue gums are water pumps – “25% more water used than native bush”
- Not planning for the stream flows, planting close to waterways, streams may stop in summer
- Plantings based on who will sell to plantation companies not what the best use of land is
- “Too many trees, people love trees too much, 30% of Victoria already covered in trees in crown land, more trees taking away too much valuable farming land”
- Natural forest harvesting was not done in sustainable manner so they are shut out – they may now do it the right way now
- Concern about carbon credits, lack of comprehension that if they can have carbon credits as contracts allow for, then how can they claim carbon credits when the trees are harvested for woodchips, or will they never be harvested then the land value locked up from the community in perpetuity
- Lack of community representation on water quality monitoring alongside the dept Sustainability and Environment, Dept Primary Industries and the Dept Human Services

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- Lack of interest from water authority on water quality
- Concerns that these plantations are being represented as sustainable land use when they mine the soil depleting nutrients
- Monoculture without diversity of species, ground covers, understory, rotting timber branches
- Introduced species – non indigenous
- Salinity – trees seen as only saviour - one size fits all, can't make a distinction between natural vegetation and plantations

Planning

- Lack of planning requirements – used to have permits to cart in winter or on certain roads
- Farmers have to apply for a permit to build dams –plantations don't need a licence yet have a large impact on the amount of run off water
- Water and Land Use Change Study - why haven't we used the information coming out of these studies?
- No integration of plantations with other farming
- British example quoted 7% of each farm in plantations not 100% of farms and with mixed plantations not a blue gum monoculture model
- VCAT hearings overturning local government permit denials in shires with inundation or environmental overlays
- No controls or restrictions on plantation industry
- Some plantation companies listed in ethical investments?????
- Lack of research social, economic, community health
- Lack of knowledge of level of development
- Documents presented as current research studies not up to date
- Forestry Code of Practice, under review, out of date, who pays and who monitors, what if they are not complying
- EPA audits – reactive rather than proactive, problem first
- Few fire units per area of plantation required

Public Health

- Chemical contamination and residues
- Risk to food and population
- Inappropriate industry amongst existing fresh food production,
- Existing case of spray drift placing producer in a situation of being unable to sign a vendor declaration for his product and property being “quarantined” and producer isolated
- Plantings close to community facilities i.e. local schools only 200 metres away, families concerned about the chemicals used on plantations, aerial and ground spraying
- Pest animals – increase in kangaroos problem to neighbours and motorists, larger distances with kangaroo accident risk

Social

- Lack of opportunity for young farmers in the area with many young people wishing to take on farming not able to compete with the land prices driven by the woodchip tax investments

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- Population leaving rural communities “local shop is gone” “the school will be next”
- Sense of loss of community
- Loss of good farming land where farmers have worked believed and supported farming communities
- Depression
- Inappropriate plantings where land and road infrastructure not suited i.e. very wet and poorly formed roads, examples of road blockages when log trucks have gone in

Potential Solutions suggested by workshop participants and from emails:

- Integrated forestry rather than monoculture industry
Suggested policy of 10% of 100% of farms involved in Agroforestry rather than 100% of 10% of farms – if they must use tax incentives
- Planning permits required
- VCAT should not overrule environmental overlays without good cause
- EMS Environmental Management Systems for plantations and catchments
- Stream management and wetland management strategies with closer examination of water use by forestry agricultural practices
- Water quality monitoring of water supply catchments
- Cut the Tax 12 month prepayment rule to investors which can't be accessed by family farmers - let investment be driven on economic merit of the commodity like other commodities today
- Review Forestry Code of Practice and establish forestry industry paid fund for independent auditing and compliance
- Levy or differential rate plantations to fund roads and bridges
- Economic review of impact of change of land use and global value of products
- Protection of natural heritage like red gum grasslands and magnificent views important to tourism and community well being
- Plantations across the State rather than saturating some landscapes

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