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# CALM BRIEFING PAPER 4/85

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## SOFTWOOD SHAREFARMING

### INTRODUCTION

The Department launched a State Government-landowner joint venture scheme for pine production at Manjimup on Thursday, 14 November. The scheme has been developed to offset the effect of reducing the hardwood cut, ensuring the long-term viability of the State's timber industry, and ensuring adequate timber supplies for the State.

The scheme is being tested at Manjimup where the Department is seeking 500 ha annually. Depending on the response of landowners in the Manjimup-Bridgetown region, the scheme will be extended to an annual planting program of 2 500 ha in the South west.

Landowners in the region are now being invited to indicate their interest in the scheme.

### DETAILS

The joint venture is best described as "sharefarming" because the proceeds of pine production are divided between the landowner and the State Government. The scheme will be managed by the Department for the Government.

For the Manjimup pilot scheme, landowners should provide a minimum plantable area of 40 ha of suitable land within 70 km of the town and with an average rainfall greater than 800 mm. Cleared land is preferred because yields are higher and more reliable. However, these conditions will be interpreted with some flexibility.

*Pinus radiata* is to be planted in a plantation configuration. Agroforestry systems are not included at this stage; more data on management and yield are needed.

If accepted, the landowners retain title over their land. They can sell it at any time as long as the Government's interest in the pine crop is preserved.

The Department provides the resources for all softwood operations - including site works, weed and regrowth control, planting, fertilizing, pruning, thinning and felling. It is responsible for selling the timber and receives all thinning and clearfell revenues. The Department carries the risks of the venture.

The term of the venture is 25 to 35 years, with the Department determining the year of clearfelling.

After felling, the property is returned to a condition suitable for replanting softwoods or to resume other farming activities. The joint venture will be renewed if both parties agree.

The costs of all operations are charged against the enterprise. Advice is given free of charge.

#### PAYMENTS

Payments are in two forms:

- . an annuity for the life of the venture, indexed for inflation;
- . a residual payment which is a pre-determined proportion of clearfelling revenue payable in the year of felling.

The landowner can choose the ratio of annuity to residual payment but the residual must be at least five per cent of the landowner's share of total expected clearfelling revenue. That is, it is possible to have a high annuity and low residual payment, or low annuity and high residual.

For example, a 100 ha cleared, pastured site that is favourably located and on highly productive soils, could achieve an annual payment of \$6 500 (1985 value) with a residual payment exceeding \$30 000.

Payments to landowners, however, will vary from site to site and will depend on such factors as distance from a mill, topography and access, site preparation required, productivity, and the size of the land parcel offered.

Economic studies, most notably the Treloar (1984) report, have shown that radiata pine forestry is more profitable than livestock enterprises in the area. We believe that the annual returns offered in this scheme are not only competitive with farm enterprises but offer the landowner the following benefits:

- . a guaranteed and stable income with a hedge against poor seasons, market downturns and inflation;
- . a minimal cash outlay;
- . appreciation in land value;
- . release of funds for investment elsewhere;
- . extra income by doing some of the forestry work;
- . some grazing is still possible.

#### PROPERTY ASSESSMENT

Interested landowners will have their properties inspected with the above factors in mind. In particular, the soil will be surveyed and analysed for classification into six categories. The distribution across soil types will have a large influence on the productivity assessment.

#### BENEFITS TO THE DEPARTMENT

Besides the community benefits of ensuring a more viable timber industry and greater timber supplies, there will be considerable savings for this department. For instance, the annuities for the 500 ha under Softwood Sharefarming scheme will cost the Government about \$125 000 in the first year, whereas land purchases to plant the same area would cost about \$3 million a year. If the Department can fill the annual quota required, funds currently ear-marked for land purchases can be channelled into other operations.

This scheme will expand the employment opportunities for foresters and will offset the decline in employment created by the reduction in hardwood production. New skills need to be developed to successfully implement this joint venture, and I am sure that we can meet this challenge.

#### FURTHER INFORMATION

Mr Ross Young, an experienced farm management consultant in the Manjimup area, has been appointed to this department to handle the bulk of landowner negotiations. He has the most detailed knowledge of the scheme, and can be contacted at the Crawley or Manjimup offices. Landowners are being encouraged to contact the Regional Managers at Manjimup and Bunbury, Peter Richmond at Como, or their local district offices for further information.

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It is important that regional and district staff are familiar with the Softwood Sharefarming scheme and I look forward to your support in this venture.

Syd Shea  
EXECUTIVE DIRECTOR

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