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Branch out with CALM



and profit from a tree crop

CALM Sharefarms, Lower West



Department of Conservation and Land Management

Hansol

Bunbury Treefarm Project

PAM00184

CALM sharefarming is a profitable, secure and low input land use.

With sound planning, assisted by CALM specialists, a tree crop can free you to concentrate on other activities while you receive a generous annuity or sit back and watch money grow on trees that actually improve the quality and value of your land.

Hundreds of south-west landowners are now earning extra income by providing the use of their land — while CALM looks after the trees on behalf of investors.



Acknowledgement: Our thanks to the many sharefarm partners who offered feedback on their involvement in bluegum cropping with CALM. Their comments have been included in this booklet.

This booklet is intended as a guide only. For specific information about sharefarming on your land, please contact CALM Sharefarms, Lower West. Details on page 13.

CALM sharefarming with bluegums

Bluegums are one of the cash crops of modern day farming, offering an ongoing, competitive income and many other benefits.

The demand for bluegum wood fibre is high and forecast to go higher.

CALM has proven expertise in the establishment, management and harvesting of tree crops and has been growing bluegums with private landowners in the south-west for more than eight years.

In that time we have developed our unique sharefarming scheme with about 300 landowners and secured investors to fund further crops.

Following the successful establishment of CALM South Coast Sharefarms in 1993 to service the Albany region, CALM Sharefarms, Lower West* was set up to grow 30,000 hectares of bluegums in the south-west.

\$90 million will be invested to achieve this target over the next 20 years. Another \$120 million will be paid to landowners over the life of the project.

CALM Sharefarms, Lower West, based in Collie, also



*\$90 million invested ...
another \$120 million will be
paid to landowners.*

manages hardwood plantations and other State-owned plantations in the region, particularly the afforestation of the Wellington catchment to improve water quality.

CALM Sharefarms, Lower West manages two commercial bluegum projects, one financed by Hansol Australia Pty Ltd and the other by the Bunbury Treefarm Project, a joint venture between subsidiaries of Mitsui and Co Ltd and Nippon Paper Industries Co Ltd.

**Formerly Wellington Sharefarms*

How it works

Landowners provide land in exchange for annual fees and/or lump sum payments at harvest time. CALM offers a flexible range of sharefarming options depending on how you wish to receive payment and how involved you want to be.

The trees are grown for two rotations, from six to 14 years each according to productivity and market conditions. The term of the contract can run up to 28 years, but will average about 20 years.

The land remains yours, the trees are planted and managed by CALM and the project is financed by the

investors who will take delivery of the harvest.

The Lower West Sharefarms team together with CALM's scientists, geneticists, fire protection unit and forest management branch will be working to help make your bluegum crop a success.

"You can certainly use bluegums in conjunction with crops and stock — as shelter belts and to provide an alternate income."

The partnership is formalised through our exclusive legal agreement which secures each party's interest in the crop. The contract is registered on the land title and landowner interests transfer to the new

owner if the property is sold. A well planned tree crop can improve the value of your property and provide a diversified farm income.



A guaranteed market for a crop that improves your land while you sit back and let us do the work.

The investors

CALM Sharefarms, Lower West has been appointed project manager for two investor groups: Hansol Australia Pty Ltd and the Bunbury Treefarm Project, which is comprised of subsidiaries of Mitsui & Co Ltd and Nippon Paper Industries Co Ltd.

- ◆ **Hansol Australia** is a subsidiary of Hansol Forem Co Ltd, Korea's leading paper manufacturer and a major forest products company. Hansol Forem's 1995 sales totalled more than \$220 million. The company's decision to invest here followed their study of more than 10 regions around the world, including Vietnam, New Zealand and Australia's eastern states.
- ◆ **Mitsui & Co** is the world's biggest trading house and has had significant investments in Western Australia going back as far as 1965, most notably in iron ore. Mitsui currently exports 1.4 million tonnes of woodchips from Australia each year – about 20 per cent of the total volume exported nationally.
- ◆ **Nippon Paper Industries** is Japan's second largest paper manufacturer and one of the biggest in the world, with annual sales of \$14 billion. In 1995, Nippon Paper Industries imported 2.4 million tonnes of woodchips from Australia, out of ports from Bunbury to Geelong.



Why bluegums?

Eucalyptus globulus, or the Tasmanian bluegum, is not only one of Australia's fastest growing native trees, but produces the world's best wood fibre for the paper industry, making bluegums an ideal cash crop for landowners.

CALM scientists have developed bluegums bred especially for Western Australia. Seedlings with the registered name "Western bluegum" thrive in our conditions. Trials conducted since 1985 have shown them to grow much faster than the native source of bluegums from Tasmania and Victoria.

The first Western bluegums made commercially available in 1995 will be 12% more productive.

This improvement will rise to 18% and then 40% over the next couple of years as CALM's new seed orchards start producing.

*Faster growing Western bluegums are
unique to CALM's sharefarming
schemes—ask CALM
Sharefarms, Lower West
for more details.*



Who does what?

CALM

The bulk of the work to establish, manage and harvest the crop is done by CALM, in close consultation with landowners.

CALM's tree cropping specialists assess the site and if it's suitable, seek planning permission, prepare the legal contract and register it on the land title. From there on, we are responsible for:

- ◆ plantation design to suit your needs
- ◆ site ripping and mounding
- ◆ fertilising
- ◆ supply and planting of seedlings
- ◆ weed, insect and pest control
- ◆ fire risk management
- ◆ management of the growing trees and monitoring and recording growth
- ◆ arranging harvest of the crop
- ◆ thinning the coppice (stump regrowth) or replanting after the first harvest
- ◆ management of the second crop
- ◆ overall project management
- ◆ ongoing research and development

Landowner

Constructs and maintains firebreaks to meet local authority standards. Provides suitable, fenced land to keep stock away from the young trees. Our fencing subsidy helps you design your layout without being restricted by existing fences.

"There's very little you have to put your hand in your pocket for, so you're going to get quite a reasonable income for virtually no outlay."

Investors

Pay CALM's costs for establishing and maintaining plantations and provide a guaranteed market for the crop at current export market value.



Is my land suitable?

Basically, you'll need a minimum total area of about 20 hectares of cleared land which has been pastured for at least five years, in an area that receives at least 600 millimetres rainfall a year and is no more than 200 kilometres by road from Bunbury.

This minimum area can be made up of smaller plots – we prefer at least 5 hectares – but this is negotiable for timber belts and alley farming layouts.

The land should have a good fertiliser history and suitable soils, based on a comprehensive land evaluation carried out by CALM.

All areas offered for planting are individually assessed before the decision to go ahead is made, with tests to identify and map salt-affected soils and measure soil depth. These and other data are fed into CALM's computer model to predict your tree crop's potential growth.

High salinity areas will not be suitable for bluegums. By establishing trees on nearby low salt areas, however, you can lower water tables and reduce salinity and these areas will eventually be reclaimed.

"I started to replant trees by myself – in areas that had been over cleared – as part of our whole-of-farm plan. When CALM offered to help I was obviously pretty pleased. We're planting bluegums in the gullies and other areas that aren't so good for normal crops."

"CALM also helped us plant river redgums in high salt areas that wouldn't suit the bluegums."

If you have any doubts about the suitability of your land or where the best place to plant trees might be, please make contact and allow us to advise you.

We can plant your land in a block or integrate trees in belts around other crops and pasture – designing the best tree crop plan for your property.



Agricultural, environmental & other benefits

The list of direct and indirect benefits from planting trees is well documented and includes increased productivity of crops and stock as well as an opportunity to address environmental problems on your farm.

Consider the following:

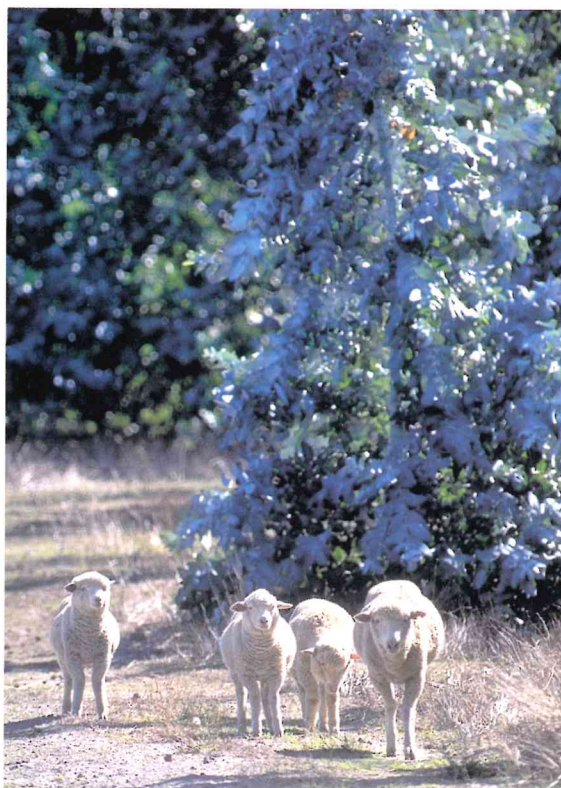
- ◆ research here and overseas has shown that a well-planned, integrated tree crop can increase productivity of surrounding areas on the farm significantly
- ◆ bluegum tree crops can improve the value of your property and diversify your farm income
- ◆ the work and investment involved for the landowner is minimal
- ◆ bluegums provide much needed shade and shelter for stock and crops
- ◆ tree crops lower the water table, reducing and preventing the impact of salinity and water logging
- ◆ trees help prevent soil erosion
- ◆ excess fertiliser run-off is minimised, making the soil more productive and helping to reduce the level

“Pasture growth adjacent to the trees, in the lee of the wind, has absolutely astounded us. We didn’t believe the property could grow that amount of feed.”

of nutrients leaching into streams and rivers, which can cause damage locally and downstream

- ◆ visually, bluegums offer an attractive aspect to your property for years to come
- ◆ local employment and businesses benefit from the large-scale investment involved in the projects

For a personalised appraisal of tree crop profits and other benefits available on your land, just call.



Cash payments

The cash payments you receive depend on the contract option you choose: wait for your investment to grow until harvest time and receive a lump sum; receive annual payments; or combine an annuity with a lump sum payment.

You can also choose to invest in the establishment costs of the crop to increase your share and gain tax benefits, or even be paid contract rates for additional duties.

The following examples are based on an 80 hectare tree crop growing 50 kilometres from Bunbury port, yielding an average harvest of 280m³/ha over a 10 year rotation, and are given in today's dollars.

"The money wasn't the main issue for us, but it's a good bonus.

The bluegums actually pay more than wool at the moment, and with the way wool's going, it might do better to plant more trees."



Option One –**Full crop share (minimum area 20ha)**

A lump sum payment is made to you after each harvest. On average, this is equal to 33% of the total crop value. In the example quoted:

\$260,000 after each harvest.

Option Three –**Full annuities (minimum area 20ha)**

Annual payments from \$100–\$200/ha/yr and no lump sum after harvest. For this example, the payment would be:

\$15,200 each year of the contract.

Option Two –**Crop share with annuities (minimum area 40ha)**

You retain your full share of the harvest revenue as for crop share, but with an advance payment of \$50–\$90/ha/yr.

Annuities are compounded annually at the rate of inflation plus 7% and deducted from the harvest lump sum.

This is \$7,200 per year (@ \$90/ha/yr) plus a lump sum of **\$160,000** after each crop.

Option Four –**Landowner investment (minimum area 20ha)**

Invest directly in establishment costs under Options One or Two and increase your share of harvest revenue.

For example with \$1,000/ha invested your crop share increases to around 60%, for example:

\$470,000 after each crop, plus tax benefits at planting time.

Contract Duties

To increase your income further, you will receive local contract rates if you choose to carry out a range of CALM duties. These include fertilising; planting; and cop-pice thinning.

Fire risk management

Well managed bluegum crops are less of a fire hazard than native bush, or even ungrazed pasture as there is less fuel on the ground to burn and less wind to carry the fire.

Bluegums planted and managed by CALM have effective fire breaks and weed control from the start. As the trees grow, stock are encouraged to graze within them until the trees block out the light and very little grows below. They also drop minimal amounts of bark and leaf litter, which is generally recycled into the soil.

Wind speeds within a bluegum crop are one sixth of that in open paddocks, which means the intensity of any fire burning into the tree crop is dramatically reduced.

As far as CALM is aware, there have been no cases where fires have started in bluegums and spread to pastures. Indeed, there are examples of the reverse – fires have burned through pasture and native forest into bluegums and slowed as they ran into reduced fuel. The photograph to the right shows how a forest fire at Pinjarra in 1995 came to a standstill when it reached a bluegum crop.

CALM's fire protection unit works closely with CALM Sharefarms, landowners and shires in the south-west region to ensure the best measures are in place to manage any risk of fire.

What happens after the second rotation?

After the second rotation your contract with CALM and the investors ends and the plantation becomes the sole property of the landowner.

You are then free to:

- ♦ manage the coppice to produce another crop, or establish a new crop with genetically improved seedlings;
- ♦ enter into a new sharefarming arrangement; or
- ♦ revert some or all of your tree crop to pasture or other crops.



The export market

The timber grown in these projects will be processed locally and is expected to be exported as wood chips from Bunbury Port. The investment by major international paper companies and a trading house ensures a secure, long term and high volume market for the bluegums grown.



Crop share harvest price

The value of the wood harvested will be based on the prevailing export market price of comparable Australian hardwood woodchips.

The contract price paid to landowners for their share of the crop at harvest time, is calculated by subtracting the cost of harvesting, haulage, processing and loading at the port from the market price.

A simple pricing formula (specified in the sharefarming contract) ensures a fair market return for your contribution to the crop.

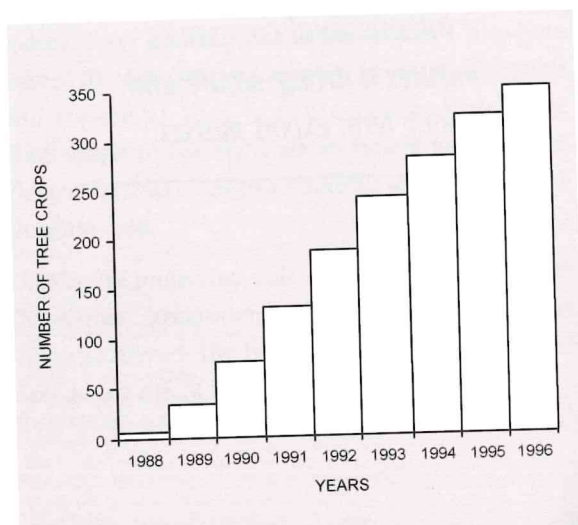
*The investment by major
international companies
ensures a strong, secure and
long term export market.*

What has already been planted?

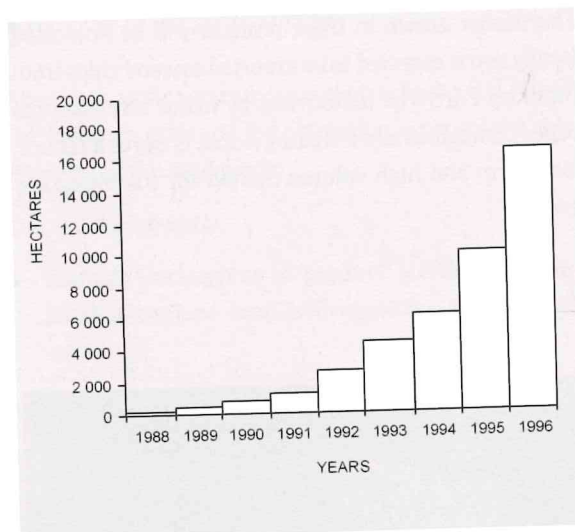
After trials began in 1980, CALM planted bluegums with landowners in the Bunbury and Albany regions from 1988 as part of CALM's original sharefarming program.

As the commercial and on-farm benefits of bluegums were realised, increasing numbers of south-west landowners have gone into partnership with CALM to establish tree crops on their land.

The following two charts show how CALM bluegum crops have steadily increased over the past eight years. "Number of tree crops" refers to individual contracts for each crop planted, ie. multiple contracts may exist for crops planted at different times for the same landowner.



Total number of CALM bluegum tree crops under cultivation in Albany and Bunbury regions



Total hectares of CALM bluegums under cultivation in Albany and Bunbury regions

By 1996 there were over 370 bluegum tree crops planted by CALM in the Bunbury and Albany regions, totalling more than 16,000 hectares.

By 2006, we aim to have planted more than 55,000 hectares of bluegums throughout the south-west land division.

"I'd been approached by other outfits, but I think I'll stick with CALM for now. I'm very pleased with my relationship with CALM ... they can see the big picture."

How can I find out more?

For further information or a free appraisal of sharefarming with CALM on your land, please contact us at:

CALM Sharefarms, Lower West
39 Throssell Street
Collie WA 6225
Phone: (097) 341 688
Fax: (097) 345 649

For an independent perspective, we can provide you with a contact list of landowners already involved in your area.



*Call us now, and find out how you
can branch out.*



*"CALM's done a very good job, they've looked
after the trees ... made generous, prompt
payments ... everything's — been done
very, very well."*



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4218-0796-1M

