



SMARTtimbers

Sustainably Managed Australian Regional Timbers

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Chairman's Report ~ November 2002

I have to apologise for the lack of information coming to you from the directors of SMARTtimbers. We are aware that communication is critical, yet it is the one area in which we have really fallen down.

I can only plead that for the last few months, the new Board of Directors has been focused on the crucial task of setting our direction for the future by pulling together a Business Plan. With the Business Plan largely completed, we plan to provide regular, bimonthly newsletter reports to SMARTtimbers members. Copies of the Business Plan will be available in the new year by contacting the SMARTtimbers admin officer, Marianne Stewart.

Development of Business Plan

The Board has been developing the Business Plan with the assistance of co-operative specialists Graeme Charles and Mac Booth.

In preparing the plan, the Board has reaffirmed that SMARTtimbers' core objective is to offer value added, specialty timbers to our customers that are quality assured and can be sustainably sourced back to a grower member. We believe that the key services we can offer both members and customers in achieving this goal is to undertake certification and to develop our own kiln drying facility in tandem with a small scale sawmill. But more about these two issues later.

Initially, we hope that the Business Plan will not only act as a guide to the direction we take, but it will also demonstrate our scope and substance to funding bodies. And while we see ourselves as being quickly financially independent, we need initial assistance to help us marshal the resources (of both members and timber) so as to start the whole ball rolling. In our case we need a field officer to, for instance, sign up grower members, manage processing from harvesting through to kiln drying, and to search out top-end marketing opportunities among architects, designers and furniture manufacturers.

If we can make the SMARTtimbers model work, farm foresters could use it nationwide as a means of moving up the supply chain and marketing value added products that offer a higher return to growers than the pittance they currently gain as stumpage from sawmillers or firewood cutters.

Focus on Sugar Gum

As you may be aware, my particular focus is on developing the market for sugar gum, and most of our initial marketing effort is with this species. This is partly because I have been funded part time for nearly three years to do it, and partly because it is an easy species for SMARTtimbers to target in developing the model for certification of sustainable management. A farm grown, plantation species, sugar gum is ideally suited for SMARTtimbers to trial the financing, handling, marketing and distribution of the actual timber. With a mature resource available, largely in farmers' hands, this would seem the perfect opportunity for proving the SMARTtimbers model.

Once we're up and running, the focus can expand to include other timbers that can qualify as being sustainably managed by the stringent measures that we have to apply to really make our approach mean something to the consumer.

So with sugar gum we have been developing supply agreements with the firewood cutters and farmers who are the log suppliers. We have developed alliances with sawmills and manufacturers, and have identified the processes that we need to institute to make the whole thing work properly from start to finish (and that will fund our ongoing activity).

Four areas under scrutiny

Four major areas are apparent that we need to concentrate on over the coming year.

First, is how we fund the processing of the logs, where the member wants to sell the logs to the co-op or have some share arrangement.

Second, involves developing management guidelines that will lead to sustainable management certification.

Third, ensuring we control the quality of kiln drying and keep down processing costs.

Fourth, designing attractive promotional material, as well producing essential administrative items.

1. Financing

Until growers can see positive returns from investing in kiln drying, SMARTtimbers faces a gap in the financing of processing. We are investigating a number of possible models that will bring in the necessary finance from internal and external investors. It helps that we have an attractive marketing proposition - we are dealing here with a timber that offers a premium because volume is limited, and because it is one of the few mature hardwood species around where it is instantly possible to demonstrate sustainable management and traceability back to a farm.

2. Sustainable management certification

This is taking shape and we have several ways open to us to gain group certification with SMARTtimbers holding the rights. This is in the co-operative's interest as it means members benefit from selling through the co-operative, rather than going it alone. By making sustainability and the SMARTtimbers brand synonymous with the product, it also means the co-operative can take advantage of investing in the point of sale publicity material and advertising that is so crucial to successful marketing.

3. Kiln drying facility

All high value timber end uses require kiln drying to as low as 8-10%. Our customers also require the accurate grading and specifications of the timber. They require a consistent standard including absence of any drying degrade or surface splitting or checking due to faulty kiln drying. The premiums we are aiming at for the timber we handle will require a perfectionist approach. We have reservations about whether we can reliably achieve high standards at a reasonable price using contract kilns. Thanks to the Corangamite Development Board, we have just completed a feasibility study, which examines the option for controlling our own kiln drying facility through a joint venture with a like-minded sawmill.

4. Promotional material

We are in the process of developing attractive point of sale material, including the swing tags that identify the final article as originating from our members sustainably managed trees, plus the myriad of dockets, accounts, letterheads and other material that a regular business has to use. On top of this, the web site home page and details of timber for sale are down on the schedule for next year.

We're on the way!

It looks like a tall order, but the directors expect to have this mostly established within twelve months. We are on the way and have the enviable situation of starting with lots of goodwill and positive publicity. We have some useful start-up money from AFFA, the Central Victorian Farm Plantations Ltd and the Department of Natural Resources and Environment. We have established links into the membership of the three farm forestry networks of our base area - Corangamite, Otway and Ballarat.

The times are in our favour: the political climate, the greenhouse debate and the developing potential of carbon credits trading, as well as a growing awareness of fossil fuels versus the renewable fuels. As a co-operative, we can see future potential for helping our members deal in the 'non-wood products' sector, for instance, through carbon sequestration, biomass energy generation, water quality and use, salinity control, and biodiversity.

These are interesting times for farm forestry and with our expanding membership base we plan to become a significant player in Victoria.

Andrew Lang

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Chairman

SMARTtimbers Co-Operative Ltd