

2016-2017 Resource Outlook

VicForests is a State-owned enterprise established under the *State Owned Enterprises Act 1992* and is responsible for the sustainable harvest, regeneration and sale of timber from Victoria's public forests on behalf of the Victorian Government.

VicForests aims to comply with binding legal and voluntary obligations to ensure that harvest levels in these forests are managed on a long term sustainable basis. These obligations are a key part of our commitment to long term economic sustainable development by supplying industry with renewable timber products that support local economies and jobs.

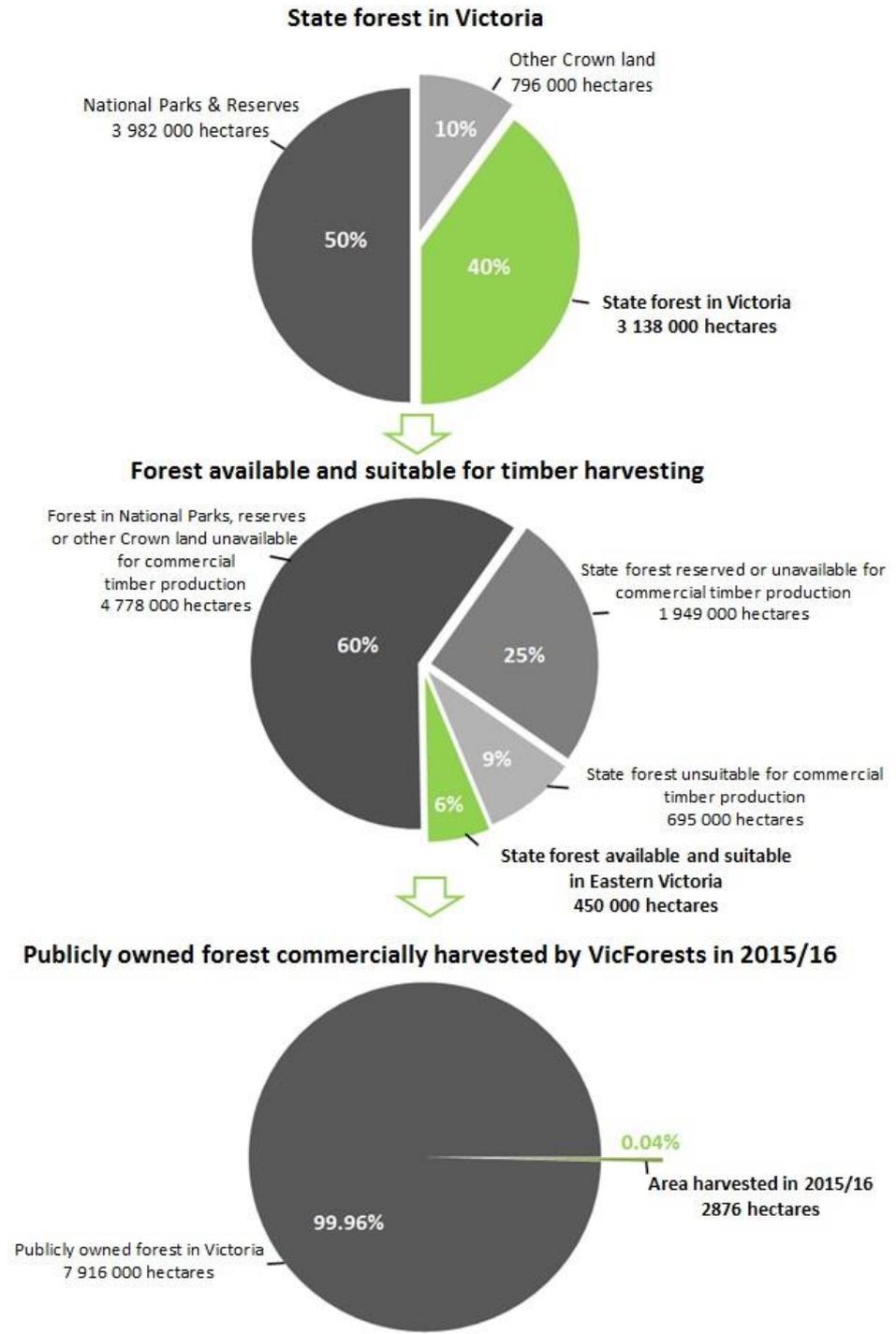
VicForests operations are planned, managed, monitored and reviewed through an integrated suite of processes and systems. At the strategic level, VicForests maintains a wood supply model that is used to evaluate supply over a 100-year time horizon. The model is updated regularly to account for changes in the resource base and market conditions, and the results are used to inform future sales and guide harvesting in the landscape.

There are 7.9 million hectares of Crown land in Victoria (publicly owned forest), of which about 7.1 million hectares are either National Parks and reserves or multiple-use State forest. Of the 7.1 million hectares, approximately 450 000 hectares in eastern Victoria is considered available and commercially suitable for timber production (6% of the total publicly-owned forest in the State). VicForests currently harvests approximately 3000 hectares per year (0.04% of the total publicly-owned forest in the State).

Disclaimer

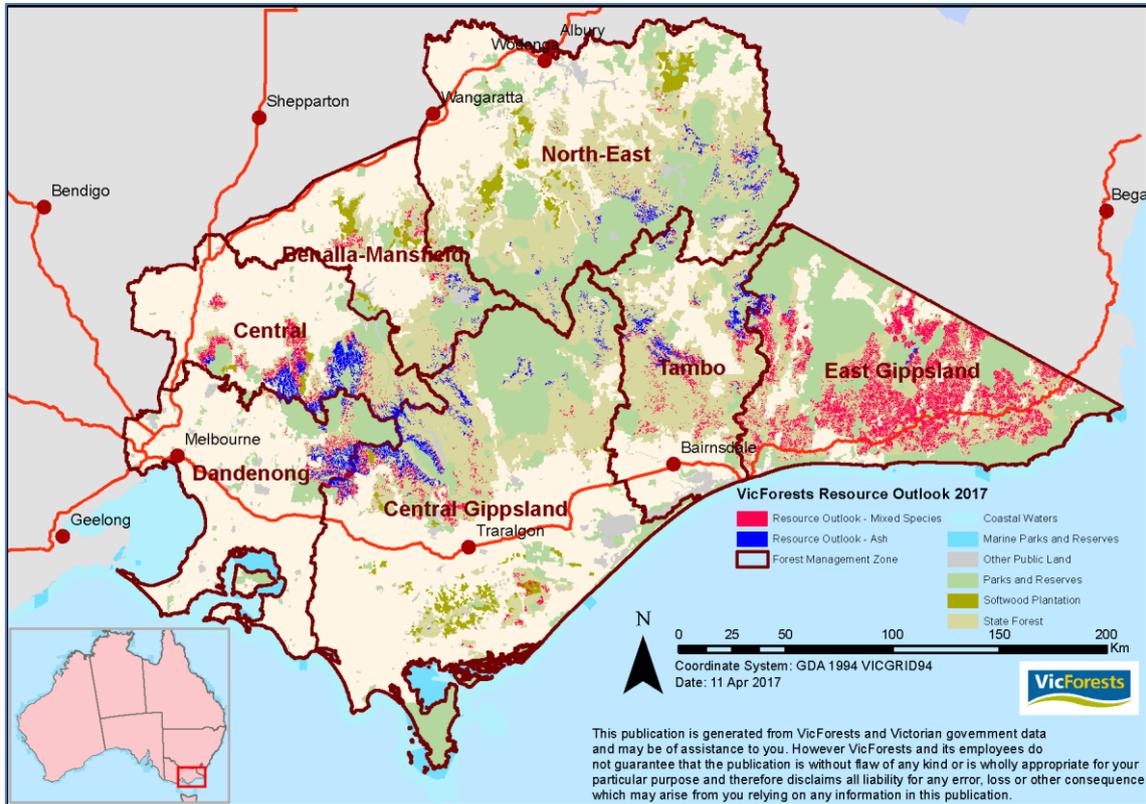
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Figure 1: Area available and commercially suitable for timber production in Victoria’s publicly owned forests



VicForests' 2016-17 Resource outlook relates to native timber from State forest in eastern Victoria. The geographic extent of the State forest in eastern Victoria by the two major commercial forest types, being ash forests and mixed species forests, is shown in **Figure 2**.

Figure 2: Distribution of State forest and Forest Management Areas in eastern Victoria



What is the Resource Outlook?

VicForests' Resource Outlook is a forecast that indicates how much sawlog timber is able to be commercially supplied from the State forests in eastern Victoria in the medium term on a sustainable basis.

The Resource Outlook is shared with industry, government and other stakeholders to provide information about Victoria's State-owned timber resources, and is used by VicForests to guide the volume of timber VicForests makes available to the market.

The Resource Outlook separates the species groups of timber supplied by VicForests to the hardwood timber industry into two categories – ash and mixed species.

The graphs within the Resource Outlook show the forecast sawlog supply volumes in each species group.

In addition to sawlogs, timber harvesting operations produce low quality sawlogs, pulp logs, firewood and other timber products that are also made available for sale.

How is VicForests' Resource Outlook developed?

Timber resource modelling involves a complex range of systems and processes. VicForests' uses a Strategic Wood Supply Model¹ to develop forecasts of how much timber can be sustainably supplied from the available forest in the medium and long term.

Described simply, the process looks at how much forest is available, how much timber is currently contained in these forests, how much it will grow over time and how much timber is likely to be produced at the time of harvest age.

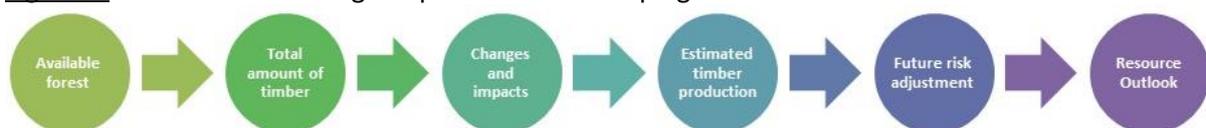
Each Resource Outlook review incorporates a range of new information including:

- Changes to the forest description (what the forest looks like)
- Harvesting, wildfires and other events that can alter the age and structure of the forest
- Data about the forest structure and mix of tree species derived from remote-sensing
- Information about the amount of timber that may be produced by monitoring timber harvesting activity
- Changes to the available area due to regulatory and policy decisions.

A wide range of scenarios are tested to determine the potential impacts on how much timber we can harvest, future timber supply and long-term sustainability.

VicForests then assesses the risk of factors that could potentially impact future timber resource availability and adjusts the modelled outputs to determine the Resource Outlook on which medium term future timber sales are based.

Figure 3: Flow chart indicating the process for developing a Resource Outlook



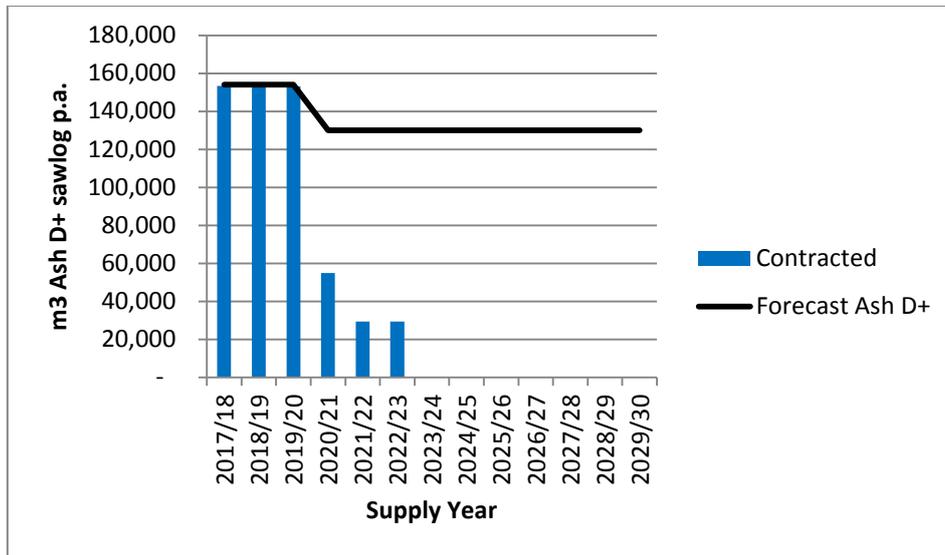
¹ The Strategic Wood Supply Model applies a range of industry standard modelling tools that are able to analyse and convert both existing and new information into forecasts of future timber supply levels.

2016-2017 Resource Outlook

Ash Sawlog Outlook

VicForests' 2016-2017 Resource Outlook forecasts a supply level of 153 000 m³ of ash sawlog per annum in the short term decreasing to 130 000m³ from 2020/21 from the ash forests in eastern Victoria.

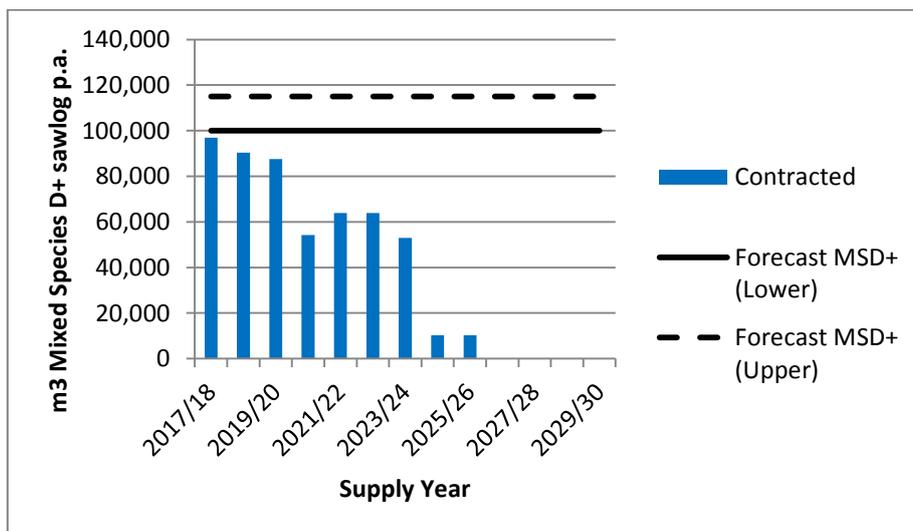
Figure 4: Ash Sawlog Outlook in m³ by supply year



Mixed Species Sawlog Outlook

VicForests' 2016-2017 Resource Outlook forecasts a supply in the range of 100 000m³ to 115 000 m³ of mixed species sawlog can be produced each year for the medium term, from the mixed species forests in eastern Victoria. Medium term sales levels will be determined following further investigation and analysis of commercial and forest management factors, and resource supply risks.

Figure 5: Mixed Species Sawlog Outlook in m³ by supply year



What has changed since VicForests' Resource Outlook 2013 for Ash?

VicForests' 2013 Resource Outlook provided the basis for the last major Timber Sales Process and forecast 220 000m³ per annum of ash sawlog was available over the medium term.

VicForests undertakes regular reviews of the inputs to its strategic wood supply model based on new information and continuous refinement of the model. A number of adjustments were made to the model inputs to develop the 2016-17 Resource Outlook.

The 2016-2017 Resource Outlook forecasts that 130 000m³ per annum of ash sawlog can be supplied from the available State forest in the medium term. This is a reduction of 88 000m³ per year when compared to the 2013 Resource Outlook.

Initially, VicForests' wood supply model took into account adjustments based on excluding areas of high community interest, areas where there is a high concentration of Leadbeater's Possum, increased Special Protection Zone (SPZ) area and old growth. The detail of these adjustments are set out in Table 1 below:

Table 1: Adjustments based on excluding areas

Reason for adjustment	m³/annum	Comment
Areas outside the Leadbeater's colony protection zones that VicForests believes will no longer be accessible due to fragmentation of the remaining available forest caused by the high density of colonies	10 000	Areas surrounding possum detections, where strong community concern exists, that VicForests believe is no longer feasible for harvesting.
General Management Zone changes to SPZ due to Leadbeater's Possum detections updated to November 2015. Note this includes those zones within the high concentration area above.	7 000	This is the direct loss due to possum identifications (to November 2015)
Available forest which VicForests have assumed would be highly unlikely to be able to be accessed due to community and/or market concerns	11 000	Exclusion of specific, high interest catchment and other forest areas from the model
General updates to the forest zoning base by the Regulator	5 000	
Old Growth: Exclusion of all pre-1900 ash stands in all FMAs.	12 000	Old Growth ash is excluded because of community concern, market access issues and action to work towards Forest Stewardship Council certification.
Total Reduction Ash D+ within model (m³ per annum)	45 000	

This adjustment of 45 000m³ reduced the original 2013 Resource Outlook of 220 000m³ down to **175 000m³**.

VicForests then modelled a forecast of future regulatory impacts on the ash sawlog resource supply. The modelling of future impacts included an equivalent of the recent rate of Leadbeater's possum detections continuing for 7 years. The subsequent resource impact was applied to the harvest levels for the next 20 years, resulting in an additional **34,000m³/annum** reduction in ash sawlog supply.

Table 2: Potential Future Regulatory Change

Anticipated regulatory impact	m³/annum
New Leadbeater's Possum colony reservations	18 000
Resource fragmentation due to colony proximity/density	
Access to timber being restricted by colony location, potentially limiting economic harvest	16 000
Changed harvesting practices/requirements recommended by Leadbeater's Possum Advisory Group to support possum populations and secure market access/social license (including retention harvesting, tree definition)	9 000
Total adjustment to modelled forecast	43 000

The total reductions for future regulatory change of 43 000m³ reduced the Resource Outlook from 175 000m³ to **132 000m³**.

To assist the industry with the transition to lower levels of ash sawlog supply, it was determined that in the short term the ash sawlog supply levels could be 153 000m³ per annum for the period 2017/18 to 2020/21. The subsequent medium term supply level beyond 2020/21 is therefore reduced to **130 000m³** per annum.