

AustOils

Premium Essential Oils

Hon. Brian Ellis MLC

Chair

Standing Committee on Environment and Public Affairs

C/- Parliament House

Harvest Terrace

Perth WA 6000

Re : Petition 152 . Tabled by Hon . Wendy Duncan

Dear Mr Ellis ,

I am Company Director of Austoils Pty Ltd and have been actively involved in the Sandalwood Industry for 16 years .

Austoils Pty Ltd trades and operates distillation plants of essential oils , inc West Australian Sandalwood oil , in 5 continents .

My overview of the Sandalwood Industry is of a Global prospective , Not a State prospective .

W.A. Sandalwood on a global scale is the second lowest of Sandalwood species , for both Santanol alfa , beta in oil / wood and wood value . Only the African Sandalwood is lower. Indian Album and other Album varieties , make up the top value tiers .

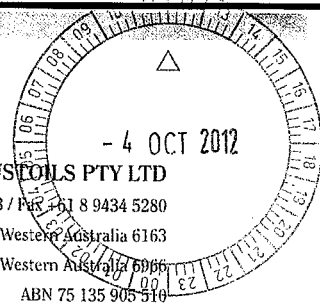
The Sandalwood Industry now , is at its lowest in recent history , due to the fact that the cost and demand for Sandalwood Oil across all tiers is plummeting downwards .

The reason for this , is that most Sandalwood Oil is used by the Indian market (95 %) . The majority of this 95 % of worlds Sandalwood Oil is used in a product named Gupka . Gupka is a chewing lolly mixed with Sandalwood Oil , Beetle Nut , Tobacco and Herbs . This product is a national Indian Addiction , used by a Billion people , many times per day. This product is said to be 28 x more cancerous than normal smoking tobacco products .

The World Health Organization has taken this matter to Indian courts and have now been backed up by Indian State Governments banning Gupka in over 15 of the largest States . The number of Indian States banning the sale of Gupka is growing daily .

The cost of Album Oil (top variety of sandalwood Oil) has dropped from US \$ 1650/kg , down to US \$ 1100. / Kg . The demand for now expensively priced Australian Sandalwood Oil has dropped , due to the fact that Album Sandalwood oil is so cheap .

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F.P.C. Contract with Mount Romance .

Now there is approx 6 – 7 tonne of Australian Sandalwood oil for sale (and not moving) on the streets of India . The contract for sale to Mount Romance is now forcing Mount Romance to keep buying sandalwood from the FPC . This may effect the viability of this contract as normal economics will tell you – If you cant sell a product easily , why would you keep buying and manufacturing a product .

This is much the same as with the current decline in demand for iron – ore .

Wescorp Group sales in Asia .

Due to the fact of non sales of Sandalwood Oils Globally , the companies involved in Sandalwood Oil production globally have decided to off load excess wood stocks onto the same market as Wescorp Group , the FPC agent for Sandalwood Sales .

The above scenarios have created huge problems with slow sales and excuses from State Departments and sales agents . From what I hear , every excuse possible is being used , except for blaming themselves for bad management skills .

The current WA State Government system of handling WA Sandalwood is not working in changing world economic environments .

Wescorp and Mount Romance are bound by contracts that may topple them and ruin the WA State Sandalwood Industry . Also to note , is that both the above Companies , with WA Gov contracts in place , may have exit strategies in place. It is commonly known that Wescorp Group is developing Agarwood Plantations that will provide a larger income than WA Sandalwood agent fees .Mount Romance , parent Co also have large scale Indian Album plantations that will also provide larger incomes than WA Sandalwood for oil production . The above info is easily obtainable on google.

I propose a free deregisted market be established for the sale of WA Sandalwood (much like proposed wheat industry) .

Once existing contracts are cancelled or finalized (Inc the limiting of FPC tender for agent , not extending past 2016) A new system of free trade should exist . This means that the current petition 152 Tabled by Hon, Wendy Duncan is timely and extremely important .

Smaller companies like Austoils have adapted to the current conditions and have opened alternative markets to on sell products .

History has shown that Government backed business have failed economically world wide .

Non Sale of Sandalwood to Local WA Businesses .

Austoils Pty Ltd has repeatedly written to the FPC Minister , the Hon. Premier and other department heads , concerning the non supply of WA Sandalwood to the domestic market. Currently all available WA Sandalwood is sold through FPC either to fulfil Mt Romance contract or through Wescorp Group , Gov agent .This is not economically viable and leaves the market controlled by single companies .

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I have many overseas clients whom have been rung by Wescorp and have been offered Sandalwood . This group along with FPC have created a monopoly and just recently , I telephoned Ben Sawyer from FPC and was told that no wood is available for the domestic market .This is certainly not true as world market conditions have changed dramatically and there is to much Sandalwood available on the world market .

Suggestion to supply domestic market

Mount Romance was contracted to accept 640 M/T annually . Now contracted for 540 M/T annually .This leaves 100 M/T available for domestic use . (where has this gone ?)

Wescorp Group can also make 300 M/T available to domestic market , due to overstock globally as above

The allowable amount of Green Sandalwood picked through FPC and DEC should be increased to 2000 M/T annually . To back this up from current FPC website info . Records show that 200000 M/T of WA Sandalwood grows in WA . Another 500 M/T can now also be available . this is sustainable through the following calculation . 80 year old tree regrowth x 2000 M/T = 160000 M/T

This leaves 40000 M/T untouched and the rest having a regrowth period of 80 years .

Total now available to the domestic market is 900 M/T of roots , butts and logs , without effecting the existing marketplace .

Plantation Sandalwood

Austoils has spent large amounts of time and money developing methods to speed up the sales of plantation sandalwood . The timber is slowly becoming viable for sale , especially in specialized medicinal markets . The oil quality is low , however Austoils has found buyers for within the world market . I have had international visitors attend plantations from 4 continents and have created a world wide market for the product .

The future is bright for the Plantation Sandalwood Industry .

Illegal Harvesting

From contacts within the industry , it is not illegal sandalwood harvesting that is causing economic problems with Gov Agents and FPC (see above reasoning).

Reports of illegal sandalwood harvesters caught by the DEC indicate that a small region of indigenous families living in the Kalgoorlie / Menzies area are trading in sandalwood to put food on their tables .Most sandalwood used by indigenous groups is used within Australian indigenous groups for medicinal purposes . This trade in sandalwood amongst Indigenous groups has existed Australia wide for thousands of years before Europeans settled in Australia .

Due to current Gov Laws in place , these age old families whom supply an important service to their communities by providing traditional medicines are having to conduct themselves illegally due to lack of domestic supply .

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Station owners and PGA

The people whom live on the land and continually try to make a living from the land , need to be able to gain a living from their station land . With the amount of wild dogs existing making running stock very difficult it is important for another income to be achieved . Currently the FPC can enter stations at will and strip sandalwood . From reports within the industry , leaving a huge unfriendly footprint and many un happy station owners out in the cold . Some can pick dead sandalwood from FPC licence at a small amount per tonne picked . This not good enough .

Conclusion .

The current handling of the WA Sanaldalwood industry by Gov Depts needs to be changed .

A board of existing Industry players , such as 2 Oil producers , Wood Sellers , Plantation Growers , Indigenous rep , FPC , DEC & PGA need to be formed to create a market place that is acceptable to the World Sandalwood Industry . With current contracts finalizing , large amounts of sandalwood will be available and it is only fair to allow domestic companies access to . The market does not need huge companies out bidding smaller players and creating closed cartels .

The Asian market will come to us as Western Australian Sandalwood is one of the cheapest varieties available due to low yield in oil compared to other varieties and the amount available within the marketplace .

There is no chance of Industry collapse if the Government Of Western Australia makes the correct choices as above discussed .

I am happy to participate in the above board if requested .

Yours Sincerely



Stephen Darley

Director

Austoils Pty Ltd

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