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MIS forest managers growing wood for an undersupplied domestic market



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In the torrent of media commentary about the recent collapse of major agribusiness managed investment scheme companies, Timbercorp and Great Southern, many of the statements made by the most vocal MIS detractors have been factually wrong or at best misleading, according to the Australian Plantation Products and Paper Industry Council (A3P).

A3P CEO, Richard Stanton, said “One of the most bizarre generalisations is the MIS forestry companies are purely motivated by tax minimisation and management fees and have no interest in the forestry products they are growing for their investors, or the target markets for those products.

“This is a gross and irresponsible misrepresentation. For the Government to act on the mis-informed calls for the abolition of forestry managed investment schemes would threaten the future wood supply not only for valuable export woodchip markets or future domestic pulpmills, but especially for Australia’s regionally based domestic plantation wood and paper industries.

“First, the export woodchip market is strong for Australian plantation-grown eucalypts, which are a premium resource for high quality printing and writing papers. That market absorbs not only the produce from short-rotation pulpwood plantations, such as those grown by Timbercorp, Great Southern, ITC and several smaller MIS managers. It is also a valuable market for the intermediate thinnings from the longer-rotation hardwood sawlog plantations grown by the likes of FEA, Gunns and ITC.

“Second, several major MIS forestry companies are growing specifically for the domestic market, which is seriously undersupplied in long-rotation sawlogs. These plantations of softwood (pine), hardwood (eucalypt) and high-value cabinet timbers (teak, mahogany, silky oak, and tropical Australian species) produce sawn timber and veneers for house framing, structural timbers, and a wide range of flooring, furniture and appearance-grade products. Thinnings from MIS softwood plantations will also supply pulp and paper mills in the eastern states.

“This trend is rapidly increasing following the Federal Parliament’s removal, in 2007, of the impediment that previously prevented initial investors in MIS plantations from on-selling their interests before final harvest. This initiative has made longer-rotation sawlog plantations a more liquid and more attractive investment than they have historically been.

“MIS forestry managers such as Willmott Forests, Forest Enterprises, Gunns and ITC are all vertically integrated timber companies, not only growing wood than can supply other domestic wood and paper processors, but also operating their own mills. Investments in new and upgraded facilities are being made on the expectation of long-term ongoing wood supplies that include wood harvested from their MIS investor-owned plantations.

“This move to becoming vertically integrated timber and plantation products companies, including by some of the smaller MIS forestry managers such as Tropical Forestry Services and Rewards, can be expected to continue over time as plantation estates reach critical mass in new regions and the first plantations approach maturity.

"Australia's plantation estate was built mainly by State governments over several decades, with financial assistance from the Commonwealth. Since that assistance ended, State forest agencies have been directing their efforts to replanting rather than expanding their plantations. This gap is increasingly being filled by forestry managed investment schemes, which have become an integral part of the domestic plantation wood and paper industry.

"A3P is ready to present these arguments and supporting information to any future inquiry into forestry managed investment schemes, such as that proposed to be held by the Senate Select Committee on Agricultural and Related Industries. " Mr Stanton said.

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