

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Increased foreign interest in pulp mills and plantations in Australia while the timber ownership is in transitional mode, reports the Wood Resource Quarterly

The plantation ownership in Australia is in transition after the Management Investment Scheme (MIS) collapsed in 2009, reports the Wood Resource Quarterly. Foreign pension funds and pulp companies have shown increased interest in acquiring timber assets as forest plantations owners have gone into receivership.

Seattle, USA. In the aftermath of the collapsed Management Investment Schemes (MIS), plantation ownership and management of the Australian timber resources is in a transitional mode, reports the Wood Resource Quarterly. The MIS plantation scheme was launched in 1997 with the objective of pooling funds from small investors to make large investments in forest plantations. The MIS companies established, managed and marketed the timber investments on behalf of the individual investors. During the period 1997 until the partial collapse in 2009, the plantation area in Australia grew from 1.1 million hectares (ha) to about 1.9 million ha, with Eucalyptus being the preferred species planted. At that time, MIS companies managed about 75 percent of the hardwood plantations and six percent of the softwood plantations.

Since 2009, a number of MIS forest companies have gone into receivership, including the FEA Group, Great Southern Plantations, Environinvest, Willmott Forestry and Timber Corp. There are reportedly a number of timber companies and investors showing interest in taking over the management responsibility of the MIS schemes.

Unexpectedly, an investment company in the province of Alberta, Canada, recently announced it would acquire 240,000 ha of timber assets from the largest MIS company, Great Southern Plantations. The institutional investment company, AIMCo, which invests globally on behalf of pension and government funds, will partner with the Australia New Zealand Forest Fund. The new ownership may create a more stable long-term supply source for forest and energy companies located in Asia.

There is continued interest from foreign investors both to acquire pulp mills and forest plantations. The latest development is the Singapore-based pulp company APRIL, with pulp mills in Indonesia and China, which is considering the purchase of forest plantations and export chip loading facilities. The intention would be to export Eucalyptus wood chips to the company's pulp plant in Rizhao, China.

Plantation Eucalyptus log production in the 1Q/11 was significantly higher than the same quarter last year. This development came at the same time as availability of roundwood and wood chips from natural forests declined substantially. Prices for pulplogs have not

shifted much the past year in local currency, with plantation hardwood continuing to be about 24 percent higher for plantation wood compared to wood from natural forests.

Pine and Eucalyptus pulplog prices, in US dollar terms, have climbed steadily in Australia for almost two years, according to the Wood Resource Quarterly (WRQ). Prices are currently the highest ever recorded since WRQ started tracking Australian prices in 1990. During the past nine years, Eucalyptus log prices have more than tripled, with only Sweden, Spain and Germany currently having higher hardwood pulpwood prices.

Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world.

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