

"Hu Will Own The Forests"

DANA Limited's global timberland ownership/investment analyst Dennis Neilson has been closely watching the rise of the Central Chinese government's attention to strategically controlling more and more of its future requirements for iron ore and coal, rare earth metals and more recently farmland (food). Part of the \$1.2 trillion (and rising) of US bonds it owns has been allocated to the Sovereign Wealth Fund China Investment Corporation (CIC); initially via a \$200 billion placement in 2007, which is now valued at almost \$400 billion, and with some talk the government might throw another \$500 billion at it.

Neilson concludes that this is being part- used to fully fund many private Chinese companies to buy up tens of \$billions worth of mining companies in Australia, Asia, Africa and around the world. It may also now being used to buy up millions of acres of farmland.

However, China's historic interest in timberlands has been more sporadic. It had acquired assets at least three times in Latin America and Oceania but later failed all three times. But, more recently the Chinese Government's renewed interest in timberlands/forest products strategic holdings is perhaps just starting to be felt. Companies such as Cathay Forest, CNBM Corp., Greenheart Resources, International Forest Company, LJ Resources and Paper Excellence are quietly accumulating timberland, solidwood and pulp assets in both hemispheres, often (for timberland) at prices beyond those that US TIMOs apparently want to match [indeed they are sellers already].

With (an initial) \$100 billion of CIC's funds allocated to offshore purchases, and soon to be much more, perhaps we will see the next "perfect storm" in the timberlands industry shortly; with TIMO's becoming willing sellers to a variety of Central Chinese Bank surrogates.

Then, the title of the World Forestry Center's annual September Conference, "**Who will own the Forest?**" might in future be replaced with "**Hu will own the Forest**".

This, and much more (including profiles of >60 Chinese timberland companies) is discussed in DANA's new International Timberland Ownership/Investment Review published in mid- August. Contact jan@dana.co.nz