

For Timberland Investors, it may be a case of Caveat Emptor

Timberland analyst Dennis Neilson of DANA Limited reports that the vast majority of global timberland owners, buyers, sellers fund/operating managers and brokers are honest people. However, during recent research he identified several instances of behaviour in the timberlands universe which ranged from the (he has to say all examples below are "alleged") criminal to the extremely dodgy to plain vanilla dodgy and to deliberately over-optimistic to innocently over-optimistic. There were enough instances identified to suggest that budding timberland investors might take a little time to do due diligence on the bona fide nature of projects and managers.

The tree carbon area has long been a source of controversy. In August yet another report has emerged which makes sad reading about a major REDD+ project (involving a huge energy company) about to crash due to bureaucratic and corruption issues.

The global teak investment industry had been tainted by (mostly retail) criminal and dodgy investment schemes in Central America; originating in an "honest" European country (in 2010 the 7th least corrupt in the world out of 178 ranked). The worst violations are past us and teak is now mainstream; but only a few years ago a Swiss promoter was jailed for fleecing investors out of \$60 million. He had mafia connections, including with the mobster Jimmy "The Weasel" Fratiano.

There is a rising institutional timberlands industry in Mexico, run by bona fide operators, but it appears in 2011, for the first time, the savage drug cartel industry is muscling in on some pine forest operations.

Unfortunately some Chinese timberland players have been implicated in criminal - dodgy - spruiking behaviour (some denied). In 2011, however, the CEO of the (inappropriately named?) "Honest Timber" was arrested in Gabon for falsifying documents, and the CEO of one listed company is in jail for embezzling \$4.6 million.

And government officials in Brazil working with one major investor were later jailed re- illegal logging.

This, and much more (including several references and "between the lines" commentary through >1,250 profiles) is discussed in DANA's new International Timberland Ownership/Investment Review published in August. Contact jan@dana.co.nz