

## **New timberland investment study identifies several new opportunities**

A new study on global timberland investment economics has identified some major shifts in the species and regimes that have been attracting timberland investors over the past five years.

According to study co-author Dennis Neilson of DANA Limited, in the five years since the last such study was completed, a distinct shift has been made from almost exclusively investing in the traditional species of pines and firs for sawlog production. More recently many investors (including TIMOs and Endowments) are placing an increasing part of their portfolios with new exotic species, regimes and countries.

The most notable of these is teak, which is now being grown by major investors in several countries including Panama, Guatemala, Nicaragua, Ecuador, Brazil, Tanzania and Mozambique; and with Ghana likely to follow soon. An analysis of over 100 Growing Cost/IRR case studies globally identifies a major advantage in growing teak over many other species. This is a potential for an early return to project net positive cash flows many years before the 20-25 year clearfell age -- due to the high value of early thinned logs. There is no similar advantage when investing in growing *D. fir* or southern yellow pines in the United States.

Another significant trend is the move to growing short rotation energy crops in Latin America and Europe. Some crops now funded by institutions are being harvested every three years. However, attempts to grow these crops in the US South have yet to be proven to be economic. Indeed early signs are that this regime is decidedly not economic at current wood energy prices.

The study has also identified what may be a new wave of timberland investment opportunities over the next 5-10 years. These include a very important global plantation species - rubber wood - which to date has been overlooked/neglected by timberland investors. Not only does it provide early positive cash flow from rubber tapping which hugely reduces net growing costs, but at 20-25 years the wood from the trees can be used for various end uses, from biomass to high value furniture. IRR returns are very attractive. Another "emerging" species may be bamboo, which can also earn very high returns; and other exotics such as African Mahogany and Indian sandalwood.

For further information on the new study, contact Jan Hansen at [jan@dana.co.nz](mailto:jan@dana.co.nz)