Welcome
Today

Your team
Your project
The market
2017

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Your Team

Tom May

Over 30 years owning and operating forestry
Past board member of peak forestry body
In forestry as he has always been enthused by it - the actual growing of something
Owns his own plantations
Sees the future as strong – steady world demand for quality product combined with reducing world plantings means a future of undersupply

Formal forestry qualifications Melb Uni
Manages over 6000 ha of forests in WA and Green triangle (Vic/SA)
Oversees on-ground operation for WA Blue Gum
Likes WA Blue Gum due to commitment to best quality locations in WA

Andy Wright
WA Blue Gum Projects

Over 3000 ha of plantation's in WA
Geographically spread as only very best locations used for project land

Forestry expert sources land in reliable wet-climate areas (high rainfall, low evaporation, near-coastal) with best soils (deep, well-drained, fertile)
12 projects represented
This chart highlights the fundamentals that ANY good project should display. Ie good fundamentals on the ground (land and trees), good people properly rewarded for their roles, a financial structure that is easy to understand and is properly balanced between the investor and the operator and a product ruling from the ATO.
Can they grow it?

Various photos focused on harvesting operations & techniques. Discussion mainly on photo of a coppice tree - bottom left. Coppicing is a trusted technique for establishing plantations (ie allows a harvested tree to regrow from the stump). Coppicing has considerable advantages in lower costs to growers and more reliable site selection - feature of 2017 project.
Can they sell it? for a good price

Discussion on price and tonnage experience for Australian export. Graph highlights higher value for Blue Gum chips due to higher pulp yield per tonne of wood (compared to other hardwoods) and lower production cost (less chemical required to bleach already-blonde wood)

- In 2008-09, GFC impacts companies but not the chip price. Falling dollar means that Japan who buys in AUD but sells everything else to a global market in USD is able to get wood very cheap compared to other sources, so price stays up. Companies falling down in Oz but those remaining still selling at good price.
- Dollar strengthens post-GFC. Unsustainable to keep buying Aussie wood at parity. Fewer sellers in market. Tohoku tsunami destroys pulp and paper infrastructure on east coast Japan, decreasing demand. Japan obtains for lower price.
- By 2011, China in the market, buying large volumes but mainly hoovering-up low-quality Asian hardwoods at bargain prices. There’s a big discrepancy between China (in USD) and Japan (in AUD) prices. Some initial China sales are at bargain rates – equivalent FOB of USD135/bdmt – to get traction (including companies such as Gunns, dumping product prior to insolvency). Weighted price starts to drop as China buys larger volume and dollar stays up. China saying that it shows no preference to blue gum over other woods.
- As China uses more blue gum, likes the product, is prepared to pay a little more ~USD150/BDMT). Companies in administration mostly sorted out, new entities elevate production rate and trade chips in large volumes at fair prices. Price stabilises.
- 2014 – 2016, China and Japan prices converge, all trade in USD. Market price has barely changed in nominal terms over this period. All AUD price movement due to currency fluctuations (the FOB and FOREX now move out-of-sync). China now the larger trading partner.
2017

Why a project in 2017? The 2017 Project features

Benefits of investing

There is developing a fundamental undersupply profile for quality chip worldwide. Still very few blue gum plantings occurring in Australia; insufficient to feed current infrastructure. Buyers are encouraging new plantings.

Very few tax-effective investment options for high net worth individuals; i.e., minimal ag projects being brought to market and Super contribution limits are very strict.

WA Blue Gum 2017 project has received its ATO product ruling confirming tax deductions.
Questions?
Thankyou