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MIS forestry continues to grow Australia's timber resource



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Timber plantations funded through managed investment schemes (MIS) will continue to grow a large proportion of Australia's future wood resource, despite the decision by leading agribusiness MIS manager, Timbercorp, to go into voluntary administration.

Richard Stanton, CEO of Australian Plantation Products and Paper Industry Council (A3P) said today that Timbercorp's decision was a response to the convergence of several factors directly affecting that company's business, and did not indicate an impending collapse in plantation forestry investment or some inherent problem with the MIS business model.

"Forestry remains a sound long-term investment, negatively correlated with other asset classes, which many regard as an important element of a diversified investment portfolio," Mr Stanton said.

"Further, the MIS model has proven the most effective way to attract private investment into new and replanted plantations. This has been very important in filling the gap in forest resource supply created over the past decade by the withdrawal of much native forest from production and the winding back of investment in new plantations by other players, including governments.

"Up from about 5 percent in the late 1990s, MIS forestry now accounts for more than one-third of the national plantation estate—nearly 700,000 ha of 1.97 million ha at the end of 2008—and over 80 per cent of the annual establishment of new timber plantations, as well as a substantial and increasing area of replanting following final harvest.

"Since the Federal Government legislated in 2007 to remove the impediment to trading of interests in MIS forestry projects before final harvest, longer-rotation sawlog plantations are now a more attractive investment than they have been historically. These plantations are being grown to produce solid timber products for the undersupplied domestic market, which is less exposed to the current volatility in export markets."

Mr Stanton said that the MIS managers that specialise in plantation forestry projects, and not horticulture and other non-forestry projects, suffered little affect from the uncertainty created by the Tax Commissioner's unsuccessful Federal Court test case last year to test his new view of MIS tax arrangements.

"The timber plantations established by Timbercorp on behalf of investors will continue to grow. We trust the administrator will put in place appropriate arrangements to ensure that those plantations will be managed and harvested as planned and provide a return to the investors.

“Many companies face difficulties during severe economic downturns. But it would be unwise to generalise about the MIS forestry sector, which is now an important and integral part of Australia’s plantation products industry and is helping to deliver jobs, income and environmental benefits to rural and regional Australia.

“Governments in Australia are committed to building and maintaining a viable and sustainable plantation timber industry funded through private investment. MIS plantations can be expected to play an increasingly important role in fulfilling that objective,” Mr Stanton said.

Further information

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