



Money that grows on trees

In recent years, forestry has become an increasingly popular sector for investors, writes **June Edwards**

“Money doesn’t grow on trees” is what parents tell their children, but in a world that has seen the near-collapse of the property market, poorly performing pension funds and a fluctuating stock market, trees are proving a solid route to financial security, according to Greenwood Management, a forestry investment company.

“Financial panics have a way of unsettling the nerves of even the most level-headed investor,” says Joe Randall of Greenwood Management, who runs the company’s Irish office, based in Dublin.

“In turbulent times investors seek refuge in things they can trust and assets that they can see. Sometimes these assets hold secrets, and although equities and bonds still rule the European investment scene, their dominance is waning as alternative asset classes become more popular,” explains Randall, adding that the stock market collapse in 2001 prompted fund managers to take a hard look at their investment strategies.

In recent years, forestry has become an increasingly popular sector for investors, particularly as the price of timber has been climbing steadily due to the high level of construction work taking place around the globe. In fact UK Timber Trade Federation chief executive John White recently blamed the rise in construction timber prices to high demand and diminishing supply.

“The development taking place in North Africa, the Middle East and China is sucking timber away and creating a shortage which is increasing prices,” said White.

On a practical level if you consider all of the various products that are derived from trees including furniture, paper, heat, not to mention construction, it’s easy to see how lumber from forests is an essential commodity, and remains one of the oldest sources of income and most traditional drivers of economic value.

Historically, the problem with investing in timber has

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always been the length of time you have to hold the investment before it matures. In the past waiting periods of up to 30 years were not uncommon. But now it’s possible to overcome this factor, and keep up with an ever increasing global demand for forestry products, by choosing species renowned for their fast growth.

Greenwood Management focus on six to 12-year investments, as they focus on faster-growing species. One of the fast-growing species is eucalyptus, which when biologically enhanced through selective breeding grow even faster, proving up to 30% more efficient than native species of euca-

lyptus. Brazil and Uruguay are currently producing some of the fastest growing Eucalyptus trees, with investors seeing returns in six to seven years. The company also invests in firs, another winner in terms of demand and high prices that can be fetched for them on the global Christmas tree market.

So how does it all work for the investor? In general it’s possible to invest anything from €5000 upwards although most people tend to invest an average of €10,000. The company acquire timberland investments on behalf of their clients, and try and match their plantations to a client’s individual need. On average investors can expect a return of between 10% and 16%.

In the case of Eucalyptus in Brazil, government and independent research suggests a 26% return.

Investors generally make a return by investing in one or more hectares of an actual plantation, which form part of an overall project. Investors are also usually happy to know that Greenwood’s mission is to establish sustainable timber plantations within some of the most depleted forestry areas of the world, creating a knock-on effect for the overall environment.

“The future of forestry as an asset class is global,” says Randall. “Mature markets offer stability, while the addition of developing markets in regions such as Latin America and Eastern Europe can offer substantial returns by bringing value added experience from more mature markets.”

And for investors looking to diversify into other related agricultural markets, Greenwood Investments not only sell forestry land but also agricultural land and have a division dealing with the sale of vineyards named Vine Yards Direct. Prices for vineyards range from €200,000 to €17million.

**Further information from Greenwood Investments /
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