

As part of ongoing management of the Kangaroo Island Tasmanian Blue Gum Plantations (KIP), the growth and health of the permanent sample plots were assessed in August 2010. The trees are growing at a stable rate and the firebreaks are in very good condition due to timely weed control and grazing by native animals.

Previous drought impacts have eased and the latest inspection showed a degree of recovery of height for age. Monthly rainfall data indicates a drier than usual winter for 2010 compared to the long term average, but above average rainfall for the end of winter 2009. All plantations have recorded an increase in the basal area (trunk width measured 1.37m off the ground), indicating an overall recovery in growth rates due to more favourable rainfall conditions.



Measuring the diameter of a sample plot tree at Kellendale p2000 plantation.



Near the E side of p2001 at Stun'sail Boom. An improvement in tree growth was observed here.

## Kellendale Plantation

The Kellendale property plantations were established in 2000. The health of the trees is satisfactory with no obvious pest or disease problems and no apparent nutrient disorders. Tree growth shows a slight improvement compared to previous periods, with the best growth at the northern end on undulating terrain, on the ridges and in the south eastern corner.

The permanent sample plot data shows that while there is a variation in tree stocking rates between plots, the average stocking remains close to 1,000 stems per hectare. This rate is considered excellent for 10-year-old Tasmanian blue gum plantations in southern Australia.

## Stun'sail Boom Plantation

Two separate plantations were established on the Stun'sail Boom property – in 2001 (p2001) and 2002 (p2002). The best p2001 areas are near the northern boundary, while the trees south of the main central east-west access track are showing slower growth (but improved since the 2009 observations). While good growth is evident in the north western corner of p2002, there are some poorer areas on native vegetation boundaries.

Small areas of Stun'sail Boom in both p2001 and p2002 were drought affected in 2006 and 2007. Tree deaths were mostly on rocky soil types near the main creeks running north-south through the property. During the inspection in August no new areas had been impacted by drought and in some cases, trees previously by drought had recovered.

## Woodchip Market Update

Australia is the largest hardwood woodchip exporting country in the world. In the past, most Australian hardwood woodchip exports were sourced from native forests as a by-product of sawlog production. Over the last 15-20 years, Tasmanian blue gum has been the most widely planted tree species in Australia to take advantage of the growing trend towards plantation sourced timber for Australia's woodchip exports.

Most Tasmanian blue gum plantations have been established to produce woodchips for overseas paper manufacturers. Paper manufacturers generally prefer Tasmanian blue gum to hardwood chips sourced from mixed species native forests as it has:

- uniform short stiff fibres with pulping characteristics ideal for producing high quality paper,
- pale colour that requires less chemical bleach, and
- high pulp yields.

## Woodchip Pricing

Blue gum woodchip prices have retained value in the last two years when many other commodities exported from Australia have significantly dropped in price as a result of global economic turmoil.

The price paid for export woodchips depends on the world price which fluctuates with supply and demand. Woodchips are sold in bone dry metric tonnes (BDMT) which eliminates variation in wood moisture content and focuses on the solid wood content. Basic density for Tasmanian blue gum trees at harvest is around 530kg per cubic metre or 0.53 BDMT per cubic metre; for every cubic metre of wood, there is 0.53t of solid dry wood for sale.

The current *free on board* (fob) plantation grown and environmentally certified Tasmanian blue gum woodchip price at the port of Albany in Western Australia has remained stable at \$207.40 per BDMT. As woodchips are not currently exported from Kangaroo Island, it would be expected that the increased shipping time from Kangaroo Island to Albany may slightly reduce the fob price at the time of export due to the additional shipping costs.

## Harvesting and Exporting

It was always intended that the harvested woodchips from the KIP would be exported via a facility proposed for development at Ballast Head, as this site was secured at the commencement of the project. Rights to the site were sold to Great Southern Limited as part of the overall land sale in 2004. At the time, Great Southern had the largest portion of the plantations on KI and has planted around 30% of the arable land on KI. This estate combined with other growers gives a total estate of approximately 14,000 ha of Tasmanian blue gum plantations under management on Kangaroo Island.

In the first half of 2009, Great Southern and all its subsidiary companies went into Receivership. The plantations were bought by, and are now being managed by, Gunns Ltd (as Responsible Entity). The land owned by Great Southern Limited is still in the hands of Receivers, McGrath Nicol, and we will update growers after the land is sold.

It was intended that the harvesting of the trees on Kellendale and Stun'sail Boom would coincide with the export facility proposed for construction at Ballast Head. Great Southern established large areas of plantations on KI each year from 2005 and proposed to begin harvest and export of product from 2015. It is expected the new Responsible Entity, Gunns Ltd, will maintain a similar schedule as plantation growth has been stable.

At this stage the Kellendale and Stun'sail Boom plantations are still proposed for harvesting in 2015. Viento will seek obtain further clarification from Gunns about development of the export facility and will update investors accordingly.

## Contact Us

If you have questions relating to your investment, please call our Client Services team on 1300 555 505 or email [info@vientgroup.com](mailto:info@vientgroup.com).

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