

# The Coastal Action Plan An Investor Perspective

**Clark S. Binkley, Ph.D.**  
Managing Director

International Forestry Investment Advisors  
Cambridge, MA

+1 617 945 9059 tel  
+1 617 868 1096 fax  
cbinkley@ifiallc.com e-mail  
www.ifiallc.com website

# Agenda

- I. IFIA: where you stand depends on where you sit.**
- II. An economist's view of the "problem"**
- III. Lots of capital is available, if....**
- IV. Conclusions: some suggestions for Coastal BC**

# I. International Forestry Investment Advisors

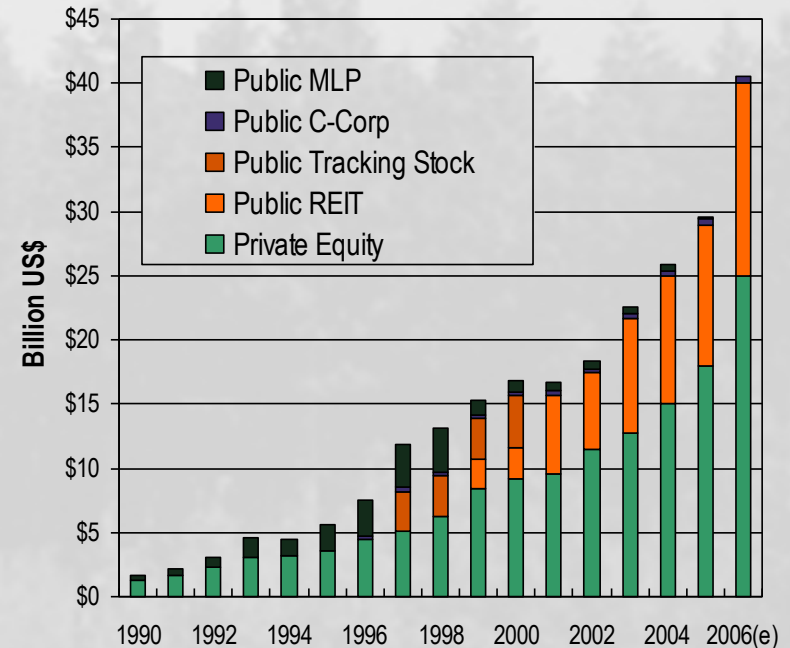
- **IFIA: “Develop and implement innovative, socially responsible timberland investment strategies for sophisticated investors” ([www.ifiallc.com](http://www.ifiallc.com)).**
- **Current work:**
  - **Emerging markets: 2003 World Bank Conference--capital scarcity; led to Global Emerging Markets Forestry Fund.**
  - **Technology: advanced genetics, agronomy, manufacturing, renewable energy.**
  - **Capital-market arbitrage: public and private equity and debt.**

## II. An Economist's View of the "Problem"

- **Production depends on Natural Resources, Labour, Technology and Capital:**
  - ✓ **Natural Resources**
    - Hembal AAC undercut
    - re-think 2nd growth
  - ? **Labour**
    - skilled but aging
    - need for more flexibility
    - training for the next generation
  - x **Technology: under-investment in R&D**
  - x **Capital: largely absent**

# III. Private Equity Investment: US Timberland

- **20+%/yr growth since 1980s**
- **Historic Rationale:**
  - **Strong returns: 15.3%/yr since 1987 (US; NCREIF)**
  - **Low or negative correlation with other assets**
  - **Effective hedge against unexpected inflation**
  - **A real asset**



Source: HTRG Research

# III. Private Equity Investment: non-US (\$8+ bn?)

- **New Zealand (\$3 bn)**
  - Global Forest Partners/Weyerhaeuser JV
  - Harvard + NZ SuperFund
  - Hancock
  
- **Australia (\$1 bn)**
  - Hancock
  - GFP/Weyerhaeuser JV
  
- **Sweden/Finland (StoraEnso spins; \$3 bn?)**
  - Tornator
  - Bergsvik Skog
  
- **Canada (\$1 bn)**
  - Hancock
  - Brookfield
  - Wagner
  
- **Latin America (\$0.5 bn?)**

# III. Emergence of Private-Equity Funds

- **Madison Dearborn**
  - Packaging Corporation of America (1999)
  - Boise Cascade (2004; \$3.7 bn)
- **Koch Industries**
  - GP Pulp assets (2004)
  - Rest of the GP (2005; \$13.2 bn)
- **Cerberus:** MeadWestvaco paper mills (2005; \$2.3 bn)
- **Apollo (Verso):** IP coated paper business (2006; \$1.4 bn)
- **Obsidian:** Longview Fibre (ongoing)
- **Brookfield:** Weyerhaeuser Coastal Operations
- **Global Emerging Markets Forestry Fund**

Source: Lutz(2006)

## IV. Conclusions: what about the Coast?

- Lots of capital available; abundant timber, attractive country for investment
- What's needed? Reduce risk, provide opportunities!
  - Free trade in logs and lumber
  - More private, or private-like land (e.g. Australia, NZ, Malaysia)
  - Government indemnity vs. land claims (e.g. NZ)
  - Greater investment in R&D/"knowledge products"
- Or, just look south of the line