



MACQUARIE

# Macquarie Forestry Adviser Update 2011

Macquarie Agricultural Funds Management

**FORWARD** thinking



MACQUARIE



# Important information

- This information has been prepared by Macquarie Alternative Assets Management Limited ABN 30 103 237 181, AFSL 225758, (MAAML) in and Macquarie Financial Products Management Limited ABN 38 095 135 694, AFSL 237847, (MFPML) and is current as at 18 November 2011.
- Confidential: This information is confidential and is provided to licensed financial advisers and professional advisers only. This information may not be reproduced, distributed or disclosed to any other persons. In no circumstances is the information to be used by a person for the purposes of making a decision about a financial product.
- PDS : An invitation to apply for interests in the Macquarie Eucalypt Project 2011 ARSN 149 549 940 and units in the Macquarie Timber Land Trust 2011 ARSN 149 549 575 (together the Macquarie Forestry Investment 2011) is made in a PDS dated 21 March 2011. The PDS is available at [macquarie.com.au/forestry](http://macquarie.com.au/forestry) or by phoning 1800 617 900. In deciding whether to acquire or continue to hold an investment in the the Macquarie Forestry Investment 2011, an investor should obtain the PDS and consider its contents. Previous projects were offered under various PDSs, which are also available by phoning 1800 617 900.
- General advice only: This presentation is provided by MAAML and MFPML for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs and the appropriateness of this information should be considered in that context.
- Tax: The Macquarie Group does not give, nor does it purport to give, any taxation advice. Any taxation discussion in this presentation is based on laws, anticipated legislation and Commonwealth announcements at the time of writing. Those laws and the level of taxation may change. The application of taxation laws to each investor depends on that investors individual circumstances. We recommend advisers and their clients obtain their own legal and taxation advice to assess the information in light of their clients' individual circumstances.
- Forward-looking statements: To the extent that this presentation contains forward looking statements, forecasts, estimates, projections and opinions, no representation is made or will be made that they will be achieved or will prove to be correct. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved or that investors will receive a return of the amount invested. Any investment is subject to significant risks of loss of income and capital.
- No reliance: This presentation does not contain all the information that may be required to assess a proposal. It also does not aim to notify recipients of any possible risks, direct or indirect, in making any investment. Any recipient represents that it is not relying on any recommendation or statement of the Macquarie Group.
- Past performance is not an indication of future performance and no guarantee is given in respect of the performance of, or return of capital from, an investment or any fund.
- No responsibility: This presentation has been prepared in good faith with all reasonable care. However, certain parts of this presentation may be obtained or are based upon information obtained from third parties which may not have been checked or verified. The presentation is based on present circumstances, market conditions and beliefs which may change and may impact the accuracy of the information. The Macquarie Group has no obligation to update the presentation or correct any inaccuracies or omissions. None of MAAML, MFPML, any other company in the Macquarie Group or their respective directors, employees, consultants and agents make any representation or warranty as to the accuracy, completeness, timeliness or reliability of the contents of this presentation. To the maximum extent permitted by law, none of MAAML, MFPML, any other company in the Macquarie Group or their respective directors, employees, consultants and agents accepts any liability (including, without limitation, any liability arising from fault or negligence on the part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it.
- Not deposits with Macquarie: Investments in the Macquarie Forestry Investment 2011 are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 or any Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of income or capital invested. Neither Macquarie Bank Limited nor any other member of the Macquarie Group guarantees any particular rate of return on, or the performance of any project nor do they guarantee the repayment of capital from the Macquarie Forestry Investment 2011.
- In this presentation references to the Macquarie Group are references to Macquarie Group Limited and its worldwide subsidiaries, affiliates and funds or other investment vehicles that they manage.



MACQUARIE

# Agenda

1	Macquarie Agricultural Funds Management	5
2	Woodchip market update	8
3	Woodchip price update	12
4	Rainfall update	14
5	Performance of the Macquarie Forestry Investments	17
6	Key operational activities	19
7	Performance of rural land investment	24
8	Questions	30



# Key executives

## Management team

Tim  
Hornibrook



- Co Head of Macquarie Agricultural Funds Management (MAFM)
- Executive Director, MAFM; MAFM and MCF Executive Committee member
- Lawson Grains Limited and Lawson Grãos Ltda boards, Harris Dairies Ltd board, Director PPCO and MAFML boards
- More than 10 years banking, finance and agribusiness

Kevin  
Kelly



- Chief Operating Officer (Australia), Macquarie Agricultural Services
- More than 25 years experience in corporate agribusiness – pork, beef, dairying, genetics, horticulture and environmental management
- Former General Manager of the NSW production arm of Bunge Meat Industries, the largest producer of pork products in the world.

Darren  
Shelden



- General Manager (Forestry) - Australia
- More than 14 years in the Australian forest industry, developing and managing large plantation assets,
- Substantial experience achieving environmental certification and with silvicultural research and development.

Jonathan  
Webster



- Agricultural Product Specialist (MAFM Australia and New Zealand)
- More than eight years experience in the agriculture, finance and funds management industry
- Substantial structuring and capital raising experience in Australia - forestry and almonds
- Family farming and agricultural experience - beef and grains.

Kelvin  
McKeown



- Agricultural Product Manager (MAFM)
- More than four years experience in project management and agriculture
- Family farming and agricultural experience in New Zealand – sheep
- Seasonal crutching experiencing with NZ based operator.



MACQUARIE



Macquarie Agricultural Funds Management

**FORWARD** thinking

# End-to-end agricultural management capability

Seamlessly combining investment and farming expertise:

## Investment management

- Financial structuring
- Governance and control
- Compliance
- Investment strategy
- Fund raising (debt/equity)
- Investment risk management
- Fund administration

## Farm management

- Asset selection and acquisition
- Operational planning
- Farming execution
- Production risk management
- Pricing risk management
- Environmental planning
- Farm business financial management
- Off take management
- Supplier relationships



MACQUARIE

# Macquarie Agricultural Funds Management

- Dedicated manager of agricultural assets
- Large and growing presence in Australian agriculture
- More than \$A1.2 billion in investments and commitments
- More than 3.6 million hectares of farmland managed across Australia
- More than 200 staff across associated businesses
- Operations in:
  - dairy
  - viticulture
  - livestock
  - horticulture
  - forestry
  - row crops.





MACQUARIE



Woodchip market update

**FORWARD** thinking



MACQUARIE



# Paper consumption and GDP



Source: Poyry, 'Australia and Asia-Pacific Hardwood Woodchip Market Review 2010'.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



MACQUARIE



# Hardwood woodchip import by country



Source: Macquarie, Poyry.

\* Final figures for 2010 have not yet been officially released.  
The chart above are Poyry estimates based on 2010 import data currently available data.

BDt = Bone Dry tonne

Source: Poyry, 'Australia and Asia-Pacific Hardwood Woodchip Market Review 2010'.

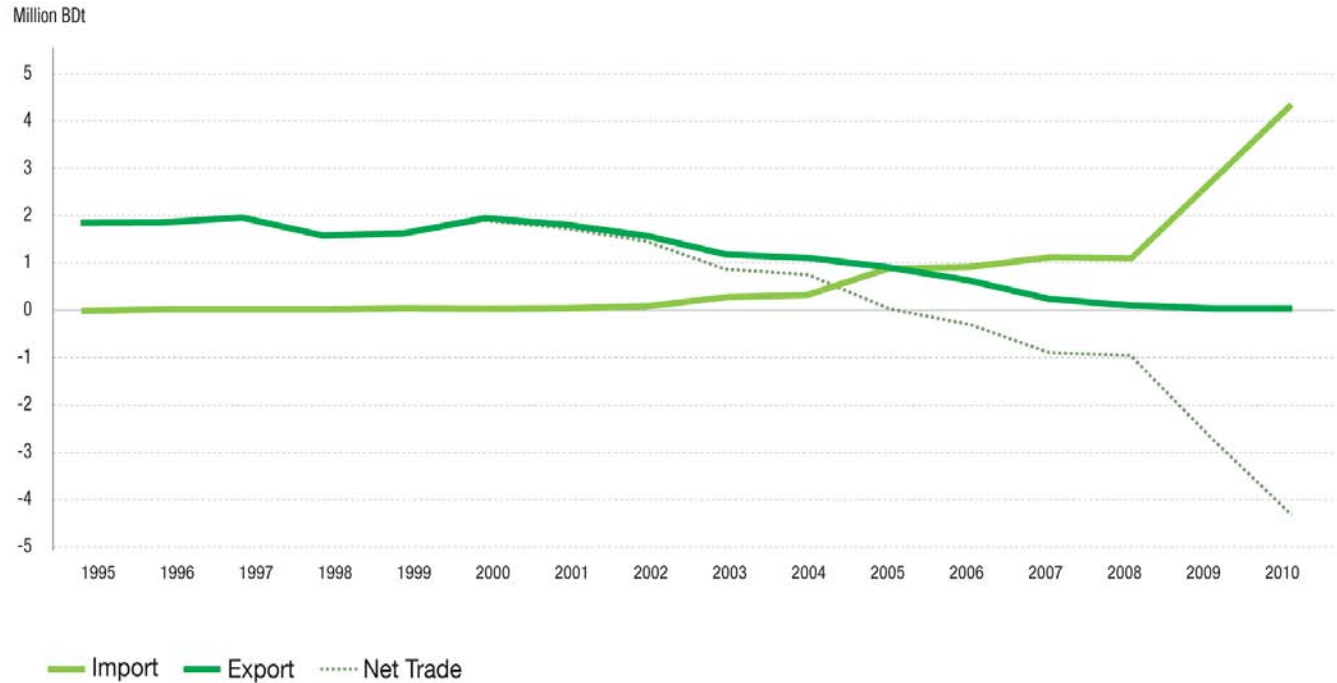
Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



MACQUARIE

# Emergence of China

## China woodchip trade



Source: Macquarie, Poyry.

BDt = Bone Dry tonne

Source: Poyry, 'Australia and Asia-Pacific Hardwood Woodchip Market Review 2010'

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such



MACQUARIE



Woodchip price update

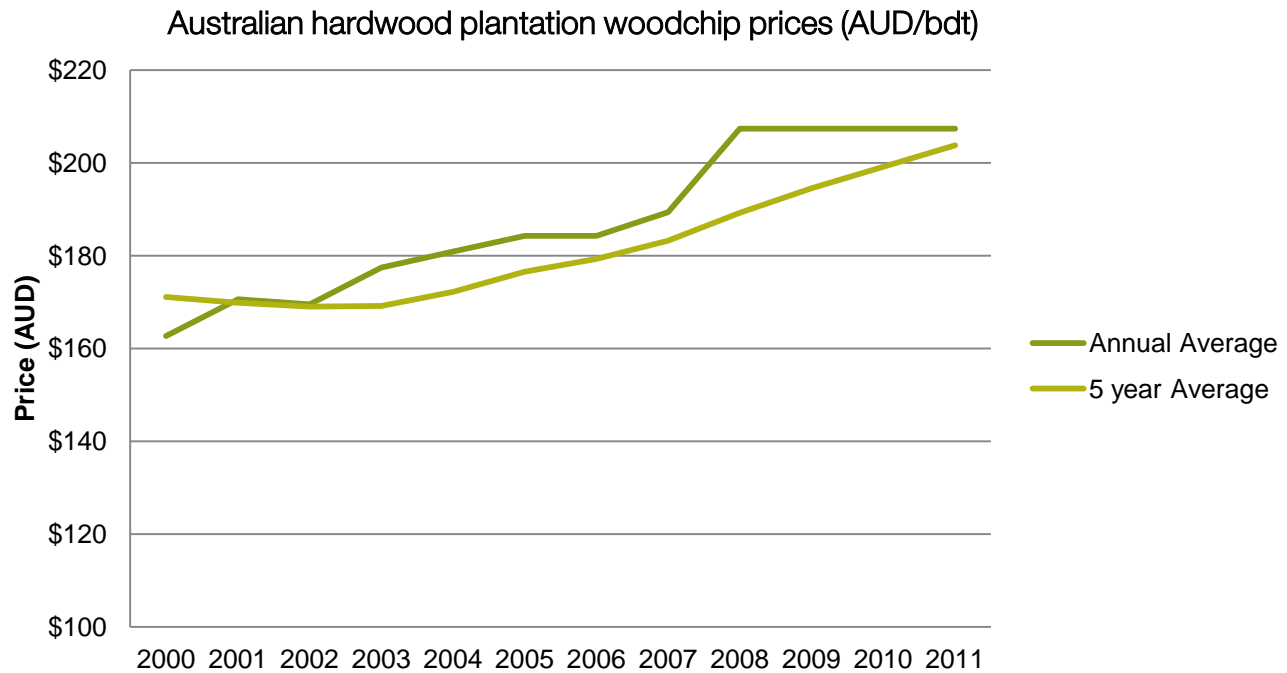
**FORWARD** thinking



MACQUARIE



# Australian woodchip price history



The FOB woodchip price for plantation eucalyptus from Albany in 2011 is \$A207.40/BDt, unchanged from 2009 and 2010.

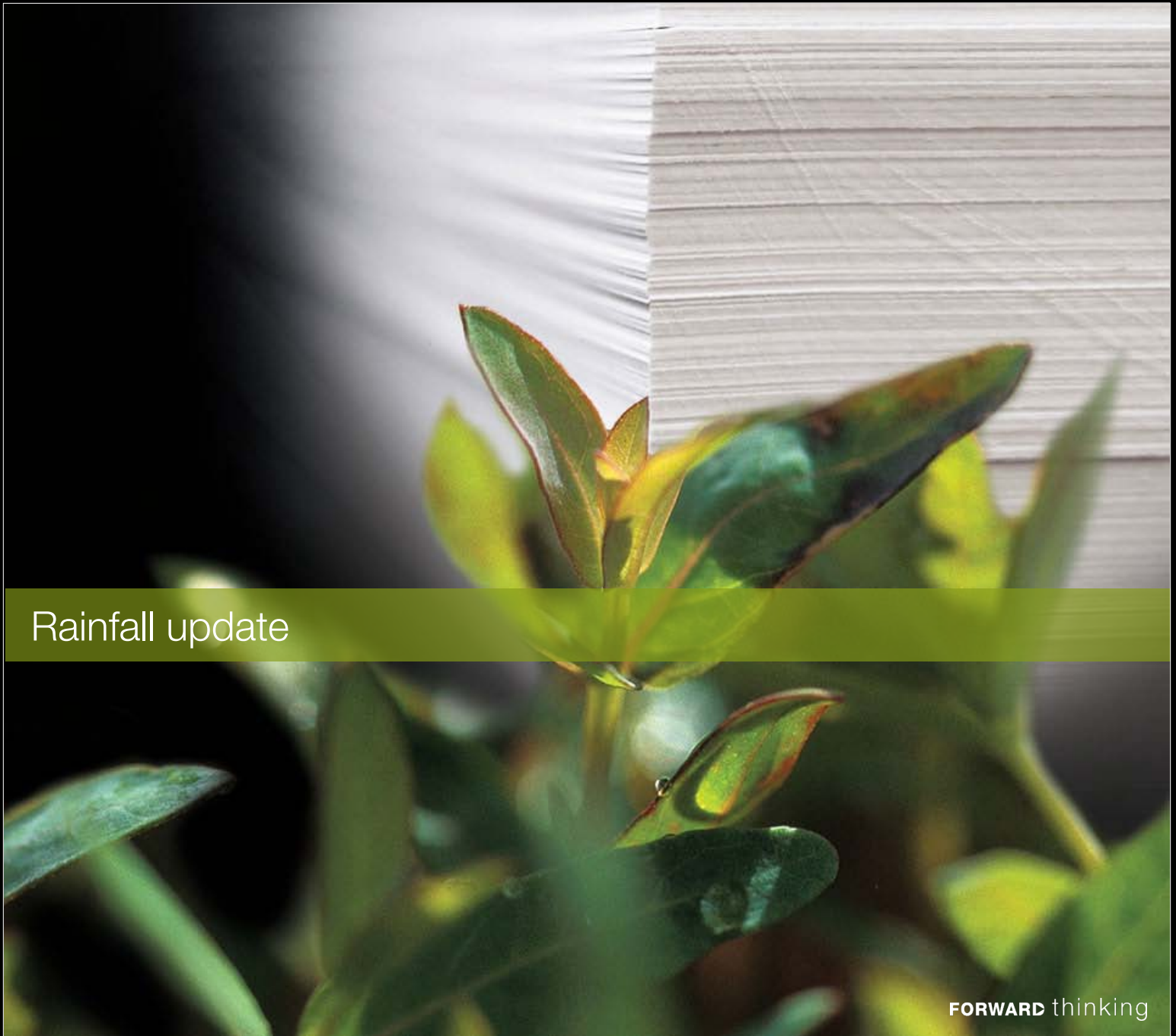
BDt = Bone Dry tonne

Source: Poyry, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



MACQUARIE



## Rainfall update

**FORWARD** thinking

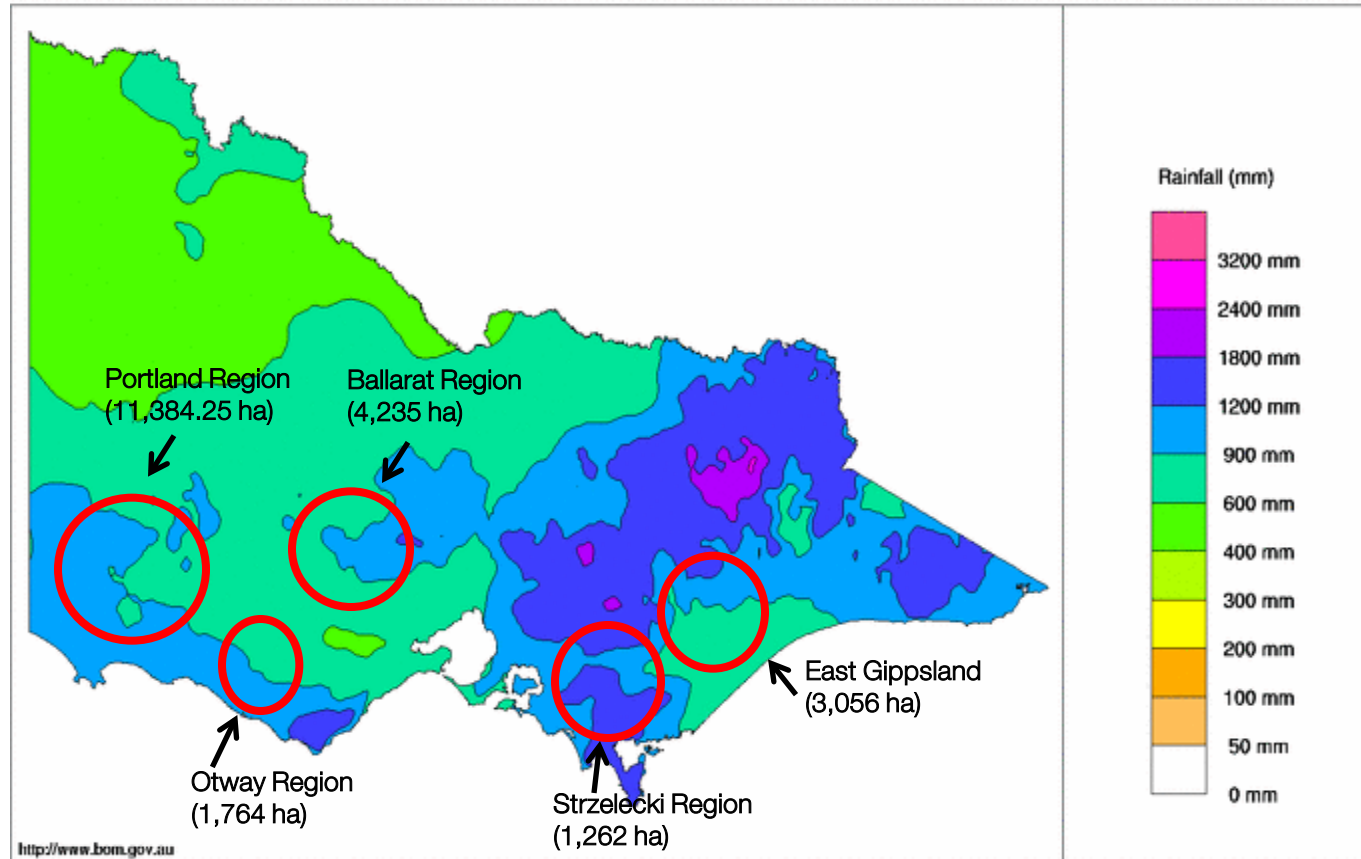


MACQUARIE

# Annual rainfall

Victorian Rainfall Totals (mm) 1 November 2010 to 31 October 2011

Product of the National Climate Centre



© Commonwealth of Australia 2011, Australian Bureau of Meteorology ID code: AWAP

Issued: 03/11/2011

Source: Australian Bureau of Meteorology, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



# Annual rainfall

Region	Rain (mm ) 1 November 2010 to 31 October 2011	Annual average	+/- (Period v average)
Casterton	1099	656	68%
Gippsland	709	659	8%
Strzelecki	1364	1010	35%
Ballarat	837	693	21%
Hamilton	827	700 (Dunkeld)	18%
Otways	973	984	-1%

Source: Australian Bureau of Meteorology, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.

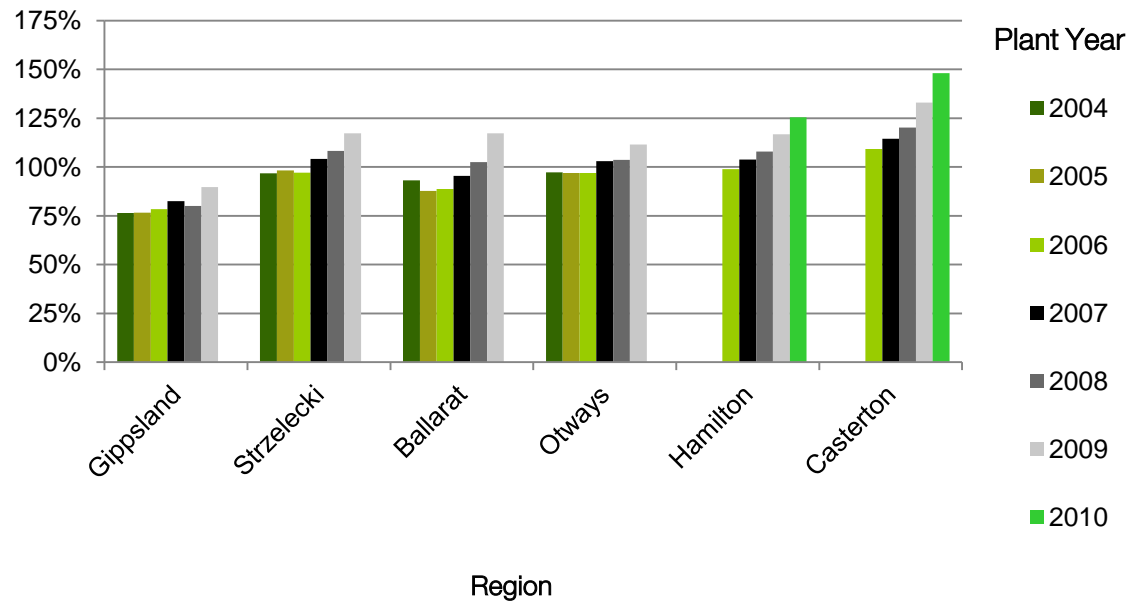
All rainfall figures are measured by millimetres



MACQUARIE

# Annual rainfall

### Percentage of long term average rainfall



Source: Australian Bureau of Meteorology, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.

All rainfall figures are measured by millimetres



MACQUARIE



Performance of the Macquarie Forestry Investments

**FORWARD** thinking



MACQUARIE



# Performance update

Investment year	Plantation established	Location	PDS target yield (GMT ha)	Project Year 10 standing volume (GMT ha)**	Merch yield (GMT ha)**
June 2003	June 2004	Ballarat/ Otways/ Strzelecki's	220-230	210	179-189
June 2004	June 2005	Ballarat/ Otways/ East Gippsland	220-230	219	186-197
June 2005	June 2006	Ballarat/ Otways/ Strzelecki's/ East Gippsland / Portland	220-230	199	169-179*
June 2006	June 2007	Ballarat/ Otways/ Strzelecki's/ East Gippsland / Portland	220-230	213	181-192
June 2007	June 2008	Ballarat/ East Gippsland/ Strzelecki's/ Portland	220-230	232	197-209
June 2008	June 2009	Portland	220-230	TBC	TBC, Oct 2012
June 2009	June 2010	Portland	220-230	TBC	TBC, Oct 2013
June 2010	June 2011	Portland	220-230	TBC	TBC, Oct 2014
June 2011	June 2012	Portland	220-230	TBC	TBC, Oct 2015

•Inventory results for MFI 2005 do not include the area replanted in 2007.

•Source: \*\* Geddes Management Pty Ltd

Please note that past performance is no guarantee of future performance.



MACQUARIE



## Key operational activities

**FORWARD** thinking



MACQUARIE

# Key operational activities

Project	Activities
Project 2003	Firebreak maintenance Inventory Noxious weed control Fencing Plantation health monitoring
Project 2004	Firebreak maintenance Inventory Noxious weed control Fencing Plantation health monitoring Vermin control Access works Dam maintenance
Project 2005	Firebreak maintenance Inventory Noxious weed control Fencing Plantation health monitoring Vermin control

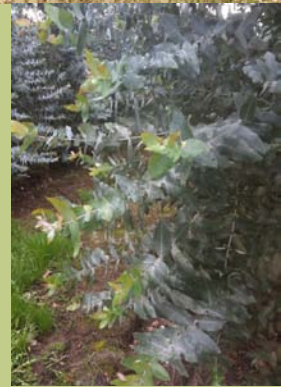




MACQUARIE

# Key operational activities



Project	Activities
Project 2006	Firebreak maintenance Noxious weed control Fencing Plantation health monitoring Foliar Analysis Weed control Woody weed control
Project 2007	Firebreak maintenance Inventory Insect control Fencing Plantation health monitoring Vermin control Weed control Fertilising
Project 2008	Firebreak maintenance Weed control Insect control Fencing Plantation health monitoring Vermin control





MACQUARIE

# Key operational activities

Project	Activities	
Project 2009	<ul style="list-style-type: none"><li>Firebreak maintenance</li><li>Fencing</li><li>Plantation health monitoring</li><li>Foliar Analysis</li><li>Weed control</li><li>Replanting</li><li>Vermin control</li><li>Insect control</li><li>Survival counts</li></ul>	
Project 2010	<ul style="list-style-type: none"><li>Land evaluation and acquisition</li><li>Clean up works</li><li>Cultivation</li><li>Fertilising</li><li>Weed control</li><li>Seedling propagation</li><li>Planting</li><li>Insect control</li><li>Fencing</li><li>Plantation health monitoring</li><li>Vermin control</li><li>Access works</li></ul>	





MACQUARIE

# Key operational activities

Project	Activities
Project 2011	Land evaluation and acquisition Clean up works Weed control





MACQUARIE



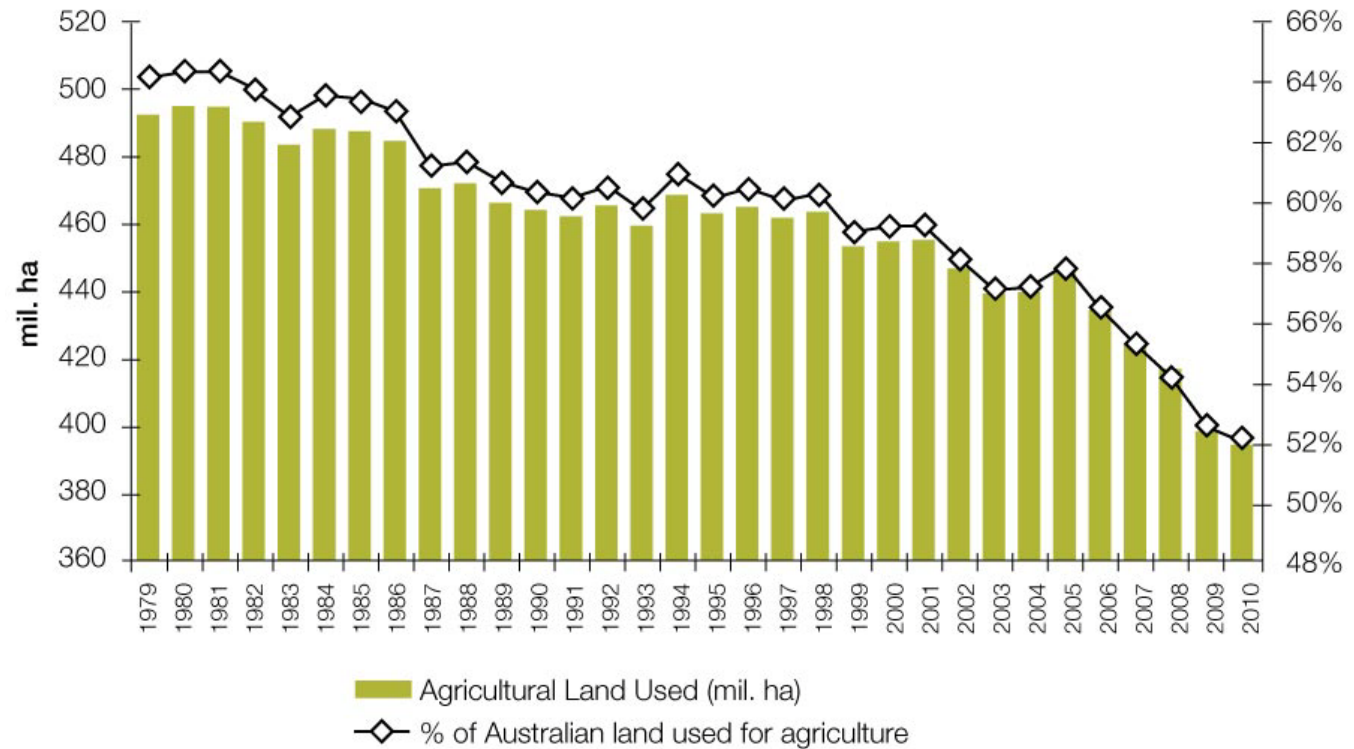
Performance of the rural land investment

**FORWARD** thinking



# Available Australian agricultural land declining

Agricultural land use in Australia



- Area of farms declined by three per cent to 399 million hectares in 2009-2010
- Approximately 52 per cent of Australia's total land area was used for agriculture in 2010\*

Source: Australian Bureau of Statistics, Macquarie\*.

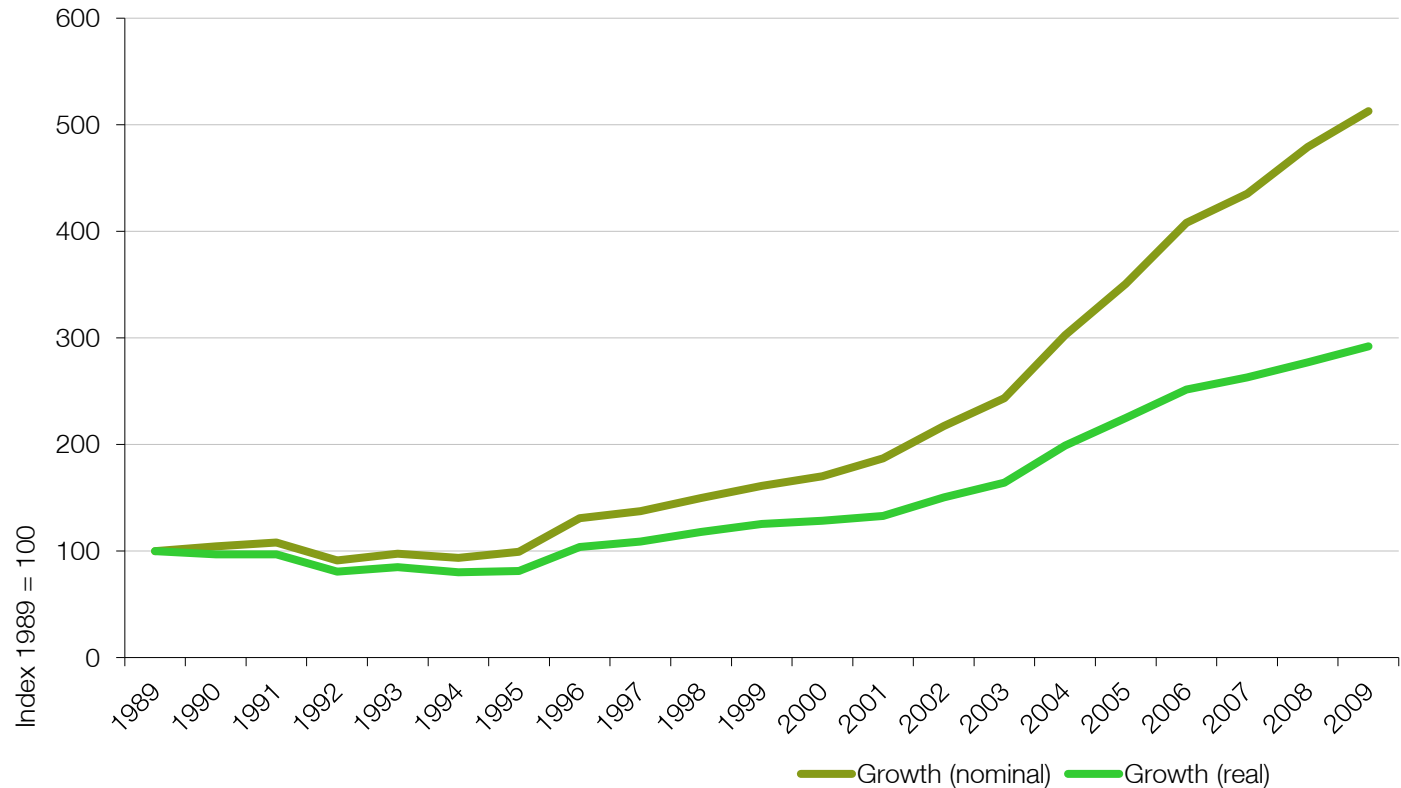
Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



# Growth over two decades

- Nominal growth of 8.51 per cent per annum
- Real growth of 5.50 per cent per annum.

Australian Rural Land Value Index



Source: Australian Bureau of Statistics, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.

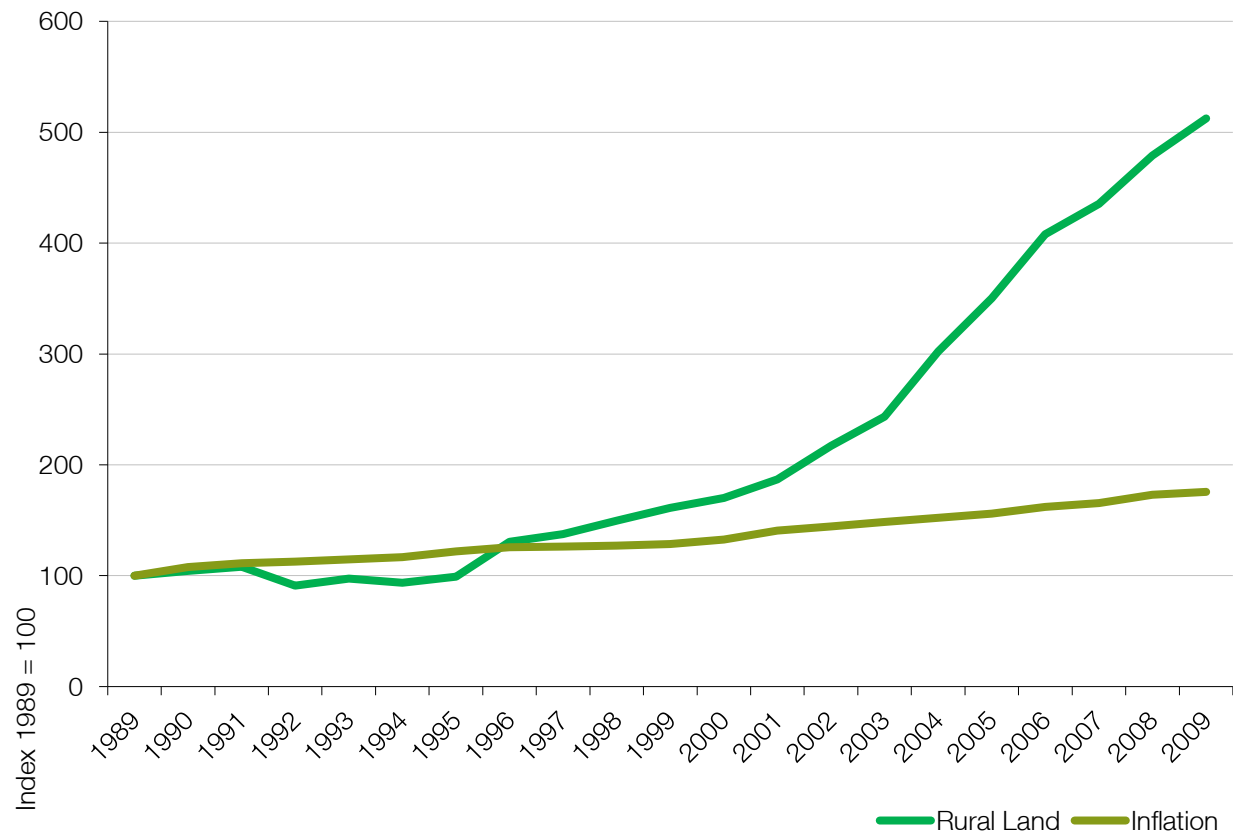


MACQUARIE

# Rural land: a hedge against inflation

95.5 per cent correlation during the last 20 years.

Australian rural land values versus inflation



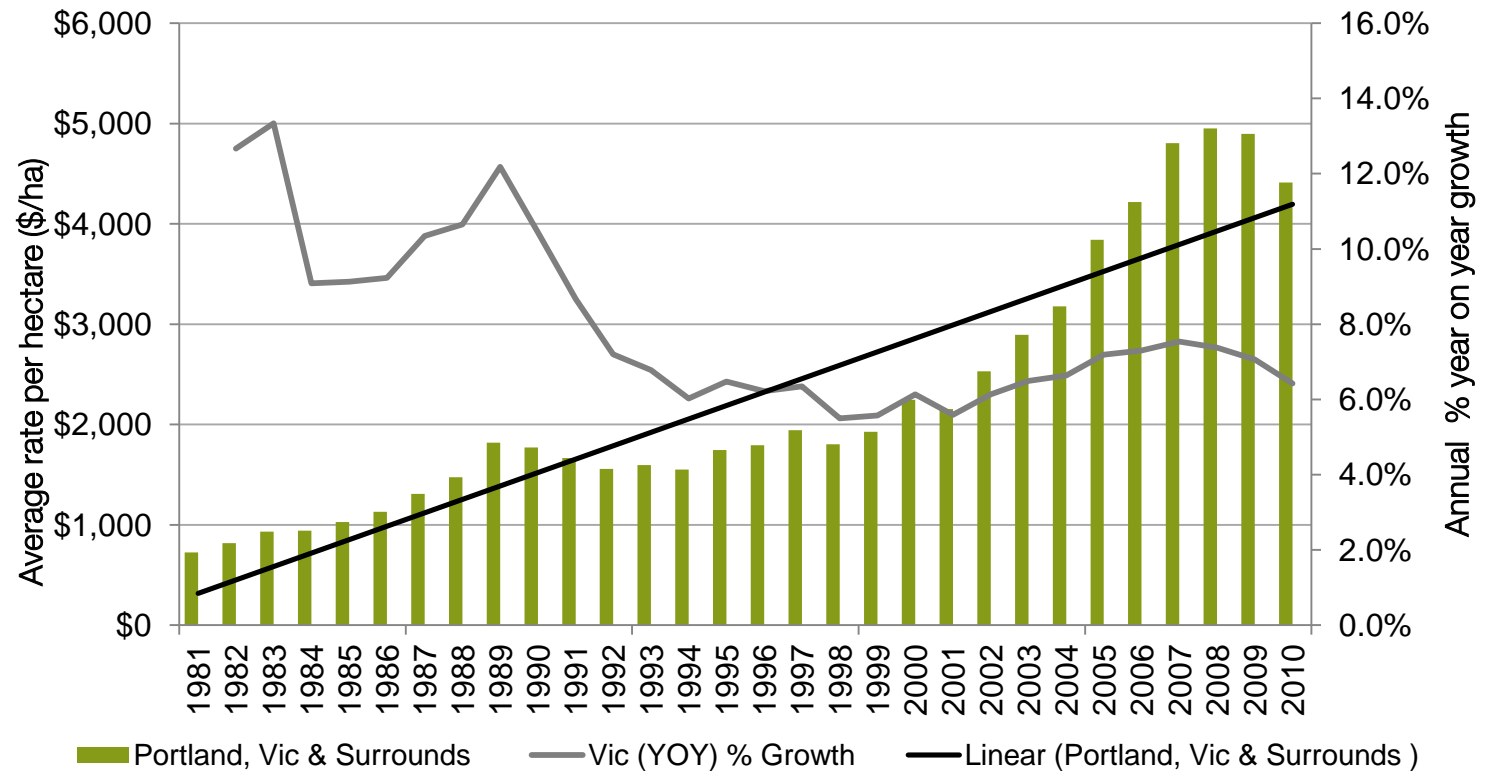
Source: Australian Bureau of Statistics, Macquarie.

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



# Land values: Victorian Green Triangle region

## Long Term Rural Land Growth - Vic Green Triangle Region 1981-2010



Source: Colliers International Research, Valuer General Victoria & UPmarket Sales Data

Please note that past performance is not necessarily indicative of future performance and should not be relied upon as such.



MACQUARIE

## Key risks

- There are many variables which may affect the financial performance of the investments
- General investment risks – eg liquidity (no redemptions) and gearing
- Agricultural and environmental risks – eg drought, fire, harvest yield and quality
- Risks associated with price of the land and trees at maturity – eg change in global demand.

All risks are set out in the Product Disclosure Statement and should be considered prior to recommending or investing in the product.



MACQUARIE



## Questions

**FORWARD** thinking



MACQUARIE

# Contact us

## **Jonathan Webster**

Agricultural Product Specialist

Phone: 03 9635 8218

Mobile: 0402 444 455

Email: [jonathan.webster@macquarie.com](mailto:jonathan.webster@macquarie.com)

## **Investor Relations**

Phone: 1800 080 033

Email: [agribusiness@macquarie.com.au](mailto:agribusiness@macquarie.com.au)

