

Forestry Processors & Sawmills Show the Way

Despite the unceasing negative economic news we receive in the media, it is worth drawing attention to some positive events in the forestry sector - especially those engaged in the processing and sawmilling.

In 2008, export markets were aggressively developed in reaction to the rapid effects of the recession in Ireland. In 2010, timber processing firm Glennon Brothers reported a doubling in value of their exports from Ireland to mainland Europe, from €10 million in 2009 to €20 million 2010 (source: Irish Farmers Journal, 18 Dec 2010). In that same year, Mike and Pat Glennon of Glennon Brothers received the Industry Entrepreneur of the Year Award for their efforts in the their sector

In 2010, a total of €286 million of forest products were exported from Ireland to key markets for panel products in the UK and Benelux countries (source; IFFPA). Taking a look at the Irish Exporters' Association list of Top 250 Exporters and you will find three timber or panel producers listed there:

- Smartply Europe Ltd
- Medite Europe Ltd
- Masonite

While these operators are delivering strong exports, we as a nation, must now redouble our efforts to deliver a domestic supply of timber for them to process for the future. Glennon Brothers have been quoted as stating that the sector is hampered with overcapacity and that "there just aren't enough logs in the republic to process competitively" (source: Irish Farmers Journal, 18 Dec 2010). In real terms this results in a number of opportunities:

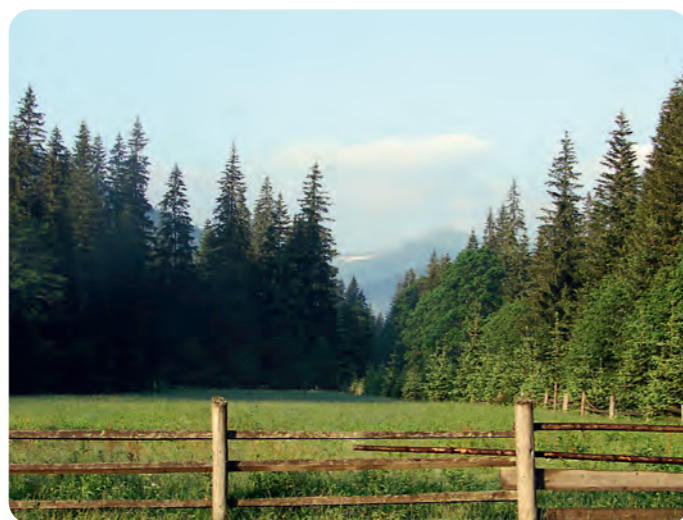
- Irish growers must increase the domestic supply as far as possible
- This will create essential import substitutions and greater competition
- Support and promote the afforestation programme for future supply

In a market experiencing such undersupply, with Irish-based processors at the same time developing exports of valuable products, it is essential that Ireland drives its forestry sector. With full implementation of the afforestation programme we in Ireland can increase our domestic timber supply, keep essential rural based jobs here in Ireland and maximise the timber value chain, from tree nursery to sawmill to panel producer, for the benefit of our economy.

Those of us in the business of growing forestry, no matter what our involvement, have a lot of thanks to give Ireland's processors and sawmills. Equally, we must ensure that the political will remains steadfast, that the afforestation targets are met to safeguard future supply and through this ensure that this valuable rural based sector can contribute to the maximum extent possible to the economic recovery of Ireland.

Forest Bio-diversity and Protection

Sustainable forest management practices in European countries have been implemented to promote the conservation and enhancement of biological diversity. Selective measures have notably lead to increased natural regeneration and more mixed species stands. Actions have also been taken to encourage deadwood accumulation. From 2000 to 2005 the area of protected forests increased by about 2 million hectares. By 2005, almost 5 percent of Europe's forests were protected.



Twenty-six percent of the European forests are considered undisturbed – they are mainly located in eastern and northern European countries. Excluding the Russian Federation, only 5 percent of forests in Europe are undisturbed. About 70 percent of Europe's forests are classified as semi-natural and about 4 percent as plantations.

Three percent of the European forests are protected with the main objective of conserving bio-diversity. Another 1.7 percent is protected with the main objective of conserving landscapes and specific natural features.

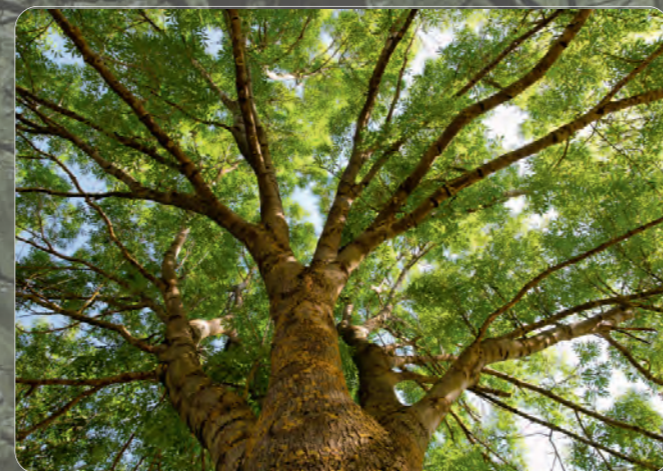
More than 20 percent of European forests are managed primarily to protect water, soil and infrastructure, including settlements, roads, railways, pipelines, cultivated and industrial areas. Ten percent of European forests are designated primarily for the protection of soil and water, and 11 percent for the protection of infrastructure or managed natural resources. In some areas, notably mountains, the protective functions are particularly important and override the others.

Less than 1 percent of Europe's forests are dominated by introduced tree species, or around 4 percent if excluding the Russian Federation. In many countries, introduced tree species are closely related to the establishment of plantations, and while significant in some countries, the total area is not increasing.

Source: The Ministerial Conference on the Protection of Forests in Europe, Oslo

ASH

(Fraxinus Excelsior L.)



Distribution & Provenance

Ash is a native species to Ireland but with a wide natural distribution, ranging across Europe as far as central Russia in the east, the Mediterranean in the south and central Sweden in the north. Ash has a strong ability to regenerate naturally on bare ground or in hedgerows. There are no known differences between ash provenances from different parts of Ireland. Generally, seed used in Ireland is of either Irish or English provenance and has been collected from straight, fast growing trees of good form.

Silviculture & Management in Ireland.

Ash requires moist but free draining, nutrient rich and sheltered frost-free sites on which to produce quality timber. Because ash is so site demanding, suitable sites are generally small. Vegetation control is extremely important in ash plantations as it is a species very sensitive to competition from weeds for both nutrients and moisture. Ash is a strong light-demander and must be thinned heavily and regularly. Thinning promotes the development of large crowns which in turn stimulate diameter growth. Deformed, diseased and over aggressive trees are removed at an early stage and pruning of selected stems is also sometimes necessary. Ash is not known to grow well as a pure crop and pure ash stands have a low volume production per hectare. It is therefore often advised either to plant ash in mixture with other species such as alder or larch or to introduce an under-storey crop such as beech or hornbeam at a stage when the ash is about 15 to 20m tall.

Sizeable ash thinnings (approximately 30 centimetres in diameter at breast height) can be harvested for hurley production. This is a highly skilled operation and should be carried out by the hurley maker. Following this harvest, the crop is grown on for a further 20 years to produce veneer logs and large sawlogs.

Ash is very susceptible to frost which causes forking of the main stem and can result in poor quality stem form. It is therefore not suited to sites where frosts occur regularly. Other risks to ash crops include livestock trespass, browsing from rabbits, hares and deer and ash bud moth which lives in ash buds and can cause forking.

Non Timber Benefits

As a native species, ash has important heritage and ecological values. It fits naturally into the Irish landscape, both as a hedgerow and woodland species. Ash is the latest of the broad-leaved species to flush in the springtime and its crown and foliage are light. The combination of these two factors allows a high level of light to reach the woodland floor, thus fostering a rich array of ground flora and fauna.

Ash has become a popular species to plant amongst farm foresters, particularly in recent times with the increasing availability of better sites for planting. Irish nurseries currently produce and sell approximately 2.5 million ash transplants each year making it one of the most popular broad-leaved species alongside oak.

Ash is commonly referred to in Ireland's cultural heritage and has often been associated with sacred wooded sites known as "bile" from which townland names such as Knockavilla have been derived.

Uses & Markets

Ash has large annual rings and a clean white appearance with a distinctive sheen making it popular for a variety of uses. Ash timber, when grown quickly, is strong and flexible with a good capacity for shock absorbency. For this reason ash has been traditionally used in Ireland for the production of hurleys. The same shock absorbing qualities make ash suitable for other sports equipment and tool handles. Larger ash stems may be used as veneer logs or sawlogs for use in furniture manufacture. Generally, ash for such purposes is grown to a diameter at breast height of 5060 centimetres. Ash also has a high calorific value and is consequently a preferred firewood species.

(Source: Forest Service at the Dept. of Agriculture, Food & the Marine.)

Change of Address or email

Don't forget to let us know if you change your address or email.

It is important that Shareholders notify the Registrar in writing if changing address. Please remember to include Share Certificate Numbers and your signature on all correspondence. If you do not wish to remain on our mailing list please contact us and we will remove your details immediately.

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Let us know what you would like to read about in our next newsletter - contact us at info@irish-forestry.ie

Spread the Word !

The Irish Forestry Funds are designed to encourage and promote Irish forests to Irish people through collective ownership in order to ensure that the tax efficiencies inherent in commercial forestry are available to as wide an audience as possible.

Whilst you may not wish to take advantage of investing in the Twelfth Forestry Growth Plan, which is due to be launched in October, you can help promote forestry ownership by passing this newsletter and any other published material to someone you know - recycling at its best!

Realising Our Full Forest Potential

The Irish forestry sector makes a significant contribution to our economy in terms of job creation involving the planting of new forests, harvesting the wood resource and processing the timber for local and export demand.

Approximately 16,500 Irish workers are employed in the forestry sector and the majority of these are rural based. The output from Irish forests and the forest products sector accounts for 1% of Ireland's Gross Domestic Product and this sector has the ability to grow and produce additional jobs, wealth and indigenous industries into the future

Sector	No. Employed
Forestry Sector	3,760
Panel Mills	705
Sawmills	1,607
Other wood products	4,588
Indirect/contract employment	6,000
Total	16,680

Source: BEEC Employment in the Irish Forestry & Forest Products sector

10.5 % of Ireland is covered by forests and this is significantly below the EU average of 43% which is one of the reasons why Ireland faces such a critical shortage of wood supply. Industry experts have indicated that this shortage is set to increase to more than 1.5 million cubic metres per annum within the next

eight years thus increasing the likelihood of increasing prices for wood fibre both from the existing sawmilling and panel products sectors and from the emerging wood biomass energy sector. Current estimates indicate a potentially available Irish harvest of 880,000 m3 of wood fibre from thinning operations in private commercial plantations that are at or have passed their first thinning age.

Most of the output from Irish sawmills and board-mills is now exported as the depressed domestic market has been supplanted with export markets and the forest industry needs to be

"most of the output from Irish sawmills and board-mills is now exported"

commended for its efforts to source new markets for value-added product. The current lack of local raw material supply this summer saw large quantities of roundwood being imported from Scotland and this trend is likely to continue.

The Irish government is continuing its policy of support for developing and planting of new forests. For the government to achieve the 17% target forest cover by 2030, planting levels need to be increased from the existing 6,000 hectares per annum to 25,000 hectares per annum and this is unlikely to be achieved within the specified timeframe.

An increased forestry planting drive will deliver significant

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THE TWELFTH FORESTRY GROWTH PLAN PLC

The Power of Real Growth

- Tax Efficient investment
- Minimum Lump Sum investment €750
- 12 year investment period
- Managed by IFS Asset Managers Ltd

The Twelfth Forestry Growth Plan Plc is open for subscription to Irish residents only.

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*past performance is no guarantee of future returns

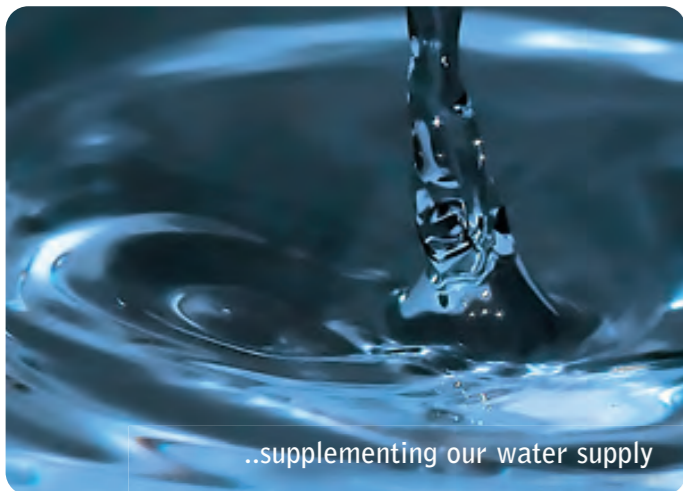
Providing you with continuous innovation in Irish forestry investment



Launch
Date:
October
2011



Every Cloud has a Silver Lining - an introduction to Cloudburst



Water has become serious business. The cost of water in Europe is €8.90 per 1,000 litres – and in Ireland it is currently €1.90. The decline in Irish water quality and water infrastructure over the years has raised the prospect of immediate increases in already significant water charges. We simply need to find another way of supplementing our water supply.

Rainwater Harvesting refers to the capture of rainwater to meet human water needs whilst reducing pressure on groundwater supplies and also reducing the volume and rate of storm water runoff from a property. Incorporating rainwater harvesting into a “sustainable” house or building is consistent with good practice. Capturing the rainwater from your roof and/or your car park and filtering it, storing it and connecting this new source of high quality water to your existing water supply system makes environmental and economic sense. This system works in parallel with your mains water supply but reduces your reliance on it and also significantly reduces the cost of your future high quality water supply.

Many countries are facing water shortages as a result of drought, climate change or straightforward incompetent planning. Rainwater harvesting for potable use is a crucial source of supply and also provides significant economic, social and environmental benefits including reducing pressure on declining water tables. It is not just the developing world that is facing this problem, European countries along with the United States are increasingly turning to rainwater harvesting to help alleviate pressure on declining water tables. In Ireland we know that our water supplies are diminishing and restrictions are becoming more and more common to reduce our overall usage.

In the Dublin area there is now almost no water treatment taking place inside the M50 which means that most of the rainfall in Dublin flows unused into the storm water and river systems and into the sea. And this when some are touting spending billions of Euro on a pipeline to take water from the Shannon to service the needs of Dublin’s residents!

How can rainwater be used?

For centuries, Irish people have used rainwater for drinking, cooking, bathing, laundry, toilet flushing, through to watering the garden. Nowadays, even with the availability of mains water

supply people can choose to use rainwater that is collected from their roof and stored in tanks or other vessels to supplement their water requirements and also reduce their carbon footprint.

The popularity of rainwater harvesting is growing rapidly in Ireland and globally. Rainwater that is captured and stored correctly is a safe, economical and sustainable source of quality water. Safety measures can be applied to the manner in which rainwater is captured, stored and dispensed. In fact, some people argue that rainwater is safer than water supplied through mains water systems. Our mains water is typically stored in reservoirs, treated with chemicals such as chlorine to kill off bacteria and make it safe, and then pumped through a network of pipes throughout the community. It makes sense to catch the rain that falls for free without chemicals.

Rainwater falls for free

Once a rainwater harvesting system is installed, you will use less mains water and thus reduce your water bills significantly. Governments and Local Councils will increase water prices as they look to recover the true costs of providing water to the community. The cost of construction of reservoirs and treatment plants is huge and ultimately, as tax and rate-payers, we foot this cost.

We all want a cleaner, greener Ireland and we can now contribute to this by collecting and using or re-using our own water or by ensuring our wastewater meets the required standards. Cloudburst maximises potential water resources while also meeting the standards set out by the regulatory bodies. Understanding the pressures people are under means ensuring cost effective solutions that can offer significant savings and short term return on investment.

Cloudburst is an Irish Company based in Navan, Co Meath, and offers a range of expertise in the design, provision, installation and support of leading edge water recycling solutions. Our specialist areas are Rainwater Harvesting and Re-Use, Customised Wastewater Filtration Systems for a range of Industries and Attenuation Flood Management Systems for small medium or large projects. Cloudburst specialise in helping their customers gain a commercial or environmental advantage through the re-use or recycling of water.

cloudburst

Cloudburst are offering an exclusive discount to IFS members on a 3000 litre Domestic Rainwater Harvesting System. Please Email forestryoffer@cloudburst.ie for further details.

Realising Our Full Forest Potential *continued from page 1*

long-term obvious benefits including rural job creation, import substitution and enhanced export earnings. However there are less obvious (but no less real) benefits which also result from increased levels of afforestation such as recreational opportunities for tourism (18 million visits were made to Irish forests in 2010); enriching the lands to encourage native flora and fauna; improving bio-diversity and visual landscapes and generating carbon credits to help comply with our Kyoto commitments. The Irish government has already spent over €90 million buying carbon credits. Utilizing Irish forestry to create our own carbon credits, and even become a net exporter

“utilizing Irish forestry to create our carbon credits would have very positive implications”

of carbon credits in the long-term, would have very positive implications for hard pressed taxpayers. Under the Kyoto Protocol (2008-2012), Irish forests will sequester 11 million tonnes of carbon dioxide (CO2). Over this five year period, this represents a total projected saving to the Irish taxpayer of €220 million.

A whole new sector has emerged over the past decade and it is becoming a significant force within Irish forestry – the biomass sector. Whilst underpinning the lower end of the value chain of



forest product i.e. primarily first thinnings, the biomass sector represents a significant opportunity for woodland owners but a significant and growing threat to the existing forest products industry. We are now seeing the emergence of a renewable climate-change-mitigating energy source based on domestically produced wood biomass. Localised combined heat and power (CHP) plants are carbon neutral and they underscore the importance of increasing our afforestation levels whilst having the potential to fundamentally reduce our enormous overdependence on imported fossil fuels.

The full potential of the private forest resource has not yet been fully realised.

New Minister of State for Forestry



Minister of State, Shane McEntee

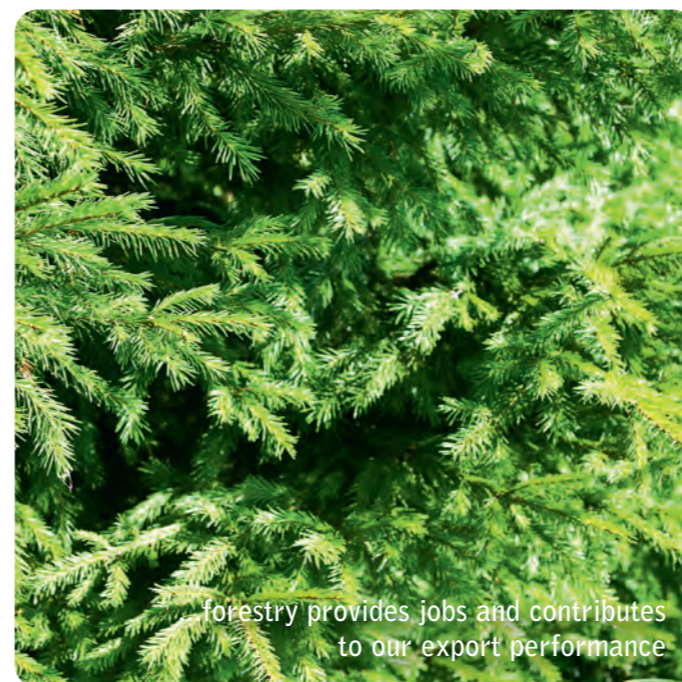
IFS Asset Managers welcomes the appointment of Mr. Shane McEntee TD, Minister of State with responsibility for Forestry at the Department of Agriculture, Food and the Marine

Minister of State McEntee TD stated that he was pleased to add forestry to his brief and commented,

“Forestry, as an indigenous industry, also provides a wider ranging, long term economic return in that it provides jobs, both directly and indirectly, and contributes to our export performance. It also provides benefits to the environment and recreation and amenity value to society in general.”

Highlighting the significant State investment in forestry over the years, the Minister of State pointed out that, in this year alone, forestry premiums amounting to some €72.2 million had been paid to forest owners to date in 2011. Minister of State McEntee also commented,

“My Department has to date this year issued felling licences on a record private sector area of over 9,390 ha (over 23,000 acres), up over 30% on this time last year. Despite the downturn in the domestic construction sector, the prices for timber remains buoyant due to the success of sawmills in turning quickly to export markets. This is very positive news to the farmers who planted in the 1990’s now seeing their timber crops being thinned and yielding a real return. This return for farmers and the supply of raw material for the timber processing sector is real evidence of the return from State investment in forestry over the years.”



Winners of IFSAM Forestry Photo Competition announced



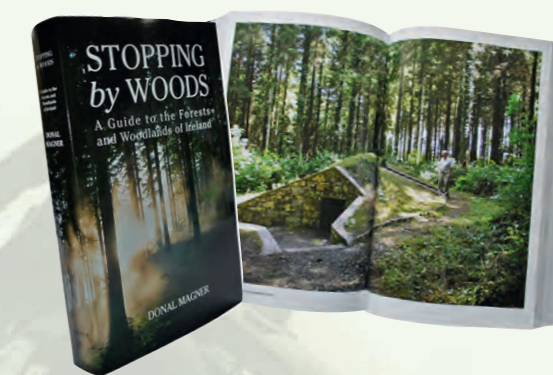
Mr. Andreas Lynch, competition winner and Mr. Aidan Higgins, Cloudburst Ltd.

Mr. Aidan Higgins, Business Development Director of Cloudburst Limited, presented the first prize in the IFS Asset Managers Forestry Photograph competition to Mr. Andreas Lynch for his wonderful photograph. Andreas received the first prize of a Canon PIXMA MG8150 colour printer.



Mr. Trevor McHugh, IFS Asset Managers

Speaking at the presentation, Mr. Trevor McHugh of IFS Asset Managers stated that he was delighted that the competition had generated hundreds of entries and said that he was looking forward to next year’s event to celebrate the beauty and social importance of Irish forests *“We are keen to promote forestry as much as we can, both as an important investment asset class through the Irish Forestry Funds and also as a wonderful source of amenity for all Irish people to enjoy and to cherish for future generations”*



Runners-up were also awarded signed copies of Donal Magner’s book *Stopping by Woods: a Guide to the Forests and Woodlands of Ireland*, published by Lilliput Press, which is a fascinating guide to 340 forests and woodlands open to the public throughout Ireland.



The Winning Entry by Andreas Lynch