

ForestFinance Newsletter of March 2009

Barking up the wrong (teak) tree

Dear Sir or Madam, dear ForestFinance clients,

the timber market booms – not. One who tells potential forest investors that the timber market is booming in this time of crisis either lost touch with reality or tries to lead the clients up the seemingly secure garden path in order to quickly generate distribution allowances before the news gets around. Worldwide, the timber price and the timber trade have nose-dived dramatically and are partly paralysed. That comes as no surprise – after all, the timber demand of the last years was heavily dependent on the overheated building boom in China and the USA. How long this vale of tears will last is hard to say.



Harry Assenmacher

A handwritten signature in blue ink, appearing to read 'H. Assenmacher', written over a white background.

CEO

ForestFinance Group

Especially owners of pure teak plantations are affected.

India, one of the world market's major teak purchasers, is heavily affected by the global economic crisis. The decreasing demand for teak is accompanied by a teak oversupply which is caused by large-scale fellings in teak plantations in South America. These are forced to sell timber because otherwise either they cannot cover the operating costs or they cannot pay the promised returns to their investors anymore. There is plenty bad news from the world of teak plantation at the moment. Well off is one who has other "niche products" like native species in the program or who even combines forest with agro products like cacao. This shall not give a false impression: ForestFinance forests and their products would be also affected by this and future sales crises. But because of the diversification of the tree species and the much longer turnover time (25 instead of 17 to 20 years as in most teak plantations) we are slightly more flexible and have more possibilities to avoid the crisis and to sit it out.

That does not only require call centre sale capacities but above all forestry know how and experts: the most modern developments adapted for tropical forests. For instance, ForestFinance forestry scientist Sebastian Gräfe developed a new worldwide unique monitoring tool which saves not only time and money but which is also an important decision guidance e. g. when it comes to the planning and implementation of thinnings (for more information see page 3).

It applies as well to boom times as to the worst economic crisis since decades: forest investments are no guarantee for returns of ten or twelve per cent but a good chance for a sustainable result based on property and a renewable resource. I wish you and us, but particularly the poorest countries of this world, a good outcome of this crisis and a peaceful transformation into a sustainable economic system. In these countries the people may not only lose their investment but often also their life. We are doing well.

Yours truly,

Harry Assenmacher

Content

Forest engineer of ForestFinance develops innovative forest tool for field-proofed computer 3

WWF: Scientists calculated the economic value of an intact rainforest 5

Finally EU fights illegal forest destruction..... 6

CO₂OL adjusts expert conference GreenMeetings Germany CO₂ neutral 7

Show me the way to the *Amarillo* 9

Presenting..... 13

What does it mean...? 14

Imprint 15

Forest engineer of ForestFinance develops innovative forest tool for field-proofed computer

Our forest engineer Sebastian Gräfe presented a special innovation during a ForestFinance workshop in February. Especially for handheld computers Gräfe developed a monitoring system. Already during the inventory taking in the forest, this system allows a direct reading of important data concerning the harvest and the planning of the thinning. During the data input the system already starts to evaluate and simulates different scenarios of the thinning.



Ricardo Lujan, recognized expert of forest growth research in Central America, challenged and tested critically the new software for professional and scientific reliability. Compared with usual monitoring systems for Central America, the three most important advantages stuck out very fast: speed, representativeness and flexibility.

Due to the direct input via a field-proofed computer, the subsequent and time-consuming digitalisation of the collected data is not necessary anymore. As the evaluation is carried out directly, the forester can start planning the thinning – respectively the inventory – at the same time and hence saves the second time-consuming forest inspection. Because of the standardised input mask careless mistakes are excluded from the first. Due to a large-area spreading with a comparative high amount of reference points, but a more low number of single trees within the reference point, the results show a high representativeness. Heterogeneous stands and small-area sites are collected in its entirety. On the strength of the intelligent evaluation tool the system is optimally suitable for mixed plantation. The system is able to execute the evaluation separately according to the tree species.



For demonstration purpose of the system the participants went to the finca "Madera Fina". The forest assistants of the ForestFinance office in Las Lajas, Andy Castillo, Moises Carrera and Felipe Loo presented the program's applications via different examples. Ricardo Lujan and Clementino Herrera critically examined every single step and carried out own measuring to check up on flaws of the system. The program as well passed this test free from defects and the forest professionals showed enthusiasm. "With this tool the work is more effective and it saves a lot of time for us. Before, it took us two weeks to collect and digitalise all data. But thanks to the new tool it only took us three days this time and everything is already digitalised" says ForestFinance employee Gräfe. Nevertheless old established techniques will not be abandoned right away, assures Gräfe: "During transition period we will stick to our traditional methods to gain reference results."

WWF: Scientists calculated the economic value of an intact rainforest

Rainforests are worth money. Up to now, this applied particularly to the revenues from the cutting down of primary forest, soy cultivation and cattle breeding on fallow land. On behalf of the WWF scientists now have found out that untouched primary forest is worth money as well. They calculated a concrete economic value of preserved rainforests.

An example from Ecuador makes it clear: Several million barrels of oil are lying under the rainforest of the Yasuní National Park in Ecuador. According to estimations the production of this oil would earn the country about 700 million US Dollars a year but in exchange a large area of the park would need to be subdued. The ecological consequences for nature would be disastrous. Now the Ecuadorian president Rafael Correa suggested how this ecological disaster could be avoided: As an incentive for the preservation of the affected forest he claims a compensation payment of yearly 350 million dollars from the big CO₂ producing industry nations. After all, these countries would benefit from the conservation of the rainforest which absorbs a bigger part of the carbon dioxide from the atmosphere.



As an incentive for the preservation of the affected forest he claims a compensation payment of yearly 350 million dollars from the big CO₂ producing industry nations. After all, these countries would benefit from the conservation of the rainforest which absorbs a bigger part of the carbon dioxide from the atmosphere.

Besides many nations like Germany, Spain and Norway this argumentation is considered as very coherent– as well by the WWF, whose scientists recently calculated the economic benefit of untouched rainforests: “The study shows that only an appropriate financial compensation for the conservation of the Amazonas areas is able to stop the destruction of the rainforest”, says WWF forest expert Guénola Kahlert. Unfortunately, under momentary circumstances it is economically more rational to cut down the rainforest than to preserve it as this earns more real money. “Only the attribution of a monetary value and a payment of the carbon binding can stop the deforestation of the Amazonas”, explains Kahlert.

Therefore, environmentalists claim obligatory rules for the compensation of rainforest areas according to the so called REDD mechanism (Reduced Emissions from deforestation and forest degradation). This means an economic value is attributed to the forest which matches the bound amount of carbon dioxide. The most discussed point of the REDD – how the conservation of the forests shall be paid – will be an important issue at the Climate Conference in Copenhagen in December 2009.

Photo: © WWF/Zig Koch

Finally EU fights illegal forest destruction

In the ForestFinance newsletter of December 2008 we already reported on the EU package of measures for the preservation of primeval forests and forests and we demanded a quick and massive amendment of the bill. Now the Environment Committee of the European Union Parliament presented a considerably tightened suggestion about the prevention of the destruction of primeval forests, illegal importation and trade with stolen wood. Well-known environmental protection associations such as Greenpeace and WWF appreciate this new package of measures which now needs to be accepted and implemented by the EU Parliament and the Council of Ministers. The decision of the EU Parliament is expected by the end of April 2009.

ForestFinance as well sees a basis for an obligatory EU climate and primeval forest protection in the new draft: "With the new bill the Environmental Committee of the EU reaches out even further than in October. We see a real chance that finally the EU can implement effective measures to save the forests and primeval forests," says Harry Assenmacher, the CEO of ForestFinance.



Photo: iStock

Concerning importation and illegal trade with cut wood the old bill has been revised essentially: Amongst others all participants who are involved in production as well as in trade with illegal wood shall be held liable. Additional in the future, European companies should document exactly the origin of their wood. The implementation of a comprehensive test system to prevent illegal importation and trade with stolen wood is another milestone of this bill. Moreover national authorities shall be qualified to investigate violations; handled as criminal offences. Furthermore standardised punishments throughout the European Union are planned. With these improvements the commission meets the demands of more tight and standardised rules against the importation and the trade with illegal cut wood and finally starts seriously to protect the climate and the forests.

CO₂OL adjusts expert conference GreenMeetings Germany CO₂ neutral

From the 3rd until the 4th of March the expert conference GreenMeeting Germany took place in the World Conference Center Bonn. Experts for environmentally aware events met in the former German Bundestag to develop measures for a standard of environmentally aware events. CO₂OL experts of course made sure that the expert conference was arranged fully CO₂ neutral. Besides, they had their own information stand at the conference.

In the run-up to the conference CO₂OL determined the CO₂ balance with a tested procedure. This procedure implies the energy consumption of the building, technics, catering, conference manuals and logistics during the conference. At the CO₂OL information desk participants could determine their own carbon "footprint". The accommodation in the hotel as well as the mode of travel was considered likewise. The sum of all determined emissions is now being compensated by approved CO₂ certificates from own international afforestation projects.



Photo: World Conference Center Bonn

Besides the own stand at the exhibition, CO₂OL supported the GreenMeeting expert conference with the workshop "Environmental factor: mobility", moderated by ForestFinance CEO Harry Assenmacher. Participants of the conference as well as experts of the Deutsche Bahn AG (German Railways) and the German Lufthansa AG attended.

At the conference visitors from all sectors of the conference and event management took advantage of the professional exchange. Besides a multitude of discussions during the ecologically organized conference, a number of consensuses about standardised fundamentals of operations for a "green event management" were made; state a lot the participants. A consensus was reached that the content of the conference should be integrated in the training of event management. Unanimously accepted was the rating that "green events" should be a standard in near future.



Photo: World Conference Center Bonn

As well for CO₂OL the commitment was worth it: "We had a lot of interesting conversations with numerous prospects", says Dirk Walterspacher. "Alone the dimension of the own "footprint" surprised the participants. In future some of the car drivers definitely will take advantage of offers from the German Railway instead of arriving with the car.

Show me the way to the *Amarillo*

German investors visit their forest in Darién

By Silke Berger

Where's Jesús got to?

In 15 minutes we have to be at the hotel, our clients Petra and Frank Bettgenhäuser are waiting for us! Yesterday, they arrived from Miami and today they want to visit their forest in the East of Panama.

Finally he arrives but he doesn't feel good. His stomach is giving him trouble, but he is desperate to drive us. Under his shirt he has a newspaper tied around his belly. It helps to calm the stomach ache, explains Jesús.

We pick up Mr. and Mrs. Bettgenhäuser and leave Panama City easterly. The highway leads over a bridge and runs parallel to the coast of the Pacific Ocean. Underneath us the waves are braking and above us pelicans glide in the trade wind.

The city awakes and the noise starts but soon we leave the city behind us. North of us lies a grassy, hilly landscape that mounts from the Cordilleras of the coast in direction of the Caribbean. Palm trees and some trees with large crowns arrange the gorgeous scenery. About noon the huge droves will adjourn to the shade of those trees. We are driving on the legendary Pan-American Highway, leading from Alaska to Tierra del Fuego. Now the street turns into a narrow and potholed road and gives us a good shaking. We are crossing rickety bridges over numerous rivers that are lined with densely forests in lush green.



The Lago Bayano appears in front of us, a large storage lake that supplies amongst others the Panama Canal. Hundreds of islands speckle the surface, small biotopes of water hyacinths and other floating plants are located by herons.

In the air-conditioned car we drive along villages of the Embera Indians. The simple huts have roofs made of palm tree leaves. The huts stand on stilts of hard mangrove wood and even the termites would have a hard time with it. Colourful clothes blow in the wind; chicken pick on the ground; horses wait patiently, shifting the weight to three legs. We as well take a break. For breakfast we have hojaldres (fried round flat dough-cakes) and tortillas de maíz (corn omelet), all fried like most of the food here in Panama. Only Jesús has to abstain. The newspaper has not made any impact still.

After the break we meet Pedro Garay, the forest engineer of BARCA. Our Canadian partner BARCA (Brinkman y Asociados Reforestadores de Centro América) is our local

service provider. Pedro is a Panamanian, who was given a German scholarship to study science of forestry in Honduras. He guides us through the tree farm. At the riverbanks workers dig off fertile ground which is sieved, mixed with rice shells and finally heaped up. Some women fill the soil into black plastic bags. The seedlings of the ForestFinance forests are bedded into the bags filled with soil.

We got to keep on going; it will take us one hour until we will reach our destination. The police are stopping us more frequent now, again and again we have to identify ourselves and explain to the police the purpose of our tour. Now we are in Darién, the easternmost and most undeveloped province of Panama. Even though the border to Colombia lays some hundreds of kilometres ahead this area is considered as border area. There is no interest shown on the Panamanian side to close this gap of the Pan-American Highway, as the existing problems in Colombia should stay outside the country. We stop the car and walk the final 500 meters to our destination.

It is a special moment: For the first time Mr. and Mrs. Bettgenhäuser enter their Finca Meteti 1; four hectares land, they bought as an investment from ForestFinance in 2007. The colourful greenish garden of trees makes their eyes glow. Between huge old standards and elegant palm trees, young seedlings grow towards the sun. Since 15 months they are in the ground.

Fulvino walks towards us, he is the supervisor. Every day he walks around the finca and knows every single tree.

Fulvino explains that every few weeks the undesirable upgrowth has to be removed with machetes. In the tropics, grass and other competing plants reach a knee-high level within less than two weeks; the growth performance is tremendous. The clipping waste stays on the ground as mulch cover to protect the ground from sun and tropical thunderstorms; the lower layers decompose to mold (humus).

Fulvino takes care that especially the upgrowth on the four meter wide zone along the property line is cut down constantly. This zone guarantees survival; it protects the afforestation from encroaching bushfires.



We visit a planting of *Amarillos* (*Terminalia amazonas*) whose name derives from the bright yellow colour of the wood. Crossing a river by balancing over a tree trunk, we reach the quarters of the *Zorros* (also referred to as Ron Ron, *Astronium graviolens*), the foxes. If the name of this tree species can be traced back to the red-coloured and bushy cotyledons, like a foptail?

Grateful we notice the appearance of some clouds that protect us from the blazing sun.

Between Zorro, Amarillo and friends, a few Caoba (*Swietenia macrophylla*, American Mahagoni) are planted to complicate the access to the young trees that are located

by a certain butterfly species whose grubs afflict the shoot tips.

The staff of BARCA even has to work as “tree surgeons”. „*Arbol que crece torcido nunca su tronco endereza*”, a tree that grows warped, never gets a straight trunk. Warped trees are held up, straightened and splinted. If the leading shoot is broken off or eaten away, the lateral branches are staked to build a new tree crown. Especially during the first years a successful growth of the plantation needs exact observation and diligent work.

And nature definitely rewards this commitment. Frank Bettgenhäuser is impressed by the professional work and the intensive care his trees enjoy. Measuring 1.93 m himself, he is happy to see that after 15 months only, the seedlings are already taller than him. He hardly believes that trees in Panama do grow that fast. As somebody who possesses forest in the Westerwald (a region in Germany), he has the comparison at hand. Whereas in Germany he cuts the trees his grandfather planted back then, he now will be able to cut the first trees of his finca with his sons.

Following we explore the river, a natural border to the neighbour’s finca, who is as well a client of ForestFinance. A twenty meter wide river side on both sides is prohibited to be used for forestry operations; with this restriction the National Environmental Authority (ANAM – Autoridad Nacional del Ambiente) protects the gallery forests.

Here in the shade it is fresh; blossoms of Heliconias and Bromeliads grow along the path.



On her way back, Petra Bettgenhäuser picks two limes, the first harvest from the finca. She places both fruits into a hard pod as big as a hand; vernacularly called *Olla de Mono* – Monkey Bowl. In the middle of the property grows a Mango tree where the

inconspicuous flowering stems grow. To taste the sweetness of those fruits Mr. and Mrs. Bettgenhäuser have to return in a couple of months.

Bienvenidos!

Presenting

Eida Argelis Cardoze

With us since June 2007, she is the heart and soul of our office in Panama City. As administrative assistant she keeps cool even in tumultuous situations.

Eida, born in Chitré, province Herrera, drives every day almost two hours from her living place to Panama City in order to support us in our work. She is well schooled in office organisation and also contributes her services to the bookkeeping.

For her, environmental protection means above all active participation and education. As a mother of three children it is important to her to set a good example – for instance, to take an own bag with her instead of using plastic bags.

When asked how it feels to work together with Germans, Eida answers: “For me, it is a very good experience because of the nice atmosphere and because good work is really honoured. Thus, I am always motivated to give 100 per cent. Since my work started I have been able to develop my skills and to learn interesting things. I am thanking my superiors for this and I am glad to be a member of the ForestFinance family.” And we are thanking Eida cordially for her work, too. At the moment, she is in the process of getting her driver’s licence – we keep our fingers crossed!



What does it mean...?

Green thesaurus

The coffee plant – or how the scientists call It correctly: *Coffea*

Most of us know coffee as a brown bean. In this country the bean mostly stems from the *Coffea arabica* plant or *Coffea robusta* plant. However, these are only two species out of 90 coffee plant species. All of these plants are evergreen, short trees or bushes where the green and later red cherries grow densely. The fruits of the coffee plant are called cherries, in which two and sometimes even three seeds (the “coffee beans”) can be found. These beans are the material the coffee is made of.



Photo: Wikipedia

Coffea species grow in the tropical and subtropical areas around the globe. Even though, originally they grew only in Africa, Madagascar and on some islands in the Indian Ocean. However, if you want to, coffee can be grown on your own patio: In a big pot, preferably placed in a bright spot but protected from direct solar radiation. During winter season the plant has to be placed inside as it cannot handle temperatures below 15 degree Celsius.

Imprint

Publisher:

Forest Finance Service GmbH
Geschäftsführer Harry Assenmacher
Eifelstr. 20
53119 Bonn

V. i. S. d. P.: Harry Assenmacher

Text:

Laub & Partner GmbH
Kedenburgstr. 44
22041 Hamburg

Photos: iStock/Wikipedia/World Conference Center Bonn