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QUINTIS

Recent Tender Results - TFS 2005 Project

At the end of March, Huntley Management Ltd (“Huntley”) the Responsible Entity for the TFS 2005 Project provided their Growers with the tender result for the TFS 2005 Project. The average price per tonne achieved for the harvest yield was \$42,100 and represents a decrease of over 15% from the last tender (\$51,000 in February 2021).

Huntley advised that:

- Their sales agent, Smith Agri International, conducted a comprehensive and global marketing campaign and issued a tender document to over 2,350 individuals and companies, across 58 countries, that are directly involved and engaged in the global sandalwood industry.
- A total of 30 bids were received and the highest bid for each of the 18 lots offered was accepted.
- There were 5 successful bidders, 3 from Australia and 2 from overseas.
- The main drivers for the decrease in price were:
 - Ongoing Chinese ban on unprocessed wood imports from Australia;
 - High transportation costs (there has been a 5 fold increase in shipping costs over the last year); and
 - Higher volume sold than in previous years.

Please note – Quintis has not been the Responsible Entity for any of the MIS Projects that have sold harvested wood over the last 4 years. In 2018, these Projects appointed a different Responsible Entity (Huntley, from Sydney). Huntley engaged Quintis Forestry to manage the plantations and an independent sales agent (Smith Agri, from Melbourne) to sell the wood.

Sandalwood Growers Co-op (“SGC”)

The SGC have recently sent an email to Growers. We would like to remind you that the SGC does not have any authority over any of your Projects and does not represent Growers in general.

In their communication they have referred to the following:

1. The falling price of Indian Sandalwood at tender

It is factually correct to state the prices have decreased. However, the SGC suggest that this decline is improper and that the recent price is not a market price. Quintis does not agree with that assessment. We note that the tender process was not run by Quintis – but by 2 independent entities based in the Eastern states. Quintis believes the sale process has attracted the market price for sandalwood and this is proven by the process having received bids from multiple groups both nationally and internationally with 5 separate groups being successful in acquiring parts of the tender.

In the TFS 2005 Project tender, Quintis purchased approximately half of the heartwood available for sale and paid above the average price reported by Huntley. We understand that our major competitors in Australia also purchased wood in this process and therefore must have paid a lower price than Quintis.

2. Poor returns from the TFS 2005 Project

This particular MIS Project has long been identified as a poor performer. While the results were lower than expected, the poor performance was not a surprise and has been flagged to those investors for a number of years. The result was due to:

- The poor performance of the plantation that was established in 2006 – this project had a survival rate of approx 30%, with high tree mortality evident from an early stage.
- The low price – see above.

3. Quintis CEO providing positive comments of the future for Indian Sandalwood

Quintis does believe in the future of Indian Sandalwood and Quintis is heavily promoting Australian-grown Indian sandalwood globally. In the last quarter alone, we presented at 6 trade shows in Australia, Europe, the US and China. These efforts are designed to stimulate demand for Indian sandalwood, and this will be to the benefit of all growers. However, these efforts will take time to deliver benefits. Like many markets in the world today, there are significant challenges to be managed and overcome. These include the increasing volume of wood to be harvested for the MIS Projects over the next few years, the ongoing ban on the importation of Australian timber by China and escalating costs.

If have any questions or wish to discuss the update, please contact our team on (08) 6458 4700 or email info@quintis.com.au.
