



# **BRITTON TIMBERS**

**SPECIALTY TIMBERS AND VENEERS**

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Tasmania 7330 Australia

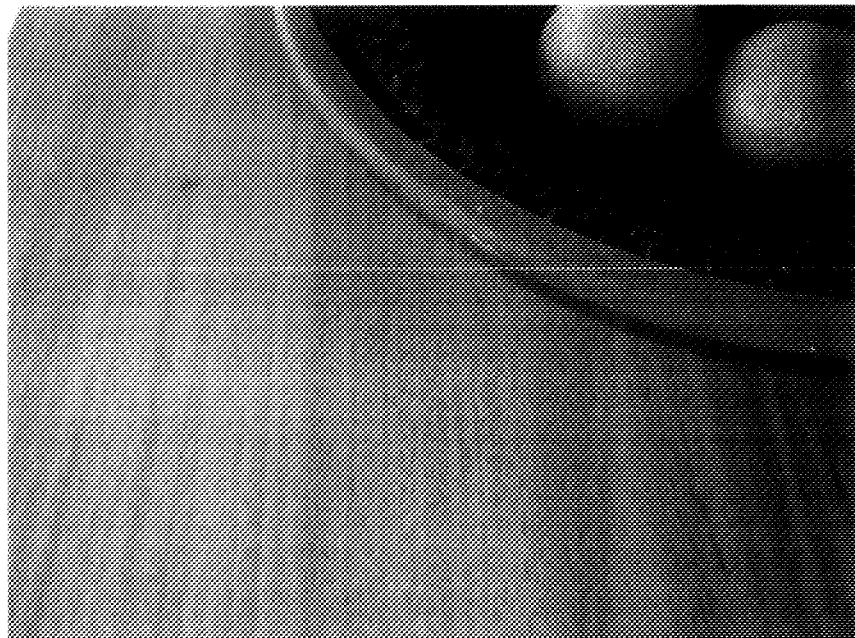
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## **Britton Timbers – 2011**

- Britton Timbers is a privately owned sawmilling, timber processing and wholesaling company based in Smithton Tasmania.
- Britton Timbers was established in 1907 near Smithton in stands of dense Tasmanian Blackwood forests.
- Britton Timbers is today owned and managed by third and fourth generation family descendants – Glenn, Ross and Shawn Britton.
- The company consists of Sawmill, Veneer Slicing, Drying and Processing plants in Smithton as well as distribution and wholesaling companies in Melbourne, Sydney and Brisbane.
- The Smithton operation directly employs over 75 people and another 30 contractors who supply resource and cartage.
- Melbourne, Sydney and Brisbane operations employ 40 People.
- The Smithton Sawmill processes 30,000m<sup>3</sup> of Native Forest sawlogs with all products aimed at the high value appearance grade markets – furniture, joinery, cabinet making and feature flooring. These products end up in both commercial and residential fit outs in Australia and overseas.

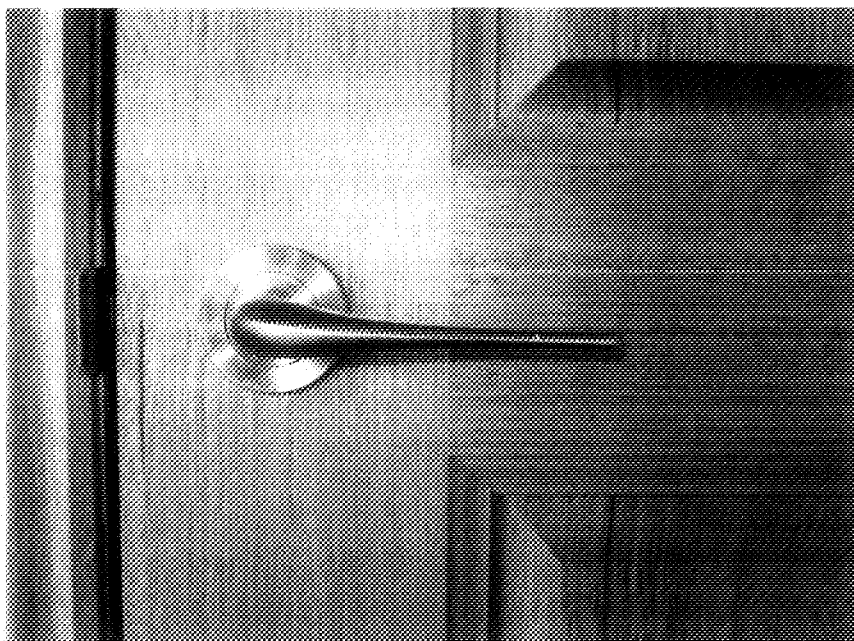
### *TASMANIAN OAK BENCH TOP*



Britton Brothers Pty Ltd t/a Britton Timbers  
ACN 009 478 586 ABN 28 009 478 586

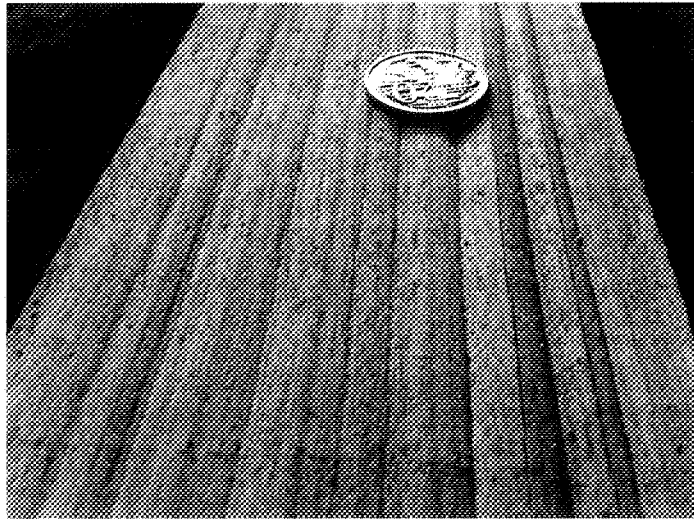
- The log resource Britton Timbers cut is supplied by Forestry Tasmania from native forests in North West Tasmania. These forests have been used for timber production for 150 years. In fact we have direct examples where our company has extracted sawlogs from the same areas of land at least three times over the period of four generations.
- 60% of Britton Timbers log cut is Tasmanian Oak and 35% Tasmanian Blackwood. The remaining 5% is made up of Myrtle and Celery Top Pine.
- As a result of the Tasmanian Community Forest Agreement in 2005 Brittons agreed with the Commonwealth and State Government to forego their allocation of Deep Red Myrtle to allow Governments to reserve the area known as the Savage River Pipeline rainforest (part of the Tarkine). To maintain the viability of the business, Brittons were offered an allocation of re-growth eucalypt sawlogs in place of the higher value Myrtle.
- Brittons saw this as an opportunity to move away from the 'grubby' rainforest debate, and the 'new' eucalypt resource was to be available in perpetuity as a sustainable resource. As such we have invested over \$10.0m on a complete re-tool of our plant and equipment to enable us to process eucalypt (and our traditional Blackwood resource) viably into high value tasoak products
- Britton Timbers have a payroll of approx. \$3.0m annually in Smithton as well as an expenditure of another \$1.0m on repairs, maintenance and other capital improvements.
- There are approx 400 people in Smithton who rely on the Native Forest industry for employment.

#### *TASMANIAN OAK JOINERY*



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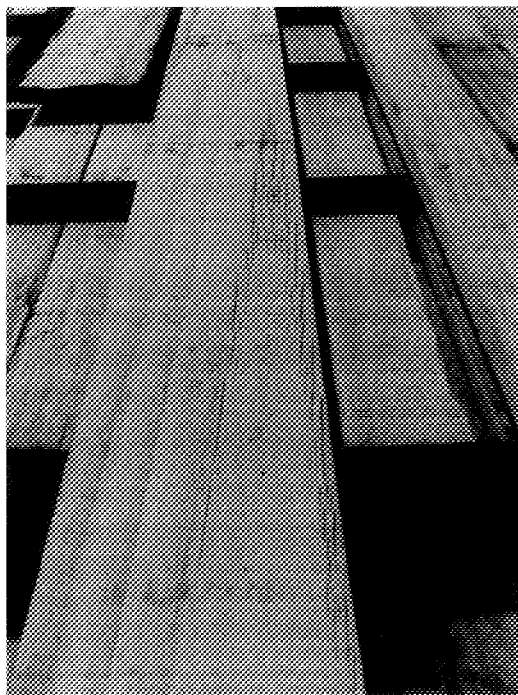
## A TRANSITION TO PLANTATION PROCESSING FOR BRITTONS??



*EUCALYPTUS NITENS SHOWING COLLAPSE AND CRACKING*

- To operate a viable and profitable Native Forest sawmilling business, the operator must be able to obtain the highest possible recovery from its sawlogs. Recovery is measured:
  1. by the total volume of sawn timber recovered from the sawlog, and
  2. the grade of the timber recovered from the sawlog
- A modern sawmill in Tasmania recovers 35% of sawn timber from a native forest sawlog
- The grade of the timber falls into three categories; Select, Standard and Utility.
- If a sawmill processes 30,000m<sup>3</sup> of logs at a 35% recovery, we produce 10,500m<sup>3</sup> of sawn timber and the following scenario plays out:

Grade	% Recovery	Saleable Vol	Sale Price	Value
Select	60%	6300m <sup>3</sup>	\$1100 m <sup>3</sup>	\$6,930,000
Standard	30%	3150m <sup>3</sup>	\$900 m <sup>3</sup>	\$2, 835,000
Utility	10%	1050m <sup>3</sup>	\$500 m <sup>3</sup>	\$525,000
<b>Total Turnover:</b>				<b>\$10,290,000</b>



*EUCALYPTUS NITENS SHOWING THE INHERANT CHECKING PROBLEM*

- If Brittons had to transition to the current plantation resource which is growing in North West Tasmania the following issues occur:
  - There would not be volume of any suitable sawlogs available until 2035
  - The predominate species which is growing in the current state forest estate(E. Nitens) is not suitable for producing appearance grade timber for high value solid wood products
  - We are of the firm belief that with today's understanding of the characteristics of Nitens, the following financial scenario would scenario would play out: -

If a sawmill processes 30,000m<sup>3</sup> of plantation Nitens logs at a 40% recovery, we produce 12,000m<sup>3</sup> of sawn timber and the following scenario would apply:

Grade	% Recovery	Saleable Volume	Sale Price	Value
Select	15%	1,800m <sup>3</sup>	\$1100 m <sup>3</sup>	\$1,980,000
Standard	20%	2,400m <sup>3</sup>	\$900 m <sup>3</sup>	\$2,160,000
Utility	65%	7,800m <sup>3</sup>	\$500 m <sup>3</sup>	\$3,900,000
<b>Total Turnover:</b>				<b>\$8,040,000</b>

- Although the plantation scenario operates at a higher sawn recovery from the log, due to the poor recovery by grade, the turnover would be 20% less and the business would be operating at a substantial loss.



*PLANTATION EUCALYPTUS REGNANS GROWN ON A SAWLOG REGIME IN CHILE*

## **WHAT ARE THE OPTIONS?**

- A transition from Native Forests can take place if:
  - ✦ The correct species is planted – Eucalyptus Globulus (Blue Gum)
  - ✦ The plantations are managed to produce sawlogs by pruning high and thinning from an early age
  - ✦ The trees are grown to a suitable diameter (we need to aim for sawlogs 60cm in diameter)
  - ✦ The logs are of appropriate grade to produce a high recovery of select grade timber which will be suitable for the appearance grade markets of Furniture, Flooring, Cabinet Making and Joinery.
- Native Forests can be managed for biodiversity, carbon capture, and sawlog production either in perpetuity or until we have a plantation resource suitable for processing, but this will take around 25 years. Until such time as we have a plantation estate capable of producing the quality of timber required by the saw and veneer mills any discussion of a transition is hypothetical.