

Kangaroo Island Plantation Timbers committed to plantation forest industry with recovery underway

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Inspecting fire damage at a company plantation on Kangaroo Island

Kangaroo Island Plantation Timbers Ltd (KIPT) ([ASX:KPT](#)) remains committed to plantation forestry operations following summer bushfires with the proposed Kangaroo Island Seaport to play a key future role.

The company plans to bring the land back into full production as soon as possible and in order to do that the tree crop, 95% of which was damaged in the fires, must be harvested.

To get value from the current crop, the KI Seaport is needed to get the product - logs, woodchips or pellets – off the island.

He said the plantation timber industry was also still essential in the protection of native forests and in producing wood pulp for paper production.

“What has changed is the quality of the current crop, which is where we aim to obtain the best possible value by converting it into woodchip sales, building the port and proceeding with our longer-term plans.”

Seaport crucial to recovery

The KI Seaport is crucial to the recovery and Lamb said, “if we don't have a port we won't be salvaging, it's as simple as that”.

KIPT submitted the EIS to the State Government on March 23 and is expecting a turnaround time within the next few months.

“We hope that by the middle of the year we have what we call the initial approval to proceed, which will provide a pretty clear position on the way forward,” Lamb said.

“Then we would move on to the secondary approvals, which are fairly straightforward, and begin with the construction later this year.

“We are quite confident that we can proceed on the basis of salvaging the wood that is there and anticipate that by mid-year we should be in a better position to make some announcements about how that is going to look and how we proceed.”

Coronavirus dwarfs everything

While the fires were a major disruption to the business and the island, the MD said that coronavirus now dwarfed everything.

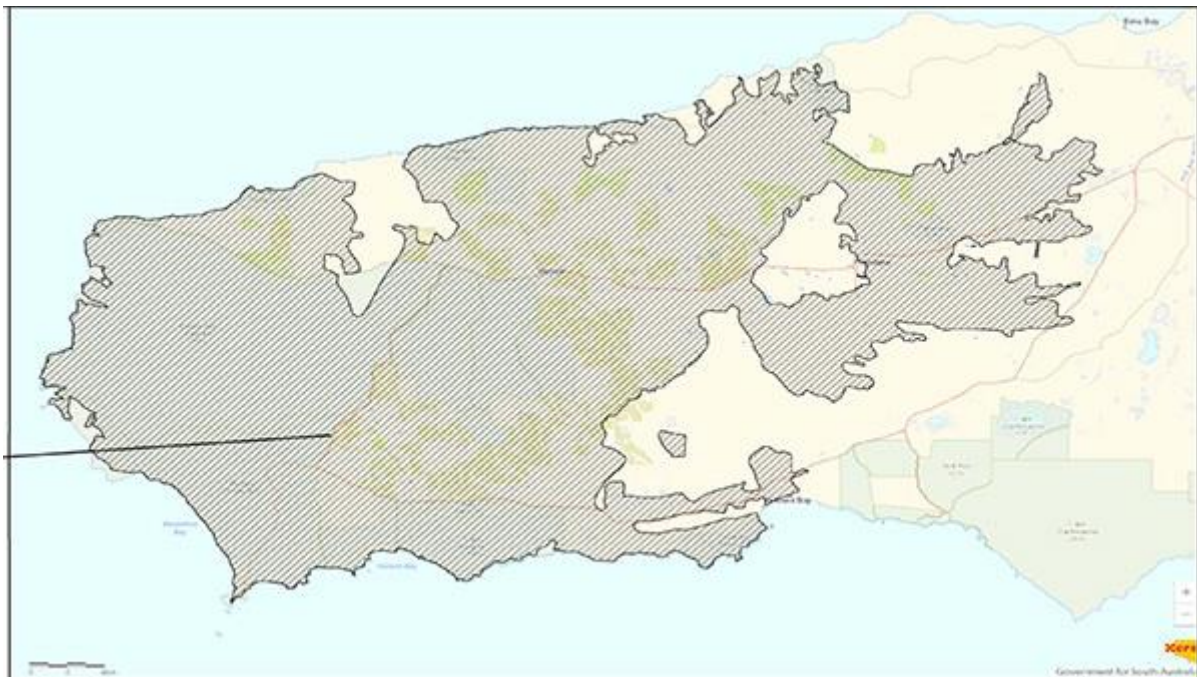
The fires have had a physical impact and as a result, there was strong local support in efforts to get the economy going again, particularly the tourism sector.

South Australia’s ‘Book Them Out’ campaign worked well for the Adelaide Hills and Kangaroo Island, attracting strong interest.

“However, the coronavirus has now swept all of that away,” Lamb said, “and the tourist sector that was bouncing back is now having to deal with a much greater impact than they had previously with the fires.

“This is also much broader geographically than the fires.

“On Kangaroo Island the fires directly impacted 211,000 hectares, a bit under half the island, whereas coronavirus affects the whole of South Australia.”



Rebuilding SA economy

The MD said that while dealing with the aftermath of the fires and the impact of the virus, the State Government was really looking to rebuild the economy once the state was back in business.

“There are not too many projects in the pipeline for the state that are at such a mature stage and ready to go as ours.

“For the government and for economic stimulation, I think this has got to be a very strong proposition.”

He said the timber industry was essential for the recovery of the Kangaroo Island economy and would provide a third pillar to increase the island's economic diversity and resilience.

Recovery Plan support

During KIPT's 'Recovery Plan' the company has received strong support from its partners, particularly Commonwealth Bank and Mitsui Bussan Woodchip Oceania.

"We've had great support all the way through this from our marketing partner Mitsui Bussan Woodchip Oceania, which is finding markets for Kangaroo Island timber and conducting valuable research on the types of products we can produce," Lamb said.

Insurance payouts

KIPT also had good insurance, which has so far resulted in a \$10 million initial payment on the tree crop insurance and a \$4.2 million payment for housing that was destroyed.

The full tree crop insurance is valued at \$60 million-plus and KIPT is confident of receiving these funds in the short-term.

Lamb said: "Our insurance will allow us to pay off our debt to Commonwealth Bank, re-fence our properties, get our harvest work underway and contribute to building the seaport, which will be a key piece of economic infrastructure for Kangaroo Island for many decades.

"We engaged with the insurance companies very early on and were notifying them of the events during the fire.

"Then we had the assessors out very early, in some cases before the fires were declared over. We have been working closely with them ever since.

"We have received progress payments and are working closely with them to secure the balance."

Share "roller coaster"

He said the company had been on a "roller coaster" with the share price as the market came to terms with what was the nature of the assets.

"Investors are looking at the cash we hold and the value of the land and they are aware that the company has written down the value of the fire-affected tree crop quite substantially.

"There is a small portion that is not fire-affected and this still carries some value.

"What the market is not quite seeing yet is the balance of the payments of the insurance. I expect that when that comes through it will be reflected in the share price."

Source: <https://www.proactiveinvestors.com.au/companies/news/916909/kangaroo-island-plantation-timbers-committed-to-plantation-forest-industry-with-recovery-underway-916909.html>