

Bauers Family Tree Farms News

A Semi-Annual Newsletter

Issue Nº - 2 February 2008

First Growing Season

We are off to great start and happy to share it with you.



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From dry to wet with a of of rain in-between..

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Trees are in the ground and growing.



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2007 Hurricane Season – Good News for the Bauers Family Tree Farm

Amid the onset of the rainy season during the months for June and July 40 workers were feverishly planting 45,000 trees at the farm. At that time the trees were tiny standing just 6-12 inches tall. Now, just seven short months later the trees have thrived and have grown to



heights of 6-8 feet tall! How did such an amazing transformation happen in such a short amount of time? The answer – rain of course.

The 2007 hurricane season proved to be a very active year for tropical activity. The highlights of the season were the two back to back category 5 hurricanes named Dean and Felix that ripped across the Caribbean and then slammed into the East coast of Mexico and Central

America. While both of these hurricanes were creating billions of dollars in damage near the eye, the long arms spreading off of the storm reached down into Costa



Rica and bestowed rain band after rain band onto the tree farm. In addition to these two major hurricanes there were 4 other tropical storms that made it to hurricane status and there were 15 named storms in all. Add the 15 major tropical storms to the countless tropical depressions that roll through the country, and then add the rain that comes from daily cloud build up in Costa Rica and what you come out with is a lot of rain!

The trees were not the only thing that grew on the farm during the rainy season. Because the farm is on sloping terrain it is necessary to keep the surrounding vegetation and root systems intact as the trees grow taller. Without the surrounding vegetation the massive

amount of precipitation would turn the farm into a muddy mess of erosion. For the first several years the workers will need to machete down everything but the trees to a height of about 1 foot. By doing this the trees will be able to grow and thrive while the rest of the plant life is holding down the soils and keeping the ground moist. Because of the large amount of rain this year, the workers had to machete the entire farm three times! If you look at some of the wide shots of the farm it appears that the farm has been terraced. This actually is not the case, what you see are the rows of trees and the areas where the workers have macheted.



Now that the rainy season is over, the trees will take a short break from their incredible growth spurt. The dry season is equally important to the trees as the rainy season. While the trees don't grow very much, it is at this time that the trees harden and truly take on the qualities of tropical hardwoods. Come May, the rainy season will once again take hold and the trees will see another season of incredible growth.

Costa Rica Weather

As Joe mentioned in the previous article, weather is very important to the tree farm and the main reason we chose this location. Not only is the tropical rainfall important, but also the tropical sunshine and heat.

Costa Rica is unequivocally a tropical country, situated between 8° and 11° North latitude, fairly close to the equator. The average annual temperature for most of the country lies between 71°F and 81°F. The coolest months are from November through January, and the warmest from March through May. Costa Rica's climate is classically divided into two major seasons: rainy and dry. The dry season runs from January through May and the rainy season from May to December. Locally, the seasons were named by the early Spanish colonizers, who compared them to their own Mediterranean climate, calling the dry months

famous of these, for Costa Rica, are the north-easterly trade winds, known locally as *alisios*. These winds blow with considerable force from December to March and April. Most of the total rainfall for any

be almost entirely without rainfall. On the Pacific slope (this is where our tree farm is located) the rainy season begins in May and runs its course until December. Here again, days often begin sunny and pleasant, with rains coming later in the day. This is a period in which the trade winds coming from the north-east are much reduced in intensity, and as a result storms often come in from the Pacific Ocean in September and October. In the northern half of the country the Pacific slope experiences an intense dry season, in which no rain may fall for several months. The forests of the North-West are to a large extent deciduous, letting their leaves fall in order to conserve water. The whole Central Valley, in which the capital is situated, experiences a mild, pleasant dry season that is matched by moderate temperatures for most of the year, and a lower than average amount of rainfall. Early settlers prized the area for both its mild climate and fertile soils. The southern half of the Pacific slope is much wetter than its northern counterpart, with a shorter dry season and longer and heavier afternoon rains in the wet season.



given site (about 70%) occurs on less than 15 days of a whole year and will often be experienced as days of torrential downpour. Costa Rica may hold the world record for the amount of rainy days at one site. Hacienda Cedral registered 359 days of rain in 1968. The topography of the country also has a great influence on the weather patterns of a given locality. As a result, the timing of the dry and rainy seasons varies a bit on each slope of the mountain ranges that run from the northwest to the south-east and divide the nation into a Caribbean slope and a Pacific slope. On the Caribbean slope the rainy season begins from mid to late April and continues through December and sometimes January. The wettest months are July and November, with a dry spell that occurs around August or September. Major storms, called *temporales del Atlantico* occasionally buffet this slope between September and February, when it will rain continuously for several days; but an average rainy season day will begin clear with a few hours of sunshine that will give way to clouds and rain by the afternoon. In contrast, the driest months of February and March, might



"verano" or summer, and the rainy, grey and gloomy months "invierno" or winter. It is interesting to note that some of the coldest temperatures are registered during the early dry season or "summer". Climate is, of course, a complex phenomenon, and there are many aspects of the weather in Costa Rica that are worth examining in more detail, such as the influences of wind, rain, and topography. Weather in the tropics is essentially a phenomenon of solar radiation and air circulation. Intense heat at the equator puts air in motion, and a worldwide pattern of winds is established. The most

Reason We like Timber as an Investment

Timber beats stocks. Managed timber (as the professional investors call it) has actually beaten the stock market - with less risk - over the long run. From 1973-2002, managed timber returned roughly 15% annually as an investment, while stocks returned about 11%. (Visit the "re-



search" section of <http://www.htrg.com> for the full story here.)

Timber is uncorrelated to stocks. Trees don't know about the war in Iraq, or the bear market in the Nasdaq. While stocks couldn't keep up with inflation in the 1970s, timber investments never had a losing year! Trees just keep growing year after year. So investing in timberland is an excellent way to balance your portfolio as its value rises even when stocks are falling.



The price of timber has consistently beaten inflation. Think of your timber investment as a good inflation hedge-the numbers show that to be true. According to legendary investor Jeremy Grantham, over the last century, timber prices have risen at 3.3% above the rate of inflation.

Add 5% a year in income, and you've got a timber investment asset that has returned double digits, competing with stocks over the long run.

The Demand for Timber Isn't Going Away. A head of a timber company mentioned recently that every American "consumes" a 100-foot tree... every year. World populations are forecast to increase along with the wealth of developing nations increasing global demand for timber. At the same time there will be less and less forest in the world making supplies ever tighter.

Natural investment characteristics of timber. A unique characteristic of timber is that it functions as both a factory and a warehouse. In other words, timber can be grown and then "stored on the stump." This gives investors the flexibility of harvesting trees when timber prices are up, and delaying harvests when prices are down. Timber is also a renewable resource that increases in value as trees mature. Consequently, larger diameter trees are disproportionately more valuable than smaller ones.

Here is to a great 2008

Our first growing season was in all regard a great success. Thanks to some very hard work from from our workers in Costa Rica and a lot of cooperation from mother nature we were able to plant 175 acres of former pasture with 45,000 trees. As our workers finished the final preparations of the land and began planting the first trees in mid June the rains arrived right on time. Not only did they show up when the trees needed them most, they stayed perfectly consistent throughout the rainy season giving our trees a perfect first year of growth. The trees, a mere 6 inches when they were planted in the ground, now stand 3 to 6 feet tall with a select few growing to more than 8 feet tall.

We are looking forward to another great growing season on 2008. With a more developed root system and an established trunk teak trees typically see a tremendous amount of growth in the second growing season. We are predicting the trees will be some 10 to 15 feet tall by December 2008. All that after just 2 short years of growth!

Another exciting item for 2008 is the building of guesthouse on the farm. All preparations have been completed and groundbreaking should start before the end of February.



We hope to have many visitors at the farm in 2008 so that we may share this magical place that we have discovered.

Thank You

We thank each of you that have supported us and joined in this venture with us. We couldn't do it without all of your support.

- Jake, Joe and Jaime