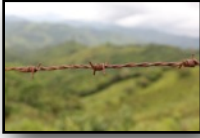


Bauers Family Tree Farms News

A Semi-Annual Newsletter

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Farm Update - March 2014

The 2013 rainy/growing season was a very productive year for the teak trees. Opposite of last year's rainy season, which was quite dry, the tree farm saw incredible amounts steady rains this year. According to the farm caretaker (Martin), it rained nearly every day from the beginning May until the end November. According to the farm manager/forest engineer

(Dimas), it rained approximately double the amount of last year.

As a result of all the rain, the trees have had another good growing season. Last year in December, the farm was already drying out and the majority of the trees were starting to turn brown and loose their leaves for the dry season. This year the trees' leaves were still very green in and the ground was very muddy and wet come December. The trees, just like all years, saw good growth in height, but this year the trees really branched out and got a whole lot thicker and bushier. The teak trees have now basically canopied the entire farm and very little direct sunlight makes it to the forest floor now.

Due to the trees branching out as they have a pruning is scheduled for the end or the dry season/beginning of the rainy season 2014, approximately April through June. The goal of the pruning will be to cut all low hanging branches and suckers. Trimming the lower branches allows the trees to grow straight and tall (like telephone poles). It also allows the trees to focus their girth building in the trunk of the tree instead of its branches.



180 acres is no small task and will take farm workers approximately 3 months to complete.

The trees have now been growing on the farm for a full 7 years and there have been very few fatalities. The majority of the trees on the farm are now thick, tall and sturdy. The growth rate of the teak trees over the last seven years has been very fun to watch. Several of the trees are 50-60 feet now meaning they have averaged almost 1 foot of growth per month every month during the rainy season!



Flora and Fauna of Costa Rica

Costa Rica is one of the biologically wealthiest nations in the



world. While the country has only about 0.25% of the world's landmass, it contains almost 5% of the world's biodiversity. Costa Rica, which means "Rich Coast", has the largest percentage of protected areas in the world. From the forested mountains to the coral reefs off both coasts, this small country treasures an incomparable diversity of flora and fauna.

Flora in Costa Rica

Costa Rica has an incredible abundance of flora which is protected by a large system of national parks. It boasts more than 9000 species of flowering plants and about 800 species of ferns, as well as many other species which are spread throughout the country.

Costa Rica's rainforests are abundant and popular. Being an extremely rapid ecosystem, the competition among species of flora in these forests is quite intense. Trees can grow up to 100 feet (30 meters) tall, absorbing up to 90% of the forest's photosynthesis. Underneath these enormous

wonders of nature, there are thousands of species of smaller trees.

All flora species survive in the rainforest by adapting. Canopy trees adapt by reaching to the crowning heights, while bromeliads adapt by holding rainwater and decomposing matter into food. Vines adapt by hanging to trees and working their way up.

Costa Rica's dry forests do not contain as many plants, but their exotic beauty is also

worth to be seen. Trees are short and robust, and during the dry season (November to March), oaks and poro trees substitute their leaves with beautiful and colorful flowers.

Apart from the tropical rainforest and dry forest, the man-

grove swamps are also filled with a great variety of flora. They grow in the border between the land and the ocean and produce algae and other organisms. Mangroves are essential for the preservation of species that only flourish in these unique and salty conditions.

For such a small country, flora in Costa Rica is incredibly diverse. This region is home to many of the world's endangered species of flora and even to some species that still haven't been discovered. Hence the importance of protecting Costa Rica's different ecosystems.

Fauna in Costa Rica

Costa Rica's fauna is rich and abundant and has made this country one of the most admired territories on the planet. Over 200 species of mammals, 850 species of birds, 220 species of reptiles, 200 species of amphibians and over 300.000 species of insects inhabit these lands.

Costa Rica supports such an enormous variety of wildlife,



The Ultimate Agriculture Investment



due in large part to its geographic position between the North and South American continents, its climate and its wide variety of habitats.

Many tourist activities are performed in perfect harmony with animals. The mountains are ideal spots for the observation of birds. The best places for bird watching in Costa Rica include Monteverde, Braulio Carrillo National Park and Osa Península.

Almost any place in the country is a good place to see hummingbirds, doves, sloths, and, in some places, snakes and lizards that may surprise you. Large fauna, such as tapir, jaguar and deer are rarely encountered, as they are both elusive and tied to now-fragmented undisturbed habitats.

On the coasts, visitors can witness the arrival of nesting turtles – a magnificent demonstration of life itself. Tortuguero National Park is recognized for the annual nesting of the endangered green turtle and is the most important nesting site for the species. Giant leatherback, hawksbill, and loggerhead turtles also nest there.

Then there are all the creatures that are harder to spot: bees, ants, moths, butterflies, lantern flies, among others. Costa Rica hosts 1,251 species of butterflies and at least 8,000 species of moths. Butterflies and moths are common year round but are more present during Costa Rica's rainy season.

This idea comes from Dr. Steve Sjoggerud, editor of True Wealth, one of the world's most popular investment advisories.

In this interview, Steve reveals one of his all-time favorite "alternative" investments... an asset the average investor has never considered... but that has consistently beaten stocks and bonds over the past 30 years.

If you're like most investors, you're looking for ways to earn big, safe long-term returns. This interview will show you a great way to do so... while diversifying your money outside of the U.S. dollar and traditional investments.

Stansberry & Associates: You've done a tremendous amount of research on timberland investing over the years... and you've been a big proponent of this idea. You've called it "the ultimate agriculture investment." What is so special about timberland?





Steve Sjuggerud: Yes... I've literally been all over the world researching timberland investing. I've spent hundreds of hours on it. I've recommended many timber stocks to my readers over the years. And I've personally invested in timberland.

There's a long list of reasons why investing in timberland is a great idea... and consistently produces big returns.

First of all, trees grow year in and year out. Trees in good growing regions in the U.S. grow at 6%-8% per year. They grow through recessions. They grow through wars. They grow through stock and real estate crashes. They grow through everything. They give you built-in investment growth that isn't guaranteed with a stock.

Along with the tree growth, the price of wood has grown at a consistent rate throughout the years. It's extremely difficult for a company to increase the prices of its goods by 6% every year, but the price of wood, according to legendary money manager Jeremy Grantham, has increased by that amount for the last 100 years. Specifically, he says "stumpage" prices – the value of all the wood on the stump – have beaten inflation by 3% a year over the last century.

Another nice thing is timberland is a resource investment, but it's not a constant-

ly depleting one, like a gold mine or an oil well. Trees will grow back. It's a sustainable resource investment.

And not to ramble on, but you should know, timber is uncorrelated to the stock market. It makes sense... the trees have never heard of the Nasdaq bubble... and they don't know what a "War on Terror" is. This makes timber a great place to park money in big portfolios... where you need diversification.

S&A: But what happens to your timberland investment in a down year, when lumber prices crash?

Sjuggerud: That's a great question. What happens when the market is slumping? When you can't get the price you need to make the business profitable? Did you just waste eight... 15... 25 years on an investment with nothing to show for it? The answer can be summed up in five words: "Bank it on the stump."

In the industry, it's a phrase that means if conditions aren't right for harvesting your crop, you just keep letting it grow. You keep the profits on the stump

and wait for a more profitable time to sell your timber – most likely, when timber prices are in your favor.

One of the great benefits of owning timberland is you don't have to harvest it every year. It's not like fruit, where it's ripe just once and then you have to pick it. Instead, it grows exponentially on the stump for years.

This is not to imply that timber is an absolutely risk-free investment... But with the ability to bank it on the stump, investing in timber does come with an extra safety net. "If the rain rains, the sun shines, the suckers grow," Jeremy Grantham once said. "If you don't want to sell, they get bigger and more expensive."

S&A: Those are tremendous attributes. How has timberland performed over the years?

Sjuggerud: Take a look at this table of the period from 1971 to 2010... which was filled with all sorts of bull and bear markets for stocks...



Year	Annual Return	Account Size
1971	4.4%	\$10,000
1972	11.0%	\$11,104
1973	58.7%	\$17,625
1974	20.8%	\$21,290
1975	1.3%	\$21,564
1976	16.0%	\$25,021
1977	48.5%	\$37,154
1978	29.5%	\$48,103
1979	31.0%	\$62,991
1980	5.4%	\$66,405
1981	2.6%	\$68,132
1982	-1.8%	\$66,919
1983	0.6%	\$67,294
1984	3.2%	\$69,434
1985	-2.6%	\$67,656
1986	3.3%	\$69,916
1987	26.6%	\$88,513
1988	30.1%	\$115,174
1989	37.4%	\$158,191
1990	11.1%	\$175,687

1991	20.3%	\$211,281
1992	37.3%	\$290,131
1993	22.4%	\$355,033
1994	15.4%	\$409,850
1995	13.8%	\$466,574
1996	10.7%	\$516,637
1997	18.9%	\$614,333
1998	9.0%	\$669,746
1999	12.9%	\$756,344
2000	4.4%	\$789,681
2001	-5.2%	\$748,256
2002	1.9%	\$762,340
2003	7.7%	\$820,773
2004	11.2%	\$912,697
2005	19.3%	\$1,089,288
2006	13.7%	\$1,238,287
2007	18.4%	\$1,466,549
2008	9.5%	\$1,606,184
2009	-4.8%	\$1,529,730
2010	-0.2%	\$1,527,309

From 1971-2010, an investor in timber saw average annual returns of over 14% – turning \$10,000 into over \$1.5 million. That's better than stocks and bonds over the same period.

Here are the rough numbers on where timberland returns come from:

- 1% Land value increase
- 6% Biologic growth of the trees
- 3% "Stumpage" price increase (the price of the actual tree)

S&A: So timberland can serve as a good alternative investment when stocks are in a bear market?

Sjggerud: Absolutely. One of the worst-ever bear markets in stocks began in the late 1960s and lasted until about 1980. An investor in stocks during that time lost

money, due to inflation.

However, as the table shows, an investor in timber never had a losing year during that period. More often than not, the returns were in the double-digits... with a 59% return in 1973 and a 49% return in 1977.

To sum up, timberland offers high returns... It is a sustainable asset that can provide returns for centuries... It has no correlation to the stock market... It's less volatile... And it constantly grows in value.

S&A: So, how do you go about buying timberland? What's the easiest way to own it?

Sjggerud: It's important to point out that rather than just going out and buying a forest, you want to make sure to invest in managed timberland.

The reason it's important to make the distinction is simple: Managed timberlands,

according to a study conducted by the University of Georgia and published in the Journal of Forestry, generate returns almost four times higher than non-managed lands.

With managed timberlands, you get just what it says. You get professional managers who cultivate the trees, look after them, and harvest the trees and their products at the right time.

They look to earn extra cash by selling hunting rights to the land. They harvest and sell the straw and seeds that fall from the trees. Good managers even look to sell chunks of your timberland if a real estate developer comes along and offers a sky high premium for your land.

My point is everything on the "tree farm" – even the tree farm itself – is for sale. You can make these types of managed timberland investments privately, or there are usually a handful of publicly traded timberland companies on the exchange at any given time.



The big names in the U.S. are Weyerhaeuser (NYSE: WY), Rayonier (NYSE: RYN), and Plum Creek (NYSE: PCL). To spread your risk, you can buy the U.S. big names through an exchange-traded fund with the symbol: WOOD. You can get much broader international exposure through the Guggenheim timber ETF (NYSEARCA: CUT).

S&A: There are many good points to timberland investing. Any negative ones?

Sjuggerdud: When you compare the built-in yield of timberland to any other asset class out there, timberland wins hands-down.

The only problem is time frame – you can sell a stock or bond immediately, but you can't get rid of acres of timber like that. It's illiquid. You've got to hold it for some time to maximize its value – the ideal timeframe is infinity. It's definitely not for

traders... it's for long-term thinking investors.

And keep in mind... like all investments, you have to make sure you buy timberland at a reasonable price.

S&A: Thanks, Steve.

Sjuggerdud: You're welcome.

Thank You

Thanks for reading our newsletters and your continued interest in the farm.

We love to have visitors at the farm. Please come pay the farm and the trees a visit.

Jake, Joe, Jaime