
BAUERS FAMILY TREE FARM NEWS

Miramar Costa Rica



FARM UPDATE

January 2023

The year 2022 was a positive year for the tree farm. The trees have continued to grow well and show good characteristics. Last year, roads for the thinning of trees were re-graded and we were able to make some test cuts to take out some other species of trees to ensure our extraction process will work as expected. The rainy season proved to be heavy, which while being good for the trees' growth, did not allow for any of the thinning we had considered during the rainy season. Looking forward to the rest of 2023 we are gearing up for the first significant commercialized thinning. Provided all goes as planned we will be able to make a distribution to all involved.



FARM UPDATE CONTINUED

The weather for 2022, once again, was great for the trees. Heavy and consistent rains came in the rainy season and transitioned nicely to the dry season that we are in now. The weather during the 15 years the trees have been growing has been favorable and this has reinforced our initial belief that Costa Rica and the Nicoya Peninsula are apt for growing good teak trees. Consistent rains start developing in May and set in by mid-June. Then consistent rains continue through October and intensify in September and October. By mid-November the rains will start slowing in frequency and the dry season will set in with March being the driest month. This cycle is great for the trees and produces excellent lumber as the trees can rapidly grow during the rainy months while in the dry months they will go dormant and solidify their cores making for a strong healthy tree.

Disruptions to global shipping, global markets and local labor mostly caused by the pandemic have for the most part all but returned to normal. Global shipping rates that spiked at 5 times historical rates have come back in line with where they were in early 2020. This gives confidence to the buyers we are working with that they will be able to feasibly transport timber from where it is grown to where the markets are demanding it. Global demand for plantation grown teak is intact and continues to grow as more timber becomes available and is better understood by the market. We have been approached by multiple buyers that represent companies importing teak to India, Asia and Europe. The local labor market in Costa Rica has come back and the team working to extract the wood will not have any issues finding the people needed to do the cutting and extraction work.



FARM UPDATE CONTINUED

Currently we are in the works of getting the thinning going that we thought we may have a chance of doing last year. There are multiple buyers in place and we are working out the final details on pricing of the logs as they come out. Our extraction team is ready to go, and we anticipated trees will start being cut and transported out of the farm in the next two weeks. As we mentioned in last years' newsletter we are planning on thinning around 4,000 trees. It will take the better part of 3 to 5 months to get all these trees cut, transported out of the farm and sold. These logs will ultimately be loaded onto shipping containers and shipped to be used in India, Asia and/ or Europe. We anticipate that with this current thinning we will have logs to fill approximately 40 to 50 shipping containers.

Some good news we have experienced is that prices for teak have gone up from last year and additionally the trees have had another season to grow and get bigger. Prices have seen an increase of some 5% to 10% from last year. This is good news not only for the better price, but it also demonstrates that our timber is going up as inflation does. Both of these factors play nicely into the thought that waiting on timber sales can be beneficial as you will typically have bigger trees and prices have tended to go up over time.

As we work on this thinning it is important to keep in mind that the less desirable trees in terms of size and growth characteristics will be taken out. As these trees are smaller and more irregularly shaped we will get lower prices on a cubic meter basis than we will when we go to sell our best and biggest trees. This is something we have anticipated all along and have always projected the majority of the return will come with the final harvest or harvests.



FARM UPDATE CONTINUED

As mentioned in previous newsletters, commercial markets like to talk in volume using cubic meters rather than per tree or some other measurement and as such the pricing is given in cubic meters. We will however try to convert this into a formula on a per tree basis. Logs are priced based on the diameter or circumference and the length of the usable part of the log. Smaller logs are priced lower per cubic meter than larger logs. This is because more quality lumber can be taken from a larger log with less processing costs and the larger logs tend to have more desirable heartwood and characteristics. Current prices are ranging from about \$200 per cubic meter for a log around 8 to inches in diameter up to about \$450 to \$600 per cubic meter for larger logs that are typically 20 plus inches in diameter. Extraction costs are looking similar to last year and should come in around \$50 to \$55 per cubic meter. With these prices/costs and projected future growth of the trees we are projecting a positive rate of return for all involved.

Looking at what can be expected overall in terms of volume of wood we translate cubic meters of volume to a per tree basis and have come up with the following. Over the course of the full 25 year growing period, it is estimated that each tree will generate .25 cubic meters of wood on average. This takes in account the outcome for every tree including trees that have been or will be culled with no value up to the biggest and best trees that will see several cubic meters of wood per tree. Looking at our current plans for thinning we are expecting distributions to be made in the first half of this year. We will be in touch with updates as that progresses.

We are extremely thankful for how the trees have grown over the last 15 years and look forward to the future growth of our best and biggest trees over the years to come.



ENVIRONMENTAL BENEFITS

Costa Rica is a country dedicated to preserving the environment both at home and as a member of the global community. Costa Rica understands and embraces what great assets the natural environments, flora and fauna are to the country. Below is an article from the Tico Times that describes Costa Rica's commitment to environmental concerns as it looks to be the host of COP29. COP is an annual meeting of participants in the United Nations Climate Change Conference.

Is Costa Rica ready to host COP29?

Costa Rica is known worldwide for promoting sustainability, protecting the environment, and encouraging a green lifestyle. The country is home to approximately 5% of the world's biodiversity and has understood the importance of safeguarding it.

The Conference of the Parties

The Conference of the Parties (COP) is the United Nations Climate Change Conference. In this international meeting, world leaders and heads of state assess progress regarding climate change issues.

The first COP meeting was held in Berlin, Germany, in March 1995. Each year a new country is chosen to host this event.

COP meetings are aimed at constructing solutions to limit climate change. The work revolves around negotiations and deliberations between countries as they review their contributions toward fulfilling the United Nations Framework Convention on Climate Change (UNFCCC).

Costa Rica's participation

Costa Rica has participated in the COP since it first began in 1994. The country signed the Convention on June 13, 1992, and ratified it on August 26, 1994. It also signed the Kyoto Protocol on April 27, 1998, and ratified it on August 9, 2002.

Back in 2007, authorities also announced a political commitment to be carbon neutral by 2021.

Throughout the years, Costa Rica has discussed and negotiated topics such as the shared vision of long-term cooperation, mitigation, climate change adaptation, and climate financing.

During COP25, the country stood out as one of the most committed countries in this field. Costa Rica defended the importance of forests and marine ecosystems as a solution to climate change and led a group of countries seeking fairer conditions in carbon markets. In addition, the country stood out as it was constructing, in collaboration with France, the High Ambition Coalition for People and Nature, a 30×30 global alliance to protect 30% of the ocean and land by 2030.

The Minister of Environment held bilateral meetings with a dozen countries to invite them to join the agreement.

According to the Ministry of Environment and Energy, Costa Rica has played a historic role in promoting greater ambition in achieving climate goals, reducing emissions as much as possible, and motivating which countries are not complying.

The country wants it and deserves it

In 2018, Andrea Meza, Director of Climate Change of the Ministry of Environment and Energy of Costa Rica, confirmed Costa Rica's bid to host the next Conference of the Parties to the Convention on Climate Change.

Former President Carlos Alvarado expressed his desire to bring this annual meeting to Costa Rica, believing the country was up for the task.

“The fight against climate change calls us today to take a step forward, just as we did 70 years ago when we abolished our army. Our convictions for a better planet are enormous, and that is why Costa Rica announces its agreement to host the #COP25 climate conference,” said Carlos Alvarado. Activists, NGOs, politicians, and all Costa Ricans who actively care for the environment must revive this campaign.

Time is ticking, and countries that prioritize environmental action, such as Costa Rica, must be given the spotlight and are trusted to lead such fundamental negotiations.

It is certainly not a perfect country, and it must continue to work to take care of its natural jewels, but it is a nation that has demonstrated that it has the planet at the center of its development policies.

Thank You

We thank you for your continued support and we look forward to selling logs this year and continuing to manage the farm so that we can have successful harvests in the future.

Jake, Joe and Jaime

