



UPDATE FROM COILLTE REGARDING ISSUES WITH FARM FORESTRY PARTNERS

- **Vast Majority of 630 farm partnerships working well**
- **Review of contracts shows that there are no cases where farm partners have not been paid what they are due**
- **Communication with all farm partners will be improved and a new level of transparency on calculations and payments will be provided**

Issued 06 February, 2018. Coillte today issued an update to clarify issues that have arisen with some of its farm forestry partnerships. Coillte has stated that the vast majority of the 630 partnerships it entered into with farmers between 1993 and 2012 are working well and as intended.

Payments

As a result of issues that have been raised by a small number of partners, Coillte has been conducting a thorough review. While this process is still ongoing, Coillte can confirm that having reviewed its contracts with farm partners, it is satisfied that there are no cases where farmers have not been paid what they are due and it is satisfied that it is fulfilling all of its contractual obligations. Between 1993 (when the farm partnerships scheme began) and 2017, Coillte has paid approx. €17m to its partners. In 2017 alone, the company paid out almost €1.4m.

Profits from Thinnings

The majority of farm partners are paid an annuity which is based on 80% of profits from thinnings. The annuities are paid every year from the expiry of grant premiums until clearfell and are designed to provide the partner with some continuity of income. Annuity payments are calculated based on a total forecast profit from thinnings during the full rotation of the crop. This is reviewed and updated after actual thinning events. The timing of thinnings does not have any impact on the value or timing of annuity payments. In cases where crops have been thinned before grant premiums have expired, the partner will still benefit from the agreed portion of thinning profits.

Profits from Clearfell

Farm partners receive a share of profits from the clearfell of the crop. The precise profit share is based on the scale and level of early payments that have been made. For example partners who received larger, earlier payments will receive a smaller proportion of the clearfell profits and vice versa. In most cases the partner will receive between 45% and 60% of clearfell profits, depending on how the agreement has been structured.

Improving communications

Coillte does acknowledge, however, that there is confusion among some farm partners regarding the timing of payments which have led to the current issues. The company acknowledges that this is due to a lack of clear communication and is re-stating its commitment to improving the level and quality of communications to its farm partners. Coillte has engaged the services of KPMG to help improve the quality and level of information provided to partners, particularly in relation to payments and how they are calculated. From 2018 onwards, partners who are due to receive annuities in the coming years will receive an annual statement that includes payment information.

Maintenance

Coillte is also aware that some of its farm partners have concerns about maintenance of their forestry sites. Coillte is responsible for Ireland's public forests as well as forestry from farm partnerships. The company has significant forest management experience, ensuring that Ireland's forests are managed in a consistent and professional manner to the highest Irish and European standards. All Coillte forests, including those involving farm partnerships, are independently audited and certified as being well managed to both the FSC^{®1} and PEFC standard. This certification adds significantly to the overall value of the timber produced from Coillte's farm partnerships. Through its dedicated help desk and call log, Coillte is liaising with its partners to discuss and resolve any issues that have been raised in relation to maintenance. A number of Coillte's farm partnerships have been award winning, this includes partners who were featured in media coverage last week won RDS forestry awards for the sustainable management of their forests.

Marketing costs

All contracts include a provision for marketing costs. This relates to direct costs of sales such as pre-sale marking and measuring of timber. To date, marketing costs have been running at just 2%, not 15% as has been reported. This reflects the economies of scale achieved for marketing costs across the entire Coillte portfolio.

Gerard Murphy, Managing Director Forestry at Coillte, said "We have partnerships with over 630 farmers and the vast majority of these are working well. These agreements date back to 1993 and were innovative in their design to promote afforestation and maximise grants and payments for landowners. In recent days a number of issues have arisen in relation to a small number of farm partnerships. We have evaluated these fully and it is clear that Coillte has not withheld any payments to farmers in line with its contractual obligations.

"While there was informal communication with partners at various stages, for example, our staff made site visits to partners and discussed payments with them, we acknowledge that the lack of formality in this manner of communication was not satisfactory. We are now working to improve the transparency, quality and level of information that we provide to our farm partners on an ongoing basis. From this year all partners will get an annual statement which will include payments made, any payments that are due and the basis for the calculations. KPMG are reviewing the payment calculation system to verify that it is in line with the contract." said Mr Murphy.

Ends

Media Contact:

¹ FSC licence code FSC- C005714

About Coillte

Coillte is a commercial forestry company, owned by the State, that manages approximately 7% of the country's land. Coillte operate three strong businesses from this land - their core forestry business, a wood panels manufacturing business MEDITE SMARTPLY and a land solutions business. Coillte export to over 30 countries worldwide and in the financial year 31 December 2016 generated EBITDA of €98.3 million from its €1.5 billion asset. Coillte's vision is to be the best forestry and land solutions company in Europe. To find out more visit www.coillte.ie