Mitsui woodchip deal signed

Kangaroo Island Plantation Timbers has signed a woodchip sale and purchase agreement with international commodities trader Mitsui.

The five-year agreement establishes key terms under which the timber resource on Kangaroo Island will be monetised.

An automatic extension is built into the agreement, to give certainty to Mitsui in marketing the woodchips to its pulp mill customers in Asia.

Mitsui will buy up to 500,000 green tonnes a year of woodchip from KIPT, with an expected start date of the fourth quarter of the 2018-19 financial year, assuming timely development approval and a nine-month construction period for KIPT's Smith Bay wharf proposal.

"KIPT and Mitsui believe that Kangaroo Island woodchips can be produced competitively, because of the now established productivity of the bluegum estate," KIPT managing director John Sergeant said.

"Initial testing indicates the estate is producing hardwood chips with levels of cellulose suitable for the production of dissolving pulp."

KIPT plans to seek Forestry Stewardship Council forest management certification which will enable KIPT to attach FSC Mix credits to the woodchip sales.

"Eucalyptus globulus grown on Kangaroo Island is expected to be equal to the best quality woodchips currently exported from Australia, and is believed to add about six per cent to the nation's total woodchip exports," Mr Sergeant said.

He said there was an emerging shortage of quality hardwood woodchips available to Asian markets, due to growing demand for fibre-based consumer goods, and significant supply constraints.

"The company welcomes its increasingly close association with Mitsui, which is a source of knowledge and advice, as well as marketing expertise," Mr Sergeant said.

Senior representatives of Mitsui & Co, from Tokyo and Australia, visited Kangaroo Island recently to inspect the pine and bluegum plantations and gain a greater understanding of the environment and operating conditions.