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IVSC CONSULTS ON VALUATION OF FORESTS

PRESS ANNOUNCEMENT

The International Valuation Standards Council (IVSC), the global standard setter for valuations, has today published draft valuation guidance for commercial forests in order to reduce risk to investors.

Over recent years there has been increasing interest in forestry as an investment class not only because of the enduring demand for timber but also because it meets the ethical and sustainability criteria of many investors. Governments have also been keen to ensure investment in forests and many have encouraged this through tax incentives.

However, unlike other asset classes that have long been traded across borders until comparatively recently most forestry investment was localised. This has led to a wide variation in valuation practices being developed in different countries and sectors. Concerns have also been expressed by some financial regulators about the lack of recognised standards for valuation in the sector and the risk this represents to investors.

The IVSC's project is being led by IVSC Standards Board member Thomas Boyle. He explains:

"While the nuances of each species and market mean that there can be no such thing as a completely uniform global approach, it is important that common core principles are identified and followed so that investors can more easily make comparisons between different investments. Our proposals aim to provide those principles and bring greater transparency to the market place."

Another factor that has exposed a lack of consistency has been the need for the tree crop to be accounted for separately from the land under international accounting standards.

Boyle adds:

"Many auditors have expressed concern at the different approaches being taken to allocate value among the "biological asset", i.e. the living trees, and all the other elements that make up the total value of the forest. Our guidance is designed to bring greater consistency to this process."

Comments are invited on the Exposure Draft before 15 February to CommentLetters@ivsc.org.

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For press enquiries please contact:

Ryan McSharry / Anna Younger, Spada

ryanmcsharry@spada.co.uk / annayounger@spada.co.uk

Tel: +44 (0)20 7269 1430

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