

Timberland needs a figurehead to rally all stakeholders

An individual with credibility across academic, environmental and financial stakeholders would be an asset for increasingly complex timberland markets.

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“Who do I call when I want to talk to Europe?” Henry Kissinger, the former US secretary of state and national security adviser, reportedly asked at a time before there was a president of the EU Council and a high representative for foreign policy (in other words, an EU foreign secretary).

These two roles were [created in 2009](#) and finally answered what became known as the ‘Kissinger question’, which had been posed towards the end of the 20th century.

In the world of natural asset investments – as far as the US is concerned, anyway – it seems quite clear who you should call if you want to talk about farmland investing; Bruce Sherrick.

An agricultural economics professor at the University of Illinois, Sherrick has been involved with development and management of the National Committee of Real Estate Investment Fiduciaries’ farmland index for more than 30 years.

During that time, NCREIF’s farmland index has grown along with the market and established itself as the predominant benchmark institutional investors use to track and measure farmland performance.

Although his research center is sponsored by TIAA and his personal investments include farmland, Sherrick is seen as having enough independence to be a credible authority for investors, observers and fellow academics alike. His position affords him authority to convene the market participants in frank public conversations that explore farmland's opportunities and challenges, including on quarterly calls hosted by NCREIF.

This brings us neatly onto NCREIF's timberland index, which does not have corresponding quarterly public calls. This is perhaps in part because it does not have a Sherrick-equivalent who has straddled multiple worlds critical to timberland for decades (he also works with Farmer Mac on loan-funding programs) and can credibly act as something of a figurehead.

The need for a figure with a foot in the worlds of timberland economics and finance was highlighted recently by concerns raised by MassPRIM real estate and timberland director Tim Schlitzer, who said that "[noise](#)" in NCREIF's timber index was the driver of its portfolio's underperformance against the NCREIF benchmark, which came despite very strong returns.

"The largest timberland transaction that occurred in the US last year was effectively a climate buyer," Schlitzer said. "It was a climate mitigation strategy that bought an almost \$2 billion portfolio that ended up in the benchmark price that appraisers were probably not going to reach when they marked properties overall, because there was such a premium paid."

NCREIF declined to respond to the observation by Schlitzer, who oversees a \$3 billion timberland portfolio that MassPRIM says makes it the largest pension investor in the asset class by a factor of two.

It is hard to imagine a similar comment from a prominent user of NCREIF's farmland index being left unanswered, given Sherrick comes into his own when putting market swings into their historical context.

Informal canvassing at the *Who Will Own the Forest?* [conference](#) in Portland last month surfaced a few recurrent candidates for the role of timberland figurehead, but none with the type of widespread network required and few with even the appearance of independence from the market's leading investors.

The need for such a figure was brought to mind again by comments at the conference by Fiera Comox's Bob Saul, who described a vast "disconnect" between academic and investor perspectives on timberland, which surfaced over the course of a recent sustainability collaboration at Harvard University.

The establishment of the [International Sustainable Forestry Coalition](#) in September, which is chaired by former New Forests CEO David Brand, may well eventually emerge as the answer to timberland's 'Kissinger question'.

The ISFC was established to unify the forestry sector's voice and give it a seat at the table as the asset class becomes more closely aligned with farmland and conservation finance under the emerging natural capital umbrella.

To paraphrase Kissinger, the question of: "Who do I call if I want to talk timberland?" could do with an answer sooner rather than later.