



Report 06.487
Date 31 August 2006
File WO/04/02/01

Committee Rural Services and Wairarapa
Author Tom Ward, Senior Conservation Forester

Reserve Forests Review for the Year to 30 June 2006

1. Purpose

To inform the Committee of the performance of the Reserve Forests Business Unit for the 2005/06 year.

2. Background

The Reserves Forest Business Unit manages the plantings on the soil conservation reserves at Tauanui, Hiwinui and Stoney Creek in the Wairarapa. The total land area in these reserves is 3,287 hectares and 1,800 hectares is planted in *Pinus Radiata*. The primary focus is on soil conservation as that is the reason for the reserves and the plantings. However, every effort is being made to generate income from harvesting of the plantings without unnecessarily compromising the soil conservation focus.

There is no rate money spent on the forestry plantings. Consequently the net costs are being debt funded from loans each year, as income is from the harvesting of mature trees and that is somewhat limited until about 2014.

3. Operating Performance

Road-lining operations continued during the year at Tauanui and 10 kilometres of roads suitable for logging trucks have now been formed to and within the Reserve. This activity generated revenue of \$524,000 after logging costs were deducted. Tauanui road formation will continue in 2006/07 to provide harvesting access to a further 30 hectares of mature stands.

Other activities completed during the 2005/06 year included; 45 hectares of thinning, 40 hectares of pruning and 25 hectares of replanting.

4. Financial Performance

Profit before interest, depreciation, and revaluation was \$289,000 compared with a profit of \$363,000 for the previous year. Gross logging revenue totalled \$1.3 million, a decrease of 15 per cent, or \$0.23 million below the previous period. Similar levels of gross profit are expected during the next 5 years from Tauanui logging operations. Expenditure on silviculture and road development decreased by \$37,000, to \$146,000. The operating deficit including interest and depreciation was \$415,000 compared to a deficit of \$335,000 for the previous year.

The 2005/06 financial statements for the Business Unit are attached.

5. Forest Revaluation

The forest valuation at 30 June 2006 was \$6,569,000, a decrease of \$268,000 or 4%, on the previous year's valuation of \$6,837,000. This reduction in value is attributable to increased harvest and cartage costs (fuel price component) and the downward trend in log prices.

6. Harvesting

The full year logging target for 2005/06 was 17,000 tonnes from road line clearing and two hauler settings. 17,855 tonnes were harvested generating a net return of \$29.37 per tonne or \$524,000. In comparison 20,800 tonnes was harvested for a net return of \$31.38 per tonne or \$653,000 in 2004/05.

Reaction from other road users and neighbours has mainly continued to improve due to the attitude of most of the logging truck drivers who continue to operate to meet the agreed local road usage conditions. The few negative comments relate to isolated incidents and have involved some of the logging contract staff. As in previous years none have involved accidents and the fault of each party is debateable.

The new Harvesting and Marketing Contract has been in place for the last year with financial returns and production figures exceeding the tendered rates. Coping with the current ongoing diesel price increases has generated some difficulties.

7. Replanting

A condition of the harvesting resource consent requires replanting in woody vegetation within 18 months of harvest because of the steepness and/or erosion proneness of the land. Pinus Radiata quickly, cheaply and effectively provides the required protection and erosion control. 24.6 hectares of replanting of cutover in Taunui was completed in the 2005/06 financial year. Regeneration is being supplemented with additional seedlings where required.

Riparian zones continue to be created up to two tree lengths from streams using species such as tree lucerne which is a food source for birds and a nurse crop for native regeneration.

8. Silviculture

45.3 hectares of thinning were carried out in Stoney Creek. This effectively completes the silviculture programme for the P.radiata planted between 1990 and 1995. Approximately 35 hectares of slow growing, wind exposed planting has been left untreated as a pulp regime.

Two small areas planted in 1997 and 1998 following opportunistic clearfelling remain to be completed as required.

40 hectares of pruning and 26 hectares of thinning were completed in the replanted area within Hiwinui. This thinning is complicated by the high stocking due to regeneration and is more expensive than thinning a planted stand.

The forests are generally in good health. There were no signs of any new infections or diseases.

9. Market Comment

The market is reported as being further depressed. However this is not reflected in the prices we are receiving from Tauanui.

The trees in Tauanui produce a quality of sawlog which, by virtue of its age and branch characteristics is in high demand domestically. Prices for the predominant grade are as high as we have received for the last four years and a premium grade of unpruned sawlog is the same as the highest we have ever received.

Gains in export prices due to the lower \$US have been offset by higher shipping prices and fuel prices. The market for pruned material however is opening up beyond the traditional Australian and United States markets. This material however must be treated with anti sapstain fungus treatment within days of being felled so is not an option for hauler operations.

10. Future Management

Harvesting at Tauanui will continue for the next 5 to 7 years depending upon the volumes extracted each year. The continuing focus is to clear road lines and extend the roading system into areas that have no alternative access. Blocks of trees will then be harvested systematically as topography and access permit.

Harvesting of fully tended blocks at Hiwinui is scheduled to begin about 2014.

With the completion of Stoney Creek, silviculture requirements in the next decade will be limited to those areas replanted in Hiwinui and later Tauanui.

The creation of additional riparian zones and the maintenance of native understory will enhance biodiversity within the Reserve Forests.

11. Recommendation

That the Committee

- (1) **Receive** the report
- (2) **Note** the contents
- (3) **Approve** the replanting of harvested areas in the winter immediately following harvesting.

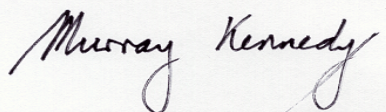
Report prepared by:

Approved for submission by:



Tom Ward
Senior Conservation Forester

Barry Leonard
Manager, Plantation Forests



Murray Kennedy
Divisional Manager, Water Supply, Parks & Reserves

