



Report 05.473
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Committee Rural Services and Wairarapa
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Reserve Forests Review for the Year to 30 June 2005

1. Purpose

To inform the Committee of the performance of the Reserve Forests Business Unit for the 2004/05 year.

2. Significance of the Decision

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. 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.

4. Operating Performance

Road-lining operations continued during the year at Tauanui and 8 kms of roads suitable for logging trucks have now been formed to and within the Reserve. This activity generated revenue of \$654,000 after logging costs were deducted. Tauanui road formation will continue in 2005/06 to provide harvesting access to a further 30

hectares of mature stands. Road maintenance costs were \$56,000 over budget because of storm damage.

A total of 298 hectares of silviculture at Stoney Creek was completed in 2004/05. This large silviculture programme has almost concluded. A total of \$100,000 has been budgeted over the next 3 years to complete slow growth areas as required.

5. Financial Performance

Profit before interest and depreciation was \$363,000, compared with a deficit of \$108,000 for the previous year. Similar levels of gross profit are expected during the next 5-7 years from Tauanui logging operations. Gross logging revenue totalled \$1.5 million, an increase of 106 per cent, or \$0.8 million better than the previous period. Expenditure on silviculture and road development decreased by \$50,000, to \$183,000. The operating deficit including interest and depreciation was \$335,000 compared to a deficit of \$757,000 for the previous year.

The 2004/05 financial statements for the Business Unit are attached.

6. Forest Revaluation

The forest valuation at 30 June 2005 was not completed at the time of writing this report. However, a decrease in value is anticipated once yields, prices, costs and cutting schedules have been updated. The valuation report is expected to be finalised within the next week.

7. Harvesting

The full year logging target for 2004/05 was 20,000 tonnes from road line clearing and two hauler settings. 20,800 tonnes were harvested generating a net return of \$31.38 per tonne.

Log truck drivers have continued to influence the locals that their initial concerns over logging trucks in the area were more perceived than real, often stopping to chat with some who expressed opposition originally towards the operations. However, one family is still critical and rings up every time they experience a situation that they are not happy about. Each investigation has indicated that all of the fault may not lie with those associated with our operations.

A new Harvesting and Marketing Contract is almost finalised with final terms currently being resolved.

8. 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. Current seedling grades and management regimes will generate significantly improved returns from a second rotation.

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

9. Silviculture

23 hectares of pruning and 275 hectares of thinning were completed in Stoney Creek during the year to specification and verified by 2% quality control plotting prior to payment authorisation. This completes the pruning programme at Stoney Creek. 18 hectares of pruning were completed in Hiwinui second rotation.

The forests are generally in good health. Some areas in Stoney Creek were identified as suffering from problems associated with excessive water in the ground. There were some signs of a native fungal infection. There were no signs of any new infections or diseases.

10. Market Comment

The market is reported as being further depressed. This however 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 marginally higher than we have received for the last four years and a premium grade of unpruned sawlog is the highest we have ever received.

The high \$NZ value and shipping costs continue to influence export prices and we are fortunate to have good alternative markets for wood that would normally be suitable only for export.

The cost of fuel is starting to impact on cartage costs, harvesting costs and the hire of heavy machinery.

11. Future Management

Harvesting at Tauanui will continue for the next 5 to 7 years depending upon the volumes extracted each year. The focus is to clear road lines and extend the roading system into areas that have on 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 are being taken as opportunities to enhance biodiversity within the Reserve Forests.

12. Recommendation

That the Committee:

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

Report prepared by:

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