

Report 11.420  
Date 24 August 2011  
File CMG/01/14/02

Committee Environmental Wellbeing  
Author Stan Braaksma, Land Management Officer

## **Akura Conservation Centre Review for the Year to 30 June 2011**

### **1. Purpose**

To inform the Committee of the performance of the Akura Conservation Centre for the 2010/11 year.

### **2. The decision-making process and significance**

No decision is being sought in this report.

### **3. Background**

The Akura Conservation Centre grows and sells trees suitable for erosion control, commercial forestry, shelter and river management primarily for the Land Management and Flood Protection Departments and external customers. The business has two groups of activities. The Nursery unit grows poplar and willow poles for soil conservation and river control purposes. The Trading unit supplies various tree species (Natives, *Pinus radiata*, Acacias, Eucalyptus, Cypresses etc) and sundry stock items (posts, protectors, chemicals, and animal repellents etc).

### **4. Operating Performance**

Akura sold 304,402 trees for the financial year to 30 June 2010. This was 8% down on the previous year, and still some way from the 500,000 trees sold in 2002. Sales were buoyed by the increasing activity in new Carbon forestry (AGS Scheme) and the start of the WRECI programme (MAF assisted grants). There was a noticeable drop in demand from large scale corporates, lifestyle and dairy farm plantings. Strong support came from a number of large GWRC supported riparian and biodiversity projects.

The 2010/11 summer presented very dry soil conditions after a slow start because of a cold spring. A period of rain in mid-January gave a slight reprieve before very dry conditions prevailed through April and May. Seedling survivals have generally been good especially where good ground preparation and releasing have been carried out.

Poles	2010	2009	Seedlings	2010	2009
3.0 metre	26,925	21,293	P Radiata	228,500	235,000
2.5 metre	1,110	1,595	Open grown exotics	3,133	10,335
2.0 metre	12,125	4,945	Natives	51,244	47,370
Stakes	2,325	4,038	Container grown exotics	21,525	38,277
<b>Total</b>	<b>42,485</b>	<b>32,501</b>	<b>Total</b>	<b>304,402</b>	<b>330,982</b>

The sales of native species have increased 8% over the previous year to 51,244 units. While eco-sourced seed collections are operating well, it was disappointing to see overall eco-sourced content was only 32.5%. Many factors contributed to this, but primary cause is the increase in different species being sold and the need to find appropriate local seed sources. There is demand for an increased variety of native species and a new local nursery (5,000 plants) has been added to the mix. Pricing for native plants remains an issue and Akura was requested to source 11,000 open grown natives from non eco-sourced nurseries because of price differentials.

Three metre pole numbers have increased 23% to 26,925 on the back of improving incentives for planting and higher local and outside demand for poplar and willow material. Flood protection purchased 12,000 2m willow, a significant increase on 5,000 for the previous year.

Pole survivals counted during the March audit averaged 70% for the season, but results have been highly variable and some 20-30% of properties have been re-analysed to assess reasons for losses. The new irrigator has been fully operational for the 2011 season and there have been impressive height increments and volume gains. These results have meant a reassessment of pole rotation length and production per hectare. This has resulted in a reduction in area required for the new nursery land from 18.0 to 12.0 ha.

## 5. Financial Performance

The operating surplus for the year was \$54,500, which is a marked improvement on the operating surplus of \$20,000 for the previous year.

In the Nursery there has been a strong move to contain the operational costs knowing that we had nursery production ahead of demand. The dry seasons of 2007-09 had impacted significantly on stump health and an intensive programme of rust spraying and removing ill thrift stumps has eventuated. The 3m pole price increased 3.3%, from \$6.62 to \$6.84 for 2010 and is ahead of most other nurseries in New Zealand (average price \$6.00/3m pole).

A consolidated pricing formula was applied to all tree stocks and sundry items to ensure profitability of sales throughout the Conservation Centre.

The dividend paid to Council over the past 20 years has been removed (nominally \$35,000/annum) and already the loan for irrigation has been reduced from \$124,000 to \$56,000. The improved profit signals confidence to plan for improvements to the much needed Akura entrance, and yard processing and plant presentation areas. The business

unit remains in very good financial health with net assets of \$867,000 and total loans of \$56,000.

The 2010/11 financial statements for the Business Unit are attached as Attachment 1.

## 6. Future pole supply

Pole production estimates have been prepared for both our existing Nursery area and the projected new Papawai Kaikokirikiri Trust lease of 12 hectares. Future pole production is required to reach 36,000 3m poles by 2014. The new nursery development is on hold pending the review of MAF funded projects by Government. Both Akura and Mangapakeha nurseries are 98% stocked, there being little fallow ground available for new production.

The 2011 production is similar to last years with demand of 26,000 3m poles, but there will be a slight shortage of poles for 2012 and 2013. The new irrigator at Akura can water 85% of the area, the remaining 15% is lightly watered with the old irrigator. Mangapakeha remains non-irrigated.

## 7. Communications

The performance of the Akura Conservation Centre will be promoted in the next edition of Rural Focus. The opportunity will also be taken to maintain the profile of the Centre with internal customers.

## 8. Recommendation

*That the Committee:*

(1) **Receives** the report.

(2) **Notes** the content of the report.

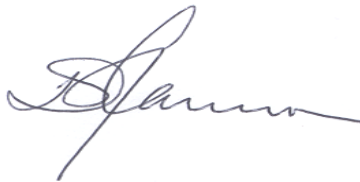
Report prepared by:

Report approved by:

Report approved by:



**Stan Braaksma**  
Land Management Officer



**Dave Cameron**  
Manager, Land Management



**Wayne O'Donnell**  
General Manager,  
Catchment Management Group

Attachment 1: Akura Conservation Centre Financial Statement

**AKURA CONSERVATION CENTRE****STATEMENT OF INCOME**  
FOR THE YEAR ENDED 30 JUNE 2011

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>		
External revenue	239	197
Internal revenue	522	478
	<u>761</u>	<u>675</u>
<b>Expenses</b>		
Personnel costs	62	53
Materials & supplies	476	462
Travel & transport	9	10
Contractors	102	76
Internal charges	5	9
Financial costs	8	3
Bad debts	1	0
Net divisional overheads	30	30
Depreciation	13	12
Gain on sale	0	0
	<u>706</u>	<u>655</u>
<b>Profit/(Loss)</b>	<u>55</u>	<u>20</u>

**STATEMENT OF CASHFLOWS**  
FOR THE YEAR ENDED 30 JUNE 2011

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Operating cash flows</b>		
Operating revenue	778	679
Operating expenditure	(727)	(648)
Net operating cash flows	<u>51</u>	<u>31</u>
<b>Investing cash flows</b>		
Asset acquisitions	0	(127)
Transfer from/(to) reserves	0	(28)
Net investing cash flows	<u>0</u>	<u>(155)</u>
<b>Financing cash flows</b>		
Dividend	0	0
New Loan/(repayment)	(68)	124
Net financing cash flows	<u>0</u>	<u>124</u>
<b>Net increase in cash</b>	(17)	0
Movement in current account	17	0
<b>Closing cash balance</b>	<u>0</u>	<u>0</u>

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2011

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Equity at beginning of year	795	775
Profit/(Loss)	55	20
Dividend	0	0
Current account movement	17	0
<b>Equity at end of year</b>	<u>867</u>	<u>795</u>

**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2011

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Receivables	20	37
Stock	225	221
Non-current assets	735	748
	<u>980</u>	<u>1,006</u>
<b>Liabilities</b>		
Payables	57	87
Loans	56	124
	<u>113</u>	<u>211</u>
<b>Equity</b>	867	795
<b>Total Equity and Liabilities</b>	<u>980</u>	<u>1,006</u>