



**Report** 04.505  
**Date** 20 August 2004  
**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 2004**

### **1. Purpose**

To inform the Committee of the performance of the Reserve Forests Business Unit for the 2003/04 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 and 7 kms of roads suitable for logging trucks have now been formed to and within the Tauanui Reserve. This activity generated revenue of \$364,000 after logging costs were deducted. Tauanui road formation will continue in 2004/05 to provide harvesting access to a further 30 hectares of mature stands. Road maintenance costs were \$100,000 over budget because of storm damage and unfavourable weather.

Stoney Creek silviculture operations were completed within the \$150,000 budget. 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.

#### **4. Financial Performance**

The operating deficit for the year of \$757,000 was \$53,000 better than the previous financial year. Net logging revenue was \$343,000 more than in 2002/03. However, as mentioned earlier, maintenance costs were over budget because of storm repair works. The financial statements include a \$102,500 provision for doubtful debts relating to unpaid logging revenue from the failed Renall's Sawmill. The Sawmill has been recently sold to Kiwi Lumber Limited, and we are awaiting information about any possible payments to creditors.

The operating deficit excludes \$153,000 of capital expenditure on silviculture and \$80,000 for road development. It has been assumed the budgeted \$75,000 dividend will not be required to be paid. This situation will be considered when Council examines its end of financial year accounts shortly.

The 2003/04 financial statements for the Business Unit are attached.

#### **5. Forest Revaluation**

The Draft forest valuation at 30 June 2004 was \$8,359,923, a decrease of \$1,034,000, or 11%, on the previous year's valuation of \$9,393,461. The reduction in value relates to an increase in logging costs, a decrease in log prices, and a reduction in projected log volumes from the Tauanui Reserve. A final valuation is expected about the end of the month.

Based on the draft valuation, the ratio of long-term debt to forest assets (land & crop value) has deteriorated to 73%, compared with 61% at June 2003. The ongoing situation with Council forestry will be comprehensively reviewed as part of the next LTCCP process.

#### **6. Harvesting**

The full year logging target for 2003/04 was 10,000 tonnes, largely from road line clearing. 9,700 tonnes was achieved generating a net return of \$37.00 per tonne. Logging commenced in November after protracted discussions with Pirinoa locals and upgrading of Whakatomtomo Road by South Wairarapa District Council with a contribution from Greater Wellington.

During the course of the year the truck drivers showed extreme courtesy and friendliness to local traffic to the extent that even those most vocally opposed to the trucks using the road have acknowledged that their concerns were more perceived than real.

Logging had to cease after the access road was severely damaged in the February floods and was not able to be resumed again until early May.

## **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. 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.

## **8. Silviculture**

122 hectares of pruning and 262 hectares of thinning were completed during the year to specification and verified by 2% quality control plotting prior to payment authorisation. The forests are in good health. Quality control and silviculture supervision regimes have been intensively maintained.

Approximately 40 hectares of pruning in slower growing areas of Stoney Creek and 120 hectares of thinning are due in 2004/05. The following year will be a final thinning of a further 120 hectares.

## **9. Market Comment**

At June 2004 log prices were about 5% lower than at the same time last year. Export markets have been depressed as a result of the high NZ \$ values and shipping costs making NZ logs unattractive to buyers. We were able to capitalise on a short term increase in export net returns over December and January. However, the domestic market for high quality sawlog has remained satisfactory with prices at the same level as last year. The short-term future looks similar with export markets being heavily influenced by shipping capacity being at a premium due to a huge expansion within China.

## **10. Future Management**

Currently, the primary focus is harvesting road lines and building roads and landings within Tauanui, completing the residual Stoney Creek silviculture as growth permits and pruning replanted areas within Hiwinui.

Harvesting at Tauanui will be underway for the next 5 to 10 years depending upon the volumes extracted each year. Harvesting of fully tended blocks at Hiwinui is scheduled to begin about 2014. Silviculture requirements in the next decade will be limited to those areas replanted once the Stoney Creek silviculture is completed.

## **11. Recommendation**

- (1) *That the report be received and the information noted.*
- (2) *That the replanting of harvested areas in the winter immediately following harvesting be approved.*

Report prepared by:

Approved for submission by:

**Tom Ward**  
Senior Conservation Forester

**Ian Gunn**  
Land and River Operations Manager