

GREENPLAN

FOREST NEWS

GOOD NEWS FOR GREENPLAN FOREST OWNERS



*John Barton
Managing Director*

Recently we had a visit from a senior research executive from a major international merchant bank. The reason for his visit was not obvious but our suspicion is that he was really trying to find out who owns, and how is the second level of major forests in New Zealand, being managed. He knew all about Kaiangaroa and Carter Holt and the other major forests because in the main they are owned by overseas investors. Many of these are clients of his company.

One standout comment he made was that he was amazed how “incredibly bullish” leading American and European investment managers were in forest investments in general and New Zealand forest in particular. That was not really a surprise since as far back as October 2003 we reported in our newsletters that in the USA timberland returns showed the best annual result during 1987 to 2000. And further the annual deviation (the highs and lows) was the fourth lowest of all investments.

With most of New Zealand's major forests in overseas ownership perhaps they are widening the net in the hope of capturing some of the smaller forests like the Greenplan estate. We can only say that with forest values at such low levels it is not a good time to sell “quality” forest. It is a good time to buy and that's why overseas investors are so active.

But it is the future outlook for wood that makes investment managers so bullish. A recent article in the NZ Journal of Forestry explores the world's timber scene and concludes that market prospects for plantation grown wood are good, but warns that growers will continue to face trade barriers and competition from substitute products.

The article highlights the fact that the last major global survey on forestry was done by the United Nations FAO in 1999. The author notes that in fact many of the predictions made by FAO have already been exceeded. For example, India consumed 25.1M m3 of wood in 1994 and this was predicted to grow to 28.3M m3 in 2010. In fact India's consumption was 53M m3 in 2003-04 nearly double the figure predicted for 2010.

China's situation is even more dramatic. FAO in 1999 predicted wood consumption of 125M m3 in 2010. By 2000 consumption had reached 160M m3 and the Chinese themselves predict that by 2010 it will consume over 200M m3 of wood per annum. The wood demand in other markets may not have surged at similar rates as India and China but certainly the FAO 1999 projection has already been eclipsed.

On the supply side the article highlights several important factors that will make it increasingly difficult to satisfy the future demand for wood. In 2000 65% of global roundwood supply of 3.4 billion m3 (including 1.8 billion m3 of fuel wood) came from natural forests. But factors that affect future supply are:

Conversion of natural forest land to other uses

Data suggests that an area the size of Portugal is being cleared of natural forest every year for agricultural purposes. Generally these are in easily accessible areas.

Forest degradation

As distinct from deforestation, old growth timber is being removed from forests all the time. As second growth timber is harvested, volumes will decline significantly. It is estimated at nearly 20% of the world's forest are not available for harvesting on account of degradation.

Illegal logging

A severe threat to sustainable forest management is illegal logging. In the Asian and Pacific regions its estimated that as much as 45% of recorded production is illegally logged. In western and central Russia illegal logging counts for as much as 80%.

Protected areas

The growing global concerns about the loss of bio-diversity, the need to protect watersheds and promotion of other environmental values has led to creation of more protected areas. The United Nations has a list of 1880 million hectares of protected areas, up from 240 million hectares in 1962. This trend is likely to continue.

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Logging bans

This is a desperate measure to preserve natural forests. For example President Clinton banned logging in nearly 25 million hectares of forest in the USA. Bans increase illegal logging but they do reduce the area of forest available for harvest.

Pressure to manage forest sustainably

The Earth Summit in 1992 and later the Kyoto Protocol are all efforts to manage forests sustainably. The continued pressure to do this may have the greatest potential to diminish future wood supply.

The outlook is most definitely for decreasing supply of wood from natural forests. This augers well for plantation forest but there are problems. Firstly the age old problems for NZ are tariff and non-tariff barriers put in place by governments intent on protecting their own industry. But the battle goes on through the WTO and in government to government talks, such as NZ and China, to break down these barriers to free trade.

Perhaps a more serious threat to wood comes from substitution by steel, aluminium, plastics and concrete. Wood is by far the more energy efficient and environmentally friendly product. But this advantage has not been utilised by timber producers. Instead they argue on the competition between timber from natural versus plantation forests. There is a real challenge to show consumers how good wood is. The following table illustrates this dramatically.

Energy requirement and the net carbon emissions from the manufacture of construction materials

Product	Energy (GJ/m3)	Net Carbon Emitted (kg/m3)
Treated timber	1.2	-228
Glued-laminated timber	4.5	-168
Structural steel	448.0	8117
Reinforced concrete	7.3	182
Aluminium	362.0	6325

Source: Buchanan

In conclusion we suggest the overseas investors who purchased Kaiangarua have every reason to feel bullish about wood. And we suggest that Greenplan's forest owners should also be bullish. With 15 to 20 years to go before the first of Greenplan's forests are ready for harvest, that leaves a nice time-frame for questions of tariff barriers and illegal logging to be resolved. And in that time-frame we are not going to see energy costs come down which means the substitutes like aluminium and steel are going to be a lot less competitive.

It's all good for wood and Greenplan's Forests.

RECENT EVENTS:

FIELD DAY MARCH 2005

On the 12th March we hosted our investor field day. Some 150 of you made the journey to visit your forests. The day involved scheduled bus trips in 4 directions to view different forests in the Greenplan estate. By all accounts it was an enjoyable and informative day. Comments from some of those that partook were very positive and reinforced the decision by us to undertake the bus trip format. It allows investors the chance to see, feel and experience their forest investment.

John and Joy Pryor from Auckland wrote: "Hi Team, Just a note to say we really enjoyed the recent field day. It was well organized, scenic, very informative. We especially enjoyed the mini bus ride to Honikiwi and Ngutuinui, and the safe driving. The lunches were superb and the morning and afternoon teas were timely. We plan to go on another field day in the future."

One of the highlights of the day was for those that ventured to Ngaruawahia then headed by bus to the Dunmore and Glen Afton forests. An added attraction on their itinerary was a visit to the Brooklands Forestry Museum at Waingaro. This facility was developed by the NZ Forestry Group and forestry



Investors at the Tunnel Rock No. 46 forest

guru Wink Sutton. We have published articles written by Wink in earlier newsletters and have unsuccessfully tempted his participation as a guest speaker at previous field days. Wink has an infectious passion for the NZ Radiata Forest Industry and for those of you that were fortunate enough to be present during his presentation, or for those that have seen him elsewhere, you would have been buoyed by his comments and obvious enthusiasm for the future of Radiata Pine. We were!! So much so we are hoping to have our next on site field day at the Brooklands Forestry Museum. (sometime in November). We believe it will be a most enjoyable and rewarding outing and one we would highly recommend you mark on your calendar. Further details will be published in the October newsletter.



Jamie Maarhuis, Operations Supervisor and Donaven Karaitiana, Operations Manager coordinate all contract crews pruning in Greenplan forests.

ARRIVALS AND DEPARTURES

On the 8th April 2005 Dave Pikia our Operations Manager resigned to take up employment in his hometown of Gisborne, we wish him all the best. Dave assisted Greenplan in all forest operations to a high standard and was influential in the decision to appoint Donaven Karaitiana as his assistant in October 2003. Donovan has shown excellent progress during his employment and with Dave's departure was the obvious choice to takeover the role of Operations Manager. Don has over 10 years experience in the forest industry and has displayed excellent management skills since his promotion to maintain the high standard required for our forest operation program.

With Don's help we have also appointed Jamie Maarhuis from Te Kuiti to assist in the forest operations. Jamie commenced work during April 2005. You will get to meet Don and Jamie at the next field day in November.

KYOTO UPDATE



We field questions regarding Kyoto Protocol on a weekly basis and like many of you we are a little confused as to what is happening with the so called carbon tax and what, if any, benefits will be attributable to forest owners.

A website that will keep you up to date with the Kyoto issue has been established by the Kyoto Forestry Association (KFA). www.kfoa.co.nz. The Kyoto Forestry Association was founded in 2003 and is a not for profit organisation formed to represent forest owners who have planted more than 200,000 ha in New Zealand since 1989. Greenplan was instrumental in the establishment of this group and supports the initiatives undertaken. Please visit the web site to learn more.

With the recent ratification of the Kyoto Protocol by the NZ Labour Government and its subsequent policy of confiscation and nationalizing of the Kyoto Carbon credits, the Labour government has effectively stolen private property belonging to thousands of New Zealanders (including all Greenplan investors). The new forest plantings that were purported to have been undertaken have all but dried up. This lack of new plantings

jeopardises the ability of New Zealand to maintain negative emissions of CO² and in turn, as reported in the media recently, has caused a budget blowout of over \$500 million which will now be recouped through other avenues - increased taxes. When ratification was considered there was some 50,000 hectares of new forestry planted annually, now due to uncertainties

caused by the Governments actions new plantings have plummeted to some 10,000 hectares last year with a further substantial drop predicted for this year.

The Kyoto Forestry Association has initiated a \$2 million media campaign to put pressure on the Labour Government to reverse its policy, and to secure the support of the next government for a more just and rational approach to the Kyoto Protocol.

Greenplan has donated \$22,020.00 (\$3 per hectare) to the Kyoto Forestry Association. The carbon credits stolen have been estimated to be worth approximately \$5,000 per hectare, your money!!.

If you would like to make a donation, please contact the office.



VISITOR'S BOOK

Liam Burr-Knight aged 7 along with family from Harold Island, Auckland travelled to the Jubilee Forest Partnership No 50. 22nd April 2005

TAX LOSS ADVICES

The annual Tax Loss Advices for all investors in Partnerships 1 to 63 were mailed in May. This confirms the share of the partnership expenses that are deductible against your taxable income. To claim this expense you need to enter it under Question 23 – Other Income, of the IR3 tax return. For a full explanation of the tax deductibility of Greenplan investments see the section “Understanding the Investment” at www.greenplan.co.nz, or call us and ask for a copy.

23. Did you receive any other income?
 No Go to Question 24 Yes Read pages 41 to 44 in the guide, then print the net income in Box 23
Total other income of a loss put a minus sign in the last box.

Please put name of payer above and type of income below

23 \$

To complete the above question you tick “Yes”. In the box 23 put the amount deductible ie the “Share of Tax Loss” stated on your tax Loss Advice received from Greenplan. Ensure you put a minus sign in the last box”.

MISSING PERSONS

Does anybody know the whereabouts of the following people? If so please contact us on 0800 800 154

Name	Area last recorded
Ji-Eun Park	Pukekohe
Jason Dalley	Greymouth
Aaron Williams	Waiouru
Darren Turnbull	England
Ivan Older	Auckland
Rex Coombes	Australia
Kim Fogelberg	Queenstown
John & Lisa Hay	Invercargill
Craig & Glenda Peter	Marton
John Pioletti	Morrinsville
Scott & Kirsten Wenborn	Christchurch
Michael Passmore & Deborah Paurves	Tauranga
Pamela Arconado	Auckland
Ian Martin	Auckland
Hamish Van Lier & Simone Stanley	Auckland
Keith Grant	Australia
Llewellyn Powell	Nelson

ANNUAL FEE REMINDER

Annual Fee Invoices for all partnerships were mailed in April. Thank you to all who have already paid. If you did not receive an invoice or have not made a payment please contact Corina at Greenplan's office.

FOREST MANAGEMENT DIARY

GFM Ltd has maintained a steady workload for our current contractors in all areas of pruning and thinning. There was an excellent run of good weather during March and April and we have managed to keep well on top of the current pruning program.

The first lift pruning operation in the majority of the year 2000 partnerships has been successfully completed. Following this we were able to move our contractors into some second lift pruning in the 1999 partnerships. This operation is now completed in Jones No. 39, Huntaway No. 40 and Clearwater No. 42 forests. Pruning in the Boltaway No. 41 forest is almost completed and in the Wild Boar No. 43 forest pruning is programmed to begin in September or October. We have achieved very positive results in the second lift operations in the 1999 partnerships the overall health of the trees is very good. We will maintain our current level of forest health monitoring and pest control throughout the year.



Prepine Forestry Contracting Ltd prior to commencing first lift pruning in Twin Rivers No. 51

Third lift pruning is now completed in the 1997 forests.

Contractors are currently working in the Rhodes No. 29 forest where third lift pruning is nearing completion. In all cases crop trees have been pruned to an optimum average height of 6.5 metres and 350 stems per hectare. Thinning to waste follows the final pruning operations. All unpruned trees are felled to open up the forest and allow the final crop trees to acquire maximum light and nutrients. These operations have been completed in Arapito No. 28, Coach Road No. 30, Rim Rock No. 33 and Pig & Whistle No. 34. Thinning operations are almost complete in Moonlight No. 31.

At the completion of pruning and thinning operations a final audit is performed in the forests to satisfy that the operations have been completed to an acceptable standard. The final audit is complete in Arapito No. 28 and Rim Rock No. 33. Coach Road No. 30 and Pig & Whistle No.34 audit is underway. With final operations nearing completion the overall health and conditions of the 1997 partnerships appear very good. We will visit these forests regularly to monitor forest health and pest control.



Third Lift Pruning at Rhodes No. 29

During the month of May some of the 2001 forests became ready for the first lift pruning operation. Due to outstanding summer growth the Dunmore North No. 48 forest had previously been started. Small trees in parts of the block meant we moved the pruning contractor out and revisited the forest again in May to complete the operation. Pruning in the Minormore No. 49 forest was completed in the middle of June. Pruning crews have now started in the Twin Rivers No. 51 forest. The Tregoweth (as we call it) forest block is made up of the Jubilee No. 50, Twin Rivers No. 51 and Headwaters No. 52 partnerships. The total area of these forests is some 550 hectares which will be pruned progressively as the trees are ready. Luckily all trees will not be ready at the same time. We will slowly move our contractors into these forests as they complete others. At one time we may have up to four pruning crews working in these partnerships. An exercise in logistics for our operations manager.

During the first lift operation we will target an average pruned height of 2.7 metres and an average stocking of 360 stems per hectare. All of the 2001 partnerships are in very good health and have had few little problems in way of pests and disease. Grazing continues in these forests which is ideal for the crews when performing pruning operations. This, along with pruning also promotes tree health by improving air circulation through the trees.

Now into the winter months there is a slow period of growth for most partnerships. Many partnerships scheduled to be pruned this year are still on target and with spring only a few months away we will see improved tree growth. We expect the third lift pruning operation to begin in the 1998 forests at the beginning of summer. As always we continue forest health assessments on all partnerships and in August will identify areas which are infected with *Dothistroma pini*. Once information is collected trees will be sprayed by helicopter using a copper oxy-chloride mixture which will help combat the disease. This operation is scheduled for November.

The last four months has gone very quickly and GFM Ltd would like to say a big thank you to all the contractors who continue to provide us with a very high standard of work.

SECONDARY MARKET

The following units are for sale. * these units are subject to the clause two procedure, whereby partners in that partnership have a 28 day period first option in which to apply. The units not marked are available for sale to anyone. Please contact Corina Teague (invest@greenplan.co.nz) at Greenplan for more details.

Partnership Name	Planted	Number of Units	Price
Arapito No. 8*	1994	1	\$14,000.00
Arapito No. 9*	1995	1	\$11,600.00
Aratoro No. 13*	1995	1	\$10,900.00
Aratoro No. 14*	1995	1	\$11,250.00
Waipa Valley No. 15*	1995	2	From \$11,250
Awakino River No.16	1995	1	\$11,250.00
Awakino River No. 17*	1995	1	\$11,600.00
Awakino River No.17	1995	2	From \$11,000
Barkers No. 18	1995	3	From \$11,000
Barkers No.18	1995	1	\$12,000.00
Aratoro No. 20*	1996	3	From \$9,600
Slab Hut No.21	1996	2	From \$9700
Smith No. 25*	1996	1	\$9,500.00
Tin Whare No.26	1996	1	\$10,000.00
Touchwood No. 27*	1996	1	\$9,700.00
Touchwood No.27	1996	2	\$9,800.00
Arapito No.28*	1997	1	\$8,950.00
Rhodes No. 29*	1997	2	From \$9,100
Coach Road No.30	1997	2	\$9,100.00
Moonlight No. 31*	1997	2	\$9,100.00
Rim Rock No.33*	1997	2	From \$4,500
Cattlestop No.35*	1998	1	\$4,300.00
Clearwater No. 42	1999	1	\$8,500.00
Wild Boar No. 43	1999	1	\$4,200.00
Millennium No. 44	2000	3	From \$7,200
Tunnel Rock No. 46	2000	6	From \$7,200
Minormore No.49	2001	1	\$4,100.00
Jubilee No. 50	2001	2	From \$7,200
Headwaters No. 52	2001	1	\$7,100.00
Ducksfield No.53	2002	4	\$7,300.00
Glen Afton No.54	2002	5	From \$6,600
Big Valley No. 55	2002	2	\$7,300.00
Hidden Valley No.56	2002	5	From \$6,800
Greatwood No.57	2003	11	From \$6,500
Woodview No. 58	2003	1	\$6,600.00
Whitecliffs No.59	2003	2	\$7,300.00
Pinegrove No.60	2003	3	From \$6,900
Pinegrove No.61	2003	1	\$7,300.00
Wayleggo No.62	2004	1	\$7,300.00

NEWS CHIPS:



On the 15th of April 2005, one of Greenplans past forestry employees, Luke Kirk, became the 100th Modern Apprentice to complete a FITEC apprenticeship Luke also was a finalist for the Fitec trainee of the year. Luke completed his training with GFM Ltd (A subsidiary of Greenplan).

Luke now holds National Certificates in Forest Establishment, Silviculture, Pruning and Thinning. As well as becoming the 100th modern apprentice, Luke also did an extra training course to deliver workplace training to adults at the same time doing his own forestry training. Luke is moving onward and upward, well done Luke.

Source: FITEC

FOREST RESEARCH ANNOUNCES NEW BRAND

New Zealand's leading information and research centre for the forest industry has changed its name. The crown owned Research Institute formerly known as "Forest Reserch" has opted for the new brand name "Scion". The Institute identifies the name Scion as inheritance and new growth.

Scion has also entered into a joint venture with the CSIRO of Australia to

form "ensis" which will be the largest forestry focused research and development entities in the world.

Minister of Crown Research Institutes, Hon Steve Maharey, says that Scion is not just about having a new name – it signifies a new effort to move beyond current horizons.

Source: www.fridayoffcuts.com



WOOD TO POWER CARS

An analyst from CSIRO has said that wood could one day replace fossil fuels in powering vehicles within the next 50 years. One of the researchers say that products like wood alcohol or methanol will be used in the next generation of cars which are powered by fuel. Researchers say that more forestry will need to be planted to provide enough wood. The exhaust emissions from wood-based fuels will hopefully lower the greenhouse gas levels. They say the way it will work is by recycling the carbon through the

trees, through the car motors and than back into the trees again. With the ever increasing fuel prices, this will give our future generations something to look forward to.

Currently around half the biomass (wood and foliage) of harvested trees is left in the forest to waste away. This represents potential use as bio-fuel and therefore income for forest owners.

Source: *Radiata Bulletin*

1ST QUARTER AND 12-QUARTER AVERAGE

As at: April 2005

Generic Log Type & Pricing Point	September 2004 Quarter	12-quarter average
EXPORT (NZ\$ per JAS m3 f.o.b.)		
Pruned	134-183	188
Unpruned A Grade	83-90	94
Unpruned J Grade	73-79	82
Unpruned K Grade	70-100	80
Pulp	47-65	53
DOMESTIC (NZ\$ per tonne delivered at mill)		
P1	130-145	162
P2	93-130	124
S1	78-99	89
S2	76-95	81
L1 and L2	47-65	64
S3 and L3	47-73	62
Pulp	36-47	40

INDICATIVE NEW ZEALAND RADIATA PINE LOG PRICES

Returns to small growers may be lower than those recorded here owing to scale and buyers' margins. These log prices are historical and indicative only and may not correspond to actual prices paid, or grades used, in market transactions. A "best fit" is applied by survey respondents to align company log grade specification with the generic specifications. Direct comparisons with actual market prices may not apply, due to differences between the specification sets. The prices are subject to changes when further data becomes available. The sources for this information are ministry of Agriculture and Forestry industry contacts. www.maf.govt.nz

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