

# ANNUAL FORESTS REPORT

The annual forests report is included with this newsletter. The report is updated annually and is used to monitor the growth and development of the forests. We often get asked questions regarding the figures from the data displayed in the report, specifically in relation to comparisons between partnerships. These figures are a representative sample of each individual partnership and are derived from our quality control regime.

Greenplan follow a strict quality control plotting procedure. The plotter will with GPS (Geographical position survey) identify the plots from pre-located plots created on the GIS system in the office. Once the plot has been located in the forest they will select the centre tree in the plot then measure outwards from the centre some 12 to 13 metres depending on the slope of the land. The plotter then travels around the plot numbering the trees, pruning quality, pruned stems and un-pruned stems. The number should be between



Jamie measuring tree heights

16 to 19 pruned trees counted. This represents a stocking of 320 sph to 380 sph which is within the acceptable range. Each pruned tree is then individually measured for pruned height, DOS and DBH. Each tree is also assessed for quality and form. The data from each plot is then collated to establish each forests data records. These results are then published in the forests report as well as being archived to be utilised in any future sale process.

In the forests report you will note that for partnerships that have completed the 8 years silviculture period we have implemented a PRP (permanent record plot). This is just one plot per forest that has been analysed to represent the continued growth in the forest. It is not necessarily representative of the whole forest and is only used as a guide. When the trees are closer to harvest age we will undertake inventory plots to gauge

# FOREST MANAGEMENT DIARY

## MAY 2006

Greenplan contractors have been busy during the summer months pruning and thinning to waste in many forests. Crews have taken advantage of the long hot days and enjoyed the summer weather with not too many rainy days.

Pruning and thinning to waste operations are continuing at a steady pace. We have kept a firm eye on pruning work that is coming up and completed pre-assessment work in many forests. The data collected during pre-assessment work allows us to estimate when the trees will be ready for pruning and programme the work accordingly.

First lift operations in the 2001 forests are almost completed. Pruning is completed in Dunmore North, No. 48, Minormore, No. 49, Jubilee No. 50 and Twin Rivers, No. 51. Contractors are currently working in the Headwaters forest. The Twin Rivers, Jubilee and Headwaters forests are all adjacent to one another. The first lift operations should be complete by the end of May 2006. When completed we will begin some of the pruning operations in the 2002 forests. This includes Ducksfield No. 53, Glen Afton No. 54, Big Valley No. 55 and Hidden Valley No. 56. One pruning crew has recently begun pruning in the Big Valley forest.



The Big Valley Forest No 55

This includes Centurion No. 45, Tunnel Rock No. 46 and Dunmore West No. 47. There is an area of smaller trees in the Tunnel Rock partnership which is still to be pruned.

The second lift pruning operation in Millennium No. 44, programmed to commence at the end of last year has been delayed until pruning is completed by the contractor in the Boltaway forest. This is expected within the next month. The delay will have no disadvantage to the tree quality in the Millennium forest.

The final pruning and thinning operations in the 1998 forests, Stockyards No. 32, Cattle Stop No. 35, Gateway No. 36, Miners Creek No. 37 and Squires Creek No. 38 is also almost completed. Contractors have completed operations in the Stockyards, Cattle Stop and Gateway forests and are currently working in the Miners Creek and Squires Creek forests, which are adjacent to one another. Once pruning is completed in these partnerships another crew will begin thinning to waste operations.

Our independent auditor, P F Olsen and Company Ltd, is currently preparing to perform the final audit in the 1998 partnerships. The audit will determine whether the operations have been carried out to the standard set out in the prospectus.

In November we completed our annual Dothistroma spraying programme. Spraying was performed by an aerial application of a copper-oxy-chloride mixture on the infected trees. Ground control was also performed to ensure the spray pattern was precise.

Forest health and pest management continue to be a priority. We make regular visits to every forest, including the forests that have no pruning operations scheduled, to check the health of the trees. Pest monitoring continues and pests are regularly eradicated. The risk of damage to the trees is easing as the forests get older and the trees get bigger.

As we approach the autumn period the trees continue to grow, especially with the mild and sometimes damp weather we are currently experiencing. Our programme for 2006 is underway and pruning for the upcoming months has been scheduled in the 2002 (first lift), 2001 (second lift) and 1999 (third lift) forests.



Caroline Oakes and Partner visiting from USA visiting Arapito No. 28.

The GFM team continue to monitor all pruning operations to check for pruning quality and ensure the work is performed to the standard set out in the pruning prescription. Pruning quality in all 2001 forests continues to be of a high standard. In these forests the average pruned stocking is around 380 to 400 stems per hectare. Averaged pruned height is around 3 metres. Crews can be commended for the excellent pruning quality that continues in all Greenplan forests.

Most of the second lift pruning programmed in the 2000 forests is completed.

## ANNUAL FEE REMINDER

Invoices for Annual Fees were mailed in early April. The annual contribution is due now. If you have not received your invoice please contact Greenplan.

We have had a slight technical problem with the internet payment system. By the time you receive this, the problem should have been rectified. We are looking forward to a more user friendly process next year. We apologise for any inconvenience this may have caused.

# SECONDARY MARKET UNITS FOR SALE

## SECONDARY MARKET

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

PartnershipName	Planted	Number of Units	Price
Arapito No. 2*	1	1994	\$12,000.00
Arapito No. 8*	1	1994	\$12,500.00
Arapito No. 9*	1	1995	\$11,600.00
Arapito No. 10*	1	1995	\$11,500.00
Araroto No. 13*	3	1995	From \$11,250.00
Araroto No. 14*	1	1995	\$11,250.00
Waipa Valley No. 15*	1	1995	\$11,500.00
Awakino River No. 16	1	1995	\$11,250.00
Awakino River No. 17*	1	1995	\$11,600.00
Awakino River No. 17	2	1995	From \$11,000.00
Barkers No. 18*	1	1995	\$11,600.00
Araroto No. 20*	1	1995	\$ 9,700.00
Slab Hut No. 21	1	1996	\$ 9,800.00
Slab Hut No. 22*	1	1996	\$ 9,500.00
Brakeside No. 23*	1	1996	\$ 9,500.00
River Road No. 24*	3	1996	From \$9,500.00
Tin Whare No. 26*	1	1996	\$ 9,650.00
Tin Whare No. 26	1	1996	\$10,000.00
Touchwood No. 27	1	1996	\$ 9,800.00
Rhodes No. 29*	2	1997	From \$9,100.00
Coach Road No. 30	1	1997	\$ 9,100.00
Moonlight No. 31*	2	1997	\$ 9,100.00
Stockyards No. 32*	1	1997	\$ 8,500.00
Rim Rock No. 33*	1	1997	\$ 4,500.00
Pig & Whistle No. 34*	1	1997	\$ 4,000.00
Cattlestop No. 35*	2	1998	\$ 4,300.00
Miners Creek No. 37*	3	1998	From \$8,400.00
Boltaway No. 41	2	1999	\$ 8,300.00
Tunnel Rock No. 46	2	2000	\$ 7,500.00
Minormore No. 49	2	2001	\$ 4,100.00
Jubilee No. 50	3	2001	From \$7,100.00
Twin Rivers No. 51	3	2001	From \$6,900.00
Headwaters No. 52	3	2001	\$ 7,200.00
Ducksfield No. 53	4	2002	\$ 7,300.00
Big Valley No. 55	2	2002	From \$7,000.00
Hidden Valley No. 56	5	2002	From \$6,800.00
Greatwood No. 57	11	2003	From \$6,700.00
Whitecliffs No. 59	3	2003	From \$6,500.00
Pinegrove No. 61	1	2003	\$ 7,300.00
Wayleggo No. 62	1	2004	\$ 7,000.00
Scotts Bush No. 63	1	2004	\$ 6,800.00

Check out your forest at [www.greenplan.co.nz](http://www.greenplan.co.nz)

## NEWS CHIPS

### Where have all the trees gone!

For the first time in over 50 years the level of new plantings has dropped and not by a small margin. MAF estimates that only 6,000 hectares of new forest was planted and 7,000 hectares of harvested trees were not replaced, leaving a net loss of 1,000 hectares, more commonly referred to as deforestation. New Plantings peaked in 1994 with some 98,000 hectares planted. **Source – RNZ**

### Forestry's single voice:

The establishment of a single pan-industry body for forestry has been confirmed. Woodco, the wood council of New Zealand, is an "association of associations" and hopes to provide all forestry operators with a single and united voice. Woodco will provide a single point of contact with the Government on issues that affect the forest industry. **Source – [www.nzfoa.org.nz](http://www.nzfoa.org.nz)**

### The bathroom is threatening the worlds forests:

Everyday 270,000 trees are effectively flushed down the loo or end up as garbage around the world. Conservationists believe that due to underutilization of recycled products consumers are contributing to global deforestation. Buy recycled! **Source – Inwood issue 66**

### Chop Sticks – interesting fact

Annually the Chinese use 45 billion pairs of wooden chopsticks which equates to 25 million mature trees. The total Greenplan forest estate when harvested will comprise approximately 2.5 million trees or 10% of the annual Chop Stick's demand. Greenplan's annual tree harvest will be some 250,000 trees which is only 1% of the annual demand for chop sticks. In volume terms the annual chop stick manufacture requires some 1.7 million cubic meters. NZ's annual export in total is some 10million cubic meters.

## TAX LOSS ADVICE

The annual Tax Loss Advice for all investors in partnerships 1 to 63 are included in this mail out. This confirms the share of the partnership expenses that are deductible against your taxable income. To claim this expense you need to enter it in Question 23 – Other Income, of your 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](http://www.greenplan.co.nz), or call us and ask for a copy.



To complete the above question tick "Yes". In the amount box put the amount deductible, ie your "Share of Tax Loss" stated on your Tax Loss Advice received from Greenplan. Ensure you put a minus sign in the last box. The "type of income" is **INVESTMENT**.

## KYOTO UPDATE

The KFA's website [www.kfa.co.nz](http://www.kfa.co.nz) has joined the top 50 climate orientated websites worldwide The website's top stories include:



- **A Forestry Industry publication shows out how unlocking the potential of forestry will allow NZ to meet its Kyoto obligation**
- **Greens commended for fresh thinking**
- **New data shows forestry alone could bridge Kyoto deficit**

The KFA represents the owners of some 200,000 ha of radiata pine forests planted since 1989 in NZ. This includes your forests and the website and the information contained within is very interesting and informative. Please take a look and become more aware with what your industry is facing and the potential benefits that with your support may come to fruition.

### Successful Radiata

The Radiata article was discovered in the 2006 Plant Catalogue from Appletons Nursery.



## SUCCESSFUL RADIATA

### 1000 dollar trees– Timberlands West Coast Experience

Slab Hut close to Reefton was the venue for a recent West Coast Farm Forestry field day. Branch chairman and Forestry manager for Timberlands West Coast, Mike Crow explained the specific harvesting issues that any woodlot owner may encounter during the planning stage.

Slab hut has a stream through the site, evidence of previous historic activity, close proximity to a neighbour, surrounding a Department of Conservation picnic area, and in full view of State Highway 7.

To reduce public concerns, Timberlands and the Department of Conservation worked together to promote the safety needs of felling such a grand area of mature trees.



A key factor in the success was Timberlands desire to replant the site with long-term species and a buffer zone to encourage indigenous species. This 63-year-old block of trees harvested by Timberlands contained many trees produced up to four peeler logs 5.2 metres long with large end diameters up to 92cm. Total volumes per tree were often eight cubic metres or larger with between four and six cubic metres producing peeler grades. Tree stocking averaged 118 stems per ha. The average value per tree was \$1072, with a harvesting cost per tree of \$396 giving a return of \$676 per tree.

*Thanks to Mike Crow, Timberlands West Coast Ltd.*

## 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. **(Source: [www.maf.govt.nz](http://www.maf.govt.nz)).**

### 4th Quarter and 12-Quarter Average As at: February 2006 (updated 21-02-2006)

Generic Log Type & Pricing Point	December 2005 Quarter	12-quarter average
<b>EXPORT (NZ\$ per JAS m<sup>3</sup> f.o.b.)</b>		
Pruned	139 - 149	178
Unpruned A Grade	88 - 93	89
Unpruned J Grade	72 - 81	75
Unpruned K Grade	78 - 82	75
Pulp	50 - 57	50
<b>DOMESTIC (NZ\$ per tonne delivered at mill)</b>		
P1	130-137	152
P2	94-128	119
S1	80- 93	87
S2	73- 88	79
L1 and L2	50- 69	61
S3 and L3	50- 74	61
Pulp	38- 50	40

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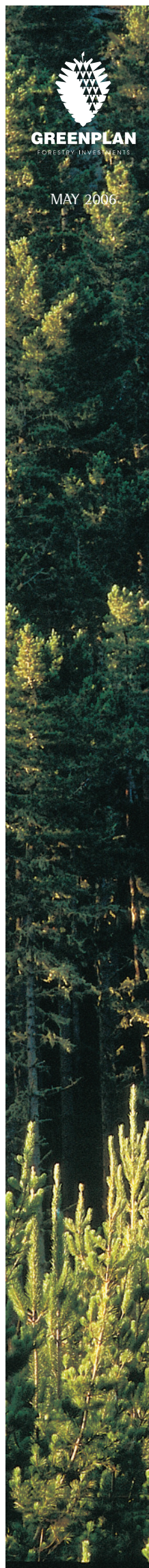
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# GREENPLAN FOREST NEWS



John Barton  
Director

Things are just a little bit quiet on the new issues front here at Greenplan. In fact it has been slow for about eighteen months.

Sure we are still busy with pruning and thinning operations out in the forest. The forest management team of Don and Jamie have six contract crews of eight to ten men to look after. They are busy.

Here at the office Philippa is still active making all the payments to those contractors and checking and recording all the data collected from the forests.

Shirley, our Securities Registrar, is still busy looking after 7000 investors. Each day there are address changes to record. Most days there are sellers and buyers for units on the secondary market to process. Plenty of activity in this area.

Where we are quiet is in forming new partnerships and planting new forests. We didn't plant one single pine tree last winter and as a result we didn't market any new partnerships.

The reason is simple. The price of land has risen to a level which makes it too expensive to plant trees on. That is perhaps over simplistic but let me explain.

The cost of an investment over its lifetime, in our case 25 to 30 years, and the likely return at the end of the investment go together to calculate an Internal Rate of Return on the investment. That figure (called the IRR) must be comparable with other investments on offer. If it is not, investors would rightly stay away.

Currently high land prices coupled with the depressed return from timber means that the resultant IRR is low. So low that we would be laughed out of the market if we offered a new partnership for investment.

Of course a tree planted now is not going to be harvested for 25 to 30 years and the return from timber will be quite different then to what it is today. As I have said before and reiterate now, I still believe the return for a clearwood forest in 20 to 30 years will be a lot more than currently. But that is speculation.

So what do we want to happen to get back to planting new forests? Obviously we would like to see the timber market return to where it was ten years ago in the mid 90's.

We would also like to see the price of land drop to what it was two years ago. Two years ago we were able to buy King Country land for \$3,000 per plantable hectare. That was generally steepish land with a low standard of improvements such as fencing and buildings. Generally pasture quality was below average. That same land today is making over \$6,000 per plantable hectare.

A farm I know very well over the boundary of one of Greenplan's forests is currently being advertised for \$1.5M. It is carrying 2,800 stock units which indicates there is about 250 hectare's in grass. All up with stock and plant it is going to cost someone about \$1.75M.

I calculate that farm would have a gross income of about \$140,000 per year. Out of that it has to be fertilised and the farm buildings have to be maintained. The sheep have to be drenched, dipped and shorn. Rates and other overheads have to be paid. Possibly the new owner may net \$40,000 to \$50,000 which after tax means \$25,000 to \$30,000 to live off and pay any mortgage.

If you had \$1.75M would you invest it in something that was going to return \$40,000 before tax?

Even if you put it in the bank at 7% interest you would get \$122,000 before tax! Three times as much and you don't have to do anything.

The consensus amongst country folk is that land is making silly money. Even land agents and some bank managers will tell you it is crazy. Will it ever come down? Well the only time in my lifetime land prices dropped was when the Labour Government abolished SMP's in 1984. That action removed subsidies from NZ farming. For 10 years after 1984 things were hard down on the farm. Many farms were sold up, many farmers opted out of farming. In the late 90's and into early 2000, farms at \$3,000 per hectare were showing a 2 - 3% return on capital. Today at \$6,000 per hectare they are probably showing a negative return.

But again will the price of land come down? As everyone knows they don't make any more of it so the answer is probably no and we are going to continue to be pretty quiet around here.

However if the timber market starts to recover things could change but that might not be for a couple of years.

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