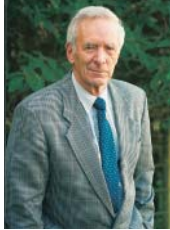


GREENPLAN

FOREST NEWS



*John Barton
Director*

We are sorry but there is going to be no Field Day this summer. Not even a bus trip around the forests.

The reason is that the idea we have been pursuing of having a field day at a sawmill just didn't come off and now it is too late to organise something else.

We have thought for some years that a sawmill visit would give investors a valuable insight into what happens to a log at harvest time. At Taupo there is the Tenon Mill concentrating on pruned logs and producing high quality moldings for the USA market and at Rotorua the Red Stag Mill is producing framing timber.

Of course locally here in Te Kuiti we have two mills both milling for the export market so there are plenty of mills but organising a field day at one of these is more difficult. For a start they don't all work weekends but some do work Saturdays. Some of them are used to having visitors

such as groups of foresters or trade people. They are our most likely hosts.

This summer we found also that a couple of these mills were engaged in big expansion and upgrades which meant they didn't want visitors as well. So all in all we didn't manage to put a Field Day together and it is rather too late to make other arrangements.

We will try again next summer.

Sawmills have been hitting the news lately in New Zealand. The Brightwood Mill closed down in Southland in late January with the loss of 90 jobs. I checked with the owner of another

large mill in Southland and he told me that Brightwood was being run by a John Crane. This American gentleman came to New Zealand about 8 years ago. He made the news by relocating a whole sawmill from California to Wanganui, however it only operated under his management for three or four years before he was forced to sell out. Seems he went from there to Southland and now this mill is in trouble.

My contacts are telling me it is not the timber business that is at fault!!

More sawmill news, this time good news, came in December last year. It was announced that Carter Holt Harvey (now owned

by Graham Hart) bought the TDC mill in Northland for \$110M. This mill has operated for many years in the ownership of Tony Davies-Colley who is well known for being a very innovative and successful businessman. He recently completed a substantial expansion on the mill bringing it up to 300,000 m3 capacity.

More good news out of Rotorua where in October last year

our Prime Minister opened a new planer mill at the Red Stag sawmill at Waipa. This was a \$13M investment.

Red Stag was known as the Waipa Mill and was built by the Government in the 30's. When Phil Verry bought it off the receivers a few years ago it was on its knees with a big question mark over its future. Now it employs 240 staff and is a leading player in the Central North Island forests.

Already they are planning more expansion which will lift production to 450,000 m3 p.a.

So sorry about the Field Day (or lack of it) but you can come and see your forest anytime. Next summer we will try harder.



"Squires Creek Partnership No. 38, Left to grow"

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CLIMATE CHANGE

Some 2000 or so investors for whom we have an email address, recently received notice of a series of meetings around the country to do with "Sustainable Land Management and Climate Change". This is a Government initiative.

Meetings were well attended and many of our investors who did attend have written or rung us with their views on what they heard at the meetings. One reply that sums it all up is as follows:-

"First of all thank you for all the information and suggestion that we all attend such a meeting, it was extremely informative – not from the presentation point of view, but the response from those attending. There are obviously some very well informed people in the community who should be involved in this decision making process. The officials had completely underestimated the turnout as it was standing room only and in fact some people couldn't even get in the room!

We both thought the officials presenting the government case were out of their depth, hadn't done their homework fully and generally were poorly equipped at getting their message accepted – even if they could put it across in the first place."

We also know that at most of the meetings two motions have been proposed condemning the Government's intentions to:-

- a. Confiscate the carbon credits from 1989 forests and
- b. Retrospectively tax pre 1990 foresters who decide to change the land use of their forests.

Both of these motions have been passed with virtually unanimous support.

For the readers benefit, lets briefly examine what has happened to this issue so far.

The Government has ratified the Kyoto Protocol. That is a fact and we don't want to get bogged down with the rights or wrongs of that decision. When Kyoto finally becomes law, it should mean that those who emit carbon dioxide (or methane etc) will pay and those who reduce emissions will receive credits.

The Government decided it would be much easier and politically more expedient to confiscate the credits from forests that had been planted post 1989 and use those to compensate for the increase in emissions in the rest of the economy. At the time the experts predicted forestry credits would

exceed total New Zealand emissions. They were totally wrong and now it seems New Zealand will be in deficit by \$500M to \$1000 million dollars.

This new round of talks, called consulting, is all about the new plan that still has Government taking your carbon credits but also proposing to penalise any forester who wants to do something else with their land. Government has estimated carbon credits are worth \$1.5 billion to them over the next 5 years and at the same time another \$600 million is expected to come from the deforestation fee.

This really is theft on a grand scale. It is a fundamental breach of private property rights. As forest owners, you created the carbon those credits represent and you have control over whether that carbon continues to be sequestered and the credits continue to exist. Government say that it is because they ratified the Kyoto Protocol that the credits have value. That is rubbish! Even without ratification we could have sold your credits on the grey market. That is happening in Australia now to the tune of hundreds of millions of dollars.

We have been talking about carbon credits for the last 12 years. All our investors know about them. We have been talking to Australian carbon brokers for a long time. They are worth a lot of money and it is your money but the Government are going to take it.

Another angle on this saga which would be laughable if it wasn't true is the following. Our Prime Minister is encouraging every New Zealander to think about sustainability and how each of us can reduce our carbon footprint and subsequent global warming. You can go to www.carbonZero.co.nz (a Government website) and fill in a carbon calculator to work out your emission level. There are suggestions as to how you can offset these emissions by planting trees amongst other things.

Our investors have planted trees so surely they have done their bit. But no, the Government took all those credits and now they want you to do it all over again. And you know what? – they might even take those in four or five years time – they have a record of doing things like that!

It is a big subject and one that is not going to go away. There are some interesting websites – have a look at www.greenfleet.com.au and www.carbonplanet.com – and don't forget that sometimes it is not what is being said and written that's important but rather what is not being said. In that context when are Maori going to speak up? Maori own an awful lot of forest and therefore a lot of carbon credits. They have a lot of forest land that could be dairy farms. Are they going to let the Government take their property rights?

THE NEW ZEALAND FORESTRY INDUSTRY'S SIX-POINT PLAN

1. Remove the inequitable, retrospective 'deforestation cap'.
2. Allow land owners with Kyoto-qualifying forests (forests planted from 1990) – as well as those replanting non-Kyoto forests after harvest – to financially benefit from the value of the carbon their forests remove from the atmosphere.
3. Introduce broad-based carbon changes, ensuring that all emitters of greenhouse gases face the same opportunity costs.
4. Ensure that New Zealand's Kyoto policies have the best long-term outcomes for New Zealand, even if they don't exactly mirror current Kyoto rules.
5. Develop a regime which puts a value on the environmental attributes of forestry, thereby encouraging investment in the sector.
6. Act immediately.

FOREST MANAGEMENT DIARY

MARCH 2007

We are now well into the new year and the weather has been exceptional, maybe a little dry for the trees. Typically though we have yet to experience a full on drought. The forests are receiving sufficient water and with the increased warmth are probably growing faster than ever. The pruning and thinning crews have enjoyed the fine weather and lifted their production as it is needed.

Final audits of operations in Jones No. 39 and Huntaway No. 40 have been completed. The results are all within the prescribed targets and the forests are now left to grow. We will continue to monitor these forests for health and pest control and act if necessary. The remaining forests planted in 1999 are due to be completed shortly at which time we will request the Auditor (PF Olsen Ltd) to undertake their final audit.

The partnerships planted during the year 2000 (Millennium, Centurion, Tunnel Rock and Dunmore West) have all commenced with the third lift pruning operation. As the pruning work is done the thinning crew will move in and start thinning to waste. This will result in the forests having a stocking of an average 350 stems per hectare and a pruned height of some 6.5 meters. On completion of the thinning we will then instruct the auditors to undertake the final audit.

Second lift pruning is well underway in Minormore, Jubilee, Twin Rivers and Headwaters. The pruning crews are progressing well with the plot data verifying targets are been achieved. These forests should have this operation completed by years end. Some areas within the forests where the trees haven't grown as fast will be left until an acceptable pruned height can be achieved. The quality and production of the pruning operations is being monitored continually by the Forest Manager GFM Ltd.

First Lift pruning has also commenced in Ducksfield, Glen Afton, Big Valley and Hidden Valley. Again the results to date are pleasing. This operation should be completed by the middle of 2007. We will then start pre-assessment work to establish when the second lift can begin.

During the 2007 year we have over 2000 hectares of forestry to conduct pruning in. There is also some 600+ hectares that are scheduled to be thinned. We anticipate that the bulk of this years silviculture program will be completed by this time next year.

During November we undertook the Dothistroma spraying on some of the forests. The King Country is renowned for this fungal disease which is identifiable by a browning of the Radiata Pine needles. You can easily identify the disease by an aerial inspection which was undertaken during August. The disease is easily remedied with an aerial application of copper oxychloride. To monitor the operation we

lay a paper trap under the flight path to determine an appropriate application is done. The paper trap is scattered with minute droplets of liquid, measured in microns. This reflects a successful spray. A visual observation is undertaken several weeks later to see if the browning of the needles has reduced. We can report that we had a successful spray campaign. In severe incidences of the disease it is sometimes necessary to re-spray in January. Fortunately this was not required.



"The Statutory Supervisors Michael Styant, Matthew Lancaster with Matt Barton"

Other activities that we have been doing include monitoring of the forests. In the older forests the risk from pests is reducing as the bark on the trees become harder. However the possum is still a threat as they attack the juvenile tips at the tops of the trees. With the price of possum fur reaching over \$75 per kilo we have numerous hunters keeping the possum numbers in check. Goats, Deer and domestic stock are one of the biggest threat to younger trees, a regular monitoring and maintenance program ensures that this risk is reduced. We also have the services of a local hunting lodge "Ranginui Hunting" who is actively pursuing wild game and helping to keep pest numbers down.

You will shortly receive the annual forest report. In this you will note that the older forests have PRPlots (Permanent Record Plots). This plotting is carried out each year to give you an indication of how your trees are growing. It is a guide only and not fully representative of the forest. As we near harvest we will start to take inventory plotting which will enable prospective purchasers an opportunity to establish what the forests consist of in terms of merchantable wood.

The forests are continuing to grow and have enjoyed a very warm summer albeit a little late to arrive. As I write this we have had a major temperature drop so perhaps winter is not to far away.

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	Number of Units	Planted	Price
Arapito No. 9	1	1995	\$11,600.00
Aratoro No. 13	2	1995	From \$11,250.00
Aratoro No. 14	2	1995	From \$11,250.00
Awakino River No. 16	2	1995	From \$11,250.00
Slab Hut No. 21	1	1996	\$9,800.00
Brakeside No. 23	1	1996	\$9,500.00
River Road No. 24	2	1996	From \$9,450.00
Tin Whare No. 26	2	1996	From \$9,650.00
Touchwood No. 27	1	1996	\$9,600.00
Coach Road No. 30	1	1997	\$9,100.00
Moonlight No. 31	3	1997	From \$9,000.00
Rim Rock No. 33	1	1997	\$4,500.00
Miners Creek No. 37	2	1998	\$8,800.00
Jones No. 39	1	1999	\$8,800.00
Boltaway No. 41	1	1999	\$8,300.00
Tunnel Rock No. 46	1	2000	\$7,500.00
Dunmore North No. 48	1	2001	\$7,000.00
Minormore No. 49	1	2001	\$4,500.00
Jubilee No. 50	3	2001	From \$7,100.00
Twin Rivers No. 51	1	2001	\$7,200.00
Headwaters No. 52	3	2001	\$7,200.00
Ducksfeild No. 53	3	2002	\$7,300.00
Glen Afton No. 54	1	2002	\$7,000.00
Big Valley No. 55	1	2002	\$7,300.00
Hidden Valley No. 56	3	2002	From \$7,000.00
Greatwood No. 57	7	2003	From \$6,900.00
Woodview No. 58	1	2003	\$7,000.00
Whitecliffs No. 59	3	2003	From \$7,200.00
Pinegrove No. 60	1	2003	\$7,000.00
Pinegrove No. 61	1	2003	\$7,300.00
Wayleggo No. 62	1	2004	\$7,000.00

MISSING PERSONS

Does anybody know the whereabouts of these people? If so please contact the Greenplan office on 0800 800 154

INVESTOR AREA LAST RECORDED

Christina Creighton
Invercargill

Craig Letham
Browns Bay

Daniel Herbison
NT, Australia

Darren Turnbull
Surrey, England

Gerard & Lyndley Field
Milford, Auckland

Heather McLean
Ngaoi, Wellington

Hee Soon Lee
Seoul, Korea

Tam Or
Epsom, Auckland

Shaun Daly & Phillipa Milanta
Henderson, Auckland

Yi Suk Jeong
NSW, Australia

Stephen & Rebecca Gussette
Ashburton

Sung Me Kim
Seoul, Korea

Glen Stollery
Auckland

Mark Alexander
Kaukapakapa

Ryan & Jennifer Duffy
Kerikeri

Manaia Fenton
Floreat, WA

Robert McLeod
Pakuranga

Finn Mundell
Wellington

Alan Davies
Albany

The following article was published in a recent copy of the INWOOD magazine. The article highlights the improvement in prices for wood over recent times. Finally some good news for forest owners.

inwood

TIMBER INDUSTRY INTELLIGENCE

ASIAN DEMAND LIFTS RADIATA LOG PRICES TO NEW LEVELS

As predicted, radiata pine export log prices have continued to increase, with eight consecutive months of rises in logs to Asia which are now at their highest ever sustained price level.

The benchmark Korean KS log started November at about US\$109 per metre, and within three weeks there were exporters making contracts at US\$115.

Other log markets are keeping pace with Korean Prices, with China probably having the best return despite higher costs, and India slightly lower due mainly to the US\$70 per metre shipping cost. Tight supply and good demand in Japan have also forced price rises in recent months.

Shipping costs in October/November have eased US\$2/ metre and are expected to fall by that again to US\$45 in December.

The forex scene, while not positive for exporters, has been more stable. (Interestingly, the average of 10 bankers' NZD/USD forecasts for 2007, 2008 and 2009 are 0.59, 0.59, and 0.61 respectively).

Wharf gate prices were up \$3 to \$5 per metre on average in November with a wide variation in quoted prices due to timing of boats, forex cover and the contract period. New Zealand wharf gate prices have been rising steadily for 15 months and are now only \$20 less per tonne than domestic S grade unpruned sawlogs, compared to a difference of \$45 two years ago.

Looking ahead, the Asian log market looks really strong with US\$1-2 per metre rises expected until March, due to very strong demand from China, low Korean inventories, high hardwood prices and limited supply. Unlike other years, Russian suppliers may struggle to supply their usual volumes in their next summer, due to infrastructure problems, and this could hold Asian prices up from March onwards.

Also watch out for more Pacific Northwest wood entering the market to cash in on these higher prices.

US goes off boil

Lumber returns from the quiet US market have eased further and are no longer a profitable outlet for New Zealand exporters, who are searching for better markets for timber from their pruned logs. By November, average pruned log prices had fallen for the fourth straight month, with North Island prices being the weakest.

The monthly volume of timber being sold to Australia has also fallen drastically - the result of poor demand and oversupply of NZ and Aussie lumber. However, unpruned prices have remained steady across both islands, and this is probably due to the increasing demand and price levels from export log markets. In the lower North Island there still appears to be a shortage of good S grade logs. The domestic timber market continues to be a solid performer, but is unable to take up the slack from other markets

Log Index

The Agri-Fax Log Price Index, which measures returns from the whole forest, was up \$1/tonne to \$78.50 (delivered mill/wharf basis). Rising export log prices more than offset slightly lower North Island pruned prices. The outlook is very bright indeed for the export log trade, but pruned logs and their lumber are going to be the poor cousins until the kiwi dollar drops below 60c.

This report is exclusive to Inwood Magazine and is subject to full copyright protection. To contact Agri-Fax email: logs@agri-fax.co.nz

ANNUAL FEE REMINDER

The invoice for the annual fee is enclosed with this newsletter. We will also shortly be posting the annual tax deduction certificate and the annual forest report.

For those who wish to pay their annual fee via our website, www.greenplan.co.nz please note that your "username" is your email address that we have on file and your "password" is the 5 or 6 digit number under your name on the bottom half of your annual contribution invoice.

Also on Annual Fees: There are some partners who have annual fees outstanding from previous years, you know who you are!. These fees ensure we get the best service from our Auditors, Forest Manager and Statutory Supervisor. The fee also covers insurances, rates and administration. In fairness to your other partners we ask you to ensure the outstanding fees are paid. We would not like to have to forfeit your unit due to a relatively small debt owing.



"Cattle Stop Partnership No 35, Quiet Please Trees Growing"

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).



"Centurion Partnership No. 45, Trees due for final prune"

3rd Quarter and 12-Quarter Average As at: January 2007

Generic Log Type & Pricing Point	December 2006 Quarter	12-quarter average
EXPORT (NZ\$ per JAS m³ f.o.b.)		
Pruned	153 - 232	173
Unpruned A Grade	106 - 111	92
Unpruned J Grade	98 - 102	79
Unpruned K Grade	93 - 110	78
Pulp	73 - 84	57
DOMESTIC (NZ\$ per tonne delivered at mill)		
P1	128 - 147	143
P2	93 - 115	104
S1	82 - 86	86
S2	82 - 90	80
L1 and L2	58 - 87	62
S3 and L3	58 - 73	62
Pulp	40 - 52	42

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FORESTRY INVESTMENTS

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