

# GREENPLAN FOREST NEWS



John Barton -  
Managing Director

## WE ARE GETTING ON WITH IT!

Dennis Neilson of consulting firm DANA Ltd of Rotorua is a highly respected commentator on both New Zealand and international forestry. He travels widely and researches and publishes investigative studies into many facets of the world forest industry. In the August issue of the NZ Journal of Forestry published by the NZ Institute of Forestry he contributed an article titled "Get on with it!"

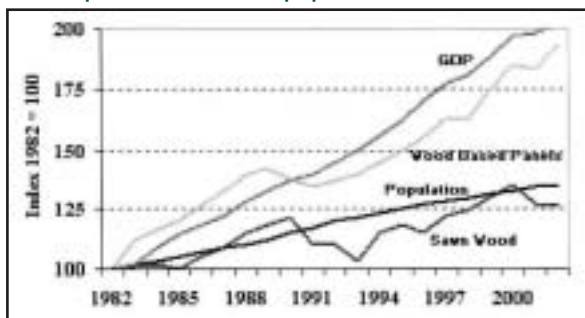
With his permission I have used the important parts of his article to write my version which is "we are getting on with it". And indeed we are.

You see we are thinking that there is a good few things happening that are starting to change the industry from a decade of pessimism. We think there is reason to be more optimistic and probably time to get out and get on with it. And there are some trends in important areas which Dennis Neilson highlights as being significant and a reason to get on with it.

### Wood Demand

Wood demand is increasing – a good thing – but we need to watch where it is going and act accordingly. Sawn wood demand is barely keeping pace with population growth. However the demand for wood-based panels is increasing at a much higher rate and is matching GDP growth.

#### World demand for sawn wood and wood-based panels relative to population and GDP.



Source: Jaakko Poyry Consulting, Helsinki

### Wood Supply

We have learnt that shortages can, by definition, never be chronic (unlike what we thought in the early 1990's) but:

- Tropical wood supplies are really getting closer to running out.
- Softwoods are substituting more and more.

And as we report later another 2.8M hectares of Amazon rain forest went up in smoke last year.

### Radiata Pine Costs

New Zealand radiata pine costs are still reasonably good in world terms. Growing costs for New Zealand radiata pine were 22nd lowest out in 96 sawlog case studies in a recent DANA/Manners review.

CROP	GROWING COST (2002 \$US/m <sup>2</sup> )
Fiji Caribbean Pine	11
NZ Radiata Pine	21
China <i>Pinus Elliottii</i>	32
Australia NSW Radiata Pine	49
Scotland Douglas Fir	146
USA PNW Douglas Fir	262
Estonia Norway Spruce	646
Japan Hinoki	3001
Austria Norway Spruce	19567

### Attitude

Attitude is important. Forest owners should be celebrating the reduction in new planting here (from 98,000 ha in 1994 to about 10,000 ha in 2004), not bemoaning it. Perhaps we may avoid the common oversupply problems that have beset the agriculture producers in the past: e.g. Australian and New Zealand grape growers.

### Changing Ownership

Most of New Zealand's forests may now be owned by equity-rich (and better informed) investors who will actually be able to reverse the damaging harvest age reductions of the last 5 to 10 years. This may better control supply balancing. At least two companies are already "getting on with it" and increasing harvest age, while a few like Juken Nissho have been quietly doing this for a decade.

### Foreign Exchange

The forestry/processing industries have been agonising over foreign exchange rates recently, but can we even begin to predict the future trends?

For connoisseurs of long term trends the signs are promising – we are in a temporary blip on the way to a 30 cent dollar.

*Continued on Page 2...*

## CONTENTS

Industry News.....	page 3
Forest Management Diary.....	page 4
Secondary Market.....	page 5
News Chips.....	page 6

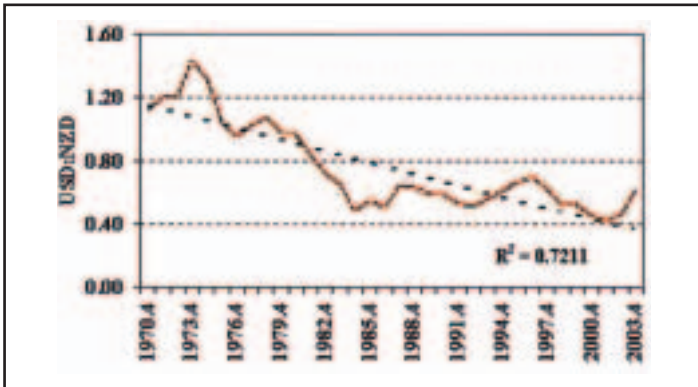
But if you believe the experts, who say a valid trend should only start in 1984 when the NZD was floated, then it has been a pig in a poke. And for short term optimists (from February to April 2004), the trend is sound and favourable.

My conclusion is that there is no conclusion about foreign exchange. Take your pick and get on with it.

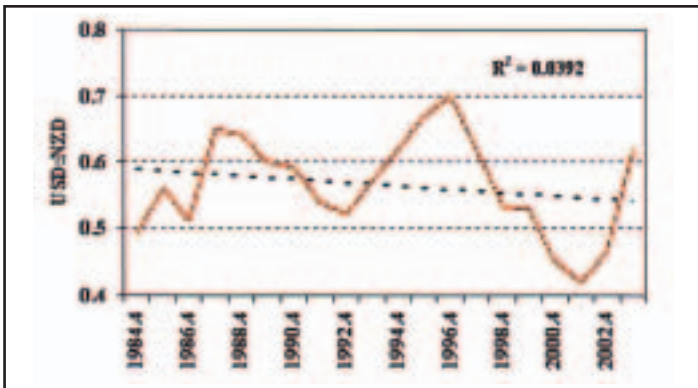
Jump ship if you think the FX pain will be chronic or invest if you think the opposite.

Your choice will have statistically as high a chance of being right as the experts.

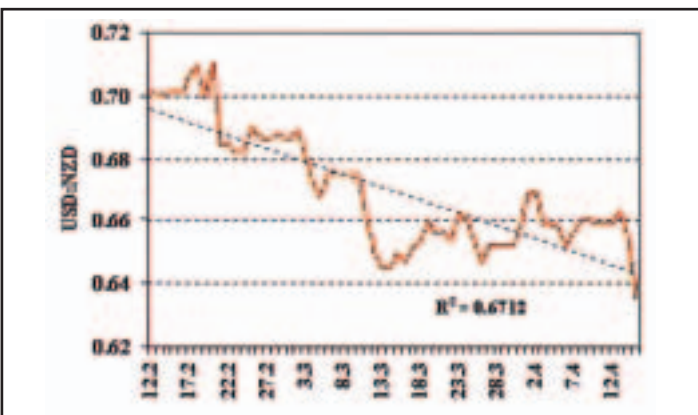
USD:NZD exchange rate



(a) from 1970



(b) from 1984



(c) from February 2004

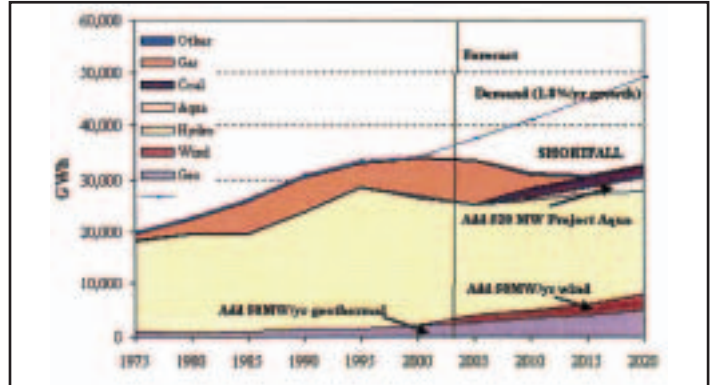
Energy

If you believe the experts you will be nervous about New Zealand's future energy needs. But another view is that the people of New Zealand will not let the Government run us out of power for years on end. Long before that happens, those who resist reasonable progress will be biffed out of office. "We are inevitably heading towards major coal development". (Keith Turner, CEO Meridian Energy, March 31 2004).

And we will not be alone. In 2003, 51% of US power generation came from coal (with another 20% coming from nuclear). Whereas in 2001 less than 12 new coal plants were being planned, in 2004 over 100 additional coal plants are being planned.

And of course higher energy is bad news for wood competitors. Aluminium and steel or even processed wood products like MDF need much more energy to produce than sawn wood.

New Zealand's energy demand relative to supply.

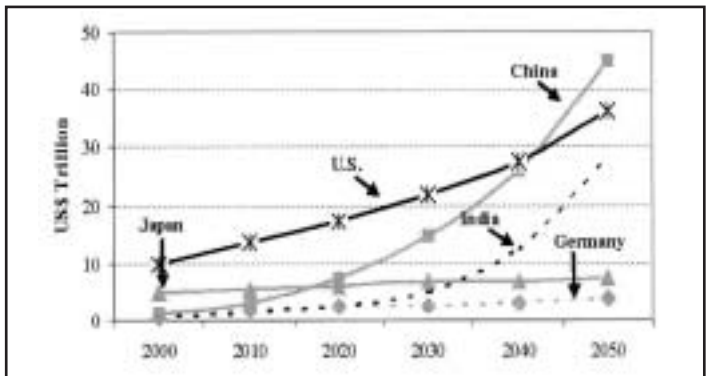


Source: Energy Data File, McDouall Stuart

Macro Growth Projections

GDP projections for China, India and the US should provide some comfort. For patient tree farm investors, this should encourage you to get on with it. In addition, perhaps we will have a cycle of sustained high energy costs which will favour wood usage.

The two major New Zealand forestry companies are finally "getting on with it" after five years or so of soul searching – and with investor approval. Tenon has been a real winner recently, and CHH is behaving OK too.



GDP Projections for key World economies (Source Goldman Sachs Economics)

Here at Greenplan we have been languishing in no-mans land for about 6 months. We only planted 250ha this winter, the lowest ever. We have been fruitlessly looking for land to buy but can't find it.

But we are doing something. For about a year we have been thinking that 8-10 year old established forests were cheap. We have seen the Harvard University Endowment Fund come here from USA and buy our biggest radiata forest for "peanuts". And they are not the only ones. There is an awful lot of NZ forest ended up in overseas hands. Why? Because it is cheap to buy; it is top quality and the outlook for timber is slowly getting better. The worm may have turned and it is time to get on with it!

We are - we are currently looking at several forests and we hope to announce something soon. We think it is time to get on with it.

## CHINA NEWS:

After years of relationship building at Government level Chinese building regulators have finally endorsed the use of Radiata pine as a building material. With an estimated population of 1.2 billion and a building program of more than 2 million homes per year, China's acceptance of Radiata pine into new building regulations has huge potential for the New Zealand wood industry.

China is currently our fifth largest market for wood products. In the year ended 31st March 2003 was worth \$376 million to NZ exports.

The New Zealand Forest Industries Council (NZFIC) is currently involved in the preparation and publication of a Chinese Timber Construction Handbook.

## MISSING INVESTORS

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

William R Ross - Whangaparaoa

Francis L S Lee - Remuera, Auckland

Ivan L Older - Pakuranga, Auckland

Stewart Shaw - Blenheim

K W & L D Bailey - Timaru

Stephanie Rowse - Nelson

G S Thornton - Waimauku

C K Somner - Tauranga

NOT BAD FOR 7,000 INVESTORS!



## THE DEPARTURE...

With this issue of Greenplan News we are saddened to inform you of the departure of Kathie and Mark Meredith. They left Greenplan, and Te Kuiti, on the 22nd of October to go and live in the Hawkes Bay. Kathie has elderly parents living there and Mark has a good job lined up. In addition their eldest son works in Napier.

So after six years its goodbye and God Bless.

Kathie, as many of you will know was the voice of Greenplan. She was our "main lady" - "the camp mother" - "office boss". Nothing was ever too much of a problem. She always went out of

her way to keep our investors happy. She has designed our systems, our databases and office procedures to a very effective level.

We will miss her smile and good humour and her great reliability.

Mark came to Greenplan after Kathie and his first job was building a lodge for pruners accommodation. He moved into the position of Property Manager and quickly took control of pest eradication and building and farm maintenance. He also worked on our office and Café construction. Which remain a testament to his skills.

Mark was a very diligent and conscientious employee and he will be missed.

Our loss will be someone else's gain. We know they will do well in the Hawkes Bay and they go with our best wishes.



## WAITOMO DISTRICT CENTENNIAL 1904 – 2004

With no Field Day until March 2005, why not come to Waitomo District Centennial instead? The big day is November 20th 2004 in Te Kuiti commencing about 10:30am and finishing about 3:30pm.

As partners you have a big interest in the Waitomo district. Collectively you all pay rates and you all have an interest in land and forest here.

The day will provide some action you may not be familiar with. There is a big Speed Shearing competition with the great David Fagan in action. We have Wood Chopping with a big prize up for grabs. And we have the Pig Hunting competition with the biggest prize money ever offered nationally. We are expecting 100 boars to be weighed in, so that will be a sight.

There are a lot of other things happening including a Pit Sawing demonstration. That's how all the boards and framings were cut for the buildings before mechanised saws – all by hand. Vintage farm machinery on display and a balloon release.

The Steam train is coming from Auckland so why not climb aboard and come for the trip? It will be a big day – I should know, I'm Chairman of the Centennial Committee!

Steam Train Tickets available from PO Box 37 871, Parnell, Auckland. Phone 09 270 5592.

Cost \$90 Adults and \$70 Children.

# FOREST MANAGEMENT DIARY



*Ducksfield Forest Partnership No. 53*

Warm spring weather has been well received in the King Country. The warm days and wet weather are the best conditions for tree growth. The operations programme for 2004/5 is well underway in the forests where the trees are ready for the next pruning lift. Emphasis has been placed on completing the 2003/4 programme as soon as the trees are ready.

Forest operations are moving along steadily throughout the Greenplan estate. Third lift pruning is now complete in the 1996 forests. Thinning to waste has also been completed in all 1996 forests apart from Brakeside No. 23 which has approximately 10 hectares to be thinned. This will be completed by the end of September.

Final audits have been completed in Partnerships 20, 21, 22, 25 and 26. The audit will be completed in Partnerships 19, 23, 24 and 27 shortly, and results will then be available. The final operational audit is performed in all forests at the end of the operational programme by an independent auditor. The purpose is to measure a sample of trees from each of the partnerships to satisfy that the operational work has been carried out to an acceptable standard.

The 1997 forests will receive the third lift and thinning to waste operation during this coming year. Pruning has commenced in Arapito No. 28 and Rim Rock No. 33. Pruning is likely to follow in Partnerships 29, 30, 31 and 34 when the other forests are completed.

All second lift operations in the 1998 forests were completed

in July. A small area of approximately 5 hectares is yet to be completed in Squires Creek No. 38. With weather conditions improving the trees will be ready for pruning in the next month or so. Pre-assessment work will be performed shortly in the 1999 forests to programme the timing for the second lift to commence. This is likely to follow a similar pattern to the first lift commencing with the Huntaway No. 40 forest.

First lift operations in the 1999 forests were also completed in July. Approximately 11 hectares is yet to be completed in Wild Boar No. 43 which will be pruned when the trees get a bit larger.

First lift operations have commenced in all 2000 forests. Growth rates in the Centurion No. 45 forest are excellent and this is reflected in the early pruning. Operations were completed in June and pruning followed in the other forests. The Dunmore West No. 47 forest is likely to be completed by the end of spring. Pruning will then focus on Partnerships 44 and 46 which are adjacent to one another.

In July we commenced our 2004 planting programme. This included Wayleggo No. 62 and Scotts Bush No. 63 partnerships. This year the operation was performed by one crew. The weather was very mild and the crew and supervisors experienced excellent planting conditions. Releasing operations will commence in November. This consists of spraying a small amount of herbicide around the tree to kill competing weeds. The spray is very effective and can keep the weeds away for up to two years. Persistent weeds may be sprayed again during the summer.

A forest health survey has recently been completed and forests that require Dothistroma spraying have been programmed. Dothistroma is a needle cast fungus that effects the growth of the tree. Not all trees are infected however the infected trees are sprayed in November with a copper-oxy chloride mixture.



*Second Lift Pruning completed at Miners Creek Forest Partnership No. 37.*



*First Lift Pruning completed at Centurion Forest Partnership No. 45.*



*Dothistroma Spraying last season at Cattle Stop Forest Partnership No. 35*

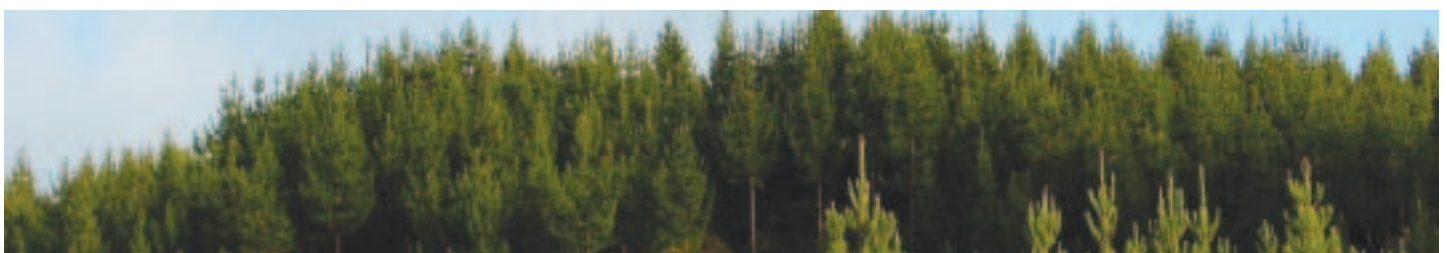
## FIELD DAY 2005

We are planning another Greenplan Field Day in March 2005. The format is expected to be a bus trip to a number of forests. Many of you will get to see the investment that you own as well as meeting the Greenplan staff and other investors. We will keep you posted regarding the date and the forests you will be able to visit. So, please keep mid March free if you would like to attend.

## 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 Kath Meredith (invest@greenplan.co.nz) at Greenplan for more details.

Partnership Name	Planted	Units	Price
Arapito No.9	1995	3	\$11,600
Aratoro No.13*	1995	1	\$11,000
Awakino River No.16*	1995	1	\$11,600
Awakino River No.17	1995	1	\$12,000
Awakino River No.17*	1995	1	\$11,000
Awakino River No.17	1995	1	\$11,600
Barker No.18*	1995	1	\$12,000
Brakeside No.23	1996	1	\$9,800
Slab Hut No.21*	1996	1	\$9,700
Slab Hut No.21*	1996	1	\$9,500
Slab Hut No.21*	1996	1	\$9,800
Tin Whare No.26*	1996	1	\$10,000
Tin Whare No.26	1996	1	\$9,700
Touchwood No.27*	1996	1	\$9,800
Coach Road No.30*	1997	2	\$9,100
Coach Road No.30	1997	1	\$9,100
Rim Rock No.33*	1997	1	\$4,700 1/2 ha
Stockyards No.32*	1997	1	\$9,100
Stockyards No.32*	1997	1	\$8,750
Cattle Stop No.35*	1998	1	\$4,200 1/2ha
Miners Creek No.37*	1998	1	\$8,200
Jones No.39*	1999	1	\$4,200
Clearwater No.42	1999	1	\$7,800
Dunmore West No.47	2000	1	\$7,400
Millennium No.44	2000	2	\$7,500
Dunmore North No.48	2001	1	\$7,200
Minormore No.49	2001	1	\$3,500 1/2ha
Twin Rivers No.51	2001	1	\$7,200
Big Valley No.55	2002	3	\$7,300
Ducksfield No.53	2002	1	\$7,300
Hidden Valley No.56	2002	2	\$7,300
Hidden Valley No.56	2002	1	\$6,700
Greatwood No.57	2003	1	\$7,200
Greatwood No.57	2003	5	\$7,300
Pinegrove No.61	2003	1	\$7,300
Wayleggo No.62	2004	1	\$7,300



# NEWS CHIPS

Print media use headlines to grab peoples attention with either a negative or positive spin which often has little resemblance to the article that they are highlighting. Over the past decade forestry seems to have been harshly targeted with many damning headlines that bear little relevance to the article printed. Over the past couple of months for some unknown reason we have seen more positive headlines, this may be entirely due to our selective reading disorders or just maybe the news highlighting a brighter outlook for the forest sector. Please note the following is a selection of "Headlines" and probably in no way relates to the articles that they headed.

**"Hancock chiefs pleased with quality purchase"**

– FORESTRY: The giant US company is a pioneer in overseeing forest investments. *NZ Herald 8-6-04*

**"Chinese demand for pulp revives"** *NZ Herald 3-8-04*

**"Sawmillers send trial shipments of pine to Europe"** *NZ Herald 11-8-04*

**"NZ pine exporters well placed after China amends building code"** *NZ Herald 1-9-04*

**"Harvard earnings crack \$30b mark"** *NZ Herald 16-9-04*

**"Long-term investors say time right to buy"**

– FORESTRY: After settlement, Malaysian-owned Ernslaw One expects a decent return on its East Coast venture *NZ Herald 20-9-04*

## HARD TO IMAGINE

The Amazon jungle covers an area larger than the USA - that means it's about 760 million hectares in area or if you still talk in acres, it's 1900 million acres.

The greatest part of the Amazon lies in Brazil, a country slightly bigger than the USA but with a population about 40% of the USA! Last year Brazilian cattle ranchers managed to burn a staggering 2.38 million hectares of the Amazon forest to develop into cattle pasture. That's an area about a tenth the size of New Zealand or about the size of New Zealand's forest estate.

In the context of "global warming" Brazil is scoring a "double bogey." Not only is it slowly destroying the "lungs of the world" but it is pumping millions of tonnes of greenhouse gas into the atmosphere as the forest burns. The non-government Institute for Amazon Research says Brazil is producing around 300 million tonnes of CO2 a year of which 200 million tonnes comes from the burning of the tropical rain forest for cattle farms. Interesting to see reports in our papers about New Zealand forests being turned into dairy farms!!



*This is the Amazon forest, the shaded areas are the area which have been deforested.*

## 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 become available. The sources for this information are Ministry of Agriculture and Forestry industry contacts. *Source: www.maf.govt.nz*

Generic Pricing Log Type Et Point	June 2004 Quarter	12-quarter Average
<b>EXPORT (NZ\$ per JAS m3 f.o.b.)</b>		
Pruned	-	196
Unpruned A Grade	74-115	100
Unpruned J Grade	54-91	88
Unpruned k Grade	54-101	86
Pulp	40-46	57
<b>Domestic (NZ\$ per tonne delivered at mill)</b>		
P1	138-169	166
P2	96-155	127
S1	79-90	90
S2	64-85	82
L1 and L2	50-74	66
S3 and S4	50-70	63
Pulp	37-48	40

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