

Report 11.406
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Committee Environmental Wellbeing Committee
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Forestry Annual Report and Proposals

1. Purpose

To advise Councillors of the results of both Plantation Forestry and Reserve Forests' activities in the year ended 30 June 2011, and the activities proposed for the financial year commencing 1 July 2012.

2. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

2.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Officers recommend that the matter be considered to have medium significance.

The decision to replant or allow regeneration of harvested forest areas means the land is effectively committed to this purpose until the trees mature in about 30 years time. The land totals just less than 200 ha. When the trees mature, the sales value to the Council is several million dollars at today's prices. Processing and other activities related to the logs adds to the regional economy.

2.2 The decision-making process

Officers have taken into account the principles set out in section 14 of the Act and the need to manage the Council's resources prudently.

Officers advise that there is no process for making this decision explicitly set out in the Local Government Act 2002 or any other enactment.

The decisions required relate to a blend of commercial activities and prudent land management.

3. Options

Officers consider that all of the reasonably practicable options have been appropriately identified and assessed.

Officers consider that, in light of their assessment of significance, any more intensive identification and assessment of options than has been undertaken is not warranted.

4. Community views and preferences

Officers have also considered the need to take account of the community's views and preferences in relation to these matters.

For the plantation forest areas, these were indicated in the Parks Network Plan that was consulted on in 2010. The policies and associated maps, clearly indicated the Council's position on plantation forests to manage them on a rotational basis. Community views, which were minimal on this issue, were considered by the Council in its plan deliberations.

For the reserve forests, the purpose of retiring the land was considered at the time of the initial planting. Replanting is in line with the Council's general policies for land of this type. The situation that resulted in the initial planting still exists and regeneration/replanting is still the best means of controlling it.

Officers consider that, in light of their assessment of significance and the other factors relevant to the process for making this decision, any more engagement with the community to identify views and preferences, such as through formal consultation, is not warranted.

5. Background

Both the Metro and Reserve forests are in a continuous harvest mode and this report summarises the activities over the 2010/11 year, highlighting any significant variances from planned activities.

Effectively there are three distinct but related components to this report:

- A review of forestry activities in 2010/11
- An outline of activities already underway for the current year 2011/12, including purchasing seedlings to be planted in 2012/13
- Proposed forestry activities for 2012/13.

6. Summary of operations - year ended 30 June 2011

6.1 Harvesting

It was a mixed year with Metro forest harvesting not achieving budgeted volumes with a total of only 66,463 tonnes and although Reserve Forests slightly exceeded budget at 15,539 tonnes it did not make up the Metro deficit. The year was punctuated by very high prices in the fourth quarter which helped both operations exceed their revenue for the year. Metro by \$610,000 and Reserve by \$351,000. Unfortunately the prices fell during June and even further in July. Prices at August 2011 are on par with the corresponding month last year.

Metro

Log 7 the ground based crew that joined us round Christmas has continued to produce 200–300 tonnes per month. The decision to take on an extra crew was made in order to meet harvest the budget tonnage. It had been hoped that as they became familiar with the operation their output would increase, however this was not the case. Log 7 harvested a remnant stand at Maori Gully and then moved to Beech Spur. They are still at Beech Spur and I would anticipate they will be there all year. To date (30/6/11) they have produced 1,213 tonnes.

There were no motor vehicle incidents reported during the year on the forestry roads.

Thefts

During the year the harvest contractor had fuel and plant stolen at regular intervals. Approximately 1,500 litres of fuel was stolen out of the machines at up to 400 litres at a time, and at least two tonne of batteries and plant was taken presumably to sell as scrap.

New pipe gates have been installed on the approaches to the contractor's skids and thus far there has been no further instances of damage or theft. The gates are hung on driven railway irons and can be moved from site to site once new railway irons are driven.

Also officers are looking at a proposal to flood light the Totara Park entrance and photograph all vehicles entering the forest.

Reserve Forests

Reserve Forests harvesting was based at Tauanui and 15,539 tonnes for a stumpage of \$448,599 was achieved. The harvest involved two crews. A ground based crew that harvested from July until November and a two-man hauler crew that worked from October until June. The ground based crew was in the main based on the northern ridge and produced a total of 11,000t in the five months that they were here and the hauler crew produced 4,500t in the nine months they were on site. A major breakdown of equipment requiring a part to be obtained from overseas disrupted production during April and May.

The ground based crew harvested blocks planted in 1971 and 1972, while the hauler worked 1965 and 1966 blocks.

Total production for the year is detailed in Tables 1 and 2.

Table 1 – Metro Forest logging income for 2010/11

	Mill/Port Price \$	Costs \$	Net Return \$	m ³ \$	Average/ m ³ \$
1 st quarter	1,252,870	777,894	474,976	17,178	27.65
2 nd quarter	1,285,956	705,587	580,369	14,928	38.88
3 rd quarter	1,708,947	800,328	908,619	16,652	54.57
4 th quarter	1,791,559	902,689	888,070	17,705	50.20
Total	6,039,332	3,186,498	2,852,034	66,463	42.91

Table 2 -- Reserve Forests logging income for 2010/11

	Mill/Port Price \$	Costs \$	Net Return \$	m ³ \$	Average/m ³ \$
1 st quarter	365,397	264,283	101,114	4,783	21.14
2 nd quarter	597,040	390,354	206,686	7,080	29.19
3 rd quarter	221,741	130,639	91,102	2,218	41.07
4 th quarter	137,870	84,601	53,269	1,458	36.53
Total	1,322,048	869,877	452,171	15,539	29.10

6.2 Forest replanting/regeneration

Metro

During the 2010/11 planting season a total of 202,190 trees were planted at a nominal stocking of 1,429 stems per hectare (spha), which equated to 141.49 hectares planted.

The areas replanted were Maori Redoubt, Kilometre, Boiler Gully, Ragwort Hill, Beech Spur in Valley View, and Centre South and Drapers 79 in Puketiro.

All stock was growth factor (GF) 19.

Reserve Forests

No planting was undertaken in the reserve forests in 2010/11 where *pinus radiata* was logged. Regeneration gave sufficient tree density.

It is proposed to plant approximately 25 ha made up of areas previously planted in Douglas Fir and where regeneration is deemed to be insufficient. This will be done over the next two months.

6.3 Silviculture

Contracted Silviculture

Metro	Ha	\$
Pruning	199.15	121,712
Thinning	28.15	16,217

Planting	202,190 trees	122,823
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Reserve	Ha	\$
Pruning	5.3	3,704
Thinning	8.6	13,670

6.4 Forest health – Metro & Reserve Forests

This year's annual forest health survey was contracted to Baigent Pest Control

No new infestations were detected.

Metro Forests

The survey of the forest did identify incidents of *Dothistroma pini*, *Cyclaneusma minus* and deaths through *Armillaria* and socketing. The first three have been present in the forests for some years but are not at the frequency which justify any remedial action and socketing is a response to the winds and thus vary from year to year. A new organism *Cryptosporiopsis* spp, was detected at Pakuratahi East last year but was not reported this year. The only animal damage was possum damage in Pakuratahi. This is interesting given that we had become concerned at damage around Christmas last year. Following an intense trapping programme and advice from Scion, Rayonier and others we concluded it was caused by freak wind patterns. The trees have shown vast improvements since Christmas.

Reserve Forests

No new infestations were found in these forests. There was however some evidence of resin bleed. The inspector considered this was caused by the unseasonably wet weather.

6.5 Roading – Metro and Reserve Forests

Metro Forests

The major road construction this year was the extension of Lindsays Road and the upgrading and extension of Road 9 to give truck access to stands on the western side of Centre South. The regular weather events increased maintenance on all the roads, finding any "weak spots".

We were caught out by bad weather on the Lindsays Road hill. After operating satisfactorily for some time we were caught with a three day downpour which overwhelmed both the drains and the settlement pond before running into an existing stream. An abatement notice was issued by the Environment Management Group for discharging sediment laden water into the stream. The settlement basin was extended and all drains deepened. The hill faces were hydra seeded. This incident was disappointing as we strive to undertake the logging with a high standard of environmental compliance.

No repeat of the incident has occurred.

Although the greater part of the road into Beech Spur existed, it was necessary to tow the trucks for a distance of about 2.5km. Hopefully the road has now settled down and no more problems will arise.

Elsewhere in the forest estate only the Maungakotukutuku block remains without four wheel drive access or better.

Reserve Forests

The road on the north side of Tauanui is now complete in both directions. The existing roads that will be reused have been graded. The road into the south side has been extended to allow the hauler to move further toward the western boundary.

The ford continues to operate satisfactorily without excessive maintenance.

Access to the Stoney Creek and Hiwinui blocks remain adequate.

7. The current year – 2011/12

Marketing

The export markets have continued to drop off from their March peaks. Although all product offered has been accepted companies are reporting a big surplus in China. Despite this and the buyers market that exists, all companies are “sure” that the market won’t get any lower and prices will start to improve from September 2011.

The US dollar that had reached frightening levels against the \$NZ has eased, shipping is predicted to fall about \$US5 and a FOB increase of around \$US2 is predicted. All in all if these come to fruition an improvement of \$NZ10 in log prices can be expected.

The domestic market waited no time at all before reversing the recent price rises and returning to traditional rates now that export prices have reduced.

Metro

We have had good demand from sawmills in both Masterton and Featherston. At the present the Upper Hutt mill is on hold because an export order was cancelled. These three mills take all sawlog from metro forests. During the peak of the prices we issued instructions that the local mills had to be offered all wood in specification before it could be offered to export. While this

practice may have cost us money these mills are vital at time of low export activity and as a forest owner we cannot afford to see them close through lack of logs.

With both Log 36 and Log 6 working on either side of Boiler Gully/Ragwort Hill there is plenty of wood to go round.

At Ragwort Hill, the hill slopes are such that with ground based equipment, the rain damages the clay surface and results in unsatisfactory surface impacts Hauler operations are required.

Reserve Forests

These crews are only half way to their target of 27,500 tonnes for a 21 month period. Nine months production now that we have the Mike Kai crew back will be about 22,500t if both crews work to capacity. This will enable the target to be met. As they are working in two different catchments they will not compromise any soil conservation principles.

8. Proposals for the 2012/13 year

8.1 Harvesting

Plantation Forestry

Proposed harvesting for the 2012/13 year will be centred on the following blocks.

Centre North 6/01, Puketiro	26.5 ha
Lindsays 14/01 Valley View	73.3 ha
Drapers 81 10/01 Puketiro	50.0 ha

Total 149.8 ha*
81,200 tonnes (excluding MOT)

*MOT 74 7/01, Puketiro 47.0 ha, subject to acceptable access
Kaika Mako 4/01 Puketiro 30.9 ha subject to acceptable access

Reserve Forests

Proposed harvesting for the 2012/13 period will all be within Tauanui. It will be based on blocks 65, 66, 71 and 73.

Anticipated production is 20,000t.

8.2 Replanting - Plantation Forests 2012/13

Approval to replant in 2012/13 is sought now as the seedlings have to be ordered in the 2011/12 financial year.

8.2.1 General

Plantation Forests

As these trees have been registered under the Emission Trading Scheme, the Council has an obligation to replant or surrender carbon credits.

It is recommended that the above areas be replanted in the winter following harvest. This issue is referred to the Committee each year, as effectively it is committing the land to exotic forestry for another 30 years.

All blocks have produced reasonable trees to date and there is an expectation that these can be improved with current tending practices for the next rotation. Initial planting will be at 1,429 spha with GF19 seedlings. This will give the option of either pruning the stands or thinning only to produce a structural stand.

The area to be planted is estimated at 150 ha following the programmed harvest in 2011/12.

Reserve Forests

As this area is a soil conservation area, it is vital that it be replanted at the first opportunity. Traditionally most areas within this forest have generated sufficient wildings that replanting is unnecessary. It is proposed to supplement plant, as is necessary, to achieve the equivalent of 800 spha or better in the planting season after harvest. Again, this effectively commits the land use for the next 30 years.

9. Emissions Trading Scheme

9.1 Background

The Government has legislated to introduce an Emissions Trading Scheme (ETS) that is backdated to take effect from the beginning of 2008.

The scheme is predicated on two classes of forest pre 1990 and post 1989 and each of these are treated differently.

9.2 Pre 1990 forests

Pre 1990 forests under the Emission Trading scheme have been registered following Council's approval to do so. This makes up the greater part of GWRC's forests and totals approximately 4,132 ha. For an "old" forest of this size Council will be allocated 60 ETS units per hectare, a total of 247,000. These may be sold provided the Council intends to replant any harvested areas into the future. Carbon units are at present trading at around \$13.00 per unit. The legislation allows harvesting and along as there is subsequent replanting no carbon liabilities are incurred. Skid sites and roads relating to harvesting are ignored.

Liabilities may be incurred for significant windthrow or fire unless mitigated by replanting. Council holds insurance against fire but not windthrow.

9.3 Post 1989 forests

A total of 1,472 ha falls into this category, with Stoney Creek and the Battle Hill block making up most of the area. Entry into the Emissions Trading Scheme has been sought from the Ministry of Agriculture and Forestry. We are currently awaiting acceptance of the registration at which time an application for credits for the period 2008 through to 2012 will be lodged. This means the units would increase annually over the life of the trees but a liability would be incurred at harvest time. This will be an issue for GWRC, with the Stoney Creek/Battle Hill planting being spread over six consecutive years. When these blocks are harvested the sequestered carbon will reduce requiring the Council to surrender an equivalent number of units.

Emission liabilities could also be incurred because of fire or disease if this resulted in a reduction in sequestered carbon.

No decision has yet been made on whether to sell or hold the ETS units for the post 1989 forests.

10. Communication

No communications are required.

11. Recommendations

That the Committee:

1. *Notes the content of the report.*
2. *Agrees that the matters for decision in the report have a medium degree of significance.*
3. *Agrees that nothing in section 97(1) of the Local Government Act 2002 applies to the matters for decision in this report.*
4. *Having regard to both the significance of the matters for decision in this report and the matters in section 79(2) of the Local Government Act 2002:*
 - a. *Agrees that the extent to which different options have been identified and assessed is appropriate*
 - b. *Agrees that the degree to which benefits and costs have been quantified is appropriate*
 - c. *Agrees that the extent and detail of the information before the Committee is appropriate.*
5. *Agrees that the Committee has sufficient knowledge of the views and preferences of persons likely to be affected by, or have an interest in, the matters for decision in this report*
6. *Approves the replanting of the areas specified within this report in the winter following harvest, i.e. around July 2013.*

Report prepared by:



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Report approved by:

Murray Kennedy
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Utilities and Services