

Report 12.371
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Committee Environmental Wellbeing
Author Stan Braaksma, Land Management Officer

Akura Conservation Centre Review for the Year to 30 June 2012

1. Purpose

To inform the Committee of the performance of the Akura Conservation Centre for the 2010/12 year.

2. The decision-making process and significance

No decision is being sought in this report.

3. Background

The Akura Conservation Centre grows and sells trees suitable for erosion control, commercial forestry, shelter and river management, primarily for the Land Management and Flood Protection Departments and external customers.

The business has two groups of activities: the Nursery unit grows poplar and willow poles for soil conservation and river control purposes; the Trading unit supplies various tree species (Natives, *Pinus radiata*, Acacias, Eucalyptus, Cypresses etc) and sundry stock items (posts, protectors, chemicals, and animal repellents, etc).

4. Operating Performance

Akura sold 325,919 trees for the financial year to 30 June 2012. This was up 7% on the previous year, but still some way from the 500,000 trees sold in 2002. Tree orders for 2012/13 are approaching 500,000. Sales were buoyed by the increasing activity in new Carbon forestry (Government's AGS Scheme), ongoing work as part of the WRECI programme (MPI assisted grants) and a number of replants of recently harvested conservation woodlots.

Strong support for Akura has come from GW facilitated projects such as Take Care, Wairarapa Moana and Streams Alive. There have also been significant sales to other regional councils such as Horizons, Bay of Plenty, Hawkes Bay and Waikato.

The 2011/12 season started with a cold, wet spring and continued with good rains through to Christmas. Irrigation began on 18th January and continued for six weeks. Normally the irrigation system would be operating for a minimum of 16 weeks. Seedling and pole survival rates have been exceptionally high with field pole survivals reaching 96%.

Poles	2011/12	2010/11	Seedlings	2011/12	2010/11
3.0 metre	26,258	26,925	P Radiata	223,000	228,500
2.5 metre	1,835	1,110	Open grown exotics	3,660	3,133
2.0 metre	13,158	12,125	Natives	60,325	51,244
Stakes	1,360	2,325	Container grown exotics	38,934	21,525
Total	42,611	42,485	Total	325,919	304,402

The sales of native species have increased 18% over the previous year to 60,325 units. Eco-sourced seed collections are operating well, and it is pleasing to note that the eco-sourced content has increased from 32.5% to 54%. Many factors contributed to this, but the primary cause is the increase in total seed collected which has allowed a seed bank to be established. This provides for cover against low yielding seasons.

There is an ongoing demand for an increased variety of native species and with a lead time of two years there needs to be careful planning associated with seed collection. Pricing for native plants remains an issue and while Akura sells 11,500 open-grown natives, it has been able to hold prices on its premium root trainer lines for the last three years. 77% of our native root trainer lines are supplied by Morgans Road Nursery in Blenheim. This is a long-standing relationship that works very well for Akura, especially with the focus on high plant quality.

Three metre pole numbers have remained the same as last year. Demand is still high and some orders have been reduced by staff to ensure clients receive a fair allocation. Flood protection purchased 6,420 two metre willow poles. This is down on previous years but is expected to rise again in 2013.

5. Financial Performance

The operating surplus for the year was \$93,000, which is a marked improvement on the operating surplus of \$54,500 for the previous year.

In the Nursery there has been a strong move to contain the operational costs as Akura's pole price has been set higher than other Regional Council nurseries. The 3m pole price increased 1.9%, from \$6.70 to \$6.82 for 2011. This is ahead of most other Regional Council nurseries in New Zealand (average price \$6.00-\$6.50/3m pole).

The 2010 loan of \$124,000 for a new irrigation system has now been fully paid. The improved profit signals confidence to plan for improvements for the much needed Akura entrance, and yard processing and plant presentation areas. The business unit remains in very good financial health with net assets of \$986,000.

The 2011/12 financial statements for the Business Unit are provided as **Attachment 1**.

6. Future pole supply

Pole production estimates have been prepared for both our existing Nursery area and the projected new Papawai Kaikokirikiri Trust (PK Trust) lease of 13 hectares. Future pole production is required to reach 36,000 3m poles by 2015. The new nursery is scheduled to begin production from the first 6 hectares in 2015. This 6 hectare block will be planted in October 2012.

PK Trust have developed a new bore and consent has been granted to run the existing Akura bore and the new PK Trust bore over a 24 hour period for the next three years. Previously the Akura bore was permitted to extract for 14 hours per day. The new arrangement will allow for one of the two irrigation units to be operating for a daily period of 24 hours.

7. Communications

The performance of the Akura Conservation Centre will be promoted in the next edition of Rural Focus. The opportunity will also be taken to maintain the profile of the Centre with internal customers.

8. Recommendation

That the Committee:


1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:



Stan Braaksma
Land Management Officer

Report approved by:



Dave Cameron
Manager, Land Management

Report approved by:



Wayne O'Donnell
General Manager,
Catchment Management Group

Attachment 1: Akura Conservation Centre Financial Statement

AKURA CONSERVATION CENTRE

STATEMENT OF INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
Revenue		
External revenue	198	239
Internal revenue	572	522
	<u>770</u>	<u>761</u>
Expenses		
Personnel costs	52	62
Materials & supplies	459	476
Travel & transport	8	9
Contractors	107	102
Internal charges	5	5
Financial costs	4	8
Bad debts	0	1
Net divisional overheads	30	30
Depreciation	12	13
Gain on sale	0	0
	<u>677</u>	<u>706</u>
Profit/(Loss)	<u>93</u>	<u>55</u>

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
Operating cash flows		
Operating revenue	773	778
Operating expenditure	(693)	(727)
Net operating cash flows	<u>80</u>	<u>51</u>
Investing cash flows		
Asset acquisitions	(5)	0
Transfer from/(to) reserves	(45)	0
Net investing cash flows	<u>(50)</u>	<u>0</u>
Financing cash flows		
Dividend	0	0
New Loan/(repayment)	(56)	(68)
Net financing cash flows	<u>(56)</u>	<u>(68)</u>
Net increase in cash	(26)	(17)
Movement in current account	26	17
Closing cash balance	<u>0</u>	<u>0</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
Equity at beginning of year	867	795
Profit/(Loss)	93	55
Dividend	0	0
Current account movement	26	17
Equity at end of year	<u>986</u>	<u>867</u>

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	2012	2011
	\$000	\$000
Assets		
Receivables	17	20
Stock	273	225
Non-current assets	728	735
Reserves	45	0
	<u>1,063</u>	<u>980</u>
Liabilities		
Payables	77	57
Loans	0	56
	<u>77</u>	<u>113</u>
Equity	986	867
Total Equity and Liabilities	<u>1,063</u>	<u>980</u>