



HARVESTING REPORT
MARCH 2015
WAIKARE FOREST PARTNERSHIP



WAIKARE ROAD

FMNZ

"Maximising the value of forests since 1974"

March Harvest Report

Roadlining & clearfell harvesting volumes increased in March once the hauler commenced production in the settings accessed from Landing 1. Up until the hauler arrived, the harvesting programme focused on roadlining the areas planned to accommodate road and landing construction.

The weather during March was perfect for the development of roading infrastructure. Our contractor completed 2,506 l/m of Waikare Road metalling. A further 339 l/m of new road formation was completed on Hope Road.

Over the next couple of months the engineering component will create significant costs which are normal in order to create log landings and gain access into the forest.

To date we have spent approximately \$31.38 per tonne on road engineering; the entire property has been budgeted to spend \$6.50 per tonne. As more area is harvested the engineering component per tonne of log will reduce.

For the southern part of the forest being harvested, the road density for new roads is planned at 26.6 metres per hectare. This does not include Waikare road which needs to be shared on a pro-rata basis across the entire forest. This adds an additional 4.7 metres per hectare to the southern end. This is in line with normal industry expectations which are approximately 32 metres per hectare.

Falling export prices have been extremely challenging to manage and as a result, late March brought about some significant changes in our marketing efforts to get the best returns for the forest owners.

Total Volume Harvested

The recoverable sales for March totalled **5,270.127** units (Jas/Tonnes), returning log sales of **\$556,679.25** excluding GST. See Appendix 2, Owner Summary Report.

Detailed Report:

Log Marketing

The first shipment of logs sold through Summit Forests was loaded on the vessel Maipo River which sailed on the 21st of March destined for China.



Waikare logs being loaded into the hold of the Maipo River

A total of 4108.127 JAS was loaded on to the Maipo River. These logs had an AWG value of \$497,560.41, an average of \$121.11/JAS.

As described in the February harvest report, our arrangement with Summit Forests means we are paid a pre-arranged price for the logs that go out in each shipment. Once the ship departs for its destination, the actual costs of the shipment are worked out and we are either paid the difference if savings have been made above the arranged price or, if costs are higher than anticipated, the difference is deducted from the next months' payment. This is a totally transparent open book payment system which for the Maipo River shipment, will mean additional income of around \$20,000. The actual figure will be included in the next financial summary, once the washup amount has been paid.

The next vessel, Ocean Exporter, is due into port on the 24th of April and the resulting reconciliation should be able to be completed in late May/early June.

With the decrease in export pricing, access to domestic markets in April is of increasing importance with Taranaki Pine looking to accept some sawlog grades and trial loads of pruned logs. This will decrease our reliance on export markets; however as previously reported, the domestic log market in the Waverley, New Plymouth and Palmerston North areas is limited.

Log Prices

Export log prices for March have dropped since February by a range of \$4 to \$19 jas/m³ across grades with an average price decrease of \$12.15 jas/m³.

This drop means the gains from last month's increase have quickly eroded. The Chinese export market experienced downward pressure at the beginning of March due to high log volumes held at Chinese ports. These stocks have been built up based on exchange rate benefits to log prices and low shipping rates rather than demand. Until this stock build up is reduced post Chinese New Year, we are likely to face lower export prices over the next two to three months until demand starts pushing prices upwards.

Expenditure:

Harvesting

The harvesting cost for the March period totalled **\$163,033.96** producing 5,055.80 merchantable tonnes. The average production rate was 230 tonne per day with an average harvesting cost of \$32.47 per tonne for the month.

During March, there were twenty two work days for the month.

As at the end of March, approximately 14.5 hectares has been harvested.

It is still proving difficult to get an accurate measure of the volume extracted per hectare. At the end of the month significant volumes of stems were extracted from the measured cutover awaiting processing into logs. This distorts the true recoverable volume and also does not take into account the volume of low quality logs used as corduroy in the road construction.

We should have a better idea of recoverable volume when we complete a measure up of the area harvested at the end of April.

The rate of harvest has improved with the arrival of the Madill swing yarder in the forest late February. The yarder has concentrated on extracting volume from the settings in the first gully to enable the construction of Hil Road. This road is a critical part of engineering as will allow us to access the main ridge and continue harvesting into the winter months.

Further clearfell ground based harvesting has also taken place on skids 11 & 12 along Waikare Road.

Given the fall in export prices, we are working with the harvest contractor to keep the harvest rate at a level sufficient to cover his expenses until prices start to lift. The equipment on site is capable of achieving a daily harvest rate of 500 tonnes; we are asking the contractor to produce between 250 to 300 tonnes per day in the meantime.

Establishment of Harvesting Equipment

As mentioned last month the crew has been building production with addition of another excavator. The transporting / establishment cost to locate the logging crew this month totalled \$5,400.00.

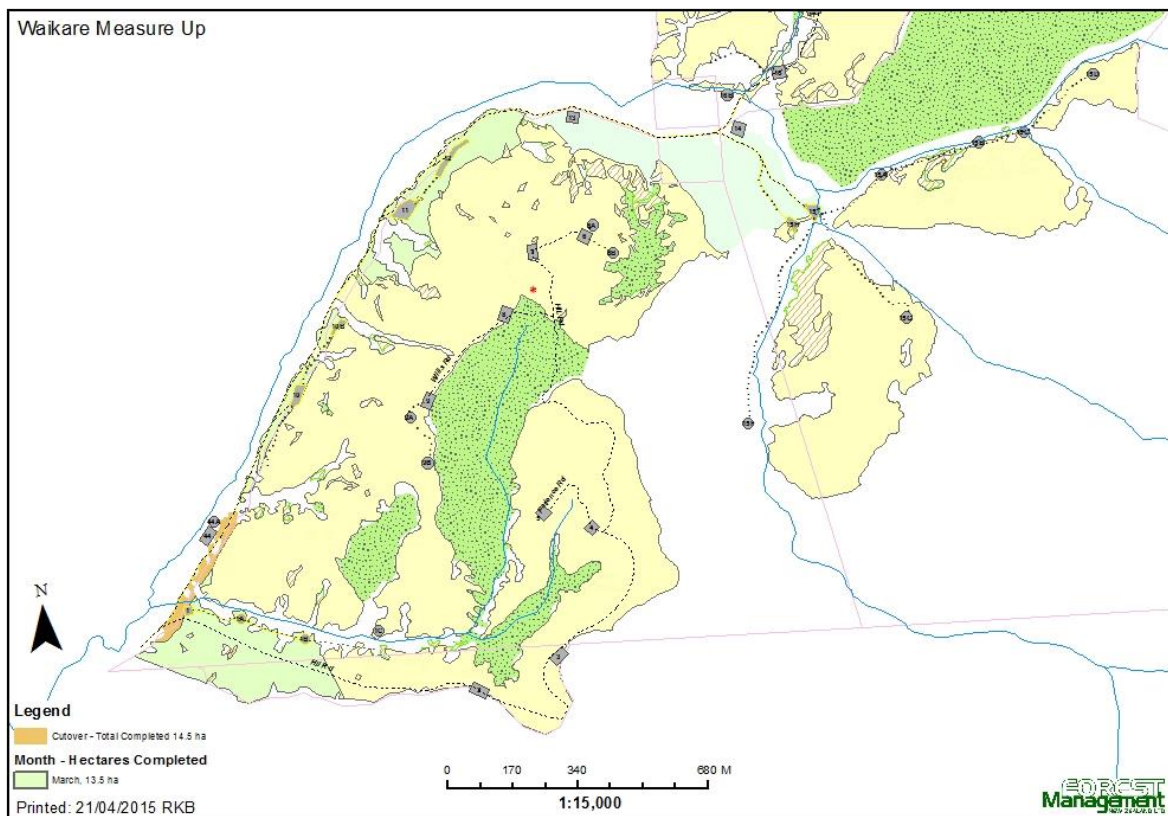
Figure 1 below shows the Madill hauler extracting trees from the where Hil Road will be constructed to get up on to the main ridge.

Figure 1 (March)



Figure 2 Compartment 1, harvest progress to date

Figure 2 (March)



Road construction

As Waikare road is located in a low lying valley bottom, it has been necessary to lift the road in several areas with log corduroy to ensure that the road is constructed well above the water table. Corduroying involves laying low quality logs across the road and building the road on top of the logs. This improves the structural strength of the road by dispersing the load into the subgrade material. In some areas, it is possible to use good quality dry fill, extracted from skid construction and trucked to build up low spots on the road.

Most of the physical construction of Waikare Road was completed in February however, it was not ready for metal spreading, hence this cost falling into the March expenses.

Additional road formation was also undertaken on Hope Road to allow the appropriate drainage to be completed before winter. Hope Road will be metalled at a later date.

Formation distances as follows;

- Waikare Road, 2,446.1l/m
- Hope Road, 339 l/m
- Ramps up to skids, 60.0 l/m

In addition to road construction, two stage tracking from hauler pads to skids were constructed to extract the logs and enable the 65 ton hauler to be moved into position.

Summary of costs:

Formation (New & Upgrade)	\$ 89,944.78
Corduroy	\$ 10,255.00
Two Stage tracking	\$ 4,440.00
Metal supply & spread	<u>\$ 54,049.00</u>
Total	\$158,688.78

Landing & Pad construction

One landing and two hauler pads were constructed this month. These are as follows:

- Skid 15,
- Hauler pads 1b, 15h

The cost of landing and pads constructed in March has totalled \$13,670.00.

The excess dry spoil from hauler pad 15h was used to lift the road in the section of Waikare Road where the windthrow was harvested in 2012. The spoil could not be pushed off the edge of the road into the watercourse below due to environmental constraints, so it was beneficial to be able to use this material to assist with the road construction.

When settings are ready to be harvested with the hauler, “deadmen” are installed to provide secure anchors. These are logs buried deep in the soil with a short cable attached for the hauler to tieback to. The cost for these in March totalled \$2,800.00.

Figure 3 below shows construction of log corduroy to lift the road in soft patches.

Figure 3 (March)



Culverts

During February, fifty 375mm Farmboss culverts were purchased in bulk from Hynds. The invoice for these arrived in March. On average two pipes per culvert are used as the formation is generally wider than the 6m length.

The total culvert cost, including freight is \$17,700.00.

Maintenance

No road maintenance was undertaken during March as roading is currently focussed on construction and preparing Waikare Road for the harvest traffic.

Rehab drainage & environmental

During the construction of Waikare Road, drains through the paddocks were dug to improve drainage from the roadside and to lower the groundwater level beneath the road.

As well as the original road being in the valley bottom, significant windthrow debris including stumps and mounds of excess spoil (on the outside of the road), impeded the construction of the road. This debris was removed or buried to facilitate normal road construction

The cost of this drainage and environmental work completed, totalled \$18,420.00

Figure 4 below shows vee drain through the neighbour's paddocks to the stream.

Figure 4 (March)



Figure 5 below shows old road formation with a row of stumps and excess soil to be removed.

Figure 5 (March)



Signage

In line with the overall health and safety requirements, two posts were purchased for the installation of signage. The cost totalled \$26.40.

Cartage

R&L Freight Ltd, a Waverley trucking company, is the key supplier for cartage from Waikare Forest.

McCarthy Transport Ltd is carting the pulp as an on truck supply to the Karioi pulp mill.

The amount spent on cartage for March totalled \$153,883.73.

Weighbridge

The amount spent on weighbridge fees totalled \$2,664.37 from the 4,844.302 tonnes weighed, averaging \$0.55 per tonne.

Management

The management fee for the month of March totalled \$22,276.75 which was 4% of the gross sales of \$556,679.25. This equates to \$4.41 per tonne.

Forest Grower Commodity Levy (FGC Levy)

The FGC levy is currently set at \$0.27 per tonne for all forest and woodlot owners. The FGC levy totalled \$1,423.06 from the sales of **5,270.597** units (Jas/Tonnes) for the March period. See Appendix 1 Harvesting Financial Summary.

Revenue

Net revenue for the month of March totalled -\$3,307.79 excluding GST. See Appendix 1, Harvesting Financial Summary.

Kind Regards

Ian Bell
Harvesting Manager

Appendix 1 Harvesting Financial Summary

	Harvesting Financial Summary	01/03/2015 to 31/03/2015
Gresham Walkinton Trustee Co Ltd		
Paid to bank account # 02 0792 0001123 000	GST # 051 665 716	

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Domestic Pulp					
Pulp	OW	29.16		\$47.00	\$1,370.52
Pulp	W	182.31		\$54.00	\$9,844.52
TOTAL DOMESTIC PULP SALES		211.47			\$11,215.04

Export					
Pruned Exp	P40 4.0	0.00	88.830	\$153.00	\$13,590.99
Pruned Exp	P40 4.0	0.00	198.332	\$164.00	\$32,526.45
Pruned Exp	P40 6.0	0.00	351.368	\$153.00	\$53,759.30
Pruned Exp	P40 6.0	0.00	344.117	\$164.00	\$56,435.19
Part Pruned	PP 4.0	0.00	29.399	\$119.00	\$3,498.48
Part Pruned	PP 4.0	0.00	62.639	\$129.00	\$8,080.43
A30	A59	0.00	1,038.054	\$84.00	\$87,196.54
A30	A59	0.00	790.849	\$116.00	\$91,738.48
A30	A39	0.00	363.895	\$84.00	\$30,567.18
A30	A39	0.00	370.413	\$116.00	\$42,967.91
K	K 3.9	0.00	141.738	\$78.00	\$11,055.56
K	K 3.9	0.00	143.225	\$109.00	\$15,611.53
KI	KI 3.0	0.00	111.889	\$71.00	\$7,944.12
KI	KI 3.0	0.00	86.157	\$103.00	\$8,874.17
KI	KI 3.9	0.00	423.360	\$71.00	\$30,058.56
KI	KI 3.9	0.00	431.677	\$103.00	\$44,462.73
TOTAL EXPORT SALES		0.00	4,975.942		\$538,367.62

Export Pulp					
KIS	KIS	0.00	28.683	\$65.00	\$1,864.39
KIS	KIS	0.00	54.502	\$96.00	\$5,232.19
TOTAL EXPORT PULP SALES		0.00	83.185		\$7,096.59
TOTAL		211.47	5,059.127		\$556,679.25

FEES	
FMNZ Management Fee @ 4%	\$22,276.75
TOTAL FEES	\$22,276.75

LEVIES	
Forest Grower Commodity Levy @ \$0.27	\$1,423.06
TOTAL LEVIES	\$1,423.06
COSTS	
Harvesting	\$163,033.96
Cartage	\$153,883.72
Weighbridge	\$2,664.37
H4 Posts 100x100 2.4m (Bullock Inv-1034)	\$26.40
Transport Grapple Loader (BRS Inv-12405)	\$5,400.00
Upgrade Waikare Rd gate into Skid (Maxwell Inv-1546)	\$3,888.00
Metal & Lime (Maxwell Quarry Inv-1555)	\$9,477.00
Culverts x 50 (Hynds Inv-2141539)	\$17,280.00
Lime and Metal (Maxwell Quarry Inv-1565)	\$10,935.00
Upgrade roads (Logged On Logging Inv-78)	\$1,710.00
Cart and Spread metal (RLF Inv-1714)	\$29,749.00
New Roads (Cashmore Inv-0001)	\$15,141.00
Upgrade roads (Cashmore Inv-0001)	\$83,348.78
Two Stage (Cashmore Inv-0001)	\$4,440.00
Landings (Cashmore Inv-0001)	\$8,000.00
Pads (Cashmore Inv-0001)	\$5,670.00
Freight on culverts (Cashmore Inv-0001)	\$420.00
Rehab - drainage (Cashmore Inv-0001)	\$2,520.00
Deadman (Cashmore Inv-0001)	\$2,800.00
Environmental rehab (Cashmore Inv-0001)	\$15,900.00
TOTAL COSTS	\$536,287.23
TOTAL FEES, LEVIES & COSTS	\$559,987.04
NET INCOME CURRENT MONTH	-\$3,307.79
GST	-\$496.17
NET INCOME CURRENT MONTH (INCLUDING GST)	-\$3,803.96

(Continued)

Appendix 2 Owner Summary Report

Owner Summary Report

For Dockets dated between 01/03/2015 and 31/03/2015

Page No. 1

Owner : Gresham Walkinton Trustee Co Ltd								Creditor Code :		
Forest	Compartment		Species	Grade	Price Point	Dockets	Volume	Units	Rate	Amount
Waikare Forest Partnership	1	10	Radiata	A39	Delivered	13	264.583	Jas	\$84.00	\$22,224.97
				A39	Delivered	15	370.413	Jas	\$116.00	\$42,967.91
				A59	Delivered	26	632.603	Jas	\$84.00	\$53,138.65
				A59	Delivered	30	790.849	Jas	\$116.00	\$91,738.48
				K 3.9	Delivered	6	111.815	Jas	\$78.00	\$8,721.57
				K 3.9	Delivered	6	143.225	Jas	\$109.00	\$15,611.53
				KI 3.0	Delivered	5	84.483	Jas	\$71.00	\$5,998.29
				KI 3.0	Delivered	5	86.157	Jas	\$103.00	\$8,874.17
				KI 3.9	Delivered	11	249.593	Jas	\$71.00	\$17,721.10
				KI 3.9	Delivered	19	431.677	Jas	\$103.00	\$44,462.73
				KIS	Delivered	1	11.717	Jas	\$65.00	\$761.61
				KIS	Delivered	4	54.502	Jas	\$96.00	\$5,232.19
				OW	Delivered	1	29.160	Tonnes	\$47.00	\$1,370.52
				P40 4.0	Delivered	3	61.195	Jas	\$153.00	\$9,362.84
				P40 4.0	Delivered	9	198.332	Jas	\$164.00	\$32,526.45
				P40 6.0	Delivered	7	186.701	Jas	\$153.00	\$28,565.25
				P40 6.0	Delivered	15	344.117	Jas	\$164.00	\$56,435.19
				PP 4.0	Delivered	2	29.399	Jas	\$119.00	\$3,498.48
				PP 4.0	Delivered	3	62.639	Jas	\$129.00	\$8,080.43
				W	Delivered	5	153.526	Tonnes	\$54.00	\$8,290.40
				Compartment Totals						186
	1	11	Radiata	A39	Delivered	7	99.312	Jas	\$84.00	\$8,342.21
				A59	Delivered	19	405.451	Jas	\$84.00	\$34,057.88
				K 3.9	Delivered	2	29.923	Jas	\$78.00	\$2,333.99
				KI 3.0	Delivered	2	27.406	Jas	\$71.00	\$1,945.83
				KI 3.9	Delivered	9	173.767	Jas	\$71.00	\$12,337.46
				KIS	Delivered	1	16.966	Jas	\$65.00	\$1,102.79
				P40 4.0	Delivered	2	27.635	Jas	\$153.00	\$4,228.15

Owner Summary Report

For Dockets dated between 01/03/2015 and 31/03/2015

Page No. 2

Owner : Gresham Walkinton Trustee Co Ltd

Creditor Code :

Forest	Compartment	Species	Grade	Price Point	Dockets	Volume	Units	Rate	Amount
Waikare Forest Partnership	1 11	Radiata	P40 6.0	Delivered	8	164.667	Jas	\$153.00	\$25,194.05
			W	Delivered	1	28.780	Tonnes	\$54.00	\$1,554.12
Compartment Totals					51	973.907			\$91,096.49
Forest Totals					237	5,270.593			\$556,679.25
Owner Totals					237	5,270.593			\$556,679.25

Appendix 4 Waikare Harvest Map (Southern Harvest Plan)

