



HARVESTING REPORT
JULY 2016
WAIKARE FOREST PARTNERSHIP



WAIKARE ROAD

FMNZ

"Maximising the value of forests since 1974"

July Harvesting Report

Summary

Clearfell harvesting continued throughout July. The hauler broke down during the month and while waiting for repairs to be carried out, the hauler crew were redeployed to the groundbased setting in Dickie Drive which has been set aside for such an eventuality.

The ground based crew focussed on clearfell around Farag Road and RDL Place.

Limited pad and landing formation continued in Compartment 3. Maintenance and repairs to the roads were to clear slips etc. All of the roads necessary to provide access to the hauler over the winter months are now in place.

The July export prices dropped on average \$17.70/Jas m³ with pruned grades dropping by \$33-\$37 while the sawlog grades dropped by \$12-13.60/Jas m³. This significant decrease is expected to be temporary with the outlook for August being a positive lift in pricing of around \$5/Jas for sawlogs with ongoing stability for AWG prices. The big unknown is where pruned pricing will head over the next few months.

The recoverable volume for July totalled **7,175.83** units (JAS/Tonnes), returning log sales of **\$851,215.96** (See Appendix 1, Harvesting Financial Summary).

14.5 ha was harvested, the recoverable volume to date averages 581.1t/ha.

Net revenue for the month of July totalled **\$303,153.10** excluding GST. See Appendix 3, Cashflow Summary. This includes revenue from the washup of the vessel – Hawke Bay returning a positive of \$19,207.92.

To date 192.2 ha has been harvested.

The net income to date for the project overall is **\$4,004,952.85**.

Revenue

Log Sales

Gross log sales for the month are summarised below in table 1:

Table 1: Domestic & export sales

			QTY	Revenue
July	SNP	Jas	5443.193	\$657,503.08
	TPINE	Tonnes	1501.96	\$181,739.03
	WPI	Tonnes	230.68	\$11,973.86
Total			7175.833	\$851,215.96

During July we continued to supply similar volumes of A300 and P1 grades to Taranaki Sawmills (TSM). Export grades were sold via New Plymouth port through Summit New Zealand with all pulp being sold on truck to Winstone Pulp International.

The export/domestic split this month was 76%/24%. The project average is 72%/28%.

Log Markets`

The July export prices dropped on average \$17.70/Jas m³ with pruned grades falling by \$33 - \$37 while the sawlog grades dropped by \$12-13.60/Jas m³. The outlook for August is for a lift in pricing and further out, AWG prices are expected to be stable. The big unknown is where pruned pricing will head.

July log inventories on Chinese ports have lifted to just over 3.7mil m³. Daily off take has trended to 62,000m³/day which in this range should continue to support the CFR prices. Incoming volumes are expected to dip as winter conditions bite.

Shipping rates are beginning to flatten as we see more inbound cargos which are expected to increase further into spring.

The OCR is expected to be cut by 25 points in August with the NZD/USD exchange rate anticipated to fluctuate around the 0.72-0.73 range.

Grade Recovery

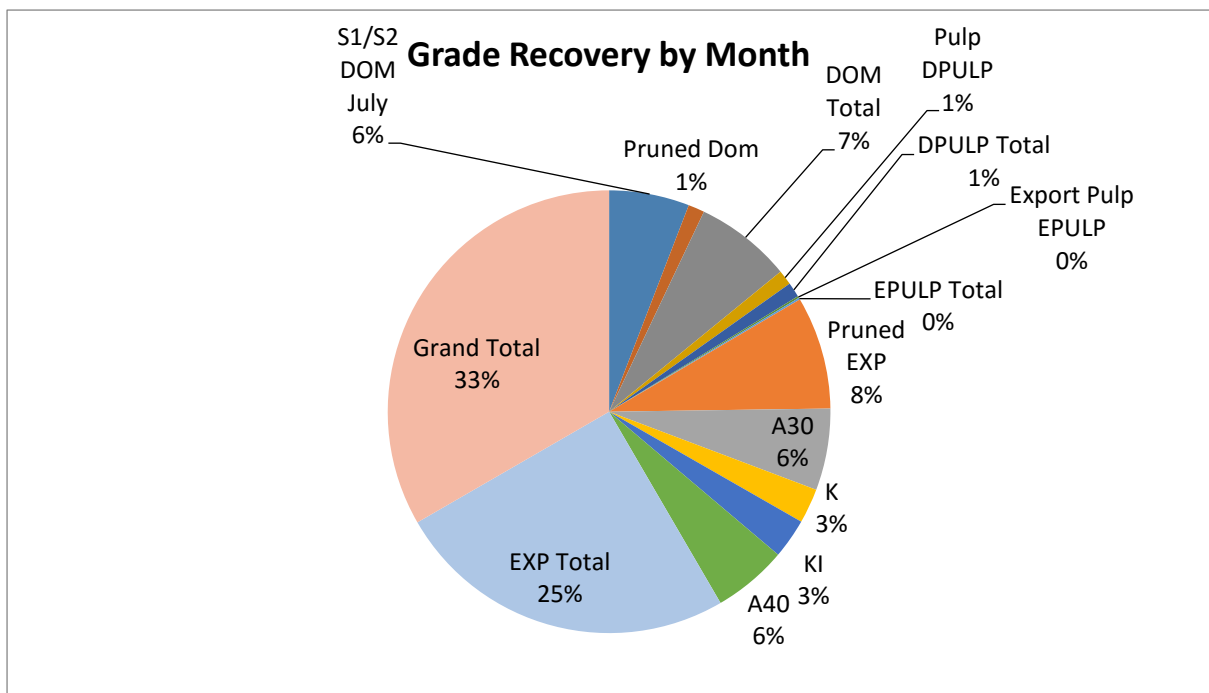


Chart 1: Grade Recovery by Month

This month has seen the domestic sawlog recovery climb with the increase volume of sales over the month. We have been restricted somewhat this quarter with a quota for domestic pruned volume, this has in turn lifted the recovery of export pruned grades along with the better settings with less windthrown volume.

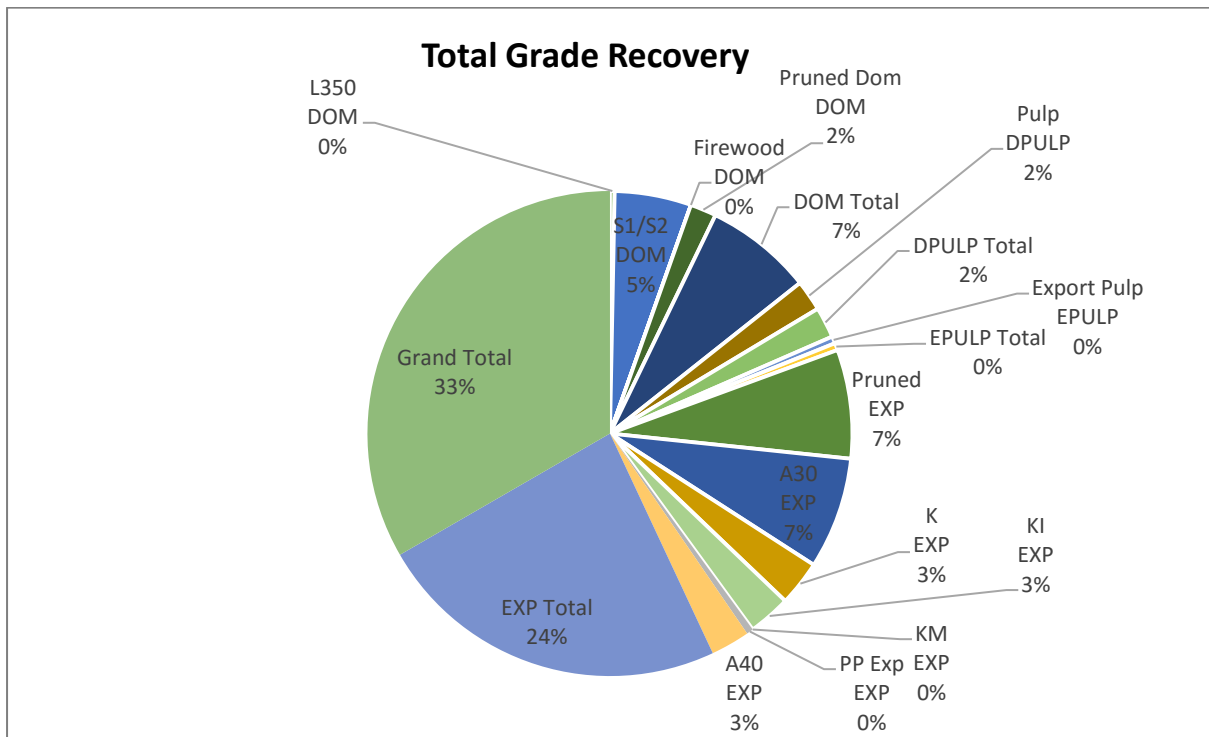


Chart 2: Total Grade Recovery (Project to date)



Figure 1: Corduroy used in Farag Rd where pavement failed

Shipping volume for last three vessels

The vessel Hawke Bay completed loading at the Port of Taranaki on the 11th June.

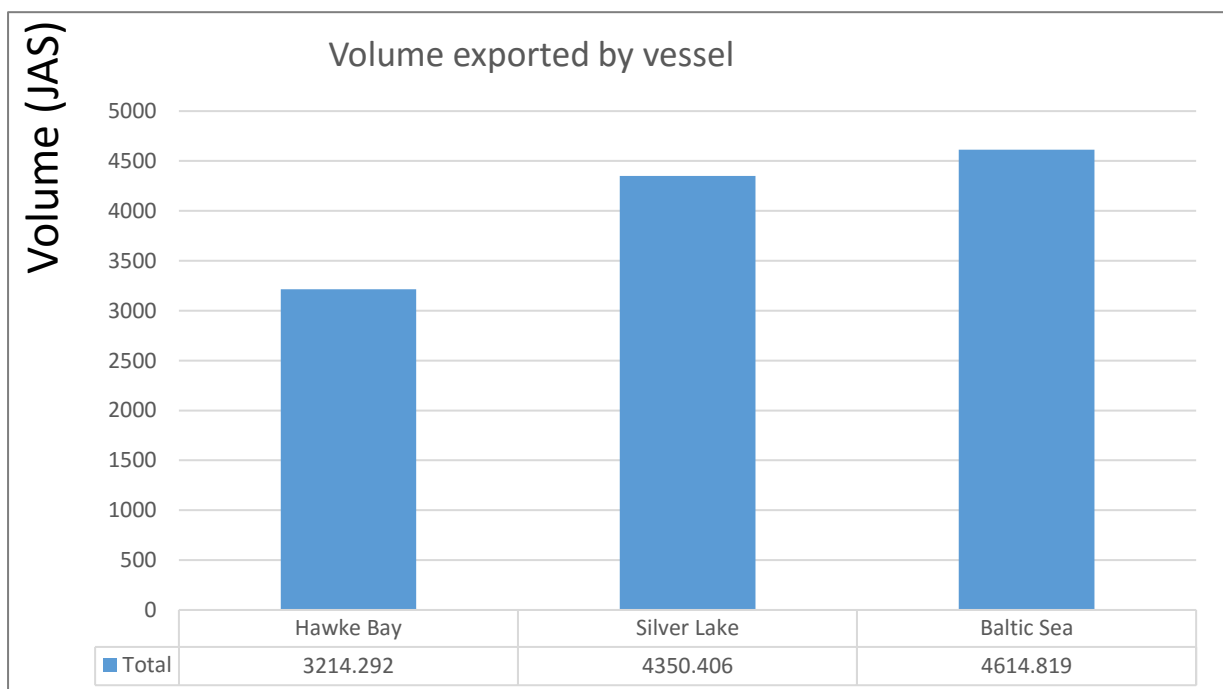


Chart 3: Last three vessels to leave Port of New Plymouth

The vessels Orient Becrux & Rivertec sailed on the 22nd July & 9th August respectively. The washup for these vessels will be covered in the August report.

The next vessel, Cape Flattery has an ETA of the 28th August into New Plymouth.

Washup

As described in previous reports, our arrangement with Summit Forests means we operate a totally transparent open book arrangement whereby we are paid an AWG (at wharf gate) estimate for the logs that are delivered to Port. The AWG estimate includes estimates of the log price, shipping, marshalling, stevedoring, forex etc.

Generally a week or two before the ship sails, the log price and forex is fixed. Once the ship has left port, the actual cost of the shipment is worked out and we are either paid the difference if savings have been achieved on the estimate or, if costs are higher than the estimate, the difference is deducted from the next month's payment.

The wash-up for the vessel Hawke Bay completed loading on the 11th June, this shows a positive return of \$19,207.92.

Table 2: Summary of Wash-up

	Washup
Gross Washup	\$ 19,207.92
Management - Washup	\$ (768.32)
Net Amount	\$ 18,439.60

Net Revenue

Net revenue for July and net project revenue is illustrated in table 3 below.

Table 3: Revenue

Month Name	Net Monthly Income	Total Net Income for project
July	\$303,153.09	\$4,004,952.85

Expenditure

The total expenditure for July was **\$567,270.79**. This was made up of the following:

Engineering

There was no new road formation in July, but one landing and two pads (54, 54a & 54b) were completed as the weather allowed.

Work this month has involved repairs and maintenance of road surfaces following slip clearing or pavement failure. The continual re-establishment of water controls affected by the weather is necessary to ensure we met the resource consent conditions. The -\$6,045.89 (credit) was for culvert pipes that were paid for by Waikare Forest and on sold to Maxwell Forest at cost.

Table 4: Engineering costs

		Total
July	Metal	\$22,609.00
	Landings/Pads	\$12,012.00
	Metal Cart & Spread	\$29,095.00
	R&M	\$12,180.00
	Rehab	\$1,296.00
	Road Construction	-\$6,045.89
	Two Stage	\$1,000.00
Total		\$72,146.11

Harvesting

The logging cost for July totalled **\$244,907.80** producing 7,102.04 merchantable tonnes. The average production rate was 355 tonne per day with an average harvesting cost of \$34.35 per tonne for the month.

The total harvesting cost for the month is in table 5 below:

Table 5: Harvesting costs

		Total
July	Establishment - harvesting	\$950.00
	Logging	\$243,957.80
Total		\$244,907.80



Figure 2: Maintenance clearing slips – Gillingham Drive.

This month 14.5 ha was harvested, the recoverable volume averaged 490T/ha. This reduced volume is due to areas having been harvested but not completely loaded out. These will be caught up next month.

To date 192.2 ha has been cleared with an average recoverable volume of 581.1 T/ha.

The harvest map below shows the July harvesting progress, this is also shown in Appendix 4.

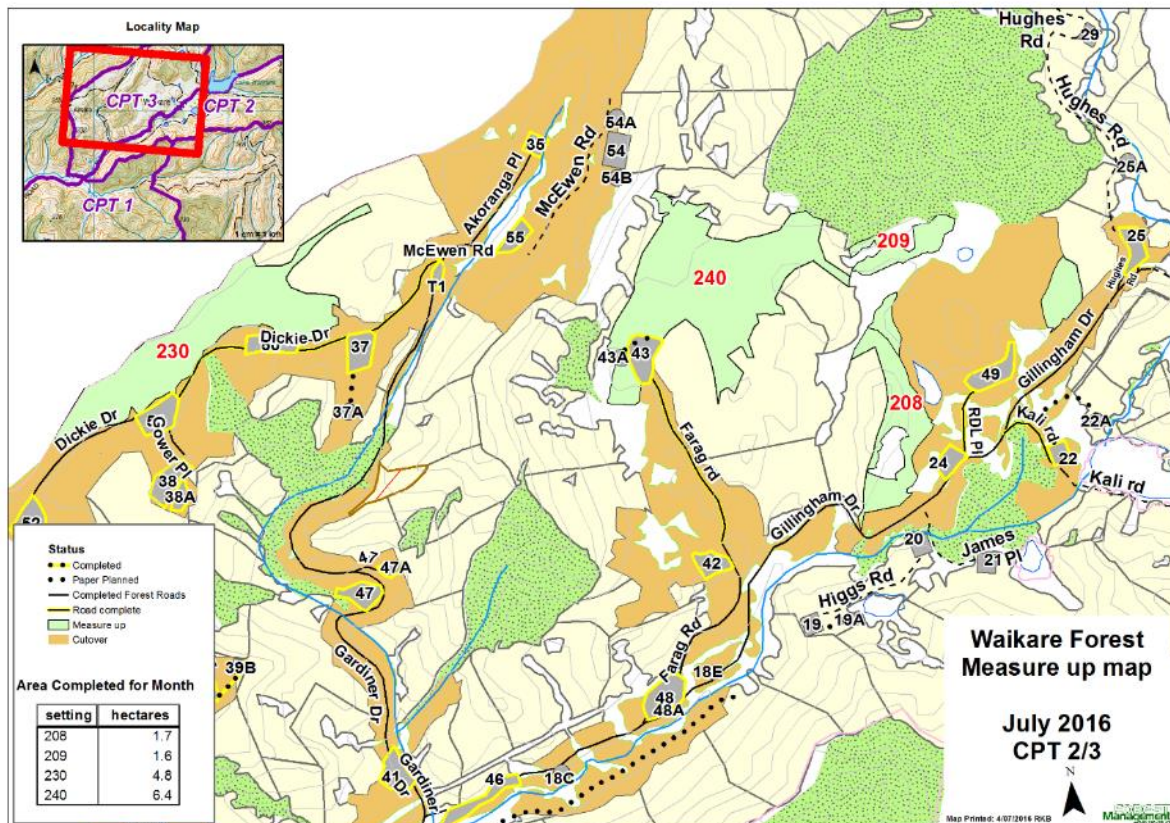


Figure 3: Waikare Progress Map Cpt 3

Cartage

Cartage expenditure for the month is summarised below in table 6:

Table 6: Cartage costs

		Total
July	Cartage - Truck	\$210,782.62
	Weighbridge	\$2,679.83
Total		\$213,462.45

The average cartage cost for the tonnes produced \$29.68/tonne

Fees and Levies

Management Fees and FGC levies are summarised in the table below:

The average management costs to date for the project is \$4.87/tonne.

Table 7: Fees & levies

		Total
July	Management	\$34,816.96
	FGC levy	\$1,937.47
Total		\$36,754.43



Figure 4: Truck loading Farag Rd landing.

Health & Safety

Safety data statistics for July showed no accidents but recorded the following incidents:

Table 8: Health & Safety incidents

Contractor	Operation	Injury/Incident type	Description
Logged on Logging	Logging (G/B)	Hit no damage	Walking from deck that had already been cut back to the safe area and tripped over a branch.
Logged on Logging	Logging(Cable)	Near Hit	Log maker nearby counter weight of loader, counterweight knocked a log on QC area, narrowly missing the log maker.
Logged on Logging	Logging(Cable)	Damage	Trimming on deck - cut off a branch bringing chainsaw toward himself, cutting chaps.

Project Forecast vs Actual

The red line shows accumulated net \$/tonne for the project with actual costs deducted. This continuing positive trajectory of the red line is a great result. We are currently above the average forecast return and have carried out 73% of the road formation and 44% of the harvest.

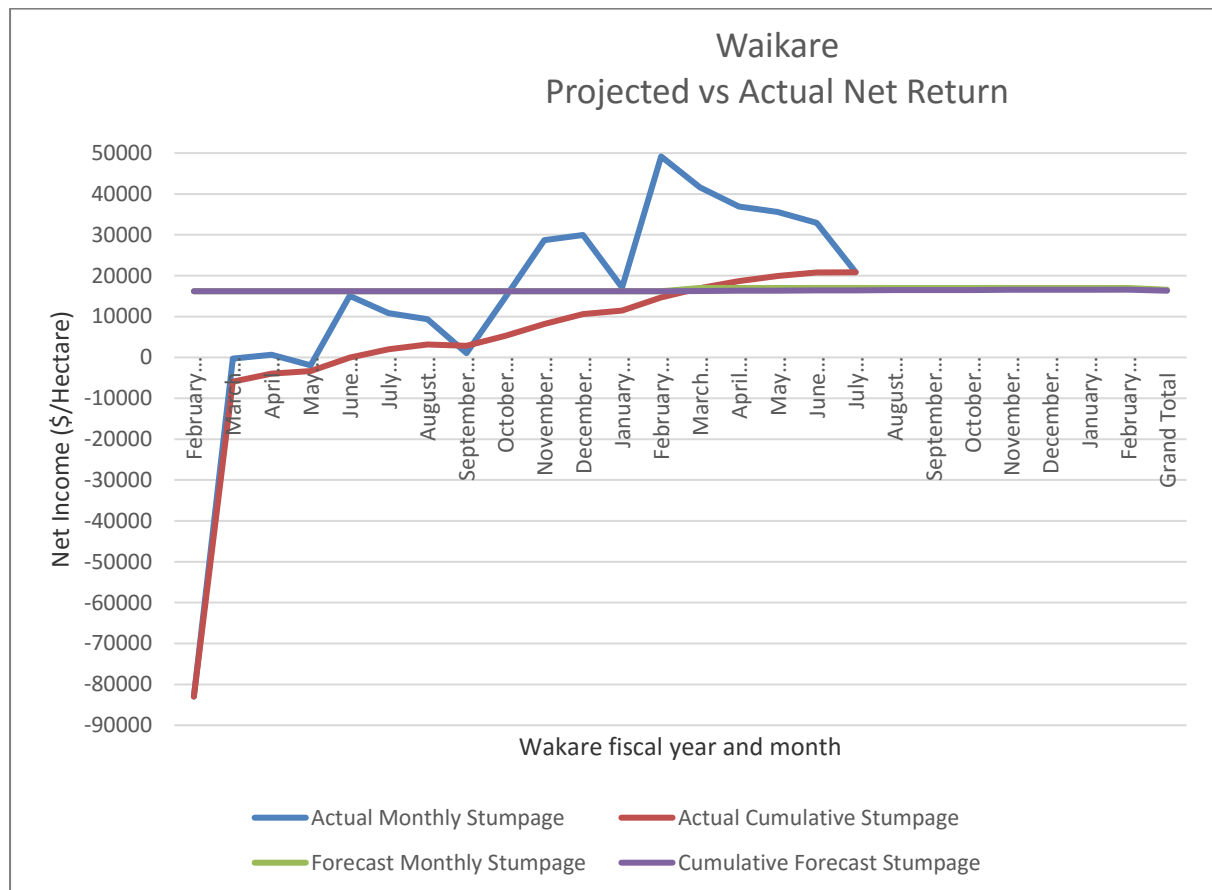


Chart 4: Project Forecast vs. Actual

We are presently sitting at \$35.86 net per tonne, the forecast was \$25.25. Gross return of \$98.41 per tonne was forecast, we are presently achieving \$123.04, an increase of \$24.63. The net return per hectare is currently sitting at \$20,837.42. We are very pleased with the positive trajectory of the red line.

Kind Regards,

Ian Bell,
Harvesting Manager

Appendix 1 Harvesting Financial Summary

	Harvesting Financial Summary	
	Waikare Forest Partnership	01/07/2016 to 31/07/2016
Paid to bank account # 02 0792 0001123 000		GST # 051 665 716

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Domestic					
Pruned Dom	P1	249.46		\$171.00	\$42,657.66
Pruned Dom	P1X	3.78		\$125.25	\$473.45
S1/S2	A300	1,248.72		\$111.00	\$138,607.92
TOTAL DOMESTIC SALES		1,501.96			\$181,739.02

Domestic Pulp					
Pulp	Pulp	161.70		\$54.00	\$8,731.80
Pulp	PulpOS	68.98		\$47.00	\$3,242.06
TOTAL DOMESTIC PULP SALES		230.68			\$11,973.86

Downgrade					
Downgrade	Exp Rejects 0		-0.668	\$92.00	-\$61.46
Downgrade	Exp Rejects 0		-0.876	\$109.00	-\$95.48
TOTAL DOWNGRADE SALES			-1.544		-\$156.94

Export					
Pruned Exp	P42 5.9		708.716	\$154.00	\$109,142.26
Pruned Exp	P30 3.9		80.607	\$120.00	\$9,672.84
Pruned Exp	P30 5.1		130.319	\$120.00	\$15,638.28
Pruned Exp	P40 3.9		337.814	\$150.00	\$50,672.10
Pruned Exp	P40 5.1		527.932	\$150.00	\$79,189.80
Pruned Exp	P40 5.9		39.229	\$150.00	\$5,884.35
A30	A 3.8		879.254	\$109.00	\$95,838.69
A30	A 5.8		424.519	\$112.00	\$47,546.13
A40	AO 3.8		837.528	\$112.00	\$93,803.14
A40	AO 5.9		346.570	\$114.00	\$39,508.98
K	K 3.8		237.719	\$102.00	\$24,247.34
K	K 5.8		263.809	\$105.00	\$27,699.94
KI	KI 2.9		305.701	\$92.00	\$28,124.49
KI	KI 3.8		298.560	\$95.00	\$28,363.20
TOTAL EXPORT SALES			5,418.277		\$655,331.54

Export Pulp					
Export Pulp	KIS 3.8		26.460	\$88.00	\$2,328.48
TOTAL EXPORT PULP SALES			26.460		\$2,328.48
TOTAL		1,732.64	5,443.193		\$851,215.96

Harvesting Financial Summary (Continued)

WASHUP RECONCILIATION		
Income		\$19,207.92
Management (included in the Fees section below)	\$768.32	
TOTAL WASHUP		\$19,207.92
FEES		
FMNZ Management Fee @ 4%		\$34,816.96
TOTAL FEES		\$34,816.96
LEVIES		
Forest Grower Commodity Levy @ \$0.27		\$1,937.47
TOTAL LEVIES		\$1,937.47
COSTS		
Harvesting		\$243,957.80
Cartage		\$210,782.62
Weighbridge		\$2,679.83
Sale of 15 culverts to Maxwell at \$263.33		-\$3,945.95
Sale of 9 culverts to Maxwell at \$263.33		-\$2,369.97
Gap100C X 160 (Maxwell Quarry Inv-2277)		\$2,480.00
Gap100C X 262, UC X 16 (Maxwell Quarry Inv-2297)		\$4,277.00
Gap100C & UC (Maxwell Quarry Inv-2303)		\$3,142.00
Gap100C X 240 (Maxwell Quarry Inv-2320)		\$3,720.00
Sale of 9 culverts to Maxwell at \$263.33		-\$2,369.97
Gap100C metal - Gardiner Road (Maxwell Quarry Inv-2329)		\$3,162.00
Gap100C metal - Farag Road (Maxwell Quarry Inv-2329)		\$837.00
Gap100C metal - Gillingham Road (Maxwell Quarry Inv-2329)		\$3,441.00
Gap100C metal - Waikare Road (Maxwell Quarry Inv-2329)		\$1,550.00
Cart and dump - Gillingham Road (RLF Inv-1259)		\$9,533.75
Cart and dump - Gardiner Road (RLF Inv-1259)		\$9,533.75
Cart and spread - Waikare Road (RLF Inv-1259)		\$742.50
Cart and spread - Gillingham Road (RLF Inv-1259)		\$742.50
Cart and spread - Farag Road (RLF Inv-1259)		\$371.25
Cart and spread - Gardiner Road (RLF Inv-1259)		\$371.25
Cart & spread - Farag Road (RLF Inv-1259)		\$270.00
Slip removal after storm damage -Gardiner (CCL Inv-0058)		\$2,404.00
Slip removal after storm damage -Gillingham (CCL Inv-0058)		\$2,976.00
Slip removal after storm damage -Farag Rd (CCL Inv-0058)		\$1,500.00
Slip removal after storm damage -Akoranga (CCL Inv-0058)		\$224.00
Prep & lay corduroy - Farag Rd (CCL Inv-0058)		\$2,640.00
Access for deadmen (CCL Inv-0058)		\$512.00
Clean out watertables - Dickie/Lavender (CCL Inv-0058)		\$1,296.00
Dig out soft spots - Gardiner (CCL Inv-0058)		\$160.00
Roll maintenance - Waikare Rd (CCL Inv-0058)		\$324.00
Roll maintenance -Gardiner (CCL Inv-0058)		\$120.00
Roll maintenance & corduroy - Farag (CCL Inv-0058)		\$1,128.00
Maintenance - Grade Waikare (CCL Inv-0058)		\$656.00

Harvesting Financial Summary (Continued)

Maintenance grade Gardiner road (CCL Inv-0058)	\$1,480.00
Maintenance grade Farag road (CCL Inv-0058)	\$648.00
Maintenance grade Hil road (CCL Inv-0058)	\$368.00
Maintenance grade Gillingham road (CCL Inv-0058)	\$192.00
Landing construction (CCL Inv-0058)	\$6,000.00
Pad construction - 54A (CCL Inv-0058)	\$2,750.00
Pad construction - 54B (CCL Inv-0058)	\$2,750.00
Spread from stockpile - Farag (CCL Inv-0058)	\$2,510.00
Spread from stockpile - Gardiner (CCL Inv-0058)	\$2,510.00
Spread from stockpile - Gillingham (CCL Inv-0058)	\$2,510.00
Two stage (CCL Inv-0058)	\$1,000.00
Hiab to lift 2 containers, tanks and bins (DHC Inv-DSP12217)	\$950.00
TOTAL COSTS	\$530,516.36
TOTAL FEES, LEVIES & COSTS	\$567,270.79

NET INCOME CURRENT MONTH	\$303,153.09
GST	\$45,472.96
NET INCOME CURRENT MONTH (INCLUDING GST)	\$348,626.05

Appendix 2 Waikare Forest (July Washup – Hawke Bay)



BUYER CREATED
TAX INVOICE
(IRD APPROVED)

Waikare Forest Partnership
87 Weraroa Road,
Waverley,
New Zealand 4510

Invoice Date : 31/07/2016
Invoice No.: 2087

GST No. : 051 665 716

To : Forest Management (NZ) Ltd
P O Box 14
WAVERLEY 4544

GST No. : 013-730-407

For loads uplifted up until 31/07/2016 from Waikare Forest Partnership

Grade	Length	Volume Loaded	AWG Price	Final Price	Mgmt Fee	Amount
Forest : Waikare Forest Partnership						
A	3.8	533.077		\$129.48	\$2,760.91	\$66,261.90
A	3.8	-198.683	\$122.00		-\$969.57	-\$23,269.75
A	3.8	-334.394	\$126.00		-\$1,685.35	-\$40,448.30
A	5.8	355.054		\$132.48	\$1,881.50	\$45,156.05
A	5.8	-74.135	\$125.00		-\$370.68	-\$8,896.20
A	5.8	-280.919	\$129.00		-\$1,449.54	-\$34,789.01
AO	3.9	223.455		\$132.48	\$1,184.13	\$28,419.19
AO	3.9	-158.291	\$125.00		-\$791.45	-\$18,994.92
AO	3.9	-65.164	\$129.00		-\$336.25	-\$8,069.91
AO	5.9	527.481		\$134.48	\$2,837.43	\$68,098.22
AO	5.9	-135.427	\$128.00		-\$693.39	-\$16,641.27
AO	5.9	-392.054	\$129.00		-\$2,023.00	-\$48,551.97
K	3.8	97.663		\$121.48	\$474.56	\$11,389.54
K	3.8	-66.568	\$115.00		-\$306.21	-\$7,349.11
K	3.8	-31.095	\$119.00		-\$148.01	-\$3,552.29
K	5.8	189.341		\$124.48	\$942.77	\$22,626.40
K	5.8	-100.684	\$118.00		-\$475.23	-\$11,405.48
K	5.8	-88.657	\$122.00		-\$432.65	-\$10,383.51
KI	2.9	116.967		\$113.48	\$530.94	\$12,742.48
KI	2.9	-83.278	\$105.00		-\$349.77	-\$8,394.42
KI	2.9	-33.689	\$112.00		-\$150.93	-\$3,622.24
KI	3.8	109.581		\$114.48	\$501.79	\$12,043.04
KI	3.8	-55.872	\$107.00		-\$239.13	-\$5,739.17
KI	3.8	-53.709	\$112.00		-\$240.62	-\$5,774.79
KIS	3.8	57.428		\$107.48	\$246.89	\$5,925.47
KIS	3.8	-57.428	\$100.00		-\$229.71	-\$5,513.09
P30	3.9	43.145		\$153.48	\$264.88	\$6,357.02
P30	3.9	-13.565	\$141.00		-\$76.51	-\$1,836.16
P30	3.9	-29.580	\$145.00		-\$171.56	-\$4,117.54
P30	5.1	63.842		\$153.48	\$391.94	\$9,406.53
P30	5.1	-19.805	\$141.00		-\$111.70	-\$2,680.80
P30	5.1	-44.037	\$145.00		-\$255.41	-\$6,129.95
P30	5.9	40.170		\$153.48	\$246.61	\$5,918.68
P30	5.9	-26.944	\$141.00		-\$151.96	-\$3,647.14



BUYER CREATED
TAX INVOICE
 (IRD APPROVED)

P30	5.9	-13.226	\$145.00		-\$76.71	-\$1,841.06
P40	3.9	218.039		\$193.98	\$1,691.81	\$40,603.40
P40	3.9	-218.039	\$187.00		-\$1,630.93	-\$39,142.36
P40	5.1	135.569		\$193.98	\$1,051.91	\$25,245.77
P40	5.1	-135.569	\$187.00		-\$1,014.06	-\$24,337.35
P40	5.9	503.480		\$193.98	\$3,906.60	\$93,758.45
P40	5.9	-503.480	\$187.00		-\$3,766.03	-\$90,384.73
Totals		3,214.292			\$768.32	\$18,439.60

Forest Grower Commodity Levy	\$0.00
Total Before GST	\$18,439.60
GST	\$2,765.94
Total of this Tax Invoice	\$21,205.54

Appendix 3 Waikare Forest-Cashflow Summary, Current Fiscal Year (July)

		2015	2016	2017	Grand Total
Quantity	JAS Sold	1275.243	50487.868	29801.481	81564.592
	Tonnes Harvested	1206.69	71051.138	39435.7	111693.528
	Tonnes Weighed	1206.69	66658.3499	36962.41	104827.4499
	Washup JAS	1206.67	43170.62	26563.705	70940.995
	Owner Units Paid	1275.243	71497.276	39648.713	112421.232
	Hectares Harvested	1	127.1	64.1	192.2

		Fiscal Year Ending Feb 2015	Fiscal Year Ending Feb 2016	Fiscal Year Ending Feb 2017	Grand Total
Income	Log Sales	155,373.78	8,214,256.18	5,215,928.25	13,585,558.21
	Washup		142,855.00	13,947.02	156,802.02
Income Total		\$155,373.78	\$8,357,111.18	\$5,229,875.27	\$13,742,360.23
Harvesting	Cartage	37,467.72	2,133,593.91	1,183,595.91	3,354,657.54
	Establishment	14,957.50	13,560.00	1,400.40	29,917.90
	Logging	47,060.77	2,343,022.74	1,331,269.70	3,721,353.21
Harvesting Total		\$99,485.99	\$4,490,176.65	\$2,516,266.01	\$7,105,928.65
Fees	FGC levy	344.32	19,304.26	10,705.15	30,353.73
	Management	6,214.95	334,398.02	209,194.89	549,807.86
Fees Total		\$6,559.27	\$353,702.29	\$219,900.04	\$580,161.60
Engineering	Engineering		45,587.82	515.00	46,102.82
	Establishment	4,530.00	7,367.00	2,270.00	14,167.00
	Landings/Pads	40,505.00	198,562.00	59,827.00	298,894.00
	Metal		246,705.00	78,528.83	325,233.83
	Metal Cart & Spread		345,872.10	97,617.74	443,489.84
	Other	1,868.00	4,068.38	600.00	6,536.38
	R&M		105,745.30	46,512.00	152,257.30
	Rehab	585.00	67,890.45	19,929.96	88,405.41
	Road Construction		458,338.34	56,922.85	515,261.19
	Road Upgrade	56,386.00	21,310.00		77,696.00
	Two Stage		39,184.00	4,950.00	44,134.00
Engineering Total		\$103,874.00	\$1,540,630.39	\$367,673.38	\$2,012,177.77
Miscellaneous	Consents	26,391.79	2,599.30	339.75	29,330.84
	Consumables	652.32	1,078.90	577.97	2,309.19
	Other	1,389.70	1,683.63		3,073.33
	Security		4,000.00	426.00	4,426.00
Miscellaneous Total		\$28,433.81	\$9,361.83	\$1,343.72	\$39,139.36
Grand Total		-\$82,979.29	\$1,963,240.03	\$2,124,692.11	\$4,004,952.85

Appendix 4 – Harvest Progress Map

