

By the way OUR HEAD OFFICE IS MOVING.



AFTER SPENDING a number of years in Mandeville Street we're off to the sunny bustling metropolis of Sockburn. The PO Box will remain the same, as will a majority of the phone numbers. All deliveries (including oysters and beers) should be sent to our new address.

You'll also note a new logo and (coming soon) a shiny new website, so watch this space. There's also a few new faces floating around, including Debbie Lee and Mark Godenho. We welcome them to the business and we look forward to profiling them in the next issue.



**Forest
Management**
GROUP



**Forest
Management**
GROUP

FOREST MANAGEMENT LTD

PO Box 3718, Christchurch

Head Office

Ph: (03) 343 4101

TASMAN FOREST MANAGEMENT LTD

Marlborough

Ph: (03) 572 7902

Nelson

Ph: (03) 540 3177

FOREST MANAGEMENT (NI) LTD

Wellington Office

Ph: (04) 233 0599

Napier

Ph: (027) 274 3492

WWW.FORESTMANAGEMENT.CO.NZ

IN THIS ISSUE:

GODzone Adventure 2016

The Emissions Trading Scheme

School Visits

CASE STUDY: 60ha in Whitecliff Valley

Winter 2016
NEWSLETTER



FROM THE DIRECTORS

WELCOME TO the new look Forest Management Group newsletter. There's a few changes going on in our business. But whilst things are changing internally for us, externally the market remains relatively steady. The export market has stayed buoyant and domestic demand is strong in all regions. High quality pruned logs have been a standout with prices the highest we have seen in 20 years.

In this issue of the newsletter, we get a visit from some enthusiastic youngsters, we get the lowdown on the biggest adventure race in the world, and we look at the Emissions Trading Scheme (ETS) and discuss how it can be beneficial to you. The ETS is gaining real political support so if you're thinking about planting, best get on to it pronto.

It's been a big year for the group, with our year end totalling in excess of 1,000,000 cubic metres of wood. Of this amount 302,000 was domestic, with 210,000 supplied into Canterbury and West Coast mills alone.

Busy times mean that we're delighted to say that we've engaged with two new harvesting crews working in Canterbury; Brand Logging and Gavin Logging. These crews are well established in the region and have over 60 years experience between them.



Evan and Glenn at the FML site
at the Waimumu Field Days



Murray & Bev Robb

UP IN the Whitecliffs Valley, out the back and beyond of Darfield, is a relatively small 60 acre plot owned by Murray and Bev Robb. They bought the land 50 years ago in the hope of creating a retirement plan. "The land was awful. It was covered in gorse with only 1 sheep every couple of hectares" said Murray. "We only planted one or 2 hectares every year." Originally an engineer by trade, Murray set about clearing and planting the land during weekends and holidays. "Many people thought we were mad getting into forestry back then," said Bev, "but we stuck with it".

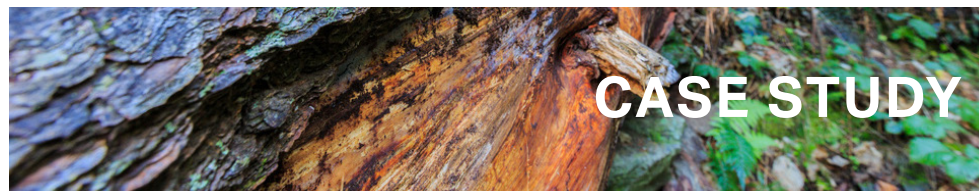
Their first experience of harvesting was in 1995

but Murray has been with harvesting with Forest Management Limited (FML) since 1999. "I started using them because they were recommended to me" said Murray, "and now I won't use anyone else."

He speaks to a lot of farmers who regularly ask him how many quotes he gets. "I tell them I only get one, and they look at me funny", said Murray. "FML have got my best interests. There's more to logging trees than just price. Glenn [Moir] really is a huge part of the success of the venture. There's been times when he's told us that export prices weren't that great so he told us to hold off harvesting for a year.

He could've taken the money, but he put my interests ahead of his. It's great to see that company grow and still have them care about the small minnows like me."

A keen mountaineer Murray still keeps an active lifestyle, in fact he wants to climb Mt Cook. "The forest keeps me busy. Every time a block is logged I get out there, chop up the butts and sell them for firewood. In fact, physically I'm probably working harder now than when I was an engineer." Not bad for an 80 year old who many years ago realised the vision and yield that forestry can bring.



GODzone Adventure Race 2016

KAITERITERI NELSON NZ

IT'S THE largest and most technically challenging adventure race in the world. Participating in GODzone means covering some 530km as quickly as possible. It's the ultimate test of physical and mental endurance. Even Richie McCaw, who took part in this year's race, called it "tough". So who would put themselves through this kind of hell? FML's Scott Henry, that's who. He took part in this year's GODzone, held in Kaiteriteri.

The week long adventure race was held during early April, with Scott's team one of 60 teams involved.

This race involves getting together a group of 4 (minimum 1 female) and then racing nonstop from 3 to 7 days with as little sleep as the team can tolerate. Each team member must stay within 50 metres of each other whilst covering a number of disciplines including tramping, climbing, mountain biking kayaking and rafting.

Scott's team (number 39) called themselves "The Hill Billys" and had to overcome a variety of problems that would make your average lycra-wearing weekend cyclist spit into his soy-latte. Challenges included a bike breaking all it's gears, getting lost in Ellis Stream for 10 hrs and team-mate Geoff spraining his ankle. Everyone suffered blisters, but another team-mate, Paul, suffered blisters and eventually cellulitis and trench foot. Yikes.

When asked if he'd do it again, Scott said "yep, I'd definitely be keen to do it again. The more you do the easier they seem to become"

They eventually finished long course in a time of 6 days, 6 hours, 30 mins. It would be fair to say that they were tired and looking forward to a hot shower, hot food and sleep.



Students standing beside feller buncher with self-levelling cab

FARM WOODLOT and corporate forest estate harvesting goes largely unnoticed to the general population of New Zealand. This is largely due to remote worksite locations, private access roads and at times negative publicity. An issue this creates is one of looking at how to attract young people into a growing industry, if there is little or no exposure to what opportunities are available.

Over the next 3-4 years NZ will see a significant increase in the number of private forests available to harvest; this is off the back of large amounts of forests planted in the early 90's. Harvesting crews are already struggling to find skilled/experienced staff and young entry level workers to fill positions, this skills shortage will only worsen if

the industry is not promoted to younger generation members.

Forest Management contractor Bob Dronfield working in North Canterbury recognised this problem and alongside Forest Management staff recently organised a field trip for the local Broomfield School. The aim of the trip was to show students, parents and teachers what really happens on a harvesting site, and to hopefully inspire students to think about it as a career option.

The field trip ran smoothly with the group able to view mechanical tree felling, logs being processed and a truck being loaded from a taped off safe zone. General feedback from the group was surprise at how mechanised harvesting had become with very few people on the ground.

A comment made by a parent helper was, 'with the amount of buttons and levers she saw machine operators using it's no different to playing a computer game, and that her son would pick it up in no time'.



Students, parents and teachers watching log truck being loaded

What is the Emissions Trading Scheme AND HOW CAN YOU BENEFIT?

ETS IN SHORT:

Under New Zealand's Emissions Trading Scheme (ETS) you no longer have to wait 20 years to reap what you sow, literally.

Forest planted can be claimed as carbon credits and sold to carbon emitting industries, both here and internationally. With New Zealand units (NZU) currently at \$15, up from \$9.20 in February, now is the time to look into the forestry with the Afforestation Grant Scheme (AGS).

If accepted MPI will reimburse you \$1300 per hectare, with conditions. There is also a catch – the Crown will take all carbon credits from the planting for the first 10 years. FML has successfully applied and planted over 450 hectares under the AGS and established thousands of hectares of ETS forests. If you need a hand or want to know more, get in touch.

THE GOVERNMENT has announced the gradual removal of the 2 for 1 subsidy on the ETS. This means emitters will have to surrender an increased volume of NZU credits in the next 4 years.

	NZU Volume (millions)
2016	20
2017	26
2018	35
2019	40
2020	40

From this volume industry will be allocated some free volume but the trend is clear – demand will increase dramatically in the next few years.

The NZU price is now at \$15 and the price cap is retained at \$25.

In announcing the changes the Minister Paula Bennet made some comments:

- “(1) 140 MT NZUs are stockpiled – to be quite blunt with you – I want to see some of these spent
- (2) Highly unlikely that the price will go down now again
- (3) We have learnt lessons from what we'll accept in units – we won't make those mistakes again”

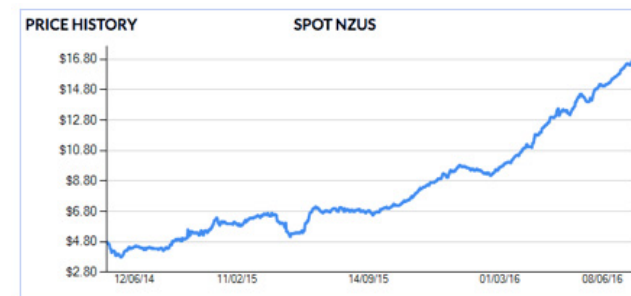
With the Paris accord signed the Government has to find a significant increase in abatement via forestry or a large reduction in emissions. If these do not occur New Zealand will be faced with

having to buy abatement credits off shore. With no clear path to do this and other international movements from government's this cost could run into billions of dollars.

The large overhang of credits in the NZ registry, caused by letting in cheap Hot Air units, is now coming back to bite the government. They need to get these used before 2020.

The following excerpt is from *Treasury Regulatory Impact Statement* with the change:

13. Given this uncertainty, it would be prudent for New Zealand to use its lower cost domestic abatement options - particularly forestry - to hedge against the range of scenarios that could eventuate in the 2020s. This is consistent with Government statements that meeting the 2030 target will require a mixture of domestic emissions reductions, removals from existing and new forests, and the purchase of international carbon credits. New planting needs to start as soon as possible for New Zealand to benefit in the 2020s, due to the 4-6 year lag between decisions to invest in planting and the delivery of removals from new trees. Current NZU prices are insufficient to stimulate afforestation.



THE MESSAGE IS CLEAR

- Government recognises the need for a lot more tree planting
- Carbon price is likely to rise
- NZU demand will increase in next few years

Link to Regulatory Impact Statement on ETS Changes:

www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-mfe-etsr-may16.pdf