

June 2010 Newsletter

Treetop Views

Hi all,

It is a little while since our last newsletter, which I apologize for on behalf of the executive.

Log prices, may the sun keep shining on our industry and may these good returns for our logs continue for the rest of the year and longer. It appears that prices are to ease back a bit, but hopefully they will become stable and all parts of our industry can make reasonable returns. This industry needs more long term investment. The main way to encourage more investment is to have good, reasonably stable returns.

Interesting looking back on what we have done and how returns have ended up. A 98 hectare unpruned block of radiata pine that we logged over the last five years at ages 26, 27 and 28. It will be completed this month with returns ranging from \$16.00 to \$56.00 stumpage averaging \$36.00.

We started with a stumpage of \$28.00 then climbed to \$42.00 March 2007 before prices collapsed.

Then we restarted logging around Xmas 2008 because of the uncertain times with returns at a \$26.00 stumpage, returns dropped to a stumpage of \$16.00. The final logging started in March this year with a stumpage of \$56.00.

Everyone is very busy with logging or trying to find logging crews, more log trucks or more space on the wharf.

Port Marlborough have budgeted on 250,000 units of logs to go over the wharf for year ending 31 June 2010. By the week ending 7th May 2010 the volume will be 330,000 units and should reach 350,000 to 400,000 units by 31 June 2010.

The fumigation issues have not gone away and may always be a thorn in the side of exporting logs to India. It is good to see Zindia is making it work without too many issues.

For myself I have been rather busy over Christmas and New Year with gutting out the



bathroom back to the framing, redoing that room and completing some other rooms before our daughter and my further son in-law (an English man) came out from England to get married at home here in Rapaura. It was a lovely day, went of very nicely.

We are leaving on the 12 May to be with them for the celebration of the wedding in England.

Our good wishes go to Graham and Linda Sharland as Graham undergoes treatment in Wellington following his rushed trip to hospital

and operation in March. Thinking of you both Graham and Linda.

George Shallcrass has taken the roll of Vice Chairman of Graham's sub-committee which is "Fire, Safety & Training", thanks George. If you need to contact George, phone him on 5788596 or 0212818026.

While I am overseas Vice Chairman Michael Cambridge, Ron Sutherland and the rest of the executive will be looking after things.

Kevin Parkes

MARKET UPDATE – June 2010

Wow! What a great year so far for forest owners. Who could have predicted that as the world grapples with recession the NZ forestry industry would be experiencing the best economic conditions seen in over a decade. High export prices and low shipping costs have resulted in historically high returns, with reports of some forest owners returning stumpages of over \$50/m³.

China has been the juggernaut responsible exhibiting an insatiable appetite for NZ logs to fuel its booming economy. And the NZ industry has responded by exporting record volumes of logs from our shores. The increased demand for NZ softwood logs has primarily resulted from lower levels of Russian log imports and a stimulus package by the Chinese government targeting infrastructure projects.

India and Korea have matched these export prices. India's economy is also booming with economic growth not far behind that of China, fuelling construction. The Korean economy is not so strong as it tries to shake of the effects of recession, however Korea has had to match China's prices in order to secure a log supply.

With such high export returns being achieved the domestic processing industry have also lifted prices to compete for logs to fill their mills. There have been few instances in the past when export prices have been above domestic, with that in mind we need to ensure that our mills are still

getting the logs that they need to operate competitively.

Alas export returns have come back from the giddy heights of March and April. To an extent this was inevitable as prices in China for NZ pine were above that of Russian Larch and North American hardwood, both of which are superior products. Spot freight prices have also been rising from approx USD\$20/Jas in late 2009, to mid USD\$50/Jas recently. Despite this export prices are still above domestic prices and so are still historically high.

In the short to medium term the export market is difficult to predict. There are high stocks in China which is creating some issues and putting more pressure on India and Korea as volume is diverted there. Despite this China is expected to maintain current demand for NZ logs. Whether the European credit crisis has an effect (as one of China's larger markets) remains to be seen. Freight prices have stabilised and look to soften going forward, however heavier winter wood means less logs can be loaded onto ships and may not necessarily mean lower overall shipping costs. Long waits at congested Chinese and Indian ports are also proving challenging, with some NZ log ships reportedly waiting for up to two weeks to unload (cost approx USD\$250,000). Expectations in the short to medium term are for prices and forest owner returns to stabilise.

Further out the market is even harder to forecast. However indications are positive for NZ log exports. Both China and India have massive booming economies and a reliance on imported logs. China's largest importer, Russia, has limited medium term capability to increase production, and supplies of tropical hardwood from other sources are declining. North America has some ability to increase production and exports, however when the US recovers from the recession and housing starts return to normal levels they'll need the wood for themselves.

All in all a great start to the year so far and indications are for this to continue to the benefit of the forest owner, though not without some risk.

Brendon Whitley



Bio Diesel for the Marlborough Forest Industry

The Marlborough Forest Industry uses around 5 million litres of diesel per year for log harvesting, log transport, roading, timber transport, chip transport, sawmill mobile plant and port mobile plant.

Gerard Dobbs from Biodiesel NZ was invited to speak to a group from the forest industry. Biodiesel NZ is a subsidiary of Solid Energy and manufactures Biodiesel at plants in Christchurch and Rolleston from used cooking oil and purposely grown canola.

The NZ Govt is subsidizing Biodiesel by 42 cents when it is blended with mineral diesel at a 20% blend. This makes the blend price competitive with 100% mineral diesel. Biodiesel as supplied by Biodiesel NZ has several advantages.

- Price stability – as mineral diesel prices rise, the biodiesel component will rise half as much.
- Biodiesel acts as a lubricant and increases the life of fuel injectors
- Biodiesel is cleaner to handle and is biodegradable making less mess after a spill.
- Biodiesel is cleaner burning with less black smoke etc

Care needs to be taken when first using Biodiesel as it cleans any residue from fuel tanks which end up in the fuel filter. The 20% blend cannot therefore be sold to just any one, but is well suited to regular large users.

The 20% blend can be supplied by Allied, or 100% biodiesel can be supplied by Biodiesel NZ in 1000 litre tanks, by 5,000 litre mini tanker or a full size tanker of 20,000 litres. This fuel can then be blended on site with mineral diesel from any supplier. Most of Marlborough's forest industry could be supplied through 2 or 3 centrally located tanks as is the case now with mineral diesel.

Biodiesel could play a big part in our industry with opportunities to turn wood chip into liquid fuel. A workshop held in Wellington last month titled "Liquid Biofuels in New Zealand" showed several ways to turn solid biomass into liquids for boiler fuel, electricity generation, diesel and jet fuel. Some of the systems proposed using lignite as well for economies of scale. One company plans to produce biofuel at Kinleath and refine it to diesel and jet fuel at the old methanol plant in Taranaki. Another has a plant of suitable size for Marlborough at 200 tonnes per day. See www.renoil.au. All Marlborough's diesel requirements could potentially come from our forests.

In the mean time, the 20% blend from Biodiesel NZ is a great way to improve the security of the diesel supply which is so essential for the Marlborough Forest Industry.

Michael Cambridge
Chairman, Climate Change and Marketing Committee
Marlborough Forest Industries Association

Marlborough Federated Farmers AGM 2010

Forestry Report

The past 12 months have been very active for forestry with a big lift in log prices. While it is Federated Farmers policy to not support the ETS, many Marlborough people are now claiming the credits for carbon stored in their trees.

An exciting future for forestry on farms is foreseen by new Farm Forestry Association president John Dermer.

"A 20 per cent-plus lift in log prices over the last year, with the prospect of more to come, the ability to sell carbon and government support for new planting add up to an exciting future", he says.

"There are other exciting prospects for wood too, such as biofuel," according to Dermer. "Indeed, you could summarise the case by saying that in a world of rising energy costs and pressure to constrain carbon emissions, low energy, carbon sequestering wood has to be a winner. The sooner the trees are planted the better the prospects for the land owner."

There are many areas on Marlborough farms suitable for tree planting with no loss of livestock production. Farmers have the chance to join the exciting future suggested by John Dermer.

Michael Cambridge

Vice Chairman, Marlborough Forest Industries Association

Heavier Log Trucks Set to Benefit the Forestry Industry

On the 1 May 2010 the new Land Transport Bill 'Vehicle Dimensions and Mass Amendment 2010' came into force.

The rule amendment will allow:

- A permit regime for road controlling authorities to issue permits for high productivity vehicles, up to 20 metres in length, to operate above 44 tonnes on specified routes.
- For longer high productivity vehicles there will be an additional approval required from the NZ Transport Agency. This will allow road controlling agencies to issue permits for vehicles that exceed 20m in length. Any vehicle over 53 tonnes will fall into this category.
- Some increases in vehicle lengths to allow certain vehicles to operate without the need to obtain a permit (for example logging trucks that currently operate at 22 metres overall length).

- Conditions will be placed on permits so that they meet safety, compliance and operating requirements.

The forestry industry estimates this could result in a 20 percent increase in productivity and a 9 percent improvement in fuel efficiency - potentially 20,000 tonnes less in annual carbon emissions than would otherwise have been the case.

Cost savings for forest owners could prove significant, however roads must be assessed first to ensure they're able to take larger vehicles and some upgrading of infrastructure will be required (e.g. bridges). The government is putting up the cost for assessment with interested parties being asked to submit applications for particular stretches of road. The applications will be prioritised and ranked nationally.

There is some way to go yet before Marlborough forest owners can cart larger loads, but we're heading in the right direction.

Brendon Whitley



MFIA Website Update

For those of you that have not been into the MFIA website recently take another look. Chas Perry has done a great job of updating the information in our website and injecting some new life into it. Future modernisation plans are also being discussed. You can view our new look website at:

<http://www.marlboroughforestry.org.nz>

Perfect storm brewing for forestry

(article from the NZFOA website, also appearing in various newspapers around the country)

01 Jun 2010

A perfect storm may be brewing for the forest sector says Forest Owners chief executive David Rhodes. On his return this week from a world forest and wood products conference in Tokyo he said the balance of international supply and demand appeared to be changing in favour of the owners of forest plantations.

“On the supply side, huge areas of natural forest across the globe are being protected in reserves and national parks. Also, international pressure on illegal loggers is finally starting to tell – products from illegally logged and uncertified forests are becoming harder to sell,” Mr Rhodes says.

“Meanwhile there is growing consumer demand for products that are renewable and recyclable. Also the ambitious bioenergy targets of many countries are driving demand for wood pellets, black liquor and other forest-based fuels.”

He says burgeoning populations and a growing middleclass, particularly in China, India and elsewhere in Asia, are driving a rapid growth in demand for food and fibre from a diminishing area of productive land.

“The world population stands at 6.8 billion and is growing by 200,000 a day, with projections that it will peak at 9 billion by 2050. In 1990 there was 7.9 ha of land per inhabitant, in 2050 there will be 1.45 ha.

“Forests and the benefits that flow from them are going to be extremely important in such a world. Also, since most of this growth will be happening in New Zealand’s backyard and in our trading markets, it would appear that forest owners have a very promising future.”

Running in parallel with the likely increased demand for forest products is growing recognition of the important role forests play in mitigating climate change.

“The forest and wood processing industries provide solutions which are environmentally

friendly, renewable and which ensure sustainable growth. All of which contribute to carbon emission reduction.”

The annual meeting of the International Council of Forest and Paper Associations (ICFPA) and the 51st session of the FAO Advisory Committee on Paper and Wood Products (ACPWP) was held in Tokyo, Japan, on 27 and 28 May. Mr Rhodes represents NZ Forest Owners on the ICFPA and also serves on the ACPWP.

Major topics included the role of forestry and wood products in mitigating climate change, the production of renewable energy from forest biomass; increasing costs of energy, land, transport and other key production inputs; water management policy; and efforts to eliminate illegal logging.

Mr Rhodes says ICFPA members including the NZ Forest Owners will continue to remind their national governments and international climate change negotiators that the largest sustained mitigation benefit will come from sustainable forest management strategies that maintain or increase forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest.”

In a statement issued following the conference Michael Peter, executive director of Forestry South Africa, said wood is a recyclable and renewable material with a life cycle that doesn’t at harvest. In fact, not only is carbon stored in trees but, once trees are harvested, the end products as well as the replanted areas continue to store carbon.

“Whenever consumers buy sustainably grown wood products, they help the forest industry keep forests vibrant and growing through re-investment and new plantings,” Mr Peter said.

Upcoming Workshops

June Carbon Forestry Workshops

MAF and the University of Canterbury's New Zealand School of Forestry are running a series of Carbon Forestry Workshops at towns around New Zealand to provide information and resource material for potential forestry participants in the ETS, and related climate change programmes (PFSI and Afforestation Grant Scheme). It is for forest owners, landowners (particularly farmers), investors and their advisers. The focus is on providing participants with information to help them decide whether they should participate, and how.

Topics include:

- species choice for carbon forestry,
- factors that determine potential returns,
- carbon markets and trading,
- mitigating or managing risks,
- case studies,
- process for registering and claiming carbon credits,
- where to go for more information.

Presenters include staff from the New Zealand School of Forestry - Dr Bruce Manley, Dr David Evison, Dr Euan Mason and Dr Mark Bloomberg - Piers Maclaren, Registered Forestry Consultant, and a MAF Programmes Advisor.

The fee is \$30 including GST, including workshop materials, morning tea and lunch.

Pre-enrolment is essential to ensure your place. Enrol on-line at www.shortcourses.canterbury.ac.nz. For more information, contact Julia Simmons at julia.simmons@canterbury.ac.nz or phone (03) 364-2645. The date, time and venue for the Blenheim Workshop are listed below:

Date & time	Location	Venue
Friday 25 June 9am– 3pm	Blenheim Enrolments Close: Friday 18 June	Heartland Hotel Cnr Alfred and Henry Streets

Eucalypt Identification Workshop

A One Day Training Workshop

Friday 9 July 2010

NELSON

PRESENTER: CHRIS ECROYD, SCION

Attendees will learn a range of features used for eucalypt identification: bark types, leaves, buds and the characteristics of common groups such as blue gums, stringy-barks, ashes and peppermints. Attendees will also learn to recognise the common species found in New Zealand and be introduced to the use of the EUCLID identification key.

This (6 CEU) educational opportunity is brought to you by:

SCION

New Zealand Arboricultural Association

New Zealand Notable Trees Trust

NELMAC Tree Services

This workshop is for all those involved working with, growing or utilising eucalypts. Arborists, Foresters, Horticulturists, Saw Millers, the general tree and botanical enthusiast.

Registration

A registration application can be downloaded from www.nzarbor.org.nz

Participant numbers limited to 20 so you will need to be quick.