



MACKENZIE DISTRICT COUNCIL FORESTRY REPORT

Reporting Period: 1 November – 31 December 2023

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Background

PF Olsen management of the Mackenzie District Council (MDC) Forest Estate commenced on 1st April 2023.

The purpose of this report is to update the Commercial Committee on the following topics:

- Progress against the annual work programme and budget
- Financial
- Health and Safety
- Environmental
- Harvest/Forest Operations
- Log and Carbon Markets

Summary

During the reporting period, PF Olsen has continued to work collaboratively with MDC to finalise ETS and Forest Management Strategy. Once complete, this strategy will then flow into work programmes and budgets for the next financial year.

The annual work programme and budgets up to 30th June 2024 were developed before the commencement of PF Olsen management, so this year's operations are somewhat set in place. Wherever possible we will work within the current budget, but there will likely be minor amendments where we consider recommendations are necessary. A Financial Summary for the year to date has been provided in this report.

The past 2 months have seen chemical releasing of the replanted area in Willets and ongoing wilding control in Simons Hill.

1. Progress against the Annual Work Programme

Other operations on the Annual Work Programme planned for the next 2 months include;

- Pest management (Willets 2023).
- Windrowing at Woodburn, Pareora Gorge and Dobson.
- Roadside spraying of gorse and broom in various forests.
- Harvest Planning for 14.4 ha of radiata at Simons Hill.
- Wilding control at Simons Hill

2. Financial

Financial Summary (YTD) by Operation

Operation	YTD Actual (\$)	Annual Budget (\$)	Spend (%)
Timber Sales	(281,503)	(564,503)	50
Forestry Consultancy	53,908	58,063	93
Stumpage Management	14,726	27,954	53
Forestry Management	22,655	41,988	54
Windrowing	4,699	34,299	14
Desiccation	0	16,837	0
Planting	6,270	5,918	106
Releasing -Chemical	3,949	4,455	89
Survival Assessment	0	700	0
Thinning	0	7,200	0
Inventory	4,324	3,000	144
Road maintenance	0	10,000	0
Pest and Livestock Control	802	8,000	4
Wilding Control- Manual	1,680	8,000	21
Road/boundary Spraying	0	4,500	0
Security	2,253	5,000	45
Total	(166,236)	(318,590)	56

Timber Sales – Timber sales from Simons Hill are forecast in the second half of the FY.

Road/Boundary Spraying – Due to commence in November 2023.

Wilding Control – Started in December 2024.

3. Health and Safety

Throughout the reporting period, there have been operations within Willets and Simons Hill Forests.

There were no incidents reported from these operations and no other incidents have been reported throughout the estate during this period.

PF Olsen continues to work with MDC on various Health & Safety aspects within the forests including restricting public access and the risk levels around powerlines coming in contact with plantation trees.

4. Environmental

Environmental management plays an important part in the overall forest management. Identifying issues such as wilding and pest management requirements, as well as any potential sediment discharge, from both active and past operations are a key focus for forest inspections.

Throughout the operations in the period, there have been no reported environmental incidents.

There has been a pest animal issue identified in Top Burkes Pass Forest. A management plan for the rabbits in the forest is being developed and will be implemented in due course.

Please note that under new rules released in the National Environmental Standard for Commercial Forestry NES-CF (Previously NES- PF for Plantation Forestry), more emphasis is placed on forest owners' responsibilities and obligations relating to the spread of wilding conifers from their forests. While no immediate action is required, the changes will likely have implications for MDC and will be a significant consideration in the development of the estate management plan.

5. Harvest and Forest Operations

Simons Hill

A 'Lump Sum Stumpage Tender' for 14.9ha of radiata at Simons Hill is currently being developed.

This tender will go to market by the end of January with the harvest due to be completed by June 30, 2024.

Willets

In early December, a contract crew from Native Solutions completed the post-plant release of the 4.4ha of pinus radiata at Willets.

The next operation for this stand is some pest animal control which will be scheduled for late January along with some repairs to fences that were removed for the Harvest.

Top Burkes Pass

A pest control operation is being developed for Top Burkes Pass to help deal with a rabbit problem that has decimated the trees planted in 2020.

Dobson

Site prep is planned for early 2024 in readiness for proposed redwood planting in winter 2025.

Pareora and Woodburn

Site prep works will be done over the next few months and planting of radiata will be done during the winter months.

Some fencing work will be needed at Pareora once all site prep work is completed.

6. Log and Carbon Markets

Carbon Market

The carbon market is continuing the trend of the past few months and staying relatively stable with the price floating around \$70.

As anticipated, the fourth and final carbon auction for 2023 has failed to clear. In the December auction, around 15 million New Zealand Units (NZUs) were on offer, which included NZUs carried over from the preceding three unsuccessful auctions this year. The clearing price did not meet the minimum price settings, resulting in the cancellation of the entire allocation for 2023.

The political and policy uncertainties, stemming from last year's government decisions and ongoing debates around forestry-created NZUs, contribute to a lack of confidence in the carbon market. To improve the situation, the incoming government must instil confidence in the ETS, ensuring stable and predictable rules.

Price History

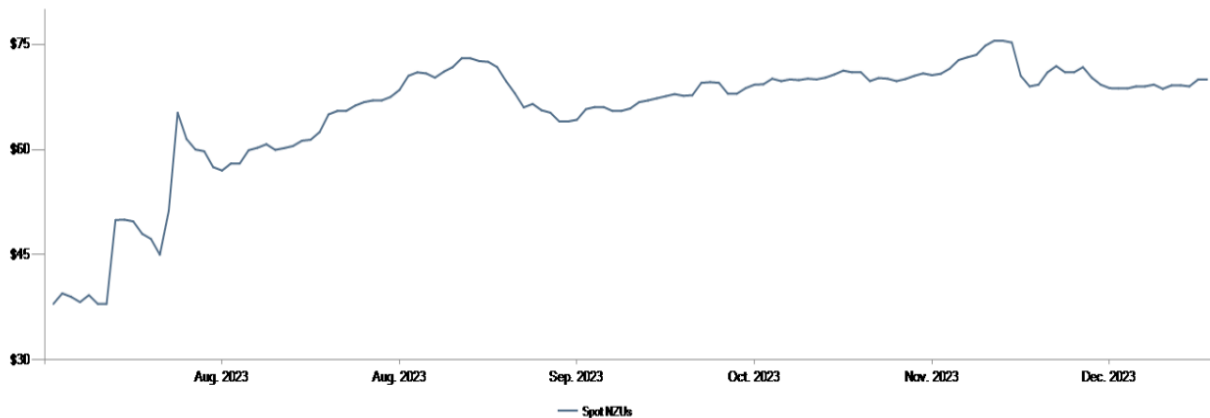


Image 3- NZU Spot price since August 2023

Log Market

Updated 15/01/24

January has seen log prices increase in China with A grade now in the 126-132 USD per JASm³. This increase is due to a drop in expected supply levels from New Zealand towards the end of last year.

The CFR price increases in China were offset by the strengthening NZD and slightly higher shipping rates. Therefore, January AWG prices have increase by 3-5 NZD per JASm³.

China demand for logs will continue to reduce as we head into the Lunar New Year (Dragon) starting February 10th. Log inventory levels in China will rise as New Zealand log supply picks up again after the holiday period in NZ, with some additional harvesting stimulated by the higher pricing. This means further price increases in China are unlikely. If the exchange rate and freight costs work against us over Feb and March, then exporters may struggle to hold the AWG prices.

The PF Olsen Log Price Index increased \$5 to \$123. The index is currently \$4 above the two-year average and \$2 above the three-year and five-year averages.

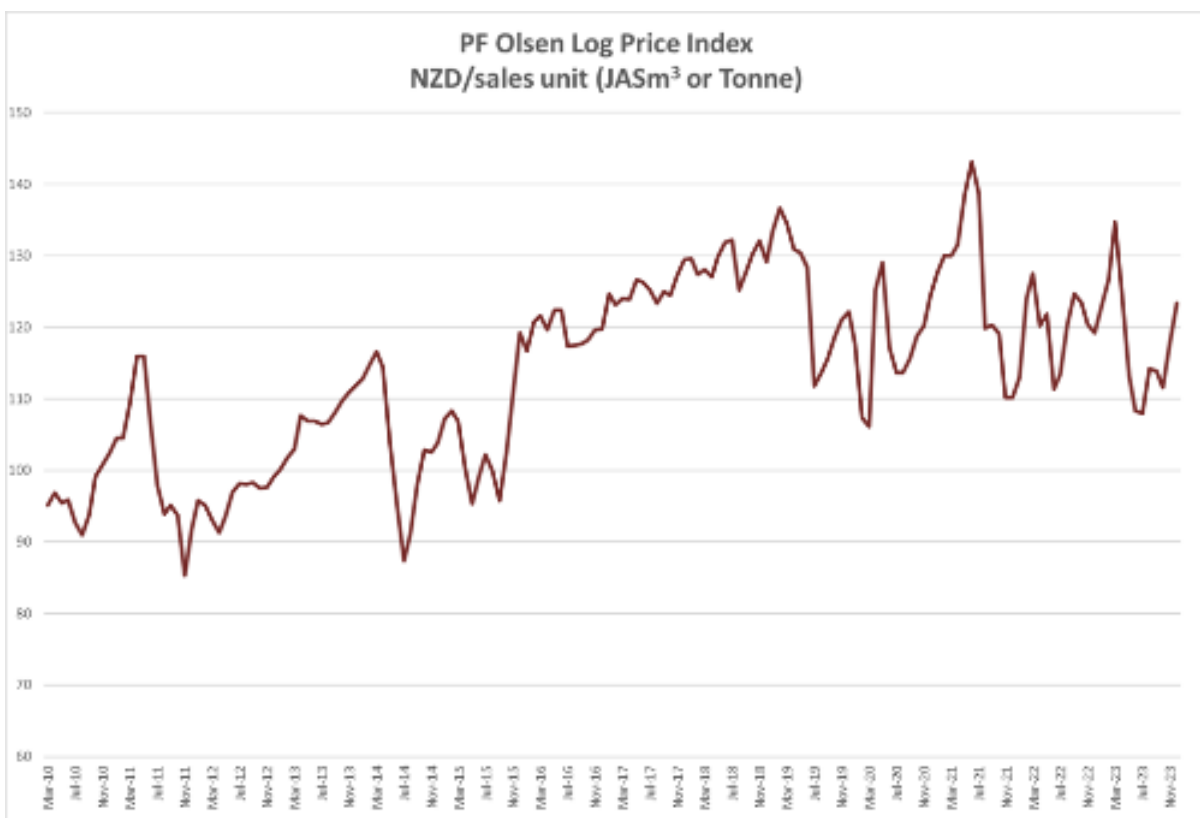


Image 3 – PF Olsen Log Price Index since 2010

7. Annual Planning Document

An annual forest estate plan is being developed as part of the overall modelling and strategic review of the estate. This will be completed in the coming months with input required from MDC.

8. General Management Update

After some consultation with MDC, PF Olsen Consultants are busy finalising the harvest schedule which will, in turn, flow into budgets and work programmes for FY 2034-25. This schedule will look to strike a balance between MDC's objectives of profitability, long-term sustainability and social and cultural needs in the region, and will be the basis of the work programme and budget for the next financial year.

An extra \$60,000 has been allocated to estate inventory to enable stand-specific growth and yield modelling and improve the precision of the estate model. This programme will start early in the new calendar year.

Extra work is being planned in early January to assess ETS eligibility across the MDC Estate to ensure all eligible stands are entered into the ETS and that any unplanted land is being fully utilised.

Some anomalies in stand data have been picked up so PF Olsen will start to work through and fix some of the incorrect data, whilst also remapping some of the more recently replanted stands.

PF Olsen staff continue to spend time visiting forests, talking with neighbours and graziers, and looking at areas of past and future operations. While visiting forests, staff are also watching for potential health & safety, environmental and forest health risks, and any maintenance or forest management requirements that will be included in future budgets.