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NEWSLETTER: 17/9/2015

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Forestry and log price update

Log Grade	Average prices as at 1st-Sep-2015				Price at
	1 Year Avg	2 Year Avg	3 Year Avg	5 Year Avg	1st Sep 2015
A	96.33	102.13	105.58	102.02	82.00
K	88.67	95.29	98.67	95.17	73.00
KI	79.00	86.63	89.28	85.27	61.00
KIS	72.17	78.50	81.81	77.42	55.00
S	93.74	97.05	96.28	95.47	92.00
Pruned	158.58	148.42	142.94	134.62	173.00

Note: Prices provided are to indicate current trend and may vary from some prices available in the market due to timing and other reasons.

Favourable exchange rates and shipping costs have not reflected the true market issues of the last 3-4 months. China log stocks remain at high levels and China is now forced to control supply by price, with US\$ log sale prices falling to 1990's prices without the benefit of much cheaper harvest, cartage, and shipping prices and a then 50c/\$ conversion rate.

Korea and India have emerged as market options providing some better prices meaning September returns are a little bit of a fruit salad depending on log grades, however, pressure will be experienced on these markets as more NZ wood gets diverted away from China. It's likely going to be a rough road ahead for forest owners and contractors.

Figures and commentary supplied by Kelly Coghlan (Logrite).

What is your best land use?



New Zealand has extensive areas of land which are marginal to farm (or uneconomic for future rotations of pine forest as the cost/benefit ratios move) but have a whole matrix of potential uses, one of which may be the establishment and/or encouragement of manuka to support a commercial beekeeping operation.

Manuka - What potential?

Global demand for high-value manuka products is increasing. New Zealand's marginal landowners are uniquely placed to take advantage of this. Options landowners may consider include:

- Encouraging natural regeneration of manuka.
- Planting marginal grazing land.
- Planting to enrich land already reverting to manuka.
- Planting cut-over forest land.

Developing a sustainable venture based on manuka is not necessarily straightforward. We can help you review the practical and economic aspects of developing a manuka venture.

Contact us for an evaluation of your own situation.

Carbon price update

Buyers are continuing to avoid paying over \$7.00/NZU.

You can **sell** NZUs this week for around **\$6.55**.

You can **buy** NZUs this week for around **\$6.75**.

If you hold ERUs they are now virtually worthless

Kyoto units expiring

You may have received an email recently from EPA

regarding the impending expiry of Kyoto Units. The units affected are CERs, ERUs, RMUs and AAUs.

If you have any of these Kyoto Protocol units from the first commitment period you will no longer be able to trade these units internationally after 18 November 2015.

New Zealand will be required to cancel these units once it has completed all of its obligations from the first commitment period. This is expected to occur in mid-2016. However, the international deadline for this process has not yet been set.

If you hold NZ AAUs - The Government advise they will ensure that holders of NZ AAUs retain access to valid units, and they are currently working through the options for ongoing use of these units.

If you have any queries regarding your own unit holding, give us a call.

Cash for carbon - An alternative approach



Many ETS participants are holding significant volumes of NZUs, unwilling to sell at current market prices and unaware that other opportunities exist to optimise the value of their holdings.

NZUs, just like any other asset, are there for you to optimise. Woodnet is able to connect interested parties with an 'emitter' who offers a product that frees up your working capital, providing you with direct access to cash. The Buyer will purchase your NZUs at market prices today and guarantee to sell them back to you in the future at an agreed price.

Note: Credit checks are required.

Illustrative Example:

Big Forest Company holds 50,000 NZUs today that it knows it will require for harvest liabilities due in late 2016.

Acting to maximise their access to working capital, Big Forest Company sells 50,000 NZUs at current market prices today (\$6.85) and at the same time enters into a forward contract to repurchase its 50,000 NZUs for delivery and payment in December 2016 at a price of \$7.49.

In doing so Big Forest has unlocked **\$342,500** in cash for immediate access today at an effective interest rate of **7.7%** per annum.

If you would like to find out more about the alternative carbon sale options available, please give us a call.

Selling your forest

The market for mid to late rotation forests is positive despite the current dip in log prices.

There are several buyers (interested in 100 Ha or more) committed to building up a forest resource, who are active in the market place which now has a two year history of prices worthy of consideration.

Forest sale may not be for everyone, however with increasing cost profiles and benefits available to large scale (amalgamated) forests, it is worth considering.

If you would like help to assess the suitability of your forest for potential sale, please contact us.

Forests for sale



There are many laws and regulations associated with selling forests. To help add value to potential forest sales via direct involvement, Stuart Orme has completed the National Certificate in Real Estate (Salesperson).

Stuart is now able to assist with forest sales through a contractual association with Baker & Associates Land & Leasing Ltd, Licensed Agent (REAA 2008).

The following links provide information about forests currently for sale.

[Wai Ngaio Forest](#)

Otahome Road, Whareama

WAIRARAPA

132.15 Ha Pinus radiata (planted 1996)

[Fernlands Forest](#)

Coopers Road, Bideford

WAIRARAPA

108.6 Ha Pinus radiata (planted 1994-95)

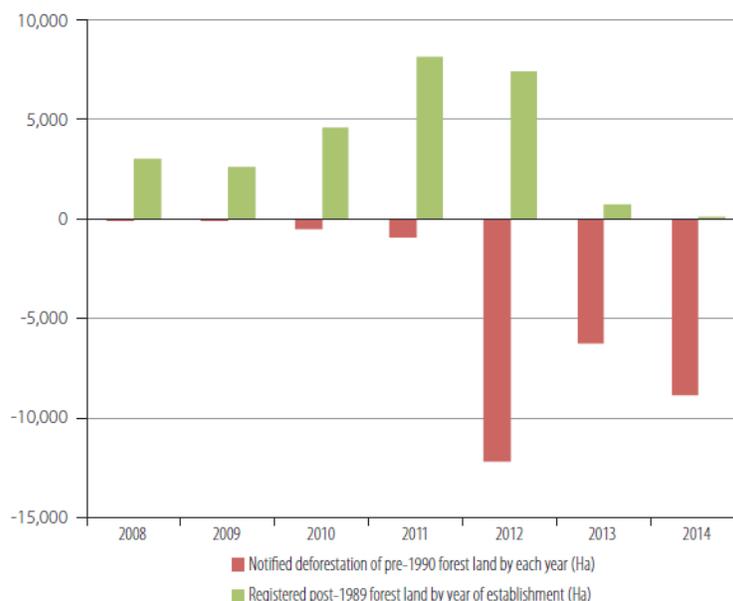
[Amuri Forest](#)

Coopers Road, Bideford

WAIRARAPA

9.77 Ha Pinus radiata (planted 1994)

ETS facts and figures report



Graph: Afforestation and deforestation reflected in the ETS for the period 2008-2014.

Source: Ministry for Primary Industries.

The Environmental Protection Agency has released their latest ETS report - [2014 NZ ETS Facts and Figures](#).

It's interesting to note the number of hectares of new afforestation reported in the ETS for 2014 is minimal. We believe this reflects the market reliance on only a one-off income at harvest and a distrust of what any annual income from carbon might look like after the impending ETS review.

Stuart recently visited forests in the UK, Germany and Switzerland and although all are making a cashflow at harvest, none appeared to be making a return on investment of more than 2% at best.

Woodnet believes that unless forestry can be fiscally recompensed for at least one 'non-harvest' benefit annually (or capitalised up front as they do in the UK with no surrender obligations), there is unlikely to be a long term economically viable option for radiata forestry in the regions of NZ with high cartage and harvest cost components.

Provincial visits - Feilding and Dannevirke

If you live in the Manawatu or Hawkes Bay areas and have a forestry or marginal land use query you would like to discuss in person, please [contact us](#). We now have access to office space in Feilding and Dannevirke and can arrange an appointment for you locally.

AGS applications

MPI have this week started notifying applicants of the outcome of their AGS applications.

Minister Jo Goodhew has announced:

*"Under the first round of funding the total area applied for covered 9,044 hectares, far exceeding our expectations."
"The successful applications cover 5,819 hectares of forest, and farmers and landowners will receive support worth \$7,565,347 through this scheme."*

If you have been successful with your AGS application and require advice about planning and planting your block, we can help.

Kokomai Creative Festival Wairarapa 16-25
October 2015



Woodnet is happy to be associated with the Kokomai Creative Festival this year. Check out www.kokomai.co.nz for event options and ticketing, in particular the "Sing it to my Face" musical theatre project for which Woodnet has sponsored!

Our services

WOODNET CAN HELP YOU WITH:

- Marginal land use options.
- Forest feasibility assessment and planning.
- Forest establishment, management and silviculture.
- Forest valuations and inventory.
- Forest purchase – due diligence and advice.
- Anything and everything ETS.
- Insurance options for trees and carbon.
- Assessment of harvest proposals.
- Support with marketing and selling your forest block.
- Transfer of forest ownership – implications and solutions.
- Structuring forest ownership for succession.

CONTACT US FOR FURTHER INFORMATION.

Wildside Walks



Wildside Walks can plan and guide you on the trip you always wanted.

- Flying into our back country.
- Walking.
- Shooting – with your camera or a rifle.
- Fishing
- Camping with us in the great New Zealand wilderness.

Check out www.wildsidewalks.co.nz to find out more, or phone us.

Email to friend:

Know someone who might be interested in this email.
[Forward it to them.](#)

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