

# Mt Whitnow Forest Partnership

## Annual Report & 2010 Budget

31 December 2009

### Forest Stand Progress

**Ahuriri ('AH3').** This forest stand is healthy and growing well. We have part pruned nearly all of it and later in 2010 should start a second pruning lift to take pruning up to 5.5m, which is the recommended height currently. Then there will be one thinning, taking out nearly all unpruned trees leaving about 340 stems per hectare as the final crop. Hence the new budget enclosed and a request for funds for the usual \$250 per unit.

However you may note from the budget that this will not be sufficient if we do all the rest of the pruning and thinning in 2010. Right now we do not know if we will, as this is still to be finally assessed and decided. Thinning, for example may wait until 2011. But also we need the advice of the partnership's independent forestry consultant, Piers MacLaren on further pruning. It may be that he will advise us to cut back the proposed pruning, as he has recently done concerning a different forest we manage in Marlborough. In short his advice there was that the investment in pruning is forecast to return about the same rate of return as the money already invested, or in other words, an unpruned regime would have about the same rate of return. If so, a key reason for doing it goes, making it prudent or lower risk not to prune. He may not give that advice in the case of AH3 since it is a different stand of trees and it is already part-pruned.

We will advise you as soon as this advice is received.

**Mt Whitnow ('MW123') and Glens of Tekoa ('GT8').** These four forest stands of the slower growing species Douglas-fir continue to make steady progress towards canopy closure over most of their area. There is quite a range of height across these stands, which is typical of this species in its first dozen years or so, especially in response to wind exposure. Some exposed areas of the Mt Whitnow forest have suffered from animal browse too, due to poor fencing at times but we believe this problem is abating now. Most of the forest area is well beyond risk from stock browse and now better fencing is in place.

### Carbon Credits, at last

The Emissions Trading Scheme is now in law and together with the landowners, the Partnership can register and claim carbon credits ('NZUs') from all of its forest area for 2008 and 2009. We plan to do this before the end of March 2010. The parties' NZUs can then be sold on the open market right away or kept for later sale. We do not know what the price will be but the current maximum is \$25, because the government has imposed a cap at that price. Some trades have occurred in New Zealand already, for less than \$25. In theory the price will rise over the next few years after the cap is removed.

But before the partnership gets any credits it must have the landowners' agreement, so we have written to them asking for that and suggesting an addition to the Joint Venture Agreement to cover carbon credit issues.

Obviously selling credits can create a liability which the landowner will not want to be left with at harvest, at least not without adequate compensation. However, it is possible to take some credits and not have to return them at harvest, so long as the forest site continues to be forest land. Currently though, landowners can do what they like with the sites after harvest. Maybe we will agree to replant at harvest if credits are taken?

We will send you a full report from the Forestry Consultant on all this in due course but for now we can say we believe it will be possible to get an agreement with the landowners to allow both parties to gain from the ETS without compromising the long-term viability of their forest investment.

**Charles Etherington**  
**Warren Forestry Ltd**  
**Manager**



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