# HARVESTING REPORT
# August 2021

# HEREFORD FOREST

A Grade logs ready for loadout.

# Clearfell Harvesting Report – Hereford – August 2021

## Summary

- Gross revenue for the month is **$97,557.67**
- Costs for the month are **$74,543.33**
- Net income for the month is **$23,014.34**
- Tonnes harvested for the month is **766.11**
- Net income per tonne for the month is **$30.04**
- Area cleared for the month is **2.2** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$6,332,160.27**
- Project costs to date are **$5,053,421.16**
- Project net income to date is **$1,278,739.09**
- Tonnes harvested to date is **44,531.35**
- Net income per tonne to date is **$28.72**
- Recoverable volume per hectare to date is **626.3** tonnes
- Net income per hectare to date is **$17,985.08**
- Total forest area is **180.5** hectares, approximate hectares cleared to date is **71.1** hectares.

  *The total forest area reflects all net stocked areas regardless of age class or previous roadline volumes.*

**NB: Measured harvest areas are estimated monthly and reconciled with satellite imagery prior to valuations, they are subject to change and should be used as a guide only.**

# Revenue

## Log Sales

Gross income for the month was **$97,557.67** with an average sale price over all grades of **$127.34** per tonne**.**

## August 2021 - Log Markets, Gisborne and Hawkes Bay

The August export prices have dropped $44.86/Jas m$^3$ on average in Gisborne with the decrease affecting all log grades. In Hawkes Bay, the export prices have dropped $33.21/Jas m$^3$ on average with the decrease affecting the sawlog grades to a greater extent.

Radiata log inventories on the main Chinese ports we monitor have increased marginally to 4.53Mm$^3$, with daily offtake 70Km$^3$ per day range but with significant volume awaiting discharge from ships waiting at port.

If Covid related lockdowns do not escalate further, Chinese demand should remain solid over the balance of 2021, slowly increasing as traditionally production lifts in Quarter 4.

This month exporters have been reluctant to set AWG prices as there was a stand off from customers opening LC's (Letters of Credit) for vessels on route, but these were a lot more forthcoming once the New Zealand lockdown was announced.

The two weeks at the end of August where harvesting ceased has helped clear most port stocks in New Zealand. Log storage, berth availability, stevedoring performance and general infrastructure issues are limiting to varying degrees further production. The average number of vessels departing New Zealand each month has been 55 this year and there are currently less than 35 planned for September. This will hopefully assist with port congestion in China with vessels now waiting up to three weeks.

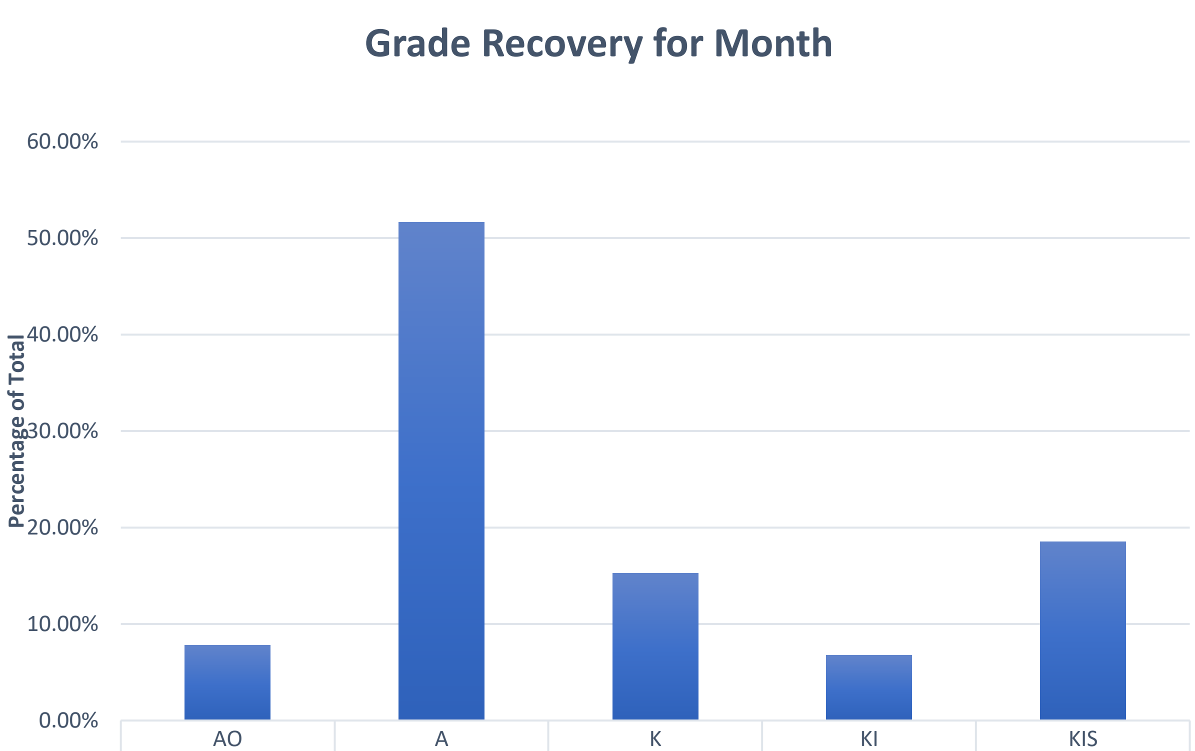
Port congestion in both New Zealand and in China continues to run at record levels, with the result that not only are final freight costs increased significantly but the capacity of the fleet is being reduced. At the China end we are seeing an increase in delays due to Covid restrictions at a number of Chinese ports, particularly in the Yangtze basin. August final freight costs including delays will be over US$70.

The NZD weakened against the USD when the Level 4 lockdown was announced, dropping from 0.702 to 0.683. The exchange rate then rebounded to pre-lockdown trading margins.

Domestic pruned log prices have lifted $2.50 in Gisborne and $4 in Hawkes Bay this quarter due to strong AWG export pricing and factoring in the winter effects on Jas conversions.

## Grade Recovery

Grade out turn for August is as follows:




| | AO | A | K | KI | KIS |
|---|---|---|---|---|---|
| Total | 7.82% | 51.67% | 15.24% | 6.74% | 18.53% |

**Chart 1: Grade Recovery for Month**

There were no sales of pruned logs in the month of August due to Level 4 Covid lockdown impacting domestic sawmills where we are currently sending our pruned volume.

High quality export sawlog (AO, A and K grades) made up 75% of the total production volume, with lower quality export (KI and KIS grades) comprising 25% of volume.

There was no domestic pulp or binwood sales.

# Expenditure

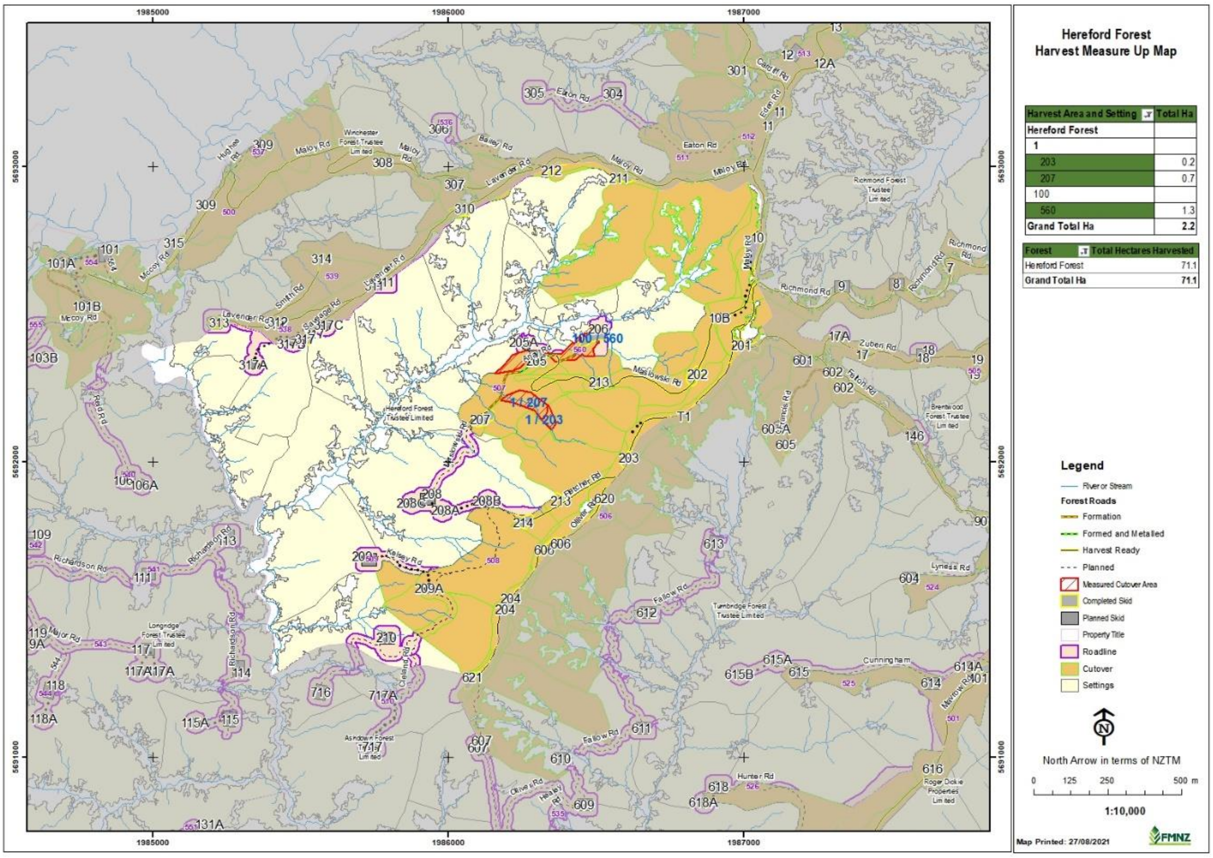
## Harvesting

The total logging cost for the month was **$31,778.24**, an average of **$41.48** per tonne.

Harvest expenditure for the month is summarised below in Table 1:

| LOGGING COSTS | | TOTAL |
|---|---|---:|
| August | | $31,778.24 |
| | | **$31,778.24** |

Table 1: Logging Costs




Pic 1: Progress Map

Covid Level 4 lockdown commenced on 18th August and halted production for two weeks. We were able to cart out for two days at the end of August as the ports had run out of logs and had ships to load. MBIE gave a dispensation for this. This worked well for us as enabled us to clear log stocks from the forest before work recommenced.

Harvesting recommenced in Covid Level 3 on 31st August.

Log 16 cleared off the backline for the swing yarder at Setting 507 on Maslowski Road in preparation for Log 24 to clearfell Setting 212 on Lavender Road.

## Cartage

Cartage is managed by Harvest Logistics Ltd, who organise the despatch and supply of log trucks into the forest.

The total cartage expense for the month was **$31,180.68** which is an average unit rate of **$40.70** per tonne.

Cartage expenditure for the month is summarised below in Table 2:

| CARTAGE COSTS | | TOTAL |
|---|---|---|
| August | Cartage - Truck | $31,180.68 |
| | Weighbridge | $283.46 |
| | | **$31,464.14** |

Table 2: Cartage Costs

The average cart rate for August inclusive of weighbridge fees is **$41.07** per tonne.

## Engineering

| ENGINEERING | | RL | CF | TOTAL |
|---|---|---|---|---|
| August | Stockpile Works | $271.89 | | $271.89 |
| | R&M - Road Maintenance | $511.00 | | $511.00 |
| | Trucks - Cart & Dump | $298.74 | | $298.74 |
| | Other | $75.56 | | $75.56 |
| | Landings | $5,470.00 | | $5,470.00 |
| | R&M - Metal | $493.32 | | $493.32 |
| | | **$7,120.51** | | **$7,120.51** |

Table 3: Engineering Costs

Earthworks in August included extending Landing 212 in preparation for clearfell and repairs to Maslowski and Richmond Roads. Landing 205 was constructed.

## Planned Activities for September 2021

Log 16 will be leaving Hereford Forest to roadline salvage McCoy Road in neighbouring Long Ridge Forest.

Log 24 will return to Hereford Forest to clearfell harvest Setting 212 Lavender Road and then move to Landing 310.

Earthworks in September will include construction on Fletcher Road as far as Landing 209 and maintenance work associated with clearfell operations.

## Net Revenue

Net revenue for the project to date excluding GST is shown in Table 4 below:

| MONTH | NET MONTH | NET PROJECT |
|---|---:|---:|
| August | **$23,014.33** | **$1,278,739.09** |

Table 4: Total Revenue

The net revenue for the month equates to an average of **$30.04** per tonne, or **$10,461.06** per hectare.

## Fees and Levies

Management fees and FGC levies are summarised in Table 5 below:

| FEES & LEVIES | | TOTAL |
|---|---|---:|
| August | Management | $3,902.31 |
| | FGC levy | $266.20 |
| | | **$4,168.51** |

Table 5: Fees and Levies

## Miscellaneous

See Table 6 below:

| MISCELLANEOUS | | TOTAL |
|---|---|---:|
| August | Consumables | $11.94 |
| | | **$11.94** |

Table 6: Miscellaneous Expenses

Consumable costs are for docket books used for the loadout of logs during August.

## Health and Safety

There were no health and safety incidents reported in the forest during August.

## Environmental

There was no site-specific environmental planning or monitoring undertaken during August.

## Financial Performance

The graph below shows the actual project results compared with the forecast budget.

The orange cumulative line measures actual performance against the forecast budget.

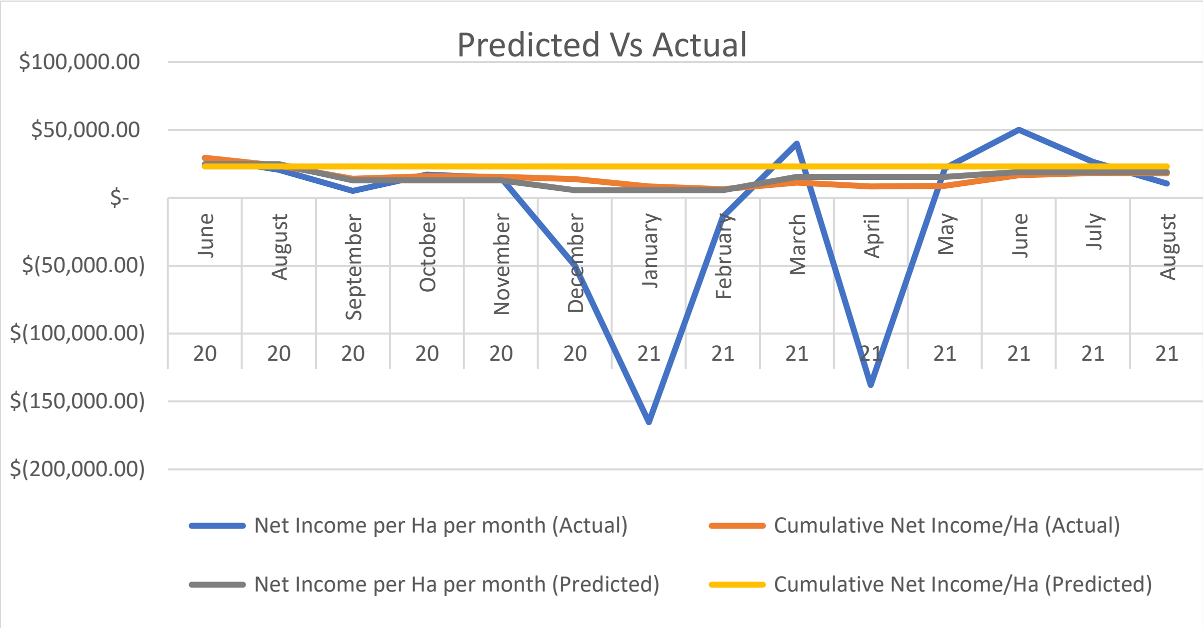



Chart 2: Actual vs Predicted

Net return per tonne to date is **$28.72**, forecast was $34.49.

Gross return per tonne to date is **$142.20**, forecast was $131.31.

Net return per hectare to date is **$17,985.08**, forecast was $23,032.71.

Kind Regards

**FMNZ Harvest Team**

**Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)**

## Historic Harvesting Financial Summary

**Hereford Forest Partnership** 01/08/2021 to 31/08/2021

Paid to bank account # 02-0792-0001692-000 GST # 62-990-236

| SALES | | | | | |
|---|---|---|---|---|---|
| **Type** | **Grade** | **Tonnes** | **Jas (m3)** | **Sales Price** | **Gross Revenue ($)** |
| Export | | | | | |
| A40 | AO 3.8 | 0.00 | 63.338 | $129.00 | $8,170.60 |
| A30 | A 3.8 | 0.00 | 116.216 | $127.00 | $14,759.43 |
| A30 | A 5.8 | 0.00 | 306.768 | $129.00 | $39,573.07 |
| K | K 3.8 | 0.00 | 123.866 | $119.00 | $14,740.05 |
| K | K 5.8 | 0.00 | 0.392 | $121.00 | $47.43 |
| KI | KI 3.8 | 0.00 | 53.098 | $111.00 | $5,893.88 |
| **TOTAL EXPORT SALES** | | **0.00** | **663.678** | | **$83,184.46** |

| Export Pulp | | | | | |
|---|---|---|---|---|---|
| Export Pulp | KIS 2.9 | 0.00 | 35.415 | $93.00 | $3,293.60 |
| Export Pulp | KIS 3.8 | 0.00 | 107.569 | $103.00 | $11,079.61 |
| **TOTAL EXPORT PULP SALES** | | **0.00** | **142.984** | | **$14,373.21** |
| **TOTAL** | | | **806.662** | | **$97,557.67** |

| FEES | |
|---|---|
| FMNZ Management Fee @ % | $3,902.31 |
| **TOTAL FEES** | **$3,902.31** |

| LEVIES | |
|---|---|
| Forest Grower Commodity Levy @ $0.33 | $266.20 |
| **TOTAL LEVIES** | **$266.20** |

| COSTS | |
|---|---|
| Harvesting | $31,778.24 |
| Cartage | $31,180.68 |
| Weighbridge | $283.46 |
| Consumables | $11.94 |
| Landings | $5,470.00 |
| Metalling: Cart to stockpile | $298.74 |
| Other | $75.56 |
| R&M - Metal | $493.32 |
| R&M - Road Maintenance | $511.00 |
| Stockpile Works | $271.89 |

## Appendix 1 Harvesting Financial Summary (Continued)

| | |
|---|---|
| TOTAL COSTS | $70,374.83 |
| TOTAL FEES, LEVIES & COSTS | $74,543.34 |

| | |
|---|---|
| NET INCOME | $23,014.33 |
| GST | $3,452.15 |
| NET INCOME (INCLUDING GST) | $26,466.48 |

**Photo 1: View of the Ruakituri group of forests from Tiniroto Road.**

**HEREFORD CUMULATIVES**

| Categories | Descriptions | Mar 20 - Feb 21 | Mar 21 | Apr 21 | May 21 | June 21 | July 21 | Aug 21 | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| **Engineering** | Culvert Installation | -$11,337.25 | -$2,351.00 | -$1,785.00 | | | | | -$15,473.25 |
| | Culverts | -$23,601.80 | -$5,898.82 | | | -$2,846.34 | -$2,280.00 | | -$34,626.96 |
| | Culverts - Freight | -$1,041.20 | -$551.00 | | | | -$970.00 | | -$2,562.20 |
| | Establishment - Engineering | -$6,910.04 | -$240.00 | | | -$256.32 | -$180.00 | | -$7,586.36 |
| | Fluming | -$3,416.64 | -$1,268.80 | -$60.80 | | -$1,586.00 | | | -$6,332.24 |
| | Grass Seeding | -$3,810.20 | -$1,129.25 | -$992.75 | | | | | -$5,932.20 |
| | Landings | -$223,566.84 | -$2,761.00 | | | -$5,340.00 | -$9,186.00 | -$5,470.00 | -$246,323.84 |
| | Loadout Bay Construction | -$2,877.94 | | | | -$442.06 | -$442.00 | | -$3,762.00 |
| | Loadout Bay Metal | -$2,806.50 | | | | | | | -$2,806.50 |
| | Metal Rock | -$181,599.76 | -$20,879.05 | -$57,448.91 | $14,174.72 | -$24,512.23 | | | -$270,265.23 |
| | Other | | -$313.60 | | | -$20.50 | -$6.25 | -$75.56 | -$415.91 |
| | Pads | -$23,420.00 | -$4,551.00 | | | -$4,685.00 | | | -$32,656.00 |
| | Pavement | -$19,564.67 | -$2,977.00 | -$1,710.00 | | | -$65.63 | | -$24,317.29 |
| | R&M | -$17,634.00 | -$955.46 | | | -$1,023.67 | -$4,495.25 | | -$24,108.39 |
| | R&M - Culverts Maintenance | -$649.50 | -$100.00 | | | | | | -$749.50 |
| | R&M - Event Cleanup | -$1,884.76 | | | -$2,100.00 | -$12,055.62 | -$26,777.94 | | -$42,818.32 |
| | R&M - Road Maintenance | -$22,042.44 | -$10,362.93 | | -$690.00 | -$5,000.11 | -$595.00 | -$511.00 | -$39,201.48 |
| | Rehab | -$7,370.04 | | -$4,375.00 | -$2,275.00 | | | | -$14,020.04 |
| | Road Formation | -$492,639.64 | -$44,911.00 | -$7,945.00 | | -$300.00 | | | -$545,795.64 |
| | Sediment Control | -$350.62 | | | | | | | -$350.62 |
| | Spread from stockpile | -$70,737.35 | -$1,742.00 | -$9,660.00 | | -$130.00 | -$995.75 | | -$83,265.10 |
| | Stockpile Works | -$9,837.71 | -$1,959.70 | -$4,178.76 | | -$1,482.86 | -$1,231.13 | -$271.89 | -$18,962.05 |
| | Temp Landings | -$23,492.00 | -$350.00 | | | | | | -$23,842.00 |
| | Trucks - Cart & Dump | -$114,787.33 | -$18,851.58 | -$48,315.97 | $12,610.96 | -$28,491.84 | -$20,748.43 | -$298.74 | -$218,882.92 |
| | Trucks - Cart & Spread | -$2,086.91 | | | | | | | -$2,086.91 |
| | Metal Lime | | | | | -$6,521.59 | -$24,843.74 | | -$31,365.33 |
| | R&M - Metal | | | | | -$3,283.28 | | -$493.32 | -$3,776.60 |
| **Engineering Total** | | **-$1,267,465.14** | **-$122,153.18** | **-$136,472.19** | **$21,720.68** | **-$97,977.41** | **-$92,817.12** | **-$7,120.51** | **-$1,702,284.86** |
| **Fees** | FGC levy | -$7,166.39 | -$1,614.73 | | | -$2,532.91 | -$1,642.55 | -$266.20 | -$13,222.78 |
| | Management | -$135,524.15 | -$29,963.78 | | | -$50,843.23 | -$33,052.93 | -$3,902.31 | -$253,286.41 |
| **Fees Total** | | **-$142,690.54** | **-$31,578.52** | | | **-$53,376.14** | **-$34,695.48** | **-$4,168.51** | **-$266,509.19** |
| **Harvesting** | Cartage - Rail | -$41,180.09 | -$19,592.84 | -$1,175.32 | | -$17,430.23 | -$15,657.62 | | -$95,036.10 |
| | Cartage - Truck | -$585,112.34 | -$97,975.03 | | | -$233,312.66 | -$164,135.85 | -$31,180.68 | -$1,111,716.56 |
| | Establishment - harvesting | -$10,866.71 | | | | | | | -$10,866.71 |
| | Logging | -$1,057,958.32 | -$193,030.25 | | | -$324,631.19 | -$211,599.02 | -$31,778.24 | -$1,818,997.02 |
| | Tracking | -$18,525.00 | -$7,840.00 | | | -$720.00 | | | -$27,085.00 |
| | Trailer Lifting | -$1,777.04 | -$131.92 | | | -$55.72 | | | -$1,964.68 |
| | Weighbridge | -$9,885.15 | -$1,836.94 | | | -$2,702.64 | -$1,668.99 | -$283.46 | -$16,377.18 |
| **Harvesting Total** | | **-$1,725,304.64** | **-$320,406.98** | **-$1,175.32** | | **-$578,852.44** | **-$393,061.48** | **-$63,242.38** | **-$3,082,043.25** |
| **Income** | Log Sales | $3,388,103.80 | $749,094.61 | | | $1,271,080.84 | $826,323.34 | $97,557.67 | $6,332,160.26 |
| **Income Total** | | **$3,388,103.80** | **$749,094.61** | | | **$1,271,080.84** | **$826,323.34** | **$97,557.67** | **$6,332,160.26** |
| **Miscellaneous** | Consumables | -$1,180.61 | -$108.01 | -$13.00 | | -$181.44 | -$64.94 | -$11.94 | -$1,559.94 |
| | Other | -$98.61 | | | | | | | -$98.61 |
| | Power Lines | -$361.55 | | | | | | | -$361.55 |
| | Traffic Management | -$80.09 | | | | | | | -$80.09 |
| | Environmental Monitoring | | -$158.88 | -$203.57 | | | | | -$362.45 |
| | Consultancy Fees | | -$78.75 | -$25.31 | | | | | -$104.06 |
| | Security | | -$0.94 | -$16.23 | | | | | -$17.17 |
| **Miscellaneous Total** | | **-$1,720.85** | **-$346.58** | **-$258.11** | | **-$181.44** | **-$64.94** | **-$11.94** | **-$2,583.86** |
| **Grand Total** | | **$250,922.63** | **$274,609.35** | **-$137,905.63** | **$21,720.68** | **$540,693.41** | **$305,684.33** | **$23,014.34** | **$1,278,739.09** |