

Van der Bijl Forest Purchase Case Study

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1.1 Background

Chris and Trish Van der Bijl are currently milking 1200 cows their 590 ha dairy farm in the Reporoa district (20 kms North East of Taupo). The Van der Bijl family has been farming for several generations, Chris and Trish now continue the tradition on the family farm.

In 1979 Phillip and Denise Van der Bijl planted 63 hectares of the then 400 ha farm in pine trees. This was largely the steeper area of the farm, with other marginal farmland. As a youngster, Chris watched with interest as the trees were planted, then later pruned and thinned to maximize the eventual forest harvest yield. Over time he witnessed the trees develop from tiny seedlings into large commercial quality plantation trees. With the trees almost at maturity, and now farming the land himself, Chris and Trish began looking though the options for realising the best return on the family’s forest investment. With all of the hard work, planning and growth complete, they were determined to secure the best arrangement for what was now a significant asset.

1.2 Stand Information.

General	Location	Broadlands Rd, Reporoa
	Species	Radiata Pine
	Age	28
	Area Planted	62.7 ha
	Contour	60% very steep, 40% rolling
Silviculture Information	Planted	1979 & 1980
	*Pruned: First Lift (4 y/o)	Yes

	Pruned: Second Lift (6 y/o)	Yes
	Pruned: Third Lift (8 y/o)	Yes
	**Thinned to waste	Yes
	***Production Thinned	No
Mature Stand Data	Tonnes	36,000
	Stems per ha	308
	Piece Size	1.84 tonne
Inventory Estimates	Pruned	21%
(note these are approximate	Structural	12%
figures for demonstration	Utility	30%
purposes)	Industrial	10%
	Pulp	27%
Harvesting Technique	Hauler (Cable logging)	60%
	Ground Based (Skidder)	40%

- * Pruning: The process of removing the lower branches of a growing tree, in order to produce higher value knot free “clearwood” when the tree reaches maturity. Pruning should be spaced over a number of years (1st, 2nd and 3rd lift) as the tree grows to maintain a consistent knot free component within the timber.
- ** Thinning to Waste: Felling the small and defect trees present in a young stand of trees to waste in order to promote the growth of the superior remaining stock.
- *** Production Thinning: Felling, extracting and marketing the small and defect trees within an intermediate aged stand, in order to promote the growth of superior remaining stock. This also provides an income stream prior to the mature forest harvest.

1.3 Forest Sale History

The Van der Bijls initially put the stand on the market using a wood marketing entity specializing in the competitive tendering process. Under this system, stand data is compiled, including tonnage, inventory estimates, and harvest planning notes. Interested parties are then invited to bid on the timber, and a choice is made by the forest owner according to their own decision criteria. The initial competitive tender process did not produce the results that the Van der Bijls had hoped for. They decided to delay harvesting for one year, hoping for an eventual upswing in the log market.

As it transpired, the log market experienced a further slight deterioration during this time, to stabilise at a lower level. This is a clear demonstration of the potential volatility of log markets

(for both domestic and exported timber), and the potential risks associated with delaying the harvest of mature forest.

12 months on, they put the stand on the market once again; Ribbonwood New Zealand emerged as a strong potential candidate, and was able to negotiate an attractive harvesting and marketing package to suit the Van der Bijls requirements. The Van der Bijls evaluated the proposal according to their decision criteria set out below.

1.4 Decision Criteria

When deciding between the various different forest harvesting and marketing proposals the Van der Bijls took the following factors into consideration:

- Price - ability to provide the highest return on their investment
- Reputation in the marketplace. History of trading.
- Access to a wide variety of log markets and relationships to safeguard their log sales
- Scale and reliability of payment
- Health and Safety management. Environmental Compliance record.
- Harvesting quality and ability.
- Ability to listen to their requirements, and minimise inference with the farm.
- Capacity to manage and organise road building, skid site and engineering works.

At the conclusion of this process, Ribbonwood New Zealand was selected as the most suitable forest harvesting and marketing business to undertake this large farm forest project.

1.5 Ribbonwood New Zealand Forest Purchase Package

The successful package was a Pay as Cut payment arrangement. This involved an agreed payment per log grade, from prune grade (highest value) through to structural, utility, industrial, and pulp grades (lowest value), paid across the forest harvest volume tonnage. In comparison to other forest marketing operators, Ribbonwood New Zealand was able to offer the highest payment to the Van der Bijls across the applicable log grades.

This was due to three key factors. First, Ribbonwood New Zealand has 10 years of experience in purchasing forests and maximizing the log sale returns. During this time they have developed strong relationships with domestic and export log purchasers, and have been able to negotiate preferential pricing based on volume and proven trading history. Secondly, Ribbonwood New Zealand has a low overhead and cost structure. Thirdly, Ribbonwood New Zealand had strong

control and confidence in the ability of its own cartage operation and harvesting crews to recover the highest grade value possible from the stand, at an efficient total rate.

1.6 Harvesting

Ribbonwood New Zealand organized road building, forest engineering and skid site establishment for the harvesting area. Environmental compliance and harvest planning were also completed. Following this process, two Ribbonwood New Zealand Crews were deployed to undertake the harvest work.

Gang 23 (Skidder Crew) attended to the rolling contour with its ground based logging system (40% of the harvest area). Gang 67 (Hauler Crew) then harvesting the remaining steep to ultra steep contour with its cable logging system. Under RNZ management and supervision the crews were able to achieve excellent results, exceeding the value recovery across several timber grades. This resulted in an increased return to the Van der Bijls for the applicable grades.

The completed harvested area was left in a tidy state, with all merchantable timber removed, waste and slash pushed within the stumpline, and offcuts and processing waste pushed into manageable heaps on the skid area. The completed harvest area was left ready for replanting, or for further development into farmland.

1.7 Conclusion

Success in a forest sale situation depends on a number of fundamentals. Firstly, correct planting, pruning and thinning is critical for producing high value timber. This must be attended to in the stands early years. Accurate notes and records of the pruning regime should also be maintained as evidence of high end prune product which is purchased by log buyers at a premium rate. Secondly, the forest owner should procure accurate inventory information, to have a clear understanding of the volume present, and the timber grade breakdown. Thirdly, a suitable high performance forest marketing and harvesting business must be selected. The company must have the ability and experience to sell the various timber grades at the highest possible price, while exerting control over harvesting and cartage costs, while also having sufficient harvesting expertise to produce the highest possible grade outturn. Ribbonwood New Zealand has been able to bring these variables together and create an optimal outcome for the Van der Bijls.