FCF makes key change to forest valuation policy

Fletcher Challenge Forests has announced a change to its forest valuation policy, taking effect at the end of the current financial year (30 June 2001). The change resulted from a review by the new board, as foreshadowed in an Information Memorandum released in March this year as part of the Fletcher Challenge Group separation document. Regarding forest valuation, the company has previously accounted for its forest estate on the basis of historical cost and is now moving to a market valuation methodology, using discounted future cash flows as the basis for determining current value.

"Our forests make up a large part of our asset base and this change in the way they are valued and reported will provide investors with more relevant information with which to assess the worth of those forests," said FCF chief executive Terry McFadgen. "As part of the new policy, we will provide full disclosure of the key assumptions underlying the market valuation. These will include product prices based on a 12 quarter historical average, a discount rate of 7.5 per cent (real) and full provision for tax."

He noted that market value accounting for regenerative assets such as plantation trees is the mandatory accounting standard in Australia. The change in accounting policy is expected to result in a new carrying value for the company's forest estate in line with the December 2000 carrying value of NZ$1.1 billion recorded in the accounts of Fletcher Challenge Forests Division. The forest estate was recorded in the Fletcher Challenge Limited Group accounts at NZ$1.8 billion, the difference between the two values having arisen as a result of different interest capitalisation policies at the group and divisional levels.

Ngāi Tahu purchases Proseed New Zealand

Ngāi Tahu has purchased the business of Proseed New Zealand from the Crown. Proseed will continue to operate as Proseed New Zealand Limited, a wholly owned subsidiary of Ngāi Tahu Holdings Corporation Limited.

"We are very pleased with the purchase. It is a healthy business that adds another strand to our forestry land holding investments" said Mr Graham Sinclair, Executive Director of Ngāi Tahu Holdings Corporation Limited.

Proseed is New Zealand's leading supplier of high-grade tree seed products to the New Zealand forest industry. It focuses on Radiata pine, Douglas fir and cypress seed but also markets about 300-400 other forest species to enthusiasts both in New Zealand and overseas.

Proseed is also internationally recognised for its development of commercial seed orchards and production processes to produce genetically improved Radiata pine seed. Genetic improvement is by a process of tree selection and controlled breeding and does not involve genetic modification.

The key customers of Proseed include forestry companies and independent nurseries that in turn supply tree seedlings to a wide range of forest owners.

The business has been bought as a going concern and comprises 112 hectares of seed orchards in North Canterbury as well as seed stocks, buildings, customer base, and other assets.

Also included in the sale are the Crown's shares in the Radiata Pine Breeding Company Limited (RPBC). The Board of the RPBC unanimously endorsed Ngāi Tahu as a shareholder in the Breeding Company. Ngāi Tahu intend to retain ownership of the business. Proseed has been managed on behalf of the Crown since 1991 by Forest Seed (NZ) Ltd. Ngāi Tahu has retained this important management relationship.

Dothistroma committee raises concerns over disease control

The Dothistroma Control Committee (DCC) is concerned that forest owners or managers of small blocks may overlook the presence of the disease in their forests until serious damage to the stands has occurred.

The DCC is a sub-committee of the NZ Forest Owners Association land coordinatives the annual summer spray programme on behalf of all forest owners.

In addition, there are concerns that untreated stands create a source of infection to neighbouring forests.

The DCC's services are available to all forest owners - large or small to ensure the best control of the disease in the most cost effective manner. The DCC is non-profit making and purchases bulk supplies of copper fungicide at competitive rates on the world market.

The contact numbers for approved forest health surveyors are as follows:

Forest Health Dynamics Ltd Tel: 07-3323454;
Fax: 07-3323464

Vigil Forest Health Advisory Services
Tel: 07-3473923; Fax: 07-3501440

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