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Committee Catchment Management
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Akura Conservation Centre: Review for the Year Ending 30 June 2008

1. Purpose

To inform the Committee of the performance of the Akura Conservation Centre for the 2007/08 year.

2. Background

The Akura Conservation Centre grows and sells trees suitable for erosion control, shelter and river management primarily for the Land Management and Flood Protection Departments and external customers. The business has two groups of activities;

- The Nursery unit grows poplar and willow poles for soil conservation and river control purposes.
- The Trading unit supplies various tree species (natives, *Pinus radiata*, acacias, eucalyptus, *macrocarpa*) and sundry stock items (posts, protectors, chemicals, and animal repellents).

3. Sales volumes and survival rates

Akura sold 210,315 trees for the financial year to 30 June 2008. This was 37% down on the previous year, and still some way from the 500,000 trees sold in 2002. It was a disappointing year for *P.radiata* sales in response to a current lack of confidence in the industry.

The sales of native species have remained solid and there is good support for exotic species both open grown and containerised. Local native seed of more than 30 species has been collected to support Akura moving to full Eco sourcing of native plants for Greater Wellington projects in 2009.

Pole numbers were similar to those of the previous year, however the key product line of 3 metre poles were up slightly.

Planting conditions for last winter were generally dry, followed by October rains before the onset of a severe drought period. However survival rates of trees planted

were generally good with early spring rains assisting in tree establishment and able to sustain the trees through the 2007/08 drought. Average pole survivals ranged from 50–70%, the poorest results aligned with exposed westerly slopes and the extremely dry areas.

Poles	2008	2007	Seedlings	2008	2007
3.0 metre	26,910	24,200	P Radiata	85,000	185,400
2.5 metre	1,080	3,440	Open grown	10,120	4,400
2.0 metre	8,009	9,670	Natives	45,520	64,443
Stakes	2,911	5,260	Container grown	30,765	35,883
Total	38,910	42,570	Total	171,405	290,126

4. Financial Performance

Akura recorded an operating deficit of \$4,000 for the 2007/08 year, compared with a budget surplus of \$37,000. The operating surplus for the 2006/07 year was \$28,000. Areas that impacted on profit were reduced income of \$53,000 from lower tree sale volumes, eco sourcing of native seed - \$10,000, work necessary for health and safety compliance - \$6,000, and additional wage and irrigation costs (extended season) season - \$12,000.

Despite the operating deficit, the unit achieved a funding surplus of \$16,000 which was paid to Council as a dividend. (\$35,000 for 2006/07). The 2007/08 financial statements for the Business Unit are attached.

The business unit is in very good financial health with net assets of \$769,000 and total debt of \$37,000. However the unit faces a number of challenges to ensure it continues to produce satisfactory financial results:

- Containing costs, including those from the eco-sourcing policy initiative.
- Improving nursery production (poplar and willow pole) to reduce the need to buy in supplementary supplies (see below).
- How to meet the cost of potentially expanding the nursery to meet the expected increased demands from the WRECI programme

5. Future Pole Supply

Akura cannot meet the current demand for the supply of 3m poplar poles for hill country erosion work – about 25,000 per annum. However, over the short term the supply of poplars has been secured with a supply contract signed with the lessee of Aokautere Nurseries in Palmerston North. Up to 15,000 three metre poles/annum have been secured until 2010. Last year 9,124 poles were purchased.

The current total nursery area (25 ha in production) should be able to produce 20,000+ poles per annum. However this may only be achievable by upgrading our existing irrigation unit.

The hill country erosion initiative (WRECI) is likely to further increase demand which is obviously beyond the production capabilities of the current nursery operation. The

options being investigated include a long term commercial arrangement for supply or expanding our Akura operation. We will report on this in due course.

6. Communications

This report was prepared for internal information only.

7. Recommendation

That the Committee:

(1) **Receives** the report.

(2) **Notes** the content of the report.

Report prepared by:

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Attachment 1: Akura Conservation Centre Financial Statement