



May 2007 Newsletter

View From the Treetops

The rain that has been falling over recent days has eased the fire danger in Marlborough, however at the moment temperatures are generally still quite warm which should ensure some good growth before the onset of winter.

Although the worst of the fire risk has passed until next fire season, there are currently two important issues that your Executive would like to bring to your attention relating to fire suppression within your forest and new fire legislation. Murray Turbitt has obtained more detailed information, which follows later in the newsletter, but to summarise, the main points are as follows:

-] Fire Suppression costs in relation to control of rural fires particularly following the Canvastown fire last year, have increased well beyond what has generally been incurred in the past. Forest managers and owners have been reassessing the amount of Public Liability and Fire Fighting cover and the premiums for increasing the sum insured have naturally increased substantially. Your executive have discussed this issue on a number of occasions and one area of doubt as to effective cover is the situation where a fire starts on a forest owner's property by unknown third party, the forest owner could receive a bill from the local fire authority for fighting the fire. Public liability insurance may not cover this situation.
-] The framework of the Proposed New Fire Legislation can be accessed on: firelegislationreview@dia.govt.nz. Currently the Fire Service is funded through the Fire Service levy that is charged on all property insured in NZ. This levy is collected at renewal through insurance companies. Forestry and crops are exempt from this levy, however the new proposal is to include forestry and this could see forest insurance costs rise significantly. Submissions on this proposal close on 30 June 2007. It is important for all forest owners to make a submission on this legislation or you may find that when you renew your forest crop insurance in 2008 your premiums have increased by many thousands of dollars.

Your Association suggests that all forest owners check with their insurance broker, forestry advisor or solicitor as to what they are covered for under their Public Liability/Fire Fighting cover and specialist forestry insurance.

Recently I was privileged to present the Forestry Sector award at the Marlborough Environment Awards dinner. MFIA sponsored this award and donated prize money for the winner. Three different forests were entered, each one reflecting the owner's passion for long-term, mixed species tree growing. While each forest owner had planted radiata as their commercial crop, they had all spent considerable time and effort planting a mix of exotic and indigenous species and also on protecting native forest remnants. Congratulations to our immediate past president, Bert Hughes (second generation forester), who accepted first prize in the forestry sector on behalf of Conrass Forest. Field days have been arranged to allow the public to visit each winning property. If you are interested in attending the field day to Conrass forest, it is being held on Wednesday 23 May, commencing at 9.30 am. For further details contact Nicky Eade, Marlborough District Council, ph 520 7400.

John Mackenzie



Re: Fire Fighting Insurance Cover for Forest Owners.

There appears to be confusion concerning the availability of cover for fire fighting costs under either :

- a) the forest and rural fires extension to a public liability insurance policy and
- b) cover purchased under a specialist forestry insurance policy.

It has been widely assumed that public liability insurance will cover fire fighting/suppression costs but it has come to our attention that this is not always the case. As you will see below the circumstances where fire fighting/suppression costs are recoverable under public liability insurance are limited so it is essential that all forest owners maintain fire fighting/suppression costs under their respective specialist forestry insurance policy as well.

Public Liability insurance policies will usually read something like:

“To indemnify the Insured against such sums as the Insured shall become legally liable to pay in respect to claims made against the insured arising from Personal Injury and/or Property Damage as a result of an occurrence”

This is not the full text but an abbreviated form. In general what this is saying is that there needs to be:

- a) An occurrence
- b) A third party who has suffered property damage
- c) The insured needs to be legally liable and it arises from the insured business activity

If the above have been satisfied then the Insured is likely subject to policy terms and conditions to be indemnified for claims brought by third parties for compensatory damages. This would be payable under the general indemnity part of the public liability policy.

If the occurrence is a fire and the rural fire authority charges or levies the forest owner for the fire suppression costs then as long as the forest owner is deemed to be legally liable for the fire then the fire suppression costs, and only these costs, are recoverable under the forest and rural fires extension. It is important to note that at all times the forest owner needs to have been responsible for the fire occurring and must involve damage to third party property for this extension to operate. If the fire is caused by any other party or parties or from circumstances out of the forest owner’s control (eg lightning strike), or does not involve third party damage then the forest owner’s public liability policy will not respond.

Therefore the costs of fire fighting in your own forest or costs for fighting fires where you are not legally liable for starting the fire are not covered.

We would like to advise you to contact your insurance company and check the cover your public liability policy currently gives you and investigate additional cover for fire fighting costs and levies, possibly from specialist forestry insurance providers.

Murray Turbitt

Proposed Fire Service Levy on Forestry in the New Fire Legislation from the Department of Internal Affairs

“Land-based industries such as agriculture and property

10.44 *To the extent that business assets are insured, many of these property owners could face new levies, such as levies on forests and on crops. As for all other groups, if the total pool of leviable assets increases significantly, so could the levy rate decrease significantly.”*

The Department of Internal Affairs with this document is for Submissions.

This is a proposed change to the way the Fire Service is funded in NZ, and invites submissions.

Currently, the fire service is funded through the Fire Service levy which is collected through all insurances over property insured in NZ. The levy is at a rate of 0.073% of insured value, or 0.73c of every \$100 worth of insurance value. The levy is statutory charge, but collected through the insurance system at each renewal. The insurers then on-pass this to the commission, which primarily runs the fire service in NZ.

Crops and Standing timber have always been excluded from the Act. The proposed amendments is looking to bring this into the same fold as property.

e.g

Building value \$10,000,000 sum insured attracts a Fire Service levy of \$7,300 + GST per annum, added to the insurers premium for the building insurance. This has always been the case.

Forest value of \$10,000,000 sum insured has been exempt from a Fire Service levy. However if introduced, at a rate of 0.073% of value would be a levy to the owners of \$7,300 + GST. This is part of the proposed amendment.

Unfortunately however, the value of forests will sometimes significantly outway the value of material property, such as a building. The valuation of a forest will often account for its size, market demands, export dollar, and of course likely harvest potential. This can often give forests very high valuations, and therefore the levy implications could come as bit of a surprise cost if the amendments go through.

This is to bring our members up to date of what is proposed and the executive will be looking into putting in a submission on this matter.

The Editors view on the Export Log Prices over the last year

Month	Export Average price	Approx Stumpage	Units per ha	% income increase On May 06	Estimated net return per ha
May-06	\$ 71.00	\$ 30.00	500		\$15,000.00
Oct-06	\$ 84.00	\$ 39.88	500	32.93 %	\$19,940.00
1Nov-06	\$ 87.00	\$ 41.71	500	39.03%	\$20,855.00
Dec-06	\$ 87.00	\$ 41.71	500		\$20,855.00
Jan-07	\$ 97.00	\$ 49.02	500	63.40 %	\$24,510.00
Feb-07	\$ 102.00	\$ 52.68	500	75.60 %	\$26,340.00
Mar-07	\$ 102.00	\$ 52.68	500		\$26,340.00
Apr-07	\$ 88.50	\$ 42.80	500	42.67 %	\$21,400.00
May-07	\$ 83.00	\$ 38.78	500	29.27 %	\$19,390.00

The above details are based on 27year old trees unpruned.

The indicated export average prices are taken as a medium between the lowest and highest log prices for that month across the grades. The May 07 price estimated to be about \$5.00 less than for the month of April 07.

The approx stumpage figures will depend on how a block converts to suitable grades, depending on the age and quality of the trees.

The 500 units per ha will change depending on the age of the block, the tree stocking and the quality of trees, it could be as high as 600 units per ha or as low as 400 units per ha.

The estimated return per ha is based on the average export prices to get a stumpage price by the 500 units per ha.

The grower return per ha has gone from \$17,000.00 per ha in May 06 to a high of \$25,000.00 per ha in Feb and March this year. This month the return is looking like \$20,000.00 per ha, only \$3,000.00 per ha above this time last year.

The increase in price was due to demand from Korea and India but the drop in price is due to the costs of shipping and the rise of the kiwi dollar.

We have gone from poor returns to good and then back to average returns within one year. I think most growers would not have been able to utilise the higher prices unless they were logging or about to start.

Editors viewpoint.



Congratulations Bert Hughes for taking out the first prize in the forestry section of the Marlborough Environment Awards at the Presentation last Friday night on behalf of Conrass Forest



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