

Private Forestry in the U.K.

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A milestone in British forestry was reached with the planting of the 2 millionth hectare in 1984 (Foot 1985). Of this area, some 56 per cent is in private ownership, with the balance coming under the control of the Forestry Commission.

Area of Productive Forest in Britain as at 31st March, 1985 ('000s Hectares)

	Conifer		Broadleaved		Coppice		Totals		
	PW	FC	PW	FC	PW	FC	PW	FC	ALL
England	196	199	381	41	37	1	614	241	855
Wales	46	128	53	6	2	—	101	134	235
Scotland	358	513	72	4	—	—	430	517	947
Britain	600	840	506	51	39	1	1145	892	2037

PW = Private Woodlands FC = Forestry Commission.
(Forestry Commission 1985)

Currently, some 10 per cent of the U.K. land area is managed as productive forest which, by European standards, is a low figure, but it still demonstrates a major development in afforestation following the destruction of two world wars. The expansion of the forest industry has increased steadily by approximately 20,000 hectares per annum over the last ten years and in a policy statement by the Government in 1980, it was proposed that new planting should continue at broadly the same rate. This programme of expansion has given much confidence to timber growers and users alike.

Over the last ten years some 86 per cent of all new planting has been carried out in Scotland, with the balance being more or less equally divided between England and Wales. The share of new planting between, private and state sectors, has been more or less

equal over this period. However since the early 80s the proportion carried out by private owners has started to rise to somewhere over 75 per cent, as a result of the present Government policy to encourage private forestry investment and the disposal of parts of state enterprise.

As a result of the expansion of the forest estate since 1945, the production of conifer roundwood will double over the next fifteen years, while the levels of hardwood will remain more or less static during the same period.

Annual Wood Production in Britain (Past and Future)
('000 cubic metres o.b.)

	Conifers			Broad- leaved Total	Grand Total
	PW	FC	Total		
Actual					
1978	760	1950	2710	1400	4110
1979	880	2060	2940	1400	4340
1980	890	2410	3300	1300	4600
1981	730	2530	3260	1300	4560
1982	860	2690	3550	1000	4550
1983	940	2770	3710	900	4610
1984	1110	2760	3870	900	4770

Forecast (figures from conifer production outlook 1981-2001)

82-86	1600	2900	4500	900	5400	} Figures are average annual volumes over period.
87-91	2000	3400	5400	900	6300	
92-96	2500	4500	7000	900	7900	
97-2001	3200	5600	8000	900	9700	

(Forestry Commission 1983)

The prospect of increasing wood supplies has resulted in a great deal of interest in industrial development over the last few years as demonstrated by the advent of the new pulp mill at Shotton, the Highland Forest Products development at Inverness, the creation of several new sawmills and the planned expansion programme at Thames Board Mill; Egger at Hexham; Caberboard and Kronospan. In the last few years something in the order of one million cubic metres of new capacity has been created in the pulp and particleboard industries alone. With the current annual import

bill for timber and timber products running at over £4,500 million, these new developments hold out encouraging prospects for the British economy, whilst in turn offering the knowledge of sound market outlets to private forestry investors.

The need for forest expansion can be traced back to the Forestry Policy of 1943, which pointed the way for expansion into the uncultivated land in the hills and uplands. It is estimated that during this period over 900,000 hectares have been planted in the uplands. This work has been carried out by both the Forestry Commission and private forest investors, following the sale of land in a free market. Farmers have often used the proceeds of such sales to re-invest in farm improvements on the the remainder of their holding or, to acquire a more intensively managed farm. (Grundy 1985).

The incentives offered to the private forester have changed and developed over the years. In general they can be summarised under the three main headings: 'grant aid', 'taxation incentives' and 'silvicultural advice backed up by research from the Forestry Commission, acting as the forest authority' (Flintshire Woodlands 1986).

Under the present grant aid arrangements two schemes are offered by the Forestry Commission as follows:

Forestry Grant Scheme

Areas of Wood hectares	Conifers (per hectare) £	Broadleaved (per hectare) £
0.25 to 0.9	630	890
1.0 to 2.9	505	735
3.0 to 9.9	420	630
10.0 and over	240	470

- Notes: 1. Level of grant based on area of woodland, not area planted.
 2. 80 per cent paid after planting and 20 per cent after five years.
 3. For a mixture the rate is calculated pro rata.

(Forestry Commission 1985).

The taxation of woodland income and expenditure is somewhat complex (Forestry Commission 1985). However, in general terms, if the land on which trees are growing is owner occupied or leased for forestry purposes, the trees are treated separately from the

Broadleaved Woodland Grant Scheme

Area of Planting or Nat. Regeneration (hectares)	Planting				Natural Regeneration					
	Yr.	£			Yr.	£				
0.25 to 0.9		840	180	180	1200		600	360	240	1200
1.0 to 2.9		700	150	150	1000		500	300	200	1000
3.0 to 9.9		560	120	120	800		400	240	160	800
10.0 and over		420	90	90	600		300	180	120	600

- Notes: 1. Level of grant based on planting, not woodland area.
 2. No conifers permitted in planting.
 3. Payment phased over years indicated.

(Forestry Commission (1986))

ownership of the land. The forestry operations, provided they are run on commercial lines, will be assessed under Schedule D, when the occupation will be assessed as if it were a trade.

Well established commercial woodlands are normally assessed under Schedule B, whereby the occupier is taxed annually on one third of the rental value of the land in an unimproved state and no tax is levied on the proceeds of the sale of timber.

Alternatively, the occupier may elect to have forests assessed under Schedule D as if it were trade and this choice is usually made when the occupier sets out to afforest bare land. The tax payable is assessed on any net profits, but of course during the establishment stage of the plantation — over the first 10 to 15 years — net losses will be experienced and in the first few years losses will be substantial. Such losses may be offset against other income and are thus eligible for tax relief at the occupier's marginal rate. It should be noted that upon the change of occupier this has the effect of cancelling the Schedule D election and the woodlands revert to be assessed under Schedule B.

These measures, coupled with other capital taxation rules, have led to a strong and healthy private forest industry.

It would be wrong not to commend the valuable support and advice given by the Forestry Commission to the private sector over many years as the whole industry clearly does recognise the partnership of state and private forestry.

Within the private sector a strong and professional managing and contracting service has developed over the past twenty five years to service the growing market. A number of forestry management companies have become well established, in addition to the numerous private consultants and professional foresters in the employment of individual owners. Furthermore a whole industry, from nurserymen to the tree harvester and investment adviser to woodland insurance agent, has developed in conjunction with the growth of private ownership of woodlands.

The pattern of ownership in private forestry is difficult to analyse but essentially it contains a wide cross-section of interests including traditional estate owners, investment owners (both individual and institutional), farmers, local authorities and conservation bodies, who are without exception currently expanding their holdings at a significant rate.

Considering forestry as a business, the investment owner does enjoy real incentives to invest income that would otherwise be heavily taxed and with the knowledge that historically the value of land has overtaken inflation and timber has kept pace with it, forestry investment is considered by many to have a bright future. The additional attractions to the investor of sporting opportunities, forest recreation, diversification of habitat management and even the simple enjoyment of the countryside have all helped to develop the market.

Over the years there has been no co-ordinated policy for the allocation of rural land and thus, the pattern and rate of afforestation have been determined by supports to forestry and to agriculture in conjunction with constraints imposed by other bodies, usually for nature conservation and landscape reasons. A detailed system of consultation under the control of the Forest Authority has assisted in resolving differences and with few exceptions, this system has been successful. However, the forest industry now faces new socio-economic changes which must be understood and in practice, the industry must be flexible enough to meet the challenges (Countryside Commission 1984).

Perhaps the most significant shift of emphasis in recent years has been the increased interest and involvement of the general public in environmental awareness and recreational usage of the countryside. The industry must ensure it fully reacts to provide benefits in conservation, landscape and amenity areas. This is a major task for all private owners and one which will have certain investment implications; small sacrifices can however go a long way to appeasing these interests.

In addition, there are now suggestions emanating from the EEC debate on agricultural surpluses, that a substantial hectareage in the

U.K. may come out of agriculture and could be used to increase the forest area. Such a development will offer a major challenge to both sectors of the forestry industry. It may also result in further substantial areas of uplands being converted into valuable plantations and amenity areas, whilst providing compensation in terms of employment and financial return to rural communities.

Private forestry in Britain embraces a very wide spectrum of ownership and silvicultural practice and its base is likely to widen considerably. The possibilities of developing farm/forestry woodlands and a greater diversity of integration of rural land uses present new challenges. The timber growers, the investors and the professional foresters are aware of the challenges and the opportunities that lie ahead (Timber Growers 1985). The continued expansion of the forest area coupled with the highest standards of professional practice must undoubtedly ensure a healthy state in which a viable and politically aware industry will emerge for the task of creating further forests and re-establishing those which have already reached maturity.

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