

Attracting Farmers into Forestry

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Abstract

The financial incentives to encourage farmers to convert land from agricultural to forestry use have been substantially increased. However, the rate of farmers entering the afforestation scheme has been lower than predicted. Many factors have had a role to play in this including increases in the price of land, lack of a forestry culture in Ireland and competing agricultural schemes. A lot of work needs to be done in the areas of market development and promotion of Irish timber if the full potential of the afforestation programme is to be realised.

Keywords: premium, targets, culture, broadleaves, markets, promotion.

Introduction

The paper addresses the problem of attracting farmers into forestry. In this context, it is important to examine recent developments in forestry in Ireland. Farmers have become more aware of forestry issues and their level of technical knowledge of the area has improved. Over 10,000 farmers have planted trees on more than 100,000 ha of land, with an estimated land value of €400 million. Currently farmers plant over 13,000 ha of land annually.

Farmer participation in the national afforestation scheme

The financial incentives to encourage farmers to convert land from agricultural to forestry use have been substantially increased. Current planting levels are much lower than the targets set out in the Government strategy document, *Growing for the Future* (Department of Agriculture, Food and Forestry 1996). Some reasons that might be advanced to explain this include:

- delays in reviewing forest premium levels;
- a reduction in the amount of land available for sale and an increase in the price of land;
- competing EU financial supports for conventional agricultural enterprises;
- advances in livestock management systems have made farming less labour intensive and more convenient (e.g. baled silage, slatted units and marts held at weekends);
- environmental restrictions such as Natural Heritage Areas and Special Areas of Conservation. The area threshold necessitating an environmental impact assessment has been reduced recently;
- no tradition or culture in farm-forestry;
- land converted to forestry cannot be changed back to agricultural use.

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Recent improvements in the grants and premiums for forestry, more efficient payment systems and positive changes in land classification, whereby the forestry premium is now paid at the same rate, whether the area is disadvantaged or not, have encouraged many farmers to consider forestry as a land-use option. However, other measures, such as the penalty system (a percentage of the grant or premium can be withheld for not complying with the conditions of grant aid) and requirements to comply with new environmental regulations discourage farmers from planting trees. To maintain the present level of planting at ca 13,000 ha, or to increase it, the IFA has identified a number of key areas that need to be addressed, otherwise this target will not be realised.

The afforestation premium

The forest premium must be made attractive to farmers. Annual returns need to be higher than those from other farming enterprises, especially since it involves a change in land use and the land is committed for forestry use thereafter. The premium should be index linked to the cost of living. Premium rates should be higher during the early years of the scheme, thus making it more attractive to older farmers. If complying with environmental regulations is likely to reduce the commercial return from a crop, then the farmer should be compensated through higher premiums.

Market for semi-mature plantations

There is an urgent need to develop a system for marketing semi-mature forests. The long rotation length (about 40-140 years) is a drawback for farmers wishing to draw down predicted future income. Farmers should be able to realise a reasonable early return on their investment, especially if they experience financial difficulty, ill health or they wish to retire.

Broadleaf forestry

Planting broadleaves may not be commercially attractive. Furthermore, there is a paucity of information on the potential financial returns from broadleaf forestry. In general, good quality land is required to grow broadleaves and farmers can probably derive a greater return from other farming enterprises. The successful establishment of a broadleaf crop requires ongoing maintenance and protection (e.g. preventing deer damage), which can be costly and time consuming.

A new programme is required to encourage farmers to plant broadleaf trees and help Ireland comply with the requirement under EU regulations that 30% of newly planted areas are covered by broadleaves. To this end, a substantial increase in the broadleaf premium or financial incentives for planting broadleaves on lower quality sites is needed.

Social welfare

Farmers may lose their social welfare entitlements if they receive forest premiums. However, €3,800 of income from the Rural Environmental Protection Scheme (REPS) is disregarded in means testing under the Farm Assist Scheme. A similar exemption should apply for beneficiaries of the forestry premium.

Timber markets

Until recently, few farmers were concerned about the market for timber. Many analysts claimed that there would be a shortage of timber in Ireland and the EU for the foreseeable future. Timber prices were expected to increase at least in line with inflation. However, there is increasing anxiety about this matter, especially since much of the land planted during the early part of the forestry grant scheme is now approaching the thinning stage (e.g. land planted under the Western Package Scheme). A recent Timber Industry Development Group (TIDG) report (Department of Enterprise, Trade and Employment 2001) did not advance any new ideas that are likely to solve this problem. Confidence in forestry could easily be shattered if the market for this timber is poor, and consequently many prospective growers will be discouraged. The current Government Strategy (Department of Agriculture, Food and Forestry 1996) on forestry has mainly focussed on encouraging tree planting. The problem of marketing timber and finding alternative uses for wood must also be addressed in any new plan. Furthermore, research is needed to find alternative uses for wood, including wood as an energy source.

The IFA is asking the Government to consider the proposal that a management programme is established to ensure that the farm-forestry resource is managed to its full potential. If this is not done, farmers may be dissuaded from becoming involved in forestry.

Promotion of forestry

The AgriAware programme has been highly successful in improving the image of farming and food production. A similar programme, perhaps called ForestAware, could be used to promote commercial and other forestry issues.

Forestry appears to attract a disproportionate amount of attention from environmental groups. Many farmers fear that environmental and other policies may be changed to favour the views of environmentalists and other groups, perhaps making commercial forestry less attractive to them.

The environmental benefits of forestry as a carbon sink to help reduce predicted global warming are well documented. However, mechanisms have not been put in place to allow forest owners to derive an income from carbon trading.

It has been suggested that new forestry developments lead to population declines in rural areas. These developments may be consistent with the National Spatial Strategy (Department of the Environment and Local Government 2002), wherein towns and villages are considered the most suitable locations for new homes. This policy may have adverse implications for the sustainability of rural communities and the fabric of rural Ireland. Forest sites should be considered as potentially suitable for one-off residential development. Such developments would likely provide more affordable housing for rural families in a private rural setting while blending well into the rural landscape. In addition, the potential economic value of forests would be enhanced if housing development were an option, thus making forestry investment more attractive.

Summary and conclusions

A large number of farmers have already been attracted into forestry. Their experience in forestry will influence others contemplating this step. The level of planting will continue to be influenced mainly by the premium value. However, the ease with which forests can be traded will influence the potential value of forests. Farmers are concerned also

that the market for timber is less robust than many analysts have suggested. Farmers are not confident that future Government policies will continue to be favourable towards forestry. To maintain the planting programme at its present level, forestry must be made more attractive to farmers. In addition to those currently establishing forests, about 1,000 farmers, investing more than €50 million, need to plant trees each year if the government-planting target is to be realised.

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