

Scottish Forestry Forum 2003

**Priorities for creation of new woodlands
as seen from the economic perspective**

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Executive Director

Forest Industries Development Council

A major Scottish asset

- 1.3 million ha (17% of Scotland)
- 1980 – 1.5 million m³
- 2000 – 5.5 million m³
- 2020 – 10 million m³
- £60 million investment pa in processing industries
- Contribution to Scottish economy - £557 million pa
- 1-2% of Scottish economy
- >40,000 jobs (2% of Scottish total)



Political and economic recognition

- **Scottish Forestry Strategy**
- **Scottish Forest Industries Cluster**



Scottish Forestry Strategy (1)

“Our objective should be to increase Scotland’s forests and woodlands towards 25 per cent of our land area by the middle of the century”.

Rhona Brankin

Deputy Minister for Rural Development

November 2000

Scottish Forestry Strategy (2)

Strategic Direction

“To create a diverse forest resource of high quality that will contribute to the economic needs of Scotland throughout the twenty-first century and beyond”.



Scottish Forestry Strategy (3)

Priorities for Action

- Expand the area of well designed productive forest
- Improve timber quality, through following good forest practice
- Develop more mixed forests
- Exploit non-timber outputs and benefits of woods and forests
- Tackle deer problems.

Scottish Forestry Strategy (4)

- **Forests for the economy = more than just timber**
- **Basis for rural diversification**
 - **Tourist industry**
 - **Farm diversification**
- **Concentrating on developing timber-based opportunities**



Productive forestry

- Industry requires sustained production of usable timber in order to maintain investment
- Current production is 98% from conifer plantation
- Production from native Scots pine woodland is small
- Production from broad-leaved woodland is negligible
- Current planting rates probably inadequate to generate sustained production at the forecast level after 2030
- CAP reform may offer new opportunities for expanding new planting

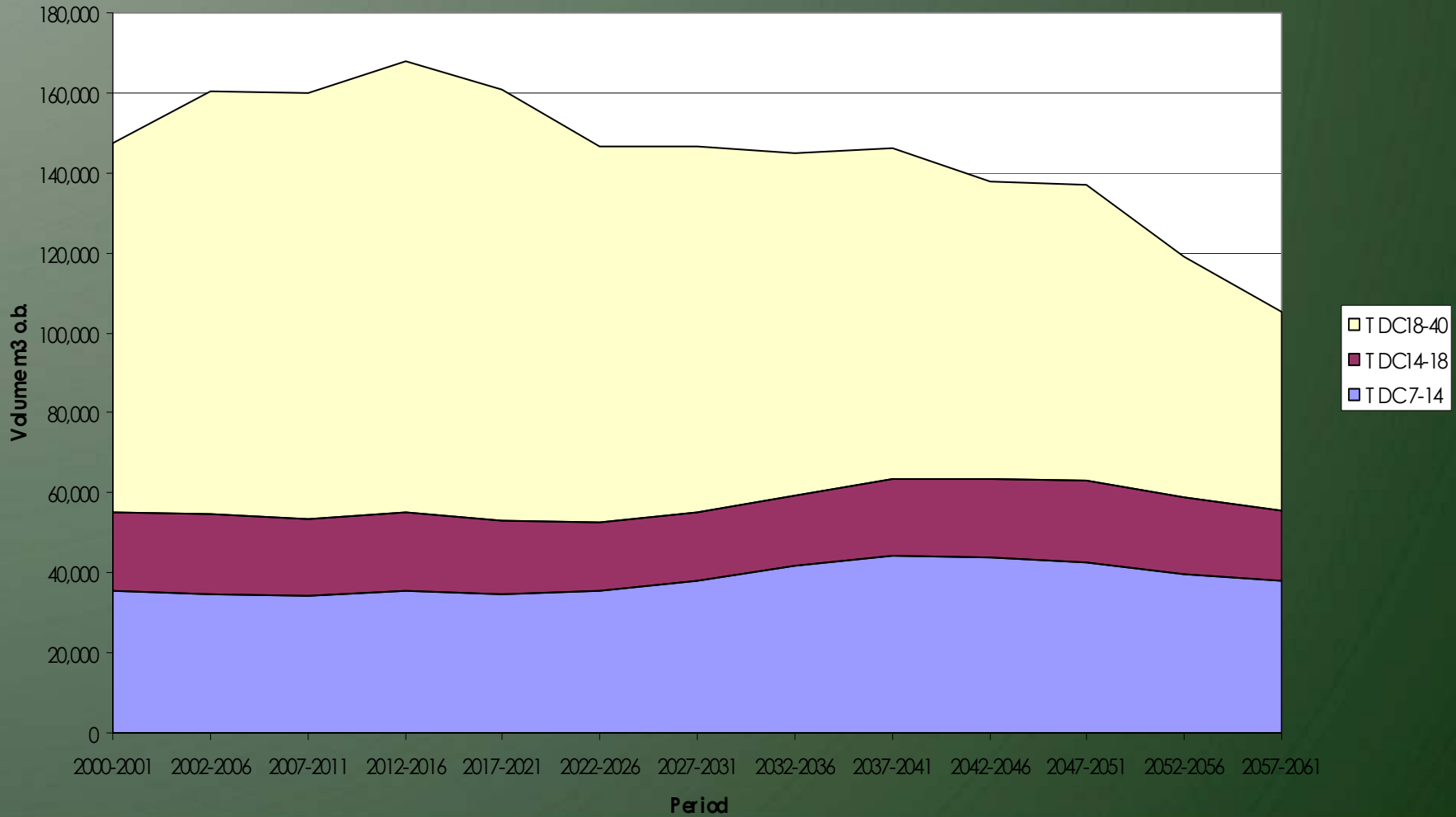


Hardwood timber supply

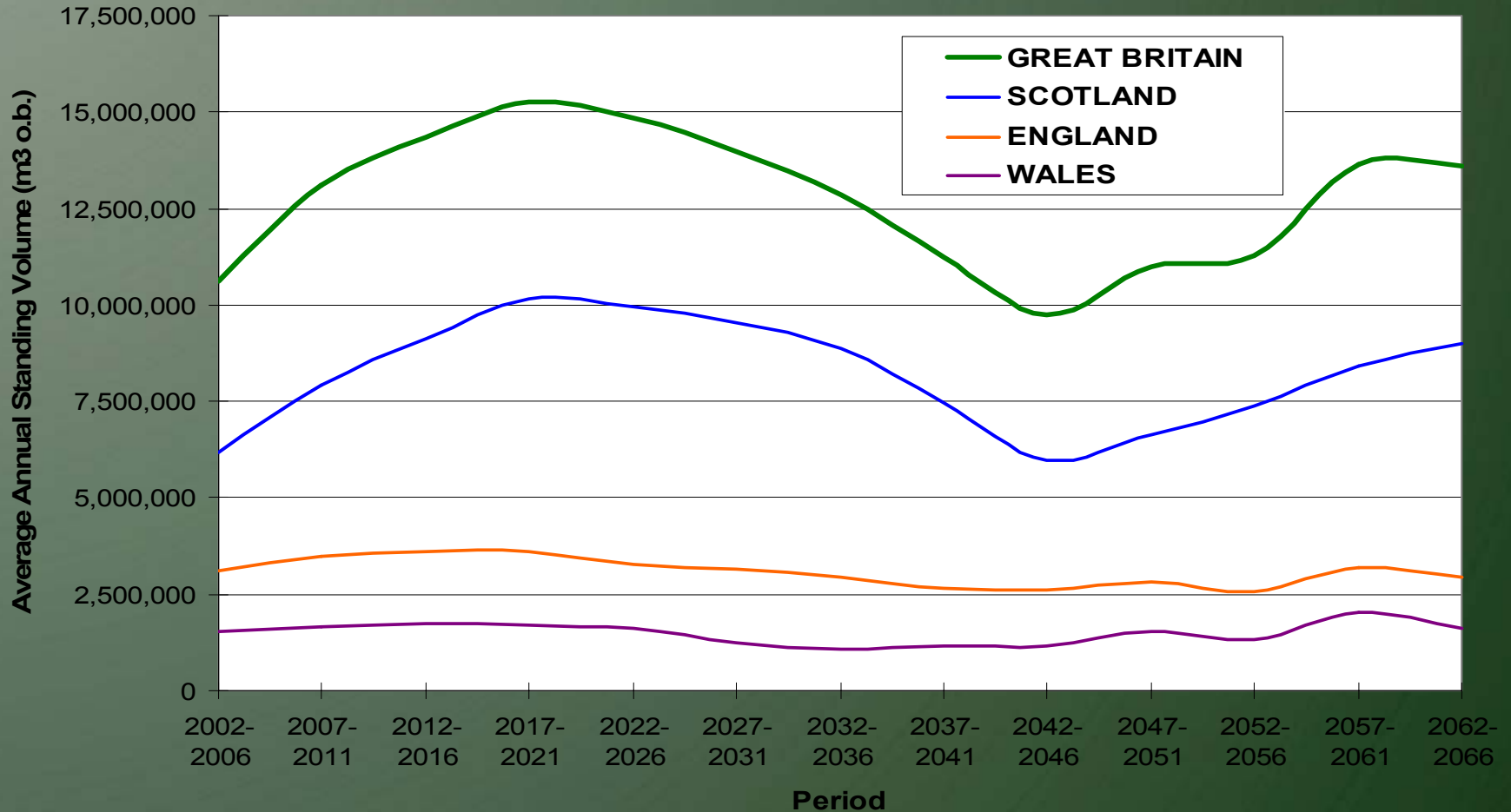
- Maximum production of 150,000 m³ - 2% of total timber production in Scotland.
- Current production estimated at 70,000 m³
- Perhaps capacity for one new hardwood sawmill if supply chain conditions are addressed
- Currently few outlets for hardwood residues



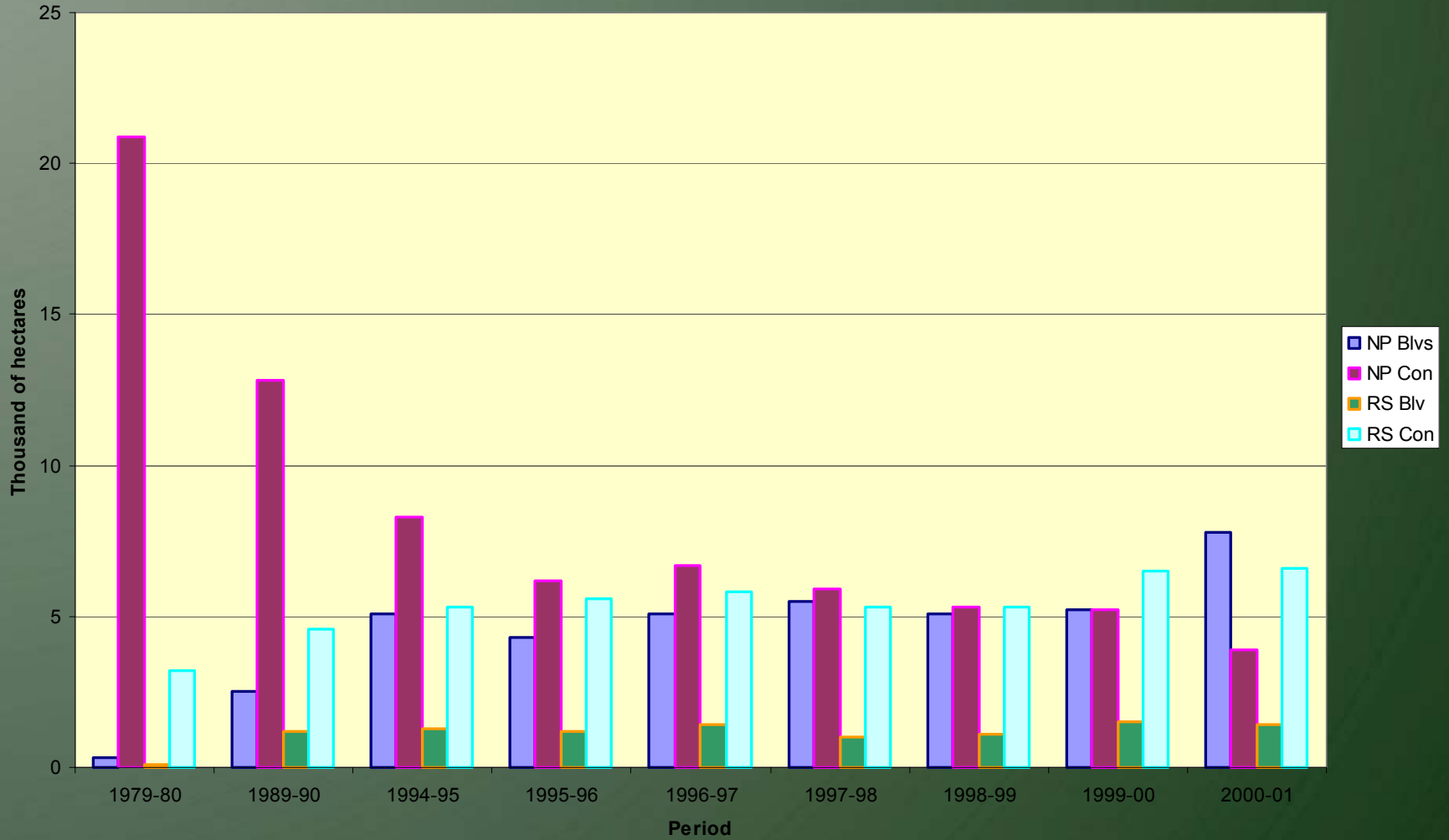
Scotland - Forecast of Hardwood Availability - Modified Yield Class and Rotations
Volume by Top-diameter Class



LONGER TERM TREND IN SOFTWOOD AVAILABILITY FOR GREAT BRITAIN BY COUNTRY



New planting and restocking trends

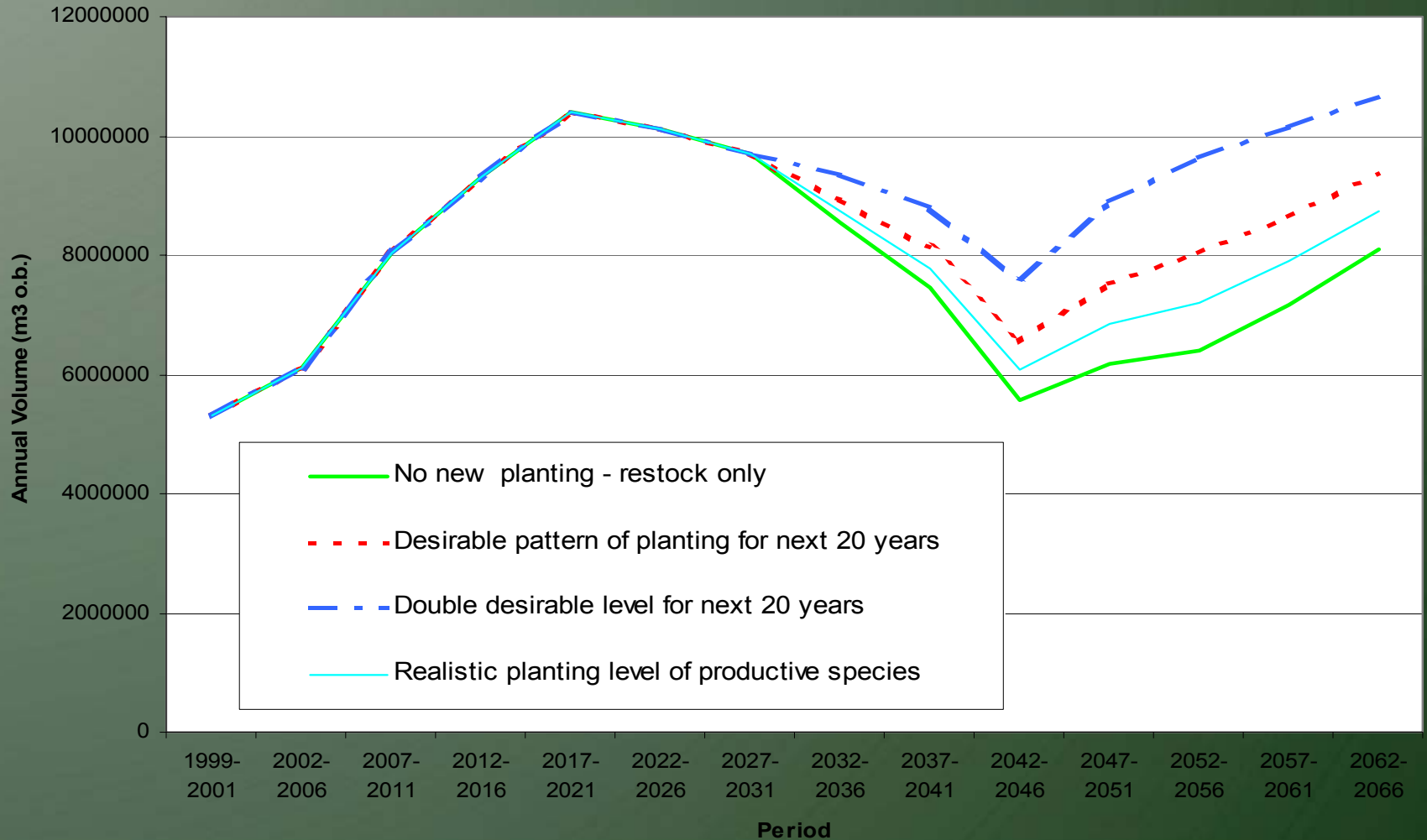


SFIC models - assumptions about new planting

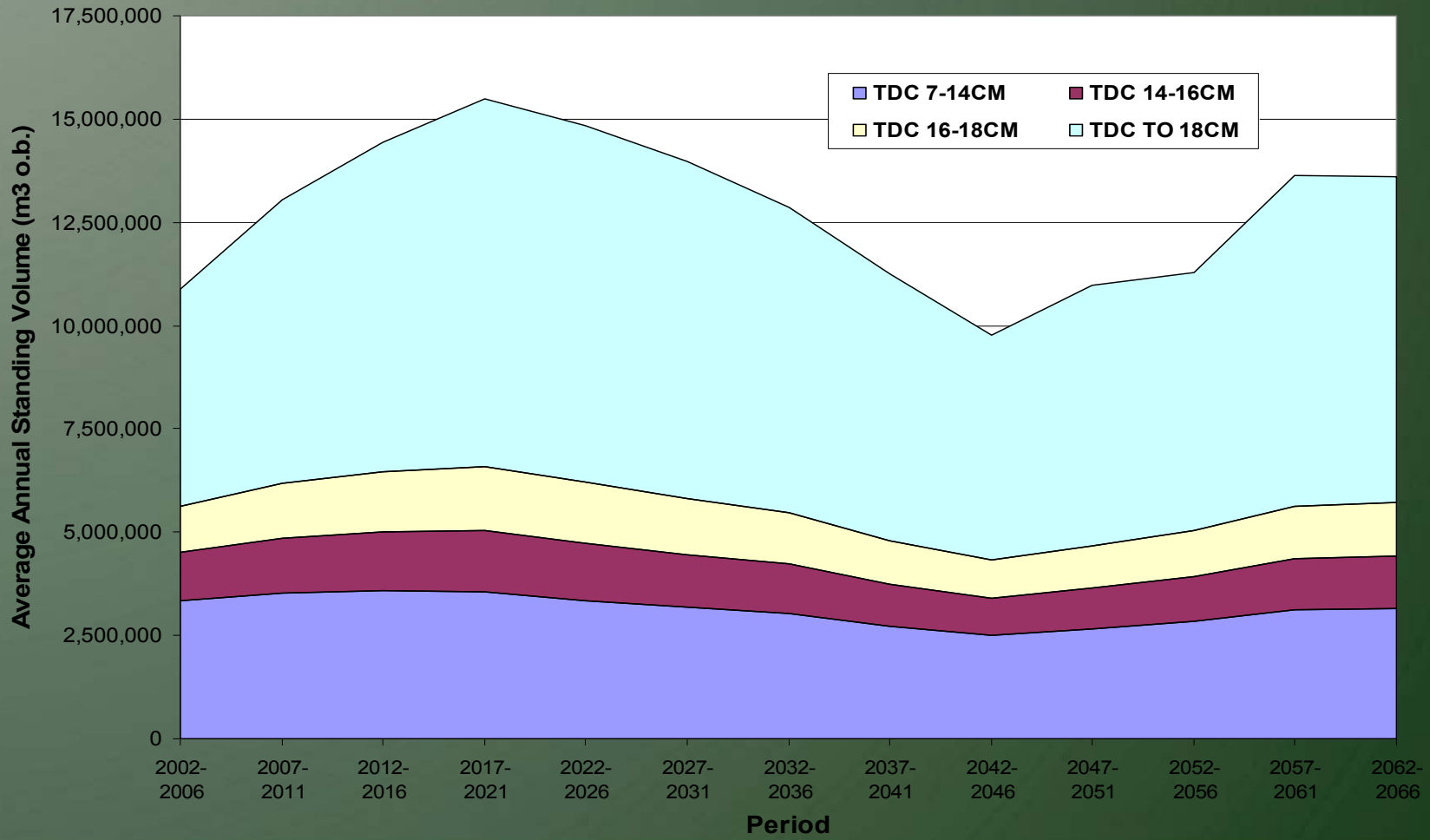
10,000 ha planted in 2001/02 of which 2,500 were “productive”
3,000 were native Scots pine
4,500 were broadleaved woodland, mainly new native woodland.

- No new planting - assumes restocking of felled areas only
- SFS aspiration “desirable rate” - assumes 2,000ha of productive Native Scots Pine and 4,000ha of other conifers
- Double desirable rate assumes 4,000 and 8,000 ha respectively
- “Realistic rate” assumes that current planting will include only 1,000ha of productive Scots pine and 2000ha of productive conifer woodland.

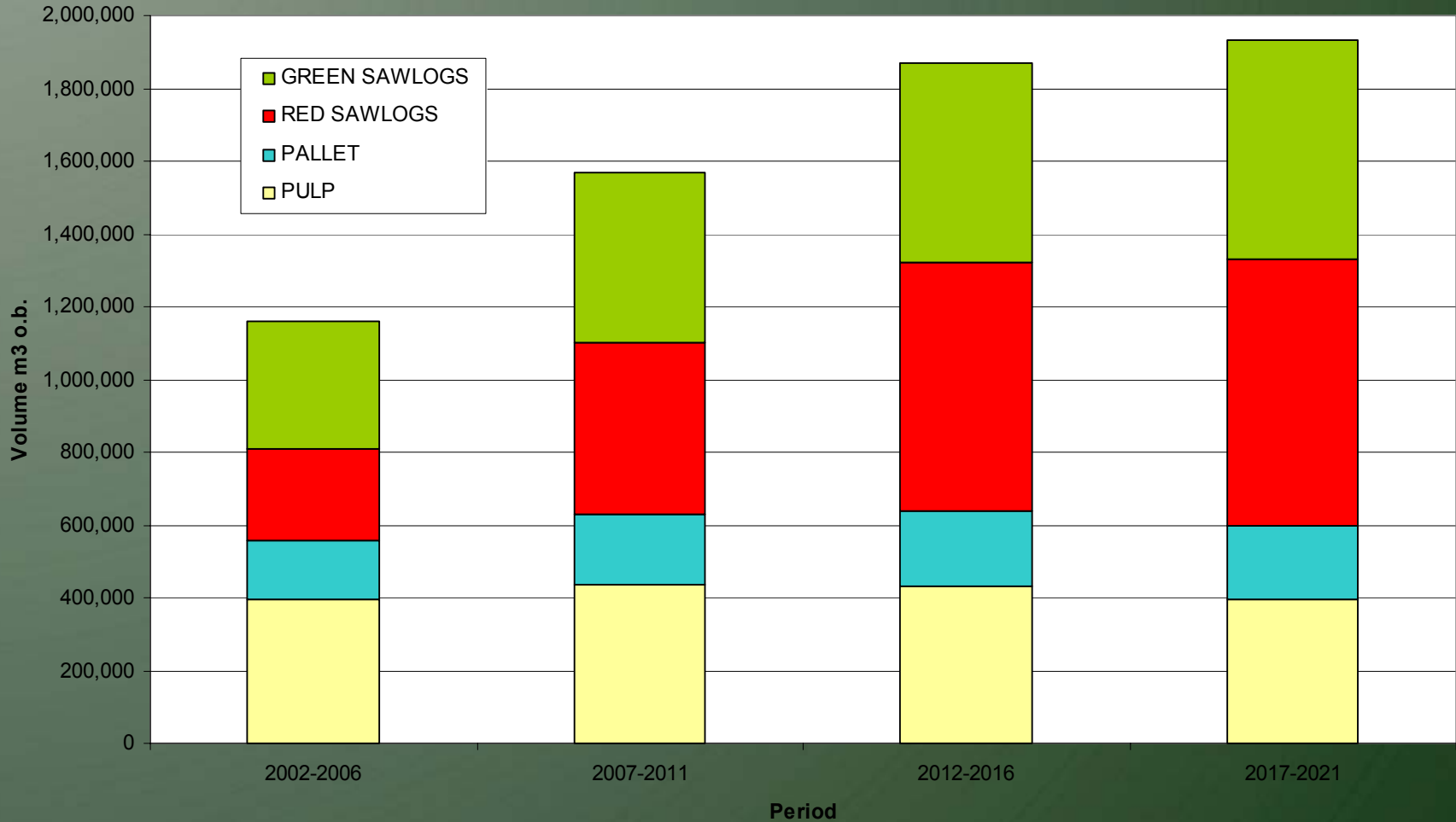
Scotland - Trends in Softwood Availability under Alternative New Planting Scenarios



LONGER TERM TREND IN SOFTWOOD AVAILABILITY FOR GREAT BRITAIN BY TOP-DIAMETER CLASS



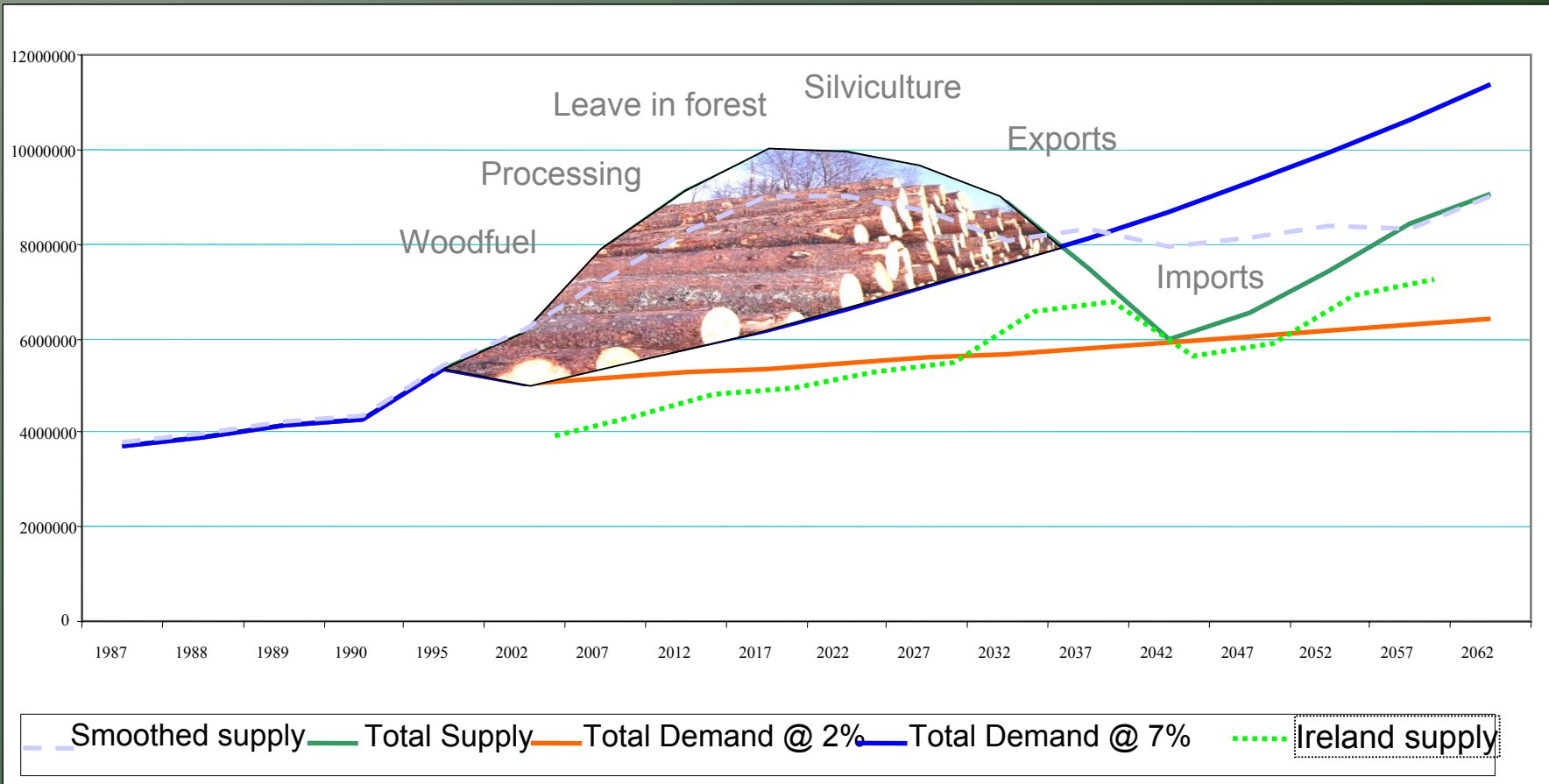
South Scotland Private Sector Sitka Spruce by Timber Class (Thin plus Fell)



Future production

- The proportion of future plantation top grade sawlogs will be lower than anticipated when the current generation of investment in sawmilling was made
- Silvicultural practices, such as continuous cover, are likely to impact on future processing strategies
- There will be a sustained excess of small roundwood and lower grade sawlogs on the market from 2010 onwards
- Demand from wood-based panel manufacturers for virgin fibre may have peaked
- There will need to be a greater emphasis on re-engineered wood products

Total timber supply supply and demand scenarios



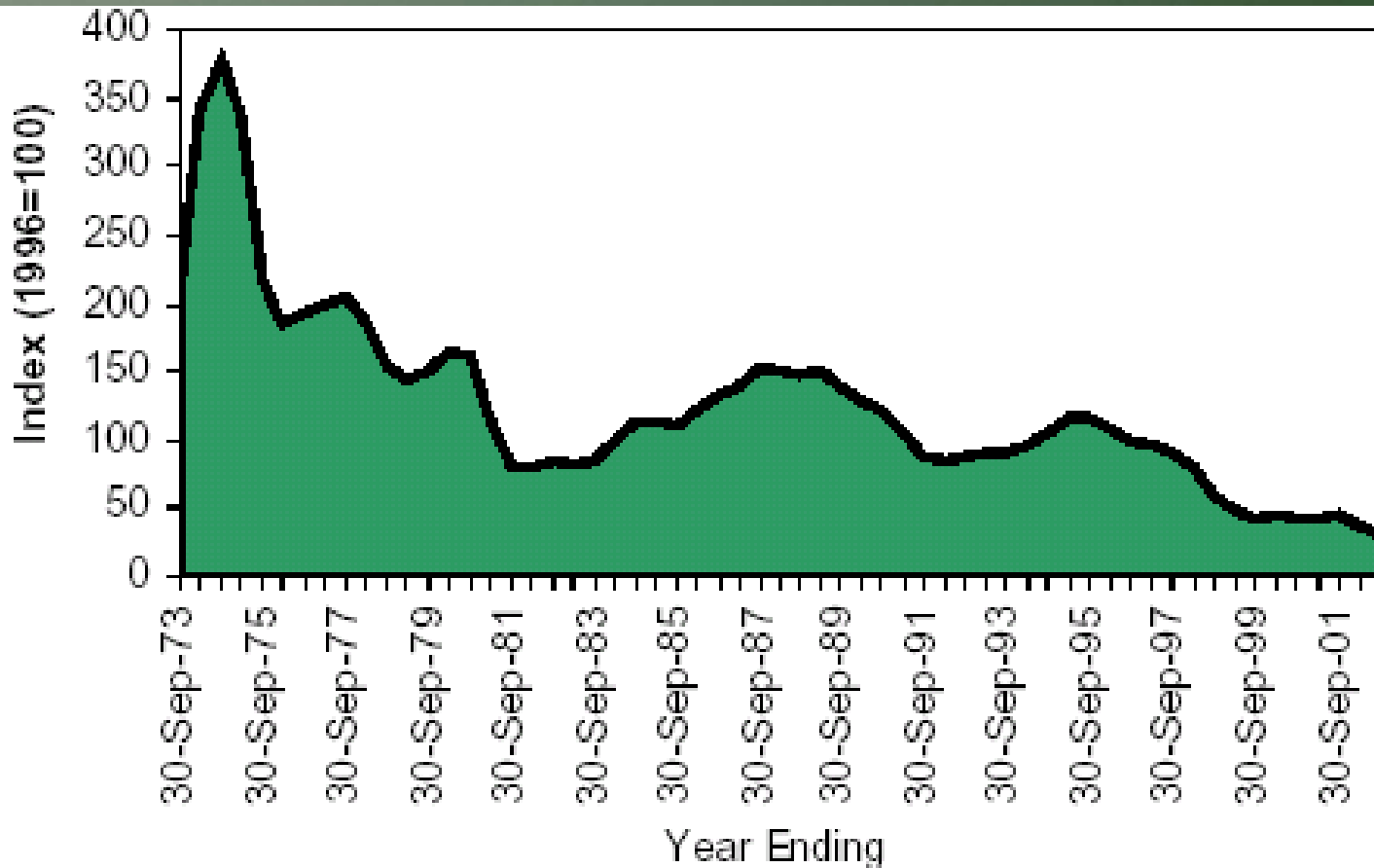
Supply options

- **New investment requires a stable supply horizon of 20 years**
- Risk that supply is dependent on capturing some of forecast growth in Ireland
- Co-product markets required for capital investment in sawmilling
- Capital investment is required for new co-product markets
- **Solution to 2025-2055 fall in volume production requires Scottish Executive and industry to develop a new strategic approach:**
 - Adopting a targeted planting strategy
 - Using high yielding species and improved stock
 - Rescheduling volume from bulge – limited in some areas by wind-throw
 - Co-ordinating private sector management & harvesting regimes
 - Importing timber to address shortfall



Standing sales price index for Great Britain

(September 1996 = 100, real terms)



Timber prices

- Price trend likely to remain flat without growing export markets or new investment
- World timber prices also impact on local price trends
- Low prices will impact on supply coming forward
- Potential for new markets for surplus hardwood production
- Non-timber benefits from forests at risk if woodland management not viable
- No reason why the sector cannot rise to the challenge – again!

