South West England Woodland and Forestry Strategic Economic Study

Executive summary and summary of recommendations

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Foreword

This study is an independent report, commissioned by The Forestry Commission and the South West of England Regional Development Agency.

Traditionally, forestry's economic measures have focussed on the timber supply chain, but have ignored wider economic benefits. This study examines and evaluates the overall contribution that woodlands and forestry make to the South West regional economy. It evaluates the important timber-based industry but recognises forestry's very much wider economic contribution, (e.g. through tourism and leisure).

The Forestry Commission and SW RDA were pleased to commission the study, which we see as a beginning rather than an end in itself. We are pleased to have had the support of particular partners listed below, and are grateful not only for their financial help, but also for their contributions through the steering group.

The idea for the report came from the partners themselves. From initial discussions, the need for an independent regional analysis became clear. We are grateful to partners for their original suggestion and for their enthusiastic support throughout. Equally, we are grateful to Land Use Consultants and their own partners for undertaking the study, and to all those individuals and organisations who contributed to it.

Whilst all partners have supported preparation of the study, it should be noted that the Consultants have drawn on a wide range of expertise and comment in its preparation. The study is independently researched and prepared, and the views, comments and recommendations contained within it cannot be attributed to any individual partner.

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Cornwall County Council
Forest of Avon
Great Western Community Forest
Silvanus Trust
South West Forest
Forestry and Timber Association
Woodland Trust

Executive Summary




"This report constitutes the first comprehensive study of the Forestry and Woodland Industry in South West England."

Executive Summary

Introduction

1 This report constitutes the first comprehensive study of the Forestry and Woodland Industry in South West England. It examines the characteristics of woodland in the region and provides an analysis of the different economic activities associated with it.

2 What makes the study particularly significant is its initial exploration of the value of non-timber uses of woodlands and forests, including recreation, tourism, sporting activity, nature conservation, education and healthy living. These assets have been individually valued in order to provide a new assessment of the forestry and woodland sectors' contribution to the regional economy. The identification and valuation of the non-timber benefits should not be seen as exhaustive.

The resource

3 Woodland covers almost 9% (212,000ha) of the South West and trees grow particularly well in its equable climate. Large woodlands (over 20ha) account for over 65% of the forested area and constitute the main timber production areas. 77% of all woods and forests by area are in private ownership. The Forestry Commission manages 17% of all woodland (representing 74% of the forests/woodland in public ownership). Other important owners include Local Authorities, the Woodland Trust, the National Trust, and Wildlife Trusts and private estates. The owners of these larger blocks of woodland have an important influence over patterns of use and economic activity. However, smaller woodlands are also highly important for nature conservation and landscape. There are 15,000 woodlands under 2ha, although they only account for 3% of the total woodland area.

4 Broadleaved species make up nearly 57% of the woodlands with mixed species (14%) and conifers accounting for 23% (the balance comprises felled areas or open space). Rates of new tree planting have increased in recent years to around 1,300-1,500ha/annum, a significantly higher figure than any other English region.

5 Significant variations in the extent of tree cover exist within the region. This is particularly noticeable in that many Areas of Outstanding Natural Beauty have well above the regional average tree cover.

Summary of economic benefits

6 The South West region has an economic output of around £58 billion per year. The direct value of timber production at current harvesting rates is around £17 million per year, representing less than 0.1% of regional output. **This increases to over £200 million per year if the processing of local and imported timber and indirect multipliers are included. Together, these activities account for over 3,000 full-time jobs.**

7 **Significantly, other direct economic uses of Woodland and Forestry, including recreation, tourism and sporting activities, provide major returns to the regional economy. The gross value of these activities may lie between £300-375 million per year. These may not directly benefit owners and operators.**

8 Table 1 reveals that the combined value of timber production, primary processing and other economic uses of woodland and forestry is in the range of £500-575 million per year, or 1% of regional GDP.

Table 1: Summary of economic benefits

Component	Value in £ Million
Timber production	17
Timber processing	134
Induced effects	50
Tourism, recreation and other economic benefits	300-375
Total value	500-575

9 Details relating to recreation and tourism and other economic returns that cannot be incorporated into a conventional balance sheet are summarised below.

Multipurpose use of woodlands and forests

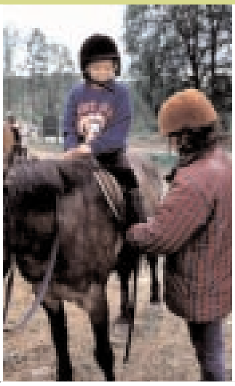
10 As illustrated in Table 1, the full value of woodlands and forests is much greater than the direct contribution to the regional economy through timber sales. Other economic benefits from tourism, recreation, and field sports can be seen to generate more than 15 times the value of the timber resource.

Recreation and tourism

11 Around 47% of the woods and forests in the region provide some level of public access for informal recreation. Local people make over 32 million trips to woods and forests in the region each year and spend in excess of £90 million per year in the process. Tourist activity accounts for a further 10 million trips and generates in the region of £120 million per year. The combined sources generate in excess of £211 million per year. Only a very small fraction of this expenditure benefits woodland owners and managers directly. More effective ways need to be found for ensuring that owners who manage woodland in the public interest can benefit from the income generated to the region.

Organised sport

12 Woodlands and forests are also used for a wide range of organised activities. Activities considered in this report include cycling, orienteering, combat games, and 4 x 4 motor rallying. Collectively these activities may add a further £5-10 million per year to the regional economy.

Horse riding

13 Horse riding is a very popular and growing activity in the South West amongst both residents and tourists. It is estimated that 22,000 people ride within woodlands and forests, and they contribute approximately £23 million to the regional economy annually.

Field sports

14 Stalking and game shooting are major activities in many woodland and forest environments. Properly controlled, they perform an important economic and environmental role in woodland management and generate at least £20 million per year to the South West economy. A further £12.5 million is contributed through indirect expenditure.

Education and healthy living

15 Other uses of woodland have wide reaching benefits both socially and in economic terms. The study has begun to assess the role of woodlands in promoting education, and in improving public health. Sports activities and active walking in woodlands in the region may save £2-7 million a year in reducing mortality from heart disease. There is a great opportunity for reducing individual and public health costs associated with heart disease, obesity, diabetes and other diseases linked with lifestyles through promoting active exercise in woodlands and forests.

Other environmental values

Sustainability

16 The value of woodland and forestry to the regional economy in terms of actual expenditure constitutes only part of the overall asset. Other values include forestry and woodland's role in fixing carbon, sustainable energy, biodiversity, landscape enhancement and community well-being. All of these values may be described under the broad heading of sustainability and play a fundamental role in maintaining ecosystems and quality of life. When well managed, woodlands and forests are one of the best examples of a sustainable resource.

17 **This review of the other environmental values attributable to woodlands and forests has provided a first approximation for the region with a gross valuation in excess of £313 million per year, equivalent to £1,470 per ha of woodland cover. (These additional values are not included in the contributions to the regional economy set out in Table 1).**

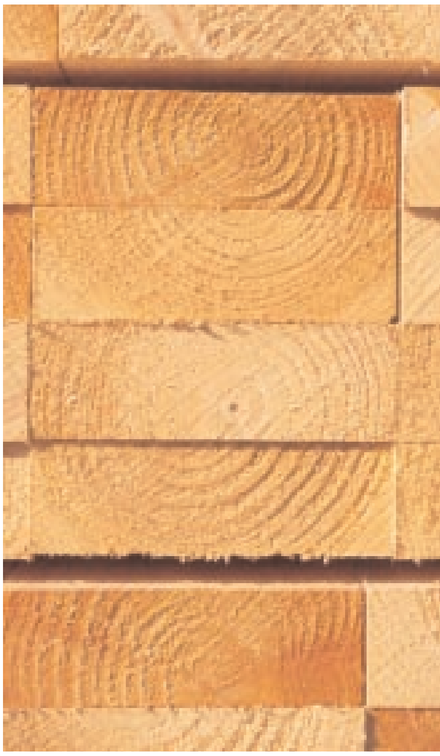
The forestry and timber industry

Many of the greater benefits to the region are only secured through the ongoing economic viability of woodland management.

Timber Growing

18 The quality and volume of timber produced is governed by many different factors, including soils, ground conditions and standards of maintenance. Growing timber is a medium to long-term activity and varying economic conditions will be experienced at different stages of growth. World timber prices have fallen by 30% since 1996, which has had marked effects on timber production in the region and UK as a whole. Employment in traditional forestry activities has declined, maintenance has been reduced and harvesting rates have dropped. Actual harvesting in 2000/01 was estimated to be in the region of 576,000m3 compared with a theoretical production in the region of 1.16 million m3.

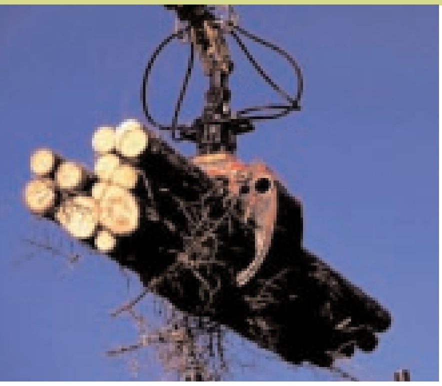
19 Understandably, these trends have caused significant concern in the industry but the long-term prospects for timber growing in the South West remain buoyant because of its favourable climatic conditions, and its wider potential and opportunity for economic development.



Timber Processing

20 Timber may be sawn, chipped, or pulped depending upon its quality and the nature of the intended end use. Traditionally, much of the timber grown in the region has either been sawn locally or exported to adjacent regions for sawing or secondary processing. Very small amounts are coppiced and split for hurdles, burnt for charcoal, or used directly in wood turning and craft industries. There are a number of important timber and fibre processors in the region, but major change is taking place with the closure of many smaller saw-mills (around 20 in the last ten years) and consolidation of processing in larger plants, often outside the region. As a result regional processing capacity has probably declined by about 60,000 tonnes per year, while available timber resources are increasing. Three key influences are driving the changes:

- Existing mills are adversely affected by the downturn in harvesting rates in response to falling prices for locally grown wood of suitable quality.



- Demand for low quality wood and wood waste has dropped with incentives being provided for recycled fibre in the pulp, paper and board industries.
- Smaller, less efficient mills with aging plant have failed to remain profitable with declining timber prices, and competition from international imports.

Markets

21 The principal markets for timber produced in the South West are for construction, joinery, fencing and other wood products such as paper, card and pressed fibreboard. Locally produced wood competes with imports to the UK, principally from Scandinavian and Baltic countries. The high value of £ Sterling has increased pressure for imports that account for over 80% of UK consumption. Enlargement of the European Union will see sustained competition from central European sources, so the timber production and processing industries will need to adjust to this long term trend.

22 The current pattern of timber marketing, with an estimated 60% of south west production being hauled to mills in the Welsh Borders and West Midlands, results in a substantial added cost for long distance transportation which can account for as much as 40% of the mill gate price. It also imposes penalties in terms of energy consumption, and environmental pollution. There are therefore strong arguments and opportunities for maintaining and developing a more sustainable local processing industry. This would not only reduce timber miles, but also help to ensure that more value is added to the timber product at or close to the point of origin, thereby boosting the local rural economy.

Industry Structure

23 It is calculated that there are in the region of 2,570 full time job equivalents in the forestry production and primary processing industries in the South West (1998/99 figures). Of these jobs, around 1,076 were in primary forestry activities, and 1,495 were in haulage and primary processing.

24 There are well in excess of 1,200 companies that use forestry and woodland products and resources generating a further 14,000 jobs. Much of the raw material is imported.

25 There is a high degree of fragmentation in the timber production and processing industries, with few linkages between the different parts of the wood chain. These issues have been recognised in a number of pilot marketing initiatives, but greater effort is needed at a regional level to promote all sectors of the industry as an entity.

Consultation

26 The study has involved extensive consultation, resulting in some clear messages:

- Low timber prices, and the reduction in timber harvested are having a damaging effect on the industry.
- Positive initiatives are taking place to promote better integration in the wood chain, but more effort and co-ordination is required regionally.
- There is a need for wider public recognition of the role that forestry and woodland plays in the South West.
- The South West grows some species, such as Douglas fir, Oak, Sweet Chestnut and Ash particularly well. Markets for these species should be promoted strongly.
- The imbalance between increasing timber resources and declining processing capacity in the region should be corrected.
- Private growers should receive further assistance in meeting costs of sustainable management.
- Economic aid programmes should be applied more flexibly since the adverse economic conditions currently affecting the forestry industry are not restricted to individual counties but apply across the region.
- More investment is needed in training and raising standards.

Policies and grants

27 An extensive review has been undertaken of the policy framework within which woodland and forestry practice takes place, and the main sources of financial aid have been assessed.

28 The England Rural Development Plan (ERDP) is the main mechanism by which state aid reaches the rural economy. It is concluded that many policies and grants work in isolation. There is an urgent need for a more integrated and unified approach towards policy formulation and funding in forestry and the wider rural environment. All signatories to the England Forestry Strategy (EFS) should be encouraged to integrate their own strategies to increase their contributions to the common rural agenda.

Findings and recommendations

29 Over thirty detailed recommendations have been made in the body of the report and the following paragraphs are only intended to summarise the key features.

30 The study highlights the importance of recognising the woodland and forestry sector as an integral part of other key sectors in the regional economy including tourism, recreation and rural land use. It is a mainstay to the health and vitality of the region's population, and a key source of raw materials and energy.

31 This message is poorly understood. It needs to be widely communicated and acted on in developing regional planning, economic and health strategies and the Regional Assembly's Integrated Regional Strategy.

32 Multi purpose use of woodland and forestry should be actively promoted, developed and supported by government, local authorities, other public bodies and by charitable trusts and owners. Key measures in achieving this aim should be:

- Closer integration of policies on woodland and forestry, agriculture, recreation and tourism, and energy production.
- Greater recognition of woodland and forestry in land use planning policies at regional and local level.
- Economic strategies and policies developed by non-forestry organisations should include forestry's economic values and benefits.
- Greater involvement, and the creation of more opportunities, for private owners to benefit from the real value of their woodland and forestry to the region, by developing tourism, recreation educational and health resources.
- More appropriate and flexible grant structures to secure action across the wood chain.
- Stronger dialogue between producers and users to support long term strategic marketing plans and advisory networks.

33 Although the study has covered a wide range of issues, some require more detailed evaluation. A key component of future research will be the National Inventory of Trees and Woodland. A regional database should be developed and regularly updated to capitalise on the inventory and study findings.

34 South West England is climatically one of the best areas of Europe for growing trees. The topography and soils allow the flexibility of management over the period of time necessary for growing quality timber demanded by the industry.

35 Sub regional studies should be promoted to maximise the benefits of woodlands and forests within local areas.

36 The benefits of healthy walking and exercise in woods and forests should be strongly promoted and pilot projects set up close main urban centres, including coastal resorts.

37 In addition to a strong focus on multi-purpose use, the timber production capacity of the regions' woodlands should be marketed more aggressively. Specifiers, timber processors and the construction industry should be encouraged to increase local timber sourcing.

38 Timber producers should be supported in meeting costs of maintenance and certification under present economic conditions.

39 The value of existing woodland initiatives should be recognised and their potential to provide a more regional focus and role should be explored.

40 Special measures should be taken to develop the region's processing capacity and reduce the volume of untreated timber hauled over long distances. This will help to reduce environmental pollution, add value to timber products locally, expand existing businesses and establish new secondary and tertiary industries.

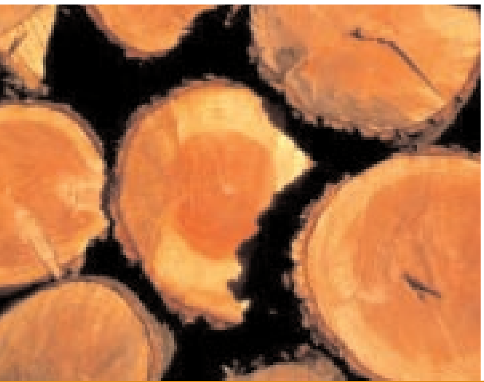
41 There is increasing international focus and attention given to renewable energy. Government policy is to increase the proportion of energy derived from renewable sources. This requires that greater attention should be given to the region's potential to generate heat and energy from local timber.

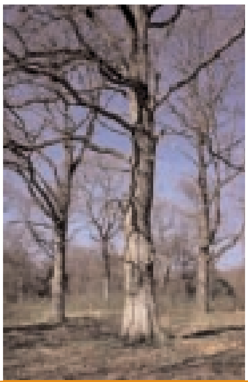
42 New training initiatives should be pursued to make courses and practical experience more relevant to students' needs for the multipurpose agenda in future forestry and woodland work.

43 Forestry's long timescales make it necessary to acknowledge the possible effects of climatic change and the need to adapt species choice and management appropriately.

44 The overriding message from this study is that Forestry and Woodland resources should be considered in an holistic way as a fundamental part of regional economy. The state of this industry and its role in managing 9% of the land area, is crucially important to the landscape, biodiversity, and major economic activities of the South West.

Summary of Recommendations





"The England Forestry Strategy sets out the Government's ambitions for forestry. Some of its most important messages remain to be addressed at regional level."

Responding to the England Forestry Strategy

SECTION A:
General Policies

SECTION B:
Maximising the economic value of multipurpose uses of woodland

SECTION C:
Environmental costs and benefits

SECTION D:
Specific recommendations on timber production

SECTION E:
Specific recommendations on timber processing