

Forestry Commission

Forestry Statistics 2006

Finance & prices

This section contains information about Government expenditure on forestry, grants and financial returns from forestry.

Government expenditure on forestry

Net expenditure on public forests by the Forestry Commission in 2005-06 totalled £66 million. £56 million was used to fund forest management and development, £32 million for recreation, conservation & heritage and £39 million for harvesting & haulage. Timber sales generated a total income of £62 million in 2005-06.

The total net expenditure for 2005-06 of £66 million comprised £26 million in Scotland, £24 million in England and £15 million in Wales.

Table 7.1 Funding public forests - net expenditure¹

	£ million				
	2001-02	2002-03	2003-04	2004-05	2005-06
GB	49.2	74.2	66.4	62.1	65.6
Forest management & development ²	57.8	77.6	61.8	53.4	56.1
Recreation, conservation & heritage	18.5	21.5	25.0	30.6	32.4
Harvesting & haulage	42.7	43.4	41.9	42.4	39.0
Less timber income	-69.8	-68.2	-62.2	-64.3	-61.9
England	16.5	22.7	22.5	20.8	24.3
Forest management & development ²	18.4	22.4	19.5	16.3	18.4
Recreation, conservation & heritage	8.2	8.5	9.6	11.8	13.8
Harvesting & haulage	9.6	10.1	10.2	10.1	10.8
Less timber income	-19.6	-18.4	-16.8	-17.3	-18.7
Scotland	22.8	39.4	31.7	24.1	26.0
Forest management & development ²	27.4	43.7	34.3	28.0	28.0
Recreation, conservation & heritage	6.9	7.1	7.8	9.1	11.3
Harvesting & haulage	22.8	22.5	21.9	22.5	21.6
Less timber income	-34.3	-34.0	-32.3	-35.5	-35.0
Wales	9.9	12.1	12.2	17.2	15.3
Forest management & development ²	12.0	11.4	7.9	9.1	9.6
Recreation, conservation & heritage	3.4	5.9	7.6	9.7	7.3
Harvesting & haulage	10.3	10.7	9.7	9.9	6.6
Less timber income	-15.8	-15.9	-13.0	-11.5	-8.2

Source: Forestry Commission Annual Reports & Accounts.

1. Excludes notional cost of capital and any surplus/ deficit on sale of properties.
2. Includes all expenditure on public forests not covered under "recreation, conservation & heritage" or "harvesting & haulage".

In addition to expenditure on public forests, the Forestry Commission spent a total of £104 million on other activities in 2005-06. £46 million of this total was used by the national offices in each country for grants and partnership funding and a further £28 million for policy, regulation & administration. At a GB level, £39 million was used for international & GB support services and £14 million for research.

Table 7.2 Other government expenditure on forestry^{1, 2}

	£ million				
	2001-02	2002-03	2003-04	2004-05	2005-06
GB	88.5	89.9	99.5	95.6	103.8
Grants and partnership funding ³ - total	38.7	37.8	40.6	44.8	46.0
Policy, regulation & administration - total	19.5	22.8	31.7	23.6	28.3
Research - GB funded	12.4	11.9	12.4	13.2	14.3
International & GB support services	31.7	31.7	36.3	38.2	38.5
Less recovery of support service costs from countries	-13.8	-14.2	-21.5	-24.2	-23.3
England	28.7	31.4	34.3	32.9	31.1
Grants and partnership funding ³	18.8	18.8	18.6	20.2	18.2
Policy, regulation & administration ⁴	9.9	12.5	15.7	12.7	12.9
Scotland	24.0	20.1	25.0	27.9	30.6
Grants and partnership funding ³	17.4	14.0	15.8	17.9	19.7
Policy, regulation & administration ⁴	6.6	6.1	9.2	10.1	10.9
Wales	5.5	9.1	12.9	7.6	12.6
Grants and partnership funding ³	2.6	4.9	6.1	6.8	8.1
Policy, regulation & administration ⁴	2.9	4.1	6.8	0.8	4.6

Source: Forestry Commission Annual Reports & Accounts.

1. Forestry Commission expenditure only. Excludes expenditure incurred by other departments, e.g. FWPS payments.
2. Excludes miscellaneous income.
3. EU co-financing not subtracted from grant expenditure. For Wales, includes objective 1 expenditure, starting in 2003.
4. Country costs include shares of GB support service costs. For Wales, the split of expenditure between Tables 7.1 and 7.2 has varied over recent years.

Grant Schemes

Non-FC woodland in Great Britain is supported by a range of grants for creating new woodland and managing existing woodland. The Woodland Grant Scheme (WGS) was introduced in 1988, at the same time as tax relief was phased out. In Scotland, WGS was replaced by the Scottish Forestry Grant Scheme (SFGS) in 2003. The English Woodland Grant Scheme (EWGS) was launched in July 2005 and Better Woodlands for Wales (BWW) in December 2005.

Because of the differences between these schemes, it is increasingly difficult to provide comparable statistics across the three countries. Total areas of new planting and restocking are shown in Table 1.12. Expenditure on grants and partnership funding is included in Table 7.2. Grant spend is shown in Table 7.3. For other statistics, see the three countries' Annual Report and Accounts.

Table 7.3 Grant money paid in 2005-06, by type of grant

		£ million			
		England	Scotland	Wales	GB
New Planting	Planting	7.0	10.4	1.2	18.6
	Natural Regeneration	0.2	0.5	0.0	0.6
Restocking	Planting	0.4	3.4	0.5	4.3
	Natural Regeneration	0.2	0.3	0.1	0.5
Management Grants	All	9.0	4.9	0.8	14.7
Planning Grants	All	0.3	0.4	0.2	0.9
Total		17.1	19.7	2.8	39.6

Source: Forestry Commission Annual Reports & Accounts.

Figure 7.1 GB grant money paid in 2005-06 by type of grant



Source: Woodland Grant Scheme

Prices of wood and wood products

The Forestry Commission has collected information for many years on the prices of conifers sold standing by the FC and publishes a Coniferous Standing Sales Price Index (CSSPI) every 6 months for overlapping 12 month periods. A softwood sawlog price index, providing information for 6-month periods on prices (delivered to roadside), of coniferous sawlogs produced by the Forestry Commission, is also published. Both series are published in *Timber Price Indices* on the Forestry Commission website. There is little other information on wood prices before primary processing and no price index is available for broadleaves. Prices for outputs of primary wood processing are collected by the Office for National Statistics (ONS) in the Producer Price Indices (PPIs), and these are available in the MM22 Business Monitor which gives detailed PPIs monthly, or from the National Statistics website.

The average price per m³ overbark standing was £7.25 in nominal terms (£5.74 in 1996 prices) in the year to March 2006.

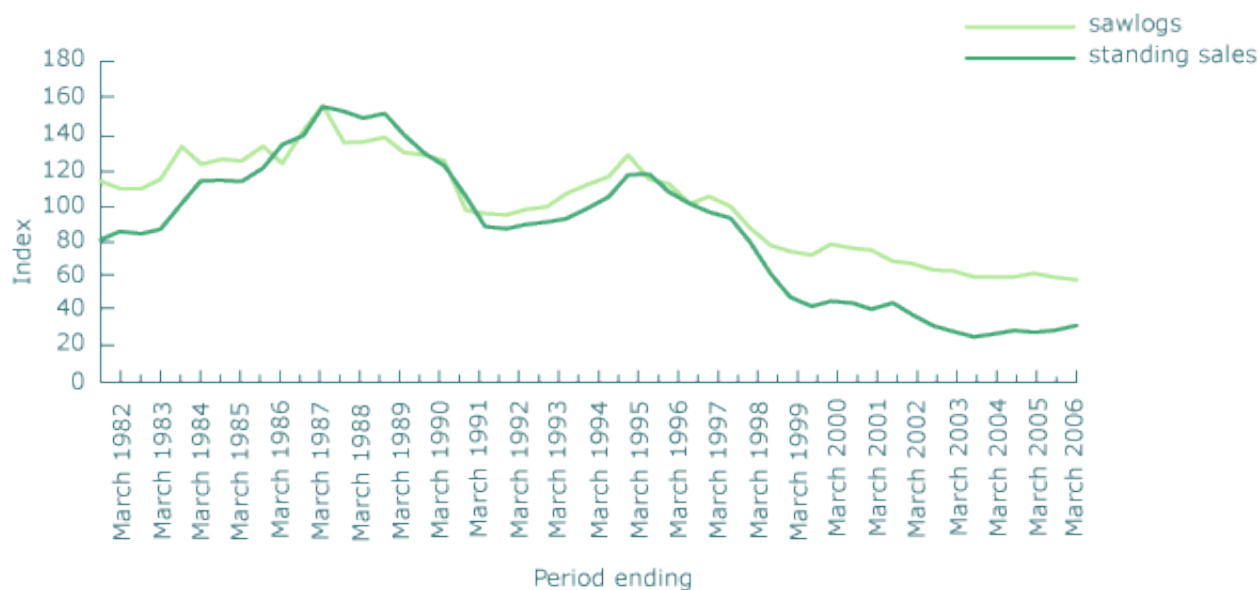
Table 7.4 Coniferous standing sales and sawlog price indices¹ for Great Britain

Period ending March	Index			
	Standing sales Nominal terms ²	Standing sales Real terms ^{3,4}	Sawlogs Nominal terms ²	Sawlogs Real terms ^{3,4}
1997	96.8	95.5	104.7	104.1
1998	82.3	78.9	90.0	86.6
1999	51.1	47.8	78.1	73.4
2000	49.7	45.8	83.9	77.4
2001	45.4	41.1	81.6	74.0
2002	43.2	38.1	75.3	66.6
2003	33.6	28.7	72.8	62.5
2004	32.6	27.1	70.3	58.9
2005	34.5	28.0	74.7	61.1
2006	39.9	31.6	71.3	57.4

Source: *Timber Price Indices* (data to September 2006).

1. The price indices are constructed from information on Forestry Commission sales only. Period to September 1996 = 100.
2. Nominal prices are the actual prices at that point in time.
3. Real terms values are obtained by using the GDP deflator to convert to 'constant prices' (in this case prices in 1996). This allows trends in timber prices to be tracked without the influence of inflation.
4. Real terms indices have been revised from Forestry Statistics 2005 in light of revisions made by the Office for National Statistics (ONS) to the GDP deflator.
5. Real terms indices for sawlogs have been revised so that they are now based on the 6-month period to September 1996=100, because these data relate to 6-month periods, not overlapping years.

Figure 7.2 Coniferous standing sales and sawlog price indices in real terms (period to September 1996 = 100)



Source: Timber Price Indices

Note that the overlapping periods used to construct the standing sales index will make this graph in real terms appear smoother than the actual movement of prices, and remove any seasonality in the series.

Financial return from forestry

Returns to the forest owner are made up of sales of timber (standing or felled), sales of other goods and services, increases in the value of the woodland (from annual increment or market factors), and the net income from subsidies (e.g. planting grants) less taxes. The owner's costs are made up of employment costs and other purchases.

Estimates of the overall return from commercial Sitka spruce plantations are produced annually in the Investment Property Databank (IPD) UK Forestry Index (not National Statistics), which is calculated from a sample of private sector plantations in mainland Britain.

The total return from forestry in the three year period 2002 to 2005 is estimated to have been 8.2% per annum. This represents a recovery from the negative returns of recent years, and is similar to the level in the mid-1990s.

Table 7.5 Three-year rolling annualised returns from forestry

	percent per annum
	Total return
1992-95	4.4%
1993-96	9.9%
1994-97	7.9%
1995-98	4.5%
1996-99	-3.0%
1997-00	-5.2%
1998-01	-5.4%
1999-02	-3.2%
2000-03	-1.7%
2001-04	1.9%
2002-05	8.2%

Source: IPD UK Forestry Index 2006 (not National Statistics).

Gross Value Added (GVA)

The Annual Business Inquiry (ABI) carried out by the Office for National Statistics (ONS) includes statistics on gross value added broken down by Standard Industrial Classification (SIC). The ABI was extended to include forestry from 2000. Gross Value Added (GVA) is the difference between the value of outputs and the value of intermediate consumption, so mainly comprises employment costs and profits.

GVA reported by the ABI is shown in Table 7.6. From 2000 to 2004, GVA in primary wood processing decreased by 14% to £1.4 billion. GVA in forestry is reported to have increased by 17% since 2000 to £0.3 billion in 2004.

Table 7.6 Gross Value Added in Forestry and Wood Processing

£ millions					
Standard Industrial Classification (SIC)¹	2000	2001	2002	2003	2004
SIC 02: forestry	273	294	292	316	320
SIC 20					
20.1: sawmills	398	312	346	354	361
20.2: wood panels	246	222	232	245	275
Other SIC 20: secondary products	1 659	1 781	1 881	2 070	2 330
Total SIC 20: wood products	2 303	2 315	2 459	2 669	2 966
SIC 21					
21.1: pulp & paper	1 007	1 002	1 022	879	788
21.2: articles of pulp & paper	2 732	2 715	2 747	2 594	2 558
Total SIC 21: pulp & paper	3 739	3 717	3 770	3 472	3 347
Total wood processing (SIC 20 + 21)	6 042	6 032	6 229	6 141	6 313
Total primary wood processing (SIC 20.1 + 20.2 + 21.1)	1 651	1 536	1 600	1 478	1 424

Source: Annual Business Inquiry - release June 2006

1. The SIC categories shown in the table are:

SIC 02 = Forestry, logging and related services

SIC 20.1 = Sawmilling and planing of wood, impregnation of wood

SIC 20.2 = Manufacture of veneer sheets, manufacture of plywood, laminboard, particle board, fibre board and other panels and boards

Other SIC 20 = manufacture of builders' carpentry and joinery, wooden containers, and other products of wood, straw and plaiting materials

SIC 21.1 = Manufacture of pulp, paper and paperboard

SIC 21.2 = Manufacture of articles of paper and paperboard