The Contribution of the Woodland and Forest Industries to South East England.

(from the English Forest Industries Partnership Mapping Study).

As well as having the most woodland of any region, the South East also has a substantial share of England's wood using industry. This includes forest resources through to secondary processing, paper, bio-energy, also including wood and fibre recycling. The sector has a turnover of £10 billion and contributes £2.7 billion GDP to the regional economy, employing around 100,000 people in over 9,000 companies.

The eight million people of the South East (largest population of any English region) have a great demand for woodland products. Indeed England as a whole is the second largest market in Europe for paper and wood product consumption. Yet whilst 14% of the region is wooded, there is a serious mismatch between use of wood products, and the raw material supply coming from the woodlands in the region. The recent English Forest Industries Mapping Study, shows that across England only 39% of the annual timber increment is being harvested. Our high dependence on imported wood means reduced revenue flowing back into sustainable forest management and investment in other woodland activities in this region.

The report shows that if the market for home grown timber is increased, for each 5% of the total market gained by home grown timber, the income flow back to the forest owners would be in the order of £12-15 million - a 50% increase in forest income. However at present many forest owners are disengaged from the wood market. The Regional Economic Strategy notes that one of the attractions for top business of the region is the beautiful countryside which provides a high quality of life. More needs to be done to ensure that the benefits of the market flow back to the woodlands that make SE England such an attractive place to live. One of the key recommendations of the report was the need to grow the market for home grown timber. This could occur through reconnecting the flow of revenue back to the forest management sector, whilst building the market for wood products as a whole.

This note briefly looks at the industry across in England, before examining the specific contributions to and challenges in the South East. The full report can be seen at www.efip.org.uk

How is the sector defined in this report?

The definition includes forest resources through to secondary processing, paper, bio-energy, also including wood and fibre recycling. This wide definition demonstrates the great demand for wood products and large size of the market. However it also shows the home grown resource is under-utilised and very little material grown in the South East reaches the secondary processing stage.

What does the sector contribute to England?

This sector is a significant contributor to the English economy, and to peoples' lives through recreation and tourism opportunities, environment and quality of life. The sector has a turnover of £42 billion and GDP contribution of £13 billion.

Only 3% of products are exported. Social and environmental contributions to GDP are estimated at £350 Million.

Table 1 - Contribution of sector to the economy.

	Total Sector	Home-grown	Forest Based Activities
GDPContribution. £Bn	13.0	2.1	0.4
Employees FTE '000	420.0	64.0	12.0

The predominance of secondary processing is demonstrated as primary production and primary processing has a turnover of £16 billion, only 38% of the turnover of the sector.

What does the sector contribute to the South East?

With the largest sales of any region, it contributes £2.7 billion to the regional GDP. Its turnover of £10 billion is 18% of the national sector turnover.

42% of these businesses are locally owned and are long lived with average company age of 69 years. 21.3% of all companies in the sector are found in the South East, 50% more than the second placed North West.

What does the sector contribute to the South East?

There is estimated to be around 101,000 employees in the sector. Of that, c2360 jobs are in forestry and primary wood processing. There is declining support for production forestry, which might indicate that resource dependency may grow.

A key feature of the sector is the rural nature of the employment, so with potentially important contributions to rural development 56% of businesses in this sector are based in rural areas in the South East, compared to 5% of employment in general. Forestry and primary processing is particularly focused in rural areas, with a higher proportion of secondary processing occurring in urban areas.

What is the structure and distribution of employment of the supply chain in the South East?

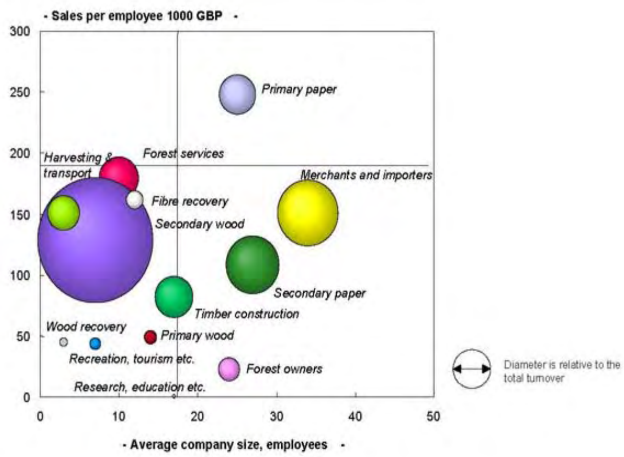


Figure 1 shows the national picture, with the dominance of secondary wood processing. The study explicitly recognises the limited data available for forest owners, showing the averaged data from identified owners and the Forestry Commission.

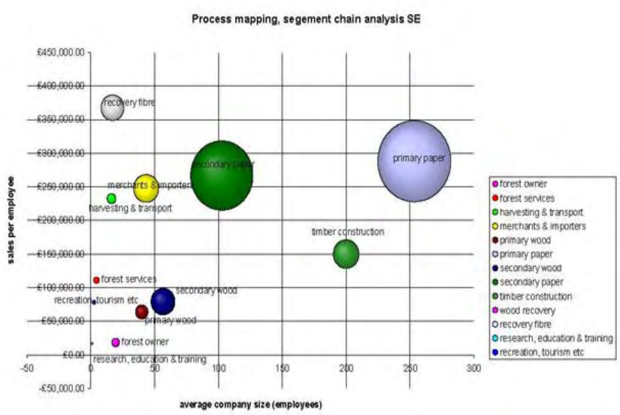
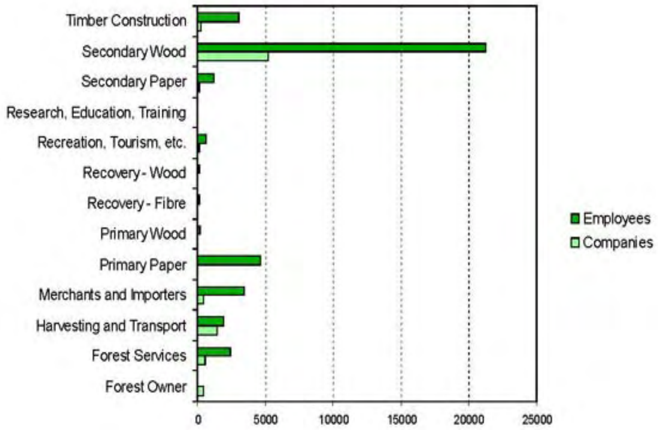


Figure 2: SE chain segment analysis (data further analysed from EFIP, 2006 database)

Figure 3 - Employment by sub-sector in South East England



The most important sub-sectors in the region are:

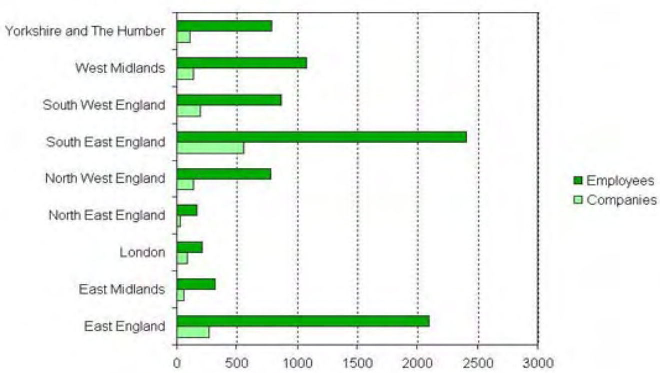
- Secondary wood processing (substantially larger average number of employees per company)
- Primary paper (a much larger number of employees per company, and higher than average turnover)
- Merchants and importers (reflecting the importance of imported timber within the region).
- Timber construction industry (the turnover per employee is higher than the national average).

Also note:

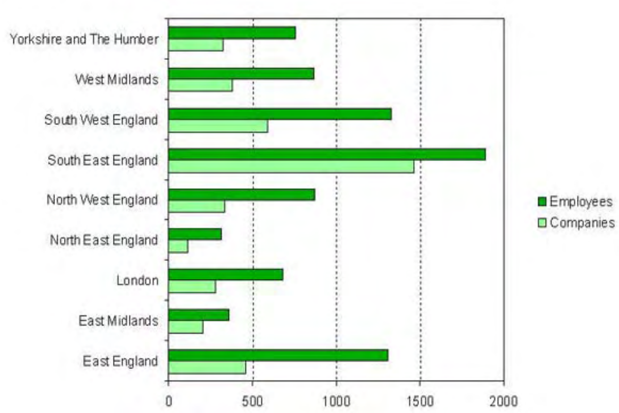
- There is approximately the same visibility of forest owners within the region as nationally.
- Forest services have a smaller company size (5 employees) compared to national average (10) and are less profitable per employee.
- Harvesting & transport employs more than twice as many per company on average and is more profitable in the region. This may well support the assertion that there is significant trade between the SE and other regions that is not experienced elsewhere.
- Recreation and tourism has fewer employee numbers per company in the region, but a higher turnover

However as demonstrated in the next three graphs, the South East is the leading region in forest services, harvesting and transport sub-sectors. Woodland produce has to be transported long distances with very few primary processing plants in the region. There is high resource dependency on imported wood for secondary processing.

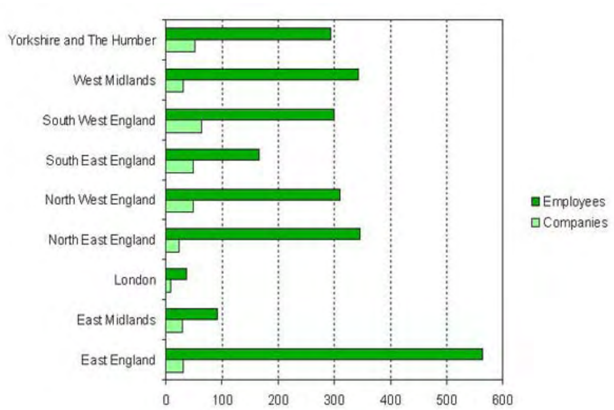
Forest Services



Harvesting and Transporting



Primary Processing



What are the challenging characteristics of the sector in the South East?

- The South East is very dependent on resources from the rest of the UK or abroad with declining support for production forestry.
- The South East's employees are an ageing workforce, with a much higher average proportion of the workforce above 50 years old compared to the national situation.
- It is harder in this region than others to find skilled employees, with nearly 60% of businesses reporting a deficiency in meeting future skills requirements.
- In the next 3 years predicted growth is significantly lower in the sector than the average in other regions.
- The production forecast is not predicted to increase without major support or market stimulus.
- 40% of businesses in the sector say that English wood is of importance to their business.
- There is a larger proportion of small businesses (28%) in the South East than the rest of England, with no businesses employing more than 500 people.

The report recommends that in this region the sector needs to be seen as more attractive, with stronger pathways through which the local resource can be promoted and connected to processing and rural areas.

What do woodland owners get out of this industry?

Woodland owners are strongly tied to the region through local wood sales and land ownership. They share only 0.4% of the turnover created by the primary processing sector (0.1% of the turnover created by the secondary processing sector). They have little ability to demand prices. With little economic return, there is less stimulus for owners to provide environmental and social benefits. On average forest owners say that 50% of forest revenue is produced by production forestry, 25% from recreation and sport, 25% from other land based recreation. Production forestry is still key to the delivery of other benefits and revenue generation. Owners of conifer woodlands generally get better returns from the market, with the report noting how investment in the home grown conifer market has improved in recent years. However the hardwood resource remains generally disconnected from the market place. Primary processing businesses working with broadleaf timber are in decline. Indeed conifer harvesting predominates over broadleaf, even though it covers a much smaller area.

However if the market for home grown timber is increased, for each 5% of the total market gained by the home grown, the income flow back to the forest owners would be in the order of £12-15 million - a 50% increase in forest income. Better organisation and co-operation is required for this to occur along with support for owners to gain better market understanding.

How does the industry view itself and its competition?

73% of all business across the whole chain in England see their competitors as within England, rather than considering international competition, and competition from equivalent non-woods products. A current threat is that there is not a unified response to competitor actions and indeed dealing with competitive threat was seen as an individual responsibility. Also the report found that there is a tendency to focus on primary processing, whereas it is actually secondary processing which sets trends and feels most serious competition from emerging economies. The industry does not respond to change quickly with around 20-25% change in the past 5 years.

What are the main barriers to growth in the English market?

- Accessing the market.
- Creating profitable businesses.
- Lack of Growth plans.
- Planning regulations stifling potential growth in regards to site.
- Retention of employees due to sector unattractiveness and lack of skilled available workforce.

What does the report recommend should be done?

1) Increase the participation of home grown timber in the English market.
2) Grow the whole sector, working with end use markets and import based product streams to promote opportunities such as the sustainability credentials of wood.
3) Focus on broadleaf resources.
4) Re-engage forest owners in the wood market and help them connect with processors through provision of market information and product development.

How does it recommend this should be done?

1) Through national sector leadership and a national sector strategy.
2) Through related regional sector groupings and engagement with regional development strategies, particularly linking through to actual sites for development.
3) Through local inclusive initiatives to reconnect the resource with the market and engage forest owners.

Which parts of the market did the report consider had most opportunity for growth?

Bio-energy, firewood, recovered wood and fibre linking in to panels, paper, bedding.

How can we use the information in this study?

In the South East, the Forestry and Woodlands Partnership will use this as an evidence base to increase recognition of the contribution of the sector to the region. It is critical that there is regional leadership to demonstrate what the sector can deliver, so that regional documents and strategy all push in the same direction. This evidence base can also feed into stronger support for adding value to the woodland produce in the region. A strengthened economic basis to woodland management is key to ensuring that the wider public benefits of woodland management are secured, for example the management of our ancient woodlands for biodiversity and access for the public to woodlands for health and recreational activities.

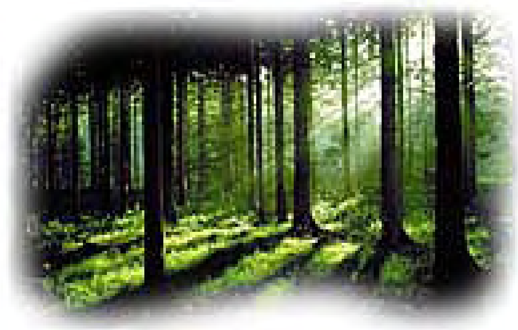
All information in this report is available online and can be used by any forest business. Please acknowledge the study when using it.
See www.efip.org.uk

What is the English Forest Industries Partnership (EFIP)?

This is a national partnership of industry, national and regional government, embracing the entire forest and woodland sector from the forest, through processing, to end use.

What is the mapping study and why is it required?

This study looks at the size of the sector and its contribution to the economy. It looks widely, across all parts of the sector from growers right through to the secondary processors, who use wood from any source. It also looks at the recycling industry as well, which is a growing issue and business opportunity. It is a key evidence base for the sector's contribution to the economy.



How has the study been put together?

The economic contribution was calculated through direct sampling and social and environmental benefits were noted from an overview of previous studies. The total population of businesses was compiled from directories. Over 500 businesses were interviewed to examine the processes within the supply chain. The study was funded by the English Forest Industries Partnership (EFIP) and the Forestry Commission.

How is this report useful to wood producing and wood using businesses?

This study is an evidence base for the sector. The sector as whole is poor at promoting the benefits that it produces, as well as its wood products. It should give businesses the confidence to ensure they are recognised for these contributions. The information can be used by business when needing and information on the sector (grant applications, bank loans, project proposal etc).

Regional Forestry & Woodland Framework Secretariat
Information Note No. 5
c/o Forestry Commission
South East England Conservancy
BBO Area Office
Upper Icknield Way, Aston Clinton, Aylesbury
HP22 5NF
Tel: 01296 696543
jane.hull@forestry.gsi.gov.uk