A general comment on the forestry budget – which for the current year is £61.3m. The way it is presented (Table 10.08 at http://www.gov.scot/Publications/2015/12/9056/14) does not make clear that the EU income relates purely to the woodland grants paid to the non-state sector. The £36m provision for these grants less the £19.8m EU co-funding through SRDP, means that Scottish Government’s support to the non-state sector is only £16.2m, and this level of funding has remained static for several years. The forestry budget is actually dominated by the costs of running the National Forest Estate (NFE) and the five Conservancy offices and policy teams in Edinburgh.

Sales and acquisition of Forestry Commission Scotland assets
Strictly speaking, Forestry Commission Scotland (FCS) does not own any land, as the land and forests of the NFE are owned by Scottish Ministers on behalf of the people of Scotland. FCS merely manages the NFE – principally through its agency Forest Enterprise Scotland (FES).

It is assumed that the matter the Committee seek evidence upon relates to FCS’s re-positioning programme, which is described in some detail on their website at http://scotland.forestry.gov.uk/managing/work-on-scotlands-national-forest-estate/land-and-building-management/re-positioning-programme

Re-positioning is a rolling programme of land sales and acquisitions, ongoing since 2005, whereby the money raised from the land (and forests) sold is re-invested – mainly into new woodland creation - with the purpose of making the NFE better able to meet today’s forestry policy and to raise the social and environmental value of the estate.

What is important to the sector is not so much who owns the forests, but how they are managed. As explained in our response to the recent consultation on the Future of forestry in Scotland, it is vital that productive capacity of the NFE is protected given that the industry faces a serious and damaging downturn in wood supply in the 2030s and 2040s, and this would be exacerbated if the valuable productive resource, currently managed by the NFE, was undermined. Although the balance of wood production has shifted towards the private sector, public sector wood production remains a vital component of the forestry sector in supporting economic activity at all levels from small scale wood heat to larger sawnwood and panel board manufacturing – the largest part of today’s £1bn industry employing 25,000 people and delivering economic, employment, carbon, biodiversity and health benefits.

In order to protect and promote activity, Confor believes there should be a clear guarantee that future wood supply from the NFE will be guaranteed at least at current levels,
accounting for sales of land. If productive forest on the NFE is sold then it should be to an entity that will continue to manage the forest to realise its productive value, and Government should ensure that the purchaser will manage those forests to produce future supplies of wood and not to degrade the strategic resource of wood in Scotland.

We also feel it will be important that future sales of the NFE will continue the current re-positioning format, so that the money raised is re-invested in forestry rather than being diverted to other causes outside of the forestry sector.

It is our view that the Community Asset Transfer Scheme, due to replace the National Forest Land Scheme, should restrict the effective “first chance to buy” to local communities and appropriate housing bodies. Following that the land should be sold on the open market. Wherever afforested NFE land is sold, there must be a presumption against woodland removal without appropriate compensatory planting.

**Planting targets and whether there is funding and incentives available to meet them**

The planting target is currently referred to for convenience as 10,000 hectares of new woodland creation per annum; but this should really be the previous Government’s target of 100,000 hectares in the decade to 2022, of which approximately 60% should be of productive softwood, which came out of the Woodland Expansion Advisory Group (WEAG) process in 2012.

The following statistics start from 2013 and are based on the nine different woodland models and their associated grants – two conifer (conifer and diverse conifer) and seven native and other. Note that the conifer models are not pure conifer, as:

- “Conifer” has a maximum of 75% Sitka spruce, plus 15% other conifer and open ground/other tree species
- “Diverse conifer” excludes Sitka, having at least two species, maximum 75% one species, plus open ground/other tree species

In practice, new planting schemes feature much higher percentages of open ground and non-conifer species. As the statistics are collated on the total area of the new woodland, which incorporates this open ground non-conifer species, the actual planted area of productive conifer will always be overstated in the figures.

**Planted (ha)**

<table>
<thead>
<tr>
<th></th>
<th>Conifer</th>
<th>Other models</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>428</td>
<td>6,260</td>
<td>6,688</td>
</tr>
<tr>
<td>2014</td>
<td>1,402</td>
<td>6,430</td>
<td>7,832</td>
</tr>
<tr>
<td>2015</td>
<td>1,439</td>
<td>3,210</td>
<td>4,649</td>
</tr>
<tr>
<td>2016 (approved)</td>
<td>2,338</td>
<td>1,295</td>
<td>3,633</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,607</strong></td>
<td><strong>17,195</strong></td>
<td><strong>22,802</strong></td>
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</table>
### Target for 4 years

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<th>16,000</th>
<th>40,000</th>
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<tr>
<td>planted (under)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over</td>
<td>-18,393</td>
<td>1,195</td>
<td>17,198</td>
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</table>

### Revised target for 6 years - 2017 to 2022

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<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per annum</td>
<td>9,066</td>
<td>3,800</td>
<td>12,866</td>
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</table>

**Meeting the target**

Including approvals for the 2016 claim year, we are 17,198 hectares behind the annualised target, so we would need to plant about 13,000 hectares in each of the next six years, at least 9,000 of which should be productive conifer to meet the 100,000 ha by 2022 target. There are currently schemes totalling 6,460 hectares which have been submitted, 2,322 ha of which have been approved for 2017/18, and the Conservators are aware of other schemes under discussion but not yet submitted totalling about 11,500 hectares.

Forest Enterprise Scotland plan to plant 650 ha in 2016/17 and 700 ha in 2017/18.

**Budget**

The present “average” rate of grant per hectare is £4,527, so to meet the planting target of 100,000 ha (planting 13,000 ha/year) requires a grant budget of about £59m per annum. In order to meet the 10,000 ha/year target requires a grant budget of over £45m per annum. The current provision for all forestry grants is £36m per annum, of which £30m is predicated against new woodland creation (NWC).

In order to meet the 10,000 ha/year target the budget would need to be increased by £15m and, if it was to achieve the 13,000 ha/year requirement identified by WEAG, the budget would need to be increased by £29m a year.

If the higher level of funding was provided, and if the other barriers to woodland creation can be overcome, notably farmers’ attitude towards planting trees (we think many would be eager to create new productive woodland were the subsidy regime not so weighted against that), land availability and cost and complexity of the present scoping and consultation process, then Confor believes these planting targets can be met – though gearing up to these levels of activity will be challenging in terms of skilled labour for woodland establishment, and for plant supplies.

Continuity of funding is vitally important. We have suffered too long from the farming based 7-year cycle of CAP which is unsuitable for forestry. NWC schemes take a long time to work up, and will continue to do so even if some radical improvements follow Jim Mackinnon’s review of the consultation process. The evidence is clear that NWC activity is constrained at the beginning of every SRDP programme, and only builds up again once
the certainty of grant funding is confirmed. Transition to the next support regime needs to be worked out well in advance.

**Challenges from pests and diseases in the face of climate change, and what funds are being directed towards addressing these challenges**

As at 7th November there have been 28 SRDP applications submitted this year for assistance with Tree Health, 18 of which have been approved for grants of £150,000. Most of this will be related to clearance of Phytophthora ramorum infected larch following issue of a SPHN (Statutory Plant Health Notice), plus assistance towards the agents’ fees, and to eradication of rhododendron. The reason for such funding is that similar to windblow, there is no obligation on the owner to restock when a SHPN has been served. Many non-state woodland owners struck by a P ramorum outbreak have been restocking, but by no means all, and it is important to retain this incentive, and arguably to increase it.

Confor believes the greatest threat from pests and diseases comes from inadequate scrutiny of imported material. The forest tree plant trade is well regulated, but the garden and landscape industries are not. This was part of the reason why in our response to the Future of forestry in Scotland consultation, we highlighted the importance of cross border collaboration on plant health, and we are pleased that Scottish Government also identifies tree health as a priority for thorough and effective cross border working.

Confor has drawn attention to the leading role that a well-resourced Forest Research can play in that, and we believe this is one of the key matters to address at any early stage, and to provide the future forest research agency with adequate funding so it may continue to play a world leading role. We do not see that commitment yet from government(s).

Achieving continuity in meeting new planting targets is also key. The roller-coaster of rising and falling demand for plants that comes from the current CAP-linked grants schemes means that nurseries cannot forecast demand and are pushed to import material when demand is high.

Biosecurity will continue to be important – our industry standards are generally fairly good, but we cannot afford to be complacent, and this will require constant advice from Forest Research – again a call on funds and resources. Phytosanitary certificates should be required for all imported material, importation of firewood should be restricted, and if we had more consistent levels of new planting, our nursery trade would be better able to plan production and reduce the reliance on imported plants and their associated disease risk.

**The potential impact of Brexit in relation to SRDP funds from the EU**

Confor’s recent report “A thriving forestry and timber sector in a post Brexit world” can be found on our website at [http://www.confor.org.uk/news/brexit/](http://www.confor.org.uk/news/brexit/) It is written for a UK audience, and is focussed on putting forestry and timber at the heart of rural policy and support. If our recommendations are carried out, this will lead to the greater levels of new.
woodland creation with a commensurate amount of grant demand, as detailed at (2) above.

Scottish Government has recently confirmed that contracts entered into before the UK leaves the EU will be fully funded. The EU via Pillar 2 of CAP provides 55% of the funds for the 2014-20 SRDP, so to fund the target of 10,000ha/year £45m would be required or if it was the 100,000 ha/year by 2022 then it would be £59m for those years. This means an extra £28.8m per annum (or £42.8m) compared to £16.2m that SG commits at present to NWC.

Although the implication is that FCS will be able to issue contracts up to April 2019 with certainty of funding being available, given the time that NWC schemes take to prepare and approve, the closer we get to 2019 the more likely schemes are to be put on hold, knowing that they may not reach approval in time to be sure of funding. To stop potential schemes ‘drying up’ – and therefore missing annual planting targets – we need early assurance that whatever happens post Brexit, NWC schemes will be fully funded. Crunch time for decisions on proceeding with schemes will start in autumn 2017, so government assurance is required before then.

The planting targets discussed at (2) above – specifically the 60% component of productive conifer - were agreed by the forest industry as the minimum required to address the predicted decline of home-grown timber supply availability in Scotland from 2040. This agreement was based on the premise that restocking following harvesting of the existing forest resource would be carried out timeously, and would follow previous land use intentions in respect of the percentage of woodlands carrying productive conifer crops. However, the recent Forest Research report on tree canopy cover reveals that this has not been happening. This is probably due to:

- Delays on restocking from the expected 2-year maximum interval between felling and replanting, primarily on the NFE for biological control of weevil, to 5 years or more, and an increased reliance on natural regeneration as opposed to straight planting.
- A significant percentage of woodland both on the NFE and in the non-state sector not being replanted with productive conifer species – not just to comply with today’s UKFS, but because the incentive (grant support for the non-state sector and a different agenda on the NFE) was not sufficient to justify the costs of re-establishing productive crops – drainage and deer fencing being the principal issues.

There is therefore an urgent need to increase the overall funding for forestry to arrest this decline in the nation’s existing productive forest resource. This means FES may require a larger budget (and a possible review of long-term plans re: the percentage of potentially productive forest land which is being converted to native woodland), and the non-state sector will need more funding for sustainable forest management to retain important commercial wood supply in the future. Only if these things are done will the timber processors have the confidence to continue their investments, and allow the success story of Scottish forestry to continue. In the refresh of the Scottish Forestry & Timber
Technologies strategy “Roots for Future Growth”, the aim is to create a £2bn industry – this will not happen without appropriate funding and support from SG, all of which may have to come from domestic resources post Brexit.

Broadband connectivity
The majority of forestry businesses are located in rural locations, some very remote – and a significant number in the industry are SMEs. We have not been able to survey our members before submitting this evidence, but anecdotally are aware of a number of these businesses who are being disadvantaged by lack of acceptable broadband speeds. Commercial forestry is increasingly influenced by emerging technology, and if we cannot rely on 21st century communication, we are in danger of trading to a disadvantage compared with our European neighbours. Scottish forestry must remain competitive throughout the supply chain, otherwise homegrown timber will suffer at the expense of imports.

Confor
November 2016