

Forestry Report

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Timber Markets Stable As Challenges/Opportunities Persist

By Craig Dinwoodie, Director, Fountains Forestry UK Ltd



I'm writing this on a gloriously warm and sunny morning, wondering how it can possibly be June already. It is perhaps because the industry is busy that time goes quickly: busy is good for our employees and good for our clients. There is a real sense of excitement in the company—we are developing new ideas, bringing new members of staff on board, and importantly, new clients and properties. There's a lot going on as we work hard to look after your forests.

Since our last newsletter, the timber market remains flat, which isn't necessarily a bad thing, it just means that prices are stable, though below the peak that we enjoyed a year ago, and they aren't climbing.

But the trees are growing, the yield in the forest is accumulating, so patience is once more required.

The planting season is just about over; after a very cold and prolonged spring, which helped hold back tree growth, it's now getting hot and we are seeing a real upturn in insect activity, which while great for our songbirds and biodiversity, is not so good when these insects eat our newly planted trees.

Hylobius abietis, commonly known as the large pine weevil, is perhaps the single biggest threat to our forests. Conservative estimates suggest that direct costs to forest owners in the UK from pine weevil damage are likely to be in the region of £7 million annually. We have long relied on insecticides to control this, but acetamiprid, the pesticide we use, may soon no longer be available due to removal of its

approval for forestry use. We are, along with our clients, supporting the work of the Hylobius Industry Research Program to find alternative control methods. This work is extremely important and we, with industry partners, are committed to finding a solution.

On a more positive note, woodland creation grants have recently become very attractive in England and Wales and now match or exceed the grant funding opportunities in Scotland. There has never been a better time to plant new woodlands and, combined with the UK Woodland Carbon Code, investing in the right type of woodland in the right area can be very rewarding.

As always, there is still much to do, and I hope the summer provides us with the perfect weather for managing your woodlands and for you to enjoy them. 🌲

2023 Photo Contest Winner

The winner of the 2023 Fountains Forestry photo competition was taken at Tutim Woodland, within the Clais Mor complex, by contractor Owen Fleming and submitted by Iain Imlack, forest manager at the Inverness office. 🌲



Land Markets Cool, Adjustment Expected

By Bill Griffiths, Acquisitions and Business Development Manager



Towards the end of 2022, activity had lessened in the markets for both established commercial forests and bare land marketed as suitable for commercial afforestation or alternatively for carbon driven objectives.

This has been exacerbated during early 2023 by little notable availability of new commercial forests and several bare land parcels originally marketed in 2022 remaining unsold.

The approach by a number of funds to adopt an aggressive and perhaps over-opportunistic approach to future values, when combined

with the reality of inflationary pressures and the fall in real roundwood values, has caused many investors to take a more cautious approach, certainly the 'family/individual' scale investor. A market adjustment for both forests and bare land is expected and awaited.

A relatively small number of new forests are now just beginning to reach the open market but not in a quantity to objectively comment on sellers and their selling agents' expectations.

One forest of particular note did launch in April, some 1,969 hectares guided at £29 million and located in Argyll, Western Scotland. Fountains Forestry is representing

an institutional investor regarding this potential acquisition.

Fountains Forestry during late 2022 and into 2023 has advised both institutional and private clients on 11 potential acquisitions with a combined value of approximately £22 million and amounting to 1,349 hectares. It is interesting to note that in all instances bar one either our or our client's opinion of value fell below the property guide price, or the guide price following financial analysis was considered unrealistic.

However, 2023 may well turn out to be a year of buying opportunity as timber values recover and inflationary pressures are predicted to reduce. 🌲

New Guidance On Forestry Adaptation For Climate Change

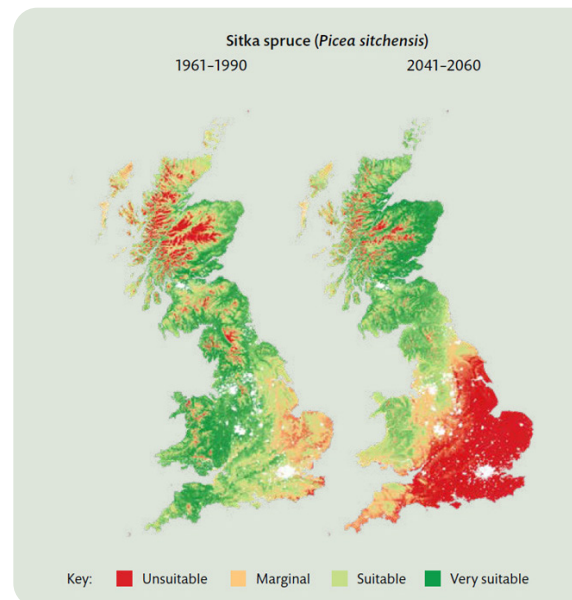
The UK's official forestry bodies (Forestry Commission, Scottish Forestry, Natural Resources Wales and the Northern Ireland Forest Service) have published a new guide discussing how forests will need to change to adapt to the climate changes that are likely coming in future years.

While forestry is a long-term business, the changing climate will offer threats to woodlands ranging from drought, frost and more regular severe weather events causing fire, windthrow and flood, to new pests and diseases. But it's not all bad news: milder, wetter winters, and warmer, drier summers mean longer growing seasons are expected.

The UK Forestry Standard Practice Guide *Adapting Forest and Woodland Management to the Changing Climate* provides steps for designing woodlands that will be resilient to current and future threats. It sets out a risk-based approach to adaptation that minimises the

potential for negative impacts on forest productivity. Sites should be assessed for vulnerability to present and future risks, considering both average changes in climate over time and likely changes in the frequency and severity of extreme events, before deciding if action is necessary.

It suggests measures to minimise the risk of decreasing yields, tree mortality and habitat loss, and increase the benefits of woodland over time. Options are supported by case studies and include diversifying the age structure and types of trees planted across a landscape, such as changing the dominant species and using mixed species stands; careful choice of seed provenance and encouraging more natural regeneration, which may reduce wind, drought, frost, pest and disease risk where individuals are better adapted to changing local site conditions; and carrying out thinning operations where appropriate. 🌲



Predictions of the suitability of land for growing Sitka spruce and how this may be affected by climate change
(Image use via Open Government Licence)

QUICK LINK

[HTTPS://BIT.LY/3QEWVK4](https://bit.ly/3QEWVK4)

Trees And Water Health

Trees have a significant role to play in watercourse health, whether fixing the ground and preventing floods and landslips, or providing shade, debris, and nutrients.

Indeed, a recent report from Forest Research provides updated evidence of the value of woodlands in intercepting rainfall, storing water, and reducing surface run-off that causes flooding in downstream communities. The study estimates that in the UK, the annual capacity of woodlands to store water and slow down run-off after heavy rain is worth £843 million compared to bare soil and £420 million annually compared to grass.

‘Woodlands have long been associated with an ability to reduce flooding. The latest models allow researchers to quantify how woodlands create a “sponge” effect, reducing rapid run-off that causes flooding,’ said Pat Snowdon, the head of Economics and Woodland Carbon Code at Scottish Forestry, who commissioned the study.

Given the increased frequency of extreme weather events due to the effects of climate change, the report underscores the need for increased tree planting and woodland expansion as a natural and cost-effective way to protect communities from future flooding.

Fountains Forestry has been involved in various projects to improve bodies of water and related habitats; below we present two case studies.

RODLEY NATURE RESERVE

Fountains Forestry has been involved in a partnership in the Leeds area with the Rodley Nature Reserve Trust charity and landowner Yorkshire Water to improve the nature reserve as part of the water company’s “Water Works for Wildlife” initiative. The aim was to restructure the Reserve’s duck marsh area, re-landscaping it to create a variety of different water depths and using the excavated arisings to create further



Work in progress to re-landscape Rodley Nature Reserve’s duck marsh, creating varied water depths and new banks to encourage greater diversity of wildlife

diversity and attract a greater range of wetland species.

Fountains Forestry managed the project on the 1.2-hectare site, gaining environmental permits and appointing specialist contractors to undertake the works while taking into consideration the existing wildlife and bird breeding seasons.

The site was excavated, creating varying depths, wader scrapes and islets, and the excess ground was used to create a bank habitat for water voles. The wetland perimeter was re-established with tree and shrub planting, and existing bird hides were relocated for optimum viewing opportunities.

It is hoped the project will benefit existing species and attract new ones as well as improve water level controls. Since the works were completed, there have already been increased sightings of many birds, including common and green sand piper, little ringed plover, snipe, kingfisher, great white and little egret, and water rail.

PENWHIRN BURN

The Penwhirn Burn and Reservoir in Dumfries & Galloway is host to an isolated resident trout population and forms its main spawning ground. As such, it is important to ensure the burn is resilient to impacts that could jeopardise the health of both the fish and their spawning habitat. Fountains Forestry has been working with the Galloway Fisheries Trust to plant native broadleaf trees in the riverside area within one of our managed

forests to help mitigate the potential negative impacts of climate change: the trees will provide shade for the burn and help keep it cool during the summer. Water temperatures greater than 20°C are detrimental to the health of trout, and the Penwhirn Burn is currently lacking dappled shade, leading to higher water temperatures. Another improvement is the fixing of large woody debris to watercourse banks or beds, which is important because it provides cover for trout fry and encourages the build-up of gravels necessary for trout to lay their eggs. We hope an improved spawning and fry habitat, with cooler water temperatures, will result in a healthy trout population. 🌲



A section of the newly planted riparian zone along the Penwhirn Burn, aiming to provide shade for cooler water temperatures

Economy Takes Toll On Timber Markets

Amidst a gloomy economic outlook, with housebuilders slowing down projects and homeowners delaying improvements, prices for structural timber were down significantly in the latest report from the Forestry Commission.

The Timber Price Indices released in May reported that average prices (in nominal terms) received for coniferous standing and softwood sawlog sales were sharply lower, while prices for small roundwood timber were down from September 2022 but up slightly from March 2022. The price data is based on sales through March 2023 by Forestry England, Forestry and Land Scotland, and Natural Resources Wales.

The average price for coniferous standing sales, where the purchaser is responsible for harvesting the trees, was £31.13 per cubic metre overbark in the year to March 2023, a decrease of 27 percent from £42.55 in March 2022.

The average price for softwood sawlog (roundwood sold at roadside) sales was £53.53 per cubic metre overbark in the six-month period to March 2023, a 30.4 percent decrease from the corresponding period of the previous year when the average price was £76.89. Two sawlog sub-indices, spruce and other conifer, reported decreases of 29.5 percent and 32.2 percent respectively compared to March 2022 prices.

The average price for small roundwood sales was £38.85 per cubic metre overbark in the six-month period to March 2023, a decrease from £44.51 in the six months to September 2022 but an increase from £37.30 in the six months to

UK TIMBER PRICES 2013-2023



Source: Timber Price Indices produced by Forest Research, Forestry Commission
<https://www.forestryresearch.gov.uk/tools-and-resources/statistics/statistics-by-topic/timber-statistics/timber-price-indices/>
* Excludes sales by Natural Resources Wales between April 2017 and March 2021
** Excludes sales by Natural Resources Wales between April 2017 and September 2021
*** Excludes sales by Natural Resources Wales up to Sept. 2021

March 2022. Smaller in diameter than sawlogs, roundwood includes chipwood, pulpwood, and woodfuel.

The softwood sawlog and small roundwood price indices are calculated for separate (i.e., non-overlapping) six-month periods. This

differs from the coniferous standing sales price index, which is for overlapping one-year periods, so the percentage changes are calculated over different periods. 🌲

Modern Forest Management

Aerial fertilisation of a conifer crop in North Scotland was undertaken by helicopter, which offered GPS technology accuracy and time savings in a crop that would be hard to treat by hand. Fountains Forestry utilises the most efficient and optimal innovative technology to assist landowners in managing forests. 🌲



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