



Submission to the Forest Service on Forestry Programme 2014-2020

IFFPA recommendations on the draft Schemes

13th October 2014

Context

The State has supported the expansion of the forest estate for a number of reasons, however, the underlying purpose of such support has changed throughout the decades. The primary goal of “*Growing for the Future*” was to create a vibrant forestry sector that would contribute to the economic and social well being of the state. This goal changed over time as recognition of the increased environmental demands on forestry developed and grew in conjunction with an awareness of the potential for forestry to mitigate our carbon emissions.

Forestry and the economy

Forestry is a growing contributor to the Irish economy and is now equivalent in scale to the beef sector. The table below shows the relative contributions made by each element of the agriculture sector

Agricultural sector	Output value (€millions)
Dairy	€3,045
Beef	€2,300
Forestry	€2,200
Pigs	€900
Tillage	€580
Sheep	€488

As the forest estate matures, the output from forestry will surpass beef. However, forestry only receives €111 million per annum in direct support whilst the beef sector receives approximately €700 million through various support mechanisms such as DAS, REPS/AEOS, SFP, BTAP, etc.

Despite this inequality, forestry has grown significantly and will continue to grow if given the levels of support required.

Forestry and Carbon

Forestry is the undoubted major carbon sink sequestering 4.4 million tonnes of CO₂ per annum. Food harvest 2020 envisages a major growth in agricultural output which consequently will lead to increased carbon emissions. This will potentially lead to fines as we fail to reach our carbon targets. IFFPA contends that increased investment in forestry today will help us achieve our carbon targets. Additionally, as forestry primarily substitutes drystock farming, the reduction in animals will provide immediate offsets.

Timber supply

Ireland is importing 300,000 m³ of round logs from the UK per annum. Continued importing is considered to be unsustainable by the processing sector and is also contributing to volatility through exchange rates and rising timber prices. This makes job creation less likely and job losses more likely and could lead to a key sawmill leaving the market through lack of supply. Many of the forests planted in the last 25 years have not yet entered the production cycle. This is leading to higher timber prices within Ireland and is driving sawmills to purchase timber from abroad. More investment in the infrastructure around timber mobilisation is vital to creating a vibrant and sustainable sector that can stand on its own feet and deliver growth to the Irish economy.

Purpose

The purpose of this submission is to relay IFFPA's contention that the schemes as presently drafted:

- **Will cause the demise of the planting sector**
- **Will fail to turnaround the collapse in harvesting road construction**
- **Will not achieve their targets**
- **Are not ambitious enough**
- **Will fail to deliver the timber volumes that the processing sector requires**
- **Will fail to achieve our carbon targets**

General

The draft Scheme was prepared knowing the content of the revised Forest Policy (*Forest products and people, Irelands Forest Policy – a renewed vision*) and is inconsistent with the goals of this Policy.

Principally, the Policy requires that in order to achieve a national annual output of 7-8 million m³, new planting must be 10,000 ha in 2015 rising to 15,000 ha from 2016 to 2046. The un-ambitious draft forestry schemes only envisage planting 6,300 ha in 2015 rising to 9,000 ha by 2020. Further, the afforestation component of this target is 46,045 ha over the period. Of this some 30% will be broadleaves leaving just 32,000 ha of commercial forests to be established during this period. Clearly this is not sufficient to meet the demand for timber from the processing sector.

Quite simply, it is not possible to achieve the volumes envisaged in the Policy with such un-ambitious targets.

To put this in context, we should be reminded that we are already importing 300,000m³ of round logs from the UK to meet demand from our local mills. This is equivalent to 10,000 lorry loads of timber per year. The external factors influencing or likely to affect this importation of logs include currency exchange rates, insect and disease prevention measures and increased production capacity in the sawmilling sectors in the UK. Any disturbance in the volume of logs currently being imported will have knock on effects in production and employment in the sawmilling, panel boards and wood energy sectors in Ireland.

Clearly, Ireland should be planning to facilitate the production of sufficient volumes of logs from the private sector forests to sustain our world class wood processing and energy sectors. This will not be achieved if the draft forestry programme becomes a reality.

IFFPA is focusing our response on five key areas:

- Planting and fencing
- Forest Premiums
- Reconstitution
- Roading
- Penalties

These are the key areas which may ultimately affect and influence the delivery of timber to the market and the return on public investment.

Our members have also identified two other important issues;

- Agro forestry
- Bioenergy

These will be addressed towards the end of this submission.

At the end of this submission we also outline our proposed budget for 2015 (noting a cap of €111 million).

Whilst we appreciate that budgeting is required up to 2020, we have focused on 2015 as this will create the foundation for future budgets and also to illustrate how the emphasis of the targets can achieve a viable programme with a more sustainable sector delivering it.

1) Afforestation Scheme

In the draft scheme document it is contended that there are increases in the grants of between 3% and 4%. However, GPC 1 and GPC 2 are rarely planted so increases in the rates of these categories are of no value to the sector. Although it could be argued that there is an increase in the fencing element of the grant, any such increase is negated by the requirement to erect a more expensive, higher specification fence. This effectively cuts the margin for forestry companies/approved foresters thereby undermining their businesses.

The drafted scheme cannot deliver a quality afforestation programme as it has failed to recognise the following:

- i) The proposed grants are the same as they were under the old scheme which goes back to 2007. It is imperative the following basic facts are noted:
 - The planting programme has been delivered by forestry companies/approved foresters.
 - The programme could not have been achieved otherwise.
 - All companies require profit to survive and grow.
 - The margins of the forestry companies/approved foresters have been eroded significantly in the period since 2007.
 - In that time the schemes have become more expensive to operate through increased technical and administrative requirements which delay approvals and payments.
 - The draft document as prepared by the Forest Service proposes that this scenario will continue for the next 6 years with issues compounded and worsened by higher fencing costs.
- ii) As the economy recovers and inflation rises, this is not sustainable and it puts jobs and economic activity at risk. Inflation between 2010 and 2013 (when the last grants were set) was 4.8%. The grant rates under this draft are the same as under old schemes and if inflation were to continue to rise in line with previous trends, this alone will further erode the ability of the sector to deliver quality plantations.

IFFPA recognises the importance of the Native Woodland Establishment Scheme and the proposal outlines specific areas where it should be directed. However, we do not believe that 500 ha per annum is achievable with a premium scheme that lasts for only 15 years.

IFFPA recommends

IFFPA proposes that the grant rate be increased by 10% to take account of inflation in the past and to future proof the afforestation scheme. A mid-term review should be undertaken in 2017 to reflect necessary adjustments to grants and inflation.

The target from Native Woodland Establishment should be reduced from 500 ha to 250 ha and the money saved directed to afforestation. As the grant for afforestation is significantly less this will lead to an increased level of overall afforestation.

2) The Fencing Scheme

The grant rate per hectare is confusing and not sufficient to adequately protect forests. The grant refers to allowable costs per metre, ratios per hectare and allowable fencing cost per hectare whilst utilizing different types of fencing. In reality the only thing that is relevant is the allowable cost per hectare.

The draft programme provides for the following:

1. A cut of €50 to €150/ha in the alternative fencing allocation.
2. An increase in the IS 436 fencing grant of €100 for GPC1-4. No increase for GPC5-8
3. An increase in the fencing ratio from 100 to 120 metres per ha
4. A reduction in the fencing claim cap from €50,000 to €40,000 per plantation.
5. A cut in the allowable metres of deer fencing from 150 to 120 metres per ha.
 - a. Deer fencing no longer available on mainly conifer sites.
6. No allocation for fencing around archaeological sites
7. No allocation for the erection of gates.

The allowable metres per hectare of 120 metres are not sufficient to adequately fence many plantations. In the experience of IFFPA members, the average site requires 150 metres of fencing (a figure supported by the FS).

IFFPA supports the use of the IS436 standard. However, this must be done with adequate funding and not at the expense of alternative fencing.

The draft scheme does not take account of the input of professional foresters in organising the fencing requirements of afforestation sites.

As the actual average fencing length erected continuously exceeds the allowable grant aided length the cost of this excess length of fencing must be absorbed by the basic afforestation grant. To perpetuate this negative indeed more expensive fencing will further erode margins.

The purpose of fencing is to protect the forests. Promoting inadequate rates will result in fencing being minimised and will increase the chance of trespass, which is a penalising offence under the draft scheme.

Fencing ratios can be the difference between a planting job going ahead or not. Sites with higher fencing ratios will become uneconomic under this regime, thus threatening the achievement of the targets set out.

IFFPA recommends

While our preference would be for all fencing to be paid for, we appreciate that this would be difficult to budget for and possibly lead to over-fencing of sites. We therefore recommend that fencing is paid up to the allowable density per hectare of 120 metres at the rates per metre outlined in the draft schemes.

Grant aid for gates should be allowed to provide access and for health and safety reasons as it is in other agricultural schemes.

Deer fencing at 150 m/ha for all GPCs should be allowed as there is clear evidence that deer attack all species.

3) Forest Premiums

IFFPA welcomes the increase in the premium period from 12 to 15 years. However, this is still 5 years shorter than the payment period under the previous scheme. The proposed annual premium rates show annual rate increases but because the payments are 5 years less this effectively means that landowners will suffer a loss of up to 22% when compared to the old scheme. The fact that the draft scheme allows non farmers to benefit from the same rate as farmers is indeed welcomed. However, it is difficult to see how targets will be achieved even though non farmers can qualify for the same premium rates.

The proposal to encourage planting of larger areas under the new scheme by increasing premium rates for plantations over 8 hectares is noted. While we agree that incentivising the creation of larger forests is good, the threshold needs to be removed. Farms in the west of Ireland are smaller (with an average size of 25 ha. Through counties Clare, Galway, Mayo, Sligo, Roscommon, Leitrim and Donegal) and areas planted there are consequently smaller. Many applicants will not be in a position to meet this proposed threshold. The current proposal will act as a disincentive to plant especially in areas that are more suited to forestry than agriculture.

IFFPA also believes the large array of forest premiums is confusing to potential clients and should be simplified to conifer and broadleaf. The GPCs should remain for policy reporting purposes.

IFFPA recommends

The internal premium threshold of < or > 8ha should be removed.

IFFPA recommends that the premium categories be simplified to Conifers and Broadleaves with the following rates

GPC		
Conifer	543	
Broadleaves	568	

At a mix of 70;30 conifer to B/L the average premium per ha would be €550.

4) Reconstitution Scheme

The removal of the reconstitution scheme in 2010 resulted in the industry taking on more risk. Failure to support forest owners has undermined confidence in the sector. For the industry, the removal has led to increased business risk and costs which further erode already poor margins while processors have seen a further erosion of future supplies.

The scheme, as it is currently operated, is only open to Ash dieback disease. Ash dieback is but one of the threats to Irish forests and has been dwarfed by the storms last winter in terms of its economic and social impact.

In recent years insurance premiums have increased substantially which has resulted in forest owners being unable to insure their forests. In some parts of the country, it is not possible to insure plantations against fire and now wind.

IFFPA recommends

IFFPA recommends that in order to support timely reconstitution of land destroyed by natural events, this grant should be extended to include plantations damaged by drought, frost, fire, vermin and, in the case of older forests, wind. IFFPA believes that no more than 200 ha per annum are affected under normal circumstances.

IFFPA also recommends a special reconstitution scheme be developed to help forest owners who have been affected by last winter’s storms in much the same way this was done for ash dieback disease. At least 2000 ha have been damaged and in most cases the net revenue from harvesting will not cover the cost of replanting. Such a scheme could be fund up to 50% of the cost of replanting such lands. This would speed up the removal of timber and get forest land replanted more quickly. If the scheme was spread out over 2 years the cost could be absorbed more easily. The grant should be targeted at those plantations that were either not thinning or first thinned.

Assumed area requiring replanting: 2,000 ha of the private estate (worst case)

Initial replanting cost: €2,750 per ha [including fencing] – 50% grant aid

Maintenance grant: €750 per ha – 50% grant aid

Year	2015	2016	2017	2018	2019	2020
1000 ha	1,375,000				375,000	
1000 ha		1,375,000				375,000

IFFPA believes that these storms were an extraordinary event and money should be found from outside the normal budget to fund this reconstitution.

IFFPA does not recommend that plantations that are closer to clear fell, where product value is high, should be eligible for this special reconstitution grant. The focus should be on plantations aged from 16 to 26 with inbuilt flexibility for “special cases”.

This should lead to a smaller area than the 2000 ha estimated above but an accurate figure is difficult to determine.

5) Forest Roding

The Forest Road programme has collapsed. Relative to the level of planting that occurred in the mid 1990s, the 83,000 m of roding that was built in 2013 represents a failure to mobilise this essential resource. This trend is continuing in 2014 despite a huge increase in approvals up to June. A core reason is the grant rate and the design of the scheme. Since it was cut in 2011, roding has consistently failed to achieve anything approximating the programme's goals or the market needs. The proposal of a 100% grant is both a cynical statement and disingenuous as the grant rate is capped at €35 per linear metre; a figure that approximates 60% of the cost of building the road.

The proposal to increase the bell mouth grant for sites where the road falls more than 2 metres from the public road is not workable in practice. Most of the cost of a new road is spent on the bell mouth at the junction with the public road and therefore justifies a higher rate of grant aid

The scheme appears to discriminate against smaller plantations and broadleaves in that smaller plantations, in order to qualify for a back in type loading bay, must have sufficient area. This undermines the eligibility criteria for planting smaller areas if they cannot be grant aided for roding.

In the case of broadleaves, they must be 8 Ha and above to qualify for roding - they should in our opinion qualify under the same age criteria as conifers.

The re-introduction of the Special Construction works is welcome all be it limited. It will however have very little impact on improved delivery of the roding scheme.

The requirement for a commissioner for Oaths for joint applications is yet another example of increased bureaucracy in an already overly bureaucratic scheme.

The proposal as drafted serves only to perpetuate the current failure to deliver sufficient harvesting roads as the proposed scheme contains no significant improvement that can be used to overcome current failures.

IFFPA recommends

The grant rate be should be simplified to one grant of €45 per linear metre and removal of the requirement for 2 grants as this is unnecessarily bureaucratic and costly to both the State and those actually building roads.

IFFPA believes that it is not possible to increase roading from 80,000 metres to 150,000 metres in 1 year as the infrastructure to do so will take time to ramp up whilst other non-fiscal barriers such as planning also remain in the way.

IFFPA believes it is more realistic to achieve 90,000 metres in 2015. This will increase towards 180,000 metres by the end of the scheme as confidence builds in a viable roading program.

The Special Construction Works grant needs to be widened to facilitate more difficult terrains rather than focus solely on environmentally sensitive areas like Natura 2000 sites.

All bell mouths require increased grant rate to comply with new planning regulations and health and safety the scheme should be flexible enough to accommodate these requirements.

6) Penalties

The proposed penalties increase business risk and in the absence of defined standards and combined training for both the inspectorate and the approved foresters means that the introduction of penalties alone will not work and the concept is therefore unacceptable to the sector. In a sector where margins are very tight, penalties can have serious effects on the industry's profitability and would undermine current business models. In addition, in the absence of a clearly defined and truly independent appeals system, the sector cannot support the introduction of penalties.

IFFPA recommends

IFFPA requires a set of clearly defined written standards. This needs to be in conjunction with combined training with the inspectorate to increase consistency and so that everyone has a clear understanding of what is required. This should be regularly reviewed throughout the scheme to increase compliance.

IFFPA requires a truly independent appeals system that relies on these clearly defined standards

7) Agro-forestry and Bioenergy Schemes

IFFPA has significant concerns about the viability of the Agro-forestry and Bioenergy programmes. The grants and premiums on offer for these programmes are, we believe, insufficient to attract landowners into these categories. Premiums of only 5 and 10 years are insufficient.

In addition, any trees planted will be subject to the full rigours of the Forestry Act i.e. they will be considered forests and will have the same obligations placed upon them as any long term high forest.

IFFPA believes that these schemes, in their current format, will not succeed. They should be abandoned in favour of focusing on the harvesting of existing biomass that is growing in the existing forest estate and in favour of developing new technologies to recover this material from sites.

8) Forest Environment and Climate Services: Forest Genetic Reproductive Material

IFFPA fully endorses the following comments , already forwarded to the Department, by None So Hardy:

We fully agree with the need of establishment of new production areas such as seed orchards. It is however a huge step backwards if we go down the road of Seed Stands. When selecting seed sources it would make sense to use improved material which came from adapted plus trees irrespective of what provenance they are. The original plus trees selected for the Forestry Commission were second generation trees that showed they had adapted. The majority of the trees were selected from stands believed to be Q.C.I. origin. Progeny testing was then carried out with seed germinated from these selections; as a result of these tests 200 “plus” trees were selected for the general breeding programme.

The current seed orchard material available shows a slight loss of density due to the increased vigour (10%) , however this has been shown to be compensated by the improved stem form(8-10%) and the lighter branching , this means that the lower wood density had no effect on the pass rate of sawn timber. Combine this with the fact that you tend to get a more uniform crop from improved material it makes sense to use improved material ahead of unimproved Washington material. At the end of the day the quality of the end product is every bit as important as growth.

We should be looking to establish our own seed orchards as is laid out in the draft proposals but until these are producing we should be still using the best available material in our forests.

The priority funding is also being funnelled towards Improved Washington Sitka Spruce. This seems to us to be a huge gamble. These improved Washington Trees have shown gains in

growth but the quality of the timber is not known. Long term we need to satisfy ourselves and our customers what is the right Sitka for them. Current indications are that our customers are more than happy with the improved material we are currently supplying. It must be realised that when we had an ample supply of both unimproved Washington Sitka and unimproved Q.C.I Sitka most of our customers opted for Q.C.I. We need to see the results from Genetic Gain Trials that were planted around 1992/1993 across the UK. Also was there any similar trials carried out here (if not why not and should we not establish some now).

Among the objectives for the new Forestry Programme is the establishment of 350Ha of Seed Orchards/Stands every year for the five years of the programme. This culminates in a total of 2,100 ha of Orchards/Stands. Where has this figure come from? The UK are currently self-sufficient, plus exports, with Improved Sitka Seed. They have approximately 40ha of orchards across the country which supplies enough seed to produce 35-40 million trees annually. This is exactly why we need to sit down and work out this strategy in a more cohesive and structured manner.

Our proposal is that a steering group is got together to include everybody from Nursery Men through Foresters and onto Processors and to make an informed and objective decision on what material we should use to stock our seed orchards to fulfil the huge potential of our forests.

9) IFFPA proposed budget for 2015

Combining our proposals above, we have prepared our proposed budget for 2015 to show how our proposals can be delivered with a small increase in budget. The table below shows that we can achieve higher afforestation across all the schemes while also delivering an achievable roading programme. While IFFPA members agree that some of the proposed schemes are not achievable we have accounted for them, recognising their importance in achieving sanction from the EU.

Afforestation premium, 1994 - 2013	UNITS	grant/ha/m	€66,239,179
FEPS Premiums, 1994 - 2013			€5,300,000
Native Woodland Est Premiums 1994 - 2013			€501,037
2nd Instalments			€7,500,000
Total afforestation	6310		
Afforestation Grants, >2014	5950	3207 ¹	19,081,650
Afforestation Premiums >2014	5950	€550	3,272,500
NWS, (establishment), Grant	250	4556 ²	1,139,000
NWS, (establishment), Premium	250	€570	142,500
Agro Forestry, Grant	10	€4,260	42,600
Agro Forestry, Premium	10	€250	2,500
Forestry Biomass Grants	100	€2,450	245,000
Forestry Biomass premiums	100	€150	15,000
Roads	90000	45	4,050,000
Special Construction works	100	5000	500,000
Thinning and Tending	1000	750	750,000
Reconstitution	200	3890	778,000
NWS (Cons) Grants >2013	30	6470	194,100
NWS (Cons) Premium >2013	30	570	17,100
Neighbourhood Scheme	0	0	-
New Technology, early adoptors	0	0	-
Protection of Genetic Resources	350	200	70000
Forest Management Plans	1000	500	500000
Training and KTG's			100000
Advisory and Promotion Services			600000
Advisory and Promotion Services (Other)			100000
Other (forest sector development, technical support)			700000
Total			€111,850,166

Notes:

1. These grant increases are based on a 10% increase in the phase 1 base grant rate to €2,559 per ha plus the building in of the cost for 120 metres of stock/ sheep fencing under IS436 costing €648 per ha, this been taken as an average fence for the new program.

We also recommend a 10% increase in the 2nd phase or maintenance grant. This increase is not documented as a new cost in our proposed budget as we feel that this increase is covered in the current 2nd instalment grant figure of €7.5m which we believe carries some fat.

2. This grant is based upon GPC 6 rate of 3800 per ha plus stock rabbit fencing of €756 per ha using IS436 fencing.

Summary

In summary, IFFPA believes that the Forestry Programme as currently drafted represents a serious threat to the future of the forestry sector in Ireland.

Our proposals support a viable forestry industry and are not so constrictive that they would slowly choke the sector.

The above proposals are intended as a constructive contribution by IFFPA and its members so as to address this threat and put forward workable proposals which the sector can support and work with.

Our budget proposal takes account of the constraints on the national budget and with this in mind we have developed what is for all intensive purposes a cost neutral budget for 2015.

To conclude:

IFFPA believes that our proposal is central to the very survival of the sector and if implemented will allow the sector to expand and grow, creating jobs and contributing to the recovery of the economy especially in rural areas.