



Confederation of Forest Industries

## **Business Plan 2010-2013**

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## Introduction

ConFor was formed in 2004 and is now firmly recognised as the principle voice for forestry and the wood using sector of our economy, not just by government and civil service in each country, but also increasingly by the media.

Our industry is entering a period of great change and the role of ConFor is now more necessary than ever in order to represent our members and help in the process of maximising the wide range of opportunities ahead for forestry and timber based businesses. We have firmly entered the age of the low carbon economy and the sector has a huge amount to offer in terms of climate change mitigation, use of low carbon products, sustainable economic growth as well as environmental biodiversity and the attraction of our forests for recreation.

Demand for wood is rising and projected requirements could lead to a fundamental shift in UK timber supply and demand dynamics. In such a scenario, it is important to ensure that we are planting sufficient forest, as well as tackling unmanaged woods, in order to meet future demand on a sustainable basis. For example, ConFor has already played an important role in identifying the difficulties of SRDP in Scotland and producing the solutions in order to make this well funded scheme work effectively to achieve government targets for new woodland creation. ConFor has also presented a costed proposal to the Forestry Commission targeting England's unmanaged woods. At the time of writing, more requires to be done to focus on delivering productive woodland across the UK and ConFor is fully engaged in this process, helping to achieve the targets that will underpin future wood supply to our expanding wood using industry.

ConFor also recognises its role in ensuring that our nation's forest resource is used to best effect, not just in terms of economic performance but also in respect of contributing to government climate change objectives. A key objective is to ensure the resource being harvested from our forests is used wisely. For instance, not only do forests sequester carbon whilst they are growing but, once harvested and processed, embedded carbon can be retained if more wood is used in low carbon buildings and other solid wood products. ConFor welcomes the emerging biomass demand for renewable energy production and, indeed, this additional market will assist in optimising financial returns from our forests. However, the UK's annual forest harvest is finite and with potential demand forecast to outstrip supply it is highly important that ConFor plays a prominent role in ensuring that our forest production is utilised and processed to optimum effect in terms of carbon storage and utilisation. This means achieving a correct balance of wood utilisation across the range of uses.

ConFor has facilitated an industry funded study of UK fibre supply and demand, published early 2010, which will inform ConFor's message of caution in respect of the boom in large scale renewable electricity generation and a more considered policy approach to the place of biomass for this purpose. Through

2010 ConFor will promote a balanced, informed message to the four governments of the UK. Consequently, a major theme in this Plan is delivery of a message to politicians and decision makers that wood supply dynamics are key to sustainable forestry and wood using businesses and the comprehensive range of environmentally positive benefits which they can deliver.

ConFor recognises that this Business Plan is set against a highly challenging economic backdrop. Achieving corporate profitability and truly sustainable forest management is a real concern for many of our members, but with the support of current and new members ConFor will lobby and promote our industry in key areas which will deliver back future financial and economic benefit to our supporters. Cross sectoral support for ConFor's work is appreciated and I wish Stuart Goodall and his team every success in delivering the objectives of our 2010-13 Business Plan.

**Colin Mann**  
**Chairman**

## **1. ConFor's role**

ConFor's core aim is to help members become more competitive and successful. Broadly speaking it seeks to do this through:

- Helping to build the market for wood, wood products and forest services;
- Creating a supportive policy environment for forestry and wood-using businesses;
- Working with partners to secure business support and advice, and ensure that the sector has access to relevant research and training.

This business plan is set in the context of the current market situation and policy environment. It identifies key challenges and opportunities, looking out to 2013, with measurable objectives identified for 2010. A report of delivery against objectives will be provided at the end of 2010 at which point the three year time perspective will be reviewed and refreshed.

## **2. Analysis of the market and policy environment**

UK forestry and wood-using businesses have traditionally been heavily influenced by public policy and by the international trade in timber. This is expected to continue, with climate change adding a new set of opportunities and challenges.

The pace of recovery in UK and global economies in 2010 and beyond will be important for all businesses, especially those selling into the construction, and to a lesser extent pallet, markets, with currency exchange rates a vital factor that is out of the sector's control. While predictions are for a weak pound for the foreseeable future, helping to make UK businesses internationally competitive, nothing can be guaranteed.

The public policy environment will be influenced by significant pressures on UK public finances that will also feed down to the devolved administrations. Spring 2010 could see a new administration in Westminster with a different ideological approach to forestry and business. Elections will follow in the rest of the UK in 2011. Environmentally-driven legislation and enforcement from the EU will continue to affect, largely unintentionally, forestry and wood processing. Discussions on CAP reform will accelerate, influencing efforts to promote forest expansion and the active management of woods and forests beyond 2013.

Potential supplies of wood will continue to increase across the UK, though in Wales and in England, softwood availability is peaking. Productive forest area continues to be lost to 'restructuring' and clearance for 'open habitats' or conversion/restoration to 'native' woodland, the last usually promoted as biodiversity improvement, encouraged by grants, without any assessment of

biodiversity potential in the existing forest. New planting is negligible outside Scotland, where ConFor has had to overcome a series of obstacles to secure essential improvements to the SRDP, a process that is still ongoing. Overall productive forestry capacity remains under pressure at a time when demand, in particular from wood fuel, is expanding. If ConFor is to tackle these trends effectively, it must also address the poor public understanding of forest management and the negative perception of production forests, in particular.

The forestry end of the sector faces the increasing challenge of an ageing workforce, while research activity remains largely uncoordinated and often under-funded. These are well understood in the sector, but effective actions to address them remain sporadic. Physical access to forests, and from there to market, remains an important issue, particularly in light of increasing fuel costs and pressures to reduce carbon emissions. There is also the danger of an increasing threat from damaging pests and diseases.

The challenge for ConFor remains effective engagement across a wide spectrum of issues, parliaments and departments/agencies, and working constructively with a range of partners. Tackling the challenges requires a flexible approach, utilising a suite of tools - lobbying, partnerships, promotion, media communication, research, etc, tailored to each circumstance. At the same time ConFor needs to grow its membership to maintain and increase capacity to represent the sector's interests.

### **3. Key challenges and opportunities**

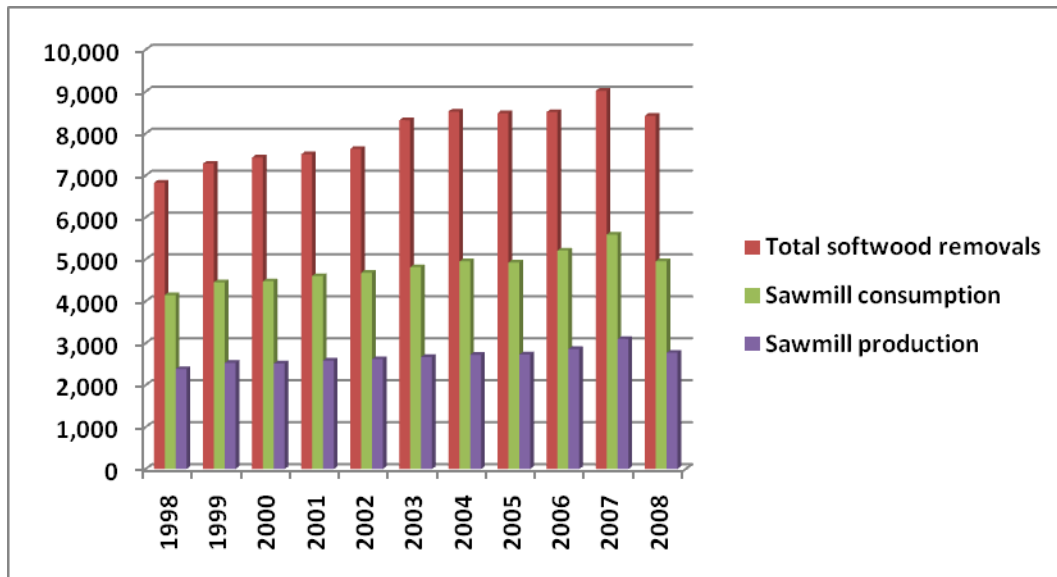
Building on past experience this business plan focuses on challenges and opportunities, and on how ConFor intends to address them.

#### **3.1 Building markets for wood**

Total actual production from UK forests in 2008 was 8.6 million tonnes, predicted to rise to about 11 million tonnes by 2013, though the rapid expansion of the wood fuel market is likely to mean more wood overall is harvested. Wood sales remain the greatest source of income for UK privately owned forests, with other sources, including public grants and sporting, playing an important supporting role. Carbon may be a new source of income for woodland creation, but with government retaining the 'carbon rights' this opportunity may remain limited.

UK mills have maintained relatively strong levels of activity, capturing, for example, near 50% of the UK sawn wood market in 2009 (up from about 30% in 2007), and wood panel mills have increased exports. While this is principally on the back of a weak pound, UK mills have shown in recent decades that they can capture market share as available supplies of domestic wood increase. The table below shows how UK sawmills have accelerated their consumption of wood as

production from the forest has increased. Against a backdrop of a largely static UK market for sawn wood, increased output has delivered a larger market share.



The carbon benefit of wood for fuel has been recognised in public policy, and is feeding into increased demand, but the carbon benefit of solid wood remains inadequately recognised and rewarded.

### *Construction*

The construction market is a high value market for UK milled wood and wood panels. UK sawn wood performs well in fencing and pallet markets, but access to construction is more difficult, largely due to the qualities of home-grown timber, with higher grades mostly not available in domestic softwood. UK sawmills do operate in this competitive marketplace, offering shorter lead times than importers and they continue to invest significantly in added value and production helping to ensure continued competitiveness and, consequently, increasing market share.

### *Actions for 2010*

- A strong market for wood in construction benefits UK panels and sawmills and therefore ConFor will facilitate the re-launching of the industry promotional initiative *wood. for good*, for spring 2010, aiming to help it achieve funding of at least £500,000. As well as construction, ConFor will explore how other markets for UK wood, such as pallets, can be promoted by WfG.
- It is vital that the carbon content of solid wood is recognised and promoted by governments across the UK, in particular for a low carbon economy. ConFor will aim to work with the Forestry Commission to prepare and

present the jobs and carbon case for UK solid wood and promote proposals for action in 2010, with the Westminster election a key focus of activity.

- Better understanding of the UK's timber resource, how it can be used now in higher value markets, as well as, how restocking and new planting can yield higher quality supplies of wood for the future are very important. ConFor has co-ordinated industry support to production forecasting and for research into timber properties, as well as contributing direct funding to the latter. This will continue, complemented by action to encourage greater support and co-ordinated activity on utilising UK wood.

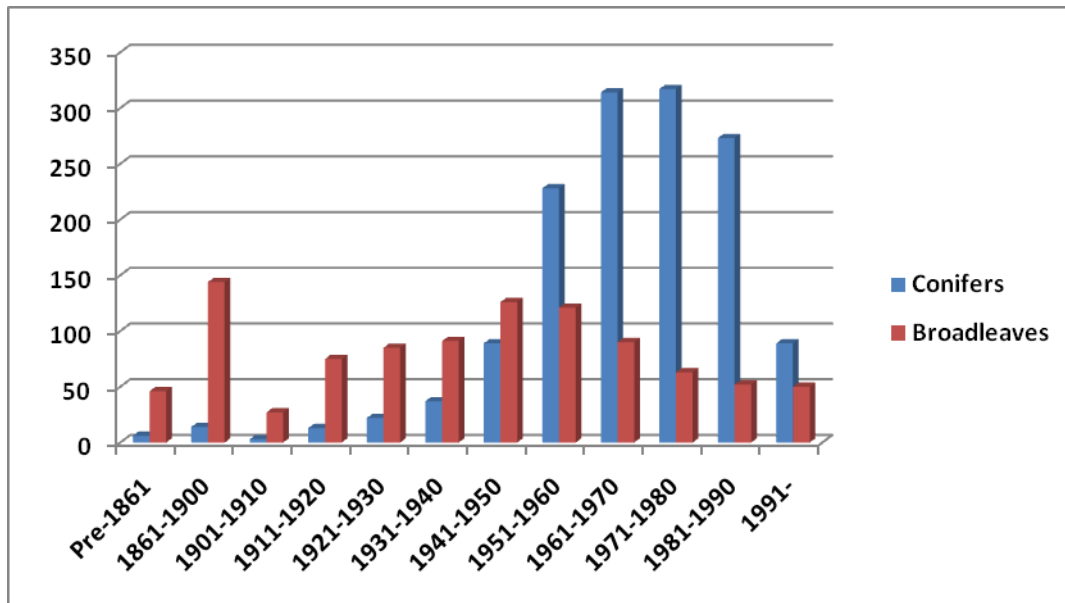
### *Woodfuel*

ConFor has successfully promoted its policy approach to woodfuel and this is now helping to create new markets, in particular for unused wood, including through the England woodfuel strategy. However, there has been a recent upsurge in proposals for large-scale electricity generation from wood threatening to undermine existing wood-using businesses so prompting a re-assessment of policy and activity.

### *Actions for 2010*

- Wood can and should play a role in renewable energy, including on-site generation by wood-using businesses. However, a clearer understanding of the size and scale of the market for large-scale electricity is required to understand better its potential effects on the sector. ConFor has facilitated a study on the former that will link to internal work on the latter. Armed with this information, ConFor will promote a revised policy approach to governments throughout 2010 in order to ensure optimisation of a finite resource.
- Wood fuel, particularly in England, has the potential to bring more woods into management and help support good silviculture, for example by thinning. Throughout 2010 ConFor will press for targeting of public grants to support long-term, self-sustaining forest management linking, in particular, with wood fuel markets.
- The potential huge increase in demand for wood demonstrates the need for action to maintain, and indeed increase, supply. As well as targeting existing woods, ConFor will press for ambitious targets for new planting, in particular of productive forests. As can be seen in the table below levels of new planting, especially of conifers, has collapsed with the last column covering a period of 20 rather than 10 years. Achieving a substantive increase will require effective communication to key audiences of the

benefits of modern, sustainable productive forests to combat current prejudice and facilitate woodland creation.



### 3.2 Creating a supportive policy environment

It is vital that ConFor engages effectively with politicians and policy makers to promote and protect the sector's interests. This can link effectively with developing markets, as well as with business support. ConFor has strengthened its capacity with the appointment of a Head of Policy.

The most obvious issue is climate change and the transition to a low carbon economy, for which forestry and wood-using businesses are ideally suited. Public policy, in particular in England, currently undervalues the importance of successful forestry and wood-using businesses and this can expose the sector to burdensome bureaucracy and regulation, as well as policy interventions that make running a successful forest or wood-using business harder.

#### *Political attitudes*

GB countries have broad forestry strategies in place that provide scope for flexibility in delivery. Northern Ireland is debating a new forestry bill. Much depends on the attitude of the party in power and the minister(s) responsible for forestry and relevant departments. ConFor needs to continue to build its networks and influence in governments and assemblies, and with key policy-makers in departments/agencies.

### *Action for 2010*

- A key event will be the expected spring Westminster election. ConFor will continue to brief the main parties on the important role the sector can play in a low carbon economy and how that can be better delivered through a link to the market along with reduced bureaucracy and better regulation.
- Elections will take place in the devolved administrations in May 2011. ConFor will begin preparations for those elections from summer 2010.
- Political awareness of the sector is particularly low in Wales and a new cross party group focusing on forestry and wood-using businesses is to be established by spring 2010.

### *Wider public and policy-maker attitudes*

Public perception, and that of policy-makers outside the Forestry Commission, is generally negative towards cutting down trees and is skewed by a simplistic, ill-informed perspective of 'nativeness' and commercial forestry. This undermines the provision of balanced policy advice to politicians and influences its delivery. The table below shows selected results from the Forestry Commission's biennial survey of public opinion.

<b>Reasons to support forestry with public money (%)</b>	<b>2001</b>	<b>2003</b>	<b>2005</b>	<b>2007</b>	<b>2009</b>
To provide places for wildlife to live	70	72	67	72	80
To help tackle climate change				61	68
To provide places for recreation	58	78	60	63	64
So that the UK can buy less wood products from abroad	33	33	30	31	42
To provide timber for sawmills and wood processing	29	28	23	26	28

ConFor will to provide accurate information to target audiences, preferably in a visual form, that explains the various benefits of productive forests and the use of wood, not least in providing income to support sustainable forest management and to help tackle climate change.

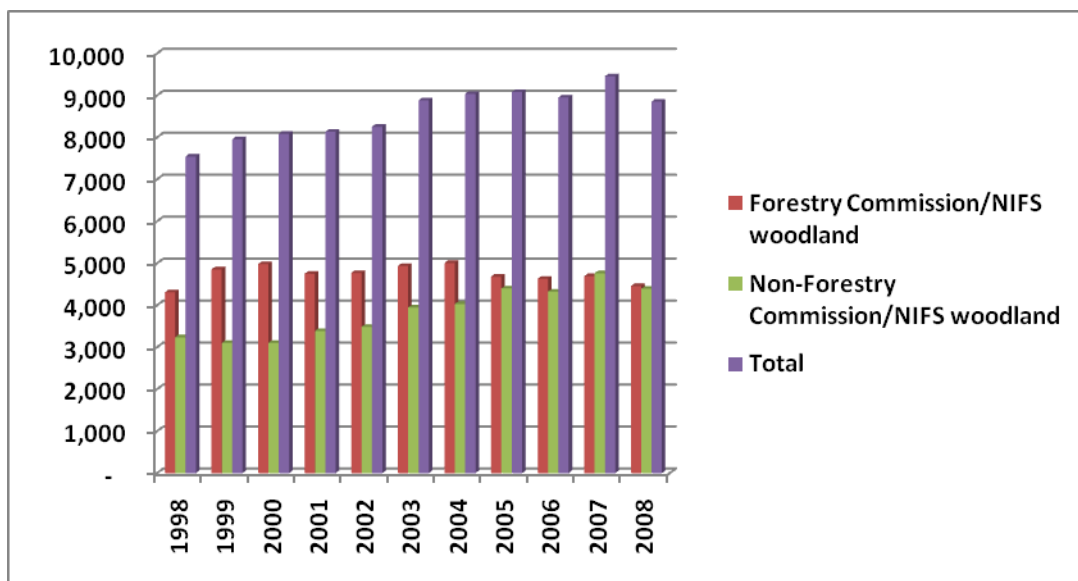
## Action 2010

- ConFor will explore producing a video with accompanying documentation on the important role that productive forests can make to a low carbon economy, emphasising the other public benefits that they can provide including biodiversity, landscape and recreation. If developed this will be sent/played to key policy targets and published on the website by September.
- A media plan will be developed by March targeting selected UK and regional/country newspapers and journalists with the aim of building an awareness of the sector and promoting key messages around a low carbon economy by February.

### 3.3 Working with partners to provide business support and advice

Business support from development agencies and the Forestry Commission has, and can be, important for the sector, but much depends on a proper understanding of business needs and the effective delivery of well-targeted actions. So far ConFor has not liaised with members to do this, leaving it to other mechanisms to define these. While these mechanisms have merit, they do not always accurately reflect business needs.

It is important that private sector businesses take greater responsibility for securing the future sustainable well-being of the sector. As can be seen in the table below there is a clear trend for a future decline of wood from the public sector with a near balancing increase in supply from private sector forests. It is also worth noting that while total production has steadily increased this is set to peak within the decade.



Action needs to be taken to understand and respond to the many government mechanisms in place and being developed to respond to climate change, including energy-reduction measures, support for on-site energy generation and the use of renewable transport fuels.

If 2010 sees the expected (slow) recovery from recession then markets for wood in construction and pallets should improve. This, along with the fast-expanding market for wood from large-scale electricity generation, will focus attention on future wood supply and demand, and how the sector can maximise sustainable returns through the supply chain to the woodland owner.

#### *Action 2010*

- ConFor will work with members, through country sub-committees of the board, to clearly understand business needs in each country and will communicate these needs to partners in the development agencies and FC, seeking to identify effective actions by August.
- ConFor will explore with potential partners to see if a service can be provided to work with businesses to identify carbon-related challenges and provide advice on how they can respond.

### **3.4 A strong ConFor**

A successful sector needs a successful trade association. In the last 18 months overall membership numbers for ConFor have increased, a welcome turn-around from previous trends. Efforts will continue to make further improvements in services to members, thereby stimulating further new membership and in turn helping ConFor to be increasingly effective on behalf of members.

Engaging members effectively in developing policy and responses to consultations, etc, both helps to strengthen ConFor's position and member satisfaction.

#### *Membership services*

Understanding trends in member numbers, and what each category of members is looking for from ConFor, is important, and this will be strengthened. ConFor has 7 categories of members. Three groups will be targeted initially for additional retention and recruitment activity – woodland owners, processors and wood fuel businesses.

### *Action 2010*

- It is important for lobbying purposes for ConFor to be seen to represent owners of woodland. Key members will be asked to work with staff from February to understand better what owners are looking for from ConFor. Proposals for action on the ideas identified will be prepared by July.
- The content of a new technical co-ordination and advice service is being finalised with processor members. It will be open, as appropriate, to the wider membership and be implemented by February.
- ConFor already attracts woodfuel related businesses, but there is potential to strengthen this by improving communication on woodfuel issues and plainly packaging the services currently available. In that content, ConFor has, and is updating, a clear position on renewable energy. This will be explained to applicant businesses so that they understand the policy position that ConFor is taking – essentially to ensure that the value of the finite domestic forest resource is optimised, recognising the particular benefits of wood in its solid form and of local heat generation against large-scale electricity. The aim will be to have this in place for April.

### *Policy development*

ConFor will continue to identify key issues and engage members in developing a robust, cross-sectoral position through task and finish groups. Where necessary, and funds allow, bespoke research will be commissioned to inform policy development.

- A task and finish group will be set up to prepare, by April 2010, a draft position on how Forestry Commission Scotland can best help the sector to be successful.

### *APF 2010*

The Biennial 'APF' is a fantastic showcase for the sector, as well as for suppliers to the industry, and a huge networking opportunity. It is also an excellent retention and recruitment opportunity for ConFor.

### *Action 2010*

- A retention and recruitment plan for APF 2010 will be prepared by August.
- ConFor's activity to promote the many benefits of productive forestry will be showcased at APF 2010.

### *Investing in staff*

While considerable resource has been refocused from support services to frontline staff in the last two years, there is still scope to achieve more with existing resources. ConFor has secured Investors in People recognition and will seek to improve on staff learning and development.

### *Action 2010*

- ConFor will review its staff development activity and provide for (an initially modest) uplift in the budget for learning and development in 2010. The review will report to the board by September.

## **4. Budgets**

4.1 The table below presents indicative budgets for the Plan period, showing the main sources of income and the main categories of expenditure.

<b>INCOME (£000)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Growing sector subscriptions	260	265	270
Processing sector contributions	300	306	312
Project and other income	270	275	280
<b>TOTAL INCOME</b>	<b>830</b>	<b>846</b>	<b>862</b>
<b>EXPENDITURE (£000)</b>			
Staff costs	417	425	433
Office running costs	92	94	96
Postage and stationery	8	8	8
Subscriptions	12	12	12
Management expenditure	7	7	7
Regional expenses	36	37	38
Promotion/sponsorship	48	60	62
Project expenses	119	121	123
Professional and consultancy fees	60	61	62
Finance costs	14	14	14
Depreciation	7	7	7
Provision for exceptional cost			
<b>TOTAL EXPENDITURE</b>	<b>830</b>	<b>846</b>	<b>862</b>

## **5. Risk assessment**

5.1 Regular risk assessments will be undertaken as a routine element of management and board meetings. The main *external* risks that might affect planning include:

- negative change in the overall economic climate or in exchange rates, that materially affects demand for member's product in the main construction and energy markets
- more aggressive marketing by competing materials
- climate change impacts on species selection, timber production and quality
- lack of recognition within Government of the importance of commercial forestry and of increased planting levels

**5.2** The main *internal* risks to be monitored include:

- reversal of membership numbers and income
- loss of support from larger subscribers
- failure to communicate activity and successes to members
- insufficient participation from, and support to, active members volunteering their time and resources
- lack of coherence and evidence in policy influence work
- dilution of effort away from core objectives