



View from the Emerald Isle

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New Forestry Programme 2015 -2020

Ireland's new five-year forestry programme commenced on the 01 January 2015 after a period of intense consultation, lobbying and negotiation with the industry following the publication of the Draft Proposals in September 2014 by the government. The forest industry groups included among others:

Irish Forestry and Forest Products Association (IFFPA) – a division of IBEC the Irish Builders and Employers Confederation which is Ireland's foremost voice on business representing the interests of 7500 companies, and which exerts considerable influence on government strategic and budgetary decisions. IFFPA's members include among others Coillte, major sawmilling firms including Glennon Bros. and Murrays, all the major private forestry companies including Greenbelt, the Association of Irish Forestry Consultants (AIFC) and the Smurfit Kappa Group.

Irish Farmers Association (IFA) – Ireland's largest farm organisation and arguably one of the most powerful trade lobby groups in the

country has an overall membership of 85,000, and has had a highly effective Farm Forestry Section for nearly 25 years now, employing a full-time forester to advise its members for the past 15 years.

Irish Timber Growers Association (ITGA) – The lobby groups had and have significant access to leading politicians including the Minister for Agriculture and Junior Minister for Forestry and as a result were able to secure more favourable terms and conditions plus significant increases to the proposed grant and premium rates published in the in the draft. Initially for example an annual tax-free premium of €470 per hectare for Sitka spruce paid for 15 years had been proposed, the lobby groups succeeded in getting this increased to €510 per hectare.

The new programme which aims to afforest 43,000ha during the term of the programme continues the tradition which started in the mid 90s of having five-year programmes thus allowing all stakeholders and especially nurseries to develop and produce realistic plans and budgets for the next five years.

Forestry for farmers: a change in mindset

Attitudes to forestry from the farming community have improved immeasurably over the past ten years for two main reasons:

Firstly, due to the positive influence of the Farm Forestry Section in the IFA which has the same status as the Dairy Section, Sheep Section, Tillage Section etc. within the organisation aided by the presence of the IFA's full-time forester.

Second is the positive effect associated with the first thinning of private plantations planted between 1994 and 2000. Farmers who planted during this period and were happy to qualify for 20 years tax-free premiums never expecting that their first thinnings would make €8-12 standing, because back in the mid-nineties first thinnings had at best a neutral value. Now their plantations are being harvested at 15 years, they still have five years premiums to go, and a second thinning to look forward to before the premiums finish. It is hard to overestimate the positive, promotional effect this is having on potential new

growers, and how timber is slowly but surely being viewed as another farm crop or enterprise to be managed alongside cereals or stock. This in itself represents a fundamental and significant change in the mindset towards forestry on Irish farms, and is reflected in yearly afforestation levels of 6500-7000ha despite having large areas of the countryside categorised as environmentally sensitive where planting is now prohibited.

Positive forestry taxation changes

The forest industry lobby groups recorded another significant victory in the recent budget when they succeeded in restoring the tax-free status of timber revenues which had been progressively eroded in the past nine years. Prior to 2006, all timber sales revenue from forests was exempt from Income Tax. A threshold of €250,000 was then introduced after which all revenues above that figure would be subject to tax. By 2010 this threshold had been reduced to €80,000. With a typical hectare of Sitka spruce producing clearfell revenues of €25,000 - €35,000 during this period private growers were finding it increasingly difficult to plan their clearfells so as to avoid Income Tax. However, following a lobbying campaign which targeted key political figures the government announced in the October 2015 budget that the threshold was being removed, and timber sales from forests would enjoy tax free status again. Growers can now fell and sell any quantity of timber without having to pay Income Tax.

Timber Prices

Timber prices improved considerably in Q1 of this year compared to Q4 of 2014, with standing clearfell lots in the size range .5 - .6m³ achieving prices of €70-75/m³ compared to €55/m³ in Q4 2014. However, prices have softened considerably since with the same log size making €59/m³ in Q3 2015 leaving the average price for thinnings and clearfell standing sales in all categories from .2m³ to 1.0m³ in Q3 2015 practically the same as Q3 2014 at €57/m³.

Timber at roadside is currently trading at €35 for pulp, €55 for pallet and €75 for sawlog. First thinning's are still in great demand, with active competition between the panelboard sector and the general woodfuel & biomass sector keeping prices at very acceptable levels. Conifer first thinnings standing are selling from €8/m³ to 12/m³ with choice lots making up to €15/m³.

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The new 2015 -2020 Forestry Programme incorporates the following schemes:

- Afforestation
- Agroforestry
- Forestry for Fibre
- Forest Road Scheme
- Native Woodland Establishment
- Native Woodland Conservation
- Woodland Improvement
- Reconstitution Scheme (Replacing ash crop after dieback)