

# Rise in values tops more than 20%

Forest market report by **Fenning Welstead**, of John Clegg & Co



*John Clegg & Co partnered Tilhill Forestry in producing the UK Forest Market Report for 2015. This was launched on 17 November and some of the information in the report is repeated in this article.*

2015 was the most active year we have recorded. If we focus on woodlands in excess of 20ha in size and predominantly coniferous commercial crops, then almost 100 forests were sold, covering a total of 18,435ha, with an average price of £8145 per hectare. We concluded that this meant an annual rise in values of about 22%. We also noted that the IPD Index reported 18.4%. The statistical analysis of the forestry market is based on relatively few transactions and it is not surprising that the percentages are not precise. The salient point we can take from this is that, once again, the forestry property market has had a very good year.

In terms of the market place, it was an unusual year with the sale of the UPM Forestry Portfolio. This extended to 7100ha of commercial coniferous plantation. It was sold at an overall price of £50M, which equates to just over £7000 per hectare.

Other individual sales of note and worthy

of mention, both in terms of scale and interest level, would be Auchencairn near Dumfries, extending to 1120ha, which sold for £12.5M. With an average age of 24, this was one of the best productive woodlands that had come to the market in recent years and this is reflected in the price that was achieved - in excess of £11,000 per hectare.

Looking to a younger aged crop, one might mention Stonechest. This is a very commercial property, extending to 224ha that had been clear-felled of its original crop over the last 15 years and now presented itself as a young restocked forest with a range of age classes with an average age of about nine years. This attracted strong interest at a competitive closing date and sold for just over £9500 per hectare. There are two points of note about Stonechest. One is that the young crop was well established and this was an ideal investment for medium to long-term capital growth with low maintenance and management input. The second point is that it was in Cumbria and there is, undoubtedly, a Scottish-English split in terms of levels of interest. The political scene in Scotland is unsettling to some people.

Returning to large-scale forestry. Rosal Forest in Sutherland extends to 2400ha and is one of the largest single blocks of forestry that has been presented to the market. With an average age of 28, Rosal presents a very different proposition. Not only is it very far north and, therefore, distant from markets, but the local haulage infrastructure presents considerable challenges. This property sold for £1.5M, equivalent to

£620 per hectare. Quite a different value class to south Scotland.

Talking of scale; of course, the Forestry Commission's extensive woods at The Barracks Forest, Rannoch in Perthshire, extends in total to 4477ha and is currently on offer with a guide price of £8.9M. This is equivalent to under £2000 per hectare; this, for a forest that was planted largely in the 1960s to 1970s, which is full of timber ripe for harvesting. Given the scale of The Barracks, there must also be some alternative use potential.

## Wales and southern England

This region has seen a continuing strong market for commercial conifer woodlands. Whilst some offerings in south-west England have not readily found buyers due to perceived difficulties with access and distance from markets, the sale of Upcott Wood (56ha) in West Devon, attracted strong interest, eventually achieving a figure in excess of £12,300 per hectare. This was a beautifully presented, late-rotation conifer wood, managed by Bill Blight for c.40 years. 59ha of heavily stocked, mature Douglas fir and Sitka spruce in Cornwall did not even get to the market, with the leasehold interest selling at nearly £10,000 per hectare. Woods with a reasonable percentage of broadleaved restocked crops were notably less appealing to the market.

Larger blocks of mixed woods in the southern counties of England have continued to do well. Laughton Woods in East Sussex achieved over £12,000 per hectare for 69ha. High Scrubs in Hertfordshire saw very strong bidding, resulting in over £14,800 per hectare on its 49ha. This reflected the lack of substantial woodland opportunities in the Home Counties.

Several smaller woodland sales including Shawbry Wood, 12ha in Northumberland; Old Covert Wood, 10ha in Derbyshire and Fair Table Wood, 15ha in North Yorkshire, sold at between £6670 and £11,100 per hectare.

While it's been a buoyant year in the forestry market we believe there are clear signs of strong differences now appearing between those forests that are in the very commercial baskets of South Scotland, Northern England and Wales compared to those elsewhere, that often have challenging issues alongside distance from markets. It must also be a distinct possibility that after eight years of strong capital growth we are reaching a plateau to draw breath. Looking back ten years it's been a steep climb.

There is, to an extent, a slight disconnect between property prices and spot market timber prices. Timber prices have softened as a result of exchange rate pressures and other changes to tariffs across the timber trading world. While we all believe that the long term prospect for timber is good, have we begun to reach a point where forestry prices are as strong as they need to be?

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The Barracks Forest

# UK producers still dogged by global oversupply and strong pound

Timber Auctions market report by Oliver Combe



The strong pound continues to have a severe impact on the home grown timber producers. The world market has an oversupply of timber and the UK remains an attractive market for shippers due to a very strong pound and reasonable activity levels.

Globally, the 2nd and 3rd quarters of 2015 have seen an oversupply of softwood lumber on the world market due to a slowdown in demand in Russia, China and now the USA. The major producers have been quick to react to the oversupply situation and have taken steps to reduce mill outputs and focus efforts on reducing stock levels in the supply chain

The production cutbacks put in place in Q3 have started to reduce supplies and are bringing some stability back into the market. The US softwood market saw falls of 7 – 20 % from July to mid September 2015, stability at the end of September and have now seen a gradual creep back upwards of prices in October. In early November prices are still creeping upwards but are 3 -5 % below where they were in November 2014.

## UK softwoods

Imported timber continues to set the price in the UK market and to increase its market share. Not only are the domestic producers under pressure on price they are finding their market share being eroded. This together with the normal seasonal slowdown in November and on through the winter months has forced many mills to look carefully at their production levels. Efforts are being made to reduce throughput and concentrate on managing stock so that stock levels can

be brought into line with demand. It is tough times for UK mills especially those in the Kiln-dried carcassing sector.

## Current market conditions

In 'normal' years, logs prices start to be adjusted downwards in the winter due to reduced demand and this has been the pattern this autumn. A quick summary of prices is shown in the table for guidance only.

These prices are intended for guidance only and will vary locally according to available supplies, local demand competition to buy.

Standing prices have held up reasonably well as the industry has sought to find work for contractors and hauliers to keep infrastructure in place. The real pine has been felt in prime saw-log crops where due to the difficulty in moving these into sawmills buyers have been very cautious in offering for this type of parcel and have instead focused on more varied crops which produce a wide variety of products. These sorts of crops allow the purchaser and contractor better scope to manage production to suit market opportunities.

Despite the shock that has been felt this year with falling prices and reduced demand it is interesting to reflect that these prices are still considerably ahead of those being achieved in the early 2000's and do still provide good stumpage prices.

Whilst the market is quiet the processors continue to demonstrate their commitment to the industry by investing in their production facilities. The current round of investments is less about increasing through put and more about improving versatility of sites to cope with a wider range of logs sizes and species at the same time as customer requirements change.

A&J Scott have last winter completed the installation of a EWD bandsaw and edger line for large logs and are now carrying out a major upgrade of their main saw line. The old 3D scanner and double arbour circular saw system

will be replaced with a new Soderham Ericson bandsaw installation.

This will consist of a new 3D scanner with auto rotation of the logs and a side shifting log infeed system to fully automate position of the sawlogs as they are fed into the main sawrig. A factory reconditioned reducer quad bandsaw will be installed in the main sawline with a new Catech 400 3 bladed edger. Whilst carrying this work out Milltech will also replace the whole mills control system including the sawn timber sorting system and co – products handling process.

These two sawlines give A&J Scott the ability to handle a wide range of log lengths, diameters and species and will provide a valuable market for mixed conifers as well as spruce in the North of England.

P Irving and sons of Hutton Roof sawmill in Cumbria have recently installed a band and carriage line to deal with oversized logs, upgraded their edging system and continue to invest in improving the productivity of their sawmill.

Pontrilas Timber in Hereford have installed a new Holtec log scanning and sorting line which is three times faster than their old log sorting line.

In Ireland Murray timber are planning to install new 3d scanners and new kiln chambers whilst ECC have recently installed a new post incising machine.

## Hardwoods

The hardwood market is just getting going for this winter and the first parcels have hit the market. Despite the strength of the pound the market for good quality oak remains excellent, especially for FSC certified material.

Firewood has been quiet over the summer but has picked up this autumn; what we need is a spell of good cold autumn weather to really get the firewood market going. The market price has been around the £45-48 per tonne at roadside level for processor-sized 'white' hardwood recently, but parcels have reached £55 per tonne when purchasers need to buy.

An interesting pattern that has developed with roadside firewood is that local markets stagnate at a level, however, there is always a buyer somewhere who has been let down or is short of stock and needs to buy. Recent sales on Timber Auctions have demonstrated the value of marketing firewood to a wider audience as buyers from out of area have come in and bought parcels at £5-10 per tonne above the established price. It is always worth testing the open market with some parcels each year.

Timber Auctions has had excellent sales recently of roadside firewood, oak sawlogs and standing softwood and would welcome further parcels from owners, agents and growers.

## MARKET SUMMARY

Product	Price	Demand
Spruce sawlogs	£50 per tonne delivered	Slow
Mixed conifer sawlogs	£45 – 50 per tonne delivered	Slow
Pallet wood	£40 - £45 per tonne delivered	Fair to Good
Small roundwood	£32 – 35 per tonne delivered	Good
Fencing	£50 per tonne delivered	Good

If you wish to discuss parcels of timber you would like to discuss or for further information please contact Oliver Combe on 07771 958975, oliver.combe@timberauctions.co.uk for free independent marketing advice.

# Market settles after period of readjustment

Euroforest Timber  
Market report by  
**Graeme Ralph**



What a difference a year makes! Although there were signs emerging at the end of 2014 that the market might be beginning to slacken off it was a record year in terms of profitability for the harvesting and sawmill sector, but also, vitally, in terms of returns to growers. Today it is difficult to paint such a rosy picture. The slow-down in the market, driven by exchange rates, which led to a reduction in construction timber demand, predominantly affecting the big carcassing mills in the North, left the southern mills relatively unaffected as they continued to experience strong demand for their main products which are in the fencing sector. The northern mills then began to target this market in order to maintain volumes, and the competition from

them in the fencing sector has now started to cause problems for the traditional fencing mills. The result: reduced log prices which started in the North have now spread throughout the majority of the UK.

In the pallet sector life is difficult as they experience pressure from the carcassing mills flooding their customers with cheap side boards which are the pallet mills' bread and butter, whilst at the other end small roundwood prices force the pallet mills to maintain their roundwood prices at levels higher than they would wish. As a result, many mills are running at reduced capacity until the good times come round again.

Small roundwood has been the saviour of many standing sales during 2015 as demand here, driven in part by the growing biomass sector, has kept prices high, which in many cases has helped to balance out the fall in log prices. Unfortunately, there are now signs – in the North at least – that price is beginning to come under pressure, particularly for those board producers who rely on a high proportion of export

sales to keep their plants busy.

The good news with all of the above is that, unlike the last time our industry suffered a downturn, there is good overall demand for wood products as construction is going well. We have been going through a period of readjustment of prices during 2015 as the domestic industry attempts to align its prices with those of imported wood products, and as all but the very youngest of those in our industry know, this is simply part of the normal cyclical nature of prices as a result of the world trade in wood. Domestic prices have now reached a level at which they are competitive with imports, and although the next few months are likely to be flat as we get through the winter, once construction picks up again in the Spring we would expect demand and price to strengthen once again.

What is vital now is that wherever possible, the woodland owners who have benefited from the record returns of recent times continue to support the timber industry at the reduced price levels we are now experiencing, so that we all continue to have a vibrant sector for the future.

## UK forest certification standards reviewed

Certification update  
by Confor  
Technical Director  
**Andrew Heald**



October 2015 was a significant month for forestry certification in the UK, with revision drafts of the two main standards, being open for consultation. These were the UK Woodland Assurance Standard (UKWAS), and FSC's Chain of Custody Standard, the former on its regular five-year cycle, the latter for the first time in over ten years.

### UKWAS

Confor has had significant input into the revision of UKWAS and there is now greater simplicity particularly around deadwood, and natural reserves. The layout of 'requirements' has also improved, they are now all bundled in one section. Confor shared the new requirements with the forestry sector at the Confor Woodland Show in September in Wiltshire, and the feedback from this consultation, was part of the formal submission. Approximately 30 separate comments and submissions have been received, which will be reviewed and considered by the drafting committee. UKWAS also needs to be reviewed by both FSC & PEFC to ensure that it continues to meet

their international standards; a finalized version should be in place by Autumn 2016.

### FSC

The FSC Chain of Custody impacts every organization trading certified timber or other forest products, with approximately 3000 certificate holders in the UK. The Chain of Custody standard has been under the spotlight for a number of years, following the proposal for an Online Claims Platform (OCP), which was originally proposed in 2010. The OCP would require all companies to register every transaction of certified timber, and was widely rejected by all sections of the industry. OCP has slowly changed into Transactional Verification, and was consulted as part of the revised Chain of Custody.

Confor has been fully engaged in the consultation process from the start and has made a number of proposals to simplify the standard and offered better, cheaper alternatives to OCP.

It is fundamental requirement that Forest Certification reflects the low-risk nature of UK Forestry, which is already heavily regulated. Companies in the supply chain and some customers want a mechanism that enables them to understand & communicate that the products are legal and sustainable. Confor is continually pushing for a risk-adjusted approach, which targets resource in the right areas and focuses on Forest Management outcomes rather than simply checking paper work of increasingly bureaucratic management systems.

## Woodland owners are 'missing out on millions'

A multi million pound hole in the rural economy has been uncovered by a survey, which reveals farmers and landowners across England are missing out on millions of pounds of untapped income.

The full extent of this missed opportunity, which is due to landowners failing to reap the rewards of woodfuel and other timber grown on their land, has been revealed by an England-wide survey conducted by the Forestry Commission.

The survey found that 45% of land owners consider their woodland to be less profitable than other parts of their land – with more than a quarter (28%) saying they don't use their woodlands to generate additional income from the sale of timber, woodfuel or to benefit from reduced heating costs for their own homes and businesses. With the forestry sector already contributing £4.1bn to the overall UK economy, this missed opportunity represents millions of pounds in additional lost revenue, says the Forestry Commission.

FC's 2015 Forestry Statistics revealed that deliveries of UK roundwood (softwood and hardwood) in 2014 totalled 11.4m green tonnes. Forestry experts expect this trend to continue rising due to the increase in demand for woodfuel. But while this steady increase is encouraging, it demonstrates that a significant number of woodland owners have yet to understand that potential revenue source on their doorstep.