

'Battle' for supply keeps prices high



TIMBER MARKET
REPORT
Graeme Ralph,
Euroforest

The traditional uplift in activity in spring time has left sawmills in **England and Wales** scrambling for volume. Several mills are very short of volume and those that are currently well supplied are concerned about volumes going forward. The overall effect of the shortage is a significant battle for timber supplies especially in the standing market. This has driven prices to a very high level and competition is significant with all the signs being that the current level of demand is set to continue during the second half of the year.

In **Scotland** we continue to experience an East-West split with a generally stable supply situation in the West in spite of enhanced demand from Irish mills increasing their interest in Scottish sources of saw logs. In the East, a number of mills are currently hunting for supplies for the latter part of the year, and although prices in the West are good, they are generally stronger in the East as mills chase available volume. It appeared in late Spring that the steep price rises experienced in the early part of 2017 were beginning to fall back, but since then there has been a renewed appetite and this remains a very good time to be marketing sawlog parcels throughout the country.

Sawn fencing demand has been level, but with some carcassing mills reducing minimum top diameters to secure more volume, this has helped to eat into what would have been the fencing or pallet element of the crop, so this portion of the tree continues to find a home without too much of a problem.

In the **small roundwood** sector Kronospan's woes following a catastrophic turbine failure continue to

reverberate around the industry. They anticipate being back up to full production for the second half of the year, but have significant stocks around the country that will take many months to clear. In addition, Verdo has ceased production at both its Andover and Grangemouth sites and other small roundwood users have had maintenance shuts all of which has depressed demand. To make matters worse the strong sawmill activity throughout the country has led to record volumes of sawmill co-products being available which have tended to displace roundwood. So overall, not a great picture, but on the positive side, the new OSB line at Inverness is on schedule and is expected to be in production in late 2017 producing environmentally friendly formaldehyde free OSB which will open up significant new market opportunities for Norbord, and will see a doubling of demand at this site.

Not surprisingly small roundwood prices are under pressure, although thankfully most end users seem to be taking the long term view and are not cutting prices by as much as they might, in an attempt to maintain supplier confidence.

Overall, despite small roundwood prices being somewhat deflated at present, with sawlog prices as good as they have ever been, standing timber returns are still very healthy for woodland owners up and down the country, with particular localised hot spots of increased demand if you are in the right place at the right time. Indeed, in the recent Forest Enterprise Tenders in both England and Scotland there was a greater number of bidders than usual, with prices achieved well in excess of reserve.



Competition still strong for quality plantations



FOREST MARKET REPORT
Fenning Welstead,
John Clegg & Co

This financial year in **Wales** has started well with the cautiousness surrounding the General Election softening quickly. The transactional market has improved swiftly and the demand for medium and large quality commercial conifer woodlands remains incredibly strong. The recent weakening of the Pound against the Euro has seen standing timber prices for Sitka spruce rise above the £45/ton threshold which bolsters purchasers' confidence.

Among note has been the recent sale of Cefn Creuan Isaf which reached well in excess of the £7800/ha guide price and included a small bothy shelter with holiday let consent. This substantial block of productive commercial conifers, was keenly valued by the market. The stocking consisted of mainly Sitka spruce, with replanting opportunities and future harvesting prospects for the remaining P1978 crops.

Forestry managers and agents in Wales have had a successful year so far acquiring a number of farms to convert to new planting schemes. These properties will help meet the future demand for timber resources. The Glastir grant application schemes remain technically difficult to navigate with only a few schemes receiving approval first time. However, growing experience of the application process has resulted in subsequent submissions being successful and the political weight now urging new planting can only improve this. Tillhill are understood to have obtained consent to plant 270ha. Most recently a high profile Welsh sports man has successfully gained

permission to plant 50ha of new woodland on his existing holding.

In **England** a similar account of the market is found. Recent sales of Brockhurst Wood and School Wood has resulted in strong offers at closing date resulting in prices well in excess of the guide prices of £190,000 and £200,000 respectively for these approximately 20 acre woods.

The overall feedback from the market remains; good quality private amenity woods or a well-stocked commercial woodlands will command a buyers interest and likely as not a healthy premium. Supply is at present subservient to demand. This coupled to a strong timber market has pushed even the more difficult properties to be considered in greater detail.

In **Scotland** we can report that there are a number of opportunities with forestry and residential property in combination; not a common occurrence. Dere Street Farm, just to the south of Edinburgh, offered 44ha of commercial spruce crops as a lot in conjunction with 90ha of agricultural grazing land and a modern four-bedroomed farmhouse with outbuildings. The forestry element was valued at just over £4500 per hectare, which, for spruce planted in the mid-1980s, was a very competitive price. The whole was on offer at £750,000 and is now under offer at a premium over that.

Gentleman's estate

On a slightly more substantial scale, Strutt & Parker and John Clegg & Co are jointly marketing Chapel-on-Leader Estate near Earlston in the Scottish Borders. Extending in total to 178ha, this gentleman's estate is based around a most attractive early-18th century house. The land lies beside the Leader Water and comprises mixed arable and livestock farming, with strong elements of commercial forestry; in particular Carol-side and Leaderside woods. The former, extending to 43.7ha and containing semi-mature mixed conifers and broadleaves, is guided at £6295 per hectare. The latter, comprising mixed conifer and broadleaf woodlands with some arable paddocks alongside fishing on the Leader Water - at just over £5500 per hectare and only 30



miles outside Edinburgh, this would be ideal as a project woodland.

The same agents have, on a more extensive forestry scale, Bolfracks Estate near Aberfeldy in Highland Perthshire, currently for sale at an overall price of £10.9M. Included within the estate the main Bolfracks Forest extends to 650ha of prime commercial forestry. With a guide price of £3.75M, comprising a wide range of age classes and including productive stands of conifers with excellent access, this is a very well managed forest property.

Also within the estate is Newhall Wood offering a smaller commercial package at 82.9ha and a guide price of £550,000. Newhall comprises primarily conifer crops





Left: Bolfracks Estate, and below, Lethem, The Hass & Broombaulks

It is an example of extensive, high quality commercial conifer forestry, established between 1987 and 1994. The forest is well laid out with rides, open glades and water. Sporting records show an average of 45 Roe deer shot over the last nine years. With a crop now just over 30 years old, this is a forest for further capital value growth as the timber matures over the next five to ten years. Thereafter, it should generate substantial income from harvesting. The property is available in three lots, but as a total, is priced at £5.825M, equivalent to £7435 per hectare. A closing date has been set for Friday, 4th August and we anticipate strong competition for what is an outstanding property.

Harvesting plan

Polmoodie near Moffat contains 200ha of well grown, commercial conifer crops dating from the early 1970s. With an approved harvesting plan in place for 71ha of immediate felling this appealed to the market despite some steep slopes and is now under offer at over Guide Price.

Looking at woodlands with excellent access, Pitlivie Woodlands near Dundee were sold earlier in the year by Knight Frank. Just over 112ha in size, comprising a mix of maturing spruce, restocked crops and some land reclaimed into grazing paddocks, a guide price of £675,000 looked very competitive and it eventually sold for well above that price, reportedly about £7500 per hectare. Not only did it have excellent infrastructure, but there was a most attractive fishing lochan sheltered by the trees.

As a general overview of where the forest market is, after ten years of bullish growth, it is clear that well-founded commercial plantations are still in great demand. With timber prices strengthening – see other reports in this issue – the income from a clear-fell may now exceed £20,000 per hectare. The fundamentals of the physical growth of timber combined with future raw material demands, underpins a very sensible investment. In contrast, forests which are compromised in terms of infrastructure, yield class or location, are being more critically looked at in terms of value. However, given the present political state in the UK, the value of Sterling may remain low for some years to come and that is a very strong influence on home-grown timber values. There is a popular saying that the best time to plant a tree was 20 years ago. One could say the same about buying a forest – why delay now?

dating from the early 1990s, many of which have been thinned. It also has a man-made lochan providing sporting potential. Intriguingly, there is also planning consent to establish a small caravan park and camping site, together with the appropriate infrastructure and services. In such a strong tourist area this may have real potential.

The third major woodland element at Bolfracks is an extensive native pinewood established about 20 years ago. In total 180ha, this woodland enjoys spectacular views westwards to Loch Tay and includes the reportedly largest Black Grouse lek in the UK.

As the estate is presented to the market in 16 lots, there are many opportunities to

combine a forestry investment with a cottage or more substantial house and additional land.

Returning to our normal focus on straightforward woodlands, we commented last time on the sale of Glentaggart South and of Middlehill. These were two forests in the south of Scotland, each approximately 200ha in size and of similar age and composition. These have now sold at competitive closing dates. Middlehill, forming part of a major Eskdalemuir forest, achieved a sale price of just over £10,000 per hectare. Glentaggart South, a more standalone individual property in Lanarkshire, sold for just over £5500 per hectare.

Both properties had a requirement for access development and upgrading. Middlehill benefitted from being part of a forest complex where these development costs and benefits would be shared amongst several owners. While there were other issues creating the difference, it does stress the importance of the access structure into commercial forestry properties and the costs of upgrading to suitable standards.

Continuing with comments on the extensive commercial forestry blocks, the largest high quality forest offered on the open market in Scotland so far during 2017 has to be Lethem, The Hass and Broombaulks. In total, 783.46ha, this forest is situated just north of the border with England and is well served by having direct contact with the A68 and the A6088 public roads.

