

Sound investments in every sense



FOREST MARKET REPORT

Fenning Welstead,
John Clegg & Co

Scotland

One of the forestry highlights of the first half of the year in Scotland was the sale of Bolfracks through Strutt and Parker/John Clegg & Co. This was a mixed forest estate to the west of Aberfeldy in the stunning scenery of the upper reaches of the River Tay (see photo). The two main forestry lots generated considerable interest. Lot 6, 48 hectares of 20 year old spruce, thinned and with access from the public roads sold at around £7500 per hectare. The much larger Lot 7, 619 hectares contained crops planted from 1966 to 2017. Very well served by internal roads and presenting a matrix of crop ages, this sold at a price equivalent to £9000 per conifer hectare. A very sound forestry property with the prospect of timber income and capital growth plus a real sense of ownership.

On a similar scale, Achaglass Forest near Tarbert, Argyll at 640 hectares presents, on the face of it, a not dissimilar forest. With crops planted in 1971 through to recent restocking in 2015, this forest is also well served by internal roading, some recently upgraded by a wind-farm development. Set in the panoramic scenery of the northern Kintyre Peninsula with hill lochans and views westwards to Islay and Jura it sold at a price equivalent to £5300 per hectare.

In the far north, Bidwells are currently marketing Brawlbin on behalf of the Forestry Commission. Brawlbin is situated near Thurso in Caithness. With a guide price of £755,000 the property extends in total to 437 hectares of which 340 hectares are stocked with conifer crops dating from 1970 to 2018. There is a high percentage of lodgepole pine and pine spruce mixes. The guide price works out at approximately £2200 per conifer hectare. This reflects the quality of the crop, location and distance to market. However, with approximately 250 hectares of Sitka spruce becoming available to harvest, there can still be commercial sense in such properties albeit that the

values are different.

It is worth reflecting on how the differences in location, soil types and crop influence the pricing and values of forestry plantations.

Moving further south, the same agents are marketing Leiterchullin comprising 459 hectares in total including 190 hectares of mixed commercial forestry but most interestingly a grass park and vacant cottage overlooking Loch Duntelchaig. Situated close to Inverness this is a very appealing property and with a guide price of £1.25m one might anticipate some very keen bidding.

Planting land

Looking towards the other end of the forestry rotation, there is a strong demand for planting land. A number of opportunities have presented themselves to the market. These include Auchentaggart Farm near Sanquhar. Galbraiths have had this on the market and we know that a number of forestry interests have considered it. However, the mix of soil qualities makes forestry not perhaps the most ideal land use other than integrated shelter belts with farming operations. Not the most commercial of forestry options but a warmer landscape for livestock and wildlife.

Typical of the land used in earlier planting schemes is Urlar Moor near Aberfeldy. Savills have this on the market as a grouse and sporting property extending to 3000 hectares. With a guide price of £8.5m (ie £2800 per hectare, approximately), this might be an ideal forestry project subject to obtaining approval. One only has to look at the neighbouring Moness and Griffin Forests to realise that other moorland in Perthshire has gone down the forestry road within the last 40 years. Blanket Sitka may no longer be in vogue but a well-designed mix of commercial and habitat planting could be supported and should grow very well. Such fundamental change of use may not be popular with everyone but the potential cannot be ignored.

Smaller lots

All of the above woodlands and land tend to be relatively extensive and of interest to the larger investor or collective fund. There is still a lot of activity at the smaller end of the spectrum. Kingside Loch, for example, was sold by John Clegg & Co earlier in the year. Only 11 hectares in size and primarily consisting of a hill lochan, this attracted considerable interest before being acquired by the neighbouring forestry owners. For a small woodland one might consider some property in Ayrshire where a 21 hectare farm woodland premium scheme project aged 10 years sold for £3600 per hectare. Or the small Tuttin Wood at Cairnie, Aberdeenshire extending to only 7.5 hectares of Sitka spruce planted in 1997. This also included some pockets of mixed broadleaves and a small field. With good mineral soils, >>



Bolfracks with Loch Tay in the background

MARKETS

>> access and available water, this sold at over £8000 per hectare.

The market in Scotland is very active with a wide range of properties available for purchase across the country.

Wales

Moving south to Wales, the market has been characterised by a lack of commercial conifer woods. Cwm Yr Ychen, 102 hectares, came to the market at £725,000, created immediate competitive bidding and sold swiftly at well in excess of the guide price. Demand remains strong for properties capable of growing good quality conifers. It is reassuring to see the number of investors keen to create new commercial woods. Hopefully, the various bodies will produce a strategy to identify land suitable for planting. Investors will not buy a farm with the hope that in a couple of years they might get consent to plant. Tilhill Forestry acquired 75 hectares near Llandovery at the start of this year with consent agreed. It was planted with mainly commercial conifers by the end of April and should grow on to make a worthwhile contribution to Welsh timber supplies. The price is understood to have been in the £1000 to £1200 per hectare bracket.

England

Just over the border in Shropshire, Weston Heath Wood, 166 hectares comprising a wide range of commercial forestry crops created competitive bidding moving the sale price to considerably in excess of the guide price of £1.6 million.

The south-west of England has seen an active first half of 2018. John Clegg & Co offered its first Forest School in over 50 years of trading, with Haldon Park Forest



Haldon Park Forest School and Humberdown Wood

School forming one of the three lots at Haldon Park Wood and Humberdown Wood near Bishopsteignton, Devon. The other two lots had strong commercial stocking. The 52 hectares on offer attracted national press coverage before selling as a whole at a figure in excess of the guide price of £670,000. Ausewell Wood, 138 hectares near Ashburton, Devon was attracting strong interest at the time of writing with a closing date for best offers fixed for late July. Situated on the eastern bank of the River Dart this strongly commercial woodland is guided at £1,700,000.

In the south-east 62.9 hectares of carried crops, ranging from pure commercial conifers, mainly late rotation, younger mixed crops and areas of pure broadleaves, near Guildford, Surrey sold in two approximately equal sized lots with the price exceeding £15,000 per hectare.

On the more amenity side, Piercefield Wood, 81 hectares notable for its influence at the birth of modern tourism in Great Britain attracted at a buyer at close to the guide price of £575,000. This spectacular

broadleaf wood is on the slopes of the River Wye at Chepstow, Monmouthshire.

Adjoining the Basingstoke Canal near Farnborough, Surrey, 23 hectares of mixed woodland with strong conservation interest – a Special Protection Area for Birds, as well as being part of two Sites of Special Scientific Interest – attracted a number of bids at the closing date, achieving in excess of the guide price of £450,000. Accepting that this is in lowland England it is never-the-less remarkable that a conservation wood is achieving a market price of over £20,000 per hectare.

As we move forward into a period where Natural Capital will be an increasing part of valuation this is worthy of note. Foresters have always known that their activities had substantial if unquantifiable benefits in this direction. The recent re-valuation of the Forestry Commission's assets in England is understood to have included a look at what the value of Natural Capital might be. We are moving into a new world.

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**TIMBER MARKET
REPORT**
Tim Leavers,
Euroforest

Four months ago, we were staring helplessly past drifting snow and later watching the relentless falling rain. All this, restricting access to the forest. The market was poised to take off, but the weather was inhibiting much of the planned activity.

However, the show must go on. The curtain finally lifted. From that moment, the level of business, has barely given anyone in the forestry sector a moment to draw breathe. So centre stage the action was frenetic, driven by the high demand and high prices. Working hard to catch up, it was almost as if two scenes had been rolled into one.

Sawlogs

The opportunity to sell all grades of sawn timber has continued undiminished. With no major change in the exchange rates, imported timber can be matched by comparable home-grown alternatives, with price advantages too. The demand for sawlogs remains strong. Log prices have continued to rise with a 65% increase on the prices of two years ago, and in some areas by 25% over the last quarter. Most mills are staying open for roundwood deliveries throughout the summer, even if production takes a break.

Regionally, the further south you go, the greater the price and the scarcer the logs. There is no appreciable material shortage in the north, but demand for the finished product is supporting the strong standing prices. The larger coups of 10-20,000 m³ are attracting strong competition and can be difficult to secure. With the double-act of a weaker pound and ongoing, rising global consumption of wood products, imports continue to hold their price. Asia and the Far East are drawing supplies of construction grade timber out of northern Europe and US production is being utilised in rebuilding after hurricane damage. Will the bubble burst? Will there be a twist in the tail?

There is a worldwide nervousness about the possible impact of escalating international trade disputes and oil price rises, whilst here in the UK, we are trading against a background of political and thus econom-

ic uncertainty. Recently, market observers report that manufacturing and construction industries are in a holding pattern, with the number of businesses expressing an intention to invest falling over the quarter. However, the major processors are reporting full order books, stretching comfortably beyond quarter three.

Small roundwood

The scene is similar - demand constantly outstripping the supplies available. A biomass market with depleted stocks after the prolonged winter came to the market with a healthy bank balance and was keen to replace what wood it had consumed. What characterises this market is not just the larger players, August should see the CHP plant at Sandwich fully operational, taking 240,000 tonnes of fibre per annum, but the small and medium size players too. The numbers of processors in this sector has multiplied, from domestic heating schemes to medium size business units (500-10,000 tonnes per annum) and in some regions it is hard to see, irrespective of price, where the wood will come from. With RHI backing the biomass users are not shy about joining the chase for timber. Despite the inevitable availability of sawmill chips, due to production levels, the board processors are

not sitting on their hands either, but are responding strongly to the situation, adding to the upward surge in roundwood standing and delivered in prices.

Fencing and palleting

Out of the limelight, but very much part of the act, are the round fencing, bar and pallet users. With biomass regularly fetching in excess of £50 per tonne on the one hand and log processors prepared to take produce in at 14cm diameter on the other, they are being pushed from both directions. One trader reported that "We could sell every load of fencing stakes two or three times over.... the whole market is like trying to complete a jigsaw with only half the pieces!" The hike up in raw material price, due to its scarcity, is hard to justify given the market price for both sawn palletwood and peeled and treated fencing.

Can we confidently say, 'It's all good'? Certainly, the short-term prospect looks as if demand will continue unabated, and prices appear set. The curtain is yet to fall on this current drama, it may only be in March 2019 that all attention will be drawn away, as Brexit takes centre stage and we discover the part it has to play.

www.euroforest.co.uk



Kent Renewable Energy's CHP plant at Sandwich, Kent, during its last phase of construction in May 2018.

Still hot in the kitchen, especially in the south!



**TIMBER AUCTIONS
MARKET REPORT**
Oliver Combe
Timber Auctions

Global trends

Global demand for timber continues to rise with the major world economies enjoying periods of sustained growth and increasing timber consumption across all sectors. After a period of stability there is now a general cycle of increasing prices with only a few exceptions where there are short-term oversupply problems (Central European spruce and Eastern France pine).

Difficult harvesting conditions in Scandinavia and the Baltics during winter and strong demand have lead to low stock levels for most major producers which has in turn given them the confidence to push prices upwards. For the north European and Scandinavian producers the increasingly protectionist policies of Donald Trump have presented a golden opportunity to supply the US market with carcassing timber in ever increasing quantities. The lure of large ongoing volumes of simple specifications to a market with good payment history and credit is too good to miss even at the expense of traditional markets closer to home like the UK. The major Scandinavian producers are reporting improved financial results and strong order books. As we approach the summer shutdown season the

market conditions look very positive.

Prices of imported timber coming into the UK have steadily crept up over the first six months of the year to record high levels this has in turn allowed the domestic mills to increase their selling prices steadily over the first six months of the year to compensate for the increased raw material prices.

Domestic demand

Domestic demand for timber remains good with the UK economy bumping along quite steadily despite the political chaos around Brexit. In fact the recent uncertainty over whether Brexit will ever happen and the calls for another referendum have lead to the pound falling against the euro back to levels last seen in March 2018. This puts further pressure on the price of imported timber and helps domestic producers be competitive.

Most producers have been steadily increasing their finished product prices during the first six months of 2018, with the smaller fencing mills being able to move earlier than the larger carcassing mills. Whilst fencing prices seem to have reach

a plateau at around £250m³ delivered for treated primes (posts, rails, feather edge) in July, there are still price increases planned for some carcassing products into August.

Merchant sales to end users are good across all sectors and unusually for July there still appear to be shortages in UK sawmills of certain key products.

Stock levels throughout the supply chain have never fully recovered from the very difficult conditions of this spring, most processors are now running at “budgeted” levels and where log supplies allow, are trying to catch up production capacity that was lost earlier in the year. With stock being sold as fast as it is produced there has been little chance to build stock prior to the summer shutdown season. Normally sales start to slowdown during July and August and then pick back up in September but this is not a normal year and it will be interesting to see what happens if demand continues to hold up through the rest of July and August. Early indications are that July will be a better than expected month with order books filling up quickly.

With the price increases on the whole implemented, order books looking good and strong demand elsewhere in the world, conditions on the demand side appear well set for the UK timber market.

Domestic supply

Supply of timber remains the critical issue and the further south you look the worse the problem is. The strong market conditions of late 2017 and the first half of 2018 have carried on although there are now signs that the prices have peaked out and

Roadside hardwood prices (£ hft) July 2018								
	Oak plankling	Oak beam	Oak fencing	Oak cordwood	Export ash & beech	White ash sawlogs	Export sycamore	1st grade firewood
High price	£9.00	£8.00	£8.00	£1.40	£3.25	£5.00	£5.00	£2.10
Mid price	£8.00	£6.50	£6.50	£1.25	£2.75	£4.00	£4.00	£1.90
Low price	£7.00	£5.00	£5.00	£1.00	£2.00	£3.00	£3.00	£1.70
These prices are for guidance purposes only and are based on historic market information								

£ per tonne delivered to customers in Wales, central and south England (July 2018)				£ per tonne delivered to customers in north England and Scotland (July 2018)			
Product	Lower price	Upper price	Trend	Product	Lower price	Upper price	Trend
Log 18	£80.00	£90.00	=	Log 18	£75.00	£80.00	=
Bar 14	£60.00	£70.00	=	Bar / pallet 14	£55.00	£65.00	=
SRW	£50.00	£55.00	= ↑	SRW	£50.00	£55.00	= ↑
Fencing	£55.00	£60.00	=	Fencing	£55.00	£60.00	= ↑
H Wood firewood	£55.00	£60.00	↑	H Wood firewood	£50.00	£55.00	↑
These prices are for guidance purposes only and are based on historic market information.							

buyers are successfully stabilising the prices.

Certainly the extreme price spikes seen in the spring have now largely disappeared as more wood has come to the market enabling buyers to be more structured with their purchasing.

Prices have stabilised and available volumes have improved significantly, most major buyers have their immediate requirements covered and are now looking to secure volume for Q4 for 2018.

The key to market prices over the next six months will be how much timber comes to the market. Over the last three or four years there has been an emerging trend for growers to concentrate their sales into the first six months of the year with very little timber offered to the market from July onwards. This has contributed to shortages from December through to March in 2017 and again in 2018.



It appears that the human resource is also fully stretched and there is a real issue with recruitment of new operators*

to secure timber in the current market as those who have bought the standing trees determine how the trees are cut up and to which markets they are delivered.

Constraints on the supply chain
High prices have led to high activity levels for the contractors and hauliers and the supply chain is now struggling to produce

on highly competitive rates dependent on producing a lot of timber which leaves little time and money for training new operators. If the industry is to continue to expand we need to consider carefully where and how we are going to recruit and train the next generation of operators.

The firewood market is starting to look like it is going to be very difficult this winter in that demand has suddenly increased on the back of a cold winter but at a very late stage in the winter and crucially after the softwood shortage started to bite. Consequently, many contractors who have been working in mixed parcels are now working in softwood to meet the exceptional current demand. Now that the firewood buyers are getting their heads around the lack of availability and starting to accept the current market prices they still cannot get wood through their gates as there are no contractors free to work in hardwood crops until late summer. In the meantime the firewood merchants have to wait or look to import firewood.

Early indications are that the price of imported firewood will start to increase this autumn as round timber prices in the Baltic's and Europe have risen by a similar level to those in the UK and this will have to be passed on in the prices.

** Read more about this issue in our members' profile on Jim Wilmer & Sons, on p28.*

It will be interesting to see if the very strong prices in 2018:

- 1 Bring more timber to the market,
- 2 Extend the selling season,
- 3 Encourage owners to allow harvesting activity to continue into the shooting season.

My observations are:

- 1 Yes, some owners have taken advantage of the strong market and put forward extra parcels but in the overall market these are not significant volumes, maybe 5%?
- 2 New instructions to sell in Quarter 3 have fallen right away although there are a few owners looking at getting parcels ready to sell in Quarter 4?
- 3 Some owners are rescheduling harvesting activity into September and possibly October and have been encouraged by the dry weather, others are using the dry weather and strong prices to reach parts of their woods they have never been to before.

So overall the market has helped to bring more timber to the market, especially in Scotland and allowed prices to stabilise but in England the processors and buyers are still living hand to mouth and supplies are scarce.

The shortages of supply appear to be most acute for those who use the middle of the tree, ie pallet mills, shavings mills, round fencing manufacturers and independent biomass users. To maintain volumes we have seen sawmills reducing their supply specifications and large industrial round wood processors looking to take an increasing percentage of the tree. In effect, the sawmills move the cut-off point up the tree and the board mills move it down the tree and those who use the middle of the tree get squeezed out of the supply chain.

This makes it very difficult for timber buyers who traditionally offer 'gate' prices

more timber as the harvesting and haulage contractors are now running at full capacity and simply cannot do any more. Machine lead times are around six months and machines are only built to order so it is not a case of picking up the phone and buying a new harvester or forwarder to increase production.

There is now an issue, in that if a parcel can be brought to the market quickly and a contractor needs to be found to work it at short notice, most contractors are fully committed for the next two to three months and so it is very difficult to get a job started and bring extra into volume to the market.

In addition, it appears that the human resource is also fully stretched and there is a real issue with recruitment of new operators. The UK now has a very modern harvesting fleet of expensive machines running

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