

Do we have the right market data to support a growing sector?



Andrew Heald provides insights from the new Guy Watt Report and asks how we can get a better understanding of long-term timber availability.

A new report from Guy Watt (John Clegg & Co Consulting), commissioned by Confor, has identified some significant challenges in the availability of timber to meet the growing demand from timber processors across Scotland, England and Wales. The report also highlights uncertainties in how we collect information on timber usage, and the assumptions we make in timber forecasts. The implications of the report are still under discussion by the Confor Board, and we are considering how best to resolve some of the key questions.

The acute timber supply shortages over the winter of 2017/18 prompted Confor to organise meetings and discussions between our members, politicians and the Forestry Commission in an attempt to identify and resolve crucial pinch points in timber supply and how to unlock more production.

In Guy's report, a key picture emerges of some very tight markets particularly in Wales, southern Scotland and across much of England. It also shows that the demand for small round wood (SRW) is very strong, while at the same time, availability is low. The

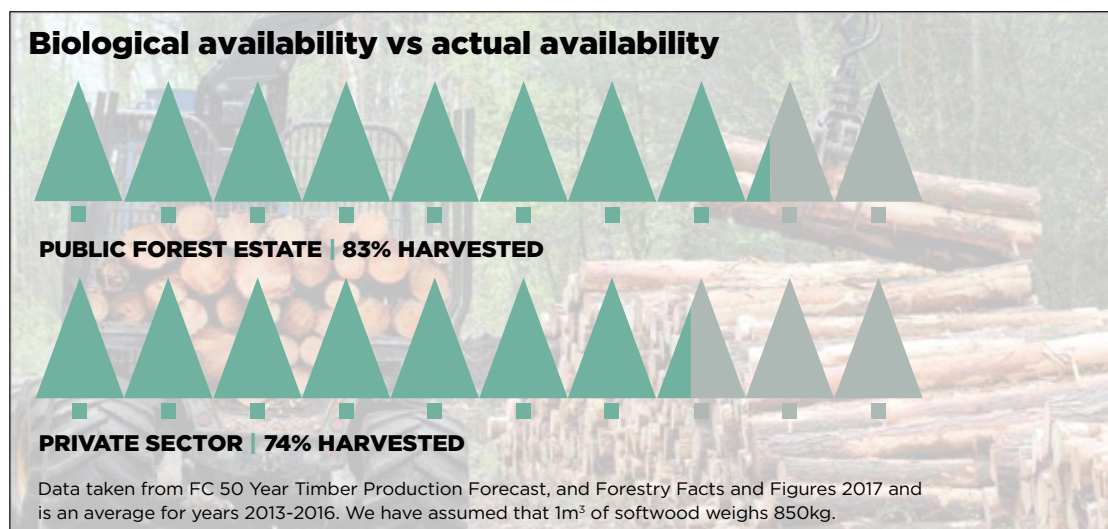
lack of new planting in the 90s and early 2000s and the rise in demand for biomass and chipwood are the two very evident clear factors. The report suggests that this strong demand could further erode the price differential between biomass and other SRW users and could put further pressure into the bar and pallet wood market.

The new report also suggests that whilst there is some sawlog availability in northern Scotland and the southwest of England, in other parts of the UK markets and supply are remain tight.

Guy Watt report: an industry-led in-depth analysis

UK forestry and domestic timber production is a £2bn industry and yet, our statistics are still heavily reliant on a small core team of very experienced statisticians based in Silvan House. The growth of the private forestry sector as a supplier of wood has increased the challenge of collecting robust and market-relevant timber availability statistics, which are vital to support growth and investment in the processing sector.

In 2015, Guy Watt produced a detailed and region-specific analysis of timber availability and demand across Great Britain, based on the 2012 National Forest Inventory (NFI) and the 25-year Forecast of Timber Availability. Following meetings with Confor members last year, we commissioned an update to the Guy Watt report, and we are grateful to Andy Leitch from Scottish Forestry for his financial support.





THE KNOWN UNKNOWN

Biomass and wood energy

The current published statistics for biomass suggest that current consumption for energy is about 1.6 million green tonnes. The new report suggest that the actual figure could be one million tonnes higher, because of the growth in smaller RHI boilers particularly used in agricultural enterprises. The official Expert Group on Timber Statistics has convened a Biomass Working Group to clarify this situation and several Confor members are participating to help get a better picture of the biomass markets.

This growing demand means that potentially higher proportions of larger diameter material is being used for biomass.

Biological availability vs actual availability

The statistics of availability are based on 'biological availability' which makes several important assumptions. These include that timber crops will be felled at maximum Mean Annual Increment (MAI), and that all wind stable areas will be thinned. We also know that the requirements of long-term design plans and UKWAS mean that a 1000-hectare forest planted over two winters in the 1970s will probably be harvested and replanted over a period of 20-30 years. We also know that the growth models for Sitka spruce are based on older genetic material and don't reflect the growth rates of improved Sitka spruce.

This means that the volume of 'harvestable' timber is different from 'biologically available' timber and is likely to be less than the forecasted volume. See table p6.

Over-stood timber

Over-stood or overdue timber is timber that is standing at the start of the forecast period but is already passed the age of maximum MAI. The NFI estimates that in Britain this amounts to almost 50 million cubic metres of coniferous timber. This is several times the total annual volume of timber harvested in the UK, and most of this volume is in the forests of the private sector. We need to understand how much of this timber could eventually reach the market, and for example whether any of this volume is Caledonian Pine Woods, amenity planting, or simply inaccessible long-term retentions that may never be harvested.

	FC/NRW	Private	FC/NRW	Private
	Volume '000 cu m ob		Area '000s ha	
England	1,406	19,738	3.9	35.6
Scotland	887	25,484	2.9	45.1
Wales	1,122	4,419	2.5	6.9
GB	3,415	49,641	9.3	87.6

Overdue timber at 31 March 2015 for FC/NRW, 31 March 2013 for Private Sector



The report highlights uncertainties in how we collect information on timber usage, and the assumptions we make in timber forecasts

Confor members wanted a more detailed understanding of timber availability across Britain, and to better understand how demand had changed since the 2015 report. Guy had responses from over 140

timber processors and sawmills and built up a comprehensive overview of timber usage in 2018. The forecast of the potential availability of coniferous roundwood used in his report is taken from the NFI Forecast of Softwood Availability published in 2016.

The report divides the UK into regions to help better identify geographical differences. What is clear from Guy's research is that, particularly when the market was at its tightest (in Wales and southern Scotland in particular), more timber was being hauled over longer distances. This is an obvious result of a competitive market place and is a significant supply chain 'pinch point' when there is also a shortage of experienced hauliers and of timber wagons. >>

>> The future and what next

We need to reduce the extent and impact of the three known unknowns, highlighted on page seven. There have been recent developments that should help:

- The recently re-constituted Private Sector Timber Forecasting Group met for the first time on the 13 May. This will help ensure that official timber statistics more closely reflect timber harvesting in the non-state sector.
- Biomass Working Group is already pulling together data from a wider range of sources including RHI and the Biomass Supplier List.
- Forest Research are working on new Growth Models for improved Sitka spruce
- Remote Sensing Data: there is scope to look at how can we use satellite monitoring to better analyse 'live' harvesting data.

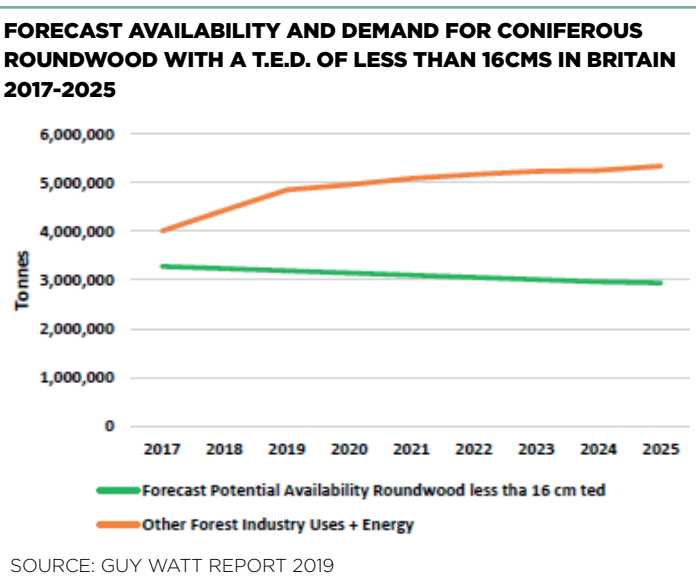
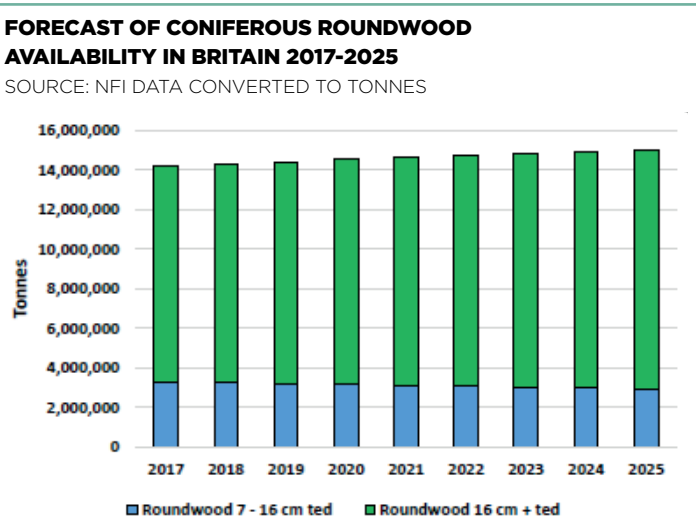
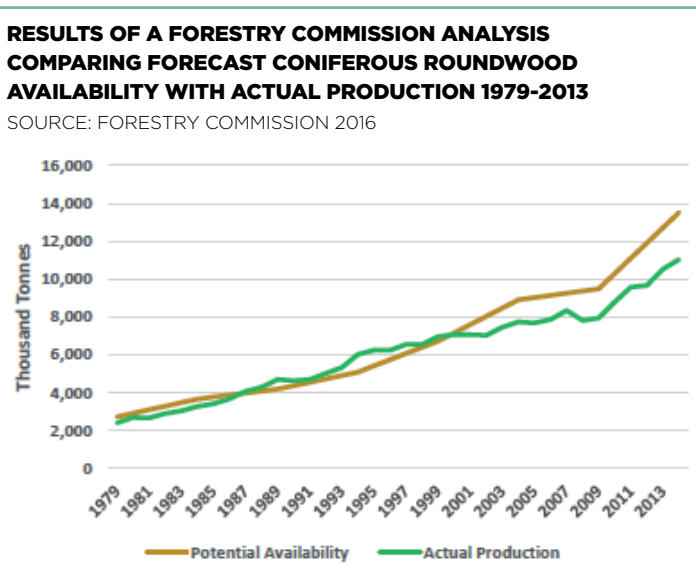
We also need to acknowledge that the private sector will probably have to contribute financially towards acquiring and processing timber statistics. Timber production from the private sector will continue to rise in importance, and there is an increasing need to predict future supply and demand to underpin investments.

The UK has a thriving and growing forest industry, there are strong aspirations to deliver on planting commitments and to use a lot more timber in construction. If we are to convert these aspirations into delivered targets, then we need better information which will support significant investment in new processing facilities and in new forests.

Is it time to reconsider how we market timber, and is there a need to evolve the relationship between growers and timber processors, with perhaps an increase in long term supply contracts? We can look at other parts of Europe and see the type of futures that we might want, with more sophisticated statistics, with 'live' information on availability and harvesting volumes. In Scandinavia there is also closer connections and greater understanding along the supply chain between woodland owners, managers and timber processors. The future is perhaps already here, it is just unevenly distributed.



Confor is very grateful to everyone who contributed towards the production of this report - to the companies that supplied information, to Andy Leitch of Scottish Forestry for their financial support and to Guy Watt for his excellent work. A copy of the report has been distributed to all the 141 companies and organisations that supplied information.



FTN WEB RESOURCES

Download infographic at www.confor.org.uk/ftnweb