

Forestry Report

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Timber Markets Remain Stable In 2023; Trend Expected To Continue In The Coming Year

By Douglas Murray, Director, Fountains Forestry UK Ltd



I like to open the newsletter with a commentary on timber markets, but in recent times I think I'd be more comfortable

predicting the lottery numbers.

Anticipation that 2023 might bring a reverse of the downturn witnessed in the preceding year soon gave way to a more pessimistic outlook as stockpiles of finished products languished in mill yards. No doubt this is a reflection of public concern in a slowing economy and a reluctance to spend on DIY projects. This was further exacerbated by

reduced housing starts in the U.S., a major importer of these goods.

Reflecting on sales throughout the year, I'd say the outcome has been more favourable than we might have expected. Prices are certainly down from the highs of a couple of years ago but still remain at an attractive level. One of the biggest challenges has been on sites where sales have progressed but there has been tardiness in removing cut logs as mills in some parts of the country try to manage their throughput. While the returns for growers have been reasonably good, it has been frustrating for managers faced with keeping

stocks moving and sites safe.

Looking ahead to 2024, the outlook appears to be largely unchanged. However, with the U.S. presidential election next year, we might see some measures that boost the American economy, resulting in increased housing starts. Additionally, the reduction in timber availability from northern Europe, stemming from significant losses in growing timber from Spruce bark beetle infestations, could impact our domestic imports. Potentially this could all work out to have a positive impact on standing timber prices.

On that optimistic note, perhaps I will buy a lottery ticket. 🌲

Elevated Expectations Hinder Successful Land Transactions

By Bill Griffiths, Acquisitions and Business Development Manager



Our spring market commentary highlighted a decline in real estate transactions involving both land suitable

for afforestation and established commercial forests. As we reflect on 2023, it becomes evident that this trend has persisted throughout the year, with limited realistic buying opportunities across all scales.

The availability of quality commercial forests coming to market has been unusually constrained.

Vendors and their selling agents maintain expectations that surpass the values most buyers are willing to invest given the flat timber markets, prevailing high interest rates, and inflationary conditions. If these high-value expectations persist, availability may continue to dwindle.

Two noteworthy examples underscore this challenge, both failing to conclude with a sale: Glenshira Forest, an expansive 1,969-hectare forest listed at £29 million, and the Griffin Portfolio, a sale conducted in two lots with one comprising 1,389 hectares

listed at £25 million, and a separate 4,245-hectare commercial forest generating income from wind turbines, guided at £105 million.

Sales of smaller-scale commercial forests (<£5 million) have been successful, but only when sellers set a reasonable expectation of value.

New woodland creation levels in the UK continue to lag significantly behind government targets. As long as UK agriculture continues to receive generous financial support, land released for afforestation is expected to remain constrained. Even with increased financial aid to

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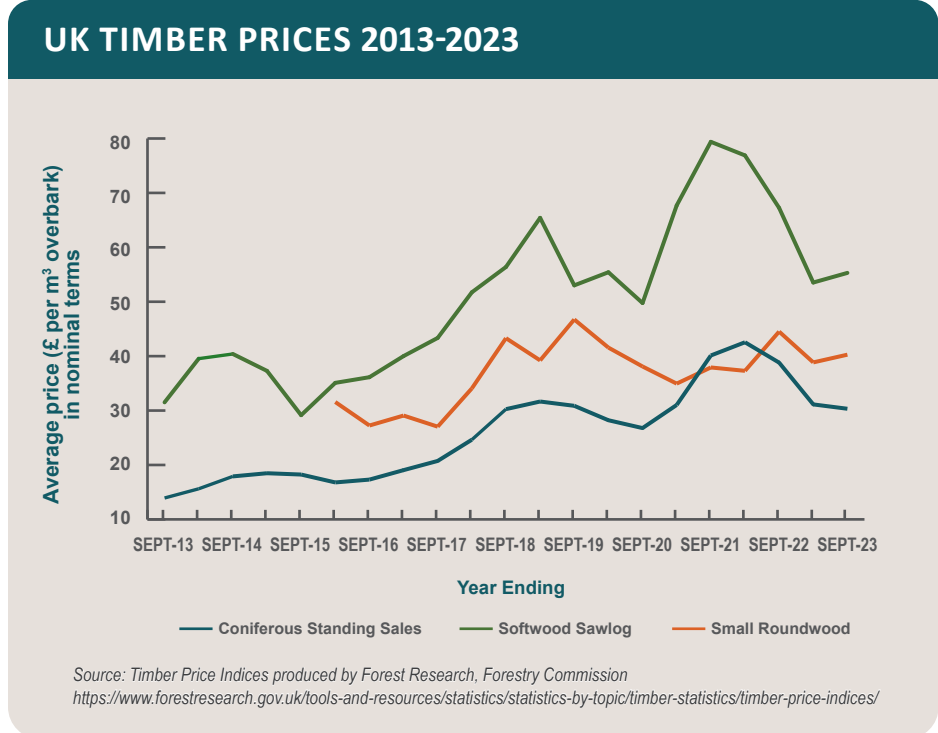
Timber Markets Flat To Declining

Persistent consumer inflation and elevated mortgage rates continue to adversely affect the new house building and home improvement sectors, which is having a ripple effect on timber prices.

The Timber Price Indices released by the Forestry Commission in November report that average prices (in nominal terms) received for coniferous standing, softwood sawlog, and small roundwood timber sales were down from September 2022, although sawlogs and roundwood were up slightly from March 2023. The price data is based on sales through September 2023 by Forestry England, Forestry and Land Scotland, and Natural Resources Wales.

The average price for coniferous standing sales, where the purchaser is responsible for harvesting the trees, was £30.33 per cubic metre overbark for the year to September 2023, a decrease of 22.6 percent from £38.31 in the previous year.

The average price for softwood sawlog sales (roundwood sold at roadside) was £55.30 per cubic metre overbark in the six-month period to September 2023, a 17.7 percent decrease from the



corresponding period of the previous year when the average price was £67.25. But prices were up approximately 3 percent from the March average price of £53.53. Prices for two sawlog sub-indices, spruce and other conifer, were mixed. Spruce prices were down 4.4 percent from a year ago while other conifers were up 4.8 percent from September 2022.

The average price for small roundwood sales was £40.27

per cubic metre overbark in the six-month period to September 2023, almost 10 percent lower than the six months to September 2022 but an increase over the average price of £38.85 in the six months to March 2023. Smaller in diameter than sawlogs, roundwood includes chipwood, pulpwood, and woodfuel and prices are based on sales at roadside. 🌲

Kippen Primary School's Tree Planting Learning Event

Earlier this year, Fountains Forestry Manager Iain McNeill saw the potential to use a woodland creation project near the village of Kippen, where he lives, for an enriching learning experience for the local primary school children, including his own daughters. The scheme consisted of mixed conifer and broadleaf woodland areas, some of which were located on the village outskirts.

The class teacher, Mrs Whyte, welcomed the idea and, with the kind consent of the landowner, Sir James Hutchison, a planting exercise was arranged for the children.

"It was a very rewarding project for the village children," Iain says. "I thought an important part of the experience should be seeing where the trees came from." With the support of Jackie Watson at Alba Trees, the children were shown



Bike Trails: A New Opportunity For Forestry

By Matthew Whitehead, Forest Manager Wales

Within UK forestry, we are seeing a growth in bike parks and mountain bike trails as the activity becomes more popular and, with advances in mountain bike development (such as e-bikes), this trend is expected to increase. While this presents fresh challenges for forest management, the rewards are very positive, with health and well-being, rural economy and community benefits.



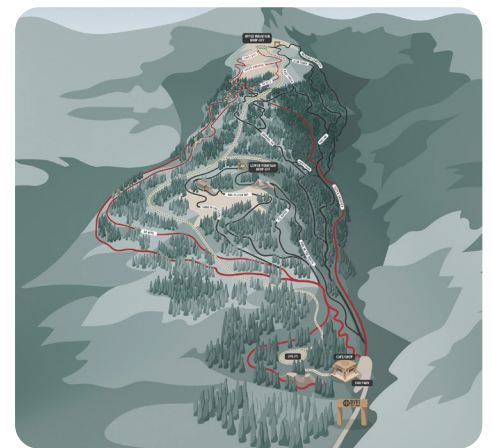
Fountains Forestry has recently embarked on providing forest management services for Dyfi Bike Park in Machynlleth, North Wales. Spanning more than 250 hectares, this woodland bike park was developed by the Athertons (Dan Atherton, Gee Atherton, and Rachel Atherton), renowned downhill professional riders who have competed in the World Series. The bike park offers world class trails for all levels of riders and attracts many professional riders to Wales. The



principal trail designer, Dan Atherton, is known for his development of the Red Bull Hardline Trail, considered the world's toughest and most progressive downhill mountain bike race, which is hosted at another property managed by Fountains Forestry, Mynogau Forest.

The management of Dyfi Forest requires a different approach to timber production forests, with objectives focused on customer experience and growth of the bike park business. This requires innovative thinking in the execution of forest management activities, such as harvesting and establishment, with a keen consideration of their impact on bike park customers. However, it also provides opportunities to enhance biodiversity within the forest, looking at potential habitat gains and restoration of historically forgotten ancient woodlands.

The woodland will continue to be managed in line with the UK Woodland Assurance Standard (UKWAS) and is part of the Fountains Forestry Certification Scheme. We will work closely with Dyfi Bike Park to support its future development, ensuring delivery of the Woodland Management Plan, and the success of the bike park. Fountains Forestry is also providing advice on another bike park in South Wales on land owned by Natural Resources Wales, giving us yet more experience in this new field within forestry. 🌲



QUICK LINK

FOR MORE INFORMATION, GO TO: WWW.DYFIBIKEPARK.CO.UK

videos of young trees in the nursery, revealing what 3 million trees look like in a polytunnel, the unloading process from the lorry, and the continuous moulder preparing the planting positions.

The native woodland planting site was a 10-minute walk from the school and planting positions were marked out so each child could plant his or her own tree. "The children (and adults) had a great time planting the trees," remarked Iain.

Fountains Forestry's Compliance Manager, Andrew Clark, also



participated to 'inspect' the children's work—after all, they did have to comply with the UK Forestry Standard! Playfully, he informed the children that he was too idle to walk up and down the rows of trees and prefers to check them using a drone.

His drone demonstration concluded the event, which was engaging and exciting for the children.

Iain concludes, "What makes this project really special is that these 5- and 6-year-old children are learning about the importance of trees in the world. We have given them the opportunity to help create an area of native woodland, one they will witness growing into maturity throughout their lives. This woodland will endure as a perpetual haven for local biodiversity, making it something truly extraordinary." 🌲



Fountains Forestry Achievements Garner Recognition

Fountains Forestry received several recognitions this year for its forest management achievements at both national and local levels.

The Scotland's Finest Woods Awards (SFWA) celebrate the contributions that woodlands make to the people of Scotland and to its environment and economic prosperity. Fountains Forestry was awarded the 2023 Quality Timber Award for Multi-purpose Woodlands and John Kennedy Trophy, recognizing the company's work at Barracks Forest in northwest Perthshire.

Spanning approximately 4,409 hectares, Barracks Forest is one of the largest privately owned commercial conifer woodlands in the UK. Fountains Forestry currently manages the forest on behalf of owner CCF LLP. At the time Fountains took over management, various issues impacted its value, biodiversity, and productivity, including large-scale wind damage, increasing areas of Lodgepole pine infected with *Dothistroma* needle blight, and a large uncontrolled population of red deer. A significant management input was required to maximise the forest's contribution to the economy,

and the award is a tribute to the transformation process, which is ongoing to enhance productivity, whilst complementing and enhancing biodiversity, and improving quality timber production.

Fountains Forestry was also recognized by SFWA in the Community Woodlands category for its work with the Carron Valley Community Woodlands near Stirlingshire. This award recognizes a large community woodland group that contributes to sustainable development across social, economic, and environmental factors with a holistic approach that delivers outcomes and benefits across all three.

At the other end of the UK, Fountains Forestry clients won awards at the Devon County Show. John Pike won a first place Gold Award in the Conifer Productive Woodland class for a plantation of recently thinned 27-year-old Sitka spruce in Churchill Wood in North Devon. The property was also awarded the Confor Elite Stand Perpetual Trophy for the best stand of trees observed by the judges during the year.



Fountains Forestry Manager Matthew Trewin accepts the Scotland's Finest Woods' John Kennedy Trophy for Multi-purpose Woodlands for Whole Forest or Estate from Mairi Gougeon, Cabinet Secretary for Rural Affairs, Land Reform and Islands.

Photo by Julie Broadfoot

Tim Holland-Martin, the owner of Tottiford Woodlands in South Devon, achieved dual second-place Silver Awards for two plantations managed by Fountains Forestry. The first was in the Broadleaved Productive Woodland Class for a recently thinned beech stand, while the second was in the Conifer Productive Woodland Class for a plantation of recently thinned 24-year-old Sitka Spruce.

These accolades underscore Fountains Forestry's commitment to excellence in forest management across diverse landscapes. 🌲

Land Transactions *(continued from page 1)*

encourage new woodland creation, it is unlikely to create a counterbalance. Furthermore, the recent clarification of carbon additionality rules has led to a decline in bare land values, which is expected to further reduce land availability.

In 2023, Fountains Forestry advised both institutional and private clients on potential acquisitions totaling approximately £69 million and encompassing 4,927 hectares. The span of acquisitions ranges from £735,000 for 90 hectares to

£29 million for 1,969 hectares. In many cases, we have been unable to recommend a purchase at the vendor's expectation level. As discussed, this trend is mirrored in the market, with properties at scale failing to achieve a successful sale. 🌲

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