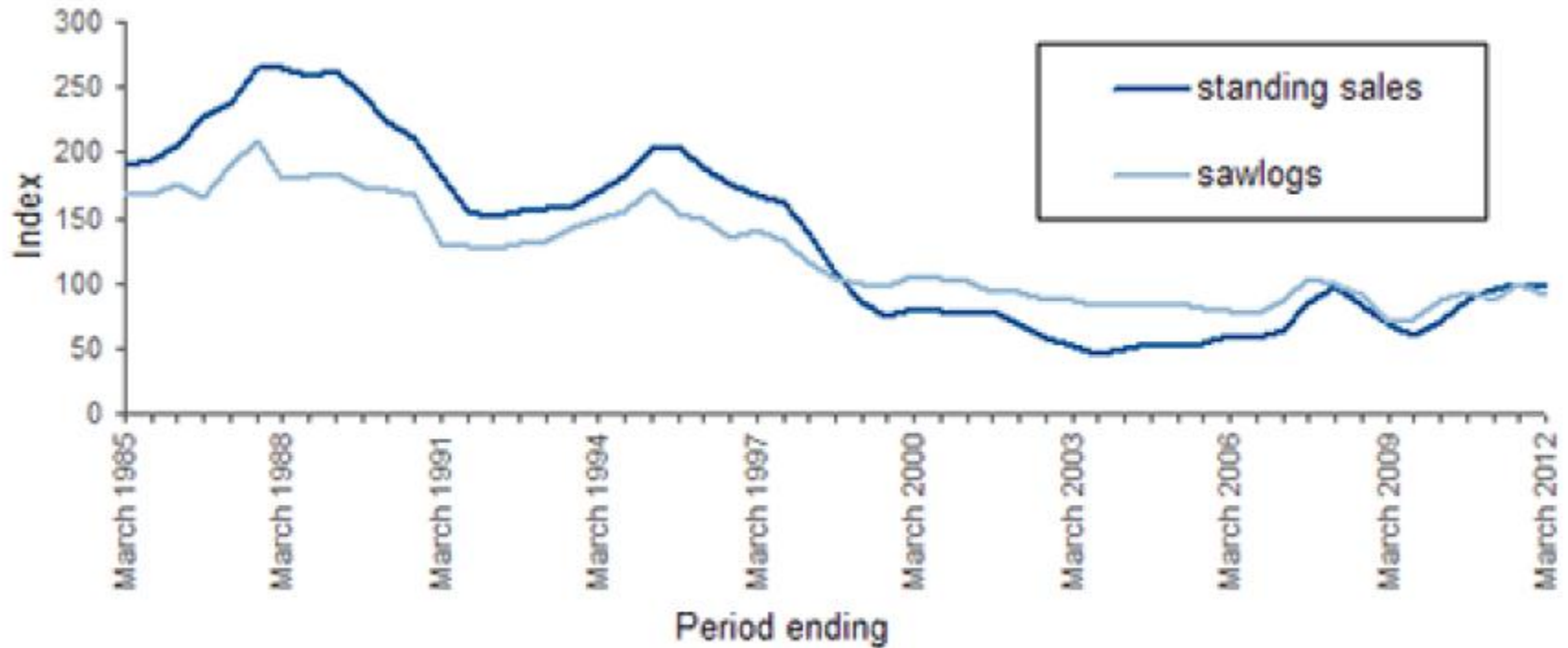


Coniferous standing sales and sawlog indices in real terms 1984-2012



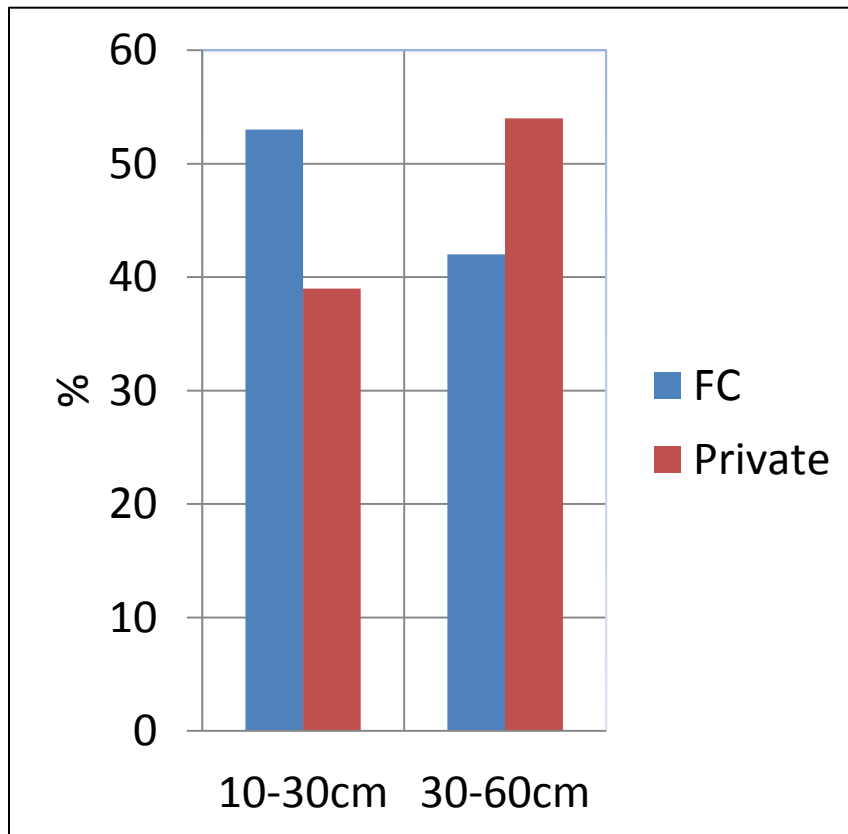
Source: *Timber Price Indices: data to March 2012*

Consequence of low timber prices

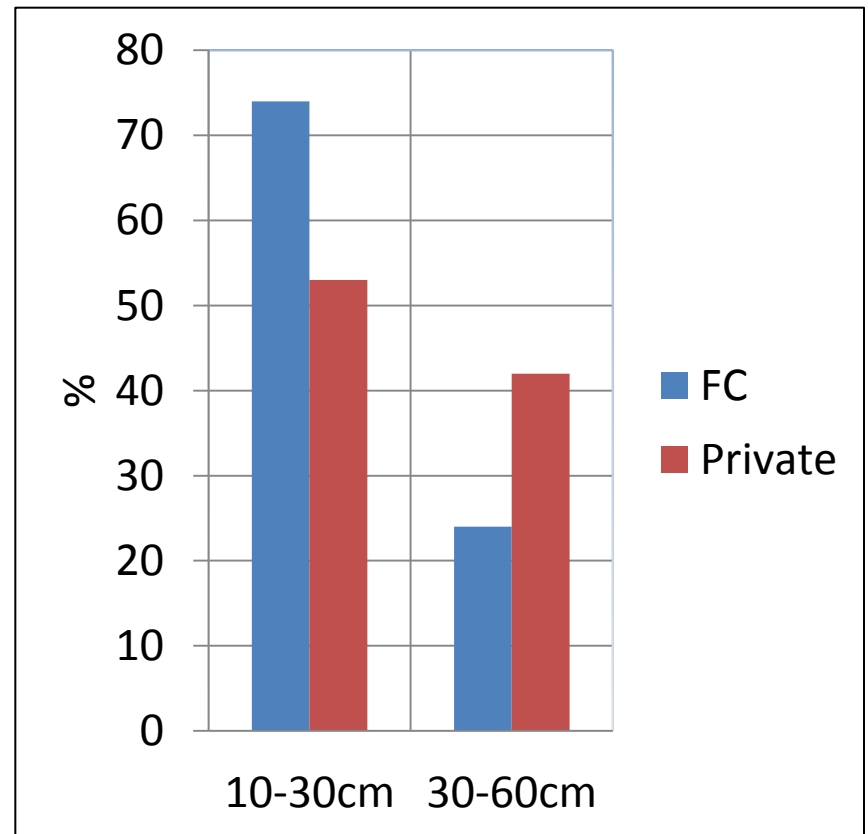
- Many private owners do not see their woods as a viable economic asset
- Particularly a problem for lowland woods where mixed species, poor access and high restocking costs reduce returns further
- Shooting and amenity become the main objectives
- Crops are not managed and reluctance to clearfell

Diameter at breast height of FC and private sector crops

England



Wales



Why are timber prices low?

- Not a wood using culture in England and Wales which dampens demand
- Plenty of accessible sawn timber from countries with a much more sophisticated timber sector
- Until quite recently a strong pound making imports cheap
- A dominant public forest sector which is poor at marketing
- Private sector mostly disengages rather than seek innovative ways to add value

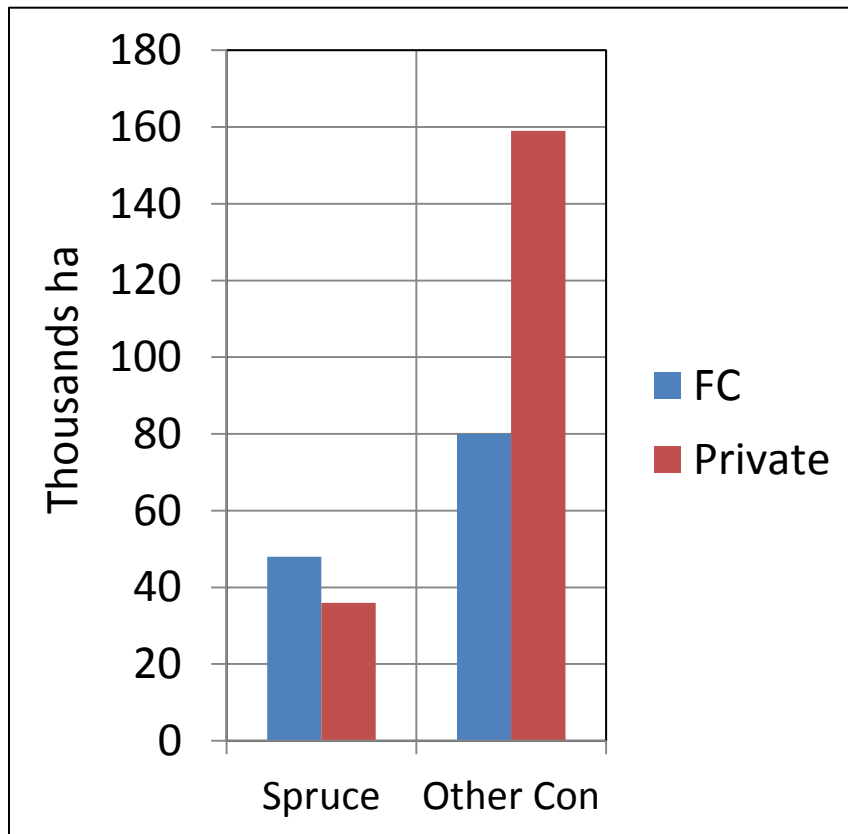
Softwood availability forecasts

Table 2.4 Softwood availability forecasts

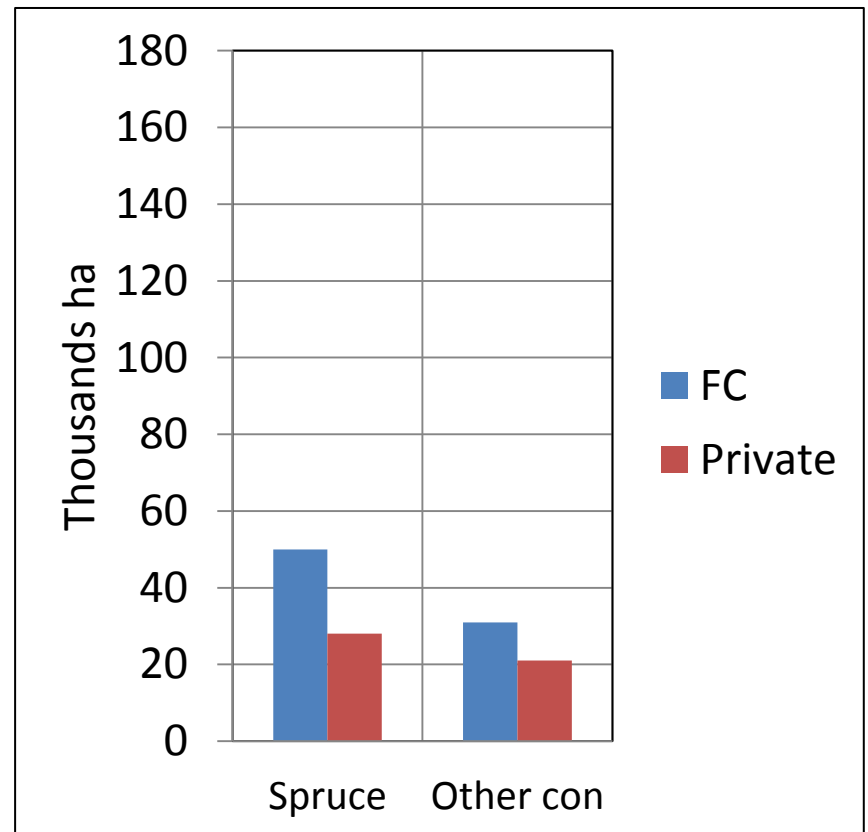
Annual average in the five years	England	Wales	Scotland	Northern Ireland	UK
thousand cubic metres overbark standing					
FC/FS					
2012 - 2016	1 305	958	3 749	579	6 592
2017 - 2021	1 183	979	3 568	572	6 302
2022 - 2026	1 110	893	3 417	529	5 949
2027 - 2031	1 072	795	3 305	519	5 691
2032 - 2036	985	927	2 930	458	5 299
Non-FC/FS					
2012 - 2016	2 184	793	4 614	26	7 617
2017 - 2021	2 626	1 025	5 917	22	9 591
2022 - 2026	2 450	1 008	7 796	25	11 280
2027 - 2031	2 804	713	9 131	44	12 692
2032 - 2036	2 637	791	8 213	44	11 685
Total softwood					
2012 - 2016	3 489	1 752	8 363	605	14 209
2017 - 2021	3 810	2 004	9 485	594	15 892
2022 - 2026	3 561	1 901	11 213	554	17 230
2027 - 2031	3 877	1 507	12 436	563	18 384
2032 - 2036	3 621	1 717	11 143	502	16 983

Softwood availability in public and private sectors in England and Wales

England

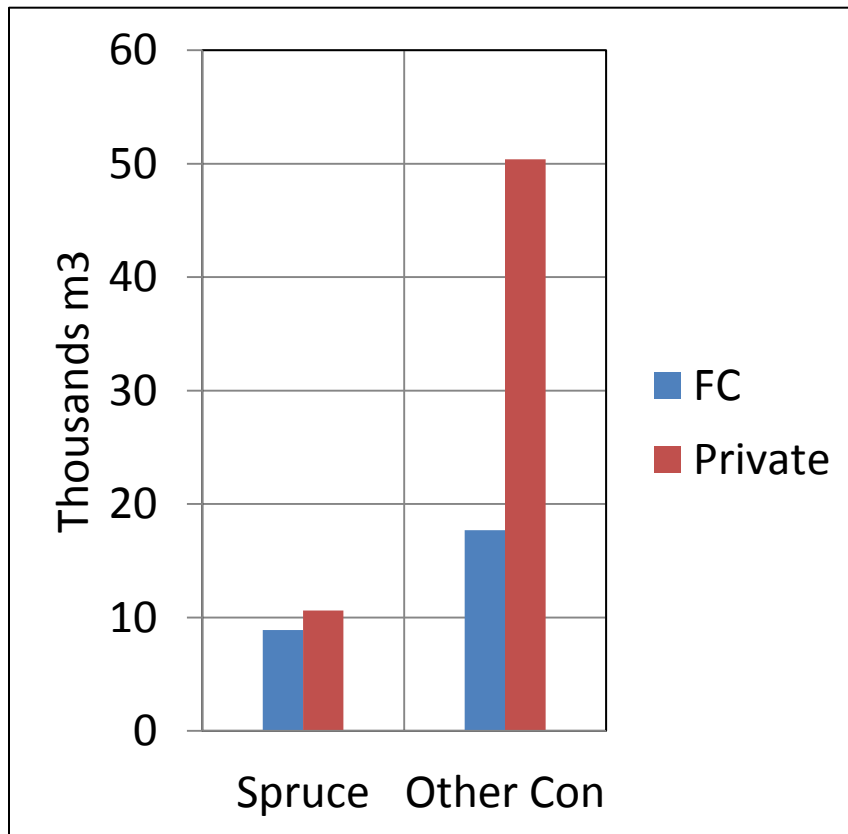


Wales

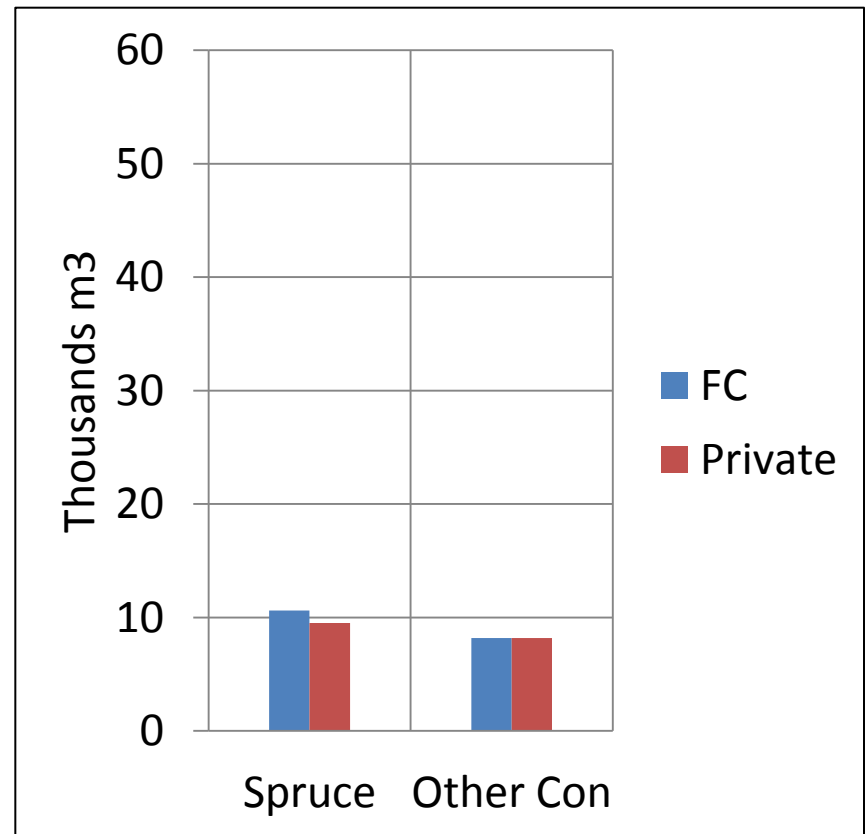


Available volumes in public and private sector woods in England and Wales

England



Wales



Current situation

- The weak pound has kept imports out which has prevented prices falling further
- As a result a 33% increase in UK wood production since 2002 and 80% increase in production from the private sector
- Greater interest in sustainable production ie home grown timber
- Growth in demand for wood fuel both hardwood and softwood
- Sawn market still very competitive

UK consumption of wood

Table 3.1 Apparent consumption of wood¹ in the UK, 2002-2011

Year	UK production²	Imports	Exports	Apparent Consumption
million m ³ WRME underbark				
2002	7.8	48.5	5.8	50.4
2003	8.1	49.0	7.1	50.0
2004	8.3	53.2	7.5	54.0
2005	8.5	51.2	5.8	54.0
2006	8.4	53.6	5.9	56.1
2007	9.0	54.5	6.8	56.7
2008	8.4	46.3	5.3	49.4
2009	8.6	39.5	4.2	44.0
2010	9.7	41.6	5.5	45.9
2011	10.0	40.6	5.2	45.5

Source: industry surveys, industry associations, UK overseas trade statistics (HM Revenue & Customs) and conversion factors to Wood Raw Material Equivalent (WRME).

UK Grown Timber Wood Production

Table 2.1 Wood production, 2002-2011

Year	Softwood			Hardwood ¹		
	FC/FS woodland	Non-FC/FS woodland	Total softwood	FC/FS woodland	Non-FC/FS woodland	Total hardwood
thousand green tonnes						
2002	4 650	2 793	7 443	118	502	620
2003	4 817	3 091	7 907	117	445	562
2004	4 894	3 246	8 141	113	399	513
2005	4 579	3 499	8 077	101	492	593
2006	4 582	3 661	8 243	45	392	438
2007	4 653	4 083	8 736	40	400	440
2008	4 415	3 823	8 238	43	388	431
2009	5 126	3 266	8 392	87	449	536
2010	4 625	4 648	9 274	70	465	535
2011	4 870	5 035	9 905	75	465	541

Source: Forestry Commission, Forest Service, industry surveys, industry associations.

What can be done to improve prices?

- Heavily subsidized public sector dominating the timber markets especially in Wales and the borders
- Private sector often not engaged with the market and struggling to make it pay
- Profitable processing sector
- **THIS IS NOT A SUSTAINABLE ECONOMIC MODEL**

Returns on FC sales 2011

Country	Volume harvested (000m3)	Sales (£million)	Harvesting costs (£ million)	Return (£million)	Return (£/t)
England	1185	33.4	12	21.4	18.05
Wales	689	13.4	9.5	3.9	5.66
Scotland	2566	58.9	22.3	36.6	14.26

Public and private sectors

- No easy solutions but we should:
 - Encourage better marketing by the public sector especially in Wales
 - Match harvested volumes to economic conditions not production forecasts
 - Liaise with the private sector regarding production especially the impact of unusual situations eg P ramorum
 - Encourage the private sector to supply the market. In the absence of higher prices this will involve infrastructure and restocking grants (not biased to broadleaves)

Increase demand and add value

- Establish a wood using culture
- Debunk myth that UK timber isnt good enough for construction
- Provide solutions for increasing the use of timber in construction, particularly larch which is available, strong and durable
- Encourage options for adding value eg glulam and laminated products.
- Grow quality timber - means management and a consistent approach by Governments

Wood fuel

- Hardwoods driven by the domestic market – significant price increases and interesting FC not a major supplier.
- Softwoods driven by the commercial market and the Renewal Heat Incentive
- Large scale schemes (Drax) probably not sustainable and unlikely to impact on the domestic market

Wood: The fuel of the future | The Economist

Apr 6th 2013 | From the print edition



WHICH source of renewable energy is most important to the European Union? Solar power, perhaps? (Europe has three-quarters of the world's total installed capacity of solar photovoltaic energy.) Or wind? (Germany trebled its wind-power capacity in the past decade.) The answer is neither. By far the largest so-called renewable fuel used in Europe is wood.

In its various forms, from sticks to pellets to sawdust, wood (or to use its fashionable name, biomass) accounts for about half of Europe's renewable-energy consumption. In some countries, such as Poland and Finland, wood meets more than 80% of renewable-energy demand. Even in Germany, home of the *Energiewende* (energy transformation)





