

Veon Vision



Forestry & Climate Action

It is widely understood that forests play a crucial role in helping to combat climate change, so it is to be welcomed that the Department of Communications, Climate Action & Environment recognised this role when publishing their Climate Action Plan in the spring.

While the actions identified in the Plan are quite general in nature, they do support many of the requests that industry have been putting to government for some years now – promote better mobilisation of timber into the economy, introduce a “think wood first” policy in construction and ensure that harvesting roads are being built. The plan goes into various other initiatives, including better reporting on carbon storage within the estate and the improved supply of biomass among others.

The key element in all this, and what we hope to see progress on as the detail gets put on the plan, is efficiency in the procedures. It currently takes too long for some applications to pass through the system. A felling licence on a commercial forest application should follow a designated process according to a predefined timetable. This is only a fair approach to take, ensuring good regulatory oversight by government while also providing both industry and forest owners the ability to plan.

Current procedures appear to have arbitrary timeframes attaching with a licence of any description (afforestation, road or felling) taking more than 12 months to process. At a time of falling timber prices, such a delay can have permanent and damaging effects on the owner specifically. The sector as a whole is further impacted as unwarranted delays reduce the ability of the sector to plan for timber flows.

In progressing towards the next stage of the Climate Action Plan, Veon hopes that government put a focus on improving the efficiencies with the forestry programme so that it may contribute to its fullest potential.

Ireland can grow spruce far more quickly, and therefore absorb far greater levels of CO₂, than elsewhere in the world. The benefits are clear, but change is needed if industry is to be allowed deliver on what are the government’s own objectives.

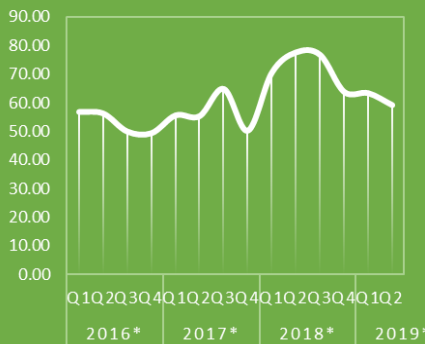
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AVERAGE (€/M3)



Average timber prices in Ireland have fallen back 24% in the past 12 months from a high point of €77.69 per m³ in Q2 2018 down to €59.22 per m³ in Q2 2019. Of concern is that they remain on a downward trend.

The drivers for this fall in prices can be put down to a combination of Brexit together with an oversupply of timber in the continent that is now reaching the UK market. The UK remains Ireland's principle export market with 60% of Irish timber ending up in Britain.

Inevitably, some timber will head to western Europe and compete with Irish timber in the British market as it is already doing.

The ongoing difficulties relating to Brexit include stockpiling of timber in the UK at the start of 2019 on the run into the original 29th March withdrawal date. This stockpile will inevitably be added to prior to the 31 October deadline and will extend the related softness in the market out further.

Sterling

As at the time of writing, the euro sterling rate

"...timber prices in Ireland have fallen back 24% in the past 12 months..."

Owners' Options

For forest owners, the current issues need to be planned for. Different strategies will work for different owners. Those with a very long-term outlook can plan differently to those with a shorter time horizon.

As an owner, define what you are looking for from your forest. Is it a multi-generational asset (as is the case for most farmers) or do you plan on selling in the short-medium term?

If selling is your preferred option, there are buyers in the market today so perhaps look at the timing of this. It may be beneficial to advance these plans and sell now or choose to hold for whatever time period is required and wait for the market to correct. Take advice on this as there are several factors to be considered.

If your intention is to pass your forest on to the next generation, there are a different set of issues to be considered, so again, take advice but clearly your outlook is long term, so short -medium term issues are of lesser importance.

Spruce Bark Beetle

Combined with climate change, the Spruce Bark Beetle is creating an oversupply of fibre on the continent. Due to the scale of the problem in the affected markets, this timber is now finding its way into various other European markets that it would not ordinarily reach and impacting prices. However, with an oversupply comes the inevitable price reduction and so the fibre is being transported further, resulting in it competing with Irish timber in Britain.

The issue first emerged a few years ago but accelerated in 2018 following the summer drought of that year. On their own the problems arising out of 2018 were serious for both the affected regions and for the market. At the time of writing, the German government's website reports that "experts expect even more damaged wood in 2019..." Unfortunately, Germany is only one of the countries affected, with Austria, Slovakia, Czech Republic and now France together with Sweden also reporting outbreaks. According to a report in Reuters, it is estimated that 3 to 4 million m³ have been infected this year in France alone. To put it into perspective, that is the entire annual Irish harvest.

The volumes are significant and will take time to work through the market.

is at 91 pence to the Euro (it's worth noting that in Nov 2015 this stood at 70 pence). This is certainly not ideal as it reduces the competitiveness of Irish timber further. Is this a permanent shift in value? Nobody can predict that, but we note a lot of talk of parity between the euro and sterling, especially in the event of a no-deal Brexit – something that the new Prime Minister in London appears to be very willing to consider. This makes Swedish timber competitive against Euro denominated timber and makes Swedish timber all the more competitive in the British marketplace.

What Now For Forest Owners?

Put a strategy in place. What age is your forest and, just as important, what is your long-term plan? If you intend selling in the short term (1-5 years), consider if selling the entire property now is the better option.

However, if you are more inclined to think long term, then get a forest manager who can provide advice and assist in your planning for your forest. The potential downsides of what is happening in the market today cannot be removed but they can be mitigated through planning. A clear strategy supported by a professionally prepared management plan will provide a framework to see you and your forest through market cycles.

Spruce Bark Beetle

– Ips typographus

*The following is an extract from the website of
The Forest Service, Department of Agriculture, Food & the Marine.*

The beetle is approximately 4-5mm long and is dark brown. On each side of its posterior portion are four spines (which is where the beetle derives its name), the third of which is the longest and is enlarged at the tip.

Host species

The major host species of Ips typographus is Norway spruce (Picea abies). Other species of Picea, species of Abies and Pinus are known to be minor hosts.

Symptoms

Ips typographus is mainly a secondary pest attacking weak or damaged trees. However, populations can grow within areas of felled or windblown trees. These populations can

“...is mainly a secondary pest attacking weak or damaged trees...”

then attack healthy trees on mass, causing widespread damage. The needles of attacked trees turn reddish-brown, and drop off within a short number of weeks.

Detection

Look out for single, or groups of dead host trees, with exit holes in the bark often accompanied with frass. Under the bark will be the presence of a larval gallery system, often accompanied by blue-stain fungi that is transferred to the tree by the beetle.

Has Ips typographus ever been found in Ireland?

The Department of Agriculture, Food and the Marine conducts surveys annually for the presence of Ips typographus through a network of Fixed Observation Points situated in forests across the country. Over a long number of years of surveillance Ips typographus has never been detected in Irish forests.

Ips typographus has been intercepted at Irish ports on a number of occasions associated with WPM which was immediately destroyed.

Knowledge Transfer Groups

With the majority of Ireland's private forest owners being first generation owners, a welcome initiative was launched in 2018 by the Forest Service – that of the Knowledge Transfer Group or KTG for short.

...a welcome initiative...

The KTG programme focuses on developing and engendering greater understanding and know-how among forest owners of the valuable asset which they own and enhancing their forest management skills.

Each KTG will hold seven meetings and forest-owning attendees receive €70 per meeting to defray costs associated with their attendance.

The key to the KTG is to bring farm foresters together to learn and discuss issues with professional foresters. Through this forum, forest owners can raise and discuss issues while also learn vital skills as their forest continues to develop.

The KTG system is to be welcomed as first-generation owners upskill in this vital farm enterprise.



CSR – Expanded Activity in Forestry to be Welcomed

One of the challenges in fighting climate change is encouraging us all to change our approach to how we do things. Not that long ago, corporate investments in forestry were very much the preserve of a few farsighted companies. Today, this is changing.

Many corporates must now measure their contribution to climate change and do so in various ways. Certainly, they must report on their emissions and how they seek to limit them while delivering the services or products they produce. But equally, many corporates now report on their investment activity under the heading of CSR, or Corporate Social Responsibility.

This is proving a positive driver in forestry across the world as large-scale investments head into an asset class that is recognised for its contribution in the fight against climate change.

Whether it be social forestry schemes in rural Ireland or far larger forest reclamation projects in Africa, the contribution is there to behold and the benefits are clear to see under many headings.

Strategically, forestry is an excellent CSR tool for companies. Not only does it deliver on the core CSR principles being sought but, depending on the structures utilised by the companies involved, the company will also have a growing asset placed onto their balance sheet that will, over time, deliver real value.

A real win:win for all involved, society included.

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A New Era in Irish Forestry

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www.youtube.com/c/VeonForestry



Reforestation

After more than thirty years of large scale afforestation in Ireland, the private sector is starting to produce significant volumes of clearfell timber. It remains early days as the private estate remains young, however the volumes are coming on stream.

In the context of sustainability, it remains critical that these lands are reforested. It is not only a legal requirement, it is also socially and environmentally essential that this scarce forest resource is replaced.

By quickly and efficiently reforesting lands, owners ensure that their land asset remains productive for them, risks associated with pine weevil can be minimised and the continuation of the carbon sequestration cycle is maintained.

This last point is often overlooked. When a forest grows it sequesters carbon and once it passes a certain age the rate of sequestration decreases. By clearfelling the timber, in which related sequestered carbon is stored, and removing it from the forest it is then locked away in longterm use – roofs, walls, etc. By replanting the lands promptly, not only is the site brought back into production for the forest owner, but it also resumes the carbon sequestration cycle under the new forest cover that is established.

In brief, forest owners maintain the productivity of their lands together with furthering their contribution to climate action by reforesting their lands promptly following clearfell. During a time of falling rates of afforestation it is all the more important to ensure that existing forests are rotated efficiently to ensure their maximum contribution in the fight against climate change.

Veon's Services

- **Forestry Consultancy**
- **Reforestation**
- **Forest Management**
- **Harvesting Roads**
- **Forest Thinning**
- **Harvesting**
- **Afforestation**

Contact one of our
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information**

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Looking For Your Local Veon Forester?

