

Forestry becoming more

The new Forestry Programme, commencing in 2023, is already generating very strong interest from farmers and landowners.

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Last November, An Taoiseach Micheál Martin, along with Minister of State with responsibility for Forestry, Senator Pippa Hackett, and Minister for Agriculture, Food and the Marine, Charlie McConalogue announced a proposed investment by the Government of €1.3bn in Irish forestry.

The funding represents the largest ever investment by an Irish Government in tree planting. An Taoiseach said: "Forestry is at the heart of delivering on our sustainability goals and strong support is needed to encourage engagement from all our stakeholders in reaching our objectives."

The proposed new Forestry Programme is the main implementation mechanism for the new Forest Strategy (2023-2030). This reflects the ambitions contained in the recently published 'Shared National Vision for



Trees, Woods and Forests' in Ireland until 2050.

The new programme is built around the principle of the right trees, in the right places, for the right reasons, with the right management.

It aims to deliver more diverse forests, which will meet multiple economic, social and environmental objectives. Higher grant rates for forest establishment are included with proposed increases of approximately 20%. Forest premium rates are set to be increased by between 46 and 66%, depending on forest type. A premium duration of 20 years will apply for approved applicants who meet farmer qualification criteria.

The new programme will be 100% Exchequer-funded and is currently subject to State aid approval from the European Commission. Table 1 shows the proposed new planting grant and premium rates for the 12 forest types proposed for landowners considering new forest creation.

These new forest types provide a wide range of options including commercial conifers and broadleaves, agroforestry, native woodlands, emergent woodlands, forests planted to protect and enhance water quality and forests planted to facilitate a future continuous cover management approach.

The minister has approved an interim solution for afforestation. An Interim Afforestation Scheme (via General De Minimis) is being offered to those applicants that on the 31 December 2022, hold a valid technical approval for planting and do not wish to wait until the launch of the Forestry Programme 2023-2027.

If an applicant with a valid approval wishes to await the launch of the Forestry Programme 2023-2027, no further action is required at this stage.

Decision support

The Teagasc Forest Investment Valuation Estimator (FIVE) informs decision-making in relation to potential land use and forestry options. FIVE uses discounted cashflow (DCF) analysis to model indicative financial returns for forestry land use options (forest creation) and management op-

Table 1: Proposed new supports for forest types

Forest type	Proposed grant/ha	Proposed annual premium/ha	Proposed number of premiums for farmers
FT1 Native woodland	€6,744	€1,103	20
FT2 Forest for Water**	€6,744	€1,142	20
FT3 Forest on Public Lands***	€10,544	n/a	n/a
FT4 Neighbourwoods****	€10,200	€1,142	20
FT5 Emergent Forests	€2,500	€350	20
FT6 Broadleaf mainly oak	€6,744	€1,037	20
FT7 Other Broadleaf	€4,314	€973	20
FT8 Agroforestry	€8,555	€975	10
FT9 Seed Orchards	€10,000	€1,142	20
FT10 Continuous Cover Forestry	€5,421	€912	20
FT11 Mixed High Forest Conifer, 20% Broadleaves	€4,452	€863	20
FT12 Mixed High Forest Conifer with mainly spruce, 20% Broadleaves	€3,858	€746	20

*Additional supports for fencing also apply.

**Additional payment of €1,000 per ha may be paid to landowner on completion of planting.

***Grant includes trails, seats and signage facilities payment.

****Grant includes facilities payment

financially attractive



An Taoiseach, Micheál Martin TD and Minister of State with responsibility for Forestry, Senator Pippa Hackett plant a birch tree from the Teagasc birch improvement research programme to mark the announcement of the proposed new Forestry Programme.

CASE STUDY

Our example farmer would like to plant 6ha of heavy mineral soil with forest type (FT) 12 under the new Forestry Programme 2023-2027. This FT comprises mixed high forest with mainly spruce and an inclusion of 20% broadleaves. This planting option is equivalent to Grant and Premium Category 3 (GPC 3) under the previous Forestry Programme (Table 2).

Table 2:

Previous grant and premia category (GPC)	New forest type (FT)
GPC 3, grant rate: €3,215 (excluding fencing)	FT 12 grant rate: €3,858 (excluding fencing)
GPC 3 premium rate: €510 /annum (15 years)	FT12 premium rate: €746/annum (20 years)

Assumptions

Establishment type: afforestation.

Area planted: 6ha.

Soil type: wet mineral.

Selected species: Sitka spruce 65%, birch 20%.

Retained area for biodiversity enhancement (e.g. open spaces, retained habitat, setbacks): 15%.

Yield class (productivity indicator): Sitka spruce YC 24, Birch YC 8.

Forest thinning: normal.

Rotation: 35 years.

Timber prices: 10-year average*.

Discount rate: 4.5%.

Grant rate: covers full cost of establishment/early management.

tions (e.g. forest thinning).

FIVE provides financial output for decision support, particularly in relation to reviewing pre-planting options and comparing criteria such as tree species, yield classes and forest rotation lengths according to landowners' preferences and objectives.

Potential timber revenues are generated by FIVE through the selection of forest criteria and management regimes.

A range of variables are used as inputs in a typical financial analysis. These include species, site productivity, rotation length, relevant premium payments, establishment and ongoing management costs, as well as potential thinning and clearfell timber volumes and revenues.

Future cost and revenue streams from forestry are generated by FIVE and are discounted to present day values and presented as net present values (NPVs).

The NPV refers to the net returns to forestry over one (or more) forest rotation(s). In order to compare forestry with other farm enterprise options, the FIVE tool expresses different forest crop rotations on an annual per hectare basis by generating the annual equivalent value (AEV) for each forest scenario.

The following case study uses FIVE analysis to outline the returns for Forest Type 12 within the proposed new forestry programme.

Analysis of forest types comprising mainly broadleaf species will be included in future articles.

Table 3

Indicative returns	Per ha (€)	Total (6ha) (€)
Total revenues	35,903	215,423
Total costs	6,980	41,880
Balance	28,923	173,543
Net present value**	12,084	72,502
Annual equivalent value***	€692	4,152

*10-year timber prices (2011-2021)

**Net present value refers to the net returns to the forest enterprise.

***Annual equivalent value expresses the net present value as a series of equal cash-flows over the forest rotation.

Farmers meeting the required criteria can also be eligible for the Basic Income Support Scheme (BISS) Payment on planted land.

Conclusions

Forestry returns based on proposed new premia levels in the Forestry Programme 2023-2027 can now be highly competitive when compared to many agricultural enterprises. Attractive returns can also be shown for fast growing broadleaved species such as birch and sycamore.

FIVE analysis does not take into account the capacity for eligible forestry parcels to draw down the new BISS payment in addition to the forestry premia.

It also doesn't reflect the income tax advantages of forestry income and relative efficiencies in terms of labour inputs when compared to other enterprises.



Further information

Teagasc provides comprehensive supports and the best information available to help inform good decision-making while supporting landowners in meeting their objectives. See www.teagasc.ie/forestry or contact your local Teagasc forestry staff.