

Written submission from Confor

Confor welcomes the opportunity on behalf of its membership to respond to the Scottish Parliament's Rural Affairs, Climate Change and Environment Committee (RACCE) invitation to submit evidence on the implementation of the newly reformed CAP in Scotland, for both the direct payments of pillar 1 and the rural development SRDP funds of pillar 2.

RACCE should be well aware that, as a sector, forestry delivers huge economic, carbon and biodiversity benefits for Scotland. As the downstream processing industry has grown, the value of timber has increased. Forestry needs to be recognised as a financially attractive land-use option for farmers (upland sheep farmers in particular) and other land-owners. If Scotland is to get close to meeting its ambitious carbon reduction targets then it cannot afford not to support further tree planting. This planting, especially the 60,000ha of proposed commercial softwood, is also vital if we are to secure the future of a successful rural industry.

Pillar 1 Direct Support

Although forestry obviously receives no direct support through Pillar 1, the way in which that support is constructed for farmers can affect their ability or inclination to consider alternative land use, in particular new woodland creation. Thus:

- We totally support every possible move to avoid slipper farming by qualifying upland support with meaningful activity.
- Direct support should be structured in a way that does not overly subsidise otherwise hopelessly uneconomic upland stock rearing enterprises. If a 3 land type regional approach would facilitate that, then despite the added complications it might produce, it should be adopted as it should reduce the likelihood of over subsidy.
- Greening – all opportunities for tree planting under the greening measures (EFAs, etc) should be encouraged – they should be at an appropriate scale, and monitored in the future for satisfactory establishment and maintenance.

Pillar 2 – SRDP

Budget

Confor was disappointed with the decision to restrict the transfer of money from Pillar 1 to Pillar 2 to just 9.5%, and is concerned with Scottish Government's declared priority for SRDP to remain so focussed on agricultural support. Nearly twice as much money is proposed to be devoted to LFASS - despite the widely acknowledged failures of that support scheme – as is proposed for the Forestry Grant Scheme.

We challenge the scaremongering evidence presented to RACCE on 26 February by NFU Scotland claiming that planting targets / funding is "... excessive when set against either the opportunity cost of losing fertile but scarce agricultural land from food production ...". The land which the over-whelming majority of new woodland planting will take place upon can hardly be described as "fertile" for agriculture, and NFUS agreed through the WEAG process that food production would not be

significantly affected – at the very most a potential 2% reduction in the upland sheep flock were 100,000 hectares of new woodland to be created in the next decade.

The major problem for private sector forestry is that the budget proposals are wholly inadequate to deliver the Scottish Forestry Strategy. The £36m per annum budget proposed has remained the same since 2007 with no allowance for inflation, yet far more is expected to be delivered in 2014-20 than before (of which more later). This is well illustrated with the fact that in 2014 we should almost achieve, for the first time, the planting target of 10,000 hectares - but this 9,500ha will require about £42m, and it will be a year when most other forestry support measures will not be available.

Consider the following scenario:

The level of grant that it is necessary to offer - to entice investment in new woodland creation - is well established for the different models of woodland. It currently averages about £4,500 per hectare, but this is higher than required to meet Government's target mix of commercial and native planting, due to the high percentage of more costly native woodland planted during the last few years.

9,500 hectares @ average say £4,000 / ha	£38m
Legacy grant payments, say	£ 8m
Incentives for existing woodland	£10m
New support for pests & diseases (e.g. larch)	£ 4m
Total annual budget requirement	£60m

Possible ways to ameliorate the forestry budget problems

Why must SRDP be seen as the panacea for everything? Confor believes there must be alternative ways of funding many of the non land-based support measures proposed for SRDP funding, and do these measures really need so much funding anyway? Consider:

- Small Rural Business Scheme £20m
- Business support – Food and Drink Support £70m
- Knowledge Transfer and Innovation Fund £10m
- Advice £20m
- Broadband £ 9m
- Technical assistance (Rural Network) £15m

Plant health is a newcomer to potential support under CAP, which is welcomed in principle. However, Confor believes that particularly in respect of supporting work following the devastation of larch crops that has been, and will continue to be wrought to our countryside by *Phytophthora ramorum*, there is a case for this to be aided from central funds outwith SRDP. Alternatively increase the forestry budget so that it can cope with this new disaster, which many have likened to Foot & Mouth Disease.

LFASS – this scheme is essentially another part of Pillar 1. It does *not* deliver rural development, but for most recipients merely supports the status quo. Confor is

aware of and is sympathetic to the argument that too many changes at once, and more to the point changes in subsidy, could be confusing to some upland farmers. However, change in direct support for farming is inevitable and will reduce over time. Refusing to start the process, however uncomfortable for some, is not logical. We suggest cutting the LFASS budget by 10% now, and/or at the very least curtailing the budget for support for ANC's in 2017 or whenever the change is introduced.

Focus 'forestry' money on core activities and fund project type or short-term activity from elsewhere. These latter activities, including WIAT, peatland restoration, plant health and agro-forestry, place new, additional financial burdens on the forestry 'pot', viz:

- WIAT – Woods In and Around Towns are very desirable assets for the nation, but are very expensive to establish and to maintain. The work of the Central Scotland Forest Trust, and the Central Scotland Green Network has been very successful, and woodland cover in central Scotland is now at or above the national average. Whilst Confor supports this work in principle, its benefits are primarily outside of the forestry sector.
- Peatland restoration – any work associated with peatland restoration, including the emerging ideas for “transition woodland” should be funded from the agri-environment-climate budget, and not from the forestry 'pot'.
- Plant health – already referred to above as more desirably being funded outwith SRDP. However if we retain funding via SRDP, then the forestry budget must be commensurately increased. This is particularly relevant for any work on the National Forest Estate, since for the first time work on public state forests may receive funding under the rural development regulations.
- Agro-forestry – in most instances, this will not produce mainstream forestry outcomes. If support is to be drawn down under any such option, then the funding should come from the agri-environment-climate budget, not the forestry 'pot'.

The Forestry Proposals themselves

Confor has worked closely with FCS in developing these over the last two years, and is broadly in agreement with them. With the small number of important caveats above, we believe the proposals in the 'Forestry Grant Scheme' are appropriate for support for our sector. There are still some important details to iron out around the proposals themselves, and also on the generic support measures which forestry businesses will need to apply for – e.g. Article 18 'investment in physical assets' which are vital for such things as forest access roads, and those which come under the umbrella of agri-environment-climate such as predator control, bracken control, rhododendron eradication, and (presently missing) grey squirrel control. We have addressed these issues in our response to the SRDP consultation, and trust that our points will be taken on board.

Administration and Process

As important as what support is available to forestry is the system that delivers that support, and as the [McRobbie report](#) testified, SRDP 2007-13 was a poor experience for our sector. Although written from a forestry perspective, this report had relevance to all involved in SRDP. We are now in a new age of RPID driven, risk-averse, audit

sensitive processes, which have induced an unhealthy aura of distrust between applicant and administrator. The woodland officer is no longer a facilitator – he/she is regarded as a policeman. It is not the individual civil servant's fault, but rather the system he/she is forced to go through. It is hard to see how to recover from this position, which is undermining delivery of government targets and damaging the forestry sector both mentally and financially through hugely increased costs for government and customer alike.

The few proposed 'simplifications' in the forestry support measures are of course welcome, as is the Applicant's Charter, though this needs to be extended to cover all forestry applications / permissions / felling licences, etc and critically the claims process. But these may not go far enough without a step change in culture and attitude from the top of Scottish Government and the several Directorates and Agencies involved with SRDP and forestry in particular.

A further problem is the continuance of additional approval for forestry schemes over £750K – this is counter intuitive as the larger schemes represent the best value for money for the public purse, and can introduce damaging and costly delay. While there is definitely a place for smaller/farm woodlands, achievement of the aspiration of the Scottish Forestry Strategy requires forestry in larger more commercial areas measured in hundreds of hectares not 5s and 10s. Whatever their size, forestry schemes undergo intensive professional scoping and public consultation processes, including where appropriate Environmental Impact Assessment, but what will really deliver the greatest benefits for the public and the farmer or landowner alike are these larger schemes. The prospect of a further approval required from the Minister will only distract an investor from starting the long and costly application process in the first place.

Advisory service

Confor is concerned about the many open questions on how this proposed service will work, and large sum of money (£20m) allocated to it. We do not accept that the case for generic public sector intervention in the market place has been proven. This is particularly relevant to the forestry sector, where the vast majority of work is undertaken via professional agents and management companies. Naturally woodland owners will welcome any public financial assistance for advice, and an example of this has been the recent (UK wide) support through State Aid towards the professional advice required following outbreaks of P ramorum. But this has been just that – a grant towards the cost of employing an existing commercial business. If the proposed SRDP advisory service is to be a straightforward extension of such support, we welcome it. But it looks as though what is proposed is far more than that, and is likely to grow arms & legs and compete in the open market of advice services.

Nearly all forestry work is undertaken on behalf of the woodland owner by a professional agent. Confor appreciates that the opposite is true for most farmers - the type of project they are most likely to embark upon is something additional to their foremost activity of farming itself. But they are already well and freely served by established advisory services like SAC (now SRUC), which in turn are mostly publicly funded. So why create another publicly funded competitor?

Conversely, were this new service to provide additional funding for FCS, who could then employ more woodland officers, who could then escape from their computers handling the endless SRDP admin process, and who could then have more time to facilitate approval of forestry projects – then that would be welcome! Nirvana?

Summary

Having the right SRDP support measures in place, with up to date Standard Costs, and the appropriate grant intervention rates to determine the actual level of support, is obviously important. Equally important is having a workable delivery system with straightforward cost effective ‘simple’ administration – for applicant and administrator alike. But without a sufficient budget to allow the private sector to deliver, these are all meaningless.

Confor appreciates the complexity of a long drawn out process such as this, and must therefore simply trust that Scottish Government will listen to the arguments advanced by Confor and others in the forestry sector that the private sector can only deliver if it is adequately resourced.

Sometimes forgotten is the fact that CAP Pillar 2 (SRDP) funding is the only financial support that private sector forestry receives in a landscape of subsidy for agriculture – with the exception of occasional limited State Aid for short-term specific issues. With just a fraction of financial aid from the public purse compared to farming, and all that targeted at compensating for lost income for providing public benefits delivered by forestry, our sector contributes significantly more to the rural economy in terms of economic output and employment than upland stock rearing ever can. An important piece of research demonstrating this will shortly be published by Confor.

Sensationalist suggestions from the farming world that forestry causes rural depopulation are simply not true – very few whole farms are planted and those that are have been offered for sale because they are uneconomic and too far away from the local supermarket for today’s convenience world. Most ex farm dwellings are re-occupied by others working in the local area, frequently with more in their back pockets to spend in the economy, and many of an age more likely to have children of school age. The average wage of the person gaining a job in forestry is higher than that paid to the person working in agriculture.

Confor has met with farming unions to discuss how planting targets can sit aside agriculture, and it is clear that such planting provides positive opportunities for farmers. Taking up under-utilised out-by- farmland presents a real opportunity for farmers to take advantage of a long-term economically attractive alternative land use for some of their holdings. Confor hopes that faced with a diminishing agricultural support system, they will realise this and embrace the opportunities provided by a financially sustainable land use.

Equally we hope members of RACCE will use their influence to urge Scottish Government to give forestry the increased budget that it deserves and needs, and with which it can then deliver so much to the advantage of Scotland.