

The Climate of Forestry

Paddy Bruton

Land that is marginal for farming is generally ideal for forestry. Low-lying wet soil types, with a grass and rush type vegetation typically results in a short grazing season meaning such land is of reduced value to intensive livestock and dairy production. A farm level decision to consider forestry for such areas usually takes the following factors into account:

1. Planted land remains eligible for the Basic Payment Scheme;
2. Afforestation grants cover the full cost of establishing and maintaining plantations for the first four years. The crop is normally in 'free growth' at this stage. The operations provided for in the afforestation grant are detailed in Table 1;
3. Forest premiums are payable to the landowner for 15 years with the rate dependent on the type of land and the species planted. Such premiums are income tax-free. The rates and duration of premium payments are detailed in Table 2;
4. With growth rates of certain species more than double those achievable in other European countries, Ireland has a strong competitive advantage in the growing of wood fibre, yet we have one of the lowest forest covers in Europe;
5. There is currently a deficit of timber in Ireland, which is resulting in the importation of approximately 500,000 tonnes of timber annually;
6. The projected supply/demand deficit of timber by 2020, to satisfy the sawmilling and biomass industries in Ireland, is almost 1.6 million tonnes per annum, with demand far outstripping supply;
7. Forestry income is not included in the high earners income tax restriction. This means all timber sales are income tax free. Projected returns from a Sitka spruce crop are detailed in Table 3.
8. Timber is a commodity that can be 'warehoused' indefinitely by simply not harvesting. This enables the timing of harvests to market conditions.

Climate Change

The recent COP21 climate change conference in Paris is likely to lead to increased integration of forestry into traditional farming systems, particularly the dairy and beef sectors. The agriculture sector accounted for 32.6pc of Ireland's total greenhouse gas emissions in 2013. Forestry removes CO₂ from the atmosphere and subsequently provides raw material for construction and fuel for renewable energy generation. The key to mitigating Ireland's agricultural emissions lie both in increased on-farm efficiency and forestry expansion to sequester emissions from the air. This is a more palatable option than a carbon tax on agricultural produce which has the potential to decimate the beef sector.

Additional Benefits

Many farmers who have planted marginal land comment on the effect the trees have on drying out the adjacent unplanted ground. Tree cover greatly increases the rate at which water is absorbed by the soil, with a recent British study showing that water infiltrates into the soil under the trees at 67 times the rate at which it infiltrates into soil under permanent pasture. This consequential benefit of planting on the remaining farm is immediate with shelter for livestock also of benefit as the forest matures.

Succession Planning

Agricultural relief is available for Gift and Inheritance Tax since the introduction of Capital Acquisitions Tax in 1976. The relief operates by reducing the market value of agricultural property by 90pc so that gift or inheritance tax is calculated on an amount – known as ‘agricultural value’ – which is substantially less than the market value. The relief applies provided the beneficiary qualifies as a ‘farmer’. A qualifying farmer is any individual of whom at least 80pc of his or her assets, after taking a gift or inheritance, consists of agricultural property on the valuation date of the gift or the inheritance.

Forestry is accepted as an agricultural asset for the purposes of calculating agricultural relief.

Beneficiaries of forestry assets do not necessarily have to satisfy the normal working time test to enable qualification, which is a significant advantage for beneficiaries of forestry assets.

A recent trend for those planning for succession with significant deposits or shared assets, is converting such assets to forestry assets to ensure qualification for agricultural relief. The fact that forestry is a real land-based asset, the value of which does not vary greatly over time, combined with the price of timber increasing both nationally and internationally, lends credence to the view of forestry as a low-risk investment with a solid yield.

Solid advice for every farmer is to fully utilise every acre on the farm, apply correct husbandry to land that should be farmed and consider forestry, particularly on marginal land or land requiring reclamation. Financial results will follow correct farm-level decisions.

- Paddy Bruton is Managing Director of Forestry Services Ltd. For further information see www.forestryservices.ie or phone 056 7702242. Agribusiness award winners 2015.

Table 1. Establishment & Maintenance operations

Establishment Phase (Year 1)	Maintenance Phase (year 2 to 4)
Fencing	Replacing failed plants
Drainage	Vegetation control
Ground preparation	Shaping broadleaves
Supply of planting stock	Fertilisation
Planting	Fence repairs
Vegetation control	Management (including all paperwork)
Fertilisation	
Management (including all paperwork)	

Table 2. Rates & Duration of Income Tax-Free forest premiums

Grant/Premium Category (GPC)	Annual Premium €/Ha	Duration (no of years)
GPC 1 – Unenclosed	185	15
GPC 2 – Sitka spruce/LP Non diverse	440	15
GPC 3 – 10% Diverse	510	15

GPC 4 – Diverse	560	15
GPC 5 – Broadleaf	575	15
GPC 6 – Oak	615	15
GPC 7 – Beech	615	15
GPC 8 – Alder	575	15
GPC 9 – Native Woodland Establishment – (scenario 1-4)	635	15
GPC 10 – Native Woodland Establishment – (scenario 4)	635	15
GPC 11 – Agro – forestry	260	5
GPC 12 – Forestry for Fibre	180	10

Table 3. Projected returns from forestry, GPC 3, YC 24.

Timeframe/Operation	Returns €/Ha
Year 0 to year 15 : Annual premium @€510/ha/yr	7,650
Year 15 : 1 st Thinning	450
Year 20: 2 nd Thinning	500
Year 25: 3 rd Thinning	2,500
Year 30 : 4 th Thinning	2,600
Year 35 : 5 th Thinning	2,800
Year 37: Clearfell	25,000
Total	41,500

QUOTE BOX

“As a dairy farmer, I had little interest in forestry until I purchased land with milk quota in the mid-1990s. Both the milk quota and the forestry have proven good investments. I engaged Forestry Services Ltd to secure the necessary felling licences, construct forest roads and thin the plantations in 2008. The plantations have been second thinned and I am happy with the work that was done and the returns I received from the thinning. I am looking forward to the clear-fell and my only regret is that I haven’t got more forestry.”

Tadhg O’Meara, Chantersland, Emly, Co Tipperary.



