

Coillte's Farm Forestry Partnership Scheme in Ireland

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Introduction

At the start of the 20th century only 1% of Ireland was under forest. Recent afforestation policies have significantly increased the land area under forestry and forest cover is now 9.7% of national territory. While Ireland has one of the lowest levels of forest cover in the EU, where the average is 30%, the recent planting rate is among the highest in Europe. National planting targets of 20,000 hectares per annum currently aim at doubling forest cover to 17% by 2030, with timber production also set to expand.

The majority of the forests established during the first half of the 20th century were State planted. Interest in forestry from the private sector remained low during this period, despite the availability of financial incentives for afforestation from the Government since 1931. The situation significantly changed during the 1980s with the introduction of the Western Package Scheme of Grants by the European Economic Commission. This scheme specifically targeted farmers in disadvantaged areas of rural Ireland and provided financial assistance to cover 80% of the cost of forest establishment. However the scheme proved to be largely unsuccessful due to the lack of tradition of farm forestry in Ireland as well as the long delay in receiving any economic returns from the crop.

During the early 1980s state planting in Ireland far exceeded private planting. As a result of the Single European Act in 1987, aid transfers to poor Member States were approved. Ireland was eligible for this support and consequently a Forestry Operational Programme was implemented benefiting all Irish landowners. Interest in forestry grew substantially among the farming community with the introduction of the Scheme of Compensatory Payments in 1987 and the Forest Premiums in 1989. These schemes provided an annual premium to compensate for the loss of income from land removed from agricultural production.

As a result of these schemes, the private planting began to increase from 1989 onwards, such that most of the private planting in Ireland have been grant-driven. From 1990 to 1997, 143,090 ha were afforested (17,886 ha/yr), 71,880 ha by farmers (8,985 ha/yr).

Ireland's Coillte

Coillte was originally incorporated and vested with organising the production and management of the state forests. Coillte's only shareholders are the Minister for Finance and the Minister for Marine and Natural Resources. It is mandated to act as a commercial entity and is responsible for all forest management and production in state forests, taking care to protect environmental and amenity values of the forest and to abide by regulations set out in the 1946 Forest Act. Since its "corporatisation", Coillte has cut its staff and diversified its activities to reduce its reliance on timber extraction. It is now involved in a variety of related activities such as nursery establishment, tree surgery, recreation, research and the sale of harvesting equipment.

As an alternative to purchasing land for afforestation, Coillte, Ireland's autonomous self-financing state forestry corporation, implemented a form of joint venture similar to those seen in regions of Canada, in which farmers provide land to Coillte to plant. In return Coillte shares both the income from the afforestation grants and the revenue from timber sales with the landowner. The scheme has allowed Coillte to increase production and offers farmers a form of tax-free income. In the period running up to 1999 there were 216 such schemes involving 4,481 ha (Landell-Mills and Ford, 1999).

A long-term forestry strategic plan created in 1999 provided for 20,000 ha of new afforestation per annum for 2000-2030. These proposals expected to increase forest area to 895,000 ha by 2010 and to 1.2 million ha by 2030, doubling the area under forest in the State from approximately 8% to 17%.

The new Irish forestry regulatory regime, as introduced in December 2001 by the European Communities Regulations, 2001, removed initial afforestation from the planning acts, and initial afforestation is now 'exempt' from planning permission requirements. A new forestry consent procedure, governed by the Minister for Communications, Marine and Natural Resources, allows for public participation in the consent process through a system of public notification via local newspapers, with a period for comment. Provision has also been made for consultation with specific bodies including Dúchas, The Heritage Service and An Taisce - the National Trust for Ireland. The new regulations lower the thresholds for mandatory Environmental Impact Assessment from 70 to 50 ha. Provision for requiring an EIA below the threshold has also been included where there may be significant environmental impacts.

Currently, most afforestation is being carried out by Coillte Teoranta and by private management companies on behalf of private individuals (Maguire, 2001). Such arrangements do not require any legal framework for acquisition of land as no change in land ownership occurs. Furthermore, although national planting targets outlined in current forest policy are quite ambitious, an accelerated level of private planting is very likely due to the recent change in Rural Environmental Protection Scheme (REPS) policy. Until 2000, farmers were not permitted to plant land that was to be included in the land designated for their REPS schemes. This discouraged farm forestry. Now farmers who are participating in REPS may also receive forestry grants and premiums (although they may not receive both types of payments in respect of the same land).

Why did Ireland develop this Instrument?

The 1980s saw an increase in afforestation by the private sector in response to European Union and Irish Government financial incentives for farmers and other investors. In 1985/86 the Government set up a review body to advise on structures for the future management of State owned forests. Subsequently the Government decided to set up Coillte Teoranta as a private limited company to manage State owned forests commercially.

When Coillte was established in 1989 they acquired ownership of the State's forests in return for shares valued at €575 million. Since then they have developed from a company that only managed forests into a more broadly based company operating in forestry and related businesses.

From 1989 – 2001 Coillte's forest estate has increased in area from 376,000ha to 441,000 ha, and the value of their net assets has increased from €800 million to €1,105 million. (In addition, the value of forest growth is estimated at a further €372.6 million in the same period). Profits have increased from zero to €18.46 million (2001), and turnover has grown from €38 million to €115.5 million (2001). Moreover, roundwood sales have grown from 1.5 million cubic metres to 2.55 million cubic metres, and the percentage of revenue derived from products and services other than roundwood sales has increased from 9% to 46%.

Current Government forestry policy is set out in the 1996 strategy document "Growing for the Future", and a key objective of this strategy is to increase the extent of the nation's forests from

the current level of about 9% to 17%. Increasing the area under forest would result eventually in the achievement of a sustainable level of timber production of about 13 million m³ annually up from the current level of under 3 million m³. Achieving this increase in forest area will require a significant investment in new forests by Coillte, farmers and other landowners.

How does this Mechanism Operate?

Coillte contributes to the national objective primarily by working with farmers through its Farm Forestry Partnership Scheme and providing expert farm forestry services. Under the partnership arrangement the farmer provides land on which Coillte plants a forest, the farmer receives financial support via the forestry grants and premiums schemes and the revenue generated from the sale of timber is shared between the farmer and Coillte. Coillte also provides expert advice and services to farmers who choose to plant their own land, through its network of offices nationwide.

In addition to the partnership and planting services Coillte also purchases a small amount of land annually to expand its forests. Purchase of land has become a much smaller part of the expansion programme in recent years as most new planting of forests is being done by, or on behalf of, farmers.

Five-year data from 1997 to 2001 for Coillte's land acquisition and farm partnership programmes are as follows:

	1997	1998	1999	2000	2001
Land Acquisition	2528	1677	1411	701	155
Farm Partnership	580	1131	832	1409	1629
Total	3108	2808	2243	2110	1784

How does the mechanism involve the private sector?

The Coillte Private Forestry Scheme is one whereby the Farmer/Landowner contracts Coillte to plant and maintain their forestry crop for a fixed period, usually 4 to 4.5 years until the crop is deemed to be established. The majority of contracts are for a period of 4 to 4.5 years and are normally performed at a price equivalent to the sum of the establishment and maintenance grant. In some cases the contract price may exceed the grant due to above average site development costs.

By entering into a Farm Partnership with Coillte, a private landowner retains ownership of their land, and will receive a tax-free income for the life of the crop as well as an advance payment of up to €635/£500 per hectare (€254 (£200) per acre). Landowners benefit from Coillte's management and marketing skills throughout the life of the crop and receive the larger share of the clearfell profits.

The key features of the scheme are as follows:

- The farmer retains ownership of the land.
- An advance payment of up to €635/£500 per hectare is made at the start of the scheme.

- A Forest Premium is paid by the Forest Service for 20 or 15 years depending on the landowner's qualifications (Farmer/Non-Farmer).
- The farmer receives 80% of thinning profits. This amount will be paid annually from the time the premium payments cease until year prior to clearfell. This is known as the thinning annuity.
- The farmer receives 55% of clearfell profits.
- Alternatively you can increase your annuity by bringing forward part of your clearfell profits.
- Professional management for the life of the crop.

Variations on the 4-year contract include a 1-year option to cover the establishment only. In this case the price would usually be equivalent to the establishment grant. This type of contract will suit landowners who may wish to involve themselves in carrying out the necessary maintenance work.

Coillte will also agree to longer-term contracts tailored to individual client requirements. These long-term contracts are particularly popular with non-Farmer clients. Other services provided include thinning, inventory, management planning, harvesting and sales.

In return for participating, Coillte shares both the income from afforestation grants (mostly from the EU) and, later, the revenue from timber sales with the landowner. The scheme allows Coillte to increase production and offers farmers a form of tax-free income.

Forestry Grant Rates through Coillte are structured as follows:

Category (GPC)	Farmers Premium - Annual Payment - 20 years			Non Farmer's Premium - Annually 15 years
	Plantations less than 6ha	Plantations less than 6ha	Plantations more than 12ha	€ per Hectare
Unenclosed Land	209.51	209.51	209.51	171.41
Sitka spruce/ Lodgepole pine	336.48	349.18	361.88	-
20% Diverse Mix	391.08	403.78	416.47	-
Diverse	416.47	429.17	441.87	-
Broadleaf (except Oak and Beech)	441.87	454.57	467.26	-
Oak	473.61	486.31	499.01	184.11
Beech	473.61	486.31	499.01	-

Category (GPC)	First Installment (Max) € € per Hectare	Second Installment € € per Hectare	Total Grant € € per Hectare
Unenclosed Land	2031.58	698.36	2729.94
Sitka spruce/ Lodgepole pine	2031.58	698.36	2729.94
20% Diverse Mix	2158.55	698.36	2856.91
Diverse	2412.50	761.84	3174.35
Broadleaf (except Oak and Beech)	3809.21	1142.76	4951.98
Oak	4825.00	1523.69	6348.69
Beech	5078.95	1650.66	6729.61

Future Directions

Privately owned commercial forests are a relatively new phenomenon in Ireland, and most areas are less than 10 to 20 years old. These forests account for less than 5% of total production, but this is expected to increase significantly as production from newer plantations comes on stream. As with state forests, non-timber functions are considered to be of low importance, although private landowners plant a more diverse range of species than Coillte.

Since the 1996 forest Strategy was launched there have been many changes to the operating environment in Ireland, including the effective withdrawal of Coillte, and other non-farmer investors, from direct afforestation. Private groupings aimed particularly at serving members, are likely to evolve as plantations mature and as private owners become more important players in the sector.

Current thinking in Ireland is that, ultimately, the development and delivery of forest products will increasingly be undertaken by the private sector (Peter Bacon & Associates, 2003). A corollary to this is that the importance of Coillte as a publicly owned producer of roundwood will decline relatively

Would the mechanism work in Canada?

Much of the success of Coillte's afforestation efforts can be attributed to the utilization of EU grants for afforestation, and therefore might be considered to be more of a lesson in the application of grants than anything else. In effect, Coillte was able to increase its resources of wood by becoming a kind of clearing house for EU grants. So while the system in Ireland has some interesting structures in terms of joint ventures and forestry cooperatives, the approach may hold little interest to Canada, unless it sees a justification for providing grants for landowners to convert their land.

What would have to change?

Although the structure of Ireland's incentives for afforestation is likely not one that Canada will choose to pursue, there are some lessons that can be gleaned from Ireland's experience.

Emphasis on financial returns

Since much of Ireland's afforestation has been grant driven, there have also been many documented cases of inappropriate plantings, such as the planting of trees in bogland. Such plantations are much less likely to be put in the ground in a system that is more focussed on financial returns, from the perspectives of both government and landowner/investor.

Moreover, discussions with the private sector in Canada have shown that although participation in afforestation is likely to be improved through the provision of grant money, it will also be improved if investors and landowners are convinced of plantation viability. This can only be achieved through a dollar-based benefit-cost analysis that shows the financial returns to be gained from participation in the sector.

Provision of extension services

One thing that Coillte seems to have done well is to provide extension services to landowners, particularly to those who may not have otherwise participated in afforestation activities. The provision of such services will likely be an important part of any afforestation effort in Canada. Such services could be provided through a crown corporation or through support for local forestry cooperatives.

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