



Northern Ireland
Assembly

**COMMITTEE FOR
AGRICULTURE AND
RURAL DEVELOPMENT**

OFFICIAL REPORT
(Hansard)

Forestry Bill

1 December 2009

NORTHERN IRELAND ASSEMBLY

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RURAL DEVELOPMENT**

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Members present for all or part of the proceedings:

Mr Ian Paisley Jnr (Chairperson)
Mr Tom Elliott (Deputy Chairperson)
Mr Thomas Burns
Mr Willie Clarke
Mr Pat Doherty
Mr William Irwin
Dr William McCrea
Mr George Savage
Mr Jim Shannon

Witnesses:

Dr Kathleen McKenna)
Mr Willie McKenna) Farm Woodlands Ltd

The Chairperson (Mr Paisley Jnr):

The next presentation is from representatives of Farm Woodlands Ltd. I welcome Mr Willie McKenna and Dr Kathleen McKenna.

Mr Willie McKenna (Farm Woodlands Ltd):

I apologise on behalf of Cathal Woods, who has gone down with swine flu. I found the previous contribution interesting. Farm Woodlands Ltd is a private forestry company that was established in 1992 and it does quite a bit of work under the woodland grant scheme (WGS), the countryside

management scheme, public works, etc. We have an interest in woodchip, as opposed to willow chip. We were one of the consultees on the Forestry Bill.

The Forestry Bill proposes to double the area of woodland by 2050. From our experience, Forest Service's track record on woodland expansion and moving forward has not been encouraging. Is Forest Service the body that should be steering us towards the goal of doubling the area of woodland by 2050? I have serious reservations about that. I will give you three examples from Forest Service's material to backup my point. I apologise for having to hand it out this morning. We were working on the basis that we would be using overheads, but we discovered on Friday that PowerPoint was not available in Belfast, which surprised me as we have it in Augher.

Mr Shannon:

You should have brought it with you. *[Laughter.]*

The Chairperson:

Plenty of power but no point. *[Laughter.]*

Mr W McKenna:

Many of the things that come from the Forest Service appear to be a disincentive to plant woodland on private land. I refer the Committee to page B1 —

The Chairperson:

Does this relate to fees?

Mr W McKenna:

It is a copy of a recent approval, dated 27 October 2009, which came through to us for one of our clients. It highlights that:

“FWPS payments to non-farmers (i.e. those who obtain less than 25% of their income from farming) of 150 euro per hectare (about £100).”

On seeing that, people immediately ask when €150 became equivalent to £100. It is calculated on the basis of the euro being equal to 66p. On our way here this morning, we heard that the euro was equivalent to 91p. If it was calculated at 80p, the figure would go up to €120; and a

calculation at 90p would increase the euro value to €135. Landowners do not get a positive vibe from their approval letter; they feel that they are being short-changed.

A couple of members asked whether the economic incentives were good enough. I have just given an example of a disincentive. Landowners feel that they are being penalised. The answer is simple. Every year, the single farm payment is calculated according to September's euro value. It should not be beyond the realms of the calculations of the computer program to sort that out simply.

The Chairperson:

You would be surprised.

Mr W McKenna:

Every landowner gets single farm payment in one shape or form, but not every landowner is claiming forestry premiums, so it is a smaller-scale operation. Try explaining the logic behind why the calculation is based on an exchange rate of 66p. It does not stand up.

Page C1 relates to the farm woodland premium scheme. Paragraph 1 states that:

“The Farm Woodland Premium Scheme (FWPS), is designed to encourage the creation of new woodlands and farms and agricultural land. It was first introduced in 1992 as successor to the Farm Woodland Scheme and has undergone a number of revisions since.”

Paragraph 5 relates to the review of rates of payment. It states that:

“Rates of annual payment will be reviewed at least every five years.”

That is fairly straightforward. It continues:

“The reviews will take account of relevant factors including trends in income from comparable agricultural land. The rates of annual payment could therefore go down as well as up in certain circumstances.”

The farm woodland premium scheme was established in 1992, and we set up as a company in 1992. Therefore, I have lived with the current farm woodland premium scheme. I know what I am talking about, in this case. I knew that Forest Service had not fulfilled its obligation to review the rates of annual payment at least every five years. Page C2 is a letter that I sent to Joe Bradley in the Forest Service on 9 February 2009. In that letter, I asked him to confirm the dates and outcomes of the reviews that had taken place since 1992. That was a fairly straightforward question. Page C3 is a letter dated 26 June 2009, which I wrote to Councillor Tom Elliott MLA,

who is our local MLA.

The Chairperson:

Is he any good? *[Laughter.]*

Dr Kathleen McKenna (Farm Woodlands Ltd):

Yes. *[Laughter.]*

Mr W McKenna:

I was getting nowhere with my straightforward request to the Forest Service. The letter that I sent to Tom Elliott was self-explanatory. I asked him whether he could get any more joy than I could out of the Forest Service. Lo and behold, we received a reply two weeks later, on 9 July. Pages C4 and C5 show the reply, which confirms what I knew before I asked the question. The response informed me that the farm woodland premium scheme was introduced on 1 April 1992 and reviewed in April 1997. I have no problem with that, because it was reviewed within the five-year period. It was reviewed again in January 2000, which was three years later. The commitment was to review at least every five years, so everything up until that point was fine. However, no reviews took place from January 2000 to January 2007. To really rub salt into the wound, the review in January 2007 excluded anyone who had planted prior to 2007. Five years had passed without a review, after which they hit the pioneers with a whammy. Not only did Forest Service break the terms of its contract, it excluded people who had previously planted woodland. That was nowhere in the contract that the landowner signed up to. Talk about a negative impression.

The Committee is, perhaps, not the right forum to raise the matter, but I will throw it into the equation anyhow. A client of ours who is a solicitor planted his woodland in 1995. He is keen to test his case in court. I told him to hold on until the new year. It does not make a difference whether he does that now or waits for a year, because a review is taking place and, perhaps, the backlog and outstanding issues will be addressed. I gave him that advice because I have a vested interest in it. If the case goes ahead, it will be — win, lose or draw — a total PR disaster for everybody in the system. I have an interest in trying to resolve that issue. That is a second example of a landowner who has kept to his end of the contract while the Forest Service has not.

Page D1 of the submission shows figures for woodland expansion in Northern Ireland for the

period from 2000 to 2009. The figures are from the Forest Service's annual report. The left column shows the years from 2000 to 2009, and the next column shows the Forest Service's new planting targets in hectares. In 2000, the target was 800 hectares. However, by 2006, the target had dropped by 50%. The next column shows the actual area of planting compared with the target, and the right column shows whether the ministerial target was achieved. The Forest Service reduced its target for the amount of private woodland that is planted. Even in those circumstances, it achieved the ministerial target only in three of the past 10 years. Although it halved the target —

The Chairperson:

It still could not achieve it.

Mr W McKenna:

Rather than examine why the target was not achieved, Forest Service reduced the target to enable it to tick the boxes. At that stage, one would have thought that it was time to review why the target was not being achieved rather than to reduce it. Forest Service basically massaged the figures. As outlined on page D2, from 2006 onwards, Forest Service added the area of willow planted to its figures. Willow is not woodland; it is as simple as that. There is no argument about it.

The Chairperson:

Is it subject to the same grant aid and assistance?

Mr W McKenna:

It is subject to grant aid from a different funding source. Willow is not woodland.

The Chairperson:

Is it funded at a different level?

Mr W McKenna:

Yes. Willow is short rotation coppice. One is funded by the woodland grant scheme and the other is funded by the short rotation coppice scheme. When willow is added to the figures for 2006 onwards, the picture is changed. It means that the ministerial target was achieved in three of the past four years, and it ticks the box. In 2009, even when the amount of willow is added,

which is 64 hectares on top of the 225 hectares of woodland, the target was not achieved. The fudge ran out because there was not enough between the two to tick the box and say that the target had been achieved. It was at that stage that stakeholders were called in. I was one of the people involved in the stakeholders' meeting on 9 June 2009, and we had quite a bit of this discussion with the Forest Service. Our contribution was that, unless there is an open and honest assessment over how achieving that target has been handled over the past 10 years, we are not going to make much progress in trying to expand the area.

The grant rates have stayed almost static for the past 10 years. Nothing else has stayed static, so where is the incentive for a landowner? If we are going to get anywhere near the target for 2050, the majority of the new woodland that will be planted has got to come from the private sector. There is no argument about that. It will need to be planted at the rate of between 1,500 to 2,000 hectares a year. The figure depends on who you are talking to, because we are not sure how much woodland we have. We do not have a private woodland inventory. It is difficult to manage something if you do not know how much of it you have got to start with. A private woodland inventory would be a useful starting point.

Irrespective of the inventory, to meet that target will require planting between 1,500 and 2,000 hectares a year. A table in the documents that we have provided to the Committee shows that there was a new planting target of 800 hectares in 2000. New woodland planted this year totals 225 hectares. If we were still holding around 800 hectares, to achieve the target by 2050 would mean doubling the area each year. Given that it has been allowed to slip, that would mean multiplying it by about six times the current rate, which is a major task. In light of the history of the past 10 years, is the Forest Service the best organisation to be trying to lead us to that target?

You asked whether there is enough financial incentive —

The Chairperson:

I think that the answer is pretty clear from what you are saying.

Mr W McKenna:

The answer is no. A review of the woodland grant schemes was announced last week. There are two parts to the woodland grant schemes: an establishment grant and an annual payment. The establishment grant is eaten up by the cost of planting and caring for the woodland for five years.

We refer to the annual payment in broad terms, as it is usually farmers that we speak to, as grass money. It is compensation for loss of grazing or loss of letting on the land that was planted with the woodland grant money, because you cannot graze on it or sell it.

Some of the people who planted early were excluded from the 2007 review of rates. That scheme was reviewed and the result announced last week. I was surprised that it did not make the newspapers on Saturday as a headline grabber, because it was announced that the grass money rates increased by up to 50%. That is what the press release states, but when you read it closely, it states that the increase is indeed 50%, and that the payment has increased from £60 a hectare to £90 a hectare. That is a £30 increase, which is 50%. However, that is in one category only. That category is classed as disadvantaged unimproved land. We did not plant one hectare of that last year. It would be interesting if a member of the Committee asked how many hectares of it were planted last year.

The Chairperson:

We can ask that question.

Mr W McKenna:

I am not aware that any hectares were planted last year. The 50% increase is limited to a very small category of people. However, the 50% increase has already created an impression, especially among those who have already planted and who know the system and have read the articles. The 50% increase has caught the imagination of those people. Taking the increase over the other five categories, it decreases from 50% to an average of 11.3%.

A farmer may have a notion in his head that two years ago when he planted he was getting £90 an acre — we will work in acres as there are some older men here — grass money. That farmer is thinking of planting additional woodland and rings me up. However, when I go out to him he suddenly discovers that instead of a 50% increase to £135 an acre, he will receive only £96 an acre. Therefore, instead of encouraging people, it will discourage them, because they have been given the wrong impression to start with.

The Chairperson:

You sound scunnered. Is that a fair reflection of your presentation?

Dr K McKenna:

We reflect the views of the landowners, who are the people at the coalface. Someone mentioned earlier the reaction of landowners. We deal with landowners day in and day out, and we are reflecting their opinions to the Committee.

The Chairperson:

For a big landowner who is getting out of farming, it might be quite easy to do a wee bit of planting as a hobby. However, for a serious farmer who wants to make a living, the current arrangements are no incentive whatsoever. Is that a fair characterisation of what you are saying?

Mr W McKenna:

Yes, it is.

Dr K McKenna:

Yes. You mentioned the people who are thinking of retiring or scaling down. That is where the issue of non-farmers arises. We have not spoken about that until now, but those people are being caught out by the non-farmer category. There are very few non-farmers in Northern Ireland, but there are a lot of part-time farmers. Has Forest Service been categorising people incorrectly? For us, a non-farmer could be a factory that has surplus land or someone who is not actively farming his or her land. Most people are part-time farmers, and, despite being a huge group, they are being totally disincentivised by being designated as non-farmers. Until that is sorted out, you will not be able to increase the rates of private planting.

The Chairperson:

We can go back to the Department on that point.

In your presentation, you made the point powerfully that Forest Service does not appear to be the best organisation to lead on the matter. If so, who should be given responsibility in the Bill?

Mr W McKenna:

In answer to whether Forest Service is the best organisation to take the lead, I put forward its performance in the past 10 years. From those figures, Forest Service would have gone to the wall if had been a private organisation.

The Chairperson:

Absolutely; it would have been “goodnight, Vienna”. Who should be taking the lead, and how should that be reflected in the Bill?

Mr W McKenna:

I flagged up the problem, but the solution might not be as straightforward. An aspiration to double the area by 2050 is not strong enough; the goal needs to be written down in legislation. Willie McCrea talked about substance, and you can have all the aspirations that you want, but unless there is a penalty for not achieving targets, they will always remain targets and aspirations.

The Chairperson:

You are saying that the Bill should specify the exact number of hectares that should become forest land over a certain period.

Mr W McKenna:

Yes; that has to be done if you want to reach the 12% target by 2050. Over the past 10 years, our graph has been dropping instead of expanding. A major shake up is needed to reverse that trend.

Dr K McKenna:

The targets need a shake up. I do not like to use the word “penalty”, but what system is in place if, for example, Forest Service agrees that it has not met its targets? Who is the service answerable to if it does not meet its targets? At the stakeholders’ meeting, we talked about how the newly reviewed grants to landowners need to be substantial. The results of the review have been published, but they contain only token increases. Instead of an all-encompassing grant system, we have ended up with a two-tier system that penalises pioneers in the area. The system is a mess. To who is Forest Service answerable? It does not reflect the views of landowners, stakeholders or the Committee.

Mr Elliott:

You are both very welcome, and I thank you for your presentation. Legislating for a 50-year target would probably mean the compulsory taking land off farmers. That would be the only way round it. If we legislate to double forest cover in 50 years, but the Forest Service does not have the land on which to achieve that target, the only way to do it would be to compulsorily take land from farmers. I flag up that information because, when farmers hear about such a possibility, you

may not be very popular with some of them, especially if they do not get a reasonable return.

The Chairperson:

Given that what you just said has been recorded by Hansard, you will probably not be popular with the Department either.

Dr K McKenna:

That is the point; it must be popular with landowners.

Mr W McKenna:

Tom, why is the countryside management scheme oversubscribed? Both schemes are being run by the same Department. It is because it is financially attractive. If the farm woodland premium scheme were to be made attractive, it too would become oversubscribed.

Mr Elliott:

To be fair, the difference is that the countryside management scheme allows farmers to continue with conventional farming activities, such as producing suckler cows, dairy cows and sheep. When you get into woodland, the land is out of conventional farm production for at least a generation. That is the difference.

Mr W McKenna:

Yes, but if a stranger asks me what I work at, and I say that I am a farmer in the forestry business, what does that mean? The flippant answer is that we plant woodlands for fed-up farmers. A fed-up farmer might be 50 years old and want to cut down so, instead of keeping 20 cows, he keeps 10 and plants woodland on his surplus land. Alternatively, we plant and manage woodland for a number of people who own land but do not even live in this country. They might live in England or New York, but their uncle has left them a farm. In this country, the nature of land ownership means that, traditionally, there is great reluctance to sell land has been left to someone. Such a person may have let his land to an experienced neighbour, who paid for the conacre on time. However, over the last three wet summers, land belonging to quite a few of those sorts of people was abused and badly tramped.

The Chairperson:

To look at things from a slightly different angle, at what level would the incentive need to be set

to make it attractive for people to apply, so that would we would not have to go down the compulsory land take route?

Mr W McKenna:

The establishment grant to which you referred, which went up from £1,850 to £2,400 per hectare, is adequate. I have no problem with it.

The Chairperson:

Really; is that a one-off payment of £2,400 per hectare, or is it paid every year?

Mr W McKenna:

It is a grant to plant and look after trees for five years. Ten years ago, the rate was £1,800 per hectare, but it has gone up to £2,400 per hectare, which is adequate. Basically, that is used up to plant and look after the woodland.

The second payment is the farm woodland premium scheme, which is paid annually. At that stakeholders' meeting, I put forward the notion that the rate should be doubled. I suggested that all of the stakeholders should be called back in two or three years to look at the areas that are planted and to see the impact that doubling the annual payment would have on the incentive to plant.

When I read the article last week, I thought that it was not bad because the Forest Service was going to increase the rate by 50%. I thought that it had taken on board some of what I had said, and that the rate would have been only 50% short of what I was talking about. However, when I read the article in more detail, I found out that that was not the case; the rate will be increased by 50% in only one category. That will have no impact.

Mr Elliott:

I was only making the clear point that it may mean compulsory purchasing or acquisition. To be fair, Willie, the example that you gave of somebody living in America who wants their land planted is slightly different to a farmer who is still here, has a part-time job and keeps 30 or 40 cattle.

I want to ask a question about the issue of Forest Service having much more control.

Obviously, you are in the private forestry business. A number of organisations have said to the Committee and to me that the Bill gives unfair competitive advantage to the Forest Service, as opposed to the private developer. I am thinking of a couple of issues in particular, such as compulsory acquisition, which allows the Forest Service to take land if it so wishes. There is also the fact that Forest Service does not need a felling licence, but the individual does. What is your assessment of those issues?

Mr W McKenna:

When I first read the Bill, I thought that many aspects of it adopted an attitude of “do as we say, not as we do”. In other words, the Forest Service took powers for itself and insisted on regulations for everybody else. To be honest, and I hope that I am still right, a number of clauses in the Bill were included as flyers to possibly be dropped out, so that it would look as though there was a change. For example, the issue of —

Mr Elliott:

You are deeply suspicious, Willie.

Mr W McKenna:

An example of such an issue is that of clearing a fire break around Forest Service property on private land. If I want to clear a fire break around my property, I will do that on my land. Another issue was controlling deer on private land that could have come from the forest to start with. Forest Service would charge the landowner for controlling the deer; it would send an authorised person, and we would be sent the bill.

Dr K McKenna:

That seems bizarre. There is no need for it.

Mr Elliott:

I assume that you are opposed to the unfair advantage that Forest Service has.

Dr K McKenna:

Yes.

Mr W McKenna:

I demonstrated how, in the past 10 years, it did not seem to be very farmer-friendly in respect of private woodlands. I do not see why, if it is given a fairly broad brush in respect of extra powers, they would be applied in a different manner.

The Chairperson:

Therefore, you believe that felling licences should also apply to Forest Service, but you would prefer that there were no felling licence fees?

Dr K McKenna:

Yes.

The Chairperson:

Apart from the cost issue, why are you opposed to management plans? Is a management plan not a sensible way to plan for the future? Your submission states that you disagree with the requirement for a management plan for private forestry. Why is that?

Dr K McKenna:

We felt that there were already enough legislative bodies in place to manage that issue further down the line. That is not really the role of the Forest Service.

Mr Irwin:

Thank you very much for your presentation. I am a farmer, and I can understand fully where you are coming from. As I have said in the past, I cannot remotely see how the area of forest in Northern Ireland will be doubled unless there is a big increase in the incentive to do so. Even if a farmer has a piece of wasteland, there would have to be a big enough incentive to plant trees.

As you say, the grant of £2,400 a hectare to encourage the establishment of more woodland is OK, initially. However, the figures for woodland expansion from 2000 to 2009 show that the Forest Service's target for last year was only 450 hectares, and yet it achieved just over half of that. That has been the case for the past couple of years, and the target has been reduced by almost half. There is absolutely no doubt in my mind — I am sure anyone sitting on the Committee who knows anything about farming thinks the same — that there is no chance of doubling the amount of woodland, unless there is a big change.

Mr Savage:

Mr McKenna, you said that, 10 years ago, farmers received £800 an acre for planting trees for five years.

Mr W McKenna:

No, that is not right. It is a bit confusing until you see it in black and white. There are two separate grants for one piece of land. One of them is a woodland establishment grant, which we refer to as a “tree grant” in the literature that we send out to anybody who enquires about it. That grant is for farmers who plant trees and look after them for five years until they are established. Running parallel with that from year one is an annual payment called the farm woodland premium scheme, which we refer to as “grass money” to distinguish between the two. One grant is for grass, and one is for trees. The farm woodland premium scheme is paid annually, usually in the November after planting.

For example, if you planted land in February, you would get an annual payment in November. If you planted conifers, you would receive that payment for 10 years, and if you planted broadleaves you would get it for 15 years. People who planted before the 2007 review of the grass money rate — say in 1995 or even in 2006 — were excluded from that. That was not in their initial contract.

Dr K McKenna:

The buzzword used to describe people who had planted prior to 2007 is “archived”. The Forest Service knew that there was going to be a difference in payments when the scheme was reviewed in 2007. However, it did not flag that up with us, its own inspectors, or any other body. As Willie said, the people who planted broadleaves in 2006 were looking forward to their 15 annual payments that they and everybody else assumed would be reviewed every five years, because that is what the literature stated. Suddenly, one year later, they were out of the loop.

The Chairperson:

That is sharp practice.

Dr K McKenna:

It was just crazy. The issue of the two-tier system can be solved under the review that was

announced last week by bringing everyone up the same rate and by letting the people who had planted prior to 2007 have their contracts run to their natural end.

The Chairperson:

The Forest Service has lost the hearts and minds of a whole group of people.

Dr K McKenna:

I agree entirely. Those people are so disenchanted about that has happened that they will not plant again. They have told us that.

Mr W McKenna:

They are also telling their neighbours about their experience.

Dr K McKenna:

It was a PR disaster.

Mr W McKenna:

The process has gone slightly out of shape.

Mr Savage:

Those people feel sick at the moment, and that is understandable.

Dr K McKenna:

They do, because it came out of blue. Going back to my earlier point, why did the Forest Service take it upon itself to do that without consulting with or telling anybody? It appears to have been an in-house decision.

The Chairperson:

We will raise those issues with the Forest Service when they give evidence to the Committee.

Mr Burns:

I wish to return to Willie's point about the small-time farmer who has a wee bit of land that he has rented out but with which he is dissatisfied, so he considers planting on it. He is a small person in the great scheme of things.

In Scotland, and other places, it is big insurance corporations that buy and rent land, often for around 40 years. There is not, as is traditional in Northern Ireland, the issue of conacre, whereby somebody rents the land for each season. In the case of conacre, farmers decide what they want to plant and that therefore they will rent the land for 25 years, with the intention, for example, of planting trees. From the start, a farmer would know what grant they would get and, hopefully, what they would receive at the end of that term. Having worked out the figures, a farmer would go into that on a firmly commercial basis. However, the people going into forestry who are small within the system are taking a chance, and, quite frankly, the odds are not in their favour. Those people have made a decision whether or not to go for it. At least, that is how it seems to me.

I do not know anything about forestry or planting trees, but I certainly would not be jumping at it. When the bigger people in the system go for it — those with money, the smaller people in the system can feel that they know more and therefore can jump in along with them and plant trees. However, if people cannot see the bigger scheme, they will only be chancing their arm on something that, I believe, they do not understand or know enough about.

Mr W McKenna:

In the literature that we sent out, the headline is: “Don’t jump into forestry”. We make people keenly aware that they should take their time and study the issues, because there are a lot of pitfalls. The last paragraph in our literature explains that, in most cases, the person who plants the woodland will not be around to harvest it. The only thing that someone going into forestry can be sure of is that they will get an annual payment, grass money, for 15 years. If they are happy enough with that rate of payment, forestry is worth considering.

However, we will now have to change that literature. In the past, the rate of payment was guaranteed for 15 years; now it is not. People are not even guaranteed that. If someone is not happy with the rate of annual payment, why would they consider planting trees?

Mr Burns:

Could somebody plant trees, knowing that they are never going to see a harvest in their lifetime, and then sell the land before it was ready for harvesting?

Mr W McKenna:

They could.

Mr Burns:

How does that work when it comes to grants?

Mr W McKenna:

Given the long-term nature of forestry, woodland changes hands more regularly than normal grassland. A change of ownership usually takes the form of retirement, death or sale. Given the long-term nature of forestry, the Department of Agriculture provides a change-of-ownership form that changes the assets of the forest from a previous owner to a new one. During the lifetime of the trees, woodland will change hands more often than is normal for other agricultural land. That is why there is a change-of-ownership form. The new owner will be entitled to whatever benefits are still outstanding on that piece of woodland.

The Chairperson:

I thank Mr McKenna and Dr McKenna for their candour. The presentation has been very useful because you have been most straightforward with us. We meet a lot of people who dance around the issues, and we appreciate your being so blunt.