

**THE
SCOTTISH FORESTRY
TRUST**

**ANNUAL REPORT
1987/88**

THE SCOTTISH FORESTRY TRUST

The Scottish Forestry Trust is a charitable trust, established in 1983, to promote research, education and training in forestry.

In 1983 Timber Growers, Scotland, merged with similarly named organisations in England and Wales to form Timber Growers United Kingdom Limited (TGUK). It was resolved that the share capital of the company known as Scottish Woodland Owners Association (Commercial) Limited (SWOAC), wholly owned by Timber Growers, Scotland, should be transferred into a Trust, to be known as the Scottish Forestry Trust. In 1986 SWOAC was sold. The capital realised now constitutes the Trust's major asset.

The Trust is able to accept donations, and gifts of cash, property, etc from any source to further its work in assisting forestry to fulfill its potential role in the countryside and in the economy as a whole.

TRUSTEES

Chairman The Rt Hon Lord Polwarth, T.D., D.L.
Lord Arbuthnott
C T Booth
Capt. D S Bowser
The Hon J M G Galbraith
D I Liddell-Grainger
M Macdonald
M S Philip
O H Russell

STAFF

Director John Eadie, B.Sc.(Hons), F.R.Ag.S.
Director's Secretary Mrs Morag Stoves

LEGAL ADVISER

Mr Douglas Hunter,
of Allan Dawson, Simpson and
Hampton W.S.
42 Melville Street, Edinburgh

ACCOUNTANTS

Messrs. Brown, Campbell,
16 Great Stuart Street, Edinburgh.

REGISTERED OFFICE

5, Dublin Street Lane South, Edinburgh

CHAIRMAN'S FOREWORD

I am very honoured to have been asked to take on the chairmanship of the Scottish Forestry Trust, in succession to David Bowser, who has held the post ably and assiduously in recent months. I am also most grateful to all the other Trustees for their support and help. If I might mention one, it is David Landale, to whom more than anyone we owe the strong financial position in which we are fortunate to find ourselves. We are sad that he has had to resign, owing to the demanding duties of his new post as Chancellor of the Duchy of Cornwall, but I know we can continue to rely on his advice.

We are most fortunate to have secured the services as Director of the Trust of John Eadie. He has had a distinguished career in the agricultural and related fields, most recently with the Hill Farming Research Organisation, and his breadth of experience in research is proving invaluable to us.

At this time forestry is at something of a cross-roads. Quite apart from its emergence as a major industry with implications for much of the economy, its relationship with farming and the countryside is at a crucial stage of evolution. As an independent body enjoying the advice of experienced trustees and free of vested interests, the Trust can bring private research funds to fill some of the inevitable gaps in the hard pressed public research programme, and respond quickly to changing needs.

In this way the Trust is a good example of industry self-help, and has a vital contribution to make towards pointing the directions which the forestry industry should take, for the benefit of all.

Polwarth

AUDITORS' REPORT TO THE TRUSTEES OF THE SCOTTISH FORESTRY TRUST

We have audited the financial statements on pages 5 to 8 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the Trust's affairs at 31st March 1988 and of its deficit and source and application of funds for the year then ended and comply with the requirements of the Trust Deed under which the Trust was formed.

Brown, Campbell & Co., C.A.,

5th July 1988

THE SCOTTISH FORESTRY TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31st MARCH, 1988

			1988	1987
Income	Notes	£	£	£
Dividends			10,687	61,250
Interest on Deposits			82,183	31,541
Donation from Highland Forest Products Ltd			500	—
			<u>93,370</u>	<u>92,791</u>
Expenses				
Research Grants and Donations	2	91,955		14,813
Salaries and Expenses		10,392		3,810
Travelling Expenses		1,832		37
Office Costs		3,875		198
Professional Fees		<u>2,794</u>		<u>—</u>
			<u>110,848</u>	<u>18,858</u>
Excess of Expenditure over income for Year			<u>£(17,478)</u>	<u>£73,933</u>

The notes on page 8 form part of these accounts.

THE SCOTTISH FORESTRY TRUST

BALANCE SHEET AS AT 31st MARCH 1988

	£	1987 £
INVESTMENTS at cost (Note (3))	682,843	—
CURRENT ASSETS		
Debtors	3,207	—
Royal Bank of Scotland Premium A/C	34,939	52,360
Royal Bank of Scotland Term Deposits	843,297	1,025,581
	<u>1,564,286</u>	<u>1,077,941</u>
CURRENT LIABILITIES		
Creditors	3,823	—
	<u>1,560,463</u>	<u>1,077,941</u>
Represented by:		
Surplus Income brought forward	90,363	16,430
Surplus Income/(Deficit) for year	(17,478)	73,933
Surplus Income carry forward	72,885	90,363
Capital Reserve (Note 3)	1,487,578	987,578
	<u>£1,560,463</u>	<u>£1,077,941</u>

Approved by the Trustees on 2nd August 1988 and signed on their behalf by

Polwarth

..... Chairman

David S. Bowser

..... Trustee

The notes on page 8 form part of these accounts.

THE SCOTTISH FORESTRY TRUST

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st MARCH 1988

	£	1987 £
Deficit for the year	(17,478)	73,933
SOURCE OF FUNDS		
Disposal of Investments	500,000	1,020,000
	<u>482,522</u>	<u>1,093,933</u>
APPLICATION OF FUNDS		
Purchase of Investments	682,843	—
Cost of Disposal of Investments	—	32,422
	<u>£(200,321)</u>	<u>£1,061,511</u>
Represented by Movements in Working Capital:		
	Increase	Decrease
Debtors	3,207	—
Creditors	—	3,823
Net Liquid Funds	—	199,705
	<u>3,207</u>	<u>203,528</u>
	<u>£(200,321)</u>	<u>£1,061,511</u>

THE SCOTTISH FORESTRY TRUST

NOTES TO THE ACCOUNTS YEAR ENDED 31st MARCH 1988

1. ACCOUNTING POLICIES

A change of accounting policy has been adopted this year and the Accounts have been prepared on an accruals basis. Last year income and expenditure was accounted for on a receipts and payments basis.

2. RESEARCH GRANTS AND DONATIONS

	1988	1987
	£	£
Roundwood Removals Study	8,037	5,468
Agroforestry	32,089	8,845
Wood Industry Input/Output Study	5,000	—
Energy from Wood. Scholarship	—	500
Forestry's Public Relations Studies	33,829	—
Winter Moth in Sitka Spruce	4,000	—
Stirling District Forestry Employment Study	7,500	—
The Economics of the Broadleaved Guidelines	1,500	—
	<u>91,955</u>	<u>14,813</u>

3. INVESTMENTS

On 19th December 1986 the Trust's shareholding of 48 shares and 48,000 deferred shares in Scottish Woodland Owners' Association (Commercial) Ltd were disposed of for a consideration of £1,520,000, payable as follows:

19th December 1986	1,020,000	
Less cost of Disposal		<u>32,422</u>
Capital Reserve at 31st March 1987	987,578	
19th June 1987	250,000	
19th December 1987	<u>250,000</u>	
Capital Reserve at 31st March 1988	<u>£1,487,578</u>	

During the year £500,000 was received (1987 - £1,020,000).

The shares in Scottish Woodland Owners' Association (Commercial) Ltd were originally made over to the Trust by Timber Growers Scotland Ltd at Nil cost.

	1988	1987
	£	£
Listed Investments, dealt on a recognised Stock Exchange	<u>682,843</u>	<u>—</u>
Valuation:		
Listed Investments - Market Value	<u>547,802</u>	<u>—</u>

4. TAX CREDITS RECOVERABLE

The Trust has charitable status. The repayment of tax suffered at source on investment income is being pursued with the Inland Revenue. Until the matter is concluded, we consider it prudent to exclude the potential repayment from the accounts.

OBJECTIVES

The Scottish Forestry Trust was created to promote education, training, and research in forestry and silviculture.

The Trustees have determined that, for the time being, the Trust's major contribution should be towards funding research projects, although, as opportunities arise, educational and training projects are also supported. A small proportion of the budget is set aside for publications and travel.

The Trust accords high priority to research in the economic and socio-economic aspects of forestry. It also believes that the education of the general public in all aspects of forestry, and in particular its importance both to the well-being of rural communities and as a producer of raw materials for industry should be especially fostered at this time. Beyond that it is recognised that recreation, environmental protection and conservation are all topics on which better knowledge and information will assist owners and foresters to enhance the contribution of forestry to the countryside as a whole. In addition, although the resources of the Trust are small compared to the total funding of mainstream forest production research, opportunities do arise from time to time for the Trust to play a key role in supporting new work in this area.

The Trust does not confine its activities to Scotland, usually requiring of a project only that Scottish forestry should not be excluded from the potential benefits of the work it supports. Some of its projects are directly commissioned by the Trustees, often jointly with other funding agencies. Grants are also made to organisations or individuals both within and outside the forestry industry for subjects considered by the Trustees to be relevant to the Trust's objectives.

PROJECTS SUMMARY

TIMBER SUPPLY FORECASTING

University of Aberdeen, Forestry Department:

Production Forecasting for Private Sector Scottish Forestry

Planners in industry need to be informed of the likely future supply of timber in terms of its amount, size and location. The national production forecast calculated by the Forestry Commission has invariably exceeded estimated actual production by the private sector. It is not known whether the discrepancy lies with the forecast, or with the monitoring of private sector production.

The Scottish Forestry Trust commissioned the survey of the private sector growing stock in Scotland, in an attempt to resolve the problem.

The results confirm the potential forecast; indeed their implications suggest that it may even be an underestimate. They also suggest that most of the timber has in fact been removed and point to a clear need to investigate the fate of private sector production, and the extent of local and internal estate markets.

A seminar was held in June 1988 at which representatives of the production and processing sectors of the industry discussed the problem in the light of the survey.

ECONOMICS AND SOCIO-ECONOMICS

Firn, Chrichton Roberts Ltd: Stirling Forestry Employment Study

The Forestry industry of the U.K. is expanding, and with it the industry's contribution to employment. Previous studies have focussed on employment at the national level and in subsectors of the industry. The Scottish Forestry Trust joined with TGUK, the Scottish Development Agency and Stirling District Council to commission an examination of forestry employment in a specific geographic area, and to trace links between forestry and other sectors in the rural economy.

The resultant study showed that the Stirling District had just over 30,000 hectares of forest, 7 sawmills and 1 major board plant. The forestry industry in the district has a well-developed structure with all the main components of the forestry industry represented. Local forestry supports 354 jobs with an additional 30-35 jobs outwith the District dependent upon Stirling Districts forests. A further 200 jobs are reckoned to arise in other sectors of the local economy, but are dependent on the forests. Long term growth prospects indicate that another 240 jobs will be created in Stirling District based upon its local forests in the next 15 years.

University of Edinburgh, Department of Forestry & Natural Resources:

Input/Output Analysis of the Forestry Industry

The Scottish Forestry Trust has joined forces with the Forestry Commission and FICGB to fund this study of the forest industry. The validity of the Treasury (1972) and National Audit Office (1986) studies has been seriously questioned on the grounds that an input/output study is more likely to properly evaluate the benefits of forestry investment to the nation than the cost/benefit approach employed in these earlier studies. The objectives are to display the inter-industry relationships of forestry, wood-processing and associated sectors within an input/output analysis, and to quantify the multiplier effects, especially in employment, associated with increased activity in forest management.

FORESTRY'S PUBLIC RELATIONS

Valin Pollen Ltd & Concensus Research:

Current Knowledge and Perceptions of Forestry

The Forestry industry is constantly under review, and quite often under attack from a number of directions. In an age in which public discussion of important issues is dominated by the media it seems prudent to ensure that the industry's case is adequately and appropriately presented. In the hope that it would make a valuable contribution to the industry's communications planning the Scottish Forestry Trust commissioned a communications consultancy, and a specialist market research company, to identify forestry's key audiences, to assess their current knowledge and perceptions of the industry, and to explore how the communications chain operates to influence opinions.

A key finding of the research study is the extent to which, despite a lengthy period of intensive press and TV. comment, the public remains uninformed and largely uninterested in forestry. More specialist groups - environmentalists, planners, MPs, journalists and landowners - are much better informed, but the importance of specific topics to these various audiences differs markedly. It is suggested that an effective communications

strategy must become less defensive and more proactive. It must project a whole industry rather than a fragmented array of interests, and the industry should adopt a more positive profile in an attempt to set the tone of the debate.

The Scottish Forestry Trust organised a seminar to discuss the study and a proposed communications strategy with all sectors of the Forestry industry in December 1988.

Central Scotland Countryside Trust:

Environmental Education Pack for Schools

There will be general agreement that our schools have a vital role to play in enhancing the awareness and understanding of the general public in forestry and forestry related matters. With this in mind, the Scottish Forestry Trust has joined with B.P. Ltd., and the U.K. Committee of the European Year of the Environment in sponsoring an environmental education pack. The pack encourages children to look critically at some of the less attractive countryside of which there are many examples in Central Scotland. Woodland is a key element of the range of environmental improvements the children are invited to consider.

THE MANAGEMENT OF BROADLEAVES

Timber Growers (United Kingdom) Ltd:

The Economic Effects of the "Guidelines for the Management of Broadleaved Woodland"

The Forestry Commission's Broadleaved Policy introduced in 1985, with the objective of ensuring that broadleaved woodlands are managed in a way which is compatible with maintaining their wildlife and amenity value as specified via management guidelines. These guidelines have important economic implications.

The Scottish Forestry Trust has provided financial support for an investigation of the financial implications of the guidelines on the economics of the traditional forest estate.

An economic model was set up to include all the costs and receipts expected in a broadleaf crop. The study measured the economic impact of the Guidelines by analysing the changes in profitability of five major broadleaf species, based on sample estates throughout Britain, caused by the Guidelines.

In essence, the Guidelines alter management practices in order to promote conservation and landscape. But, as the report points out, these are not free commodities. Their cost is the profit from forestry foregone as a result of the Guidelines' restrictions.

The estimates of the economic effects of the Guidelines will assist the private sector in the review of Broadleaved Policy. They will also contribute to the wide debate on landscape and conservation by indicating the magnitude of at least some of the costs involved.

A summary of the report is available from the Trust.

AGROFORESTRY

University of Edinburgh, Department of Forestry & Natural Resources:

The Influence of Wide Spacing of Trees on the Interception of Radiation and the Growth of Trees and Pasture

The production of timber from widely spaced trees combined with pasture from which animal product, often sheepmeat, is produced has developed in other parts of the world, notably Australia and New Zealand. Its potential relevance in the European environment remains uncertain and is the subject of an increasing amount of research in the U.K.

One of the key aspects in understanding the time courses of tree and pasture growth, as the tree canopy develops, lies in the interception of solar radiation by the respective foliage canopies. The investigation supported by the Trust is exploring the proposition that the growth of trees and pasture when combined in agroforestry systems will be linearly related to the light intercepted by their respective foliage canopies. The work is being carried out on extensively instrumented sites at Dunkeld and Cloich.

PESTS AND DISEASES

Oxford University, Department of Zoology:

The Potential for Outbreaks of Winter Moth in Stands of Sitka Spruce

The Winter Moth (*Operophtera brumata*) is a caterpillar which feeds on many species of foodplant. It has severely defoliated oak and apple. It reached pest status in Sitka Spruce on several Scottish sites in 1981. An attempt at control by spraying in 1983 was only partially successful. Because of the importance of Sitka Spruce to the forest economy of Scotland, the Scottish Forestry Trust is funding a study of the biology of the moth as an essential prerequisite to the development of appropriate control strategies.

The work is being carried out with the cooperation of the Forestry Commission Northern Research Station and the N.E.R.C. Institute of Virology.

Forestry Commission Research Division, Entomology Branch:

Dispersal by the Great Spruce Bark Beetle and its Specific Predator

The Great Spruce Bark Beetle (*Dendroctonus micans*) is a major pest of spruce from Siberia to Western Europe. It was first discovered in Britain in 1982. Control strategies centre on sanitation felling and spot peeling. More recently biological control by the release of a specific predator *Rhizophagus grandis* is being attempted.

The study aims to assess the risks of *D. Micans* spreading into previously uninfested areas, to establish whether the specific predator is able to fly to these new locations and locate new infections, and to identify the stimulæ that attract the predator to the *D. Micans* broods.