

**THE
SCOTTISH FORESTRY
TRUST**

**ANNUAL REPORT
1988/89**

THE SCOTTISH FORESTRY TRUST AND ITS OBJECTIVES

The Scottish Forestry Trust is a charitable trust established in 1983 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. Some of the Trust's projects are directly commissioned by the Trustees, often jointly with other funding agencies. Grants are also made to organisations or individuals for subjects considered by the Trustees to be relevant to the Trust's objectives.

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. It is able to accept donations, and gifts of cash, property, etc, from any source to further its work in assisting forestry to fulfil 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. (to Dec. 1988)
C. T. Booth
Capt. D. S. Bowser
The Hon. J. M. G. Galbraith
D.I. Liddell-Grainger
M. Macdonald
Professor H. G. Miller
(from Dec. 1988)
M. S. Philip (to Dec. 1988)
O. H. Russell
Dr. P. S. Savill (from Dec. 1988)

STAFF

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

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Hampton W.S.
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REGISTERED OFFICE

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CHAIRMAN'S FOREWORD

In the Trust's previous Annual Report I indicated something of the Trust's aspirations as a source of private research funds in forestry. I am pleased on this occasion to point to continuing progress and to a body of completed work, briefly outlined in the following pages.

It is gratifying, for example, to know that the Valin Pollen/Consensus Research report has stimulated industry-wide discussion as to how forestry may best present its very good case, and that it will continue to influence the industry's communications strategy for some time to come.

The Broadleaved Guidelines study, too, has not only illuminated a contemporary issue of considerable importance, but has also broken new ground. Some environmental objectives, by common consent, are in the nature of moral imperatives. But many other hotly debated issues require balances to be struck among production, environmental and amenity objectives. These different kinds of benefits are notoriously difficult to value, but the broadleaves economic study does assign probable costs to the conservation and landscape values aimed at in the policy guidelines. It is greatly to be hoped that the precedent thus set, of indicating the relative costs of the choices to be made, becomes a discipline accepted by all.

These studies, and the others in hand and under consideration, bid fair to justify the belief of those whose efforts resulted in the formation of the Trust, that a private sector fund has an important and distinctive role to play in the development of forestry.

Polwarth

PROJECTS SUMMARY

COMPLETED WORK

Production Forecasting for Private Sector Scottish Forestry (University of Aberdeen, Forestry Department)

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.

Current Knowledge and Perceptions of Forestry (Valin Pollen Ltd & Consensus Research)

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 seemed 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 options.

A key primary major 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 positive. 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.

Stirling Forestry Employment Study (Firn, Chrichton Roberts Ltd)

The forestry industry of the U.K. is expanding, and with it the industry's contribution to employment. Previous studies have focused 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 District 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.

The Economic Effects of the "Guidelines for the Management of Broadleaved Woodland" (Timber Growers (United Kingdom) Ltd)

The Forestry Commission's Broadleaved Policy was 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 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 broadleaved crop. The study measured the economic impact of the Guidelines by analysing the changes in profitability of five major broadleaved 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.

CURRENT PROJECTS

The Influence of Wide Spacing of Trees on the Interception of Radiation and the Growth of Trees and Pasture (University of Edinburgh, Department of Forestry and Natural Resources)

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 growth of trees and pasture over time, 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.

Input/Output Analysis of the Forestry Industry (Department of Forestry and Natural Resources, University of Edinburgh; Fraser of Allander Institute, University of Strathclyde)

The Scottish Forestry Trust has joined forces with the Forestry Commission and the Forestry Industry Committee of Great Britain to fund this important study of the forestry industry. The validity of the Treasury (1972) and National Audit Office (1986) reports 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.

Red Deer, Sheep & Forestry (University of Cambridge)

The Trust together with the British Deer Society and a private donor is financing this study, undertaken with the active support of the Red Deer Commission.

The afforestation of low ground removes large areas of winter range from red deer in Scotland. Some 8% of the deer ground has been afforested in the Highlands since the war. It is recognised that the effects on the deer are likely to

be disproportionate because of the removal of some of the best land. But beyond that there is no firm basis on which to predict the effects of afforestation on deer populations with any accuracy.

In the last analysis a proper quantification of effects will depend upon a better understanding of the mechanisms and processes by which food resources are related to carrying capacity and deer performance. That will come in time, but the practical problems are urgent and important enough. They justify an exploration of the extent to which existing information held by the R.D.C. and supplemented by easily acquired data from relevant estates may provide a way forward.

The current study aims to identify estates which have afforested a substantial proportion of their ground during the last 20 years, for comparison with others of like kind where no such changes have been made. Existing data from R.D.C. records and estates game books will be supplemented by additional information for analysis and subsequent interpretation.

Black Grouse (The Game Conservancy)

The Scottish Forestry Trust has joined with the World-Wide Fund for Nature, the Nature Conservancy Council and the World Pheasant Association in a project aimed at developing management recommendations for landowners who want to improve habitat for Blackgame.

Black Grouse numbers have declined in many areas. Their habitat is thought to have been diminished by agricultural intensification and afforestation.

The project aims to review historical evidence of population change and correlated changes in land use, and to undertake more detailed studies of habitats known to support Black Grouse, with a view to establishing more precisely which plant species are utilised. It is already known that Black Grouse inhabit marginal or edge habitats, and studies will be made of areas deliberately enriched by planting broadleaf edges, new copses and by fencing off overgrazed woodland to permit regeneration.

The findings of the work will be used to update practical guidelines already produced by the Game Conservancy.

The Potential for Outbreaks of Winter Moth in Stands of Sitka Spruce (Oxford University, Department of Zoology)

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.

Dispersal by the Great Spruce Bark Beetle and its Specific Predator (Forestry Commission Research Division, Entomology Branch)

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 find new infections, and to identify the stimulæ that attract the predator to the *D. micans* broods.

Education

Our schools have a vital role to play in enhancing the awareness and understanding of tomorrow's general public in forestry and forestry-related matters. With this in mind the Trustees have provided financial support for two worthwhile educational initiatives.

(a) Environmental Education Pack for Schools (Central Scotland Countryside Trust)

The Scottish Forestry Trust 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.

(b) British Food and Farming, 1989 (The Scottish Farm Educational Trust 1989)

The aim of this project is to make over 375,000 children aware of the importance of the countryside, and the relationship of the Scottish farming and associated industries to it. It is intended that every child between the ages of 10 and 14 will have the opportunity of a structured visit to the Scottish countryside.

An educational package is being prepared to enable children to obtain the maximum benefit from these visits. The Scottish Forestry Trust is sponsoring the specific package on forestry which will include all aspects of timber production, supply and demand, conservation and amenity, farm woodlands harvesting, processing and marketing.

Awards

The Trustees believe that the quality of the forestry industry's young people is

of the highest importance to the future of forestry.

As a contribution to enhancing the opportunities available to young employees, the Trust, with the cooperation of the Scottish Council (Development and Industry) is offering three places at one of the latter's education courses in 1989. These week-long residential courses are designed to develop in young people an understanding of industry and commerce and the role management plays. Along the way they will also begin to see how enterprise and initiative can contribute to their own personal development.

The current year's effort is in the nature of a pilot scheme. If it succeeds the Trustees intend that it should run for three years.

Further information can be obtained from the Trust's office.

AUDITORS' REPORT TO THE TRUSTEES OF THE SCOTTISH FORESTRY TRUST

We have audited the financial statements on pages 1 to 5 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 1989 and of its surplus 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.,

June 1989

THE SCOTTISH FORESTRY TRUST INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31st MARCH 1989

			1989	1988
INCOME	Notes	£	£	£
Dividends			93,587	10,687
Interest on Deposits			62,690	82,183
Donations			10	500
			156,287	93,370
 EXPENSES				
Research Grants and Donations	2	58,960		91,955
Salaries and Expenses		11,723		10,392
Seminar, Exhibitions, Handbook and Annual Reports		4,991		—
Travelling Expenses		534		1,832
Office Costs		3,653		3,875
Professional Fees		4,095		2,794
Investment Management Costs		4,702		—
Loss on disposal of Investments	3	36,086		
			124,744	110,848
Excess of Income over Expenditure for Year			31,543	(17,478)

THE SCOTTISH FORESTRY TRUST
BALANCE SHEET AS AT 31st MARCH 1989

	£	£
INVESTMENTS at Cost (Note 4)	1,186,272	682,843
CURRENT ASSETS		
Debtors (Note 5)	56,384	3,207
Royal Bank of Scotland Premium A/C	22,180	34,939
Bank of Scotland Income & Capital A/C	333,987	843,297
	<u>1,598,823</u>	<u>1,564,286</u>
CURRENT LIABILITIES		
Creditors	6,817	3,823
	<u>1,592,006</u>	<u>1,560,463</u>
Represented by:		
Surplus Income brought forward	72,885	90,363
Surplus Income/(Deficit) for year	31,543	(17,478)
	<u>104,428</u>	<u>72,885</u>
Suplus Income carried forward	1,487,578	1,487,578
Capital Reserve		
	<u>1,592,006</u>	<u>1,560,463</u>

Approved by the Trustees on 2nd August 1989
and signed on their behalf by

D. S. Bowser	Chairman
Oliver Russell	Trustee

THE SCOTTISH FORESTRY TRUST
SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st MARCH 1989

	£	1988 £
Surplus for the year	31,543	(17,478)
Adjustments for items not involving the movement of cash:		
Loss on Sale of Investments	36,086	—
	<u>67,629</u>	<u>(17,478)</u>

SOURCE OF FUNDS

Disposal of Investments	215,112	500,000
	<u>282,741</u>	<u>482,522</u>

APPLICATION OF FUNDS

Purchase of Investments	754,627	682,843
	<u>471,886</u>	<u>(200,321)</u>

Represented by Movements in Working Capital:

	Increase £	Decrease £	£	£
Debtors	53,177			3,207
Creditors		2,994		(3,823)
Net Liquid Funds		522,069		(199,705)
	<u>53,177</u>	<u>525,063</u>	<u>471,886</u>	<u>200,321</u>

THE SCOTTISH FORESTRY TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 1989

1. ACCOUNTING POLICIES

The Accounts have been prepared on an accruals basis.

2. RESEARCH GRANTS AND DONATIONS

	1989	1988
	£	£
Roundwood Removals Study	—	8,037
Agroforestry	7,658	32,089
Wood Industry Input/Output Study	7,000	5,000
Institute of Chartered Foresters	1,000	—
Forestry's Public Relations Studies	11,880	33,829
Winter Moth in Sitka Spruce	2,500	4,000
Stirling District Forestry Employment Study	—	7,500
The Economics of the Broadleaved Guidelines	10,672	1,500
Response of Salmon Stocks to Pre-Afforestation Drainage	2,000	—
Educational Pack for Central Scotland Countryside Trust (In association with B.P. Ltd)	1,250	—
Black Grouse Project	15,000	—
	<u>58,960</u>	<u>91,955</u>

3. LOSS ON DISPOSAL OF INVESTMENTS

As a consequence of the reductions in the value of quoted shares on Stock Exchanges in October 1987 and a subsequent re-appraisal of Investments by the new Investment Managers, certain shareholdings were disposed of in the year in order to take advantage of alternative investment opportunities. The disposal resulted in a loss of £36,086.

4. INVESTMENTS

	1989	1988
	£	£
Cost at 31st March 1988	682,843	—
Additions	754,627	682,843
Disposals	(251,198)	—
Cost at 31st March 1989	<u>1,186,272</u>	<u>682,843</u>
Listed Investments, dealt on a recognised Stock Exchange	<u>1,186,272</u>	<u>682,843</u>
Valuation:		
Listed Investments — Market Value	<u>1,150,963</u>	<u>547,802</u>

5. During the year the Inland Revenue has accepted that the Trust may reclaim tax suffered at source on Investments. Included in Debtors are the following amounts:

	£
Tax suffered on Scottish Woodland Owners' Association (Commercial) Ltd dividends	33,222
Tax suffered on Other Investments	17,001

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