

**THE
SCOTTISH FORESTRY
TRUST**

**ANNUAL REPORT
1990-91**

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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's primary objective is to support private sector forestry by contributing to the scientific, technical and economic information it requires to enable it to develop its role in U.K. forestry. Forestry is defined as the forestry industry as a whole, including its contribution to landscape, recreation, wildlife and the environment.

Projects in all of the sciences which bear upon forestry are supported by the Trust. High priority is given to proposals which address industry needs related to policy formation and execution, and to broad management questions. In general terms preference is given to studies of a more applied nature where the benefits are more immediately available to the industry. Notwithstanding that, fundamental work whose potential to resolve outstanding problems, or to reveal new opportunities and possibilities is thought to be high, is also supported.

The Trust would be pleased to accept donations, and gifts of cash, property etc., from any source to further its work in assisting forestry to fulfil its potential in the countryside and in the wider economy.

TRUSTEES 1990-1991

Chairman

The Hon. J. M. G. Galbraith, C.B.E.
(succeeded The Rt. Hon. Lord Polwarth,
T.D., D.L. August 1990.)
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T. A. Bruce Jones
R. Craig Campbell (from 1st January, 1991)
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CHAIRMAN'S FOREWORD

In succeeding Lord Polwarth as Chairman of the Trust I am pleased to place on record my own and the Trustees' grateful thanks to him. His wise and thoughtful leadership did much to consolidate the position of the Trust as a significant force in forestry education and research.

Important changes have taken place in British forestry in recent years. The basis of Government support for the industry has altered fundamentally. New grant schemes have been introduced. Indicative forestry strategies have been and are being formulated. A wider range of investor is being sought. Growers are being encouraged to change the quality and location of the land resources to be devoted to forestry, and to diversify still further the extent of their forestry objectives. Yet, the innovative forest products industry's requirement for a secure, long-term supply of raw material is paramount in the achievement of a strong rural economy by which an improved environment can only, in the long run, be shaped and sustained.

It is axiomatic that new knowledge and improved understanding are key elements in increasing the productivity and performance of industry. Forestry is no exception and it is in this vital area that the Scottish Forestry Trust has an important part to play. In recent times the Trust has, among many other important projects, helped to evaluate the industry's contributions to employment and to the wider economy, to explore the impact of global warming on forestry policy, and to investigate the potential role for birch in the uplands. Current work includes such varied matters as further studies of carbon dioxide uptake in forests, capercaillie in commercial plantations and the preparation of a major work on private forestry in Europe.

The Trust is now firmly established as a strong contributor over a wide field of forestry-related matters. The indications are that its resources will be in ever-increasing demand as we move towards the challenge of the 21st century.

James Galbraith.

PROJECTS SUMMARY

COMPLETED WORK

1. The Forestry Industry and the Greenhouse Effect. (Department of Economics, University College, London.)

The Trust and the Forestry Commission jointly invited Professor Dennis Anderson of University College, London, to consider the economic aspects of the case for forestry in addressing the greenhouse effect.

Professor Anderson's analysis emphasises the link between policies aimed at reducing carbon accumulations and those whose objective is the reduction of carbon emissions. If carbon taxes are imposed to encourage the latter then an equivalent carbon "credit" should be given to activities such as afforestation which remove CO₂ from the atmosphere. But support for carbon-fixing would only be justified if policies on the energy side were in place.

The report develops the principles on which carbon taxes and credits might be based. The uncertainties about the climatological and environmental consequences of the accumulations of CO₂ and other greenhouse gases are taken account of, and preliminary estimates of both taxes and credits are made, based on the prospective costs of the non-fossil energy technologies which carbon taxes would encourage.

Professor Anderson recognises that although his analysis is in terms of taxes and credits the regulatory approach with which we are familiar in the U.K. may be preferred. In this context he sees a need to further work on how best to incorporate carbon-fixing aims in the incentives and support structures for forestry. He also sees a need for further studies of the consequences of incorporating carbon-fixing objectives in forestry policy on other aspects of environmental impact.

The Report has been published with the financial help of FICGB, and is available, free, from the Trust.

2. Designated Areas in Scotland.

A publication which includes descriptive accounts of the main designated areas in Scotland, together with maps, at a scale of 1:750,000, of the locations of these designated areas has been produced.

The seven designations included are:

- 1 Sites of Special Scientific Interest
- 2 National Nature Reserves
- 3 Local Nature Reserves
- 4 National Scenic Areas
- 5 Environmentally Sensitive Areas
- 6 Regional Parks
- 7 Green Belts

The publication is available for purchase, price £7.95p, from the Trust.

3. The Impact of Forestry on Output and Employment in the United Kingdom and its Member Countries.

(Fraser of Allander Institute: additional survey data compiled by the Department of Forestry and National Resources, University of Edinburgh.)

The object of the work was to provide estimates of the impact of forestry on output and employment on the aggregate U.K. economy and those of its member countries. The approach involved the development of an input/output model of the U.K. economy as a whole, and of a spatial sub-model to determine the distribution of aggregate U.K. economic activity across England, Scotland, Wales and Northern Ireland. Direct, indirect and induced effects of forestry activity were identified, and supply dependencies which tie timber-using sectors to the outputs of the domestic forestry industry were explored.

The value of the output of U.K. forests was shown to be £384 million. The total impact of U.K. forest output plus the dependent processing industry was almost £2 billion. The forests of the U.K. provided 11,800 full-time equivalent jobs. The whole industry (forests + dependent activities) provided 55,500 jobs. £552m of household incomes were involved. Value added to timber is thus an even more important consideration in economic terms than the timber itself.

The study results, because a principal data source was the U.K. input tables last produced in 1984, relate to that year. Since then approximately

£750 million of new investment has been attracted to the processing sector. The study is thus a very conservative evaluation of the current impact of forestry.

4. Yield Class and Windthrow Hazard Characteristics of Forestry in Grampian Region. (Macaulay Land Use Research Institute.)

The context for this work is provided by the "Indicative Forestry Strategies" currently being produced by Regional Authorities.

Grampian Region was chosen for this pilot study. Its object was to produce information on forestry potential in the Region, relevant to the scale and conception of the I.F.S. The approach explored the use of predictive models which were developed and applied in conjunction with MLURI's land use information database.

The main output of the study is in the form of maps of yield class and windthrow hazard. A report discusses the methods used, and provides a commentary on the forestry potential of the Region.

5. 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 National Resources.)

The production of timber from widely spaced trees combined with pasture from which animal product, often sheep meat, 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 explored the proposition that the growth of trees and pasture when combined in agroforestry systems is linearly related to the light intercepted by their respective foliage canopies. The work was carried out on extensively instrumented sites at Dunkeld and Cloich.

6. 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 was 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.

7. Current Knowledge and Perceptions of Forestry. (Valin Pollen Ltd., and Consensus Research.)

The forestry industry is currently 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 opinion.

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 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.

8. The Economic Effects of the "Guidelines for the Management of Broad-leaved 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.

9. Stirling Forestry Employment Study. (Firn, Crichton 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, seven sawmills and one 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's 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.

CURRENT PROJECTS

1. Development of a Transformation from Uniform Plantations to an Irregularly Structured Forest. (Department of Forestry and Natural Resources, University of Edinburgh.)

The need to promote visual amenity, conservation and recreation in production forests has led to a renewed interest in irregularly structured forests.

In 1952 Professor M. L. Anderson planned a 60 year transformation from uniform plantations to an all-aged forest of mixed species. In order to plan the concluding phases of the transformation a more detailed study of the present

condition of the stands is being undertaken. This study, besides installing transects to measure diameter/volume distributions, and mapping the distributions of groups by size, age and species, will assess the productivity of different species, and determine productivity losses through edge effects.

2. The Mechanism of Increased Nitrogen Uptake by Spruce in Mixed Species Stands. (Department of Plant and Soil Science, University of Aberdeen).

Sitka Spruce, when planted in mixture with lodgepole pine, or larch on some sites, shows improved nitrogen nutrition and better growth than pure Sitka Spruce stands. It has been shown that nitrogen is cycled more rapidly in mixed species plots. There is, as yet, no satisfactory explanation of how the extra nitrogen required to sustain the improved growth of spruce is brought in to the nitrogen cycle.

There is, however, evidence that fungi of the genus *Suillus*, which are characteristic mycorrhizal associates of pine and larch, break down protein material much faster than spruce mycorrhizal fungi. It is thought that spruce is able to gain access to the resultant organic nitrogen.

The study aims to explore and confirm aspects of this hypothesis.

3. Molecular Methods for the Detection and Identification of Heterobasidion Annosum (Department of Molecular & Life Sciences, Dundee Institute of Technology).

Heterobasidion annosum is an important fungal parasite of conifers here and worldwide. Current methods of detection are time consuming and require specialist interpretation. A more accurate knowledge of the percentage of trees infected, and the extent of decay would be of great importance in forest management, and the laborious nature of the current procedures limits the scope and nature of research on the fungus.

Though they are widely used throughout biology, immunological methods have only recently been used in the investigation of decay fungi in standing trees. The objectives of the work are to produce immunological reagents to be used to identify *H. annosum*, to develop a solid phase immunoassay for the

detection of *H. annosum* on wood surfaces, to investigate the molecular nature of strain differences (*H. annosum* exists as three strains), and to begin a molecular analysis of the fungus.

4. 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.

5. "Shake" in Oak. (Oxford Forestry Institute, University of Oxford).

The wood of ring porous oak is frequently subject to a defect known as "shake", which describes the development of longitudinal fissures in the living tree. "Shake" occurs in nearly all British oak plantations, frequently affecting more than 50% of the trees.

Earlier work had indicated that a predisposition to shake increases with vessel size. The current project aims to verify that the timing of oak leaf spring flushing and autumn shedding, through their association with early wood vessel size, may be used to identify shake-prone trees. Concurrently investigations are being undertaken to examine the role of mechanical stresses, and an economic survey is being carried out to provide more comprehensive information on the commercial significance of "shake".

6. Net Carbon Dioxide Uptake of Scottish Forests. (Institute of Ecology and Resource Management, University of Edinburgh).

Temperate forests are substantial sinks for carbon dioxide. Current estimates suggest that the annual rate of carbon dioxide removal by the U.K. forest estate is around two million tonnes per annum. The annual rate is currently doubling

over a period of about 20 years, largely due to the expansion in area of the last 40 years and to the relatively young age of the majority of stands.

There is however a carbon dioxide cost in the management of the forest estate. Carbon dioxide emissions come from management operations, the respiratory costs of growth and maintenance, carbon allocations among roots, branches and stems, the production of litter and the turnover of organic matter in soil, brashings, lop and top, etc. A basic understanding of some of the processes involved is available; knowledge of others is sketchy. Thus there is uncertainty about the magnitude of the real net rate of CO₂ fixation, and about calculations made of the net rate of carbon sequestration once a steady state forest is attained.

The project aims to test the adequacy or otherwise of current knowledge as it is represented in a current model. The model's predictions of the net exchange of CO₂ of a range of forest stands are being tested against measurements of net CO₂ fluxes in such stands. Predictions of the consequence of a range of climate change scenarios will also be made.

7. Capercaillie in Commercial Plantations (Institute of Terrestrial Ecology).

There is widespread concern about Capercaillie numbers. A voluntary shooting restriction has been urged by the Scottish Office, and a fund-raising appeal has been launched by the Scottish Landowner's Federation. There is general agreement that management action needs to be based on a sound knowledge of the bird's biology and habitat requirements. Research requirements have been discussed by representatives of a range of interested bodies and this project is integrated with other work aimed at defining forest management practices beneficial to capercaillie.

The work funded by the Trust stems from a well documented population of capercaillie which appears to be thriving in a Sitka Spruce dominated plantation, a poor habitat in terms of what capercaillie are currently thought to require.

The specific objective is to describe the utilization of a commercial plantation forest, comprising mainly Sitka spruce. The work will require the use of radio-tagged birds. Parallel studies on chick nutrition and ecology will be carried out, funded from other sources.

8. Private Forestry in Europe (A. J. Grayson)

The objective is a book on private forestry in Europe. The intention is to produce much more than a compilation of facts.

Information on the structure and scale of the industry, forestry policy and its relationships with those relating to other land uses, and institutions and their framework, will be set in their historical, social and economic backgrounds. Emerging trends will be identified. Special regard will be paid to trends which may be expected to influence private forestry in Britain, and features of private forestry elsewhere which might have relevance here.

Initially the scope of the work will extend throughout the EEC and beyond it in Europe. Ultimately however the geographic balance will reflect what is of interest and value from a British point of view. The work will be organic in nature and will evolve towards its final shape as it proceeds.

The Trust is pleased to acknowledge that the initial stimulus for the project was provided by the Royal Scottish Forestry Society. Subsequent discussions within the Trust, between Trustees and outside opinion, and, more recently, with the selected contractor have resulted in the synopsis briefly outlined here.

THE SCOTTISH FORESTRY TRUST

AUDITOR'S REPORT TO THE TRUSTEES OF THE SCOTTISH FORESTRY TRUST

We have audited the financial statements on pages i to vi in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Trust's affairs at 31 March 1991 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, Campell & Company,
Chartered Accountants.

THE SCOTTISH FORESTRY TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 1991

			1991	1990
INCOME	Notes	£	£	£
Dividends			77,960	74,186
Interest on Deposits			48,806	53,201
Project Sponsorship			4,520	—
Donations			—	1,000
Interest Supplement arising from Tax Claim			—	7,896
			<u>131,286</u>	<u>136,283</u>
EXPENSES				
Research Grants, Donations and Other Expenses	2	109,095		75,570
Salaries and Expenses		14,719		12,797
Travelling Expenses		1,459		1,036
Office Costs		3,629		3,399
Professional Fees		2,002		2,422
Investment Management Costs		8,893		6,840
(Gain)/Loss on disposal of Investments	3	(7,780)		25,712
			<u>132,017</u>	<u>127,776</u>
Excess of Expenditure over Income for Year			<u>731</u>	<u>(8,507)</u>

The Notes on pages iv to vi form part of these Accounts.

THE SCOTTISH FORESTRY TRUST

BALANCE SHEET AS AT 31 MARCH 1991

		1990
	£	£
INVESTMENTS at Cost (Note 4)	1,323,672	1,224,996
CURRENT ASSETS		
Debtors (Note 5)	5,362	6,925
Royal Bank of Scotland Premium Account	17,723	19,377
Bank of Scotland Income and Capital Account	258,489	355,298
	<u>1,605,246</u>	<u>1,606,596</u>
CURRENT LIABILITIES		
Creditors (Note 6)	5,464	6,083
	<u>1,599,782</u>	<u>1,600,513</u>
Represented by:		
Surplus Income brought forward	112,935	104,428
Surplus (Deficit)/Income for year	(731)	8,507
Surplus Income carry forward	112,204	112,935
Capital Reserve (Note 7)	1,487,578	1,487,578
	<u>1,599,782</u>	<u>1,600,513</u>

Approved by the Trustees on 7th August 1991
and signed on their behalf by

J. M. G. GALBRAITH

.....Chairman

R. C. CAMPBELL

.....Trustee

The Notes on pages iv to vi form part of these Accounts.

THE SCOTTISH FORESTRY TRUST

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 MARCH 1991

	£	1990 £
(Deficit)/Surplus for the Year	(731)	8,507
Adjustments for items not involving the movement of cash:		
(Gain)/Loss on Sale of Investments	(7,780)	25,712
	(8,511)	34,219

SOURCE OF FUNDS

Disposal of Investments	103,562	159,699
	95,051	193,918

APPLICATION OF FUNDS

Purchase of Investments	194,458	224,135
	99,407	30,217

Represented by Movements in Working Capital:

	Increase £	Decrease £
Debtors	—	1,563
Creditors	619	—
Net Liquid Funds	—	98,463
	619	100,026
	99,407	30,217

THE SCOTTISH FORESTRY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1991

1. ACCOUNTING POLICIES

The Accounts have been prepared under the historical cost convention.

2. RESEARCH GRANTS AND DONATIONS

	1991 £	1990 £
Agroforestry Conference Sponsorship	—	1,500
Agroforestry	—	6,881
Wood Industry Input/Output Study	167	8,990
The Forestry Industry and the Greenhouse Effect	11,000	—
Dispersal of the Great Spruce Bark Beetle	11,054	10,551
The Economics of the Broadleaved Guidelines	—	325
Response of Salmon Stocks to Pre-Afforestation Drainage (Atlantic Salmon Trust)	—	2,000
Designated Areas in Scotland	24,072	—
The Commercial Potential of Birch	8,302	—
"Shake" in Oak	6,000	—
Scottish Forestry Trust Awards Scheme	1,250	2,068
Development of a Transformation from Uniform Plantations to an Irregularly Structured Forest	5,000	5,000
British Food and Farming Project — the Forestry Pack	—	2,500
Short Rotation Forestry Study Tour	—	1,500
Detection and Identification of Heterobasidion Annosum	8,833	8,405
Nitrogen Uptake by Spruce in Mixed Species Stands	12,000	5,710
Yield Class and Windthrow Hazard in Grampian	5,186	3,450
Timber Growers Award Sponsorship (Dulverton Flagon)	12,000	12,000
Printing and Distribution Costs — Annual Reports, Royal Highland Show etc	4,231	4,690
	£109,095	£75,570

3. GAIN ON DISPOSAL OF INVESTMENTS

Certain shareholdings were disposed of in the year in order to take advantage of alternative Investment Opportunities. The disposal resulted in a gain of £7,780.

THE SCOTTISH FORESTRY TRUST
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1991

4. INVESTMENTS	1991	1990
	£	£
Cost at 31 March 1990	1,224,996	1,186,272
Additions	194,458	224,135
Disposals	(95,782)	(185,411)
Cost at 31 March 1991	<u>1,323,672</u>	<u>1,224,996</u>
Listed Investments, dealt on a recognised Stock Exchange	<u>1,323,672</u>	<u>1,224,996</u>
Valuation:		
Listed Investments – Market Value	<u>1,437,517</u>	<u>1,256,643</u>

5. DEBTORS		
Included in Debtors are the following amounts:	1991	1990
	£	£
Tax suffered on Investments	2,035	1,624
Accrued Interest	3,327	5,301
	<u>5,362</u>	<u>6,925</u>

6. CREDITORS		
Included in Creditors are the following amounts:	1991	1990
	£	£
Salaries and Expenses	1,036	893
Office Costs	914	756
Professional Fees	1,660	1,917
Investment Management Costs	1,854	1,630
Other Creditors	—	887
	<u>5,464</u>	<u>6,083</u>

- 7. CAPITAL RESERVE**
- The gain on sale of the Trust's shareholding in Woodland Owners' Association (Commercial) Limited is held in Capital Reserve.
- The shares sales proceeds less costs of realisation are invested by the trust. There has been no movement on capital reserve during the year.