1.0 Introduction
This paper outlines a proposal for the development of farm forestry case studies in the CSGN area which could be used to promote farm forestry across the region and is presented to the WESG for initial comment and feedback.

2.0 Purpose
Produce costed case studies to illustrate the economic impact of integrating woodland creation into a farm business.

3.0 Rationale
Over the years, FCS has produced several guidance documents outlining advantages of planting trees on farmland. These have focused on the practicalities of tree planting and the associated physical benefits of woodland creation but have not considered the economic impact of woodland creation at a farm scale.

While it is accepted that woodland creation on farmland will result in income forgone for landowners as land is taken out of agricultural production and becomes ineligible for Single Farm Payment, woodland can generate incomes and efficiencies across other areas of a farm business. Over time, woodland creation may also offset some of the loss in land value incurred as a result of conversion to woodland.

The proposed case studies would look at existing farms and model the potential positive and negative impacts of woodland expansion on farm business performance in the short and longer term.

4.0 Outline
Two approaches could be taken. One generation scenarios on farms interested in new woodland planting, one looking at farms which have recently (within the last 10 years) undertaken planting

a) New Woodland Scenarios
Select farms across the CSGN area to reflect regional differences in land values, farming types and Less Favoured Areas. Selected farms would need to have expressed a positive interest in new woodland creation. These could be identified by engaging the services of Machinery Rings.

Financial details would be sought from selected farms to identify major areas of spend and income relating to key operations which could benefit directly or indirectly from farm woodland creation

Selected farms would receive a free visit from a suitably experienced adviser to assess the potential for woodland creation on the farm and to produce a suggested planting plan. At each farm, different potential motivations for new planting could be considered, such as:

- Supply timber to local woodfuel or timber market
- Off-set subsidy reduction as a result of ‘lost land’ ineligible for Single
Farm Payment
- Improving arable/livestock production yields (shelter belts) or aid land management (e.g. stock barriers)
- Providing an on-farm timber source for woodfuel grain drying systems
- Planting to meet proposed Ecological Focus Area requirements
- Managing waterflows through tree planting
- Establishing new woodland validated by the Woodland Carbon Code to generate income through the carbon trading

Using the suggested planting plan, future incomes and cash flows from Yr 0 – 20 would be modelled to offer projected woodland income/expenditure against income/expenditure across other relevant farm activities.

Forestry modelling would be developed based on Guy Watt’s 2013 Actual Costs survey, proposed SRDP 2014 – 2020 payment rates and with the support of FCS timber forecasting expertise. Depending on the timing of the work, it may be necessary to model farming incomes based on different scenarios i.e. loss and retention of Farming Premiums; 5% and 8% Ecological Focus Areas. Expertise would have to be sought from the agricultural sector regarding the modelling of farming incomes. SRUC already publish an annual Farm Management Handbook which provides technical and financial information for whole farm budgeting which may be relevant to this exercise.

b) Existing Farm Woodland Scenarios
Identify farms across CSGN area which have undertaken planting in the last 10 (- 15?) years to illustrate the impact of farm woodland schemes on overall farm cashflows and compare these with the likely ‘business as usual’ scenario under applicable grant schemes etc. Selected farms would illustrate direct and indirect savings or income generated by planting.

5.0 Strengths
- Presents argument for farm woodland in the wider context of a farm business. Rather than advising ‘how’, would address ‘how much’
- Localised examples will speak to local circumstances rather than offering generic examples
- Provides opportunity to engage with Machinery Rings which are seen by the farming community as ‘honest brokers’
- Positive step from FCS towards the promotion of integrated land use
- Could bring forward interest in farm woodland ahead of SRDP 2014 – 2020

6.0 Weaknesses
- Farms may be unwilling to provide financial details
- Relies on a significant amount of estimation and modelling will date quickly
- Needs an adviser who can work across agriculture and forestry
- CAP Reform ongoing so need to ensure that modelling is based on most likely outcomes.
- Timing will be heavily dependent on the release of new rates and agreements on CAP Reform
7.0 Other Considerations

- Study could be expanded to consider active management of existing woodland
- Resultant illustrations would be high-level ‘what-if’ scenarios which recognise the many variables affecting rural economies. They could be similar in style to the forecasting produced by the investment sector.

8.0 Discussion Points

- Is this approach relevant to the needs of the farming sector in CSGN?
- Would the private forestry sector find value in this approach as a means of informing land management decisions?
- How could the case studies be improved?