The Farm Management Handbook

Farm Advisory Service

Forestry & Farm

The UK reference for farm business management

SAC CONSULTING

Part of Scotland's Rural College (SRUC)

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This document is an updated section of the Farm Management Handbook. It was updated on 28th of June 2024. You can find the complete handbook, as well as other updated sections, on the FMH section of the FAS website.

Introduction

Woodlands can be a valuable part of the farm business, providing multiple benefits such as shelter for livestock, windbreaks for crops and income from timber. They can also have a positive impact on a larger scale by capturing carbon, creating wildlife habitat, and contributing to natural flood management.

Increasing the area of woodland in Scotland is a key Scottish Government objective to help meet national targets for reducing carbon emissions, supply the demand for wood products with home-grown timber, and restore and expand native woodlands for biodiversity benefits. Farmers are being encouraged to plant new woodlands and actively manage existing woodlands to benefit the farm business and provide public goods.

On 1 April 2019 forestry became fully devolved in Scotland. Scottish Forestry replaced Forestry Commission Scotland, taking responsibility for policy, regulation, and the Forestry Grant Scheme (FGS). Forestry and Land Scotland (FLS) replaced Forest Enterprise Scotland in looking after publicly owned forests. Both organisations are agencies of the Scottish Government.

This section provides guidance on trees and the law, plant health, woodlands and shelter, timber prices, financial assistance for farm woodlands, and taxation.

NOTE – To ensure that all forestry operations are carried out in accordance with forestry regulations, prior to undertaking any forestry activities such as tree felling or planting, advice should be sought from either Scottish Forestry or from a forestry professional.

Trees, the Law and Regulations

Felling Permissions

Anyone wishing to fell trees requires a Felling Permission (previously called a felling licence) issued by Scottish Forestry, unless an exemption applies or another form of felling approval such as a felling licence (including a forest plan) has previously been issued. It is an offence to fell trees without a Felling Permission if no exemptions apply. Illegal felling can result in a fine of up to £5,000 per tree and a criminal record for those involved.

Changes to the regulation of tree felling in Scotland came into effect on 1 April 2019 when the Forestry and Land (Scotland) Act 2018 replaced the Forestry Act 1967 in Scotland. Felling Licences issued before 1 April 2019 are still valid, if the expiry date has not been passed.

Exemptions
You may be allowed to fell trees without a Felling Permission if an exemption applies. The 2019 regulations made some changes to exemptions, full details are available from Scottish Forestry: http://forestry.gov.scot/support-regulations/felling-permissions. Two important changes are that a Felling Permission is now required to clear windblown trees, and to fell nuisance trees.

Exemptions include:

- Up to 5 cubic metres of timber within any set calendar quarter. This exemption does not apply in native broadleaved woodland between 0.1 and 0.5 hectares inclusive and Caledonian Pinewood sites.
- Trees with a stem diameter of 10cm or less, when measured at 1.3m from the ground.
- A tree that poses an immediate danger to people or property.
- Completely dead trees. Trees that are dying or have blown over are not exempt.

Restrictions
Felling must also comply with legislation and best practice regarding water quality, flood risk, conservation areas, and protected species such as badgers or bats.

Felling trees covered by a Tree Preservation Order (TPO) or within a Conservation Area requires additional consent from the Local Authority. Felling within a Site of Special Scientific Interest (SSSI) requires consent from Nature Scot, formerly Scottish Natural Heritage (SNH).

Obligation to replant
Felling Permissions, except those for thinning, are issued on the condition that the felled area will be replanted within a specified timescale, including areas cleared of windthrow. This includes the obligation to carry out the maintenance necessary for the trees to become established. Scottish Forestry may allow replanting in an alternative area of the same size as the felled area.

Grant funding is available to help with restocking for some qualifying sites through the FGS Woodland Improvement Grant (WIG) for Restructuring Regeneration. Note that you first need to have an approved Long-term Forest Plan (LTFP) or Management Plan to be eligible for WIG funding.

Environmental Impact Assessment (EIA)
Environmental Impact Assessment (EIA) is the process of identifying the environmental effects, either positive or negative, of the proposed project on the environment with the aim of avoiding, reducing or offsetting any adverse impacts.

The Forestry (Environmental Impact Assessment) (Scotland) Regulations 2017 are applied to forestry projects, namely afforestation, deforestation,

roads and quarries. If Scottish Forestry, the competent authority, decides that a proposal for one of these projects is likely to have a significant effect on the environment then under EIA Regulations, consent must be obtained prior to starting the work. As a result, you will be required to submit an Environmental Impact Assessment Report (EIA Report) as part of your application for consent.

The process for this, is to identify the activities that will be undertaken. Once these have identified, their potential environmental impact should be assessed, along with any mitigation that could reduce the impact. Once this has been carried out, an EIA Screening Determination form is submitted to Scottish Forestry who will assess the potential impacts and proposed mitigation. If they are content with the proposal, Scottish Forestry will give a Screening Opinion stating 'consent not required', this means the works can start. If Scottish Forestry feel that the project needs to be tested with a full EIA, then a 'consent required' letter will be issued. At this stage, a scoping process will be untaken to address the issues that need to be assessed within an EIA Report.

Thresholds and sensitive areas apply to EIA, which enable some work to be undertaken without a full EIA screening being undertaken. These are:

Project	Threshold where any part of the land is in a sensitive area	Threshold where no part of the land is in a sensitive area
Afforestation	2 hectares in a National Scenic Area (NSA) No threshold in other sensitive areas	20 hectares
Deforestation	0.5 hectare in a NSA No threshold in other sensitive areas	1 hectare
Forest Roads	No threshold	1 hectare
Forest Quarries	No threshold	1 hectare

For more information on EIAs, please refer to the Scottish Forestry web page provided using the link below:
https://forestry.gov.scot/support-regulations/environmental-impact-assessment

United Kingdom Forestry Standard (UKFS)
The United Kingdom Forestry Standard (UKFS) is the reference standard for sustainable forest management in the UK. It outlines the context for forestry, sets out the approach of the UK governments to sustainable forest management, defines standards and requirements, and provides a basis for regulation and monitoring – including national and international reporting.

The UKFS is separated into different elements for sustainable forest management, each supported by Guidelines for managers.

These elements are:

- General Forestry Practice
- Biodiversity
- Climate Change
- Historic Environment
- Landscape
- People
- Soil
- Water

Each of these elements are divided into legal and good forestry practice requirements. These legal and good forestry practice requirements should be followed when undertaking any forest operations.

Should these legal and good forestry practice requirements be breached, Scottish Forestry have powers under the UKFS Compliance Procedure to issue advisory/ warning letters or suspend/ revoke permissions given under Forest Plans, Felling Permissions, Forestry Grant Scheme contracts, and EIA consented operations. Updated 5th edition 2023 will be applied from 1st October 2024.

Further information on the UKFS can be found here.

Plant Health

The threat posed by tree pests and diseases is increasing, due to increased global travel, and imported plants and wood products. Climate change is also altering the ranges of many plant pathogens. The risk of spreading tree diseases can be reduced by taking simple biosecurity measures, such as cleaning mud from shoes, dogs' paws, and bike and car tyres between visits to different woodlands. Five of the most common threats to tree health are described below but this list is not exhaustive.

You can find guides to symptoms of tree pests and diseases on the Observatree and Forest Research websites. If you are concerned about the health of any trees, seek professional advice, and report any confirmed cases on the Tree Alert online reporting tool. It is required by law that diseases classified as notifiable are reported.

Scottish Forestry monitors woodlands for early warning signs of tree health problems and issues Statutory Plant Health Notices (SPHNs) to landowners. An SPHN will usually require the felling of trees to contain an infection and avoid it spreading further.

Larch disease (*Phytophthora ramorum*) – notifiable disease

P. ramorum is currently the biggest threat to tree health in Scotland, having already infected and killed thousands of hectares of larch. *P. ramorum* does not affect the quality of the timber so infected trees can still be processed but only by facilities that hold a licence to handle the material. A Management Zone covers the centre of the primary outbreak in Galloway. The area covered by the management zone is best viewed on the Scottish Forestry Map viewer.

You must apply for a movement licence to remove wood from a site issued with an SPHN or to move larch material from within the Management Zone to any site outside it. Wood from SPHN sites or wood moving from within the Management Zone to a site outside it can only go to a facility that holds a processing licence to handle it. Information and application guidance for movement or processing licences can be found on the Forest Research website.

Scotland is split into three management zones, based on where actions will have the greatest impact on controlling the spread of *P. ramorum*. For a map of the zones, see here.

The rules around felling and planting larch vary between the zones but **outbreaks of *P. ramorum* are occurring in all three risk zones**. All woodland owners should remain vigilant and regularly inspect for symptoms of the disease. Japanese, European and hybrid *Larix* species are all affected. While larch is the main timber tree at risk, rhododendron and other ornamental shrubs are also susceptible and help spread the disease. Other susceptible tree species include sweet chestnut, horse chestnut, beech, and several non-native oak.

P. ramorum is a notifiable disease so must be reported. First check the symptoms against online guidance and report the suspected outbreak through Tree Alert (see above for links). If *P. ramorum* is confirmed, Scottish Forestry will issue an SPHN (if outside the management zone), placing a legal requirement on the owner to fell the infected trees, and a buffer zone around them, within a set timescale. If you receive an SPHN, grant aid is available to assist with agents' fees and restocking. For further information see the following web page.

Chalara Ash dieback (*Hymenoscyphus fraxineus)*

First discovered in the UK in October 2012, Chalara Ash dieback is an infection caused by the ***H. fraxineus*** fungus, which is spreading throughout the UK. The airborne spores can spread within miles of an outbreak but transport of plants and spores in mud on tyres and shoes is thought to be responsible for spreading the disease over longer distances.

The general advice is not to fell live ash trees, even if they are infected, unless they pose a safety risk. This will allow resistant trees to be identified and survive as future breeding stock. Ash is one of the last tree

species to come into leaf in spring, so it is best to look for Chalara symptoms from July to September.

Juniper disease (***Phytophthora austrocedri***) **– notifiable disease**
P. austrocedri is a fungus-like pathogen which threatens juniper trees in Britain. Juniper (*Juniperus communis*) is an important but declining native species, thus a significant proportion of juniper woodlands are protected. Infected trees have been found at sites across Scotland and the north of England. The pathogen primarily attacks roots and extends up into the lower stem. Eventually the tree will be killed by girdling of the main stem. The pathogen is notifiable, and all suspected cases must be reported through Tree Alert.

Red band needle blight (*Dothistroma septosporum)*
D. septosporum is a fungus which typically attacks older needles on conifers, initially creating yellow bands that turn red. Sometimes all but the base of the needles can turn brown, rather than causing bands. Infected needles will die and fall off, gradually weakening the tree. This reduces timber yields and can eventually kill trees.

It has been found on a range of conifer species but pine are the most common hosts, including Scots, Lodgepole and Corsican pine. The disease exists throughout Scotland and is managed by thinning to increase airflow through the woods, and by planting less susceptible tree species in future rotations. It is not a notifiable disease and there are no restrictions on timber movement.

Dutch elm disease (*Ophiostoma novo-ulmi)*
This disease has already killed 60 million elm trees in Britain and continues to spread throughout Scotland. It is caused by a fungus that is spread from tree to tree by the elm bark beetle.

Local authorities may require owners to fell elms infected by Dutch elm disease, under the Dutch elm disease (Local Authorities) (Amendment) Order 1988. To prevent the spread of the disease, regulations also control the movement of elm logs within the terms of a licence. It is not a notifiable disease.

Phytophthora pluvialis
First discovered in the UK in a woodland in Cornwall in September 2021, *P. pluvialis* is a fungus-like pathogen that affects a variety of soft conifers including western hemlock, radiata pine and Douglas fir. Further investigations are ongoing to identify the spread and severity of this pathogen, but cases have already been confirmed in Devon, Cumbria, Surrey, Shropshire, and at multiple sites in both Scotland and Wales.

Great spruce bark beetle (*Dendroctonus micans*)
D. micans is a common pest of spruce and pine in mainland Europe but is not native to the UK. It tunnels into the bark of living trees to lay its eggs. The larvae then feed and develop, forming galleries that weaken,

and in some cases kill, the host tree. It is now an established pest in southern Scotland and is slowly extending its range northwards. The beetle is a capable flyer but long-distance spread is also known to occur through the movement of infested roundwood. The D. micans distribution map in Scotland shows the Pest Free Area and the latest confirmed distribution of D. micans in Scotland. Scottish Forestry are working with the timber sector to promote the 'Ditch the Debris' message to reduce the risk of moving infested material into the Pest Free Area via timber haulage.

Woodland and Shelter

Trees and woodland can provide valuable protection from wind and driving rain which can:

- reduce lamb and ewe mortality resulting from evaporative chilling
- increase weight gain in livestock
- increase milk yields in cows
- improve livestock health and condition
- reduce feed costs
- reduce evapotranspiration of pasture and crops
- protect light soils
- increase soil organic matter content

Woods can act as a wind shield or a wind break, depending on the porosity of the wood. These principles are set out below:

Wind Shield

- Virtually impermeable woodland (<40% porosity)
- Reduces wind speed by up to 90%
- Wind speed reduction over distance of up to 10 times tree height from lee side of forest
- Greatest shelter within distance of 3 to 5 times of tree height
- Completely stops wind within small area; high turbulence in field
- Best for livestock protection

Wind Break

- Permeable woodland (40-60% porosity)
- Reduces wind speed by up to 70%
- Wind speed reduction over distance of 20-30 times tree height from lee side of forest
- Achieves reduced wind speeds across large area
- Little turbulence well above ground
- Best for crops and silage

More information on the principles of using woods for shelter can be found here.

Scottish Timber Log Prices

The table below provides a comparison of Scottish timber prices from June 2024. These values are representative of prices offered for clear fell harvesting only; lower prices will be offered for thinning operations.

Prices vary according to market conditions, quality of timber, total volume harvested, ease of access and transport cost. Values are given in £/t, sold on an out-turn tonnage basis. Roadside sales are net of harvesting costs, while standing sales are net of harvesting and haulage costs and represent the gross margin of that crop.

Species	**Log Type**	**Price (£/t)**	
		Roadside	Standing
Larch	Logs	55-65	30-45
Scots Pine	Logs	55-65	30-45
Sitka Spruce	Green Logs	70-80	35-55
Sitka Spruce	Pallet wood	60-70	25-30
Mixed Conifer	Chipwood or Pulp	45-60	25-35
Lodgepole Pine	Logs	45	20
Mixed Conifer	Slats	55	30
Hardwood Logs	Various	70	45

This link connects to Forest Research Timber Price Index data to March 2024.

Timber crop values at clear fell range considerably, with high quality crops usually selling well. Estimated standing sale timber values for Sitka spruce (yield class 16, appropriately thinned) felled at 45 years old can be anywhere from £6,000 to £22,000/ha.

Woodland owners increasingly keep part of the timber harvested for their own use for woodfuel. The cost to harvest and extract small round-wood to roadside is typically in the range £12-30 per tonne. Price can depend on volume per ha, size of area, and distance from stacking area.

Financial Assistance for Farm Woodlands

Financial assistance for the creation and maintenance of forestry and farm woodlands is supported through the Forestry Grant Scheme (FGS).

The FGS is entirely administered, except for payments, by Scottish Forestry. Payments are made by Rural Payments and Services (RP&S) Full details of the FGS can be found here.

The following information has been adapted from the above website to give an overview of the scheme options. Applicants should refer to the full scheme guidance as revisions are likely and applicants should always check for the latest updates.

Forestry activity is supported under eight categories and these are:

1. Woodland Creation
2. Agroforestry
3. Woodland Improvement Grant
4. Sustainable Management of Forests
5. Tree Health
6. Harvesting and Processing
7. Forest Infrastructure
8. Forestry Co-operation

Woodland creation

Grants for woodland creation largely continue as they have since 2015. These can be very attractive for planting of a significant scale especially for timber-producing woodlands. 50-60% of new planting tends to be of productive woodlands. Demand for Woodland Creation grants continues to be very high, with contracts already approved and budget allocated for many 2024/25 projects already. The budget for woodland creation for 2024/25 has been reduced from £45m to £25.3m. This will reduce the estimated number of hectares planted for 2024/25 by approximately 9,000 ha.

FGS offers a per-hectare payment for initial planting, which varies depending what type of woodland you want to grow (the nine options are listed below). Capital payments are available for items required to establish the woodland, including fencing, tree shelters, bracken control, and gorse removal. An annual maintenance payment is paid per-hectare and claimed on the Single Application Form (SAF) for five years. You can continue to claim Basic Payment on land planted under the scheme.

Small Woodlands Loan Scheme

Scottish Forestry has introduced a loan scheme to help with the costs of establishing Woodland Creation projects. FGS funding is paid after initial operations are complete, typically three months from when a claim is submitted. The loan can provide 50% of the value of capital items up front, acting as a partial bridging loan in the time between the work being done and the grant funding being paid. Woodland creation schemes up

to 50ha are eligible, up to a maximum value of £40,000 per application. More accurately, this should be called a down payment. Interest will be charged if you **don't** go ahead with the scheme.

Sheep and Trees

The Sheep and Trees initiative is aimed at supporting upland sheep farmers to grow a timber crop while continuing to farm livestock (where sheep are a major component). This package offers funding for forest infrastructure, such as new road building, along with woodland creation. Forest Infrastructure grant can be claimed when planting between 10 and 50ha under the Conifer or Diverse Conifer options in blocks of at least 10ha.

Woodland Creation Options and Grant Rates

There are nine options for woodland creation, each with specific requirements for composition and stocking densities:

1. Conifer – timber crops of predominantly Sitka spruce.
2. Diverse Conifer – timber crops of species other than Sitka spruce.
3. Broadleaves – grown at high stocking density to produce hardwood timber.
4. Native Scots Pine – native pinewood habitat creation or expansion.
5. Native Upland Birch – low-density downy birch habitat on shallow peaty soils (<50cm depth).
6. Native Broadleaves – other native woodlands, mainly lowland habitat types.
7. Native Low-density Broadleaves – specific native woodland or scrub habitats such as transition zones between woodlands and open hill.
8. Small or Farm Woodland – mixed broadleaved and conifer woodlands less than 10ha, no individual block more than 5ha.
9. Native Broadleaves in Northern and Western Isles – native woodland habitats in high exposure areas on the islands or elsewhere within the crofting counties.

A higher rate of grant is payable in four target areas:

1. Conifer, Diverse Conifer or Broadleaves in areas defined as being preferred or potential in the relevant local authority woodland strategy or equivalent.
2. Areas identified by the Cairngorms National Park Authority as a priority for woodland expansion, for predominately Scots pine or native broadleaved options.
3. Woodlands for Water, in priority areas identified by SEPA, for all options other than the Conifer option.
4. Native woodland options within the area identified as the Highland Native Woodland Target area.

A capital grant is available for using vegetatively propagated genetically-improved Sitka spruce. This is to encourage use of the most productive plants to grow high-yielding timber crops.

The Central Scotland Green Network (CSGN) offers an additional capital item payment for woodland creation schemes within the CSGN area of central Scotland. Different payment rates per hectare are offered within the Core, Outer Core and Fringe areas. These CSGN areas are shown on Scottish Forestry's Map Viewer here.
From the dropdown menu select FGS Target and Eligibility Area and then FGS Target CSGN Contribution area. The planting grants and capital grants applicable to the woodland creation scheme are as follows:

Planting Grant	**Payment rate (£/ha)**		
Standard Areas	***Initial Planting***	***Annual Maintenance***	***Total for 5 yrs***
Conifer*	1,920	208	2,960
Diverse conifer*	2,160	336	3,840
Broadleaves*	2,880	528	5,520
Native Scots Pine	1,840	272	3,200
Native upland birch	1,840	128	2,480
Native broadleaves	1,840	272	3,200
Native low-density broadleaves	560	96	1,040
Small or farm woodland*	2,400	400	4,400
Native Broadleaves in Northern and Western Isles	3,600	624	6,720
Target Areas			
Conifer	2,160	234	3,330
Diverse conifer	2,430	378	4,320
Broadleaves	3,240	594	6,210
Native Scots Pine	2,070	306	3,600
Native upland birch	2,070	144	2,790
Native broadleaves	2,070	306	3,600
Native low-density broadleaves	630	108	1,170
Small or farm woodland	2,700	450	4,950
Native Broadleaves in Northern and Western Isles	4,050	702	7,560

* Where ploughing is the agreed method of ground preparation, the Initial planting payment rate is reduced by £240/ha for the Conifer option, £270/ha for the Diverse conifer option, £360/ha for the Broadleaved option and £300/ha for the Small or Farm Woodland option.

Capital Item Grant	**Payment rate**
CSGN – Core Area Contribution	£2500/ha
CSGN – Out Core Area Contribution	£1500/ha
CSGN – Fringe Area Contribution*	£750/ha
Genetically improved Sitka Spruce	£150/ha

Capital Item Grant	Payment rate
Stock fence	£4.40/m
March stock fence	£2.75/m
Deer fence**	£7.60/m
Deer fence - high cost**	£9.90/m
Upgrading stock fence to deer fence	£3.28/m
Rabbit-proofing stock or deer fence	£1.60/m
Tree shelter: 1.2 to 1.8 metres	£2.00 each
Tree shelter: 0.6 to 1.1 metres	£1.16 each
Vole guard	£0.19 each
Enhancing or modifying a stock fence - Black Grouse and Capercaillie core areas	£2.00/m
Enhancing or modifying a deer fence	
- Low cost Black Grouse/Capercaillie core areas	£2.00/m
- High cost Black Grouse/Capercaillie core areas	£4.48/m
Conversion of deer fence to stock fence Black Grouse and Capercaillie core areas	£1.60/m
Gate for stock fence	£136 each
Gate for deer fence	£172 each
Badger gate	£64 each
Self-closing gate for non-vehicular access	£280 each
Building or restoring drystone dykes	£26.40/sq. m
Bracken control, mechanical or chemical removal***	£225/ha
Gorse removal***	£720/ha

* Fridge Payment can now be claimed for anyone outside the CSGN area.
** High rate can now be claimed across all of Scotland.
*** Gorse removal is now claimed for bracken mechanical control only.

Demand for Woodland Creation grants is high and has been increasing for the past few years. Applications for FGS can be submitted all year round but funding runs from April each year and becomes increasingly competitive as contracts are approved and budget allocated. Applications are scored on how well they will deliver Scottish Forestry's objectives.

Scottish Forestry pay particular attention to the 'value for money' of proposed schemes. Those with a total grant value (including 5 years of maintenance payments but excluding any CSGN contribution and basic payments) of greater than £6000/ha are classed as 'high cost' schemes. There is a smaller pool of money available for these schemes and grant funding is therefore more competitive. It is usually necessary to demonstrate a significant level of public benefit.

Fencing is generally considered the preferred method of protecting a new woodland. At scale, fencing is also usually cheaper than using individual tree shelters. Scottish Forestry may support tree shelters if using them will cost less than fencing.

Income from sales of carbon credits is playing an increasingly important role in making certain types of woodland creation schemes financially viable. One condition of carbon funding is the 'additionality rule' – the income from selling carbon credits must be essential to allow the project to go ahead. In October 2022 new rules came into place and now schemes need to pass a new cashflow spreadsheet that has standard cost and incomes for all items. Once you have filled in the spreadsheet, it will tell you if the project Passes or Fails.

Per-tonne of carbon dioxide equivalent (CO_2e) rates for sales of carbon credits have increased during the last 12 months but can vary widely from £8/tCO_2e to in excess of £25/tCO_2e. For more information on Carbon values, please refer to the Carbon section of the handbook.

When planning farm woodlands it is important to consider other benefits and costs. For example:

- Additional benefits can include shelter, conservation, sporting, amenity and carbon sequestration, the latter seeing dramatic price rises between 2020 and 2023. For further information on forestry and climate change, please refer to the final section within this chapter.
- The loss of agricultural production from the land is an opportunity cost and this can be minimised by planting less productive land, such as where bracken has established. If a significant proportion of the farm is planted, it may be possible to reduce fixed costs.
- Potentially, one of the largest financial impacts is the effect on land values. Generally, the more productive the land that is planted with trees, the greater the potential loss in capital value. In some circumstances capital values can be improved by new woodland, for example through better shelter, amenity, or sporting.

Woodland Improvement Grant

This grant aims to support forest management, activity to enhance the environment, and improve public access to existing woodlands. There are five options in this category:

1. Habitats and Species
2. Restructuring Regeneration
3. Low Impact Silvicultural Systems (LISS)
4. Woodlands In and Around Towns (WIAT)
5. Planning including Long-term Forest Plan, Forest Plan Renewal, Woodland Grazing Plan, WIAT Urban Woodland Management Plan and Deer Management Plan.

Grant payments for options under the Woodland Improvement Grant are as follows:

Option	Grant payment
Habitats and Species	Standard costs for capital works and items from a set list. Actual costs are available for

Option	Grant payment
	work in woodland SSSI and Natura sites where it can be demonstrated that the actual costs of the eligible capital items will be higher than the set standard costs list for this option
LISS	Standard costs for capital works and items from a set list
WIAT	Standard costs for capital works and items from a set list
Long-term Forest Plan	£25/ha for first 200ha, £5/ha thereafter (minimum £500; maximum £15,000)
Forest Plan Renewal	£10/ha for first 200ha, £5/ha thereafter (minimum £500; maximum £10,000)
Woodland Grazing Management Plan	£1,200 per plan
WIAT Urban Woodland Management Plan	£1,000 for any area up to 10ha, £25/ha thereafter
Deer Management Plan	£12/ha for first 500ha, £1/ha thereafter (minimum £5,000; maximum £15,000)

Payments for restocking, (known as restructuring regeneration) comprise a single capital payment. An approved long-term Forest Plan or Woodland Management Plan must be in place to be eligible for these grants. The payments are:

Delivering UKFS Woodland (no more than 75% of area as a single species)	£300/ha
Delivering Diversity and Resilience Woodland (no more than 60% of area as a single species)	£550/ha
Improved Vegetative Stock for Sitka Spruce	£60/ha

Sustainable Management of Forests

These grants support a range of activities in existing woodlands that will:

- Increase species and structural diversity through Low Impact Silvicultural Systems (LISS) management.
- Encourage natural regeneration to expand native woodlands.
- Bring native woodlands and designated woodland features into active management and good ecological condition.
- Support management of rural and urban woodlands for public access.
- Control grey squirrels where they are a threat to the red squirrel population.
- Control predators to benefit Capercaillie and Black Grouse.
- Reduce deer impacts to a level that will allow regeneration of conifer and broadleaved species.

The grant support for this category comprises nine options. All payments are made for up to a maximum of five years. An approved Long-Term Forest Plan (LTFP) or Woodland Management Plan must be in place to be eligible for these grants. Approved Deer Management Plans and/or Woodland Grazing Plans may also be required to be eligible for some options.

Grant	Payment rate
Low Impact Silvicultural Systems (LISS)	£30/ha/yr
Native Woodlands	£25/ha/yr
Livestock Exclusion	£43/ha/yr
Woodland Grazing	£100/ha/yr
Public Access – Rural Woods	£100/ha/yr
Public Access – Woods In and Around Towns (WIAT)	£100/ha/yr for first 10ha £10/ha/yr for any additional areas
Grey Squirrel Control	£200 per trap/yr
Predator Control for Capercaillie and Black Grouse	£6.60/ha/yr
Reducing Deer Impact	£6.00/ha/yr

Forest Infrastructure
This option has two aims:

1. Existing Woodlands - To provide support for new access infrastructure that will bring small-scale, undermanaged woodlands or inaccessible woodlands back into active management to improve the economic value of forest and woodland through timber production, to increase the area of woodland in Scotland that is in sustainable management and to improve the environmental and social benefits of woodland. This option is limited to woodlands of up to 50 hectares in size.
2. Sheep and Trees - To provide support for new access infrastructure to new woodlands as part of the Sheep and Trees initiative. This initiative is aimed at raising awareness of the many opportunities woodland can bring to land managers. This option, as part of the Sheep and Trees grant package, is only available for upland livestock farmers when creating between 10ha and 50ha of productive Conifer or Diverse Conifer woodland and is limited to up to 30m per hectare planted, with a cap of 1,500m per application.

Grant support is available for several capital grant operations associated with construction of new forest infrastructure:

Grant	Payment rate
Forest road with on-site material *	£25.80 per linear metre
Lay-bys, turning areas, and loading bays	£6.60 per square metre
Bell-mouth junction **	£32.40 per square metre

* in the Sheep and Trees option allowance of up to 30 metres/ha of woodland creation (cap of 1,500 metres/application)

** not available for the Sheep and Trees option

Agroforestry

Agroforestry can be described as an integrated approach to land management, where trees and agriculture co-exist to provide multiple benefits. This option provides grant support to help create small-scale woodlands within sheep and cattle grazing pasture. These trees can:

1. provide shelter for livestock
2. provide timber
3. increase biodiversity
4. enhance the landscape

This grant has two payment types:

- a capital grant for initial establishment
- an annual maintenance grant that is paid for five years

The rate of capital grant that can be claimed depends on the number of trees that are planted per hectare. Two stocking levels and grant rates are available:

Planting density	Initial payment	Annual maintenance
300-400 trees/ha	£5,400/ha	£126/ha/yr
150-200 trees/ha	£2790/ha	£72/ha/yr

The rate per hectare has been set to cover:

- purchase of trees and stakes
- purchase or construction of appropriate protection
- planning, site assessment, supervision, ground preparation, and planting

A contribution is also included to the cost of beating-up and weeding.

Tree Health

This option provides support to prevent the spread of larch disease, *Phytophthora ramorum* (see page 6 for more information on the disease itself).

This option helps with the restoration of forests affected by the disease by supporting the work to remove infected trees and carry out subsequent replanting.

Grant support consists of a number of standard cost capital items. These are available for work to help prevent the spread of disease and restore affected woodlands. The eligible items and payment rates for eligible operations on infected land are listed in the following table:

Grant	Payment
Agent services - Advisory	£200
Agent services - Compliance	£500
Agent services - Harvesting and marketing	£1,000

Grant	Payment
Tree clearance (clearing saw)	
- Larch under 26 years - first 5ha	£600/ha
- Larch under 26 years - >5ha up to 10ha	£450/ha
- Larch under 26 years - >10ha	£300/ha
Tree clearance (other mechanised equipment)	
- Larch under 26 years - first 5ha	£1,200/ha
- Larch under 26 years - >5ha up to 10ha	£900/ha
- Larch under 26 years - >10ha	£600/ha
Un-economic felling	
- Larch on Islands - first 5ha	£2,400/ha
- Larch older than 26 years - first 5ha	£1,200/ha
- Larch greater than 26 years - >5ha up to 10ha	£900/ha
- Larch greater than 26 years - >10ha	£600/ha
Restocking - Delivering Diversity and Resilience in Woodlands	£1,400/ha
Manual Rhododendron Eradication	
- Light	£3,500/ha
- Medium	£5,500/ha
- Difficult	£7,300/ha
Mechanised Rhododendron Eradication	
- Light	£2,200/ha
- Medium	£3,400/ha
- Difficult	£5,600/ha
Foliar Spray Treatment Rhododendron Eradication	£200/ha
Follow-up Rhododendron Eradication	£200/ha
Stem Injection Rhododendron Eradication	
- Medium	£3,000/ha
- Difficult	£4,500/ha

Harvesting and Processing

This option supports investments in three main areas:

1. New specialised equipment which will increase the local small-scale harvesting and processing capacity with the aim of:
   - helping to bring woodlands into management
   - promoting the economic and sustainable production of timber and timber products through processing
   - adding value to local economies on a non-industrial scale processing (less than 10,000 tonnes per annum), primary timber processing (less than 5,000 tonnes per annum), secondary processing equipment (less than 500 cubic metres per annum)
   - providing support to facilitate and support diversification and to assist with the creation of new small-scale enterprises and related employment.
2. New specialised equipment for forest tree nurseries (including tree nurseries in England and Wales) and ground preparation and fencing equipment for afforestation projects with the aim of:

- promoting economic development in rural areas in Scotland by supporting new and existing forestry businesses
- scaling up and expanding the capacity within the forest tree nursery sector and the forestry contractor resource to help delivery of the Scottish Government ambitious woodland creation target
- helping forest nurseries to adapt, become more resilient and recover from COVID-19.

3. Support for the mobile equipment to help forestry businesses or enterprises to adapt and recover from COVID-19, with the aim of:
    - promoting economic development in rural areas in Scotland by supporting new and existing forestry businesses.

Grant support is based on actual costs with a maximum contribution of 40%. The balance of funding must come from private funds and not from other public funds. Public funds include all EU funds, and any UK government funds, including local authority and lottery grants. In any single application, the minimum and maximum grant award totals will be:

- Aim 1 – harvesting and primary processing equipment minimum £2,500 and maximum £50,000
- Aim 1 – secondary processing equipment minimum £1,000 and maximum £6,000
- Aim 2 – nursery and ground prep equipment minimum £2,500 and maximum £50,000
- Aim 3 - mobile equipment to help adapt and recover from Covid-19 minimum £2,500 and maximum £50,000

One application round will be run each year with a closing date of 31 January for the submission of applications. Applications with a claim year of 2022 must spend grant awards by the end of March 2023.

The grant cannot be used for purchase of chippers or second-hand equipment. A business case must be submitted as part of the grant application.

Forestry Co-operation

This option aims to encourage landscape-scale collaborative projects between two or more landowners by providing support for project facilitation and co-ordination. The subsequent management activity can be supported through other options within the Forestry Grant Scheme.

Grant support of £250 per day is available for up to 40 days to support the cost of a project co-ordinator for the following stages of a project:

- Feasibility – this stage is the initial exploratory phase
- Consolidation – this stage focusses on the detail of the project.

Trees and Taxation

Forestry enjoys several benefits in relation to taxation. Their value to stimulating the forestry sector was recognised in the Land Reform Review in 2014. Taxation considerations for forestry are listed below:

Income Tax - Currently, profits arising from the commercial occupation of woodlands are not chargeable to Income Tax and Corporation Tax and the value attributable to trees is exempt from Capital Gains Tax. The sale of voluntary carbon credits as of 1 September 2024 VAT will be charged on all transactions unless it is exempt. However, applicants should always seek professional independent advice based on their specific circumstances.

Capital Gains Tax (CGT) - There is no CGT applied to the gain in value of commercial trees. CGT does however apply to a gain in value on the land.

Inheritance Tax (IHT) - Where commercial woodland has been in individual ownership for at least two years, it will normally attract 100% IHT Business Property Relief.

Corporation Tax (CT) - Where a company owns woodland which is independent of their trading operations, there is no CT liability on income generated by timber sales or surplus resulting from forestry grants.

For more detail see the Taxation section.

Forestry and Climate Change

Afforestation is one of the methods by which climate change reduction targets can be achieved. For each new hectare of forest and woodland created, it is estimated that, on average, seven tonnes of CO_2 will be removed from the atmosphere each year. The Climate Change Plan includes commitments to incrementally increase the annual woodland creation target from 12 000 to 18 000 ha per year by 2024/25. Scotland's forests cover is currently 19% of the total land mass area. The Scottish Government's forestry strategy aim is to increase this to 21 % by 2032.

Growing trees act as a carbon sink, sequestrating carbon dioxide from the atmosphere and converting it to wood. This carbon remains locked away as long as the timber is used in construction, fencing or other wood products.

The total carbon stock in UK Forests is estimated to have increased to 4.0 billion tonnes of carbon dioxide equivalent in 2020, up from around 3.2 billion tonnes of carbon dioxide equivalent in 1990. Of this 4 billion tonnes CO2e, over half (51%, 2.0 billion tCO2e) is sequestered in Scotland's forestry stock.

The permanent planting of trees (not Christmas trees) on agricultural land will result in net sequestration of carbon. Deep peats (greater than 50cm deep) should not be planted as peat itself sequesters carbon and planting it with trees would cease its function as such. Similarly, evidence suggests that maximum C-sequestration benefits on a per-hectare-basis might be achieved on the highly productive lowland areas, although potentially at a high agricultural opportunity cost. Agroforestry, where trees are planted in a way that allows the land is to be kept in agricultural production may be an option here. Scotland-wide, significant benefits are also possible on the less productive lands, by avoiding disturbance of organic soil layers.

Carbon value

Tree planting on agricultural land will contribute to reducing a farm's carbon-footprint, where:

- It is a permanent change in land use.
- The planting conforms to the UK Forestry Standard.
- The risks to the planting and the accuracy of sequestration predictions are considered.

New woodland may qualify for payments under a carbon brokerage scheme (the Woodland Carbon Code – WCC), as long as it passes the financial additionality through the standard Cashflow Spreadsheet to show that the creation of the woodland would not have happened without the assistance of the WCC.

Current payments for new planting range dramatically dependent on species, contract period, location and management regime. Values offered vary significantly between projects, as it is often the case that the carbon value of a woodland scheme is also linked by investors to the diverse range of other benefits a site may deliver, for example, a native broadleaved scheme which reduces flood risk for an area would likely achieve significantly higher carbon values than a commercial conifer monoculture plantation.

Carbon Credit values have risen significantly from 2021 into 2023 as more businesses and individuals look to reduce the environmental impact of their activities as part of efforts to work towards 'net zero' targets and wider Environmental, Social and Governance (ESG) principles, and as growing awareness of climate change also starts to influence public perception of greenhouse gas emissions and a shift towards sustainable living. More businesses and individuals are looking to offset their own emissions, and woodland creation is playing a huge part in this move as an affordable and sustainable approach to offsetting emissions whilst also delivering a multitude of biodiversity and landscape benefits.

To the end of June 2024, a total of 2,151 projects had been registered under the Woodland Carbon Code, covering around 81 thousand

hectares of woodland with a projected total sequestration of 27 million tonnes of carbon dioxide over the lifetime of these projects.

Wood fuel
Wood can be used as a renewable heat source and is usually sold to the customer as logs, chips or pellets. Woodland owners can sell smaller sized roundwood as logs. Values vary according to whether the wood is soft wood (conifer) or hard wood (broadleaf); for log prices see page 9.

Standing and lying deadwood can be of considerable ecological value, it may also have a lower calorific value than 'live' wood. Where it is safe to do so, deadwood should be left in the forest.

Short Rotation Forestry (SRF) is a system for producing woody biomass for renewable energy projects. It is exempt from Scottish Forestry Woodland Creation grant funding. For more information on this system and biomass heating, please refer to the Renewable Energy chapter.

Woodland as pollution control
Native riparian woodland can provide an effective buffer against diffuse pollution. Woodland acts as a buffer reducing the risk of surface run-off, leaching, spray pesticide drift and fertilisers entering the watercourse. Trees can reduce the risk of erosion and when fenced can help prevent stock from entering the water courses.

Woodland as flood control
Forests and woodlands can slow down and reduce levels of flooding downstream. The forest canopy slows the rate at which rain reaches the ground, tree roots make the soil more porous and therefore more able to retain water (together with generally higher organic content than outside the forest), and transpiration of water from the soil.

Species choice for woodland creation
Sitka spruce, comprising over 60% of the national timber crop, has traditionally been favoured for its rapid growth and great adaptability. It is however a high-rainfall species, requiring over 2m of rain per year. On the drier east coast, the incidence of drought crack in Sitka spruce, which makes otherwise valuable timber worthless, is increasing as the climate becomes drier and warmer. Greater species diversity is therefore required, placing emphasis on more suitable species such as Norway Spruce, Scots Pine and Hybrid Spruce. Although slower growing and lower yielding than Sitka spruce, the long-term view should be taken, establishing trees which in decades ahead will be tolerant of drier and warmer conditions and still produce good quality timber.