

IT MAY BE TIME TO REVISIT WOODLAND PLANTING

Much has been made of the upcoming reductions to agricultural subsidies. BPS is to fall by 25% for the largest claimants next year, with further reductions to follow. The popular RDPE Growth Fund and Countryside Productivity Scheme have now closed for new applicants and very little is currently known about the Farming Investment Fund set to replace them. We have recently seen figures from the Treasury suggesting hundreds of millions of pounds will be cut from subsidy budgets for the devolved nations.

At a time like this, any measures which could help to guarantee subsidy funding into the future should be considered carefully. This must especially be the case for areas where funding may actually be increasing. New woodland planting is one such area.

The grants to cover the costs of planting trees are well-established. These are either the Woodland Carbon Fund or the Countryside Stewardship Woodland Creation Grant. Each of these usually offers a one-off payment of up to £2,750 per acre, with an additional payment for maintaining the woodland after establishment. Only one of these two grants may be claimed per planting.

There is now, in addition, the Woodland Carbon Code. This allows the landowner to earn “credits” for carbon the new woodland takes in from the atmosphere. These can then be sold to private sector companies, who are increasingly willing to pay significantly to improve their “green” credentials. These credits can either be sold as “pending issuance units” (PIUs) before the woodland has grown, as more valuable “woodland carbon units” throughout the woodland’s life, or as a combination of both. Credits can also be sold to the government via a reverse auction under the Woodland Carbon Guarantee scheme. The most recent published auction result valued credits at an average of £19.71 each, and our own clients’ results suggest the as-yet-unpublished auction in October-November may be similar.

Provided that the planting is funded by one of the schemes mentioned above and was

claimed under the Single Payment Scheme in 2008, it could still remain eligible for the BPS until this is phased out in 2027.

Combined, this funding means that if the maximum amount of PIUs are sold immediately, a 25-acre broadleaf planting could earn £1,600 per acre/£3,710 per ha in the first year, or £398 per acre/£983 per ha on average over the first five years, net of costs. As the woodland matures beyond this time it will eventually produce income from clearfell, as well as further grant funding such as the Countryside Stewardship Woodland Management Plan grant. Such less densely planted sites can also still be used for undergrazing, subject to Forestry Commission permission in the first 10-15 years.

These factors combine to make woodlands a secure source of income on less productive land. Now, more than ever, is the time to take a closer look at this longer-term “crop”. Our forester heads up a team which can provide a “one-stop shop”, from choosing the most suitable woodland site, design, grant options and management to selling the carbon units through TCS Brokerage, the leading rural broker in the UK.



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FACT SHEET 7
Small Carbon Code Woodland—Year 1 Profit—10ha Native Broadleaf

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ITEM	NUMBER	@	£	UNIT	TOTAL	NOTES
Grant aid (planting)	12,800	@	£1.20	item	£16,384.00	Assuming Woodland Carbon Fund (WCF)
Grant aid (tree shelters)	12,800	@	£1.60	item	£20,480.00	Assuming WCF
Sale of carbon	4,400	@	£12.00	PIU	£52,800.00	Assuming sold as Pending Issuance Units, on a 10ha woodland sequestering 500t/ha in total over 85yr period at average £12/PIU, assuming no thinning. PIU market price and sequestration of individual woodlands can vary.
BPS	10	@	£221.56	ha	£2,215.60	Assuming WCF and land claimed on in 2008. At 2020 non-SQA entitlement value with 15% reduction and available entitlements. Also assuming claimant makes own BPS claim.
Planting cost	10	@	-£4,746.20	ha	-£47,462.00	Assuming 1,600 stems/ha (20% open space), includes supply and plant 12,800 broadleaves with 1.2m tree shelters and stakes, much mats (inc 10% break-up and 10pitem spot spray)
Validation	1	@	-£1,200.00	-	-£1,200.00	Payment to Soil Association or Organic Farmers and Growers to issue PIUs
IHS Markit registration	4,400	@	-£0.00	PIU	-£284.00	Mandatory payment for registration of PIUs
Management fees	-	-	-	-	-£3,000.00	Woodland design, grant applications, UK forestry standard compliance, Environmental Impact Assessment, administration of Registration and Verification including Carbon Calculations (costs vary case-by-case)
NET INCOME AFTER PLANTING					£39,935.10	£1,000,000 (£2,000/ha) income in first year assuming PIUs sold; woodland should then continue to generate revenue from sales of timber, generation of further carbon units to sell, and further grant funding from WCF year 2 ramp up and future woodland planting grant schemes.

1. This template is for illustrative only, and should not be relied upon without further advice.
2. Grant aid and government payment are based on the likely requirements of the local Planning Authority.
3. Pending issue costs and grant aid are assumed without issuing date or a 10ha woodland.
4. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.
5. Carbon units are sold at £12/ha.
6. Planting cost includes 1.2m tree shelters and stakes, much mats (inc 10% break-up and 10pitem spot spray).
7. Management fees are based on standard fees from the local Planning Authority.
8. Woodland design (including an Environmental Impact Assessment), but not with any other government payment.
9. Pending issue costs and grant aid are assumed without issuing date or a 10ha woodland.
10. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.
11. Carbon units are sold at £12/ha.
12. Planting cost includes 1.2m tree shelters and stakes, much mats (inc 10% break-up and 10pitem spot spray).
13. Management fees are based on standard fees from the local Planning Authority.
14. Woodland design (including an Environmental Impact Assessment), but not with any other government payment.
15. Pending issue costs and grant aid are assumed without issuing date or a 10ha woodland.
16. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.

FACT SHEET 8
Small Carbon Code Woodland—5 year Budget—10ha Native Broadleaf

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ITEM	NUMBER	@	£	UNIT	TOTAL	NOTES
Grant aid (planting)	12,800	@	£1.20	item	£16,384.00	Assuming Woodland Carbon Fund (WCF)
Grant aid (tree shelters)	12,800	@	£1.60	item	£20,480.00	Assuming WCF
Sale of carbon	4,400	@	£12.00	PIU	£52,800.00	Assuming sold as Pending Issuance Units, on a 10ha woodland sequestering 500t/ha in total over 85yr period at average £12/PIU, assuming no thinning. PIU market price and sequestration of individual woodlands can vary.
BPS	10	@	£763.78	ha	£7,637.82	Assuming WCF and land claimed on in 2008. At 2020 non-SQA entitlement value with the reductions until 2024 as specified in RPA 'Farming is Changing' document and further 25% reduction in 2025. Also assuming claimant submits own BPS claim.
Grant aid (year 5 payment)	10	@	£1,000.00	ha	£10,000.00	Assuming WCF
Planting cost	10	@	-£4,746.20	ha	-£47,462.00	Assuming 1,600 stems/ha (20% open space), includes supply and plant 12,800 broadleaves with 1.2m tree shelters and stakes, much mats (inc 10% break-up and 10pitem spot spray)
Validation	1	@	-£1,200.00	-	-£1,200.00	Payment to Soil Association or Organic Farmers and Growers to issue PIUs
Verification	1	@	-£2,000.00	-	-£2,000.00	Payment to Soil Association or Organic Farmers and Growers to convert PIUs into WCU
IHS Markit registration	4,400	@	-£0.00	PIU	-£284.00	Mandatory payment for registration of PIUs
Management fees	-	-	-	-	-£5,000.00	Woodland design, grant applications, UK forestry standard compliance, Environmental Impact Assessment, administration of Registration and Verification including Carbon Calculations (costs vary case-by-case)
NET INCOME AFTER PLANTING					£51,275.42	Approximately £415/acre (£1,027/ha) income per year on average over first 5 years; woodland should then continue to generate revenue from sales of timber, generation of further carbon units to sell and future woodland planting grant schemes.

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3. Pending issue costs and grant aid are assumed without issuing date or a 10ha woodland.
4. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.
5. Carbon units are sold at £12/ha.
6. Planting cost includes 1.2m tree shelters and stakes, much mats (inc 10% break-up and 10pitem spot spray).
7. Management fees are based on standard fees from the local Planning Authority.
8. Woodland design (including an Environmental Impact Assessment), but not with any other government payment.
9. Pending issue costs and grant aid are assumed without issuing date or a 10ha woodland.
10. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.
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16. Cost of land is taken to be Woodland Carbon Fund, Countryside Stewardship or other 10ha woodland.