

Realising the Potential of Family-owned Forestry



Over half the forested land in Ireland is in private ownership, the majority of which has been planted by farmers within the last 30 years.

Forestry is a valuable asset to any farming enterprise, working as a pension, a college fund or a savings account, as well as a carbon store, a space for biodiversity and a legacy for future generations.

As our forests mature, the potential grows for forest owners to maximise the economic returns from their forests through the sustainable production of materials for our construction and energy sectors, to develop new markets for both wood and non-wood products, and to provide ecosystem services for the broader society, such as space for biodiversity and habitats, and carbon storage.

As forest owners, it is up to us to engage with, develop and protect our valuable forestry asset. This booklet provides just a snapshot of the opportunities and potential of family-owned forestry in Ireland.

“The essence of farm forestry is about fostering a harmonious balance where ecological stewardship and community development go hand in hand. By integrating forestry into agricultural practices, communities can reap the benefits of a healthier environment, enhanced biodiversity and economic opportunities, all while contributing to the global effort against climate change. It’s a holistic approach that enriches both the land and the lives of those who depend on it.”

DEREK McCABE, CHAIRPERSON, IRISH FOREST OWNERS



Why Farm Forestry?



Economic

- All establishment costs covered including fencing
- Annual premiums for 20 years for farmers
- Keep CAP entitlements (BISS)
- Income from timber
- Valuable asset to pass on to the next generation
- Favourable tax legislation
- Farm diversification and increased farm resilience
- Supporting the rural economy



Environmental

- Carbon sequestration
- Habitats for birds, mammals and insects
- Improved air quality
- Space for biodiversity
- Flood defences
- Protection of soil
- Improved water quality
- Riparian ecosystems



Social

- Materials for sustainable housing
- Biomass to replace fossil fuels/renewable energy
- Improved mental health
- Recreational spaces
- Unique sensory experiences



Rotational Management

Thinning, harvesting, replanting

Strengths

- Significant financial return at the end of a rotation/ within a lifetime
- Relatively easy management
- Ready markets for timber

Weaknesses

- Cost of replanting
- Risk of pine weevil
- No income for 15+ years after harvesting
- Fluctuation in asset value
- Risks associated with monoculture



Continuous Cover Forestry

Integrating the environmental, social and economic benefits of forestry

Strengths

- Continuous income stream
- Permanent forest cover/ conservation of forest ecosystem
- Diversification of asset; reduced risk compared with monoculture
- No fluctuation in asset value
- No replanting costs

Weaknesses

- No single large payment
- Requires hands-on management
- Possible increased risk of windblow; requires soil stability
- New markets for large timber need to be developed

Conservation of forest ecosystem

Protection of soil, water, landscape and microclimate

Production of high quality timber

Social space for recreation and forest amenities

Whichever management approach you choose, the most important undertakings for a forest owner are:

01
A management plan

02
Good access, e.g. inspection paths, and a forest road where applicable

03
A felling licence and adherence to any conditions

04
Control of your harvest and sale

05
A good working relationship with your registered forester

Economics of Softwoods

Timber sales

Standing sale

This is where the timber is sold as it stands in the forest at an agreed unit price. The buyer is responsible for the harvesting and haulage costs.

Pros Buyer organises harvesting and sales.

Cons Dependent on contractor to extract the right trees.

Advice Put in measurement plots to know exactly what you have and what should come out. Recommend marking trees prior to third/fourth thinnings.

Roadside sale

This is where timber is first harvested by a harvesting contractor and then the timber that has been presented roadside is sold. The buyer is responsible for the haulage costs.

Pros Less risk of poor harvesting practices and too much value being extracted in thinning. More control over the sale of timber.

Cons Loss in value (through loss of weight) if timber is not sold quickly. Needs hands-on management and for the forest owner to be on-site. Cost of harvesting (including VAT) paid upfront by forest owner.

Advice Educate yourself on timber sales (e.g. participate in a knowledge transfer group). Line up timber buyers before harvesting commences. Talk to other members of your producer group.



Whichever sales option you choose, ensure a Timber Sales Agreement is in place.

In the following pages, we have calculated the potential return over 40 years from planting 8 Ha of forestry on a 40 Ha farm with the forest type FT12 – mixed high forest of mainly spruce and 20% broadleaves, managed on a rotational basis.

Afforestation premiums

8Ha	20%	40Ha
Planted with Sitka spruce	Broadleaf (FT12)	Farm size
Afforestation grant covers planting and maintenance for 4 years		
Annual premium (FT12)*	@ €746/ha	€5,968
Basic payment	@ €260/ha	€2,080
Less USC & PRSI**	c.9.5% of premium	-€567
Total income per annum***		€7,481

* Paid for 20 years
 ** No PRSI if applicant is 66 years or older
 *** No income tax, no loss of ANC payment if applicable

€935

Ha/annum for 20 years

Possible returns from softwood timber per hectare — Sitka spruce Yield class 24*

Stage	Age	Product	Product			Tonne removed / Ha	€/tonne standing	Per hectare
			Pulp	Pallet	Sawlog			
1 st thinning (Tree height 10–12m)	16–18 years	Percentage	70%	30%		60	€20	€1,200
		Tonne	42	18				
2 nd thinning	20–24 years	Percentage	80%	20%		50	€18	€900
		Tonne	40	10				
3 rd thinning	25–32 years	Percentage	50%	30%	20%	60	€40	€2,400
		Tonne	30	18	12			
Clearfell	34–40 years	Percentage	10%	25%	65%	500	€65	€32,500
		Tonne	50	125	325			
Total								€37,000
Deductions								
PRSI and USC (c9.5%)**							-€3,500	
Replanting costs							-€3,500	
Return per hectare								€30,000

* Yield class is a measure of the annual productivity of the forest. A yield class 24 forest has the potential of increasing its volume by 24m³ per hectare each year over its lifetime and is considered a well-performing, productive forest.

** No income tax on sale of timber.

Timber Categories

Pulp

Diameter <7cm and poor quality larger logs

- Woodchip and firewood
- Better quality small diameter logs can be cut as stakes

Pallet

Small end diameter >14cm

- Packaging, pallets, garden furniture and fencing

Sawlog

Small end diameter >18–20cm

- Sawn timber used in the construction industry

Average costs of harvesting per tonne

1st Thin €20–22

2nd Thin €22–24

3rd Thin €20

Clearfell €14–16

Haulage €12

Timber prices roadside per tonne (Spring 2024)

Sawlog 4.9m €86–94

Sawlog 5.5m €94–100

Sawlog 6.1m €100–105

Pallet 3.1m €65–70

Pulp €36–40

Woodchip* €45–48

*Price varies depending on moisture content

Potential overall return

Using our example of 8 Ha of forestry planted on a 40 Ha farm managed on a rotational basis, the overall return is projected to be in the region of **€378,200** within 40 years.

Clearfell at 40 years	
Premiums and basic payment for 20 years on 8 Ha	€149,600
Basic payment on land for remaining 20 years	€41,600
Return from timber over 40 years (yield class 24) at €30,000 per Ha for 6.4 Ha* of Sitka spruce	€192,000
Less professional fees	-€5,000
Total	€378,200 (average €9,455 per annum)

Second rotation	
Basic payment for 40 years	€83,200
Return from timber (6.4 Ha*)	€192,000
Less professional fees	-€5,000
Total	€270,200 (average €6,755 per annum) *1.6 Ha Broadleaf remaining

It is important to note:

The premiums are based on the rate for farmers (2023–2027 Forestry Programme) for planting FT12 – Sitka spruce with 20% broadleaves.

Projected returns include the Basic Payment at its current rate, provided it is 'eligible land' that is planted and all other terms and conditions are met.

Returns from softwood timber sales is a projection based on current timber prices, and excludes inflation.

Returns at clearfell can range from €16,000 per hectare on sites that have not been previously thinned and are clearfelled early (circa year 30) to €42,000 on highly

productive sites that have been well managed and clearfelled at year 38–40.

Returns from the broadleaf trees planted are not included. The 1.6 Ha of broadleaves will remain after the first rotation and increase in value into the subsequent rotations, if well managed.

Professional fees, e.g. forester, are an estimate based on current rates.

There is a legal obligation to replanting after clearfell (reforestation) and must be carried out, including subsequent maintenance, at the owner's own expense.



Economics of Hardwoods

Most tree species can have a commercial value with the right management and time.

Ireland has yet to develop a vibrant market for hardwoods, due to the fact that we currently don't have a ready supply of quality hardwood timber. With 30% of our forest estate made up of broadleaf trees (approximately 218,000 Ha), there is huge potential to develop markets for both wood and non-wood products, as well as additional ecosystem services, including biodiversity, recreation, carbon sequestration and hydrological services.

Afforestation Premiums: Broadleaves

Forest type	€/Ha	€/acre
FT1: Native Forests	€1,103	€447
FT6: Pure Broadleaves (oak or beech)	€1,037	€420
FT7: Other Broadleaves	€973	€394

Woodland Improvement Scheme

	€/Ha
WIS Element 1: thinning and tending (2 interventions) Any broadleaf and broadleaf/conifer mixed forests planted post-1983	€1,200 each
WIS Element 2: agroforestry maintenance Grant-aided existing agroforests	€1,200
WIS Element 3: continuous cover forestry (3 interventions) All grant-aided conifer, broadleaf and mixed forests Plus Payment for Ecosystem Services (PES) Pilot: €150/Ha/year for 7 years	€1,200 each
WIS Element 4: Coppice and coppice with standards	€1,200
WIS Element 5: Seed stand management	€1,200



Hardwood products

Depending on the size, species and quality, broadleaf trees can deliver a range of marketable products.

- **Small diameter, poor quality:** firewood and biomass.
- **Medium diameter, medium to high quality:** furniture, profile timber, skirting and architrave, fencing, sauna interiors (alder), post and beam, end grain tiles.
- **Sawmill grade, large diameter and high quality** minimum of 2 metres clear of any defects: barrel oak (premium grade), furniture, kitchens, doors, floors.

Future economic value

Imported high-quality hardwood timber, processed into boards, can cost anywhere in the region of €2,000–€2,500m³, so there is a high-value market for quality hardwoods. However, it will be several decades before the hardwood trees that forest owners have planted reach their optimal economic potential.

To ensure there is quality timber in future broadleaf forests, forest owners must now invest in the management of these forests.

There are additional revenue streams that forest owners may consider, including forest-based non-wood products such as tourism, recreation, forest food and school tours.

Broadleaf forests, in particular, also have the potential of benefiting from ecosystem service payments. This is an emerging area of financial reward to forest owners for managing forests in a way that delivers societal benefits and could becoming an integral part of future sustainable forest management.



What's needed to achieve full economic potential?

- Upskilling forest owners in tree selection and management, which can be done over time in the winter months
- More small-scale sawmills
- Better marketing of Irish-grown hardwood timber

Forestry and Taxation



Selling or inheriting a forest

The value of a forest is split between the value of the land and the value of the trees

Selling

Capital gains tax (CGT)

- Tax that applies to any capital gain (profit) made by an owner upon selling a forest
- Value of trees – **exempt** from CGT
- Any gains in land value – **liable** to CGT
- **Note:** Insurance compensation for trees is now liable to CGT

Stamp duty

- Currently @7.5%
- Value of trees – **exempt**
- Value of land – **liable**

Gift or inheritance

Excluding spouse or civil partner

Capital acquisition tax (CAT)

Value of growing trees

- Qualifies for agricultural relief **without the asset test** but with the Active Farmer Test, meaning that the forest must continue to be managed on a commercial basis for at least 6 years.
- 90% write-down in value

Example

- Trees with market value of €1m => Taxable value €100,000

Value of land

- Subject to the Agricultural Relief asset test
- CAT @33% on taxable value over the relevant group threshold amount

Income tax on timber sales

EXEMPT

Conditions

Profits/gains from **occupation** of woodlands managed on a **commercial** basis with a **view to realisation of profit** are **exempt** from income tax.

Action

Profit/gains must be included in Annual Tax Return.

Christmas trees qualify for the exemption in Ireland.

Profits are liable to USC and PRSI.

Note

Cost of thinnings, clearfell, insurance and replanting can be deducted.

VAT

- Forestry deemed to be a farming activity so same rules apply
- Registered farmers qualify for full VAT refunds on all forestry expenditure
- Forestry activity for a VAT unregistered farmer qualifies for 4.8% flat rate refund

Example on a sale of €100,000 of timber

	VAT Inclusive	VAT Exclusive
Cash to farmer	€100,000	€104,800
VAT (4.8%)	€4,800	€4,800
Cost to merchant	€95,200	€100,000

VAT Refunds (unregistered farmers)

- ✓ Fixed capital costs e.g. fencing and roadways
- ✗ Contractor charges, including lopping, tree felling, pruning, hedge trimming and similar forestry services including planting (VAT charged at 13.5%)

Action Invoice must be in the name of the farmer



Advice from Forest Owners in the IFO Network

- Know what you have planted in your forest.
- Be involved with the management of your forest – it's your asset.
- Engage with the training, education and peer-to-peer learning that's available; field days, workshops, knowledge transfer groups, training days.
- Knowledge is key.
- Join a forest owner group. If there isn't one in your area, think about setting one up.
- Talk to other forest owners and learn from their experience.

In relation to forestry operations

- Prepare for harvesting operations well in advance.
- Ensure the contractors adhere to any and all conditions included with your felling licence. As the forest owner, you are the person that is legally responsible, not the contractor or your forester.
- Control your harvest and timber sales and stay actively involved in the whole process.
- Agree a Timber Sales Contract.
- Make sure that the timber is secure after felling. Lock gates and consider getting a motion-activated camera (also good for tracking wildlife in your forest).
- Ensure the lorry driver contacts you every time they collect timber. A simple WhatsApp message system is now standard.
- Get a docket for every load of timber that leaves your site.

Irish Forest Owners

Supporting and representing forest owners across Ireland through a vibrant producer group network

Donegal Woodland Owners Society

North Midlands Forestry Group

Offaly Farm Forestry Group

Laois Farm Forestry Group

North East Forestry Group

Wicklow private woodland owners group

Irish Wood Producers

Waterford Forest Owner Group



Member of the Confederation of European Forest Owners



IFO Group Forest Management Certification Scheme

Further information

Confederation of European Forest Owners (CEPF)	cepf-eu.org
Continuous Cover Forestry	prosilvaireland.com
Irish Wood Producers	irishwoodproducers.com
North East Forestry Group	northeastforestrygroup.ie
Teagasc Forestry	teagasc.ie/crops/forestry/advice
Timber Sales Agreement	itga.ie/services/information/sales-systems

Thanks to

Declan McEvoy for his input on the Forestry and Taxation pages. Declan McEvoy is a private tax consultant, with a particular focus on taxation and forestry.

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