

## **FCTU Business Units response to consultant**

PSSB

### **Abstract from draft position paper**

The Plant and Seed Supply Branch (PSSB) supplies FC in each country from three sites, Delamere, Newton and Wykeham, while there is also a seed processing plant at Alice Holt.

PSSB only supplies to the FC. However, if there is an over-supply situation, stock will be sold on to the members of the ConFor Nursery Producers Group and the Horticultural Trade Association's Tree and Hedging Group. If this is not taken up, the material is destroyed, leaving the tax-payer to absorb the costs. The PSSB accounts, which have only recently been made available, reveal that it has been running at a loss over the past four years.

The potential for sale and lease-back of properties is limited. PSSB could be closed or sold, making little difference to the operation of FCE, though there may be a desire to maintain supply to the FC in Scotland and Wales.

### **1) PSSB governance and recovery of production cost**

The activities of PSSB are controlled through its Service Board. The Service Board has determined that PSSB should break-even and we have already taken steps to increase the unit plant prices to address the trend to under-recover. We are budgeted to break-even in England in 2009/10.

PSSB has been subject to 2 recent reviews\* and as recently as 2005 the Service Board has endorsed the retention of a FBU GB structure and business strategy. The Board also recognised that PSSB delivered added value through its business unit structure.

\* 2005 Review of Plant Supply – Working Group Report  
2008 Scoping project to market test the work of the Plant and Seed Supply Business Unit

### **2) The proposition to sell or close the activity of PSSB in England**

The businesses in the ConFor Nursery Producers Group would benefit from the closure or sale of the FC nurseries in England under the present FC framework contract arrangements. These businesses currently account for 95% of the sales to the FC in this planting season as they are the preferred suppliers for most categories of planting stock..

The structure of the UK nursery trade has changed little since the 2005 review, although the current strength of the Euro has improved the competitiveness of nurseries based in the UK when compared with businesses outside of the UK.

We benchmark our own internal prices against the Trade framework prices and found that our internal production offers substantial savings to the 3 Countries. The most recent benchmarking study for 2009/10 will go to our Service Board for approval.

While selling off the FC's nursery business would be attractive to the nursery trade, the 3 Countries would need to retain the resource that is involved with managing their plant supply requirements.

Examples of important functions that would have to be retained are given below:

- The control of the FC seed supply and compliance with the Forestry Reproductive Materials Regulations through its seed trading activity at Alice Holt. The unit returns a modest profit on its trading and is of major strategic importance to the FC;
- The seed unit assists in the registration of new seed stands and manages the FC seed orchards. It undertakes seed collection and provides advice on local collections, as well as purchasing seed from home and abroad;
- The planning, coordination and allocation of the FC plant requirements as carried out by the management teams at the 3 nurseries, it would be necessary to absorb this function into the Country management structures;
- The management of the contracts for plant supply and haulage and any associated contracts like insecticide treatment and the support to database systems;

### 3) Impact on the operation of FCE

The statement that sale or closure of the unit would make 'little difference to the operation of FCE'. Under the present market conditions it is unlikely that FCE would attract a buyer to take over all or part of the 2 nursery production units in England.

Land tenure is an issue at both Wykeham and Delamere nurseries complicating the outright sale of either nursery site (Table 1). Partial sale and disposal of surplus assets is the only real option available to FCE.

Table 1. Updated summary of land tenure at the 2 nurseries

Ha	Long –term lease	Rented	Freehold	Total
Wykeham	60	9	8	77
Delamere	0	15	68	83
Total	60	24	76	160

To pursue this option FCE would need to consider how they might redeploy staff in the event that they would be eligible and willing to transfer from these locations.

The growing cycle for nursery stock is typically 1 to 3 years from sowing. Delamere also carries more than half a million stock hedges and stock beds that are up to 6 years in age and supply the FCs annual cutting programme with genetically improved Sitka spruce (5 million plants for forest use each year). This material is not transferrable

and new stock hedges would take the full 6 years to achieve the current level of production.

As a consequence of these growing cycles the lead in time to fully transfer production from Wykeham nursery to a unit in the private sector would be 2 years and up to 6 years for Delamere nursery, assuming current the levels of production (Appendix 1).

It is accepted that, given time, the private sector could acquire the land necessary to respond to these programme changes. However it is not clear how the Trade could secure the necessary capital to provide the new nursery infrastructure that would be necessary to support the current programmes (Appendix 1).

Future plant requirements will be influenced by the Country Forestry Strategies. Initiatives to expand the woodland area that have already been announced are listed below:

Wales: an extra 100,000 hectares of new woodland over the next 20 years as part of the Glastir agri-environment scheme

Scotland: a commitment to woodland expansion to achieve 25% woodland cover by 2025

While it is unclear whether these initiatives have yet to have any impact on internal FC plant production they will create demand from the nursery trade in the future.

#### **4) Specialist skills that add value**

It is important to recognise where the activity of PSSB adds value to the delivery of its service to the 3 Counties. Examples of these activities have been given in earlier reviews and our staff continue to get involved in new non-SLA work.

High on the agenda for England and Wales is the possibility for diversification of species planted on the public forest estate. There is little practical experience with large-scale propagation of some of the candidate species chosen to mitigate against the effects of climate change on some of our traditional productive species.

We foresee a key role for the specialist services of Plant and Seed Branch in securing the seed and developing the nursery regimes for propagating these new species. Delamere nursery already has a full year of experience of successfully growing a wide range of new species including eucalyptus for short rotation forestry. The nursery will be involved in the propagation of more new species for further trial sites in England and Wales this year.

Our specialist growers have also turned their attention to the propagation of scarce native species recently including a large project involving juniper for Scotland and a pilot project involving the micropropagation of native aspen.

Some of our propagation team at Delamere has been trained in grafting work and we are in the process of completing a 4 year project to establish a new Sitka spruce seed orchard on unproductive nursery land. While it may not be necessary to retain this

resource in-house in the future, we have looked into the cost of buying in this service and it is substantially more than doing the work internally.

These are only a small selection of recent examples of where we add value to the service that the business unit in England provides to the 3 Countries.

### **Appendix 1 Actual and projected total plant supply from the FC nurseries in England**

Total plant supply figures		Data	Delamere nursery			Wykeham nursery		
000's trees		Source	England	Wales	Scotland	England	Wales	Scotland
	04/05	Actual	3,578	2,987	5,382	2,590	527	5,159
Historic data	05/06	Actual	3,606	3,456	4,386	2,199	392	3,756
(includes actual and balance for the current year)	06/07	Actual	3,323	3,537	5,380	2,711	576	4,911
	07/08	Actual	2,675	3,808	6,005	3,532	476	5,453
	08/09	Actual	3,407	3,185	3,774	2,854	332	4,321
	09/10	Forecast	3,908	3,564	3,879	2,309	0	5,077
Business plan data	10/11	Plan	4,000	3,561	4,000	2,403	0	5,000
(forecast from 2010 business plan)	11/12	Plan	4,000	3,385	4,000	2,026	0	4,691
	12/13	Plan	4,000	3,399	4,000	1,483	0	5,246
Average annual programme			11,576			7,558		