

**AN ECONOMIC ASSESSMENT OF UNEVEN-AGED FORESTRY,
BASED ON THE MODELLING OF FOREST OPERATIONS**

BY

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DECLARATION

I declare that the work presented in this thesis is my own, unless otherwise stated, and that this thesis has been composed by me.

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September 12, 1990

For Tony and Ioan

ABSTRACT

In recent years, interest in uneven-aged forestry has been increasing in Britain, particularly for sensitive areas such as recreation and amenity forests. Literature on the economics of uneven-aged forestry is scarce and few operational, uneven-aged forests are available for study. Therefore, in order to quantify the operating costs associated with uneven-aged forestry, a modelling approach was chosen. The resulting model is written in **FORTRAN** and uses a series of square two-dimensional arrays to represent a block of forest. The block may then be managed by clearfelling and replanting at a specified age, or by a system of group management with a choice of four group sizes. The resulting model was then used to investigate the effect of the following management strategies on operating times:

1. Varying the scale of working (i.e. the group size and forest size) in the uneven-aged forest.
2. Using shortwood or pole-length harvesting systems and a range of machine types within each harvesting system.
3. Varying the length of time taken to transform the structure of the forest from even-aged to uneven-aged.
4. Varying the age of the trees when the transformation from even-aged to uneven-aged structure begins.

The results obtained from running the model show that the time taken to carry out an operation is influenced both by the absolute size of the group within the forest block and by the number of groups of that size within *the* forest block. This fragmentation effect explains why it is difficult to determine the absolute costs of working for a specific group size, because it is the combination of group size, number of groups and forest block size, which determines costs. Most of the results below are based on a range of group sizes from 1.000 ha. to 0.0625 ha., with a block size of 16 ha.

Forwarders were penalized when the group size was decreased to 0.0625 ha. (-12% increase over clearfelling), because very small groups do not contain full forwarding loads and a large proportion of total forwarding time is spent manoeuvring into and out of groups. However, the operating times for the three group sizes 1.00 ha., 0.25 ha. and 0.11 ha. were very similar indicating that the group size can be quite small before any extra forwarding costs are incurred. On poor sites, the cost differential

between the largest and smallest groups is greater. In contrast to forwarding, skidders are most penalized with the decision to adopt an uneven-aged system, and once that decision has been made, there is not a clear increase in costs with decreasing group size.

During the transformation period, felling and thinning times in the uneven-aged system are significantly higher than those for the even-aged system, because trees are being harvested prematurely to create the early groups, but this difference is reduced once the forest is transformed. Felling and thinning times increase gradually as the group size decreases, because more care is needed for the felling operation and more time is needed for snedding coarse edge trees.

Replanting times for the uneven-aged forest are approximately 8% - 14% higher than replanting times for clearfelling.

The results from the model were then analysed using the EXCEL spreadsheet programme to examine, among other things, the cost implications of varying group size, and the relative profitability of uneven-aged and even-aged management. First, optimum ages to begin transformation were found, which varied with the Yield Class and discount rate chosen. Then, the effect of the length of the transformation period was examined and a long transformation period (80-years) was found to be preferable to a short transformation period (40-years). The analysis showed that at high discount rates even-aged and uneven-aged management had similar Net Present Values, but at lower discount rates the even-aged system was preferred. The greatest financial penalty was incurred with adoption of an uneven-aged system, and reducing the group size had relatively little impact on Net Present Values.

Other costs and benefits, such as scenic beauty and recreation potential, could not be included in the model, because research relating these values to forest management variables has not been carried out. Therefore, these mostly non-financial factors were discussed for even-aged and uneven-aged forestry, based on a review of the literature.

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TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iv
ACKNOWLEDGEMENTS	vi
LIST OF FIGURES	ix
LIST OF TABLES	xiii
1 INTRODUCTION AND OBJECTIVES	
1.1 WHY UNEVEN-AGED FORESTRY?	1
1.2 THE HISTORY AND STATUS OF UNEVEN-AGED FORESTRY	5
1.3 REVIEW OF THE LITERATURE ON THE COSTS OF MANAGING UNEVEN-AGED FORESTS	9
1.4 OBJECTIVES OF THE RESEARCH	10
1.5 ORGANIZATION OF THE THESIS	13
2 DEVELOPMENT OF THE MODEL	
2.1 INTRODUCTION	14
2.2 DESCRIPTION OF CONSTRAINTS	16
2.3 SOURCES OF DATA USED IN THE MODEL	25
2.4 STRUCTURE OF THE MODEL	29
3 DESCRIPTION OF OPERATIONS	
3.1 INTRODUCTION	37
3.2 FORWARDER EXTRACTION	37
3.3 SKIDDER EXTRACTION	46
3.4 SHORTWOOD <i>AND</i> POLE-LENGTH FELLING <i>AND</i> THINNING	49
3.5 BRASHING	53
3.6 PRUNING	55
3.7 REPLANTING	57
4 TIME TAKEN TO CARRY OUT OPERATIONS	
4.1 INTRODUCTION	61
4.2 RESULTS FOR FORWARDER EXTRACTION	64
4.3 RESULTS FOR SKIDDER EXTRACTION	88
4.4 RESULTS FOR SHORTWOOD <i>AND</i> POLE-LENGTH FELLING <i>AND</i> THINNING	103

4.5 RESULTS FOR BRASHING	114
4.6 RESULTS FOR PRUNING	115
4.7 RESULTS FOR REPLANTING	115
5 FINANCIAL ANALYSES OF THE RESULTS FROM THE MODEL	
5.1 CALCULATION OF COSTS AND REVENUES	122
5.2 THE OPTIMUM AGE TO BEGIN TRANSFORMATION	123
5.3 THE EFFECT OF THE LENGTH OF THE TRANSFORMATION PERIOD ON NET PRESENT VALUES	133
5.4 THE RELATIVE PROFITABILITY OF EVEN-AGED AND UNEVEN-AGED MANAGEMENT	136
5.5 THE EFFECT OF VARYING THE GROUP SIZE	138
5.6 THE IMPACT OF PLANTING GRANTS ON THE FINANCIAL ANALYSIS	140
6 ASSESSMENT OF NON-FINANCIAL FACTORS AND FINANCIAL FACTORS NOT INCLUDED IN THE MODEL	
6.1 INTRODUCTION	143
6.2 SCENIC BEAUTY	143
6.3 RECREATION	146
6.4 WILDLIFE HABITATS <i>AND</i> CONSERVATION	147
6.5 PESTS, DISEASES <i>AND</i> BIOTIC DAMAGE	150
6.6 WIND STABILITY	152
6.7 TIMBER QUALITY	153
6.8 MARKETING	154
6.9 WEED GROWTH	159
6.10 MANAGEMENT COSTS	160
7 DISCUSSION	
7.1 INTRODUCTION	162
7.2 THE MODEL	162
7.3 RESULTS FROM THE MODEL	164
7.4 FINANCIAL ANALYSES	168
7.5 RECOMMENDATIONS FOR FURTHER RESEARCH	170
REFERENCES	172
APPENDICES	183

LIST OF FIGURES

2.1	STORAGE OF INFORMATION ABOUT THE FOREST BLOCK	15
2.2	POSSIBLE ARRANGEMENT OF GROUPS WITHIN THE FOREST BLOCK	17
2.3	CHOICES OF TRANSFORMATION PERIODS BASED ON A FIVE-YEAR FELLING PERIOD	19
2.4	EXTRACTION NETWORK FOR A SIXTEEN HECTARE FOREST BLOCK	22
2.5	FLOWCHART SHOWING THE STRUCTURE OF THE MAIN SECTION OF THE MODEL	30
2.6	SEQUENCE IN WHICH THE GROUPS WILL BE FELLED	31
2.7	IMPLEMENTATION OF THE FELLING SEQUENCE	32
2.8	TRANSFORMED BLOCK (40-YEAR TRANSFORMATION PERIOD)	33
2.9	TRANSFORMED BLOCK (80-YEAR TRANSFORMATION PERIOD)	33
2.10	INFORMATION CONTAINED IN TWO-DIMENSIONAL ARRAYS	34
2.11	SEQUENCE OF OPERATIONS FOR THE CLEARFELLING OPTION	36
3.1	DIAGRAM OF A TYPICAL FORWARDER	38
3.2	SEQUENCE OF STEPS FOR CALCULATION OF FORWARDER MOVEMENT TIME	39
3.3	SEQUENCE OF STEPS FOR CALCULATION OF FORWARDER TERMINAL TIME	40
3.4	FORWARDER EXTRACTION OF FULL LOADS OF SAWLOGS	42
3.5	FORWARDER EXTRACTION OF PART LOADS	43
3.6	ARRANGEMENT OF FORWARDING RACKS FOR THE GROUP FELLING OPTION AND THE CLEARFELLING OPTION	45
3.7	DIAGRAM OF A TYPICAL SKIDDER	46
3.8	SEQUENCE OF STEPS IN THE SKIDDING SUBROUTINE	48
3.9	GRAPH OF PERCENTAGE INCREASES IN FELLING TIME WITH TREE HEIGHT AND GROUP SIZE	50
3.10	FLOWCHART FOR FIRST SECTION OF FELLING/THINNING SUBROUTINE	51
3.11	SECOND SECTION OF FLOWCHART FOR FELLING/THINNING SUBROUTINE	52
3.12	SEQUENCE OF STEPS IN THE BRASHING SUBROUTINE	53
3.13	SEQUENCE OF STEPS IN THE PRUNING SUBROUTINE	56
3.14	SEQUENCE OF STEPS TO DETERMINE PLANTING TIME PER PLANT	58

3.15	SEQUENCE OF OPERATIONS IN THE REPLANTING SUBROUTINE	59
4.1	HIERARCHICAL STRUCTURE OF THE MODEL	62
4.2	TRENDS IN TOTAL EXTRACTION TIME THROUGHOUT THE TRANSFORMATION PERIOD	66
4.3	FORWARDING MOVEMENT TIMES AND TERMINAL TIMES FOR THE YIELD CLASS 12 BASELINE EXAMPLE	67
4.4	TOTAL EXTRACTION TIMES FOR THE VALMET 10-TONNE FORWARDER ON THREE YIELD CLASS SITES	71
4.5	AGE CLASS DISTRIBUTION FOR THE UNEVEN-AGED FOREST CREATED BY TWO LENGTHS OF TRANSFORMATION PERIOD	74
4.6	FORWARDER MOVEMENT, TERMINAL <i>AND</i> TOTAL TIME WITH THREE TRANSFORMATION PERIODS	75
4.7	COMPARISON OF AVERAGE EXTRACTION TIMES FOR THE VALMET FORWARDER, DURING <i>AND</i> AFTER TRANSFORMATION, FOR 40- <i>AND</i> 80-YEAR TRANSFORMATION PERIODS ON THREE YIELD CLASS SITES	78
4.8	MEAN TOTAL EXTRACTION TIMES, DURING <i>AND</i> AFTER TRANSFORMATION, FOR THE VALMET 10-TONNE FORWARDER ON THREE YIELD CLASS SITES <i>AND</i> WITH TWO TRANSFORMATION PERIODS	79
4.9	FORWARDER MOVEMENT TIMES DURING EXTRACTION FOR 7-TONNE <i>AND</i> 10-TONNE FORWARDERS WITH SITKA SPRUCE <i>AND</i> A 40-YEAR TRANSFORMATION PERIOD	83
4.10	TOTAL EXTRACTION TIMES FOR THE MINI-BRUUNETT 7-TONNE FORWARDER ON THREE YIELD CLASS SITES	84
4.11	COMPARISON OF AVERAGE EXTRACTION TIMES FOR THE MINI- BRUUNETT FORWARDER, DURING <i>AND</i> AFTER TRANSFORMATION, FOR 40- <i>AND</i> 80-YEAR TRANSFORMATION PERIODS ON THREE YIELD CLASS SITES	86
4.12	MEAN TOTAL EXTRACTION TIMES, DURING <i>AND</i> AFTER TRANSFORMATION, FOR THE MINI-BRUUNETT FORWARDER ON THREE YIELD CLASS SITES <i>AND</i> WITH TWO TRANSFORMATION PERIODS	87
4.13	TRENDS IN TOTAL SKIDDER EXTRACTION TIME THROUGHOUT THE TRANSFORMATION PERIOD	89
4.14	SKIDDER MOVEMENT TIMES AND TERMINAL TIMES FOR THE YIELD CLASS 12 BASELINE EXAMPLE	91

4.15	TOTAL EXTRACTION TIMES FOR THE ROADLESS LOGMASTER SKIDDER ON THREE YIELD CLASS SITES	95
4.16	TOTAL EXTRACTION TIMES FOR THE ROADLESS LOGMASTER SKIDDER ON THREE YIELD CLASS SITES (USING A 10 HA. BLOCK)	96
4.17	SKIDDER MOVEMENT, TERMINAL AND TOTAL TIME WITH THREE TRANSFORMATION PERIODS	98
4.18	ROADLESS LOGMASTER SKIDDER EXTRACTION TIMES FOR SITKA SPRUCE WITH THREE YIELD CLASSES AND TWO TRANSFORMATION PERIODS	99
4.19	ROADLESS LOGMASTER EXTRACTION TIMES FOR A 40-YEAR TRANSFORMATION, STARTING AT THREE DIFFERENT AGES	101
4.20	TOTAL EXTRACTION TIMES FOR THE FALSTONE SKIDDER ON THREE YIELD CLASS SITES	102
4.21	TRENDS IN FELLING AND THINNING TIME THROUGHOUT THE TRANSFORMATION PERIOD	104
4.22	FELLING TIME PER CUBIC METRE (NORWAY SPRUCE)	105
4.23	FELLING TIME PER CUBIC METRE (SITKA SPRUCE YIELD CLASS 8)	108
4.24	FELLING AND THINNING TIMES FOR THREE YIELD CLASS SITES	108
4.25	MEAN FELLING AND THINNING TIMES FOR THREE TRANSFORMATION PERIODS	110
4.26	FELLING AND THINNING TIMES FOR SITKA SPRUCE WITH THREE YIELD CLASSES AND TWO TRANSFORMATION PERIODS	112
4.27	FELLING AND THINNING TIMES FOR SITKA SPRUCE YIELD CLASS 12 WITH TRANSFORMATION BEGINNING AT AGE 20, AGE 30, AND AGE 40	113
4.28	FELLING AND THINNING TIMES, WITH AND WITHOUT BRASHING (SITKA SPRUCE YIELD CLASS 12, 40-YEAR TRANSFORMATION)	114
4.29	PRUNING TIMES IN THE TRANSFORMED FOREST FOR VARIOUS PRUNING REGIMES (SITKA SPRUCE YC 12, 16 HA, 40-YEAR TRANSFORMATION)	116
4.30	REPLANTING TIMES (S.MJNS PER HA) - A SUMMARY OF TABLES 4.17, 4.18 AND 4.19	120
5.1	NET PRESENT VALUES FOR A RANGE OF STARTING AGES (SITKA SPRUCE YC 12.16 HA, 40-YEAR TRANSFORMATION)	125
5.2	NET PRESENT VALUES FOR A RANGE OF STARTING AGES (SITKA SPRUCE YC 20, 16 AH, 40-YEAR TRANSFORMATION)	129

5.3	NET PRESENT VALUES FOR A RANGE OF STARTING AGES (SITKA SPRUCE YC 8.16 AH, 40-YEAR TRANSFORMATION)	131
5.4	INTERNAL RATE OF RETURN FOR A RANGE OF STARTING AGES	132
5.5	NET CASH FLOWS FOR TWO TRANSFORMATION PERIODS	134
5.6	NET PRESENT VALUES FOR TWO TRANSFORMATION PERIODS	134
5.7	NET PRESENT VALUES FOR THE TWO TYPES OF MANAGEMENT	137
5.8	NET PRESENT VALUES FOR A RANGE OF GROUP SIZES	139
5.9	NET PRESENT VALUES (WITH PLANTING GRANTS) FOR THE TWO SYSTEMS	142
6.1	RELATIONSHIP BETWEEN FOREST SIZE, TRANSFORMATION PERIOD AND GROUP SIZE	149
6.2	CUMULATIVE VOLUME REMOVED FROM AN EVEN-AGED SYSTEM COMPARED WITH TWO UNEVEN-AGED REGIMES	155
6.3	COMPARISON OF SAWLOG VOLUME DISTRIBUTION FOR AN UNEVEN-AGED SYSTEM (40-YEAR TRANSFORMATION) AND A CLEARFELLING SYSTEM (8-METRE LOGS)	157
6.4	COMPARISON OF SAWLOG VOLUME DISTRIBUTION FOR AN UNEVEN-AGED SYSTEM (40-YEAR TRANSFORMATION) AND A CLEARFELLING SYSTEM (4.5-METRE LOGS)	158
6.5	SUMMARY OF DISCUSSION ON COSTS AND BENEFITS NOT INCLUDED IN THE MODEL	161

LIST OF TABLES

		PAGE
2.1	FINAL SELECTION OF TRANSFORMATION PERIODS	20
2.2	SUGGESTED BLOCK SIZES	21
4.1	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 12 SITKA SPRUCE	65
4.2	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 20 SITKA SPRUCE	69
4.3	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 8 SITKA SPRUCE	70
4.4	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 20 SITKA SPRUCE AND A BLOCK SIZE OF 10 HA	72
4.5	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 20 SITKA SPRUCE AND AN 80-YEAR TRANSFORMATION PERIOD	76
4.6	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 8 SITKA SPRUCE AND AN 80-YEAR TRANSFORMATION PERIOD	77
4.7	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 20 SITKA SPRUCE AND A STARTING AGE OF 30	80
4.8	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE VALMET 10-TONNE FORWARDER WITH YIELD CLASS 20 SITKA SPRUCE AND A STARTING AGE OF 40	81
4.9	AVERAGE FORWARDING MOVEMENT TIMES AND PERCENTAGE INCREASES (DURING AND AFTER TRANSFORMATION) FOR THE 7-TONNE AND 10-TONNE FORWARDERS	82
4.10	TOTAL EXTRACTION TIME (\$ MINS. PER CUBIC METRE) FOR THE ROADLESS LOGMASTER SKIDDER WITH YIELD CLASS 12 SITKA SPRUCE	88

4.11	TOTAL EXTRACTION TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR THE ROADLESS LOGMASTER SKIDDER WITH YC 20 SITKA SPRUCE	93
4.12	TOTAL EXTRACTION TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR THE ROADLESS LOGMASTER SKIDDER WITH YC 8 SITKA SPRUCE	94
4.13	FELLING <i>AND</i> THINNING TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR POLE-LENGTH WORKING WITH YIELD CLASS 12 SITKA SPRUCE	103
4.14	FELLING <i>AND</i> THINNING TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR POLE-LENGTH WORKING WITH YIELD CLASS 20 SITKA SPRUCE	106
4.15	FELLING <i>AND</i> THINNING TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR POLE-LENGTH WORKING WITH YIELD CLASS 8 SITKA SPRUCE	107
4.16	FELLING <i>AND</i> THINNING TIME (<i>S.</i> MINS. PER CUBIC METRE) FOR POLE-LENGTH WORKING WITH YIELD CLASS 12 SITKA SPRUCE ON A 10 HECTARE BLOCK	109
4.17	REPLANTING TIMES (<i>S.</i> MINS PER HA) FOR SITKA SPRUCE YC 12, 16 HA. BLOCK, 40-YEAR TRANSFORMATION	117
4.18	REPLANTING TIMES (<i>S.</i> MINS PER HA) FOR SITKA SPRUCE YC 12, 10 HA. BLOCK, 40-YEAR TRANSFORMATION	118
4.19	REPLANTING TIMES (<i>S.</i> MINS PER HA) FOR SITKA SPRUCE YC 12, 16 HA. BLOCK, 80-YEAR TRANSFORMATION	119
5.1	SPREADSHEET SHOWING CASH FLOWS AND PRESENT VALUES FOR THE YC 12 EXAMPLE	124
5.2	CASH FLOWS FOR THE BASELINE EXAMPLE	126
5.3	SPREADSHEET SHOWING CASH FLOWS AND PRESENT VALUES FOR THE YC 20 EXAMPLE	128
5.4	SPREADSHEET SHOWING CASH FLOWS AND PRESENT VALUES FOR THE YC 8 EXAMPLE	130
5.5	SPREADSHEET SHOWING CASH FLOWS FOR CLEARFELLING ON THREE YIELD CLASS SITES	135
5.6	NET PRESENT VALUES FOR EVEN-AGED <i>AND</i> UNEVEN-AGED MANAGEMENT	136
5.7	NET PRESENT VALUES FOR EVEN-AGED MANAGEMENT <i>AND</i> A RANGE OF GROUP SIZES FOR UNEVEN-AGED MANAGEMENT	138
5.8	RATES OF GRANT FOR THE FORESTRY COMMISSION WOODLAND GRANT SCHEME	140
5.9	NET PRESENT VALUES FOR EVEN-AGED <i>AND</i> UNEVEN-AGED MANAGEMENT (WITH PLANTING GRANTS)	141

CHAPTER 1 INTRODUCTION AND OBJECTIVES

1.1 WHY UNEVEN-AGED FORESTRY?

The trend, in many parts of the world, is towards large-scale forestry with fairly homogeneous stands of a few coniferous species and a relatively simple age structure. This trend is driven by market forces and, to a great extent, by economies of scale in the wood processing industries. The economies of scale in the pulp and paper industry, for example, are particularly pronounced, because there are a number of indivisibilities in the technological process (Westoby, 1987). Kauman (1987) predicted that by the year 2100 timber will mainly be obtained from fast-growing plantations and intensively managed secondary forests, which will enable rationalization of harvesting by facilitating the use of automated and robotized methods. This approach will produce stems of fairly uniform size and density which, in turn, lend themselves to further streamlining of the production process.

At the same time, however, there is a growing awareness of the need, in certain situations, for an alternative small-scale approach in order to avoid the disadvantages of large-scale felling and large areas of uniform woodland. The two extremes of the large-scale and small-scale approach are characterized by different silvicultural systems. Therefore, before the special situations where a small-scale approach is appropriate are discussed, the definitions of different silvicultural systems are presented.

1.1.1 SILVICULTURAL SYSTEMS

A silvicultural system may be described as "the process by which the crops constituting a forest are tended, removed and replaced by new crops, resulting in the production of woods of a distinctive form" (Troup, 1928). Silvicultural systems are generally defined as even-aged or uneven-aged, depending on the spatial distribution of the age classes: even-aged systems produce stands containing trees that are of approximately equal age, whereas uneven-aged systems produce stands containing trees of many ages (Van Lear, 1981). Within each of these categories there are several silvicultural systems:

Even-aged Systems:

1. Clearfelling (Clearcutting)

The mature crop is cleared in a single felling and the new stand develops by natural regeneration, direct seeding or planting. There is, technically, no upper limit on the size of the felling area and clearfelling areas are often extensive. Conversely, the felling areas may be quite small and distributed in patches or strips.

2. The Seed Tree System

Instead of completely clearing the mature crop, a few good seed-producing trees are left to regenerate a new crop. The seed trees, which are often valuable, may, or may not, be harvested once the new crop has become established.

3. The Shelterwood System

The mature crop is cleared by two or more successive fellings, resulting in a crop which is more or less even-aged.

Uneven-aged Systems:

1. The Single-Tree Selection System

Felling and regeneration is distributed continuously over the whole area with individual trees being harvested as they mature.

2. The Group-Selection System

Felling and regeneration is carried out in small groups, distributed continuously over the whole area, so that the full range of age classes to maturity are represented. A group selection system using large groups may merge into a patch clearfelling system provided that, in the clearfelling system, the full age-range to maturity is represented.

The words "uneven-aged" and "irregular" are often used synonymously in the forestry literature and this may lead to confusion. "Uneven-aged" is a term which refers purely to the structure of the forest whereas the term "irregular" is sometimes applied to the composition of species and/or the forest structure. Since it is the forest structure I am most concerned with (because this is the main determinant of increased costs), I will use the term uneven-aged throughout the thesis, unless I am specifically referring to a mixture of species as well as an uneven-aged structure.

The situations where an uneven-aged silvicultural system may be appropriate are:

1. Recreation and amenity forests.
2. Farm forests and small private woodlands.
3. Protection forests.
4. Forests in areas with small-scale site variations and forests where variation has been imposed by windthrow.

These situations are considered in turn.

1.1.2 RECREATION AND AMENITY FORESTS

Urbanization, mobility, and increased leisure time have brought forestry into the public eye and pressure is building for changes in forest management to favour aesthetics, wildlife habitats and species conservation. Evidence of this can be seen in many parts of the world. In the United States, for example, the USDA Forest Service has classified 12% of its commercial forest land (more than 2.7 million hectares) as a "special category" where it is willing to accept higher costs and/or lower timber production, in order to increase non-timber outputs (Fight and Randall, 1980). For these "special category" forests and forests in high use recreation areas, travel influence zones and scenic view areas, a more sensitive approach is needed. Alexander (1977) suggested that single-tree selection, group selection and modified shelterwood cutting are appropriate for such areas.

Similarly in Europe, Bol and Leek (1984) stated that society is demanding increased nature values and increased recreation values from the forests. This is not only in large public forests, but also in farm and village forests in the North Temperate Zone where recreation is becoming more important and agriculture less important (Ostrom, 1966). This is leading to modification of the silvicultural systems used (Hofstad, 1976) and particularly to a decrease in the size of individual clearcut areas (Heij, 1984). In Scandinavia, where large-scale forestry has dominated for the last thirty to forty years, there has been an increasing demand for alternative management methods to be used in urban forests and alpine forests, for wildlife and flora protection (Lundquist, 1984). And, in Japan, non-clearfelling areas now make up more than 60% of the total area cut in the National Forests (Inoue *et al*, 1981).

1.1.3 FARM FORESTS AND SMALL PRIVATE WOODLANDS

In the last few years there has been an increased emphasis on the importance of management of small private woodlands and farm forests, because they are considered to be an under-utilized resource. Uneven-aged systems of silviculture are particularly appropriate for such woodlands because the appearance of the forest and personal recreation in the forest are often the main objectives for non-industrial, private forest owners. Some of these owners are not averse to harvesting and production forestry but a major deterrent is the belief, based on observation of large-scale felling carried out by commercial companies, that harvesting inevitably leads to devastation (i.e. large amounts of logging debris, unharvested whips and blackened stumps) (MacArthur, 1974; Young and Reichenbach, 1987). Therefore, systems involving permanent forest cover will be more appealing and in Canada, for example, many small private forests are now managed using selection systems (Bjerkelund, 1974).

1.1.4 PROTECTION FORESTS

The practice of irregular forestry in Europe developed as a reaction to the difficulties experienced in the management of uniform forests (Thallon, 1979). Some of these difficulties included disruption caused by windthrow, problems of soil erosion and avalanches on steep terrain, and loss of productivity over time on some sites (Matthews, 1986). It is with regard to protection that some European countries have created laws which prohibit large-scale clearcutting. In Austria, for example, clearcutting areas greater than two hectares or strips wider than fifty metres are generally prohibited (Eckmueller, 1966), and in the Bavarian mountain forests it is forbidden to clearcut areas greater than 0.5 hectares (Brinkmann, 1987).

1.1.5 SMALL-SCALE SITE VARIATIONS AND VARIATION IMPOSED BY WIND

In Scotland, a complex mosaic of small-scale topographic and soil variations is present on many upland sites. These variations, usually resulting from the fluvo-glacial drift geology, lead to large variations in tree growth over areas as small as 0.2 hectares (Paterson, 1975). Osmaston (1968) also noted that in very intensive even-aged forestry individual stands of one age may need to be as small as 0.1 to 0.2 hectares in order to take full advantage of small-scale variations in site.

Furthermore, in many forests in Scotland, small pockets of windblown trees have been replanted as the windblow has occurred as an alternative to felling a whole stand prematurely. Uneven-aged forests have thus been created by responding to site variation and local catastrophes.

In both these cases, accepting the uneven-aged structure and managing accordingly may be preferable to forcing such forests into regularity.

1.2 THE HISTORY AND STATUS OF UNEVEN-AGED FORESTRY

1.2.1 EUROPE

Early records of forest utilization in Europe indicate that a crude form of selection working was the common practice. This method of utilization involved felling stems throughout the stand, as they were required, with no consideration given to regenerating a new stand. These fellings were known as *jardinage* or *furetage* in medieval France (Malcolm and Taylor, 1979).

As early as the thirteenth century the deterioration in the forests caused by this exploitation was recognized in Germany and restrictions on timber use were introduced. These restrictions included prohibition of the felling of certain species and the exclusion of grazing animals from felled areas until the regeneration had grown above browse height. The Thirty Years War (1618-1648) put a halt to these preventative measures and the forests of Germany were brought to the edge of ruin. The most valuable forests were overcut to pay war indemnities, cutting regulations and grazing restrictions were ignored and the practice of raking up the forest litter became widespread (Heske, 1938).

After the Thirty Years War, numerous forest ordinances were promulgated in order to rehabilitate the forests. These ordinances included restrictions on cutting and requirements for reforestation. The developments in German forestry were paralleled in France, with Colbert's 1669 Forest Ordinance which introduced the *tire et aire* system. Under this system a forest was divided into blocks, with cutting confined to one block at a time and seed trees left unharvested to regenerate a new crop (Brown, 1883). The various pieces of legislation tended to impose a more regular structure on the forests and the trend towards regularity continued until the nineteenth century.

In nineteenth century Germany there developed a preference for tree species producing valuable timber over tree species producing firewood or other end products. This led to an increase in pure stands of Norway spruce, at the expense of beech. It was when these stands of pure spruce were extended and grown on unsuitable soils that problems with disease and storm damage were encountered. In the latter part of the nineteenth century, in response to these problems, both Gayer and Gurnaud advocated a more natural approach to forest management and called for the development of more irregular forests with mixed species and age classes.

In Switzerland, clearfelling led to a dramatic decrease in the proportion of beech and silver fir in the Norway spruce/European silver fir/beech forests, because these two species are sensitive to frost in the seedling stage (Matthews, 1986). Swiss foresters experienced similar problems as their German counterparts, with disease and storm damage in the resulting pure spruce stands and they (notably Biolley) were willing listeners to Gayer's ideas about irregular systems.

It is in Switzerland, in the Jura and the Emmental, that the largest areas of forest managed by selection systems are currently found. Norway spruce/European silver fir/beech selection forests **are** also found in Austria and the Southern German states of Baden, Württemberg and Bavaria. Although the most well known examples of selection forestry are with the spruce/fir/beech forests, examples occur with other forest types, notably the selection system used for beech in Hautfays, Belgium.

1.2.2 THE USA

Selection systems are traditionally viewed with suspicion in the United States because single-tree selection has, historically, been a disguise for high-grading. High-grading is the sequential removal of the largest trees in a stand, with no regard for the future development of the stand. This favours the growth of advanced-age, undesirable, shade tolerant species from the lower crown canopy and has been a particular problem in Eastern hardwoods and Rocky Mountain coniferous forests.

Single-tree selection is currently not widely practiced, but it is often applied in the Northern Hardwood forest type. It is successful here, because sugar maple (*Acer*

saccharum), beech (*Fagus americana*), hemlock (*Tsuga canadensis*) and red spruce (*Picea rubens*), which are the climax species of this forest type, are able to develop in the small openings created by removing single trees. This silvicultural system is considered to be appropriate for owners of small woodlands who want a regular income from timber along with little change in the appearance of the woodland.

Small group fellings are found in the Ponderosa pine forest type, mainly along highways and waterways where aesthetic considerations are most important. Also, the use of group management, with group size ranging from 0.25 acres (0.09 ha.) to 5 acres (1.84 ha), is becoming increasingly popular for coastal Douglas fir, particularly on public lands. The use of group systems in western conifers is hampered by the presence of dwarf mistletoe (*Arceuthobium* spp.). Infection by dwarf mistletoe is the single most important disease problem in western conifer forests (French and Cowling, 1982) and the spread of infection from diseased overstory trees may preclude the use small group fellings.

1.2.3 BRITAIN

British forestry also has a history of exploitation felling which produced large areas of unproductive forests by the beginning of this century. Early British foresters, such as Schlich (1840-1925), trained in Germany and therefore learned the principles of irregular forestry. One of the earliest examples of irregular forestry in Britain is the conversion of beech forests on the Parmoor estate in the Chilterns by Bourne (one of Schlich's students) begun in 1924 (Matthews, 1986). Another notable example from the early part of the century is the experiment with group management in a stand of mixed species and age on the Dartington estate begun by Hiley in the 1940's. It was only in the 1950s that uneven-aged forestry really started to develop in Britain, and it did so in two different directions. Firstly, it was introduced on some private estates in England with the aim of rehabilitating unproductive broadleaved woodlands (Matthews, 1986), and at the same time M.L. Anderson, Professor of Forestry at Edinburgh University, instituted trials of the group selection system for conversion of even-aged stands of conifers to an uneven-aged structure. These trials at Glentress, Faskally, Corroul, Cawdor, Dalmeny and elsewhere, are described in Appendix A. Also, during the 1950's a systematic uneven-aged system was developed on Lord Bradfords estate at Tavistock (See Appendix A). Some of these trials have been more

or less abandoned (e.g. Corrou) whilst others (e.g. Glentress and Tavistock) are now approximately half-way through the transformation period. In the latter case the group structure is becoming evident and interest in these mals is increasing.

Evidence of this increased interest includes the first Discussion Group on Uneven-Aged Silviculture (Cahalan, 1986) in October 1986, with 58 participants. Papers were presented on the history of uneven-aged forestry, and personal experiences of managing both conifers (Tavistock Estate) and broadleaves (John Workman's beeches) by uneven-aged systems were recounted. These papers were followed by two on the economics of uneven-aged systems and by papers on the growth of trees in mixtures and the development of ground flora under a selection system. Two main points arose in the generai discussion:

1. The need to identify all the current uneven-aged forestry experiments and to compile a register of such experiments.
2. The need to make uneven-aged silviculture acceptable to the forestry authority.

This latter point may now have been tackled, because the latest Forestry Commission grant scheme document (Forestry Commission, 1988) states:

"the production of utilisable timber must be one of the [management] objectives, although it will not necessarily be the principal objective. The [principal objective] could, for example, be to create a woodland which makes a positive contribution to the landscape and which is designed to create a diversity of wildlife habitats."

It is interesting to consider whether these changes will lead to an increase in the number of forests managed by uneven-aged systems. Although forest managers who are using uneven-aged systems appear to be happy with the associated costs and returns, forest managers who are undecided about introducing such systems have little quantitative information on which to base this decision. The research which forms the basis of this thesis was designed to respond to this apparent need and, to identify and evaluate the economic consequences of uneven-aged forestry.

1.3 REVIEW OF THE LITERATURE ON THE COSTS OF MANAGING UNEVEN-AGED FORESTS

The literature on the relative costs of managing uneven-aged forests compared to even-aged forests is characterised by a lack of consensus between the few authors who have written on the subject and the absence of any significant quantification.

Of the few authors who have written on the subject of the relative costs of uneven-aged forestry most agree, in fairly general terms, that operations in an uneven-aged forest are more expensive than in an even-aged forest, but they have made no attempt to quantify these costs. Newton (1985) noted that most tasks in an uneven-aged forest take *a little longer* because of the time spent in locating groups and moving between them, and the extra care needed during harvesting operations to avoid damage to trees in the surrounding groups. This view was shared by Johnston, Grayson, and Bradley (1967) who felt that the complex or scattered working in an uneven-aged forest *tends to increase costs*, but they decided that it is rarely possible to quantify such effects. Similarly, Risvand (1971) pointed out that cutting spread throughout the forest leads to increased costs due to increased transportation, administration, and inspection needed. Seal (1979) concluded that amenity forests could add to the quality and interest of upland forests at a **very reasonable cost**.

Apart from the increased costs due to scattered working, several authors have identified increased costs associated with the scale of individual cutting areas. Osmaston (1968) found that the smaller the unit of treatment the greater the complications and skill needed in felling and extracting timber without damage to the residual trees. Small tracts are more costly to plant because, according to Guldin (1983), time is spent moving the crew and laying out the job at each area.

Most attempts at quantification of the costs involved have been based on estimates rather than experiments or real world data, and here there is not even general agreement. For example, the **USDA** Forest Service (1983) estimated that the range of increased costs relative to clearcutting, for preparation and harvest, is 6% for shelterwood and 10% for selection cutting. Rickard et al (1967) also used estimates for logging costs in their economic evaluation of silvicultural alternatives for old-growth Douglas fir landscape management. Although they acknowledged that the exact dollar differences between alternatives were not known, they used a value of 12% for the

increase in costs of partial cutting compared to clearcutting. However, at the other end of the scale Bol et al (1981) reported that the relative increase in costs associated with a group selection system using groups of less than one hectare will be measured in tens of percents. The costs considered in this study were those for stand establishment and harvesting operations, and the cost of transport between treatment areas.

In contrast to the previous findings, Leak and Filip (1975), carrying out experiments in the Bartlett Experimental Forest in New England, reported harvesting costs for single tree/group selection methods of \$17.63 per 100 cubic feet and \$17.75 per 100 cubic feet when using clearcutting. These results came from direct measurements, but it was noted that all the compartments were near truck roads. Helliwell (1982) also concluded that in Britain, the overall savings in cost associated with clearfelling are likely to be small.

The only reference to the cost of uneven-aged forestry which was based on empirical evidence was the Leak and Filip report describing harvesting experiments in Northern Hardwoods.

1.4 OBJECTIVES OF THE RESEARCH

Quantification of costs of uneven-aged forestry in Britain is hampered by the limited number of examples of forests in operation and available for study. Also, if costs are available, they are often too aggregated to be of much value.

One possible approach to assessing the economics of uneven-aged forestry would be to study a single uneven-aged forest, making measurements of operations and collecting data on volumes of timber removed. The results could then be compared with published values for even-aged forests, of which there are plenty. However, because no even-aged forests have been completely transformed to an uneven-aged structure, only a brief portion of the transformation period could be assessed using this method. Also, the results of such a study would be limited because they would be unique and difficult to project to any other uneven-aged forest. The results would not have a widespread application because the management of an uneven-aged forest is

complex and the results from a single forest would be determined by a long list of variables, including:

- 1) Tree Species
- 2) Site Quality
- 3) Terrain Characteristics
- 4) Forest Size
- 5) Harvest Systems
- 6) Timing of Operations
- 7) Group size

By developing a model, however, each of these factors can be isolated, investigated, and the importance of each determined, which was why a modelling approach was chosen for this research. A model also allows alternative management strategies to be examined which would be impossible if results were based on one or several forests.

The three major objectives of the research are detailed below:

The first main objective was to compare the time needed to carry out operations in the even-aged and uneven-aged forest. The following management variables for the uneven-aged forest were selected for further investigation and comparison.

1. Varying the scale of working (i.e. group size and forest size) in the uneven-aged forest.
2. Using different harvesting systems and a range of machine types within each harvesting system.
3. Varying the length of time taken to transform the structure of the forest from even-aged to uneven-aged.
4. Varying the age of the trees when the transformation from even-aged to uneven-aged structure begins.
5. Varying the tree species and Yield Classes.

In order to achieve the objective of comparing operation times, a model of forest operations was needed. Such a model could then be used to examine the relationship between the silvicultural system and the time needed to carry out each operation. By

this means, some of the general statements found in the literature, such as that operations "take a little longer", could be quantified. The following forest operations were considered:

1. Felling (shortwood and pole-length)
2. Extraction (shortwood forwarding and pole-length skidding)
3. Replanting
4. Weeding
5. Pruning
6. Brashing

The second major objective was to further analyse the results from the model (i.e. the operational times for the two management approaches) in order to carry out financial analyses of the two systems. The cash flows from even-aged and uneven-aged forests are very different. The even-aged system has large initial establishment costs, low or moderate revenues from intermediate thinnings and a substantial positive net cash flow when the crop is liquidated. The uneven-aged system, on the other hand, has the same initial establishment costs (if considering the development of an uneven-aged forest from bare land), increasing positive net cash flows during the transformation period and equal positive net cash flows every felling period (to infinity), once the forest is transformed. Using the model output to generate these cash flows and to calculate Net Present Values for the two management systems was, therefore, the second objective of the research.

Section 1.1 of this chapter considered the places where uneven-aged management systems might be appropriate. For some of these categories (particularly recreation and amenity forests, farm woodlands, and small private woodlands) financial considerations may be secondary to consideration of the other values of a silvicultural system, such as scenic beauty values or wildlife habitat quality. Also, although (for example) the question of the quality of timber obtained from the two systems is certainly a financial consideration, the data needed to compare timber quality for the two systems is not available and could not, therefore, be included in a financial analysis.

The third objective was, therefore, to compare the following topics (which were not included in the model or in the financial analyses) for the two silvicultural systems:

- 1) Scenic beauty
- 2) Recreation
- 3) Wildlife habitats and Conservation
- 4) Pests, Diseases and Biotic damage**
- 5) Wind stability
- 6) Weed growth
- 7) Timber quality
- 8) Marketing
- 9) Management costs

1.5 ORGANIZATION OF THE THESIS

The thesis is structured around the three main objectives described above. Chapters **2**, **3** and **4** are concerned with the modelling of forest operations. In the first part of Chapter **2**, the development of the model is discussed and the assumptions and constraints are presented. This is followed by a discussion of the sources of data used to build up the model and the final part of Chapter **2** presents the detailed structure of the model.

In Chapter **3** the individual forest operations are outlined along with the corresponding subroutines in the model. Flowcharts for each operation are presented and the data inputs are discussed. The results obtained from running the model are presented in Chapter **4**. This chapter follows the same pattern as Chapter **3**, with each section containing the results from a single forest operation.

Chapter **5** contains the financial analyses of the model outputs. Calculations of Net Present Values for different management regimes (using a range of discount rates) are presented and discussed.

The non-quantified values associated with the different silvicultural systems and management regimes are discussed in Chapter **6** and Chapter **7** provides a summary of the thesis and recommendations for future research.