



The Four Seasons

The Newsletter of Dwight L. Stewart, Jr. & Associates

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A Long, Hot Summer

Drought, Drought, Go Away! Dry weather throughout much of the spring continues to aggravate several problems in the southeastern forests. Spring rains are critical for newly planted trees of all species. Lack of rain, particularly on dryer sites, may mean low survival rates. Pine beetle outbreaks have worsened because of drought-stressed trees. Excellent logging conditions and a lower demand for pulp and paper have allowed pulp mills to keep supplies of raw material readily available. Abundant supplies and low demands continue to push pulpwood prices downward.

A bright spot for timberland owners continues to be the pine and hardwood sawtimber markets. According to government figures, May housing starts were 11.6% above those of April and were 6.6% above those of May 2001. The low cost of borrowing money continues to help drive the housing market.

President Bush Signs New Farm Bill:

On May 13th, President Bush signed the Agriculture, Conservation and Rural Enhancement Act of 2002 into law. A forestry title buried in the Farm Bill provides significant improvements in the delivery of the federal government's technical and financial assistance to the nation's non-industrial private forest landowners. Included in the forestry title is the new Forest Land Enhancement Program (FLEP). This program is established "to encourage the long-term sustainability of non-industrial private forestlands (NIPF) in the United States."

Mandatory funding of the new program is \$100 million over 6 years, which is a vast increase over the chronically under funded forestry incen-

tives program (FIP) and the stewardship incentives program (SIP). Qualifying landowners will be eligible for a wide range of forestry practices for timber production and conservation purposes. State foresters and state forest stewardship committees will develop eligible practices for each state.

The Conservation Reserve Program (CRP) was due to expire in 2002. The program is extended to 2007 and the cap on enrollment acreage increased from 36.4 to 39.2 million. CRP has resulted in the planting of more than 2 million acres of erodible cropland and other eligible lands in the south. A new sign-up could come as early as this fall.

The enhanced community fire protection program requires the Secretary of Agriculture to cooperate with state foresters and equivalent officials to control and prevent wildfires, protect communities, enhance the growth and maintenance of trees and forests and ensure continued production of forest resources.

The community and private land fire assistance program allocates \$35 million annually to carry out certain fire management and protection activities on both federal and non-federal lands. The Environmental Quality Incentives Program (EQUIP), which has been a soil and water conservation program primarily for farmers and livestock producers was amended to include private, non-industrial forest lands for participation. While not specific, the language of the law appears broad enough to make such activities as tree planting an eligible conservation practice under certain circumstances.

WHO ARE YOU?

Keeping track of forestlands, timber inventories and demographics of private forest owners is one of the jobs of the USDA Forest Service. Based on the most recent Forest Service study of forest ownership in the United States, there were 9.9 million private forest ownership units in 1993. About 94% of these ownership units are owned by individuals known as “non-industrial private forest” owners (NIPF). NIPF owners hold about 59% of forest land while about 25% of the holdings are corporations with the balance held by non-corporate joint owners. One highly significant aspect of the data is the inverse relationship between holding size and number of owners.

Sixty percent of the 9.9 million forest owners report that they own 10 acres or less. These owners control less than 5% of the forested acreage. While small tracts do contribute some forest benefits, many of the small holdings never contribute to fiber production. Parceling of land leads to fragmentation and this trend is likely to continue as lands are split among family members and are divided to settle estates. There are approximately 2 million NIPF owners who have tracts of 25 acres or more. Owners of tracts with fewer than 25 acres are much less likely to manage their lands than people who own this much or more. The 2 million NIPF owners of 25 acres or more own roughly 46% of U. S. timber.

In 1993, nearly one-third of the group classified themselves as retired and this group controlled about 25% of private forests. This category will continue to grow. From most age groups 64 years and younger, there is little relationship between age and harvesting experience. However, in the 65 and over age class, there were significantly more respondents who said they had harvesting experience.

Typically, many NIPF owners delay timber sales until late in life, so it is not surprising to see harvesting increase with the age of the landowner.

Fifty-three percent of all private owners stated their primary reason for owning forestland was because it was part of a residence or farm or for aesthetic enjoyment. Only 3% gave timber production as a primary reason for ownership, the lowest percentage of any reason given behind alternatives such as investment, recreation, and other.

While there is a high number of timberland owners who say that timber production is a low priority, the percentage of timberland that they own is low. The small number of people who said that timber management is important to their ownership actually own about 38% of the land. Only 5% of private landowners report that they have a written management plan to guide them in decision making. Significantly, this group controls about 39% of the private forestland.

Not surprisingly, owners of smaller tracts are less inclined to look to the land for tangible forest benefits than are larger landowners. To justify ownership, larger landowners must require that the land at least pay for itself and timber sales are a major way to raise capital.

As pulp and paper companies change their thinking about owning vast acreages of woodland, timber from privately held forests will become more important. A study by the University of Georgia’s Center for Forest Business at the Warnell School of Forest Resources found that vast acreages of industrial forests and timberlands are changing hands. Mergers and consolidations are reshaping the forest products industry.

According to the study, 14 million acres have been sold in the past 5 years, with 6 million of the total in the Southeast. Recently, LP, formerly known as Louisiana-Pacific, announced that it would sell several businesses and shed 4,400 jobs as part of a restructuring effort. The Portland, Oregon based company said it would sell 935,000 acres of timberland in Idaho, Louisiana, and Texas, along with its plywood, industrial panels and lumber businesses. According to CEO, Mark Suwyn, “Our timberlands are very valuable properties. However, given that we primarily buy pulpwood on the open market and that there are more tax efficient ownership vehicles for this asset, we have made the decision to sell them.”

According to Mike Clutter, Professor of Forest Finance at the University of Georgia, “Returns in the forest products industry are down, making companies really take a look at their reasons for owning and paying taxes on income generated from timberland.” (cont. on next page)

LAND FOR SALE

Clarendon County

- 20 acs. - 2 miles north of Turbeville on Hwy. 301 - \$24,000
- 20 acs. - Near Rimini – cropland/woodland – located on improved dirt road - Under Contract
- 256 acs. - near Summerton - 114 acres cropland - balance in natural pine and hardwood - excellent soils and road frontage - \$307,000.00

Dillon County

- 742 acs. - all wooded with some pre-merch. Timber - 3000 ft. frontage along Little Pee Dee River – 9 miles south of Dillon - \$750/acre for all

Florence County

- 154 acs. - 10 miles southeast of Florence - 54 acres planted pines, balance in hardwood growing land – excellent deer , hunting - \$1025/ac for all

Williamsburg County

- 191.4 acs. - fronts on Black River, excellent deer hunting, ducks, turkey, merchantable hardwood timber –\$220,110
- 376.8 acs. - Black River frontage – hwy. frontage, 8 miles west of Kingstree – food plots in place – good road system – excellent hardwood regeneration – ready to hunt - \$975/acre

Sumter County

- 63.5 acs - located west of Shaw AFB– convenient to Sumter and Columbia—all wooded- \$1,500/acre

As pointed out by LP's Suwyn, new corporate tax laws favor tax-exempt entities such as timberland investment and management organizations and real estate investment trusts, not the large publicly held forest and paper products corporations.

Clutter pointed out that tax changes are forcing forest products companies to question long-held beliefs that they need to own land to assure affordable sources of raw materials.

TREES, SPF 15

Recently, scientists at Purdue University announced they may have developed a way to determine how much protection trees offer against harmful ultraviolet B radiation. By considering factors such as the amount of sky that is visible through a tree canopy, altitude, latitude, and time of day, Richard Grant, a professor of agronomy at Purdue University says that he and colleagues can predict how much UV-B radiation exposure exists

under trees affording varying amounts of shade. For example, Grant notes that at latitudes from 16 to 50 degrees when 50% of the sky is visible through the trees, it will take about 50 minutes for a person to receive the same amount of sun as someone standing in direct sunlight.

Grant says that a tree offering 90% canopy coverage offers protection factors from UV radiation that are approximately 10 times greater, the equivalent of applying sun block with a sun protection factor of 10.

Grant says that residential and urban planners should consider the UV protection factor that trees provide.

Will Hawaiian Tropic get into the tree growing business? Stay tuned.



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Published by Dwight L. Stewart, Jr. and Associates of Manning, SC. We are consulting foresters, licensed real estate brokers, and Dwight L. Stewart is a certified appraiser for South Carolina and Georgia. Our firm has been in the 100 Largest Farm Management Firms in the nation for the last four years, as compiled by Crop Decisions magazine, the journal of agricultural professionals. You can reach us at:

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*Is your **address changing** as a result of new E-911 systems? Call or write us with your new mailing address. The Postal Service will forward mail for only a short length of time.*

We need listings for timberland and farmland! If you have land in the southeast that you want to sell, give us a call.