



The Four Seasons

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

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CHANGES IN THE FOREST PRODUCTS INDUSTRY

Someone once said that the more things change, the more they stay the same. This could certainly apply to the forest products industry. When I began as a young forester in 1971, the Georgia-Pacific Corporation spun off several of its mills and associated forest lands to form Louisiana-Pacific, a totally separate and independent company. This action was due in part to federal regulations against monopolies.

Within recent years, mergers and acquisitions have reshaped the forest products industry. Most recently, Weyerhaeuser has purchased the Willamette Corporation. Previously, International Paper Company purchased Champion International, Federal Paper Board and the Union Camp Corporation. Jefferson-Smurfit purchased Stone-Container Corporation. The Mead Corporation and Westvaco have merged to form MeadWestvaco. The list of forest products companies continues to dwindle.

With all of the consolidation in the forest products industry, at least one company's procurement practices have come under scrutiny in South Carolina. Landowners have filed a law suit against International Paper Company, alleging that the company's procurement system has resulted in

pulpwood price fixing that has cost landowners in four states millions of dollars in lost timber sales revenue.

The plaintiffs are four individual landowners who own property in South Carolina. The suit claims illegal procurement practices occurred in North and South Carolina, Georgia, and Virginia and alleges that International Paper Company operated in violation of the Sherman Anti-Trust Act.

The suit cites that the company's quality supplier program is a dramatic and unlawful departure from International Paper's prior practice of setting only delivered pulpwood prices at its mill. The law suit points out that Quality Supplier contractors are independent contractors and the system unreasonably restrains or eliminates independent price competition for timber. As a result of the quality supplier program, it is alleged that all buyers bid on the same stumpage on a price fixed by International Paper. The complaint also states that since International Paper implemented the quality supplier program, the average pulpwood price in South Carolina declined 35%.

THE GREAT LAND RUSH OF THE 21ST CENTURY.

Once upon a time when forest products companies purchased timberland, it went into a black hole only to be sold when development pushed values to extremely high levels. Recently, however, hundreds of thousands of acres of company land have been sold or are on the market .

The Georgia-Pacific Corporation sold all of its lands held by its subsidiary, The Timber Company, to Plum Creek. Plum Creek is now one of the largest private landowners in the nation. International Paper has recently formed a company called Blue Sky to market much of its land that was acquired with the acquisition of Champion International. Weyerhaeuser recently announced plans to sell approximately 121,000 acres of its South Carolina land, mostly in the upstate and in the Pee Dee region of S. C. MeadWestvaco has 41,000 acres for sale with plans to sell over 200,000 acres of land that it has deemed as surplus land.

Whose buying all of the land? Investment companies that manage pension funds, such as Wachovia, John Hancock, and Prudential, to mention a few are buying much of the land in large blocks. Investment portfolios that include timberland have proved to be more profitable than those that do not include timberland.

While these investment groups may continue to manage the tracts for timber production, their objectives may be different from forest products companies that own land to supply trees for their mills. Some investment companies have already re-sold or placed on the market some of the properties that they purchased. The new owners may or may not share the same goals and objectives as the investment companies and changes in land use throughout the South will continue to be prevalent. Many tracts are being purchased by buyers looking for outdoor recreation, which is primarily hunting. Hunt clubs who have leased timber

company lands, sometimes for several generations, may be faced with the loss of property to hunt.

TIMBER MARKETS MIXED.

Wet weather has driven pine pulpwood prices upward from 15-year lows that occurred last year. Last year's drought, combined with sluggish demand for pulp and paper, drove prices for pine pulpwood to rock bottom levels. However, once the rain began, it has yet to turn off and places that are normally dry during this time of the year remain wet and inoperable for logging. Demand for hardwood pulpwood is extremely good and in some cases, prices have surpassed that of pine pulpwood.

One bright spot of an overall weak economy has been the housing market. Historically low interest rates for home mortgages have kept the sawtimber markets active and housing starts at strong levels.

SOUTHERN PINE BEETLES PROVE TO BE COSTLY.

The South Carolina Forestry Commission announced that over \$250 million dollars in timber value was lost in 2002 due to southern pine beetle outbreaks. This figure was more than double the worst previous year of losses to insect activity. Fortunately, beetle activity has slowed considerably. Recently, Southern Pine Beetle activity was surveyed using Pheromone trapping. A total of 31 counties were trapped. Based on this trapping, none of the 31 counties were predicted to experience a severe Southern Pine Beetle outbreak this year. In 2002, 18 counties were predicted to experience a severe outbreak. Statewide, the number of SPB trapped declined to less than 20% of last year's totals. The S. C. Forestry Commission will be conducting aerial surveys throughout the areas containing beetle infestations and notifying affected landowners that beetle spots are present on their properties.

LAND FOR SALE

Clarendon County

- 958 acs. - timber, deer, turkey, located 10 miles northeast of Manning \$1,670,000.00
- 63 acs. - 10 year old planted pines, good hunting, road frontage, near Alcolu \$69,300.00
- 165 acs.—pasture, hay, pond site, brick home \$430,000.00

Dorchester County

- 142.8 acs. - timber, deer, turkey, Edisto River frontage \$426,000.00

Georgetown County

- 305 acs.—big sawtimber, deer, turkey located south of Andrews \$1,150,000.00

Florence County

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

Williamsburg County

- 376.8 acs. - Black River frontage – hwy. frontage, 8 miles west of Kingstree – food plots in place – good road system – ready for this hunting season - \$950/acre
 - 160.5 acs - near Hemingway, planted pine with CRP payments, some merchantable timber, road frontage \$330,000.00
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WHO'S NEW?

We are glad to welcome Stephen Lincoln as a real estate salesman. Stephen is a native of Columbia and is a graduate of the University of South Carolina. He joins us to assist in selling farmland, timberland, and tracts for outdoor recreation. Stephen is an accomplished waterfowl hunter and turkey hunter. He has a good knowledge of the types of property that provide potential for waterfowl habitat, turkeys, and other game species. Stephen and his wife, Kate, the boss's daughter, live in Columbia. Stephen can be reached at our Manning office or at 803-240-5139.

LAND SALES

Below is some information on land sales that we have obtained from public records

- 265 acres sold in June 2003 in Clarendon County for \$265,000 or \$1,000/acre
- 77 acres sold in Sumter County for \$160,000 or \$2,078/acre
- 510 acres sold in January 2003 in Orangeburg County for \$700,000 or \$1,373/acre



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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:

1-800-392-7842

NEW!! VISIT OUR WEB SITE AT WWW.DWIGHTSTEWART.COM

*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.