



The Four Seasons

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Timber Markets Mixed

Pulpwood markets in the Southeast have been weakened by several factors. First, a recession in the United States and in other countries that trade with the United States, has weakened demand for pulp and paper. Second, continued consolidation in the forest products industry has reduced one of the cornerstones of capitalism-competition. Third, three drought years with prospects for a fourth have caused few seasonal interruptions in the supply of wood fiber for mills. Finally, many pine trees planted under the Conservation Reserve Program are now large enough to thin and have increased the supply of pine pulpwood. Because the CRP program was originally designed to take highly erodible cropland out of row-crop production, many of the CRP sites are ones that can be logged during wet weather, which has been lacking in most regions of the Southeast.

What is ahead for the pulpwood market? Of course, no one knows for sure and in our global economy, events halfway around the world can affect us in the United States. Recent weather predictions show a wetter and cooler pattern for the South. As we begin the spring, the economy appears to be rebounding, although predictions are for a slow recovery. Changes in

weather patterns may help local markets, but may provide only temporary relief. Consolidation in the forest products industry will likely continue and markets will likely be dominated by one or two mills in many regions.

Markets for both hardwood and pine sawtimber have fared much better. Housing starts have continued to be a bright spot in a lackluster economy and have defied the usual recessional trend of falling. The average size of new houses has continued to increase, thus requiring more lumber. Demand for sawtimber is expected to be good for the next several months.

Speaking of mergers, the latest merger involved Mead Corporation and Westvaco Corporation. Last August, the two companies announced a merger that would create a global company with leading positions in packaging, coated and specialty papers, consumer and office products, and specialty chemicals. The enterprise value of the combined organization was in excess of \$10 billion. The new company is known as MeadWestvaco Corporation, with \$8 billion in annual revenues. The elimination of the duplicate services and positions has begun in several areas of the combined companies.



Changes coming in Lumber Treatment

On February 12th, the Environmental Protection Agency announced a voluntary decision by lumber treaters to move away from pressure treating lumber with chromate copper arsenate (CCA). The EPA has not concluded that CCA-treated lumber poses an unreasonable risk to the public or the environment. However, because arsenic is a known human carcinogen, the EPA believes that any reduction in potential exposure to arsenic is desirable. After December 31, 2003, wood treaters will no longer be able to use CCA to treat wood used in decks, picnic tables, landscaping timbers, gazebos, residential fencing, patios, walkways/boardwalks, and playground structures.

While the EPA says there are a number of registered preservatives that can be used in wood treatment, lumber treaters say the process may increase costs from 10 to 15 percent. Experts say the elimination of CCA treated lumber will dramatically reshape the pressure-treated wood industry, a \$4 billion-year business. A significant amount of southern yellow pine is used by the pressure-treatment industry.

Forest Landowners in SC doing a good job

Two studies completed late last year show that forest landowners in the South are doing a good job at maintaining healthy, productive and sustainable woodland. The S. C. Forest Inventory Analysis, a joint project by the U. S. Forest Service and the S. C. Forestry Commission, as well as the Southern Forest Resource Assessment gave forest landowners high marks. Both studies agreed that urban development and sprawl, not commercial harvesting, pose the greatest and the most permanent threat to the forest.

The Southern Forest Resource assessment did not recommend any more laws and regulations and in fact, suggested that senseless regulations could drive people out of the tree growing business, something private landowners have been saying all along.

While the study was prompted, in part, by anti-forestry groups who have been calling for increased regulation of privately owned lands and forest industry lands, the report actually showed an increase in forest acres in the south.

The South Carolina Forest inventory analysis concluded that the state's forests have overcome catastrophic losses by Hurricane Hugo in 1989. According to the study, there is as much standing timber now as before Hugo. Overall, net growth for pine and hardwood exceeds harvest.

Tariffs Set on Canadian Lumber

According to reports by the Associated Press, the U. S. government issued duties on March 22, 2002, averaging 29 percent on a key type of Canadian lumber. The purpose was to protect domestic jobs and retaliate for what is considered unfair trade practices. Critics say the move could add \$1,500 to the price of a new home in the U. S., as well as devastating an already troubled Canadian lumber industry. The Commerce Department has determined that Canada subsidizes its industry by charging low fees to log public lands and allows its producers to sell their lumber in the U. S. at below-market prices, an illegal practice known as dumping. About a third of the U. S. supply of softwood lumber was imported from Canada in 2001. Duties cannot be imposed until the U. S. International Trade Commission decides if American lumber interests have been harmed by the Canadians. However, the Commission has ruled against the Canadians in a preliminary finding. The final ruling is expected in May of this year.

LAND FOR SALE

Clarendon County

- 20 acs. - 2 miles north of Turbeville on Hwy. 301 - \$24,000
- 338.04 acs. - located east of Manning-cropland, planted pines-county maintained road frontage-owner will consider dividing - \$845,000
- 20 acs. - Near Rimini – cropland/woodland – located on improved dirt road - \$20,000

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/acre 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 –

Don't Send Extra Money to Uncle Sam!

Did you spend money on reforestation during 2001? If so, you may be eligible for some very attractive income tax credits that will allow you to keep more of your hard earned money. Generally, a tax credit is allowed on the first \$10 thousand of out-of-pocket expenses incurred during reforestation during a calendar year. There is also a very attractive amortization or write-off plan available to forest landowners. Be sure and contact your tax advisor to see if you are eligible for this tax credit. Also for future planning, remember that the tree-planting season lasts over two taxable years for those who operate on a calendar year basis. With good planning, you may be able to maximize the amount of your deduction by making expenditures during two calendar years. For instance, you may want to perform and pay for site preparation in one calendar year and delay tree planting until the next calendar year, particularly if your out-of-pocket expenses

exceed the calendar year deduction. Again, your tax advisor can explain the possibilities to you. Also, for additional information, you may want to contact the National Timber Tax website at www.timbertax.org.

There's Always the Land!

In the last scenes of Gone With the Wind, Scarlet draws her strength to overcome her problems by returning to Tara. While Hollywood and reality are often miles apart, large and small investors are continuing to invest in land despite the recent economic slow-down and the tragic events of September 11th. Below is a list of land sales that we have obtained from information recorded in public records:

- 121.3 acres sold in January 2002 in Sumter County, SC for \$170,000 or \$1401/acre
- 122 acres sold in January 2002 in Clarendon County, SC for \$130,000 or \$1066/acre
- 182.25 acres sold in March 2002 in Clarendon County, SC for \$246,038 or \$1350/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:

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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.