Trends in Wood Supply and Strategies to Maintain Sustainability

October 16, 2014

GEORGIA FORESTRY
COMMISSION

Vision - Healthy, sustainable forests providing clean air, clean water and abundant products for future generations.

Mission - To provide leadership, service and education in the protection and conservation of Georgia's forest resources.

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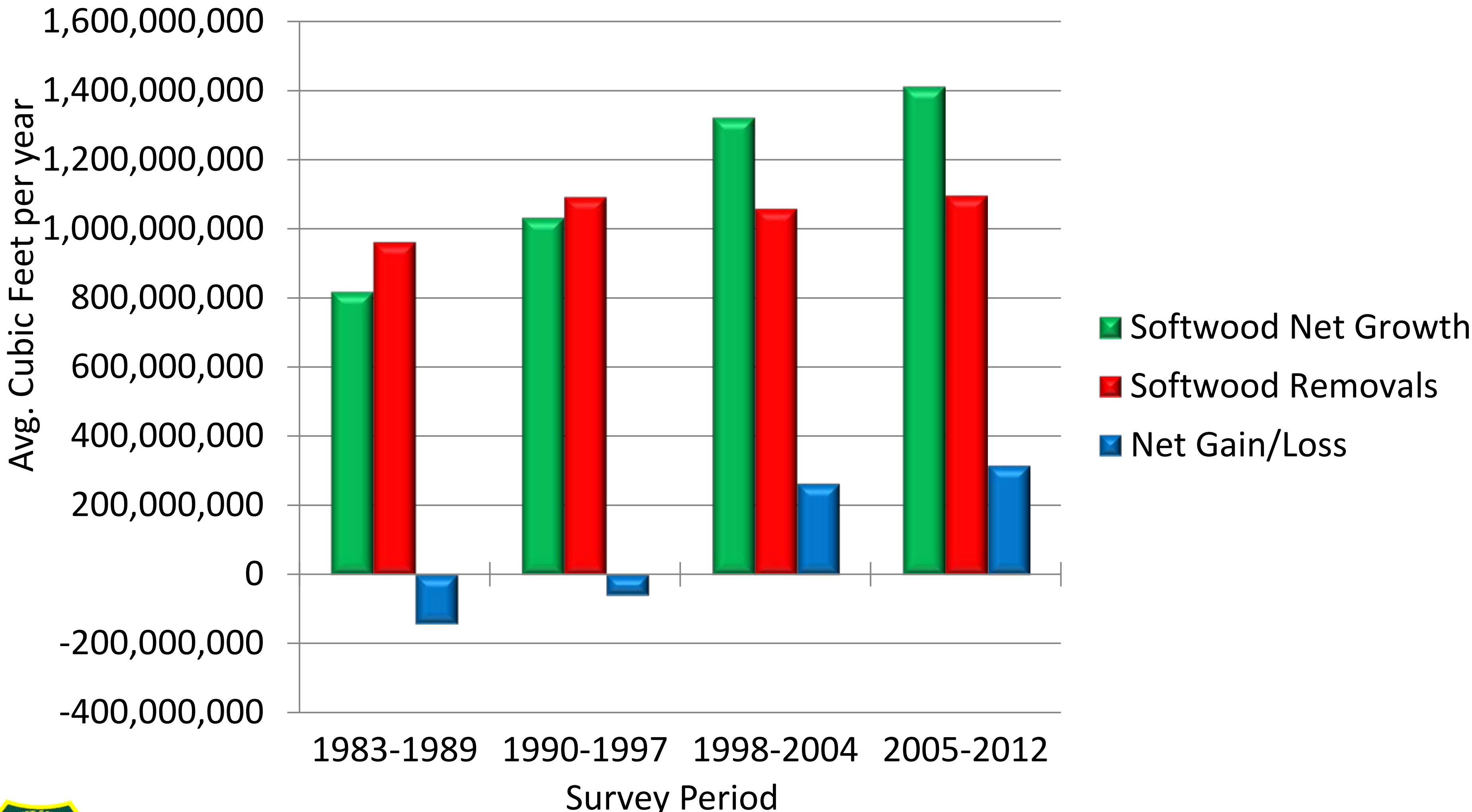
Outline

- Trends in wood supply
- Discussion of future needs
- GFC role
- Opportunities for partnerships

Background

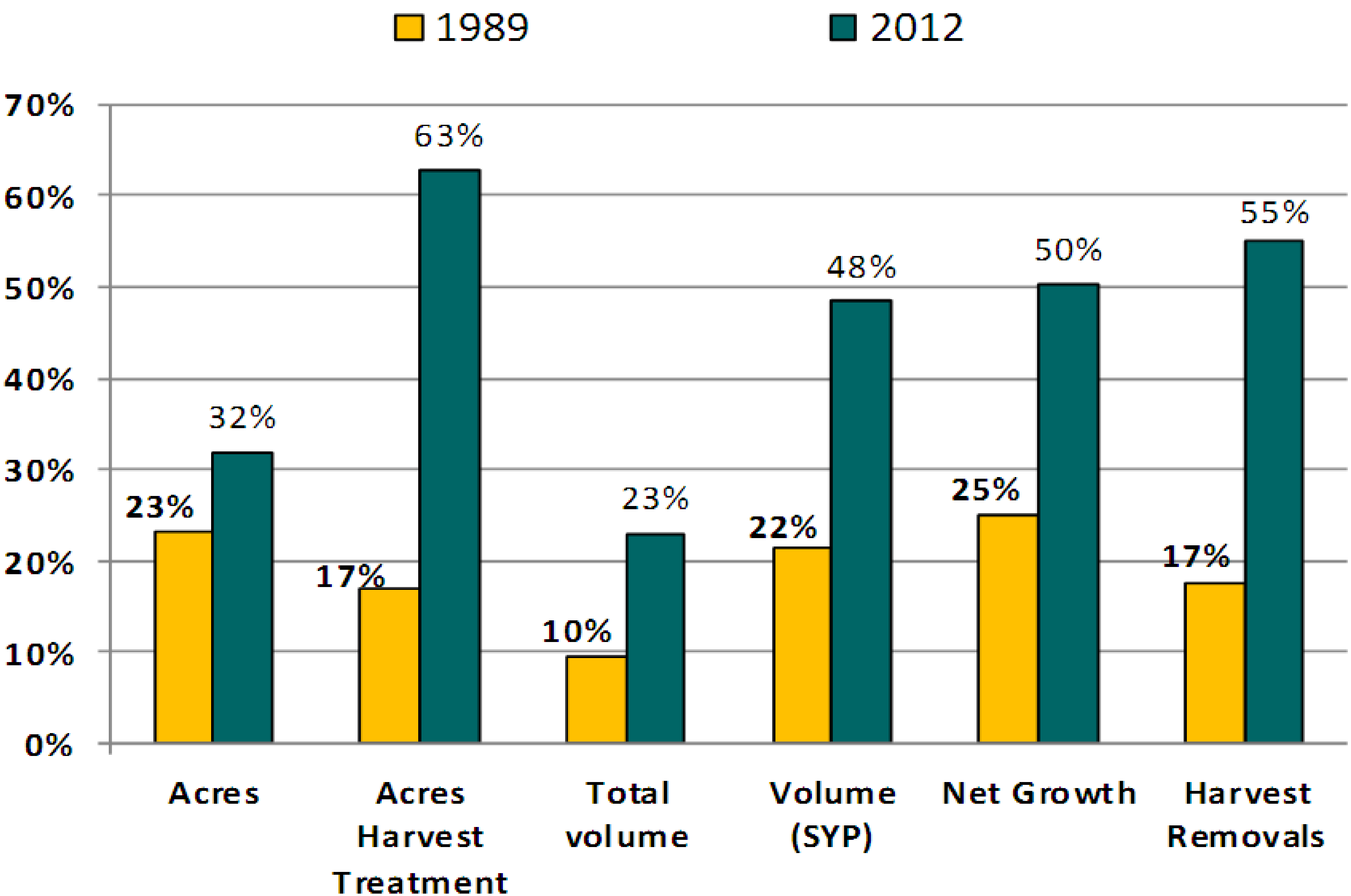
- Georgia has maintained 24 Million acres of timberland since the 1950's
- 91% of timberland is privately owned
- While acres have remained steady, production has increased
- Volume is an all-time high
- At present growth exceeds removals

Net Growth versus Removals (Harvests) For Softwoods by Survey Period

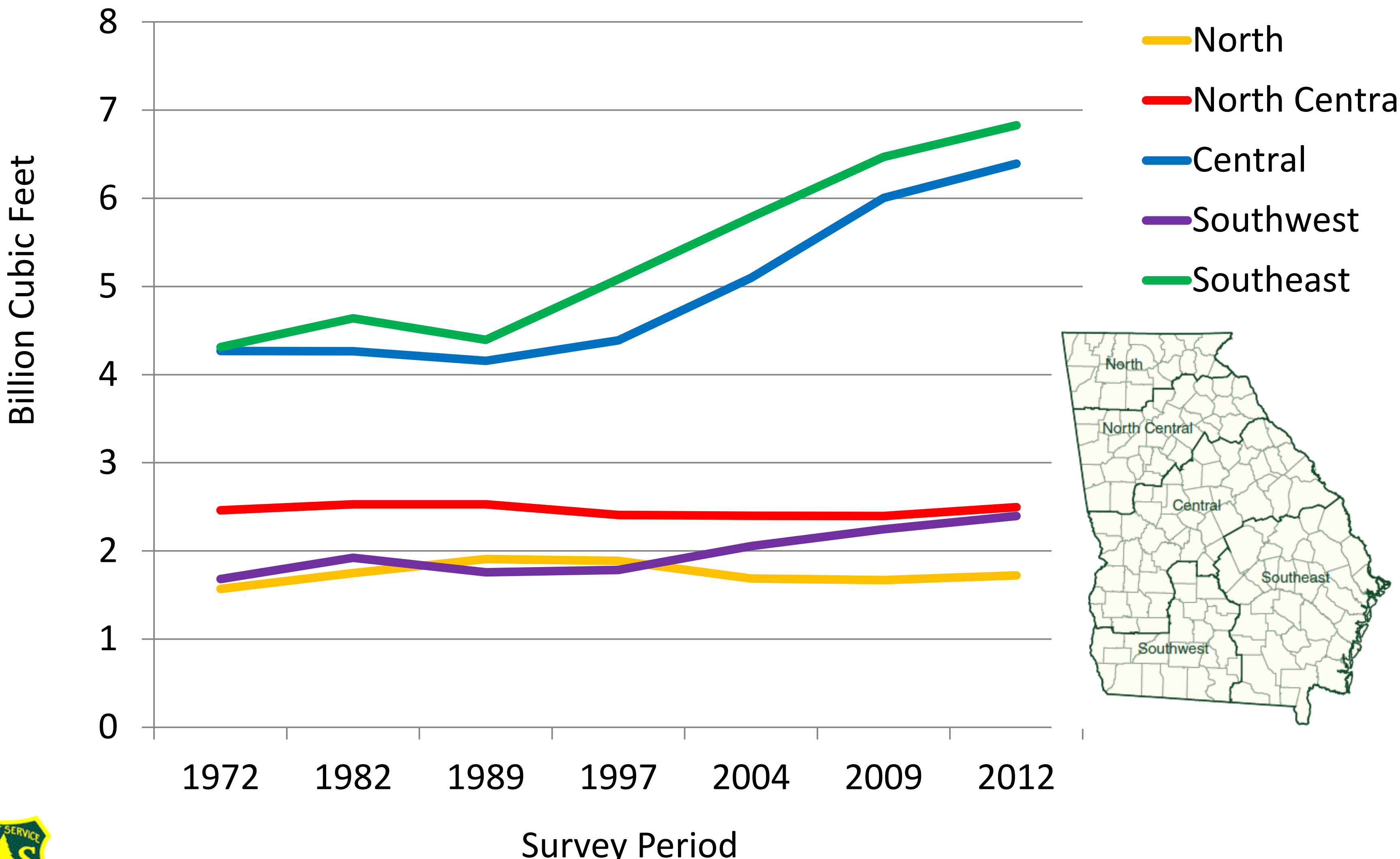


Source: Forest Inventory and Analysis program, US Forest Service, 2012 Data

Impact of Planted Pine, Georgia



Pine Volume by Unit and Survey Period



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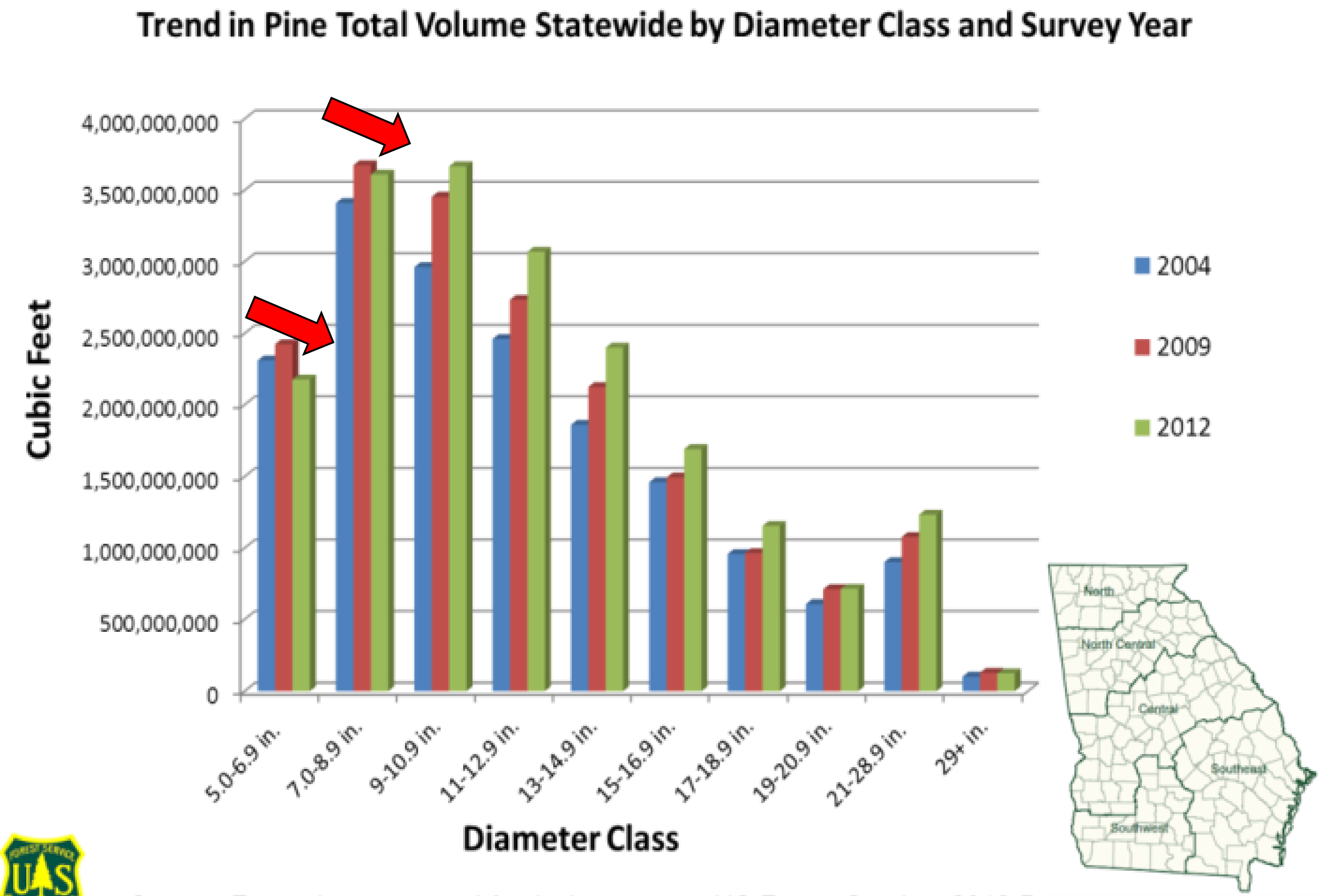
Pine Volume Distribution

- ✓ Decreased Pine Planting is reflected in volumes for small diameters
- ✓ Increases in volumes in larger diameter classes



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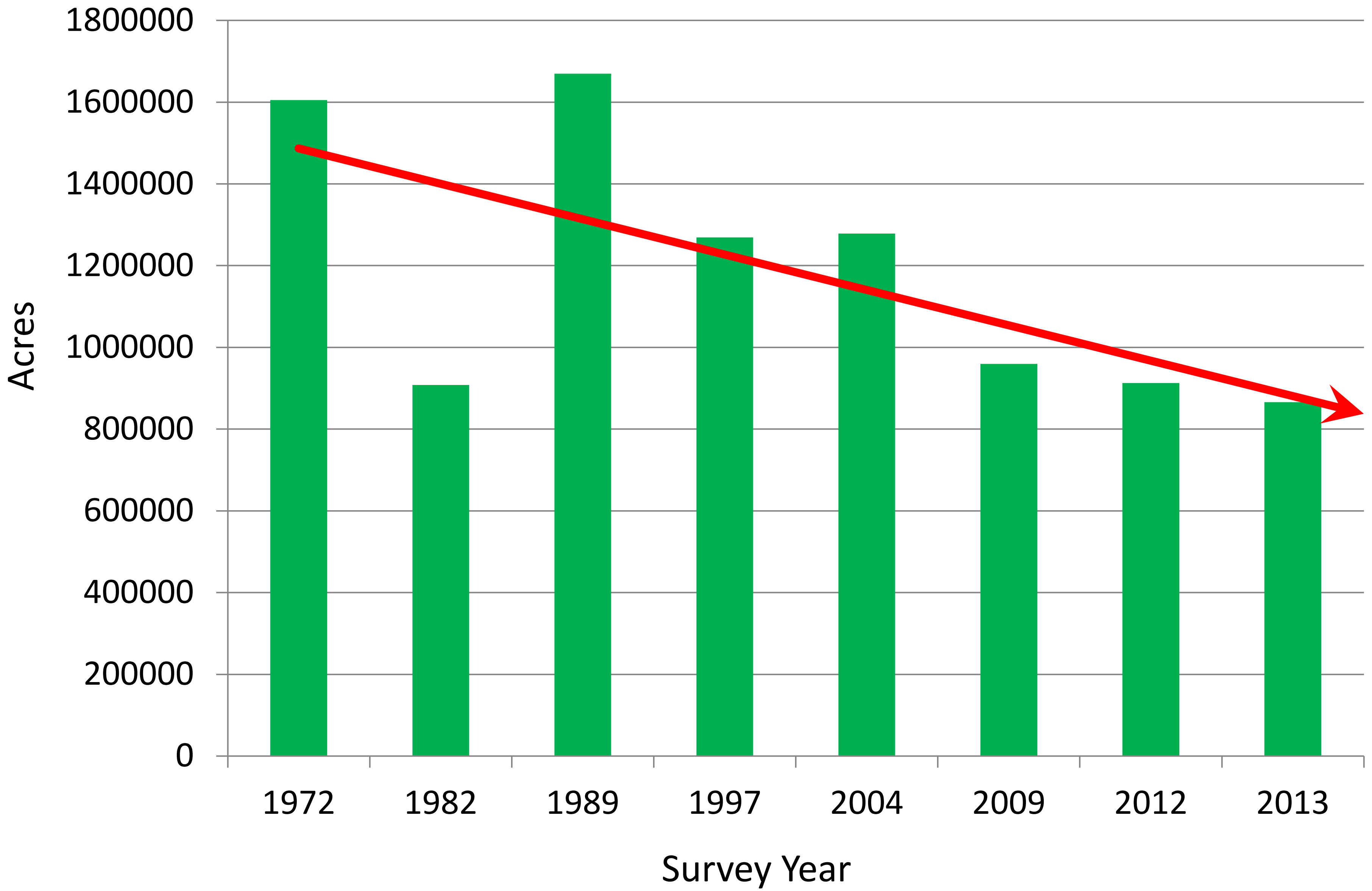
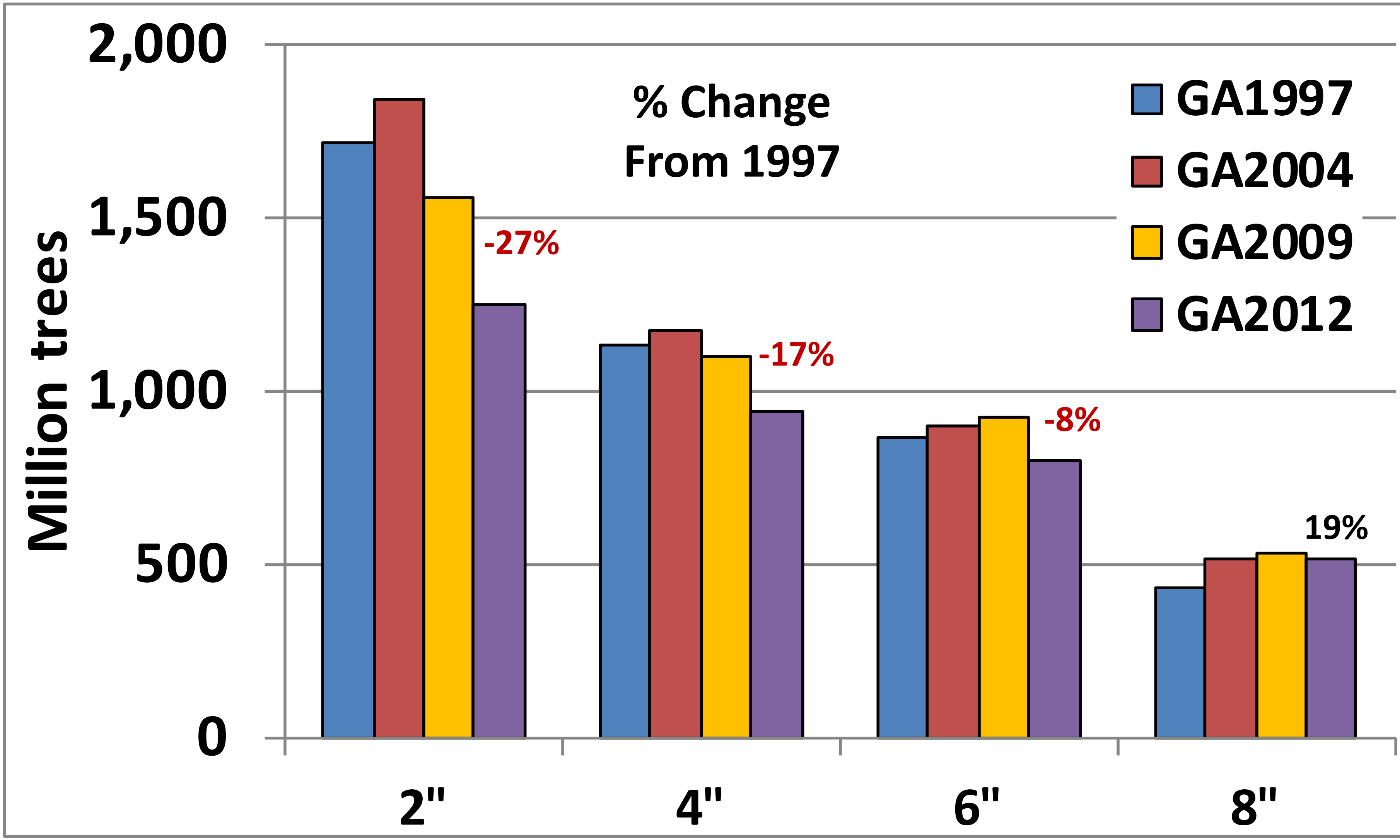
Planted Pine Acreage in the 0-5 Year Age Class by Survey Year



Number of Trees of SYP by DBH Class on Private Ownership, Georgia



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Points to Consider

•Timber at rotation age may soon be removed as prices moderate

•Planting has slowed for a variety of reasons

•Increased markets will keep demand for southern wood strong

•Planting needs to increase to meet future demand and to keep our wood supply sustainable

GFC Initiatives

The Leadership of the Georgia Forestry Commission has recognized these issues as an agency priority as defined by our our vision and mission statements

An outreach program will be necessary to reach a wide variety of stakeholders

The General Public
Consulting Foresters
Landowners
Elected Officials

"Idle lands?...make them *work* for *you*!"

GFC Internal Initiatives

Increased reforestation training for Field Foresters and Forest Techs

- Tree planting methods
- Tree planter operations
- Seedling selection
- Forest Herbicides
- Financial and Tax implications

Cross training of County Unit Personnel

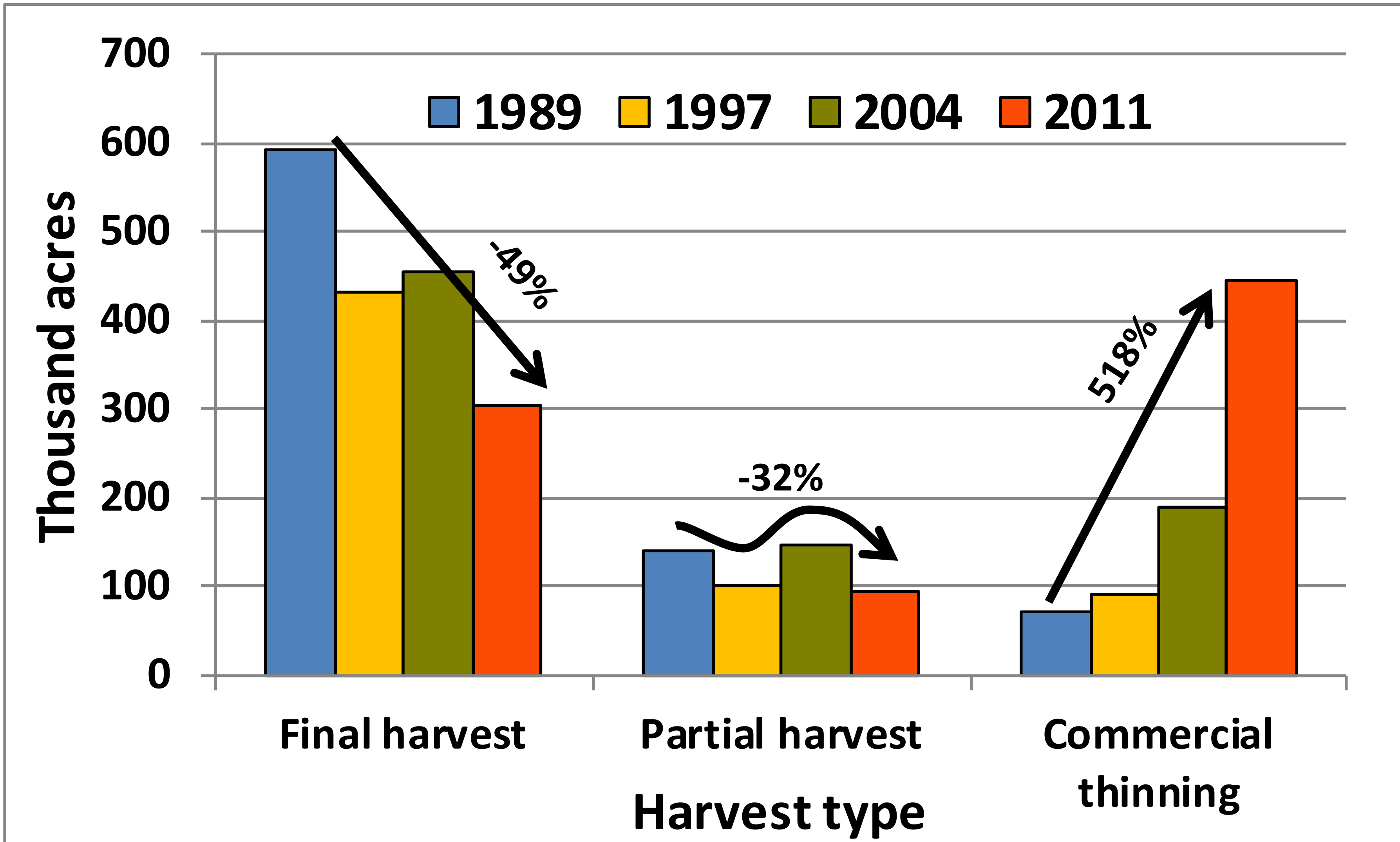
- Basics of Tree planting
- Mechanical tree planter maintenance and operation
- Emphasis on seedling sales

A few questions

- **What is our planting deficit?**
- **What should our planting target be?**
- **How much money do our landowners need?**
- **Where can we generate the funds?**

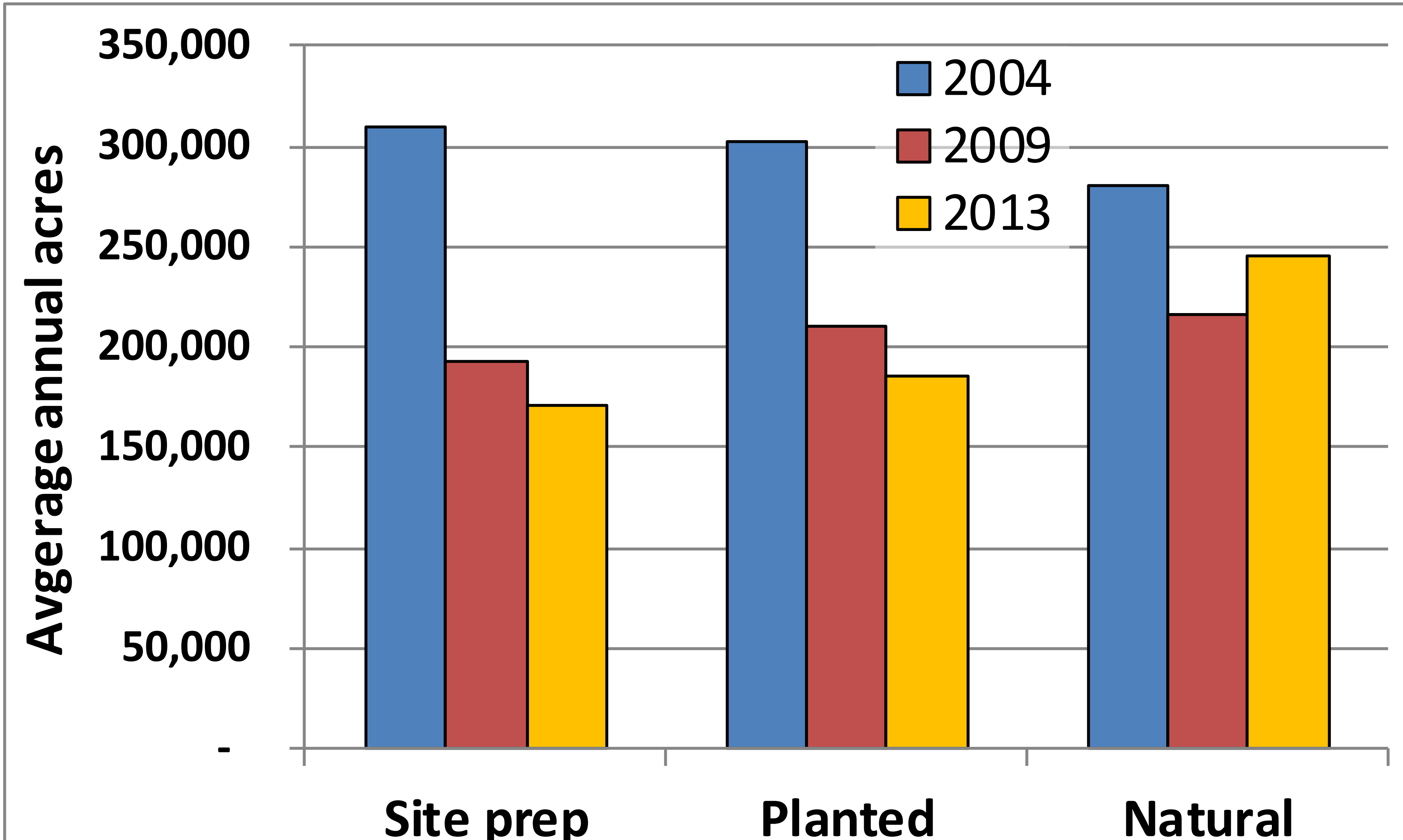
Average Annual Acres Harvested by Harvest Type in Georgia

(*softwood and hardwood*)

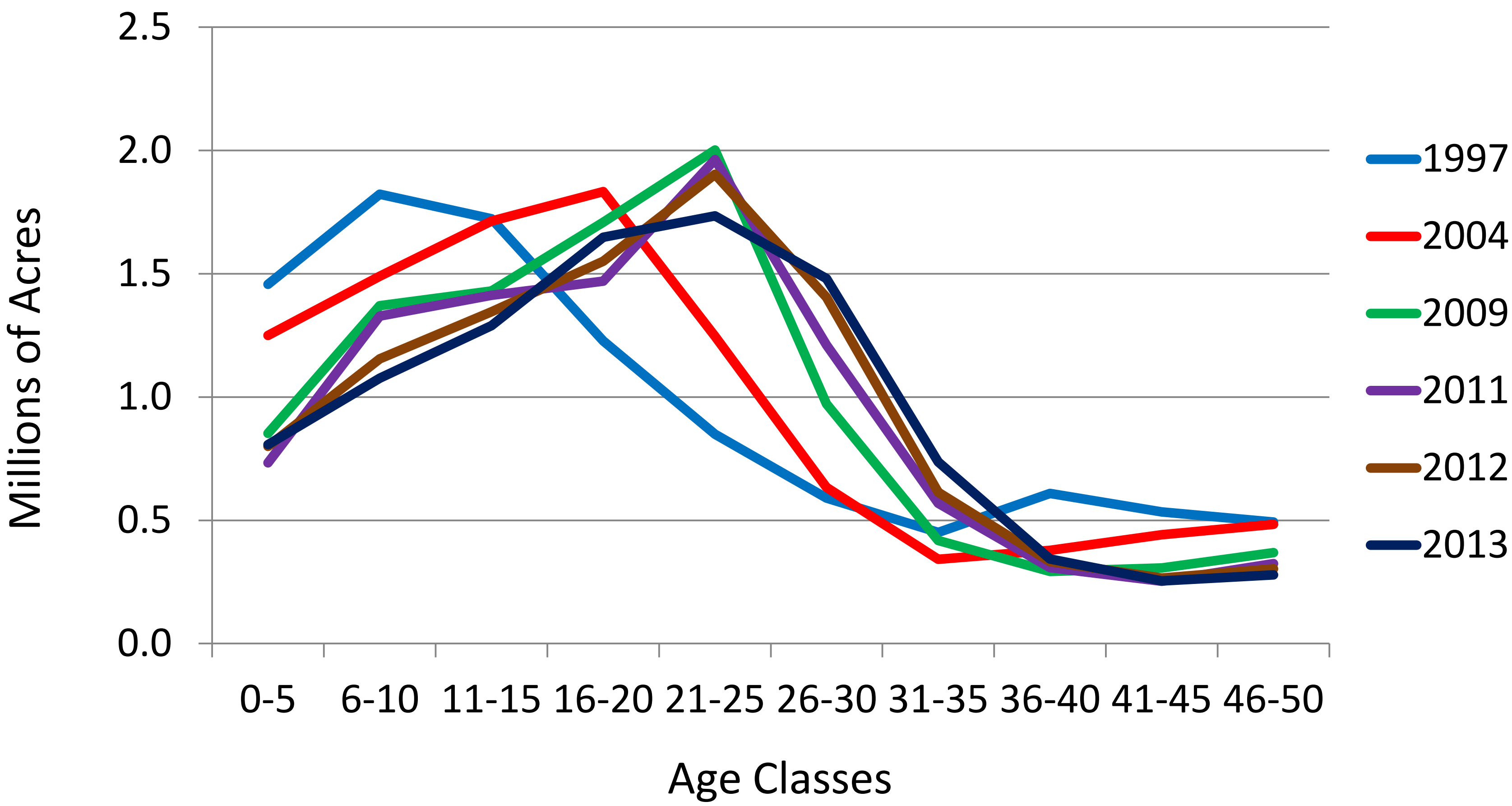


Average Annual Acres Treated for Reforestation on Timberland

(All Ownerships)



Pine Timberland Acreage by Age Class and Survey Period



The smallest acreage covered by 1-5 year old trees since 1982

Source: US Forest Service FIA Data 2013 and The Georgia Forestry Commission

How do we find a target?

- 600,000 acres planted one year in CRP
- 485,536 Average 1985-2006
- 300,00 acres Clearcut in 2011

- 60% of harvests were not replanted
  180,000 acres
- 26% of *planted* stands not replanted
  40,000 acres

How much money will we need?

1 Million dollars plants 10,000 acres at $100/per acre

J.M. Huber provides $25,000 to landowners which buys 636,000 seedlings
(1,022.5 acres @622 trees/acre)

How will we generate the funds?

12 Million Tons Sawtimber @ .10/ton = $1,200,000

1.3 Million Tons Veneer @.10/ton = $130,000

25 million Tons of pulpwood @.01/ton =$250,000

Total   1.5 Million dollars 15,000 acres

Federal Cost share in Georgia

EQIP/WHIP, CRP, EFRP, SPB and the Partners for F&W

34,000 acres are planted under cost-share per year
$7.9 million cost share (avg.) is spent per year for tree planting
($232/acre)

*EQIP provides the bulk of cost share going to general forest management practices. On average over the last 2 years $20.2 million EQIP forestry practice cost shares were requested annually by GA landowners and $8.6 million were actually provided – 43%.

*This includes ***all*** practices

Opportunities for Partnerships

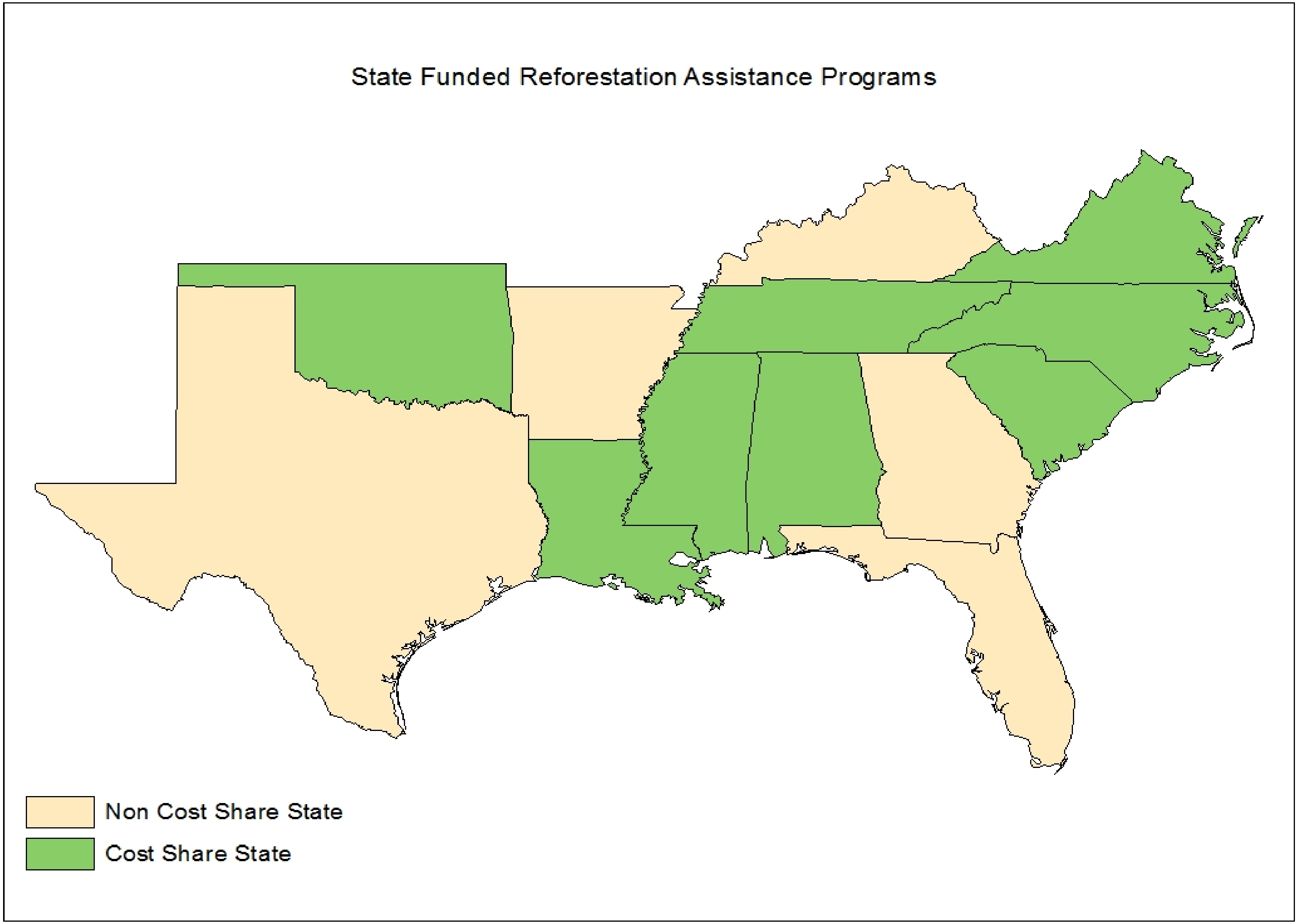
State Funded Reforestation Assistance Program

- 8 of 13 Southern States have State funded programs
- 5 funded by a “Mill Tax”
- 4 include State Appropriations
- Cover between 50-75% of landowner costs
- Annual funding amounts vary from $500 K to $3 Million
  (S.C. “caps” mill tax at $800K)

Tax Incentive Program

- 4 of 13 Southern States have tax relief for reforestation
- 2 are “rollback” of per acre tax valuation on reforested acres
- 2 are tax credits on income taxes

Currently...


State Funded Reforestation Assistance Programs
Non Cost Share State
Cost Share State

Summary Matrix

State	Tax Incentive Program[A]	Type of Tax Incentive	State Funded Financial Assistance Program	Management Activities Included Through State Funded Program	Percent Cost-Shared with Maximum Enrollment	Funding Source for State Program	Annual Funding Amount
Alabama	No	-	Yes	RF, SP, Rx Burn, Firebreaks[4]	50% $5,000 Max	State Appropriations	$1M
Arkansas	No	-	No	-	-	-	-
Florida	Yes	Tax Rollback[1]	No	-	-	-	-
Georgia	No	-	No	-	-	-	-
Kentucky	No	-	No	-	-	-	-
Louisiana	No	-	Yes	RF, SP, Rx Burn[5], TSI	50% $10,000 Max	Mill Tax[7]	$2.5M
Mississippi	Yes	Tax Credit[2]	Yes	RF, SP, Rx Burn, TSI	50% - 75% $7,000 Max	Mill Tax	$3M
North Carolina	No		Yes	RF, SP, Rx Burn, TSI	40% 100 Acre Max	Mill Tax	$1.6M
Oklahoma	No	-	Yes	RF, SP, Rx Burn, TSI	50% - 75% $10,000 Max	State Appropriations	Have not administered any funds
South Carolina	No	-	Yes	RF, SP, Rx Burn[6], TSI	40% - 90%	Mill Tax (80%) State Appropriations (20%)	$1M
Tennessee	No	-	Yes	RF, SP, TSI, BMP	50% - 75% $10,000 Max	Tobacco Tax	$500K
Texas	Yes	Tax Rollback	No	-	-	-	-
Virginia	Yes	Tax Credit[3]	Yes	RF, SP, Rx Burn, TSI	75% 100 Acre Max	Mill Tax State Funds Match	$2.2M (5 yr. avg.)

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State Mill Taxes - examples

Louisiana

2014 Severance Tax Rates

- Pine pulpwood $0.41 / ton
- Chip-n-saw $0.41 / ton
- Pine sawtimber $0.69 / ton

- Hardwood sawtimber $0.83 / ton
- Hardwood pulpwood $0.39 / ton

Tax Breakdown – funding distribution

75% of money goes to county / parish of harvest for roads

6% for general treasury of State

19% for cost share program - $ 2.5 million / year for cost share…

State Mill Taxes - examples

Mississippi

2013 Severance Tax Rates

Pine Sawtimber $0.12 / ton

- Pine Pulpwood $0.30 / cord (~ $0.11 / ton)
- Hdwd Sawtimber $0.08 / ton
- Hdwd Pulpwood $0.22.5 / cord (~ $0.08 / ton)
- Taxes on lighterwood stumps, crude gum, and other products also

Products - *If taxes aren't paid for raw products, system in place to capture taxes via the finished products*

Tax Breakdown – funding distribution

20% of money goes to county – general fund

80% for Cost Share - *$3 Million / year*

State Mill Taxes - examples

Virginia

2013 Rates

Forest Products Tax and “matched” by State General

- Pine $0.20 / ton
- Hardwood $0.04 / ton
- No differentiation for different products

Tax Breakdown – funding distribution

Pine tax goes toward cost share program - $2.2 million / year

Hardwood Tax – back to VA Forestry – for protection

Cost Share

Federal Cost Share

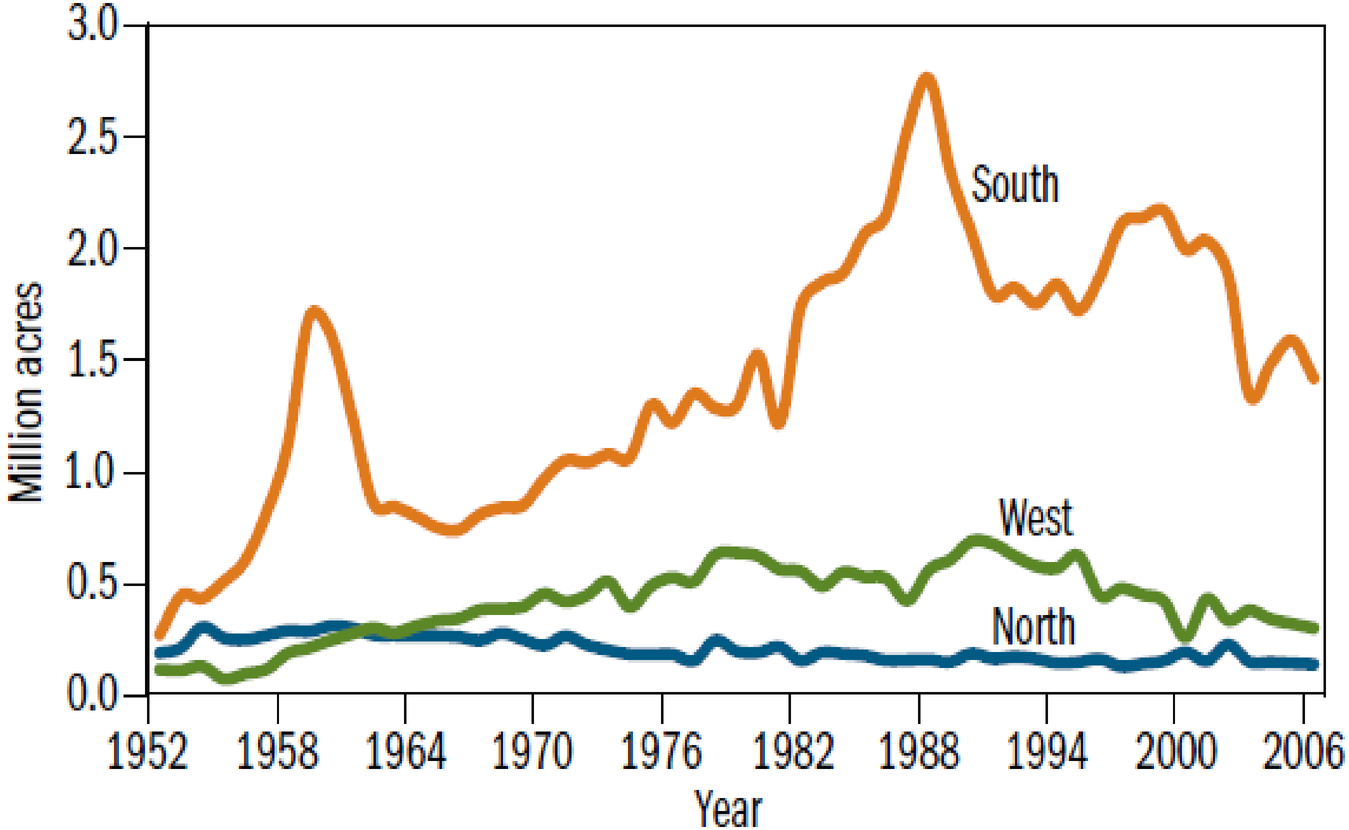
- decreased / no emphasis on timber production
- more for environmental concerns (such as longleaf restoration)
- last 15 years of planting – won't have same impact on timber supply as early years of CRP (with Lob and Slash)

Southern Journal of Applied Forestry…January 2009

Influence and Effectiveness of Financial Incentive Programs in Promoting Sustainable Forestry in the South

- State and Industry sponsored cost share programs have highest likelihood to positively impact timber production

Forest planting in the United States by region, 1952–2006



Landowner survey

“Influence and Effectiveness of Financial Incentive Programs in Promoting Sustainable Forestry in the South”

Published in January 2009 issue of the *Southern Journal of Applied Forestry*

- Survey of southern landowners found that financial incentive programs were effective in helping landowners practice sustainable forestry

- Over time acres remain in forest

- Programs sponsored by States, state forestry associations, NGO’s, and industry are more narrowly targeted and have potential to outperform general conservation programs.

Target = 40,000 Acres

Required Funding= $4 Million
Total required funding with GFC Costs = $5 Million

12 Million Tons Sawtimber @ .25/ton = $3,000,000

1.3 Million Tons Veneer @.20/ton = $260,000

25 million Tons of pulpwood @.07/ton =$1,750,000
Total= $5,010,000

$1 Million translates to 17 FTE Forester positions

For Georgia to maintain it's position as a world leader in the forest products industry we must work with our private landowners so that they will replant enough growing stock to maintain, at a minimum, current levels of production especially on lands that are being harvested.

Failure to maintain sustainability in our forest resource could potentially result in losses in a major industry in our state and those jobs and livelihoods that are supported by it, as well as the ecological benefits that these forests provide for all of our citizens. (for free)

Contact Information:

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