

**Alabama Forest Owners' Association, Inc**



# Staying Focused

## Consultant's Perspective

**Presented by  
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President**

## Management Styles are Changing

- Integrated Forest Products have sold their land
  - Funded Research
  - Set rotation expectations
  - Influence in their wood basin, where other landowners tended to play copy-cat on their management style
  - Controlled 10-15% of the land base

### Management Styles are Changing

- Now more Diverse Ownerships and Objectives
  - TIMO, REITs, Traditional Family, Trusts  
Recreational Investors, Conservation  
Organizations, (Large and Small)
  - Emphasis on maximizing return rather than  
low cost raw material to the mill
  - Recreation and aesthetics are important
  - Better Informed – “Internet Age”
  - Open to new markets

## Management Styles are Changing

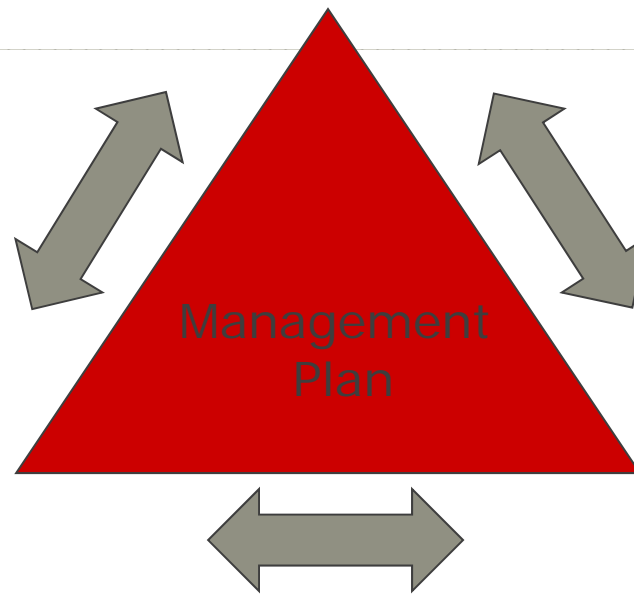
### ▪ Influences

- Vendors selling products and services
- Certification standards
- Advocates of specific conservation methods, certain species (longleaf), or forest conditions
- Focused research giving way to less expensive demonstration forestry

## Forester's Decision Triangle

Landowner Objectives  
Diverse - hard to stereotype

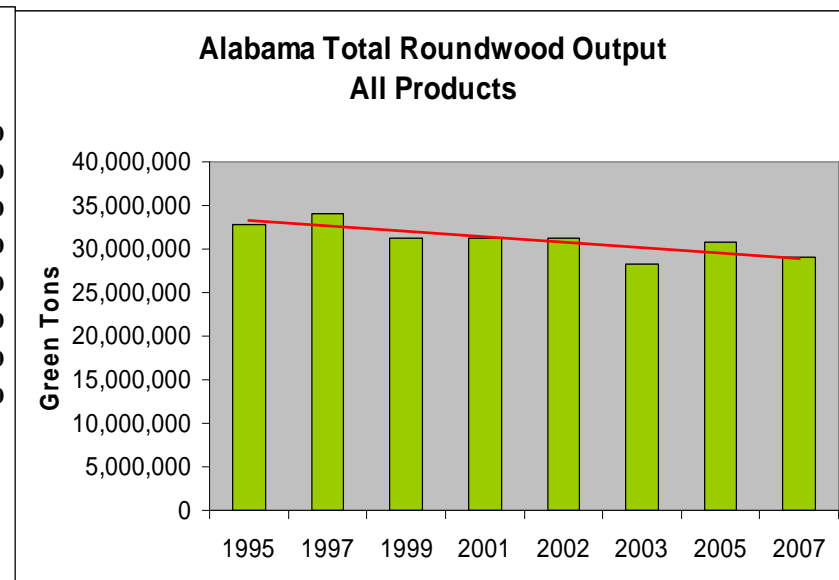
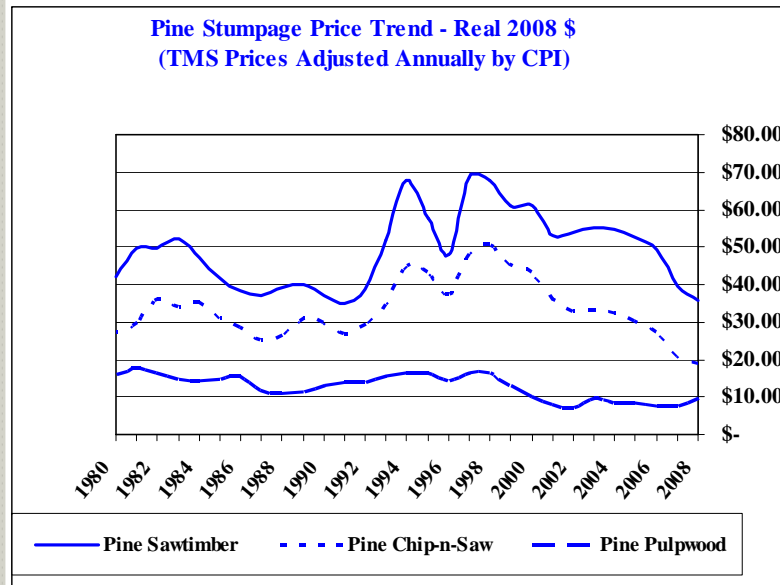
Forest Attributes  
Healthy &  
Productive



Markets  
Uncertain  
Trends are down

## Alabama Timber Markets Still Weak; Except Pulpwood

- Pine Stumpage Trends are down
- Production is down



## Southern Timber Markets – Long View

- Supply factors
  - Mountain Pine Beetle epidemic in British Columbia
  - Growth/Drain Ratio potential surplus in US South (Alabama more in balance)
- Demand factors
  - Housing recovery – Idle manufacturing capacity
  - Alternative uses for wood fiber (biomass/bioenergy)

## Biomass markets add to our tool kit

- Silvicultural advances have greatly increase productivity
  - Tree genetic advancements
  - Development of safe and effective forestry chemicals
  - Better understanding of soils help us manage nutrient deficiencies and the appropriate use of mechanical treatments
- Better monitoring tools lead to more informed decisions
  - Remote Sensing
  - Geographical Information Systems
- Harvesting is our most important management tool
  - Timing Thinning
  - Controlling the spread of disease and insects
- Many are excited about the opportunities in the woods chipping and other biomass operations allow



Biomass Markets Help  
Increase Utilization

Traditional  
Expense

Following Harvest



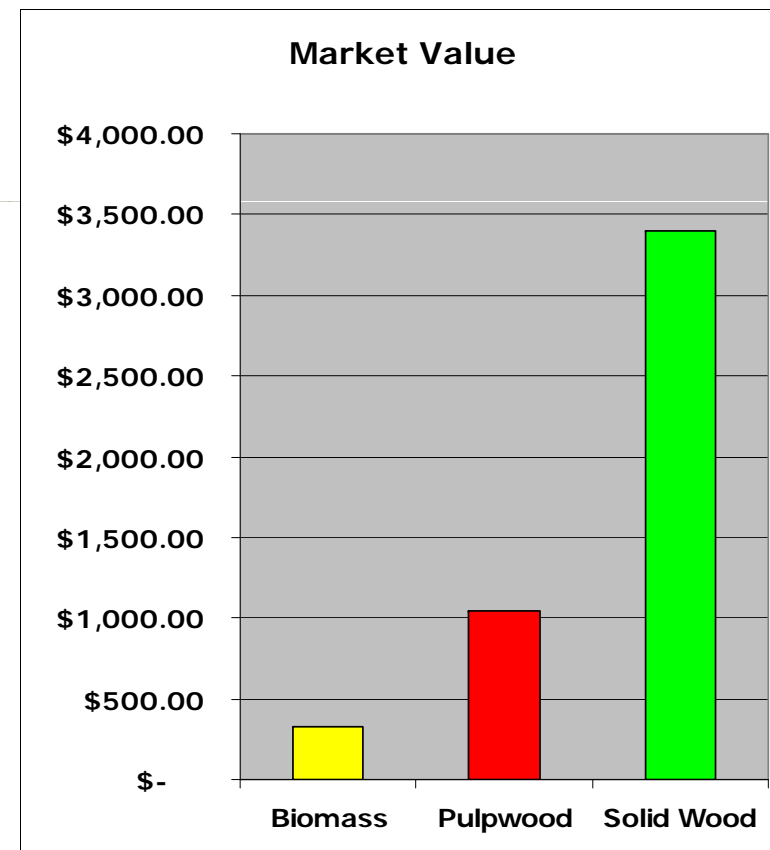
Is Now  
Income



## Comparing Market Values

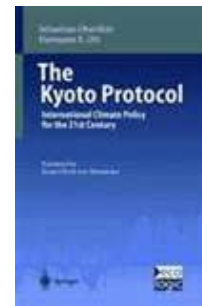
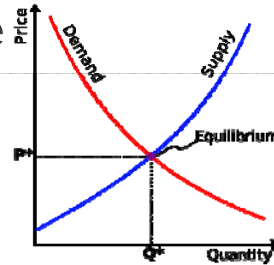
- Biofuels
  - Southern supply of in-forest residues of 65 million green tons per year of logging slash
  - Value to landowner at \$5/ton = \$325 million dollars
- Southern Pulpwood Production
  - \$1,046 million dollars in roundwood
- Southern Pine Sawtimber
  - 14.57 million MBF processed in 2008
  - Average stumpage value = \$233 per MBF
  - Value to landowners = \$3,395 million

Source: Dr. Matt Pelkki  
Univ. of Arkansas - Monticello



## Uncertainty as Government Intervenes in our Markets

- Traditional markets were priced largely by free markets forces
- Emerging markets are supported by government interventions:
  - Mandates for biofuels
  - Price supports for biofuel crops
  - Carbon market cap-n-trade or carbon taxes



## Management – Looking Forward

- Precision Management helps control expenses
  - Supported by more sophisticated Information Management Technology
  - Soil specific treatments vs. Broadcast applications
- Most properties managed for multiple products & multiple customers
  - Thinning and Sawtimber Rotations
  - Diversity lowers pricing risk

## General Comments

- Thought of Alabama's forest playing a role in making the U.S. more energy independent is exciting; the "strings" that are being proposed fail to recognize our success story:
  - More Acres
  - More Productivity
  - More Variety of Ownership and Condition
  - Accomplished with predominately free market forces

## General Comments

- Mankind wants wood products
  - Don't accept the arguments to the contrary
  - We are the greenest of the green and the facts support us
  
- Support markets for the products timberland owners produce
  - We need to expand the use of wood not sacrifice one use for another (easier said than done)
  - Global competition is our challenge

### General Comments

- Many government "assistance" programs tend to generalize conditions and push individuals towards common objectives which can lead to unintended problems
- Excessive regulation raises the cost of management and hurts efforts to compete in global markets



## General Comments

- Alabama forests are healthy and productive
  - Private (Non-industrial) owners will lead the future
  - Your objectives are what matters (it's your land)
  - Timber Landowners by nature are “long” investors support them with fair taxes and trust they will do the right thing



# Thank you

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