



## Conclusions

Forecasts of timber shortages have appeared since the 1500s, says William F. Hyde, forest economist at Duke University, and none has come to pass. But “shortages” can refer to a continuum of supply conditions, and changes in price can indicate where current supplies fall on this continuum. “We will face shortages. We already have spot shortages,” explains Rick A. Hamilton, forestry extension agent at NCSU. “It’s reflected in higher stumpage prices,” says Hamilton, referring to some grades of quality pine sawtimber in eastern North Carolina. Fred M. White, a former Duke forestry professor now working with the state forestry division, confirms Hamilton’s observations. “Stumpage prices [the price paid for timber before harvesting] are increasing at a rate 1½ to 3 percent above inflation.”

The most recent — and most widely respected — commentary on future timber needs stops short of forecasting a shortage but does predict the need for greater supplies. “Timber

supply will increase in the next half-century, but demand is projected to increase faster and there will be further price increases,” the U.S. Forest Service reported to Congress in 1980.<sup>29</sup> “Softwood timber prices will climb 2 to 2½ percent per year above the general price level with the greatest increase in the South.... The South, acknowledged to be the major timber growing region of the future, is where the greatest opportunity for increasing the timber supply lies.” (See Table 6 for a summary of commercial forestland in the South.)

If the South is where the greatest opportunity lies, how well is North Carolina prepared for filling the nation’s wood basket — and for nurturing its 20 million acres of forests? In the last decade, the legislature or the executive branch has enacted most of the recommendations put forward by the forestry community. These new cost-sharing, tax-incentive, and interagency programs rely on voluntary, owner-initiated efforts rather than mandatory, state-

enforced regulations. Taken as a whole, these state initiatives have achieved much success in stimulating private landowners to regenerate their forests, a process that provides more timber for wood-based industries and helps protect the quality of trees, watersheds, soil, wildlife, recreation, and aesthetics.

The most significant accomplishments of the state's forestry community are:

1. **Implementing and continuing to support a cost-sharing reforestation program.** Since 1979, the state's forest development program has helped regenerate some 20,000 acres a year.

2. **Utilizing more federal cost-sharing funds (FIP) than any southern state except Alabama,** regenerating some 25,000 acres a year.

3. **Developing a model for interagency coordination** among federal, state, and local officials.

4. **Retaining a high level of sophistication for fire prevention and fighting.**

For all the federal and state efforts, however, only two of every five acres harvested for timber in North Carolina are currently regenerated. Moreover, the federal cost sharing program, FIP, is in serious funding trouble. State Forester Green recognizes the need for greater reforestation: "An additional 60,000 acres of planting or seeding is needed each year to attain our statewide reforestation goal on small woodlots."

How can the state help regenerate more acreage and support better timberland management? And how can the state forestry community better protect the state's greatest natural resource? While the North Carolina forestry community has accomplished a great deal,

significant needs remain. The data base on which private forestland owners and policymakers act remains sketchy at best. The U.S. Forest Service survey, conducted in ten-year intervals, means that decisions in 1983 are based on data gathered in 1973-74. In addition, more attention needs to be given to the state's cost-sharing Forest Development Act. One of only six such state-level efforts in the country, it will assume even greater importance if the federal FIP program is cut back. Other prominent issues include reforestation regulations and current-use assessment taxation. Specifically, the state's forestry community should consider the following recommendations:

#### A. *Improve Data Reporting*

1. **The Division of Forest Resources should record the number of landowners implementing some part of a management plan drawn up by the division's foresters.**

2. **The Small Woodlot Forestry Research and Development Program should report thorough data on private timberland ownership and use patterns every three to five years.** Graduate assistants from NCSU and possibly Duke could assist with this.

3. **The interagency committee headed by the state forester should make wood-market information, data on forest management plans, and figures on ownership trends available to the public on a regular basis.**

4. **The General Assembly should approve the proposed special provision in the 1983 appropriations bill requiring better public records on how the state Forest Development Act functions.** The data should include the number of acres actually regenerated, the acreage owned by persons receiving funds, and the amount of cost-sharing funds actually spent—on a district-by-district basis. Both the 1980 study by the legislature's Fiscal Research Division and this review, the only two independent studies of this six-year-old law, identified these shortcomings in the data reporting system now in use.

#### B. *Change State Funding Systems*

5. **The funds available through the Forest Development Act should be effectively expanded by committing monies for specific years and requiring that committed funds be used in two years.** Currently, cost-sharing funds are committed to reforestation projects for up to three years before the funds are actually spent, effectively shrinking the available pool of resources for reforestation. No requirement now exists that committed funds be spent in any of the three years.

**Table 6. Commercial Forestland In the South\***

State	1,000s of acres	State	1,000s of acres
Alabama	21,333	Mississippi	16,891
Arkansas	18,206	<b>North Carolina</b>	<b>19,562</b>
Florida	15,330	Oklahoma	4,323
Georgia	24,812	South Carolina	12,176
Kentucky	11,901	Tennessee	12,819
Louisiana	14,526	Virginia	15,938
<b>SOUTH TOTAL</b>		187.8 million acres	
<b>U.S. TOTAL</b>		487.7 million acres	

\*Commercial forestland is defined as forestland producing or capable of producing crops of industrial wood (more than 20 cubic feet per acre per year) and not withdrawn from timber utilization.

Source: Leslie Cole, *Forest Resource Management: Meeting the Challenge in the States*, Council of State Governments (Lexington, KY), 1982, pp. 1243. Data is as of 1977.

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6. The N.C. House and Senate Appropriations Committees on Natural and Economic Resources should examine the geographical allocation of cost-sharing funds and recommend to the 1985 General Assembly whether the first-come, first-served distribution system should be continued beyond June 30, 1985. Since the program began, \$2 of every \$5 have gone to only 10 counties, many of which are not among the leading softwood timber producers in the state.

**C. More Legislative Study Needed**

7. The General Assembly should establish a study committee to report to the 1985 legislature on the merits of a mandatory reforestation program. The forestry community, including State Forester Green, oppose such a program. But the federal cost-sharing program may be ending, and Green admits that if various incentive and cost-sharing programs do not succeed in reforestation of sufficient areas, "then we may have to go to some kind of mandatory system." A study commission could evaluate property-right concerns, enforcement difficulties, the potential of causing an oversupply, the Virginia and Oregon programs, and regulations of private property such as zoning and building permits, strip-mining land reclamation, and mobile home appearance standards.

8. The 1983 General Assembly should not pass HB 262, which would amend the "current-use" assessment property tax law to include corporate holdings of forestland.\* Since enacted in 1973, the law (for forest, agricultural, and horticultural lands) has

already cost the counties some \$18-20 million in revenues, effectively increasing the tax base for other property owners.<sup>30</sup> The single source available on this question, the Gelbert study, runs only nine pages (including tables) and relies on a sampling technique rather than on a county-by-county study. Moreover, the head of the Gelbert firm is the former president of the N.C. Forestry Association, the industry trade group that initiated this bill. Finally, the law is already extremely difficult to administer and would become still more unwieldy under several of the technical requirements of HB 262. The General Assembly should undertake a full-scale, independent study of how the current-use statute is working before altering it.

**D. Expand Available Resources**

9. The Division of Forest Resources, through the N.C. Forest Association, should encourage industry to provide more aid to private landowners. If industry wants adequate supplies of pine timber in the future, it needs to provide more assistance to small woodlot owners and not expect the state Forest Service to shoulder this burden, especially in the face of federal budget cuts.

These nine recommendations could help fine-tune the innovations already underway and stimulate other efforts whose time may have come. Among North Carolina industries, forestry/wood products already rank second (behind only textiles) in value added to the economy and in number of employees. Meanwhile, the national appetite for wood products is increasingly focusing on the Southeast. Two of every three acres in the state are commercial forestlands. This natural resource must not be abused, though it must be utilized and developed. Balancing economic development with environmental needs on 20 million acres of timberland demands vision, perseverance, and, above all, forethought—especially in an industry where the product takes a generation to "build". □

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\*As this issue of *N.C. Insight* went to press, Rep. Robert McAlister (D-Rockingham), chairman of the interim Property Tax Study Committee and the sponsor of HB 262, wrote Rep. Dwight Quinn (D-Cabarrus), chairman of the House Finance Committee, asking that HB 262 be held for further study rather than being considered in the 1983 legislative session. McAlister has introduced a bill (HB 1050) to continue the Property Tax Study Committee, which would further study the current-use assessment issue.

FOOTNOTES

<sup>1</sup>Herbert A. Knight and Joe P. McClure, *North Carolina's Timber, 1974*, U.S. Forest Service, Resource Bulletin SE-33, December 1975, p. 3. The U.S. Forest Service conducts this survey once every decade. No other data source exists with such thorough information. The N.C. Forest Service does publish an annual "County Figures for Forest Products Drain." This provides useful data on board feet harvested on a county-by-county basis but does not include regeneration data. The U.S. Forest Service began its "1984" survey in the spring of 1983 and expects to publish it sometime in 1986.

<sup>2</sup>*Business Week*, December 4, 1978, p. 33.

<sup>3</sup>*Ibid.*

<sup>4</sup>Robert D. Raisch and Leonard A. Kilian, Jr., *Economic Importance of Forestry in the South*, presented to the Southern Growth Policies Board, September 28, 1981, p. 7.

<sup>5</sup>From 1915-1973, the N.C. Forest Service, headed by the State Forester, was the agency in charge of state forest programs (for example, see Chapter 243 of the 1915 Session Laws, Section 2). Following a major governmental reorganization in 1973, the state forest service became part of the Department of Natural and Economic Resources (NER), which in 1977 became the Department of Natural Resources and Community Development (NRCD). Under N.C.G.S. 113-81.2, the secretary of NRCD can designate "his authorized agent" to perform the various forestry services provided by the state. The secretaries of NER, and later NRCD, have designated the forestry functions to a "Division of Forest Resources" but at the same time have continued to call the agency, the "N.C. Forest Service." In the field, for example, county forest rangers wear an "N.C. Forest Service" patch on their uniforms. In this article, just as is the case throughout state forestry operations, the "Division of Forest Resources" and the "N.C. Forest Service" are used interchangeably. "Division" usually refers to a budgetary or organizational issue, and "Forest Service" usually refers to a field operation. Similarly, both the "Director of the Division of Forest Resources" and "State Forester" are used to describe H.J. "Boe" Green.

<sup>6</sup>The portion of federally owned lands could drop soon. On March 15, 1983, the Reagan Administration announced its proposal to sell six million acres of national forests throughout the country. The proposal, which must be approved by Congress, includes about seven percent of the state's one million acres of national forest land. Much opposition to the sale has surfaced in North Carolina. "It takes the whole heart out of the (Uwharrie National) forest," says N.C. Secretary of Natural Resources and Community Development Joseph Grimsley. "I just don't approve of it," adds U.S. Rep. Bill Hefner of the 8th District. "I'm very concerned about selling land of that size and amount," says Congressman James M. Clarke of the 11th District.

<sup>7</sup>N.C.G.S. 105-275(15).

<sup>8</sup>N.C.G.S. 105-277.4.

<sup>9</sup>N.C.G.S. 105-277.2(a) b. and 105-277.3(b)(2).

<sup>10</sup>N.C.G.S. 113A-176 to -183.

<sup>11</sup>"Recommendations to Increase the Productivity of Small Woodlots in North Carolina," The Governor's Advisory Task Force on Small Woodlot Management, October 3, 1978, p. 1.

<sup>12</sup>The Division of Forest Resources operates three nurseries, selling seedlings — mostly pine — at cost to individuals and forest products companies for reforestation efforts. The receipts from seedling sales support most of the cost of the nurseries.

<sup>13</sup>N.C.G.S. 105-144.5.

<sup>14</sup>N.C.G.S. 105-147(1)g.

<sup>15</sup>Leslie A. Cole, *Forest Resource Management: Meeting*

*the Challenge in the States*, The Council of State Governments, 1982, p. 92. The Council of State Governments (CSG) has had a long-term interest in forestry. See also "Forestry: A New Direction" and "Forestry Growth Up to States," both published in the CSG monthly magazine, *State Government News* (March 1981 and January 1982, respectively). See also Gordon Meeks Jr., *A Legislator's Guide to Forest Resources Management*, National Conference of State Legislatures, October 1982.

<sup>16</sup>"Report to Joint Appropriations Committee on Base Budget — Regular Session, 1983," from Appropriations Base Budget Committee on Natural and Economic Resources, April 12, 1983, p. 27.

<sup>17</sup>N.C.G.S. 113A-177(b)(1).

<sup>18</sup>"Forest Management Accomplishment Summary," compiled by the N.C. Forest Service based on data from county rangers. For 1979 and 1980, see item number 7, "Tree Planting for Timber Production," (total FIP and Non-FIP); for 1981 and 1982, see item number 8, "Forest Establishment."

<sup>19</sup>Hamlin L. Williston, *A Statistical History of Tree Planting in the South 1925-1979*, U.S. Department of Agriculture, Forest Service, Southeastern Area, State and Private Forestry, Miscellaneous Report SA-MR8, 1980.

<sup>20</sup>Patricia Dusenbury with Jack P. Royer and Fran Hunt, "Report on the Duke/SGPB Forest Policies Project to the Executive Committee of the Southern Growth Policies Board," November 14, 1982, p. 15.

<sup>21</sup>*FY '84 Federal Budget Analysis — North Carolina*, prepared by the Intergovernmental Relations Staff and Office of Policy and Planning in Cooperation with the Office of State Budget and Management and affected state departments and agencies, March 11, 1983, pp. A1-39-40, and summary sheet prepared by State Forester Green. Where there are minor discrepancies between these two reports, figures from Green are followed.

<sup>22</sup>*Report of the Committee on Agriculture, House of Representatives, to the Committee on the Budget, Pursuant to the Congressional Budget and Impoundment Control Act*, March 7, 1983, p. 36. For other forestry programs, see p. 12 (FIP) and p. 29 (Rural Fire Control).

<sup>23</sup>Letter from Gov. James B. Hunt, Jr., to Ralph C. Winkworth, then director, Division of Forest Resources, December 28, 1978.

<sup>24</sup>Dusenbury, p. 3.

<sup>25</sup>S. Robin Gelbert, registered forester #491, "The Current Use Law and Public Corporations, 1982," Daniel H. Gelbert and Associates, February 1983, p. 6.

<sup>26</sup>D.F. Neuman and E.C. Pasour, Jr., *Agricultural Use-Value Taxation in North Carolina 1980-81*, Economics Special Report No. 73, Department of Economics and Business, N.C. State University, June 1982, pp. 14-17.

<sup>27</sup>White, Pasour, Neuman, and Danielson, *An Analysis of Use-Value Taxation in Wake and Wilson Counties, North Carolina, 1976*, Economics Information Report No. 50, Department of Economics and Business, N.C. State University, November 1977, p. 30.

<sup>28</sup>See Neuman and Pasour, Reports Nos. 73(1982), 64(1981), 57(1979), 50(1979), 44(1978), in each case, Table 4.

<sup>29</sup>*The 1980 Report to Congress on the Nation's Renewable Resources*, Final Environmental Impact Statement, Forest and Rangeland Renewable Resources Planning Act, U.S. Forest Service, U.S. Department of Agriculture, July 1980, pp. 36-38.

<sup>30</sup>Dr. D.F. Neuman, in a telephone interview, says that "less than 10 percent of the deferred taxes will be eventually recaptured. It could be 2 percent." The Neuman and Pasour reports indicate a \$20 million total in "deferred" taxes (see footnote 28). If 10 percent of these taxes were recovered (\$2 million), \$18 million would be the total lost.