

Southern Growth Policies Board Recommends Greater Attention to Forestry

As the South has gained attention in recent years as the nation's wood basket, so have Southern research groups undertaken intensive studies of various forestry policy options. The most recent and most comprehensive summary of existing state programs and proposed policy changes for the Southern states is the 1982 Report on the Duke/SGPB Forest Policies Project to the Executive Committee of the Southern Growth Policies Board. The report consists of over 30 findings and recommendations, as well as summaries of existing state and local taxes affecting the forest products industry and state technical and financial assistance programs. The report groups the findings and recommendations under five areas: the public and private roles in providing support services, coordination of efforts, ensuring timber supplies, promoting Southern forest products on world markets, and industry organization. Below are excerpts from the findings and recommendations in three of the five areas, published with permission. For the full report, contact Patricia Dusenbury, SGPB, P.O. Box 12293, Research Triangle Park, N.C. 27709.

Finding

1. Public and Private Roles in Providing Support Services

The private non-industrial forest owners, who own over 70 percent of Southern forestland, are a dispersed and heterogeneous group with varying goals for their property and different skill levels to apply toward reaching their goals. Many of these landowners could and do benefit from technical assistance from industry, private consulting foresters, and state foresters. Experience has shown that the independent landowner can be reached most effectively through personal contact.

Information about current trends and the future outlook for both the wood products market and the timber supply help the forest products industry and the independent landowners plan and make decisions. Price reporting is especially helpful to the independent forestland owners. Information about timber supplies is valuable to investors because it helps reduce uncertainty. Collecting and disseminating information traditionally has been a public-sector function. The Forest Survey surveys the timber inventory in each state about every 10 years, and the extension services provide marketing information.

The public sector can encourage investment in forestry by helping protect timber as it matures. Currently, states provide fire protection and help timber owners protect

Recommendation

States should consider ideal a situation where every private non-industrial forest owner has personal access to information about market opportunities, tax advantages, and any available public programs from state or private foresters as well as management planning and marketing assistance from a private consulting forester. Industry foresters are also an important source of assistance for the independent landowner that should be recognized, as should the extension service which reaches many independent landowners.

The public sector should continue to provide data on the supply of standing timber and on the markets and prices for timber products. More frequent surveys of standing timber, every 5 years instead of 10, would help the private sector make investment decisions. This option should be considered by the state agency responsible for forest planning, which should evaluate the feasibility of more frequent timber surveys and investigate the willingness of the primary information users, industry and landowners, to pay the additional costs.

Recognizing timber as a valuable regional resource, Southern states should show their commitment to the region's forestland owners by supporting protective services

trees from insect and disease damage. Industrial and non-industrial forestland owners benefit from these public activities and support their continuation. . . .

2. *Coordination of Efforts*

Both industry and government have studied the supply side of the forest products market in depth. Their attention has focused on forestland management and taxation. Although several lumber trade associations maintain marketing divisions, overall less attention has been given to the demand side, the identification and nurture of markets. Within a free market context, the best incentive for production is a strong, dependable demand.

3. *Ensuring Timber Supplies*

The Council of State Governments' Environmental Resources and Development Staff prepared a report, *Forest Resource Management: Meeting the Challenge in the States* (1982) that considers future timber supplies and calls upon state legislatures to enact legislation strongly encouraging forestland owners to replant after harvest Land ownership patterns in the South show a greater concentration of small, independent, forestland owners than in the West or Northeast, the other major timber-producing regions of the U.S.; and an effective reforestation program takes land-ownership patterns into consideration.

. . . [P]rogressive income taxes fall more heavily upon timber investments than upon most other investments. The federal tax laws recognize this income-lag aspect of forestland investments through the reforestation credit and amortization plus long-term capital gains treatment of income from timber harvest. Southern states vary in their tax treatment of income from timber sales.

The lack of available insurance discourages investment in timber. Until recently, there were no standard commercial policies for insurance against timber losses from fire, insects, and disease Large forest products companies own enough land to be self-insured. Small and medium-sized companies are more vulnerable to losses, and the private non-industrial forest owner is most vulnerable. States regulate the insurance industry.

with adequate funding. Fire protection should be a high priority. States also should support research in developing and applying improved technology for the protection of standing timber

A regional strategy designed to promote forest industry development in the South should encompass efforts to cultivate both new and existing markets for Southern forest products as well as efforts to ensure a continuing supply of timber by removing resource-related constraints.

. . . The Virginia legislation, which relies upon incentives more than regulation, should be considered as a model reforestation program appropriate for the ownership pattern characteristic of Southern states. Mandatory reforestation should not be enacted as state law without industry support.

Southern state income tax laws should be sensitive to the income lag involved in timber growing and accommodate it through special treatment of the income. The new federal legislation provides a model for tax treatment of costs and income associated with forestry investments that Southern states should consider emulating, especially in the capital gains area.

Insurance commissioners in the Southern states should monitor the trial programs in timber insurance, and if they appear successful, encourage the creation of insurance policies for timber in their states. Such policies should focus on the needs of small and medium-sized companies and independent landowners.