



F&W
SINCE 1962

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Flat Prices And Busy Legislative Quarter For Forestry As Covid-19 Takes The Headlines



By Marshall Thomas, President of F&W Forestry Services, Inc.

Like everyone, COVID-19 has those of us in the forest management business adjusting the way we work. Fortunately, most of our work is done in the woods, so the real concern was whether we would be able to continue field operations. This concern evaporated with the inclusion of forestry in the essential industries designation—meaning we keep working so long as it can be done safely. So far, logging, tree planting, and burning—main activities this time of year—are continuing uninterrupted.

The next concern is markets. Pulp mills for the most part are still operating with some mills forgoing planned

downtime to continue production. There have been some production curtailments at sawmills in the South due to the virus, while hardwood sawmills in the North are responding favorably to tariff relief on hardwood lumber (see page 7).

It remains to be seen whether tariff relief for southern products will help offset the virus impact. But it was big news on March 27 when the building construction sector was designated an essential industry. It's too soon to know what impact that will have but our folks are hearing from and about Chinese log buyers up and down the Eastern seaboard. Fortunately, when demand returns, sawmills can increase production just about as quickly as they decrease it.

By the time I write my summer article, we will know a lot more about the impact of the virus. In the meantime, this was actually a busy quarter for forestry on the legislative front.

Republicans in Congress introduced the Trillion Trees Act. It sets out to:

- Plant more trees in urban areas and on marginal agriculture land;
- Grow more wood in existing forests; and
- Store more carbon by incentivizing innovative building practices using wood.

Anyone who has lived through the effect of government tree-planting programs knows that these programs are, in fact, a disincentive to landowners (other than those getting the subsidies) to plant trees. Government tree-planting programs increase supply and drive prices down. Low prices reduce reforestation. High prices increase reforestation (see page 5).

The private sector can handle reforestation—what we need are markets. Let's hope that planting incentives come with strings that prevent subsidized trees from being dumped into and ruining our Southern pine markets like the Conservation Reserve Program (CRP) did for pulpwood-sized trees in the early 2000's and is currently doing to sawtimber-sized trees today. In case I am not clear, we don't need more tree-planting subsidies unless the trees are restricted from ever entering the market. The real and unintended beneficiaries of tree-planting subsidies are the industries that

(continued on page 7)

Southern Timber Prices

2020 FIRST QUARTER PINE & HARDWOOD STUMPAGE PRICE RANGE* (TONS)

	PINE PULPWOOD	PINE SMALL SAWTIMBER	PINE LARGE SAWTIMBER	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER
SOUTHEAST					
LAFAYETTE, AL	\$7–12	\$12–18	\$21–30	\$7–14	\$21–43
GAINESVILLE, FL	\$9–21	\$20–26	\$26–32	\$1–9	\$12–32
MARIANNA, FL	\$9–14	\$18–22	\$25–31	\$6–9	\$16–30
ALBANY, GA	\$8–12	\$16–22	\$25–35	\$5–9	\$15–35
MACON, GA	\$8–10	\$16–20	\$24–28	\$6–9	\$18–40
STATESBORO, GA	\$14–23	\$21–26	\$26–33	\$9–15	\$22–39
FOUNTAIN INN, SC	\$8–10	\$14–19	\$22–27	\$7–9	\$22–40
CENTRAL REGION					
CLINTON, TN	\$4–8	NA	NA	\$3–6	\$25–55
PARIS, TN	\$6–8	\$7–13	\$13–13	\$3–5	\$45–65
WEST GULF					
EL DORADO, AR	\$3–5	\$9–12	\$21–30	\$4–5	\$28–50
CORINTH, MS	\$4–6	\$14–16	\$18–23	\$8–10	\$37–47
HUNTSVILLE, TX	\$5–8	\$8–10	\$18–23	\$5–6	\$28–30
TEXARKANA, TX	\$8–11	\$12–16	\$24–31	\$8–12	\$28–50
MID ATLANTIC					
CHARLOTTESVILLE, VA	\$8–11	\$14–18	\$18–23	\$2–4	\$14–36

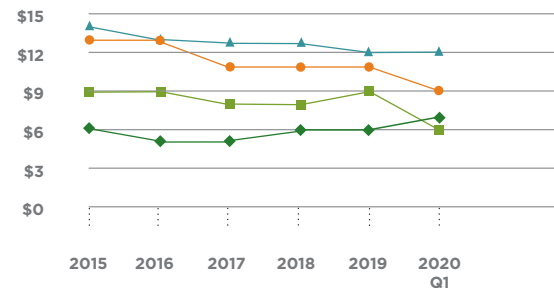
*All prices based on sales handled by or reported to F&W offices. If no sales occurred, prior quarter's sales and other data are used to compile price range. Price ranges are due to different locations, timber quality, logging conditions, type of harvest, and local market conditions.

Southern Timber Prices

TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S SOUTHERN REGION

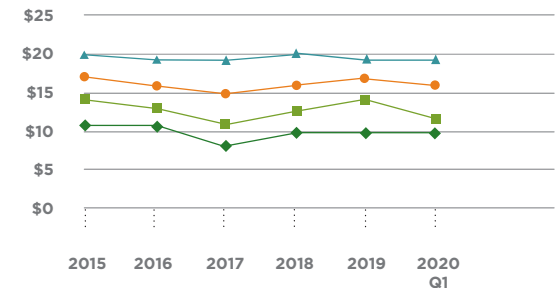
PINE PULPWOOD AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



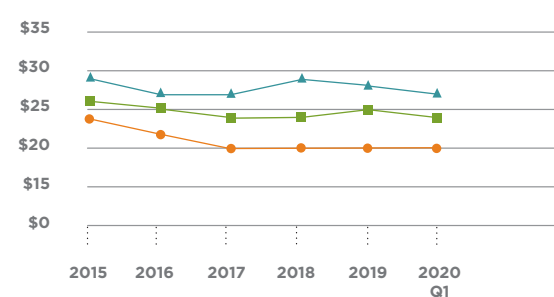
PINE SMALL SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



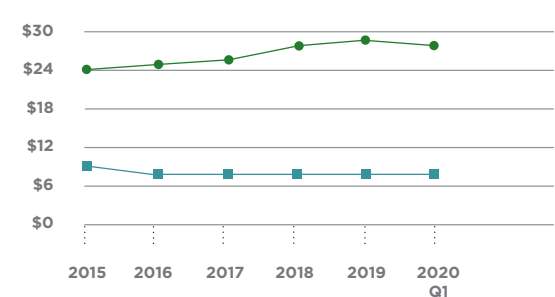
PINE LARGE SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ■ WEST GULF / ● MID ATLANTIC



SOUTHEAST HARDWOOD PRICES (TONS)

■ HARDWOOD PULPWOOD / ● HARDWOOD SAWTIMBER



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Northern Timber Prices

2020 FIRST QUARTER STUMPAGE PRICE RANGE*

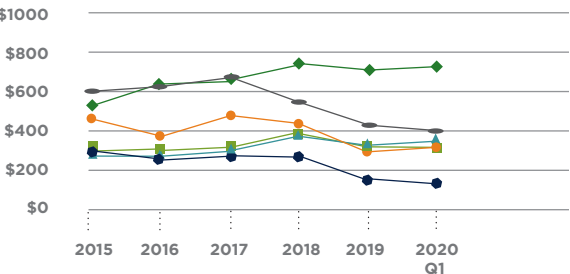
	RED OAK (MBF)	BLACK CHERRY (MBF)	HARD MAPLE (MBF)	SOFTWOOD SAWTIMBER (MBF)	HARDWOOD PULPWOOD (TONS)	SOFTWOOD PULPWOOD (TONS)
RUMFORD, ME	\$250-400	NA	\$225-425	\$40-150	\$3-11	\$2-6
MONTPELIER, VT	\$230-375	NA	\$250-450	\$45-150	\$3-9	\$1-4
GLENS FALLS, NY	\$225-525	\$275-575	\$400-650	\$40-150	\$6-7	\$3-6
HERKIMER, NY	\$250-575	\$300-550	\$500-750	\$40-150	\$3-6	\$2-6
TUPPER LAKE, NY	NA	\$250-400	\$300-450	\$80-120	\$4-6	\$3-5
CLARION, PA	\$600-820	\$750-1,125	\$550-710	NA	\$1-3	\$0-0
BLUEFIELD, WV	\$125-170	\$150-200	\$200-265	NA	\$2-3	\$0-1

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TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S NORTHEAST REGION

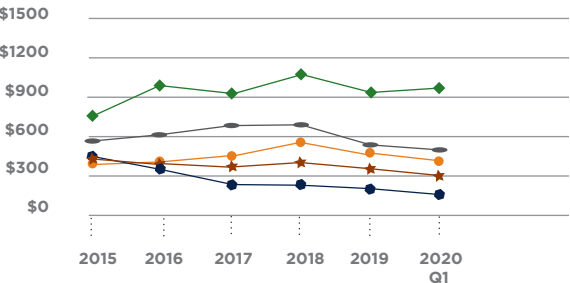
RED OAK AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV



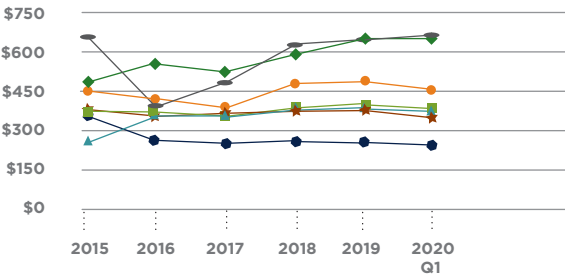
BLACK CHERRY AVERAGE (MBF)

● GLENS FALLS, NY / ● HERKIMER, NY / ★ TUPPER LAKE, NY / ◆ CLARION, PA
● BLUEFIELD, WV



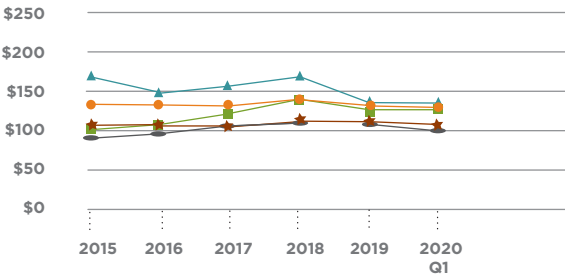
HARD MAPLE AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



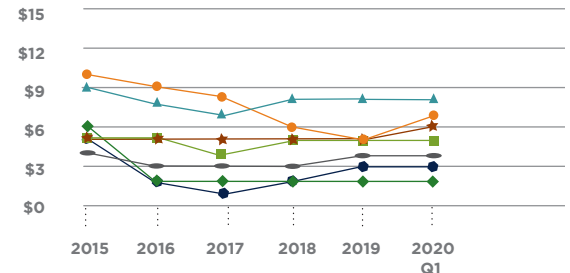
SOFTWOOD SAWTIMBER AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY
■ MONTPELIER, VT / ★ TUPPER LAKE, NY



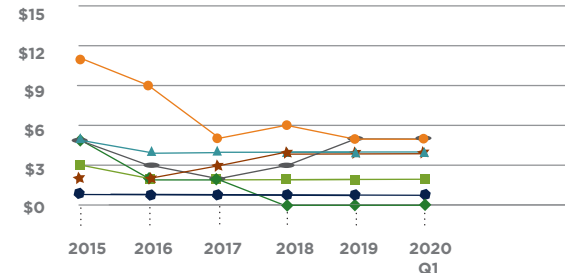
HARDWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



SOFTWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



Global/National Initiatives Promote Tree Planting As Solution To Fight Climate Change

The World Economic Forum in January announced the '1 Trillion Trees' initiative (1t.org), a global plan to grow, restore, and conserve one trillion trees around the world by 2030 to help fight climate change. The Forum said the project "aims to unite governments, non-governmental organizations, business, and individuals in a 'mass-scale nature restoration.'"

The initiative includes the conservation of existing trees (i.e. avoided deforestation), the restoration and natural regeneration of previously degraded forest lands, including reforestation and tree planting on suitable agricultural land, and urban tree planting.

President Trump announced at the Forum that the U.S. would participate in the initiative to continue to show "strong leadership in restoring, growing, and better managing our trees and our forests." He reiterated this pledge during his 2020 State of the Union address.

Tree planting and incentivizing the use of wood products for carbon sequestration are also the focus of the Trillion Trees Act, introduced in February by Rep. Bruce Westerman (R-Ark.), the only professional forester serving in Congress.

"Every day, countless billions of plant cells are pulling carbon from the atmosphere and permanently storing it in wood," Westerman said in a news release announcing the bill. "We're

taking proven science and turning it into practical solutions. Not only are we setting an ambitious goal of planting one trillion new trees by 2050, but we're also reinvesting resources into managing forests and using wood products."

The legislation is based on a 2019 Swiss report featured by the American Academy for the Advancement of Science that concluded planting one trillion trees across the world could sequester 205 gigatonnes of carbon—roughly the equivalent of two-thirds of all manmade carbon since the Industrial Revolution.

Westerman's bill has three components:

- Plant more trees in urban areas and on marginal agriculture land domestically while offering technical support and assistance for other countries to maximize forest growth internationally and reverse deforestation.
- Grow more wood in existing forests and make them more resilient to insects, diseases and catastrophic wildfires.
- Store more carbon by incentivizing innovative building practices with a sustainable building tax credit.

National forestry organizations commended Rep. Westerman for his leadership in highlighting the important role that forests and forest products play in addressing climate change and for recognizing the vital part that forestry plays in our economy, particularly in rural communities.

"Currently our forests and forest products offset roughly 15 percent of annual U.S. carbon emissions and estimates show that we can double that by planting more trees, better managing forests that have been neglected, protecting forests from conversion, and using more forest products," said Tom Martin, president and CEO of the American Forest Foundation. "We are excited to work with Representative Westerman, and a bipartisan group of House and Senate leaders, to continue to improve this and other policy solutions that are essential for unlocking the climate mitigation potential in family forests."

A coalition of 95 environmental groups have voiced opposition to the legislation. In a letter to Rep. Raúl Grijalva (D-Arizona), chairman of the House Natural Resources Committee, the coalition writes: "The bill would significantly increase logging across America's federal forests, convert millions of acres into industrial tree plantations, increase carbon emissions, increase wildfire risk and harm wildlife and watersheds."

The U.S. Forest Service annual report on forest nursery seedling production and reforestation (see page 5) estimates that nurseries shipped more than 8.65 billion seedlings, with more than 16.3 million acres of trees planted, between 2012 and 2018. 🌲

Trump Administration Finalizes WOTUS Replacement

The Environmental Protection Agency (EPA) and the Department of the Army have taken final action on a new definition clarifying which waters are regulated under the 1972 Clean Water Act (CWA), ending decades of confusion over what waters fall under federal jurisdiction.

The new Navigable Waters Protection Rule replaces the Obama administration's "Waters of the U.S."

rule that expanded the waters regulated under the CWA and to which court challenges made implementation inconsistent.

The new definition identifies four categories of waters that are federally regulated under the CWA: territorial seas and traditional navigable waters, including oceans and major rivers; perennial and intermittent tributaries to those waters; certain lakes, ponds and

impoundments; and wetlands that are adjacent to federal waters.

EPA said the new rule "also details what waters are not subject to federal control, including features that only contain water in direct response to rainfall; groundwater; many ditches, including most farm and roadside ditches; prior converted cropland; farm and stock watering ponds; and waste treatment systems." 🌲

Tree Planting Holds Steady In The South, Declines In Other Regions; F&W Managers Say Timber Markets Drive Reforestation

Tree planting across the Southern Pine Belt region of the U.S. remained steady in 2018, bucking a trend of decline in almost all other regions of the country, according to the latest report from the U.S. Forest Service.

Forest nursery production for the 2017/18 planting season was nearly 1.2 billion tree seedlings, with an estimated 2.2 million acres planted across the nation. Nursery production was down by 97.5 million seedlings from the prior season, with the total number of acres planted decreasing by 10 percent from the estimated 2.46 million acres that were reforested in the 2016/17 season.

But while the overall number shows tree planting down in the U.S., it held steady in the 13 states comprising the Southern Pine Belt. This region reforested more than 1.9 million acres and accounted for 88 percent of all the tree planting in the U.S. in the 2017/18 season.

Tree planting estimates are based on data collected directly from the forest and conservation nurseries that grow forest tree seedlings across the U.S. The approximation of planted acres for each state is derived from estimates of average tree planting area based on historical ground-plot data collected by the Forest Services' Forest Inventory and Analysis Division.

The report attributed the decline in seedling production to significantly lower numbers being reported in the West and East.

"These lower numbers are due, in part, to a few nursery closures and production declines in some nurseries, but it is likely an underestimate due to inconsistent participation from nurseries during data collection," the report said.

Nationally, tree planting in 2017/18 was about the same as during the 2012/13 planting season five years ago, but it is up across the South by 8 percent.

F&W ANNUAL SURVEY

For the most recent season, F&W managers reported mixed results compared to last year but almost all said tree planting was above or the same as five years ago, according to the annual survey conducted by the company.

The survey was based on data and observations from 13 managers in 11 states. The responses came primarily from managers in the Southern Pine Belt region, where widespread tree planting is a common practice. The Northeast and hardwood regions of the U.S. rely mostly on natural regeneration so there is little in the way of tree planting.

A common theme voiced by F&W managers was that timber markets were the principal driver of tree planting, with improving markets in some areas bumping up reforestation activity while a lack of markets in other areas caused a decline.

MARKETS DRIVE PLANTING

"Reforestation is mostly impacted by the amount of area that has been harvested," said Nathan McClure of the Fountain Inn, S.C., office. "When trees are cut, acres are planted. We have had no landowners choosing to forgo reforestation because of poor markets."

"The one item that has impacted the amount of reforestation negatively is the wet weather during the last two years, which prevented timely timber harvests on many sites. I expect increased reforestation across my region next year if conditions become more suitable for harvesting," McClure added.

The Eatonton, Ga., office saw steady planting this year.

"We haven't had a drop off in planting because landowners have been taking advantage of a couple years of wet weather and increased price spikes in the local timber markets," said Nathan Fountain,

manager of the middle Georgia office.

Chad Hancock, manager of the Albany, Ga., office, said Hurricane Michael is the primary reason for the increase in tree planting across his region, a trend he expects to continue for the next couple of years as landowners clean up and replant storm-damaged timberlands.

"There has also been a shift to clearcutting more mature timber across the region in recent years due to stabilized sawtimber prices," Hancock said.

Rick Sluss, manager of the Clinton, Tenn., office, reports that they do very little tree planting in his central hardwood region but added that his area "needs more markets for planted yellow and white pine."

CONTAINER USAGE UP

The predominate tree species planted by F&W offices is loblolly pine, although the Gainesville, Fla., office reports planting more slash pine than loblolly. Several offices also reported planting container longleaf pine.

The Gainesville, Statesboro, and El Dorado managers report that they planted container seedlings almost exclusively.

"We chose containerized seedlings for greater survival rates, increased early growth, flexibility of planting timing, and we usually start planting earlier in the season. We like to avoid the bottleneck of contractor availability with wheel tractor planters in northeast Florida and southeast Georgia," said Bryan Croft, manager of the Gainesville, Fla., office.

"This was our first time to plant containers on a large scale," said Eric Sumner of the El Dorado, Ark., office. "We went with containers in order to extend our planting season a little as well as increase the survival percentage at the end of the first growing season."

T.R. Clark, manager of the LaFayette, Ala., office, said containerized loblolly

(continued on page 6)

Georgia Rolls Out Hurricane Disaster Relief Grant Program

Georgia Governor Brian Kemp and Agriculture Commissioner Gary Black recently announced plans to administer the \$347 million in block grants from the U.S. Department of Agriculture (USDA) to assist timber and agricultural producers impacted by Hurricane Michael.

The Georgia Farm Recovery Block Grant Program compensates landowners and farmers for losses not already covered by existing USDA Farm Service Agency programs, and covers timber, beef, dairy, fruit and vegetable, pecan, poultry, and

uninsured infrastructure losses. Farmers and landowners in 95 Georgia counties are eligible to apply for the funds online between March 18 and April 30.

Florida announced in November that its \$381 million share of the USDA funds would be used to compensate timber producers whose trees were damaged by Hurricane Michael. However, there has been a delay in the application process due to a dispute between state and federal officials over payment limits.

Politico reports that retired Florida

State Forester Jim Karels said the USDA “wants to effectively cap reimbursement at 1,500 acres per forest owner, while the Florida Forest Service and Gov. Ron DeSantis had proposed a limit of 10,000 acres.”

Funds for the grant programs were made available through a broader \$3 billion federal disaster assistance package signed into law last year. 🌲

FOR MORE INFORMATION ABOUT THE GEORGIA FARM RECOVERY BLOCK GRANT PROGRAM, GO TO: [HTTP://AGR.GEORGIA.GOV/FARM-RECOVERY.ASPX](http://agr.georgia.gov/farm-recovery.aspx)



F&W Tree Planting Survey (continued)

seedlings are favored when a tract “must” be hand planted (primarily due to terrain) as container trees have better survival rates in the first year over bareroot when hand planted.

Clark said it is very hard to “mis-plant” a container seedling but that bareroot seedlings are favored on tracts that lend themselves well to machine planting.

“Machine planting produces more uniform rows and packs seedlings well. In many cases, the pure cost of the seedlings themselves leads some clients to choose bareroot over container,” Clark said.

Jason Potts, manager of the Corinth, Miss., office, also said cost was the main reason for using bareroot seedlings.

PLANTING DENSITIES DOWN

Most managers report that planting densities are down compared to five years ago, citing improved genetics, better growth, more use of container seedlings, and research supporting a trend towards planting fewer trees per acre (TPA). The number of trees planted per acre ranged from 450 to 750 but managers said planting density depended on markets, species,

and objectives. The average number of seedlings planted in Arkansas, Alabama, Florida, Georgia, and South Carolina was less than 550 TPA, while Virginia reported planting 622 TPA, and Mississippi said planting density was 726 TPA, about the same as five years ago.

While managers provided diverse insights into reforestation activity in their territories, all said as long as timber markets remain strong, they expect tree planting to follow.

“Although the markets for chip-n-saw and sawtimber are not very strong in my area, most landowners still feel optimistic about the future and plant their land back after harvesting,” said Potts of the Mississippi office.

ORDER SEEDLINGS EARLY

Looking ahead to the next planting season, managers advise to order seedlings early.

“Seedling availability was a challenge in 2019-2020 due to demand (a lot of that was due to seedling mortality during 18-19), so early planning and securing seedlings is important, particularly for quality genetics,” advises Wade McDonald, manager of the Statesboro, Ga., office.

There is relatively little tree planting in the Northeastern U.S. because most reforestation occurs through natural regeneration. But Wayne Tripp, manager of two New York offices, said he sees increasing challenges to natural regeneration because of predation (particularly deer browsing but also moose and others), invasive competition and other issues.

“There is emphasis in New York to make sure that our regeneration harvests are successful five to 10 years out. My personal perspective is that in the coming decade or two, we may see supplemental planting of larger (6-foot) hardwood saplings where regeneration has not been sufficient naturally,” Tripp said.

Only three Southern managers reported that they had clients who opted for natural regeneration over tree planting. One manager said the client chose this method because establishment costs for pine plantations were too high and current timber pricing too low to justify the planting. One reported that a client wanted to reforest the “old way” through natural regeneration and another preferred to take an “organic” approach to forest management. 🌲

Phase One Trade Agreement With China Offers Reprieve To U.S. Wood Sector

President Trump and Chinese Vice Premier Liu He signed the first phase of a trade deal in January, bringing some relief and signaling a cease-fire in a trade war that has lasted nearly two years.

According to a fact sheet from the Office of the U.S. Trade Representative, "China is committing that over the next two years it will import no less than \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017 in four broad categories," with hardwood lumber being among a list of U.S. manufactured goods that altogether "will total at least \$120 billion in 2020 and at least \$131.9 billion in 2021." This equals a \$77.7 billion increase over 2017 levels in

manufactured goods to China through December 2021.

Upon signing, the U.S. promised to cut tariffs on some Chinese goods and forgo other planned tariffs. On Feb. 14, the U.S. lowered tariffs from 15 to 7.5 percent on \$120 billion worth of Chinese goods, leaving tariffs on \$250 billion worth of products.

The Chinese followed suit, cutting tariffs imposed in September on \$75 billion worth of goods, from 10 to 5 percent on some and from 5 to 2.5 percent on others, stating, "We hope to work with the United States towards the ultimate elimination of all increased tariffs."

China subsequently released two lists of U.S. goods eligible for

exemptions from retaliatory tariffs beginning Feb. 28 and lasting for one year, with the first list also allowing refunds of collected duties and taxes. According to the Hardwood Federation, all hardwood species, lumber and logs, are eligible for tariff reductions.

The second list allows exemptions (without refunds) of U.S. products from higher tariffs for one year. The Southern Forest Products Association reports that several softwood lumber products are on the list of goods to be excluded from retaliatory tariffs.

According to the *Wall Street Journal*, the second phase of talks will begin soon but will not be finalized before the November elections. 🌲

Flat Prices And Busy Legislative Quarter *(continued from page 1)*

use wood—this ensures a cheap supply for years to come. While we certainly support those industries, cheap wood really hurts the majority of landowners who reforest without subsidies.

Now, the second two items are much more appealing and address the market/demand side rather than the supply side. Growing more wood in existing forests can be achieved by extending rotation lengths—subsidies for that make sense. It is in effect a market for those landowners who delay their harvest, therefore increasing carbon storage. The older a stand is when harvested, the more volume is used for solid wood products, which continue to store carbon for 50 to 100 years when used in buildings. That means there is a double and positive hit on sequestration in longer rotations. This potential new form of demand—being paid to hold trees rather than cut them—will have the immediate impact of reducing the flow of wood into current markets, reducing supply, and hopefully increasing prices. Higher prices lead to increased tree planting—a more sophisticated solution to reforestation than tree-planting subsidies.

The third point, incentivizing innovative building practices that use wood—which is designed to increase the use of wood in buildings—is also a market-based incentive. Wood has a much smaller carbon footprint than steel or concrete, and, once installed in a building, the carbon in wood is sequestered until the building is torn down. Great idea!

To our legislators—please don't subsidize planting trees without restricting their future harvest. And to our readers—please let your members of Congress know that we don't need another CRP market disaster. In my career, the CRP program has had the single largest impact on returns on tree growing, and it has been very negative.

In other news, the EPA finally issued its Navigable Waters Protection Rule (see page 4), its replacement to the Obama administration's Waters of the United States (WOTUS) rule, which was never implemented. For those of you who might have read about this in the national media, the new rule doesn't take us back to the days before the 1972 Clean Water Act (CWA), when

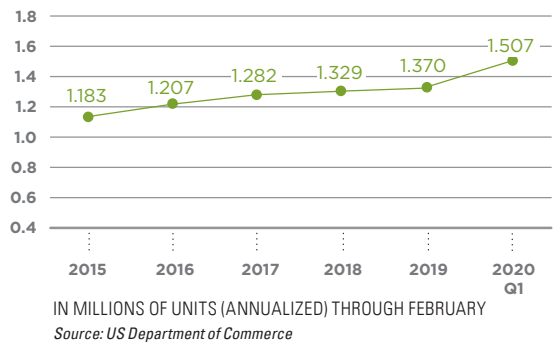
the Cuyahoga River was burning. My understanding is the new rule is very much like the one in place before the Obama administration issued WOTUS in 2015 but with clearer definitions of which water bodies are and, more importantly, which water bodies aren't regulated under the CWA.

Unfortunately, there has been no progress on the tax bill introduced by Rep. Buddy Carter (R-GA), which would allow for the deduction of the fair market value, as opposed to cost, for forest landowners impacted by natural disasters. We are following that one because it may be one of the most favorable, and necessary, tax bills for forest landowners introduced in my career. It reduces the risk of long rotation forestry—which, by the way, would help incentivize more landowners to plant trees. Maybe it needs to be a part of the Trillion Trees Act.

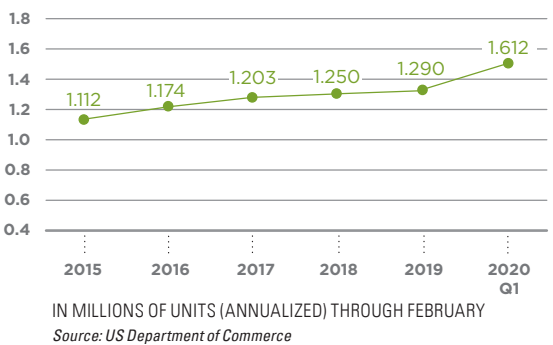
Prices have been flat to slightly declining over the past year—I suspect prices will be the main subject of the article in the next newsletter. I hope it is not bad news and I hope everyone stays healthy and safe until then. 🌲

TIMBER MARKET INDICATORS

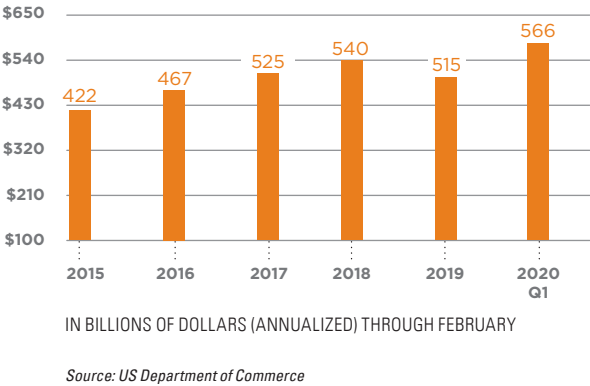
HOUSING PERMITS



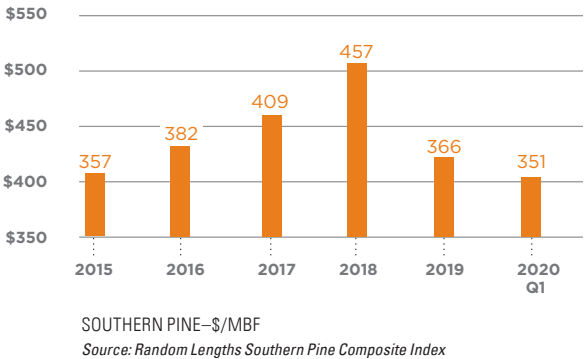
HOUSING STARTS



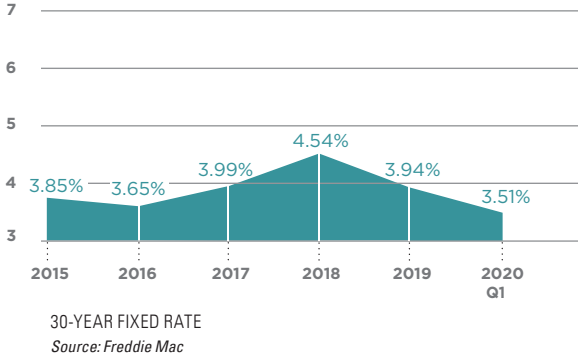
RESIDENTIAL CONSTRUCTION



LUMBER PRICES



MORTGAGE RATES



US DOLLAR

