

WHY ARE THERE PRIVATE FORESTS IN ALABAMA?

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From Naval Stores to Pellets: How Private Forestry in the Alabama Has Responded to Market Change



ALABAMA AS AN AVATAR FOR THE SOUTH



ALABAMA FORESTS

- They are like a weed
- We can't get rid of them...
- And Lord knows we've tried
- Use all you want, we'll grow more



THE FIRST QUESTION IS

- Why are there forests in Alabama?
- Geography and climate are conducive for forests
- Long history of conservation
- Landowner commitment to long term



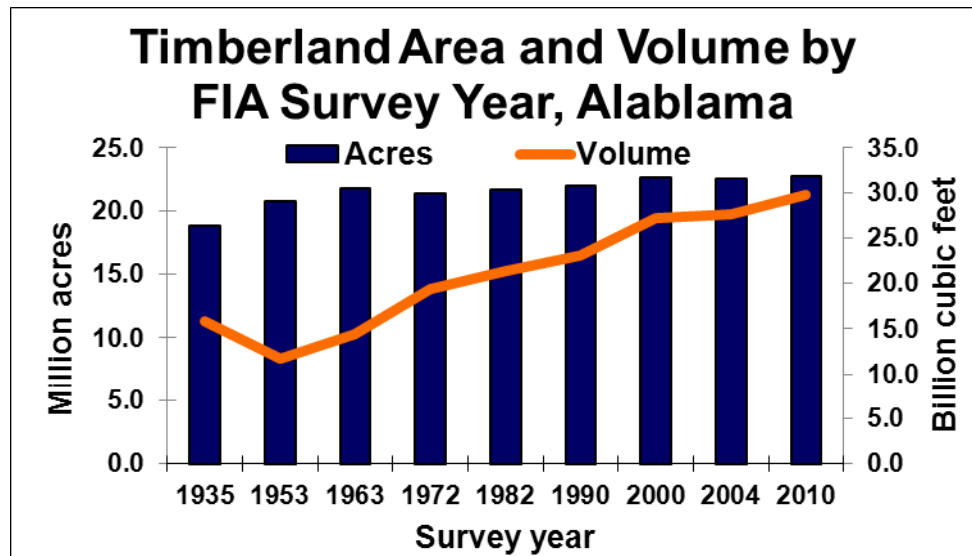
WHAT KEEPS FORESTS IN ALABAMA?

- Private to start with as a legacy of statehood
- Strong ties to the land
- Agrarian/Southern culture
- Low property taxes
- Favorable government
- Strong markets



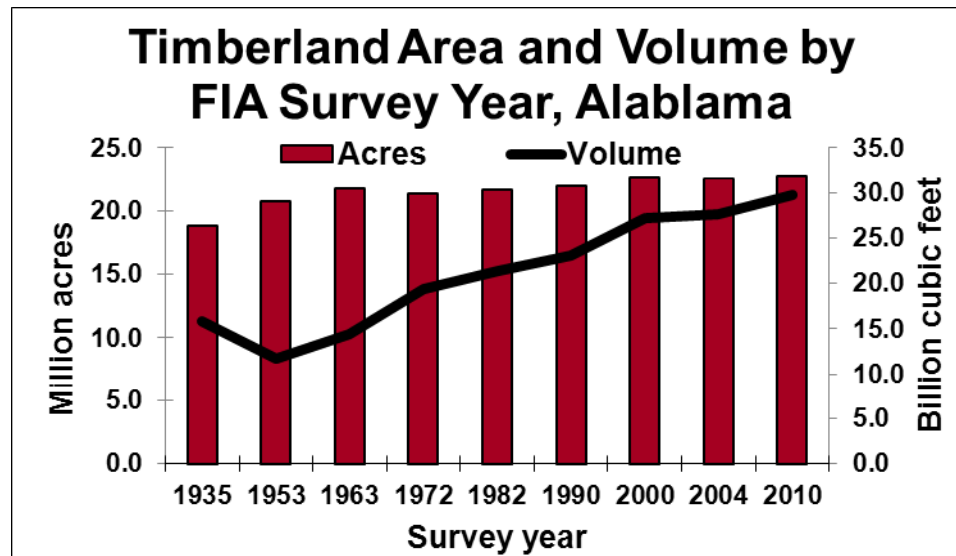
ALABAMA FOREST COVER THROUGH TIME

- Source FIA



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- Source FIA



The South in Context

- Sense of Place
- Love of the Land
- Strong Respect for Private Property Rights
- Sense of Community
- Slight Sense of Faulknerian Gloom



Sense of Place

- It is a Southern thing - Just like HOOAH, which can mean anything but “No”, is an Army thing
- We need to grow up in a place to:
- Work it
- Live in it
- Know it
- Love it
- Leave to our children



What the South Is Not: With NO Apologies to Hollywood

- No moonlight and magnolias
- No cats on hot tin roofs
- No “Big Daddy” or “Bubba” – Well, a few
- No Louisiana Vampires
- No red velvet armadillo Groom’s cakes
- No bologna cakes
- No New York minutes – We are not in that much of a hurry



What the South Is

- It is air conditioned
- We do speak English – Albeit very slowly
- We do – sometimes – have syrupy accents
- We'll fry anything
- We are American by Birth, Southern by the Grace of God AND...
- We do give a damn



The South Is

- Home to:
- Bluegrass
- Bluebonnets
- The Blues
- Blue Christmas
- Jazz
- Soul food AND...
- ELVIS is still the King



Private Owners as Innovators

- SAF members like Harley Langdale and Bill Oettmeier founded Forest Farmers Association to give private landowners a voice to:
- Get capital gains tax treatment
- Enable banks to loan based on timber value
- Develop new markets and supply
- Markets are fundamental to jobs and forest conservation



Forest Products Drive the Land

- Without products (value added for MBA types), there is little if any economic incentive to manage the land
- Whether it is turpentine or pellets, you have to give the private sector a market
- The South's forest economy has gone from naval stores to ship's timbers to sawtimber to pulpwood to panels to engineered wood to energy stock
- Long history of forest exports



Trade is in Our Blood

- Tradition steeped in exporting forest products
- Colonial practice of exporting ship's timbers of Live Oak and Longleaf pine masts, naval stores, tobacco, deer hides, indigo, and cotton
- South became entrenched in trade with the British, Spanish, French, Dutch and others
- As trade demand changed, so did the Southern forest to meet new product demand



Forest Management Drivers

- Absent government interference, landownership will gravitate to the best manager
- In the South, that has been the private sector
- We have seen a “sea change” in private ownership from cut over tracts to integrated forest products industry to large investors – Over 40 million acres went out of industrial ownership in the last 15 years
- Akin to the 60 million acres that shifted ownership thanks to the boll weevil



Southern Timber Culture



- From Jamestown and Williamsburg to the present we have always exported internationally
- Supply chain has adapted to culture and logistics system
- The U.S., and particularly the Southern, model is that when somebody dies, the timber will be sold (Procurement guys – READ the obits!)



Southern Forest Culture

- Long history of minimal government control
- Non-regulatory BMPs
- Only two states have mandatory reforestation laws and those are seed tree based
- Respect for private property – You can't go on your neighbor's land to retrieve a dog, but you can for a horse



Contrast the Swedish Model

- Forestland ownership patterns are similar to those in the South
- Taxes are usually too high to sell forestland
- You generally have to deal with landowners' associations to sell wood
- You can recreate on it, but...
- So can everybody else



21st Century Juncture

- We are at yet another forest market crossroads
- The economy stinks
- The dollar is worse
- Housing and solid wood are flat
- Pulpwood is competitive and sawtimber will rebound
- It is a fabulous time to export
- Yet, our own government seems against us



Is Forest Biomass the Next Market Wave ?

- Most people agree the low hanging fruit is wood to electricity
- Pulpwood makes great pellets
- Electric utilities like long term contracts
- There is a long history of short term, not long term, timber contracts based on free market controls
- The South is a great place to invest and “dis-invest” in forestland



The Forest Is Our Glory



Thank You Now, Ya Hear

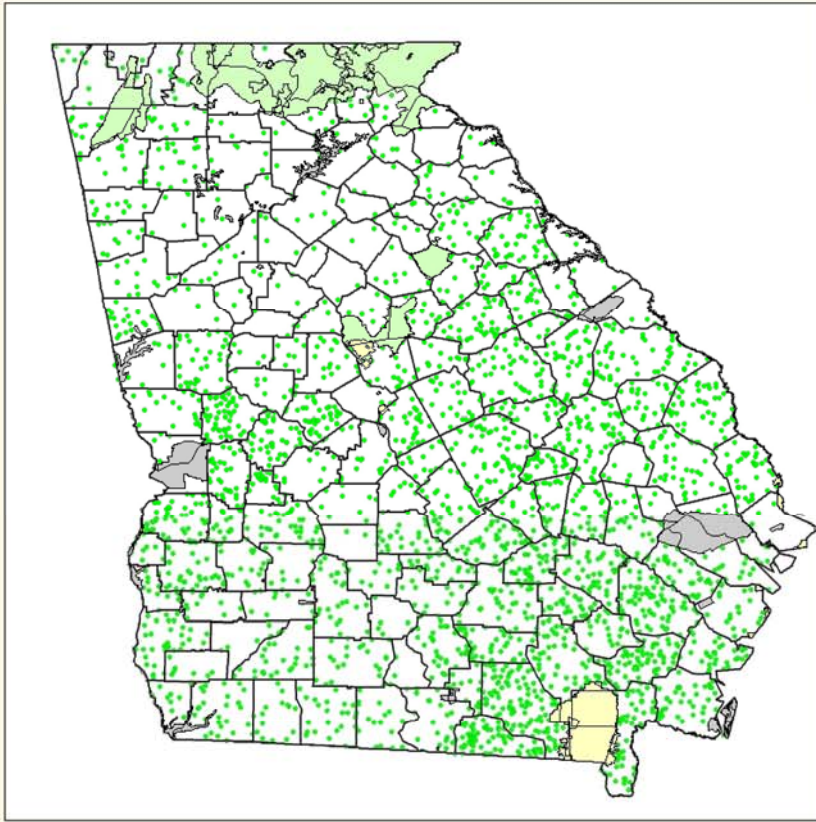


Sources

- *Southern Living*
- *Jason Kinsey, Westervelt Corporation*
- *Jamestown Settlement*
- *Forest Landowners Association*
- *USDA Forest Service – FIA National Program*



Biomass Definition Alternative 1



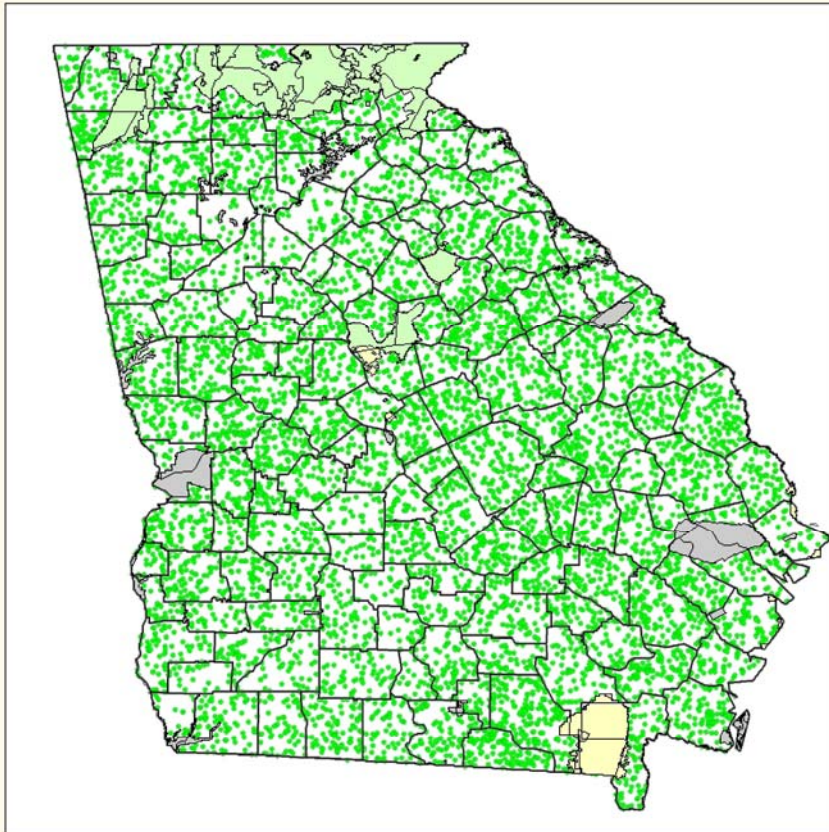
Eligible Georgia Timberland with RFS
Definition:

7.3 Million Acres

Source: USDA Forest Service - Forest Inventory and Analysis National Program



Biomass Definition Alternative 2



Eligible Georgia Timberland
With Waxman-Markey:

23 Million Acres

Source: USDA Forest Service - Forest Inventory and Analysis National Program

