

2018 Policy Brief

Forest Landowners Association

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2018 Forest Marketplace Growth Agenda

A series of policy priorities to foster a strong business environment and balanced regulatory climate for the benefit of the families who own and manage forestland.

US Markets

- Infrastructure US wood component
- Increased emphasis on mass timber
- Codes and Standards

Export Markets

- Increasing and solidifying demand for timber products in foreign countries

Data and Research

- Seeking a systemic shift to how the government defines, collects and reports on private forest land in the United States.

Regulations, Private Property Rights, and Casualty Loss

- Advocate for and support legislation to improve the Endangered Species Act (ESA)
- Improving at-risk species listing and rule making process
- Legislative solution to address catastrophic timber loss



Our mission is to ensure an expanding economic climate that enables America's forest landowners to prosper from their timber resources.



Data and Research

Rationalizing how the government defines, collects and reports on private forests in the U.S. to create systemic change.

The ripple effect of the data and research conducted by the U.S. Forest Service (USFS) based upon their definition of a forest has a far-reaching, misguided impact on billions of governments funding, restrictive domestic and foreign timber markets, and the perception of the health and sustainability of private forests and their ability to provide environmental services.

The USFS definition of a forest is used by the Forest Inventory Analysis (FIA), the National Woodlands Owner Survey (NWOS) and the Resources Planning Assessment (RPA), which has resulted in oversampling and misrepresentation of the current and projected assessment of U.S. private forests and their owners. The findings and reports of these three programs serve as the prescriptions for policy, government funding, regulations, landscape level conservation strategies, public perception, and media facts.

FLA is seeking to correct the definition of forests, which is resulting in weighted representation of size, ownership and sustainability of private forests data collected and presented by the USFS.

Markets

Creating more demand for Timber products

FLA will work closely with relevant federal agencies to emphasize that private forests are vast and sustainable, with the ability to deliver long-term resources to participate in opportunities to expand markets for timber related products.

1. U.S. Market

Infrastructure Plan

With tax reform finally signed into law, it's time for Washington to tackle the next big item on America's to-do list: the large-scale modernization of our infrastructure. As the Administration and Congress work on making this a reality, FLA will advocate for language specifying the use of U.S. wood for federally funded projects. At the request of the Administration, FLA commissioned a study to assess how a \$1.5 trillion infrastructure bill could affect the wood products value chain ("WPVC") and demonstrate the economic impact





the use of U.S. wood would have on the economy in rural America.

Building Grassroots Support to Impact Federal Law and Regulations

S.538 - Timber Innovation Act of 2017 (TIA): This legislation reinforces that the divisions of Research and Development, Forest Products Laboratory, and State and Private Forestry will focus a portion of their funding and research on increased development and use of innovative wood products in the building industry; authorizes the Wood Innovation Grant (WIG) program to advance the use of innovative wood products; incentivizes the retrofitting of existing sawmill facilities to locate in areas with high unemployment rates; and authorizes the Tall Wood Building Prize Competition. In FY 2017, \$8.3 million in federal funding was awarded through the WIG to support traditional wood utilization projects, expand wood energy markets, and promote using wood as a construction material in commercial buildings.

The American Wood Council is spearheading the efforts to passage of the TIA or inclusion of the bill text into the Farm Bill through an alliance of forestry organizations. FLA is lending grassroots support to garner cosponsors and supporting AWC.

Nationwide Approval of Building Codes for Mass Timber: Provide grassroots support to the American Wood Council's effort for changes in the International Code Council's (ICC) code to allow building officials at the county level nationwide to increase the capacity of construction of mass timber buildings, from 6 stories up to 18 stories. This effort would result in a potential market increase of 8%.

2. Export Markets

In 2016, the U.S. exported \$38 billion in forestry products, with \$3.4 billion accounting for lumber. Significant departments and programs exist within the Department of Commerce and Department of Agricultural Foreign Services to promote the use of lumber and wood products overseas, yet there is little understanding by these programs about the current oversupply of timber in the U.S., and near record low for stumpage fees. FLA will work with relevant federal agencies to:

- Improve U.S. market competitiveness for timber
- Communicate that private forests can deliver long-term resources to participate in expanded foreign markets for timber related products
- Promote the sustainability of U.S. forests in foreign markets
- Serve as a resource on foreign trade mission, discussions, and programs
- Ensure government programs benefits the source of the natural resource supplier - not just supply markets





Regulations, Private Property, and Taxes

Continuing to Strategically Address Public Policy

1. Advocate for and Support Legislation to Improve Endangered Species Act (ESA)

On the broader issue of of ESA reform, Congress has - for the first time in several years - moved forward with several bills that would enhance transparency, accountability of the ESA, and improve the cost/benefit analysis during the listing process. Advancement of more "rifle shot" legislative reforms are being advocated by FLA and we are working with respective committees and Members of Congress to encourage movement of the bills.

2. Streamlining and Improving At-Risk Species Listing and Rulemaking Process

FLA continues to forge greater understanding of the connection to markets, strong forest management practices and at-risk species with the USFWS at the national, regional, and field office level for improved listing and rulemaking processes. Through FLA's grant from the National Fish and Wildlife Foundation we hired Lauren Ward, our former FLA Rob. O fellow, to work full-time not only to focus on better collaboration with the USFWS, but to increase their understanding of forest management activities, habitat conservation on timber lands, and provide a clearer understanding of what is needed to develop a multi-species agreement as an option for landowners willing to proactively manage for at-risk species on their land.

3. Casualty Loss Bill Introduced by Rep. Carter (GA-4)

After a catastrophic loss, 70% of all timber farmers are not able to deduct anything in the tax code because of the 'basis limitation rule,' simply eating the cost of their loss. Further, timber takes 20+ years before it can be cut and sold, making it extremely difficult for a timber farmer to recover after a catastrophic loss. Finally, timber is not eligible for federal crop insurance while private sector insurance is expensive and filled with coverage gaps. FLA member Joe Hopkins brought this issue to the attention of Rep. Carter and worked on legislative language to fix the problem. This bill allows any individual or business growing timber for sale to deduct up to the fair market value lost after a catastrophic event, eliminating the 'basis limitation rule.' The 'basis limitation rule' incentivizes individuals against farming timber, limits our available forest products, hurts rural economies, and endangers our environment. The bill is expected to be introduced in early February.





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Capitalizing on the Infrastructure Plan

At the State of the Union Address, President Trump highlighted his plan to rebuild the nation's "crumbling" infrastructure, unveiling his intentions to push Congress to approve a \$1.5 trillion plan.

President Trump laid out a number of steps to do so, including:

- Generate at least \$1.5 trillion in infrastructure investment over the next decade
- Eliminate unnecessary redundancies and inefficiencies in the regulatory and permitting process
- Empower state and local authorities to prioritize infrastructure projects based on the communities' needs
- Dedicate a quarter of federal funds to address the infrastructure needs of rural areas

FLA must ensure that within the infrastructure plan, domestic utilization of wood is a priority. To that end, The White House can play a meaningful role in steering Democrats and Republicans towards policy that will encourage the usage of timber in two key initiatives that make up 75% of the total funding; (1) Infrastructure Incentives Initiative and (2) Rural Infrastructure Program.

1. Infrastructure Incentives Initiative (Accounts for 50% of total appropriation)

Encourages state, local and private investment in core infrastructure by providing incentives in the form of grants. Federal incentive funds will be conditioned on achieving milestones within an identified timeframe. Applies to: surface transportation, airports, passenger rail, maritime and inland waterway ports, flood control, water supply, hydropower, water resources, drinking water facilities, storm water facilities, Brownfield and Superfund sites.

2. Rural Infrastructure Program (Accounts for 25% of total appropriation)

Designed to encourage investment to enable rural economies, facilitate freight movement, improve access to reliable and affordable transportation, etc. States are incentivized to partner with local and private investment for completion and operation of projects under this program. Eligible entities total programs include within transportation – roads, bridges, public transit, rail airports, and maritime and inland waterway ports.

To capitalize on the infrastructure plan, FLA will advocate for efforts that will specify the use of American sourced wood in infrastructure projects that are federally funded. The ultimate goal is to ensure more wood is used from domestic sources, hence reducing the surplus that currently exists.





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Expanding and Growing Foreign Markets for Timber

In 2016, the United States exported \$38 billion worth of forestry products, with \$3.4 billion accounting for lumber. Data from the USDA Foreign Agricultural Service indicates that China is the largest consumer of American wood and wood products, with imports aggregating to \$700 million in 2016. Of this amount, roughly two-thirds of imports consisted of lumber or other processed wood, and one-third consisted of logs.

In 2018, policy efforts will focus on growing timber markets. Our efforts will promote sustainable forestry management whilst enhancing the viability and competitive spirit of rural America. Furthermore, increasing “Made in America” output in forestry will ensure that rural communities and economies remain prosperous for generations to come.

1. Working With Relevant Government Agencies

The USDA’s Foreign Agricultural Service (FAS) utilizes various programs that serve as effective opportunities to grow markets for timber. One example is the Foreign Market Development Program (FMD), a program that specifically helps create, expand, and maintain long-term export markets for U.S. agricultural products. Preference for this program is given to organizations that represent an entire industry or are nationwide in membership and scope. From a funding perspective, the American Hardwood Export Council, The Engineered Wood Association, Softwood Export Council, and Southern Forest Products Association were collectively provided with \$2,608,762 from the FMD.

2. Participating in Trade Missions

The Department of Commerce conducts trade missions and programs for firms that are interested in exploring export markets. These programs consist of outbound trade missions each year, along with reverse trade missions that bring foreign delegations to the U.S. These programs create an environment whereby firms are able to meet directly with potential clients in new markets. As an example, in 2018, we must participate in the following programs:



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- U.S.-China Build Chinese Softwood Lumber Buyers' Inbound Mission: The goal of this program is to foster a stronger understanding of U.S. softwood lumber, trades, and grading, as well as explore opportunities and create relationships with lumber importers and remanufacturers in China. This event will take place in Savannah, GA, and Portland, OR, from March 6th to March 11th.
- Japan Building Materials Trade Mission: The Department of Commerce works alongside the Foreign Agricultural Service and the Evergreen Building Products Association (EBPA) in order to host receptions and site visits that connect U.S. companies with Japanese importers of construction materials. More than 278 seminars featuring American suppliers have been held across Japan, resulting in approximately \$220 million in sales.
- U.S.-China Build Lumber Mission: This trade mission connects American lumber suppliers with Chinese buyers through a series of group meetings, roundtable discussions with buyers, wholesale yard visits, and receptions with importers and manufacturers. Since 2009, this program has resulted in more than \$4 billion worth of exports.



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