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The Florida Forest Steward

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Forest Stewardship Update

As the last winds of the hurricane season blow in the Caribbean, we are preparing for another busy year of publications, workshops, field tours, and hopefully, a host of new Stewardship landowners. Most of you are aware of the current status of the Stewardship Incentive Program (SIP). For those that are not, budget battles in Washington have rendered it without funds. The only remaining SIP funding in Florida is presently obligated to stewardship landowners that are in some stage of implementation of their approved management practices. Although the Stewardship Incentives Program was not funded by Congress, the Forest Stewardship Program still has funding available for stewardship plan preparation. Cost-share assistance for forestry practices is now limited to the Forestry Incentives Program (FIP), which is expected to be funded at \$6.3 million. Contact your regional USDA Natural Resources Conservation Service Center office to apply for FIP cost-shares.



Despite the absence of SIP funds, Florida's Forest Stewardship Program continues to grow and benefit landowners throughout the state, thanks to the efforts and support of the Florida Division of Forestry and the Fish and Wildlife Conservation Commission. During 1999, Forest Stewardship Management Plans (FSMPs) were completed for 120 private landowners. As of November 1999 a total of 1,161 Florida landowners with over 437,500 acres of forestland have approved FSMPs. Program promotion is one of our major goals for the new millennium, and you can help in this effort by simply telling your fellow landowners, who are interested in managing their land for multiple uses, about the Forest Stewardship Program.



Trends in the Wood Products Industry

By Alan J. Long

Change is constant; less predictable, however, are the directions those changes will follow. The forest industry in Florida and the rest of the Southeast has been through some amazing transformations and gyrations in recent years. This article will attempt to review the changes and recent trends in prices and markets as they have been described in a variety of newsletters, meetings, and publications. I will mention some of the factors that are influencing those trends, and will even summarize a few projections regarding future outlook for the industry and landowners. However, this is only intended as a general summary of available information, and not as a definitive or reputable forecast of the future. The reader is cautioned that these projections may, at best, be only opinions. In other words, don't bet the farm on them yet, unless you are very comfortable with your own conclusions about the trends and changes (and you don't want the farm).

Stumpage price trends

Pulpwood prices for pine stumpage have generally decreased since early 1998; hardwood pulpwood prices during the same period have been much more erratic. Although a number of outside factors (described below) have probably influenced recent price declines, several local factors also played a key role. Prolonged rain between the end of 1997 and early 1998 caused widespread wood shortages at mills and drove timber prices to exceptionally high levels. The high prices brought a lot of new timber to the market. All those sales, coupled with the surge of salvage wood after the 1998 fires, pushed timber supply and inventories so high that price declines were inevitable.

In a longer term, and except for the strong market in early 1998, pulpwood stumpage prices have been fairly flat for the last five years with several wide fluctuations. However, stretching the trend curve even further, fourth quarter 1998 prices were more than double 1988 prices (south wide), and were up about 60% in Florida according to Timber Mart-South summaries. Hardwood pulpwood has seen the largest price increase in the last 20 years (on a "percentage of initial value" basis).

Unlike pulpwood prices, sawtimber and chip-n-saw stumpage prices have steadily increased over the last 10 years. Pine increased about 50% in the last five years and doubled since 1988. Hardwood sawtimber also doubled in the 10-year period, but has been relatively stable since 1993. Real price increases have generally exceeded the national inflation rate. Despite these general trends, both pine and hardwood prices also experienced substantial seasonal and market-driven fluctuations.

Although unanimous agreement is lacking, a reasonable outlook on future trends suggests that stumpage prices for sawtimber and larger log sizes will continue to increase. Pulpwood price changes are less certain (at least, in the short term) because of substantial changes in international

supply and demand and the possible entry of large volumes of Conservation Reserve Program pine plantation thinnings into local markets. Stumpage prices have traditionally followed changes in housing starts, interest rates, and exchange rates between Canadian and U.S. dollars. Those key factors will also continue to influence general stumpage markets.

Nonetheless, most long-term forecasts include pulpwood price increases for several other reasons. Supplies may tighten in many regions as competition for pine logs increases, especially for small diameter logs that can be used for pulpwood as well as new chip-n-saw technology, or various engineered (eg., finger-jointed) products. Demand for small hardwood logs will also likely rise as they are increasingly used for pulping, Oriented Strand Board and various engineered products for furniture manufacturing. Electronic business and Internet shopping is expanding rapidly, which should strengthen the demand for corrugated boxes and similar shipping containers.

International markets: changes and impacts

Pulp and paper production in the Southeast has been significantly impacted in recent years by the development of an oversupply in international pulp and paper markets. The abundance of fiber is generally attributed to the Asian financial crisis, maturing plantations in Central and South America, and new pulping capacity in both temperate and tropical countries.



With decreases in the purchasing power of Asian currencies in the last two years, the United States exported less to Asia, and other countries that sold fiber products in the Asian market looked to the U.S. for new markets for their goods. On the positive side, recent confidence in Asian financial markets suggests that many products may begin to flow back to Asia, and increasing Japanese housing starts signal opportunities for more solid wood sales. Several 1999 reports confirm that international forest product commodity prices and inventory conditions are, in fact, improving. For example, pulp and paper inventories in several regional markets were actually below normal in November. In the long term, demand in the Asian market will inevitably rise. Populations in the Pacific Rim countries continue to increase, and the vast Russia/Siberia forest resource remains, in large part, too expensive to develop. With a decreasing supply of wood products out of the U.S. Pacific Northwest and southeast Asia, the southern U.S. could become a major supplier to Asia.

Millions of acres of pine and hardwood plantations were established in Central and South America in the 1980s and 1990s and many of those plantations are now coming "on-line." They are supplying both raw material (roundwood) and finished products to world markets, and will play an important role in meeting the world's increased demand for fiber. However, several sources point out that although the plantations can cover much of the increased demand, they cannot compensate for diminishing supplies from traditional sources.

International lumber and plywood markets are expected to remain fairly stable, with some foreign exports being redirected from Asia to the U.S. and other markets, at least in the short term.

Another factor that is gradually influencing international wood products trade is the increasing market for wood "certified" to have been harvested under sustainable forest management. This topic will be addressed in a new forest stewardship publication next year.

The national situation

Substantial repositioning within the forest industry has been highlighted in recent years by mergers and purchases such as Rayonier-Smurfit-Stone and International Paper-Union Camp, mill and land sales and purchases, mill closures, and the separation of timberlands from production facilities within individual companies. These changes accomplish a variety of goals, depending on your viewpoint. They improve corporate financial efficiencies and planning, they may help to eliminate or improve outdated and "old-technology" mills and bring new technologies on-line, and they may increase the amount of land in "conservation" programs. They also tend to recognize the inherent value of timberlands more than when those lands served primarily to source one or two mills. Nonindustrial timber owners could benefit in their timber sales if other timber on the market is priced and sold in the same manner as their timber.

Nonetheless, significant concerns and issues accompany the major shuffling and changes that have occurred. One landowner concern with mergers of industrial landowners in the same area is a possible decrease in competitive bidding on timber sales. Few of the mergers have actually involved landowners in the same timber supply circles. Whatever the changes in mills and their management, they will continue to depend on sourcing much of their raw material from nonindustrial private forest (NIPF) lands.

A major concern from the industry standpoint is the substantial lag in the percentage of NIPF acres that are reforested after harvesting. This regeneration downfall is producing a low growth/harvest ratio across southern forest lands. One measure of long-term sustainability is a volume growth rate that exceeds the harvest rate. If the growth/harvest ratio does not improve, both positive and negative effects can be expected. On the positive side, landowners could receive higher prices for their timber as supplies decrease. However, this may be balanced by additional mill closures when local raw material sources diminish to the point that mills cannot stay open.

As mentioned above, another significant component of the national situation is the South's increasing share of the solid wood market. The Pacific Northwest will not likely change its contribution to national wood flow in the foreseeable future, although it is interesting to speculate on national forest timber availability 25 to 50 years in the future when forests regenerated in the last 50 years on many western public lands reach maturity. In the meantime, Canada will continue to provide structural lumber into U.S. markets, especially as long as U.S. dollars are stronger than the Canadian currency.

A third significant aspect of the national situation is the increasing emphasis on sustainable forest management, ranging from forest industry's Sustainable Forestry Initiative to a variety of other "certification" programs. All these efforts should strengthen the U.S. share of international wood product markets. Sustainable forest management recognizes the need to provide more fiber from

the same, or fewer, acres, and it includes intensive silviculture for high growth rates on forest industry lands. Ideally, NIPFs will follow suit, at least on those lands that they do not manage for purposes other than timber.

Summary

Cyclical prices and risks to crops, whether from hurricanes, fire, flood or beetles, are inevitable. Compared to other crops, however, trees have some major advantages when projecting opportunities into the future. They increase in volume and value each year, and they take advantage of extra growing space when neighbors are harvested or die. You can wait to harvest until prices go up or new technologies and mills are in place. Despite all the changes of recent years, large insurance and forest industry companies have invested heavily in major timberland purchases, seeking to maximize long-term investment value. They obviously recognize the benefits versus the risks, and perhaps the truth in the forecast that "the economic clout in timber markets will shift from buyers to sellers" (McClaren, J. 1999. Issues in Global Timber Supplies. p 31).

Acknowledgments

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For more information about the LEAFS project, contact John Winn at Rt. 1, Box 479, Waldo, FL 32694, (352) 468-1669.



[New Policies for Listed and Candidate Species](#)

Much of Florida's natural heritage remains in the acreage owned by private non-industrial landowners. Struggling populations of animals that once inhabited unbroken forests and wetlands may be confined to these remaining forested tracts. If you own one of these "sanctuaries", you probably agree that government imposed land use restrictions are not the best means by which to protect vulnerable species. To avoid mandated restrictions, the U.S. Fish and Wildlife Service (USFWS) and National Marine Fisheries Service (NMFS) have announced joint, non-regulatory policies to manage threatened, endangered, proposed, and candidate species on non-Federal lands.

Candidate Conservation Agreements

Under this program, property owners may agree to implement conservation measures for a proposed or candidate species, or species likely to become a candidate in the near future. In exchange, landowners would be free of additional land, water, or resource use restrictions should the species become listed in the future. If necessary, the USFWS and NMFS will provide technical assistance to landowners entering the Agreement. Also, the Services may provide regulatory certainty to landowners by issuing an "enhancement of survival permit" (ESP) authorizing a specified level of incidental take of the species covered by the agreement. Proposed agreements are subject to a 30-day public review and comment period. If the Services find that the Agreement and ESP will likely result in significant controversy or environmental effects, an Environmental Assessment or Environmental Impact Statement will be required.

Safe Harbor Agreements

This policy is designed for landowners willing to voluntarily provide habitat for listed species, but are concerned about new restrictions on their property. It provides assurance that additional land, water, and resource use restrictions will not be imposed as a result of voluntary conservation actions that benefit the covered species. As with the Candidate Conservation Agreement, technical assistance is available and, once the landowner meets all terms of the Agreement, the Services will issue an ESP. The implications of Safe Harbor Agreements on neighboring landowners will be evaluated on a case-by-case basis. If a species is believed likely to move onto a neighboring, non-enrolled property, the Services will make an effort to include the neighboring landowner as a signatory party to the Agreement. As a result of recent revisions to the program, landowners may terminate their voluntary agreements before a specified expiration date.

For more information about these programs, contact Richard Hannan, USFWS at 703-358-2171; or Margaret Lorenz, Endangered Species Division, NMFS at 301-713-1401..



Proposed EPA Rules Bad News for Forestry

Two proposed rules by the U.S. Environmental Protection Agency are raising concerns among foresters and landowners. These rules could eventually require permits for some basic practices like harvesting and site preparation. Specifically, the proposed rules affect the Total Maximum Daily Load (TMDL) regulations and National Pollution Discharge Elimination System (NPDES). Under the proposed rules, forest management activities in an impaired watershed (already requiring a TMDL) would be defined as "point source" discharges, thereby potentially requiring federal NPDES permits. Up to now, pollution resulting from forestry activities has been classified as non point source discharges, which are adequately addressed by state best management practices (BMPs). In fact, forestry is often a prescribed solution for many water quality impairments. For instance, the Conservation Reserve Program provides financial incentives to convert erodible croplands to forests, a sounder conservation use. Many are concerned that EPA is singling out forestry as an adversary when, in fact, good forestry practices can prevent pollution.

From F&W Forestry Letter No. 63. For more information, go on-line to <http://www.epa.gov/OWOW/tmdl>



Make Way for Manatees

With the onset of autumn temperatures, Florida's waters cool down and manatees begin to move to the warmer water of springs and power plants. Manatees prefer water temperatures above 68 degrees F. They tend to travel to the same areas each winter and know where warm water sites are located. When exposed to colder temperatures for prolonged periods, they can become sick or even die. Boaters should be aware that many county waterways have seasonal speed zones from November 15 through March 31. The speed zones reflect the seasonal migration of manatees. Here are some manatee awareness guidelines for boaters to follow:

- *Stay in marked channels.*
- *Wear polarized sunglasses while boating.*
- *Abide by the posted speed zones.*
- *Pole, paddle or use trolling motors when over shallow seagrass beds.*

Manatees are protected under the federal Endangered Species Act of 1973 and the Marine Mammal Protection Act of 1972. The Florida Manatee Sanctuary Act of 1978 designates the entire state of Florida as a manatee sanctuary.

For a complete copy of individual county waterway speed zones and rules, contact the Florida Fish and Wildlife Conservation Commission OES - Bureau of Protected Species Management, Rules Section, 620 South Meridian Street, Tallahassee, Florida 32399-1600, 850-922-4330.



Next CRP Signup in January

The next signup for the USDA Conservation Reserve Program (CRP) is set from January 18 to February 11, 2000. Land can be voluntarily submitted under 10-15-year contracts designed to protect erodible and environmentally sensitive areas. The Longleaf Pine Initiative (LPI), begun last year, will be continued and will include 15-year contracts. Contracts awarded under the upcoming signup will be effective October 1, 2000. Contact your regional USDA Natural Resources Conservation Service office to sign up.



Timber Price Update

The 3rd quarter 1999 Timber-Mart South report for Florida listed average stumpage prices as \$32/cord for pine pulpwood, \$86/cord for pine C-N-S, \$110/cord for pine sawtimber, and \$120/cord for pine plylogs. Prices were down slightly, up, up slightly, and up considerably for the four products, respectively, compared to 2nd quarter prices. Hardwood pulpwood averaged \$13/cord, which was down from the previous quarter. Stumpage prices are highly variable and the actual price for a particular timber sale can be affected by characteristics such as tract size, timber density, access, proximity to operating mills, and weather. A more complete summary of 3rd quarter stumpage prices is available at your County Extension Office. To determine current prices in your area, your best source of information will be forestry consultants and timber companies that conduct timber sales in your area.





SFRC Continuing Education Schedule (2000)

January 24 (Kissimmee), 26 (Green Cove Springs), 28 (Blountstown): Fire in Florida (in-service training for extension offices).

Contact: Alan Long, 352-846-0891

February 23: Forest Fertilization, Quincy, (in-service training and continuing education).

Contact: Alan Long, 352-846-0891

March 28-29: Regulatory Environment in Florida's Forests, Austin Cary Memorial Forest, Gainesville. Contact: Alan Long, 352-846-0891

April 11-12: SAF/SFRC Spring Symposium, "Historical Reflections, Future Directions", Gainesville.

April 25, 27: Herbicide Uses in Forestry, Jackson and St Johns Counties

Contact: Chris Demers, 352-846-2375

Summer: Introduction to GIS and GPS Applications, Austin Cary Memorial Forest, Gainesville.

Summer: Forest Pest Management, Austin Cary Memorial Forest, Gainesville.

June 26-30, 2000: The Wildland-Urban Interface (Urban Forestry Institute), Daytona Beach.

Contact: Eliana Kampf Binelli, 352-846-0886

July 11,13: Timber Market/Investment Opportunities, Bay & Lafayette Counties.

Contact: Chris Demers, 352-846-2375

September 28: Forest Tree and Plant Identification, western panhandle

October 17-18: Biotechnology and Genetic Engineering for Foresters, Austin Cary Memorial Forest, Gainesville.

November 14-15: Improving Public Relations (Getting the Message to the Public), Austin Cary Memorial Forest, Gainesville.

January, 2001: Environmental Impacts of Forestry Practices, Austin Cary Memorial Forest,

Gainesville.

