INTRODUCTION

Forest products companies owning land deal continually with long-term investments. Growing timber requires extended investment periods and longer planning horizons than most other business endeavors. Poor project selection methods or excessive discount rates could prohibit long-term investments in forestry. Therefore, capital budgeting processes and discount rate determinations are crucial in decisions made by forest products firms.

Interest in capital budgeting in forestry has increased considerably in recent years. Discussion regarding theoretical bases and applications of investment criteria has been common in the literature and at professional meetings. This survey of capital budgeting practices of forest products companies was initiated to determine the status of capital budgeting in forestry, which should help clarify discussions and provide guidance to further research. In addition, it included questions regarding the relationships between conventional capital budgeting for plant and equipment and that required for long-term woodlands investments.

SURVEY AND RESPONSES

Questions for the survey were selected by reviewing earlier questionnaires (i.e. Klammer 1972, Petty et al. 1975, Bailes et al. 1978, 1979, Schall et al. 1978) and considering the objectives of this study. The principal areas of interest in this and most other capital budgeting surveys included the budgeting process, investment criteria used, allowances for risk, and discount rates used. Data were also sought on treatment of woodlands investments in the budgeting process, usage of stumpage appreciation rates, and common investment horizons (rotation ages) used.

The survey was designed to canvass major American forest products firms with woodlands holdings. Individual firms meeting this criterion included those listed on the Compustat computer files. Additionally, the firm names compiled by O'Laughlin and Ellefson (1982) were also used in the sample. Some company names were also obtained from the lists of S.I.C. Code 2400 and 2600 firms published by Dun and Bradstreet (1983) and National Register Publishing (1983).

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