NON-INDUSTRIAL PRIVATE FOREST OWNERS:
A SUCCESS STORY 1/

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Abstract—This article presents some perspectives on non-industrial private owner’s forest management. The diversity, independence and dynamic nature of these owners and their value as an uncontrolled resource pool is discussed. Some factors and attitudes behind a propensity for low cost management along with the need for silvicultural flexibility are described. The author suggests that these owners have done a good job of managing for their objectives. In addition, their natural responses and reactions to the free market supply and demand forces have helped establish the southern forest as one of the most valuable in the world.

Non-industrial private forest owners (NIPF) are a part of our capitalistic system involving private property ownership and free enterprise. Their ownership constitutes the majority of the forestland in the U.S. South, producing most of the wood supply for the forest products industry as well as non-timber outputs of growing importance. NIPF have been free to manage their lands as they deemed fit, including choosing the management methods which best meet their objectives. The result is they use all methods of growing trees; even-aged, uneven-aged and methods in between, but especially those that require less capital outlay.

Perhaps the most common thread through their forestry operations is that they select low cost instead of the more high cost methods traditional in the forest industries. Only a small percent use primarily capital intensive methods. Foresters have long considered NIPFs a problem largely because of their diverse, dynamic, and independent nature. They include men, women, Blacks, Hispanics, orientals, rednecks, lawyers, farmers, city dwellers, old and young persons and they are organized as trusts, estates, heirs, partnerships, corporations, tenancies in common, sole proprietorships, etc. Their land ownership and management objectives are even more variable. A study of a few years ago indicated an average age of 57 years for the individuals and average tenure of 15 years, which of course results in frequent turnover and change. They are certainly not one constituency to be listened to or which can be manipulated.

However, rather than a problem, their diversity and independence may be a positive, and it may be a basic strength of American forestry that the NIPF are a great uncontrolled resource pool. Their lands act as a shock absorber in the supply and demand machine and a stabilizing force in the forest economy. Think where we would be if all NIPF responded in a body as nearly as does the close community of industry, or could be directed to act as can the Forest Service. There is strength in diversity. Important balances can be disrupted when too many react the same way, such as in programmed trading or the agricultural programs of the U.S. NIPF are a problem only to those who would have them all behave in a certain way, and we can solve the "problem" by realizing that may not be a desirable goal. My remarks are intended to give some observations about NIPF, including common ideas and attitudes. Emphasis will be on the factors and thinking which lead to a propensity for low cost management and management of natural stands.

These ideas are presented from the viewpoint of a practicing forester with nearly 30 years of efforts to sell non-industrial private forest owners on the idea of forest management, and 20 years of being an owner of forest land. Some of the motivations and reasonings ascribed may contradict each other because these owners are individuals, not one homogeneous group of people.


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One of the few nearly unanimous attitudes among NIPF owners is that owning land is inherently good. They have a basic, often unshakable faith in the value of land, and like Scarlett O'Hara, strongly feel the mystique that "land is the only thing in the world that amounts to anything." They will do anything to hang onto the land, including cut every stick of timber. Many are owners simply because they inherited it. Some of them would not or could not have purchased land themselves, and because it was inherited there is often the feeling of an obligation to preserve their family birthright, perhaps providing a sense of immortality. Preserving the ownership is the prime objective. Managing the forest is secondary, or in some cases an almost impossible luxury.

A second common attitude is that trees will grow without management. Most owners know that trees can grow without planting. They have seen it happen on their lands. In the mid 1940's it was estimated 30 million acres in the South were in need of reforesting (McQuilken, 1946). From then until 1954 only about 2 million acres were artificially forested but the estimate of acres "still in need of planting" was now only 13 million (Wakley, 1954). Even the Forest Service (McCulley, 1953) remarked on the reluctance of many landowners to invest in planting when examples of successful natural seeding are common."

In his paper "Forests in the long sweep of history", Marion Clawson noted "the capacity of natural forest lands to regenerate timber stands and the capacity of timber to grow, even in the absence of man's help or often in spite of his wishes, tends to be overlooked or ignored." NIPFs seem to know this more deeply than many foresters who leave the impression you can’t grow trees without planting and who measure forestry success by the number of acres planted. The truth is, natural forests deserve most of the credit for the remarkable increase in southern timber inventories over the past 40 to 50 years. Today, nearly three-fourths of the pine types in the South are natural stands.

Because they know it will grow by itself, some believe managing timber is not necessary. Others feel forest management can produce additional returns. Many in both categories, however, strongly resist spending money for a variety of reasons such as:

a. They don’t have the money, or are already "land poor."

b. They recognize there is a risk of loss.

c. They are uncomfortable with the illiquidity of premerchantable timber.

d. They know there are economic uncertainties.

e. The returns are too long term.

f. Their intuition tells them the marginal return is too little.

Consider the 55 year old owner of 500 understocked acres with 1,250 feet per acre worth about $250,000. His other assets include $50,000 in an IRA, $100,000 in equities and some cash in the bank. This is not a well balanced portfolio and probably not well suited for his situation or objectives. He needs to diversify. Sound investment advice is not likely to recommend he invest more capital in the 500 acres.

On the question of risk, imagine you really did a hard sell job on a small landowner and convinced her to site prepare and plant 100 acres instead of spending some money on a new car. Then imagine how you might feel the next fall when your survival check shows the planting was a failure. Or, how you might feel 2 or 3 years later when the plantation is killed by fire and she stills needs a new car. Consider the difference between $20,000 in the bank and $20,000 in 100 acres of one year old pine plantation. To someone who might need cash in the next 15 years there is no choice. To someone with no real cash flow concerns it may be worth the risk and illiquidity.

Because owners know land will grow timber even without planting, they intuitively understand their planting investment can only be credited with part of the return. When you tell him that an investment of $175 per acre may grow 1 1/2 cords and return him 8% he asks, "What will it grow if I don’t spend $175?" "Well" you answer thoughtfully "probably at least half that, could be more, might be less." "Oh, then my $175 will only grow 3/4 of a cord and that’s only 4%. I can do better than 4% somewhere else." He might also say that the "somewhere else" has less physical risk, more liquidity, less economic uncertainty, and is not so long term.

The frequent judgement by NIPF appears to be that they will better meet their objectives, including making a better return, by spending as little money as possible. Some will reinvest in such things as boundary lines, roads, prescribed burns, vegetation control or planting when there is income to offset the expense. Others believe in reinvesting, not through forest management, but by buying another acre, and many have done very well with this strategy.

NIPFs are strongly motivated by profit. When stumpage prices are rising or tax treatment is favorable, owners are more likely to spend money. When stumpage prices decrease or taxes are unfavorable owners are less likely to spend money. Until changed in 1986, the promise of capital gain treatment for income and the ability to expense costs provided strong incentives for forest management. Many consider the loss of these long established incentives not only a broken promise, but a serious lowering of return. They believe in owning the land and will keep it, but are not as likely to invest in management because they see less after-tax profits. In several regional conferences, landowners have consistently said they prefer tax incentives, information, and better markets to government handouts or subsidies. Of course, they are not fools. If a government giveaway program
An example from my experience is the knowledgeable landowner who spent a lifetime building a forest. He began cutting his timber heavily to provide liquidity for estate taxes and to allow his family to retain the land. When he died only part of the timber had been sold. His executor was forced to continue the heavy cutting, and then was left with inadequate funds for management. The property is now less productive than it could have been, and his family faces many years of rebuilding the forest.

Even in situations where an estate is fortunate enough to have insurance or other assets to pay the taxes, there can be detrimental effects. An ownership change due to death can be followed by a change in objectives (if the heirs can agree on an objective) or fractionation of the property by dividing between the heirs. Both of these situations will disrupt the prior owner’s management plan and frequently cause premature, unplanned or untimely harvests, producing a real loss of productivity, and incurring significant costs to start a new forest. The effect of estate taxes alone may prevent NIPF lands from ever being as productive as industry or Forest Service lands. Imagine the effect on a rate of return calculation of including a tax of 20 - 50% at unpredictable intervals of 20 years or less.

After telling you why some NIPF don’t spend much effort on management, I’m going to suggest that most NIPF lands are well managed. In my opinion by far the majority of the land is held by those owners who feel strongly about managing their forests well. Among 50 acre and larger ownerships, 10% of the NIPF hold 500 acres or more and account for 60% of the land. These acres, the majority, are usually highly productive. (Any description of “the majority” for NIPF must be qualified by whether the measure is acres or ownership.) The owners have been successful in managing what they own. They will spend money but are certainly careful and frugal, and will make their decisions in the context of all of their family’s resources, needs and objectives.

From a poor condition 40 years ago, the southern forest has become not only the woodbasket for the country but the envy of much of the world. NIPF owners hold the majority of forest land in the South, and the attitudes and concerns I have described which motivate them are not new. They have always been there. They have guided the actions of owners since the beginning and the result is a dramatic demonstration of the functioning of our private enterprise system based on private property rights and a free market. These principles deserve the credit for the remarkable record of growing the resource which, among other values, supports one of the largest and most important manufacturing industries in the South.

LITERATURE CITED

