CHARACTERIZATION OF NEW TIMBERLAND PURCHASERS IN GEORGIA

by:

David H. Newman, Mary Ellen Aronow and Thomas G. Harris, Jr.
Daniel B. Warnell School of Forest Resources
The University of Georgia

and

Ginger Macheski
Department of Sociology, Anthropology, and Criminal Justice
Valdosta State University

ABSTRACT

As a component of the Georgia Consortium for Technological Competitiveness in Pulp & Paper, we performed a survey of recent timberland purchasers in Georgia. The objective of the survey was to record the motivations, attitudes, and plans of individuals purchasing timberland in Georgia and determine if these new landowners are different from more "long-time" landowners. The survey was mailed to all individuals who purchased land parcels greater than 75 acres in 1993 in 120 of Georgia's 159 counties. We found that people now purchasing timberland differ markedly from traditional landholders. They are wealthier, better educated, and have a better understanding of investment opportunities associated with their land. However, many are unaware of the opportunities that exist regarding management practices and the laws affecting management. This changing land ownership base has profound implications for future timber supply and for the development of programs necessary to meet the needs of these owners. In this paper, we present the results of the survey and speculate on future forestry problems and possibilities that this new group of owners presents.

INTRODUCTION

The makeup of Georgia's timberland ownership base is changing. Since the 1950s, the Forest Service has documented a continuing decline of nonindustrial private forest landowners (NIPF) in the farmer category and an increasing number of owners fall into the other private category (USDA Forest Service 1990). In Georgia, farmer commercial timberland acreage has declined since 1952 from 15.6 million acres to only 4.9 million acres in 1989 while other private ownership increased from 2.2 million acres to 11.2 million acres (USDA Forest Service 1985; USDA Forest Service 1993).¹ This change in ownership profile has caused substantial concern among forest policy makers due to a number of perceptions about the objectives that these people may have for their land. These beliefs include the view that many of these new landowners will be absentee owners and have less touch with the land as well as a poorer understanding of land management needs. As a result, there is concern that traditional

¹ Acreage for other private ownerships in 1989 include other corporate owners. Acreage for the other private owners alone is 9.2 million acres.
policy tools used to encourage timber management may be ineffective with this particular ownership class.

A multitude of studies have been performed that analyze and characterize the behavior of NIPF landowners.\(^2\) Of particular relevance to this paper are the periodic national landowner surveys that the Forest Service performs as part of their RPA analyses, which attempt to get a better understanding of NIPF motivations and timber supply behavior (e.g. Birch et al. 1982; Widman and Birch 1987; Birch forthcoming). Because these studies are part of a national effort, they focus on the broad NIPF landowner class and attempt to characterize current behavior. This is a true strength of these studies as it allows for a clearer understanding of the diversity of problems faced by the group. Unfortunately, this strength also limits the ability of the survey to answer some questions regarding specific subsets of the broad group.

That is the purpose of this paper -- to focus on the motivations behind a specific group of Georgia landowners who will have a major impact on timber production in the future. The group that is analyzed here are individuals who have recently purchased potential timberland in Georgia. We believe that this group of new timberland owners (NTOs) present a different set of challenges and opportunities than those that were previously exhibited by the already existing NIPFs in the state. Accordingly, our analysis uses several testable hypotheses to help guide our discussion. These hypotheses are as follows:

1. NTOs have different characteristics and objectives in managing their timberland than do existing NIPFs;
2. NTOs have greater options in their management decisions and view their timberland as one of many investment alternatives than do existing NIPFs;
3. NTOs present different problems and opportunities for state and national policymakers in designing effective forest policies than do existing NIPFs.

The paper is organized in the following manner. In the next section, we present the methods used in constructing our address list for NTOs in Georgia and the survey instrument we used. We then present the results of our survey characterizing NTOs and the issues of concern to them. We then compare our results with the recently completed Forest Service survey of all NIPF owners in Georgia. Finally, we discuss our results in light of our initial hypotheses and provide some initial observations regarding further research with this data and the policy implications that our results indicate.

**METHODS**

In the Summer of 1994, we mailed a survey to all individuals in 112 of Georgia's 159 counties, who had purchased parcels of land greater than 75 acres in size during 1993.\(^3\) The 75 acre criterion was used in part to make the survey more manageable but also in recognition of the greater likelihood that larger acreages will be managed for forestry purposes. Only a portion of Georgia's counties were included in the analysis due to the manner in which the database of addresses of NTOs was put together. The listing of transactions was purchased from Dan Crumpton, who, through his Forest & Land Services, Inc. in Warrentown, Georgia publishes the Crumpton Report. This service is a monthly listing of land transactions occurring in Georgia, although it only operates in a portion of the state. Addresses of the purchasers of these tracts were then collected by county foresters from the Georgia Forestry Commission from the original deeds at the county courthouses. The counties in which surveys were returned is shown in figure 1.

\(^2\) In Birkley's (1980) seminal study of NIPF timber supply behavior, he states that the "... study of forest ownership is prerequisite to the appellation "forest economist," or so it has been said."

\(^3\) A copy of the survey instrument may be obtained from the lead author upon request.
A total of 1,931 land transactions greater than 75 acres occurred in 1993 in the 112 counties. The dataset was reduced by removing all forest industry, timberland investment companies, obvious farming operations, and developers. Also, those individuals who made more than one land purchase in the year received only one survey. A final mailing list of 1,162 names was developed and surveys were mailed to each individual. Of the 589 surveys that were returned, a total of 475 surveys were completed and included in the analysis for a completion percentage of 41%. We believe that the completion percentage was probably higher than this value because a number of surveys were apparently mailed to incorrect addresses but we did not get the forwarding address information back from the post office.

The survey itself follows the structure of the Forest Service's national survey. This was done to allow for greater ease of comparison between our survey and the larger national survey. Since our study questions only new landowners, we did not ask questions regarding past management activities but rather focused on reasons for purchase, expectations of land use, and attitudes with respect to various forestry issues for the landowners.

SURVEY RESULTS

Demographic Characteristics

New timberland owners are different from the general population. They are generally older (figure 2) and, given that they have just purchased a relatively large tract of land, they are wealthier than the general economy (figure 3). Nearly 60% of the NTOs are over 55 and a remarkable 50% of them have net annual incomes exceeding $100,000. This last figure tends to refute the concern that NTOs will be unable to make good silvicultural decisions because they are lacking in capital to manage their timberland. Associated with these high income values for the NTOs in our survey, they are also generally well educated, with about 50% of the respondents having graduated from a college or university (figure 4). NTOs come from a wide variety of occupations, with the majority working in the broad service sector (figure 5). The highest individual occupation is farming followed by retired individuals. Finally, contrary to some expectations, most of the NTOs live in relatively rural settings. Only about 30% live in small to large cities, while more than 50% of the respondents live on farms or in rural areas.
Tract Purchase Information

The tracts covered in this analysis represent 104,000 acres of the land that was sold in 1993. The average tract size was 220 acres with the largest sale being 2,877 acres in size. Price information recorded from timberland deeds tends to be unreliable so it is not reported here. The vast majority of land purchases (over 70%) were by individuals or family units (figure 6). In part, this is due to the data censuring that we did prior to mailing our survey, in which we dropped out all obvious timberland corporations or timberland investment management organizations (TIMOs). Some concern may exist regarding this high level of individual ownership and the large number of older, retired NTOs because of the impact that estate taxation may have on their timber holdings. It is often the case that heirs, in order to pay inheritance taxes, must liquidate timber holdings. A high percentage of the tract purchases were financed through the buyer's own funds, a further indication of the strong financial capabilities of NTOs (figure 7).

As would be expected, a high percentage (65%) of NTOs have their primary residence within 25 miles of the land they bought (figure 8). This proximity is expected because it is difficult to manage land that is far away from one's home. Nevertheless, the fact that 35% of the NTOs have their primary residence more than 50 miles away from the tract indicates that the potential problems inherent in absentee ownerships may become more apparent in the future. This proximity problem is of some concern because nearly 30% of our survey respondents stated that they had visited their property less than 15 times since they had purchased the tract.
Access to Management Information and Management Expectations

The vast majority of individuals who purchased the tracts analyzed in this study are going into the investment with relatively little outside information (figure 9). Over 40% of the purchasers received no assistance in their purchase, about the same amount who spoke to either a realtor or forester. This lack of outside information is somewhat surprising given the size of a timberland investment, but it could be related to the fact that a number of the purchases evaluated were not necessarily arms-length transactions. Thus, these owners may already be aware of the potentials of the purchased property. However, a large number of individuals who responded to our survey indicated in additional comments that they were quite concerned about their investment and were unsure where to go to obtain reliable outside information regarding how to manage their land. A large number stated that they would use a forestry consultant or a Georgia Forestry Commission forester in the future to help with their land management, but an equally large number felt that it would not be necessary to contact anyone. Given the rapidly changing environment in which forestry markets are operating, this also could be cause for some concern.

The survey respondents place timber and recreation as the strongest overall reasons for their land purchase (figure 10) with farming bringing up a close third. The high ranking of recreational use may indicate that access to hunting opportunities is becoming more limited in Georgia and that individuals may be purchasing lands to insure their future access to hunting sites. This finding is mirrored in the future benefits that the respondents expect to receive from their land as both timber and recreation are seen as primary long-term benefits (figure 11). Interestingly, these purchasers see land appreciation as a large expected future benefit. While this indicates that there may be some concern over further land fragmentation, it also indicates that individuals investing in timberland are looking at the wide variety of benefits that are derived from their land holdings and that timber benefits must be able to effectively compete with alternative investments.
Related to this perception is the fact that most of the respondents feel that timber harvests will be performed on these lands at some point in the future (figure 12). Less than 30% of the respondents say that they will never harvest timber and some of these individuals may well be putting the land into farming as its primary use. Fully 70% of the landowners feel that they will likely sell or use their timber within the next 10 years. Given that a number of the tracts in the survey were bare land when purchased, this indicates that most of these new landowners see timber harvesting (although not necessarily timber management) as a likely future activity.

We also asked questions regarding why individuals might invest in reforestation or lease their land for hunting. The most important factor affecting the reforestation decision are expectations of increasing current and future prices (figure 13). However, the availability of cost shares and/or other types of reforestation payments appear to be strong secondary factors in the reforestation decision. Thus, the current move away from using government subsidies to promote environmental programs, such as reforestation, presents an ambiguous situation with respect to these NTOs. Obviously, they would prefer to reduce their reforestation expenses by receiving assistance. However, if the markets for timber are strong and prices are perceived as high, then these owners will reforest. With respect to hunting leases, although about 20% of all the respondents would not allow hunting on their land for any reason, a strong majority see hunting revenues and the possibility of providing hunting opportunities for friends as a good reasons to allow hunting on their land. This set of responses reinforces the value that NTOs place on recreation benefits, as discussed above.

We also asked the NTOs their opinions or plans regarding various management and policy issues (figure 15). The importance of wildlife management is further reinforced by the fact that fully 75% of the respondents said that they would utilize food plots or other management options to improve wildlife habitat on their tracts. A majority of the NTOs are concerned that regulations may limit their ability to perform management activities on their land but, at the same time, nearly as many feel that private landowners have an obligation to maintain areas of their land for the protection of endangered species. Surprisingly, a majority of the NTOs either did not feel the annual
property taxes were an important consideration or were unaware of the taxes when they made their purchase decision. In a related question, a majority of the NTOs were either unaware of or uncertain about the potential for using Agricultural Preference or Conservation Use classifications to reduce the annual property taxes on their land.

RELATIONSHIP OF NTOs TO ALL GEORGIA FOREST LANDOWNERS

When evaluating the results of our survey, it must be kept in mind that by censuring our land transactions to new land transactions and to sales greater than 75 acres, we have effectively limited our analysis to a small subsample of all timberland owners in Georgia. The Forest Service (Birch forthcoming) estimates that individuals with tracts greater than 75 acres represent only 5-10% of the total number of Georgia’s timberland owners. However, this small percentage of landowners control about 75% of the total NIPF forestland acreage in the state. The large group of new landowners (people who purchased land between 1990-1994) make up less than 10% of all owners and less than 6% of the total land base. When we compare the demographics of our study with the Forest Service estimates, NTOs are younger than all NIPFs (37% vs. 23% are less 45 years old) and they live farther away than from their property (62% vs. 91% live within 25 miles of their landholding).

There are some additional significant differences between the results from our survey and the findings of the Forest Service study. Two sets of questions were worded exactly the same between the two surveys. With respect to the reasons for owning their timberland tract, our survey showed timber, farming and recreation as the top three reasons, while on a numbers basis, the Forest Service found that a large majority of NIPF landowners use their timberland for their personal residence (figure 16). This difference probably relates to the fact that the vast majority of timberland tracts are fewer than 75 acres and thus more likely to serve as a homestead. On an acreage basis, however, timber is seen as the primary reason for ownership (figure 17). Interestingly though, recreation is not seen as a top reason for ownership in the Forest Service survey, as it was among the NTOs examined here. The respondents to our survey stated that timber, recreation and increasing land values are the most important benefits that they expect to receive over the next ten years while the large majority of all landowners expect aesthetic and recreation values along with land values to be the major benefits (figure 18). However, when evaluated on an acreage basis, the rankings between the two surveys are very similar (figure 19).
CONCLUSIONS AND POLICY IMPLICATIONS

Our study of New Timberland Owners (NTOs) in Georgia gives us some additional information about the likely supply impacts of the land transactions that are currently occurring in the state. These owners are wealthier and better educated than the current average timberland owner. They have many of the same objectives as the broad class of NIPFs but appear to place a higher value on recreation and hunting opportunities. While they appear to be interested in managing their land for timber and other options, many appear to be searching for reliable sources of information to guide them in their management decisions. This need for information presents a substantial opportunity to consulting foresters, extension agents and the Georgia Forestry Commission.

The NTOs in this study see timberland as an investment and, for the most part, see timber, wildlife and recreation opportunities as primary activities that will occur on their land. This should provide some solace to forestry planners who continually express concerns that the “suburbanization” of rural lands will reduce timber management activities. These NTOs are aware of the investment potential of their timberland and plan to use their lands to provide the various returns that timberland can provide. However, for purchasers, the results of this study may be cause for concern. Although the NTOs plan to harvest timber, it is very clear that prices will play an important role in their management decision. The fact that they may have numerous other income and investment options open to them may mean that they will demand higher timber prices to harvest their timber. If they do not receive these price benefits, they may choose to hold on to the substantial recreation benefits that they receive from the standing timber.

REFERENCES