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SUBCOMMITTEE ON FORESTS AND FOREST HEALTH
COMMITTEE ON RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES
FIELD HEARING ON
ISSUES AFFECTING SOUTHERN FORESTS

TESTIMONY SUBMITTED TO THE SUBCOMMITTEE ON FORESTS AND FOREST HEALTH,
COMMITTEE ON RESOURCES, UNITED STATES HOUSE OF REPRESENTATIVES FIELD HEARING ON
ISSUES AFFECTING SOUTHERN FORESTS

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FOR FOREST RESOURCES.

JUNE 1, 2004, MARY KAHRS WARNELL FOREST EDUCATION CENTER, EFFINGHAM COUNTY,
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INTRODUCTION

The Healthy Forests Restoration Act which was signed into law December 3, 2003 is a bold, much needed change in this Nation's forest policy. It reflects a growing concern of professional natural resource managers and private citizens that the health of our federal and private forests not be neglected. Conditions of our forests are different for different reasons in different parts of the country. Terrain, species composition, weather, ownership patterns and other factors are dramatically different in the western U.S. than they are in the East and especially here in the South. The same may be said for the Lake States and New England.

The public wants our forests to be healthy and sustainable. They want the diverse suite of amenities that come from healthy forest conditions: clean air and water, soil conservation, fish and wildlife, aesthetics, recreation, and forest products. In our post 9/11 world, it is important to remember what lawmakers knew in 1944 when they enacted timber capital gains tax treatment - and that is that healthy forests provide a renewable, strategic natural resource: timber. Today water is equally important strategically and water quality, quantity, and timing are directly related to forest health. Unhealthy forests do not provide these benefits and are unsustainable.

No matter who owns our forest resources the threats to healthy forests are the same and include insects, disease, fire, and weather damage. To be sure, these threats have been around and will continue to be with us, but they can be managed. There was a time in this country when wildfire was managed. Then in the 1999 -2002 period, we lost 24 million acres to wildfire. That would be just about all the forestland in Georgia or equivalent to a strip from Atlanta to Los Angeles 20 miles wide. During this, we were given frightful images of homeowners trying to save million dollar homes with a six dollar garden hose.

We had been doing it right. How could this happen? Certainly, unusual drought and wind patterns played a part, but we've had those before. Some feel the cause is that over the last several years we stopped actively managing our western forests for whatever reason.

THE SOUTHERN SITUATION

So what is happening here in the South, where we generally do not have catastrophic fire loss. Here, the other threats kick in. Just drive through the mountains of western North Carolina and eastern Tennessee and look at the recent devastation caused by the southern pine beetle. The threats to the forest not only adversely affect forest ecosystems, but they also threaten regional and local economies. Communities and families depend on the forest for their environmental and economic benefits. Our 214 million acres of southern forests are 90 percent privately owned. As more people move from cities to enjoy a more rural life style, urban encroachment and forest fragmentation increasingly threaten forest health and sustainability.

For well over a 100 years, our southern forests provided the economic lever which restored our local economies after the Depression and the boll weevil. There is a saying amongst foresters older than me that the boll weevil was the best thing that ever happened to the South because it broke the economic dependence on "King Cotton". This may very well be the case because we have much more forest cover in the South today than we did in the 1920s, 30s, 40s or 50s. As an example, the "Father of Ecology", the late Dr. Eugene Odum of the University of Georgia, surveyed Georgia in 1936 and determined that 80 percent of piedmont Georgia was devoid of tree cover. That is quite different from forest cover conditions today where almost 70 percent of the state is forested despite a whole lot more people and pressure on the forest. Something was done right, and that success story is repeated all over the South.

MARKET SITUATION

The United Nations Food and Agriculture Organization notes the United States has 6 percent of the world forest land area and 8 percent of the total wood volume. We are the leading wood producer in the world. The U.S. accounts for 27 percent of the wood used to make products in a world where over half the trees cut worldwide in any one year go to one use and one use only: to be burned up to heat or cook with. In part, this use pattern reflects a history of wood use from relatively inexpensive wood-based products to technological innovations which enhance the growing, processing and use of timber products as well as rising U.S. population and incomes (USDA 2004).

The U.S. is a net importer of forest products. Because imports have increased, our harvest has been lower than it would be, which may affect biological diversity, productive capacity, forest health, the forests' contribution to global carbon cycles, and long-term socioeconomic benefits. Imports can be harmful to domestic industry to the point that we see changes in our legal, institutional, and economic structure. As a Nation, we do not seem to be as concerned about being a substantial net wood importer as we are about imports of another natural but non-renewable resource - oil. "International trade has been a driving force in determining forest resource conditions in the United States" (USDA 2004).

Canada has the biggest share of exports to the U.S. at more than 75 percent in 2000. The strong dollar relative to other currencies from the late 1990s through most of 2002 encouraged increased imports from Finland, Sweden, Brazil and others. For example, we learned last year of imports into Savannah, GA and Jacksonville, FL of Russian larch and Austrian fir. I've been in a Swedish flooring plant which packages Scotch pine tongue and groove flooring in English dimensions for Home Depot in Smyrna, GA just outside Atlanta.

Yet even with a falling dollar, exports have not picked up. This may be somewhat related to the Canadian lumber import situation, but it is still mainly an issue of market penetration. We do see some of the more unusual imports dropping off. Have we lost market share in the meantime? There is definitely strong competition from foreign sources. The world's largest pulpmill until a few years ago was right down the road in Savannah. Now it is in Brazil. North Carolina was the undisputed world leader in furniture manufacturing. Now China has that title.

The U.S. forest products industry has undergone significant restructuring over the last 25 years, but there has been unprecedented change in the last 10 years. Though mergers and acquisitions, everyday name brand firms no longer exist. Several major firms are selling off their timberland base and concentrating on specialty manufacturing. The most serious consolidation has come in the pulp and paper sector. Markets are getting smaller as mills are closed. Individual product markets like linerboard are becoming more concentrated in a few manufacturers.

Reduced capacity has led to soft prices for pulpwood because competition for that wood is down. The area where we sit today was the most price competitive region in the world for wood until the mid-1990s, but that is not so today.

A bright point is that low interest rates and sound housing policy have kept a blistering pace in southern lumber production not seen since the previous market production high in 1909. In the last recession, housing rescued the economy. A stable housing market of 1.6 to 1.8 million housing starts a year helps. We are doing better than Paul Bunyon on less forested land because of improved technology and an abundance of trees. Yet, we see some signs of concern as tree planting southwide is down for at least two years in a row as private forest owners wait for better prices.

Government reforestation policy has been effective. There is an abundant supply of timber for a reduced market. However, the significantly altered market and trade landscape call for new information. Because of the much more complex competitive situation and less vertically integrated firms there is a serious challenge to our information system.

CHALLENGES

Threats to continued forest health are:

1. Low raw wood pricing
2. Insects
3. Disease
4. Weather
5. Weak markets
6. Expectations.

All but the last of these are self evident, but the last one may be one of the most important. It deals with forest owner expectations of the future, of better prices, of better returns, of feeling good about the situation, of staying on the land and managing it. People are not feeling particularly good about markets. Maybe they feel they would be better off investing in something less risky. A blue chip stock certificate does not get sick, does not burn up, does not blow away.

One of the outcomes of U.S. forest sector consolidation is that firms are less aggressive in research and development funding. Forest research cooperatives have long been the model for public and private cooperation in basic and applied forestry research. Traditional private funding for basic research is vanishing.

Forest land use changes from rural to suburban/urban take available wood out of the U.S. Forest Service's "commercial forestry" category even though it is still counted as being available for use. So, our forest inventory numbers may be inflated compared to what is actually happening on the ground. The wood may be there, but is it really available for use?

Our knowledge of what is happening to the forest resource is hampered by funding vagaries caused by inflation and budget cuts to the Forest Service Forest Inventory and Analysis(FIA) program. We can't accurately track what is happening. This is magnified by the diverse nature of trees themselves. We need more non-invasive inventory sampling. The public goods nature of forestry benefits argues for funding support.

International trade and free trade is good as long as it is fair trade. We have to have a level market field. It is tough enough for U.S. producers to compete globally without having to compete against illegal logging in Russia, Southeast Asia and Africa as well as lack of or lax enforcement of child labor, environmental, and health and safety laws.

Long term, we need to use wood in the market better than plastics, better than high energy production cost metals, and better than other wood substitutes.
Izlar Testimony June 1, 2004

Wood is a renewable natural resource which touches our daily lives in so many ways from the wooden furniture to paper products to little known things like tooth paste filler and drugs. An aluminum baseball bat just doesn't look, feel or sound right. Forests can be an energy source and a place to store carbon. All this we get from healthy managed forests not a resource we stop managing and let waste away or burn up.

Here is how government can help ensure healthy, sustainable forests from a market perspective:

7. Fully fund the U.S. Forest Service Forest Inventory and Analysis program
8. Increase funding for basic and applied forestry research and development
9. Fund investigation of new markets and new products
10. Address wood imports more strongly.

SOURCES

USDA Forest Service. 2004. National Report on Sustainable Forests - 2003. FS-766. Washington, D.C. 139 p.