



Landowner's Perspective on Conservation/Ecosystem Services Opportunities

March, 2012



Conserving Southern Forest

If the goal is “Conserving Southern Forest” the first question we need to ask is :

Who owns the “Forest”?

- What are their goals and objectives?
- What are their financial and fiduciary responsibilities?
- How do we align our interests?

Top 30 US Timberland Owners

as of 12/31/2011

RANKING		ACRES ('000)	%
Public REITs			
1	Plum Creek	6,771	
2	Weyerhaeuser	6,073	
7	Rayonier	2,391	
11	Potlatch	1,445	
TOTAL		16,680	34%

RANKING		ACRES ('000)	%
TIMOs			
3	Hancock Timber Resource Group	3,261	
4	The Forestland Group	3,052	
5	Campbell Group	3,028	
6	Resource Management Services	2,568	
8	Forest Investment Associates	2,020	
9	Forest Capital Partners	1,955	
13	Wagner Forest Management	1,295	
14	RMK Timberland Group	1,256	
15	GMO Renewable Resources	1,033	
17	TimberVest	967	
19	Molpus Woodlands	856	
23	Brookfield	654	
TOTAL		21,945	44%

RANKING		ACRES ('000)	%
Private Companies			
10	Sierra Pacific Industries	1,785	
12	Prentiss & Carlisle	1,408	
16	J. Malone	1,003	
18	Seven Islands Land Company	900	
21	Roseburg Forest Products	748	
22	Green Diamond Resource Company	731	
24	Jeld-Wen/JWTR	580	
25	Roy O. Martin Lumber Company	570	
26	Foley Land and Timber	547	
28	Westervelt Company	500	
29	Stimson	490	
30	St Regis/Holland Ware	469	
TOTAL		9,731	19%

RANKING		ACRES ('000)	%
Public C-Corps			
20	MeadWestvaco	775	
27	The St. Joe Company	539	
TOTAL		1,314	3%

Who are the owners?

Individuals and Families

Goals and Objectives: Land management objectives vary by individual. Landowner must, at a minimum, cover fixed costs of land ownership. In most cases the individual can make unilateral decisions about how their property will be managed

Financial/Fiduciary Obligations: Financial objectives are formulated and agreed upon by the individual or family.

Family Trust

Goals and Objectives: The property must be managed for the benefit of the beneficiaries, which might include future beneficiaries and subsequently named beneficiaries.

Financial/Fiduciary Obligations: Obligations and decision making authority are legally binding and generally defined in the trust agreement. Relevant parties include the grantor, trustee, beneficiary, and probate court

Who are the owners?

Private Corporation

Goals and Objectives: For profit corporations exist to generate a financial return to the owners of the company. Management decisions are made by the owners of the corporation.

Financial/Fiduciary Obligations: Financial objectives are formulated and agreed upon by the owners of the corporation. A privately held company is a business company owned either by a relatively small number of holders who do not trade the stock publicly on the stock market.

Public Corporation

Goals and Objectives: Public corporations are responsible for maximizing returns to shareholders from the assets they own and manage. Management decisions are formulated by management and approved by a Board of Directors.

Financial/Fiduciary Obligations: A public company or publicly traded company is a company that has permission to offer its registered securities (stock, bonds, etc.) for sale to the general public, typically through a stock exchange. Publicly traded companies are regulated by the Securities and Exchange Commission.

Who are the owners?

Timber Real Estate Investment Trust (REIT)

A REIT may deduct the dividends they pay to shareholders from corporate taxable income. Therefore, most REITs pay out most taxable income to shareholders, and therefore owe no corporate tax. For this reason, REITs have been popular with individual and institutional investors interested in relatively tax-efficient income stocks. In the end, shareholders pay taxes on dividends received and any capital gains generated.

Goals and Objectives: The existing timber REIT's are public corporations responsible for maximizing returns to shareholders from the assets they own and manage. Management decisions are formulated by management and approved by a Board of Directors.

Financial/Fiduciary Obligations: A public company or publicly traded company is a company that has permission to offer its registered securities (stock, bonds, etc.) for sale to the general public, typically through a stock exchange. Publically traded companies are regulated by the Securities and Exchange Commission.

Who are the owners?

Timber Management Investment Organizations (TIMO)

A management group that aids institutional investors in managing their timberland investments. A TIMO acts as a broker for institutional clients. The primary responsibility of TIMOs are to find, analyze and acquire investment properties that would best suit their clients. Once an investment property is chosen, the TIMO is given the responsibility of actively managing the timberland to achieve adequate returns for the investors.

Goals and Objectives: A TIMO has the responsibility of actively managing timberland to achieve adequate returns for the investors.

Financial/Fiduciary Obligations: TIMO's are regulated by the Securities and Exchange Commission.

Aligning Our Interests.....

Challenges that Landowners Face

Cost of Owning Land

- Cost of Capital- Land, Buildings, Equipment
- Management Cost- Forestry Practices, Property and Equipment Maintenance
- County, State and Federal Taxes
- Regulation- Lost Opportunity Cost, Increased Operating Cost, Loss of Markets for Goods and Services

Risk

- Long term nature of the forestry investment (20 + yrs to realize return on investment)
- Natural disaster: Fire, Weather, Insects and disease
- Liability: Trespass, Lack of Insurance Against Loss
- Changing Regulatory Environment
- Elimination/Absence of Markets for Goods and Services

Accomplishing Our Goal

Understand who you are dealing with, ask questions, listen:

- What are your goals and Objectives?
- What are your financial and fiduciary responsibilities?

Look for Opportunities to:

- Mediate cost and augment returns
- Support a healthy business environment for goods and services
- Support a balanced regulatory structure that is not burdensome to forest landowners
- Educate the public about the value and cost saving associated ecosystem services and green infrastructure