

Board of Forestry Testimony – July 23, 2015

By **Dave Schmidt**

Chair Imeson and Board,

My name is Dave Schmidt, 2nd VP of OSWA. I am a professional forester, former forestry consultant and timber appraiser. I purchased my first tree farm property 50 years ago this year.

My job today is to present the real economic cost of encumbering additional stream buffer area to a 90' no-cut on land owned by Oregon family tree farmers. I have provided you with a 1-page framework with details of my economic analysis.

My analysis used ODF acreage estimates together with the ODF modeling of values and growth over time. However, I modified ODF stumpage values to reflect actual values derived from Schmidt Family Forest timber sales. Three timber sales over 3 years in Benton County were used.

Likewise forest land values were adjusted to reflect two actual land sales sold by oral auction in May, 2015. Real numbers!

My valuation process using ODF modeling, but with actual market values, resulted with a per-acre direct value for land and timber of \$16,399.

Every economist recognizes that there are also real “indirect” and “induced” value impacts resulting from economic change. The authors of the 2012 Oregon Forest Report calculate the combined multiplier to be 1.891 for “Timber Tract Production”.

Using this multiplier on the modified direct value of land and timber, the total cost of 90' buffering for SSBT streams in Western Oregon, including the Siskiyou, is: **\$585,541,427**.

The same 2012 Report also calculates the marginal job loss/gain directly related to volume of timber harvested. Accordingly, 10.88 jobs exist for each million board feet harvested. There is an estimated 16.7 million board feet annually growing on the ODF “encumbered” acres in Western Oregon. This translates into **181 permanent jobs lost** (mostly rural).

For some family forest owners, additional buffering could also create additional area uneconomical to manage due to access impeded by expanded no-cut buffers.

I trust that this analysis will be helpful in coming to a decision based on appropriate science, and above all, the costs of beneficial use.

Costs of Taking Stream Buffer Area from Family Forest Production

Family woodland owners harvest more during high markets than low markets and derive a higher average log price over time than industrial owners. Their smaller tract sizes translate to a higher land market value per acre. Fish stream buffers impact family forests much greater because of more stream miles at lower elevations. Many families harvest their own timber for additional income.

ODF land and timber values are far too low. To construct a real and fair value for land and timber along small and medium fish streams in NW Oregon, ODF's modeled average net present value (NPV) of a 70-year rotation was used as a baseline. The ODF "stumpage value" was adjusted for site value differences resulting in a value of \$395 per thousand board feet (Mbf). The ODF stumpage value was then compared with three 2013-15 Schmidt Family Forest timber sales, including one thinning sale. Higher value products such as utility poles or high-grade logs were not sold from these 45 to 60 year old stands.

Schmidt Family Forest LLC – 3-year weighted averages (total harvested – 929 Mbf)

Stumpage (Delivered value minus logging & trucking)	\$522.75 /Mbf	[32.34% > ODF Stumpage]
Logging and Trucking	\$194.03 /Mbf	[37.12% of SFF Stumpage]

ODF Land Values Too Low – Current Example: RNWM Oral Land Auction, May, 2015

55 Ac. In Benton County (43 Ac. Useable) \$4,093/Ac., Including 8-yr. D-fir w/ maple sprouting

40 Ac. In Benton County (34 Ac. Useable) \$3,824/Ac., including 8-yr. D-fir w/ maple sprouting

Calculation: \$3,974 Ave. Sale Value - \$1,900 (reprod, weed control adj.) = \$2,074 bare land value/ac.

Calculations

ODF Average NPV Land & Timber – ODF Land Value = ODF Average Timber NPV [\$8,770 - \$875.60 = \$7,894.40]

Valuation Adjustments – ODF Average adjusted to Schmidt Family Forest values/Acre

\$7,894.40 (ODF NPV) x (SFF Adjustment) 1.3234 = \$10,447/Acre (Adjusted NPV of Timber)

Add Family Logging & Trucking Lost: 1.3712 x \$10,447 = \$14,325 /Acre (Present Value of Timber)

Add Back Real Land Value: \$2,074 + \$14,325 = **\$16,399 /Acre** Direct Cost of Additional Buffer

There are also "Indirect" and "Induced" costs resulting from this taking. Five organizations produced the 2012 Oregon Forest Report for Oregon Forest Resources Institute (OFRI). They calculate an economic multiplier for "Timber Tract Production" of indirect and induced value at **1.891**.

Conclusion: **The Direct, Indirect and Induced Costs an Acre of Additional Stream Buffer is: 1.891 x \$16,399 = \$31,011/ac. NW Oregon 17,697ac. x \$31,011/ac. = \$548,801,670.**

Add Siskiyou - \$19,428,745 x 1.891 = \$36,739,757

\$585,541,430 Total Cost of Additional Buffering

Jobs Impact

The 2012 report calculates the marginal jobs gain or loss directly relates to volume of timber harvested. 10.88 jobs exist for each million board feet harvested. Thus, 17,697 acres (ODF NW except Siskiyou) x 0.857 Mbf annual yield per acre = 15.2 million board feet grown each year on additional buffering. 15.2 MMbf x 10.88 = 165 jobs. 3,059 Siskiyou acres x .500 Mbf annual yield per acre = 1.53 MMbf. 10.88 x 1.53 MMbf = 16 jobs.

181 Permanent Jobs Lost (mostly rural)

Dave Schmidt