

***STATUS:
FORESTS, FORESTRY AND
THE FOREST PRODUCTS
INDUSTRY
IN
NC AND THE SOUTH***

OVERVIEW

- **Forests in the South and in North Carolina**
- **Changing Ownership Patterns**
- **The Forest Products Industry**
- **Challenges Facing Forestry and the Industry**
- **The Future**

FORESTS OF THE SOUTH



60% of the South is forestland – 212 million acres

**Stable since the 70's
91% of what was here in 1907**

30% pine; rest hardwood and mixed stands

FORESTS OF THE SOUTH

WHO OWNS THE FORESTS?

- **11% government owned – mostly national forests**
- **89% privately owned**
 - **22% by the forest industry**
 - **21% by farmers**
 - **12% by other corporations**
 - **45% by other individuals**

FORESTS OF THE SOUTH

- **Since 1950's, timber inventories up 73%.**
- **Timber production has more than doubled.**



FORESTS OF THE SOUTH

- **South provides 58% of total US production and almost 16% of world's production.**
- **South produces more wood than any other single nation.**



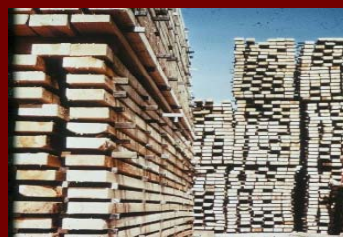
NORTH CAROLINA FORESTS

- **Over 17 million acres of forest – 58% of the state**
- **89% is privately owned – the majority by non-industrial private landowners.**
- **Dominated by hardwoods (>50%; pine <30%)**



NC'S FOREST PRODUCTS INDUSTRY

- **NC's largest manufacturing industry**
- **82,780 direct jobs with an annual payroll of \$3.1 billion**
- **Total annual economic impact of 218,539 jobs and \$28.5 billion**



A CHANGING FOREST LAND BASE

- Net loss of 1 million acres 1990 – 2002; three quarters to urbanization
- Major forest product companies selling land base or becoming REIT's
- Timber Investment Management Organizations (TIMO)



A CHANGING FOREST LAND BASE

- Urbanization will continue;
- Industry divesting (Wall Street; taxation)
- More landowners owning fewer acres
- Long term management by TIMO's uncertain



THE FOREST INDUSTRY

Economics and markets are the single most important issue facing the forest products industry today.

No one is making money!

The need to reduce operating costs and address market issues have driven dramatic consolidation in the forest industry.

A CHANGING INDUSTRY

Companies focusing on “core businesses” and selling the rest;

Older mills closing or being sold;

Production of some products moving off shore (fine papers for example);

Imports competing with domestic production;

US industry MUST compete globally.

DEMAND FOR WOOD PRODUCTS?

Population Growth = Demand

Each person on Earth = 4 lbs of wood/day

Each US person = 14 lbs of wood/day

Wood use > steel + concrete



DEMAND FOR WOOD PRODUCTS?

- **Recession will last until we start building again;**
- **New markets – non-residential construction**
- **New uses (bio-energy)**
- **Capitalize on “Green”**



ISSUES AFFECTING FORESTRY AND FOREST INDUSTRY IN NC

- 1. Markets;**
- 2. Urbanizing population/changing political climate;**
- 3. Biomass;**
- 4. Climate change legislation;**
- 5. NPDES Permitting/aerial spraying; logging roads;**
- 6. Water quality and quantity;**
- 7. Forest certification;**
- 8. Federal regulatory control (boiler MACT; CO₂; biomass)**
- 9. Private land management**

THE FUTURE: OPPORTUNITIES AND CHALLENGES

OPPORTUNITIES

Demand for wood and paper products will increase worldwide – but when?;

Development of new markets/products – biomass and biomaterials

The forest industry in the US will likely concentrate in the South – harvests expected to increase 40% - 50% by 2040;

Large forest land base and productive forests.

THE FUTURE: OPPORTUNITIES AND CHALLENGES

CHALLENGES

Foreign competition – competing globally;

Mill modernization

Substitute materials

**Increasing regulatory costs (mills and
landowners)**

Changing landowner and public attitudes

CONCLUSIONS

**Forests are critical to our environment and
our economy;**

**The forests products industry is critical to our
environment and our economy;**

**Unprecedented change is affecting both the
industry and our forests;**

**How we deal with these changes will have
major impacts, plus or minus, on our
economy and our environment.**

THE BOTTOM LINE..

If our forests lose their economic value to the people who own them, then we will have less forestland and less management.