

Comments for the Northwest Forest Plan Amendment Scoping process

Issue: Community and Economic Considerations

From: Coast Range

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Scoping Statement:

Community and Economic Considerations: Aligning timber and non-timber product supply strategies with community needs, environmental justice principles, and Tribal collaboration, reflecting the socio-economic dynamics influenced by forest management.

Thank you for the opportunity to comment.

What follows is a set of socioeconomic and timber firm observations that the Forest Service must address to justify the use of timber harvests as a beneficial tool supporting rural communities.

Land Ownership

Over the past 40 years, federal tax law has reshaped land ownership in western Oregon. In the 1970s, Congress intended to open real estate investing to small investors by creating the Real Estate Investment Trust (REIT). The pot was sweetened so-to-speak by allowing REITs to be tax exempt. In 1991, Congress allowed publicly owned companies to become REITs.

It didn't take long before timber companies realized that a conversion to a REIT would save dollars going to corporate income tax. So, beginning in the early 1990s, a shift began in forest ownership. Today, Wall Street real estate trusts and investment funds have gained control over most private forestland in western Oregon

Acreage Owned by Small Landowners Has Declined

A steady loss of small landowner holdings has occurred due to purchase by industrial owners. A 1999 Forest Service study of private forestland in western Oregon stated that 763,555 acres of non-industrial forestland was acquired by industrial owners between 1961 and 1994. Some industrial forestland moved into other uses. The net gain by industrial owners of small non-industrial land was 622,705 acres in the period 1961 to 1994. (Zheng and Alig. 1999)

There is no reason to believe that the 1961 to 1994 trend has reversed in the past 29 years. Even assuming a dramatic slowdown in the loss of small owner land (say 4,000 acres/year), easily another 100,000 acres of small holdings have been lost. The outcome is that many rural valleys have lost population. When families leave rural areas their contribution to the local economy disappears. The growth of industrial forest holdings contributes to the further urbanization of Oregon. Today, Oregon is the 19th most urbanized state in the nation.

We ask the Forest Service to incorporate the decline in small rural landowners as part of any narrative connecting public lands timber harvest to rural economic vitality.

Rural Households Struggle

Studies sponsored by the United Way have identified households with few assets (**asset limited**), income likely in the lower 50% of households (**income constrained**), and one or more adults in the household having a job ([2023 ALICE-in-Oregon Report](#)). These are families that can't make ends meet. The United Way calls such economically challenged households ALICE households. In 2021, about 44 percent of Oregon households were poor or economically challenged. The combined poverty-ALICE percentages tell a familiar story. Rural landscapes that depend on a land-based economy have a high percentage of people who are not making ends meet.

County	Total Households	ALICE & Poverty
Benton	39,350	44%
Clackamas	161,945	38%
Clatsop	16,649	45%
Columbia	19,933	47%
Coos	27,627	46%
Curry	10,788	41%
Douglas	45,981	52%
Jackson	90,817	43%
Josephine	36,755	55%
Lane	144,166	43%
Lincoln	22,093	42%
Linn	51,347	45%
Marion	124,719	46%
Multnomah	348,216	46%
Polk	33,425	39%
Tillamook	11,381	49%
Washington	233,615	41%
Yamhill	38,988	46%

Using household income in the Northwest Forest Plan amendment process

Take 100 households and write their incomes on a piece of paper. Each household will have a different income. Many households will have similar incomes. One household will have the largest income. That household is the top 1%. The next nine households with the most income are the top 9%. The next 40 households with the largest incomes make up the upper 40%. And the 50 households that have less income than everyone else make up the lower 50%. Now apply the above income breakdown to a town, a county, a state or the whole country. If a family had income over \$600,000 you would be in the top 1% of U.S. households in 2022.

The federal government and the Federal Reserve Bank use the above income and wealth categories in financial reporting of the country's economic performance.

We urge the Forest Service to likewise assess how land management impacts families with different income and wealth levels. We believe all government laws, policies and programs should be assessed by whether they help or don't help people who are **not** in the wealthiest levels.

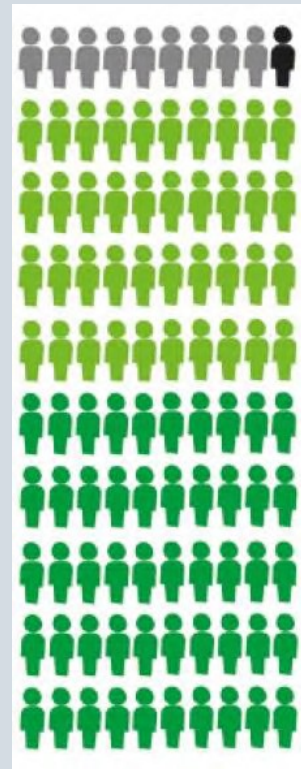
1,312,000 households are the top **1%** largest income earners.
50% of all business income and 65% of all capital income* goes to the top 1%.

11,808,000 households are next top **9%** earners of income.
30% of business income & 25% of capital income goes to the next 9% of households.

52,480,000 households make up the next **40%** of households by income. 65,600,000 households make up the lowest **50%** of household income earners.

The lower 90% of all households in the U.S. by income, despite decades of efforts to become "the ownership society," receive just 10% of the money flowing from capital and 25% of the profits from all U.S. businesses.

*capital income = capital gains, interest, rent, and dividends, less corporate taxes.



Forest Service Timber Dollars: Where do they go?

We wish to understand the flow of timber dollars from future Forest Service timber sales. Where do Forest Service timber dollars go? We are not speaking to money received by the Forest Service. We are interested in the flow of dollars from the production activities related to sold timber.

We suspect that no matter what level of timber harvest the Forest Service realistically might achieve, very few dollars will go to rural households. Instead, a large portion of timber dollars go to three non-local uses:

1. Income to timber managers, support professionals and other workers living in urban areas.
2. Income used to buy goods and equipment purchased from outside rural communities, diesel fuel and logging and hauling equipment being two such spending streams.
3. Income to company owners, investors and debt owners who hold company debt and equipment leases in the timber and lumber industries.

The Modern Logging Business & the Quest to Lower Costs

In the timber business, the quest to lower costs is ongoing through the adoption of new methods and machines. The goal is always a smaller but more productive workforce.

As with almost all U.S. businesses, blue-collar productivity has increased over the past 50 years, while inflation-adjusted wages remain mostly flat. This fact is hidden through the much-advertised **average** timber wage. But the **median** wage is what really matters because it's the wage where half of employees earn more and half less.

We ask the Forest Service to explain how a timber sales program will address the downward pressure on blue collar wages?

Where will Timber Sales Dollars actually Go?

When the Forest Service sells timber, the purchaser either harvests the timber or contracts out harvesting and related work. There are four levels of business where timber dollars go. The first and basic level is the cost of **Harvest and Hauling**. This is the money spent on all direct costs of log production and delivery to a mill. The remaining dollars are the Gross margin or **Gross Profit**. Costs deducted from **Gross Profit** are indirect company expenses such as general administration and management costs. What remains after all other company costs are paid is the timber purchaser's profit.

Cost of Logging

Typical timber harvest and haul costs are:

Equipment – Purchase, depreciation and interest on equipment acquired through loans or leases. This is what the company calls “capitalized equipment depreciation.” Equipment purchased directly is depreciated over time.

Labor – Employee direct wages, medical benefits, and worker’s compensation for timber production, harvest and land management. These costs include all company employed loggers, haulers and road maintenance staff; also replanting and stand managers and planners; company technical staff directly supporting timber production such as hydrologists, fisheries specialists, road and timber harvest engineers, GIS technicians and foresters.

Consumable Supplies – Diesel and other fuels, oil, tires, repair parts and materials, service calls and charges, and any equipment that can be directly expensed. Also in this category are all materials for road building and maintenance.

Contract Services – Logging, log hauling, equipment moving, road building, or other work by independent contractors. Contracted technical services might include surveying, forestry consulting and analysis, aerial photography, etc.

We ask the Forest Service to identify what portion of logging costs are spent in rural areas and what flows out to cities and beyond?

References

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