

Northwest Woodlands

A Publication of the Oregon Small Woodlands, Washington Farm Forestry, Idaho Forest Owners & Montana Forest Owners Associations

THE BUSINESS OF GROWING TREES

Wise Business Practices

Market Innovations

Workforce Sustainability

Tax Reminders



NEXT ISSUE . . . Forest Goals: Expanding Your Vision

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Whether or not your land management includes logging, there are good business practices that could be common to all owners, like planning for future ownership of your land and sharing your goals and passion with your family. Log truck photo courtesy of John Pellissier, ODF. Family photo courtesy of Karina Seyler.

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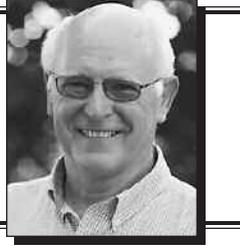
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PRESIDENT'S MESSAGE



MIKE BARSOTTI



Basic Tree Farm Considerations

The business side of managing forests is different than stewarding the land, but both need a forest management plan. I can think of a long list of topics that need to be considered regarding the business side of tree farming; too long to provide detail in this space. Here's a summary:

- **Basis.** You don't have to pay income tax on existing timber volume purchased with your tree farm. An inventory of the timber volume at time of purchase is essential in establishing the amount you paid for land, timber and any improvements.
- **Access.** A road system allows you to manage your forest. It should be in the forest management plan. Management timelines dictate when it's built.
- **Markets.** Match what you are growing with the needs of available mills. Some of us are lucky with

many options while others are not.

- **Timing.** Log prices vary both annually and in longer cycles. The end of winter is usually an annual high point for log prices. Longer cycles are linked to lumber prices and housing construction.
- **Equipment.** The topography and size of timber are major factors in determining what type of logging equipment is needed, but with any set of factors there are options. Consider what does the best in protecting the soils and leave trees.
- **Logger.** I don't think you can spend too much time selecting your logger. Work on this long before it's time to harvest.
- **Contract.** A written contract gives everyone the same details. OSU Forestry Extension has a publication "Contracts for Woodland Owners"

that is helpful. Oregon Forest Resources Institute's "Know Your Forest" website has a great section on what to consider when putting together a logging contract.

- **Tree seedlings.** If you are clearcutting, it's best to have seedlings ordered before harvest to make sure you can reforest as soon as possible.
- **Slash.** Define how the logging debris will be treated before you start. The logger usually deals with the slash. Keep in mind tree planting, fire hazard and aesthetics.
- **Burning.** If you are going to burn slash, you need to work with the local Oregon Department of Forestry stewardship forester or rural fire district if you're outside ODF's jurisdiction.
- **Tree planting.** The normal tree planting season in most of Oregon is mid-December through late March.
- **Moisture control.** Grass is very tough on newly planted seedlings because it robs the trees of moisture and creates an environment for voles to girdle seedlings.
- **Taxes.** Federal and state income taxes and the Oregon harvest tax track all commercial harvests. Determining the harvest tax is simple, while income taxes are complex. ■



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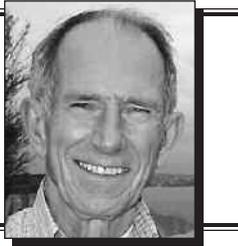
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PRESIDENT'S MESSAGE



MIKE CHRISTIANSON



Is Growing Trees a Business?

This message looks at the word “business” from the viewpoint of the Internal Revenue Service (IRS). The IRS is known to stick its nose in almost everyone’s business and is rumored to frown upon monkey business. The IRS says a forest owner must be actively engaged in the business of growing trees for profit in order to deduct forest management expenses, such as precommercial thinning, disease prevention, weed management and consultants. So, what’s the big deal? The big deal

is showing that one is engaged in an active timber business, rather than being an owner of timber as an investment.

IRS Regulation Section 1.183-2 states, “In determining whether an activity is engaged in for profit, all facts and circumstances with respect to the activity are to be taken into account.” Regulations list the following factors to consider before deducting timber expenses:

1. The way the taxpayer carries on the activity

2. The expertise of the taxpayer or his advisors

3. The time and effort expended by the taxpayer in carrying on the activity

4. The expectation that assets used in the activity may appreciate

5. The success of the taxpayer in carrying on other similar or dissimilar activities

6. The taxpayer’s history of income or loss with respect to the activity

7. The amount of occasional profits, if any, that are earned

8. The financial status of the taxpayer

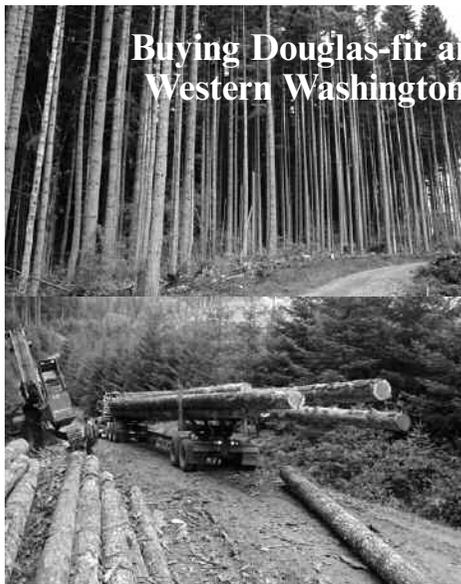
9. Elements of personal pleasure or recreation

The Tax Cuts and Jobs Act of 2017 deleted the itemized timber expense deductions for those who own timber as an investment. This leaves the forest owner with no current deductions unless he or she is in the business.

Some publications discuss issues of whether the activity was conducted with continuity and regularity, books and records were maintained, separate bank accounts existed for the activity, the timber was used for recreational activity, the property included a personal residence, the owner had any expertise or experience in timber production, the owner generated income in prior years from timber and the taxpayer was employed or engaged full-time in another unrelated activity.

Is this a can of worms or what? One would need a crystal ball in order to predict whether one qualifies as being in an active business for tax reasons. With so many criteria and subjective judgment, one might imagine the outcome of any audit may also depend upon the viewpoint of the individual agent. Absentee owners or those who reside upon and enjoy their smaller acreage might face extra challenges.

This piece is not intended as tax advice; please do not consider it as such. ■



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PRESIDENT'S MESSAGE

 *Washington*

VIC MUSSELMAN



Are You an Active or Passive Tree Farmer?

About 25 years ago, I found out that tree farmers intending to file an Internal Revenue Service (IRS) Form F to summarize income, losses and/or expenses must declare that they are active managers of the tree farm. Passive manager may only deduct losses or expenses up to the amount of passive income received from operations.

In general, active material participation means that you own at least a part interest and worked on a tree farm. Being an investor in a tree farm does not mean that you have materially participated unless you are involved in day-to-day operations. If, however, your ownership interest is jointly held with your spouse who does most of the management, you can be counted as being an active participant even though you did not physically do the work. The IRS Schedule C lists seven tests defining active material participation in the management of a business activity, such as a tree farm. You must meet at least one of the tests to be considered an active taxpayer for the tax year. The seven tests are:

- 1) You participated for more than 500 hours.
- 2) Your participation was substantially all the participation in the activity even if there are other individuals who own an interest in the activity.
- 3) You participated in the activity for more than 100 hours and the time you spent was at least as much as any other person who owned an interest

in the activity.

4) If the management of the activity required a significant participation, you must have participated for at least 500 hours of that effort to qualify as being active. However, if you do not qualify as an active participant under any of the other tests, but have put in at least 100 hours of work, you will be considered an active participant.

5) If you have met at least one of the material participation tests in any 5 of the prior 10 tax years you will have qualified.

6) If you have performed services related to the (tree farming) activity involving the fields of health, law, engineering, architecture, accounting actuarial science, performing arts, consulting or any other trade or business in which capital is not a material income-producing factor, then you need to have only participated for at least 3 prior tax years.

7) Even if you did participate in the activity for more than 100 hours, your participation does not count if any person was hired as a full-time manager of the activity, or a part-time manager who spent more hours than you did.

If you do not work full time on your tree farm, keep a brief log of your hours. This will be adequate proof of your material participation if needed. ■



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PRESIDENT'S MESSAGE



DAVID A. EASLEY



Increasing Your Profit

There's money in them thar trees! Trees, primarily conifers in the West, can be a source of income. When managed correctly, trees will produce a better product, as with any agricultural commodity.

When we think of growing trees most people think of lumber as the primary product from trees, but there is more to trees than lumber. Christmas trees have been a source of income for many years. Branches and cones can be sold for wreaths and decorations. Most types of

paper are made from conifers. Turpentine, resin and various tars are also derived from conifers, as well as cellophane and rayon; but we will focus on lumber here.

Harvesting trees can be an expensive endeavor. You need to start with the chainsaw, bar and chain. Then you need all the accessories that go with the saw: gas and oil to keep it running; files and wrenches to keep the chain sharp and taut; falling wedges; and a single bit ax or falling ax. This is just to get the tree to the

ground, limb the tree and buck it into length.

Next is moving the logs to your log deck. This calls for a tractor or skidder. Since we are moving the logs, we need to get a truck to load and haul them to the mills. Unless you are doing a large amount of hauling, it is cheaper to hire a truck and driver.

For those of us who own small tracts of land, it can be cheaper in the long run to hire all or parts of the process out. The more you contract out, the less your profit will be.

After we remove the trees, we must reforest the land. You can buy seedlings if you wish to reforest with a different species. An example of this could be if you just harvested grand fir and want to reforest with white pine and larch. If you are lucky, you can leave seed trees and avoid some of these expenses.

After we get the trees to start growing then we face thinning. Programs like EQIP from the Natural Resource Conservation Service can help defray the cost of thinning. Once again you can hire this out, but it will decrease your profits.

In the end, all this depends on how large an area you have and if you are on site to help with the work. The more you can do yourself, the greater your profit. ■



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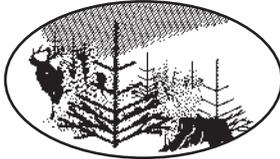
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Down on the Tree Farm

NOVEMBER

- ✓ Winterize and complete maintenance on your equipment: clean off mud that can “freeze” moving parts; drain fire hoses and pumps; sharpen your hand tools and store them in a dry place; and check your antifreeze levels. Good tool maintenance pays off!
- ✓ Check your culverts and evaluate your road drainage. Good ditches, waterbars and culverts can prevent washouts, costly repairs and degradation of water quality. Better water quality and habitat mean better fishing!
- ✓ Pruning can reduce fuels, repair storm damage and improve aesthetics, visibility and log quality. Be sure to leave enough live crown to support the tree’s photosynthesis and cut just outside the branch collar to encourage healing of the cut.
- ✓ Consult with your accountant to plan your year-end tax moves.
- ✓ Assess wildfire damage to your forestland and make plans for restoration if necessary.
- ✓ Seed bare ground with native grasses to control erosion and invasive species.
- ✓ Burn your slash piles when conditions allow a clean burn and no unintended spreading or smoke intrusion.

DECEMBER

- ✓ Donate or sell your holiday greens, boughs, mistletoe, cones and trees.
- ✓ Hold a family meeting to review accomplishments and reaffirm your tree farm goals and objectives. Inspect your forest with family and friends. Take a family photo on the property. Watch for evidence of wildlife and encourage your heirs to continue the tradition of good forest management.
- ✓ Refresh your property boundaries and signage.
- ✓ Renew your association membership and plan to attend or organize meetings, tours and classes.
- ✓ Check into membership and certification in the American Tree Farm System.
- ✓ Complete your record-keeping for 2019 and your financial planning for the future.

JANUARY

- ✓ Plan your 2020 projects: contact consultants, hire contractors and file for necessary permits.
- ✓ If the ground freezes, it could be good timing for your logging operation to reduce soil compaction and risk of fire.
- ✓ Your management plan is a dynamic document. Spend some time updating and refining it with input from your family’s future forest managers.
- ✓ Tree planting can begin in January if snow or frozen soil aren’t present. Pay attention to soil moisture and temperature, seedling source (zone and elevation), quality and species, and proper handling and planting techniques. You’ll be glad you did it right the first time!
- ✓ If your forest is accessible, this is a good time for cruising, road layout, marking property boundaries and establishing continuous inventory plots and photo points so you can see the effect of your hard work over time. Check out the links on this page for excellent publications on doing your own inventory and making your own inventory tools.
- ✓ Monitor nesting activity so you can protect or improve the habitat and avoid disturbing wildlife while they are sensitive.

FOR MORE INFORMATION...

check out these favorite websites and publications:

- forestsandfish.com/environmental-protection/road-improvements
- cru.cahe.wsu.edu/CEPublications/eb1984/EB1984.pdf (conifer pruning)
- msuextension.org/forestry/Resources/pdf/FF_BurnSeverityAssessment_PK.pdf
- oregon.gov/ODF/Fire/Pages/AfterAFire.aspx
- cals.uidaho.edu/edcomm/pdf/pnw/pnw628.pdf (grass seeding)
- oregonwoodlandcooperative.com
- ntfinfo.us (non-timber forest products)
- westernforestry.org/WoodlandFishAndWildlife (family forests and wildlife)
- treefarmssystem.org (American Tree Farm System)
- catalog.extension.oregonstate.edu/ec1187 (record-keeping)
- knowyourforest.org/learning-library/forest-management-planning
- catalog.extension.oregonstate.edu/topic/forestry-and-wood-processing/reforestation
- catalog.extension.oregonstate.edu/pnw630 (inventory techniques)
- cru.cahe.wsu.edu/CEPublications/EM038E/EM038E.pdf (homemade inventory tools)

Down on the Tree Farm is a compilation of all of the excellent tips contributed to this column by experienced volunteers. Suggestions are always welcome and may be sent to the editor at: annewithnww@gmail.com.

Business Tips for Forestland Owners

By DR. TAMARA CUSHING

When you acquired your property, most of you were probably thinking about all the exciting opportunities ahead of you. Maybe it was the chance to spend quiet time away from the city or a place to gather the family. It might have been a place to hike or a place to call your own and eventually leave to the grandkids. For some of you the land represented an opportunity to produce some income. Regardless of why you acquired the property, at some point you probably realized that owning forestland does require occasionally thinking of it like a business. Let's look at the business side of owning forestland.



We are all familiar with the annual bill for our property tax. Regardless of your objectives, this expense is a reality. Many states have special property tax provisions for forestland. Some states are strict about qualifications for these provisions including having a management plan and a timber objective. Other states have little to no qualifications other than the land has a certain degree of tree cover. To see what the qualifications are, check the property tax provisions in your state. In Oregon, landowners with a timber objective have the option of enrolling in a deferral pro-



PHOTO COURTESY: REX STORM, ASSOCIATED OREGON LOGGERS, INC.

Whether a forestland owner considers the property a business, investment or a personal use asset, some of the expenses of owning and maintaining the forest could be reduced with some timely business thinking.

gram in which property taxes are even further reduced. However, make sure you understand what you are signing up for. This tax program in Oregon will require an additional tax at the time of harvest to make up for the deferral. It is important that you explore how your forestland is taxed and that voluntary programs line up with your objectives.

The process of developing a forest management plan allows you to examine many business aspects of your property. An important consideration for tax purposes is your reason for owning the land. Some federal tax provisions are only available to taxpayers who own the land as either an investment or a business. It is important to understand the distinction between these categories. Both investments and businesses involve putting money into an asset. The real difference in these two is the level of involvement. An investor is concerned with making a return but is most likely not involved in any management on the property. Someone in the forestry business might participate in some of the on-the-ground work but would

actively participate in planning and decision-making on the property. The other category is personal use. This description is most appropriate for someone who harvests firewood or logs for use in a personal cabin but has no intent to make money.

If you have a timber management objective, you will think about the cash flows related to your forest. Even those without a timber management objective need to consider cash flows to some extent (unless you have an unlimited source of money). As you plan for future roads or gathering places you will consider how to fund these projects. There will be expenses associated with routine work on the property as well as expenses related to specific projects. Timing projects to match income with expense is a good strategy. It's a good idea to think ahead and plan for funding these projects or seek money to offset the expense.

There are places to obtain funds for work on your property. The Natural Resource Conservation Service (NRCS) provides money for qualifying projects through cost-share.

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Essentially, an acceptable project can receive money to cover some or all your project expenses. To have access to this money you must apply and must have a management plan.

Federal income taxes are where many landowners lose money due to errors. Planning from the time of acquisition can reduce some of the expense associated with taxes. From the time you acquire the property you should work to establish the basis for everything you acquired. For example, in a purchase you might acquire land, trees and a building. The purchase price is usually one lump sum amount. The basis is what you paid for the property. Since the purchase price is a set amount, you will want to allocate the purchase price to the land, trees and building. When it is time to sell the trees, you will be able to reduce the purchase price by the amount you allocated to them (your basis). This results in lower taxes! The Oregon Forest Management Plan Template asks if you have allocated basis to your land and trees. This is a really important step. Doing it early will save a lot of time later.

I hope that you don't lose timber to fire or a storm but, if you do, knowing the basis will be critical for calculation of a loss for taxes. Landowners who are in the business or are investors can deduct losses in the amount of the lesser of basis or decrease in fair market value. If you have the property strictly for personal use, you are unable to take a loss deduction. This shows how important it is to understand how you are using the property.

No matter your objective in owning land, good record-keeping is necessary. Starting with records related to the acquisition of the property, keep track of all expenses and income associated with the property. You can keep these financial records in a physical notebook or on the computer in either a spreadsheet or some online accounting software. The key is to keep records of the date, amount and what the transaction includes. If I



PHOTO COURTESY: MICHELLE BOWMAN, BUGWOOD.ORG

Projects, like installing a culvert, can be costly and it's a good idea to record details about expenses, dates and locations at the time of the project so you don't have to search for them when it's tax time.

spend money to put a culvert in, I would want to show when, how much, what tract (or stand, depending on your unit) and a note that I had a culvert installed.

Keeping track of records will require some organization. Your level of activity will determine the kind of

—Continued on next page—



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record-keeping system that works best for you. If you have relatively small acreage and have infrequent income and expenses (other than property taxes), you can keep receipts and copies of payments in a file folder. If you have frequent income and expenses on the property it would be useful to set up a system to organize receipts in a more formal manner to ease the process of filing taxes.

You should also consider legal and liability issues such as boundaries, easements and security concerns. Your property is most likely one of your most valuable possessions and having clearly marked boundaries will serve as one line of defense. You should also have a conversation with a forester or landowner association about available insurance and whether you need coverage.

Anytime you schedule an operation on your property, having a contract is a good idea. Most people recognize the need for a contract on a harvest. A contract serves as documentation (and agreement) on the specifics of the job and the cost of logging. You should think of a contract as protection for both parties in the transaction. A well-constructed logging contract is clear about what is to be harvested, the expected time frame for payments and

the condition of the site post-logging. Of course, a harvest is not the only time a contract is advisable. There are performance issues related to application of any chemicals by another party. Reforestation contracts specify species, spacing and survival expectations.

Taking care of the property goes beyond current operations. You should begin to think about your wishes for the property in the future. Any small business or family unit should consider who will take over the property after the current owners. We call this succession planning. This isn't talking about taxes at death but instead focuses on preparing the next owner. No matter what age you are today, now is the time to start thinking about succession. The process involves considering future needs of heirs as well as your own vision and goals for the property. But it isn't enough to think about it. You need to talk to your potential heirs about whether they could see themselves managing the land. Not all potential heirs will be interested. Maybe you don't have any potential heirs. Now is the time to think about other options that are available for the future of your land. That may include a donation to an organization that can manage the land or selling in the future

and leaving the cash to an heir or organization.

So, once you consider the future of the property, now is a time when you can make changes. Maybe the best thing you can do is create a formal family business that owns the land. There may be advantages to your income tax if you do that soon. Maybe the task you need to do for succession planning is to start training the next manager while they can learn from you. Focusing on the future can help you think about what you need to do today.

As a forester, my goal is always to help landowners reach their objectives, whatever they are. As you consider your current situation and the future of the land, make sure you have conversations with your family. Getting them involved early (and regularly) can keep the property moving towards your goals. Consult with your forester, accountant and maybe even a lawyer if you need to make some organizational changes. Spending a little money now to get solid advice will save money in the long run. Thinking like a business doesn't have to mean you are only considering profit. If your goals are not related to timber production, my hope is that a little business thinking can help you minimize the expenses associated with reaching your goals. If your goal is timber oriented, thinking like a business can help improve your profits. ■

DR. TAMARA CUSHING is the Starker Chair of Private and Family Forestry at Oregon State University. She is an Assistant Professor and Extension Specialist in Forest Economics, Management and Policy. Her primary expertise is in the taxation of forests and forest products. Dr. Cushing holds a forestry degree from the University of Florida, two master's degrees—one in forest economics and one in taxation from Mississippi State University, and a doctorate from the University of Georgia in forest finance. She can be reached at 541-737-8246 or tamara.cushing@oregonstate.edu.

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Portable Saws Open High Value Markets

By **DORIAN SMITH**

The loss of many of the Northwest's industrial sawmills left forest farmers in a lurch. Before computerized technology and updated business models, most rural towns hosted one or two small or mid-size sawmills. Those mills contributed a modest percentage of the total production of dimensional lumber but also bought or cut logs harvested by small forest farmers eager for a supplementary income. Now the nearest sawmill can be 100 miles or more away. The surviving stud mills are larger and equipped with banks of computers and software that produce more lumber per log with very little residue. The mills that couldn't afford the costs of technological upgrades succumbed to the transition.



Ironically, the development of large mill technology became the opportunity for small mill innovation. Entrepreneurial manufacturers have come to the aid of small forest owners and

introduced modern portable sawmills that can be run by one or two workers and can cost less than \$8,000.

As early as the 1920s some manufacturers sold one-person mills. Most lumber towns featured homemade mills that were powered by old car engines attached to saws. With modern advancements, new portable sawmills come with a wide range of optional equipment and can efficiently cut and slice logs 32 feet long with a larger diameter than the maximum logs allowed by many big mills.

The largest dealer is now WoodMizer, which has sold 80,000 portable sawmills in 120 countries over 36 years. Timber King is another major contributor of other models frequently seen in the Northwest. Back issues of "Sawmill & Woodlot Management," a magazine that supports the portable sawmill genre, offer numerous articles, colorful advertisements and online links.

Most forest farmers probably won't be inclined to buy their own portable sawmills. Instead they will prefer to work out arrangements with those who own them. To encourage net-

works, the two largest manufacturers offer lists of portable sawmill businesses that provide cutting services. WoodMizer's database is searchable by state. (woodmizer.com/us/Services/Find-a-Local-Sawyer) Timber King will reply with sawmill contact information if they are sent a specific zip code to info@timberking.com.

As always, small forest farmers are reminded to add expertise to their decision-making by working with an Extension, state or private consulting forester. Besides sawmill location, there are numerous considerations such as species, markets, forest health and long-term forest management that should be factored. Experienced sawmill operators also may suggest custom cutting options.

The term "sawmill" may confuse people with visions of factory-sized operations. Until the sector establishes a new industry term, a "sawmill" can mean a place of work for hundreds of employees or an apparatus that can fit in the back of a Prius or pickup truck. Thousands of portable sawmills now buzz in rural backyards and outbuildings in Washington, Oregon, Idaho and Montana. One dealer estimated at least one thousand WoodMizer saws were sold in Montana alone. As a result, any forest farm may be only a few miles down the county road from a sawmill. Many owners have been coaxed into regularly cutting trees for two, three or more neighbors who compensate



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Many portable sawmill owners have found niche markets for processed slabs or final products that extend the productivity of their and others' forestland.

the sawyer with free wood.

Information for this research came from an informal survey. The experiences are wide-ranging: some owners have only operated a few years, while others have nearly three decades of experience. Many portable sawmill purchasers are retirees, supplementing fixed incomes. But several forest farms are providing livelihoods for entire families with their portable saws.

Look for what's not available in hardware stores

Sean Sheehan, WoodMizer's representative for Montana, believes portable sawmill owners can make thousands of dollars just beginning with personal use. The next step is to search for niche markets. For instance, Lowe's sells a 2x6 cheaper than a forest farmer can cut one. On the other hand, professional carpenters or owners of old homes occasionally need replacement doors or boards made to different dimensions.

There are many local wood species—particularly hardwoods—that are more valuable than Douglas-fir. For instance, although not all dead trees are useful, beetle-killed pine with blue stain is frequently popular for artisan projects and can command

premium prices. Also popular is rustic material, used to make furniture and other interior items, which retains the rugged and natural beauty of wood. Sheehan said he occasionally searches for new developments because contractors frequently look for decorative wood items that can help otherwise plain-looking homes stand out.

Wood tourism

"I call it wood tourism," says Ken Darby who lives in Fossil, the county seat of Wheeler, Oregon's least-populated county. Though isolated, the small town has become a destination for devotees of western juniper.

Darby's main business is harvesting and processing juniper, a wood so difficult to cut it's shunned by most mills. But Darby taught himself how to cut juniper. He runs his saw at home on 3-phase electrical power, not gasoline, like other portable models. He prefers juniper for its beautiful grain and abundance in north-central Oregon. There are 10 million acres of the species in Oregon, five times more juniper forest than when settlers first arrived, he says.

Much of his juniper product is sold in Portland, western Oregon and a budding Puget Sound market. It's used for landscaping and retaining

walls. But he also sells to amateur craftsmen and artisans who visit during vacations.

Darby's wood tourism generates a steady income. Every week a carload of juniper hobbyists purchase \$600 worth of slabs. He juices up his selection with a monthly truckload of blue-stained pine and wood damaged by insects and lightning. Balancing the retail business with sawmill time can be a challenge when visitors request lectures or tours. But lingering juniper customers buy meals and sometimes spend the night, further boosting Fossil's economy.

The treasure of dead trees

Lyal Purinton searches for dead trees; he wants trees that others brand as nonmerchantable. They are too small, stained by disease or attacked by beetles or wormwood for other markets. He eagerly collects trees broken by ice storms and spalted alder, a hardwood stricken with white-rot fungi.

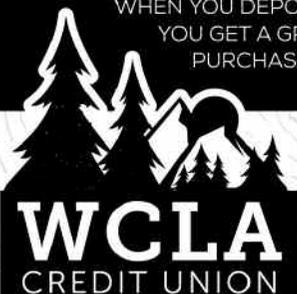
Purinton's customers willingly pay a premium price for these woods. The blemishes and discolored wood grains are sought by owners of trophy homes and artisans who produce furniture, tabletops and shelving that are

—Continued on next page—

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intended to be seen. One avid customer even requested his ashes be interred in an urn made of madrone, his favorite wood.

Purinton originally hauled his portable sawmill to customers' sites. Now, his business is so busy he requires wood be delivered to his home in Buxton, on the edge of the Tillamook State Forest, west of Portland. As a retired electrical engineering manager, he is still available for consultant work. But his priority is running through a tank of gas working his portable saw. The sawmilling is so important to him he pays other craftsmen to make home repairs that he could complete himself. He never cuts studs. Instead he works with a cut list ordered by clients and occasionally he'll suggest custom cuts.

When he's not working on a project, he mills his own wood which sells out after a few days on Craigslist. "Not much goes to waste," he claims.

"I can sell every stick." He prefers to sell it as housing material; the return on investment for bundled firewood is comparatively low.

Family income from slabs and burls

For the past 10 years, selling slabs and burls for turning bowls has been the main source of income for the family that runs North Woods Figured Wood in Gaston, Oregon. (www.nwfiguredwoods.com/) Previously, the household earnings came from a residential construction business. Then came the 2007-2009 housing and financial recession. To save the family farm, they clearcut the entire forest stand, leaving only piles of chips. A family friend—an avid wood bowl hobbyist—suggested they search the rubble for usable hardwood. And they never looked back.

"We are taking wood waste and generating income," says Susan Currington. They sell slabs of raw wood that are used by manufacturers to make decorative pens, knife han-

dles, sunglasses and mainly bowls. Over the years they've added higher-value processes like "stabilizing" that replaces wood moisture with a polymer.

Their portable sawmill was used for their biggest project: 6,000 square feet of tongue-and-groove chestnut flooring. When they aren't using the sawmill for their own projects, they mill wood for locals at \$75 per hour. She chuckles remembering her father's wood saw that was cobbled together with spare parts.

Creating and experimenting with wood products is labor intensive and it's necessary to pursue a variety of marketing opportunities, such as an online store, trade shows, open houses and a wholesale section. The efforts have paid off and been recognized. Annual sales have been stable for the past decade and the company was awarded a Value Added Producer Grant. The program offers a competitive USDA grant that provides funding for family farms to reach goals to create new products, expand marketing opportunities and increase income. One qualifying activity is proposing mid-tier value chains. For instance, they produce and sell an 8-inch by 8-inch by 3-inch thick burl for \$60 to another business which applies finishing work and sells it for up to \$300.

North Woods also benefits from "wood tourists" from as far away as Tennessee and Philadelphia who return to the semi-isolated Gaston, west of Portland. Currington believes her family's success for creating and producing unique wood products




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PHOTO COURTESY, BRIAN TREMBLEY

Brian Trembley owns and operates a WoodMizer LT-70. He produces unique items and custom cuts that are not available in stores under the name Sticks Milling.

The hired gun

Even though Brian Trembley works part time with an LT-70 (one of WoodMizer's largest production models), he estimates his income is about the same as when he worked as a professional engineer; except now he works outdoors (near Woodland, Washington) among trees and solving problems that enhance the beauty and utility of wood.

He calls himself a hired gun for people who come to him with a project and a log. As their consultant, he wants to enhance the artistic creativity of their home or bed-and-breakfast. "They are hiring me to cut, but also for my life experience."

Brian recalled that during an open house at his home, none of the 70-80 potential clients commented on the breathtaking views of the Columbia

River. Instead they asked about his displays of unique wood and custom cuts, which are not available in stores. They admired his maple and cherry wood, non-standard dimensional lumber, stair treads and boards with live edges. His wood can even be curved or peppered with a duck hunter's shotgun pellets. He discourages customers from using Douglas-fir, the Northwest's reigning lumber species. Instead, cuts of maple and cherry have a much higher value.

Nearly all his time is spent at his customers' sites. He mixes his technical engineering expertise in metallurgy, architectural design and structural strength with his more recent forestry knowledge. He can point out the best configuration for buildings and invading bugs that attract birds. "Knowledge becomes valuable," he says. (www.sticksmilling.com)

Growing beyond the small forest farm

Kevin Kaster bought his first portable saw about 27 years ago, after leaving his welding job with Freightliner. He saw that neighbors with forest farms in Oregon's Clackamas County needed a way to harvest and cut trees.

Due to increased business ten years ago, he replaced the original saw with a larger stationary electric-powered saw. More equipment followed, including three kilns, a timber sizer (planer), two Bobcats and a 15,000-pound forklift. Staffing extended beyond the family. The company's

office was moved from a room above the garage to its own building.

Kasters Kustom Cutting, Inc. (www.kasterscutting.com/index.html) is a textbook entrepreneurial success story of launching and expanding a business by discovering underserved niche markets. "The demand came to us," says Daniel, Kevin's son. Today the business operates full time weekdays throughout the year. About 60 percent of Kaster's business is now with wood brokers and construction contractors and 40 percent for the original clientele, small forest farms.

The company's Mulino, Oregon, site, about 45 minutes from Portland, is now visited daily by trucks filled with logs. Some are sent by forest farms for custom cutting. A greater volume is purchased by Kasters to be cut and inventoried for ongoing and future projects. Their biggest-selling wood products include decking, siding, cedar, Douglas-fir 1x4s and 1x6s, and slabs for furniture makers. They are known for recycled beams and pre-finished wood products. They cater to the high demand for slabs up to 60-inches in width. They also provide custom sawing services. Kaster's wood also can be certified under the Forest Stewardship Council (FSC) which tracks the manufacturing process according to eco-friendly standards.

One of the company's biggest projects last year was the new Multnomah County Courthouse. Kasters helped with a key design element: imprinting

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Evolution or Revolution: Remaking the Forest Contract Workforce

By **REX STORM, CF**

Northwest forests have a new challenge to grow and manage our future: the contract workforce capacity. Today's forest industry is undergoing a hidden metamorphosis: the sector is rebuilding its work capacity and its workplace necessary to compete with other trade sectors for the valuable qualified worker—skilled workers who have become less available to forest employers.



Family forestland owners may experience unexpected contracting changes as forest business evolves to adapt their contemporary workforce to this competitive labor market. During this time



PHOTO COURTESY: REX STORM, ASSOCIATED OREGON LOGGERS, INC.

The emerging forest workforce shortage was addressed earlier this year during a 4-part WebTV series sponsored by Associated Oregon Loggers and Oregon Forest Resources Institute. Participants represented all aspects of the forest industry and proposed at least 64 innovations that would lead to improved forest worker capacity in the Northwest region.

of change and contracting reconstruction, family forestland owners might anticipate revolutionary changes in the form of higher contract rates, less availability, work delays, unexpected terms and reduced income.

While the wood fiber we grow, harvest and protect remains a commodity, the workforce that produces these benefits today has evolved into a specialized asset demanding revolutionary changes in forest contracting.

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Today's trades workers are no longer an expendable commodity—rather they are talented intellectual capital that drives today's technically precise forest production.

Across America, there's a skilled labor shortage that has created acute competition for the skilled trades worker, and trades contract businesses. This deficit is observed to be especially acute in rural America and those trade careers, such as forestry, perceived to be unattractive by young generations. Compounding the challenge, keen competition for the mid-career forest worker has arisen from trades outside the forest that offer more lucrative employment opportunities. Add to these challenges the escalating small business costs surrounding more labor requirements, regulations and taxes, then the obstacles facing the forest contractor's workforce can become stifling to their productive capacity.

The region's forest contract sector has been wrestling in recent years following the great recession to both retain and attract qualified workers. This workforce disruption is not a normal business cycle phenomenon; the challenge is more systemic than the industry's customary market fluctuations. As demand expanded following the 2007-11 recession, contract capacity actually fell flat—even declining in some factors. The forest contracting workforce is now undergoing unprecedented change, which has spilled over to impact the very capacity to produce timber volume—and to safely deliver, and sustain, the vital contracted services that assure a thriving forest sector.

Planning the future forest contractor workforce

Workforce problems are the common pinch point that contractors and purchasers of contract services alike can see—and begin a discussion about stifled contractor investment and future capacity. During the first five months of 2019, Associated Oregon Loggers and Oregon Forest Resources

Institute convened an educational program aimed to expand industry-wide understanding of the forest contractor's labor challenges and to identify possible improvements.

Although the program had an Oregon focus, these universal contract workforce issues encompass all Northwest states. Produced by Devonshire Group, and sponsored by 15 forest sector firms, the WebTV program engaged a timely discussion about chronic labor and investment deficits in Northwest forestry. This effort created a platform for bringing contractors and purchasers together to learn, discuss, and shape possibilities for improved contractor work settings.

Available by paid registration, the WebTV series, "Planning the 2020 Workforce for Oregon/Washington Forest Contractors," was a 4-part series of 2-hour chapters, held January to May 2019 (thedevelopmentgroup.org). This unique venue assem-

bled dozens of expert panelists and over 100 participants with a common objective of boosting industry-wide understanding of forest contractor workforce obstacles. Participants and panelists alike learned about workforce challenges. And more important, the series identified actionable improvements that any forest company—any contractor, any purchaser, or industrywide group—could deploy to modernize forest contracting workforce and capacity.

The series identified four poignant "improvement vectors" (or workforce objectives) for which the sector could aim to enhance the forest contract workforce:

1. Increased flow of qualified workers
2. Access expanded to workforce services
3. Make the forest a great place to work

—Continued on next page—

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Contractors collaborated with timber purchasers, folks from related industries, educators, workforce agen-



Many family forestland owners in the Northwest have experienced the shortage of forest workers and contractors to complete needed forest treatments. Innovative solutions applied by all forest sector companies and organizations are needed to meet the challenge.

cies and a labor economist. The series was a sequenced discussion that built over four chapters, to undress contractor labor and capacity shortfalls, qualify those gaps/obstacles to improved workforce capacity and then identify a menu of tangible improvement actions that are possible for any company to implement. The program enabled broad discussions, to brainstorm recruiting and retention ideas and to explore cross-sector solutions applying private and public resources.

Included in the deliverable outcomes of the series were printable resource guides of the panelist presentations. During the fourth capstone chapter, registrants received a document that illustrated a menu of 64 actionable “Improvement Innovations” for Oregon’s forest sector. These were categorized into three groups: a) applicable to contractors; b) applicable to purchasers; and c) applicable to entire forest sector.

Workforce situation: unsustainable for a growing forest sector

The region’s forest contract sector is currently beset in a functionally weakened condition—what we believe is an unprecedented business cycle. This capacity challenge is not solely driven by America’s labor shortage;

rather the forest contracting workforce deficiency is a symptom of the more comprehensive ailment: disinvested contract capacity over a three-decade period.

The current forest contracting weakness is a multi-faceted challenge, one which developed over many years. Therefore, the solutions will require multi-faceted innovations, by many businesses, which will take years to implement.

The root causes of the weakened forest contractor capacity during this cycle include a fateful regression: federally-induced industry compression; a deep 5-year recession; escalating labor/regulatory costs; uncertain public timber supply; purchaser consolidation; depressed contract and wage rates; outdated work structures; and keen competition for trade labor from other sectors. And today, soaring contract worker attrition and cost escalation has brought this unprecedented business cycle to an urgent forefront.

In the 1990s, Oregon’s forest contract sector commanded above average wages and profits: necessary rewards to incent the difficult and unfavorable work of forest contracting. However, wage comparisons of key positions in today’s contract sector show that forest wages have fallen behind competing trade occupation hourly wages by 10-25 percent.

Assembling relevant information to prepare for the WebTV series, Associated Oregon Loggers reviewed and collated the findings from eight different studies completed over the past decade surrounding forest contracting performance (basis included U.S., West or Oregon). Studies included recent reviews of forest logging, trucking, contracting and labor capacity challenges, and identified opportunities to improve and grow the workforce for tomorrow’s harvesting and timber transport. Common findings and themes among these studies were in glaring consensus—confirming respondent agreement of weakened forest contractor capacity. These studies confirm the thesis that the

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Northwest's forest contracting sector is weakened in a way that impairs its capacity to sustain and grow.

Associated Oregon Loggers has compiled—from eight forest contracting performance studies and the WebTV Series—key findings about the region's current forest contracting workforce.

Contractor situation

- High worker turnover; mid-career worker departure for other trades
- Unusual difficulty recruiting young or other workers
- Aging workforce speeds retirements
- Reduced worker qualifications and supervision impairs health and safety
- Gap of skilled supervision; high attrition from the bench to fill key supervisors
- Qualified workers exodus/lacking in rural areas
- Competing trades offer better compensation
- Contractor profit and risk margins below those of competing trades contract sectors
- Contract rates often insufficient to foster workforce improvement
- Job unfavorables deter workers; lack of insight to reduce the job unfavorables
- Workplace maladapted to young generation and career workers (over half of labor pool)
- Workplace discourages untraditional forest workers (women, non-rural labor pool and others)

Purchaser situation

- Production goals often not accomplished due to lack of contractor capacity
- Contract projects unawarded due to higher unanticipated contract quotes
- Reduced production illustrates problems: worker shortage
- Purchasers often successful in achieving least-cost contracting
- Possible purchaser exposure to under-qualified contract worker's health and safety

• Purchasers begin realizing that worker-capacity is an unprecedented business cycle

- Several purchasers open discussion with contractors to better understand conditions
- Open to reforms to spur investment in sustained contract capacity and workforce
- Some purchasers begin reforming contract methods and rates

Contractor/purchaser shared situation

- Current individual purchaser-contractor relations often blind to their mutual advantages
- Backlog of suppressed wage and contract rates keeps forest contractor uncompetitive
- Recent wage growth in competing trade occupations has outpaced forest contracting

—Continued on page 24—

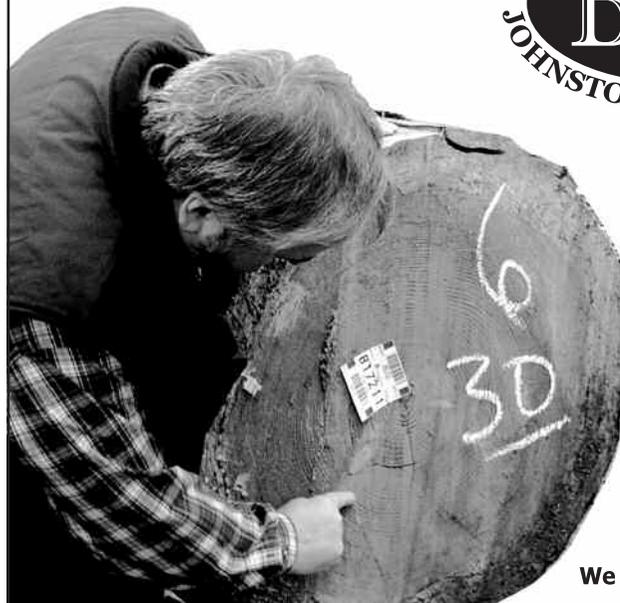
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Sustaining Family Forests

By **VICKI CHRISTIANSEN**

This is a condensed version of a speech given by U.S. Forest Service Chief Vicki Christiansen on May 3, 2019 in Silverdale, Washington. The event was the Washington Farm Forestry Association's annual meeting and celebration of the 20th Anniversary of the Forests and Fish legislation.



My personal passion is connecting people with their natural resources, and it started for me while growing up in Kitsap County near Olalla, Washington. I was a very shy 9-year-old girl when my mom and dad built our family home on 10 acres of land. My parents were fulfilling a dream of raising their family in the country so we could have a connection to nature.

When it came time to pick which trees would be harvested to prepare the building site, I negotiated each tree with my Dad. I would put my hands on my hips and proclaim that I

was going to be a forester and a conservationist, and we needed to carefully plan which trees to harvest.

My sister and I played in hollowed and fire-scarred old-growth cedar stumps. We marveled at how they became “nurse stumps” for magnificent second-growth trees. We spent hours at Purdy Creek, where we would cheer on the salmon swimming upstream to spawn.

And then we met John Kingsbury, who was out tending his family’s Five Springs tree farm across our country lane. He was always so pleasant, and he gave my sister and me a huge gift. He gave us access to our own learning laboratory—the tree farm, where we explored for hours, riding our horses and dirt bikes on the many roads and trails. That’s where my personal passion for the conservation of natural resources began.

I was inspired to study forestry at



PHOTO COURTESY: SHUTTERSTOCK

Private owners hold 56 percent of all forestland in the U.S.—about 445 million acres—providing 30 percent of our drinking water and 90 percent of our domestic forest products.

the University of Washington, and I worked as a state firefighter during the summers. The Washington Department of Natural Resources (DNR) District Manager, the big boss, was John Kingsbury. Mr. Kingsbury not only gave us access to his tree farm; he also gave me my start as a wildland firefighter. After graduating, I began a 26-year career with Washington DNR. One of the highlights of my career was visiting family forestland owners and helping them write stewardship plans.

Another memory is working alongside many in this room to implement the Forests and Fish Law that struck a balance between competing forest uses. The founder of the Forest Service, Gifford Pinchot, once put it this way: “There are many great interests on the National Forests which sometimes conflict a little.” “Sometimes conflict a little” was an understatement even a hundred years ago, when most Americans still had strong rural connections and the western states were only sparsely populated.

By the 1990s, the Pacific Northwest was a different place, and it was torn by conflict over forest uses: Do people want salmon or timber? Do people want clean water? Outdoor recreation? We know that these uses are not mutually exclusive—but many people thought so at the time.

Common ground

The genius of Forests and Fish was



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that it ended the game of “I’m right, so you must be wrong.” Forests and Fish discovered common ground, a way of getting to yes:

- Yes, people want salmon. Salmon is our signature species, vital to our regional culture and heritage. Salmonids depend on clean cold water and on good habitat in healthy streams and rivers, from the headwaters down to Puget Sound.

- Yes, we all live in wood frame homes, so we all need timber from sustainably managed forests, a green building material much better for the environment than concrete or steel.

- Yes, most private forestlands are in family ownerships, and if we want to keep them forested and sustainably managed for generations to come, then we need to make sure that their owners can make sound investments with sustainable financial returns.

Watershed protection is vitally important because people need water to live. Thirty-eight percent of the drinking water in the Pacific Northwest comes from the National Forests. In Washington state, 86 percent of the population is served by a few large public water systems, and nearly all of them draw water from the National Forests.

Sustainability

More than a century ago, we decided as a nation to leave a legacy of forests for our children and grandchildren. Today, we share a belief that forests are vital to families and communities—that forests are a broad social good, vital to our national prosperity, to our well-being as

Americans. All Americans, whether they own forestland or not, benefit from our nation’s forest resources.

Forests provide sustenance, including 53 percent of the nation’s drinking water. In fact, private forests alone supply 30 percent of our nation’s drinking water. And let’s not forget—forests are the indispensable source of green energy and green building materials. Private forests alone supply 90 percent of our nation’s domestically produced forest products.

Forests are also a part of our cultural heritage. Forests are places of privacy, of peace and seclusion and great natural beauty. Forests are home to many Americans, part of their family legacy, places where they can enjoy friends and family, places where they can indulge in the great American traditions of hunting and fishing. Forests include a place where the Kingsbury family has passed their family heritage to the next generation and a place where my mother is able to stay 87 years young by tending to her little piece of paradise with her creek and forest.

All this is possible because America’s forestland owners and land managers long ago embraced the sustainable use of forest

resources. Thanks to Theodore Roosevelt and other early conservationists, a third of our nation’s land area is still forested today. In fact, we have the world’s fourth largest forest estate.

And most of our forest estate, about 56 percent, is privately owned, unlike in most countries around the world. Private forestland makes up about 445 million acres, more than twice the size of the entire National Forest System. America has more than 10.7 million family forestland ownerships on about 290 million acres, or about 36 percent of our nation’s forestland.

Challenges

Land use conversion is not the only challenge facing family forests. Other challenges include habitat loss and forest degradation associated with a changing climate. Along with bark beetle outbreaks, invasive species such as gypsy moth, balsam woolly adelgid, Scotch broom, knapweeds and more are threatening both forests and rangelands.

Another national challenge is wild-fire. Our nation has over a billion

–Continued on next page–

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“burnable” acres of vegetated landscapes, most of them naturally adapted to periodic wildland fire. About 80 million acres on the National Forest System overall are at risk, and about a third of that area is at high risk. Hundreds of millions of acres of other lands are also at risk, whether state, private, county, tribal or other federal. We are all in this together.

In the 2017 and 2018 fire seasons alone, wildfires burned almost 19 million acres nationwide and destroyed

more than 26,000 residences. Worse, more than a hundred people died in wildfire entrapments, often while fleeing their homes. Over the last few decades, the western fire season has grown at least two-and-a-half months longer, and we have seen the frequency, size and severity of wildfires increase. Primary drivers are climate change, drought, hazardous fuel buildups and the spread of homes and communities into fire-prone landscapes.

A decade ago, the entire wildland fire community decided to come together to draft a common vision for improving our wildland fire system. I was involved as State Forester in Washington and later in Arizona, and we developed a truly shared approach called the National Cohesive Wildland Fire Management Strategy. Our approach has three national goals:

1. Restoring and maintaining resilient landscapes
2. Creating fire-adapted communities
3. Safe and effective wildfire response, with decisions based on risk analysis for all ownerships.

Our Cohesive Strategy for wildland fire management is part of being good neighbors, a national priority for the Forest Service. Being good neighbors takes active management—using every tool and authority we have to improve the health of America’s forests. The tools include timber sales, targeted grazing, herbicides in some cases, stewardship contracts and prescribed fire. Our tools also include fire prevention programs, community wildfire protection plans and Firewise practices for homes and communities.

Our authorities include the appropriate use of environmental assessment and decision-making—using sound science and data to make sound decisions. In this past year, Congress has given the Forest Service new authorities to improve the condition of America’s forests. For example, we now have expanded stewardship contracting authority for up to 20 years. We really need market solutions to treat the many acres of small-

diameter trees that need to be removed to improve forest health, and this 20-year contracting authority will attract the needed investments in biomass and small wood processing.

We also have expanded Good Neighbor Authority (GNA) with states and tribes. Through GNA, we can pool resources for all kinds of fuels and forest health treatments on federal and adjacent lands. We now have 166 good neighbor agreements on 56 National Forests in 36 states.

In 2018, we treated nearly 3.5 million acres through timber sales and prescribed fire, the highest levels ever. We sold 3.2 billion board feet of timber—the most in 20 years, creating jobs with a sustainable flow of forest products.

Shared stewardship

Another priority for the Forest Service is promoting shared stewardship by increasing partnerships. We need others to help us make a difference across the landscape, so we are committed to working with partners and landowners to accomplish work on the nation’s forests in the spirit of shared stewardship. We believe that joining together across shared landscapes and around shared values is critical for the future of conservation.

The reason is this: the scale of our work must match the scale of the risks and the problems we face. For example, salmon face risks ranging from the oceans to headwater streams—and all points in between. If we want to have salmon, we need to mitigate the risks by working with partners at the appropriate scale. Forests and Fish is a great example of coming together to work at the right scale on the risks to our salmon fisheries.

Now we have an opportunity to match the scale of our work to the scale of the fire risks we face as well. In the past, our projects were randomly scattered across landscapes because no one was able to get their arms around the problem of fire risk. If a severe fire came, the project

–Continued on page 31–



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Applying Federal Income Tax Changes on a Tree Farm

By **VIC MUSSELMAN**

I was asked to provide an overview of changes that tree farmers may encounter when filing their federal income taxes after passage of the 2017 Tax Cuts and Jobs Act. I am not a CPA and I do not consider myself an authority on all IRS tax codes as they affect small forest owners, but I did research what changes occurred relative to filing my 2018 Form 1040 and discussed these changes with my accountant.



All in all, there are very few differences. Other than some simplification as to how some of the forms are filled out, such as Form F, there are only five changes that have taken place. First, if your tree farm is registered as a business you may now not only be able to deduct up to 20 percent of your qualifying business income but also an additional 20 percent of any qualified dividends from an investment in a timberland Real Estate Investment Trust (REIT).

Next, any operating loss over the tax year attributable to your tree farm is no longer reported as a net operating loss but rather as an excess farm

loss. You are now only allowed to carry the loss back over the previous 2 years instead of 5 years under the old rules.

Another change addresses any interest paid on loans incurred for operating of the tree farm other than a mortgage for a house or office building. Before, all of any such interest paid could be fully deducted, now the amount deducted can be no more than 30 percent of the taxpayer adjusted taxable income for the year plus any ordinary income derived solely from operation of the tree farm.

The amount allowed for a one-time full deduction for any Section 179 (equipment or business improvement) purchase increased to \$1,000,000, from \$500,000 in 2017. However, the total cost of the purchase cannot exceed \$2,500,000. If the cost does exceed that amount, then the allowable deduction reduces dollar for dollar until the total cost reaches \$3.5 million, or more.

Finally, the depreciation rules have changed for any qualifying equipment purchased. You are no longer required to use the 150 percent declining balance method for up to 10 years, but

instead must use straight-line depreciation for 5 years.

There were no changes made to the tax codes affecting tree farmers regarding how to expense reforestation costs, file a form T, or electing a Section 631a or 631b treatment of the capital gains from any timber sold. The IRS did make one other change dealing with how you report a casualty loss if your timber is damaged. It now makes a difference whether you own the tree farm as investment or for recreation/residential use. If you own your tree farm for just recreation/residential use, you may only claim a casualty loss if the loss was the result of a declared federal disaster. ■

VIC MUSSELMAN is manager of Musselman Appraisal & Forestry LLC, in Olympia, WA. A state-certified general appraiser and Society of American Foresters Certified Forester, he is a recognized authority with 45 years of experience in all aspects of timber and timberland valuation. Vic has conducted appraisal courses through Duke University, Western Forestry and Conservation Association and Oregon State University. He holds degrees from Willamette University in biology and Oregon State University in forestry. Vic is the current president of the Washington Farm Forestry Association. He can be reached at 503-936-5956 or mussapfor@yahoo.com.



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Evolution or Revolution: Remaking the Forest Contract Workforce

continued from page 19

- Truck unloading delay at mills is a capacity bottleneck
- Reinvestment in sustainable contract workforce capacity involves improved individual purchaser-contractor relations

Industry/sector situation

- Lack of forest contractor and purchaser access to regional labor pools (non-rural)
- Escalating labor and business regulation increases operating costs and reduces productivity
- Missing linkage between youth conservation programs and forest employers and occupations
 - Oregonians misinformed or unaware of career opportunities in forest occupations
 - K-12 graduates unaware, discouraged or unprepared for forest trades work
 - Community college and technical school programs limited for forest trades occupations
 - Oregon employment agencies unaware and unhelpful to forest employers and workers
 - State workforce and talent development agencies unaware and



PHOTO COURTESY: MIKAEL WEAVER, ASSOCIATED OREGON LOGGERS, INC.

Solutions proposed by the WebTV series rely on actions by all forest businesses, like improving worker benefits and career pathways, to make workforce capacity sustainable.

unhelpful for forest sector

- Oregonians at-large unaware of forest trades occupations and future growth opportunities

Improvement possibilities: rebooting our workforce

Industry leaders are becoming aware that this unprecedented forest workforce capacity challenge cannot be resolved through traditional market cycle behavior. Efforts by purchasers and contractors together will be necessary to improve future forest contracting capacity and workforce.

The WebTV series developed a menu list of 64 unique innovations, or

actionable improvements, that are available for individual forest businesses to deploy to enhance their specific contractor workforce's sustainable future. This menu of options is stratified to address those specific improvement innovation actions applicable to the contractor, purchaser or as an industry-wide effort.

A. Contractor innovation goals: Enhance contractor investment in workforce recruitment, retention, and capacity; improve forest efficiencies and performance; make the forest a great place to work; identified 29 options for worker- and contractor-focused innovations.

B. Purchaser innovation goals: Enhance purchaser inputs to forest contracting that would foster contractor investment in workforce capacity; improve forest efficiencies and performance; improve lifestyle parity with competing trade sectors; identified 23 focused innovations for purchaser work volume, contract economics and methods.

C. Industry-wide innovation goals: Enhance group inputs to forest contracting by combined effort of purchasers and contractors, which would improve workforce; agency and education system support of forest occupations; foster forest career programs; identified 12 focused innovations for future workforce access and purchaser-contractor relations.

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Region's future holds much opportunity with a growing forest workforce

We learned this much at least from our WebTV series and study of this thorny workforce capacity problem: the solutions necessary to strengthen forest contracting are many. An improved and robust forest contract sector that is resilient and responsive to market upswings and down-cycles alike will require multi-faceted innovations by many businesses which will take years to implement.

Through the WebTV series, we learned that the Northwest forest sector can work together on no less than 64 possible innovations that would help foster the desired robust forest contract sector that can deliver a great workforce empowered for excellent forest production, health and safety. The forest sector can accomplish this ideal with common objectives:

- Adaptations in vocational and trade preparation in public policy and educational system
- Next generation work designs and career pathways for forest workers
- Direct access to regional pools of qualified workers
- Enhanced workforce agency programs to connect regional workers to forest contractors
- Developing career promotions and recruiting connections within the forest sector
- Workforce and workplace innovations by forest contractors
- Paradigm change and reinvestment by purchasers of contract services

Every forest business has a role, an improvement action, which it could implement to improve its forest contract workforce capacity future. We learned from the four web sessions that the strongest gains to workforce capacity are possible through mutual efforts by purchasers, contractors and related organizations working together. A stronger contract sector will require new and different investments in contract relations for the mutual benefit of both purchaser and contrac-

tor. No one company can alone make needed improvements to reform the sector workforce. However, each company and each forest organization can make inroads to contribute their own valuable incremental improvements that would move the greater workforce toward a more productive future.

Purchasers must reinvest in the contract capacity necessary to sustain and grow the region's forest sector. Contractors must also revolutionize to modernize their work structures to foster young generation workers and those less traditional workers accessed from a regional pool. Workforce agencies and primary education systems will require unparalleled assistance from forest sector representatives to help them better support the forest sector workforce. Sector-wide reinvestments must be made, promoting the forest sector as a great place to work and a promising forest career.

Today's worker wants to see a future in their occupation! The forest sector is learning that each company must do better at appealing to today's worker, not yesterday's industry norms. To attract and retain workers to forest contracting, we must create that vision of a great future to workers. That means: a great place to work; a great industry doing good things; real path-

ways to long-term occupations and careers; and a compensation package competitive with other trades.

The future is bright for the Northwest forest sector. Together we possess the innovation and strengths to overcome the current workforce challenges. Our success will be buoyed by the region's abundant forests, its valuable wood products, our superior forest contracting capacity, world-leading manufacturing and distribution systems, and the nation's most-engaged family forestland community. ■

REX STORM is a Certified Forester and forest policy manager for Associated Oregon Loggers, Inc., based in Salem. His work represents 1,000 forest contract harvest and allied forest businesses in statewide forest regulatory affairs, industry relations and professional qualification. He previously worked in forest operation positions with American Pulpwood Association, U.S. Forest Service, Napro Biotherapeutics and Louisiana-Pacific. Storm completed an MBA at University of Oregon and a forestry BS at Colorado State University. Rex and wife Kathy are certified family forestland owners and he's current chair of Oregon's Tree Farm System. Rex can be reached at 503-364-1330 or rstorm@oregonloggers.org.



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Portable Saws Open High Value Markets

continued from page 15

a wood grain pattern in concrete columns that line the three-story lobby. They also perform work for local Starbucks, noted for its wood-themed architecture, and Portland's downtown Hilton.

Kaster Kustom Cutting has outgrown its origins as a small forest farm that mostly cut its own wood. The company is now a mid-size business, sawing about a quarter million board feet per year. Nearly all its wood is delivered by customers of its custom-cut service or purchased from outside sources for future projects.

Forest management by Mother Nature

The forest and wood products facilities owned by Zena Forest Products (www.zenaforest.com/) are located about a half-hour west of Salem and managed by the strict principles of Mother Nature. The business only uses indigenous hardwoods and keeps the business small so decision-making and craftsmanship stays nimble. Even though Zena's 1,300-acres is Willamette Valley's largest block of forest farm, it uses a slower, short band saw for precision cuts.

With six employees, Zena is not a side business and operates full time year-round, says Ben Deumling, owner/manager. Its products include countertops, tables, benches and large supplies of pre-finished hardwood for hobbyists and contractors with special wood product needs. Zena's best-

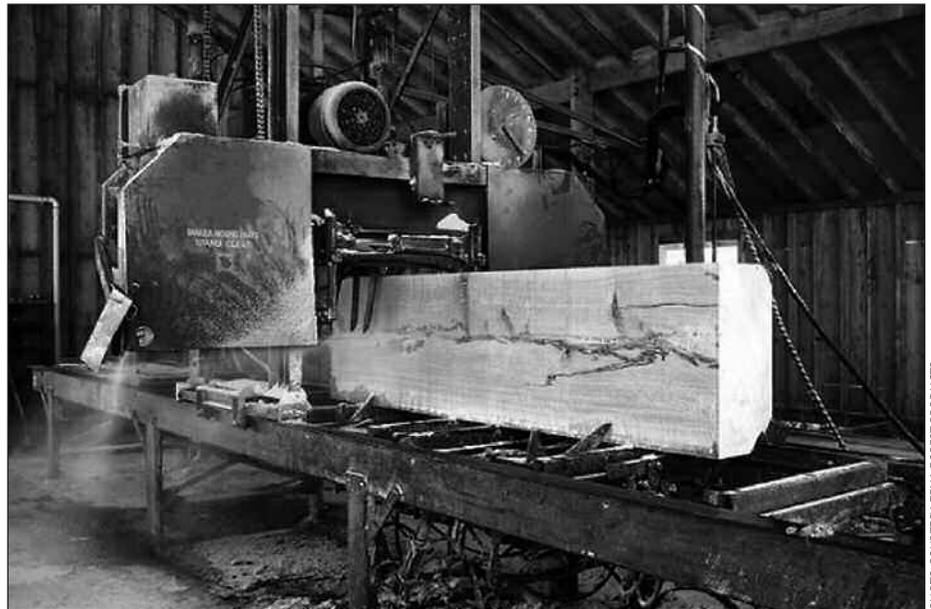


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Zena Forest Products is best-known for its hardwood flooring and other products made from native Oregon species. Their mill in the Willamette Valley operates full time all year.

known product is tongue-and-groove hardwood flooring. The flooring is made from Oregon white oak, a native species that grows from California to British Columbia, but Zena only accepts wood grown and harvested within 60 miles. Most flooring sales are in the Willamette Valley with growing markets in Seattle and on the east coast.

Deumling acknowledges that the industrial-sized Northwest wood industry generates more profits through economies of scale. But industrial sawmills are more vulnerable to market volatility when they focus on a single species and few products. Instead he believes Zena benefits from nimble decision-making in maintaining a healthy species diversity. (His mother, Sarah, oversees Zena's forest management: restoration, logging, planting and species selection.) For instance, he was discouraged by the 10 percent decline in his Douglas-fir trees due to root rot and summer droughts. Last year they harvested 260,000 board feet; the majority was Douglas-fir and other softwoods which were sold to the nearby Hampton Lumber mill. About 20,000 board feet were hardwoods for Zena's manufacturing.

When summer droughts weakened their own forests, they responded by seeking and planting species—ponderosa pine, ash and madrone—which are thriving in the changing climate. They've also been experimenting with species that are indigenous to forests farther south—like coast redwood and sequoia—and results indicate they can thrive in the Willamette Valley. With diverse species, "We are hedging our bets more completely," he says. He believes focusing on indigenous species and limiting the size of his business is a proven strategy for forest farms. "I'm trying to innovate for the future." ■

DORIAN SMITH is a forest industry researcher for the University of Montana's Bureau of Business and Economic Research. After graduating from the University of Washington with a bachelor's in journalism, he worked as an editor and reporter for weekly and daily newspapers. Later he researched, compiled and edited nine editions of the biennial "Mill Survey" for Washington's Department of Natural Resources. Dorian can be reached at 253-441-8624 or dorian.smith@umt.edu.

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The Understory

Thank you to Elaine Oneil, Executive Director of Washington Farm Forestry Association (WFFA), for this article on results of a recent Forest Carbon Survey.

This past spring, WFFA administered a survey of landowner attitudes regarding climate change and forestry. The survey was online and open to anyone who had a link. All respondents were encouraged to comment, and many indicated that they did not complete all questions because they lacked some understanding or information.

We often hear about the diverse opinions held by small forestland owners (SFLO). The views and opinions expressed in the survey certainly support that concept, with comments ranging from "Climate change is the most critical concern of our time" to "No, Chicken Little, the sky is not falling!" The concerns over information gaps and lack of knowledge, and the diversity of strong opinions is incredibly useful information for association leaders. It helps us to navigate the ongoing dialogue around climate change and forestland management in the state regulatory and policy arenas. So, many thanks to all who took the time to respond to what turns out to be a complicated topic.

Nearly 60 percent of respondents own less than 100 acres of forestland, 35 percent own 100-1000 acres, 4 percent own more than 1000 acres and about 1 percent did not specify their acreage. Since eastern and western Washington are so different from an ecological perspective, we thought data might provide distinctly different outcomes. It didn't. We also thought size of ownership or level of management activity might be a useful way to categorize results. There were some general trends, but nothing that was a great predictor of the opinions that were expressed. We used two questions as proxies to characterize management intent: whether respondents had a management plan and/or were certified. Of the sample, 92 percent had a management plan while 52 percent were certified under ATFS, FSC,

SFI or some combination of these certification systems. The percentage of respondents with a management plan was 97 percent for those with land holdings greater than 20 acres. Six percent of respondents were certified under more than one system, with the majority of these certified under both ATFS and FSC. From these data we can say the survey respondents represent the engaged component of the SFLO community as they (mostly) belong to a forestland owner organization, have largely embarked on management planning for their forests, and in more than half the cases have gone through the effort of certification for their forestland.

Given that respondents come from the engaged component of the SFLO community, the blank and "I don't know" responses speak to the complexity and uncertainty surrounding forest carbon as a potential income stream and/or risk to the current operational conditions on our landscapes.

Concern about climate change is nearly identical on both sides of the state, with 73.7 percent of eastside and 72.8 percent of westside respondents expressing concern about climate change. Size of ownership, having a management plan or being certified were not predictors for the level of concern. About 46 percent of respondents thought that forest carbon offsets should be used to address climate change. Nearly 83 percent of respondents thought forest carbon should be considered a private good, not a public good, but less than half of those respondents thought that forest carbon offsets should be used to address climate change. Overall, responses on questions regarding preferences and opinions on the potential to establish markets for forest carbon were very nuanced. Some good ideas were proffered, and they will be used in future public policy discussions.

I am grateful for your insights. A more complete summary is forthcoming.



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TreeSmarts: Research You Can Use

TreeSmarts: Forest Research You Can Use *appears in every other issue of Northwest Woodlands. Column editor Ed Styskel reviews research being conducted from a host of sources, sorts through the items of interest to family forest owners, and provides a short summary of the pertinent results in understandable language. If you have a suggestion to share with Ed, please contact him directly at edstyskel@gmail.com.*

Planning and Implementing Cross-boundary, Landscape-scale Restoration and Wildfire Risk Reduction Projects: A Guide to Achieving the Goals of the National Cohesive Wildland Fire Management Strategy. (PNW 707) Authored by D. Leavell, A. Marcus, C. Bienz, K. Carlsen, E.J. Davis, M. Douglas,

D.F. Ferguson, L. Fledderjohann, K. Johnson, N. Livingston, J. Pettigrew, G. Rogers, M. Schreder, D. Shoun, and L.A. Vradenburg. 2018. Publication PNW 707. Oregon State University, University of Idaho, and Washington State University. 59 pgs. + appendices. Online at catalog.extension.oregonstate.edu/pnw707.

Wildfires today are larger, more severe, start earlier, end later and result in the loss of homes, forests and other resources. Forests are stressed from drought, overstocking and insect/disease outbreaks. Ecological, social and economic damage is occurring at a faster, more intense rate due to high-severity wildland fire and forest health issues.

Beginning in 2009, a *National*

Cohesive Wildland Fire Management Strategy invited government, non-government organizations and the public to collaboratively develop all-lands solutions for wildland fire management issues. Managing for wildfire risk is a shared responsibility between federal, state, county, cooperative extension, city, local fire districts, fire protection areas, emergency management authorities, local NGOs, communities and private landowners.

PNW 707 headlined above describes how a forward-thinking group in south-central Oregon organized such a partnership to promote forest health and awareness through collaboration, problem-solving, science and adaptive learning. The lessons they learned and write about contribute greatly as a model for similar efforts elsewhere in the Pacific Northwest and beyond.

The Klamath-Lake (Counties) Forest Health Partnership (KLFHP) was successful because they focused on developing and implementing cross-boundary projects. Klamath County is 81 percent forested, while Lake County is 26 percent forested. In each county, public land accounts



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for about 75 percent of the forestland; the remaining 25 percent is private land. Chapter 2 of PNW 707 reports how the KLFHP started the process with a partnership involving:

- A core team of willing participants
- Design feasibility via contracts, financial grants and personnel
- Leadership support from deciding officials and resource specialists
- Trust in resource specialists who assisted family forestland owners to meet their ownership goals
- Engagement from forest product businesses
- A central facilitator as intermediary
- Strategies to maintain the momentum of partner interactions.

The next step identified NEPA-completed/signed federal land projects (see Chapter 3), then expanded the analysis area to include private lands where cooperative management could be undertaken at the same time. The ideal size for a cross-boundary landscape should be 100,000 to 300,000 acres. Partners must share a general vision for treatments that restore and maintain landscapes in a manner that is scientifically and operationally sound. The partnership must also have the expertise to implement site-specific projects.

Chapter 4 explains how to reach as many landowners as possible in the project area by pre-planning, evaluating and choosing education strategies. When landowners understand the realities, issues and management possibilities for addressing forest health and wildfire, they can move toward solutions. Outdoor workshops are especially useful outreach tools.

Private land mapping, assessment and wildfire response preplanning is described in Chapter 5. An outside nonprofit has created an interactive tool called *Forest Planner* that may be available to Oregon and Washington land managers for visualizing alternative forest management scenarios of

timber harvest and financial return. Private land rapid assessments for data are described as six actions detailed in PNW 707. A wildfire risk mitigation plan identifies data needs and opportunities to mitigate the potential risks in the project area.

Chapter 6 reports how the partnership helped private landowners by

- (1) Training to identify their individual goals/objectives, management prescriptions, and resource maps
- (2) Administering treatment contracts within the larger project area
- (3) Acting as liaison between the landowner and interagency group.

Writing cross-boundary restoration grant applications to fund outreach, education, planning and mapping is explained in Chapter 7. The KLFHP process identified a variety of funding sources, each having unique restoration priorities and/or award requirements. Some grants

were used to leverage for others.

Next up was preparation of agreements, contracts and Memorandums of Understanding (see Chapter 8). PNW 707 identifies a useful guidebook to help with this stage.

Chapter 9 offers guidance for implementing actual forest health restoration treatments on private land. This involves meetings with property owners, field assessment of overall forest health, creation and signing of contracts, project layout, project contractor selection, operation oversight and post-treatment monitoring.

Fourteen appendices provide case studies, examples, checklists and resources.

This publication truly is an excellent example for planning and implementing cross-boundary, landscape-scale restoration and wildfire risk reduction projects. ■

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Trees and Such and Us

BY NED LIVINGSTON

A snag behind our house counts out 637 tree rings. That is experience. Our experiences are fewer, but these might be of interest.



My family and I live on timbered land on the western fringe of the Great Basin steppe province in eastern Klamath County, Oregon. Our landowner history starts with the 1862 Homestead Act and subsequent acquisition by my wife's grandparents in 1885. The management focus from 1885 to 1930 was free range livestock (no fences, many arguments). 1930 to present introduced fences and regulations (fewer arguments). 1975 saw tree management added when my immediate family became actively involved.

Logging was a common enough event on the ranch and a lot of our tree knowledge originated through some of our logging community. Harvesting was usually aimed at cash flow, unfortunately not forest health. We try to balance the two now. My wife's father enjoyed telling

the story about his handshake contract with his favorite logger who later in the project found 40 acres of the family's timberland that was previously unknown to the family. That is logging at its best.

Ranching today is fairly tame compared to the homestead days when the young hot-blooded buckaroos knew no law. Two stories stand out because they occurred on or near our present property and were aimed at a local sheep man. The issue was competition between different types of ranching: sheep versus cattle with no fences. In this case, a teenager employed by the sheep man died of smoke inhalation fighting a fire in a haystack owned by the sheep man. The fire was started by a group of cattlemen with the intent of eliminating the winter sheep feed, thus starving out the sheep and the sheep man as well. The idea didn't work because my wife's grandfather was a friend of the sheep man and proceeded to supply the necessary feed. Later the sheep man in question was ambushed by two neighborhood cattlemen and shot dead. The year was 1918

and the two culprits were tried and sent to prison. So much for good neighbors.

Tempers have calmed since those years, so much so that my wife and I decided to live on the property, build a house with our labor, plow the 28-mile round trip of snow to school for my teacher wife and our two sons, chop firewood, thin pine stands, and on and on. After much sweat and time, we had the house walls up, the roof on and fireplace and chimney in operation when, lo and behold, one cold November morning I found a stray cat huddling on the fireplace hearth for warmth. It was wary of me, but I could get close enough to see that it had a collar and tag attached. After working around the critter for several days and making sure it saw who was feeding it, we became friends enough that I could read the license on the collar. It was a dog license for a Saint Bernard issued in Jackson County, Oregon. Calling the animal agency gave me the necessary home phone which, on calling and telling them about the new guest on our hearth, emitted a joyous scream on the other end of the line and the voice relating to others in the room, "They've found Brandy!" The remainder of the story unfolded when the parents and two children arrived at our place to again hug their cat. The family had been camping at a popular fishing lake about 50 road miles north of our place over the previous 4th of July when a typical late afternoon thunderstorm did its thing, and the cat then did its thing. Four months and a whole batch of miles later, and just before snow started flying, Brandy appeared. I never did get the story on the Saint Bernard. Oh, the stories that cat could tell if only it could, and oh if only that snag we mentioned could tell tall tales as well!

There are many stories to tell but little space. We hope these tales may help with some of your memories.

EDWARD LIVINGSTON received a bachelor's degree in architecture at the University of Oregon in 1960. He describes himself as an architect, furniture designer and tree farmer. Ned can be reached at 541-545-6276.

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Sustaining Family Forests

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worked: the fire dropped from the canopy to the forest floor, where firefighters could control it before it burned into homes and communities. But we had no good way of assessing the full scale of the risk and placing our treatments accordingly.

We now have tools for understanding a whole range of conditions at landscape scales. Today's megafires can travel for many miles to threaten homes, communities and other values. The entire area at risk is called a fireshed, and scientists can now map entire firesheds, including all the federal, state, private and other land ownerships that collectively make up a

fireshed. We can also map the contribution to fire risk from each parcel of land, and we can use that information to forecast what might happen if we put various kinds of treatments here or there.

We can use the same approach for other kinds of threats, like invasive species. Through planning at the right scale based on the outcomes we agree on for shared landscapes, we can place treatments of any kind in a cost-effective way to achieve shared goals. We propose to apply the new technology through shared stewardship, with the states taking the lead. The states will convene partners to set broad priorities across shared landscapes for the outcomes we all want. Then we will use our new planning technology to come to agreements with communities and stakeholders on the right tools to use at the right time in the right places at the right scale.

Forests and Fish is a good example of the capacity here in Washington for shared stewardship. The law produced a habitat conservation plan that brings together partners and stakeholders from across the landscape to address risks at the appropriate scale based on common values and goals. Forests and Fish was an early model for the kind of shared stewardship we

need now across the nation.

In closing, family forestland owners are the backbone of private forestland ownership in the United States. I share the values and hopes of family forestland owners as embodied in Forests and Fish. The Forest Service shares your commitment to be a good neighbor—to recognize the rights, values, and needs of stakeholders across the spectrum. I can assure you that the Forest Service will do everything we can to sustain family forests for the benefit of generations to come. ■

VICKI CHRISTIANSEN serves as Chief of the Forest Service. Over her 36-year career, she has accumulated a wealth of experience in natural resource and wildland fire management. Vicki joined the Forest Service in 2010 as the Deputy Director of Fire and Aviation Management. Prior to serving as Chief, she worked as Deputy Chief for State and Private Forestry. Prior to joining the Forest Service, she served as the Arizona State Forester and director of the Arizona Division of Forestry. She had previously served as the Washington State Forester, the culmination of a 26-year career with Washington State Department of Natural Resources. Vicki can be reached at 202-205-1661 or victoria.christiansen@usda.gov.

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