

New York Forest Owners Association Capital District Chapter Newsletter

Volume 24, Issue 2

April 2014

Message from the Chairman



Heat- Keeping warm is a costly part of life here in the Northeast. On a household basis space heating is about 30% (+/-) of all energy costs [gasoline, electricity, etc] Unlike electricity, space heating usually is concentrated in a six month period. One can wear a sweater, buy oil, propane, use electricity, run a heat pump, have solar-thermal panels, or heat with various forms of wood. Each approach has initial and operating costs and brings in various plus and minus aspects and environmental "costs" over time. Many of us have more than one heating system in place. We have a full oil system that we try never to use; wood is our primary energy source for space heating and domestic hot water needs but when we leave to see family or grandkids we switch to oil. For many the use of oil or other fossil energy is the primary source and wood [or pellets] is a secondary source when time allows. While many want to heat with wood, it is often not practical.

This past winter has been especially hard on budgets and also supply. People ran out of wood, pellets were at times difficult to find, and costs were damaging to many household budgets. The oil and propane trucks came by often. If you were heating your house with Timber Stand Improvement (TSI) cuttings this winter, as we do, it has been in some respects, a good season for the wood lot! My woodshed is now totally empty save for some kindling, and in March I had to go fetch a small supply of next year's wood from the long piles to make it through. Eight cords in the shed was not quite enough. The work to re-load will be for April or possibly May as I move from the tasks of keeping the fire burning to re-loading the supply for next year. Getting ahead of things for the next year requires work and time that does not fit many people's schedules as there is never really a down time in the yearly cycle for wood heating. And as my strength and health changes, the choice of which fuel choice to become wedded to may change abruptly. Thus the need to have more than one way to

make heat happen seems essential. One slip on the ice and I may not be able to carry out the steps required for daily attention to heating with wood.

I have to understand that the benefits of TSI cuts accrue over the long time it takes to see real effects in the woodlot. Ever so slowly, year by year, by heating with TSI cuts I believe we are improving the overall woodlot toward better trees. Even the long winter is short compared to the long years needed to improve the forest. Transitions in my health are linked to my ability to actually work in the woods. Clean-burning combustion technology linked to a thermal storage tank in my basement has made heating with wood fit with the rest of my life so I will continue to heat with wood as long as possible. But I must always re-evaluate options. If a natural gas line was to come up my road, I would surely want to hook up, if only as an insurance policy for the looming age when I simply can't do the work of managing the wood resource. Like the old Country Western song says, "...Time changes everything..." Been a tough Winter for all, regardless of how you heat your space.



Boundaries-This Winter I did some snow shoe hikes on the farm to seek out my boundaries in some areas where I had never been able to find the survey pins. This is in preparation for an eventual harvest or cull cut with the help of my forester. I have one-half mile boundary on both side of the Right Of Way [ROW] for high voltage power transmission and gas lines which cuts through my land. The ROW was established with an irregular purchase of extra lands by National Grid [old NiMo] when the line was put in back in the 50's. In some places the extra land in the ROW reaches back into my woods several hundred

feet. I called the ROW agent for National Grid and had good conversation and discussion, but I never was yet able to get them to come out for a boundary walk with their forester so I would know which are my trees to cut. I am sure they are very busy with bigger issues than mine and also have few staff for a big area of lines. I want to make sure which trees are mine and which belong to National Grid as I for sure want to be on good terms with them on the ½ mile where we are “neighbors” on both sides of the line. In telephone discussions it turned out I had better maps for the ROW than they now have. In early March, with snow still on the ground, I had my friend help me with his GPS and we found a few key pins, and did the best we could to mark the boundary between the known points.

I also will need to establish a skid path to cross under the line on the ROW to use my tractor and bring logs and TSI cuts back to my house. I asked the agent about this. They get concerned when any of this happens, and I think the best thing is for me to just “do it” if it is just my tractor dragging a few tree tops-people have been crossing the ROW for decades without a care. However if I contract with a logger to cut some big trees and run a skidder under the high voltage power lines I would need to get the forester from National Grid to come approve where we skid. My tractor and Farmi winch are the least of the issues they need to address compared to the herds of ATVs that run the length of the ROW in search of mud and a good wild ride. On the other hand, a landowner friend recently had a logger do a harvest and a large tree fell in the wrong direction and landed on lines and took out the power for a small village. This sort of un-anticipated event can cause great liability so the contract for any logging needs careful consideration by the forester.

Slowly we are transitioning to Spring, and CDC-NYFOA has a good mix of interesting woods walks coming in months ahead. I hope to see you at some of these. Visiting a landowner’s property and seeing first-hand how they manage their woodlot, and having one-on-one talks with others while you walk, is one of the best ways to gain new insights. See details elsewhere in this newsletter or go to nyfoa.org to see what is going on all over the state for a program you can attend.

Dick Gibbs

Welcome New Members!

The following members joined the Capital District Chapter since our last newsletter. Welcome all!

Louise Hathaway	Sharon Springs, NY
Francis J. Murphy	Amsterdam, NY
Joseph Rotella	New York, NY
Gary Vroman	Glenmont, NY

Steering Committee

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Trees – A Growing Green

Legacy by Arlyn W. Perkey

Green — how so? Trees are a good green investment in three ways.

1. They are green in color during the growing season, and they are a pleasure to watch grow. Most people who are in the business of growing trees are not doing it because there are great short-term profits to be made. If you don't enjoy the business, you should stay out of it. There are easier, less risky investments available.

2. They are a socially responsible investment. Relative to most investments, the business of growing and harvesting trees is a non-polluting activity. It is also non-exploitative of both natural and human resources. Trees are a renewable resource. Although harvesting trees is a high-risk employment activity, relative to other industries, it provides equitable compensation for laborers and investors. Society greatly benefits from the amenity benefits of growing trees. Forests are highly preferred locations for recreational activities, from viewing to hiking to hunting. They are the preferred land cover for providing clean water so prized by an expanding human population.

3. They can be a financially profitable investment for landowners and an excellent, stable, long-term economic asset for communities. Although the first two reasons for investing in the business of growing trees are at least as important as the third, the focus of this article will be on the financial characteristics of tree-growing investments for individuals and families interested in transferring assets from one generation to the next.

Growing trees is financially attractive because:

- The increase in value of trees from price increases and growth in diameter, volume, and grade is tax deferred.

Trees don't send annual 1099's to the IRS. The landowner does pay annual property taxes, but the income from the eventual sale of timber usually qualifies for capital gains treatment when the timber is harvested. For most landowners, the capital gains rate is more favorable than their ordinary income rate.

- Investing in growing trees is an excellent opportunity to transfer wealth from one generation to the next, using the following strategy:

The older generation (with the capital) purchases the asset (forestland) and invests in the development of

that asset. After developmental investments (reforestation or release of crop trees), the asset is given or willed to the younger generation. At the time of inter-generation transfer, the asset is of only modest value. As the trees grow, they increase in value in the ownership of the second generation. Again, any capital gain on that growth is deferred until the time of sale of the timber.

TREE-GROWING COST STRATEGIES

Investors who grow trees use one of two strategies (either consciously or unconsciously) for absorbing costs of growing trees to profitable size. These are:

- Long-term cost strategy

This is the approach historically used by most forest products industries in the Northeast. The investors are conservative with cash outlays. They purchase the land, pay the taxes, minimize management costs, avoid labor costs, and hope something worthwhile grows on their land. If it does, they harvest it as cheaply as possible while meeting requirements to protect basic soil and water resources. There are no significant investments aimed at accelerating growth of individual trees, or to increase the number of high-value trees per acre. Consequently, trees grow at whatever rate the site and competitive vegetation permit without manipulation.

This strategy spreads the cost of growing a tree to a given size over a longer period of time than the short-term cost strategy described below. Investment costs are paid in the form of more property taxes and land holding expenses per unit of volume produced. The risk of loss because of damaging agents like drought, ice, wind, fire, insects, and disease is also greater because the asset is exposed for a greater length of time.

- Short-term cost strategy

This strategy is more commonly used by forest product industries in the South where the length of time for achieving the desired product size is shorter. Investments in land holding costs, property taxes, and administrative expenses are minimized per unit of volume produced. This is accomplished by increasing the number of crop trees per acre and accelerating the growth of those crop trees through management activities. In the South, that often means planting trees and thinning them. A greater volume of high-value product is produced in a shorter period on a smaller land base. In the Northeast, it generally means pre-commercial release of potentially high-value crop trees. There are instances when planting is appropriate to increase the number of potential crop trees per acre, but often natural regeneration is sufficient.

The primary disadvantage of the strategy is that it requires more up-front capital, as well as knowledge

and interest. It is a more proactive course of action with more treatments that must be directed by management. However, in many cases, on good timber growing land, it is probably the most cost-effective alternative.

This is a logical strategy for non-industrial private landowners who want to make an intergeneration transfer of assets. The older generation with capital can make the investments and the younger generation receives the benefit.

To clarify the difference between these two strategies, I will use an example of two identical 12-inch red oak crop trees that two landowners are fortunate enough to have on their property at the time of purchase. One is growing on a long-term cost strategy owner's land and the other on a short-term strategy owner's land.

Long-term cost red oak

The landowner does not release this 12-inch crop tree, and it grows at a rate of 2 inches/decade. In 40 years it is 20 inches in diameter and ready to harvest as a high-value product. The landowner pays property taxes for forty years, and has land holding capital tied-up forty years.

Short-term cost red oak

The landowner releases this 12-inch crop tree, and it grows at a rate of 4 inches/decade. In 20 years it is 20 inches in diameter and ready to harvest as a high-value product. The landowner pays property taxes and land holding capital costs for only half as long as the landowner using the long-term strategy. However, he must make the up-front investment in releasing the tree from competing trees. If that work cannot be done with a commercially operable thinning treatment, it is an out-of-pocket investment. It requires management, labor, equipment, and materials to accomplish.

Question – If growing a green legacy is such a great idea, why aren't more people doing it?

1. Awareness

Most people with capital they want to transfer to the next generation are not aware that investing in growing trees is a good mechanism to accomplish that goal.

2. Knowledge

Most potential investors do not have the knowledge base needed to make good forest management investment choices.

3. Interest

Most potential investors do not have the interest in acquiring the necessary skills needed to make good long-term forest management investment choices.

4. Attractive Alternatives

In this country, we are fortunate to have a wide range of investment alternatives. Some of them are easy to

manage and provide a respectable return. In short, the competition for investment capital is intense.

5. Non-typical Return-on-investment Periods

Timber management investments often give new definition to the phrase "long-term investment." To most people, investments of 10 to 50 years with no intermediate returns is incomprehensible. However, in the tree-growing business, these investment time periods are common. People with traditional schooling in financial management in this country will usually quickly reject long-term timber management investments.

6. Ease of Finding Desirable Investment Packages

Good investment opportunities often aren't easy to find packaged together in marketable form. For example, a 200-acre property is not likely to be all high-site productivity land stocked with healthy, vigorous, potentially high-value trees that will have a good growth rate. There are many variables affecting the quality of investment opportunity with each individual purchase option. Finding good options usually requires more than just luck. It often requires professional skill.

7. Risk

Almost all long-term investments are risky. Some of the risks associated with timber management are drought, ice, insect damage, disease, fire, and market changes.

8. Focus

The long-term investment strategy requires self-discipline to refrain from the temptation of chasing short-term, low-income rabbits. For example, when releasing crop trees it may appear wasteful if the cut trees are not removed and utilized. If the landowner has limited time and energy to invest in the endeavor, expending time removing the wood for a low return-on-investment may be an unwise distraction. Other similar distractions may produce no income. Frequently, landowners invest an inordinate amount of time mowing grass or maintaining facilities (buildings) that aren't essential to the long-term investment.

In summary, to use the business of growing trees as a means of transferring assets from generation to generation, the investor must BELIEVE the following:

Society will continue to recognize the value of the free enterprise system and the right of individuals to accumulate assets and transfer them to others. Managed forests where trees are not only grown but harvested, must be recognized as a socially acceptable, even desirable private asset that produces social and economic benefits for communities as well as individuals. In short, that society will agree with the investor that growing and harvesting trees is a green activity.

There will continue to be a premium price paid for high-quality sawtimber and veneer products. While prices will fluctuate, over a long period there will be good opportunities to sell high-quality products at a price that will make the return on investment at least acceptable.

That they and their heirs have sufficient capital to sustain a long-term investment with potential extended periods of little or no intermediate returns. Property taxes, management fees, labor costs, equipment purchases, materials, and supplies must be absorbed with the anticipation of future return.

That they and their heirs have the tenacity to handle the psychological rigors of an investment that has the previously described characteristics. Not all people are willing to wait for an asset to increase in value. Some are impatient. Others are too worried about investment performance. It takes a certain personality type who is willing to work and invest with confidence that eventually it will all be worthwhile for someone. Often, someone else. Are you and your heirs that kind of people?



Arlyn Perkey

Arlyn Perkey is retired from the US Forest Service. He is a co-author of [Crop Tree Management in Eastern Hardwoods](http://www.na.fs.fed.us/pubs/ctm/ctm_index.html). This excellent reference for woodland owners is currently available on-line at: http://www.na.fs.fed.us/pubs/ctm/ctm_index.html. Arlyn and his family own and manage two woodlots in Pennsylvania and West Virginia

Tom Wolfe – Chapter Service Award 2014

This year the Capital District Chapter recognized Tom Wolfe for his past service to the chapter. Tom and Anna Wolfe live on a 180 acre farm in the Town of Knox, Albany County. Their 1840 farm house is heated by an outdoor wood boiler fired with surplus trees harvested from the woodlot. They have experimented with small scale commercial vegetable crops and maple syrup in the past and currently are selling Christmas trees each fall.



Tom Wolfe – Chapter Service Award

Tom has been actively managing the woodlot to increase species diversity, to improve wildlife habitat, and to grow high quality timber. One of the current challenges is beech bark disease which has severely damaged or killed many beech. The likely spread of hemlock wooly adelgid into the area is a future concern. Tom is currently harvesting diseased beech and planting Norway spruce in openings in the woodlot.

Tom and Anna are both long time members of NYFOA. Tom served on the steering committee, participated in chapter events and hosted a woods walk on the property in the past.

2014 Chapter Events Calendar

What: Capital District Chapter Woods Walk
When: Saturday May 17, 2014 2:00 – 3:30 p.m.
Where: The Agroforestry Center
6055 Route 23
Acra, New York 12405

The health, vigor, and utility of the next generation of New York's forests, depends on the willingness and ability of owners and managers to restore adequate conditions that allow for the regeneration of private woodlands. The challenges and the consequences are significant. Come for a woods walk in the Siuslaw Model Forest to learn more about this important issue. Registration is required by calling 518-622-9820 ext. 0. For further information contact Marilyn Wyman mfw10@cornell.edu 518-622-9820 ext. 36

What: Timber Stand Improvement (TSI) Workshop
When: Saturday May 31, 2014 9:30 a.m.
Where: Pineridge Cross Country Ski Area
1463 Plank Road
Petersburg, New York 12405

Join master forest owner Walter Kersch for a workshop on woodlot improvement. Types of cuts, the how to, view a marked TSI, What we as land owners don't know, and the best way to proceed. Hands on in the woods after a short session inside. Cost: \$10 fee, \$5 for Rensselaer Plateau Alliance members. Refreshments will be served and time to share ideas. For more information contact Walter at (518) 283-5509

What: Capital District Chapter Woods Walk
When: Saturday June 7, 2014 at 10:00 am
Where: Most Holy Redeemer Cemetery
2501 Troy Schenectady Road
Schenectady, NY 12309
(Parking is along the cemetery driveway)

Consulting forester Mary Spring and property manager Rick Touchette will lead a walk through a thirty-five acre forest harvested about five years ago to achieve timber stand improvement and income. The harvest created a more open canopy to allow for vigorous growth of remaining trees and seedlings, with red oak among the favored species. See the results of these management efforts and learn what to do next. For further information contact Mary at 518-947-9342 or Rick at 518-432-4953 (weekdays).

What: Valente Sawmill Tour
When: Saturday June 14, 2014 9:30-11:30 am
Where: Valente Lumber
8957 Route 66
Averill Park, NY 12018

Join master forest owner Walter Kersch for a tour of a Rensselaer County sawmill which mills locally grown timber and manufactures various lumber products including flooring, moulding and siding for retail sale. Cost \$5 for Rensselaer Plateau Alliance members. \$10 for non-members. Refreshments will be served. Group size is limited so registration is required. To register contact Sarah Parks at sparksgreen@gmail.com

What: Capital District Chapter Picnic
When: July 20, 2014 11:30 a.m. – 3:00 p.m.
Where: John Boyd Thacher State Park, Glen Doone picnic shelter

Our annual chapter picnic is being held at the Glen Doone shelter. The site has spectacular views of the capital district from the Helderberg escarpment, and on a clear day you can probably even see the Pine Ridge XC Center in Petersburg! The BBQ chicken will be served around 12:30 or so. Please bring a dish of your favorite picnic accompaniment to share with others. The \$6 per adult includes the park admission, a BBQ chicken half, drinks and "dinnerware". Take a hike on one of the many trails, or challenge someone in pitching horseshoes. This is a great place to relax on a hot summer afternoon.

What: Wind Turbine & Post Harvest Woodlot Tour
When: August 17, 2014 9:30 a.m. – 2:00 p.m.
Where: 813 Crawford Road
Schenectady, New York 12306

Tracy Lamanec purchased a wind turbine as an alternate power source three years ago. A turbine company representative will attend and Tracy will share his experiences. Tracy will lead a woodlot tour in afternoon where timber was harvested several years ago. This will be an opportunity to learn more about the advantages and challenges of residential wind turbines as a power source and selling timber. Bring a brown bag lunch. For further information contact Tracy at 518 864-5068

Recent Chapter Events

Holiday Gathering held January 18th at Bethany Presbyterian Church, Menands



Game of Logging held February 8th and 9th at the Helderberg Rod & Gun Club in Knox



Join NYFOA

Help Support Sustainable Forestry

The New York Forest Owners Association is a not-for-profit organization established to encourage sustainable forestry practices and sound management of privately owned woodlands. Members include woodland owners and all others who care about the future of New York's trees and forests. Please consider joining because your support helps make a difference. Regular annual dues are just \$30.00 for an individual or \$35.00 for a family.

Contact: NYFOA, P.O. Box 541, Lima, New York 14485 1-800-836-3566 www.nyfoa.org
