Greetings!

In the evening, when I look northeast from my house I can see a long series of blinking red lights in the distance, marking the presence of numerous new wind turbines busily turning wind energy into electricity. These lean green energy machines are easy to see during the day too, even though they’re about 24 miles away. No doubt about it, they are big with a 300 foot propeller diameter whizzing along at a prop tip speed of around 150 miles per hour. Electricity for homes, giant-scale cuisinart for bats, hawks, confused ultralight pilots, and other critters of the air. There are many good reasons for using alternative energy sources to wean our energy-hungry society from petrochemicals, but which sources we focus on and how we structure the industries can have big impacts for rural America, as the author points out in the Rural Power article that follows. Think global, act local… If we want the renewable energy winds to blow our way, we need to think about how to get our friends in government to favor rural-oriented policies. And of course, my forestry bias says Biomass is the real answer. Burn baby burn (in a co-gen plant).

Cheers,

Bob
Rural Power: The Key to Sustainability
by John Farrell, ILSR

The next twenty years could see up to US $1 trillion of investment in renewable energy in rural areas. Wind and solar power will be harnessed; and non-food crops will provide the fuel for a new generation of biofuels. But will rural areas reap the benefits of this massive investment or will communities merely observe the remaking of rural economies?

The conventional wisdom is that renewable resources should be developed en masse, because huge wind farms, large concentrating solar plants and big biorefineries drive down the cost of harnessing renewable power. Federal energy policy is premised on this hypothesis, but the evidence suggests otherwise. The benefits of building big are small; the benefits of building small, on the other hand, are quite large. The key to sustainable rural economic development and the renewable energy future of America is a series of modest sized, locally owned wind farms, solar plants and biofuel refineries.

For many years, rural economies have depended upon the land: agriculture and forestry, minerals and fossil fuel resources, beautiful landscapes. But not everyone can farm. Minerals and fossil fuels vary widely in price and are finite. Beautiful landscapes may remain pristine, but tourism is a fickle business.

Renewable energy development may be the catalyst for changing the rural economy. The boom in corn ethanol and soy biodiesel has provided many farmers with a market price above the cost of production for the first time in a generation. Large wind projects are providing steady lease payments to farmers who surrender a small portion of their land to the turbines.

These benefits are sustainable because the resource is limitless. Wind will blow no matter how many turbines harness its energy and the sun will shine on rooftops and fields whether they’re bare or lined with solar panels. Simply put, the rural renewable resource is vast: the wind in just the Dakotas could supply 80 percent of U.S. electricity, the sun in Nevada could power the entire country. We could fuel half the nation’s cars with biofuel made of non-food biomass.

This renewable resource can be harnessed in a centralized fashion or a decentralized one. But the rewards of harnessing it will mirror the style of development. A massive wind farm in the Dakotas and a big solar plant in Nevada may provide enough electricity to power the nation, but they will do so only with a massive investment in long-distance power transmission and use of eminent domain. The beneficiaries of this development will not be rural residents and farmers, but instead will be the same big investors that dominate existing electricity markets.

If our vision is grand — to get to 100 percent renewable power — some centralized power production is inevitable. But a decentralized network of modest wind farms and biorefineries can harness the vast renewable resource of rural areas and bring home the economic benefits as well. The success of homegrown renewable energy lies in two key findings. Very large renewable power plants and biorefineries cannot be locally owned past a certain size because the capital costs are beyond the community’s wherewithal. Typically this occurs when the facilities have reached a scale such that the cost savings of “bigness” are minimal. But the rewards of local ownership are significant, delivering anywhere from 25 to 300 percent more economic impact to rural communities from identically sized absentee owned facilities.

Federal renewable energy policy tends to disregard these facts. Renewable power tax credits limit the opportunities for local ownership by requiring investors to have significant tax liability and hampering the ability of cooperatives, nonprofits, units of government and other aggregators of average people from becoming investors. Some incentives, such as accelerated depreciation, are only provided to commercial projects, with no comparable incentive for residential projects. The result is few locally owned projects, except in states with strong policies favoring such development. It’s as though the federal nutrition programs were designed to fight hunger with McDonald’s coupons - providing plenty of calories - when supporting home cooked meals would do a lot more for nutrition and the overall health of the nation.

There are policy alternatives that do much more for energy and economic security. Renewable energy payments (also known as feed-in tariffs) provide stable, long-term incentives without bias against local ownership. They also wouldn’t expire regularly, as federal tax credits are threatening to do yet again.
The coming US $1 trillion investment in rural renewable energy will help secure America's energy future, but it also requires a choice. Will we build large, centralized power plants and biorefineries that bypass the rural communities whose resources we tap? Or will we change our policies to disperse the development of renewable energy and its financial benefits more broadly, securing our economic future, as well?

Readers can find more on confluence of rural economic development and renewable energy policy in ILSR's latest report: Rural Power: Community-Scaled Renewable Energy and Rural Economic Development.

John Farrell is a research associate at the Institute for Local Self-Reliance, where he examines the benefits of local ownership in renewable energy. His latest paper, Wind and Ethanol: Economies and Diseconomies of Scale, uncovers why bigger isn't necessarily better. He's a graduate of the University of Minnesota's Humphrey Institute of Public Affairs and currently resides in Minneapolis, Minnesota.

Woodland Owner Tax Tips

The downsize of welcoming in a New Year is that it means a new tax season is coming down the pike. In my family, April 15 also just happens to be my favorite spouse’s birthday and let me tell you, writing large checks to Uncle Sam puts a real damper on the old birthday celebrations – so, some thoughtful tax planning might just prevent revisiting life in the doghouse, to be sure. Following are some suggestions how woodland owners can minimize the tax bite and make life a little easier.

Forestland Management Deductions.

Expenses originating from the management of your woodlands are deductible even if you failed to harvest any timber. This includes property taxes and interest and owners can capitalize them if that provides tax relief for a future planned harvest (you need all the deductions you can get!).

Reforestation

A total of $10,000 can be deducted for the current year. Additional expenses for that year must be amortized over a period of 7 years. Most landowners select to claim their total reforestation costs the first year to offset timber revenue.

Basis

Probably the most misunderstood or non-realized concept involved in timber investments. Basis is the cost of your woodlands as it relates to taxes. Documentation is an absolute necessity, which in turn assists you in recognizing legal deductions. Proper records include: separate purchase price of the land, timber volume and value, and other assets (roads and buildings) any expenses incurred in acquiring the property, planting costs, site prep labor and equipment depreciation. Basis can be established retroactively, but is more difficult and likely require the assistance of a professional forester. For a great explanation of Basis, you can purchase the new OSU distance education module Forestland Taxes: The Importance of Understanding Basis (EM 8941) for $19.95. Go to the OSU publications website: http://extension.oregonstate.edu/catalog/.

Timber Income

It will benefit the owner to have the timber sale qualify as long-term capital gains. This tax classification is at a lower rate than ordinary income and is not subject to self-employment taxes. Long-term capital gains require owners to own the timber at least 1 year. Most small woodland owner timber sales are conducted by the owner or contracted out to a logger with the timber sold as logs to a mill. If the owner does not treat the timber sale as a 631(a) transaction (found on Form T), then the income is treated as regular income: a bad thing for tax purposes. When the timber is sold, the landowner can take a depletion deduction as a write-off against the revenue. The deduction allows recovery of a part of the adjusted timber basis (we talked about basis) proportional to the harvested volume.

Form T

Woodland owners are required to file a Form T “Forest Activities Schedule” if a claim is made for depletion, a 631(a) or 631 (b) timber sale. The 631 (b) is a timber sale (selling the trees, thus someone else owns them when they are sold to a mill) versus a log sale (bucking the trees and selling them under your name). Many woodland owners do not utilize the Form T and have no “issues” with the State or IRS. However, it is prudent to file a Form T as an excellent way to keep accurate records.

For timber sales in 2008, the tax rates are as follows (http://www.oregon.gov/DOR/TIMBER/):

Severance Tax Rates

<table>
<thead>
<tr>
<th>Location</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Oregon</td>
<td>$4.35/MBF</td>
</tr>
<tr>
<td>Eastern Oregon</td>
<td>$3.40/MBF</td>
</tr>
</tbody>
</table>

Forest Products Harvest Tax (FPHT) Rates

Statewide rate $3.59 (Note: The first 25
MBF harvested by an owner each year is still exempt from the FPHT).

Forestland Values

Forestland values cover the 8 forestland classes (FX-FA) for Western Oregon and once class for all of Eastern Oregon. The value table is available at: http://www.oregon.gov/DOR/TIMBER/docs/07-08_forestland.pdf.

A choice between the Forestland Program and the Small Tract Forestland Option remains available to small woodland owners in Oregon. A comprehensive explanation of the choices can be found at the website: http://www.oregon.gov/DOR/TIMBER/STF_option.shtml.

Applications are due to the County Assessor by April 1st of the year woodland owners elect to enter the STF option.

It’s Survival of the Weak and Scrawny

From: Newsweek, 1/3/2009

Researchers see 'evolution in reverse' as hunters kill off prized animals with the biggest antlers and pelts.

Some of the most iconic photographs of Teddy Roosevelt, one of the first conservationists in American politics, show the president posing companionably with the prizes of his trophy hunts. An elephant felled in Africa in 1909 points its tusks skyward; a Cape buffalo, crowned with horns in the shape of a handlebar mustache, slumps in a Kenyan swamp. In North America, he stalked deer, pronghorn antelope, bighorn sheep and elk, which he called "lordly game" for their majestic antlers. What's remarkable about these photographs is not that they depict a hunter who was also naturalist John Muir's staunchest political ally. It's that just 100 years after his expeditions, many of the kind of magnificent trophies he routinely captured are becoming rare.

Elk still range across parts of North America, but every hunting season brings a greater challenge to find the sought-after bull with a towering spread of antlers. Africa and Asia still have elephants, but Roosevelt would have regarded most of them as freaks, because they don't have tusks. Researchers describe what's happening as none other than the selection process that Darwin made famous: the fittest of a species survive to reproduce and pass along their traits to succeeding generations, while the traits of the unfit gradually disappear. Selective hunting—picking out individuals with the best horns or antlers, or the largest piece of hide—works in reverse: the evolutionary loser is not the small and defenseless, but the biggest and best-equipped to win mates or fend off attackers.

When hunting is severe enough to outstrip other threats to survival, the unsought, middling individuals make out better than the alpha animals, and the species changes. "Survival of the fittest" is still the rule, but the "fit" begin to look unlike what you might expect. And looks aren't the only things changing: behavior adapts too, from how hunted animals act to how they reproduce. There's nothing wrong with a species getting molded over time by new kinds of risk. But some experts believe problems arise when these changes make no evolutionary sense.

Ram Mountain in Alberta, Canada, is home to a population of bighorn sheep, whose most vulnerable individuals are males with thick, curving horns that give them a regal, Princess Leia look. In the course of 30 years of study, biologist Marco Festa-Bianchet of the University of Sherbrooke in Quebec found a roughly 25 percent decline in the size of these horns, and both male and female sheep getting smaller. There's no mystery on Ram Mountain: male sheep with big horns tend to be larger and produce larger offspring. During the fall rut, or breeding season, these alpha rams mate more than any other males, by winning fights or thwarting other males' access to their ewes. Their success, however, is contingent upon their surviving the two-month hunting season just before the rut, and in a strange way, they're competing against their horns. Around the age of 4, their horn size makes them legal game—several years before their reproductive peak. That means smaller-horned males get far more opportunity to mate.

Other species are shrinking, too. Australia's red kangaroo has become noticeably smaller as poachers target the largest animals for leather. The phenomenon has been most apparent in harvested fish: since fishing nets began capturing only fish of sufficient size in the 1980s, the Atlantic cod and salmon, several flounders and the northern pike have all propagated in miniature.

So what if fish or kangaroos are smaller? If being smaller is safer, this might be a successful adaptation for a hunted species. After all, "'fitness' is rela-
tive and transitory," says Columbia University biologist Don Melnick, meaning that Darwinian natural selection has nothing to do with what's good or bad, or the way things should be. Tusks used to make elephants fitter, as a weapon or a tool in foraging—until ivory became a precious commodity and having tusks got you killed. Then tuskless elephants, products of a genetic fluke, became the more consistent breeders and grew from around 2 percent among African elephants to more than 38 percent in one Zambian population and 98 percent in a South African one. In Asia, where female elephants don't have tusks to begin with, the proportion of tuskless elephants has more than doubled, to more than 90 percent in Sri Lanka. But there's a cost to not having tusks. Tusked elephants, like the old dominant males on Ram Mountain, were "genetically 'better' individuals," says Festa-Bianchet. "When you take them systematically out of the population for several years, you end up leaving essentially a bunch of losers doing the breeding."

"Losers" tend not to be very good breeders, meaning that this demographic shift ultimately threatens the viability of a species. Researchers also worry that the surviving animals are left with a narrower gene pool. In highly controlled environments, a species with frighteningly little genetic diversity can persist—think of the extremes of domesticated animals like thoroughbred horses or commercial chickens—but in real ecosystems changes are unpredictable. Artificially selecting animals in the wild—in effect, breeding them—is "a very risky game," says Columbia's Melnick. "It's highly likely to result in the end of a species."

At present, researchers' alarm about these trends are based on theories that are hard to prove. To make scientific claims about the effects of hunting on the evolution of a species, researchers like Melnick would need thorough data from animal populations that lived at least several decades ago, which rarely exist. Evolution, it turns out, is a difficult beast to study in real time because it is the product of so many factors—changes in climate, habitat and food supply, as well as gene frequencies—and because it occurs so slowly. Researchers began tracking sheep on Ram Mountain in the early 1970s, corralling the entire population every year to make measurements and trace genealogies. "You cannot really just go out and take data and look for a trend," says Festa-Bianchet. "Even if you find a trend it can be due to environmental changes, to changes in density. You're really trying to tease out the genetic part of the change."

The time scale is one reason that most wildlife departments managing hunting harvests simply count the heads each year and decide how many to let hunters bag without thinking about genes. The most popular method of regulating hunting—restricting legal game to males with a minimum antler size—results in populations overrun with females and inferior males, which is ultimately no service to hunters. "The hunters wish for animals with large antlers and large horns, and yet their actions are making that harder to achieve," says Richard Harris, a conservation biologist in Montana. As a hunter, Harris knows that the outcome of this trend will satisfy no one, the Teddy Roosevelts of the next generation least of all.

From the “Things you never knew about but probably just can’t live without” files:

Water-based Pinecone Fire Starters. These little hummers make colored flames when you burn them in the fireplace or campfire and make a great party trick. They also look cute in a basket until it’s time to do the burning.

Shopping list: Pinecones, a big bucket, tongs, and chemicals (see below)

Each of these chemical make a different colored flame and different chemicals cost more than others. You should only make one color of cone at one time and should never burn different colors together, so there’s no need to buy every chemical.

Yellow flame: Table salt
Yellow-green flame: Borax (sodium tetraborate)
White flame: Epsom salts (magnesium sulphate)
Bright green flame: Alum (thallium)
Bright red flame: Strontium chloride. Used in aquariums.
Deep red flame: Boric acid. Used in soap making (?)

Fill the bucket with half a gallon of hot water. Add a cup of your chemical of choice (ONE ONLY). Soak your pinecones for about 8 hours then fish them out with the tongs and set them aside to dry. Some of the chemicals will stain a countertop so be sure to use lots of newspapers. The pinecones need to dry for at least 3 days before they can be
burned and will need to dry for at least 1 day before you can stick them in a basket and wrap them.

Publications, Websites of Interest

This new series of invasive plants (no cost) is available only on-line at: http://extension.oregonstate.edu/catalog/details.php?search=invasive+weeds+in+forestland.

EC 1592-E. Invasive Weeds in Forestland: Garlic Mustard.
EC 1593-E. Invasive Weeds in Forestland: Gorse.
EC 1596-E. Invasive weeds in Forestland: Knapweeds.
EC 1597-E. Invasive Weeds in Forestland: Knotweeds.
EC 1600-E. Invasive Weeds in Forestland: Yellow Star Thistle.

Woody plant seed manual. If you're interested in collecting your own tree seed for future reforestation projects, here's a link to the ‘Bible’ of seed collection and processing: http://www.nsl.fs.fed.us/nsl_wpsm.html.


The Oregon Explorer Website. http://www.oregonexplorer.info. Oregon State University has launched The Oregon Explorer, a website designed to introduce you to a broad range of natural resource topics which create a foundation for understanding Oregon. The website is filled with links to more detailed examinations of particular issues by other organizations. These pages are not encyclopedic but aim to create a framework of what makes Oregon unique with opportunities for more in-depth exploration.

Log Market Report.

The bad news is that lumber and log prices are in the tank without much hope of improving any time soon. Two mills in the region are currently not buying any logs from private woodland owners and the low prices from those who are buying mean few people are willing to sell their logs. The prices listed represent the range of prices offered by several mills. Actual prices may vary significantly depending on log species, log quality, purchaser and market fluctuations. All prices are given in MBF (thousand board feet).

Douglas Fir (all sizes) $300 - 350
White Fir (all sizes) $250
Ponderosa pine – by log size (inside bark at small end of log)
6-11 inches ~ $220 to 230
12-17 inches ~ $340 to 350
18-23 inches ~ $280-350
24 inches and up ~ $350

For specific information contact:
Boise Cascade 541-962-2045
Kinzua 541-443-5647
Malheur Lumber 541-575-2921
Prairie Wood Prod. 541-575-2811

Global Wood Market News


North America’s Dilemma – Wood Product Commodities in Trouble. Commodity wood products demand and prices in the U.S. continue to sink, much to the discomfort of mills, distributors and retailers alike. ...the question marks that remain about when the bottom will be reached and exactly how further losses will be absorbed by supply chain players are still of significant concern. It is expected that there will be more casualties, as the financial burden will be too difficult to permit all companies to survive this massive market correction.

Here are some examples of where the market is at. Lumber and panel prices are so distressed that it is hard to comprehend how low they have gone:

* Many U.S. south and Canadian dimension lumber and stud prices are approaching the lows reached in 1991.
* Some U.S. West dimension lumber and stud...
prices have inched below the lows seen in 1986.

* Some U.S. South plywood prices are now close to the lows witnessed in 2002, after being very resilient during the market slowdown of the last two years.

* MDF prices are the exception to the rule and are currently at all-time highs.

There are many issues to be considered at this point in the North American market slump. Many producers have few options and seem prepared to protect their market share at a huge financial cost, while wide price spreads indicate aggressive pricing. Also, the rest of the world uses mainly rough sawn lumber in construction, while North American mills mainly produce S4S (surfaced 4 sides) lumber, this limits export opportunities.

And this from the Random Lengths website: WWPA (Western Wood Products Association) scales back forecast for lumber supply and demand.

Western sawmills are experiencing the largest downturn in lumber demand ever recorded, according to the WWPA. The downward trend is forecast to continue through 2009 before beginning to recover in 2010. U.S. lumber demand is expected to finish 2008 at 40.9 billion board feet, the third consecutive annual decline in demand and 36% below the 2005 peak. For 2009, lumber demand is forecast to fall to 35 billion board feet, the lowest annual consumption since 1982. The unprecedented decline in home building was cited for the decline. Traditionally, home building consumes as much as 45% of the lumber used each year.

...Hang on to your hats folks, it's gonna be a rough ride...

**Acquiring and Managing A Community Owned Forest: A Manual for Communities**

Across the country, millions of acres of private forestland are changing hands. Much of this land is at risk of being developed for residential or commercial use, which can cause significant fragmentation of forests and wildlife habitat, and close off local residents access to outdoor recreation opportunities, hunting, forestry and other traditional uses. Economic development, employment and other community benefits may also be imperiled. Increasingly, forward thinking communities are acquiring and maintaining some of these lands, or rights in them, to protect these forests from possible conversion and to manage them as community forests. In addition to keeping forestland intact, community owned forests give residents greater control and self-determination in how their communities grow and develop, keep economic benefits from the land in local hands, preserve and enhance local traditions, and allow the community to invest in long-term resource protection.

This handbook provides a guide for communities interested in establishing a community owned forest. To read the report, go to: http://www.smallwoodnews.com/Docs/PDF/Supply/ Acquiring_and_Managing_a_Community-Owned_Forest.pdf.

**Upcoming Events, Workshops and Classes.**

**Baker County Private Woodlands Association Evening Meeting.** January 22. Speaker: Paul Oester, Union County Extension Forester. Paul will talk about the numerous research projects he has implemented on the 120 acre Obertoeffer OSU research forest in Union County and how that information benefits forestland owners.

**Resource Management Planning.** The RMP will start February 10 in Baker County, February 12 in Grant County. The goal of the Resource Management Planning program is to encourage family forestland owners to develop well-written, useful, management plans for their woodland properties. RMP is a 12-week course that includes indoor and outdoor sessions and covers forest resource inventory techniques, management plan development, and how a plan can help you make sound decisions. You can leave the last session with a well-constructed forest management plan in hand.
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