Autumn Greetings from your Extension Forester!

A big part of my job is to help people solve problems, to find answers you need in search of a positive outcome. I fear there have been far too few good answers or positive outcomes in the wake of the catastrophic storm winds and crashing markets this past year.

Therefore, in this newsletter I feel compelled to continue the theme of trying to make the best of a bad situation. I provide an outlook on markets with a view toward recovery. And I have some tips and reminders on the subject of taxes, and what options we have to reduce tax impacts, especially in light of the economic damage already done. With immediate needs of the season in mind, I address key steps in successful reforestation. Looking forward some more, what can we do about managing risks for the winds of the future?

As we seek to restore the balance, in the forest and at the bank, dare we hope that we have hit bottom? Can we start looking forward to recovery and growth? That is my hope.

In the meantime, keep an eye on the hazards overhead and batten down the hatches for another winter on the North Coast.

All the best to you and your trees this season.

Sincerely,

Glenn Ahrens
Extension Forester
Clatsop & Tillamook Counties
Upcoming Events

December 6  9:00 A.M. – 3:30 P.M. Diversifying Income Opportunities on Small Woodlands-Portland
Portland Community College, Rock Creek Campus 17705 NW Springville Rd.
Registration required, for more information, contact Erica Stokes at (503) 238-4775 or go to http://www.nnrg.org/news-events/events/12-6-diversifying-income-opportunities-on-small-woodlands-west-multnomah

December 10  6:00 - 8:00 P.M. Key Steps for Successful Reforestation- Astoria
In spite of diligent effort to plant trees after harvesting, woodland owners may be at risk for costly regeneration failure or poor plantation performance. Participants will learn key reforestation principles and techniques based on recent research and operations. Conference Room 231, 2001 Marine Drive.
Call (503) 325-8573 to register.

December 11  6:00 - 8:00 P.M. Key Steps for Successful Reforestation-Tillamook
Extension Conference Room 2204, Fourth Street
Call (503) 842-3433 to register

January 13  6:00 - 8:00 P.M. Assessing and Managing your forest for the winds of the future- Astoria. Presentation on the state of knowledge in assessment and management of wind risk from forests around the world. Participants share their experience and discuss management options based on local forest and wind conditions. Conference Room 231, 2001 Marine Drive.
Call (503) 325-8573 to register

TIES TO THE LAND: Keeping Family Forests and Farms in the Family

Many forest or farm landowners want to preserve their family lands but don't know how to involve family members in ownership and operation of their land-based businesses. Succession Planning --- the human side of Estate Planning---focuses on ways to maintain family ties to the land from generation to generation, building awareness of key challenges facing family businesses and motivating families to address those challenges.

OSU has developed a 5-hour workshop offering a mix of presentations and practical exercises to help families develop techniques needed to address tough issues. This is a DVD-based workshop featuring presentations by Clint Bentz (CPA, Boldt Carlisle & Smith, and Chairman, American Tree Farm System) and Mark Green (Director, Austin Family Business Program at Oregon State University), with live classroom activities conducted by local facilitators. Each participating family receives a copy of the Ties to the Land workbook & companion DVD, which are designed to help families continue to improve and direct their communications at home. More information about succession planning is available on the Ties to the Land web site, http://www.familybusinessonline.org/resources/ttl/home.htm

If you are interested in a Ties to the Land workshop, call the OSU Extension Office in Astoria at (503) 325-8573 by December 5 to get on the list of interested families – sessions will be scheduled based on the best available date for those who sign up.
Log Price Slump Similar to 1980’s

A look at Douglas-fir and western hemlock log price trends over the last 30 years shows that the very poor market conditions now are about as bad as the major timber slump of the 1980’s. Prices have declined drastically since 2006 and the current trend continues downward. Red alder has been the bright spot after 6 years of trending upward, but prices for red alder logs also declined over the last year.

Log Price Trends - NW Oregon
yearly averages adjusted for inflation to 2007 $

For many forest owners it’s a case of “don’t sell timber if you don’t have to.” Landowners trying to make the best of storm damaged timber are in an increasingly difficult situation. At best, net proceeds from salvage logging hemlock, spruce, and Douglas-fir are 30-50% of what we expected with better prices just 2 years ago. And in many cases it’s a net cost to log wind-damaged trees scattered across a parcel. It has also been difficult for logging operators to predict costs to log blowdown.

The only comfort in looking at market trends is that historically, prices do go back up and we have reason to expect that again within a few years. Demand for lumber should go up again within a few years due to several key factors, as I learned from a recent presentation on Forest Sector Trends and Global Market Issues (Eric Hansen, OSU Extension Forestry, Wood Science & Engineering, 9/11/08). Here is the scenario:
The market for logs and lumber is generally linked to home construction and remodeling. After we emerge from the current market meltdown, population growth and increasing needs for housing will reassert themselves and drive home-construction back up. Projections indicate that housing starts will trend sharply upward after 2009 and be near peak levels again within 5 years (see graph below). Within just a few years, we may be looking at short supplies of lumber due to reduced domestic mill capacity along with major shifts in global wood supply sources. In particular, changing policies in Russia are expected to greatly reduce Russian exports, which have been 40% of global wood exports.

![U.S. Housing Starts historic and projected](image.png)

Source: U.S. Census [http://www.census.gov](http://www.census.gov) and APA the Engineered Wood Association

**Marketing Your Forest Products**

For information on recent log prices, visit the Oregon Department of Forestry Log prices webpage: [http://egov.oregon.gov/ODF/STATE_FORESTS/TIMBER_SALES/logpage.shtml](http://egov.oregon.gov/ODF/STATE_FORESTS/TIMBER_SALES/logpage.shtml)

There are several useful websites to help you find markets and buyers. First is the Oregon Forest Industry Directory on the internet at [http://www.orforestdirectory.com/](http://www.orforestdirectory.com/)

Another good Forestry Extension webpage is the resources for selling timber site at [http://www.cof.orst.edu/cof/extended/extserv/resources.php](http://www.cof.orst.edu/cof/extended/extserv/resources.php)

If you do not use the internet, feel free to call the Extension Office and ask me for help to search these send you the results.
Reforestation – Keys to Success

I spent many years in the field studying the survival and growth rates of tree seedlings under a wide range of out-planting conditions. I learned how much can go wrong for little trees and how important it is to invest the effort to ensure success. Of course many of you have even more experience with growing trees and the risks involved. But if in doubt, here are the important basic principles along with some incentives to consider in reforestation:

Success at reforestation usually requires diligent attention to:

- **Site preparation** – ensuring planting access, good planting spots, and control of competing vegetation.
- **Seedling selection and acquisition** – acquiring the right species, high-quality seedling stock to match your site conditions.
- **Seedling handling and outplanting** – appropriate care and planting practices.
- **Plantation maintenance and protection** – continued control of competing vegetation and protection from animal damage.
- **Readiness to pay the costs** – costs can range from $300-$1,000 per acre or equivalent effort to ensure success, depending on site specifics and your goals for seedling performance.

If you are thinking you can succeed at reforestation with minimal cost and effort (which may be possible in some cases) why invest more?

- Because seedling performance and future value can be many times greater if you do.
- Because if you fail at reforestation, the cost is many times higher to establish trees in 6-year old brush.

To help you pay the cost of more intensive effort to ensure reforestation success, several incentives may be of use, including the Environmental Quality Incentives Program and the Underproductive Lands Reforestation Tax Credit (see Forestry Assistance and Incentive Opportunities later in this newsletter).

For more information see the catalog of Extension Publications under Forestry and Wood Processing and find Reforestation publications on the web at http://extension.oregonstate.edu/catalog/

In particular, see the publication EC 1498 Successful Reforestation: An Overview http://extension.oregonstate.edu/catalog/pdf/ec/ec1498.pdf

**Seedling Availability**

Storm salvage logging is generating a relatively large acreage needing reforestation on the North Coast. My inquiry to a sampling of forest tree nurseries indicates that seedlings of some major species are still available. But you may not find exactly what you want this year if you don’t already have a contract; larger orders (10,000 plus) may be hard to fill.

Two good sources of information on seedling availability are:
1) ODF’s Sources of Forest Nursery Seedlings, on the web at http://egov.oregon.gov/ODF/PRIVATE_FORESTS/docs/2005catalog.pdf


And you can always call the Extension office or Oregon Department of Forestry to inquire about sources of tree seedlings.

As you probably know, forest protection laws require reforestation after harvesting of timber (except in special cases such as conversion to non-forest). Several million trees are planted in Clatsop and Tillamook Co. each year for reforestation purposes. With all the salvage logging on the North Coast this past year, reforestation needs will be even higher than normal. **If you need to plant trees this year, it is important to order seedlings ASAP if you haven’t already.**

**Managing Trees and Forests for the Winds of the Future**

Whether or not you were in the disaster zone, the catastrophic wind of 2007 should focus your attention on wind risk in the forest. We learned the hard way what happens to trees in hurricane force winds and we will be cautious about tall trees with such extremes in mind. But it is also important to realize that there is much we can do in managing forests and home landscapes for the endemic winds – the storms we expect every year or every few years.

There is little we can do to keep tall trees standing under hurricane force winds (75 to 100+ mph). To manage trees for the next catastrophic windstorm, it’s a matter of understanding the risks and deciding where to draw the line in allowing large trees to develop in proximity to vulnerable habitations and other property.

Of course the December 2007 storm identified our high-risk sites for us within a relatively narrow zone area of impact. Keep in mind that the Columbus Day storm of 1962 showed us that this can happen over a much broader area.

I found a great deal of research and documentation into assessment and management of wind risk in forests around the world including the Pacific Northwest. But more work is needed to develop detailed guidance here on the North Coast.

Generally, the first step in managing wind risk is an evaluation of your forest or trees based on key factors influencing windthrow hazard. A general hazard evaluation guide is illustrated in the table below.

<table>
<thead>
<tr>
<th>WIND FORCE FACTORS</th>
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<tbody>
<tr>
<td><strong>HIGH HAZARD</strong></td>
</tr>
<tr>
<td>topographically exposed locations: crests, saddles, upper slopes etc.</td>
</tr>
<tr>
<td>boundaries on the windward edge of a stand</td>
</tr>
<tr>
<td>tall trees</td>
</tr>
<tr>
<td>large dense crowns</td>
</tr>
<tr>
<td><strong>LOWER HAZARD</strong></td>
</tr>
<tr>
<td>topographically protected locations</td>
</tr>
<tr>
<td>boundaries on the lee edge of a stand</td>
</tr>
<tr>
<td>short trees</td>
</tr>
<tr>
<td>small open crowns</td>
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Wind Hazard Evaluation Guide (continued)

<table>
<thead>
<tr>
<th>RESISTANCE TO OVERTURNING OR BREAKAGE</th>
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<tbody>
<tr>
<td><strong>HIGH HAZARD</strong></td>
</tr>
<tr>
<td>trees with low taper and no butt flare</td>
</tr>
<tr>
<td>height to diameter ratio &gt; 90</td>
</tr>
<tr>
<td>shallow rooting or shallow soils (&lt;0.4m)</td>
</tr>
<tr>
<td>root rot areas</td>
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<tr>
<td>Poorly drained soils</td>
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</tbody>
</table>

**OTHER FACTORS**

<table>
<thead>
<tr>
<th></th>
<th><strong>HIGH HAZARD</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>moderate to extensive natural windthrow present</td>
<td>no natural windthrow present</td>
</tr>
<tr>
<td>on site or on similar adjacent cutting boundaries</td>
<td>on site or on similar adjacent cutting boundaries</td>
</tr>
<tr>
<td>pit and mound micro-topography</td>
<td>no evidence of pit and mound microtopography</td>
</tr>
</tbody>
</table>

Adapted from Windthrow Handbook for BC Forests, Stathers, Rollerson, and Mitchell 1994

The basic tree, stand, and site conditions above are more important than species alone for determining wind hazard. Other factors being equal, deciduous trees – Alder, Maple, and Cottonwood - are less prone to wind compared to evergreen conifers. Due to lack of leaves during winter storm season and generally lower crown density providing less of a “sail” in the wind. Among the conifers, western redcedar and Douglas-Fir are probably most resistant to wind. Sitka Spruce may be intermediate. Less resistant species are Western Hemlock and Shore Pine.

Once you have an assessment of windthrow hazards, how do you manage forests to minimize the risk? There are two basic and contrasting alternatives:

1) Establish trees at relatively low densities and maintain low density by thinning – in order to develop and maintain stable trees, prevent the stands from ever getting too dense. This also maintains more options for continued management.

or

2) Develop and/or maintain higher density stands with inter-tree damping – avoid excessive opening of dense stands and design stand edges or boundaries to prevent sudden exposure. Options are limited to either very light thinning or clearcutting.

Of course younger, shorter trees are generally safer in the wind. And it is in the early stages that we have our best opportunity to cultivate characteristics that minimize wind risk - healthy trees, undamaged root systems, adapted to the site, and acclimated to the site wind environment.

When you know harvesting will expose new edges to the wind, sometimes you can minimize risk via:

- Smooth boundaries – rough or jagged edges of stands are more vulnerable to wind damage.
- Placement of clearcut boundaries sheltered from or parallel to prevailing storm winds.
- Reducing the canopy at the exposed edge by pruning and even topping to reduce abruptness of the edge.
Look for future educational events and information resources to be developed on wind and trees for the North coast.

Taxes on Forestland and Timber
As the year comes to a close (and your property tax bills appear in the mail), tax issues may be on your mind.

Any time you harvest timber and generate revenue, it will trigger the need to calculate your net income and pay any taxes due. With salvage logging, many owners were forced to harvest in 2008 and the time for accounting is coming up. Taxes may include the forest products harvest tax, income tax, and in some cases severance tax (if you applied for the Small Tract Forestland Option after 2002).

If you have not harvested timber, you may want to consider these tax topics in order to be prepared for harvest in the future.

Establish Your Basis in Timber

Understanding timber BASIS and how it works can potentially save thousands of dollars in taxes. The concept of BASIS is fundamental to calculating a forestland owner’s income tax liability after a timber harvest. Your basis in timber is the amount of money you originally invested in the timber portion when you purchased your property, adjusted by any depletion (harvest or loss) since the time of purchase. The best time to establish your basis is right when you acquire the timber. You can also retroactively establish basis. Assistance from a professional forestry consultant and/or appraiser may be needed to determine timber volume and values for establishing your timber basis.

A good, detailed explanation of BASIS is provided in the recently published DVD from OSU Extension, EM 8941 Forestland Taxes: the Importance of Establishing BASIS (order online at http://extension.oregonstate.edu/catalog/ or call the Extension office). Also refer to the publication EC 1526 Federal Income Taxation for Woodland Owners: An Overview http://extension.oregonstate.edu/catalog/pdf/ec/ec1526.pdf

The option to defer taxes on Involuntary Conversion income is probably the most likely tax relief for landowners who suffered significant storm damage to their timber. If you salvaged blowdown and the proceeds of the salvage sale are greater than your adjusted basis, you have a taxable gain. For tax purposes, this is an Involuntary Conversion. You have the option to defer taxes on any of the gain from Involuntary Conversion that you re-invest in timber such as:
- Reforestation of timberland
- Purchase of new timberland
- Purchase of stock in timber corporations
To do this, you have 2 years from the end of the first tax year in which the gains were received.

Casualty Loss

While it is an economic loss when the wind blows down your trees and you salvage only a fraction of the pre-disaster timber value, a tax deduction for this loss is rare. In some cases, a Casualty Loss tax deduction can be made for reductions in value to trees or timber due to a windstorm or other sudden, unexpected event. A casualty loss is the smaller of:
A. the loss computed as the difference between fair market value immediately before and immediately after the casualty

\textit{versus}

B. the adjusted basis of timber

For woodland owners, it seldom works out to be a significant tax deduction. It is challenging to document the loss and the adjusted timber basis is often relatively low (especially if the property was acquired many years ago). However, if your timber had a large adjusted basis, and you suffered significant casualty loss, it may be worth pursuing a casualty loss deduction. Generally the loss must be deducted in the year of the disaster, but an amended return may be possible. Consult a professional tax advisor if you want to look into this.

\section*{Fire Protection Costs Increase}

You may notice an increase in the Fire Patrol Assessments and Surcharges on your property tax statement. According to the Oregon Department of Forestry, these increased taxes are due to increased costs to fight large fires. The Oregon Legislature enacted House Bill 3044A which raised the tax rates to cover these costs. Over the past three fire seasons ODF has battled 14 large fires that have cost over $1 million dollars each. In that time the Oregon Forest Land Protection Fund has only taken in $8 million. This has created a deficit and a loan was granted to ODF in the amount of $5 million from the State Treasury to repay the outstanding amount. This was a one time loan which is to be paid back in one year. This is the reason for the higher rates. When the fund recovers to a maximum ceiling the surcharge rates will be reduced or removed from your tax statement. Further explanation is available from ODF.

For more information on timber income taxes, visit the National Timber tax website \url{http://www.timbertax.org/}

For more information on Oregon Forestland Taxes including property tax and forest product harvest tax, visit the Oregon Department of Revenue timber tax site at \url{http://www.oregon.gov/DOR/TIMBER/}

\section*{Forestry Assistance and Incentive Opportunities for 2009}

There are a variety of assistance, incentive, and cost-share opportunities aimed at helping landowners enhance natural resources with social, environmental, and economic importance. The level of funding and assistance varies from year to year, but it looks like there are many opportunities available starting in 2009. If you have any interest in these, its important to know your goals, learn about specific options, and get signed up where appropriate to “get in line” for available funding.

For information on the full range of incentive programs available, refer to the Extension publication on \textit{Incentive Programs for Resource Management and Conservation} EC1119 \url{http://extension.oregonstate.edu/catalog/pdf/ec/ec1119.pdf}

\section*{Helping People Help the Land}
By Shannon Daniels, Natural Resources Conservation Service

The new 2008 Farm Bill has passed in Congress: The Food, Conservation and Energy Act of 2008. In it conservation programs have been expanded to include forest management. Natural Resources Conservation Service (NRCS) offers conservation practice incentives to forest landowners who want to manage their forests according to the Forest Practices Act. Our incentive payments can help you take that extra step to sustain and manage your resources.

Is it time for you to pre-commercially thin? Do you need to replant after the last 2 winter’s storms? Do you want to plant a diversity of tree species on your forestland? Does your riparian area need to be enhanced or broadened? Are you being overrun by weeds and brush? We can help you achieve your management goals.

Please call Shannon Daniels in Clatsop County: (503) 842-2848 x 109, Don Melhoff in Columbia County: (503) 397-4555 x 105, Mitch Cummings in Tillamook County: (503) 842-2848 x 107.

**Forest Stewardship Planning**

One useful incentive is the funding available to help you get your forest stewardship plan written. A written forest management plan is increasingly important for 1) marketing products from your forest, 2) documenting your forest management actions and direction for your own purposes, and 3) qualifying for incentive programs. Up to 75% of the cost of a written plan can be paid by the incentive program. Call your Oregon Department of Forestry Stewardship Forester or the Extension office for more information on Stewardship Plans.