

# Forests: Profits concentrated in small number of companies

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collects a smaller share of logging profits than Washington state or California.

If Oregon taxed timber owners the same as its neighbors, which are also top lumber producers with many of the same companies, it would generate tens of millions of dollars more for local governments.

Timber once employed 1 in every 10 working Oregonians and pumped over \$120 million per year into schools and county governments through severance and property taxes. Now, it employs 1 in every 50 working residents and pays about \$24 million in severance and property taxes that go directly back to communities.

The profits are concentrated with a small number of companies controlled by real estate trusts, investment funds and wealthy timber families. Small timber owners, who grow forests that are older and more biologically diverse than what corporate owners manage, have sold off hundreds of thousands of acres.

In western Oregon, at least 40% of private forestlands are now owned by investment companies that maximize profits by purchasing large swaths of forestland, cutting trees on a more rapid cycle than decades ago, exporting additional timber overseas instead of using local workers to mill them and then selling the properties after they've been logged.

Such intensive timber farming contributes to global warming because younger trees don't store carbon dioxide as well as older ones. It also relies heavily on the use of herbicides and fertilizers, magnifies drought conditions and degrades habitat for wildlife such as threatened salmon and native songbirds.

Jerry Anderson, region manager for Hancock Forest Management, one of the largest timber investment companies in Oregon, said local



A few trees are left behind after a clearcut in an industrial forest in the Coast Range.

leadership makes decisions about the best practices for the land despite responsibilities to investors.

"There's nobody from outside this area that has come in and told us what to do on these individual plantations. Those are local decisions," said Anderson, who has been managing land in Polk County under various companies for the past 40 years. The last eight years have been with Hancock. "I think our decision-making is very measured."

In investor materials, Hancock, which belongs to the publicly traded, \$25 billion Canadian Manulife Financial, says that it is well-equipped for the shift from managing natural forests to plantations of trees designed to grow as fast and as straight as possible, like arrows jutting out from the ground.

From a distance, tree plantations can be confused for natural forests. Oregon vistas still boast hundreds of thousands of acres of green tree-tops. But, on the ground, plantations of trees crammed together are often eerily barren, devoid of lush vegetation and wildlife.

Former Oregon Gov. John

Kitzhaber said that he and his advisers were alarmed by the shift toward investor-driven forestry during his last of three terms in office. By then, forest ecologists, the U.S. Forest Service and even a former chief investment officer for Hancock had published papers warning that investor-driven forestry was ecologically damaging and less capable of sustaining rural communities.

"They have a completely different business model," Kitzhaber, a Democrat, said.

Kitzhaber, who received nearly \$200,000 in contributions from timber-connected donors while in office, supported multiple industry-backed measures during his tenure. He led a plan to save Oregon's salmon that relied on voluntary measures from timber companies instead of regulations, and he signed into law a massive tax cut for the industry that's still felt in many counties.

"The current state isn't

working," Kitzhaber said in an interview. It may benefit investors, he said, "but it's not working for small mill owners. It's not working for rural communities. They don't have any control of their future."

## A forest town surrounded by corporate trees

From his favorite spot on a hill near Falls City, Ed Friedow can see what he refers to as the big picture: the Oregon Coast, rolling hills, a national forest and industrial lands now managed mostly by timber investment companies.

Friedow, a logger who grew up on a farm outside of town, watched as smaller timber companies from his childhood closed in the aftermath of the spotted owl protections, leaving control of the industry with larger companies that were more equipped to scale production.

"All of a sudden, it was just like a takeover situation,"

Friedow said.

At the same time the changes were happening in Oregon, the timber industry was emerging from a nationwide recession that caused widespread bankruptcies in the 1980s. Many debt-laden companies began selling off forestlands. Meanwhile, changes in the federal tax code made timber an attractive investment that wouldn't crash with the stock market.

Under federal tax law, pension funds and other investors can acquire forestlands without paying the corporate taxes incurred by traditional timber companies that mill their own products. Those corporate taxes can reach 35%. Investors in the company instead pay a capital gains tax closer to 15%.

In the 1990s, as federal logging plummeted, timber prices skyrocketed, making those investments look even smarter, said Brooks Mendell, president of the forest investment consultancy Forisk.

"Overnight, private landowners had something that became more valuable," Mendell said.

Investors jumped at the opportunity to own timber, and existing companies like Weyerhaeuser restructured to take advantage of the tax breaks. The longtime Seattle-based timber company converted into a real estate investment trust in 2010.

Timber investment companies, a rarity in the 1990s, now control a share of the forestland in western Oregon roughly the size of Delaware and Rhode Island combined.

Weyerhaeuser, the largest of such companies, has more than doubled its size in western Oregon over the past 15 years, the investigation by the three news organizations found. The company owns more than 1.5 million of western Oregon's 6.5 million acres of private forestland.


Despite its growth, Weyerhaeuser employs fewer people than it did two decades ago and has shed most of its mill operations. It has three wood products facilities in Oregon and directly employs about 950 people, fewer than a quarter of the 4,000 employees the company listed in a 2006 news release. The decrease stems from factors that include consolidation and automation of jobs in mills.

Just outside of Falls City, Weyerhaeuser owns roughly 21,000 acres. The company controls the road into the forest that leads to public lands and the land surrounding the creeks that supply the town's drinking water. In 2006, the city temporarily shut down its water treatment plant because it was clogged with muddy runoff from logging operations.

Weyerhaeuser spokesman Karl Wirsing said the company remains a good partner to local communities. In the past five years, the company has donated nearly \$1.6 million across the state, including \$10,000 to the Falls City Fire Department and \$16,000 to the Polk County sheriff to help fund a new position that also patrols private forestlands.

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*We hope everyone is doing well!*

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