



Changing Forest Ownership in Michigan



Sault Ste. Marie, MI, USA
31 March - 1 April 2009



Larry Leefers
Department of Forestry
Michigan State University

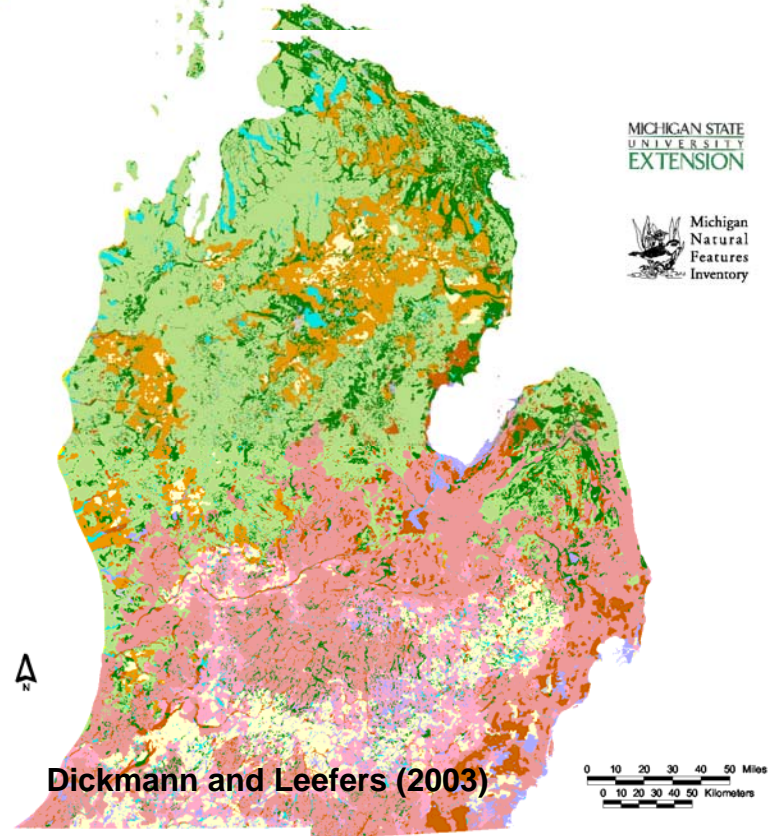
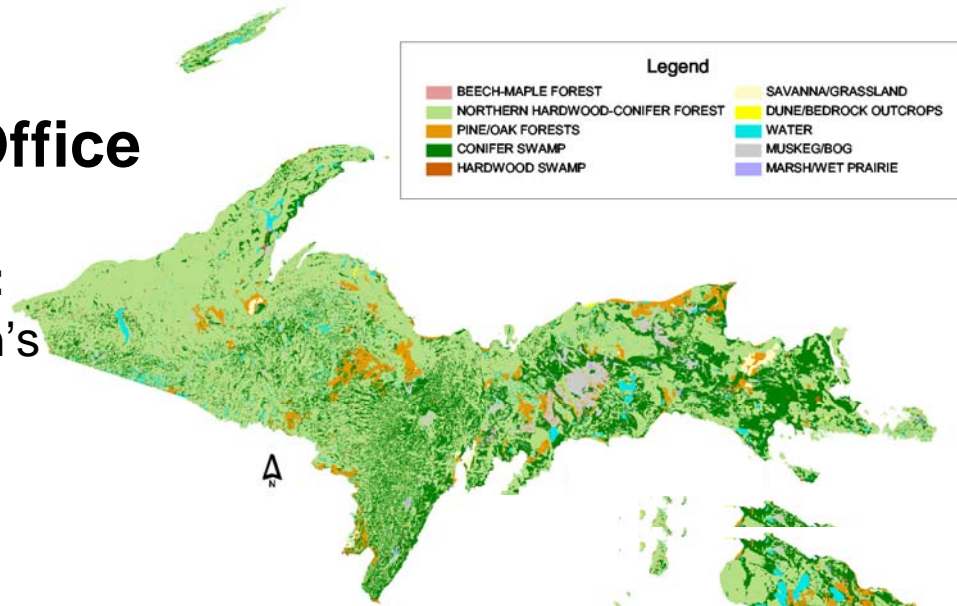


Acknowledgments

- **MiSAF**
- **LPI**
- **PAL**
- **USDA-FS, NCRS**
- **University of Wisconsin**
- **MNFI-MSUE**
- **University Archives and Historical Collections**
- **Department of Forestry, MSU**
- **Dr. Don Dickmann**
- **Dr. Randy Schaetzl**
- **Mr. Chris Miller**
- **Dr. Robert Froese**
- **Dr. Karen Potter-Witter**
- **Dr. Brett Butler**

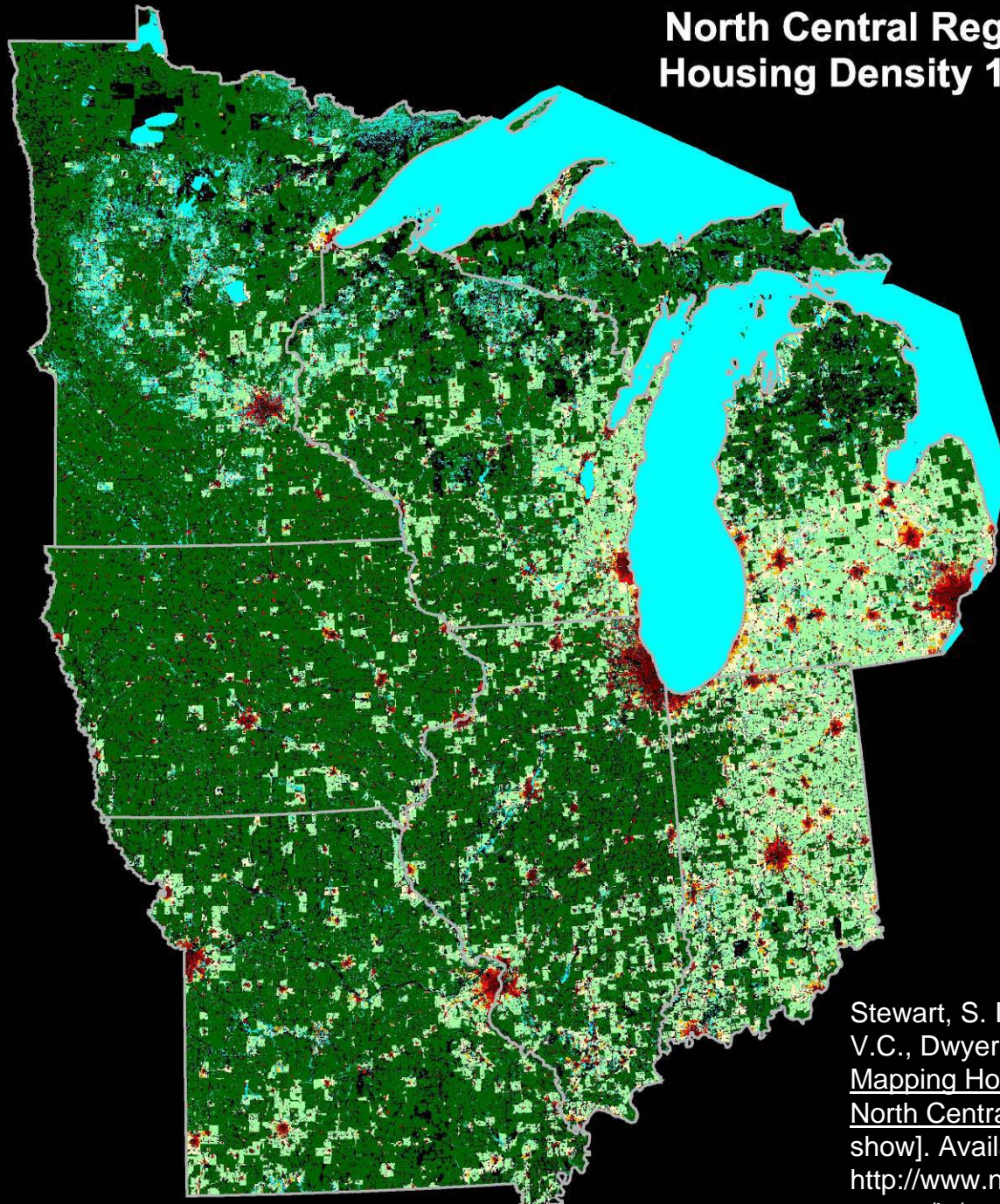
General Land Office

Comer & Albert 2009:
Atlas of Early Michigan's
Forests,
Grasslands, and
Wetlands



North Central Region Housing Density 1940

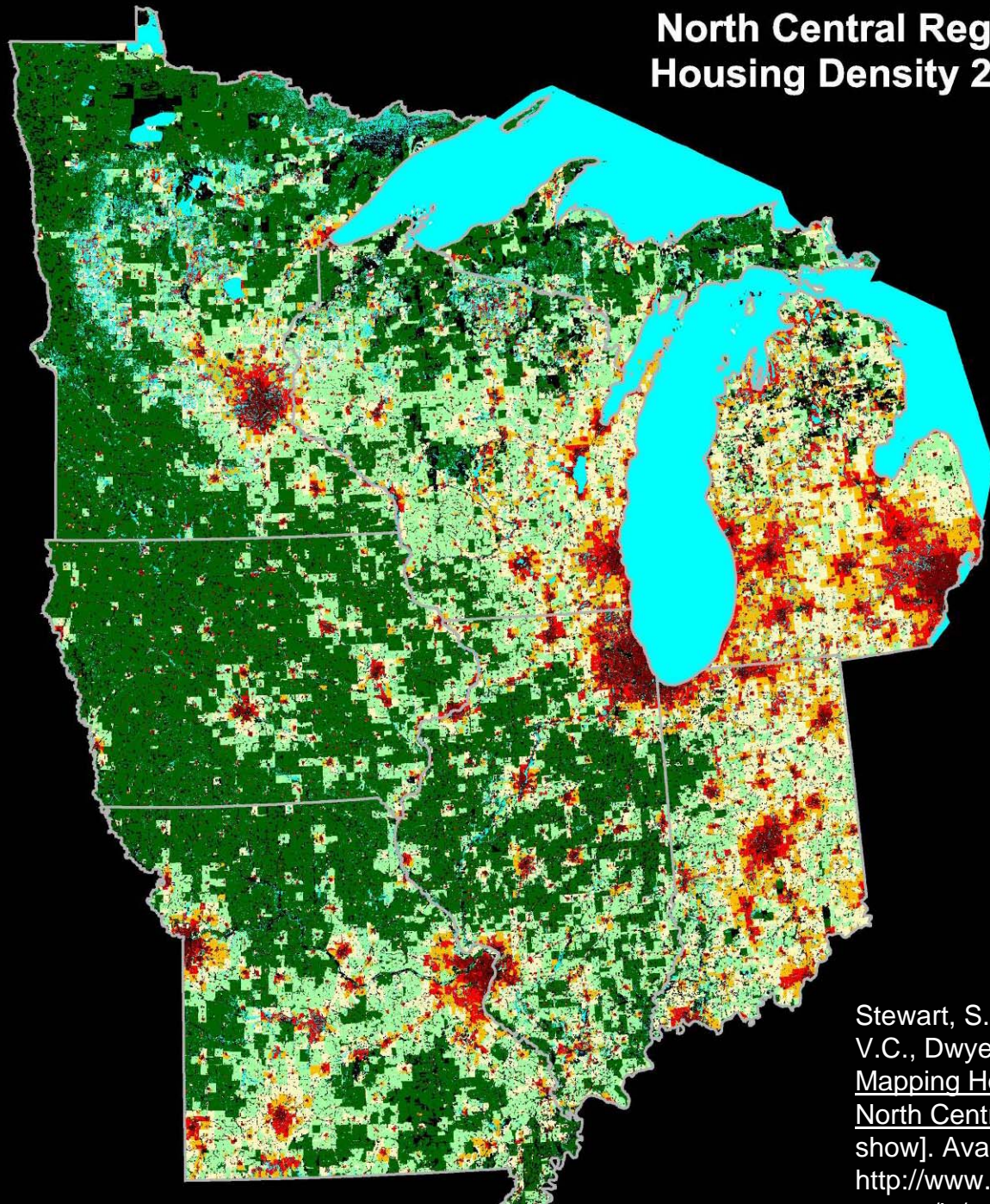
Housing Units
per Sq. Km.



Stewart, S. I., Hammer, R.B., Radelo
V.C., Dwyer, J.F., & Voss P.R. 2003.
Mapping Housing Density across the
North Central U.S., 1940-2000 [Slide
show]. Available:
<http://www.ncrs.fs.fed.us/IntegratedP>

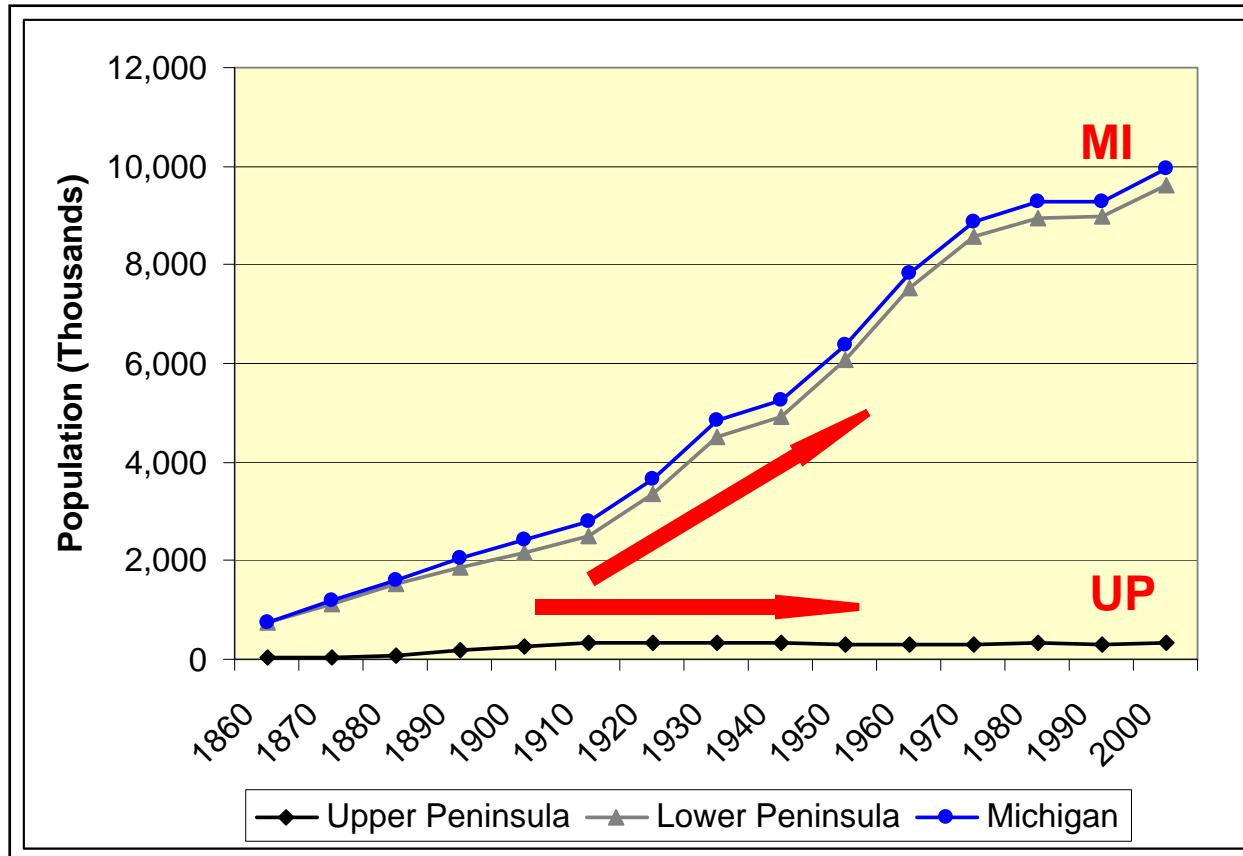
North Central Region Housing Density 2000

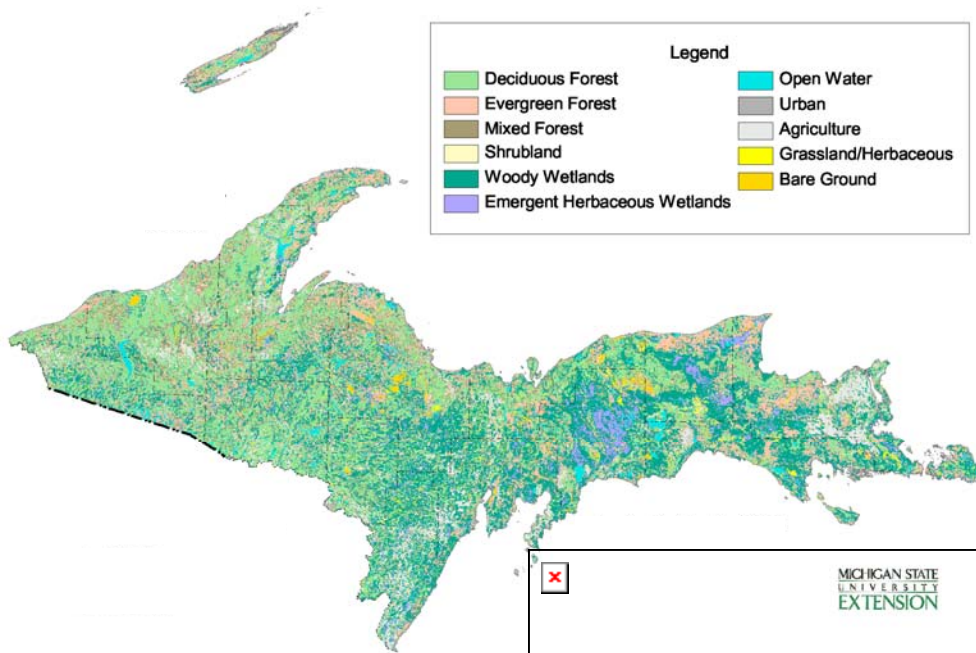
Housing Units
per Sq. Km.




Stewart, S. I., Hammer, R.B., Radelo
V.C., Dwyer, J.F., & Voss P.R. 2003.
Mapping Housing Density across the
North Central U.S., 1940-2000 [Slide
show]. Available:
<http://www.ncrs.fs.fed.us/IntegratedP>

Total Population, Michigan and the Upper Peninsula, 1860-2000.





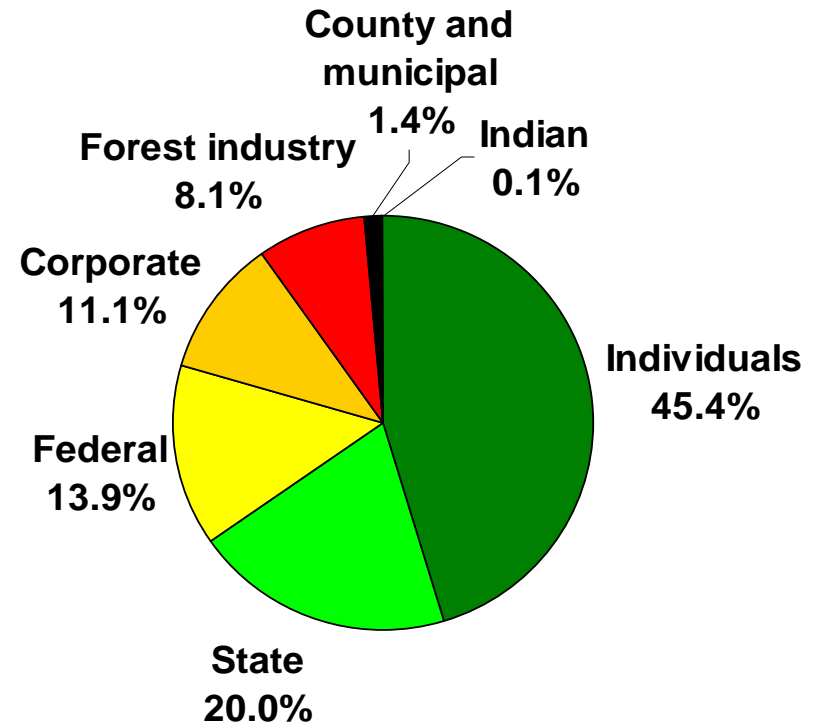
2001

 MICHIGAN STATE UNIVERSITY EXTENSION

Dickmann and Leefers (2003)

Timberland Ownership, 1993

- Individuals (NIPF) =
8.4 million acres
- Forest Industry =
1.5 million acres
- Corporations =
2.1 million acres
- **TOTAL PRIVATE =
12 million acres**
- **TOTAL PUBLIC =
6.6 million acres**



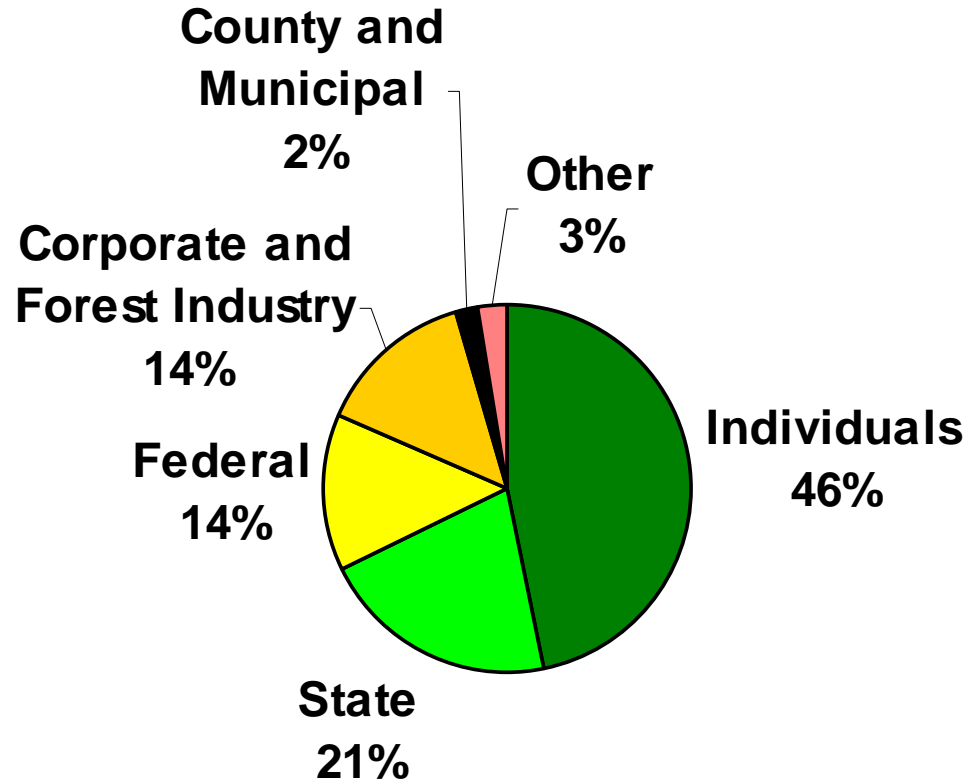
Timberland Ownership, 2006

- Individuals (NIPF) =
8.9 million acres

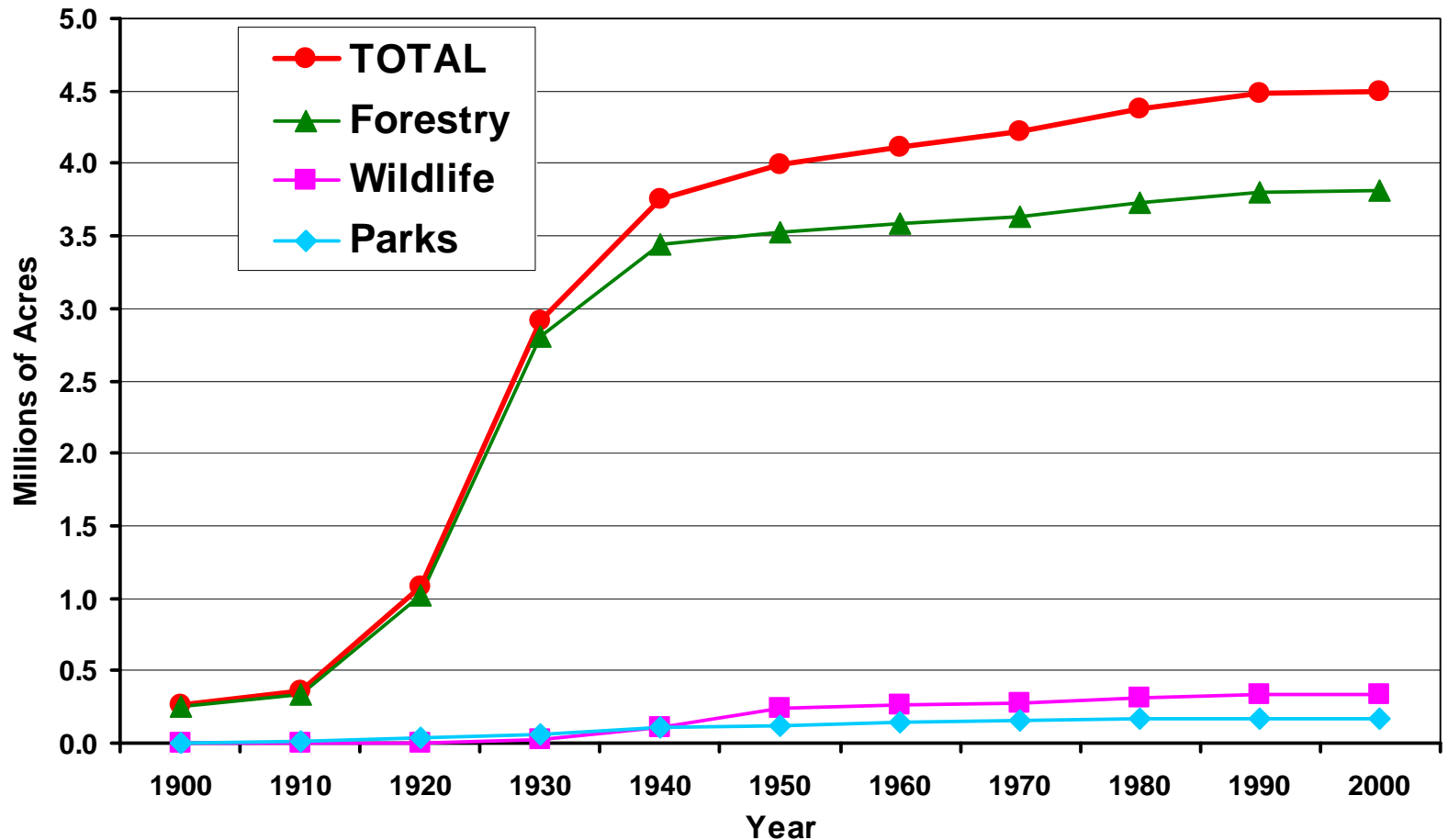
- **Corporations &
Forest Industry =
2.6 million acres**

- **TOTAL PRIVATE =
12 million acres**

- **TOTAL PUBLIC =
6.7 million acres**



Michigan State Lands, 1900-2000







MICHIGAN PUBLIC LANDS

PLATE 14

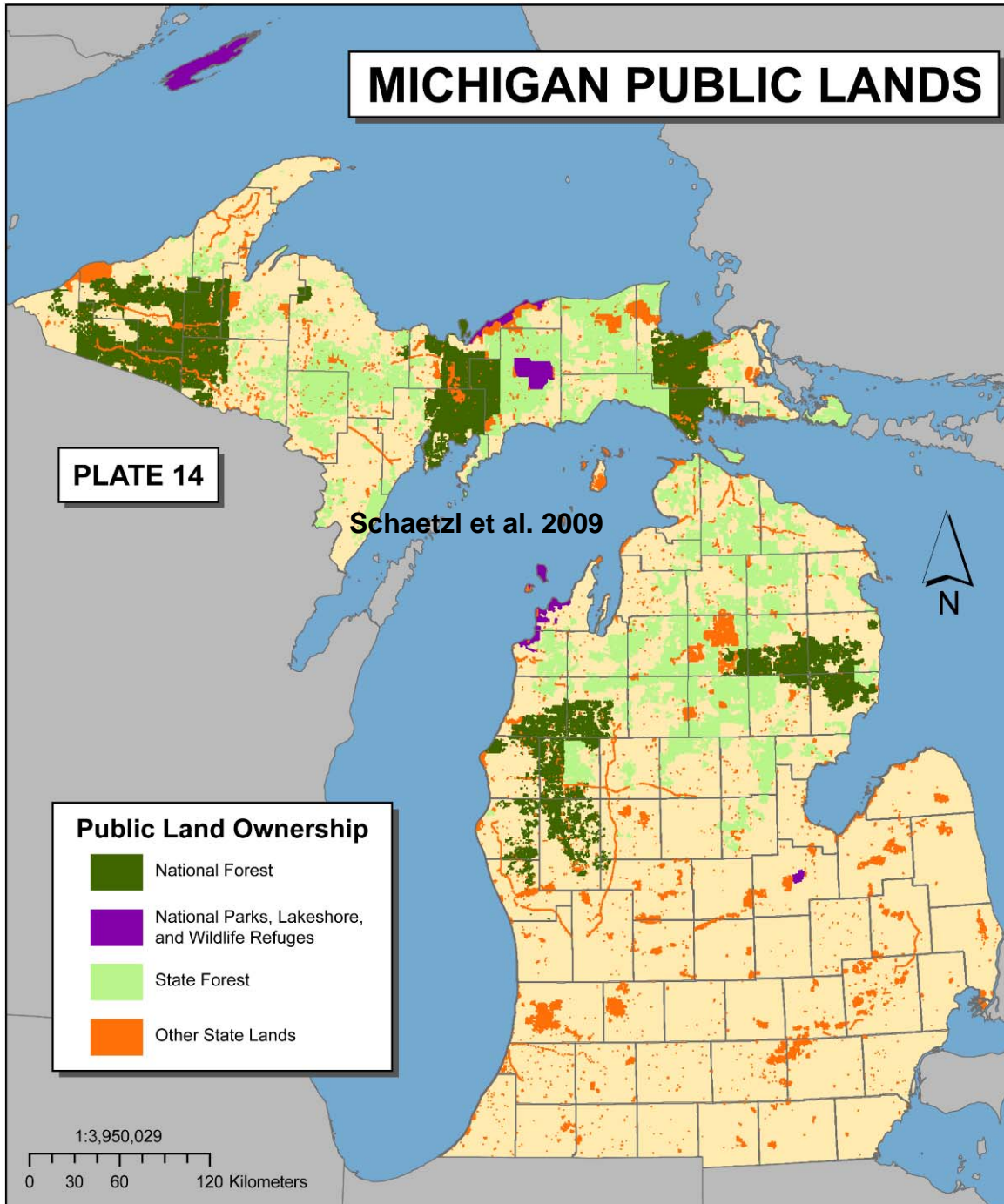
Schaetzl et al. 2009

Public Land Ownership

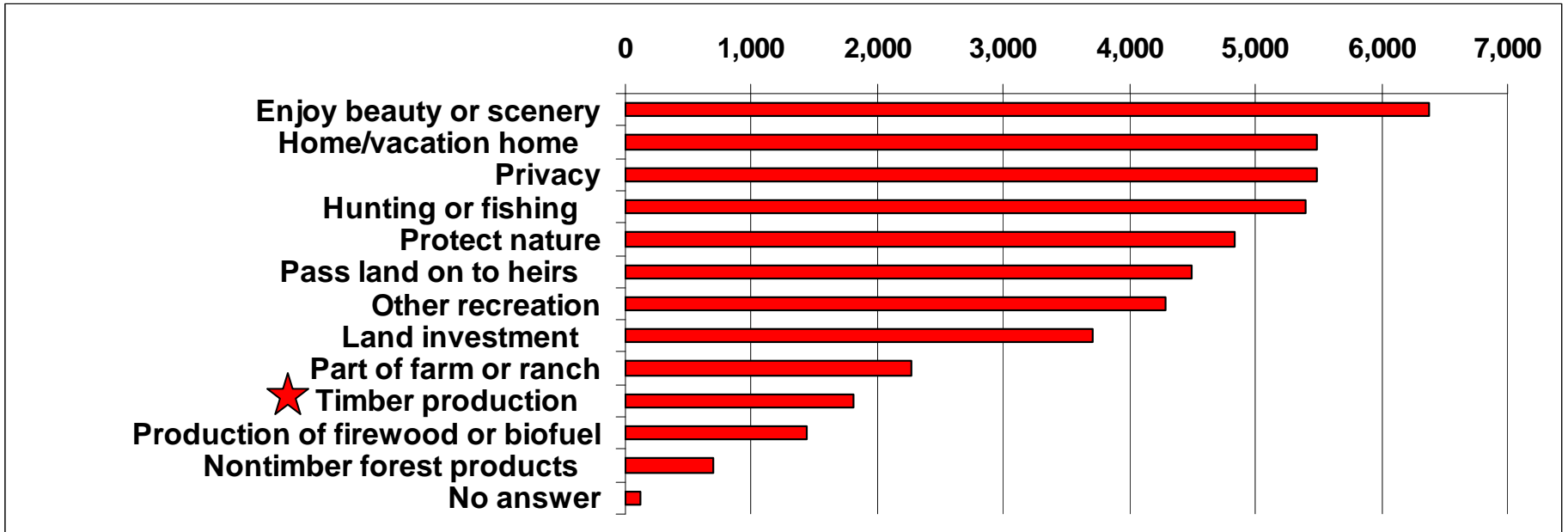
-  National Forest
-  National Parks, Lakeshore, and Wildlife Refuges
-  State Forest
-  Other State Lands

1:3,950,029

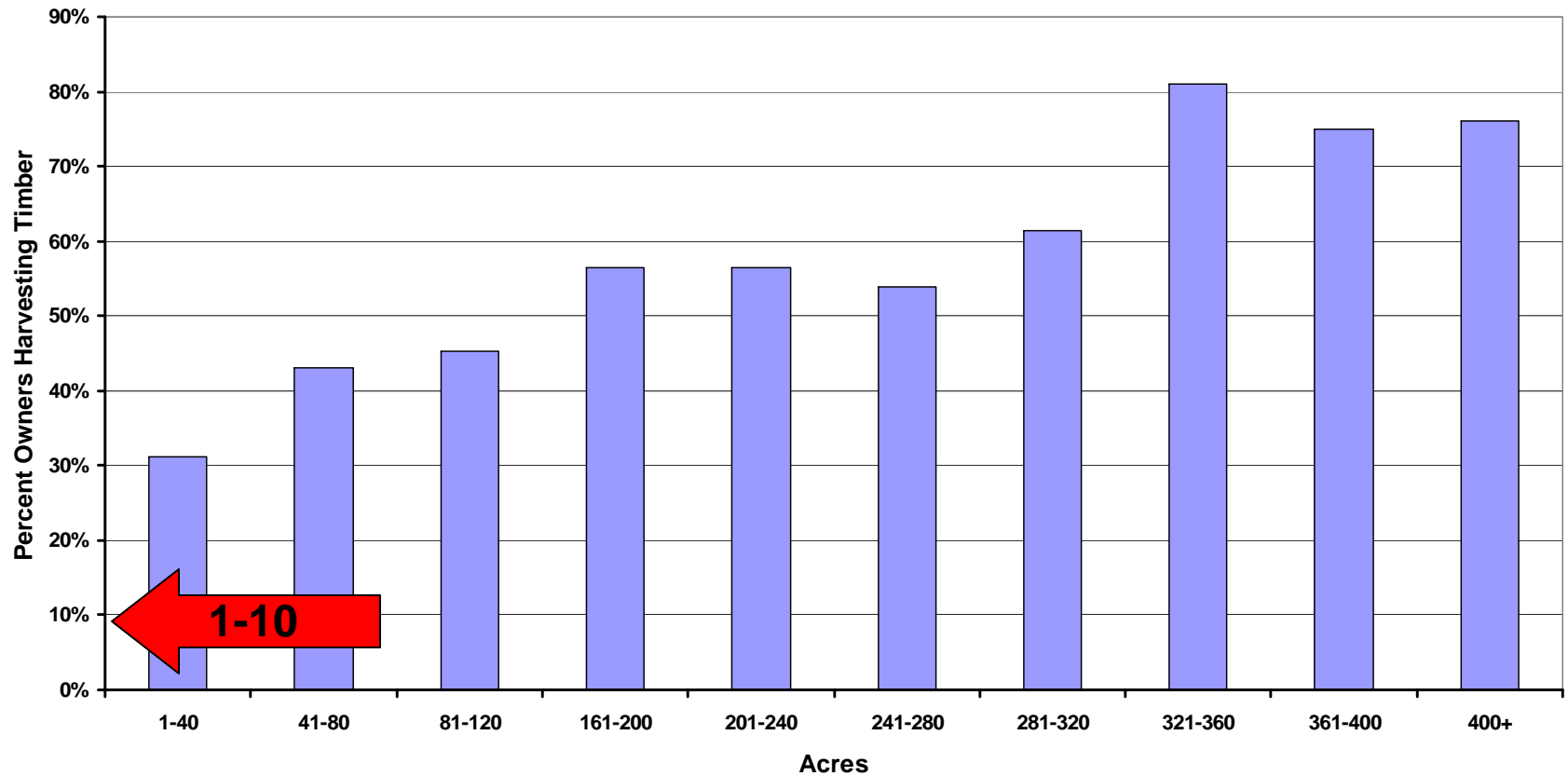
0 30 60 120 Kilometers



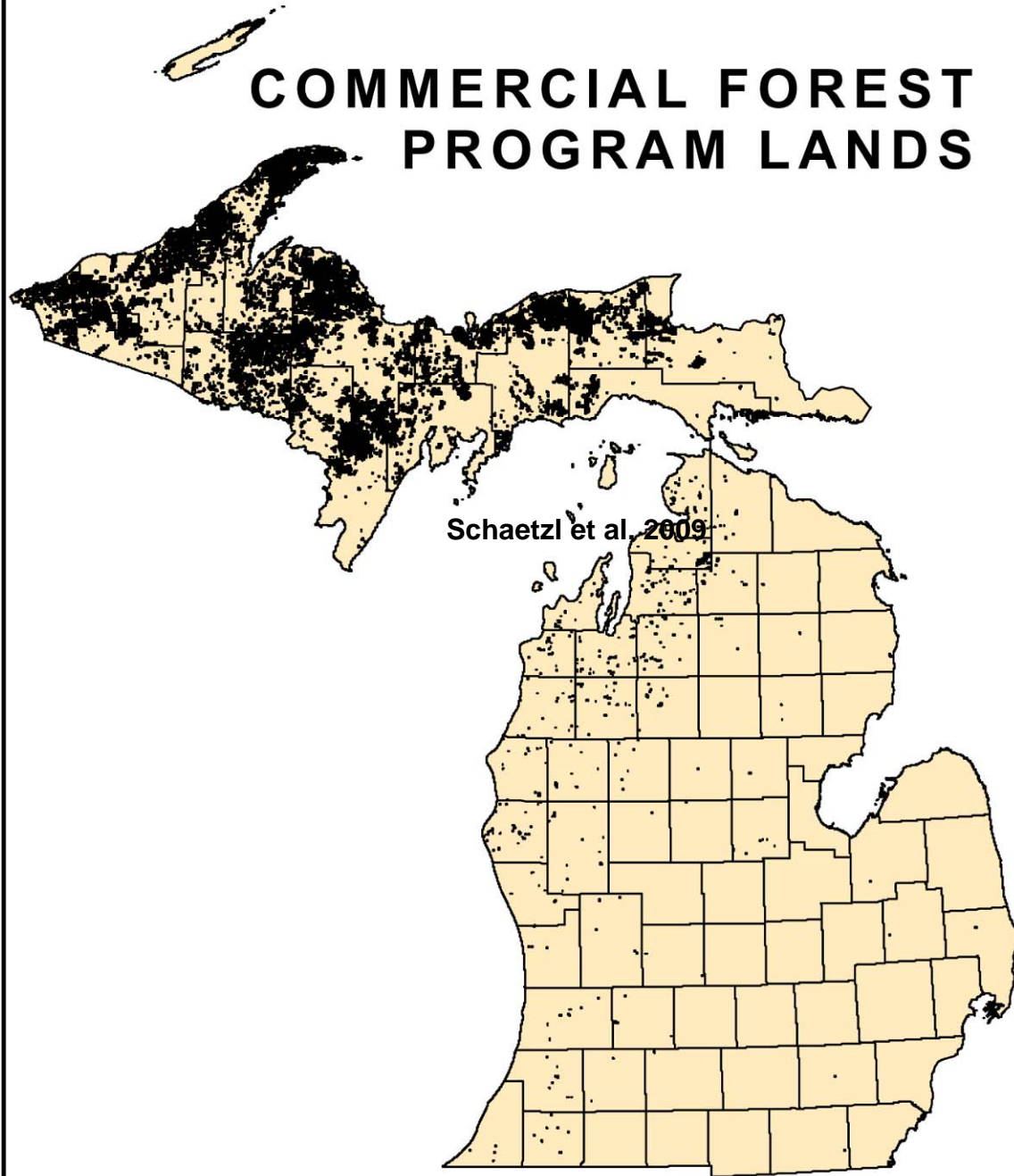
Reasons for Owning Family Forests (Butler 2006)

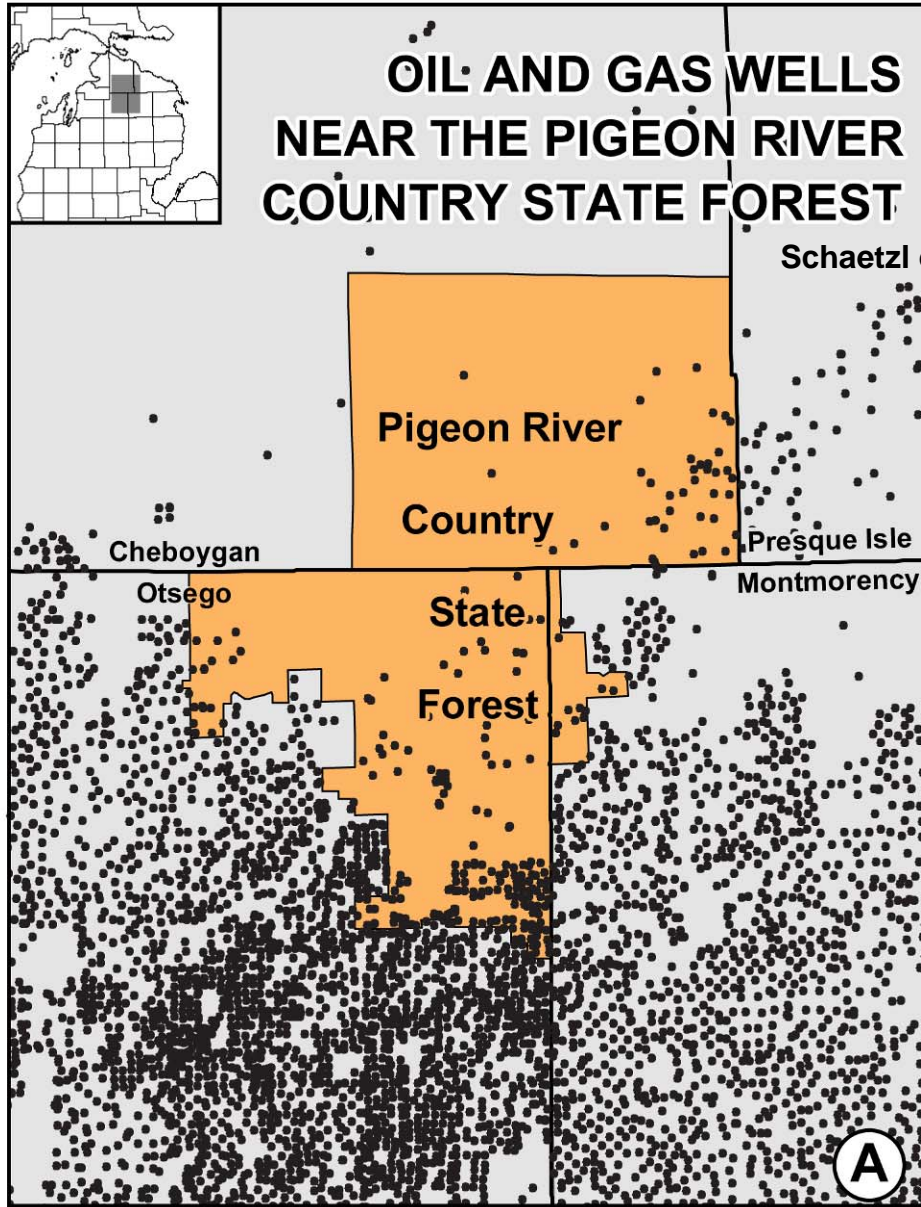


Timber Harvesting by Size of Ownership (Potter-Witter)

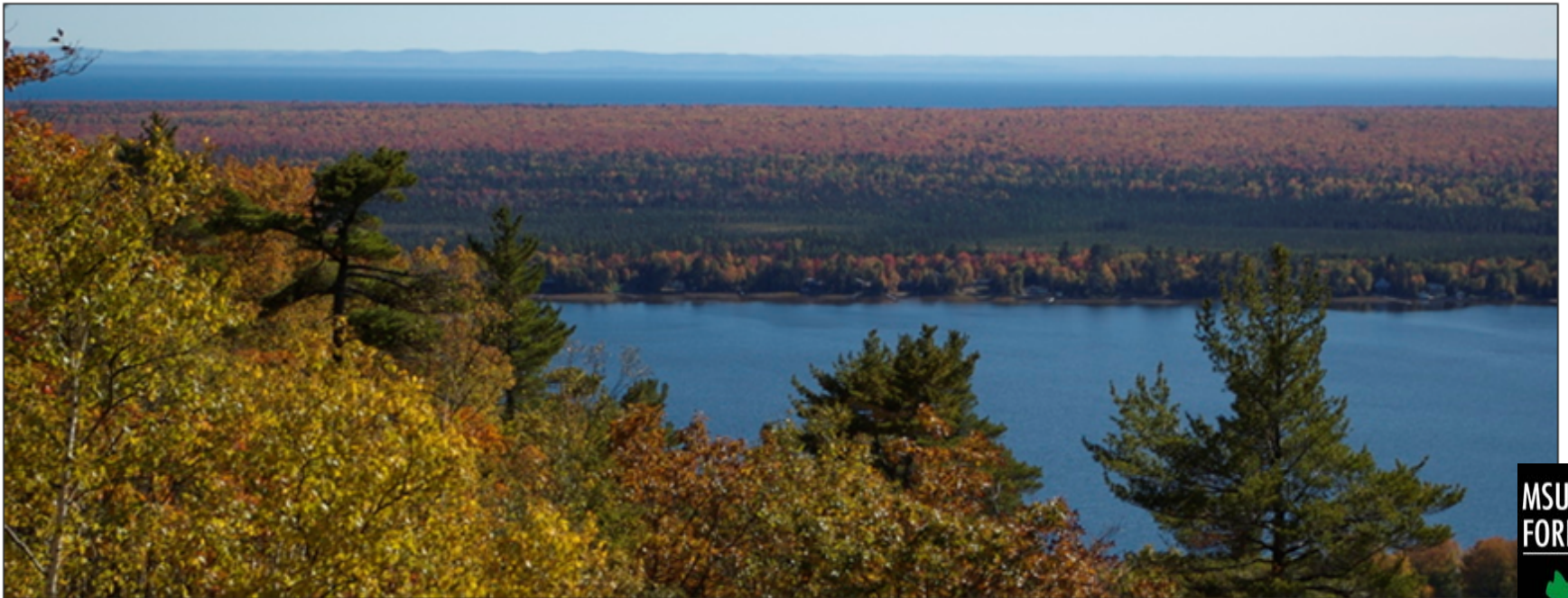


COMMERCIAL FOREST PROGRAM LANDS





Consequences of Corporate Timberland Ownership Change in Michigan's Upper Peninsula (UP)



Chris Miller and Robert Froese & Larry Leefers

MichiganTech

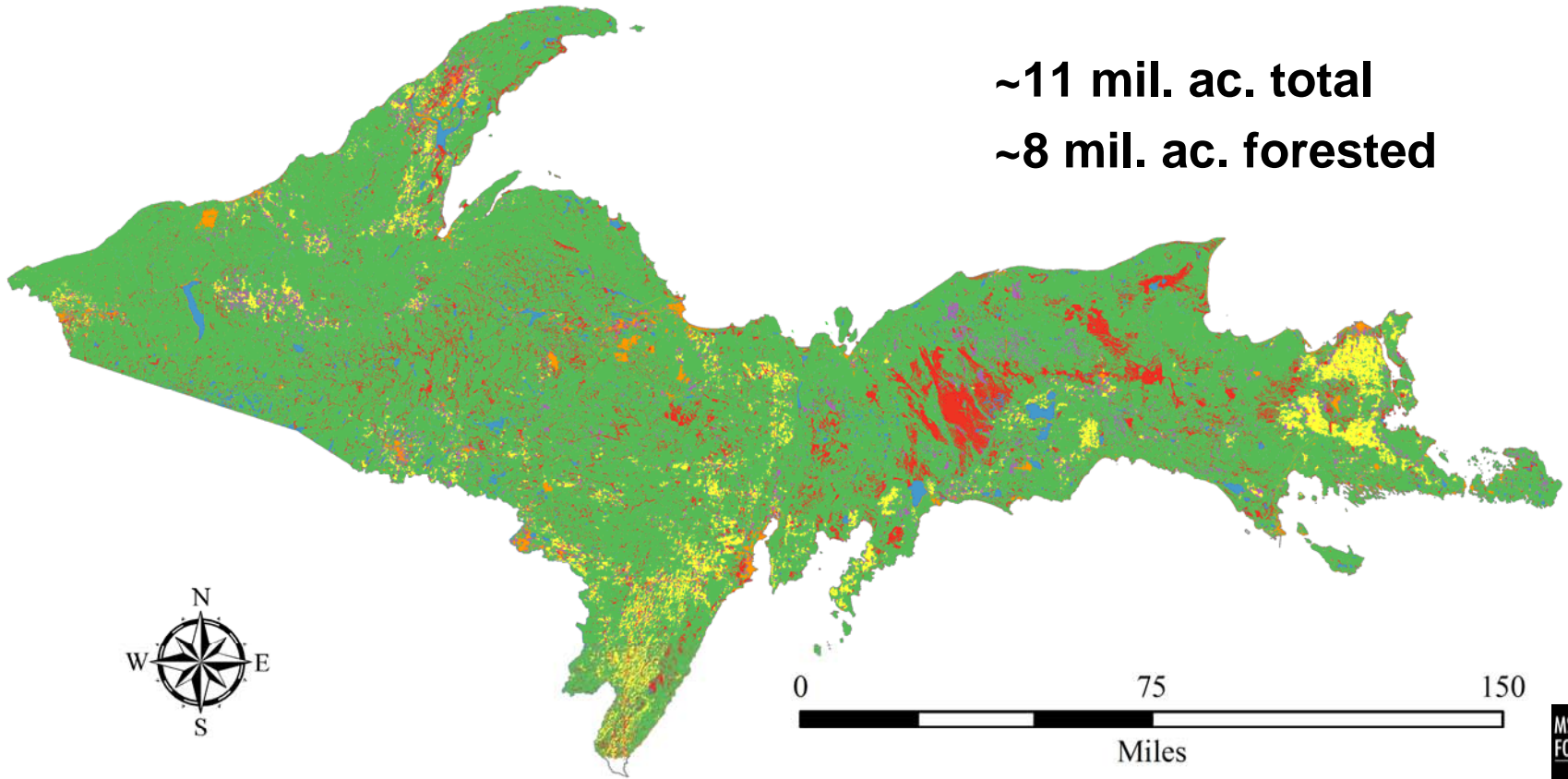
MSU
FORESTRY
1902



Corporate forestland is part of a matrix of forests that span the entire Upper Peninsula

~11 mil. ac. total

~8 mil. ac. forested



Common Knowledge

- **Over one million acres of forest lands changed ownership in the UP during 2005 and 2006—most Com. For. Program**
- **The new owners are institutional investors**
- **UP plays a fairly small role in the overall Michigan economy**
- **However, UP is very important for Michigan's forest products industries which are central to the economy of the UP—over half UP manufacturing jobs**
- **Tourism is another important natural resource-based economic driver in the UP**

Somewhere in the Western UP...lakes with no development



Image © 2007 TerraMetrics
© 2007 Europa Technologies

© 2007 Google

Pointer 46°28'36.14" N 88°23'38.93" W elev 1695 ft

Streaming ||||| 100%

Eye alt 15.04 mi

Somewhere in the Eastern UP...lakes with limited development



Image © 2007 DigitalGlobe

©2007 Google™

Pointer 46°32'40.85" N 86°02'48.25" W elev 983 ft

Streaming ||||| 100%

Eye alt 3810 ft

Somewhere in the Northern LP... **the FEAR**

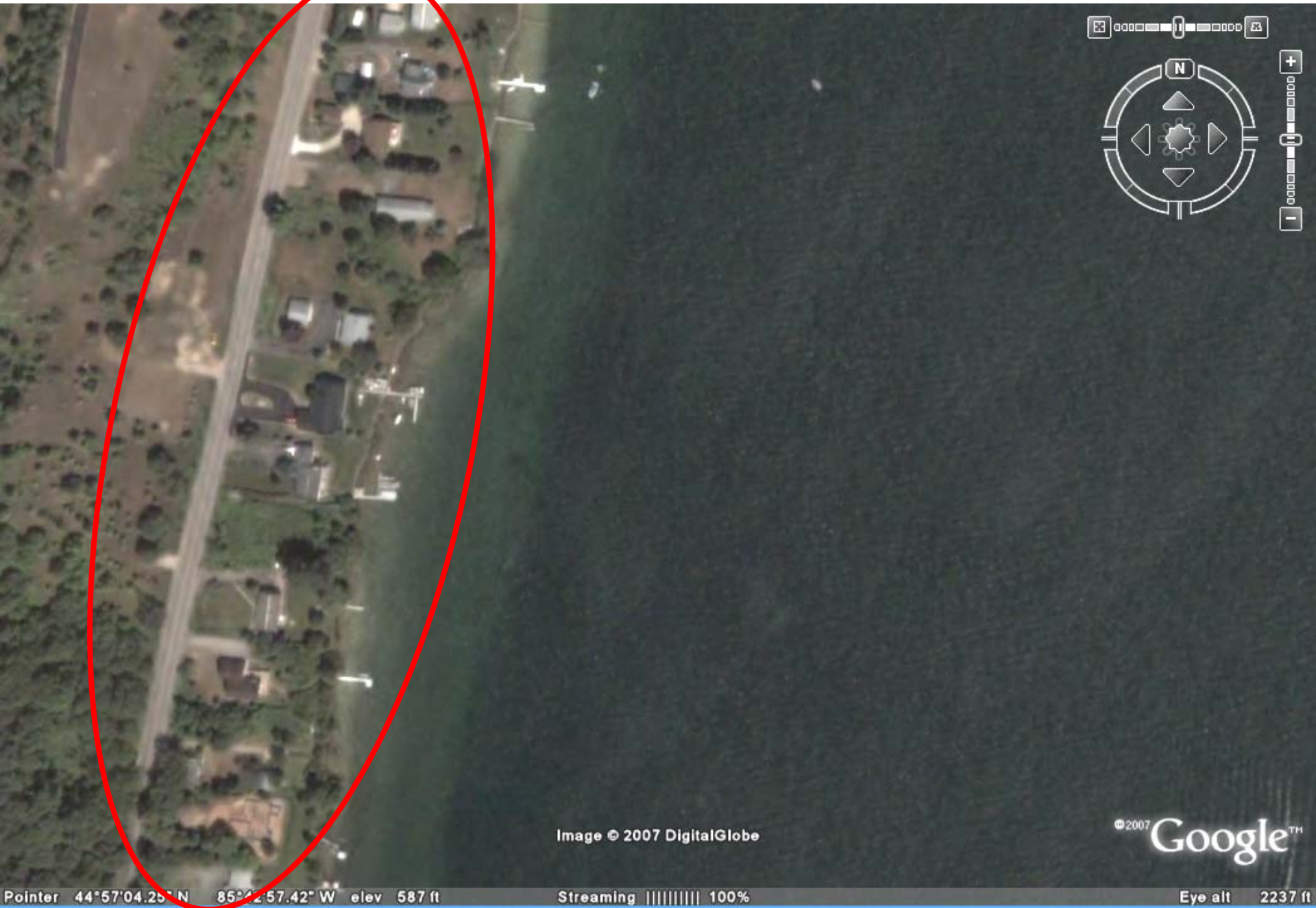


Image © 2007 DigitalGlobe

© 2007 Google™

Pointer 44°57'04.25" N 85°42'57.42" W elev 587 ft

Streaming ||||| 100%

Eye alt 2237 ft

Major UP corporate forestland ownership changes in the past decade

THE FORESTLAND GROUP, LLC

- 78,000 ac from Mead in 1998

THE FORESTLAND GROUP, LLC

- 90,000 ac purchase from Ned Lake Timber Co. in 2001

THE FORESTLAND GROUP, LLC

- 390,000 ac purchase from Bishop Trust / Shelter Bay in 2003



- 650,000 ac from Escanaba Timber (formerly MeadWestvaco) in 2005

GMO

- 440,000 ac from International Paper in 2006

Does Ownership Matter?

Corporate Owner Type...sellers and buyers

MeadWestvaco
International Paper

VITPC: Vertically-Integrated
Timber Products Company

THE FORESTLAND GROUP, LLC

GMO

TIMO: Timber Investment
Management Organization

 Plum Creek
Growing Value from Exceptional Resources

REIT: Real Estate Investment Trust

Does Ownership Matter?

Corporate Management Intent

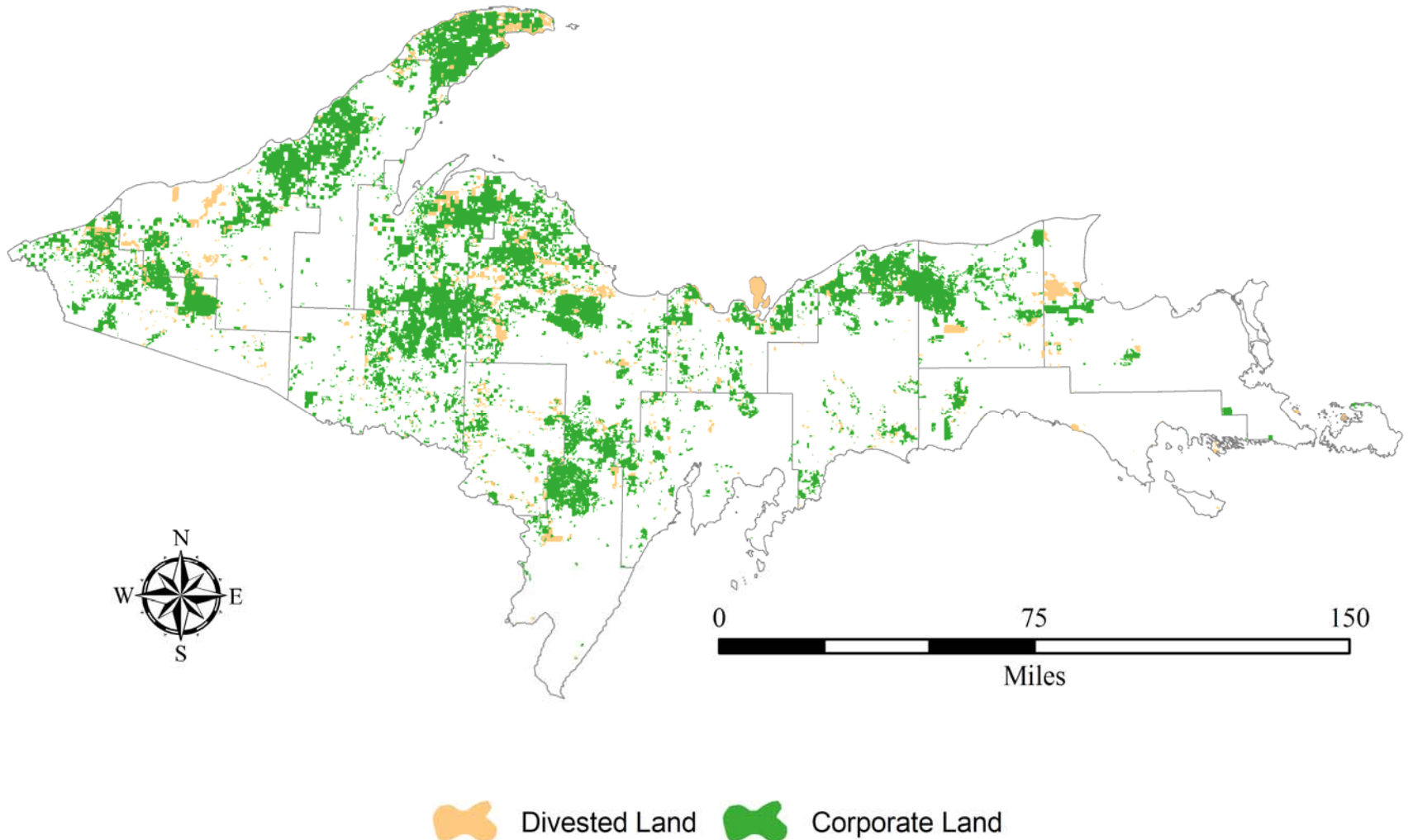
Some things will be different

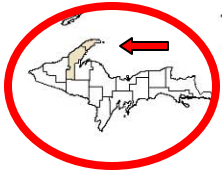
- Different owners, different attitudes
- Closed-end funds and periodic portfolio evaluation
- Greater interest in HBU and monetizing values

Some things will stay the same

- Fibre supply agreements
- Commercial Forest Program
- Forest Certification
- Old owners had realty divisions, too

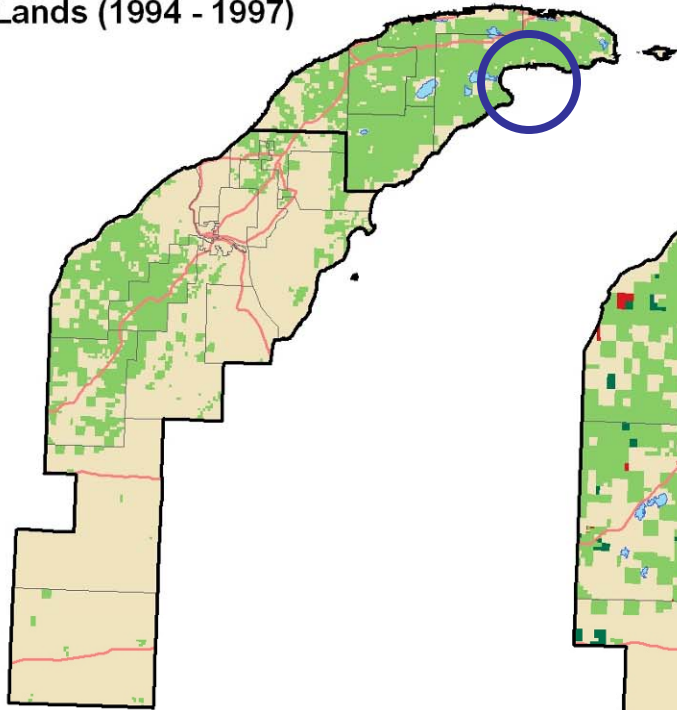
Most counties have net declines in large-tract corporate forest land acreage



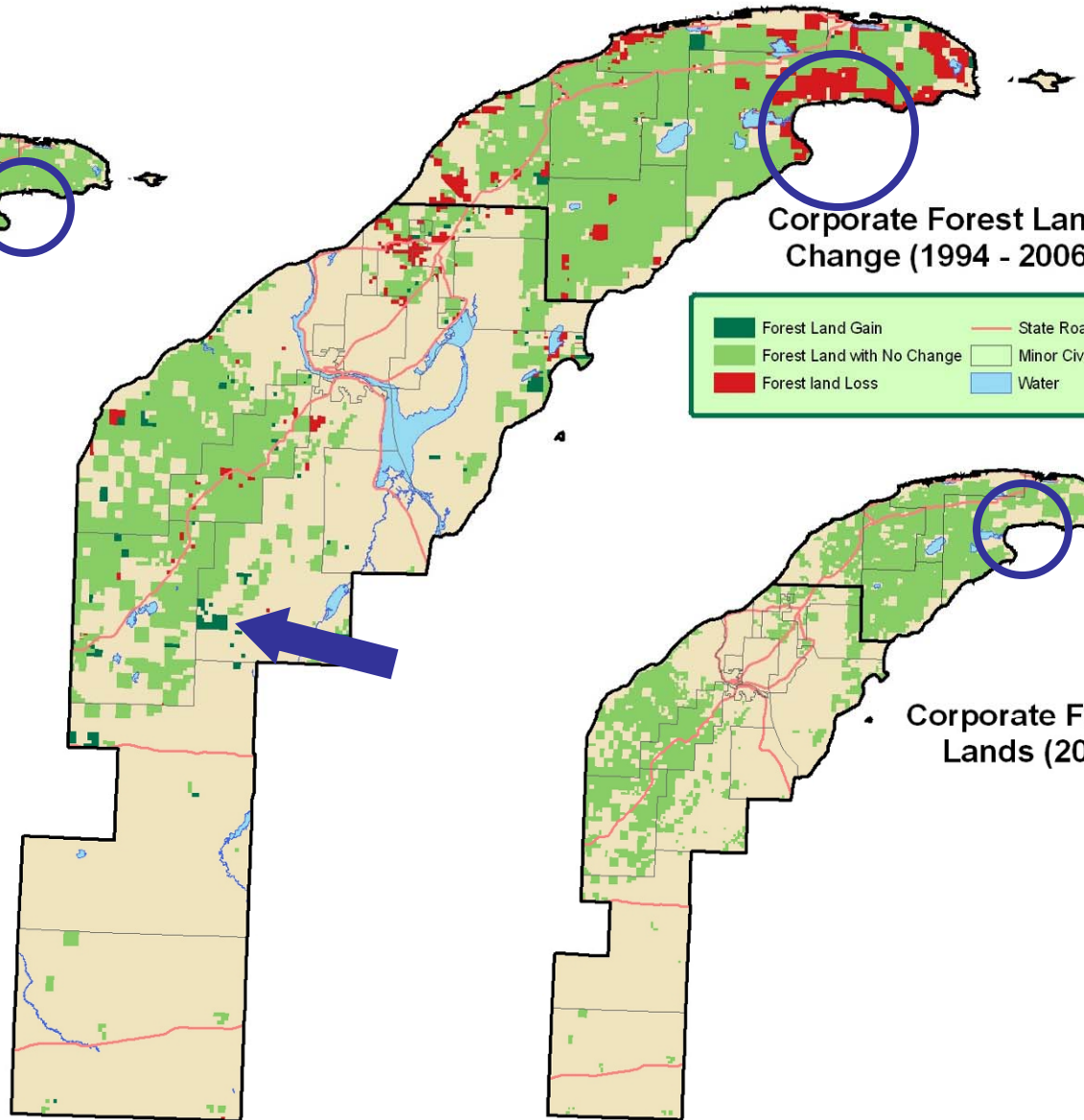


Large-Tract Corporate Forest Lands Within Houghton and Keeweenaw Counties

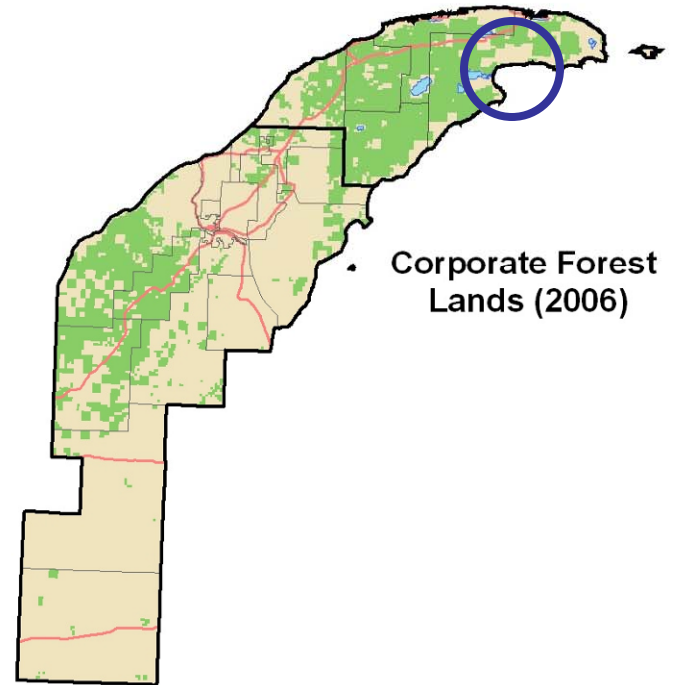
Corporate Forest
Lands (1994 - 1997)



Corporate Forest Land
Change (1994 - 2006)



Corporate Forest
Lands (2006)



HBU: Higher and Better Use Lands





Selected features were buffered and corporate lands that fell within the buffers were tallied. **This is not a forecast!**

County	Sampling Date	Corporate Land Area within Buffered Feature (acres)			Percent of Total Corporate Land Area within Buffers
		Rivers and Lakes Only	Shoreline Only	Rivers, Lakes, Shoreline, Roads and Urban Areas	
Alger	2004	59,538	608	108,656	65% ★
Baraga	2002	101,583	184	128,108	64% ★
Chippewa	2003	11,411	431	15,028	48%
Delta	2005	18,681	31	26,686	44%
Dickinson	2006	9,162	0	22,808	49%
Gogebic	2003	59,033	995	88,851	57% ★
Houghton	2006	46,842	1,540	92,326	64% ★
Iron	2002	62,515	0	98,358	58% ★
Keweenaw	2006	55,772	2,912	58,141	40%
Luce	2005	34,158	83	47,980	44%
Mackinac	2006	4,302	108	7,019	37%
Marquette	2006	158,946	508	264,235	75% ★
Menominee	2003	26,828	0	47,890	48%
Ontonagon	2003	64,811	185	77,070	50%
Schoolcraft	2005	20,724	43	30,687	49%

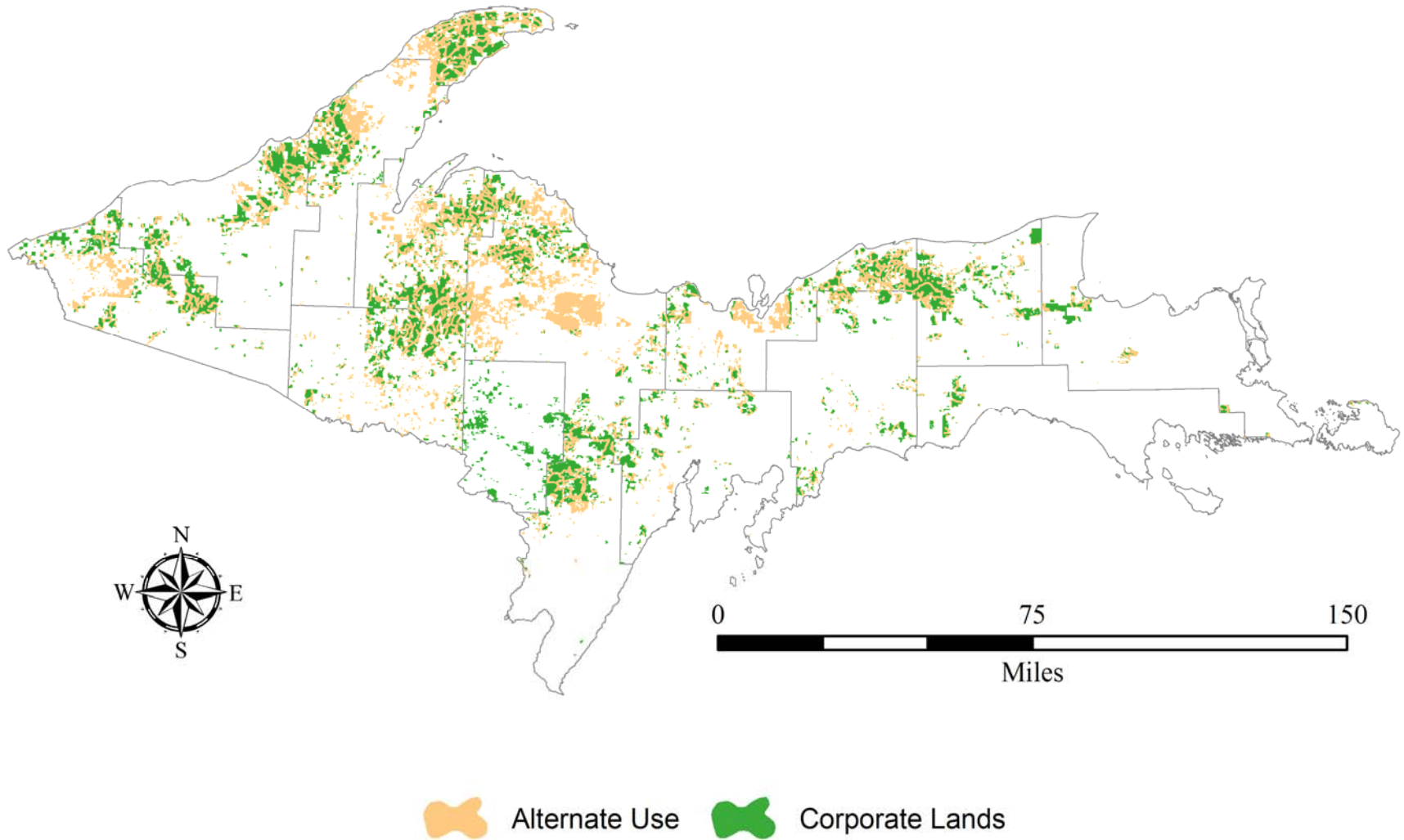
Company Strategy – Real Estate A REIT

Land Stratification Summary

- We have identified 250,000 to 300,000 acres of Potlatch land with values greater than timberland.
- Sales of these acres will occur in numerous retail transactions within the next 10 years.
- We expect to sell 15,000 to 20,000 acres in 2007.

Snapshot		Total Acres (thousands)	HBU Acres (thousands)	Average Value Range (\$/acre)	Non-Core Acres (thousands)	Average Value Range (\$/acre)
Idaho		100-120	60-70	2,500-4,000	40-50	1,000-2,000
Arkansas		50-60	20-25	1,500-2,000	30-35	700-1,200
Minnesota		100-120	50-60	2,000-3,000	50-60	900-1,500
Wisconsin		Currently Under Assessment				

HBU: Higher and Better Use Lands



What will corporate forestland look like in the future?

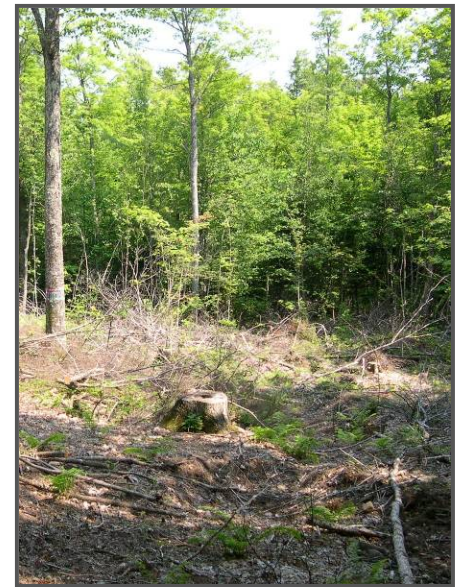
HBU lands and monetizing non-timber values will be more important



Most forestland management and condition will stay the same



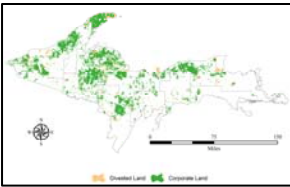
Changes that occur will often be subtle and spatial pattern will be important



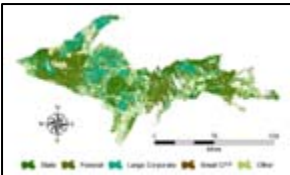
In Summary

MeadWestvaco
International Paper

The VITPCs are gone



Corporate forestland area continues to decline



Overall spatial pattern is more important than rate or any individual change



HBUs will be an important focus with ecological & economic impacts

Michigan Land Resources Project

2040

2020

1980

Projected
Land Use
Trend

- Built
- Agriculture
- Other vegetation
- Forest
- Lake
- Wetland

