

Statement of
John McAlpine
Before the United States Senate Agriculture Committee

Concerning Forestry as Part of the Farm Bill

Jonesboro, Arkansas

June 17, 2022

Introduction:

Chairwoman Stabenow and Ranking Member Boozman, thank you for the opportunity to testify before the Senate Agriculture, Nutrition, and Forestry Committee on current forestry management issues and opportunities to address these challenges in the 2023 Farm Bill. I am a second-generation forester and have been practicing forestry for 24 years as a private forestry consultant in Monticello, Arkansas, where I serve many forest landowners throughout the region. I also serve as the First Vice President of the Arkansas Association of Conservation Districts, and on the Farm Bill Task Force and the Forestry Resource Policy Group at the National Association of Conservation Districts. I currently serve as a member of the Arkansas Forestry Commission and on the Board of Directors for Arkansas Forestry Association.

I strongly believe that locally led conservation efforts facilitate the most effective management of our natural resources in Arkansas and across the country. No one understands local resource needs better than the local land managers who work and live in the communities. While farm bill programs provide critical resources and guidance for our nation's farmers and foresters, local input and implementation are the key to putting effective conservation practices on the ground. In Arkansas, the utilization of professional foresters has proven to increase the implementation of voluntary Forestry Best Management Practices for Water Quality Protection.

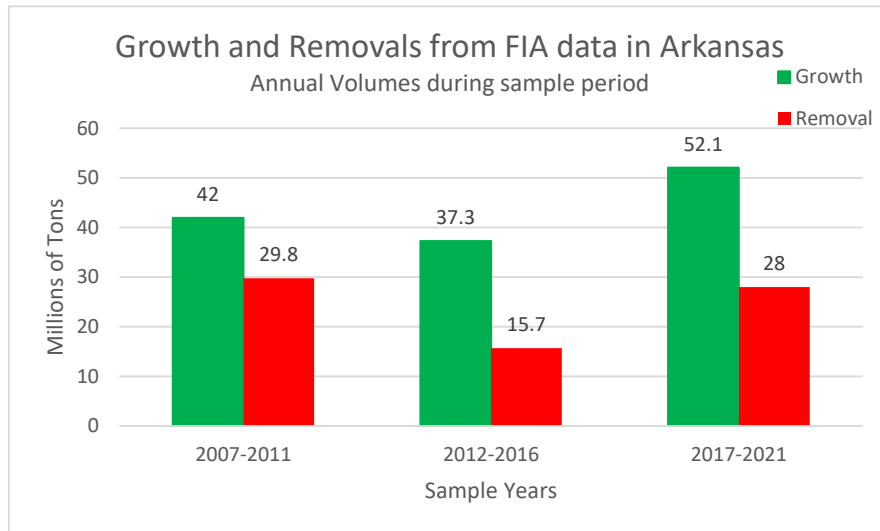
Arkansas contains approximately 19 million acres of forest, which represents about 56 percent of the state's land area. Arkansas also ranks among the top ten states in the country for total wood fiber production, valued at \$6.5 billion. As percentage of gross domestic product (GDP), Arkansas is the third most forestry-dependent state in the nation. (Fox June 3, 2022)

Background of Forests in Arkansas

Of the 19 million acres of forests in Arkansas, roughly 83 percent are privately owned. Private forest also produces approximately 78 percent of the state's timber volume by weight. I strongly agree with Arkansas' State Forester, when he says that "Healthy Markets equal Healthy Forest". Timber markets are play an important role in the management of private and public forests across the country, and the forest product market is an essential part of Arkansas' economy. Private forest harvest income helps Arkansas families send children to college, save money for retirement, buy vehicles at the local dealership, and support local businesses.

According to the Forest Inventory Analysis, excess forest growth in Arkansas has significantly outpaced removals since 2007. Although earlier data has not been analyzed, we believe this

trend was likely occurring before that time as well. The table below presents forest growth and removal rates in Arkansas over the past 15 years. Arkansas is growing an excess of 24 million tons of standing timber inventory per year. As excess growth increases, poor tree vigor, insects, disease, and wildfires will continue to put the state’s forests at risk.



Benefits from Forests

Both public and private forest have long provided benefits to the American people. Forests play a critical role in providing clean water, clean air, recreation, sequestering carbon, protecting wildlife habitats, and producing a wide variety of forest products we use every day.

Water is naturally filtered by leaves and herbaceous material on the forest floor. The USFS’ Forest to Faucet Program analyzes the impacts forests have on the availability of clean water.

Forests also play a critical role in capturing and storing carbon dioxide and producing oxygen through photosynthesis. Our public and private forests must be managed effectively to continue sequestering carbon.

Arkansas also plays a large role in the production of forest products, which are essential to many families and businesses throughout the country. Paper products are still an important part of our economy. Paper printouts, receipts, post-its, envelopes, paper cups, napkins, toilet rolls, tissues, cardboard, diapers, and baby wipes, LCD screens, shoes, handbags, food casings, filters, and binding agents in food and pharmaceuticals, are just some products that our forests support.

Solid wood products have several important applications and are important components of building material such as Cross Laminated Timber (CLT), which is used to construct buildings with reduced carbon footprints.

Wood products are also important to the energy sector. Many wood manufacturing plants use leftover materials to generate power for their operations. More can be done to incentivize the use of wood energy, and research is needed to identify the most economically viable ways to produce energy from forest products.

Farm Bill and Forest

Farm Bill programs provide critical financial and technical assistance to manage forests across the country. NRCS' Environmental Quality Incentive Program (EQIP) and Conservation Stewardship Program (CSP) provide financial assistance to landowners to help them implement practices supporting reforestation, forest stand improvement, controlled burns, access roads, and wildlife habitat enhancement. With limited resources, these federal programs can only do so much in states like Arkansas with a significant amount of forestland. Unfortunately, across the United States, only about one-third of EQIP and CSP applications are approved each year because of limited funding. Arkansas applications for EQIP were funded at 41 percent and CSP at 24% (under the 2018 Farm Bill). Many landowners have given up on applying for financial or technical advice because of their lack of capacity. These programs require additional funding to meet rising demand for conservation.

There are several additional farm bill programs that play a key role in helping local forestland owners better manage their land and protect surrounding environments. Good Neighbor Authority allows the Forest Service to enter into agreements with state forestry agencies to do the critical management work; the Healthy Forest Reserve Program assists private and tribal forestland owners in restoring forests; and the Collaborative Forest Landscape Restoration Program creates shared priorities among the Forest Service, states, and other partners to increase the scale of active management.

FSA's Conservation Reserve Program (CRP) should thoughtfully consider any new acreage to be truly marginal farm ground for such a long-term investment in conservation. Recently, in Southeast Arkansas, I spoke with a group that was buying about 1,000 acres of expired CRP forestland per year to return it to farm ground by clearing, leveling, and putting down wells to irrigate.

The Regional Conservation Partnership Program (RCPP) has also delivered funding to support focused forest management practices. The current Open Pine Landscape RCPP is an example of a program that helps to thin overstocked stands, control mid rotation brush and conduct prescribed burns to improve wildlife habitat.

Good Neighbor Authority is another great tool that allows the U.S. Forest Service to work with trusted, local experts - such as state forestry divisions or conservation districts - to conduct critical forest management work. This authority empowers local management of forest resources, reduces bureaucracy, and allows more work to get accomplished on the ground.

Other important federal programs include State and Private Forestry Programs, which provides technical and financial assistance to landowners and resource managers to sustain our nation's forests; and the Forest Stewardship Program, which connects private landowners with the information and tools they need to effectively manage forests.

The Southern Pine Beetle Prevention and Restoration Program (SPBPRP) is administered by the Arkansas Department of Agriculture-Forestry Division that allows private landowners to implement effective conservative practices on their lands at limited administrative cost. The

funding for this program is limited and should be increased to provide additional assistance to landowners.

Increasing funding for professional technical assistance is critical to increasing private foresters - including Association of Consulting Foresters' (ACF) - access to Technical Service Providers (TSP). Additional support for this program is needed to increase the technical assistance available to forest managers. For the program to work effectively, payments for technical assistance must be distributed promptly, since many foresters can't afford to wait months to receive payment for services. Additionally, we need more students entering natural resource management professions. It is widely recognized that young people are not entering natural resource management careers at the levels required to keep pace with attrition within these sectors. Much more should be done to educate the next generation of natural resource professionals and provide them with necessary incentives to enter these careers.

Carbon

Carbon markets for forestland owners have been ambiguous since the 2000's, and no clear guidelines have been presented to regulate this market. The closest protocols I am aware of is the recent protocols set up in the American Carbon Registry for Non-industrial Private Landowners developed, and peer reviewed in September 2021. As Congress and federal agencies consider policies to structure carbon markets for working forestland, we encourage any new proposals to provide clear and transparent guidance to landowners and the buyers of carbon credits.

Invasive Species

Invasive species can cause serious harm to native species, as they often do not have natural predators to keep their populations in check. Invasive species can be insects, plants, or animals. An example of an invasive species is the Emerald Ash Borer, which is present in 35 states and could virtually eliminate native ash trees. Other examples include Cogongrass, which is very flammable and poses serious threats to native plants; the Chinese Tallow Tree, which can take over our bottomland hardwood sites; feral pigs can transmit disease to domestic hogs, displace wildlife, reduce water quality, cause crop damage, and reduce bottomland oak regeneration.

Federal and local partners must work together to control existing invasive species and prevent additional invasive species from entering the country and spreading. The management of invasive species on forestland is particularly difficult to conduct in a manner that protects native species.

Taxation on Timberland

Taxes, including REIT, Capital Gains, and Estate Taxes have had a major impact on timberland ownership over the last 25 years.

The change from C-Corp to REITs has reduced the amount of manufacturing that is tied to land base. Many REITS have sold off, reduced, or shutdown manufacturing associated with "Bad Income." This in turn has taken away the incentive to invest capital in manufacturing and the innovation of new forest products.

Estate tax exemptions with stepped up basis are imperative to allow property to be passed down by families. If the estate tax exemptions were lowered, it would force properties to be cut prematurely or sold off for other uses, as many families with land have limited amounts of cash on hand. This can reduce good management practices on land and result in the poor conservation of local resources. The step-up basis allows new owners to reinvest more into the management of the property.

The capital gains tax is important for timberland owners who invest in a crop that might be harvested in 30 to 50 years. These taxes must encourage investments in future conservation and the sustainable management of forests.

The Reforestation Tax Credit is currently set at \$10,000 year. Reforestation costs have also been affected by the high inflation rates. I support an increase in the Reforestation Tax Credit annually to keep up with rising costs of reforestation. This program has no administrative cost and is open to all landowners that conduct reforestation activities.

Forest Recovery Act

Standing timber is not insured by the government and it often isn't affordable to small, non-industrial forestland owners. If forestland owners have damages to the current timber stands, the only loss they can recover is the remaining basis in the timber. If the landowner has no basis for long term landowner they can lose their current timber crop and have to invest in a new crop. This can happen to timberland owners whose forests burned up in a wildfire or were damaged by a hurricane. This proposed legislation would help forestland owners recover from natural disasters.

Roadblocks to financial and technical assistance

Some of the current roadblocks to farm bill programs are different for forestland owners than many traditional agriculture producers. Forest landowners may only require assistance once every couple decades, and this often results in them being unprepared to take advantage of many programs that are designed to assist them.

One example of this is forestland owners trying to acquire a Farm and Tract number from FSA. Many forestland owners do not have a current farm and tract number. With the short application windows for many FSA programs, FSA has not been able to ensure that forestland owners have farm and tract numbers before application deadlines. This issue can and has prevented the implementation of many effective forest management practices.

Many forestland owners – particularly those that are underserved - have not taken advantage of effective technical assistance because of misguided fears that their land could be taken from them. We must continue to build trust between these forestland owners and federal and local conservation partners.

Funding and limited capacity represent additional roadblocks, as only a small percentage of effective forest management practices are ultimately supported. This has resulted in many landowners not even trying to apply for programs.

Roadblocks to Forest Management

Limitations on forest management can be attributed to several factors that often interact with each other. A significant contributor is increasing consumer demand for forest products and diminishing forest product markets. To address these issues, we need to invest billions of dollars in forest manufacturing capabilities. Once the manufacturing capacity increases, the logging workforce must rise to meet increased demand.

A lack of public knowledge of proven forest management is a roadblock. As we become a more urban society, less of our population is exposed to or educated about forest management and the production of forests products. While some stages of forest management look unattractive, they are important to stand development. Many activities we do in forest management mimic natural events that are important to supporting fiber production and wildlife habitat.

Long lasting legal challenges have consequences for managing private and public lands. This has led to inaction for managing the forest. The travel management plans have limited private landowners from accessing their lands to conduct forest management activities.

Wildfire and Prescribed Burning

Wildfire protection is under the Forestry Division here in Arkansas and funding comes from several sources, including the timber tax, severance tax, and state and federal funding. The Division is on the frontlines of fire suppression on wildland, and their staff are prepared to respond at all hours of the day and night.

The resources available to conduct prescribed fires are limited. The state is often on standby for wildfire during many desirable burning days, which disrupts operations. Contractors are also limited due to the high cost or unavailability of insurance required for burning. In other instances, landowners themselves lack the knowledge and resources to conduct a burn safely.

Conclusions

Support of state and local led programs will continue to produce the best results. In Arkansas forestland stakeholders have an excellent history of working collaboratively to manage forest across ownership boundaries, for the good of forest management and the public good from the forest. Thank you again for the opportunity to testify on forestry issues. I look forward to your questions.