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California Seeing Dramatic Increase in Cost of Timber Harvesting, According to Study by Cal Poly Institute

SAN LUIS OBISPO - The cost of preparing state-mandated plans to harvest trees in California has increased more than 1,200 percent over the last 30 years, making it difficult to manage forests and increasing the likelihood that forest land will be converted for other uses, according to a study released today by Cal Poly's Institute for the Study of Specialty Crops.

The study found the typical harvest plan costs about \$30,000 to prepare, compared to \$2,200 (adjusted to today's dollars) 30 years ago. The increasing cost of the harvest plans adds to the financial burden of managing forest land and economically squeezes landowners, the study concluded.

"Declining returns to private investment, coupled with mounting regulatory hurdles, create incentives to convert (forests) to other land uses," said Cal Poly Forestry Professor Richard P. Thompson. Thompson, a licensed California Registered Professional Forester co-authored the study with Cal Poly Assistant Forestry Professor Christopher Dicus.

As more forest land is converted to other uses, the study's authors said, "in turn, small landholdings become economically infeasible, inducing an increasing number of forest landowners to harvest sooner than otherwise planned due to future uncertainties over the regulatory requirements."

The study included 607 timber harvest plans (THPs) with a median acreage of 73 acres.

The \$30,000 average cost of a current harvest plan doesn't include expenses related to public challenges of plans, appeals, hearings and modifications that reduce the value of a timber harvest.

"The time constraints keep the forest land owner from being able to time the sale for optimal market conditions. This review process has now been extended by the recent addition of final approval by the

Regional Water Quality Control Board," the authors said.

The study found a clear correlation between growing environmental regulations and increased timber harvest planning costs.

"California's approach to protecting environmental values in preparing and conducting timber harvests is to impose a system of process-oriented regulations, unlike other states that focus on environmental outcomes," the authors state. "In either case, planning is needed and appropriate for environmental protection. However, the process-oriented approach has the potential of 'piling-on' work that produces little, if any, positive effect on the ground."

The increasing cost of harvesting has contributed to the decline in trees harvested in California, down from 4.67 billion board feet in 1988 to just 1.66 billion board feet in 2003, according to the state Board of Equalization. With fewer trees harvested, companies are forced to close mills, leaving California with far less capacity for wood processing in the state.

The study noted there is a misconception that increased harvesting costs are passed along to consumers. In fact, given that the forest products industry is an international one where consumers choose the lowest-priced products, such costs are not passed along in the short-term.

In the end, more trees are harvested in countries with little or no environmental protection where the costs to harvest are lower, the authors said.

The Cal Poly study follows a 2003 study that found California's increased regulation has ensured high environmental standards through costly micromanagement that makes it more difficult for professional foresters to manage forest land.

That study, done by Dicus and Kenneth Delfino, executive director of the Urban Forest Ecosystems Institute, found state regulations might not give local foresters the flexibility to properly manage land to protect watersheds and ensure the long-term sustainability as forests. The state regulatory process forces a one-size-fits-all approach that ignores unique characteristics of the land.

Major funding for the new report was provided by the California Institute for the Study of Specialty Crops (CISSC) at Cal Poly. The Forest Foundation, a non-profit based in Auburn, provided additional funding.

"This study was funded by CISSC to evaluate the potential impacts that environmental regulations have on private forest land owners," said Cal Poly Professor Jay Noel, the institute's director. "This study shows that private forest land owners have faced dramatically increasing regulatory costs to simply submit a plan to harvest timber. It's one of many forces making it less attractive to invest in managing their lands for forest values."

About CISSC

The California Institute for the Study of Specialty Crops ([CISSC](#)) was established in July 2003 by a grant from the California Department of Food and Agriculture's *Buy California* program. CISSC's mandate is to conduct applied research on economic and public policy issues related to California specialty crops' competitiveness;

conduct outreach to disseminate research findings among agricultural organizations and associations, legislators, policy makers, government agencies, and other stakeholders; and provide hands-on educational opportunities for graduate and undergraduate students.

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Note: The study, "The Impact of California 's Changing Environmental Regulations on Timber Harvest Planning Costs," can be found at the CISSC Web site at <http://cissc.calpoly.edu/research>.