Corporate Forestland Ownership Change: The Upper Peninsula In Transition

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Major UP corporate forestland ownership changes in the past decade

- 78,000 ac from Mead in 1998
- 90,000 ac purchase from Ned Lake Timber Co. in 2001
- 390,000 ac purchase from Bishop Trust / Shelter Bay in 2003
- 650,000 ac from Escanaba Timber (formerly MeadWestvaco) in 2005
- 440,000 ac from International Paper in 2006

Does Ownership Matter?
Corporate Owner Type

VITPC: Vertically-Integrated Timber Products Company

TIMO: Timber Investment Management Organization

REIT: Real Estate Investment Trust

Why did they sell?

- Weak stockholder returns
- Rising forestland values
- Rethinking belief in the need for vertical integration
- Federal income tax policies

Why did they buy?
(or why convert?)

- For the patient investor:
  - Favourable returns
  - Lower risks
  - Inflation protection
- Federal income tax policies
- Increases in liquidity

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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

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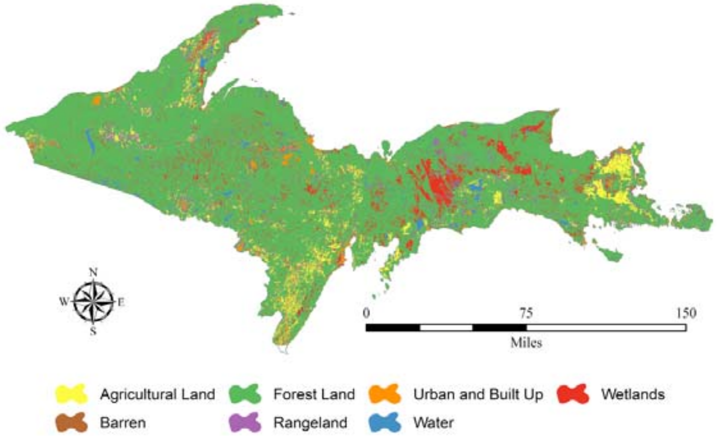
Corporate forestland is part of a matrix of forests that span the entire Upper Peninsula



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Corporate forestland:

Who owns what and where is it located?

- The Commercial Forest Program
  - not very helpful
- Regional, County or Township records
  - not very simple
- Private companies themselves
  - we didn't even try
- Published maps
  - expensive

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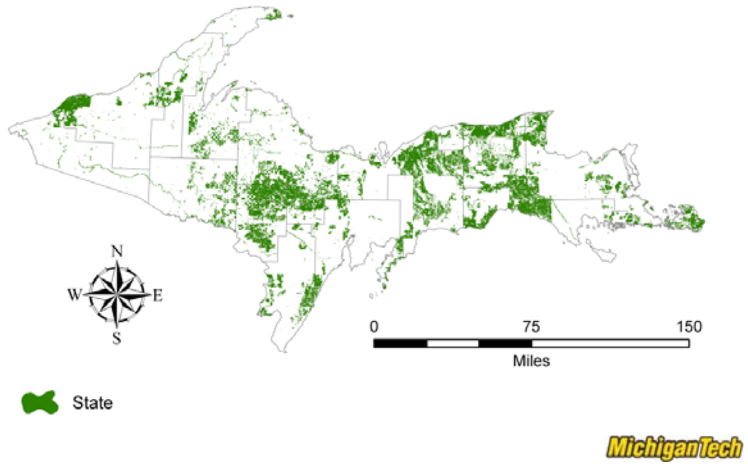
Major owner-categories are not uniformly distributed across the UP



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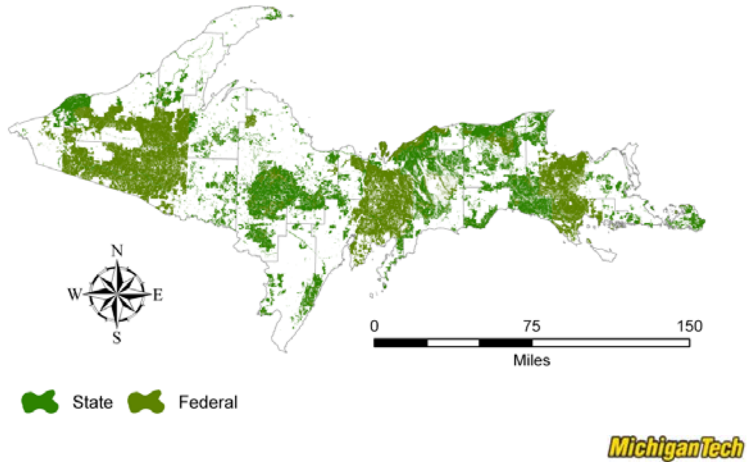

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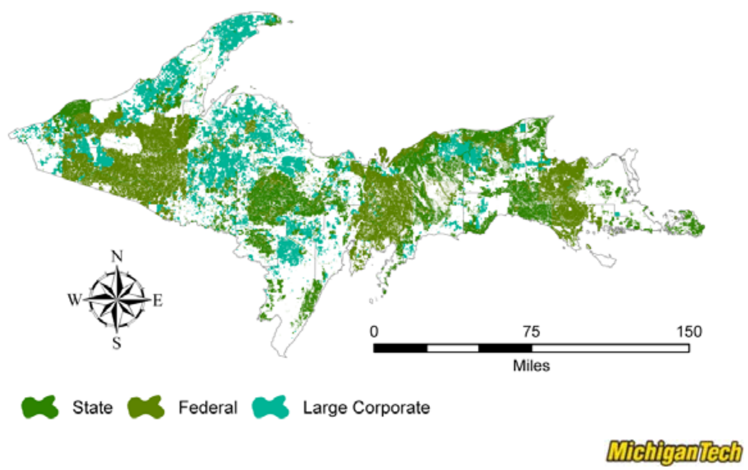

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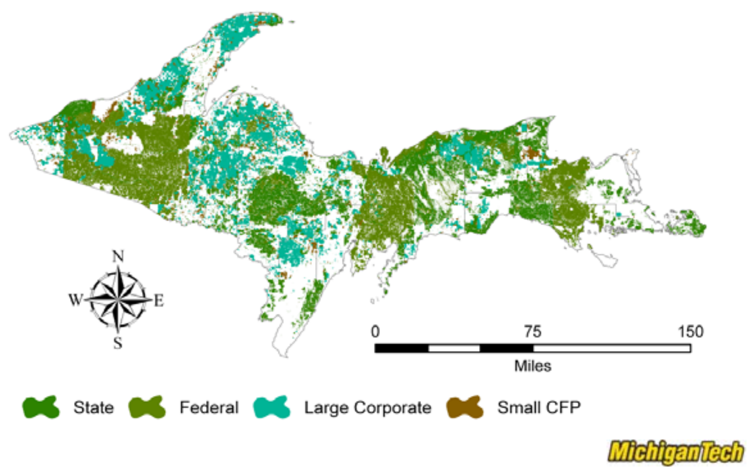

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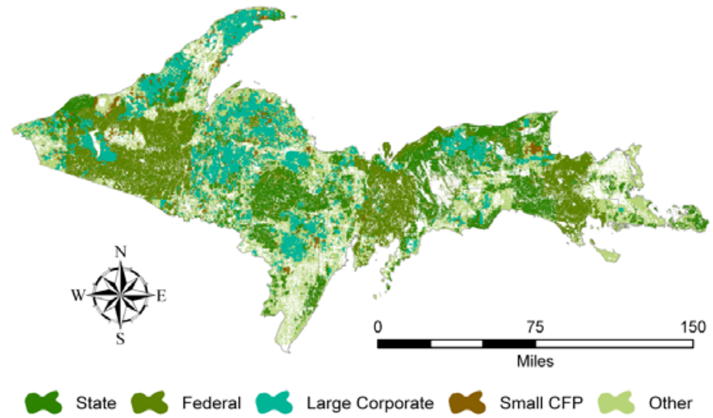
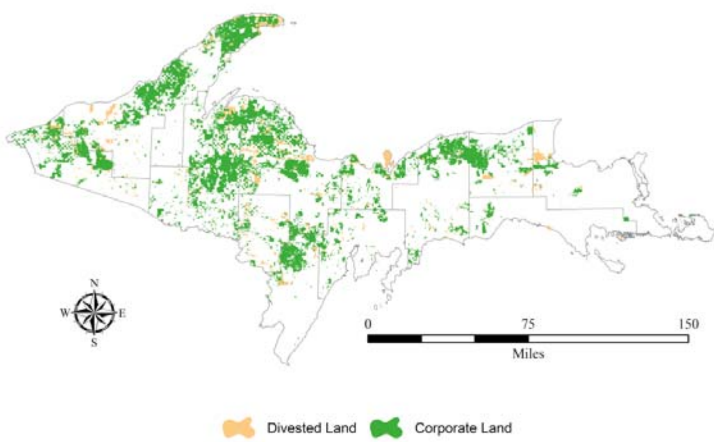


Who owns the forest in your county?
Ownership by Major Owner Class

County	Major Owner Class			Leading Corporate Owner	Corporate % of Major
	Corporate	State	Federal		
Alger	166,938	99,485	158,599	The Forestland Group	39%
Baraga	232,360	80,244	44,673	Plum Creek	65%
Chippewa	46,348	225,977	242,762	Plum Creek	9%
Delta	60,233	71,564	244,397	Plum Creek	16%
Dickinson	46,571	228,916	0	GMO Renewable Resources	17%
Gogebic[2]	156,994	21,116	305,714	Keweenaw Land Association	32%
Houghton	143,531	63,252	155,839	The Forestland Group	40%
Iron	170,900	99,255	176,496	The Forestland Group	38%
Keweenaw[1]	144,913	4,948	0	GMO Renewable Resources	97%
Luce	109,916	298,061	0	The Forestland Group	27%
Mackinac	19,109	209,397	152,150	Plum Creek	5%
Marquette	350,796	270,692	18,147	Plum Creek	55%
Menominee	100,311	100,299	0	Plum Creek	50%
Ontonagon	178,975	77,578	284,062	Plum Creek	33%
Schoolcraft	62,255	297,949	215,347	Plum Creek	11%

[1]Keweenaw County areas exclude Isle Royale.
[2]Gogebic County also has 50,290 acres of county forest in public ownership.

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



Large-Tract Corporate Forest Area is Declining at a rate of about 1.2% per year

County	Sampling Year		Corporate Forestland (acres)			Rate of Change ($ac \cdot yr^{-1}$)
	Historic	Recent	Historic	Recent	Change	
Alger	1988	2004	190,375	166,938	-23,437	-1465
Baraga	1995	2002	248,460	232,360	-16,100	-2300
Chippewa	1980	2003	51,578	46,348	-5,230	-227
Delta	1990	2005	66,821	60,233	-6,588	-439
Dickinson	1990	2006	66,691	46,571	-20,120	-1258
Gogebic	1991	2003	149,588	156,994	7,406	617
Houghton	1997	2006	144,097	143,531	-566	-63
Iron	1995	2002	177,439	170,900	-6,539	-934
Keweenaw	1994	2006	167,726	144,913	-22,813	-1901
Luce	1994	2005	116,543	109,916	-6,627	-602
Mackinac	1996	2006	23,245	19,109	-4,136	-414
Marquette	1995	2006	398,674	350,796	-47,878	-4353
Menominee	1996	2003	110,433	100,311	-10,122	-1446
Ontonagon	1993	2003	204,692	178,975	-25,717	-2572
Schoolcraft	1980	2005	58,172	62,255	4,083	163

Parcelization: subdivision into smaller parcels with a more diverse ownership

- Parcelization may imply a change in land use
  - lakeshore frontage is decreasing in all counties
  - most counties experienced decreases in river and road frontage
- Parcelization can lead to more subtle fragmentation
- Owners can and do aggregate for efficiency

County	Year	# of Parcels	# of Parcels	Parcel Area (acres)			Parcel Perimeter (miles)		
			<40 Acres	Min	Max	Mean	Min	Max	Mean
Gogebic	1991	197	24	31	46,922	756	<1	153	4
	2003	152	31	11	36,853	1,033	<1	158	4
Keweenaw	1994	18	9	<1	164,677	9,429	<1	289	19
	2006	19	16	<1	125,037	5,003	<1	245	12
Mackinac	1996	40	14	<1	11,291	581	<1	48	4
	2006	20	5	29	9,828	955	<1	42	6

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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%

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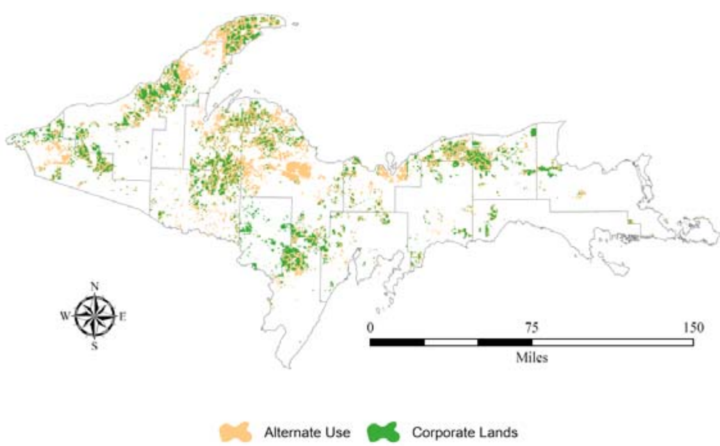
HBU: Higher and Better Use Lands



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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

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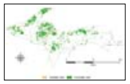
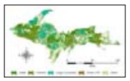
In Summary

The VITPCs are gone



Corporate forestland area continues to decline



Spatial pattern is more important than rate or any individual change

Lack of quality, timely data limits assessment