Promoting Long-Term Forest Management

Defining and Addressing the Business Model of Liquidation Harvesting in Maine

A report to:

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Innovative Natural Resource Solutions LLC prepared this independent analysis of the business model of liquidation harvesting in Maine for the Maine Forest Products Council (MFPC). MFPC and its members do not necessarily endorse the findings and recommendations contained in this report.

1. Introduction

Every year, Maine's forest industry and forest landowners make enormous contributions to the economic and environmental health of the state. Forest-based manufacturing is the largest manufacturing industry in Maine, and Maine's forest-based economy contributes over $6.5 billion to the state's economy each year[1]. Each 1,000 acres of Maine forestland provides for more than 2 jobs[2], and provides wildlife habitat, clean water, and the raw materials to support the forest industry.

Forest landowners and forest industry operate in a challenging and changing environment, with increased uncertainty the only constant. Maine's forest landowners face an unstable regulatory climate, have grappled with two referendums in the past five years, and compete against wood producers in far-flung corners of the globe. Maine forest industries operate in a competitive global environment, face production costs (i.e. labor, energy, and raw materials) higher than the industry average, and see threats to their wood supply in the future.

Despite these challenges, forest landowners and forest industry make significant contributions to Maine. The state is the most forested in the country, with 90% of the land forested. Maine landowners have a long tradition of public access to their land, something not common in most other parts of the nation. Forest industries are the anchor of many rural towns, and provide employment for almost 27,000 residents.

One of the most important ways that Maine can assure that the contributions of forest landowners and forest industries continue is to provide for a stable regulatory base, and a stable land base. Maine should work to encourage forest landowners to manage their land for long-term benefits, and craft public policy to support these benefits.

In the last decade, the issue of liquidation harvesting has received increased attention in Maine and surrounding states. As a general business practice, liquidation harvesting has occurred for decades, if not centuries, in northern New England[3]. In 1997, the New Hampshire Forest Advisory Board issued a comprehensive report on liquidation harvesting, finding that public policies in place did not sufficiently encourage long-term management of forestland.[4] Following over a year of work, a diverse group of twelve individuals – including state officials, landowners, environmental groups, forest industry and tourism leaders – recommended that the state of New Hampshire improve educational outreach to private landowners, enhance enforcement of existing laws, and begin tracking the issue of liquidation harvesting so that future decisions could be supported by meaningful data. The group did not recommend any new regulatory policies to address liquidation harvesting.

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[1] North East *State* Foresters Association. *The Economic Importance of Maine's Forests.* March 2001.
[2] *The Economic Impact of Maine's Forests*
[3] Innovative Natural Resource Solutions. *Use of Tax and Non-Tax Policy to Influence "Timber Liquidation" and Short-Term Speculation in Timberland and Timber*. 1996.
[4] New Hampshire Forest Advisory Board Report on Timber Liquidation. 1997.

In Maine, liquidation harvesting has been an issue of public importance since at least 1996, when the Maine Forest Service commissioned a report on policies to influence short-term speculation in timberland and timber[5]. Since then forest industry, the state and others have taken steps to define, understand and address concerns about liquidation harvesting.

One difficult aspect of addressing liquidation harvesting is defining it. A web search of the term clearly shows that, worldwide, it is applied in a variety of ways to describe harvests that certain individuals object to. "Timber liquidation" and "liquidation harvesting" are often used to describe development, clearcutting (including harvests conducted according to the highest silvicultural standards), and commercial forestry on public lands. Because the term has an obvious and undeniable negative connotation, activists have used the term broadly to describe activities that they do not like.

Maine, recognizing the need for a specific and defensible definition in order to address the issue, adopted the following definition in 2002:

> *Liquidation harvesting is the purchase of timberland followed by a harvest that removes most or all commercial value in standing timber without regard for long-term management principles and the subsequent sale or attempted resale of the harvested land within 5 years.*[6]

This definition establishes liquidation as a series of transactions -- purchase/harvest/sale – within a fixed period of time and without regard to future forest values. For the purpose of the following analysis, this definition is used. It should be clear that "liquidation harvesting" does not apply to timberland that is subject to heavy harvesting and remains in one ownership for a long period or time.

The issue of liquidation harvesting is also linked to development and sprawl, as harvesting is a necessary precursor to building in most of Maine. Directing growth is an important issue in Maine, where an estimated 33,600 acres of open land (forest and farmland) are converted to developed land each year[7]. In southern Maine, particularly in the Greater Portland area, development is occurring at one of the fastest rates in the nation[8]. Development issues are a significant concern to the forest industry and forest landowners[9], and need to be addressed. However, the development cannot be controlled or regulated by attacking forest management, which is often the economic use that helps keep land from becoming developed. In this report, development is treated as a separate though related issue, and many of the ways to address liquidation harvesting are compatible with the concepts of smart growth.

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[5] Innovative Natural Resource Solutions. *Use of Tax and Non-Tax Policy to Influence "Timber Liquidation" and Short-Term Speculation in Timberland and Timber*. 1996.
[6] State of Maine, L.D. 1920. *An Act to Address Liquidation Harvesting*. 2002
[7] Benson, Joyce. *Agricultural Land Loss: Maine State Planning Office Background Paper*. 2001.
[8] *Indicators of Livable Communities: A report on smart growth and the impact of land use decisions on Maine's communities, environment, and countryside.*
[9] Bell, Thomas. "Threat to Timberland." *Maine Sunday Telegram.* December 1, 2002.

2. Maine Steps to Address Liquidation Harvesting

In 1999, the Maine Forest Service released a study providing some insight into liquidation harvesting in Maine, its extent, and its nature.[10] This study concluded that between 2.5% and 10% of all harvests in Maine (as measured by acreage) may be considered liquidation harvests, but was unable to provide greater certainty. This analysis did note that small private landowners, *not* forest industry or large non-industrial landowners, owned all of the sites characterized as liquidations. Harvests identified as liquidations tended to be on relatively small parcels, with 80% 150 acres or smaller. This analysis was done prior to substantive changes to the Forest Practices Act that occurred in 1999, and this data no longer represents an accurate assessment of liquidation harvesting activities in Maine.

Following this report, a number of significant steps have been taken in Maine by the public and private sectors to address liquidation harvesting. Many of these changes are very recent, and for some it is too soon to fully appreciate their effectiveness.

In the private sector, over 6.4 million acres of Maine forestland has been third-party certified through the Sustainable Forestry Initiative®, the Forest Stewardship Council, or through ISO[11]. More landowners are currently in the process of becoming certified, and the amount of certified land in Maine is expected to grow. Managing land "without regard for long-term management principles" is incompatible with forest certification, and third-party certification provides clear assurances that land is not being liquidated.

The Maine Forest Service has initiated the "Woods Wise" program, which provides information directly to small non-industrial landowners. Through this program, Maine landowners are provided with information on forest management, the importance of working with forestry professionals, and an introduction to many agencies and organizations that assist landowners. Woods Wise is advertised on television, the world-wide-web and print, and has reached thousands of landowners. The information provided to landowners help them understand the benefits of long-term forest management, and help landowners locate and work with reputable professionals who share their vision of good forest stewardship.

Changes to zoning, in both the unorganized territories and in organized towns, have acted as a curb on liquidation harvesting. The Land Use Regulation Commission recently eliminated the ability of landowners to subdivide a number of parcels 40 acres or larger from large tracts without having to undergo a regulatory review. Similarly, Maine statute now requires municipal review of subdivisions of parcels 40 acres or larger from large tracts, unless the municipality affirmatively elects to allow such an exemption. These changes to subdivision review were both enacted to address the issue of liquidation harvesting, and anecdotal evidence suggests they are having an impact on the practice.

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[10] Maine Forest Service. *Timber Liquidation in Maine*. January 5, 1999.
[11] Maine Forest Products Council. *Annual Verification Progress Report.* 2002

In the 2001 session, the Maine legislature passed LD 1920, *An Act to Address Liquidation Harvesting.* This bill made substantive changes to the Tree Growth Tax law, changes designed specifically to address liquidation harvesting by individuals enrolled in this important land conservation program. Changes include:

- A requirement that landowners enrolled in the Tree Growth program sign a statement at the time of a harvest operation indicating that their harvest is consistent with their required management plan;
- A requirement that if any portion of the forest experiences a change in use, that section must be withdrawn from the Tree Growth program;
- Requires that a new landowner either develop a management plan or adopt the one previously in place prior to commencing a harvest. This change assures that harvests are conducted in accordance with accepted forestry standards.

It is clear that, following the release of the Maine Forest Service report in 1999, the State and Maine's forest industry have taken serious and concrete steps to address the issue of liquidation harvesting. Liquidation harvesting is a complex and challenging issue, and these steps all have an impact in addressing this challenge.

3. Maine Forest Service Study

The Maine Forest Service has begun an analysis of liquidation harvesting in Maine, though this work is far from complete and no definitive conclusions can be drawn at this time. In this analysis, the Maine Forest Service used a random sample of year-end landowner reports (2000 and 2001) to identify seven percent of the acreage harvested in a year. These parcels were then compared against municipal records to identify which land was purchased, harvested and sold within a five-year window. Parcels that were converted to other uses – primarily development but also conversion to agricultural fields or other uses – were eliminated from the sample, as the Maine Forest Service study treats loss of land to development as an issue separate from liquidation harvesting. It is these lands – which have been purchased, harvested, and sold in a five-year period – that, under Maine's definition of "liquidation harvesting", *may* possibly be liquidation harvests. However, liquidation harvesting, as defined by the Maine legislature, means the harvest remove "most or all of the standing timber without regard for long-term management principles".

Using this methodology, a small percentage of harvests have been identified as possible sites for liquidation harvests. Preliminary estimates from the Maine Forest Service show that roughly nineteen of every twenty acres harvested in Maine are *not* liquidation harvests. This does not necessarily imply that one in twenty acres is a liquidation harvest, only that these acres cannot be classified as a liquidation harvest or not without a visit to the site.

To date, no field visits have occurred to sites that *may* be liquidation harvests. Without field visits, it is impossible to determine how many acres in the sample have been liquidated, and impossible to make broader statements about the extent of liquidation harvesting in Maine. When field visits do occur, currently scheduled for the summer of 2003, the Maine Forest Service will need to develop an objective criteria to determine which sites were harvested "without regard for long-term management principles". Objective criteria is absolutely necessary for making certain that biases of individual foresters do not color the results of the study, and to assure that different individuals use identical standards to judge timber harvests.

It should be noted that while this study will provide some important information on the actual extent of liquidation harvesting in Maine, the data set used pre-dates changes to the Tree Growth Tax Law in 2002 designed to curb liquidation harvesting. It is anticipated that these changes will reduce liquidation harvesting in Maine, and this change will not be reflected in the findings of this study.

4. The Business Model for Liquidation Harvesting

The fundamental challenge faced when trying to address liquidation harvesting is that – for certain parcels – individuals who intend to purchase the land and manage it for the long-term operate at an economic disadvantage to operators who intend to purchase/harvest/sell the land (in many cases "liquidators"). This is most likely for mature forests and stands[12], and anecdotal information suggests that it is more likely for smaller and medium size parcels.

There are two ways to address this business model, with the intent of having more land owned and managed as forest, and consequently less owned by individuals or firms interested in the purchase/harvest/sell model. The way most often discussed is penalizing the "liquidator' through tax policy. This has a number of disadvantages, including penalizing other landowners not engaged in the practice of "liquidation". *A more effective and targeted approach is to use public policy to improve the economic position of landowners interested in owning and managing forests for the long-term.*

a. Addressing the Business Model of Liquidation Harvesting

When seeking to address the complex issue of liquidation harvesting, it is critical to identify principals that any proposed solution should be judged against. The following principles should be used to judge any proposed method to address liquidation harvesting in Maine:

i. **The method should be based upon data-supported understanding of the exact nature and extent of liquidation harvesting in Maine.** Maine is in the process of developing an understanding of the exact nature and extent of liquidation harvesting. Because the overwhelming majority of landowners are not engaged in liquidation harvesting, it is critical that any approach to addressing liquidation be designed in a manner that does not penalize landowners, loggers, and wood using industries seeking to practice responsible forest management.

ii. **The method should encourage landowners to keep their land as forest, and not provide incentives for loss of forestland.** It is critically important that any policy crafted does not provide such a regulatory hurdle that it drives landowners away from leaving harvested land as forestland, and instead encourages development and permanent loss of the forest resource.

iii. **The method should favor landowners who seek to manage forests for long-term benefit.** Landowners interested in long-term management of their lands should be encouraged to purchase, hold and

[12] Mongan, Stephen J. *Economics and Liquidation Harvesting*. In the New Hampshire Forest Advisory Board report on Timber Liquidation. 1997.

manage land in Maine. While Maine has some policies that encourage long-term forest management, past policy instability in the area of forest management has made it difficult for timberland buyers to know what regulatory environment they will operate under. This uncertainty has a significant chilling impact on long-term landowners, and can lead to less stable land ownership. Any attempt to address liquidation harvesting should provide stability and benefits for landowners seeking to manage forests for the long-term.

iv. **The method should be designed to not raise costs for Maine forest industries.** Some regulatory policies that may be considered to address liquidation harvesting would have the effect of artificially raising costs for Maine forest industries. At this time, Maine cannot afford to further damage the economics of the state's wood-using industries or landowners, and should not pursue any regulatory approach that would artificially increase costs. For example, in a recent presentation on the *Current State of Maine's Pulp & Paper Industry*, it was noted that every single pulp mill operating in Maine has production costs in excess of the industry average – ranging from 109% to 196% above industry average for expenses such as fiber, labor, energy, and other operating expenses[13]. Given the highly competitive global nature of the forest industry, any policy that raised costs for forest industry could have devastating and unintended economic consequences.

v. **The method should be designed to discourage future liquidation harvesting, not penalize current landowners.** With any public policy, it is important that the policy be designed to impact future actions, and not place an unnecessary burden or penalty upon those individuals that are current landowners. Some policies under consideration could have the unintended consequence of reducing property values for existing landowners, while do little or nothing to discourage the practice of liquidation harvesting.

b. Addressing the Business Model Through Tax Penalty

In discussions about liquidation harvesting, a number of Maine groups have pointed to Vermont's Gains Tax as the best way to address this challenge. The Vermont Gains tax, first passed in 1973, imposes a significant tax on land purchased and sold within a short period of time. The rate of this tax decreases as land is held for longer periods of time, and no gains tax is applied for land held more than six years. In 1995, this law was amended to include the sale of timber rights, in addition to existing taxes on the sale of timberland.

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[13] McNutt, James. *Maine's Competitive Position In The Pulp & Paper Industry: A Competitive Assessment.* The Current State of Maine's Pulp & Paper Industry. University College, Bangor, Maine. April 4, 2003.

There is no evidence to suggest that this tax penalty had any impact on curbing liquidation harvesting in Vermont. In fact, only two years after applying the tax to both sales of timber rights and timberland, the Vermont legislature passed additional legislation purported to address liquidation harvesting, termed "heavy cutting", requiring certain stocking standards for parcels harvested in the state. One unintended consequence of this "heavy cutting" legislation is a rise in high-grading[14], which is defined as "an exploitive logging practice that removes only the best, most accessible and marketable trees[15]". High-grading leaves a poor quality forest, and significantly inhibits future production from the stand.

Appraisers and timberland owners familiar with the Vermont gains tax believe that the passage of this law did little to stop the practice of liquidation harvesting, but did have an immediate impact on land values.[16] Following the passage of the land gains tax, land was worth less because the economic choices a buyer had were constrained. "Liquidators" could and did still purchase timberland, conduct heavy harvests and sell the bare land but now they had to pay a tax. As liquidators are often very aware of the rules and regulations that they must operate under, liquidators simply deducted the anticipate tax penalty from their purchase offer. In essence, though the check due for the land gains tax was sent by the liquidator, it was truly paid for by the seller of the land in the form of reduced sale price. This issue was raised as early as 1992, when researchers noted:

> "Early results from the of the Vermont Land Gains Tax raise an interesting question: did the tax have one-time effects only, after which the market, including land speculators, adjusted to the new cost and built the tax into the price of land?"[17]

In Maine, passage of a similar land gains tax would cause existing private landowners to have an immediate loss of value. This loss would obviously vary by parcel, but could have a noticeable impact on asset value of some large landowners in the state. Given obvious challenges currently faced by the forest industry in Maine, further economic disruption caused by ineffective tax policy is highly undesirable.

Additionally, tax policy is a blunt instrument, and would have impacts on forest landowners and forest industries not engaged in the practice of liquidation harvesting. Many landowners are economically forced to harvest shortly following purchase in order to help service their debt, or are economically forced to sell some parcels of a large purchase in order to afford other parcels. A gains tax would likely impact these owners, discouraging responsible landowners from entering the marketplace and – in the long term – discouraging responsible forest management.

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[14] Dillon, John. "Impact of Vermont's Act 15 Not Clearcut." *Northern Woodlands.* Spring 2001.
[15] *Good Forestry in the Granite State: Recommended Voluntary Forest Management Practices for New Hampshire*.
[16] Personal communications with Bret Vicary (James Sewall Company), Bruce Jacobs (Fountain Forestry), Stephen Mongan (LandVest), Douglas Morris (University of New Hampshire)
[17] D. Robinson and E.M. Chant. *Interaction of Land Policy and Land-Based Tax Policy: The Vermont Land Gains Tax*. In Review of Urban and Regional Development Studies 4(2), Pages 147-161. 1992.

c. Addressing the Business Model Through Incentives for Long-term Ownership

The alternative to addressing the business model used by "liquidators' through penalizing tax policy is to use public policy to support long-terms ownership of forestland, thus placing them in a competitive position when bidding against "liquidators" for land. Maine presently has a number of public policies (e.g., Tree Growth Tax Law) that encourage long-term management of timberland. While critical to forest landowners and the forest industry, it appears that these programs have not been sufficient to address all public concerns regarding liquidation harvesting. The following options are presented to address ways that the State of Maine can use public policy to improve the economics of long-term land ownership, thus addressing concerns regarding liquidation harvesting through positive action.

i. Securing Term Easements Through Tax Incentives

When land is sold, the seller obviously and rightly wants to capture the full value of the land. As discussed above, the business model used by long-term investors is often at a disadvantage to the business model used by "liquidators', and thus liquidators are often the purchaser of a property.

One way to help level this playing field would be to allow sellers of land to place "term easements" on their land at the time of sale. These easements would prohibit development or subdivision of the parcel for eight years, thus discouraging liquidators from purchasing the land. Sellers would be allowed to take the difference in value (as determined by an independent appraiser) from the land subject to a term easement and the value of the land without restrictions as a tax credit, charged against either capital gains or income tax. While some details remain to be worked out, the intent would be to make the seller whole financially, thus providing them with an opportunity to sell for forest management while not losing investment value.

In an effort to make these easements as inexpensive as possible -- thus having the smallest possible impact on the State of Maine while achieving the public goals -- these term easements would cover development and subdivision, but not impose standards for public access, forestry standards, or other public values. Term easements would be filed at the County Registrar of Deeds, and would last for a period of eight years following the sale of the land. This approach would encourage sellers of land to locate buyers interested in long-term forest management and ownership. For buyers, knowing that they are purchasing land for forestry purposes while maintaining future options for use of the land would make this program highly attractive.

This approach helps curb liquidation harvesting by making certain that land enrolled in the program is not subject to subdivision or development for a fixed period of time, and would serve as a brake on development in some areas. Current landowners

would have the option to participate in this program, but doing so would not cause them economic hardship or loss of value.

ii. Using Cost-Share Funds to Secure Future Forest Management

The Maine Forest Service, using federal money from the U.S. Department of Agriculture, administers a number of "cost-share" programs, designed to help landowners develop plans for and manage their timberland. Recipients are typically small non-industrial landowners, and use their money to match federal cost-share funds, allowing them to invest in the land.

In recent years, cost-share programs administered by the Maine Forest Service have received significant funds, primarily as a result of money directed to mitigate the impact of the 1998 ice storm. This money provided for over 3,500 stewardship plans covering nearly 414,000 acres. Additionally, cost-share money in the amount of $3.7 million helped landowners conduct timber stand improvement, develop access corridors, and otherwise invest in their forestland. In typical years, funding allocations are significantly lower, but certainly assist a number of landowners.[18]

When a landowner receives cost-share funds, they are required to sign a statement saying that they will continue the forestry practice for a period of ten years. However, this agreement is unenforceable, and there are instances where land that has recently received cost-share funds from the State of Maine has been liquidated.[19]

Maine should consider legislation to make this agreement binding, and make it a burden upon the land for ten years. In receiving cost-share funds, landowners should know that their agreement to continue responsible forest practices is binding, and subject to recapture and penalties if they fail to continue the practice of forestry. Further, this agreement should be recorded by the Maine Forest Service with the Registrar of Deeds in the county where the land is located, assuring that future landowners are aware of and bound by the provisions of this agreement.

iii. Providing Low-Interest Loans to Encourage Land Stability

When a long-term investor considers purchasing a piece of forestland, one thing that must be evaluated is the cost of money over time. Many times landowners do not see significant revenues from a piece of forestland for years, if not decades, after purchase. However, these landowners need to pay for the land -- as well as cover expenses such as property taxes and road maintenance – and carefully consider the interest rate charged when contemplating a purchase of forestland.

In some instances, interest rates charged by lending institutions to timberland buyers have the effect of penalizing buyers interested in the long-term management of forestland. This is because a long-term buyer must accept the interest rate over a long

[18] Personal communication with Donald J. Mansius, Maine Forest Service. April 2003.
[19] Personal communication with Donald J. Mansius, Maine Forest Service. April 2003.

period of time, and thus pay a higher overall fee for the purchase of a parcel. A timber liquidator, on the other hand, can operate more efficiently under a high interest rate, because the liquidator does not plan on holding either the timber or the land for any significant length of time. As such, interest rates have far less of a financial impact upon a timber liquidator.

One way to address this imbalance is to provide low-interest loans for the majority of the purchase price to individuals or firms who commit to purchasing forestland with the intent of owning it for a fixed period of time. In order to be eligible for such a low-interest loan, a landowner would commit to not developing or subdividing the land for a fixed period of time (which could be equal to the period of the loan, or could be set at eight or ten years). The purchaser would also be required to develop and follow a forest management plan, comparable to "Stewardship Plans" currently required by the Maine Forest Service for participants in cost-share programs.

For individuals that enrolled in this program and then violated the terms of the agreement, the penalties and repayment at a much higher interest rate could be required, thus providing the strongest possible incentive for responsible forest management. The land could serve as final collateral against fines and penalties, so that if a landowner refused to pay they would lose any interest in the land.

Because timberland is an asset, this program could be set up as a revolving loan program with only modest financial risks. If a landowner was unable (for any reason) to make payments on the land, the loan program could repossess the land and sell it to a new buyer. As loans were made and repaid, new applicants could use the funding to secure the future of more Maine forestland. Through such a program, Maine could help landowners with a vision of future forest management purchase land and discourage liquidation harvesting.

Maine currently has a program that may be looked to as a model. The *Potato Marketing Improvement Fund* -- administered jointly by the Maine Department of Agriculture, Food and Rural Resources and the Finance Authority of Maine -- provides below-market loans to potato growers and packers for modern storage and packing facilities. While modifications would obviously be necessary in order to address the specific needs of forestland owners and assure public benefits, this program certainly provides a template to build upon.

iv. Using Tax Policy to Encourage Procurement from Certified Forestland

Maine is a leader in forest certification, with over 7 million acres (substantially more than one-third of the state's forestland) enrolled in or seeking certification through one or more certification systems. As has been noted by Maine's state forester, "It is hard to imagine anyone acquiring or maintaining certification while being involved in

liquidation."[20] The State of Maine has been active in encouraging certification of private lands, and recognizes that third-party certification provides an opportunity to encourage responsible forest management outside of the regulatory arena.

Certified lands are not part of the liquidation harvesting issue in Maine, and additional support may help lands not currently certified, including lands owned by small non-industrial landowners, become enrolled in certification. One way that the state could encourage certification is by financially supporting the procurement of wood from certified lands.

In order to encourage procurement from certified lands, the State of Maine could provide a tax credit to Maine mills for each volume of wood (cord, ton or thousand board feet) purchased from certified lands located in the State of Maine. This tax credit would be available to any wood-using industries in Maine that can track and account for their procurement, and would significantly assist the state in determining how much wood statewide comes from certified lands. By providing the tax credit directly to mills, Maine's forest industries would receive assistance at a time when they face significant competitive pressure, and this approach would not raise fiber cost, something mills certainly cannot afford.

Additionally, it is likely that a tiered procurement system would develop, with higher prices offered for wood from certified lands than from uncertified lands. This would help financially support landowners who have made the commitment and born the expense of certification, and would make certification recognized as an asset at the time a parcel of land changes ownership. Such an incentive-based system would also have the benefit of encouraging Maine landowners to sell to Maine mills, and encourage Maine mills to purchase from Maine landowners.

v. Conservation Easements for Working Forests

The purchase of development rights and other rights (such as recreational access and strict forestry standards) through easements is an accepted practice in Maine's forest industry, and should be encouraged and expanded. The purchase of easements on working forestland by the State of Maine, conservation organizations, land trusts or others assures not only that liquidation will not occur, but provides public assurance that the land will remain a forest in perpetuity, always available for society's needs.

Programs that purchase easements on working forests, such as Land for Maine's Future program and Forest Legacy (a program of the USDA Forest Service), should be expanded, and increased outreach should be used to identify parcels in areas threatened by liquidation and owned by willing sellers. To date, much of the focus for easement purchases in Maine has been for large tracts in the Northern Forest. This is appropriate, but it may also be prudent to direct some level of future easement support to areas of high growth or high probability of future liquidation harvesting.

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[20] Doak, Thomas. *Liquidation Harvesting: Defining and Solving a Problem (Part 2).* In the Forest Products News, the newsletter of the Maine Forest Products Council. December 2002.

5. Next Steps

The most critical pieces of information for addressing liquidation harvesting in Maine do not yet exist. Information needs include:

- How much timber liquidation is going on in Maine?
- What geographic areas are experiencing the greatest amount of liquidation harvesting?
- What impact are recent outreach efforts, forest certification, and regulatory changes having in addressing liquidation harvesting?

Once these information needs are met, a targeted and discrete way to address the actual issue should be developed. This method of addressing liquidation harvesting should support long-term land ownership, responsible forest management, and provide economic incentives to not engage in liquidation harvesting. The method of addressing liquidation harvesting should carefully consider the impacts of the law upon existing landowners, responsible forest managers, and wood-using industries. Methods of addressing liquidation harvesting should not penalize existing landowners, raise costs for Maine forest industries, or encourage conversion to other uses.

The State of Maine and Maine's forestry community have made significant strides in addressing the issue of liquidation harvesting. These efforts to date have focused on private action, education, and modest changes to regulations. To the extent that any documented issue of liquidation harvesting significant enough to warrant changes to public policy remains, continued efforts should be made to provide for responsible management of Maine's forestland, thus discouraging liquidation harvesting.