

Jerry: Welcome to Housing Developments. I'm Jerry Howard.

Jim: And I'm Jim Tobin.

Jerry: And I'm still basking in the success of the IBS and looking forward to next year's IBS which for somebody who's been to as many as I am to say that this soon after getting home is an unusual, unusual occurrence.

Jim: Yeah. Usually it's at least a full week or two before we're recovered. But yeah, I'm with you. We talked about it on our last podcast, how great the show was and still get a lot of compliments from a lot of people who just had a great time. It was great to be with their friends and colleagues for the first time in a couple of years and really optimistic for the '23 show. Yeah, so far, so good. I could still use a couple cat naps here and there.

Jerry: Well, I hope you'll get one over this long weekend that's coming. But listen, let's get right to our show. We have a really interesting guest. We have David Tenny, the chief executive officer of the National Alliance of Forest Owners. Under Dave's leadership and Dave's passion, NAFO has become a leading national advocate for federal policies that ensure working forests with a novel concept. Working forests provide clean air, clean water, wildlife habitat, and yes, jobs through sustainable practices and strong markets. Dave has a huge history in this area having worked at American Forest and Paper Association, and as the undersecretary for the Department of Agriculture. Dave's background here, and his resume is absolutely perfect for the job he has. And Dave, welcome to the show.

Dave: Thank you. Glad to be with you.

Jerry: Dave, can you please tell us exactly what is NAFO and what in your view is a working forest?

Dave: Sure. The National Alliance of Forest Owners has been around since 2008. We have 50 member companies who collectively own and manage about 47 million acres of Timberland across the country. Now to put that into perspective, that's larger than the state of Washington. We also have 31 association members who represent tens of billions of additional acres of private working forest. So as you put it, Jerry, in your introduction, we work together to drive a pretty simple narrative in federal policy. And that's that healthy markets provide clean air, clean water, wildlife habitat, good paying jobs. And our members are committed to sustainable practices. In fact, they have to commit to independent third party verification of their sustainable practices as a condition of membership. So you ask the question about what a working forest is. I think the simplest answer to that question is that a working forest is a forest that helps provide the wood and fiber that we need for lumber to build homes for energy, for paper, for packaging and anyone of 5,000 or so products that you and I use every day.

Jim: Dave, thanks. We couldn't agree with you more, right. As you said, the ability of your members to provide the fiber and then for the lumber that we need is critical. I see that NAFO started in 2008. That of course is a huge tipping point for our industry and

probably the wood products industry is the housing market peaked. And then began its precipitous fall during the great recession. In your time doing this, whether it's working on the hill prior or in now up to 2022, how has the industry changed? What's happened over the intervening 20 or 30 years to lead us to this point where we are today, where forests are looked at both as recreational opportunity, but also we need them to sustain business, certainly home building and this country. What's happened?

Dave: Well, I think probably the most important thing to remember about our forests and the relationship that they have to our homes and how that's played out over time is that they've always been connected. I can't remember a time growing up in Idaho when I didn't look out the window and see forests. And I was looking out the window of my home. There was a connection there. There's a connection of being home in the forest. In the sector over the last 30 years, I think what we've seen is an even greater awareness growing about the value of our forests. Our forests have been the source of an engine that has driven unprecedented prosperity in our country. If you just think about what's happened since the late 1950s, we've had an unprecedented expansion, economic and in many other ways in our country but home building in particular in our country. And our forests have been the driver of that.

And interestingly enough, when you think about that relationship, you might think, well, if you build too many homes, you may run out of forest. But what has happened over that time of that unprecedented expansion and growth and prosperity is that our forests have remained relatively constant in terms of our total acreage, but the volume of trees that we've been growing in our forest has increased by over 60%. So when we talk about healthy markets providing clean air, clean water and the wildlife habitat in our forest and all those good paying jobs, it's the markets that you are providing that help drive that.

So the trees drive are the engine that drives home building, but the home building and other markets provide the resources that enable the trees to keep growing and thriving in our forests and providing all these public benefits that they provide. I think that's just become even more pronounced over the years that I've been at NAFO and certainly over the last 30 years, as we've seen this relationship between markets and our forests and all the benefits that they provide. And I think that's a story that we can all tell pretty confidently.

Jerry: Dave, let me ask you a question. Is there a difference between the volume of trees on privately owned forests and on publicly owned forests?

Dave: I'll give you some data. Let me give you some data. So let me answer your question this way with a few basic facts. If you look at our nation as a whole, about a third of our land base, maybe 765 million acres of our land in the United States is forested. Now that land base, that forest land base is divided between publicly owned forest, like our national forest system and privately owned forest, like the forests that are owned and managed by NAFO members. 60% of our total land base is privately owned forests. About 47% of our total land base, forest and land base is privately owned, working forests. Our privately owned working forests, they are managed to provide the goods and services

that we all enjoy, including homes and including consumer products and the air, water, and wildlife and habitat that we all need.

90% of our timber harvest in the United States is coming from these private working forests. 90% is coming from those. And about 40% of that timber harvest is used for home building and other construction. But let's talk about this in terms of carbon, because carbon is a topic that's being discussed quite a bit today. And I want to talk about this 40% of our forest of land base that's producing 90% of our timber harvest. These same forests are producing almost three quarters of our annual carbon sequestration. Now, if you compare that to all the other types of forests out there, public and private, the ones that are managed for wood fiber and the ones that are not, three quarters of our carbon that's being pulled from the atmosphere is being pulled into these private working forests, and that's about 20 times more carbon that sequestered in our national forests each year.

So that tells us something about what's happening with the management of our private lands and how important they are to removing carbon from the atmosphere, even compared to our public lands. Now there's more to the story because even after you factor in things like timber harvest that will remove carbon from the forest or fire or other natural disturbances or using wood for energy or what have you, our private working forests are still, our forests are still providing about 800 million metric tons of sequestration net each year. That's a lot of carbon.

And so I think the answer to your question from a carbon standpoint is that our private working forests are probably the most important carbon mitigation machine we have in our country right now. And they're connected directly to the markets that you're providing. And they're part of the story that you're telling about contributions that you're making through home building. They're directly connected to the contributions that our forest are making to the climate that helps.

Jerry: Yeah. No, it definitely does. And I think what you're saying is that because privately owned forests are viewed as a renewable resource and an asset, they are managed much more modernly and much more thoroughly than national forests, which are left to their own, on their own end up having more trees growing than is a healthy number. Those trees then aren't as healthy and are more subject to forest fires, beetle infestation, and other types of problems.

Dave: Well, I think that's true. If you look at private working forests, we're not just providing the wood and the fiber. We provide filtration for 30% of the drinking water in our country. We provide 60% of the habitat needed for at risk species. We're providing recreation on tens of millions of acres for people who like to get out, who like to enjoy the out of doors, who like to hike, who like to hunt, and who like to use our forests for a variety of things that are good for their wellbeing. And in order for them to provide all these benefits, they have to be healthy. So healthy, sustainable forest management is one of the most important things that we provide, not just for the markets or for the future of our forests and future of our country.

Jerry: It seems to me that you're painting a picture that really makes the people who run our national forests look like they're asleep at the switch.

Dave: Well, if you think about where we're coming from, our members certify sustainability. They verify that sustainability through third party audits every year. That's what they do. And why do they do that? They do that because it matters. It matters to their license to operate. It matters to their culture, and it matters to the long term sustainability of their asset, of their forests. And if you think about what's happening out there right now, these forests are not only sequestering a bunch of carbon. They're not only providing a lot of wildlife habitat and clean water, but they are doing this year over year, decade over decade, and they're doing it because we are managing our forest, because of the timber harvest. Let me give you a couple more statistics. We love data. Each year, private working forests are harvested for wood fiber. We harvest about so 7.8 million acres of our timberlands each year.

And I think that's a lot of acres. That's about 2% of the land base. So 2% of the land base is providing 90% of the timber harvest that is providing all the goods and services that we use every day, 2% of the land base. Well, how much do we replant each year? 2% of the land base. It's not the same acres, but every year we are planting the replanting as many acres as we're harvesting. We have the practice of always planting more than we harvest. That's just good stewardship. So on an average year, we're growing 40% more wood than we're harvesting. And if you continue that over time, you can see why our forests have continued to thrive. And that's why we have 60% more wood today in our forest than we had back in the 1950s.

Jim: Dave, you've done a great job of kind of knitting the aspect of home building and the industry and how it's important for us to thrive so that the forest products industry can survive and tide and climate change and carbon sequestration. But I'd be remiss if I don't raise the big issue for our members these days. It's the price of lumber. And when I hear that, you're cutting 2%, replanting 2% and growing the forest, I feel good about the kind of the future of the forest, certainly in private lands. And Jerry's actually highlighted the frustration we have with either the management or the cut on our federal timber lands. Put that aside for now. But tell us from your member's perspective, why we're seeing these record lumber prices? What more can be done to cut more timber, to get more product on the market so we can see reduction in price?

Dave: I never have a conversation with a NAFO member, a member of my board that doesn't have some aspect of the marketplace associated with it, looking at the market. And we rarely have a conversation about the market without talking about housing. The relationship between housing and private working forests has been one of the most important relationships between two sectors in our country for a long time. And so I have never heard once a concern about scarcity. I've heard more that we have so much wood that we may have too much wood and not enough markets to support those, to support the use of those trees. However, there's housing, and housing is strong and it's growing, and the demand is strong.

There's no question that we have supply chain challenges in our country right now. We have an expansion of building operations that are going on in our country right now, but that is being hampered by supply chain. And we anticipate that capacity is going to continue to come online. And all of that is good news. All of that means that the future market is going to be even more robust. And that's good for everybody, but there's no question that COVID, supply chain, labor, trucking, you name it is a challenge right now. And it's a challenge that we're all going to have to get through. And I hear that too. That's a challenge for all of us.

Jim: Do you see any relief on the horizon? You mentioned capacity increasing, but Jerry and I have had many guests on housing developments to talk about the capacity that's being built, but it takes a long time for that to kind of come online. The short term pressures right now, obviously you mentioned trucking. What else are the headwinds that you're hearing from your members that they're facing in the short term to get more product onto job sites?

Dave: Well, I think that mostly I hear optimism. I hear optimism from our members. I hear of optimism in the outlook for our forests and the outlook for the markets. And yeah, we have some short term challenges, but I hear optimism that we're going to get through these headwinds. We're actually feeling tailwinds right now, in terms of the long term outlook. Now I have to take a step back and point out that when we're in the forestry business, we're talking about investment horizons and operational horizons that are pretty long. So you plant a tree today. You might not harvest that tree for 30 or 40 or 50 or plus years. And so we're looking at that long term and the long term fundamentals are really good. And so we feel optimistic about that even if there is some short term glitches. I think our friends in the wood products sector are going to have better answers about the challenges that they're facing, but our members are feeling pretty optimistic about the long term.

Jim: Yeah, I think we do too. I think the market fundamentals, even though these so supply chain is really hurting, lumber prices are adding \$19,000 at the cost of a house or in a rising interest rate environment, while those are potentially short term issues, I also think that the health of the housing market, the demographics leading to more home building, the need for new homes is something that we see down the road. And we're hopeful that the lumber companies and the forest product industry are watching those demographics as well, to make those investments, to make sure that we have this kind of long tail on this. And I think our frustration is prices go up and then they fall back down over the summer. Now they're creeping back. It's this whip sawing back and forth between the highs and lows, where our members in particular, they can't price a project. They don't know how much lumber's going to cost from week to week. They're watching future prices tick up every day. I'm sure it's just a frustrating time for everybody.

Dave: Well, we'll get through it. We'll get through it. And like I said, our members are optimistic for the future, even if we have temporary challenges, and we know what those are. Part of the optimism that we have going forward is what we've experienced in the past. And if you take a step back and look at what's happened over the... I'll go

back to what's happened over the last 70 years, unprecedented expansion, more forests than we've ever had, more trees by volume than we've ever had, a carbon story that's unmatched anywhere, a mitigation story that is unparalleled. We have a better story to tell and better outcomes for air and water and wildlife than we've ever had.

And if we knit all that together from a seeding all the way to the finished home, that's a great story. If you think about how that all fits together, we are managing one of the most extraordinary renewable resources known to mankind to produce one of the most fundamental important parts of the American story. Those are all connected. And I think that our outlook for the future is because those are all connected, the fundamentals that have brought us to this point are going to continue going forward. And we'll get through the rough patches, but the outlook for the future is really bright for the forest and for the home builders and homeowners.

Jerry: Well, Dave, as they say, from your lips to God's ears, I hope that we can work more closely together, NAFO and any HB because I think there's a public affairs story to be told that is a huge part of the battle with policy makers in the current environment. And I want to thank you for taking the time to be our guest on Housing Developments.

Dave: Glad to be with you, and let's keep it going because we have a lot of work to do. And I'm confident in the future.

Jerry: That's David Tenny, ladies and gentlemen, the CEO of the National Alliance of Forest Owners. David has a very unique position in this debate we're in, Jim, representing the people who own the forests. He makes a case for those guys that I really hadn't heard before.

Jim: Yeah. I mean, Jerry, you mentioned it kind of in the last part about with this administration in particular and this Congress in particular with climate change being a focus, that housing and the continuation of using wood as our main building material, there's a case to be made that we're doing the environment right by capturing carbon at the tree level and then sequestering it in our home so that something we need to explore further. But there's a good story to be told between tree to home that this is an important part of the economy, an important part of the climate change debate going forward.

Jerry: I completely agree. And something I hope that we can pick up on in all of our advocacy strategies going forward. As always Jim, we've got to give thanks to those who are responsible for us being here, right?

Jim: That's right, Jerry. We've got to give thanks to our good friends at Wells Fargo home mortgage, continuing to be a sponsor of Housing Developments and a great partner. Not only for us here at NHB, but a great partner to many of our members out there. And always happy to have them on board.

Jerry: And I hope that all of our listeners will consider using Wells Fargo Home Mortgage as part of your financing packages. Well, Jim, it was good being with you again. I look

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forward to our next broadcast of Housing Developments, but until then ladies and gentlemen, thank you for listening. Stay safe. And we'll talk to you again soon.

Jim: Bye.