

Opportunities to Increase Financial Returns from Southern Pine Timberland Investments

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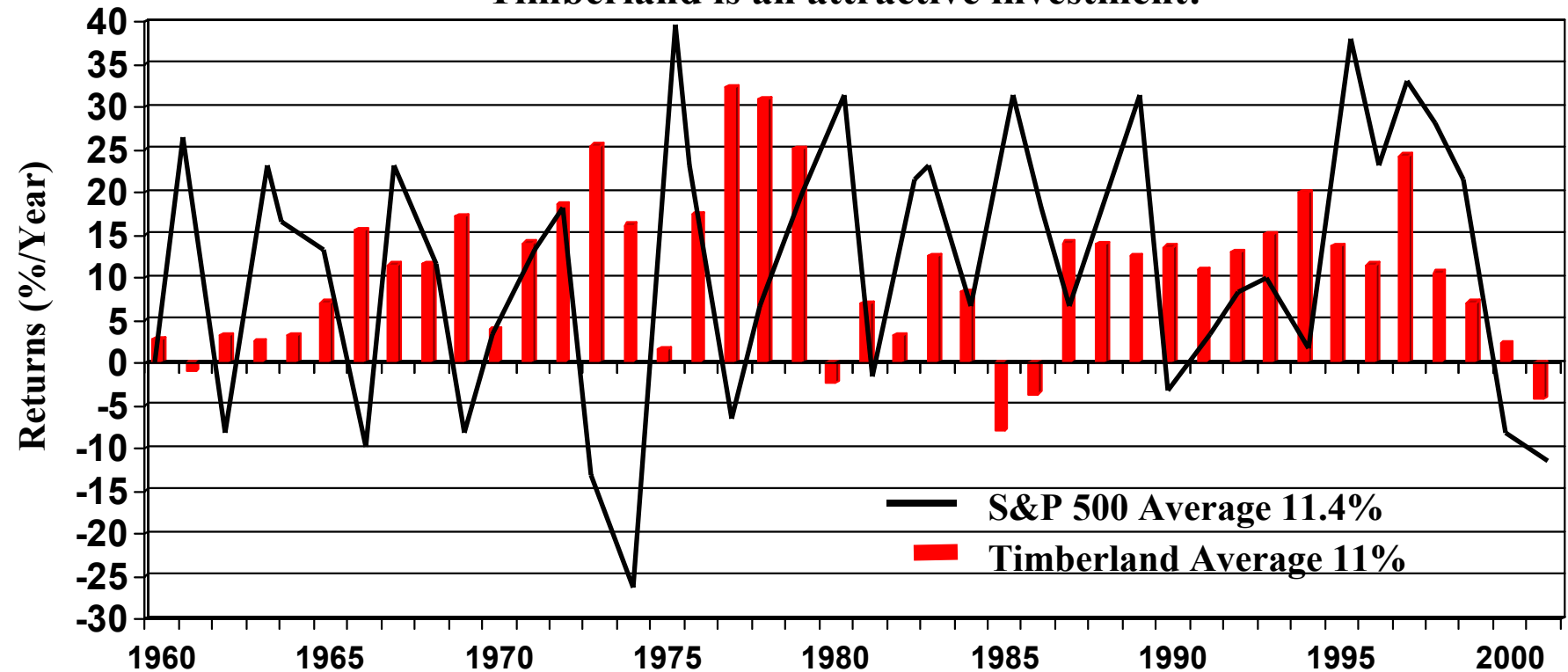
Class of 1979

Timberland Asset History

- Timberland and timber prices are cyclical
- 25 year stumpage price trend upward
- 40 year returns comparable to S&P 500
- Less risk than many asset classes
- Negatively correlated to major asset classes
- Positively correlated to inflation

S&P 500 and Southern Timberland Financial Returns 1960 to 2001

Timberland is an attractive investment!



Source: John Hancock Timber Index, NCREIF

Advantages of Timberland Assets

- 65% - 75% of return from biological growth
- Store on the stump until prices rise
- Major part of U.S. economy
- Provide habitat and environmental benefits
- Provide major social benefits - recreation

Investing in Timberland

- Forest products companies divesting land
- Rapid growth of institutional investment to \$11 billion in 2001
- Intensive management maximizes biological growth and increases investment returns
- Global demand growing rapidly

Timberland investment with no active management plan leads to poor investment performance!

Sources of Timberland Income

- Timber
- Hunting leases
- Pine straw
- User fees

Maximizing Biological Growth

- Control competitive vegetation
 - Burning
 - Mechanical
 - Herbicide
- Plant genetically improved trees
- Fertilization

BASF Forestry Herbicides

- Work on an enzyme found only in plants
- Practically non-toxic
- Short life in environment
- Shift to desirable species for wildlife food and cover



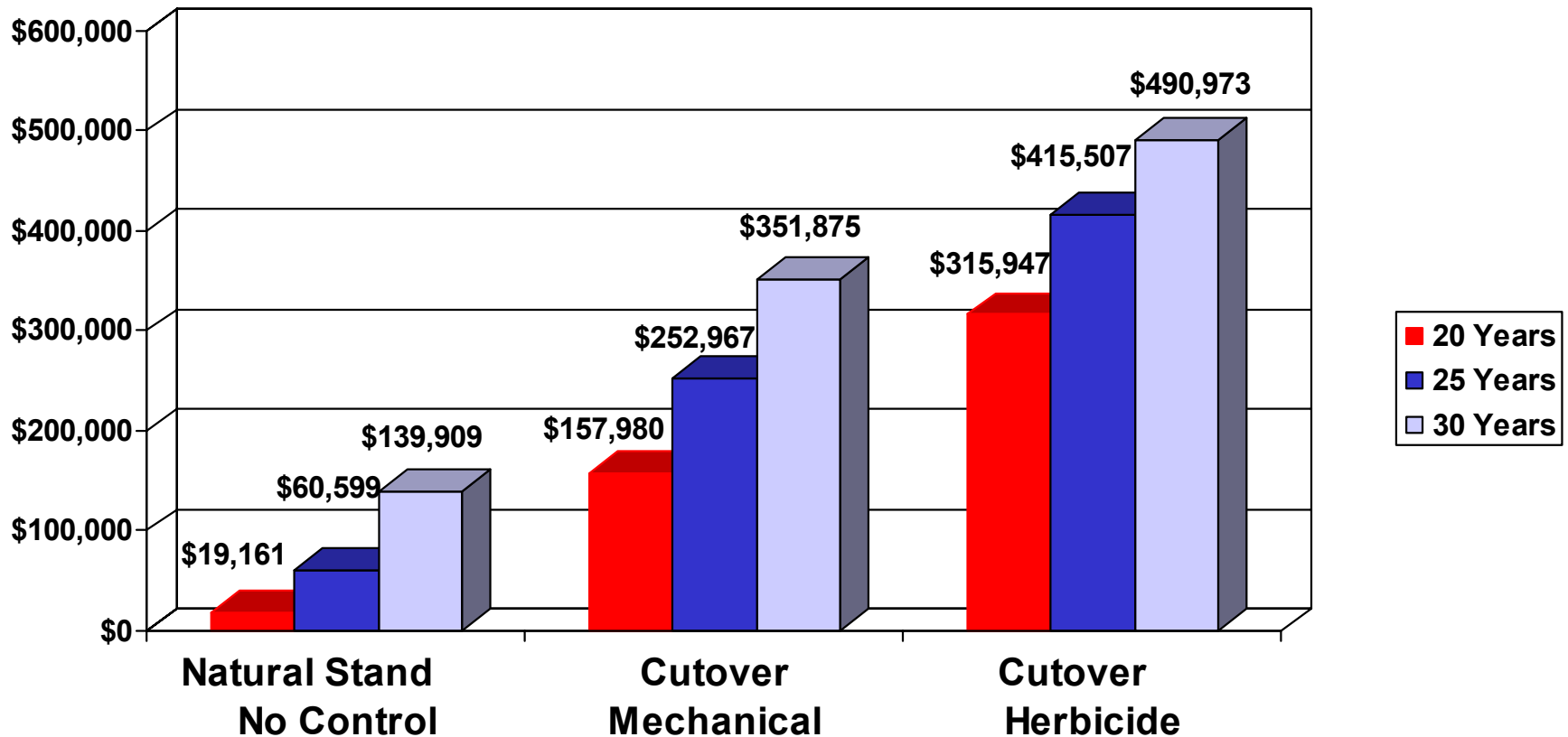
Herbicide Reality

- Practically non-toxic
- Low rates
- Few applications
- Minimal exposure
- Minimal risk

The Impact of Management Practices on 100 Acres of Loblolly Pine

Various Rotation Lengths – Site Index 62, Georgia Piedmont

Trend is similar regardless of rotation or location!



Note: Does not include reforestation costs, income or capital gains taxes

Adapted from: Yin and Sedjo, Journal of Forestry, December 2001

The Impact of Competition Control on 100 acres of Loblolly Pine

- Harvest income increased 16 fold using herbicide competition control and genetically improved trees versus natural regeneration.
- \$315,947 versus \$19,161 after 20 years
- Income doubled when comparing herbicide competition control to mechanical control over the same period.
- \$315,947 versus \$157,980 after 20 years
- Total dollars vary but trends are similar regardless of situation

Note: Does not include reforestation costs, income or capital gains taxes

Adapted from: Yin and Sedjo, Journal of Forestry, December 2001

Vegetation Control Provides the Foundation for Non-timber Income

- Hunting leases
- Pine straw
- User fees

Additional Sources of Income

- Hunting leases - \$15 per acre managed
- \$ 2 per acre unmanaged
- Loblolly Pine straw – 75 bales/acre/raking,
\$.25 per bale
- User fees – 100 visitors per year, \$5 per day

Notes

Pine straw raked once a year starting at age 7 to age 14

Non-timber income developed by J. Bean, BASF 2002

An Example of Potential Income on 100 Acres of Loblolly Pine

No Herbicide Applications

- \$66,504 Net Timber - Tax
- \$2,596 Hunting Leases
- \$0 Pine Straw
- \$0 User Fees
- \$69,100 Total Net Income
- 7.6% Internal Rate of Return

Three Herbicide Applications

- \$156,342 Net Timber - Tax
- \$19,470 Hunting Leases
- \$8,850 Pine Straw
- \$5,900 User Fees
- \$190,562 Total Net Income
- 13.9% Internal Rate of Return

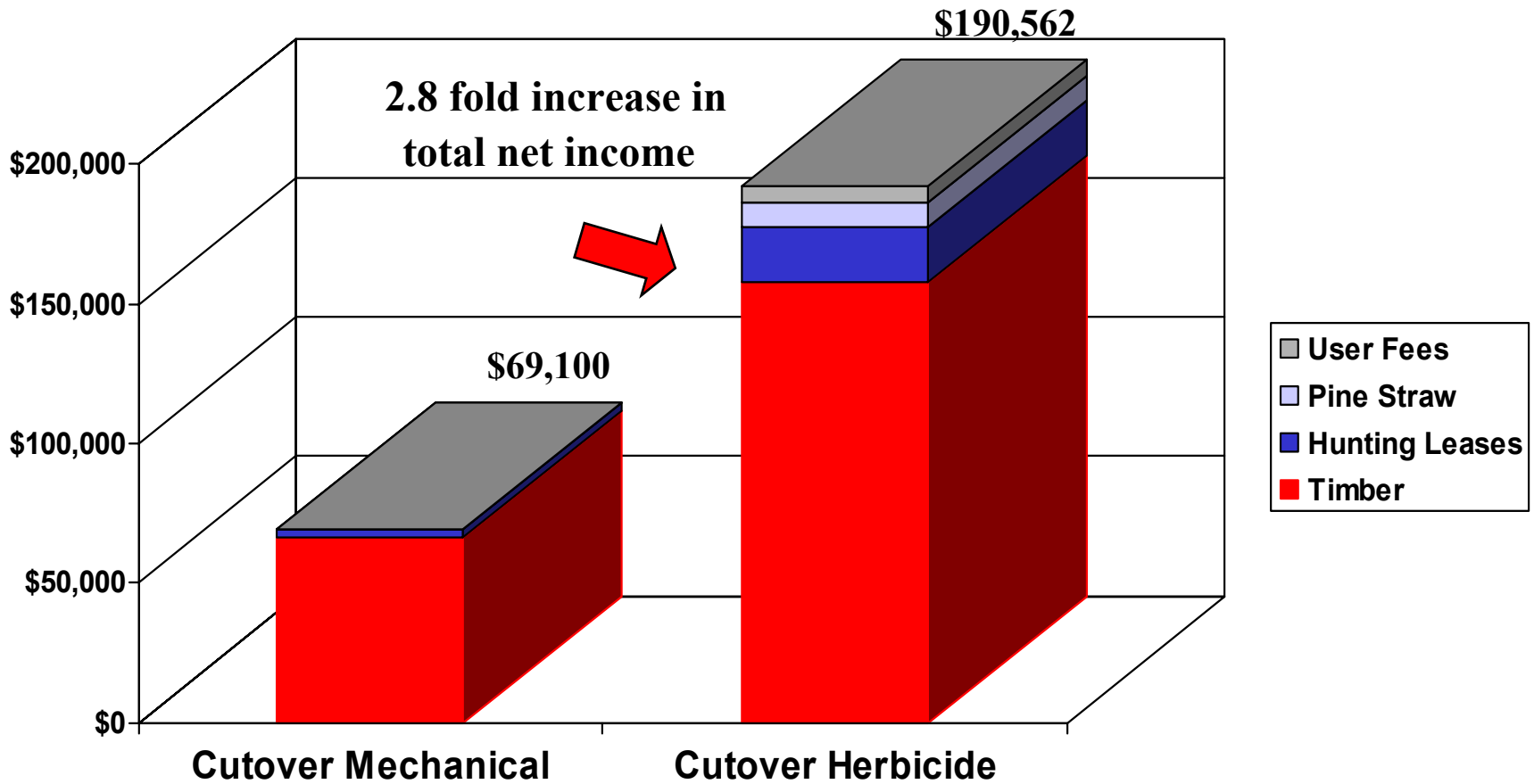
Notes

All figures include property, capital gains and state taxes

Timber returns from University of Georgia Growth & Yield Model, 2001

Non-timber income developed by J. Bean, BASF 2002

An Example of the Potential Income on 100 Acres of Loblolly Pine



Site Index 70, Base age 25

The Bottom Line

Herbicides

- Reduce hardwood competition
- Increase volume growth
- Provide higher value products sooner
- Increase net timber income by 2.4 times (additional \$89,838)
- Total net income increased 2.8 times (additional \$121,462)
- Internal rate of return increased 1.8 times to 13.7%

To Be Successful

- Establish priorities and goals
- Actively manage your assets
- Control competitive vegetation early
- Utilize professional foresters

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