



EAST TEXAS TORNADOS

The April 13th tornados in East Texas have resulted in mortalities, destruction to homes and other structures and loss of electrical service. In addition, it has caused significant timber damage. Logging crews are in operation trying to salvage the damaged timber.

A portion of the 4C Hiking Trail in the Davy Crockett National Forest from north of Forest Service road 521 to the Neches Bluff Overlook is closed due to hazardous trees and bridges damaged from the tornado, which toppled trees and left limbs hanging in trees. Acting Ranger Lanton Chumley said, “We will begin clearing the trail of hazardous trees and repairing the bridges once the weather improves, but it may take several months.”

Initially the National Weather Service reported at least two tornadoes that tore through East Texas on April 13, killing four people in three counties. There was also major damage to multiple structures as well as outages due to damaged electrical infrastructure. Store debris blocked several highways.

Two children in Pollok in Angelina County were killed when a tree fell on the car they were in. One person was killed at the Caddo Cultural Festival taking place at Caddo Mounds Historical State Site in Cherokee County. The park’s guest center was completely destroyed. The Alto High School and Alto Elementary gym both sustained damage.

The National Weather Service later reported that three tornadoes touched down in Houston County on April 13th: an EF-3 (or Enhanced Fujita Scale—strong winds 136-165 MPH) near Weches, an EF-2 (strong winds 111-135 MPH) near Lovelady, and an EF-1 (weak winds 86-110 MPH) near Ratcliff. EF-4 and EF-5 tornadoes are considered violent. The tornadoes traveled across the county from south to northeast. The tornado near Weches touched down about 12:56 pm with a pathway about 15 miles long and over 800 yards wide. There was one confirmed death.

The tornado near Lovelady touched down about 12:23 pm with a pathway about 3.85 miles long and over 100 yards wide.

The tornado near Ratcliff passed through the Tadmore community where four persons were injured when their mobile home was destroyed. Fallen trees blocked Highway 21 east of Crockett.

Houston County Judge Lovell has declared Houston County a disaster area.



Trees Blown Down Across Highway 21

SHEARER DRONE WORKS

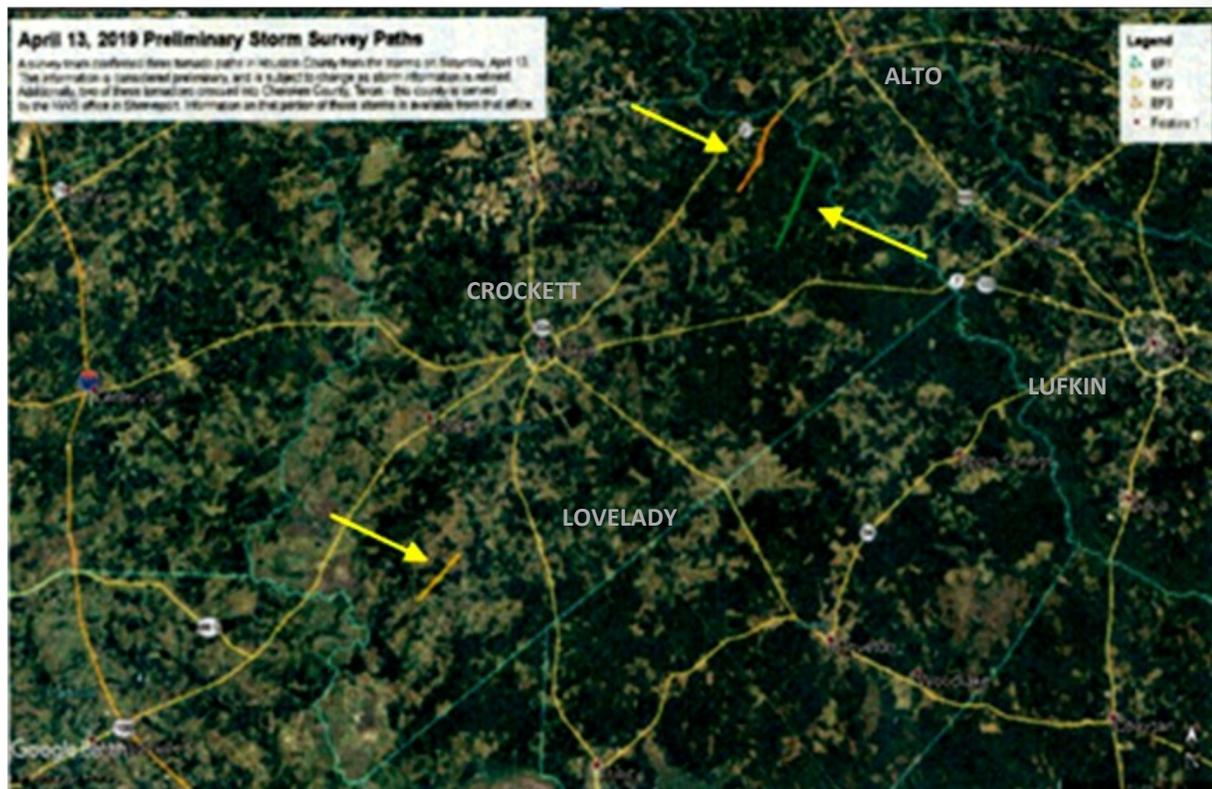
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East Texas Tornadoes (continued)



Preliminary Survey of Tornado Paths in Houston County

National Weather Service

MARKET TRENDS

U.S. residential building construction, a principal driver in the wood industry, was up in 2018, as was residential remodeling. However, both took setbacks in early 2019. Southern yellow pine (SYP) log exports were up 11% in January 2019, compared to a year ago, mainly due to increased exports to China. SYP lumber exports were down 32%. Hardwood logs were down 16% and hardwood lumber was down 3%.

The extremely wet weather conditions in East Texas this winter resulted in healthy timber prices for dry sites.

GEORGIA-PACIFIC EXITS PAPER BUSINESS

Georgia-Pacific is closing its communications paper operations at its Port Hudson, Louisiana pulp mill to completely exit this market. About 650 employees will be laid off. GP will continue its toilet tissue and paper towel business at this facility, retaining about 300 employees.

ANOTHER NEW LUFKIN MILL

Chicago-based Sterling Site Access Solutions will most likely be the first cross-laminated timber factory in Texas when it starts operations in Lufkin, Texas. It will make cross-laminated timber for roads to prevent heavy vehicle disturbance. They are just as durable as traditional hardwood and will be useful for oil and gas sites. The company expects to employ at least 150 full-time employees and process 33 truck loads a day.

Angelina Forest Products adjacent to Sterling is also under construction and should provide another 135 jobs. They expect to be suppliers to Sterling.



Mark Mulligan/Houston Chronicle 3-24-19

MASS TIMBER ADVANCES

A recent article in the Houston Chronicle spotlighted the increased interest in wood in office and industrial construction. Advances in engineering have greatly increased the strength, as well as the rigidity of wood as a building material, resulting in the International Building Code more than doubling the allowed heights of wood buildings. They can now be built to 18 stories.

Mass timber, engineered wood products that use glue or nails to create large panels and beams out of layers of stacked timber, are more fire resistant than two-by-fours. They actually form a layer of char that resists burning for more than two hours.

Cross-laminated timber is mass timber that consists of several layers of boards that are dried and then glued together in alternating directions, and then placed under pressure to form construction panels. These mass timber products will hopefully increase demand for our native loblolly pine.

Our first full mass timber building in Texas, the First United Bank building in Fredericksburg, should be completed this July. The 8,500 square foot building will also be the first retail mass timber structure in the state, and the first mass timber structure in the country to use Southern Yellow Pine CLT panels. The project will be a net zero structure, producing as much energy as it consumes on a yearly basis.

Also, an 85-foot-tall Hines office building is in the plans for the Dallas-Fort Worth Metroplex area. The developer also plans to construct wooden highrises in Atlanta, Chicago, Toronto and Melbourne.

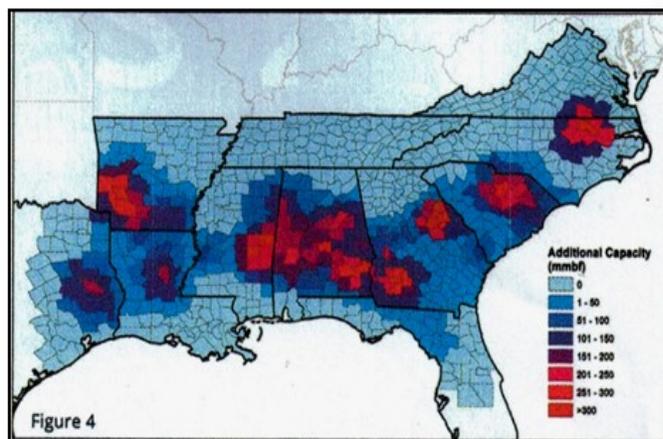
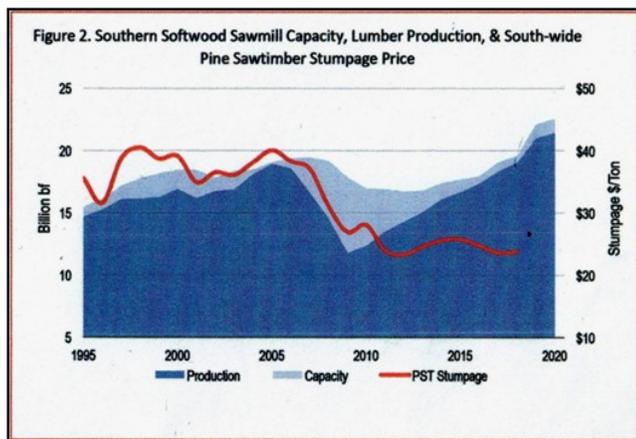
EASTERN SHORE FOREST PRODUCTS

Eastern Shore Forest Products Inc. is a wood-shavings plant that began production in Crockett last October. They are located at the former site of the pellet plant owned by Zilkha Biomass Crockett, LLC. The \$7 million Crockett plant has 21 employees and buys 25 to 30 truckloads of logs each week. They make pine wood shavings that are primarily used for animal bedding. Tom Johnson, the owner and president, has a plant in Maryland that supplies all of the northeastern U.S. as well as a lot of the rest of the country.

SOUTHERN MILL EXPANSION

Articles in the January/February 2019 publications of *Forest Landowner* say that softwood lumber production in the South was high in 2018, and there have been continued softwood sawmill startups and expansion. They predict this unprecedented industry expansion will boost pine stumpage prices. This is good news for the timberland owners who have seen flat stumpage prices for the last five years despite an increase in Southern lumber capacity.

The excess timber supply has created a “wall of wood” that industry refers to as the “wood overhang”. This supply of wood is responsible for stagnant stumpage prices as Southern pine lumber capacity and sawtimber stumpage prices no longer mirror each other. In the early 2000’s, there were two million plus housing starts compared to about 1.2 million in the last three years. However, timber inventory increased five percent annually from 2012 to 2017, and now there are three to four billion board feet of pine sawtimber on the stump.



Nevertheless, forest economist Fred Cabbage of North Carolina State projects that these mills will be looking for wood in 10 years, making timber a good long-term investment.

THE CANADIANS ARE COMING

With the low wood supplies caused by the mountain pine beetle epidemic, along with widespread wildfires, the major British Columbia mills are cutting back on production. In addition the low timber supply has resulted in high log prices.

The Canadians, in turn, are continuing to purchase mills in the South, the most recent being in Mississippi and South Carolina. There have been no major timberland purchases. The mills are buying wood on the market and making long term contracts with Timber Investment Management Organizations (TIMO's).

ENDANGERED SPECIES

Weyerhaeuser V. U.S. Fish and Wildlife is a case involving government declared 'critical habitat' for the dusky gopher frog, *Lithobates sevosus*, which is protected under the Endangered Species Act. The frog, however, hasn't been in the area for about 50 years, and it can't survive with clearing the forest canopy.

Weyerhaeuser sued on grounds that their property can't be critical habitat if the frog would die on arrival. The designation threatens development and could result in a \$34 million loss for the company. The Fifth Circuit Court of Appeals ruled for the government, but the Supreme Court ruled for the land owners 8-0, and the Justices ruled that the designation is subject to judicial review. The case was sent back to the Circuit court to consider.

Some experts contend that endangered species would have a better chance for survival if the federal government gave landowners an incentive to protect wildlife, rather than legal harassment.



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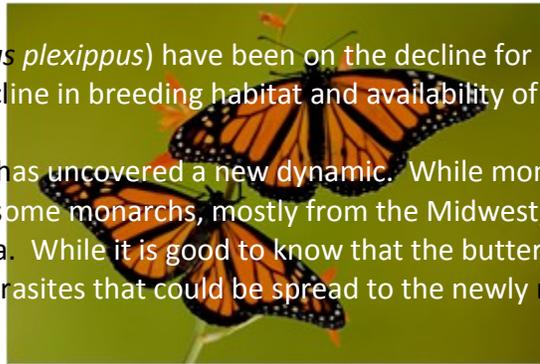
CHRONIC WASTING DISEASE

About 264 captive-raised white-tailed deer have escaped from deer farms in Wisconsin since 2013, raising concerns about the transmissions of chronic wasting disease spreading to white-tailed deer in the wild. The escapes are due to a number of reasons such as fence damage from accidents, predators or storms. Also, gate failure or gates left open have contributed to the problem.

MONARCH BUTTERFLIES

Monarch butterflies (*Dahaus plexippus*) have been on the decline for some time. Some biologists believe that the decline is due to a decline in breeding habitat and availability of milkweed, while others point to mortality during migrations.

Recent research, however, has uncovered a new dynamic. While monarchs usually overwinter in the mountains of central Mexico, some monarchs, mostly from the Midwest, are joining year round resident monarch populations in Florida. While it is good to know that the butterfly can successfully migrate elsewhere, the resident population has parasites that could be spread to the newly migrating butterflies.



CHANGING FROM AG OR TIMBER TO WILDLIFE MANAGEMENT VALUATION

Texas landowners with a current 1-d-1 Agricultural Valuation (Ag or timber special use valuation) can change to wildlife management valuation. The landowners must furnish the county Central Appraisal District with a Texas Parks and Wildlife Department formatted wildlife management plan with at least three of seven specified wildlife management activities and a 1-d-1 Open Space Appraisal Application. A comprehensive and highly detailed wildlife management plan is highly recommended by the Texas Parks and Wildlife Department (TPWD). TPWD guidelines maybe modified by a qualified wildlife biologist. There is no change in the ad valorem tax.

The Central Appraisal District specifies the minimum qualifying acreage adopted for its county. The county, however, may set a 1% or 2% lower minimum acreage for landowners who are in a Wildlife Management Property Owners Association or for landowners who have habitat for threatened or endangered species or a species of concern. A qualified wildlife professional must verify that the habitat for the species does in fact exist on the property.

HORNY TOAD RELEASE

Last fall, biologist with Texas Parks and Wildlife released 130 hatchling Texas horned lizards (*Phrynosoma cornutum*) in the Mason Mountain Wildlife Management Area in Central Texas. Commonly called horny toads, they historically occupied most of Texas, but are now limited primarily to West Texas, the Panhandle, and South Texas. If this project is successful, Texas Parks and Wildlife plans to release about 500 more hatchlings at Mason Mountain. The challenge is that predators can claim 60 percent or more of the population a year.



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