

**CHARACTERIZING THE REGULATORY ENVIRONMENT
AFFECTING
THE FOREST PRODUCTS INDUSTRY IN CALIFORNIA**

TIMBER HARVEST PLAN COSTS

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Abstract

The primary purpose of this study was to establish basic and supportable information on the environmental regulatory impacts on California's forest products industry. More specifically, the study focused on the effects of changing forest practice regulations on timber harvest planning and preparation costs. A survey of wood-processing and forestry consulting firms was conducted in the Summer and early Fall, 2004 seeking data on Timber Harvest Plan (THP) preparation costs, a major component of the transactions cost in California's timber market. Despite the short data collection period, 607 sample observations were obtained. Analysis of the sample data clearly indicate a significant cost-increasing effect from ever-intensifying forest practice regulations, especially as a result of rule amendments in the early 1990s. Prior to 1993, THP costs increased at a compound annual rate of about 3.7%, above inflation. In 1993, there was a dramatic increase in these costs: Coast District planning costs increased 62% and in the Northern District costs nearly doubled. After 1993, THP cost increases continued but at double the rate – about 7.5% per year above inflation. As a result, current THPs that cost around \$12,000 to prepare in the Coast District only cost about \$2500 30 years ago in today's dollars. The regulatory-induced cost increases experienced by California's forest products industry may play an important role in its competitiveness in the international wood markets. These results may be helpful to the much broader agricultural industry in California given its similarity in land use practices and potential environmental impacts.