

ORAL HISTORY INTERVIEW

OF

**JAMES W. MARTIN**

NORTHPORT, ALABAMA

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BY

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**PREFACE: In the early 1980's, American Can Company began a divestment of their timberlands, an action that later would take place throughout the U. S. forest products industry. Divestments of timberland by major pulp and paper corporations dramatically altered private forestry in the South. When the decision was made by American Can Company to liquidate their timberlands and associated manufacturing, Jim Martin was given responsibility for overseeing the sale of approximately 303,000 acres of timberland in Alabama and Mississippi.**

**During his time with American Can Company and its' successor, Primerica Corporation, Martin served as Staff Management Forester for Southern Woodlands; Supervisor, Wood Procurement for Southern Woodlands; Corporate Coordinator of Woodlands-Sawmill Operations in Greenwich, CT; Manager, Western Woodlands and Sawmills, Halsey, OR; Operations Manager, Resource Planning and Harvesting for Southern Woodlands; Director, Southern Forest Products Operations.**

**After the dissolution of American Can, Martin was employed for 12 years by Canal Industries, Inc., an organization engaged in a variety of forest-based businesses in the South. In 2001, Martin retired as Vice President Market Relations with Canal Industries after serving as President of Canal Wood Corporation of Mississippi. Martin, now semi-retired, continues his contact with the industry as advisor/part-time manager of a large wood chip mill in Alabama with the capacity of producing one million tons of chips per year. Martin earned a B. S. and M. S. in forestry from Auburn University.**

**The following is the transcript of an interview with Mr. Martin by Dr. Mason C. Carter held in Martin's home in Northport, AL, June 28, 2012.**

CARTER: Jim when did you go to work for American Can Company?

MARTIN: I went to work for American Can Company in 1968 following two years with United States Army.

CARTER: What were your initial job responsibilities with the company?

MARTIN: I was employed as what was called a staff management forester. I was the technical forester in the company so I had responsibilities for research and development such as genetic activities, forest inventory, and a broad coordination of management activities in the company such as site preparation and regeneration programs.

CARTER: This assignment was primarily on the Alabama holdings for the company including the old Allison lumber company lands is that correct? How many acres did you have in total?

MARTIN: 303,000 acres at its peak and about 120,000 of that was the former Allison lumber company lands.

CARTER: And eventually you took over from Gene Keller as Woodlands manager. When did that occur?

MARTIN: That occurred in 1985

CARTER: When did you learn that American Can Company planned to dispose of those lands?

MARTIN: I learned that in 1982.

CARTER: How long did the company retain ownership of the pulp mill before they sold it or did they sell the land and the mill at the same time?

MARTIN: They actually sold the pulp mills first; one at Naheola, Alabama, one at Green Bay, Wisconsin and later the mills at Halsey, OR and Marathon, Ontario. That occurred probably about 1984. They were not able to sell the timberlands together with the mill except for 30 thousand acres of leased land that went to James River with the Naheola mill purchase. They retained all timberlands in North America at that point.

CARTER: How did you proceed to sell your lands and who bought them?

MARTIN: We went through an evolution of thought on that. In the beginning they wanted to sell the entire North American fiber based business but they could not find a buyer for the entire complex. This amounted to about a third of the American Can organization but they could not find a buyer for it all. So they decided to split out the mills and sell them then look for somebody who would buy all the timberland. But nobody wanted to buy all the timberland.

Then they divided the timberlands in the South into the 20 blocks and attempted to sell individual blocks. But they couldn't find anyone who wanted to buy a block of timberland. Finally, it got to the point where they were willing to sell anything they could sell. Gulf States Paper Company was one of the earlier buyers and they brought about 26,000 acres that was in the wood procurement radius of their mill at Demopolis, AL. Then there were a lot of small sales. They got down to the point where they were willing to sell 40s and 80s. The Delaney Brothers out of Mobile were probably the next major buyer. They owned the Springhill Mall shopping center and they were looking to sell the mall and do a tax-free exchange for the timberland. So that's how that came about. Initially they brought about 15,000 acres and later they added to it and I believe they ended up buying 20 to 25,000 acres. At that time John Hancock was in the early stages of formation of a TIMO and they bought a block of land. I think they bought about 8000 acres of timberland. Then right toward the end of the divestment John Hancock bought out half of our leases. They got about 30,000 acres of our leased lands. About this time James River who purchased our Naheola mill became concerned about their wood supplies from those timberlands, so they decided they'd better tie up the remaining timberland. At that point it was down to 150,000 acres of land. About half had been spun off. So they formed a complex arrangement with Prudential Insurance Co. whereby

Prudential bought the timberlands and there was a 7 year put-call arrangement. They could put one seventh of that land a year to James River likewise James River had a call on one seventh of that land each year. That arrangement was implemented and executed.

CARTER: How long did it take to complete all of these transactions?

MARTIN: About 5 years from the beginning in 1982 until the James River deal in 1987. It could have stretched out much longer but they decided they wanted to dump it and buy Smith Barney investment company.

CARTER: We didn't mention it earlier, but it was James River that had bought the Naheola mill?

MARTIN: That right. James River was a very small company. We didn't think they had the assets to bid and we didn't want to talk to them but James River got Philip Morris, who had a couple small pulp mills in Michigan, to come with them to get them in the door which they did and, as it turned out, James River was the only viable buyer for the those mills so they got the mills.

CARTER: You mentioned that James River was concerned about their wood supply but wasn't there a wood supply agreement with the earlier timberlands sales?

MARTIN: Yes, there was a wood supply agreement on all the sales. As I mentioned before there were 20 blocks of timberland, an inner core of 10 blocks and an outer core of 10 blocks. For the inner core of blocks, cutting rights were retained for 20 years, while the outer 10 blocks had cutting rights for 10 years. When someone bought any of those lands they were given a date and they were obligated to sell their timber to James River until expiration of that cutting agreement.

CARTER: How has it all worked out?

MARTIN: Well it's been interesting. This was one of the first, if not the first, wood supply agreement to accompany the sale of the industrial timberlands. The contract called for us to sell 90% of the pulpwood cut to the James River at a mutually agreed price for those sales but agreeing on a price proved to be very difficult. Of course, they thought the wood was worth a lot less than what we thought it was worth. We had many, many, many battles and these disagreements escalated up to corporate offices and caused bad feelings. Finally we had to back up and hire a third-party, we hired Sizemore and Sizemore, to do a market analysis on a quarterly basis and set a price. With the two parties being in an adversarial position, we just could not agree.

Another problem arose because the agreement called for sustained yield management on those blocks of land. When American Can began selling 40s and 80s, the buyers were saying, "How do I practice sustained yield management on this 40 acres that I want to build a new house on?" I'll

always remember one guy who bought 40 acres came in and said, "I bought this 40 acres and my plan is to clear-cut it, build me a fence and put hogs on it. Now does that qualify as sustained yield forest management?" We just didn't envision that the land would go to other than large investment type owners so the small sales created some real problem for us.

Another interesting thing to me was the John Hancock approach. I think I said earlier they bought 8,000 acres but it was 14,000 acres. They looked at the timber supply agreement and concluded that the standing timber was "captured"; therefore, they were going to discount the price. So they insisted and prevailed in discounting the market price of the timber they were buying due to the captive market they were entering into. It was a take it or leave it deal. They were not going to take the deal unless they could discount the price for the pulpwood. As wood supply agreements have evolved after that I think most buyers looked upon them as a plus but John Hancock looked at it as a negative thing.

In my observation, in subsequent sales to TIMOs, the timber sales agreements were tied to an index. Most were tied to Timber Mart South and escalate or de-escalate based on Timber Mart South numbers. Most of them agree on a starting price and then they adjust the price percentage wise for increases and decreases according to data in Timber Mart South. That takes the hassle of adversarial positions out of the process.

CARTER: But you were one of the original guinea pigs in this?

MARTIN: Yes, we fought the battles.

But we were allowed to sell 10% of the timber and we got to pick out that 10% and make some big money from it. I admit we had some pretty good tracts in that 10%. But it was really just a knockdown, drag out affair.

CARTER: It is an interesting saga. Those lands, particularly the Allison lumber company lands, have a history of forest management going back almost to the beginning of the 20th century but even after various changes in ownership the bulk of it is still producing timber.

MARTIN: Actually James River bought a large portion of the old Allison Lumber Co. lands through their agreement with Prudential Insurance. Then James River turned around and spun all of it off to John Hancock. John Hancock bought it and now John Hancock has begun selling that land base off, again. The owner of the John Deere tractor place in Tuscaloosa bought a big block. All the timber supply agreements have run their course. We are beyond the 20 years. The paper mill has to compete for wood on the open market. But because of their location, they are the best

game in town, so the wood flows their way.

CARTER: That's a fascinating story. Let's move on. Your time with American Can represented about two thirds of your career. But then you moved on to another one with Canal Wood. Could you tell me about your work for Canal Wood?

MARTIN: Canal Industries, Inc. was a multifaceted private forest products organization. Several companies made up the parent organization. Canal Wood Corporation was one of the subsidiaries that made up Canal Industries. Canal Wood was the largest private wood procurement organization in the South. In total, Canal Wood procured about 10,000,000 tons of wood annually for the forest products industry. They acted in many ways as a large dealer. They had major supply contracts with a number of pulp mills. They had operated predominantly in the North and South Carolina, Georgia, and southeastern Virginia and they wanted to expand westward into Alabama and Mississippi, southern Tennessee, and a little bit of Northwest Georgia. I joined them to start a new subsidiary called Canal Wood Corporation of Mississippi. The objectives of that job was to go into those areas and establish the markets, start a wood procurement operation and supply the markets we had established. So I started as president of that company by myself and built a staff and built the business. Also, simultaneously the company wanted to move into the wood chipping business and I was given the title of the president the Canal Chip Corporation and charged with developing the Canal Chip businesses well as a Canal Wood Corporation. Eventually the chip company set up an export chip business out of North Carolina and so they hired someone to be the president of Canal Chip Company and I took over the wood division at that point. I did that for nine years. Then in my last three years with Canal Industries I was Vice President for Market Relations, a very interesting job. Canal Industries included a number of companies; Canal Forest Resources that were managing land primarily TIMO lands; Canal Chip Corporation which at that time was operating four woodchip mills, three of which were dedicated to the Japanese export chip market and one in Alabama that was dedicated to the Champion International mill at Cortland. We provided the wood necessary for the expansion of that pulp mill. And then we had the port operating stevedoring company and a transportation expertise company. Peripheral to that we had the Canal Trading Company that developed land. At one point Canal had about 300,000 acres of timberland and they developed some of that. Also they developed projects in the Myrtle Beach area; they had considerable holdings in Myrtle Beach, South Carolina area which is the valuable real estate for development. We also had a Homestead Land and Timber which looked at

residential development. And they had a venture capital group that looked for opportunities to invest money and make some more money.

Vice President for Market Relations was a new position created to try to merge the marketing efforts of these various companies that fit together so we could go to a forest products company and offer a package of services such as wood supply, wood chipping, and transportation in a package. For example, Temple-Inland had eucalyptus plantations in Mexico. We went to them and offered them procurement, transportation, chipping services in a deal in which we could move that wood from the stump in Mexico to their mill at Evadale, TX. This is the kind of thing I was fostering in that job. We were also interested in moving offshore and becoming a more international company. So I kicked around various parts of the world looking for opportunities where we might expand our kind of business.

CARTER: You were with Canal for 12 years?

MARTIN: That's right. I was with Canal 12 years.

CARTER: Well, you had a very interesting and diversified career.

MARTIN: Yes I was very fortunate. I got to do a lot of different things, see a lot of different countries and do some really exciting things.

CARTER: Jim, the main purpose of the book we are putting together is about what we refer to as the "Miracle on the Land" - the fact that we started back in the middle of the 20th century with a large area of cutover land in the South and over the next 50 years, developed a multibillion-dollar industry but at the end of the 50 years, in the year 2000, we had more timber, more growth, and higher productivity than we had when we started. That's the story we are hoping to tell. Your career spanned much of this 50 years. What in your opinion were the most significant factors that brought about this increase in productivity, increase in management, increase in stewardship?

MARTIN: Well, I think several factors came into play, one of which was techniques for plantation forest management. We had that but really hadn't capitalized on it. For example, American Can had the Allison lands which were some of the first lands in Alabama to be managed. But they were using selective cutting. These lands had a few really big, beautiful trees but they had very low productivity - growth rate per acre per year was very low on these lands. The use of selective cutting had reached the point of no return. We started clear cutting these older stands and replacing them with high-yielding plantations and this greatly increase the yields off of those lands.

Accompanying that was new technology in silviculture and site preparation, especially mechanical

site prep, that gave us an increase in growth and yields. Throughout all this we had a very active tree genetics program and this greatly increase the yields of our planted forests. We were among the early pioneers in that effort and I guess, the end results was we probably had the best genetic selections; the long-term tests showed that we had the best the selections in the N. C. State co-op. We were able to capitalize on all of that to move that forest into a very highly productive mode. The advent of the pulp and paper business and the strength of that business certainly was the driver. We needed that flow of wood to mill and the companies were willing invest the capital, not only to buy land, but to maximize production on that land. That was really the big driver we had in moving that forest from very low productivity to really high productivity.

CARTER: But during the period, 70% of the wood utilized by the industry of came from nonindustrial private landowners not only for your company but across the region. In your opinion what was the most significant factors influencing nonindustrial private landowners to increase their productivity?

MARTIN: Well first have to go back and look at what stimulated more lands in forest to begin with and that was the downturn in agriculture. We moved from the cotton-based economy to a forest-based economy. A lot of old fields were either planted or came back naturally in forest and the acres of forest went up as result. And part of the industries forest practices were intended to help and influence of private landowners. Our objective was to increase the timber base in our wood drain area. We knew we were not going get it all, but if we had an increase base we would get our share. So we formed a major landowner assistance program as did a lot of other companies. We had a number of industry foresters on the ground helping private landowners. We were doing work for them basically at cost and all we were getting was first refusal on the timber when it was cut. I think that had a great impact. And with that we were also doing a lot of educational work. We were making the private landowner aware of opportunities to increase their forest's productivity and to increase the returns from their lands. I think it all came together to produce this increase production of timber.

CARTER: After your long and interesting career what do you see as the major opportunities and challenges to Southern forestry in the future?

MARTIN: Well regulations are always a threat that we have to continue to contend with if we are going to economically manage these lands.

Ironically one of the greatest needs we have now is for increased markets. We have peaked in pulp

and paper production in this country and in the South. I don't think we will see another one. So if we continue to grow more trees, we won't have the markets to fuel forest management anymore. The great challenge for the future is additional markets. The only one that I foresee in the immediate future is in the fuels area. We need new technologies for converting cellulose to ethanol or directly into liquid fuel. It is exciting to think what would happen if we could develop that technology. But right now, we are building inventory in the forest. Prices are not that great. We really need something to stimulate the return on investment in forestry.

CARTER: So one of the biggest threats to continuing forest management in the South might be markets for the timber that we are growing.

MARTIN: I think that's correct.

CARTER: Well that's an interesting note and in many ways it's a fitting footnote to "Miracle on the land".