

INDIANA WALNUT COUNCIL NEWSLETTER
Spring 2018

THE WALNUT COUNCIL IS A SCIENCE-BASED ORGANIZATION THAT ENCOURAGES RESEARCH, DISCUSSION AND THE APPLICATION OF KNOWLEDGE ABOUT GROWING HARDWOOD TREES.

INDIANA WALNUT COUNCIL FIELD DAY

April 14, 2018

Carl Diehl Property 1843 W 500 N Warsaw, IN

Carl's property has been in the family since 1840. In 2010 it was honored with a Charles Deam Forest Stewardship Award. In 1990 they planted 27 acres of hardwoods separated by rows of white pines. The plot is nearing completion of its second thinning. In 1992 another pure 17 acre stand of mixed hardwoods was planted in an adjacent plot. You will be most interested in seeing which plot is growing better. At another location on the farm there is a mature stand of trees that has been under active management since 1963, and there have been two harvests during that time. This forest is a wonderful pleasure to walk through. You won't want to miss it.

- 9:00-9:30 Registration (Coffee & Donuts)
- 9:30-10:15 Get acquainted – An opportunity to have a group discussion of anything forestry on your mind. Questions, problems, success and failures, etc....
- 10:15- noon Tour tree plantations with Claude Diehl and consulting forester Tom Crowe
 See effect of planting pines in the plantation
 Understand the approach and need for timely thinning
 Decide on crop trees
 Familiarize yourself with government programs and how they affect forestry practices
 See if you can find any invasive species
 Get some ideas for limiting deer damage
- 12:00-1:00 Lunch – Hot Catered Lunch – come hungry!!!!
- 1:00-2:00 Turning small and low value logs into something valuable
 Mark Hineman will demonstrate his portable sawmill and discuss how to get value from those tree tops and thinned trees
- 2:00-3:00 See what a long-term, well- managed forest looks like with Claude Diehl and Tom Crowe
 Enjoy a tall canopy forest
 Discuss near future harvest options
 Identify tree species – you might surprise yourself
 Search for invasive species

Directions: Property is 6 miles north of Warsaw, IN, 3 miles north of US 30, and 2 miles west of Indiana 15. Mileage is approximate. Property is located on W 500 N between N 200 W and N 150 W. Google 1843W 500 N Warsaw, IN for exact location and look for temporary Walnut Council direction signs. Call 765 490-4334 if you get lost.

PRESIDENT'S LETTER

I am sure we are all hoping for the weather to break so we can get out and do some work in the woods or plantations. Winter is a good time to do some things in the woods, but that warm breeze and sunshine just do a body good.

We have some news on our Norris Sugar Creek property. We have had a timber sale to clean out some of the larger but not desirable trees. The timber buyer has not yet started to cut the trees as of March 15 when I checked. We had marked 24,264 Board Feet for this harvest that will almost all end up as pallet wood. We received \$2600. This harvest should help open up some areas where we can introduce some higher quality trees. We have 400 oak trees to plant in some of these areas. We hope to get them in the ground very soon, I would ask for help but we hope to have them planted before you read this newsletter. If any of you want to spend a morning or afternoon, or longer, working in the woods, give me a call 765-894-2665 or send e mail to Warkentiend@gmail.com. We have had several members spending some time in the woods working in different areas.

I had a great chance to help some people out in Puerto Rico in January. My wife and I were planning on going there for a few weeks in January and of course the hurricane hit about a week after we made reservations. Many many people cancelled their reservations, but we decided to turn our vacation into a bit of a mission trip. I was thinking, how often do you get a chance to cut up a palm tree or a breadfruit tree, which can get pretty large. We worked one day at a state beach type place. It was sure a different feeling cutting up some blown over trees while you could hear the waves breaking about twenty feet behind you.

The locals were very eager to help, but running a chainsaw was not part of their culture. Sometimes we would just stand back and watch as the novices would be cutting away. And then when they would get their saw hung up, we would give them a few pointers and show them how to use a wedge. Then off they would go with even greater vigor and newfound knowledge.

We learned some lessons too. One special experience that we do not see here in Indiana was cutting a breadfruit tree. The trees were kind of a cross between a tulip tree and a beech tree. The wood was pretty easy to cut, and the sap looked very much like the sap of a milk weed. That was our downfall. This sap had a very high latex content and acted more like Elmer's Glue. After about two cuts, we would have to oil down the bar so we could make a few more cuts. Cleanup was a bit of a nightmare. Soap and water did not work. What seemed to work the best was WD-40 and scraping by hand.

We also learned that there is a great chance for someone to start developing a forestry industry on the island of Puerto Rico. The interior of the island terrain is much like the Smoky Mountains area but with more tropical type trees. The south part of the island is drier and looks a little like Nebraska in places. Wouldn't it be great for one of your kids or grand kids to work on developing the forest industry in Puerto Rico? There is the dream and challenge for someone. Now take it and run with it.

Dan Warkentien
Indiana State Chapter President

2017 FALL FIELD DAY WRAPUP

Our fall field day was a joint meeting with the Illinois Chapter. We had 44 attendees -25 from Illinois, 16 from Indiana, 1 from Pennsylvania, and 2 from Wisconsin. We met at the Bob Chenoweth property near Rossville. It was a nice but very blustery day. In fact, the biggest hazard of the day was dodging falling walnuts as we toured the plantations.

We gathered and introduced ourselves and were given an overview of the property by Bob Chenoweth. The property has been in the Chenoweth family for several generations. However, Bob ended up living



in Pennsylvania and chose to manage his property by visiting the property for two weeks two times a year. He partnered up with Trenton Seaman a young man in the area of the property to help him out in his absence.

To let you know how serious Bob has been in caring for his walnuts, you need to know that he wrote a book, *Black Walnut, The History, Use, and Unrealized Potential of a Unique Renewable Natural Resource*, published in 1995. The book is now out of print but copies are available at ABEBOOKS.com. Bob said he donated a copy to every FFA chapter in the country, so you might be able to see a copy there.



The forested property was divided into three areas. The first covers 22 acres and had a mixed planting of rows of walnut, white oak, red oak, ash, poplar and white pine. They were planted in 1989. The second 20-acre area was pasture until 1976, when it was allowed to return to mixed forest of walnut, cherry, Osage orange, honey locust, hickory, oak and cedar. From 1989 to 2010, he improved timber stand practice with emphasis placed on black walnut. The third 25-acre area has native trees. Steve Felt, an Illinois District Forester for 35 years, acted as our tour guide and resident expert.

As we toured the first plot, we devoted time to the ever present problem of thinning. Some trees were preselected and marked with flagging tape for thinning, and the group had the opportunity to second-guess the pre-selector. And as usual no one was bashful. It was my impression that the group consensus did result in some better decisions.

A special opportunity presented itself as we were choosing which oak trees to thin. Steve Felt said he looks forward to thinning 3 - 6 inch white oaks because he can use them to grow shiitake mushrooms. He briefly discussed how you can take a four-foot log of this diameter, drill holes in it, inoculate it with

mycelium spawn and grow your own mushrooms on demand. For more information go to <https://www.walnutcouncil.org/state-chapters/JuglansSeptember2015.pdf>

We were able to see an example of U and V shaped joints, and it was pointed out that the V joints were much weaker than U joints and this could factor into which trees to choose for final harvest trees.



Along the way we had the opportunity to decide which limbs should be pruned and demonstrations of doing so. We were reminded that the sooner you can get limbs off – even dead ones – the better. Depending on the size of the pruned limb, it can take upwards of 15 years to cover the “cat face” scar. Remember to start from the top down when choosing which limbs to prune. Don’t prune more than one third of the tree at any one time. Work to have a circular wound not an oval as a result of the pruning cut. One person suggested that if the limb is sizable that you cut it out about six inches from the trunk and come back the next year and prune it properly at the trunk.

After lunch, Lenny Farlee gave us a talk about establishing a basis for the land and trees for our property. This is very important for tax purposes when selling timber or at the time of transfer of property to another party. See article on Taxes and Trees elsewhere in this newsletter. For more information go to National Timber Tax website: <https://timbertax.org/> an excellent resource providing a variety of tools and regular updates on timber taxation

issues.

Publication-- Determining the Tax Basis of Timber:

https://www.extension.purdue.edu/extmedia/FNR/FNR_FAQ_2.pdf

Publication--How to Treat Timber Sale Income:

https://www.extension.purdue.edu/extmedia/FNR/FNR_FAQ_3.pdf



Nick Jeurissen from the Vermillion County Conservation District gave us a talk about the value of bats on our properties. Bats are under stress now because of a fungus known as white nose syndrome (WNS). WNS is killing millions of bats in the northeast and Canada. It has spread into the Midwest and further. You will find sick and dying bats around caves where they hibernate. It is important to provide good habitat like shag bark hickories for the bats. If your property is in CRP you are not allowed to log or burn between April 1 and September 30 because of the Endangered Species Act.

Then there is the decision we all have to make about whether to mow between our trees. On the Chenoweth property, we saw some mowed and some not mowed. But with the nifty tractor and mower we saw demonstrated, it looked like mowing was going to be the preference in the future.



All in all, it was a good, informative day spent in the woods with good friends old and new. And the black walnuts in the brownies were a special treat at lunch.

Taxes and Trees – Understanding the Tax Implications of Forest Management

Change! When it comes to taxes, the rules can change quickly. Refer to the National Timber Tax Website – www.timbertax.org – for detailed information and updates.

Maintain a Management Plan: A management plan meeting the requirements for the USDA programs can provide you access to a variety of programs that can assist you both financially and technically. It may also serve as proof of your profit motive for your property as an investment or business for tax purposes. The deduction of some expenses may be dependent on demonstration of a profit motive.

Reforestation Expenses: Costs to plant, seed, or naturally regenerate trees for timber production purposes on at least one acre of a qualified timber property may be eligible for a deduction of up to \$10,000 in the tax year the costs are incurred. Costs over \$10,000 may be deducted (amortized) over a period of 84 months, with 1/14th deducted in the tax year of the expense, 1/7th deducted the next six tax years, and 1/14th deducted in the final year.

Example: Joe Jones decides to plant 20 acres to black walnut and other fine hardwoods for timber production. His direct costs for planting include \$300 per acre for seedlings, \$300 per acre for site preparation and planting, and \$5000 for a deer exclusion fence constructed around the 20 acres planted. Total costs are $\$6000 + \$6000 + \$5000 = \$17,000$. \$10,000 may be deducted for the tax year the expenses are incurred. The remaining \$7000 is deducted over an 84 month period starting with 1/14th of the amount in the same tax year as

the \$10,000 deduction, so the first years deduction is $\$10,000 + \$500 = \$10,500$. For year 2 through 6 the deduction is $1/7^{\text{th}}$ of the $\$7000 = \1000 . The deduction for the final year is the remaining $1/14^{\text{th}}$ of the $\$7000 = \500 .

Establish a Basis for Your Timber: The basis of your timber represents the “cost” of your timber to you when purchased, or the fair market value of the timber when inherited. This basis value can be used to reduce income tax liability when timber is sold. Since land and timber is generally purchased for one lump sum, you will need to allocate the total cost proportionately between timber and land values to establish a basis for your timber. Example: The Smith’s purchased 50 acres of hardwood timberlands and worked with their forester to develop a cost basis for the timber and land, based on a forest inventory. They paid \$150,000 for the land and standing timber and an additional \$2000 in legal and surveying fees for a total of \$152,000 acquisition costs. The forester provided the following information: 250,000 bd.ft. of merchantable timber valued at \$100,000. The bare land value was set at \$1500 per acre based on sales of similar land in the area, for a total fair market land value of \$75,000. Total FMV land and timber value is $\$75,000 + \$100,000 = \$175,000$. We must now allocate basis proportionately.

Asset	FMV	% of total FMV	total cost	Original Basis
Land – 50 ac.	$\$75,000 / 175,000 =$	43%	x $\$152,000 =$	\$65,360
Timber - 250,000 bdft	$\$100,000 / 175,000 =$	57%	x $\$152,000 =$	\$86,640
Totals	\$175,000	100%	\$152,000	

When you sell timber, the proportion of the basis represented by the timber sold can be used to reduce the net gain on the sale that may be subject to taxes. If you do not completely liquidate your timber, you will need to calculate a **depletion unit** to determine how much of the basis to deduct and how much to retain. When timber is sold you can also deduct expenses related to the sale of the timber from income received from the sale. These could include, but are not limited to, the costs of finding a buyer, timber cruising, travel, marking, and scaling, as well as fees paid to consulting foresters, appraisers, selling agents, and attorneys.

Example: The smiths decide to have a sale of some timber five years after their property purchase. They received \$40,000 for the sale of 100,000 bd.ft. of timber. The forester estimated they had 300,000 bd.ft. of timber at the time of the sale, and charged \$4000 to mark and administer the sale.

Calculating depletion units: Basis for timber $\$86,640 / 300,000$ bdft volume at the time of sale = $\$0.29/\text{bdft}$ depletion unit. Sold 100,000 bdft of sawtimber X $\$0.29/\text{bdft}$ depletion unit = $\$29,000$ basis in sawtimber sold
Your net income on this sale would be:

$\$40,000$ income - $\$29,000$ basis - $\$4,000$ sales costs = $\$7,000$ gain subject to long-term capital gain tax since you have held the timber for more than one year and sold it as stumpage for a lump sum.

You must now adjust your basis accounts to reflect the depletion units removed and revised volumes:

Sawtimber - 200,000 bd.ft. - $\$86,640$ basis - $\$29,000$ depletion = $\$57,640$ remaining basis

Understand How Timber income is Taxed: Standing timber held for at least one year and sold in a lump sum sale is generally eligible for long term capital gains tax rates. Timber sold under other arrangements, like an installment or shares sale, may be eligible for capital gains tax treatment, but elections may need to be taken when you file taxes to qualify for this treatment. Refer to the National Timber Tax website, www.timbertax.org, for a detailed discussion of this topic.

Keep Good Records: Maintaining records of your income, expenses, and activities related to your forest management will help you have the information and documentation needed to effectively manage your tax liability and provide evidence should you need it.

Lenny Farlee, Extension Forester Hardwood Tree Improvement and Regeneration Center
Purdue University Department of Forestry and Natural Resource

Indiana Walnut Council Board Meeting Notes

The Council board met on January 27th at the library in Thorntown. Several items of business were discussed. A TSI timber sale at the Council's Norris Sugar Creek Farm property was announced. Consulting forester, Brian Gandy, marked the trees and put the sale together. Brian had been consulting forester for a number of years before the property was given to the Council. The purchase was made by Collier Logging which will complete the logging by April, 2018. The income from the sale is \$2600. We are planning to plant 200 bur oaks and 200 swamp white oaks this spring in areas most suited for these trees.

The board made plans for the spring 2018 field day to be held at Carl and Claude Diehl's property and began planning for our fall meeting on October 13 at Dr. Parmenter's farm near Bloomfield in Greene County. The National Walnut Council meeting will be held in Dubuque, Iowa July 29 – August 1. The remainder of the meeting was spent discussing the on-going controversy of logging in Yellow Wood State Forest and the history of Indiana forests.

FROM THE EDITOR

If you are still getting this newsletter by mail and not over the internet, please consider sending me your email address if you have one. Email saves trees, money, and time.

If you have announcements or suggestions about things to include in the newsletter, please send them to Ray Wilson, 6448 Blossom Lane, Indianapolis, IN 46278 or rwwilson@iquest.net.

Please clip/print registration form for the meeting and return to the address below:

INDIANA WALNUT COUNCIL FIELD DAY, April 14, 2018

Name: _____

Address: _____

Phone: _____

E-mail: _____

Registration: \$15.00 Make checks payable to Indiana Walnut Council

Mail or email registration by April 9th to Don Greene:

Email: dgreene43@comcast.net Email registrants may pay at the event

Mailing Address:

6177 E. State Road 54

Bloomfield, IN 47424-6024

Don Greene's Home Phone: 812-384-8921 Cell Phone: 812-381-3711