Forest Ownership in Germany

Total forested area 11.4 mio ha
32% of total land

- Private forest: 48%
- State forest: 33%
- Communal forest: 19%
Average Size of Private Ownership

2 Mio private owners
5,48 Mio hectares
av. size < 5 ha

Who are the private forest owners?

- < 20 ha: 50%
- 20 - 50 ha: 11%
- 50 - 100 ha: 7%
- 100 - 200 ha: 6%
- 200 - 500 ha: 8%
- 500 - 1000 ha: 6%
- > 1000 ha: 13%

Source: BWI 3 2012
History of Forest Producer Organizations in Germany

1879 – 1917 first grass root forest owner associations „Vereinigung Mitteldeutscher Waldbesitzer“
1918 establishment of regional forest owner associations reason: fear of expropriation by left wing government 1918 „Bayerischer Waldbesitzerverband WBV 1918“
1919 foundation of umbrella organization „Reichsverband dt. Waldbesitzerverbände“
1934 dissolution of all free organizations or inclusion in Nazi organization „Reichsnährstand“
1945/48 dissolution of all Nazi organizations by Allies WW II
1946/47 reestablishment of regional forest owner associations
1948 foundation of umbrella organization „Arbeitsgemeinschaft Deutscher Wald“ AGDW
1990 establishment of new forest owner organizations in former East Germany

Structure of Private Forest Owners Organisations in Germany

- 1,2 Mio members
- 450,000 organised
- 4550 regional cooperations FWV, FBG, WBV
- 13 federal state associations WBV
- AGDW
Structure and Working Fields of AGDW

President
Philipp Freiherr zu Guttenberg

5 Members of the board

units
(members of 13 German countries associations)

- tax affairs
- national environment and legislation
- Forestry cooperations Public Relation
- European and international affairs

Structure and Working Fields of Federal State Associations

President

Members of the board (example: Bavaria 5 members)

working fields

- federal state environment and legislation
- federal state subsidy issues
- public relation work
- hunting
Structure and Working Fields of Regional Corporations

Chair

Members of the board (example: FBG Isar Lech 5 members)
Size: 52 members owning 25,000 ha up to 1200 members owning 2500 ha

working fields

- technical advice and organization of machinery use
- coordinating and facilitating timber market access
- offering forest management, purchase of goods
- information and assistance in subsidy opportunities

Potential of Increasing Timber Production

federal inventory (Bundeswaldinventur III 2012)
- annual growth 122 Mio m³ 11,2 m³/a/ha
- harvest volume 76 Mio m³ 7,2 m³/a/ha (statistical)
  fire wood consumption approx. 30 Mio m³/a

rising restraints in timber production:
- governmental biodiversity strategy 5 %-10 % demand of hands-off forest
- governmental subsidy policy
- misperception of working forests by society
- mobilizing timber of urban forest owners and of older generation with life estate

conclusion: high potential of mobilizing timber resources in micro and small forest holdings
important: to industries demand due to diversification of HWP
to owners financial benefits
Main current Challenges

Society:
• misperception of benefits of working forest
• romantic notion of nature towards aesthetics and recreation
• demand of codetermination in silvicultural decisions

Forest owners:
• alienation of urban forest owners from their possessions
• missing identification by youth to their family forest
• usus fructus (life estate) by older generations – bank saving mindset

Government:
• subsidising of reforestation with deciduous species
• biodiversity strategy 5 - 10 % hands-off demand

Industry:
• rising demand for coniferus species

QUESTIONS?
Development of Family Forest Owners

- 600 – 1500 p.Chr
  - noble families, clerus

- past secularisation 1700 - 1800:
  - noble families, small freeholding farmers (yeomanry), wealthy private persons, trusts, clerus

- past 1918:
  - noble families, farmers, private persons, clerus, trusts

- past 1989 (reunification of Germany):
  - noble families, farmers, private persons, clerus, trusts, middle class industrial entrepreneurs
FUNDING

- membership fees
- deutsche Rentenbank
- donations and sponsoring

- 32%
- 36%
- 32%

financial fundament

WORKING FIELDS I

- **Public relations and press work**
  - TV spot, newspaper announcements
  - Flyer: „You have a forest? You are lucky! Every forest has a face!“
  - Stickers and labels
  - donation of christmas tree for governmental buildings

- **Forest and environmental policy work**
  - cooperation and capacity building with partners
  - scrutinizing topical political issues and trends (in Germany and EU)
  - influencing forest and environmental legislation (fight ban of pesticide usage)
  - promoting state subsidies, climate fund etc.
  - mitigating tax and fee burden
  - promote multifunctional forestry and bioeconomy
WORKING FIELDS II

- International and European collaboration on forest related issues

- Member associations
  - Information
  - Capacity and network building
  - Encouraging to promote public relation work inside regional cooperations
  - Organisation of national and regional events
  - Annual national meeting of managers of large forests holdings
Tax and financial incentive policies

- Income tax
- Property tax
- Inheritance tax
- Soil and water tax
- Subsidy programs
- Social payments

Income Tax

How are revenues from sale of timber treated?

- regular income taxed by individual tax rates
  exemption: salvage wood by natural hazard
  1/4 or 1/2 of individual income tax
  tax free amount € 8,480 than from 1 % - 45 % (from 255,000 € up)

- VAT all income and expenditures taxed with different rates (5.5%, 7%, 10.7%)

  VAT mandatory 5.5% (flat rate) received on timber revenue and treated as real income but expenditures taxed with 19%

  optional 19% (regular rate) received on timber revenue must be offset with 19% VAT on expenditures
  - surplus of the calculation has to be paid to the tax revenue office
  - deficit will be reimbursed by the tax revenue office
Income Tax

How are forest management expenses treated?

Taxation system distinct between

• over 50 ha or under 50 ha but bookkeeping
  deductible in full invoiced amount

• under 50 ha and not bookkeeping
  55% of revenue value gained by timber sale deductible as overall expenses regardless the real costs

Conclusion: very favourable for holdings less than 50 ha

Income Tax

Are there other aspects of income tax policy that encourage or discourage timber production?

Encouragement

• VAT flat rate – when the expenses are kept low
  example: natural regeneration, sale from stock

• Flat rate of expenditures
  < 50 ha regulation

• Lower tax rates in case of salvage wood 1/4 or 1/2

Discouragement

• taxation at all – no real discouragement
**Income Tax**

Overall, is the policy in your country favourable or not?

How might it be improved?

It is favourable

but

current mindset of politicians in terms of taxation strive for cancelling special tax benefits

- lack of understanding of special producer situations
- lack of understanding of social benefits provided for fee
- jealousiness towards landowner in terms of intangible value (asset class)

**Property Tax**

How do they affect timber production?

Is there potential for improvement?

rate of property tax refers to

- the productivity of the land
  special calculation key (Einheitswert)
- the regional multiplicator released by the community

in compare with the US relatively low. approx. 3-5 €/ha

No direct affect to timber production.
Inheritage/gifting Tax

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Inheritage/gifting Tax

regular deductible allowances

• partner € 500.000
• siblings € 400.000
• parents € 100.000
• others € 20.000

Taxation benefits by inheriting and gifting

• fixed valuation rate referring to species regardless productivity
• no taxation when enterprise continues to run more than 7 years
• 15% taxation when enterprise continues to run more than 5 years
Soil and water tax

- tax based on property
- some federal states
- financing high water production costs

Paradoxon: areas with less precipitation and weak soil productivity
less timber revenue

Perverding taxation: 10 €/ha > annual revenue/ha

Current situation: several law suits pending

Subsidy Programm

No national programm – every federal state has its own programm

Bayaria:

Individual reforestation according specific requirements
- deciduous trees + fir/douglas (climate)
- suitable for specific soil conditions

Precommercial thinning

Road constructions on project basis for forests hold by small scale ownership

Producer organization:
- co financing employment salary
- co financing machinery
- timber mobilizing premium payment
Social payment

• mandatory payment by landowner to state insurance office
  for health,
  for retirement coverage,
  for accident
  based on the amount of land

• room for improvement: better financial social service
  low financial coverage, private co payment required

• double/tripple mandatory payment for the same land
  by owner,
  by hunter,
  indirectly by acting vendure