

Lyme Timber Finds Profits in Forest Conservation

By Katherine Webster

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September 4, 2005



Peter Stein of Lyme Timber Co. at his office in Hanover. AP—Jim Cole

Hanover, NH — The Lyme Timber Co. discovered the profit potential in land conservation almost by accident.

For nearly a decade after its founding in 1976, it operated like any other timber management company — buying, logging and selling timberland for wealthy investors.

But in 1983, it bought land in Virginia, West Virginia and North Carolina that environmentalists had been eyeing for inclusion in the Croatan and George Washington national forests. Working with The

Nature Conservancy, the Trust for Public Land and the federal government, Lyme Timber helped make it happen.

Along the way, it discovered it could earn as much from conservation and sustainable forestry as from land and timber sales, a market niche that became its focus in 1990 when it hired Peter Stein, former senior vice president of the Trust for Public Land.

Since then, Lyme Timber has completed more than two dozen purchases that permanently protect land from development, pioneering a business model that has been adopted in part by bigger timber management firms such as GMO Renewable Resources of Boston.

A consulting subsidiary headed by Stein has advised private landowners and nonprofits on another 50 conservation deals. “We like to be able to do well and do good,” Stein says

A limited partnership that does not disclose its earnings, Lyme Timber was founded by David Roby, former manager of Wagner Woodlands Ltd. of Lyme, and former Wagner investor Roy Van Vleck. At the time, it was one of a handful of traditional timber investment management organizations, or TIMOs.

That changed in the early 1990s, as paper companies began selling vast tracts of forest land and more institutional investors discovered timber. The number of TIMOs surged, paralleling the growth of nonprofits hoping to protect land from development.

Lyme quickly became a leader in providing private capital for conservation purchases in the eastern United States.

Sometimes Lyme acts as an intermediary, buying land and harvesting timber until a government agency or nonprofit can come up with the money to buy the property. Sometimes it sells a conservation easement that protects the land from development and requires the landowner to practice sustainable forestry, protect critical wildlife habitat and allow public access for recreation. Many deals involve both.

Occasionally, mostly in projects with the Maine Coast Heritage Trust, it subdivides part of a parcel for housing while protecting the rest.

Stein says conservation easements are good for the timber business. For Lyme Timber and subsequent owners, an easement lowers the cost of land so that long-term ownership and sustainable timber harvesting are profitable.

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David Houghton

While the company does not promise to conserve land in every deal, so far it hasn’t failed, Stein said.

“We assume, worst-case scenario, that our conservation partners will disappear and it can get a fair or good return as timberland. He said.

Negotiations with Lyme Timber can be tricky, said William Ginn, The Nature Conservancy’s director of forest conservation for the eastern United States.

“It’s very clear they’re in the business of making a return for their shareholders. They make no bones about that.” Ginn said.

Still, when environmental groups need a private partner, they often turn to Lyme Timber because it is flexible in waiting for deferral grant

money and is willing to harvest wood under strict environmental standards.

“They’ve been a very good group to work with,” said Ginn, author of the forthcoming book *Investing in Nature*. “They have a very high-level knowledge of how conservation is done and what our requirements and needs are.”

Ginn helped select Lyme Timber as the private landowner for two major conservation projects in the Northeast: 146,400 acres in northern New Hampshire, bought from International Paper in 2003 and placed under a conservation easement as part of the Connecticut Lakes Headwaters deal; and 84,000 acres in the Adirondack Mountains of New York bought earlier this year from paper company Domtar Inc. That land should be covered by an easement soon.

The Adirondack deal requires Lyme Timber to manage the land under “SmartWood” standards set by the Rainforest Alliance’s Forest Stewardship Council, considered the gold standard of good forestry by environmentalists. Lyme also signed a 20-year contract to supply pulpwood for Domtar’s mills in nearby Cornwall, Ontario, so Domtar can keep “SmartWood” certification for its paper.

The Connecticut Lakes easement allows Lyme Timber to substitute

Smart Wood certification for detailed state monitoring. A SmartWood report last year called Lyme’s agreements with New Hampshire ‘a model of sustainable forest management.’

“All timber harvests are directed to upgrade forest quality,” the report said, “This is a considerable challenge for (Lyme), as most of the forest has been severely degraded by insects and disease... and exploitative timber harvesting by prior landowners.”

Lyme Timber’s size is limited by the amount of money available for land conservation, and its business model won’t work for everyone. But bigger TIMOs like Wagner, the Forestland Group LLC, Hancock Timber Resource Group and GMO Renewable Resources increasingly include conservation sales, easements and limited subdivisions in their projects.

Lyme Timber remains at the forefront of conservation investing, said David Houghton, who worked on several New England projects with Lyme Timber when he was at the Trust for Public Land.

“Lyme Timber is really thinking about conservation — they really want that to happen,” said Houghton, now president of New Hampshire Audubon. “Lyme Timber is exceptional on this.”