

## **Meeting Notes**

Subject: Forest Cluster Economic Strategy Project Team

Date: October 9, 2009

### **Attendees:**

Mike Cloughesy, Oregon Forest Resources Institute (OFRI)  
Scott Leavengood, Oregon State University (OSU)  
Amanda Lowthian, Oregon Business Development Department (OBDD)  
Chris Claffin, OBDD  
Dana Shannon, OBDD  
Gary Lettman, Oregon Department of Forestry (ODF)  
David Morman, ODF

### **Guests:**

John Dunzer  
John Sessions, OSU  
Gary Van Huffel, OBDD

### **Key Points:**

#### **1. Recent Activity on Strategy Themes**

##### Federal Forests Restoration

- OFRI will be producing a special report on the Oregon Federal Forests Advisory Committee (FFAC) recommendations and the work of the implementation committee.
- Governor Kulongoski is seeking a summit meeting with the Secretaries of Agriculture and Interior on federal forests in Oregon.
- The Kitzhaber campaign has been provided the FFAC reports and the former governor will be addressing the Oregon Forest Industries Council meeting this month.
- Some recent federal timber sales have had difficulty getting above-cost bids. More successful federal timber sale efforts are taking place in the Medford and Roseburg BLM Districts.
- Recent speeches by both the Secretary of Agriculture and the Chief of the Forestry Service have highlighted sustainable forest management, which could provide links Oregon's forest policy dialogue.
- Potential Forest Service interest has been expressed in selling federal carbon as an ecosystem service. There are market implications if a large federal supply comes on-line.
- Oregon will be represented at this month's national Roundtable on Sustainable Forests meeting which will provide another forum to coordinate with federal partners. A national sustainable forests action strategy will be discussed. One

element of that strategy may be a Presidential Commission on Sustainable Forests.

- The Department of Forestry is promoting the concept of an Oregon Roundtable on Sustainable Forests. Full participation by the BLM and Forest Service will be needed for the concept to be successful.

#### Forest Cluster Vitality

- The Department of Forestry has data on the numbers and locations of wood products mills and mill closures in the state going back to 1980 and hopes to extend this information back to 1970. Closures only tell part of the story. Also need to consider productivity increases. Remaining open mills tend to be concentrated closer to major transportation corridors.
- Work is continuing with the University of Montana on the forest cluster leadership survey.
- The Oregon Innovation Council's established industries grant proposal for the forest cluster was not approved for funding by the 2009 Legislature. May try again in 2011.
- OSU is studying improving the efficiency of biomass transportation of biomass,
- The City of Forest Grove is conducting a study for a possible biomass facility.
- A wooden toy producer recently contacted OSU and OBDD with interest in relocating manufacturing from Taiwan to Oregon. Preferred material source is recycled or FSC-certified wood. OSU and OBDD linked producer to an existing North Coast company currently making paint handles from alder. Possible win-win partnership opportunity.
- Interest in FSC certified wood seems to be increasing among both primary and secondary manufacturers.
- Oregon mill study update is on hold while the Department of Forestry seeks Weyerhaeuser participation.
- OFRI and OSU reported a successful materials selection training workshop this past summer.
- OSU's cooperative wood product flow study proposal was not funded. Critique of the proposal is available.
- OBDD is involved in stimulus grant proposals for fuel treatments in Grant and Harney Counties. Review of proposal is expected this fall.
- October 19 Interagency Mapping and Assessment Protect technical team meeting will be focusing on forest fuel treatment priorities. ODF hopes to tie analysis to potential product outputs and to land use change.
- Three fast-pyrolysis demonstrations held during the summer with over 300 attendees. There were technology problems at all three demonstrations. More research and development are needed. Economics are marginal at this point. There are potentially 26 different fast-pyrolysis processes.
- OSU has produced a research brief on The Green Structural Materials Gap Analysis Project. See <http://www.cof.orst.edu/cof/wse/faculty/Knowles/Files/BEST%20research%20brief.pdf>

- OFRI sponsored workshop on October 30 at the Oregon Garden in Silverton: Green Building Update for the Forest Sector.  
<http://www.oregonforests.org/ToursAndEvents/Events/783/Details/>

## Forestry Workforce

- Governor's Strategic Training Fund proposal has been developed to provide basic Leadership in Energy and Environmental Design (LEED) training and linking product producers with the green building community. Building on the outreach work already started by OSU and OBDD and targeting smaller producers. Douglas County may serve as the sponsor. Early feedback on the proposal is that it will be acceptable for funding.
- Much activity underway to fund LEAN training statewide and to provide outreach to more producers not typically in the loop for this type of efficiency training.
- OSU and Virginia Tech have developed a LEAN training/quality control training model that has been used internationally and may be brought to Oregon. Hopefully, early adopters who receive this training will then encourage others to participate.
- Planning training for businesses interested in entering international markets has been postponed until Spring of 2010.

## 2. Forest Cluster Indicators

- The Oregon Board of Forestry has now received first reports on all four of the Oregon Indicators of Sustainable Forest Management addressing a goal of the *Forestry Program for Oregon*: Ensure that Oregon's forests provide diverse social and economic outputs and benefits valued by the public in a fair, balanced, and efficient manner. These four indicators are:
  - Forest-related revenues supporting state and local government public services
  - Forest-related employment and wages
  - Forest ecosystem services' contributions to society
  - Forest products sector vitality
 (See <http://egov.oregon.gov/ODF/indicators/indicatorsB.shtml>)
- Under the forest products sector vitality indicator, data for the sales value of Oregon's primary and secondary wood and paper products have been updated through 2008. Trends show a decline in primary products sales, while secondary product sales have remaining resilient. Oregon still lacks comprehensive information on where secondary manufacturers are sourcing their wood. An OSU proposal that was not funded would have helped to provide that information.
- U.S. housing starts appear to have bottomed out and projections are for a V-shaped recovery over the next three years. Log prices increased in the third quarter of 2009. Exports are doing well.
- Response lag and productivity increases will affect manufacturing employment recovery. Expect the recovery trend to be flatter than the recent decrease.

### 3. Agency Updates

- OSU will be conducting training in November on changes to the federal Lacey Act affecting wood product importers. Additional documentation on material sources will be required. Forest certification chain-of-custody processes may help with compliance. See <http://owic.oregonstate.edu/FPS-WVC/>
- OFRI is conducting a forestry tour for 15 legislators on October 28. Focus will be on the importance of Oregon's forests to our economy and environment.
- ODF is tracking ongoing discussions on modifying the LEED credit for certified wood.
- OBDD reports two small Oregon wood products firms are initiating expansion projects. Also two recent Chinese ship loading wood chips at the Port of Coos Bay was good to see. Potentially a huge Chinese chip market. Chip markets and prices could affect markets for other forest biomass products. Prices will determine commodity winners and losers. Asian paper consumption is going up.

### 4. OBDD Wood Products and Green Building Charter

- Gary Van Huffel is the OBDD project sponsor for the charter and the project's link to the OBDD executive team. Amanda Lowthian will be the project manager.
- OBDD has reorganized and is focusing on five key industry sectors. Cross-industry project teams are being created, one of which is the wood products and green building project team.
- The wood products and green building charter is one of nine being developed. Four of the nine are on hold or being redesigned.
- OBDD is looking for new ways to provide services and add value, with staff better organized to achieve strategic goals and be proactive.
- Charter will be a living document with revisions and updates as needed.
- Important to note the wood products and green building charter is just one facet of OBDD's larger involvement in forest sector.
- Charter anticipates product delivery within a year.
- OBDD is hearing a lot in the marketplace relative to use of local and FSC-certified wood. It may be possible to establish trust in the marketplace without certification.
- OBDD sees its role as bringing the Oregon wood products and green building communities together. OBDD will not try to define what is "green." Building on work already started by the OFRI and the Oregon Building Council. Now OBDD will be at the table and can take action on the recommendations. Input welcome from other agencies on charter implementation.
- The charter might be strengthened if it referenced, and was nested within, the Forest Cluster Vitality section of the Oregon Forest Cluster Economic Development Strategy. The charter logically flows from the strategy recommendations and will be a good example of strategy implementation.
- As the State of Oregon contemplates policies regarding preferences for certified or "green" wood products, it will be important that the state not discriminate

against Oregon-grown wood produced in full compliance with the Oregon Forest Practices Act and other state laws.

## **5. Next steps**

- Next meeting will be on October 26 at ODF headquarters.
- Meeting focus will be on building and maintaining institutional capacity in state government to carry out the Oregon forest cluster strategy. Reorganization may not be needed.
- Need to approach capacity issues from the viewpoint of private sector partners.
- Will work to have an updated four-agency Memorandum of Agreement ready by Thanksgiving.

## **6. Future meeting scheduled for Tuesday, January 26**

- Future topics to address:
  - Rural Oregon viability and regional work plans
  - Pros and cons of commodity versus specialty wood products market emphases.