

May 11, 2011



**Oregon Board of Forestry**  
**Ad Hoc Forest Cluster Working Group**  
**Report**

**Recommendations Supported by**

American Forest and Paper Association  
American Forest Resource Council  
Associated Oregon Industries  
Associated Oregon Loggers  
Association of Oregon Counties  
Carpenters Industrial Council  
Douglas Timber Operators  
Northwest Pulp & Paper Association  
Oregon Business Council  
Oregon Forest Industries Council  
Oregon Home Builders Association  
Oregon Small Woodlands Association  
Oregon Society of American Foresters  
Southern Oregon Timber Industries Association  
Woodworkers District 1 of the IMAW  
Woodgrain Millwork

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## 1. Executive Summary

Oregon's forest products industries are globally competitive and key to the state's economic health. The forest sector made up about 5.9 percent of Oregon's total payroll in 2009, when accounting for direct and indirect jobs. It ranks third in Oregon traded-sectors – those industries producing income for goods and services sold out of state.

**However, there remain both significant challenges and opportunities for increased vitality and economic growth of the state's "forest cluster" of allied industries and businesses. Time is of the essence. Oregon, particularly areas of eastern Oregon and southwestern Oregon, faces deteriorating forest health, disinvestment in forestland ownership, and eroding manufacturing capacity. The current industry infrastructure is hanging by a thread, and federal timber counties are facing dire financial straits. Oregon's forest cluster must rally around one or two issues in the short-term—defined here as the next six to twelve months.**

In October 2010, the Oregon Board of Forestry invited 24 representatives from Oregon's primary and secondary forest products businesses, large and small firms, forest managers, and other forest sector businesses and services to participate in the ad hoc Oregon Forest Cluster Working Group (Appendix A). In his invitation letter, the Board Chair asked these representatives to share their expertise and ideas about improving the health and prosperity of the state's forest industry cluster. The charge to the Working Group was to convene to discuss and recommend changes in Oregon laws, policies, education, financing, other economic development programs, and state agency responsibilities.

The Forest Cluster Working Group met three times—on January 18, February 22, and April 11, 2011. Representatives of the five state agencies comprising the Oregon Forest Cluster Economic Development Core Team (Department of Forestry, Business Development Department, Department of Energy, Oregon Forest Resources Institute, and OSU Wood Innovation Center) were in attendance to provide staff support to the Group (Appendix D).

The Working Group recommends that state government's involvement with Oregon's forest cluster emphasize a set of urgent recommendations for federal forests and a set for state and private forests. While there are literally dozens of tactics to promote economic development, their success is dependent on progress in these two areas. Potential themes for ongoing forest cluster/state government dialogue and action are also recommended.

### **Federal Forest Action Items**

- A. **Meet with Governor Kitzhaber and gain his support.** Recommendations by the Board of Forestry's Federal Forests Advisory Committee (FFAC) are on the table, but need the public support of new state leaders (Appendix C). We propose that Forest Cluster representatives meet with Governor Kitzhaber; his natural resources advisor, Richard Whitman; Oregon State Forester Doug Decker; and Board of Forestry Chair John Blackwell. We need the governor's agreement on the FFAC

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recommendations and a commitment to seek funding to make them happen. As well, we need to enlist the Governor and state leaders' enthusiastic support of the BLM's Western Oregon Plan Revision.

- B. **Ask Governor Kitzhaber to name a leader.** The surest way to focus attention on the FFAC recommendations is for the governor to name and fund a leader responsible for implementation. This is a huge issue with many stakeholders. Someone in addition to the governor's natural resource advisor – and who is strongly linked to the natural resources advisor, the state forester and the governor – needs to lead, champion and manage this issue as their primary function.
- C. **Ask Governor Kitzhaber to fund the FFAC recommendations.** The only way the FFAC recommendations will be implemented is by funding them adequately enough to make something happen. To move the ball on federal forest restoration will require seriously looking at the FFAC's report, developing a plan and budget around each recommendation, and presenting the plan and budget to state leadership. Yes, it will be expensive. But more expensive is doing nothing and putting the state on a potential road to economic and environmental disaster.
- D. **Review the Forest Health & Biomass Energy Team recommendations.** From his appointment of Matt Donegan, Russell Hoeflich and John Shelk to a Forest Health & Biomass Energy Transition Team, it's clear that Governor Kitzhaber is prepared to take a leadership role on this issue. The Oregon Forest Cluster Working Group, or a similar future private sector forum, should review the recommendations, submit its input to the governor, and get involved in the implementation of the Team's recommendations.

#### **State and Private Working Forests Action Items**

**Ask the Board of Forestry to keep focused on the vital few.** The governor's budget recognizes the importance of forestry to the state of Oregon and the importance of forest landowners and the public paying their fair share for forest protection. Forest landowners provide numerous public benefits: clean air, clean water, fish and wildlife habitat, recreational opportunities, and forested vistas. Forest landowners and the public must share equally in forest protection. Landowners are not in a position to pay more. From an economic perspective, the most important duties of the Department of Forestry are:

- An effective fire prevention and suppression system that keeps fires from blowing up, limits their damage, and protects people and communities.
- Implementation, enforcement, and monitoring compliance with the Oregon Forest Practices Act is a key state responsibility and necessary to ensure regulatory effectiveness and certainty.
- State-owned forests should have a sales program adequate to meet the revenue needs of the forest trust land counties and the Common School Fund.

#### **Potential Themes for Ongoing Forest Cluster/State Government Dialogue and Action**

In addition to addressing the urgent recommendations described above, Oregon will benefit by maintaining an ongoing forum for communication and coordination between private sector forest

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cluster participants and state government leaders and agency staff. The Working Group identified the following themes that should be considered in continuing this dialogue:

- Marketing Oregon's forest products
- Forest cluster economic growth opportunities: biomass, hardwoods, other?
- Improving forest cluster efficiency and profitability
- Regulatory revision
- Forestry workforce development
- Oregon forest cluster image
- Additional long-term state government capacity needed to support forest cluster economic development

The Working Group recognizes the forest cluster includes local, state and federal agencies, non-governmental organizations, and sectors, such as outdoor recreation, that are mutually dependent on healthy and vibrant forests. We would want you to know that our strongest motivation and our fervent hope is to keep Oregon forestland as healthy forests, in order to preserve precious natural resources, our way of life and the state's unique culture. In our experience, if the federal and state issues we have identified in this paper are not addressed, then anything else we attempt will not be fully successful. **We strongly urge Oregon state government to work in ongoing close coordination with private sector forest cluster representatives to make the two urgent issues, and the action items contained therein, the linchpins of the state's short-term forest cluster economic development strategy.**

## 2. What is Oregon's Forest Cluster?

**“Forest cluster” is defined as the firms and organizations that support production of and benefits from primary and secondary wood products and a broad spectrum of forest ecosystem services and includes geographically concentrated and interconnected economic activities and linkages to customers and suppliers. Organizations engaged in forest resource management, education, and research are also considered part of the forest cluster.**

Oregon has historically benefited from world class forest cluster infrastructure and traded goods. Oregon possesses superior capability in the areas of:

- Forest management expertise
- Forest growth potential with surplus inventory and annual growth far exceeding harvest volume
- Primary and secondary manufacturing
- Research and development
- Engineering
- Wood science and technology
- Harvesting and reforestation methods
- Transportation and distribution
- Academia
- A skilled workforce
- Service and supply sector
- Vibrant small businesses and family forest production
- Mature government agencies
- Effective policy frameworks
- National and international trade expertise

Oregon's forest products industries are globally competitive and key to the state's economic health. However, there remain both significant challenges and opportunities for increased vitality and economic growth of the state's forest cluster of allied industries and businesses.

## 3. The Forest Cluster and Oregon's Economy

Oregon is the nation's second-most forested state and continues to be a national and international leader in softwood lumber production, plywood production, forest productivity, timber harvest, logging, forestry research, forestry education and wildland firefighting. However, the health of Oregon's forest cluster is influenced by factors outside of Oregon's control—global markets and competition, national politics, etc.

The forest sector made up about 5.9 percent of Oregon's total payroll in 2009, when accounting for direct and indirect jobs. It ranks third in Oregon traded-sectors – those industries producing income for

goods and services sold out of state. Oregon’s primary wood products (lumber, veneer and plywood), secondary wood products (doors and windows) and forestry support (consulting, firefighting and reforestation) contributed \$12.5 billion to the state’s economy in 2009. To provide context for these numbers, statewide timber harvest volume in 2009 fell to 2.75 billion board feet, a low not experienced in Oregon since 1934 during the Great Depression

Approximately \$400 million dollars per year of forest-related revenues are being distributed to state and local governments in Oregon (Figure 1). These revenues support public services such as education, public safety, environmental protection, and forestry research. In addition, the forest sector annually generates more than \$200 million dollars in personal income tax revenue for the State of Oregon. A large proportion of forest-related revenues are distributed to rural counties, which helps offset declines in economic growth partially caused by declines in timber harvesting and natural resource-based industries. More than half of the revenue distributed is authorized by the Secure Rural Schools and Community Self-Determination Act, which expires in 2011.

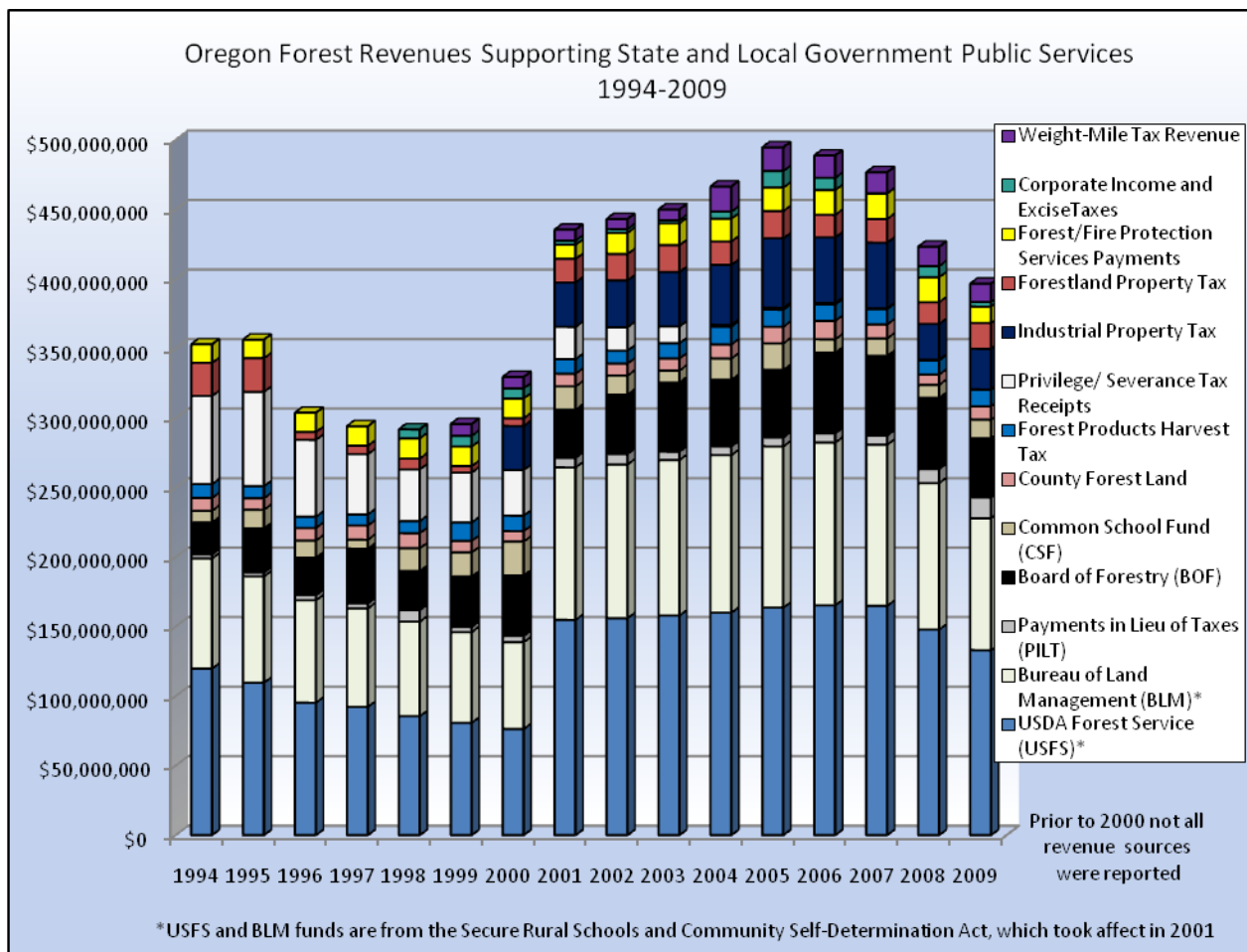


Figure 1

The following table shows Oregon forest cluster employment in 2009. These numbers were generated from the IMPLAN economic model. There are additional indirect and induced jobs not shown in the table that are created by the forest cluster. These jobs will be reported in future reports (Also refer to Appendix B).

<b>Oregon Forest Cluster Economic Impact Summary, 2009</b>		
<b>Forest Sector Grouping</b>	<b>2009 Total Jobs</b>	<b>2009 Average Wages</b>
Primary Products	17,168	\$68,000
Secondary Products	14,141	\$49,700
Forestry Support	34,864	\$60,600
<b>Forest Sector Total</b>	<b>66,173</b>	<b>\$60,500</b>
All Oregon Economic Sectors	2,182,705	\$44,800

Forest sector employment has declined since 2000, both in total jobs and in the percent of the state’s total employment made up by the forest sector. Unemployment tends to be higher than average in rural Oregon counties, often counties with significant federal land ownership. But forest sector employment is beginning to recover. The Oregon forest cluster is showing signs of economic recovery from the levels in the depths of the great recession, but still has a ways to go to reach pre-recession levels. Employment, timber harvest, lumber prices and log prices are all higher than a year ago and much higher than in 2009. The housing market--housing prices, housing starts, existing and new home sales, and home inventory numbers-- have not yet started to recover. In February 2011, 300 total logging and wood products manufacturing employees were added in Oregon. Hopefully, this upward trend will continue.

Over the longer term, housing start levels and nonresidential construction expenditures will improve once the economy rebounds and the “shadow inventory” of homes in the early stages of the foreclosure process is run through. The price of used homes will increase and buying a new home will again be competitive.

Currently, exports are driving an upturn. Timber harvests have started to rebound, from preliminary data up 17% in 2010 from 2009. The 2009 Oregon timber harvest of 2.75 bbf in 2009 has increased to a preliminary estimate of 3.22 bbf in 2010 and 2011 is looking even better. Domestic log price is currently reported to be about \$580/mbf and export prices around \$700/mbf. This is up from about \$350 for average log price in early 2009 and \$460 in early 2010. Lumber prices are reported to be about \$260/mbf. This is still low, but about \$100 more than in 2009.

Figure 2 shows the relationship between western Oregon log prices and total value of wood exports for the past few years and illustrates the concerns of small mill owners regarding increases in log procurement costs. It also hints at the potential for increased finished products exports. This figure

indicates that log and lumber exports have increased steadily since early 2009 and this is responsible for much of the increase in log prices. Log and wood products exports in 2010 were up 43% from 2009 levels. Much of this has been going to China and Japan. Exports of lumber and plywood to Japan are expected to increase significantly in 2011-2012 as rebuilding commences following the recent earthquake and tsunami.

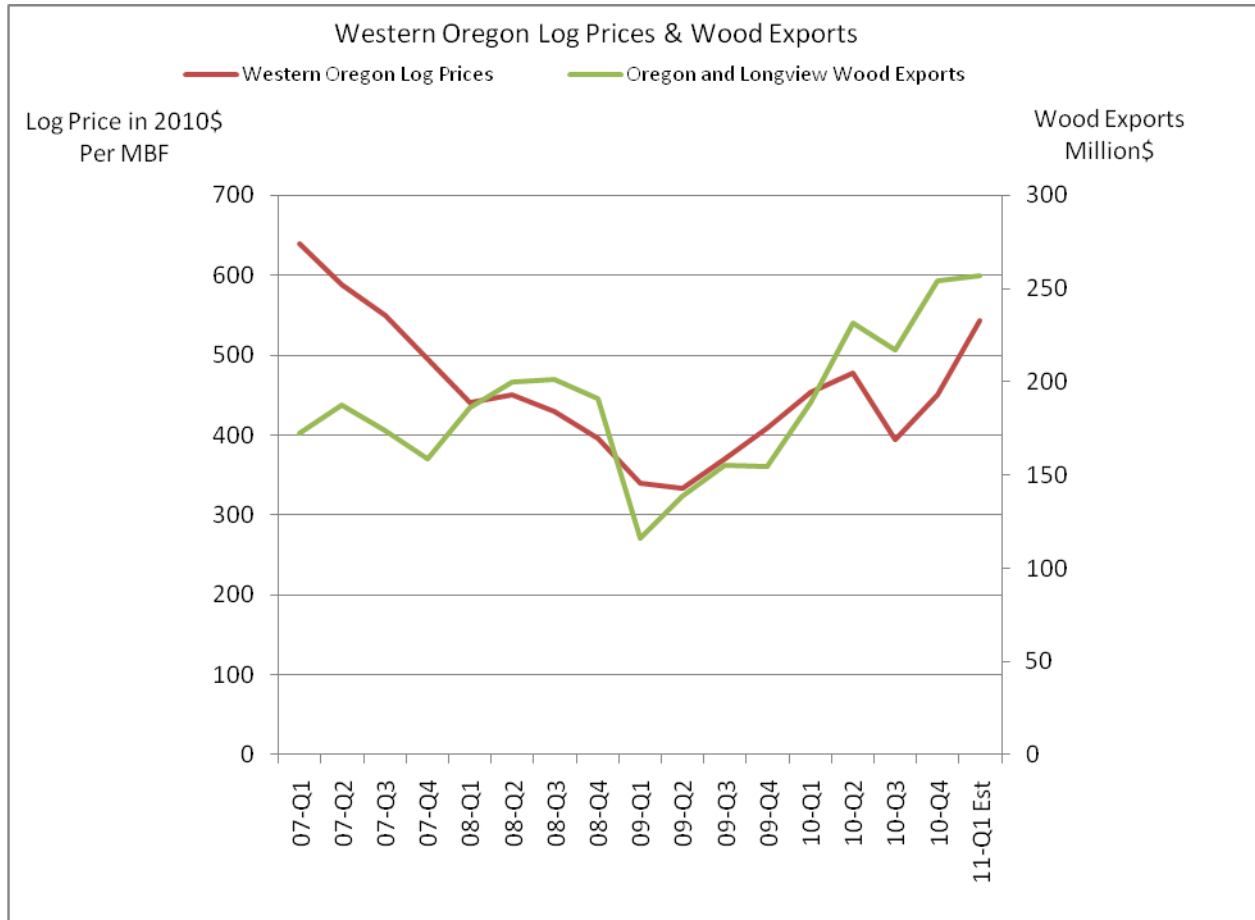


Figure 2

There is also a growing bioenergy industry in Oregon. There are currently hundreds of jobs related to energy generation or energy products. There have recently been a number of new energy projects completed in Oregon. These projects add diversified revenue streams and can strengthen markets for forest residuals. This is a growth industry and new projects continue to be developed.

#### **4. Board of Forestry Charge to the Working Group**

In October 2010, the Oregon Board of Forestry invited 24 representatives from Oregon's primary and secondary forest products businesses, large and small firms, forest managers, and other forest sector businesses and services to participate in the ad hoc Oregon Forest Cluster Working Group (Appendix A). In his invitation letter, the Board Chair asked these representatives to share their expertise and ideas about improving the health and prosperity of the state's forest industry cluster of allied industries and businesses.

The charge to the Working Group was to convene to discuss and recommend changes in Oregon laws, policies, education, financing, other economic development programs, and state agency responsibilities. This effort was designed to produce a report to the Board of Forestry that may also lead to future legislative concepts and recommendations focused on forest cluster economic development that could be offered to the Governor. In addition, the five state agencies already working together on forest cluster economic development may use these recommendations in their ongoing coordinated work to support forest-related businesses.

It is the Board's hope that the Working Group's recommendations will help Oregon to improve and maintain a more favorable investment climate that fosters globally competitive forest-based businesses throughout the state, with tangible outcomes such as:

- High quality, value-added products
- Family wage, highly skilled employment
- Increased revenue to private landowners for public benefits
- Predictable and abundant timber supply
- Efficient infrastructure for manufacturing, transportation, and forestry
- A fair and reliable regulatory and taxation climate
- Increased forest product exports
- Improved profit for forest cluster businesses

#### **5. Summary of the Working Group Process**

The Forest Cluster Working Group met three times—on January 18, February 22, and April 11, 2011. Each meeting was professionally mediated and representatives of the five state agencies comprising the Oregon Forest Cluster Economic Development Core Team (Department of Forestry, Business Development Department, Department of Energy, Oregon Forest Resources Institute, and OSU Wood Innovation Center) were in attendance to provide staff support to the Group (Appendix D).

Prior to the January 18, 2011 meeting, Working Group members were asked to review previous work completed by the Core Team and to also respond to a questionnaire regarding the strengths, weaknesses, opportunities, and threats facing Oregon's forest cluster. These responses are summarized in a separate document available from the Department of Forestry upon request.

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At the January meeting in Portland, the Working Group members in attendance began to develop a shared understanding of the highest priority strengths, weaknesses, opportunities, and threats facing Oregon's forest cluster. The Working Group also heard from the Core Team about work already underway to develop and implement a comprehensive State of Oregon forest cluster economic development strategy. The Working Group then began identifying and prioritizing specific recommendations for addressing short-term and long-term barriers and opportunities for a healthy and resilient Oregon forest cluster.

At the February 22, 2011 meeting in Salem, the Working Group continued to identify and prioritize short and long-term initiatives. Four members of the Working Group presented a proposal for short-term state government priorities for the forest cluster. This proposal became the center of discussion at the meeting and a fifth Working Group member asked to be added as a supporter of the proposal. After the meeting, the proposal was shared with all members of the Working Group and two more members expressed support for the proposal—bringing the total to seven.

The proposal for short-term state government priorities for the forest cluster was subsequently shared with the Federal Forests Advisory Committee Implementation Work Group, Oregon Forest Biomass Work Group, and, through public comments, with the Board of Forestry at its March 9 meeting.

At the April 11, 2011 meeting in Salem, the Working Group discussed a draft Working Group report developed by agency staff, based on products resulting from the first two meetings. The Working Group provided the agency staff with direction for changes in the draft report and discussed the process and timing for its completion.

In late April, a second draft of the Working Group was circulated to all of the originally invited Working Group members for further review and a request for expressions of support by Working Group organizations for the report's recommendations.

## **6. The Most Urgent Working Group Recommendations to State Government**

Time is of the essence. Oregon, particularly areas of eastern Oregon and southwestern Oregon are currently facing deteriorating forest health, disinvestment in forestland ownership, and eroding manufacturing capacity. Oregon's Forest Cluster must rally around one or two issues in the short-term—defined here as the next six to twelve months.

The Working Group recommends that state government's involvement with Oregon's forest cluster emphasize a set of urgent recommendations for federal forests and a set for state and private forests. While there are literally dozens of tactics to promote economic development, their success is dependent on progress in these two areas. Why now? A new state administration, a new state legislature and federal congress, and sympathetic public opinion, including media, are ready for action. At no other time in recent memory have key conservation groups and industry been on such agreement on forest management issues. Why just two issue areas? In a word, focus. Without focus, we can predict that little will happen.

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**Federal forests.** The federal forest issue of our day that must be addressed immediately is the condition of federal forestland – 60 percent of all the state’s 30.5 million forested acres. State and federal leaders, agencies, private companies and non-governmental organizations must marshal their resources to restore forest health and fire resiliency, especially on fire-prone federal forestland east of the Cascades and in the southern interior (comprising portions of Jackson, Josephine, Klamath, Lake and southern Douglas counties). All other forest-related issues, though important, are overshadowed by this one.

To protect all of Oregon’s natural resources, including valuable private land adjacent to federal forests, overstocked fire-prone federal forests must be managed to reduce fuels and improve forest health. This includes the removal of not only the traditional sawlog component, but also removing brush and thinning small trees to restore the land to historic norms of fire, insect, and disease resiliency. The issue has not languished from lack of public study, but it has suffered from a lack of funding, consensus, and political will. The Federal Forestland Advisory Committee, appointed by the Board of Forestry, published its recommendations in January 2009. Unfortunately, the recommendations have been weakly implemented due to a lack of focus, funding, and initiative.

**State and private forests.** Our state and private working forests – nearly 11.5 million acres – are at risk due to a lack of state funding for the Oregon Department of Forestry. Fire is the private landowner’s biggest risk to realizing a return on investment of a seedling that must remain planted 30, 40, 50 or more years. Inadequate funding of the state’s fire suppression system puts state and private forestland at risk, as well as public and private structures and human lives. The fuels build-up on federal forestland has increased the risk of catastrophic fire that knows no property boundaries.

Inadequate funding to implement, enforce and monitor compliance with the Oregon Forest Practices Act could affect public perception regarding natural resource protection. Enacted in 1971, this act for four decades has protected Oregon’s forest resources, giving Oregonians assurance that forest landowners replant after harvest, protect water quality, and protect and provide for fish and wildlife habitat. Updated regularly over the years with new science, the Forest Practices Act is a foundation for sustainable forest management on non-federal forestlands in Oregon. Private landowners need the level playing field provided by the act, and the state’s citizens need the reassurance that forest practices rules will be enforced.

## **FOCUS ON FEDERAL FORESTS**

The sector doesn’t need another study about federal forest land management. The Federal Forests Advisory Committee (FFAC), appointed by the Board of Forestry, met from 2006 through 2008 and involved a diverse statewide stakeholder group. Its recommendations were presented to the Board of Forestry in December 2008 and to then-Governor Kulongoski in January 2009 (Appendix C). Since then, the recommendations have been kept alive through the FFAC Implementation Work Group, an effort coordinated by Oregon Solutions, a program of the National Policy Consensus Center at Portland State University. Oregon Solutions has devoted just 1.25 FTEs to the staffing of the FFAC Implementation Work Group and to developing collaboratives statewide. Other groups, such as The Nature Conservancy and Sustainable Northwest, are also working on the issue, but the overall effort is minimal compared to its importance and opportunities.

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The recent court decision that reinstates the Bureau of Land Management's Western Oregon Plan Revision is another opportunity to increase timber flows from federally managed forests to help supply mills in western and southwestern Oregon and restore jobs. The Revision guides the management of more than 2.1 million acres of BLM land in western Oregon managed under the Oregon and California Lands Act. Developed over a period of five years, the Revision's final Environmental Impact Statement predicts 502 million board feet of annual timber harvest, resulting in an increase of 5,000 jobs.

### **Working Assumptions for Developing Federal Forests Recommendations**

**Forest health is the driver.** While we all want to restore jobs and rebuild Oregon's economy, we must understand that the driver on federal lands is restoration of forest health and fire resiliency and increasing the number of acres that are getting treated each year.

**If we don't act soon, we will lose Oregon's timber-related infrastructure.** Achieving healthy forest ecosystems goes hand-in-hand with a healthy timber industry, including the mills and forest operators necessary to do the work. The current industry infrastructure is hanging by a thread, and federal timber counties are facing dire financial straits. Reductions in funding for state and federal natural resource agencies have resulted in the loss of experienced professional foresters and other natural resource professionals. There is an urgent environmental and economic need, as lumber and plywood markets improve, to put up a significantly greater volume of sawlog sales that can supply Oregon mills. We can look to Arizona to see what will happen if we do nothing. With no logging or milling capacity left in the U.S. Southwest, officials from the Coconino National Forest are desperately looking for anyone who can salvage 400,000 green tons of blown-down ponderosa pine – an amount of timber equal to 16,000 log truck loads.

**We need a systematic approach.** Woody biomass is not a panacea. It has little merchantable value and is expensive to remove on its own. Subsidizing biomass removal alone will not result in reducing fire risks and suppression costs. In a political and economic climate that is discouraging of tax credits, incentives and the like, it makes sense to remove biomass in conjunction with conventional logging operations that yield a sawlog component, so that the forest restoration work can be paid for by the value of the timber removed.

**Collaboratives are a part of the process.** A focus of the FFAC Implementation Work Group has been to identify, support, and cultivate community-based forest health collaboratives. Many successful collaboratives that include local government, environmental groups, forest industry, tribes and others are working with federal land managers around the state, principally to promote forest health and fuels reduction projects, with increased merchantable timber outputs as an ancillary outcome. Collaboratives only work however, if the group enters into the process with a goal of reaching a meaningful workable solution in a timely manner. Forest health projects can't be held hostage by interest groups focusing on only one perspective.

Experience shows that efforts to harvest federal timber that circumvent the collaborative process are often blocked by legal challenge. To get anything done in public forests requires agreements among multiple parties from the for-profit, non-profit and governmental sectors. A neutral forum for groups that want to move forward where they can work out details of those agreements is critical. To show its

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value, the FFAC Implementation Work Group must move quickly to replicate on-the-ground solutions – similar to the success in Lakeview, for example.

**While existing federal laws allow commercial timber harvesting, additional federal legislation is part of the solution.** Despite the best intentions of our elected federal officials, getting a state-specific solution to restoring federal forest health is difficult at best. Many other states have federal forests, several in even worse condition than Oregon's. A federal solution, therefore, will have to appeal to majorities in a divided Congress, with funding and implementation occurring nationwide. Federal legislation should be pursued, but an approach must be designed that doesn't depend solely on such legislation.

**Active management is good and necessary.** Experience has shown that passive management of federal forestlands is a failure. Meeting all aspects of sustainability – environmental, economic and social – requires active forest management. In this context, "active management" means the application of practices through planning and design, over time and across the landscape, to achieve site-specific forest resource goals. Active management uses an integrated, science-based approach that promotes the compatibility of most forest uses and resources over time and across the landscape. "Active management" should not be equated with "intensive timber management." Instead, it refers to taking proactive steps to achieve whatever management objectives have been established for a forest site.

**Support of the Western Oregon Plan Revisions is vital.** The six district plans comprising the Bureau of Land Management's Western Oregon Plan Revisions provide a template for responsible, sustained timber production as required by the O&C Act. Timber harvest on these lands can return substantial revenues to 18 Oregon counties, reducing the need for federal payments under the Secure Rural Schools Act, which expires this year. Unemployment in Oregon's southwestern counties is in the double digits and is forecast to remain high. The volume of timber estimated from these lands is roughly half of the forest's annual growth, which leaves ample forest resources for social and environmental values. It is time to move forward with these district plans.

### **Federal Forest Action Items**

- A. **Meet with Governor Kitzhaber and gain his support.** The FFAC's recommendations are on the table, but need the public support of new state leaders. We propose that Forest Cluster representatives meet with Governor Kitzhaber; his natural resources advisor, Richard Whitman; Oregon State Forester Doug Decker; and Board of Forestry Chair John Blackwell. We need the governor's agreement on the FFAC recommendations and a commitment to seek funding to make them happen. As well, we need to enlist the Governor and state leaders' enthusiastic support of the BLM's Western Oregon Plan Revision.
- B. **Ask Governor Kitzhaber to name a leader.** The surest way to focus attention on the FFAC recommendations is for the governor to name and fund a leader responsible for implementation. This is a huge issue with many stakeholders. Someone in addition to the governor's natural resource advisor – and who is strongly linked to the natural resources advisor, the state forester and the governor – needs to lead, champion and manage this issue as their primary function.
- C. **Ask Governor Kitzhaber to fund the FFAC recommendations.** The only way the FFAC recommendations will be implemented is by funding them adequately enough to make something happen. To move the ball on federal forest restoration will require seriously looking at the FFAC's report, developing a plan and budget around each recommendation, and presenting the plan and budget to state leadership. Yes, it will be expensive. But more expensive is doing nothing and putting the state on a potential road to economic and environmental disaster.
- D. **Review the Forest Health & Biomass Energy Team recommendations.** From his appointment of Matt Donegan, Russell Hoeflich and John Shelk to a Forest Health & Biomass Energy Transition Team, it's clear that Governor Kitzhaber is prepared to take a leadership role on this issue. The Oregon Forest Cluster Working Group, or a similar future private sector forum should review the recommendations, submit its input to the governor, and get involved in the implementation of the Team's recommendations.

## **FOCUS ON STATE AND PRIVATE WORKING FORESTS**

Oregon has been at the forefront of sustainable forest management for decades. As the first state to enact a comprehensive forest practices act, Oregon's laws and regulations protect the environment and ensure long-term forest health on state and private land. Since its passage in 1971, the Oregon Forest Practices Act has been updated and strengthened based on sound science and changing social values.

Oregon's abundant and productive forests give the state a natural economic competitive advantage. In addition to thousands of jobs, they provide numerous ecosystem services including clean water, clean air, fish and wildlife habitat, carbon storage, and forest products. For decades, the state has been the nation's number-one supplier of structural softwood lumber and plywood panels, used primarily in home construction. This has been accomplished with almost no loss of forested land. Oregon forestlands in 2007 covered nearly 99 percent of the area they occupied in 1630. Statewide, timber growth exceeds harvest by billions of board feet.

Ironically, Oregon's preeminence as a supplier of timber and wood products is threatened from within. Failure to adequately protect forest resources through a robust forest practices act and a fire prevention and suppression system, will jeopardize one of the state's primary economic drivers.

### **State and Private Working Forests Action Items**

**Ask the Board of Forestry to keep focused on the vital few.** The governor's budget recognizes the importance of forestry to the state of Oregon and the importance of forest landowners and the public paying their fair share for forest protection. Forest landowners provide numerous public benefits: clean air, clean water, fish and wildlife habitat, recreational opportunities, and forested vistas. Forest landowners and the public must share equally in forest protection. Landowners are not in a position to pay more. From an economic perspective, the most important duties of the Department of Forestry are:

- An effective fire prevention and suppression system that keeps fires from blowing up, limits their damage, and protects people and communities.
- Implementation, enforcement and monitoring compliance with the Oregon Forest Practices Act is a key state responsibility and necessary to ensure regulatory effectiveness and certainty.
- State-owned forests should have a sales program adequate to meet the revenue needs of the forest trust land counties and the Common School Fund.

## **A FINAL COMMENT REGARDING THESE MOST URGENT WORKING GROUP RECOMMENDATIONS**

We recognize the forest cluster includes local, state and federal agencies, non-governmental organizations, and sectors, such as outdoor recreation, that are mutually dependent on healthy and vibrant forests. We would want you to know that our strongest motivation and our fervent hope is to keep Oregon forestland as healthy forests, in order to preserve precious natural resources, our way of life and the state's unique culture. In our experience, if the federal and state issues we have identified in this paper are not addressed, then anything else we attempt will not be fully successful. **We strongly urge Oregon state government to work in ongoing close coordination with private sector forest cluster representatives to make these two urgent issues, and the action items contained therein, the linchpins of the state's short-term forest cluster economic development strategy.**

## **7. Potential Themes for Ongoing Forest Cluster/State Government Dialogue and Action**

In addition to continued work to fully implement and sustain the urgent recommendations described in Section 6, Oregon will benefit by maintaining an ongoing forum for communication and coordination between private sector forest cluster participants and state government leaders and agency staffs. The Working Group identified the following themes that should be considered in continuing this dialogue:

### **Theme 1: Marketing Oregon's Forest Products**

- a. Promoting international wood exports
- b. Market research
- c. Purchase preference for Oregon products (branding/advertising/public buildings)
- d. Promoting wood products in green building
- e. Trade agreements
- f. Expanding Oregon's green jobs growth in the forest cluster

### **Theme 2: Forest Cluster Economic Growth Opportunities: Biomass, Hardwoods**

- a. Forest biomass
- b. Hardwoods
- c. Other?

### **Theme 3: Improving Forest Cluster Efficiency and Profitability**

- a. State support for capital financing
- b. LEAN manufacturing training/process improvement of manufacturing
- c. Enhancing forestry extension
- d. Increased understanding of the importance of renewable and non-renewable energy costs on sector

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- e. Promoting increased funding for integrated research programs that directly benefit the forest cluster through improved management systems, technologies, and higher value wood products
- f. Promoting ways to improve Oregon's forest sector innovation system to increase competitiveness and synergies among the forest sector, higher education, and other Oregon business sectors
- g. Working to lower log transport costs

#### **Theme 4: Regulatory Revision**

- a. Promoting Congressional action to address discordant goals and mandates in current federal statutes that often work at cross purposes and inhibit agencies from reacting decisively to issues such as declining forest health
- b. Securing adequate funding for federal agencies to carry out their management responsibilities
- c. Promote federal legislation that creates an overarching policy for environmentally, economically, and socially sustainable forests

#### **Theme 5: Forestry Workforce Development**

- a. Coordinating with the existing Oregon Workforce Investment Board and the Workforce Consortium
- b. Addressing wood products manufacturing employer's difficulty in filling skilled positions, such as: industrial electricians, welders, maintenance workers, supervisors, truck drivers and information technology technicians
- c. Encouraging wood products manufacturers, logging companies and other employers within the forestry cluster to form "Regional Industry Consortia" to foster workforce collaboration with each other and with local high schools and community colleges
- d. Encouraging workforce development of "soft skills" needed in the forest cluster workplace, such as:
  - Attendance/dependability
  - Responsibility/professionalism
  - Good work habits
  - Positive attitude
  - Willingness to work hard
  - Willingness to work as team member
  - Ability to work in a fast-paced environment
- e. Overcoming perceptions of undesirable working conditions and weak employment conditions in the forest cluster
- f. Reversing reductions in funding for state and federal natural resource agencies and the loss of experienced professional foresters and other natural resource professionals in public agencies
- g. Anticipating and addressing forest cluster retirements and needed replacements. Like manufacturing in general, wood products manufacturing is projected to have fewer openings due to growth. However, the Oregon Employment office projects more openings due to retirements in the wood products manufacturing segment (19%) than the average in the general manufacturing category (15%)

**Theme 6: Oregon Forest Cluster Image**

- a. Overcoming the perception that Oregon's Forest Cluster is "old-school" and not an important part of the modern Oregon economy, especially in the urban areas. In fact, the forest cluster is modern and high-tech, is still one of the largest traded-sector clusters in Oregon, pays family-wages to its workers, and creates green jobs that are part of Oregon's sustainable economy.
- b. Taking advantage of an improving public opinion about the forest cluster and wood products
- c. Endorsing an integrated campaign by state and private organizations in Oregon to project a fact-based, modern, green, economically strong image for the cluster

**Theme 7: Additional Long-Term State Government Capacity Needed to Support Forest Cluster Economic Development**

Begin discussions now for the 2013-15 budget cycle on the investments and organization in state government capacity needed to leverage successful implementation of Oregon's forest cluster economic development strategy

**8. Maintaining a Long-term Private Sector/State Government Forest Cluster Partnership**

Now that Oregon's private sector forest cluster participants and state government officials have begun this focused conversation on forest cluster economic development, it must continue and be expanded.

Immediately following transmittal of this report to the Board of Forestry, the Working Group recommends it be forwarded by the Board to:

- Governor Kitzhaber
- Senate President Courtney
- House Co-Speakers Hanna and Roblan
- The Oregon Business Development Commission and Business Development Department Director Tim McCabe
- The Oregon Forest Resources Institute Board and Executive Director Paul Barnum
- State Forester Doug Decker
- OSU College of Forestry Dean Hal Salwasser
- Oregon Department of Energy Director Bob Repine

The five state agencies who have supported the Forest Cluster Working Group (Department of Forestry, Business Development Department, Department of Energy, Oregon Forest Resources Institute, and OSU Wood Innovation Center) should continue to serve as a coordinated state government Forest Cluster Economic Development Core Team. Consistent with the 2010 Memorandum of Agreement signed by the directors of these five agencies, the Core Team should:

May 11, 2011

- Work to promote and implement the recommendations in this report.
- Identify and work to implement changes in state government organization and capacity to more efficiently and effectively provide services to Oregon's forest cluster. Actions may include better coordination of the future work of Federal Forestlands Advisory Committee Implementation Work Group and the Oregon Forest Biomass Work Group with future state forest cluster economic development forums.
- Conduct, at least over the next two years, quarterly public forums where forest cluster participants (not limited to Working Group members) and other interested parties are invited to dialogue, coordinate, network, and promote action within both government and the private sector regarding forest cluster economic development. Such forums may include, but should not be limited to, discussion of the topics described under Section 7 of this report: Potential Themes for Ongoing Forest Cluster/State Government Dialogue and Action.
- Regularly meet with the federal forest management and regulatory agency heads (USFS, BLM, EPA, USFWS, NOAA Fisheries) and encourage them to become full partners in developing joint landscape-scale assessments and aggressive on-the-ground implementation of an agreed-to vision for the environmentally, economically, and socially sustainable management of federal forests.
- Continue to champion Oregon's forest cluster and its continued vitality whenever and where ever possible.

Private sector forest cluster participants will seek ways to engage with the state agencies to assure continuing coordination and cooperation and also work to expand the network of communication with the cluster. As examples, enhanced, ongoing networking is needed among:

- Family forest landowners
- Forest landowners and manufacturers
- Primary and secondary wood products manufacturers
- Manufacturers, architects, and builders
- Manufacturers and exporters
- Forest cluster employers and Oregon's education system

## APPENDICES

### A. List of Invited Working Group Members and Meeting Participation

Organization	Working Group Participants	Meeting Participation In person or by phone		
		1/18	2/22	4/11
American Forest and Paper Association	Paul Cosgrove			
American Forest Resource Council	Tom Partin	X	X	X
Associated Oregon Industries	John Ledger			
Associated Oregon Loggers	Jim Geisinger/Rex Storm	X	X	X
Association of Oregon Counties	Ann Hanus	X	X	X
Carpenters Industrial Council	Bill Kluting			
Douglas Timber Operators	Bob Ragon	X	X	X
Ecotrust	Bettina Von Hagen			
JELD-WEN	Lee Bouck	X		X
Northwest Pulp & Paper Association	Kathryn Van Natta /Ralph Saperstein	X		
Oregon Business Association	Ryan Deckert/Elizabeth Howe	X		
Oregon Business Council	Duncan Wyse/Jeremy Rogers/Elizabeth Redman	X		X
Oregon Forest Biomass Work Group	Chad Davis			X
Oregon Forest Industries Council	Ray Wilkeson/Chris Jarmer	X	X	X
Oregon Home Builders Association	Jon Chandler			
Oregon Small Woodlands Association	Jim James	X	X	X
Oregon Society of American Foresters	Paul Adams	X	X	X
Portland Wholesale Lumber Association	Mike Burnard			
Southern Oregon Timber Industries Association	David Schott	X		
Stimson Lumber Co.	Andrew Miller			
Sustainable Northwest Wood Upstream 21	Ryan Temple	X		
Woodgrain Millwork	Bryan Gooch Redd	X		
Woodworkers District 1 of the IMAAW	Benjamin Barron			
	Bob Wilson	X		

## B. Oregon Forest Cluster Employment and Wages, 2009

Forest Sector Name	Forest Grouping	Total Jobs	Avg. Wage
Forestry, forest products, and timber tract production	Support	644	\$118,200
Commercial logging	Support	7,916	\$78,300
Support activities for agriculture and forestry	Support	15,525	\$27,200
Sawmills and wood preservation	Primary	6,516	\$63,000
Veneer and plywood manufacturing	Primary	5,514	\$56,100
Engineered wood member and truss manufacturing	Primary	906	\$54,800
Reconstituted wood product manufacturing	Primary	1,113	\$63,900
Wood windows and doors and millwork manufacturing	Secondary	5,402	\$48,000
Wood container and pallet manufacturing	Secondary	574	\$39,400
Manufactured home (mobile home) manufacturing	Secondary	1,160	\$44,600
Prefabricated wood building manufacturing	Secondary	270	\$48,800
All other miscellaneous wood product manufacturing	Secondary	340	\$42,300
Pulp mills	Primary	224	\$112,000
Paper mills	Primary	1,899	\$100,800
Paperboard Mills	Primary	996	\$110,700
Paperboard container manufacturing	Secondary	933	\$73,500
Coated and laminated paper, packaging paper and plastics film manufacturing	Secondary	401	\$74,000
All other paper bag and coated and treated paper manufacturing	Secondary	340	\$54,600
Stationery product manufacturing	Secondary	444	\$89,900
Sanitary paper product manufacturing	Secondary	95	\$130,200
All other converted paper product manufacturing	Secondary	68	\$74,200
Other industrial machinery manufacturing	Support	2,818	\$63,000
Wood kitchen cabinet and countertop manufacturing	Secondary	2,864	\$40,000
Upholstered household furniture manufacturing	Secondary	209	\$30,300
Non-upholstered wood household furniture manufacturing	Secondary	376	\$37,300
Wood television, radio, and sewing machine cabinet manufacturing	Secondary	285	\$50,000
Office furniture and custom architectural woodwork and millwork manufacturing	Secondary	380	\$46,500
Wholesale trade businesses	Support	3,297	\$75,700
Government Sector	Support	4,664	\$57,300
<b>All Forest Sectors</b>		<b>66,173</b>	<b>\$60,500</b>
<b>Primary</b>		<b>17,168</b>	<b>\$68,000</b>
<b>Secondary</b>		<b>14,141</b>	<b>\$49,700</b>
<b>Support</b>		<b>34,864</b>	<b>\$60,600</b>
Forestry Tourism	Forestry Tourism	29,960	\$22,700
Rest of Economy		2,086,572	\$34,900
All Sectors of Oregon's Economy		2,182,705	\$44,800

## **C. Summary of Recommended Solutions from: *Oregon's Vision for Federal Forestlands*, Oregon Board of Forestry, January 2009**

[http://egov.oregon.gov/ODF/BOARD/docs/FFAC\\_Color\\_Report\\_and\\_Cover\\_for\\_Web.pdf](http://egov.oregon.gov/ODF/BOARD/docs/FFAC_Color_Report_and_Cover_for_Web.pdf)

### **State and Local Solutions**

The overall strategy for state and local solutions is to take action to improve forest health. Symptoms of forest health (e.g., uncharacteristic wildfire, altered water quality and quantity, degraded fish and wildlife habitat, and reduced biodiversity and ecosystem resiliency) are of immediate importance. However, long-term success will require solving related problems (i.e., reduced timber harvest below sustainable levels and decreased infrastructure, reducing conflict over the desired amount of older forests, lack of trust, and policy coordination).

#### **STATE AND LOCAL RECOMMENDATION #1**

The Governor and the State Legislature should create a Federal Forestland Liaison Program to facilitate and support federal agency and local community efforts to improve forest health on federal forestlands.

#### **STATE AND LOCAL RECOMMENDATION #2**

The Governor and the State Legislature should assist federal agencies in providing administrative, financial, and technical resources to local collaborative partnerships to build trust and help identify scientifically informed and socially acceptable forest management projects to improve forest health. State funds should be managed by the Oregon Department of Forestry as one element of the Federal Forestland Liaison Program. We recommend that state and federal funding be sufficient to create three new collaborative processes annually and provide ongoing support for existing collaborations.

#### **STATE AND LOCAL RECOMMENDATION #3**

Local collaborative groups in cooperation with state and federal agencies should first assess forest health conditions and then plan projects at the landscape scale to address high priority needs. By planning at the landscape scale, treatments can be designed to improve the ecological effectiveness and efficiency of actions taken. To address the scale of the problem, it is our recommendation that these collaboratives convene around a geographic area of at least 100,000 acres.

#### **STATE AND LOCAL RECOMMENDATION #4**

Collaborative groups should define and delineate the amount and characteristics of older forests that should be conserved and re-established to maintain ecological sustainability and resiliency as part of their landscape assessment.

#### **STATE AND LOCAL RECOMMENDATION #5**

Leaders from state and federal agencies, county and tribal governments, and private forestland owners should meet on a regular basis to discuss and coordinate policies that affect forest health issues and the recommendations in this report.

## **National Solutions**

Congressional action is needed to help address many of the problems that are identified in this report. Local groups and the State of Oregon working alone cannot solve the fundamental issues that are caused by uncoordinated forest policies, a lack of clear goals for sustaining all forest values, the potpourri of goals and mandates, or a lack of funding for federal agencies to carry out their management responsibilities.

### **NATIONAL RECOMMENDATION #1**

Congress should develop legislation that creates an overarching federal forest policy for sustainable forests. This legislation should be on a par with the federal Farm Bill or Energy Bill, and establish a comprehensive framework for reviewing forest conditions and making decisions. Legislation could create a renewed national commitment and social contract to understand, enhance, and protect the health, productivity, and sustainability of America's forests.

### **NATIONAL RECOMMENDATION #2**

Congress should develop comprehensive Forest Restoration Legislation that makes restoring healthy forest conditions a top priority, removes barriers to implementing restoration treatments, appropriates funding to support local communities engaged in forest restoration, and recognizes new scientific knowledge and contemporary stewardship goals that promote all environmental services provided by forests.

### **NATIONAL RECOMMENDATION #3**

Congress should increase funding for forest management activities. This should be accomplished through a combination of increased appropriations, efficiencies, revenue generation, decoupling fire-fighting costs from agency budgets, and leveraging of federal dollars through partnerships at the state and local level.

## **D. June 14, 2010 Interagency Memorandum of Agreement**

**MEMORANDUM OF AGREEMENT**  
**Oregon Business Development Department**  
**Oregon Department of Forestry**  
**Oregon Forest Resources Institute**  
**Oregon State University College of Forestry/Oregon Forest Research Laboratory**  
**Oregon Department of Energy**

**June 14, 2010**

### **PURPOSE**

This Memorandum of Agreement is between the Oregon Department of Forestry, the Oregon Business Development Department, the Oregon Forest Resources Institute, the Oregon State University College of Forestry and Oregon Forest Research Laboratory, and the Oregon Department of Energy.

The purpose of the agreement is to formalize respective state agency and partner organization roles, responsibilities, and priorities for improving the contribution of Oregon's forest cluster to state and local economies and educating Oregonians about the cluster.

A November 1, 2007 Joint Resolution signed by the Chairs of the Oregon Economic and Community Development Commission, Oregon Board of Forestry, Oregon Forest Resources Institute Board, and by the Dean of the Oregon State University College of Forestry/Director of the Oregon Forest Research Laboratory has established the context, goal and objectives for a State of Oregon Forest Cluster Economic Development Strategy. The agreement is intended to be consistent with the Joint Resolution and the resolution is made part of this agreement by reference.

Through the agreement, the participating agencies and organizations are also committing the necessary resources and institutional capacity to achieve the described roles, responsibilities, and priorities.

For the purposes of this agreement, "forest cluster" means firms and organizations that support production of and benefits from primary and secondary wood products and a broad spectrum of forest ecosystem services and includes geographically concentrated and interconnected economic activities and linkages to customers and suppliers. Organizations engaged in forest resource management, education, and research are also considered part of the forest cluster.

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## TERMINATION, REVISION, EXTENTION

This Memorandum of Agreement becomes effective upon signing by authorized representatives of all referenced parties and will remain in effect until December 31, 2012, unless terminated, revised, or extended. Any agency or organization may terminate its participation in the agreement at any time through written notice to the other agencies and organizations. Revisions or extensions of the agreement must be approved in writing and signed by authorized representatives of the participating agencies and organizations. Other agencies and organizations may be added to the agreement through the revision process.

## AGREEMENTS

A. All parties signing this Memorandum of Agreement agree to:

1. All findings and resolution elements of the November 1, 2007 Joint Resolution signed by the Chairs of the Oregon Economic and Community Development Commission, Oregon Board of Forestry, and Oregon Forest Resources Institute Board, and by the Dean of the Oregon State University College of Forestry/Director of the Oregon Forest Research Laboratory.
2. Jointly craft and implement a two-year work plan consistent with the November 19, 2008 Draft Oregon Forest Cluster Economic Development Strategy or a subsequent Strategy mutually agreed to by all parties.
3. Provide staff support to an advisory Forest Cluster Working Group chartered by the Oregon Board of Forestry. The Forest Cluster Working Group will include the Oregon Forest Industries Council Manufacturers Committee and other private forest cluster participants. The Working Group charter will call for an assessment of the strengths, weaknesses, barriers, opportunities, and likely behavior of current and prospective competitors and cooperators to Oregon's forest industries.
4. Create oversight structure such that state agency green building efforts and biomass working group efforts are coordinated with the Forest Cluster Economic Development Strategy.
5. Work jointly on recommendations for 2011, 2012 and 2013 legislative concepts and policy option packages needed to implement the Strategy.
6. Coordinate with the Bureau of Land Management State Director, the USDA Forest Service Regional Forester, and the USDA Forest Service Pacific Northwest Research Station Director to facilitate consistent forest cluster economic development policies with these federal agencies.

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**In addition, the Oregon Department of Forestry to agrees to:**

1. Convene, facilitate, and lead state government policy discussions related to forest cluster economic development.
2. Maintain a consistent, single point of staff contact for issues related to implementation of this agreement.
3. Advocate policy positions consistent with the Board of Forestry's *Forestry Program for Oregon* and Forest Vitality Work Plan and strive to complement the Oregon Business Development Department's economic development programs.
4. Coordinate state government interactions with federal forest managers on policy and management issues, consistent with the Board of Forestry's *January 2009 report, Achieving Oregon's Vision for Federal Forestlands*, and seek increased capacity as needed to fulfill this function.
5. *Consider national, state, and local opportunities to promote federal forest policies and management that are consistent with advancing the State of Oregon's vision for federal forests.*
6. Explore alternative, more stable funding mechanisms for the department budget directed at maintaining and increasing public and private investments in forests and in keeping forests in forest use.
7. *Promote* the understanding, development, monetizing, and support of non-timber markets, such as biomass, carbon sequestration, and other ecosystem services that reward landowners for maintaining their lands as forests.
8. Widely communicate Oregon forest health and forest cluster and rural community economic vitality as priorities of the State of Oregon and will work with other organizations to revitalize the economy and social fabric of rural communities and to promote that the values they provide to all Oregonians are maintained and compensated.
9. Encourage the federal government land management agencies to achieve their statutory objectives by actively managing federal forestlands, including the use of commercial timber harvests and stewardship contracts where appropriate.
10. Promote climate change mitigation through forest carbon-offset markets and ecosystem services markets and provide landowners information on participating in these markets.
11. Advocate for a level playing field for public and private forestland biomass to be considered with other renewable energy sources and as key component of Oregon's

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strategy for meeting state greenhouse gas reduction and renewable energy portfolio standard policy goals.

12. Continue to support research and develop policies and incentives that will drive the growth of the biomass/ bio-energy/ bio-based products industry in the state.

**In addition, the Oregon Business Development Department agrees to:**

1. Support cluster development activities that drive demand for value-added forest products, such as engineered wood products, energy production from woody biomass, and bio-based fuels.
2. Provide access to investments in capital, research, education, and technical assistance through alignment with the activities of the Oregon Innovation Council.
3. Through the Global Strategies Wood Products and Green Building project, pursue opportunities to bring Oregon's wood products producers together with representatives of green building industries to strengthen market opportunities and explore new buyer-supplier relationships. Specific activities include:
  - i. Targeted recruitment of Oregon Wood Products and Green Building industry firms for inclusion in the online buyer-supplier database, the Pacific Northwest Connectory.
  - ii. Production or aggregation of online or printed information materials about existing resources and services available in Oregon for wood products producers seeking to supply to green builders and for green builders seeking to procure Oregon wood products.
  - iii. Assisting OSU with programming for 2011 event designed to bring together Oregon's wood products and green building industries, specifically as relates to driving participation and attendance by representatives from green building industries and non-profits devoted to the promotion of green building in the state.
4. Support international trade missions and the participation of Oregon firms in trade shows for the purpose of generating sales leads for Oregon wood products producers.
  - i. Participate with economic development partners in strategic planning efforts for the 2010 Greenbuild conference, including recruiting Oregon firms to the conference, pursuing new business leads and opportunities for Oregon firms as part of the conference, promoting Oregon wood products via conference attendance and activities.
  - ii. Produce or support partner production of collateral marketing materials for domestic and international distribution including:

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1. One-page overview of the forestry and wood products industries in Oregon and description of their role in the state's economy.
  2. Technical wood product marketing information piece for use on trade missions to include descriptions of products available from Oregon firms and specific resource information for national/international buyers looking to procure products.
  3. Materials produced for trade shows and missions shall be translated into Arabic, Japanese, Chinese and Korean.
5. Assist the Oregon Department of Forestry with economic analysis, market research and exploration of new market opportunities for the forestry sector.
  6. Through direct business development assistance provided by department field staff, deliver recruitment, retention and expansion services to firms statewide, including one-to-one technical assistance, and share with cluster partners any associated learnings or observations about industry needs and opportunities.

**In addition, the Oregon Forest Resources Institute agrees to:**

1. Provide ongoing public education on the Forest Cluster Economic Development Strategy and its importance to all Oregonians. Public education efforts may include publications, conferences, workshops and other outreach activities.
2. Collaborate with Oregon Department of Forestry, Oregon Business Development Department, Oregon State University College of Forestry, and the Oregon Department of Energy, among others, on training for forest landowners, operators and others with roles to play in implementing elements of the Strategy.
3. Support refinement of the Forest Cluster Economic Development Strategy through additional studies and research, as necessary.

**In addition, the Oregon State University College of Forestry and Oregon Forest Research Laboratory agree to:**

1. Make relevant research findings readily available in support of development of the Forest Cluster Economic Development Strategy.
2. Provide access to faculty with relevant experience in subject areas relevant to the development of the Forest Cluster Economic Development Strategy.
3. Collaborate with the Oregon Department of Forestry, Oregon Business Development Department, Oregon Forest Resources Institute, and the Oregon Department of Energy on training for forest landowners and others with roles to play in implementing elements of the strategy.

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4. Educate a work-ready workforce capable of maintaining the global competitiveness of Oregon's forest cluster broadly defined and educating future generations of forest resource scientists.

**In addition, the Oregon Department of Energy agrees to:**

1. Support cluster development activities that drive demand for value-added forest products, such as energy production from woody biomass, and bio-based fuels.
2. Assist the Oregon Department of Forestry with economic analysis, market research and exploration of bioenergy development opportunities for the forestry sector.
3. Support refinement of the Forest Cluster Economic Development Strategy through additional studies and research, as necessary.

**PRODUCTS**

Products resulting from this Memorandum of Agreement may include:

1. A Forest Cluster Economic Development Protect Team short-term (two-year) work plan;
2. An effective and productive Forest Cluster Working Group process that increases state government responsiveness to addressing the needs of private sector forest cluster partners;
3. Recommendations for legislative concepts and policy option packages needed to implement the Strategy;
4. Recommendations for improvements in long-term state government organization, staffing, and budgeting to efficiently and effectively implement the Strategy;
5. Recommendations for improved coordination of the state government Forest Cluster Economic Development Strategy with policies, assessments, and initiatives undertaken by private and federal government partners;
6. Recommendations for proposed federal legislation;
7. Recommendations for changes in the Oregon Forest Research Laboratory, Pacific Northwest Research Station, and other research to better meet the needs of Oregon's forest cluster; and
8. Recommendations for measuring performance and Strategy success.

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## EXPENDITURE OF FUNDS

Nothing in this Memorandum of Agreement obligates the Oregon Department of Forestry, the Oregon Business Development Department, the Oregon Forest Resources Institute, the Oregon State University College of Forestry and Oregon Forest Research Laboratory, or the Oregon Department of Energy to expend funds in any manner or amount other than specified in their respective legislatively approved budgets.

## CONTACT PERSONS FOR THIS AGREEMENT

For the Oregon Department  
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Program Director  
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For the Oregon Forest Resources  
Institute

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For the Oregon State University College  
of Forestry and Oregon Forest Research Laboratory

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For the Oregon Department of Energy

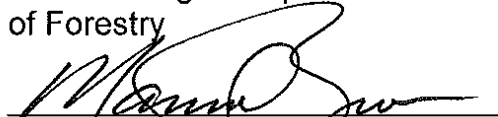
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June 14, 2010

SIGNATURES


This memorandum of agreement, and any changes, alterations, modifications, or amendments to it, shall not be effective until approved by the appropriate representative of the parties hereto.

For the Oregon Department  
of Forestry

  
Marvin Brown, State Forester

Date: 8/2/10

For the Oregon Business Development  
Department

  
Tim McCabe, Director

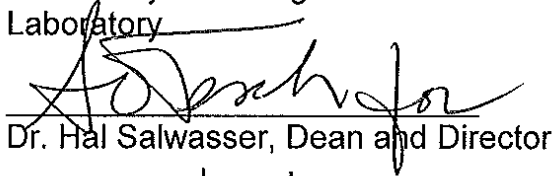
Date: 07-26-10

For the Oregon Forest Resources  
Institute

  
Paul Barnum, Executive Director


Date: 8-11-10

For the Oregon State University College  
of Forestry and Oregon Forest Research  
Laboratory

  
Dr. Hal Salwasser, Dean and Director

Date: 8/19/10

For the Oregon Department of Energy

  
Bob Repine, Director

Date: 8-26-10