

Meeting Notes

Oregon Forest Cluster Economic Strategy Project Core Team

Date: September 22, 2010

Attendees:

Rex Storm, Associated Oregon Loggers
Mike Cloughesy, Oregon Forest Resources Institute (OFRI)
Scott Leavengood, Oregon State University (OSU)
Chris Knowles, OSU
Nadine Orozco, OSU
Amanda Lowthian, Oregon Business Development Department (OBDD)
Chris Claflin, OBDD
Dana Shannon, OBDD
Gary Van Huffel, OBDD
Matt Krumenauer, Oregon Department of Energy (ODOE)
David Morman, Oregon Department of Forestry (ODF)

Key Points:

1. Oregonian's Values and Beliefs -- ODF presented information related to the forest cluster from a Spring 2010 random sampling study of Oregonian's values and beliefs about forests and forest management. The study was a joint ODF/OFRI project. The full study results and documentation are available at:
<http://www.oregonforestry.gov/ODF/BOARD/ofri2010study.shtml>
2. Mill Closure and Job Loss Data -- ODF and OFRI both presented information regarding changes in the number of wood products mills and employment from 1980 to 2010. A video on this topic will be posted in the future on the OFRI website (<http://www.oregonforests.org/>) and presented at the Oregon Forest Industries Council annual meeting in October.
3. Five-Agency Forest Cluster Economic Development Memorandum of Agreement -- An updated Memorandum of Agreement on forest cluster economic development has been signed by executives from ODF, OBDD, OFRI, OSU and ODOE. This memorandum replaces a previous version that expired on Dec. 31, 2009. The new memorandum will remain in effect until December 31, 2012. The updated Memorandum of Agreement is posted on the Forest Cluster Strategy Project website:
http://www.oregon.gov/ODF/RESOURCE_PLANNING/docs/MOA_Forest_Cluster.pdf
4. Federal Forests Restoration – OFRI reported on a successful field tour conducted in Central Oregon in August where federal forest health issues and the recommendations of the Oregon Federal Forestlands Advisory Committee were

discussed. ODF provided a summary report on accomplishments to date of the Federal Forestlands Advisory Committee Ad Hoc Implementation Work Group. The likely expiration of federal payments to Oregon local governments through the Secure Rural Schools and Community Self-Determination Act and the resulting adverse effects on county governments was noted. This will renew a discussion about the social contract between the federal government and the counties where federal forestlands are located.

5. Forest Cluster Vitality

- The Oregon Board of Forestry has approved an update of its Forest Vitality Work Plan (http://www.oregon.gov/ODF/BOARD/docs/Issue_3_Forest_Vitality.pdf)
 - The primary Work Plan issue is:
 1. How will the Board of Forestry encourage public and private landowners to continue to willingly make investments to create economically and environmentally healthy forests?
 - The Work Plan goes on to describe planned Board work on five intermediate issues:
 1. Developing and promoting forest policies that ensure the sustainability of Oregon's forest resources while improving the forest cluster's long-term contribution to national, state, and local economies.
 2. Promoting and implementing a unified vision of how federal forestlands should contribute to the environmental, economic, and social sustainability of all Oregon forest resources.
 3. Developing and promoting forest policies that keep working forests working.
 4. Promoting incentives for sound sustainable forest health restoration practices, including the development of market-based solutions to reduce the risk of catastrophic wildfires and insect and disease outbreaks.
 5. Promoting valuation of forest ecosystem services and the development of forest ecosystem service markets as incentives for managing forests and maintaining the forestland base.
- OSU described the status of the Wood-Based Composite Center, cooperative research venture with Virginia Tech, University of British Columbia, the University of Maine, and private industry (<http://www.wbc.vt.edu/center/about.php>). An industry advisory board has met to identify future research that would be most useful to composites industries (wood products/composites/adhesive manufacturers). A recent increase in National Science Foundation funding will allow the Center to expand student research. Group discussion involved linking the Wood-Based Composite Center to the Oregon Innovation Council's work and noting international markets prefer certification that composites are formaldehyde-free.

- ODF described the status of a new Impact Analysis for Planning (IMPLAN) run for Oregon's forest cluster. The agency is cooperating with OFRI, the Oregon Employment Department, and Associated Oregon Loggers (AOL) on this project. Customized runs that more accurately evaluate Oregon's true forest cluster will be possible. AOL emphasized this is very important to look at all direct employment. In the past, the Employment Department has disaggregated the forest sector (for example trucking and heavy construction were tracked elsewhere). Therefore, forest cluster employment was grossly underrepresented in the past.
- ODF is still awaiting data tables produced from the 2008 Mill study. However, those data are already out of date. Oregon's needs a new process, maybe similar to that conducted in 1998 with ODF taking the lead in partnership with the Oregon Forest Industries Council, OSU, University of Montana, and the federal Forest Inventory and Analysis Program (FIA). FIA might pay for the work.
- A joint ODF, ODOE, and Oregon Department of Agriculture biomass survey is underway. ODOE also has a substantial database on shipments of biomass around the state. The database could be used in modeling and evaluating biomass market dynamics and incentive levels. Modeling of material prices based on factors such as moisture content and variable diesel prices may be useful to forest landowners in planning biomass utilization strategies and timing. Pulp wood is being tracked separately. ODOE can pursue sharing this data with other agencies through an interagency agreement. Group discussion focused on linking this work to Pacific Northwest Research Station biomass modeling and how the highest and best use of biomass material (not just for energy) is figured into analyses and models.
- OSU discussed interest in a spatially-based green building directory. Group discussion expanded the directory topic to possibly include locations of biomass residuals and contact information within a certain radius of a biomass facility. Boiler information could also be tracked. Perhaps we are really talking about an integrated, forest to final product, spatial, multi-faceted forest cluster data base.

6. Forestry Workforce

- ODOE is studying baseline skill sets and wage rates for the biomass sector and comparisons with other sectors. The Oregon Workforce Investment Board has developed a Green Jobs Growth Plan that includes references to biomass energy (see http://www.worksourceoregon.org/index.php?Itemid=49&id=127&option=com_content§ionid=5&task=category).
- Group discussion included concerns about a shortage of qualified workers in the forest cluster when the economy improves. How do we again encourage the best and brightest to consider careers in the forest products sector?

7. Other ODOE Updates

- The Southern Oregon Clean Energy Alliance (<http://www.orsolutions.org/southwest/southernrenewable.htm>) is a model that ODOE is participating in with ODF and may be replicated elsewhere in Oregon.
- ODOE is coordinating with OBDD, ODF, and the Energy Trust of Oregon on technical and financial assistance in biomass energy production and efficiency upgrades. Incentives will be more targeted in the future with a focus on strengthening existing businesses.
- Environmental permitting issues remain a big hurdle.
- Oregon has recently awarded Business Energy Tax Credits to biomass facilities and other projects are currently under technical review to receive state incentives. We need to communicate that biomass projects remain strong candidates to receive this incentive.
- Permanent ODOE administrative rules on the biomass transportation tax credit are expected soon.

8. Other OSU Updates

- Nadine Orozco was introduced. Nadine is starting her graduate studies in Wood Science and Engineering at OSU with a focus on characterizing innovation systems in the forest products industry.
- OSU has established a new degree program in renewable materials – looking beyond just wood. The College of Forestry is hoping to reverse a trend of declining enrollment in Wood Science and Engineering degree programs.

9. Oregon Business Development Department Updates -- OBDD reported on the status of its “Boost Grant” program. The grant program will award and make grants as an incentive to Oregon businesses that create new, full-time jobs in Oregon. To be eligible, applicants must:

- Be a business with 100 or fewer employees,
- Create and retain new full-time jobs for a period of at least 6 months,
- Be a traded-sector business in manufacturing, processing or distribution and
- Demonstrate that comparable wages are provided to their employees.

Up to \$2,500 may be awarded to an applicant for each full-time job created and retained with an annual maximum of \$50,000 per applicant in a calendar year. Applications will be processed on a first-come, first-served basis. The program began in June 2010 and is expected to terminate after 12-months.

10. Private Sector Ad Hoc Forest Cluster Working Group Formation -- ODF described the Board of Forestry’s direction through the September 8, 2010 update of its Forest Vitality Work Plan for establishment of an ad hoc Forest Cluster Working Group.

The Working Group is to be comprised of private forest cluster company representatives to look at how laws, policies, education, financing programs, and agency responsibilities might be changed to better assist economic development of Oregon's forest cluster industries and businesses. The Working Group should be comprised of representatives of:

- a. Large and small businesses
- b. Primary and secondary wood products businesses,
- c. Forest resource managers,
- d. Forestry education and research specialists,
- e. Other traditional and non-traditional wood products businesses and forestry services.

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.

The Forest Cluster Working Group, supported by the Forest Cluster Economic Development Strategy Project Team, will be asked to present a white paper in 2011 summarizing and evaluating their recommendations. The work already undertaken by the state agencies on the Forest Cluster Economic Strategy Project Core Team will inform the Working Groups discussions. Recommendations may include (but are not limited to):

- a. Strategies for revitalizing forest products industries in rural areas by integrating mills with woody biomass energy, bio-fuel, plastic-composite, and other product production;
- b. Direction for development of the Oregon Wood Innovation Center at OSU to develop and improve markets, products, and forest products industry business practices;
- c. Suggestions for minimizing regulatory costs for cluster firms and improving regulatory benefits through innovative and targeted research programs such as the ongoing work at Hinkle Creek;
- d. Development of enhanced programs for boosting long-term forest productivity and value through programs such as OSU's Center for Planted Forest Productivity and Value Enhancement;
- e. Incentives to promote development of markets for public benefits and environmental services delivered by forests such as water, biodiversity, carbon sequestration, recreation, and tourism;
- f. Development of mechanisms for providing adequate financing for viable firms in the forest cluster; and
- g. Incentives to help promote domestic and international exports of value-added and specialty wood products.

These recommendations would be forwarded by the Board to the Governor and other participating boards, commissions, and agencies involved in the forest cluster.

Group discussion on this topic included brainstorming on the possible composition of the Working Group. General consensus was a manageable Working Group size would be 5 to 12 members. Firms and organizations that might be considered for representation in the Working Group include:

- Oregon Forest Industries Council (representing both manufacturers and industrial and investment landowners)
- Oregon Small Woodlands Association
- Associated Oregon Loggers
- Oregon Transportation Association
- Portland Wholesale Lumber Association
- Oregon Biomass Work Group representatives
- Secondary Forest Products Manufacturers (possibly Collins Co, Jeld Wen, Woodgrain Millwork, Sustainable Northwest Wood, others?)
- Investment, Finance, Venture Capital (possibly Upstream 21, others?)
- Labor
- Equipment Manufacturers
- Green Builders
- Conservation Community (possibly The Nature Conservancy, Ecotrust, others?)
- Associated Oregon Counties
- Board of Forestry
- Others?

Established, high growth, and emerging industries in the cluster should all be connected with the Working Group. It may be difficult to convene such a group and maintain its capacity and energy for an extended period of time. Therefore, the charter should include a limited, finite charge. We will need to clearly show the Working Group will fill a void that is not already being addressed.

ODOE agreed to work with ODF to develop a Working Group invitation letter that would be sent out in October. This topic may also be discussed at the October 29 OFRI Board meeting.

11. Oregon Business Council (OBC) Updates (reported by OFRI)

- Forest clusters participants are encouraged to review and provide comments on the new Oregon Business Plan website and particularly the Forestry and Wood Products Industry Cluster page:
<http://orbusinesscouncil.org.gravitahosting.com/Industry-Clusters/About-Oregon%E2%80%99s-Industry-Clusters/Forestry-and-Wood-Products.aspx>
Provide feedback to Jeremy Rogers at OBC or Mike Cloughesy at OFRI.
- The 2010 Oregon Leadership Summit will be held in Portland on December 13. The focus of the summit will be on economic initiatives and not on individual industry clusters.

- Input on the proposed initiatives is being requested by OBC for forest cluster companies and can be submitted directly online at: <http://orbusinesscouncil.org.gravitatehosting.com/Initiatives.aspx> through early November and also at the October 12 cluster network meeting.

12. Governor Transition and 2011 Legislature

- Early contact is needed with the economic development representatives on the next Governor's transition team. All five agencies working on forest cluster economic development should provide a unified message to the new Governor on this topic, consistent with our work done to date.
- No Policy Option Packages or legislative concepts related to forest cluster economic development are being forwarded to the 2011 Legislature by five state agencies. However, legislation will likely be introduced in committee regarding tax credits.

13. The next meeting of the Oregon Forest Cluster Economic Development Project Core Team will be scheduled sometime in late November or early December. The meeting location will be ODF headquarters in Salem. A meeting date will be confirmed and an agenda will be circulated before the end of October. Key topics for discussion will be:

- Governor's Office transition (we may wish to extend an invitation to the transition team),
- A status report on Working Group formation,
- Final plans for the OBC December Leadership Summit and Oregon Business Plan initiatives, and
- Updating the Project Team's short-term work plans and "fill the gaps" exercise.