

## Oregon Forest Cluster Economic Development Strategy Project Status Report #2

(See Page 5 for Background Information)

### Current Status:

Representatives of the Oregon Economic and Community Development Department (OECDD), Oregon Department of Forestry (ODF), Oregon Forest Resources Institute (OFRI), and the Oregon State University College of Forestry/Oregon Forest Research Laboratory (OSU) have met three times to build a work plan implementing the provisions of the November 1, 2007 Memorandum of Agreement signed by the four agency directors.

### Current Agency Representatives:

Karen Goddin, OECDD  
Chris Claflin, OECDD  
Glenn Montgomery, OECDD  
Mike Cloughesy, OFRI  
Scott Leavengood, OSU  
Chris Knowles, OSU  
Eric Hansen, OSU  
Gary Lettman, ODF  
David Morman, ODF

### February 8, 2008 meeting guests:

Cameron Smith, Governor's Office  
Linc Cannon, Oregon Forest Industries Council

### February 8 meeting discussion summary:

#### 1. Workforce development -- Mike, lead

- OFRI has a publication: *Careers in Oregon's Forest Sector: Volume 1: Options for College-Bound Students* and will be producing a second volume for high school graduates. OFRI is also organizing career conferences and in-school presentations.

#### 2. Information relevant to assessing what is needed for Oregon's forest cluster to become more competitive -- Gary and Eric

- Oregon mill study update will be produced in 2009 based on 2008 data. The Pacific Northwest Research Station, University of Montana, and ODF are supporting the study. Study ties closely to the socio-economic Oregon Indicators of Sustainable Forest Management.
- Handout -- Matrix of forest cluster metrics that can be quantitatively measured
- Provided graphs show profitability of growing and harvesting timber has declined dramatically
- Studies have shown 5MMBF of annual harvests from Oregon forests are sustainable
- Forest cluster metrics could meet the performance measures requirements of the Memorandum of Agreement
- Presented metrics are geared towards primary sector, commodity production. We also need innovation and value-added metrics.

- Specialty product producers are more insulated from swings in market prices.
- Consider a profit margin metric—what proportion of Oregon products are being sold for higher prices per MBF. This gets a handle on specialty markets.
- Where do Oregon's secondary wood products manufacturers get their wood? Can't assume increased Oregon primary production will increase Oregon secondary production.
- Handout --Sawmill comparisons with Interior B.C. and U.S. South. U.S. West Coast is not necessarily the high cost producer.
- Forest cluster interviews may be as valuable as quantitative metrics. OFRI study had valuable information resulting from interviews. Don't limit interviews to just Oregon-centric folks.
- Current metrics tend to be backward looking--less focused on emerging opportunities

3. OECD Business Development Officers' input on current barriers to forest industry investment and an assessment of the ability of the state's forest-related industries to remain globally competitive -- Chris, lead

- Asked BDOs to look beyond current low housing starts and ongoing federal timber supply issues. Handout provided.
- No surplus of raw material resources to attract new investment
- Transportation cost barriers--new investment is focused around interstates and transportation hubs
- Workforce challenges--aging workforce, high turnover
- Industry frustration at new employee recruitment--need to promote career pathways
- Markets--intense global competition
- Not a lot of "entrepreneurial churn" in the cluster
- Limited metric dimensions mill capacity in the state.
- Regulatory--permitting process for biomass boilers sometimes makes it easier to use fossil fuels instead. Larger mills tend to already be located in impacted airsheds.
- Residential encroachment near mills makes re-permitting harder
- Competitiveness may mean more modernization and efficiency, but not more jobs
- Local governments are reluctant to provide economic development incentives if investment is not leading to job creation
- Competitive forest cluster does not necessarily equate to revitalized rural work forces--don't create false expectations that a new forest cluster strategy will necessarily help rural communities
- Forest industry is changing, not dying
- If an increased stable federal timber supply was provided it would be used.

4. Summary of trends, strengths, challenges, and recommendations for Oregon's forest cluster that have emerged from previous work (Oregon Cluster Resource Guide, Oregon Leadership Summit, Oregon Business Plan, Oregon Innovation Council, OFRI Oregon Forest Cluster Analysis Report, etc.) -- Mike, lead

- Handout -- Summary organized around the OFRI Forest Cluster Analysis themes
- Summary is a simple compilation of various recommendations relevant to forest sector economic development made in various studies and reports since 2003. Some of these recommendations are much less relevant now than when they were made; or don't reflect current realities; some have been acted on or modified; none reflect the present forest sector downturn.
- Strengths—forest sector employment is declining less in Oregon than elsewhere in the U.S.
- Recommendation themes:

- Market leadership
  - Return on investment via strategic management
  - Biomass conversion
  - Wood innovation
  - Nanotechnology
  - Green by design
  - Clustering for rural and urban benefit
  - Federal forest restoration
  - Ecosystem service markets
  - Oregon biomass leader-ties to innovation, timber supply, federal issues
  - Bioeconomy and Sustainable Technologies Center is getting a lot of focus
  - Oregon Wood Innovation Center is involved in three BEST proposals
  - Oregon Business Council will have a standing committees on forest sector green design and forest health
5. Revised draft charter for a Forest Cluster Economic Development Strategy Advisory Committee  
-- David, lead

- The National Governor's Association has engaged Oregon and some other states to put forth cluster strategies. Value-added wood products bio-fuels may be among the Oregon clusters.
- Tactical processes already underway (biomass, green design). Do we need to catch up strategically?
- Forum resulting from the NGA process may be the best way to reach out to private sector. Don't duplicate the NGA forum with another advisory committee. NGA forum planned for the second or third week of April.
- NGA process aligned with Oregon Business Council cluster work.
- Focus on emergent opportunities?
- Some of the forest cluster recommendations are aspirational versus tactical.
- Bite off small chunks. Need an 18-month action plan.
- Don't rehash barriers.
- Focus on what is emerging what is growing rather than where we have been stuck the past 20 years
- Focus on state government actions?

6. General Discussion

- Transportation (especially railroad) and forest health are real issues that need to be woven into strategy development
- Potential carbon payments to forest landowners need to be an important part of the strategy. This topic is likely to be front and center in 2009 legislative session. It may be one method to support forest land values and keep forest lands from being developed.
- Forest landowners are no longer mill owners
- Statewide versus local effort--Local efforts will continue and will be the efforts that lead to actual results.
- Coquille Tribe biomass facility assessment underway
- North Coast windstorm recovery is another biomass opportunity.
- Look at small scale cooperative models
- Need real, specific recommendations. For example, what would the Wood Innovation Center do with an increased budget?
- Workforce development, biomass, and forest health restoration are three catalytic principles

that are already recognized by the Oregon Business Council. Pick key initiatives from existing lists and approach private sector to reach agreement on working together.

- Tie this forest cluster strategy development process to the *Forestry Program for Oregon* update process.
- Engaging sub-state regional interests is how we are going to implement a forest cluster strategy
- Rural communities remain in limbo because the federal timber issue is never resolved—Resolution needed one way or the other
- State could benefit from a better coordinated, single program to be focus of strategy implementation.

#### 7. Meeting close-out

- Like narrowing of project focus, focus on emergent trends while also taking care of established industry. Established industry includes both primary and secondary manufacturers.
- There is already so much energy on the forest cluster topic. This process can tap into that energy.
- It is gratifying to see the Oregon Business Council focus groups are moving the same direction as our four state agencies.
- Goal should be to organize state government to be supportive of industry.
- Don't be afraid to look at barriers, profitability. For example, should the public be paying more for fire protection to reduce industry fixed costs?
- Look for catalytic, symbolic, initiatives that create excitement, domino effect

#### **Action Items:**

- **Gary: Will coordinate with the University of Montana and the University of Washington on the mill study and will also ask them to look at innovation and secondary products.**
- **Gary and Eric: Need continued work on data for meaningful forest cluster performance**
- **Gary: Will connect with OECDD economist to compare notes on cluster metrics**
- **Mike: Will boil down his summary further. Need to be clear on what we will be asking people to review. What is new that they haven't already seen? Each agency will respond to Mike's second and incorporate agency initiatives.**
- **Karen: Will send NGA process information to everyone**
- **All: Hold off on establishing an advisory committee until we learn more in March about the planned NGA forum in April**
- **Karen: Will share information on current cluster investment fund Request for Proposals processes**

#### Next meetings:

March 7, 9:00 a.m. to noon  
Administrative Building C, Clatsop Meeting Room  
Oregon Department of Forestry Headquarters

The April meeting may be scheduled in conjunction with the planned NGA forum

## Background Information

In November 2007, the chairs of the Oregon Economic and Community Development Commission, Oregon Board of Forestry, Oregon Forest Resources Institute Board, and Dean of the Oregon State University College of Forestry/Director of the Oregon Forest Research Laboratory signed a joint resolution to set Oregon on a path to craft a comprehensive new forest cluster economic development strategy. The resolution states that the goal of the strategy will be to create and maintain a favorable investment climate for environmentally sensitive, socially responsible, and globally competitive forest-based businesses throughout Oregon that will generate high quality, value-added products; family wage, highly skilled employment; increased revenues to private landowners for providing public benefits, and increased forest products exports.

“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.

### 1. Resources:

OFRI Oregon Forest Cluster Analysis:

[http://www.oregonforests.org/assets/pdfs/ForestCluster\\_FINAL.pdf](http://www.oregonforests.org/assets/pdfs/ForestCluster_FINAL.pdf)

Oregon Innovation Council:

<http://www.oregoninc.org/index.htm>

Oregon Cluster Resource Guide:

[http://www.oregonbusinessplan.org/pdf/Cluster%20Resource%20Guide%20Dec2007%20\(FINAL\).pdf](http://www.oregonbusinessplan.org/pdf/Cluster%20Resource%20Guide%20Dec2007%20(FINAL).pdf)

2007 Oregon Leadership Summit Federal Forest Restoration Initiative:

[http://www.oregonbusinessplan.org/pdf/Cluster%20Resource%20Guide%20Dec2007%20\(FINAL\).pdf](http://www.oregonbusinessplan.org/pdf/Cluster%20Resource%20Guide%20Dec2007%20(FINAL).pdf)

Oregon Business Plan Policy Playbook and Initiative Guide:

<http://www.oregonbusinessplan.org/pdf/2008%20Policy%20Playbook%20and%20Initiative%20Guide.pdf>

Oregon Business Plan 2003 White Paper: *Achieving More Benefit From Our Forest Resources*:

<http://www.oregonbusinessplan.org/pdf/7-Forest%20Use%20WP%201-15-03.pdf>

US Endowment for Forestry and Communities national survey report:

[http://www.usendowment.org/images/Mapping\\_a\\_Course.pdf](http://www.usendowment.org/images/Mapping_a_Course.pdf)