

Oregon Forest Cluster Economic Development Strategy Agency Core Team Meeting

Date: March 7, 2008

Attendees:

Eric Hansen, OSU
Chris Knowles, OSU
Scott Leavengood, OSU
Mike Cloughesy, OFRI
Chris Claflin, OECDD
Dana Shannon, OECDD
Gary Lettman, ODF
David Morman, ODF

Guests:

Chad Davis, Sustainable Northwest
Jose Linares, USFS Region 6
Courtney Warren, Oregon Innovation Council
Cameron Smith, Governor's Office

1. Performance Measures for the Forest Cluster

- Eric is looking at international work on forest cluster metrics
- Gary is looking at next mill study design. Past studies have not been forward looking. Talking to PNW Research Station Forest Inventory and Analysis staff and the University of Montana to obtain 2008 data.
- Gary has met with OECDD economists. OECDD recognizes the importance of the cluster but strategies are vague at this point.
- Mill study data will inform some of the Oregon Indicators of Sustainable Forest Management
- We should tie goals, projects, and initiatives to performance measures and ties to OECDD priorities
- Demand for green products could expand growth in production from urban to rural areas
- Move from annual "timber" to "wood" harvest reports
- Mill surveys are based on surveys to all manufacturing facilities in the state—more like a census.
- Look at Employment Department's forward-looking estimates on wages and employment\
- Forest cluster performance measures could be one of the agencies' recommendations.

2. Strategy Development (Handout provided by Mike)

- Currently conflicting state and federal policy direction
- What will our strategy be to address primary manufacturers and commodity production?
- Mill owners feel estranged from government
- Where the same products are being produced in different locations there may be different infrastructure challenges. Will be difficult to craft a single unifying strategy addressing all products in all state locations.
- Land management, regulatory issues, biomass, primary manufacturing, and

- secondary manufacturing all need to be addressed in strategy
- Need better understanding of raw material flows in the secondary products manufacturing
 - Market Leadership
 - Improve Non-Timber Economics of Private Forests
 - Carbon a big factor here
 - Water, recreation
 - Land use planning, tax policy, Forest Practices Act have been Oregon's approach to managing conversion, but we are not taking advantage of conservation easements
 - Not sure carbon markets will affect family forest landowner scale. Maybe explore family forest landowner carbon coops.
 - Woody Biomass for Energy, Biofuels and Bio-products
 - Quite a bit of work already done
 - Expand Coordinated Resource Offering Protocol Assessments to get supply assurances. We have a few areas around the state that have a CROP assessment but it would be nice to have full coverage data layer that energy companies could access as they consider meeting their Renewable Portfolio Standard requirements.
 - Look at industrial wood pellet production. Could be an Oregon advantage.
 - Wood Innovation and Forestry Research
 - Wood Innovation Center Expansion
 - Nanotechnology
 - Green by Design
 - Federal Forest Restoration
 - USFS has limited capacity eastside to do both green and salvage sales
 - Biomass potential is huge on the eastside
 - Strategies should maximize value not just volume
 - Other concepts to consider in strategy development
 - Ensuring the Forest Service and BLM provide a predictable and sustainable level of timber harvest that provides their share of the source from federally dominated timbersheds so that infrastructure can be sustained. Without a stable supply of small diameter material, banks will not loan the money needed to make new investments in infrastructure. Forest Service and BLM need more funding to get more stewardship contracts accomplished (including NEPA work). Funding for ODF teams to assist the Forest Service is stewardship contract administration.
 - Putting together a toolkit that allows us to determine changes in economic activity from policy changes, market changes, other exogenous factors, etc. We are currently flying blind and have no clue what policies and projects would contribute what sort of economic activity and where
 - Spending on transportation infrastructure, especially railroads. It is too expensive to move low value produces by truck and rail lines to rural areas in Oregon are closing.
 - Federal income tax credits for small diameter yarding, hauling, milling and other infrastructure that would allow companies to invest in new equipment for restoration activities.

- Funding specific programs within federal/state agencies to provide greater access to investments in capital, research, education, and technical assistance.
 - Requiring wood and wood product imports into the US to meet a certain performance standards.
 - Developing an inventory of existing at risk infrastructure and ask them to identify short-term/long-term needs to be more competitive.
 - Work force development
 - Secondary wood products training system
 - Look at parts we feel we can move forward in the near term. Then advocate new strategies as the process grows.
3. Business Viewpoint magazine
- OFRI help to produce forest cluster edition
 - Copies distributed, more copies available
4. Oregon Innovation Council Grant Processes, Courtney Warren
- Oregon Inc is developing an economic innovation plan for the 2009 Legislature
 - Currently three research centers, including Bio-Economy and Sustainable Technologies (BEST)
 - Emerging industries grants--deadline has passed
 - Established industries grants—March 17 deadline
 - \$28 million grant package in 2007 awarded to four projects
 - Two-year cycle of grant opportunities but sometimes grants are awarded to multi-biennial investments
 - Ideal if grant requests are coordinated within the cluster
 - Grant proposal reviewers will want to know anticipated outcomes. Our proposals tend to be very strategic, structural changes--hard to project input-outputs which are what Oregon Inc wants.
 - OSU plans to submit established industries grant pre-proposal building on
 - Creating synergistic partnerships within the cluster
 - Market leadership
 - Biomass
 - Wood Innovation Center
 - Research
 - Coordinate with BEST—there is overlap on biomass, green building
 - Tie data gathering for building 2008 mill study to OSU work
 - Need to build industry and other private sector support for OSU proposal
 - OSU pre-proposal elements:
 - Enhanced policies for industry development
 - Improved transportation systems and strategies (John Sessions' work)
 - Improved innovativeness
 - Close look at successful models in other states
 - List of cost reductions strategies
 - Product testing and consumer research infrastructure
5. National Governors' Association Cluster Development Process, Cameron Smith
- Policy academy. Oregon one of five states involved
 - Oregon Inc is a tactical approach. NGA process is more strategic economic

development at the state level built on cluster models

- What does the cluster need and then how to get state government resources moving to meet those needs?
- Oregon wants to develop a multi-agency strategy for economic development. Focus will be on “Clean Technology” cluster, including biomass and maybe green building. Connects urban and rural, ties to climate change
- NGA interested in how best to include forestry in biomass discussion
- May invited stakeholder meeting planned
- NGA process intersects with forest cluster strategy development but not complete overlap with our process. Forest cluster should track and engage where appropriate but keep our process going too.
- Glenn Montgomery at OECDD will be key link to tie two process together

6. OECDD is bringing information on international markets and trends to inform Oregon producers

7. Meeting Action Items

- OSU will distribute draft grant pre-proposal ASAP. Feedback needed before March 17 submission deadline. OSU will submit based on the feedback received
- Group likes the draft proposal that ODF provide personnel to help the Forest Service administer Eastern Oregon forest restoration projects. Perhaps stewardship contracting revenue could help cover ODF costs. ODF has a unique role no one else can play.
- Provide Mike with comments of the draft set of strategy recommendations
- Distribute submitted grant pre-proposal and next draft of strategy recommendations to stakeholders tracking the core team’s work.
- Engage in the NGA process as needed.
- Build on Jose’s attendance and continue to coordinate strategy development with the Forest Service and BLM

8. **Next Meeting: Tuesday, April 15, 9-12 in the Clatsop Room at ODF**

- Agenda Items
 - Follow-up on March meeting action items
 - Revisit charter for advisory committee
 - Solicit stakeholder input on advisory committee formation
 - Further discussion on draft strategy recommendation report that can be shared with the advisory committee