

Forest Utilization & Marketing



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Quarterly Newsletter



Jan. 6, 2017

State land road and bridge inventory update

In 2017, the Michigan Department of Natural Resources will begin a project to map and classify all forest roads and related infrastructure on state forest lands. Roads have always been an important part of the “infrastructure” of the state forest. Although recognized as critical to forest operations and planning, the department has never undertaken a comprehensive inventory of forest roads and associated infrastructure such as culverts and bridges. However, Public Act (PA) 288 has put the DNR on the fast track to accomplish this objective. PA 288 requires that all state forest roads be inventoried and mapped in the northern Lower Peninsula by Dec. 31, 2017 and the Upper Peninsula and southern Michigan by the end of 2018. Updates on this project will be included in future editions of the newsletter.

US/Canada softwood lumber dispute becomes fifth “Lumber War”

The second quarter of 2017 is expected to be chaotic for the softwood lumber trade across North America as the U.S. implements a 25 percent export duty on Canadian Softwood. The position of the U.S. is to alleviate alleged unfair trade practices with Canada, its largest competitor. These duties will cause lumber prices to rise in 2017 and possibly climb continuously over the next five years. Coastal Canadian mills may be most severely impacted and see temporary closures or a severe drop in production as markets move to lower-cost species and products. European exporters may begin to enter the U.S. softwood lumber market and to fill the “supply” gap expected from the reduction in Canadian imports and the attractive higher prices. Asian markets could be disrupted as Canadian mills seek to sell surplus overseas. The stage is set for a tumultuous 2017 in the softwood lumber market.

Online bidding changes for state timber sales

In November 2015, Michigan DNR rolled out Timber Sale Online Bidding (OLB 1.0) with a web-based application. In October 2016, OLB 2.0 was updated with more easy-to-use-features. This application can be used from your desktop computer, tablet or smart phone.

The primary feature of OLB 2.0 is to allow purchasers to bid on DNR timber sales through the application, rather than submitting paper bids. Bids can be submitted until the time of bid opening. A potential bidder can view all upcoming bids or can search by sale criteria. For instance, you could limit your search to sugar maple sawtimber sales with a minimum price of \$10,000 located in Luce County.

With OLB 2.0, you can now search for sales that are past their bid opening date, view the original prospectus and view the results of the bid opening (e.g., bid summary report). To view OLB 2.0 go to www.michigan.gov/timberbidding.

DNR increases 'room to bid' on timber sales to 25 percent

After considering market data and input from customers, Forest Resources increased the deduction for 'room to bid' from 15 percent to 25 percent. The change should help producers adapt to changing market conditions and enhance opportunities to bid on DNR sales.

To determine advertised minimum prices, the DNR averages timber sale prices from the preceding 12 months within a forest management unit. Similar sales in the area, unique contract specifications, restrictions and other factors are also considered. Finally, a 'room to bid' deduction (now at 25 percent) is taken to ensure that the final advertised price does not force prices up, if overall market conditions had changed significantly in the short term.

As a result of this change, the advertised prices of DNR timber sales should be lower on an average sale. In addition to providing increased opportunity for producers to bid, this change should help make DNR timber more marketable and help reduce the number of no-bid sales.

DNR Forest Resources Division Assistant Chief Deb Begalle said the change is the DNR's latest initiative toward becoming more responsive to market changes and industry partners' input on the timber sales program. Earlier in 2016, field staff and managers were encouraged to improve the flow of sale prospectus releases, and use discretion in making adjustments to minimum bid prices with consideration of contract restrictions, volumes, and other factors that may affect sale value.

2016 Good Neighbor Authority acreage harvests

Good Neighbor Authority (GNA) partnerships with the U.S. Forest Service are now in effect that enable the Michigan DNR to conduct land-management projects on national forest lands. The DNR has completed preparation and is in the process of selling all 2016 Good Neighbor Authority timber sales on the Huron-Manistee, Hiawatha and Ottawa national forests. Summary statistics for 2016 GNA sales are as follows:

National Forest	Sales	Acres	MBF	Cords
Hiawatha	2	492	14	6,842
Huron-Manistee	7	565	1,493	7,569
Ottawa	2	276	806	1,672
Total	11	1,333	2,313	16,083

GNA timber sale projects for 2017 are expected to total about 1,800 acres. Once sufficient funds from program income are collected through the initial timber sales, additional projects may include boundary surveys and biological assessments.

The program is an excellent example of state-federal agency partnerships functioning efficiently and effectively to help forest managers implement their respective management plans and to serve the needs of Michigan's local and rural economies.

Industry events:

Jan. 11-13
Lake States Lumber
Association Winter
Meeting
www.lsla.com
Green Bay, WI

Sustainable Forestry
Initiative (SFI) 2017
Calendar
CORE and Continuing
Education classes for SFE
www.sfimi.org

Maximizing Log Quality
and Grade Courses
March 2017 Eastern U.P.
May 2017 Southern L.P.
Exact dates to be set in
January – see
www.sfimi.org for current
information

Feb. 1-2
Forest BioEconomy
Conference
www.mfbi.org
Grand Rapids, MI

April 10
GLTPA Spring Fling
www.gltpa.org
Green Bay, WI

April 27-28
Michigan Association of
Timbermen Annual
Meeting
www.timbermen.org
Boyne Falls, MI

Sept. 7-9
Great Lakes Logging Expo
www.gltpa.org
Escanaba, MI

Economic contributions of forest products industry and DNR timber sale program and the forest products industry in Michigan

Michigan's forest products industry contributed \$20 billion to the economy, per a 2016 report posted on the DNR's [Forest Products website](#). Dr. Larry Leefers prepared the report, "Forest Products Industries Economic Contributions to Michigan's Economy," as part of an annual contract with FRD to assess the economic impact of the industry. A summary of key findings is listed below. Preliminary findings from another report assessing the impact of the DNR's timber sales program are also listed below; the full report is under review.

Forest Products Industry Contributions to Michigan's Economy – 2014 Data

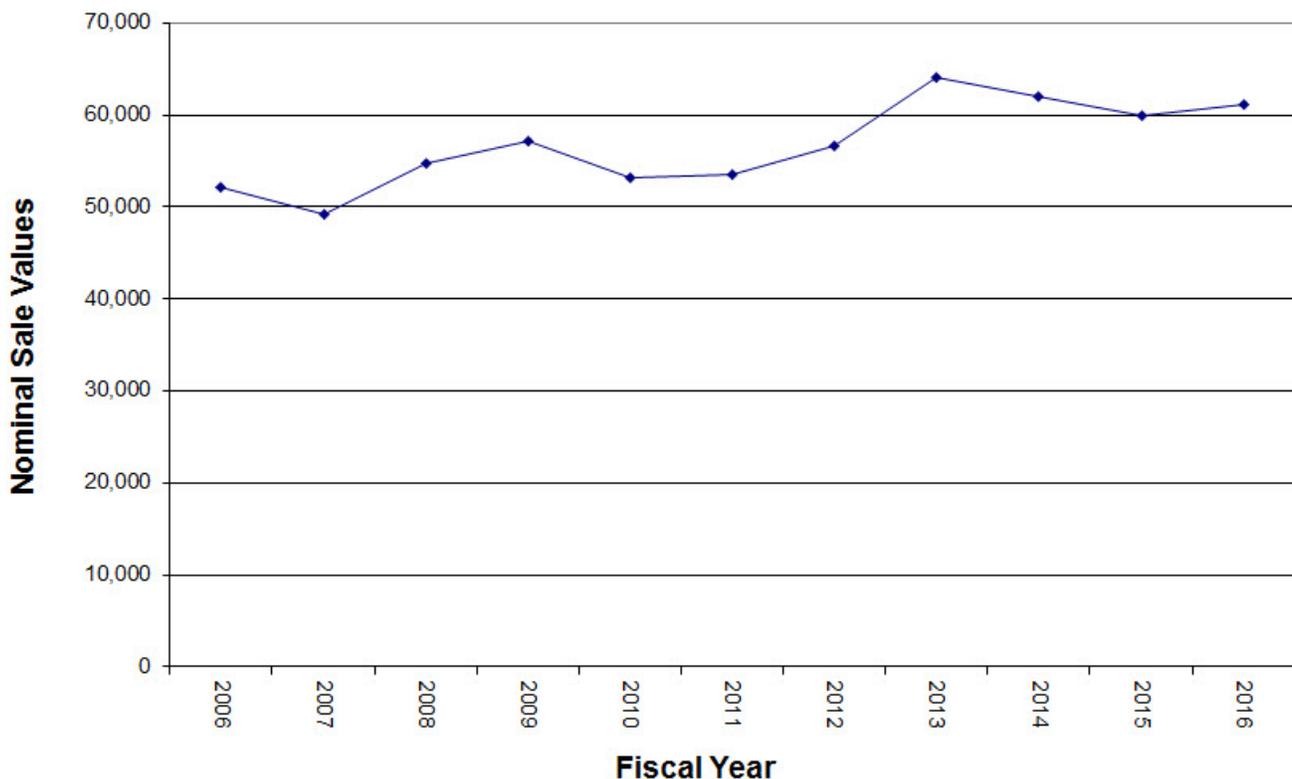
- \$20 billion in total contributions – direct, indirect and induced contributions
- Supports a total of 89,000 jobs and directly provides ~38,000 jobs
- Forest products industry provides 5.5 percent of manufacturing jobs in the state, but more than 30 percent of manufacturing jobs in the Upper Peninsula

DNR's Timber Sale Program

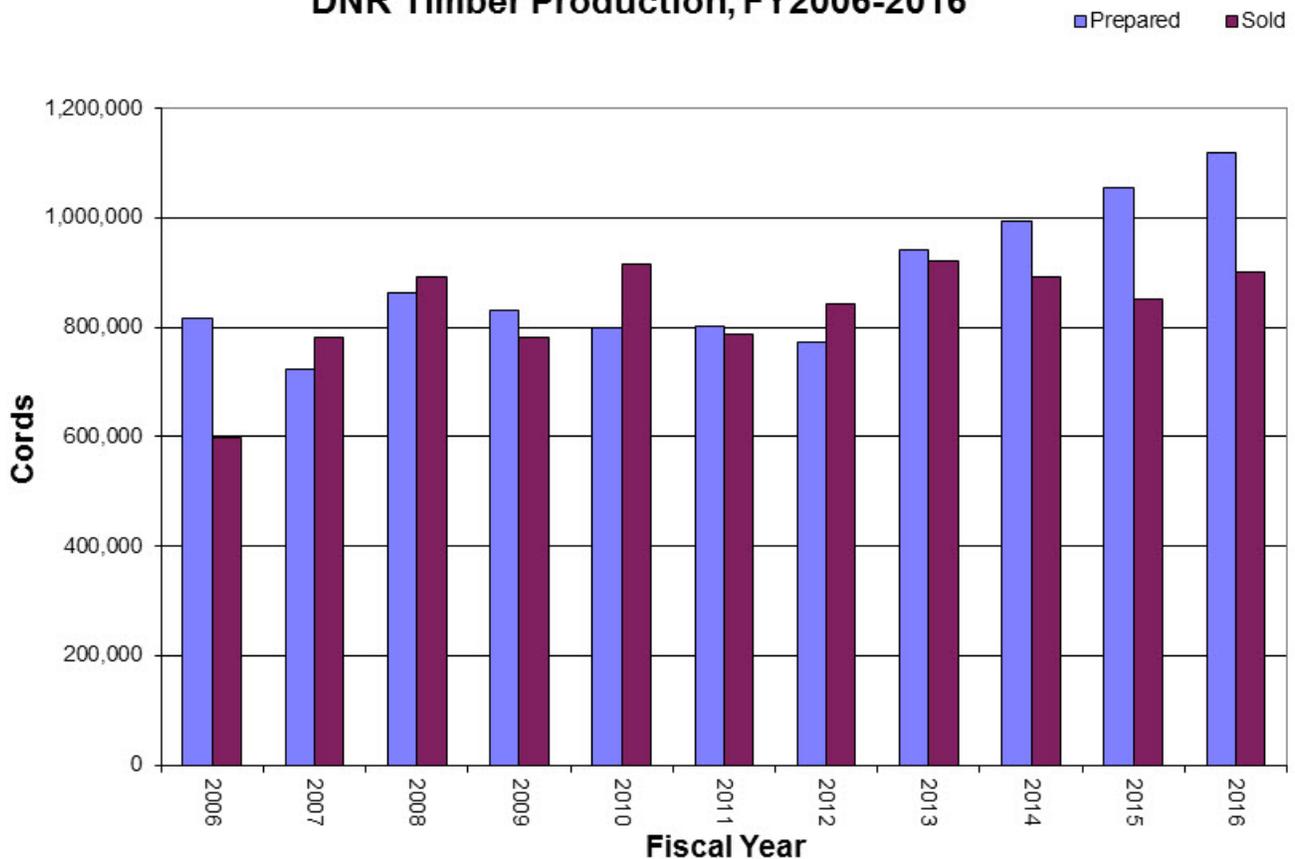
- Harvests 800,000 to 900,000 cords per year (2.9 million to 3.2 million m³/year)
- Generates \$44.7 million in revenue in 2014
- Supports a total 5,900 jobs; 96 percent of which were private sector jobs
- 28 private sector jobs are supported for each DNR timber sale

Below are two graphs showing the most recent data on DNR timber sales and timber production. More graphs and supporting information can be found on the DNR's [Commercial Timber Sales website](#), under the Bid Reports and Prices heading and then looking at Stumpage Prices over Time and Stumpage Price Reports.

DNR Prepared Acres, FY 2006-2016



DNR Timber Production, FY2006-2016



Utilization & Marketing Program update

Over the last six months, the U&M Program has:

- Published the 2014 Primary Mill Survey Report
- Published a hard copy of the primary mill listings from the Forest Products Industry Directory
- Launched a survey of secondary or value-added manufacturers
- Continued work on a producers survey
- Assisted Dr. Larry Leefers with development of several economic analyses, including a state and regional assessment of the contributions of the forest products industry and an assessment of the contributions of DNR timber sales to the state economy.

These reports will be posted online at www.michigan.gov/forestproducts. If you are interested in purchasing a copy of the primary mill directory listing, please contact David Neumann at [neumann@michigan.gov](mailto:neumann@d Michigan.gov).

Program work in 2017 will include a repeat of the Primary Mill Survey and completion of the secondary manufacturer and producer surveys. U&M program staff will support work planned by the Michigan Wood Innovation Team (MWIT). Finally, work is under way to redesign the Forest Products Industry Directory (www.michigan.gov/wood), a free, searchable directory listing loggers, sawmills and value-added manufacturers of forest products. Industry representatives are assisting local DNR staff by providing input on the directory redesign later this month.

Workshops on bucking for grade are planned in Spring 2017 in the eastern Upper Peninsula and southern Lower Peninsula, at dates and locations to be determined. Announcements will be made via the GovDelivery system and posted on the DNR's [Forest Products Industry website](http://www.michigan.gov/forestproducts).

Michigan wood innovation team (MWIT) formed

The DNR has partnered with Renewable Resource Solutions/Don Peterson, Michigan State University and Michigan Technological University to form a statewide wood utilization team. Funded by a three-year grant from the USDA Forest Service, the team will focus on developing new markets for wood products in Michigan, providing technical assistance and information to industry and assisting in work force development. The team advisory committee met on Oct. 21 to review and revise a plan of work. The MWIT grant will support MTU and Michigan Forest Biomaterials Initiative efforts to promote the bioeconomy, and work by MSU's School of Planning, Design & Construction to promote the use of wood in construction and in tall buildings. A focus on business retention and expansion will be the priority for MWIT. Business efficiency evaluations and technical assistance are available through MWIT. Contact the DNR U&M Program staff or Renewable Resource Solutions/Don Peterson at (906) 875-3720 or don@renewableresourcesolutions.com for more information.

Grant Opportunities

MDARD announces new Rural Development Fund grant opportunity for rural communities

The Michigan Department of Agriculture & Rural Development is offering a new competitive grant program aimed to promote the sustainability of land-based industries and support infrastructure benefiting rural communities in Michigan. Land-based industries include food and agriculture, forestry, mining, oil and gas production, and tourism. For a complete list of eligible counties, visit www.michigan.gov/mdardgrants.

The proposals will be evaluated through a competitive process. There is no limit on the project grant fund request; however, the total allotment of funding for the current year is approximately \$1.5 million. All proposals require at least a 30 percent cash match.

Those interested in applying for the grant program should visit www.michigan.gov/mdardgrants to view the application and program overview. Any additional communications concerning this Request for Proposal should be sent to mda-grants@michigan.gov. Proposals must be received at the email above no later than 3 p.m. (EST) on Thursday, February 2, 2017. Proposals received after 3 p.m. will not be considered.

USDA solicits 2017 Rural Energy for America Program (REAP) applications

The Rural Business-Cooperative Service announces the acceptance of applications under the [Rural Energy for America Program \(REAP\)](#), which is designed to help agricultural producers and rural small businesses reduce energy costs and consumption and help meet the nation's critical energy needs. Applications for energy audit and renewable energy development assistance grants are due Jan. 31. Applications for renewable energy systems and energy efficiency grants of \$20,000 or less are due March 31 for the second funding cycle. Applications for grants of greater than \$20,000 and all combination grants and guarantees are due March 31.

2017 Forest Service Wood Innovations grants

The U.S. Forest Service requests proposals to substantially expand and accelerate wood energy and wood products markets throughout the United States to support forest management needs on National Forest System and other forest lands. The RFP focuses on these priorities: reducing hazardous fuels and improving forest health, reducing costs of forest management, promoting economic and environmental health of communities. Proposals must be submitted by January 23, 2017. Read more via the [Wood Education and Resource Center \(WERC\)](#).

2017 USDA BCAP funding window remains open

\$1.5 million will be available from the Biomass Crop Assistance Program (BCAP) in fiscal year 2017 for farmers and foresters who harvest and deliver biomass for renewable energy, with \$3 million total available. Between Jan. 9, 2017 and March 15, 2017, USDA will accept applications from foresters and farmers seeking incentives to remove biomass residues from fields or national forests for delivery to energy generation facilities. The retrieval payments are provided at match of \$1 for \$1, up to \$20 per dry ton. Eligible crops include corn residue, orchard waste or diseased or insect-infested wood materials. More information on the grant can be found on the [U.S. Department of Agriculture website](#).

For more information regarding the DNR's Forest Utilization and Marketing Program, please contact Brenda Haskill at haskillb@michigan.gov or David Neumann at neumannnd@michigan.gov.