

Governor's Forest Products Summit

Breakout Session Summaries • April 23, 2013 • Lansing, Michigan

General Notes

This process was limited to those items identified through the pre-Forest Products Summit survey. This potentially meant that participants may have had additional ideas that the rest of the group could have made a top priority. Participants were invited to share these additional ideas in a "Wood Lot" (see final page).

Prior to the summit, attendees were asked to participate in an online poll to rank the opportunities and impediments to growing Michigan's forest products industry. Those results, which will be referenced throughout this document, were as follows:

Potential Opportunities (ranked most to least important)

1. Political climate that is supporting growing the timber industry
2. Favorable wood volume growth to drain ratio
3. Quality hardwood and sugar maple resource
4. Good road access across the state
5. Supplying local energy needs through biofuels
6. Availability of regional work forces
7. Improved relationship between industry and government
8. Large volume of certified forest
9. Good railroad network across the state
10. Expanding worldwide pellet market
11. Advances in forest harvest technology
12. Low business taxes
13. University cooperation and capacity
14. Finding commercial use for small volume and/or non-commercial species timber
15. Port access to world and Europe/wood fuel pellets and other markets
16. Michigan's quality of life attraction for new businesses
17. Use of timber for chemical production
18. Increasing timber mortality
19. Low-cost loans for new small businesses
20. Forest co-ops for small landowners

Potential Impediments (ranked most to least important)

1. Lack of harvest from federal forests
2. Lack of harvest from nonindustrial private forests
3. Lack of market information
4. Lack of worldwide awareness of Michigan's timber resources
5. High energy costs
6. Parcelization
7. Lack of logging capacity
8. Road system
9. Railroad system
10. Federal environmental regulations
11. Limited data analysis capacity
12. Lack of public support for timber industry
13. Cost of competitive energy
14. Conflicts between wildlife, recreation and forest products interests
15. State environmental regulations
16. Harvest restrictions on public lands
17. Power capacity in rural areas
18. Equipment costs/financing barriers
19. Fuel cost fluctuations
20. Shipping ports
21. Cost of labor

- 22. Lack of capital
- 23. Lack of support by government to expand markets
- 24. Overbrowsing of forests

- 25. Public road use/bonding for timber hauling
- 26. Interest in keeping status quo
- 27. Michigan's renewable portfolio standards

Group 1

1) BALANCE/MULTI USE

- Public information campaign
- Communication
- Marketing – include with Pure Michigan
- Forest management enhances other uses
- Support K-12 education with forest products message

2) FAVORABLE WOOD VOLUME GROWTH TO DRAIN RATION (Opportunity #2)

- Promote
- Public information campaign
- Marketing to change the culture
- Outreach/education
- Tell the story of success

3) QUALITY HARDWOOD RESOURCE

- Mark more hardwoods
- Improve efforts – AHEC
- Develop high value products from lower value hardwoods (R&D)
- Develop and sustain pulpwood and biomass for TSI
- Made in Michigan – Pride!

Editorial Notes from Group 1

The group decided NOT to include at least one of the highest scoring opportunities (favorable political climate) for identifying action items, because those conditions are currently in place. Nothing needs to be done to take advantage of that fact except for pushing through actions to overcome impediments. Therefore, the political climate item did not make the overall top three; nevertheless, it was identified as being supremely important.

Of the group's top three most important items that were presented to the plenary session of the summit, the common theme running through the respective action items was that the forest products industry needs to do a better job of telling its story, informing the public of the opportunities, the variety of products and the contributions that the industry is already making to the economy of this state. They thought that connecting with the Pure Michigan campaign might be a natural and easy step to take.

Group 2

1) **POLITICAL CLIMATE**

- Marketing/promotion now – don't wait
- Communication plan for Legislature/policy maker
- Bring back agency rep for timber industry
- Interagency council for timber: Michigan Department of Transportation, Michigan Department of Natural Resources, Michigan Department of Environmental Quality, Michigan Department of Licensing and Regulatory Affairs, Michigan Department of Agriculture and Rural Development, and Michigan Economic Development Corporation (MDOT, DNR, DEQ, LARA, MDARD, and MEDC respectively)
- Develop political policy budget agenda/initiatives

2) **IMPEDIMENT LACK OF MARKET INFO**

- Establish position to compile information
 - Needs regional splits
- Market/timber availability by region

3) **LACK OF COORDINATED WOOD PRODUCTS**

- Need answers for all aspects of the supply chain
- Need DNR marketing utilization position

Group 3

1) **ALIGN SUPPLY & DEMAND**

- Matchmaking service (GIS-based)
- Landowner cooperatives
- Supply from federal lands
- Next generation of owners/operators

2) **EXPORTS**

- Forest products marketing plan with associated strategies
- Outreach to industry to strengthen supply chain
- Provide companies with expert assistance

3) **LACK OF MARKET AWARENESS**

- SME involved in trade missions/visits
- MDNR staff dedicated to coordinating exports (collaborative effort)
- Market analysis (where does demand exist) ongoing (continuous)

Group 4

1) WORLDWIDE AWARENESS

- Advertising (+ Pure Michigan)
- Trade missions
- Lifecycle analysis of wood products vs. others
- Hire McKinsey report widely published report (*NOTE: the idea was to have McKinsey or whoever this group is tell us what wood products we ought to be pursuing/promoting, what are the products likely to be growing markets in the future*)
- Pure Michigan website for buy local
- Improve outreach
- Demand analysis

2) EXPORT

- Full-time FTEs at MEDC and DNR (*NOTE: this was related to staff at these agencies that focus on exports. MDARD mentioned too?*)
- Domestic and international (*NOTE: this is promoting both international exports and 'exports to other states'*)
- Develop efficient transportation industry education (inclusive)
- Trade missions
- Utilize MDARD arm
- Universities
 - Market analysis
 - Cultural awareness
 - Transportation
 - Increase internship opportunities

3) DEVELOP WOOD PROCESSING

- Value-added processing
- Capital and finance (*NOTE: this was related to availability of capital and finance for new companies and expansion of existing*)
- Increase research and development
- Assess business climate
- Densify materials (*NOTE: Warren Suchovsky recommended this one – assume he's talking about densifying harvest residues to facilitate transport between forest and mill or energy plant sites*)
- Species utilization
- Public and political support
- Social license

Group 5

1) LACK OF COMPREHENSIVE STATE ENERGY POLICY

- Legislation to add wood fiber and biomass as an energy source
 - Include all utilities, not just big two (RECs & Energy)
- Cross-pollenate energy policy and natural resources policy
- Subsidies that do not leverage one industry against another

2) LACK OF HARVEST FEDERAL LANDS

- Reach ASQ
- Lobbying
- Governor as lead, sit down with three USFS regional foresters and develop a five-year plan
- Excise MI/WI/MN from Region 9 and add to western region (*NOTE: there was some disagreement about this action idea*)

3) COORDINATE RE: HARVEST ON PRIVATE LANDS

- Complete legislation (QFP package)
- Monitoring of package
- Implement an enforcement plan
- Training and monetary support for MDA and Conservation District
 - Through FAP advisory committee?
- Enforcement of certified forests (*NOTE: this was related to landowners not following their management plan and not harvesting timber, but still receiving tax benefits*).

Editorial Notes from Group 5

The group had a difficult time using the decision matrix – there were opposing views of whether something would be difficult or easy to implement, etc. Therefore, the group discussed the potential items and whittled the list from seven (three top opportunities and four top impediments) to four. There was no consensus as to which of these were truly the top three, so an additional vote was undertaken, resulting in the above three top issues. The fourth issue that only barely missed out was “export” (an opportunity) and should also be considered very important overall.

Wood Lot

- Michigan's hardwood forests have become simplified and are vulnerable to perturbations. We eliminated hemlock, have lost elm, and are losing beech and ash – we need additional species richness.
- Lower property tax for industry.
- State laws around marijuana impacts; quality of employees/drives up workers compensation costs.
- Lower the unemployment taxes and fuel taxes. Michigan high compared to other states.
- Michigan – the Appalachia of wood pellets.
- Expand the use of CHP and thermal use of wood energy.
- Young logger program like young farmer programs.
- With PURPA PPAs ending, existing biomass plant survivability is in question.
- Soft benefits of biomass need to be accounted for.
- Need for innovation for new products dev.
- Partnership between universities, government and private sector for innovation in forest products.
- Electricity regulatory obstacles: Net metering; standby charges; renewable energy technology “winners & losers”.
- For opportunity number five (Supplying local energy needs through biofuels), need to clearly distinguish biomass from biofuels.
- Opportunity number five should read: “biofuels/biomass”.
- Set aside program for a discount on state wood to local schools that have made, or will make a conversion to biomass for heating.
- Huge caveat on bioenergy is the federal government's treatment of wood for burning (Energy policy/EPA).
- Do we have the data we need to answer supply chain questions? We worked on this in MEDC sponsored projects (MSU/MTU) and it seems we have no constructive result if we're still calling this a priority.
- Topic: Lack of market information
Solution: Existing industry, logging, etc.
Businesses already have market, pricing data. The DNR needs to listen/ask industry, producers, etc. on how to market and which species. Just listen to the people who know, that do it daily, successfully.
- Putting “District Heating” in the increased renewable fuel standards when that is extended and renegotiated.
- Lower, stable priced energy.
- Pure Michigan forest products.
- Impediment: Many businesses are family-owned and could use business transition assistance.