



FOREST MARKETING AND UTILIZATION

Quarterly Newsletter

June 20, 2016

Since the 1970s, the DNR's Forest Utilization and Marketing program has provided information about Michigan's forest resources, wood use, status and composition of the forest products industry, and facilitated and provided technical assistance to the industry. This quarterly newsletter is intended to keep industry partners and DNR staff informed on goals, challenges, news and relevant information regarding market conditions, wood flow and a variety of topics that impact the forest industry in Michigan.

Upcoming Industry Events

June 14—Opportunities and Challenges for CLT Production and Use in the Appalachian Region, West Virginia University, Morgantown, WV. Contact david.devallance@mail.wvu.edu for more information.

Sept. 8 – Day of Wood workshop on product performance for furniture manufacturers.

Vincennes University, Jasper, IN. Contact Dan Cassens at dcassens@purdue.edu for more information

Sept. 8-10—Great Lakes Logging & Heavy Equipment Expo

Oshkosh, WI Find more information from the [Great Lakes Timber Professionals Association](http://www.greatlakesloggers.com).

Sept. 23-24—Lake States Sawfilers Educational Association Annual Meeting Kenesha, WI. Find more information from the [Lake States Sawfilers Association](http://www.lakesawfilers.com).

Sept. 26-28—Introduction to Wood Science & Forest Products Course Mississippi State University Starkville, MS. Find more information on the [Forest Products Society Website](http://www.forestproductsociety.com).

Oct. 11-13—Heating the Midwest Bark River, MI
Find more information at www.heatingthemidwest.org

**Please contact us if there is a specific training or workshop you would like the DNR to offer or facilitate in Michigan!*

Meet the Staff

DNR now has two staff working in the marketing and utilization program. David Neumann is our Statewide Forest Specialist for Marketing and Utilization and Brenda Haskill is our Regional Forest Specialist for Marketing and Utilization.

David has been employed with the DNR since 1999 and transitioned to his current position from State Silviculturalist, and worked with Anthony Weatherspoon on the periodic sawmill surveys prior to Anthony's retirement. David will be responsible for statewide program issues, and the primary point of contact for FIA data, secondary manufacturing, mill survey data and marketing issues. David is located in Lansing at Constitution Hall and can be reached at 517-284-5887 or neumann@dnr.michigan.gov.

Brenda joined the DNR team in June of 2015 after a long history of working in the private forest sector in Michigan. Brenda will be responsible for timber producer surveys, outreach and education, and will assist in primary and secondary manufacturer surveys. She is currently located at the Newberry Customer Service Center and will move to the Gaylord Customer Service Center in September. Brenda can be reached at 906-293-5131 x 4053 or at haskillb@dnr.michigan.gov.

Throughout the remainder of 2016, staff will continue work on the Producers Survey, data analysis and report, and will begin a secondary manufacturer survey in late June, and planning for the next primary mill survey slated for January of 2017. Results of these surveys will be used to develop summary reports on the status and composition of industry and update the Forest Products Industry Directory housed on the web at www.michigan.gov/wood.

Forest Health Update

Michigan's forests are facing some familiar destructive recurring pests this spring and summer.

- No oak harvesting, pruning or removals April 15-July 15 [to lessen the spread of oak wilt](#).
- A [spruce budworm outbreak](#) in the Upper Peninsula is moving through a 10-15 year lifecycle which can destroy thousands of cords of spruce and fir.
- Movement of the emerald ash borer in western Upper Peninsula has caused a modification in the [MDARD quarantine boundaries](#).

Mill Spotlight

[NEPCO – Northeastern Products Corporation](#); Caspian, Michigan



NEPCO is a leading manufacturer of all natural pet bedding, litter products and laboratory bedding since 1955. Headquartered in New York, the parent company operates facilities in New York, Kentucky and at Caspian, Michigan (just south of Iron River) since 1983. At the Caspian facility, the company produces a very precise, fine wood chip and shaving [bedding products](#) for the medical research laboratory customers all over the world. The company uses primarily aspen; from sawmill residues for manufacturing chips, and roundwood for manufacturing shavings. Seventy-five percent of their roundwood comes from Michigan, some of which comes from DNR sales. Their sawdust feedstock comes from Michigan and Wisconsin sawmills. Mill residues are ground to produce small chips, sifted and aspirated to remove dust, and dried to eliminate bacteria and increase absorbency and shelf life. The company offers laboratory bedding packaged in autoclavable bags, as well as irradiated (radiation sterilized) bedding products. Manufacturing processes are very tightly controlled to eliminate sources of contamination – you won't find much dust at this facility!

2014 Michigan Mill Survey Results

DNR recently completed a survey of primary wood manufacturers – firms that use roundwood or chips that were active in the 2014 calendar year. See the full report at www.michigan.gov/forestproducts.

Highlights include:

- By 2014, roundwood receipts volumes appear to have recovered to levels near 2004 (pre-recession).
- About 4.7 million cords were received by mills in 2014
- There were 259 active mills in the state, distributed as follows:
 - 53 percent in the Northern Lower Peninsula, 33 percent in the Southern Lower Peninsula, 11% in the Western Upper Peninsula and 5 percent in the Eastern Upper Peninsula.
 - An additional seventy-five mills had closed since the last survey in 2010 and another 44 were idle.
- 210 of the 259 were sawmills
- The number of large sawmills increased and small and medium sawmills decreased since 2010

Volume of roundwood receipts by mill primary product type in 2014:

- Paper & Corrugated Board – 38 percent
- Lumber – 34 percent
- Composite Board – 15.7 percent

Timber Market and Sales

Markets for softwood lumber have declined with the expiration of the U.S.-Canada softwood lumber agreement, and the market for wood chips is currently very weak. The DNR monitors stumpage prices and no-bid offerings for DNR timber sales as indicators of market trends. The periodicity of monitoring looks at the immediate past quarter of timber sale data. Specifically, we have noticed a moderate decline in red pine bid values since Q2 and Q3 of 2015 and an increase in no-bids on red and jack pine timber sales over the past two quarters.

When current appraised prices experience a decline of more than 20 percent from the contracted sale price, the DNR may consider free market related extensions of DNR timber sale contracts. While we are not currently documenting such declines we will continue to monitor markets very closely.

DNR is preparing over 60,000 acres of timber for sale in fiscal year 2016 and another 1400 acres will be prepped through the Good Neighbor Authority (GNA). GNA is a working agreement between the DNR and the three National Forests in Michigan to assist in timber sale preparation on the National Forests.

The [DNR website for timber sale information](#) offers details on EFT and ACH payments, unsold timber sales, new online bidding, timber sale prospectuses and more.



Grant Opportunities

[USDA Rural Cooperative Development Grant](#)

Deadline: June 20, 2016

Funding: \$5,800,000

The primary objective of the RCDG program is to improve the economic condition of rural areas by assisting individuals or entities in the startup, expansion or operational improvement of rural cooperatives and other business entities.

[USDA Rural Energy for America Program \(REAP\)](#)

FY16 deadline has passed, but plan ahead for FY17!

Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to purchase or install renewable energy systems or make energy efficiency improvements.

[USDA Wood Innovations Grants](#)

Funding: Up to \$250,000 per grant

Competitive funding opportunity for expansion of markets for wood energy and wood products.

2017 deadlines to be announced soon at www.na.fs.fed.us/werc/

Maximizing Log Quality Classes

The Marketing and Utilization department offered 2 classes in early May on Bucking for Scale and Grade/Maximizing Log Quality with the instruction of Jim Dougovito of Superior Forestry, LTD. These types of value added instruction based classes are geared toward improving the log quality and financial gain for the industry.

Both classes provided participants with 8 hours of SFE credit for SFI program participation. The classes are designed to assist a logger in achieving a higher value for their cut logs by making strategic cuts based on defects and log lengths. The Grayling class involved a 4 hour portion grading logs in one corner of AJD Forest Products' log yard. Their partnership is appreciated as it gave the class hands on field time to test their new skills. In Iron River, the Iron Conservation District FAP District Forester, Roger Jaworski provided a great deal of on-site support and logistics along with the help of logger Warren Suchovsky and his woodmizer sawmill. Roger and Warren sawed out some logs and stacked them back together to demonstrate the depth that certain defects can go into a log. The Iron River group was also treated to a brief review of finding birdseye maple trees on the stump.

SFI – LEED Recognition

The United States Green Building Council (USGBC) announced changes in May to the LEED rating system on April 5th that provide recognition for SFI, ATFS, CSA and other PEFC-endorsed standards, and creates new opportunities for legal and responsible forest products to earn points.

From SFI Senior Vice President of Customer Affairs, Jason Metnick:

“This is a significant step for the future of our forests. It validates and sustains the communities of people across North America that engage in responsibly managing forests and are careful stewards of the land on a daily basis. SFI will share more in the coming days, but here are some key highlights of what this means:

- Builders and architects can now use wood and paper products certified to the Sustainable Forestry Initiative (SFI), American Tree Farm System (ATFS), Canadian Standards Association (CSA) and Programme for the Endorsement of Forest Certification (PEFC) standards to achieve a point in the "certified wood" credit under LEED 2009 and achieve a point in the "sourcing of raw materials" credit under LEED v4.
- Wood and paper certified to the SFI Fiber Sourcing standard counts in both the legal and responsible sources categories. Once these two criteria are met, the LEED user can then count any wood-based materials with a chain of custody to achieve a point.”

Michigan Resources to Support Value-Added Forest Product Export

Michigan has numerous resources to assist forest product manufacturers in exporting their products around the world. The Michigan Economic Development Corporation has contracted foreign offices in Canada, China, Mexico, Brazil, Germany and England. These offices can assist with market research, identify and pre-qualify potential agents, distributors or customers, and answer general trade questions.

MI-STEP is a grant program, funded in part through a Cooperative Agreement with the U.S. Small Business Administration (SBA), providing direct reimbursement to qualified small and medium-sized companies to develop or expand export-related activities. The MI-STEP program is designed to spur job creation by empowering Michigan's small and medium-size enterprises to export their products. The program has three primary objectives:

- Increase the dollar value of Michigan exports;
- Expand the number of Michigan companies that export; and
- Introduce current exporters to new foreign markets and buyers

The MI-STEP program provides 50 percent reimbursements to qualified small and medium-sized companies for allowable expenses related to export marketing activities. Eligible companies may qualify for up to \$12,000 reimbursement during a fiscal year to grow their export operations in Michigan. Approved funds may support the following activities:

- Overseas trade mission participation;
- International or domestic trade show participation;
- Foreign market sales trips;
- U.S. Department of Commerce services;
- Website and/or marketing material translation services;
- Agent, distributor and/or customer searches;
- Foreign market research; and
- Foreign market product certification

In addition, there are numerous export resource providers throughout the state including:

- The Small Business Development Center (international search engine optimization and international business planning);
- Four Michigan based U.S. Commercial Service Export Assistance Centers;
- Michigan Department of Agriculture and Rural Development;
- The U.S. Department of Agriculture, Animal and Plant Health Inspection Service; and
- Private sector legal, accounting, export compliance and other resources at little or no cost through the District Export Councils in Grand Rapids and Detroit.

For more information about these programs and resources please contact Donna LaCourt, lacourtd2@michigan.gov or 517-614-5518.

2016 Wood Innovation Grant Awards

(Excerpts from a [USDA press release](#))

USDA Awards Funds to Support Innovation and Forest Health

On May 13, the U.S. Department of Agriculture's Forest Service Chief Tom Tidwell announced over \$8.5 million to expand and accelerate technologies and strategies that promote the use of wood. Michigan received three 2016 Wood Innovation grants for the projects totaling about \$552,000. A brief description of each follows:

- **Michigan Forest Products Secondary Manufacturer Survey** – Michigan DNR will conduct a survey in 2016-17 of forest products industry secondary manufacturers to update the Forest Products Industry Directory, develop information on statewide wood use, sourcing of raw material, volume of manufacturing residues, and interest in using woody biomass for energy, selling certified wood products, local branding and urban wood use. \$69,000.
- **Michigan Wood Innovation Team** – A private-public partnership will form a statewide wood utilization team that will undertake projects to help develop and promote markets for wood products in Michigan. **Renewable Resource Solutions** is the grant recipient; **partners include Michigan DNR, MTU, MSU, and the Southeast Michigan RC&D.** \$250,000.
- **Ensuring Salvaged, Beetle-Killed Trees are Utilized for the Highest and Best Use through the Application of New Technologies** – Michigan Technological University will conduct research to assess the feasibility of using spruce budworm damaged- or killed-timber to manufacture Cross Laminated Timber products. \$223,000.

The next round of Wood Innovation Grant Applications is expected to be announced October of 2016, with applications due in January 2017. A complete list of 2016 project awards and more information on the grant and cooperative agreement program is available online at the [Forest Service Wood Education and Resource Center](#).

UP Paper Mill to Re-Open in June

Manistique, MI (Excerpt from www.uppermichiganssource.com)

UP Paper, LLC held an open house on May 14 to celebrate the reopening. Most recently known as Manistique Papers on the edge of Manistique and the Manistique River in Schoolcraft County, the mill was purchased and is set to begin operation in June with around 50 employees. By February, they plan to be at full capacity with 90 employees, down from 147 employees the previous operator had.

"I think the mill will make a profit because we're only going to do one kind of paper, and hopefully everything works well," owner Stan Zellar said.

The mill has been producing paper since 1920. It originally made rolls of paper for newspapers. Now, it will focus on using recycled paper to make bags—not supermarket paper bags—think brown bag lunch bags and wine bottle bags. "It's growing with the population. It's growing 2 to 3 percent a year," CEO Lars Damnerd said. "It's like tissue. It's never going to go away.

For more information on the forest products industry, please visit www.michigan.gov/forestproducts. To use the Forest Products Industry Directory, go to www.michigan.gov/wood.