

**February 22, 2010**

**MFRC Hosted Roundtable Discussion**

**Maintaining Forest Products Industry and Forest Restoration Work**

**MT DNRC – Southwest Land Office Conference Room**

**2705 Spurgin Road – Missoula, MT**

**Participants:** *Dale Harris* – Great Burn Study Group/MFRC Co-Chair, *Gordy Sanders* – Pyramid Mountain Lumber/MFRC Co-Chair, *Bob Harrington* – Montana State Forester, *Al Christophersen* – Rocky Mountain Elk Foundation, *Jason Todhunter* – Montana Logging Assoc, *Lauren Caldwell* – Senator Max Baucus' Office, *Larry Anderson* – Congressman Denny Rehberg's Office, *Bruce Fox* – Forest Service Region One, *Tom Schultz* – State Trust Lands, *Ellen Simpson* – MT Wood Products Assoc, *Mike Halligan* – Washington Corp, *Tom Coston* – Montana Rail Link, *John Guthmiller* – USDA Rural Development, *John Hines* – Northwestern Energy, *Chuck Roady* – Stoltze Land and Lumber, *John Gatchell* – Montana Wilderness Assoc, *Jason Brandt* – U of M Bureau of Business and Economic Research, *Matt Arno* – Woodland Restoration, *Mark Vander Meer*, Watershed Consulting, *John Manz* – Citizen-at-Large, *Julia Altemus* – Montana DNRC – Forestry Division

*Marcia Hogan* – Facilitator

*Bill Grasser* – Guest

*Kate Tran* – Roundtable notes

**Session Objectives:**

1. Explain how Smurfit-Stone Container Corporation (SSCC) closure impacts the forest products industry and the restoration of Montana's forests.
  - Provide background information
  - Provide opportunity for discussion
2. Identify actions that might be taken to address impacts.

**Introduction to the Session:**

- Welcome by Montana Forest Restoration Committee (MFRC) steering committee co-chairs Gordy Sanders and Dale Harris. Co-chairs briefing provided background regarding the formulation of the MFRC, the focus of the committee, and copies of the ***Restoring Montana's National Forest Lands*** and the ***MFRC 2009 2nd Annual Report***.
- Marcia reviewed objectives and the agenda

**Presenting the Problem:**

- Montana State Forester, Bob Harrington, spoke about the difficulties states like Nevada, New Mexico, Arizona, Colorado, southern California, and to some extent Wyoming are having with trying to coax a forest products industry back into their states now that circumstances have forced the closure of manufacturing and professional forest practitioners. The industry is capital and labor intensive and virtually impossible to replace, once gone. He also spoke about the importance of maintaining Montana's forest products industry not only as a partner to implement forest restoration projects, but as an important economic engine to the state of Montana.
- Al Christophersen explained the importance of a viable forest products industry to the Rocky Mountain Elk Foundation and their ability to enhance wildlife habitat and perform on stewardship agreements on federal lands. He said the residual from such projects is more often biomass than sawlogs.
- Jason Todhunter informed the group of the education requirements for their members to attain and retain an Accredited Logging Professional (ALP) designation. He said over 300 members have gone through the ALP education program, which consists of a Best Management Practice (BMP) every three years, the week-long Stewardship class and annual first aid and wildland fire training. In addition, each ALP must acquire 32 credits of continuing education each year. There are currently about 200 ALP logging contractors in the Montana Logging Association. The contractors also send their employees to these educational classes. Jason also offered a numerical perspective of how much biomass or residual material was going to SSCC daily and how difficult it has been to find markets after their closure. Some of the logging contractors have had to shut down operations entirely. Markets must be found before spring break-up is over (May or June) or loggers will move on to other work, or leave the state entirely. These are \$40 - \$45,000/yr jobs and since 1977 the MLA has offered a health benefit program.

#### **Participant Introductions and Discussion:**

- Marcia explained the ground rules and then asked that everyone introduce themselves and offer an observation regarding what they had heard from Bob, Al and Jason. Everyone seemed to better understand the importance of retaining Montana's integrated forest products capacity and the sense of urgency with the Smurfit-Stone closure. Participants offered the following observations:
- Need to be careful how we use the term "biomass." Biomass for the purposes of this discussion biomass is the residual from harvest activity.
- There is less of a safety net for independent operators now.
- The impacts of the closure are still playing out and may not really be known for the next 6 – 12 months.
- The consequences are not well understood beyond jobs, i.e. more smoke in the air.
- More information will be available soon regarding the SSCC bankruptcy. We should know by June if the court will order the sale of the facility, or what.
- The size and diversity of the small operator is important.

- One operator was actively pursuing an exit strategy.
- Not having a forest products industry affects the ability to accomplish fire protective work within the wildland urban interface.
- For every direct timber job, the multiplier effect is 3.
- Federal government's role needs to be explored, i.e. loans, grants, tax incentives, etc.
- Biomass utilization could facilitate renewable resource obligations. Northwestern energy's renewable energy portfolio must reach 10% by 2012 and 15% by 2015.
- Need a plan for rural development grant requests.
- Biomass as feedstock doesn't pencil out yet due to the cost of fuel.
- Certainty or stability of supply is a bigger problem than the cost of fuel when using biomass as feedstock for electricity.
- Subsidy support is needed.
- Need to look at larger scale landscapes. Do we have the social license for such efforts?

**Participant Brainstorm of Possible Actions to Address Problem in:**

**Short-Term (next 6 – 12 months)**

- Consider staging MRL rolling stock at centralized facilities
- Identify short-term subsidy needs
- Create marketing cooperatives, such a farm commodities
- Take advantage of tax breaks within local governments. HB 670 granted the authority to local governments to provide tax breaks to businesses because of the economy. Local governments may not be willing to offer tax breaks.
- Change tax code to keep large equipment from being taxed at a 30% rate. Most pieces of logging equipment are around \$1 million, this equates to \$30,000 that logging contractors do not have right now.
- Avoid projects that produce pulpwood.
- Focus on thinning.
- Title IX of the 2008 Farm Bill offers commodity payments or "BCAP" that expires in 2010. Extend BCAP?
- Other programs under Title IX include funding for biomass conversion to renewable energy.
- Determine status of the Thompson River co-generation facility.

- Offsite storage facilities until there is a wood market and/or sort yards. May be permitting associated with storage due to tannins.
- Adjust utilization standards at the stump on both federal and state sales.
- \$6 – 8 million for Jumpstart 3 grant funding to the DNRC.
- Banks need to loosen up the financial gridlock on business loans.
- Work on bonding issues.
- Grants for existing and new renewable energy producers or CHP facilities.
- Montana’s congressional delegation and the Governor need to co-author a letter to the bankruptcy court to ensure that they keep the pressure on the company to get the facility back to the community and not allow the facility to sit idle.
- Work on legislative fixes for the next session now.

#### **Mid-Term One – Two Years**

- Extend BCAP beyond 2010.
- Firewood production.
- Thompson River Co-generation up and running.
- Tax parity with other forms of renewable energy.
- Create new markets i.e. slash mats for oil fields, wood chips soaked in magnesium chloride and spread on roads, guard rails, rebuild Haiti with US manufactured wood products.
- Portable pellet makers.
- Implement long-term, larger watershed projects (potentially two in 2010/11)

#### **Long-Term Next 5 years**

- Make paper at the paper mill.
- Biomass as renewable energy feedstock.
- Implement four 50,000-acre long-term projects.
- Capital investment dollars for small co-generation facilities spread over a large geographical area.
- More funding for fuels for schools projects.
- Fuel state and federal buildings with wood.

#### **Missing information or research**

- Need a good snapshot of how much biomass or harvest residuals is currently cut and decked but cannot be removed.

#### **People who may be missing**

- Craig Rawlings (MCDC)
- Dick King (MAEDC)
- Local government representation

#### **Follow-up or what to do next**

- Assign people to action items.
- Need to be productive to keep people interested in working and resolving challenges.
- Bruce Fox – 3 take away messages: 1) provide accounting of biomass that is being provided for DoC Energy Grants, 2) flexible utilization standards, and 3) multiple, long-term, watershed projects.
- Are there ways to staff the effort?
- Need to define issue and roles and responsibilities.