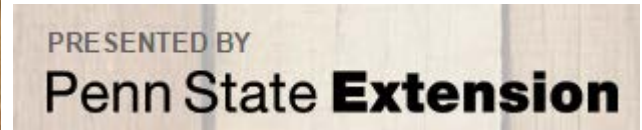


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From our Friend and Colleague, Chuck Ray:

Earlier this week I had the opportunity to speak with the Agriculture sub-committee of state and province representatives at the Eastern Regional Conference of the [Council of State Governments](#). Over breakfast, I was able to share with them what I perceived to be actions that would grow the forest and wood products industries in the northeastern U.S. and Canada. They were very cordial and seemed open to the ideas presented, and many follow-up questions were asked.

Here are the bullet points I went over, very quickly, with the group. As you survey the items, please remember that I was not there to give them a run-down on what actions were being taken, or what initiatives are currently being considered or are popular in industry. I approached the development of the list as an accounting matter...that is, what could state and federal governments do that would improve companies' bottom lines, and thereby attract more investment in the industry? What policy actions would generate more in revenue or cost savings that they would cost the companies in compliance?

Here's what I came up with...

Recommendations for Growing the Forest Industry in the Northeast

1. Focus on efforts to reduce constraints on the general economy, primarily regulation and taxation. Wood products will sell in a strong economy, but be deferred in a weak economy.
2. The state should be selling, not acquiring, forestland. Private owners have incentive to actively manage each acre of land according to their stewardship and personal objectives. Public managers are biased toward minimal intervention due to conflicting interests of stakeholders. Private acres produce logs, syrup, and tax revenues. Public lands produce maintenance expenses for public activities, take woodlands out of production, and yield no tax revenue. Divestiture of public lands would result in lower log costs as buyers harvest to finance the land purchases and stewardship objectives, and resulting harvests of mature forest lands will result in increased species diversity, productivity, and carbon uptake of forest lands.
3. Forest ownership and corporate sales tax laws could include discounted taxes on logs, lumber, and components sold within the state, to encourage local processing of the state's forest resource. Companies in the wood products supply chain will be encouraged to open facilities in more states in order to take advantage of the tax benefits. This in turn will reduce transportation costs and fuel consumption at all stages of the supply chain. Important: Note that helping the wood products industry means *decreasing* the taxes on in-state products, ***not increasing*** taxes on exported products.

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4. Harmonize transportation and logistics regulation within and between states. Make a road-legal truck in one state or province road-legal in any county in the multi-state region. One permit covers all, like one auto registration is valid in any state. Current regulatory inconsistencies are resulting in many companies moving to leasing transportation purely for administrative convenience, which adds cost to and reduces the margin on the final product.
5. Implement an immediate ten-year moratorium on new Endangered Species listings, while existing listings are reviewed for evidence of successful vs. non-successful rulings and policies.
6. Implement an immediate twenty-year moratorium on New Clean Air and Water regulations, while existing regulations are monitored for efficacy over a minimum twenty-year horizon. This will give other countries a chance to catch up to our level of environmental pollution control and to incur the same cost of doing so that our manufacturers work under.
7. Reorganize state and federal agencies so that wildlife and environmental employees are dispersed into agricultural and commerce departments where they can develop policy in conjunction with, not against, producers.
8. Promote cheap energy, not "green" energy. A growing economy and a healthy wood products industry requires the least expensive energy that can be had, and plenty of it. A policy focus on green energy necessitates energy conservation and higher energy prices, both of which deter industry growth. Stop current EPA "Clean Power Plan" which forces the replacement of coal power production with natural gas power production; this will increase the cost of electrical power and natural gas, both used in abundance by the forest and wood products industries. Eliminate subsidies for green power generation; recognize that biomass CHP applications are typically and best used by timber and agricultural harvesting and processing facilities as process by-products. Also recognize that biomass processing for energy production on distant shores is inefficient and at some point drives up the raw material cost for local forest industries. Promote, through education, the use of firewood, wood pellets, and, in communities with dense populations in forested areas, wood chips for residential and light industrial heating.
9. Reverse all impacts of the Affordable Care Act, through repeal if necessary: eliminate barriers to interstate competition of health insurance. Dramatically increasing healthcare costs deter new employee hires and limit companies' ability to offer competitive wages.
10. Recognize that punishing consumers through policies like the Lacey Act extension to wood products and requiring "certified" wood products in public building projects do not help most local wood products industries – they only drive compliance costs up and consumers to more affordable alternative materials. Prohibiting U.S. companies from importing and selling imported wood products at lower price points will not drive customers to local wood products at higher price points; it will drive them to cheaper alternatives to wood, and dull their purchasing preference for complementary wood products. Requiring certified wood products in government building contracts increases the cost of such projects and limits the number of companies that can compete for the business. Initiatives



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like these also subliminally place in consumers' minds the idea that "non-certified" wood products are illegally and unsustainably harvested, when the reality in all but the most extreme cases is quite the opposite.

11. Modernize building codes to reflect the development and potential of new engineered wood products that make tall wooden buildings attractive projects for future developers. Wooden buildings not only make use of wooden construction materials, but encourage the use of complimentary wood products in interior trim, furnishings, and artwork.
12. Classify loggers as a "strategic, at-risk" occupation and support the viability of the profession with administrative support, investment tax credits, subsidized harvest insurance, and catastrophic health, liability, and property coverage.
13. Celebrate the forest and wood industry with local and state-wide "forest fairs" and woodworking shows. Let people know that state and federal officials agree that "Wood is Good."

I recognize that not many people in the industry will agree with all the above recommendations, because every company is running a different business model. Even fewer folks in the general public will agree with or understand all these points...many, if not most, are "politically incorrect". But, I formulated these recommendations not with an eye to their potential acceptance, but as an objective accounting-based assessment of what will work in companies' financial favor, and what works against them. There are probably more that I didn't think of; feel free to share with me if you care to, and I'll see that they are passed along.

Whether or not my short meeting with these state senators and representatives will have any impact is hard to say. I came away from the meeting with a sense that they had heard very similar stories and recommendations from many other industry representatives; nobody in the room appeared shocked by anything said. There were many interested follow-up questions, and a bit of discussion among the folks around the table. And a few approached me afterward with requests to follow-up with them with more detail in the near future.

I came away with just a glimmer of hope that the mighty ship of state can be slowly turned in a more productive direction. I also better appreciate the tough job that our state and provincial representatives have...they face a divided public and competing industries on one side, and complex and heavy-handed federal regulations on the other. All we can do is continue to communicate our great wood story to these folks, in a respectful and factual manner, and rely on their common sense to prevail before all our companies are driven out of business or to foreign shores.

P.S. Thanks to my many wood industry partners who shared their thoughts and cost numbers with me as I prepared for the meeting. Your input added a credibility to my comments that I could read in the faces of the folks in the room. They believed that what I was saying really was what many in our industries are experiencing. Way to Go, Wood.

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