Moving Forward

WHERE DO WE GO FROM HERE AND HOW DO WE GET THERE

Governor Scott Walker's Keynote Address

GOVERNOR SCOTT WALKER

Highlights

- Focus has been on jobs and the Wisconsin economy
- Wants Wisconsin to be business-friendly – we're competing with other states
- Forestry is one of our most important economic sectors – has been, is, and will be in future
- Transportation infrastructure is key – making investments

- Workforce is key working with technical college system
- Expects cabinet to work together to solve problems
- We've shown we can come together to get things done – NW storm response is great example

Wisconsin's Forest Industry: Taking on the World

SCOTT BOWE, UNIVERSITY OF WISCONSIN-EXT. WOOD PRODUCTS SPECIALIST

Annual U.S. Consumption of Various Raw Materials, 2010

	Million	
	Metric tons	Million m ³
Roundwood	153	341
Industrial roundwood*	135	300
Cement	71	64
Steel	80	101
Plastics	40.6	35.8
Aluminum	3.5	1.3

^{*} Roundwood is the volume of all wood harvested. Industrial roundwood is the volume of wood used in making forest products; the difference is firewood.

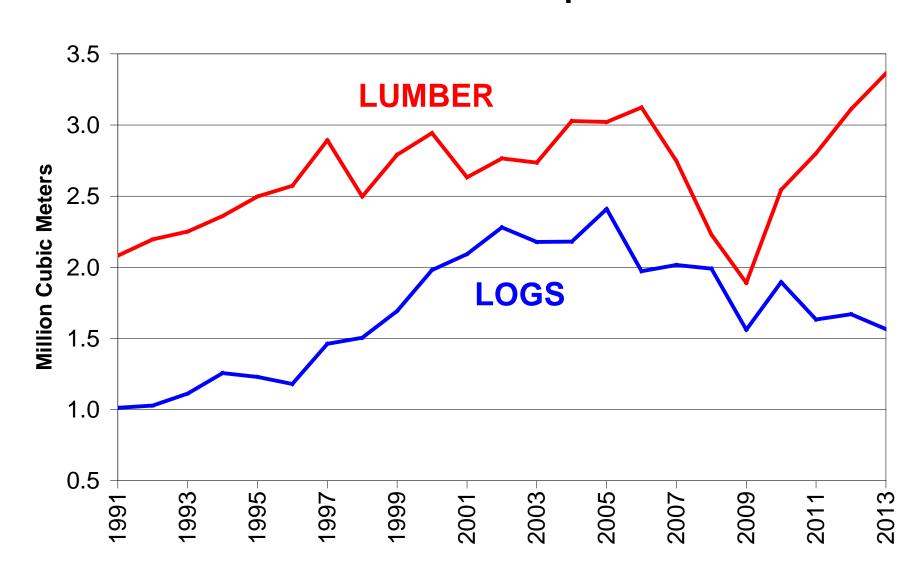
(Source: Bowyer, 2013)

In fact, more wood is used in the U.S. every year than all metals and all plastics combined!

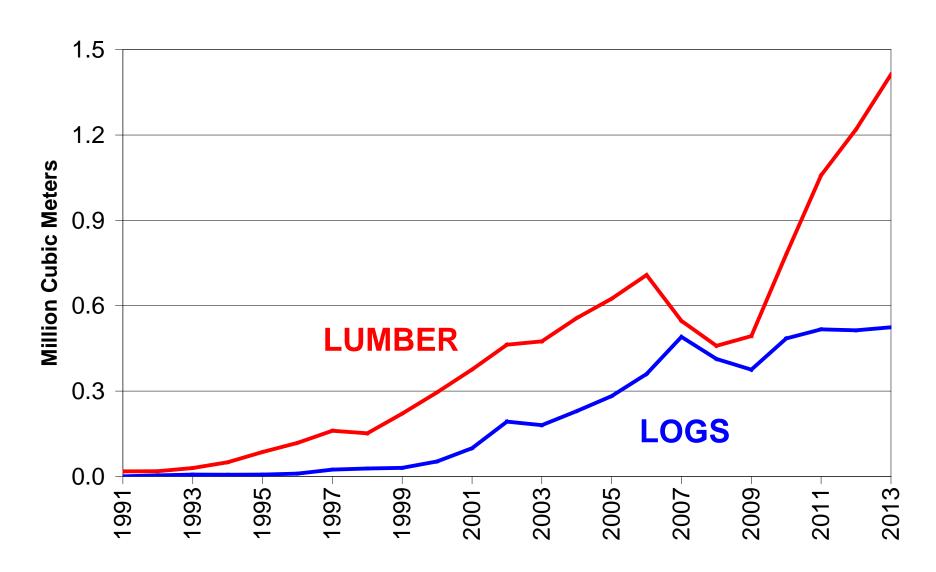
(Source: Bowyer, 2013)

Exports

U.S. Hardwood Exports



ExportsU.S. Hardwood Exports to China



Sustainability/ Green Movement

- U.S. hardwoods among greenest building materials available worldwide
 - With or without 3rd-party certification
- EUTR, Lacey Act favor U.S. hardwoods
- AHEC promotion
 - LCA favors increased utilization in green building programs

(Source: Barrett, 2013)

US Production

- Last year's price increases resulted mostly from industry inability/unwillingness to increase production
- External constraints will restrain production for another year
 - Capital, lending, timber prices, logger issues

(Source: Barrett, 2013)

Long-Term (5 Years)

- Demand outlook very positive
 - Global markets improving
 - U.S. hardwoods capturing large % of global green markets
- Industry will have first opportunities in a decade to upgrade and modernize
- Measured production response will determine whether "real"price increases are sustainable

Forest Management in Wisconsin: Status & Trends

PAUL DELONG, WISCONSIN CHIEF STATE FORESTER



Forest Area

- Forest land area has been steadily increasing since the 1960s
 - 16.8 million acres timberland
- Significant gains in central and southwestern WI

Ownership

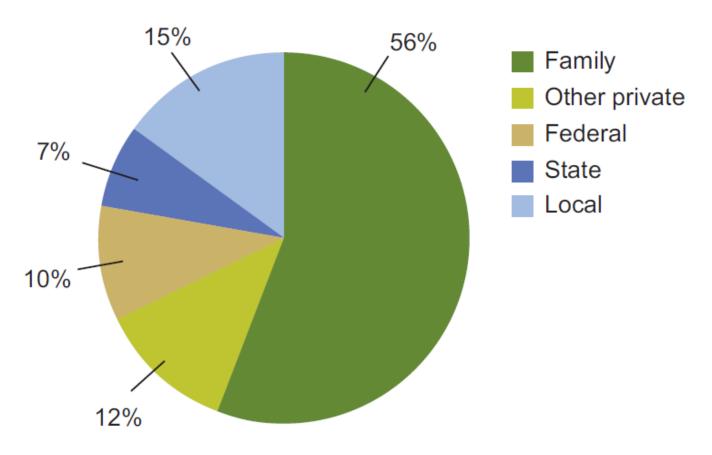
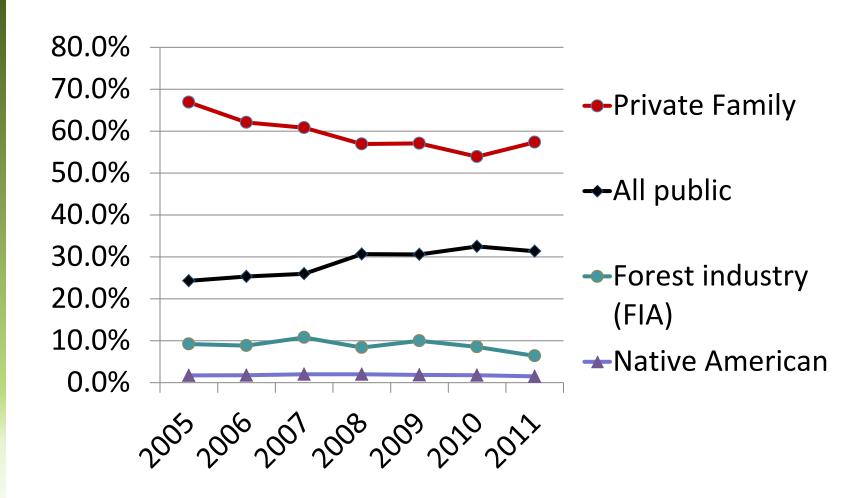


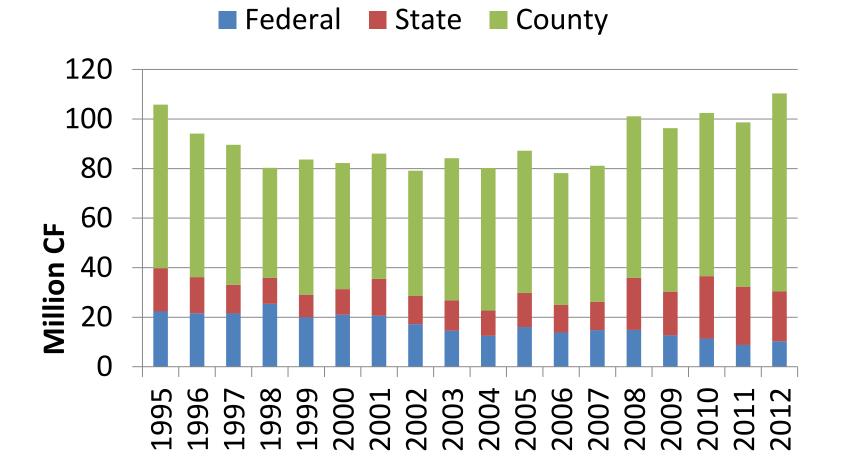
Figure 11.—Forest ownership, Wisconsin, 2006.



Removals by Ownership



Public Lands Harvest



Approximate acreage: Federal – 1.5 mil

State – 1.0 mil

County – 2.4 mil



Timber Value

Total Harvest	312,839,581 cu. ft.
Stumpage Value of Harvested Timber	~\$140,000,000
Total Value-added	\$19.8 Billion





Challenges and Opportunities

- Forest parcelization is increasing
- Access to private timber more challenging as ownerships shrink and landowner objectives change
- Increasing invasive pests and plants
- Logger capacity is shrinking



Logger Capacity

Constraints:

- Cost of entry
- Seasonal restrictions
- BMPs/guidelines
 - water quality
 - biomass
 - oak wilt

Among others...

- How do these affect price and availability of timber?
- What forest values are at risk?

Legislature funding a study



Challenges and Opportunities

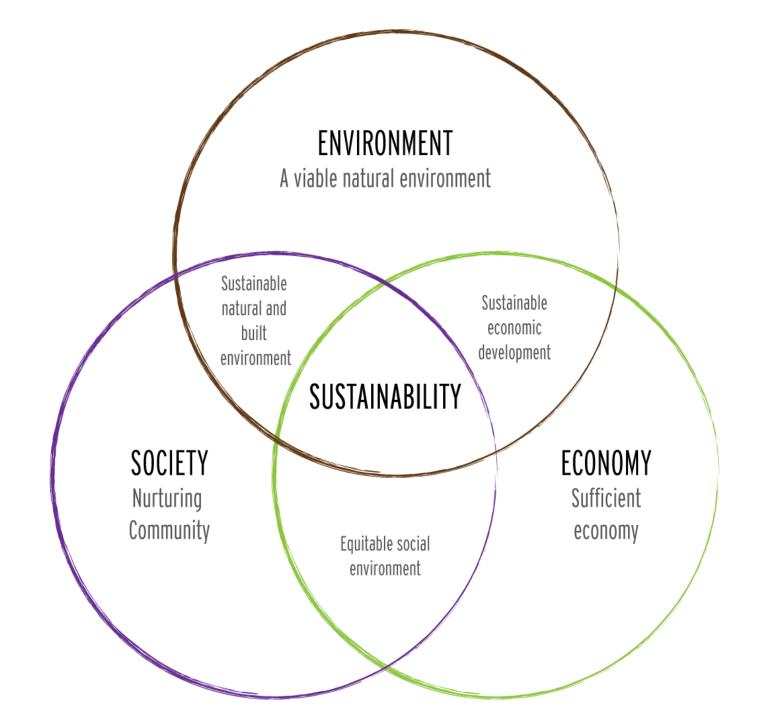
- +/- Supply of sawtimber has increased steadily since 1980s but many companies are struggling to get enough logs to meet demand
- +/- Shade tolerant species continue to increase across the region
- +/- Wisconsin is well-positioned to provide supply for the increasing demand for certified products, but concerns about certification exist.



Challenges and Opportunities

- + Forests are growing and expanding
- + + Growing-stock volume for several valuable commercial species is increasing
- + Active forest management creates and maintains wildlife habitat desired by many landowners and recreational users
- + We have diverse markets
- + Opportunities exist for expansion globally

Bottom Line: Wisconsin's Forests are a Strategic Natural Asset



Industry Panel: The Biggest Issues and Opportunities Facing Your Membership Today & Tomorrow

Speakers and Moderator

Speakers:

Great Lakes Timber Professionals Association

- Henry Schienebeck, Executive Director Lake States Lumber Association
- Liz Russell, Board President
 Value Added Forest Industry
- Patrick Molzahn, Woodwork Career Alliance
 Wisconsin Paper Council
- Jeff Landin, President

Moderator:

Wisconsin Department of Natural Resources

Matt Moroney, Deputy Secretary

Henry Schienebeck - Highlights

- Loggers have no control of prices, weird industry
- Transportation trucking regulation strangling the industry
- Lose one aspect of industry and entire industry will go away

Liz Russell - Highlights

Challenges

- Biggest challenge is adequate wood supply
- Right material at the right price is another challenge
- Seasonality poses a challenge (i.e. hunting, road bans, full time employees)
- Finding a good, skilled worker can be a big challenge
- Difficult to get good loggers
- Overcoming public perceptions
- Regulatory hardships

Liz Russell - Highlights Continued

Opportunities

- Export possibilities
- Tie markets are hot
- Hardwood check-off
- Recovering economy

Patrick Molzahn - Highlights

- Obstacles
- Workforce training
- Education lack of skilled workers
- Raw material availability and increased costs
- Industry has 10 different sectors
- Regulatory and permitting obstacles
- Good News
- Skills standards have been established
- Opportunity at the tech colleges because of changing times and emphasis

Patrick Molzahn - Highlights Continued

Need three changes:

- People to produce
- Market
- Raw material

Industry Feedback

- Labor is problem
- Availability of raw materials
- Regulations and restrictions on industry, less restrictions in other parts of the country

Workforce training Currently

- Unstructured
- Unorthodox training methods
- Woodwork Career Alliance

Jeff Landin - Highlights

1st opportunity: Diverse product line

- Stable tissues, napkins, etc.
- Stable Packaging
- Stable Specialty papers
- 70% of products produced in Wisconsin - tissue, packaging, specialty are stable markets

2nd Opportunity: Regulatory climate is changing

- Could be new interest in expanding
- R&D Products developed in Wisconsin have been produced elsewhere because of regulations
- 30% of products made today are different than three years ago
- Working with UWSP Paper Science Program; Wisconsin Institute of Sustainable Ecology?

Jeff Landin - Highlights Continued

Challenges Facing Paper Industry

- Air and water regulations (boiler MACT)
- Aging infrastructure
- Workforce development

Logging Industry Barriers

- Lack of control over materials and costs
- CSA regulations are prohibitive
- Invasive species

Agency Panel: What Can We Do To Help Forestry/Forest Industry?

Speakers and Moderator

Speakers:

Wisconsin Department of Agriculture, Trade, and Consumer Protection

Ben Brancel, Secretary

Wisconsin Department of Natural Resources

Cathy Stepp, Secretary

Wisconsin Department of Transportation

Mark Gottlieb, Secretary

Wisconsin Economic Development Corporation

Reed Hall, Chief Executive Officer

Moderator:

Wisconsin Paper Council

• Earl Gustafson, Vice President - Energy, Forestry, & Human Resources

Mark Gottlieb - Highlights

- 7.2 million tons of timber moved by rail
- 700 miles of track owned by the state; freight rail preservation program
- 286,000 lbs per freight car

Reed Hall - Highlights

- Creating a conducive business environment
 - Forestry is one of the target areas
 - Partnership with colleges and tech schools
 - Growing workforce
 - 2% loans target companies that have trouble getting loans
- Export 40% of ag exports is wood products
- Emphasis on helping start-up companies most new jobs start here
- Work on helping with exports
- Forest products is fast becoming one of WEDC target industries
- WEDC assistance comes largely in the form of loans
- WEDC has been successful with its tax credit program
- Capacity building grants

Cathy Stepp - Highlights

- Success hinges on industry feedback and input to help create meaningful business.
- Customer service is extremely important to DNR

Ben Brancel - Highlights

- Charge could be to maintain and grow new markets' potential.
- DATCP has regulatory component but does it in a way to protect producers
- Goal is to ensure safe-keeping of *forest products movement* and distributors