



NEW YORK
STATE OF
OPPORTUNITY™

**Wood Products
Development
Council**



Annual Report

2014

Authorizing Legislation for the New York Wood Products Development Council

Passed in 2009, the following statute authorizes and governs the work of the New York Wood Products Development Council:

New York Consolidated Laws

Article 18 - (225) WOOD PRODUCTS DEVELOPMENT

§ 225. Wood products development council.

1. There is hereby established within the department a wood products development council. Such council shall consist of the commissioner, the commissioners of environmental conservation and economic development, or their designees, and ten other persons to be appointed by the governor, including one member on the recommendation of the temporary president of the senate; one member on the recommendation of the speaker of the assembly; one member on the recommendation of the minority leader of the senate; and one member on the recommendation of the minority leader of the assembly.

Of the members so appointed, at least one member shall be a sawmill owner, one member shall be a secondary wood products manufacturer, one member shall be a logger, one member shall be a maple syrup producer, one member shall be a commercial forest owner, one member shall be a nonindustrial forest owner, one member shall be a representative of a statewide forest industry organization, and one member shall be a representative of a statewide forest landowners association. Members shall be appointed for a term of three years and may serve until their successors are chosen, provided, however, that of the members first appointed, three shall serve for a term of one year, three shall serve for a term of two years, and four shall serve for a term of three years.

The governor shall select a member of the council to serve as chairperson. Council members shall not receive compensation for their services, but may be paid their actual and necessary expenses incurred in serving upon the council.

2. The council shall work with wood-using manufacturers to increase the economic contributions and employment opportunities related to the practice of forestry and manufacture of wood products in New York State.

The council shall give priority to:

- Increasing private investment in working forests;
- Maintaining access to working and family forests;
- Coordinating policy and permitting issues with state agencies, academia and the private sector;
- Working to improve public understanding of and appreciation for forestry and forest products; and;
- Increasing export and market opportunities for New York forest products.

The council shall deliver an annual report outlining its work and making recommendations with regard to economic development and marketing initiatives, and research and development initiatives consistent with the purposes of the council. The report shall be delivered to the governor, the speaker of the assembly, the temporary president of the senate, the minority leader of the assembly and the minority leader of the senate.

3. The department shall provide necessary support services to the council, including, within funds available, the appointment of an executive director to coordinate the work of the council.

New York's Forests and Forest Industries

New York's 19 million acres of forestland covers 63% of the state, and is critical to the environmental and economic future of the state. Hardwoods – including oak, maple and cherry – dominate the state's forest resource.

New York forestlands are overwhelmingly owned and managed by private landowners. Government at all levels – federal, state and local – owns 26% of New York's forestland (including some land not legally available for timber harvesting). The remainder is owned by private landowners, many of whom need to receive a fair investment on their land. Fifty-six percent of the timberland in New York is owned by families.

Preliminary results from the 2013 USDA Forest Service survey provide a wealth of information on New York's family forestland landowners – the state's largest group of landowners. For example, 89% of holdings – representing 61% of all family forest holdings – are smaller than 100 acres. Only 9% of family ownerships – representing 19% of acres – have a forest management plan. Clearly, this represents an opportunity to improve the level of professional involvement in management of the state's forests.



Family forest owners list a number of reasons for owning land, many of them non-economic. The majority of landowners surveyed indicate they own land to enjoy the natural beauty, protect biological diversity, improve wildlife habitat and protect water resources. In the next five years, owners of 30% of the acres plan to cut trees for sale and 53% plan to improve wildlife habitat.

New York's forests increase in standing volume annually and growth exceeds harvest levels by a ratio of nearly 2.5 to 1. Not only is total volume increasing, but the sawlog component of the forest – the most valuable for forest landowners – is increasing as well. New York landowners sell about \$250 million in timber annually.

New York's forest products industry directly employs roughly 44,000 and has a \$9.9 billion output. The industry is diverse – ranging from logging and forestry to sawmills, paper mills and energy producers. Roughly 23,000 New Yorkers work in forestry, logging and trucking of both raw and finished forest products. These individuals are a critical component of the industry supply chain, responsible for getting wood from the forest to a manufacturing facility for further processing.

Recently, concerns have been expressed about current and future logging capacity. In 2014, a number of users of low-grade wood – pulp mills, wood pellet mills, biomass power plants, and even firewood users – experienced challenges securing the necessary volumes of raw material to assure continued operations. The Wood Products Development Council is aware of this challenge, and will be exploring ways to build and support sufficient logging infrastructure in a way that benefits landowner, mills and loggers.

Sawmills, which take logs and produce lumber, provide about 8,900 jobs in New York. Another 14,500 jobs exist in “secondary processing” – where lumber is turned into consumer-ready products such as furniture, flooring or wood pallets. While hardwood is not used as structural lumber – the wood that frames a building – hardwood products are often used in the flooring, trim and furnishing of residential and commercial buildings. The housing-led recession, beginning in 2008, significantly impacted the production of New York mills; the industry is now recovering, as housing markets and the economy build steadily.



New York has two pulp and paper mills: one in Ticonderoga and one in Glens Falls. Pulp and paper mills are important pillars of the forest economy and provide large markets for low-grade wood. These mills not only provide high-paying jobs directly in manufacturing, but help support large numbers of loggers, truckers and others that provide wood to the mills. Both New York mills produce communication paper, used in printing and writing. These markets have faced challenges as consumers move to electronic communication.

One area that has seen recent growth and investment is wood use for energy purposes. The state has a new biomass electric plant and new wood pellet manufacturing facilities. Biomass heating of homes, schools and businesses is often financially attractive when compared with oil heating. Based on information in the Wood2Energy.org database, an estimated 30 New York businesses and institutions now heat with wood. The New York State Energy Research & Development Authority recently completed a roadmap to guide the growth of thermal biomass use in the state.

New York is fortunate to have a diverse forest products industry along with the jobs and economic benefits the industry provides. The New York Wood Products Development Council is committed to working the forest landowners and forest industry to help build the environmental and economic future of the state.

The Role of the Wood Products Development Council

The Wood Products Development Council has become the forum where forest landowners, forest industry, state government and other stakeholders work collaboratively to address the challenges and opportunities that face New York's forestry sector.

The Council provides a unique opportunity to have forest industry stakeholders, professionals and practitioners provide direct input and counsel to the state. The group helps identify and address what important areas can be worked on collaboratively.

Examples of issues the Council will address in the coming months and years include:



Addressing Forest Parcelization

Forest parcelization is the process of dividing parcels of forests into smaller and smaller ownerships. This has been identified as a challenge in New York and throughout the Northeast. Smaller ownerships make it less economical to manage the land as the fixed costs associated with conducting a timber harvest or having a professional forester develop a management plan are spread over fewer and fewer acres.

In New York, an estimated 34% of family forestland acres are between 10 and 19 acres in size, and nearly 70% of all family-owned parcels are below 50 acres in size. While these parcel sizes may sound large to individuals not involved in forestry, holdings of this size can have difficulties conducting an economic timber harvest or providing a range of habitats. One New York study found that forest landowners with holdings over 50 acres were four times more likely to have a written forest management planⁱ.

An increase in small holdings could challenge the forest industry with fewer and fewer landowners electing to conduct timber harvests. This challenge is not new to the industry; a peer-reviewed article in 2009 noted "utilization of forestland has been identified as a major problem for the forest industry because of its potential to negatively impact wood supply."ⁱⁱ This could have a direct and meaningful impact on the ability of mills to secure the wood necessary to continue manufacturing activities, thus threatening the jobs and economic activity so important to rural New York communities.

Conversely, new strategies to address forest parcelization – either through increased holding size or through increased cooperative management opportunities – could help secure the full range of public benefits provide by forestland.

The Wood Products Development Council is committed to evaluating and implementing solutions to address forest parcelization, including addressing the state's 480-A Forest Taxation program and increased outreach to forest landowners through new mediums.

Supporting the Logging Workforce

Loggers are a key link in connecting forest landowners with forest manufacturers. Loggers invest in equipment and develop knowledge necessary to conduct dangerous tasks – the felling, skidding and processing of wood before it is sent to a mill. In recent years, a number of industries have expressed concerns regarding the capacity of the state’s logging workforce to provide the full volume of products necessary to support the state’s manufacturing industry. In late 2014, for example, mills purchasing low-grade hardwood had trouble sourcing wood, at least in part due to an unusually robust firewood market.

Through mechanization and investment, logging has made significant increases in productivity. In the period before 1960, a logger could harvest about 9 cords per week. In the period between 1960 and the 1980’s, this rose to 50 cords per week. Today, a single logger can produce roughly 90 cords per week, depending upon harvesting equipment, site conditions and cutting plan. Given this increase in productivity, it is important to focus not only on the number of loggers in the industry, but their ability to invest in the equipment necessary to operate in today’s environment.

A decrease of just 10% of the current harvesting capacity could have devastating impacts on some part of the industry. Looking at a simple reduction in total output could mean job losses of 4,400 statewide and the loss of nearly \$1 billion in economic output. However, this may be a conservative estimate. For example, if a large manufacturer such as a pulp and paper mill were unable to secure the necessary fiber at a cost that allowed it to be competitive in the marketplace, significant job losses – both directly in manufacturing and through indirect activity – would fall upon a single region.

Conversely, a robust and stable logging workforce could provide new opportunities for new forest manufacturers and existing forest manufacturers to expand production. The resulting jobs and economic activity would boost not only the host community, but provide markets for forest landowners and loggers in that area.

The Wood Products Development Council is committed to understanding this challenge, evaluating strategies that can most effectively support the logging infrastructure and working toward solutions that address this issue in a manner that supports the entire supply chain from the woods to the end-user.



Wood Products Development Council Activities

The New York Wood Products Development Council serves as a unique partnership between forest landowners, the forest products industry and New York State government. The Council was formed to “work with wood-using manufacturers to increase the economic contributions and employment opportunities related to the practice of forestry and manufacture of wood products in New York Stateⁱⁱⁱ”.

With this charge in mind, in 2014 the Council initiated a series of activities designed to support the forest landowners and the forest industry of New York, and thereby support and grow the economic and employment opportunities that the industry provides to many communities in New York.

Forest Taxation

New York’s Real Property Tax Law 480-A Forest Taxation is a program that allows certain owners of well managed forest land to receive a reduction in property taxes. Qualifying properties need to be at least 50 acres, have a forest management plan prepared by a professional forester and follow the activities described in the plan. This program supports keeping forests viable by taxing forestland at its current use (forestry), and recognizing that well managed woodlands provide a range of environmental and economic benefits to the public.

There is significant opportunity to improve knowledge of and participation in the 480-A program. A recent survey of family forest landowners found that 92% of respondents, representing 84% of surveyed acreage, were only slightly or not at all familiar with the property tax program.

Recognizing the importance of the 480-A Forest Taxation program to the entire forest industry, the Wood Products Development Council has commissioned a full peer-reviewed evaluation of the program, to be conducted by SUNY-ESF. This effort, expected to be completed in late 2015, will:

- Review the program objectives and compare them to objectives of similar programs in other states;
- Evaluate participation rates;
- Quantify the cost of the program, both as administered now and with increased enrollment, to state and local government; and
- Provide specific recommendations to improve the program, including ways to increase participation, lower costs of participation to both public and private entities, and encourage better forest management practices.

A tax system that allows forest landowners the economic opportunity to own and manage land has a broad range of public benefits. Forestland supports diverse habitat, provides clean water, and can provide opportunities to sequester carbon. Forestland also provides the logs, pulpwood and chips necessary to support the state’s forest products manufacturing sector.

The Wood Products Development Council is supportive of the 480-A Forest Taxation program to encourage continued ownership and management of forestland.

Integrating Wood Products into Existing State Economic Development Efforts

Since 2011, economic development efforts through the Regional Economic Development Council process in New York have invested over \$16 million in 28 projects designed to directly support New York's forest industry. Located throughout Upstate New York, these efforts have resulted in 180 new jobs and also helped retain more than 2,000 existing jobs. From furniture manufacturers to paper mills and from wood pellet manufacturers to biomass heating, these projects have supported a wide range of forest industries and benefited the entire supply chain.

In future years, the New York Wood Products Development Council plans to promote economic development opportunities to the industry, and hopes to use these programs to encourage investment in all phases of the forest industry supply chain and manufacturing process.



Integrating Wood Products into the Pride of New York

The Pride of New York campaign is an existing program of the New York State Department of Agriculture and Markets. With over 3,000 participants, Pride of New York helps market local agricultural products to consumers.



The Wood Products Development Council will work with Pride of New York to not only expand participation in the program, but to have the program's outreach include New York Wood Products as a separate and distinct type of product.

New York wood products have the potential to gain by sharing in this existing and accepted branding program, which connects a large consumer base with New York's rural producers. The Wood Products Development Council will be undertaking steps to utilize this program to expand the market opportunities and consumer desires for New York wood products.

Developing Export Markets for New York Hardwoods

New York's forests are dominated by hardwoods, with the Northern Hardwood forest type accounting for over half of the forested acres in the state. Other prominent forest types include Oak-Hickory, Elm-Ash, and Birch.

Hardwoods are the most commercially important species for a wide range of products, including grade lumber used in furniture and flooring, industrial lumber used for wood pallet manufacturing, pulpwood at the state's two paper mills, and chips used in the production of electricity and heat.

One area for increased opportunity for New York mills is exporting value-added lumber. New York hardwoods are prized globally for the quality and consistency of the wood, which often has superior qualities and tighter growth rings than hardwoods from other regions.

The Wood Products Development Council will support New York's membership in the American Hardwood Export Council, a trade association that works to develop markets for American hardwoods.

As part of the membership, New York will have the ability to participate in the Hardwood States Export Group, a coalition of trade specialists from a number of hardwood producing states. The purpose of the group is to collaborate on multi-state projects that increase sales for U.S. wood product companies through the development of international markets and opportunities.

Additionally, state officials are looking for appropriate trade shows to market New York hardwoods to domestic and international buyers. The New York Wood Products Development Council is planning to help support state participation in events that promise significant opportunities for New York mills and manufacturers.



Summary of 2014 meetings

The New York Wood Products Development Council held 4 meetings in 2014:

- June 25, 2014 in the State Capitol building;
- October 2, 2014 via conference call;
- November 6, 2014 at SUNY-ESF in Syracuse; and
- December 2, 2014 at the Empire State Forest Products Association and via conference call.



June 25

This served as a re-organization meeting for the Council, which had experienced a few years of dormancy. At this meeting, member Sloan Crawford made a presentation on the status, challenges and opportunities faced by New York's forest products industry. In addition state agency representatives described initiatives that can support the state's forest industry and private sector representatives discussed desired outcomes from collaboration with the Wood Products Development Council.



October 2

The Council met via conference call and discussed a range of topics including future trade shows that could highlight New York forest products, better incorporating forest products into the state existing branding efforts, and the state's forest tax laws. Additionally, the group discussed contracting for and the potential format of the annual report.



November 6

The year's third meeting focused on sharing information and helping members understand and offer counsel on existing initiatives that were well positioned to support New York's wood products sector. A feature of this meeting was a presentation on the Pride of New York program, requests for proposals to evaluate the state's 480-A Forest Taxation law, and an overview of upcoming trade events.



December 2

The focus of this meeting was to begin the process of developing the annual report and to recap the activities undertaken by the Wood Products Development Council in 2014. Additionally, the group accepted a proposal to conduct research relative to the state's 480-A Forest Taxation law.



All meetings were conducted in accordance with New York's open meetings law.

Members of the New York Wood Products Development Council

Name	Organization
1. Doug Handy	A&H Forest Management
2. Mike Hanlon	Cotton-Hanlon, Inc
3. Alan White	Catskill Center For Conservation and Deployment
4. Steve Servies	Gutchess Lumber
5. Kathy Juckett	Metowee Lumber & Plastics
6. Ed Wright	Empire State Forest Products Association
7. Jim Waters	New York State Tree Farm Committee
8. Mike Farrell	Cornell University
9. Maureen Fellows	State University of New York College of Environmental Science and Forestry
10. Sloane Crawford	New York State Department of Environmental Conservation
11. Jane Thelen	Empire State Development
12. Kevin King	New York State Department of Agriculture and Markets

References

ⁱ Jennifer A. Caron, René H. Germain, and Nathaniel M. Anderson. "Parcelization and Land Use: A Case Study in the New York City Watershed." *Northern Journal of Applied Forestry*. Volume 29, Number 2, pages 74-80. 2012.

ⁱⁱ Nate Anderson and René Germain. "Land Cover, Land Use and Mill Characteristics as Predictors of Wood Procurement Range." *Forest Products Journal*. Volume 59, No. 11/12, pages 100-107. November / December 2009.

ⁱⁱⁱ New York Agriculture & Markets Laws, 225 (2012)