

BREAKING GROUND

Annual Report 2016



MICHIGAN
**FOREST
PRODUCTS**
COUNCIL



TERRITORY FORGING NEW

GOVERNOR RICK SNYDER

"Michigan's forest products industry has become an integral part of Michigan's reinvention and continues to drive growth for rural economies throughout the state."

Annual reports provide an opportunity to reflect on where we have been, and where we hope to go in the future. It is a time to consider our successes, learn from mistakes, and renew our energy and enthusiasm for continued progress in the New Year.

With that said, in 2016 our board completed a comprehensive strategic review – the first in several years – this will ensure that the council is positioned to meet the future needs of our ever-evolving industry.

We advanced our members' sustainability and competitiveness by presenting a unified and informed voice on public and marketplace policy issues. Our research and data helped drive policy advocacy which empowered our membership to make strategic business decisions. We also welcomed new members which helped grow and diversify our outreach.

2017 promises to be a busy year as we welcome increased demand in wood consumption. We also will continue exploring new consumer markets and opportunities improving member engagement and services.

We will continue to experience increased competition from electronic, print and international wood markets. Yet our allied, more efficient organization is better positioned to face these challenges.

Protecting, promoting and sustaining Michigan's forest products industry is important work that directly affects all members of the Michigan Forest Products Council and the many pursuits tied to them. As Michigan continues to move forward, our industry will play an even larger role in those landscapes.

TODD JOHNSON
CHAIRMAN
MICHIGAN FOREST PRODUCTS COUNCIL

MFPC STAFF

Kevin Korpi
Executive Director

Scott Robbins
Director of SFI and Forest Policy

Amanda Hattis
Director of Communications

Ashley Steffen
Director of Operations

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Resource Manager, Weyerhaeuser

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Regional Public Affairs Manager, Domtar Industries

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Chair, Michigan Association of Consulting
Foresters

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Robert Peretin
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V.P. of Environmental Safety, P.M. Power Group, Inc

Margaret Minerick
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Regional Operations Director, Steigerwaldt

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Shawn Hagan
Sr. Director of Forest Operations, The Forestland
Group, LLC

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Resource Manager, Timber Products Company

Tom Shannon
Plant Manager, WestRock

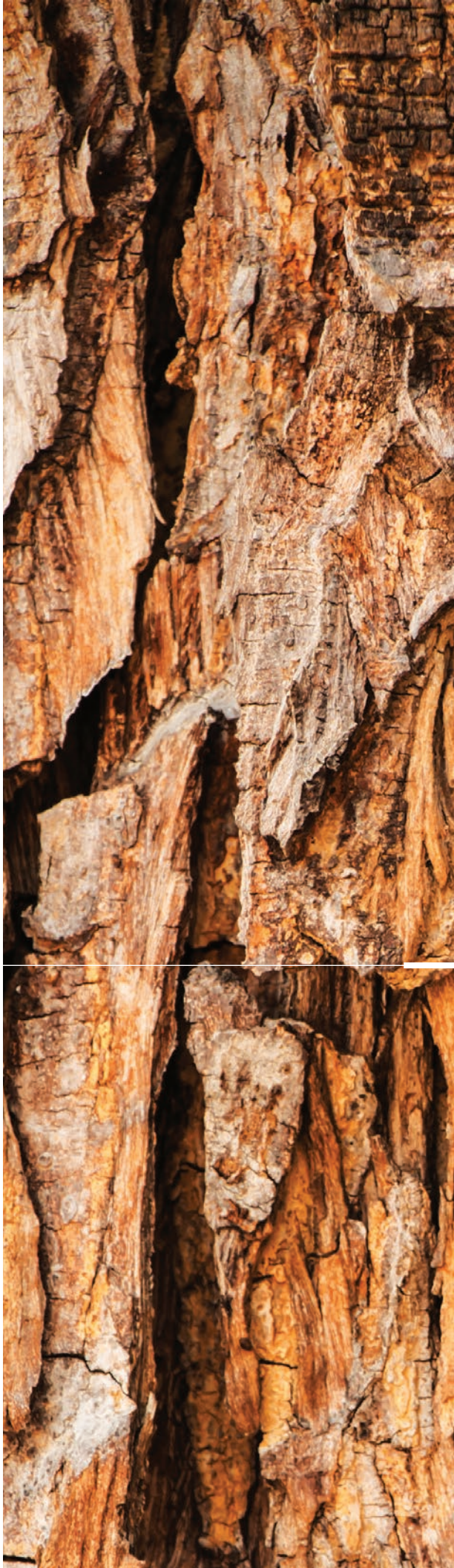
GOVERNOR SNYDER'S

FOREST PRODUCTS SUMMIT

The Governor's 2015 Forest Products Summit drew together industry leaders as well as representatives from government, the financial sector, and academia. It continued conversations initiated at the Governor's 2013 Forest Products Summit on how to encourage growth of the wood-using industry. Participants heard the report on progress made since the 2013 Summit, and discussed recent input on ways to continue progress toward the goals established in 2013:

- Increasing the economic contribution of the forest products industry to \$20 billion within five years
- Increasing the export of value-added forest products by 50 percent
- Increasing forest products industry jobs by 10 percent
- Encouraging regionally based industry development

In August, two years ahead of schedule, Michigan's forest products industry achieved its goal of contributing \$20 billion per year to the state's economy and increasing the number of forest products industry jobs to 12 percent since 2012. Gov. Rick Snyder announced during a stop at the Besse Forest Products Group facility in Gladstone that the forest products industry has achieved four out of the five goals set before it in 2013.



A detailed, close-up photograph of tree bark, showing a complex, cracked, and layered texture in various shades of brown and tan. The bark is the background for the entire page.

GROWING INDUSTRY

Each year the Michigan forest products industry harvests about 12 million tons of wood. Just one of these tons will generate about \$1,600 worth of economic activity, which is just a part of the \$20.3 billion contribution to the state's economy. Of the \$20.3 billion generated each year, \$5.2 billion stays right here in Michigan in take-home pay to 96,600 Michiganders.

In fact, the forest products industries provide more direct employment than: commercial fishing, hunting and trapping; mining and oil and gas production; and agricultural production. Over 1/3 of manufacturing jobs in the Upper Peninsula were in the forest products industries and a projected 250 more jobs will be added in the next two years.

NUMBER OF COMPANIES PER
MATERIAL/SPECIES CATEGORY

31

CHIPS, SHAVINGS, ETC.

45

SPECIALTY WOODS

176

PAPER, PULP, PAPERBOARD

114

EXOTIC HARDWOODS

41

VENEER

12

METALS

193

OVERLAYS, LAMINATES, PLASTICS

9

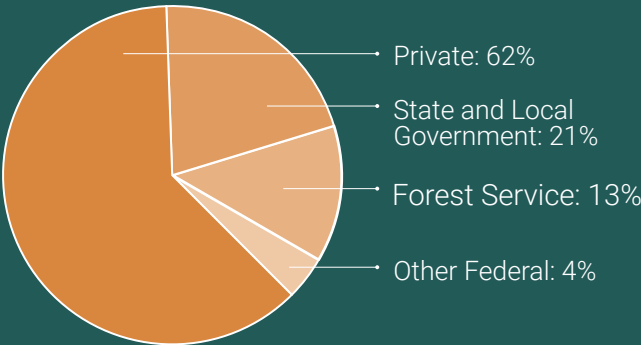
ADHESIVES

6

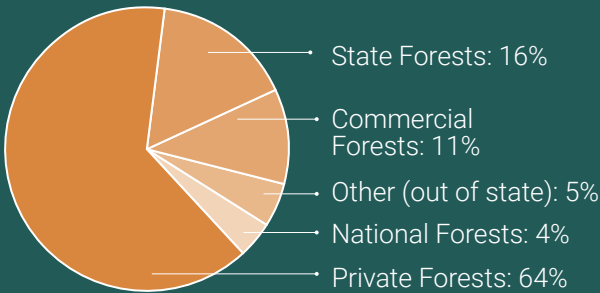
UPHOLSTERY MATERIALS

TREES BY NUMBERS

FORESTLAND OWNERSHIP
IN MICHIGAN



NONINDUSTRIAL, PRIVATE
FORESTS: LEADING SOURCE
OF TIMBER SUPPLY



NUMBER OF FOREST PRODUCTS COMPANIES BY REGION

IN 2016
1,190,000
U.S. HOUSING
UNITS
WERE REPORTED
WHICH IS UP OVER
28%
SINCE 2013

MICHIGAN IS APPROACHING
ITS EIGHTH YEAR OF ECONOMIC
RECOVERY, HAVING CREATED
APPROXIMATELY
69,000
JOBS IN 2016
9%
OF THOSE BEING
MANUFACTURING JOBS.

UP FROM 2009 RECESSION LOWS,
MICHIGAN NOW RANKS
5TH
IN THE COUNTRY FOR ITS
CREATION OF NEARLY
400,000
PRIVATE SECTOR JOBS

WESTERN UPPER
PENINSULA

265

EASTERN UPPER
PENINSULA

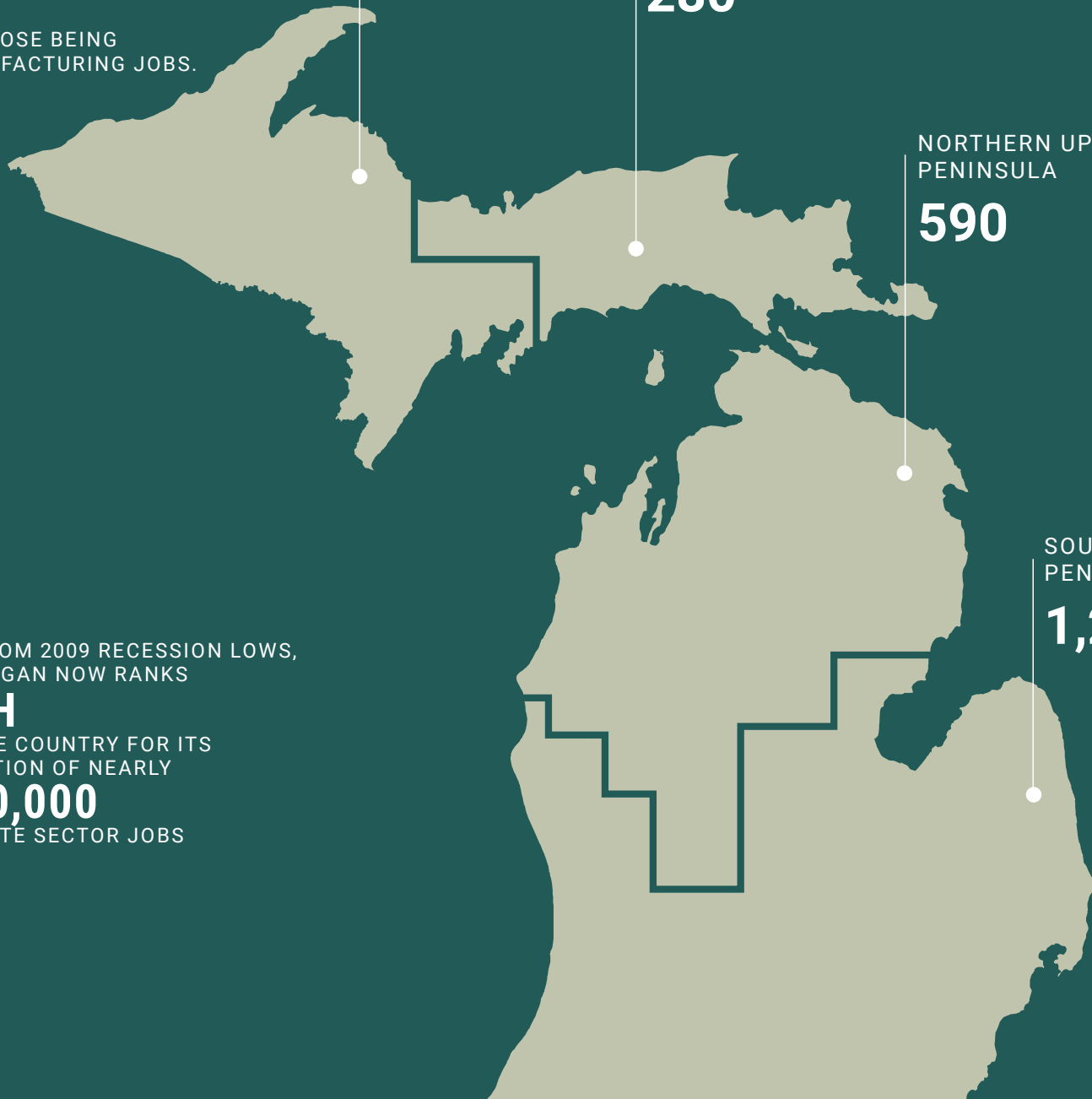
280

NORTHERN UPPER
PENINSULA

590

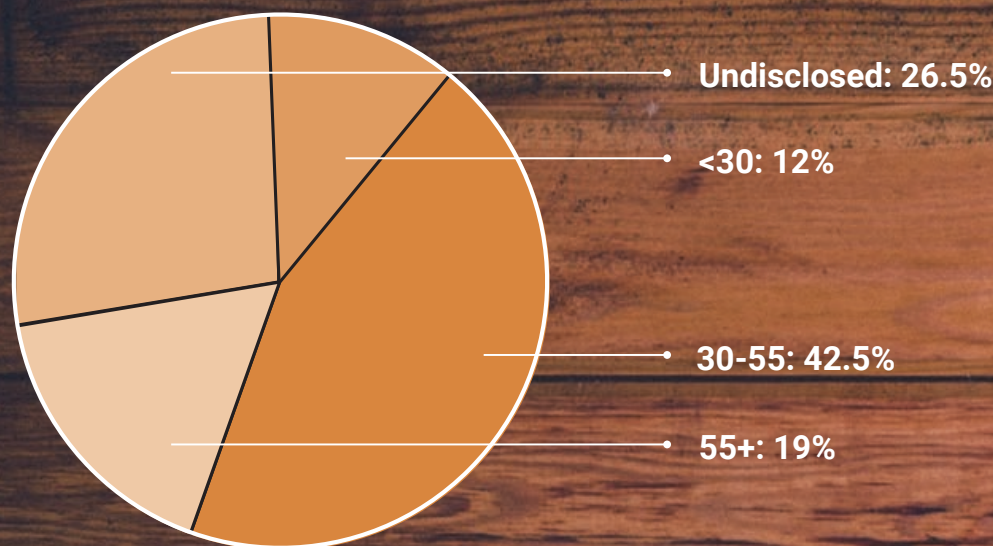
SOUTHERN UPPER
PENINSULA

1,205



WORKFORCE DEVELOPMENT

AGE OF EMPLOYEES WORKING IN PRIMARY
WOOD CONSUMING MILLS IN MICHIGAN



POSITION	EDUCATION	TOP SKILLS	AVERAGE SALARY
Plant Operator	High School/GED	Computer skills, safety, mechanical aptitude, heavy equipment operation, good work ethic	\$30,000-65,000
Production Worker	High School/GED	Manual dexterity, follow directions, dependable, meet production goals, lift heavy objects	\$22,000-45,000
Process Science Engineer	Bachelor of Science	Creative thinking, problem solving, computer modeling, attention to detail, leadership, communication	\$70,000-125,000
Millwright	High School/GED	Troubleshooting, hydraulics, fabrication, pumps, instrumentation	\$42,000-70,000
Electrician	High School/GED & Journeyman Certificate	Instrumentation experience, program logic controls, pneumatics, troubleshooting, electrical knowledge	\$45,000-80,000
Maintenance/Mechanic	High School/GED	Multicraft, heavy equipment, leadership, troubleshooting, dependability	\$35,000-80,000

Source: Michigan Forest Products Council (2016). Michigan Forest Products Council Primary Wood Consuming Mill Survey.

TALENT CAPACITY IN MICHIGAN MILLS

As baby boomers retire in ever-increasing numbers, employers throughout Michigan are facing a growing problem finding workers with the education, training and skills needed to fill their jobs. The MFPC talent task force, assisted by the Michigan Department of Agriculture and Rural Development (MDARD), reached out to wood manufacturers statewide to help form a clearer picture of the current talent gaps and opportunities within Michigan.

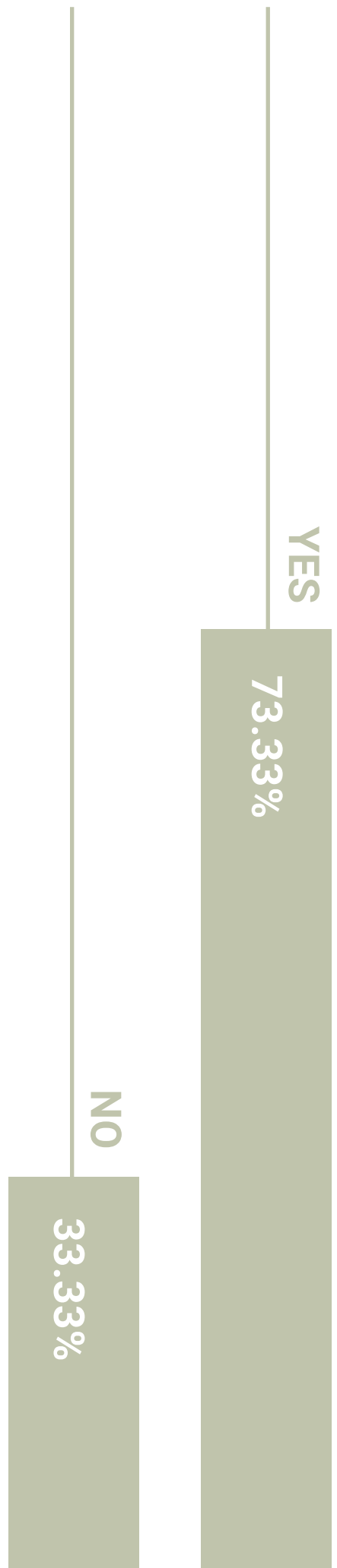
32 companies of varying size were surveyed in the fall of 2016. With an average of 92 employees per company, 42.5 percent were between the age of 30-55 and 19 percent of the current workforce is over the age of 55.

Through the results, MFPC discovered there is an approximate 15 percent turnover rate, with each company looking to hire an average of nine people in the next 12 months and 73.3 percent of companies indicated that there will be a skilled trades gap in the next five years!

However, 87.5 percent of companies said that they are having difficulty finding employees that are adaptable, know how to operate technology and machinery, and are dependable. So the council delved deeper to discover what positions will be available and what skills are needed.

The top five upcoming available jobs in the primary wood manufacturing industry are: plant operator, production worker, process science engineer, millwright, and. electrician. These positions range in salary from \$22,000 to \$125,000.

WILL THERE BE A SKILLED TRADES
GAP AFTER THEIR RETIREMENT?





OUR MISSION

The mission of the Michigan Forest Products Council is to provide a unified industry voice to protect, promote and sustain a globally competitive forest products industry in Michigan.

STRATEGIC PLAN 2020

The MFPC has made great strides in improving Michigan's competitive business climate, advancing major policy initiatives on behalf of the forest products industry in Michigan, and enhancing the industry's overall image. Board members discussed their top goals for MFPC during the strategic planning session and developed five top priorities to strive for in the next five years.

WOOD SUPPLY CHAIN AND FIBER AVAILABILITY

Create a stable wood fiber inventory by increasing fiber supply, improving member competitive positions and marketability, and determining a baseline forest inventory to aid industry in planning and analysis.

ADVOCACY

Form an industry advocacy committee that focuses on maintaining favorable business climates, regulations and taxes, obtaining regional input from MFPC members, establishing top priorities for each legislative session, and reporting back to MFPC members on its progress.

TRANSPORTATION (RAIL AND TRUCK)

Improve transportation policy and infrastructure resulting in better industry competitiveness by changing policy to reduce over-regulation by local governments, reinvesting in Michigan's freight rail system, maintaining truck weights, and retaining and attracting talent.

MFPC BRAND

Strengthen the MFPC brand by defining target audiences and partners, prioritizing and developing goals and objectives for each audience, educating the public on MFPC objectives, maintaining and drawing talent to the industry, and supporting and improving the business climate.

R&D UNIVERSITY COLLABORATION, TRAINING, AND TALENT

Increase research and development, university collaboration, and training and talent by defining target partners, building on the work of the talent task force, increasing investment in capital by 2021, meet the talent needs of member companies, and diversifying forest products therefore positioning Michigan as the number one state to grow an entrepreneurial forest products economy.

POLICY ACCOMPLISHMENTS

FOREST ROADS AND TRANSPORTATION

After several discussions between the forest products industry, county road associations, and State Sen. Tom Casperson, R-Escanaba, MFPC was able to aid Casperson in introducing Senate Bills 706-708 in January 2016. These bills would prohibit local units of government from requiring a special permit for certain vehicles transporting forest products under certain circumstances. The bills were approved in January 2017 and became law in April 2017.

In May of 2017, the second installment of the roads bill was introduced by Senator Casperson. SB 396 would impose under certain circumstances and make revisions under others, a bond requirement for certain vehicles transporting forest products.

BEST MANAGEMENT PRACTICES (BMP)

In an effort to determine implementation of BMPs in the state of Michigan, MFPC, with support and funding issued by MDARD, completed the second phase of statewide forestry BMP analysis in 2016. Previous efforts occurred in 2015 to evaluate BMP implementation in Region 1 – Western U.P. and found a 95 percent compliance (+/- 3 percent).

The 2016 BMP Monitoring Project effort concluded a statewide evaluation that improved upon the previous year's efforts. The effort in 2015 included 99 sites and the effort in 2016 included 200 sites. The 2016 study found that the guidelines were applied correctly 97 percent of the time in Region 2 – Eastern U.P. and 96.1 percent of the time in Region 3 – Lower Peninsula (+/- 3 percent).

In summary, the results of the study found a high level of conformance with the current BMP guidelines; exceeding 97 percent for all three regions (+/- 3 percent).

ENERGY

The final session day of the 98th Legislature concluded with passage of the legislation that dominated the 2015-16 term – a wide-ranging rewrite of the state's energy laws. Among the major changes to how the state regulates energy under the legislation: a revised system for how the state considers requests for construction of new power plants, how customer choice is managed and increasing the percentage of electricity that must be generated from renewable sources.

Passed by the Legislature on Dec. 15, 2016, and signed by Governor Snyder on Dec. 21, 2016, the new statutes allow for a quicker review of utility rate cases, require electric providers to prove they have enough resources to serve customer needs, preserve electric choice, increase to 15 percent by 2021 the amount of power produced from renewable resources, encourage utilities to set up green pricing programs, support energy waste reduction, allow for on-bill financing of home improvement projects, and maintain net metering options.



**THE U.S. GROWS
MORE TREES THAN
IT HARVESTS. THERE
ARE 20% MORE TREES
IN THE U.S. NOW THAN
THERE WERE IN 1970.**

CERTIFICATION UPDATES

SFI

Twelve primary members of the Michigan SFI® Implementation Committee (IC) oversee over five million acres in Michigan. The state implementation committee was first organized in 1995 and has been working to make a positive difference in Michigan's vast forests ever since.

In 2016, the Michigan SFI Implementation Committee trained 1,211 individuals in continuing education classes and an additional 128 individuals met their CORE qualification. The committee also finalized their 48-page Landowner Guide and has distributed over 1,000 copies to private landowners across Michigan. The guide is an all-encompassing manual for private forest landowners to help them properly manage their land and includes contact information for experts available to help them with that task.

TREE FARM

The American Tree Farm System celebrated its 75th anniversary in 2016. Tree Farm was started in 1941 in Montesano, Washington by the Weyerhaeuser forest products company to showcase good forest management on private forest land. The American Tree Farm System, now administered by the American Forest Foundation, operates in 44 states and is the premier forest conservation organization for family forest landowners in the United States.

This year the committee partnered with Michigan Project Learning Tree to create "Wheels to Woods" to provide transportation funding to schools to go on an educational field trip to a nearby public or private forest. Wheels to Woods awarded \$31,344 for 92 trips in 2016 that impacted 8,279 people – 6,820 students, 304 teachers, 81 outdoor educators and 1,074 parents.



FINANCIALS

REVENUE

Membership	\$ 578,046
Other	\$ 109,306
TOTAL	\$ 687,352

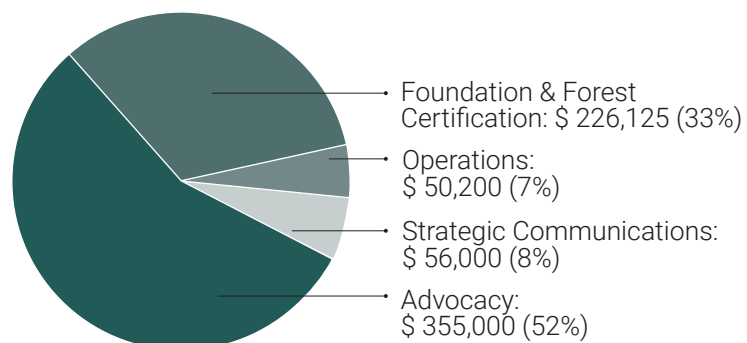
OPERATING EXPENSES

General and Administrative	\$ 51,000
Program	\$ 636,352
TOTAL	\$ 687,352

CHANGE IN NET ASSETS

Net Assets Beginning of the Year	\$ 175,000
Net Assets End of the Year	\$ 134,000
TOTAL	(\$ 41,000)

2016 EXPENDITURES





**PROTECTING, PROMOTING AND
SUSTAINING MICHIGAN'S
FOREST ECONOMY**

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