New Forest Economy Presentation

March 24, 2017
About $1 out of every $20 of Maine’s GDP and about one out of 24 jobs in Maine are associated with the forest product industry, according to 2016 UMaine research.
Final Output by Each FPI sector 2014

- **Pulp and Paper Products**: 44%
- **Harvesting**: 5%
- **Biomass Electricity**: 1%
- **Sawmills**: 7%
- **Plywood and Veneer**: 2%
- **Wood Products**: 3%
- **Machinery Lease and Repair**: 1%
- **Transportation**: 2%
- **Land Lease**: 2%
- **Research**: 0%
- **Housing Construction**: 0%
- **Regeneration and Management (incl MFS)**: 1%
- **Wood Furniture**: 1%
- **All Other Sectors**: 31%

$9.8B

Source: University of Maine
A major shift in wood markets has occurred!
## Economic contributions of Maine's Forest Economy

<table>
<thead>
<tr>
<th>Economic impact</th>
<th>2011*</th>
<th>2014</th>
<th>% Change</th>
<th>2016**</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total impact</td>
<td>$8.5 billion</td>
<td>$9.8 billion</td>
<td>15%</td>
<td>$8.5 billion</td>
<td>-13%</td>
</tr>
<tr>
<td>Total payroll</td>
<td>$2.0 billion</td>
<td>$2.1 billion</td>
<td>5%</td>
<td>$1.8 billion</td>
<td>-12%</td>
</tr>
<tr>
<td>Direct jobs</td>
<td>17,075</td>
<td>16,551</td>
<td>-3%</td>
<td>14,563</td>
<td>-12%</td>
</tr>
<tr>
<td>Total jobs</td>
<td>38,789</td>
<td>38,956</td>
<td>0%</td>
<td>33,538</td>
<td>-14%</td>
</tr>
</tbody>
</table>

*2014 dollars. ** 2016 dollars.

Source: Economic Contribution of Maine's forest products industry 2014 and 2016 (estimated)
Maine in-state processing by product

**Expected Market Loss 2016 - MFPC**

- Biomass est. loss: 12%
- Biomass: 8%
- Pellets: 3%
- Softwood sawlogs: 32%
- Hardwood sawlogs: 16%
- Softwood pulpwood: 8%
- Hardwood pulpwood: 32%
- Hardwood pulpwood est. loss: 3%
- Softwood pulpwood est. loss: 10%
- Softwood pulpwood est. loss: 8%
**MISSED OPPORTUNITIES**

- Canadian industry asks for $200 million investment to develop game-changing products

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**FOREST SECTOR SEeks FEDERAL PARTNERSHIP TO SUPPORT INNOVATION, JOBS & ENVIRONMENT**

The Canadian forest products industry is asking for a formal partnership with the federal government to further the sector’s ongoing

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**Ensyn breaks ground on new 10 million gallon advanced biofuels project in Quebec**

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**LP locating in Minnesota**

Louisiana-Pacific has purchased a shuttered board-making plant near Cook and is eyeing the site for a possible siding plant there, instead of in Hoyt Lakes.

LP officials Friday confirmed reports that they had purchased the former Ainsworth waferboard plant along U.S. Highway 53 near Cook. The company has been renting the site as a "laydown" site to store wood for its Two Harbors and Hayward plants.

Company spokesman Mark Morrison said LP is now considering the Cook site for a new siding plant instead of the proposed Hoyt Lakes site.

The News Tribune first reported in June that LP was ready to use state and Iron Range Resources and Rehabilitation Board incentives to build an all-new siding facility at a Hoyt Lakes industrial park. The new facility would produce LP’s hot-selling SmartSide composite wood exterior home siding product.

While Minnesota officials have known they are competing against other possible sites in the U.S. and Canada, LP confirmed Friday by saying it had swapped board plants in Canada with another company. LP is swapping ownership of its Chambord, Quebec, mill for Norbord’s Val-d’Or, Quebec, mill, which now is in the running for the new siding plant.

As part of the deal, Norbord, which held a covenant over the deed of the Cook plant, has agreed to drop a noncompete clause that previously prevented any buyer of the property from opening any kind of wood products plant there.

"Once that covenant was dropped, it opened the door for Cook, which they had been looking at before Hoyt Lakes," said Mark Phillips, IRRRB commissioner.

Phillips said LP now is focusing on Cook for the new siding plant and its potential 250 jobs.
Maine needs its own roadmap for forest products
Economic Development Assessment Team (EDAT)
Maine Forest Economy Growth Initiative

- Patrick Strauch, Maine Forest Products Council, Co-Chair
- Yellow Light Breen, Maine Development Foundation, Co-Chair
- Donna Cassese, SAPPi North America
- Tom Doak, Maine Woodland Owners
- Dana Doran, Professional Logging Contractors (PLC) of Maine
- Steve Schley, Pingree Associates
- Charlotte Mace, Biobased Maine
- Stephen Shaler, University of Maine
- Jake Ward, University of Maine
- Peggy Daigle, former Town Manager/Consultant
- Andy Hamilton, Eaton Peabody Attorneys at Law
- Charlie Spies, CEI Capital Management
Maine Forest Economy Growth Initiative

Recommendations to Strengthen and Diversify Maine’s Forest Industry and Rural Economies

December 2016
We envision a thriving and diverse forest products industry that provides good jobs in vibrant rural Maine communities.

Goal 1. Sustain Maine’s existing forest products businesses

Goal 2. Attract capital investments and develop greater economic prosperity in the forest products sector across the State for both existing and new businesses

Goal 3. Support the revitalization of Maine’s rural communities as places where people want to live, work and visit.
9 Priorities

A. Conduct a global market assessment to assess future demand for Maine wood products.

B. Conduct a statewide wood supply analysis to attract new markets.

C. Conduct a transportation analysis to determine where infrastructure improvements are necessary to increase profitability for the forest products value chain.

D. Support and grow markets for low-value, underutilized wood and biomass utilizing Combined Heat and Power (CHP) biomass plants, micro-grids, and modern thermal systems.

E. Invest in the research, development, and commercialization of emerging wood technologies such as forest bioproducts as an opportunity for the utilization of low value fiber.

F. Support small landowners who want to grow and harvest more wood.

G. Invest in logger and forest products workforce development.

H. Redevelop and reutilize or repurpose Maine’s closed mill industrial sites.

I. Diversify and strengthen Maine’s rural economy.
Maine Forest Industry Roadmap

<table>
<thead>
<tr>
<th>Global market assessment</th>
<th>Benchmark states and countries</th>
<th>SWOT analysis (strengths, weaknesses, opportunities and threats)</th>
<th>Forest modeling: Phase I &amp; II – Availability of fiber</th>
<th>Transportation study</th>
</tr>
</thead>
</table>

**INTEGRATED PLAN:** Synthesizing results from the previous stages into a comprehensive and achievable vision for Maine’s forest sector.

**MARKETING PLAN:** Informs potential investors about the business resources and manufacturing site options that might fit their objectives is to be included.
Researchers, $1M in grants to help Maine recover from ‘natural disaster’ of mill closures

Matt Erskine, a U.S. deputy assistant secretary of commerce for economic development, discusses how the federal government will help the state's $8.5 billion forest products industry determine its future during a press conference on Jan. 18 at the American Forest Management wood yard in Passadumkeag.
Roadmap and Vision for Maine’s Forest Sector

Executive Committee

8 industry representatives, 4 industry associations (MFPC, Biobased Maine, MWO, PLC) and University of Maine with DECD and Maine Forest Service as advisory members

Roadmap Advisory Group

40–60 people, including at least 2 each from landowners, pulp and paper, sawmills, logging and trucking, biomass/wood energy, also University of Maine, Governor’s office, legislators, MTI, MITC

Global Market and Benchmarking Subcommittee
Donna Cassese, SAPPI
Charlotte Mace, Biobased Maine
Steve Schley, Pingree Assoc.
Peter DelGreco, Maine & Co.
Wade Merritt, MITC
Martha Bentley, MTI
DECD - TBD
Bob Hirsh, Global leadership perspective
John Heald, Global leadership perspective

Wood Fiber Availability Subcommittee
Aaron Weiskettle, U Maine
Peter Triandafillou, Huber Resources
Tom Doak, MWO
MFS
USFS
Others TBD

Subsector Analysis Subcommittee
Aaron Weiskettle, U Maine
Patrick Strauch, MFPC
Others TBD

Transportation Subcommittee
Dana Doran, PLC
Tom Doak, MWO
MDOT
Scott Madden
Others TBD

CHP Subcommittee
Bob Linkletter
Jim Robbins Sr.
Dana Doran, PLC
Others TBD

Emerging Technologies Subcommittee
Steve Schley
Jake Ward, U Maine
Steve Shaler, U Maine
Charlotte Mace, Biobased Maine
Alden Robbins
Others TBD

Marketing Plan Subcommittee

Executive Committee = Integration Subcommittee
Roadmap Structure

• Executive committee (12 people plus advisory)
  • Overall management of the process
  • Efficient decision making

• Roadmap advisory committee (40-60 people)
  • Buy in and support by a broad spectrum including but not limited to industry

• Subcommittees (8-10 people each)
  • Ensure right questions are being asked
  • Solicit and select consultants
  • Monitor work progress and provide feedback
9 Priorities

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F. Support small landowners who want to grow and harvest more wood.

G. Invest in logger and forest products workforce development.

H. Redevelop and repurpose Maine’s closed mill industrial sites.

I. Diversify and strengthen Maine’s rural economy.
Priority I. Diversify and strengthen Maine’s rural economy.

- Provide small business assistance
- Invest in community infrastructure
- Expand broadband
- Support rural destination tourism development

Priority H. Redevelop and reutilize or repurpose Maine’s closed mill industrial sites.

- Conduct an asset analysis
- Support community’s vision for the future
- Establish capacity to assist with clean-up and redevelopment
- Co-locate manufacturing with Combined Heat and Power (CHP) where appropriate