

WFPA Welcomes New Members

WFPA is pleased to welcome five members to WFPA during 2013, including Conservation Forestry Partners, LP, Fruit Growers Supply Company, Grandy Lake Forest, North Cascades Timberlands, LLC, and PB Lumber, LP. We are grateful to both our new and our long-standing members, recognizing that WFPA is a stronger, more effective advocacy organization for the industry when we are united.

Maintaining Forest Health

The Animal Damage Control Program (ADCP) has been affiliated with the Washington Forest Protection Association since 1959, but has an independent budget and membership. ADCP represents 3.3 million acres and 28 private, and governmental forest landowners in Washington and Oregon. The program supports its members in the field, organizes research including monitoring and surveying, and protects forests from excessive wildlife damage, by reestablishing and maintaining forest health. Working in close cooperation with the state Department of Fish and Wildlife and Wildlife Commission, the ADCP seeks to maintain excellent working relationships on behalf of its members.

Forestry Education in the Classroom

WFPA members support the affiliated, charitable organization, Pacific Education Institute (PEI), delivering high-quality environmental education and setting standards in Washington schools. Over the 2012-2013 school year, PEI provided direct teacher training to 393 teachers, who involved 10,200 students in natural resource, agriculture and forestry projects. PEI also provided a special Project Learning Tree train-the-trainers retreat for 25 educators from conservation districts, outdoor learning centers, and school districts. These PLT-trained educators now expand our annual reach by 500 teachers through their regional PLT workshops.



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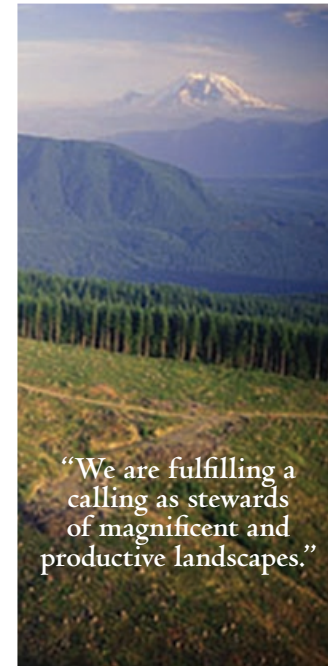
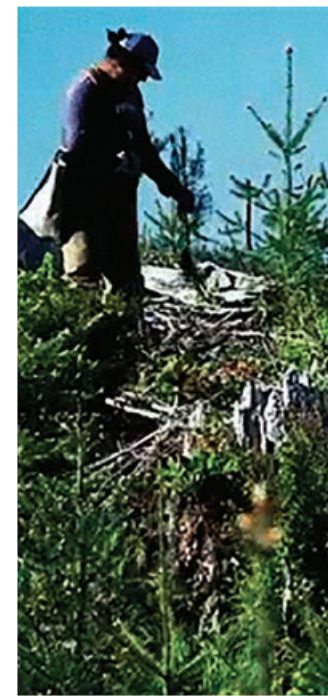
WFPA Members

- Barker Tree Farm - Woods Trust
- Bascom Pacific, LLC
- Bloedel Timberlands Development
- Broughton Lumber Company
- Conservation Forestry Partners, LP
- Fruit Growers Supply Co.
- GMO Renewable Resources, LLC
- Grandy Lake Forest
- Green Crow
- Green Diamond Resource Company
- Hampton Resources, Inc.
- Hancock Forest Management, Inc.
- Hanson, Gary
- Hanson, Nels
- Hess, Phil
- JLCG, LLC
- Menasha Forest Products Corporation
- Elisabeth Miller Botanical Garden Trust
- Pendleton and Elisabeth Miller Charitable Foundation
- Miller, Ken & Bonnie
- Munro, LLC
- NBGC, LLC
- North Cascades Timberland, LLC
- Olympic Resource Management
- O'Neill Pine Company
- Pacific Denkmann - Pilchuck Tree Farm
- Pacific Forest Management, Inc.
- Pacific West Timber Company, LLC
- PB Lumber L.P.
- Penguin Forests
- Plas Newydd LLC

- Port Blakely Tree Farms
- Powers Jr., Francis J.
- Rayonier
- RD Merrill Co
- Ring Family Limited Partnership
- Seefeld Corporation
- Sheldon Properties
- Stevenson Land Company
- Stewart Tree Farms
- Stimson Lumber Company
- TC&I Chinook, LLC
- Two Cats Timber
- Vaagen Brothers Lumber
- Wallace Falls / Springboard
- West Fork Timber Company
- Weyerhaeuser Company
- Wilcox Farms, Inc.
- Williamson, Maurice

WFPA Centenarians

- Menasha Forest Products Corp., 1849
- *Olympic Resource Management (Pope & Talbot), 1849
- Stimson Lumber Co., 1850
- *Port Blakely Tree Farms, 1864
- *Merrill & Ring, 1886
- *Green Diamond Resource Co., (S.G. Simpson Co.) 1890
- *Weyerhaeuser, 1900
- Wilcox Farms Inc., 1909
- Murray Pacific Corp./ West Fork Logging, 1911
- *WFPA member for 100 years or more.



From the Executive Director: Mark L. Doumit



As the country faces an increasing level of political partisanship, we witness negotiation and compromise falling wayside to gridlock and shutdown. It reminds us of the importance of maintaining balance in our negotiations, collaborating, and seeking solutions. The 2013 legislative session was one of the longest in our state's history. Political antics, a threatened government shut-down, and takeover of the Senate by a coalition of two Democrats joining with the Republicans to give a one-vote majority, provided an interesting backdrop and more political balance to the newly-elected Governor Inslee administration. WFPA effectively stayed out of the line of fire, as we went about accomplishing our goals, with no new taxes or fees imposed on the industry. We established a Logger Safety Initiative in collaboration with the Washington Contract Loggers Association, the state Departments of Labor & Industries (L&I) and Natural Resources, the Governor's Office and private logging companies. Rulemaking for integrating the hydraulic code into forest practices rules, thereby streamlining the forest practices permitting process,

was completed ahead of the Dec. 31, 2013 schedule. We implemented the agreed-upon commitments in the 2012 Settlement Agreement on the Forest Practices Habitat Conservation Plan through the rulemaking process. Progress was made on Clean Water Act Assurances, by adoption of the Type N Strategy through the Forests & Fish Policy Committee – another important step towards maintaining our federal assurances. WFPA was able to show key elected and state agency leaders forest practices in the field by hosting tours with member companies – the best way to demonstrate implementation of forest practices and our commitment to stewardship. We're also telling our story through broadcast and electronic media, an effective part of our strategy to earn credit and maintain public support for forest practices. Above all, we cannot do our work without our members' united commitment; we thank you for your continued participation, and support of the work we all do together.

Mark L. Doumit
Mark L. Doumit,
Executive Director, WFPA

From the President: Norm P. Schaaf, Merrill & Ring



One of the greatest challenges this year was our review of WFPA's organization, priorities, and budgets. This culminated with the consensus of our Board and members who affirmed the need for a unified front representing the industry in the public, policy and regulatory arenas. The members of WFPA continue to find strength in collective action, and now more than ever, feel the need to work together given the ever-changing face of forest land ownership and the political and social environment in which we operate. We updated the Working Forest Agenda to focus our efforts on policies that support the economic viability of working forests and reduce unnecessary regulatory costs and processes, while protecting fish and wildlife habitat and providing clean water from our forest lands. I am proud of the members and staff of the association, as they continue to deliver great value to the membership, during organizational transitions and uncertain political and economic times. It takes skilled professionals to maintain focus and make progress on our highest priorities, such as L&I rate reduction, regulatory streamlining, maintaining

public approval for our practices, reenergizing local government support, averting increases in taxes and fees, and developing partnerships with allied associations to support our business interests. Landowners continue to make progress on implementing the Forests & Fish RMAP program, with an investment of over \$167 million since 2001, improving 20,025 miles of roads and restoring nearly 3,300 miles of historic fish habitat. This is one of the great achievements in fish habitat restoration, and represents the timber industry's contribution to salmon recovery. We believe that working forests provide solutions to many of today's economic, environmental and social values, and will continue implementing modern, effective forest management practices. This is demonstrated throughout the report with quotes from our landowners. To all of the members and staff, thank you for your commitment and hard work on behalf of the industry.

Norm P. Schaaf
Norm P. Schaaf,
President, WFPA

“There is no better work than that of a forester.”

“We love the land.”

“A civilization flourishes when people plant trees under whose shade they will never sit.” – Greek Proverb

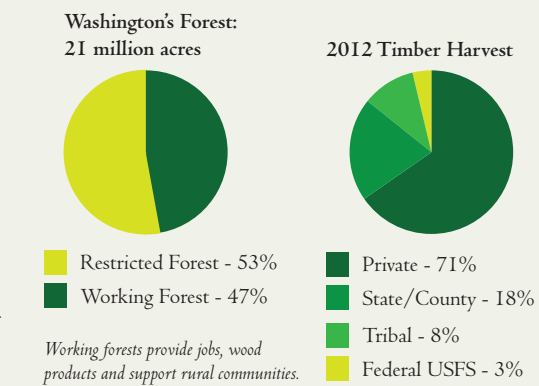
“It is from the great American forest that we built our cities, our transportation systems and the culture of sustainability.”

Working Forests as a Natural Solution

Forestry is an essential part of Washington's heritage and economy. Washington State remains the number two softwood lumber producing state in the nation. As one of the important wood baskets in the United States, jobs, renewable products, environmental values and strong environmental policy are all positive outcomes of maintaining the economic health of our working forests. With more than half of Washington's forests restricted from harvesting, our forests provide for a rich diversity of economic and environmental values across the landscape. Private lands are the primary economic engine, producing nearly 71% of the timber harvest in 2012. Washington is the most trade-dependent state in the nation, with well-developed global markets, but none is more important than our domestic housing and remodeling markets. As we inch towards 1 million U.S. housing starts, we are still at only two-thirds of the historic average of 1.5 million units. Things are certainly improving, but we are definitely not out of the woods in terms of economic recovery. It is more important than ever that additional costs and burdensome processes be removed

Forest Practices, Policy and Regulation: Reform through Negotiation, Streamlining and Voluntary Actions

WFPA successfully negotiated the **Forest Practices Habitat Conservation Plan Settlement Agreement** in 2012, avoiding threatened litigation, and implemented the agreed upon-commitments through rulemaking this year. These include: greater use of and tighter time limits on the dispute resolution process, an expanded Forest & Fish Policy Committee, and prioritization and acceleration of important CMER research. In 2012, 2ESSB 6406 required the Forest Practices Board to integrate the current hydraulic code rules into the forest practices rules. Ahead of the Dec. 31 2013 deadline, WFPA completed rulemaking and board manual updates for integrating the hydraulic code into forest practices rules, thereby streamlining the permit process. A **Clean Water Act Assurance milestone** was met this year, with the Forests & Fish Policy Committee approving the Type N Strategy – another step in maintaining federal assurances. Addressing another high priority issue identified by our members, WFPA collaborated with the state Departments of Labor & Industries and Natural Resources, Governor's Office, Washington

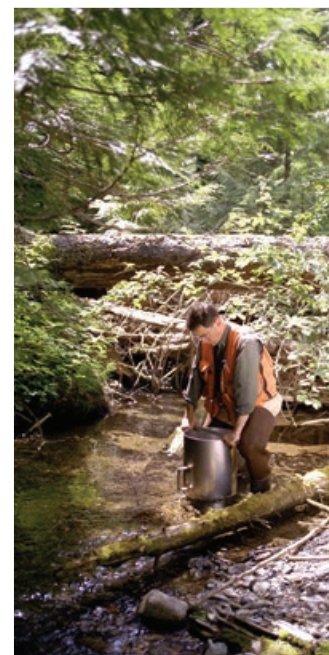


from growing timber, and that forestry is recognized for the many benefits that it provides. As society wrestles with issues such as regulating carbon emissions, investing in renewable resources, reducing its ecological footprint in the built environment, and sustaining and creating family-wage jobs, working forests are a natural part of the solution to these issues. Working forests can provide value to society in perpetuity; society can support this value by recognizing and encouraging landowners to make long-term investments in working forests.

Contract Loggers Association and private logging companies to address extremely high Labor & Industries (L&I) workers compensation rates by implementing a **Logger Safety Initiative (LSI)**. Major accomplishments include: development of safety training curriculum, hosting of logging industry workshops, and securing state funding for the LSI through ESSB 5744. WFPA seeks solutions on behalf of its members through negotiation, collaboration and encouragement of voluntary actions. We continue to press for voluntary actions through the **Northern Spotted Owl Implementation Team**, and have successfully avoided additional regulations for the **gray wolf** by working with Washington Department of Fish and Wildlife's Western Wildlife Group. Landowners avoided new regulations through recognition of their voluntary measures by the Forest Practices Board for the **western gray squirrel**, and the **Taylor's checkerspot butterfly**, and demonstrated their process for identifying **Rule Identified Landforms**, areas with the greatest risk of landslides, in order to avoid timber harvest in those areas.



“The forest is a treasure and the private industry provides for the sustainability of the forest in a fashion that benefits the people and all the resources.”



Legislative Success

The 2013 legislative session was one of the longest in history, lasting nearly six months, and dominated by disagreement over funding the state operating budget. Making matters more challenging, the state Supreme Court opened the way for lawmakers to increase taxes with a simple majority vote instead of a two-thirds vote. Fortunately, late last year after the 2012 elections, two centrist Democratic senators joined their Republican counterparts, forming the Majority Coalition Caucus (MCC) by creating a one-vote majority in the Senate. Democrats have held the majority in the House since 2003 and in the Senate since 2005, in addition to having won every gubernatorial campaign since 1984. The MCC helped to create balance in the budget deliberations, and prevent significant general tax increases. WFPA strategically worked to stay out of the line of fire and prevent increased costs to the industry.

Proposals were being considered by lawmakers that would have directly impacted our industry, including:

- Repealing the tax exemption for extracted fuel use.
- Establishing a capital gains/income tax that would have disproportionately affected our members.
- Increasing our B&O tax rate.

Ultimately, these proposals did not move forward, thanks to the hard work of WFPA, our members, and our great lobby team.

Other industry successes included:

- Passage of SB 5882 extending the hog fuel and forest derived biomass tax exemption due to expire July 1, 2013.
- Negotiating a budget proviso of \$840,000 to help fund the work of the Logger Safety Initiative.
- A significantly higher level of funding (almost \$40 million for the biennium) for DNR fire suppression.
- Continued funding for CINTRAFOR (\$104,000).
- Directives to the University of Washington to develop an SAF-accredited four-year undergraduate forestry program, and Washington State University to establish an accredited forestry program – an outcome of our meetings with legislators to talk about the need for this level of education.
- No funding reduction in DNR's Forest Practices Program.

Capital Budget funding for programs, although not as much as desired, including:

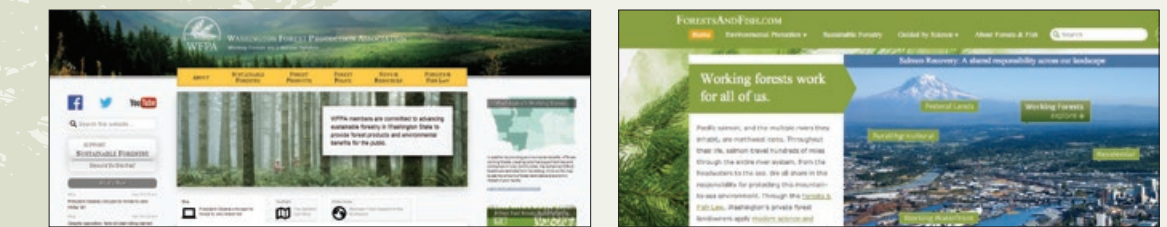
- o \$2 million for Forestry Riparian Easement Program.
- o \$500,000 for Rivers and Habitat Open Space Program.
- o \$2 million for Family Forest Fish Passage Program.
- o \$4 million for forest health hazard reduction treatments of state, federal and private lands.
- o \$65 million for Washington Wildlife and Recreational Program.

“Our biggest opportunity for the future is to help the public understand how the forest grows and how it is managed for sustainability.”

Public Support for Forestry

Both Ways: Environment & Economy Forests & Fish Law Messaging. To gain recognition for the tremendous environmental investment that private landowners make, WFPA's communications remain focused on implementation of the Forests & Fish Law. By communicating about the public benefits of this investment, we are able to maintain support for present-day forest practices. Voters who recall WFPA TV ads are more likely to approve of the forest products industry's actions than voters who did not see the ads, demonstrating the positive results of our efforts. Notably, voter approval of forest products companies' actions also improves after hearing that “with the Forests and Fish Law, private forest landowners are helping to protect water quality in streams on their land.” Our research shows that the public highly values clean water, fish and wildlife habitat, and clean air. Voters continue to show confidence in private forest landowners' efforts to protect water quality, fish habitat and the environment.

To provide a visual tool, the www.forestsandfish.com website, which had nearly 7,000 visitors this year, was updated with a mountains-to-sound landscape. This graphic demonstrates that working forests are only part, not all, of the landscape, and because we are all connected, other land users must do their fair share for salmon recovery and protection of clean water. Utilizing digital media, WFPA launched



www.workingforests.org, which displays the economic impact of the forest products industry by county. Additionally, the amount of forest that is effectively set-aside vs. working is displayed for each county, helping demonstrate the cumulative impact of forest regulations and other classifications of forests in a non-working category. With over 36,000 unique visitors this past year, led by Seattle, Olympia, Portland, and Tacoma areas, the WFPA website, www.wfpa.org will continue to serve as the portal for information about the industry. Given a fresh look this year, our webpage provides linkage to other targeted WFPA communication tools, including the weekly blog – One Voice for Working Forests, and the WA Working Forests Facebook site, which has generated more than 3,500 people who have “liked” the page.

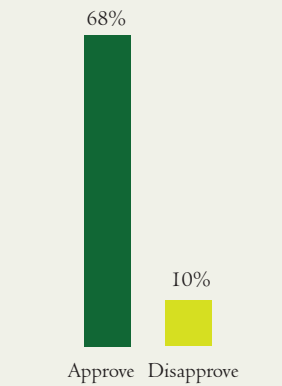
Partnerships

WFPA's success is built upon partnering with allied associations, state and federal agencies, developing champions among elected officials, and collaborating with like-interest groups. We welcome the continued participation of the **Washington Farm Forestry Association** on WFPA's Board, and look forward to working with their new leadership. We're proud of our allied work with the **Washington Contract Loggers Association** on LSI, and the **Association of Washington Business** on averting new business tax increases.

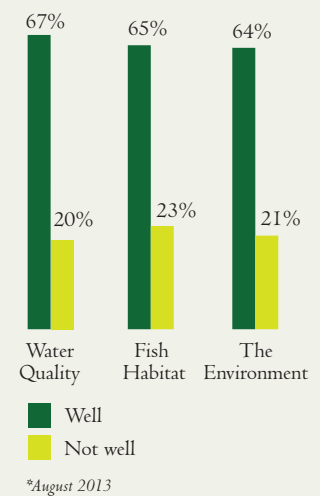
We worked strategically with the **Oregon Forest Industries Council** and **National Alliance of Forest Owners** on roads litigation and support for Farm Bill language as well as HR 254I to reinstate the Silvicultural Rule. We support the **NW Pulp and Paper Association** on Clean Water Act issues and work with the **American Forest Resources Council** on a variety of forestry issues. We are glad to see members participating in the signage program kicked off by WFPA in conjunction with the **Washington Tree Farm**

Program. We also want to thank our member company committee chairs: Jeffrey Morgan (Port Blakely – Forest Tax), Toby Murray (Murray Pacific – Public Information), Galen Schuler (Green Diamond – Legal), Duane Evans (Port Blakely – Forest Policy), Anthony Chavez (Weyerhaeuser – Governmental Relations), Paul Wing (Green Diamond – Benefits), and Mike Mosman (Port Blakely – Environmental Education), for their investment of time and energy in leading and addressing industry issues.

After hearing about the Forests & Fish Law, approval of forest products companies' actions increases*



Private forest landowners protect water quality, fish habitats, and the environment*



“Even if the world were to end tomorrow, I would plant a tree today.”

“From the forest worker to the CEO, the forest is the connection we all have in common.”

“Everyone I know truly cares about the forestland in ways that exceed the concerns voiced by our detractors.”