

Washington Forest Protection Association

ANNUAL REPORT TO MEMBERS • OCTOBER 27, 2005



Steve Tveit

President
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PRESIDENT'S REPORT Steve Tveit, Vaagen Brothers Lumber Company

This year is a turning point for the forest products industry in the state of Washington. As economic conditions continue to be strong, our industry is setting new records for lumber production and expanded mill capacity. 2005 will represent the highest level of lumber production since the 1930s. Washington and Oregon continue to supply about one-third of the nation's softwood lumber, and new investment in more efficient mills will increase production capacity by more than a billion board feet in Washington. Some manufacturers are hailing Washington as "the timber basket of the Northwest" and the outlook is good for this trend to continue. This year we've also seen some of the worst natural disasters, with two major hurricanes hitting the southern U.S. We've seen an unprecedented outpouring of private-sector support to help rebuild families and lives. Washington forest landowners will bear their share of responsibility to help rebuild

homes and communities. There is another reason that we should mark the year as a turning point: After a decade of work by the timber industry and other stakeholders, the state of Washington submitted an application for a 50-year Habitat Conservation Plan (HCP) for our state forest practices system. The plan will set a precedent for the largest, multi-species HCP in the country, covering both the public and private sectors. The goal of achieving regulatory predictability is near, which only serves to attract more investment into forestry. The most important aspect of the HCP is that we are able to continue producing the wood products important to our state and nation, in light of the most restrictive environmental protection standards in the country. I am proud to be leading WFPA through these milestones and at this turning point, and look forward to the continued success of Washington's forest products industry.



Bill Wilkerson

Executive Director
Bill Wilkerson

EXECUTIVE DIRECTOR'S REPORT Bill Wilkerson

This year was pivotal for the forest landowners in Washington. We are beginning to see the fruits of our efforts in a variety of ways. First: environmental stewardship. Washington's forest practices system is currently being examined by the federal government to determine whether the improved protections of the Forests & Fish Law (for salmon habitat and water quality) meet the federal standard for receiving a 50-year Habitat Conservation Plan. The first of its kind in the nation, this multi-species HCP will bring a science-based and predictable process to Washington's forest regulatory system. Secondly: sustainable forestry. Most of the large landowners in Washington, including the state trust lands, have voluntarily enrolled in the Sustainable Forestry

Initiative (SFI). In addition, many family forest landowners participate in the American Tree Farm System (ATFS). Both of these are sustainable forestry programs. Nationally, the SFI program includes more than 150 million acres in North America, of which 129 million are independently third-party certified and follow standards that support the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil and water quality. Nationally, the ATFS has 33 million acres of privately owned forest land and 51,000 family forest owners who are committed to excellence in forest stewardship. Third: we're seeing major capital investment in the forest products sector. After recovering from 2003, which brought the

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lowest timber harvest levels since the Great Depression, the harvest in Washington modestly improved this past year. At just under four billion board feet, this is currently about half of the peak harvest level of 1973. Much of this decline has been brought about by harvest restrictions put in place to protect forest habitat. Nearly all of the harvest comes from non-federal lands, and the majority from WFPA members. Because of increased efficiencies, Washington's milling sector is now posting some of the highest levels of lumber output since the 1930s. This is in part due to a reduction in log exports (making more logs from state and private forests available to domestic producers), and primarily due to capital investment, resulting in major productivity improvements made to existing mills and new sawmills coming on line. As sawmill efficiency continues to improve, the number of usable products from each log increases. Despite some of the toughest environmental laws in the country, Washington has the largest available timber base among the western states. We continue to grow more trees than are harvested, and according to the University of Washington, current and projected harvest levels are sustainable well into the future. With its science-based environmental policies and milling efficiencies, Washington is in a good position to meet strong demand for our renewable forest products.

ADAPTIVE MANAGEMENT

One of the major provisions of the Forest Practices HCP is the Adaptive Management Program.

This is a process whereby scientific studies analyze the effectiveness of forest practices on the ground, and a critical component of the HCP. The results of studies are now shaping forestry regulations. Information developed by the Cooperative Monitoring, Evaluation & Research Committee (CMER) on the initiation point for non-fish-bearing streams is resulting in recommendations to change forest practices rules for identifying the initiation points. The proposed rule change is to eliminate the default in favor of field identification as described in the Forest Practices Board manual. The board has also begun scoping a rule and potential manual changes as a result of CMER's Desired Future Condition (DFC) study results. The study results concluded that DFC targets in the forest practices rules were low, and that actual stands will have a higher basal area than was predicted when the forest practices rules were passed in 2001.

WFPA continues to support DNR's effort to revise and complete board manuals for forest practices rules. After intensive work by WFPA and others, late this summer the board approved the Adaptive Management Manual and another manual that address small forest landowner alternate plans. DNR is currently working with stakeholders on revisions to Section 3, "Guidelines for Forest Roads."

FORESTS & FISH LAW

On behalf of the state, in a joint press conference earlier this year, Governor Gregoire and Commissioner of Public Lands Doug Sutherland submitted an application to the federal fisheries services for the Forest Practices Habitat Conservation Plan (HCP). The HCP is one of a kind because of its scope and collaborative development. The plan covers 60,000 miles of stream habitat running through 9.1 million acres of private and state forest land. Upon approval, the HCP will be a 50-year contract with the federal government assuring private forest landowners practicing forestry in Washington that their practices meet Endangered Species Act requirements for aquatic species. The HCP also requires adaptive management, which is the process of gathering and using the best peer-

reviewed scientific research available to improve forest management decisions and on-the-ground practices. So, as new information becomes available from adaptive management, rules can be changed. For landowners in Washington, this HCP will help provide regulatory certainty and long-term viability, while providing assurance to the public that forest landowners are managing their forests in a way that protects fish, wildlife, and water on private and state forest land in Washington.



Governor Gregoire, NMFS/NOAA NW Regional Director Bob Lohn, and Lands Commissioner Sutherland, February 9, 2005.

PUBLIC INFORMATION AND COMMUNICATIONS



WFPA's Public Information Program works to inform the public about improved forest practices, illustrated by legislation such as the Forests & Fish Law, and to increase acceptance of the forest products industry by gaining positive public opinion. WFPA seeks to communicate the good stewardship of its members through various activities, including advertising, direct mail, website updates, and the sponsorship of *Salmon Homecoming* and TVW's *Legislative Week in Review* broadcasts. Publications developed include *Forest Facts and Figures*, *FYI Wildlife Research Summary*, and the *Forests & Fish Update* newsletter.

WFPA created a new 30-second animated spot for 2005. "Bob's Daydream" continues the Association's focus on the Forests & Fish Law, which protects millions of trees and 60,000 miles of stream habitat that protects cool, clean water. The spot uses a combination of live-action footage and dreamlike animation to depict the positive relationship between a working forest and its natural inhabitants.

The 2005 communications program has contributed to an increase in net approval ratings from the outset of the advertising campaign. In particular, public opinion research continues to show higher approval ratings for private forest landowners, that the need for additional regulation of private forest land is not necessary, and that private forest landowners do a good job protecting fish and wildlife habitat.



TOSA participant Bryon Overton worked with research foresters to collect and analyze soil samples at the Weyerhaeuser Company in Aberdeen.

ENVIRONMENTAL EDUCATION

WFPA's Environmental Education Program is working with schools and communities to establish, maintain, and enhance long-term education programs that teach youth to use critical and creative thinking to make wise decisions about forests in the state of Washington. This year the program brought teachers from around the state together to learn more about teaching science in the context of an environmental issue.

Another part of the program is the Teachers on Summer Assignment (TOSA). TOSA allows teachers to work hands-on with forest product companies for six weeks during the summer. In 2005, nine teachers participated in the program and developed lessons to take back into the classrooms.

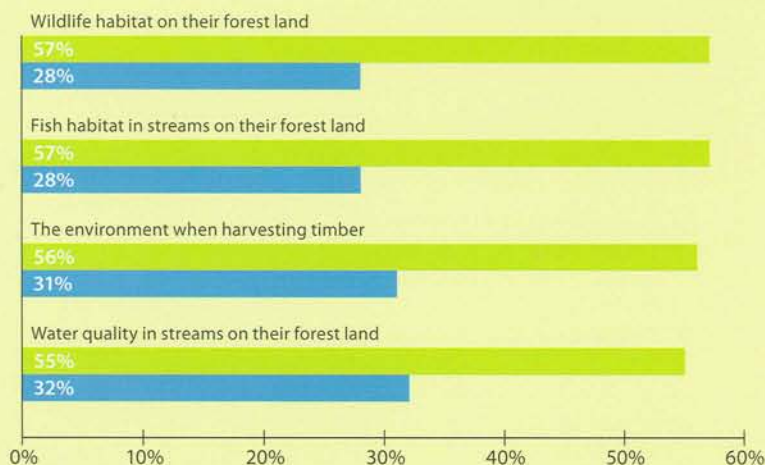
Project Learning Tree (PLT) is also a part of the Environmental Education Program. It offers students special lesson plans that have been correlated to the Washington State Essential Academic Learning Requirements. The goals of PLT are to stimulate critical and creative thinking about environmental issues, make informed decisions, and to teach responsible environmental action to students throughout Washington.

WFPA also supports and participates in the Pacific Education Institute (PEI)—a collaboration between educators and other stakeholders. PEI was founded in 2003 to help teachers provide every student with the tools needed to develop critical-thinking and problem-solving skills. The institute supports teachers who are working to incorporate environmental education into their curriculum. It serves as a center for understanding better how to bring environmental education into mainstream education, in order to inspire tomorrow's leaders.



"How well do you think private forest landowners protect..." (2005)

■ well ■ not well



ANIMAL DAMAGE CONTROL PROGRAM

The Animal Damage Control Program (ADCP) realigned its mission 13 years ago to focus on bear research and minimizing black bear damage to conifers. In collaboration with many different organizations and state agencies, the ADCP works to develop effective and socially acceptable damage-management tools. Research conducted over the last five years is now reaching scientific literature. Two papers have been finished. "Efficacy of Black Bear Supplemental Feeding to Reduce Conifer Damage in Western Washington" was published in the *Journal of Wildlife Management* in July of 2004, and a study on the cost effectiveness of the supplemental feeding program has been accepted for publication in the *Wildlife Society Bulletin* in early 2006. The ADCP continues to work with the Washington State Department of Fish and Wildlife to facilitate depredation permit processing through the Internet.

FOREST TAX

This year the Forest Tax & Economics Committee worked with family forest landowners and legislative staff to address landowner concerns with the new estate tax passed during the 2005 legislative session. The legislature also requested a report on the future of Washington forests. Funding in the amount of \$1 million was provided for the two-year Study of the Future of Washington Forests and Forestry Industries. This is an update of the studies that were conducted in the early 1990s, including the Timber Supply, Rate of Harvest and Conway (economic contributions) studies. The Forest Policy and Forest Tax & Economics committees will be working in conjunction with other WFA committees, along with member companies, to represent WFA interests as the studies go forward. The studies include:

Timber Supply Study—an update of the 1992 University of Washington Timber Supply Study.

Economic Contribution Study—providing an understanding of the role of the forest sector in the state economy under changing pressures.

Competitive Position Study—an analysis of Washington's changing competitive position with respect to other domestic and international suppliers.

Land Conversion Study—assessing the trends and dynamics contributing to forest land conversion.

State-Granted Lands Return on Investment Study—an assessment of the expected rate of return from trust-granted lands.

TREE FARM PROGRAM

The American Tree Farm System (ATFS) promotes the sustainable management of forests through education and outreach for private forest landowners. Each year they recognize an outstanding state and national tree farmer. The 2005 Washington State Tree Farmer of the Year title was awarded to John and Pat Malone in Leavenworth. The Malones' management of their farm to improve forest health and provide wildlife habitat was recognized by the ATFS as an example of superior stewardship. The Malones realize the basic definition of tree farming isn't enough. In their eyes, wildlife and water management was always an objective of successful forest management.

At the national level, Washington tree farmers Tom and Sherry Fox were recognized as the 2005 National Outstanding Tree Farmers of the Year. After having won the state and regional competition, the Fox tree farm became the third Washington farm to receive this prestigious national award since the program began in 1941. The family was recognized for their dedication to sustainable forestry and their respect for responsible forest management. In the last four years, Washington tree farmers have received three regional and two national outstanding tree farm awards—a testament to the high level of stewardship maintained in our state.



Tom and Sherry Fox were named the 2005 National Outstanding Tree Farmers of the Year.



John and Pat Malone were awarded with the 2005 State Tree Farmer of the Year title.



Managed forest landscape

FOREST MANAGEMENT

Wildlife issues have played a major role in 2005, especially news about the northern spotted owl. After a U.S. Fish and Wildlife Service review, the “threatened” status for the bird was reaffirmed. A Forest Practices Board review of state spotted owl rules drew a tentative agreement from stakeholders. The board later held a workshop on the status of spotted owls and threats to the species in Washington. From the workshop has come a renewed effort to forge a consensus on what additional measures, if any, the board should take to protect spotted owl habitat on state-regulated lands.

Following an unsuccessful attempt to gain consensus on implementing the permanent rule, the Forest Practices Board decided to extend the interim water-typing rules for another year. Progress was made when the updated water-type maps with model results were released this spring. Although these maps do not represent the regulatory water types, they are an improvement over earlier versions. WFPA continues to work with technical and policy stakeholders to implement the Forests & Fish Law agreement on water typing.

The Cooperative Monitoring, Evaluation & Research Committee (CMER) develops and implements on-the-ground monitoring and research projects for the Adaptive Management Program. So far, there have been 18 CMER research and rule guidance projects completed. Another 10 projects are currently underway and 7 more are in the active planning stage. This year marks a turning point for CMER. The work plan has matured to the point where the highest priorities have been identified, the participants are engaged, and major projects fully utilize budget capacity. Adaptive management is now guided by the board-approved Adaptive Management Board Manual, and CMER has a protocols and standards manual that will maintain technical consistency among projects. WFPA, with member support, continues to monitor all aspects of adaptive management, and will critically review each project and technical report to ensure that it meets the standards established by the Forest Practices Board.

GOVERNMENTAL RELATIONS

The 2005 legislative session produced some key wins for private forest landowners. In spite of Democratic control of both houses of the legislature and the Governor’s Office, full funding was achieved for Forests & Fish Law implementation, thereby proving to federal policy makers that the program enjoys strong bipartisan support in the state.

The legislature approved

- \$2.3 million Operating Budget funding for Forests & Fish Law commitments
- \$8 million Capital Budget funding for the Forest Riparian Easement Program
- \$4.2 million Capital Budget funding for the Family Forests Fish Passage Program
- \$1.5 million Capital Budget for the Riparian Open Space Program
- \$1 million Operating Budget funding for a report on the future of Washington forests

Governor Gregoire demonstrated this support shortly after her inauguration by praising the State Forest Practices Habitat Conservation Plan as she submitted it to the federal agencies. The session also provided an opportunity for the industry to assert itself in demanding full parity for Washington-produced forest products as part of the High Performance Green Building legislation. In addition, a number of troublesome proposals were either amended to our satisfaction or killed in committee.

Other entities also sought our help in pursuing their legislative agendas. First-time legislator Dean Takko offered a key amendment assuring Forests & Fish Law funding. It was passed and amended by the legislature.

“(The) state appropriation for fiscal year 2006 and...2007 are provided solely to fulfill compliance monitoring commitments expressed in the Forests & Fish report and to maintain the involvement of technical experts in its implementation.”

—Amendment to House budget offered by Dean Takko (Democrat, Longview)

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Washington Forest Protection Association

We're managing private forests so they work for all of us.®