



# ANNUAL REPORT 2011

WASHINGTON FOREST PROTECTION ASSOCIATION

NOVEMBER 16, 2011



## Douglas-fir

*Pseudotsuga menziesii*

Coast Douglas-fir is one of the world's best timber producers, yielding more timber than any other tree in North America.



## Ponderosa Pine

*Pinus ponderosa*

The annual production of ponderosa pine is ranked third behind Douglas-fir and hem-fir.



## LeMay Car Museum

Tacoma, WA

Building with wood has benefits beyond the forest. The manufacturing process for wood products uses less energy and produces far less air and water pollution than processes for alternatives like steel and concrete.

## From the Executive Director: Mark L. Doumit



The forestry business is now mid-stream one of the most difficult economic and political times in its long-term history. However, there are bright spots in the economy and in the political arena as the public and policy makers recognize that balance and stability are keys to the long-term success of the industry, and its importance as an economic engine for our state. Voters are clamoring for balance and a focus on fundamentals – jobs and the economy. We saw a moderation of the political landscape, with the 2010 mid-term elections closing the widest partisan political divide in modern history with a single party in control. Our state continues to face challenges in balancing its budget, with the prospect of a \$2 billion shortfall and special legislative session later this year. Pressure to cut spending will be met with pressure to raise revenues. WFPA is well versed in counteracting this pressure. During the 2011 legislative session, WFPA, business organizations and local government formed a coalition with one tenet in mind – no tax or fee increases without cost reductions through agency streamlining. We were successful with this approach. Challenges to our industry also came from the national level, from federal agencies and the federal courts. WFPA worked in conjunction with our partner trade associations in Oregon, California and nationally to defer the Environmental Protection Agency's (EPA) treatment of woody biomass under the same emission standards as fossil fuels. Our efforts also resulted in reaffirming that federal lands are the backbone for Northern Spotted Owl recovery, and additional conservation from private land will result only through voluntary, incentive-based mechanisms. We also worked together to request the Supreme Court's review of the Ninth Circuit's decision to overturn the Environmental Protection Agency's (EPA) thirty-five year old rule treating forest roads as a non-point activity. We've built solid bipartisan Congressional support to reinstate this rule through legislation. Additionally, 26 states' Attorney Generals have petitioned the Supreme Court to review the case. WFPA continues to fight hard for the interests of private forest landowners, maintaining a strong voice for balanced policies and responsible forestry in the public, regulatory and legislative arenas. We are grateful for your continued support of our efforts.

Mark L. Doumit – Executive Director

## From the President: David L. Nunes, Olympic Resource Management



The primary challenge for the forest industry is staying competitive in a global economy. Our ability to compete in traditional and emerging markets is the key factor for continuing to practice sustainable forestry. The U.S. may have hit the recession's bottom, but recovery will continue to be slow, as will the return of the housing market. Though the U.S. housing market remains at its lowest level in history, increased log and lumber exports to China have provided the industry an important relief valve. This has allowed landowners to realize some of the sustainable harvest they deferred in 2009, when overall harvest was the lowest level in the last century. While the economy and our downstream customers are still struggling, landowners will continue to take a long-term view of forestry, as an investment today will not return value for 35-60 years. This is why it is imperative that state forest policies maintain a level of stability and certainty, so that landowners can continue to have confidence to make investments in their lands. WFPA's central focus is to work with natural resource agencies and the legislature to assure a level of regulatory stability well into the future. In addition, WFPA continues to be proactive in its approach to policies and measures that support development of new markets to increase the value of private forestland assets. WFPA is actively encouraging conservation markets, laying groundwork for mitigation banking and funding, and working to ensure that landowners receive the full market value of their assets during the conservation appraisal process. I remain optimistic about the future because of the demonstrated ability of landowners to persist and create opportunities in the face of challenges. It is my pleasure serving as President of WFPA.

David L. Nunes – President, WFPA



Private forest landowners plant more than 35 million seedlings in Washington State each year, beginning the cycle of growth for the next forest.



"Wood should be a major component of American building and energy design. The use of wood provides substantial environmental benefits, provides incentives for private landowners to maintain forest land, and provides a critical source of jobs in rural America."

*Agriculture Secretary Vilsack, Sept. 29, 2011*

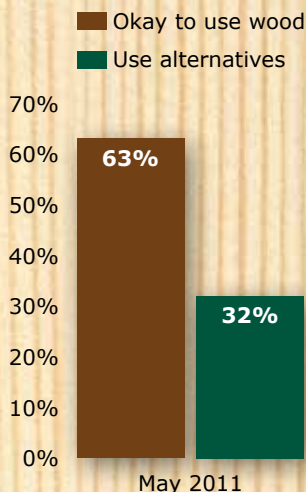
Working forests provide jobs to support communities, renewable products, and environmental qualities.



Washington is the #2 softwood lumber producer in the nation.



Wood is a naturally renewable material used in construction. Trees absorb carbon dioxide from the atmosphere and release oxygen. About 50% of a wood product by weight is stored carbon.



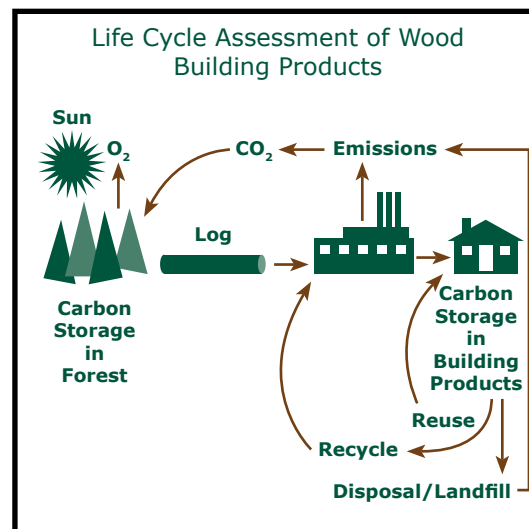
Voters believe it's okay to use wood and paper products because they come from a renewable, natural resource.

## Working Forest Agenda

The Working Forest Agenda is a proactive approach promoting policies that encourage investment in working forests. Efforts focus on increasing the value of working forests or decreasing the costs of forestry operations, which provides an incentive for landowners to maintain their working forest investment. Over the years WFPA has delivered actual cost savings in tax reductions and credits, such as a 30% reduction in the B&O tax rate; a \$3.00/ton credit for using forest derived biomass (logging residues) to produce steam, heat, electricity or biofuel; a sales and use tax exemption for using hog fuel and forest derived biomass; and rebates

for purchase of machinery and equipment used to generate electricity using biomass. An important part of our ongoing work, WFPA works with the Dept. of Revenue to ensure the stumpage values tables and resulting taxes are equitable. And on Aug. 9, 2011, the Forest Practices Board approved a five-year extension for completion of RMAPs, to June 30, 2021. To date, private landowners have invested more than \$140 million improving their road systems, and some landowners have already completed their RMAP work ahead of the original 2016 schedule.

## Wood – the Most Natural Resource



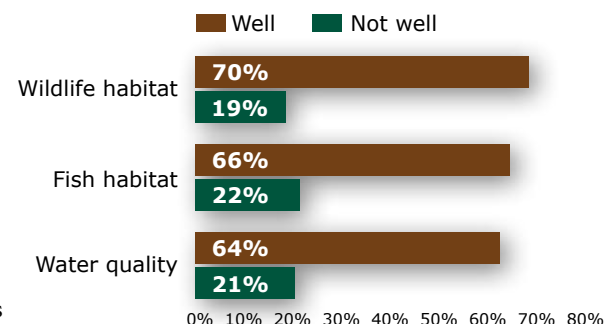
*Source: CORRIM Report*

Growing trees removes carbon out of the atmosphere storing it first in the forest, which when harvested, moves this carbon to storage in products or in structures. Wood products produced from sustainably managed forests displace the need for fossil intensive products, such as steel and concrete, and their environmentally unfriendly emissions. The facts are indisputable – wood products are environmentally superior when compared to building alternatives:

- 24% less energy is required to manufacture an exterior wood frame wall compared to an equivalent steel frame wall.
- 60% less energy is required to manufacture an exterior wood frame wall compared to an equivalent concrete wall.
- 300% more water pollutants are generated in manufacturing products for a steel home compared to a wood home.

## Public Support for Forestry

WFPA communicates with a multitude of audiences, striving to create a positive climate to achieve the overarching goal of promoting responsible forestry as a preferred land use investment. WFPA advocates for private forest landowners in a variety of ways, from direct influence and relationship and coalition building, to public relations and education. Results of our collective efforts are reflected in supportive actions by policy makers, the public's acceptance of forest products company actions, and their desire for less regulation and recognition of private forest landowner stewardship efforts.



*Voters believe private landowners do a good job protecting fish and wildlife habitat and water quality. (August 2011)*

Nearly 90% of the sediment from runoff on forest roads is filtered through the forest floor before the water reaches the streams.



**Shelton, Washington**  
The Seattle Post-Intelligencer reported in 1898 that the four largest logging companies in the state operated in Mason County.

Private forest landowners have improved more than 18,000 miles of roads since 2001 through the Road Maintenance and Abandonment Plan program.

## Forestry is an Economic Engine

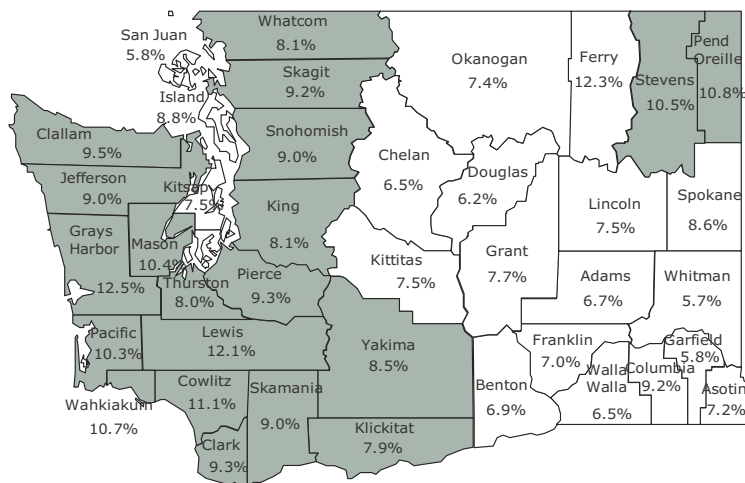
Washington's forest products industry supplies green industry jobs in our hardest hit rural communities. Despite extreme economic hardships in recent years, the industry continues to provide family wage jobs, significant government revenues through taxes and fees, and green, renewable wood products. In 2010, timber harvests improved over the previous year, which saw the lowest harvest level since 1904. This unfavorable economic reality was coupled with the lowest stumpage values since the Dept. of Revenue began tracking this data thirty years ago. Nonetheless, the forest products industry continues to be an economic powerhouse for our state. In 2010, the forest products industry:

- Provided more than 34,000 direct jobs averaging \$51,000/year and 101,000 total direct and indirect jobs;
- Paid \$1.8 billion in direct wages;
- Generated \$19 billion in gross business income and \$47 million in B&O tax;
- Provided a combined timber excise and property tax of nearly \$35 million; and
- Paid \$130 million in tax revenues and fees to the state.

Unlike many other industries, forestry in Washington has the potential for growth. Employment, taxes and revenues provided to the state will rise with increased demand for renewable wood products.

Also unique to this industry, many jobs are located in rural, high unemployment areas.

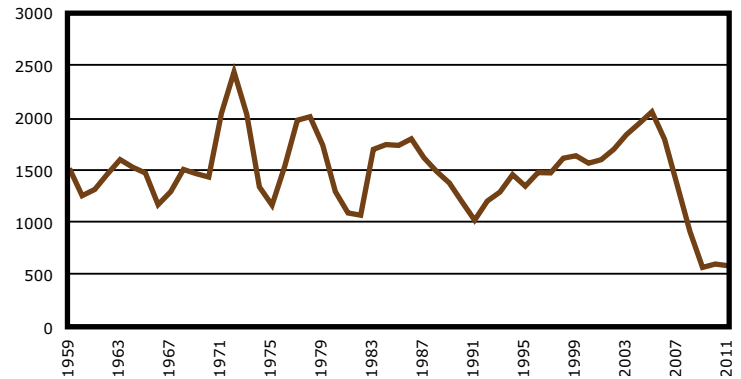
### Unemployment Rates by County, September 2011 not seasonally adjusted



**Top 20 Timber Counties: Employment and Taxes**  
Washington State Employment Security Department, Labor Market and Economic Analysis

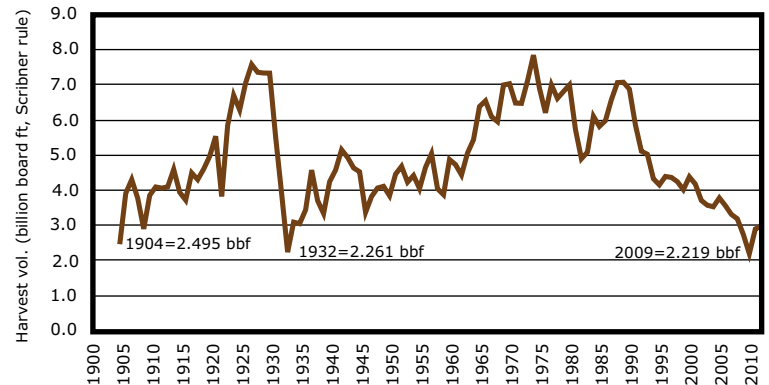
The forest industry is the second largest manufacturing employer, representing 13% of manufacturing employment and 15% of direct manufacturing gross business income.

### Privately Owned Housing Units Started 1959-2011 (est) (000)



U.S. housing starts remain at the lowest levels in recorded history. About 40% of the region's economic activity is tied to housing starts.

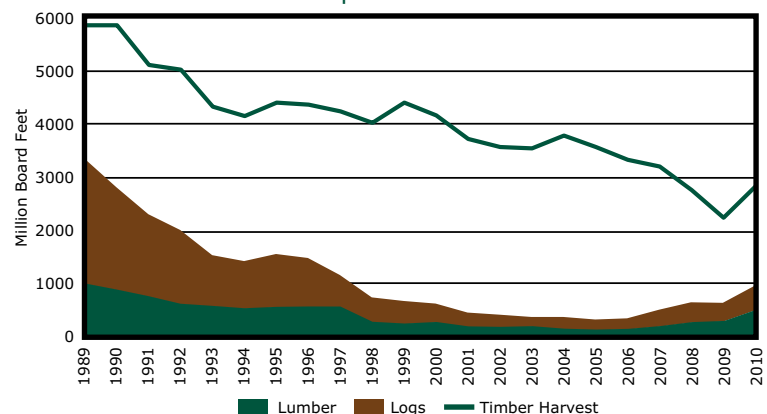
### Washington State Total Timber Harvest, 1900-2011 (est)



Source: Dept. of Natural Resources Timber Harvest Statistics (collected from Dept. of Revenue)

2010-2011 statewide timber harvest levels slightly increased above the 2009 level, the lowest harvest level since 1904.

### Washington Timber Harvest and Log & Lumber Exports 1989 - 2010



As U.S. housing starts remain at their lowest levels in history, lumber and log exports have increased from 2009-2010 by 73% for lumber and 33% for logs, helping to improve economic activity.



The Washington State Senate set an example for legislatures all across the country on how to work together with civility and come up with solutions.

*Senator Hargrove*



More than 4,300 barriers to fish passages have been removed restoring more than 2,300 miles of historic habitat in Washington's forests.



## 2011 Legislative Success



The mid-term elections provided a new, more balanced playing field to work our issues. WFPA had a successful legislative session on both the defensive and proactive fronts: by avoiding significant additional costs to the industry and working on several policy bills. As the Legislature closed the budget deficit, we expected to deal with increased pressure to absorb costs. WFPA effectively avoided increased fees on forest practices applications and hydraulic project approvals by working with a coalition of business and local government stakeholders. We also accomplished our legislative priorities summarized as follows:

- **ESSB 5485 – Maximizing the use of our state's natural resources.** Selecting building materials and products, such as wood and wood products in the design stage, reduces greenhouse emissions over the lifetime of the building process. Life cycle impacts of carbon emissions of building materials will be incorporated into reporting of high performance public buildings.
- **SSB 5300 – Enhancing the use of Washington natural resources in public buildings.** Requires state public works construction projects and K-12 school construction projects to be credited one additional point for use of wood products with a credible third-party sustainable forest certification or from forests regulated under the Washington Forest Practices Act.
- **ESSB 5253 – Tax increment financing for landscape conservation and local infrastructure.** Enables local governments to finance infrastructure investments and incentivizes development right transfers in agriculture and forest lands in the central Puget Sound.
- **ESHB 1509 – Forest Riparian Easement Program (FREP).** Expands compensation in FREP for unharvested trees within riparian habitats, channel migration zones and on potentially unstable slopes and landforms.
- **SHB 1254 – Regarding the Institute of Forest Resources (IFR).** Broadens the scope of the UW's IFR to prioritize research on critical forest issues in both urban and rural areas. Amends the mission of IFR to consider traditional forestry issues along with emerging issues such as environmental services, sustainable management and forest restoration.

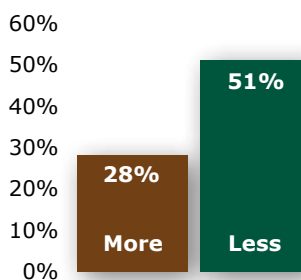


### RMAP

The Forests & Fish Road Maintenance and Abandonment Plan (RMAP) program requires landowners to inventory their forest roads and develop a scheduled plan for improvement. Of the 57,442 miles of roads inventoried, 22,900 miles were identified as needing improvement. To date, more than 80% have either been put out of commission or brought up to standard.

## Forest Management Issues

The state Forest Practices Board sets the standards that are the basis for the forest practices program, but 2011 brought an unprecedented amount of activity from federal agencies and the federal court, affecting private forest landowners. The release of the 2010 Northern Spotted Owl Recovery Plan and pending Designation of Critical Habitat initially contained strong language to require more private land for owl conservation. WFPA worked to ensure current private landowner efforts were counted and that additional contributions would result only from voluntary incentive mechanisms. The Ninth Circuit Court of Appeals overturned EPA's thirty-five year treatment of logging roads as a non-point activity. Our response was to partner with Oregon, California and national timber associations to support a Supreme Court review of the ruling; support Congressional legislation to reinstate EPA's original rule; and work with the Depts. of Ecology and Natural Resources on minimizing state-based impacts. WFPA also worked in partnership with these groups to support EPA's three year deferral of regulating emissions from combustion of biomass the same as fossil fuel emissions, under the Tailoring Rule. During this time, the EPA will undertake a scientific study of how to account for CO<sub>2</sub> emissions from biomass. WFPA joined onto the submission of national comments on EPA's guidance which expands the definition of waters protected by the Clean Water Act. EPA is currently reviewing the comments.



August 2011

*Voters desire less regulation of private forests.*



### Forest Roads

The goal is to hydrologically disconnect road drainage from streams, thereby limiting rainwater runoff and sediment delivery.

Results to date show 82% of forest industry roads have a low delivery potential or are hydrologically disconnected from stream crossings.





Block net rubble rouse amphibian sampling as part of Type N Study.

DNR Adaptive Management



Remove periphyton tiles from stream as part of Type N Study.

DNR Adaptive Management



Measuring wetted channel width during stream characterization as part of Type N Study.

DNR Adaptive Management

## Adaptive Management – Using Science to Guide our Actions

### The Adaptive Management process can produce results that benefit landowners.

The Forest Practices Board granted a five-year extension of the RMAP implementation deadline, based on the recommendation of the Forests and Fish Policy Committee. WFPA also worked towards streamlining

and efficiencies in the forest practices and hydraulic project permits approval process, and will continue to seek ways to lower administrative costs to landowners. WFPA uses research to reduce animal damage to landowners' properties through the Collaborative Research Team, focusing on spring black

bear damage to conifers. We would like to thank the members for their active participation in the multitude of issues affecting working forests. It is vital that private forest landowner interests and technical information is represented in the variety of forums landowner issues are discussed.

## Forestry Education in the Classroom – Project Learning Tree

WFPA's Environmental Education (EE) program works to maintain a place in schools for teaching the value of working forests on the landscape. The Project Learning Tree curriculum, conveying this message, is delivered alongside other natural resource education programs. Working through the larger stakeholder platform of the Pacific Education

Institute, we ensure that our forest education programs meet state standards. The goal of WFPA's EE program is to make sure every student has direct experiences with forests. Towards this end, WFPA's EE committee prepared a K-12 Conceptual Guide for Teaching and Learning about Washington's Forests, adapted with permission from the Oregon Forest Research

Institute. In partnership with school districts, WFPA also created "Healthy Forests, Healthy Waters," for middle schools, providing field studies for students to evaluate and restore local forests. WFPA is also examining student misconceptions about the forest products industry that can be addressed through their education outreach.

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\*Executive Committee Member

WFPA acknowledges the passing of two friends—John Allen and Ted Nelson, both great men.

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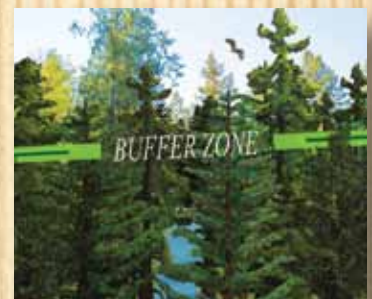
Barred owls were first documented on the Olympic Peninsula in 1985 and have been detected near 88% of the monitored spotted owl sites. Competition with this species is the primary threat to the conservation of spotted owls in protected areas.

*Spotted Owl Monitoring  
Annual Report, Olympic  
National Park 2011*

### Barred owls



Eighty-five percent of the spotted owls are found on federal land. There are 13.6 million acres of forest land contributing to spotted owl conservation in Washington State.



More than 764,000 acres of private forest lands are permanently set aside in riparian buffers and for steep slope protections to help protect water quality. This equates to \$124 million annual investment in salmon recovery.

*91% of all riparian and roads activities are substantially compliant with regulations. WFPA members have a goal of being 100% compliant with all forest practices rules.*

*DNR Compliance Monitoring Report*



The Association was incorporated in 1908 for 50 years. In 1957 the Trustees decided that the Association continued to serve a very essential purpose to forest landowners and should therefore be reincorporated. In January 1958 it became the Washington Forest Protection Association. "The change of name has some significance. The problem of forest protection goes beyond fire prevention and suppression... for it matters little to the forest landowner in what manner his equity is decreased. The objective is the safety of forest equities...the purpose is complete protection."

*(1957 WFPA Annual Report)*

## WASHINGTON FOREST PROTECTION ASSOCIATION

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## WFPA Member Centenarians

Menasha Forest Products Corp.	1849
*Olympic Resource Management (Pope & Talbot)	1849
*Port Blakely Tree Farms	1864
*Merrill & Ring	1886
Bob & Lynette Falkner	1888
*Green Diamond Resource Co. (S. G. Simpson Company)	1890
Stimson Lumber Co.	1850
*Weyerhaeuser	1900
Wilcox Farms Inc.	1909
Murray Pacific Corp./ West Fork Logging Co.	1911

*\*WFPA member for 100 years or more.*

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*Tree planters at dawn*

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Stimson Lumber Company  
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