



Board of Forestry Meeting

January 09, 2020
Richmond, VA

Convene Meeting, Call to Order:

The Board of Forestry meeting was called to order at 01:00 p.m. by Chairman Burke at the Richmond International Raceway in Richmond, Virginia. Chairman Burke read the Anti-trust policy to remind the Board of the legal requirements and the annual signing of the acknowledgement form.

Roll Call:

Board of Forestry Members Present

Anne Beals, Don Bright, John Burke III, Joel Cathey, Mike Hinchey, Beth Flippo Hutchins, Ken Morgan Jr., Franklin Myers, Heather Richards, Ben Reeves, Greg Scheerer, Dr. David Smith and Glen Worrell

Members Absent

None

Adoption of Agenda:

Request to amend agenda by moving Forest Economic presentation before the State Foresters Report due to traveling constraints and adding a presentation from Emily Flippo. Motion was made to approve the agenda as amended; seconded. All present were in favor.

Recognition of Guests and Visitors:

Virginia Department of Forestry (VDOF) Present

Rob Farrell, State Forester; Ed Zimmer, Deputy State Forester; John Colligan, Chief of Administration; Terry Lasher, Assistant State Forester; Charlie Becker, Utilization and Marketing Program Manager; Mary Weaver, Executive Assistant

Recognition of Guests and Visitors

Brad Copenhaver, Deputy Secretary of Agricultural and Forestry; Ben Snyder, Virginia Economic Development Partnership; Michaela Martin, Virginia Economic Development Partnership; Emily Flippo, Virginia Department of Agricultural Consumer Services; Decklin Lawson, Hellebush Consulting; Keith Goynes, Virginia Tech; Paul Winistorfer, Virginia Tech; Rocky Goodnow, Forest Economic Advisors; Ron Jenkins, Virginia Loggers Association; Leslie Mosley, Virginia Forest Products Association; Morgan Bright, highschool student; John Magruder, Virginia Forestry Association; Corey Connors, Virginia Forestry Association;

Hearing of Citizens:

None

Approval of Minutes:

Request correction of Heather Richards name in the roll call section. A motion was made to approve the October 03, 2019 minutes as amended; seconded. All present were in favor.

Secretary Ring is unable to attend; Deputy Secretary Copenhaver is coming in her place. He was delayed, so the Secretary of Agricultural & Forestry report was moved down until his arrival.

State Forester's Report:

Second meeting in a row with a full attendance; this is greatly appreciated.

Rob Farrell reviewed with the Board agency updates:

- ◆ Had two Industry Roundtable meetings in December.
 - Charlie Becker will review results later in meeting.
- ◆ State of the Forest has been revised with a newer and more interactive look. Thanks to the Public Information Team for their great work.
 - Will send electronic version out so you can view the many links to the stories.
- ◆ Fall fire season was expected to be a significant fire season. It rained and we were once again spared a significant fall fire season.
- ◆ Virginia hosted the Sustainable Forestry Initiative meeting in Richmond.
- ◆ Chuck Leaveall, keyboardist for the Rolling Stones and a well know forest landowner, hosts a show called "Americas Forests with Chuck Leaveall." He travels to different states and talks about a forest management issue in that state.
 - Producer of show is very interested in bringing show to Virginia.
 - We are brainstorming ideas for an episode in Virginia.
- ◆ Hosted the Rural Center for Virginia Board meeting at the VDOF headquarters office in Charlottesville, Virginia.
- ◆ Charlie Becker arranged to mill chestnut tree logs that were grown in the Lesesne State Forest.
 - We are looking for ideas of what do with the pieces.
- ◆ University of Virginia is interested in buying the property where our maintenance building sits.
 - We are in negotiations.
 - Proposed negotiation - UVA builds VDOF a new maintenance shed off Route 20 in exchange for current property.
- ◆ On January 22, VFA, VLA, and VFPA are going to host a breakfast.
 - Would like to have a great Board and industry presence to talk about importance of forestry with legislators.
- ◆ New Director of Virginia Forestry Association, Corey Connors, started January 6.

Deputy State Forester Ed Zimmer presented the following updates:

- ◆ Timber Theft modifications allows landowners to request tickets from mills.
 - A landowner asks harvester for tickets and gives them reasonable amount of time to produce them (30 days).
 - VDOF is creating a template letter for landowners to use when asking for tickets.
 - If they don't receive tickets or the received tickets don't seem to be what they should have been then VDOF will go to the mills and ask for tickets and compare to what was received.
 - If timber theft is determined, VDOF will assist the landowner in pursuing legal action.

- One individual per VDOF region will be the contact point for timber theft issues.
- ◆ Very few VDOF seedlings planted in Virginia have resulted in survival failure.
 - Significant seedling failure with seedlings that were acquired out of state. Possible cause is seedlings with a southern origin never go dormant.
 - The significant weather change has some minor effect on seedling survival.
 - Containerized seedlings have not had any survival issues.
 - Seeded to have 30 million loblolly seedlings for this planting year.
 - We plan to hold a nursery customer meeting mid- to late-June next year to make sure we are providing customers what they need.
- ◆ Regional consultant field trainings.
 - Next training will be February 7, hosted by John McGruder in the eastern region.
 - Focus will be on water quality.
 - We are planning for a May training to be in Mecklenburg County. Dan Hammond will host, and the focus will be on Hardwood.

The Assistant State Forester Terry Lasher's position focuses on strategic initiatives and oversees:

- Watershed Management and the Chesapeake Bay program
- Urban and Community Forestry
- Land Conservation
- Utilization and Marketing
- ◆ Terry discussed the importance of partnership and collaboration for achieving anything for the Chesapeake Bay.
 - Through partnership and collaboration, VDOF has been able to double the amount of funds shared through the Water Quality Improvement fund.
 - We have received a tentative commitment from Department of Environmental Quality (DEQ) to provide us with an additional \$100,000 to tackle trees over turf.

Rob discussed upcoming issues.

- ◆ March 11, from 10am – 2pm will be our next Board of Forestry meeting in Charlottesville at the Headquarters building. Discussion will be on Seed Tree Law, Reforestation of Timberland and concerns about the VDOF Conservation Easement program.
 - We will nominate and vote for Chairperson and Vice Chairperson.
 - The Nomination Committee (David Smith and Glen Worrell) will give Mary Weaver the nominations by February 15.

Informational Items:

VDOF Budget Requests

Rob Farrell discussed the budget requests that were included in the Governor's proposed budget.

- ◆ Hardwood Forest Habitat Initiative
 - Hardwood Forest Landowner Incentive Program
 - Hardwood Initiative Coordinator
- ◆ Watershed Implementation Plan Positions
 - Watershed Programs Manager
 - Three regional watershed conservation positions to carry-out the program
- ◆ Integrated Forest Resource Information System (IFRIS) Analysis

- Funding to analyze IFRIS/alternatives
- ◆ Apprenticeship Program
 - Funding for VDOF apprenticeship positions
 - Specifically want to fill apprenticeships in building and grounds, field technicians, and a radio technician.
 - This funding can be matched with other money available to support apprenticeship programs.
- ◆ Received money to begin purchase of the Stanley State Forest.

Heather Richards mentioned that the Governor put 20 million dollars in the proposed budget for the Virginia Lands Conservation Foundation. This funding will allow some forestry projects to be completed.

Forest Industry Roundtable Update

Utilization and Marketing Program Manager Charlie Becker discussed with the Board of Forestry USDA Forest Service (USFS) grants, and provided a summary of the two recent Forest Industry Roundtables.

- ◆ We have received two USDA Forest Service grant funded projects
 - Multi-State Landscape Scale Restoration Grant including Virginia (lead), North Carolina and Mississippi
 - State-only Wood Innovation Program Grant
 - Funds will be used to develop a Wood Utilization Team and Forest Economics and State Economic Development Programs
- ◆ Through the grants, we seek to improve the health and sustainability of forests through better utilization and management in the following ways:
 - Acquire a better understanding of issues affecting forest and forest related businesses.
 - Develop a strategic action plan to address identified priorities.
 - Assemble a team from our list of Roundtable participants to work with partners and stakeholders to implement activities addressing selected issues.
 - Develop resources and framework to continue team and work on identified activities beyond grant projects.
- ◆ Two forest industry roundtable listening sessions were conducted.
 - December 10 at the VDOF Regional Office in Salem, Virginia
 - December 18 at the New Kent Conference Center in New Kent, Virginia.
- ◆ Sessions were facilitated by the UVA Institute for Engagement and Negotiation.
- ◆ Representatives across forestry sectors were invited to participate and provide inputs.
- ◆ Participants provided their top three issues affecting their segment of the business.
- ◆ Issues were integrated and prioritized from both sessions in the following order:
 1. Education of the Public and Legislature
 2. Continue to assist in developing stable, consistent markets for wood products
 3. Minimize impact of the regulatory environment to stabilize/reduce cost of doing business
 4. Conserve the forestland base and associated timber availability
 5. Continue working to improve the political environment for forests and forestry business
 6. A trained workforce and labor availability
- ◆ Next Steps
 - The Board of Forestry will review the VDOF Industry Roundtable Summary Report and give feedback by end of January.
 - Review and finalize Virginia Industry Roundtable Report.

- Work with core “state wood utilization team” to develop strategic action/work plan based on roundtable results.
- Identify additional needed team members.
- Begin implementing activities to address top identified issues.
- Work with North Carolina and Mississippi on multi-state issues.

Forest Economics and State Economic Development Programs

Rocky Goodnow - Vice President of North America Timber Service at Forest Economic Advisors LLC. spoke to the Board about the following:

- ◆ Macroeconomic conditions and outlook for housing markets.
 - Looked at forecast of overall economic growth for the U.S.
 - He does not feel a recession is immanent; the economy is slowing down but he expects relatively stable growth.
 - Reviewed recent trends in solid wood product markets.
 - Real household incomes have rebounded in the past few years.
 - Interest rates have fallen, housing starts have begun to improve and move upwards but not very fast.
 - Demand is there but supply is not.
 - U.S. is dramatically underbuilding – difficult to hire in the trades to build houses.
 - Expect to see a much stronger housing start and demand for housing towards the mid-part of this decade and into the second half of decade.
- ◆ Softwood lumber markets
 - Softwood lumber markets weakened over most of 2019.
 - Goodnow believes there will be a modest recovery in 2020.
 - There have been a large number of closures and curtailments, but the Southern states have mostly been unscathed.
 - Little capacity for growth is expected from North American regional perspective.
 - Net wood costs in the South are at their lowest in the past ten years.
 - Some of the constraints used when looking to locate a mill are resources, labor and markets.
 - Pine plantations are boosting Southern timber inventory levels.
 - Southern lumber mills are becoming more efficient.
 - Expect no strong recovery in Southern plywood production.
 - The demand for plywood production and for logs in near term remain flat.
 - Softwood demand in the South will see little growth in the near term.
- ◆ Summary of current tariffs on U.S. softwood log and lumber products in China
 - Chinese tariffs are having a large impact on southern yellow pine log and lumber exports.
 - There is a massive spruce bark beetle infestation occurring in Central Europe and this will significantly impact international trade in two ways:
 - Opportunities in China are far less, and there is a lot more cheap wood coming in from Europe.
 - The competition among European markets importing lumber into the U.S. is changing. Shipments will increase.
 - Current log prices in China are showing the impact of the trade war.
 - Southern saw timber and chip-n-saw stumpage values will remain weak.
- ◆ Hardwood Lumber Markets

- Sixty-percent of total off-shore volumes of hardwood lumber went to China.
- The tariffs on China's hardwood log and lumber exports dropped greatly.
- China is moving forward with phase-one of agreement, which seems like a positive for the hardwood industry.
- Domestic consumption has also been declining.
- Hardwood flooring business is strong right now, but is trending down and we are seeing an over-supply of product.
- ◆ Pulp and Paper Markets
 - U.S. paper consumption trends are lower, while paper packaging remains steady.
 - Virginia's pulp mills are an excellent example of the transition in pulp and paper markets.
 - Strong increases in Southern oriented strand board (OSB) production is expected.
 - U.S. pellet exports will increase.
 - The South's demand for round wood pulpwood will trend lower.
 - Pulpwood stumpage prices in the U.S. South will retreat from recent peaks.
- ◆ Timberland Ownership
 - Timberland returns are down considerably.
 - Lower timberland returns are leading to innovations in timberland investment.
 - Greater emergence of timberland funds.
 - Possible shift back to an integrated structure.
- ◆ Strengths and weaknesses of Virginia compared to the South for attracting investment (question from the Board)
 - Weakness in the south is labor force availability; especially skilled labor.
- ◆ Industries with the greatest future potential (question from the Board)
 - Hardwood resource
 - Access to ports

Virginia Economic Development Partnership (VEDP)

Michaela Martin spoke to the Board in regards to what VEDP does:

- ◆ Attract companies to Virginia and helping them grow through business investment and development.
- ◆ Retention and expand business by looking at industry activity, the work force and supply chain.
- ◆ Locating the products for projects in Virginia.
- ◆ Showing that Virginia is robust and has a lot to offer.
- ◆ Martin handed out a pitch deck that VDEP uses when they approach companies, focus on the company's needs and make a pitch to bring their work to Virginia.
- ◆ Provides outreach to new companies as well as ones expanding.

Office of Agriculture and Forestry Development (OAFD)

Project Manager OAFD Emily Flippo spoke to the Board about the Agriculture and Forestry Industries Development Fund (AFID):

- ◆ AFID Planning Grant – Program designed to encourage localities to incorporate the agriculture and forestry industries into their overall economic development and job creation strategies.
 - Grants up to \$20,000 per locality or \$35,000 in multi-jurisdictional applications.

- Dollar-for-dollar local match required; in-kind match including staff time can be used for up to half of local match.
- Requires active participation of local agriculture for forestry board, committee or working group.
- ◆ AFID Facility Grant – Discretionary, performance-based economic development incentive grants for Commonwealth to use in partnership with local governments to attract new and expanding agriculture and forestry business.
 - No minimum threshold for jobs, wages, investment or competitiveness.
 - Requires dollar-for-dollar local match and a six-month performance agreement with claw-back provisions.
 - Must add value to agricultural or forestry products, at least 30 percent of which must be in Virginia-grown.

Secretary of Agriculture and Forestry (SAF) Update:

Deputy Secretary Copenhaver discussed the following:

- ◆ Entirely focused on the General Assembly. There is a 40 percent increase in bills that have been introduced this year. Over 4,000 bills were drafted by Division of Legislative Services. Will be a very busy session.

Action Items:

- ◆ None

Committee/Liaison Reports:

Reforestation of Timberlands (RT) Committee

- ◆ Greg Scheerer reported that the Reforestation of Timberlands Committee met on December 17.
 - Discussed potential changes of the RT rates. Committee is not recommending any rate changes but would like to recommend a new practice to incentivize white pine in the central part of the state.
 - Discussed seedling survival issues. Currently waiting on VDOF for some more data. The concern is not to use RT funds on seedlings that won't survive.
 - Will be discussing RT and Seed Tree Law at the next Board of Forestry meeting.

Hardwood Management Task Force

Rob Farrell reviewed updates on the hardwood initiative.

- ◆ Attended the National Cooperage Association meeting in October. If VDOF can identify a solutions to address white oak regeneration, the Cooperage Association seem willing to help with the solution.
- ◆ Contractor is working on a hardwood assessment tool that will help foresters identify what needs to be done to a hardwood stand.
 - Hope to use this in support of our hardwood incentive program to help a forester select the proper practice.
 - USFS Southern Research Station and David Carter from Virginia Tech are working on the assessment tool.
 - Assessment tool is being paid for with MVP pipeline money.
 - Job Timm with the USFS has dedicated a staff member to work on this assessment tool.
- ◆ Met with Sweet Briar College staff to discuss using their hardwood forest to:
 - Demonstrate sustainability to students on campus.
 - Serve as a community demonstration site for landowners to come and see good hardwood management in practice.
 - Support the Commonwealth's effort to improve hardwood management.
- ◆ There is \$350,000 in the Governor's proposed budget for hardwood cost share and funding for a coordinator position. If the money is approved, we have a lot to work out.

- Questions include: How do we focus it? What will be the practices, rates, and training? How will we provide outreach for landowners? What will we name it?
- ◆ A motion was made to adopt the motion - "Board of Forestry supports the creation of a landowner incentive program for hardwood management to include proposed practices and rates"; seconded. All present were in favor.

Unfinished Business:

None

New Business:

None

Schedule of Next Meeting:

- ◆ March 11 in Charlottesville at VDOF headquarters.

Adjournment:

Chairman Burke called for a motion to adjourn; motion was made to adjourn the January 9, 2020 meeting at 5:00 p.m. and seconded. All present were in favor.

Minutes recorded by Mary Weaver, Executive Assistant