

Summary

Why discuss a Brand Oregon?

Thanks to combined public and private efforts in trying to develop a sustainable Oregon, our forests and forest activities are overseen by some of the most stringent and progressive social, environmental and economic laws in the world. And yet low cost, low value product competition from abroad and rising management production costs in the state are making Oregon a less attractive place to do forestry business. Our landowners are facing a future of either managing intensively for high volume production or reducing active management for alternative objectives to save money and in doing so, turning many of our potentially productive and healthy forests into non managed passive reserves.

This developing situation could be described as living a life of denial in a county that uses more resources than any other nation in the world. We protect our back yard and increasingly rely on imports of forest products from less regulated/less productive regions or the world. Our southern and northern neighbor states are now net importers of wood. We also turn to alternatives such as steel and plastics that often have a greater life cycle cost than wood.

Many local stakeholders now realize Oregon can and needs to do a better job in blending social, economic and environmental policy development and public/private programs in order to stay globally and locally competitive. Indeed some organizations, such as Sustainable Northwest and Oregon Small Woodlands Association are already developing projects that take advantage of our closeness to markets and/or individual management standards. By doing so, we can help the vast majority of dedicated local land owners and managers who implement voluntary programs such as the Oregon Plan for Salmon to continue to supply our own consumption needs from within our borders at low life cycle cost.

On a related issue, third party forest certification is increasingly overlapping local rules and regulations making us an even costlier production region. Mills are asking for independently certified forest products due to both local and international market pressure. And yet there is little if any coordination between non regional independent certification and local and national legal standards.

There is therefore an opportunity to differentiate and promote both traditional and non traditional Oregon forest products. In doing so, we can potentially diversify our product

base and related management styles. We can also make better use of the holistic policy and related legal standards that oversee the forest region from which they come to assure buyers that we are thinking and acting in a truly sustainable manner. This could reduce the costs of access to markets for all landowners by giving incentives and capital to reinvest in forest management.

Before any individual agency policy/program decision is made about a state wide forest sector focused Brand Oregon it would be worth assessing and discussing whether Oregonians wish to work together and differentiate our products in either a volume based wood products commodities market or a wider focused niche, conceptual forest product and services markets. If we choose to move forward we can focus and coordinate public and private efforts to tailoring an Oregon solution to fit a specific market place for an identified range of products. This will help us streamline value added services from both the public and private sector.

Activities and research available for further Brand Oregon Concept development include Oregon Forest Resources Institute (OFRI) lead Forest Sector Economic Study Oregon Small Woodlands Association (OSWA) Family Forest Fair to be held in Salem, March 18/19 2004, the event is free to the general public. (Base funding covered by OSWA Marion Polk chapter)

Other stakeholders are invited to attend and become involved in promoting the event Regional Understanding Changing Markets and Opportunities for Oregon Forest Products and Services Workshops, cosponsored by OFRI, OSWA, Oregon State University (OSU) and Northwest Wood Products Association (NWPA) to be held between March and June of 2004

Suggested Action Plan

Oregon Department of Forestry has expressed an interest in facilitating further discussions with stakeholders during 2004, possible after the regional workshops, and are open to any offers of help, either logistical and or financial. Please email Ted Lorensen at tlorensen@odf.state.or.us if you would like to participate on any level. Finally, and on a personal note I would like to thank those who have offered encouragement and support of this concept over the past 18 months. I am glad to see that Oregon still has both the ability to provide a wide variety of forest benefits to the

world, and that its leaders are able to work collaboratively when a major issue such as sustainable development faces us all.

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Discussion Paper:

Feasibility of a Forest Sector-Focused "Brand Oregon"

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Aims

With this discussion paper I hope to help formalize and coordinate leadership discussions investigating both the political and technical feasibility of a Forest Sector Focused Brand Oregon.

The thoughts expressed in this paper emerge from, and are a reaction to, discussions on Brand Oregon, a subject talked about for over a decade. The idea is not to compare or criticize existing certification or branding systems but to promote an open and multi-disciplinary discussion of the issues that need to be addressed if we are to find a common solution that maximizes the contributions Oregon, regulations, forestry and forests can make to sustainable development.

Background

A number of stakeholders have expressed an interest in developing a Brand Oregon related to the forest sector. Current discussions are in their early stages. They have focused on investigating a number of issues.

At a recent meeting of select stakeholders three potential major Brand Oregon categories were identified

1. State Level in general
2. Forest Products Traditional market
3. Forest Products Non Traditional market

State Level General

The group suggested that the Sustainability Board and Oregon Economic and Community Development Department be included in further discussions of all 3 categories.

Jim Myron spoke of the Governor's general commitment to promoting the state to an international audience. Myron indicated the Governor's office was focused legislative priorities. Now that session is over it might be possible to focus on set up and coordination of state agency efforts to develop Brand Oregon.

Forest Products Traditional Market

There was general agreement that due to certification developments in the global market place Oregon could utilize programs such as Forestry Program for Oregon and Department of Revenue tax system to gain access to the traditional market place both locally and globally. A product tracking system focused on family lands is being developed by Pacific Northwest Technologies Group, Oregon Small Woodlands Association, Oregon State University Extension Agents and Northwest Wood Products Association.

The group suggested that the strategic development of Brand Oregon Forest Products Traditional Market should include but be limited to.

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Forest Products Non Traditional Market

Dennis Brock (NWPA) suggested that certification was less of an issue to market access for landowners when dealing with small to medium businesses. However it was mentioned that market access may become an issue in the future dependent upon global buyers' demands and state/local governmental policy. It was suggested that any solution developed for Brand Oregon products should utilize the reporting infrastructure

already developed by other state agencies to reduce the need for certification and therefore reduce/eliminate costs to small/medium landowners.

Not specifically discussed, but relevant, is "How can Oregon use stewardship agreements in the future to encourage and document exemplary forest management and then reward landowners who obtain such agreements?" Such rewards might include exemptions from forest practices procedural requirements, tax breaks, cost-share program eligibility, perhaps group certification under the American Tree Farm System, and perhaps greater flexibility under state land use planning laws.

Issues

How does Oregon develop on a sustainable track in light of a globalizing forest industry, disconnect between public opinion and behavior, and lack of federal harvest?

There have been major changes to both the global and regional forest industry in the past 10 years. In order to stay globally competitive with lower cost producers, there has been a movement both to consolidate businesses and to manage for shorter rotations and more standardized raw products in Oregon. This has left many private landowners in the state without a market for their diverse products.

There also appears to be a disconnect between public opinion and behavior. Most Oregonians want to see forests managed for a variety of benefits locally and would like to buy Oregon wood but are unwilling or unable to support local producers with their purchases, preferring instead to buy lower cost imported wood products or alternatives. When combined with policy and management changes on federally managed land, Oregon has seen a major reduction in the diversity of its market place opportunities that is resulting in a polarization of forest management styles and ownership type.

For example,

In western Oregon it makes economic sense to harvest trees before they become too big to sell to mills despite many landowners wanting to manage for larger trees for aesthetic and wildlife reasons.

In eastern Oregon policy changes on public lands have reduced the level of traditional harvest from federal land to a trickle. As industry relocates, private landowners are facing growing travel distance to travel to mills and increased forest health risks, including pest and disease. Many question the benefit of owning forest land.

A multitude of programs have been put in place to try to address these issues and prevent the conversion of forest land to other uses or to retain the diversity of products and associated benefits on both public and private land. Yet, these programs have not

been readily taken-up by family landowners who need to see an economic return from their land and often feel unwilling to enter agreements with public agencies. The result is that family landowners must move to shorter rotations and higher yield or convert their land to other uses to stay economically viable, despite their wishes to grow on longer rotations.

Lack of trust between parties

There is a lack of trust between stakeholders in the entire Pacific Northwest region at present. The effects of changes listed above and the fall out from a number of unrealized or underdeveloped economic development and/or environmental projects has left many feeling unwilling to cooperate with each other. A sub-set of stakeholders seems able to scuttle any communal efforts to develop a balanced approach by focusing on easily communicated and campaign driven single issues such as private property rights or endangered species.

The current approach of locking up some of the most productive forests in the world in the name of conservation is increasingly criticized from both a global environmental and global and local social and economic perspective. We need to find both the political will and on the economic and social tools to overcome this mistrust.

Is Certification the answer?

There has been much talk and effort put into developing market incentives such as certification of well-managed forest products in order to overcome disconnects between consumer behavior and opinion. However, product price is still the major driving force behind consumer choice. The likelihood of gaining a price premium for well-managed, certified wood products, especially in the global commodities market, has not materialized. As markets integrate on a global level, Oregon forest companies and landowners will find it increasingly difficult to compete on cost alone. This reality is a disincentive to own and actively manage forestland in Oregon.

And yet many companies are now being pressured by aggressive social change agents to prove that they:

1. Support and prefer purchases from certified forests verified by a third party.
2. Do not source from illegal operations.

This shift has led local companies to increasingly demand certified products for their processing facilities. Many landowners are looking to forest certification not as a way to

distinguish their products but to allow basic access to traditional markets. Such certification adds to the cost of growing and processing forest products.

Other Issues with certification in Oregon

Life cycles of products: All certification schemes at present fail to address the life cycle assessment costs associated with transporting products around the world. For example, the product may be from a "sustainable certified forest" but if it comes from a far-away source, its "cradle to grave" cost is higher than that of locally grown wood that is not certified due to a number of reasons. This illustrates how the purchase of certified products alone cannot answer the sustainability question and in fact may add to the problem of resource use.

Non level playing fields of certification: Oregon has a long and proud history of trying to keep forests intact for many reasons. But we must keep in mind what others are doing and how that effects what standards we should aim for as we deal with a globalizing economy and a global environment. If we set the bar too high for certain sections of the forest sector we are in danger of excluding them and our very productive forests from the market place.

For example: by setting maximum clear cut limits on local regional harvest levels (so by reducing local supply) and raising associated verification standards in the US (so by raising costs) we have a perverse effect of placing demand pressure on:

a. Areas of the world that have different certification standards and allow a greater harvest on less productive and/or robust forestland.

b. Illegal logged forest products.

c. Alternate products such as steel and plastic. Even if these products are recycled we don't know their total life cycle impact, and it is unlikely they would be as cost competitive if we were to track those costs.

Overlapping: All schemes cost money to administer. All schemes in Oregon currently fail to take full advantage of the regulatory process and agencies already engaged in verification for compliance with legal standards and voluntary action by Oregon landowners, many of which are unique. The disconnect adds additional cost to Oregon grown products without any tangible benefits.

Possible solution

Using the Forestry Program for Oregon as a way to certify our efforts at regional level so by reducing the need for stand level third party certification.

Forest management certification The regional model

Forest management certification The UK Woodland Assurance Scheme model

Chain of custody certification -- The harvest tax model

Brand Oregon market education database

If a Brand Oregon concept is to work effectively in the forest sector we will need to assess and understand a number of complex factors affecting forest management and market access in Oregon and globally. Foremost among these factors are: the impact of our private forest landowners' regulatory and voluntary forest management actions and their economic, social and ecosystem benefits; the global market, and its social, political and environmental context within which we operate; and the political leadership needed to promote and forge ahead with a promotions campaign for forest products and services originating from Oregon.

One potential way to overcome the hurdles listed above is to initiate public private partnerships. Such partnerships would make better use of current vehicles aimed at ensuring well managed, socially acceptable forests and promoting Oregon products based on our environmental and social performance at a regional level. Promoting Oregon forest products could have the effect of reducing costs to the region's producers and allow us to gain credit for our practices at a regional level. It may also promote greater local and global market access.

Using the Forestry Program for Oregon as a way to certify our efforts at regional level so by reducing the need for stand level third party certification.

The new Forestry Program for Oregon (FPFO) being developed by the Board of Forestry and local stakeholders is based upon the Montréal process. This process is designed to provide a framework for policy development and programs that better balances the natural tensions between economic, social and environmental interests both at a global and regional level.

The debate over whether to use this vehicle has been controversial, but the majority of holistically and collaboratively focused stakeholders see value in a uniquely integrated and regionally-focused effort rather than relying on the species specific regulations or individual landowner stand level focused certification systems, that currently make up the majority of our and others verification programs.

There is a general understanding that we need to increase our global thinking and act across disciplines before we take local action. We need to avoid the state of denial that our neighbors California, to the south, and Washington to the north are dealing with - That is being a major economy, sitting on natural resources locally in the name of conservation while importing or substituting their consumption needs with less sustainable products.

Forest management certification

Regional Statewide Approach

Two certification schemes that may benefit Oregon are:

1. Canada's National Standard on Sustainable Forest Management, CAN/CSA Z809 http://www.csa-international.org/product_areas/forest_products_marking
2. Pan European Certification System <http://www.pefc.org>

Potential advantages are

1. Systems have links to the use of the Montréal Process and therefore with Forestry Program for Oregon
2. Low cost, simple for landowners, possible finance solution "who pays harvest tax, pays for system"

Issues that need addressing include

1. Mutual recognition. Do the markets we deal with accept either scheme?
2. Does government want responsibility to market private products?
3. Should be private landowners wary when considering handing over all or part of the responsibility to market their products to the government? That may not be the most efficient or effective approach.
4. Private landowners should be wary of chasing the international certification discussion, which is based entirely on voluntary standards elsewhere, with Oregon's regulatory and tax programs. We want to avoid external pressures to modify these programs beyond what state statutes require. That leaves the question of how the "gaps" will be addressed (example: harvest scheduling)

The UK Woodland Assurance Scheme Approach

Blend legal and certification standards to allow compliance with certification schemes to remove the need for verification of legal standards here in Oregon. Issues are:

1. Reduces cost to landowners as certification compliance removes need to comply with legal standards
2. Could have problems if standards or regulations increase. Blends regulation with voluntary market mechanisms
3. Does the system work both ways?
4. Mutual recognition. Do the markets we wish to enter accept our scheme?

Chain of custody certification -- the harvest tax model

One way to prevent illegally or badly managed forest products entering the market place is called Chain of Custody. Oregon companies and landowners benefit from state-run legal infrastructure and forest practices acts which aim to punish any illegal activity. Department of Revenue already tracks products from forests in order to collect harvest tax. This may offer a low cost way of tracking legally harvested products to at least the first primary producer.

Brand Oregon market education database

There are a number of efforts to offer a well coordinated, secure sustainable supply of local forest products that gives companies economic reasons to invest locally within the United States, the biggest national wood and forest product services consumption markets in the world. These efforts need to gain support from environmental groups who recognize the benefits of using locally well managed wood as opposed to imports or alternative products.

OSWA, OSU and NWPA are currently investigating the development of a database that

1. Pools and reports local combined inventory would invite a larger investment in forestry infrastructure, dealing with multiple products and therefore management.
2. Act as an education tool for landowners on how to plan and "harvest" their products and services.

While the data would remain confidential at individual level, regional totals could be release for market buyers with the added guarantee that forest products originate in Oregon.

Landowners would benefit from a database by:

Gaining access to a variety of markets for Oregon-grown forest products providing new income streams for non traditional forest products.

Better understanding the needs of both traditional and non traditional buyers

Gaining access to forest management and market information that can help them guide their management decisions

Brokers and forestry consultants would benefit from a database by:

Having a "one stop shop" for deal development.

Having access to information about supply via the tax system, products are by default certified to Oregon legal standards.

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