

**Interior Region Timber Marketing Prospectus**

**FY2006 Request: \$55,400**  
**Reference No: AMD 40236**

**AP/AL:** Appropriation

**Project Type:** Planning

**Category:** Natural Resources

**Location:** Interior Areawide

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**House District:** Interior Villages (HD 6)

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**Estimated Project Dates:** 07/01/2005 - 06/30/2007

**Brief Summary and Statement of Need:**

Timber supply greatly exceeds demand in interior Alaska. Lack of a market for interior hardwoods impedes forest management throughout the region. The state began efforts to increase investment in local processing by publishing a prospectus for interior timber. This CIP provides funds to more actively market this initiative, develop supporting data, and post information to the prospectus website. This contributes to DNR's mission by supporting jobs in the timber and allied industries and by managing forests in a sustainable manner. Development of a hardwood processing industry is a key strategy for sustainable forest management and economic development in interior Alaska.

<b>Funding:</b>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>Total</u>
Timber Rcp	\$55,400						\$55,400
<b>Total:</b>	\$55,400	\$0	\$0	\$0	\$0	\$0	\$55,400

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

This is a new project request.

**Project Description/Justification:**

In recent years, state timber sale offerings have exceeded sale purchases. Timber purchases have averaged 4 to 6 million board feet (MMBF) per year -- less than 5% of the annual allowable cut. Such low harvest levels leave significant room for expansion in the timber industry. Increased harvesting would provide jobs, enhance wildlife habitat, and reduce wildfire hazards by creating younger, healthier forest stands. Development of local businesses to use more interior timber -- particularly hardwoods -- will help support economic enterprises supply renewable resources from forests on state land, and provide fire protection as required by (AS 41.17.010, .060; AS 41.15.010).

In 2003, the DNR Division of Forestry, Fairbanks Economic Development Corporation, Tanana Chiefs Conference, Inc. and the Department of Commerce, Community, and Economic Development used existing staff and funds to publish "New Growth – Prospectus for the Forest Products Industry – Interior Alaska". The prospectus summarized existing information on timber supply, land ownership, the regulatory framework for timber sales, and infrastructure. The partners developed a basic website (www.alaskaforestproducts.com.), but were unable to complete work on a companion site that would house supporting data, management plans, economic and social demographics, and other useful reports for prospective investors. Copies of the prospectus have been mailed to targeted companies in Alaska and the Lower 48. Several companies have expressed interest in interior timber in response to the prospectus. The project partners are providing interested parties with additional information and tours of the forest areas. The next step is to actively market interior timber by directly contacting additional prospects, attending selected trade shows, and expanding the supporting material available on the website. This CIP would fund those efforts. Without a CIP, the partners could continue to work

on the Prospectus only within the limits of existing staff and funding. Responsibilities for fire and forest management limit available time. For example, in 2004, no staff time was available during the long fire season. Staff positions do not include the marketing expertise required to accelerate this project.

Increased timber sales would generate revenue and jobs. In the last three years, state timber in the interior sold for an average of \$34.00/thousand board feet (MBF). At these prices, doubling the annual harvest to 10 MMBF – a modest goal – would bring in \$170.0 per year. An annual harvest of 20 million board feet would be only 16% of the annual allowable cut, but would generate approximately \$510.0 in revenue per year.

On average, timber harvesting generates about 2 direct primary processing jobs per million board feet, with a multiplier of 1-2 for secondary processing jobs. Using these figures, a doubling of the harvest rate would generate 10 direct and 10 indirect jobs in primary processing. Increasing the annual harvest to 20 MMBF would generate 30 direct and 30 indirect jobs from primary processing alone. The number of additional jobs from secondary processing would depend on the type of processing. Value-added processing increases the employment from timber, and has a far greater impact on local economies than log export. The goal of this project is to create sustainable year round private sector jobs that are based on value-added processing of a renewable resource.

Efforts to increase timber processing in the interior have been a partnership between state and private entities (Fairbanks Economic Development Corporation and Tanana Chiefs Conference, Inc.). FEDC and TCC have been generous contributors to this effort, and will continue to be strong partners, which leverages state funds. The FEDC has provided the team leader for this project. This project does not affect state operating costs or permanent staff positions, nor does it transfer responsibility between the public and private sector. CIP funds would be used to hire one non-perm for 5 months to complete work on timber data and the website.

Total project costs were calculated from work completed by the projects steering committee. The budget covers attendance at two trade shows, additional mailings to Canadian and European countries, follow up work with two prospective firms and a strong marketing push over the next 18-24 months.

Although this is not directly a life, health or safety issue, expanded harvesting will help reduce wildfire hazards by breaking up fuel types, especially near communities where it is difficult to use other tools, such as prescribed burning.

**Why is this Project Needed Now:** Timber purchases in interior Alaska have declined steadily since FY97, despite continued high levels of timber sale offerings. Existing demand is almost exclusively for white spruce for lumber and houselogs, but half of the available volume is in hardwoods. Hardwood stands are aging and losing economic value. Productive wildlife habitat is also lost as these stands age, and changes in vegetation types trend toward fire-prone types. Expanded markets for hardwoods are needed to capture the economic value of these stands, and to maintain a mosaic of forest types to provide timber, game, and recreational opportunities while reducing wildfire risk.

#### **Specific Spending Detail:**

##### Line Item Expenditures:

Personal Services	\$29.4	Non-perm Forester III – 5 months to develop and update detailed timber supply databases, provide technical assistance on timber supply and quality, and complete the prospectus website.
Travel	\$18.0	Travel for DOF and FEDC staff to targeted trade shows to market interior timber.
Services	\$8.0	Trade show registration and marketing materials (displays, packets, etc.)

#### **Project Support:**

Fairbanks Economic Development Corporation  
Tanana Chiefs Conference  
Fairbanks North Star Borough  
Alaska Dept. of Fish and Game

**Project Opposition:** None known. There has been widespread acceptance of and support for the Prospectus project so far.