

Comments on Ag Budget Impasse
Submitted to the
Pennsylvania Senate Agriculture and Rural Affairs Committee
and Pennsylvania House Agriculture and Rural Affairs Committee
by the
Pennsylvania Forest Products Association
March 15, 2015

On behalf of the 279 member companies and individuals making up the Pennsylvania Forest Products Association, I make the following submission of comments to the above mentioned committees regarding how the budget impasse is impacting the hardwood research and promotion line item in the PA Department of Agriculture's budget.

The \$350,000 hardwoods research and promotion line was vetoed by Governor Wolf in December. This has impacted both staff at the Pennsylvania Department of Agriculture's Hardwoods Development Council, as well as the supporting hardwood utilization groups across the state.

The state's hardwoods industry continues to struggle to recover since the recession of the mid-2000's.

- In 2002, the state's forest products industry employed 86,110 individuals at 2,827 establishments.
- In 2006, the state's forest products industry employed 78,910 individuals at 2,420 establishments.
- In 2012, the state's forest products industry employed 58,071 individuals at 2,135 establishments.
- In 2014, the state's forest products industry employed 60,068 individuals at 2,091 establishments.

2014 had been the best year since the recession, overall the hardwoods market slipped a bit in 2015. This line item continues to be needed to support the industry. The state's hardwood industry still employs about 10 percent of the state's manufacturing workforce, produces about \$11.5 billion annually in sales and has an overall economic impact in the state of \$19 billion annually.

In recent years, 80 percent of the money from the hardwood line item was distributed according to the annual fiscal code legislation to the three hardwood utilization groups that serve the industry in 33 counties in northern and central Pennsylvania. Each of these organizations has a slightly different focus given their geographic location, but most provide some level of local technical assistance workforce development, logger development and promotional efforts to support and to grow the industry in its region. These groups also work with the Pennsylvania Sustainable Forestry Initiative State Implementation Committee which provides logger training across that state.

While each of these hardwoods utilization groups obtains industry dues and perhaps other revenues, the grants from the Hardwoods Development Council provide a sizable portion of its revenue. The attached sheet provided by these groups to the Hardwoods Development Council and Secretary Redding at the Council's last meeting demonstrates the financial issues facing these hardwood utilization groups. One of the hardwood utilization groups (AHUG) has reduced its workforce hours by more than half in an effort to remain viable.

The remainder of the line is used to support the activities of the Hardwoods Development Council. These activities include identifying and promoting new domestic and international markets for Pennsylvania wood products, Recently, the focus of the Council has become workforce development for

the next future loggers, sawmill and secondary mill workers, and the marketing of hardwood as the greenest building material.

The two staff positions that support the Council are funded from the General Government Operations of the Department. One of these positions is currently vacant due to a fall 2015 retirement. The Council also has utilized federal USDA invasive species outreach money to hire a part-time employee in recent years to operate the Pennsylvania WoodMobile from roughly April to November each year. The Council staff have also worked with DCED and accessed other federal moneys to support its international market development. The “Pennsylvania Hardwoods Stands for Quality” logo is recognized by hardwood buyers from across the globe. The Council staff has worked with the hardwood utilization groups to maximize the use of the total hardwoods research and promotion line annually.

Amazingly, the veto of the hardwood line item came as DCNR, PDA and DCED were organizing the launch of the Green Ribbon Task Force on Forest Products, Conservation and Jobs. This temporary group of nearly 40 experts from private industry, academia, marketing, forest science, economic and workforce development was brought together by the Governor beginning in January to analyze current limitations to forest conservation and job growth and to develop an action plan to address these objectives. At the first meeting, Hardwoods Council staff gave a presentation on the status of the industry and Council staff serves on two of the Task Force working groups. But the Council currently has no money to work on its priority issues. Frankly, many of the industry participants on this Task Force find it curious that the Governor would veto the Council’s funding if this was such an important issue.

The \$350,000 line items for hardwoods research and promotion amounts to only 0.23 percent of the total budget of the Department of Agriculture.