



THE BUSINESS OF
TREES

MICHIGAN FOREST PRODUCTS COUNCIL
2014 ANNUAL REPORT

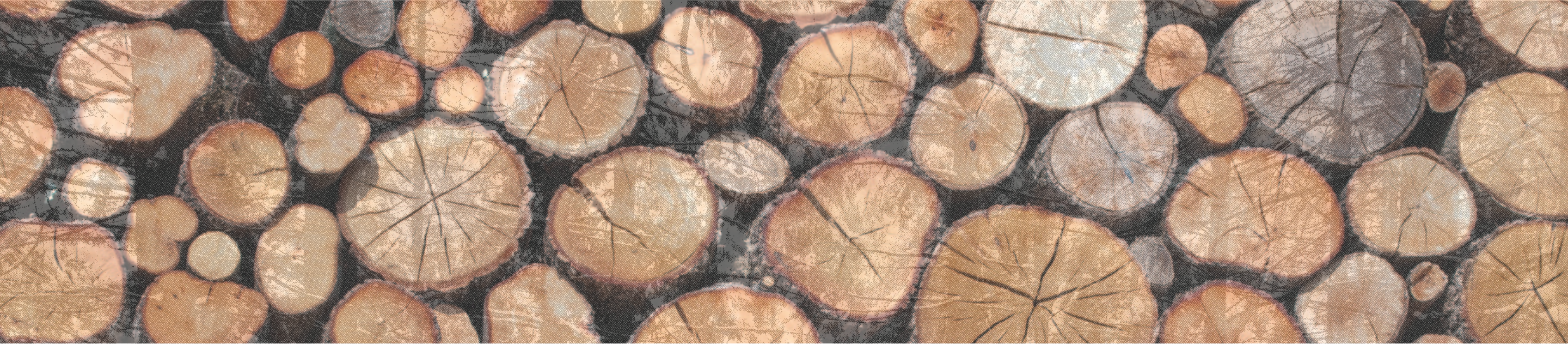


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MISSION

The Mission of the Michigan Forest Products Council is to provide a unified industry voice to protect, promote and sustain a globally competitive forest products industry in Michigan.



SUSTAINABLE RESOURCES

Michigan's world-class products are shaping the world we live in.

In 2013 the shape of our future became clear: 21st century products fused with our proud heritage of careful stewardship and science-backed practices. Today, we curate sustainable resources and limit waste at every stage of the manufacturing process—all while crafting a competitive, world-class product.

End-to-end sustainability isn't just a perk or a gimmick: it's how we do business. And in April of 2013 we came together as an industry at the Governor's Forest Products Summit and showed that our businesses are ready to take the next step. We are ready to drive our products to competitive export markets and grow our industry to encourage capital investment in Michigan. We are ready and able to be a \$20 billion industry.

The products that we make are the best in their class and a true Michigan advantage. In the coming year, we not only need to use our advantages to grow business, but we must share our expertise and advantages with Michigan citizens. At the MFPC, we strive to build awareness that healthy forests depend on competitive infrastructure rates, economically and environmentally sound regulations, and the education of our youth.

From the logs we've harvested for generations to the 21st century products we deliver to consumers today, we have built a reputation for hard work and credibility that has become a brand and a message respected in today's Michigan government.

MICHEL SUSSMAN
Chairman, Michigan Forest Products Council

GOVERNOR'S FOREST PRODUCTS

SUMMIT REPORT

After meeting with the MFPC, Governor Rick Snyder hosted a Forest Products Summit to bring to light the issues and opportunities currently facing the industry. The Governor highlighted three questions the industry must address for long-term success:

- What are the export opportunities?
- What value-added processes are the best?
- What research and development are we doing?

The Governor-appointed Timber Advisory Committee set five working goals to increase the sector's economic impact:

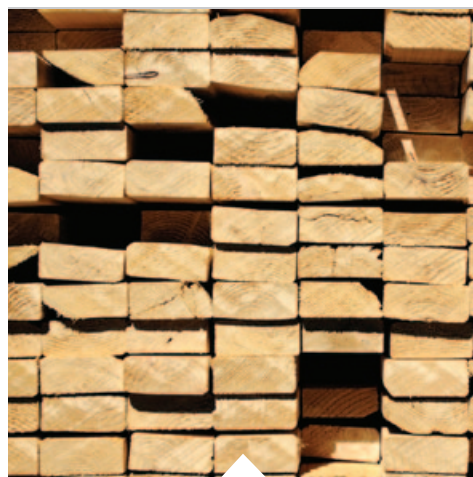
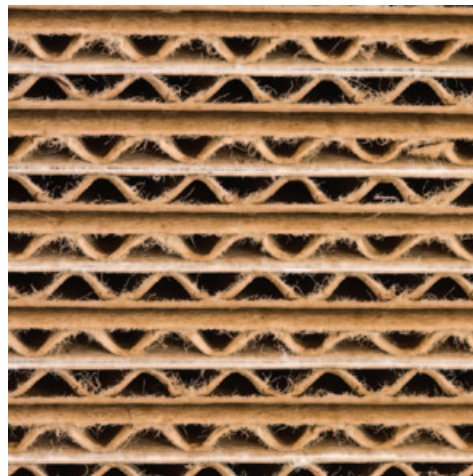
- Increasing the economic impact of the timber industry on state and regional economies from \$14 billion in 2010 to \$20 billion by 2018;
- Increasing the export of value-added timber products by 50 percent;
- Increasing forest products-related careers by 10 percent;
- Supporting existing industry; and
- Encouraging regionally based industry development.

The Summit focused on public-private cooperation and innovative ideas to propel the industry in the twenty-first century. Summit speakers pointed to growing demand for

biomass renewable and post-recession recovery in the housing market as compelling opportunities for business growth and export markets.

Nearly 200 companies participated in the 2013 Gubernatorial Summit. MFPC member companies, Minerick Logging, Traxys Power Group, Verso, and Plum Creek spoke at the Summit.

The final Summit report, compiled by the Michigan Department of Natural Resources, includes the results of the summit. You can view the entire report here: www.michiganforest.com/resources/dnr-report-governors-forest-products-summit-2013



On average, each year
154,000
MICHIGANDERS
earn \$1.3 billion in the Michigan
forest products industry.



ABOUT THE INDUSTRY

Michigan forest products make some amazing things: lumber, utility poles, pulp and paper, packaging, bio-chemicals, furniture, oriented strand board (OSB), log homes, particleboard, flooring, cabinets, Christmas trees, cellulose, consumer products and more. They touch nearly every area of our lives.

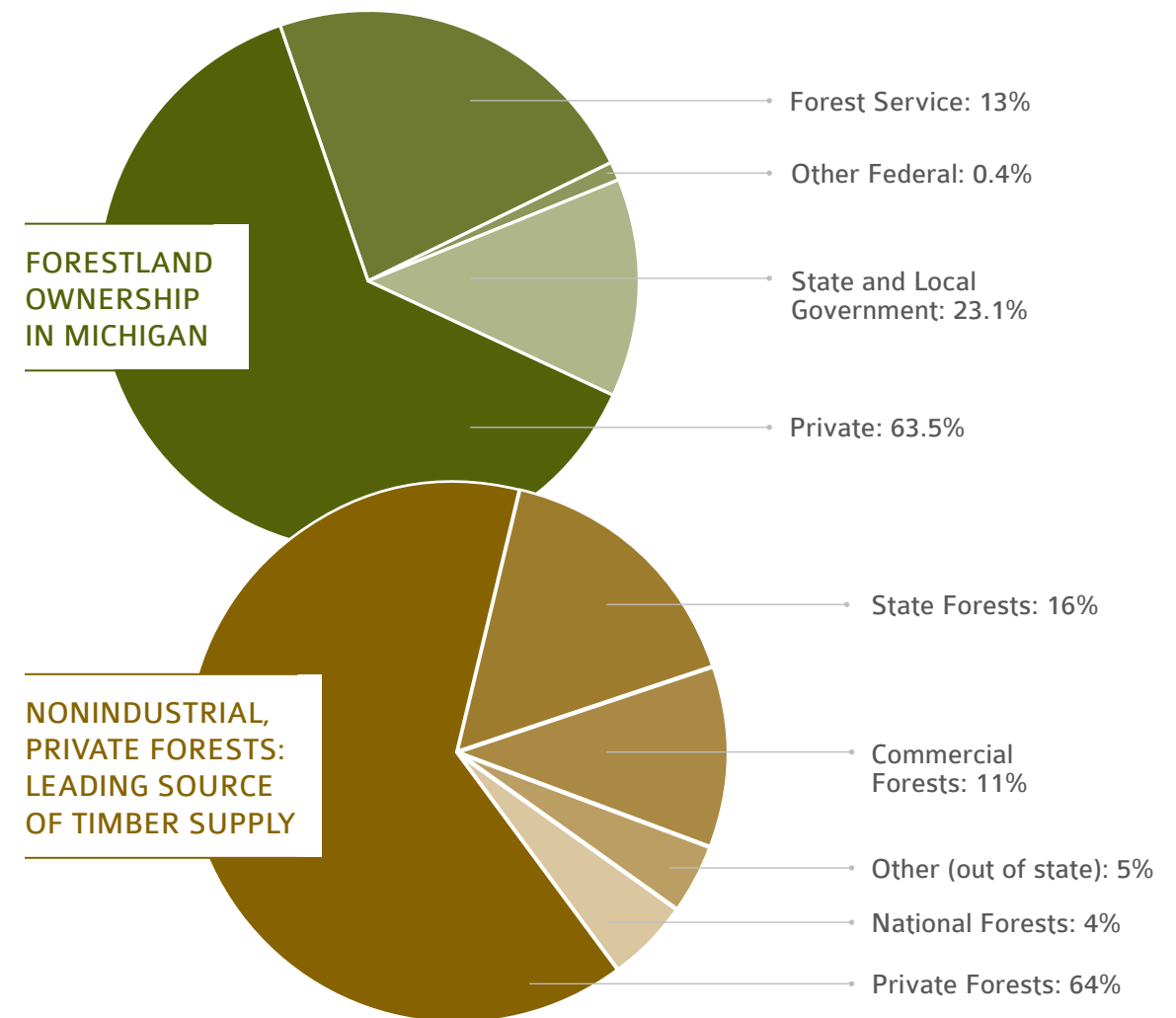
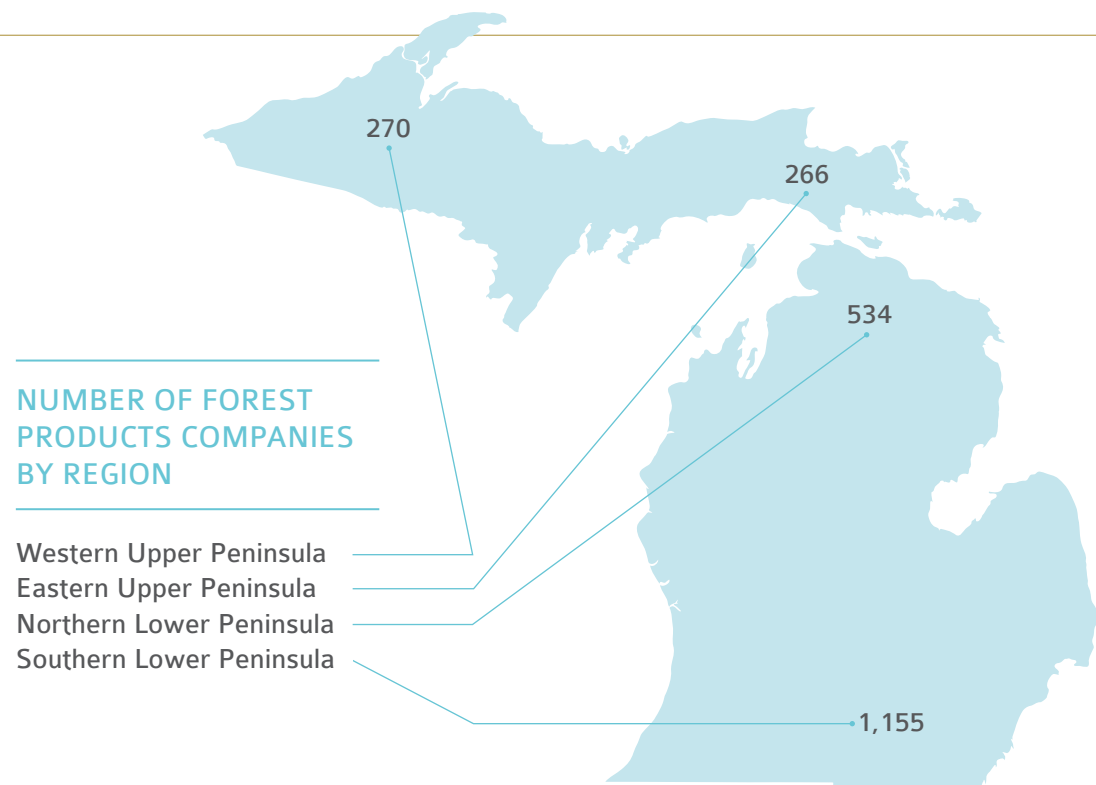
Each year, the Michigan forest products industry harvests about 12 million tons of wood. Just one of these tons will generate about \$100 worth of economic activity, which is just a part of the \$14.6 billion contribution to the state's economy. Of the \$14.6 billion generated each year, \$1.3 billion stays right here in Michigan in take-home pay to 154,000 Michiganders.

The forest products industry is much more than the wood fiber we harvest. Our industry makes up 10% of the state's manufacturing sector that produces many consumer products. Over 1,200 companies operate facilities across the state.

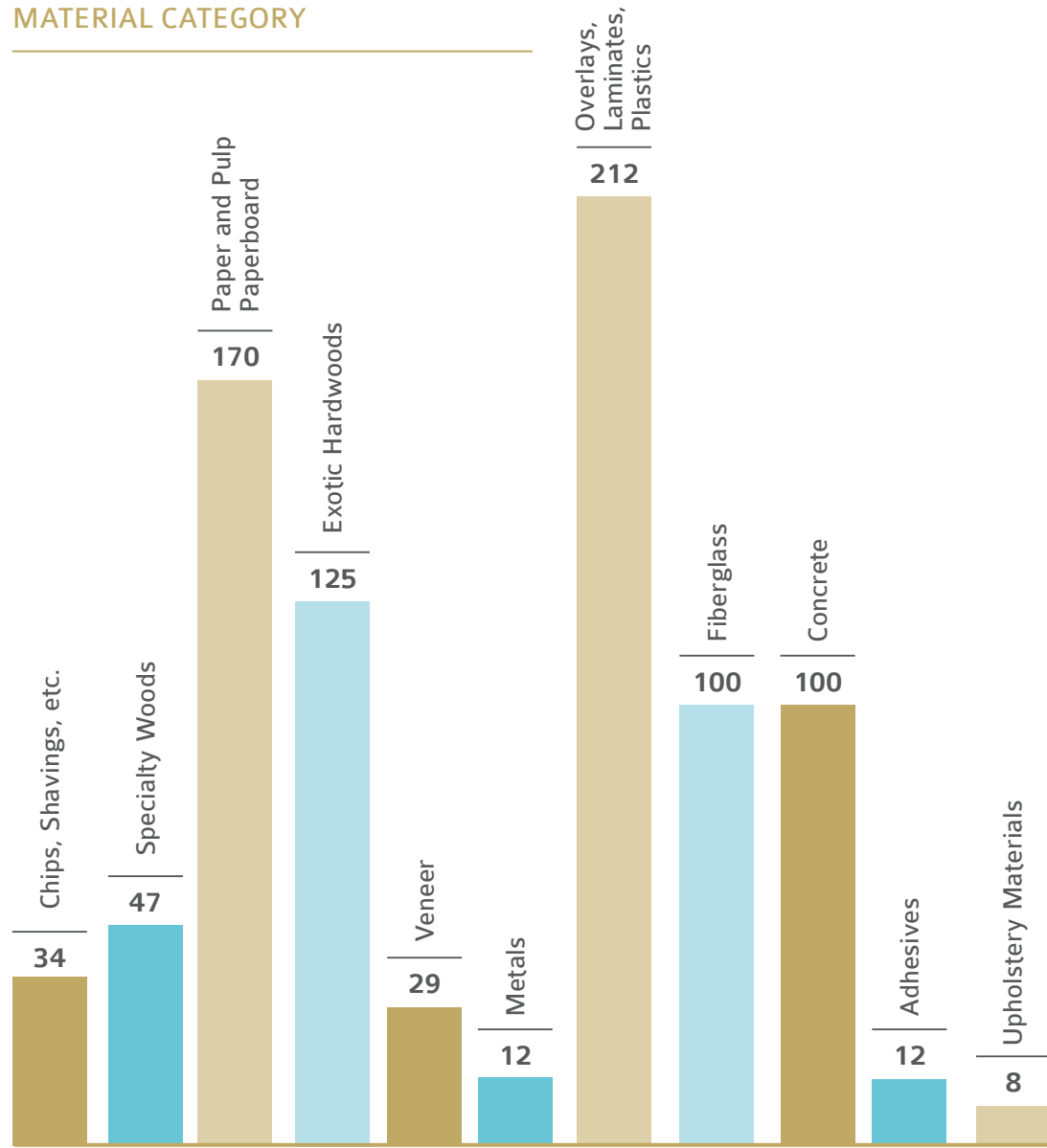


BRIGHT FUTURE

Our state has one of the largest fiber surpluses in the nation.



MICHIGAN INDUSTRY PRODUCTS:
NUMBER OF COMPANIES PER
MATERIAL CATEGORY



923,000 U.S. HOUSING UNITS
reported in 2013—which is up over
18% since 2012.

Michigan is part of the national recovery.
73,000 JOBS
were added in 2013.

Michigan saw a budget
SURPLUS OF \$1.1 BILLION,
thanks, in part, to the forest products industry.



DELIVERING RESULTS FOR OUR MEMBERS IN 2013

PUBLIC POLICY

QUALIFIED FOREST PRACTICES ACT

In June of 2013, Governor Snyder signed a collection of bills that established the Qualified Forest Program (QFP). The program administered by Michigan Department of Agriculture and Rural Development (MDARD) enables non-industrial, private landowners to receive tax incentives in exchange for active management of their forested land. Active management promotes best management practices that help reduce fires and protect water quality, as well as providing an influx of supply for Michigan's forest products economy. Individuals interested in enrolling their land in the program can apply through MDARD. www.michigan.gov/mdard

BUSINESS COMPETITIVENESS

In 2013, MFPC furthered its policy goals to increase business competitiveness. Major strides taken by MFPC included:

- Advanced brand and product market research
- Recognized carbon neutral production as renewable practice
- Reached agreement on air quality regulations stipulated by Boiler MACT and PM 2.5

FARM BILL

Throughout 2013 MFPC worked closely with national partners to secure critical language in the federal Farm Bill package. After a 2 year rewrite, Congress struck a deal that included this landmark language, protecting forest roads from uncertain regulation. The Farm Bill included several forestry provisions to address severe forest health problems and promote long-term stewardship contracting.

The Farm Bill is a very significant advance in our efforts to protect the use of Best Management Practices, to protect water quality.

COMMERCIAL FOREST PROGRAM

Michigan's commercial forest program provides a tax incentive to landowners who manage their property for long-term timber production. Landowners enrolled in the program pay reduced property taxes and the state of Michigan pays an additional amount to counties where the land is enrolled to help make-up for the tax reduction.

Nearly 1,700 private landowners participate in the program with roughly 2.2 million acres, the vast majority of it in the northern two-thirds of the state, enrolled. Landowners include individuals, civic and hunting clubs, and businesses. The law requires that landowners must allow the general public the privilege of hunting and fishing.

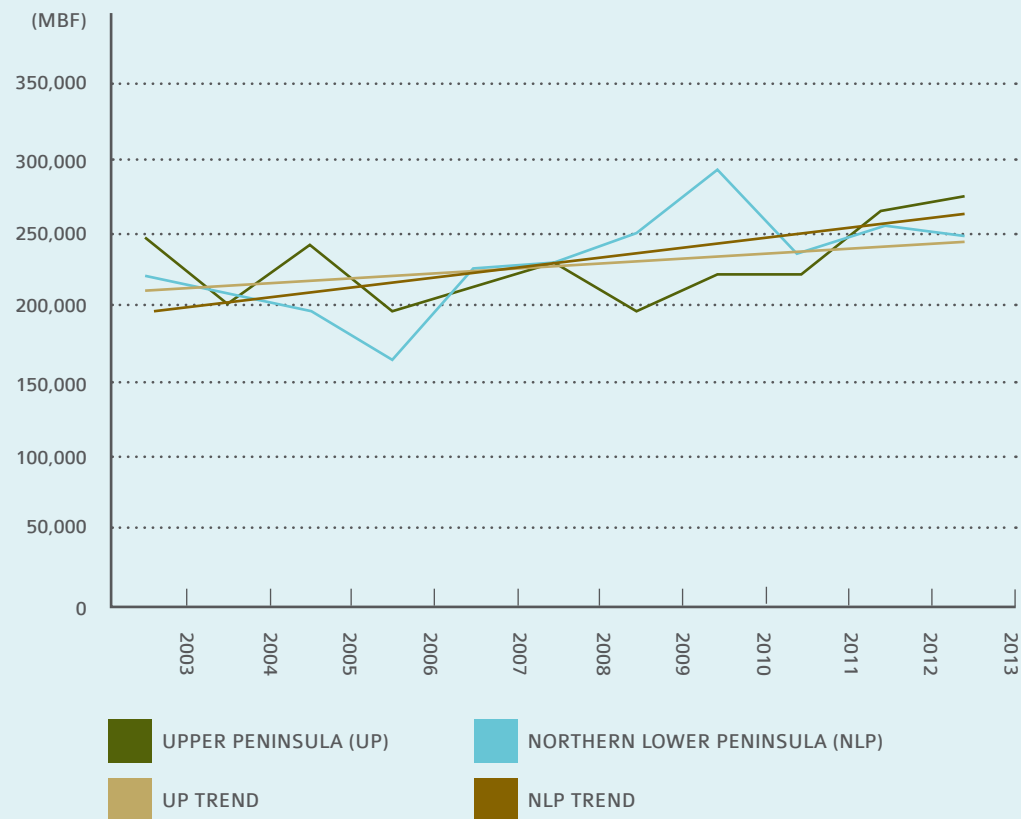
CFA plays a critical role hunting, fishing, hiking and recreational based tourism, which generates nearly \$3 billion in economic activity each year. Commercial forest lands enrolled in the program can be found at on the Web at <http://www.michigan.gov/dnr>.

TUEBOR AWARD

Emblazoned on the official State Seal reads the word "Tuebor," meaning, "I will defend." MFPC's Tuebor award is presented to an individual, who through his or her leadership has demonstrated commitment to the integrity of Michigan's natural resources, and whose legacy has sought solutions to the problems faced by those who depend on the state's natural resources.

Honoring over 30 years of service, JR Richardson, currently Chairman of the Natural Resources Commission, was honored in 2013.

TOTAL STATE AND NATIONAL FOREST PULPWOOD AND SAWLOG VOLUMES BY MICHIGAN PENINSULA, FY 2003-2013



SUSTAINABLE FORESTRY INITIATIVE SFI IN MICHIGAN



Eleven primary members of the Michigan SFI-IC manage over five-million acres in Michigan. The State Implementation Committee (SIC) includes representation from non-industrial private landowners, timber harvesters, Michigan State University Extension, and the Michigan DNR, Michigan United Conservation Clubs, as well as several major forest products industry companies.

In 2013, Michigan SFI launched a major project to improve a database of trained logging professionals. The new database will feature tools for easier access, more accurate records, and more versatile usability. Visit www.sfimi.org

SFI continues its community outreach efforts through public campaigns and by seeking charitable partnerships with its national affiliate, Habitat for Humanity.

RESTORING KIRTLAND WARBLERS

The Kirtland Warbler is ranked as a globally, critically imperiled (G1) species and is a federally listed endangered species. Except for a location in Ontario, the only known breeding grounds are in 14 Michigan counties in the northern Lower and Upper Peninsulas.

MFPC member, Plum Creek, takes pride in protecting and enhancing habitat on its lands for this endangered species. In the spring of 2009, foresters planted about 150,000 jack pine seedlings on the Yellow Dog Plains, northwest of Marquette, creating more habitat for this valued songbird.

TREE FARM

Michigan Tree Farm System (TFS) saw an 81% increase in new tree farms enrolled the year 2012. In 2013, all required inspections were completed and prepared for the upcoming 2014 Audit.

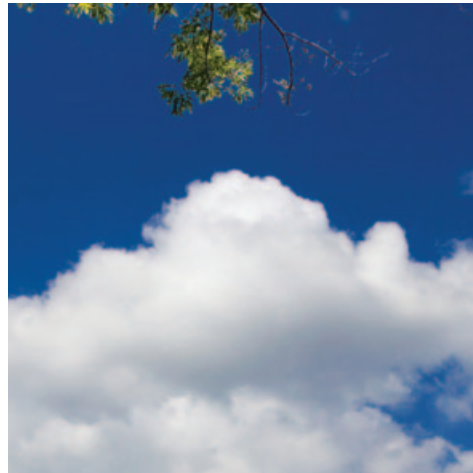
Michigan TFS recognizes the dedicated efforts of Keith Martell Jr. as inspector of the year.

STATE WOOD FIBER SALES SET RECORD HIGHS

Michigan Department of Natural Resources (MDNR) set a record for timber sales in 2013. A total of 61,191 acres were managed in FY2012-13, with an estimated volume of 921,600 cords sold. Record sales generated close to \$40 million dollars for the year.

EXPORTER OF THE YEAR

Governor Snyder named Connor Sport Flooring of Amasa, Mich., as this year's "Michigan Agriculture Exporter of the Year." Connor Sports manufactures the courts on which the men's and women's NCAA Final Four basketball championships are played and has been a long-term exporter in 40-plus countries on six continents. Connor Sports manufactures northern hard maple sourced from Michigan.



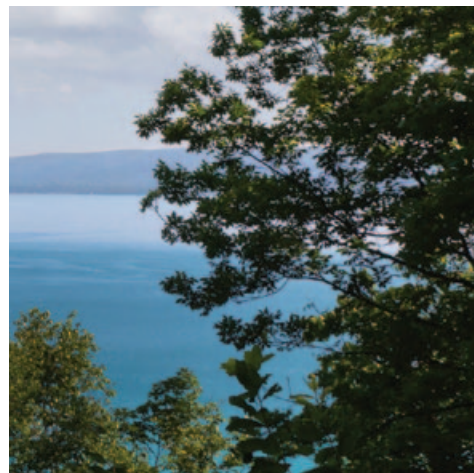
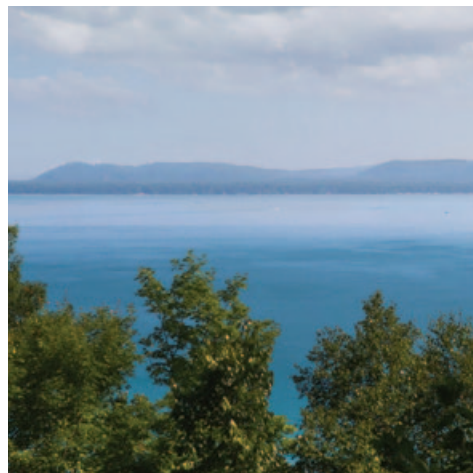
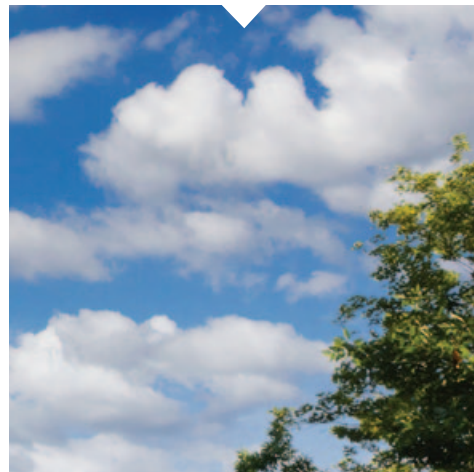
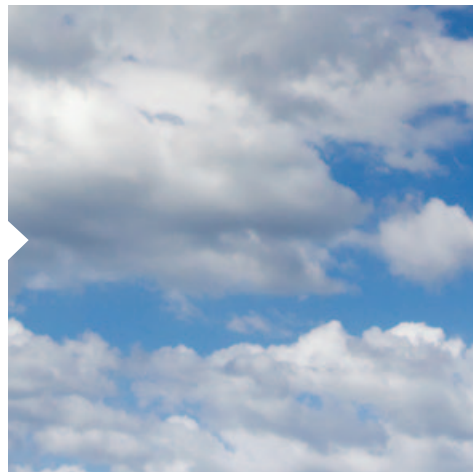
Forest-Based Recreation

1,834,000
people fish annually, ranking Michigan 4th nationally in the number of anglers.

Forest-Based Recreation

935,000
people hunt annually.

200,000
snowmobile permits were issued.



ADVOCACY

Our agenda for the year ahead shapes our policy goals, designed to maintain a competitive business climate in Michigan.

DAY AT THE CAPITOL

In Spring of 2014, the MFPC will attend a day at the state capitol in Lansing to further educate Michigan's policymakers on the issues facing today's forest products industry and shared goals for the future.

VERNAL POOLS

MFPC is partnering with Verso Paper Corp., MDNR, the Michigan Natural Features Inventory, and Michigan State University Extension on a unique project targeted to identify and map vernal pools on state forest lands in Michigan's Upper Peninsula. Vernal pools are small, temporary bodies of water that form in shallow depressions primarily in forested areas. Vernal pools provide food, water and/or habitat for a number of animal and plant species, including several endangered, threatened or rare species in Michigan.

The project will provide information that will help develop an effective and efficient approach for identifying and mapping vernal pools and will enhance understanding of vernal pools' distribution and ecology and how to effectively identify, manage and conserve them.

BEST MANAGEMENT PRACTICES FOR WATER QUALITY

In 2014, the MFPC in coordination with the DNR is working to put in place an independent audit system to ensure the use of Best Management Practices for protecting lakes and streams on actively managed forest land.

PERSONAL PROPERTY TAX REFORM

MFPC will build on its success in 2013 toward tax relief for industrial and commercial business owners through Personal Property Tax (PPT) Reform.

In 2014 industrial and commercial business taxpayers who own, lease or are in the possession of industrial or commercial personal property, with a true cash of value of less than \$80,000, may seek an exemption and eliminate their 2014 personal property tax bill.

For more information visit www.michiganforest.com

AIR & WATER PROTECTION WORKSHOPS

MFPC's Michigan Pulp and Paper Environmental Council (MPPEC) will be holding a series of workshops between industry experts and Department of Environmental Quality officials to education and create workable standards to protect air and water quality.

STATEMENT OF FINANCIAL ACTIVITIES

FINANCIALS

FINANCIAL OPERATING HIGHLIGHTS

ASSETS

Current Assets	\$	142,617
Investments	\$	311,147
Fixed Assets	\$	16,710
Other Current Assets	\$	3,160
TOTAL	\$	473,634

LIABILITIES & NET ASSETS

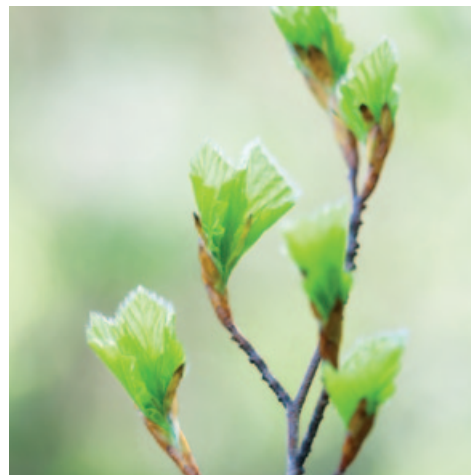
Current Liabilities	\$	331,889
Other Liabilities	\$	4,554
Long Term Liabilities	\$	16,796
Equity	\$	120,395
TOTAL	\$	473,634

2013 EXPENDITURES

Operations	\$	38,526	8%
Advocacy	\$	266,412	52%
Communications	\$	50,393	10%
Foundation, Forest Cert.	\$	151,263	30%
TOTAL	\$	506,594	100%



This annual report was printed on Sappi Paper, which is sourced from the **20.2 MILLION** acres of Michigan forest and timberland.



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MFPC

**PROTECTING, PROMOTING AND
SUSTAINING MICHIGAN'S
FOREST ECONOMY**

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