



## Vermont Forest Economy Stabilization Grant Program

September 11th, 2020

### Act 138 -

- Appropriated \$5 million for a revenue loss replacement program for Vermont forest products business primarily engaged in managing, harvesting, trucking, processing, manufacturing, crafting, or distributing forest or wood products derived from Vermont forests.
- Applicants were eligible for revenue replacement if they demonstrated cumulative revenue loss of \$5,000 or more (awards capped at \$100,000) between March 1 and July 31, 2020 (August was added after September 1) when compared to the cumulative revenue from the same timeframe in 2019.
- Applicants provided FY2019 income statements, YTD20 income statements and the most recent year of state and federal tax returns. Documents were reviewed by Vermont Economic Development Authority (VEDA) staff and sent to FPR for approval. Applications were cross checked with other state grant programs and state and federal debarment lists by FPR staff prior to approval.

### Forest Economy Stabilization Grant timeline –

- Applications were initially open August 5<sup>th</sup> – September 4<sup>th</sup>. Extended to September 8<sup>th</sup> to allow more time for new applications to be submitted. Funding reverts to ACCD on 9/15/2020 per Act 138.
- Approved grants: 70. Total funds expended on grants - \$3,657,165.00. VEDA's reviewer fees have not been calculated or deducted from the remaining \$1,342,835.

### Assistance provided to applicants –

- FPR staff were available seven days per week to assist applicants with resolving login issues, understanding eligibility, document corrections, and other questions
- VHCB Farm and Forest Viability Program contracted with consultants that were available at no charge to applicants to prepare necessary documents or complete applications for those without internet access

### Grant snapshots –

- Businesses approved for grants, by type –
  - 32 managing or harvesting (consulting foresters, logging contractors, maple sap producers)
  - 24 wood manufacturers, distributors, and crafters
  - 8 forest trucking enterprises
  - 6 wood processors (sawmill, fuelwood producer, veneer mill)
- Counties represented – 13 (none from Grand Isle)
- Average grant per applicant – \$52,245.00
- Average number of employees per applicant – 6.37
- Average annual gross sales of applicants – \$1,110,547.78

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## COVID-19 and Vermont's forest economy -

- Nationally, the forest economy supply chain was designated as “essential” at the outset of the COVID-19 public health emergency. Medical supplies; tissue paper; food, product, and takeout packaging; home and business heating fuel; electrical power for the grid; sawdust for dairy farms are examples of critical supplies and products made with wood from Vermont's forests.
- Challenges –
  - Despite essential needs, there has been a loss of domestic and global markets for forest products, including high value hardwood logs
  - The closure of offices, schools, institutions, and reductions in printed media has dramatically reduced the demand for paper globally. 16% of Vermont's annual harvest of forest products is delivered to paper mills in the region and is often tied directly to implementation of forest management plans.
  - Situation is still evolving, and paper markets are likely to be in turmoil for years. Some paper mills report inventory of pulpwood remaining that was harvested last winter.
  - Vermont's forests and forest economy supply chain are increasingly reliant on fewer globally owned paper mills to provide an economic return that supports many other forest-based activities.
  - Limited returns on investment in the supply chain reduces the ability to implement best practices, reinvest in equipment or sustain/grow employment.
- Bright spots –
  - Wood energy is energy security. Homeowners and institutions that rely on wood heat are securing their supply earlier than usual and used more wood fuel during the initial “stay at home” orders in the spring. Dispersed fuel supply and producers are less susceptible to supply chain disruptions.
  - Homeowners took on many home renovations and gardening projects – nationally - that drove up demand for a limited number of products.
  - Business owners express interest in creating demand and processing capacity in-state to replace lost markets.
- Opportunities
  - Working Lands Enterprise Initiative
    - Since 2018, WLEI has been awarding larger grants for projects that will increase capacity for adding value and processing low grade wood in-state. Examples include eliminating diesel generators and investments in three phase power; firewood processors and kilns;
  - Act 250 modernization
    - Land use permitting has been increasingly challenging for enterprises that process or add value to forest products. Permitting costs and permit conditions are prohibitive.
  - Workforce development
    - Nearly all employers in the forest economy express a need for trained employees and concern about the viability of the supply chain without new entrants into the sector.