

GOFERR Stakeholder Advisory Board

Presentations

Tuesday May 14, 2020

2:00 pm

- a. **NH Farm Bureau**, Robert Johnson II, Policy Director (Page 2)
- b. **Yankee Fishermen's Cooperative**, Jim Titone, President, (Page 7)
- c. **NH Timberland Owners Association**, Jasen Stock, Ex. Director (Page 13)

GOEFERR Stakeholder Advisory Board

(1) Please identify your position and your organization.

Robert Johnson, II, Policy Director, NH Farm Bureau

(2) Please identify what economic sector your enterprise operates within.

Agriculture

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

Dairy Farms – following five years of low prices, pay prices to dairy farmers rebounded during the latter part of 2019 with price forecast good for 2020. Actions taken in response to the COVID-19 threat: the shutdown of food service establishments and stay at home orders, have resulted in a demand shift away from milk and dairy product consumption and resulted in a substantial amount of milk nationwide being “dumped” due to lack of a market (it’s estimated that during the first week in April 7% of milk produced nationwide was dumped), this includes a lack of processing capacity for the products needed by the market. A reduction in world trade brought on by the pandemic has also been a contributing factor. Foreign trade accounts for about 16% of U.S. dairy sales. Current milk prices and the dairy outlook are also affecting the ability of dairy farmers to sell replacement dairy cattle, an important market for many dairy farms.

Dairy farmers are paid for their milk by the hundredweight (cwt.). For milk produced in December, 2019 they received on average about \$19.25 cwt., while for milk produced this April they received on average about \$15.25 cwt. – a drop of \$4.00 cwt. or 20%. Forecast going into 2020 had projected milk holding in the \$19.50 – 20.00 cwt. range throughout 2020. This equates to a reduction in cash receipts for April milk sold vs. December milk sold of about \$8,750 for a dairy farm milking just over 100 cows. According to USDA data, total costs of producing milk in the New England states is over \$25 cwt.

NH has about 90 licensed dairy farms that shipped nearly 188,000 cwt. of milk in 2019.

Fruit, Vegetable, and Ornamental Plant Operations – those operating so far this year have experienced a substantial increase in costs in response to the COVID-19 threat – trying to keep farm workers and customers safe and helping to maintain confidence in our state’s local food supply.

New costs include:

- Extra cleaning and sanitizing
- Ensuring social distancing on the farm: worker & customer spacing, greater attention to and monitoring of customers
- Much more individual product packaging & pre-packaging products not normally packaged
- Creation of and expanding space to enable distancing

- The addition of Plexiglas between worker stations on packing lines and at retail checkout
- Meeting expectations of customers such as providing curbside pick-up & delivery, accepting online orders (requires different sales platform & training)

Establishing and adhering to the protocols developed in response to the threat makes all processes longer and requires more labor (the primary new expense)

In order to get a handle on costs experienced, working with UNH Cooperative Extension agricultural team members, a survey was conducted during the last week in April targeting the state's major growers – those dependent on farm produce & plant sales for their survival.

The following questions were asked:

- How much additional expense in labor as a result of COVID-19 have you experienced to date?
- How much additional expense in PPE as a result of COVID-19 have you experienced to date?
- Other additional expenses as a result of COVID-19 you have experienced to date?

Twenty usable responses were received:

Costs experienced to date (labor, PPE, & other) per farm came to a mean of \$4,750.

Agritourism and related farm businesses dependent on agrotourism - we do not have good numbers at this time for the impact on these businesses as it is very early in their business season other than to say they have experienced a total loss to this point in the year. Example of agritourism events include on farm weddings and dinners. An example of dependent farm businesses include the food these farms supply for these events and flower growers who grow and “stage” displays for weddings and other events.

In addition, other agricultural sectors can demonstrate critical revenue loss as a result of annual event cancellations such as the cancelation of Maple Weekend (March) and the cancelation of the Sheep and Wool Growers Festival (May). These events are important revenue generators for their agricultural sectors. UNH Extension, surveying 70 maple producers, found the mean loss in revenue to be \$4,250 with an average loss of \$10,690 for maple producers

(4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months of COVID-19.

Dairy Farms – milk prices are projected to average about \$15.15 cwt. over the remainder of the year, with a low of around \$13.35 cwt. forecast for June and a high of around \$16.20 cwt. forecast for November. This equates to an average loss each month, May thru December, of a little over \$10,000 when compared to forecast prior to the onset of the COVID-19 pandemic. (This example is for a farm milking just over 100 cows.) The market for replacement dairy cattle such as bred heifers is very likely to continue to be non-existent.

Fruit, Vegetable, and Ornamental Plant Operations – the UNH Extension survey of major growers also asked:

:

- What is your anticipated future costs due to COVID-19 for the remainder of this year?

The survey found anticipated costs through the remainder of the year to be a mean of \$18,000 per operation. This larger number can be attributed to the fact that the outdoor planting and growing season is in its very early stages.

Agritourism and related farm businesses dependent on agritourism – for the most part farms are reporting all events scheduled through June have been canceled. Examples include a livestock operation in Cheshire County which so far has had 13 of the weddings scheduled on the farm this year canceled and a cut flower grower on the seacoast that grows and stages displays for weddings. The owner has weddings and other events scheduled normally every weekend April through much of the fall. So far this year all of the events scheduled in April, May, & June have been canceled. Some have been rescheduled for later in the year – but who knows if these will happen.

The 2017 USDA Census of Agriculture found 136 farms in the state generated 4 million in income generated from agritourism.

(5) Please explain whether your enterprise or economic sector has or is receiving, or may possible receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address Covid-19 impacts: and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

Dairy Farms – the federal CARES Act contained \$16 billion for agriculture as a whole nationwide to be awarded through USDA. USDA has announced \$2.9 billion of this money for the dairy industry with assistance including dairy product purchases and direct payments to producers. Direct payments are expected to cover 85% of dairy producers' losses from January 1 through April 15 of this year and 30% of losses for the remainder of the year. Depending on production, a 100 cow dairy would receive approximately \$15,000 – 20,000 in total with a payment of approximately one-third the amount received in late May or early June and a second payment for the remainder made at a later date. I am also aware that some dairy farm owners received operating funds from U.S. Small Business Administration programs in response to COVID-19 such as the Paycheck Protection Program and the Economic Injury Disaster Loan/Grant Program.

Fruit, Vegetable, and Ornamental Plant Operations – a few operators may receive USDA CARES Act funding but it will likely be minimal, if any. I am aware that some operators received funds from U.S. Small Business Administration programs in response to COVID-19 such as the Paycheck Protection Program and the Economic Injury Disaster Loan/Grant Program.

Agritourism and related farm businesses dependent on agritourism – some may have received funds from U.S. Small Business Administration programs in response to COVID-19 such as the Paycheck Protection Program and the Economic Injury Disaster Loan/Grant Program – though I am not aware of any that have.

(9) Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

UNH Cooperative Extension programming and specialist are a critical resource for NH farmers, particularly in times such as we are currently experiencing. Funds to keep Extension agricultural programming whole and not having to cut its ability to be a resource to the NH agricultural community. Many NH farmers view Extension staff as part of their business team so Extension is a key part of the industry and will be key to industry recovery.

(10) What would your business, agency, organization, sector do with the funds that cannot be done currently?

Dairy Farms – in the most dire circumstances, funds would enable farms to pay operating expenses and to stay in business that will not be able to otherwise.

Fruit, Vegetable, and Ornamental Plant Operations - would provide these operations (that are already strained with numerous tasks) the funding to better ensure worker and customer safety by funding measures that would not be taken otherwise. This is likely particularly the case in marketing areas, such as Pick-Your-Own, where there is currently a great deal of uncertainty concerning what measures will need to be taken and numerous unknowns.

Agritourism and related farm businesses dependent on agritourism – would enable these business to pay debt and in some instances, depending on the governmental response to COVID-19 as we move forward, enable agritourism businesses to open next year that would not open otherwise.

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New Hampshire Farm Bureau (NHFB) is a non-profit federation, established in 1916, of New Hampshire's 10 county Farm Bureau organizations which consist of nearly 2,000 NH farm families and over 1,000 supporting members. NHFB is dedicated to advocating for and educating the public about agriculture. NHFB is a general farm organization where the members establish policy and direction through a member driven policy development process.



24 April 2020

Governor's Office for Emergency Relief and Recovery

Dear Committee Members:

Introduction

The Yankee Fishermen's Cooperative (YFC) in Seabrook, NH thanks the GOEFERR Stakeholder Advisory Board for allowing us the opportunity to participate in requesting COVID 19 emergency relief funds. The commercial fishing industry has been a mainstay industry in NH for the last 400 years and has been a vital element to our local economy. YFC, which was founded in 1989, is a member owned fishing cooperative, representing seventy (70) members within the commercial fishing industry. Since that time, it has been our mission to offer our fishermen members and non-members an organization that provides processing, marketing and support services for the seafood products they land at our facility and at other NH harbors. We provide a voluntary and open ownership to local commercial fishermen who accept the responsibilities of ownership and are willing to provide consumers with the highest quality seafood possible.

1. Please Identify Your Position and Organization.

Linda Hunt, General Manager
Jim Willwerth, Vice President, F/V Best Catch
Lou Nardello, Secretary, F/V Miss Fortune
Norman Moore, Director, F/V Sadie Amelia
Randy Gauron, Director

Jim Titone, President, F/V Flygirls
Tom Lyons, Treasurer, F/V Marion J
David Goethel, Director, F/V Ellen Diane
Pete Lagerstrom, Director, F/V Miss Maura

2. Please identify what economic sector your enterprise operates within.

YFC is involved in the commercial fishing industry which is a producer and harvester of seafood products supplied to both wholesale and retail markets and to the general public.

3. Please identify how your enterprise and economic sector have been impacted by COVID-19.

The main impact to our organization brought on by the COVID-19 pandemic has been the loss of our wholesale business to restaurants, seafood dealers and large seafood processors. This loss amounts to approximately \$3.2 million or 83% of our gross sales. Additionally, employees have been either furloughed or in quarantine thereby stressing our already diminished workforce. All budgeted capital equipment projects and facility improvements have either been cancelled or put on hold due to the uncertainty of our future revenue stream.

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4. Please provide an assessment on how you project your organization and economic sector will be impacted over the next 12 months by COVID-19.

Through the harvesting of seafood products landed at YFC, we estimate that approximately \$6,000,000 (six million dollars) is put back into the State and local economies. Over the next twelve months our business will be facing many challenges. First, the loss of the wholesale market will require the creation of a robust retail market for the seafood products landed at YFC. The next eight months are our prime commercial fishing and harvesting months, where the majority of our sales and income are earned. Without sufficient funds to implement a significant marketing and advertising campaign to sell our seafood products in a retail marketing environment we face the potential of curtailing fishing activity by our members, thereby creating a reduction of income not only to YFC and our members but also to the local economy. Second, along with the increase in fishing activity, there is also the requirement to hire new seasonal employees to get us through our busy season. With the uncertainty in business conditions over the next twelve months, hiring of new employees will be either eliminated or limited to essentials only. Third, another large segment of our business is dependent on export sales to the Far East, Europe and sales to NY markets. The uncertainty of the Far East/European and NY markets will be felt through the saturation of domestic markets from other countries such as Canada.

5. Please explain whether your enterprise or economic sector has or is receiving, or may possible receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address COVID-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

In March and April of this year, YFC applied for disaster relief loans through the Payroll Protection Program (PPP) and the Economic Industry Disaster Loan (EIDL) programs. We have been notified that due to oversubscription and exhaustion of funds, our applications were not considered or approved for funding. Once congress passes a relief package to replenish these programs, it is our intent to re-apply for loans under these programs. Under the CARES legislation, the National Marine Fisheries Service (NMFS) was allocated \$300 million in disaster relief funds for distribution within the commercial fishing industry. To date NMFS has neither released any of the allocated funds nor established a determination on how these funds are to be distributed.

6. Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your organization and economic sector (including, if possible, an estimate of the amount of funds), and please comment on how these ideas would achieve the following important public goals:

(a) The funds will serve a public use and provide a public benefit.

Like farming, commercial fishing can also be categorized as an industry that feeds America.

Currently, 90% of the seafood consumed in the U.S, is imported, and often from countries with

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little or no safety standards or regulations. New Hampshire consumers have rapidly learned that food security is of paramount concern and short supply chains lessen the risk of food insecurity. At YFC, we are proud that the seafood products we harvest provide a safe, valuable and nutritious food product to the people of NH in a “Boat to Plate” manner. American fishermen are stewards of the sea and would relish the opportunity to increase the domestic share of seafood consumed by the American and New Hampshire consuming public.

(b) The funds will preserve or increase the social welfare or economic prosperity of the state, and promote the general welfare of the state’s citizens.

YFC is situated on the scenic NH seacoast in the picturesque fishing village of Seabrook. Conveniently located on Route 1A, YFC has become a frequent must stop for tourists visiting NH, anxious to experience a true working waterfront and to witness fishing vessels unloading their catch of fish, lobsters or even a giant Atlantic bluefin tuna. This gives the public a chance to connect the seafood they consume with the fishermen catching this great fresh locally harvested product. Tourists can actually see for themselves how big a giant bluefin tuna can be or what a cod or haddock looks like before it is filleted. This builds a connection with the seafood industry and the consumer. Also, through our wholesale and retail operations the state will benefit from funds captured through the Business Enterprise Tax (BET) programs. In addition, our retail business, would provide tax revenue to the state through the Rooms and Meals tax program.

(c) The funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.

As stated earlier, the next eight months will be the prime operation time for seafood product landings at YFC. To meet the high business levels associated with this time period, we would be hiring additional employees to meet this peak business demand.

(e) The funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector, and will enhance the resiliency of the organization to survive future economic or health challenges.

The main thrust of our use of funds would be to create a comprehensive marketing and advertising plan promoting locally harvested seafood products to not only provide for the future success of YFC but also for the success of the entire statewide commercial fishing industry. Then through this program it would allow YFC to continue its operation at full strength to assure a steady supply of the beneficial food source for New Hampshire.

(f) The use of funds is not in conflict with local or regional development plans and policies, or any other provision of state or federal law.

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To the best of our knowledge and belief, should YFC receive funding under this program, there would be no conflict with any regional development plans or violation of any laws or regulations.

(g) The funds are structured in a way that will help the community and the State at large, and not just the particular private business or organization.

Any funds received by YFC would allow continued operation and income to the business which will provide employment opportunities to individuals, tax revenues to the State and local municipalities, a steady supply of sustainable locally caught seafood products and a general spending on goods and services from local businesses.

(h) The use of funds is consistent with the one time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.

Despite the business impact over the years from over reaching federal fishing regulations, YFC has been able to adapt to the changing business climate. However, the COVID-19 has created unprecedented business conditions which seriously threaten the existence of this organization. We anticipate that eventually business conditions will return to normal but the timeframe for this happening is unpredictable. In the meantime, with the use of relief funds to assist in a campaign to expand markets and shift from our heavily weighed wholesale business, we should not require any continuing operational support.

7. Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.

YFC will establish a separate banking account for segregated tracking of any funds received under this program. Secondly, our accounting program does allow for implementation of separate accounts to accurately track specific expenditure of the funds received from this program.

8. Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

Presently, YFC and the town of Seabrook have established a reporting dialogue whereas financial as well as tax information is disclosed to the town. With the specific accounting program we will have in place for tracking any disaster relief funds, financial statements to report the exact expenditures of funds can be provided to any state agency.



9. Please identify other important organizations or functions in the State that have an important impact on you organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

During our fiscal year we occasionally contribute funds to local charitable organizations. There may also be occasions where financial assistance is provided to a YFC member who might be facing major repair expenses to their fishing vessel or equipment. With the current economic conditions charitable donations and financial assistance will be discontinued.

10. What would your business, agency, organization, sector do with the funds that cannot be done currently?

In order to increase public awareness to a retail oriented market business, we currently lack sufficient funds to increase advertising/marketing of our products. A portion of any funds received would be earmarked to adapt to a new business model to cater more to retail and private markets. This would require a substantial increase to advertising/marketing budgets and funding for additional transportation assets to assure deliveries to local businesses and private customers. At this time we estimate that the funds required to sustain current business standards and to adjust business practices and models to reflect the changing market environment would be \$250,000.

11. We consistently hear different stories of what is needed; given the opportunity. Please comment on what do you think should be said or considered that hasn't received much attention.

Besides the COVID-19 pandemic currently upon us, the commercial fishing industry faces many challenges. Commercial fishing is one of the most regulated industries in this country. In addition, the industry is under constant attack by various groups for fear of overfishing, damage to the ocean's environment and for the loss of adequate working waterfront. Further, the industrialization of the oceans by wind farms, offshore aquaculture, deep sea mining and oil exploration threatens to wipe out vast areas of ocean to any type of fishing activity. Fishermen are known to be world class problem solvers and will solve these challenges as well as others that will develop. Yankee Fishermen's Cooperative asks for assistance in making New Hampshire's fresh, locally caught seafood more available to our local consumers.

Thank you again for this opportunity to participate in this program. We look forward to further discussing this subject. Should you have any questions or if you require additional information, please do not hesitate to contact either Linda Hunt, General Manager or Jim Titone, YFC Board of Directors.

Guidelines for Written Comments to the GOFERR Stakeholder Advisory Board

Thank you for agreeing to provide information to assist the GOFERR Stakeholder Advisory Board (SAB). Your contribution will assist the SAB to develop recommendations to the GOFERR for the allocation and expenditure of federal Covid-19 emergency funds to address fundamental needs of the State of New Hampshire.

Because the Covid-19 crisis has impacted almost everyone and every institution across New Hampshire, the SAB expects to gather a substantial amount of information from many sources. In order to accomplish this task effectively and efficiently, the SAB requests that all persons who submit information (including those persons who are scheduled to provide oral comments before a SAB meeting) to please follow these guidelines.

The SAB is hopeful that many interested persons will submit information and ideas on how the State can best allocate federal emergency relief funds. We plan to read all comments, and for those who make oral presentations to the SAB, we intend to ask questions based on the written submissions.

There is no particular format for the comments, and but we request that you focus your comments as efficiently as possible, and try to limit the number of pages to less than 10.

In order to help the SAB members to the greatest extent possible, we request that you try to address each of the information items listed below. The SAB members have identified these information items as highly relevant to their overall task. While some commenters are likely to provide additional information, and others may not be able to address each item, we request that you try to address the following items in your submission:

- (1) Please identify your position and your organization.

Jasen Stock
Executive Director
New Hampshire Timberland Owners Association (NHTOA)

The University of New Hampshire Cooperative Extension also assisted the NHTOA to gather survey data.

All the data, responses, and suggestions in this testimony were generated from: 1) interviews with more than 25 NHTOA member companies operating a New Hampshire forest products business and/or engaged in timberland ownership/management; or 2) *Forest Products Industries' Economic Contributions: New Hampshire*, which is the most recent New Hampshire forest industry economic contribution analysis available and which will be published later in 2020 by the Northeast-Midwest State Forester's Alliance.

Guidelines for Written Comments to the GOFERR Stakeholder Advisory Board

(2) Please identify what economic sector your enterprise operates within.

The NHTOA represents timberland owners and the forest industry. The forest industry comprises 32 economic sectors, including 25 represented in New Hampshire. For simplicity, these sectors can be aggregated into and represented by the following groups: forestry; logging; primary solid wood products; secondary solid wood products; wood furniture; pulp, paper, and paperboard mills; and secondary paperboard and other paper products. According to the *Forest Products Industries' Economic Contributions: New Hampshire* study, this industry generates \$1.6 billion in annual economic activity. It is an important industry in the state and an especially critical economic engine and source of jobs in rural areas.

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

All industry sectors have been impacted by the COVID-19 pandemic, with the most visible impacts affecting the core of New Hampshire's forest products industry, i.e. commercial logging and primary forest products (including sawmills, lumber planning mills, and biomass plants). However, all industry sectors have been affected, including secondary forest product manufacturers, wood furniture makers and paper producers.

The loss of timber and lumber markets due to the idling of facilities and increased human resource/operating costs due to physical distancing, as well as general uncertainty from the COVID-19 pandemic, have led to loss of demand and reduced pricing for forest products and services. This negative trend is continuing as the pandemic carries on without a clear resolution or timeline.

The following is a summary of general COVID-related impacts to the forest industry and a breakdown of COVID's impact to specific industry sectors and landowners.

General impacts. The single biggest concern across all industry groups is the uncertainty COVID-19 is having on timber markets. This concern is followed by worries about impacts to transportation and human resources.

COVID-19's impacts on domestic and foreign timber markets are varied and substantial. Many Canadian sawmills and secondary wood processing facilities (i.e., furniture and hardwood flooring manufactures) are idle or running at a greatly reduced rate. This is decreasing demand for logs and New Hampshire sawn lumber. Exacerbating off-shore foreign log and lumber markets is the impact COVID-19 is having on transportation logistics. Specifically, the pandemic has impacted off-shore transportation as port traffic has slowed and become less reliable. This translates into more costly and difficult international log and lumber sales and shipping to markets in the Middle East, China, and South East Asia.

The pandemic has forced domestic lumber markets to become inconsistent and sporadic due to multiple factors. Many secondary wood processing facilities have reduced production or are idle in response to contraction and uncertainty associated with "stay at home" orders and COVID fallout. In addition, as new home construction has slowed, the demand for New Hampshire grown and sawn Spruce/Fir and White Pine has slowed.

The other general COVID-19 impact being seen across all sectors is the pandemic's effect on human resources. Many mills and several logging companies interviewed by the NHTOA expressed difficulty in retaining trained workers. Although forest products has been classified by the Governor's Executive Order #17 as an "essential industry," and by its nature the industry meets social distancing guidelines to prevent the transmission of COVID-19 (individuals in the industry tend to work alone, in well-scattered groups, or at work stations at least six feet apart), some companies report that there are employees refusing to work due to fear of contracting the virus, or that there are now-former employees who have decided not to work and instead collect the unemployment benefits being provided by the State and Federal Government. Two significant sawmills in New Hampshire have major capital improvement projects idled due to contractors unwilling to work during the COVID-19 pandemic.

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Commercial Logging. The commercial logging sector produces approximately \$265 million of economic output (sales). Loggers sell logs and chips to local mills and regional markets. The slowdown in statewide and regional lumber sales has reduced production at local mills. This COVID-19 related impact exacerbates an already poor timber market due to the recent idling or closure of five of the state's biomass power plants and the April 15th loss of production at a pulp mill in Jay, Maine, due to an industrial accident. This confluence of current events – of which, COVID-19 is the dominant factor – has resulted in limited quotas at mills, reduced revenue, and limited ability for a number of logging contractors to generate enough production and sales to service debt and retain employees.

Quotas and reduced purchasing is limiting supply by an estimated 20%, which would equate to approximately \$53 million in reduced economic output for the logging sector if these conditions persisted throughout the year based on recent analysis for the economic contribution of New Hampshire's forest industry. These estimates are conservative, however, with some loggers reporting up to an 80% loss of sawlog production and 30% loss of pulpwood production due to quotas. COVID has largely curtailed log exports to Canadian sawmills, seriously impacting what had been an estimated \$6 million export market.

Sawmills. Prior to the COVID-19 pandemic, hardwood and softwood sawmills were experiencing stable domestic demand and a resurgence in sales from two of the most significant lumber export markets, namely China and the Middle East. COVID-19 has stalled that rebound. If 2020 exports were to rebound to 2017/2018 levels (prior to the China trade war) that would represent an \$11-13 million increase in export lumber sales.

Due to stalled off-shore sales and slumping domestic sales, most New Hampshire sawmills are slowing production and in some cases have gone idle. A good metric for sawmill production is a primary operating cost, i.e., log purchases. On average, New Hampshire's sawmill log purchases have dropped by 20% since the start of the pandemic. Assuming this reduction in log purchases reflects sawmill sector sales (and is not just inventory reduction), this would reflect approximately \$44 million in impact.

The markets for bark, sawdust, and chips, which are byproducts of lumber milling, have decreased as a result of COVID and broader market conditions. A single mill indicated a \$197,000 annualized reduction in mill waste revenue under current conditions. This represents a \$4 million annualized loss of sawmill waste revenue across the sawmill sector.

Landowners. COVID-19 is also indirectly impacting landowners. Although smaller Tree Farms can wait out the immediate impacts, COVID-19's effects on the forest products industry are being felt by those companies or individuals in the business of owning and managing larger timberland parcels. Ultimately, all the COVID-19 impacts discussed above trickle down to timberland owners in the near or long term. Based on N.H. Department of Revenue timber tax data, annual stumpage sales are approximately \$32 million; a 15% reduction in stumpage returns (the market estimate from timber investment companies) represents a statewide annual impact to all timberland owners of \$4.8 million.

- (4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

If the economy does not begin functioning at more or less normal levels within the next month, conditions will get much worse as New Hampshire's forest products industry comes out of the traditionally quiet mud season. Currently, many loggers are already operating at a reduced rate of capacity as they wait for road bans to be lifted and for drier ground conditions in the forest. As road bans are lifted and ground conditions improve, these loggers will re-enter the woods to conduct summer harvests. Unfortunately, many of the log and low-grade markets these loggers need will be already limited, unprofitable, or non-existent.

Guidelines for Written Comments to the GOEFERR Stakeholder Advisory Board

At the same time, those sawmills still operating will seek markets for lumber and mill byproducts (bark, chipped slabs, and sawdust), many of which are already limited or non-existent.

- (5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address Covid-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

Enterprises have applied for the Coronavirus Aid, Relief, and Economic Security (CARES) Act programs on an individual basis. Almost all of those with more than five employees who we interviewed for this testimony were successful securing support in the Paycheck Protection Program (PPP). Most forest industry enterprises do not have contingencies to bridge the COVID-19 impacts and there does not appear to be any forest industry-specific federal, state, local, or outside support.

- (6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector (including, if possible, an estimate of the amount of funds), and please comment on how these ideas would achieve the following important public goals:

While surveying NHTOA members for this testimony, I received many ideas on the types of relief that could support the forest industry. All of the ideas expressed several general principles, including:

- There needs to be an accountability mechanism for all funds dispersed;
- Dispersal of funds should be easy and, where possible, use existing programs or agencies;
- Relief funds need to be dispersed in a manner to ensure the continued operation of a forest products business;
- Relief funds should be dispersed to stimulate the forest products economy and the rural communities where the forest products economy functions.

1. State tax and fee rebate. Use CARE Act funds to provide a rebate to any business paying a state fee or tax. There are numerous fees and taxes New Hampshire sawmills and loggers currently pay that could be rebated – for example, air emission fees, storm water management fees, truck registration fees, fuel taxes, business profit taxes, etc.

Providing these business and operations with a rebate will reduce their operating burdens and thus help them remain competitive with similar businesses in other states or countries. Because it is a rebate, the state or local municipality would continue to receive funding. There is also a built-in accountability mechanism through the state tax programs and a mechanism in place to disperse the funds. Because these funds will be going to operating facilities, they will support active enterprises.

(Due to the short time frame to pull this testimony together, I am unable to calculate the fiscal impact of such a program.)

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2. Advocate to maintain/extend the Paycheck Protection Program (PPP). The PPP has been an effective mechanism for businesses to maintain their personnel and continue operations during the COVID disruption.

3. Increase the availability of testing. Several mills lost production time due to having to wait for COVID-19 tests and test results. We know the state is working to make testing more efficient and timely, but anything that can expedite testing and support businesses with testing would be appreciated.

4. Address the unemployment enrollment issue. Although this does not necessarily require CARE Act funds, a common refrain from those interviewed was the problem of employees opting to not work to take advantage of the state/federal unemployment benefits.

5. Use CARE Act funds to establish a low-interest loan program. A common concern was the loss of logging or milling capacity. This translates into landowners not able to economically manage their woodlands, mills limiting purchases of logs and timber, and loggers having markets for their logs. Establishment of a low-interest loan program will encourage investment in these companies, help insure a sustainable logging and milling workforce, and produce a trickle-down effect to encourage landowners to again manage their properties for a healthy forest.

(a) The funds will serve a public use and provide a public benefit.

As a state where the forest products industry is a significant part of the overall economy and where the industry helps the state to maintain its forested landscape, these programs do more than help employment and economic activity. Maintaining a forest products industry enables landowners to economically maintain their property as open space for the state's tourism and recreation industries and all the other tangible benefits the state receives from healthy forests (wildlife habitat, clean air, clean water, etc.).

(b) The funds will preserve or increase the social welfare or economic prosperity of the state, and will promote the general welfare of the state's citizens.

Maintaining a forest products industry is important to the state's overall economy, especially the rural economy. According to the *Forest Products Industries' Economic Contributions: New Hampshire* study, New Hampshire's forest products industry supports more than 7,200 jobs directly. An additional 5,500 jobs are created in support and related industries.

Moreover, a second forest economics study conducted in 2013 by the North East State Foresters Association entitled, *The Economic Importance of New Hampshire's Forest-based Economy 2013* reports that New Hampshire's working forests and forest products industry supports an additional 10,800 jobs in forest-based recreation and tourism.

(c) The funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.

Most master plans for New Hampshire address the need maintain open space and the state's historic rural character. Maintaining healthy working forests is consistent with these plans. Working forests provide employment and are critical to a healthy environment.

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- (e) The funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector, and will enhance the resiliency of the organization to survive future economic or health challenges.

Forest products companies are, by nature, resilient. This industry has existed since the state was first settled more than 300 years ago. As discussed in the introduction, right now the industry is facing an extraordinary and unprecedented set of circumstances due to the COVID-19 pandemic. These circumstances – market reductions and even collapses, idle sawmills, impacts on the workforce, etc. -- all occurring at the same time have created a real and growing crisis in the industry. CARE Act funding can help these businesses survive the crisis in the near term and adjust for the long term.

- (f) The use of funds is not in conflict with local or regional development plans and policies, or any other provision of state or federal law.

We do not believe the relief funding proposals made are in conflict with these plans, policies, or provisions.

- (g) The funds are structured in a way that will help the community and the State at large, and not just the particular private business or organization.

Yes, the proposals are not business-specific. The entire sector will benefit.

The state at large and local communities will also benefit from the economic activity these funds will support as the forest products sector and timberland owners pay a number of state and local taxes and fees. Maintaining healthy forest and markets that enable the harvesting of forest products generates truck and vehicle registration fees, fuel tax revenue, and local timber taxes. One tangible example of how COVID-19's impact to timberland owners negatively impacts local municipal revenues is timber taxes. We conservatively predict a 15 percent decrease to stumpage (standing timber) values. Timber taxes are based on stumpage value. Using N.H. Department of Revenue Administration timber tax data we can calculate a conservative statewide annual decrease to local timber tax revenue of \$480,000. For many rural communities timber taxes are an important source of revenue.

- (h) The use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.

Yes, as discussed above, the funds would provide a one-time bridge.

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- (7) Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.

In the proposals described above, the receipt of the funds could be reflected as "other revenue" on a business's annual profit and loss statement/tax filing.

- (8) Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

Because the relief funds (i.e. tax rebate, etc.) would be recorded on the businesses profit and loss statement and tax statements, the funds can be tracked, audited and accounted for.

- (9) Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

There are a number of functions in state government that could benefit the forest products sector. As mentioned above, the weakness of lumber, sawlog, and low-grade timber markets is especially acute now. A frequent frustration heard during my interviews was the loss of low-grade timber markets in the region and the impact that is having on the entire forest products industry (e.g., loggers trying to conduct timber harvests and mills seeking to manage their byproducts), yet there are a number of idle biomass power plants (including Schiller Station) that, if made active again, would re-establish a market for low-grade timber. One suggestion is to have the Office of Economic Development and the Public Utilities Commission work with the idle biomass power plants (including Schiller Station) to find a short-term mechanism to get them operating. This would take pressure off the low-grade markets for loggers, landowners, and sawmills seeking markets for their low-grade timber and mill waste. This will also provide an infusion of economic activity into the logging and milling companies and all the support businesses that rely on them.

- (10) What would your business, agency, organization, sector do with the funds that cannot be done currently?

At this point, the funds will enable these businesses to remain viable. More specifically, the funds will enable these businesses to conduct their summer timber harvests and mill timber.

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- (11) We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

The unemployment issue raised above is an issue that hasn't received much attention, and it is making an already difficult climate for business more difficult. In my interviews for this testimony, I heard that other states have been successful addressing this problem through the administration of their unemployment offices.

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SAB anticipates that its members will be reaching out to diverse interests and persons to request submission of comments, and we thank you in advance for considering these requests. We are all in this together, New Hampshire!

Please check the GOFERR website for current information on how to submit comments. All recommendations and information submitted in response to this request will be available for public inspection and copying in their entirety. For further information, please contact Joe Doiron at the GOFERR offices.