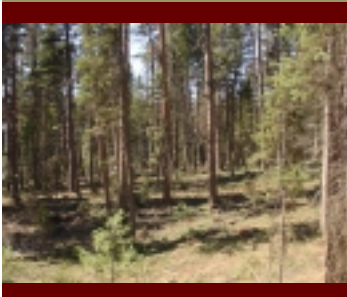


About Montana Community

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MONTANA COMMUNITY DEVELOPMENT CORPORATION (MCDC)

Small Wood Enterprise Agent



WWW.MTCDC.ORG/SMALLWOOD

Report Of First Year Results

This report covers the first 12 months of MCDC's work to support businesses that will increase the use of small-diameter and underutilized (SDU) wood fiber. Most of this work is a result of the National Fire Plan that was created in response to the catastrophic wildfires of 2000 and the commitment to restore our nation's forests to a healthy state. It's also an extension of MCDC's mission to support entrepreneurial success in Montana.

The Small Wood Enterprise Agent project puts a skilled "business intermediary" on the ground to support businesses that can use SDU wood fiber. The project is funded by direct grants from the USDA Forest Service (State &

Private Forestry), Montana Department of Commerce and a Forest Service sub-grant provided by the Bitterroot Economic Development Authority.

MCDC has a listserv (250 subscribers) and web site in order to keep businesses and collaborators on pace with projects and industry developments. Affiliations have been established with Wood Products Trade Associations and Wood Product Manufacturers as well as Conservation and Environmental Groups. MCDC has chosen to focus on "deliverables" in this report. Left out are many, many projects that are in the conversation and Research & Development (R&D) stage.

Guiding Principals—Small Wood Agent

- ▶ 75% of effort into projects that can be implemented by existing businesses now to use SDU wood fiber
- ▶ 25% of effort into forward-focused, R&D projects
- ▶ Collaborate at all levels; leverage every resource available
- ▶ Respect business priorities
- ▶ Celebrate success

Partners matter – MCDC delivers services in conjunction with a strong network of collaborators:

- ◆ Local economic development agencies: Mineral County Extension, Sanders County Economic Development Corporation; Missoula Area Economic Development Corporation
- ◆ USDA Forest Service, including programs and people at Region 1 State and Private Forestry, the USFS Forest Products Lab in Madison, WI., and local forest districts
- ◆ Montana Manufacturing Extension Center (MMEC)
- ◆ Beaudette Consulting Engineers (BCE)
- ◆ Montana Manufacturing Information System (MMIS)
- ◆ Montana Department of Commerce

Roundwood Engineered Structures (RES)

Includes any small diameter wood used structurally, such as outdoor kiosks, pavilions, footbridges, trusses, and greenhouses. The target market is government procurers, architects and recreation planners. RES is a forward-looking new product development effort, and requires a strong push for research and development and pilot project demonstrations geared at establishing a market.



Development of kiosk/pavilion engineering /costing plans

- ▶ Porterbilt Company, Hamilton, MT. (Manufacturer)
- ▶ Beaudette Consulting Engineers (BCE), Missoula) to design and construct a pilot "kiosk" erected at the 2002 Olympics.

- ▶ Banks of engineering plans now available to any business through BCE
- ▶ Travelers Rest State Park – barn raising (all volunteer construction by local residents) for commercial-scale outdoor visitor pavilion will occur in July, 2003
- ▶ Key partners – Porterbilt Company, BCE, Bitterroot Resource Conservation & Development, US Forest Service Forest Products Lab, US Forest Service State and Private programs

Other RES efforts

- ▶ Darby, MT. Library – incorporates small wood RES components (Library opening June 2004)
- ▶ Rocky Mountain Elk Foundation (2004) – outdoor pavilion at visitor center (Pending)
- ▶ Travelers Rest State Park – Footbridge in design phase
- ▶ Truss engineering – in process at BCE
- ▶ Footbridge design – in process at US Forest Products Lab and BCE
- ▶ Engineering for a 60' Diameter outdoor Cultural pavilion for the Blackfeet tribe, Browning Montana

Small Wood & Small Business

Includes various projects that assist businesses that are developing markets and processes for SDU wood fiber. The target market varies by product. This strategy allows MCDC to "incubate" new products and new businesses that have small wood utilization potential at any scale.

Tri-Con Timber/Suppressed-growth Doug Fir Flooring

- ▶ MCDC received a \$30K USFS Grant to support installation of a dry kiln to process Douglas fir for a new value-added flooring product
- ▶ January 2003 Small Wood workshop introduced Tri-Con ownership to the potential product
- ▶ TriCon is installing the kiln, has run a sample product batch, and is establishing distribution and sales
- ▶ Key partners – Tri-Con; USFS State and Private and Forest Products Lab; Mineral County Extension; Sanders County EDC

Blued Pine Sales

- ▶ MCDC is assisting a new business to market flooring and paneling products made from pine that has blue streaks due to insect infestation
- ▶ Demo flooring and paneling installed at several sites
- ▶ MCDC assisting with business plan, marketing and start up issues
- ▶ Key partners – Blued Pine Sales, Bitterroot Resource Conservation & Development, USFS State and Private funding programs

Other firms

- ▶ Flathead Stickers and Lath, Pablo, MT – Assistance establishing doweling equipment and marketing end product at tribally owned post and pole plant
- ▶ Elkhorn Rustic Log Furniture (Darby) – General business assistance
- ▶ Bailey's Superior Post and Pole, Superior, MT– Assistance with financing packages and business plan
- ▶ Johnson Brothers Contracting (Missoula, Eureka, Superior) – Exploration of expanded markets for wood pellets
- ▶ Outreach and occasional general assistance to about 100 wood products businesses in western Montana
- ▶ Contractor registration assistance for firms bidding on Hazardous Fuel Reduction RFP's
- ▶ MCDC & USFS sponsors of two day National Conference on Smallwood marketing, September 2003.



Roundwood Producers

Includes 70 members of Intermountain Roundwood Association, manufacturers who process small diameter material to produce fencepost, grape stakes, and home accessories such as handrails and porch rails. The post and pole operators represent the "industry" most involved in handling and processing small diameter material.

- ▶ MCDC received a \$60,000 USFS grant to assist IRA to organize a strategy to compete with Canadian imports
- ▶ Website developed for Association & Members
- ▶ Market analysis segmented user groups and buying characteristics
- ▶ Ongoing assistance to individual members

Montana Mill Infrastructure

This refers to a group of projects that stabilize existing Montana timber mills, and position them financially and operationally for the future. The target market is existing mills in western Montana. Without Montana timber mills, the prospect for SDU utilization at any level commensurate with land management goals is very small. The projects described in



this report for TriCon, Eagle Stud Mill, and Thompson River Lumber all fall under MCDC's goal to strengthen and enhance Montana's timber manufacturing infrastructure.

- ▶ Key partners – Bonner Development Group; USFS Forest Products Lab; stakeholder group of 10 companies/agencies/organizations

Installation of 15.5 MW wood/coal cogeneration plant at Thompson River Lumber

- ▶ Installation privately funded by TR Lumber owners
- ▶ MCDC working with owners on potential new business using small diameter wood to be established at the co-generation/mill facility

Fuels for Schools

- ▶ USFS funded several schools to convert existing heating system to wood-fired systems
- ▶ MCDC has participated informally
- ▶ MCDC providing Concept Paper for revolving loan fund that can provide long-term source of conversion funding for schools. Potential for \$8MM Revolving Loan Fund (RLF)
- ▶ Key partners – USFS State and Private programs; Bitterroot Resource Conservation & Development; CTA Architects

Bio-Mass Energy

Includes co-generation energy plants and wood-fired heating systems. The target markets include timber mills and schools in western Montana. Biomass energy has potential to use the lowest quality small diameter/non-merchantable wood fiber.

Installation of co-generation biomass steam plant at Eagle Stud Mill, Hall Montana

- ▶ MCDC received a \$30K USFS grant to support installation costs
- ▶ Reduced energy costs will help stabilize 35 jobs at Eagle Stud Mill
- ▶ Key partners – Eagle Stud Mill, USFS State and Private programs

Pre-feasibility Study for wood-fired co-generation plant at Bonner, Montana

- ▶ MCDC received \$10K USFS Grant as lead investigator
- ▶ Potential Dam removal at Bonner makes existing turbines available at major Montana mill site
- ▶ Pre-feasibility study will outline financial and resource factors that affect project feasibility

What MCDC and its partners are learning about SDU Wood Fiber

- ▶ Increasing SDU use requires high levels of innovation. The timber industry, however, is traditionally conservative, and is constrained by uncertainty in supply and product markets. MCDC has to patiently create business relationships, then support R&D and pilot projects that fit our client - businesses' goals and plans and create use of SDU
- ▶ No one organization or business can carry out the mix of activities required to meet the mission of the Small Wood effort
- ▶ SDU timber utilization is the lynchpin to achieving the land management goals of the US Forest Service, conservation groups and communities



About Montana Community Development Corporation (MCDC)

Mission:

MCDC partners with people and communities that want to prosper, offering innovative financing and consulting solutions for business start-up and expansion. Our work creates economic opportunity for all members of our communities.

In the past 12 years MCDC has loaned \$6.8 million to 250 businesses in western Montana. The companies are from all sectors, from main street cafes to rural manufacturing companies to high-tech firms. Our Small Business Development Center builds entrepreneurial capacity, helping new and existing businesses to plan and manage their enterprises. Each business that we assist fits into a larger strategy to create a more resilient economy in western Montana.

All MCDC loans come with extensive assistance in planning the business, applying for the loan, and managing the business long-term. MCDC works with a large network of organizations and private businesses to coordinate very specialized assistance for its borrowers.

MCDC is a resource-efficient, coordinated regional effort. We work with elected officials, community groups and businesses to understand community development priorities. We have a record of developing strong entrepreneurial programs in response. Underlying all these efforts is a commitment to creating prosperity that includes all residents of western Montana.

Call us...

The MCDC staff combines years of experience in commercial banking, in accounting firms, and, most important, in their own businesses. We are here to help, so please give us a call :

Loan Team – *Larry Williams*, Loan Fund Manager, has five years experience as a commercial loan officer, and ran his own computer training business for two years. He oversees all MCDC loan underwriting and manages the MCDC loan portfolio. ***Cathy Clagget*** is the Credit Analyst, with nine years experience in mortgage and commercial underwriting. ***Mica Nikoleyczik*** is the Loan Fund Administrator, with eight years experience closing and collecting loans for various lenders. **406/728-9234 Ext 207**

Small Business Development Center (SBDC) – *Steve Grover*, Director, worked as a CPA in a Big Five accounting firm; joined Microsoft in 1994, and returned to Missoula in 1996 to run a family business. His accounting and entrepreneurial background qualify Steve to be of value to a large portion of Missoula businesses. **406/728-9234 Ext 206**

Small Wood Enterprise Agent – *Craig Rawlings*, is well-known throughout western Montana for his years of service in the Missoula SCORE chapter, and for his deep experience in owning and operating businesses in Montana. Besides working for 18 years in wood product manufacturing, Craig has brought a number of inventions through the process of patenting, commercialization and sale. **406/728-9234 Ext 203**