WASHINGTON, DC—U.S. Congressman Peter DeFazio (OR-04) last Thursday fought for wood manufacturing jobs in Oregon and across the U.S. when he sent a letter to Agriculture Secretary Tom Vilsack. The bipartisan letter requests changes be made to a federal subsidy program that adversely impacts wood manufacturing industries.

The Biomass Crop Assistance Program (BCAP), a subsidy program created by the 2008 Farm Bill, provides up to $45 in matching payments to businesses that collect, store, and transport biomass waste material to energy facilities. Eligible BCAP materials currently include sawdust and wood shavings, materials already used by the composite panel and wood manufacturing industries to produce higher-value products such as furniture, cabinets, and flooring. With the federal subsidy, sawdust and wood shavings are twice as valuable if lumber mills sell them to energy facilities rather than value-added manufacturers.

Using taxpayer dollars to subsidize the transfer of biomass material currently used for higher-value products to lower-value processes goes against Congressional intent and is having a devastating impact on the U.S. wood manufacturing industries. The wood manufacturing industry supports 21,000 family wage jobs 350,000 indirect jobs, and generates $7.9 billion in revenues every year.

“I strongly support biomass as a form of renewable energy and for its potential to create jobs in Oregon. I got language included in the climate change legislation last year that made it possible for federal subsidies to be available for certain types of biomass when used as a renewable fuel,” DeFazio said. “But, taxpayers should not be subsidizing the transfer of biomass material from one industry at the expense of another. That was never the intent of Congress. The composite and wood manufacturing industry is vital to Southwest Oregon and, with unemployment at nearly 20% we cannot afford to lose more jobs or further destroy our manufacturing base. I look forward to working with Secretary Vilsack to make the necessary changes to this program.”

DeFazio’s letter urges Secretary Vilsack to suspend the allocation of $514 million approved for the BCAP program until the eligible material list is modified to exclude biomass materials already used for higher-value products.

The letter to Secretary Vilsack is below:

February 04, 2010

The Honorable Tom Vilsack

Secretary

United States Department of Agriculture

212A Whitten Building

1400 Independence Avenue, SW

Washington, DC 20250

Dear Secretary Vilsack:

We are writing to express our concerns about the Biomass Crop Assistance Program (BCAP), which was created in the 2008 Farm Bill. While we support the intent of the program to economize the conversion of biomass into renewable energy, we believe one aspect of the program will have adverse impacts on the wood manufacturing and wood products industries without providing benefits to the environment.

Primarily, we are concerned about the Department of Agriculture's decision to list "wood residues" as eligible materials for BCAP. Making residual materials eligible for a federal subsidy has unintentionally diverted sawmill and lumber bi-products away from composite wood manufacturers towards pellet and biofuel plants.

In reviewing the legislative text of the 2008 Farm Bill, it is clear Congress never intended for these materials to be included in BCAP. The 2008 Farm Bill and the Department of Agriculture's own BCAP webpage explicitly state that eligible BCAP materials shall only include material that "would not otherwise be used for higher-value products." Wood residues, such as sawdust and shavings, are used in the wood manufacturing industry to make numerous higher-value products, such as furniture, cabinets, flooring, and other important consumer products. Clearly, wood residues should not be included as an eligible material under BCAP.

We are also concerned about the Department of Agriculture's decision to begin allocating $514 million of BCAP subsidies without having finalized rules and regulations for the program. It is unwise to use taxpayer dollars to subsidize the transfer of biomass material currently used for higher-value products to lower-value processes without first approving regulations to keep the subsidy program transparent and accountable.

As currently administered, BCAP is driving up the price of residual materials utilized by the wood manufacturing and composite industries - industries that support 21,000 family wage jobs, 350,000 indirect jobs, and generate $7.9 billion in revenues per year. In a letter to the U.S. Department of Agriculture in November, 2009, the Composite Panel Association (CPA) warned that without changes, "BCAP's negative impact could be in the billions of dollars" and jeopardize thousands of American jobs.

The pulp, paper, packaging, and woods products industries – which rank among the top 10 manufacturing employers in 48 states – have expressed similar concerns. In a letter to the Office of Budget and Management (OMB) in October, the American Forest and Paper Association warned that the current BCAP structure could "jeopard[ize] the forest products

industry and the many jobs it sustains."

Driving up input costs for the composite and wood manufacturing industries will negatively impact their ability to compete globally and could ultimately lead to the loss of thousands of jobs. During a time of 10% national unemployment – with many state unemployment rates even higher – we can ill afford to lose additional family-wage, U.S. manufacturing jobs.

We respectfully request that the Department of Agriculture immediately freeze the distribution of BCAP funds through the Farm Service Agency until the following conditions are met: 1) the BCAP Eligible Materials List is modified by excluding wood residues such as wood mill waste, scraps, sawdust, sawmill residual chips and shavings, and 2) the USDA finalizes regulations to implement the program.

Thank you in advance for your attention and timely reply to this letter.

Sincerely,

Peter DeFazio Robert E. Latta

Member of Congress Member of Congress

Travis Childers

Member of Congress