



SUSTAINABLE FORESTRY INITIATIVE®

A Good Sign Somebody CaresSM



9th Annual Progress Report

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**This report is also available at
www.abouterp.org**

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SFI® Program Quick Facts

- 205 program participants
- 152.1 million acres enrolled with 93.3 million acres independently third-party certified
- 38 SFI Implementation Committees, representing 38 states and 5 Canadian Provinces
- \$4.4 million local program funding, supporting sustainable forestry programs
- 7,843 loggers and foresters trained in 2003; 83,329 since 1995
- 92% of raw material used by program participants was delivered by trained loggers
- \$625 million invested by SFI program participants in sustainable forestry research since 1995
- Reforested 2.0 million acres of forestland owned in 2003 via natural regeneration and planting

The Sustainable Forestry Initiative® Program: Nine Years of Progress

Since 1994, the Sustainable Forestry Initiative® (SFI) program has shown global leadership on the effort to promote and incorporate the practice of sustainable forestry across the forest landscape. Through a broadening reach and continual improvement, the SFI® program has grown to become one of the world's largest sustainable forestry programs, with 152.1 million acres enrolled in North America. And, through SFI program participants' procurement programs, landowner outreach and logger and forester training programs, and local SFI Implementation Committees, the SFI program also affects millions of acres of family owned forestland in North America.

What is the Sustainable Forestry Initiative program?

The Sustainable Forestry Initiative program is anchored on an independently governed Sustainable Forestry Initiative Standard (SFIS). The SFIS is a comprehensive system of principles, objectives, performance measures, and indicators developed over the past nine years by professional foresters, conservationists and scientists. The SFIS combines the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil and water quality.

Sustainable Forestry Board

The Sustainable Forestry Board (SFB), established in July of 2000, is an independent, 501(c)(3) organization responsible for maintaining and enhancing the SFI Standard, associated certification processes and procedures and program quality control mechanisms. One of the first official actions of the SFB was the initiation of a public review of the SFIS which resulted in the adoption of the enhanced 2002-2004 SFIS in December of 2001. The SFB initiated a second review of the SFIS in December 2003 which will result in a new 2005 SFIS to be published in late 2004.

SFIS Principles

At the heart of the SFI Standard are the SFI program Principles. These principles call upon SFI program participants to meet market demands for forest products while using environmentally responsible practices that promote the protection of wildlife, plants, soil, air and water quality, to ensure the future of our nation's forests.



SFIS Objectives

The SFI program Objectives translate these principles into action by providing those who manage our forests with a specific roadmap to expand the practice of sustainable forestry and to visibly improve performance. The objectives form the substance of the SFI program and promote the following:

- Encouraging the use of sustainable forestry practices by forest landowners, foresters, and wood producers
- Broadening the practice of sustainable forestry to all forest ownerships
- Promoting continual improvement in the practice of sustainable forestry
- Ensuring long-term forest productivity and conservation of forest resources
- Protecting water quality in streams and lakes
- Protecting wildlife habitats and contributing to biodiversity
- Managing visual impacts of harvesting
- Protecting special sites
- Promoting the efficient use of forest resources
- Publicly reporting on progress in fulfilling commitment to sustainable forestry
- Providing opportunities for the public and the forestry community to participate in the commitment to sustainable forestry



Continual Improvement

Owing to our mantra of “continual improvement,” work persists to improve the SFI Standard and management to reflect the ongoing changes in forest science in order to become more specific, verifiable, and widely accepted by a broader range of stakeholders.

The major thrust of this year’s improvement effort surrounds the Sustainable Forestry Board’s (SFB) comprehensive review of the 2002-2004 SFI Standard (SFIS). A two year-long process, the SFI Standard review involves a thorough examination of the current standard, analysis of its strengths and weaknesses, an invitation for public comment from any and all interested parties, and the final publication of the 2005 SFI Standard late in 2004.

Throughout the review process, the SFB is encouraging active participation by the External Review Panel (ERP), program participants and the public at large as they address the important issues that will shape the future of the program. Through open public comment periods and workshops, the SFB established a transparent process for creating a standard that serves to better integrate the three pillars of sustainability (Social, Economic and Environmental) for forest management.

In 2003, the SFI program took great steps to raise awareness of sustainable forestry and the program itself. Though a strong standard

is the base on which a solid program is built, informing stakeholders, customers and the public at large is an important part of the SFI program’s mandate. These initiatives included:

- Introducing a business to business awareness campaign designed to educate stakeholders, customers and consumers on what the SFI program is and what sustainable forestry is all about;
- Presenting information to customers and governments in Europe and Asia to make them aware of the work the SFI program is undertaking.
- Informing customers, stakeholders and target audiences on the values of the SFI program through direct meetings, participation in programs and trade shows.
- Expanding knowledge of the SFI program at the grassroots and local levels through coordinated efforts with state and provincial SFI Implementation Committees.

The SFI program has made great strides in its nine years of existence, but we must not and will not rest on our accomplishments. Only through continual efforts to improve the program and promote the benefits of sustainable forestry on all forest lands will we continue to make a difference where it matters most—in the forests of North America.

External Review Panel Comments for the 9th Annual Progress Report

The External Review Panel has reviewed the data contained in this 9th Annual Progress Report for the Sustainable Forestry Initiative (SFI) program, and found it to be an accurate reflection of the program's current condition and progress. In many ways, however, the annual progress data is not the most important indicator of the ongoing efforts to work toward the goal of sustainable forestry.

Participants in the SFI program are reporting solid achievements on the land, a continuation of past trends. The data appear at the end of this report. The real work in sustainable forestry, however, lies in the changes within the SFI program itself, and the ongoing efforts of hundreds of people to seek its continual improvement. This past year has been dominated by that effort.

As has been widely reported, the 2002–2004 SFI Standard (SFIS) was opened for review in 2003–2004, with the result to be a new Standard beginning in 2005. Program participants will have one year to implement the new Standard, and certification audits will begin using it as soon as the participants can become ready.

The External Review Panel's role in the review and revision of the SFIS has been to stay outside the study and drafting process, but to propose needed change, assure that the public's comments were appropriately considered, and to form an external opinion on the new Standard's value in promoting

sustainable forestry into the near future. That task has involved a great deal of volunteer time for the past year, and will continue until December, 2004, when the Sustainable Forestry Board (SFB) will adopt the new Standard.

At the mid-point, however, we can report some facts and progress. First, the degree of inclusion and transparency in the SFIS review process has been exemplary. The call for public input was widely accepted, and several hundred responses were received by the SFB. A major effort to document each and every response, compare it to the old SFIS language, and evaluate how it might be incorporated into the new SFIS, was carried out. Drafting subcommittees of SFI program participants, stakeholders, and outsiders reviewed each response, discussed it, and made decisions as to whether, and how, it could strengthen or improve the new SFIS. Not all suggestions were accepted, as might be expected. But all were considered, insofar as we can tell. The Panel's review of the process, and the treatment of each comment, indicates that it has been fair, open, and inclusive.

The hard work in the SFIS updating is far from over, however. For the remainder of 2004, the Panel will oversee a scientific peer review of the new draft, evaluate the continued drafting and editing process, and participate in public meetings. We view this as highly

important work, as the new SFIS will define the quest for sustainable forestry on over 100 million acres of industrial and Crown forestland in the United States and Canada, as well as affecting the harvesting and purchasing of timber from thousands of public and private landowners. Our commitment is to help the SFI program define and achieve the best forest management practices that are possible and feasible in today's world.

That lofty goal faces significant obstacles, however, that should not be overlooked. SFI program participants (and that includes many state and local agencies and private owners as well as industrial companies) will face new challenges as they move beyond the 2002–2004 SFIS requirements to the new Standard. The participants who seek certification under the new SFIS may face increased requirements and costs. While the Panel is convinced that sustainable forest management is absolutely necessary and that cost considerations are secondary, we're also aware of the need to keep certification costs reasonable, and avoid an economic imbalance in favor of the uncertified landowner. Avoiding that trap means keeping certification costs reasonable, and pushing for incentives that reward, rather than penalize, the certified landowner in the marketplace.

The new SFIS will continue the trend of improving outreach to non-industrial and other landowners. This is the most difficult and delicate issue in the SFI program, and one that sets

it apart from other certification systems. While SFI program participants cannot impose the SFI Standard on non-participating landowners, they can encourage the adoption of sound, scientific, and sustainable forestry practices whenever they buy harvested timber. The question, however, remains "how effective are these efforts in improving actual forest practices on the land?" The new SFIS challenges program participants to seek answers to that question, but good methods for measuring effectiveness are still a developing science; one that will challenge all interested parties for the foreseeable future.

The other significant issue challenging sustainable forestry is the enormous change and turnover in forestland ownership in recent years. Short-term ownership is, in many ways, incompatible with long-term sustainable management. It is doubtful that the SFI program, or any comparable forest certification scheme, can or should attempt to intervene in the land market. But the public interest in sustainable forestry demands that we at least understand these land dynamics and their importance for the future, inform the public as to what is happening, and help promote sustainable management wherever possible. What is needed to provide incentives for long-term management that sustains forest values under modern conditions? To the extent SFI program participants can articulate and promote those ideas, they should.

SFI® External Review Panel (2004)

The Independent External Review Panel (ERP) is composed of a distinguished group of 18 experts representing conservation, environmental, professional, academic and public organizations. Originally chartered in 1995, the mission of the ERP is to provide a framework to conduct an independent review of the SFI program and to ensure the annual SFI program progress report fairly states the status of SFI program implementation. The volunteer panel provides external oversight* with its independent review of the current SFI program while seeking steady improvements in sustainable forestry practices. For more information on the External Review Panel, visit www.abouterp.org.

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* While some members of the panel do make field visits to program participants and observe their on-the-ground practices, it is not a charge of the panel to verify practices on the ground. The panel does not review individual participant data.

** George Fenwick, American Bird Conservancy, Robert Brown, Texas A&M University, and Jim Woehr, Wildlife Management Institute left the Panel in 2003. The following new Panel members were elected effective July 1, 2004 to fill vacancies created by expiring terms: Peter DeMarsh, Canadian Woodlot Owners Association, and Alan Wentz, Ducks Unlimited. Officers for 2004 are: Chair, Jane Difley; Vice-Chairs Jim Grace and Phil Janik, and Neil Sampson, Executive Secretary. David New, Boise Cascade Corporation, serves as non-voting liaison from the American Forest & Paper Association (AF&PA).

A Report by the Sustainable Forestry Board—A Truly Dynamic System

On behalf of the Sustainable Forestry Board (SFB), it is my pleasure to provide you with a progress report on our primary focus for the past 18 months. 2003 and 2004 are the years during which the SFB has been reviewing the contents of the standard, the procedures by which it is audited, and the credentials required for those auditing to the standard.

In early 2004 we received over 200 comments from a full spectrum of stakeholders. These suggestions resulted in six areas of focus:

1. The need to develop a standard which is user-friendly for auditors, customers, stakeholders, and consumers.
2. The need to enhance the required qualifications for auditors to increase consistency of interpretation.
3. The need to clarify the responsibilities required for conservation of biodiversity.
4. The need to broaden the knowledge of family forest landowners in the conservation of wildlife habitat and biodiversity.
5. The need to develop an explicit statement on social responsibility.
6. The need to strengthen compatibility with other certification standards in other countries.
7. The need to consider the impact on the economic viability of Program Participants.

As of midyear we are seeking additional public comment. Based upon the identification and analysis of additional constructive thoughts and concerns, the SFB will approve for public release a second draft of the proposed 2005 standard by

the end of July. This will lead to additional opportunities for stakeholder involvement through workshops conducted in a number of regions throughout the United States and Canada.

We hope that these workshops will both educate participants and further refine language. Through this exercise we will develop the new 2005 standard for publication on January 1, 2005. I believe it is safe to say that the Sustainable Forestry Initiative® (SFI) program is dynamic regardless of how one might define the term. The Merriam-Webster on-line dictionary defines the word as "marked by continuous and productive activity or change" and "energetic and forceful." Which of these best characterizes the SFI? It is clearly both. It is currently the largest forest certification system in North America with over 93 million acres third-party certified in the United States and Canada. 90% of the integrated forest products companies in the United States manage their fee owned land and fiber supply under the principles of the SFI Standard.

On behalf of the entire board, I wish to thank all of you who have participated in the review process. You have helped us to achieve our most important goal—improved and sustainable forestry practices on the land.

Respectfully,



Lawrence A. Selzer
Chairman

Sustainable Forestry Board

The Sustainable Forestry Board (SFB) was chartered as an independent body in July of 2000 to oversee development and continual improvement of the Sustainable Forestry Initiative® (SFI) Standard, associated certification processes and procedures and program quality control mechanisms. In January 2002, the SFB filed Articles of Incorporation to become a separate entity and has been awarded 501(c)3 nonprofit status by the United States Internal Revenue Service. The new entity is called the Sustainable Forestry Board, Inc. The SFB has fifteen members* with a balanced array of interests—one-third representing SFI Program Participants; one-third from the conservation & environmental community; and one-third from the broader forestry community. The SFB selects and elects members who serve staggered three-year terms. Current members are:

Lawrence A. Selzer (Chair)

President and CEO
The Conservation Fund

John A. Luke, Jr. (Vice Chair)

Chairman and CEO
MeadWestvaco Corporation

Dr. 'Skeet' Burris (Secretary/Treasurer)

Family Forest Landowner
Cypress Bay Plantation

John H. Cashwell

President
Seven Islands Land Company

Norm L. Christensen, Jr.

Past Dean, Nicholas School of the Environment
Duke University

John Faraci

Chairman and CEO
International Paper Company

George H. Fenwick

President
American Bird Conservancy

John Innes

FRBC Chair of Forest Management
University of British Columbia

Steve McCormick

President and CEO
The Nature Conservancy

Colin Moseley

Chairman and President
Green Diamond Resource Company

Paul Portney

President
Resources for the Future

Steven R. Rogel

Chairman, President, & CEO
Weyerhaeuser Company

Gerald (Jerry) Rose

Sustainable Forestry Representative
National Association of State Foresters

Laurie Wayburn

President
The Pacific Forest Trust

Joe Young

President
Low Country Forest Products Inc.

SFB STAFF

William H. Banzhaf (President)

Allison Welde (Program Coordinator)

*For more information on the SFB, visit: www.aboutsfb.org

Broadening Our Reach to Family Forests

Growth and continual improvement have been integral to the success of the SFI program since the beginning. 2003 saw a concerted effort to reach out to the United States' 10 million family forest landowners. American families own some 60 percent of the forest land in the United States. However, estimates are that only 10 percent of those family forest landowners employ the services of a forester or another natural resource professional in managing their forestland. Participants in the SFI program have long realized that education and outreach programs can be a significant means by which to engage and inform family forest owners on important stewardship responsibilities.

Objective 8 of the SFI Standard addresses the challenges of reaching out to family forest landowners. In January 2003, the Sustainable Forestry Board chartered the Family Forest Land Owners Task Force, chaired by former Minnesota State Forester Jerry Rose, and included family forest landowners, procurement foresters, logging professionals, External Review Panel representatives and environmental NGOs.

The SFB charged the task force with reviewing existing programs that deliver services to family forests, developing a draft set of expectations for family forests and proposing a plan for how the SFI Standard might recognize other approaches to better reach family forestlands and other nonindustrial private lands. This task force worked throughout 2003 to develop a report to the SFB which is being used to develop improvements to the new 2005 SFIS Standard.

INCREASING CUSTOMER RECOGNITION

Major paper and forest products customers who have procurement policies which give preference to independent third-party certification programs like that available under the SFI program include:

Office Depot, 84 Lumber, Centex Homes, Time, Inc., MASCO, MasterBrand Cabinets, Kinko's, McCoy's, Menards, Hallmark Cards, L.L. Bean, Pella Windows and Doors, Lowe's, The Home Depot, Wickes Lumber, Staples and many others.



- SFI program participants continue to work aggressively to promote sustainable forestry practices to the family forest owners who own nearly 60 percent of the forestland in the United States.
- SFI program participants and their suppliers made 125,799 one-on-one contacts with owners of family forests in 2003, providing them with written information on forestry best management practices and reforestation.
- 6.3 million acres of family owned forestland are enrolled in formal landowner assistance programs; more than 28,000 family forest owners were assisted and 599,684 acres were reforested in 2003.
- Since 1995, 2.5 million acres of family owned forestland have been reforested via natural regeneration or planting with the assistance of SFI program participants. This includes more than 500 million tree seedlings SFI program participants provided at no cost to the landowner.



Mutual Recognition Recognizing Credible Certification Systems for Family Forest Owners



The American Tree Farm System® (ATFS) is a national program of the American Forest Foundation (AFF), a nonprofit organization headquartered in Washington, D.C.

Established in 1941, ATFS is the longest-operating outreach, education, and certification program for family forests in North America. By reaching landowners, ensuring they receive professional assistance, and recognizing sustainable forestry in action, the ATFS is helping to get good forestry practices on more acres—and keep it there for generations to come. The program encompasses over 50,000 properties, covering nearly 32 million acres of family forestland in 46 states.

The SFI program and ATFS have a mutual recognition agreement, which provides the SFI program with a means to provide additional outreach to family forests owners. ATFS is committed to sustaining forests, watershed and healthy habitats through the power of private stewardship.

ATFS implemented major new policies and initiatives in 2003 including:

Standards of Sustainability Training. In 2003, ATFS worked to prepare for national implementation of the AFF Standards of Sustainability in 2004. The current Standard, developed in 1997, will expire in June 2004. Preparation for implementation of the new standard included training 4,500 Inspectors to the 2004 Standard and outreach to family forest owners.

Group Certification

By the end of 2003, ATFS was finalizing the fourth and final group certification pilot audit. ATFS has developed an efficient, credible, and economically feasible group certification system for family forests enrolled in ATFS. The ATFS process documents for group organizations and ATFS group certification lead auditors were finalized and the ATFS Group Certification Lead Auditor Training Course curriculum was completed. The successful pilot audits lead to the completion of the ATFS Group Certification Program in 2003 which is now ready for full implementation in 2004.

Certification Database

Development on the new ATFS certification database continued in 2003. The new database is being developed to handle an increasing level of documentation and will be a mechanism for quality control.

Quality Control: Inspection Backlog to be eliminated

For the past three years the ATFS National Operating Committee (NOC) has closely monitored the increasing backlog of re-inspections occurring within many states. In an effort to build a quality control system, the NOC developed and implemented a two phase backlog elimination policy. Phase 1 was implemented in 2003, eliminating all Tree Farms not inspected in the past ten years. Phase 2 will go into effect in 2004. The second phase will work to retain landowners and renew their interest in Tree Farm, but will ultimately decertify Tree Farms that have not been reinspected in the past 6 years. Landowners will be moved from certification status to member status. They will have five years to reapply for certification.

SFI Program International

In 2004, the SFI program built upon previous efforts to increase awareness of the SFI program in key international export markets. Some activities were primarily targeted towards retailers and representatives of the trade and industry in Europe and Asia.

SFI program participants and staff met with government representatives in a number of foreign countries including the U.K., Japan, China and Mexico to brief them on recent developments and improvements to the SFI program. One of the highlights was the participation of SFI program representatives in a sustainable forestry forum in Mexico, where the Mexican government has begun the process of developing their own national sustainable forestry standard. The SFI program also had a major presence at the World Forestry Congress in Quebec City in September, 2003. The SFI program also

stepped up its communications efforts by advertising in several European trade magazines to promote awareness of the program to retailers, government officials and other stakeholders.

The SFI program was successful in its efforts to raise international awareness to the ongoing problem of illegal logging. The SFI program was a major partner in the U.S. President's Initiative Against Illegal Logging. Representatives of the SFI program joined U.S. Secretary of State Colin Powell in a press conference to roll out the initiative, designed to bring a halt to illegal logging in protected areas around the globe. SFI program participants joined with Conservation International to provide guidance to the U.S. government to begin addressing the problem of illegal logging overseas.

SFI PROGRAM RECOGNIZED

In an exciting development, the SFI program was recognized on two separate occasions for its advertising campaign designed to broaden awareness of the importance of sustainable forestry.

Architects Acknowledge SFI Ads

Architectural Record, the official publication of the American Institute of Architects (AIA) honored the SFI program with its 2003 & 2004 Excellence in Advertising Award during the AIA convention. A jury of architects evaluated more than 200 ads for their effectiveness in speaking to architects, and picked the SFI program ad as one of the ten best.

International Recognition

In late 2003, the SFI "Forest Art" TV ads won a first place Mobius Advertising Award.

The SFI ads were eligible due to the work of several SICs who used communications grants to execute strategic communications plans to broaden the reach of the SFI program.

Since 1971, The Mobius Advertising Awards annual competition has honored the best in TV, radio and print advertising. It receives thousands of entries yearly from throughout the world and is recognized internationally as one of the leading advertising competitions.

The SFI Mark: A Good Sign that Somebody CaresSM



Throughout 2003 SFI program participants worked with forest products retailers and customers to help them recognize the value

of the wide range of forest certification programs around the world. Companies like Office Depot, Office Max, Staples, Kinkos, and many others all either developed new policies or enhanced existing policies to ensure that their suppliers are sourcing their raw forest material from sustainable, well-managed forests.

The SFI program has four on-product labels available to program participants that have

successfully completed independent third-party certification and the SFI Label Use Requirements for tracking wood fiber sources. Each manufacturing facility must be individually approved by the Office of Label Use and Licensing and must provide proof of certification and information on sources of raw materials and certified content.

A consumer-oriented website, www.aboutsfi.org continues to provide key information about the SFI program, including a description of the SFI labeling program, the 2002–2004 SFIS and many other key “Forest Facts.”

NATURESERVE

NatureServe was honored with the 2003 Wildlife Stewardship Award in the category of Industry Cooperator for their work in assisting the Sustainable Forestry Board (SFB) and Sustainable Forestry Initiative (SFI) program in understanding NatureServe’s scientific methods for evaluating imperiled species and habitats, and what value it offers to the SFI program. Several SFI program participants are already working closely with the NatureServe Network in developing their own biodiversity strategies

“NatureServe is pleased to support the Sustainable Forestry Initiative program by providing data and classification systems that help participants identify forests of exceptional conservation value,” said Mark Schaefer, NatureServe’s President and CEO.

“Implementing the FECV indicators addresses goals that the forest products industry and NatureServe share in common. We look forward to working together to conserve the imperiled species and communities that comprise our natural heritage.”





Thinking Globally, Acting Locally

SFI Implementation Committees—Working at the Local Level

SFI program participants work together at the local level through SFI Implementation Committees (SICs) to promote logger and forester training, and conduct outreach activities in support of the SFI Standard. SICs perform the critical outreach and education that is necessary to promote sustainable forestry and the SFI program to a wide range of stakeholders—private landowners, independent loggers, government land managers, legislators, conservationists, and environmental leaders.

SICs are now operating in 38 states and 5 Canadian Provinces

In December of 2003, Ontario became the thirty-eighth state, region, or province to organize a SIC.

Throughout 2003, SFI program participants conducted a comprehensive review of SIC grassroots efforts. Results are ensuring continual improvement as SICs broaden recognition for the SFI program and support for sustainable forestry practices.

Thirty-eight percent of the 940 individual SIC members in 2003 represented non-industry interests. SIC efforts included refining procedures to address concerns about forestry practices believed to be inconsistent with the SFIS.



The Georgia SIC was recognized for outstanding outreach efforts and received the Fifth Annual SIC Achievement Award at the 2003 SFI Annual Conference. The award was presented by W. Henson Moore, President and CEO of the America Forest & Paper Association, to Larry Walker, Weyerhaeuser, Bill Booth, Georgia-Pacific, and Donna Gallaher, the University of Georgia.

In 2003, SICs documented 1616 forestry inquiries or concerns about forest management practices.

All were addressed by professional resource managers and the vast majority (1547 or 96%) did not involve SFI program participants. The SICs investigated and fully resolved 61 claims of inconsistent practices involving SFI program participants and continue work on 8 unresolved claims. Resolution means the claim was fully investigated, and if valid, remedial actions taken by the program participant involved.

Some highlights of other SIC efforts:

Alabama – provided SFI program information on Alabama Forestry Association website (www.alaforestry.org).

Alaska – presented SFI program information to local Chambers of Commerce and state government officials.

Arkansas – utilized SFI program brochures in 56 logger and forester training workshops.

British Columbia – signed a five-year agreement with the BC Government to collaborate on projects that demonstrate sustainable forestry practices.

California – increased SFI program awareness through comprehensive communications strategy that reached more than 100,000 people.

Central Rockies – documented BMP effectiveness exceeding 80% in Wyoming and South Dakota.

Florida – provided state-specific SFI program information and an inconsistent practices reporting mechanism through a comprehensive Florida SFI program website (www.goodforests.com).

Georgia – received national recognition by winning the Fifth Annual SIC Achievement Award for outstanding outreach efforts.

Idaho – developed a website page (www.int-forest.org) for inconsistent practices reporting to improve response to SFI specific concerns registered through existing state processes.

Indiana – published a brochure that defined SFI program logger training requirements.

Kentucky – provided SFI program information to loggers and landowners in the Kentucky *LogJam Newsletter*.

Louisiana – added Forestry Aesthetics to the core curriculum for attaining Master Logger and collaborated with the Forest Resources Association to develop a three-hour workshop.

Maine – maintained regional inconsistent practices reporting partnership with New Hampshire, which assured that 25 registered concerns in Maine were fully resolved.

Maryland/Delaware – raised \$18,000 for logger training and education.

Michigan – updated the “Keys to Sustainable Forest Management” brochure to assist family forest owners and distributed 65,000 copies through loggers, industrial foresters, associations, and agencies.

Minnesota - placed SFI program awareness ads in statewide publications and sponsored the Minnesota Timber Producers Exposition.

Mississippi – collaborated with the Mississippi Extension Service to conduct workshops and field days for family forest owners.

Missouri – sponsored 390 SFI program awareness spots on public service radio and TV advertisements statewide.

Montana – coordinated SFI program awareness advertising with state legislative session and University of Montana Grizzly football games.



New Brunswick – developed a SFI program website (www.nbsfi.ca) that includes forest worker training criteria, a French and English information packet, and a toll-free number for reporting inconsistent practices.

New Hampshire – updated procedures for receiving and responding to toll-free calls alleging practices inconsistent with the SFI Standard.

New York – provided national leadership in a comprehensive review of SIC grassroots efforts.

North Carolina – received the Forest Conservationist of the Year Award in the 2003 Governor's Conservation Achievement Awards program, sponsored by the NC Wildlife Federation and the National Wildlife Federation.

Nova Scotia – sponsored awareness advertising for the SFI program and publicized a new toll-free number for reporting inconsistent practices.

Ohio – published a state and SFI-specific annual report in collaboration with the Ohio Forestry Association to highlight forestry success stories and awareness of sustainable forestry practices.

Ontario – SFI program participants established a new SIC and developed a plan to broaden awareness of the SFI program.

Oregon – supported Associated Oregon Loggers efforts to deliver training that includes SFI program training for more than 350 loggers.

Pennsylvania – sponsored and jointly presented an award in collaboration with the Pennsylvania Association of Conservation Districts to recognize a family forest owner for management excellence.

Quebec – worked on French translation of SFI program materials to more effectively broaden awareness in the province of Quebec.

South Carolina – supported printing of a new SC Forestry Facts brochure that includes SFI program information, available online (www.scforestry.org).

Tennessee – implemented SFI awareness campaign to complement Tennessee Forestry Association “good forestry” ads featuring Hank Williams, Jr.

Texas – sponsored a billboard to increase SFI program awareness in a high traffic urban area.

Virginia – broadened support through SFI-specific projects including a comprehensive website (www.virginiasfi.org) and brochure sent to state government officials.

Washington – met with state forest practices agency personnel to request help in noting apparent inconsistent practices by SFI program participants.

West Virginia – included state highway rest areas and welcome centers along with traditional forestry venues for distribution of SFI program awareness materials.

Wisconsin – raised \$245,000 to support a variety of training and outreach efforts focused on loggers, family forest owners, and professional educators.



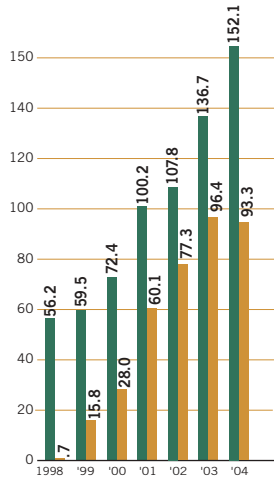


SFI Program Data

Measurable Progress

Total Acres Enrolled in SFI Program and Acres Third-Party Certified

- Number of acres enrolled (in millions)
- Number of acres certified (in millions)



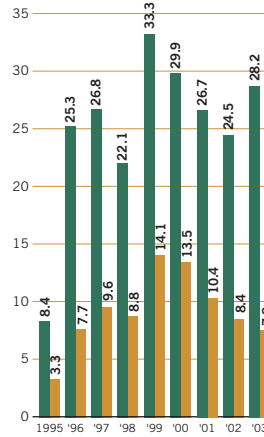
The SFI program now includes 152.1 million acres. By the end of 2003, 93.3 million acres were independently third-party certified. Independent third-party certification to the SFIS provides additional assurance that a program participant's practices in the field meet the

SFIS requirements. The Sustainable Forestry Board has established a Verifiers Accreditation Subcommittee to review auditors' qualifications and ensure an annual formal field peer review of at least one SFI audit for each approved SFI verification firm.

Annual Enrollment of Loggers and Foresters in Sustainable Forestry Training Programs

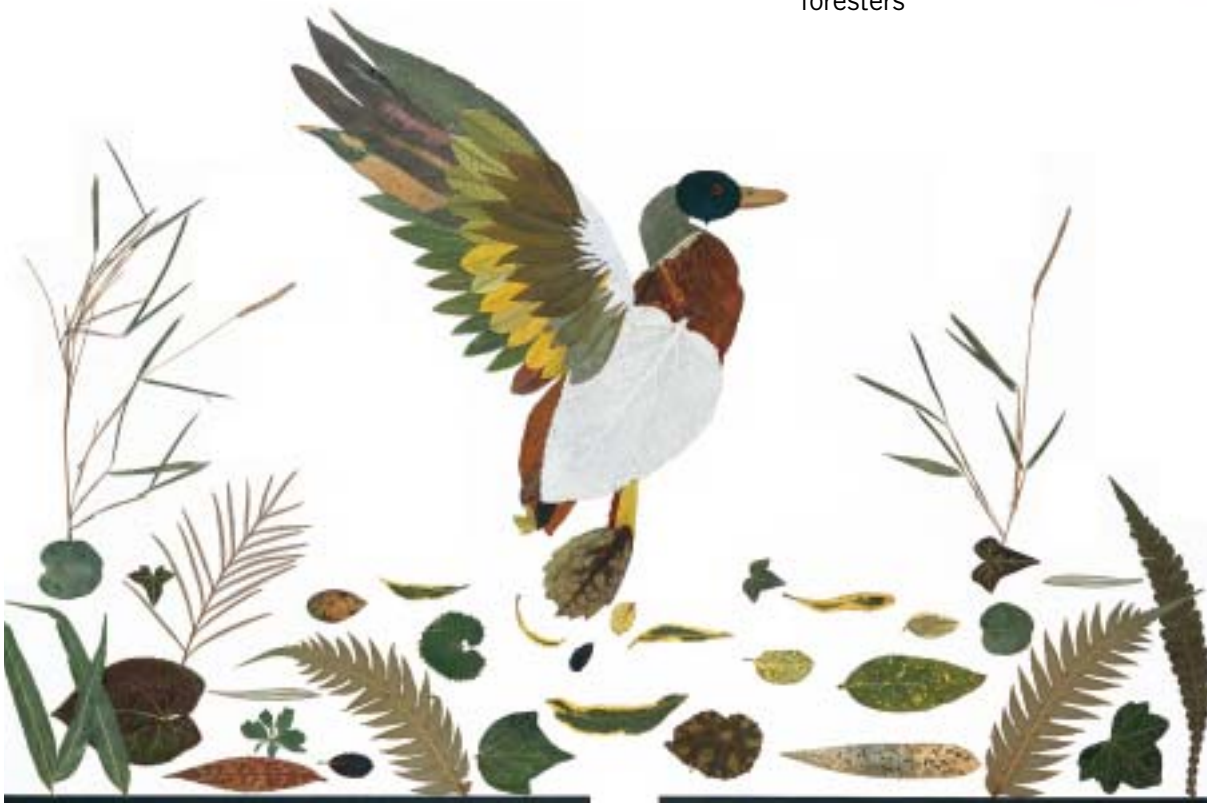
- Completing portion of training program (in thousands)
- Completed entire training program (in thousands)

Training data provided by the Forest Resources Association



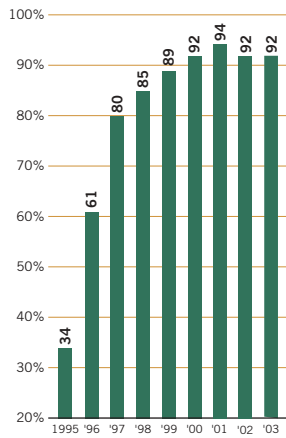
7,843 loggers and foresters completed sustainable forestry training programs in 2003; a total of 83,329 have completed training programs since 1995. A growing body of evidence suggests these training programs are leading to increased awareness and application

of, among other things, best management practices for the protection of water quality. A 2000 report from the National Association of State Foresters noted high rates of BMP implementation in many states and specifically recognized the SFI program as a catalyst for raising awareness of BMPs among loggers and foresters



Raw Material Supply

Total percent delivered by trained loggers annually

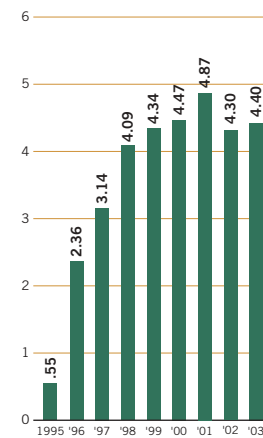


In 2003, over 92 percent of the wood (11.5 billion cubic feet) delivered to SFI program participant mills was delivered by a trained logger. All major wood producing states in the U.S. now have logger and forester training programs. These programs include training in sustainable forestry principles, best management practices to protect water quality, reforestation, awareness of responsibilities under the Endangered Species Act, logging safety, Occupational Safety and Health Administration wage and hour rules, transportation issues, business management, and public policy and outreach.



Local SFI Committee Expenditures for Sustainable Forestry Programs

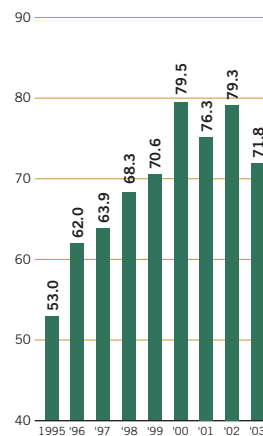
Millions of dollars (U.S.)



Since 1995, SFI program participants have contributed \$32.5 million in local program funding. These funds have been used to support logger and forester training programs, to provide outreach to family forest owners, to develop and respond to concerns about inconsistent practices, to conduct sustainable forestry research and a variety of other activities at the state or provincial level.

Sustainable Forestry Research Funding

Millions of dollars (U.S.)



\$71.8 million went toward sustainable forestry research in 2003. Continual improvement is a guiding principle of the SFI program and research is critical to learning more about sustainable forestry to guide future program enhancements. SFI

program participants fund a wide variety of research activities, both internal to their organizations and with other stakeholders. Research areas include forest health and productivity, water quality, wildlife, fisheries, ecosystem management, biological diversity, carbon sequestration and many others.

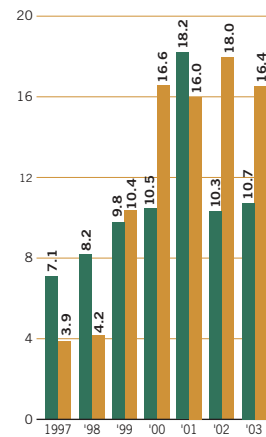
Water Quality and Wildlife Management

Maintaining water quality and wildlife habitat in forests is an important element of the SFI program. In 2003, SFI program participants reported more than 27 million acres were enrolled in formal or informal agreements with a conservation or wildlife management agency or organization which specify on-the-ground management practices for a specific area. There were also 17,675 miles of streams in formal and informal agreements during 2003.

Enrollment in these voluntary cooperative agreements demonstrates yet another way many SFI program participants are working with a broad range of external stakeholders to ensure sustainable forestry practices are being applied to their forestland holdings.

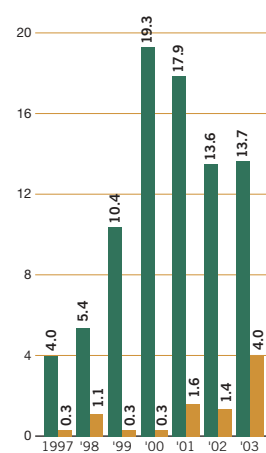
Acres of Forestland in Cooperative Wildlife Management Agreements Annual Enrollment

■ Acres in formal agreements (in millions)
 ■ Acres in informal agreements (in millions)



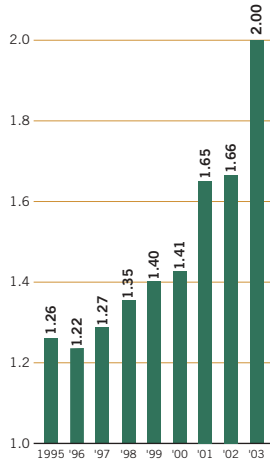
Miles of Streams in Cooperative Fisheries Management Agreements Annual Enrollment

■ Miles of streams in formal agreements (in thousands)
 ■ Miles of streams in informal agreements (in thousands)



Reforestation

Millions of acres

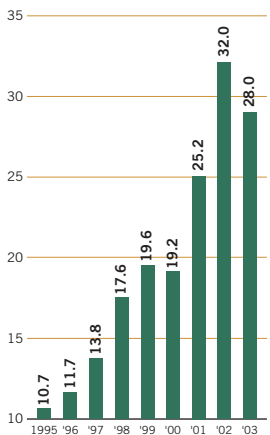


Reforestation is a cornerstone of sustainable forestry. And it is one area in which all SFI program participants have long excelled. However, prior to the launch of the SFI program, there was scant data to back up these performance claims. The SFI

program is now, on an annual basis, providing stakeholders and the public a growing set of data which indicates areas where there is steady progress and areas for improvement. Clearly, the data on reforestation show that SFI program participants continue to honor commitments under the SFIS to reforest harvested areas by natural regeneration or planting in a consistent manner.

Landowner Assistance Programs

Landowners (assisted) in thousands

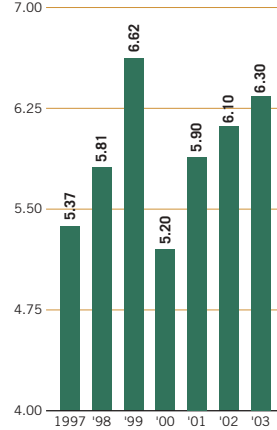


More than 28,000 family forest owners were assisted through formal landowner assistance programs in 2003. Assistance takes many forms and may include the development of a comprehensive management plan, reforestation plans,

harvesting plans, application of best management practices, protection of endangered species and many other activities.

Acres Managed Through Landowner Assistance Programs

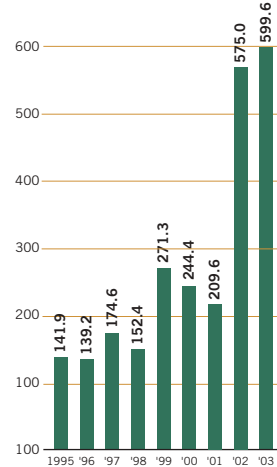
Millions of acres



A total of 6.3 million acres of family owned forestlands are enrolled in landowner assistance programs.

Acres Reforested Through Landowner Assistance Programs

Thousands of acres



599.6 acres of family owned forestlands were reforested via natural regeneration or planting with the assistance of SFI program participants; 32.2 million seedlings were provided at no cost.

SFI Program Participants

The following AF&PA member companies have complied with requirements of the AF&PA by-laws for the SFI program.

AF&PA Company Members:

Abitibi-Consolidated, Inc. (North America)	Green Bay Packaging Inc.	Pingree Associates, Inc.
Allegheny Wood Products, Inc.	Green Diamond Resource Company	Plum Creek Timber Company, Inc.
American Forest Management, Inc.	Greif Inc.	Ponderay Newsprint Company
Anthony Forest Products Company	Gulf States Paper Corporation	Pope & Talbot, Inc. (North America)
Augusta Logging Exporters, Inc.	Hampton Resources, Inc.	Port Blakely Companies
The A. Johnson Company	Hancock Lumber Company, Inc.	Port Townsend Paper Corporation
Badger Paper Mills Inc.	Hancock Timber Resource Group	Potlatch Corporation
Banner Fibreboard Company	Hartford City Paper LLC	The Price Companies Inc.
Bennett Forest Industries	Hedstrom Lumber Company, Inc.	Rajala Companies
Bibler Bros. Lumber Company	Hollingsworth & Vose Company	Rayonier
Boise Cascade Corporation	Hull Forest Products, Inc.	Riley Creek Lumber Company
Bowater Incorporated (North America)	Hull-Oakes Lumber Co.	Rock-Tenn Company
Canal Wood, LLC	International Paper Company	Sappi Fine Paper— North America
Caraustar Industries Inc.	Interstate Resources, Inc.	Seaman Paper Company of Massachusetts, Inc.
CityForest Corporation	Johnson Timber Corporation	Sierra Forest Products
The Dean Company	J. D. Irving, Limited (North America)	Sierra Pacific Industries
Domtar Inc.	J. M. Huber Corporation— Huber Engineered Woods	Simpson Investment Company
EHV Weidmann Industries, Inc.	Lin Pac Inc.	Smart Papers, LLC
Esleek Manufacturing Company, Inc.	Little Rapids Corporation	Smurfit-Stone Container Corporation
FiberCorr Mills LLC	Longview Fibre Company	Sonoco Products Company
FiberMark, Inc.	Louisiana-Pacific Corporation (North America)	Southworth Company
Finch, Pruyn & Company, Inc.	Madison Paper Company	SP Newsprint Company
Fitzpatrick & Weller, Inc.	Madison Paper Industries	Starker Forests, Inc.
Forest Systems, Inc.	Manistique Papers, Inc.	Stimson Lumber Company
Fox River Paper Company	Masonite Corporation	Stora Enso (North America)
Fraser Papers Inc. (North America)	MeadWestvaco Corporation	T & S Hardwoods, Inc.
French Paper Company	Mohawk Paper Mills, Inc.	Temple-Inland Inc.
Georgia-Pacific Corporation	Monadnock Paper Mills, Inc.	Timber Products Company
Gilman Building Products, LLC	Nagel Lumber Company, Inc.	UPM, Blandin
Giustina Land & Timber Co.	The Newark Group Inc.	Weaber, Inc.
Glatfelter	Norbord Inc. (North America)	Webster Industries, Inc.
Global Forest Partners LP	North Pacific Lumber Company	West Fork Timber Company, LLC
Graphic Packaging Corporation	North Pacific Paper Co. (NORPAC)	West Fraser (South), Inc.
Grays Harbor Paper, LP	Olympic Resource Management	Weyerhaeuser Company (North America)
	Owens Forest Products	
	The Pacific Lumber Company	
	Packaging Corporation of America	

SFI Program Licensees:

Ames Plantation
Beltrami County Natural Resource Management
Bennett Lumber Company
C. J. Charles Lumber, Inc.
Carlton County Land Department
Cathlamet Timber Company, LLC
Claude Howard Lumber Company, Inc.
Clemson University
Crone Lumber Company, Inc.
Devereaux Sawmill, Inc.
Duke University
Franklin Timber Company
Granite Hardwoods, Inc.
Great Lakes Veneer & Marion Plywood Corporation
H. W. Culp Lumber Company
Hankins, Inc.
HHP, Inc.
Ida Carson Callaway Foundation
Idaho Cedar Sales
Idaho Timber Corporation of Idaho
Idaho Timber Corporation of Montana
J. G. Gray Estate—Stream Companies
J. M. Jones Lumber Company Inc.
J. W. Jones Lumber Company, Inc.
Jasper Lumber Company, Inc.
Jordan Timberlands, Inc.
Kitchens Brothers Manufacturing Company, Inc.
Koochiching County Land & Forestry
Lake County Forestry
Litchfield Park Corporation
Maine Department of Conservation, Bureau of Parks and Lands
Maine Ornamental Woodworkers, Inc.
Maryland Department of Natural Resources
Massachusetts Department of Conservation and Recreation, Bureau of Forestry
Matthews Four Seasons
McShan Lumber Company
Meyer Moulding & Millwork, Inc.

Michigan Technological University
Missouri Department of Conservation
Neiman Sawmills, Inc. (Devils Tower and Rushmore Forest Products)
New South Lumber Company
Nicolet Hardwoods Corporation
North Carolina Division of Forest Resources (Bladen Lakes States Forest)
North Carolina State University (Department of Forestry)
Northern Hardwoods
Pacific West Timber Company
Paul Smith's College
Pennsylvania Department of Conservation & Natural Resources, Bureau of Forestry
Rainier Timber Company, LLC
Red Rock Enterprises, LLC
Robbins Lumber Company, Inc.
Rosboro Lumber Company
Rutland Lumber Company, Inc.
Seneca Jones Timber Company
Shuqualak Lumber Company, Inc.
Society for the Protection of New Hampshire Forests
Southern Lumber Company
St. Louis County Land Department
Sustainable Forest Products of Michigan
Suwannee Lumber Company, Inc.
Tennessee Division of Forestry
Terminal Forest Products
The Conservation Fund
Thompson Tree Farm/
Gates Tree Farm
University of Idaho
University of Minnesota College of Natural Resources
VKW Hardwoods
Western Upper Peninsula Forest Improvement District
Witherby Tree Farm
Wrenn Brothers, Inc.
Yale University

Welcome to New Members and SFI Program Licensees in 2003 and 2004

New AF&PA Member Companies

Canfor U.S.A. Corporation
(Includes Canadian Forest Products, Ltd.)
Cedarprime, Inc. *(Includes International Forest Products, Ltd.)*
Durango-McKinley Paper Company
Marvin International
Parsons & Whittemore, Inc.
(Includes Alabama River Pulp Company, Alabama River Woodlands, Inc., and St. Anne Nackawic Pulp Company)
TimberWest

New SFI Program Licensees

Bayroot, LLC
Gulf Lumber Company, Inc.
Gottsaul Tennessee Forest, LLC
Groupe Savoie, Inc.
Harden Furniture, Inc.
Husby Forest Products, Ltd.
Konkolville Lumber Company
Lampe & Malphrus Lumber Company
Minnesota Department of Natural Resources
North American Forest Products, Ltd.
PB Lumber, LLC
Penguin Forest
Philmont Scout Ranch
Pollard Lumber Company, Inc.
Riverside Forest Products, Ltd.
Seefeld Corporation
Sundance Forest Industries
Suwannee River Water Management District
Tioga Hardwoods, Inc.
Three Rivers Timber, Inc.
T.R.C. Cedar Limited
Typhoon, LLC
University of Washington
Wisconsin Department of Natural Resources