

Report on MN Consulting Foresters: 2007

INTRODUCTION

Needs Statement:

The Minnesota Forest Resource Council (MFRC) is committed to increasing the number of acres of family forests under professional management in the state. In the spring of 2006, the Blandin Foundation held a conference to determine how to reach the goal of increasing forest management planning on an additional one million acres of private lands by the year 2015. This goal is part of a long-term effort to improve management on private forestlands throughout the state of Minnesota. Professional management will provide significant ecological, economic and social benefits on these private lands, including improved water quality, diverse wildlife habitat, and sustainable forest resource management.

As part of this effort, the MFRC, the Blandin Foundation, and a number of other parties are interested in assessing the capacity and looking at ways to increase the capacity of the private sector to assist family forest landowners. To better address this issue, Masconomo Forestry (MF) was retained to conduct a survey of private forest consultants in Minnesota and to explore methods to expand and strengthen the business opportunities for private consultants.

Background:

Forestry consultants provide a number of services to forestland owners including forest management, valuations and appraisals, timber marketing, forestland investment services, and administrative services, among others (Humphries 2000). Consulting foresters have been around in the United States since at least 1883 (Anderson 1998). Although there have been a number of efforts to examine the nature and capacity of consulting foresters nationally and regionally, there is no evidence of this being done since the mid-1980s, nor is there evidence of any efforts having a Minnesota focus.

Past efforts have offered insightful but dated information. In the mid-1980s, a national survey of consulting foresters was conducted. The survey found that 68% of respondents were sole proprietors. Seventy-six percent of the consultants' clients were non-industrial private forest owners, and the number of consulting foresters was increasing. The survey results identified a number of factors that limited the use of consultants by non-industrial private forest owners, including: free public assistance programs, lack of landowner awareness or education, economic conditions, low timber values, and competition from industry foresters (Field 1986).

Methodology:

In order to assess the current capacity of consulting foresters and ways to expand capacity in Minnesota, MF conducted a survey of private forestry consultants in the fall of 2006. Initially, information was gathered through discussions with consultants who are members of the Minnesota Association of Consulting Foresters (MACF). The results of these discussions are listed in Appendix A. In turn, a formal survey was designed and distributed to forestry consultants found in Appendix B.

The survey was designed by both MF and staff members of the Minnesota Forest Resource Council (MFRC). The questionnaire was e-mailed to all 25 members of MACF in October of 2006 and 13 responses were received. In early November, a follow up postal mailing of the survey was sent to the non-respondents and also to 10 forestry consultants who were not MACF members but whose names appeared in the Minnesota Forestry Association (MFA) directory. A total of 35 consultants received the survey with 26 returned responses, a 74% response rate. All but one of these responses was usable as one surveyed consultant had recently retired.

RESULTS

Business Characteristics:

The average consulting forester in Minnesota has been working for 12 years as a consultant, with 37% of respondents in business for less than 10 years. Seventy-nine percent of respondents' business workload is in forestry (This figure is less than 100% due to consultants who work part time or who work in other fields in addition to forestry). On average, private consultants work with family forest land owners for 67% of their forestry workloads.

On average each consultant works with 37 family forest owners (FFL) per year, corresponding to 3,518 acres of small private forestlands receiving professional management services. (Responses ranged from 100- 20,000 acres). Ninety-two percent of responding consulting foresters in Minnesota work with FFL's as part of their workload, while 8% do not work with family forestlands at all.

Current Capacity, Incentives and Business Challenges:

In addition to providing baseline data on landowners and corresponding acreage served by consulting foresters, the survey examined the current workloads of consulting foresters in Minnesota and incentives that consultants believe will help them to strengthen their businesses.

Workloads have increased in the past 12 months for 40% of the respondents, while workloads have remained stable for 36% and decreased for the remaining 24%. In addition, 48% of the respondents are considering expanding their business in the future. Seventy-five percent of those who plan to increase their services to landowners indicated that they would do so by 11-20%.

Consultants who plan on expansion were asked to indicate which incentives, financial or otherwise, would help them to accomplish this goal. While there were a wide variety of responses, the two most commonly cited financial incentives were an increase in rates of compensation for state-administered Stewardship plans (42%) and continued or increased cost share incentives for landowners with plans (for tree planting, wildlife habitat improvements and control of invasive species, etc.) (33%). Other financial incentives mentioned by the respondents included payments for working with owners of old stewardship plans (those who had not done follow-up on prior plans) and “cutting fees” levied by counties at the time of harvest, earmarked for forest management. (Cutting fees are utilized by a number of other states, including Wisconsin). Interestingly, one consultant was not interested in incentives of any kind, noting “incentives come from my clients.”

There was a diverse response from consultants as to other, non-financial incentives that would help them increase their landowner services. Thirty-three percent of those who plan to increase their services to FFL’s thought that less competition from the SWCD and DNR public foresters would provide the greatest benefit to the private sector. Other suggestions regarding public agency involvement were to receive more timely referrals

from the Department of Natural Resources (DNR) and to have public agencies work as cooperators rather than competitors in reaching FFL. In addition, one respondent thought that landowner education was the highest priority incentive and one indicated that there should be more advertising of forestry services, both by private and public entities. Finally, there was a recommendation that foresters, rather than Master Loggers, should be required to be certified.

The consultants were also asked to identify their greatest business challenges. The top concern cited by respondents was “the ability to adapt to changing market conditions” (61% listed this as one of the top three challenges). This is not surprising, given the recent instability in local fiber markets. Other top challenges are “time to market to new clients” (52%) and “keeping existing clients satisfied” (35%). Additional business challenges include “getting FFL’s to do management”, “staying current with new technology” and “liability issues”. Business challenges of low concern were “regulatory issues” and “receiving accounts due in a timely manner”.

Expansion Opportunities:

Those consultants who do not plan to increase their services to FFL’s were somewhat divided over whether there are currently opportunities for new consulting capacity. Thirty-three percent indicated a definitive “YES”; 25% a “qualified yes” (opportunities exist in certain areas such as inventory and tree planting); 25% a “not really” significant opportunities at this time, and 18% said “NO...not now” or “not in my area” to the question of opportunities for new consultants. Additional comments from those consultants who do not plan expansion included: 1) The difficulty of “breaking in” to forestry consulting where “many services require years of experience and may not be open to new foresters” and 2) The observation that “there will be more opportunities when (and if) timber markets improve.”

Training Needs:

The final question on the survey asked all respondents to rank training needs for consulting foresters, from “most important” to “least important”. The two highest ranking priorities, by a significant margin were in the areas of “Silviculture” (48% voted as most important) and “Communications” (also 48% as most important). The survey did not indicate what specific areas of Silviculture or Communications were priorities.

Other categories which receive a majority of ‘important’ votes were in “advanced computer workshops” and “small business planning”. Topics which fell in the middle of respondents rankings were “marketing, “taxes” and “financial planning”. The training needs which were deemed the least important were “employee training”, “forest certification” and “ecological classification”, in that order.

DISCUSSION

Forestry consulting capacity has increased significantly in the past ten years in Minnesota. As an example of this growth, membership in MACF, the professional organization representing consultants has more than doubled during this time. In addition, 37% of current forestry consultants have been in business less than ten years.

At the same time that more family forest landowners are being served by consultants than ever before, 48% of the consultants responding to the survey plan for future expansion of their services and 40% have increased services to family forest owners in the past 12 months. This is a significant finding and verifies that the consulting community believes that there are growth opportunities ahead of it.

At the current time, each consulting forester treats an average of 3520 acres of FFL annually. Assuming a population of 40 forestry consultants statewide (a conservative estimate), more than 140,000 acres of family forest land receives professional management from private consultants annually. If current growth trends continue, this number will grow to more than 200,000 acres per year by the year 2016 (Assumes growth of 33% in consultant population by 2016, with 50% of these increasing their FFL workload by 15%). Put another way, consulting foresters have the current capacity to reach almost 1.5 million acres of family forestlands per decade. Given current growth rates and additional incentives from both markets and the public sector, this capacity is on track to grow to more than 2 million acres per decade in the next ten years.

It is also clear from this study that the DNR's Stewardship Incentive Program (SIP) has been a significant part of many consultants' workloads. Both the interviews and survey indicated that the current SIP program is beneficial for forestry consultants and that strengthening this program with additional resources would be a cost effective way for the state to improve management on private lands. The survey verifies that a high percentage of consultants rank this as *the top priority* to strengthening their business.

Another encouraging sign from this study is that many consultants now see the state DNR as more of an ally than an adversary in their work. At the same time, there were many suggestions on methods to improve this program, both with increases in funding and also with better coordination between area DNR foresters and local consultants. Of particular concern was the long backlog on unwritten plans for landowners in many areas and the lag time in receiving information from PFM foresters.

RECOMMENDATIONS

- **Strengthen the current DNR- SIP Program:**

Many consultants think that strengthening the SIP program and decreasing the competition between them and both DNR and SWCD foresters are the highest priorities for the state to help them grow their businesses. There were a variety of suggestions on methods to strengthen the program:

1. Reduce lag time on SIP requests for management plans.
2. Increase compensation rates for stewardship contracts.
3. Reduce competitive attitudes in some DNR area offices.

- **Improve communication between consultants and DNR area offices:**

1. More timely referrals on FFL requests to DNR for sale administration.
2. Offer joint training sessions for consultants and public agency foresters.
3. Coordinate publicity efforts to reach FFL.

- **Assist consultants with timely and low cost training sessions:**

1. Silviculture and communications workshops
2. Advanced computer training and small business planning.
3. Marketing and taxes workshops

- **Other Possible Policy Approaches:**

1. Promotion of SFIA and other programs requiring management plans.
2. Bring MACF into the policy loop as a professional organization representing FFL interests.

Overall, the survey results indicate cautious optimism from consultants on the future prospects for their businesses. With assistance from public agencies in the form of better communications, more timely referrals, and stable funding of the SIP program, forestry consultants are in a position to increase their services to private landowners.

Increasing the number of acres under private professional management is a bright spot on the horizon for the future health of Minnesota's forestlands. With concerns about fragmentation, land development, and reduced public sector management of FFL, consulting foresters offer the opportunity for better management of a significant portion of Minnesota's more than six million acres of private lands.

Appendix A: Forest History Center Meeting Notes

A Compilation of Consultant Comments: Forest History Center 11/2/06 (11 consultants, all members of MACF, were present for the discussion)

Tier I:

- **A strong SIP program helps consultants.**
- **If public agencies promote “good forestry”, it helps the private sector.**
- **Stable markets are important for consultants as well as industry.**
- **The State could use its PR resources to advertise the benefits of PFM management.**
- **Contracted inventory work by the state and counties is good for consultants.**
- **Some DNR areas have more than a two year backlog for SIP plans and where this occurs potential clients are lost. Consultants should be given a priority in these areas. (one report of an area with a six year backlog)**
- **In areas where there is a backlog of unwritten SIP plans, make rates more flexible to attract interest from consultants.**
- **Referrals from DNR areas are inconsistent, and in some areas DNR personnel still “compete” with consultants for business and clients. Certain DNR areas do not make acres of SIP available to consultants.**
- **There is often a long “lag” time in receiving information from DNR areas on clients interested in harvesting. This results in lost sales or in sales that do not have a professional forester on board. (The clients hire loggers before the consultants here of the interest)**
- **In Wisconsin, all private landowners now have plans written by the private sector. Turn the PFM program over to the private sector, not the SWCDs.**
- **Concerns that more SIP plans are written by “wildlife” folks. How does this benefit forestry?**

Tier II:

- **Many landowners are not aware of consultants and their services and they are confused by how to get help with their woodlands.**
- **Few landowners know about SFIA and counties differ in how difficult they make the covenant application process**
- **Most landowners want to see a financial return from their forest but they are less certain how to do this.**
- **“Free” DNR implementation plans hurt consultants: A level playing field is important.**
- **Concern that some landowners believe that loggers may serve as foresters. Loggers are NOT foresters.**
- **Forestry consultants are not really consulting foresters. There is a difference.**

Appendix B: Survey Sample

Minnesota Forestry Consultant Survey – 2006

Background

1. How long have you been in the forestry consulting business?
_____ years
2. How many full-time equivalents did your business devote to forestry consulting over the past 12 months, including yourself and all other employees and contractors?
_____ FTEs
3. What percent of your total forestry consulting workload is with family forest owners?
_____ %
4. Approximately how many family forest landowners did you work with over the past 12 months and what is the corresponding acreage?
_____ Landowners _____ Acres
5. Over the past 12 months, indicate whether the amount of work your business conducted with family forest owners:
_____ Increased
_____ Stayed the same
_____ Decreased

Business Expansion

6. Are you considering expanding your current forestry consulting business?
_____ Yes
_____ No

If you answered "Yes" to Question 6, please answer Questions 7-9.

If you answered "No" to Question 6, please skip Questions 7-9 and answer Question 10.

7. Over the next five years, do you anticipate increasing services to landowners by:

- _____ 0 - 10 %
- _____ 11 - 20 %
- _____ 21 - 30 %
- _____ > 30 %

8. What financial incentives could help you to increase services to landowners?

9. What other incentives could help you increase these services?

10. Do you think there are opportunities for new forestry consultants to enter the market? **Why or why not?**

Business Challenges

11. Please indicate the top three challenges you face in serving family forest owners.
(Use 1 to indicate most important, 2 to indicate 2nd most important, and 3 to indicate 3rd most important)

- Keeping existing clients satisfied
 Liability and insurance issues
 Receiving accounts due in a timely manner
 Staying current with training needs
 Regulatory issues
 Adapting to changing market conditions
 Costs of marketing to new clients
 Time for marketing to new clients
 Other (please specify) _____

Please explain your above responses:

Training Needs

12. What types of coursework are most important for those pursuing a career as a consulting forester? (please circle corresponding number 4=most important 1=least important)

Topic	<i>Most Important</i> <i>Least Important</i>			
	4	3	2	1
Advanced computer workshop (e.g. internet, GIS)	4	3	2	1
Communications	4	3	2	1
Ecological classification	4	3	2	1
Employee training	4	3	2	1
Financial planning	4	3	2	1
Forest certification	4	3	2	1
Marketing	4	3	2	1
Silviculture	4	3	2	1
Small business planning	4	3	2	1
Taxes	4	3	2	1