

**Status of Consulting Forestry in Minnesota: 2013**

**Results from a Survey**

**Conducted for the Minnesota Forest Resource Council**

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**Needs Statement:**

The Minnesota Forest Resource Council (MFRC) has been charged by the legislature ( MN Statutes 2012, Chapter 272 – Section 92) to conduct a study on the status of private forest land management in Minnesota. As part of this study, MFRC contracted with Masconomo Forestry (MF) to develop an updated survey of consulting foresters and their current capacity to serve private landowners across the state.

The purpose of this survey was to review the capacity of consultants and to provide additional information on acres of family forests under private professional management in the state. The survey was designed to utilize data from an earlier survey ( 2006) and to provide a more complete picture of the effects of the Stewardship program and recent changes in financial incentives on private forestland management in Minnesota.

In addition, the survey was designed to provide a snapshot of current challenges and opportunities facing forestry consultants and to identify those public programs that have most successfully contributed to healthy, sustainable forest practices on private lands.

**Methodology:**

In order to assess the current capacity of consulting foresters and their services to family forestland owners, MF conducted a survey of private forestry consultants in the fall of 2012. This survey was designed by MF with input and editing by MFRC staff. The survey was three pages long and contained 11 multiple part questions. (see Appendix A)

This survey with a cover letter was mailed to forestry consultants statewide. These consultants were either members of the Minnesota Association of Consulting Foresters (MACF) or were listed in the Minnesota Forestry Association (MFA) directory. A follow up email was sent to all recipients two weeks later. From a total of 42 surveys mailed, 36 were returned, an 86% response rate. Two of these were un-usable, due to retirement or “not consulting now” responses. The following results are the compilation of the remaining 34 surveys returned.

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**RESULTS FROM THE SURVEY****Business Characteristics:**

Consulting foresters in Minnesota have been working for an average of 15.1 years as consultants, and have been in business from 1-40 years. 14% have been in business 30 or more years and 21% have been in business for less than 5 years. The full-time equivalent ( FTE) workload for these small businesses averages less than one ( .86) and 25% of consultants work less than half time. One business has five consultants working for it. Otherwise, all businesses may be characterized as “ma and pa” operations. In addition, 11 of the consultants surveyed in 2006 are no longer in business, and 18 consultants have started up their business since that time.

## Management on Family Forest Land

94% of these private consultants work directly on family forest-land (FFL) and family forests represent 79% of their workload. This is higher than the 67% of workload reported in the 2006 survey.

On average each consultant works with 26 FFL owners per year. The breakdown is as follows:

- FFL business varies from 150-16,000 acres per year.
- Average acreage treated per business is 3010 acres/annum.
- 85% of consultants wrote Stewardship plans in the past 12 months.
- On average each of these consultants wrote 14 plans during this time.
- Average plan size was 148 acres.
- 80% of consultants set up wood sales in the past twelve months.
- On average, each business set up 7 wood sales on FFL lands last year.
- Average wood sale size was 52 acres.
- 44% of consultants supervised planting projects during this time.
- On average the plantings were 11 acres in size.
- 56% of consultants performed additional services or projects on FFL.
- The most common additional services were: Timber Stand Improvements(TSI), invasives control, trail design and building, road building, damage appraisals and tree inspections.
- 59% of the consultants do not plan to expand their business.
- Of the 41% who do plan expansion:
  - 36% foresee a 0-10% increase
  - 36% foresee a 10-30% increase
  - 28% foresee > 30% increase

## **Incentives & Tax Programs**

In addition to providing information on landowners served by consulting foresters, the survey also examined incentives and programs that have helped to improve services to these landowners.

- 85% of consultants indicated that preferential tax programs have helped increase or improve their service to FFL.
- 89% of all landowners requesting Stewardship plans apply for Sustainable Forests Incentives Act ( SFIA) or 2-c tax reductions.
- 52% of the landowners apply for the 2-c program; 37% for the SFIA program.
- 84% of all Stewardship plans are new plans. 16% are updated plans.
- 65% of consulting foresters indicated that reductions in the DNR PFM program have helped increase or improve their services to FFL.
- 32% of consultants indicated that current cost-share programs have helped increase or improve their services to FFL.

## **Market Opportunities & Challenges:**

Consultants ranked areas where they believe business opportunities exist:

- 56% in Wildlife habitat improvement projects
- 44% in Restoration projects ( savanna, TSI, prairie )
- 40% in Sawtimber markets
- 40% in biomass markets
- 22% in urban forestry
- 25% in planting projects
- 6% in each of the following: Damage appraisals, invasives control, inventory on public lands

Consultants also ranked business challenges as follows:

- 74% see Adapting to changing market conditions as one of the three top challenges. 35% see this as the top challenge to their business.
- 65% see Marketing to Prospective Clients as one of the top three challenges. 21% see this as the top challenge.
- 38% see Use of new technology as one of the top three challenges. 12% see this as the top challenge.
- Other challenges listed in the top three include Maintaining Client satisfaction (25%); Regulatory concerns (24%) and Liability issues (19%)
- One comment by a respondent seemed particularly relevant, given recent market weakness. “ Poor markets affect landowners’ satisfaction. They don’t understand a lack of markets”.

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## **DISCUSSION**

The ranks of forestry consultants statewide have increased by 20% since 2006, despite the economic downturn of 2008-09. At the current time, each consulting company manages an average of 3010 acres of FFL annually. Assuming a population of 45 forestry consultants statewide (a conservative estimate), more than 115,000 acres of FFL receive professional management from private consultants annually. Put another way, consulting foresters have the current capacity to manage more than a million acres of family forestlands per decade.

Currently consultants are writing more than 500 stewardship plans annually on seventy nine thousand acres of FFL. In addition, for every two stewardship plans that are written by consultants, one timber sale is set up. An average of 13,100 acres of FFL is harvested each year on lands managed by consulting foresters. Assuming that each sale averages 20

cords/acre, more than 250,000 cords of wood are put on the market each year by consultants. This represents approximately 10% of the statewide timber market.

It is clear from these numbers that forestry consultants play an increasingly important role in the sustainable management of private forests in Minnesota. It is also clear from this study that the current tax incentives programs and the reduction of the private forest management (PFM) role by Department of Natural Resources (MN-DNR) have had a positive impact on FFL business for many consultants. Almost ninety percent of the stewardship plans that were written recently were utilized to apply for property tax relief on forestland. In addition, two-thirds of the consultants report that the reductions in MN-DNR PFM programs have helped increase their business. These are significant findings and support the role of continuing to privatize the stewardship program, at a cost savings to taxpayer's business.

It is also interesting to note that less than a third of the consultants report that other cost share incentive programs (EQIP, WHIP, etc) benefit their business. This points to the transitory nature of many of these programs and may indicate to policymakers that these programs may not be a cost effective method for improving forest management on family forest lands.

Other significant results from the survey point to increasing interest by private landowners in alternative management activities in addition to traditional fiber harvesting and planting. 56% of consultants see opportunities to assist landowners with wildlife habitat improvement projects, and 44% with restoration projects on client lands. Other opportunities include saw-timber and biomass markets (40%) as well as urban forestry (22%). Not surprisingly, given recent weakness, consultants do not see pulpwood market opportunities at this time.

With regard to harvesting, 80% of the consultants in the survey set up wood sales for private landowners. The average number of timber harvests is 7 per business and average

sale size of 52 acres. The survey also indicates that approximately 50% of the new plans that are written by consultants are followed up with a harvest treatment within 5 years.

The two greatest challenges that consultants see for their business are “adapting to changing market conditions” and “marketing to prospective clients”. These are standard challenges for the private sector. Other challenges ranked on the survey include the use of new technology, regulatory concerns and maintaining client satisfaction. One comment that is relevant to this discussion on wood markets was “ Poor markets affect landowners satisfaction. They don’t understand a lack of markets” Clearly the recent market contractions are affecting landowners as well as consultant's business.

## RECOMMENDATIONS

- Almost 90% of all new stewardship plans are written for landowners who enroll in either the 2-c or SFIA tax programs. This information indicates the importance of these two programs to sustainable management on private lands. As a result, efforts should be made to strengthen both programs to ensure a long-term commitment to improving management on family forest lands. Suggestions in this process include stabilizing funding levels, improving outreach and increasing cooperation between the agencies and plan writers.
- Continue to privatize the stewardship program. The reduction in the DNR-PFM program has helped consultants in their business and saved taxpayer dollars at the same time. Consultants now write the bulk of all stewardship plans in the state. They also set up one wood sale for every two new plans that they write. This places them in the primary role of reaching FFL one-on one, and influencing their management decisions.

- Examine the costs and benefits of other forestry incentives programs.  
Only one-third of the forestry consultants see current cost-share incentives programs (EQIP, FIP, WHIP, etc) as benefiting their business. This calls into question the importance of these programs, given their high administration costs. In a time of more austerity in public spending, it seems appropriate for policy makers to examine the benefits and costs of these programs.
- Despite recent plant closings, consultants see multiple opportunities in the marketplace. The workload of forestry consultants is changing with the markets, ownership patterns and the resource. Pulpwood harvesting is on the decline, while wildlife habitat improvements, biomass and sawtimber markets and restoration projects are increasing. More than 40% of consultants also see opportunities to increase their business, which shows the resilience of the sector in the face of current weak timber demand.
- Bring consultants into the policy loop. Forestry consultants play an increasingly important role in the sustainable management on private lands in Minnesota and manage more than a million acres per decade. As a result, consultants need to be brought into the policy loop at both state and regional levels. Examples of this might include representation on the MFRC council, representation in the Minnesota Forestry Education Cooperative (MFEC) stakeholder meetings with the MN-DNR and MFA and the hiring of consultants by public agencies to help coordinate and implement private management activities

**Appendix A: Minnesota Forestry Consultant Survey - 2012**

1. How many years experience do you have as a consulting forester \_\_\_\_\_?
2. How many full-time equivalents (FTE) did your business devote to forestry consulting over the past 12 months, including yourself and all other employees and contractors?  
\_\_\_\_\_ FTE's
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. In the past 12 months, how did you assist family forest landowners:
 

_____ Stewardship plans	_____ Acres
_____ Harvesting operations	_____ Acres
_____ Planting projects	_____ Acres
_____ Other projects	_____ Acres

Please specify significant other projects: \_\_\_\_\_

**Business Expansion**

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

**If you answer "Yes" to Question 6, please answer Question 7. Otherwise please skip to question 8.**

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

- \_\_\_\_\_ 0 - 10 %
- \_\_\_\_\_ 11 - 20 %
- \_\_\_\_\_ 21 - 30 %
- \_\_\_\_\_ > 30 %

8. Which incentives or changes have helped you to increase or improve services to private landowners in the past five years? (Please check all that apply)

- \_\_\_\_\_ Preferential tax programs (SFIA/2c)
- \_\_\_\_\_ Cost-share incentives (EQIP, FIP, CRP)
- \_\_\_\_\_ Reductions in funding/personnel in the state PFM program
- \_\_\_\_\_ Improved wood markets
- \_\_\_\_\_ Better relations with public sector resource professionals
- \_\_\_\_\_ Other: please specify \_\_\_\_\_

9. How many of the forest plans that you wrote in the last 12 months are:

- \_\_\_\_\_ Updated plans
- \_\_\_\_\_ New plans
- \_\_\_\_\_ Written for landowners applying for SFIA
- \_\_\_\_\_ Written for landowners applying for 2c
- \_\_\_\_\_ Followed up with harvesting within 5 years
- \_\_\_\_\_ Followed up with another service of your company.

10. In which of the following areas are there opportunities for you to enter the market or expand your services ( check all that apply)

- \_\_\_\_\_ Biomass forest products
- \_\_\_\_\_ Pulpwood forest products
- \_\_\_\_\_ Sawtimber forest products
- \_\_\_\_\_ Planting services
- \_\_\_\_\_ Wildlife habitat improvement projects
- \_\_\_\_\_ Restoration projects ( prairie, savannah, pasture, woodland)
- \_\_\_\_\_ Urban forestry
- \_\_\_\_\_ Other ( please specify)\_\_\_\_\_

**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 2<sup>nd</sup> most important, and 3 to indicate 3<sup>rd</sup> most important)

- \_\_\_\_\_ Adapting to changing market conditions
  - \_\_\_\_\_ Keeping existing clients satisfied
  - \_\_\_\_\_ Time or costs for marketing to new clients
  - \_\_\_\_\_ Liability and insurance issues
  - \_\_\_\_\_ Keeping current with new technology
  - \_\_\_\_\_ Regulatory issues
  - \_\_\_\_\_ Other (please specify)
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