

Minnesota Forest Resources Council
Meeting Minutes
Rainy River Community College – International Falls
July 19, 2006

Council Members Present: Al Sullivan (Chair), Wayne Brandt, Bruce Cox, Dave Epperly, Shaun Hamilton, Bob Lintelman, Kathy Manteuffel, Bob Oswald, Dave Parent, Shawn Perich, Kathleen Preece, John Stauber, Bob Stine, Dick Walsh, Paige Winebarger

Absent: Jan Green, Jim Sanders

Guests: Bob Anderson (Boise), Steve Earley (Boise), Keith Jacobson (Minnesota DNR), Kent Jacobson (Ainsworth Engineered), Bill Johnson (Minnesota DNR), Al Mitton (Hackensack, MN), Craig Pagel (Minnesota Power), Terry Ward (Boise)

Staff: Dave Zumeta, Clarence Turner, Mike Phillips, Calder Hibbard, Lindberg Ekola, Leslie McInenly

Chair's Remarks

Al Sullivan welcomed Council members, staff and guests to the July meeting. Al thanked Bob Stine for serving as Acting Chair of the Council for the past several months and for chairing the March 15 Council meeting. He also thanked Dave Epperly for chairing the May 17 Council meeting that Bob Stine was unable to attend.

Al noted that it is time to conduct an annual evaluation of the Executive Director. Evaluation forms were distributed to members of the Personnel and Finance Committee.

After requesting a round of introductions from Council members, staff, and guests, Al asked Dave Epperly to provide an update on the BWCA fires. Dave passed out a map of the fires and commented that the largest fire is in the center of the 1999 blowdown, west of the Gunflint trail. Wayne Brandt indicated Jim Sanders had told him that firefighters have been successful containing the fire on the east side. Jim had noted that this is a fire that will be active until either this fall or winter.

Public Input/Communications to the Minnesota Forest Resources Council

None.

Approval of May 17, 2006 Meeting Minutes*

Paige Winebarger moved to approve the May 17 minutes. Dave Parent seconded. The motion carried.

Approval of July 19, 2006 Meeting Agenda*

Wayne Brandt moved to approve the July 19 agenda. Bob Oswald seconded. The motion carried.

Executive Director Report

Dave Zumeta provided an update on Brad Moore's (DNR Assistant Commissioner, alternate Council member) August 2 move to the Minnesota Pollution Control Agency as Acting PCA Commissioner.

Dave noted that, as part of the annual work planning process for FY 2007, staff developed an accomplishment report for FY 2006. Dave distributed a two-page accomplishment summary.

MFRC Committee Reports

Personnel and Finance – Al Sullivan noted that the Personnel and Finance Committee has not met for some time. He plans to set up a meeting before the next Council meeting in September.

Site Level - Dave Parent directed Council members to the last paragraph of the Site-level Committee Report. He mentioned that Calder Hibbard and Mike Phillips went to a U.S. Forest Service meeting regarding protocol for evaluating BMPs. The first meeting of the Biomass Guideline Committee (BGC) dealt with a plan of attack for forestlands. The next meeting will deal with brushlands. To facilitate efficient development of the guidelines, the BGC has split into three subcommittees (wildlife habitat, soil productivity, and wetlands/water quality/riparian management).

Landscape Planning/Coordination - Bob Stine thanked Lindberg Ekola for his work with the committees and for the well-organized update. Bob noted that Bruce Cox has left the North Central Landscape Chair position. Lindberg Ekola and Terry Ward will work together as co-facilitators.

Forest Resources Information Management - Clarence Turner noted that at the last IMC meeting Jack Greenlee, an ecologist with Superior National Forest, made a presentation regarding the extent and impacts of non-native invasive species on the Superior discussed potential control measures. The Committee also discussed a Council proposal to investigate policy tools for retaining working forests.

Written Communications to the MFRC

Dave Zumeta said that there has been one written communication from Al Mitton, dated 13 July. As Al was in attendance, Al said his letter was “the same old story”, a request for a perpetual timber inventory for the State of Minnesota. Al asked whether anything has been produced since the recommendation for an inventory came from the revised forest plan for the Chippewa/Superior National Forests. Dave Epperly responded that a plan was completed (through the Great Lakes Forest Alliance), but that the Alliance is going through a restructuring process.

Proposed resolution for legislative mandate to MFRC to assess forest policy options regarding forestland conservation*

Al introduced the proposed resolution for a legislative mandate to MFRC to assess forest policy options regarding forestland conservation. The proposal is to evaluate alternative policy tools for private forestland conservation and make policy recommendations to the legislature.

Dave Zumeta asked Council members to look at the bottom of page 2, where the three components of the study are described. The first part of the study would assess parcelization rates in forested parts of the state. MFRC is developing a \$25-30,000 contract whereby researchers will investigate parcelization in Itasca County as a prototype study. Dave commented that parcelization was listed as the number one MFRC policy issue. The second part of the study would assess policy tools available to address parcelization (e.g. fee title ownership, financial and technical incentives, etc.). The final part of the study would include recommendations to the legislature. Dave reminded the Council that its statutory mandate is to advise the Governor and public agencies on forest policy. Legislators have requested advice from the MFRC on effective conservation policies to deal with parcelization.

Wayne Brandt commented that as the legislature was working on bonding, Senator Marty introduced a bill that would have authorized use of the corpus of the Trust Fund to purchase land as an investment. Multiple legislators asked Wayne about this issue, wondering how much forestland such an alternative would protect. They wanted advice indicating which policy tool would most effectively conserve forestland. Wayne recommended to the legislators that MFRC could help answer their questions about which tools would work best. Legislators would like the Council to develop a holistic report on all types of policy tools, not just the ones with which they are familiar.

Paige Winebarger asked how the budget would be allocated. Dave Zumeta responded that \$25-30,000 has already been allocated to development by the University of Minnesota of a prototype report on parcelization in Itasca County (part 1). With respect to policy tool assessment (part 2), the Blandin Foundation is already providing \$50,000 to evaluate SFIA. Recommendations to the legislature (part 3) would probably not cost a great deal (\$10,000 - \$20,000). Dave estimated that approximately \$160,000 of the budget would be used for parts 1 and 2 of the project. The majority of policy tool assessment work would be either done in-house or by contractors. Dave recommended that the amounts allocated in the budget should be considered a general range at this point in time.

Paige Winebarger asked how this work aligns with the DNR, Division of Forestry priorities. Dave Epperly responded that there are a number of items that could be complimentary. For example, the Division has developed a land acquisition plan. Dave Schuller is drafting a strategy on how to administer forestlands with respect to ownership change and parcelization. At the county level, many people are looking at parcelization and ownership changes. This is a timely issue. Dave said DNR participation would be in a cooperative sense; the DNR has useful information and data to offer.

Dave Zumeta noted that with the current Governor, he expects continuation of a \$730,000 annual budget for the MFRC in 2008 and 2009. He is assuming we would ask for \$730,000 plus \$180,000+ as an initiative for the FY 2008 and 2009 biennium. Based on the state budget timeline, the request will not be made before the November election.

Al Sullivan said he would be more comfortable if he had a better understanding of the logistics of this request in light of reauthorization of the Council. Wayne Brandt commented that there are two fundamental questions when it comes to Council reauthorization. The first is: "What have you done?" Wayne noted that we have strong support based on substantive accomplishments. The second question is: "What will you be doing?" Wayne felt something that is timely, like this forest policy assessment project, would strengthen the case for reauthorization.

Paige Winebarger said her concern is that part 2 (assessment of policy tools) is where we really need to allocate money. She said we need to look at tools and have advice soon. An October 2008 deadline is too late. Paige wants our recommendations available before the legislature is considering allocating funds for forestland conservation easements during the sesquicentennial celebrations (2008).

Wayne Brandt agreed, noting that legislators want to know which tools will allow the most effective and efficient use of finances. Wayne recommended we consider timing using a tiered approach.

Al Sullivan asked Paige Winebarger and Shaun Hamilton about the extent to which we can draw on experience of Trust for Public Land (TPL) and The Nature Conservancy (TNC) regarding the urgency of this parcelization debate. Paige said that TNC is changing rapidly. TNC is no longer just buying land, but looking at ways to get the most benefit from its resources. Shaun responded that TPL is partnering at an unprecedented scale. He agreed on the importance of considering a suite of tools and that this work is timely. He commented that the politics and landscapes are so different that TPL would have to look at TNC and DNR to direct them regarding which parcels of land to conserve. Shaun suggested part of the research and review process should identify important parcels of land.

Bob Stine suggested a great deal more money may need to be spent on the modelers and geospatial analysts to identify important land parcels. He recommended that the Council try to agree, at least conceptually, on the MFRC proposal and move on to develop a refined proposal and budget.

Dave Parent suggested that the research is very necessary. Dave wants sound investigation, with identification of the terms. He recommended the target list of important parcels be considered a separate issue. The need is for the policy tools to be made available. He also recommended addressing other societal needs, as well as identifying positive impacts of parcelization.

Wayne Brandt commented that *how* development happens is the reason we need both planning and zoning as a part of this work. From this, we can prioritize areas.

Bruce Cox said he agrees with Paige. This is a timely issue, and the counties are evaluating it. Land is being sold off. Norm Moody (Cass County Land Commissioner) is championing the idea that counties have the opportunity to work on forestland conservation at the local level. Dave Zumeta responded to Paige's concern regarding the need to advise the legislature a lot sooner than October 2008. The dilemma is that if the legislature does provide money for the study, funds won't be available until July 2007. It would be a real challenge to do something more quickly. We could use some existing resources to start addressing the issue, but that won't be enough. Dave commented that a tiered approach might work, but coming through with the entire package quickly is not feasible. We can't do any contracts until July 2007. However, we can do some in-house work by reprioritizing.

Al Sullivan noted that if state money won't be available until next year, perhaps a good report produced in a timely fashion would be better than a perfect report produced too late. Council members discussed the possibility of coming up with an interim approach.

Wayne Brandt made a motion to approve the Forestland Retention Study Proposal with the following modification: "to approve *a* study proposal for submission to *the administration and* the legislature for funding." John Stauber seconded. The Council will anticipate proposal modifications as MFRC staff develops additional information through the DNR and state budget process.

Dave Epperly recommended that the Council act as a facilitator to find information sources for the study. Dave Zumeta mentioned that we do have some carryover funds. We could probably allocate \$25-30,000 to jump-start the project. We can also start seeking other funding sources.

Shaun Hamilton recommended that the study and policy recommendations should be integrated. Beyond policy tools, he would like us to craft and come up with some new ideas for forestland retention (e.g., the state becomes an investor).

Bob Stine noted that while it is important to have recommendations for 2008, this is really a long-term issue. It is very important to get the policy recommendations correct. Bob advised we don't get hung up with 2008 as the end-all-and-be-all session.

Paige Winebarger recommended we prioritize some of the "meatier" opportunities considered under policy tool assessment: Financial assistance/Tax policy, Planning and Zoning, and other policy approaches.

Al Sullivan put the motion to approve the amended resolution up for a vote. The motion carried. Dave Zumeta said he would appreciate written comments on this proposal from Council members.

University of Minnesota reorganization update

Al Sullivan noted that the College of Natural Resources merged with the College of Food and Agriculture, Food and Environmental Sciences as of July 1, 2006. Kate Vandenbosch has been named interim Dean. A national search for a dean to head the new college is being conducted. It is unlikely the new dean will be in place before the January 1, 2007.

Administrative staff members have been placed in new positions or are competing for jobs. Little change has occurred among faculty, but there may be changes in the future. The Department of Forest Products has merged with Department of Biosystems and Agricultural Engineering, becoming the Department of Bioproducts and Biosystems Engineering.

Bob Stine mentioned that Jim Perry is stepping down as head of Wildlife and Fisheries. Bob said that access to the Dean will be decreased now that the staff is experiencing a college six times as big as the CNR. Most administrative staff in the new college came from the agriculture side.

Shaun Hamilton asked whether the new structure and alignment will meet the goal of being one of the top three public research universities. Al responded that only time will tell if this merger will work. Some challenges won't change (e.g., kids' desires for options at school). The University has no intention to do anything other than improve the undergraduate program and strengthen enrollment.

The Council discussed challenges the College faces with respect to bringing in quality faculty and recruiting students. Bob Stine said employers need to improve salaries to make forestry attractive.

Status of Minnesota's primary forest products industry relative to global competition

Dave Zumeta introduced Terry Ward, Boise Paper, the first in a panel of speakers brought together to discuss the status of Minnesota's forest products industry relative to global competition. Peter Aube, Potlatch, was not able to attend and sent his regrets.

The Changing Paper Industry in North America

Terry Ward gave a brief history of the industry during the late 1980's and 1990's. This was a period of investment in the paper industry. He then compared the industry in North America in 2003 and

2006. In general, paper production is declining in North America. Other big changes in the industry include mergers, acquisitions and consolidations, and the ongoing reinvention of product lines. Terry discussed timberland sales and political/economic factors inhibiting forest productivity. He recommended improvements in labor productivity, better use of energy through conservation, efficiency improvements, the use of alternate fuels, and increased wood productivity/availability/utilization to counter foreign threats to Minnesota's industry.

Bob Oswald disagreed on the labor productivity issue, noting that large retirement and health care costs are a greater concern. Steve Earley, Boise Paper, commented that his company thinks output could be doubled based upon what is available and growing in Minnesota. A significant increase in output is required to stop job exports. He wants support for efforts regarding the proposed forest productivity initiative and a push to harvest younger trees. Council discussion focused on how timber availability and price are limiting industry productivity.

Engineered Wood Report

Kent Jacobson, Ainsworth Engineered, provided a report on engineered wood. Fifty-five percent of the wood industry in the state is comprised of engineered wood and lumber mills. Engineered wood is expanding today. Product lines include beams, joists, flooring, wall sheeting, and roofing for homes. Oriented Strand Board (OSB) continues to replace plywood. Kent discussed growth in the industry, pricing history, and issues the industry is facing (similar to those mentioned by Terry Ward).

The Council discussed the cost and quality of OSB versus plywood and the demand for increased wood productivity. Concerns were raised that current harvest is below the level of demand and, due to public policy, we are harvesting older trees.

Implications of increasing wood imports for Minnesota's forest products industry

Keith Jacobson, DNR Division of Forestry, provided an overview on the historic/current demand for wood, timber imports, and implications for the forest products industry. Keith noted a greater use of alternative species, increasing wood imports, concerns regarding the long-term industry viability, increases in the use of wood residue for heat and cogeneration, and rising concerns regarding native and exotic threats to forest health. Keith described the division of timber harvest by product and explained how the state obtains harvest figures. He described potential options for getting additional wood in Minnesota. Keith also discussed the volume of timber sold by ownership, commercial forestland ownership, and the net increase in pulpwood/roundwood imports since 2000.

Council members discussed mill closings in Canada and the permitting/agreements required to sell wood internationally. In conclusion, Keith noted that imports are a function of marketplace dynamics. Markets are dynamic and changing all the time, and the market is directly impacted by availability of timber in Minnesota. Imports are a competitive necessity for primary wood manufacturers, and long-term reliability of imported wood supplies is uncertain.

Dick Walsh commented that weather, and the ability to access the wood, also affects imports. Wayne Brandt added that last winter showed how much high-efficiency capacity we have here in this state. Paige Winebarger asked Keith to comment on how he feels the Council can address forest management concerns. Keith recommended the Council continue work on the *Voluntary Site-level Forest Management Guidelines* and maintain the understanding that the forest industry is an

important part of our economy and history in Minnesota. He noted that the state doesn't do a lot of forest management without industrial partners and that we need to educate people on the importance of those partnerships. He recommended that we encourage maintenance of the industrial infrastructure. In addition, Keith said the Council should find ways to help private landowners get involved in active forest management.

Post-Environmental Impact Statement (EIS) briefing on UPM Thunderhawk Project

Dave Zumeta introduced Bill Johnson (DNR) and noted that this was the first time the DNR was the Responsible Governmental Unit for a major forest products company EIS.

Bill presented a review of the UPM/Blandin Paper Company EIS project he managed from August 2004 to May 2006. Bill provided the Council with a handout on issues the EIS considered, including minimum requirements, options available, selections that were made, and resulting outcomes.

Dave Parent asked how the EIS preparers reached a conclusion regarding the impact to timber in the state when the EIS did not consider imports. Bill responded that they assumed all harvest would come from Minnesota, which resulted in a conservative assessment (maximum impact).

Mike Phillips asked how the issue of certification influenced the EIS. Bill said that certification wasn't specifically included, but actual measures associated with certification were considered.

Paige Winebarger asked why there were unanswered questions regarding the analysis of cumulative effects. Bill responded that they generated a lot of cumulative effects information under the build and no build options. That information has been sent to different groups (e.g. PCA, Department of Transportation) to assess the stress placed on hospitals, schools, etc. But for the timber harvest, there is not a natural place for this information to go.

Dave Zumeta noted that, from his perspective, the most positive outcome of the EIS process is the fact that there was no litigation. This is extremely positive. Bill hopes the MFRC would help assure that the timber harvest information compiled in the EIS is used in future policy discussions.

Forest Capital Partners working lands conservation agreement

Shaun Hamilton introduced Bev Rinke (Forest Capital Partners) and handed out a press release and flyer regarding the conservation easement project developed by The Trust for Public Land, Forest Capital Partners, the DNR, and The Nature Conservancy.

Bev described development of the conservation agreement and discussed economic influences on real estate sales. She displayed a map depicting the area protected from development by the conservation easement. Council members discussed mineral extraction, recreational access, sustainable forest management, hunting access, and the price of the easement. Bev discussed the process of establishing the easement and noted that the DNR will eventually hold the permanent easement.

Implications of 2007 MFRC legislative reauthorization

Al Sullivan commented that the MFRC is up for reauthorization at the end of June 2006. He recommended that the Council be proactive and pull together a small working group of people to develop a strategy with respect to reauthorization.

Public Communications to the MFRC

Steve Earley thanked the Council coming up to I-falls and for to tour the Boise mill.

MFRC Member Comments

Dave Parent brought up a concern regarding a Shoreland Management Regulation bill that was introduced in the House during the 2006 session. The bill mandated that “timber harvesting must be consistent with current BMPs as described by MFRC”. Dave is concerned that if this bill were passed, Council guidelines would then become regulatory. Dave Zumeta responded that this is a topic he hopes to address during the next MFRC meeting.

Shawn Perich said that he has attended two DNR meetings regarding deer populations and public perception of deer numbers. Shawn is concerned that the DNR is trying to manage the population without considering all the factors that influence deer numbers. Bruce Cox also went to a similar community meeting in Bemidji. People in his community are thinking about decreasing the deer population, but he doesn't think management actions will have any effect on herd numbers. Shawn Perich also commented that moose numbers in northern Minnesota are decreasing.

Dave Zumeta said that the next MFRC meeting will include a follow-up presentation on the forestland conservation policy options proposal. Other agenda items will likely include a discussion on forest productivity and water quality issues.

Dave Parent motioned to adjourn, Bruce Cox seconded. The motion passed unanimously.