

Minnesota Forest Resources Council
Meeting Minutes
Cloquet Forestry Center – Cloquet
September 20, 2006

Council Members Present: Bob Lintelman, Dave Parent, Jim Sanders, Kathy Manteuffel, Bob Stine, Paige Winebarger, Al Sullivan, Bruce Cox, Wayne Brandt, Bob Tomlinson (alternate for Dave Epperly), Shaun Hamilton, Bob Oswald, Kathleen Preece, Shawn Perich, Jan Green, Dick Walsh

Absent: John Stauber, Dave Epperly

Guests: Terry Weber - MFRP, Matt Norton - MCEA, Tom Baumann - DNR, Tom Duffus - Conservation Fund, Pam Brown - USFS, Art Norton -TNC, Gabe Horner -TNC, Eric Wrede -TNC, Mike Prouty - USFS, Mike Kilgore –University of MN, Bernadine Joselyn -Blandin Foundation, Mike Robertson -MN Chamber of Commerce, Steve Betzler -Minnesota Power, Tom Landwehr - TNC, Doug Thompson -TNC

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

Chair's Remarks

Al Sullivan welcomed everyone and asked Council members, staff, and guests to introduce themselves. He noted that a number of Council members received awards over the last couple of months. Wayne Brandt and Minnesota Forest Industries received an award from the American Society of Association Executives and The Center for Association Leadership. MFI was the recipient of one of only 18 national Gold Circle Awards (out of 250+ entries) for its “Pine-Needles-on-a-Stick” media relations program at the 2005 Minnesota State Fair. Dick Walsh and several of his family members will be receiving the Logging Business of the Year Award from the Timber Harvesting Magazine, which is presented annually to only one logging business in the United States and Canada. Kathleen Preece will be receiving a national award from the Society of American Foresters for Outstanding Forestry Journalism for her work as editor and publisher of BetterFORESTS magazine.

Al noted that this will be Kathy Manteuffel's final meeting as a Council member and thanked her for her involvement with the Council. Al said that he has created an ad hoc Council reauthorization committee consisting of himself, Dave Epperly, Wayne Brandt, and Jan Green.

Public Input/Communications to the Minnesota Forest Resources Council

Eric Wrede (TNC) presented Dave Zumeta with the TNC 2006 Government Relations Award in recognition of Dave's assistance with the Forest Legacy Project.

Approval of July 19, 2006 Meeting Minutes*

Bob Stine moved to approve the July 19, 2006 meeting minutes. Dave Parent seconded. The motion carried.

Approval of September, 2006 Meeting Agenda*

Jim Sanders moved to approve the September 2006 meeting agenda. Jan Green seconded. The motion carried.

Executive Director Report

Dave Zumeta expressed appreciation to Kathy Manteuffel, Kathleen Preece, Bob Lintelman, Bruce Cox, and Dick Walsh for their hospitality and time last month when Lindberg, Dave and Calder met with them. Dave distributed copies of the 8th Annual PCRCP report and noted that one concern (the 23rd since the beginning of the program) was registered and investigated in FY06.

MFRC Committee Reports

Personnel and Finance –

Al Sullivan said that there will be a Personnel and Finance committee meeting Tuesday, 26 September, at 3 pm in the Skok Hall conference room.

Site Level -

Dave Parent directed Council members to the September Site-level Committee report. He anticipates the RSTC report will be completed in January 2007, at the earliest. Dave asked Council members to read the update on the Biomass Guideline development and ask any questions. Jan Green asked what was meant by “biological soil issues”. She feels the guidelines don’t address what happens to the “critters” in the soil. Mike Phillips said the soil biology section would receive further review. Mike said he will tell the committee of Jan’s concerns when they meet tomorrow. Dave noted that the guidelines need to be finished by July 1, 2007.

Bob Tomlinson asked who would be conducting the economic evaluation of the guidelines. Mike Phillips responded that Dr. Dean Current (Univ. MN) has a graduate student who will conduct the evaluation. Wayne Brandt asked whether the site-level committee has resolved the two questions that address the scope of the BGC’s charge. Dave Parent responded that the Site-level Committee has provided additional clarification and they would see if the full biomass committee agrees tomorrow.

Landscape Planning/Coordination -

Bob Stine commented that the Landscape Committee has not met since the last MFRC meeting. He noted that all Regional landscape committees have met and their reports can be reviewed in the Committee report mailing. The Landscape Committee will meet on November 2nd. The Landscape Committee is hoping to interact more with the regional committees and are working to plan coincident meetings.

Forest Resources Information Management -

Jan Green reported that the Information Management Committee met on Monday, September 18th. Jan distributed a meeting summary. The meeting included presentations on mercury and mercury mobilization from burns, the revised MFRC proposal for research on forest parcelization, FIA methodology, a spatial analysis project that the DNR is working on for use with stewardship plans, and MFRC monitoring of landscape plans. Jim Sanders commented that he will know whether the Forest Service will get more money for longer-term mercury research by next month. Jan noted that the latest FIA data will be available on the Forest Service website next month. Dave Parent asked Jan whether a hard copy of the spatial analysis database would be encouraged. Jan Green responded that the paper data is still really messy and that the issue wasn’t raised at the IMC meeting. She said that the committee is looking for recommendations on future topics of interest.

Mike Prouty commented that the spatial analysis project is a regional project across 23 states. Shawn Perich asked for clarification on the mercury discussion. Jim Sanders responded that the presentation described how mercury (from natural and anthropogenic sources) moves through watersheds. Jan Green said that most of the mercury in forest systems is from anthropogenic sources.

Written Communications to the MFRC

Dave Zumeta handed out a letter from Mr. Jack Bishop expressing concerns regarding the lack of wood removal from the BWCA blowdown in light of the July fires, and a response written by Calder Hibbard. Jim Sanders asked to be copied on letters concerning USFS so they can respond to such concerns, and Dave agreed to do this.

Committee of the Whole

Al Sullivan introduced a discussion following up on the implications of the July MFRC meeting topic concerning the timber industry and global competitiveness. A packet of discussion questions was sent with the mailing to prompt discussion. Al started the discussion by directing the Council members to the first question: "What are the long-term implications to MN forests of the global trends in the primary forest products industry?"

Jan Green commented (with regard to the Star Tribune article "Fallen Timber") on how difficult it is to predict supply and demand globally. She stressed the inability to actually predict with any hope of accuracy in order to respond with appropriate forest management. Shaun Hamilton emphasized the regional context regarding question 3 (Are timber imports good or bad for MN forests?). He feels that it is more appropriate and helpful if we remember that Wisconsin and Michigan are also both net wood importers, so this is a regional issue.

Wayne Brandt noted that predicting markets is a very inexact science. He said that while Ainsworth decided to shut down their OSB line in Bemidji permanently, there is significant construction of OSB capacity in North America. It is a difficult market, but there is investment. It was an old line in Bemidji. From an industry perspective, Wayne hopes that forest management (resulting in increased wood availability in Minnesota) will make industry want to invest again with new lines. Paige Winebarger asked whether Wayne could say a bit more about Ainsworth's decision. He responded that a significant factor is that for the last 6+ years, we have had the highest hardwood pulp costs in the world. Ainsworth is building additional capacity elsewhere. We'd like to see that capacity here. Dick Walsh said that the closure was quite a shock, with no advance warning. Ainsworth overbought due to a warm winter last year. They let people keep hauling wood and it has taken a long time to use up their inventory. Dick said that the closure probably affects a large amount of loggers. Bruce Cox commented that Ainsworth invested a lot of money into the Bemidji line, but the bottom line was that they weren't making any money. While there has been a rapid response from the MN Department of Employment and Economic Development, it will be really tough to replace those jobs in the Bemidji area. Wood is being stockpiled everywhere. Clearwater County is worried about meeting budget projections.

Bob Oswald reported that at his union meeting last week, local loggers said they aren't being allowed into the mill. The bottom line is the dollars: the machines are still running just as fast as ever. The mill is getting wood from Canada, Wisconsin and Michigan. Bob noted that they could get pulp from Brazil for less than the cost of local wood.

Wayne Brandt said that we ought to consider two things in the wood market. The first is the bigger picture stuff from last meeting (this is the overarching context in which Ainsworth made their decision). The second is the short-term market that Bruce mentioned. In the 2004-05 winter, most mills had less to significantly less wood than needed. In 2005-06, most companies decided that they weren't going to come out of the winter with a shortage, so all decided to get more wood during the third quarter. Because the winter started mild, wood was harvested in January and February that normally would have been logged during the summer. Then it got cold and stayed cold; we had one of the latest spring break-ups in memory. As a result, wood yards got full. Wayne said that while painful, this situation should resolve itself. He recommended that the Council focus on the broader context of how our manufacturing fits into the whole picture.

Al Sullivan noted that the paper industry is one of the most capital-intensive industries in the world. The operator's worst nightmare is to not be able to operate that capital because they don't have enough wood. The overarching fear is that there is *disaster* if you don't have enough wood, so most would err on the side of having too much wood. Wayne Brandt and Dave Parent agreed. Shaun Hamilton commented it seems as if the same phenomenon is what is also driving importation: making sure machines don't need to be shut down.

Jan Green said that we are all aware of where the public forests are, but non-industrial private forests (NIPFs) produce up to half of what goes to the mill. NIPF production fluctuates a great deal and we haven't gotten a handle on the cause of that.

Paige Winebarger stated that she came away from the July meeting believing that the issue was increasing productivity from Minnesota forests. She now questions whether that is one of the higher priorities. Based upon her experience in business, you wouldn't invest the capital unless you thought you had the resources for the life of the machine. Is this poor business judgment? What are the people planning the Thunderhawk project thinking regarding wood availability? Wayne Brandt responded that decisions regarding capacity additions were made in the mid-to-latter part of the 1980's. The International Falls mill came online in 1990-91, in a much different timber market. When Blandin looks at locating a new machine within their international business mix, the U.S. is still the largest market for paper. They consider where the production is going to go in addition to the wood availability. Al Sullivan added that one could only predict biological factors, not societal.

Paige Winebarger wondered whether the industry is just going through what a lot of other industries have already gone through (e.g., farm industry in 1980s). She asked whether we are just dealing with the ringer of globalization.

Wayne Brant said that while we have lost some advantages we had, we still have other advantages. The newest pulp mill in North America is in Cloquet. Wayne said that our lines are, and can be, competitive in the market place, particularly if wood prices become more reasonable. There are trends occurring that we can't do anything about, but there are factors we can control. A number of those factors have been identified: truck weights, rail competitiveness, willingness to manage a productive forest, etc. Wayne said that we ought to control and influence those factors and be mindful of the global context.

Al Sullivan said that this discussion was aimed at determining what the Council can do. What is our area of influence? Is there a way to increase productivity in sustainable manner? Bob Tomlinson recommended three things that the Council could do to impact productivity: 1) continue to advocate to keep working forests working, 2) increase NIPF production, and 3) explore opportunities to keep woods workers working in the woods.

Jim Sanders said that the Council must understand that this is an international industry. In the context of Minnesota forests' ownership breakdown, productivity is a small piece of the puzzle. There has been a 600% increase in second homes in the State of Minnesota. This is a land-use change pattern. Working forests are very important. We need to connect working forests with our state's objectives. Dave Parent said NIPF landowners are reluctant to change. In the narrow sense, an NIPF landowner would believe the higher the stumpage price, the better. This is a short-term individual view. However, without the users there would be no stumpage price. We need well-managed, enhanced productivity; part is stewardship and part is recognizing that most of the NIPF land is potentially productive. We need to present forest management/timber harvest as something that can complement the other reasons landowners have these forests. Bob Stine added that forest products companies haven't met the Wal-mart model. He said that while we may not want that model, it may come. Bob feels we are probably doing the kind of things we need to be doing, such as looking at our wood supply (productivity/land base), developing the "million more acres" stewardship plans, providing financial incentives/education/certification, and focusing the Governor's task force on transportation and environmental permitting processes as well as on wood supply - all in the context of environmental protection. Bob also recommended more research be done on productivity, engagement of family forest landowners, and forester recruitment.

Proposed Forest Productivity Initiative and Conference

Terry Weber introduced the Forest Productivity Initiative and Conference. He gave background information on the Minnesota Forest Resources Partnership (MFRP) and its goals with respect to forest productivity. Terry described the development of the productivity workshop idea over the past nine months and handed out a draft agenda. The conference will be held during the last week of March 2007. The objective will be to improve timber productivity in Minnesota. Terry described the planned content and anticipated outcome of the conference. The steering committee has discussed a potential follow-up session to assess progress on implementation. Terry is looking for Council support as a cosponsor. Council members inquired about the location of the conference (most likely Duluth), and the level of support/commitment within MFRP.

Bernadine Joselyn, Blandin Foundation, discussed how the Forest Productivity Conference fits with the Vital Forests/Vital Communities (VF/VC) productivity initiative. Two objectives of VF/VC include capturing and enhancing the productivity of forests and increasing the number of acres of family forests. The VF/VC advisory board has proposed to do a series of study tours to get people excited about managing for forest productivity. To provide a more enduring impact in Minnesota, they developed the Forest Productivity Initiative. The overall goal is to "increase productivity through use of sustainable forestry practices". Bernadine described the three components of the *MN Forest Productivity Strategy 2050*: 1) a leadership team, 2) investigative tours and 3) field demonstrations. Bernadine said that this is a virtual project that does not depend upon a facility. The project will require a couple of FTEs. The foundation is ready to provide initial staff support but the brick and mortar piece of this involves a new facility that is envisioned in Grand Rapids, the "North

Central Research and Technology Laboratory”. This facility has potential for public/private collaboration. Bernadine stated that the Minnesota legislature appropriated \$170,000 for a feasibility study on facility design and construction. She said that the UPM/Forest Service/Itasca Technology Exchange is a logical place in which to put a forest policy and planning resource center.

Dave Zumeta asked what Terry and Bernadine would like from the Council, if anything. Bernadine wanted to reiterate her appreciation for Dave’s involvement on the VF/VC advisory board and wants to make sure we work collaboratively. Terry Weber said that he is seeking understanding/support for the MFRP’s work on the forest productivity conference. MFRP is seeking a cooperative working relationship and, perhaps, conference sponsorship. He would also appreciate input into the conference planning process. Kathleen Preece said that she is thrilled by this hands-on approach. She said she hopes Terry and Bernadine can come back to a future meeting where the MFRC could endorse the MFRP’s and Blandin Foundation’s efforts.

Proposal to Endorse the Goal of Adding a Million Acres of Family Forestland under Stewardship Plans by 2015*

Bernadine Joselyn distributed a handout entitled “Getting to the Next Million Acres”, which summarized outcomes of a recent family forest conference. The goal is to increase the family forestland under sustainable management. The University of Minnesota is creating an internet-based forest resource portal that will be a “one stop shopping” tool for family forest managers. She is requesting the Council’s formal endorsement of a goal to increase the numbers of acres of family forestland under sustainable management from 1.3 to 2.3 million acres by 2015. This proposal has an action plan to achieve four goal components that Bernadine summarized: increase family forestland under sustainable management, establish a self-sustaining Family Forest Initiative Fund, revise the SFIA, and revamp the *ad valorem* property tax system.

Jan Green commented that the whole question of revising taxes needs legislative buy-in and asked whether there has been any effort to gain such buy-in. Bernadine responded that they are trying to get the parties in the room, set the table, and see if anyone sits down to eat.

Tom Baumann said that the DNR came away from the family forest conference with very clear agreement on specific goals. Currently there are 65,000 acres of family forestland under stewardship plans. At one time DNR had 110,000 acres. DNR developed a concept paper to determine what it would take to reach 110,000 acres. The DNR put that goal into its budget requests for FY08-09. It would take \$1.4 million per year to accelerate stewardship plan development to reach the goal. DNR is also hoping to get some of those private lands (20%) into a certification program.

Council members discussed who would be selected to receive stewardship plans (first-come-first serve), reaching out to landowners, program funding, the relationship between the certification program and stewardship plan enrollment, and the lack of full-time foresters to develop the plans. Dave Zumeta noted that private consultants will need to step up, as the state and federal commitment to family forest management has decreased. He also asked whether Recommendation 2 (establishment of a Family Forest Initiative Fund to provide educational and technical assistance) includes the spatial analysis project that Jan Green had mentioned in the IMC report. Tom responded that the spatial analysis is not directly related and it is an enormous challenge to keep data current.

Wayne Brandt suggested rewording the resolution by changing “Forest Stewardship Plan” to forest stewardship plan”. Wayne’s amendment was accepted. Wayne moved to approve the amended resolution. Kathleen Preece seconded. The Council discussed whether changing the wording would have much effect. Kathleen Preece supported the change, as the resolution would then include private lands such as tree farms. The motion passed unanimously.

Update on Proposed Legislative Mandate to Council to Assess Forestland Conservation Policy Options

Calder Hibbard provided a brief overview of the revised policy research proposal. He noted that the overarching goal is to advise the legislature on ways to minimize the effects of forest parcelization. The project is three-fold, including an assessment/quantification of trends, a comparison of available policy tools, and recommendations to the legislature. Via a contract with MFRC, the University of MN has begun a study in Itasca County to develop methodology for quantifying parcelization. He anticipates an interim report in mid-January 2007. This should bolster our request for wider funding. The supposition is that MFRC will obtain money to carry the entire initiative forward in FY08. MFRC staff plans to have an interim report available in early-to-mid January 2008, with particular focus on the parcelization assessment and some of the available policy tools. The full analysis will be completed in FY09, with final recommendations and delivery of the full report. Calder explained the proposed budget, highlighting a few projects that are complimentary to the study. Dave Zumeta emphasized that this is a \$200,000 budget initiative. MFRC is not trying to reinvent the wheel, but rather to build on an array of research that has already been done. The request is currently going through the State biennial budget process, and Dave wanted to get feedback from the Council.

Jan Green asked if this is an initiative from the Governor’s office or the DNR. Bob Tomlinson said that the initiative is coming from the DNR’s Forest Management Program budget. The commissioner still needs to make the decision to pass it on. Jan Green said she supported the planning and zoning piece but asked staff to work with her based upon her experience with zoning. She also recommended a change in language to use “forest land classification” instead of forest protection.

Bob Stine added that he feels MFRC needs to consider recommending a process to identify the most important areas for land conservation. Dave Zumeta responded that he expects good answers to that question from the parcelization analysis, but feels it is dangerous to discuss where investments ought to be made. Bob responded that the recommendations could address kinds of events (e.g., areas with many lakes and a great deal of parcelization) rather than specific geographical locations.

Shawn Perich voiced concern that we keep talking about conservation easements and reiterated that there are many other tools to consider. Dave Zumeta responded that conservation easements have been very important and we need to tell that story, but that other tools are also important. He noted that planning and zoning is critically important. He said that our intent is not to stop growth, but to have a rational plan describing where/when to encourage or discourage development.

Shaun Hamilton asked to discuss concentrating our efforts by framing the purpose as protection of our current public assets. He also asked whether there is any way to make the project timeline more beneficial. Dave responded that MFRC staff will consider Shaun’s first point and said that staff is already working on the conservation easement issues in order to have recommendations by the 2008 legislative session. Council members also proposed including spatial conservation recommendations.

Dave Zumeta said that he welcomes any comments (email/phone calls) from Council members with regard to this project. Jan Green asked for an e-mail update to let the Council know whether the proposal makes it through the DNR budget.

Economic Impacts of Conservation Easements

Mike Kilgore, University of Minnesota Department of Forest Resources, gave a presentation on the Itasca Forest Legacy Project, which will be starting shortly. This project, sponsored by The Nature Conservancy, will evaluate the economic and social effects of purchasing easements on up to 75,000 acres of forestland in Itasca County. Mike discussed how he plans to assess likely changes in types/characteristics of forestland purchasers. The project will compare investments in: timber harvesting, forest and wildlife management investments, public recreation access, cabin/house building activity, infrastructure activity (roads), and forest parcelization. Mike described the types of data that will be utilized and provided a timeline for the project. Council members commented on juxtaposition of conserved land, land valuation, and the effect of building/employment opportunities. To receive a copy of Mike's presentation, please contact Leslie McInenly at mcine017@umn.edu.

Clean Water Legacy: Implications for Forestry

Mike Robertson, Minnesota Chamber of Commerce, described the history behind and the need for the Clean Water Legacy Act of 2006 (CWLA). He discussed the historical emphasis of the federal Clean Water Act of 1972 on point sources of pollution. Mike reported that we have done a good job addressing point source pollution, but unfortunately 86% of pollution is coming from non-point sources. Mike noted that Clean Water Act regulates only point sources. The concern over non-point sources of pollution initiated the development of the CWLA in Minnesota.

Mike discussed the anticipated cost to address water impairment (approximately \$80 million/year for 10 years) and ideas that have been proposed about funding sources. After multiple attempts, short-term funding was finally allocated in 2006. A total of \$25 million was allocated from the General Fund, bonding, and the Environmental Trust Fund for CWLA. Because this is a one time, one-year amount, more allocations from the General Fund will be requested again in the next session.

Mike commented that the CWLA will not affect property rights and forestry activities will not be subject to regulation because they are considered a non-point source of pollution. However, forestry plays a prominent role in the CWLA. Mike said that CWLA money supports riparian planting and replanting projects. Mike asked MFRC to get the word out on grants available through CWLA, encourage cooperation between agencies, encourage people to look at stewardship funds, and support the CWLA initiative through the budget process. Mike stressed that this is a long-term issue. The agricultural industry is now promoting CWLA because they want to be a part of the solution instead of being regulated.

Council members then discussed potential and current research looking at nutrient input and turbidity due to forest management. Bob Tomlinson noted that the DNR has identified two significant initiatives for the 2008-09 budget process. CWLA is one of them. Jan Green commented that MCEA brought the impaired waters lawsuit to force the issue, not to stop progress. Further discussion ensued regarding allocation of funds to state agencies, the development of the Clean Water Council, and support for the CWLA.

Public Communications to the MFRC

Mike Prouty said that the Council should be aware of the Great Lakes Alliance, which is being reformed and may be a good forum in which to deal with issues concerning wood and wood supply.

Tom Duffus announced that the Conservation Fund is two weeks away from closing on a landmark forest transaction. Last year, the Conservation Fund purchased 6,000 acres that was under development pressure in Lake County. A cooperative has been formed between The Conservation Fund, TNC, Lake County, and the DNR. The land, which will be a working forest with public access, will be sold to Lake County. TNC will buy a conservation easement that the DNR will then acquire.

Mike Prouty reported that Commissioner Merriam signed a memorandum to form the Upper Mississippi Forest Partnership. This is a partnership with the U.S. Fish and Wildlife Service to create the Upper Mississippi Forest Fund. Mike emphasized that this is not a land grab. The partnership aims to advance the notion of clean water and habitat by reforesting land up to the water's edge.

MFRC Member Comments

Bob Tomlinson noted that the MN Logger Education Program (MLEP) announced yesterday that the first 10 loggers have been awarded Master Logger Certification. Bob Stine added that MFRC used some LCMR money to support the logger certification.

Bob Stine mentioned that he is moving to the Twin Cities and will now have an office in Coffey Hall on the University of MN St. Paul campus. He noted that CFANS has three final candidates for Dean. Information about the candidates and their upcoming interviews is available on the CFANS website.

Jim Sanders suggested the MFRC discuss the Emerald Ash Borer at an upcoming meeting. Wisconsin has banned movement of wood into the state to avoid spread of infestation. He also provided an update on the current forest fire. Fire maps can be found on *MNICS.org*. Jim reported that Rob Harper will start as Chippewa Forest Supervisor in early October.

Kathy Manteuffel said goodbye to the Council, thanking Council members and staff for their support.

Bob Oswald asked about the status of the Bear River Demonstration Forest. Bob Tomlinson responded that the forest is in maintenance mode and is not high on the radar screen. Al Sullivan said that the next MFRC meeting will be held at the Cloquet Forestry Center on November 29, 2006.

The meeting was adjourned.