

**Minnesota Forest Resources Council**  
**Meeting Minutes**  
**Coates Plaza Hotel – Virginia, Minnesota**  
**July 18, 2007**

**Council Members Present:** Al Sullivan, Bob Stine, Dave Parent, Bruce Cox, Dave Epperly, Jan Green, Bob Oswald, Bob Lintelman, Tim O’Hara (in lieu of Wayne Brandt), Mary Richards, Paige Winebarger, Clarence Johnson (in lieu of Dick Walsh), Jim Sanders, Shaun Hamilton, Shawn Perich

**Absent:** Wayne Brandt, Dick Walsh, Secondary Forest Products Industry Representative (vacant)

**Guests:** Sandy Layman (Commissioner – IRR), Mike Kilgore (UMN), Sen. Tom Saxhaug, Gary Cerkvenik (LEA), Louise Levy (SFEC), Dale Sundeen, Jim Kochevar (LEA), Michael Krause (Kandiyohi Development Partners), Stephanie Snyder (USFS)

**Staff:** Dave Zumeta, Calder Hibbard, Lindberg Ekola, Clarence Turner, Leslie McInenly, Dick Rossman, Tom Kirzeder

**Staff Absent:** Mike Phillips

**Chair’s Remarks**

Al Sullivan opened the meeting with introductions. Al noted that Dick Walsh is recovering from an accident that occurred at work. He reported that John Stauber resigned in May and the Secondary Forest Products Representative seat is vacant. A replacement was not named for Jan Green so she has been reappointed for another four years. Al, Jan and Council staff have been working on finding a replacement.

Al and the staff have identified prospective members for the Research Advisory Committee; some have already indicated interest and others are still to be invited. Calder Hibbard and Leslie McInenly will serve as staff to the Committee. Calder anticipates several meetings this fall.

**Public Input/Communications to the Minnesota Forest Resources Council**

Senator Saxhaug commented on legislation passed this year. Fifty million dollars are coming out of the General Fund for Clean Water Legacy work. Most forestry-related appropriations in the Environment, Energy, and Natural Resources Finance bill were in response to the Governor’s task force recommendations. Part of that bill also included MFRC reauthorization. The conference committee had nothing but good to say about MFRC. Senator Saxhaug commented on two important forest-related issues: forest legacy/forest consolidation and renewable energy. Forest Legacy is currently dealing with large industrial tracts, but we also need to consider forestland consolidation. Lands will be much easier to manage if we can exchange and/or purchase lands to provide contiguous parcels for land managers. The renewable energy law passed here in Minnesota is very progressive. Minnesota is a leader in ethanol, but it is expensive and corn is also needed for food. Senator Saxhaug stated that the idea of ethanol and cellulosic energy is very sound but we ought to be thinking about the 2<sup>nd</sup> and 3<sup>rd</sup> generations. Currently, a cellulosic plant is not financially sound. However, if you integrate it with a paper mill there is a chance for value-added products. Senator Saxhaug closed by commenting that he appreciates the work of the Council. Al thanked Sen. Saxhaug for his support.

**Approval of May 16, 2007 Meeting Minutes\***

Tim O’Hara requested a correction to the spelling of Pat Orent’s name. Jan Green moved to approve the 16 May 2007 meeting minutes. Dave Parent seconded the motion and the minutes were approved.

July 18, 2007 MFRC meeting minutes - APPROVED

### **Approval of July 18, 2007 Meeting Agenda\***

Bob Oswald motioned to approve the July 18, 2007 meeting agenda. Jim Sanders seconded the motion and the agenda was approved.

### **Executive Director Report**

Dave Zumeta provided a brief update on Mike Phillips, who has been recovering from a brain hemorrhage since May. He reported that Council staff has moved the primary office up a floor to 150 Skok Hall. Dave noted that copies of the annual PCRCP (Public Concerns Registration Process) report are available. There were three investigations in FY2007.

The 2007 legislature passed legislation mandating the Council to set up a forest health protection task force. The Governor vetoed the appropriation but the policy language remained, resulting in an unfunded mandate for the Council. There is an opportunity to fund a portion of this work through the DNR. Dave has been meeting with Rep. Diane Loeffler, Dave Epperly, Al Jones (DNR), Geir Friisoe (MDA), and Terry McDill (MDA) to figure out how to comply with the legislation. Al Sullivan will co-appoint task force members. The Council will not have any formal representation and will only be able to comply with part of the legislation.

### **MFRC Committee Reports**

#### *Personnel and Finance*

Al reported that the Personnel and Finance Committee met on June 4<sup>th</sup>. The committee reviewed the FY07 and FY08 budget and discussed personnel implications. Mike Phillips is in a difficult health situation and it is absolutely right that his benefits continue to come to him. But that means that those resources are not available to get someone else to pick up the workload. Al stressed that the Council needs to bear this in mind as we prioritize our work. The Research Advisory Committee was also discussed. Jan Green requested that the Committee distribute budget documents to the Council.

#### *Site Level*

Dave Parent reported that Council staff has stepped forward to cover certain Site-level program responsibilities. There is a framework in place to cover essential tasks that need to be done. The Site-level Committee will discuss the workload and responsibilities prior to the next Council meeting in September. Dave highlighted items from the Site-level Committee report. The official Biomass Harvest Guidelines are being formatted. The Riparian Science Technical Committee will be making presentations at the September 19 Council meeting. An economic analysis of the RSTC recommendations will also be an agenda item at the meeting. The Council and DNR staff will need to develop a process for guideline monitoring related to biomass harvest. Jan Green asked if there is an opportunity to put monitoring of biomass harvest into the research agenda. Dave commented on an initial list of research topics that was generated by Biomass Guideline Committee. Dave Zumeta added that he has been talking with the Board of Water and Soil Resources about receiving \$300,000 in research funding to evaluate ecological impacts of woody biomass removal. He agreed that evaluation of ecological impacts and guideline monitoring need to be connected.

#### *Landscape Planning/Coordination*

Bob Stine directed Council members to four Landscape Program handouts. The first is a Committee report. The second handout is a 2007-2016 plan. Bob reviewed the 10-year outline, noting that the Landscape Program is ramping up for a second round of landscape planning. The third handout is an article written by John Fedkiw, in which he commented on MFRC as an example of doing the right kind of planning. The last handout is a request from the southeast regional landscape committee that the MFRC hold a meeting there.

#### *Forest Resources Information Management*

Jan reported that the Information Management Committee met in June. There were a number of interesting presentations including: MN Power's potential use of biomass, cost effective methodologies for forest

July 18, 2007 MFRC meeting minutes - APPROVED

inventory (USFS), and state-purchased easements. Nobody has a handle on all the easements that the DNR has under their purview. Dave Epperly commented that the DNR is looking to form a team to put this information onto the DNR website. Jan stated that the IMC is an ad hoc committee with an important role. The IMC is a portal for bringing in issues and it is also a mix of additional people, not just Council members.

### **Written Communications to the MFRC**

Dave Zumeta distributed a letter from the Laurentian Energy Authority and invited Jim Kochevar to address the Council. Jim thanked the Biomass Guideline Committee and MFRC for all the hard work put into the biomass guidelines. Their concern is that the development and passage of the guidelines has created an un-level playing field. The LEA, under statute, is prohibited from biomass harvest in certain areas. Under the newly adopted guidelines, other users are allowed to harvest in those areas. Jim stated that LEA's request was for the Council to initiate a change in the LEA legislation to make it equal to the Biomass Harvest Guidelines. In addition, they are looking to garner the necessary support to adopt that change.

Dave Zumeta distributed another letter received yesterday from Don Arnosti (IATP). Don expressed the same sentiment as he did in his comments near the end of the May 16 Council meeting. Dave noted there is some overlap in the two letters, but he is not expecting discussion today on Don's letter, as Council members have not had a chance to absorb his comments.

Jim Kochevar requested a formal Council response to the LEA request. Jan commented that although the issue of a level playing field is in both letters, the letters ask for a different remedy. Jim responded that a level playing field is his primary concern.

### **Committee of the Whole: Implications of the Governor's Primary Forest Products Industry Task Force Report**

Dave Zumeta introduced Iron Range Resources Commissioner Sandy Laymen, who has co-chaired the Governor's task force with DNR Commissioner Mark Holsten. Sandy thanked the Council for the invitation to speak. She has come to know more about the Council because of the task force and the staff support provided, and applauds the Council's work. Sandy provided some background on the Pawlenty administration's involvement with and support for the forest products industry since 2003. She gave credit to the members of the task force and noted there was also good work from the staff and the task force work group between meetings. The 2007 task force developed a long-term vision and identified major opportunities. The long-term vision focuses on renewable energy. The group also wants to maximize forest values. The report has 16 specific recommendations. Sandy expects the report will be officially released later this month.

Sandy provided examples of task force recommendations, including: the creation of a forest economy sub-cabinet, increasing the annual harvest to 5.5 million cords by 2012, increasing state investments in working conservation easements, ensuring that existing forest products facilities are a priority for state cellulosic biofuels and bioenergy policies, supporting federal legislation to lower rail rates, improving the effectiveness of the SFIA, and conducting a comprehensive, long-term public information program. With respect to implementation, the forest economy sub-cabinet should be charged with the monitoring and implementation of recommendations. The MFRC should develop metrics and benchmarks.

Dave Epperly led a discussion about the policy implications of the Governor's task force report. He stated that Minnesota is uniquely positioned with our forest resource and with the people involved with the state's natural resources. Minnesota, with three biomes and many lakes, has unique diversity, like no other state. Dave commented that he recently toured the New Jersey Pine Barrens. There, people want to protect the area by reducing oak and maintaining pine. However, if one goes back further in time, the Native Americans burned the barrens to reduce the ticks. Dave argued that there are certain energies brought into management that drive

the future. We cannot maintain forest resources without a viable forest products industry. The industry will change over time, along with the resources and the people.

Dave Parent asked Senator Saxhaug about the possibility of changing the tax rate classification on working forests to be similar to that of agricultural lands. Senator Saxhaug responded that he does not remember a change to the classification being discussed. Shaun Hamilton asked whether there are requirements for forest management in the Sustainable Forest Incentive Act (SFIA). Dave responded that there are requirements for a stewardship plan. The purpose of the act was to decrease the possibility of parcelization; however, there is nothing in the management plans requiring specific management. Shaun recommended we consider something similar to Wisconsin's plans, in which people are somewhat required to manage and increase the wood supply. Council members further discussed the range of management plans, the reasons for landownership, and the extent of private forest ownership in the state.

Al Sullivan asked Dave Epperly for his perspective on where the recommended 5.5 million cords to be harvested will come from. Dave responded that the recommendation for 5.5 million cords had its genesis in the GEIS (Generic Environmental Impact Statement); it was the top of the recommended range for sustainable harvest. Dave Zumeta added that if one looks back at the charge given the GEIS contractors, it was to tell the Environmental Quality Board what was the maximum level of sustainable harvest. Bob Stine noted that we have decreased our harvest since the 1990s, and asked whether there is a demand for increased harvest. Jan Green added that economics must be considered. The price will be reduced if more timber is put up for sale and NIPF landowners will want a higher price. Dave Epperly recommended Council members consider the situation in Colorado. The eastern slopes basically only have mom-and-pop sawmills remaining and a few contractors still have skidders. The western slopes are a bit more active but they have lost their commercial logging infrastructure. The 5.5 million cords harvest level for Minnesota assumed that things would remain status quo. Attaining an increased harvest level requires answering several questions. Is our inventory adequate? How much timber do we have and what is the potential harvest? The ECS (ecological classification system) is the best tool available to help decide how to treat sites. The ECS considers a number of variables and classifies a site according to potential qualities. The ECS and the ecological silviculture classes can be used to identify how different trees respond to different sites. The demand for wood is not going away. We want to keep enough investment so that we don't lose infrastructure.

Dave Zumeta said that the core answer to Al's question is that if you look to the 2003 task force report, Minnesota was tied dead last (with Maine) with respect to forest productivity. We have to increase productivity to meet increased demand for harvest. That will be the focus of the Minnesota Forest Resources Partnership conference in October.

Paige Winebarger commented that the discussion seems to indicate that the task force was not sure that 5.5 million cords is the right number. Dave Epperly responded that 5.5 million is certainly a challenging number. Jan added another consideration is that private land is more productive than public lands.

Dave Epperly advised the Council to not get hung up on 5.5 million cords. That number is still well below 2% of the state's forest area being harvested annually. Tim O'Hara noted that we grow 8.5 million cords each year in this state. The mortality rate equals 3.2 million cords. We currently buy an additional one million cords of wood per year from outside the state. With respect to pricing, if you sell everything you offer there is no elasticity of demand. Prices can only go up. The mills will not expand with the highest prices in the world. Tim feels that we could easily produce another million cords.

Dave Parent wondered how much of the non-harvest mortality could be captured for other uses. Dave Epperly responded that dead wood could be used for energy. Bruce Cox agreed that more wood could be produced. He also noted there is good consensus that we need to increase the resources available to land managers to

increase production. The counties have efficiently allocated their resources in order to achieve 3.7 million cords. The counties cannot be any more efficient in their resource allocation in order to increase the harvest.

Jan noted that we have not talked about the infrastructure required for biomass harvest. She stressed that some thought must be put into getting waste wood from where it is created to where it is needed.

Bob Stine stated that we need better science to determine potential production (rather than just using the 1990's estimate of 5.5 million cords). Jim Sanders recommended that the discussion not be overly focused on a specific statewide timber harvest number. He stressed the need to be careful to consider this recommendation within the context of the full report and recommendations. What do we want from our landscape? How we get there is key. Why do private landowners own land? Why do they manage? Jim commented that the national forests will reduce harvest by 50% in the coming year due to budget constraints.

Several Council members commented on the need to defer significant comments until they have an opportunity to fully read and digest the report. Jan Green agreed with Bob Stine, stating that we should not just grab a number that was created 15 years ago. Shaun Hamilton stated that integration, consolidation, and, ultimately, the location of harvest and infrastructure is the key to effective solutions. We will have to use forest resources efficiently or we will find ourselves with some mandated requirement.

Clarence Johnson stated that when prices got out of hand the mills had to pay more, which caused mill closures. Some loggers ran out of wood and had to diversify. For loggers, it was a major disaster. Loggers have a hard time getting wood from private landowners because of unrealistic expectations about stumpage rates. Private landowners do not want to pay market values.

Dave Parent commented that the state seems to be going in two different directions, with news reports regarding a potential new state park east of Lake Vermillion (which would have no commercial timber harvest) coming at the same time that this report was released.

Bob Lintelman commented on the need for basic public education. He questioned how many people in the state know how much wood is in a cord. We need to assist the public in understanding what we are talking about.

Tim O'Hara noted that the forest products industry needs volume estimates to make business decisions.

### **Retrospective on the Ham Lake Fire**

Jim Sanders gave a presentation on the recent Ham Lake fire. Jim reviewed the four responses to fire risk: fire prevention, fire suppression, fuel treatment, and emergency action planning. Timber harvest and prescribed fire are the keys to fuel treatment. Nationwide, 95-98% of fires are caught when small. He reviewed fire-fighting tactics and commented on Minnesota as a unique experience in which one must start with water-based training (e.g., how to put a chainsaw into a canoe). Jim described the various tools used in responding to a fire. Currently the single biggest challenge is homes, whereas 30 years ago they seldom dealt with homes.

Jim described the Ham Lake fire, including history of the site (which was surrounded by old fires and many fuel treatments), the progression of the fire (a result of wind direction and drought), and its associated costs. Jim stressed that this was not a blowdown fire: it was a wind/drought fire. For example, Canada had logged much of the blowdown and they still lost 20,000 acres in one afternoon. The fire covered 75,443 acres, (36,443 in the U.S.) and cost over \$10 million on the U.S. side alone. Jim noted that the fire response was a seamless operation between the Canadians and Americans. He summarized by stating that we need to deal with the FireWise program, improve the wildland/structure fire fighter interface, and have a real discussion

about scale. We need to get beyond tinkering with fuel treatments. We also need to practice emergency action plans. Having a plan in place is not enough.

Council members discussed the real and potential changes in citizen attitudes regarding prescribed burning and selective harvesting after their experience with the Ham Lake fire. Shawn Perich stated that the Council must get up to speed with the FireWise program and levels of public education. He asked whether the public would be told who started the fire. Jim responded that the fire was human-caused and that the public will be informed once the investigation is finished.

### **Parcelization of forestland in Itasca County**

Al Sullivan introduced Mike Kilgore, Associate Professor, Department of Forest Resources, University of Minnesota (UMN). Mike reported results from the first phase of an Itasca County forest parcelization study funded by the MFRC. This was a collaborative research effort by Joe Mundell (UMN student), Dr. Steve Taff (UMN Department of Agricultural and Applied Economics), Mike Kilgore, and Stephanie Snyder (USDA Forest Service Northern Research Station).

Mike reviewed the study objectives, data and methods, and findings. He commented on the difference between fragmentation (the physical breaking up of land) and parcelization (fracturing of ownership of the land). Parcel size is good indicator of parcelization but there are some quirks (e.g., parcel size increased by 1.06 acres on average in 2001 due to elimination of the MN Tree Growth Tax Law). From 2002-2006, parcel size decreased. Approximately 50 parcels are split per year in Itasca County. There was no increasing or decreasing trend in parcelization from 2002 to 2006. Nearly 90% of parcels that were split went from one to two parcels.

A limitation of the dataset is that 40 acres is the top parcel size identified by Itasca County and one must use GIS to connect the owners who consolidate land or identify the sales of parcels larger than 40 acres. The good news is that larger acreages are not those that are being split. Mike noted that, based upon some crude calculations, the percentage of parcels that are split and are adjacent to public land is roughly equivalent to that available in the county. However, in this study, 2/3 of all parcel splits ultimately resulted in building activity.

Bob Stine asked, assuming Itasca County is representative, whether Mike feels parcelization is a serious issue. Mike responded that he was surprised that they did not observe a huge spike in parcelization, but on the other hand, 0.4% parcelization per year is a big change over time. Dave Zumeta asked whether the study could be replicated less expensively now due to the work that has already been done. Mike responded that they have certainly gained efficiencies that could be applied to other counties.

Dave remarked that we would probably see a lot more parcelization if we were looking at all the land down to 10 acres, as opposed to the minimum 38.5 acres for a parent parcel. Dave Parent added that he perceives much of the new development as being associated with water frontage or corridors. This study has excluded a large number of lots by using 38.5 acres as a break point for the study. Mike responded that the elimination of lakeshore properties was purposeful because the market is so different. Council members discussed the availability of data with respect to lakeshore development. Mike noted that he and the other investigators have convinced the Department of Revenue to add a water variable to its dataset as of 2006.

Mike would like to see the scope of the study expanded. Stephanie Snyder added that everybody seems to be talking about parcelization but there is little hard, quantifiable evidence. Jan Green commented that, in northeastern Minnesota, the angst over parcelization is with respect to sales of large parcels to private owners and the resulting change in public access.

### **Plans for the Virginia Public Utilities field tour**

Dick Rossman commented on the logistics regarding MFRC field tours on July 18 and 19.

### **Public Communications to the MFRC**

Louise Levy suggested that when Council members and staff talk about forest productivity, they should explain the definition with which they are working. Productivity can be defined by ecological class or by what is actually coming off the land.

### **MFRC Member Comments**

Shawn Perich reported that he has communicated with Calder and Dave about his interest in revisiting the PCR (Public Concerns Registration Process) protocols. He would like to discuss the need for site visits, and would also like to see an educational component added.

Dave Zumeta reviewed the potential MFRC meeting agenda for September. The RSTC (Riparian Science Technical Committee) report will be a major part of the meeting. The meeting will also include a presentation on economic analysis of the RSTC findings.

Al Sullivan adjourned the meeting.