Minnesota Forest Resources Council
Minutes
Cloquet Forestry Center – Cloquet, MN
30 November 2011

Members Present: Bob Stine (Chair), Wayne Brandt, Bruce Cox, Alan Ek, Dave Epperly, Dale Erickson, Shaun Hamilton, Joel Koemptgen, Bob Lintelmann, Gene Merriam, Dave Parent, Kathleen Preece, Mike Trutwin, John Rajala, Mary Richards, Jim Sanders

Absent: Shawn Perich

Staff: Dave Zumeta, Lindberg Ekola, Calder Hibbard, Leslie McInenly, Rob Slesak, Clarence Turner

Guests: Dave Chura (MLEP), Tim Dabney (USFS), Anna Dirkswager (DNR), Tom Landwehr (DNR), Rich Miska (AgStar Financial Services), Mike Polzin (MN Power), Dick Rossman (DNR)

Chair's Remarks
Bob Stine asked for a round of introductions. Chair's remarks were deferred.

Public Communication
Tom Landwehr, Commissioner, Minnesota Department of Natural Resources, addressed the Council to provide an update on changes within the DNR Division of Forestry. He has taken on some specific challenges to improve efficiencies within the agency, including concerns regarding Extended Rotation Forestry (ERF), refinement of the Subsection Forest Resource Management Plan process, management of school trust lands, and a possible revision to the Minnesota statute regarding timberland (M.S. 90). Discussions on these issues require staff with extensive knowledge, experience and networking capacity. State Forester Dave Epperly agreed to step down to work on some of the policy issues (including M.S. 90). The Department is in the process of looking for a new State Forester. In addition, the Division of Forestry also underwent a strategic planning process and redesign. The Division will be leaner, with different lines of authority. Bob Tomlinson has been reassigned to work on strategic land asset management within the Division of Lands and Minerals. The Department has made personnel changes and is considering a number of policy initiatives to address new funding and market circumstances.

Dave Parent asked Tom to discuss the potential impacts on forestry from the continuing development of the copper mining industry. Tom responded that most of the mining has a pretty small footprint. The law is quite clear regarding the ability of the mineral rights owner to extract regardless of surface owner interest. The controversy about mineral rights versus surface rights has arisen and it won't go away.

Jim Sanders asked Tom to address the level of support for core programs (in light of current initiatives) as well as the longevity of initiatives identified by the current administration. Tom responded that there are various ways to increase the durability of policies, one of which is through Commissioner's Orders. Jim asked Tom whether he was confident that the Department will be able to "turn on the lights each day" and maintain program continuity while also focusing on specific initiatives. Tom responded that the Department needs someone with Director-level knowledge who can work on issues such as revision of M.S. 90; however, the Director does not have adequate time to spend on specific initiatives. Tom aims to affect policy changes without adversely affecting day- to-day operations. Dave Epperly added that,

during his six years as State Forester, the Division worked on issues related to core operations. Previous work on core programs will support the longevity of operations while specific initiatives are addressed. Tom closed his address by indicating that he would like Council review of some of these issues (e.g., ERF) as they are addressed by the Department.

Approval of the 28-29 September 2011 Minutes
Dave Parent moved to approve, and Shaun Hamilton seconded, the 28-29 September 2011 MFRC minutes. *The minutes were approved.*

Approval of the 30 November 2011 Agenda
Wayne Brandt moved to approve the 30 November 2011 MFRC agenda. Dave Parent seconded the motion. *The agenda was approved.*

Executive Director Remarks
Dave Zumeta yielded his time for the Chair's remarks. Bob Stine provided an update on previous Council discussion regarding the DNR request for a letter from the MFRC approving a hiatus in site-level monitoring. The Personnel and Finance (P&F) Committee discussed the issue; a record of the discussion is available in the November Committee Update. The committee addressed two questions at the meeting: 1) whether the Council should send a letter approving a postponement of monitoring; and 2) whether significantly reducing the site-level budget is the appropriate response to a funding reduction.

The Sustainable Forest Resources Act directs the Council to do four things: 1) provide recommendations to the Governor and various levels of government, 2) employ an Executive Director, 3) coordinate the development of forest management guidelines, and 4) coordinate the landscape program. In contrast, forest resource monitoring is the responsibility of the DNR Commissioner. Faced with a 26 percent budget cut and the fact that staff layoffs would severely hinder the Council's ability to meet those four core legislative directives, the decision was made to reduce funding for monitoring. With respect to monitoring, Bob and Dave Zumeta will meet with the Commissioner on December 19th to discuss the monitoring schedule, more efficient monitoring approaches and funding mechanisms for long-term monitoring. The state budget forecast will come out in early December. The next P&F meeting will focus on the Council's budget and work planning.

Bob also noted that Jim Sanders is retiring from the Forest Service at the end of the year; today's meeting will be Jim's last Council meeting. Bob thanked Jim for his service on the Council and 15 years as Supervisor of the Superior National Forest. There will be a retirement party for Jim in Duluth in January.

Committee Reports
Personnel and Finance
Bob stated that the Personnel and Finance Committee report was covered in his previous remarks.

Site-level Committee
Dave Parent reported that the Site-level Committee report will be covered in a later agenda item. He indicated that the guidelines revision process has been going well, although there are a few gray areas that require additional consideration by the full Council.

Landscape Committee
Shaun Hamilton reported that the Landscape Committee has not met since September. Lindberg reported that the Landscape Program hosted the third regional committee summit in Grand Rapids. The Northern Summit was well attended and focused on the Climate Change Response Framework (CCRF) process and products. It was a good opportunity to solicit input on the CCRF from committee members. The Northeast Landscape Plan update process will start in Cloquet on December 1. The process will occur over a 13-month period and will integrate with the work of the University of Minnesota Boreal Forest and Community Resilience Project and the CCRF project.

Information Management Committee (IMC)
Kathleen Preece reported that the Information Management Committee will meet December 12.

Written Communications to the MFRC
None.

Committee of the Whole: Priority Forest Policy issues
Bob introduced discussion on the identification of priority policy issues for the Council. Council members spent time at the last meeting sorting through a range of policy issues. Those issues were further vetted by email after the meeting. Bob asked Calder Hibbard to review the process and outcomes of the discussion. The Council will then consider a set of policies outlined in a draft resolution.

Calder reviewed the September 28-29 Council meeting discussion, which resulted in six priority issues requiring further consideration and refinement. The six topics were: forest health, quality and productivity; maintenance of the forest products industry; connections between forested landscapes and water quality; private forestland retention and management; public forest management structures; and societal change. After the September meeting, Calder surveyed Council members to identify the preferred number of issues to address and to rank the six priority issues. Forest health, the forest products industry and water/land connections received much higher collective rankings than the other three issues. Calder reviewed the proposed resolution to approve the three top priority issues as issues on which Council activities will be focused over the calendar years 2011-2014. He asked the Council to discuss the issues and consider whether the top three issues were acceptable and described adequately.

Wayne noted that the issue of private forestland fell below the ranking threshold and suggested that the Council will likely be asked to consider the issue of private forestland taxation as a result of changes to the SFIA program in 2011. Bob Stine replied that discussion today is focused on identification of three-to-four issues that the Council will proactively address with the understanding that MFRC will be asked to address other issues as well. Dave Zumeta suggested that forest taxation concerns could also be tacked on to the forest products industry issue.

Gene Merriam noted that none of the issues are discreet, which poses opportunities as well as problems. The point in question is more a matter of how the Council frames the discussion rather than a determination of topics to exclude. Alan Ek agreed, but noted his concern regarding public forest management structures. Addressing public forest management could potentially have far greater impacts on the landscape than any of the other issues.

Joel Koemptgen suggested that the statement about forest health (in the proposed resolution) could be an introductory statement under which the Council could enumerate a number of specific actions. The

resolution still requires some ranking with respect to where Council staff will focus energy. Jim responded that all six issues are important and the Council will always need to keep an eye on all of the issues. He suggested that the Council can focus on three priority issues without ignoring the rest.

Dave Parent stated that societal change is a fundamental issue with respect to forestland retention and public forest management structures. Bob replied that there was discussion at the last Council meeting that societal change is not as much a policy issue as a necessary information piece.

Dave Epperly asked about the need for the Council to weigh in on school trust land issues during the coming legislative session. He suggested that the Council could identify issues that will likely come up in the short term and will require the resources of the group.

Bob noted that Joel suggested one option in which the Council could rank all six issues. Mary Richards suggested that the Council could identify main priority issues but also acknowledge remaining issues.

John Rajala commented on the prioritization of issues related to the forest products industry. He felt strongly that the limited resources of the Council should not be used to maintain the economic health of the industry. There is nothing this Council can do to help with business competitiveness. He would prefer that the Council focus on the forest resource rather than the competitive factors that face the global industry. Beyond that concern, John felt that choosing to focus on the top three ranked issues was a rational approach.

Shaun asked about opportunities to increase the capacity of the DNR as a resource for forest products businesses (similar to the approach taken in Wisconsin's strategic plan). Dave Epperly responded that the DNR has a Utilization and Marketing staff and there is a group of staff working on outreach elements related to the industry. Wisconsin has focused to a greater extent on industry throughout state government. Wayne added that the Wisconsin paper industry is significantly different from the Minnesota industry. Wisconsin has a broader range of products with a lot of mills that produce consumer products (e.g., tissue). They also have many more non-integrated mills. While Minnesota has lost individual machines, we haven't lost whole paper mills as has been the case in Wisconsin.

John said that the greatest help the forestry community can provide to the sawmill industry is a focus on quality (forest health) and a long-term commitment to forestry. If the commitment is there, business investments can be made. Avoiding uncertainty in forest policy will result in the best and biggest impact. Dale Erickson agreed. He felt the Council has to trust the Executive Director and staff to recognize opportunities when they arise. Jim agreed. He liked Mary's suggestion regarding an introductory statement about our focus and consideration of additional issues. Shaun suggested that there could be some integration of social and economic issues with forest health, quality, and productivity.

Bob noted that all six issues still appear to be under consideration and suggested that the Council go back to Joel's general broad statement about forest health; remaining issues can be broken down into something that looks like a list. Alan requested that staff bring a revised list back to the Council with additional discussion regarding specific actions the Council can take relative to issues.

Dale cautioned the Council against a requirement that an issue need affect a critical mass before it may become a priority. Mike Trutwin agreed, noting that he has approximately 150 counterparts in the workplace that will lose jobs before the end of the year. The focus should be a viable forest resource that can support forest industry in the long-term. Wayne suggested the Council should review our

traditional approach to forest management (scheduling the oldest stands first). If this approach is continued, the industry will continue to be fed a supply of low-volume stands of lower quality wood.

Bob requested a motion be made that would allow the staff to proceed with framing of the issues. Mary Richards made a motion to advance the policy priorities, with a resolution as follows:
These are the three main issues on which the Council will focus:

1) *Forest Health, Quality and Productivity,*
2) *Forest Products Industry, and*
3) *Water/Land Connections.*

Keeping in mind that we are still concerned with private forestland retention and management, public forest management structures, and societal change, the Council will continue to address the three priority issues as they pertain to current discussions.
Dave Parent seconded the motion. *The resolution was unanimously approved.*

Dave Zumeta stated that he would like to continue to work closely with the Minnesota Forest Resources Partnership (MFRP) on the forest productivity issue. Bruce Cox commented that the Partnership developed a white paper on forest productivity but the work was never really finalized. Bruce suggested that the MFRC review the document and identify actions that the Council can advance. Kathleen Preece agreed, noting that the recommendations need to be implemented.

John felt that if the Council places forest health, quality and productivity first, then all other issues will follow. He suggested that the industry has to stop asking for everything. He added that we have to realize that the environment may sometimes be pressured by productivity issues and stated that we need to be willing to state that forest health, quality and productivity is the constant. John would like to see a bold statement regarding the need to integrate the environment and productivity. Dave Zumeta responded that staff will seriously consider the suggestion with respect to how we move forward with issue prioritization. Staff will refine the focus, identify specific actions the Council can take with regard to those issues, and bring recommendations to the Council at future meetings. Shaun noted that forest productivity is all of the benefits that the forests produce, not just biomass. Gene added that state statute (M.S. 89.001) also defines forest resources broadly in that manner.

Recommended forest management guidelines revisions
Dave Parent reported that the Site-level Committee is getting close to the end of the revision process. The Riparian Science Technical Committee (RSTC) report was very useful in providing guidance for revisions.

Rob Slesak started discussion on potential guidelines revisions by thanking the Site-level Committee. This process has been long and has required a significant time commitment. His goal for the day was to review the process used to evaluate potential revisions and to present committee recommendations. Rob provided a brief review of the development of voluntary guidelines as a result of the Sustainable Forest Resources Act of 1995. A trigger for current revisions is related to “unfinished business” associated with riparian guidelines. The original recommendations were fairly contentious and not considered during the first revision. The RSTC was established in 2004 and the RSTC report was delivered in 2007. The report provided an evaluation of the science around riparian areas. An economic analysis of suggested revisions was completed in 2010.

Rob reviewed the evaluation process developed by the site-level committee. To the extent possible, committee recommendations are based on technical knowledge (e.g., monitoring data, literature, external professional evaluations, and the RSTC report). Assessments were developed for each issue. Consensus was a goal but not a requisite. The site-level committee met 10 times over the past year. Rob provided an example of the evaluation process using the infrastructure guideline.

Summary recommendations fell into four categories: do nothing, modify existing guidelines, adopt new guidelines, or no consensus. Rob distributed the recommendations regarding guideline revisions. Suggested guideline revisions for which the committee recommended "do nothing" included: retention of conifer regeneration guidelines, a new harvest monitoring guideline, a new rutting metric, disturbance in wetland crossings, seasonal pond guidelines, erosion control on 5 percent slopes or greater, size of leave trees (5-1 vote), the amount of fine woody debris retention during biomass harvest, salvage harvesting during biomass harvest, and a suggestion to fully incorporate biomass harvest guidelines into the existing forest management guidelines.

Changes are recommended to the following existing guidelines: erosion control, infrastructure, leave trees (clumps and scattered in concert), leave trees (flexibility in location), recommended minimum riparian management zone (RMZ) widths, and residual basal area in RMZs. Recommended new guidelines address invasive species, biomass, and watershed condition.

The site-level committee was not able to reach consensus regarding whether or not to have a harvest size minimum for leave tree retention (3-3 vote). As a result, the committee developed alternative recommendations for the Council to consider:

Recommendation 1: no harvest size minimum (no change).

Recommendation 2: 20 acre minimum for retention.

In preparation for an action item at the January meeting, Rob suggested that Council members review the recommended revisions, consider the direction of the SFRA as a framework with respect to the role of the guidelines, review summary information posted online and contact Rob for clarification of issues. If, in January, the Council approves the revisions for external review, peer and public review will proceed from February through April 2012. An economic analysis will then be conducted over the summer on any proposed changes and final revisions will be considered by the Council at the September 2012 meeting. Rob hopes to publish new guidelines by the end of 2012.

Shaun noticed that while the RSTC identified two broad areas (water and landscape) for consideration in the guidelines, only the watershed condition is reflection in the current recommended revisions. Rob agreed but noted that the watershed condition is considered within a landscape context.

Dave Epperly stated that staff within the DNR has requested that the guidelines reference the moose management plan and incorporate moose plan criteria in appropriate spots. Wayne responded that the Department will have a difficult time getting species-specific guidelines incorporated into the forest management guidelines. Dave Parent added that the request exposes the need for a comprehensive and well-conducted management plan. Dave Epperly replied that the issue was raised because consistency with forest management guidelines is a moose plan strategy.

Dave Zumeta stated that the Council will be asked in January to decide whether the guidelines should be advanced for peer and public review. Wayne requested a review of the peer and public review process, the economic analysis and final Council approval steps at the next meeting.

Logger Financial Health

Dale Erickson introduced Rich Miska from AgStar Financial Services. Rich stated that Agstar is committed to serving the financial needs of loggers in the Lake States. AgStar is a cooperative, a member owned financial services provider, currently serving more than 23,000 clients. They specialize in serving agricultural producers, including loggers, and have provided $135 million in loans and leases to the timber industry. Over $53 million in logging equipment has been financed. Of 270 logging accounts, 85 are in Minnesota. Rich reviewed wood products markets and highlighted a few of the changes taking place. AgStar expects pulp and paper to be in Minnesota for the long-term. Rich noted that building products companies have weathered the market storm quite well.

Reasons for optimism within the industry include: overall wood consumption is up since 2009, housing starts are trending up, OSB prices are up slightly, interest rates are low, Chinese and Japanese markets for logs are very strong, and tariffs on Chinese and Indonesian coated sheet paper keep paper competitive. In addition, commitments by UPM Blandin and Forest Capital Partners to maintain their Minnesota land base sent a positive signal to the industry. Reasons for concern include: instability in paper markets; downward trends in pulp prices; regulatory constraints on logging operations; a shortage of low-houred, used equipment; and a shortage of trucking capacity. Gas prices, weather conditions, and stumpage prices lead to volatility.

Rich reviewed key financial signals considered by lenders, including the logger's cash flow and liquidity. AgStar looks for an equity: assets ratio at 1:1 or above. There are probably fewer logging operations that meet the equity ratio than do not meet the target. Factors associated with logger health include working capital, operating losses, erosion of equity, and the significant difference between larger, well managed operations and smaller, "mom and pop" operations. With small operations, one bad weather week can be the straw that breaks the camel's back. Lenders are seeing delinquencies as well as loggers exiting the industry. As a result some lenders pull back from the industry, reducing access to credit.

Dave Parent asked about trends in production capacity and the size of harvesting equipment. Rich responded that current conditions are leading to larger operations. Access to upgraded equipment can be difficult for smaller operations. Alan inquired about AgStar's market share within the Lake States. Rich responded that he does not have good figures but would estimate that their market share is about 25 percent. Competitors include community banks, captives (e.g., John Deere), and Wells Fargo.

Online forest management guideline training

Rob Slesak introduced Dave Chura, Executive Director of the Minnesota Logger Education Program. Dave presented an overview of the new online forest management guideline (eFMG) training. The online program saves time and money with respect to travel for both participants and instructors. In addition, trainees can start and stop at any given point. The program also provides refresher training. Objectives of the online training program are the same as those of the traditional training format.

Dave reviewed the training modules and exercises that must be completed. Modules are interactive and engage participants through short videos and quizzes. They also create familiarity with the guideline book. In addition to the online modules, participants must complete an implementation/timber sale design exercise. Using the information provided, participants complete the design and submit the exercise to MLEP.

MLEP and other organizations can use a software package to identify who has taken guideline training. Dave suggested that Council members try out the training, particularly those who have not already been through the guidelines training.

Shaun commented that there have been some questions about publishing the upcoming forest management guideline revisions and asked about the impact a digital-only version would have on participants using the online training. Dave responded that MLEP is a bit concerned about guideline availability as they are down to their last few remaining hard copies.

Bob inquired about participation. Dave responded that the program was rolled out over the past couple months so only three loggers have completed the training. Bruce Cox asked how long it takes to complete the entire program. Dave responded that someone could probably complete the training in a day if they chose to do so. Dave also distributed the MLEP 2011-2016 strategic plan.

Final Report: Ecological Impacts of woody biomass harvesting

Dave Zumeta introduced Dr. Tony D'Amato, University of Minnesota - Department of Forest Resources, to present a final report on research funded by MFRC with a pass-through grant to address the ecological impacts of woody biomass. The study addressed: 1) whether different levels of woody biomass harvesting have long-term impacts on saproxylic organisms, forest regeneration, productivity, nutrient availability and carbon storage and 2) to what extent does retention ameliorate the impacts?

In addressing the research questions, Tony stated that the research team decided it would be worthwhile to have a large scale operational experiment. Four sites were established with help from the DNR and St. Louis County. At each 120-acre site, a large-scale manipulative study was imposed on aspen-dominated (MHn44) stands. Ten-acre harvest treatments included conventional harvesting, 0% slash retention, 20% slash retention, and 100% slash retention as well as various leave tree designs (scattered, clumped, or a combination) based on MFRC guidelines.

Current results reflect initial impacts. With respect to slash retention, there was no difference between no slash and a 20% retention harvest (due to incidental breakage). There was also no difference in the amount of nitrogen left in fine woody debris (FWD) and coarse woody debris (CWD) among retention amounts. Nitrogen values are quite dependent on the species mix left behind. Retention did have some effect on slower cycling nutrients (calcium and potassium); sites with lower levels of retention had lower levels of calcium and potassium. The research team also reviewed long-term studies from an existing network within the Lake States to assess long-term productivity. Long-term trends in aspen productivity suggest slash removal impacts vary by soil type. Loamy sites had better growth by removing all slash; those sites already have a lot of nutrient capital so leaving slash inhibits suckering. However, on sandy soils, long-term sites exhibited the best growth in places where slash was retained.

The presence of small mammals, amphibians, and reptiles was related to harvest conditions versus slash levels. Harvest negatively impacted American toad, wood frog, meadow vole, short-tailed shrew, and meadow jumping vole numbers. The current assessment was too short-term to identify a species response; long-term monitoring will be critical. Literature from Europe raises concern regarding the potential loss of wood decay fungus. In the Minnesota study, the researchers found three or four fungal species which have been identified in Europe as rare or threatened as a result of harvest. The abundance of branches, particularly < 5 cm in diameter, was important for the presence of wood decay fungi.

Results from the study indicate that: 1) breakage during winter harvests resulted in little difference in slash loads or detrital nutrient pools, 2) differences in soil type are an important consideration with respect to long-term patterns in productivity, 3) further investigation is required to determine the difference between general harvesting effects versus slash-level impacts for small animal populations, and 4) relationships between FWD abundance and wood decay fungi communities highlight potential negative impacts from high levels of slash utilization.

Sites established through this study will continue to be monitored over time with support from the Department of Energy and the Legislative-Citizen Commission on Minnesota Resources. The study will be expanded to look at more nutrient-poor sites. John Rajala asked Tony for his perspective on current biomass harvest guidelines. Tony responded that, in general, the guidelines are good; however, generalizing across soils and forest community types is a concern. The science is incomplete and makes it difficult to suggest revisions.

Public Communications to the MFRC
None.

Member Communications
Mike appreciated a call from Dave Zumeta earlier this fall in which Dave offered words of encouragement and concern as news came out on the shutdown of two machines at Verso. Over the last two years there has been a 64 percent decline in magazine subscriptions. The shutdown will affect half of the people at the mill.

John Rajala reported that lumber standards for softwood will be revisited for all regions, partly in response to recent recognition that southern yellow pine design values have not been testing out to former levels. This may have some negative impact on our region with respect to red pine.

Wayne Brandt moved to thank Jim Sanders for his service. Shaun Hamilton seconded the motion. *The motion was unanimously approved.* Jim thanked Council members, provided reflections on his 15 years with the Superior National Forest and 12 years with the Council, and offered perspectives on the Council's strengths and the future of sustainable forestry in Minnesota.

Mary Richards moved, and Mike Trutwin seconded, adjournment. *The meeting was adjourned at 3:33 pm.*