

Talking Points on the Competitiveness of Minnesota's Primary Forest Products Industry

In March of 2003, Governor Pawlenty established an Advisory Task Force on the Competitiveness of Minnesota's Primary Forest Products Industry to assess the long-term competitiveness of this manufacturing sector. A primary focus of the task force's deliberations was identifying and assessing factors that were perceived to be major impediments to competitiveness. The task force identified the following 10 factors (listed in priority order):

1. Wood and fiber availability and price
2. Permitting and environmental review
3. Transportation
4. Energy costs
5. Wood and fiber quality (including third-party certification)
6. Taxation
7. Labor and construction costs
8. Education and research
9. Forest land productivity
10. Technology

To address the areas that are major barriers to enhancing the economic competitiveness of Minnesota's Primary Forest Products Industry, the task force made the following recommendations:

- Increase wood and fiber availability, quality, and production from public and private lands while continuing to protect the environment.
- Improve the effectiveness of environmental review processes to make Minnesota more competitive while protecting the environment and providing public input.
- Improve the competitiveness of Minnesota's highway, rail, and intermodal transportation system.
- Promote voluntary third-party certification of federal, state, county, and private forest lands in Minnesota.
- Increase investments directed at improving state, county, and private forest health and productivity.
- Create a business climate that encourages capital investment in Minnesota's forest products industry.

As we continued to assess the conditions in Minnesota's forest industry, we found we were faced with numerous challenges, including: global competition for paper manufacturing, decreasing demand for wood products as a result of a slumped housing market, high capital investment costs, and an increasingly fragmented forest land base. To confront these alarming trends, Governor Pawlenty reconvened the task force in 2006 and 2007 to develop short-term and long-term recommendations that could be put in place to retain and increase the competitiveness of the industry.

Efforts Supporting Task Force Recommendations

- Increase wood and fiber availability, quality, and production from public and private lands while continuing to protect the environment. **Results:**
 - Legislation in 2004 established a dedicated account within the Natural Resources Fund called the Forest Management Investment Account (FMIA). Money appropriated to the DNR from the FMIA can be used for: 1) reforestation and timber stand improvement, including forest pest management, 2) timber sales and commercial thinning contracts/sales, 3) state forest road maintenance.
 - The DNR Division of Forestry is committed to offering for sale a sustainable allowable harvest of approximately 900,000–1,000,000+ cords of wood by 2012.
 - Legislation in 2007 appropriated \$200,000 to the Natural Resources Research Institute for silvicultural research to improve the quality and quantity of timber fiber.

- Improve the effectiveness of environmental review processes to make Minnesota more competitive while protecting the environment and providing public input. **Results:**
 - The Minnesota Pollution Control Agency has adopted new processes to streamline environmental review.

- Improve the competitiveness of Minnesota’s highway, rail, and intermodal transportation system. **Results:**
 - Legislation in 2005 provided for special vehicle permits that allow increased load limits and decreased spring load restrictions for hauling paper and other wood products on sections of major highways in northern Minnesota.

- Promote voluntary third-party certification of federal, state, county, and private forest lands in Minnesota. **Results:**
 - In January of 2006 the DNR was awarded certification of sustainable management on 4.9 million acres of land it administers by the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI), two leading international organizations established to help give people who buy forest products a way to judge and reward good forest management.
 - Forest certification is becoming increasingly important to Minnesota’s forest industry. Many industries are requiring certified content in their products. For example, consumers are starting to demand that certified fiber be used in the paper they purchase. Minnesota’s paper mills can now use the DNR’s certified wood to meet this demand.
 - The DNR isn’t the only land manager in Minnesota to be certified. Forest industry and county lands are also certified by FSC, SFI, or both. Minnesota’s FSC-certified lands account for nearly 25 percent of the total certified land in the U.S.; 12 percent of the country’s SFI acreage is also here in Minnesota. Federal lands and private lands have yet to adopt forest certification in any significant way. However, there are plans to address this gap in land management certification.

- Increase investments directed at improving state, county, and private forest health and productivity. **Results:**
 - Through 2005–2008, legislation has allotted the following bonding dollars: \$9 million for state forest land reforestation, \$1 million for county land reforestation, \$2.5 million for state forest and Forest Legacy land acquisition, \$10 million for large-scale forest land and Forest Legacy conservation easements, and \$2.3 million for forest roads and bridges.
 - Supplemental budget dollars were appropriated by the Legislature in 2007 and 2008 for the Minnesota Forest Resources Council to conduct a study of options and make recommendations to the Legislature for addressing the fragmentation and parcelization of large blocks of private forest land in the state.
 - Supplemental budget dollars were appropriated by the Legislature in 2008 for the University of Minnesota’s Interagency Information Cooperative to develop a common forest inventory format describing key attributes of Minnesota’s public forest land base, growth models for managed forest stands, a forest wildlife habitat model format, and an information database on the state’s family forest ownership.

- Create a business climate that encourages capital investment in Minnesota’s forest products industry. **Results:**
 - 2005 legislation was passed that:
 - eliminates the “five-day wait” on checks for sale security
 - clarifies when the DNR can/must charge for standing timber
 - facilitates the efficient contracting for forest improvement work accomplished by loggers
 - modernizes and streamlines the Trespass Reward Law; increases the amount of the reward (\$100 minimum up to 10 percent of single stumpage); authorizes funding sources
 - redefines the “commercial” cord when measured by weight to be 79 cubic feet of solid wood (any form, round wood or chips); eliminates statutory weights (summer and winter) for aspen; allows the DNR to set all weights.
 - 2006 legislation was passed that:
 - allows the commissioner of Natural Resources to declare an emergency in the event of widespread abnormal surface conditions that prevent environmentally sound logging and modify affected timber harvest permits and extend those permits without penalty or interest
 - increases the down payment on a timber sale from 15 percent of the appraised value to 15 percent of the bid value
 - imposes logger qualifications and a registration system for bidders to comply with certification requirements
 - requires a presale conference on state-administered timber sales between the DNR and the logger
 - establishes a schedule of liquidated damages as an intermediate step between warning tickets and full trespass for a breach of a timber sale permit

- allows down payments in the sealed bid process to be made within 10 business days.
- 2007 legislation was passed that:
 - appropriated \$1.5 million in relief payments to loggers to help them deal with changing market conditions such as high-priced timber they had purchased but not yet harvested.
- This recent legislation has enabled the DNR Division of Forestry to implement new business practices that enhance the state land timber sale program and improve customer (logger) service. For example:
 - the combination of more sealed bids and larger down payments may help curb speculative bidding
 - the ability to contract with loggers for forest improvement work as part of a timber sale contract will create additional work opportunities
 - more than 50 timber sale extensions were granted due to the adverse surface conditions resulting from the unseasonably warm weather in December 2005 and January 2006.
 - a total of \$880,393 in “timber relief” was paid out by August of 2007 to cover 288 forfeiture permits and 248 keep and harvest permits.
- The DNR Division of Forestry has invested additional staff time in utilization and marketing efforts, which has resulted in the production of several useful publications, including:
 - Minnesota Primary Forest Products Producer Directory
 - Minnesota Secondary Forest Products Producer Directory
 - The Market Place, a quarterly newsletter published as a service to Minnesota’s forest industry
 - Value Added Economic Impact of Timber Harvest in Minnesota
 - Minnesota Logged Area Residue Analysis
 - Minnesota Wood Waste Studies
 - Minnesota Residential Fuelwood Survey
- Governor Pawlenty created a Forestry Subcabinet this year to respond to challenges and opportunities related to forestry and coordinate the administration’s response to emergency situations or plan and undertake actions that anticipate and help avert such emergencies. This subcabinet was a need identified by the governor’s 2007 Task Force on the Competitiveness of Minnesota’s Primary Forest Products Industry.
 - The subcabinet is comprised of staff from the Department of natural Resources, Iron Range Resources, Department of Employment and Economic Development, Minnesota Pollution control Agency, Department of Commerce, and Department of Agriculture.
- Governor Pawlenty is supporting the forest products industry in becoming a global leader in cellulosic energy production from woody biomass and in being a major contributor toward achieving the state’s renewable energy standard. This includes using advanced technologies, such as biomass gasification, to transform the forest products industry from a net purchaser to a net seller of electric power.

- Minnesota is the first state to develop Woody Biomass Harvest Guidelines (best management practices) for forest and brush lands. The primary purpose of these guidelines is to provide guidance to natural resource managers, loggers, equipment operators, contractors, and landowners to assist them in making informed and appropriate decisions regarding biomass harvest on forest and brush lands.
- A Minnesota Forests for the Future Program was established by the 2008 Legislature to protect private forest lands throughout the state that provide exceptional value in three core areas: timber productivity, public recreational access, and ecological and wildlife values. The program will protect such forested areas primarily through the use of easements that will prevent development and conversion of forest land, while allowing landowners to manage the forest sustainably for timber and other forest products. Public recreation and other forest uses compatible with protecting the conservation values of the property will also be allowed. Besides easement acquisition, interests in lands under the program may be acquired by fee title, gift, or donation.
- **In summary:** Our long-term vision for Minnesota is a healthy, fully integrated forest products industry that includes renewable energy and competes successfully in the global marketplace. To achieve this vision, we need to protect our forest land base from further fragmentation and must keep applying enhanced management techniques to increase the health and productivity of our forests.