

TIMBER & FOREST PRODUCTS ADVISORY COUNCIL (TFPAC) MEETING

March 19, 2021
10:00 a.m.

MEETING MINUTES

Attendees: Charlie Becker, Glenn Mroz, Gary Melow, Tim Biewer, Raymond Gurley, Julie Penrose, Jeff Stampfly, Dave Lemmien, David Price, Larry Leefers, Mike McCuiston, Nick Monkevich, Ben Schram, Donovan Asselin, Donna LaCourt, Kevin Swanson, Brenda Haskill, Kerry Wieber, Rich Bowman

Charlie Becker, Chair, Timber and Forest Products Advisory Council (TFPAC or Council) asked all to introduce themselves. He thanked everyone for joining the meeting and commented on having such good attendance. He pointed out that several guests are from the Michigan Department of Natural Resources (MDNR) while many are non-MDNR, and some are attending to present and others just to participate. He remarked that he appreciates their participation and interest in the TFPAC.

Department of Natural Resources (DNR) Land Strategy Revision – Kerry Wieber

Charlie reported that late last fall, the TFPAC had a chance to make comments on the DNR Land Strategy (Strategy) update, and there were a few questions as to if those comments were included in the revision. Kerry Wieber, MDNR, responded that specifically both Charlie and Larry Leefers had questions regarding their comments. She said it may not appear to the casual eye that those comments were included, but many were. Kerry stated that the Land Strategy relates very specifically to public lands, which is why there was no focus on private land management. She thanked them for providing good comments and stated that all comments the TFPAC made were evaluated closely.

One of the things this Strategy looks at is the 2013 version of the Strategy. They found they had nearly 40 data points that needed to be measured and some were not measurable. They didn't want to make that mistake again with the revision. They wanted to report on things that really move the needle and that will make it easy for the legislature and the public to track their progress. When they started looking at the Strategy again last fall, they ended up with 150 measures which was undoable so they took a hard look and pulled some things back which resulted in not as much detail in this version as there was in the draft Strategy components last fall.

While addressing things such as increasing public understanding regarding forestry, rather than putting out everything the department does they incorporated overarching principles, one related to promotion and one related to education, which is what the department is committed to doing. This was covered by the overarching principles rather than spelling out everything the department does, although the department does plan to cover the overarching principles. The comments received from the TFPAC are incorporated in this Strategy in some way.

Larry commented that he suspected some of what they were pursuing was private land oriented, but he wanted to ask. He also pointed out that comments were made about oil and gas which were included in the Strategy, but nothing related to promoting the forest products industry was included although comments had been made regarding that topic as well. Kerry replied that the information regarding oil and gas is not specific to oil and gas industry promotion, and the same thing can be said for forest management. As it relates to recreation, they focused one of the strategies on the recreation industry related to the newly established Office of Recreation Industry. The other comments received for minerals and forestry are not mentioned specifically, but the MDNR is still committed to promoting them. Larry asked if there is any language regarding the 4 million acres of forest the MDNR manages. Kerry responded there is nothing specific mentioned, but they will continue managing those acres in the same way. As they started to detail

everything they want to promote, it got too long so that's why they went with the overarching principles. It was asked why there's still information regarding responsible oil and gas industry, and why recreation deserves its own coverage. Kerry replied that minerals is equated to strategy one with forest management. Minerals is the same thing they've been doing for decades and does not mention industry. Recreation was pulled out very specifically because of the new Office of Recreation Industry. The new ones are highlighting what they do. Both are handled the same way.

It was said that there's another opportunity for a measurable objective for that first strategy, and to have a measure of receiving no measure of improvement for the FSC or SFI systems. Kerry replied they received a lot of comments, and those are still being evaluated and being worked into a comprehensive final draft. The deadline to submit comments on the comprehensive draft was in mid-February. As a team they are working through evaluation of the comments received and making changes as a result. When the document is finalized and submitted to the legislature, it will look a lot different than the document that is out there now.

Charlie asked if folks should continue to submit comments if they still feel strongly about certain items. Kerry responded that it is past the public comment period, but if there's something they are very concerned about to be sure to mention it to Kerry or Jeff Stampfly, Chief and State Forester, Forest Resources Division (FRD or Division), MDNR. The overall input period is completed. They are now evaluating the comments and incorporating them as is appropriate. They also received a lot of internal comments and hope to have a draft Strategy to present to the MDNR Director next month.

DNR Departmental Update – Jeff Stampfly

Jeff commented that he was asked by the TFPAC to follow-up on the Land Strategy comments received. Because Kerry Wieber is heavily involved with the strategy Jeff asked Kerry to provide the update.

As another follow up item, Jeff reported that FRD had a contract with a marketing company to do basic forestry outreach across the state, but Executive Directive 2021-03 paused their work. They still have \$1.5 million on that contract and the vendor is still under contract for two more years. There is a meeting scheduled with MDNR's Marketing and Outreach Division coming up where the campaign will be discussed. Jeff may be able to update the TFPAC after next week or on the next TFPAC call.

Gary Melow asked if funding for the forestry outreach program is in the budget being worked on for 2022. Jeff replied that they have not yet built a budget for 2022, however the money for the current contract is encumbered and will be available in 2022. Gary asked if it wasn't included in the 2022 budget because the MDNR has that carryover from last year. Jeff replied it was not included in the 2021 budget and has not been included in the 2022 budget because they had almost \$1.6 million still that they hadn't spent because of COVID restrictions. Once they're able to get it restarted, they'll see how the funding goes. There is probably enough money encumbered for two more years of funding.

Jeff reported that there's been a lot of activity with personnel. The FRD has gone to using a process called 'Working out of Class' (WOC) where rather than permanently filling a vacant position, they solicit interested candidates within the Division, i.e. Jason Stevens as Acting Assistant Chief. Initially they could not backfill WOC but have since been approved to do backfilling. They have rotated Jason out with Dave Lemmien, Jason Hartman with Patrick Mohny, and Bob Burnham is now WOC as the District Supervisor in the Eastern Upper Peninsula. They are working on backfills for those positions that are vacated due to WOC. This has been one of the only ways they've figured out how to get people exposure to a position they may be interested in, and it is a good opportunity for management to see how people function in different roles within the organization. That's not to say they haven't filled any positions. As an example, a Good Neighbor Authority (GNA) position was created and was filled by Derek Cross who will be coordinating the GNA program across all three national forests. They also filled the Roscommon Fire Supervisor position and a survey manager position in the Lower Peninsula. Interviews have been held for a Pilot for the Eastern Upper

Peninsula. A posting for Forest Fire Officers is out now for several positions, some of which are permanent. They expect to be posting for Forester and Forest Technician positions shortly. They have also had a couple of people take a leave of absence from the Division.

Jeff reported they currently have an Incident Management Team (IMT) at Ford Field. They expect to continue to provide an IMT to work with FEMA and others to provide coordination for the massive vaccination program that is set to kick off. The IMTs are in place for 14 days and then a new team is rotated into the incident. They are going to be participating if they can sustain it, but they're starting to enter the fire season so it's unclear how long FRD staff will be able to continue to assist.

Jeff reported that the Division has ran 25 fires so far this fire season for a total of 545 acres. He indicated fire season started early this year and wildfires have already consumed half the acreage that was consumed all last year. Staff is anticipating a problematic spring due to a lack of snow last winter and dry conditions.

Jeff stated that they have a little over 2,000 acres prepped for timber sales and just awarded several timber-sale preparation contracts. There are many timber sales with expiration dates coming up in the next few months. Sale extensions will consider current markets and the lack of winter logging opportunities.

Qualified Forest Program Update – Ben Schram

Ben Schram, Michigan Department of Agriculture and Rural Development (MDARD), gave a brief introduction of what the Qualified Forest Program is as well as a PowerPoint presentation with additional details regarding the program.

Greater private forest land efforts include 1) technical assistance 2) the Qualified Forest Program (QFP or program) which was originally signed into law in 2006 and then changed in 2013. The changes made in 2013 significantly changed the program. At first, they had around 100,000 acres enrolled in the QFP, but with the change in legislature those who wanted to leave the program could do so without penalty.

Over the past 35 years or so MDARD has had some sort of forest delivery through different programs. They started with 13 foresters and at one time got up to 20 foresters, but due to various factors are now down to 19 foresters.

The QFP is a tax incentive program that offers benefit to landowners as well as the State. The crux of the program is a property tax program, which is now up to \$18 million of school operating tax. Another benefit is that it prevents uncapping of qualified forestry property in the event of a sale. If there is a new owner, the taxable value would jump up. It also increases wood to the market by increasing regional economies and by keeping forests resilient to unwanted changes, i.e. pests and land use changes. It keeps the forests affordable.

There are 736,000 acres enrolled as of December 31, 2020. Everyone who was enrolled by then gets a tax break beginning January 1, 2021. Ben showed a breakdown across the counties regarding acreage. The Eastern Upper Peninsula (EUP) is occupied by one large hunt club ownership and Ben thinks the same is happening in Alcona County.

Data since 2015: Division annual report - MDARD is required to report back to the Legislature on this program. Information needed to report out includes: 1) number of applications submitted; 2) number of plans submitted; 3) number of acres that were transferred from the Commercial Forest Program (CFP - the deadline to switch is coming up quickly on this). Early on, the more serious landowners knew about the opportunity to transfer to CFP, which has been at about 2.2 million acres forever; and 4) new acres enrolled per year. The MDARD converts all its wood product volume information to cords, and they use the same

sort of formula as the MDNR uses. They collect in MBF (cords/tons), so every year a timber harvest is completed folks are required to report on that.

Revenue generated from the \$2 million fee – when you get up to the \$18 million reduction the landowner gets a \$2 million fee. As they get more enrolled in the program, that fund populates more every year. This causes them to need to keep track of those funds. It doesn't mean they get the funds from the year being reported though. Gary Melow commented that the cost of the program with the \$18 million reduction with the School Aid Fund is just a data point, a reason why they don't promote that cost. It's a reduction to the School Aid Fund. Also, there are three administrators in MBA, and they are some of the best administrators to work with. It's really going to grow, with the goal being eventually one million acres. It's a great program, it's good to work with, and it provides a lot of positive information, but somewhere along the way they need to mention the hit on the School Aid Fund. Ben responded that it's hard to come up with a definitive defense for that. It is significant but it isn't crippling the school funds.

Ray Gurley asked where they were getting their economic information from. Ben responded that the landowners report on their own and MDARD then converts that information to cords. They must look at this closely because often the landowner won't get help from a forester and it's tough for MDARD to verify what they're reporting.

The proposed funding came out of the Executive budget. In 2013, funding was all General Fund (GF) at about 2.5 million. As that Private Forest Enhancement Fund grows, they expect each year to see less coming out of the GF. There are 9 FTEs and 19 District Forester grants.

Questions/Comments from the Council:

- a. Jerry commented that there is a lot of wiggle room and fuzziness in this kind of data. He's not sure they should spend a lot of time on it. They're trying to kick out harvest schedules etc., and there's a lot of fuzziness there.
- b. Nick Monkevich asked what kind of tracking is in the process. If landowners are not doing what the program requires, do they get kicked out of the program? Ben replied that people have a form they must fill out. During a year they say they are going to do something, MDARD sends out a postcard reminding them. If they know someone is scheduled to do something and they haven't heard back from them, there is grounds for removal from the program. The MDARD staff is pretty good at working with folks if they need their plan amended. If they just aren't doing the practice, i.e. just trying to put it off, they have the authority to remove them from the program. To some extent, they must rely on the landowner's word. They have talked about some sort of sampling protocol to see that stuff is getting done.
- c. It was asked if at some point they will be able to allow some interactive sharing of information, i.e. a 40-year-old red pine. Ben responded that MDARD can create maps and charts, etc. that should figure out what types of things to generate annually or on a case by case basis. Jerry commented that he doesn't think that sort of information is FOIA(able) and therefore doesn't think it would be permissible. Aggregate data would be permissible. Ben replied that he didn't think there would be a problem submitting aggregate at a county level.

Charlie thanked Ben and commented that if anyone has something else that they would like to see Ben and his team put together for a future meeting, to please let him know.

Family Forest Carbon Project Update – Rich Bowman / Kevin Swanson

The Nature Conservancy (TNC) is doing this project. Rich Bowman, TNC reported they have had conversations a number of times over the last few years about the submersion of areas in the carbon areas, in the range of a few thousand acres up to around 10,000 acres, getting them in place and enrolled to sell carbon offsets. They initiated the project with the American Forest Foundation for small, non-industrial

owners to get better management on their land. They are now expanding the project into Wisconsin and Minnesota.

Kevin Swanson, TNC, reported the Family Forest Carbon Project is FFCP for short. About 38% of land in the United States is owned by small families or individuals. This program is concentrating on carbon which is an emerging market, and a lot of people are running toward this program to fight climate change. People are concerned about potential loss to the market. In the past, traditional carbon projects have been customarily at least over 5,000 acres, so not for small landowners, and there are several industrial owners who have entered the carbon market as well, as well as several others that Kevin mentioned. They have a goal to reach 20% of family forest owners by the year 2030.

Landowners are paid for carbon sequestered; traditional has high cost and high monitoring fees. They now will be paying the American Forest Foundation and the Nature Conservancy. They will monitor carbon on every property. They explained how small property managers are functioning compared to larger landowners. When enrolled in the program, there is a lot of monitoring of the plots. In Pennsylvania, they have enrolled 35 landowners covering 35,000 acres, and it is now being rolled out to Great Lakes States. This started with the American Forest Foundation and TNC partnering. Once carbon credits are verified and monitored, the credits can be sold to other markets such as Amazon. The demand is heightening, and they hope to be able to increase the supply.

Scaling: You must think big. It's a daunting goal for the country. Minnesota, Wisconsin and Michigan are priority areas. They are looking at practices which will have to be modeled and then they will roll out the program. They are excited but it can't be business as usual and they need to determine what sort of affect it will have on the supply chain. There is a lot of potential across the three states to get a lot of hardwood and aspen.

Practices: northern hardwoods – they are looking at retaining more carbon in those stands. They can do it in several different ways. For aspen, they have written some practices where you can potentially manage aspen on an uneven age basis where you can harvest different percentages at different times. Aspen is a very important timber product. You can extend the rotation. They haven't developed anything specific yet and are just considering some ideas.

Jerry commented that there is a cost to do this, and it's not their responsibility to bring up the costs. On the carbon side, they are promoting the program. He hopes we're not naively racing into these carbon markets without looking closely at the cost in the long run. They are trying to push it to small landowners, and a lot of people are trying to crack this nut and figure out how to bring the carbon market to small landowners. In terms of aspen, if you leave half the volume standing the probability of the remaining blowing over and not being harvestable is practically 100%. If they are going to encourage folks to increase mortality over a 50 to 60-year timeframe, they may not be gaining at the sequestration side. Further discussion took place.

Gary asked when looking at the broad picture, how do you reconcile carbon credits becoming the most important product coming out of the market. He can see other ongoing things taking a back seat. Have they thought about the long-term implications? Ben responded they are beginning to look at those things. It has a real impact that's great but there is a price as well. They don't know how to quantify it, but TNC is looking into it.

Larry Leefers commented that he appreciates the fact that Kevin highlighted that there's a baseline they are looking at. It's something they'll be looking at more on state forest land as well. Mike McCuistion thinks this is a great program. They are always looking at ways to tap into small landowners and this is a great program for that. Nick commented he is concerned about carbon. They are keeping a pretty close eye on it. Anything that limits what's available to them is a concern to them.

Update on PRC Carbon Project – David Price, MDNR

David Price, MDNR, reported on afforestation of potential carbon projects. They are seeking a grant from the National Resources Conservation Service (NRCS) for a tree planting program on private land that would touch on agriculture. This started a discussion regarding the potential involvement with the Nature Conservancy. This has just come out and they haven't even submitted it yet. It has potential.

David reported on the Pigeon River Country (PRC). The MDNR's FRD had an update with Bluesource this week. They are waiting on data on tree borings that are being analyzed; they have all inventory from green timbers. They will be starting the modeling process soon. This should take pretty much the entirety of spring and summer. He should have some data to discuss internally and with the Council around September.

Updates on New Dashboard on Timber Sale Webpage / Online Bidding (OLB) and Customer Utility (CUT) – Donovan Asselin

Donovan Asselin, MDNR-FRD, reported on two applications the FRD owns that interacts with the public and logging contractors.

- a. Online bidding – the application is in production and has augmented submitting bids of timber sales in office or via mail. Five years ago, the FRD put out a way for customers to see its ads online and to submit bids online. It's an easy application and is available for anyone in the public searching for timber sales but they must be a registered user to bid. You can do a search by county; DNR office; sale criteria etc. Also, it has an "all available" sales search which will display all sales that the FRD is currently accepting bids for. In addition, all historical advertisement and bid data can be found for the past five years. If you're a registered user, you can log in and you can set up a profile to indicate specific sales you're interested in, and there is also a "my interest" search that pares it down to only what you're interested in and view their historical bids. If you're interested in a sale you can click on it and it will bring up the prospectus report. You will also get a PDF of a report once you make a bid to verify it went through successfully and you will get a verification email. There are also ways to update the bids or withdraw if needed. You can also look at a bid history. This app has been out for about 5 years; many FRD customers use it. A high percentage of FRD's bid are coming through this application.

Ray Gurley commented that one thing he would like to see is a method to filter through certain things like HRD specs, oak wilt, etc. Donovan responded that they are currently looking at methods to put in some way to go outside the specs. He said he would make a note and see if they can do something like that with this app.

- b. Second new application: VMS Customer Utility. Anyone signed up for the online bidding app will be automatically signed up for this. Its functionality is to give contract holders a view into what data the MDNR has. This will only be for registered users because it will take you to your own information. It will have a dashboard with your business dealings with the MDNR, the total value of all contracts you have, acreage, etc. all used by simple ratios. A list of the contracts that are closest to expiration will be available as a default sort. All the information is sortable, so you can sort whichever way you want. Also, there's a smart filter that will bring up everything that matches what fits into that filter. All screens have links built in so you can go view a screen more geared to the specific contract, i.e. bond allocated, payments, funds due, etc. It will also show what's been paid and the balance due.

The MDNR wanted to make it easier for people to keep track of contract paperwork. An example was shown for items due within 21 days of the contract award (down payment, bond, workers comp, policy, signed contract) where the screen showed green checks for items that were submitted plus the link will take you straight to a copy of the document. They are looking to snag a few people to be a beta-tester group. David commented that it's nice to see contract amendment capability and asked if there is a way for a producer to request an extension. Donovan responded not through this system. That's something they should talk through with the sale administrator. .

Donovan stated this is still in development so any comments will be helpful. He asked the Council to send him an email and they'll look at it and see what they can do. David asked when and how they will solicit beta testers. Donovan replied they looked at frequency of use and tried to pick different sized companies out of that. They also looked at people already in the online bidding system. If anyone wants to volunteer, that will be welcome as well.

The Council talked about putting together a white paper on issues and opportunities within the industry. There is a call scheduled on March 31 with Charlie, Rich, Gary and others. Charlie said if anyone else would like to be involved, to let him know. Charlie thanked all for attending and adjourned the March 19 TFPAC meeting at 12:02 p.m.