



Minnesota Department of Natural Resources

Division of Forestry

500 Lafayette Road

St. Paul, Minnesota 55155-40_44

05 - 0662

November 28, 2005

Governor Tim Pawlenty and Executive Council Members—

Lieutenant Governor Carol Molnau

Secretary of State Mary Kiffmeyer

State Auditor Patricia Anderson

Attorney General Mike Hatch

130 State Capitol

75 Reverend Dr. Martin Luther King Jr. Boulevard

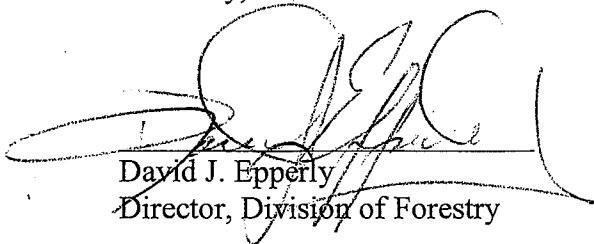
St. Paul, Minnesota 55155

Dear Governor Pawlenty:

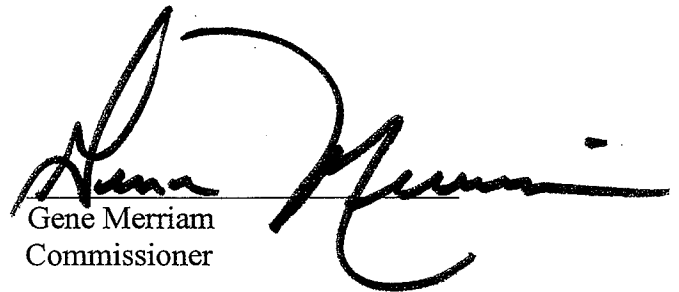
Attached please find two reports to the State Executive Council concerning the status of the state timber sales and timber management programs administered by the Department of Natural Resources, Division of Forestry. These reports are a requirement of Minnesota Statute § 90.041, Subdivision 3. One covers the reporting period of Fiscal Year 2004 (July 1, 2003–June 30, 2004); the other covers the reporting period of Fiscal Year 2005 (July 1, 2004–June 30, 2005). Each council member has been sent individual copies of the reports, and the required number of copies of each report has been sent to the Legislative Reference Library as well.

Please let Director David Epperly know at (651) 259-5289 if you have any questions or concerns.

Sincerely,



David J. Epperly
Director, Division of Forestry



Gene Merriam
Commissioner

c/ Bob Meier, Legislative Liaison, Department of Natural Resources

Attachments

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**Report to the State Executive Council
 Status of the State Timber Sales and Timber Management Programs
 for Fiscal Year 2004**

Submitted October 2005

This report to the State Executive Council details the status of the state timber sales and timber management programs administered by the Minnesota Department of Natural Resources, Division of Forestry at the close of Fiscal Year 2004 (July 1, 2003—June 30, 2004). It is required annually by Minnesota Statute § 90.041, Subdivision 3.

Timber Sales

| Type of Sale | Number of Sales Issued | Volume Sold (M Cords) | Vol. Harvested (M Cords) | Actual Receipts (M \$) |
|----------------------|--------------------------|-----------------------|--------------------------|------------------------|
| Informal | 199 | 25.3 | 26.8 | \$448.4 |
| Intermediate Auction | 492 | 322.4 | 241.4 | \$6,838.6 |
| Regular Auction | 339 | 468.4 | 455.6 | \$13,261.9 |
| Sale Totals | 1,030 | 816.1 | 723.8 | \$20,548.9 |
| | | | Trespass | \$40.2 |
| | Volume Offered (M Cords) | 850.8 | Fuelwood | \$18.1 |
| | | | Special Products | \$46.6 |
| | | | Total Receipts | \$20,653.8 |

Timber sales include the sale of firewood and special products such as boughs and decorative treetops, as well as sales of traditional sawlog and pulpwood products. Ninety-seven percent of the volume of timber sold was sold at public auction to allow equal access to the sale process by all segments of the state's society. For the fiscal year, the volume of wood sold from state-administered lands was up substantially from the prior year (695,500 cords to 816,100 cords). Agency staffing and physical supply limitation issues are continuing to be addressed with positive results. Volume actually cut (harvested) from valid permits on state lands continues at a historically high rate, indicating continued dependence on public timber by the state's forest products industry. As of June 30, 2004, state timber sale holders had 1.9 million cords of wood under permit but not harvested. As with preceding years, this represents approximately two years of planned sale quantities from state forest lands. State timber sale permits are normally up to five years in duration. Timber stumpage prices have continued to increase at a rate six to eight times that of general price inflation. While yielding increased timber revenues for the state, these high prices for fiber continue to place the state's forest products industry at a competitive disadvantage in the global economy. In

addition, these increasing values may be contributing to a noticeable increase in timber trespass (theft) from state lands during the past fiscal year. The department is addressing this issue through stepped-up enforcement efforts and will likely propose statutory changes to further address the increasing frequency of timber trespass.

Timber Management

Timber management is comprised of activities applied after timber harvest to regenerate harvested stands, as well as activities applied throughout the life of a stand to improve stand composition, structure, and health, and to increase productivity. Timber management is important to ensure a healthy, diverse forest resource and a reliable supply of raw materials for the forest products industry. Timber management activities applied in Fiscal Year 2004 are summarized in the table.

| Activity | Acres |
|---|--------|
| Site Preparation | 6,513 |
| Planting | 5,457 |
| Seeding | 4,377 |
| Protection | 5,861 |
| Release | 3,502 |
| Natural Regeneration | 21,807 |
| Artificial and Natural Regeneration | 31,641 |

Animal damage, particularly from white-tailed deer, continues to increase. Effects from damage by animals to newly planted and young stands can require wholesale replants, doubling the cost of some regeneration projects. Protection activity grew 7 percent from Fiscal Year 2003. The increase in protection activity follows an increase in white-tailed deer populations and increased levels of conifer seedling plantings.

Seedling planting, primarily of conifers, grew 23 percent from Fiscal Year 2003. This is in large part a response to statutory requirements to regenerate harvested forest land.

Intermediate treatments, particularly release, increased to a near normal historic level in Fiscal Year 2004.

**Report to the State Executive Council
 Status of the State Timber Sales and Timber Management Programs
 for Fiscal Year 2005**

Submitted October 2005

This report to the State Executive Council details the status of the state timber sales and timber management programs administered by the Minnesota Department of Natural Resources, Division of Forestry at the close of Fiscal Year 2005 (July 1, 2004—June 30, 2005). It is required annually by Minnesota Statute § 90.172, Subdivision 2.

Timber Sales

| Type of Sale | Number of Sales Issued | Volume Sold (M Cords) | Vol. Harvested (M Cords) | Actual Receipts (M \$) |
|----------------------|--------------------------|-----------------------|--------------------------|------------------------|
| Informal | 256 | 31.8 | 32.4 | \$533.1 |
| Intermediate Auction | 467 | 319.8 | 216.2 | \$6,385.3 |
| Regular Auction | 304 | 443.2 | 486.4 | \$13,815.1 |
| Sale Totals | 1,027 | 794.8 | 735.0 | \$20,733.5 |
| | | | Trespass | \$124.0 |
| | Volume Offered (M Cords) | 816.9 | Fuelwood | \$21.5 |
| | | | Special Products | \$52.8 |
| | | | Total Receipts | \$20,931.8 |

Timber sales include the sale of firewood and special products such as boughs and decorative treetops, as well as sales of traditional sawlog and pulpwood products. Ninety-six percent of the volume of timber sold was sold at public auction to allow equal access to the sale process by all segments of the state's society. For the fiscal year, the volume of wood sold from state-administered lands was down 2.6 percent from the prior year (816,100 cords to 794,800 cords) due to agency staffing and physical supply limitations. Volume actually cut (harvested) from valid permits on state lands increased by 1.5 percent. This increase is attributed to a growing dependence on public timber by the state's forest products industry, as the supply of overmature private timber is depleted and federal forest lands continue to contribute less than their proportionate share of merchantable timber. As of June 30, 2005, state timber sale holders had 2 million cords of wood under permit but not harvested. This represents an amount equivalent to well over two years of planned sale quantities from state forest lands. State timber sale permits are normally up to five years in duration. Public timber stumpage prices have been increasing at a rate of 16 percent per year, a trend both good

and bad. It indicates that the state can expect substantial increases in its timber sale revenues in the coming years. However, it also indicates that the state's forest products industry continues to face rising fiber costs, which may contribute to a competitive disadvantage in the world economy they must now operate in. The number of cases of timber trespass on state lands is up significantly, mainly as a result of actions by adjoining private landowners. The department has responded to this by increasing surveillance and enforcement.

Timber Management

Timber management is comprised of activities applied after timber harvest to regenerate harvested stands, as well as activities applied throughout the life of a stand to improve stand composition, structure, and health, and to increase productivity. Timber management is important to ensure a healthy, diverse forest resource and a reliable supply of raw materials for the forest products industry. Timber management activities applied in Fiscal Year 2005 are summarized in the table.

| Activity | Acres |
|---|--------|
| Site Preparation | 4,537 |
| Planting | 5,812 |
| Seeding | 3,899 |
| Protection | 5,465 |
| Release | 1,612 |
| Natural Regeneration | 24,781 |
| Artificial and Natural Regeneration | 34,492 |

Protection of small seedlings from animal damage, particularly white-tailed deer, continues to be the major forest management activity after planting. Effects from damage by animals to newly planted and young stands can require wholesale replants, doubling the cost of some regeneration projects. Protection levels are expected to grow in Fiscal Year 2006.

Seedling planting, primarily of conifers, grew 7 percent from Fiscal Year 2004. This in large part is a response to statutory requirements to regenerate harvested forest land and multi-disciplinary subsection planning.

The state land timber management program adopted a new information system in Fiscal Year 2005. The system facilitates program budget planning, statewide retrieval of timber management projects, and state land regeneration history.