WRITTEN STATEMENT FOR THE RECORD

OF

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BEFORE THE

SUBCOMMITTEE ON DEPARTMENT OPERATIONS, OVERSIGHT, NUTRITION, AND FORESTRY

UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

THE FUTURE OF OUR NATION'S FORESTS

JUNE 3, 2009

Introduction

Thank you Chairman Baca, members of the subcommittee, and Rep. Lummis, for the opportunity to present testimony today.

My name is Jim Neiman, and I am the Vice President and CEO of Neiman Enterprises, Inc. in Hulett, Wyoming. Our family has been in the ranching business for 5 generations and in the forest products business for 3 generations. We currently own and operate three sawmills and one pellet mill in the Black Hills of South Dakota and Wyoming. Our company directly supports about 750 families through our 490 employees and 250 local independent contractors, and those families live in communities throughout the Black Hills. We produce lumber for wholesale and retail markets throughout the United States, plus shop grade lumber for window and door companies. We also sell sawmill by-products, such as bark, sawdust, shavings, and chips for decorative bark, particleboard, pulp and paper, animal bedding, and wood pellets.

I am currently the Vice-President of the Board of Trustees for the University of Wyoming. I also serve on the Board for the Hulett National Bank, Hulett Airport Board, Black Hills Forest Resource Association and Intermountain Forest Association, and am a member of the Federal Timber Purchasers Committee, which is allied with the American Forest and Paper Association. I have also served in the past on the Wyoming Occupational Health and Safety Commission, and the Wyoming Economic Development and Stabilization Board.

Background

I appreciate the Subcommittee's attention to the future of our nation's forests, and I hope my testimony will be helpful to you. My comments are primarily about the future of our nation's national forests. I'm most familiar with the Black Hills National Forest, which straddles the Wyoming – South Dakota border, since our company relies on the Black Hills NF for approximately 75% of our supply of timber. Similarly, many other sawmill owners across the country also depend on local national forests for an important percentage of their timber supply and share my concerns and anxieties about long-term management and health of the national forests.

Case No. 1, the very first timber sale from the national forests, which was sold to Homestake Mining Company in 1899, was located in the Black Hills NF. Since then, the management of the Black Hills NF has been generally very successful. However, the last ten years have been challenging, to say the least. In 1999, Forest Service Chief Dombeck remanded the 1977 forest plan revision, a traumatic event that resulted in no new timber sales for most of FYs 2000 and 2001, and required two forest plan amendments and five years to fix the problems identified in the Chief's decision. In total, the Black Hills NF spent 16 years completing a 10 to 15 year forest plan. Since 2000, forest fires have burned 184,000 acres of the Black Hills NF, and a mountain pine beetle epidemic has festered out of control, affecting 200,000 acres to date, and still killing over 100,000 new trees each year.

Many other national forests have experienced similar, or worse, catastrophic forest fires and insect epidemics. A catastrophic mountain pine beetle epidemic has killed 2 million acres of lodgepole pine trees in Northern Colorado and southern Wyoming. These catastrophes have caused great harm to forest ecosystems, and therefore, cause great hardships to family-owned small businesses like mine.

Both the acreage of forest fires and the number of trees killed by mountain pine beetle are a function of numerous variables. However, the most significant variable, and the one over which we have the most control, is the underlying condition of the forest. Simply put, the problem is there are too many trees competing for a limited amount of water. Reducing the risks of mountain pine beetle in ponderosa pine isn't rocket science. Dr. John Schmid, arguably the world's leading researcher on mountain pine beetle has maintained a series of plots in the Black Hills for years. His bottom-line finding is that the duration and intensity of mountain pine beetle infestations are primarily a function of the number of trees in the stand -- the more trees, the higher the risk of mountain pine beetles. Conversely, thinned stands have a significantly lower risk of mountain pine beetles.

Maintaining a Viable Forest Products Industry as a Management Tool

A healthy forest products industry is critical to achieving long-term forest health objectives on the Black Hills NF, or any national forest. Further, the timber supply from the national forest makes it possible for our company to exist to manage timberlands for private landowners. We have a diverse, integrated forest products industry in the Black Hills. However, the forest products companies depend on the Black Hills NF selling the forest plan Allowable Sales Quantity (ASQ). Unfortunately, the Forest Service has fallen far behind achieving the Black Hills NF forest plan ASQ, with detrimental effects to both the Forest and the forest products companies.

The single most important factor for the viability of existing industry infrastructure is supply of raw material from national forests. Our company relies on the Black Hills National Forest for approximately 75% percent of our sawtimber supply. Without a consistent supply, I cannot justify the investments necessary to keep these facilities on the cutting edge of technology, and expanding my operation into new product utilization avenues to better accommodate forest health programs, including small-diameter trees, becomes completely out of reach.

We need the Forest Service to make up a significant portion of that accumulated ASQ shortfall. The annual growth on the Black Hills National Forest, and virtually every other national forest, is significantly higher than the annual harvest (see Attachment 1). Consequently the overstocking and mountain pine beetle risk are compounded each year by new growth, ultimately leading to even higher risks of mountain pine beetles and fires.

This year, the forest products industry is facing the most challenging period since the Great Depression. Last month, the Western Wood Products Association (WWPA) predicted 2009 lumber demand of just 28.9 billion board feet, down from an all-time high of 64.3 billion board feet in 2005. Home construction and remodeling account for nearly

70% of U.S. lumber consumption. The WWPA forecast was for just 432,000 new home starts in 2009, one-fifth of the 2005 level.

Nationally the forest products industry employs more than one million people directly and ranks among the top ten manufacturing employers in 48 states. Lumber, panel, and pulp and paper mills are frequently the economic hubs of their communities, making the industry's health critical to the economic vitality of countless communities in every region of the country. Frequently, forest products companies provide some of the best, if not the only, full time, year round jobs in rural areas where unemployment often exceeds the national average. The overall effect has been to rob the wood and paper industry of economic value, threatening the viability of a key manufacturing sector while potentially threatening the long-term health of our forests. With the near total collapse of the nation's housing market, our industry has suffered a disproportionate blow in the recent economic crisis. Unemployment in the forest products sector is now estimated at 250,000 to 300,000 jobs, or roughly 20% of our workforce. Even in this reduced condition, the 1.08 million people in various segments of the wood and paper industry represent a larger share of U.S. employment than the automobile industry (828,500 as of November, 2008).

The national forests can help sustain the industry through the downturn by being a reliable supplier of fiber, both for areas dominated by national forest timber and places where private landowners are reluctant to sell into fallen log markets. Losing infrastructure will harm all landowners and make the task of managing the national forests more difficult. I struggle constantly to find some measure of certainty and stability in the Forest Service's long-term management programs. Similarly, each year the Forest Service faces the challenge of planning their programs without certainty about the funding levels they will receive from Congress. In essence, we're trying to manage national forests for fifty to one hundred year rotations based on one-year appropriations, two-year Congressional cycles, and four-year Presidential cycles.

Forest Planning

Incorporating long-term forest health strategies into forest plans is essential. There is no excuse for not incorporating long-term forest health strategies into every forest plan, yet many forest plans have been approved with scant attention to long-term desired conditions that will minimize the risks of fires and insect epidemics, especially when the planning was done during periods of above-average precipitation and below-average mountain pine beetle and fire activity. Over the past decade, the States of Wyoming and South Dakota, along with local counties, have prioritized their involvement in forest planning as Cooperating Agencies, and that has been a very positive development.

Even the best forest plan has little real value if the necessary resources are not available for plan implementation. Adequate funding is a perennial issue. Compared to the costs of fire suppression, rehabilitation and restoration, preventative management is a bargain. I did a cursory analysis of the costs and revenues associated with a recent timber sale on the Black Hills NF that was designed specifically to reduce the risk of forest fires

west of Rapid City. The net project cost, including NEPA and sale preparation expenses minus timber sale revenues, was $260 per acre. Compared to the $901 cost per acre for suppression and rehabilitation for the 2005 Ricco Fire, that investment of $260 per acre looks pretty smart.

Project Implementation

On average, NEPA compliance represents about 50% of the Forest Service's cost of analyzing, preparing and selling a timber sale. The Forest Service's appeals process is still a cumbersome, time consuming and expensive means of resolving issues. If a decision is appealed and remanded, there is no process for the responsible Line Officer to quickly address and repair the flaws; instead, the process requires a new round of analysis, public review and comment, and another appeal period before the modified project can be implemented. This simply cannot happen in less than 6 months.

I am also concerned about the lack of a process that allows prompt salvage of dead trees following a fire or insect epidemic. Prompt salvage of dead trees is the common-sense response that most private landowners would make to utilize the dead trees and start the process of restoration. Salvage of fire-killed trees will also reduce the risk of a re-burn 10 or 20 years into the future, when dead trees have fallen to the ground and become additional fuel. However, salvage of fire-killed trees following a forest fire on the national forests is no longer a routine "next step". In contrast, all of the Forest Service's actions to suppress a fire and implement emergency rehabilitation are designed to move quickly. One suggestion is to allow the Forest Service to consider salvage of fire-killed trees as part of the total response of fire suppression, rehabilitation, and restoration.

The Healthy Forests Restoration Act (HFRA) is working well, although I am concerned that in some instances either the Forest Service is too cautious about using HFRA. The single most helpful feature of the HFRA is the Administrative Review process, which levels the playing field for the Forest Service, and significantly increases the incentives for parties to be a constructive part of the analysis and design process. I would like to see the HFRA Administrative Review process adapted for all projects.

Definition of Biomass

My company is seriously exploring a partnership to construct and operate a $50 million, 19 MW electrical co-generation facility adjacent to our sawmill in Spearfish, SD. The benefits of this facility include:

a) Increasing our nation's supply of renewable energy, thus decreasing our dependency on foreign oil.
b) Utilization of slash from timber sales on the Black Hills NF and private timberlands. About 5,000 large slash piles are created each year, and most of those are burned during the winter months. That generates huge volumes of smoke and carbon, and frankly, wastes a resource.
c) 40 to 50 additional jobs for families in our local community.

I am very concerned about the RES (Renewable Electricity Standard) definition of Biomass. The RFS (Renewable Fuels Standard) definition inexplicably excluded nearly all federal fiber from counting toward renewable biofuels. Unfortunately, HR 2454, the American Climate and Energy Security Act just approved by the House Energy and Commerce Committee is on the verge of repeating this mistake by disqualifying any fiber from Federal lands if it comes from a "mature" forest stand. This would exclude nearly all trees we harvest in the Black Hills.

Similarly, jack pine and aspen forests in the Lake states, mixed oak stands in the Appalachians, and loblolly stands in the Southeastern US are all generally considered mature when harvested. This provision would be devastating and would have the effect of prohibiting most, if not all, Forest Service fiber from being counted as renewable biomass. Considering the unhealthy state of much of the Western forests, and the pressing need to develop additional capacity of renewable energy, this would be a mistake of historic proportions.

My recommendation to the Congress is that slash and other biomass from a national forest timber sale, which conforms to applicable laws, including NFMA and NEPA, and the forest plan, should qualify under the RES.

Biomass Crop Assistance Program

Title IX of the 2008 Farm Bill established the Biomass Crop Assistance Program to support the establishment and production of crops for conversion to bio-energy and to assist with collection, harvest, storage, and transportation of eligible material, including woody biomass, for use in a biomass conversion facility. This program should help support forest products industries that also produce renewable energy, and these industries should qualify for the harvest and transportation assistance support provided by this program. Currently, USDA is still in the early phases of conducting a NEPA analysis on this program. I encourage the Administration to act quickly to complete the regulations and implement this program.

HFRA Biomass Commercial Utilization Grant Program

Similarly, Section 203 of the Healthy Forests Restoration Act authorized $5 million dollars annually for grants to offset the costs incurred to purchase biomass. That grant program would also be very helpful to my company, and other companies, in expanding utilization of woody biomass, and I urge the Congress to re-authorize and fund that grant program.

Housing

The mortgage crisis and subsequent housing market crash helped create the current economic crash. Historically, rebounds in the housing economic rebounds have led our nation out of recessions and economic downturns. The $8,000 Home Buyer Tax Credit authorized by the American Recovery and Reinvestment Act of 2009 is helpful and important, but I would like to see the federal government do more to help. HR 1119, introduced by Rep Lincoln Davis, would expand homebuyer tax credit to all buyers, not just first time homebuyers, and expands it from $8,000 to 3.5% of the limitation

determined under the Federal Home Loan Mortgage Corporation Act. As first time buyers are only about half of the housing market, the credit should be expanded to all purchases of primary residences.

National Forest Advisory Board

In January 2003, the Secretary of Agriculture approved the formation of a National Forest Advisory Board for the Black Hills NF. Fifteen members were subsequently appointed to the Board based on familiarity with national forest issues, ability to represent a particular interest group, and demonstrated skill in working toward mutually beneficial solutions.

The formation of the advisory board was one of the recommendations of an August 2001 Forest Summit, convened by then-Senator Tom Daschle in Rapid City. Since then, the National Forest Advisory Board has become an integral part of the management of the Black Hills NF. The Board's primary duty is to "provide advice and recommendations on a broad range of forest issues such as forest plan revisions or amendments, travel management, forest monitoring and evaluation, and site-specific projects having forestwide implications.

This Advisory Board has made great contributions to management of the Black Hills NF through public airing and constructive discussion of contentious issues by a group representing diverse interests. I believe it could serve as a model for other national forests.

Reforestation

Finally, I'm concerned about the reforestation backlog on the national forests. In April 2005, the GAO reported that national forest reforestation needs are accumulating because of the increased acreage affected by natural disturbances, i.e., forest fires and insect epidemics. The Congress should require the Forest Service to identify reforestation needs, and then develop a strategy to accomplish that reforestation. Reforestation would yield multiple benefits, including water quality, wildlife habitat, and carbon capture and sequestration.

Conclusion

In summary, I want to thank you for the privilege of testifying here today. Management of the national forests is complex and sometimes contentious, and requires capable leadership. My company is committed to sustainable forest management, jobs, families and communities. As I said earlier, I'm the 3rd generation entrusted with running our business, and I started grooming the 4th generation years ago. Of all the variables I deal with, the one that keeps me awake most at nights is the long-term reliability of a national forest timber sale program. Again, I am honored that you asked me to testify today, and I would be delighted to work with Chairman Baca, Representative Lummis, and the Subcommittee in finding solutions to the many issues discussed here today.