

Update on Implementation of Annosum Root Rot Treatment Guide for State Lands (DRAFT)

Wisconsin Council on Forestry Issue Brief

Author: Kyoko Scanlon

Date Presented: March 19, 2013

Presenter: Kyoko Scanlon

The proposed guide to determine whether the fungicide treatment should be considered on state lands was presented at the Council meetings on September 27, 2012 and January 31, 2013. At the Council meeting in January, the Council provided the WI DNR with recommendations on specific issues in order to finalize the guide, and advised the WI DNR to move forward with implementing the guide in a timely manner. Based on the input from the Council and written comments from the public and partners, the State Forester approved the final guide and the WI DNR is in the process of implementing the guide. At this meeting, timelines for the steps to implement the guide and the current status of the implementation process will be presented. Options to improve the procedure to include fungicide treatment on state timber sale bids will also be discussed.

Expected Outcome:

The Council on Forestry members are being informed of the timelines for implementation of the guide and the current status in the implementation process. Council members and those they represent are being asked to provide, by mid-April, feedback on the options presented regarding the timber sale bidding process.

Introduction and Background:

Annosum root rot, caused by the fungus *Heterobasidion irregulare*, was first confirmed in Wisconsin in 1993 and is currently found in 23 counties. It is considered one of the most destructive diseases of conifers in the temperate regions of the world. Prevention of this disease is best because once it exists in an area, it is difficult to control. Many tree species can be hosts, but in Wisconsin, red and white pine plantations have been impacted by the disease most significantly.

In an effort to balance the future health of the pine resource with our ability to harvest the existing resource efficiently, a risk-based guide for fungicide treatment was proposed. At the last meeting in January 2013, the Council provided the WI DNR with recommendations to finalize the guide. The final guide was approved by the State Forester and the WI DNR is in the process of implementing the guide on state lands.

At the last Council meeting, members recommended that the WI DNR explore options to include fungicide treatment on state timber sales in a way that treatment cost will be paid by the party who will benefit from the treatment (State of Wisconsin) not by loggers. Under the current system, the cost of treatment has been included in the total amount of a timber sale bid. Although the state understands that the bid price should be lower due to the inclusion of the cost of treatment, due to the competitive nature of bidding, purchasers feel pressure to not reduce bid prices in order to win bids and thus the cost of treatment appears to be absorbed by the purchaser of the timber sale

(contractor, logger). A new approach to address this issue is desired so as to separate the financial burden of the treatment from the timber sale bid system.

More information about the disease, the proposed guide, and a compilation of all written comments are available on-line at <http://dnr.wi.gov/>. The key word is “annosum”.

1. Timelines for annosum treatment guide implementation

Target implementation date: May 1, 2013

Task	Time frame	Completed by
Develop the final guide document to be approved by the State Forester	February	February
Update a website for the guide including interactive treatment guide and township-level treatment radius info. (Work with Colleen Robinson-Klug and Scott Huelsman)	Feb – March	Late March
Add responses to the compiled list of all written comments that were received from the public/partners through comment solicitation periods, and post the file on-line	March	Late March
A letter will be sent from the state forester to external partners about the finalized guide and the guidance for implementation	March	Late March
A memo will be sent from the state forester to all DNR supervisors/forestry staff about the guide and the guidance for implementation	March	Late March
Develop a plan/procedure to monitor how well the guide is implemented on state lands	March	Late March
Explore a procedure to improve bidding process to separate treatment cost from timber sale bid	Feb-March	Early April
Develop a timber sale contract template	Feb-March	Early April
Assist DNR property managers with implementation of the guide	March - throughout the year	Continue to 2014
Continue outreach efforts about the guide through meetings (e.g. Cooperating forester meeting: 3/28, regional forestry meetings, WWOA meetings, etc.)	March - throughout the year	Continue to 2014
Contact State Forest staff to survey for success and issues associated with implementation of the guide	August	August
Annosum committee will review the guide and recommend revisions to the state forester	March-May 2015	May 2015

2. Options to include fungicide treatment on state timber sales in a way that treatment cost will be paid by the party who will benefit from the treatment (State of Wisconsin) not by loggers.

Option 1: A certain amount (e.g. \$4/cord) will be automatically deducted from the bid price whether the treatment was conducted or not on timber sales requiring treatment.

Pro

- The cost of fungicide treatment will be mostly compensated on a per volume basis.

Cons

- Due to the competitive nature of the bid system, realistically the amount deducted will likely be factored into bid.

- If the treatment was not conducted because cutting was done during the winter periods (in general 12/1-3/31), the state would have deducted more than needed, thus it will be a financial loss to state revenue.

Option 2: A certain amount (e.g. \$4/cord) will be deducted from the required payment for stumpage harvested during the period when treatment was required (in general 4/1-11/30).

Pro

- The cost of fungicide treatment will be mostly compensated on a per volume basis during the time the treatment was conducted.

Cons

- Due to the competitive nature of the bid system, realistically this potential reduction will be considered in purchaser's bids, based on when bidder plans to harvest the sale area, and it will be factored into their bid price similar to Option 1.
- It will be difficult to estimate or calculate the volume of wood that was treated for timber sales harvested around the beginning and end of the period of time when treatment is required. For scaled sales foresters can track when volumes of wood that was either field scaled or hauled for mill scale on specific dates; however, this would not be an accurate reflection of the day of harvest. For lump sum sales there is no specific tracking of volumes at all and would present similar challenges if cut at the beginning or end of the required treatment time.
- For lump sum sales, since actual cut volumes are not reported, the reduction would need to be based on estimated volumes, and not based on the volume actually harvested & treated.
- It will be additional work for DNR forester to estimate the volume of wood that was treated

Option 3: Each bidder will submit two bids; one for stumpage per unit of volume, and the other for treatment per unit of volume. If harvest occurs during the time of the year that treatment is required the purchaser would pay only the rate bid for stumpage. If harvest occurs during the time of the year that treatment is not required the purchaser would be required to pay the stumpage and treatment rate. *(The inverse could also be done where by the bidder would provide a stumpage plus treatment bid and just a treatment bid, and then the treatment dollar amount would be deducted when treatments were required).

Pro

- The cost of treatment will be recognized by separating it from stumpage bid.
- The variability in the cost of treatment between contractors will be recognized and can be reflected in their bid prices for treatment.

Cons

- It will require additional consideration by the bidders to provide two bids.
- Due to the competitive nature of the bid system, realistically this potential differentiation of costs (stumpage vs. treatment) will be considered in purchaser's bids, based on when bidder plans to harvest the sale area and the expected treatment cost, and it will be factored into their bid price similar to Option 1.
- It will be difficult to determine how to award sales to high bidders. The bid could be awarded to the high bidder based on stumpage bid alone or based on stumpage bid plus treatment bid – but there is potential for exploiting such a system (i.e. bidding more or less than what

the actual expected treatment costs would be) and after awarding to the high bidder – the purchaser would likely decide when to harvest based on what they bid for treatment costs.

- It will be difficult to estimate or calculate the volume of wood that was not treated for timber sales harvested around the beginning and end of the period of time when treatment is required. For scaled sales foresters can track when volumes of wood that was either field scaled or hauled for mill scale on specific dates; however, this would not be an accurate reflection of the day of harvest. For lump sum sales there is no specific tracking of volumes at all and would present similar challenges if cut at the beginning or end of the required treatment time.
- For lump sum sales, since actual cut volumes are not reported, the treatment cost would need to be based on estimated volumes, and not based on the volume actually harvested & not treated.
- It will be additional work for DNR forester to estimate the volume of wood that was not treated.
- This option has both the most complexity as it relates to tracking treated vs. non-treated volumes and adds additional complexity of how to calculate/award high bids.

Option 4: The cost of treatment will be included in the total amount of a timber sale bid (current method). The state will understand that the bid price will be lower due to the inclusion of the cost of treatment. Note: There will be a required prospectus inclusion in the timber sale book that acknowledges that there is cost associated with the treatment that should be factored into bids; such as, “The cost of this application can vary based on application method and harvest conditions, but should be considered when submitting bids on these timber sales”. This statement will be included in timber sale bid prospectuses.

Pros

- It will be consistent with other required tasks that may be included in a timber sale prospectus, such as installing a culvert, developing roads and skid trails, and other factors that might reduce the stumpage value (i.e. seasonal restrictions, difficult access, etc.).
- No additional adjustment or paperwork will be needed as market will adjust itself eventually once logging communities have a good idea about how much the treatment costs are and add the appropriate amount for the cost to the bid price.

Con

- Currently, the cost of treatment appears to be absorbed by the purchaser of the timber sale (contractor, logger). Cost for treatment should be considered and deducted from bid values; however, due to the competitive nature of bidding, purchasers feel pressure to not reduce bid prices in order to win bids.

Supplemental Options

One or more of these options can be combined with or may be implemented independently from one of the above-mentioned options to further reduce financial burdens on the purchaser (contractor, logger).

Supplemental option A: Chemicals (and/or backpack spray equipment) that will be needed for treatment will be provided by the state

Pros

- The logger will not have to pay for the cost of chemicals, dye, etc., thus the burden of treatment cost will be reduced.
- If mechanically treated this represents a significant portion of the cost of treatment.

Cons

- If manually treated, the majority of the cost for treatment is labor, thus only a small portion of the cost will be paid by state.
- Additional time and expense will be required for the state to purchase, maintain, and distribute any chemicals to purchasers.
- It will be difficult to track the amount of chemicals provided and who it should be provided to (contractors vs. pesticide applicators).

Supplemental option B: Partial or full expense of spray attachment to a processor will be reimbursed through a grant.

Pro

- The financial burden of investing in spray attachment by a logger will be reduced.

Cons

- Currently there is no grant that offers such a reimbursement.
- It may be considered unfair by loggers who already purchased the spray attachment.
- A grant for purchase of equipment may or may not be of direct benefit to the state – depending on the degree to which that equipment is used for treatment on state timber sales.