

WRITTEN STATEMENT FOR THE RECORD

OF

JIM D. NEIMAN

NEIMAN ENTERPRISES, INC.

HULETT, WYOMING

BEFORE THE

COMMITTEE ON AGRICULTURE

UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

UNITED STATES AGRICULTURE POLICY
REGARDING THE NATIONAL FORESTS

MAY 18, 2010

Introduction

Thank you Chairman Peterson, Representative Herseth Sandlin, Representative Lummis, and members of the subcommittee for the opportunity to testify today.

My name is Jim Neiman, and I am the Vice President and CEO of Neiman Enterprises, Inc. I am also the President of the Board of Trustees for the University of Wyoming, plus I serve on the Board of the Hulett National Bank, the Hulett Airport, the Black Hills Forest Resource Association, and the Intermountain Forest Association.

My 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 700 Black Hills families through our 475 employees and 250 independent contractors. 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.

Background

I appreciate the Committee's attention to the future of our nation's forests. Our company relies on the Black Hills National Forest, which straddles the Wyoming – South Dakota border, for approximately 75% of our timber supply. The remainder of our timber comes from federal, state and private timberlands in South Dakota, Wyoming, Montana and Nebraska.

The very first timber sale from the national forests, Case No. 1, was sold to Homestake Mining Company in 1899 from the Black Hills NF near Nemo, South Dakota. 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 1997 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 exploded, affecting 396,000 acres to date.

The mountain pine beetle epidemic is a function of numerous variables. The most significant variable, and the one over which we have the most control, is the underlying condition of the forest. Simply put, there are too many trees competing for finite resources. 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 beetles, has maintained a series of plots in the Black Hills for nearly 25 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. 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 that depends heavily on the Black Hills NF selling the Allowable Sales Quantity (ASQ) established in the forest plan. Unfortunately, the Forest Service has fallen far short of achieving the ASQ, with detrimental effects to both the Forest and the forest products companies.

The single most important factor affecting the viability of our company is the supply of timber sales from the Black Hills NF. Without a consistent, predictable supply of timber sales from the Black Hills NF, I cannot justify the investments to keep our mills on the cutting edge of technology, or expanding into new products that will better utilize small-diameter trees and help to achieve forest health objectives.

The annual growth on the Black Hills National Forest, and virtually every other national forest, is significantly higher than the annual harvest (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.

2009 was the most challenging year for the forest products industry since the Great Depression. The Western Wood Products Association (WWPA) recently predicted 2010 lumber demand of 32.9 billion board feet, an increase from 2009 levels, but far below the all-time high of 64.3 billion board feet in 2005. Home construction and remodeling account for nearly 70% of U.S. lumber consumption. WWPA recently predicted 618,000 housing starts in 2010, an increase from 2009, but only about one-third of the 2005 level.

The national forests can help sustain the industry 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 depressed log markets. Losing infrastructure will harm all landowners and make the task of managing the national forests more difficult. The Forest Service would better serve rural communities if they would recognize the connection between the timber program and jobs. A conservative estimate of jobs created per 1 million board feet of timber harvested is 11.4 direct and indirect jobs.

Forest Planning and Implementation

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. Over the past decade, the States of South Dakota and Wyoming, 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. 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.

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. The President's 2011 Budget contains a proposal for a pre-decisional Objection Process, and I urge the Committee to strongly endorse that approach.

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 in some instances the Forest Service appears to be too cautious about using HFRA. In particular, the HFRA Administrative Review process significantly increases the incentives for parties to be a constructive part of the analysis and design process. Recently, Representative Herseth Sandlin introduced HR 4233, which expands the federal lands on which hazardous fuel reduction projects can be conducted, and adds protection of infrastructure in rural communities as an additional purpose of the Healthy Forest Restoration Act. I believe those amendments would be very helpful.

The Forest Service needs adequate funding as well as accountability. The net effect of the creation of a new 'Integrated Resource Restoration' account in the FY 2011 President's Budget may be to change the predictability and accountability for these funds. If adopted as proposed, the outputs will become 'acres treated' rather than targets for sawtimber. This 'acres treated' number is difficult to plug in a business plan and take to the bank. The only language related to targets in the 2011 budget *reduced* outputs from 2.5 to 2.4 billion board feet, nationally. Increasing the FY 2011 Forest Products line item

by \$57 million over the FY 2010 level would increase the Forest Service's timber harvest level to 3.0 billion board feet, thus creating 6,600 new jobs while simultaneously improving the health of the national forests and reducing the potential for catastrophic fires.

On a related issue, three weeks ago, Representatives Herseth Sandlin, Lummis and eight other members of Congress sent a letter to Secretary Vilsack stating that 'the bark beetle epidemics warrant an emergency response' and requesting that the Secretary 'develop a comprehensive and proactive strategy for responding to the bark beetle epidemics', including scope of work, estimated costs and sources of funds. I urge you to support that request.

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.

The definition of Renewable Biomass in the Renewable Electricity Standard (RES) is critical. The Renewable Fuels Standard (RFS) definition excluded nearly all woody biomass from federal lands from counting toward renewable biofuels. HR 2454, the American Climate and Energy Security Act passed by the House last year contains so many restrictions on federal woody biomass that it may prove to be unworkable. My recommendation to Congress is that any woody biomass from the national forests, which conforms to applicable laws, including NFMA and NEPA, and the forest plan, should qualify as renewable biomass under the RES.

Biomass Crop Assistance Program

Title IX of the 2008 Farm Bill established the Biomass Crop Assistance Program (BCAP) 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 well-intended program didn't help companies that weren't already in the biomass business and in some cases diverted raw materials from panel manufacturers to biomass co-generation facilities. I am concerned that BCAP disrupts the vital relationship between existing infrastructure and national forest management. Using programs designed to encourage green jobs to create new companies has the unintended consequence of generating new competition against the primary infrastructure our forest managers depend on – for land management, hazardous fuel reduction, removal of beetle-killed timber, and other important forest health restoration goals. At a time when lumber prices are at historic

lows and threaten the stability of what little industry remains, these programs could hasten the decline of our most vital management tool.

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.

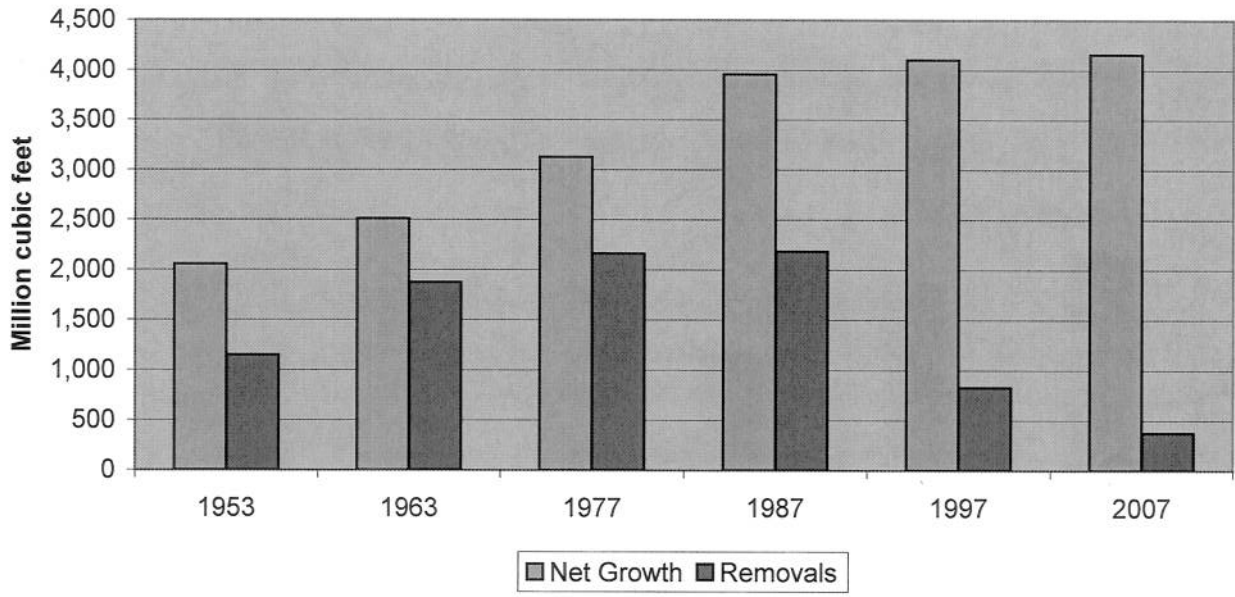
Reforestation

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. I would like to see Congress 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 Peterson, Representative Herseth Sandlin, and the Committee in finding solutions to the many issues discussed here today.

National Forest Growth and Removals All National Forest Timberlands - 1953-2007



Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Jim D. Neiman
2. BusinessAddress: P. O. Box 218
Hulett, WY 82720
3. Business Phone Number: 307-467-5252
4. Organization you represent: Black Hills Forest Resource Association
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Owner of Neiman Enterprises, Inc which is a 3rd generation
family owned business that owns lumber manufacturing facilities
in Hulett, WY, Hill City, SD and Spearfish, SD.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
Bachelor of Science - University of Wyoming 1974
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
Board of Directors and Secretary/Treasurer for
Black Hills Forest Resource Association

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Jim D. Neiman

Address: P. O. Box 218, Hulett, WY 82720

Telephone: 307-467-5252

Organization you represent (if any): _____

Black Hills Forest Resource Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: _____

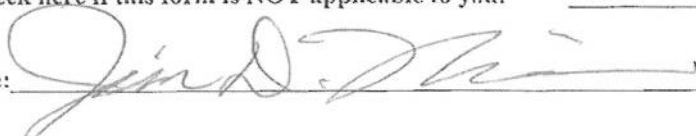
Source: N/A Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: N/A Amount: _____

Source: N/A Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: 

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.