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M E M O R A N D U M

TO: The Act 47 Commission

FROM: Commissioner Michael C. Snyder and Deputy Commissioner Samuel Lincoln

DATE: December 8, 2017

SUBJECT: Forest Products Processing and Act 250

The Act 250 vision has benefited Vermonters and their landscape in incalculable ways. Working agricultural and forest land comprise the clear majority of that landscape. This land produces commodities that must have value added through processing as they make their way to the consumer. Increasing value is what differentiates our rural economy from the subsistence way of life of our ancestors and the revenue created enables land ownership, employment and investment in the best practices of today and the future. While the benefits of Act 250 are commonly understood, particularly its intent to conserve working land in the largest blocks possible, there are some trends in our environment and forest economy that warrant the Act 47 Commission's evaluation in planning for the next 50 years.

Healthy forests provide ecological services and cultural benefits that can't be outsourced, and timber harvesting is an important tool in managing healthy forests. The Use Value Appraisal program, with 2,000,000 acres of Vermont's forestland enrolled, reduces the tax burden on working land and as a tradeoff, forest management activity is required to remain eligible for the program. Often these plans call for the harvesting of low-grade wood and in Vermont, approximately 72% of the annual timber harvest is low-grade. When trees are harvested as part of a sustainable plan and best practices, they immediately enter a global marketplace where prices are set based on demand and the lowest cost of doing business. Globalization is changing where and how forest products are sourced. In 2015, Maine lost 35-40% of the market for its paper mill output in a short period, which has sent shockwaves through Vermont's forest economy that was heavily dependent on this market for low-grade forest products. It will be beneficial to Vermont's environment, land ownership patterns and economy to bolster existing markets and develop and incentivize new markets for forest products, creating opportunities and investing in facilities within our state, using the local food movement as an example.

Table 1. shows that Vermont has significantly fewer markets for forest products when compared to the region. We must truck our products greater distances to markets. This creates

a financial disadvantage, more miles driven on more roads, burns more fossil fuels and reduces employment and economic opportunity. When comparing the number of sawmills, it is worth noting that some individual mill sites just across the New England border in Quebec have annual output that is 150% of the output of Vermont’s mills combined and a large individual size difference is prevalent when comparing Vermont with the northeast. Other governments have targeted this industry and these facilities with favorable policies for the value that they provide. Where Vermont has been a leader is in our use of wood for thermal energy. Nearly one third of all Vermont students attend a school heated by wood and our homes, institutions and businesses continue to invest in advanced wood heat systems. Unfortunately, an emerging trend is that schools and institutions are choosing lower cost wood delivered from nearby states with a lower cost of doing business, also suffering from the market collapse.

Table 1. Sawmills, Paper Mills, Pellet Mills and Biomass Plants Purchasing Raw Forest Products*

	Sawmills	Paper and Clean Chip Mills	Pellet Mills	Biomass Electricity Plants
Maine	42	6	5	6
New Hampshire	49	6	3	8
New York	77	2	8	3
Pennsylvania	82	7	11	2
Quebec	131	6	8	7
Vermont	19	0	1	2

Compiled from the most recent data available from each region. *Sawmills using over 1 million board feet annually.

Working lands operations are weather dependent. The harvesting and delivery of forest products must take place when the ground conditions are suitable for heavy equipment, typically meaning dry or frozen conditions. As our climate changes, these conditions are less prevalent or predictable, which creates short windows in which site conditions and available markets must be paired. An adage that is ingrained in the culture of those that work the land is to “make hay when the sun shines” and working hard when the conditions are right is critical to environmental responsibility and fulfilling obligations to landowners, employees and lenders. Working lands business owners are particularly sensitive to this as they implement changes in practices to enhance the protection of water quality and account for the significant cost of overhead in these businesses.

These trends intersect with Act 250 in jurisdiction and permit conditions. Logging in Vermont’s forests below 2,500’ is exempt from Act 250 but recently, small forest products processing facilities have triggered Act 250 permitting and some of them have been in existence for decades as part of the continuum and value chain in the forest products industry. A different set of jurisdictional triggers and expedited permitting for these operations may better reflect their similarity to maple and agricultural commodity production, which are not under the jurisdiction of Act 250. Rural municipalities are implementing zones that allow for local review of “rural industrial processing” that give parameters for permitting agricultural and forest products processing. A forest products processing operation in one town may need to

simply get a permit from the Zoning Administrator and/or Development Review Board and the same operation cut and pasted into a neighboring town may need a complete Act 250 permit.

In some cases, owners of sawmills, firewood processing and wood chip producing operations experience Act 250 permit conditions that do not reflect an understanding of the limitations they place on the ability of these businesses to operate in a changing environment. Hours of operation and truck traffic are primary concerns as these businesses receive raw materials that must be removed from the forest and hauled on gravel roads when appropriate frozen or dry conditions prevail or deliver wood energy products to customers, and this is often at night or can be on weekends or holidays for which these applicants have found themselves limited in permit conditions and concerned that they must make choices between operating their business or violating those permit conditions.

Criterion 9 (B), Primary agricultural soils, has been a challenge for some operations as they are typically sited in rural areas and outgrowths and diversifications of farming operations. The existence of a processing business on a small acreage sustains an incalculably greater magnitude of working and undeveloped acres. We ask the Commission to consider a different standard and review of 9(B) for applicants who will process working lands commodities (farm and forest derived) to create an incentive and an acknowledgement that these operations have always existed to perpetuate a land use that is enabling and complimentary of the Act 250 vision.

Working lands create many of the iconic vistas that the world comes here to enjoy, photograph, recreate on and purchase the goods that they produce. The world is also choosing to source lower cost goods that are not produced under the high standards Vermonters have set for those who work the land. If we expect business owners to be there to work the land for the next 50 years and uphold standards we have set for land use, we must ensure they can remain economically and logistically viable and objectively evaluate their historical contribution and role in what we envision Vermont's landscape and culture to be in the future.