



State Forest Nursery Program 2018 Legislative Report

04/10/2019

Department of Natural Resources
Division of Forestry, State Forest Nursery
13885 MN-64
Akeley, MN 56433
(218-652-2385)
kristina.somes@state.mn.us
dnr.state.mn.us/forestry/nursery

As requested by Minnesota Statute 3.197: This report cost approximately \$1,200 to prepare, including staff time, printing, and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, Braille, or audio recording. Printed on recycled paper.

Statutory Reference

Minnesota Statutes, section 89.37

PRODUCING AND PROCURING PLANTING STOCK

Subd. 4. **Annual report.** The commissioner (of natural resources) shall submit an annual report to the legislature (by April 15 of each year) relating to the production of planting stock at state nurseries. The report must include the following: sale figures; income figures; and expenses for operations and administration.

Minnesota Statutes, section 3.197

Required Reports

A report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

State Forest Nursery Program 2018 Legislative Report1

 Fiscal Year 2018 Executive Summary4

 Introduction – State Forest Nursery Program, Division of Forestry5

 Sales and Production Summary, Fiscal Year 20185

 Table 1: Seedlings Produced, Purchased, and Sold by the State Forest Nursery6

 Figure 1: Seedlings Produced, Purchased, and Sold by the State Forest Nursery6

 Table 2: Seedling Distribution7

 Figure 2: Seedling Distribution7

 Table 3: Seedling Types8

 Figure 3: Seedling Types8

 Table 4: Summary of Sales by Species and Producer, FY20189

Basis of Accounting..... 10

Appendices 11

 Appendix 1: Statement of Revenues and Costs, State Forest Nursery Account, FY2018 11

 Appendix 2: Cash Receipts and Expenditures, State Forest Nursery Account, FY2018 12

 Appendix 3: Accounts Receivable Reconciliation, State Forest Nursery Account, FY2018..... 13

 Appendix 4: Ten-Year Summary Analysis of Cash Flow FY2009-2018..... 14

 Appendix 5: Allotments within Appropriation Report 15

Fiscal Year 2018 Executive Summary

The Minnesota State Forest Nursery, located ten miles south of Akeley in the Badoura State Forest, sold 3.47 million tree and shrub seedlings in Fiscal Year 2018. This is an increase of approximately 275,000 seedlings from FY2017. Planting on public lands—which include state, county, and federal—accounted for 62.5 percent of total sales, or 2,170,750 seedlings. Private and industrial landowners comprised the remaining 37.5 percent of sales, or 1,306,470 seedlings.

The Nursery performed additional testing following a 2016 *Diplodia* outbreak and provided healthy red pine seedlings for sale in FY2018. *Diplodia* is a naturally occurring fungus that causes shoot blight and mortality in conifers, especially pines with bunches of needles in twos and threes (ex. red pine).

In FY2018, Nursery receipts totaled \$1,583,790.20 and expenditures totaled \$1,522,103.69 (Appendices 1 and 2). Accounts receivable as of June 30, 2018 totaled \$53,990.35 (Appendix 3). Expenditures were reduced by more than \$400,000 from FY2017 (Appendix 4) by closely monitoring purchases and staffing levels in addition to making cost-effective operational changes. The Nursery will continue reviewing staffing needs and implementing cost saving measures to ensure operational efficiencies.

The Nursery implemented price increases on both seed and seedlings in FY2018. Increases varied by species and quantity ordered. Price changes ranged from one cent (3.5 percent) to 32 cents (33 percent) per seedling. Seed prices for all species except white cedar were increased by 25 percent per pound. In addition, per ounce rates were introduced for small quantities of seed. No price increases are anticipated in FY2019.

In FY2018, the Nursery implemented a new technique for extracting seed from cones and began a significant staff reorganization to reduce costs and fill skill gaps. In FY2019, the Nursery will continue to make changes in operations to increase effectiveness as well as improve energy efficiency.

The FY2018 year-end balance forward in the State Forest Nursery Account is \$1,523,366.68 (Appendix 5). This amount is anticipated to be adequate to maintain the self-sufficiency of the Nursery program in FY2019.

Introduction – State Forest Nursery Program, Division of Forestry

The Minnesota State Forest Nursery program began producing conservation-grade seedlings for reforestation in the early 1930s, with more than one billion seedlings produced and planted by 2009. Through 2018, public land managers and private landowners have purchased and planted more than 1.047 billion seedlings.

Minnesota Statutes, section 89.36, subd.1, requires the Nursery to limit its production to not more than 10 million seedlings each year. In addition to producing seedlings, the Nursery has purchased between 100,000 and one million seedlings each year from private producers for resale. Seedlings purchased from the Nursery must be used to establish or reforest wood lots, windbreaks, and shelterbelts or for erosion control, soil and water conservation, environmental education, or permanent food and cover for wildlife.



Our mission is to produce bare-root seedlings that are Minnesota-hardy, high quality, and reasonably priced for public and private landowners. We are dedicated to helping protect the sustainability of Minnesota's diverse forest resources and continuing our state's proud tree planting heritage.

State Forest Nursery Mission Statement

Sales and Production Summary, Fiscal Year 2018

In Fiscal Year 2018, the State Forest Nursery shipped 3,477,220 trees and shrubs. Of that number, the Nursery produced 3,297,170 seedlings; 180,050 originated from licensed private producers or trades with other state or federal governments. Tables 1 through 4 and figures 1 through 3 provide detailed information on the Nursery production and sales.

Table 1: Seedlings Produced, Purchased, and Sold by the State Forest Nursery

	Number	Percent
Seedlings Produced and Sold by the State Forest Nursery	3,297,170	94.8
Seedlings Traded and/or Purchased and Sold by the State Forest Nursery	180,050	5.2
TOTAL	3,477,220	100

Figure 1: Seedlings Produced, Purchased, and Sold by the State Forest Nursery

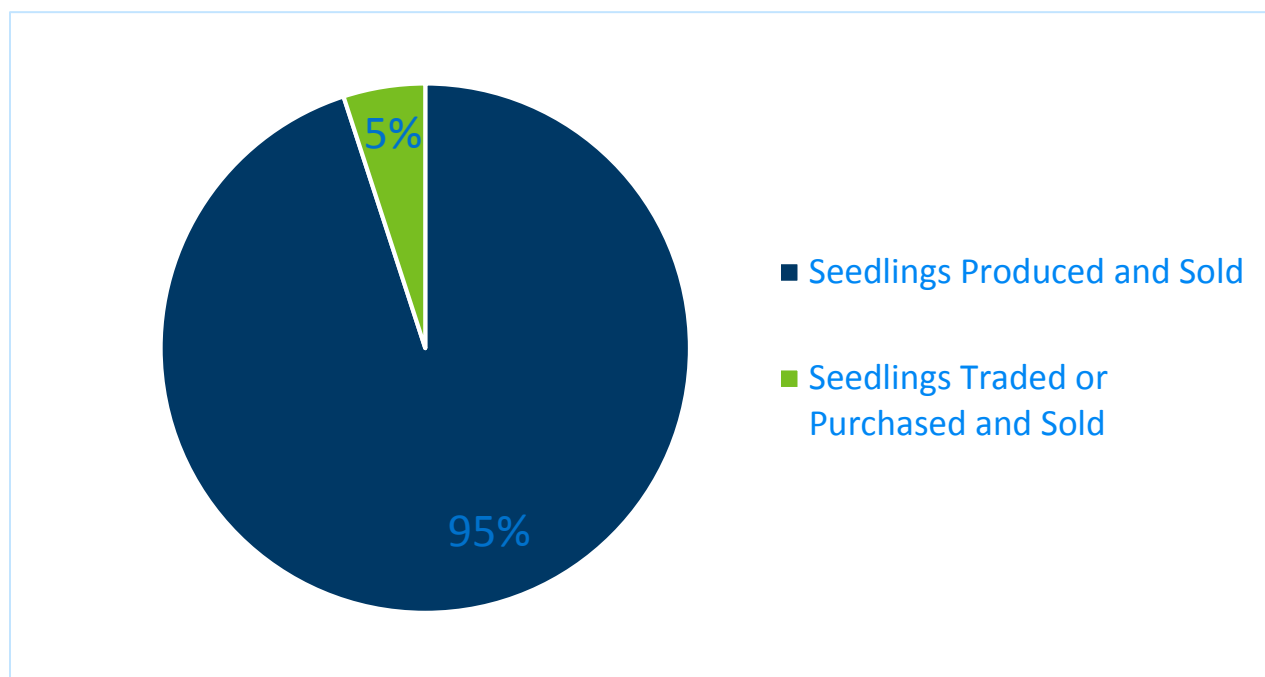


Table 2: Seedling Distribution

Type	Number	Percent
Seedlings Sold to Public Lands	1,636,050	47
Seedlings Sold to Private Lands	1,841,170	53
TOTAL	3,477,220	100

Figure 2: Seedling Distribution

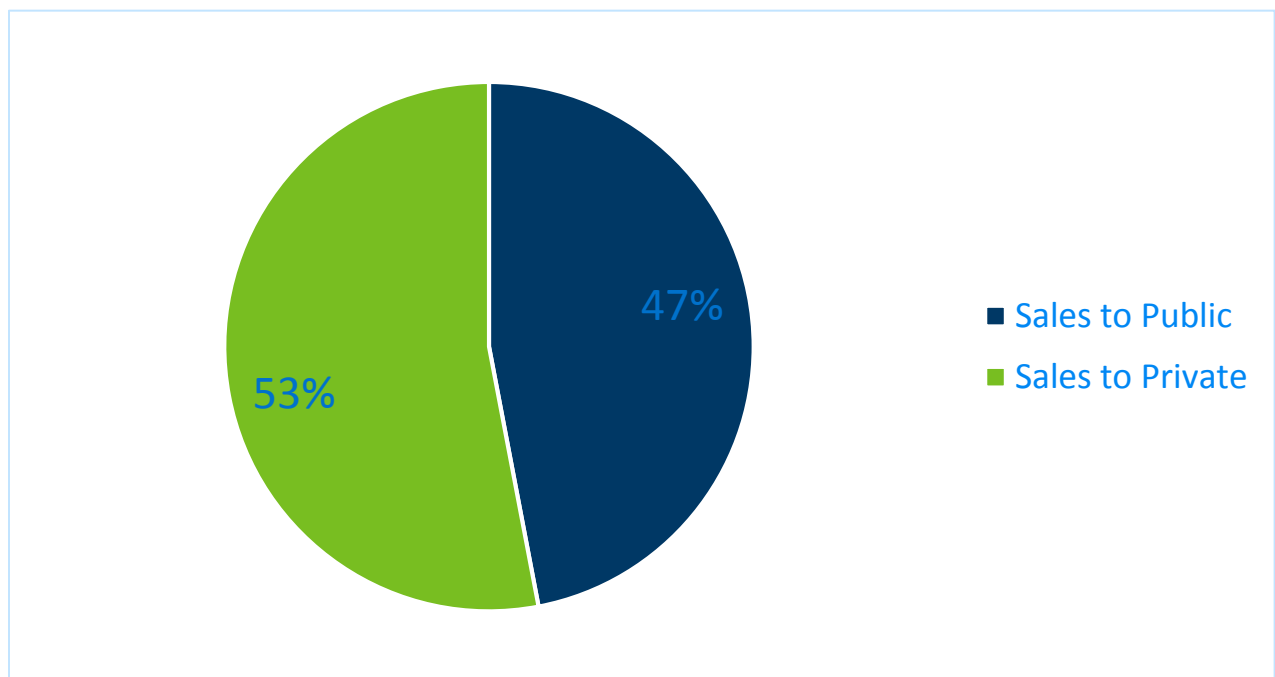


Table 3: Seedling Types

Type	Number	Percent
Coniferous (Evergreens)	2,910,200	84
Deciduous (Hardwoods)	494,745	14
Deciduous Shrubs	72,275	2
TOTAL	3,477,220	100

Figure 3: Seedling Types

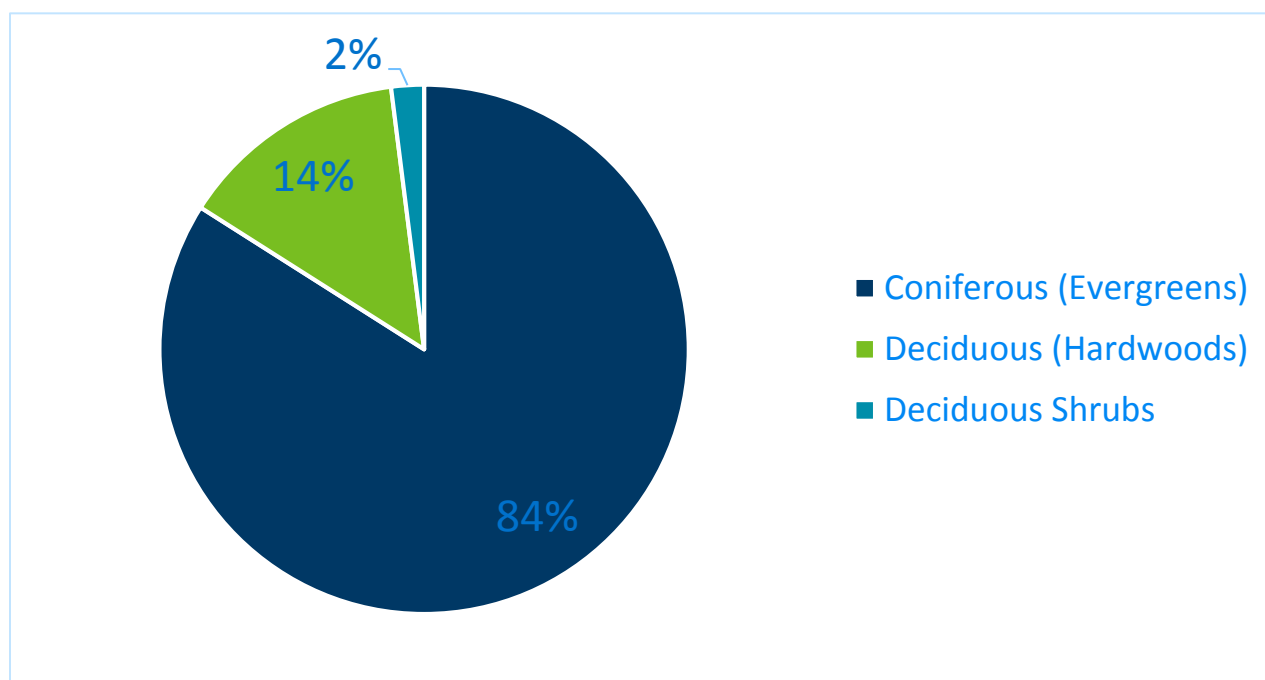


Table 4: Summary of Sales by Species and Producer, FY2018

Product	State-produced Seedlings	Purchased/Traded Seedlings	Total Seedlings Shipped
NORWAY PINE SMALL	168,600	0	168,600
NORWAY PINE 6"+	713,850	0	713,850
NORWAY PINE TR	69,800	0	69,800
WHITE PINE SMALL	35,000	0	35,000
WHITE PINE 5"+	381,000	24,000	405,000
WHITE PINE TR	50,950	0	50,950
JACK PINE	523,350	0	523,350
JACK PINE IMP	260,000	0	260,000
WHITE SPRUCE 5"+	356,900	0	356,900
WHITE SPRUCE IMP	69,300	0	69,300
WHITE SPRUCE TR	56,100	0	56,100
BLACK SPRUCE IMP	52,100	0	52,100
BLACK SPRUCE TR	4,150	0	4,150
TAMARACK	39,000	0	39,000
BALSAM FIR	50,400	0	50,400
BALSAM FIR TR	7,200	0	7,200
WHITE CEDAR TR	5,100	0	5,100
WHITE CEDAR	44,400	0	44,400
RED OAK	180,525	49,800	230,325
BUR OAK	65,670	0	65,670
WHITE OAK	37,450	8,000	45,450
MIXED OAK	3,500	0	3,500
SWAMP WHITE OAK	15,900	2,000	17,900
SILVER MAPLE	29,400	0	29,400
RED MAPLE	23,100	0	23,100
YELLOW BIRCH	3,500	0	3,500
KENTUCKY COFFEETREE	900	0	900
PAPER BIRCH	0	1,000	1,000
BITTERNUT HICKORY	925	0	925
SIOUXLAND POPLAR	11,500	0	11,500
COTTONWOOD	11,450	0	11,450
BLACK WALNUT	21,125	19,500	40,625
BUTTERNUT	1,600	0	1,600
TREMBLING ASPEN	1,500	2,400	3,900
HACKBERRY	0	4,000	4,000
PIN CHERRY	1,100	0	1,100
CHOKECHERRY	0	11,300	11,300
JUNEBERRY	0	5,500	5,500
WILD PLUM	0	22,950	22,950
HIGH BUSH CRANBERRY	0	6,500	6,500
RED OSIER DOGWOOD	0	23,100	23,100
CRABAPPLE	825	0	825
TOTAL	3,297,170	180,050	3,477,220

Basis of Accounting

The State Forest Nursery program is fiscally self-sufficient so that, over time, revenues cover expenditures. The Nursery incurs costs in each year of seedling production. Production can take up to five years for some seedlings, with 70 percent of total production cost incurred in the final year for lifting, packing, and shipping. Fiscal-year sales are defined as the revenues from seedlings *delivered* to customers between July 1 and June 30. Reported fiscal-year costs are the production costs for all of the seedlings in inventory, not just for seedlings that were sold. Additionally, the Nursery purchases a limited number of seedlings for resale from outside sources to create unique wildlife habitat packages or meet demand. A surplus or deficit may occur in a given year but, over time, revenues and expenditures must balance.

The amount of cash receipts in the state accounting system (SWIFT) does not equal sales for the fiscal year. This is because the Nursery does not receive all payments for seedlings sold in the spring by the close of the fiscal year on June 30. Therefore, the Nursery carries a receivables balance into the new fiscal year.

As indicated in state statute, up to \$250,000 per year from the State Forest Nursery Account is available for forestry education and technical assistance.

In FY2018, the State Forest Nursery Account did not expend any monies for forestry education or technical assistance.

Statutory guidance and authority for the Nursery is found in *Minnesota Statutes*, sections 89.35-89.37.

Appendices

Appendix 1: Statement of Revenues and Costs, State Forest Nursery Account, FY2018

Revenues	Amount
Total Sales FY2018	1,661,413.12
Adjustments*	(63,680.88)
Investment Income	17,389.22
Total Revenues	1,615,121.46
Costs	Amount
Salary and Other Compensation	1,012,508.11
Supplies and Expenses	501,388.77
Equipment and Capital Improvements	0.00
Other Costs	8,206.81
Total Costs	1,522,103.69
Revenues Minus Costs	93,017.77

*Adjustments are used to cancel and/or correct invoice amounts and write-offs (e.g., people canceling or changing their seedling order amounts)

Appendix 2: Cash Receipts and Expenditures, State Forest Nursery Account, FY2018

Description	Amount
Balance Forward – In Prior Year	\$1,495,898.00
Adjusted Balance*	\$12,093.44
Adjusted Balance Forward – In	\$1,507,991.44
Cash Receipts	
Cash From Accounts Receivable Collections and Refunds	\$1,129,097.11
Cash Sales	\$347,303.87
Investment Income	\$17,389.22
FY2018 Total Receipts	\$1,583,790.20
FY2018 Expenditures	(\$1,522,103.69)
FY2018 Encumbrance Yet to Be Paid	(\$46,311.27)
Balance Forward – Out	\$1,523,366.68

*WIRES reports were used for the amounts billed, collected, and adjusted. WIRES is the Department of Natural Resources' revenue/receivable system and stands for Web Integrated Revenue/Receivable System.

Appendix 3: Accounts Receivable Reconciliation, State Forest Nursery Account, FY2018

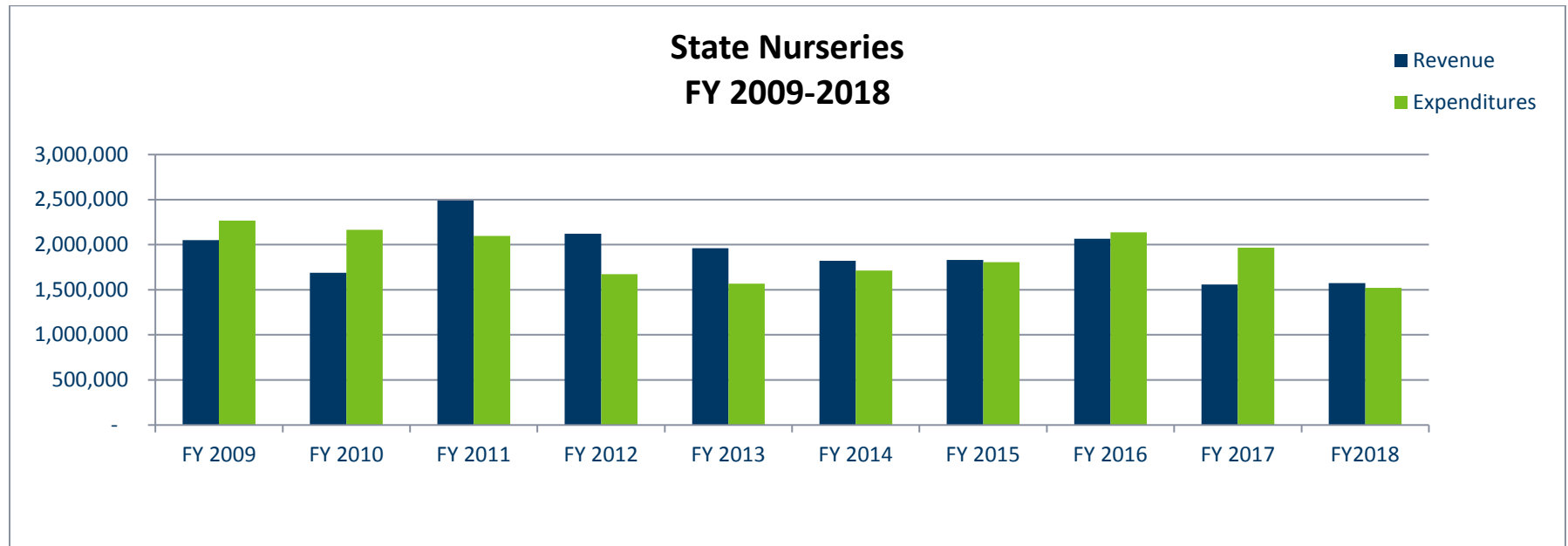
Description	Amount
Accounts Receivable 6/30/17	\$160,157.64
Total Sales on Accounts Receivable FY2018	\$1,314,109.25
Adjustments*	(\$63,680.88)
Total	\$1,410,586.01
FY2018 Accounts Receivable Collections**	\$1,356,595.66
Total	\$1,356,595.66
Accounts Receivable 6/30/18	\$53,990.35

*Adjustments are used to cancel and/or correct invoice amounts and write-offs (e.g., people canceling or changing their seedling order amounts)

**WIRES reports were used for the amounts billed, collected, and adjusted. WIRES is the Department of Natural Resources' revenue/receivable system and stands for Web Integrated Revenue/Receivable System.

Appendix 4: Ten-Year Summary Analysis of Cash Flow FY2009-2018

Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY2018	3 Yr Avg	5 Yr Avg	7 Yr Avg	10 Yr Avg
Beg Balance	1,310,907	1,094,636	619,090	1,103,761	1,460,394	1,855,103	1,964,070	1,987,431	1,918,310	1,507,991	1,804,577	1,846,581	1,672,437	1,473,169
Revenues	2,051,069	1,689,130	2,491,715	2,121,624	1,962,297	1,821,325	1,831,018	2,067,997	1,558,477	1,615,121	1,733,293	1,770,444	1,848,020	1,916,806
Expenses	2,267,340	2,164,676	2,097,044	1,674,691	1,567,588	1,712,358	1,807,657	2,137,118	1,968,796	1,522,104	1,876,006	1,829,607	1,770,045	1,891,937
End Balance	1,094,636	619,090	1,103,761	1,460,694	1,855,103	1,964,070	1,987,431	1,918,310	1,507,991	1,523,366	1,663,954	1,757,127	1,681,850	1,403,398



Appendix 5: Allotments within Appropriation Report

FY2018 State Forest Nursery Account

Receipts:

Orig Est Rcpt:	2,126,000.00	In:	Bal Forward	1,507,991.44
Cur Est Rcpt:	1,589,000.00	Out:		1,523,366.68
Actual Receipts:	1,583,790.20			

Budget Authority	Spending Authority	Allotted	Not Allotted	Cash Balance	Total Expended	Total Obligated	Allotted Available
1,537,699.88	1,532,490.08	1,575,484.96	(37,785.08)	10,386.39	1,522,103.69	46,311.27	7,070.00

Allotment Summary Balance Information

Dept ID R2933739	Payroll	Non-Payroll	Allotment
Budget	1,012,508.11	562,976.85	1,575,484.96
Encumbered	0.00	46,311.27	
Expended	1,012,508.11	509,595.58	
Available	0.00	7,070.00	