The Business of Consulting Forestry

By Bryce and Susan Metcalfe

Goal of this presentation

• To give the audience and future Consulting Foresters a glimpse into the business of what we do.
• A show of hands of how many people are, or have been, or are considering to become a Consulting Forester.
• To have a meaningful discussion about this topic without being distracted thinking about the tasty beers than are waiting for us.
Who we are.

- Bryce Metcalfe, originally from Union Maine, U.S. Navy veteran, Bachelors in forest management from MTU. Started Metcalfe Forestry in April 2002.
- Susan Metcalfe, from Austin Texas, Bachelors in biology and chemistry from University of Texas. Masters in forestry, Peace Corps program, MTU. Worked for the USFS for 4 years, joined Metcalfe Forestry full time in 2006.
- Ron Naillon, from Oregon, U.S. Navy nuclear submariner, Office Manager and Timber Sale Administrator since 2016.
- Around 25 employees and 14 contractors since 2002. We trained all of the employees and some of the contractors.
- We like to work. We don’t know when most of the federal holidays are. Thanksgiving, X-mas and New Years really disrupt our routines. We don’t know when we will retire.
What we do now

- **#1** We are self employed small business owners. We are our own bookkeeper, tax specialist, lawyer, lobbyist, GIS tech, copy repairwoman, computer repairwoman, auditor, psychologist, etc. We do everything and whatever needs to be done.

- **#2** We offer forest consulting services to private landowners in the NLP. Forest management plans used to enroll properties in tax reductions programs, timber sale preparation, solicitation and administration, Susan offers timber tax services to landowners and loggers.
Other types of forestry work that we have done in the past

- Contract cruising on industry land *(highly recommended but very tough work)*
- Contract work for the MDNR *(highly recommended)*
- Contract work for other Consulting Foresters *(recommended but must meet commitments)*
- Contract work for USFS *(don’t recommend but Good Neighbor Authority work is very promising)*
- Expert witness work for legal cases *(unfulfilling, frustrating, very lucrative)*
- Forestry contract work for sawmills/loggers. *(can work but may result in a conflict of interest with private landowners)*
- Line work for sawmills/loggers. *(don’t recommend, too much risk versus reward)*
- There are many other business opportunities in the forestry and other natural resource fields. *Use your imagination and take risks.*
There is an excellent demand for Consulting Forestry services. There are many potential sidelines that virtually NO ONE is doing. For example: invasive species control.

We all love forestry work and it is nice to do things YOUR WAY.

You can make a comfortable middle class income being a Consulting Forester if you are willing to work and are honest. You can do this and still practice good forestry.

If you are a highly skilled business person then there is potential to make a lot of money but that is the case with any profession.

Most government and industry foresters earn more and work less than we do.

We have learned to do more with less! For example we have paid off our house (twice) and been debt free for several years now.

Making more money is NOT the solution to most financial problems. Too much money in the hands of an unskilled business person will promote unsustainable spending habits.
Most people don’t want to be a self-employed business owners.

The uncertain pay schedule. You have to be able to work for several months without any income. The bulk of our income comes in 12-18 months after doing the work. This will take care of any spending problems that you may have!

Health Insurance- very expensive nowadays!

You will have **bad clients**, employees, loggers and jobs. This is stressful and it is all your responsibility because you chose to be in charge.

New government regulations that can wipe out your business with the stroke of a pen. Michigan has been friendlier than most states in this regard.

Government agencies that block off road access to privately owned land. The agencies claim that the landowner can use the road to access their own property but not with a log truck.

Did I mention that you have to work hard and make good decisions? You also need some good luck.

Better options elsewhere: working for the industry or government.
Ways to become a Consulting Forester

- Just do it. Find someone who is willing to pay you to do a few weeks of forestry work and go do it. Do good work and be honest. Observe, learn, make adjustments and repeat the same process.
- Get your spouse to pays the bills with her day job and support your forestry habit, and hopefully learn how to run a business.
- Retire from a typical job with enough savings, a pension, & health insurance to support your forestry habit until you learn how to run a business.
Business tips

- For every job that you ever do- Make a realistic estimate of how much time and expense the job is going to require. Decide how much money you want to make and charge accordingly. Don’t worry about the competition -worry about your own mistakes.

- When something goes wrong, try to learn from the experience. But don’t be afraid to try something new. Some of our most profitable contracts have been unusual forestry work.

- For the first year or two, focus on doing contract work for other foresters. Do not take on private landowner clients too early, it is too risky.

- Hire an accountant. You should do this even if you are not self employed.

- Join ACF- They can give you good advice and listen to you whine.
Practice good forestry. Once I clear cut 40 acres for a gravel mining company. What could go wrong? It’s a gravel pit! They turned out to be terrible clients to deal with. That was my punishment for doing bad forestry.

Be honest and work for your clients best interest. Your reputation is worth more than money.

Be fair to yourself and your family. You cannot provide good forestry services for the long term and stay in business without adequate compensation.

Decide if you prefer to manage people or do forestry work? Structure your business accordingly, there is room within the field of Consulting Forestry for many types.

Avoid spending too much time at meetings without compensation. Don’t make business deals during happy hour.
Consulting Foresters have different business models that evolve to be a good fit for their personality and geographic region.

- Example 1: Core client base is composed of very large landowners (10,000+ acres). Some of the U.P. companies and nationwide companies fit this example.

- Example 2: Core client base is composed medium sized private landowners (40 – 5,000 acres). This is where Metcalfe Forestry falls.

- Example 3: Core client base is composed of smaller landowners with 10-500 acres of forest. Downstate foresters. Timber harvests on smaller tracts of land require a higher percentage of sawtimber to be profitable.

- Example 4: Core client base is other foresters. A true contractor who does forestry work for other foresters. This is a great niche for foresters who don’t want to deal with landowners, loggers and administering contracts. We need more forestry contractors.

- Example 5: Forester offers invasive species control and tree service work in combination with more traditional land management.

- Work efficiently and productivity decline with smaller landowners but the diversity of clients increases. In other words you can tell a landowner with 40 acres to get lost but not one with 20,000 acres!
Challenges that we have faced in the early years, 2002-2007

- No private client base = no work.
- We did forestry contract work for everyone and in almost every state east of the Mississippi.
- Faced competition from Conservation District Foresters, government foresters both retired and still employed.
- It is very difficult for a private sector forester to compete with a government employee whose benefits are paid for by the taxpayer.
- Consulting forestry services are offered by many state foresters, but not Michigan.
- I was not good at picking out or dealing with bad clients. The ration of bad to good clients might be around 1:10.
The Great Recession decimated local pulpwood markets. In 2006 I sold an 80 acre jack pine clearcut for a lump sum price that worked out to $40 per cord. All the timber was chipped and hauled to Georgia Pacific in Gaylord. In 2009 I could not sell jack pine pulp at all.

We were able to recognize and adapt to this major market change. We stopped selling timber sales that were composed of more than 60% hardwood or conifer pulp. This meant that TSI harvests in hardwood stands were usually not commercially viable. We avoided those types of jobs. Regardless, we always told the landowners the difference between a TSI harvest and a high grade.

We did a LOT of MDNR contracts during this time period. Tens of thousands of acres of timber sale preparation.

As time went by, the sawmills began buying smaller sawlogs down to 6” on the small end which helped make up for the lack of a pulpwood market.

Chipping treetops became impractical for financial and logistical reasons.

We had good employee retention during this time period.

We got better at dealing with problem landowners and reduced the ratio of bad to good ones to 1:15.

We built our client base and did not need to travel out of state for work.

Obamacare! Our health insurance cost doubled to $1,200 per month. Our insurance program was dropped 4 times. Our dentist does not take our new insurance. We currently have a $14,000 deductible!
Challenges that we currently deal with, 2016-present

- The economy booms and competition for well trained field foresters increases.
- We have to pay more to keep more foresters and turnover increases resulting in more time spent training.
- Our client base greatly expands due to - A: Our growing reputation and skills and B: the Qualified Forest Program and C: the creation of a Conservation District Foresters that do not compete with the private sector.
- However our skill at picking out out and dealing with bad clients does not improve. The bad to good client ration is still about 1:15.
- With over 50 landowner clients per year, that means that there are 3-4 “bad clients” every year. Dealing with bad clients and problem loggers becomes a fulltime job for Bryce. This is very stressful and bad for business!!
- There have been many times when Susan and Bryce go without paychecks so we don’t miss a payment to our employees or the government. We eventually pay ourselves back but it is an inconvenience and a bookkeeping hassle.
The biggest current challenge: TAXES !!

- The government punishes you for - A: being self employed and B: having employees and C: having a successful business.
- In December of 2016, we had $40,000 in our business account and thought we were doing pretty dang good! We wiped out that account paying taxes even though we had kept up with our tax payments throughout the previous year. Basically we underestimated how much we were going to make.
Middle class tax bracket of 22% (down from 25% due to recent tax cuts)

Self employment tax of 15.3% for unfunded social programs like social security and medicare/medicaid.

Michigan state income tax of 4.25%

City of Grayling income tax of 1% (also charged to employees even if they don’t live in the city!).

Totals 42.55% which does not include fuel and sales tax!

What is the point of making it through all of the hurdles of running a successful business then lose almost half of your labor supporting government redistribution programs.

Why am I working for the government when I want to be self employed???
Solutions to High Taxes!! Don’t pay them!!! OK, how?

- Cheat. - *Not a recommended option.*
- Do what our founding fathers did and start a Revolutionary War. - *Not a recommended option.*
- Buy lots of deductibles items like paint guns, GPS, trucks, snowmobiles and 4-wheelers. - *Good options but we have everything we need and want.*
- Pile money into tax deductible IRA’s. - *Good option but once you have a good account started it is time to diversify. Don’t forget about Bernie Madoff and Enron. Foresters know how to manage the forest land that Wall Street invests in!* 
- Earn less money and pay a lower percentage in taxes! Continue to work hard in ways that benefit you but are not taxable income. - *This is a good option that we are exploring.*
Our attempt at solving the current challenges.

#1 Don’t hire any more employees unless absolutely necessary.

#2 Reduce the ratio of **bad clients** by not taking any new clients and focusing on our previous clients base.

#3 No more MDNR or industry contract work because all of our efforts are focused on working for our good private clients.

#4 Work 4 days a week at earning taxable income at Metcalfe Forestry. This will reduce our taxable income.

#5 Work 3 days a week on personal things such as: Investing in forest land and enrolling that land in a tax reduction program (QFP, CFA). Setting up timber harvest on my own land which is not subject to self employment taxes (15.3%). Renovating an old hunting cabin so I can rent it out which will hopefully create some passive income. If that does not work then at least I will have a nice cabin. If it does work then repeat program with more cabins and land. Cutting and splitting all of my own firewood (10+ cords per year with cabin). Fixing my own things instead of hiring someone else. Hunt, fish and grow crops.

#6 Hire a financial advisor who can help advise and direct us with our new income strategy.

#6 Be prepared to recognize and change when plans don’t work.