Learning From the Experiences of Others: Four Forest Landowner Cooperatives Share Their Stories

Pamela Jakes[1]

We've learned a lot from other co-ops. We've learned a lot about not going too fast, not spending too much money, keeping it small, keeping it grassroots, and keeping landowners at the center.

Massachusetts Woodlands Cooperative Member

For a community or group investigating the appropriateness of a cooperative as a means for organizing local landowners to accomplish forest management or marketing objectives, it is useful to hear about the experiences of other communities or cooperatives. For the conference, we put together a series of video case studies, summarizing the stories of four forest landowner cooperatives as told by cooperative members or potential members. A DVD of the video case studies is included with this report. What follows is a brief description of each cooperative, based on the perceptions and insights of the people we interviewed. Also included is an update on progress made by the cooperative since the interviews were conducted in the summer and early fall of 2003.

Massachusetts Woodland Cooperative, LLC

www.masswoodlands.coop

Interviews conducted by Eli Sagor, August 2003

The Story

Since it was incorporated in the summer of 2001, the Massachusetts Woodland Cooperative (MWC) has set the standard for how to bring together private landowners in an organizational structure that promotes economic development while protecting and enhancing the health of forests in the region. In the summer of 1999 a group of forestry professionals from the Massachusetts Department of Conservation and the University of Massachusetts met with local landowners, consulting foresters, loggers, and mill operators to discuss the possibility of forming a forestry landowner cooperative in western Massachusetts. What followed was the formation of a task group to study the feasibility of forming a cooperative. In 2001, after many meetings and a landowner survey, the MWC was established. The Massachusetts laws relating to cooperatives were seen as archaic, so the group formed as a limited liability company that operates as a cooperative. What this means is that they have "cooperative" in their name, that each member of the cooperative has one vote, and that all profits are returned to the cooperative members. A unique step taken by the group was the formation of a nonprofit organization (a 501C3 organization), the Massachusetts Woodlands Institute. This nonprofit organization is completely separate from the cooperative. While the cooperative focuses on business, the institute is free to focus on education, technical assistance, and community economic

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The time commitment to this project has been tremendous, and it's been an all volunteer effort on the part of landowners… My suggestion to other resource managers would be to make sure you work with a dedicated core group of landowners that are committed to this idea. I think that will make your project go much smoother.

Massachusetts Bureau of Forestry Forester

development. The institute's nonprofit status allows it to apply for grants that may not be available to the cooperative.

Members of the cooperative belong to or participate in other forestry associations—they are members of Tree Farm (www.treefarmsystem.org) and the Massachusetts Forestry Association (www.massforests.org) and have participated in the Forest Stewardship Program (www.fs.fed.us/cooperativeforestry/programs/loa/fsp.shtml), but they find something unique in belonging to a cooperative. The MWC provides many services to its members including forestry services (for example, guiding preparation of forest plans; identifying reliable foresters, loggers, and other operators), ecological services (for example, controlling exotic/invasive species, documenting the history of the land and its uses), marketing services (for example, developing local and regional markets for low-grade material; arranging for wholesale, retail, and discount sales), and educational services (for example, providing publications and training in the use of forestry equipment). Through all these activities, the guiding star of the MWC is sustainable forestry, and its practice and implementation through Forest Stewardship Council (FSC) green certification.

Members see sustainable forestry as analogous to organic farming. Where 15 or 20 years ago organic farmers could recover the extra costs of producing their products through higher prices, now they receive a premium. MWC members are focused on producing value-added, FSC-certified products with the hope that their cooperative will be well positioned to take advantage of thoughtful customers who care about the health of the world's forests.

Members of the MWC are aware of the economic and business elements that are necessary for them to succeed. They are excited about opportunities to come together as a buying group and a selling group, opportunities that are not found in other forest landowner associations. As a buying group, members can achieve economies of scale not available to individual landowners. As a selling group, they are investigating how they can produce a value-added product that is of high quality, is competitive, and in demand. Members are developing a strong marketing plan that focuses on the story behind the product.

The MWC has developed partnerships that are critical to obtaining necessary services. Professors and extension professionals from the University of Massachusetts-Amherst (www.umass.edu) have provided advice and technical assistance related to forest inventory, wood technology and potential products, and green certification. Additional help with green certification has been provided by SmartWood (www.rainforest-alliance.org/programs/forestry/smartwood). Foresters from the Massachusetts Bureau of Forestry (www.mass.gov/dcr/stewardship/forestry) were critical to initiating the effort. The Hilltown Community Development Corporation (www.hilltowncdc.org), New England Forestry Foundation (www.neforestry.org), and

Community Involved in Sustaining Agriculture (CISA) (www.buylocalfood.com) have also provided key assistance. Local sawmills and other businesses have been important partners. In each instance the key was finding an individual in the organization who had a personal interest in the cooperative and who was in a position to bring resources (expertise, equipment, dollars) to the effort.

Members think the future looks bright for the MWC. They feel they have learned much from the experiences of other cooperatives, and they will succeed if they move slowly, not take on a lot or debt, and look for niche products they can produce efficiently and with high quality.

I see the co-op as being a major step in the education of the American people. Everyone around here, we need to work together cooperatively if we're going to see the planet survive. Having a co-op, I think, is one of the strongest ways we can do that.

Massachusetts Woodlands Cooperative Member

The Update

In January 2004, the MWC was awarded a 3-year, $499,253 grant from the U.S. Department of Agriculture. The goal of this grant is to expand niche markets for MWC that focus on Forest Stewardship Council (FSC) green-certified materials and other value-added forest products. Project activities include:

Development of niche markets. Develop and implement MWC niche markets for flooring, timber frame materials, and residual wood products (e.g., bark mulch, firewood, and pallet wood). This will be accomplished by gathering, sorting, and marketing logs according to grade and species and processing selected logs into value-added products.

Green certification. MWC is already green certified under the group certification process provided by the FSC. However, to market the cooperative's value-added products as green certified, MWC will also need to apply for and receive group chain-of-custody certification from FSC. This will require (1) development of a system for monitoring forest materials as they are transformed into value-added products; and (2) establishing a network of value-added producers who are interested in obtaining FSC-certified wood from the cooperative.

Database development. Expand the MWC database so that it will (1) provide detailed information on forest material that is available for harvesting from MWC members; (2) monitor forest materials as they are transformed into value-added products; (3) organize information needed for the cooperative to function as a business (cost of goods purchased, inventory, sales, marketing, etc.), and (4) link the database with the MWC Web site so that MWC members and those who work on their land can have password access to information about the property.

Expansion of membership and land base. MWC currently has 30 members who together manage around 5,000 acres of forest land. MWC will expand its membership base to 125 members with over 20,000 acres of forest land and identify 25 regional artisans, craftspeople, and other woodworkers who will (1) become associate members of MWC, (2) receive Group FSC chain-of-custody certification as a part of their membership, and (3) create value-added products from FSC green-certified material that is harvested from MWC member forests.

Biomass assessment. Assess the market potential for the use of forest-based biomass fuels in southern New England by analyzing supply and cost data for forest-based biomass fuels.

Information dissemination. Compile, organize, and disseminate information about MWC.

The USDA grant has provided MWC with the working capital needed to accomplish the above tasks. With this grant, MWC has hired employees, supported interns from the University of Massachusetts, established and operated an office, provided partial support for FSC Certification Assessment, and financed an initial inventory of value-added products.

Western Upper Peninsula Forest Improvement District

Interviews conducted by Pamela Jakes, September 2003

The Story

The main reason I see for new members coming to WUPFID now is they feel that they can trust our organization to do the right job for them.

Western Upper Peninsula Forest Improvement District Staff Member

In the late 1970s, the State of Michigan was going through a recession. When the legislature started looking for ways to improve the State's economy, they saw Michigan's vast forest lands and the diverse and potentially valuable forest products those lands could provide. They commissioned a Finnish consulting firm to determine what could be done to improve the health of Michigan's forests and to inject new vitality into the State's economy. The firm recommended the establishment of forest improvement districts, modeled after those found in northern Europe. Legislators recognized the concept of forest improvement districts as similar to the old farmers' cooperatives that were so successful in the Upper Great Lakes States. Forest improvement districts would assist small private landowners, who hold more than half of Michigan's forest land, in managing their forest land, producing healthier forests, and generating raw material that would help stimulate forest product industries. In October 1995, The Western Upper Peninsula Forest Improvement District (WUPFID) was organized as a 5-year pilot study.

Although WUPFID referred to itself as a cooperative and is often cited as the first forestry cooperative in the U.S., it lacks many of the standard characteristics of a cooperative—although members make up the board of directors, WUPFID is not actually owned by its members, and there is no profit sharing among members. It operates more as a private consulting firm with a list of clients referred to as members.

Members receive a variety of services—management plans are written, sales planned and administered, and other improvements carried out on the land. Members of WUPFID continue to participate in the organization because they believe that the professionals at WUPFID can be trusted to manage their land according to their objectives. For the many absentee landowners who are members, this trust is critical to their participating in land management activities.

Although WUPFID was meant to be a 5-year pilot project, its success in improving forest management in the region convinced the legislature to extend the project another year. Over those 6 years, WUPFID received approximately $2 million from the State of Michigan. In return, the State has benefited from WUPFID's management of more than 100,000 acres of forest land—land that was not being managed or reaching its productive potential before WUPFID. In addition, WUPFID activities generated jobs and income from the sale of forest products and implementation of management activities. It's been estimated that this $2 million investment has returned more than $100 million to the State.

In the early years, State investment allowed WUPFID to purchase a building and equipment, and employ foresters, technicians, and an office staff. In 2003, WUPFID's paid professional staff was down to two part-time employees—a forester and an office manager. Over the years, all the assets were sold to finance operations. The staff and board are searching for ways to continue to finance the operation. Poor economic times means there will be no additional State funding. Although WUPFID has a membership of 900 and manages more than 150,000 acres, only around 300 members pay the voluntary $20 annual fee. Most of the cooperative's income comes from fees for service, and the staff and the board believe that it would be impossible to raise those fees. Members have other options for obtaining the services they obtain from WUPFID, and the board feels that if rates become too high, members will go elsewhere, eliminating WUPFID's primary source of income.

Despite the funding challenges, members are focused on re-energizing WUPFID through increased publicity. WUPFID staff feel that if they could generate funding to increase visibility, they could recruit more members, thereby generating more income from management of newly enrolled land. Ideas for increasing visibility include holding field trips and creating a demonstration forest that will show potential members the benefits of sustainable forest management. They hope that after 18 years of experience they can continue to provide services that maintain and improve the health of western Upper Peninsula forests.

Here we are, 18 years later, and I think we have finally perfected what we do best. You look around and see healthy forests, and I really believe that we've been a big big part of that. It's really sad to think that we are not going to be here much longer.

Western Upper Peninsula Forest Improvement District Staff Member

The Update

In June 2004, WUPFID ended operations. Given the wood market in the Upper Peninsula and the lack of State funding, the board and staff found it impossible to maintain the office and provide member services. WUPFID records, including management plans and harvesting history, are being stored in the Department of Natural Resources Baraga office. The board of directors will continue to meet annually, preserving the possibility of resurrecting the cooperative if conditions change.

Sustainable Woods Cooperative

http://www.sustainablewoods.com/
Interviews conducted by Mark Rickenbach, June 2003

The Story

I think most of the landowners were looking for the same thing I was looking for. I think we all wanted that camaraderie, wanted to be able to talk over our different management plans with each other and get some feedback. Of course people had been trying different management concepts as well, and we got feedback on the results of that.

Former Sustainable Woods Cooperative Member

The Sustainable Woods Cooperative (SWC) in southwestern Wisconsin was the first group to use a cooperative structure to practice certified forest management to produce and market chain-of-custody wood products. Organized in 1998, the SWC board of directors voted to dissolve the cooperative in 2003. The former members of SWC are committed to sharing their experiences—offering lessons from which others can learn.

When it closed its doors in 2003, SWC had 150 members with more than 120,000 acres in 11 counties in southwestern Wisconsin. There were two type of SWC members—producers and consumers. Producer-members were characterized as landowners who had purchased their property primarily for recreation, but wanted to manage the land to improve forest health. Many members had experienced or seen poor forestry practices on the land and were looking for an alternative management approach. The consumer-members were portrayed as green consumers who liked the idea of purchasing a product that was processed locally and told a story of sustainable management—they wanted to be part of that story.

So what went wrong? The focus of SWC was on manufacturing and education. Manufacturing was producing certified valued-added products, from primarily small diameter or low-quality material from members' high-graded forests that would satisfy consumer demand. SWC members speak of two phases of SWC: the startup phase (1998-2001) and the market development phase (2001-2003). It appears that debt taken on in the startup phase did not allow goals in the market development stage to be realized.

It's well understood that any startup is challenging—the capitalization, cash flow, need to start generating income can be problematic—and the forestry business is particularly challenging. Several members voiced the opinion that SWC moved too quickly into manufacturing—purchasing land, equipment, and hiring staff—in response to members' desire to see something happening. The manufacturing process required great amounts of capital (land, kilns, storage facilities, and equipment), operating funds (salaries, advertising, utilities), and sophisticated expertise to operate. Debt was incurred early on, and the costs of loans from banks, from members, and from a utility company, and the expenses for day-to-day operations eventually sank the cooperative.

Members had several suggestions for other communities considering forest landowner cooperatives. First, start small. Try bringing together a few neighbors who can share time, expertise, and equipment in managing their land. Test some different approaches to collaboration. Try selling a few products, and move on from there. Second, watch out for debt. Be very clear about why you are borrowing the money, and do not give into the temptation to use borrowed funds for other purposes. Third, have a clear idea of the mission of the cooperative. In your rush to create a business, do not lose sight of the importance of member services. By developing a strong record of member service, you build support for the cooperative within the membership. Fourth, start your product development and marketing early. One SWC member said that the attitude was, "if we build the stuff people will buy it." However, when SWC products were available, members found that there were not enough consumers to generate the income necessary to keep the cooperative operating. They had not developed a market for that product or had not analyzed the market to ensure they were producing something for which there was a niche. Finally, tap into those networks that exist to support cooperatives. Groups like the Richland County Economic Development Commission, Cooperative Development Services (http://www.cdsus.coop/), University of Wisconsin Center for Cooperatives (http://www.wisc.edu/uwcc/), and Community Forestry Resource Center (http://www.forestrycenter.org/) all provided valuable services to SWC.

I think the advantage of a co-op versus other organizations is the fact that you are really hands on. I mean, you go to a cooperative meeting and its members are talking about very specific concerns that the co-op has and the members have, and they are all local neighbors… I was needing information on forestry that applies to me and I felt the co-op helped me in that way.

Former Sustainable Woods Cooperative Member

The Update

The Sustainable Woods Cooperative is gone, but there are a group of landowners who continue to meet and share ideas. They are committed to improving the quality of their forests and the landscape—that commitment remains even if the cooperative does not.

Blue Ridge Forest Cooperative

http://nextgenwoods.com/blue_ridge_forest_landowner_coop.htm
Interviews conducted by Eli Sagor, August 2003

The Story

In the Blue Ridge Mountains of Virginia, local landowners are investigating the possibility for encouraging sustainable forest management through a forest landowner cooperative. Many local landowners have had bad experiences with loggers or other woodsworkers, and they are looking for ways to take back control of their forests. They want a management approach for timber and nontimber forest products (ginseng, medicinal plants, recreation) that maintains or improves ecological health while generating income. What these neighbors envision is a vertically integrated organization, member governed, that is certified to do sustainable forest management, *Folks in other cooperatives have been very free and open about sharing information—hearing who's made what mistakes and who's had what successes has just been an enormous help. It's going to keep us, hopefully, from making the same mistakes, and allow us to build on the hard knocks others have already gone through.*

Potential Blue Ridge Forest Cooperative Member

harvesting and hauling, and processing, while educating members and the community about options for keeping the three legs of the sustainability stool—forest sustainability, economic sustainability, and social sustainability—in balance.

This infant organization has received advice and support from many quarters. Staff members at the Community Forestry Resource Center (http://www.forestrycenter.org), Appalachian Forest Resource Center (http://www.appalachianforest.org/), and Virginia Department of Forestry (http://www.dof.virginia.gov) have been a great source of information. But the researchers of this idea have found the existing forest landowner cooperatives in Massachusetts, Wisconsin, and elsewhere—others who have been through the process the Virginia group is just beginning—to be their most important partners.

Many questions remain to be answered—What organizational structure will be adopted (it's not clear that this will be a cooperative, as opposed to a limited liability partnership or some other organization)? How large should the membership be? How do they raise capital? But many people feel that the cooperative is off to a good start with a processor already on board and a Forest Stewardship Council (FSC) certified forester interested in participating (www.fsc.org/en). Locals are optimistic about the potential for a cooperative in the Blue Ridge Mountains and what it could mean for their community. They look forward to the interaction people will be having with each other, and the sharing of members' talents, skills, and resources in the sustainable management of their forest land.

The Update

In the past year the Blue Ridge Mountain group has organized as a cooperative under Virginia statutes—the Blue Ridge Forest Cooperative, Inc.

Lewis County, Washington

Interviews conducted by Charlie Blinn, August 2003

People who are interested in this cooperative aren't the cut out and get out kind of people, you know. They're someone who's interested in the long-term health of the resource—managing it sustainably and wanting it to endure and be lasting.

Potential Blue Ridge Forest Cooperative Member

The Story

For our last case study we go to southwestern Washington. The Family Forest Foundation (FFF) (http://www.familyforestfoundation.org/) is leading an effort to explore the feasibility of developing a forest landowner cooperative to market trees from non-industrial private forests. Foundation members received a grant from the U.S. Department of Agriculture to conduct a feasibility study in Lewis County. They want to know if landowner interest in a cooperative is sufficient to proceed, if there are enough resources (timber, technical, and human resources), and if markets exist for potential products that might be produced by a cooperative.

Forest landowners in Lewis County already participate in a number of forestry programs, but while these programs offer a diverse assortment of educational programs, they don't function as a business. A cooperative would bring forest landowners together to manage their tree farms collectively as an efficient business and to pool their resources so that they have leverage in the market. Maintaining, improving, and developing markets is the primary reason given for initiating a forest landowner cooperative in Lewis County. In this region, small forest landowners tend to grow larger trees than their industrial neighbors. At this time there are few processors for medium to large diameter trees, hence it's a buyers' market. Marketing, having access to markets, being able to label your products as certified and/or locally produced, and bringing together landowners to more effectively communicate with each other and with policymakers were identified as the most important reasons for starting a cooperative.

I think that cooperatives would be essential in the long-term survivorship of the family forest. If we don't work and try to establish cooperatives—that, I think, would be a negative in the future of private forest lands.

Lewis County, Washington, Potential Cooperative Member

Organizers and potential members have learned much from visiting other cooperatives. They see a need for a cooperative clearinghouse where the lessons of different cooperatives can be gathered and shared with other interested parties. One lesson the Lewis County group learned from their visits is to avoid becoming grant dependent. However, they see a significant role for grants in the startup phases of a cooperative. They also know they need to focus on developing a realistic business plan that includes a significant marketing effort in advance of producing a product. They want to create a recognizable brand and educate potential consumers so they can differentiate between a wood product processed locally from wood produced on a local family forest and a product produced elsewhere on some other type of forest.

In addition to these challenges, the Lewis County group will need to overcome the fiercely independent nature of many southwestern Washington landowners. A cooperative is about bringing people together to manage land and run a business cooperatively so overcoming the desire to "do it my way" will be a challenge for building membership and running the cooperative. They also see a need to develop positive, constructive partnerships with local forestry businesses. Professional consulting foresters, in particular, may see a cooperative as a threat, so the cooperative will need to find ways to include these potential partners in the early planning and development stages.

The Lewis County group has identified roles for a number of potential partners—foresters, bankers, lawyers, biologists, other "–ologists." They recognize that forestry is a very complex business and that they will need to draw on the expertise of a diverse group of professionals to make the cooperative work.

For now, the landowners of Lewis County see the year 2004 as being an intensive planning period, and they anticipate having a sound business plan and being in a position to hire a project manager by the end of 2004. Depending on the findings from the feasibility study, they hope to be operating as a cooperative in 2005.

The word health shares the same roots as heal, whole, and holy. So if we look at the forests through those lenses, with all those words coming together, the health of our forests reflects back on our own health—economically, physically, and spiritually.

Potential Blue Ridge Forest Cooperative Member

The Update

The Family Forest Foundation recently completed a feasibility study for a small forest landowner cooperative in southwestern Washington State. The final report for the feasibility study can be found on the Web at: www.familyforestfoundation.org. The results of the feasibility study indicated significant interest among landowners in formally organizing to address a number of forest management needs. Landowners expressed interest in the following services provided by a cooperative: reliable forest management information, estate planning, assistance with complex State and Federal regulations, and forest management planning. The feasibility study identified a number of unique marketing opportunities for logs and value-added forest products; however, organizing to market these products is a complicated prospect and landowners did not express discontent with the current process of marketing and selling logs.

The Family Forest Foundation concluded that before any efforts are made to improve the marketing of forest products from small forest lands, landowners must be organized around a central common principle. Landowners in southwestern Washington identified as their greatest need an approach for minimizing the burden of State and Federal regulations. In response to this need, the foundation is first working to organize landowners around a federally recognized Habitat Conservation Plan (HCP) (http://endangered.fws.gov/hcp/HCP_Incidental_Take.pdf). The HCP protects a landowner against changes in State and Federal forest management laws if his/her management plan and its implementation reflect state-of-the-art knowledge and regulations at the time it was prepared and carried out. The HCP will also assist landowners with developing a long-term forest management plan. Through the HCP, landowners will inventory their forests and this inventory will provide information for future efforts to find better market opportunities for their logs.