



A Cooperative Approach to Growing the Forestry and Wood Products Industry

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With roughly 8 million acres covered with trees, over 30 percent of Ohio's land area remains blanketed in forest. These forests feed a massive forestry and wood products industry, particularly in the Southeast region of the state, which is home to 8 out of the 9 top forested counties in Ohio (McConnell, 2012). These forests feed a billion-dollar lumber, paper, and wood product industry in Appalachian Ohio.

The Southeast region, which encompasses many of Ohio's Appalachian counties, has the most primary forest product processing sites in the state.

The area also has the highest concentration of sawmills (Coronado, 2015). In total, the 32-county region is estimated to employ approximately 26,051 people in the wood industry. The economic impact of Appalachian Ohio's wood industry in 2014 was valued at \$5.23 billion, making it an essential part of the regional and state economy (Michaud & Jolley, 2016). In Ohio and beyond, the wood industry faces the modern marketplace's challenges, including reaching viable scale, a lack of available skilled and unskilled workforce, and the pressure of industry-wide diversification. The cooperative model remains a viable option for many small to medium-sized producers and manufacturers looking to make a larger impact on the market.

The Cooperative Model

Throughout history, collectivity and cooperation combatted the struggles of small farmers, rural businesses, consumers, and even wood product entrepreneurs. The cooperative business model, founded on the principles of voluntary and open membership, democratic member control, profit sharing in proportion to use, independence, training, and cooperation, serves the members who invest in and are the primary users of a co-op. Cooperatives can serve various functions for their users, including marketing, supply purchasing, service provision, and providing employment, each of which fulfills an assessed need within the community (Frederick, p.15-16; Groot et al., 2015). Through community engagement and support, cooperative development organizations across the nation have supported both new and existing co-ops for decades. In 2019, there were 64,017 cooperatives with 852,843 employees, each serving a different market and community (Hueth, 2017). Forestry and wood product cooperatives present an opportunity to revisit and develop the industry's approaches to modern challenges.



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The History of Forestry and Wood Product Cooperatives

Forestry cooperatives first entered the United States in the 1910s; however, the first surge in forestry and value-added cooperatives was during the trials of the Great Depression (Dempsey, 1969; Rickenbach, 2003, p.25-27). Commonly, these operations focused on cooperative stores, which farmers used to sell forest products and goods like maple syrup. Other forestry cooperatives provided marketing services that sought to establish collective harvesting guidelines and formed best practices. At the same time, some opened small processing plants that produced lumber for consumers (Cunningham, 1947). Between 1919-1961, 68 wood-based and forestry cooperatives were formed. However, by 1965, 47 of these cooperatives had failed due to “insufficient interest and support by members, inadequate capital, lack of a sufficient volume of business, or inadequate management” (Dempsey, 1967; Rickenbach, 2004, p.1).

The dip in cooperatives lasted nearly 40 years, and by 1998 only two forestry co-ops remained in the United States. However, in the early 2000s, forestry and wood products cooperatives began a second wave of development. By 2002, nine cooperatives were in operation with 15 to 20 more in various stages of development by 2004 (Rickenbach, 2004, p.1; Rickenbach, 2003 p. 28-29). Forestry and wood product cooperatives face the same challenges as other business models; however, cooperation may offer new solutions to industry-wide issues.



Using the Co-op Model to Address Modern Forestry and Wood Product Challenges

Reaching Viable Scale

The scale of operation for many small producers is difficult to overcome and can limit them from competitively entering broader markets. Factors like acreage, forest type, and harvesting method can decide a forestry producer's scale, which influences their economic return. As consumers influence market demands, many smaller manufacturers face challenges filling large orders without having access



to a larger corporations' capital. Additionally, lack of access to a long-term source of wood or wood byproducts can prohibit many producers from increasing sales and gaining a broader clientele. The smaller size of many wood product manufacturers and forestry producers often determines their place on the market and growth opportunities. Competition between larger businesses that can fulfill orders all year round and smaller producers and manufacturers with limited harvesting opportunities or capital often leaves the smaller companies in the dust (Rooney, 2019 and Rickenbach, 2004 p. 28-29). Reaching a viable scale, daunting to small producers and manufacturers, remains a challenge for forestry and wood products operations throughout the region.

Cooperative Advantage

From lumber producers to landowners, the cooperative model has allowed small to middle-sized forestry producers and wood product manufacturers to challenge the effect of their scale and become more competitive in national and international markets. By working together within the cooperative business model, producers can increase both their selling and purchasing power. In some cooperatives, harvesters combine their harvested timber. Together, they fill larger orders than any individual producer could fulfill alone, while owning the enterprise that helps them reach new markets. In this type of marketing cooperative, producers take advantage of the cooperative spirit to gain a better hold in the market. In some cases, co-ops both sell and buy products together. These co-ops commonly provide access to jointly owned harvesting supplies or finishing equipment that would be too expensive for a small producer to purchase on their own (Groot et al., 2015). Cooperation also yields benefits within the furniture and finishing sector. By joining forces, furniture manufacturers have increased the scale of their operations and customer base (Bumgardner et al., 2012). The cooperative model's advantages have allowed small wood producers and manufacturers to assert power in the market.

Skills Development and Training

The forestry and wood products industries are currently facing a shortage of forestry education and a lack of available skilled and unskilled workers (WMMA, 2015). A 2019 survey revealed that out of 150 wood product producers, eighty percent had issues finding labor. A majority cited a lack of interest and a lack of exposure to the industry as the source of the shortage (Dalheim, 2019). The lack of educational opportunities and exposure to the industry at vocational and technical schools have created holes in the trained workforce (Jenks; van Lierop, 2003). Though higher education institutions attempt to address these challenges with more specialized training and diversified undergraduate and graduate courses, industry workers typically do not have access to these resources (van Lierop, 2003). Building workers' skills in machine operating, craftsmanship, logging, and other areas can take several years of training. These trainings can require extensive travel, which often sets financial limitations on the number of certifications and trainings that can be done in a year. The issues around skills training in the forestry and wood products industry present evolving challenges.

Cooperative Advantage

The cooperative model may provide viable opportunities for increased skill training in the forest and wood products industry. Manufacturers' need for quality, onsite training could expand service opportunities for marketing and purchasing cooperatives in the industry. By providing skill development services to their clientele, existing wood cooperatives can help fill the growing gap in workforce education. Cooperation would allow for manufacturers to join forces, providing onsite and individualized education for workers. By providing large equipment courses or furniture manufacturing skill development seminars, a cooperative can cut education costs for the workers and businesses. This skill training allows for increased certifications, enhanced skills, and shared knowledge (Jenks). Using a cooperative approach to develop wood manufacturing skills among employees could both create a highly trained base of profitable employees and cut operating costs for education. These training cooperatives offer a potential opportunity for expansion. By making training accessible, cooperatives could fill a pressing need within the wood product industry (Jenks).

Opportunities for Diversification

From raw materials to finished furniture, producers looking to expand revenue could diversify into value-added wood products. Because of the size of the wood products industry, diversification for many producers is not just focused on creating new goods for sale but about finding cost-effective supplies and services (Hurmekoski et al., 2018).



To open new markets, such as biofuels, processing, or finishing services, firms often must make significant capital investments, which is often not available for many small to medium-sized producers. In some cases, smaller companies cannot afford the research, development, and market testing that new products and diversification requires. For some manufacturers and producers, the struggle to find affordable transportation and fueling services has limited expansion and diversification (Groot et al., 2015). Many of the product and service diversification issues are exacerbated because of producers' and manufacturers' small scale.

Cooperative Advantage

As forestry and wood products producers seek to diversify their products and services, cooperatives could provide a model to support economic expansion and industrial diversification. Whether these assessed needs require a service, create a new product, or increase revenues, the cooperative model allows for increased member control (Frederick, p.13). In recent years, the forestry and wood products industry has adopted the cooperative model to diversify and increase the bottom line. For some manufacturers and producers, cooperation reduces the recurring costs of development, allowing them to pool resources and enter new markets. For example, in agricultural co-ops, such as Ocean Spray, the cooperative advantage allows for increased diversification through cutting costs and pooling resources needed for research and development. In the wood products industry, new cooperative diversification ventures include fueling stations, woody Biomass fuels, and finished product cooperatives serving communities across Appalachia and the nation (Groot et al., 2015). Cooperatives have the potential to increase profits and stimulate local economies, opening new opportunities for nonindustrial forest producers (Frederick, p.13). The cooperative model may offer a strategy to not only address the issue of diversification within the wood products industry but also promote further expansion through innovation.

Forestry and Wood Products Cooperative Case Studies

The Southern Loggers Cooperative

In 2004, a group of Louisiana loggers decided to combat rising logging prices with cooperation. After a swell in the local forestry economy, the loggers believed that a purchasing group, or cooperative, would increase their ability to negotiate. By buying larger quantities of products together, including fuel, producers were better equipped to drive prices down. After the first seven members joined the operation, the co-op opened their first fueling station in Louisiana. With membership growth, fueling stations spread across the Southeast serving loggers and the broader forest industry. More recently, The Southern Loggers have expanded, purchasing fueling stations in Virginia, South Carolina, and Ohio. With each fueling station, the cooperative's cost-cutting mission continues to grow. In 2020, there were thirty-three Southern Loggers fueling stations across the southern and eastern United States. Based on the success of the Southern Loggers Cooperative, new avenues for purchasing cooperatives, including saw chain, chockers, and hydraulic fluids, may offer an opportunity for expansion in the forestry and wood product industry (Southern Loggers Cooperative)

Holmes County Furniture Cluster

In Holmes County, Ohio, Amish furniture makers have joined forces to increase their manufacturing size and diversify their production. Manufacturers, finishers, and distribution firms cooperate to support the entire industry. The county's 500 firms work together to move nearly 11 percent of the total hardwoods produced in Ohio. As the domestic hardwoods markets saw a significant dip, these furniture clusters remained remarkably stable, utilizing cooperation, specialization, and community to reaffirm the sector. The extensive manufacturing networks within the Amish community of Holmes County support the industry's continued growth (Bumgardner et al., 2012). Though these manufacturing clusters are not formal cooperatives, they illustrate the value of collaborative approaches. Whether making chairs, tables, or other home goods, the Holmes County manufacturers built their sector through collaboration.

Conclusion

The wood products and forestry industry in Appalachian Ohio is a multi-billion-dollar business. The development of cooperative models has the potential to help producers and manufacturers face the industry's current challenges. Through a cooperative, small to medium-sized forestry and wood product businesses can address these challenges while ensuring democratic control and profit sharing among members. From purchasing, to harvesting, to manufacturing, to marketing, the cooperative model has the potential to provide advantages in the forestry and wood products industry.

Additional Resources:

To learn more about the cooperative business model, readers can explore the following resources.

Coop Mastery: <https://u.osu.edu/coopmastery/>

McConnell, E. (2012, October 5). Ohio's Forest Economy. Retrieved September 25, 2020, from <http://ohioline.osu.edu/factsheet/F-80>.

CFAES Center for Cooperatives: <https://cooperatives.cfaes.ohio-state.edu/>

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