

## BULLETIN

### SUSTAINABLE FORESTRY COOPERATIVES IN THE MIDWEST

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**E**arly in 1998 a small group of landowners met in Spring Green, Wisconsin to discuss the possibility of bringing the management of their woodlands together under the umbrella of a cooperative. Individuals involved had heard of forest landowner cooperatives, which have existed in Europe for over half a century and in the U.S. for close to 100 years. The group approached Cooperative Development Services in Madison for more information about cooperatives and began meeting regularly to flesh out their idea of starting a sustainable forestry cooperative.

After months of meetings, the group incorporated as Sustainable Woods Cooperative (SWC). A marketing study and business plan were contracted, and woodland educational sessions were scheduled for members. After learning about the initiative, the Hiawatha Sustainable Woods Cooperative was formed a year later. Since that time, several groups of landowners in Wisconsin, Iowa and Minnesota have been meeting to discuss and develop this new use of the cooperative model. At least 56,000 acres of woodlands are now lined up for sustainable management, guided by forest landowner cooperatives.

The growth of the sustainable forestry cooperative movement has drawn attention from a diverse audience, ranging from landowners to governments and resource agencies. The lack of management of privately owned woodlands has been an issue of concern to both federal and state forestry agencies for some time. The cooperatives provide education about woodland management, often leading to the creation of forest management plans, which the agencies have tried, somewhat unsuccessfully, to promote. This activity has developed significant agency support for the cooperatives.

#### ***Why Sustainable Management?***

Over 58% of the woodlands in the U.S. are privately owned. It is estimated that only 5-10% of these private woodlands undergo any kind of planned manage-

ment. When asked about why they don't manage their woodlands, many landowners said that they either didn't know the benefits of management, were unaware of what management entails, or distrusted management providers.

Woodlands management is considered essential to maintaining the productivity of trees, to reducing invasion by non-native species, to improving animal habitat and, if desired by the landowner, to providing sustained income from wood or forest products.

As defined by the Forest Stewardship Council (FSC), the term "sustainable management" describes forest management, processing and distribution practices that:

- ◆ conserve the ecological integrity of the forest ecosystem for the long term,
- ◆ maintain or improve the economic well being of forest owners and those who work with forest products, and
- ◆ maintain or improve the quality of community life.

Once understood, this kind of careful management is attractive to many landowners who have not previously embraced management in their woodland. More traditional kinds of management are often seen as focusing on short-term economic rewards, at the expense of the long-term health of the forest.

It was the lack of access to sustainable management information and practices and the potential for income by direct marketing wood and wood products as a group that spurred landowners in Spring Green to explore the use of the co-op model to answer these needs.

### ***The Cooperative Model***

SWC and the succeeding co-ops have adopted a few basic cooperative principles:

- ◆ *Members own the cooperative.* In these cases, members are woodland owners.
- ◆ *One-member one-vote ensures democratic control.* Boards of directors are elected from among the mem-

bership to make decisions on the behalf of the members.

- ◆ *Members benefit from their cooperative.* In these forest landowner cooperatives benefits are in the form of education and the possibility of income from wood harvests and processing.

- ◆ *Financial return to members is based on use of the co-op.* The co-ops have set up a variety of financial structures, with a common theme of returning profits of the cooperative based on the volume of wood processed through the cooperative.

As of February 2002, there were 9 cooperatives in WI, MN and IA. Members have identified several services they would like their cooperatives to provide:

- ◆ *Education about sustainable woodland management.* All of the cooperatives have identified that access to education about sustainable woodland management is the number one member interest in the cooperative.

- ◆ *Access to or recommendations for qualified forestry service providers.* Members would like a referral to trusted providers or dedicated staff to advise them on sustainable practices for timber stand improvement and harvesting.

- ◆ *Value-added opportunities.* A significant group of members are interested in taking advantage of economies of scale in pooling timber, or setting up or contracting out manufacturing processes such as kiln drying, sawing and milling. Members are interested in the added financial return value-added sales can provide.

- ◆ *Access to markets.* If products are generated, the cooperatives can play an important role in concentrated market development.

- ◆ *Access to certification.* Several of the groups have committed to Forest Stewardship Council (FSC) certification, which involves chain-of-custody documentation. Members feel FSC offers good guidelines for sustainable management, and also hope to develop a premium for their certified product.

## ***Sustainable Forestry Cooperative Structures***

To respond to the above needs, the cooperatives have taken several alternative approaches. The following outlines three main categories of approaches:

◆ *Education focus only.* Although not a cooperative, the Wisconsin Family Forests (WFF) is a grassroots, community based organization focused on educating about sustainable woodland management. The group is organized into a number of “member alliances” and has several hundred members. The WFF program includes very well organized neighbor-to-neighbor education events, woods’ walks, newsletters and broader educational programming. WFF has maintained a close connection to the sustainable forestry cooperatives, and many see the WFF model as a possible precursor to the development of cooperatives, by beginning the education process for owners, and developing an appreciation for sustainable management.

◆ *Education, resource management guidance, and contracted services.* Several of the newly-developing cooperatives have chosen to start with a focus on member education and resource management recommendations. They have explored the possibilities of contracting out value-added services with local providers. Examples of this approach include the Northwoods Forestry Cooperative in Akin County, MN, the Kickapoo Woods Cooperative in LaFarge, WI, the Headwaters Forestry Cooperative in Long Prairie, MN, Prairie’s Edge Sustainable Woods Cooperative in Postville, IA and the Prairie Ridge Forest Stewardship Cooperative in Prairie Farm, WI. All of these groups are still in the early development stage and have not yet settled on the final offerings they will provide to members.

◆ *Education, value added processing, and product marketing.* Members of the Sustainable Woods Cooperative in Spring Green, WI chose to purchase land for a log pooling yard, milling site, and solar kiln. The cooperative has hired staff to manage the cooperative, mill yard, office, and marketing of finished product. The cooperative has committed to a chain-of-custody FSC certification, meaning that the wood

moves through a closely planned management, harvest, and processing system that guarantees sustainability to a set of criteria.

In 2002 the cooperative has 150 landowner members in 11 southwestern Wisconsin counties. All member landowners buy one share of membership stock (\$100), plus an “acreage share” of \$2.00 per acre of woodland and fields planned for restoration. Members may choose to be either a “Basic Member” and receive access to only educational services, or purchase market stock to become a “Market Member,” which gives them access to forestry services, payment for logs, and an additional value-added return after the co-op processes and sells the member’s wood. Members wishing to harvest and sell timber buy “market stock” for \$100 per 1,000 board feet of estimated harvest over the next three-year period. A complete explanation of the SWC ownership and investment structure can be found on the SWC website at [www.sustainablewoods.com](http://www.sustainablewoods.com). The cooperative is working to further develop infrastructure and markets in order to ensure a smooth flow of wood through the system. The Hiawatha Sustainable Woods Cooperative in Fountain City, WI and the Living Forest Cooperative in Ashland, WI also have been pursuing value-added processing and marketing.

Three of the cooperatives, SWC, Hiawatha Sustainable Woods Cooperative, and the Kickapoo Woods Cooperative have solicited and received grant funding to explore the feasibility of working together to develop a unified marketing and supply system for sustainably produced forestry products.

### ***Challenges***

The vision that drives the sustainable forestry cooperatives has had a very powerful draw for woodland owners across the Midwest and the U.S. There are challenges in translating that vision into a workable business model. Each of the nine cooperatives in the upper Midwest are learning lessons and making decisions that shape their organizations in unique ways.

These young cooperatives do not have positive bottom lines yet. Some are still struggling to define ex-

actly what level of services will fit the needs of their particular membership. The education component is a universal element, and the majority of the cooperatives offers regular newsletters along with successful field days and work parties that are well attended by members.

The industry of sustainable forestry is new, producing a product that is not readily recognizable in the marketplace. Most of the cooperatives are committed to FSC certification, as it fits the vision and mission they have developed. The FSC label, though gaining more recognition in the marketplace, is not yet well known. Many of the cooperatives are exploring the benefits of marketing product as "locally produced," and planning to capture market share within a specific region, based on concern for watershed and habitat preservation. Others expect to find success in the flexibility their small systems allow, including the processing of less well known hardwoods, in smaller lots and variable tree size. Current end products include green lumber, kiln dried lumber, character flooring, trims, and firewood.

### ***Positive Forces***

A number of unifying influences have allowed the new cooperatives to learn from each other as they grow. Several organizations have acted as catalysts and information sources for the development of these cooperatives. Start-up support has been provided by the Community Forestry Resource Center of Minneapolis, MN and Cooperative Development Services, Rapid Improvement Associates, and the University of Wisconsin Center for Cooperatives, all of Madison, WI. These organizations have acted as resources in development, fundraising, forestry services, coordination, education, and overall support.

A very positive, and intangible impact of the cooperatives has been in community development. These cooperatives, which range in size from 10 to

140 members, bring together people that are neighbors, but may have been strangers, to participate in workdays and field days and decision-making meetings. A valuable sense of community is generated, as even absentee landowners participate and find a mechanism for becoming involved in their community.

### ***Looking Ahead***

The model that has been refined in the Midwest is now expanding into several other states, including Kentucky, Missouri, North Carolina, Ohio, Pennsylvania, and Washington. The second national conference for sustainable forestry cooperatives and associations will be held in November 2002, allowing resource providers, landowners, members, and staff of cooperatives to come together to discuss the movement and learn from each other. It is hoped that this grass roots cooperative movement will go the route of the credit unions or utility cooperatives, and that it will soon be more common than not to have a sustainable forestry cooperative in every community.

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Links to several of the cooperatives can be found at <http://www.wisc.edu/uwcc/linksforestrylinks.html>

Community Forestry Resource Center (612) 870-3407  
(<http://www.forestrycenter.org/>)

Cooperative Development Services (608) 258-4396  
(<http://www.cdsus.coop/>)

Balancing Ecology and Economics: A Start-up Guide for Forest Owner Cooperation. Spiral bound book, second edition available early 2003 from Cooperative Development Services. 1<sup>st</sup> edition available online at ([http://www.forestrycenter.org/library/admin/uploadedfiles/Balancing\\_Ecology\\_and\\_Economics\\_A\\_Start-up23.pdf](http://www.forestrycenter.org/library/admin/uploadedfiles/Balancing_Ecology_and_Economics_A_Start-up23.pdf))

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