

***Landowner Viability: Opportunities and Challenges related to Market Diversification  
for Family Forest Landowners***

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*June 2015*

This report expands upon earlier findings during Phase I of the Oregon Department of Forestry's Landowner Viability Initiative to further explore the opportunities and challenges related to cooperatives, regional branding, and other strategies for family forest landowners to expand and diversify their revenue streams. The report summarizes information about efforts in other locations and provides insights from interviews with landowners, agency representatives, non-profits and others in Oregon regarding what is underway in the state and what might be done to support and advance such efforts.

Specifically, the report provides information on the experiences of cooperatives operating across the country, approaches and lessons learned related to regional branding, strategies that are being explored to increase access to more diversified product markets, barriers to success with regard to these strategies, and what actions government agencies or others could take to help overcome challenges.<sup>1</sup> The report offers recommendations regarding actions that ODF or other organizations could take to address some of the opportunities and challenges identified.

**Cooperatives and Regional Branding in the US: Summary of Findings**

A review of the literature and a web search revealed several examples of forest cooperatives and regional branding efforts across the United States. Research that examined many of these efforts indicates that they have met with varying degrees of success; some are well established and appear to be self-sustaining while others have gone defunct. This summary describes some of the research findings related to

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<sup>1</sup> The initial scope had proposed focus groups to capture the perceptions of landowners regarding such opportunities, but scheduling the groups proved challenging so in lieu of that the team relied on individual interviews with key informants as well as a short discussion session at the annual meeting of the Oregon Woodland Cooperative (OWC).

cooperative and regional branding efforts, the barriers and opportunities those efforts face, and the key characteristics that appear to contribute to successful ventures.

## **Forest Cooperatives**

Forest cooperatives are a growing enterprise around the world, with over 3.6 million people enrolled in forest cooperatives, managing over 60 million acres.<sup>2</sup> While there is far less interest in the U.S. in cooperatives compared to other countries, cooperative ventures are nonetheless emerging. This is likely in response to changing landowner demographics and shifts in markets and in the forest industry overall.<sup>3</sup>

### *What Helps Cooperatives Thrive*

A study by Hull and Ashton (2008) comparing four US-based forest cooperatives found that cooperatives that maximize forest owner control and flexibility, emphasize amenity and environmental qualities over short term gains, implement harvesting processes and marketing slowly and cautiously, access capital from public grants or private investors, and have good management skills tend to do better than efforts lacking such characteristics.<sup>4</sup> Table 1 summarizes the history, goals, and role of external support for these four cooperatives.

Hull and Ashton (2008) found that forest landowners across the country seem to be interested in joint ventures, and are more willing to trade off some of their control over forest management as long as the cooperative reflects their values and allows for some flexibility. They identified **the biggest challenge to cooperatives being amassing the capital needed to build the infrastructure for a value-added forest industry that would serve niche markets.**

Hull and Ashton (2008) concluded that government and nongovernmental agencies could help co-ops by providing financial, technical and organizational support.

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<sup>2</sup> Kittredge, D.B. 2005. The cooperation of private forest owners on scales larger than one individual property: international examples and potential application in the United States. *For. Policy Econ.* 7:671–688.

<sup>3</sup> Nadeau, E.G. 2002. *Balancing ecology and economics: a start-up guide for forest owner cooperation.* Cooperative development services. Baker, M., and J. Kusel. 2003. *Community forestry in the United States.* Island press, Washington, DC. 247 p. Akes, p. 2006. *Forestry cooperatives: what today's resource professionals need to know.* Us for. Serv. Gen. Tech. Rep. Nc-266. 62 p.

<sup>4</sup> Hull, B. and S. Ashton. 2008. Forest cooperatives revisited. *Journal of Forestry* 106(2):100-105.

- Financial assistance: low interest loans, start-up grants, space at industrial parks
- Technical support: business and marketing plans; resource recovery strategies; silviculture and low-impact harvesting techniques
- Organizational assistance: facilitators helping landowners and communities use cooperatives as economic development and environmental conservation tools

Because cooperatives are arrangements that move value and control down the supply chain and closer to the landowner and within the local community, Hull and Ashton (2008) suggest that this allows for desired environmental and social qualities to be sustained and restored through localized control of the management process. **This model, in turn, can help create an economy that is perhaps more responsive to the needs of both the local economy and the local ecology.**

### *Why Cooperatives Fail*

Generating profit, making management affordable, and being able to provide for the services members desire are key elements to a successful cooperative. Vertical integration of forest industry operations adds to the complexity of management because it requires control over labor and facilities linking parts of the supply chain. Literature suggests that forest cooperatives fail when there are high costs to being a member, particularly when commitments are inflexible/excessive and also when internal conflict requires a lot of negotiation.<sup>5</sup> Cooperatives vary in whether they maintain complete control over all aspects of the supply chain or if they outsource to other companies. One of the non-financial costs of membership if a cooperative retains too much control over the management can be a perception of lost or diminished property rights; however, too little control limits the cooperative's ability to maintain product supply. Cooperative failures can also result when members with conflicting goals splinter off or diverge from the goals that the cooperative as a whole has decided to pursue.

Lack of profits and inadequate capitalization can also contribute to a cooperative's failure. Banks are often hesitant to invest in the equipment, facilities, and staff needed to begin operations. All of the cooperatives studied by Hull and Ashton (2008) relied on large start up grants from public and private institutions. Cash flow problems or delays between harvests and landowner, logger, and processor payments can also limit the success of forest cooperatives. Cooperatives also fail when they are unable to generate adequate profits, which may be due to lack of capital, an inability to control product

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<sup>5</sup> Nadeau, E.G. 2002. *Balancing ecology and economics: a start-up guide for forest owner cooperation*. Cooperative development services. Dempsey, G.P. and C.B. Markeson. 1969. *Guidelines for establishing forestry cooperatives*. US For. Serv. Res. Pap. NE-133. 38 p. Parnell, E. 1999. *Reinventing co-operation: The challenge of the 21st century*. Plunkett Foundation, Oxford, UK. 21 p.

quality, or lack of success in marketing products.<sup>6</sup> Another challenge is when there is inadequate management to track and organize inventory and manage the diverse needs of members.<sup>7</sup> The lack of a market for their products was cited as a reason why the Sustainable Woods Cooperative in Wisconsin failed.<sup>8</sup>

To combat many of these profit-generation issues, some cooperatives have initiated efforts to create a market for value added co-op enterprises; successfully creating niche markets for certified sustainable, local, and special wood products is one pathway to success. The Massachusetts Woodland Cooperative, for example, spent much of its startup funding researching and building a market, while Appalachian Sustainable Development hired a full-time marketing specialist to promote its products in urban areas.

Cooperatives that succeed do so for various reasons. Good organizational capacity, strong leadership, business management capability, and conflict resolution skills are characteristics of successful cooperative ventures.<sup>9</sup>

**Table 1: Forest Cooperatives Described by Hull and Ashton (2008)**

Name and Region	About	Operations	External Support
Appalachian Sustainable Development <a href="http://asdevelop.org/environment/">http://asdevelop.org/environment/</a>	Nonprofit organization initiated in 1995 to “help diversify and strengthen the local economy while at the same time encouraging	Program pays for forest plan and stumpage premium through profits generated by buying logs directly, processes locally, manufacturing	Start-up support through grants and loans from the Kellogg Foundation, Ford Foundation, and others. Some funders have set economic feasibility as criteria for future funding.

<sup>6</sup> Dempsey, G.P. and C.B. Markeson. 1969. *Guidelines for establishing forestry cooperatives*. US For. Serv. Res. Pap. NE-133. 38 p. Parnell, E. 1999. *Reinventing co-operation: The challenge of the 21st century*. Plunkett Foundation, Oxford, UK. 21 p.

<sup>7</sup> Cook, M.L. 1995. The future of U.S. agricultural cooperatives: A neo-institutional approach. *Am. J. Agr. Econ.* 77(5):1153–1159. Katz, J.P., And M.A. Boland. 2002. One for all and all for one? A new generation of co-operatives emerges. *Long Range Plann.* 35(1):73– 89. Kittredge, D.B. 2005. The cooperation of private forest owners on scales larger than one individual property: International examples and potential application in the United States. *For. Policy Econ.* 7:671– 688.

<sup>8</sup> Hull, B. and S. Ashton. 2008. Forest cooperatives revisited. *Journal of Forestry* 106(2):100-105.

<sup>9</sup> Merrett, C.D., And N. Walzer (Eds.). 2001. *A cooperative approach to local economic development*. Quorum Books, Westport, CT. 197 p.

<p>Southwestern Virginia and northeastern Tennessee</p>	<p>conservation of local natural resources and investment in local natural capital”</p> <p>Administers both an organic food coop and a forestry coop</p>	<p>products made from traditionally low valued species.</p> <p>Contract with a private marketing specialist to sell products to wood manufacturers, businesses, builders, architects, etc.</p> <p>Pays 20% above market value to landowners for stumpage harvested according to their plan.</p> <p>The premium compensates landowners and loggers for the lower volume and greater care and time required to meet their standards.</p>	<p>ASD’s business plan promises two economically, self-sustaining businesses within 5 years. Thus far, approximately \$600,000 has been invested in the forest products program; replication costs should be lower because valuable lessons have been learned about how to vertically integrate the supply chain.</p>
<p>Blue Ridge Forest Cooperative <a href="http://www.nextgenwoods.com/blue-ridge-forest-landowner-coop.htm">http://www.nextgenwoods.com/blue-ridge-forest-landowner-coop.htm</a></p>	<p>A for-profit cooperative providing its members forest management advice, low-impact harvesting, and</p>	<p>People can participate in the co-op as an investor or member. Investors purchase preferred stock that pays dividends of up to 8% per year and are</p>	<p>The director of operations has extensive business innovation experience and dedicated advisory board has been meeting regularly since 2003 soliciting advice from</p>

<p>Virginia</p>	<p>processing and marketing of value-added forest products.</p> <p>Has over 7,000 ac committed and is still soliciting investments to meet the self-imposed \$150,000 minimum capitalization that the cooperative's board of directors decided is necessary for the co-op to be viable.</p> <p>Members must be Virginia residents, commit at least 10 ac of Virginia forestland, purchase \$500 of common stock in the co- op, pay a \$100 annual membership fee, pay for an FSC management plan, and pay for oversight services during harvests.</p>	<p>refunded first should the co-op fail.</p> <p>Management plans are developed at the landowner's expense. Each member has one vote with regard to co-op policy and receives profits proportional to sales generated on their behalf. Members must agree to patronize the cooperative for the harvesting and sale of timber.</p>	<p>agency, industry, and capacity building sources. The BRFC has received several thousand dollars of financial assistance from the Community Forestry Resource Center and the Appalachian Forest Resource Center. Additionally, the Southern States Cooperative Foundation donated \$100,000 in services to develop the detailed business prospectus required by state law.</p> <p>The BRFC estimates that approximately \$600,000 are needed to become incorporated, purchase harvesting and processing equipment, provide space and salary for business staff, and become third-party certified.</p>
<p>Conservation Forestry Program</p>	<p>Evolved from The Nature Conservancy's (TNC) 1990s efforts to create a Forest Bank, a for-profit</p>	<p>The annual payment to landowners, guaranteed to never decrease, reflects the value of standing timber and is revalued</p>	<p>The Pew Charitable Trust awarded a \$400,000 grant over 2 years to help initiate the bank; \$160,000 was used for planning and program</p>

	<p>institution in which landowners deposited their rights to harvest timber in exchange for an annual payment (see Dedrick et al. 2000).</p> <p>The CFP has less than a dozen landowners with approximately 20,000 ac enrolled and is not currently recruiting new members.</p>	<p>every 10 years or after a harvest. CFP contracts a local FSC-certified consulting forestry firm to develop a forest plan reflecting landowner objectives.</p> <p>CFP assumes the risk of forest damage and price variation and the cost of management. CFP also provides the traditional tax advantages associated with conservation easements.</p>	<p>start-up. TNC funds staff and program administration costs.</p> <p>In 2005, timber harvests generated approximately one-half the revenue needed to meet annuity obligations; in 2006, they generated nearly two-thirds and estimate that approximately 60,000 ac are needed to be economically self-sustaining.</p>
<p>Massachusetts Woodlands Cooperative <a href="http://masswoodlandsinstitute.org/mwc">http://masswoodlandsinstitute.org/mwc</a></p> <p>Western Massachusetts</p> <p>Still an active organization, no longer producing wood products</p>	<p>Formed in 2001 as a limited liability company operating like a traditional cooperative in that each member has one vote and profits are proportional to patronage. Its mission is “to maintain the environment and character of western Massachusetts through the protection, enhancement, and careful economic development of one of the region’s most</p>	<p>Members must give the co-op first right of refusal for timber sales. A representative of the co-op meets with the landowner’s forester and identifies low-to-mid-value timber to which the co-op can add value through local processing and offers an above market-value bid for that timber. Other high-value timber, if any, is sold through the forester using traditional bids or contracts. This</p>	<p>A \$40,000 grant from the US Forest Service and \$17,500 from local foundations got efforts started. In 2004, the MWC received a \$499,253 working capital grant from the United States Department of Agriculture and, in 2005, another \$112,625.</p> <p>A steering committee proceeded deliberately during a 5-year start-up phase. They organized market research into landowner interest and product placement, designed products that</p>

	<p>plentiful resources, the forest.” A sister organization, Massachusetts Woodlands Institute, formed as a 501 (C) tax-exempt organization. It targets a constituency beyond MWC members and receives foundation grants and other contributions that require a nonprofit partner. The MWC’s history is well documented (Barten et al. 2001, Damery 2005)</p>	<p>arrangement allows the forester and logger to work within the traditional marketing system where the co-op is less competitive, maintains good relations with the local forestry industry, improves landowner profits, and adds economic value to the local community.</p>	<p>could be produced with high quality and volume, developed a marketing strategy (i.e., business cards, brochures, and website), developed a business plan, pursued FSC certification, and applied for grant money. They conducted pilot projects that tested the value-added system and built partnerships with local service providers. They also developed a sophisticated database for organizing management and tracking inventory.</p>
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**Regional Branding: Opportunities and Challenges**

While the academic literature is limited in its review of forest cooperatives, research on regional branding initiatives with forest products is even scarcer. Although there is research on marketing and other aspects of regional branding for the wine and food industries, how regional branding efforts support forestry markets is an unexamined question. This may be because such efforts are relatively new and have yet to gain much traction. If regional branding efforts such as “California Avocados,” “Florida oranges,” and “Willamette Valley Pinots,” are any indication, such efforts may be helpful in drawing more attention to emerging markets. However, whether these efforts would support small-scale producers such as Oregon woodland owners is very uncertain; it may be that regional branding initiatives would disproportionately help large-scale producers who are better equipped to capitalize through marketing.

Another uncertainty around regional branding relates to the type of market these efforts are targeting. Most consumers purchase forest products relatively infrequently which may make regional branding more challenging. In addition, the lag time between

harvesting products and selling them can also be a challenge; to advertise and regionally brand products with a lag time on potential purchase of that product presents a barrier to reinforcing marketing and branding behavior. Again, since there is limited understanding of regional branding and forest markets, these comments are merely speculative and intended to help inform a discussion over potential barriers and unintended consequences of regional branding efforts. Many of the on-going efforts (summarized on Table 2) do present regional branding as an exciting solution for forest landowners. Overcoming the barriers of marketing, brand recognition, and increasing overall economic viability will take many creative solutions. Here we offer a brief summary of some regional branding efforts, their approach and sources of external support.

**Table 2: Regional Forest Branding Strategies Identified through Web Search**

Name and Region	About	Operations	External Support
<p>Puget Sound Grown</p> <p>Puget Sound Region, Washington</p> <p><a href="http://www.pugetsoundfresh.org/about-puget-sound-fresh">http://www.pugetsoundfresh.org/about-puget-sound-fresh</a></p>	<p>Puget Sound Grown is a program of Puget Sound Fresh (a regional branding and marketing strategy for Puget Sound Farmers). Originally founded by King County, these programs have been incorporated into the Non-Profit organization, Cascade Harvest Coalition.</p>	<p>The program provides consumers with resources and tools to help them identify and make informed choices on how to find and purchase seasonal and locally grown, raised or harvested foods as well as non-timber and timber products.</p> <p>In addition, Puget Sound Fresh provides information for those seeking agritourism and forest tourism experiences that feature the foods of our farms, forests and waters and the people who produce it.</p>	<p>Continue to receive technical and financial support through County funding (serves 12 counties).</p>
<p>Rural Action</p> <p>Appalachian Ohio</p> <p><a href="http://ruralaction.org/programs/forestry/forest-botanicals/">http://ruralaction.org/programs/forestry/forest-botanicals/</a></p>	<p>Member based organization with a mission to foster social, economic, and environmental justice in Appalachian, Ohio.</p> <p>Founded in 1991 out of a citizen action organization,</p>	<p>Work in agriculture, timber, and non-timber product markets.</p> <p>They undertake a lot of activities including watershed monitoring and stewardship. They</p>	<p>Unclear what external support they receive. As their history is really grassroots and community based, they did not have funding or support to start. They do host a lot of rural</p>

	<p>the Appalachian Ohio Public Interest Campaign, in 1992 the group redefined itself as a member-based development organization renamed Rural Action.</p>	<p>support forest landowners through regional branding and also on helping forest landowner take their product to market.</p>	<p>development AmeriCorpsVISTA volunteers.</p>
<p>WoodRight- Central Appalachian Forestry Alliance</p> <p><a href="http://asdevelop.org/programs/green-and-regionally-oriented-wood-products-gro/">http://asdevelop.org/programs/green-and-regionally-oriented-wood-products-gro/</a></p>	<p>It is a marketing service that is shared by a network of manufacturers in the region to provide sustainably-harvested and regionally-produced wood products to consumers.</p> <p>The WoodRight brokering platform provides a shared system that centralizes core business functions like branding, product development, sales, logistics, and customer service to allow suppliers to focus on production and invest in their production systems</p>	<p>WoodRight specializes in providing hardwood products that are both certified by the Forest Stewardship Council (FSC) (the “gold standard” in forest and wood product certification) and grown and processed in central Appalachia. It also provides building products such as flooring, stair parts, trim, and casework, as well as furniture and furnishings in numerous Appalachian hardwood species. WoodRight intentionally endeavors to assist manufacturers located within economically distressed regions.</p>	<p>The program also partners with the Center for Forest and Wood Certification (CFWC) to provide certification assistance to forested landowners, loggers, and primary and secondary manufacturers. Additionally manufacturers can obtain financing through partnerships with the Mountain Association for Community Economic Development (MACED) and the Natural Capital Investment Fund (NCIF). Lastly, website design, hosting, and training is offered through the National Network of Forest Practitioners (NNFP)</p>
<p>Build Local Alliance</p> <p><a href="http://www.buildlocalalliance.org/about/">http://www.buildlocalalliance.org/about/</a></p>	<p>In 2005, Stephen Aiguier and fellow wood users developed an alliance with Peter Hayes and fellow forest owners to develop a supply chain infrastructure related to local, responsibly managed wood modeled on the <a href="#">Farmer-Chef Connection</a></p>	<p>The Build Local Alliance represents a network of forest owners, millwrights, retailers, distributors, designers, architects, developers and homeowners, and focused on developing the local economy through sustainable forestry. The BLA works on creating systems to match interest in using local sustainable wood</p>	<p>Guided by an experienced, committed <a href="#">board</a> and supported by its diverse, creative, and resourceful membership, the BLA is on a successful track to solidly connect wood users to their local forests. Enthusiasm surrounding BLA activities and events is contagious.</p>

		with markets, including hosting events that bring together landowners and those looking for sustainable wood. They work closely with Sustainable Northwest and other partners, and focus on FSC certified wood.	Contributions from builders, architects, wood workers, millers, distributors, foresters, and non-profit organizations have turned a simple idea into a successful reality.
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**Initial Observations and Possible Considerations for ODF**

Although there is limited information available online and in the literature on cooperatives and branding, there are still some observations one can draw from the existing information. Start-up costs seem to be a huge barrier to both cooperative and branding efforts. Financial costs associated with establishing a non-profit or private company, purchasing equipment, marketing, and more can be an obstacle. Some of the efforts that seem to be successful had external support from either government or foundations. That support seems pivotal to overcoming these initial barriers. Such initial funding can include expectations that groups become financially self-sustaining. For example the Appalachian Sustainable Development cooperative is required to demonstrate this success to their funders, the Pew Charitable Trust and others. Another model would be the Puget Sound Grown and a “fee for service” approach. The Cascade Harvest Coalition is providing regional branding and support for 12 counties; those counties in turn financially support the organization. The initiative was originally born out of King County’s programming and then spun off into its own not-for-profit, allowing it to be able to serve multiple counties across an entire region.

There are other, non-financial start-up costs as well. Some include the effort required to establish and manage an organization, access to technical expertise, or merely getting the right people in the same room working with each other. Leadership, commitment and conflict resolution skills are important to any group endeavor in natural resources. Costs to both the landowner (e.g. time commitment, giving up rights, etc.) and costs to the group should both be considered when considering where and how support to such efforts can be provided.

**Oregon’s Context: Efforts, Opportunities and Challenges.**

This section of the report examines efforts underway in Oregon, profiling efforts that may offer models or lessons learned and identifying opportunities to help advance revenue stabilization and diversification for family forest landowners. Many of the

findings noted in the first section apply in terms of the experiences of cooperatives and regional branding efforts: challenges include lack of access to capital, need for business planning expertise, and time constraints related to the development and implementation of product development and marketing efforts. Discussions with landowners, agency staff and others engaged in related efforts suggest that better aligning existing incentives, financial technical assistance, cost share options, and programs that provide assistance to landowners in managing the non-commercial aspects of their property may help in developing new markets and increasing the participation of landowners in active management and revenue diversification opportunities. Particular focus is needed on finding or developing markets for new products or for by-products of timber production, as effective market drivers will reduce the reliance on other kinds of landowner support.

### **Cooperative Efforts: Strategies and Challenges**

The Oregon Woodlands Cooperative (OWC) is likely the most robust and innovative forest-product focused cooperative effort in Oregon. OWC was started to protect landowners from loggers who were exploiting them by providing better information and access to expertise that could advise and support landowners in managing and harvesting their products. OWC was able to secure a USDA value-added grant to hire a team with expertise in marketing, product development and forest management who helped lay the groundwork for collaborative work and product diversification. OWC is now at \$143k revenue annually and has recently started a subsidiary LLC to manage the enterprise.

OWC has taken a number of important steps to support their markets, including developing protocols for harvesting and bundling firewood and for the development of essential oils that provide for quality control. The investment of volunteer time from OWC leadership has been essential to their success; nevertheless, the availability of time to do the market development and to manage internal and external relationships has been a challenge. Access to the financial investments that could help OWC further develop and scale some of its existing products or expand into new product lines was also identified as an obstacle.

Examples of products that may have potential for growth either through the cooperative or for individual landowners include the development of Big Leaf maple syrup and turpentine from Willamette Valley Ponderosa for Asian markets. Truffles are another potential growth opportunity, although there are issues with quality control of both the harvesting process as well as quality of harvested truffles themselves.

In discussions with OWC members, other areas where support would be beneficial would be advice on taxation, succession, conservation easements and estate planning as they related to family forest landowners. While information related to these issues has been provided in some venues, more could be done to connect the collective goals of landowners to develop more diversified markets to strategies focused on enhancing landowners' longer term ability to keep land in forest as they navigate taxation and succession planning. Finding a way to link these conversations may help mobilize resources toward longer term forest management planning that can both stabilize and diversify revenue streams related to working landscapes.

### **Baker County Cooperative Planning**

Similar to OWC, the Baker county chapter of OSWA has for many years been focused on helping landowners develop strategies to develop value-added markets to increase revenue streams as well as ways to provide greater certainty and stability in the markets for their products. The limited milling infrastructure, long haul distances, and poor markets for forest products in eastern Oregon all pose challenges for communities for in this region.

One strategy that the Chapter has undertaken to explore opportunities while minimizing risk is to develop a cooperative to help bundle products from a number of growers to achieve a sufficient volume to provide landowners with leverage to gain access to and negotiate higher prices with mills. Participating landowners pay a one-time \$250 membership fee to join the cooperative; per the lessons learned noted in the first section of this report, the approach taken under this cooperative is attractive to landowners in part because they stay in total control of their management plans until they sign a purchase agreement with mill. The cooperative currently has 28 members from Baker and Union County; the first deliveries of saw and pulp logs under a negotiated agreement with Boise Cascade were made in September 2014.

Like most start-ups, the cooperative has faced some challenges but continues to move forward. Echoing the issues faced nationwide, developing an adequate base of volunteers that can invest the time needed to keep the collaborative infrastructure going is an ongoing challenge. In addition to the bundling and marketing of timber, the community also explored the development of a small mill but decided not to pursue this due to the difficulty of getting the cash investment needed to establish the infrastructure and lack of business and marketing expertise and of a certain supply of raw material – again, challenges held in common with such efforts nationwide. In general, there is reluctance to make major capital investments due to the risk involved.

The community continues to explore opportunities related to shavings for animal bedding, pellets, and the development of a log sort yard; other local landowners are

also exploring markets for pine cones, but in all these cases, financing remains the biggest challenge. Additional resources to help them develop markets would be beneficial; the program in Massachusetts described earlier in the report that provided funding to explore and develop markets is a model that could be explored.

### **Mobilizing Local Investment: Oregon's Crowd-funding Law and Hatch Oregon**

Oregon recently [changed the rules](#) to better facilitate efforts to raise capital for local investments. This approach to facilitating opportunities for communities to mobilize financial resources that can be invested in local business opportunities may offer a pathway that could benefit the kinds of efforts profiled above. A partner in this effort is [Hatch Oregon](#), a non-profit focused on creating local investing infrastructure. Hatch focuses on three types of opportunities: local, main street businesses, growth companies that happen to be located in community (e.g. export oriented), and companies formed to solve a problem (e.g. juniper). They have established a local investment opportunities network (LIONS) in various regions. Steps have been taken to connect Hatch's founder [Amy Pearl](#) with the OWC and related efforts.

### **Regional Branding**

As noted earlier, regional branding strategies in general are less well developed for forest products than for the food and agriculture community, and therefore less is known about what challenges they face or makes them successful.

Several efforts in Oregon offer both potential models and lessons learned. The [Build Local Alliance](#) was started in 2005, when Green Hammer founder Stephen Aiguier and fellow wood users developed an alliance with Peter and Pam Hayes and other family forest owners to develop a supply chain infrastructure related to local, responsibly managed wood modeled on the [Farmer-Chef Connection](#). The Build Local Alliance currently represents a network of forest owners, millwrights, retailers, distributors, designers, architects, developers and homeowners focused on developing the local economy through sustainable forestry. The BLA works on creating systems to match interest in using local sustainable wood with markets, including hosting events that bring together landowners and those looking for sustainable wood. Focused on FSC certified wood, the BLA works closely with Sustainable Northwest, with the lumberyard [Sustainable Northwest Wood](#), and other partners.<sup>10</sup>

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<sup>10</sup> Another effort that has been spear-headed by Peter and Pam Hayes with Hyla Woods is the Tualatin Headwaters Partners in Production effort; while to date this effort has not gained much traction, it represents the kind of approach that might effectively build coalitions around regional branding efforts. The approach involved working with Food Front Food Coop to raise awareness of the connections between a healthy food-shed and

## **Engaging the Unengaged: Alignment Across Efforts**

The cooperative efforts being undertaken by OWC and in Baker County represent efforts of landowners who are interested and engaged in exploring new approaches to strengthening their financial footing through collaborative work and the development of new markets or new market strategies. However, the lack of interest and engagement of many private landowners poses a challenge both to these efforts, as they rely on achieving an adequate volume of supply to engage new customers and on an adequate base of participation to keep the cooperative model running.

Lack of engagement is also a challenge to other efforts related to the management of forest landscapes in Oregon and finding ways to better align the kinds of support available to landowners in terms of forest management planning, product and market development, access to financial resources and business planning expertise could benefit both the efforts of the cooperatives and the achievement of broader land management goals.

For example, better connecting efforts related to the cohesive wildfire strategy to other landowner outreach initiatives may be one area of opportunity (Cathcart, May 2015). The cohesive wildfire strategy focuses on more effective suppression, preparedness, and coordination of wildfire management efforts; developing more resilient landscapes by accelerating the pace and scale of restoration management; and supporting greater community resilience through management of fuels in urban-wildland interface. The geographically focused initiatives under this program offer a framework for focused investment and engagement.

The [East Face of the Elkhorns demonstration project](#) in Blue Mountains is one example of how investments from different programs can leverage each other effectively. In this 140 square mile geography, NRCS is providing funding for cost share to landowners to do fuels management, and the Joint Chiefs' initiative has made a special appropriation to the National Forest to advance the pace and scale of the work on public lands.

The [American Forest Foundation](#) has become engaged in the effort, building on a model they have used in New York and Wisconsin to strengthen landowner engagement. One of the challenges to both achieving broader landscape management objectives and to developing the critical mass of landowners needed to invest in the infrastructure needed to support new markets (SUCH AS) is that many landowners simply are not engaged in active land management. This may be for any number of reasons; they may

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a healthy watershed by co-branding products from several producers - Hyla Woods, Ayers Creek Farm, Gales Meadows Farm, Fraga Farmstead Creamery and Montinore Estates.

not realize they are woodland owners, may not have any knowledge of active management, or simply may not be inclined to join with other landowners in more collective efforts.

AFF is working with partners including the Oregon Department of Forestry, Oregon State University, and Wallowa Resources to engage landowners across a four county area to increase awareness of their fire risk and provide them with resources and assistance to act to mitigate that risk.

The development of [Tools for Engaging Landowners](#) (TELE) initiative through the Sustaining Family Forests effort at Yale offers complementary strategies to engage landowners who are currently not involved in active management; these also are being tested in the Blue Mountain Region.

One challenge that the East Face project is facing is identifying uses for the biomass they are generating rather than burning it. Development of the infrastructure to manufacture cross-laminated timber is one option that is being explored.

#### **Other Initiatives: Connecting the Dots?**

The Oregon Forest Management plan's "pathways to stewardship" effort is focused on getting landowners started on management planning; this effort is not focused on developing a complete plan, but rather in helping landowners initiate steps in the planning process. There may be an opportunity to better connect this program with the geographies that cooperatives and the cohesive wildfire strategy efforts are focused to further enhance landowner engagement and improve forest management efforts.

The [NRCS Regional Conservation Partnership program](#) is also supporting several efforts that may offer approaches that could be amplified or replicated. One of the initiatives being supported under this program is the Pinchot Institute's family forest carbon project in southwest Washington and northwest Oregon, which is built on Pinchot's [Forest Health- Human Health initiative](#) to focus on helping landowners manage toward the development of older forest conditions.

[Lomakatsi](#) has also received support from NRCS for work in the city of Ashland watershed and other areas in southern Oregon. In Ashland the effort is focused on making the broader landscape more resilient. In this case there is funding from both the Joint Chiefs for public land investments and from NRCS for private land management.

Other resources to be considered include OWEB, which is now providing funds to support [focused investment partnerships](#). This would offer large blocks of money focused on a well-defined area to address 1-2 explicit resource concerns.

Another effort that may offer a model is the **private forest land collaborative** being developed in the John Day. By identifying landscape scales needs and priorities and coordinating management across multiple ownerships, such efforts may be more likely to attract agency investments to help move efforts along.

A critical aspect of these efforts is the landscape scale, the highly focused geography, the provision of significant funding over multiple years, and the inclusion of issues of broader public and national importance.

### **Conclusions and Recommendations**

As noted in earlier sections of the report, there are a number of challenges facing efforts to develop cooperatives or regional branding efforts. Financing start-up costs including the financial costs associated with establishing a non-profit or private company, purchasing equipment, marketing, and more can be an obstacle.

The availability of external support from either government or foundations has been critical to overcoming this initial barrier in many cases, and there are a variety of ways to approach this issue. Financial support has in other locations included low interest loans, start-up grants, and space at industrial parks.

As noted above, the recently approved rules facilitating efforts to raise capital for local investments may be may offer opportunities to address the issue of access to capital that is a consistent challenge to many of the revenue diversification efforts. Making local communities more aware of this opportunity and collaborating with [Hatch Oregon](#) to bring the expertise that is needed to both mobilize and manage local investment opportunities may be a valuable step forward.

Non-financial challenges include organizational efforts, access to technical and business planning expertise, and recruiting participants able to work together. Technical support can include assistance with business and marketing plans; resource recovery strategies; and guidance on forest management strategies that can enhance product quality and diversification. In addition, organizational assistance such as providing facilitators to help landowners and communities navigate the developmental challenges of establishing viable cooperatives can also be of value. Other areas where support would be beneficial would be advice on taxation, succession, and estate planning as they related to family forest landowners.

### ***Next Steps for Consideration***

There are several different opportunities that ODF may want to explore going forward to address some of the opportunities and challenges noted above.

- Expand Awareness of Existing Programs. ODF may want to inventory its existing programs that provide support to landowners and assess whether there are opportunities to communicate these programs more broadly and/or to create more explicit connections between programs that provide more entry-level management support and opportunities for revenue diversification that landowners may be receptive to as they gain a better understanding of the resources they manage. In addition, ODF may want to expand its work or collaborate with others to offer informational sessions on succession planning and estate planning, taxation, conservation easements, and other issues in an integrated manner to help landowners understand how these topics may fit together.
- Inventory and Communicate Funding Opportunities. ODF may want to inventory the kinds of state, federal, and community-based funding resources available to support market or product development, business planning, start-up investments, capital investments etc. and create a strategy to make this information easily accessible to landowners.
- Connect to Small Diameter Assessment. The assessment of small diameter volumes and profiles coming off of federal lands will have useful information for some of the groups and individuals noted earlier in the report. It will be useful to provide this information to the Baker County community and others working on revenue diversification and infrastructure development.
- Staff Capacity. ODF may want to explore having a staff person on the ground focused providing support to landowners on organizational development. Marketing, grant writing etc. There may also be organizations that ODF could partner with to provide this kind of outreach and support.
- Coordinate with Discussions on POP focused on Family Forest Landowners. Many of the issues raised above may be under discussion with family forest landowners in terms of developing a Policy Option Package (POP) to present to the legislature.