

# What is a forestry cooperative?

Kim Zeuli

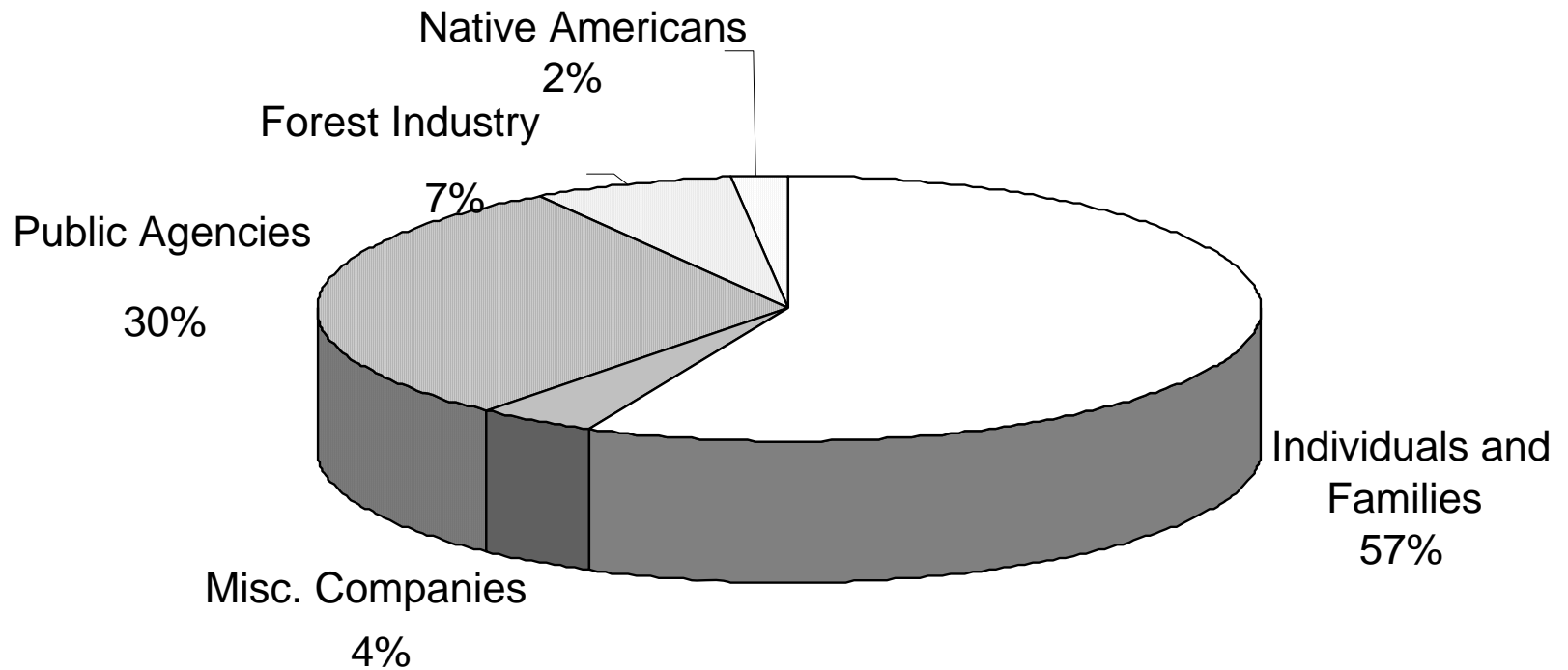
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# Co-op Motivation

## Wisconsin Forest Ownership



# Co-op Motivation

- Non-industrial private forest (NIPF) landowners in WI:
  - 260,000 landowners
    - Sales  $\Rightarrow$  10,000 new owners/year
  - 9.7 million acres of forest (1/4 the area of the state)
  - 65% of the raw material used by WI forest product industries
  - Only about 1/4 have an active forest management plan

# Co-op Motivation

- Parcelization is increasing
  - NIPF parcels too small to obtain some economic and ecological objectives (avg. size = 38 acres)
  - Cross-boundary cooperation leads to greater ecological benefits
  - Economies of scale for timber marketing, log sorting, and processing.
- State and federal government interest in sustainable forestry management
  - Wisconsin: MFL

# Co-op Motivation

- The cooperative model seems an ideal solution
  - Forestry cooperatives successful in Europe, Canada and elsewhere
  - Cooperatives well-known in Wisconsin (infrastructure in place)
- Yet—today, few forestry cooperatives exist in the US

# Forestry Co-op Revival

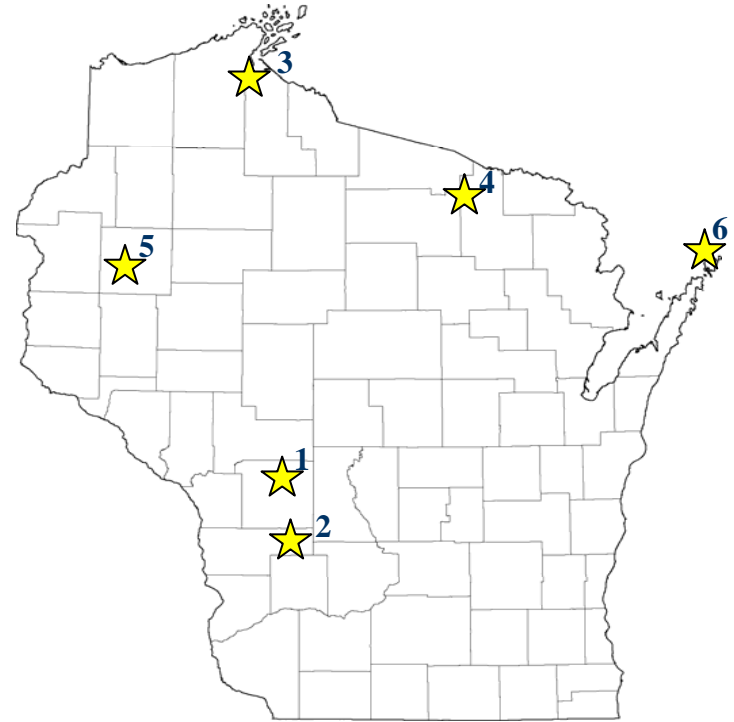
- First forestry co-ops in the US in 1900s
  - 1930s: almost 70 in operation
- Primary reason for demise: insufficient member support.
  - Lumpy returns (patronage refunds 2Xlifetime)
  - Diverse membership objectives

# Model

- The cooperative provides members with:
  - Management education
  - Management services (inputs) (S) at lower cost
  - Logging coordination (LC) at lower cost
  - Marketing timber for a higher price
- One-time membership fee (M) based on acreage
- Annual patronage refund (PR) based on timber marketing (h)
- Higher profits from marketing than provision of management education and services

# Forestry Co-op Revival

- Today, 9 established forestry co-ops in US
  - 15 or so being developed across the US
  - 6 established in WI
  - WI efforts initially lead by interest in value-added (top-down)
  - State agencies, co-op development specialists, and forestry resource professionals



# Alternative NIPF opportunities

- Forest management education programs:
  - Non-profit landowner organizations
  - Industry-sponsored programs
  - Government programs
  - About 15% of NIPF landowners are members of some landowner organization

## Not so sustainable...

- Sustainable Woods Co-ops (1998-2003)
  - Value-added processing (solar kiln, character wood)
  - Ecological and educational orientation
  - 154 members
  - 20,000 acres
- Some members investing beyond timber capacity (e.g., \$60,000)
- WUPFID demise

# Challenges

- Business difficulties:
  - Mature market and they are small players (niche market opportunities are challenging)
  - Value-added initiatives require high capital investment (dependence on grants is problematic)
  - Reliable business plan development
  - Finding experienced management and board of directors
  - Knowing potential future supply and ability to obtain sufficient and reliable supplies (contracting).

# Challenges

- Cooperative difficulties:
  - Spatial (density) issue requires diverse membership (amenity and asset-based perspectives)
  - Diverse membership objectives may require complex membership fees and patronage refunds to guarantee long-term membership commitment (capital and timber)
  - Top-down creation makes for weak organizations
  - Boards need more than “smart” people

# Research question

- In a landscape comprised of landowners with both amenity and asset perspectives, is a “value-added” forestry co-op viable?
  - Will the co-op be able to attract a sufficient pool of capital and timber?
  - Amenity agent focused on managing forest for non-timber products (exclusively)
  - Asset agent focused on managing forest for timber (exclusively)

# Next steps: empirical estimation

- Collect data:
  - “willingness-to-invest”
  - Management objectives
  - Landowner and harvest characteristics
  - Amenity and harvest trade-off (compare harvest across obj)
- Simulations: modify membership fee and patronage refund mechanism (financial structure of co-op)
- Voting rights

# Contact information

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Kim Zeuli

University of Wisconsin—Madison

[zeuli@aae.wisc.edu](mailto:zeuli@aae.wisc.edu)