

# U.S. FOREST LANDOWNER COOPERATIVES: WHAT DO MEMBERS EXPECT? WHAT CAN COOPERATIVES DELIVER?

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## ABSTRACT

Since 1998, eighteen forest landowner cooperatives have emerged as a tantalizing innovation to improve stewardship. Forestry co-ops are not a new idea, but long-term viability has been elusive. Unlike past efforts, modern co-ops foster a dual message of sustainable forestry and landowner empowerment. This study investigated two research questions: (1) What do landowners expect when they join these modern forestry co-ops? And, (2) what opportunities do the co-ops provide these members?

This case study research explored two forestry co-ops in Wisconsin. Like past studies of forest landowners, our findings indicate that co-op members own forestland for primarily non-economic reasons such as having a healthy and diverse forest. Management planning by members exceeds the national average. Members were also active in a wide array of management activities—from timber harvesting to ecological restoration. Interviewees expressed varied expectations in joining the co-op that included education, technical assistance, marketing, and value-added processing.

Additional analysis of these data is required, but some implications for other organizations with similar intentions are evident. First, co-ops function best when collective action can facilitate greater benefits to members. Shared goals and mission are critical to this function. Second, lack of membership commitment and leadership accountability may be problematic to future success. Third, some forest landowners are looking for new opportunities to engage at a local level. Co-ops are one of several options available.

## INTRODUCTION

Nonindustrial private forest owners control over half of the forest resources in the United States, harvest the most timber and manage the least. This has created the challenge of involving more private landowners in forest management. Forest landowner cooperatives have emerged and disappeared over the past 50 years, and have once again resurfaced as a form of landowner cooperation. This paper presents the results from three studies conducted in the past two years that investigated forestry cooperatives in Wisconsin. This paper outlines the interests of landowners in cooperatives as well as the aspirations of the co-ops themselves, in the context of collective action.

## BACKGROUND

The notion of co-ops as organized business structures has been around since the 1800's, but today's domestic view of co-ops as a business structure solidified after World War II (Roy 1981). A co-op is just one type of business; there are several other types of corporations and business structures in the U.S. (e.g. individual

proprietorships and partnerships). The three concepts that distinguish this form of business from others are: (1) users own and finance it, (2) users democratically control it and (3) users receive benefits based on their usage (USDA 1987). In principle, no one owner-user has more control than another. However, the general membership does elect a group of leaders, in the form of a Board of Directors, which is empowered to make most decisions on behalf of the general membership. Although the emphasis is on these organizations as business entities, there are also social benefits to them as well, such as community cohesiveness (Fulton and Ketilson 1992).

Forestry cooperatives are common in many industrialized nations such as Japan, Sweden and Finland, but have had only a minor role in the U.S. where they have ebbed and flowed over the last 90 years (Cunningham 1947; Kittredge 2003). The documented appearance of forestry co-ops in the U.S. begins in the 1910's and reaches the largest numbers in the 1940's. Co-ops declined in the post-war years. They reappeared in the 1950's and 1960's, but never achieved widespread adoption. Often the co-ops were established under federal programs to increase timber production or encourage rural economic development. None of the cooperatives established during these times still exist and various authors attribute this to one of three factors: (1) economic and financial failure such as lack of capital, supply and markets, (2) social failures such as lack of experience, membership participation and managerial conflicts and (3) decline in benefits of cooperation due to an improvement in markets and members bypassing cooperative involvement (Dempsey 1968, Dempsey and Markeson 1969, Henehan and Anderson 2001 Cunningham 1947, Simon and Scoville 1982).

The current rise in forestry cooperatives, starting in the late 1990's, is defining itself in a slightly different manner. While these co-ops rely on government grants for much of their funding, they are not the result of formal governmental policies to encourage forestry cooperative development. Indeed, many would argue that the cooperatives have formed over dissatisfaction or disillusionment with existing public and private forestry assistance efforts available through government and industry. In many cases, the co-ops stress ecological sustainability in management, over more utilitarian interests that often culminate in Forest Stewardship Council (FSC) certification. The newly established co-ops tend to rely more heavily on nongovernmental organizations such as the Community Forestry Resource Center, Cooperative Development Services, Cooperative Development Institute and occasional involvement of university faculty.

The theoretical underpinnings of cooperatives are well established (Cobia 1989) and are based on the simple premise that individuals working together can achieve better outcomes than working individually. To be clear, the focus is on improved individual outcomes, following Olson (1965), and do not necessarily extend to societal benefits. In this way, cooperatives differ from collaboratives, which are typically employed in natural resource management to restore fish habitat and similar public goals (Rickenbach, Bliss, and Reed In press). In uniting private forest landowners, cooperatives can aid in overcoming the economies of tract size that have long hampered returns to owners of small parcels (Row 1978).

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Table 1.—Local forestry landowner cooperatives in Wisconsin, 2003.

Organization Name	Location	Members and Area under Management	Services
Hiawatha Sustainable Woods Cooperative	Sparta	60 members, 6000 acres	Processing, marketing and education
Kickapoo Woods Cooperative	LaFarge	50 members, 6700 acres	Education
Living Forest Cooperative	Ashland	81 members, 9000 acres	Management services and education
Partners in Forestry	Eagle River	27 members, 4756 acres	Management services and education
Prairie Ridge Forest Stewardship Cooperative	Prairie Farm	5 members, 280 acres	Tool shed
Washington Island Timber Cooperative	Washington Island	35 members, 160 acres	Processing services
Sustainable Woods Cooperative	Spring Green	150 members, 20,000 acres	Management and processing services, marketing and education; went out of business April 2003

Table 2.—Demographic statistics of members of both Sustainable Woods and Living Forest Cooperatives Typical landowner information based on Leatherberry (2001).

Co-op	Average Age	Retired
SWC	57	29%
LFC	56	40%
Typical landowner	-	29%

Table 3.—Management statistics for Sustainable Woods and Living Forest Cooperatives' members.

Co-op	Average Acreage	Management Plans	Harvest in Last 3 Years	Ownership Objectives
SWC	97	71%	42%	1) aesthetics 2) peaceful retreat 3) health & diversity
LFC	111	41%	18%	1) health & diversity 2) aesthetics 3) privacy

There are currently six active forestry cooperatives in Wisconsin with a seventh having closed its doors in 2003 (Table 1). They vary in size and in the services they provide their members. This paper combines several studies and examines two of these co-ops: the now-defunct Sustainable Woods Cooperative and the Living Forest Cooperative.

Sustainable Woods Cooperative (SWC) was located in southwest Wisconsin near Spring Green. It was established in 1998, the first in the state, and went out of business in 2003. SWC had four areas of services they offered their members: management, marketing, processing and education. The co-op owned property, a sawmill and a kiln. Timber removed from members' land was FSC certified and the processing operation was FSC chain-of-custody certified. The co-op also sought entrance to certified markets with sporadic marketing campaigns and found some success. Education, another central part of the co-op's focus, included newsletters, field days and workshops for members and non-members.

Living Forest Cooperative (LFC) is located in Ashland in northwest Wisconsin and was established in 2000. They currently offer their members management services such as resource inventories, management plans, timber marking and harvest administration. Management plans are done according to FSC standards and are certified under an umbrella certification held

by the Community Forestry Resource Center located in nearby Minneapolis, MN. Additionally, they provide their members education services through a quarterly newsletter and workshops.

## METHODS

We collected both quantitative and qualitative data from each organization. Two separate self-administered mail surveys were conducted with the members of SWC and LFC in 2002 and 2003, respectively. Both surveys included three mailings: a full mailing with a cover letter, survey and reply envelope, a postcard reminder and thank-you and another full mailing (Dillman 2000). The sample size for SWC was 75 members and LFC was 67 with both surveys reaching over 80% response. We computed descriptive statistics using SAS. We also conducted in-person interviews with members of each cooperative and those familiar with both cooperatives. These interviews lasted from 1 to 3 hours and were conducted at the homes or on the property of the members. In total, 26 interviews were conducted. We analyzed the interview data using standard qualitative analysis techniques (Boyatzis 1998).

## RESULTS

Members of SWC and LFC are both similar and extraordinary compared to the typical Wisconsin landowner. In terms of age and retirement status, they are similar (Table 2) (Leatherberry 2001). They are also alike in their stated reasons for forest ownership. Cooperative members identified income generation from timber harvests as unimportant while aesthetics and diversity were of high importance. These findings mirror the typical owner (Leatherberry 2001). However, members are extraordinary in that they own substantially more land than the average Wisconsin landowner: 97 and 111 acres respectively for members of SWC and LFC compared to 36 acres for non-members (Leatherberry 2001) (Table 3). Members are also more active managers than the typical owner: 71% of SWC and 41% of LFC members reported having management plans. This compares with the national average that is estimated at around 5% (National Research Council 1998). Forty-two percent of SWC and 18% of LFC members reported harvesting in the last 3 years. Additionally, only 24% of LFC members reported harvesting in the last 10 years. Leatherberry does not report this information for Wisconsin landowners.

Our qualitative results indicated what the members of the cooperatives were expecting as members, and what the cooperatives were hoping to achieve. It is important for those considering the cooperative model to reflect on potential members' interests before setting a mission and objectives for the group; consider that members are joining to receive a personal benefit rather than a societal gain. It is also important to recognize the advantages of a cooperative model over other resources already available, such as public and private foresters.

Landowners have identified, through interviews, five reasons for their interest in forestry cooperatives: (1) access to education, (2) access to management services, (3) access to marketing services, (4) networking with other forest owners and (5) support for personal values and beliefs.

The education component is one of the most important according to landowners. Co-ops have offered their members a variety of education opportunities from newsletters and reference materials to hands-on field days. Newsletters include articles about management, particular members' woodlots, co-op news and information about events and education opportunities. A member of SWC stated "I think the biggest thing I've gotten is the materials that they send in terms of learning and understanding...the newsletters were fantastic with information and [graphics]." The field days, often occurring on various members' lands, go beyond landowners' traditional perceptions of forest management, and have included topics such as horse logging, prairie restoration, invasive species identification and management and collecting maple sap.

Members were also seeking management services for their woodlands that go beyond timber management. One SWC employee stated, "A group I know never really imagined even harvesting, but they joined. They paid their membership ... because they wanted a management plan. They wanted some guidance about how they could manage their woods." LFC and SWC provided management services that included inventory assessments and management plans. SWC employed an ecologist to address members' interests in non-timber resources. Plans that are certified seem to be even more appealing to landowners as it provides an assurance to the landowners that they are being good stewards of their land. For this reason, and a perceived market advantage, both SWC and LFC became FSC certified.

Active managers were interested in the co-ops for services beyond management, including marketing and processing. They joined the co-ops as a way to get a better price for their timber and possibly more income through value-added processing. Economies-of-scale was an appealing argument to both landowners and those helping to develop the co-ops. The current average parcel size of private landowners nearly makes collective marketing a must for those wishing to harvest timber. A member of LFC cited an interest in value-added processing, particularly with a local economic focus, and stated, "I joined-- part of it was to be able... in terms of income and being able to produce a value added product. Being able to take timber off of this property, know it's going into the community as flooring or cabinets." Value-added processing was also appealing if the co-ops were going to have control of a large quantity of timber. For example, SWC was marketing FSC certified flooring as one of their value-added products. LFC attempted to follow SWC's model, but was unable to attain enough timber supply from member's lands and were acquiring inventory from outside the membership. In so doing, LFC neglected members' management needs and have since put any marketing and value-added services aside until enough members have management plans and a secure supply of timber can be ensured through LFC members.

A fourth interest of landowners is networking with other local landowners. More so than managing or learning about forestry topics, landowners want to be assured that they are doing the right thing to their land. As an LFC member stated, "I enjoy being with people that have a commitment towards taking care of their woodlands. I enjoy being with people who wanna share information and help each other out and so forth." Sharing techniques with other landowners and experiencing others' management first hand allows landowners to decide what they believe is right for their land. SWC members found ample opportunity for interaction; however, the opportunities for member interaction have been limited for LFC members. LFC may be facing lower attendance at events due to a higher level of seasonal residents and the vast service area that its members reside in.

Another reason landowners are joining these co-ops is because they believe the co-op espouses their personal, intrinsic values and

beliefs. For example, the members believe that sustainable forestry is important and they wish to support an organization that promotes such practices. This is seen in this quote from an LFC member, "I like the idea that they are collecting private landowners and preaching the word about sustainable forestry." This was particularly true for LFC, where this reasoning was stated by 42% of their members as why they joined. This may be an important tool for attracting members, however, it does not indicate to what degree these members are willing to participate in active management of their land, upon which the business aspect of the co-op depends.

In addition to the services the co-ops provide, they have three further aspirations for benefits they hope to provide their members. It is important to remember that these cooperatives are very young and are still attempting to build the organizations. Thus, the three aspirations presented here are in various stages of being realized. The three aspirations include providing a one-stop-shopping experience, a positive forest management experience and greater confidence in the management and harvesting process.

One vision for the co-ops is that they will provide their membership a one-stop-shopping experience for their woodlands. The complete package would include education, management plans, harvest administration, processing and marketing. Members will benefit as it reduces the effort needed to invest in forest management as compared to having to turn to multiple resources for each of these services. Other resources can benefit by having access to a defined group of landowners. The co-ops could also build on their unique insight into their members. The co-ops have created the management plans and could tailor services and programs, according to those plans, at the point in time when they will be most useful to landowners. This would be a significant advantage over the current shotgun approach to education and other programs employed by state, federal, and extension resource professionals.

Along these same lines, the co-ops serve as an alternative resource for forestry information and plans. Recently in Wisconsin, service foresters with the Department of Natural Resources (DNR) have been limited in the amount of free services they can offer to landowners. Many landowners have relied on these foresters for their management plans. Due to the previous relationship with the DNR, many landowners are unfamiliar with consultant foresters and are unsure who will provide adequate management plans. Other landowners have been dissatisfied with the quality of the management plans provided by service foresters. For example, some landowners have said they are too restrictive and are framed in terms of timber management and harvests, which are not in accordance with the landowners own goals for their land. The co-ops can fill the management void created by the loss of DNR services, and offer an advantage over consultant foresters by the additional services (i.e. education and marketing) they can offer landowner members.

Finally, these co-ops are providing landowners greater confidence in the management and harvesting processes. Comments heard during the interviews included "it sounded like they might be the intermediary so that you wouldn't have to deal with the stereotypical logger who just wants to rape your land and bug out" and "[I] thought at the beginning that [the co-op] would be a way to make a little bit of money without selling my own soul." The source of these concerns with the average management experience may be their own experiences or stories from other landowners. As Kittredge and Kittredge (1998) state, landowners would rather "do nothing" on their land than risk the destruction of their precious resource. By promoting sustainable forestry and demonstrating good practices on members' lands, the co-op can lessen concern and show the various harvesting techniques used to address different objectives, particularly those of interest to the members such as wildlife habitat, recreation and diversity.

## IMPLICATIONS

Lessons learned from the experiences of SWC and LFC provide insight into the needs of forestry cooperatives as businesses. One weakness for SWC and LFC was a disconnect between the original intent of those that created the co-ops and the needs of the eventual members. Although the initial leaders argued that value-added processing and marketing are the only ways to get a better return into the hands of the landowners, the members felt they were not in a position to be discussing harvesting. They needed management plans first. If forestry co-ops are going to operate on the benefit of economies of scale, they first need to identify a common goal of their members to work towards.

A second challenge to co-ops is the involvement and commitment of their members. Cooperatives, particularly those that seek value-added opportunities, can be highly capital intensive. In addition, they differ from nonprofit organizations in that they depend on upfront financing as opposed to annual membership fees. In many ways, the co-ops with limited upfront investments look more like nonprofit organizations than cooperatives. For example, the initial investment of SWC members was minimal: \$100 per member plus \$2 per acres. However, the fee structure should be appropriate to the services offered. Whether landowners would continue to join if fees were more in line with services, is an open question. Given that co-ops must typically finance 30% of their investment through the members' fees, the SWC fees should have generated closer to \$200,000 given their business plan compared to \$55,000 generated under the fee structure above. A more appropriate fee structure might have been \$800 and \$11.78 per acre.

One final implication of co-ops is their impact on current organizations, such as non-profits and associations organized for landowners. Wisconsin has a statewide association, Wisconsin Woodland Owners Association, with several regional chapters. They are organized primarily for education purposes, but also have a strong forest management message that focuses on timber management. Our research has indicated that the co-ops are fulfilling more local based needs and are also addressing an overwhelming interest in forest ecology. There is no indication that each of these types of landowner organization is in competition with the others. Thus, the presence of these cooperatives provides yet another alternative for private landowners to become active, responsible forest managers.

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