



***Market Opportunities
For
Small Woodland Owners***

Washington County Small Woodlands Association

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Market Opportunities For Small Woodland Owners

A primer for capturing small woodland resource values and creating short-term income opportunities to sustain good management *and* profitable ownership

**Washington County Small Woodlands Association
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Introduction

Small woodland owners manage a large share of the forested lands in the United States (59%), Oregon (17%), and Washington County (37%). They also provide a large share of the timber that is generated – in Oregon they contribute 16% of the total amount of timber produced. Washington County small woodland owners produce 8% of the timber produced in the County – a lower than state average but understandable given the highly fractured land base and urbanized environment. Recent timber volume projections for western Oregon suggest that forest industry lands could sustain harvest at recent levels. Non-industrial forestland owners, however, could raise harvests to near historical peak levels. These harvest levels could be maintained over the next five decades with no reduction in the growing stock inventory – although the average inventory age would decline over the period (Adams, et al, 2002).

Woodland owners in Washington County manage their lands for a variety of purposes. The 2002 Small Woodland Survey in Washington County explains some of the diversity in woodland owner management objectives. Timber is not a primary value for most owners – only 9% list timber as a primary reason for ownership. However, a significant number of owners identified income and investment return as a primary value (18%). As might be expected, the larger the ownership, the higher both timber and income/investment ranked as important reasons for ownership. Most significant is the fact that two-thirds of woodland owners have harvested timber on their property in the past – half in the last five years. One-half of the woodland owners also said they plan to harvest some type of forest product in the future.

Small woodland owners often find themselves in a difficult position when looking for markets for their forest products.



Traditionally, they have sold their products in the form of timber, generally in a form that is suitable for conversion to the commodity lumber market. Their buyers are usually nearby lumber mills, pulp mills, or other industrial operations that buy logs from private owners to supplement their own timberland supply.

There is a growing realization by small woodland owners that they are not always achieving all the potential value from their forest products. The reasons vary:

- as the “supply of last resort” for industrial operations, they may not receive the most favorable offers;
- as the national commodity market goes, so goes their stumpage value;
- knowledge and access to non-commodity and “niche” markets is limited;
- they do not take advantage of their unique potential, either in the form of species, size, quality, or other characteristics of their forest products, or in conditions where they might have a competitive advantage, such as small quantities, custom “breakdown” orders, timing of delivery, or other special features;
- they are limited by economies of scale.

In addition to factors beyond the landowner’s control, some landowners may not achieve all their potential value because they are not interested or willing to do the “homework” necessary to understand and interact effectively with existing and potential markets.

The purpose of this analysis is to explore the opportunities for small woodland owners to market a variety of products from their properties, and to identify what small woodland owners can do to:

1. Structure their management goals, methods, timing, or other factors to better suit **existing** market opportunities.
2. Develop **new** market opportunities by

providing different products, working with others to create marketable supplies, creating the ability to move directly to retail or secondary markets, or other strategies.

3. Identify **limiting factors** that must be addressed to improve marketing conditions and opportunities for small woodland owners.

4. Propose **additional analysis and/or research** needed.

Existing information was obtained from published sources, from interviews with knowledgeable persons, and from interpretation/interpolation from a variety of data sources. All are referenced in the text and appendix. Methods used were straightforward comparison, extrapolation from relationships in data, and personal experience and judgment.

The analysis was not intended to be of sufficient rigor to constitute research, but instead relied on drawing conclusions from existing data. Assumptions based on experience and judgment were used to identify relevant conclusions that could meet the purposes of the analysis.

The most important results expected from the analysis are to *create reasonable expectations among small woodland owners for improving their marketing opportunities*, and *provide a basis for future analysis of potential market opportunities*.

The Producers—Small Woodlands and Their Owners

Oregon has 4.4 million acres of forestland owned by family forestland owners (“*Sustaining Oregon’s Family Forestlands*,” Oregon Department of Forestry, 2002). An exact number of individual owners is not available from existing data, but some analyses have estimated that perhaps 50,000 landowners are involved, with 157,400 separate forested tracts. In Washington County, an analysis of forestland tax rolls has shown that there are 1,880 owners of forestland tracts from 5 to 5,000 acres in size. The number of forestland acres on the tax rolls is almost 70,000 acres. There are additional forestlands outside those on the tax rolls as forestland. These forestlands are commingled with agricultural or other tax classifications.

How much wood does this forestland produce? Washington County private, non-industrial forestlands produced 11.5 million board feet in 2001, or roughly 25% of potential growth. How much wood can this forestland produce? The average forestland site index, as determined from the Soil Survey of Washington County (USDA-NRCS, in cooperation with the Oregon Agricultural Experiment Station) is 157. The index is calculated on a base of 100 years of age, and is determined by weighting site index with number of acres for identified forest soil types. (Site index is a measure of the height that forest trees will grow to at a specified age – in this case, 100 years). This level of average productivity could produce, if intensively managed for wood production, 47.2 million board feet per year. As shown by the Washington County Small Woodland Survey, however, most woodland owners do not intensively manage their woodlands for timber. They manage for a variety of objectives, and intensive timber management is not always compatible with all of their objectives. The result is that they achieve only a portion of the timber potential – as evidenced by the 2001 harvests of only 25%.





The Existing Markets – How Much of What Kind?

There are three general types of markets that are important to small woodland owners: *traditional*, *non-traditional*, and *non-timber*. Each of these market types has a distinct set of characteristics that is related to the broad economy and related markets. The small woodland owner can optimize the economic values produced by their woodland by understanding these types of markets and their characteristics, and managing their woodland to best take advantage of the peculiar market opportunities they offer.

Traditional Wood Market Characteristics

Traditional wood products markets are defined on the basis of commodities that are widely used and consumed, and which are significant components of the existing wood demand and supply relationship. The common traditional wood markets are:

Dimension lumber: A visit to your neighborhood lumber store will demonstrate the variety of dimension wood products on the market. Additional dimension products are sold primarily to construction and manufacturing businesses. Volume is the key to success in the traditional dimension wood market. With volume comes a requirement for standardization of size, quality, availability, and other factors associated with meeting the market demand. Industrial forestry companies, and some public land sources, are best equipped to respond to this market because of the large volumes involved. Small woodland owners, on the other hand, often find themselves as the marginal supply, making up what is not met by large, on-going in-house or contractual suppliers. There is an estimated mill capacity of 750 million board feet in the three county (Washington, Columbia, and Multnomah) area that would be served by Washington County small woodland owners (Binam, personal communication, 2003). Additional capacity exists in Clackamas, Polk, and

Yamhill counties. There are over 90 forest products firms in Washington County, with 2900 employees. Statewide the Oregon Employment Department projects a decline in lumber and wood product employment, but the projection for Washington County indicates a rise in employment. In looking at the number of firms, Washington County forest product firms are roughly 14% sawmills, 60% furniture/cabinets/millwork, and 26% “other”, e.g. veneer, pulp, manufactured homes, pallets, display fixtures, etc. (Scott Leavengood, personal communications, 2003)

Veneer: Veneer in the Northwest generally refers to the thin sheets of wood peeled off logs and glued together in sheets to form construction grade material for underlaying walls, floors, and roofs. More recently, engineered wood products such as laminated veneer lumber (LVL) are used to produce wood I-beams for joists. While there is still a market for veneer grade logs, the strength of the market for veneer has suffered significantly from competition by products such as OSB (oriented strand board), constructed from “flakes” of wood chipped from logs not generally of the same high quality as veneer grade logs. Oregon has yet to establish an OSB facility, as the preferred species (primarily aspen and other poplar) are not prevalent in the local region.

Pulp: Wood pulp is used for a variety of products such as newsprint, cardboard, and stationery/computer paper. The type of paper product determines the wood pulp species desired. Much of the pulp used comes as a by-product of other wood milling operations, and from recycling of paper products. Pulp is not a high valued woodland product, but is generally a by-product of logging stands where pulp species are 1) a component of the stand being logged, or 2) a low quality component of species being logged for other products.

Poles: Poles for electrical transmission, (and to a lesser extent for building construction) are a consistent market for high quality trees that meet demanding standards for height/taper ratios. Poles are often “pre-selected” out of timber sales for sawlogs, and their premium

price justifies the higher costs of removing the trees before the sawlogs, or in sorting and storing them separately. The higher value of poles also justifies longer haul distances to pole markets.

Export: Wood products selected and shipped outside the United States are known as “export” products. Export products are subject to international market conditions far more than domestic products are, as they compete with a much larger supply base. Generally the specifications for export logs are more restrictive than for domestic markets, and are based on the unique manufacturing and market conditions in the importing country. Growth in international wood supplies, resulting from the increase in forest plantations and other wood sources around the world, has reduced the opportunities (and price) available to woodland owners in recent years. Other factors that may have influenced the available export market are balance of trade issues, the strong US dollar in relation to some other world currencies, and price issues resulting from labor and other production costs.

Non-Traditional Wood Products

Some wood product markets are primarily dependent on their unique characteristics outside of any potential traditional wood market. The characteristics that define non-traditional wood products are:

Species-Specific: Wood is an aesthetic material as well as a medium for creating products of utility. Furniture is an excellent example, where the species of wood (which carries unique qualities of color, texture, grain, etc) is a major determinant of value. Even where the aesthetic value is not important, species carries other values such as ease of woodworking or conversion, which makes it selectively desired in the market. Markets for certain species may be difficult for woodland owners to locate and access, and on-going business relationships between the markets and suppliers may inhibit new woodland owners from gaining entry.

Size-Specific: Certain wood products require a specific size of source wood for their

manufacture. The product may be “in the round”, where a minimum amount of reduction is required to reach the target size, as in “log beams” used in great rooms or dens of houses. Some products have specific dimensions which dictate the size of source wood needed, such as in large rustic beams.

Characteristic-Specific: Wood characteristics, such as density (reflected in the number of growth rings per inch and/or the percentage of higher density latewood/summerwood in the growth ring), grain, color, history (such as insect or stress marks), and other unique features determine the value in certain markets.

“Niche” markets: Some combinations of the above non-traditional characteristics often define a niche market, though niche markets may also be defined more by characteristics of market than by characteristics of wood supply. For example, a competitive advantage for transportation (cost), or identification with a unique product (chainsaw sculpture, house logs, or twisted logs for use in columns), can create a niche market that though small, may be an important market for a small woodland owner.

Non-Timber Products/Values

Decorative: Materials such as greenery, craft supplies, floral displays, and novelty items can provide an important supplement – or in some cases a primary income source. An added advantage of this market is that it can be utilized while also producing a long-term wood product crop.

Shade Culture and Food Crops: Other markets that can supplement a wood product income are ferns, mushrooms, herbs, and other sub-canopy species. Many of these species require a partial shade to flourish, and the understory of a timber stand can often provide an ideal environment for them.

Experiences: Forested environments are important sources for camping and picnicking recreation, “hunting and gathering”, Christmas tree and yule log collecting, and other outdoor

experiences. Providing this environment - at a fee – can be an alternate income source that if managed properly can be accomplished while also raising timber and other forest crops.

Agro-forestry: Certain kinds of agricultural enterprises may be appropriate and compatible with growing wood or other forestry crops. Forage produced under a partial shade may permit limited livestock use (cattle, sheep, goats, etc). Generally the “sharing” of growing space between forestry and agricultural enterprises will result in less than maximum yields of both, but the total income generated may exceed that generated by a single enterprise and will help to counteract the cyclic nature of these markets. More importantly, an agro-forestry approach may better suit cash flow or other owner management objectives.

Key Factors Affecting Small Woodland Markets

Broad Market Implications

Small woodland owners are like a leaf in the wind in Oregon's traditional log markets. With an historical market share of only one-tenth or so of the total harvest in Washington County, small woodland owners are not a collective market force in determining log prices. Indeed, even regional wood market demands and prices are generally controlled by national and international market fluctuations. Tracking national and international trends in wood markets is helpful, particularly where small woodland owners have the ability to time their harvests during periods of favorable markets. Many factors affect national and international market trends, including currency exchange rates, commercial interest rates, tariffs, and building material trends. The supply of wood available is not a controlling factor; merely one of many that affect demand and price.

Species/Product Market Fluctuation

Particular species or products markets do not always follow broad market trends. Instead, they are more influenced by consumer preferences associated with non-commodity goods, innovation in product development, creativity in market promotion, and other factors not associated with commodity markets.

Location – Haul Distance

No matter which market is being pursued by a small woodland owner, the bottom line is the net return on the sale. The most important variable is likely to be the cost of transporting the logs or other forest product to the point of sale. For low value products, the economical haul distance is comparatively low; for



high value products, a much longer haul distance may still be economical. For example, there are now significantly fewer buyers for large diameter (>30") logs. Thus woodland owners often have to transport large logs long distances to the nearest mill able to process them. The value of such logs will dictate whether the haul distance is economical.

Competitive Advantages for Small Woodland Owners

Small woodland owners do have some competitive advantage over owners of larger industrial or public forests. The key is capitalizing on small woodland owner characteristics such as intimate knowledge of the quality, species, and other potential product features; and cost control through personal involvement. Personal involvement can be a key attraction for some smaller manufacturers. Small firms may want to work directly with a woodland owners and thus bypass the time delays (and costs) of a middleman.

To some extent, small woodland owners also have the ability to time harvest entry and amount, though woodlands adjacent to large public or private ownerships may be greatly limited in their timing options due to threat of insect, disease, or fire spreading on to their lands.

By using these characteristics effectively, the small woodland owner can find "niches" and opportunities that larger owners would not find economic or would overlook. The following topic, "Trees/Products to Market," will describe some of these small woodland owner opportunities.

Trees/Products To Market

“The species’ s the thing...” (paraphrasing Wm. Shakespeare). What species are attractive on the market?

It’s not news that certain species are more in demand than other species. Sometimes the market preference is based on a species’ particular characteristics for a consumer or construction product. Sometimes it is simply a successful marketing strategy used by a product producer. The end result is the same: a particular species is preferentially sought on the market. A small woodland owner can use this market preference to advantage if the owner has supplies of the desired species, or finds it in their management objectives to create a diversity of species on their woodland. Often the species exists as a minor species of natural forest stands. Oregon has many hardwood species that have potential value for the right market. Some like Oregon white oak, used in wine casks, flooring, and furniture; and red alder in the cabinet and furniture industry, are well-known examples. The development of markets for western juniper and hybrid poplar/cottonwood, though still in their infancy, are good examples of how a market can be developed when there is a supply available.

Western redcedar is a high-value lumber species. It also has a number of specialty markets within the market, some of which might also be classified as “niches” or small markets. Saunas, hot tubs, decorative siding, and other products are examples where the fact that they are made from cedar adds a premium to the price.

Larger owners may have concentrated their efforts on a few species, generally in plantations. The **competitive advantage for small landowners** lies in their ability to focus on minor species within their management strategy, and to provide the small quantities of a particular species that the market may be interested in.



“I’ve got this defective (unusual, rare, distinguished, atypical, striking, etc.) wood (or other forest product) – what can I do with it?”

According to an old adage, if life gives you lemons, make lemonade! Small woodland owners are sometimes presented an opportunity disguised as a problem. Creative marketing may be the means to capitalize on the situation. Markets can be created for the unusual, different – even bizarre types of wood or other forest product found on your woodland. As an example of how creativity has turned a problem into an opportunity – there is now a market for “denim pine” in the log home industry. In case the term “denim pine” doesn’t ring a bell for you, it is simply bug-killed timber that has acquired a distinctive coloring from blue-stain fungus. Once shunned by traditional markets, “denim pine” now is sought by a segment of the log home market. “Pecky cypress” is another example of using a previously defective material to create a new market. How about developing a new market for wormy cedar? A new name might help this “character wood” sell for a premium, instead of being a scale deduction! Other examples include various growth defects such as burls (the equivalent of cancer in trees), spiral or wavy growth rings that result in highly-figured wood as well as twisted stems that can be used for decorative columns or sculpture.

Creating new markets is not limited to wood products. Shrubs, herbs, old bird’s nests that can be used as decoration or for crafts, unusual or especially scenic woodland settings, nuts, berries, and other forest products can become cash opportunities for the woodland owner.

“But I only have a small amount” – how can small amounts be marketed?

While some small woodland owners have enough forested acres to command interest from traditional markets, many do not. Managing a woodland requires that there be “operable”

harvest opportunities, whether they be for tree improvement harvest to remove defective or low quality trees; thinning to improve vigor and growth, or harvest to improve other management objectives (such as creating growing space for understory agroforestry crops). Operability requires that a harvest be physically, technically, and economically feasible. Often the amount of wood harvested in these operations does not justify the interest of loggers, haulers, or log purchasers. When a small wood volume is projected, the landowner can:

- seek a traditional market willing to accept the volume,
- look for small market opportunities (more and more common now that there are many small portable mills that process wood for farm, construction, and other non-traditional use), or
- work with other landowners to “package” wood from a number of small woodlands so that market opportunities are enhanced.

A good example of finding a market for small amount of wood comes from Vermont, where small woodland owners have found a use for “ash butts” – the 4’ long sections of ash trees cut during pre-harvest thinnings. The butts are created when the trees are cut at 4.5’ and then again at the end of the root flare. The butts are shipped to Ireland, where they are used in manufacturing “hurleys” – a 36” stick used in the traditional sport of hurling. It’s a small market, but still consumes enough Vermont ash butts to make 150,000 hurleys a year! This example demonstrates the value of information – one must first be aware that such a product exists, then the specifications (i.e. wood species, lengths, widths, etc) and, of course, who the buyers are.

Log-sort yards are a potential option to aggregate small amounts of timber from a number of woodland owners into a more marketable quantity. Log-sort yards also offer the opportunity to sort out the logs by different market

characteristics, so adequate volumes can be marketed to specific markets where their value can be recovered. The result is “adding value” to the logs marketed over what they would normally recover from “camp-run” markets.

The **competitive advantage for small woodland owners** lies in the flexibility to seek a variety of market options that best meet their needs.

“My trees are too small/large/etc.” – What can be done to better fit into markets?

The “revolution” in log processing that has occurred over the last 20 years has created many problems for small woodland owners – who often must rely on the changing traditional markets. The primary problem lies with large trees, generally those over 30 inches in diameter – trees that in the past were prized for their veneer capability, fine grain, and clear wood. New mills and processors do not accept these large logs, so they must be transported longer distances to find an older mill that can handle them - and then at a lower per unit price. A recent Oregon State University study found that there exists a large volume of such logs on private lands in Oregon (Wagner and Hansen et al., 2003). The study surmises that many private landowners may opt to liquidate their older, larger trees in order to offset the risk of even lower prices for their large logs in the future. As an alternative, owners with large, quality logs may seek to capitalize on the asset represented in the logs. This may include “breaking down” large logs into smaller components (cants or other sub-unit) with existing large log, low volume mills or portable mills which can handle large sizes. The high quality wood components may then be of interest to secondary markets such as cabinetry, finish work in upscale home construction, or products that need high quality wood as a component. In a study reported in 1998 in the *Forest Products Journal*, authors Eastin, Lane, Fight, and Barbour reported that the real price premiums commanded by clearwood grades of softwood lumber have been steadily increasing over the long-term. The result

is above-average returns to timber producers where the yield of clearwood lumber can be enhanced through cost-effective intensive forest management.

Electrical transmission pole cross-arms are an example of how typical large logs, with greater than 8 annual rings per inch, might acquire markets. Cross-arms require exacting wood source specifications – generally too time-consuming for most production-oriented mills. Working with a competent portable mill operator, a woodland owner might market some large log material at significantly higher prices. An assumption would be that the “fall-off” (material from the log that does not meet cross-arm quality) can be marketed also. (John Belton, woodland owner, Tree School, 2002). In general, full utilization of material (that is, markets for the high-end material, low-end material, and residue) are required to make the entire operation economically feasible.

The **competitive advantage for small woodland owners** is in creating a linkage to secondary markets. In the future, cooperative efforts by small woodland owners may aggregate sufficient quantities of large logs to make other marketing options feasible.

Small trees – those trees smaller than new industry standards for traditional markets – are another problem that may become an opportunity, at least for a portion of the supply. Plantation thinnings are the primary source of small trees in Washington County (and in most of western Oregon). The potential supply of wood from small trees may easily flood any particular market, such as agricultural poles and posts, or rustic furniture. Realistically, unless a new market that will use huge amounts of low quality wood (such as a co-generation facility) develops, small woodland owners will only be able to market a portion of the total small tree volume they might have available. However, enterprising owners may be able to find small markets that they can access. These may include the more common agricultural poles and posts market, but also more specialized markets such as garden supports, nursery supports, etc.

In older natural stands that are overstocked, the closely spaced annual rings make small tree wood much stronger than trees grown at a more rapid rate in plantations. This characteristic may be turned to the woodland owner's advantage in markets looking for strength.

Another use for small wood is in creating big wood! Laminating pieces of small material to create desired larger pieces is growing, and it is likely that laminated wood will continue to increase its share of the construction industry. Glue has become key to the future of wood in construction! The use of small trees and lamination to respond to market needs is illustrated by the use of small thinning trees to make wood posts for guardrails along highways. The short laminated posts have passed intensive stress tests, and are now used in 5 western states.

The **competitive advantage** is an easily obtainable supply, coupled with a location advantage for transportation cost. This advantage can be enhanced by cooperative woodland owner action to obtain processing equipment (such as post and pole processors), obtain volume contracts for an aggregated supply, or other innovative initiatives. Given that small trees are not in short supply, success in marketing will not be found in one or two "secret products", but will be found more in an emphasis on processes to identify unfulfilled needs, determine suitability of resources available, locate buyers, develop product specifications, and business planning.

"Can I get a fair price or better access to the marketplace for good management?" Or, getting credit for "doing the right thing" on your woodland

Small woodland owners in Washington County are as diverse as the society they live in. Some value their woodlands as a family heritage (7%), some as an income or investment source (18%), and some because of their interest in natural resources or forest values (18%). The primary value related to their woodland, however, is that it is their home environment (47%) –

they tend to take pride in their woodland management. Most woodland owners are serious about managing their woodlands, however, no matter what primary values they place on it. Over 50% of County woodland owners plan some sort of management activity on their property in the future, and two-thirds have harvested trees on their property in the past. (*A Green Tapestry – The Small Woodlands of Washington County: Results of a Survey* 2003)

Anyone in business wants to know "the bottom line" – what is the net return for management investment and energy? More specifically, will the marketplace recognize and reward my efforts to do a quality job of management? Will such practices as pruning for quality crop trees, planting improved seedlings, controlling competing vegetation, and other forest practices yield a higher return on the market? For some practices, the answer is found simply in the increased wood that may be grown. For others, such as pruning, the answer is less obvious since an increased market return is dependent not on the volume of wood produced, but instead is based on what wood qualities might be valued in the market, such as clear wood, tight grain, or other feature. The degree to which these features are recognized and rewarded in the marketplace is usually dependent on finding "small" or niche markets, as discussed earlier.

One way of getting market recognition for good management may be getting your woodland and your management "certified" as *sustainable* by a certifying organization, such as Forest Stewardship Council or American Tree Farm System. While the general traditional markets have not recognized certification by a price premium, there are some small markets that have. The more realistic reward for certification is an increasing acceptance of certified wood – or in some cases a lack of acceptance for non-certified wood – and therefore better access to a variety of markets.

The **competitive advantages** for good management are 1) creating products that have qualities developed through good management,

and which fit niches not filled by the general wood producers, and 2) seeking sustainable certification that allows access to new markets.

“My timber won’t be ready to harvest for a number of years” – What can I market to pay my expenses in the meantime?

Nontimber forest products can be a significant source of income for small woodland owners. Products included under this category are *nonwoody species*, such as mushrooms, ferns, and other understory plants; *nonwoody parts* of trees such as cones, fruits, bark, foliage, and sap; and *woody material* such as firewood, poles, and boughs. Nontimber forest products can be found – or produced – from a variety of forestland conditions, and often the more diverse the forest, the more types and amounts of products that can be recovered. The yield per acre is often low, but the value per unit weight is high, for nontimber products. While investment costs for harvesting are low, labor costs are high.

The four largest segments of the nontimber forest products industry in the Pacific Northwest are holiday greens, floral decorations and greens, wild edible mushrooms, and medicinal plants. Small woodland owners can find opportunities to obtain income from all four areas. The keys to success are knowing what potential products you have on your woodland, learning how to harvest them, and finding the markets in your area. Some naturally occurring plants can be cultivated and grown in the forest, increasing the amount of product that can be harvested. Others may not be easily adapted to cultivation, and careful harvesting is needed to be able to retain the species while obtaining a periodic crop. Look for opportunities to obtain nontimber forest products from portions of your woodland where you are not intensively managing for timber, such as riparian areas, meadows, and low-productivity areas. Jim Freed, Washington State Extension Forester, says he knows one owner that harvests \$15,000 of bough material a year from 5 acres of riparian area (Capital Press, Dec. 13, 2002). Freed states that size of area, personal time available, knowl-

edge of plant growth habits, knowledge of existing markets, and ability to develop new retail markets are controlling factors in a successful nontimber forest products venture (personal communication, November 18, 2002).

Nontimber products can also be “direct-marketed”, by selling them at floral shows, home and garden shows, farmer’s markets, craft shows, and other venues. Capitalize on the advantages you have of offering quality and freshness, as well as showcasing your sustainable management.

The **competitive advantages for small woodland owners** are in-depth knowledge of their woodland, opportunity to use the incidental growing capacity of their woodland to get a second complementary or supplemental crop, and the willingness to accept a “maintenance” level of income from those crops.

“You Want It When?” – Taking advantage of seasonal fluctuations in the market

Rainy, wet weather makes getting raw material in from the woods more difficult for lumber mills and other wood markets. Some forestry industry lands are accessed by all-weather roads, a recognition by their managers that the cost of putting a rock base on their roads is often more than made up for in their ability to access their forestlands during the wet season. Often small woodland owners can use their existing all-weather access to market their products during the time when many larger wood providers are sitting out the market due to poor access. The **competitive advantage** is the fact that small woodlands are often easily accessed from improved roads maintained by the County or State. Woodland owners might improve their ability to utilize these existing roads during inclement weather by making a relatively small investment in improving their roads to reach the local road network. Often the cost of “rocking” their access road is more than made up for by the higher seasonal price they receive for their wood.



Looking Down the Road – Potential Opportunities for Small Woodland Owners

What Are the Trends?

The woods products industry has followed many national and international business trends. At a conference on marketing for small woodland owners and wood product manufacturers in March, 2003, Rick Fletcher, Extension Forester for Oregon State University, summed up the five major changes in the forest industry that are impacting markets:

- Globalization
- Mergers
- Plantations
- Glue replacing old growth
- Sustainability concerns

In the Pacific Northwest, impacts on the forest industry include:

- Continued importance of commodity softwood lumber
- Growth in engineered wood product processing
- Niche marketing for high value woods from natural forests

Fletcher said that the two major challenges for Oregon's small woodland owners are:

- Gaining market leverage in a less competitive market
- Securing market niches, especially for high quality products and large diameter sawlogs

(Capital Press, March 21, 2003)

The result has been reduced market price and demand

differentiation in wood markets. At the same time, there is an increasing trend toward “under the radar” business enterprises, targeted at specific markets. Examples are trends toward organic food products, energy efficiency, antique or historically significant furniture, and other “small markets.” Small markets are not necessarily “niche markets,” which tend to be very small markets that are sought out by potential buyers, as opposed to “small markets,” which use mass marketing methods, but aimed at only a portion of the general market.

The trend toward certifying wood as coming from “*sustainable*” sources has become much more significant in the past few years. The reasons have been acceptance of the concept by a majority of the forest products industry, and increased marketing attention to a “sustainable management” label on forest products. The means, and to some extent the standards, for sustainability certification vary between forest industry and some other certifying groups, but the practical result is that more and more wood products are being marketed as coming from sustainably managed forests. “Green building” now constitutes 8% of the building market share in the U.S., and is growing rapidly. In the local area in 2003, at least 3 million board feet will go into building market through the mainstream distribution channel in a price competitive manner (personal communication, Brent Davis, Ecotrust)

The *volume of wood being imported* from foreign sources has also increased over the past 10 years – affecting the demand for wood from US forestlands. The impact is felt differently by various locations, depending on the amount of local material available in proximity to wood processing facilities. In Oregon, the dramatic reduction in available wood from federal lands (over 50% in the last 20 years) has triggered mill closures and re-tooling to utilize the smaller diameter wood available from federal lands and the thousands of acres of plantations becoming merchantable on forest industry lands. The amount of wood coming from industrial forestlands has remained relatively constant from 1980

to 2002, while the amount from other private lands has varied from 3% to 16% of total market, tracking significant log price changes during the period. (source: Oregon Department of Forestry)

“*Engineered wood*” has become a significant factor in wood products used in construction and other wood commodity markets. Technological advances in glues and lamination have spurred the increasing use of engineered wood, along with decreasing availability of high strength construction wood at competitive prices.

National and international trends have implications for small woodland owners. Fewer market outlets for (traditional) commodity wood, lower demands from those markets, and lower average prices result as these trends work their way down the supply-demand chain to the local area.

How Can Small Woodland Owners Increase Their Competitive Advantage?

Small woodland owners must adapt their **short-term** harvest plans to take advantage of the *species, amount, timing, and other competitive advantages* they may have over the traditional and commodity markets. Dick Courter, consulting forester, offers these marketing tips for small woodland owners:

- Get expert help in marketing your timber – the additional value recovered often exceeds the cost of the service!
- Determine a marketing technique, based on the size, species, amount, distance from various markets, and other characteristics of your timber
- Sell directly to mills, exporters, or specialty markets
- Use lump sum stumpage sales – where you have accounted for all the market values in the stumpage price
- Join an organized group that offers guaranteed approximate volumes

Full utilization of your timber product is important in capturing the potential of your woodland. Markets must be found – or created – for the low-end material (lower quality and residual) as well as the higher quality products.

Be responsive in your relationships with buyers in the marketplace. Buyers demand consistency and reliability – on-time deliveries and quality that matches expectations.

They may be willing to try out a new species and “buy local”, but will not tolerate late deliveries, low yield, variable moisture content, or other factors that affect their ability to utilize your product. (Scott Leavengood, Oregon State University Forest Products Extension Agent, personal communication, March 2, 2003)

In the **long-term**, the woodland owner’s complete woodland management strategy needs to be examined to determine how competitive advantage may be incorporated in on-going, day-to-day management decisions. As a part of the management strategy for woodland management, every woodland owner should also have a **business plan** component. The business plan should be based on the forest-related products and services the owner expects to produce as a resulting of achieving management plan goals and objectives. The business plan will be the basis for your marketing strategy, and will serve to distinguish a pipe dream from reality. The business plan provides a foundation for many management decisions, but perhaps none more important than those involved in marketing.

Deriving a reasonable return for managing your woodlands in a responsible and effective manner is a worthy goal. To achieve this goal, the manager should consider using the competitive advantages for good management, which are 1) creating products that have qualities developed through good management, and which fit niches not filled by the general wood producers, and 2) seeking sustainable certification that allows access to new markets.

What Are Reasonable “Next Steps”?

Small woodlands comprise a significant portion of the national (and Oregon) forestland base. Yet, there are relatively few mechanisms for creating and enhancing small woodland owner access to markets in Oregon. In some other parts of the United States, particularly in the East and South, some effective mechanisms have been operating for years. There have been many reasons why these mechanisms have not generally been developed or used in the West. These reasons include the dominance of public and private industry ownership, mills and other processing facilities developed to serve those large ownerships, lack of cooperative traditions among small woodland owners, and a lack of diversity in market opportunities.

More recently, however, there have been significant changes in the market situation in the West. Public lands are a much smaller component of wood supply due to public policy decisions. Wood processing facilities have undergone significant changes to respond to the loss of large logs from public lands. Woodland owners are awakening to the need for cooperative actions to improve their market access and net return from their forests. Last but not least, new small and niche markets are developing to fill the need of an economy that is diversifying to respond to an appreciation of wood as a craft, fine furniture, and upscale building material.

Small woodland owners need to take advantage of these market changes. As described earlier, they have a number of potential competitive advantages. How can these competitive advantages be captured? Following are some of the actions that can be taken to improve marketing opportunities for small woodland owners:

- Expand and improve **market source information** about a wide range of market products – including non-timber forest products, niche products (e.g. craft and decorative materials), “small market” products (e.g. cabinetry, flooring), large

logs, non-consumptive forest resources, as well as traditional wood markets.

- Develop “*product specifications for inventory*” for a wide variety of potential products, values, and opportunities, as well as inventory techniques designed for small woodland owners to use with these specifications. The goal is to be able to match up product specifications with the wood of specific characteristics found in woodlands. Nontimber forest product specifications should also be developed.
- Expand and improve the amount, type, and quality of information about the *inventory* of potential products, values, and opportunities available on small woodlands so potential market sources can determine their opportunities.
- Develop *technology information* for small scale producers and processors. The information would focus on the processes and machinery needed to create products from the wood that is available, such as drying regimes and cutting guides, so that round wood could be converted into more easily marketed forms.
- Develop *cooperative ventures and relationships*. Some of the potential ventures might include
 - a. *marketing agents* to provide marketing services to multiple owners, with the goal of achieving better bargaining positions or market access,
 - b. *collection and sorting facilities*, or arrangements with existing facilities, to serve multiple owners,
 - c. *primary processing (break-down) facilities*, by ownership or lease, to create products for secondary markets. These facilities could include small portable mills and portable drying kilns,
 - d. *grading services* where the cost of grading small scale producer products could be shared,
 - e. *equipment/facility sharing* among owners for high investment equipment or facilities,
 - f. *financial resources* to provide short-term loans for front-loaded resource production and to “bridge” the gap between harvest expenses and the sometimes lengthy period for payment for non-traditional forest products.

The Oregon Woodland Management and Sales Cooperative already exists, and provides management and marketing services to members at a reduced cost. There is potential for the Cooperative to expand its services and facilities to meet some of the above opportunities.

A marketing forum (Appendix G, “Capturing Forest Product Values for Landowners and Manufacturers”) held March 8th, 2003, generated many interesting ideas for improving marketing opportunities for small woodland owners. Following regional wood fairs are planned to present and discuss case studies of actual marketing efforts underway in different parts of Oregon.

Washington County Small Woodlands has begun a project to assist a group of small woodland owners achieve their personal goals for sustainability certification. The project is partially funded by a grant from the Multnomah-Washington County Regional Investment Board, and is scheduled to be completed in June, 2004. The project is being accomplished with the assistance of WCSWA members, Tualatin Soil and Water Conservation District, USDA Natural Resources Conservation Service, and Oregon State University Extension Service.



Appendix A: Analysis Notes

Primary Author: Dick Courter, CF and Consulting Forester

Volume Calculation from Site Index

The Douglas fir yield table used in this calculation was based upon Age-Site Index regressions developed by Crown-Zellerbach with counsel and guidance from David Bruce of the USFS Pacific Northwest Forest and Range Experiment Station.

	Site Index		
<u>Age</u>	<u>150</u>	<u>157</u>	<u>160</u>
60	37.234	40.476	41.865
Normality	1.0	1.0	1.0
Ave. Dia.(inches)	12.7	13.4	13.7
BA/sq.ft.	230.50	234.34	235.99
Trees/A.	263	241	231

The above relationships are based on an unmanaged stand.

For managed stands, average diameter could be expected to increase, basal area would likely be slightly less, and trees per acre would be considerably less throughout each phase of management. Total recovered volume would likely be greater due to recovering expected mortality. Mortality expected prior to actual tree death. However, we know of no good data indicating recoverable volume through management.

This report establishes an estimated minimum volume that could be expected from Washington County non-industrial forestlands over a 60-year rotation. Until such time as all 69,962 Washington County forestland acres are intensively managed, the approach taken to arrive at this estimate seems reasonable:

Assuming 40.5 MBF @ 60 years of age; then 69,962 acres could produce 2,833,461 MBF. **That is 2.8 billion board feet over a 60 year rotation.** Assuming even flow harvest each year over the 60 years, potential annual harvest would be **47.2 million board feet per year**, or **678 board feet per acre per year**. This would indicate that **1,162 acres** could be final harvested each year.

Age Class/Species Distribution on Small Woodlands

The 2002 Washington County Small Woodland Owner Survey provided owner estimates of the age class and species distribution on small woodlands in the County. While the Survey provides data indicating which tree species respondents having growing on their ownership, there is no reliable way to determine from the data what percentage of owned acres are within each species type. We can assume that there is a mixture of species within the ownerships. Some the less frequent species (Oregon maple, red alder, etc) are in nearly pure stands, but the data does not allow the amount to be identified. 91.4 % of the Survey respondents indicated they have Douglas-fir, a reasonable assumption would be that most acres are predominately Douglas-fir, and so therefore Douglas-fir yield tables are used in the calculations.

<u>Age</u>	<u>County Forestland</u>	<u>NIPF Acres</u>	<u>DF Vol/A</u>	<u>Apparent WashCo Vol.</u>
0-20	44.4%	31,063	0.000	0
20-40	27.7%	19,380	4.906	95,078
40-60	<u>27.9%</u>	<u>19,519</u>	29.342	<u>572,727</u>
	100%	69,962		667,805 million board feet

Alternate Calculation Method: Assume each age class is uniformly distributed within each ownership percentage.

<u>Age</u>	<u>Site Index</u>		
	<u>150</u>	<u>157</u>	<u>160</u>
10	.000	0.000	0.000
20	.000	0.000	0.000
30	3.912	4.906	5.332
40	15.529	17.355	18.137
50	26.771	29.342	30.444
60	37.234	40.476	41.865

Applying this site indexed based volume calculation to the Survey age class distribution:

<u>Age</u>	<u>County Forestland</u>	<u>NIPF Acres</u>	<u>DF Vol/A</u>	<u>Apparent Wash. Co. Vol.</u>
10	22.2%	15,531	0.000	0
20	22.2%	15,532	0.000	0
30	13.85%	9,690	4.906	47,539
40	13.85%	9,690	17.355	168,170
50	13.95%	9,759	29.342	286,348
60	<u>13.95%</u>	<u>9,760</u>	40.476	<u>395,046</u>
	100%	69,962		897,104 million board feet

While this method indicates roughly 34% more volume, it may be more accurate since each 10 year age class is represented rather than the average for a 20-year age class.

Using this approach, it appears that the timber volume on non-industrial private lands (roughly 0.9 billion board feet) in Washington County is about one-third of the capacity of these lands to grow timber (2.8 billion board feet). The reason for the discrepancy between existing volume and potential volume is very likely the fact that 44% of this lands are less than 30 years old, and do not yet have measurable volume.

If a **hypothetical example** were used that assumed that there were an equal age class distribution, a potential future managed stand scenario would emerge for comparison:

<u>Age</u>	<u>NIPF Acres</u>	<u>DF Vol/A</u>	<u>Apparent Wash. Co. Vol.</u>
10	11,660	0.000	0
20	11,660	0.000	0
30	11,661	4.906	57,209
40	11,660	17.355	202,359
50	11,660	29.342	342,128
60	<u>11,661</u>	40.476	<u>471,991</u>
	69,962		1,073,687 million board feet

This would represent an potential average across all age classes of 15,346 board feet/A. As compared to the current volume of 12,822 board feet/A, the small private woodland volume is about 20% less than it would be under an even distribution of age classes.

Management Plans on Small Woodlands

The Washington County Small Woodland Survey indicates that management plans, as reported by the woodland owners, are in place on 13% of the woodlands. It cannot be assumed that this translates to 13% of the woodlands. The data is only for owners reporting, and there is no data relationship to the acres owned by the owner reporting a management plan. However, an assumption could be made that there is a correlation, which would mean that 9,100 acres would be covered by a management plan (13% of 69,962 acres). In fact, this is likely a very conservative assumption, as the larger ownerships are more likely to have management plans (personal observation).

If this 9,100 acres were related to the average of 49% of owners having a timber income/investment objective (Survey), only 4,459 acres would be managed for timber.

This 4,459 acres could then be related to the current volume of 12,822 board feet per acre. The result is an estimate of **57.2 million board feet that could be classed as “available” for harvest** (6.3% of the current volume). Relating this 4,459 acres to the volume in a managed, even age class distribution (15,346 board feet/A), **68.4 million board feet would be “potentially available”** (6.7% of the potential).

Harvest Planned

The Survey indicated that 41% of small woodland owners plan to harvest a timber product in the next 5 years. Assuming an even distribution across owners, this would mean that harvest would occur on 28.7 thousand acres. The amount of timber harvest could range from 368 million board feet

(current volume estimate to 440 million board feet (potential volume estimate). Assuming even harvest distribution over the next five years, 74-88 million board feet per year would come from Washington County small woodlands (note: this would not include volume that may come from woodlands not in a “forestland” tax classification). During the past 2 years, Washington County wood production from small woodlands has been 11.4 and 21.3 million board feet. If all conditions were favorable for harvest, and owners followed through on their intention to harvest, this could mean that harvest from small woodlands would significantly increase from recent history.

Certification

16% of Washington County small woodland owners indicated in the Woodland survey that they are certified under some type of certification system (certification as used in this analysis refers to a “sustainable management” certification offered by a third party). However, Survey responses raised doubts about the understanding of the respondents about what certification is. However, responses did show that 10% of the respondents are certified under either American Tree Farm System (ATFS) or Forest Stewardship Council (FSC).

There are 68 ATFS certified tree farms in Washington County. The number of FSC certified ownerships is not know, but is much smaller. The ATFS tree farms average 177 acres in size, but there is a wide range. However, if the average volume figures developed previously are applied (12,822 bf/A for current, and 15,346 bf/A for potential), then the range of potential certified wood from ATFS tree farms would be 2.3 million board feet to 2.7 million board feet. There is not enough data on FSC ownerships to make a similar analysis.



Appendix B: Non-Timber Forest Product and Value Markets

Forests provide a wide variety of products, values, and opportunities to landowners. In many cases, the economic value of these products, values, and opportunities is not fully realized. The situation is changing, however, as more landowners discover these economic values, and take advantage of them to enhance their cash flows and economic growth.

Non-timber forest product sectors: (from Von Hagen and Fight, 1999)

Holiday greens – a fall and early winter market. Noble fir (*Abies procera*) is the preferred species, although subalpine fir (*Abies lasiocarpa*) and Pacific silver fir (*Abies amabilis*) are also used. Western redcedar (*Thuja plicata*) is preferred for garland chains, but pine, incense-cedar, and juniper species are also used. This is a relatively stable market that is regional in nature but includes wholesalers who supply retailers on a nation-wide basis.

Floral decoratives and greens – Species include salal (*Gaultheria shallon*), evergreen huckleberry (*Vaccinium ovatum*), bear grass (*Xerophyllum*), baby's breath (*Gypsophila paniculata*), swordfern (*Polystichum munitum*), and mosses (various species). They are used primarily by florists and in floral crafts; mosses are also used by the nursery to protect plants during transport. Markets are regional, national, and global. Moss, salal, and evergreen huckleberry are specially popular with florists in Germany and the Netherlands.

Wild mushrooms – Mushrooms are gathered commercially for food and medicine, as well as recreationally. The top four species gathered in terms of gross value are chanterelles (*Cantherellus species*), boletes (*Boletus species*), morels (*Morchella species*), and matsutake (*Tricholoma magnivelare*).

Mushroom availability is highly seasonal and cyclical, and markets are volatile. Domestic markets are growing, but mushrooms are primarily sold overseas, with chanterelles, morels, and boletes destined for Europe, and matsutake for Japan.

The volatility of prices and availability, the knowledge needed to find mushrooms, and the relatively high economic value per pound combine to contribute to a relatively closed, cash-based industry with a high turnover in harvesters and processors. In addition, the Pacific Northwest is a small player in the global markets for the four main mushrooms. The Pacific Northwest is generally farther away from key markets than are its competitors, such as Poland and Korea, which are, respectively, the primary suppliers of chanterelles and matsutake. Supplier relations are thus fragile and closely guarded.

Medicinal plants – There are two major sectors in the medicinal plant market – the phytopharmaceutical and the botanical or herbal sectors.

Phytopharmaceuticals are historically single-compound-based products, subject to Food and Drug Administration regulation, with high investment levels and international agreements. The opportunities for woodland owners to provide these types of products is small.

Herbals are regulated under the Dietary Supplement Health and Education Act. Important herbal products in the Pacific Northwest are cascara sagrada (*Rhamnus purshiana*), St. John's wort (*Hypericum perforatum*), and valerian (*Valeriana sitchensis*), which are among the top 20 in herbal supplemental sales in natural food stores. Other species harvested as herbals are dwarf Oregon grape (*Berberis nervosa*), prince's pine (*Chimaphila umbellata*), yarrow (*Achillea millefolium*), and horsetail (*Equisetum* spp.). Harvesters send most of their product to regional wholesalers that supply the large retail herbal product and nutritional supplement segments of the marketplace.

Jim Freed, Special Forest Products Extension Specialist, Washington State University, has worked extensively with landowners seeking to capture the benefits of integrating their timber management with management of the other plans in the forest. He offers these controlling factors:

- Size of ownership is important – generally 200 acres or more are required to make a commercially feasible operation (editor's note – a group of landowners working together may be able to make the operation economically feasible)
- Available personal time is necessary.
- Knowledge of plant growth habits is needed.
- Know the existing wholesale markets.
- A "business sense" and ability to develop retail markets

Freed points out that forests change over time, creating opportunities for different plant species to exist within the forest as the amount of light and other factors change.

Though wholesale markets do exist for many potential products, woodland owners may find direct marketing to be more suited to their situation. Home and garden shows, floral shows, and farmers markets may be market opportunities. Use the "local connection" to give an edge to marketing. Also – he suggests that providing a recreational opportunity such as "U-Pick" provides a means of adding value to non-timber forest products. (Capital Press, Dec. 13, 2002, and personal communication)

Conclusions about Non-timber Forest Products (from Von Hagen and Fight)

The growing interest in non-timber forest products reveals the need for relevant information. Critical data on distribution and abundance of important non-timber forest product species and on appropriate management strategies are

lacking. In addition, local markets are nonexistent or underdeveloped for many non-timber forest products. Non-timber forest products industries are seasonal, cyclical, and competitive, with generally low returns to harvesters.

Harvesting non-timber forest products is providing opportunities, however (and these opportunities might be meaningful to woodland owners who are looking to supplement their income in-between timber crops; editor). Non-timber forest products have the potential to make a greater economic contribution than is currently being realized through, for example, local business development, value added, and other strategies that expand the economies of communities.

If forests were managed jointly for timber and non-timber products, the contribution of non-timber products could enhance the total ecologic, economic, and social returns from forest management. For example, simulations of linked resource production of mushrooms, timber, decorative cones, conifer boughs, and Christmas trees in the high-elevation forests of the southern Cascade Range yielded positive cash flows under many of the scenarios considered (Weigand, 1997). From a conservation perspective, forest management systems emphasizing a variety of forest products and services are generally higher in diversity, habitat value, recreation value, and aesthetic appeal. The economic benefits are also distributed over a wider group of beneficiaries than when only timber values are maximized.

Appendix C: Marketing Concepts

Marketing Forest Products: Finding a Niche

*Eric Hansen, Associate Professor and Extension Specialist,
Forest Products Marketing, Oregon State University (adapted
from Powerpoint presentation)*

The nature of marketing is in understanding the difference between “selling” and “marketing.” Selling is getting rid of a product you have, and “marketing” is producing a product that a customer wants and needs. The key then is finding out what the customer wants, and producing it. You must assess what you want from the deal, what motivates you to proceed with it, and what reward you expect.

Finding markets requires acquiring market information – if you know about the customer and the marketplace, you can succeed. The information can be obtained from a variety of sources - friends, relatives, and acquaintances can be very useful, as well as from retailers, competitors, cooperatives, trade journals, trade shows, libraries, and more.

If you have a product to sell, test it out on some potential customers. Develop questions to ask them, such as:

- What is your first impression of this product?
- Can you think of changes that would make it better?
- How would you like to see this product packaged?
- Whom do you prefer buying from?
- How much would your customers pay for this product? (careful with this one; you may have to get the information another way)



- What would it take to make you interested in this product?

Once you think you have a product that might appeal to the marketplace, identify potential buyers and make your contacts.

Be aware of your costs – both in time and dollars. Remember to consider opportunity costs – is this where your time and resources are best spent, or would another marketing opportunity offer more return?

Mission-Based Marketing

***Paul Ralston, Vermont Family Forests
(remarks to a group of visitors from Oregon,
2002)***

Every organization should know why they exist and what it is they do. That “reason for being” is their mission. The role of marketing is to take that mission to market and have the marketplace respond favorably. Mission-based marketing is a refinement of traditional marketing theory that emphasizes clarity of purpose and focused activity.

Mission-based marketing is appropriate for large and small organizations, for-profits and non-profits. It is especially useful for resource-constrained organizations facing a lot of perceived opportunity.

A model of mission-based marketing:

- I. ***Match resources to expectations***, and manage them. Time, talent, and dollars are the resources – and today, time is the scarce resource.
- II. ***The planning pyramid***. The purpose of process is to have limited resources be effective in taking your mission to market.
 1. Mission
 2. Strategy
 3. Goals (multi-year)
 4. Objectives (single year)

5. Tactics

Within the planning process, you must foster **trust** among those involved, have **faith** that focused activity will work, and spend more time **thinking** so that the **doing** is more effective.

III. Evaluate the many “opportunities” you see in the marketplace to see if there is a fit:

1. On Purpose – does the activity accomplish your mission?
2. On Position – can you do the activity in a way that fits your position in the marketplace?
3. On Target – is the activity directed at your target market?
4. On Budget – do you have the time, talent and dollars to do it right?
5. On Time – can you accomplish the activity in time to help?

Strategies for marketing:

- **Cost Leader** – well-suited for the commodity market; the common business strategy. Can result in “price leader”.
- **Differentiation** – exploiting “being different” among a group of competitors; presented as being unique. The differences are presented as the merits of the product. Certification programs are built on differentiation, such as “green wood”. Small players are vulnerable to large players co-opting the “difference”. Differentiation can evolve into “generic”.
- **Focus** – The basis of “niche” strategies. Niches can be by product, target, geography, or channel (how it’s provided):
 1. Product – hardwood flooring
 2. Target – architects
 3. Geographic – “local” area woodworkers

4. Channel – retailers, garden centers, etc.

Some ideal dimensions of a competitive strategy:

- Strong specialization through product focus
- Brand building through all communications
- Developing “pull” along with “push” (leverage)
- Over-the-top service within the channel

Competitive strategies have four primary parts:

- **Offer** – product or service

List the features and sell the benefits of what you want to sell; find or create specialization, and avoid the “strategic trap:” Worst – offer commodities; Better – offer “private label,” Best – offer brand.

- **Positioning** – window into the customer’s mind

Is there a unique position that can make you more competitive?

Would a slogan help capture your position?

- **Target** – the group you want to reach

Who are your target customers?

Are there any overlooked targets of “influencers”?

- **Channel** – the path to your customer

How do you get your product in front of your target?

Are there any unique or uncrowded channels to explore?

Context of a Competitive Strategy:

- Internal consistency and validity
- External validity (meets a need)
- Resource fit (time, talent, dollars)
- Communication and implementation

Finally – does your mission suggest a strategy?



Appendix D: Log-Sort Yards

“Log-sort yards provide better utilization and marketing with improved value recovery of currently available timber resources in North America. Log-sort yards provide many services in marketing wood and fiber by concentrating, merchandising, manufacturing, sorting, and adding value to logs.” (*John “Rusty” Dramm, Forest Products Specialist, Forest Products Laboratory, Forest Service-USDA*)

“A log-sort yard affords landowners considerable flexibility in planning the timing and size of their harvest and also reduces some of the elements of economic and technical risk for them.” (*Carol Daly, Flathead Economic Policy Center*)

There is a variety of types of log-sort yards, each serving a different purpose or set of purposes. They may include mill yards, concentration yards, log reload yards, remote log processing yards, and log-sort yards. Mill yards are those operated by mills to provide an inventory for a mill. Concentration yards provide a central point for accumulating logs for a long-distance shipment to mill yards. Log-reload yards provide transfer points for logs to an different transport method. Remote processing log yards feed satellite processing such as chipping. Log-sort yards take advantage of a diversified log market, and serve several objectives by sorting logs for the available market.

The key to a successful log-sort yard is a business plan that analyzes:

- raw material resource,
- product mixes,
- markets available,
- processing options,

- community acceptance and resources available,
- management experience,
- financing options,
- and compatibility with the environmental factors

Barriers to a successful log-sort operation are:

- reliable source of raw material
- log product diversity
- diversified forest products industry log market
- transportation infrastructure

The goal of a log-sort yard is to improve the quality and productivity of log-sorting, utilization, marketing, and distribution. This results in improved timber resource utilization and better bottom-line business performance. The objectives of a log-sort yard are to

1. concentrate logs for shipment;
2. improve log grading, scaling, and sorting;
3. improve merchandising;
4. add value to logs;
5. improve log marketing; and
6. reduce log flow bottlenecks from forest to mill (Dramm).

Additional information on log-sort yards:

“Is It Time to Revisit the Log-Sort Yard? John “Rusty” Dramm and Gerry Jackson, Forest Products Specialists, Forest Products Laboratory, USDA Forest Service (unpublished paper)

Review of Log-Sort Yards. Dramm, Jackson, and Jenny Wong. FPL-GTR-132, Forest Products Laboratory, USDA Forest Service

Log-Sort Yards and Other Marketing Systems. Carol Daly, Flathead Economic Policy Center, published by Pinchot Institute for Conservation, Washington, D.C.



Appendix E: Certified Wood

One of the opportunities available to small woodland owners interested in finding improved access and/or premium process for their wood is some sort of **certification**. The term implies that the wood is certified as coming from sustainably managed forests. Certification gives wood from those forests a distinction in the marketplace. Whether or not this distinction can be translated into a competitive advantage for the woodland owner depends on many factors. Distance to a buyer of certified wood, amount of wood that can be amassed for sale under this distinction, and the particular market needs for certified wood at the time of sale are some factors that may be important.

Competitive advantage for certified wood may result from better **access**, or from a better **price**, though the latter is not consistently obtained. Better access is obtained when wood purchasing facilities actively seek – or even limit their purchases to – certified wood. This situation occurs with markets that are specifically limited to Forest Stewardship Council (FSC) certified wood, and markets oriented to Sustainable Forestry Initiative (SFI) and American Tree Farm System (ATFS) certified wood. These market-certified wood combinations are not always interchangeable, depending on individual markets.

A better **price** for certified wood has not been often realized. In fact, a better price is the exception rather than the rule. In some cases, such as wood sought for high-end markets, such as for furniture and some home construction components, better prices can be obtained. Another situation that may generate better prices is when large construction require certified wood in order to meet mandated standards – generally for projects in the public sector.

A soon-to-be-released book, *Rebuilt Green: The Natural*

Capital Center and the Transformative Power of Building, published by Ecotrust of Portland, illustrates how markets for certified wood (in this case, FSC certified wood) are becoming a significant factor in the market place – and significant opportunity for woodland owners. The following excerpts from portions of the book, written by Stuart Cowan, Rob Bennett, and Ralph Nicola, are used with permission from Ecotrust.

Green Building as an Economic Development Strategy

The green building sector holds considerable promise as part of the broader market shift to a conservation economy. It encompasses a wide variety of professional services: architecture, planning, engineering, construction, landscape architecture, interior design, real estate management and development, and others. **It also includes innovative green building products like sustainably harvested wood** (emphasis added), fiber materials (e.g. straw bale or compressed straw panels), fly ash cement, non-toxic paints and finishes, low-flow plumbing fixtures, photovoltaic panels, and fuel cells. Advanced sorting and materials recovery practices during building construction and deconstruction also create the feedstock for many specialized recycling and remanufacturing facilities.

As more and more people realize that green building makes sense, experimentation with green technology has begun to grow exponentially. Some projects, like Ecotrust's Natural Capital Center, do a wholesale evaluation and employ a wide range of green strategies. Others take a more incremental approach, tackling one issue at a time, such as energy or water conservation or transportation options. Yet, how does the building team know — particularly if a project takes a wholesale approach to green building — that when the last nails are pounded and the low-energy lights switched on, that it has achieved the environmental returns anticipated at the design stage?

Ecotrust, like a growing number of owners and operators, turned to a third party — the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED™) program — to verify the environmental performance of its building. LEED is the national standard for green building design and construction and the Natural Capital Center is the first historic building in the United States to receive LEED's prestigious Gold certification.

Why Certify?

Why certify? The best way to answer this question is to look at successful certification systems in different industries for comparison. Two good examples are certified organic food and Forest Stewardship Council (FSC) certified wood. As a consumer, would you feel confident if your lumber distributor told you, "This wood comes from a sustainable forest," without seeing a chain-of-custody certificate explaining exactly where it originated and how that forest is managed? Would you accept a statement from your grocer that, "No pesticides were detected on this produce," without third party verification? These questions capture the motivation behind the certification movement. A consumer purchasing FSC certified wood is assured that each piece of lumber comes from a forest managed in accordance with FSC requirements, that include land tenure, workers' rights, and a responsible management plan that ensures the long term health of the forest ecosystem. When a consumer buys certified organic food, the customer is assured that a third party authority has verified that the food was grown in accordance with the requirements of the standards of an organization such as Oregon Tilth or Quality Assurance International (QAI). These requirements include that the produce be grown without chemical fertilizers or pesticides. In a similar way, LEED certification provides assurance that a building has complied with an established set of standards for green building.

The Language of Certification

The term **certified** is widely used to differentiate products and services in the marketplace,

but the rigor of the standards and procedures that stand behind the term vary significantly.

Generally, certification methods can be divided into three categories: first-, second-, and third-party certifications. First-party is also known as “self-certification” because the certification involves no external verification of claims. Second-party certification is achieved by participating in an affiliated organization or group — such as a trade association — that in turn asserts qualitative claims about a product or service. Third-party is the only truly “independent” certification method and consists of three primary components:

1) established standards for management and performance;

2) accredited auditors and procedures;

3) specific certification assessments. Third-party certification is by far the most credible and effective way to drive positive changes through the marketplace.

Certification of management practices — be they in forestry, agriculture, or construction — is not always enough. It is also necessary to track materials as they flow through manufacturing and distribution and are delivered to the market. Without a certified “chain-of-custody” tracking system, there is no real way to ensure that a specific product originates in a certified, well-managed forest, farm, or factory.

The Emergence of LEED

Even as interest in the industry grew, for many years there was little agreement on the definition of “green buildings” in North America. With the best of intentions, many developers incorporated a single environmental improvement or incremental approach in their projects and declared them “green.” With no formal standards, the term had little substance. People in the industry also had specific concerns about energy and water conservation, limited natural resources and habitat, solid waste, and worker health and productivity. The non-profit U.S. Green Building Council (USGBC), formed

in 1993, became the first industry association to identify building measures that would address these concerns. In 1998, the Council developed LEED as an independent green building rating system and released the LEED 2.0 Green Building Rating System in 2000. Created through consensus by a group of volunteer professionals from a wide cross-section of the design and construction industry, LEED was intended to:

- Offer design guidelines
- Recognize leaders
- Stimulate green competition
- Establish market value with a recognizable national brand
- Raise consumer awareness
- Transform the marketplace

LEED now provides a framework that defines a “green building” and brings a verifiable process to building design and construction. A committee of volunteer industry professionals updates the program every few years to reflect new building technologies and ideas. The rating system is a balance among current best practices, existing proven technologies and standards, and emerging ideas and technologies. This allows a project to meet the requirements, while encouraging creative solutions and innovation. LEED also offers a common vocabulary for describing green building measures. Each time the LEED rating system is used, the terminology and standards become more prevalent in the industry, making it easier for professionals to discuss measures and technologies that achieve these criteria.

In a short period of time, LEED has gained a high degree of credibility and influence due largely to two key attributes of the program:

1. It fosters a *performance-based* approach rather than a prescriptive one. A prescriptive methodology tells the design team exactly what to implement; a performance-based methodology sets a goal and allows the design team to decide how to reach it. This encourages new ideas, generates creative strategies, and advances the

development of new technologies.

2. It takes a *holistic approach* to a building's environmental performance. The system was crafted to inspire a coordinated approach to design, systems integration, and construction. This whole-building perspective explores potential synergies and connections among green measures, and can greatly reduce the cost of construction and/or operation.

How LEED Works

LEED is organized as a point-based system of prerequisites and credits and offers a scale for certification. A project can achieve LEED Certified, Silver, Gold, or Platinum. A project receives certification after earning seven prerequisites and a certain number of points from a checklist. Certification involves a three-part procedure. First, a member of the project team registers the project with the USGBC, preferably at its inception. Then, using an integrated design process during which members of the design team work together to optimize the resource and energy efficiency of the building — often beginning with a design the team develops and incorporates green building strategies into the project. Once the building is operational, the team submits extensive documentation on its green features and their performance to-date, and the USGBC reviews and rates the project.

The key to success in most of these projects is committing to green building before any other decisions are made. When identified early in the design process, green building strategies can be incorporated at a lower cost. The holistic design approach creates an overlap of systems and strategies, which often reduces or eliminates systems. This lowers construction and future operating costs. By comparison, incremental energy efficiency measures often add to the construction cost of a project, but provide a return on the initial investment by reducing operating costs. This relationship between incremental efficiency and cost will hold true for most projects up to an energy use reduction of about 40% relative to the state energy code. If an integrated design process begins early in a

project, however, a design team may be able to achieve energy savings far greater than 40% with *minimal* construction cost increase or perhaps even a *cost savings*.

Documentation is a crucial part of the LEED process. It must show that applicants understand the intent and meet the requirements of each prerequisite or credit. Although documentation varies for each prerequisite or credit, it is collected throughout the design and construction phases, and submitted to the USGBC at the conclusion of the project. The recent release of the new LEED 2.1 version of the Rating System includes a spreadsheet, or Letter Template, for each credit. Using the template, the project team can declare the fulfillment of the requirements of each credit and may only be asked to provide the documentation if a specific credit is audited. With this new process the USGBC expects to audit roughly 30% of the credits, further streamlining the overall documentation and certification process.

Conclusion

LEED is transforming the marketplace from the inside out. The volunteer professionals who created LEED purposely selected recognized industry standards to help guide the building industry toward more sustainable practices. After examining green building measures used by organizations and states across the nation, they chose the top standards to apply to LEED. The credibility of these models greatly facilitated the adoption of LEED by the building industry. Today, when architects and engineers write specifications to address LEED goals, contractors must push their suppliers to find and manufacture products that meet these objectives — creating new demand in the market and encouraging the marketplace to respond.

In July of 2003, with over 943 projects (128 million square feet) registered nationwide, LEED captured 3% of all commercial project construction by square footage. This is an impressive figure for a three-year-old program. Sixty projects representing approximately nine million square feet have been certified to date. The

program has also been enthusiastically embraced by public agencies across the country, which will increase these figures over time.

Luckily, throughout the United States this type of leadership is beginning to emerge. Portland's developers, designers, and building professionals are at the vanguard of this movement, finding creative new ways of building. In addition to the Natural Capital Center, several projects scattered across the city — the Brewery Blocks, Buckman Heights, Museum South Apartments, and Viridian Place — demonstrate that the benefits of green building practices are compelling. To accelerate the growth of the green building sector throughout Portland the City partnered with other public and private sector organizations, and together launched the innovative and nationally recognized Green Building Initiative in 1999.the Initiative gained momentum and status through several key policy decisions. First, Portland City Council granted it official status as a City program — the Green Building Division (G/Rated) in the Office of Sustainable Development (OSD). To give the program greater leverage, the Council then passed the City of Portland Green Building Policy stipulating that all city facilities, infrastructure, and city-funded projects be built and retrofit using healthy and resource efficient building practices. The Portland Development Commission (PDC), another major capital works agency in the city, shortly followed suit, passing a groundbreaking policy requiring all new PDC-financed development to incorporate green building measures. The policy framework firmly in place, G/Rated quickly developed a multi-faceted green building program, providing technical assistance and compiling related resources and information. It targeted the building industry with key publications including a 100-page resource guide, *Greening Portland's Affordable Housing*, which establishes goals and practical, cost-effective strategies to increase the environmental performance and durability of all of Portland's subsidized housing; followed by the nation's first resource guide for greening commercial remodels, *Creating a High Performance Workspace*. This guide offers expert

advice on lighting, energy efficiency, indoor air quality, and waste reduction to those moving an organization into a new or retrofitted commercial space. Both publications include important, practical information like project checklists, model specifications, and lists of regional product vendors and manufacturers. To provide more tangible, hands-on demonstrations of green building practices, G/Rated sponsors an annual Build it Green tour of homes. The first tour, held in 2002, featured 15 residential homes in Portland to a sold-out audience. Given the positive response to these initiatives, G/Rated launched *ReThink: Innovation in Ecological Design and Construction*, a sixteen-week, comprehensive green building training series for commercial and residential building design and construction professionals.

In July 2000, OSD convened a citizen committee to provide input on how to structure an incentive program to stimulate demand for green building from businesses, commercial developers, and homebuilders. Subsequently, OSD established a Green Investment Fund to provide financial incentive for commercial, residential, subsidized housing, and emerging green building technologies projects. A one-time \$700,000 allocation from the Solid Waste and Recycling Reserve Fund and another \$100,000 from OSD's fiscal year 2001-2002 budget, brought the total Green Investment Fund to \$800,000 to be spent between 2000 and 2002. As a powerful non-monetary incentive, Portland also established a local version of the national LEED green building standard. The first such local adaptation of LEED approved by the U.S. Green Building Council, Portland LEED tailors the national standard to local building and development requirements, while maintaining third party verification and official certification by the USGBC. G/Rated provides technical support to local projects trying to attain this prestigious award for green performance.

Across the country, other municipalities and state and federal agencies are encouraging green building practices through similar incentives and assistance programs. The City of Austin, Texas

has been encouraging this sector since 1991, adopting the country's first green building guidelines for residential construction. Boulder, Colorado; Seattle, Washington; Santa Monica and San Diego, California; and an assortment of federal and state agencies, now require their facilities to be LEED certified. Incentives are also being crafted to encourage private sector green development. In addition to Portland's Green Investment Fund, Seattle has developed a cash incentive program, Arlington County, Virginia has created a density bonus, and Santa Barbara, California an expedited permitting incentive. In Portland, the mix of policy, incentives, and technical assistance seems to be working. As of February 2003, 41 commercial and mixed-use buildings, totaling 3.1 million square feet, had incorporated green building design and construction practices. The Green Investment Fund and the PDC's affordable housing requirements added another 1,314 units of efficient, durable, healthy housing to this mix.

More than 30 subsidized and market-rate housing projects with almost 2,000 units are in the pipeline now. As of July 2003, 36 LEED projects were registered in the Portland metro region, the highest such concentration in North America. The Oregon Office of Energy has developed a Business Energy Tax Credit, known as the BETC, to complement Portland LEED, and the local utility, Portland General Electric, has launched an aggressive green building program for commercial and residential development and started a for-profit, green building consulting firm.



Appendix F: “Capturing Forest Product Values for Landowners and Manufacturers”

Conference, March 8, 2003

Work Group Notes

The following notes were developed from discussions in small work groups for each of the listed topics. The notes provide information that may be useful to woodland owners considering their market opportunities, as well as identifying information needs, potential changes in laws, regulations, or institutions, and other needs that could improve marketing opportunities.

AI: Connecting to the Emerging Green Building Market

Ralph DiNola, Green Building Services, Portland, OR

Bettina von Hagen, Ecotrust, Portland, OR

Brent Davies, Ecotrust, Portland, OR (moderator)

There are currently 655 registered LEED projects in the US. The certification program started in 2000 and now has 3% of the building market. Approximately 1.5 billion sq ft of LEED buildings are under construction this year. There is a \$1 per sq ft tax credit in OR available for LEED projects. Per capita, Oregon is the leader of green building projects. About 22% of all publicly funded buildings are now LEED certified.

Opportunities & Potentials to Improve Marketing

- Supply FSC wood to local commercial projects
- Aggregate the local supply to meet the local demand
- Initial survey shows that we have this capacity

- Develop landowner cooperatives for marketing and supply

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Survey and aggregate local supply, which Ecotrust is currently doing
- Identify key green building projects and obtain commitments from project managers to local supply
- Build an efficient and certified distribution chain and not circumvent mainstream distribution channel
- Increase the capacity of local mills and manufacturers
- Educate the public surrounding locally and sustainably grown wood products

Practical, Achievable First Steps

- Look into FSC certification (not as difficult as many believe)
- Find other landowners or manufacturers with the same products

A2: Marketing Connections: finding your way

Jennifer Allen, OECDD, Salem, OR (moderator)

Dennis Brock, NWPA, Bend, OR

Scott Leavengood, OSU Extension Service, Beaverton, OR

Opportunities & Potentials to Improve Marketing

- Need trainings for grading education; expand opportunities and affordability
- Potential to make “lesser known” species better known to the public and buyers including state purchasers and architects
- Get other service providers in the room to help align resources (like ODF,

consulting foresters) with producers and end users

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Get agencies and institutions (OECDD, OSWA, ODF, Extension) to better align services, vocabulary with needs on the ground
- Douglas-fir “underutilized applications: collect and make information available about higher value and niche markets
- Need better information and expertise on affordable grading for linking to the landowner to improve marketing
- Explore multiple ways for landowners to get information (not just the web) and the time scale for planning

Practical, Achievable First Steps

- Outreach to key buyers (state, architects) on “lesser known” species and other local products
- OFRI could play a key role in helping to get the word out about market development
- Adapt educational tools to bring landowners up to speed quickly in way that fits different ways people learn
- Commit to follow through on actions in the near term; *sustained* follow through—WHO AND WHEN!
- Develop accessible information on who is buying what and where; Scott’s web site and Dennis’ web site are examples

A3: Marketing Douglas-fir: land manager perspectives

Barte Starker, Starker Forest Products, Corvallis, OR

Ken Everett, MAP, Inc, Oregon City, OR

Mike Bondi, OSU Extension Service, Oregon City, OR (moderator)

Opportunities & Potentials to Improve Marketing

- Explore possibility for developing a log sort yard for family forest owners; cost approximately \$25/MBF
- Examine market opportunities for more than just Douglas-fir
- Potential is out there to convert raw material into finished product—manufactured to purchasers specs; metric and cubic measure conversion will be needed
- Family forest owners should be encouraged to take advantage of professional services and skills of consultants to improve the profitability of their sales
- Landowners need to be better educated about grades, sorts and specifications for purchase; this needs to be done in the field

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Great lack of information about who's got what and what's needed; "I've got logs...who can I sell to? Need to figure out how to connect supply to demand—internet is the communication link of choice
- Need much better information about current standing volumes and inventory for mills and manufacturers
- Need to figure out a way to make sure existing mills remain viable; if they go under, then they won't be there in the future
- Need to develop ways to link smaller producers together to improve economy

of scale for more profitable sales potential

- Need improved education for those selling products; merchandising information, specifications for marketplace including grading and scaling

Practical, Achievable First Steps

- All family forest owners need to get a good, accurate inventory of their property by next Tuesday! Do we need a template or format for what type of inventory we need and what information to collect?
- Encourage family forest owners to develop better management plans for their property with an emphasis on the inventory and business management aspects
- Develop a more efficient way to share market information on current trends, needs of specific mills, etc.; use the internet to share this information
- Need a price and grade marketing report with all mill information on the OSWA website by next Tuesday!

A4: Forestry Cooperatives: do they work, and if so, how?

Warren Gaskill, Sustainable Woods Cooperative, Lone Rock, WI

Ron Larson, Oregon Woodlands and Sales Cooperative, Portland, OR

Kirk Hansen, Washington Department of Natural Resources, Olympia, WA

Tom Nygren, Washington Co. Small Woodlands Association, Hillsboro, OR. (moderator)

Opportunities & Potentials to Improve Marketing

- Certifying forest properties—linking together to minimize cost and make system work more easily for owners. Group certification will result in lower

per acre costs and can be achieved easier by getting expert assistance.

- Buffer against regulatory uncertainty – Cooperatives can help by using both the strength of numbers and organization, and by working together to minimize impacts
 - HCPs in Washington State – by preparing a Habitat Conservation Plan for a broad area, the landowners are given assurance that the “rules of the game” under the ESA will not affect them
 - Power — lobbying can help, and an organized effort through a cooperative has more impact on regulators and lawmakers
- Market leverage for volumes and niches – Cooperatives can combine their members products to have more market leverage, as well as aggregate products to fit market niches.
- Bulk purchasing – Costs of fertilizer, planting stock, and other supplies can be negotiated on the larger volumes that Cooperative members need
- Cost of Services...negotiated leverage for aggregated ownerships can result in lower costs and provide incentive for top quality services
 - In-house
 - Contracting
 - Consulting
- Market development and services. Cooperatives, through the power of large volumes, known inventories, and customized marketing, can improve both market access and profit for members. Examples are inventory systems keyed to product potential, aggregated market offerings, and product potential log sorting

- Protection services – Cooperatives provide an opportunity to collectively acquire improved fire protection
- Equipment sharing is a possibility by cooperatives purchasing and then renting back specialty or high cost forestry equipment such as

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- State or other assistance to help landowners help themselves in establishing cooperatives, especially with tax implications, start-up funds, business planning.
- Lottery dollars are available through Regional Investment Boards – they could be a source of funds to start a cooperative.
- Feasibility studies (USDA) see next item
- www.familyforestfoundation.org is a coop link that can provide information about how they are starting a cooperative. Their feasibility study is available to use as a model – they got a grant from the USDA Rural Business program to do a feasibility study on establishing a cooperative.
- OECDD – through the sustainable forestry component of OECDD
- Continuing support (dollars, energy). Once established, cooperatives need “nurturing”, in the form of continuing expert advice, capital funding, governmental help in coping with laws and regulations, etc.
- Incentives to work together – how can landowners be identified and brought together in their common interest? “Nothing succeeds like success” – so some good examples can help develop interest

Practical, Achievable First Steps

- Check on available resources; i.e., grants, technical assistance, good examples. Good publication called “Balancing Ecology and Economics – A Start-Up Guide for Forest Owner Cooperation” is available and offers lots of practical knowledge based on experience. Available from Cooperative Development Services, 30 West Mifflin Street, Suite 401, Madison, WI
- Find out who might be interested. Not everyone is interested in a cooperative. How do you find those who do?
 - Website survey – establish a survey on the OSWA or chapter sites that people can respond to with their interest in finding out about cooperatives
 - Telephone tree – use a telephone tree to survey landowners in your area
- Information—how to organize resources. Establishing a cooperative will require expertise in organizing people and processes. A good business plan is a must. Set objectives and clear pathways to achieve them

BI: Ingredients for a Successful Small Business

John Berdes, Shorebank Enterprises Pacific, Ilwaco, WA

Dave Kleiber, Cascadia Revolving Fund, Seattle, WA

Karen Steer, Sustainable Northwest, Portland, OR

Opportunities & Potentials to Improve Marketing

- Work on building (and tapping into) markets for lesser known species; this market segment is growing
- Focus marketing efforts on education buyers on the qualities, uniqueness and attractiveness of lesser known species

- Build networks and clustering of manufacturers working together to develop, produce and market products

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Lesser known species have a very different ‘look’ that prospective buyers are not used to. We need to make this look more recognizable and desirable
- Drying capacities are limited in terms of location and volume to be able to dry lesser known species
- There appear to be many financial resources focused on milling and manufacturing; we need to find/identify financial opportunities for landowners as well
- It is important to have a consistent and steady supply of material to improve markets, yet there often is not a steady supply of lesser known species
- More specific information on lesser known species would help build its market, including: Map of where are the species including:
 - Inventory (where is it found, species, characteristics, volumes, harvest schedules)
 - Information about proper harvest levels
 - Is it merchantable?
- Much of the resources we need to grow the market already exists. We need to find them and make them more readily available to interested people

Practical, Achievable First Steps

- Have mill available that can run lesser known species along with other more common species and product lines

- Small businesses innovations fund
 - Section rep; not debt, not equity, but royalty-based

B2: Resource Supply to End Use Inventory

Dick Courter, Genetechs, Portland, OR

Bill Wood, Magness Tree Farm, Wilsonville, OR

Mike Barnes, Consulting Forester (moderator)

Opportunities & Potentials to Improve Marketing

- Improve education of foresters—need to better understand the product specifications
- Potential to connect to special markets—they are out there
- Purchase order requirements
- Combine resources—link suppliers together
- Need some type of group organizational system or structure for those with common interests

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Regulatory constraints reduce supply
- Scaling requirements—need to match with purchase orders
- Training program for inventory

Practical, Achievable First Steps

- Landowners should review their inventory (if they have one) and determine its current status
- Update inventory as required
- Manufacturers should contact landowners to determine if connections can be made

B3: Niche Markets: what are they & how do we find them?

Jim Meyers, Maple Grove Trading, Molalla, OR

Joel Koch, Astoria, OR

Scott Leavengood, OSU Extension Service, Beaverton, OR (moderator)

Opportunities & Potentials to Improve Marketing

- Niche marketing cooperative for products; a “one-stop shop”
- Woods tours for identification of high-valued and unique materials
- New niche products (versus what we already see in the market)
- Wood products fair
- Flex nets
- “Skunk works”—creative, brainstorm sessions for finding possibilities and potential for the future

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- On part. list affiliation provided (woodland owner, mill, etc.)
- Special forest product information

Practical, Achievable First Steps

- Small niche markets

B4: Marketing Experiences: case studies from the trenches

John Belton, JCB Tree Farms, Sandy, OR (moderator)

Kevin Kaster, Kaster Kustom Cutting, Mulino, OR

Opportunities & Potentials to Improve Marketing

- Numerous opportunities to add value to our forest products appear to be out there; key is to identify interested people, those with expertise, and make it happen
- If you have quality logs/products...people with marketing and manufacturing skill...there are niches to be found; creating the links is the key
- Opportunities to market FSC certified wood exist today; certified western redcedar can be sold today with a market premium of ~10%
- A short term opportunity might be to identify existing millers, marketers and manufacturers who have an interest in working with family forest owners to begin to develop new markets; examples could be Kevin Kaster and the log home builder from Sandy

Information Needs, Organizational & Institutional Changes, Legal & Regulatory Changes, and Missing Links to Realize Marketing Potential

- Need better information on wood qualities, uses and potentials for specific product manufacturing and market opportunities; OSU is not getting the job done in market development and product development education
- Need more information about how to add value to wood products
- Need more information about marketing wood products
- Regulation changes are needed to allow portable mill owners to grade stamp their own lumber
- There is a missing link between mill owners (demand) and timber owners (supply); where do manufacturers get what they need and want?

- Need to coordinate transportation for landowners to small and portable mill sites (i.e., small volumes versus full load trucks)
- Need better kiln facilities and capacities to meet the needs of millers
- Need list of processors, small portable and stationary mills, moulding and manufacturing facilities, and kilns.

Practical, Achievable First Steps

- Each landowner needs to assess how what we might do to market and add value to our wood take away from growing the trees
- Explore with OSU how they can be a catalyst and leader to help make something happen in the new forest product marketplace of the future
- Survey mills, landowners and others to get the information needed; post on a web site somewhere
- Call joinery and local processors to find market potential for wild cherry

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