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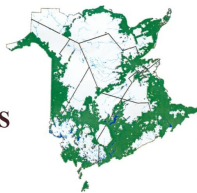
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**CANADIAN
MODEL FOREST
NETWORK**

**RÉSEAU
CANADIEN DE
FORÊTS MODÈLES**

**NEW BRUNSWICK
FEDERATION OF
WOODLOT OWNERS**



**FÉDÉRATION DES
PROPRIÉTAIRES DE
LOTS BOISÉS DU
NOUVEAU-BRUNSWICK**

Tough Times, New Ideas

Strengthening New Brunswick's Private Woodlot Sector

A WORKSHOP SUMMARY

Contact Information



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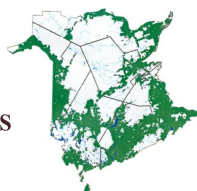


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Introduction

During the past 100 years, the New Brunswick forest sector has relied on timber from a land base that is composed of Crown, freehold, and private ownership. The private woodlot sector has historically supplied as much as 30 percent of the Province's total industrial wood supply. Over the past five years, however, economic pressures have reduced the volume of timber sold from private woodlots to processing facilities by 40 to 60 percent. This reduction has had three significant effects:

1. Woodlot owners who rely on the sale of timber for family income and investment in sustainable forest management have lost revenue.
2. Contractors who harvest timber and provide silvicultural services on private woodlots have been unable to sustain their businesses.
3. Woodlot management organizations (WMOs) have lost the revenue they need to deliver their traditional services and may disappear entirely.

A viable private woodlot sector requires profitable silviculture and harvesting contractors. Reduced markets and diminished contracting capacity may ultimately reduce the availability of fibre from private woodlots.

The private woodlot sector is also facing a demographic transition. Many owners are now in their 50s, 60s, and 70s. Continuing urbanization means that many members of the next generation of woodlot owners now live in suburban and urban areas. Changing attitudes and values suggest that these new woodlot owners will manage their lands differently than did their parents and grandparents.

Finding Solutions

As a first step to finding solutions to those challenges, the New Brunswick Federation of Woodlot Owners (NBFWO), Canadian Institute of Forest Policy and Communication (CIFPAC), and the Fundy Model Forest (FMF) organized a one-day workshop that brought together representatives of all the links in the supply chain. Our hope was to identify factors affecting the sustainable supply of timber from New Brunswick private woodlots issues and then to explore potential solutions and processes for analysis and implementation.

The 41 participants were divided into six groups. With the assistance of a facilitator, each group was asked to address four sets of questions:

1. What are successful approaches to aggregating small ownerships? One of the fundamental problems that the woodlot sector must deal with is how to combine the resources of many, small ownerships in order to access markets and conserve values at a landscape scale. We're looking for examples from your experience about the best ways to do that.

2. What organizational structures do we need to be successful in terms of funding, business models, and participation? New Brunswick's approach of establishing regional marketing boards is under stress because of poor markets. What other approaches are worth exploring? Have other provinces or states developed models that we can learn from?
3. How do we become better wood supply partners? If fibre production is to remain a focus of woodlot management, what strategies do we need to adopt to improve our relationships with our customers?
4. What are the most promising opportunities? In the medium term (three to five years), what are the most promising opportunities for sustaining our forests, forest industries, and forest communities? Are there opportunities for small- or medium-scale value-added facilities that could be initiated by individuals or groups in the sector?

Common Messages

Several consistent messages emerged from the discussions in the break-out and plenary sessions groups:

- The sector is symbiotic and will succeed or fail as a unit: woodlot owners need to sell goods and services; industry needs (or will need) the timber to successfully compete on world markets.
“It is obvious that these folks are codependent, they just hate to acknowledge it. It was like sitting through the first marriage counseling session of a very old, very bitter marriage.”
- There is little trust between the woodlot marketing boards and the timber purchasers. This is likely the largest barrier to any potential solutions.
- The marketing boards need to change to survive.
- Larger-scale management of aggregated land bases would have advantages.
- Opportunities exist to aggregate owners with common interests in certification, carbon credits, ecological goods and services, and timber sales.
- The marketing boards know only the woodlot owners who use their services; they know very little about the majority, who do not.
- The marketing boards need to find out what kind of services woodlot owners require and are willing to purchase.
- Marketing boards have opportunities to provide services in land management and help with intergenerational transfer.

Issues and Solutions

Many issues and potential solutions were identified during the course of the workshop. The ideas and comments that follow are organized by theme and presented largely in the participants' own words.

Ideas for Aggregating Small Land Holdings

The private woodlot sector consists of a large number of small land holdings. Larger land bases have advantages over smaller ones in the determination of annual allowable cut (AAC), the scheduling of harvesting, and the merchandizing of environmental goods and services. Several options for aggregating small land holdings are described below.

Watershed management model

Small landholdings within a watershed or mosaic of watersheds could be aggregated. Their management could be joint, on a spatial or non-spatial basis. Drawback: Not everyone wants the same management objectives; resource managers would need to look beyond just timber resources and manage for multiple objectives – water, aesthetics, etc.

Certification

Certification has been a primary impetus for aggregation of small land holdings. The certification process becomes a mechanism to educate woodlot owners: It educates the landowners about what is available to them so that they can make more informed decisions. Marketing boards were set up to focus on marketing and harvesting timber; they could move into marketing carbon credits using the certified land base.

“Common and Undivided Ownership”

In Maine, large land bases have been passed from generation to generation and as a result, each has many landowners – descendants of the original owner. Under “common and undivided ownership,” the land base remains intact and is managed by a board of directors on behalf of the shareholders. Any revenue is distributed based on the number of shares each owner holds.

Aggregation under One Manager

Small land holdings could be aggregated under land managers, either individuals or WMOs. Clear contracts between landowners and land managers would delineate their relationship. The framework would allow the manager to calculate AACs, develop harvest schedules, and sign contracts (with penalties for withdrawal from the contract) with wood buyers. The certainty of delivered wood volumes could be attractive enough to wood buyers to command bonuses. The framework could take advantage of carbon and other markets as they become available.

In a variation of this idea, a mean price would be calculated for a given period of time (say, five years) so that no matter when the timber was harvested, the woodlot owner would get the average price. The purchaser would still pay a competitive rate for the timber, but this type of program would provide a predictable income for owners who harvest yearly.

Landowner Pool

Landowners would retain ownership of their property but pool the land to form larger blocks, which go out for tender for silviculture or harvesting. The marketing boards could monitor the work to ensure that it is done properly. Or, the boards could structure their operations such that they would do the work themselves. The boards would also oversee payment to the landowners. A fair, blended price structure would be set up with purchasers. An information database would be established to track the availability of products and markets. It would also monitor hauling distances to increase efficiency and cut down on costs.

Critical components of such a structure are having good information, building of trust, addressing concerns, increasing awareness, being open to change, and diversifying products and markets.

Information —> Opportunities

Should industry contribute to the marketing boards? For example, industry could provide money to improve geographic information systems (GIS) where there is a mutual benefit. Another example is a company contributing five seedlings for every tree cut on private land.

Ideas for Marketing Timber

The second major challenge for marketing boards is selling their products in an ever-shrinking market. The process of selling a product is all about the relationship between the seller and the buyer. One clear message was that although some relationships are working, many are dysfunctional, and there is no longer any trust. The first step is to find ways of rebuilding the trust between the parties. The marketing boards must make changes if they are to survive and prosper.

“Aggregate hectares of woodland and timber its members own ---and use that power more effectively.”

Merchandizing Yards

Merchandizing yards have been run by SNB, YSC, and CV for the past several years. The yards aggregate timber, merchandize it, and sell it to willing buyers throughout the Maritimes. The merchandizing yards have been successful by increasing the value of timber, allowing small producers to enter the market and providing a venue for tendered sales. The approach is most successful with higher-value products.

Expansion of Land Management Services

The objectives of the average landowner are changing, and only some are interested in the traditional services that marketing boards offer – boundary lines, cruising, management plans, harvest tendering and supervision. The boards need to find out what services today’s landowners want, likely through a survey. With the results of the survey, the boards would have the necessary information to develop a suite of services that meet landowners’ needs. These may include assistance with intergenerational transfers, wildlife habitat, carbon, and ecological goods and services. The services need to be relevant to the landowners and offered on a cost-recovery basis.

Communications and Outreach

The role that the marketing boards play in communication and outreach is critical. The boards are the conduit for information on markets, funding, and land management. Communication and outreach are a component of the expansion of land management services and will be critical for any aggregation model.

Conclusions

There are options for WMO’s to position the organizations in the marketplace. However, any potential solutions will require two components:

1. prompt action on the part of the WMO’s and
2. a willing partner in the marketplace (the current relationship between the WMO’s and Industry, is at best, strained).

In order for the woodlot sector to move out of its current malaise, there must be movement in both innovation and the relationship with industry. In the near term, there are important roles for government. These include examining the strengths and weaknesses of the current system, evaluating new models for delivering services to landowners beyond access to markets and better defining the needs and intentions of producers.

Appendix A

Responses to questions by group

1. What are successful approaches to aggregating small ownerships?

Group 1

Barriers:

Environmental rules around watersheds – time to get permits

Models:

Watershed management model

- Joint resource management of multiple resources
- Common resource - management exists now in marketing boards or industry
- Weaknesses: not everyone wants same management objectives
- As a solution, the resource manager can look beyond just forest resource to multiple objectives; water, aesthetics...

Who are woodlot owners?

- Who is the average woodlot owner?
- Has anyone done a study of demographic?
- Discussing now using the demographic of those who come to meetings etc.
- Maybe we could make the aggregate ... if you know who woodlot owners really are
- Age may influence the decision.
- Are we making decisions for people who are not involved in current organization

Death is the wild card – “Death is the clearcutter”

- Can design aggregate and then it goes out the window when the owner dies
- Can put easement on property to stop clear cutting

Economies underlie everything. It is a complex investment model.

- To come up with aggregate: have to come up with a way that will give the owner a return/benefit to everyone
- With more shift to resource manager model – consider conservation easements
- Work on a large scale and translate to small scale

First Steps:

- Third party to take PID and carry out statistical analysis
- Very important, so info is “real” and credible
- Let’s understand the landowners before making a decision for them
- Identify criteria for resources themselves: what are the primary resources we are going to manage for
- Understand the landowner/understand the land and match – new resources coming and change equation
- Advance socially and environmentally , sometimes work against each other
- Inheritance more from oldest son – model to divide among all siblings
- Parcel sites

Current Models:

- Focus only on who is currently harvesting in association with current markets
- Only focused on harvesting timber
- Family landbases

FSC Certification:

- 90% market driven
- Was a mechanism to education the woodlot owner
- Need to educate the landowners what is available to them so they can make up their minds what they want to do
- Ontario became the education media – early buy-in came from conservation minded owners
- FSC is customer driven
- Marketing boards were setup to focus on marketing and harvesting timber
- Could move onto marketing carbon credits as a group
- Structure in place but needs to be overhauled and refocused
- Could incorporate new concepts like carbon into FSC
- Some have associations – need different way

Landowners:

- Why do they own the land? Investment? Intergenerational? To hand down?
- Need to go beyond names
- What do they want to manage for?
- Socially, what is important? Environmentally, what is important?
- Age: what effect?
- Death – government/taxes/social aspect – no longer a consideration
- Education of new owners
- Aggregation should be based on behavior /objective
- Landowner/landowner ... landowner/landscape – need to aggregate for both
- Need to have local connection

- Landowners: perception of their land evolving

Group 2

Issues

- New 30/70 split has strained marketing boards (silviculture budget and wood sales are in decline)
- No funds to put into new activity
- Loss of DNR's extension program – marketing boards had to take on some of that role
- Too many boards? (economy currently does not justify 7 boards)
- Competition for Crown wood (even for markets outside the province)

Ideas

- Go back to woodlot owners (grassroots) for feedback – that's where the board movement started
- Remodeling boards (refocus, rethink objectives)
- Refine roles (for woodlot owners, government)
- SWOAM (Small Woodlot Owners Association of Maine)
 - \$50 annual membership
 - Get information on markets/programs
 - In Maine, all of the AAC is cut each year
- In Maine, if you report harvesting, taxes are reduced for complying
- American Tree Farm
 - Group certified land, programs (trees ...)
 - Access to consultants (management plans), user-pay system, certification record keeping
- Marketing boards – help organize owners with certification

Group 3

- There is more supply than demand since mostly coming from Crown lands.
- The hardwood pulp is also an issue due to the traveling distances to the mills.
- The benefits in NB are that there is a unified voice through the marketing boards.
- We do not need more bureaucracy (the cost of production is higher than the price paid).
- Currently you cannot live on manual harvesting to make a living; machinery is taking over and it needs big lots for clear cuts.
- There is a lack of manpower in the forest; silviculture work needs to be encouraged.
- Perception that silviculture work on private land enables companies to increase their AAC because they plan to utilize the private plantations later on.
- We need incentives to keep the woodlot.
- Need to get the cost of production down; need to gain efficiencies; responsibility falls back on the contractor. Need better communication to plan out local harvesting to gain efficiencies to help the bottom line.
- Marketing boards could get their own harvesting equipment; we need to ensure that the woodlot owners who want to do their own work still can.
- Training and support are needed.
- Capital incentives could be another way of encouragement.
- In NS, the industry pays back into the silviculture fund – they can work directly with the woodlot owners or through an association. This is currently funded only by government.

- Continuous supply for better planning from both parties. Need a contract that specifies more than the rate includes volumes to deliver.
- Woodlot owners will always go for the best offer, so it is hard to keep them faithful to a contract agreement.
- Need better knowledge of the AAC.
- Challenge to find workers to do a good quality job in a high quality stand (hardwood).
- Need training to identify high-end products.
- Woodlot owners who do not want to cut – we could get them certified so they can be assured that it is sustainable management
- Empowering woodlot owners by providing knowledge; to get them excited and passionate and then show them the values of management.
- This should be delivered through an association or government.
- For hardwood, specialized people should be available to help the woodlot owner.
- Changing ways of harvesting – it is now more mechanized.
- Need a more personal touch by asking woodlot owners of their expected volume for the year.
- Yards are profitable only for hardwood.
- Woodlot owners are on the bottom end of the food chain.
- Value for other less tangible services (recreation, carbon), government to help out with money.
- Do not use a big stick approach; any reforms need to be introduced over a period of 3–5 years.
- Silviculture on private land is very important.

Group 4

Current Issues:

- Demographics – disconnection from the land.
- Age of current landowner (old).
- Lack of “right” kind of contractors.
- Expand contractual agreements between land owner and WMO.
- Landowners aren’t joiners – motivation is money.
- Build it and they will come.
- Most woodlot owners are not interested in timber alone.

Other Models:

- Maine – “common and undivided ownership”
 - Large number of shareholders with one piece of land.
 - Large block managed as one.
 - Shareholders don’t own a specific piece of property but share in the interest of one piece of land – can trade and sell shares.
 - Revenue is distributed via disbursements annually.
 - Run by a board.
- Aggregation of land under one manager
 - Maybe able to use easements.
 - Firm contract between the owners and the land manager – deliver or else.
 - Could take advantage of ecological goods and services.

- Communication
 - Need to sell tangible values of managing your property.
 - Need to have something to entice owners in.
 - Framework has a better chance of succeeding.
 - Need a list of values important to woodlot owners – then see what model fits.

- Merchandizing yards
 - Aggregates timber and sell it.
 - Potential for tendered sales.
 - This works with higher-value products.

Comments:

- Need more options for woodlot owners to enter into.
- Could have firmer contracts.
- Wood yards for small producers.
- People don't know what woodlots are worth.
- Annual statement of woodlot worth.

Group 5

Initial discussion revolved around the need for more landowner education and awareness. Lack of transparent pricing also a problem. Most private woodlot owners don't know value of material they harvest, and prices are not readily accessible.

- The 20/80 rule was discussed: 20% of woodlot owners produce 80% of harvest. These folks are most engaged (see SWOAM marketing plan). 80% of woodlot owners produce 20% of harvest and are largely unengaged.
- Boards should identify parcels that need to be harvested and then approach owners rather than waiting for owners to self-identify. If industry and boards approached government together on this, they might be willing to provide the financial resources to fly and map the potential sites.
- Boards should increase the land management services they offer to absentee landowners. Especially given the demographic transition, it seems likely that more and more owners may need services that boards can provide. This could include carbon, wildlife habitat, group certification services.
- Boards can also aggregate as firms that purchase products and services from their vendors (e.g., insurance, vehicles, tires, fuel).
- Boards should approach nontraditional audiences (e.g., agriculture) to broaden membership.
- Boards have a limited capacity to provide additional goods and services.

Group 6

Use Land Management Services as a means of getting landowners to work together to fulfill contracts. An aggregate of owners is better able to meet goals.

Certification would/could bring woodlot owners together to create economies-of-scale when it comes to issues like: carbon credits, ecological goods and services, doing management plans, sharing costs for things like silviculture. Woodlot owners must have flexibility within any system.

It would be a good idea for a delegation from New Brunswick to visit Sweden to examine the different land management models being used there:

- Cooperative
- Forest products
- State owned – Crown land
- Forest managed by contractor

People in Sweden want to manage their forest land and there is a tax incentive to do so. Taxes are higher for land that is not managed. There is flexibility in terms of which model a landowner chooses to use. Five percent of a landowner's land base must be set aside for wildlife purposes.

We have workforce issues in New Brunswick. Many of our skilled people are no longer around or in business. Woodlot owners and contractors are hurting. We are almost at rock bottom. There is nowhere to go but up. It is difficult to get the most value from the forests. The ideal situation is when there are a variety of mills that use different products. A co-op system would work well in the Province.

Any model for aggregation would have to be attractive to landowners to get their commitment. These are very independent people; they would participate while maintaining their rights. It would be important to show how the model would work, maybe have a couple of demonstration areas. The model would have to have buy-in from the owners, boards, government, and industry. All must work to a common goal. Some government legislation may be required. The marketing boards should be taking a more active role in this. Education is needed at all levels. People need to get involved.

Markets need to be more closely followed. We should be working together to consider a larger land base, maybe at a watershed level or the entire Province. There should be a more "universal" operating plan. This would enable us to operate more efficiently and would save money. It would lineup more work for contractors and truckers. Travel distances could be reduced; the closest trucker takes the load. A GIS should be developed for private ownership across the province. This information would help indicate what products can be found throughout NB. We are not reinventing the wheel, just making the system more efficient and working together. We should consider varying taxation levels for participation. Money talks.

2. What organizational structures do we need to be successful: funding, business models, participation?

Group 1

- Need to refocus marketing
- Originally organized to market wood source of funding based on sales for marketing boards not association
- Structures need to be revamped
- Woodlot organizations structure: marketing boards can be part – need new way of funding
 - Need broader participation
 - Maple syrup
 - Industry
 - Woodlot owner
 - Christmas tree
 - Need extension on the ground (knowledgable/trained/professionals)
- Demand – supply need to balance
- What to woodlot owners bring to the table? Government, industry – economic and political power

Structure:

- What do we need our structure to achieve?
- Land value: can manager better if land worth more.
- Current models not do?
 - Does not bring industry to the table
 - Need to connect with landowner association
 - Need a business model
 - Look at Finnish cooperative
 - Need to include chain of custody
 - Willingness to work together

Association:

- Broader based marketing board one aspect
- Funding: selling services – forest management plan, silviculture
- Sources: government, industry – multi-funding structure

American Model

- Funding tied to the land to maintain the resource
- Organizational structure – can develop those types of investments
- Structure: organization can offer more than single property contract
- Group: can assure – longer terms of work for contractor
- Central desk for landowners can manage the service
- Change marketing boards names
- One central organization – regional association – branches that on the ground – office accounting etc. can be centralized – efficient
- Administer incentive programs

Group 2

- Certification
- More extension resources (currently some done – need more for field visits/consultants)
- Remove legislation banning small self-loading trucks (20 to 24 feet) (owners need to harvest too much to fill large trucks)
- Set up satellite wood yards so owners don't have to travel too far - close to rail and roads open year round
- Set up more weigh scales around the Province
- Help with succession/transfer and management system for future woodlot – cooperative system
- Speak to industry as if we are an actual business
- Some themes need to be developed further in NB, but the marketing boards may not be the right people to oversee them (NTFPs, carbon credits, environmental goods and services)
 - Not part of mandate, not enough resources to do it..., also the benefits from carbon credits don't necessarily trickle down to the boards and woodlot owners
- Funding – more from Province and Feds - could be used for services, certification, satellite yards, scales etc.
- Boards need a master plan for direction – long term vision

Group 3

- Variability in marketing boards especially training wise. How to think of the woodlot as a business and use good business practices.
- Business model for woodlot owners to gain efficiency
- Industry is competing on the global market, everything is on the same playing field even the supply needs to be even.
- Mills could purchase wood at a fixed cost
- Provide benefits (health insurance, pension) to woodlot owners
- Quality based silviculture fund plus an outreach component; in NS it is an investment that improves practices.
- The companies need to know what they can expect for wood supply.
- Certification is good but it is a cost and only has a very small market, good stewardship is expected regardless of certification
- Education to woodlot owners to help them in planning for access roads and spreading the revenues over the years
- Basic structure to enable them to do business planning and land services delivered by the marketing boards funded by government done equally across the province.
- Incentives for good management silviculture should be a cost of harvesting. In NB, we have to justify the silviculture along with hospitals, education, etc... Can we afford to cut the wood?
- Infrastructure money try to get federal back into silviculture and long term commitment.
- Land management companies (business partners – coop) the owners would benefit; when one lot is harvested they all receive a share so it is a constant feed of money. Kind of a sub-licensee short of the processing facilities. Pool resources and money. Model need to be presented to woodlot owners.
- Need strings to silviculture for accountability from woodlot owners.
- Reduce variability within boards
- Look into the FLIP program for agriculture as well as a tax incentive

Group 4

Issues:

- Can't offer demand for wood
- Can't charge back for some services
- Offer services in "wrong way"
- We don't know who the average owner is
- Need a long term strategy for communication

What can be provided?

- 1 on 1 service – walk through to management plan
- Owners want financial return and to the right thing

Financial planning:

- Need to communicate to owners about the importance of financial asset
- \$ is important to everyone

Aggregation of owners with similar interests (landbase managers):

- Cooperatives or certification
- No customer no business
- Boards only option for aggregation of landbase
- Benefits owners and contractors
- Allows Boards to schedule harvest
- Owners must commit to program - Management plans via GIS – AAC – volume marketed to mills – silviculture
- Need to market the concept with good visualization tools so land owners understand the harvesting and regeneration process
- Maybe could offer an awareness plan first (walk through to talk to owner) and then if there is interest, carry out a management plan
- Could offer a full financial package and do work required for intergenerational transfer – partner with Credit Unions to offer a review of all assets – boards to offer “wealth management”

Group 5

- Discussion of numbers of boards: too many or too few? Consensus was that there is a need for a modern structure that centralizes some functions (administrative) but also provides timely on-site professional and technical services. There was concern expressed that if boards are consolidated along health authority lines it might create problems for minority language speakers.
- Boards should be the place for provision of extension services.
- All agreed that boards need to diversify their products and services in order to survive.
- What incentives may be available for PWO's to manage for water quality in municipal watersheds?
- A business model to consider might be ownership of mills and facilities by the PWO's and marketing coops.
- We should measure public support for public investment in public lands (willingness to pay?).
- A survey of woodlot owner demographics, attitudes and values would be appropriate.
- Some boards are contracting to supply volumes to mills

- There was a general discussion under the theme of “reducing uncertainty.” Mills want to know that a specific volume is available (this is often attributed to bankers who want certainty before making loans). The Boards and owners want to know that one or more markets are available.
- [It is obvious that these folks are co-dependent, they just hate to acknowledge it. It was like sitting through the first marriage counseling session of a very old, very bitter marriage. DF]

Group 6

There needs to be more diversification in terms of the work done by the Marketing Boards. Some services are free but there is a need to operate on a cost recovery basis. Perhaps they could provide more services with relation to NTFPs. More NTFP workshops should be held.

Maybe revenue to fund the Boards should be tax-based instead of being generated by wood sold.

We don't really know what woodlot owners want or do. The information is not current. “Before you manage, you have to know what you have.” This information is necessary if plans are to be made. Would a survey be the best way to get this information? Likely not...the Boards have the best feel for what is going on with the owners in their area. Although, the Board members in Group 6 feel that their knowledge is not up-to-date. In good markets people are in touch and there is more communication. In markets such as this, less work is being done and communication decreases.

Better communication would lead to more opportunities for the sale and purchase of products even in a depressed market such as this. The Federation and Boards need to be out there communicating more. It was pointed out that this is difficult because of current under funding and staff layoffs.

A suggested structure...

Landowners pool their land to form larger blocks which go out for tender for service or harvesting (each retains ownership of their respective land). A fair, blended price structure is set up with wood consumers who purchase the wood. It is suggested that the Marketing Boards monitor the work to ensure that it is done properly. Or, the Boards become structured such that they can do the work themselves. They also oversee payment to the landowners.

In this system, an information database is established to track the availability of product and markets. It also monitors hauling distances in order to increase efficiency and to cut down on costs.

Key aspects to the structure are: Good Information, Building of Trust, Addressing Concerns, Increasing Awareness, Being Open to Change, Diversification of Products & Markets.

Information —> Opportunities

Should Industry contribute to the Marketing Boards...for example money to improve GISs. The industry representative in the group indicated that this could be possible so long as there was a mutual benefit in doing so. An example is of one company contributing five seedlings for every tree cut on private land.

Should DNR include private woodlots in their Provincial wood supply analysis as a means of gaining information? Many landowners would not want this information to be available.

3. How do we become better wood supply partners?

Group 1

Can we cut shipping costs? Rail?

- more co-ordination of supply
- better partner – competitive rates
- partnering with whom? - has to recognize woodlot owners as a legitimate partner
- Can't control demand
- Priority should be given to all partners equally
- Forest management system – buy supply and resell
- Guarantee supply
- Need to be guaranteed a minimum price
- How to be able to guarantee?
 - Bring in planner output/schedule for contractors
 - Go to buyers with what is planned each year.

Barriers:

- Comparative price model
- Contract or what go through the marketing boards
- Buyer – marketing board – get best price and pay out to members – pay out less to other competition – becomes an incentive to sign contracts
- Investment in land (silviculture) affects supply – need to protect investment
- Crown land distorts price

Incentives:

- Build for both producer and supplier
- How do we know what is going to have an influence

How do we improve our relationship?

- Need to look at marketing in terms of having a variety of products to offer.
- Guarantee of supply: barrier to dealing with small woodlot owners
- Relationship between the landowners with public broken
- Now truckers making a lot of decisions about where to take product
- Buyers at the table
- Need to identify partners
- Lack of knowledge of opportunities
- Providing help to decide what and when to harvest
- Finding people good prices and meaningful employment
- Competiveness – supplier must have labour supply, have prices, have productivity

Group 2

- Marketing boards need to always honor their agreements with industry despite:
 - Getting a better offer elsewhere (another buyer)
 - Being the mercy of supply from woodlot owners
- Certification
- Need stable offer/demand figures
- Barrier = communication (good or bad)
 - Should bring all members of the value chain to the same table (to discuss compromise and build consensus)
 - Monthly meetings or calls with partners
- Issue – prices are all over the map
- Issue – bulling because of monopoly situation for certain commodities (e.g. only buyer of cedar will only take a woodlot owner's cedar if he also sells him poplar)

Group 3

- Open the lines of communications come to a common understanding knowing each others challenges. Distrust from both parties. Real or perceived – it is there.
- The trust will only come back when agreements are respected.
- See the industry and woodlot owners' work together to grow their business.
- Media extract/plays on the differences.
- Nail down the uncertainty for wood supply.
- Because of economy of scale wood from woodlot owners will always be more expensive to deliver.

Woodlot owners are in competition with the wood from Crown land.

When there is no trust it is hard to do business, in Quebec it is too structured.

Need to build trust – the industry is not there to screw us!

We should all grow together, by way of efficiencies not to the detriment of others.

Marketing boards' role is to offer a market at a fair price and provide silviculture assistance to increase yields.

Group 4

- Woodlots are a residual supplier
- Joint meetings and forums – to do education
- Fostered better relations
- Need to find ways to guarantee supply
- Single contract provincially
- Need a Maritime woodlot organization
 - Transparent wood basket
 - More bargaining strength
 - Provides certainty – consistent markets/prices
- Ensure woodlots are well managed
- Focus on margin not end price of product
- A guarantee of supply helps the Boards and the Industry

Group 5

- Discussion opened with the statement that woodlot owners do not trust JDI and prefer not to do business with them directly.
- A partnership has to convey benefits to both parties. An appropriate distribution of benefits is not accruing to the private woodlot owners.
- Provincial govt. is seen as quite willing to lend money to industry and steer Crown lands policy to favor industry, but has not been interested in supporting small and medium sized enterprises (lack of support for wood pellet and distributed power proposals).
- In many ways, boards and woodlot owners are as interested (perhaps more interested) in market stability as they are in higher prices. There was a discussion about improving margin for both millers and producers.
- There was some discussion about finding a “win-win” problem that would benefit both industry and woodlots owners and boards. Transportation and back hauling were suggested as a possible example. One participant indicated that JDI had declined to participate in a back-hauling scheme in the last round of discussions.
- Representatives of industry, woodlot owners, and boards do not meet on a regular basis. As a result, they don’t have a forum in which to discuss and possibly resolve some of their differences.

Group 6

Some thought that this question should have included....becoming better Industry partners...as well.

A suggestion was to enter into EMA agreements. This would help to ensure that a supply of quality wood was available.

Become more knowledgeable of market issues, both locally and global.

Find opportunities to work better together.

Work as partners with industry to reduce waste. An example was given about seeing loads of logs passing one another on the highway. Could it be possible someday to have a load of wood go to the closest mill?

Land owners should know the type and quality of wood that is required by a mill. Sending a substandard load will only cause problems....the load is rejected, culled, or used for an inferior product (saw logs sold as pulpwood). It is a two-way street between wood supply partners and consumers.

Quotes from members of the group: “Small issues can lead to bigger problems.” “Memories are long.” “Better communication solves a multitude of problems.” “Stable secure supply <—> Stable secure markets.” “Everyone involved in the supply chain has made some type of investment.”

We become better partners through: better communication, better information, better planning, diversification. We want stable prices and markets.

4. What are the most promising opportunities?

Group 1

- Need to be looking forward not trying to get back to a point in the past
- Wood is a product we can store – going to be there
- Be moving to multiple markets – products are going to change
- Bioenergy – wood pellets – short term solution
- Biofuels (gasification) – medium to long term
- Community (district) heating systems (CHP) – combine with pulp – short to medium term
- Should be secondary use – should always focus on best end use

Long term:

- Housing – providing timber for reviving housing markets
- Commercial buildings - Move back to building out of wood – certification wood or green matter
- To position for – need to get processes in place for certifying woodlots
- Carbon credits

Opportunities:

- Use the survival period to carry out organizational restructuring so positioned to take advantage of opportunity when available
- Are buying sawmills best option?
- Nonfibre opportunities – air quality, water quality, ecological goods and services
- Buy locally

Group 2

- Group certification
- Satellite wood yards (close to railroad)
- Research/advance bi-product mills (pellets, biomass, etc.) and NTFPs (Canadian yew, agro forestry) and others (ecological goods and services, diversification, ecotourism, wind turbines) – these are not as capital intensive as timber/pulp mills
- Research/promote other types of equipment for small woodlot owners (not enough labor for silviculture: at DEMO there were many examples)
- Woodlot owners cooperative (equipment sharing)

Group 3

- During tough times more silviculture money can create more jobs.
- -biomass is not an option already saturated.
- Short term silver bullet access to capital to invest in value added facilities
- And presently focus on stabilizing the markets
- Future markets are chemicals, recreation, hunting, etc... For forest communities.
- INFOR should provide free courses

Group 4

- Certification program in NS as an example – building capacity and infrastructure
- Access to capital from 40,000 woodlot owners
- \$1,000 from woodlot owners for investment – call it “Dave’s Dream”
- Our failing economy – people are willing to join
- Researching what is being made, where – can we and are we doing it?
- RRSP fund with land as the asset and investment

Group 5

- biomass including pellets
- Niche products: baskets, barrels, wagon wheels
- Possible opportunity for 1 or 2 boards to jointly purchase a chipper. C.V. is already doing some of this.
- Some woodlot owners still do not sort their hardwood and are selling higher value logs for firewood.
- Generally NB should invest in the hardwood sector long term.
- A woodlot owner survey is a short-term project that should be done.
- The cross-sector discussion group should be established.

Group 6

In the short term, setting up flail chippers in southern NB to produce chips from byproducts of logging operations as a means of taking advantage of biomass opportunities. One mobile machine could work on a number of woodlots. This would cut down on trucking distances and costs. Currently chips are coming from northern to southern NB.

Small woodlots will often produce 5 to 10 good quality hardwood sawlogs which could be wasted or go to firewood because they are far from constituting a load. It would be nice if a system were in place to pick up these trees from a number of sites in an effort to make full loads.

In longer terms, land management services and supply guarantees could be promising opportunities. For this to work, private woodlots and boards would be required to enter into long-term agreements to ensure wood supply and quality. Trust is required by all parties.

Work on opportunities to cut down on trucking distances.

New Marketing Direction (submitted via SNB representative)

Marketing strategy alone cannot change some of the problems that woodlot owners face – currency parity, housing market downturn, the flood of wood from the pine beetle infestation. Although devastating, these are by their nature cyclical, short-term concerns. Our biggest obstacles are industry pressure on Crown land and the lack of market choice. These factors will put long-term downward pressure on land value and bring into question the viability of forest management goals.

A marketing strategy that enabled the marketing board of southern New Brunswick (SNB) to negotiate contracts that included price, specs, and delivery schedules would move SNB forward to become a real player in the New Brunswick forest industry. The question is, how could we implement such a strategy?

An inability to guarantee volumes to individual buyers has always been our biggest problem when attempting to negotiate a contract; we offer no reason for a prospective buyer to negotiate with us. A new marketing strategy is to offer a comparative price advantage to the individual buyer who signs a contract with SNB. This comparative price advantage would be achieved by implementing a 15% market access fee to all wood purchasers. The market access fee would be removed only when a contract agreeable to SNB was negotiated.

In practice, the comparative price advantage system would work in this manner: Take four buyers who are all purchasing the same product from SNB (say, 8-foot studwood). These buyers may all be willing to pay the same amount (say, \$100/cd). SNB would charge the market access fee of 15% to each buyer, thus making the payout \$85.00/cd. SNB would then enter negotiations with all the buyers. Once a contract acceptable to SNB was established with one of the buyers, the market access fee would be removed, giving that buyer the comparative price advantage. This price advantage would be the incentive to sign a contract with SNB. All funds collected from the buyers for the market access fee would be returned minus administration fees to all the producers in the spring. These contracts would be for three months: July to September, October to December, and January to March.

This system would allow SNB to enter into meaningful negotiations with buyers. These negotiations would enable SNB to influence how we sell products – price, delivery schedules, and specs. The establishment of meaningful contracts would allow SNB to better advocate for producers when problems arise, such as with spec interpretation. It would also allow SNB to support purchasers whose future was seen to have strategic importance to the long-term interests of SNB.

This much more aggressive approach to marketing our forest products would establish SNB as a real presence in the forest industry of New Brunswick. Implementation would not be easy and requires woodlot owners to give up some individual independence for a more cooperative marketing model. The changing nature of the forest industry and government's approach forces SNB to look to its collective strength – the 1 million

Appendix B

Workshop Preamble and Questions

Tough Times, New Ideas

Strengthening the Private Woodlot Sector in New Brunswick

On behalf of the Canadian Institute of Forest Policy and Communication (CIFPAC), the Federation of Private Woodlot Owners (NBFWO) and the Fundy Model Forest (FMF), we would like to invite you an important workshop scheduled for February 9, 2009 at the Wu Centre on the UNB campus in Fredericton from 9 A.M. to 4P.M.

Background:

During the past 100 years, the forest sector has relied on a mix of timber from a land-base that is composed of Crown, freehold and private ownership. Over the past five years, the economic pressures have reduced the volume of timber merchandized from private woodlots to processing facilities by 40 to 60%. The reduction of timber merchandized has had three significant effects:

4. Reduction of revenue to woodlot owners who have relied on the sale of timber to processing facilities. As a result of changing demographics and land owner values the tradition of harvesting timber may be in jeopardy.
5. The loss of opportunities to harvest timber has crippled the ability of contractors to sustain their businesses. Many contractors have left the sector for other opportunities leaving little capacity to deliver timber to processing facilities even when the opportunity arises.
6. Woodlot Management Organizations (WMOs) have lost the necessary revenue to continue to operate as they have in the past. The capacity to deliver traditional services is in decline and may disappear entirely.

As a Province, the private woodlot sector has supplied as much as 30% of the industrial wood supply. We are at a point now where this supply may become unavailable. This will have consequences for woodlot owners who do want to harvest and sell timber and, to those processing facilities that are relying on private timber for part of their fibre supply. We believe it is in everyone's interest to find solutions that will improve how the woodlot sector operates.

The Workshop:

We ask for your help in responding to four questions:

1. What are successful approaches to aggregating small ownerships? One of the fundamental problems that the woodlot sector must deal with is how to combine the resources of many small

ownerships in order to access markets and conserve values at a landscape scale. We're looking for examples from your experience about the best ways to do that.

2. What organizational structures do we need to be successful in terms of funding, business models and participation? New Brunswick's approach of establishing regional marketing boards is under stress because of poor markets. What other approaches are worth exploring? Have other Provinces or states developed models that we can learn from?
3. How do we become better wood supply partners? If fibre production is to remain a focus of woodlot management, what strategies do we need to adopt to improve our relationships with our customers?
4. What are the most promising opportunities? In the medium term (three to five years) what are the most promising opportunities for sustaining our forests, forest industries and forest communities? Are there opportunities for small or medium scale value added facilities that could be initiated by individuals or groups in the sector?

Appendix C

Workshop Participants

Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Brent Boyd	Alain Landry	Harold Barton	David Palmer	Jeremy Jones	Tom Doak
Raj Chaini	Marc Pinette	Paul Orser	Brian Brown	Dave MacLean	Margo Sheppard
Peter Christie	Paul Emile Soucy	Claude Pelletier	Kevin Topolinkski	Robert Fawcett	Brent Thompson
Brian Bartlett	Gordon Dickie	Jamie Simpson	Andrew Fedora	Ken Hardie	Troy Lifford
Kevin Forgrave		Kevin Jewett	Pam Folkins	Tim Fox	Lisa Barkley
			Andrew Clark	Hazen McCrea	David Reed
			Dean Toole	Ross Cole	
				Chris Dickie	
Barb Scott, Facilitator	Janette Desharnais, Facilitator	Anne Lebrun-Ruff, Facilitator	Nairn Hay, Facilitator	Don Floyd, Facilitator	John Henderson, Facilitator