



# Recreating Natural Resource- Based Businesses: Sustaining the Land and Communities in Rural America

Presented at: **Exploring Rural Entrepreneurship: Imperatives and Opportunities for Research**

Sponsored by: **USDA Economic Research Service and RUPRI Center for Rural Entrepreneurship**

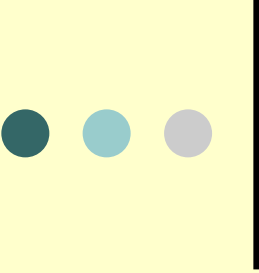
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**Cecilia Danks, Ph.D.**

University of Vermont

Rubenstein School of Environment & Natural Resources

cdanks@uvm.edu



## Narrowing the scope ...

- Natural resources includes fishing, forestry, mining, ranching
- There are real differences between sectors – ecologically, politically, economically
- They share some similar challenges & opportunities – e.g. innovation, markets, scale, primary production → value-added
- This talk focuses on entrepreneurial approaches to **recreating forest** management and forest products industry – not transitioning to other economic activities such as recreation & tourism

# Rural Entrepreneurship in the Forestry Sector: Overview

## ○ Challenges & Opportunities

- Common pool resource
- Industry legacy
- Community conditions
- Ecological conditions

## ○ Strategies for Success

- Social entrepreneurship
- Collective / networks
- Adding value
- Market niches

## ○ Sources for this presentation

- Current research on US community-based forestry
- Prior analysis of “sustainable” rural businesses & working forests
- European studies of entrepreneurship in forestry sector





# Challenges & Opportunities

What follows are some issues affecting entrepreneurship in the forestry sector in the following areas:

- Common pool resource
- Industry legacy
- Community conditions
- Ecological conditions

The same issues or conditions can present both challenges to and opportunities for entrepreneurship.

# Challenges & Opportunities: Common Pool Resource

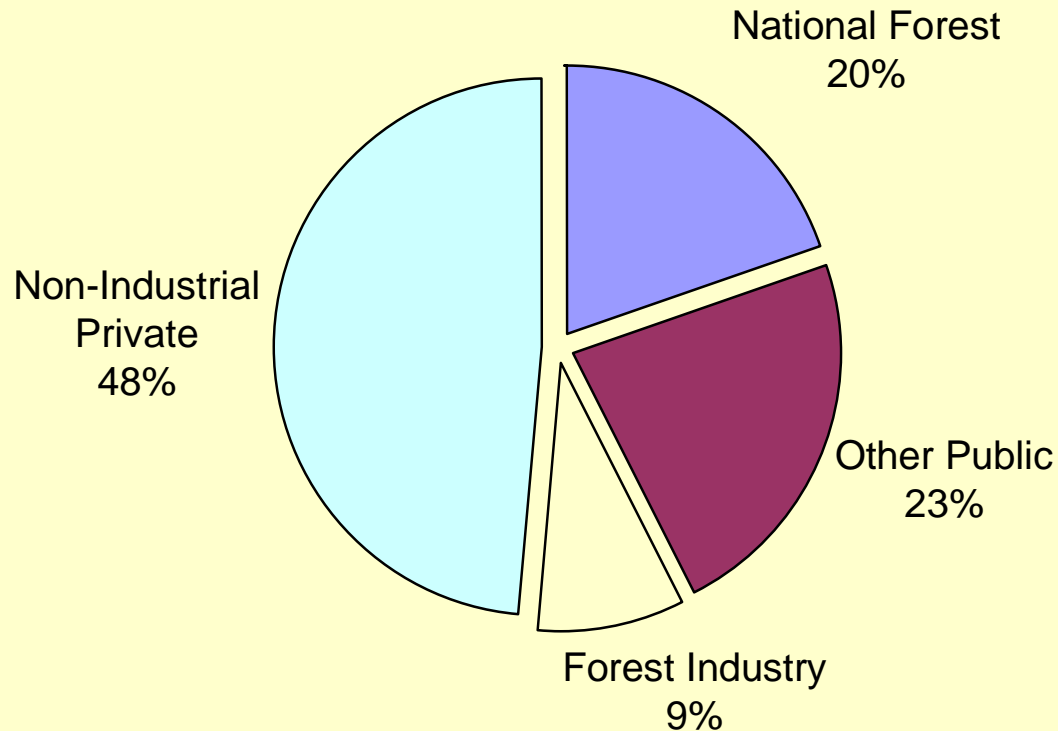
- **Mix of private & public goods & services**
  - How to produce both? The challenge of public goods.
  - One approach: Internalize public goods thru green certification
  - Political demand tends to exceed consumer demand for non-market goods,
    - i.e. Certification has had modest success, in part because consumers are willing to pay little extra for “green” forest products and political demand to protect forest resources is sometimes at odds with market approaches like certification.
- **Ownership patterns of forest land (see graph next slide)**
  - Public forest – conflict high, access undependable
  - Private forest – disinvestment, fragmentation, diverse landowner goals and incentives, (profit motive low for many non-industrial owners)



# Challenges & Opportunities: Common Pool Resource

## US Forest Land Ownership

747,000,000 acres of forest = 33% of US land area



Source: USDA Forest Service 2001

# Challenges & Opportunities: Industry Legacy

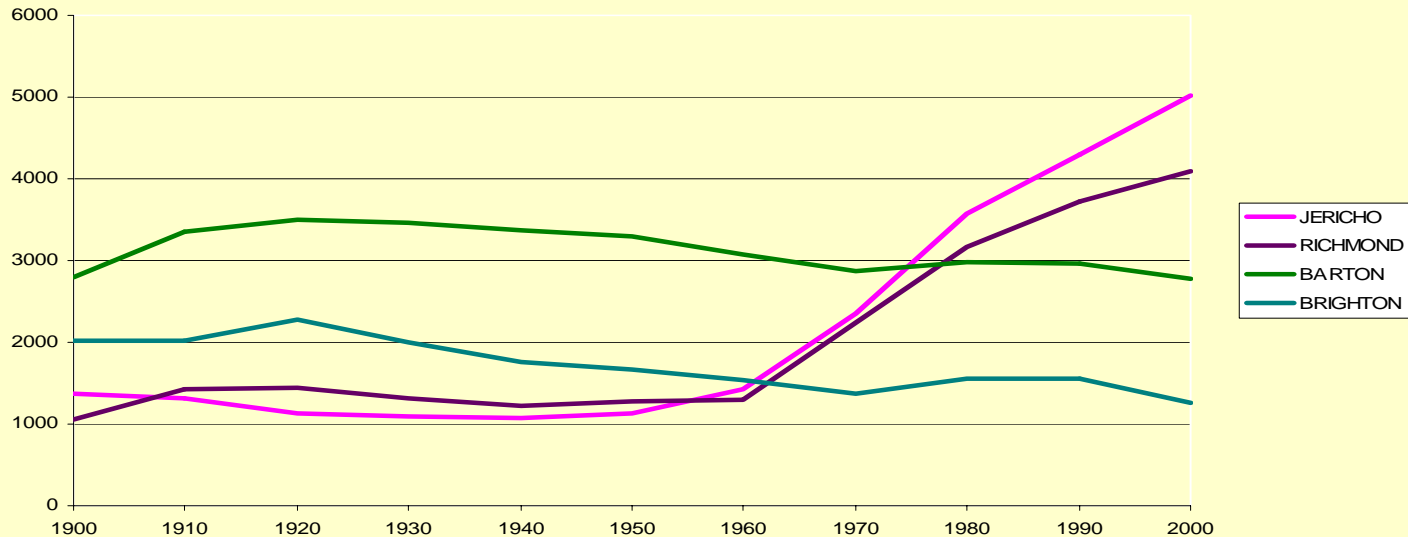
- **Primary Processing – Sawmills**
  - Historically, strongest force in the industry & often communities
  - Recently many mill have closed & consolidation
  - Mill workers left behind in forest communities tend to have limited entrepreneurial experience, skills and resources
- **Extraction – Logging**
  - Historically small entrepreneurs
  - Logging has been declining, esp. on public lands
  - Loggers' capital is invested in equipment
    - Old equipment loses value
    - High capital costs for small logs equipment and fewer jobs per boardfoot
- **Land management & wood processing skills leaving forest communities or left behind**



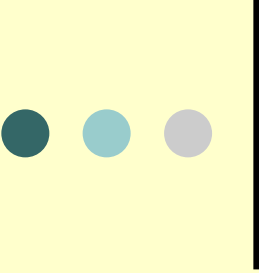
# Challenges & Opportunities: Community conditions

## Changing demographics: two paths

Population of Selected Vermont Communities,  
1900-2000



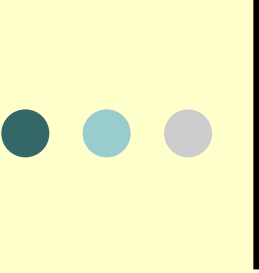
This graph roughly represents the issue that some rural areas are growing and thriving and others are experiencing economic and population decline. Even within rural communities, some families are doing well and others struggling due to current economic changes, including the decline of the traditional forestry industry.



# Challenges & Opportunities: Community Conditions

Changing economies & demographics: two paths

<b>Struggling</b>	<b>Thriving</b>
Remote, few amenities	Access to urban areas &/or great natural beauty
Out-migration of working families	In-migration of amenity seekers
High unemployment	High self-employment/ commuter/ retirement
High poverty rates	Pockets of poverty
Low income	Bimodal income distribution
Little capital	Wealthy individuals
High commitment to place	High interest-based volunteerism
Value working forest	Value protected, working forest



# Challenges & Opportunities: Ecological conditions

- **Young forests, small trees & plantations**
  - Lower value, undeveloped markets
  - Higher ecological benefit from management; growing agreement on restoration forestry
- **Risk of wildfire is high in many areas**
  - Potential service industry
  - New by-products from fuels reduction
- **Decline of forest health, invasive species**

## Research Findings:

# Forest-based Entrepreneurship in Europe

21 countries, 2002-2006, Niskanen et al., U. Joensuu, FI

- Entrepreneurial & managerial skills are underdeveloped
- Forest ownership fragmented and owner values diverse → limited supply
- Forest-based industries are small & fragmented → lack of innovation, networks & market power
- Traditional forest industries dominate production & R&D: “*low profitability, low tech, poor image*”
- Best potential in “green” products
- Internalizing indirect benefits of forests is significantly underdeveloped



# Strategies:

## Social Entrepreneurship

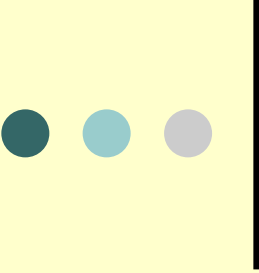
- **Entrepreneurial behavior to create “social value”**
  - Reframing, redefining issues and approaches
  - Seeing/making opportunities despite limited resources
  - Informed risk-taking, problem-solving; action & learning oriented
  - Networking, collaborating, partnering
- **Public-private partnerships (3 sectors!) produce a mix of public & private goods**
  - Non-profits fostering for-profits – new in forestry
    - R&D, developing markets, creating networks, venture capital, business incubators, political action
  - For-profits with social goals succeed by working with non-profits and public funding



Strategies:

## Collective Approaches & Networks

- Traditional cooperatives – some success & some resistance, ... culture, transaction costs & leadership
- Peer learning through networks – mini grants
- Sharing production resources
- Facilitated co-marketing; connecting rural producers to urban markets
- **Non-profits taking coordinating role**



# Strategies: Adding value

- **Processing**

- **Story**

- Environmental
- Social benefit
- Craftsmanship

- **Service**

- Quality products
- Personal
- Customized

Sustainability

Small town  
culture and  
values



## Strategies: Adding value

The diagram on the prior slide illustrates how entrepreneurs add value not only by doing additional processing, but also by marketing their products for clients and consumers that care about sustainability, as well as those that value qualities and services – such as personalized service and custom craftsmanship – associated with the rural, small town quality of life.



## Strategies: Market Niches

- Not commodity, little direct to consumer
- Mid-sized institutions with social conscience
- Story – sustaining rural landscapes, livelihoods, and values
- Green certification – esp. FSC, organic, LEED
- Product – well made, emph. natural features
- Service – personal, customized



## Strategies:

# How they defied globalization

- Turned challenges to rural entrepreneurship:
  - Traditional economic culture
  - Remoteness, ruralness, small scale
  - Small town folksiness
  - Commitment to place
- Into a sellable story that matches products & services,
- Jump-started by non-profit organizations with some public funding and public sector champions

# Strategies in Action:

## Jefferson State Forest Products, Hayfork, CA

### Context for case study:

- Surrounded by national forest; federal timber harvest drops to near 0 in early 1990s
- Sawmill closes in 1996; town loses 160 jobs
- Chicken processing? (economic development study)
- Private prison? (local Chamber of Commerce)
- “Community” chose: Recreate Forest-Based Industry!?  
Examples of entrepreneurs stepping forward:
  - **Talrocca Industries** – traditional, small-scale, sawmilling
  - **Jefferson State Forest Products** –  
“sustainable/community story”, small-scale, furniture et al.



## Strategies in Action:

### Jefferson State Forest Products, Hayfork, CA

The following slides present highlights of a case study of Jefferson State Forest Products which illustrated elements of the strategies outlined earlier:

- Social entrepreneurship approach & partners
- Working collectively, developing networks
- Adding value in multiple ways
- Finding specific market niches

# Strategies in Action:

## Jefferson State Forest Products, Hayfork, CA

- **Partnership with a non-profit** (Watershed Center)
  - Shared office space & equipment & vehicles & receptionist
  - Worked jointly on some R & D projects
  - Developed concept & funding for forest business incubator
- **Partnership with local government**
  - Initial production facilities in County fairgrounds
  - Anchor tenant for CDBG & foundation-funded business incubator
- **Partnered with non-profits & other businesses in the region** through non-profit-facilitated initiative (Healthy Forests, Healthy Communities Partnership)
  - Co-marketing: brand, broker, shows
  - Peer learning & relationships facilitated by HFHC
  - Mini-grants to entrepreneurs: Specialized expertise, peer connections

# Strategies in Action:

## Jefferson State Forest Products, Hayfork, CA

- **Markets – institutions that care, personal connections**
  - Stanford University Alumni Association
  - custom store fixtures: Whole Foods, natural food stores, candle company
  - Story for first order; service for reorders
  - Natural look that matches story & products: “*Displaying the best naturally*”



Photos: [www.jeffersonstateproducts.com](http://www.jeffersonstateproducts.com)

# Strategies in Action:

## Jefferson State Forest Products, Hayfork, CA

- **Green Certification ?** – as requested by client; supply limited locally
- **Direct to consumer via Web?** – tried, but few bites (sushi sets to funeral urns) – anonymity doesn't work as well



## Strategies in Action:

### Vermont Family Forests, Addison County, VT

Working in an eastern private land context, the non-profit organization Vermont Family Forests also employed many similar strategies to promote sustainable forestry and help rural communities

- Acting as social entrepreneurs
- Working collective / creating relationships
- Adding value in multiple ways
- Developing the appropriate market niches

# Strategies in Action:

## Vermont Family Forests (VFF), Addison County, VT

**VFF has sought to “promote conservation of forest community” through:**

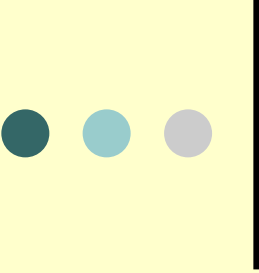
- Advising landowners – helping them understand and implement sustainable forestry
- Working with loggers for lower impact
- Developing markets that value “by-products” of forest management (key entrepreneurial activity few others have tackled -- see next slide)
- Returning more \$\$\$ to landowner & logger to increase sustainability
- Engaging (human) community around sustaining forests
  - Public education – workshops, game of logging
  - Projects - boat-building w/ museum,
  - Community events – bonfires, pot lucks, walks

# Strategies in Action:

## Vermont Family Forests, Addison County, VT

### **Developing Markets that value “by-products”**

- Sell “what the forest can yield”
  - “character wood”
  - underutilized species
  - mixed species flooring
    - Northern Hardwoods (maple, beech, yellow birch)
- Cultivate institutional buyers
  - Colleges, hospitals, museums
  - Work with architects, furniture makers
  - LEED certification – FSC and local
- Grow portfolio of landowners (supply)



# Some research questions for forestry sector...

- Carbon
  - How public lands communities can benefit from carbon sequestration?
  - How small private landowners can participate in carbon markets?
- USFS programs
  - Economic Assistance Program – has been effective in promoting entrepreneurship in forest communities
  - Stewardship contracting – provides entrepreneurial opportunity on public lands – but what supports/capacity-building to entrepreneurship have been important to helping it achieve its goals?
  - “new business model” – need to monitor and learn from its implementation



# For more cases...

For cases addressing organic farming and ranching as well as forestry, see:

Cecilia Danks, Martin Goebel and Karen Steer. 2003.  
Recreating Natural Resource-Based Businesses:  
Sustaining the Land and Communities in Rural America.  
In Sissel Waage (ed) *Ants, Galileo & Gandhi: Designing  
the Future of Business through Nature, Genius and  
Compassion*. Sheffield, UK: Greenleaf Publishing, pp.  
109-125.



# Thank you!

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