

Building the Long-Term Viability of the Eastern Ontario Certified Forest Owners

- Current Realities & Strategic Directions -

1. Introduction

The Eastern Ontario Model Forest (EOMF) is one of 11 large-scale working model forests that taken together represent the five major forest ecoregions of Canada. EOMF represents the Great Lakes-St. Lawrence Forest (GLSL) region and works with landowners, government, industry, First Nations and other stakeholders to develop new ways to sustain and manage forest resources within this region.

Landowners are stewards of more than three-quarters of the land in eastern Ontario, of which 35% is forest. Many of the stands are located in populated areas with many roads, waterways, farms and residential developments and as a consequence, are small and fragmented. Many produce wood products. At the same time, their owners face several challenges, most notably how to sustainably manage their woodlots and market their wood.

During the summer of 1999, sustainable forest certification became a topic of interest and much discussion. Several large retailers publicly stated their intent to sell wood products coming from sustainably managed forests. As a result, the EOMF created a broad-based certification working group (CWG) to investigate certification of forests on private lands in the Eastern Ontario Model Forest area.

A number of EOMF members and partners, in Lanark County and the surrounding area, expressed an interest in improving the management of their woodlots and as a means to this end, creating an organization that would seek certification. In the winter of 2000, EOMF brought together a group of landowners and key partners to begin to explore this avenue. A group was formed and has recently taken the name of the Eastern Ontario Certified Forest Owners (EOCFO). Today, EOCFO consists of 23 landowners that together, own more than 10,500 acres.

Typically, certification includes two components: certification of the sustainability of forest management activities and certification of forest products. Currently four systems of forest certification have support in Ontario: the Canadian Standards Association's Sustainable Forest Management System (CSA-SFM), the Forest Stewardship Council (FSC) certification program, the International Organization for Standardization (ISO) 14001 series and the Sustainable Forest Initiative (SFI).

Based on its research, the certification working group concluded that while certification was not the end in itself, it could be an important means for achieving the end goal of sustainable forestry on the ground. Preliminary analysis carried out by the EOMF indicated that the FSC system was the most appropriate for testing the feasibility of forest certification for owners of small woodlots within the EOMF area.

FSC Canada requires that a legally incorporated body hold the "group" certificate; since EOMF is legally incorporated and EOCFO is not, EOMF will hold the certificate on behalf of EOCFO.

Purpose of Study

EOMF and FSC Canada are committed to ensuring the long-term viability of the project and toward that end, commissioned this study.

The purpose of this study is to:

- assess the capabilities of the EOMF, FSC Canada and the EOCFO and assess current realities;
- identify and examine the factors required for the long-term viability of the project;
- assemble appropriate strategic directions.

This report was compiled from interviews and discussions with members of EOCFO, EOMF staff, staff of FSC Canada and others and by reviewing documents provided by EOMF. The interviews conducted were not exhaustive and therefore, are not necessarily representative. Interviews included:

- Scott Davis, EOMF
- Ron Dorking, member of EOCFO
- Achille Drouin, Eastern Ontario Forest Group
- Ray Fortune, member of EOMF
- Jim Gilmour, member of EOCFO
- Eddie Heideman, Lavern Heideman & Sons Ltd.
- Wade Knight, Ontario Woodlot Association
- Jim McCready, Forestry Consultant
- Ted Pritchard, member of EOCFO
- Martin Streit, Domtar Cornwall
- Bert Treichel, member of EOCFO
- Michael Umpherson, M. J. Umpherson Lumber Co. Ltd.
- Vivian Peachey, Forest Stewardship Council of Canada

2. Impacts on the Forest Landscape

A quick survey provides some measure of the EOMF's impact on the landscape as it relates to the forest certification project (i.e., EOCFO):

- EOMF assisted five members of EOCFO to complete a Managed Forest Tax Incentive Plan (MFTIP) for their woodlots (all other members had completed a MFTIP prior to joining the group).
- EOMF has facilitated and supported the development of EOCFO. EOCFO now has a Board of Directors, has developed a Mission Statement and a Constitution and has recently established a sub-committee that "deals with the marketing and value-added potential of certified forest products." EOCFO is negotiating a memorandum of understanding with EOMF.
- EOMF has managed the process for obtaining an FSC certificate.
- EOMF has hosted a variety of workshops and seminars in support of the certification project. The workshops and seminars have targeted participating landowners, land managers and forest operators and the topics have included Plantation Management, Value-added Processing, Chainsaw Maintenance and Operation and Logging Damage Measurement and Assessment.
- EOMF and other partners have created a *Policies and Procedures Manual* that will guide the implementation of FSC Forest Certification on small forest properties in eastern Ontario. The Manual serves as the primary guiding document for the EOMF forest certification project and will be updated annually or as required to comply with changes to the FSC forest certificate and associated responsibilities.
- The SmartWood assessment report stipulates a pre-condition for certification, namely that EOMF must implement harvest operations within the Lanark forest owners group to provide a track record for assessment of their system of forest management and planning. Harvesting has been completed on four properties representing a total of 980 acres of land and in accordance with the *Policies and Procedures Manual*.
- Domtar is now paying members of EOCFO a management incentive of \$3.00/cord of pulp wood to help offset EOCFO members' costs to tree mark, etc. in accordance with certification.
- EOMF has managed the sale of timber from members' woodlots through a facilitated tender sale, generally increasing the revenues of those members.

3. Assessing Capabilities and Current Realities

Section #3 assesses the capabilities of EOCFO, EOMF and FSC — their strengths, weaknesses, opportunities and threats — and assesses current realities and challenges related to certification standards, the economics of certification, the need and ability to increase the size of EOCFO and markets. This assessment is critical to understanding and examining the long-term viability of EOCFO (Section 4) and to mapping out strategic directions (Section 5).

This assessment was compiled by conducting a limited number of interviews and reviewing documentation provided by EOMF. Section 3 is organized in seven sub-sections:

- #1 Eastern Ontario Certified Forest Owners
- #2 Eastern Ontario Model Forest
- #3 Forest Stewardship Council
- #4 Certification Standards & Processes
- #5 The Economics of Certification
- #6 Growing EOCFO
- #7 Markets, Market Development and Marketing

#1: Eastern Ontario Certified Forest Owners, or, EOCFO

Discussion & Assessment of Relevant S.W.O.T.^s

The Eastern Ontario Certified Forest Owners (EOCFO) consists of 23 members that together, own more than 10,500 hectares.

One member of EOCFO characterized most EOCFO members as “hobbyists,” landowners who are committed to managing their woodlots in a sustainable fashion because they want to *do the right thing*, not because they are producers making their living from the forest. Most of the members interviewed indicated that a primary reason for joining the group was to get advice, support and extension services from EOMF on the sustainable management of their woodlots (services no longer provided by MNR). A few of the EOCFO members interviewed indicated that they are not necessarily interested in selling certified products (at least at this time). A few indicated that they are ready to manage their woodlots sustainably but not necessarily ready to pay the costs of a final certification audit. Some members might have been reluctant to harvest timber in the past because they were concerned that unscrupulous loggers might damage their woodlots; being part of the certification group may give these members the comfort level needed to begin to harvest timber. Similarly, some members who are interested in harvesting their woodlot themselves, but are unsure of how to do this sustainably, might feel afraid of damaging their woodlot and therefore “under harvest;” being a member of the certification group may give them the confidence and support to enable them to maximize their harvest without jeopardizing the health of their woodlot.

- Σ **Strength:** Commitment of EOCFO members to sustainably manage their woodlots.
- Σ **Strength:** EOCFO may provide a comfort level to some members that enable them to begin to harvest or to maximize their harvest.
- Σ **Weakness/Threat:** As EOCFO grows and/or as government/foundation funding shrinks, EOMF may not be able to provide the same level of services to all members. If this was a primary reason for joining, members may drop away.
- Σ **Weakness/Threat:** The actual interests of a few landowners may run counter to the primary purpose of EOCFO, namely to certify members and produce certified product.

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#1: Eastern Ontario Certified Forest Owners, *continued*

Discussion & Assessment of Relevant S.W.O.T.^s

The current membership of EOCFO is almost all small landowners. Many are interested in selling certified wood but only one who is capable of generating large volumes. In general and at present, large landowners (e.g., farmers), loggers and sawmill operators are not members of EOCFO. There was consensus among those interviewed that, at present, EOCFO does not have the ability to generate a sufficient volume of certified product to become/remain viable.

- Σ **Weakness:** Failed to attract key sectors such as large producers, loggers, mill owners, etc.
- Σ **Threat:** Most recognize that the viability of EOCFO is dependent on a volume of certified product. Failing to attract members committed to producing certified product could jeopardize the long-term viability of EOCFO.

As is to be expected during start-up, EOCFO has been dependent on EOMF. This is now changing. The members of EOCFO are diverse, well-educated, committed to the project and have strong capabilities, including organizational skills and expertise. EOCFO has begun to take the steps necessary to become more independent. EOCFO has: i) established a Board and constitution; ii) established a marketing sub-committee; iii) is working to negotiate a memorandum of understanding with EOMF; and, iv) will ask EOMF to assess various certification systems. EOCFO has yet to develop a business plan (one of the initial objectives). One interviewee described his vision of the relationship between EOCFO and EOMF, where the Board of EOCFO would provide direction and leadership, lay out the services it requires and direct the Manager (EOMF) to provide these. All those interviewed recognize the need for the ongoing leadership, assistance and support of EOMF. EOCFO needs to develop a recruiting strategy to attract more members, with clearly defined target groups and sectors and strategies for each.

In conducting the interviews and reviewing some of the interviewees' comments with FSC, it became apparent that some EOCFO members have misconceptions about the mandate and role of FSC Canada (in particular FSC's role in marketing and market development) and about the application of certification standards to small woodlots (subsequent sub-sections elaborate on these).

- Σ **Strength:** EOCFO has well-educated and capable members, many with expertise in directing and managing an organization.
- Σ **Strength:** EOCFO and EOMF have laid the groundwork and begun to take steps that will make EOCFO more independent and able to take on more managerial responsibilities.
- Σ **Weakness:** EOCFO lacks a business plan.
- Σ **Weakness/Threat:** The misconceptions of a few EOCFO members (about FSC Canada's role and about standards) have resulted in some confusion and frustration.
- Σ **Opportunity:** Educating EOCFO members more about the roles of FSC and other stakeholders will improve the effectiveness of all players.

#2: Eastern Ontario Model Forest (EOMF)

Discussion & Assessment of Relevant S.W.O.T.^s

Eastern Ontario Model Forest (EOMF) is the organizational structure behind EOCFO. EOMF will hold the certificate for this group.

SmartWood has conducted an assessment of the project in order to better understand the full requirements of the FSC standard. Based on this assessment, the following pre-condition was stipulated: "EOMF must implement harvest operations within the Lanark Forest Owners Group [now called the Eastern Ontario Certified Forest Owners] to provide a track record for assessment of their system of forest planning and management." (SmartWood report, 10/17/02, page 15) In addition, 11 conditions were stipulated.

EOMF has provided training, extension services, support and advice to members of EOCFO. It has facilitated some members to prepare a Managed Forest Tax Incentive Plan, where the members have borne most of the costs. EOMF staff has excellent interpersonal skills in working with members. Landowners and members of the group gave "EOMF credit for staff availability and timely responses to questions." (SmartWood report, 10/17/02, page 25) There is recognition of the necessity of having a permanent organization like EOMF to hold the certificate. EOMF has produced a State of the Forest report.

Funding cuts and/or increasing the size of the membership of EOCFO may make it more difficult for EOMF to continue to provide the same level of services and supports to members.

EOMF has built partnerships and networks, including FSC Canada, Community Stewardship Council of Lanark County, MNR, loggers and forest consultants. EOMF has bridged the somewhat chronic antagonism that marked the relationship of MNR, Domtar and First Nations. (SmartWood report, 10/17/02, page 22) EOMF encourages EOCFO members to use of the services of private forestry consultants.

- Σ **Strength:** EOMF has the expertise and has provided training, extension services, advice and support to members of EOCFO. EOMF is viewed as an "honest broker" — unbiased, working in the best interests of the EOCFO members.
- Σ **Threat:** If the current staffing levels at EOMF remain the same and if EOCFO grows, EOMF may not be able to continue to deliver the same level of extension services, training, support and advice over the long-term and in particular, may not be able to provide adequate services to an increasing number of members who are interested in harvesting certified timber.

"Concern was expressed by a few landowners about the control of their forest lands, and the division of responsibility between EOMF and the owner. This issue is important because management decisions must be consistent with the professional judgement of the EOMF managers." (SmartWood report, 10/17/02, page 19) Many of the members of EOCFO have actively managed and wish to continue to actively manage their woodlots. This conflict makes some of the existing members uneasy and may scare away prospective members.

- Σ **Threat:** This conflict (or the perception of this) may be an impediment to attracting new members.

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#2: Eastern Ontario Model Forest, *continued*Discussion & Assessment of Relevant S.W.O.T.^s

EOMF has an existing and viable structure that serves as a strong organizational backdrop to the development of the EOCFO group. EOMF has provided funding, administration, leadership and expertise to EOCFO for start-up. The EOMF staff person “keeps EOCFO going.” As a necessary part of start-up, the EOCFO has relied on EOMF to establish the project. One interviewee said that “EOCFO is too dependent on EOMF.” EOMF has facilitated EOCFO to begin to lay the groundwork necessary for EOCFO to assume greater responsibilities for managing the project.

Σ **Strength:** EOMF has strong project management capabilities.

Σ **Opportunity:** There is an opportunity to rethink the EOMF-EOCFO relationship and look at a division of responsibilities congruent with their respective strengths (negotiate a memorandum of understanding).

“[EOMF] Staff competency in forest management contributes significantly to investments in timber stand improvement, a land resource information base, and an understanding of local ecology sufficient to achieve management objectives.” (SmartWood report, 10/17/02, page 31)

Σ **Strength:** EOMF has a proven and recognized track record in resource management.

EOMF has made a long term commitment to this project and made it a priority. For example, EOMF has set up a committee to look at how to fund the project over the long term.

Σ **Strength:** EOMF’s long term commitment is an essential element of moving forward.

#3: Forest Stewardship Council (FSC)

Discussion & Assessment of Relevant S.W.O.T.^s

The mandate and role of FSC Canada — in brief and as relevant to EOCFO — includes to:

- support and coordinate the development of regional standards for forest management;
- facilitate dialogue and cooperation among stakeholders and affected parties to support, educate about and promote certification and to develop markets;
- play a limited role in marketing, the development of consumer demand, etc.;
- play a limited role in linking supply and demand chains.

Some of those interviewed made the following comments about FSC: FSC is remote and doesn't understand the needs of the EOCFO members. FSC needs to get out on-the-ground, talking with members to understand their realities, needs and issues and to tailor certification standards to the needs and realities of small landowners. FSC has not made costs clear to members of EOCFO.

FSC Canada has recognized that the current GLSL Standards may not be appropriate for small and low-intensity landowners. Consequently and over the past four years, FSC has devoted resources to address this issue: it co-developed the EOCFO pilot project (with EOMF) and established a Review Committee into Small and Low-Intensity Managed Forests (SLIMF).

Some interviewees felt that FSC needs to get out and visit loggers, mill owners, etc. to promote certification and get them on-board. They felt FSC should take a lead role in creating consumer demand for certified products, stating that while consumers may not be prepared to pay a premium, consumer demand for certified products would create and guarantee market share. In general, they felt FSC should play a lead role in marketing and market development.

FSC agrees that there is a need for increased consumer awareness but is directing its promotion and marketing efforts to key stakeholders such as forest managers and *Chain of Custody* certificate holders and FSC members and affiliates. Furthermore, FSC does not have the resources to single-handedly market and develop markets for certified products. FSC's mandate is to facilitate key stakeholders to promote market and develop markets.

Some EOCFO members' perception of the mandate and role of FSC Canada is different from its stated mandate and role. This suggests a communication problem.

- Σ **Strength:** FSC is on the cutting edge of and a recognized leader in forest certification.
- Σ **Weakness:** EOCFO members perceive that FSC is remote and not relevant and is doing too little to market and promote certification and to develop markets.
- Σ **Strength:** FSC, through its SLIMF Review Committee is working to ensure the application of its standards meets the needs of small landowners.
- Σ **Strength:** FSC provides a "neutral table" and has a proven record of bringing key stakeholders to that table to move forward on certification.
- Σ **Threat:** Some EOCFO members are dissatisfied with the role and work of FSC (their perception of the role). This should not be allowed to undermine the work of FSC in general and the project in particular.
- Σ **Opportunity:** To address the concerns and misconceptions of some EOCFO members through improved communication and education. In particular, EOCFO members need to better understand the mandate, roles and responsibilities of FSC Canada (and all other stakeholders) so that all can work together more effectively. This might be achieved through a regular newsletter and presentations. Perhaps FSC Canada could formally describe its mandate, role and responsibilities in this project (e.g., a Letter of Intent to EOCFO). FSC could assist the EOCFO in developing its marketing campaign to ensure it complements the strategies (and roles) of key stakeholders and players.

#4: Certification Standards & Processes

Discussion & Assessment of Relevant S.W.O.T.^s

There is a strong recognition that FSC GLSL Standards are excellent guidelines for woodlot management for forest sustainability, environmental protection and long-term woodlot economics. "Standards are good forestry." A few of those interviewed thought that the primary benefit of the Standards would be to improve the health of woodlots over time and would result in higher quality timber; in other words, standards would protect and help grow the investment of woodlot owners.

"The primary intention at this time is to provide [a range of services, from planning, tree marking, harvest supervision, monitoring, etc.] *only* to owners wishing to be certified, as this is the goal of the current project." (SmartWood report, 10/17/02, page 6) (emphasis added)

Some landowners have not harvested out of a fear of loggers who are unscrupulous or ignorant of "certified" practices; certification may give them the comfort level to begin to harvest. Similarly, certification may enable other landowners who do their own harvesting but may feel "timid" about harvesting out of a fear of damaging their woodlot, to increase the level of (sustainable) harvest in their woodlot.

Some of those interviewed felt the standards were too stringent. A few stated that while they are committed to sustainably managing their woodlot and getting some firewood and/or maple syrup, they are not necessarily interested in being certified and/or selling certified product. Some joined EOCFO to get advice and support in sustainably managing their woodlot (filling the gap left by MNR's no longer providing these services). "The standards will turn people off who want to do the right thing." Some see the costs of certification outweighing the benefits. "If I have to bring in certified tree-markers just so I can cut some firewood for myself, then it's too costly, it doesn't make sense." Some feel the standards go beyond forestry into societal issues. "The [GLSL] Standards are 1/3 forestry and 2/3 social engineering." Some said the GLSL Standards and the *Policies and Procedures Manual* are not user-friendly and not suited to the small landowner. One interviewee said, "Standards are written from a control standpoint, when, for small woodlot owners, they should entice landowners to be part of the group and help them do the right thing." Another said, "FSC should recognize and accommodate members, not intimidate them."

Many of the members of the EOCFO enjoy doing the work on their woodlots themselves. Again, they are looking for advice and support to enable them to do the right thing. "Concern was expressed by a few landowners about the control of their forest lands, and the division of responsibility between EOMF and the owner. This issue is important because management decisions must be consistent with the professional judgement of the EOMF managers." (SmartWood report, 10/17/02, page 19) One interviewee asked how much management of and clean up in his woodlot could he do (e.g., harvest firewood for his own use and clean up from the Ice Storm) and still be in compliance with the Standards. Some feel standards will impinge on their rights as landowners.

One interviewee stated, "The certification system should recognize, support and approve what the landowner is doing. Certify the management not the product."

On the other hand, several EOCFO members indicated that the standards should not be watered down. These members state that a primary reason for their belonging to the group is to have an outside, independent process/body — *another set of eyes* — to ensure they are managing their woodlot in accordance with recognized standards for forest sustainability.

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#4: Certification Standards & Processes, *continued*Discussion & Assessment of Relevant S.W.O.T.^s

The trend in forest management is to include social and environmental considerations in certification standards. Large forest companies recognize the benefits, as well as the inevitability of inclusive standards and feel it is better to get on board now “rather than face a war in the woods in ten years.” In fact, this trend is now being driven by forestry management companies and product companies, environmental organizations and social-issue groups. One of the recognized strengths of FSC’s standards is that social and environmental considerations are included.

FSC Canada recognizes the concerns of small woodlot owners that the standards may be too onerous and inappropriate and has dedicated resources, over the past four years, to examining how to maintain high standards while at the same time, ensure their application is appropriate to small woodlot owners (size and intensity).

To summarize the proceeding several paragraphs: There was consensus that the GLSL Standards are excellent guidelines for forest sustainability. Some of those interviewed see the standards as too strict, too broad and not relevant to the small woodlot owner. Others see broad standards as necessary and inevitable and quote these broad standards and the independence of the certification process as the strengths, credibility and value of certification. Two needs arise: 1) to address the concerns of EOCFO members, be they real or perceived, and 2) for FSC to continue to work with EOCFO and EOMF to articulate a realistic application of GLSL Standards consistent with the needs and realities of small woodlot owners (through the FSC Review Committee on Small, Low Intensity Managed Forests, or, SLIMF).

- Σ **Strength:** Standards are perceived as good forestry and that following the standards will result in a healthy woodlot with higher-grade timber over time.
- Σ **Strength:** Standards are seen as essential, inevitable and providing many benefits.
- Σ **Strength:** Some forest companies, environmental groups and social-issue organizations want standards that include social and environmental considerations and see this as the *wave of the future*.
- Σ **Weakness:** Some perceive standards as too stringent, too costly and infringing on their rights and abilities to manage their own woodlot. The *Standards and Policies and Procedures Manual* are seen as not being user-friendly. Standards may not be relevant to woodlot owners who simply want advice and support.
- Σ **Threats** (related to the above): Whether the above “weakness” is real or perceived, it might cause current members to drop out and discourage new members from joining. The above “weakness” raises questions of compliance: are members willing to comply with standards when they are seen as too costly, too stringent and irrelevant to their needs?
- Σ **Strength:** FSC recognizes the need to “find and implement practical solutions to the problems faced by small forest operations and low intensity forest operations” and has dedicated the resources, over the past four years, to doing so. (SLIMFs Review Committee, memo, August 6, 2002)
- Σ **Strength:** Although a preliminary assessment, the SmartWood report suggests that EOMF has the capabilities and expertise to monitor certification.
- Σ **Opportunity:** To assess a variety of certification systems (ones that address the concerns, issues and needs of the members) and assess the pros, cons and costs of each.

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#4: Certification Standards & Processes, *continued*

- Σ **Opportunity:** For FSC to work more closely with EOCFO and others to educate them on the need for standards that address social and environmental considerations (as well as forest sustainability ones), and, articulate an application of the standards that is appropriate to small, low-intensity woodlots.
- Σ **Opportunity:** To promote and market FSC as a leader in certification systems and standards that address social and environmental considerations in a responsive and practical manner.
- Σ **Threat:** Domtar needs “certified” fibre and therefore, is concerned should EOMF/EOCFO pull out of FSC.

A representative of a major area mill stated that the Standards are stringent and challenging, representing good forestry and “workable” for this company (workable because his company provides full-service certification services to its pool of landowners). The owner of a medium-sized mill stated that the FSC GLSL Standards are too stringent, are too costly, require him to provide propriety information (financial information) and require him to address issues over which he has no control (e.g., issues related to Native Peoples). He is looking into other certification systems that promote good forestry without all the other social, etc. criteria.

The owner of the medium sized mill owner said FSC certification is detrimental to his revenues; he would have to develop a plan, mark trees, etc. but would get no immediate return. The same individual says his company is compliant with another standard but won’t spend the money doing the final audit. These real or perceived issues could discourage mill owners and other key players from getting on board. The same owner recognizes that the (significant) value of operating to certification-level standards is in the improved health of the forest and in the yields of higher quality timber.

- Σ **Weakness:** Some key players may not understand the long-term benefits of holistic standards, such as FSC’s, and more importantly, may not understand what is required for the long-term development of a value-added market (before those benefits are fully realized).
- Σ **Threat:** Until the benefits of holistic standards are better and more clearly understood, key players (such as mill owners) may not understand and be ready to put the effort into the development of a value-added market.
- Σ **Opportunity:** To build on the trend toward certification based on holistic standards and facilitate the building of the capacity of key players to understand and undertake the work required to develop value-added markets and reap the benefits.

#5: The Economics Related to Certification and to EOCFO

Discussion & Assessment of Relevant S.W.O.T.^s

Economics related to certification: The costs of certification, at present, are being borne by forest owners, managers and producers. There is, at this time, little or no consumer demand for certified product and consumers are not ready to pay a premium (they simply want the best price). Consequently, retailers are not prepared to pay a premium. This reality is just beginning to be understood by EOCFO members. On the other hand, there are economic benefits of certification: 1) in time, consumers may demand certified products (even if they are not ready to pay a premium) which would create market share; 2) the primary benefit may be in value-added product lines, where already and in some cases, premiums of 0 to 20 percent have been realized; and, 3) over the long-term, certification will improve woodlots and result in harvesting of higher-quality timber. As with any business development, certification should be considered as an investment with returns accruing only in the longer-term. Some EOCFO members may have yet to fully understand the real economic benefits.

Economics related to EOCFO: Costs required to maintain the role of EOMF in the certification of EOCFO are estimated at \$100,000/year.

- Volume is a key element in the economic viability of EOCFO over the long-term. At present, EOCFO has too few members generating too little volume to provide the revenue needed to support certification.
- Membership fees are expected to be one source of revenue. Interviewees suggested membership fees ranging from \$50 to \$200.
- While most EOCFO members interviewed seem to be ready to pay for services associated with certification (such as tree-marking), some expressed a reluctance to incur costs when the economic benefits are unclear and/or uncertain.
- The costs of certification and the provision of advice and support, provided by EOMF, are, in effect, subsidized by Ivey Foundation. This is not sustainable. On the other hand, some members believe that the costs of certification should be split among those who benefit: society, industry and landowners.
- One interviewee stated that the Domtar market for certified fibre is a result of their good will and therefore the premium they offer is artificial. Some Lanark-area landowners feel Domtar is too far away to be economically viable. Domtar is the closest market for certified pulp fibre from managed woodlots.
- EOCFO group has yet to produce a Business Plan.

Σ **Weakness/Threat:** Some EOCFO members do not have a realistic appreciation of the costs and benefits of certification.

Σ **Opportunity:** Work with EOCFO members to help them better understand the costs and benefits (as well as markets and market development — covered in the sub-section #7).

Σ **Weakness:** EOCFO does not have a clear understanding of the costs and benefits associated with certification (for individual members), and a business plan that identifies the costs and revenues associated with successfully managing EOCFO over the long-term (including questions of volume, membership fees, etc.).

Σ **Opportunity:** Develop a comprehensive business plan.

#6: Growing EOCFO

Discussion & Assessment of Relevant S.W.O.T.^s

It is generally agreed that EOCFO needs to grow — by attracting more members, by generating a greater volume of timber or through some combination of both.

The current group can be characterized as having too few members, most with small woodlots and some not interested in harvesting, at least in the short-term. All those interviewed agreed the current group is too small to ensure a reliable and sufficient flow of timber and that the goal of growth is to generate a higher volume of certified product.

Growth requires attracting those who, up until now, have not been involved, including large landowners interested in selling certified products, loggers, mill owners, truckers, syrup producers, kiln owners, etc. More groups could be added.

There are issues and misconceptions that may be a barrier to attracting new members (e.g., that certification will infringe on the rights of private landowners; and, that certification standards are too stringent). Some members of EOCFO are reluctant to harvest or may “under-harvest,” for a variety of reasons; addressing these concerns may result in EOCFO producing more volume.

Some interviewees feel that FSC Canada is not doing enough to promote certification and its advantages to new audiences, therefore attracting new members to groups such as EOCFO. FSC Canada has limited resources and its mandate is to facilitate a dialogue of stakeholders in addressing these needs.

A few interviewees expressed the concern that as EOCFO grows EOMF’s ability to provide advice and supports to its landowner members may decrease and some members whose interest is “free” advice, may drop out.

EOCFO has yet to develop a business plan. A good business plan would address the issue of growth by describing a target size (number of members or volume of product or some blend of both) and articulating strategies for reaching the target.

- Σ **Weakness:** To date, EOCFO is too small to ensure a reliable and sufficient flow of timber to make it viable over the long-term.
- Σ **Weakness:** EOCFO does not have a business plan or a formal recruitment strategy.
- Σ **Weakness/Threat:** A number of misconceptions and concerns could scare away prospective members.
- Σ **Strength:** The experience gained and lessons learned by EOCFO and EOMF, to date, provide a solid base of experience on which to grow EOCFO.
- Σ **Threat:** As the group grows, EOMF’s ability to provide services to the landowner members will decrease and may result in some members who belong primarily for receiving these services losing interest and dropping out.
- Σ **Opportunity:** Work with key partners and stakeholders to develop a strategy for attracting new members and increasing volume. Strategy should include promotion and education elements and should identify key target member audiences and specific strategies for reaching each.

#7: Markets, Market Development and Marketing

Discussion & Assessment of Relevant S.W.O.T.^s

Markets: What is the current state of markets for certified forest products and what are the implications for EOCFO?

- “At this time, consumer demand for certified forest products is low but appears to be growing. The consumer is not willing to pay a premium for certified lumber and still wants the best price; as a consequence, retailers are not offering a premium.
- A few of the EOCFO members interviewed think that consumers and retailers should be ready to pay a premium for their timber, stating that retailers should “put their money [premium] where their mouth is” and support certified producers.
- The majority of forest products are exported without value-added.
- FSC Canada states that, by and large, it is unreasonable to expect premiums, with the exception of some value-added product lines that command a 0 to 20 percent premium.
- Some EOCFO members recognize that certification may differentiate their product in the market; this coupled with a growing consumer trend to “green” products, should create a demand for certified forest products and create market share for groups like EOCFO.
- Domtar Cornwall currently takes fibre from certified woodlots in the Lanark County area. A few of the EOCFO members interviewed raised concerns about the Domtar market, namely that it is too far away from Lanark to be viable and is an artificial market, created out of good will. Domtar is one of four major mills in
- Some large forest companies are committing to buy only timber from certified forests and are promoting value-added product lines.

Σ **Weakness:** Consumer demand for certified forest products is low.

Σ **Weakness/Threat:** Some EOCFO members may lack an understanding of current markets and have unrealistic expectations.

Σ **Strength:** Domtar Cornwall provides a current market for certified fibre from EOCFO members.

Σ **Opportunity:** Build the understanding and capacity of EOCFO members of current markets and market development (see below).

Σ **Strength/Opportunity:** There is a growing consumer and industry trend to certified and value-added forest products. The opportunity is to understand and capitalize on this trend.

Market Development: What is the current thinking with regards to building markets for certified forest products and how does this impact EOCFO?

- EOMF has a realistic and significant grasp of the regional wood supply and economic status. The “Processing, Manufacturing and Purchasing” policy . . . indicates that EOMF and the Certification Working Group will assist with the investigation of new market opportunities . . . [and will develop] a business plan to pursue local, processing and marketing opportunities.” (SmartWood report, 10/17/02, page 26)
- Market development is being driven by some large producers who recognize that certified, value-added forest products are the wave of the future. They have taken a proactive, rather than reactive stance.
- Environmental and social-issue organizations are also driving the development of markets.

. . . #7 continued next page

#7: Markets, Market Development and Marketing, *continued***Market Development, *continued***

- FSC Canada recognizes that value-added product lines are the catalyst for market development. This view is supported by the some large producers and environmental and social-issue organizations.
 - FSC Canada understands its role in market development as helping to facilitate dialogue among key players and coordinate efforts.
 - Effective market development will require rethinking the supply chain.
 - The development of any new business — such as certified forest products — takes time.
 - There would appear to be a lack of a shared understanding of market development among the key players, including EOCFO owners, and a lack of coordinated strategies to develop markets.
- Σ **Strength:** EOMF has a good grasp of markets and the parameters of developing markets (SmartWood) and the EOCFO marketing committee is exploring value-added opportunities.
- Σ **Strength:** Key industry players have a good grasp of market development.
- Σ **Weakness/Threat:** Market development may not be fully understood by some and there appears to be a lack of a concerted effort to develop markets.
- Σ **Opportunity:** Develop a shared understanding of market development among the key players, including EOCFO members and coordinate market development strategies.

Marketing: What are the current efforts of EOCFO/EOMF and others to market?

- EOCFO has established a marketing sub-committee to look at a variety of markets, including valued-added products, marketing woodlot extension services, selling certified lumber to local crafts people and markets for non-timber products.
 - Many of those interviewed felt that FSC (and others) has not done enough to promote and market certified products that in turn, would create and support consumer demand.
 - FSC Canada sees its role as helping to facilitate and coordinate marketing efforts. It believes that each sector/certificate holder needs to develop and implement its own marketing strategy, build around the benefits of FSC certification.
 - Marketing certified forest products needs to be built around more than just selling product; marketing should be built on value-added and the corresponding messages.
 - More mills could do their part by demanding that a certain percentage of their wood come from “managed” woodlots.
 - There appears to be a lack of coordination among stakeholders to market effectively.
- Σ **Weakness/Threat:** There is a lack of a concerted and coordinated effort to market.
- Σ **Strength:** EOCFO has a marketing sub-committee that is beginning to articulate its marketing strategy.
- Σ **Strength:** Key players, such as FSC Canada, have a growing understanding of and experience in effective marketing.
- Σ **Opportunity:** FSC could play a more proactive role with EOCFO to develop its marketing strategy consistent with current thinking and coordinated with those of other stakeholders.

4. Long-Term Viability

This Section draws on the assessment of Section 3 to identify the factors required for long-term viability and comments on the capabilities of EOMF, FSC Canada, EOCFO and others relative to these.

The factors are:

- the size of EOCFO and the volume of certified products it generates;
- workability of the certification standards and compliance with these;
- markets and the capacities of EOMF and EOCFO to work in concert with others to develop markets and to market;
- a sound business plan;
- the capacity of EOMF and EOCFO to manage the project, including management of growth and management to FSC GLSL standards.

Each of these is discussed in detail:

The Size of EOCFO and the Volume of Certified Products

All those interviewed agreed that the current group is too small to ensure a reliable and sufficient flow of timber to be viable over the long-term and therefore, that the size of EOCFO and the volume of certified products that it can produce need to be increased.

New members must be added to the group, especially owners of large woodlots, loggers and others. Existing and new members must be committed to generating certified products (this is not to say that EOMF can not continue to provide forestry advice to members of the group who are not interested in generating certified products).

Issues and/or misconceptions relating to certification must be dealt with in order to attract new members.

As the size of EOCFO increases, questions relating to the level of services provided by EOMF will need to be addressed.

This was seen as a “chicken-and-egg” problem in that a guaranteed market share might attract new members and new members could produce more volume which would attract market share.

Better and targetted promotion is the key to growing EOCFO and those interviewed felt that this has been inadequate to date and needs to be improved to ensure the success of the project over the long-term. This requires the concerted effort of key players, with FSC Canada well positioned to facilitate this effort.

Certification Standards: Workability, Monitoring, Compliance

This is a pilot project that hopes to serve both the needs of small woodlot owners in the Lanark County area as well as develop a model that can be adopted and transferred elsewhere. Some of the woodlot owners who were interviewed indicated that the current FSC GLSL standards do not meet their needs (not user-friendly, inflexible, and too costly). In addition, it was felt that the standards may scare away perspective members either because they are afraid the standards will infringe on their rights as landowners and/or they will perceive that the costs outweigh the benefits. On the other hand, some members stated that the standards should not be watered down. It is generally accepted that the trend is to standards that include environmental and social considerations.

Viability requires that EOCFO members understand the importance and benefits of standards that include environmental and social considerations; that FSC Canada ensures that the application of its GLSL Standards is suitable and workable for small, low-intensity woodlot owners; and, that FSC Canada, EOMF and EOCFO work together to address issues and concerns.

Markets and the Capacity to Develop Markets and to Market

Domtar currently purchases certified fibre from EOCFO members. Viability requires that this market and other local markets be cultivated and secured.

There was consensus among those interviewed that the long-term viability of the project, and perhaps the “certification-movement,” depends on several factors related to markets and market development:

- an increased consumer awareness that leads to consumer demand, and therefore, market niche;
- an increased appreciation among consumers, producers and groups like EOCFO of the benefits of standards that include environmental and social considerations;
- the development of value-added markets.

EOMF has a good grasp on markets and the parameters for developing markets. (SmartWood report, 10/17/02, page 26) EOCFO has recognized that securing markets is a priority and established a marketing sub-committee that at present is beginning to explore options including value-added opportunities, non-timber markets and more local markets. However, EOCFO and EOMF have limited abilities to significantly influence markets and market development, while FSC Canada has limited resources and can only assist in facilitating and coordinating efforts.

Viability requires that FSC Canada play a role to assist EOCFO to better understand markets, market development and marketing and facilitate it to develop its own market strategy (where FSC standards are one element of the strategy). FSC Canada needs to continue to facilitate a concerted effort of stakeholders to increase consumer awareness and to develop markets.

A Sound Business Plan

The long-term viability of EOCFO requires that it move forward on the basis of a sound and comprehensive business plan. The plan must identify all costs. It must identify possible sources of revenue and funding, target these to costs and develop strategies for securing revenue and funding. Such strategies will need to be closely tied to the needs and business areas of EOCFO. In general, it was agreed that in order to be viable over the long-term, EOCFO must become less dependent of government and foundation funding. Long-term success and viability would be best served by a variety of sources of funding and revenue, such as membership fees coupled with more members, increased harvesting and sale of timber coupled with a surcharge on products sold and with facilitated tender sales, as well as some government and foundation funding.

Viability may also depend on a change in perception, a change that those interviewed are beginning to recognize. It seems unlikely, at least in the near future, that retailers will pay a premium for certified wood. Realistically, the economic benefits to the EOCFO member are more likely to lie in value-added product lines, a guaranteed market share (driven by consumer-demand) and higher quality timber (the result of certification-level management resulting in improved woodlots, over time).

Management

- **EOMF's ability to manage growth** (how large should the group grow given EOMF's financial and managerial capabilities?):
 - A business plan should address the management of growth and issues related to growth.
 - With its strengthened capacity, EOCFO should be able to play a role in managing growth.
- **EOMF's ability to organize landowners:**
 - EOMF has a proven track record in managing the EOCFO through the certification process and in working with and supporting its members. EOCFO members have confidence in EOMF's abilities in this regard.
- **EOMF's ability to find markets:**
 - EOCFO has established a marketing committee.
 - SmartWood is confident that EOMF has a "realistic and significant grasp of the regional wood supply and economic status," as well as the abilities to "assist with the investigation of new market opportunities . . . [and will develop] a business plan to pursue local, processing and marketing opportunities." (SmartWood report, 10/17/02, page 26)
- **EOMF's ability to apply the FSC GLSL Standards to woodlots and its ability to maintain this quality of management:**
 - Under EOMF's management, EOCFO has completed most of the steps required for certification.
 - Although the SmartWood report indicates that insufficient harvesting has occurred to "provide a track record of assessment [of EOMF's] system of forest planning and management," preliminary indications are that EOMF is qualified to manage certification.
- **General comments on management:**
 - EOMF may not be able to continue to provide the leadership and the level of management that it has provided during the start-up years. Long-term viability requires that EOCFO assume increased leadership and management responsibilities for the project. The longer-term roles of EOCFO and EOMF must be re-defined to reflect capabilities and realities.

Other

EOMF has made the project a priority and has demonstrated its commitment to the long-term viability and success of the project, as evidenced by its Phase III proposal to the Canadian Forest Service.

A network of partners is in place where the organizations in this network supported EOMF and this project and can be expected to continue this support. The network includes the Canadian Forest Service, Domtar Cornwall, the Community Stewardship Council of Lanark County, the Ontario Ministry of Natural Resources and the Ontario Woodlot Association

5. Strategic Directions

This Section draws on the discussion of the requirements for long-term viability (Section 4) to map out appropriate strategic directions.

Increase the Size of EOCFO and the Volume of Certified Product Produced:

- EOMF and EOCFO to work with key partners and stakeholders to develop a strategy for growing EOCFO. The strategy should identify target audiences (such as large landowners committed to harvesting certified products, sawmill operators and loggers) and possible areas of growth (such as increased membership in EOCFO, new groups in other geographic areas; community forests, etc.). It should specify specific strategies for reaching target audiences and for developing new areas of growth. The strategy should include promotion and education elements.
- Develop strategies for increasing the volume of timber harvested by current members. (Note, many interviewed felt that certification would indirectly result in more harvesting as landowners feel a greater level of comfort.)
- EOMF, EOCFO and others to promote EOCFO in order to attract new members. Identify target audiences and for each, appropriate messages and media. Promotion needs to be integrated with marketing. Several suggestions were made by interviewees, including: i) develop cases studies that demonstrate the benefits, without sugar-coating the costs; and, ii) work with the media to get coverage. EOMF has already hired a contractor to work with area sawmill owners and operators to get them involved.

Address Issues Related to Certification Standards:

- FSC Canada to work closely with EOMF and EOCFO to educate EOCFO members on the application and benefits of GLSL Standards and to address the issues and concerns of EOCFO members.
- FSC to continue to conduct its review into “increasing access to FSC certification for small and low intensity managed forests” and articulate an application of GLSL Standards appropriate to small, low-intensity woodlot owners.
- FSC Canada to facilitate the efforts of key stakeholders to educate and promote GLSL Standards (in part, to attract new members).
- EOMF to play a role in articulating an application of the GLSL Standards that addresses the needs and concerns of EOCFO members and others.
- EOMF to conduct a review of a variety of certification programs to assess their costs, benefits and relevance to EOCFO.

Develop Consumer Demand and Markets:

- FSC, EOMF and EOCFO to work together to educate EOCFO members on current markets and market development.
- EOMF and FSC Canada to assist the EOCFO marketing sub-committee to develop and implement a comprehensive and aggressive marketing strategy, one that is in concert with the marketing strategies of other key stakeholders.
- EOMF and FSC Canada to build the capacity of EOCFO to develop and deliver value-added products, recognizing that such efforts must be part of a concerted effort.

Develop a Business Plan:

- EOCFO, working with EOMF and with assistance from FSC Canada, to develop and implement a comprehensive, five-year business plan. The plan should include:
 - a description of business lines and activities;
 - a statement of objectives for each business line;
 - an estimation of the costs associated each business line;
 - an identification of possible revenues matched to costs;
 - a description of membership levels and membership fees;
 - a description of the administrative and management requirements;
 - strategies for increasing the size of EOCFO and the volume of timber it generates (see above);
 - a marketing strategy;
 - an implementation plan

Improve Communication

- Related to many of the points above, EOMF, EOCFO and FSC Canada to take specific steps to improve communication, particularly with regards to the respective roles of each.

Continue to Build Effective Management:

- Define the relationship between and roles of EOMF and EOCFO consistent with an objective of long-term viability and complete and implement the memorandum of understanding between EOMF and EOCFO.
- Continue to build the capacity of EOCFO and its Board to take an increased role in managing the project.

6. Conclusions

EOMF is committed to the certification project (i.e., EOCFO) and has successfully managed it to date.

EOCFO is established and is beginning to lay the foundation and develop the capacity that will enable it to take on more managerial responsibilities.

EOCFO needs to grow so that it can generate a reliable and sufficient flow of certified product to become and remain viable.

FSC Canada is a leader in certification. One of the recognized strengths of its standards is that they include social and environmental considerations.

FSC Canada, some EOCFO members and others recognize that there are issues and concerns around the appropriateness of FSC Canada's GLSL Standards for small woodlot owners that need to be and are being addressed.

Industry trends are to certified, value-added products.

FSC Canada and other stakeholders are developing a better understanding of markets for certified, value-added products and market development.

There is a need to assist EOCFO to develop a marketing strategy that is consistent with current thinking on marketing and market development and part of a concerted effort. FSC Canada should play a role in facilitating this.

In general, there is a need for improved communication among EOMF, EOCFO and FSC Canada,

Finally, EOCFO needs a comprehensive business plan that will guide it toward long-term viability.