

Policy Support to Joint-Sales of Private Forest Owners Associations: a creation of new business model?

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Business Models and Innovation for Sustainability Transition conference, June 02, 2022



Eesti Maaülikool
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Basic data

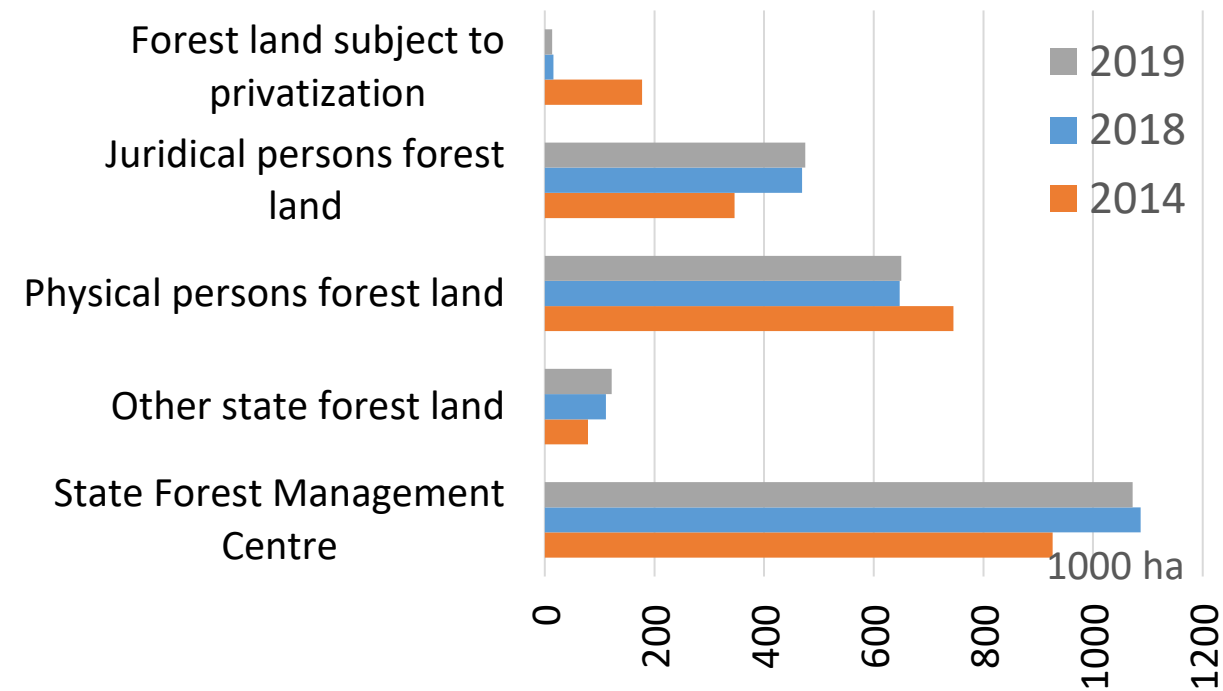
Forest area 2.33 million ha
 Forest cover 53 %
 Population 1 328 439 (as of 2022)



Forest Ownership

	NFI 2010	NFI 2019
State Forest Management Centre	37 %	46%
Other state forest land	3%	5%
Physical persons forest land (NIPF)	34 %	28%
Juridical persons forest land	11 %	20%
Forest land subject to privatization	15 %	1%

Forest area change 2014 & 2018 & 2019



Policy background (in 2009)

Forest Act § 10. Support to private forestry

(1) The **state supports the following** through a foundation established for the development and supporting of private forestry, the rights of the founder of which are exercised by the Ministry of the Environment: (amendment - entry into force 01.01.2009)

...

4) **forestry-related joint activities of private forest owners;**

(4) For the purposes of this Act, private forest owner is a natural person or a legal person in private law who has forest land.

(5) For the purposes of this Act, **forest association is a non-profit or commercial association** whose activities as specified in the articles of association include forest management and whose members are natural persons or legal persons in private law who have forest land. (amendment - entry into force 01.01.2009)



Policy target (prepared in 2009-2011)

Estonian Forestry Development plan until 2020

- For increasing the competitiveness of the forest sector, **the timber sales by forest associations should reach the level of 5 million m³** (from the base level of 65 000 m³)
- It is reasonable to organize the timber marketing as jointly coordinated activity
- For increasing the joint activities in forestry the (domestic) **support will be paid to the forest owner, who is a member of forestry association.**
- The domestic support should be a cost effective, the self-financing should increase

Support system for private forestry February 2009 (changes 2010, 2012, April 2014)

For applying the **forestry association support**, **the minimum number** of association **members** should be

- **40** - since 2010
- **80** - since 2011 (changed in 2010)
- **120** – since 2012; **200** since 2013; **320** – since 2014; **480** since 2014 (changed in 2012)
- **200** – (changed in 2014)

Forestry association support included 5 activities in 2009-2013

1. Group-counselling of private forest owners

2. Cooperation project of forest management (joint sales)

5. Base-financing of forestry association

Support system for private forestry February 2009 (changes 2010, 2012, April 2014)

Maximum amount of forestry association support for all supported activities is 100 € per member of an association

Changes in 2014 – To support forestry association to be more active, the maximum amount of the forestry association support per member will be;

2014 - up to 120 €

2015 - up to 100 €

2016 - up to 80 €

2017 - up to 70 €

2018 - up to 60 €

2019 - up to 50 €

since 2020 - up to 40 €

Support system for private forestry (February 2009, changes 2010, 2012, 2014)

In joint sales (cooperation project of forest management) maximum support amount per sold m³ is depending from type of sales:

0.2 €/m³ (1) organizing the public auctions of transferring the cutting rights of forest;

1.554 €/m³

(2) arranging the transferring of forest logging rights on the basis of the volume of harvested assortments;

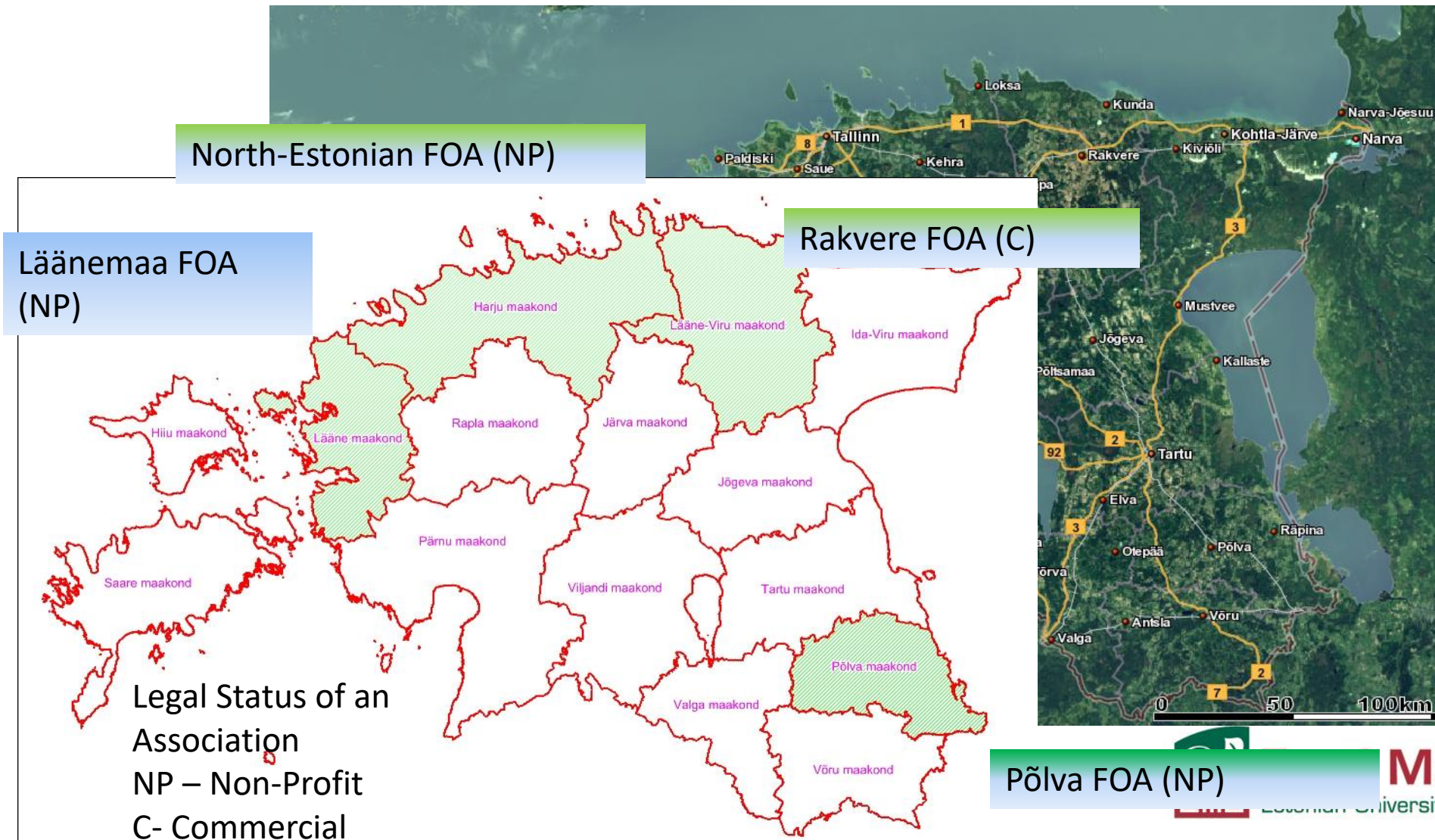
(3) organizing the logging and sales of harvested assortments.

Changes in 2014 – support for sales type (1) was removed

Joint sales support is only for NIPFO

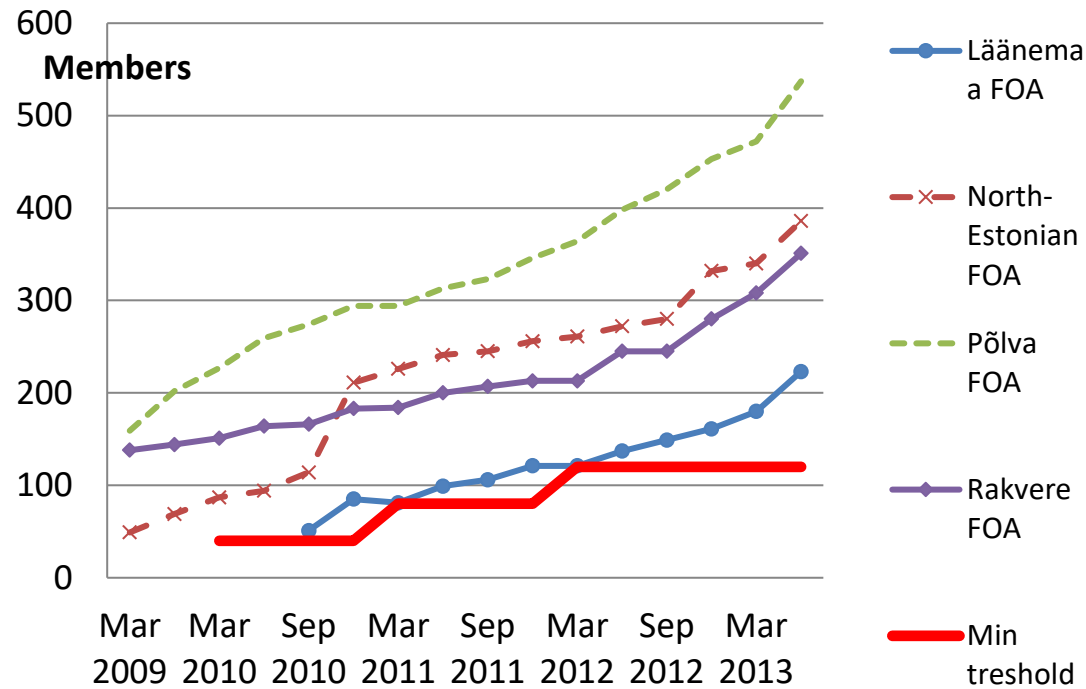
A **complicated formula** for calculating the maximum support of joint-sales includes **volumes** of sold timber in combination with the different **coefficients** for the type of **cutting** (regeneration cutting and thinning), the average harvested **volume per ha**, the **number of private persons** (forest owners) served by an association.

Study area

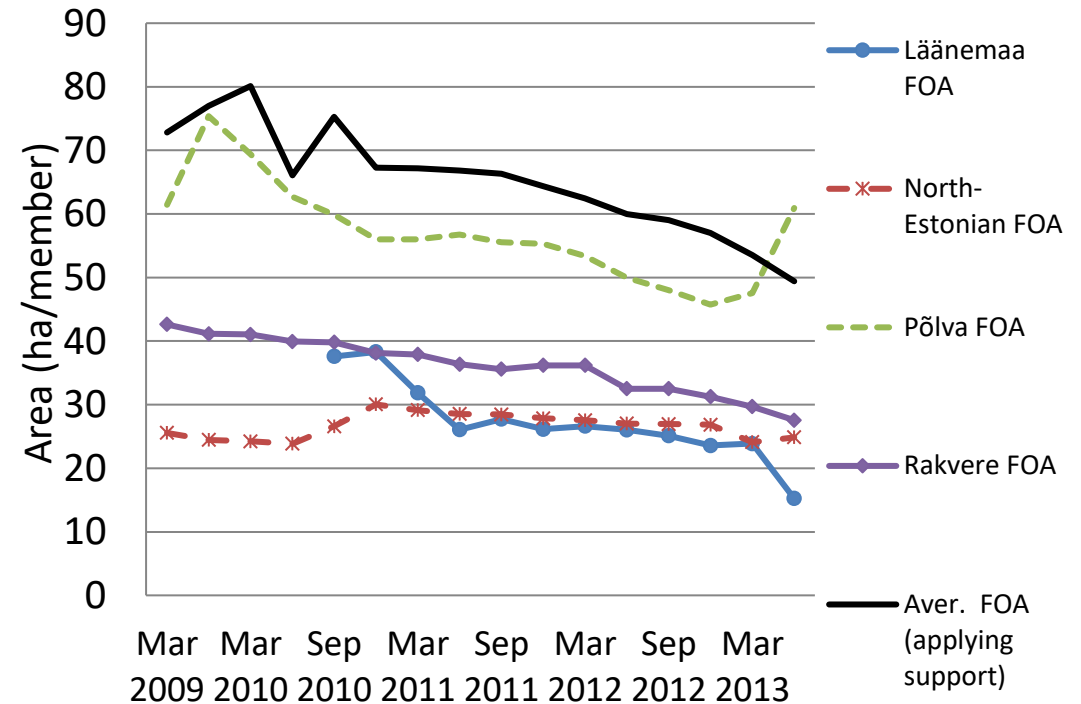


Case study FOAs membership related changes 2009-2013

Number of members



Average area per member



Total information for all 4 FOA-s joint sales activities in 2012 - 2013

		Clear-cuttings	Thinnings
Volume of assortments sold with state support	188 600 m ³	86.7 %	13.3 %
Stumpage value paid to forest owners	5.7 mln €	89,2 %	10.8 %
State support of joint sales paid to FOA-s	167 400 €	82,5 %	17.5 %
Average support (income) for FOA	€/m ³	0.88	1.22

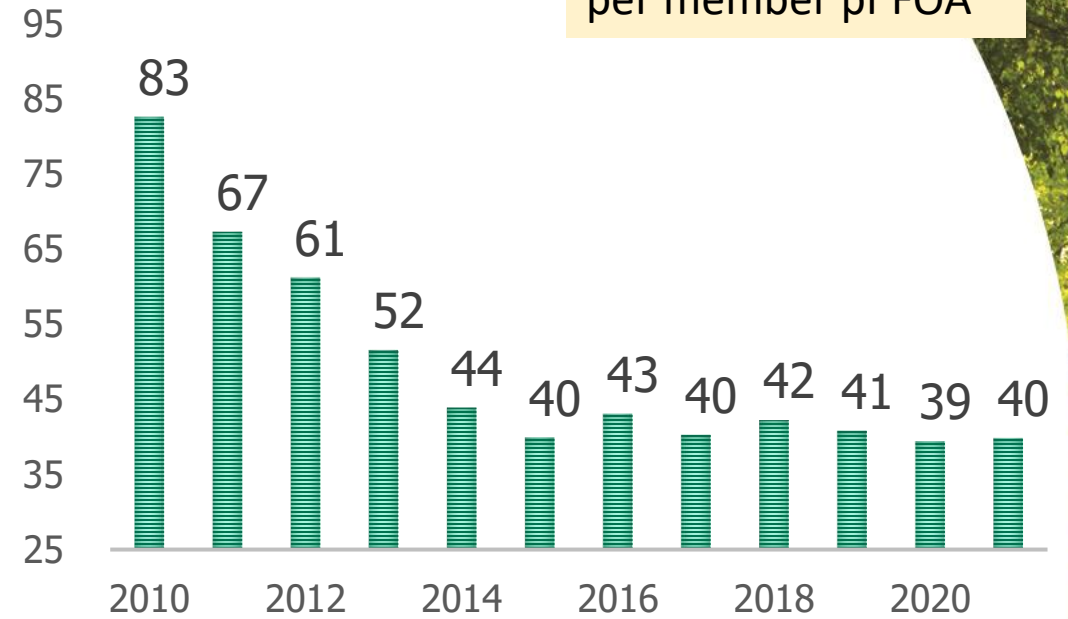
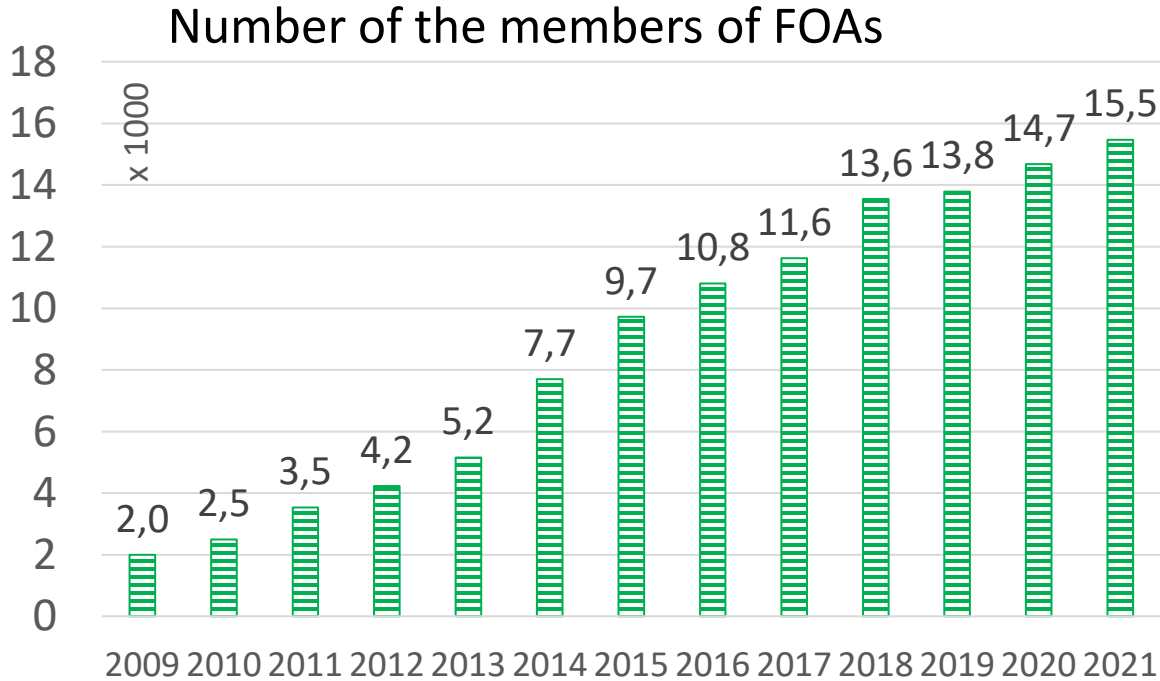
- The real joint sales quantities by FOA-s were bigger.
- The sales from forests, owned by companies and NGO-s are not supported.
- As the total amount for FOA support may be reached, then only partial joint sales were reported for getting the support

Private forestry specialists opinion survey results (in 2014, n=26)

- All FOA-s are not dealing with joint sales.
- 62 % had an opinion that country like Estonia needs the state support for the joint sales, 54 % thinks that it is needed in current economic conditions.
- Only 23 % indicated that the special support was the reason for starting joint sales in FOA
- The general opinion of discontented respondents is that **instead of supporting the sales of timber from clearcuts and supporting of FOA-s**, the support has to go directly to the forest owners and **only clearings and pre-commercial thinning have to be supported; in current case the government subsidies are distorting the free market.**
- 77% of the respondents had an opinion that the joint sales support has given a positive impact to the Estonian private forestry and forest owners.

29 active FOAs in Estonia, in 2021 – 15500 members own 616 000 ha

Average forest area per member pf FOA



Data source: SA Erametsakeskus



FOAs trend: from soft organizations to forest management organizations



Photo: <https://metsauhistu.ee/harvester-saab-hakkama-ka-hooldusraietega/>

Conclusions

- State support for cooperation of forest management (joint sales) was paid until 2017.
- After the end of the support some FOAs are not so active in providing forest management services. But the market has changed, e.g. some active companies providing auctions for cutting rights
- **FOAs established 2 sales organizations (in 2009 & 2013), different strategies. Both are still active.**
- Data collection for scientific publication is going on, e.g. has the goal of forest policy been achieved - to sell 5 million m³ together?

Thank you!

