



Organized Co-operation in Swedish private Forestry

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KARL ERIK ÖNNESHJÖ

Managing Director of the National Federation of
Swedish Forest Owners

When I was invited by the Organizing Committee to attend this Congress and address the audience of foresters in this country I first of all felt it a great honour and a pleasure to get this opportunity to present the broad lines of development in organized co-operation between private forest owners in my own country, Sweden. This is still the case. At second thought, however, I got somewhat uncertain, whether the subject of my lecture could be handled in such a way as to give you something of value to the solution of problems in this country and to progress and future development. The management of private forestry and especially the small-scale private forestry is apt to show considerable variations in different countries. The position of forestry for the individual forest owner and in the national economy of a country, biological and climatic conditions etc. vary so much that solutions to actual problems must be found on a national or at least regional basis. One cannot take for granted that a policy, successfully pursued to improve the state of forestry in one country, will do so also in another country. Nevertheless I think experience, gained in one country e.g. in the field of organized co-operation in small-scale forestry, can be of considerable interest and value when dealing with similar problems in other countries. I also hope that my brief presentation of the way in which we have gone to work in my country and the experience we have gained will in some way contribute to the aims of this congress.

In order to understand the background to the development of co-operation in private forestry in Sweden it is important to know some basic facts about Swedish forestry in general and the position of forestry in our national economy.

The general structure of Swedish Forestry

As you all know forests have for many centuries been accounted among Sweden's great natural resources and together with iron ore and hydroelectric energy they have played a leading part in the development of the country into a modern industrial nation. Although economic life has become step by step more diversified, the position of forestry and forest industry is still a dominant one. For example they account for about 1/3 of the country's total export income. Since long ago it has been in the public interest to take steps to

preserve a sustained yield in forestry as a basis for economic development. Already at the beginning of this century a specific Forest Law was introduced ordaining compulsory reforestation after felling. With some amendments a legislation with this aim is still in force and it is supplemented by advisory and educational public activities.

It is also essential to know that forestry in Sweden is operated in three different types of enterprises or, more precisely, by three different categories of owners. About one quarter of the country's forest area is owned by the State and other public communities. Another quarter is owned by companies and operated in integration with the processing industries. The remaining half is owned and worked by private individuals, most of them farmers, who carry on both forestry and agriculture. Combined farming and forestry is thus the most common form, in which forestry is conducted in Sweden. Although collaboration in technical matters is practised on a large scale between all categories of forest owners, it is within the private sector, which is closely connected with farming, the more genuine co-operation, which I am going to deal with, has been developed.

It must also be kept in mind that the basic conditions for forest production vary considerably in Sweden. The extension from South to North is no less than 1.500 kilometers and Sweden represents in this way a cross section of the northern coniferous belt from the hardwood region in the southernmost part to the timberless highlands in the north. In the north, where nationally and company-owned woodlands dominate, there are large areas of land of low productivity. In the south of Sweden, where farm forests represent about 80 percent of the total, the yield is far higher. For this reason the privately-owned forests with their 50 percent of the total area account for some 60 percent of the total growth, which at present is estimated to be approximately 80 millions m³ per annum.

Scattered ownership and small working units call for collaboration

Swedish forests are historically divided among a great number of proprietors. This is particularly true in privately owned forestry, which to-day is operated by more than 200.000 working units. The average size of farmers' forests in southern Sweden is 40-50 hectares and in northern Sweden about the double. Also the company-owned and to some extent the State-owned forests are scattered, despite the fact that they belong to a limited number of owners, possessing large properties. The chief reason for this situation is that forest holdings have been purchased from private owners. This scattered ownership is in many ways an obstacle to rational forestry and great efforts are being made to reorganize and improve the structure. The Government supports in different ways the structural improvement but, as everyone realises, it takes time to reach results of major importance in this field.

It is against this general background that the development of the Swedish Forest Owners Movement should be seen. As I have already mentioned the major part of private forestry in Sweden is operated in small units and in combination with agriculture. This combined form of activity has been and

remains highly important for Swedish farmers, since it offers possibilities to ensure yearround occupation to the farmer and his labour, better utilization of investments in buildings, roads, equipment etc. and at the same time makes a well-dispersed supply of labour available to forestry. The partition of forest land in comparably small units has, on the other hand, created major difficulties both in securing trained personnel and in marketing the small quantities of timber. The difficulties have become emphasized when trying to take advantage of large scale operations through mechanization of logging and other heavy operations in forestry. The need for collaboration has gradually increased with rising costs of labour and declining economic results from forestry. Problems of similar kind have met the Swedish farmers also in their agricultural activity and organized co-operation between producers first appeared in that sector. The organization of co-operative Associations in the forest sector has thus been influenced by and grown up parallel with a corresponding line of development on the agricultural side. The total organization is linked together in a countrywide organization, the Federation of Swedish Farmers' Associations.

The Organization and programme of work rapidly expanded

The first Forest Owners Associations in Sweden were established already in the 1920's. They were of a purely non-profit-making character and their main purpose was to propagate sound forestry. It soon became apparent that the scope of these activities was inadequate. Above all marketing difficulties brought economic questions to the fore. The Associations were therefore during the 1930's reorganized to permit also commercial involvement.

The first commercial task of the Associations was to pool the great number of small quantities of wood, offered for sale, into larger and more attractive lots, for which reasonable prices could be obtained. The Associations were naturally in the beginning confronted with great difficulties and met by scepticism both from the processing industry and from many forest owners. After the first trial years the organization has, however, gradually strengthened its position and grown more rapidly than anyone could have imagined from the start. The total quantity of timber offered for sale has increased from year to year and now amounts to 13-14 mill. m³ per annum.

As a result of the large access of members to the organization, the activities have gradually been extended to include the rationalization of logging and transport operations and the furnishing of machines for logging, roadbuilding etc. Lately the silvicultural aspects have also been included among the activities and even the recently developed practice of fertilizing forest stands is now on the programme of work.

A new important step to improve market conditions for the members was taken, when the Associations commenced buying or establishing forest industries of their own. In this way the small-scale private forestry is now developing a specific form of integration with the wood-processing industry, which gives the owners not only participation in the profit from the processing of their roundwood but also new ways of rationalization.

Regional Associations the basic element in the organizational structure

There are now altogether 19 Forest Owners' Associations, covering all of Sweden, with a total membership of about 135.000 and 7 mill. hectares of productive forest. This corresponds to almost 2/3 of the total privately-owned woodlands.

The main objects of our Associations are to-day

- to carry on trading in forest products and the processing of them on behalf of all their members;
- to work in different ways for improved economic yields from the forestry work of their members;
- to create greater interest in maintenance and thus improve productivity in the forest;
- to safeguard and promote in other ways the interest of private forest owners in relation to the Government and other Organizations;

A Forest Owners' Association consists essentially of its members, who exercise their right of decision in the Association on the principle of "one man, one vote". However, most of the Associations are so big that for practical reasons it is impossible for all the members to take part, when the important decisions are made at the annual meetings. A proxy system has, therefore, been introduced.

The empowered representatives are appointed by vote at local meetings, to which all the members in certain districts are summoned. The number of representatives elected is proportionate to the number of members in the district.

Every year at the annual General Meeting a Board of Directors is appointed to be responsible for the management of the Association. At the end of each financial year the Board of Directors is discharged from liability for their administration during the past year. Auditors are likewise nominated there for scrutinizing the financial administration.

The Board of the Association appoints a business manager, who gives effect to its decisions; he is also responsible for and directs the work of the Association. The business manager has several officials to assist him.

Everyone, who becomes a member of an Association, undertakes to contribute to the Association. The size of his contribution is based either on the rateable value of his forest or on its productive area.

The contributions are usually paid by making a deduction from the sums paid by the Association for deliveries, generally 2% to 3% of the value. As long as the amount of the contribution has not been paid in full the "dividend" is credited to the members' contribution accounts. The dividend represents that portion of the surplus earned by the Association from its economic activity, to which every member is entitled. The dividend may be more or less compared with the profit that is distributed to the shareholders in a business company.

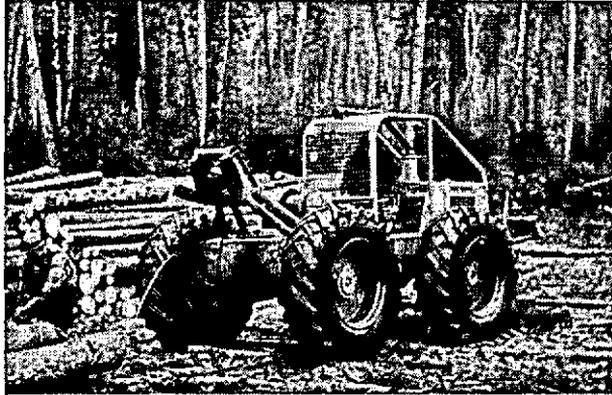
As a rule, the amount of the contributions will have been paid in full after about 15 years.

If a member ceases his forestry production — as a result of selling his property, for example — his contribution is refunded.

This method of financing has largely covered the needs of the Associations for capital of their own to carry on the work in its traditional form.

Closer co-ordination of management in "Forestry Areas"

Although marketing still constitutes the main task of the Associations the latest development has made the need for collaboration more and more



De Canadese Tree Farmer: geledede trekker met vierwiel aandrijving voor het uitslepen van langhout met behulp van lier en uitsleepkabels.

apparent also in the current management of small-scale forestry. One factor has been the growing scarcity of labour, which has forced up wage costs. Another and perhaps still more important factor has been the rapid development in the field of mechanizing. This calls for increasingly substantial injections of capital and everlarger handling-units. To take advantage of the possibilities to rationalize forest operations through more advanced mechanization the small-scale private forestry has no other way to follow than co-operation and joint solutions.

This has been the incentive to establish, within the framework of the Associations, regional groupings in so called "Forestry Areas". A "Forestry Area" is an organizationally united area, in which the owners on a fairly long-term contractual basis co-ordinate their forestry operations. The Associations provide the "Forestry Areas" with technically skilled supervisors, machinery and services of different kinds. Forestry workers can thus be employed on a permanent basis, which otherwise often is beyond the resources of an individual owner. Major investments in roads, draining projects etc. can be made on a joint basis and felling operations co-ordinated. The services are charged at a self-cost basis. Suitable sizes of "Forestry Areas" are in the south of Sweden 4.000 hectares, in the north 15.000 hectares or more. To assist the silvicultural expert there is usually a members' council, elected by the owners concerned.

This new form of collaboration started ten years ago and the idea has been met by a great interest from the forest owners. After an experimental period of a few years new areas are now being formed at a rapid rate.



De in Zweden in licentie gebouwde Tree Farmer, die in Apeldoorn werd gedemonstreerd.

After the trial period with a yearly enrollment of about 50.000 hectares, the organized area increased by about 200.000 hectares per annum in the early sixties and 500.000 hectares during each of 1965 and 1966. We have at present about 350 registered Forestry Areas comprising ca 36.000 owners and over 2.2 mill. hectares. The Forestry Area concept thus has become one of the corner-stones of to-day's co-operative organization within private forestry.

Expansion in forestry and processing industries closely interrelated

As forestry operations are intensified and productivity increased and as investments in terms of machinery, labour, equipment etc. rise, so is the need sharpened for a sufficient demand and stable marketing of the forest products. The heavy long-term investments involved both in forestry and forest processing industry call for great attention to the close interrelationship that exists between development in the two sectors. This is of particular importance in a country, where forestry plays a leading part in the national economy and where forestry and processing industry only to a small extent are fully economically integrated. As long as a forest owner cannot find buyers to his products at reasonable prices and consequently has to manage his forestry at a restricted and economically unprofitable level, he is naturally unwilling to invest further capital resources in order to increase the forest production capacity. The availability of well managed, diversified and efficient processing industries, able to pay reasonable prices for their supply of raw material, is therefore one of the most important incentives to progress in forestry. The

ideal situation would be a parallel expansion of industrial processing capacity and forest production, giving a necessary degree of security for the supply of raw material and at the same time as full and efficient utilization of the available forest products as possible. This balance might often be difficult to achieve but is nevertheless of decisive importance to create sufficient resources of selffinancing within forestry.

Forest owners' commitments in processing industry — a decisive new line of activity

In Sweden as in other Nordic countries the private forest owners have earlier been confronted with serious difficulties in marketing their products. One major difficulty has been the lack of capacity of the forest industries, particularly in the south of Sweden. Existing industry in that part of Sweden has been neither interested in nor capable of expanding. This has put serious obstacles to the development and management of forestry in an economic way. In order to improve the situation the forest owners have thus felt obliged to take the initiative themselves to establish, through their Associations of co-operation, processing industries of their own. The first major development occurred in 1950 when forest owners decided to build a pulp mill in the south of Sweden — a completely new approach to the disposal of their forest products and regarded by many as the sort of risky manoeuvre, reserved for big finance. However, the idea became a distinct success.

The first big project was followed by new ones in different parts of the country and the industrial activities have thus expanded rapidly during the last ten years. So the Forest Owners' Associations at present run an important part of the Swedish Forest Industries. New plants are under construction and projected both in the pulp and paper and in the sawmilling sector. In order to carry through the industrialization it has been found appropriate to found a number of companies, owned by the Associations and to some extent financed also by loans from the forest owners.

Collaboration at the National level

To complete the organizational picture of The Forest Owners' Co-operation it should be mentioned that the 19 Associations have jointly formed a national organization, called the National Federation of Swedish Forest Owners, "S.S.R.". It is a representative and advisory body, possessing restricted authority to make decisions applying to the member Associations.

The main task of "S.S.R." is to work for collaboration between the Associations so that the joint assets of the movement are safeguarded and utilized in the best possible manner. "S.S.R." also watches over the interests of the individual owners in relation to the Government, public opinion etc., and has thus earned a respected position as the spokesman for private forestry in Sweden.

One of the most important tasks of the "S.S.R." is to work towards fixed prices for the standard assortments of sawnwood and pulpwood. Every autumn negotiations are entered into between "S.S.R." and the Associations

on the one hand, and the industrial buyers on the other. These negotiations generally result in price agreements, covering the next year's timber market.

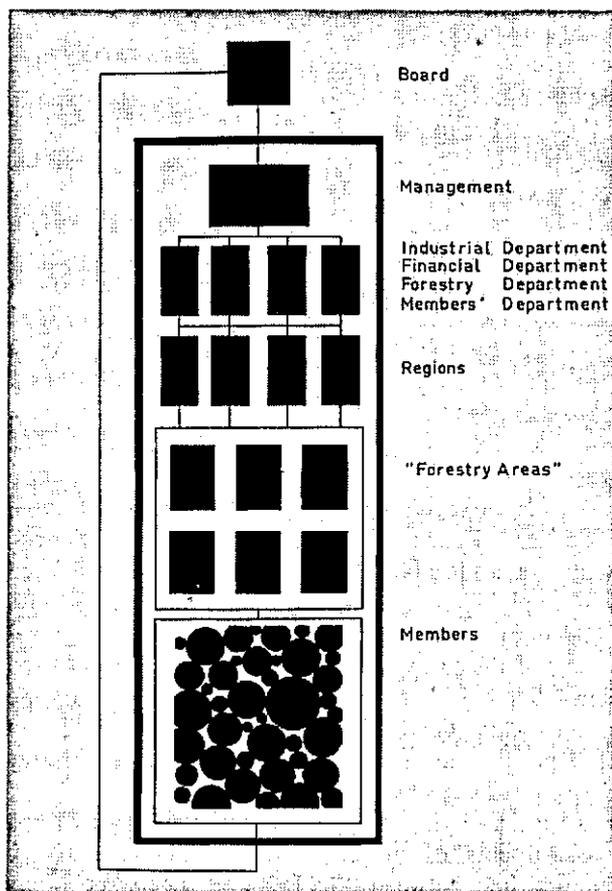
The authority, with the right of decision in "S.S.R.", is a Board elected at the annual General Meeting by the authorized representatives of the local Forest Owners' Associations throughout Sweden.

Work within "S.S.R." is led by a managing director, who is assisted by a number of officials. Organizationally, the Federation is divided into four Departments:

the Forestry Department deals with general silvicultural matters and questions of policy, labour and machinery. Prices and technical questions concerned with the measurement of forest products are also dealt with by this department;

the Organization Department handles matters of membership etc., informative and instructive activities as well as questions of structure, property and land;

the Export Department is responsible for dealing in round wood and also assists in the sales of sawn wood-goods by some Associations;



The Forest Owners' Associations are usually organized as shown in this diagram. This arrangement makes it possible for effective mutual contacts to be maintained between management and members. Note the connection between the members and the Board.

the Financial Department attends to "S.S.R." 's own needs and helps the Associations in economical matters, taxation and business administration.

In order to simplify matters I have made an organizational scheme, which I hope can give you a better general view of the broad lines of the organization. The diagram shows a normal Association which economically is the basic element in the organizational structure.

Experience promising. Co-operation now under rapid development

Before I conclude I should like to summarize briefly some of the experience we have gained in Sweden from organized co-operation in small-scale private forestry. When doing so it should first be emphasized that the co-operative activities in the Swedish small-scale private forestry still are in a stage of rapid development. It is only natural that these activities as well as the organization should gradually be adopted to the increasing volume of work and other changing conditions. It should also be noted that the establishment of "Forestry Areas" within the Associations has taken place during the last ten years as well as the important integration with the processing industry. It is, therefore, still difficult and too early to assess fully the importance and the role of forest owners' co-operation in regard to the economy in general.

The experience gained has, however, been very promising. First of all, the general level of activity in forestry as well as the personal interest of the members have increased substantially, above all through the organization of the "Forestry Areas". Planning of the activities, both from one year to another and for the future has been improved and co-ordinated, and felling has increased. It has also been possible to reach a more rational use of forest labour. The call for labour, in addition to the work, carried out by the forest owners themselves, has been met by employment of trained workers on a permanent basis. The mechanization has also undoubtedly been speeded up by joint financing and the use of special logging tractors and other heavy equipment. Investments in roads of mutual interest to a number of owners have increased. The silviculture has likewise become intensified. More detailed studies from experiences gained at the "Forestry Areas", which have been in operation for a number of years, have shown that planting and other measures for reforestation have been raised to a level twice as high as the average for private forests in the respective regions.

I think there is also general consensus of opinion that the rather brave and costly commitments undertaken in forest industries have been a success. This new line of activity has created more stable market conditions and has had a decisive influence on forest owners' interest in further developing their forestry. It has also created methods of integration between forestry and processing, which give the private forestry new ways of rationalization. I think I can say, without exaggeration, that the rapid development in this respect is one of the most important features in modern Swedish forestry and forest industry.

We are now in a stage of dynamic development both in forestry and forest industry. It is always difficult to look into the future. New techniques,

involving heavy investments in expansive specialized equipment, new working methods and new lines of manufacturing forest products are lying ahead. We have at least in my country to face growing scarcity of labour and increasing competition from other sectors of our economy with regard to labour, capital and other productive resources. We are convinced that, under these conditions, the only way for small-scale private forestry to keep up the pace with the fast and modern development in a highly industrialized country is the way of co-operation.

I have tried to give the Congress an idea of some main features of the Swedish Forest Owners Organization of to-day. I hope my presentation has given the general impression, that our desire is to provide scope for both energetic personal initiative and for rational solutions of mutual problems, and that we are convinced that co-operating private forestry is a highly efficient form of enterprise. Although I am well aware of the difficulties to draw parallels from our experience in other countries with different basic conditions, I think at least this last conclusion should undoubtedly have international validity.

To conclude, I wish to express, once again, my gratitude for this opportunity to address this Congress and present the broad lines of our Organization and the way we go to work.