

CONCEPT OF JOINTLY OWNED FORESTS IN FINLAND

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What is jointly owned forest?

- Forest area belonging to several real estates jointly to be used primarily for practising sustainable forestry for the benefit of the shareholders
- May be used for other purposes if economically or otherwise feasible
- Is privately owned forest, administrated and managed by the shareholders

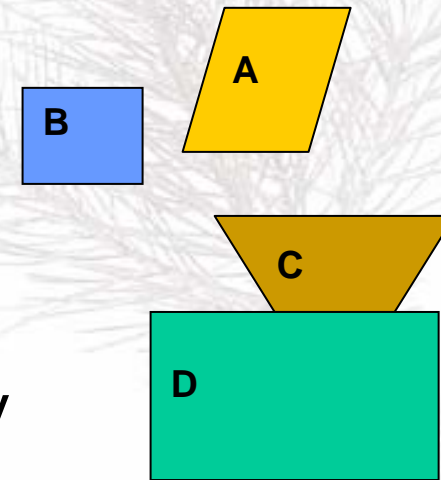
Jointly owned forests in Finland

- Total amount of 167 jointly owned forests
- Established from 1880's to 2010
 - Mainly from state forests
 - Nowadays from privately owned forests
- Total area 530 000 ha, 18 000 shareholders
- Average size 3 200 ha
- 3.8 % from the forest area of the privately owned forests

Idea of jointly owned forest

Normal private forestry

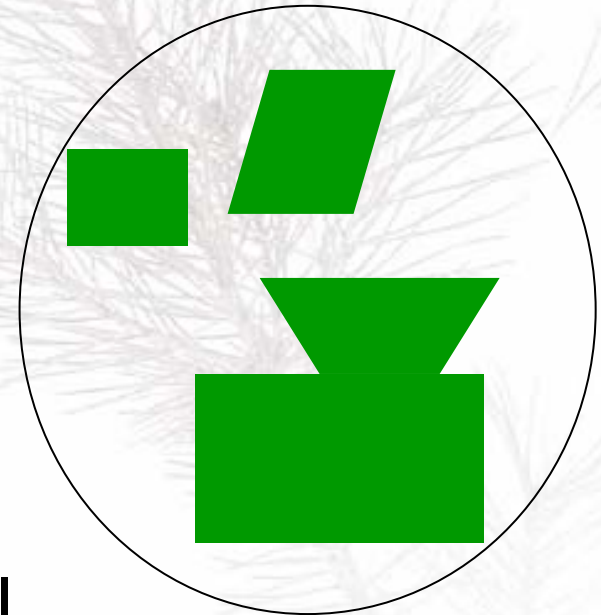
- Privately owned real estates A, B, C, D
- Forests are managed separately by the owners



Idea of jointly owned forest

Jointly owned forest

- Shareholders are private forest owners A, B, C, D
- Each owner gets his share according to the value of his forest
- Forest area consists of one real estate
- The forests are managed together



Main regulations and documents:

- Act on Jointly Owned Forests (2003, 2007)
- Decree of Government on Jointly Owned Forests (2003)
- Real Estate Formation Act (1995)
- Rules of procedure of the jointly owned forest
- Forest management plan

Establishment of a jointly owned forest (JOFF)

- Agreement between the forest owners
 - Founders, area to be established as a JOFF
- Land survey operation
 - Formation of the JOFF
 - Shares of the JOFF for each shareholder
- First partnership's (shareholders) meeting
 - The JOFF gets organised
 - Approval of the rules of procedure

Establishment of a JOF cont.

- Ratification of the rules of procedure (Forestry Centre)
- Registration of the JOF (Forestry Centre)
- The JOF has been established
 - Activities begin
 - Preparing the **forest management plan**
 - JOF must be managed and used according to the forest management plan

Administration of the JOF

- The shareholders of the JOF are the owners of shareholding real estates
- The shareholders constitute the partnership of the JOF
 - Shareholders' right to vote depends on the share in the JOF
- Rules of procedure
 - Regulates the functioning of the JOF
 - e.g. when the meetings of partnership are held, how the sales of the forest products is to be organised etc.

Administration cont.

- Partnerships' meeting is the highest power of decision of the JOF
 - e.g. accepts rules of procedure, decides action plan and budget of the JOF, forest management plan, use of surplus etc.
- Partnerships' meeting elects administrative board or agent to manage the practical operations of the JOF
- Financial statement must be drawn up for each accounting period
- Partnership must have at least two auditors (one is elected by the Forestry Centre)

Some aspects of JOF

- JOF's forest area can be increased by
 - buying real estates
 - incorporating real estates into JOF against shares in the JOF
- Smaller JOFs need forestry consultations, bigger JOFs may contract forestry professionals
- Operations of JOFs is quite free within the frames of regulations – minor control by the officials
- Shareholder can freely sell his shares of the JOF (normally partnership has right of pre-emption to small shares)

Advantages of JOF

- Well planned, efficient and profitable forestry
- Large scale economics – better stump prices of the sold timber, lower unit costs in forest management compared to those of small real estates
- Even and continuous profit for shareholders
- Recreational and hunting possibilities are better
- Easy manner of forest ownership
- Excellent option to prevent splitting of forest ownership
- Shares are easy to divide in case of division of inheritance

Some difficulties...

- Change of the character of forest ownership
 - Most forest owners want their own real estate
 - Prejudice against joint ownership
- Administrative costs of JOF may be high if not controlled
- When established JOF, it is difficult to divide into parts between shareholders

Conclutions

- According to several studies 10-30% of private forest owners are intrerested in jointly owned forests as a form of forest ownership
- Establishment of jointly owned forest is a big step for forest owners
- Grand challenge for advisory services of organisations
- Interest mainly in family jointly owned forests

