

MEDWAY COMMUNITY FOREST COOPERATIVE

FIVE-YEAR BUSINESS PLAN

APRIL 2, 2019



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APPENDIX 1: 5-YEAR BUDGET - SEE ATTACHED EXCEL SPREADSHEET



I. Value Proposition of Community Forests

Although the model of community forestry has not yet been extensively tested in the Maritimes beyond the MCFC, there are opportunities to draw on the benefits of multi-value forest management from other jurisdictions. In the Canadian context, British Columbia was an early adopter of the community forest Crown-license model and the British Columbia Community Forest Association (BCCFA) provides many examples of how community forests can successfully balance the multiple pillars of sustainability. The BCCFA has developed an annual [Indicators Report](#) to highlight the plethora of benefits community forestry provides in rural communities. Aside from the financial benefits generated by harvesting activities, which cannot be fully replicated in the Nova Scotia context, other benefits generated from community forests in their 2018 report including:

- A wide-range of recreational amenities, building or maintaining an average of 18 km of trails per community forest annually.
- An average full-time equivalent employment 63% higher than major industry.
- An engaged practice of transparency and accountability to their respective communities.
- Development of formal agreements with a diversity of user groups.
- Providing community members with educational resources to increase understanding of forest ecosystems and management.
- Sales of wood fibre to a diversity of buyers.
- Engaging new markets and value-added products including specialty log milling and development of bioenergy facilities.

Elsewhere in Canada, the Eastern Ontario Model Forest (EOMF) combines small private, community-owned and industrial freehold lands to deliver Forest Stewardship Council (FSC) certified fiber to the marketplace. Similar to the MCFC, the EOMF also works with an extensive network of partners to foster education and awareness regarding sustainable forest management. EOMF has also developed the Regional Forest Health Network, to pool resources and best navigate threats to forest health and most recently they have partnered with Bluesource Canada to compensate their community forest members for the additional carbon stored in forests harvested through Improved Forest Management (IFM).

In other jurisdictions, such as the northeastern US, researchers are taking note of the benefits provided by town or municipality-owned forest lands. [A recent study](#) completed in New Hampshire found that these 'community forests' generated about \$811/acre in economic benefits per year. Of the total \$146 million generated from all of New Hampshire's community-owned forests (180,000 acres), \$54 million was from recreation uses and roughly \$92 million was from a diversity of forestry-related industries including logging, milling, wood products manufacturing, maple syrup and Christmas trees.

II. Provincial Learning Objectives

Landscape Planning

- Our relationship with woodlot owners groups can help facilitate cross-boundary planning between Crown & private lands.
- Building the Nova Scotia Working Woodlands Trust (NSWWT) will help promote sustainable forest management and lessen the amount of private woodlots that are harvested without consideration of forest ecology.
- The MCFC can influence private woodlot owners to trust Crown land practices and initiate careful planning that could help alleviate threats from climate change. There are ways to think creatively and support fast response to dangerous events such as wildfires or mitigating the spread of invasive species.
- Partnering with the Nova Scotia Forest Certification Association, the MCFC can reduce the cost of certification for woodlot owners through increasing the scale of the entire license and taking on additional costs.
- We exist as an alternative management zone between protected areas and regular Crown easing effects of habitat fragmentation between gradually more intensive forest management as seen in Figure 1.

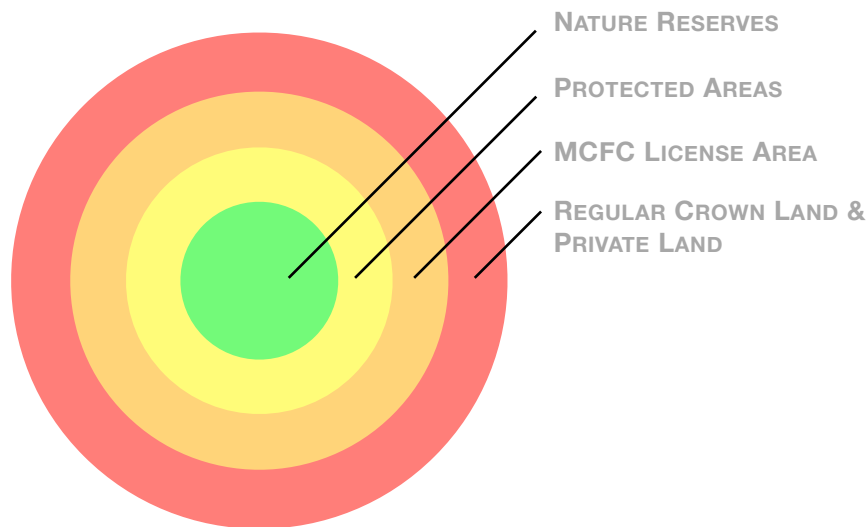


Figure 1: Our nested approach to landscape planning southwest Nova Scotia. Given our proximity to numerous Nature Reserves and Wilderness Areas we are in a unique position in practicing extensive forest management, and acting as a transition zone between protected lands and regular Crown and private lands, who may manage adjacent lands more intensively.

Species at Risk

- The MCFC is located within the UNESCO Southwest Nova Biosphere reserve.
- The Southwest is a priority area for species conservation for the federal government including the Canadian Wildlife Service.
- We will be taking the steps in 2019 to begin the development of a baseline study for SAR in the MCFC license area.
- Following a baseline study, the MCFC will be able to gather data regarding how SAR are affected by harvesting practices.
- Many of the Special Management Practices developed through the MCFC management planning process consulted with leading experts on specific SAR. These SMPs have been implemented in operations including a silent season in June for migratory birds and elimination of road upgrades during Blandings' turtle nesting season. This table can be referenced in Appendix VI of the [MCFC Management Plan](#)

Non-Timber Forest Products (NTFP)

- Our hope is to continue to encourage NTFP business development.
- The MCFC will develop our own licensing strategy for NTFP harvesters and recreational groups. Through licensing, the MCFC will be able to track the use and demand for certain products and ensure that harvests are done sustainably.
- Partner with existing businesses to continue to facilitate workshops and events centred on the non-timber benefits of the forest
- Continue to build relationships with specialty woodworkers and work with partner organizations to better supply specialty wood with unique features.

Matrix Forest Management

- The MCFC management system will be dedicated to using ecological forestry and matrix forest management throughout our entire license area.
 - Harvest prescriptions will be developed using site-level stand data
- Due to our proximity to Provincial Protected Areas and Kejimikujik National Park, and role within the landscape as outlined in Figure 1, the MCFC will not be actively practicing high production forestry. We understand this means this may increase the concentration of high-intensity forestry elsewhere on Crown lands in the Western region.
- The MCFC can serve as a demonstration site and facilitate research for ecological forestry
- Promote ecological forestry harvesting practices and encourage the following:
 - Increase the average age on the license area
 - Increase the portion of high-value timber growing on the license area
 - Integration of traditional knowledge in forest practices

- Promotion of adaptability and resiliency to climatic change and threats posed by forest pests and invasive species in forest ecosystems
- Restoration of Acadian Forest species, and uneven-aged conditions in areas of historic intensive management.
- Promotion of healthy soils and adequate nutrient management, including implementation of research completed by the Province.
- Decreased reliance on silviculture practices associated with intensive management including; planting, early competition control (incl. herbicides) and pre-commercial thinning. Harvest practices will be focused on promoting natural regeneration.

Ecotourism

- The MCFC will continue to work with local ecotourism providers to facilitate outdoor recreation in the region.
- The MCFC will continue to promote the Caledonia community for ‘gateway’ tourism¹, as a partner of Kejimikujik National Park.
- The MCFC will enable new ecotourism opportunities including building a campground for the 2020 summer season. The development of the campground will be done in partnership with other local accommodations providers and the North Queens Board of Trade.
- The MCFC will research the development of long-distance trails and the promotion of day-use and multi-day facilities within the license area and the Medway Lakes Wilderness Area.
- The MCFC will aim to find a balance and research best management practices when implementing recreation activities in working forests.
- The MCFC can assist the Province in gathering user data for tourism, and facilitate research on the impacts of forestry activities on recreation user groups.

¹ A tourist gateway is a place or settlement through which tourists typically first visit on their way to a tourist attraction or tourism region (Wikipedia).

III. Value Proposition of the MCFC

The MCFC strives to be a trusted manager of public lands. We provide a meaningful forum for public participation in management decisions and a growing range of tangible benefits to the community from the forest within our license area. Many of the benefits of the MCFC governance model have been captured, and are best represented in our [evaluation criteria](#), and also referenced throughout our annual reports.

The MCFC has been established as a manager of Crown land to offer the local community and members of the general public with a constructive forum for direct input on forest management decisions. Much of the focus of the MCFC to date has been to design methods for meaningful participation and opportunities to increase overall engagement and understanding through forestry education, workshops and building recreation amenities. In providing this service, our intention is more than the provision of wood fibre, it is to build public trust in forest management and the many benefits it can provide.

The MCFC is in a position unique from any other Crown land licensee. Our management direction and methods account more broadly for the multiple values that exist in the MCFC's membership, which includes 130 shareholder members. This more diverse management approach is closely aligned with the Department of Lands and Forests learning objectives, and provides the most tangible opportunity in the province for testing implementation strategies for those objectives. MCFC members count on the organization to represent the myriad of interests related to forest management found in the local community and stakeholder groups, and broader public interests from across the province. As a diverse organization, the MCFC staff and Board of Directors strive to continuously work to reflect these interests through our management practices, represented by the [MCFC Draft Management Plan](#) (released July 2016).

The MCFC Board of Directors are leaders in the local community. Over the duration of the pilot phase the most consistent values represented on the Board have been those of the environmental community. Although the board is actually equally balanced between economic, environmental and social interests, we have been continually supported by leaders in the environmental community. Having their support in forest management builds public trust for the forestry industry.

Beyond forestry operations, the MCFC is active in community engagement, hosting numerous workshops and events on various topics. We have built trails and are examining ways to serve a growing tourist economy through outdoor experiences. We actively help private woodlot owners manage their lands by using our capacity to provide services through the Western Woodlot Services Cooperative. Our forest management practices are based on the most recent research and recommendations for adaptability to climate change, resiliency to pests and diseases, promotion of soil health, and species diversity, and are all developed to foster long-term economic stability. We are examining solutions to strengthen the rural economy beyond the success of one product stream.

Providing a structure that enables the MCFC to continue to develop multiple values on the license area, the Department of Lands and Forestry has the opportunity to gain valuable

insights on strategies for implementing their forest management goals and priorities, including those outlined in the recent Independent Review of Forest Practices. A detailed examination of the MCFC's activities as they relate to the Provincial Learning Objectives can be seen in Section II.

The product lines described in this plan largely stemmed from work completed by the MCFC through Innoweave Social Enterprise coaching program, an initiative of The J.W. McConnell Family Foundation. Unfortunately, the coaching we received through a third-party consultant was not consistent with the MCFC's anticipated needs, and both parties mutually agreed not to complete the program. Nevertheless, the early working sessions and coaching have been enough for provided the MCFC with a base to build on and create our own business models for three key new product lines; recreation accommodations, value-added timber manufacturing, and the development of a working forest land trust. These new product lines are in addition to our existing revenue streams including Crown timber harvesting and firewood sales.

IV. MCFC Product Lines

A) Crown Timber Harvesting

Summary of Learnings to Date

Excluding harvests completed in 2019, the MCFC has harvested over 11,000 tonnes of timber on our license area to date. This amount is well below our Annual Allowable Cut (AAC) and does not meet the requirement to harvest 60% of our AAC as outlined in our pilot project agreement. However, there have been numerous structural and market obstacles in maintaining a steady harvest level from the license area during the pilot phase and into 2018. Mainly, our position as an intermediary to Crown Land timber has created unique challenges in marketing products. At the current scale of the landbase and the additional costs of operating on public land (ie. stumpage, pre-treatment assessments, public approvals etc.), the margin on timber sales was consistently too low to support viable operations. As a third party manager of Crown land with no direct relationship to a primary mill, the additional costs of operating on Crown land are not easily recouped through the value-chain, and the scale of our landbase does not offer sufficient certainty of supply for any one buyer to justify the difference.

The MCFC is vulnerable to fluctuations in markets, since our wood is sold through public tender. Often, this has resulted in receiving stumpage bids that are well below the actual costs of Crown stumpage, management, and road infrastructure development. In our first tender offered in 2015, we were unable to award a winner due to the projected loss the MCFC would incur provided the costs of road upgrades needed to access the harvest areas. In order to improve the likelihood of a profitable tender, the harvest areas from the original tender were grouped with blocks that were accessible for spring break-up which increased the volume and value of the tender dramatically. The additional volume provided an incentive for bidders and the MCFC to award the tender to Northern Pulp (NP) in November 2015.

In the winter of 2015/2016, NP completed 12 of 14 operable blocks. They were delayed by road upgrades in spring 2016 and decided to return to complete the remainder of the tender in fall 2016. The MCFC completed new road construction to access the remaining two harvest areas that spring, however this was the same location where the Seven Mile Lake fire was started that August. The fire destroyed both blocks and accounted for a loss of roughly 3500 tonnes of timber, and \$13,500 for the construction of the road. NP were provided with alternative harvest areas to fulfill the lost volume and these blocks were completed in January 2017.

Following the low profit margins associated with the NP harvest, the MCFC released a procurement offer for roadside purchases to local mills in August 2016. This was done in hopes that with completed PTAs, layout and public consultation there might be an incentive for mills to bid a higher price than posted market value. Although the MCFC did receive interest from several local mills to purchase logs, offers were again below actual costs, mainly due to the added expense of partial harvesting in the absence of silviculture reimbursements.

A salvage harvest was completed in late 2016 to retrieve merchantable timber from the Seven Mile Lake Fire firebreak. During spring 2016, Westfor Management Inc. was hired to complete a

uniform shelterwood harvest in a hardwood area to help build our firewood inventory. This harvest was for the most part successful, however there was a considerable percentage of hardwood pulp (poplar) sorted with the firewood that made some of the supply unsellable to the public.

In 2017, the MCFC released another tender that included 8 harvest openings accounting for over 11,000 tonnes of timber. This tender was released during a downturn in pulp markets, and NP chose not to submit a bid. The tender was awarded to Westfor as the highest bidder. Many of the harvest areas in this tender used an alternative harvest treatment akin to an irregular shelterwood harvest to promote uneven-aged management and a reduction in clearcutting. Harvest openings with this prescription were conditionally approved by the Department of Lands and Forestry as part of a research trial. The profitability of these harvests have been significantly limited by the inability for the MCFC to obtain silviculture funding. Completing a partial harvest on difficult terrain without an adjustment to stumpage prices is financially difficult. Given this situation, the contractor moved out of the area prior to harvesting all the blocks and the contract the MCFC initially signed with Westfor eventually expired.

In May 2018, the MCFC released a tender which included the remainder of the openings from the 2017 tender and additional blocks that were recently approved through the Lands & Forestry IRM and public review process. The MCFC only received a bid from Westfor for this package and was unfortunately not able to award the contract as the bid submitted required silviculture funding to be financially viable. No additional credits were available at this time given other silvicultural needs on the license area and low harvest levels to date. Given the projected financial losses from cutting wood in 2018 and uncertainty regarding the continuation of the pilot, the MCFC did not actively pursue further bids.

The Department of Lands and Forestry expressed their intent to fund the MCFC throughout negotiations for a long-term agreement in late 2018. By this time, the MCFC was in conversations with both Westfor and Harry Freeman and Son Ltd. for ongoing harvesting and have since signed harvest agreements with both parties, due to expire in June 2019.

Over the past 4 years, the MCFC has gained accurate numbers on the cost of operating a business based on multi-value Crown forest management. However, the Annual Allowable Cut (AAC) provided for our license area does not accurately reflect the landscape level management objectives presented in our management plan, nor the continued challenges in marketing wood as intermediary to Crown Land. There are minimal low-value market opportunities (pulpwood) in our region, and the organization cannot sustain harvesting products from the license area that result in a net financial loss. The MCFC has taken every opportunity throughout the duration of the pilot phase to harvest wood whenever viable financial conditions were available.

Additional Benefit of MCFC as a Manager of Crown Land Timber

The MCFC has been established as a manager of public land that provides a meaningful forum for public participation in forest management. We provide a constructive platform for the public to have input in Crown land forest management and promote social license for the forestry industry.

The existence of the community forest model provides the Department of Lands and Forestry a framework to test alternative management systems - particularly as related to ecological forestry - before scaling to larger license areas. In the public eye, the continued support of community forestry provides the Department a key reference in their development of ecological forestry, and their dedication to the diversification of the forest industry in support of rural communities. The MCFC directly demonstrates the Department's commitment to building Crown Land management practices focused on maximizing the multiple benefits possible from public forest land.

By managing our license area to promote maturity and using principles of Improved Forest Management² (IFM), overtime we will yield a higher percentage of sawable materials and reduce the proportion of pulpwood for which market demand has diminished dramatically. Further verification of these assumptions can be achieved through a collaborative timber harvest and yield exercise with the Department that reflects the MCFC management plan. The costs within the following scenarios and the proposed administrative allowances are reflective of our results to date, our management plan and conditions within, and our belief that managing the license area to support increasing structural maturity and quality is a priority focus given the change in market conditions.

Customers

The MCFC will continue to serve the province as a forest manager for Crown land, and provide timber products to sawmills. The procurement process the MCFC has developed timber available in an open marketplace for to directly bid on products, without affecting their individual Crown land allocations. Timber sales through open tender also offers access to supply for smaller-scale lumber producers and niche markets that may not otherwise be supported with a consistent Crown land timber supply.

Channels

The success of MCFC timber operations is dependent on clear communication with contractors and those purchasing wood through our tender or procurement processes. Developing a reliable structure to facilitate positive relationships between the MCFC as the land manager and the contractor will help ensure that prescriptions are executed carefully and operators understand the foundations of ecological forestry.

Key Activities

The MCFC offers harvest blocks to mills through a streamlined process. We are providing a forest management framework complete with harvest areas that have been cruised using the

² Improved Forest Management refers to forest management activities which result in increased carbon stocks within forests and/or reduce greenhouse gas emissions from forestry activities when compared to business-as-usual forestry practices (American Carbon Registry, 2019).

pre-treatment assessment program, and approved through the Integrated Resource Management (IRM) and public review processes. It is our understanding there will continue to be a demand for approved blocks by mills in our license area. The goal will be to make demand for these blocks more consistent through strategic planning, primarily through the establishment of a 5-year operating plan.

Key Resources

In order to bring stability and success to ongoing timber harvesting on the MCFC license area, a minimum 5-year operating plan will be established. Through advance operations planning, the MCFC can build an inventory with a diverse array of harvest areas. This inventory can be used as a planning tool to access harvests in favorable market conditions or during times of seasonal site or access limitations.

During the development of the MCFC long-term license agreement, the organization will invest significant time and resources into building our timber-supply inventory. This will include site reconnaissance, pre-treatment assessments and road building and upgrading assessments.

Cost Structure

From direct community engagement to trail building, the everyday operations of the MCFC are above and beyond those of most other licensees in the province. Rather than having a supply dedicated to mills, our supply is available for a diversity of opportunities, new markets, and small-scale and local buyers. In order for the model to be successful there needs to be careful consideration of the opportunity presented; an organization focused on testing alternative management systems and their associated costs. The MCFC is aware of the potential implications of providing reduced stumpage rates to licensees and therefore is proposing the consideration of a community forestry management allowance for a negotiated rate, or the expansion of the current license area to provide sufficient cumulative operating margin to cover our operating costs.

Baseline Scenario (current structure):

The following scenarios assume perfect market conditions, which includes profitable stumpage offers with an assumed market for pulpwood, which will allow the MCFC to harvest 1 GMT/ha/year. This AAC target was developed based on the additional constraints found within the [MCFC Management Plan](#) and the AAC provided by the province. Examples that reduce our target AAC include: larger watercourse buffers, decreased clearcut size, protected areas special management zone, and additional precautions to protect species at risk. The AAC target in the pilot agreement assumed a market for all pulpwood products (~30% of total AAC) and market results to date would suggest this assumption must be reassessed. Silviculture funding has also been excluded from all models, but could significantly improve market security if available for all qualifying MCFC harvests.

Product	Volume (GMT)	% of Harvest	Crown Stumpage Paid/GMT	Expected Stumpage Offer/GMT	Total Revenue	Gross Margin	Gross Margin %	Overhead & Admin Costs (\$10/GMT)	Net Profit (Loss)
S/F Sawlogs	1,950	13%	\$32.45	\$37.50	\$73,125	\$9,847	13%	\$19,500	-\$9,653
S/F Studwood	3,750	25%	\$27.54	\$31.00	\$116,250	\$12,975	11%	\$37,500	-\$24,525
Pine Sawlogs	2,250	15%	\$19.58	\$26.50	\$59,625	\$15,570	26%	\$22,500	-\$6,930
Softwood Pulp	3,000	20%	\$4.25	\$4.25	\$12,750	\$0	0%	\$30,000	-\$30,000
Firewood*	4,050	27%	\$9.76	\$45.00	\$182,250	\$21,222	12%	\$40,500	-\$19,278
Total	15,000	100%			\$444,000			\$150,000	-\$90,386

* Cost of harvesting firewood (\$30/GMT) has been added to gross margin calculation

Scenario 1:

Scenario 1 outlines expanding the license area thereby increasing the AAC, however even with an increase to harvest volume, admin costs associated with the increased license area are not covered.

Product	Volume (GMT)	% of Harvest	Crown Stumpage Paid/GMT	Expected Stumpage Offer/GMT	Total Revenue	Gross Margin	Gross Margin %	Overhead & Admin Costs (\$6 /GMT)	Net Profit (Loss)
S/F Sawlogs	5850	13%	\$32.45	\$37.50	\$219,375	\$29,543	13%	\$35,100	-\$5,558
S/F Studwood	11250	25%	\$27.54	\$31.00	\$348,750	\$38,925	11%	\$67,500	-\$28,575
Pine Sawlogs	6750	15%	\$19.58	\$26.50	\$178,875	\$46,710	26%	\$40,500	\$6,210
Softwood Pulp	9000	20%	\$4.25	\$4.25	\$38,250	\$0	0%	\$54,000	-\$54,000
Firewood*	12150	27%	\$9.76	\$45.00	\$546,750	\$63,666	12%	\$72,900	-\$9,234
Total	45000	100%			\$1,332,000			\$270,000	-\$91,157

* Cost of harvesting firewood (\$30/GMT) has been included within the gross margin calculation

Scenario 2:

Scenario 2 outlines the provision of an additional administrative allowance to cover the current overhead and administrative expenses.

Product	Volume (GMT)	Crown Stumpage Paid/GMT	Add. Overhead Allowance /GMT**	Expected Stumpage Offer /GMT	Total Revenue	Total Stumpage paid	Gross Margin	Gross Margin %	Overhead & Admin Costs (\$10/ton)	Net Profit
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S/F Sawlogs	1,950	\$32.45	\$6.05	\$37.50	\$84,923	\$63,278	\$21,645	25%	\$19,500	\$2,145
S/F Studwood	3,750	\$27.54	\$6.05	\$31.00	\$138,938	\$103,275	\$35,663	26%	\$37,500	-\$1,838
Pine Sawlogs	2,250	\$19.58	\$6.05	\$26.50	\$73,238	\$44,055	\$29,183	40%	\$22,500	\$6,683
Softwood Pulp	3,000	\$4.25	\$6.05	\$4.25	\$30,900	\$12,750	\$18,150	59%	\$30,000	-\$11,850
Firewood*	4,050	\$9.76	\$6.05	\$45.00	\$206,753	\$39,528	\$45,725	22%	\$40,500	\$5,225
Total	15,000				\$535,500	\$262,886	\$150,365		\$150,000	\$365

* Cost of harvesting firewood (\$30/GMT) has been added to gross margin calculation

** Overhead allowance in addition to the \$4.67 currently provided to the MCFC

Scenario 3:

Scenario 3 outlines a balance between an increased license area (AAC) and an additional administrative allowance.

Product	Volume (GMT)	Crown Stumpage Paid /GMT	Add. Overhead Allowance /GMT**	Expected Stumpage Offer /GMT	Total Revenue	Total Stumpage paid	Gross Margin	Gross Margin %	Overhead & Admin Costs (\$8/ton)	Net Profit
S/F Sawlogs	2,600	\$32.45	\$4.05	\$37.50	\$108,030	\$84,370	\$23,660	22%	\$20,800	\$2,860
S/F Studwood	5,000	\$27.54	\$4.05	\$31.00	\$175,250	\$137,700	\$37,550	21%	\$40,000	-\$2,450
Pine Sawlogs	3,000	\$19.58	\$4.05	\$26.50	\$91,650	\$58,740	\$32,910	36%	\$24,000	\$8,910
Softwood Pulp	4,000	\$4.25	\$4.05	\$4.25	\$33,200	\$17,000	\$16,200	49%	\$32,000	\$15,800
Firewood*	5,400	\$9.76	\$4.05	\$45.00	\$264,870	\$52,704	\$50,166	19%	\$43,200	\$6,966
Total	20,000				\$663,000	\$350,514	\$160,486		\$160,000	\$486

* Cost of harvesting firewood (\$30/GMT) has been added to gross margin calculation

** Overhead allowance in addition to the \$4.67 currently provided to the MCFC

Revenue Streams

The main revenue stream for Crown land wood supply will continue to be through timber sale tenders. The MCFC has and will continue to evaluate additional offers on an ad hoc basis, which may be accepted by the Board of Directors if they show profit for the organization beyond what can be obtained through public tender.

To date, the majority of wood product marketing has been the responsibility of the mill contracted through the tender process. However, the MCFC has secured alternative markets

that provide small, local and/or niche producers with wood products from a Crown land supply. Often, the sale of these products provides the MCFC with revenues above and beyond what would be accessible through the tender process. However, these sales account for greater overhead costs and require more operating capital to finance the cashflow requirements for harvesting and stumpage payments.

Key Partners

The MCFC will continue to work with key stakeholders in executing forest management planning. The involvement of stakeholders and the public is essential to the development of our operating plan; soliciting feedback from the public through the MCFC's channels (website, social media, newsletter etc.), and those required of licensees working on Crown land (ie. the Harvest Plans Map Viewer).

Aside from Stakeholder involvement, the MCFC will continue to work with members of the forestry industry to create adaptable approaches to ecological forestry. We recognize that support from the forestry industry is essential to the success of the MCFC. In building partnerships with industry, the MCFC can provide a trusted voice to the public in promoting ecological forestry and help build social license for the forestry industry in general.

Note: The content within the remainder of the Business Plan exists for discussion purposes; no referenced plans, costing structures, customers etc. should be taken verbatim. The success of all product streams are reliant on securing a long-term agreement with the Department of Lands and Forestry.

B) Firewood

Summary of Learnings to Date

Aside from marketing raw logs through Crown Land timber sales, the MCFC has explored opportunities to facilitate the sale of additional wood products. To date, this product development has been limited to the sale of firewood.

During the pilot phase, the MCFC was able to build a firewood business including; marketing processed firewood to nearby Kejimikujik National Park and Historic Site (Keji), private sales to local households and roadside sales to the public and other small vendors. We have also sold specialty logs to local vendors and hope to continue to diversify our sales, supporting small, local businesses and niche export markets, in the future.

In order to continue to build the firewood business, the MCFC has been exploring the procurement of a small kiln to meet the changing needs of our primary customer, Keji. In order to mitigate the risk of introduction or spread of invasive species, Keji will only be purchasing

firewood that is treated to be pest-free. We feel the importance of the park receiving pest-free wood is just as important as purchasing the product from a local supplier, and are currently investigating the costing structure to establish a firewood kiln in the Caledonia area. We currently use Canadian Food Inspection Agency movement certificates for any firewood that is trucked outside the Hemlock Woolly Adelgid exclusion zone.

Aside from the Keji market, the MCFC has contacted other Maritime National Parks and Nova Scotia Provincial Parks to gauge interest in a certified, packaged, kiln-dried firewood product. Thus far this offer has sparked interest, but we will likely need to be cost competitive with the existing primary supplier who currently holds a monopoly over the packaged, heat-treated firewood market. Given that this supplier is located in Northern New Brunswick we do not foresee this as a limitation to expanding our business.

We anticipate that trends in adventure tourism will continue to rise and with it the need to limit the spread of invasive species. Expanding our capacity to supply pest-free wood will present an immense opportunity in growing this revenue stream.

Unique Value Proposition

Similar to the Crown land timber supply, our firewood can ensure supply is sustainably harvested, traceable, and from a local business based on the principles of social entrepreneurship.

There are several new additions we would like to add to our firewood business including:

- Sale of heat-treated wood to Maritime National Parks
- Sale of heat-treated wood to Nova Scotia Provincial Parks
- Sale of heat-treated and air-dried half cord bags to HRM clients

With the development of a heat-treated product, the MCFC will be promoting firewood that is pest-free and reduces the risks to forests posed by invasive species.

Customers

In addition to our existing firewood customers, we have approached additional Maritime National Parks and most have interest in purchasing our kiln-dried firewood, as well as the Provincial Parks with camping amenities. In order for the business case for the kiln to be successful, the MCFC will require additional customers for heat-treated firewood.

We will continue to serve our existing customer base with lower-cost options such as air-dried cut/split firewood. We also would like to develop sales of air-dried and heat-treated firewood using half cord bags to markets in Halifax.

Sustainability and environmental stewardship continue to gain purchasing power in consumer markets, and our customers will have a distinct interest in purchasing wood products from a verified source.

Channels

Although the value-added product lines we are proposing are diverse, there will be a need to maintain communication with all buyers and develop products according to feedback. There will be a continuing trend to maintain the MCFC brand to allow our projects to develop a distinct status in local wood product marketing.

Key Activities

The development of value-added products is dependent on a steady supply of wood from the MCFC license area. Provided we have the structure to facilitate ongoing Crown harvests (refer to the Crown Land Timber product line), we are aiming to provide a high-quality, sustainable firewood product to wholesale markets.

Key Resources

There is a considerable volume of work to be done to develop the delivery and service mechanisms to promote timely customer service both for firewood and value-added lumber. Our current channels for the distribution of firewood are barely keeping up with demand. Dedicated staff and equipment will be needed to invest in growing the value-added product lines.

Cost Structure

Budget for Kiln-dried Campground Firewood Sales - Kejimikujik National Park

We are currently exploring a partnership model with another local firewood business which may affect the potential revenue/expenses as described below.

Revenue	
Bundle (\$6.00/1 cubic foot, 25,000 units)	\$150,000.00
Backcountry (\$350/cord, 60 cords)	\$21,000.00
Total Revenue	\$171,000.00
Expenses	
Harvest Costs (\$65/cord)	\$16,900.00
Stumpage (\$19.52/cord)	\$6,090.24
Trucking (to yard) (\$30/cord)	\$9,360
Kindling (\$.25/bundle)	\$6,250.00

Processing (\$70/cord)	\$21,840.00
Bagging/Packing (\$1.15/bundle)	\$28,750.00
Delivery (\$50/cord)	\$13,000.00
Kiln - loading, drying (\$53/cord)	\$16,536.00
Total Expenses	\$118,726.24
Gross Margin	\$52,273.76
Gross Margin (%)	31%
Overhead	
Staff	\$3,166.00
Kiln (annual financing payment)	\$14,400.00
Site Costs	\$1,500.00
Bookkeeping	\$125.00
Road Costs	\$480.00
Total Overhead	\$19,671.00
Net Profit	\$32,602.76

Revenue Streams

The revenue streams for firewood will be generated primarily through the sale of kiln-dried, bagged firewood to customers with a base 25,000 bag yearly demand. In the immediate future (2021) our hope is to have a pest-free product to offer Keji and fulfill their growing yearly demand of 25,000+ bags, along with an additional 60 cords of loose firewood for backcountry camping. There has been explicit interest from Keji for the MCFC to continue as their firewood supplier, however it is necessary that we accommodate their changing needs and help minimize the spread of invasive species.

Key Partners

Our key partners in growing the firewood product line are those who can provide expertise in developing niche markets. This feedback will come from potential customers, and/or suppliers who are not in competition with what we're developing, such as those from other geographic regions. A small amount of this research has already been completed through interviewing kiln manufacturers.

Partners who are keen to develop specialized markets for Nova Scotia wood are also essential to making this product line successful; this might include carbon neutral wood supply developers, the Climate Forest Company or government institutions that do not present conflicts with the softwood lumber agreements such as Natural Resources Canada.

We are currently exploring a partnership model with another local firewood business which may affect the potential revenue as described above.

C) Value-Added Lumber

Summary of Learnings to Date

An alternative wood-based revenue stream that was explored during the pilot phase was the export of pine lumber to markets in the UK. The MCFC was able to secure an interested buyer to purchase large-dimension, dried pine lumber for furniture building. Although this revenue stream was mapped to yield a favorable gross margin, at the time the MCFC faced too much uncertainty regarding our license agreement and were not able to commit to investing the capital to build product inventory, or even a 2 year supply agreement. Simply, the production of the first shipment required a significant capital investment that was not obtainable without securing a long-term agreement. Our hope is to continue to research and develop this market opportunity upon reaching a long-term agreement with the Department of Lands and Forestry.

The MCFC has not continued communications with our prospective buyer in the UK, however the business proposition ended on good terms. We will reach out to the prospective buyer once we are able to make supply commitments with the security of a long-term agreement.

Unique Value Proposition

The MCFC can offer lumber sourced from a sustainable, third-party certified and traceable supply chain. Our business model fosters principles of social entrepreneurship, contrary to most multi-national corporations that dominate global wood supply. The MCFC hopes to obtain Forest Stewardship Council (FSC) certification for our license area in addition to, or instead of the current Sustainable Forestry Initiative (SFI) certification. From our research to date, international clients are most interested in wood products that hold FSC certification.

The sale of unique or special order logs also provides small-scale, local buyers with the opportunity to access the reliability of a Crown land timber supply. The MCFC has several small-scale clients that we sell softwood and hardwood logs to on an annual basis. Through increasing our annual harvest, the MCFC can supply woodworkers with a large inventory and access to unique individual trees necessary for special projects such as burl bowls.

Customers

Trends in marketing niche and value-added lumber products are increasingly geared towards green-minded consumers concerned about the impact of forestry practices worldwide. Selling a traceable product from a region with superior forestry practices - especially from a producer demonstrating social and environmental responsibility - creates an added value claim for buyers. Lumber distributors who are keen to promote ethical and ecologically-based forest harvesting see the value of this claim and can sell our lumber as a differentiated product.

Channels

The value-added product lines we are proposing are diverse and tailoring products to the needs of our buyers in the early stages will require careful communication and adaptability. There will be a continuing need to grow the MCFC brand to allow our projects to develop a distinct status in the local wood products market. The maintenance of third-party certification is important to many lumber distributors, our discussions to date have showed a preference for certification through the Forest Stewardship Council (FSC).

The MCFC will need to complete extensive market research and network with international distributors prior to determining the most effective channels to market our products.

Key Activities

We plan to develop a structure that supports a steady supply of quality pine lumber for export but at a scale suited to a niche product that would not typically be the focus of larger export producers. We hope in creating this market there will be a spin-off for local woodlot owners, especially for those producing large diameter pine sawlogs.

Key Resources

Considerable research and logistics will be required to develop the delivery and service mechanisms to build our value-added lumber product line. Dedicated staff will be needed to grow the business and determine logistics in production and distribution.

Cost Structure

Detailed estimates regarding manufacturing costs were gathered while the MCFC was researching this revenue stream in 2016. **The production was modelled using real production costs as quoted from a partner mill, and shipping charges based on historical reference data for similar product shipments through the Port of Halifax. Labour, mill set-up, run rates and kiln charges are all included in manufacturing costs.** It is likely that these manufacturing costs are no longer completely accurate, yet still appropriate to be used as estimates.

Estimated Annual Revenue for Export White Pine Sales

**Based on 2016 prices – all budgets to be taken as estimates*

Statement of Earnings	
	Year 1
Total Revenue	\$1,280,179.20
Total Volume (GMT)	9,102
Net wood costs	\$462,918.44
Manufacturing costs	\$569,679.74
Shipping Costs	\$240,033.60
Total direct costs	\$1,032,598.18
Gross profit (\$)	\$247,581.02
Gross profit (%)	19.3%

Revenue Streams

From the work completed during the pilot phase we have contacts in the UK interested in purchasing lumber, specifically furniture grade pine, from Nova Scotia. Aside from export markets, we are also activity promoting the sale of lumber to small lumber producers in southwestern NS to build a reputation as a reliable quality lumber supplier generating economic wealth in our community.

Key Partners

Our key partners in growing the value-added product line are those who can provide expertise in developing niche markets. This feedback will come from potential customers, and/or suppliers who are not in competition with what we're developing, such as those from other geographic regions.

Partners who are keen to develop specialized markets for Nova Scotia wood are also essential to making this product line successful; this might include carbon neutral wood supply developers, the Climate Forest Company or government institutions that do not present conflicts with the softwood lumber agreements such as Natural Resources Canada. There are

also potential partnership opportunities in exploring FSC certification through the Nova Scotia Association for Woodland Certification.

D) Recreation

Summary of Learnings to Date

The MCFC has struggled to find a suitable revenue stream within recreation and ecotourism given the short timeline of the pilot phase. There is tremendous social benefit to the development of recreation within the license area, however revenue generating ventures are difficult to establish on a short-term. From the outset, we recognized a need to distinguish ourselves from nearby Kejimikujik National Park and Historic Site, and provide recreational services that may not be possible within a National Park or Provincial Protected Area. We are fortunate that the MCFC location is central to an extensive network of protected areas, and would like to find revenue streams that complement existing ecotourism businesses.

One example of an opportunity we have explored is the development of a ropes course or canopy walk where visitors can have a unique, forest-based experience. Another potential product is the development of a hike-in front-country campground that could provide a backcountry experience without the commitment of travelling through the woods. Both of these products require not only capital investments, but also a commitment that the MCFC will be operating for years to come.

In addition to the monetary and temporal limitations, our current Crown license agreement does not allow for us to experiment with different land uses aside from forestry activities; as a result of this gap in the current agreement, we are unsure how to move forward with these projects. Our priority for recreation is to develop a 12 site campground in late summer 2019 that will be open for Keji's scheduled closure of the Jeremy's Bay campground in 2020.

It is important to note that not all recreation or ecotourism activities undertaken by the MCFC should be required to generate revenue. We consider building recreation amenities as an intrinsic benefit to the local community as it diversifies the user groups currently using Crown Land, and raises awareness for the MCFC. These services, including trails and workshops, have not been included in the costing structure of this product line.

Unique Value Proposition

The MCFC offers a license area that can be used by the Province to test ecotourism revenue streams. The proposed development of campsites can accommodate overflow from Keji, and provide accessible camping to families who may not be able to afford the additional costs of camping in a National Park. The MCFC is located in a region that is well suited to recreation, sharing property boundaries with the Tobeatic Wilderness Area, the Medway Lakes Wilderness Area and of course Kejimikujik. We are in a position to offer services that may not be permitted in protected areas and facilitate access for these neighbouring lands.

An analysis of existing camping accommodations in the Kejimikujik area can be viewed on the Tourism NS [website](#). We are adamant that this revenue stream remain non-competitive with other tourism accommodations in the region. Aside from Keji and Raven Haven Beachside Family Park (owned by the County of Annapolis) all accommodations within 40 km of the MCFC are rustic cottage or B&B style. There are no existing campgrounds in the region providing walk-in, backcountry-style campsites.

Customers

MCFC recreation customers will be community members who have accessed the license area for generations as well as newcomers seeking experiences outside of the Halifax Regional Municipality (HRM). There will likely be spin-off customers who are travelling tourists from outside the Maritimes or HRM, but in our inaugural years, the main target will be local or regional visitors.

Channels

The success of future recreation projects is tied to effective use of technological development and marketing strategies. To capture the millennial generation interested in low-cost alternatives to camping in a National Park, we are aiming to build on our existing brand and create an app platform to take reservations. Given our limited resources, the campsites will operate on a self-serve basis, with daily check-ins by MCFC seasonal staff.

In regard to developing a ropes course or similar large, infrastructure-based recreational experiences, the preferred marketing channel would be to seek a franchise opportunity and piggy-back on an existing brand. If the MCFC chooses to undertake such a major project there will be a full market analysis and separate business plan completed beforehand.

Key Activities

The MCFC is seeking to develop a 12-site campground in late 2019, adding additional sites in 2021 provided the model is successful. In addition to the campground, we will be exploring the feasibility of 'glamping' style accommodations such as yurts or cabins. Our priority would be to remain non-competitive with existing businesses, instead focusing on attracting new users to the area.

Additional activities might include: the development of a ropes course; a permitting system for secure parking for those accessing adjacent protected areas and; growing our offering of workshops to cater to 'retreat' users or experiential-based tourism.

There have also been extensive discussions with Nova Scotia Environment, Protected Areas branch to build a partnership and help facilitate and regulate access to the Medway Lakes Wilderness Area (MLWA). During the Advisory Group process the MCFC participated in, stakeholders recommended that the MCFC develop a backcountry reservation system for the

MLWA as well as access points where visitors can safely park their vehicles prior to entering the wilderness area.

Key Resources

The resources required for the development of recreational amenities range from trail-building contractors, software developers, and the MCFC membership for volunteer labour. Support from Lands and Forestry is essential to navigate the land administration requirements to build regulations and permissions for these non-traditional uses of Crown land.

Cost Structure

**All budgets should be taken as estimates*

Campsite Development Start-up Costs

Item	Cost
Parking lot and road upgrades	\$4,500
Trail and tent pad construction	\$2,500
Picnic Tables	\$2,000
Signage	\$1,000
Firepits	\$1,000
Woodshed	\$5,000
Outhouses	\$7,000
Website development	\$1,200
Marketing and branding	\$1,500
Site Planning	\$1,200
TOTAL	\$26,900.00

Estimated Annual Operating Budget

Revenue	
Campsite (\$30/night, 50% occupancy over 150 camping days)	\$27,000.00
Firewood (\$6 each, 1 cubic foot bundles)	\$4,320.00
Total Revenue	\$31,320.00

Expenses	
Insurance	\$750.00
Firewood production	\$3,600.00
Website and tech admin	\$1,000.00
Maintenance and upkeep	\$1,200.00
Overhead and admin (10%)	\$3,240.00
Total Expenses	\$12,290.00
Gross Margin	\$19,030.00
Gross Margin (%)	47%
Overhead	
Staffing (1 hour @ \$25 for 150 days)	\$3,750
Overhead and admin (10%)	\$3,240.00
Total Overhead	\$6,990.00
Gross Profit	\$7,790.00
Gross Profit (%)	33%

Revenue Streams

The primary revenue stream for recreation will be the rental of accommodations, particularly to those who may be looking for an alternative to camping at Keji or seeking a more wilderness-based, yet still convenient, outdoor experience. Through creating an app-based reservation system we can build an inventory of our reservations and determine our best customer segments.

Specialized recreation amenities will be on a user-pay system, however operating budgets for these product lines have not yet been determined due to the limitations presented from the outset of the pilot.

Key Partners

The MCFC will continue to work with our recreation stakeholders to build services that are of benefit to the diversity of user groups in the area. To date we have been working with local guides and outfitters, Whynot Adventure to scout locations and develop a budget for the campground business. Their outfitting services will also compliment the campground, providing the option to rent camping gear at a reasonable cost for customers who do not have their own.

Building from the experiential outdoor workshops the MCFC developed in 2018, we will continue to partner with regional experts to facilitate unique experiences on the license area. In the past we have worked with East Coast Wild Foods (Wild Food Foray and Feast), Cobequid Consulting (Trail Building Workshop) and Whynot Adventure (Introduction to Backcountry Camping for Women).

E) The Nova Scotia Working Woodlands Trust

Summary of Learning to Date

In our conversations with woodlot owners, concerns regarding intergenerational transfer and future management of their woodlands has become a common theme. Working with partner organizations such as MTRI and the WWSC, the MCFC has begun developing a working forest land trust pilot to assist woodlot owners in protecting their long-term legacies of sustainable forestry through easements. In 2018, the MCFC conducted extensive research on the implementation of Working Forest Easement from other jurisdictions as well as the few organizations recognized by the NS Community Easement Act.

The proposed 'Nova Scotia Working Woodlands Trust' (NSWWT) will partner with service providers across the province to initiate working forest easements on qualifying properties. To date we have developed an application for incorporation, and will be working to obtain charitable status and becoming a designated organization under the Nova Scotia Community Easement Act in 2019.

Unique Value Proposition

The NSWWT will exit as a separate non-profit subsidiary of the MCFC and once accepted as a charitable organization, will provide the service of holding working woodlot easements for woodlot owners. The mission of the NSWWT is to uphold the long-term stewardship of family working woodlands in Nova Scotia, through ecological forestry and conservation.

The objectives of NSWWT are:

- To maintain productive forest lands in perpetuity, and managed through ecosystem-based forestry.
 - To develop, enter into, manage, monitor and enforce community easements as per the Nova Scotia Community Easement Act;
 - to acquire and own lands.
- To provide woodlot owners with:
 - the opportunity to place working forest easements on their properties;
 - the organizational structure to maintain working forests in perpetuity through gifts and acquisitions.
- To solicit donations, including land to achieve the objectives of the Trust.

- To work with partner organizations to provide sustainable forest management on private woodlots.
- To promote healthy forests conditions in Nova Scotia while continuing to maintain or improve economic and social benefits to landowners and their heirs.
- To build an inventory of healthy and diverse working forests to facilitate sustained rural economic growth.
- To encourage sustainable forest management which maintains or enhances conservation values.
- To serve as a demonstration of forest stewardship and ecosystem-based forestry.

Along with maintaining woodlot owners' legacies, the NSWWT will provide a stream-lined route for woodlot owners to access revenue from carbon sequestration. Drawing from examples in other regions, carbon sales are more viable when lands are aggregated, rather than to individual woodlot owners trying to access the market independently. Additionally, placing easements on properties that are seeking to sequester carbon primarily through Improved Forest Management (IMF), reduces the risk of infraction and hence the liability cost of selling carbon into the voluntary market. The NSWWT will be the first land trust of its kind in NS, and addresses an increasing need given demographic trends and continued urbanization. All carbon sales will be completed through a third-party organization with experience in evaluation and verification of forest carbon sequestration. The NSWWT role is to aggregate lands sufficient to generate marketable carbon credits and to provide the mechanism for long-term assurance on management practices.

Customers

For the land trust, the woodlot owner will be the primary customer and will be required to make a proportional contribution to an endowment fund that sustains the maintenance of easements within the trust. Providing this mechanism for intergenerational land transfer directly supports long-term economic opportunity in rural communities by reducing risks of liquidation harvests and other forms of unsustainable logging.

Channels

The difficulty with marketing services to woodlot owners is that many in the older age demographic are not active users of social media, the MCFC's primary marketing channel. However, many woodlot owners do use email, and provided our existing partnerships with NS woodlot owner groups we will be able to access contact information to reach them directly. Aside from physical outreach materials, we will be presenting the model to woodlot owners at the regional woodland conferences starting in March 2019.

A survey was circulated to members of the WWSC in 2018 to gauge woodlot owner interest in the land trust concept. The survey was received very well and we will continue to test the business model and framework with these potential clients over the next year.

Key Activities

The land trust will act as an easement holder through the Community Easements Act, and perform monitoring on properties to ensure landowners are abiding by the conditions of their forest management plan, as developed by their local service providers. The NSWWT will hold endowments in trust and use the return on investment to pay for annual visits to participating woodlots.

The NSWWT will also take donations to finance the purchase of woodlots with unique stewardship legacies where the owner may not be able to afford an endowment. Woodlot owners will also have the opportunity to donate their lands outright to the trust, and those properties will be used to promote the forest management values of the MCFC and demonstrate the importance of carefully managed woodlots.

Key Resources

In the inaugural years of the organization, the NSWWT will be reliant on staff and capital financing from the MCFC. Moving forward, the organization will work with staff at regional woodlot service cooperatives to reduce costs associated with property monitoring. The NSWWT will also solicit donations independently to help finance overhead costs and raise funds for endowments for lower-income land owners with special or unique properties.

The key resource for building the NSWWT will be the legal development of easements. We will need to establish the legal parameters for participating woodlots to conduct forestry activities but still offer the conservation values that are required in the Community Easements Act. The MCFC will work with existing woodlot regional service providers to determine a template for management plans. Careful marketing, including effective branding and outreach will be vital to reach potential customers across the province.

Cost Structure

**All budgets should be taken as estimates*

The endowments used in the following budget were created using the New England Forestry Foundation's (NEFF) Endowment Fund Calculator. NEFF is the longest running land trust in the United States, owning or holding easements on over 1.1 million acres of forest. The average endowment for a 200 acre woodlot is approximately \$20,000 (\$100/acre) which, with investments, will pay for annual monitoring in perpetuity.

Nova Scotia Working Woodlot Land Trust Budget

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	SELF-SUFFICIENCY*
Land Base (acres)	0	400	1,000	1,800	24,500
Land Base (ha)	0	160	400	720	9,800
REVENUE					
Endowments (\$100/acre)	\$ -	\$40,000.00	\$100,000.00	\$180,000.00	\$2,450,000.00
Investment Return	\$ -	\$1,200.00	\$3,000.00	\$5,400.00	\$73,500.00
Grants/Donations	\$50,000.00	\$25,000.00	\$25,000.00	\$20,000.00	\$50,000.00
Total Revenue	\$50,000.00	\$66,200.00	\$128,000.00	\$205,400.00	\$2,573,500.00
Direct Costs					
Monitoring & Site Visits	\$5,000.00	\$400.00	\$1,000.00	\$1,800.00	\$24,500.00
Community Engagement & Fundraising	\$10,000.00	\$7,500.00	\$7,500.00	\$7,500.00	\$12,500.00
Total Expenses	\$15,000.00	\$7,900.00	\$8,500.00	\$9,300.00	\$37,000.00
Gross Margin	\$35,000.00	\$46,108.00	\$91,520.00	\$145,736.00	\$2,536,500.00
Gross Margin (%)	70%	85%	75%	75%	76%
Overhead					
Legal	\$5,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$6,000.00
Insurance	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$4,000.00
Accounting	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$8,000.00
Capacity Development	\$15,000.00	\$15,000.00	\$8,000.00	\$8,000.00	\$8,000.00
Other Admin	\$4,500.00	\$5,000.00	\$6,500.00	\$6,500.00	\$10,000.00
Total Overhead (incl. Expenses)	\$43,500.00	\$33,900.00	\$29,000.00	\$29,800.00	\$73,000.00
Net Revenue (Held in trust)	\$6,500.00	\$20,108.00	\$71,020.00	\$125,236.00	\$1,467,400.00

**Self-sufficiency indicates the time at which the return on investment pays for the total overhead and admin expenses.*

Placing an easement on a property typically reduces the value of the property. For example, the property cannot be subdivided and sold for housing, which may yield the highest financial return.

In receiving an easement, the NSWWT can issue a charitable tax receipt for the reduction in property value associated with the easement. It is best practice for the charitable organization to obtain accredited independent appraisers so that the value of the charitable donation receipt issued is defensible to CRA.

The landowner will report a disposition of property on their tax return for the amount of the value impairment to the property associated with the easement. This is treated as taxable capital gain. The landowner also claims the donation receipt issued by the easement recipient. Although the landowner incurs tax on the donated easement, the benefit of the charitable donation receipt will quite often result in a favorable tax position. However, every tax payer's situation is unique, so they will be encouraged to fully explore their tax implications before entering into an agreement.

Revenue Streams

Since the NSWWT will be operating as a charity there is no aim to generate revenue for either woodlot owners nor the organization.

On a financial outlook, the key to success for the land trust depends on the ability of the invested endowments to pay for stewardship and administrative costs through real rate of return. Since the trust will be a charity, caution must be taken in endorsing economic activities that might provide financial benefit. Given these restrictions, all revenue from timber sales will be directed through partner organizations such as the WWSC.

Key Partners

The development of a Province-wide working forest land trust is a massive undertaking and will not be possible without the support of regional and provincial woodlot owner organizations. Service providers in particular will be involved from an early stage, building the management plan templates suitable for properties under working forest easements.

The input of existing land trusts, both from within the Maritimes and in New England, has been essential for developing the early organizational framework of the NSWWT. We will continue to partner with organizations such as the Nature Trust of Nova Scotia and the New Brunswick Community Land Trust for advice as we develop the model. Legal help to date has been provided by Jamie Simpson, who has worked for various land trusts in the Maritimes and develop working forest easements for woodlot owners in New Brunswick. Accounting services have also been provided by Georg Ernst from Grant Thornton LLP.

F) Private Land Services

Summary of Learnings to Date

Instigating private land management services has been a goal of the MCFC since the organization was established. However, the development of our forest management procedures related to Crown land timber have taken priority in the pilot phase. The MCFC has remained a key partner in the development of the Western Woodlot Services Cooperative (WWSC), acting on the advisory Board of Directors from 2015-2018. Currently, the MCFC General Manager acts as a service provider to WWSC members for roughly a half to full day per week. Our involvement with the WWSC has raised awareness of the MCFC among woodlot owners, however we are still mainly associated with Crown Land forest management.

The MCFC partnered with the Mersey Tobeatic Research Institute (MTRI) and the WWSC as part of the Forest Lab in 2016-2017 to help build a pilot for sustainable contractor capacity in Western Nova Scotia. The project was developed to build an inventory of harvest areas between the MCFC Crown land base and local woodlot owners to fulfill the needs of one harvest contractor on an ongoing basis. The MCFC is still keen to promote shared capacity and create purchasing power between our Crown Land supply and private woodlots, especially in consideration of new market opportunities such as large dimension white pine or low-value products such as biomass.

Unique Value Proposition

The MCFC forest management systems provide woodlot owners with a demonstration of machinery-based forestry. With the adoption of ecological forestry and the recommendations from the Independent Review of Forest Practices, this is increasingly important. The MCFC offers a perfect test location to pilot silviculture that fosters diversity, adaptability and resiliency, showcasing the techniques woodlot owners have been recommended in their management plans.

The MCFC provides a consistent supply of fibre that may be available to aggregate with fibre from private woodlots to create greater market opportunities. We have been working with several partners to develop markets for low-value and under-utilized products. Continuing with the work of the Forest Lab, the MCFC would like to pursue shared contractor capacity with private woodlot managers, and educate our contractors on the principles of ecological forestry.

Customers

Although private woodlot services are tailored to serve woodlot owners, our primary customer in providing consulting services is the WWSC. Although there are minimal financial benefits to working with the WWSC, the opportunity for direct contact with woodlot owners is important given that private woodlot ownership is engrained in the local culture of the community.

Channels

Channels for our private woodlot services will continue to be predominately carried through partner organizations such as the WWSC. However the MCFC will target certain workshops and educational events to woodlot owner demographics. Once the NSWWT is established, we will be able to demonstrate ecological forestry practices to landowners.

Key Activities

The MCFC will provide management services to WWSC members and encourage management practices that are aligned with ecological forestry. The primary services provided by MCFC staff includes timber cruises and harvest feasibility assessments, silviculture funding claims, management plan development and delivery, harvest layout and operations supervision.

Revenue Streams

The MCFC will continue to act as a service provider to WWSC members in Annapolis, Queens and Lunenburg Co. The rate the MCFC charges for staff time reflects average industry rates for forest consulting and yields a small profit for the organization.

Key Partners

The MCFC's main partners in serving private woodlot owners are the Western Woodlot Services Cooperative and the Mersey Tobeatic Research Institute. Our contacts for Crown Land operations, especially contractors will continue to be essential to building our relationships with woodlot owners.