

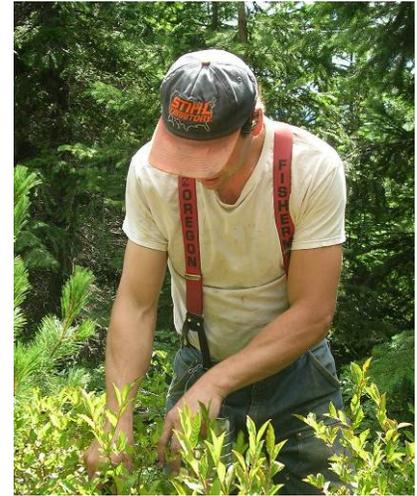


# Labor Options for Nontimber Forest Product Enterprises: A Brief Introduction for Small Private Forestland Owners in the Pacific Northwest

by Eric T. Jones and Lita Buttolph, Institute for Culture and Ecology

## Overview

Nontimber forest products (NTFPs), defined as any product obtained from forests for personal or commercial use other than industrial timber, can be an important source of income for forestland owners. One barrier to the development of NTFP businesses beyond the start-up phase is expanding labor to increase production. Many new businesses start with the owner, family members and/or business partners providing labor to harvest, process, package, market, deliver, handle bookkeeping and possibly many more activities start-ups might entail. At some point, however, as the scale of the operation increases, additional sources of labor may be required. Finding affordable labor may be one of the greatest challenges you face in running a business producing and marketing nontimber forest products. This fact sheet is an attempt to introduce possible labor options and well as spur you own creativity in finding labor solutions.



Professional harvester picking huckleberries.

## Labor Options and Considerations

When embarking on any business enterprise, your labor requirements will be a central factor in determining viability and potential for growth. The type and amount of labor needed for a business that sells nontimber forest products will vary depending on many factors including the products you sell, the scale of your operation, and the level of processing. Also of importance will be the current available supply of labor and the costs of hiring workers. A closely related piece of the labor puzzle is your business and tax structure. As you research your labor options, keep in mind some of the following questions:

1. Will the labor be seasonal, part-time, full-time, or a combination of all of these?
2. Will I need skilled or unskilled workers?
3. How much time will I need to spend training and supervising workers?
4. Will workers be required to commute to my land or will I offer housing?
5. Is there a workforce nearby who is willing to do the kind of work I need?
6. Can my family members provide all or some of my labor needs?



Bundled firewood business owner cutting wood from his forest.

Below is a list of types of labor that may be possible for an NTFP business. This list is not comprehensive or suitable for all areas. It will be important to talk to expert business and tax consultants before implementing any of these ideas.

*Individual Owner.* Doing the work yourself in the early phase of a new business is often a great way to explore the merits and particularities of a product idea without investing a lot of money (although you may invest a lot of your time during this phase). You will learn how much time, equipment and energy is required to conduct your business; the steps involved; and the profitability of your enterprise.

*Family.* Involving family members in a business is a common approach to meeting labor needs. Family members tend to be more committed to a family business<sup>1</sup>, and may be more flexible if work is seasonal or time-sensitive. Most states provide tax benefits for family labor.

*Volunteer.* Enlisting the help of friends and neighbors or inviting school groups or community service groups to help with safe and relatively easy activities could help you meet many of your labor needs while providing fun and educational experiences for volunteers. Before enlisting the help of volunteers, consult your state's laws regarding the difference between volunteers, employees, and contractors as there may be restrictions on who can volunteer and the type of work allowable.

*Interns.* Another source of labor might be apprentices or trainees interested in learning about forestry or agroforestry practices, including college and high school students.<sup>2</sup> Sanctioned programs through local high schools and colleges may allow for unpaid interns. Federal and state labor laws may require that you treat interns as employees, so check with your state labor department as each state has a different set of requirements and exemptions.

*Employee.* An employee is anyone who performs a service for you in which you control "what can be done and how it will be done (IRS 2012)." Employees are commonly paid an hourly rate and are generally required to be paid a federal or state minimum wage. Some exemptions to minimum wage requirements exist for agricultural workers. Employers are required to make payroll deductions for federal and state taxes, Social Security, and Medicare for their employees. Most employers are also required to have Worker's Compensation Insurance and Unemployment Insurance for their employees, but this may vary by state. The decision to hire employees may not be a choice, but a legal requirement, depending on the type of work involved and the amount of work needed. As mentioned in the section below on contracting, it will be important for you to review both your local state and federal regulations and criteria that distinguish contractors and employees. The U.S. Small Business Association has helpful information about business start-ups and hiring employees.<sup>3</sup>



Employees processing chanterelle mushrooms.

*Independent Contractors.* Many businesses hire independent contractors for labor needs. Independent contractors provide a service under a written or verbal agreement with your business. You, the business owner, can control or direct the *result* of the work, but not the *means* and *methods* of doing the work. The U.S. Department of Labor states: "In general, an employee, as distinguished from an independent contractor who is engaged in a business of his own, is one who 'follows the usual path of an employee' and is dependent on the business that he serves."<sup>4</sup> Determining whether a worker can be classified as an independent contractor rather than as an employee can be a challenge. If you plan to hire workers as independent contractors, be sure to review both your local state and federal regulations and criteria to

<sup>1</sup> Errington, Androw and Ruth Gasson. 1994. Labour Use in the Farm Family Business. *Sociologia Ruralis* 34:293-307

<sup>2</sup> Programs such as World Wide Opportunities on Organic Farms (WWOOF) connect organic farms and other landowners with volunteers interested in learning about farming and land use management with on-farm "workstay" arrangements.

<sup>3</sup> <http://www.sba.gov/content/employment-and-labor-law>

<sup>4</sup> <http://www.dol.gov/elaws/esa/flsa/docs/contractors.asp>

ensure your categorization is correct. Also, consult with a tax professional. Helpful information is available at the U.S. Department of Labor<sup>5</sup> and your state labor departments.

Contracts can be made with individuals or with firms that have a crew of workers. For work in the woods, one potential source of labor might be forest management or landscaping companies that provide vegetation management, logging, reforestation, native seed collection and native plant restoration, and other services on your land on a regular basis. A contract arrangement could potentially be made with these companies to also have your land managed for nontimber forest product production and/or harvesting. Over time the company would likely develop an intimate understanding of your land's ecosystem. Always check to make sure that any company you hire has liability insurance such as Logger's Broad Form liability insurance and that they are in good standing with the state and/or county contractor licensing board.

Professional harvesters who normally harvest on public or large industrial timberlands are another potential source of contract labor. One advantage of hiring professional harvesters is that they are familiar with many NTFPs, harvesting practices, and the quality demanded in the marketplace. They are also likely to have market connections to buyers and/or processors.

*Staffing Agencies.* Staffing agencies hire temporary workers as employees and handle all employment-related paperwork, filings, tax deductions and insurance. The workers are typically paid minimum wage and the landowner pays a rate that is some percentage greater than the employee's rate. This may be a simple labor option, but may be more costly than other options.

## **Alternative Labor Ideas**

The following lists some alternative options for how an NTFP businessperson might meet some of their labor needs. As with any new business/labor structure, it is important to check with a specialist, such as a business lawyer and/or CPA to make sure you are following the labor regulations for your state.

*Agritourism.* Setting up your operation as an agritourism enterprise enables visitors to come and engage in farm/forest activities such as harvesting and processing NTFPs for fun. You could set up a U-pick operation or have classes that teach people about the special characteristics of a particular product. For example, you could have a medicinal plants class that teaches students how to identify, harvest and process herbal medicines from your land. A similar class could be done with wild foods, wreath-making, and flower arranging. An agritourism business provides a service where visitors pay you for the experience of working on your land. To some landowners this may come as a surprise, but many people, especially in urban areas, see a benefit in experiencing and helping support rural livelihoods and settings.<sup>6</sup>

*Co-operatives.* Landowner co-operatives can be one means of sharing the cost of labor, in addition to equipment, storage, processing and marketing. A co-op may hire contractors or employees for all of its members, or provide labor from the members themselves. Advantages of being part of a cooperative include being able to pool products to fill large orders, provide a reliable stream of inventory, and lower costs by spreading them across the membership.

---

<sup>5</sup> <http://www.dol.gov/elaws/esa/flsa/docs/contractors.asp>

<sup>6</sup> For more information about agritourism, see Fact Sheet No. 7 of this series: Buttolph, L. and E.T. Jones. 2012. U-picks aren't just for farms: A brief introduction to developing nontimber forest-based tourism operations on private forestlands in the Pacific Northwest.

**Community Supported Agriculture.** Community Supported Agriculture (CSA) is a model of management in which consumers invest in a farm by purchasing “shares” of produce at the beginning of the growing season. This helps support the farmer by providing capital at the beginning of the growing season and shares the risks and benefits of production. Although most shareholders pay cash for their share, some CSAs exchange labor for shares or host work parties for members. One possibility for supporting a nontimber forest products enterprise on your land is to expand the CSA model to include forest lands, particularly those that include agroforestry practices and/or harvesting of NTFPs. Work parties with “shareholders” could provide another potential source of labor.



Members of the Oregon Woodland Co-op share labor for activities such as bough harvesting.

## Seek Professional Assistance

Labor is a highly complex and often contentious issue. Once you have an idea of your labor options, we recommend that you speak with a professional (such as a lawyer or certified public accountant) to discuss the details of your business, your labor needs, business structure and costs, and legal requirements. The Internal Revenue Service maintains a website for small businesses called “Starting and Operating a New Business,”<sup>7</sup> which may help you come up with questions for your tax professional. If you cannot afford a CPA, there are often other sources of free consultation like SCORE, a nonprofit that provides free consultation to small businesses ([www.score.org](http://www.score.org)). Other free sources of assistance include your state or local government help desk and county extension agent. For detailed advice specific to your situation you may need to hire a business or tax lawyer, which may be cost effective depending on the scale you want your business operation to be.

Whether you are hiring an expert or getting help from a volunteer, it is best to be prepared by having a written description of your situation. When you ask questions you may want to make them open-ended (e.g., start your question with how, what, tell me about) to avoid yes/no type responses that may not provide much information. Here is a hypothetical example of a paragraph for an expert:

*I own and live on 100 acres of land outside of West Salem in Marion County, Oregon. The land has 10 acres of orchard, 10 acres of vegetable crops, and 75 acres of forestland. In the past, I mostly harvested timber to sell to log markets. Last year I started harvesting a variety of nontimber forest products including native Oregon truffles, native seed, and several medicinal plants. I do the harvesting myself and sell them to a wholesale buyer. I am reaching a point with these nontimber business activities that I need help with the harvest, processing, and distribution if I am going to increase my supply to the market. At this stage I need to know what my different labor options are for my business.*

Some questions you might ask include:

1. How can I use volunteers to help with the harvest?
2. What are the different types of contractor arrangements I can use?
3. Under what circumstances will I need to hire employees?
4. What steps would I take if I wanted to hire a part-time employee?
5. How much will I have to pay employees in wages, taxes, insurance?

<sup>7</sup> <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Starting-a-Business>

6. How much will I have to pay for Social Security and Medicare, Worker’s Compensation, and Unemployment Insurance for my employees?
7. What is the agricultural worker category<sup>8</sup>, in what ways could it apply to my situation, and what are the costs?<sup>9</sup>
8. What are the costs (e.g., insurance) associated with using independent contractors?
9. What kinds of work are minors allowed to do and what is prohibited? What age?

#### Acknowledgements

Funding was provided by a grant from USDA National Institute for Food and Agriculture. For more information on nontimber products, including resources for small woodland owners, go to [www.ntfpinfo.us](http://www.ntfpinfo.us).



United States  
Department of  
Agriculture

National Institute  
of Food and  
Agriculture

---

<sup>8</sup> The State of Oregon defines agricultural work as “cultivating and tilling the soil, dairying, producing, cultivating, growing, and harvesting any agricultural or horticultural commodities, raising livestock, bees, fur-bearing animals, or poultry and any practices performed by a farmer on a farm as an incident to or in conjunction with such farming operations, including preparing for market, delivering products to storage or to market or to carriers for transportation to market.”

[http://www.oregon.gov/boli/TA/pages/t\\_faq\\_taagric.aspx](http://www.oregon.gov/boli/TA/pages/t_faq_taagric.aspx)

<sup>9</sup> Small farms are exempt from paying overtime and may be exempt from paying minimum wage if the farmer did not employ more than 500 “man-days” of agricultural labor in any calendar quarter of the preceding year. Some states have additional exemptions from minimum wage requirements or a separate minimum wage for agricultural workers.