

A cut above: building the market for fair trade timber

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Unlike coffee and cotton, timber has yet to become a fair trade commodity. But now its time has come. Rights over forest resources are increasingly ceded to small-scale community forest enterprises (CFEs), as large-scale industrial logging is now largely discredited in the sustainable development context. The fair trade emphasis on just pricing for poorer producers is exactly what CFEs need as incentive to invest in sustainable forest management — and secure environmental and poverty reduction benefits at one stroke.

With fair trade timber, CFEs could boost their entrepreneurial capacity using democratic business models with in-built social and environmental responsibility. The Fair Trade Labelling Organizations International and Forest Stewardship Council are exploring the ways and means through a new partnership, but more is needed. Consumers must be made aware of why paying higher prices is key to creating CFE incentives for sustainable forest management and poverty reduction. Time and money are needed for consumer education and installing fair trade timber in producer country forest policies, market segregation and procurement policies at all levels.

The use and abuse of forests

Forests play a vital, far-reaching role in sustainable development. Beyond their local importance to the forest-dependent poor, their use is also crucial to global targets on climate and biodiversity conservation.

Industrial logging is now generally discredited in the sustainable development context, bar a few notable exceptions, often certified by the Forest Stewardship Council (FSC; see Box). Through it the disinherited, forest-dependent poor can hope for little beyond menial jobs, fickle largess from investors, and trickle-down from poorly collected and distributed tax revenues. Many countries are now looking for an alternative

model. Forest areas controlled or managed by communities in developing countries have doubled over the last 15 years. The hope is that community entrepreneurs with local social and environmental accountability will have more incentive to manage forests sustainably and deliver poverty reduction.

Towards fairness in the forest: the FSC and FLO

The Forest Stewardship Council (FSC) was founded in 1993 as a non-profit membership organisation. Now with nearly 700 members divided into economic, social and environmental chambers, it oversees an independent global labelling scheme for forest products originating from sustainable forest management.

The Fairtrade Labelling Organizations International (FLO) was established in 1997 as an association of 20 national labelling initiatives (15 in Europe, plus one each in the United States, Canada, Japan, Australia and New Zealand). These promote and market the fair trade label based around product-specific standards — but not yet timber. The FLO complements the International Fair Trade Association (IFAT), which oversees a label for fair trade organisations, but not products.

There are already good examples of community forest enterprises (CFEs) that put control and benefits directly into the hands of the poor while managing forests sustainably. Some have attained certification by the FSC. Many are in Central and South American countries such as Bolivia and Brazil, while there are increasing prospects in Africa and Asia.

Establishing a successful CFE involves considerable investment. Significant challenges often have to be overcome: unfair or insecure forest resource allocation; disorganised community producers; administrative, technical and financial deficiencies that impede market

KEY MESSAGES:

- There are now many small-scale community forest enterprises that reduce poverty and sustain forests.
- Their success usually involves investment to secure rights to resources and create a tradable forest asset, establish responsible business structures, build market access and links to service providers, and channel consumer purchasing power toward CFE products.
- Forest Stewardship Council certification neither distinguishes CFE products from alternatives, nor guarantees a fair price for CFE producers. But a new partnership with the fair trade movement could turn that around — and fair trade timber could help to lever more secure community forest resource rights.
- To mainstream the social and environmental benefits of fair trade timber, substantial support is needed to back this new partnership and invest in consumer education and action.

access; and lack of consumer willingness to pay for socially and environmentally sound production.

Delivering on dual aims

For CFEs to contribute to poverty reduction and sustainable forest management, both of these aims must feature in how forest resource rights are allocated and secured. CFEs must be given preferential and secure access to forests. Guatemala pioneered this approach in 1994 in Petén province, when it paved the way for 13 community and 2 industrial concessions to manage 560,000 hectares of forest on condition they became FSC certified.

Not all CFEs deliver on these dual aims, although these enterprises are far more likely to thrive if social and environmental concerns are an integral part of the way they are set up. Helping communities establish democratically run, sustainable CFEs with clear benefit-sharing mechanisms is the way to go. FORCERT, for example, is a non-profit membership company, certified by the International Fair Trade Association (IFAT), which provides FSC group certification and marketing support services to 29 independent producer members and seven independent central marketing units in Papua New Guinea.

Linking isolated forest communities with markets, service providers and forest decision-makers is essential if CFEs are to be viable in the long term. Business savvy around issues such as design and marketing only emerges through exposure, experience and contacts. Linkage programmes with dedicated intermediaries are a must. The Kenyan Good Woods Project, for instance, links timber growers and craft producers to markets, service providers (such as for forest certification) and government decision-makers.

All this can only be sustained if consumers preferentially buy from CFEs at a price that allows them to invest in sustainable forest management and share benefits across the community. Labelling and promoting CFE products and rewarding producers for their social or environmental benefits and activities is therefore a priority – and one both the FSC and Fairtrade Labelling Organizations International (FLO) are now considering.

The FSC has had great success in certifying sustainable forest management, but primarily with large producer industries that can bear the certification costs. The fair trade movement has succeeded in helping agricultural community businesses, but not those in forestry. As of November 2007, both the FSC and FLO have committed to mutually explore a system for fair trade timber that addresses the challenges.

Fostering consumer awareness

A recent IIED survey of timber buyers in 21 countries assessed demand for a mechanism to distinguish community forest products from others in the market. The respondents were split fairly evenly between specialist niche firms, timber traders and medium-large retailers. Almost half already sourced products from CFEs, although often in tiny amounts. More than two-thirds approved, in principle, a mechanism to distinguish products arising from CFEs. Most wished to see any new mechanism restricted to existing labels such as FSC or Fairtrade. They saw

potential competitive advantage for themselves, new options for ethical consumers and most importantly, wider opportunities for community producers.

But a big issue remains: consumer awareness. The niche for fair trade timber will start small, and may not immediately be capable of leveraging wider transformations – for example, of forest allocation and resource rights policies in developing countries.

In IIED's survey, all respondents noted some consumer awareness of sustainable forest management, but they generally saw it as too minimal to translate into a willingness to pay more. Consumer awareness of the poverty implications of different types of forest production was weaker still. Public knowledge of these poverty implications has been starved in part by the FSC's strong emphasis on sustainable forest management (rather than poverty reduction) and a strategy to build a business-to-business case for FSC certification, rather than push for wider consumer education.

In contrast, from the start the fair trade movement mounted a high-profile advertising campaign linking fair trade with poverty reduction and amalgamating separate national labels into one. Since 2000, annual fair trade growth rates across all commodities have topped 20 per cent, and brand recognition for fair trade is widespread. Such consumer education is exactly what is needed if mainstream industries are to use a new mechanism developed by FLO and FSC to spread incentives for sustainable forest management and poverty reduction by CFEs.

Policy implications

Support to CFEs is rightly seen as a way to both reduce poverty and promote sustainable forest management. The question is what balance of support makes sense. Frequently, the emphasis is on helping producers: setting up market information services; facilitating the provision of financial, sustainable forestry and business development services; or working to improve the business environment for CFEs. There is certainly a widespread need for such investments, especially at the foundation level of securing forest resource rights and organising producers. But they will only make sense if they are balanced by demand-side investments that open market channels for consumers to choose CFE products. This calls for joined-up thinking. Right now, more support for the partnership of FLO and FSC and consumer education could lead to CFEs soon receiving higher prices, encouraging future investment in both sustainable forest management and poverty reduction.

Sources

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