

Report of an international meeting  
convened by IIED on



## Enhancing local returns from trade in forest products



Royal Botanic Gardens, Kew  
27 September 2006



**DFID** Department for  
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Development

## Executive summary

*Forest resources represent a significant opportunity to reduce poverty:* An estimated 1.6 billion people rely on trees to some extent for subsistence or cash incomes. In the commercial forest sector approximately 80-90% of enterprise numbers, and 50% of employment, is associated with small and medium scale forest enterprises (SMFEs). Many of these are community based in the broadest sense. If we are serious about poverty reduction, then something needs to be done to ensure that greater benefits accrue to community forestry enterprises. This meeting looked in some depth at the trade possibilities for addressing these issues. Broader issues of governance, resource access and capacity were discussed in a meeting immediately preceding this one and a separate report of that meeting is available.

*Current market instruments are falling short:* Community forest enterprises are poorly targeted by such schemes. Forest certification is perhaps the best known instrument in the forest sector. But while more than 250 million hectares of forest have been certified as sustainable, only 1% of this involves community-based forestry. Moreover, there is currently no mechanism to distinguish certified products that originate from communities – so consumers are unable to express a preference for community based products. Fair trade has had significant successes in the agricultural sector. But while there are a few timber craft products currently being traded by International Fair Trade Association (IFAT) certified fair trade organisations, there is currently no Fair Trade Labelling Organisation (FLO) product specific fair trade label for timber. As a result, mainstream timber traders are unable to supply fair trade timber to meet potential consumer demand. Much more needs to be done by the timber industry and by related labelling initiatives to improve the options for trading products from identifiable community sources.

*Marketing opportunities exist for community forest products:* In the European timber trade, certification is already well established – with some examples of price premiums being paid. But the use of tropical timber is only a small percentage of the trade and currently falling. Nevertheless, consumers are demanding a greater choice which requires further differentiation of products. While very few specify certified timber when buying there is an increasing consumer trend towards products that have emotional appeal and that involve a greater degree of relationship between the consumer and the production process. Community based products and fair trade timber might be expected to have considerable marketing appeal (although there are currently no product options and hence no demand). In order to develop this potential it might be necessary to start with a few high-value, low-volume options, perhaps for an iconic public work project with sympathetic architects. In the first instance this might best be endorsed by an existing fair trade organisation – since a product specific fair trade timber label will take time to develop.

*The main labelling schemes are keen to improve their performance:* There is willingness among the main labelling initiatives described above (e.g. FLO and FSC) to enhance the returns to responsible community forest enterprise. Both share strong concern over social benefits, economic viability, environmental concern, legality and indigenous people's issues. Recent studies of the opportunities and constraints for greater collaboration between FLO and FSC have identified areas where further work is needed. For example, FSC needs to give serious consideration to distinguishing community forest products, increasing access to community producers, building capacity and shifting the burden of cost for certification onto the buyer rather than the producer. FLO needs to give more rigorous attention to the sustainability of community forest production and to adequate field audits.

*Steps to improve access for communities to certified markets have started, but there is still a long way to go:* There is scope to build further on the FSC group certification procedures, SLIMF initiative or step wise approach to certification. These initiatives were designed specifically to improve access for community forest enterprises to the certified market. They have already achieved some success with 37 group certificates in the South covering 4.8 million hectares, including ACOFOP in Guatemala with 445,804 ha of concessions let to 22 community cooperatives and associations. SLIMFs achievements have been more modest, with 9 certificates covering 58,968 ha most of which is within one Namibian charcoal

production area. FSC recognise that these initiatives in themselves cannot solve all problems faced by community forest enterprises. There is a continuing need to invest in the policy environment, in capacity building and promoting market linkages. At present FSC does not have the resources to achieve such roles on its own. But it is willing to explore options, including the differentiation of products on the basis of origin (even if this is not incorporated into a formal label).

*There is no inherent reason why fair trade timber should not develop:* From a fair trade perspective, it is certainly possible to contemplate fair trade timber. Indeed many IFAT-certified fair trade organisations already trade small handicraft and furniture products. The problem is that mainstream retailers would only be able to sell fair trade timber if there was a product specific label. For this to happen, a Product Rationale Paper (PRP) would have to be presented by one of FLOs national fair trade initiatives to the FLO standards committee. A PRP would need to make the case that a new product label would increase business opportunities for SMFEs, that there is a potential to reduce poverty and that there is sufficient demand for that product. None of those criteria seem insuperable, but there is an issue of FLO institutional capacity. At present PRPs are already submitted for palm oil and textiles. Both require the development of new trader and processor standards (as FLO moves from simple to more complex market chains. There is also a strong emphasis on consolidation rather than expansion of new product labels. In the interim therefore, it would seem most sensible to (i) research industrial demand for community timber, and (ii) pilot a scheme with a willing buyer that could be endorsed by an existing fair trade organisation (such as Traidcraft) as meeting FLO criteria – without needing yet to develop a new product specific label for timber from FLO.

*Now is the time for responsible timber buyers to step forward:* In order to achieve such an ear pilot it will be necessary to identify industrial partners who wish to gain a market edge by pioneering a new system (much as Marks and Spencers has done for its new line of fair trade cotton clothing). There is nothing to stop such partners from adopting the main principles of community engagement advocated by the fair trade community: a fair price, advanced payment, a long term trading partnership, labour standards and producer support.

*Particular models of community forest enterprise should be targeted:* In order to move towards fairer terms of trade for responsible community forest enterprises a number of other issues require attention. An important issue relates to the ‘types’ of enterprise that deliver social benefits to the community. Not all enterprise forms distribute benefits in the same way. Fair trade has historically worked with democratic producer associations – in part because part of the price premium was paid to the association (rather than the individual producers). There is clearly no sense in helping small privately owned forms of community enterprises to grow if they then go on to capture communal resources for an elite – widening local inequities.

*A code of practice for advertising community products needs consideration:* There is a risk that unscrupulous timber traders might abuse labels associated with community origin for their own advantage – for example, advertising responsible community forestry where most of their product comes from less socially beneficial purchasing practices. Participants felt that some form of code of good practice and adjudication system might be developed in this regard.

*Broader support for community enterprise knowledge networks is needed:* There is a general need to increase the availability of information about community timber production. This might involve the establishment of national knowledge networks that put potential buyers or service providers (e.g. credit agencies) in touch with responsible community forest enterprises and vice versa. Such networks might also work to foster strong producer associations to improve scale efficiencies, develop strategic market alliances and lobby for a better policy environment.

## Table of contents

Executive summary.....	2
Acknowledgements.....	4
Preface .....	5
1. Opening and introduction .....	6
2. Plenary presentations .....	6
2.1 Exploring fair trade timber: current practice, institutional structures and ways forward ..	6
2.2 FSC and Fair Trade: A preliminary look on opportunities and constraints for collaboration .....	8
2.3 FSC certification of community-produced timber products – opportunities and constraints .....	9
2.4 Industrial demand for fair trade timber .....	12
2.5 Is their potential for fair trade timber? .....	14
3. Plenary discussion .....	16
3.1 Starting considerations for moving towards fairer trade in timber.....	16
3.2 Potential for FLO / FSC joint working.....	17
3.3 The need to define who is to benefit from fairer trade in timber .....	17
3.4 Further thoughts on business models .....	18
3.5 The role of intermediaries .....	19
3.6 The relative weight of domestic or international markets .....	19
3.7 Options to distinguish community products in the market place .....	20
3.8 Improving information about markets and the value chain .....	20
4. Breakout Groups.....	21
4.1 Group 1 - SMFE constraints and opportunities .....	21
4.2 Group 2 – SMFE constraints and opportunities.....	21
4.3 Group 3 – SMFE constraints and opportunities.....	22
5. Round table update on current activities of relevance.....	22
Annex 1. List of participants at the Royal Botanic Gardens, Kew for 27 <sup>th</sup> September 2006.....	24
Annex 2. Briefing papers submitted prior to the meeting.....	27

## Acknowledgements

IIED is grateful to DFID for providing both funding and technical inputs to the structure and content of the meeting. The content of this report does not necessarily reflect the opinion of DFID.

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The organizing committee would like to express their thanks to the speakers and participants who provided excellent material and enthusiastic discussion throughout the day.

## **Preface**

This report covers an international meeting convened by the International Institute for Environment and Development (IIED) on 27 September 2006. The purpose of the meeting was to focus on options for small and medium forest enterprises (SMFEs) to distinguish their products in the market place – resulting in fairer trade for greater sustainability and livelihood returns.

The meeting aimed to strengthen an emerging alliance on 'pro-poor forestry'. The meeting focused on options for practical schemes that will enable socially responsible SMFEs to be more sustainable and competitive, to trade more, distinguish their products in the market place, and reap greater rewards for their socially and environmentally responsible practice. It paid particular attention to the potential within existing fair trade and forest certification schemes

The meeting involved 25 participants from Brazil, Ecuador, Germany, Kenya, the Netherlands, Papua, New Guinea, Peru, Switzerland, UK and the USA.

Participants had been invited and encouraged to bring written submissions that highlight: opportunities, constraints, options for systems to make progress. Annex 2 contains these background submissions.

This meeting followed discussions by a wider group of participants on 26 September 2006 to explore a broader set of issues relating to small enterprise development and forests. A separate meeting report is available from the Day 1 meeting

The notes below represent a summary of the plenary presentations, plenary discussions and break-out groups. For ease of presentation, the plenary discussions are presented as a thematic summary of discussions and does not necessarily reflect the chronology of the meeting. The purpose of this report is to reflect some of the opinion, thoughts and suggestions presented at the meeting. The authors of the report have not attempted to take a conclusive view on any of these issues but have reported them as discussed. A list of available documents relating to this meeting can be found in Annex 1.

For further information please contact Duncan Macqueen ([duncan.macqueen@iied.org](mailto:duncan.macqueen@iied.org))

## 1. Opening and introduction

The meeting was opened and the morning session chaired by Andy Roby of the UK Timber Trade Federation.

James Mayers (IIED) highlighted some of the discussions held on the previous day and outlined the focus for the discussion to come:

In yesterday's meeting we looked at SMFEs and community enterprises to see how they could do more for sustainability and poverty reduction. We heard how collectively massive this sector is. If it is true that 85% of wood from tropical forests is fuelwood, 10% is used locally used and 5% is exported, then 95% of the story is domestic. We have kept the focus mainly on wood and timber because we feel there is attention to NTFPs and forest ecosystem services elsewhere. There is still a job to be done in addressing timber and SMFEs head on. In tropical contexts, there is an underlying assumption that timber is the preserve of the rich and NTFPs the poor. There is some rationality in this – large scale operations need ready income etc – but there is an overall governance challenge to be addressed here. Today's meeting will focus on the 5% of timber that is exported and the 10% that is sold on the domestic market, looking at how trade can really benefit local economies. Many cross cutting issues arose yesterday and we heard about the international scene and some country level experiences. Some country specific constraints also came out. Governance linked constraints tended to be common across many countries. There was also much commonality among the top priorities identified. Priority issues included accessing information, capacity building and organisational structures. Judiciously used subsidies are probably necessary if we are serious about poverty reduction in these areas.

Today we will think about how trade can do more for local economies, and how the role of SMFEs and community enterprises can be furthered. We will consider whether it is simply a case of generating more trade (and if so what are the frameworks and challenges to tackle) or whether it is a case of more trade plus these fair, sustainable brands.

## 2. Plenary presentations

### Presentation by Duncan Macqueen (IIED)

#### 2.1 Exploring fair trade timber: current practice, institutional structures and ways forward

##### *Community forest enterprises matter*

- 1.6 billion – the number of people in developing countries that rely on trees for subsistence and cash
- 80-90% - the percentage of forest enterprises in developing countries that are small or medium scale (50% of employment) – many community based
- Multiple – the problems that afflict community forest enterprises: lack of economic and political power, market information, collateral and capital, technology, business know-how, stability...

##### *Consumer instruments fall short*

- Forest certification – has had success in certifying sustainable forest management with more than 250 million hectares (PEFC, FSC), but only 1% of which is community based (all in FSC). Certification is primarily Northern (PEFC 93% FSC 83%)
- Eco-labelling – has made progress in environmental impacts of product life-cycles (e.g. EU flower, German Blue Angel) but limited mainly to pulp, paper and to a lesser extent panels and plywood
- Social audits – have worked hard to improve the ethical treatment of workers (e.g. SA 8000, AA 1000). But are costly for small enterprises
- Fair trade – has achieved improved returns to democratically run community groups – but little timber – and no specific timber product label yet.

#### *Fair trade makes impacts elsewhere*

- History – In the 1950s, Ten thousand villages (US) and Oxfam (UK) started the fair trade movement. In 1989, the first label was produced for coffee. By 2005, €1.14 billion was being traded as fair trade with > 30% growth per year
- IFAT (1989) certifies Fair Trade Organisations with criteria based on disadvantaged producers, transparency, capacity, promotion, fair price, gender equity, work conditions, the environment (sustainable sourcing)
- FLO (1997) joined together 17 national labelling organisations and develops generic standards for small farmers and workers (covering social issues, economic issues, environmental issues and labour) – product specific labels have been developed for banana, cocoa, coffee, dried fruit, fresh fruit & veg, juice, herbs, quinoa, rice, cane sugar, tea, wine grapes, cut flowers, plants, seed cotton and sports balls

#### *Implications from fair trade agriculture*

- New products have played a major part in the expansion of fair trade – the fair trade brand is strong – further expansion via new products is possible (with or without label)
- Fair pricing is key and is product specific – based on production costs (living wage), certification costs and a premium (paid to a producer association)
- Mainstream distribution has been the key to expansion (e.g. M&S total switch on coffee and tea plus cotton clothes) – but requires product specific labels as mainstream traders are not normally Fair Trade Organisations
- Handling processing is a challenge for fair trade and it may be that diverse processed products best handled through specialist FTOs
- Producer support is critical – success underpinned by capacity building and marketing campaigns of dedicated NGOs and FTOs

#### *Implications from fair trade timber*

- It already exists! – much craft, small furniture and even timber traded by IFAT certified FTOs (e.g. Namaste, Shared Earth, FORCERT)
- Most existing FTOs don't do timber – one world shops sell craft / food (e.g. One Village) and have concerns over administration costs of any new product specific timber label
- There is a general need to help community forest enterprises with quality / price – some such enterprises go certified for: better management, market access, securing tenure and credit – but struggle to meet buyer demands for volume (but note the exception of FORESCOM in Guatemala with 102,000 Ha)
- Broader demand for fair trade timber is unquantified – do large buyers want distinct community products? Is interest sufficient for a product label? Of what?

#### *Opportunities to do more*

- Product entry points – fuel, logs, sawnwood, panels, pulp, paper, furniture parts, joinery, shaped wood. What is already produced, demanded, suited to low volume / high price? Do species present a problem?
- Market chain entry points – what are the main domestic options, certified timber options, fair trade options?
- Opportunities exist in existing schemes (e.g. FSC and FLO). They have shared social, legal and indigenous people concerns: but should they develop two schemes – two audits / two schemes one audit / one adapted scheme?

#### *Challenges to do more between forest certification and fair trade schemes*

- Different standard contents – Product mismatches, sustainable forest management tolerances, emphasis on management plans or on democratic producer organisations, provisions for capacity building, price premium (and its calculation)
- Different accreditation mechanisms – In house or contracted out? Processing and chain of custody, South-North?
- Different certification audits – Field audits of SFM and premium use, capacity building
- Various labelling and technical issues - Precedents of joint audits, concerns over downgrading mainstream products, capacity to carry out audits

#### *What next?*

- Inaction unconscionable! – policies 33, 39, 54 and 65 (Manaus, 2005) commit FSC to more accessible community certification, CoC and collaboration with fair trade. For fair trade, few producers are more disadvantaged than CFEs
- More data required – Examples of special treatment for community products? Demand from mainstream or specialists? Options for systems for particularly promising product lines?
- Willing partners – e.g. IIEDs Greenhouse building project will buy! - market leaders willing to pilot a scheme for a particular product line?

#### *Thanks for getting us this far*

- OFI's Matthew Markopoulos,
- NRI's Natural Resources and Ethical Trade Programme (NRET) Mick Blowfield, Ruth Burchell, Chris Collinson, Bill Maynard, Valerie Nelson, Anne Tallontire, Jane Thornback
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- All who submitted briefing papers...
- DGIS, SDC, DFID and DANIDA

#### **Presentation by Aimee Gonzales (WWF)**

### **2.2 FSC and Fair Trade: A preliminary look on opportunities and constraints for collaboration**

#### *Background*

- Presentation based on a WWF commissioned independent study - a summary of the information and opinions that have been gathered to date
- It does not represent official views of WWF but provides a basis for further discussion

#### *Review on common and different features of FSC and FLO*

- Comparison allows visualisation of possible commonalities and gaps of one system compared to other
- Elements of FLO system would appear to be simpler compared to FSC
- This does not imply that FLO system may lack robustness but is most probably adequate for what FLO has to ascertain.

#### *Features that require particular attention*

- Raison d'être – FSC was created out of NGOs disillusionment with the failure of government to improve forest management. FLO began through the efforts of alternative trade organizations in response to unfair terms of global trade - provide a fair price to the producers and change trading relations between producers and consumers
- Indigenous peoples rights - FLO has no special IP provisions but protects them if members of/or organised as certified coop members
- Environmental protection – FLO includes integrated crop management but FSC conducts a thorough impact assessment, environmental safeguards, water and land use, pollution control...
- Pre-existence of markets – FSC has a current bottleneck for certification of NTFPs and lesser known species. For FLO, export ability and access to markets are prerequisites

- Standards - FSC has no separate standards between small and large producers (but does provide a special set of verification criteria for SLIMFs). FLO separates standards for small producers and for farms that use hired labour
- Organisation of small producers – FSC allows group certification but does not specify the level of organisation required by FLO farmers
- Price premium – FSC does not guarantee this but for FLO this is integral and involves cost of living, cost of production, a premium enjoyed by cooperatives; advanced and long-term market contracts

*Option 1. Two certificates, two audits*

- Can be done with minimal coordination via 'show cases' with massive external funding assistance.
- The costs of multiple certification are high.
- Given that fair trade certification 'appears' to be less demanding than FSC, it may deter producers and buyers from opting for FSC certification to pursue the more exclusive economic incentives that fair trade offers

*Option 2. Two certificates, one audit*

- mutual recognition will simplify procedures (Both FLO and FSC are members of ISEAL).
- FSC need not develop a system for ensuring the distribution of the fair prices, (covered by FLO).
- But, there is no match in current product coverage (e.g. FLO does not have a timber standard).
- FLO requires pre-existence of markets to allow identification of fair price. Might this inhibit innovation in terms of developing new markets and products?
- It could work provided FSC develops appropriate procedures and standards for NTFPs; new markets are identified for new products; some of existing barriers to certification as found in SLIMFS and NTFPs are resolved.
- Could encounter resistance from both organisations as it might infringe on competitiveness of each.
- Could become an incentive for producers to remain with Fair Trade only and give up forest management/resource component (?)

*Option 3. FSC certification with fair trade elements*

- Consistent with FSC's existing practice of making its global standards appropriately responsible to local ecological and geographic conditions (further variation of SLIMF) and therefore bring more direct incentives to SLIMF producers in some cases.
- Will deal with only one organization (FSC) and no need to convince FLO to adapt their requirements to forest and SLIMFs needs.
- Will help improve the social image of FSC, drawing attention to the links between healthy forests and social justice for forest dwellers.
- But FSC would need to develop a revenue mechanism. It could create antagonism from traditional fair trade supporters which would view FSC fair trade as discounted fair trade system.
- It could also create confusion and resistance amongst FSC supporters given potential possible perception that 'fair trade FSC certification' is better than 'normal' FSC certification.
- Complementary efforts are needed to resolve existing SME barriers to forest certification as 'price fixing' will not automatically resolve nor address general deficiencies faced by SMEs

**Presentation by Alan Smith (FSC)**

**2.3 FSC certification of community-produced timber products – opportunities and constraints**

*The scope of certification*

- FSC's Mission is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests.
- FSC certification is an international market tool with universal Principles and Criteria to demonstrate responsible forest management.
- The concept of universality means it is basically a one size fits all approach - it was not designed for small community operations in the tropics
- But this universality also means they are not excluded and FSC considers it a priority within its Mission to address their needs!

*The FSC vision of socially beneficial forestry:*

- Forest management practices that:
- enhance forest values, products and services;
- ensure that current and future generations of social constituents enjoy the benefits of well-managed forests;
- recognise, respect & address indigenous land tenure and rights, traditional and customary rights, and local culture of indigenous peoples and local communities;
- contribute to enhancing local livelihoods and well-being (including health & safety of workers and employment creation).

*The demographics:*

- 60 million highly forest dependent indigenous peoples live in tropical forests of Latin America, Africa & South East Asia (White & Martin 2002)
- 400-500 million people are directly dependent on forest resources for their livelihoods (White & Martin 2002)
- In 2002, community owned or administered forests were 11% (377 million ha) of total global forest (Molnar 2003)
- If this figure is applied only to the South, it rises to 25%
- BUT currently less than 1% of community-forests globally are certified

*The situation on the ground:*

- FSC certification so far in relation to community-managed forests:
- Total area certified 79 million hectares of which are:
- Tropical and sub-tropical forest - 11 million hectares (14%)
- In communal ownership - 2.5 million ha., of which 0.8 million ha. (1% of overall total) are in tropical & sub-tropical regions.

*Tropical and Subtropical forests in more detail:*

- 205 certificates for 10'612'814 hectares, of which:
- 13 Certificates 785'405 ha on public land
- 162 Certificates 9'047'174 ha on private land
- 30 Certificates 780'235 ha on communal land
- There are 39 certificates, 19 of which for groups, issued under the SLIMFs procedures, covering 50,220 ha in the North (30 certificates), 58,968 ha in the South (9 certificates).
- Around 10 - 12% of total area currently certified in the Tropical South is community-managed or on communal-land (= control delegated to concessionaires)

*Value of certification to forest communities in the South is not always evident because of:*

- low level of capital for investment (the poverty factor);
- scale barriers to marketing timber products;
- no or limited power in the market place (normal with disadvantaged groups);
- business know-how/market intelligence limited;
- technical barriers to market entry, e.g. quality & species, timely delivery a challenge (poor in-country infrastructure);
- Environmental constraints (e.g. protected areas) preventing timber, even NTFP, marketing.

*The cost of certification may be a factor, the smaller the operation, the more costly per hectare.*

- BUT the cost can be reduced by: group certification (e.g. by spreading sampling requirements); using streamlined procedures for small and low intensity operations SLIMFS
- Nevertheless, very often the certification of communities is subsidised by NGOs or development agencies (paternalism or capacity-building? Danger of raising expectations too much) Benefits more often indirect than economic: empowerment, consolidation of land tenure, indigenous rights etc

*Group certification:*

- 37 certificates in the South 4,847,065 ha
- 150 certificates in the North 2,544,313 ha
- Example of group certification: ACOFOP – Asociación de Comunidades Forestales de Petén, Guatemala. 7 FSC certificates cover a total of 445,804 hectares, of which: concessions (public land) 424,434 ha; private land 21,370 ha. Total number of organisations involved: 22 cooperatives and forest associations. No. of members/families 2,302. Assisted by ICCO, DED, Ford Foundation, CIR, Helvetas.

*Is there then a level playing field?*

- FSC certification follows a global model where compliance with the FSC Principles and Criteria is identical for all producers, large or small, North or South.
- A first attempt to address the inequality of small producers was the SLIMFs Initiative (effective since 2003). Other new initiative is the modular approach to achieve certification by steps (in development 2006), this will be helpful to communities which realistically cannot leap straight into certification.

*Reminder of rationale for SLIMFs Initiative:*

- Standards generally developed with large operations in mind.
- Small operations often find it difficult to access information about what's required or have the expertise to implement it.
- Costs high for many small operations to enter into certification, or maintain their certificate.
- Process, paper work, time demands ("bureaucracy!") are an obstacle.
- A streamlined procedure was introduced, principally to reduce sampling and public consultation requirements = less audit time

*SLIMFs so far*

- Certificates issued to date (Southern operations):
- Namibia 35,762 ha;
- Brazil 2,400 ha;
- South Africa 326 ha;
- Papua New Guinea 19,215 ha;
- Uruguay 184 ha;
- Indonesia 152 ha;
- Uruguay 39 ha;
- Uruguay 661 ha;
- Argentina 229 ha.
- over 90% are small timber operations, most of rest NTFPs.
- largest area certified is for charcoal production in Namibia.
- most operations certified are private. Only 2 are on public land & 3 are communal – in Brazil, Canada and PNG. Largest communal operation is 19,215 hectares low intensity operation in PNG.
- Most important finding: up to 40% reductions in normal cost reportedly obtained because auditors spend less time in the field.

*What next:*

- SLIMFs Initiative cannot solve all the problems of small operations. Complementary actions are needed:

- continue to build capacity in small forest management, organization & marketing through institutional partnerships (not FSC's mandate)
- promote market linkages for SLIMFs operations
- promote facilitating environments to empower small producers in the South
- determine conditions for positive benefit/cost ratios of certification for SLIMFs (to see if it is worth certifying them)
- develop dedicated certification standards for small operations in the tropics (including for local markets)
- Above all, develop new market mechanisms to generate income for community-based operations:

*Not all is negative with communities:*

- they often have advantages which can be exploited:
- knowledge of local environment & how to manage it well;
- ownership/control of natural resources which are used by others or are of high conservation value;
- ethno-eco cultural systems which attract tourism;
- low labour costs and high motivation to improve material welfare;
- donor willingness to fund activities which support community-based natural resource management, the consequent direct or indirect alleviation of poverty and the empowerment of local populations.

*Some ideas for certification to benefit communities:*

- Protected areas or certification of conservation: local community management would be a cheaper & more effective option for national governments, international bilateral and private donors, and environmental NGOs. An FSC certified protected area would enable local communities to access funding to manage the areas under FSC P & C; they would thus have a vested interest in maintaining the protected area in an integrated way through the participation of the population instead of its exclusion.
- Ecological services: local communities would maintain water sources, forest ground cover (against felling, fire etc) and other activities associated with watershed management, erosion control and forest protection. Possession of an FSC certificate, demonstrating compliance with FSC P&C, would enable the communities to seek payment for these services from local or central governments as well as international funders. (There exists an "eco-systems market place" but the concept is not community-focussed, this would be).
- Differentiate community products in the market place: on-product labelling with an addition to the FSC label to indicate its origin (rather than additional labels to avoid confusion and perhaps competition between labels). This probably would be niche market strategy targeting final consumers, more appropriate to NTFPs and certain timber products such as handicrafts and perhaps furniture. Mainstream timber products (e.g. sawn timber) could be promoted with off-label promises as to origin.
- Establish a transfer payment system between large organisations who want to support community forestry (under CSR ethical trading?). These payments would be a premium paid into a fund for small producers to generate social benefits. But how would this be administered? BioTrade model?
- Forest community tourism: the community would commit to manage its forest under FSC P&C for the purposes of sustainable eco-tourism. Holders of an FSC certificate could use this to promote their operation.
- Note: all these suggestions are NOT fair trade concepts but the management of flora and fauna and maintenance of the forest in general. As such, they do not stray far from the FSC model.

**Presentation by Andy Roby (UK Timber Trade Federation)**

## **2.4 Industrial demand for fair trade timber**

### *Consumer Preferences*

- Timber markets are changing – government and business customers want certified sustainable products
- For hardwoods there is an emerging willingness to pay more (2-30%)
- Consumers are demanding more differentiation of products – usually paying an early premium that then falls away
- The customer is king!

### *Consumer Perceptions*

- Choice is everything
- Consumer choice is evolving: from realism to perceptions; from functional use to emotional appeal; and from shopping transactions to relationships
- The human relationships element of fair trade is likely to be an important marketing tool

### *Industrial demand for timber in UK*

- Steady increase every year
- Driven by housing market; new builds and renovation/DIY
- Softwood products dominate
- Offsite construction is increasingly the norm
- Timber frame construction is growing
- House “timber kits” are being delivered on site
- The use of tropical timber has fallen to 3% by volume (6% by value)

### *How much of UK imported timber is certified?*

- Sawn Softwood = 59%
- Sawn Hardwood = 36%
- Plywood = 23%
- BUT requests for certified timber estimated at 1-2%= General oversupply of certified timber
- Except for hardwood: traders will pay from 2 – 30% extra for audited timber (Oliver, 2006)

### *Prospects for fair trade timber in the UK?*

- Another label or a new way to sell more timber?
- Over 4,000 different timber products in the UK..... one more won't matter
- Certification is mainstream in the UK
- Certification means environmental assurance to the customer; social and economic considerations are secondary
- A fair trade standard would stress social and economic sustainability
- This would be valuable in relationship marketing for the timber industry
- A new marketing angle, but probably a niche one to start with (just like certification)

### *Certification v. Fair Trade*

- Separate schemes and audits – two separate labels
- Two schemes, two labels, joint audit
- One modified scheme, one label, one audit
- The TTF preference would be for option 1 – but certified and fair trade forests are unlikely to overlap in practice, and the requirements for auditing are very different.
- Also need to give producers a choice!
- Option 2 might be possible
- Option 3 is not worth considering

### *Barriers to Fair Trade*

- Need a stepwise approach that brings immediate recognition from the market place, e.g. PNG FORCERT (lessons from FSC)

- Important for communities to form partnerships with service delivery agents to build skills, financiers to get capital, government for infrastructure support, customers to understand markets and establish long lasting relationship
- Markets and marketing - Local markets won't give any advantages to Fair Trade label, but they are a good place to cut teeth. The international market is tough, competitive and fickle, but brings best returns once business is ready

#### *Marketing Strategy*

- Depends on forest (species, sizes, quality)
- It would be best to start in low volume, high value, high profile,
- One option would be to go for specialised product for iconic public works and structures (e.g. Olympics) with sympathetic architects,
- We need an entry point to establish a product specific fair trade timber label then move into bulk markets in 5-10 years once established
- Then scale up production and add value

#### *Concluding remarks*

- There are business opportunities for the poor
- Most involve low barriers to entry, with no Western impositions
- But there are marketing opportunities associated with the Fair Trade Brand – and the network that supports it.

### **Presentation by Rob Donnelly (Traidcraft)**

#### **2.5 Is their potential for fair trade timber?**

##### *Is there potential for fair trade timber?*

- Yes - There is potential for fair trade anything
- But it may not be certified
- It might not involve a price premium
- There might be no recognition in the market place
- But poor producers would still benefit

##### *Definition of fair trade*

- It seeks equity in international trade.
- It discriminates in favour of small and marginalized producers.
- Empowerment of producers is also an important element
- Key elements of fair trade include: Fair price, advance payment, long term trading relationship, labour standards and producer support

##### *General issues around fair trade standards?*

- Standards: Is there a standard which can be applied, or can one be developed, and is the standard workable
- For timber, critical questions are: Is there demand for fair trade timber? Is there a source of supply? Would fair trade timber be competitive?

##### *The three types of fair trade standards / labelling*

- International Fair trade Association (IFAT) – labels Fair Trade Organisations
- Fairtrade Labelling Organisation (FLO) – labels products
- Endorsement or licensing by a fair trade organisation

##### *An introduction to IFAT*

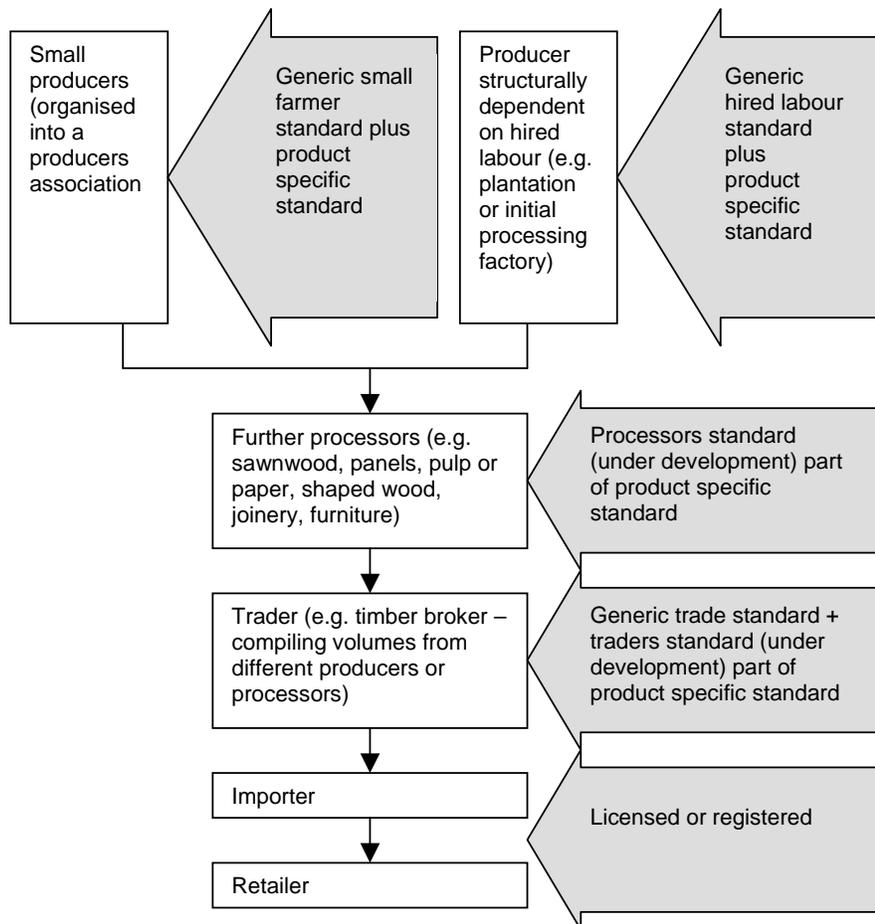
- IFAT is a membership organisation
- Members need to comply with the IFAT code of practice
- The IFAT Logo can be applied to organisations but not products
- As a result the IFAT logo has limited value in mainstream market

*An introduction to FLO*

- FLO is the international standard setting and certification body for fair trade products
- It was established in 1997
- It brought together a number of independent national bodies
- It has enabled fair trade to penetrate mainstream markets

*An introduction to FLO standards*

- Generic standards which include (i) Small farmer standard; (ii) Hired labour standard (iii) Traders standard (due in December)
- Product specific standards which include trade standards (specifying minimum price etc)
- There is no product specific standard for timber
- It is not possible to have FLO labelled fair trade timber until a timber standard is developed



*Standard development within FLO*

- The first step is a product rationale paper (PRP)
- A PRP presents the case for developing a standard for the product
- The case that has to be made must address three issues (i) within existing supply and demand patterns would a fair trade standard increase business opportunities for small and medium enterprises? (ii) Is there a potential impact upon poverty? (iii) Is there sufficient demand for the product?
- A PRP must be presented by a National Initiative to FLO (Standards Committee)
- There is potential to develop a standard for timber

- But the only National Initiative to submit a PRP in last 2 years has been Fairtrade Foundation in the UK. Why?
- The emphasis in the standards unit at FLO is on (i) consolidation and strengthening and deepening existing standards (ii) closing gaps (developing new generic standards where none currently exist e.g. traders standard, processors standard)
- This situation may last until 2007 and maybe 2008 will be similar

#### *Priorities for new standard development*

- Textiles is a priority and in the work plan
- PRPs have been accepted for palm oil and sea fish – not yet moved to standard development (and may not do so)
- There is an interest in gold / minerals (with a potential PRP being developed ??)
- Timber would need a very compelling case (or a champion within FLO)

#### *Potential approaches*

- Palm oil has raised issues of environment vs poverty impact
- Cotton and textiles involve extremely complex supply chain
- The development of trader and processor standards related to the above might smooth the path for timber later on
- In the mean time it might be possible to endorse or license timber by a fair trade organisation
- This possibly offers the best option in the short to medium term
- An established fair trade organisation can endorse an existing supply chain as being fair trade
- Would need to meet the same criteria that FLO would require but not dependant upon FLO developing a standard

### **3. Plenary discussion**

#### **3.1 Starting considerations for moving towards fairer trade in timber**

Fair trade timber might have to focus on high value low volume products – in part because of the limited scale of most community production. It would require both willing buyers and strong local organisations committed to raising the local standard of living. Just because there is consumer demand for fair trade does not necessarily mean that market innovation will occur spontaneously. In the case of fair trade coffee – a considerable push by alternative trading organisations was required. Even today, only a few producer groups and co-ops sell purely fair trade coffee, but the remainder of the market contains many different options. So progress has been made, but it takes time, willing champions and a major marketing push to create space for fair trade.

One concern is that fair trade products that are already successful (in terms of frequency of purchase, identity of product etc) are generally commodity items that are fairly cheap per unit sales – i.e. consumers don't really notice the cost premium. For larger products such as timber furniture, however, people might think twice about paying 20% more. The success of new products depends a lot on how much consumers are willing to pay and how retailers gauge this.

In order to gain access to mainstream markets a product specific label for timber is clearly the ultimate goal. Under the current fair trade certification system, a separate standard is drawn up for each product. This would apply to timber also. A key element of the product standard is often a minimum price, which can vary significantly depending on the type and origin and of the product. The multiplicity of timber products would mean that some 'generic approach' to price calculation would be needed – or we would have to start with just one or two product lines. So it might be a good idea to work with a willing timber buyer to have good practice endorsed as fair trade by a recognised national fair trade brand (e.g. Traidcraft). This would then help to smooth the path to calculating price premiums etc.

### **3.2 Potential for FLO / FSC joint working**

FSC and FLO know each other very well. The main rationales of sustainable forest management (for forest certification) and getting a fairer deal for producers (for fair trade) are not the same thing but they are complementary – this implies some overlap between FSC and FLO. Their headquarters location in Bonn also helps. There has been an increasing tendency for each scheme to include elements of the other scheme e.g. including the environment standard in FLO and inserting social standards into the chain of custody standard in FSC. There has also been some movement towards stronger co-working but nothing has yet been agreed. A joint audit could be possible in some cases (mainly NTFPs) but joint certification does not look likely at this stage.

It would be worthwhile exploring not only all the elements of FLO that match or are missing in FSC principles and criteria, but also the FSC elements that match or are missing FLO criteria. There could be some resistance in FLO to including FSC elements because FLO is trying to keep all of its standards as similar as possible. The new FLO environment standard does include an element on resource management – but it does not go into the sort of depth (and associated auditing cost) that would be required to match FSC concerns.

Joint auditing by FSC and FLO could lead to cost savings for these bodies – but perhaps more importantly it could also lead to significant savings for producers who would only bear the cost of complying with the demands of one agreed standard. Control and management systems are very costly for producers to implement.

A shared audit would also be a good starting point for working towards a shared labelling scheme. FLO is now developing a joint approach with some parts of the organic sector and could seek to link in with FSC in a similar way. The fair trade label is much more recognised at the point of sale than FSC and joint labelling could therefore benefit FSC sales. The fair trade label makes the source clear (unlike FSC) but this might generate resistance with larger FSC producers who would see FSC/fair trade as a better brand of FSC.

Few buyers are especially committed to FSC principles – so FSC still see the priority of better marketing. A code of best practice may also be needed to stop retailers from using FSC to make huge claims about the sustainability of their products when only a few product lines are actually FSC.

An alternative option could be to have a more grassroots system to promote fair trade in the market place without enforcing labelling. But this always carries the risk of abuse by retailers. Many retailers are currently using community status as part of their re-sale publicity strategy but without applying any criteria - and their trade relations may have been completely unfair.

Neither FSC nor FLO currently believe, however, that a joint certification scheme is on the table. We should therefore consider all options - beyond just FLO and FSC systems.

### **3.3 The need to define who is to benefit from fairer trade in timber**

We need to consider whether fair trade should apply only to North-South transaction. Would it not be appropriate for small forest owners in Scandinavia and North America to benefit in the same way?.

There are a range of business entities operating as SMFEs. Some do not deliver social benefits to the community. So we need to work hard to identify those that have this potential. But this should apply as much in the north as in the south. The global nature of the problem is inequity – which exists in the north too. Consumers would be just as willing to help a small forest association in Scotland as in they would be in Guatemala or Nicaragua. When we look for possible ways forward and how to make trade fairer we may be doing ourselves a disservice if we take a southern bias.

To be really useful, we should focus on particular types of enterprises that have the best prospects of securing social benefits – i.e. those with democratic membership and decision-

making structures. When we talk of community forestry, do we really just mean communal effort and not those that use hired labour? Are we confident that the former will meet social benefits? Discriminating on the basis of enterprise is essential.

It must also be clarified whether the purpose of trade is to increase benefits to producers or to ensure the sustainable use of resources. If the answer is both there could be a risk of conflict between the two.

The overall priority is social wellbeing at a community level. This is where disadvantaged groups are most affected by inefficiencies of scale. But if resources are not managed sustainably, businesses involved are doomed to fail and we are offering a false hope – therefore environmental sustainability is absolutely integral. Whether full certification is necessary is a moot point, but without resource management systems in place, timber becomes more open to elite capture, rapid depletion and the exclusion of the poor.

### **3.4 Further thoughts on business models**

The way forward is in developing business models that deliver clear benefits to communities at large while also being competitive (e.g. cooperatives, non-profit companies). Corporate forms of small business will simply grow into larger forms that maximise profits and concentrate wealth in the hands of the few. Business models need to avoid elite capture.

Some observers argue that the real emphasis should be on getting producers/communities into the market, whatever business model that takes – not worrying so much about solely fair trade markets. Fair trade or certification are factors that can be considered after initial market entry.

Others consider that the idea of business models is appropriate. It is not just about getting people into the market place – we are here because the existing markets are not working for the poor. Marginalised producers need help in competition with larger enterprises – and one way of helping them is to pay more for products that are produced by democratically managed community enterprises – where the benefits are spread fairly. Of course, this does not mean that we should sacrifice business efficiency in search of social benefits. Businesses must be competitive, whatever model they take.

It is not just at the enterprise level that we need to be concerned for business models. Secondary level marketing organisations are also important. And at all levels we need capacity building. Many tried and tested models have failed in the past due to internal management issues.

Subsidies can help to get things off the ground - but businesses cannot be sustained on this basis. Local people will only gain business experience if they have to deal with real competitive situations – and they will only attach value to maintaining the forests if they are to lose out in the long run from resource degradation.

The basic principle of fair trade is that a fair price does institutionalise a form of long term subsidy. It covers the cost of production and certification and a premium to be reinvested by the producer association. For some products there is a minimum price, but for others (e.g. tea) there is not. When minimum prices are set, they are set for producers not processors further down the value chain. The supply chain is very short for lots of fair trade products – and fair trade is currently grappling with more complex supply chains e.g. cotton. The experience with Chain of Custody certification in the timber industry may help to address some of the issues that the fair trade movement is currently dealing with.

Business development is a new way for communities to think. Many SMFEs have failed. But that is true of businesses in the north. We should expect some fair trade businesses to fail too. We should learn from mistakes but without letting them discourage us from continuing to try.

### **3.5 The role of intermediaries**

We do not see EU farmers exporting to Brazil or Japan – there are intermediaries that take this role on – this is what we need in the south also. Contacting communal producers directly is very difficult and does not always elicit a response – supportive intermediaries will be an important part of the business model.

In Ecuador the broker role has proven key – there may be products that only reach very low prices on the local market – but they are in greater demand at higher prices internationally. The challenge is how to link local producers to the global market through some form of intermediary organisation. Subsidies or investment could be appropriate for a few years to create a sustainable supply and demand. These are the kind of practical, concrete solutions that producers in the south are looking for.

There are examples of products that have been sold by communities to traditional traders – without any branding or labelling and that are fairing very well on the open market. Where there is a mutually beneficial relationship between the seller and buyer things take off. Sometimes customary values have to adapt so that businesses can continue to survive in a competitive market – and intermediaries can play an important role in introducing such shifts in business mentality.

Financing intermediary organisations would be a logical thing for the IFC to support through its SME facility and WWF alliance. But this would necessitate research and better understanding of the market.

We must not forget the importance of enlisting NGOs to build public support and awareness of a fair trade timber scheme. Without NGO involvement there would never have been any certification or public awareness in the first place. At the same time, we need to make sure that the focus stays on trade to alleviate poverty rather than pursuing pure environmental goals. We have to start with this purpose and then look at environmental safeguards. Greenpeace, Friends of the Earth and WWF work now includes strong social elements and they have joined the poverty reduction debate with some rigour.

### **3.6 The relative weight of domestic or international markets**

Domestic markets have an important (and currently under-valued) role to play. There are top end domestic spenders in the tourism industry etc in countries that we are talking about – e.g. eco-lodges that are being built with illegal timber. The national cosmetics company Natura has had a greater overall impact on Brazilian communities than the Body Shop - but we tend to forget the local market. In India and South Africa, there is an emerging middle class and market for some fair trade products. For the foreseeable future, however, this would essentially still be a niche market in the south as it is in the north.

Of course, neither fair trade or certification can solve all domestic problems. For example, the government of Niger asked if FSC would certify domestic fuelwood. The government saw FSC as a potential solution to its desperate need to control the trade of illegal fuelwood. But FSC explained that this was an enforcement issue not one for voluntary market mechanisms. Given the difficulties that the UK government is facing in introducing its own timber procurement policy we cannot expect similar policies to be introduced with great ease in the south either.

In Brazil, timber is transported from the Amazon to Sao Paulo so it is almost an export market rather than a local. There is much support for FSC and certification in Brazil. But there is a concern as to how the trade relationship can be improved and made fairer. Social movements need supporting that can help communities to use their 'image' or 'origin'. International markets are very important but we should not forget that Brazil is the biggest consumer of its own timber (80% consumed domestically). We need to balance local and international demand and communities have to start locally – feeding the domestic market in Sao Paulo is already a very big step in Brazil.

The biggest challenges facing SMFEs wishing to engage in the international market are: the need to produce consistently high quality products, meeting international business requirements and ensuring long-term supply. Papua New Guinea has been unable to meet Australian demand for FSC products because of the considerable time it can take for communities to successfully meet FSC standards. In Papua New Guinea, the stepwise approach has proven useful in tackling this problem.

International quality issues for timber can require much more expensive technical solutions than for NTFPs such as mushrooms, honey and brazil nuts. Lesser known species of timber are even harder to market due to unknown mechanical properties and consumer demand. At the same time, for natural forest management, it is essential to broaden the range of species that are acceptable on the market as this reduces the numbers of each species that need to be harvested per unit area in order to turn a profit. Because FSC/ fair trade is a niche market there is an opportunity to do more to promote lesser known species.

### **3.7 Options to distinguish community products in the market place**

ICCO has recognised the lack of distinction between community vs. non-community forest products in the market place and the subsequent difficulties of marketing products that come from sustainable community sources. A steering committee has been set up, including members of FLO, FSC and ISEAL to oversee a project dealing with this issue. WWF will also be involved. An initial study will be conducted by IIED to identify demand, options and ways forward. The answer to the problem may or may not involve existing labelling schemes.

National based fair trade bodies such as Traidcraft could license a fair trade timber supply chain for the UK market. The disadvantage would be that as Traidcraft's brand is unknown in other European countries the reach of its products would be limited. This could be overcome by working with fair trade organisations in other European countries to share branding where helpful.

In Kenya, there have been some cases of people using FSC products in fair trade schemes. The cost of certification is high for producers but it is certainly worth investing in, if there is a market for these products. If the fair trade market is willing to buy from sustainable sources we should supply them. But it is currently very difficult to ensure that fair trade applies to the multiple steps along the value chain.

Since we are talking primarily about products from natural forests, it is important to take both social and environmental considerations into account. Notwithstanding the bureaucratic problems that joined up working between the FSC and fair trade movements present, we are going to have to present something that combines elements of both.

In the first instance, we should target producers that can meet demand from socially responsible buyers. Standards and certification should be put on hold until the demand is better demonstrated. In parallel with this we should continue working on the constraints that limit these enterprises.

### **3.8 Improving information about markets and the value chain**

Understanding how the value chain works and where responsibilities lie is a critical first step in helping to build capacity at each level of the value chain.

In Papua New Guinea, FORCERT has tried to share information between NGOs and producers. Meetings are held with main timber buyers to explain the issues that producers face. Producers have also been trained on market alliances.

One of the big current policy discourses that has potential to be negative as well as positive is the illegal logging debate. This has overridden many other debates. If it goes well it should improve governance frameworks but if it goes wrong crass law enforcement could lead to bad practice and criminalisation of community enterprises and SMFEs. It is important for

community and SMFE representatives to get involved in these debates to ensure this does not happen.

We can begin to see a wave of finance options approaching for SMFEs – it will be important to shape these quickly with timely information. This has been a constructive year for discussions on SMFEs – with meetings in Costa Rica, Vietnam and forest investment forums in South Africa and shortly in Indonesia. This is a critical time for us to make sure we are defining the right range of initiatives to back.

## 4. Breakout Groups

### 4.1 Group 1 - SMFE constraints and opportunities

Constraints	Opportunities
<ul style="list-style-type: none"> <li>- Not all community members can be business people</li> <li>- Limited access to information</li> <li>- Limited business skill at community level</li> </ul>	<ul style="list-style-type: none"> <li>- Aim for a functional business model compatible with local culture</li> <li>- Support to entrepreneurs</li> <li>- Capacity building</li> <li>- Create and manage a marketing association</li> <li>- Strategic alliances along value chain</li> </ul>
<ul style="list-style-type: none"> <li>- Low volume production</li> <li>- Inappropriate site for trade beyond locality</li> </ul>	<ul style="list-style-type: none"> <li>- Producer associations</li> </ul>
<ul style="list-style-type: none"> <li>- Not enough public awareness of fair trade timber products</li> <li>- Difficulties for small producers to access certification, trademarks, market instruments</li> </ul>	<ul style="list-style-type: none"> <li>- Raise awareness (NGO campaigns, iconic products and industries)</li> <li>- Cooperation between FSC and FLO</li> </ul>
<ul style="list-style-type: none"> <li>- Uncertainty over resource rights</li> <li>- Lack of capacity to assure custody of chain</li> </ul>	<ul style="list-style-type: none"> <li>- Improve policy coherence, legislation, and admin/institutional responsibilities</li> <li>- Raise awareness within mandated organisations</li> </ul>

### 4.2 Group 2 – SMFE constraints and opportunities

Constraints
<ul style="list-style-type: none"> <li>- Cultural differences/lack of capacity to compete in markets with appropriate business models</li> <li>- Lack of access to finance</li> <li>- Standards and procedures create barriers for community participation in certification</li> <li>- Legal and bureaucratic obstacles to equitable land tenure</li> <li>- Competition with illegally logged timber</li> <li>- Lack of stakeholder balance in certification processes</li> <li>- Failure (by international NGOs) to challenge the dominant binary paradigm of industrial logging vs. strict conservation</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>- New financing mechanisms e.g. trust funds</li> <li>- Producer networks / producer-owner networks</li> <li>- Using fair trade timber for a high profile project</li> <li>- Marketing value of fair trade for the timber industry</li> <li>- Diversification into NTFP markets</li> <li>- Policy changes – devolution, growing interest in right-based approaches to natural resources management / poverty alleviation</li> </ul>

- Domestic procurement policies favouring local markets for community produced products
- NGO desire to find alternative to FSC

### 4.3 Group 3 – SMFE constraints and opportunities

<p>Constraints</p> <ul style="list-style-type: none"> <li>- Code of good conduct for trade relations with SMFEs and community enterprises</li> <li>- Governance bureaucracy (in issues such as export that would put it beyond most community enterprises)</li> <li>- Potential demand for community or fair trade timber – largely unknown at present. No current mechanism for distinguishing community products. But we could create demand through a big headline project</li> <li>- Definition of SMFE with regard to social benefits</li> <li>- Scale of production – always an issue</li> <li>- Information on how many SMFEs there are, what they produce, what their trading capacity is</li> <li>- Knowledge within SMFE with regard to markets</li> </ul>
<p>Opportunities</p> <ul style="list-style-type: none"> <li>- Access to natural resources is increasing</li> <li>- Survey of market potential for fair trade or community timber is timely</li> <li>- Promotion of good practice example – a trail blazing project would now be opportune</li> <li>- Scheme to recognise socially beneficial products</li> <li>- Capacity building is need to create knowledge networks about SMFEs in country and to link them with service providers and markets</li> <li>- Company-community partnerships – these have been overlooked as we have discussed this agenda – small enterprises linked to companies can really bring up their capacity</li> </ul>

## 5. Round table update on current activities of relevance

**Simon Counsell (Rainforest Foundation):** The Rainforest Foundation has been working on a forest policy management project in the DRC. A round table on alternative models for forest management will be held early next year (probably February) with DFID, the World Bank and others. Community based models are likely to play an important role in this. We can be fairly optimistic that some of the things we have been discussing today might come up with real political backing from the World Bank.

**Andy Roby (Timber Trade Federation):** There is much awareness raising that I could do within the timber trade. I will write an article for the timber trade journal on this meeting and the potential market opportunity. I will also raise the issue at the next environment board meeting. One tangible thing from this meeting for me is the possible development of a high profile project. I feel we have made a big step forward with the contacts built here today. I would like us to continue to keep each other informed and develop a website or some other kind of repository of information for sharing updates and relevant material.

**Dawn Robinson (ProForest):** ProForest has been involved in the Round Table on Sustainable Palm Oil, which is seeking to learn key lessons from forest certification. ProForest is also involved in giving advice to the private sector and government on sustainable forestry. We have talked about non-forest wood and how it is sometimes difficult to include in procurement policies. We are also involved in a GEF funded CIFOR/FSC project looking at the impacts of certification for communities and SMFEs. Fieldwork is taking place in Cameroon, Mexico and Brazil to look specifically at the biodiversity aspects of certification.

**Alan Smith (FSC International):** FSC is developing a modular approach and has launched a project (one component of which looks at the development of this approach in context of the south and focusing on Cameroon as a test case on municipal forests – some of these contain communities). We should not forget the ICCO initiative as distinguishing products is an important next step in this area.

**Tony Hill (TREE AID):** TREE AID has been working on capacity building at a community level for villages/community enterprises in west African dryland forest areas. We are working

closely with the FAO to look at NTFPs. In Burkina Faso, Mali and Ghana we are providing support to develop strategic alliances along the value chain. We are also trying to link this in and influence government policy for the community production of NTFPs. We are mostly focusing on country or sub-region markets rather than international.

**Kate Schreckenber (ODI):** The EU funded VERIFOR project at ODI is looking at how verification systems can be used without crass enforcement disadvantaging small producers. Over 12 case studies have been produced that are on website and will be published early next year. We are working with CATIE in central/south America, CIFOR Cameroon and RECOFT.

**Mauricio de Almeida (Imaflora):** Imaflora has been working with FSC/FoE to make market links in Sao Paulo and to make information more available for communities. Cartoons have been designed to help community people better understand market relations. We would like to do some work on product distinction but we have not started anything on this yet. We would also like to link up with other organisations to identify a potential fair trade supply chain.

**AnaYang (FSC Brazil):** The FSC trade fairs started as a one off but have been a big success. The next one will be in two years time. There were 35 stands at the first fair with a mix of big and small producers. 4200 visitors attended from 200 countries. The second fair was even bigger. We have also been working with two organisations looking at certification for indigenous groups – current legislation means indigenous people cannot log timber but only produce NTFPs.

**James Mayers (IIED):** IIED is running an international network of country-based Forest Governance Learning Groups. Seven groups have been established in Africa and three in Asia. These multi-stakeholder groups are looking at what to do when people are marginalised from governance. There are some links to VERIFOR in a few countries. In Ghana and Cameroon, groups are involved in discussions around the EU voluntary partnership agreements and are seeking to ensure that local/community rights are included in definitions of legality. Sonja Vermeulen has done some scoping work on palm oil and will be doing more with Marcus Colchester and a group in Columbia. We are also starting to look at biofuels which could also involve community enterprises.

**Severinus Jembe (Craft Producers Association Kenya):** We are trying to certify some community forests in Tanzanian coastal areas, and get woodcutting centres in Kenya certified. Discussions are ongoing between Tanzanian forest authorities and WWF on how to advance situation.

**Rob Donnelly (Traidcraft):** Traidcraft has also begun discussions with partners in Kenya to increase the sourcing of fair trade products, potentially some from FSC certified sources.

**Jaime Levy (Fundación ALTROPICO):** We are helping a few communities take legal action against some palm oil producers. We would be interested in linking up with IIED's work in Columbia also.

**Annex 1. List of participants at the Royal Botanic Gardens, Kew for 27<sup>th</sup> September 2006**

<b>Surname</b>	<b>Forename</b>	<b>Organisation</b>	<b>Address</b>	<b>Email</b>
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ARNOLD	Mike	Independent researcher	19 Hayward Road Oxford, OX2 8LN United Kingdom	<a href="mailto:m_arnold@yahoo.co.uk">m_arnold@yahoo.co.uk</a>
BOETEKEES	Gemma	ICCO	International Markets - Co- ordinator Forest products ICCO PO box 8190, 3503 RD Utrecht The Netherlands	<a href="mailto:Gemma.Boetekees@icco.nl">Gemma.Boetekees@icco.nl</a>
COUNSELL	Simon	Rainforest Foundation	Executive Director Rainforest Foundation Suite A5, City Cloisters 196 Old Street London, EC1V 9FR United Kingdom	<a href="mailto:rainforestuk@rainforestuk.com">rainforestuk@rainforestuk.com</a> <a href="mailto:simonc@rainforestuk.com">simonc@rainforestuk.com</a>
DAM	Peter	FORCERT (Forest Management & Product Certification Service)	Manager FORCERT Walindi Nature Centre Talasea Highway PO Box 772, Kimbe West New Britain Province Papua New Guinea	<a href="mailto:forcert@global.net.pg">forcert@global.net.pg</a>
DONNELLY	Rob	Traidcraft	Head of Africa Programmes Traidcraft Exchange Kingsway North Gateshead, NE11 ONE United Kingdom	<a href="mailto:robertd@traidcraft.org">robertd@traidcraft.org</a>
GONZALES	Aimee	WWF International	Senior Policy Adviser Trade & Investment Unit WWF International CH-1196 Gland Switzerland	<a href="mailto:AGonzales@wwfint.org">AGonzales@wwfint.org</a>
HELLIER	Gus	Soil Association Woodmark	Bristol House 40-56 Victoria Street Bristol, BS1 6BY United Kingdom	<a href="mailto:GHellier@SoilAssociation.org">GHellier@SoilAssociation.org</a>
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## **Annex 2. Briefing papers submitted prior to the meeting**

### **Background**

The working group comprising participants at this meeting will focus specifically on options that allow small / community forest enterprises to distinguish their products in the market – resulting in fairer trade.

Part of the aim is to capture an accurate reflection of the opportunities and constraints for developing mechanisms for fairer trade – either within existing labeling schemes or outside them. To do this, IIED invited participants and interested parties to prepare, and share, short briefing papers on these issues (2 page maximum). This provided an opportunity to state institutional or personal support or concern about fairer trade in timber and outline particular opportunities and constraints that could be discussed at this meeting. The following questions were posed:

1. What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?
2. Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?
3. What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?
4. What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme
5. What constraints do you think require particular attention and discussion at this meeting in order to make progress?
6. What next steps would you like to see?

Numerous individuals (including representatives of certification schemes and the timber trade) were invited to express their thoughts and the following responses were received:

## Briefing paper from Andreas Kratz, FLO

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Andreas Kratz, FLO International eV, The following are personal observations although they are broadly in line with the institutional policies developed so far.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes, we do. For us, 'distinction' shall be understood to mean 'distinguishing (by labeling) from mainstream products' - but not from other FSC or FT products, as far as possible. This means the product must fit into the system's logic of FSC and FLO.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

Opportunities are good for both the FSC and the FLO label, although both do not necessarily fit well together. I can't judge other labels such as IFAT, Rainforest, IFOAM etc.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

This depends on the results of a system's analysis. For the market, and specific products, it is desirable to have one audit and two certificates - with lowest possible differing administration procedures - but widest options to label. We shall strive towards this. This may be achieved by option 2 (two schemes – joint audit) but also by option 3 (one modified scheme). I.e. the two systems can be chosen separately since they operate the same system (modified to the existing FSC and FLO schemes respectively). Option 3 is the most straight forward, but very expensive to set up and maintain. Option 2 is more realistic, but still challenging (e.g. auditor qualification).

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

Market demand, retailer commitment (acceptance of add-ons to the market price), quality issues (possibly?, forest people will know), scale issues in supply (e.g. to get sufficient volume for transport?). Overall, all parties need to make clear what "problems" (and from whom) we want to solve and what is the desired best practice i.e. what are the development goals. Then we can see which technical and financially viable solution makes sense.

6. *What next steps would you like to see?*

Get a feasibility study going quickly. Identify the most promising actors (trade and systems).

## Briefing paper from Rudi Dalvai, IFAT

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Rudi Dalvai, IFAT, the international Fair Trade association. The below note represents a set of personal observations, in line with the general institutional guiding principle.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

We know that often behind forest products, independently if they are timber, fruits, nuts, herbs etc. or their derivatives, there is exploitation of people and environment at the beginning of the production chain. Therefore, I strongly support the idea of distinguishing community forest products in order to pursue Fair Trade as long as there are clear standards and criteria's that respects FT principles. By developing this idea, it should be considered that FT is a concept and movement that is mainly directed to North - South trading relations.

3. *What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

I see good opportunities for existing Fair Trade labelling schemes to be adapted to certify community-based trade of forest product. I assume that there are also good opportunities with labelling schemes for forest certification but leave it to people working in this area to answer the question.

There are two main Fair Trade concepts for distinguishing products as FT products.

- The first is to certify the producer organization and trading organizations as Fair Trade Organization, in this case the organization has to comply with the international standards for FTOs set by IFAT. An organization, which would like to be certified as a FTO, has to apply for IFAT membership and undertake the FTO monitoring process. Certified FTOs are entitled to use the FTO Mark on all their institutional and promotional material.
- The second option is to go for fairtrade labelling by FLO (in UK represented by Fair Trade Foundation). To make this possible, FLO needs to develop specific criteria for community fairtrade products.

For products which are sold mainly in the mainstream market (not in the traditional FT market like worldshops etc.) the fairtrade label scheme may be more suitable as this system allows to label the product while the IFAT scheme at the moment do not allow to use the FTO Mark on products.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

For each of this option there are advantages and disadvantages.

a) Two schemes and two audits has the advantages to work with existing schemes which have proved that they work, where there is a lot of experience behind and last but not least they (the labels) are already known in the market place and we know that a label has only value if it is widely known. The disadvantage is the higher cost and bureaucratic to coop with two different schemes/labels

b) two schemes joint audit is theoretically/ideally the best solution but in practice very difficult as each scheme has its own system and dynamic. Qualified field studies to analyses possibilities to combine audit for fairtrade and organic certification have been made, but no sustainable solution could be found.

c) one modified scheme needs a lot of expertise and resources to be developed and there is the question of the label which will be used (see point a). If there are resources available to develop the new scheme and promote a new label effectively on an international level. I think this is the best solution, But it needs a lot of resources to be successful.

To answer the question, I think the two solutions to be discussed should be the first or the third.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

I think it is very important to define, which are the existing social and environmental problems with forest products which need to be solved by a labelling scheme. It is also important to consider the cost factor which is linked to any labelling scheme (development costs and running costs)

6. *What next steps would you like to see?*

Starting close dialogue with Fair Trade and forest certification and labelling schemes and see how they work in detail.

## Briefing paper from Alan Smith, FSC

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Alan Smith, Social Strategy Programme Manager. These are personal observations but within an institutional framework.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes. The FSC certification model has proved more successful for large operations with established international timber market access. However community timber products encounter inherent barriers to trade such as low volumes, variable quality, difficulty with on-time delivery, deficient business and technical know-how, inadequate market linkages, and so on. In other words, they do not enjoy a level playing field in the market place. These problems are structural; nevertheless, community products can be marketed to meet the demands of discriminating buyers. If their products can be distinguished in some way, coupled with capacity-building measures, this should help to improve their market prospects.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

FSC certification can contribute to provide greater market penetration for community products; this has worked with NTFPs and handicrafts. The degree of adaptation need not be that much and we would be reluctant to introduce a label especially for community products, although we could consider adding a statement as to origin. The promotion we envisage would be more off-product than on-product labeling.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

Depending on the degree of compatibility (in forest management and market terms), one joint audit and two schemes i.e. option 2, would be a preferred option, assuming certification procedures are also compatible. This would reduce costs to the producers and widen/deepen market opportunities. This coincides with the FLO view. Auditor joint qualification would be the prime necessity. The first option, two schemes two audits, is effectively what we have at the moment should any community or their sponsors want to go through the expense of certifying under two schemes. This could happen as Fair Trade and responsible forest management address two separate concepts but is unlikely. One modified scheme (option 3) would not be attractive to us as it would be very difficult to adapt our procedures to this.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

At the **producer** end: capacity-building to upgrade business and technical capacities. Fair Trade organisations are more used to providing these services but FSC is not mandated to provide technical services to producers. The cost of certification is also an important factor. Also, Chain of Custody certification should be considered. The FSC CoC tracking for timber can be long and complex, more so than Fair Trade products in general. Are there possibilities for joint audit?

At the **market** end, we need to look at the potential for products that are more mainstream (e.g. sawn timber) than with typical niche market Fair Trade products. What is likely to be the specific demand for community-produced timber products? Can we attract price premiums for community products (if not, what's the point of distinguishing them in the market place)? How do you distinguish these, especially if there is some element of mixing with non-certified materials from other sources? Or do we aim to seek to provide 100% certified products to

final buyers? I see there are a lot of issues to discuss, maybe I have missed some, but probably the market ones are the most critical.

6. *What next steps would you like to see?*

Do a feasibility study, concentrating on the market but which could also look at the compatibility of Fair Trade and FSC certification from the forest through the Chain of Custody. If there are sufficient market grounds for going ahead, then we would subsequently move to a pilot testing phase.

## Briefing paper from Aimee T. Gonzales, WWF International

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Aimee T. Gonzales, WWF International. This briefing note represents my own views on the matter and should not be taken as WWF's views.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes, in terms of distinguishing community based forest products (timber and non timber) from industrial large-scale forest production and fairer trade for me means better income for small/community-based producers particularly in the South

3. *What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

We should not limit ourselves to existing labelling schemes in identifying opportunities for better economic incentives for community based forest products. For example, UNCTAD has established a Biotrade verification mechanism. Though it is still at its nascent stage, it may be good to examine discussions and studies particularly their lessons learned/review of existing labelling schemes and what could potentially work for biotrade type products (mostly non timber forest products).

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

It would be good to discuss all these options in more detail rather than zeroing on in one immediately since there are pros and cons in each and depending on type of fair trade scheme one adopts... plus other approaches too...

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

Information on market demand for such products would be very important to establish.

It is also unclear to me how one would go about setting up a 'fair trade' pricing scheme in this sector, over and above the value added in relation to the community labelling/promotion itself. I think the cost of doing business with small communities is far greater than for 'normal' commercial sourcing anyway – so buyers doing business will already be paying a much higher price. Adding in a further fair trade premium may not make sense. What other approaches can we try apart from labelling?

6. *What next steps would you like to see?*

Results of dialogues based on discussions at workshop in Kew and other fora.

Results of a feasibility study with some pilot examples where it can be tested. WWF will be undertaking this with SNV in Bolivia, Vietnam and Cameroon. This will be a nice complement to what we will be doing with ICCO.

Some commitment from market actors to buy products from community based forests

## Briefing paper from Matthias Rhein, DFID

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Matthias Rhein, DFID, Policy Division, Growth & Investment Group, Renewable Natural Resources & Agriculture Team

My comments represent both an institutional and a personal view, as indicated below.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes, I do in principle (and so does DFID), although I am inclined to believe that we are targeting small to medium scale forest enterprises rather than “communities” here. The term “community” is an imprecise concept that doesn’t lend itself easily to concepts from the world of business. In addition, DFID’s experience with turning community-based forest enterprises into viable businesses has been mixed, if not disappointing. Most community members want a job with a steady income. They do not want to become entrepreneurs. We may want to keep this in mind, or else, risk being let astray by strong assumptions and constrained by unworkable concepts.

Supporting the idea in practice, however, would require clear evidence which shows that establishing a niche market label will lead to a significant enhancement of local returns, especially when considering all the other constraints that SMFEs face in the market place

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

DFID’s general experience and position on this is that fair trade labels are just a niche market and will continue to be just a niche market. Mainstreaming fairer trade standards, agreements, etc. yields better returns than supporting specific labels for niche markets. Supporting labels for niche markets, however, makes sense when they complement ongoing private sector development programmes.

So the question that arises is: Does a fair trade label for SMFEs’ products really complement the ongoing certification programme? The latter has already gained some wider recognition but the fact that there are some 50+ different schemes in the market is confusing both buyers and producers. So does it make sense to support a fair trade scheme in addition to the 50+ existing certification schemes (and we haven’t seen the end of this yet), or should we focus on making certification and trade schemes work for SMFEs and community-based forestry? Unless there is strong and convincing evidence for adding an additional fair trade label to the existing labels, the obvious answer would be: Don’t sweat the small stuff but get the big stuff sorted.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

I would like to see something that is pragmatic, based on evidence and credible market intelligence, and firmly rooted in reality. The last thing I would want to see is something driven by ideology, “one-man’s vision”, or unchecked assumptions. Eventually, it will be the market that determines what works and what doesn’t. If the market is confused by the number of labels, does it make sense to add yet another one? If one of the market entry barriers for SMFEs are the high transactions costs, would it make sense to have two parallel processes, thereby adding to the transaction costs? My initial feeling is, no it wouldn’t make sense. We would want to integrate schemes rather than adding new layers to the already existing complexities. But then, this is about evidence, not about gut feelings.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

As mentioned above, the debate has to touch on the niche market versus mainstreaming issue. Next it has to deal with the realities on the ground and the trends in the forest product industry and markets (e.g., consolidation, economies of scale, China in Africa, illegal logging, ...) to establish that a niche market label will make a significant difference in light of all the other constraints and market trends and, hence, will be worth supporting.

6. *What next steps would you like to see?*

I would like to see an analysis that tells us what SMFEs stand to gain by establishing a fair trade label vis-à-vis the other constraints, such as poor policy and regulatory framework, insecure tenure and access to raw material, constrained access to finance, a huge market for illegal products, industry consolidation trends, etc. Will a fair trade label really make significant difference to local returns?

A thorough analysis of the general drivers, constraints and trends that support or hinder better local returns from the trade of forest products and the prospects of SMFEs to thrive in the market place would make a good starting point for further inquiries.

**Briefing paper from Sophie Grouwels, Food and Agriculture Organization of the United Nations (FAO).**

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Sophie Grouwels, Forestry Officer, small-scale enterprise development. The following are personal observations based on FAO's experience in this area.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes, I do. However, it would be important not to create confusion on the market place with another, totally different label. Best would be to have this effort be part of an existing effort such as Fair Trade. But we should also think on the other forest reality: the NWFP-based community forest enterprises. They should also benefit from this new label.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

Both the FSC and Fair Trade labels are providing lots of opportunities, although they do not necessarily fit together. As FSC was initially designed for bigger (timber) enterprises, it is still perceived as more advantageous for these enterprises. Therefore, it is indeed necessary to design something tailored to the reality of Community Forest Products, based on both successful experiences.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

All will depend on the results of an analysis of cost and opportunities. But we can be emphatic on that we need to put in place a transparent, easy applicable and low cost mechanism for the small/community-based enterprises. Therefore, I would opt for a modified scheme (but close to or managed by one of the existing ones) even though setting this up could take more time and have an additional cost. If donors could be motivated to support the setting up of this new scheme and promote it on the international scene, this would be for sure the best alternative.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

The cost factor is key for each labeling scheme. Small-scale forest entrepreneurs need to see the immediate advantages of labeling. After that, there could be constraints in quality of products, access to transparent information, access to finance, quantities to produce, management, etc.

Questions should be made on which issues this new labeling scheme wants to have answers. What will be the balance between the economic, environmental and/ or social issues?

6. *What next steps would you like to see?*

Do an analysis of costs and opportunities and identify the key stakeholders to participate in these discussions.

## **Briefing paper from Mauricio Voivodic, Imaflora, Brazil**

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Mauricio de Almeida Voivodic, Imaflora, Brazil. This briefing note represents the result of a set of discussions with Imaflora's staff who is directly involved with community forest management and certification as well as with the Brazilian Forum for the Debate on Fair Trade - FACES ([www.facesdobrasil.org.br](http://www.facesdobrasil.org.br)). Although these are personal observations, this briefing note can be considered as an institutional point of view about the topic.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes we do. In Brazil, there are several examples that the existing certification schemes are not good enough to foster responsible community forest products in the market and that some criteria related to fair trade should be added in the whole supply chain.

From the close contact with FSC certified communities in the Amazon, we have identified the following issues that support our position on this:

- Low prices are paid for the certified raw material whilst the highest benefit along the supply chain is concentrated in the traders and the manufacturers who sell the final product to consumers (some times using the community status of the forest product as a marketing strategy).
  - Abrupt changes in the demand of certified forest products (mainly for NTFP's) are causing huge negative impacts in the communities' organization and commitment with sustainable forest management. Changes come from seasonal purchase from buyers and different amount of products requested by buyers. Moreover, there only are a few buyers of NTFP's. Communities depend on the variable and unpredictable demand of these few companies.
  - Small communities can not compete in the normal market with big companies due to quality, volumes and production costs disadvantages as well as logistic and infrastructure factors, what rely on public issues as a limiting factor;
  - In a producers' perspective, the FSC P&C are too general to verify: i) procedures applied to share benefits with the whole community; ii) transparency in the use of the resources; and iii) democracy in the decision making process;
3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

The FSC General Assembly (Manaus, 2005) showed that the FSC members are concerned with the applicability of the FSC scheme for local communities who depend on forest products for livelihood, and the ongoing benefits that results from the certification. There are two approved motions (Policy 62 and 65) that mandates FSC to carry out studies to review the strategy used for small enterprises (named SLIMF's in the FSC structure) and to encourage the FSC collaboration with FLO and/or other organizations in order to recognize the added social value of the community forestry. This clear demonstration from the FSC members can be considered as an opportunity for further developments on this issue by FSC.

In another hand, I believe that the BIOTRADE INITIATIVE (UNCTAD) should also be reviewed in this process. They have developed Principles for both production and market of goods from native biodiversity to ensure the objectives of the Convention on Biological Diversity, including benefit share.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

From my perspective, a modified scheme is needed. I would like to discuss the possibilities to adapt the existing standards in order to join sustainable production with fair trade in one single standard. This would result in a new “plus” label that could be endorsed or recognized by the existing schemes – what would provide the credibility needed in the market.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

- The existing problems faced by small enterprises should be made clear in this meeting in order to guide the discussion on what we want to achieve;
- The willingness and capacity of the existing certification schemes to drive their efforts in this direction;

6. *What next steps would you like to see?*

- Any kind of agreement or understanding of the participants that this issue is important and we want to deal with;
- Development and implementation of the agreed option (if any);

## **Briefing paper from Simon Counsell, The Rainforest Foundation**

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Director, the Rainforest Foundation UK. This represents a personal view, though it is closely aligned with our institutional views concerning forest certification and benefit-sharing.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Very much so.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

There seem to be two basic options here: FSC or FLO. The former could probably not make such a scheme possible at the moment, because its structure seems to militate against smaller-scale community-based operations. The FLO would seem to have the stronger commitment to community benefits.

I believe that, if the scheme were developed in an appropriate manner (see suggestion in point 4 below) there could be very strong support for it from environmental, social, indigenous and other non-governmental organisations, who are presently highly dissatisfied with the performance of the FSC and actively seeking a possible alternative.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

Given the FSC's present difficulties and structural problems, I would not suggest that any scheme is considered that would operate jointly with it.

However, an ideal arrangement might be to use the agreed FSC Principles and Criteria of 'sustainable forest management', as well as certain other FSC operational policies, as the 'guiding requirements' for an FLO-designed and regulated system. To these FSC-based operational policies should be added specific new Principles and/or Criteria that deal with 'Fair Trade'.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

The lessons and problems learned from the development and operation of the FSC system should be thoroughly considered.

6. *What next steps would you like to see?*

A study should be undertaken to see which of the FSC's Principles and Criteria and various operational policies (such as those concerning consultation, use of pesticides, indigenous peoples etc) could serve as a useful basis for the operational policies of a FLO-operated system.

Informal consultations should be undertaken with appropriate non-governmental organizations to discuss what other features of a Fair Trade forest products system might be desirable in addition to parts of the FSC's requirements.

## Briefing paper from Sergio Madrid, CCMSS, Mexico

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Sergio Madrid. Consejo Civil Mexicano para la Silvicultura Sostenible  
This is a set of personal observations.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

In Mexico there are more than 6,000 communities that own approximately 40 millions of forest hectares. Today these communities are the best stewards of our forests. Without their day a day effort, those forests had been lost because of illegal logging, forest fires, illegal animal capture, and urban growth. That is why we believe it is very important to develop new mechanisms to stimulate forest communities to maintain the forest use of their lands. Deforestation is not a result of poverty, deforestation is a result of a decision to land change because of the profit (rentabilidad) of other uses. The present certification schemes are far away to help communities with small forest areas and small forest production.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

We think it is necessary to develop a very specific label in order to distinguish community forest products

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

No response

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

The main constraints include:

- field evaluation costs / who can pay them in short and medium periods
- whether and how can FSC and other certification and accreditation organizations can help this initiative
- which would be the main and general product lines to be traded by certified communities.

6. *What next steps would you like to see?*

No response.

## Briefing paper from Robert Donnelly, Traidcraft

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Robert Donnelly, Head of Africa Programmes, Traidcraft Exchange. This note is my personal observations.

Traidcraft Exchange is one part of the Traidcraft Organisation. The other part is Traidcraft Plc. The mission of Traidcraft is to fight poverty through trade. Traidcraft Exchange is a development NGO. We:

- Implement projects in developing countries, with local partners, which help to create sustainable enterprises and enable the poor to benefit from their business and trading activities.
- Provide training and consultancy services in trade and development to other organisations
- Campaign in the UK and Europe to challenge and change policies and practices that stop poor people from gaining access to markets.

Traidcraft Plc is a trading company. It puts fair trade into practice, trading with producer groups in developing countries on fair trade terms – this includes fair terms of trade (price, advance payment etc), creating long term relationships and business opportunities with suppliers and providing training and support.

Whilst these comments below are my own observations, they broadly reflect the views of Traidcraft Exchange in particular.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

I support the principle. Distinguishing products in the market place can give them a competitive advantage, enabling more to be sold and often at a premium price, thereby potentially benefiting producers. But distinguishing products is not the only way to ensure that the poor increase the returns and the security of the returns that they gain from forest products. Neither is it sufficient.

- Distinguishing products, through for example the use of a label, does not in itself make the trade fairer – the extent to which it does, depends on how the scheme is conceived and applied. The criteria in certification schemes can be used as models for best practice and if an improvement approach is taken in the application of the scheme it can provide valuable support to producers to attain these standards. However, if the emphasis of the scheme is on audit, the scheme can not in itself create fair trade – it can provide an incentive and it can certify it once it has been created.
- More than just a label is required to make trade fair
- A label is no guarantee that increased benefits will accrue to poor producers.
- Trade can be fair and additional benefits can go to producers without the use of a label

Similarly:

- Distinguishing products can make them more competitive
- It is not the only way to make them competitive and it is not sufficient for them to compete – the use of a label is unlikely to turn an uncompetitive product into a competitive one
- Issues of price, quality, what the product is etc also need to be taken into account.
- Products can compete effectively without the use of a label

Distinguishing products in the market place, in this way, will mainly benefit products sold in Northern markets. It is less likely to benefit products sold in domestic markets.

*3. What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

What is the purpose of the label?

- What is it trying to show - that products are fairly traded, that they are sourced from community forests or that they are sourced from sustainably managed forests – or is it all of these things.
- What is being certified – the product or the community organisation that owns/manages the forest.
- What markets are being targeted – mainstream or fair trade

There are opportunities to use existing schemes depending on the purpose of the label.

- Membership of IFAT would certify that the producer organisation is a fair trade organisation, but it does not certify the product and it has limited use on the mainstream market.
- FLO certification would certify that the product is fairly traded. The FLO mark is well recognised in the mainstream. Its application to flowers and more recently to cotton is giving it wider recognition outside of food products. Some existing FLO product standards (e.g. honey, fruit, nuts and seeds) could be applied to NTFP, with little or no adaptation required. New product standards could potentially be developed for additional products (e.g. timber) if sufficient demand and potential poverty impact could be demonstrated. However, are the environmental standards within FLO sufficient to ensure the sustainable management of the forest resource and the specific product within that forest which is being certified?
- I know less about forest certification and much of what I do know is from a few years ago so may be out of date. Use of this label would certify that the forest is sustainably managed but do social standards within FSC cover the fairness of the trade? My perception is that while the FSC label is generally less well recognised than the FLO label, it is well recognised on timber and wood products. How well recognised is it on NTFPs, particularly in the mainstream market? Are FSC certified NTFPs able to command a price premium? I understand that FSC certification is an expensive and time consuming certification programme to implement and is difficult to apply to informal community based harvesting. If this is the case how appropriate is it to community forestry?
- Regardless of the suitability or otherwise of existing labelling schemes they all require market demand to make them work. Is there demand for fair trade timber and forest products and if so where is this demand coming from

*4. What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

Two schemes two audits is where we are at the moment. We should aim to improve upon this.

One modified scheme seems to me to present some problems. For instance would we end up with a FLO standard for honey and then a FLO standard for honey sourced from sustainably managed and community owned forests. This would probably be a harder standard to attain making it harder for beekeepers who source their honey from community forests to differentiate their product. It is unlikely the consumer would appreciate the difference so the modified standard would be unlikely to deliver additional benefits over and above the existing standard. If consumers did appreciate the difference it might weaken the existing standard, causing consumers to wonder whether honey under that standard comes from unsustainably managed forests.

Two schemes joint audit seems to offer the possibility of cost savings, whilst maintaining the integrity of existing standards and flexibility for the producer

5. What constraints do you think require particular attention and discussion at this meeting in order to make progress?

For any scheme to work I think the following issues need to be addressed or in place. Each of these is a potential constraint

- Demand. Is there sufficient demand for fair trade timber or NTFPs to justify the development of a standard and to provide sufficient incentive for producers to consider producing in accordance with the standard.
- Competitiveness. Is the product competitive in the market. Can timber from community forests compete with timber from commercial plantations. Consumers may express a desire to buy fair trade timber or products made from it how much extra will they pay for it and what standards of quality etc do they expect.
- Supply. Is there a source of supply or a potential source. Are there producers or producer associations interested in producing in accordance with the standard and with the capacity to do so? Will working with these producers meet the aims of fair trade organisations - lifting people out of poverty. Does the product have the potential to do this on a sufficiently large enough scale to interest organisations like FLO.
- Standards. Can a workable standard be developed – one which meets the needs of different stakeholders yet is affordable to comply with and to audit against. Ultimately the costs of complying with the standard and auditing against it will need to be met from the supply chain – those involved in producing, trading and selling the product – is this achievable

## Briefing paper from Peter Dam (FORCERT, Papua New Guinea)

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Peter Dam (Manager) & Wesley Watt (Extension Forester) of FORCERT. Formal company statement. FORCERT is a Papua New Guinean based and owned not-for-profit company that promotes sustainable forest management through providing certification and marketing services of forests and products for local small-scale producers and timber yards. FORCERT uses Forest Stewardship Council (FSC) Certification as a management, marketing and networking tool. It links community forest enterprises to central timber yards, and combines the output of these yards to service overseas markets.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes. FORCERT believes in a fair and transparent independently certified forest product trade that recognises the important role of local landowners and ensures the different values of their forests are appreciated and maintained. Under the FORCERT group certification service network local landowners themselves manage their forest and small-scale businesses. FORCERT feels Fair Trade certification additional to FSC certification is important to officially acknowledge the fair trade taking place via the network, which recognition then can be used to distinguish our members' sawn timber products in the global market place. This for two main reasons:

- To be able to distinguish FSC certified products from small-scale (community) enterprises from similar FSC certified products coming from large companies
- To assist in entering and developing niche markets

Earlier this month (September 2006), FORCERT was accepted as a Fair Trade Support Organisation with IFAT. This gives us official recognition of the Fair Trade mechanisms within the FORCERT Group Certification Service Network. We believe that this is the first application of Fair Trade for sawn timber products anywhere in the world.

We have linked our Fair Trade mechanisms with the three different producer categories created under the FORCERT Group Certification Service Network. FORCERT uses a so called step-wise-approach to FSC certification for its potential producer members (community based small-scale sawmilling businesses), leading to the following categories:

- a. Community Based Fair Trade producer member (moves on within 18 months to b)
- b. Pre-certified producer member (moves on within 18 months to c)
- c. FSC certified producer member

Although all three categories are covered under the FORCERT Fair Trade principles, the name *Community Based Fair Trade* is specifically used for the first producer member category, which does not have a reference to certification yet. Putting *Fair Trade* together with *Community Based* creates a strong marketing message that can assist our overseas buyers to market the timber from this producer category. The CBFT producer category was created only recently, in January 2006, but our main buyer (The Woodage, Australia) has confirmed that this message has already proven useful in establishing and securing marketing contacts.

3. *What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

We don't know if huge adaptations are necessary to allow for Fair Trade certification to be linked to, or combined with FSC certification. When checking the Fair Trade criteria and membership requirements of IFAT in preparation for our submission, we found that the FORCERT group certification service network already met most of them, and little additional work needed to be done. Also the additional (external) costs to become a Fair Trade Support Organisation are limited (US\$ 750/annum).

We are not aware of the certification requirements and associated costs with FLO. As for simplicity sake we prefer not to use on product labelling on the sawn timber (which is our only

product at the moment), and at present do not have that requirement from our buyers, we have not looked at the option of becoming Fair Trade certified with them.

It may sound as a bit premature remark for a first meeting on the issue, but to us it is important that it does not become too easy for a FSC certified operation to also obtain Fair Trade certification, as we feel this additional marketing tool needs to be reserved to support small-scale (and) community businesses, to partly compensate the traditional marketing constraints these type of enterprises face, which often receive only little alleviation through FSC certification.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme?*

Two schemes, joint audit would be our preferred option, for the following reasons:

- Avoids creation of a confusing and costly additional FSC+ category, standards and logo
- Use of existing schemes possible; simplest and cheapest for development of this possibility
- Joint audit saves time and costs

This option will see the need for close collaboration between FSC and Fair Trade auditors, with further training/capacity building for FSC auditors on Fair Trade certification and monitoring. To allow both organisational and on product Fair Trade labelling, IFAT and FLO would need to agree on mutual requirements and a joint assessment and monitoring system.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

There are a few questions we like to see answered in the discussion, to get a clearer picture of the potential for the use of Fair Trade certification in combination with FSC:

- Is there any need to adjust the existing Fair Trade requirements or add specific requirements for the timber product trade?
- How can Fair Trade claims be made and by whom?
- How can we push Fair Trade up the timber processing chain?
- Are IFAT and FLO going to merge for this particular purpose, or altogether anyway?

6. *What next steps would you like to see?*

Let's have the meeting and discussions first and hear the thoughts from all parties on the viability and usefulness of the idea. If it is generally accepted, the discussion on all identified constraints should give us guidance on what next steps need to be taken to move it all forward.

## **Briefing paper from Gus Hellier, Soil Association Woodmark and Nick Pyatt, FRR**

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Gus Hellier, Soil Association Woodmark, FSC certification programme and Nick Pyatt of FRR. This note represents our personal views but is broadly in line with our organisations' thinking on this issue.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

Yes. FSC certification helps forest management operations distinguish their products as coming from responsibly managed forests with respect to social, economical and environmental aspects, including legal origin, basic workers rights and local benefits from the forest. However, it does not distinguish between large commercial operations and community managed operations whose primary objective is community development. We have received feedback from community forestry FSC certificate holders that Fairtrade certification could provide this recognition and possibly a marketing advantage over other suppliers of FSC certified timber.

Community forestry in itself may not be sufficient guarantee of fairness however. Entities which are considered community based may be exploitative in other ways. Hired labour is a case in point. How is there fairness of employment monitored here? One community, or element of it may not be acting in a fair way to its neighbours, or other elements of the community.

It may therefore be useful to have a wider set of criteria about fairness. This will also allow larger operations to be accredited with fairness. Since a large operation acting fairly means fairness for more, this is surely a good thing.

3. *What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

There appears to already be significant overlap between FSC and Fairtrade requirements. There is also likely to be some degree of overlap in the markets for Fairtrade and FSC certified products. There may be an opportunity to make joint audits more cost effective.

This is particularly the case since the weakness of one can be a strength for another e.g. terms of employment are stronger in fair trade than in forest certification. Chain of custody is strong in timber certification and less so in fair trade certification (or at least in a way appropriate for forestry). The way in which different schemes address hired labour also needs consideration.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

Trying to create one new modified scheme seems unnecessary when two potentially compatible schemes with good market awareness already exist. It would be advantageous to develop joint audits to keep costs down, however, it should be recognised that operations may wish to apply for one scheme only (i.e. FSC or Fairtrade).

Such a complimentary system would allow an operation to apply for one whilst being able to cover both without duplicating certification of common areas. A question would then arise over how to integrate the various certification schemes in the forestry side, and any emerging schemes on the "fairness" side. This note focuses on FSC and Fairtrade but there are other forest certification schemes and other ethical trading schemes that are valid, and indeed which may be more easily integrated with each other.

If the outcome we are looking for is greater justice, there would need to be the scope for each brand to enter a range of arrangements with different partners.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

Information on market and supply potential. Understanding of areas of overlap in FSC and Fairtrade certification and auditing procedures. Fairtrade standard for timber products. Hired labour. Chain of custody for fairness as well as timber. Consultation processes.

6. *What next steps would you like to see?*

Market survey to determine demand for Fairtrade timber products and supply survey to determine a) potential supply characteristics (e.g. product, species, quality and volume) and b) to inform Fairtrade standard setting process. Depending on result of surveys pilot phase to develop and test standards and act as demonstration of potential market advantages of such an approach.

## Briefing paper from Saskia Ozinga, FERN

1. *What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

Saskia Ozinga from FERN. This briefing note covers broadly FERN's position although I have not checked it in detail with close colleagues.

2. *Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

It is an interesting question. In principle, yes. The experiences with FSC have shown to some extent that communities have lost out. Most of the certified are is not community based forestry, while some of FSC founders had hoped FSC would support these practices.

3. *What opportunities do you see for particular existing labeling schemes such as fair trade or forest certification to be adapted to make this possible?*

Problem with FSC has also been to some extent that the 'heavy bureaucracy' does not sit easily with the needs and possibilities of local communities. I do not know in detail how Fair Trade labels work and how the control is (see recent controversies with coffee) but they may be better suited for local communities as they have been developed to meet the needs of communities than a scheme such as FSC, which is also designed to control the timber industry to some extent. There always will be a tension between getting as much market access as possible and truly supporting local communities as economies of scale will make it easier for large operations to acquire certification.

4. *What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme?*

Fully depends on impact, firstly on communities and secondly on the market. To integrate fair trade as part of FSC and to integrate FSC as part in Fair Trade seems to be the most logical way forward from a consumer perspective. We don't want another new label.

5. *What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

What are the needs of communities we are trying to address here and what is best way to address these needs? This would be my first question. The assumption that international market is the market to go for, for local communities needs to be contested. Local markets may be a much better option.

Local communities can compete with great difficulty with large companies both on quality issues (see experience of Ecotimber) and on quantity (production security) issues. This also begs the question if the international market is the best.

6. *What next steps would you like to see?*

More information is needed to identify needs, possibilities and obstacles.

I have no idea about the need as it may well be that the best way forward for local communities is not to sell to the international market but to the local market. The assumption that international market to go for, which seems to be behind this proposal, needs to be thoroughly checked.

Furthermore, FSC is rapidly losing NGO support as it delivers products with an FSC label which do not come, according to an increasing groups of people, from well managed forests of plantations. This is something that FSC needs to address first and the analysis is that it needs to reign in its certifiers much more to become truly credible again. The certifiers have

had too much leeway in certifying forests and plantations that do not meet FSC criteria. Nearly all these controversial certifications have taken place outside national standards, hence based on certifier's own standards. Before embarking on a new element these issues need to be sorted out.

Re Fair Trade. It may be interesting to see how their audit procedures compare with those of FSC and see if there is any way at all to bring these together. My gut feeling is that this would be very difficult indeed.

Re Market. Fair trade products are not the sort of products you see in DIY stores and hence this is a market retailer issue that needs to be looked at.

## **Briefing paper from Severinus Jembe, Neem and Mango Certification project, Kenya**

- 1. What is your name and institution and does this briefing note represent a formal institutional statement or a set of personal observations?*

The following are personal observations although they broadly reflect the lessons we have learned in the implementation of the certification scheme involving 'good woods' at the Kenya coast.

- 2. Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?*

In all forest products enterprises there is always a tendency of the forest communities who are the tree resource owners being ignored in the production chain and as well little care for the sustainable existence of the raw material is taken. In most cases forest products are undervalued at the community level while benefiting the traders and consumers who make hefty profits at the expense of the tree growers. It is therefore critical that the community based forest products are distinguished to pursue fair trade.

- 3. What opportunities do you see for particular existing labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

FSC certification by definition ensures benefits to communities as it requires demonstrable equitable distribution of market benefits between all players producing and processing community groups.

However, I feel there are opportunities for the existing forest certification schemes as well as the Fair Trade labelling schemes to be adapted to better identify community forest based products in the market. For instance under the SLIMF'S Category FSC has given an opportunity for small community forests to get certified and thus an opportunity for products from such schemes to access the world market.

- 4. What mechanisms between fair trade and forest certification would you like to see discussed in more detail: e.g. two schemes two audits, two schemes joint audit, one modified scheme*

The two types of labelling thus FT and FSC will always compliment one another and for that reason they should both run concurrently but a procedure be designed where one audit would meet the needs for both (two schemes). Alternatively, the two types can be merged but this will mean re-orienting the forest owners thinking and the market as well, since they will need to keep abreast with new concepts.

The merger of the two systems can easily cause some confusion to the poor community forest owner, because in most cases the forest owners are not literate and need a lot of capacity building to make them appreciate the need to have this setup in place. Equally this can be very expensive since there will be need for a lot of awareness creation for both the communities and the market to grasp the new approach.

- 5. What constraints do you think require particular attention and discussion at this meeting in order to make progress?*

In the scenario where both the schemes operate concurrently there is the question of how? Probably this can be resolved by way of letting FSC retain the responsibility of Forest Management Certificates while FT takes care of the Chain of Custody certificates. This may mean a few additions to the current COC requirements but another question arises of which label should be displayed in the market?

- 6. What next steps would you like to see?*

It is useful to know what is missing in either of the two labelling schemes in order to make a rational decision. It is also important to understand that whatever case the decision, it will be a compromise for both the schemes. We need to consider the cost implications for setting up and implementing any of the approaches.

All in all there is need to set up a consultative group to look at the two systems (FT and FSC) and come up with recommendations.