

# Exploring fair trade timber



A review of issues in current practice,  
institutional structures and ways forward

Duncan Macqueen  
Annie Dufey  
Bindi Patel

---

# Exploring fair trade timber

A review of issues in current practice, institutional structures and ways forward



Duncan Macqueen, Annie Dufey and Bindi Patel

2006



**Contacts:**

Duncan Macqueen  
Senior Researcher in Responsible Forest Business  
Natural Resource Group  
International Institute for Environment and Development (IIED)  
4 Hanover Street  
Edinburgh EH2 2EN.  
Tel: +44 131 226 6860  
Fax: +44 131 624 7050  
Email: [duncan.macqueen@iied.org](mailto:duncan.macqueen@iied.org)

Annie Dufey  
Senior Researcher in Trade  
Sustainable Markets Group  
International Institute for Environment and Development (IIED)  
3 Endleigh Street  
London WC1H 0DD  
Tel: +44 207 872 7325  
Fax: +44 207 388 2826  
Email: [annie.dufey@iied.org](mailto:annie.dufey@iied.org)

Bindi Patel  
Student in Environmental Politics and Globalisation  
King's College London  
Strand  
London WC2R 2LS  
Email: [bindi.patel@kcl.ac.uk](mailto:bindi.patel@kcl.ac.uk)

**Citation:**

Macqueen, D.J., Dufey, A. and Patel, B. (2006) *Exploring fair trade timber: A review of issues in current practice, institutional structures and ways forward*. IIED Small and Medium Forestry Enterprise Series No. 19. IIED, Edinburgh, UK.

ISBN-10: 1 84369 630 4  
ISBN-13: 978 1 84369 630 8

Copyright © International Institute for Environment and Development, 2006

### Small and medium forestry enterprises for poverty reduction and sustainability

Most international attention in forestry has been given to improving the conditions for large-scale or micro-scale forestry, and much less to the 'messy middle' – which produces a high proportion of forest products and involves huge numbers of people. Ways need to be found by which small and medium-scale forestry enterprises (SMFEs) can better contribute to reducing poverty and improving the prospects for sustainability.

IIED, with partners in Uganda, South Africa, India, Brazil, Guyana and China have been investigating these issues. Country diagnostics show that the SMFE sector is of major significance for livelihoods in these countries – the net effect of myriad small players represents a substantial part of local economies. Yet, these are largely invisible economies, and policy and programme developments almost completely ignore the SMFE sector. Raising the sector's visibility such that its impacts can be better assessed, and then going on to explore how the positive links to sustainability, livelihoods and poverty-reduction can be enhanced, is a major challenge to which this initiative seeks to rise.

Reports in the *Small and medium forestry enterprises* series available from IIED on request, and downloadable from [www.iied.org](http://www.iied.org), include:

- No. 1 Exportando sem crises – A industria de Madeira tropical brasileira e os mercados internacionais. 2004. Macqueen, D.J., Grieg-Gran, M., Lima, E., MacGregor, J., Merry, F., Prochnik, V., Scotland, N., Smeraldi, R. and Young, C.E.F.
- No. 2 Making the most of market chains: Challenges for small-scale farmers and traders in upland Vietnam. 2004. Phi, L.T., Duong, N.V., Quang, N.N., Vang, P.L., Morrison, E. and Vermeulen, S.
- No. 3 Small and medium forest enterprise in Brazil. 2003. May, P., Da Vinha, V.G. and Macqueen, D.J.
- No. 4 Small and medium forest enterprise in China. 2003. Sun, C. and Chen, X.
- No. 5 Small and medium forest enterprise in Guyana. 2003. Thomas, R., Macqueen, D.J., Hawker, Y. and DeMendonca, T.
- No. 6 Small and medium forest enterprise in India. 2003. Saigal, S. and Bose, S.
- No. 7 Small and medium forest enterprise in South Africa. 2004. Lewis, F., Horn, J., Howard, M. and Ngubane, S.
- No. 8 Small and medium forest enterprise in Uganda. 2004. Auren, R. and Krassowska, K.
- No. 9 Small-scale timber production in South Africa: What role in reducing poverty? 2005. Howard, M., Matikinca, P., Mitchell, D., Brown, F., Lewis, F., Mahlangu, I., Msimang, A., Nixon, P. and Radebe, T.
- No. 10 Forestry contractors in South Africa: What role in reducing poverty? 2005. Clarke, J. and Isaacs, M.
- No. 11 Small-scale enterprise and sustainable development – key issues and policy opportunities to improve impact. 2005. Macqueen, D.J.
- No. 12 Raising forest revenues and employment: unlocking the potential of small and medium forest enterprises in Guyana. 2006. Mendes, A. and Macqueen, D.J.
- No. 13 Emerging forest associations in Yunnan, China. 2006. Weyerhaeuser, W., Wen, S. and Kahrl, F.
- No. 14 Associations in emergent communities at the Amazon forest frontier, Mato Grosso. 2006. Figueiredo, L.D., Porro, N. and Pereira, L.S.
- No. 15 Forest-based associations as drivers for sustainable development in Uganda. 2006. Kazoor, C., Acworth, J., Tondo, C. and Kazungu, B.
- No. 16 Development from diversity: Guyana's forest-based associations. 2006. Ousman, S., Macqueen, D.J. and Roberts, G.
- No. 17 Speaking with one voice: The role of small and medium growers' associations in driving change in the South African forest sector. 2006. Bukula, S. and Memani, M.
- No. 18 Forest-based associations in India: An overview. 2006. Bose, S., Lal, P., Pareek, P., Verma, M., Saigal, S.

Series editor: Duncan Macqueen

For a wide range of published reports from IIED's previous 3-year initiative on *Instruments for sustainable private sector forestry* see: [www.iied.org](http://www.iied.org)



## Acknowledgements

The authors would like to acknowledge the timber producers and representatives of fair trade organisations who contributed to this report through email responses: Mona Bengtsson, Tim O'Brien, Peter Dam, Jo Lawbuary, Jeremy Piercy, Roy Scott and Barbara Wilson.

We would like to acknowledge the various bodies of work that provided the inspiration for this study – for example, the studies of ethical trade in forest products produced by the Natural Resources Institute (NRI). The NRI work was funded by the UK Government's Department for International Development's (DFID's) Forestry Research Programme (FRP). The main actors within NRI's Natural Resources and Ethical Trade Programme (NRET) were Mick Blowfield, Ruth Burchell, Chris Collinson, Bill Maynard, Valerie Nelson, Anne Tallontire and Jane Thornback (Nelson, 2001). Much of the NRI work drew on previous studies from the 1990s such as that of Matthew Markopoulos at the Oxford Forestry Institute (OFI), which evaluated the impact of certification on forest communities (Markopoulos, 1998; 1999).

We are also indebted to the further evaluation of the impacts of forest certification on communities, first by an IIED team including Steve Bass, Kirsti Thornber, Matthew Markopoulos, Sarah Roberts and Maryanne Grieg-Gran (Bass et al., 2001). Subsequent evaluations on the impacts of forest certification on communities have also informed this work, namely by Augusta Molnar at Forest Trends (Molnar, 2003).

In 2002, James Mayers and Sonja Vermeulen concluded that forest trade, in order to reduce poverty, needed to do more, and recommended a closer look at fair trade (Mayers and Vermeulen, 2002). Drawing on that paper, Andy Roby, Adviser to the Timber Trade Federation, recommended a process to explore fair trade timber at the Commonwealth Forestry Conference (Roby, 2005). Simultaneously, Peter Taylor of Colorado State University prepared a framework for discussion of a fair trade approach to community forest certification (Taylor, 2005).

In early 2006, WWF commissioned an informative internal report from Pi Consulting to explore the options for collaboration between the Forest Stewardship Council (FSC) and fair trade schemes (Vallejo and Hauselmann, 2006; Gonzales, 2006). Also in 2006, Gemma Boetekees at the Interchurch Organisation for Cooperation and Development (ICCO) prepared a concept entitled 'Distinguishing community forest products in the market' (Boetekees, 2006). Thanks to Gemma for reviewing a draft of this paper. Both her insights and those of the respondents to that concept note have informed this paper, namely: Robert Donnelly (Traidcraft), Aimee Gonzales (WWF), Sophie Grouwels (FAO), Andreas Kratz (FLO), Andy Roby (TTF), Alan Smith (FSC), Michael Spencer (FSC Australia), Matthew Wenban-Smith (One World Standards) and Bert Witteveen (SNV).

Thanks to all at the International Institute for Environment and Development (IIED) who have supported this project and especially James Mayers for reviewing drafts of this paper. Our thanks also to Mel Kelly for agreeing to edit the final version.

This report was produced out of a specific programme of work at IIED supported by the Netherlands Ministry of Foreign Affairs (DGIS). Ongoing IIED work in support of small and medium forest enterprises comes from the Danish International Development Agency (DANIDA). The meeting to discuss this draft has been sponsored by the UK Government's Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC). The views expressed within this report are the authors' own and do not necessarily reflect those of DGIS, DANIDA, DFID or SDC.

## Table of contents

<b>Executive summary .....</b>	<b>7</b>
<b>Acronyms and abbreviations .....</b>	<b>10</b>
<b>1. Rationale.....</b>	<b>12</b>
1.1 Background.....	12
1.2 Forests and poverty.....	13
1.3 The importance of community forest enterprises .....	13
1.4 Shortcomings in existing consumer instruments .....	15
1.5 The potential of fair trade.....	17
<b>2. Introduction to fair trade.....</b>	<b>19</b>
2.1 History.....	19
2.2 Main institutional actors .....	20
2.3 Definitions .....	22
2.4 Labelling of organisations.....	23
2.5 Labelling of products .....	25
2.6 Developing new product-specific fair trade labels .....	27
2.7 Alternatives to fair trade in the forest sector.....	28
<b>3. Lessons from fair trade in the agricultural sector .....</b>	<b>31</b>
3.1 The fair trade market and its products.....	31
3.2 Key factors behind the market success of fair trade .....	35
3.3 Key problems and challenges .....	37
3.4 Implications for fair trade timber .....	40
<b>4. Existing fair trade that involves forest products.....</b>	<b>43</b>
4.1 Perspectives from the fair trade crafts and furniture sector .....	43
4.2 Certified community forest production – ecoforestry.....	49
4.3 Implications for fair trade timber .....	55
<b>5. Options for developing fair trade timber.....</b>	<b>57</b>
5.1 Potential product entry points .....	57
5.2 Potential market chain entry points .....	59
5.3 Institutional structures that may need development.....	62
5.4 Implications for fair trade timber .....	69
5.5 Options for an alliance and process to make further progress.....	70
5.6 Important next steps .....	71
<b>Annex 1. Brief overview of certification, eco-labelling, and social audit standards.....</b>	<b>72</b>
<b>Annex 2. Institutional briefing papers on fair trade timber .....</b>	<b>81</b>
<b>Bibliography.....</b>	<b>112</b>

## **Executive summary**

Poverty reduction is high on the international policy agenda. Forestry has an important role to play in rural poverty reduction, especially where few other income-generating alternatives exist for communities. Approximately 60 million indigenous people live in, and are heavily dependent on, the rainforests of Latin America, Southeast Asia and West Africa. Some 350 million people living in or close to dense forests rely on them for subsistence or income. An estimated 1.2 billion people in developing countries use trees on farms to generate food and cash.

Within the forest sector, there is widespread concern over the failure of existing trade mechanisms to enhance community returns from responsible timber production. In other words, communities that practise responsible forestry are involved in the timber trade, but struggle to cover their costs and support a reasonable standard of living through it. This concern extends equally to mainstream timber trade and niche markets such as certified sustainable timber. Better returns are achieved for some highly processed timber crafts traded through fair trade schemes – but these do not yet widely include products such as primary processed products and many secondary processed products.

In this paper, we use the term ‘community forest enterprise’ in its broadest sense, to include a range of forest enterprises located in communities (e.g. including independent or contracted informal groups, associations, co-operatives and even sole traders or limited companies located in, and managed by, community members). Available data often make it difficult to distinguish between categories such as community forest enterprises and small and medium forest enterprises (SMFEs) and we use the terms rather interchangeably as a result.

Recent studies have highlighted the substantial increases in community ownership and management of forests (a quarter of the natural forests in developing countries), and the prevalence of SMFEs (80-90% of the enterprise number in many developing countries). But to date, there are few examples of fairer terms of trade for community products. Indeed, it is currently almost impossible to distinguish community timber products in the market – let alone develop price premiums for them.

For many familiar with the timber trade this situation is simply a function of the poor capacity of community producers to meet market demand. Too frequently, amateur business management, remote locations, poor product design and quality, and inadequate packaging and transport infrastructure exacerbate the inherent scale inefficiencies of small community producers.

Yet, despite well-founded scepticism, this paper provides some examples of organised community timber producers who are taking advantage of their community status to secure better deals for their products. In some cases, they link with national buyers with strong corporate and social responsibility interests. In other cases, they link with international buyers dealing in certified forest



products or fair trade. In most cases, success comes partly through heavy investment by committed NGOs or partner companies – improving their internal operations. But if these examples of success are to be scaled up we will need much clearer information about which particular timber product lines are being traded from communities, and with what prospects for greater market recognition. An initial assessment of community product lines suggests that sawn wood, furniture/parts and shaped wood might have the greatest prospects for improved trade relationships.

This paper explores the options for making progress towards fair trade timber. It looks in some depth at the existing market mechanisms set up to secure greater social benefit – namely fair trade and forest certification. Both fair trade and forest certification are undergoing rapid market expansion – but this does not include community timber production.

Fair trade schemes are primarily concerned with solving economic problems of small producers. They have to date focused primarily on agricultural products – with little real attention to sustainable timber production. This is partly a pragmatic response based on the primacy of agriculture in the lives of many of the rural poor and, importantly, the simplicity of the market chains between producer and consumer groups. For timber products, some degree of processing is all but inevitable, increasing the complexity of assuring fair trade along the links in that chain.

Forest certification schemes are primarily concerned with making products from sustainable forest management recognisable in the market. Forest certification schemes have seen great increases in the area of certified sustainable timber production – but with limited inclusion of developing country community producer groups.

It might be possible to build upon the successes in national markets, or the synergies in the interests that exist between international fair trade and forest certification schemes. For the latter, several institutional issues would need to be resolved to do with standards, accreditation, audits, and producer support mechanisms (including price premiums).

Forest certification schemes will need to give more attention to producer support mechanisms in order to increase community access to certified markets. They will also need to give thought to how community products might be distinguished from those of large enterprises and be financially rewarded for the social benefits associated with their community origin.

Fair trade schemes will have to look at new product lines and market chains and pay greater attention to the forest management that underpins their products. Pilot mechanisms between willing buyers and well-organised community producer groups might provide greater insight to what is (or is not) possible. Fair trade timber could potentially be developed initially by a fair trade organisation, or through endorsement by well-known national fair trade companies (e.g. Traidcraft). Any new product-specific fair trade labels for timber would then need

a product rationale paper (PRP) submitted by a national fair trade initiative to the Fairtrade Labelling Organisation's (FLO) standards committee. Given the existing PRPs for textiles, palm oil and sea fish (and interest in minerals) it would be necessary to make a very compelling case for timber if such a product-specific label were to be developed.

The paper concludes with a call to establish an alliance of interested parties who wish to pursue fair trade in timber. Both forest certification and fair trade schemes have a strong emphasis on social benefits to producer communities. There is a pressing need to pilot and then scale up mechanisms that deliver greater benefits to communities. One or two functional models might provide the catalyst for substantial progress in the future.

## **Acronyms and abbreviations**

ARuPA	Volunteer Alliance for Saving the Environment (Indonesia)
ATFS	American Tree Farm Systems
ATO	Alternative Trading Organisation
BAFTS	British Association of Fair Trade Shops
CATIE	Tropical Agricultural Research and Higher Education Center
CBFT	Community Based Fair Trade
CERFLOR	Program of Forest Certification (Brazil)
CertforChile	Chile National Forest Certification Scheme
CI	Consumers International
CMU	Central marketing unit
COC	Chain of custody
CONAP	Consejo Nacional de Areas Protegidas (Guatemala)
CSA	Canadian Standards Association
CSR	Corporate social responsibility
DANIDA	Danish International Development Agency
DFID	UK Government Department for International Development
DGIS	Netherlands Ministry of Foreign Affairs
EFTA	European Fair Trade Association
ETI	Ethical Trading Initiative
FAO	Food and Agriculture Organization of the United Nations
FERN	Forests and the European Union Resource Network
FINE	A network of FLO, IFAT, NEWS! and EFTA
FLO	Fair Trade Labelling Organisation
FOMIN	Fondo Municipal de Inversion (Nicaragua)
FONFOR	Fonctionnement des Écosystèmes Forestiers (Nicaragua)
FORCERT	Forest Management and Product Certification Support
FORESCOM	Community Forestry Concessions Enterprise (Guatemala)
FSC	Forest Stewardship Council
FT	Fair trade
FTO	Fair trade organisation
GATT	General Agreement on Tariffs and Trade
ICCO	Interchurch Organisation for Cooperation and Development
IDB	Inter-American Development Bank
IFAT	International Federation for Alternative Trade (now International Fair Trade Association)
IFC	International Finance Corporation
IFOAM	International Federation for Organic Agriculture Movements
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IMAFLOA	Institute for Agricultural and Forestry Management and Certification (Brazil)
INPYME	Instituto Nicaraguense de Apoyo a la Pequeña y Mediana Empresa Edificio (Nicaragua)
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organisation for Standardisation
LEI	Lembaga Ekolabel Indonesia

MBR	Maya Biosphere Reserve (Guatemala)
MTCC	Malaysian Timber Certification Council
NEWS!	Network of European World Shops
NGO	Non-governmental organisation
NRI	Natural Resources Institute
NTFP	Non-timber forest product
OFI	Oxford Forestry Institute
PEFC	Programme for the Endorsement of Forest Certification
PERSEPSI	Perhimpunan untuk Studi dan Pengembangan Ekonomi dan Sosial (Indonesia)
PNG-EFF	Papua New Guinea Eco-Forestry Forum
PPR	Pinault-Printemps-La Redoute
PRP	Product rationale paper
SDC	Swiss Agency for Development and Cooperation
SEED	Small Enterprise Development (ILO)
SFI	Sustainable Forestry Initiative
SFM	Sustainable forest management
SLIMF	Small and Low Intensity Managed Forest
SMFE	Small and medium forest enterprise
SNV	Netherlands Development Organisation
TFF	UK Timber Trade Federation
UNCTAD	United Nations Conference on Trade and Development
Uzachi	Union of Zapotec and Chinantec Forestry Communities (Mexico)
WWF	World Wildlife Fund

## **1. Rationale**

### **1.1 Background**

This paper aims to explore the current practice and institutional structures that relate to fair trade in timber. The audience is the timber trade and we have therefore assumed a certain degree of familiarity with the main consumer instruments affecting that trade (e.g. forest certification, eco-labelling, and social auditing). Much more coverage is given of the fair trade schemes with which the timber trade may be less familiar. The intention is to collate and analyse material in a way that clarifies possible next steps to scale up successful examples of fair trade timber.

The authors have reviewed existing literature and contacted by email a range of informants from four primary groups: (i) fair trade organisations currently trading agricultural and timber products in the north; (ii) representatives of southern community producer groups; (iii) representatives of fair trade labelling schemes; and (iv) representatives of forest certification schemes. Analysis of this data reveals some of the more promising options for expanding fair trade timber – and some of the major constraints that will need to be addressed.

We have deliberately opted to use the lower case terminology for ‘fair trade’ in order to include as wide a spectrum of options as possible. Only in specific instances do we use other permutations (e.g. when quoting existing fair trade institutions) where a much more prescribed use of the term is indicated.

Resources have not allowed a survey of mainstream timber buyers (either in the north or south) to establish demand for expanding fair trade timber. Nor have they allowed for detailed discussions of the possible ‘options for systems’ by which demand might be translated into an expansion of fair trade timber in practice. These two steps are expressly the intention of follow up activities to be funded by ICCO.

The paper is laid out in five chapters. The remainder of Chapter 1 makes the case for a concerted effort towards fair trade timber. Chapter 2 covers fair trade from a historical perspective – introducing the main organisations and products that are currently involved in that trade. Chapter 3 explores in more detail fair trade in the agricultural sector, drawing out lessons for fair trade timber. Chapter 4 studies the limited fair trade that already involves timber products (both within fair trade schemes and in certified community forest production) drawing further lessons for fair trade timber. Chapter 5 concludes with an analysis of the potential product and market chain entry points, institutional structures that might need development, and the momentum for progress within several existing initiatives.

## **1.2 Forests and poverty**

Poverty is high on the international development agenda – for example, in targets to which many nations subscribe such as the UN Millennium Development Goals (MDGs). The extent to which forests and forest enterprises can make a contribution to such goals is the subject of ongoing analysis (Mayers, forthcoming).

While hard data are scarce, rough estimates suggest that 60 million indigenous people live in, and are heavily dependent on, the rainforests of Latin America, Southeast Asia and West Africa. Some 350 million people living in, or close to, dense forests rely on them for subsistence or income. A further 1.2 billion people in developing countries use trees on farms to generate food and cash (World Bank, 2001).

Admittedly, forest products may only provide a contribution to livelihoods, rather than comprising whole livelihoods (Wunder, 2001) – but the potential is still vast. If this potential is to be realised it will need frameworks that convert laudable intentions into practical action – removing some of the barriers that prevent sustainable community forest enterprises from delivering benefits to the poor (Mayers and Vermeulen, 2002).

Despite its potential, forestry often fails to deliver on expectations that it can contribute more to improved livelihoods and poverty reduction (Mayers, 2006). This paper explores how consumer pressures and market incentives might lead to fair trade in timber and greater returns to local livelihoods as a result.

## **1.3 The importance of community forest enterprises**

The great expansion in community ownership and management of forests presents a historic opportunity. Communities now own or manage one fourth of the forests in developing countries. This figure has doubled over the last 15 years and is set to double again over the next 15 years due to government policies and the links between environment and local development (White and Martin, 2002). It is arguable that some of the forests that are being handed over to communities may not have high volumes of timber – but the trend is nevertheless highly positive.

If a broad definition of small and medium forest enterprises (SMFEs) is used – including both community forest enterprises and those not strictly owned and managed under a ‘community’ banner – rough extrapolations from existing information suggest the following (Macqueen and Mayers, 2006):

- About 80-90% of forestry enterprises are SMFEs in many countries.
- Over 50% of all forest sector employment is in SMFEs in many countries.



- Over 20 million people are employed by SMFEs worldwide.
- Over US\$130 billion/year of gross value added is produced by SMFEs worldwide<sup>1</sup>.

Attempts to improve understanding of the contribution of community forest enterprises to the total number of SMFEs run into difficulties. For example, it is difficult to distinguish between those enterprises that are genuinely community owned and managed and those owned by a subset of community individuals (or, at the extreme, one single individual). Many enterprises located in communities are owned and managed by outside interests. Other are owned and managed by community members but tied to outside interests by rigid contracting arrangements. In addition, dividing lines between SMFEs and micro- or large-scale enterprises differ from place to place. As a result, good information is scarce and often inconsistent between different sources<sup>2</sup>. We adopt a broad understanding of community forest enterprises as a result – including models that involve only a few community members and those contracted to larger firms.

While it would be easy to quibble with the precise figures involved in such extrapolations, the main point is this: community forest enterprises constitute an extremely important opportunity to improve livelihoods. In some contexts community forest enterprises help to secure basic needs, accrue wealth locally, empower local creativity, strengthen local environmental accountability, and preserve cultural identity/niche markets. Community forest enterprises also generally better understand local political contexts, have links with local civil society, and display a commitment to operating in a specific area.

The potential for greater investment in, and returns from, community forest enterprises is great (see Mayers, 2006). But in many contexts, community forest enterprises make a less positive contribution. Exploitative enterprises can go easily unchecked. Informality, insecure tenure, low investment and low profitability may reduce scope for social or environmental concern. Community producers are often perceived as amateurish – in the wrong location, and producing the wrong products badly and with ugly packaging! Lack of management capacity may lead to resource depletion. This is particularly true of ‘distress diversification’ where community forest enterprises without adequate technology and skill become options of last resort – often without long-term prospects. Many community forest enterprises operate outside the formal economy altogether because of the high cost of complying with government regulations and tax schemes. Informality is often indistinguishable from illegality and corruption in cases where regulations work against community operations – or where discretionary application of those regulations is the norm. This is

---

<sup>1</sup> For comparison: total global value of imports of wood-based products is about US\$141 billion/year – most of which is produced by large enterprises; there may be an additional 140 million people working in informal forestry micro-enterprises, mainly in developing countries.

<sup>2</sup> IIED and its partners have developed an increasingly substantial body of analysis and guidance on SMFEs (see [http://www.iied.org/NR/forestry/projects/sm\\_med\\_enterprise.html](http://www.iied.org/NR/forestry/projects/sm_med_enterprise.html) and <http://www.iied.org/NR/forestry/projects/associations.html>).

compounded in situations where multiple government authorities enforce confusing rules that frequently change. The lack of managerial capacity to meet these multiple requirements reinforces the prevalent government view that community forest enterprises are backward and are marginal to development strategies.

Despite these difficulties, many community forest enterprises are themselves attempting to improve the viability, sustainability, and social impact of their operations. In many cases, community forest enterprises group together in associations or alliances to secure resources and cut costs, make strategic alliances, and shape policy. Enlightened external support from service providers and consumer groups can help to foster responsible business practice through such associations and alliances (Macqueen et al., 2006).

Despite progress through such associations, community forest enterprises still face formidable barriers to trade. They struggle to find resources to attend trade fairs or undertake business or technical training (e.g. in product design). Timber extraction, transport and processing all benefit from economies of scale and mechanisation. This requires investment that may be difficult for communities to access. The high returns from such activities can quickly lead to elite capture by powerful members within the community and/or connected people outside it. As a result, a few larger enterprises often emerge over and above multiple smaller ones that are truly community-based. Administrative convenience often exacerbates this, with larger firms receiving preferential treatment in investment agreements and public policies. On a positive note, such situations are increasingly being challenged with pro-poor outcomes in mind.

Consumers might be willing to distinguish and support community forest enterprises directly. At present, they can identify in the market 'sustainable,' and 'legal' forestry. But ways of acknowledging or verifying 'fair trade' for most timber products have yet to be developed. There may be ways within existing schemes, or through new ones, in which discerning consumers can channel their support specifically to community forest enterprises. This paper explores some of these options.

#### **1.4 Shortcomings in existing consumer instruments**

Within the forest sector, certification, eco-labelling, and social auditing have been the main consumer instruments to date (see Annex 1). High hopes for forest livelihoods and poverty reduction have surrounded their use. But each has had its limitations.

The various authors of forest certification schemes have championed sustainable forest management (SFM) – to safeguard both the environment and the social benefits which rely on environmental goods. Their focus has been on making products from sustainable forest management recognisable in the market place. The history of forest certification has as its backdrop various campaigns against forest destruction (Nussbaum and Simula, 2005). This

context is important because certification has strong roots in nature conservation – and the environment has therefore been a leading issue – albeit with strong social principles embedded.

Certification has made real progress in spreading more sustainable forest management – and in places where it is carried out it has met some success in addressing key social issues. But the trend in certified industries is towards large, mostly northern, semi-natural forest and plantation owners. It has not preferentially distinguished or rewarded poor community producers *vis-à-vis* large industrial companies. In the most recent overview of the impacts of certification in 16 developing or transitioning countries, the general prognosis for certified community forests is bleak (Cashore et al., 2006):

*“Many of the case studies – in particular Mexico, Guatemala, Solomon Islands, and Papua New Guinea – emphasise the difficulties faced by certified community forestry operations, which often lack the resources and capacity to fully engage with this new mode of regulation. There is a large group of community operations whose FSC certificates have expired (or are set to expire), but who choose not to recertify given the low level of economic benefits to have materialised. While some case studies document new efforts by NGOs to address this problem and connect community groups with international markets, greater effort is required to avoid losing this important group”.*

As this conclusion is echoed in preceding studies on the impacts of certification, (Markopoulos 1998; 1999; Bass et al., 2001; Molnar, 2003; Nussbaum and Simula, 2004), it is perhaps time to investigate more closely what this ‘greater effort’ might entail.

Eco-labelling has likewise focused primarily on environmental implications of different product life-cycles. In the forest sector it has been restricted mainly to the production and use of pulp and paper products – not often the entrepreneurial domain of small or marginalised producers. Many of the specific tests required for certification under existing schemes are in any case far beyond the capacity of communities in developing countries.

Social auditing has primarily directed its attention to large, industrial processing units along the chain of custody of products such as textiles, footwear, clothing, food and toys. It has had less impact on production and processing of timber, particularly by small or medium enterprises.

Of the three, certification has been the most relevant to date (see Annex 1 for further details). Some certification schemes have made more progress than others in reaching potentially marginalised groups. For example, the Sustainable Forestry Initiative (SFI) has established good links with tree farmers, and the Programme for the Endorsement of Forest Certification (PEFC) has involved Northern European co-operative members (Molnar, 2003). The bias against small and medium forest enterprises (especially those operating in natural tropical forests) is well recognised by certification bodies such as the Forest

Stewardship Council (Higman and Nussbaum, 2002). One response has been the development of special protocols for small producers – for example, the Forest Stewardship Council's (FSC's) Small and Low Intensity Managed Forest (SLIMF) scheme. Yet limited uptake to date continues to suggest that certification is best suited to large-scale enterprise, which can afford the high costs involved. The prospects for forest certification spreading preferential support to disadvantaged people seem slim.

## **1.5 The potential of fair trade**

It is time to examine other complementary instruments to forest certification, eco-labelling, and social auditing – of which fair trade might be one. Fair trade incorporates the certification idea too – but in a movement which seeks to direct trade towards marginalised producers in developing countries. The number of fair trade products and their market share is increasing. Fair trade goes beyond paying a fair price on time and compliance with the conventions of the International Labour Organization (ILO) – it involves supporting organisational structures that deliver social benefits by making a commitment to long-term stability, advancing credit where necessary, and providing assistance to develop new products.

The fair trade movement has its share of critics. Some would argue that fair trade is doomed to be a niche market – or that it undermines more widespread progress. For example, numbers of fair trade lines have sometimes been used by food retailers as a proxy for corporate responsibility (Bill Vorley pers. com.). This camouflages the fact that the volume of fair trade sales may be insignificant, and the commitment to fair trade in mainstream product lines may be less than desirable. Some critics would prefer to see much greater attention given to eradicating unfair trade – or allowing community producers to access mainstream markets. Yet fair trade has succeeded in shifting mainstream trading patterns for the better (CI-IIED, 2005).

As a mechanism to press for better social impacts, the momentum behind fair trade timber is beginning to build (Roby, 2005; Vallejo and Hauselmann 2006; Boetekees, 2006). Much of the background justification for engaging in fair trade timber has already been put in place through a series of research projects managed by the Natural Resources Institute (Nelson, 2001). There does seem to be scope for combining forest certification schemes such as FSC with a fair trade approach (Taylor, 2005).

An alliance of institutions interested in promoting fair trade timber is beginning to form. A set of 14 personal or institutional background briefing papers was submitted for a meeting on enhancing local returns from trade in forest products (Annex 2). Respondents unanimously responded “Yes” to the question: “Do you support in principle the idea of distinguishing community forest products in the market place in order to pursue fairer trade?” Respondents included members of the Fair Trade Labelling Organisation (FLO), the International Fair Trade Association (IFAT), the Forest Stewardship Council (FSC), the World Wildlife

Fund (WWF), the UK Government's Department for International Development (DFID), the Food and Agriculture Organization of the United Nations (FAO), the Interchurch Organisation for Cooperation and Development (ICCO), the UK Timber Trade Federation (TTF), the Soil Association, the Rainforest Foundation, FERN, Traidcraft, IMAFLORA, producers from Brazil, Kenya, Mexico and Papua New Guinea, and the International Institute for Environment and Development (IIED). What is required now is for a commercially viable trial that showcases what is (or is not) possible.

## 2. Introduction to fair trade

### 2.1 History

The fair trade movement had its origins in many disparate strands of protest against 'survival of the fittest' free trade capitalism (Redfern and Snedker, 2002). There was growing concern, especially in the 1960s, that Huxley's extreme Darwinism and Adam Smith's free trade underpinned not only development of modern capitalism but also the marginalisation of poorer groups (Rivero, 2001). This concern has since been substantiated. It is now recognised that the poverty reduction strategies anchored in competitive economic growth alone are neither sustainable (Arrow et al., 2002) nor efficient in their aim of reducing poverty (Woodward and Simms, 2006). The fair trade movement has an alternative model for pro-poor growth – mutual aid (Kropotkin, 1902).

The strong inclination towards mutual aid is seen in the inspiration for the divergent strands of fair trade that sprung up across the world – now woven together into one coherent tapestry. For example, in America fair trade can attribute its inspiration to Mahatma Gandhi who said:

*“...India is not to be found in its few cities but in the 700,000 villages...we have hardly ever paused to inquire if these folks get sufficient to eat and clothe themselves with.”*

In 1946, based on this premise, the Mennonite Central Committee set up a non-profit programme called 'Ten Thousand Villages', initially trading with Puerto Rican embroiderers. The first formal fair trade shop which sold these and other items opened in 1958. This same enterprise now sources crafts from tens of thousands of artisans in over 30 countries in Asia, Africa, Latin America and the Middle East.

In Europe, the earliest traces of fair trade date from the 1950s when an Oxfam director had the idea of selling crafts in its UK shops made by Chinese refugees in Hong Kong. The first product was a stuffed pin cushion (Bowen, 2001). But the intellectual underpinnings of fair trade were seen much earlier. For example, the Dutch writer Eduard Douwes Dekker published a book in 1859 called *Max Havelaar*, which outlined the injustice of the coffee trade between the Netherlands and Indonesia. The 'Max Havelaar' name was used to brand Europe's first fair trade coffee over 130 years later (Redfern and Snedker, 2002).

Institutional structures for fair trade began to emerge in the 1960s. In 1964, Oxfam created the first Alternative Trading Organisation (ATO). In 1967, the Dutch firm S.O.S. Wereldhandel (now known as Fair Trade Organisatie) was established and began to sell cane sugar, opening the first European fair trade shop in 1969. At the same time, developing countries began to pressure the United Nations Conference on Trade and Development (UNCTAD) to pursue an agenda of 'trade not aid' (in the meeting in Delhi, India in 1968 - Bowen, 2001).



By the 1970s, non-governmental organisations (NGOs) and socially motivated individuals (including many missionaries) in many countries in Asia, Africa and Latin America perceived the need for fair marketing organisations which would provide advice, assistance and support to disadvantaged producers. Many southern fair trade organisations were established as a result. Links soon flourished between them and new organisations in the north. For example, Traidcraft was established in 1979 to 'exhibit the Christian principles of love and justice in international trade'. Fair trade shops were established across Europe, North America, Japan and Australia.

Early fair trade organisations traded mostly with handicraft producers. The emphasis on crafts sprang out the realisation of their importance, particularly to women, as a means of earning supplemental income. Most of the northern fair trade organisations focused on buying these crafts and sold them through 'World Shops'.

In 1973, Fair Trade Organisatie in the Netherlands added fairly-traded coffee to its sugar. It sourced coffee from co-operatives of small farmers in Guatemala. In 1989 the first product-specific label was produced for coffee. After coffee (which accounts for 25-50% of sales in northern fair trade organisations), the food range gradually expanded. It now includes products like bananas, cocoa, dried fruit, fresh fruit and vegetables, fruit juices, herbs and spices, honey, nuts and oil seeds, quinoa, rice, cane sugar, tea, wine grapes, cut flowers, ornamental plants, seed cotton and sports balls.

The shift from craft to food products and clothing, and the emergence of product-specific labels, enabled fair trade organisations to open new market channels – for example through supermarkets and clothing chain stores. There was also increasing emphasis on quality. The range of fair trade food items available has expanded, including composite products (snack bars, chocolate, breakfast cereals etc.) which contain fairly-traded ingredients. Further details of the composition of current fair trade are given in Chapter 3.

Product-specific fair trade labelling initiatives have expanded greatly since 1989. For example in Europe, Max Havelaar (7 countries) was soon joined by Transfair (4 countries) Fair Trade Mark (UK and Ireland) Reilun Kauppa (Finland) and Rattvisemarkt (Sweden). Increasingly there is harmonisation around a single fair trade label overseen by FLO (see below).

## **2.2 Main institutional actors**

The proliferation of products, organisations, and labels led to calls for greater harmonisation and the birth of two key umbrella organisations:

1. IFAT (set up in 1989 as the International Federation for Alternative Trade, and now known as the International Fair Trade Association). IFAT has 148 members in 48 countries; these members are traders and meet the requirements of the IFAT monitoring system. Members are able to place the

IFAT logo on organisational promotional material. This is a monitoring system and a mark which accredits the organisation rather than the specific product, so it is not used on individual products (See Figure 1).

2. FLO International (set up in 1997 as the Fair Trade Labelling Organisation). It is an international monitoring and labelling organisation to set standards and to issue guidelines for assessment and monitoring of fairly-traded products. It was established as the world-wide umbrella organisation for 17 national labelling organisations (in 17 countries) and acts as an independent certification body, setting fair trade standards and monitoring producer and trader compliance with fair trade criteria. The Fair Trade Mark is the international guarantee that producers and traders of a given product have met the standards of fair trade. This single mark is gradually replacing preceding labels within Europe (see Figure 1).

A number of other organisations also link to these two central organisations – we mention them here partly to explain the composition of FINE from which some definitions on fair trade come:

- EFTA (set up in 1990 as the European Fair Trade Association). EFTA is a network of 12 fair trade organisations in nine European countries which import fair trade products from some 400 economically disadvantaged producer groups in Africa, Asia and Latin America. EFTA's members are based in Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom.
- NEWS! (set up in 1994 as the Network of European World Shops). Specialist shops for selling fair trade products ('World Shops') now number more than 2,700 in Europe alone. NEWS! formed as an umbrella body for 15 national associations in 13 European countries.
- FINE (set up in 1998 as an informal alliance using the first letters of the four main fair trade networks – FLO-I, IFAT, NEWS! and EFTA). As co-operation between the different networks became increasingly regular they began to use the acronym FINE for joint work. The aim of FINE is to enable these networks and their members to co-operate at strategic levels on crucial issues affecting the future of the fair trade movement, such as advocacy and campaigning, standards, and monitoring
- ISEAL (set up in 1999 as the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance). This alliance works to improve social and environmental standards. We mention it here only because both FLO and FSC are members of the ISEAL alliance.

FINE members are working together in attempts to develop one overall, integrated monitoring system for fair trade organisations and fairly-traded products.

**Figure 1. Examples of some prominent fair trade labels – some of which are being phased out through a process of harmonisation**



(Key from left to right: Fair Trade Organisation (FTO) Mark (IFAT); Fair Trade Labelling Organisation (FLO) Fair Trade Mark; Max Havelaar – an old fair trade label now subsumed by FLO); Transfair US (linked to FLO); Reilu Kauppa – an old label now subsumed by FLO; US Equal Exchange label; Rättvisemarkt – an old label now subsumed by FLO.)

### 2.3 Definitions

The FINE definition of Fair Trade (capitalisation restricted to this definition alone) is as follows (EFTA, 2001):

*Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims for sustainable development of excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.*

The goals of Fair Trade are:

- To improve the livelihoods and wellbeing of producers by improving market access, strengthening producer organisations, paying a better price, and providing continuity in the trading relationship.
- To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.
- To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
- To set an example of partnership in trade through dialogue, transparency and respect.
- To campaign for changes in the rules and practice of conventional international trade.
- To protect human rights by promoting social justice, sound environmental practices, and economic security.

In practice, Fair Trade responds to these goals through:

- Directed purchasing in favour of particular types of producer organisation with certain patterns of ownership and decision-making.
- Pre-payment – offering a percentage of the final price up front to reduce the credit barrier of small producers and share the risk.
- Fair price – negotiation to arrive at a mutually agreed price; in fair trade labelling there is a minimum price, based on the international commodity price.
- Price premium – occasional payment of a premium; this is something over and above the minimum price. It may be based on an assessment of what the consumer is willing to pay for a fair trade product (e.g. for Cafédirect, an ATO coffee sold through mainstream outlets in the UK) or a percentage of the operating profit of the ATO (the Oxfam Fair Trade Company sets aside a percentage of profits as a fund for trade development). Premiums tend not to be directed at individual producers but are entrusted to a representative group that decides upon how they should be used.
- Long-term trading relationships – to build up trading relationships that last longer than one buying season.
- Packages of assistance such as credit, product development support, business capacity building etc.
- Information and assurance – some system of assuring buyers that no one has been exploited, and usually some system for showing producers the benefits of linking up to the fair trade movement.

## **2.4 Labelling of organisations**

Organisations that wish to promote fair trade can undergo a certification process with IFAT to allow them to use the Fair Trade Organisation (FTO) Mark. The FTO Mark is a quality mark. It means standards are being implemented regarding working conditions, wages, child labour, and the environment. These standards (see Table 1) are monitored through self-assessment, mutual reviews, and external verification. Organisations wishing to use the FTO Mark have to demonstrate that their organisation's trading activity is committed to continual improvement. The FTO Mark is available to all IFAT members who meet the requirements of the IFAT Standards and Monitoring System. IFAT's Registration Sub-Committee oversees this procedure and makes its recommendations to the IFAT Executive Committee. Registered organisations are able to use the FTO Mark on headed paper, websites, posters and other promotional material.

**Table 1. Standards for the Fair Trade Organisation Mark (based on IFAT, 2005)**

Standard	Detail
1. Creating opportunities for economically disadvantaged producers.	Poverty reduction through trade forms a key part of the organisation's aims. The organisation supports economically disadvantaged or marginalised producers – whether these are independent, family businesses, or grouped in associations or co-operatives. The trade supports community development. It seeks to enable them to move from a position of vulnerability to one of security, and from material poverty to income and ownership. The organisation has a plan of action to carry this out.
2. Transparency and accountability.	The organisation is transparent in its management and commercial relations and deals fairly and respectfully with its trading partners. It is accountable to all its stakeholders in a process that respects the sensitivity and confidentiality of commercial information supplied. The organisation finds appropriate, participatory ways to involve employees/staff and producers in its decision-making processes and gives special attention to the dissemination of relevant information to all its trading partners. The communication channels are good and open at all levels of the supply chain.
3. Capacity building.	The organisation seeks to develop producers' skills. It develops specific activities to provide assistance to producers and commits to providing continuity in its trading relationships with its partners in the supply chain over an agreed given period. The organisation takes responsibility as appropriate to assisting producers and marketing organisations (both exporting and importing) to improve their management skills and their access to international, regional, and/or local markets, both fair trade and mainstream as appropriate. The organisation also develops the skills of its own employees/staff.
4. Promoting fair trade.	The organisation raises awareness of the aim of fair trade and of the possibility for greater justice in world trade through fair trade. It advocates the objectives and activities of fair trade according to the scope of the organisation. It acknowledges the importance of customers for the growth and effectiveness of its movement. Customers are provided with information about the organisation, the products, and in what conditions they are made. Honest advertising and marketing techniques are used. The organisation aims for the highest standards in product quality and packing.
5. Payment of a fair price.	A fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers, and can also be sustained by the market. Where fair trade pricing structures exist, these are used as a minimum. Fair pay means provision of socially acceptable remuneration (in the local context) considered by producers themselves to be fair and which takes into account the principle of equal pay for equal work by women and men. Fair trade marketing organisations support capacity building as required to producers in costing and pricing products to enable them to set a fair price. Fair trade buyers, importers and intermediaries ensure prompt payment to their producers and other partners and, whenever possible, help producers with access to pre-harvest or pre-production financing (advance payments). The production of high value-added products is encouraged.

Table 1., continued

Standard	Detail
6. Gender equity.	The organisation provides opportunities for women and men to develop their skills and actively promotes applications from women for job vacancies. Women employees are provided with leadership training and encouraged to seek leadership roles. Organisations working directly with producers ensure that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process. The organisation takes into account the special health and safety needs of pregnant women and breast-feeding mothers. Women participate in decisions concerning the use of benefits accruing from the production process. Local cultures and traditions are respected and steps taken to avoid discrimination on the grounds of religion, disability, caste or age.
7. Working conditions.	The organisation is taking steps to promote a safe and healthy working environment for producers with clean water to drink, adequate sanitation, and access to essential medical support. Working hours are in line with the conditions established by the law and ILO Convention. The organisation raises awareness of health and safety issues with producers on a regular basis.
8. Child labour.	The organisation and its members respect the UN Convention on the Rights of the Child, as well as the law and social norms in the local context, in order to ensure that the participation of children in production processes of fairly-traded articles (if any) does not adversely affect their wellbeing, security, educational requirements, and need for play. Organisations working directly with informally-organised producers disclose the involvement of children in production.
9. The environment.	The organisation maximises the use of raw materials from sustainably managed sources, buying locally whenever possible. In the case of buyers or importers, priority is given to buying products made from raw materials made from sustainably managed sources where these are available and to encouraging its suppliers to look for such materials. Recycled or easily biodegradable materials are used for packing and goods are dispatched by sea wherever possible. The organisation promotes the use of technology that respects the environment as well as the use of initiatives to reduce energy consumption, and creates awareness of environmental hazards.

It is important to note that the FTO Mark is not a product label (e.g. it is not equivalent to a handicraft fair trade product label). Many FTO members produce and sell a diversity of products outside the (mainly food) categories for which the fair trade label was developed. For example, many FTOs sell a number of wooden handicraft products and furniture items for which there is no available specific fair trade product label.

## 2.5 Labelling of products

Product labelling is managed by FLO. In order for a product to be labelled, FLO standards need to be met by producer groups, traders, processors and wholesalers or retailers. Two sets of generic standards form the basis of this value chain approach – one for small natural resource managers (e.g. farmers) and one for workers in plantations and in factories (see Table 2).



**Table 2. Main headings in generic FLO standards for small farmers and workers in plantations and factories (FLO, 2006a)**

<b>Small farmers</b>	<b>Workers in plantations and factories</b>
<b>1. Social development</b>	<b>1. Social development (cont. below)</b>
1.1 Fair trade adds development potential	1.1 Development potential and capacity building
1.2 Members are small producers	1.2 Freedom from discrimination
1.3 Democratic participation and trust	1.3 Freedom of labour
1.4 Non-discrimination	
<b>2. Economic development</b>	<b>2. Economic development</b>
2.1 Fair trade premium	
2.2 Export ability	
2.3 Economic strengthening of the organisation	
<b>3. Environmental development</b>	<b>3. Environmental development</b>
3.1 Impact assessment, planning and monitoring	3.1 Impact assessment, planning and monitoring
3.2 Agrochemicals	3.2 Agrochemicals
3.3 Waste	3.3 Waste
3.4 Soil and water	3.4 Soil and water
3.5 Fire	3.5 Fire
3.6 Genetically modified organisms (GMOs)	3.6 Genetically modified organisms (GMOs)
<b>4. Standards on labour conditions</b>	<b>4. Standards on labour conditions</b>
4.1 Forced labour and child labour	4.1 Forced labour and child labour
4.2 Freedom of association and collective bargaining	4.2 Freedom of association and collective bargaining
4.3 Conditions of employment	4.3 Conditions of employment
4.4 Occupational health and safety	4.4 Occupational health and safety

The distinction between small farmers and workers in plantations and factories has important implications for the forest sector. In addition to community owned and managed enterprises, many community members work in large plantations or factories, or are subcontractors to large companies. This twofold approach opens up substantial opportunities to include such community members in any approach to fair trade timber.

As fair trade is about development, the generic standards distinguish between minimum requirements (which must be met for certification) and progress requirements to encourage continuous improvement.

Trading standards stipulate that traders have to:

- Pay a fair price to producers to cover sustainable production and subsistence.
- Pay a premium to allow for development.
- Partially pay in advance when producers ask.
- Sign contracts that allow for long-term planning.

There are also a number of product-specific standards for bananas, cocoa, coffee, dried fruit, fresh fruit and vegetables, fruit juices, herbs and spices, honey, nuts and oil seeds, quinoa, rice, cane sugar, tea, wine grapes, cut flowers, ornamental plants, seed cotton and sports balls. These standards must also be complied with to obtain the fair trade label and they cover such things as minimum product quality, minimum price for that commodity, and minimum processing standards. There are currently no specific product standards for timber.

## **2.6 Developing new product-specific fair trade labels**

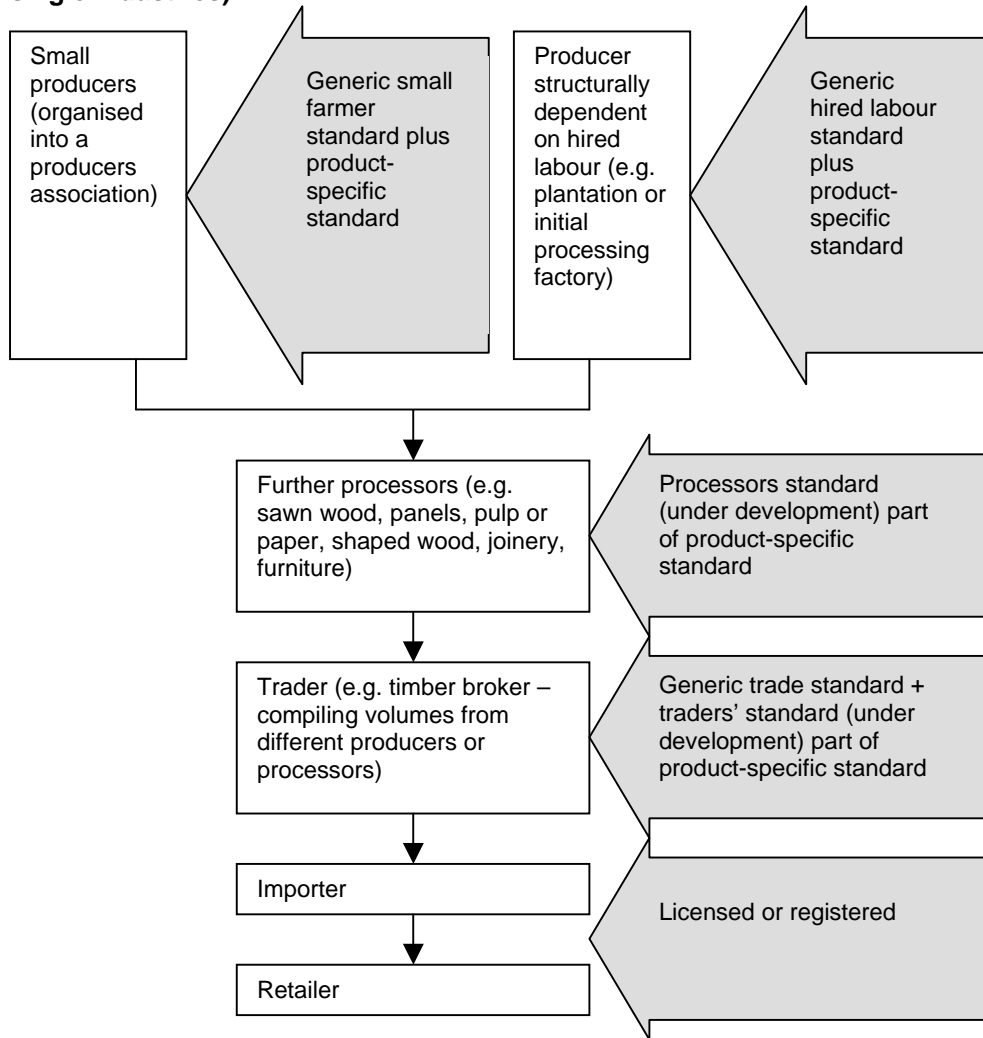
The process for developing a new product-specific label involves a series of steps (Donnelly, 2006). The main justification for any new product-specific label is a demonstration of industrial demand for such a label. Any product-specific fair trade label is additional to the generic standards for small farmers or workers in plantations or factories – and applies to traders buying and selling such products (see Figure 2).

Demand for any new product-specific label would have to be demonstrated within a product rationale paper (PRP) presented by one of the national fair trade initiatives (e.g. Fair Trade Foundation in the UK, or Max Havelaar in the Netherlands). The PRP would have to be presented to the FLO Standards Committee. Once there, the standard for a particular product would have to be agreed as a priority and placed into the FLO work plan for standard development.

In the last two years, only the UK Fair Trade Foundation (the UK national initiative) has submitted new PRPs to the FLO Standards Committee (Donnelly, 2006). The current list of PRPs submitted includes those for textiles, palm oil and sea fish. There is also some interest in developing PRPs for gold/minerals. There is strong pressure from the other national initiatives (and FLO itself) for consolidation of existing product-specific labels rather than new product-specific labels at this time. In part this is because of the ongoing development of generic standards for processors and traders – vital for the more complex market chain associated with textiles (Donnelly, 2006).

In terms of a product-specific label for timber, there would clearly need to be a very compelling case if it were to supplant other product-specific labels in the pipeline. But the development of generic standards for traders and processors is highly relevant to the timber market chain. In short, progress on timber would be unlikely before 2008 and probably significantly beyond this date. Nevertheless, the current work within FLO is paving the way towards the possibility of such a standard. What is needed now is strong evidence of demand from the timber industry. This could potentially be allied to a pilot for one particular timber product where the steps in the market chain were endorsed by an existing fair trade organisation in the interim (i.e. before a product-specific label could be developed (Donnelly, 2006).

**Figure 2. Illustration of the application of standards within the FLO labelling system (N.B. some of these functions may be merged within single industries)**



Source: Adapted from Donnelly, 2006.

## 2.7 Alternatives to fair trade in the forest sector

Within and beyond the forest sector there are a number of initiatives that have a close relationship with fair trade (for example certification, eco-labelling, and social auditing, mentioned above). Table 3 is an attempt to define these alternative options in the forest sector and clarify the main features that distinguish them from fair trade.

The latter two approaches in Table 3 are widely perceived to have the greatest potential in the forest sector. Of the two, existing fair trade in forest products is restricted to a limited number of secondary processed products. It is very positive socially, but gives little credible attention to sustainability. This may undermine it in the long term.

Existing forest certification schemes certainly allow for community certification. But the costs in comparison with large enterprises are often prohibitive. More importantly, there is often no attention given to paying a fair price, and communities can do nothing to distinguish their certified products from those originating from huge transnational plantations. This lack of market and price recognition is a drawback for certification schemes, because until now such schemes have not been able to facilitate the involvement of the majority of community forest producers in the certified market for sustainable timber (Boetekees, 2006).

It would be very helpful to bring the different strengths of these two approaches together – matching the social attention and capacity building of fair trade with the environmental rigour and support of certification.

**Table 3. Distinctions between the various existing forest sector initiatives that relate to fair trade (both timber and NTFPs) – from top down to bottom up**

Option	Description	Approach to trade	Potential for timber trade	Impacts on the poor
Unmonitored mainstream trade.	Trade in forest products that seeks greatest economic, social and environmental efficiencies.	Business as usual – many small and medium enterprises but increasing market concentration.	<i>Very large</i> – most timber sourced in this way.	<i>Variable</i> – but can lead to marginalisation or even abuse of smallholder rights.
Environmental standards (e.g. eco-labels such as the EU 'flower' eco-label or organic certification such as the Soil Association).	Trade in forest products using environmental criteria and monitoring systems to ensure a certain standard of production.	Reactive to specific environmental criteria and monitoring that apply to the lifecycle of the product.	<i>Small</i> – the main exception being the pulp and paper sector where standards are increasingly used.	<i>Usually negative</i> – the detailed testing requirements behind such standards usually favour northern companies.

Table 3., continued

Option	Description	Approach to trade	Potential for timber trade	Impacts on the poor
Social standards (e.g. Ethical Trade Initiative (ETI) or codes of conduct).	Trade in forest products using social monitoring systems to ensure that abuse of workers and communities does not take place.	Pro-active on labour standards and potentially involving multi-stakeholder processes to address broader social issues.	<i>Very small</i> – codes of conduct lack credibility compared with forest certification. No timber companies in ETI.	<i>Slightly positive</i> – good sentiments but without third party audits the scale of impacts may be real, or simply rhetoric.
Social auditing (E.g. SA 8000 or AA 1000 ).	Identical to the above but with third party monitoring.	Reactive to specific social criteria and monitoring that apply to a particular production process.	<i>Small</i> – could play an increasingly important role in improving large processing companies' social standards - but less for small enterprises and timber producers.	<i>Positive</i> – credible systems but limited to employees of large processing companies – less relevant to small enterprises or forest producers.
Forest certification.	Trade in forest products that are certified by a third party to be managed in an environmentally sustainable and socially responsible way.	Reactive to both social and environmental criteria and monitoring that apply to forest production and traceability but not yet processing.	<i>Large</i> – designed to apply to timber production and chain of custody industries – but costs off-putting to smaller producers.	<i>Slightly positive</i> – where it can be afforded it helps to secure rights for employees among forest producers – but less relevant along the chain of custody and for small enterprises.
Fair trade.	Trade in forest products that discriminates in favour of excluded and disadvantaged producers.	Pro-active purchasing from, and support to, excluded or disadvantaged producers at fair prices.	<i>Medium</i> – could make a major impact on small producers marginalised by the other options above.	<i>Positive</i> – directly supporting excluded or marginalised producers.

Sources: Redfern and Snedker, 2002; Blowfield et al., 2001.

### 3. Lessons from fair trade in the agricultural sector

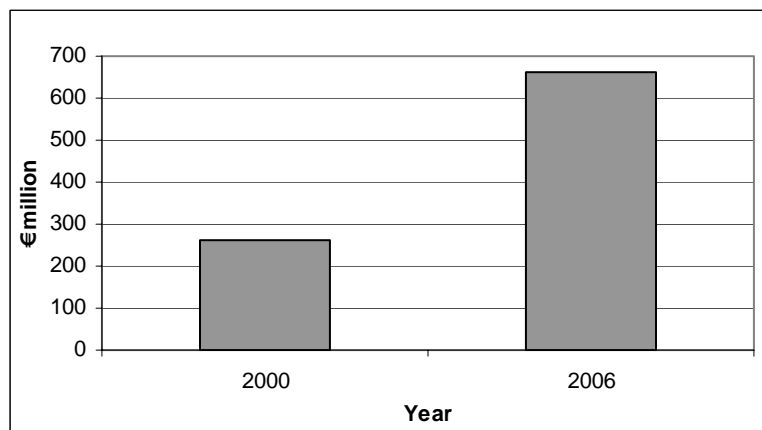
#### 3.1 The fair trade market and its products

##### *The global market*

Fair trade markets have grown fast over the last decade, primarily in the agricultural sector. Global growth rates have topped 20% since the year 2000. In 2005, certified sales reached € 1.1 billion, a 37% increase on 2004 (FLO, 2006b) and up 200% compared with the late 1990s (Littrell and Dickson, 1999). Fair trade is starting from a low base – approximately 0.015% of global trade by 2005<sup>3</sup>. But the increase reflects increasing consumer awareness about social issues in the developing world.

With 70% of the global fair trade market, Europe saw 154% increases of labelled and unlabelled fair trade products between 2001 and 2005 (see Figure 2). With 30% of the global market, US imports of certified fair trade coffee rose by 75% per year between the launch of the label in late 1998 and 2003 (Transfair, 2004).

**Figure 2. Fair trade sales in Europe**



Source: data provided by FLO 2001 and FLO 2006.

Since 2001, the number of certified producer organisations worldwide has risen by 127% to 508 groups in 58 countries, and the number of registered traders has increased by 132% in the same period (FLO, 2006b). The impressive market growth is now reflected by growing visibility on supermarket shelves. Some northern countries' governments have used fair trade criteria within government procurement policies (Bielande, 2006). Fair trade is becoming increasingly mainstream.

---

<sup>3</sup> According to the WTO, world merchandise exports in 2005 were about US\$ 9.4 trillion.



*Main markets*

Fair trade consumers are primarily in Europe (69%) and the US (30%). Within Europe, the most important market is the UK (24.2%) followed by Switzerland (12.5%), France (9.5%) and Germany (6.2%).

The fair trade market is expanding most rapidly in Canada, Austria, the US and France with growth rates of 99%, 62%, 60% and 57%, respectively for the year 2005.

Growth in low- or middle-income countries is almost nonexistent. Among developing countries, only Mexico reported sales, accounting for less than 0.001% of the global market.

**Table 4. Fair trade markets**

Country	2004 (€Thousand)	2005 (€Thousand)	2005/04 (% increase)	2005 (% of market)
USA	214,603	344,130	60.4	30.1
UK	205,557	276,765	34.6	24.2
Switzerland	136,000	143,117	5.2	12.5
France	69,670	109,061	56.5	9.6
Germany	57,000	70,855	24.3	6.2
Netherlands	35,000	36,500	4.3	3.2
Canada	17,537	34,848	98.7	3.1
Italy	25,000	28,000	12.0	2.5
Austria	15,781	25,629	62.4	2.2
Others	55,375	72,665	31.2	6.4
<b>Total</b>	<b>831,523</b>	<b>1,141,570</b>	<b>37.3</b>	<b>100.0</b>

Source: FLO 2006b.

*Main products*

Fair trade has traditionally been associated with coffee, which was the first fair trade product (i.e. with a product-specific label); it was launched in 1989 and still remains the largest fair trade product traded. However, during recent years sales have diversified, notably with the introduction of fair trade bananas. As such, whilst coffee accounted for 71% of the fair trade licence income in 1997, this figure had fallen to 57% by 2001 (FLO, 2001).

At present, there are more than 1,500 fair trade products on the market grouped under a handful of product-specific labels – or traded by fair trade organisations (accredited by IFAT). Coffee and bananas still account for the largest shares of the market. New product-specific labels include primary commodities such as tea, fresh fruits and vegetables, sugar, spices, flowers and cotton but also some processed products such as juices, chocolates, wine and handmade crafts among others (see Table 5). Many fair trade processed foods such as chocolate,

muesli bars, chutneys, sauces, jams and clothes tend to be manufactured in the importing country (Tallontire, 2001).

The introduction of new product-specific labels, particularly for fair trade flowers and cotton, is proving to be very successful and giving a new boost to the market. The product-specific label for fair trade flowers was introduced in 2004 and in Switzerland, for example, they already account for 28% of the market. Although the label for fair trade cotton was only introduced in late 2005, demand has been much higher than supply (FLO, 2006b) and it has been adopted by several high street retailers, which might indicate significant market development in the next couple of years.

**Table 5. Fair trade sales volumes 2004/2005 in metric tons unless otherwise indicated**

Product	2004	2005	Var 2005/2004
Bananas	80,640	103,877	28.8
Coffee	24,222	33,992	40.3
Cocoa	4,201	5,657	34.7
Tea	1,965	2,614	33.0
Fresh fruit	5,156	8,289	60.8
Sugar	1,960	3,613	84.3
Honey	1,240	1,331	7.3
Beer	62,934	123,758	96.6
Juices	4,543	4,856	6.9
Rice	1,384	1,706	23.3
Dried Fruits	238	306	28.6
Cotton	0	1,402	–
Sport balls*	55,219	64,144	16.2
Wine**	617,744	1,399,129	126.5
Flowers***	101,610,450	113,535,910	11.7
Others	611	833	36.3

Source: FLO 2006 (\*): items; (\*\*): litres; (\*\*\*): stems.

Even though the volume of products sold as fair trade is still a small proportion of the total market (e.g. fair trade coffee represents only 0.022% of total coffee production) (CI-IIED, 2005), for certain products in specific countries market penetration is very high and even similar to that of their conventional counterparts. Indeed, in 2005 in Switzerland, 47% of all bananas, 28% of flowers, and 9% of the sugar sold were fair trade labelled. In the UK, fair trade labelled products have achieved a 5% market share of tea, a 5.5% share of bananas, and a 20% share of ground coffee (Krier, 2006).

**Table 6. Fair trade labelled products' market shares in European countries (in %)**

Product	Austria	Belgium	Denmark	Germany	Ireland	Norway	Switzerland	UK
Coffee	2.3	1.7	2.0	1.0	2.0	1.0	6.0	20.0
Tea	2.1	–	<1.0	2.0	0.5	0.3	5.0	5.0
Bananas	2.3	4.0	0.9	n.a	0.5	1.5	47.0	5.5

Source: Krier J.M (2006).

### Price

As noted above, fair trade criteria include payment of a minimum price to producers, calculated on the basis of production costs – an estimate of the average production cost per country (including 'extra costs' that might arise due to criteria for fair trade certification, such as a 'living wage' for workers). The minimum fair trade price to be paid by licensed traders is the production price plus a fair trade premium (FAO, 2003a). If the market reference is higher than the fair trade minimum price, the market price applies.

In the case of coffee, the market reference price is the New York coffee contract price plus or minus a quality differential. In addition, a fair trade premium of 5 US\$ cents per lb of green coffee is paid on top of the minimum or market reference price. Where coffee is certified both fair trade and organic, an additional premium of 15 US\$ cents per lb of green coffee is paid (CI-ILED, 2005). In 2003, whilst coffee prices averaged 65 US\$ cents a pound for arabica, the fair trade price was US\$ 1.26 (Fair Trade Foundation, 2003).

In the case of bananas, producers receive a guaranteed minimum price based on the cost of production (which varies across different countries) plus a premium of US\$ 1.75 per 40 lb box (around £ 0.06 per kilo) (Fair Trade Foundation, 2002). At the end of 2002, the headline price for bananas was around £ 1.10 per kilo, with fair trade bananas generally being sold for around £ 1.50 per kilo. By June 2003 the headline price fell to just over £ 0.80 per kilo, however the price of fair trade bananas (traded on the basis of a minimum guaranteed price to producers) remained fairly constant (Fair Trade Foundation, 2002). It should be noted the price paid by consumers also includes the retailer's margin, which is typically around 30% of the retail price (for all products).

In the case of fair trade cotton, according to the Max Havelaar Foundation, the Western and Central American and Central African-based producers will pocket a total revenue of € 4.2 million for their sales of 4,000 tonnes of fair trade cotton compared with the estimated € 1.5 million the same weight of regular cotton would have cost (Global exchange, 2006).

### **3.2 Key factors behind the market success of fair trade**

#### *Entry into mainstream distribution channels*

One important factor contributing to the growth of the fair trade sector is active marketing and distribution strategies through large retailers and grocery store chains. As these retailers are often not certified by IFAT and fair trade organisations, market expansion can be traced to the promotion of product-specific labels developed by FLO. Over the last three or four years, virtually all EU supermarket chains have started to stock fair trade products (especially bananas, coffee and chocolates) in response to consumer demand. In the UK for example, which is the largest fair trade market, the Co-Op was the first supermarket to switch all its own label coffee and chocolates to fair trade in 2002. In 2003, Sainsbury's sold more than half of all fair trade bananas bought in the UK (Fair Trade Foundation, 2003). Last year Marks & Spencer opted to sell only fair trade coffee and tea in their coffee shops, the UK's third largest chain of coffee shops. This was followed by the decision to switch their entire range of coffee and tea to fair trade by April 2006 and the introduction of a line of fair trade cotton clothes in June 2006. This move is estimated to have increased the value of all fair trade instant and ground coffee sold in UK supermarkets by 18%, and by 30% in the case of tea (Fair Trade Foundation 2006).

Food chains such as Dunkin' Donuts and Starbucks have also introduced coffee lines made with fair trade coffee beans and high street retailers such as Topshop and the PPR (Pinault-Printemps-La Redoute)-owned catalogue retailer La Redoute have been selling fair trade cotton clothes since they appeared on the market in late 2005. Overall, in 2005 almost 300 companies around the world became involved in fair trade, and the total number of companies involved in selling fair trade products grew from 1,151 in 2004 to 1,483 in 2005 (Fair Trade Foundation, 2006). In terms of supermarkets, fair trade products are sold in about 55,000 supermarkets all over the EU (Krier, 2006) accounting for the bulk of fair trade sales (Transfair, 2004).

#### *Government procurement*

Another factor contributing to the growth of fair trade is government procurement. At present there are several countries – such as Belgium and the UK – that include fair trade criteria within their public procurements, especially regarding hot drinks such as coffee and tea. Besides having a positive impact on overall fair trade sales, this move is also encouraging conventional companies (e.g. Efico in Belgium) to implement fair trade schemes in order to be able to supply these government contracts (Bielande, 2006).

#### *Introduction of new product-specific labels*

During recent years, the fair trade movement has been criticised for only focusing on a few products, particularly coffee. However, the introduction of new products has given the market a new boost. Indeed, much of the growth in the total volume of fair trade sales has been due to the introduction of new lines of products rather than increased sales of particular products (Tallontire, 2001). For

example, the introduction of fair trade cotton, though too recent to provide an accurate assessment, has allowed the market to expand to a new type of sector, the clothing industry, and therefore bring significant market opportunities. Indeed high street shops such as Marks and Spencer, the chain Topshop, the French PPR-owned catalogue retailer La Redoute and the French retailer Galeries Lafayette, after successful trials with a few products, are now introducing (or planning to introduce) entire lines of clothing for both adults and babies based on fair trade cotton. This will probably encourage other giants in the clothing industry to introduce fair trade lines within their mix of products.

#### *Becoming both fair trade and organic*

The fair trade movement views the organic movement as complementary. It is seen as a means of managing supply side risks for producers who might otherwise be reliant on a niche market. Organic certification has recently become a requirement for the certification of some fair trade bananas. Thus, if the supply of fair trade produce exceeds demand, producers also have the option of selling to organic markets and therefore increasing market opportunities. As of 2004, 12% of all fair trade coffee sales were also certified organic and about 25% of fair trade bananas (FAO, 2003a; CI-IIED, 2005) and these figures are rising. In some countries, e.g. Norway, all imported fair trade bananas are also organic, and in the US almost 85% of the fair trade coffee and 100% of the fair trade tea, chocolate and fresh fruit sold in 2003 were also certified organic. New lines of products such as cotton and avocados are also 100% organic.

#### *Active education, marketing and campaigning strategies*

A common barrier associated with labelling in general and/or niche markets in particular is the lack of consumer knowledge about what labelling means. In Denmark, for example, key players in the retail chain considered that the Max Havelaar certification was too difficult for the average consumer to understand and that there was therefore a need to provide further information (CI-IIED, 2005).

In order to address this problem, the fair trade movement is pursuing a very active public information strategy – one of the elements behind increased public recognition and market success. Indeed, the fair trade movement conducts a variety of campaigns and initiatives to gain public recognition. For instance, in Europe more than €18 million (about 3% of annual fair trade sales) is spent annually on education, public relations and marketing. These include general consumer education campaigns (e.g. on fair trade bananas); fair trade programmes at local level (e.g. the 'fair trade town'; see Box 1); fair trade events (e.g. the 'Fair Trade Fortnight' which includes promotion of the fair trade scheme in supermarkets, cafes and restaurants); and also lobbying, media awareness and public relations at national and international level (e.g. the 'Make Trade Fair' and 'Make Poverty History' campaigns).<sup>4</sup>

---

<sup>4</sup> For more details on these initiatives please see <http://www.fairtrade.org.uk>

### Box 1. Fair trade towns

In May 2000, Garstang in Lancashire declared itself the world's first fair trade town. The campaign caught the imagination of local people, the interest of politicians, and made headlines across the northwest – not to mention hugely raising awareness of fair trade labelling in the area. To become a fair trade town (or any other populated area), five goals must be met: (i) the local council must pass a resolution supporting fair trade and serve fair trade coffee and tea at its meetings and in offices and canteens; (ii) a range of fair trade products must be readily available in the area's shops and served in local cafés and catering establishments (targets are set in relation to population figures); (iii) fair trade products must be used by a number of local work places (estate agents, hairdressers etc.) and community organisations (churches, schools etc.); (iv) the town must attract media coverage and popular support for the campaign; (v) a local fair trade steering group must be convened to ensure continued commitment to fair trade town status. The fair trade town scheme operates in the UK, Ireland and Belgium. March 2005 marked the declaration of the 100th fair trade town.

Source: FLO website.

## 3.3 Key problems and challenges

### *The price barrier*

A significant barrier to growth for the fair trade movement is perceived to be the price premium that consumers have to pay. Yet in the case of fair trade coffee, CI-IIED (2005) found that the wide range of coffee brands of varying quality, the differences in prices, and lack of consumer awareness over country of origin and quality, made a like-for-like price comparison between fair trade and conventional coffee quite difficult. However, when conventional coffee was discounted (a common practice in supermarkets), this did draw consumer attention to the price differential – with fair trade coffee noticeably more expensive. Surveys conducted in Denmark indicated that consumers state a willingness to pay extra for fair trade certified coffee but do not necessarily do it in practice – often opting for 'special offers' instead (CI-IIED, 2005).

Where double certification is required – e.g. fair trade and organic – this acts as an additional price barrier for producers. The fair trade certification costs are considered fairly small; they are usually paid by a producer association and already included in the fair trade minimum price.<sup>5</sup> But the costs of organic certification are paid in full by the producer. Many of the costs of organic certification are fixed and therefore the impact on producers depends greatly on how much of the certified product is actually sold at a premium or at a 'double

---

<sup>5</sup> FLO has a separate pricing system for initial fair trade certification and for the subsequent yearly renewal fee. The initial fair trade certification fee ranges from €2,000 per producer organisation with less than 500 members to €5,200 per producer organisation with over 100 primary co-operatives. The annual renewal fee is based on the volume sold under fair trade. It ranges from €0.005/kg to €0.015/kg of agricultural produce sold.

premium'. At present, many certified fair trade and organic producers in developing countries do not sell more than 25-35% of their produce as 'certified' which means the bulk of production is sold as conventional produce – i.e. without attracting a price premium.

Some producer groups have tried to soften the price barrier of 'double certification'. For example, the Cooperativa dos Agricultores Familiares de Poço Fundo in Brazil decided to average out the individual contribution that members made towards fair trade and fair trade-organic certification (originally US\$ 7 and US\$ 19 per bag of coffee respectively) to a standardised US\$ 13 (CI-IIED, 2005).

#### *Quality issues*

Fair trade has suffered from a perception of low quality – to which ethical consumers were perceived to be indifferent provided they were helping poor farmers in developing countries. However, recent evidence suggests a difference between reality and perception today (CI-IIED, 2005). At present, a number of fair trade products such as coffee and cotton are starting to be distinguished by the perceived high quality of the products. Indeed, fair trade coffee on the Danish market won Cup of Excellence awards and also came out top in small-scale blind-tastings in Finland run by Kirkon Ulkomaanapu. In the case of cotton, fair trade products are being purchased to produce special lines of fashion clothing or high quality baby clothes.

Nevertheless, the desire to benefit the poorest does present a challenge in terms of quality, since skills and resources available to poor communities may not necessarily correlate with market quality requirements (Tallontire, 2001).

#### *Problems of developing value-added products*

Fair trade products in the mainstream have largely been commodity-based foodstuffs such as coffee, tea and bananas. Processed foods such as chocolates and sweets that are more value-added products tend to be manufactured in the importing country. This is largely down to supermarket demand for large volumes and guaranteed year-round availability, which can only be accommodated by sourcing from a relatively large number of well-organised producers.

Crafts or other such value-added products have faced many difficulties accessing the mainstream homeware and interiors market, partly because of the short life span of products (due to changing fashions) and the high up-front costs of professional design (Tallontire, 2001). Moreover, concentration of fair trade production on primary commodities is also exacerbated by trade barriers. For example, many importing countries apply tariff escalation systems that favour raw material exports. Tariffs applied to fair trade products are the same as those applied to conventional produce. For instance, while many countries do not apply tariffs on cocoa beans (the raw ingredient of chocolate), the finished chocolate bars have to carry an import tariff of 6.9%, 21.1%, 21.3% and 59% in

the case of the US, the EU, Japan and Canada, respectively. Importers of orange juice into the European Union have to pay a tariff of 35% compared with 16.7% for the fresh fruit (FAO, 2003b).

*Lack of clarity over how price premiums are spent*

Total fair trade revenue is calculated from the price received by producers plus a fair trade premium. While the price goes directly to the producers, the fair trade premium is paid to the producer association or co-operative, usually for group community projects. Part of the premium may be used by the farmer association (or in some cases plantation management) to improve the organisation or its product quality, or to make other investments important for long-term economic sustainability. The other part of the premium may be used for environmental and social improvements (FAO, 2003a). In plantation situations a 'Joint Body', set up by representatives from both management and workers, decides how the premium is spent – in association with FLO.

The issue of how much of total fair trade revenue goes to the producers and how much to community projects is said to deter producers from becoming fair trade orientated, or from remaining so. This is further exacerbated by a lack of transparency on exactly how the premium is spent on community projects.

New measures are being introduced within the fair trade system to address some of these problems. In January 2006, a new price entered into force for the product-specific label for bananas, which implied that the minimum price for bananas increased and the fair trade premium per box of bananas decreased (FLO, 2006). The same month a new set of fair trade standards also entered into force, which make a 'Joint Body' accountable in the sense that workers will know exactly how fair trade premium money is being spent and how much money is allocated to each project.

*Proliferation of fair trade labels*

The success of the fair trade sector is attracting conventional companies to enter into the market, with many of them introducing their own fair trade labels. The adoption of fair trade schemes and labels by different market actors – and with diverging views about the fair trade concept or different standards – runs the risk of overwhelming consumers and creating confusion. This is particularly true for fair trade coffee. Procter & Gamble, for instance, launched its own fair trade coffee – 'Mountain Moonlight Fair Trade-Certified' (Transfair, 2004). In October 2005, Nestlé also launched its own fair trade instant coffee in the UK, known as 'Partners Blend'. In Finland, the Swedish company Arvid Nordqvist recently launched its own fair trade coffee, 'Classic Reko,' at the very competitive price of €7 per kilo (CI-IIED, 2005).

The proliferation of fair trade schemes, potentially with lower standards than those of FLO or IFAT, creates increased market competition and risks putting smaller producers at a disadvantage. This becomes of particular concern when these alternative schemes are being developed by big multinationals with economies of scale with which smaller fair trade producers simply will not be



able to compete. Indeed, the FLO/IFAT fair trade label provides benefits to producers – in the form of the floor price – which are not provided by other schemes. If consumers think that the schemes are all the same, then smaller fair trade producers will lose out as consumers interested in sustainability will pick the cheapest certified product (CI-IIED, 2005). In view of this, several actors within the fair trade movement are urging FLO to take a clear stance in favour of fair trade being a development model for small and middle-scale producers (Elsen, 2005).

The twofold problem of poor consumer understanding combined with fair trade schemes introduced by companies with poor CSR credentials presents a reputational risk, as illustrated by the entry of the major roasting companies into fair trade. For instance, in October 2005, Nestlé launched its fair trade certified instant coffee in the UK, known as 'Partners Blend'. This has proved extremely controversial. The company reputation is still tarnished for promoting powdered baby milk in poor countries. Some consider the Nestlé move as an attempt to detract attention from the powdered milk issue (Bielande, 2005).

#### *Poor visibility in retail outlets*

Market expansion is also hampered by the poor visibility of fair trade products on the supermarket shelves and in retailer promotion. Supermarkets tend not to stock more than one or two ethical lines, opting not to offer the whole range of fair trade brands in particular chains or localities. This approach makes it harder for the consumer to consistently choose a fair trade product (Tallontire, 2001).

#### *Burdensome on FLO and IFAT*

In contrast to other certification and monitoring models such as FSC, IFOAM and SA 8000, in which the role of custodian and certifier of the standards is kept separate, in fair trade labelling, the custodian of the standard is also the certifier. In other words, FLO develops the sets of criteria for each product-specific label, and a representative of FLO monitors producers' and buyers' compliance with this standard (Tallontire, 2001). The same applies to IFAT in relation to the Fair Trade Organisation label. There have been calls to decouple standard-setting and accreditation from certification audits (Elsen, 2005).

#### *Farmers need to get organised*

Fair trade schemes require a certain level of collective organisation, as they do not work with individual farmers. This requirement has the potential to ensure greater benefit-sharing (through transparent, democratic decision-making) but it is at odds with many conventional forms of business and business ethics (Macqueen, 2006).

### **3.4 Implications for fair trade timber**

The fair trade experience in agriculture has important implications for the forestry sector, both in terms of market opportunities and the challenges that may arise:

- *There is likely to be demand for fair trade timber.* The expansion of fair trade has— at least partially – been based upon the introduction of new fair trade products. There is strong consumer awareness of the fair trade movement, accompanied by social concern, and leading to increasing market share. Consumer interest in fair trade could certainly be expanded to the forest sector in which small enterprises and enterprise associations play such an important part (see Macqueen et al., 2006).
- *There is potential to develop a range of different products.* In the agricultural sector much of the growth in the fair trade market is explained by the introduction of new lines of products rather than increased sales of particular products. The implication for the development of a fair trade scheme in the forestry sector is that it should, and could, ultimately target a wide range of products made by community producers. These might include primary commodities (e.g. industrial roundwood), processed products (sawn wood, panels, pulp and paper) secondary processed wood products (e.g. wooden furniture, mouldings, builder's woodwork) and categories of non-timber forest products (thatching, oils and resins, biofuels etc).
- *Entry into mainstream trade will require a product-specific label for some category of timber product.* Product-specific labels require investment to design. They are best suited to products with low product variation, widespread market appeal, and known trading prices – such as sawn wood of particular species, or particular types of shaped wood (e.g. parquet flooring).
- *A product-specific label for timber would find suitable retail outlets.* In the same way that supermarket chains have greatly contributed to the mainstreaming of agricultural fair trade products, there are options for forest products. Possible mainstream distribution channels for timber might include large retailer chains such as IKEA, B&Q and Home Base, provided this did not conflict with existing commitments to certified sustainable timber.
- *Diverse value-added products might best be handled by specialist fair trade organisation outlets.* The diversity of secondary processed wood products (such as furniture) might make the development of product-specific labels problematic. One way of handling this would be to foster the development of specialist fair trade furniture outlets (certified by IFAT) without product-specific labels.
- *Fair trade criteria in government procurement policies also have a role to play.* The available evidence on the FSC scheme in the forestry sector also seems to support this point.
- *Education, marketing, and campaigning strategies will be important.* The agricultural sector within the fair trade movement has been pursuing a variety of awareness-raising campaigns and initiatives to increase

consumers' recognition. It is important that consumers are aware of best and worst practice for social justice in forestry; what fair trade timber products might entail; and the distinctions between different fair trade schemes. Many approaches – such as education campaigns, the 'fair trade town', marketing in retail shops, or engaging with an event at a global level – could also be broadened to include timber products. Sector-specific campaigns may be possible for forest products (for example the recent 'Wood for Good' campaign in the UK which highlighted the impacts of wooden construction on climate change mitigation).

- *Many of the barriers are already being addressed.* Many of the challenges that need to be overcome by any forest sector fair trade initiative (high prices, consumers' confusion over scheme proliferation, and the lack of visibility of fair trade products) are common to all certification schemes and are already being tackled.
- *Distribution of price premiums is an issue that needs to be addressed.* Within the agricultural sector, tensions caused by the distribution of fair trade revenue among the producer and community projects have hampered expansion at the producer end. In the forest sector, existing certification schemes have little experience of catalysing and supporting producer associations and co-operatives, as required by existing fair trade schemes.
- *Careful thought to the standard-setting, accreditation, and certification roles* will be needed in order to avoid overburdening existing fair trade institutions. It has taken significant effort to introduce each new product-specific label. The additional complexities posed by sustainable forest management and timber processing will need to be addressed. This will potentially be helped by the current effort within FLO to develop specific traders' and processors' standards in order to be able to use the fair trade label on products with multiple stages of processing (e.g. textiles or timber).

## 4. Existing fair trade that involves forest products

Foresters are apt to cast their sector's net widely – often including within it agroforestry systems and non-timber forest products such as shade-grown coffee, cocoa, nuts or honey. As noted in the previous chapter, such products form the mainstay of fair trade. But in terms of timber products, crafts and limited quantities of furniture are sold as fair trade products only under the IFAT certification of fair trade organisations. There are no specific timber guidelines from FLO to ensure quality (including environmental sustainability, processing standards such as moisture content, cutting accuracies etc.) and price.

In the following sections we examine some perspectives from existing fair trade organisations who sell fair trade wooden crafts and furniture. We also look at some certified community timber producers who offer examples approximating to fair trade, without being labelled as such. And finally we look at one or two other initiatives that might shed light on how to move forward.

### 4.1 Perspectives from the fair trade crafts and furniture sector

*Fair trade timber already exists!*

Despite the non-existence of specific product standards for timber, from the trade end, there are hundreds (perhaps thousands) of fair trade products that include timber. These are produced and sold through fair trade means by wholesalers and individual retailers. For example, the Network of European World Shops (NEWS) includes over 2,500 World Shops. In the UK there are currently 111 members of the British Association for Fair Trade Shops (BAFTS) and more than 70 registered IFAT members, all selling a range of fair trade products in local high streets and globally online. Within the non-food category is a rich market of fair trade timber products ranging in size, material and origin. Table 7 below gives a broad overview of the types of fair trade timber products available from 10 such shops.

**Table 7. Examples of fair trade timber products and associated retailers**

Type of timber product	Example of wholesaler/retailer
Instruments – flute, drums, panpipes	Natural Flow Direct
Kitchen utensils – serving spoons, coasters, bowls	One Village, Shared Earth, Love That Stuff
Toys – hanging mobiles, puzzles, pull toys,	One World, Shared Earth
Crafts – boxes, letter holders, jewellery boxes	Fairwind, Love That Stuff
Furniture – wardrobes, chairs, tables, desks	The India Shop, Namaste, Shared Earth, Marsaba
Accessories – jewellery, photo frames	Shared Earth, The Greater Gift, One World
Wood carvings	Marsaba, One World, Fairwind

A short e-mail/telephone survey attempted to assess the opinions of fair trade retailers (BAFTS and/or IFAT members). They were asked whether a product-specific label for timber would be beneficial or would constrain the current fair trade market.

*Little demand for a product-specific fair trade timber label from existing fair trade organisations*

From the replies obtained, there was a general agreement that a product-specific timber label might help elevate the profile of timber products – and especially less processed timber products – to wider audiences. But there are concerns over the creation of additional barriers and costs for producers. A product-specific timber label might require adherence to poorly-designed environmental standards that would incur disproportionate costs and restrict the capacity of southern producers to enter the fair trade market. Many therefore felt that the inclusion of southern producer groups in any product-specific timber label should occur from the outset (see Box 2).

**Box 2. La Maison Afrique AB**

La Maison Afrique AB is a company based in Sweden and is IFAT accredited. It sources a variety of products ranging from basketry, essential oils and paper to cow horn carvings. A large proportion of its products also contain some timber. La Maison Afrique AB has formed a close co-operative working relationship with approximately 30 informal groups and/or families in Madagascar. The woodwork in this region is specific to the Zafimaniry community (identified by UNESCO as a 'Masterpiece of the Oral and Intangible Heritage of Humanity'), which produces detailed carvings and motifs in its designs. La Maison Afrique AB buys direct from producers offering a 50% prepayment/loan on orders and also covers the export administration to help producers who are not part of a registered firm to export their crafts. One important criterion for La Maison Afrique AB is that they are looking for high value-added products, rather than importing raw materials. The possibility of a fair trade timber certification was welcomed. At present their guarantee of sustainable forest management (SFM) is limited to compliance with policies of the Ministère des Eaux et Forêts in Madagascar, who approve the felling process and the export of finished timber products. When asked about how a standard might be developed, La Maison Afrique AB felt the standard should be developed by the people living in/being dependent on the forests in the developing countries, and should be approved by IFAT.

Source: Mona Bengtsson pers. comm.

Almost all existing fair trade respondents were only dealing with small volumes of high value-added craft, which contained limited quantities of timber. Some of these noted that a product-specific timber label would increase the administrative burden and might be unnecessary, given that the IFAT mark already allows fair trade organisations to trade products made from timber. For some fair trade retailers 'the environment' was already central to their business practices and they felt little would be gained by also certifying that this was the case (see Box 3).

**Box 3. Tropical Salvage**

Tropical Salvage is an US-based timber company that provides an interesting contrast to many other fair trade timber suppliers. Rather than buying products originating from planted or managed forests, Tropical Salvage reclaims and reuses timber from demolition sites and trees killed in forest fires. Tropical Salvage also excavates trees which have been buried as a result of volcanic eruptions. All such wood comes from Indonesia where groups are taught how to salvage wood with consideration for the environment. Conservation and recycling play a central role, and Tropical Salvage has a strong belief that “fair trade must be integrated with conservation”. A company representative noted: “If people are paid living wages to exploit forests without practising due respect for the natural environment, then, by compromising environmental quality and aspects of cultural integrity dependent on the natural environment, it is my opinion fair traders have actually worsened the lives of those they intended to help”. A product-specific fair trade timber label was seen as a positive step in helping to increase the profile of the company. But if the production and sourcing methods were required to meet a set of formal and strict standards, this might affect business efficiency and this poses a potential constraint.

Source: Tim O'Brien pers. comm.

The general observation is that most existing fair trade timber products are highly-processed and so add considerable value to communities. Questions were raised as to whether less-processed timber products might offer less scope for adding value to communities (although it is clear that unprocessed, primary, and secondary processed products need not be alternatives – and may offer complementary market opportunities).

*There are divergent opinions on what fair trade timber means in existing trade*

Because of the inevitable subjectivity of what comprises truly ‘fair’ trade, some companies have developed their own detailed principles and criteria – which may (or may not) weight social and environmental issues equally. Some fair trade organisations develop very rigorous criteria for social issues, but exhibit less concern for the environment (see Box 4).

#### Box 4. One Village

Founded in 1979, One Village is based in the UK and is BAFTS accredited. It acts as a fair trade wholesaler and retailer selling a range of timber products, mainly kitchen utensils, all produced in Saharanpur, North India. Examples of wood used include mango (*Mangifera indica*) and papri (*Holoptelea integrifolia*) which both grow abundantly in northern India. Criteria for choosing suppliers are based on whether the supplier complies with the One Village 'operating methodology', a set of 13 principles. There is an emphasis on social development rather than environmental sustainability with only one principle dealing with environmental issues. A company representative expressed it thus: "The sourcing of raw materials is a secondary issue, and in the case of wooden articles sourcing is left to the producers. They assure us that they do take care of sustainability issues. The quantity of timber being purchased is not very substantial, and we understand that the producer buys from a local dealer, making sure that the timber has been properly seasoned. Most of the timber used in our case is grown relatively locally, and it would not be a very attractive proposition if timber had to be transported unnecessarily just so that it could carry a particular brand." Interestingly, One Villages adds a 'community surcharge' on to products, which can be used to improve the welfare of the community (similar to the fair trade premium of five per cent). Although formally belonging to the fair trade movement, One Village acknowledged that as a concept, fair trade is highly subjective – "In any case, it is our view that the expression 'fair' is highly subjective and probably misleading given the huge discrepancies in standards and quality of life between producers and consumers. One Village would not be comfortable if articles were labelled as being fair trade if the production arrangements did not fit with their own criteria."

Source: Roy Scott pers. comm.

For other fair trade organisations, the origin of timber is a major concern that prevents trade. For example, where there is a choice of craft products (made with, or without, wood) some organisations have deliberately selected against wood due to environmental and social concerns (see Box 5).

#### Box 5. Ganesha

Ganesha is a fair trade partnership based in the UK and accredited by BAFTS. It imports quality home furnishings and accessories from India, sourced from/developed with co-operatives and producer associations. Ganesha does not sell any timber products on principle. One of its founding partners did a bit of research on forest management in east India in the late 90s. He discovered that there were a lot of problems with locals being able to access wood (and other forest products) – although this was beginning to change with a new policy about joint forest management (in West Bengal, Bihar). He also discovered an active forest 'mafia' and routine over-working of forests that were contracted to private companies etc. As a result he came to the conclusion that at that time, groups with whom Ganesha traded (marginalised craftspeople, low caste, Adivasi\* etc.) either would not have access to timber, or that the timber products available to them on the market would have involved them in undesirable or even illegal activities. Such trade would most likely have curtailed access to forest products for such poor groups or criminalised them for their own subsistence needs. For these reasons, Ganesha does not stock wood – although it is currently in discussion with an Adivasi-focused NGO in Orissa about leaf plates, since poor groups do have rights over some non-timber forest-products.

Source: Jo Lawbuay pers. com.

\* The Adivasi are descendants of an ancient aboriginal people, found mainly in the Bengal and Bihar regions of India.

But not all fair trade shops reject wood products on principle. In some instances it has been possible to establish market chains that do benefit local producer groups (see Box 6).

**Box 6. Shared Earth**

Shared Earth is a member of BAFTS and IFAT. It buys as many products as possible directly from abroad, mostly from suppliers who are fellow members of IFAT. These products include craft and small furniture items sourced from India and Indonesia. Shared Earth does not see any tension between social and environmental standards (both go hand in hand to help the poor) and would welcome greater collaboration between fair trade and sustainable forest management communities. That being said, the current emphasis of Shared Earth is towards fair trade with non-profit family groups or co-operatives – often in rural areas or small towns – who are highly skilled in their craft but have no experience of selling beyond a local market. The Executive Director of Shared Earth emphasised that craft is very different from large-scale commodity crops or timber production. It is a low volume, small-scale activity which could not bear the cost of an expensive certification processes. But it would be valuable to link certified community timber producers with craft producers – necessarily at the local level. Some of Shared Earth's craft producers were already buying up land in order to have a sustainable source of trees from which to produce their craft – avoiding unreliable or diminishing forest supplies. Any product-specific timber label would need to pay careful attention to the inclusion of these small craft producers.

Source: Jeremy Piercy pers. comm.

*Designing a way forward for fair trade timber faces institutional challenges*

Many of the institutions that comprise the fair trade movement have slightly different objectives. There are several issues that need to be ironed out within the fair trade community itself with regard to mutual recognition of different standard-setting organisations. The example from Box 7 notes retailer concerns that failure to agree standards across all the members of FINE can lead to problems for consumers and producers alike.



**Box 7. Love that Stuff**

Love that Stuff is a UK-based shop accredited by BAFTS and IFAT. It sells some wooden spoons and bowls. These are produced in Kenya in sustainable farm forests (as defined by the producer groups). Since the producer groups are IFAT members they set the prices for the goods themselves, though transparency between producer and buyer can result in downward negotiation on prices if the market will simply not support a particular price. Producer groups follow IFAT's criteria which include environmental stewardship. IFAT monitors the groups, and the groups themselves commit to adhere to principles of environmental sustainability. Love that Stuff thinks that a product-specific timber label might be just one more hoop to jump through. A company representative cautioned that rich developed nations need to be careful that they don't impose their standards on very poor countries in a 'top down' way. Sometimes the very poor find it difficult not to degrade their environment in their attempts to survive – so a lot of consultation with poor producers in developing countries should help decide if a product-specific timber label is useful or not to them, and how much of the cost they will be contributing. One critical consideration is – who pays and who benefits? Who is in the group and who is outside the group? For example, many people are confused by fair trade handicrafts that do not carry the Fair Trade Foundation logo. Why does this happen? Because it seems that the Fair Trade Foundation does not recognise IFAT even though they both come under the FLO.

Source: Barbara Wilson pers. comm.

*Fair trade timber may require new types of fair trade organisation*

Existing fair trade retailers and wholesalers often see the value of fair trade timber, but are ambivalent towards it. This stems in part from their focus. Fair trade retailers are orientated towards secondary processed craft products, traded in small volumes with high value added, and which have little environmental impact. In short, existing fair trade retailers are unlikely to have interest or capacity to trade in logs or primary processed timber.

It was not possible to identify any fair trade organisations that were dedicated to the specialist supply of industrial roundwood, primary, or secondary processed timber in any volume from community groups in the south. For other products (e.g. coffee) there are many small roasters and cafés that specialise in fair trade coffee. The same cannot be said of timber products. There is therefore a major institutional gap, which Taylor (2005) terms the lack of an 'interstice' in the wood product commodity chain. Essentially there are almost no economic actors who have a strong existing interest in promoting market access by small and community-based timber producers. It is quite possible that new timber-based fair trade organisations might place a much higher value on the development of a product-specific fair trade label for timber.

Bass et al. (2001) note that large global timber retailers such as B&Q, IKEA, HomeDepot and Lowes have proven highly influential in marketing certified forest products. But the volume of their trade may militate against supply from smaller community-based timber producers (Taylor, 2005). Much more needs to be done to survey demand for fair trade timber among large mainstream timber retailers and potential specialist outlets.

In the next section we move from the fair trade retailer (largely orientated towards secondary processed wood products such as craft and small furniture) to the perspectives of community-based sustainable timber producers (largely orientated towards industrial roundwood or primary processed products).

## **4.2 Certified community forest production – ecoforestry**

*Environmental sustainability is a greater concern for timber growers/managers*

Moving from consideration of the retailers towards the timber producers inevitably creates a change in emphasis – in this case towards community-led sustainable forest management or ecoforestry. Without sustainability, community-based timber producers soon go out of business. Certification is the main scheme through which communities have been encouraged to manage the forest sustainably while gaining access to international markets.

Although many certification schemes are emerging in different regions of the world (see Annex 1), FSC is as yet the only international scheme with a substantial history of implementation in developing countries – and therefore forms the focus of this section (along with LEI – Lembaga Ekolabel Indonesia – which is recognised by FSC). The Programme for the Endorsement of Forest Certification (PEFC) has recently endorsed CertforChile (in Chile) and CERFLOR (the Brazilian Program of Forest Certification) but these have so far only certified large, primarily plantation forest enterprises and few (if any) community-based case studies are available.

While certification does not guarantee a market for producers, or a fair price for their product, it has been shown to confer a number of advantages on producers (Bass et al., 2001):

- Shifting forest management towards more scientifically rigorous models.
- Strengthening internal documentation, monitoring, and reporting within a more business-like approach.
- Building awareness of international markets for some, or all, of the product.
- Increasing the credibility and profile of the organisation with financial agencies and policy-makers.

*But certification has struggled to deliver widespread benefits to communities*

Communities face two related challenges in relation to certification:

1. Access to certification – the high cost of certification for small-scale operations, and the inflexibility of generic standards applied to multiple local contexts.

2. Exploiting certification – the inability to distinguish the certified products of communities from those originating from large-scale enterprises, and to generate a premium or consumer preference as a result.

Despite the challenges described above, examples from around the world do show some promising examples where the community origin of sustainably produced timber is rewarded with a premium and even fair trade status. FORCERT in Papua New Guinea – with a network of certified community groups – is among the leading pioneers of joint FSC and fair trade certification (see Box 8). But this type of development requires continuous higher-level organised support to survive – and it takes substantial investments of time and expertise to reach financial sustainability (not yet achieved in FORCERT's case). It also takes a sympathetic buyer who is tolerant of initial small volumes originating from various tree species.

**Box 8. Certified ecoforestry leaning toward fair trade in Papua New Guinea**

Comprising the eastern side of New Guinea, Papua New Guinea (PNG) has a total forest area of 28 million hectares. These forests present attractive commercial potential – especially to Asian companies which dominate the PNG timber industry. But there is also a growing niche of community/ecoforestry which includes NTFP harvesting, tourism, and community-based timber production. The PNG Eco-Forestry Forum (PNG-EFF) is an umbrella organisation that represents and strengthens the networking ability of its members, which includes Forcert.

Following growing demand for certified timber, PNG-EFF conducted a feasibility study into the formation of an independent certified organisation. The outcome was the creation of FORCERT in 2003. FORCERT has achieved group certification for forest management and a Chain of Custody Certificate from FSC. It links independent community-based producers to independent central marketing units (CMUs), which in turn link to overseas buyers – currently Woodage, Australia. Its benefits include employment, community income (underpinning housing, schools, and church building), increased confidence, knowledge, and better forest management and land-use planning. Some negative consequences have been inequitable income distribution, mistrust, and conflicts with customary obligations.

To become a producer member of FORCERT's group certificate, a producer needs to have at least 500-1,000 hectares of good forest (this often requires a number of groups coming together). There are currently 6 certified producers (27,000 hectares) and 5 pre-certified producers linked to 4 certified yards (CMUs). The process begins with 'Community Based Fair Trade' (CBFT) timber, which has low standards to ease producers into a new forest management technique. This then leads on to 'pre-certified' production. Greenpeace Australia backs the scheme and has awarded FORCERT Gold and Silver awards for pre-certified timber and CBFT respectively. After 18 months the producer should have reached FSC standards. Only 360 cubic metres of unprocessed sawn timber was produced in 2005, of which 120 cubic metres was exported. Given that FORCERT makes its money from membership fees and a percentage fee, it would require approximately 15 producers and 1,500 cubic metres of production to break even.

Woodage in Australia pays a 20% premium for certified timber. Negotiations are underway to increase that premium in order to benefit community groups. A trial shipment of timber has been sent to Hanson International, Hong Kong and there are current negotiations with Espen Timbers in Germany.

FORCERT has already applied to IFAT for fair trade organisation status. Their view on a product-specific timber label is that it might just duplicate what IFAT is already prepared to certify. When asked about what factors a product-specific timber standard could include, Forcert felt that most aspects were already covered by IFAT certification for fair trade organisations: i.e. producer organisational structure and benefit sharing; price paid to producer relative to the export price received; and reasonable benefits at the community level.

Source: Dam (2006).

*Community timber producers can operate on significant scales*

Not all community groups struggle to meet the volume requirements of their buyers. In Guatemala for example, relatively large concession areas have been ceded to communities through a new government initiative. The national council

for protected areas, CONAP, decreed that commercial timber concessions would be allowed in the Maya Biosphere Reserve – but only on condition that they were certified by FSC (see Box 9).

**Box 9. FORESCOM, Guatemala – government intervention towards fair trade with Mayan communities.**

Forest certification in Guatemala has largely been confined to the forest concessions in the Maya Biosphere Reserve (MBR) of the Peten Forest. Certification is mandatory for any community or private enterprise wishing to operate in the MBR. The national council for protected areas (CONAP) has responsibility for the MBR and, with limited resources for enforcement, implemented the legislation that permitted sustainable use provided it was governed under FSC certification.

Following substantial capacity building through a CATIE project, CONAP began to see the possibility of community forest concessions. But the costs of certification relative to monetary benefits were high. In order to reduce costs and increase monetary benefits, a community owned business FORESCOM was founded in 2003. FORESCOM is a for profit company that provides forest services to 11 community concession holders (who are its owners). These services include inventories, seedling production, management planning, commercial extraction and loans of heavy equipment. The company also manages a group certification process for the member community concessions. FORESCOM represents over 10,000 individuals – with 100 full-time and 200 part-time employees. It has achieved group certification with FSC on an area exceeding 102,000 ha. In 2004, income from forest management was US\$ 2.7 million (adding US\$ 280,000 in tax revenues to central government).

Major achievements have included the development of value-added exports of key species (as well as promoting lesser-known species) and major investments in processing equipment. As well as export markets, FORESCOM has also developed relationships with local buyers. Government procurement from FORESCOM is also under discussion. While great advances have been made in terms of community benefit from timber production, FORESCOM still struggles to achieve a fair price for members' certified timber.

Source: Leon (2006).

*Alliances can make progress even when government support is muted*

Not all government contexts are as conducive to community forest management and certification as is found in Guatemala. Along the Atlantic coast of Nicaragua, for example, uncontrolled agricultural expansion and ever-changing rules over land tenure make conditions for forest management precarious. Nevertheless, strong alliances of NGOs and donors have allowed some progress towards certification and improved prices for timber (see Box 10).

**Box 10. Alliances to get a fair deal at the forest frontier**

In the Nicaraguan autonomous region of the North Atlantic (RAAN), indigenous community enterprises have been moving towards certification in partnership with WWF Central America.

One community, Layasiksa, established the Cooperative Kiwatingi R.L. in 2004. In its first two years of operation it has been successful in meeting its planned harvests of 1,700m<sup>3</sup> and 1,400m<sup>3</sup>. With a vast difference in price between trees sold standing (US\$ 6/m<sup>3</sup>) and sawn timber (US\$ 140/m<sup>3</sup>) it has moved quickly towards saw-milling and managed to saw 1,000m<sup>3</sup> in its first year. It has also achieved FSC management and chain of custody certification for 4,664 ha of a total of 35,000 ha.

Despite strong support from INPYME, CATIE, FAO, WWF, the Rainforest Alliance, ICCO, Nepenthes etc., the Cooperative Kiwatingi still faces considerable challenges in becoming self sufficient. Despite legislation covering the demarcation and titling of land on the Atlantic coast, there is still confusion over tenure rules in the region, with expanding agriculture and little land-use planning. There is also poor infrastructure, little technical support, and a dearth of financial investors. Marketing timber from such a remote area is problematic.

Internally within the co-operative, conflicts have arisen because customary rules restrict the generation of income to certain members of the community, to the exclusion of everyone else. 100 families have benefited directly from employment in the enterprise, but fewer than 10% of these employees are women. Nevertheless, income has improved purchasing power (including horses to improve transport). The enterprise has also built the confidence and capacity of the community.

In order to improve the availability of finance to such communities, WWF has helped to negotiate a specific fund (FONFOR) into which Nicaraguan banks put hard money to complement the soft money from IDB, CATIE/FOMIN and IFC. WWF provides management supervision on the ground to increase confidence in management sustainability. The aim is to start small and build capacity in harvesting, processing and planning. Receiving a premium for both certified and fair traded timber would be a significant help.

Source: Ramirez (2006) and Gretzinger (2006).

*Fair trade need not necessarily be linked to FSC certification*

While FSC certification has by far the most widespread application in developing countries, there is no *a priori* reason why fair trade should link itself with one particular scheme. There are examples of community forest management being certified by other certification schemes – albeit those endorsed by FSC (see Box 11). The other major international alternative (PEFC), with its endorsement of CertforChile and CERFLOR, may in the future certify community operations (though it had not done so by 2004 – Ozinga, 2004b). The FTO label requires that an organisation procures materials from sustainable managed sources. Whether this requires formal criteria and third party certification at all is open to debate.

**Box 11. Community timber production certified by Lembaga Ekolabel Indonesia (LEI)**

In 2002, LEI introduced a system specifically designed for certifying community forest management (PHBML). Through the efforts of WWF and two local NGOs, ARuPA and PERSEPSI, two communities – Sumberejo and Seloputro – were certified in Java in 2004.

The communities had started planting mahogany and teak by 1975 – primarily as a future financial resource. As confidence grew that money could be made through timber, plantings increase across the communities. Currently some 70% of Sumberejo's 547 hectares is covered in trees and in Seloputro a further 263 ha are forested. The community developed its own rules governing tree planting and maintenance. Trees are usually only cut and sold when villagers have emergency financial needs.

Following certification in 2004, the villagers have begun to operate a price premium of 15-30% through PERSPEI. In 2005, they had four potential buyers lined up from Indonesia, France and the Netherlands. While not formally 'fair trade' the community origin of the timber has potential to attract a price premium.

Source: Bambang (2005).

*Capacity building remains critical whether operations are certified or not*

In the case of a pioneering set of communities in Mexico, certification has helped to deliver sustainable forest management – but has failed to resolve issues of marketing and sales. It is perhaps in this context that fair trade could offer most to existing certified community operations.

**Box 12. Zapotec and Chinantec forestry communities**

Mexico boasts probably the largest community-controlled forest sector in the world with 39 separate communal forest certificates covering hundreds of thousands of hectares. The Union of Zapotec and Chinantec Forestry Communities (Uzachi) was established in 1989 following decades of private exploitation of their natural mixed pine oak forests. Uzachi achieved FSC certification in 1996. It has subsequently been able to attract some financial and technical support and has gained in status with the government environment ministry.

Unfortunately, internal constraints and changing market conditions have greatly hampered Uzachi. Initial hopes were that certification might help to provide markets for lesser-known broadleaf species, but Uzachi ended up having to find markets in order to satisfy requirements of certification. Its attempt to sell oak office products ran into problems because of sporadic market interest. While there has been considerable interest from the US and UK (representing up to three times the volume they currently supply), Uzachi is reluctant to meet these orders for social and cultural reasons (it does not wish to operate flat out to maximise profit). In addition, Uzachi does not have the technical capacity to meet these orders. It is not able to dry and mill its timber to required export standards. It also cannot afford the investment required to open and maintain sales channels overseas. Finally, it is unable to maintain the volumes and consistency required by buyers. Uzachi has maintained its certified status primarily because of the high internal commitment to sustainable forest management (rather than any price premiums).

Source: Markopoulos (2003).

### 4.3 Implications for fair trade timber

The preceding sections have shown that there is already a lively trade in fair trade timber – but this tends to comprise small volumes of secondary processed wood products such as craft or small-scale furniture. There are several important implications of the existing reality for any expansion of fair trade timber:

- *Existing fair trade organisations are only part of the story.* They do not trade in industrial roundwood or primary processed timber and are unlikely to benefit (or push for) the development of a product-specific fair trade timber label.
- *Any new label would need to relate to a specific product category.* Product-specific fair trade timber labels would need to differentiate carefully between industrial roundwood, categories of primary processed timber, and secondary processed wood products – whilst avoiding additional administrative burdens to the trade in the latter category (which includes the many craft products already traded under IFAT certification).
- *New specialist community timber traders are needed.* Few existing timber traders are promoting market access for community groups – either in industrial roundwood, primary processed timber, or for secondary processed timber. The closest model that exists comprises the various companies that specialise in certified forest products. Without these actors, there is a major gap in the wood products commodity chain.
- *Demand for fair trade timber requires further quantification.* The greatest impact for other labelling schemes such as FSC has come through large retailers such as do-it-yourself (DIY) chains. It will be important to quantify the sort of volumes of fair trade timber that they would require in order to stock it – and whether these fall inside or outside the bounds of possible community supply.
- *There is potential to exploit direct procurement policies of government or other large specifiers.* An option to develop fair trade timber might be found in a high profile construction/furnishing contract which aimed to highlight social responsibility in some way.
- *There are community producers that trade timber in significant volumes.* The stereotypical small community producer is not the only model that exists. Community-managed concessions in several Latin American countries produce significant volumes of timber that could supply relatively large retailers.



- *An alliance towards fair trade timber must have a strategy for developing community capacity.* In common with many other fair trade products, there are significant capacity-building needs to foster community organisations capable of managing forest resources profitably, equitably, and sustainably. Existing certification institutions may not currently have the required capability to do this – although institutional alliances have proven successful in some cases.

## 5. Options for developing fair trade timber

### 5.1 Potential product entry points

The trade in timber comprises many products. International statistics are usually collected for the categories listed below. *Italics indicate categories that are both regularly produced by community forest enterprises and have some potential in international trade:*

- Fuel
  - woodfuel (rarely traded across borders)
- Industrial roundwood
  - *logs* (frequently traded from developing countries and an easy access option for communities – but see important caveats below)
- Primary processed products
  - *sawn wood*
  - wood-based panels
  - pulp for paper
  - paper and paper board
- Secondary processed wood products
  - *furniture and parts* (wooden chairs, office, kitchen or bedroom items etc) builders' joinery or carpentry (cellular wood panels, parquet panels, shingles and shakes)
  - *shaped wood* (unassembled parquet, strips, friezes, tongued, grooved, beaded, moulded, rounded etc)

Two important observations are required here. First, the trade prospects for different forest products vary by species as well as by product type (Scherr et al., 2004). There are huge value differences between commercial and lesser-known timbers, and between hardwoods and softwoods (and indeed between prized fuel woods and less suitable species). In natural forest production systems (not plantations) economic and environmental sustainability often hinge on the extent to which multiple species can be harvested and sold profitably. Improving the degree to which lesser-known species are accepted and traded is a major challenge.

Second, in many cases local use of species is a prerequisite for the development of a timber enterprise – but local demand may not translate readily into international trade. A critical point is that many community forest enterprises only trade in small volumes with low quality specifications. While it may be possible to increase the quality through capacity-building work and investment, it is not likely that many community producers will be able to increase substantially the volumes traded. Since fair trade requires a market premium, it may be necessary to focus on product lines that can be traded in low volume but with high value (e.g. not logs or fuelwood). We summarise some of the prospects for different categories of products below:

Woodfuel is often the subject of high demand at the community level, but its limited use in industrial countries, low value, and high transport costs mean that it is rarely traded. There are rarely accurate records of price, which would further compound the development of price premiums. Woodfuel is therefore unlikely to be a suitable candidate for enhancing local returns through trade.

*Logs* are readily accessible to community-based producers (in the broad sense outlined in section 1.3). There is usually both local and international demand. Affordable chainsaw technology and a range of transport techniques usually put production within the range of communities. Nevertheless, competition for log exports is fierce – diminishing the capacity to demand a price premium. The multiple processing stages required subsequent to log export would also complicate any fair trade scheme. Nevertheless, there are certain instances in which fair trade in logs might work. One notable example is in the plantation production of logs for pulp and paper in outgrower schemes (e.g. those run by Sappi and Mondi in South Africa – where fair trade is already well established). With the development of generic processor and trader standards by FLO, fair trade products originating from outgrowers could quickly become possible.

*Sawn wood* is also subject to high demand at the community level for construction purposes. Ripping with chainsaws can be almost as reliable as much more expensive sawmilling technology (especially if re-sawing technology can be purchased). But mobile sawmills allow the processing to be taken close to the tree, greatly reducing transport costs and wastage. Meeting international demand is somewhat more problematic because of required quality standards. For example, drying facilities are usually important for exports to northern environments. Nevertheless, for highly valuable species where small volumes are required, there may be options to develop a fair trade scheme – provided quality issues can be overcome.

Wood based panels, pulp for paper, and paper and paperboard require considerable processing technology and large scales of operation to be competitive. They are therefore less suited to community production (although see note on logs for pulp and paper above). Another exception might be artisanal paper production, which is widely engaged in by community groups, e.g. in India (Saigal and Bose, 2003).

*Furniture and parts* are the subject of community demand and potentially international demand. Low volume and high value pieces might be suitable for production by community forest enterprises. But in addition to the quality issues noted for sawn wood, there are also design issues that must be addressed in order to satisfy international demand.

Builders' joinery and carpentry is subject to very specific design constraints. While it is possible for local carpenters to meet local demand it is much more difficult to meet the design specifications of international consumers in diverse locations.

*Shaped wood* is not widely used in poor communities but can be an accessible product for the international market provided the design and quality specifications can be met. These often require levels of processing technology that are beyond the capacity of smaller operators. But for low volume/high value niches some possibilities might exist.

The most striking gap in the existing literature is any detailed analysis of the potential demand for fair trade timber products in any of the categories listed above. There is an urgent need for demand-side studies that provide a more detailed picture of where the opportunities lie for each of these categories – and this forms the subject of the new ICCO initiative (Boetekees, 2006).

Despite the absence of demand-side analysis it is clear that the prospects for fair trade timber are highest in a limited number of timber product categories. The most promising categories may be: low volume and high value species, and products within the categories sawn wood, furniture and parts, and shaped wood.

## **5.2 Potential market chain entry points**

In order to achieve fair trade in timber it will be necessary to build on existing market chains. There are three main market chains associated with, or without, different labelling schemes (Table 8). For each of these market chains there are a number of options to improve the returns to community groups.

These options listed in Table 8 are not exclusive – a range of complementary efforts in each type of market chain may be required. For example, since local markets are often most important for community products, ‘buy local’ strategies would have a high impact in the absence of either forest certification or fair trade. But this would certainly be complemented by efforts to ensure that the international market rewarded community producers through fair trade or forest certification schemes. Complementary efforts will be particularly important to address a number of underlying constraints (Gonzales, 2006):

- The lack of capacity to produce to specific technical, environmental, and social quality standards.
- The lack of capacity to carry out technical tests on lesser-known species to allow their industrial use.

It is important to note that the options described in Table 8 are existing entry points. For example, in the absence of a product-specific fair trade label for timber endorsed by FLO, it is not yet possible to build on such market chains. But this may be an option for future development in the fair trade market, or through the development of forest certification schemes.

It is worth noting that each of the options listed presents a positive opportunity for the timber industry, NGOs, and government authorities to do more for poverty

reduction and local development. If national or international industries, NGOs, and government authorities push towards options that do more for the poor, the wave of precedent will make it hard for certification schemes to ignore. In other words it will be easier to develop new mechanisms that endorse what already exists.

**Table 8. Entry points for achieving fair trade timber**

Trading scheme	Market	Products	Options for timber buyers, suppliers, government authorities to do more
1. Trade from local producers without labelling.	Primarily domestic – without market premium.	All	<ol style="list-style-type: none"> <li>1. Pro-community legislation and support structures to build capacity.</li> <li>2. 'Buy local' community labelling schemes.</li> <li>3. National industry buyer groups or procurement policies to develop premium for community products.</li> </ol>
2. Trade from certified sustainable forest management with FSC or other labelling.	Primarily international, but with domestic potential - rarely with premium.	Mostly industrial roundwood and primary processed wood products, but some secondary processed wood products.	<ol style="list-style-type: none"> <li>1. Advertise community-trade sub-category of certified products.</li> <li>2. Develop fair price revenue mechanisms that apply to community products.</li> <li>3. Develop capacity to support and promote community sub-category of certified products more generally.</li> <li>4. Recognise appropriate community products as fair trade through IFAT or endorsement by existing FTO with brand recognition.</li> <li>5. Market promotion in tandem with fair trade movement – pressing for voluntary procurement policies.</li> <li>6. Press national initiatives for a FLO product-specific label for timber.</li> </ol>
3. Trade certified as fair trade – currently by IFAT.	Entirely international – always with premium.	Secondary processed wood products.	<ol style="list-style-type: none"> <li>1. Push towards broader FTO certification covering industries that trade wood-based product ranges.</li> <li>2. Work towards certified sustainable forest management so as to give credibility to fair trade product lines.</li> <li>3. Demand studies of most promising product categories for a product-specific fair trade label – and communicate demand to national initiatives linked to FLO.</li> <li>4. Push for the development of a FLO product-specific timber label to open opportunities for mainstream trade</li> <li>5. Press for voluntary procurement strategies based around fair trade products.</li> </ol>

The options for trading scheme 1 of Table 8 are essentially national in nature and may best be addressed through national industries and development agencies. It is here that there is perhaps greatest scope for making substantial quick gains. However, many of the levers that might be required to realise such gains fall outside of the current fair trade movement. In addition, there is almost no information on whether national buyers are paying premium prices for community based timber – inside and outside of forest certification schemes. There is similarly little information on the extent to which such companies may be labelling or advertising such timber to consumers. Documenting current practice is an urgent priority.

At the international level there is obviously no demand for fair trade timber (as this does not yet exist). But there is some evidence of demand for the image of positive community investment that would be associated with fair trade timber (Roby, 2005). This also deserves more detailed consideration. There are obvious sensitivities involved in distinguishing community timber products in the market where two pre-existing labelling initiatives and several schemes are involved (e.g. fair trade and forest certification). Table 9 explores some of the advantages and disadvantages of building on existing labelling initiatives – or a combination of both – either separately or through some joint programme.

**Table 9. Advantages and disadvantages of building on options that relate to international labelling schemes**

Options	Advantages	Disadvantages
Two different certification schemes - two audits (fair trade and sustainable forest management).	Can be done with minimal coordination for as long as they are treated as 'show cases' with massive external funding assistance.	1. Cost of multiple certification is a huge barrier for SMEs. 2. Given that fair trade certification appears more profitable and less environmentally demanding than the more rigorous certification schemes such as FSC, joint certification may be rejected in favour of fair trade certification.
Two different certification schemes - one audit.	1. Mutual recognition will simplify procedures. This could be undertaken bilaterally or with the help of ISEAL, which has initiated work on this amongst its members (e.g. between organic and fair trade). 2. Collaboration with IFAT would work but would restrict fair trade timber to FTOs only, not mainstream trade. 3. Collaboration with FLO for the fair trade aspects would reduce the need for FSC to develop a system for setting fair prices, as this would already be covered by FLO.	1. Little match in current product coverage except for some NTFPs. 2. The dominance of North-North production and trade flows for timber from certified sustainable forest management (in contrast with the South-North flows for coffee). 3. IFAT does not have a mandate to develop product-specific labels. 4. FLO can develop product-specific labels but requires pre-existent markets and substantive analysis to calculate a fair price – and there are significant issues of staff time and availability. 5. The complexity of timber processing in comparison with other fair trade commodities.

**Table 9., continued**

Options	Advantages	Disadvantages
Two different certification schemes - one audit.		<p>6. Certification schemes would need to develop mechanisms for building capacity in southern producer groups, and resolve some of existing barriers to compliance with, for example, the FSC, SLIMFS and NTFP programmes.</p> <p>7. Could encounter resistance as it might divert resources away from the market expansion of both labelling schemes.</p> <p>8. Could become an incentive for producers to remain with fair trade only and reduce attention to sustainable forest management.</p>
Fair trade elements as an adjunct to existing forest certification schemes.	<p>1. Would be consistent with some schemes' existing practice – e.g. FSC making its global standards more viable for SMFEs through SLIMF producers in some cases.</p> <p>2. Producers would deal with only one organisation (the forest certification auditors) and no need to convince FLO to develop product-specific labels for timber.</p> <p>3. Would help improve the social image of certification schemes – i.e. the connection between healthy forests and social justice.</p>	<p>1. Need to develop a revenue mechanism within forest certification schemes</p> <p>2. Could create antagonism from traditional fair trade supporters which would view certified fair trade as discounted fair trade system.</p> <p>3. Could create confusion and resistance among supporters of forest certification given the potential possible perception that 'certified fair trade' is better than 'normal' forest certification.</p> <p>4. The lack of small specialist fair trade organisation timber merchants with a vested interest in promoting market access and fairer trade for community producers (although some specialist companies are emerging to supply certified timber .See Wijers, 2006, for example).</p> <p>5. Many existing SMFE barriers to forest certification would still need to be addressed.</p>

Source: Adapted from Vallejo and Hauselmann, 2006; Gonzales, 2006.

### 5.3 Institutional structures that may need development

The comparison of Taylor (2005) between coffee and timber market chains identified a major obstacle to the development of fair trade timber – the lack of suitable institutional players. Taylor asserts that “the growing market for certified timber is dominated by giant retailers who may have little interest in generating additional grassroots demand”. For example, there is increasing concentration and dominance of the wood products trade by large retailers such as DIY chains. Few (if any) of these would be likely to become certified fair trade organisations.

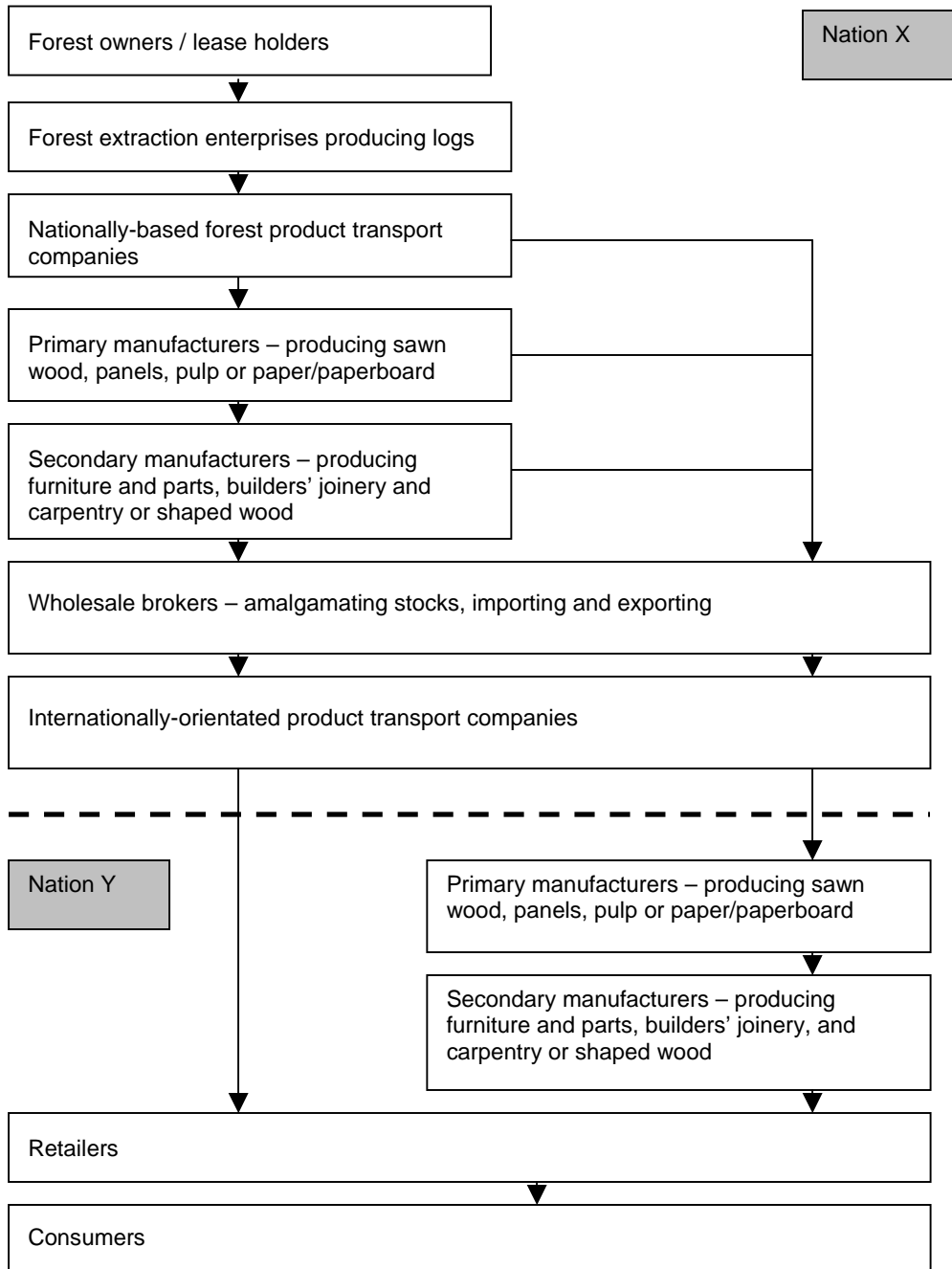
They might be willing to stock fair trade items (should a product-specific timber label exist) but would be less likely to promote it to the detriment of their other product lines. Their scale of operation also militates against the limited capacity of many community producers to produce large volumes. In addition, there are questions over the willingness of consumers to pay substantial price premiums (e.g. the unit mark up on a piece of fair trade furniture is a substantial cost in comparison with say the unit mark up on a cup of fair trade coffee).

To make progress at the international level, it seems advisable to identify one or two willing retailers with relatively direct existing market links to certified community producers (see Figure 2). As noted above, the complexity of timber processing introduces a particular problem for fair trade. Different stages of processing may occur either within a country or internationally. In order to label a product as 'fair trade' it would be necessary to ensure that all elements of the market chain adhered to fair trade rules. This would include not only any community forest enterprises (involved in timber harvesting), but also any subsequent processing enterprise owned by those communities or by larger firms with workers or contractors as constituent elements. Progress by FLO on generic processor and trader standards is therefore a prerequisite for fair trade timber in more complicated market chains.

Piloting fair trade co-operation along one relatively simple market chain could lead to endorsement of that initiative in association with a well-known FTO brand (e.g. Traidcraft). Developing fair price mechanisms, auditing arrangements, license allocation, producer support mechanisms and solving technical issues could then be done on a pilot basis – paving the way for a broader rollout of any new scheme. There is evidently a need to identify potential willing retailers/market chain intermediaries to develop a pilot approach.



**Figure 2. Stages within the international timber market chain (N.B. many of these elements may be integrated either vertically or horizontally within single enterprises and brokers/transport may occur at many levels)**



Source: Adapted from Taylor, 2005.

Existing labelling schemes involve a number of component institutional parts (Table 10). Differences in the way these operate are fundamental to some of the challenges that would have to be addressed if these schemes were to work more closely together (Table 11).

**Table 10. Elements of major forest certification and fair trade labelling schemes**

Body	Action	Example of governance	Example of result
Standard-setting body	Standard-setting	FLO within ISEAL according to ISO procedures.	Product-specific fair trade label.
		IFAT according to ISO procedures.	Fair trade organisation standard.
		National working groups, guided by FSC, PEFC, SFI principles established under ISO procedures. FSC is also within ISEAL.	Forest management standard.
		National working groups, guided by FSC, PEFC, SFI principles established under ISO procedures. FSC is also within ISEAL.	Chain of custody standard.
Accreditation body	Accreditation evaluation	N.B. Neither FLO nor IFAT accredit other agencies.	FLO and IFAT retain control of certification.
		FSC, PEFC, SFI etc.	Registration of certification bodies.
Certification body	Audit of fair trade product	FLO	Fair Trade Certificate
	Audit of fair trade organisation	IFAT	Fair Trade Organisation Certificate.
	Audit of forest management	Scientific Certification Systems (SCS); SGS Forestry Qualifor Programme; Rainforest Alliance Smartwood Programme; Soil Association etc. to FSC principles.	Forest Management Certificate.
	Audit of chain of custody.	Scientific Certification Systems (SCS); SGS Forestry Qualifor Programme; Rainforest Alliance Smartwood Programme; Soil Association etc to FSC principles.	Chain of Custody Certificate.
Labelling body	Licensing use of logo or label.	FLO or IFAT and certification bodies governed by forest certification accreditation bodies.	Fair trade product or forest certification label used on product (e.g. FSC, PEFC, SFI) or fair trade organisation label for enterprise.

Source: adapted from Nussbaum and Simula, 2005.

There are many areas of convergence between fair trade and forest certification schemes. These include:

- Shared original concerns over the social benefits of the forest product trade and the sustainability that underpins those benefits.
- Shared concerns over legal compliance within the forest products trade.
- Shared concerns over indigenous people's rights – even though specific intellectual provisions are not explicitly protected in some schemes.

Nevertheless, differences in the specific focus of existing fair trade schemes and forest certification schemes and the way they operate provides a challenge for any new initiative to distinguish community forest products in the market place and ensure fairer trade. Some of the main issues are listed below in Table 11 – elaborating from the option in Table 8:

**Table 11 a. Challenges to increasing the overlap between fair trade and forest certification schemes in search of sustainable and fair trade timber**

Issues	Forest certification schemes	Fair trade schemes
Contents of the standard	Already deal primarily with timber – and to a lesser extent with non-timber forest products (NTFPs).	Deal primarily with agricultural products – some of which have their origins in the forest as NTFPs – would need to broaden scope to include timber.
	Emphasise sustainable forest management and (in FSC's case) high conservation value forest – with clear principles and criteria against which compliance can be measured. Further simplification might be necessary to increase access to community producers.	Existing environmental concerns of IFAT include mention of sustainable management, and FLO has developed new environmental standards. But both schemes would need to develop criteria governing sustainable forest management in order to guarantee long-term sustainability.
	Pay great attention to management plans as a result of the above – but would need to develop thinking on benefit distribution.	Pay much more attention to development plans that describe how to distribute the premium from fair trade prices – but would need greater attention to sustainability.
	Certification bodies such as FSC give specific attention to secure tenure and land use rights but would need greater attention to distinguishing between different types of enterprise structure.	In IFAT the emphasis is on economically disadvantaged producers and transparency of dealings, and FLO standards ask for democratic structures and transparent administration – both would need greater clarity on tenure and use rights for long-term sustainability.

Table 11 a., continued

Issues	Forest certification schemes	Fair trade schemes
Contents of the standard	No commitment to capacity building or producer support – this needs greater attention.	Fair trade schemes include explicit attention to capacity building amongst producer groups.
	Some forest certification schemes do have modified systems for groups of small producers (e.g. the SLIMF programme) but do not limit certification to these, nor distinguish in terms of geographic origin, nor allow community products to be distinguished through the FSC label. Making such a distinction would be priority.	Fair trade schemes distinguish between large enterprises and small, democratically-run producer groups in the South and only deal with the latter. In addition, FLO distinguishes between small producers and hired labour in plantations and factories.
	No guarantee of a price premium for community producers – even to offset proportionately higher certification costs. Attempts to do this (e.g. SLIMF) need further attention.	Fair trade schemes require the calculation and application of a price premium. In some cases this may have to be paid in advance, and traders may have to guarantee long-term trading arrangements
Accreditation and trading arrangements	Forest certification schemes accredit third party certifiers – but further attention needs to be given to monitor the performance of these.	Do not currently outsource certification, increasing the logistical challenge for FLO and IFAT and leading to some criticism (Jacquiau, 2006). This needs attention.
	Some companies do pledge to sell only certified forest products, but specialist traders are still far from numerous for products originating through forest certification – these need more support.	Fair trade has been driven in part by fair trade organisations that exclusively trade in a particular way – often directly linked to producer groups.
	With complex market chains, chain of custody certification is advanced for forest certification.	Generic standards for processors and traders are being developed but further work is needed on chain of custody certification.
	The majority of trade in certified forest products involves North-north transactions. Distinguishing desirable south-north trade is a priority.	Certifiers deal only with south-north transactions in fair trade. This may need to be revisited given the scale of domestic timber markets.

**Table 11 b. Challenges to increasing the overlap between fair trade and forest certification schemes in search of sustainable and fair trade timber**

Issues	Forest certification	Fair trade
Certification (audits) / producer support	Rely heavily on field inspection of forest operations with detailed attention to sustainable forest management – but with less attention to enterprise ownership and none to price premiums.	Fair trade schemes rely on ISO 65 which does involve inspection with a strong focus on pricing, but without the detailed attention to sustainable forest management. There is some concern that the inspections of FLO and IFAT may not be rigorous enough to satisfy environmental groups and this requires further attention.
	No official line on capacity building, although many NGOs (including international NGOs such as WWF) in developing countries have acted informally to help communities achieve certification. Whether the onus on capacity can be shifted from 'producer pays' to 'buyer pays' for particular community products is a fundamental issue.	Fair trade schemes are built around fair trade organisations that are committed to capacity building amongst democratically run community enterprises.
Labelling and technical issues	There are some examples of joint certification. Forest certification (occasionally with fair trade schemes) have previously co-operated with organic certifiers to joint certify e.g. Chicle (Manilkara zapota) from Mexico. There are some obvious NTFP products where further joint certification is possible (e.g. Brazil nuts).	IFAT have certified an FSC-certified company FORCERT in Papua New Guinea without recourse to a product-specific fair trade label for timber.
	There is some resistance from both forest certification and fair trade schemes (various personal communications) to the idea of joint labelling due to concern over confusing consumers – or perceived downgrading of single label products (e.g. mainstream certified timber).	
	There are substantial capacity deficits amongst most existing community forest enterprises in terms of sustainable forest management that would require attention in any joint scheme. These capacity deficits underline current slow uptake of forest certification by communities.	There are even greater capacity deficits for communities wishing to manage forest sustainably in fair trade schemes owing to the lack of criteria and guidance against which sustainable forest management could be built.
	The most promising opportunities may lie where a shared understanding of certification is held – between forest certification schemes and fair trade schemes that belong to the ISEAL alliance (e.g. FSC and FLO).	

What is encouraging from an outsider's perspective is the degree to which these challenges are recognised by the proponents of the major schemes (see Annex 2). Indeed, there are many initiatives to address some of these challenges from both sides. The idea of piloting fair trade timber for a particular product and market chain – with a willing producer and buyer – therefore has great potential. Creating a precedent for better practice will make it easier to adjust the processes and practice of existing schemes to accommodate systems that can actually be shown to work on the ground.

## 5.4 Implications for fair trade timber

The preceding paragraphs highlight the need for much greater specificity in defining what types of timber product and entry points might be appropriate to develop fair trade timber. They also highlight the need for demand studies and potential pilot initiatives that would be required to resolve many of the issues listed above. There are a number of important implications for any expansion of fair trade timber:

- *Some timber product lines are better placed for fair trade than others.* For example, some are more easily produced through community forest production. Logs, sawn wood, furniture and parts, and shaped wood all have some potential that needs to be explored further through demand studies with buyers.
- *The prevalence of domestic consumption of community products is an important basic fact.* It may be that national-level price premiums for community forest products offer greater potential to enhance livelihoods than either forest certification or fair trade schemes. The potential for fair trade domestically (not just south-north, but south-south and north-north) needs greater consideration.
- *Complementary international efforts are important.* The prevalence of domestic consumption of community forest products should not dissuade international labelling schemes from efforts to improve their track record on delivering fairer trade for communities in the forest sector.
- *The cost implications of 'two different certification systems – two audits'* mean that joint audits, or the development of fair trade elements within forest certification, are highly desirable. However, the development of fair trade elements within, for example, one forest certification scheme might confuse consumers – especially those for whom the standard IFAT and FLO fair trade brands are well known.
- *There is a need to pilot mechanisms with willing partners.* Several examples need to be found of 'low hanging fruit' where retailers have fairly direct links to community producers and are willing to experiment with price premiums for particular product lines.

- *There are areas of concern on both sides that need to be addressed.* For example, fair trade schemes need to give greater consideration to independent third party audits, where the sustainability of forest operations is adequately covered. Forest certification schemes need to give adequate attention to mechanisms for producer support, how to distinguish community forest products in the market, and how to ensure price premiums for the same.
- There may be a role for ISEAL in pursuing joint initiatives. The shared concerns of members of the ISEAL alliance (e.g. FSC and FLO) may offer opportunities for making progress.

### 5.5 Options for an alliance and process to make further progress

We have already noted the growing concern that existing labelling initiatives are failing to enhance local returns from trade in timber except in very rare instances (Bass et al., 2001; Molnar, 2003; Nussbaum and Simula, 2004; Cashore et al., 2006). In response to this, some labelling schemes have been pursuing active measures to improve their track record.

From the perspective of forest certification, the FSC approved at the 4<sup>th</sup> General Assemble in 2005 in Manaus, Brazil, a raft of motions aimed at these issues:

- *Policy – 33:* Motion to establish a Working Group to discuss and propose a set of simplified certification procedures for small chain of custody (COC) operations.
- *Policy – 39:* Motion to diminish the costs of the use of the FSC logo for Small and/or Low Intensity Managed Forest (SLIMF) operations and chain of custody (COC) operations.
- *Policy – 54:* Motion to support local communities, and small tropical forest owners and small forest companies in achieving forest certification.
- *Policy – 62:* Motion to evaluate the results of the SLIMF initiative.
- *Policy – 65:* Motion to encourage collaboration with other organisations on fair trade labelling.

There have been no other moves in this direction by other certification schemes of which we are aware.

From the perspective of the fair trade movement, positive statements about the possibilities for further enhancing the local returns from trade in timber have been made by both FLO and IFAT.

## **5.6 Important next steps**

The preceding paragraphs demonstrate the extent of interest in improving the returns to local communities from responsible timber production. Some important next steps are required in order to address some of the implications from preceding chapters:

- More information is needed about the demand from buyers (both nationally and internationally) for specific lines of community timber and NTFP products; how they might market them with a price premium; and what constraints they face in doing so.
- More discussion is needed between the architects of existing labelling schemes about the potential to adapt existing standards, accreditation, audits, and producers' support mechanisms towards fairer trade in timber.
- Pilot market chains need to be identified – both nationally and internationally – where progress might be made between willing buyers and organised producer groups.
- Regular networking is required between interested parties to share stories of success and failure, build on positive initiatives, and avoid duplication of effort.

Fair trade in timber is a challenge. But with the increasing extent of community ownership and management it is a challenge that requires attention. Leaving forest communities in the existing poverty trap caused by inadequate capacity, investment, and market awareness is unconscionable.

The key to making progress will be to 'get specific' and examine real commercial options. We need to move away from generalities – both positive sentiments that fair trade in timber would be a good thing, and negative sentiments that all community timber production is incompatible with profitable trade.

We need to find out more precisely who wants what, who is prepared to pay for it under what conditions, and who might supply what and how their capacity might be enhanced to make that possible. We need willing champions to pilot different alternatives that suit different circumstances. There is huge opportunity in fair trade timber, both for poor community producers whose livelihoods depend on it, and for the buyers and certifiers whose reputations might flourish as a result of selling it.

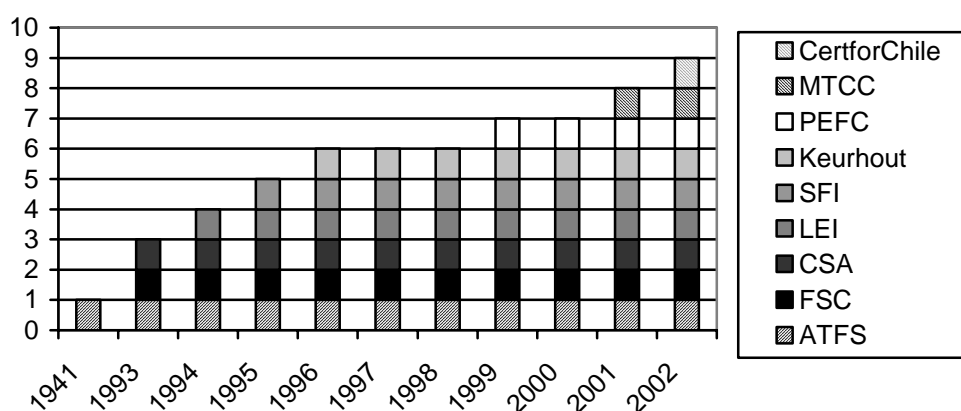


## Annex 1. Brief overview of certification, eco-labelling, and social audit standards

### 1. Forest certification

Forest certification is a recent phenomenon. Although the American Tree Farm Systems (ATFS) dates to 1941, most other schemes have only begun since 1993 (Figure 1).

**Appendix Figure 1. The proliferation of major forest certification schemes**



Key: CertforChile = Chile National Scheme; MTCC = Malaysian Timber Certification Council; PEFC = Programme for the Endorsement of Forest Certification (PEFC); Keurhout – Dutch National Scheme; SFI = Sustainable Forestry Initiative; LEI = Lembaga Ekolabel Indonesia; CSA = Canadian Standards Association; FSC = Forest Stewardship Council; ATFS = American Tree Farm System.

Certification and eco-labelling schemes are usually made up of four elements (Nussbaum et al., 2002):

1. Standards – these are the documents which set out the requirements against which certification assessments are made.
2. Certification – the process of establishing whether those standards are met.
3. Accreditation – the mechanism for ensuring that the organisations which undertake the certification are competent and credible.
4. Labelling/tracing – this is a set of rules that govern how a product may be tracked through different processing activities and how it may be labelled.

A small sample of the labels available is given in Appendix Figure 2.

**Appendix Figure 2. Examples of some prominent forest certification labels**



Key from left to right, top to bottom: Forest Stewardship Council (The FSC Trademark © 1996 Forest Stewardship Council AC); Programme for the Endorsement of Forest Certification; Sustainable Forestry Initiative; Canadian Standards Association; Malaysian Timber Certification Council; Lembaga Ekolabel Indonesia; CertforChile, Chile National Scheme; Keurhout Dutch National Scheme.

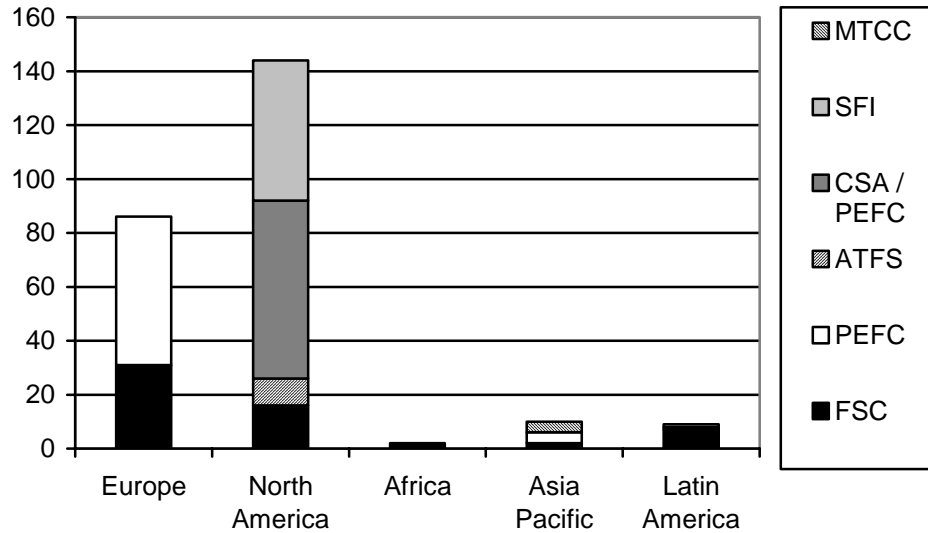
These different schemes receive different prominence in different areas (see Appendix Figure 3). Most have their own set of principles, criteria, and indicators. For example, the FSC's ten major principles cover the following areas (FSC, 2005):

- Compliance with laws and FSC procedures.
- Tenure and use rights and responsibilities.
- Indigenous people's rights.
- Community relations and workers rights.
- Benefits from the forest.
- Environmental impacts.
- Management plan.
- Monitoring and assessment.
- Maintenance of high conservation-value forest.
- Plantations.

Only two are truly international (FSC and PEFC) although PEFC operates by endorsing national schemes and so the area it covers is invisible in Appendix Figure 3. SFI operates in both the USA and Canada (Nussbaum and Simula, 2005). Some schemes emphasise particular performance thresholds (FSC and many national schemes based around FSC principles and criteria). Others emphasise process towards performance standards (PEFC). FSC has the most rigorous performance thresholds and the broadest endorsement as a non-profit,

non-government membership organisation. PEFC was set up by forest interest groups, and some other schemes have been set up by the industry players themselves (e.g. the Sustainable Forestry Initiative – SFI in North America or the Malaysian Timber Certification Council – MTCC in South East Asia).

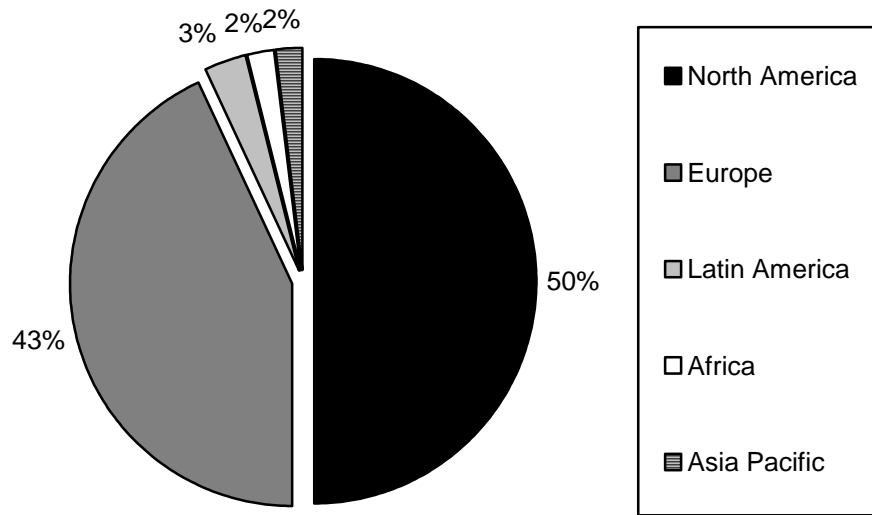
**Appendix Figure 3. Forest areas covered by different certification schemes in millions of hectares (Source: Cashore et al, 2006)**



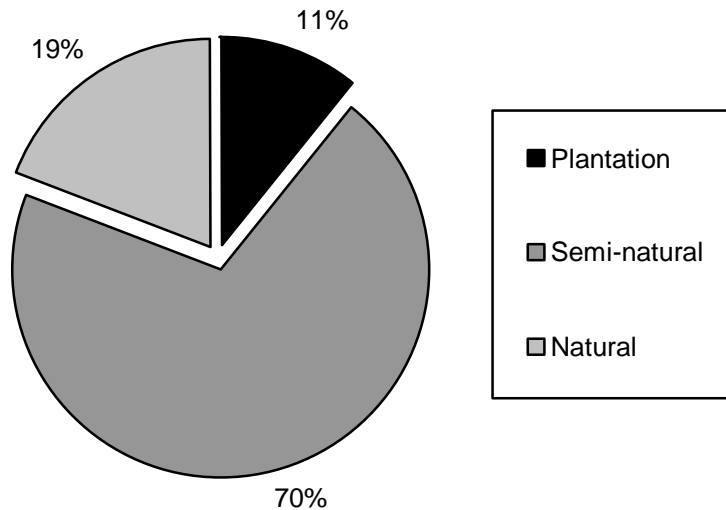
Key: MTCC = Malaysian Timber Certification Council, PEFC = Programme for the Endorsement of Forest Certification (PEFC); Keurhout – Dutch National Scheme; SFI = Sustainable Forestry Initiative; LEI = Lembaga Ekolabel Indonesia; CSA = Canadian Standards Association; FSC = Forest Stewardship Council; ATFS = American Tree Farm System.

Recent estimates of the total area of forest certified by third parties show a gradual annual increase (Atyi and Simula, 2002). But there is a strong bias towards North America and Europe, and towards plantation/semi-natural conifer forests (Appendix Figures 4 and 5). In 2004, only 7% of the total area of certified forests was tropical forests and only 19% was natural forests.

**Appendix Figure 4. Certified forests by region from a total of 183 million hectares, which itself represents just 3.5% of the global forest area (Source Nussbaum and Simula, 2004)**

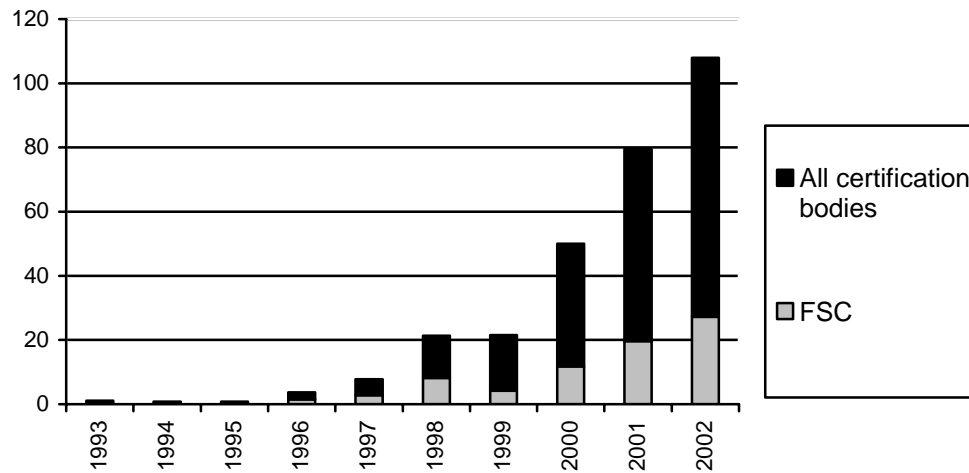


**Appendix Figure 5. The balance of certification by forest type (Source Nussbaum and Simula, 2004)**



There is an undoubted trend towards increasing certification (Appendix Figure 6). It is likely that this increase will continue – especially with large companies in good governance contexts where the gap between current practice and certification is small.

**Appendix Figure 6. Trend in forest certification by area in million hectares**  
(Source: Reid et al., 2003)



The increase in certified area under a proliferation of schemes has led to confusion and a loss of focus on certification towards issues such as harmonisation (Ozinga, 2004a). This is likely to lead to an increasing reliance on well-known brands such as FSC (and, to a lesser, extent PEFC).

## 2 Eco-labels

Established in 1947, the International Organisation for Standardisation (ISO) has provided the benchmark for harmonised standards for quality management and, more recently, environmental management. Two sets of standards are particularly relevant to the forest sector, the ISO 9000 and ISO 14000 series. Both are standards for improvement in management processes – they are therefore not necessarily performance standards *per se*. These two series are among ISO's most widely-known standards, implemented by some 760,900 organisations in 154 countries (ISO, 2006).

The ISO 9000 family is primarily concerned with 'quality management'. It is a system that seeks to improve processes towards fulfilling:

- The customer's quality requirements, and
- Applicable regulatory requirements, while aiming to
- Enhance customer satisfaction, and
- Achieve continual improvement of its performance in pursuit of these objectives.

The ISO 14000 family is primarily concerned with 'environmental management'. This means it is related to what the organisation does to:

- Minimise harmful effects on the environment caused by its activities, and to
- Achieve continual improvement of its environmental performance.

The ISO 14000 family provides specific guidance on the generic management system standards about which other eco-labels are based. Key ISO documents include in particular:

- *ISO 14020: Environmental Labels and Declarations – General Principles (1998).*
- *ISO 14021: Environmental Labels and Declarations – Self-Declaration Environmental Claims (1999).*
- *ISO 14024: Environmental Labels and Declarations – Environmental Labelling Type I – Guiding Principles and Procedures (1999).*
- *ISO/TR 14025: Environmental Labels and Declarations – Environmental Labelling Type III – Guiding Principles and Procedures (2000).*

The ISO 9000 and ISO 14000 series are now widespread across the globe.

Beyond the ISO system, there has been substantial growth in the number of eco-labels, parallel to the growth in forest certification. These exist both within and outside Europe (for example the US Green Seal, Brazil's ABNT – Qualidade Ambiental, Japan's Ecomark etc. Hanks et al., 2002). These labels, like the ISO series, are voluntary in nature, but in particular product sectors (especially paper products) are likely to improve access to particular countries where the labels operate.

The oldest European scheme is that of the German Blue Angel, established in 1977 by the German Minister of the Environment. The 1980s and 1990s saw a proliferation of such schemes. In 1989 the Nordic Council of Ministers introduced the Nordic Swann. This was followed in 1990 by the Austrian Umweltzeichen and in 1991 by the French NF Environment Label. A total of sixteen European countries now use eco-label schemes (FERN, 2003) – see Appendix Figure 7. Perhaps most significantly, the EU eco-label 'the EU flower' came into existence in 1992. Although introduced relatively late, two factors increase its influence: the establishment of an EU eco-labelling board to push standard development, and its regional pretensions (accepted in the 15 EU member states and Norway, Iceland and Liechtenstein). National schemes and the EU eco-label have seen rapid growth. For example, the Blue Angel awarded its logo to over 3,500 products in 2006. Despite a slow start, the EU eco-label has shown substantial growth, doubling the number of companies involved in its first year. With growing harmonisation in Europe, the EU eco-label is intended to become the environmental reference with regard to consumers (EU, 2006).

**Appendix Figure 7. Examples of some prominent European eco-labels**



Key from left to right: EU eco-label, German Blue Angel, Nordic Swann, Austrian Umweltzeichen, French NF Environment Label, Dutch Milieukeur, the Spanish Aenor Meio Ambiente label.

In contrast to certification, eco-labels follow a product from production to disposal – and normally demand a spectrum of precise tests. At present, eco-labels are restricted primarily to pulp and paper products in the forest sector (although the German Blue Angel also deals with panels and plywood). In part this may be due to early battles over eco-labelling of timber. In 1992, Austria tabled a law that required mandatory eco-labelling of all tropical timber products imported into the country with a 70% import tariff – ostensibly to reduce deforestation in the south. Malaysia and other tropical timber exporters filed a complaint with GATT arguing that the law was discriminatory, protectionist, and a hidden barrier to trade. (Dawkins, 1996). Since that time timber labelling has been almost exclusively the preserve of forest certification.

There are two major reasons why eco-labels present a potential problem for marginalised groups. First, most of the schemes listed above (with the exception of the EU eco-label) are driven by national public bodies – for example the German Blue Angel was set up by the German Ministry of the Environment. This makes such labels sensitive to national concerns, and particularly to the competitive interests of large business. Second, the labels are usually based on national or regional testing procedures and quality standards. Marginalised groups, particularly in the south, may find it too costly to match distinct testing procedures required by these eco-labels. For example, tested factors for paper under the EU eco-label include standardised EU tests for gaseous emissions, energy use, percentages originating from certified sustainable forest management, hazardous chemical use, fitness for use, and labelling.

### **3. Social audit standards**

Among the most widely known social audit standards are SA 8000 and AA 1000 (see Appendix Figure 8). Many companies that operate and source globally are now using such social standards to ensure that their workers, and the workers employed by suppliers, are not subject to unethical treatment or conditions.

**Appendix Figure 8. Examples of the two main social auditing standard logos**



Key: Social Accountability International SA 8000; AA 1000.

SA 8000 has been developed by Social Accountability International because many consumers and organisations simply do not want to buy from companies that exploit workers or that allow their suppliers to exploit workers. By implementing a social system, or by requiring suppliers to do so, companies can protect themselves from the serious risk of damage to their reputations resulting from negative media exposure concerning the perceived abuse of workers and communities.

SA8000 is based on international workplace norms in the International Labour Organization's (ILO) conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child (SAI, 2006):

- *Child labour*: no workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working.
- *Forced labour*: no forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers with employers or outside recruiters.
- *Health and safety*: provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water.
- *Freedom of association and right to collective bargaining*: respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining.
- *Discrimination*: no discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment.
- *Discipline*: no corporal punishment, mental or physical coercion, or verbal abuse.



- *Working hours*: comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven-day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement.
- *Compensation*: wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic needs of workers and their families; no disciplinary deductions.
- *Management systems*: facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

Launched in 1999 by Accountability, the AA1000 framework is designed to improve accountability and performance by learning through stakeholder engagement. It was developed to address the need for organisations to integrate their stakeholder engagement processes into daily activities. It has been used worldwide by leading businesses, NGOs, and public bodies.

The AA 1000 framework helps users to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in overall organisational performance. The principle underpinning AA1000 is inclusivity. The building blocks of the process framework are planning, accounting and auditing, and reporting. It does not prescribe what should be reported on but rather the 'how'.

Bodies such as the International Registers of Certified Auditors (IRCA) support the third party certification of SA 8000 social systems and other supplier approval programmes (based on in-house codes of conduct and other similar standards) through the certification of the different categories of auditors.

Similar to the ISO series, these standards have widespread international use and can be valuable in improving the degree to which employees are treated fairly in the forest sector. FSC is also currently looking to build in social auditing to its chain of custody certification (either using SA 8000 or a comparable standard). Other certification bodies may follow suit.

## **Annex 2. Institutional briefing papers on fair trade timber**

Inputs for discussion at an international meeting 'Enhancing local returns from trade in forest products', Royal Botanic Gardens, Kew, 27<sup>th</sup> September 2006

### **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 labelling schemes or outside them. To do this, IIED invited participants and interested parties to prepare, and share, short briefing papers on these issues (2 pages maximum). This provided an opportunity to state institutional or personal support for, 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 labelling 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:

## 1. 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<sup>6</sup> 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 labelling) 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 labelling 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, and 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 straightforward, 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.

---

<sup>6</sup> Fair Trade Labelling Organisation.

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

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

## **2. 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 principles.

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, independent of whether 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 that respect 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 products. 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 organisation and trading organisations as fair trade organisations, in this case the organisation has to comply with the international standards for FTOs set by IFAT. An organisation 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 fair trade labelling by FLO (in UK represented by the Fair Trade Foundation). To make this possible, FLO needs to develop specific criteria for community fair trade products.

For products which are sold mainly in the mainstream market (not in the traditional FT market like World Shops etc.) the fair trade label scheme may be more suitable as this system allows producers to so label the product, while the IFAT scheme at the moment does not allow them to use the FTO mark on the products themselves.

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 these options there are advantages and disadvantages.

- a) Two schemes/two audits has the advantage of working with existing schemes which have proved that they work, where there is a lot of experience behind them, 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 bureaucracy in co-ordinating 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 analyse possibilities to combine audits for fair trade 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 solutions to be discussed should be the first and 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.

### 3. 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<sup>7</sup>. 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 labelling 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 labelling.

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.

---

<sup>7</sup> The Forest Stewardship Council.

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.



#### **4. 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 in on 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.

## **5. 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 and Investment Group, Renewable Natural Resources and 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 labelling 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 is 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 of the prospects of SMFEs to thrive in the market place, would make a good starting point for further inquiries.

**6. 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 in 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 NTFP-based community forest enterprises. They should also benefit from this new label.

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?*

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 emphatically clear that we need to put in place a transparent, easily 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 labelling scheme. Small-scale forest entrepreneurs need to see the immediate advantages of labelling. After that, there could be constraints in quality of products, access to transparent information, access to finance, quantities to produce, management, etc.

Question should be asked concerning which issues this new labelling scheme wants to address. 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.

## 7. 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<sup>8</sup>, Brazil. This briefing note represents the result of a set of discussions with IMAFLORA's staff who are 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 (sometimes using the community status of the forest product as a marketing strategy).
- Abrupt changes in the demand for certified forest products (mainly for NTFPs) are causing huge negative impacts in the communities' organisation and commitment to 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 NTFPs. Communities depend on the – variable and unpredictable – demand of these few companies.
- Small communities cannot compete in the normal market with big companies due to quality, volumes, and production costs disadvantages as well as logistic and infrastructure factors.
- From a producers' perspective, the FSC principles and criteria 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;

---

<sup>8</sup> Institute for Agricultural and Forestry Management and Certification.

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?*

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 livelihoods, and the ongoing benefits that result from the certification. There are two approved motions (Policy 62 and 65) that mandate FSC to carry out studies to review the strategy used for small enterprises (named SLIMFs in the FSC structure) and to encourage the FSC collaboration with FLO and/or other organisations in order to recognise 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.

On the other hand, I believe that the biotrade initiative (UNCTAD) should also be reviewed in this process. They have developed principles for both the production and marketing of goods that derive from native biodiversity, in order to comply with the objectives of the Convention on Biological Diversity (including benefit-sharing).

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 recognised by the existing schemes – which 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).



## 8. 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 labelling 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 organisations to discuss what other features of a fair trade forest products system might be desirable in addition to parts of the FSC's requirements.

## 9. 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 million hectares of forest. Today these communities are the best stewards of our forests. Without their day-to-day efforts, those forests would have 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 change land use because of the profit ("rentabilidad") from other uses. The present certification schemes are nowhere near helpful enough towards communities with small forest areas and small forest production.

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 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 the short- and medium-term?
- Whether and how FSC and other certification and accreditation organisations 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.

## 10. Briefing paper from Robert Donnelly, Traidcraft Exchange

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 cannot 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?

1. 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?
2. What is being certified – the product or the community organisation that owns/manages the forest?
3. What markets are being targeted – mainstream or fair trade?

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

1. 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.
2. 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?

3. 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?
4. 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:

1. 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?
2. 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?
3. 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?
4. 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?

## 11. 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) and Wesley Watt (Extension Forester) of FORCERT<sup>9</sup>. 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:

1. To be able to distinguish between FSC-certified products from small-scale (community) enterprises and similar FSC-certified products coming from large companies.
2. 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:

---

<sup>9</sup> Forest Management and Product Certification Support.



- a. Community Based Fair Trade (CBFT) 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. 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, so we have not looked at the option of becoming fair trade certified with them.

It may sound as a bit of a 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:

1. It avoids creation of a confusing and costly additional FSC+ category, plus standards and a logo.
2. Use of existing schemes possible; simplest and cheapest for development of this possibility.
3. 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 would 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.

**12. Briefing paper from Gus Hellier, Soil Association Woodmark, and Nick Pyatt, FRR Ltd**

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 fair trade 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 fair trade requirements. There is also likely to be some degree of overlap in the markets for fair trade 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 scheme 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 fair trade).

Such a complementary 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 fair trade 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 into 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 fair trade certification and auditing procedures. Fair trade 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 fair trade timber products, and supply survey to determine a) potential supply characteristics (e.g. product, species, quality and volume); and b) to inform the fair trade standard-setting process. Depending on results of surveys, pilot phase to develop and test standards and act as demonstration of potential market advantages of such an approach.

### 13. 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<sup>10</sup>. 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 area 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 labelling schemes such as fair trade or forest certification to be adapted to make this possible?*

The 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 their criteria are met (see recent controversies with coffee) but they may be better suited for local communities as they have been better 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 of 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 the international market is the market to go for – for local communities – needs to be contested. Local markets may be a much better option.

---

<sup>10</sup> Forests and the European Union Resource Network.

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 the international market is the one 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 group of people, from well-managed forests or plantations. This is something that FSC needs to address first and the analysis is that it needs to rein 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.

#### **14. 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 for the forest communities who are the tree resource owners to be ignored in the production chain, and as well for little consideration to be given towards the sustainable management of the raw material. 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 complement one another and for that reason they should both run concurrently, but a procedure must 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 for 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 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.



## Bibliography

Arrow, K., Dasgupta, P., Goulder, P.L., Daily, G., Ehrlich, P., Heal, G., Levin, S., Maler, K-L., Schneider, S., Starrett, D. and Walker, B. (2003) *Are we consuming too much?* Stanford University, Stanford, USA.

Bass, S., Thornber, K., Markopolous, M., Roberts, S. and Grieg-Gran, M. (2001) *Certification's impacts on forest stakeholders and supply chains*. IIED, London, UK.

Bieland P. (2006) *Le fair trade sera-t-il victime de son success?* Alter Business News No.100, Agence Alter, Coppens, Belgium.

Blowfield, M., Burchell, R., Collinson, C., Maynard, B., Nelson, V. and Thronback, J. (2001) *Ethical trade, people and forests – A manual*. Draft report. Natural Resources Institute, Chatham, UK.

Boetekees, G. (2006) *Distinguishing forest products from communities in the market – a concept note for research on a better market recognition for consumers and the corporate sector*. The Interchurch Organisation for Development Cooperation (ICCO), Utrecht, The Netherlands.

Bowen, B. (2001) *Let's go fair!*. Chapter 2 in *The Fair Trade Year Book*. European Fair Trade Association, Maastricht, Netherlands.

Cashore, B., Gale, F., Meidinger, E. and Newsom, D. (2006) *Confronting sustainability: Forest certification in developing and transitioning countries*. Yale School of Forestry and Environmental Studies, New Haven, USA.

CI-IIED (2006) *From bean to cup: how consumer choice impacts upon coffee producers and the environment*. Consumers International and the International Institute for Environment and Development, London, UK. Available at: [http://www.consumersinternational.org/Shared\\_ASP\\_Files/UploadedFiles/FDB0EF2D-14FE-4558-B219-A7FD81E089FB\\_Clcoffeereport.pdf](http://www.consumersinternational.org/Shared_ASP_Files/UploadedFiles/FDB0EF2D-14FE-4558-B219-A7FD81E089FB_Clcoffeereport.pdf) [Cited September 2006]

Dam, P. (2006) *FORCERT – forest management and product certification service, Papua New Guinea*. Paper presented at the international conference entitled 'Small and medium forest enterprise development for poverty reduction: opportunities and challenges in globalising markets' 23-25 May 2006, CATIE, Turrialba, Costa Rica.

Dawkins, K. (1996) *Eco-labelling: Consumer right or restrictive business practice?* Institute for Agriculture and Trade Policy. Global Environment and Trade Study Paper ~95-3.

Donnelly, R. (2006) *Is there potential for fair trade timber?* Presentation made at the international meeting 'Enhancing local returns from trade in forest products' held at the Royal Botanic Gardens, Kew, 27 September 2006. Traidcraft, London, UK.

EFTA (2001) *Fair trade in Europe 2001 – facts and figures on the fair trade sector in 18 European countries*. European Fair Trade Association, Maastricht, Netherlands.

Elsen J. (2005) *Are we moving towards a variety of fair trade concepts?* Paper presented at the IFAT Conference in Quito, 2 May 2005. IFAT, Culemborg, Netherlands.

EU (2006) *An overview of the EU Eco-labelling scheme*. Available at: [http://europa.eu.int/comm/environment/ecolabel/whats\\_eco/ov\\_concept\\_en.htm](http://europa.eu.int/comm/environment/ecolabel/whats_eco/ov_concept_en.htm) [Cited January 2006]

Fair trade Foundation (2002) *Bananas. Behind the price tag*. Available at: [http://www.fairtrade.org.uk/downloads/pdf/bananas\\_behind\\_the\\_price\\_tag.pdf](http://www.fairtrade.org.uk/downloads/pdf/bananas_behind_the_price_tag.pdf) [Cited July 2006]

Fair Trade Foundation (2003) *Highlights 2003*. Fair Trade Foundation, London, UK. Available at: [http://www.fairtrade.org.uk/downloads/pdf/Fair\\_trade\\_highlights\\_2003.pdf#search=%22Fairtrade%20foundation%20highlights%202003%22](http://www.fairtrade.org.uk/downloads/pdf/Fair_trade_highlights_2003.pdf#search=%22Fair%20foundation%20highlights%202003%22) [Cited September 2006]

Fair Trade Foundation (2006) *Worldwide sales of fair trade products rise by a third. Fair trade sales in the UK reach £200m*. Press release, 29 June. Available at: [http://www.fairtrade.org.uk/documents/FLO\\_common\\_press\\_release\\_2006\\_Final\\_000.doc](http://www.fairtrade.org.uk/documents/FLO_common_press_release_2006_Final_000.doc) [Cited July 2006]

FAO (2003a) *Environmental and social standards, certification and labelling for cash crops*. Food and Agriculture Organization of the United Nations, Rome, Italy.

FAO (2003b) *Major constraints to trade in processed agricultural products confronting developing countries*. FAO Support to WTO negotiation, available at: <http://www.fao.org/docrep/005/y4852e/y4852e01.htm#TopOfPage>

FERN (2003) *Eco-labelling, forest certification and the WTO*. FERN, Moreton-in-Marsh, UK.

FLO (2001) *Fair Trade Year Book 2001*. Fair Trade Labelling Organisation, Bonn, Germany.

FLO (2006a) *Generic standards*. Fair Trade Labelling Organisation, Bonn, Germany. Available at: <http://www.fairtrade.net/sites/standards/set.html> [Cited June 2006]

FLO (2006b) *FLO News Bulletin 07*. Available at: [http://www.fairtrade.net/uploads/media/FLO\\_News\\_Bulletin\\_07-2006.pdf](http://www.fairtrade.net/uploads/media/FLO_News_Bulletin_07-2006.pdf) [Cited September 2006]

FSC (2005) *FSC principles and criteria for forest stewardship*. Forest Stewardship Council, Bonn, Germany. Available at: <<http://www.fsc-uk.info/download/principles.pdf> [Cited January 2006].

Global Exchange (2006) *Fair trade fashion takes off in Europe*. Available at: <http://www.globalexchange.org/campaigns/sweatshops/3919.html> [Cited July 2006]

Gonzales, A. (2006) *FSC / Fair Trade collaborative work - opportunities for SMEs in the South*. WWF International, Gland, Switzerland.

Gretzinger, S. (2006) *Private mechanisms for providing capital to responsible forest managers and manufacturers*. Paper presented at the international conference entitled 'Small and medium forest enterprise development for poverty reduction: opportunities and challenges in globalising markets' 23-25 May 2006, CATIE, Turrialba, Costa Rica.

Hanks, J., Naumann, E., Kothuis, B. and Hall, J. (2002) *Global review of eco-labels: Implications for South Africa*. Fund for Research into Industrial Development, Growth and Equity. Nedlac, Rosebank, South Africa.

Higman, S. and Nussbaum, R. (2002) *How standards constrain the certification of small forest enterprises*. Proforest, Oxford, UK. Available at: <<http://www.proforest.net/index3.htm>> [Cited June 2005].

IFAT (2005) *IFAT standards for fair trade organisations*. International Federation for Alternative Trade, Culemborg, The Netherlands. Available at: <http://www.ifat.org/downloads/monitoring/copandstds/stds4ftos.doc> [Cited May 2006].

ISO (2006) *ISO in brief – International standards for a sustainable world*. International Standards Organisation, Geneva, Switzerland. Available at: [http://www.iso.org/iso/en/prods-services/otherpubs/pdf/iso\\_inbrief\\_2005-en.pdf](http://www.iso.org/iso/en/prods-services/otherpubs/pdf/iso_inbrief_2005-en.pdf) [Cited January 2006]

Jacquiau, C. (2006) *Les coulisses du commerce équitable (Behind the scenes of fair trade)*. Editions Mille et une Nuits, Paris, France.

Krier J.M. (2006) *Fair Trade in Europe 2005. Facts and Figures on Fair Trade in 25 countries*. Fair Trade Advocacy Office.

Kropotkin, P. (1902) *Mutual Aid – a factor of evolution*. Published in 1998 by Freedom Press, London, UK.

Leon, R.D. (2006) *Experiencia en el proceso de comercialización de productos maderables – FORESCOM, Peten, Guatemala*. Paper presented at the international conference entitled 'Small and medium forest enterprise development for poverty reduction: opportunities and challenges in globalising markets' 23-25 May 2006, CATIE, Turrialba, Costa Rica.

Littrell, M. A. and Dickson, M. A. (1999) *Social Responsibility in the Global Market. Fair Trade of Cultural Products*. Thousand Oaks, London or Sage, New Delhi, India.

Macqueen, D.J. (2006) *Governance towards responsible forest business – guidance on different types of forest business and the ethics to which they gravitate*. IIED, Edinburgh, UK. Available at: [http://www.iied.org/NR/forestry/documents/Responsible\\_forest\\_business\\_001.pdf](http://www.iied.org/NR/forestry/documents/Responsible_forest_business_001.pdf) [Cited August 2006].

Macqueen, D., Bose, S., Bukula, S., Kazoora, C., Ousman, S., Porro, N. and Weyerhaeuser, H. (2006) *Working together: forest-linked small and medium enterprise associations and collective action*. IIED Gatekeeper Series No. 125. IIED, London, UK.

Markopoulos, M. (1998) *The impacts of certification on community forest enterprises: Study of Lomerio community forest management project, Bolivia*. Oxford Forestry Institute, Oxford, UK.

Markopoulos, M. (1999) *The impacts of certification on campesino forestry groups in Northern Honduras*. Oxford Forestry Institute, Oxford, UK.

Markopoulos, M.D. (2003) *The role of certification in community based forest enterprise*. In Meidinger, E., Elliot, C. and Oesten, G. (eds.) *Social and political dimensions of forest certification*. Forstbuch, Remagen-Oberwinter, Germany.

Mayers, J. and Vermeulen, S. (2002) *Power from the trees: how good forest governance can help reduce poverty*. IIED Opinion Paper for the World Summit on Sustainable Development. IIED, London, UK.

Mayers, J. (2006) *Small and medium –sized forestry enterprises – Are they the best bet for reducing poverty and sustaining forests?* Tropical Forest Update 16 (2): 10-11.

Mayers, J. (2006) *Poverty reduction through commercial forestry: What evidence? What prospects?* The Forests Dialogue, New Haven, USA.

Mayers (forthcoming). *Forests and the Millennium Development Goals*. ETRN News 47. European Tropical Forest Research Network, Brussels, Belgium.

Molnar, A. (2003) *Forest certification and communities: looking forward to the next generation*. Forest Trends, Washington D.C., USA.

Nelson, V. (2001) *Ethical trade, people and forests – a manual*. Natural Resources Institute, Greenwich, UK.

Nussbaum, R., Jennings, S. and Garforth, M. (2002) *Assessing forest certification schemes: a practical guide*. Proforest, Oxford, UK.

Nussbaum, R. and Simula, M. (2004) *Forest certification – a review of impacts and assessment frameworks*. Tropical Forest Dialogue Research Paper, No.1. Yale University, USA.

Nussbaum, R. and Simula, M. (2005) *The forest certification handbook*. The Earthscan Forestry Library, Earthscan, London, UK.

Ozinga, S. (2004a) *Time to measure the impacts of certification on sustainable forest management*. Unasylva 55 (219): 33-38.

Ozinga, S. (2004b) *Footprints in the forest – current practice and future challenges in forest certification*. FERN, Moreton-in-Marsh, UK.

Ramirez, F. (2006) *Experiencia en manejo florestal comunitario y desarrollo empresarial en comunidades indigenas de la RAAN, Nicaragua*. Paper presented at the international conference entitled 'Small and medium forest enterprise development for poverty reduction: opportunities and challenges in globalising markets' 23-25 May 2006, CATIE, Turrialba, Costa Rica.

Redfern, A. and Snedker P. (2002) *Creating market opportunities for small enterprises: experiences of the fair trade movement*. SEED working paper No. 30. International Labour Office, Geneva, Switzerland.

Reid, H., Huq, S., MacGregor, J., Macqueen, D., Mayers, J., Murray, L., Tipper, R., and Inkinen, A. (2004) *Using wood products to mitigate climate change*. IIED, London, UK. 70pp Available at:  
[http://www.iied.org/docs/climate/wood\\_climatechange.pdf](http://www.iied.org/docs/climate/wood_climatechange.pdf) [Cited June 2005]

Rivero, O. (2001) *The myth of development. The non-viable economies of the 21<sup>st</sup> century*. Zed Books, London, UK.

Roby, A. (2005) *The timber trade and poverty reduction: a fair deal for forest communities*. Presented at the 17<sup>th</sup> Commonwealth Forestry Conference, 28 February – 5 March, 2005, Colombo, Sri Lanka. Timber Trade Federation, London, UK.

SAI (2006) *Overview of SA 8000*. Available at: <http://www.sai-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473> [Cited January 2006].

Saigal, S. and Bose, S. (2003) *Small-scale forestry enterprises in India: overview and key issues*. Winrock International India (WII) and International Institute for Environment and Development (IIED), London, UK.

Scherr, S., White, A. and Kaimowitz, D. (2004) *A new agenda for forest conservation and poverty reduction – making markets work for low income producers*. Forest Trends, Washington D.C., USA.

Tallontire, A. (2001) *Challenges facing fair trade: which way now?* Paper presented at the DSA conference 2001, 'Different Poverties, Different Policies' 10-12 September 2002. Natural Resources and Ethical Trade Programme, Natural Resources Institute. Institute of Development Management and Policy, Manchester, UK.

Taylor, P.L. (2005) *A fair trade approach to community forest certification? A framework for discussion*. Journal of Rural Studies: 21: 433-447.

TransFair (2004) *Fair trade market achieves record growth in 2003*. TransFair USA press release from 03 March 2004. Available at:  
<http://www.csrwire.com/print.cgi?sfArticleId=2601>

Vallejo, N. and Hauselmann, P. (2006) *Issues and options for collaboration between FSC and fair trade schemes*. Internal scoping paper intended for internal WWF use only. Pi Environmental Consulting, Pully, Switzerland.

White, A. and Martin A. (2002) *Who owns the world's forests?* Forest Trends, Washington, USA.

Wijers, R. (2006) *Enterprise development with FSC wood products in national or international markets: The case of the Best Wood Company*. Paper presented at the international conference entitled 'Small and medium forest enterprise development for poverty reduction: opportunities and challenges in globalising markets' 23-25 May 2006, CATIE, Turrialba, Costa Rica.

Woodward, D. and Simms, A. (2006) *Growth isn't working – the unbalanced distribution of benefits and costs from economic growth*. New Economics Foundation, London, UK.

World Bank (2001) *A revised forest strategy for the World Bank Group*. World Bank, Washington, D.C., USA.

Wunder, S. (2001) *Poverty alleviation and tropical forests – what scope for synergies?* World Development 29: 1817-1834.

The great expansion in community ownership and management of forests presents a historic opportunity. Communities now own or manage one fourth of the forests in developing countries. Certification, eco-labelling and social auditing have all been set up to improve the forest sector. High hopes for forest livelihoods and poverty reduction have surrounded their use but each has had its limitations. It is now time to examine other complementary instruments. Fair trade may be one such instrument. An alliance of institutions interested in promoting fair trade timber is beginning to form. This report outlines some of the options for building on this momentum and enhancing local returns from responsible forestry.



## IIED Small and Medium Forest Enterprise Series No. 19

ISBN 1 84369 630 4  
978 1 84369 630 8

