Fourth international Forest Connect workshop

Organisation for locally controlled forest business – learning from success

Workshop report

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Hosted by: Vietnam Farmers’ Union (VNFU) in collaboration with The Center for People and Forests (RECOFTC - Vietnam)
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Introduction

Locally controlled forest enterprises and their associations offer particular advantages for poverty reduction. They accrue wealth locally, empower local entrepreneurship, strengthen social networks and engender local social and environmental accountability. The environmental, social and financial sustainability with which they operate is also fundamental for the success of Forest Law Enforcement Governance and Trade (FLEGT) action plans, strategies for Reducing Emissions from Deforestation and Forest Degradation (REDD+) and attempts to build green economies that deliver food, fuel and construction materials to those who need them most. But in least developed countries, structures that connect with and support those enterprises and their associations are weak. The result is all too frequently economic failure, social conflict and degradation of the forest resource on which locally controlled forest enterprises depend.

The Forest Connect alliance addresses this lack of connectedness, based on substantial evidence of demand from in-country partners. It helps to build social, economic and environmental sustainability amongst locally controlled forest enterprises by connecting them:

- to each other – with a focus on strengthening associations and alliances;
- to service providers – with a focus on building business capacity through facilitation of financial service and business development service provision;
- to buyers and investors – with a focus on enhancing market links and brokering fair deals; and
- to governance processes – with a focus on securing commercial forest rights and incentives through shaping policies and institutions that control the broader business environment.

Forest Connect was established in 2007 and is global in scope, involving partners whose mandates include support to locally controlled forest enterprises. It is co-managed by the International Institute for Environment and Development (IIED), the FAO-hosted Forest and Farm Facility (FFF) and the Centre for People and Forests (RECOFTC). It has provided funding for work to support locally controlled forest enterprises in 12-15 countries since its inception. It also connects, through a wider web-based network, more than 1,000+ interested individuals and institutions from 94 countries worldwide.

At the first international Forest Connect workshop in Edinburgh in 2-4 July 2008, supporters of locally controlled forest enterprises from around the world identified what types of guidance they needed to do their job better. A toolkit was prepared and then subjected to testing and enrichment, which formed the substance of the second Forest Connect workshop in Addis Ababa from 16-18 February 2010. The alliance then focused on how best to prioritise scarce support for locally controlled forestry at a third international Forest Connect workshop in Kathmandu, Nepal from 13-15 February 2013. A framework for ‘Investing in Locally Controlled Forestry’ was presented and endorsed. But an emerging priority from that third workshop was the need to compile a detailed compendium of successful locally controlled forestry business cases from which practitioners could learn (see Figure 1). Since its inception, members of the Forest Connect alliance have worked to support specific locally controlled forest businesses. Yet at the global level there have been few attempts to gather together case studies, document their ownership, business and development realities, and learn from their successful attempts.

The three co-management partners of the Forest Connect alliance therefore made an undertaking to improve knowledge about these successful cases, by compiling a compendium that could be used as a learning resource for practitioners world-wide. This fourth international Forest Connect workshop presented examples of how different countries were promoting locally controlled forest enterprises and then some of the case studies on successful locally controlled forest business models. During group work and a two day field trip to see two Vietnamese locally controlled forest business models, participants discussed shared enablers for success. They also discussed how such lessons might best be mainstreamed within ongoing efforts to support forest and farm producer organisations (for example, within FFF, RECOFTC and IIED programmes).
Figure 1. Iterative process of action learning of which this workshop forms part.
Day 1: The importance of organisation for successful locally controlled forestry business

1.1 Opening remarks and welcome

Vu Le Y Voan, Vietnam Farmers’ Union

The Vietnam Farmers’ Union (VNFU), conveyed warm greetings to all the international delegates attended the 4th International Forest Connect workshop* in Hanoi, the City for Peace and wished them good health, happiness and success!

In recent years, Vietnam has approved many policies to develop agriculture in rural areas, support farmers developing agro-forestry, and combine their activities with forest protection and development. The Vietnam Farmers’ Union has implemented many programs, project and activities to help its members to develop viable economic models of organization for agro-forestry production and business. This was done in order to help farmers increase their income, reduce poverty and develop agricultural and forestry production. Activities also aimed to increase forest cover, protect the environment and respond to climate change.

Hundreds of thousands of farmers who have been allocated forest land have developed organised forest production activities, collaborated to develop processing businesses for forest products, and greatly increase their incomes at the same time. Afforestation and the development of both timber and non-timber products to supply domestic market and exports is demonstrably effective in helping millions of farmers in the mountainous areas to escape poverty and improve their lives. The approach has created many jobs and contributed to rural socio-economic development.

In 2014, forestry production values reached 23.9 trillion Vietnamese dong. Forestry production grew at a rate of 7.09 % that year. The proportion of value contributed by forestry production value in the broader category of agriculture, forestry and fisheries production reached 3.9 %. Plantation-based logging has increased by more than 2 times, from 6 million cubic meters in 2009 to about 16 million cubic meters in 2014. Turnover of wood exports and other forest products reached US$ 6.3 billion, an increase of 14 % compared with 2013. Forest cover increased to 41.5 % in 2014.

Notwithstanding the strong positive results achieved, the economic development of locally controlled forest businesses face many difficulties. A number of policy mechanisms for commercial forest development and for forest protection are inconsistent, or overlap, or are difficult to implement. This hampers the facilitation of forest farmer groups to plant trees and develop forestry businesses. In addition, infrastructure in mountainous forested areas is difficult. Furthermore there is a lack of investment in the processing industry and business development and financial services activities. Farmers’ access to financial resources to develop forestry production is limited. At this point, therefore, economic returns from 1 ha of forest plantation are low – Vietnamese quality and competitiveness is not yet as high as some neighbouring countries.

The 4th International Forest Connect workshop held in Vietnam is a good opportunity for forest farmers and for the Vietnam Farmers’ Union to learn from and share experiences about successful locally controlled forestry business models with friends from more than 22 countries such as Guatemala, Kenya, Bolivia, Brazil, Canada, Finland, Philippines, Indonesia, Nepal, China, Laos ... and this is also an event to connect local forest producer organizations from different continents. The aim is to develop skills in both production and marketing, creating cohesion and better cooperation between organizations, partners, through sharing experiences and applying those lessons in the future.

Hopefully, over the next 4-day workshop participants will have time to discuss about different successful models, enhancing the promotion of sustainable forestry business efficiently from community levels to regional, national and international levels. I wish you all good health and happiness! And the workshop every success! Thank you!
1.2 Keynote on the importance of locally controlled forest enterprises in Vietnam

Mr Phạm Văn Hạnh, Department of Forestry Production Management of VNforest

The presentation covers the current situation and the role of forest enterprises within rural communities in Vietnam.

Forest land planning
- In Vietnam forests are divided into three land use categories: special use forest, protection forest and production forest
- In 2013, forest cover in Vietnam was 13,954,454 ha, increasing by 1,358,608 ha against the 2005 total and now constituting 41% of Vietnam’s total land area:
  - Special-use forest covers 2,081,790 ha
  - Protection forest covers 4,665,531 ha
  - Production forest covers 7,001,018 ha
  - Forest land beyond land planned for forestry purposes included an additional 206,114 ha.

Outcomes of forest production in 2014
- Forestry production value reached 23.9 trillion VND, involving a forest production growth of 7.09%.
- The proportion of forestry production value in the combined rural economy of agriculture, forestry, fisheries reached 3.9%.
- Forest product exports turnover reached VND 6.3 billion, up 14% compared with 2013.
- Forest cover in 2014 is expected to increase to 41.5%, up 0.5% compared with 2013.

Current Situation of forest enterprises in Vietnam
- The State allocated 12,024,871 ha of forestland to organizations, households and individuals
- Certificates of land use rights – the area of forestland which has a certificate is 10,465,481 ha.
- Area of 3 forest types managed by forest enterprises is 1,903,604 ha
- Forest land areas allocated to companies included 1,055,437 ha, i.e. 53.9% of the total land allocated for enterprises.

Role of forest enterprises in community development
- Forest enterprises play a crucial role in social economic development and environmental protection.
- They enable a transfer of science, technology and service provision;
- They are critical to production, create jobs, increase income – and help with hunger eradication and poverty reduction;
- They contribute to forest protection services;
- They can be organized as joint ventures, cooperatives and companies
- They help to establish production clusters for particular products
- They are a way of organizing forest protection, forest fire prevention and forest pest and disease prevention

Some difficulties and constraints faced by forest enterprises
- Forest enterprises have not adopted fundamental changes in management – they primarily manage natural forests.
- In natural forests, most of the forests have not been inventoried – nor do they have harvesting plans – and only a few have land use certificates. However, timber is still harvested as it always has been, and there are still many violations of land and forest laws.
- Many forest enterprises have low business production efficiencies. Wages tend to be low. Some enterprises suffer losses. There is much underutilized potential in terms of social and economic development of rural areas
Recommendations for state forestry enterprises

• Continue to maintain state forestry companies, including:
  • Companies undertaking timber production business
  • Equitized forestry companies whose majority shares are held by the State
  • Equitized Forestry companies whose majority shares are not held by the State
  • Transform state forestry companies into public service units
  • Dissolution of uncompetitive forestry companies

Recommendations for private enterprises, cooperatives and household businesses

• Restructuring and reorganization of production and technologically innovative processing firms, joint ventures, cooperatives through investment.
• Develop an economic model in forestry based on collective enterprises, which can establish extensive material plantations.
• Improve the varieties of tree species in forestry, planting of larger areas of timber, overcoming wood chip export restrictions.
• The State should develop mechanisms, financial and investment policies, credit, insurance and loans for plantation forest development.
• The needs to develop markets for timber, non-timber forest products, wood furniture and exports

1.3 Introduction to the Forest Connect alliance

Duncan Macqueen, IIED

Introduction

• Forest Connect was established in 2007 to build the capacity of institutions supporting locally controlled forestry enterprises
• It aimed to overcome the isolation of such enterprises — linking them to one another, markets, service providers and decision-makers
• It has held three prior workshop in Edinburgh (looking at support strategies from the agricultural sector and identifying capacity gaps) in Addis Ababa (testing guidance modules to address those gaps) and Kathmandu (prioritizing support options)
• This workshop was requested by Forest Connect members at the preceding meeting – to present successful cases of locally controlled forestry business model

Findings from the last Forest Connect workshop

• Multi-functional mosaics are necessary to deliver all the goods that different publics need from forest landscapes
• Support to no single forest subsector can deliver all public goods needed by society (gendered access to income, food, energy, construction materials, carbon sequestration, biodiversity, soil conservation)
• A mosaic is needed of multiple forest farm systems
• This is best delivered by locally controlled forestry businesses rather than large-scale corporate forestry or farming
• We are talking about a *democratisation* of forest business in which group businesses serve many societal needs and spread wealth and well-being – rather than narrow pursuit of profit and concentration of wealth

What does investing in locally controlled forestry involve?

• Removing one paradigm ‘capital needing natural resources and needing cheap labour’ and replacing it with another ‘local right-holders managing natural resources and needing capital’
• Investing in four key pillars: secure commercial tenure; business capacity development, technical extension and enterprise oriented organization

What makes for success?

• This meeting is looking at ‘what makes for success’
• What histories of intervention work?
• What ownership and management structures work?
• How value chain links and partnerships work?

1.4 The emergence of Forest Connect Asia

Martin Greijmans, RECOFTC

What is RECOFTC?
• The Center for People and Forests, established in 1987
• Promoting community forestry in Asia-Pacific
• Focusing on capacity development
• Empowering local people in sustainable management of forested landscapes
• Forest Connect Asia established with seven organisations: ANSAB, EDC, JAVLEC, NTFP-EP, Pyoe Pin, RECOFTC and WWF
• Objectives in strengthening business capacities by Forest Connect Asia

What might Forest Connect Asia be:
• A capacity development framework
• A network for curriculum development and delivering trainings
• A partnership for leveraging resources
• A network of collaborative action research and pilot community forest enterprise models
• A mechanism to share best practices and lessons learned at networking events/trainings
• A developer of policy briefs for a variety of platforms to advocate for CFEs support
• A bridge to enhance interactions between the private sector and CFEs

Forest Connect Asia activities to date
• Training for practitioners to open up towards CFE / commercialisation “Enhancing Livelihoods Through CF”: RECOFTC/NTFP-EP
• Diagnostic CFE studies in Indonesia, Cambodia
• Best practices studies Thailand, Vietnam and backstopping in Laos and Indonesia
• With FCA partners drafted Fundamentals of Viable Community Forestry Business Models (IUFRO)
• NTFP-EP/RECOFTC Cambodia: CF and entreprise model development (project)
Remarks to participants

- How to make the alliance effective?
- Strengthening CFEs also means strengthening the Forest Connect network
- Continue to facilitate and share evidence with policy makers (e.g. Myanmar: a market-led approach to community forestry)
- Engage with private sector to facilitate partnerships with CFEs

1.5 Forest and Farm Facility support to forest farm producer businesses

Sophie Grouwels, FAO

Introduction

- The Forest and Farm Facility (FFF) is a partnership co-managed by FAO, IIED & IUCN, hosted at FAO
- Its vision is “Smallholders, communities, indigenous peoples and women’s organizations have improved livelihoods and decision-making over forest and farm landscapes”
- It is a 5 year multi-donor funded programme
- This year it expanded to work in 10 countries and globally
- The FFF links forests and farms through work on 3 pillars:
  - Strengthen smallholder, women, community and Indigenous Peoples’ producer organizations for business/livelihoods and policy engagement
  - Catalyze multi-sectoral stakeholder policy platforms with governments at local and national levels
  - Link local voices and learning to the global level through genuine participatory processes, communication and information sharing
Why is organization for business important for FFF?
- FFF’s pillar 1: organizing small forest and farm producers for improved policy voice and livelihoods is central to the work of FFF
- Increasing their political “voice” to secure tenure and other rights to the natural resources on which their enterprises are based.
- Increasing their negotiating power to obtain fair value for their products and environmental services – economies of scale
- Delivering business advice and services at scale, through partnerships with non-governmental organizations, private companies and governmental and development agencies.

Producers groups and associations help producers in a number of ways. For example they:
- Improve horizontal flows knowledge and experience sharing
- Aggregate and guarantee supply
- Facilitate collaborate on transportation, marketing, design and branding, sales promotion certification and so on
- Create secondary processing enterprises to add value to primary production
- Help to improve management of forest landscapes and territories at scale
- Allow monitoring of illegal activity and corruption.
- Gain better use of technology and access to finance

Combining forces between forests and farms makes sense because it allows:
- Combining of products, services of farms, agroforestry and forests – and this increases sustainability of the business
- Producer organization development that adds value to livelihoods and enhances policy engagement
- What do different tiers of organization offer forest farm producers at different levels?
  - Local level forest farm producer organisations increase market access at local level or/and to influence local impeding rules and regulations.
  - (Sub) national apex organizations can achieve policy influence; economic scale efficiencies that also facilitate access to better markets, business and financial services.
  - Regional/global Federations have increased policy influence to address globalized markets and policies

Strength in numbers
- Examples of forest farm producer organizations for improved business
- Guatemala/Petén: the national federation ‘Alianza’ supported a commercial venture linking six member-reforestation groups in San Francisco Petén with new market opportunities for their products with larger companies in Guatemala city
- Gambia: Two competing national cashew growers associations merged and - as a result - increased the market price of cashews.
- Nepal: The formation of the Jatifif Federation (of fuelwood producers) increased their market price in Nepal

Multiple levels within Federation of Forest Users of Nepal (FECOFUN)
- Forest and farm producer organisations may vary widely in size and institutional form, and may include indigenous peoples and local community organizations; tree grower and agro-forestry associations; forest owners' associations; producer cooperatives and companies; and their umbrella groups and federations.
- They act at multiple scales from local to national, regional and global
Challenges

- The main impediments have to do with organization of locally controlled forest business.
- Ensuring bottom up rather than top-down development improves sustainability and buy in of producers (Gambia versus Burkina Faso).
- Maintaining transparent communication.
- Capacity Development: Need for adjusted trainings along needs/capacity of all members.
- Avoiding elite capturing; exclusion of women and youth in decision making.
- Putting in place external audit mechanisms.
- Avoiding political influence at community level that redirects profit to short term social objectives or worse.

Take home messages when strengthening forest farm producer organisations for business:

- Sense of ownership of producers is key e.g. good communication and common drive for the business.
- Establish the most favorable institutional conditions possible (e.g. tenure, government support, socio-cultural issues,...)
- Foster transparent organizational management:
  - Need to structure and operationalize business ideas, ex. multiple product lines in agreed upon business and organizational plans
  - Structuring and financial separation of advisory boards from operational management structures
  - Identify the most suitable funding model for the business
  - Provide key services to members such as accounting and financial management

Strong locally controlled forest enterprises contribute to

- Food security and nutrition
- Health and education
- Sustainable management of forest and arm land and adaptability to climate change
- Countering migration of youth
- Engagement in policy processes resulting in clearer land rights and tenure, “thickening rural economies” stimulating diversity
- Cultural vitality and well-being
1.6 Organisation for locally controlled forest business in Canada

Peter de Marsh, International Family Forest Alliance

Family forestry in Canada involves:
- Approximately 450,000 families (“small holders”; “woodlot owners”)
- Some 19 million ha (8% of total productive forests)
- An average land holding of 42 ha
- The part of the small farms of European settlers not cleared for agriculture
- Building material and fuel, plus some food
- 1900 – 2006: income from sale of timber to pulp and paper and sawmill industry

Type of family forestry business
- The average size forest holdings mean that mostly forests provide part-time income (+/- 10% of total income)
- Larger holdings can involve full-time income (2-3% of owners)
- Logging (+ silviculture and trucking) business range in size from 1-25 employees
- Management planning and other support services are available (some private, mostly through the forest farm producers own associations)
- Processing of timber and other products does happen but there are only a few examples

Government definitions of size of business
- Micro – 1-4 employees
- Small – 5- 25 employees
- Medium – 25- 200 employees
- No definition for < 1 full-time income
- We need to get better at recognizing “Sub-micro”, or “Traditional invisible rural producer”: “TIRP”?
- And yet it is these producers whose aggregated production forms a significant source of raw material for forest industry and landscape values (rural economy, environmental goods...)

Family forestry associations come in different shapes and sizes:
- Local (2-5000 owners)
- Provincial federations (provincial farmers’ federation)
- National federations
- International Family Forestry Alliance
- The functions provided by these associations include the following three items in different degrees depending on the level of the association:
  - Lobbying
  - Services
  - Processing

Experiences from family forestry in Canada and globally suggest four key enabling conditions for sustainable development of family forestry
- Secure tenure
- Fair market access
- Good quality capacity-building services
- Effective associations
- These enabling conditions are seen in four questions that any forest farmer might ask when deciding whether or not to plant and manage trees:
  - Will I own the tree I plant?
  - Will I be able to sell it on fair terms?
  - Will I have the information I need to grow it?
  - Do I have an association to represent me?

Market access

www.iied.org
There is a double “market failure” that affects family forestry: (i) very large buyers do not want to engage because of the scale at which they operate; and (ii) public forest timber competes with an unfair advantage with family producers.

Local associations are needed: to negotiate, aggregate, transport, and assure payment.

Provincial federations are needed: to ensure provincial timber policies guarantee market access.

National federations are needed: to develop certification standards that work for family foresters.

Capacity building services need to be much better developed:

- Technical advice, education and training is needed in the areas of:
  - forest management practices
  - work productivity and safety
  - product quality

- Business development services are required for both:
  - individual, private operators
  - cooperative businesses

The value of international networks can be found in:

- Their capacity to speak with common voice
- The opportunities they offer for exchanges of experience, and adapting to change (an example of a very big, shared challenge is how to involve young people in production and in the associations)
- Their capacity to educate the public
- The direct support they can offer in terms of association building

Questions:

- How can we better track improvements in employment, poverty alleviation and forest protection that come from family, community and indigenous “locally controlled” forestry?
- How can we better raise the profile of “TIRP”/micro businesses?
- How can we best enhance training for association management and leadership, and for business development, individual and cooperative?

1.7 Organisation for locally controlled forest business in Sweden

Lennart Ackzell, Federation of Swedish Family Forest Owners

The situation for Swedish family forest owners:

- Over 50% of forests belong to family owners at the current time
- Approximately 60% of Sweden is forested
- Getting to this situation has involved 100 years of development of Family Forest Associations

The historical context one hundred years ago:

- There was devastating forestry practice driven by large companies
- There was abuse of smallholders – with poor timber prices for local forest families
- The state was supportive of smallholders and institutions set up to remedy the situation

The emergence of Swedish family forest owners associations:

- Over the last 100 years small associations developed first to get better prices in the market
- These then invested their members capital in value added processing (sawmills, then pulp and paper, then biomass electricity
- Advanced service companies (e.g. for harvesting, seedling production etc.) emerged over time
- Eventually the associations consolidated into four large associations
- They are now among the world’s leading forestry companies
Figure showing the four main forest farm producer organisations in Sweden (each with tens of thousands of members)

Progress on sustainable forest management
- The incentive for family forest owners to plant trees has been strong
- The total standing volume has increased over time as shown

Trend for total standing volume since 1920

Commercial incentives
- There is a culture of family tree growing
- The family small holders now own substantial businesses (e.g. biomass electricity)
Challenges involve the following:

- Trust between members
- Competitiveness in the market – a constant struggle
- Reliability of supply
- Urbanisation is a challenge as people leave rural areas
- The many other interests that now feature in forest management (e.g. urban recreation)
- Energy and climate policies can ‘over-protect’ forests and reduce the incentive for planting
- Innovation - There is, and continues to be constant innovation in the businesses owned by local small forest holders

Conclusions

- Organising the small forest holders with secure tenure rights is a key to obtain and increase sustainable forest management, better livelihoods and climate mitigation
- Local control is the solution

1.8 Organisation for locally controlled forestry business in China

Xie Hesheng, Chinese Academy of Forestry

Country context

- Forest farm producers are important to sustainable forest management
- Collective Forest Tenure Reform (CFTR) in China has involved 182 million ha. of collective-owned forest land (60%).
- Forest producers have seen dramatic organization changes: from collectives → farmers → forest farm producer organisations.
- There are now nearly 150,000 forest farm producer organisations in 2014.
- The effort to form forest farm producer organisations has delivered huge livelihoods improvements
- Now CFTR involves more than 140 million farmer households and 534 million farmers.
- CFTR involves more than 2,550 counties. Within these counties, 14.6 % of annual revenues of farmers is come from forestry. Even more than 60% in certain key counties.
- Forest farm producer organisations are the best choice to enhance sustainable livelihoods improvements for forest farmers.

Policies

- At the State Level, the passing of the “Law of the People’s Republic of China on Farmers’ Professional Cooperatives”(2007) involved:
  - A focus on cooperatives (co-ops).
  - Tax incentives for forest farm producer organisations (low or free).
  - Financial services provision (from policy-based financial institutions).
  - Financial support (from central and local government) for information, training, agricultural products quality standards and certification, agricultural infrastructure construction, marketing, technology extension.
  - Commissioning qualified cooperatives to implement agriculture and rural economic construction programmes.
• At the Forest sector Level I: “The SFA’s guidance on the promotion of Farmers' Professional Cooperatives Development of Forestry”(2009). This involved:
  o A low or free “forestry resources cultivation fund” when member harvesting their trees.
• At the Forest sector Level II: “The SFA’s Notice on Accelerating the Development of Forestry Professional Cooperative Organizations”(2013). This:
  o Encouraged farmers to form different kinds of forest farm producer organisation.
  o Provided funds supporting forest roads, water and electricity using, telecommunications, forest fire prevention and so on.
  o Commissioned qualified forest farm producer organisations to implement forestry ecological projects.
  o Provided a subsidy for demonstrated forest cooperatives to develop forest products processing.

State of locally controlled forestry businesses
• Main forms involve:
  o Co-ops (about 50,000).
  o Associations.
  o “Joint-stock” (joint-share or stock cooperative) forest farms.
  o Other forms
• Main types of products and services include:
  o Timber (wood, bamboo).
  o NTFPs (Seed and Seedling, ornamental flowers and plants, cash tree, Chinese herbal medicine planting, Special rare animal breeding, forest tourism and so on).
  o Services (for processing, marketing, information, training, forest certification).

One example: FSC forest certification of Nengfu forest cooperative in Zhejiang Province
• Nengfu Forest Cooperative was established in July 2007. It involves 3 villages.
• It includes 344 farmer households and 1245 farmers.
• It is a Forest Certification Business which passed the FSC in December 2009
• It involves 7,563ha. of forest – i.e. 22ha. per family on average.
• The main species are Cunninghamia lanceolata and Pinus massoniana

How has organization helped that business?
• Structure is base on three components: Enterprise + cooperative + forest base
• Local enterprise generated supporting funds for certification.
• Members manage their forest under one management plan based on FSC principles.
• The cooperative has received 10%~30% premium prices for its timber.
• Families share the benefits by trading volume.
• There has been an increase of more than 4 million income for all families per year.

Challenges for others to follow this example
• Business opportunities for forest farm producer organisations are emerging but they vary greatly by individual situation in different regions of China.
• Farmers have different management objectives after they obtain land use rights.
• Farmers have different level of wareness about the potential of group businesses.
• There is a lack of capital at most of rural China.
• Weak policy implementation is a problem in certain areas of China.
• Forest farm producer organisations are only just at the beginning phase (emerging) within the Chinese forest sector.

The way forward
• Demonstration areas and exchange visits must be planned.
• Raising organization awareness of farmers is needed.
• Innovation in business is required for each forest farm producer organization according to local conditions.
• Capacity building is much needed (in forest management, organizational management, marketing etc.).
• Policies specified need to be implemented.
• Different funding sources need to be mixed (government, bank, local enterprise).
• Other forest product certification (other business).

1.9 Organisation for locally controlled forest business in Guatemala

Juan Jose Ochaeta, on behalf of FAO

General information on Guatemala
• Territory 10 million ha
• Population 15 million
• Poverty level 53.70%
• Extreme poverty level 13.30%
• Indigenous population 40%
• Official language Spanish
• Other languages 22
• Urban population 49%
• Rural population 49%
• Minimum salary US$250.00
• Unemployment level 4.50%
• Formal employment 25%
• Informal employment 75%

Forest situation in Guatemala
• National Territory 10 million ha
• Forest cover 2006 35.5%
• Forest cover 2010 34.2%
• Natural Forest 90%
• Plantation Forest 10%
• Annual Deforestation 1.30%
• Protected Areas 55%

The ‘Alianza’ or national alliance of forest communities in Guatemala
• The National Alliance is comprised of 11 second level Community Forestry Organizations (CFO’s), which represent more than 250 first level organizations, 64,000 partners and more than 300,000 people that receive indirect benefits from national forests.
• The members of the alliance help to preserve and manage responsibly more than 750,000 ha of forest. Equivalent to 17% of the national forest cover and more than 4% of the Central America forest cover.
• More than 30% of the forests managed by CFO’s are certified.
• Forest types: broadleaf forest 82%, coniferous 10% and 8% mixed forest.
Policies – what main policy development in support of locally controlled (community/family/indigenous) forestry have taken place in recent years

- Community Forest Concessions: (Concentrate 400,000 ha - 21,602 km² in Peten Guatemala, 1,500 direct beneficiaries and 7,500 indirect beneficiaries).
  - State of locally controlled forestry businesses in your country – what main forms (coops / associations / federations) and types (timber / NTFP / services) of locally controlled forest business exist

What are the main forms of locally controlled forestry organisation in Guatemala?
- First Level Organizations: Community Forestry Concessions, Nonprofit Organizations, COCODE, Cooperatives and Limited Companies.
- Second Level Organizations: Community Organizations, Cooperative Federations.
- Third Lever Organizations: National Forestry Alliance.

What types of locally controlled forestry businesses?
- First Level Organization:
  - Timber: Harvesting, primary and secondary processing activities.
  - NTFP: Xate palm, gum, allspice, coffee, ramon nut, tea. Collecting and sales activities.
- Second Level Organization: Capacity building, policy engagement, market development, fundraising
- Third Level Organization: Policy engagement, fundraising
Key example of success – Mayan land Xate producers

Forming a locally controlled forestry enterprise organization has enabled members to:
- Improve the quality systems for production and manufacturing procedures.
- Organization of inventory information as a market tool.
- Developing market opportunities and commercial agreements.
- Improve and develop the relations and communications between partners
- Improve productivity and competitiveness
- Strengthen the access to credit for forestry activities.
- Build trust with customer
- Building capacities (Administration, finances, accounting and negotiation)
- Improve or create a business vision
- Achieve Financial, technical and social sustainability

The organisation is structured in three tiers
First Level Organization:
- 8 Community Forestry Concessions (CFC)
- 8 Local committees (one per CFC)
- 1 Representative per CFC on the Committee of Xate
- 1 General Coordinator

Second Level Organization
All these communities are part of ACOFOP (Association of Forest Communities of Peten)
ACOFOP has a Coordinator of NTFP.

Third Level Organization
ACOFOP is a member of the National Forestry Alliance in Guatemala.

The way forward – what institutions are doing what to scale-up these successes in country. Various institutions are playing supporting roles. These include:
- Government: INAB, CONAP, MAGA
- Private Sector: Agexport, AGER (Asociacion de Empresarios Rurales)
- National Forestry Alliance
- International Cooperation: FAO, CATIE, GIZ, Fundación Interamericana
- NGOs: Rainforest Alliance, UICN
- Main support areas:
1.10 Organisation for locally controlled forest business in Kenya

Oscar Simanto, Kenya Forest Service

Introduction to the forest status in Kenya

- Total forest land = 4,136,446.5Ha
- State forest land = 1,869,197 Ha
- Private and community forests = 1,455,552.5Ha
- Kenya’s Core Forestry Programmes
- Kenya’s overall forestry policy goal is the sustainable development, management, utilization and conservation of forest resources and equitable sharing of accrued benefits for the present and future generations of the people of Kenya.

Kenya’s forestry Policy Objectives are to increase and maintain tree and forest cover of at least ten percent of the land area of Kenya.

- Establish an enabling legislative and institutional framework for development of the forest sector.
- Support forestry research, education, training, information generation and dissemination, and technology transfer for sustainable development.
- Promote public, private and community participation and partnership in forest sector development.
- Promote investment in commercial tree growing, forest industry and trade
- Enhance management of forest resources for conservation of soil, water biodiversity and environmental stability.
- Enhance support to emerging forest based producer organizations

Current production of sustainable wood in Kenya is insufficient

- The big story here is that the only viable means of expanding wood supply to meet the current deficit is to promote forest farm tree growers associations.
Challenges to viable business development by emerging producer organisations

- Two apex (tier three) producer organizations have emerged in Kenya (FF-SPAK and KEFGA). The challenges facing the apex organizations include:
  - Policy and institutional challenges such as:
    - Restrictions on timber trade
    - Land and resource tenure
    - Inadequate public-private partnerships investment framework
  - Knowledge and technological challenges such as:
    - Limited quality germplasm supply
    - Inadequate tree nursery management
    - Poor silvicultural practices
  - Economic challenges such as:
    - Lack of financial incentives to encourage tree growing
    - Inadequate credit facilities for tree grower groups
    - Little installed processing/value addition
    - Restricted infrastructure and access to markets
  - Socio-cultural challenges:
    - Insufficient to gender equity in group development
    - Inadequate thoughts to the rights for indigenous communities
    - Restricted communication infrastructure

Parting Shot/Message to workshop participants

- From Kenyan Government perspective, emerging producer organisations should have:
  - A participatory mode of operation (Members need to have: A shared vision based on common interests; Common rules and regulations; Requisite decision making power; a mechanism to renew leadership
  - Voluntary and democratic establishment: based on self-motivated, trustworthy and opportunity minded members
  - Effective leadership that: Must communicate the common vision and benefits to members; Ensure transparency and accountability; Develop the ability to organize resources: Be able to support autonomous producer organization groups

1.11 Organisation for locally controlled business in Myanmar

Cin Khan Lian, Ar Yone Oo and Aung Thant Zin MERN

Introduction - Country Profile

- Total land area = 67,657,700 ha
- 50% forest cover (35,106,850 ha) in which about 32% is permanent forest estate
- Forest farm producer groups in Myanmar are in the form of Community Forest User Groups (CFUG)
- The Government would like to see CFUGs controlling 2.27 million acres of CF (Master Plan target for Year 2030 slightly less than 10% of the forest land)
- But at the end of 2013, only 47,948 ha of CFUG had been established (still it is less than 3% of desired total) by 745 CFUG (with 30,484 members)
- Through the community Forestry approach:
  - the forest near by local communities can be managed systematically and sustainably by themselves
  - an important aim was to support economic development of the country
Additionally such forests would regain environmental stability, community forests could address the basic needs of the local communities.

But recently there has been a changing philosophy towards a ‘market-led approach to community forestry in which more business development would generate better livelihood situations, which would in turn improve incentives for sustainable forest management.

### Development of policies
- Burma Forest Act 1902 was enacted as Forest Law in 1992 in which rights and privileges for local communities were included.
- Myanmar Forest Policy was issued in 1995 in which basic needs and participation of local people and sustainability are considered as imperatives.
- Community Forestry Instruction (CFI) issued in 1995 was a key driver to promote forest farm producers development.
- Tax relations, procedure simplifications in 2013-14 by the government are encouraging private, local and international investment in SMEs.

### State of locally controlled forest business
- Most of the forest farm producers are in the form of group or association (745 CFUG).
- Private, Public, Partnership are also developing.
- Most of the CFUGs are producing timber and NTFPs and some are giving services such as supplying water, electricity, etc.

### An example of success
- The Warghine Community Forest User Group was established 2004 using abandoned land.
- Location is in Pyindaye RF.
- The total area is 250 acres.
- A total of 84 households are involved.
- Direct CFUG member number 39 persons.
- There is individually plot ownership by those members within the community forest.
- Nevertheless, collective management of the forest is undertaken.

### Profit of Warghone Village community forest
- After 5 years, FUG members exploited desirable forest products in their individual plot.
- They got also a lot of incomes (2009 to 2012) 29,351,000 K/30,895 US$ by selling propagules and seeds from CF.
- Income from poles: 7,420,000K/ 7810 US$.
- Income from fuel-wood: 16,994,000K/ 17,888 US$.
- Income from fishery 1,284,500 K/ 1352 US$/ Year.
- Therefore, the annual income: 15,500 US$.

### Benefits of organizing for business
- The organization, Warghine CFUG, drew up a management plan thoroughly first. It includes selection of species, sites, planting and cutting scheme, etc.
- The members of the organization decide themselves when and how to harvest, and where to sell.
- The group contacts the buyers in the local and regional market for their products.
More recently, CFUGs are forming as township level, as regional level associations under the Forest & Farm Facility program

CFNWG (Community Forestry National Working Group) has been established led by the Forest Department and facilitated by RECOFTC. FFF will give some support to CFNWG

Challenges

Legal instruments are yet to be fully developed
- As yet there is no clear land-use policy
- The Community Forest Instructions of Myanmar are neither a law nor rules, merely an instruction which is for departmental use, which means there is lack of legal back-up for protecting community rights

Institutional linkages and coordination require strengthening
- As yet there is no specific division or section to handle the Community Forestry development under the Forest Department
- There is weak coordination between Government agencies, Civil Society Organisations, local communities and donor agencies

Socio-economic issue can prove an impediment
- Most of the user group members want to use their community forests in a traditional way (e.g. to maintain water flows to rice paddy) rather than develop them as a commercial asset
- There is a low education level especially with regard to economic development ideas
- Groups have weak capacity to access good markets

Management problems are prevalent
- There is little experience in group work
- There are frequent failures in transparency and trust.

The way forward

Government Departments need to
- Raise awareness at all staff levels of the potential of community forestry
- Review and revise policies (e.g. Land-use) and Community Forest Instructions as necessary
- Form a special task force or division for community forestry
- Invest in trust building between communities and Line departments/authorities
- Install in Government training centres capacity building for Line department staff
- Commit financial allocations by the Forest Department to community forest development

Civil Society/Private Sector Group
- Advocate to revise the CFI towards commercialization
- Strengthen cooperation among civil society groups (NGO, CBO, FUG network)
- Ensure that the CFI allow Community Forests to be adapted to local realities
- Set up information management systems
- Lobby for relevant incentives and administrative simplifications to encourage appropriate private sector involvement

Donors Group
- Invest resources in the strengthening of forest farm producer groups (e.g. CFUG and township level association development)
- Promote networking/ sharing both within and between countries
- Orient REDD+/CDM to focus on practical incentives to expand the area and commercial potential of community forestry
- Develop research that is relevant to the commercial development of community forestry (species, technologies etc.)

Local Community
- Make learning and sharing experiences a priority
- Build up the trust and financial transparency within CFUGs
- Support each other – agreeing to work and sell as a group
- Build up the technical and business capacity among members
1.12 Group work and feedback

Two main questions were posed for discussion amongst groups and the results were presented back in plenary:

1. How might better organization at different levels (local, regional, national, international) better support locally controlled forest businesses?

General comments

There was recognition that at all levels we need to:

- Get better at networking and mobilizing both individual and institutional resources to strengthen enabling investments into the organisation of locally controlled forestry.
- Focus on the key aspect of leadership skill development within organizations at different levels.
- Better understand, represent and support ‘businesses’ that involve part-time forest sales- and ground our understanding in the real risks for those involved.
- Get each initial step right in the development of locally controlled forestry business organisations, for example guidelines on approaching simple issues such as timber transport.
- Develop better networks and capabilities to offer training in basic business management skills - for example bookkeeping skills to know if you are in profit or deficit.

Local organisations

An emphasis was placed on local level organisations because it was understood that we have to ensure ownership of an initiative and its financial viability at local level before supporting the emergence of regional and national associations and federations that are both financially robust and locally controlled.

The primary concern at the local level was an acknowledgement that locally controlled forestry businesses are at a disadvantage due to a lack of knowledge which means they cannot make informed decisions on what to do, buy and grow. It was thus agreed that working together was one key strategy to improve market access and gain access to wider services. In response to this need, it was suggested information should be shared at the local level about the market, bookkeeping, tenure issues, land planning, mapping of where producers and transporters are located and potential local support. One solution suggested was a mobile app for co-operatives which would allow members to source market information and investment information.

Regional organisations

Regional level priorities that were highlighted by participants included organisation for policy lobbying, the aggregation of products to enable stronger market negotiation, partnership exchanges, and the development of technical and financial support services for member institutions.

Although it was recognised as a necessity at all levels, better co-ordination along the whole value chain was considered particularly important at the regional level. It is at this level that investment in value added processing often make most sense. Collective marketing strategies were a consideration at this level, such as the need for branding of products and communication of saleable ‘stories’. Finally organisation for market innovation, efforts to improve efficiency (by sharing costs), and sharing the costs of certification at this level could all help support locally controlled forest businesses.

National organisations
Considerations at national level were listed as: advocacy and lobbying, providing training for members, developing institutional partnerships to support members and the provision of market information. Participants called for the utilisation of the capacity for national level organisations to provide technical know-how, develop partnerships for market research, engage in platforms for representation in multiple processes and improve co-ordination along the whole value chain with which their members are involved. Participants also wanted to see greater organisation for policy lobbying and to secure land and resource rights and market access.

2. How can the Forest Connect alliance best catalyse those types of organization?

In terms of the future of Forest Connect: how do we move forwards, what have we learnt and what could have been done better?

Participants in their various contexts had seen many examples of successful land tenure transfer in favour of local groups, training of service providers that engage with local communities and beneficial community to community exchanges.

However lessons for the future of the Forest Connect alliance include:

- The continuing need to better integrate producer organisations with other actors in the value chains in which they operate (e.g. ongoing support for business development).
- Working hard to improve information about markets and value addition opportunities - a motivator for organisation amongst producers.
- Maintaining a central emphasis on building organisational capacity from the bottom-up and alliances between local producers, private sector and government.
- Working to help redefine the role of government from owner/manager/enforcer of forestry to that of a service provider for locally controlled forestry.
- Collaborating with other international alliances for securing tenure rights and commercial rights.

What new opportunities and challenges do we want to take on for the future?

There was an emphasis on the need to develop a trajectory in which local organisations associate regionally and then federate nationally. Suggested opportunities included:

- Conducting an inventory of training resources for business leadership and management: e.g. how to chair meetings, develop decision-making processes, invest in priority areas, overcoming basic constraints such as those linked to transport (all linked to ‘stages’ of development - training needs). Using the methodology (online platform) to decide who would benefit from different training.
- Developing further an online information sharing platform: e.g. a list of experts to give tips or map of where to find resources.
- Conducting local gap analyses: developing missing training packages, refresher courses for association leadership and so on.
- Hold a future international meeting on risk management for locally controlled forestry business organisations, for example: how to err on the side of caution and not invest what you cannot afford to lose.

The challenges highlighted were:

- We still struggle to differentiate information that is of general application from that which is ‘location specific’.
- We need to get better at compiling evidence that what we are doing in organising locally controlled forestry has an impact on livelihoods and forest conservation.
- We need better communications activities, for example newsletters, regular revisits to website and capacity to provide or chase regular updates.
- Fundraising is an ongoing ‘shared challenge’ for Forest Connect.

Day 2-3: Field trip to Yen Bai enterprise support sites

On days 2 and 3 of the Fourth International Forest Connects Workshop, participants visited the community enterprises in Phú Thịnh commune (Yên Bình district) and Đào Thịnh commune of Trấn Yên district, Yen Bai province.

Yen Bai province is located in the Northwest region of Viet Nam, around 180km Northwest of Ha Noi. The total physical area of the province is 688,628 ha, at around 2% of the national area. Administratively, Yen Bai is divided into nine units (seven districts, one town and one city). Yen Bai is well connected with other provinces and Hanoi through railway (on the Vietnam-China transnational railroad), roads, and water.

Yen Bai has tropical humid monsoon climatic condition, with average rainfall of 1,500-2,200mm per annual, average temperature of 22-23°C and humidity of 83-87%. Agricultural land (including forestry) covers 585,089 ha or 85%. Total forest area is 414,565 ha (60.2% total physical area), of which 236,838 ha are natural forest and 177,728 ha plantation.

As of December 2013, Yen Bai has a total population of 773,854 people, at the average density of 112 people per km². There are over 30 ethnic groups living together in Yên Bái province, with the Kinh being the majority, other ethnic groups include Tay, Dzaol (Yao), Thai and H’mong.

Figure 1: Administrative map of Yen Bai province

Plantation timber value chain - On day 2 of the workshop, participants visited the plantation wood chain in Phú Thịnh commune, Yên Bình district of Yen Bai province (indicated as Site 1 on Yen Bai map). The commodity chain of plantation wood from Yen Bai is relatively direct (Figure 2, overleaf).
Trees (mainly Acacia and some Styrax) are planted by local farmers who may work together as a group or individually. Trees of 5-7 years are then chopped and sold to local wood processing facilities. Many tree growers choose to fell the trees themselves and hire a van to take the wood to the processing facilities. Others prefer selling standing trees where the buyers would come with a truck to the farm gate.

Figure 2: Commodity chain of plantation wood from Phu Thinh

Processing facilities around the district take up most of the wood from local plantations. At the processing facilities, logs are sawn, dried and processed into various products. The portfolio of products depends on the orders the facility would get, but generally includes furniture items and other final and semi-final products for domestic and international markets.

Domestic buyers of semi-final products include factories and companies in Hanoi and other provinces in Vietnam.
The visit covered two main stages of the commodity chain of plantation wood, i.e. the tree growers and local wood processing facilities. First, workshop participants met with a group of tree growers in Hợp Thịnh village, Phú Thịnh commune, Yên Bình district. Here workshop participants were briefed about local livelihoods, tree planting and harvesting, and how they sell their trees. There was a question and answer session and opportunity for participants to share from their own countries with local tree growers. In addition, participants walked into the plantation and discussed further issues on the spot.

The next part of the visit was to a local wood processor in the commune, which takes up around 30% of the local plantation wood supply. In this place, participants were briefed on the production and trading activities of the facility, and visited the processing lines of different products.

**Cinnamon value chain** - On day 3 of the workshop, participants visited a cinnamon chain in Đào Thịnh commune of Trần Yên district (indicated as Site 2 on Yen Bai map). Similar to the wood plantation chain visited on day 1, the cinnamon chain is also very direct (see Figure 3). Local cinnamon growers work together as a group or collective, the latter is a popular form of organized team-working in Yen Bai province. Cinnamon is planted at high density, with over 2000 trees per ha. Thinning starts from the age of three. Usually, local farmers clear cut their cinnamon plantation after ten years, though older cinnamon trees are of very high value as they have higher concentration of essential oil than younger ones.

**Figure 3: Commodity chain of cinnamon from Dao Thinh**

All parts of cinnamon trees can be sold, including the leaves, stems, branches, barks and trunk. Most if not all of the local supply of cinnamon is purchased locally. There are various processing lines for different products. Leaves are dried, grounded and packed in bags to be sold to oil distillers in other locations or can also be distilled locally. Similarly, stems can also be distilled locally or dried, chopped, packed and sold to distillers in other provinces. Bark can be processed in many ways, to provide different products of various qualities. Finally, cinnamon trunk can be used for furniture making in local workshop.
Buyers of locally processed cinnamon products are export companies in Hanoi or neighboring provinces whose markets are international, such as the USA, India, and South Korea. There is no direct international market transaction from local processors.

Similar to wood chain, the visit covered two main stages of the commodity chain of cinnamon: the cinnamon growers and local processing facilities. First, participants were split into two teams to meet up with two groups of cinnamon growers in Dao Thịnh commune, Tran Yen district. Participants were briefly introduced to the local livelihood situation, cinnamon tree planting and harvesting, and how the groups market different products from the trees. There was another question and answer session with a chance for participants to share experiences from their own countries with local cinnamon growers. In addition, participants walked into the cinnamon forests and discussed further issues on the spot.

Immediately after that, participants visited an inspiring local cinnamon processor in the commune, which takes up around 70% of the local supply of cinnamon (except its wood). Participants were briefed on the life history of the female entrepreneur, the production and trading activities of the facility, and visited the processing lines of different products. There was also time to visit a cinnamon wood process facility where cinnamon trunks are processed into semi-final products for furniture making. There was time for questions and sharing of experiences.

The following full case studies can be found in Annex 1:

Case study 1: Forest growers’ group in Phu Thinh Commune, Yen Binh District, Yen Bai Province
Case Study 2: Tu Long Wood Processing Company in Phu Thinh Commune
Case study 3: Cinnamon Corporative in Dao Thinh Commune, Tran Yen District, Yen Bai Province
Case study 4: Mr. Trung and Ms. Nhungh (Trung’s wife) cinnamon processing facility
Case study 5: Bac Son Tea Corporative, Soc Son District, Hanoi
Observations of participants on the field visits

Day 2 - plantation wood value chain originating in Phú Thịnh commune, Yên Bình district of Yen Bai province and Day 3 - cinnamon value chain in Đào Thịnh commune of Trấn Yên district

Participants offered the following advice to the VFNU hosts based on their collective exposure to the two field visit sites:

Main points

1) **Support to organisational development.** VNFU could play a key role in the linking up of different producer groups and cooperatives with each other into one larger registered business or cooperative that can sell their products as a group. This will help them to become organised around products and markets and will enhance business development. VNFU can facilitate meetings and information about other growers and processors in the commune/district. Moving from a small to a larger group will involve many changes such as the need to build trust, which might take some time, and for this transparent organisation and business management will be critical.

VNFU can also play a key role in providing information on what different forms of cooperative structures to generate thinking on what would be most appropriate to them e.g. focus on one product or more and different options for generating money for the organisation. Membership fees not the only way of generating income but could also be deducting money from sales.

2) **VNFU could play a key role in increasing the marketing and enterprise development skills of the producers.** For example, through extension services providing training and by facilitating visits to market centres for cooperative leaders so that they can learn more about the market they are operating in. **Identify leaders with commitment and potential** to drive the enterprise development forwards – don’t spread too thinly for the sake of it but focus on these key groups and leaders. Important activities to increase learning about markets and business development can be achieved by supporting exchange visits and facilitating participation in trade fairs.

3) **Access to credit** is limited. VNFU could play a key role in lobbying government and banks to develop more suitable loans and conditions for accessing these for local formers. If there already is a form of farming credit facility supported by the government then make recommendations based on farmers needs for how this can be reformed. Duration of loans too short and collateral seen as a key constraint. Different types of collateral can help overcome this, for example, depending on the species and quantity trees could be used as collateral.

4) **Prioritise support to the producers.** Continue to support producers at the local level but make a clear distinction between producers and processors. Primary interest should be the producers, unless the processing facility is owned by the producers themselves (e.g. the cooperative). Focus should be on helping them grow and establish a healthy competitive relationship with the processing facilities as having only one buyer stifles competition and ability to demand fair prices. Need to be clear on the conflict of interest between processors wanting to keep prices down versus the producers wanting to get them up.

Other comments

- Level of planning and book keeping in Vietnam seems to be at a relatively high level and local leadership of the groups participants saw has a clear vision for where they want to go, but where they are lacking marketing skills and understanding of how to market their products better.
• Good that there is a clear separation between village leadership and the leadership and financial management of the cooperatives. The arrangements participants saw seemed transparent. Leaders appeared to be democratically elected based on merit and suitability for the role rather than previous appointments or status.

• Comparing the cinnamon cooperative with the tree growers one important difference is that the cinnamon producers had more potential for diversifying their product and therefore higher business potential. Also cinnamon growers generated more money as a group and were able to re-invest in their business, whereas in the case of Acacia growers, profits went straight back to the households. VNFU can play a key role in helping their members diversify their products. This will mitigate risk and provide greater sustainability.

• Changes in the policy environment seems to have created favourable conditions for communities to get access to land and establish their own cooperatives.

• Increase level of extension services especially in training producers in business and marketing skills is much needed. Also research links are important. VNFU could support farmers by brokering links with research into indigenous species that are also fast-growing.

• VNFU also needs to explain their role better to producers so that there is a clear understanding of the services and support that they can expect to get from VNFU e.g. in terms of extension services and role of lobbying for improved access to finance. Possibly set up a communication system-suggestion of a newsletter which could provide market opportunities and tools.

• Good mix of young and older generation – important for exchange and maintaining knowledge. Participants especially from the north but also the southern countries made comments on how remarkable it was to see so much participation of youth. There could be lessons for VNFU to share with other organisations in the network on how in Vietnam they have managed to keep young people interested in the rural economy. Most countries find it hard to keep youth interested in rural opportunities instead of migrating to urban areas.

• Continue to support establishment of processing facilities at the local level close to producers.

• Would be helpful to emphasis the importance of alliance building. For example the VNFU could help communities assess their relationship with the private sector and also explore partnerships with the Academe.

• The potential of the community enterprise to go beyond planting and harvesting. This involves organizational Development: Situational Analysis, Vision Setting and Planning

• Consider capacity Building through understanding the value chain and the marke, managing and analyzing costs and screening investment opportunities.
Day 4: Learning from successful case studies of locally controlled forestry business

Day 4 of the workshop saw an integration between this workshop and the first day of a Forest Farm Facility and RECOFTC supported Training of Trainers on the Market Analysis and Development (MA&D) tool. With more than 60 participants from 25 countries the day was structured so as to introduce participants to one another, give a background on the MA&D approach to Forest Connect participants, and then see six case studies of successful locally controlled forestry businesses – split into two parallel sessions (12 cases in total).

4.1 Introduction to participants of the ‘Training of Trainers’ Market Analysis and Development (MA&D) and to the links between the two meetings

Isabelle Lecup

Establishing small sustainable forest product-based enterprises using the Market Analysis and Development (MA&D) approach

- Why Market Analysis and Development (MA&D)?
  - MA&D has been initially developed in order to address this key question:
    - How to prevent further destruction of forest resources and of the environment while at the same time helping the forest users improve their living standards?
  - It was a dilemma thirty years back, it is now a key issue at a planetary scale

What is MA&D?

- MA&D is a framework for planning support to tree and forest product-based enterprises.
- It consists of a preliminary planning phase followed by four phases that guide entrepreneurs through a simple and clear participatory process to plan and develop their enterprises.
- MA&D differs from other enterprise development methodologies because of:
  - The type of population it targets: forest users far from markets places; poorly educated; a limited access to information (market, technology), and to sources of support (financial, legal, institutional etc.)
  - MA&D is used for forest products: forest product-based enterprises need to be closely linked to forest management in order to ensure resource sustainability. This is emphasized in MA&D.
What are the objectives of the MA&D training?

- To help forest users/farmers becoming “entrepreneurs”; to move from “selling to marketing”
- To guide these entrepreneurs through a clear process for planning their enterprises
- To provide field facilitators with tools and methods to assist forest users / farmers become “entrepreneurs”
- To provide program/projects’ staff with:
  o a planning framework for forest based enterprise development support
  o a tool for monitoring activities

What is meant by the term “entrepreneur”?

- The term entrepreneur is used in this context to define the different actors who are using farm or forest resources to generate income
- They can be producers, harvesters, manufacturers (finished or semi-finished processing) or/and traders at different levels, whatever the size and the ownership and management structure of their activity

Elements of successful business development within MA&D

- Forest users /farmers recognize themselves as ‘entrepreneurs’; planners and facilitators too recognize forest users/farmers as ‘entrepreneurs’
- They know how to screen the five areas of enterprise development (which is the way to ensure the enterprise’s sustainability)
- They know how to create strategic alliances to develop market linkages, and to receive support from service providers

Forest users/farmers recognize themselves as ‘entrepreneurs’

- Forest users/farmers are the primary actors in the process: to become entrepreneurs, it is critical that they acquire the skills to make their own decisions and to formulate their own enterprise plans
- To become entrepreneurs, they need a shift (a ‘click’ in their minds): they have to understand, right from the start, how they can benefit from using the MA&D approach more than from an assistance driven support
- MA&D places clear boundaries on the facilitator’s role: planners and facilitators encourage potential entrepreneurs to take decisions about their enterprises. They shift away from an assistance-driven mentality towards a process owned by empowered entrepreneurs.

The five areas of enterprise development

- In MA&D the ‘screening the five areas of enterprise development’ method is designed to ensure the sustainability of the enterprise by considering five types of factors which influence the success of an enterprise:

Figure 4: The five areas of enterprise development
If one or several of these key factors are not properly analyzed by the entrepreneurs, the whole enterprise concept might be at risk.

The importance of strategic alliances

There are two main types of strategic alliances for an entrepreneur:

1. Alliances with direct actors: entrepreneurs must develop linkages with other Direct actors (producers, traders, manufacturers) in order to be performant in the market. This is generally done through contracts.

2. Alliances with indirect actors: through the process, entrepreneurs will have identified the weak areas of their enterprise, where they need support. Support to tree and forest-based enterprises cannot be delivered by a single service provider since various types of expertise will be needed (again in the five areas, for example production or forest management, marketing and enterprise management, technology, policy issues etc.)

The identification of the alliances’ needs and the actual creation of the alliances are done over the third and the fourth phases of MA&D.

Choosing the ownership / management structure of an enterprise is sometimes a challenge

The choice of an appropriate organizational structure is crucial to the healthy evolution of enterprises.

The professional groups’ organization process is often chaotic (or brings up limited results) because:

- Of the poor understanding by future entrepreneurs of what it is practically to be in a professional group, what are the different possibilities offered to them, and their implications.

- Future entrepreneurs are encouraged to « organize » in groups too rapidly, even before they have developed their enterprises’ ideas. This is not appropriate to enterprise driven actions because the entrepreneurs’ profile and the enterprise activity itself influence the type of structure to adopt.

Preparing entrepreneurs to choosing an ownership and management structure

Future entrepreneurs by ignorance can be easily influenced and adopt an organization type which does not always correspond to their aspiration.

MA&D has tools to help entrepreneurs choosing the ownership and management structure of their enterprise, for example tools to:

- Understand the benefits of working together (collaboration)
- Be able to decide whether registration is needed
- Understand the characteristics of the different kinds of ownership
- Understand the characteristics of a well-managed enterprise

Then potential entrepreneurs will have to decide:

- Should I operate alone or in group; should I register and when?
- If yes, what type of organizational structure should I adopt?

When to register the enterprise?

To decide when it is necessary to register alone or in group, entrepreneurs consider elements in the 5 areas. They will look at for example:

- In Resource management area at the: Volume to exploit
- In Market area at the: Quantity to offer and transportation
- In Legal /institutional areas at the: Rules and regulations
- In Social/cultural area at the: local experience with the product
• In technology area at the: Quality of the products, and energy required

• If they conclude ‘I cannot do this alone’, they need to work with others and therefore registering into a structure. Whenever the activity they plan requires an official permit or allow them to receive some incentives, they will have to register too

Starting from the actual situation of the entrepreneurs at the present time

• In MA&D the starting point for choosing a structure is the actual situation of the potential entrepreneurs at the present time:

• If they are new entrepreneurs, they may need time before « organizing » themselves under an official structure. Facilitators will help them deciding whether they need to register or not

• Those already involved with an organization need help to determine whether their current situation is appropriate for the enterprise they want to establish, and to adjust to the new business perspective

• Other « entrepreneurs » with a clear business idea (and business plan) need to choose the most appropriate structure. Enterprises are not static, they all evolve and grow. In the same way their organizational structures will evolve and change.

Key elements to consider for choosing an organizational structure

• In MA&D, choosing the organizational type is determined through a participatory decision-making process.

• The choice is influenced by a combination of elements from the 5 areas that the entrepreneurs have analyzed while preparing their business plans:

• The analysis of the different ownership and management structures (sole ownership, partnership and cooperative), their advantages and disadvantages as well as their modalities of implementation, crossed with key elements of the five areas will lead entrepreneurs to the choice of organization at the present time.

• The key elements they will consider in this analysis are:
  o Amount of capital required
  o Distribution of profit
  o Management type
  o Incentives of the Government associated to the concerned production sector, specific target group, specific organizational structure
  o Category the enterprise belongs to according to local Law
4.2 Case study - Guatemala Chachaklum timber management services enterprise

Juan Jose Ochaeta

Location – where Chachaklum is based

Context
- 1996 – The Central Government in Guatemala started a process to promote forestry plantations as a tool to increase the national forest cover.
- 1999-2006 - The Municipality of San Francisco Petén, identified the opportunity to increase its incomes through the Forestry Incentives Program
- 2006 - The Municipality of San Francisco Peten organized the Tree-growers Network of San Francisco Petén, comprised of 218 tree-growers that are owners and leasers of 1,118 ha.
- 2012 - Chachaklum was established as a Limited Liability Company by 29 partners.

What the business is
- A limited liability company that sells:
  - Services:
    - Forestry management services
    - Market intelligence services
    - Sales services
  - Products:
    - Logs
    - Firewood

How the partners organised the business
- With the decision made to create the business, the partners started the process to identify local institutions and national and international NGO’s, that could support them with:
  - Legally constituting the business
  - Organizing the business
  - Creating capacities to sell the services and products

Who are the customers?
- Tree-growers from the Network and other tree-growers from the area of Peten.
- Middlemen
- The processing industry
The industry uses the wood products from Chachaklum to make a range of products:

The business model includes the following elements:

- **Sustainability:**
- **Market**
- **Financial**
- **Legal**
- **Technology**
- **Cultural**

**Business Model**

- **Name:** Chachaklum S.A.
- **Cost:** Firewood US$474.00 (trailer 50m3)
  - Log US$1,025.00 (trailer 40m3)
  - Price: Firewood US$574.00
  - Log: US$1,326.00
- **Services:**
  - Forestry Management
  - Sales services
  - Market intelligence services
  - Products: Logs and Firewood
  - Jobs: 29
- **Annual Volume:**
  - Traded 2014
  - 5,427 m3 (123 trailers)
  - Income US$104,280
- **Supply Chain:**
  1. Reforesters
  2. Chachaklum
  3. Middleman
  4. Industry
  5. Final markets
The value chain is organised in the following way:

- **Reforesters**
  - Establish
  - Forest Management, Sales services, Market intelligence services. Products: logs and firewood
  - Owners
  - Leasers of Municipality lands

- **Middleman**
  - Gatherer
  - Transport

- **Processing Industry**
  - Agglomerated wood
  - Pallets

- **Final Markets**
  - National
  - International

The organisational structure of the business:

- **Accounting Manager**
  - President
  - Vicepresident
  - Secretary
  - Public Relations I
  - PR II
  - PR III
  - PR IV
  - PR IV

- **Commercial Manager**
  - Working groups

- **General Asamble**
  - Ownership
  - Staff
  - Outsourcing

Key challenges and how it has overcome them:
- Chachakulm has built a forestry plantation culture in the area of San Francisco Petén
- It has strengthened capacities in forestry management, administration, financial organization, accounting, taxes, negotiation and equipment maintenance
- Its ability to do forestry inventory is used as a market tool for those hiring its services
- It improves market access for its customers
- It has registered legally as a business and invested in building trust with customers
- It has improved its productivity and competitiveness – and that of its suppliers
How has it maintained competitiveness?

- It has kept costs down by selling both services and products, outsourcing aspects of the business in which it was not specialised (such as transport) and keeping low administrative costs.
- It has attracted customers and maintained willingness to pay by strengthening its organisation and brand, concentrating the sales offer in the area of San Francisco and other areas in Peten, complying with volumes and dates, and ensuring quality product in firm sales agreements.

4.3 Case study – Philippines: Sunflower Abaca weaving enterprise

Ruth Canlas, NTFP-EP

A case study of indigenous women’s enterprise in Bukidnon, Mindanao, Philippines, that has fostered women’s empowerment through locally controlled enterprise

- Poverty Incidence (2012)
  - Philippines - 27.9%
  - Bukidnon - 43.3%
- Forest businesses still dominated by corporations and big traders.
- Presence of CBFMs and other community forest enterprises.

What the business is

- The business is based on weaving Abaca – Manila Hemp (Musa textilis)
- Hinabol handwoven fabric is used for home (table-runners), office (e.g. conference kits) and personal accessories (e.g. bags)
- The main customers include:
  - Local Entrepreneurs (souvenir shops)
  - Local Marketing Arm (Lindungawan)
  - Custom Made Crafts Centre

History of development

- 2009 - The core group got organized and undertook community consultations and baseline development
- 2009 – 2010 - Enterprise and organizational strengthening took place including capacity building through training, mentoring and learning visits, developing operational structures and systems, improvements of the production process, product and production assessments, improvement of dye application using natural dyes and environment-friendly dyes, improvements in dyeing techniques, upgrading production facilities (developing a common dyeing facility with additional and better tools and equipment), skills and technology transfer and documentation of the production process for replication. In addition, the business developed a classification system and formulation of indicators for each product classification / category. This was followed by product development and prototyping, costing and pricing and market development
- 2011-2012 – There was a continuation of product classification and standardization including the development of criteria towards sustainable consumption and production of hinabol textiles. There was also market engagement and the development of trading system with Lindungawan and Custom Made Crafts Center – plus also a 2-years market tie-up with Crate & Barrel (export market)
- 2013 - Continuation of product development e.g. application of natural dyes using silk screening technology; combination of colours using environment-friendly dyes, product conversion through Lindungawan and promotional activities including media exposure (TV) and participation in conferences and training. This led to the expansion of local market –
participation in local and provincial / regional trade fairs and through Lindungawan – another export market was tapped (NY based enterpreneur)

- 2014 – In this year, there was full implementation of standards, a review of the business plans and some financial management training. Also product development continued and involved participation in Manila FAME, an international exhibition in Manila.

The Sunflower value chain in photos

The Sunflower organisational structure

Challenges and how they were overcome

- Difficulty in complying with quality standards was overcome by
  o Strict production monitoring & set up of work teams
- Changing climate patterns/extreme weather disturbance were overcome by
  o Finding solutions
• Limited production of abaca fiber due to diminishing harvest (overharvesting for commercial fiber) was overcome by
  o Abaca reforestation

How it has remained competitive
• Keeping costs down through
  o Product classification systems
  o Centralized dyeing/dye facility
  o Centralized marketing
  o Reducing costs on delivery by working with other entrepreneurs in the area
  o Bulk purchasing for other raw materials
• Attracting customer willingness to pay through
  o Continuous product development
  o Maintaining quality – Quality Management Teams
  o Close collaboration with local marketing centre

Conclusions
• Organized weavers can demand better prices than individuals and this result in more efficient marketing
• Consistently maintain product quality is a key element of maintaining customers
• Passing on the tradition of hinabol weaving ensures the sustainability of the enterprise and ensures promotion of culture and traditions
• Openness of the group to produce big volumes and to use traditional skills but for modern designs was a factor in its success
• The evolution of hinabol weaving from being a traditional to a commercial product has impacted positively on the lives of the Higaonon women and their households.

4.4 Case study - Nepal: Himalayan Naturals charcoal briquette enterprise

Sudarshan Khanal, ANSAB

An introduction to ANSAB
• Civil Society Organization, governed by an International Board, established in 1992
• 1,181 economic entities developed and strengthened incl. 68 regional and national processing and marketing enterprises
• 88.4 thousands economic participants generated additional annual income of US $7.82 million in 2013
• 100,700 ha of forest and meadows brought under improved community management (representing 66,100 HHs)
• 8 FSC CoC certified enterprises

Remote and operating environment in Nepal
• The population of Nepal is 28.1 million, with a GDP per capita of US $694.1. Almost 25% of people live below the poverty line and the unemployment rate is 46.3%. There is a favorable policy for community forest management which has created a substantial resource that can be used for locally controlled enterprises
• In terms of the operating environment, Nepal is still in the infant stage of briquette commercialization with limited (negligible) available finance but a latent demand at urban market and huge production potential in rural areas
What The Business Is?

- A charcoal briquette business
- Five local enterprises have been established in Dolakha to produce Himalayan Briquettes based on an innovative model for the production of such briquettes in Nepal.
- The most innovative part of this operation was the development of an urban market for the bio-briquettes.

ANSAB helped the five community enterprises and other interested individuals to establish a new national company based in Kathmandu: the Himalayan Green Energy (HGEPL). It then worked with this new entity to create a network of department stores ready to retail the product in the city and to produce an appealing packaging for consumers. It also supported extensive marketing activities, for example by setting-up 40 one-day kiosks throughout Kathmandu to demonstrate the product and its multiple uses. Development agencies were also encouraged to start using bio-briquettes to heat their offices.

Making the product within the five community enterprises in Dolakha

The flow of product
The charcoal briquette value chain

The organisational structure of enterprise activities

Ownership/Benefit

- CBEs 20%
- Private 80%
- CFUGs 25%, Its members/workers 75%

Role / Function

- Product design, R&D, QA/QC, identify producers, develop their capacity, setup factory and support continued operation
- Technology upgrade, fabricate, Repair
- Stone Production
- Create distribution channel, distribute products
- Marketing, branding
- Manage legal aspect

- Produce briquette
- Bring together C5, workers

- Management of raw materials

- Staff/shareholders of community enterprises
- Working on piece rate

Community based production Enterprises (CBEs)

CFUGs

Poor & Women Subgroups

Himalayan Naturals

www.iied.org
Who has control over it?

- Taking the idea and making it into reality was undertaken by
  - ANSAB – Himalayan Naturals
- Access control over forest resources is governed by
  - The Forest Act 1993 and Forest Regulation 1995
  - Community Forest User Groups
- Business control is maintained through inter-linkages between
  - Himalayan Naturals which controls retail
  - Community Enterprises that produce the product
  - CFUG members who supply the raw materials

How has it remained competitive?

- Keeping Cost Down
  - Product finalization at the community level
  - Improved technology
  - Storage facility
  - Development funding at initial level
- Attracting consumers with willingness to pay
  - Demonstration kiosks
  - Improved Packaging
  - Development of necessary accessories
  - Easy availability at supermarket and retail stores
  - Developing industrial uses

Conclusions - successes have been due to…

- At enterprise level
  - Reduction in cost - Production at scale with improved technology
  - Increase in consumer demand – market promotion and attractive package along with quality assurance
  - Leadership, entrepreneurial and other skills
- At value chain level
  - A long-term committed lead firm having clearly stated value chain vision
  - Programs and agencies facilitation on commercialization, sustainable raw material supply and creating favourable policy environment
4.5 Case study – Indonesia: Koperasi Wana Lestari Menoreh (KWLM) teak production cooperative

Wibowo Sulistio, Telapak

Context

- Indonesia has a population of 251 million people with GNI per capita of USD 3,580. Extreme poverty runs at 11% but life expectancy is now 71 years and the country ranks 15th in the Happy Planet Index.
- Kulon Progo, in Yogyakarta (purple in map below) is the location of KWLM coop. This region is among the most populous in Indonesia but has a favourable climate for high-value teak plantation, good telecommunication and road infrastructure, a culture of civil discourse, collaboration and tree planting. Approximately 2,500 m2 of land is owned per family. In this regions there has been a successful government reforestation initiative. There is no existing monopoly in the local timber market.

What the business is

- Koperasi Wana Lestari Menoreh (KWLM) cooperative is:
  - A multi-business co-op with triple bottom line approach
  - Known for establishing a fixed and fair price when purchasing from members
  - Able to use standing tree as collateral for borrowing money
  - Good at internalizing value and fairly distributing this to members
- The product:
  - FSC-certified logs of teak, mahogany, albizia, rosewood
  - Other non-FSC timber as blocks and boards
- The main customers:
  - CoC FSC furniture companies, smaller non-FSC traders
The KWLM value chain

**KWLM Members**

- P = IDR 2.8 million / m³
- N = 1200 people

**KWLM**

- P = IDR 3.2 million / m³
- N = 9 people

**KWLM Sawmill**

- P = IDR 5.5 million / m³
- N = 8 – 15 people

**Buyers**

- N = 5 CoC FSC companies and other smaller companies for non-FSC timber

Plan to create a CoC FSC furniture company

Who has control over the business?
- Telapak has been a key driver in the formation of KWLM
- Their aim was to replicate a successful community logging coop model
- The main steps involved socialization, conceptualization, and then mobilization
- Support from local community and government was critical
- Co-financing of FSC certification was achieved with support from YABINMA, Samdana, Telapak and HIVOS
- Ownership is “From, by and for” coop members – each of whom has equal power through ‘One member one vote’ collective decision making

Organisational structure of KWLM
How has it overcome key challenges?

- There have been no specific challenges regarding resource vulnerabilities, cultural issues nor internal or external conflicts
- In addition there have been no significant legal or practical resource access challenges because trees are on individually-owned land and there are good roads throughout
- There has been a challenge of members undertaking ‘needs-based cutting’ which has upset planned optimal diameter harvesting – when members have needed cash for illnesses, schools etc. But this has been overcome by:
  - Having a revolving loan fund from which members can use standing trees as collateral to borrow money
- The cooperative model solves ownership and benefit-sharing challenges from the start
- They have overcome the challenge of unreliable or expensive transport by
  - Internalizing delivery through a member-owned transportation company
- FSC certification has solved several marketing challenges

How has it remained competitive?

- N.B. The goal is NOT to increase the margin between costs and sales for maximum institutional profit, but to shoulder the costs together with members, share the profits fairly, and prosper together.

The working philosophy has been that more members means higher production which results in lower cost per m² which in turn leads to more competitive pricing

Conclusions – these are the main factors that led to success:

- The right kind of facilitator during the formation stage
- Strong willingness of local community to improve their incomes and production processes
- Success of the socialization and ideology phase leading to a shared vision
- Value proposition fills a real need of additional income for the members
- The capacity to use standing trees as credit collateral gave members a financial cushion in times of need
- FSC certification helped provide credibility in marketing
- Self-financing has been the key in KWLM cash flows
- Continuous efforts are made to nurture trust and solidarity between members
- Continuous support from Telapak through the years has allowed the coop to overcome challenges one by one.
4.6 Case study – Cambodia: Cambodian federation for Bee conservation and community-based wild Honey Enterprises (CBHE)

**Femy Pinto, NTFP-EP**

**Context**
- In Cambodia, poverty among upland and indigenous communities involves 20.5% of the total population most of whom are concentrated in rural areas.
- Cambodia is classified as a high forest cover, high deforestation country (UN-REDD, 2011).
- Approximately 41% of rural households in Cambodia derive between 20-50% of their total livelihood income from forest use, while 15% of households derive more than half of their total livelihoods from the forest (Hoev et. al. 2006).
- Based on sample of 6 villages in Mondulkiri Province NTFPs contribute about 15-50% to household cash income. Wild honey makes up to 40% of this contribution.

**What is the business?**
- The Cambodian Federation for Bee Conservation and Community based Wild Honey Enterprises or CBHE, is the first and only federation of forest honey community enterprises in Cambodia. The CBHE was established in 2010 with the mission to contribute to forest resource conservation and enhancement of community livelihoods through sustainable collection of wild honey, and increasing the dissemination of wild honey product quality.
- It operates in 6 provinces.
- It involves 17 honey groups.
- There are more than 700 honey collectors/members.
- It sells wild honey/bee products.
- It involves key partners (packaging and distribution to national market).
- Small export trials have taken place.
- It is also exploring a regional market together with partners.

**Value chain maps in 2007**

![Value chain maps in 2007](image_url)
Value chain map – vision for the future

Key features and activities
- Protocols and standards for quality honey production have been developed and distributed to members in local languages / pictorial formats
- Internal control systems for quality have been developed linked to fair pricing, value addition and long-term markets
- Capacity building has been undertaken
- Organizational and technical support has been provided by NTFP-EP
- Trust-building has been a key emphasis
- Market linkages have been developed through intermediary partners (e.g. NatureWild and CEDAC)
Organisational structure of CBHE

Progress to date
- on average income has increased by 31% among honey collector members and this totals $200-400 income contribution during the season
- CBHE aggregated honey volumes have more than doubled between 2010-2012
- Sales in 2014 reached $42,000 of which $6000 was profit (allocated for member services, and to an operating fund that underwrites meetings and the general assembly)

Challenges and Actions
- Deforestation and other resource threats due to tenure over honey production areas not being secure has been overcome through
  - Strengthening relations with local authorities and technical agency particularly around Community Forestry issues
- Compliance to internal control systems has been overcome through
  - Training and improvement of member services and partnership support
- Market pressure/ competition has been overcome through
  - Internal strengthening of quality control and strong marketing activity improvements

Lessons Learned
- Enterprise development provides the livelihood support dimension for Community Forestry and Community Protected Areas (mandated under government policy)
- The livelihood process and linking should start at the earliest stage of CF/CPA development.
- In order for community to have successful livelihood activity and good CF/CPA management, facilitation is important and have to be provided at different levels.
- There are many types of facilitation including resource inventory, monitoring, policy support, processing technique and market linkage.
- Financial support should be provided in the forms of grant or soft loan at the initial stage of enterprise development so that community is able to carry out the business.
- Forming the CBHE allows for stronger negotiating position for better price in the market.
Wild honey is a valued local traditional product and therefore access to domestic market was not difficult; however maintaining the edge could also be challenging.

Role of CBHE officers at federation and local level is very critical in keeping members motivated and gathering loyalty to the group and collective business concept.

Incentives and benefit sharing mechanism key to this.

Lessons Learned

- Linking with new intermediaries like NatureWild also provided additional option for better price and provide access to high value markets.
- Capacity building and technical support are needed for the community in order for them to fully implement sustainable CF/CPA management and livelihood activities.
- Networking and knowledge sharing in community based approaches on CF/CPA management and enterprise development could provide community opportunities to learn good practice, challenge and solution.

Conclusions:

- What has underpinned success so far?
- Networking has paved ways and means for capacity building and organizing support of CBHE via NGOs, social entrepreneurs and other stakeholders.
- Community NTFP enterprise models need to be well integrated into the community forestry programme/strategy; political support also important in order for the livelihood strategy to flourish.
- Strengthening compliance mechanism and internal controls especially sustainability criteria would provide significant added value / premium for the products.
- Strong ownership and leadership.
- Benefit sharing mechanism established and agreed among members and partners provides strong incentive for participation; it also enhances stronger sense of ownership.
- Role of intermediaries for technical and market support also in promoting and cultivating the fair, equitable, sustainable principles.

4.7 Case study - Ethiopia: Birbirsa Natural Resource Conservation Cooperative (Coffee) and Agubela frankincense business group (Frankincense)

Husien Idris, Farm Africa

Context

- Forest resources of Ethiopia have suffered decades of mismanagement.
- Deforestation is taking place at the rate of 140,000 ha per year (FAO, 2010).
- PFM was introduced to the country in 1995.
- In collaboration with Regional Governments Farm Africa and SOS Sahel Ethiopia are currently implementing two PFM programmes in Ethiopia.
- The business models presented here are from these two programmes:
  - Coffee from Bale eco-region
  - Frankincense from Kumruk district of Benishangul-Gumuz regional state
What the businesses are:

- **A frankincense trading company**
  - Frankincense is produced from Boswellia species
  - Agubela frankincense business group was established in 2011 under the Aburo forest managing and utilizing cooperative
  - They had received trainings on Market Analysis And Development and Participatory Forest Management
  - They began with 7 members and have now grown to 35
  - The engaged Berta community members who had never benefited from the resource before, but are now earning an annual income ranging from US$ 162-474

- **A forest coffee production company**
  - The Birbirsa Natural resource conservation cooperative was founded in June 2009
  - Until 2009 there was no export of coffee from this part of the country
  - Most of the coffee produced from the area was also of poor quality
  - Training of coffee farmers and provision of quality improving technologies (through Farm-Africa) has improved coffee quality and now fetching up to 3 times more than local prices for the participating farmers

Control over the resource and business controlled in the following way:

- Resource ownership by the regional government
- Product use rights by organised community groups (local cooperatives) through participatory forest management rights
- Monitoring and control of use by cooperative management and government
Frankincense value chain

Forest coffee value chain (before and after intervention)
Organizational structures of the cooperatives

Challenges facing the business and how they were overcome

- **For Frankincense**
  - Cultural taboo associated incense production was solved by
    - Awareness raising, exchange visit, MA&D business skill training
  - Gum and incense companies considering locals as a threat to their business was solved by
    - Discussions, negotiations and business partnerships

- **For Coffee**
  - Fluctuating coffee price was solved by
    - Linkage to an export niche market
  - Adulteration (tempted by the higher price per unit sales) was solved by
    - Ongoing training and market planning
  - Initial high investment associated with establishing PFM & forest business
    - Engage development partners to cover initial cost of capacity building

Lessons on keeping down cost

- Operating in a group as a cooperative helped in cutting down cost:
  - Facilitating collective training provision
  - Reduced transportation cost as produces are transported in bulk
  - Reduced storage cost as group products are stored in cooperative store
  - Rendered auditing and business development support by cooperative promotion bureau-no professionals are recruited by the CBOS

Lesson on attracting customer

- They undertook promotion and sensitized customers to the organic nature of their products (coffee)
- The fact that products are from community’s sustainably managed forest attracted socially responsible companies

Conclusion

- Granting of forest use right is a critical initial factor of success
- Improving market linkages (e.g. helping to find buyers) for the community is another essential factor for success
- Extensive capacity building to cultivate business mentality among community groups is the way to success
4.8 Case study - Mexico: Unidad Comunal Forestal Agropecuaria y de Servicios (UCFAS)

**Ernesto Herrera Guerra, Reflorestamos Mexico**

**Context**
- In Mexico, 80% of forests are owned by communities and ejidos. They can’t be subdivided, sold or taken as a collateral.
- Mexico is very diverse (socially, ethnically, biologically, economically, etc).
- There is a big internal market. Mexico produces 1/5 of what it consumes. The illegal market constitutes 30% of this total.
- Government allocates considerable public resources to conservation and restoration, but there are only mediocre enabling conditions for locally controlled forest businesses.
- The sector is perceived as “High risk, low return”, so joint ventures between forest communities and the private sector are very few. There is very little asset investment.
- Commercial banks have insignificant credit strategies in this sector. A Development Bank exists but it focuses more in agriculture and cattle ranching.
- Forest competitiveness is low in Mexico. Oaxaca state ranks among the lowest states.
- In summary, the context is not easy for locally controlled forest business.

Figure: Competitiveness index for Mexico and location of UCFAS

**The business**
- However UCFAS, despite all odds, is a thriving community forest enterprise.
- UCFAS stands for the Community Unit for Forestry, Agriculture and Services.
- Its mission is to: “Add value to the timber harvest production; generate more and better employment for the community; and provide economic stability by remaining profitable”.
- Its products and services include:
  - Solid wood beams, planks, boards (sawn, chipped, peeled)
  - Engineered wood products (handles, broom sticks)
  - Indoor furniture (home, office and school furniture)
- Its main clients are:
  - Oaxaca State Institute of Public Education;
  - National Commission for Development of Indigenous Communities ; Social Security Institute;
  - TIP Muebles.
The UCFAS value chain

History of the business

- 1917 Mexican Constitution recognizes forest ownership to indigenous communities
- 1946 Government concessions the use of forests to the private sector.
- 1956 Concession to State owned paper company Fapatux. Industrialization but deforestation.
- 1988 Ixtlan got the rights to manage its forests. Little public support for enabling conditions.
- 1988 UCFAS launched their first activities
- 1993 First FMP (FMP 1 1993-2003) was authorized after a year of receiving technical external assistance paid with their own resources. WWF support.
- 1998 First carpinter workshop. Procymaf program start supporting Ixtlan.
- 2001 Forest Stewardship Council (FSC) certification seal under forest management and chain of custody. CCMSS support.
- 2004 General Managers do not need to be comuneros to be eligible for the position.
- 2007 Ixtlán and two other neighbouring communities from Oaxaca came up with ICOFOSA (TIP brand is born).
- 2008 UNOFOSI is born, in charge of forest timber extraction.
- 2015 Third FMP 2015-2025?
Organisational structure

Key challenges and how they have been overcome

- **Lack of political interest**: Receive support from NGOs to advocate. Opportunity: very different NGOs are supporting community forestry. Some public institutions are committed to buy their FSC certified products. They receive subsidies in a regular basis. Better taxation system still needed.
- **Keeping politics and economics separated**: balance the indigenous and entrepreneurial perspectives: General Manager position. It does not have to be from the community.
- **Market access**: associate with other 2 neighbouring communities to share sales costs in order to sell to the growing urban market. Green marketing. They are good at pines but oak species management strategy needed.
- **Lack of financing**: They keep 25% of their profits for reinvestment. They usually cover 70% of the investment. Not enough to attract asset investment.
- **Generational transition**: Young people are sent to college in order to get the required skills. They usually come back.
- **Lack of talent**: lobby for the creation of a University in the region.
- **Benefit sharing**: 20% of their profits is used to finance other non-related projects.
- **Generational Transition**: Young people in the community are sent to college in order to get required skills (forestry, biology, management, computer, etc.)

Lessons on keeping down costs

- **Specialization**: Separating some activities (forest management and timber extraction) allowed UCFAS to specialize and become more competitive in adding value to timber. The other separated companies also become specialised and are providing services to neighbouring communities.
- **Enterprise Integration**: All Ixtlán specialized enterprises are integrated but managed independently. The companies sell to each other with preferential prices so the “middlemen problem” is not relevant. ICOFOSA: sales.
- **Efficiency and quality assurance**: automatized machinery allows waste reduction, less reprocessing and higher standards.
Lesson on attracting costumers

- Branding: responsible community management and forest certification.
- UCFAS has two sales teams: government and TIP (retail for people). Credit to people (CrediTIP)
- UCFAS and other 2 neighbouring communities created ICOFOSA.
- ICOFOSA brand is TIP. TIP has retail shops. However TIP doesn’t design furniture… they are thinking about it.
- In 2009 Ixtlan (UCFAS/ICOFOA) joined ECOFORCE with the other FSC certified communities: advocacy and marketing. First FSC certified products catalogue.
- EXPO Forestal: Forest business promotion.
- Media coverage. Social networks.

Conclusions: what underpinned success?

- Healthy productive forest: provides more timber than the average neighbouring forests.
- Community cohesion: good governance.
- Old concessions: UCFAS inherited knowledge, machinery, roads and even business management culture.
- General manager position. Separate politics from management.
- Enabling investment by ONGs
- Association with other communities
- Visibility that derives in government support: subsidies.

Videos
https://www.youtube.com/watch?v=8PWUdGRbisE
http://www.ccmss.org.mx/lugares/ixtlan-de-juarez/

4.9 Case study – Brazil: Coomflona timber cooperative

Shoana Humphries, Earth Innovation Institute
Co-authors: Darlison Andrade, ICMBio
David McGrath, Earth Innovation Institute

Context

- Rio Earth Summit in 1992 helped make deforestation and illegal timber important policy issues for Brazil

- Policy reform and improved monitoring and control have had big impacts
  - Communities have been designated 54% of forests in the Brazilian Amazon
  - Deforestation was cut by 70% between 2005 and 2013

- ProManejo project from 1999 to 2006 invested significant effort in community forest management pilot projects and policy reform

- Community and smallholder forest enterprises face many challenges
  - Lack of tenure documentation
  - Technical requirements
  - Competition from illegally harvested products

- Today, Coomflona is
  - one of two cooperatives running large scale forest management operations in the Brazilian Amazon
  - Only instance of a cooperative managing resources and producing timber in a national forest.
Description of the business:

- Cooperative run by local residents
  - 214 members from 21 communities, organized in 2 intercommunity associations
  - 96 workers, incl. 26 permanent (2013)
  - Central office, 1 field camp, 1 carpentry workshop, field equipment

- Main activities
  - Timber production
  - Forest management
  - Sale of logs in central patio through auction
  - Reinvestment and distribution of benefits to members

- Main products and markets
  - Valuable hardwoods for export (furniture, flooring)
  - Less valuable lighter woods for domestic use (construction)

- Other products and services

The Tapajós National Forest, Brazil

State of Para in Brazil’s Legal Amazon
Near the city of Santarem, Brazil
On the Tapajos River
Area of 527,000 ha

Community Forest Management area:
- 2005: 37,928 ha (including 4,200 ha research)
- 2013: 17,000 ha
- 2015: 79,000 ha
- Potential: 239,049 ha
Area and volume harvested per year by Coomflona since 2005/2006

Value chain

Control over the business

- **History:**
  - Tapajós National Forest was established in 1974, without consultation with indigenous and traditional residents
  - Community members organized and negotiated rights
  - Logging by an industrial company (ITTO project) from 1999 to 2002 prompted local calls for community forest management
  - Community right to manage the forest recognized in 2003
  - Coomflona was established in 2005
  - Government program ProManejo provided funding for the first 3 years

- **Partners and good leadership have been critical to the continued success of the cooperative**
  - Rural Workers Union
  - IBAMA, ICMBio
  - IEB, IFT, UFOPA, IPAM
Organisational structure

- Assembly
- Financial Committee
- Technical & Legal Assistance
- Leadership Committee
- Technical and Operational Coordination (in the field camp)
- Marketing & Sales Coordination
- Administration and Finance Assistance

Meeting key challenges

- Obtaining right to manage the forest
  - Strong organization within and across communities
  - Coordination and transparency in decision-making
  - Working closely with ICMBio to designate new area for timber

- Managing conflicts over resources
  - Working with partners to resolve conflicts
    - 20,700 ha of indigenous lands removed from forest management area
  - Providing work and leadership opportunities in a transparent way

- Ensuring the financial viability of the cooperative
  - Mismanagement led to loss of capital and a large debt in 2008
  - Paid approximately US$ 256,000 to individuals removed from cooperative in 2012

** Partnerships with government agencies and civil society organizations have been key to meeting these challenges

Lessons for keeping costs low

- Pay workers based on production (not time)
- Continuous training of workers
- Bonuses for outside contractors to reward efficiency
- Bid system for purchase of goods and services
- Postponement of wage increases for 2014

Lessons for attracting customers

- Very difficult!
  - 2 buyers in 10 years
  - Small volumes in first five years
  - Few potential buyers meet federal requirements to participate in the timber auction (no back taxes or fines)
  - Santarém is far from major markets = high transport costs
- Coomflona offers legal and FSC certified logs
  - Plans to install a sawmill to be able to export boards
  - Higher volumes and FSC certification may attract new buyers in national and international markets
Conclusions

- Coomflona received much support as a pilot project, but is now working independently.

- Keys to success
  - Partnerships and financial support for first 3 years
  - High value commercial tropical timber species
  - Responsible management and transparency
  - Commitment to provide jobs for community members
  - Reinvestment in the cooperative
  - Investment in continuing education and training of cooperative staff
  - Fostering new young leadership (avoid “patrão system”)

- Is it a replicable model?
  - Coomflona is supporting a new cooperative in the neighbouring Extractive Reserve (RESEX Tapajos/Arapiuns) with 73 communities
  - Being paid through timber sales
  - We’ll see over the next five to ten years.

4.10 Case Study – Burkina Faso: Yemboama NTFP Union

Barthélemý Kaboret, TREEAID

The context

- Burkina Faso is a low income Sahelian country. The GDP per capita was $549 in 2013.
- Forest cover was estimated at 21% of the country’s surface area in 2010. The country is losing approximately 4% of its forest per year.
- The Eastern region of Burkina is the operating environment with Fada as the regional capital city. The eastern region is one of the richest in terms of forest resources. Wild life and trees are abundant there. This region is currently facing a significant deforestation process due to farming need of firewood and land for agriculture.

What the business is

- The business is a marketing union for NTFP products such as: Shea butter, Baobab fruit, Arabic gum, Honey, Soaps, Baobab oil, Balanites oil, Tamarind fruit and Dried moringa leaves.
- Its main customers include:
  - Urban buyers of its products
  - Local whole-sellers
  - One Austrian company
Value chains organised by the Yemboama NTFP Union

<table>
<thead>
<tr>
<th>Steps</th>
<th>Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collect</td>
<td>Shea</td>
</tr>
<tr>
<td>1st processing</td>
<td>Nuts</td>
</tr>
<tr>
<td>2nd processing</td>
<td>Kernels</td>
</tr>
<tr>
<td>3rd processing</td>
<td>Shea butter</td>
</tr>
<tr>
<td>1st sale</td>
<td>Local market (Soap, baobab powder, biscuit, juice)</td>
</tr>
<tr>
<td>2nd sale</td>
<td>Wholesaling (butter, oil, baobab powder)</td>
</tr>
<tr>
<td>End consumers</td>
<td>In Cities or in Germany (Baobab powder)</td>
</tr>
</tbody>
</table>

Value chain diagram
Origins of the business

- **Before the Village Tree Enterprise project (VTE)**
  - Poor people isolated in their villages with any skills for business or forest management. They were cutting down trees for cash. They were in the need of a support to change the way of using the forest resources.

- **During the Village Tree Enterprise project (VTE)**
  - NTFP business enterprises were developed by communities through using the Market Analysis and Development methodology. Mr Tambiga became a tree nursery manager and gained business skills. This was when the idea for the creation of producers’ unions across products or sectors emerged.

- **After VTE project**
  - The establishment of the union YEMBOAMA, including all existing NTFP products within the groups. Mr Tambiga was elected as President. The average income from NTFPs per person was: $2000 (men) $500 (women) in 2013.

Who has control over the business?

- Capacity-building support producer groups received under the VTE project
- Enterprise development training
  - Group dynamics within groups enterprises
  - Organisation and functioning of a microenterprise
  - Supply and stock management
  - Management of loans
  - Marketing training
  - Book-keeping training
  - Using management tools
- Processing training
  - Shea butter manufacture
  - Baobab powder, oil, juice granules production
  - Balanites oil extraction
  - Soap production
  - Honey production
  - Study tours to successful processing units (some as far as Mali)
- Natural Resource Management training
  - Grafting
  - Natural assisted regeneration
  - Tree planting and protection techniques
  - NTFP harvesting techniques
  - Agroforestry study tours
  - Establishment of privately-operated tree nurseries

Organisational structure

- Decision making within the union
How has YEMBOAMA overcome key challenges?

- **Organisational challenges**
  - Limited experience and capacity of producers – was overcome by using the abundance of local resources and the know-how within the union to get some markets.
  - The difficulty in formally registering the Union – was overcome by using the bank account of the 39 member groups to access to credit at local microfinance institutions. As the president of the union is well known, he has no difficulty to be involved in most of the forest management activities in this region.
  - Poor records of activities – is addressed through honesty within the Union and because the business is based on a cash and carry system which can work without the need for written records.

- **Natural resource challenges**
  - Wildlife damage - At least 25 000 trees are planted yearly by the members of the union but some seedlings are destroyed by stray animals. This challenges has been overcome by encouraging planting in areas that can be protected from grazing.

- **Labour and infrastructure challenges**
  - No modern Shea Butter processing equipment – solved by hiring equipment of market competitors
  - Inadequate storage for products – addressed by the Union investing in a small warehouse with its own saving. They are planning to get a 40 tons storage facility built in the near future
  - Lack of de-hulling machine for Baobab fruit - Despite of hardnes of the baobab fruits, people are still breaking it by hand force

- **Marketing challenges**
  - Untrustworthy middlemen – the Union is trying to develop direct links with customers where possible
  - Unappealing packaging - The union is currently in the process for obtaining a better quality of the packaging and labelling.
  - Lack of repeat orders - The union is currently in the process for improving its communication capacity, through sending messages to its main customers

**Remaining competitive**

- **Lessons on keeping down costs**
  - On this point the only advantage that keeps the union competitive is the abundance of the resource in the Eastern region of Burkina

- **Lessons on attracting customers**
  - The abundance of the resource first thing which is attracting customers
  - The effort the president of the union in participating to exhibitions is a second part of the attraction
  - TREE AID is also giving a support in orienting people towards the union

**Conclusions - Main success factors**

- A strongly supportive NGO and finance within the Village Tree Enterprise project
- Easy access to credit
- The strong leadership of the president
- Abundance of forest resources that reduce costs and risk to the member producers
- Good relationship amongst the members of the union
4.11 Case study – Bolivia: AIMCU (Cururu community’s Indigenous Wood Association)

Victor Hugo Gutiérrez

Context: Bolivia and its forest businesses
- Forest area covers 53 million hectares, 48% of the total land area
- Productive forests are found in 7 of the 9 departments.
- The sector involves 80 thousand direct jobs (similar amount of indirect).
- There are 16 000 production units throughout Bolivia (Micro, small, medium and large).
- Large companies (of which there are less than 10%) generate 60% of the workplaces.
- Forest loss was more than 1.8 million hectares between 2000-2010.
- The government is working on the new Forest law.
- Indigenous communities and social organizations have been given rights to access forests and supply now almost 80% of the national market for timber
- The Forest Law # 1700 regulates the sustainable use and protection of forests and forest lands for the benefit of future generations, harmonizing social, economic and ecological interest of the country.

What the Business is:
- A successful partnership between community and private enterprise
- Cururú is an indigenous community within Santa Cruz, located in Urubichá municipality and made up of 40 families. In business, the community are represented by AIMCU (Cururu’s Indigenous Wood Association)
- AIMCU is responsible for the implementation of the PGMF (Forest Management General Plan) in Cururu (for a total of 26,500 hectares).
- AIMCU created SERFORCU, a service provider company focused on Forest Management and Harvesting Operations. (The goal of setting up this business was to create stable employment and to provide secure incomes to improve quality of life while ensuring conservation forestry potential and biodiversity of native tropical forest).
- Products:
  - Standing trees, and cut logs in the forest
  - Transported log in the Saw Mill facilities.
- Main Buyers for 3,000 m3 log/year include CIMAL/IMR, SLV; La Chonta and local market.

History of the business
- 1998, AIMCU was created in order to manage the forest resources
- 1999, Forest inventory implementation to develop the Forest Management General Plan (PGMF). BOLFOR gave Technical Assistance.
- 2001, Operative Annual Forest Plan performed under the PGMF. BOLFOR again gave Technical Assistance.
- 2002, The PGMF is presented to and approved by the Government authority SIF. Timber extraction commences.
- 2006, SmartWood evaluation leads to Forest Certification with support from WWF, BOLFII, FOCERFO e INPA Parket. In the same year the establishment of forest services provider company (SERFORCU) takes place with support from CADEFOR (operator of BOLFII) and some subsidies and community funds. A long term (5 year) supply contract is signed with CIMAL. A contract with SLV also begins
- 2007, AIMCU receive their FSC certification by SmartWood.
- 2013, Contract with HLA Sawmill Company, selling standing timber
Value Chain for AIMCU

Organizational Chart: How Cururu works and takes decisions

COPNAG President

Social Control Organizations

CEMIG

Community Center President

Council of Canons (religious org)

Mayor (Corregidor)

AIMCU Members Assembly

Coordinator

Forest Engineer

Local Forestry Technician

Administrator

Accountant

Forest Management Officer

Census Officer

Logistics Officer

Accounting Assistant

Working Groups
Key challenges

- Internal conflicts, fights among leadership and corruption of leaders have been resolved through:
  - Adverse events have been handled and resolved through access to information (transparency).
  - Participation of buyers representatives reporting to the assembly about the money paid and quantity of harvested timber.
  - Financial control through a bank account, in which all movements of money from the community enterprise are recorded.
  - With the practice of transparency of information in the General Assembly, the forest committee efforts will be better supported.

Lessons on keeping costs down

- Because of lack of a costs studies, they use comparison with others prices. The aim is to perform the activity with a lower price than the reference price.
- Improve on contracts (compliance).
- Contract allocations to SERFORCU and third parties to keep competition.
- Training capacity (census, tree cut, Chain of Custody, social Control)
- Improving planning of the Forest Management activities
- Developing a business plan, with a budget and timing schedule for activities, considering setbacks such as rain and damage to machinery.

Lessons on attracting customers

- The participation of the forestry authority in support of the company
- The long-term contract with one key company CIMAL (5 years).
- In one contract with SLV Company whose failure to pay delayed harvesting times, the community forced SLV to cover costs after the planned period by denouncing it to the forestry authority. In the past, the community paid an old debt by selling wood, but it has also made complaints and requested the forestry authority to stop issuing export documents for companies that have failed to honour their contractual agreements
- FSC certification is what has allowed AIMCU to democratize the technical and economic information and improve visualization of the necessary management and logging activities.

Conclusions – main factors contributing to success

- It is vital to develop capacity in technical issues (inventory, harvesting, chain of custody control, scaling, filling CFO), commercial issues (learning to identify buyers, negotiate prices and volumes), and social organisation issues (submitting periodic reports to the community and the company to the assembly)
- The level of compliance required in FSC certification helped achieve transparency in the management and administration of the PGMF, enabling greater social control
- Signing agreements and contracts for standing timber with local companies and stopping dreaming about FSC export markets or primary and secondary processing was a key step
- A key issue was to recognize that the processes of developing capacity are gradual and take years to mature, learning to add value to primary forest product.
- The advantages of geographic location cannot be underestimated (AIMCU is near Santa Cruz with a completely paved main road, and cutting areas within 100 km of the city.),
- Optimization in extraction planning (reduction of the cost of harvesting).
- Creating a service company as an alternative to employment generation, complementary to the Forest Management Plan.
- Formation of local capacity is crucial (Forest census, directed chain of custody control, forest inventory).
- Develop the Management Plan as a community and not only in intra-communal way.
4.12 Case study – Indonesia: Koperasi Wana Manunggal Lestari (KWML)

Rohni Sanyoto, JAVLEC

Context

- KWML is located at Gunungkidul (GK) District – Province of Yogyakarta – Island of Java – Indonesia. GK dominates the province area by 46.6 % or about 1.5 thousand square kms. Most of GK is mountainous covered in limestone, especially in zone of Gunung Sewu and Batur Agung. GK is well known as a karst area with about 460 caves, lakes, and underground streams. In the past, GK was identified as a barren area that always suffered from drought in dry season.
- In 2013, population reached 683,735 people. Population density was 458.04 people per square km or 135.5 households per square km. Population growth is 0.07 % per year in 2000 – 2010.
- More than half of population works in agriculture sector. Agrarian density is 6.8 people per hectare. Poverty rate is high – 22.7 %. The poverty forces local people migrate to big cities to earn more money. Migrants leave farms in the village, planting them with trees as a saving.
- In 2012, private forest in GK was 39.5 thousand hectares or 26.6 %—with standing stock 122.5 thousand cubic meters. It has increased 2.8 times in the last 10 years.
- Premature harvesting is widely practiced among farmers of private forest in GK. Farmers cut the trees when they need quick cash money in a moment—for medical services, family parties, children tuition, home fixing, etc.
- The national timber industry always has a supply deficit for round logs. In 2000 – 2011 period, the average deficit logs was some 30 million cubic meters per year. But teak in GK is heavily marketed in traditional ways. Farmers sell standing trees to local timber traders and some brokers who transfer the timber, until it ends up with the final consumers. The long chain of the timber trade forces the farmers to receive very low prices.

What the business is

- Koperasi Wana Manunggal Lestari (KWML) was established at September 26, 2006 with legal document number 518.026/BH/IX/2006 and act of notary Mrs. Hj. Susilowati A., SH number 31/2006
KWML Value chain

In this chain, Cooperative also can take roles as:
- Log producer
- Trader (1st – 3rd)
- Service provider on wood sawing
- Wood industry

Forest farmers at KWML produce log/trees.
- Broker/1st Trader sells standing trees to next trader.
- 2nd Trader fells and skids timber to roadside, and also transports and sells them to next trader.
- 3rd Trader grades timber and make some group based on size and quality. 3rd Trader sells timber to wood industries and end customers.
- Wood Industries processes wood to housing components, furniture, and craft.

History of the business
- 2004: supported by DFID, NGOs (Arupa, Shorea, and PKHR) developed a model of management based on private forests.
- 2006: KWML was established with (starting) members who were forest farmers in 3 villages (Kedungkeris – Nglipar, Dengok – Playen, Girisekar – Panggang)
- NOW: KWML has 3,588 forest farmers in 7 villages/18 groups with private forest 1,281.28 hectares and standing stock: 10.43 cubic metres per hectare.
• KWML also has 2 certifications for forest management: PHBML at 1,153.32 hectares (4 villages/4 groups) and VLK at 1,237.08 hectares (6 villages/17 groups).

Business partners
• Assistance and timber management: District Government, National Forestry Department
• Assistance and capacity building: NGOs and university (Arupa, Shorea, Javlec, LEI, PKHR UGM)
• Donor/Sponsor: DFID, Japan Embassy, BNI

Organisational structure

• Every year, members are invited to the Annual Meeting of Members. This meeting is a highest forum to make important decisions. Profits (of the Cooperative) are also shared amongst members as annual dividends in this meeting.
• Cooperative Managers take responsibilities of managerial tasks—including business operations. Cooperative Managers are coordinated by a CEO who is selected by members through the Annual Meeting of Members every 3 years.

How it has overcome key challenges
• Tebang Butuh (emergency cutting or premature harvesting) is immediately made by farmers when they are under pressure to get quick cash. It tends to happen when they have to pay for medical services, family parties, children’s tuition, home fixing, etc. Ministry of Forestry opened the opportunity to access loans so as to avoid premature cutting in private forest. Cooperative is preparing to access this opportunity.
• Certified Wood Market - Cooperative have an experience on certified wood trading with PT Jawa Furni Lestari and HARA Group that exported their certified products to Europe. It ended in 2010. Cooperative is trying to link their business to wood industries that produce certified
products. Cooperative is also thinking to get other schemes of certification—like FSC—that have broader market.

- **Skills** - Many capacity building trainings were performed for members and employees. Now, the Cooperative has one Penerbit (who can make legal documents about the wood) and some employees have skills in creating sawn wood, furniture, craft, etc.
- **Quality planting materials for wood/furniture/craft** - Cooperative and members now plant qualified seeds of teak—such as JUN (excellent teak), jati emas (golden teak), jati super (super teak), etc.

**Lessons on keeping costs down**
- Cooperative doesn’t give full salaries for all persons in Management. At this moment, the Cooperative still plays a role as both social organization and business enterprise. Only the business unit has to make profit—such as sawmill unit—and can pay persons accordingly.
- Reducing administrative charges. The Cooperative now has one ‘Penerbit’ who can make legal documents. Previously, the Cooperative had to pay 100 – 200 thousand rupiahs for one document.
- With its eco-friendly label, the Cooperative got much supports for other parties—such as Japan Embassy, Bank – BNI, and Government—to purchase equipment and tools: building, sawmill, chain saw, and other equipment and tools for wood processing.

**Lessons on attracting customers**
- Certification. Certification on sustainable forest management is a market tool for make broader customer and premium price. In 2008 – 2010, Cooperative used this certification for getting higher price in timber trading. But, it ended in 2010.
- Show room. Cooperative also has a show room for displaying its products—both furniture and craft—from KUB (business unit at village level).
- Green procurement. Through District Office of Forestry, GK made a commitment to include eco-friendly as a requirement in procurement process. It will be started in procurement at District Office of Forestry.

**Conclusions**
- It’s not easy to change a farmer to become an entrepreneur. So, Cooperative hired managers/employees to develop and run its business. CEO of Cooperative focuses on organize members and forest farmer groups at village level.
- Forest farmers learned many things in Cooperative. They learned about organization and management. In addition, they also get knowledge and skills on forest management such as mapping, inventory, wood estimating, etc. Now, some forest farmers have knowledge and skill on price negotiating of their trees.
- Well progress on organization and forest management in Cooperative was supported by many parties. NGOs and university facilitated and assisted Cooperative to establish the organization, manage the forest, and get the sustainable certification. Donors and Government also gave facilitation to legalize the organization, build secretariat, complete equipment and tools, etc.

### 4.13 Case study – Kenya: Kenya Forest Tree-Growers association

**Humphrey Njoroge, KEFGA**

Rationale for KEFGA - what do different tiers of organisation offer forest farm producers at different levels

**Access to quality planting materials**
- Technical support through training and extension
- Linkage with State agencies in forestry sector especially on pests & disease
- Platform to engage on policy and legal reforms
- Platform to engage markets
- Capacity to participate in sectoral relevant issues such eucalyptus debate
Objectives - what are the objectives of your programme network in strengthening organisation for business?

- Lobby for level playing ground and removal of barriers such as permits
- Policy environment that supports forest business along the entire value chain;
- Market entry to maximize returns and value addition
- Network to build numbers and voices for stronger presentation

Activities - what main activities is your network funding to strengthen organisation within and between locally controlled forest businesses and where?

- No funding mechanisms except from membership fees and annual subscriptions

Successes - what one or two examples of progress have you seen over the last year

- Policy and legal process that recognize the role of commercial forestry in national development: key was the full participation of KEFGA and inclusion in draft policy and bill now headed to Parliament
- Participation of KEFGA in tendering on behalf of its members for supply of wooden transmission poles: key was ability to enter the process successfully and lessons learned

Challenges - what main impediments to locally controlled forest business remain -

- Inadequate incentives-marketing information, value addition, access to finances, permits, etc.;
- Membership is low due to inadequate demonstrated benefit, “wait-and-see”;
- Operational challenges due to inadequate institutional finances
- Management capacity to engage sectoral actors at all levels especially under the devolved government

Lessons

- Networking nationally, regionally and internationally;
- Federation will increase capacity to engage especially with governments and donors;
- Capacity building for individual forest business organizations in management and strategic planning
- More sharing of experiences and exchange of knowledge will build confidence and avoid duplications
- Poverty alleviation, Women/Youth empowerment
Group work: design features of successful locally controlled forestry businesses

What makes for success in locally controlled forestry businesses? The feedback from the three working groups highlighted key themes which were commonly agreed as important in the plenary that followed:

1. An enabling policy environment
   - A regulatory framework and good policy provides a basis for facilitating business, for example unblocking participation in value chains and thus giving a mandate to do business.
   - Secure access to natural resources - if the policies are right, resource sustainability can be assured and local people can be prevented from resource exploitation.
   - Financial incentives through subsidies and taxes and access to extension services.
   - Law enforcement to prevent illegal logging and encourage legal (rather than illegal) business which increases support and market access opportunities. Security also allows for planning and investment in the business.
   - A government price policy to ensure harvesting and consuming are both cost effective and straightforward.

2. Support for business capacity development
   - Financial literacy, an understanding of basic accounting, book keeping and as issues such as risk management, as well as an understanding of market dynamics.
   - Business planning with clear annual objectives regarding production and profits, including cost benefit analysis.
   - Vision and strategy for adding value and what is necessary to achieve this: 3yrs, 10yrs, 20yrs
   - Technological transfer and access allow value addition and the reduction of costs.
   - Leadership with an entrepreneurial mind-set and vision, for organising and motivating people, teams and work division.
   - Exchange visits and trade fair/coaching/mentoring for business cultivation.
   - Processes in place to continuously capture or internalize values leaking to parties outside of the community.

3. In depth understanding of the market, through market information systems
   - Market access and market diversification strategies are critical through analysis, business planning and market information systems.
   - Linking farmers to the markets is vital, this requires participatory research and understanding as well as infrastructure development such as warehouses.
   - Businesses need to carry out promotion activities through exhibitions, trade fairs, branding, labels, packaging and pricing.
   - Market information gives insight on competitors to help locally controlled forestry businesses to compete, helps identify what potential customers need, unpacks expectations of product quality and is important for planning activities and investments.
• By developing a business strategy you can access finance from the bank, reduce the risk of failure, take advantage of economies of scale, create a niche market and build trust and credibility with buyers.

4. A commitment to partnerships and networking
• Being part of a larger network of producers with similar interests, leads to efficient communication on some of the issues highlighted above, and allows for awareness raising and policy advocacy.
• Taking networking opportunities through partnerships (amongst producer groups and with other key value chain actors) can help promote greater business efficiency and coordination.
• Multi-institutional engagements among producers, other private sector partners and with government authorities are necessary.
• The involvement of private sector and industry experts generally helps locally controlled forestry businesses to flourish.

5. Local origins, ownership and governance of business organisations
• Local residents are best placed to control forest production activities and develop strong community institutions, with fair benefit sharing and a commitment to forest business that is aware of and meets multiple different local needs.
• Buy-in from group members is critical, so ways of making group members attracted to the business proposition need to be incentivized. This goes beyond economic aspects such as collective harvesting and marketing and includes strong commitments to social and environmental ends.
• Key ingredients of local ownership and governance include transparency in financial management, accountability of leadership and bottom up planning.
• Comprehensive land use planning at the community level can greatly aid local ownership and needs to be factored into donors and government programmes.
• Local ownership fits and respects cultural values and can lead to youth mobilization.
• Inclusive and participatory processes in the formative stages of forest business development are key as well as mechanisms to distribute the benefits of ownership of the enterprise.

6. Access to appropriate finance
• Businesses need to get the lowest interest rate possible at the best conditions appropriate.
• Access to finance can invest, reduce input costs, enable scaling up, reduces risk and gain access to technology.
• Finance can be accessed through organisational commitments that self-create loan funds and investment capital, or provide credibility and collateral for micro or larger financial institutions. Enabling investments (e.g. grants) can also come from both private and public development institutions.

Participants also emphasised the importance of the following considerations:
• Strong organisational structures with clear roles and responsibilities.
• Inclusiveness, gender equality and respect for different types of knowledge and cultural rights.
## Participant evaluation and feedback

### Please rate the following elements of the workshop

1. Accommodation and logistics  
2. Content and presentation (learning)  
3. Opportunities for networking  
4. Quality of field trip

<table>
<thead>
<tr>
<th>Element</th>
<th>Sum of Poor</th>
<th>Sum of Fair</th>
<th>Sum of Very good</th>
<th>Sum of Excellent</th>
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<tbody>
<tr>
<td>Accommodation and logistics</td>
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<tr>
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<td>Quality of field trip</td>
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</table>

### What was good about the workshop?

- Broad participants with field experiences
- Openness and frankness
- Group work
- Good opportunity for networking
- Interaction / networking
- Incisive case studies
- The presentation of case studies
- Field trip and discussions
- Warmth of Vietnamese hosts
- Good time management
- A lot of positive energy from organisers
- Excellent organisation

### What could have been done better?

- More time allocated for cultural visit and to do shopping and see city (half day)
- Very tight programme- more time should be allocated to see more of the city/ Vietnam
- Field trip, especially second day was a bit tight
- Time management during the field trip
- Incidental allowance
- Presentation should describe the process of establishing the business besides the results
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Annex- Field trip case studies

Case study 1: Forest growers’ group in Phu Thinh Commune, Yen Binh District, Yen Bai Province

Group leader: Mr. Nguyen Dinh Hai

The group was set up in 2008 with 10 farmers who voluntarily joined the group and own more than 2 hectares of forest per household. After few years, another 5 households joined the group and made up 47 hectares of total forest area under the group’s management. Members plant acacia and/or styrax with seedlings bought from a state-owned forestry company. The reason they choose this species is due to its fast growth, easy caring and suitable with local climate conditions. After 5 – 7 years, farmers harvest, chop and sell the wood to paper mill or local wood processing facilities but mostly to make pulp due to low quality of wood (caused by diseases, etc).

The incentive of grouping together is to support each other and share resources (labor, capital and experience). The group involves both young and old people so that the young can learn experience from old people while the old can take advantage of the young’s fast technology update. Each household pays a membership fee of 50,000 VND (2.5$) per month to build up a group fund. When members have difficulty in paying interest for the bank, they can borrow money from the group fund with interest free.

If one household wants to sell timber, they will inform the group leader one year in advance and put it in their plan. Then when the tree is harvested, the leader will contact by phone or go directly to different processing facilities to check, negotiate price and help to sell the timber to whom offer the most competitive price. The payment is made right after selling timber and all money goes back to the grower. The group does not charge any fee or keep any portion of the revenue for group fund.

Households start their planting cycle at different times and as a result, the time of harvesting and selling wood varies between families and they cannot sell the wood as a group. Next year, they planned to plant trees at one time for all households.

The leader is a 30 year old man and working free of charge (as he joked: “every month I’ve got a port of tea”). Due to small revenue from selling 2 – 10 hectares of timber, members do not record their income as well as expenditures. Women also participated in the group but they said it’s very hard work for them, especially the log is too heavy for them to deliver from the forest to the market. The average income from forest is 37 million VND/year/household. Beside forestry, local farmers also do aquaculture (with annual income of 50 million VND) and animal husbandry (average annual income of 110 – 120 million).
According to the leader, as well as Forest Connect's participants, challenges facing the group include:

- Sell timber as individuals, not groups so having limited power to negotiate price with buyers
- Bank loan is very small (only 30 million VND) and in short-term (3 years) while it often takes 7 years to harvest the timber.
- Lack of capital to invest in processing facilities
- No money comes back the group for re-investment
- Limited market, mostly sold at the commune and district market; dependent on middle men and unstable price.
- High transportation cost due to remote areas (60% of the price is to cover transportation cost)
- Lack of access to market information
- Unpredictable weather
- Better quality of seedlings and more technical trainings and forestry extension support are needed.
- Do not know which species of high economic value they should grow. Farmer Union should joint hand in contacting research institutes or universities to find a suitable species for them.
- Small scale forest and few membership. They should collaborate with other groups
- They should go beyond planting and harvesting to become a professional organization such as conducting financial record and audit, having a communication and information system or an organization development strategy.
- The group should consider whether they should focus on only one type of products or variety of products.

**Case Study 2: Tu Long Wood Processing Company in Phu Thinh Commune**

**Owner: Mr. Nguyen Duc Hai**

The acacia group often sells their products to Tu Long Processing Facility. The company has just been registered in 2014 but it has been evolved from a family business since 2003. The owner, Mr. Hai buys inputs from a number of households in the commune (about 120 – 200 households/village), process the wood to make pallet or trucks’ floor and sell to provincial markets as well as export to South Korean, China, Taiwan, Singapore.

Local farmers often sell wood for this company because it offers higher price than other state-owned paper mills. In the communes, there are other 4 private processing facilities and several state owned paper mills (SOEs).
According to Mr. Hai, local farmers grow the tree in line with MARD’s standards so he is happy with the quality of inputs but the key factor is to have advanced processing technology to improve the outputs. In addition, Mr. Hai would like to apply for FSC certificate so that his products are eligible for exporting to Australia and European countries but he does not know where to submit the application. He saw the large difference in price between the certified and uncertified timber. The former can be sold at 290$/m³ while the latter is only paid at 190$/m³. Due to the lack of certificate, at the moment, Mr. Hai has to sell his products through another company who is certified by FSC in order to export products to Australia and only receive 230$/m³ back. On average, he exports 1600 m³/year to Australia.

Regarding the exporting tariff, Mr. Hai shared that the government imposed 20% for exporting timber that is more than 3 cm thick, 9.5 cm wide and 1.05 m length; 5% for other smaller size timber and 0% for wooden furniture.

**Case study 3: Cinnamon Corporative in Dao Thinh Commune, Tran Yen District, Yen Bai Province**

**Head of Corporative: Mr. Nguyen Van Nam**

Dao Thinh Commune has 504 hectares of cinnamon over 1,330 hectares of natural land. Cinnamon trees are planted at high density, with over 2000 trees per ha. All parts of cinnamon trees can be sold including leaves, stems, branches (even the dried and dead ones), bark and trunk. Leaves, stems are dried, ground and packed in bags to distill the oil or make incenses. Bark can be processed in many ways to provide different products. Finally, the cinnamon tree trunk can be used for furniture. Thus, local people really want to invest in such high economic value species.

Established in 1997, 3 – 2 Corporative was first a group of veterans who would like to get richer from forest plantation. At the moment, they have 15 members in charge of planting and processing cinnamon over 35 ha and employ 20 – 30 full-time workers. The average income of members is 70 million/year from cinnamon. By 2014, the net profit of the corporative is 1.4 billion VND:

<table>
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<tr>
<th>Revenue</th>
<th>Costs</th>
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<tr>
<td>Harvest Cinnamon: 1.5 billion VND</td>
<td>Investment cost: 600 million VND</td>
</tr>
<tr>
<td>Process Cinnamon: 300 million VND</td>
<td></td>
</tr>
<tr>
<td>Other services: 200 million VND</td>
<td></td>
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<tr>
<td>Total: 2 billion VND</td>
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</table>

The corporative has been registered and has to comply with the Law of corporative in which requires a well-structure management board. There are one Head, one Deputy Head, one accountant and one controller. The reason for registering as a corporative instead of other forms is attributed to its small business scale. When they can expand forest plantation to 50 hectares, the leaders may want to upgrade to a private company. However, at the moment, due to the limited land, the organization cannot plant more cinnamon so they has a strategy to invest in processing technology to produce value added products such as to distil oil. Unfortunately, to do that, they still need some spaces for machines and facilities.
Members sell their products to the corporative and then the corporative helps to sell it to processing companies or to the market. The Head receives 2% of the turnover at the end of each year. There are several other cinnamon corporative nearby but the leader said that they have very good relationship with their neighbors so not high competition. However, Mr. Nam does not want to increase their membership by merging with other corporative since it will be more complicated to manage a bigger organization.

According to the Head, there are many benefits of grouping together in a corporative. They registered and has a legal entity so they are eligible for many technical and financial assistance from local authority. “We registered, we have to fulfil obligations with the government but the government in return also has responsibilities for helping us” said Mr. Nam. For example, the government invested in 1 km of the path from the main road to the corporative. More importantly, when working in a legal entity, every members has to comply with the law and regulations.

**Case study 4: Mr. Trung and Ms. Nhund (Trung’s wife) cinnamon processing facility**

**Ms. Nguyen Thi Nhund**

Nhund and Trung was used to be one of the poorest household in the village. When they got married, all assets they owned were only 720 m2 of rice field and 200 cinnamon trees inherited from Nhund’s parents. At that time, they did not know what to do with cinnamon so their main livelihood was making wine and raising pigs. One day, by chance, Nhund saw a middle man delivering cinnamon trees to Yen Bai Railway station to sell for Hanoi customers. She felt curious and invited that man to her garden. The man agreed to buy 3 cinnamon trees at first and several trees later. However, after 1 month, the first middle man stopped buying so Nhund and her husband had to buy a bicycle and later a scooter to deliver the trees to other communes and districts in Yen Bai to sell for money. Yet, Nhund was still not sure who were the end users of cinnamon and what they did with cinnamon. Hence, she decided to go to Dong Anh District, Hanoi to explore why many people want to buy cinnamon. By coming to different processing companies, Nhund realized that all parts of cinnamon can be sold to make a variety of products. From then, her professional career as a cinnamon grower, processor and trader started. In the first two years, the family received unfair price and suffered a loss because buyers knew they came from Yen Bai – a remote area and may not know the price. Nevertheless, Nhund still insists on what she is doing and tries their best to produce good quality products and gain reputation and trust from buyers.

In some years of severe loss, Nhund decided to stop selling but focused on plantation and studied the best way to plant cinnamon efficiently. Beforehand, local people planted 1 tree every 3 - 4 meter but Nhund observed it was not an optimal density, the trees cannot grow high and fast in such large distance. She tried 1 tree 1 meter in the first year and started thinning in the third or fourth year. By doing so, she can not only harvest high timber but also have both young and old trees to sell and cater diversified demands.

With their strong determination and inquiry mind, Nhund and Trung had overcome difficulties and developed their own business (previously they were also a member of 3 – 2 corporative but when they had more capital, they transferred their membership to their brother and worked individually). During the last 3 years, they have sold 800 tons of cinnamon barks, exported 300 – 400 tons of final products to Japan, South Korea, Bangladesh, India and 200 – 300 tons of leaves and stems. They also invested in processing facilities such as drying kiln, chopping machines, 2 trucks to transport cinnamon to Hanoi, etc. They employed 22 workers including 18 women and paid an average salary of 3 – 4 million VND/month. They still plant 2 ha of cinnamon to improve planting skills and get more experience. By both processing and planting, the family has average profit from 500 – 600 million VND/year. Besides paying tax to the government, the household also contributes 3 – 5 million VND/year for public welfare like building roads, charity works, etc.
After 18 years of building trust, Nhung and Trung now can reach big processing companies. To get market information, she call 2 – 3 big companies to cross-check the price so the market information is updated every hour. In case of low market price, they will not harvest the tree but wait for more positive market signals since the cinnamon can be grown from 50 – 100 years (although the quality will reduce gradually after 50 years).

The family buys inputs from 4 surrounding communes and several agents in other districts. To ensure high product quality and meet customers’ demand, Nhung trains local growers about the optimal density and when the appropriate time for thinning and harvesting. They also apply standards and strict rules on quality control. For instance, no bark less or more than 43 cm length will be accepted. Thanks to that, their business can compete with other companies from Quang Nam Province – another area rich in cinnamon resources.

The production is made at order basis. And a variety of products is made to cater the need of both poor, middle-income and rich customers. However, the family cannot afford packing facilities at the moment. “I started my business with a “don ganh” (a shoulder pole with 2 baskets), 1 knife to peel the bark and 1 bicycle. Let’s talk with farmers in your country who are as poor as me to try their best and get out of poverty. No matter planting or processing, I always love cinnamon” said Mrs. Nhung.

It is a very inspiring story from a female farmer. To help them get higher profits, participants of Forest Connect advised to invest more in marketing and market forecast to identify optimal quantity of cinnamon.

**Case study 5: Bac Son Tea Corporative, Soc Son District, Hanoi**

Bac Son Commune has 400 hectare of tea. In 2012, realizing the potential profit from growing tea, Hanoi DARD decided to pilot VietGAP safe tea model in the commune. With support of Farmers’ Union, some active members, Mrs. Dao Thi Quy and her husband Nguyen Quang Huy raised the idea of setting up a tea corporative and called for participation of households in the commune. At first, there were 8 members who have at least 1 ha of tea and contributed at least 20 million VND. The total initial capital of the corporative was 200 million VND. The Commune People’s Committee then approved for their application to be a corporative.

The corporative received technical trainings from Hanoi Centre of Seedlings under Hanoi DARD. The Centre also subsidized 50% of the seedlings cost and provided funding to build 2 show rooms to advertise the products and several machines to dry the tea.

To date, the corporative has 50 members and buy inputs from 200 households. By joining the corporative, local people can sell tea to the corporative at higher price than the floating market and receive technical assistance from the Centre. Yet, the corporative faces many difficulties in selling these products to the market. Among 5 tons they produce per year, only 1 ton has sustainable demand from government agencies and receives fair price. For the remaining amount, it is very difficult for the corporative to compete with other old and high reputation brands. Especially, for the unpacked tea which cannot be kept for a long time, the corporative often has to sell at low price.

Regarding benefit sharing, for the first two years, the profit has not yet been distributed to members in order to reinvest. In principle, for the upcoming years, 50% of the profit is shared between shareholders and 50% is kept for reinvestment.

This is the only one tea corporative in the commune. The heavy subsidy from the government has excluded other companies and organization from competition. Meanwhile, a careful market analysis has not been carried out to forecast market demand for tea as well as to explore whether there are any other potential products for market development.
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