Agreed version of

Distinguishing community forest products in the market

A collaborative project to enable consumers to better recognise community forest products

Terms of reference

Background

Community forestry has rarely been an economic success story until now. The limited examples of positive progress have almost always been heavily subsidised by external support agencies. This has many reasons, and amongst them are scale problems, unfamiliarity of small forest owners with market mechanisms and financial constraints. These ToRs explore solutions to make community forestry economically viable. They aim to demonstrate demand (or the lack of it), and develop options, to distinguish[1] sustainable and fair community forest products for discerning consumers in the North, thus allowing trade partners to seek identified and selected markets for these products. Whether this is an achievable aim is highly dependent on the collaboration that can be achieved between various stakeholders, and on the creativeness of the involved people. However, with continuous concern over widespread poverty (not in the least in the Millennium Development Goals), it can be seen as a mission to undertake, without knowing the outcome.

Sustainable production of forest products is defined and can be recognized. This is one of the major successes of the Forest Stewardship Council (FSC) certification system and many subsequent and sometimes less rigorous alternatives[2]. As an example, FSC has not only brought 74 million hectares of forests[3] under good forest management, it also provided the instrument to make products originating from these forests recognisable in the market. In a country like the Netherlands, 12% of

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[1] We use the term 'distinguish' in its broadest sense to include any strategies for market access (e.g. it may be more important for producers to have products that can be sold - 'unlabelled' in the formal sense of the word but still benefiting in terms of market access from their community origin e.g. in blended products derived in part from community products - than to demand a separate label which might be difficult to uphold in competing markets.

[2] Such as CSA, LEI, SFI, Keurhout, PEFC, MTCC etc.

[3] April 2006, www.fsc.org

all wooden products (incl. paper) now comes from FSC certified forests and the number is increasing continually[4].

Approximately 85% of the total certified forests are in North America and Europe[5]. Most of the certified products are originating from industrial forests. FSC and other schemes work mainly with conventional markets, where large global retailers exercise significant control over the demand for and commercialisation of certified wood[6]. This strategy has led to rapid expansion. Forest management and production conditions have been significantly influenced by certification.

The predominance of Northern industrial forests certified by FSC after only 12 years is both a success and a setback. It is a success because it proves that major forest companies (and major governmental policies) have significantly been influenced by FSC's definition of good forest management, and act according to this. It is a setback because FSC until now hasn't been able to facilitate the majority of small forest owners and producers into the certified market with sustainable products. In addition, those FSC labelled products coming from community forests, cannot be identified in the main flow of FSC labelled products. There are some good examples of community forestry in the FSC system[7], but they carry no specific recognition as coming from communities, in addition to the FSC label. This makes them invisible to consumers who might preferentially want to support poverty reduction in Southern communities.

Fair Trade product labelling by FLO has been highly successful, especially in tropical fruits (bananas), cocoa and coffee. Fair Trade aims to increase direct income for small producers, and provides them with access to new markets. Although some large retailers are involved in Fair Trade, the system aims to change the relation between the buyer and the small producers, by allowing a fair price for the efforts of the small producer. Fair Trade also preferentially supports democratic membership forms of businesses, such as co-operatives, that distribute benefits more evenly across participating communities. Fair Trade offers prepayment and purchases products directly from growers organisations with contracts extending beyond 1 harvest cycle, in order to enhance greater financial stability for the growers. Fair trade coffee has found a niche in the market that is more exclusive, socially responsible, and 'feel good' coffee. While coffee is one of the worlds five main commodities, fair trade coffee imports in Europe registered 27 million pounds in 2002, which is worth over $ 300 million dollars[3].

The momentum behind Fair Trade timber is starting to build[8]. There is a very obvious reason for Fair Traded Forest Products: one fourth of the forests in developing countries are community owned or managed. Over the last 15 years the amounts of hectares of communities in less developed countries has doubled and it is likely to double in the next 15 years, due to government policies and links between environmental and local development[3].

There is potentially a niche in the market for these kind of products, provided:

- that the choice of products is right:

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[4] 2004 research, www.fscnl.org

[5] Nussbaum and Simula, 2006

[6] P.L. Taylor, A Fair Trade approach to community forest certification? A framework for discussion. Journal of Rural Studies 21 (2005); the author is researcher at Colorado State University, Department of Sociology, USA.

[7] For example in Mexico (San Juan Nuevo Parangaricutiro, a Purepecha indigenous community located in the state of Michoacan, Mexico) and Guatemala (where Acofop has initiated the Forescom group certification company in the Peten, and established with the timber from the communities an export line to the USA).

[8] Blowfield et all, 2001 and Roby, 2005

- this may not be a good initiative for large volume commodity timber, but it may suit exclusive designed ranges of products in the field of flooring, shelving, mouldings, etc.[9]
  - one constraint will be that the amount and type of available community timber fits the demand for the product: communities in the South often extract small volumes of diverse species
- that the effort gain the interest of innovative companies trading forest product, eager to excel in the market by finding new niches

At the General Assembly of FSC in Manaus in 2006, the Assembly mandated FSC International Centre to collaborate with FLO and other organizations to identify options for FSC products to carry labels which recognize the added social value of their management. There is also a new SNV / WWF partnership to assess options for community forest and agricultural products in Bolivia (Community timber), Peru (non-GM soy), Cameroon (Community timber) and the Mekong countries (Rattan and Acacia plantations). These ToRs will be a valuable complement to these case studies.

Goal

To increase the returns to local communities from well managed forest production.

Objective

To demonstrate demand (or the lack of it) and develop options to distinguish and promote sustainable and fair community forest products in the market.

Process

The intention is to coordinate an interactive process with two short phases of research culminating in opportunities for discussion and comment by the steering group and other key partners. The research will be guided by a steering committee, consisting of ICCO, WWF-I, FLO, FSC, ISEAL, a company/retailer and FORCERT.

The demand side work aims to provide detailed insights into the market trends that are likely to influence company purchasing and branding / advertising of community products. It will survey and document a range of business size and spectrum for purchasing businesses or those potentially interested in this field. The aim of this component of the work will be to make a broad assessment of the issues and options that influence buyers in relation to community products – laying out scenarios that might fit with buyers needs - and justifying which options might be preferred and why.

The project will also look broadly across different contexts and schemes at options and opportunities to distinguish and promote forest products from communities in the market – both at the national level and international level. This will make it possible to identify the best option for progress – even if the conclusions show that there is not a good option to distinguish community products in the market – and even if some of the options are derived from practices currently outside FSC and / or fair trade institutions. The identification of options or piloting of any new

[9] Already available are fully certified products from communities as instruments, kitchen utensils, wooden toys, craft boxes, photo-frames, small furniture and wood carvings.

initiative between community forest enterprises / fair trade / certification – will target the FSC certification scheme.

The research will be conducted primarily by Duncan Macqueen. Additional IIED researchers will also be called on to complete specific components. For example, Sonja Vermeulen will conduct a second case study. Emma Wilson will analyse demand surveys of international buyers through a lens of corporate social responsibility. James Mayers will review draft documents and links with Forest Investment Forums.

The two field visits to two southern partner groups will explore the perspectives of national buyer groups. The national contexts have been agreed with the steering committee on the basis of six criteria:

- at least two geographical regions must be covered for credibility – falling outside Bolivia, Cameroon and the Mekong countries where examples from SNV will serve to augment this projects work
- extent of community certification by FSC – both successes and failures from which lessons can be drawn
- models of company community relationships from which lessons can be drawn
- existence of suitable partner NGOs with experience of the sector and buyers
- organised groups of buyers of certified products
- strong history of IIED work and contacts

IIED will identify suitable national partner NGOs to assist with this work in each country. IIED will also use the partnerships afforded by that field research, to constitute a project reference group that will ensure Southern analysis of the various options explored during the project.

The process will be spread over an eight month period (but involve six months of staff time interspersed with inevitable existing commitments) with two phases or streams of research (the first two overlapping – but separated here to give a logical flow):

- Meeting at the end of phase 1 – March 2007
- Meeting at the end of phase 2 – June 2007

Because one important element of this project is to build momentum towards the piloting of new initiatives – the process by which findings are generated and the way in which they are disseminated are critical issues. The aim will be to strengthen an alliance of individuals and institutions who are interested in pushing for fairer trade in timber and NTFPs.

Outputs and activities

PHASE 1 – DEMAND SURVEYS

Domestic

1. Assessment of the potential national market demand for lines of forest products originating from communities in two southern countries – with a primary (but not exclusive) focus on timber

Activity 1.1 Identify two suitable regions for national surveys of buyers of community forest products in the South – using the criteria listed in the paragraph above

Activity 1.2 Preliminary survey of the market trends and attitudes of buyers of community products from two regions to distinguishing community forest products in the market place – and the potential for price-premiums / reduced certification costs / CSR options such as transfer payment etc

Activity 1.3 Identification of the main community forest product lines and the terms under which trade takes place – including the main difficulties associated with such trade and including both successful and unsuccessful product lines.

Activity 1.4 Mapping of the market and associate value chain and the main opportunities and constraints to moving towards fairer trade at a national level for specific product lines

International

2. Assessment of the potential international market demand for lines of forest products originating from communities amongst buyers in Europe – whether FSC certified or not – and their perceptions of the major structural issues for community producers in the South

Activity 2.1 Preliminary survey of the market trends and resultant attitudes of timber product buyers in Europe and the Americas to distinguishing and promoting community forest products – through a survey of GFTN members and as broad a survey of other potential sizes and types of buyers as possible – assessing the potential for price premiums / reduced certification costs / CSR options such as transfer payments /

Activity 2.2 Brief survey of current traders of fair trade products and further exploration of whether there is any interest in expanding lines of products based on timber. This survey will include both succesful and not succesful examples of products in the market from communities and lessons to be learned from that.

Activity 2.3 Identification of existing examples of successful or defeated companies involved in fair trade sustainable forest products (like B&Q, WFI, COATLAHL, COOP Denmark, Bluelinx, North American Wood Products, Body Shop etc.) for detailed discussions on the factors affecting success for attempted product lines – with whom output 3 will be conducted

Activity 2.4 Discussion of a market and value cha in analysis with at least two interested buyers.

Particular product lines

3. Identification of particular product lines for which greatest potential exists – and assessing how the structure of their market chains affects those prospects

Activity 3.1 Preparation of a short inventory of the specific product lines from communities – especially where high demand and market potential exist – giving particular attention to the quantity, quality and timing of demand.

Activity 3.2 Institutional mapping of the structure of one promising market chain and identifying specific opportunities and constraints – including policy and trend analysis.

Activity 3.3 Discussions concerning the timing of market development – what strategy would be needed to develop markets for community products – what it would need - how long would it take – and what would it cost.

Activity 3.4 Synthesis of the most promising types of community forest product and the institutional structures that might be required to distinguish these products and reward them with fairer terms of trade.

Activity 3.5 Explore how a price premium for specific product lines might be developed and benefit sharing options

Activity 3.6 Assist with the coordination of a steering committee meeting to spread the findings of this phase of research – overview, specific examples and levers required to make progress

PHASE 2 – OPTIONS FOR SYSTEMS

4. SWOT analysis – What strengths, weaknesses, opportunities and constraints would need to be addressed to progress towards a new system within or collaboration between existing FSC and fair trade institutions?

Activity 4.1 Develop economic, social and environmental criteria against which to judge different options

Activity 4.2 Meet with key decision-makers in the fair trade movement and FSC to discuss in detail the general systems and particular mechanisms and processes governing:

- standards e.g. issues around ownership, legal property of marks, decision making processes in the current systems (stakeholder driven), time and process to develop new standards etc
- standards and system requirements
- accreditation of certifiers
- group certificates for producers and processors
- inspection / certification
- branding and labelling and use of non-label advertising material and claims
- producer support mechanisms and associated costs of capacity building
- technical issues
- capacity & costs re the above

Activity 4.3 Identify the main areas in which adaptation of existing mechanisms and processes might be possible, or where new initiatives might be needed, in order to promote fairer trade and increase returns to community groups. Produce 2-3 scenarios from a broad system perspective.

Activity 4.4 Discussion concerning the timing and process required for any adaptation to existing systems or development of new systems (bearing in mind decision making structures and system governance).

Activity 4.5 Draft initial recommendations and submit next steps to steering committee members and any broader institutions whom the steering committee may deem necessary.

5. Analysis of benefits and risks – economic, social and environmental benefits – if such a pilot initiative should move ahead

Activity 5.1 Analysis of the key opportunities and risks together with steering committee and other key stakeholders

Activity 5.2 Assist with the coordination of the final steering committee meeting to spread the findings - overview, specific examples and levers required to make progress

6. Identification of possible pilot systems

Activity 6.1 Working with interested stakeholders identified from Outputs 1 and 2 – discuss the possible design of a pilot for one or more particular product lines.

Activity 6.2 Participatory design of possible activities that would be needed to address the concerns identified in the SWOT analysis (from output 4) for particular product pilot lines.

Time frame

Then project would ideally run from 1 November 2006 to 30 June 2007