

# The role of community forest enterprises

**A discussion on improving business practice in communities, featuring FAO's Sophie Grouwels and Peking University's Xu Jintao**



**Enterprising villagers:** Successful community forest enterprises require good planning and market information. *Photo: Tetra Yanuariadi*

**Comment from the floor:** I would like to know more about experiences related to certification.

**Sophie Grouwels:** There are very few good examples of community-based forest enterprises that have gone for certification because it is a lengthy, complicated and costly process. More examples are arising, however. In Laos, for example, a Worldwide Fund for Nature project has worked with several communities on rattan certification and they have recently obtained a Forest Stewardship Council certificate. With certification the amount of product has to be significant to make it cost-effective, or there needs to be a project behind it that can fund the cost. This may not be sustainable for community enterprises without support. Enterprises need to ask, what is the benefit of certification? Are we going to get a higher price or a more secure market for our products? If you are sure you are going to export to markets where certification is requested then maybe it is a good niche to work towards, but otherwise community forest enterprises have not seen great benefits from it yet as they normally aim at more local markets.

**Comment from the floor:** I would like to share my experience in Indonesia, where I am an investment adviser to the Ministry of Finance. In general, I have found that the times I lost my money was when I listened to my ideas, and when I have made money I have listened to the market. There are small-scale teak-growers in Indonesia who used to sell their wood for \$40 per cubic metre and now that their operations are certified they sell it for \$500. This is mainly on private land involving smallholders with 1-hectare plots. They are assisted by a local NGO, which has just got a second project certified. The project was certified at 5 pm on a Friday, and by 7 pm they had already sold all their timber for the next 20 years at \$650 per cubic metre. Therefore,

certification can be a good investment for community enterprises.

**Sophie Grouwels:** I agree that we have to listen to the market. We have to know what the markets are saying before we decide which enterprise we engage in.

**Comment from the floor:** I would like to know the role of government in forests in China.

**Xu Jintao:** China has experienced forest growth for 30 years. For the first 20, this was mainly because of government programs, and in the last ten years the driver has been individual households. The problem with the government-driven programs was that farmers received very little benefit, which mostly went to local and village governments. Because of this, collective forest management gained little support from farmers. The aim of the most recent tenure reform is to benefit the farmers more and therefore to give them an incentive to manage the forest sustainably.

We have found over the tenure-reform process that the individualization of forest tenure has resulted in better performance than collective management because it provides an incentive for the adoption of new forest technology and management models and therefore has led to a new product mix, higher revenue and incentives for reforestation and afforestation. It also seems to enhance farmer investment in rural businesses by lifting credit constraints in the countryside. Forestry is now a major source of income growth in rural China.

**Comment from the floor:** It is a challenge to bring new technology for value adding, quality management and packaging to rural areas. In India we have different laws for the control of packaged commodities, and people producing at local levels have less information on these laws.



Photo: Hwan Ok Ma

**Comment from the floor:** There are some areas in India out of the eyes of NGOs and government, where resources are not reaching. They have no access to markets and other things. How can we address this problem at the global, national and regional levels?

**Sophie Grouwels:** Getting new technologies to rural areas and rural enterprises is a big bottleneck. We call them ‘appropriate’ technologies adapted to the needs and capacity of the enterprise and community. The entrepreneurs themselves need to define where they go with their products and at which markets they are aiming, and based on that they will identify the technology they need. When they realize it will be too difficult or costly to access this technology, they often change strategy. That is the beauty of the Market Analysis and Development (MA&D) approach—you adjust your strategy to the capacity of the community and its accessibility and the constraints that apply.

We have heard of community-based entrepreneurs who are attempting to grow their businesses in forests in Kalimantan but the prices are so low that the businesses are not sustainable. In that case I would say, don’t do it, you are wasting your time. This is a common problem. A lot of entrepreneurs start doing things that are not beneficial for them. It is important to plan well with the best-possible information on markets: you develop a market strategy and make a business plan to see if the scheme will actually be worthwhile. Many local communities are very quick to find the right enterprise strategy for their own situation.

**Comment from the floor:** There is a sense that community forestry in its various forms is on the cusp of moving to a new level. In most countries, however, communities are limited in their ability to harvest the true value of the forest. For example, they are limited by regulations to non-wood forest products. So we need to

unlock the true value of the forest, especially the timber. If we really want community forest enterprises to contribute to economic development, we need to look at how we can free up communities to use the timber resource.

**Sophie Grouwels:** Yes, it is important that communities are able to access the timber and mobilize the timber resource. However, we should also be aware that many non-wood forest products such as medicines and essential oils have extremely high potential value. We need more research and development into such products and mechanisms that ensure that local communities benefit from them.

**Question from the floor:** In China, privatization is a factor in the increase in income and welfare. How do the people sell their products?

**Xu Jintao:** In general, Chinese people are very entrepreneurial. I don’t really worry about the market. In 1985 we had two years of timber market liberalization. So many people wanted to buy and sell timber that the timber supply was too small. You don’t really need to worry about selling timber in China. Most of the nice furniture that Americans are putting in their homes today is probably produced by rural farmers in China.

**Question from the floor:** What is the potential of ecosystem services for generating income for communities?

**Sophie Grouwels:** Payments for ecosystem services are becoming important in some countries. In many communities, however, there is an immediate need for cash income, so it may be best to work first on something very certain—such as timber and some non-wood forest products. Then, as entrepreneurial skills develop, communities may be able to take advantage of other things, such as payments for ecosystem services. There are already good examples of community businesses based on ecotourism and watershed management.



Photo: Hwan Ok Ma