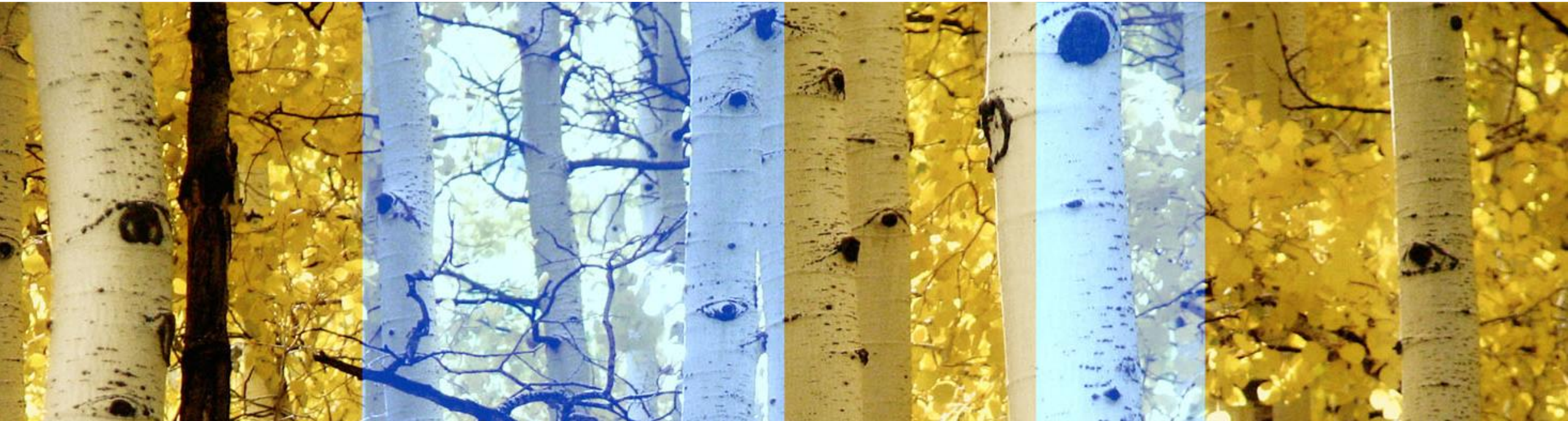


Profitable investments in the forestry industry value chain with expected sustainable development - *Tanzania case*



53rd Session of the International Tropical Timber Council – Lima, Peru

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1. RATIONALE

The future growth of forest industry value chains will be more and more based on sourcing wood from private, small to medium size tree growers, instead of large-scale industrial estates.

Sustainable commercial or productive value chain integrating smallholders to downstream processing is proven to be effective means to:

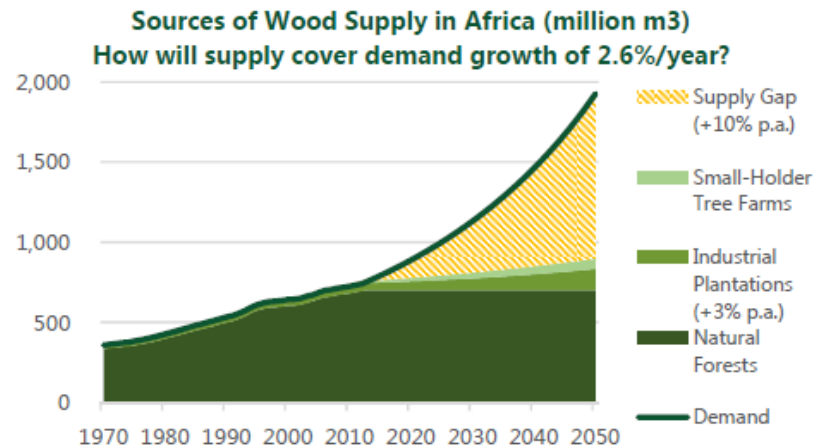
- Fighting deforestation
- Expanding forest assets with increased carbon stocks, mitigating climate changes
- Producing benefits for local communities
- Enabling industrial development in scale



2. DEMAND vs SUPPLY

In Emerging Markets:

- **Supply Gap** due to high population growth, urbanization rates and stagnant supply
- Expansion of forest assets plantation with large scale industrial plantations is limited due to land tenure, social stability and sovereign matters



Solutions for Demand vs Supply Gap:

- Rehabilitating existing plantations (site vs specie, products vs end markets, silvicultural improvement vs productivity)
- Develop greenfield plantations on suitable land with community involvement
- Development downstream processing for added value products
- **Scaling up resources based on private forestry is the option for the future**



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2. DEMAND vs SUPPLY

Private forest smallholder definition:



One to 1,000
hectares



Non-industrial
plantations



Local people

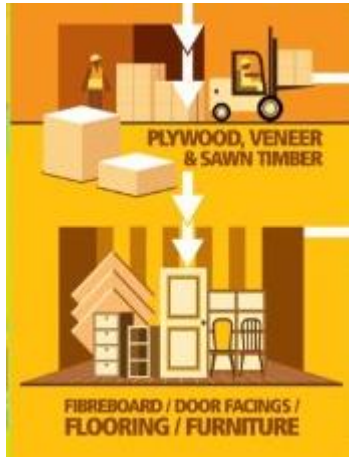


Local
ownership

Private Forest Scaling Options

- Tree Growers' Associations: scale benefits from technology, logistic and market access
- Outgrowers schemes: financial support, social and environmental benefits

3. INTEGRATION TO DOWNSTREAM



Industrial clusters

In Europe:

- Industrial infrastructure enables scalable and diversifiable wood & wood fiber based industries and energy generation, largely supplied by private farm forestry
 - In Finland and Sweden, the average size of private forests is 35 to 50 hectares
 - In Germany, France and Austria, the average size of private forests is less than 10 hectares



Smallholders

In Vietnam:

- Over 50% of the plantations are held by smallholders
- Industrial growth is largely based on smallholders tree growing schemes
 - Vietnam is one of the largest exporters of wood chips, reaching 8 million tons per year
 - Vietnam is also a production hub of wooden garden furniture

4.EVIDENCE CASES



Indufor has been involved in several forest and forest industry value chain investments across the globe.

Here are some recent examples:

- Private forest owners' integration into forest industry value chains with tree growing programmes in Brazil and Uruguay
- Development of smallholder tree growing in Vietnam
- Identifying forest industry projects that can mitigate climate change impacts in Indonesia
- Development of smallholder tree planting and their integration into industry value chains in Tanzania and Mozambique

Indufor's experiences in forest industry value chain investments in emerging countries



We will present the case on Tanzania here.

4. EVIDENCE CASES

Tanzania Private Forestry Project (PFP)

Main Goals

- Establishing commercial private forestry, having as focus point small to medium families' land owners
- Increasing well-being, creating wealth and reducing poverty in Tanzanian Villages through tree growing economy

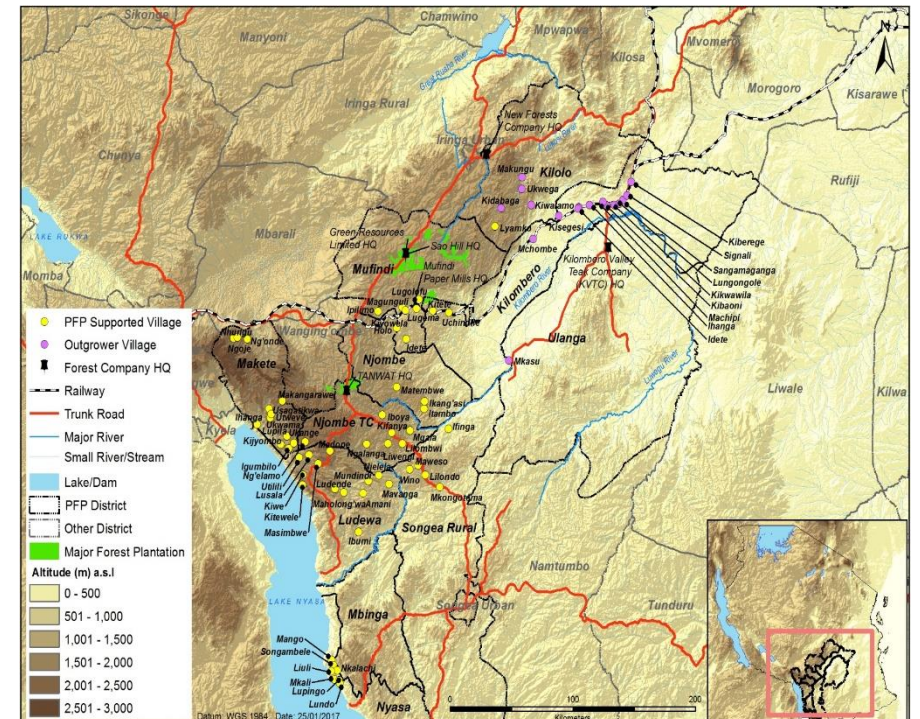
Rationale

- International experience supports the idea of tree growers incentive schemes
 - Building a critical mass of plantation for industrial use
 - Mitigating farmers' risks with incentive schemes
 - Enabling social and environmental benefits of forestry plantations

Challenges for Industrial Development

- Increasing share of smallholders' industrial wood
 - Scaling smallholder production
 - Integrating smallholders to growing industrial value chains
 - Scaling and diversifying industries (efficiency on raw material usage, price taker vs price setter)

PFP's area and supported villages



Source: Indufor product, 2017

4. EVIDENCE CASES

Tanzania Private Forestry Project (PFP)



Value Chain Approach – integrating smallholders to the value chain, through associations and outgrowers schemes

Property size: 0.5 to 200 hectares

- *Pinus patula*: 15 to 20 yrs rotation
- *Eucalyptus grandis*: 7 yrs rotation

Project is offering:

- Training on tree growing practices to build capacitation
- Incentive schemes based on size of the property and silvicultural practices

Project is focused on Tanzania’s Villages

- Village Land Use Plan: identifying forest clusters
- Village Savings and Loans Associations: micro-finance instruments

Forest Industry Training Center

- Focusing on small to medium local enterprises
- Offering training in better equipment and machinery, targeting work safety and quality
- Supporting network connection with machinery dealers

Mapping opportunities

- Local value chain study, identifying opportunities for different wood products
- Forest Investment Conference, promoting plantation and industrial investments opp.

Assessing the markets

- Villages coordinating the wood sales
- Developing a market share for smallholders

PFP Tanzania, 2012 - 2018
60 villages -15 000 hectares
EUR 20 million

5. TAKE-AWAY MESSAGES



- African forest industry have to rely on small and medium size tree growers for its sustainability and future growth
- There are successful forest industry clusters that are based on private farm forestry (e.g. Europe, Southeast Asia)



- It is possible to build up a scalable small to medium size forest owners in association with tree growers schemes and other partnerships.
- Industrial infrastructure is key to consume raw material in different wood assortments, resulting in value added prices for the wood products.



- Scaling and diversification of forest industries is the most critical element in the value chain



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