



Connecting communities to markets: developing small-scale markets for FSC-certified community forest operations

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Summary

This tool illustrates ways of improving the marketing of community forest products, with specific reference to FSC² forestry certification. It also aims to improve buyers' understanding of the difficulties faced by communities in developing marketable products. The aim is to influence policies on the procurement of forest products.

We have investigated various aspects that can be used by FSC-certified communities to improve their performance in accessing markets (local, national and international). We propose a series of steps to improve the balance in the relationships between community producers and buyers. The focus is to make buyers more flexible in their purchase requirements - and producers more attuned to requirements for quality, technology, delivery periods and marketing.

This tool can also be used more broadly. It will help any community seeking to market their products or services because it fosters an understanding of the buyers' rationale. It also recommends steps to resolve issues commonly faced by any rural community.

3

² FSC is the abbreviation for Forest Stewardship Council

What is this “Making the Connection” tool?

It is a tool developed for FSC-certified forest communities, buyers of community forest products and Non-Governmental Organizations (NGOs) that support marketing initiatives. The “Making the Connection” tool was developed in Brazil; but suggestions and observations can be used as examples for any group with similar circumstances.

“Making the Connection” aims to reduce problems faced by forest communities that engage in FSC-certified forest management activities. Such communities often face obstacles in accessing or finding markets for their FSC-certified product lines such as logs and sawn timber.

Six steps may help community groups to establish trading relationships with local or distant buyers.

1st Step - UNDERSTAND MARKET RHYTHMS – In order to avoid future disappointments, both the community and the buyer should understand each others expectations.

2nd Step – RESEARCH THE POSSIBILITIES AND CHOOSE THE BEST OPTIONS – Get to know how the customer procures the product. Choose options that the community can satisfy and invest in communication.

3rd Step – BUILD AWARENESS TO MAKE THE BUYERS’ DEMANDS FLEXIBLE – Help the buyer to understand the working pace of the community and to be flexible in his demands when purchasing community products.

4th Step – CREATE TRADING NETWORKS – Develop groups of producers in adjacent communities with whom to build market links – drawing in supportive institutions.

5th Step – MAKE YOUR PRODUCTS STAND OUT – Look for ways of adding value and credibility to the product, making it more appealing to buyers who place emphasis on matters of a socio-environmental nature.

6th Step - IMPLEMENT A PROGRAMME OF CONTINUOUS BUSINESS IMPROVEMENT – the FSC forestry certification was designed to improve forestry planning, reduce waste and increase sustainability.

Why is the tool need for reducing the marginalization of forest communities?

Historically, Amazonian forest communities have suffered economic marginalization. This is evident from a number of factors: geographical isolation, poor infrastructure, low levels of investment and irregular land ownership. With the aim of changing this scenario and improving the situation, many communities have sought to obtain certification for their forest products, but even then they have come up against marketing problems.

We investigated those communities that have already been FSC-certified by the FSC⁴ in the State of Acre and with designers and architects who use forest products in the State of São Paulo.

What are the main results?

The results indicate that certification and the cache of being produced by a “community” can be attractive to buyers. However, it is important that communities resolve problems of quality, regularity and competitiveness.

Interviews also reveal the need to change buyer expectations about trading with community groups. The conclusion, based on the interviews, was that expecting such groups to behave in a way similar to a large company is unrealistic. Understanding the factors that make the community business rhythm distinctive is crucial.

Another important problem that needs to be addressed is the huge unease felt by many community support organizations in working with issues that are not usually their speciality. Market issues become apparent at precisely the moment when the product leaves the forest – but most of these support institutions restrict their activities to the forest.

The results of the study are presented in the form of steps that communities should consider in order to succeed in marketing their products.

Steps recommended by the tool

STEP 1. UNDERSTAND THE MARKET RHYTHM

Markets work according to rhythms dictated in part by local culture, levels of education and scale. Successful business transactions must understand this rhythm. For example, community forest management operations follow a different rhythm from those of factories, retail outlets, designers and architects in São Paulo. Mutual understanding of the root causes of such differences can result in more realistic business expectations, thereby avoiding disappointments later on.

In addition to characteristic rhythms that are inherent to every place, there are some aspects that are universal and which are important in any trading relationship:

- a. Product quality – Quality is a fundamental requirement of buyers. General market research showed, for example, that quality is first in order of importance, with price only

⁴ The Forest Stewardship Council (FSC) certification system is the only one in existence in the Brazilian Amazon (2004)

fourth (IBRC, 2004). Quality and delivery regularity were the most important issues required by the buyers interviewed in São Paulo (face-to-face interviews) and timber importers in the USA (BRAGA, 2004).

- b. Process quality and socio-environmental impacts – It matters not just what is produced but how it is produced both in the forest and along the supply chain. Employee training in the use of new management techniques with suitable machinery increases efficiency and reduces environmental impact.

Operations wishing to be certified have to conform in any case to the demands of FSC or some other certifier where more sustainable management practices are mandatory. An example of this is the restrictions on timber harvesting in the Amazon region during the rainy season. Communities need to plan alternative economic activities when they are not harvesting timber.

- c. Scale and Transport – Scale of production is one of the most important items in accessing markets since scale affects transport costs. For instance, the costs incurred by vehicles with a small load capacity (500 kg) are up to 41 times more expensive than transport using a conventional 15-tonne truck (GUIMARÃES E UHL, 1998).

It is important to note that, as a rule of thumb, the farther away the consumer market is, the greater should be the amount sold in a single consignment. Timber importers seldom buy in quantities smaller than a 40-foot container load (25 to 30 m³). Community producers should pool their production so as to achieve volumes that minimize transport costs. In the case of timber, it is recommended that the load be at least enough to fill a conventional truck.

Scale also influences other factors besides transport. Larger production scales offer lower raw material costs due to the larger volumes procured. Additionally, the relative cost for investment in high quality equipment is lower, and the negotiating position with buyers becomes stronger.

- d. Supply v Demand – The supply of and demand for particular products are determining factors in successful marketing. For instance, products for which there is no market demand run a high risk of not being bought! They will require a marketing strategy that is different from those that already enjoy a solid demand. For the purpose of community forest management, where resources to communicate are minimal, it is worth “Trying to make what you can sell, and not trying to sell what you can make.”

The trend worldwide is to procure products that have greater added value. This presents both a challenge and an opportunity for community forest management. The inclusion of lesser known species (alternative or non-traditional species) presents yet another challenge since the market has yet to expand its preference to such species. In this case, it is suggested that similar species be grouped together under the same trading name.

- e. Profitability – In the case of community forest management, where dependence on external capital is a fact of life, it is necessary to plan so as to achieve economic independence. This planning should take the following items into account:

- 1) **Credit:** Having capital to finance its activities is a key to the success of any operation; in this context it is essential for there to be public policies which

establish lines of credit for community forest management, but they should be accompanied by business training programmes tailored to the reality of the people in the community, including those not able to read and write.

- 2) **Profit:** It is vital to generate profit for reinvestment in the business or to pay off any possible financing. Where communities do not have basic administration skills to calculate profit and loss – training should focus on this.
- 3) **High working capital:** Reducing the time between product shipment and receipt of payment is important. In some countries, it is common, for example, for buyers to advance part of the payment to subsidise harvesting operations and product shipment. This practice makes it easier for communities to carry out forest activities. It also strengthens the community's trust in the buyer who has to make a commitment to support Community Forest Management - CFM. In return, the buyer expects compliance with demands for delivery, quality and quantity.

Market rationale – Selling products require a greater sophistication than simply knowing which products are in demand. For example, designers and architects interviewed in São Paulo pointed to the lack of commercial warehouses where they can source products that they would like to use in their production lines – a kind of “forest supermarket.” The desire of buyers in urban areas to source their raw materials from a “supermarket” is one of the main challenges that the community projects will face in order to market their products successfully in such centres.

Interviewed buyers did indicated their willingness to take on board new species and raw materials such as oils, leaves and tree barks. However it would be necessary for them to have physical visual samples of them so as to know how they look, feel and smell and how they can be processed. It is not possible for these and other characteristics to be conveyed by means of catalogues or, sometimes, even by small samples. Ideally, the product should be sent in the quantity, sizes and quality consistent with what the market would normally seek to procure.

STEP 2. RESEARCH THE POSSIBILITIES AND CHOOSE THE BEST OPTIONS

A. *Where and what to sell?*

Knowing how potential customers go about their procurement is very important when establishing new trading relations. This knowledge helps to build closer ties with the end consumer. In big urban centres, intermediary buyers often seek highly crafted products that are available in a single place such as an outlet, specialized stores or distributors. This is especially so in the case where the amount to be procured is small and variability is a critical issue. Such niche market buyers demand only small amounts of timber but in a variety of species that exceeds that procured by larger companies.

For example, high-quality furniture requires small volumes of higher quality wood, unlike the market for construction plywood where a bigger volume is bought. For furniture, quality is key – but for plywood it is quantity that matters.

B. *Is it important to publicize the product?*

Marketing is a set of internal and external actions aimed at satisfying the customer's/ buyer's needs, and publicity is vital.

A good publicity campaign is important to launch a product on the market. Firstly, thought should be given to who will buy it (the target-consumers). Next, there should be investment in how the product is presented, i.e. the labels, packaging, colours, stickers and information materials which also include the community's history. Good packaging is critical to differentiate the product from competitors on the market.

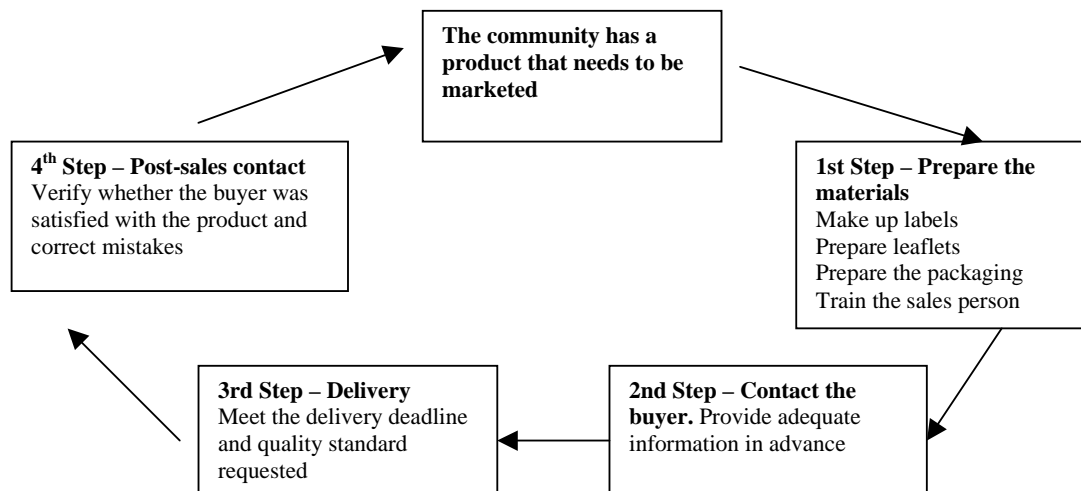
Publicity work is not limited to information materials. It also includes customer service before and after sales. The salesperson should have a good knowledge of the product and provide the buyer with reassurance concerning the item (s)he is buying. These are procedures that can make the difference between selling and not selling a product.

Tips for a good publicity campaign

A good business deal is one in which both parties are satisfied. To achieve this, the community should:

- Prepare materials that publicize their product, such as: packaging, labels and leaflets explaining how the community's work is carried out.
- Inform the buyer about the production process right from the start: how it is made, sales volumes, the delivery period, form of payment and so on.
- Invest in customer service for this is vital for successful sales, and to this end, it is necessary to train the salesperson.
- Comply with the delivery periods and ensure product quality – remember what was agreed at the time of sale; an unmet deadline and a product lacking quality would result in the buyer not returning. In addition (s) he will not recommend the products from this community to another company.
- Get in touch with the buyer after the delivery and ask if everything went well. If there is a problem, try to solve it quickly and make a note to correct it in future sales.

YOUR CUSTOMER MUST ALWAYS BE SATISFIED IF (S)HE IS TO RETURN

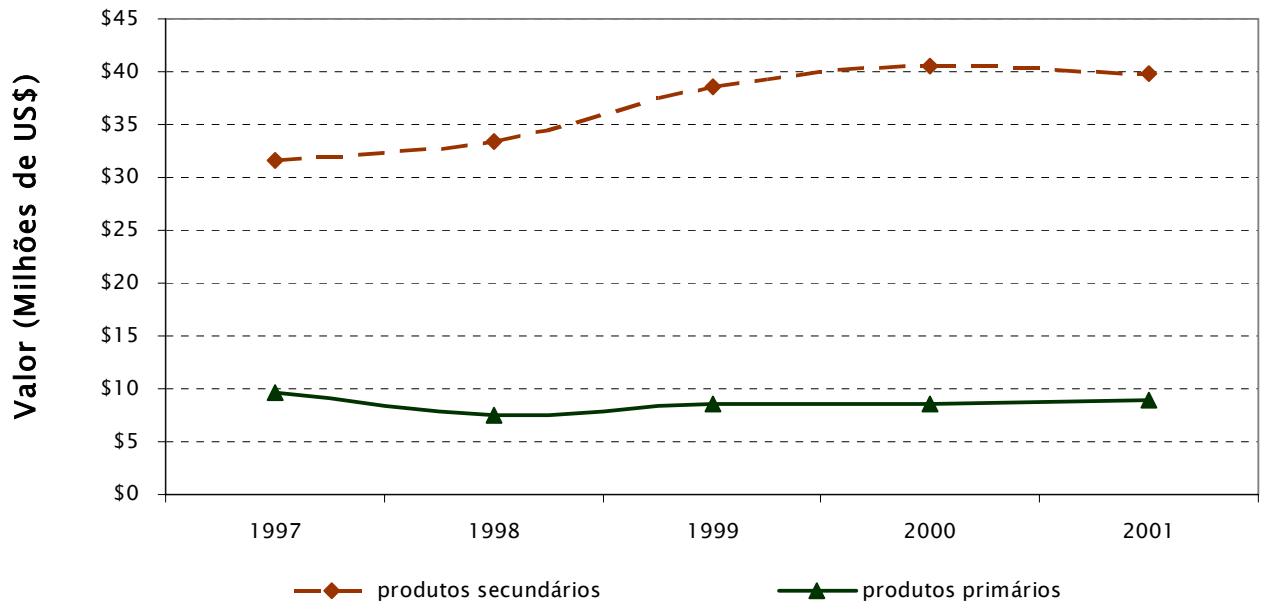


Choose suitable options

The community needs to determine what product and market options are available. Equally importantly is the assessment of whether these options are within the realms of possibility for the community in relation to its technology, scale and ability. Knowing what you would like to achieve is critical, especially when the market fluctuates because of local, national or international trends.

There is a trend worldwide to add value to timber production. In recent years, the International Tropical Timber Organization - ITTO has been monitoring a continuous increase in the imports of products with greater added value (Figure 1), estimating that in 2003, the volume of such imports amounted to 83% of the total imports of primary products. A growth of 400% when compared with the 1991 total (ITTO, 2003).

Figure 1. Imports of primary and secondary products by ITTO consumers (ITTO, 2003).



Portuguese	English
Valor (milhões de US\$)	Value (millions of US \$)
Produtos Primários	Primary products
Produtos Secundários	Secondary products

The graph above shows an irreversible trend. The trade of value-added products is growing and that of primary products has stabilized. Over the next few years, international trading of products with higher added value will replace the trading of primary products such as undressed sawn timber and sheets of plywood.

The production of tropical sawn timber has remained the same in Brazil since 1995, at around 14 million m³/year, 95% of which is for domestic consumption. (ABIMCI, 2003). At the same time, there is also a noticeable trend in Brazil towards secondary processing of sawn timber. The major products with high added value are composite blocks, moulded planks, frames, glued panels, floorings, pre-cut timber, doors and structural components. (ABIMCI, 2003).

The vast majority of these products require a high investment of capital. Nevertheless, there is room for organizations with lower capital, such as those working in community forest management, to invest in manufactured products. Some products require low-level technology and a stable market. Examples of these products are decking (flooring for external areas) and glued panels. In the first category, there are product lines that do not require drying, and the processing operations usually entail the use of simple machinery. In the second category, the domestic market shows a strong demand, mainly from the furniture sector, where several species can be included because these panels are used on the insides of the furniture.

Should I or should I not add value to my production? A small case study of the State of Acre

Discussions held with communities in the State of Acre revealed a desire to add greater value to their raw materials (logs, blocks, etc). Although this desire has been clearly voiced, it is not clear whether the communities understand what this adding of value implies in terms of enterprise management, including:

- Better understanding of market trends
- Professional management of their business enterprises
- Production scale and profits sufficiently high to repay any loans for equipment
- Creating/ finding niche markets for products with high added value in the small amounts available.

Finally, the communities need to understand that such improvements call for a commitment of greater amounts of time to forest management and processing, which will only be possible if the individuals themselves within the community regard this activity as a priority among the various activities performed on a daily basis.

For some communities, processed green timber will be the highest amount of added value that the community could achieve. Additional stages, such as drying and secondary processing, would be carried out by partners or industries that might be set up in Acre. The State government is currently working with companies that are interested in setting up in the area, but it is not clear as to what benefits these new industries can offer for the management community forests.

Some communities have shown an interest in developing local carpentry to produce items with higher added value such as furniture and decorative items. The idea is to sell these on the overseas market. It is unlikely that this desire will come to fruition unless there is solid investment in training and equipment in various areas.

But the value of carpentry business attached to basic lumber projects would be the ability to utilize inferior quality and non-commercial species of timber for products for consumption by the local market or even abroad. In Brazil, the consensus is that there is a need for a small sawmill in each community, capable of processing 5m³ to 10m³ a day. This desire fits in with the State policies, which have already shown an interest in setting up such sawmills in the communities. In addition to this, the State also wants to encourage the setting up of a larger sawmill that could take up the timber which cannot be sawn in the communities and even provide drying and processing services for customers, mainly those from other states.

However, there seems to be a measure of uncertainty regarding the adding of value to wood products. Often, communities show an interest in adding value to the product, but their partners (NGOs, government) indicate that they (the communities) are not willing to assume the range of responsibilities that a processing enterprise calls for. Further pilot studies are required to assess whether the complexity of the process for adding value exceeds the technical competence of NGOs and, in some cases, even of the local and state governments.

It is evident that as far as value adding processes are concerned, community projects need technical and financial support in the early stages. Training in such issues as processing, drying, timber sorting are crucial to the success of any initiative for adding value to timber, regardless of

whether the project is of private, government or community origin. The interviews revealed the government's interest in helping with training, but the results of such training can only be assessed when the assistance is in place.

STEP 3. BUILD AWARENESS TO MAKE THE BUYERS' DEMANDS FLEXIBLE

Up to about 56% of Brazilian tropical timber is consumed in the south and south-eastern regions of the country (SMERALDI & VERISSIMO, 1999). Being far removed from the Amazon region, buyers in the South are unaware of the realities in the north.

In the same way that the communities have to adapt to market demands, the market needs also to understand the rhythm of production activities and the marketing done by community forest management—CFM. Community rhythms are typically slower.

Regardless of how much effort is put in, it is unlikely that the negotiations with CFM projects will match those that exist in the corporate sector. Communities therefore need to work at helping buyers to understand these differences. Building awareness in the corporate sector requires the use of suitable marketing tools, as mentioned in Step 2. It also requires careful justification that different treatment should be accorded the communities due to the fact that their product is also of a different origin. The pioneer spirit among some entrepreneurs who source raw materials from such communities should take into account the “community factor” as an “additional cost” to the process – since it is also a key differentiation factor, and thus a competitive advantage for their products.

This attitude is not one of resignation that business frailties shown by CFM projects will persist over time. Instead it is a starting point. It is imperative that the relationships between communities and buyers improve, with both parties working towards compliance with the demands of the other party and doing so without compromising the viability of their business. Good, open, regular and spontaneous communication is one of the easiest and surest ways to ensure that the process develops naturally.

As part of this process, buyers may change the way they interact with suppliers. There are many examples of successes in the business world where the buyers decided to invest time and resources in training and equipping the suppliers. Such a long-term view of the production chain not only allows for an increase in productivity but also of quality, thereby reducing the suppliers' management costs. In addition it ensures future supplies of raw materials, and alerts suppliers to possible changes in production due to market trends and the economic situation.

Buyers also need to be flexible in their demand for products, especially for species that are in demand. FSC-certified forest management has led producers to increase the number of species extracted, which allows for a reduction of the exploitation costs per m³ of timber, provided that a larger volume is extracted in the same area. But this increase has its inconveniences. The trade of alternative species⁵ is more difficult. *Sobral et al.* (2001) in analyzing the timber market in São Paulo, discovered that only 15 species account for 77% of the total amount of wood consumed in the state.

⁵ Non-traditional or lesser known species.

Table 1. Main species marketed in the state of São Paulo.

Species	Percentage (%)
Cupiúba	21
Cedrinho	19
Garapeira	11
Cambará	8
Jatobá	4
Mangrove Cedar	3
Chestnut	2
Guajará	2
Ipê	1
Garapa	1
Red Angelim	1
Maçaranduba	1
Pink peroba	1
Pink cedar	1
Cedar	1
Others (52 types)	23
Total	100

Source: Sobral et al. (2001)

Although there is this tendency in the marketing to focus on just a few forest species, there are niche markets that can be exploited. These niche markets provide strategic opportunities to small-scale community producers. An example of these niche markets is the sector that produces high-grade furniture in exclusive designs. Designers who have been interviewed showed a willingness and intention to use alternative species and pointed out that these species are already being used in their product lines. Additionally, they highlighted the need for clearer information on availability from community suppliers. For instance, a species is best named using its scientific name rather than its common name (which may cover a range of species with very different properties).

Another important point is to send samples in significant volumes. Small catalogues and samples tend not to portray the true picture of the wood in terms of its colouring, quality, density etc. The way to minimize any customer disappointment is to send samples that are larger and of a quality that is compatible with what can be produced.

Table 2: Timber species offered by communities in the Amazon region (common names)

APRUMA – Associação de Produtores Rurais em Manejo Florestal e Agricultura (Association of Rural Producers in Forest Management and Agriculture)	Amarelão, Andiroba, yellow Angelim amarelo, Angelim amargoso, Angelim saia, Angico, red pitch, Cambara, yellow Catuaba, purple Catuaba, Cherry, black Copaiba, satin Cumaru, Cumaru ferro, red Guariuba, Imbiridiba, Jatobá, Jequitibá, Jito, Jutai, Maçaranduba, Maruja, yellow Pau d'Arco, Pequi, Roxinho, Sumaúma, black Sumaúma, Tauari and Violeta
AMPPAECM – Associação de Moradores e Produtores do Projeto de Assentamento Agroextrativista Chico Mendes (Association of Residents and Producers of the Chico Mendes Agro-extraction Settlement Project)	Yellow Acariquara , Amarelão, Angelim, red Angico, Balm, Bandarra, red Pitch, red Cedar, Cherry, Satin Cumaru, Cumaru ferro, Fava orelhinha, Freijó, Guaribeirol, yellow Guariúba, Itaúba, Itaúba de capoeira, Itaubarana de capoeira, Jutai, Louro abacate, Louro canelão, Maçaranduba, Pau jacaré (alligator wood), Preciosa, Samaúma barriguda and Tauari
Association Seringueira Porto Dias (Porto Dias Rubber Trees Association)	Abiurana abiu, pink Abiurana, Amarelão, Angelim, Angelim pedra, black Angelim, Aroeira, red Pitch, Cedar, white Cedar, red Cedar, Cherry, Satin Cumaru, Cumaru ferro, Cumaruzinho, Fava angico, Fava orelinha, black Fava, black Faveira, yellow Guariuba, Imbirindiba, Jatobá, Jutai, Maçaranduba, Muiracatiara, Muirapiranga, Yellow and Purple Ipê, Pororoca

SOURCE: IMAFLORA

Table 3: Community timber species consumed by designers (common names)

Designers in São Paulo	Amarelão, Angelim-rajado, Arura-vermelho, Bálsamo, Breu Vermelho, Cabreuva-verde, Cabreuva-violeta, Castelo, Cedro, Cumaru, Cumaru ferro, Fava, Ipê, Ipê roxo, Ipê amarelo, Itaúba, Itaúba-preta, Louro –abacate, Louro-chumbo, Louro-tamaquare, Macacauba, Maçaranduba, Marupá, Muiracatiara-rajada, Pau-santo, Preciosa, Sucupira, Sucupira amarela, Sucupira preta, Tauari, Teca, Timbaúba, Tucumã.
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SOURCE: IMAFLORA

Tables such as those above can be used to develop a strategy for building better commercial relations with the designers. By cross-referencing the data on the species offered by the communities with those sought after by designers, we came up with a list of the species that are more likely to enjoy commercial success at the outset of this process (Table 4). Once a successful relationship has been established with known timbers communities might begin to suggest new species and products to the designers and architects.

Table 4. Species that are common to both the communities and designers

Communities	APRUMA – Associação de Produtores Rurais em Manejo Florestal e Agricultura (Association of Rural Producers in Forest Management and Agriculture) SW-FM/COC-1053	AMPPAECM – Associação de Moradores e Produtores do Projeto de Assentamento Agroextrativista Chico Mendes (Association of Residents and Producers of the Chico Mendes Agro-extraction Settlement Project) SW-FM/COC-181	Association Seringueira Porto Dias (Porto Dias Rubber Trees Association) SW-FM/COC-221
Designers	Amarelão, Angelim amarelo, Breu vermelho, Cumaru ferro, Maçaranduba, Tauari and Violeta	Amarelão, Bálsamo, Breu vermelho, Cumaru ferro, Itaúba, Louro abacate, Maçaranduba, Preciosa and Tauari.	Breu vermelho, Cumaru ferro, Ipê-amarelo, Ipê-roxo and Maçaranduba.

STEP 4 CREATE TRADING NETWORKS

Associations can prove to be the solution to the problem of access to markets. Group work makes it possible to overcome various challenges. For example, where individual harvest volumes are small, action with other producers increases the chances of success – especially where buyers have a minimum volume, usually a truck or container load, due to shipping costs.

With regard to quality, associations are better placed to obtain technical training or even machinery in order to add value to their production.

In the area of marketing, work undertaken together is often more visible, facilitating publicity about the initiative to market community forest products. For instance, the Grupo de Produtores Comunitários do Acre (Acre Community Producers Group) (See attachment 5) got significant media coverage when it made its first sale of FSC-certified products to the São Paulo market.

There are several other benefits that can result from community associations and co-operatives. The associations have greater lobbying power to obtain improvements in forestry policies. They can buy raw materials as a group; share market information and development and research costs for new product lines; develop quality standards and train employees as well as doing strategic planning together.

Associations can benefit from the sharing of each individual associate's experiences. Regardless of whether any association member is capable of performing an activity at the outset – they can quickly learn from other members.

Finally, associations are stronger and more easily accessible commercial point of reference for buyers and suppliers, both in the domestic market as well as abroad.

STEP 5. MAKE YOUR PRODUCTS STAND OUT

According to the communities and buyers interviewed, certification is a market advantage. It was the existence of FSC certification that made it possible, for example, to effect the first sale of timber from the Acre communities to designers and architects in São Paulo, in April, 2004 (Friends of the Earth, 2004).

Traditionally, more is paid per cubic metre (m^3) of tropical timber by markets in the south of Brazil than in the Amazon area and concern about certification or the origin of the timber can be an important factor. For example, the timber price in a local market in the Amazon (area of Xapuri in Acre) is around R\$ 400 per m^3 of sawn timber. In the market in the south and southeast of the country the price for community wood is around R\$ 900 per m^3 of sawn timber (Comunitários e Grupo de Compradores, August 2004 [Community Members and Buyers' Group]).

According to the designers, this sale of wood from communities took place because there was FSC certification. At present, there is no problem selling timber produced by FSC-certified communities in Acre. A group comprising ten small companies, designers and architects from São Paulo is taking up all of the output from the FSC-certified communities.

In addition, there is a businessman for a big company who requires about 5,000 m^3 of timber per year from community dwellers in Acre. This shows that large-scale private initiatives also have an interest in acquiring raw materials from communities. Such interest creates interaction opportunities with the business sector which should be exploited.

A group of community members have already established contact with buyers in Rio de Janeiro and the south of the country who are interested in procuring FSC-certified timber from community projects, proving that certification, when properly made use of, can serve as a powerful market tool.

Another aspect that can be used similarly to differentiate products is their origin. FSC-certified forest products are uncommon in the market, and coming from communities in the Amazon they are rarer still. Communities should use the origin of the products as a way of persuading buyers to give preference to purchasing their products. Buyers of this kind are more common in the bigger urban centres and they seek to provide products for consumers who are concerned with social and environmental issues.

STEP 6. IMPLEMENT A PROGRAMME FOR CONTINUOUS BUSINESS IMPROVEMENT

Flourishing businesses always adapt - it is therefore vital to plan out a strategy for continuous improvement of the communities' commercial activities. A number of tools can be used to continually improve the marketing of forest products and the FSC forestry certification is an important way to foster this process.

However, it is important to stress the nature of the certification processes of the FSC system: Its influence is limited to the planning and execution of forest activities. In industry, its influence is evident only in the traceability of products (the value chain) and does not intervene directly in

any of the key issues affecting the success of business deals, such as punctuality of delivery, quality or competitive pricing.

Yet FSC certification can have an indirect effect on quality issues. Poor quality is usually associated with wastage of forest products; such wastage is analyzed in the FSC certification since it could interfere with the economic viability, which is also analyzed.

The FSC rules (known as principles and criteria) are valid for all forests throughout the world, although they are adapted by means of indicators that are tailored to the local situation.

Attachment No. 4 outlines the FSC principles and the aim of each principle, giving a brief description of the main points analyzed, which are, therefore, the points that will normally affect those seeking certification.

Conclusion

Amazonian communities play a very vital role in the conservation and rational use of natural resources in the region and they have sought out alternatives for managing their forests with less impact. At the same time, they need technical support and public policies that facilitate training and equipping, access to credit as well as support in marketing their output. A greater interaction with the business sector is needed, and this is essential for promoting good forest management and maintenance in the long term.

There has been significant progress in the area of forest management, but a host of challenges affecting marketing and markets still impede access by the communities.

Natural partners of the Amazonian communities, such as governments and NGOs, have been trying to help the communities to market their products. Analysis of the situation in the state of Acre shows that they can be strengthened by better training about markets.

Although this has not been a topic for research, practically every community that extracts wood engages in activities for the extraction of other non-timber forest products (NTFPs) - mainly the Brazil nut and andiroba and copaiba oils. An understanding of the relationship between timber and non-timber production can further enhance the commercial success of Amazonian communities, and certainly deserves to be analysed separately.

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Appendix 1. Acknowledgements and background

1. Acknowledgements

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2. Background

This tool was developed as part of an international programme known as “Sharpening Tools for Marginalised Managers of Natural Resources” coordinated by the *International Institute for Environment and Development* (IIED). The programme seeks to provide approaches, tools and practical techniques that people who have been marginalized can use to improve their influence on the policies and institutions that affect them. The specific objectives of the programme are to respond to the calls from groups in developing countries who have the potential to be good managers of natural resources, but who are now presently subjected to bad policies and institutions and excluded from the political process. IIED is working with such groups to develop the tools needed to:

- Analyse their political problems in an effective way
- Strengthen their cases and gain access to the political processes and markets
- Improve policies and institutions for a more sustainable society

Appendix 2. Previous experiences: The market and forest communities

It is becoming more widely recognized that sustainable forest management offers the best economic prospects for the Brazilian Amazon, for both timber and non-timber production (Smeraldi, 1998). Moreover, community forest management is becoming an important element for such prospects (Macedo. *et al.* 2001).

At present there are many traditional populations and communities in Brazil who account for the management of more than 74 million hectares of natural areas that are largely covered by tropical forests (WHITE & MARTIN, 2002), a large part of which falls within units earmarked by the federal government for conservation (National Forests, Extraction Reservations, among other spaces). Although, the means of access to forest resources vary, it is evident that the communities in the area (settlers, riverbank dwellers, rubber latex extractors and indigenous peoples) are of vital importance to the conservation of these resources in Amazônia Legal (Amaral & Amaral, 2000).

Successful conservation, however, is linked to the rational use of these resources. But, this success does not take place naturally. Based on previous experience, three important processes have been identified for the initiatives of community forest management to be successful: 1) assurance of ownership and use of land; 2) ability to plan/ manage the forest resources; 3) ability to market the products obtained through forest management.

Planning

The inability to utilize forest resources is usually one of the causes for failure to gain access to markets. The Lomerío Community in Bolivia, owned and managed by Chiquitano Indians and FSC-certified in 1996, was restricted to the local market because it did not hold an official document that allowed its members to operate in the market at a national level which paid twice as much per cubic metre of wood (Markopoulos, 1998). In Brazil, the competent environmental agency (IBAMA or regional autarchy), is notorious for its delays in issuing management planning approval, which shows that even with land ownership, community forest management can still suffer restrictions on its use, with government bureaucracy being one of the main causes of this (OSR⁶, personal contact).

Planning and good performance of forest management activities are just as important as the marketing process that follows them. Forest planning is independent of market pressures and pricing, but, nevertheless, the market should be used as a tool in decision making. Communities should plan forest harvesting carefully and the amounts to be sold should preferably be predetermined (Macedo. *et al.* 2001). The importance of good forest management practices are self evident, and they include prior planning of field activities (e.g. 100% inventory), which is a tool that is essential for supporting the taking of decisions related to the marketing of forest produce.

Another positive factor is the partial solution of various structural issues that facilitate uncontrolled access to forest resources, i.e. the improvement in monitoring and the increase of the forest production area, making the situation slightly more favourable for the practice of Community Forest Management over time (Souza. *et al.* 1997).

⁶ Organização dos Seringueiros de Rondônia (Rondônia Rubber Latex Extractors Organization.)

Still on the issue of planning, when it comes to Community Forest Management, it is necessary to consider internal factors of the community. These might include the agriculture and extraction works calendar, the financial situation and market pressures, things that make such management practices very complex (Macedo. *et al.* 2001).

As an example of lack of planning, in 1991, the Lomerío Community in Bolivia had only 60% of the capacity of its sawmill activity in operation. This happened due to the lack of quality control, insufficient funds to manage it and the lack of competent coordination for harvesting operations (Markopoulos, 1998).

The slow pace of activities at the sawmill had a direct effect on forest management, mainly with regard to the selection of species and the volumes to be felled. There was a tendency to fell a quantity of timber equivalent to the sawmill capacity and not according to the amount that the forest could supply, with only four to six species of high commercial value being extracted (Markopoulos, 1998).

Market

The communities face marketing and processing problems at a local market level; but when the attempt is to reach more distant markets, the problems are countless and complex, and include competition, adaptation and quality consistency and continuity of timber supply. The communities lack experience in market practices, especially in the timber market outside of their area. A good way to learn is by means of the local market, involving traditional products that they are familiar with (Macedo. *et al.* 2001). However, experience gained in the local markets may not be enough to ensure success when trying to reach more distant markets.

Much of the failure is related to the lack of business plans (products, marketing and markets) in the strategies for managing the projects. (Macedo. *et al.* 2001).

The experience of various companies that bought timber from communities shows that, in general, the business deals fail because the communities deliver insufficient and unsustainable quantities of timber to the market, forcing the companies to make contact with several communities, thereby hindering the whole process and, in some cases, making it unfeasible. Some businessmen suggested that the sale of timber coming from community projects be done all together, through associations or co-operatives (Macedo. *et al.* 2001).

In Honduras, experience in community forest management in the Campesino Forest, located on the north-eastern coast of the country showed that the local sale followed three different paths, making the logistics system too complex when it could be much simpler (Markopoulos, 1999).

In Bolivia, in an attempt to simplify the market, a project called "The Broadleaf Project" drew up plans to set up a lumberyard in La Ceiba to serve as a central distribution point for the independent associations of Campesino. However the plans were suspended by the project due to the lack of financing (Markopoulos, 1998).

In 1995, the output from the La Ceiba's Regional Cooperative suffered a huge decline due to: i) the difficulty of finding new markets for lesser known species, ii) the absence of incentives for increase the use of lesser known woods, iii) and in the planning area, the over-exploitation of the mahogany and cedar stands (Markopoulos, 1998).

Also according to Markopoulos, the difficulties encountered by the Regional Co-operative in finding new markets were the result of a single factor: the lack of quality control during the production cycle. In 1997, for example, only 20% of the timber bought from members of the group was first quality; 45% was third quality.

Subsequent analyses showed that one of the causes of this was the guarantee (which the Co-operative kept up until 1998) to purchase all timber produced by its members, regardless of its quality, something that generated a lack of concern about quality (Markopoulos, 1998).

The production, of valuable wood such as mahogany and cedar, also fell in comparison with the total produced, from 80% in 1991, to only 25% in 1995 (Rainforest Alliance, 1996).

This lack of top grade wood and fine woods resulted in the Cooperative losing interest and reducing its purchase, causing a drop in sales and, consequently, a reduction in the number of members in the group, a loss of trust and an increase in the direct local sales, usually at lower prices (Markopoulos, 1998).

Certification as a market tool: The case of Bolivia

In 1995, two Bolivian organizations, (CICOL, APCOB) supported by the BOLFOR project, joined together to collaborate in developing the sawmill with the aim of restructuring the management plan and developing an efficient and sustainable enterprise. One of their objectives was to develop a new market strategy for exports, with certification being the mechanism that sustained this new market strategy. (Markopoulos, 1998).

Those responsible for the BOLFOR project were confident that new markets could be found, especially if the forest management were FSC-certified (Markopoulos, 1998). Certification was considered, by the community's Indians as a tool for marketing species of timber that were lesser known but which were abundant in their forests (Markopoulos, 1998). The three main expectations of the community's members in relation to certification were: i) higher timber prices, ii) better security in the market and iii) improved relations with the government.

Most of the weaknesses in the operation, administration and financial management of the sawmill were identified during the certification process. With certification came a rapid expansion of the timber buyers network which gave rise to speculations in countries such as: England, Holland, the United States and Switzerland (Markopoulos, 1998).

An interesting strategy that was used in this particular case, where the forest is very diverse, was the grouping of species of similar physical properties into categories and selling them under a single trading name. However this requires a lot of research and tests in the case of species that are lesser known in the market ((Markopoulos, 1998).

Appendix 3. Objectives, methods and results

A. Objective

This work was carried out with the aim of learning lessons about how to overcome current challenges as well as challenges faced in the past by the forest communities in the Brazilian Amazon when marketing the forest output harvested from managed areas.

The aim was to produce a case study of lessons learnt in a small group of communities in the State of Acre that are FSC FSC-certified, along with their customers, some designers and architects in São Paulo and a guidebook containing important information on market development. This information is presented in a series of steps that are helpful for opening up markets that are based on sustainable management. The steps are for anyone involved in the marketing (purchase and sale) of community forest products, focussing particularly on the FSC FSC-certified timber production.

During the field research and the subsequent analysis of the information it became evident that the issue of marketing community forest products is a complex one and there are no easy models to follow or simple answers. In spite of the inherent complexity, there are examples of successful efforts and such efforts should serve as an inspiration for devising business models that always take into account the social structure of the Amazon peoples, the need to maintain forest resources and how to meet the demands of the consumer markets.

B. Method

The study resulted from information gathered from FSC-certified communities and buyers of timber and other forest products in São Paulo, which is currently the main consumer market for timber from FSC-certified community projects in Brazil.

Although the research presents quantitative results, its main purpose was a qualitative analysis of the existing marketing structure and, in some cases, to put forward suggestions for improving this structure and, therefore, the existing relations between suppliers and buyers.

Members of the three FSC-certified communities that now extract wood in Brazil (Table 1) were interviewed as well as another community involved in timber management, which is structuring its forest management with the aim of obtaining certification in the short to medium term.

Table 1. FSC-certified Timber Extraction Communities (August, 2004)

Community name and certification code	Location	FSC-certified area	FSC-certified Products
APRUMA – Associação de Produtores Rurais em Manejo Florestal e Agricultura (Association of Rural Producers in Forest Management and Agriculture) SW-FM/COC-1053	Rio Branco/ Porto Velho - AC	800ha	Sawn timber
AMPPAECM – Associação de Moradores e Produtores do Projeto de Assentamento Agroextrativista Chico Mendes (Association of Residents and Producers of the Chico Mendes Agro-extraction Settlement Project) SW-FM/COC-181	Epitaciolândia - AC	190ha	Logs and sawn timber
Association Seringueira Porto Dias (Porto Dias Rubber Trees Association) SW-FM/COC-221	Acrelândia - AC	3,900 ha	Logs, sawn timber and non-timber forest products
Cooperativa Mista dos Produtores e Extrativistas do Rio Iratapuru – COMARU SW-FM/COC-NTFP1134	Comunidade São Francisco do Iratapuru, Foz do Rio Iratapuru, on the right-hand bank of the Jarí River. AP	13,250 ha	Copaíba, Breu Baranco and Chestnut

Source: IMAFLORA

Also interviewed were several designers and architects from São Paulo who source forest products from FSC-certified communities. Twenty-five (25) questionnaires were sent out to design and architecture professionals in São Paulo, of which eight were filled in and returned; two indicated that they work only with non-timber products; one that he was not directly involved in product manufacture, only the design; and the others did not return the research questionnaire.

C. Presentation of Results

We obtained the results through a series of interviews conducted with members of the communities in three FSC FSC-certified operations in the following places: the State of Acre, in the Brazilian Amazon and in a non-FSC-certified community in the same area, in addition to a group of eight designers in São Paulo who source or are interested in sourcing FSC FSC-

certified products originating from community forest management. These are usually timber products, but, there is also the potential for other products that can be taken from the forest, such as oils, resins, barks, leaves, among others.

We presented the results in a case study format, with highlighted sections pointing out the steps that should be considered by anyone desirous of engaging in the business of community forest products, especially those who hold FSC certification.

Appendix 4. FSC Principles

Principle 1 – Adherence to the Laws and Principles of the FSC

Forest management should comply with all applicable laws of the country where it operates, any international treaties or agreements signed by the said country, and adhere to all principles and criteria of the FSC.

The purpose of this principle is to ensure a long-term commitment to forest management. It calls for an in-depth analysis of all legislation currently in force relevant to the forestry activity that is being assessed, including the laws governing labour, land, taxation, the environment and other aspects that may influence the course of the undertaking. Additionally, it assesses compliance with international agreements and conventions (*CITES, ILO, CBD*).

In the case of community forest management, labour and land issues pose challenges for long-term forest management planning.

Principle 2 – Rights and Responsibilities of Ownership and Use

Long-term ownership and the rights to make use of the land and forest resources, should be clearly defined, documented and legally established.

This principle governs the proof of ownership or right to use, with the clear purpose of determining who is legally responsible for the land/operation and, therefore, who is accountable for the activities carried out in the area. Its purpose is: to ensure safeguards for land usage, guarantee long-term ownership and to analyze any existing mechanisms for resolving conflicts. Normally, without land ownership, an operation, even if it is community based, cannot be FSC-certified. So, communities need to gain legal recognition of their ownership or use of the land where they intend to carry out activities of forest management.

Principle 3 – The Rights of Indigenous Peoples

The legal and constitutional rights of indigenous peoples to own, use and manage their lands, territories and resources should be recognized and respected.

This principle is aimed at ensuring that the operation recognize and guarantee the usage and ownership rights acquired by the communities that depend on the area for their livelihood and who may suffer any impacts resulting from management activities.

In the case of communities, the principle focuses on understanding the relationship between community members and possible future associations, co-operatives and others.

Principle 4 – Community Relations and Workers' Rights

Forest management activities should, in the long term, maintain or increase the economic and social well-being of the forest workers and the local communities. It takes into account, in the case of forest management units, the adjustments and contracts that suitable to the scale of the project.

This principle is aimed at guaranteeing the safety and suitability of working conditions. It is Principle 4 that promotes the social and economic welfare generated by the operation for the workers and local communities. This principle is important to the communities for analysing the mechanisms, resolving bottlenecks and conflicts that may arise, even among the community members themselves. It is also important for monitoring the use of safety equipment and all laws concerning this, in addition to monitoring food service and transport conditions.

Principle 4 also governs the way in which representativeness is assured within the community.

Principle 5 – Benefits From the Forest

Forest management activities should encourage the efficient and optimized usage of the multiplicity of forest products and services to assure economic viability and a significant amount of environmental and social benefits.

Principle 5 is aimed at assessing the economic viability of the enterprise, encouraging diversification in using the resource (species, non-timber and timber products, markets). It also encourages production optimization, wastage reduction and less generation of residues. Communities usually make many uses of forests and this is good for analysing the principle, since it brings solid social, environmental and economic benefits. Principle 5 also seeks to ensure that production adheres to levels that can be sustained over the long term (“sustainable”).

Principle 6 – Environmental Impact

Forest management should preserve the ecological diversity and its associated values, the water resources, the soils, the fragile ecosystems, and unique landscapes. By so doing it will be preserving the ecological functions and the integrity of the forests.

Principle 6 has as its objective guaranteeing that the operations will minimize their environmental impacts on the forest. Thus, the impacts need to be categorized, quantified and monitored.

Environmental impact monitoring allows both the communities and companies to create management strategies aimed at reducing/mitigating the impacts caused by the extraction of products from the forest. In some communities, these impacts are minimal, provided that they extract only non-timber products such as Brazil nuts and rubber latex.

Principle 7 – Management Plan

A management plan – commensurate with the scale and intensity of the proposed operations – should be drawn up, implemented and kept up-to-date. The long-term goals and the means of achieving these should be clearly defined.

This is the principle that sets out the appropriate planning for all of the operational procedures needed for performing the management, taking into account the impacts of each activity. The management plan should be dynamic, taking into consideration results from the monitoring. The FSC-certified operation should publish a public briefing of the management plan.

This principle sets out the management rules, such as the existence of maps, highway planning, location of the conservation areas, boundary markings of absolute reserve areas (minimum of 5%), among other things.

Principle 8 – Monitoring and Assessment

Monitoring should be carried out – commensurate with the scale and intensity of the forest management – so as to assess the condition of the forest, the income from forest products, the handling chain, the management activities and their social and environmental impacts.

Based on this principle, an appraisal is made of the ways in which the forest operation monitors the social and environmental impacts. It is aimed at ensuring follow-up and mitigation of impacts caused as a result of management activities.

The operation should opt for the most appropriate tool for assessing the impacts, information concerning which should be included in the management plan so as to provide feedback. Additionally, it is this principle that lays down the rules for tracking FSC-certified production, the so-called handling chain.

Principle 9 – Forests of High Conservation Importance

Management activities in areas of high conservation importance should preserve or increase the characteristics that define these forests as being of such high conservation importance.

Principle 9 identifies areas that are of cultural, social, religious, environmental, economic, and other related importance and which, because of such, should receive special attention. The communities should propose and adopt strategies for the maintenance of Forests of High Conservation Importance.

Normally, this is a difficult topic to deal with since it has to do with the concept of importance (high value), which is often subjective, especially when it refers to characteristics that are difficult to measure, such as social and religious importance. The principle further sets out that the community should determine the effectiveness of the measures adopted for conserving the characteristics of high importance in the forests in question.

Principle 10 – Plantations

Considering that tree plantations can provide a range of social and economic benefits and contribute to satisfying the general need for forest products, they should complement management, reduce the pressures and promote restoration and conservation of natural forests.

This principle, which is normally not applicable to traditional communities in Brazil, governs the use of native and exotic species in the setting up of forest plantations, and the way in which such plantations can be used as a means of reducing the pressure on the native vegetation areas, thereby maintaining or increasing the role of the latter.

Appendix 5. The Community Forest Producers Group of Acre

Based on a model proposed worldwide by the NGO WWF, the Community Forest Producers Group⁷ was set up in the State of Acre in 2001. The WWF model provides for the setting up of several producers and buyers groups around the world. The groups are based at an office in London. The network is known as the GFTN, or Global Forests and Trade Network.

Brazil is the only country in the world to have both groups (buyer and producer). According to the WWF, “the community producers group comprises the community associations of the Reserva Extrativista Chico Mendes (Chico Mendes Extraction Reserve), the Projetos de Assentamento Agroextrativista Porto Dias (Porto Dias Agro-extraction Settlements) , São Luís do Remanso e Equador, Projeto de Colonização Peixoto (Peixoto Settlement Project) as well as the associations Dois Irmãos and Rio Branco. The Group is advised by the Centro dos Trabalhadores da Amazônia – CTA (Amazonian Workers Centre) and supported by a consortium of NGOs working in the Amazon area. WWF-Brazil and Centro dos Trabalhadores da Amazônia – CTA have given support to the Grupo de Produtores Florestais Comunitários do Acre ever since it was first set up. The Group also enjoys the support of the Government of Acre through the Secretaria Estadual de Florestas – SEF (State Forestry Secretariat).

In April of 2004, the group made its first sale to designers and architects in São Paulo, selling about 27 m³ of nine different species of undressed wood, including ipê, muiracatiara and sucupira (Tatabu). The wood was used for making furniture, toys, small items and wood crafts.

At present, a large part of the group's sales is to buyers in São Paulo, demonstrating the success of initiatives of this kind. An interesting analysis involves understanding how the contact between the buyers and community members was initiated. A few representatives of the community participated in a meeting of the buyers' group held in São Paulo and this first meeting provided the contact which, months later, made the sale of the first shipments possible.

That shows that offering the product to the buyer instead of waiting for demand to arise is an approach that offers great possibilities for commercial success.

⁷ Acre is one of the leading Brazilian states in terms of forestry policies. Its governor is a Forestry Engineer and this has facilitated the formulation of state policies that support management and forestry certification.

Appendix 6. Additional discussion about factors of commercial success

1. Quality in production and product

Although buyers are interested in continuing their purchases of timber, it is necessary to increase the quality of the timber supplied to São Paulo and other states in the south-southeast of the country. Being aware of this need, a number of community members expressed their desire to add greater value to the timber by means of a sawmill on site in community, so that the timber could be cut to a better quality. At present, a large number of communities that hold a timber extraction do the processing on site in the forest using chainsaws. Cases are appearing in which the communities use portable sawmills, but these lack the reliability of conventional sawmills (according the members of the community, they breakdown quite frequently). The problem becomes worse when it comes to larger processing units; the existence of a sawmill with a larger capacity would require a mechanized system for hauling logs which, at present, is not possible in many projects mainly due to the lack of roadways and tracks that allow for this activity, in addition to the operating and management costs.

All of the communities interviewed indicated the need to have tracks so that they could manage the forest. For example, one of the interviews highlighted the presence in the community of 10 members who are involved in timber extraction, while another 25 await the opening of tracks in the forest so that they can begin to management it. One interviewee indicated that some community members get involved in management activities because of the greater likelihood of opening up a track to their areas.

This lack of tracks presents a huge challenge for the community if it is to benefit from the process of adding value. Improvement of the haulage systems would allow for the removal of logs instead of blocks or sawn timber obtained by using chainsaws, making it possible to process the raw material in larger sawmills at fixed locations, thus increasing the yield and product quality by sawmilling the logs so as to achieve the level required by buyers in the overseas markets.

2. Scale

Scale is one of the major setbacks faced by community forest management operations when they try to gain access to new markets, and specific small-sized markets are one of the solutions to this problem. On finding these markets, another important issue arises: namely, quality.

It is interesting to note that one characteristic is intrinsically related to the other. With large-scale operations, there is the possibility for investments in research and development, which result in an improvement in product quality. Although quality is not exclusive to large-scale operations, smaller industries experience greater difficulties in obtaining capital subsidies to improve the quality of their product line.

Against this disparate backdrop, certification is seen as a tool that provides a level playing field for competition among forest projects of differing scales. A big FSC-certified company and a small FSC-certified community forest project share a common brand and are, therefore, capable of pursuing the same market. However, in community operations the cost of certification is relatively higher (for example, certification cost per m³ of timber sold) and observations / complaints by FSC members and certifiers led to the FSC formulating in 2003 a policy for small

producers and low-intensity forest management. This policy, also known as SLIMF (Small and Low-Intensity Managed Forests) sets out new rules that have a significant effect on certification costs. To be classified as SLIMF, a forest operation must:

- Be small-scale – total area being less than 100 hectares – in some cases it is possible to increase this up to a thousand hectares.
- Be low-intensity – exploiting no more than 20% of the annual average increment (AAI)⁸ of the area under forest management and removing no more than 5,000 m³/ year from the forest.

The effects of the new policy were felt immediately within the first year of implementation: seven community projects in Brazil are already in the process of certification under the new system (IMAFLOA, personal contact)

3. Timber supply

Interviews with producers and project co-ordinators in the State of Acre highlighted that the flow of timber should be continuous, with a sale of 3 - 4 m³/ month per family. In the Cachoeira community, for example, some producers claim that this level of sale would be enough for them to live off just the activities of forest management during the harvesting season. However, since there is a rainy season (winter), it is necessary to do forward planning to create economic alternatives or to increase the volume extracted (perhaps alternative species) with the aim of setting up a fund that can be used during the months when no extraction takes place.

The interviews also indicated that the community normally does not wish to obtain more than R\$500 to R\$600 per month through management and thus require a small volume to achieve the desired income.

For the community forest management model to have a greater effect on the scale of production, it is necessary to pool the production from several communities. The verticalisation of production within each project is very difficult due to various economic, social and cultural challenges, but it can be facilitated by setting up community processing industries that would operate as associations, pooling the production from several projects.

Certification can, in this case, function as a tool to limit or corroborate a possible increase in production. Through monitoring (compulsory among FSC-certified companies and communities) it is possible to identify cases in which forest growth exceeded what was anticipated and, as a result, the volume to be removed from such a forest could be increased or the felling cycle reduced. However, the converse also occurs where forest regeneration falls short of what is anticipated and, as a result, the volume to be extracted should be decreased. These analyses can be done during the annual or random monitoring carried out by the certifiers.

Sometimes, these analyses have little effect on the market issue. The interviews revealed that the designers consume between 4 to 100 cubic metres of sawn timber a year, while the management projects are producing a significantly larger volume, varying from 510 to 1,160 m³ of sawn timber in 2003. Thus, in spite of the forest management restrictions that could be

⁸ AAI or Annual Average Increment is the volume by which the forest grows per unit area over a 12-month period. For instance, a tropical forest in Brazil grows, on average, at 1m³ per hectare a year.

incurred by certification, it is evident that investment in niche markets is also advantageous for community operations as far as the volume of demand is concerned. This is so because it is unlikely that there will be any pressure for increased extraction of timber due to the low volume required by designers and architects.

4. Economic issues

The success of community management projects is directly related to the way in which the timber is supplied. There is a demand for payment for timber sold, especially that which is sold outside of the state, to be effected as soon as possible. Payments made by buyers in São Paulo usually take between one to three months, adversely affecting reliability and, consequently, the community's efforts in forest management.

This shows the need for a community production pooling agency that would regulate stocks and the quality of products supplied. Such an agency would effect payment on receipt of the timber, the time period for which would be much shorter since the agency would, preferably, be located within the state. This agency could take the form of a company (more likely/ advisable), a co-operative or a government body (less likely). It is possible that a body such as one that encompasses the communities working in forest management (for example, the Community Forest Producers Group of Acre) could be used for this purpose.

Some interviews also revealed the desire to add value to products marketed within the community itself. Although this is possible, it is not clear whether the community members understand the increasing complexity that is inherent to the chain of processes for adding value, making it necessary to start off with the primary processing activities, such as sawmilling and drying, should they opt for such local adding of value to the timber.

A practical example would be to set up a community sawmill for processing the output from community projects. In addition to buying the output of logs and blocks from the communities and facilitating the payment for them, the sawmill would add value to the community output by transferring the profit from sales of sawn timber to the raw material suppliers. One of the main challenges would be how to obtain the start-up capital (human and financial) to manage such an enterprise.

Another factor having an influence is the economic structure of the communities. Normally, the communities carry out a number of activities in parallel with management, such as subsistence farming, nut gathering, oil extraction and hunting. In fact, these activities are initially regarded as more important than forest management in itself because they are essential for preserving the social structure of the communities. It is for this reason that the community does not want to professionalize forest management to a business level or scale, because they see such a change to a professional setup as a risk to the continuity of their traditional activities that are so vital to their social life.

So, once again, the need for pooling the community output becomes evident, so that it may, at the same time, guarantee access to the benefits derived from large scale markets while keeping the characteristics and social structure of the communities in tact.

Another factor that can have an influence on the buyers' trust so as to make advance payments is the matter of certification. Although certification does not guarantee such aspects as the quality of service provided, the delivery periods or pricing, the buyers regard FSC-certified

companies and communities as pioneers and because of this they expect that problems in these areas have already been resolved. This being the case, it has been observed that buyers tend to be more trusting when dealing with FSC-certified suppliers.

5. Policy

Some community members have cited as a problem the lack of strong leadership for uniting the community with a view to structuring the support needed to commence long-term planning, which is necessary for successful forest management. Within this context, projects supported by NGOs or the government which set out ways for strengthening unity, through a process for consolidating leaderships, are very important if not essential.

The interviews also revealed a lack of public policies for community management. Although there are government programmes in existence, apparently the resources are few and the activities are performed in the Xapuri region. The demands made by the communities are related to the increasing of financial credit, technical support and logistical support, the latter having to do mainly with the lack of tracks in the forests for moving the produce. A local NGO, the Centro de Trabalhadores da Amazônia - Acre (CTA-Acre) [Centre for Amazonian Workers], is conducting a revolving credit experiment to prove to the government that it is possible to finance community forest management.

It is evident, therefore, that the support from government institutions for community forest management projects is very important, especially during the early stages of these projects.