NEW GENERATION PLANTATIONS platform

FOR PEOPLE, PLANET AND PROSPERITY

NOTES FROM THE FIELDSHOP:

NEW APPROACHES TO SMALLHOLDERS

Vietnam, March 12-14, 2019

The New Generation Plantations (NGP) Smallholders Fieldshop looked at the experiences of smallholders in the forestry sector in Vietnam. Participants from around the world came together to learn from success stories, discuss challenges and generate new ideas to strengthen and scale up sustainable forestry and livelihood projects for smallholders. The event was hosted by WWF-Vietnam, and organized in collaboration with the Forest Stewardship Council (FSC) New Approaches initiative.

NGP believes well-designed and sustainably managed forest plantations have enormous potential to tackle some of the biggest global challenges. However, they will only be successful if they are supported and valued by a wide range of stakeholders for the benefit of as many people as possible, combining public finance support and commitment with private sector investment and entrepreneurial ability.

WWF's on-the-ground work in Vietnam has shown that long-term business partnerships between smallholders and the private sector can protect forests and help economies grow at the same time. This is a powerful lesson, upending the narrative that developing economies must sacrifice their natural habitats to drive growth. WWF-supported projects and local partners are helping communities significantly boost their incomes from products like rattan, acacia, rubber and bamboo, while scaling up efforts to prevent unsustainable logging and hunting. At the same time, they have nurtured robust, forest-friendly and profitable local industries, creating success stories that can be used to convince others of the enormous benefits of saving natural forests.

The FSC's New Approaches for Smallholders and Communities Certification initiative is seeking to design a certification system that suits the needs and situation of smallholders and communities. The project looks to combine the most successful elements of FSC's experience in certification for smallholders with the best current innovations, tools and solutions.

WHAT WE SAW AND WHAT WE LEARNT

1. Cooperatives are key to enable smallholders to work together to better manage their plantations, to market their timber to the factory and to purchase better quality seedlings. The cooperative is a formal legal agreement between its members and also enables FSC group certification.

2. Working as a cooperative means smallholders are able to sell timber into the furniture market, rather than the woodchip market. This requires larger diameter timber harvested after eight years rather than five – a longer investment for the smallholder, but which means the timber can be sold for nearly three times more per tonne. The sawmill makes loans to the cooperative as a form of down payment in year 5 – an arrangement smallholders working individually would be unlikely to be able to negotiate.

3. Plantations and timber are long-term enterprises. Good business relations and long-term agreements are often more important than short-term high prices. Tropical storms are a regular occurrence in Vietnam, and storm-damaged timber can have a big impact on market price. The factory has an agreement to purchase timber regularly from the smallholders regardless of prices or storms.

4. Quality seedlings mean quality timber products. During the fieldshop we visited a nursery, run by the cooperative, which takes cuttings from high-quality mother plants and supplies these young trees to the smallholders. Trees with fewer branches and growing straighter timber will produce better-quality products, which return more value to the smallholders.

5. Local processing adds local value. One challenge for any form of timber production is to add value locally, as compared to selling timber to a factory or sawmill. One cooperative we visited had invested in its own peeling machine. This enabled them to process small diameter logs into sheets for making plywood. Selling a higher-value processed product means that more value is retained in the local community.

6. Culture and communities: In Vietnam there seems to be a willingness to work together for the “greater good”, as well as a strong entrepreneurial culture. One smallholder told us that joining the cooperative had improved his status in the village, and he felt that more people now understood how and why he managed his plantations.

7. Market links matter and influence how people manage their plantations. Probably the largest market for the small plantations we visited is for wood chip to make paper and board material. But we also visited a factory that makes furniture for export to IKEA: their demand for FSC-certified timber encourages smallholders to become certified.

8. Regional coordination supports cooperatives. The Thua Thien Hue Forest Owners Sustainable Development Association (TTH-FOSDA), a social organization of smallholder forest growers and forestry stakeholders in Thua Thien Hue province, plays a crucial role in developing the timber value chain and supporting cooperatives. Based on similar models developed by WWF and IKEA in other provinces, TTH-FOSDA enables the smallholders to develop a timber marketing strategy and sell into well-developed, higher value markets. FOSDA also facilitates the FSC group scheme, which gives the sawmill and retailers like IKEA the assurance that they are purchasing sustainably. TTH-FOSDA currently has 780 smallholder members with an FSC certified area of 3,863 hectares.

9. Certification can benefit smallholder suppliers. The market for certified material appears more reliable than for uncertified material, and attracts a significant price premium of around 15%. Market demand (via IKEA) and the organization of the cooperative (via FOSDA) are both essential for certification to succeed.

10. Knowledge is power. The cooperative enables members to share forestry knowledge and experience. This includes what type of trees to plant and how to look after them, how to manage pests and diseases, and how to harvest and market their timber. Individual owners would need many years of experience, or to hire consultants, to achieve this level of understanding.

CERTIFICATION CHALLENGES

How to make certification work for smallholders was one of the key themes of the fieldshop. Participants worked together to develop various ideas and suggestions to feed into the work of the FSC New Approaches team:

- Smallholders need help to comply with certification standards – not just financial support, but also support with template documents, management plans and interpreting the FSC requirements.

- Securing an economic benefit from certification is key – this will always be a smallholder's first concern.

- FSC is more flexible than many people think. A smallholder doesn't have to be 100% compliant on day one: there can be "live" corrective action requests, so long as there is an agreed plan to resolve the issue in an agreed timeframe.

- Amalgamating forest management units can reduce audit costs and frequency. Similarly, developing very large group schemes can also lead to economies of scale.

- Landscape approaches using the NGP mosaic model can help a group of smallholders demonstrate compliance more effectively than on an individual basis.

WHAT NEXT?

During the field visits and discussions, participants wrestled with a number of questions – and started sketching out some possible answers.

Improving the business model: How can forestry cooperatives develop a more streamlined business model, and attract private investment to complement the support from WWF and IKEA? Can we increase economic returns for small growers, and make smallholder forest certification groups self-sustainable in the long run? How can the NGP mosaic model help to accelerate landscape restoration and stewardship?

Monitoring and evaluation is vital for improvement.
Important areas to measure include:

- Impacts of forest management
- Social and environmental value of the co-operatives
- Environmental value of set-aside areas
- Value added at a local level by primary processing of wood products
- Timber quality and future availability – an inventory of Vietnam's plantations would help support the development of the cooperatives and of future timber processing capacity.

Working with a cooperative of smallholders raises various challenges around governance and land-use decision-making compared to a large company:

Set-aside: FSC requires around 10% of a plantation to be managed for conservation, and also has requirements for managing riparian zones (land close to streams and rivers). For a large company, mapping out and setting aside these areas is fairly straightforward, but it's much more challenging for smallholders. Should you set aside 10% of every smallholder's land – or is it better to focus on the most valuable areas in terms of biodiversity and ecosystem integrity? Since these will almost certainly be unevenly distributed between smallholders, should there be a scheme of compensation for those who have a greater proportion of set-aside areas?

Infrastructure: Good quality roads and timber handling areas are crucial for modern, efficient timber harvesting. But, similar to the set-aside question, how should the benefits and cost of these assets be distributed between cooperative members?

Knowledge: Forest management and timber harvesting is a skilled profession; the right silviculture can make the difference between profit and loss for any forest owner. Large companies can bring in professional foresters to supply this knowledge. Would cooperatives benefit from engaging professional consultants to oversee forestry, harvesting and marketing operations to improve yields and quality and ensure smallholders receive the best price?

Investment: A company can attract external investors by demonstrating the value of its assets and its future growth potential. How do we make a cooperative of smallholders attractive to investors? How do we make them a "bankable project"? Could a cooperative of smallholders, with a range of plantations across a wider landscape, represent a lower-risk investment than a single company with one large plantation?

Scaling up: TTH-FOSDA currently supports four cooperatives, but wants to increase this to 20 by 2020. What investment is needed to establish and grow cooperatives? Should there be more small-scale cooperatives, or would it be better to amalgamate them to achieve economies of scale? Should the cooperatives focus solely on smallholders or should they welcome large farmers?

HOW DO WE SCALE UP THE IMPACT OF SMALLHOLDER CERTIFICATION?

	Short term	**Long term**
Vietnam	• Reduce audit costs • Map the key actors in the sector • Improve local capacity and knowledge • Improve co-op management • Strengthen monitoring and evaluation of social and environmental impact	• Support more local certification bodies • Organize more stakeholder dialogues to develop shared visions • Replicate the co-op model • Develop an exit strategy for NGO support, make the co-ops self-sustaining
Global	• Strengthen the voice of smallholders in the FSC system. • Develop connections between smallholders and large companies • Integrate and communicate the role of productive plantations, agroforestry as part of forest landscape restoration.	• Support research, technology and innovation • Strengthen FSC brand • Establish a global network of smallholder cooperatives • Improve visibility (and value) of smallholders' "products" in companies' marketing and communications.

CONCLUSIONS

The challenges faced by smallholders in Vietnam are not new – and many solutions already exist. There are highly successful models of cooperation between forest owners and companies. In Sweden, for example, a group of forest owners established the forest product company Sodra, which now has 51,000 members and managers 2 million hectares of forest in the south of Sweden. Also in northern Europe, NGP participant UPM owns almost a million hectares of forest, but also has supply relationships with over 30,000 small forest owners.

In the Greater Mekong region, too, there are promising examples and experiences that can provide inspiration. In 2016 NGP organized a study tour to Laos, where Stora Enso is attempting to develop a sustainable business model in close cooperation with smallholders and communities, with a focus on agroforestry and alley cropping. One major challenge was developing local capacity to enable communities to work with a large company. In Vietnam we saw great examples of how WWF and partners have helped build that local capacity, enabling smallholders cooperatives to work with a local sawmill and supply a major international buyer.

As William Gibson famously wrote: “The future is already here – it’s just not evenly distributed.” By building on exchanges of knowledge and experience like this one, we can share the future more fairly.

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New Generation Plantations are forest plantations that:

- **maintain ecosystem integrity**
- **protect and enhance high conservation values**
- **are developed through effective stakeholder involvement processes**
- **contribute to economic growth and employment.**

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