“Commercialisation of non-timber forest products: factors influencing success”

(CEPFOR)

Notes from final data analysis and integration workshop

15-22 March 2004, Oaxaca, Mexico

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Contents:

This is an internal document which provides a record of the final full team meeting on R7925 and will serve as a management tool detailing action points to be addressed following this week long discussion.

Final data analysis reports (community reports – Elaine Marshall, Market chain analysis – Jonathon Rushton, Household & trader data analysis – Dirk Willem te Velde, are available on the project website. To log into the “research outputs” section a password is requested, as these documents are still restricted to internal circulation.

Aims & Objectives:

Section 1: Miscellaneous background

Section 2: Key determinants of the value chain in each product case

Section 3: Some overall lessons

Section 4: Discussion on Policy Initiatives

Section 5: Publications

Section 6: Next Steps.

Documents on the project website (www.unep-wcmc.org/forest/NTFP)

Password: solocepfor
Oaxaca workshop:

Aims and objectives:

1. Agree policy messages;
2. Agree other messages (methods, conclusions);
3. Agree manual structure, content and delivery timetable;
4. Final Erik ToRs (calculated against time owed to CEPFOR);
5. Draft policy briefings;
6. Draft book chapter structures with bullet points for content;
7. Resolve FE queries;
8. Confirm maps;
9. Agreeing common indicators / measures of success to compare between case studies (eg the CS which are more vertically integrated result in xxx)
10. Check CS summaries – are we agreed on the key messages that are coming through?

Tuesday 16th March:
Review Fabrice Edouard queries & agree to take forward with JR
Working through Ho & research questions (KS, EM, EH, FE) with integrated findings
Drafting outlines for the case study chapters

Wednesday 17th March:
Working through Ho & research questions (KS, EM, EH, FE) with integrated findings

Thursday 18th March:
Manual brainstorming
Review the case study summaries – are we agreed on what the key lesson(s) that each case study teaches us?
Check for data that could be boxed in a) comparative summary table with all case studies, or indeed boxed within the text to reduce space and aid direct comparison between the case studies;

Friday 19th March: Resolve Fabrice queries. Agree policy messages (.5 day) & agree policy “opportunities”. Allocate some time with JR to evaluate the efficacy of the comerciante que & check through revisions made by EA. Assuming that we are going to put the database on the CD-ROM…..

Saturday 20th March: Draft 2 policy briefs (1 day)

Sunday 21st March: Make clear the structure/content & links between the book & CD-ROM. Draft book chapters & critique methods (what works, what doesn’t, etc?). Particular focus on the non case study chapters.

Monday 22nd March: Wrap up in a.m. travel to D.F. p.m.
CEPFOR meeting Oaxaca March 2004 – Discussions on Policy Initiatives

1. Miscellaneous background
Kate was asked to review a paper for *World Development* entitled ‘Poverty reduction through forestry development: removing policy barriers to participation of low-income producers in forest product markets in tropical countries’:
This paper highlights some of the following actions necessary to improve access of poor producers to forest product markets:

*Regulatory Reform*
- focus regulations and enforcement on critical problems
- simplify regulations
- encourage local regulation and voluntary compliance
- promote certification
- institutional reform (e.g. decentralisation)

*Level the Playing Field for Local Producers*
- remove market rules that constrain local enterprise
- promote competitive markets
- remove discriminatory fiscal policies

*Public and Civic Investment in Market Development*
- invest in market infrastructure
- provide extension and business support services

The paper deals with all forest products, but focuses on timber. It would be interesting to see how many of these recommendations also apply to our case studies.
2. Key determinants of the value chain in each product case
(based on discussions with Elaine, Kate, Eric, Fab, Jon and Dirk on 21/3/04)

For each product case we discussed the key differences in how the product was traded in the two case study communities as well as looking at the implications of different types of trade for the communities.

**Cacao** (San Silvestre is closer to the salespoint so should theoretically be better off than Carmen del Emero but the reverse is true)
- Supply (Carmen del Emero has more trees and therefore sufficient supply to attract traders)
- Cultural mix and traditions (San Silvestre is 100% indigenous and less commercially oriented whereas Carmen del Emero is a mixture with more external influences; SS people are less focused on cash incomes; furthermore Carmen del Emero traders have strong family/godparenting relationships with community)
- Combination of tradable products (even if cocoa is not available, the traders still come to Carmen del Emero to trade other products, particularly dried fish)
- Seasonality of products: the Carmen del Emero traders sell both cocoa and dried fish and other products that keep them busy all year round. SS only sells rice (March to May) just after the cocoa season
- Access to bulk transport – SS traditionally makes cocoa paste for own consumption, need to leave the village to walk 7km to the paved road (from where they can get a vehicle), so carrying paste is much better value per weight than carrying to cocoa, even though not much value is added. Although much further from the main market, Carmen del Emero has easy and regular boat access to carry the bulky cocoa seed.

**Goma** (Tomachi sells latex and is more successful in economic terms, whereas Santa Rosa sells processed rubber goods and the benefit is much more widely distributed)
- Supply: in Santa Rosa the per person supply of rubber trees is very low. In Tomachi the few concessionaires have such large areas that, although they don’t add much value per unit, the large volume means that they can make a profit (economies of scale). In Santa Rosa the supply of trees is too low to make latex sales viable under any kind of institutional arrangement (whether via concessionaires or via a community organisation).
- Transport: Tomachi sends latex by river and has daily vehicle access whereas Santa Rosa needs to get its products out by road (vehicle access only twice a week). This favours production of processed rubber goods due to their higher value per unit weight.
- Impact on resource of ownership and numbers involved: everybody benefits in Santa Rosa so the resource is being maintained, whereas in Tomachi (where the beneficiaries are few) the forest is being cleared for rice.

**Incense and copal**
- Impact on resource: overexploitation and loss of traditional norms is destroying incense resource, as it is the only source of cash income for people.
- Combinability of products: incense is very valuable but there is not enough of it to make collection worthwhile on its own (because of the risk that a collection trip comes back with nothing). However, collectors can overcome
some of this risk by also collecting the much cheaper, but also more easily available, copal.

- (In)Efficiency of the chain in passing on information: the collectors sell their resin for one price but the 2-3 intermediaries sell three qualities in La Paz, earning a premium on largest size lumps of resin. The fact that the price differential isn’t passed on to the collectors may be a cause of the overexploitation of the resource (as higher value would provide greater incentives for sustainable management).

- Main barrier to entry for a collector is family contacts: community members would need to travel all the way to La Paz and stay there until they’ve sold the product, whereas the Apollo-based traders just send the product to their family in La Paz who do the selling.

**Jipi Japa** (Most people from Candelaria and Potrero San Rafael trade through Artecampo, though a few sell with other people in Buenavista. People in Carmen Surutu trade separately.)

- Cultural selection: Carmen Surutu is an immigrant community from the highlands (which has a weaving tradition) and were excluded from Artecampo as not considered to be as ‘talented’. Another reason may be that Artecampo was established by Dona Ada’s organisation (CIDAC) which specifically helps indigenous people from around Santa Cruz to counter the great volume of bilateral aid has already helped the immigrants.

- Organisation: Artecampo is providing lots of social functions, training, access to the market.

- Concentration of market power in the hands of Artecampo: can be seen to be a good thing by the members as they are part of the social fund (get health bills paid) and part of a rotating fund (get occasional lump-sum for investments). In the case of Carmen Surutu, the weavers have also created a small organisation and send one woman to sell all their hats, paying her 20% of sales income.

- Market access: Artecampo weavers have access to the tourist market (can sell little boxes made in 2 days for 20Bs) whereas Carmen Surutu weavers can only sell their hats (6 days for 60Bs) to local people and don’t have access to tourists.

- Combinability with other activities: Carmen Surutu women are more involved in agriculture and have less time to devote to fancy tourist products.

**Pita** (in Arroyo Blanco there is good family income, with good conservation but not much impact on community-level welfare; in San Rafael Agua Pescadito pita has declined because of disease and all impacts are much lower)

- Seasonality: an advantage of the pita trade is that pita is available all year round.

- Combinability with other activities: pita can be collected and processed whenever you need money; the pita activities fit in well with all agric activities, e.g. you don’t need to give up coffee (as you do for vanilla)

- Domestication fits with secondary growth: pita had disappeared due to coffee, but with price decline of coffee and increase for pita people started planting pita so the resource has improved. In their swidden agriculture, they follow the maize with pita instead of fallowing it and don’t return to plant maize (which is now being planted on permanent plots).

- Organisation: 3 organisations involved, none of which could have made the system work on its own (e.g. things haven’t worked in Agua Pescadito due to lack of organisations as well as various internal conditions – see below)
- UPIS regional cooperative organisation (1200 individual members in 18 communities) was supported by SEMARNAT and works with pita and coffee and is looking for new products (e.g. organic pineapple); provides loans (subsidised by govt) for setting up pita plantations
- Methodus has supported a pre-existing link between UPIS and Arroyo Blanco; provides market info (to UPIS and community) and acts as a conduit for govt support to community; and plays important role in supporting link between UPIS and the Artesanos
- Union de Artesanos brings together lots of small workshops which only need a few kgs of pita per month to buy in bulk (large pita workshops have dedicated supply chains)

- Entrepreneurship: the new President of UPIS is very dynamic and innovative, has got things moving, willing to take risks to meet clients' quality needs, is himself a pita processor so has an economic interest to make things work (does not get paid by the UPIS).
- Tradition: In Agua Pescadito the lack of tradition with Pita meant that they were unable to manage the pita disease unlike other communities which also had the disease.
- Internal organisation: Even though Methodus worked in Agua Pescadito, this external support wasn't enough to overcome the lack of internal capacity
- Supportive govt policies: Govt interest in maintaining forest areas led to a study in Chinantla by Methodus to find products which could be harvested from forest (pita), and further govt support to private sector development (defining the UPIS as a cooperative of private members).

**Hongos frescos** (Cuajimoloyas sales took off in late 1990s, low positive impact on families, none on community (no community payments, and no multiplier effects – doesn’t generate local employment as no processing and few families involved) and negative impact on resource)
- Seasonality: provides income when no other activities are available
- Technical capacity: prior to Methodus intervention people did not know how to collect mushrooms in a sustainable manner, didn’t understand lifecycle and links with trees;

**Hongos secos** (Cuajimoloyas positive effect on families, also on resource due to better management of the resource, and on community as more families involved and ecotourism because of annual mushroom festival)
- Technical capacity: Methodus introduced new drying technology that enables access to markets outside the local area
- Supportive govt policies: have subsidised the permit study (carried out by Methodus)
- Business experience: Had a sawmill (originally a private business but after a year’s social fight the community sent the company packing and sold off the remaining timber to buy its own sawmill) which provided enough funds to invest in a separate food business (bottling and selling water) and this gave money to get into food drying business (for mushrooms and fruit (produced in Santa Martha Latuvi)). They employ a professional manager for the water and dried food business. The sawmill business had enough capital to buy the 50% food business and get a credit (at normal rates).

**Hongos matsutake** to Japan (Santa Martha Latuvi)
- Cultural contacts: organisation is important but not sufficient, Pueblos Mancomunados company couldn’t manage to sell the matsutake all the way to Japan but Korean and Japanese entrepreneurs could, because of good
links with the Japanese brokers who provide some of the funds for the airfreight thus spreading the high risk between the Mexican entrepreneur and themselves.

- **Food chain technology**
- **Scale of supply**: need to have at least 100kg of mushrooms per day to make expediting the mushrooms worthwhile. No community has sufficient biological supply to meet this amount on its own.
- **Transport**: airfreight is cheaper if you book it in advance so trader books a minimum volume twice a week (i.e. a fixed cost) and bears the risk of not filling it due to weather, etc, and then pays additional volume if more mushrooms are collected (i.e. a variable cost).
- **Organisation**: Mancomunados and Japanese entrepreneur are important to move the mushroom out. Methodus funded the ecological study for the matsutake permit (on the back of having had govt funding for the dried mushroom study – both being on the norma 59 list); the Japanese traders would not pay the amount required for the full permit (required by the honest Oaxacan SEMARNAT) though they do – in the form of corruption – pay the small amounts required to get many other communities involved in collecting matsutake, i.e. big informal market. So, Methodus involvement has allowed for the community to stay in the formal sector.

**Palma cameadora** (Monte Tinta) (Nueva Santa Flora stopped mainly because the intermediary stopped coming, possibly also because transport became more expensive after the building of a dam.)
- Supply volume: most communities cannot supply enough so this community manages because one person takes everybody’s leaves by donkey to the road which is on the trader’s route.
- Concentration in the marketing chain (distant market for perishable product): in the hands of Leobardo Tolen, could be dangerous because he supplies the chain from his own plantation (easily domesticated plant) and buys in the rest from the communities. Therefore communities are very vulnerable as Tolen could eventually produce sufficient himself and no longer need to buy from the community at all.

**Palma tepejilote** (Tiltepec and Yagavila)
- **Seasonality and combinability**: fits in with agricultural calendar, 3 months per year
- **Short chain between producers and consumers**
- **Low entry costs to collection and marketing**
- **No concentration**

**Maguey** (La Esperanza)
- **Short chain**: local consumption within family and community
- **Concentration**: the resource is allocated to three factories (one community owned and two private) by the Ejido every year and one person seems to be the only one that sells the maguey out of the community

**Palma soyate** (La Esperanza and Topiltpepec)
- **Available all year around**
- **Combinable with other activities such as herding, walking to agricultural land**
3. Some overall lessons
Can we define a few factors which in combination can promote commercialisation but of which some are missing in either Mexico or Bolivia – and which the govt might be able to fill? The themes below pull together some of the issues raised by the individual cases above, but our discussion was not completed.

- **Value per unit weight** – This is not always essential but where transport is a limiting factor (Cacao and Goma), unless supply is very good to attract a trader, a good strategy is to process to get a product with higher value per weight.

- **NTFPs as associated activities (or ‘combinability’)** – for the producer, the NTFP must fit in well with agricultural cycle and not require him/her to choose between alternative activities; for the trader, the NTFP must complement other products being traded (in terms of seasonality) or be sufficiently high value to warrant sole trading. The policy implication is that projects should look at NTFPs within a basket of activities. The mushroom case shows that similar products can sometimes work well together and by establishing an enterprise opportunities are opened up for communities to reach several markets. Unfortunately policies tend to be very sectoral and focused on one product, whereas they should look at the whole livelihood picture of communities and where NTFPs fit in.

- **Government interest is important** – in the case of pita, govt interest in maintaining forest areas led to a study in Chinantla by Methodus to find products which could be harvested from forest (pita), and further govt support was provided to private sector development (in the form of the UPIS which is a cooperative of private members). In the case of matsutake, govt support funded the ecological studies necessary to get permits (as matsutake is on the norma 59 list).

- **Organisation** – very important to increase profits, e.g. Artecampo weavers get more than non-Artecampo weavers; a number of organisations play key roles in the pita case. Focus for policy-makers should not only be on community-level organisations.

- **Culture/traditions** – very important at the community level in terms of determining their interest in a product and ability to deal with natural problems (e.g. pita disease really hit hard in the community with only recent pita experience; also relative lack of interest in cash economy of indigenous San Silvestre community compared with mixed Carmen del Emero). Equally, if not more, important at trader level (e.g. contacts of Korean and Japanese traders in the matsutake chain; godparenting relationships of cocoa traders in Carmen del Emero; selection of communities by Artecampo in jipi-japa…)

- **Individual entrepreneurs** – are key in many of the chains. Play a particularly important role in obtaining (and sometimes withholding) market information and contacts. Many chains would not function without the entrepreneur so policy focus needs to be less about circumventing them but rather on how to ensure that these individuals spread their success more widely across the chain.

- **Problem of conservation concerns leading to high transaction costs** – In Cuajimoloyas Methodus has paid for the 100,000peso environmental impact assessment to get a permit to collect porcini (on protected list) – this involves
mapping and setting up a permanent monitoring system of areas with and without collection. The community pays for the annual monitoring cost (a few days of a tecnico) out of the 10% of the enterprise profit it gets. The cost would be far too high for individual communities to afford, and, if the study were carried out by unscrupulous consultants, it would not guarantee that the community managed the resource well. The hope is therefore, that the government will move towards assigning regional permits (on the basis of one study) for ca. 50 communities in combination with community norms to assure management.
4. Discussion on Policy Initiatives
We may be looking at a general brief targeted at an international audience plus two specific ones targeted at particular Mexican and Bolivian audiences.

**Bolivia – possible issues to raise in a policy brief:**

- There are plenty of laws in Bolivia relating to timber but no ‘Norma’ relating to NTFPs. On the other hand, it may be better not to have any specific NTFP laws as the laws tend to be repressive rather than promoting activities.
- In general, existing regulations are not bad but there is a lot of problem with the implementation. This lack of implementation probably explains why none of our communities had any problems with regulations.
- A particular problem for community-based enterprises is that there is no legal basis for a community to form a business.
- There is a need for promotion of NTFPs at national level as important export products (e.g. brazil nuts are very important but other products are also important and don’t get mentioned at all in national stats).
- Our case studies show the need for support to information flows along the chains – can public sector support this or can private sector be encouraged to do more (e.g. incense price differentials in La Paz)?
- Bolivia is the country with the third largest area of certified forests – might be the right moment to talk about certification of NTFPs.
- Probably the most important discourse at present is the one looking for alternatives to coca – can we provide a reality check on the potential of NTFPs to play a role in this (well-funded) programme?

**Bolivia – possible audience(s):**

- Big problem is that the government organisational structure is in such flux that it is difficult to define which should be the key target audiences.
- Ministry of Sustainable Development is ultimately responsible for the alternative sources of income to coca, but the funding is provided by USAID.
- USAID also funds:
  - lots of Ministry of Agriculture programmes
  - BOLFOR II including work on wood and NTFP production
- Superintendencia forestal is an autonomous agency

**Mexico – possible issues for a policy brief:**

- In Mexico, the database shows quite clearly that nobody knows what the rules are – even if there are too many, it is important that people should know what the law is and then – if needs be – work to change them.
- PROCYMAF has a programme to provide business support (to draw up an enterprise study) for communities, but it is limited to one year which is not long enough – support requires time.
- Fabrice would like a system of scholarships, exchanges between communities with businesses, possibly at international level.
- Certification would require prioritization of those products that are exported – only these would demand a mark-up for certified goods. E.g. current discussion about Palma camedora with Anglican and Canadian churches wanting to buy directly from the communities but the latter not being organised enough to do this.
- Difficult to access funding and support to promote products across administrative boundaries.
- Specifically, it is difficult for communities to access the many programmes available to help. Thus, agricultural programmes are decentralised to the states which, in some cases, makes them more difficult for communities to
access (because of corruption), but forest programmes are still centralised and therefore theoretically more open (via SEMARNAT and CONAFOR delegations). [SEMARNAP used to be joint for natural resources and forests, but has been split into CONAFOR (forests) and SEMARNAT (secretariat de medioambiente y recursos naturales, responsible for regulations) – this makes it harder for joined up action in each state.]

- Some problems exist in the Laws, e.g.:
  - Plantations of NTFPs (e.g. pita, maguey, Palma camelledora) are not legally possible as you are not supposed to reforest in forest areas
  - Cannot extract any plants from tropical forests without a management plan (as though they were in a protected area)

- Other pertinent questions in the Mexican case include:
  - How to promote innovation and enterprise in the NTFP sector?
  - What is the role of associations? Should govt fund the bringing together of communities in associations?
  - What are the key barriers to entry? Transaction costs?
  - What support have people had (information, credit)?

**Mexico – possible audience:**

- SEMARNAT has opened discussions with RAISES (organisation that brings together Methodus, Mesofilo and a few other NGOs) to discuss regulations and NTFPs – meeting next week to see how to take this further (had one seminar last year in which they brought the govt people together with pita, hongos, mescal and other producers).
- PROCYMAF (dependent on CONAFOR) is a WB project that benefits 3 states (Oaxaca, Michoacan and Guerrero) and is ready to fund 2 national seminars (August and Sept) to discuss NTFPs and how to support them, with the following two objectives:
  (i) advance the discussion on regulation of NTFPs;
  (ii) how to promote products that are behind in terms of regulation and poor unsustainable management.

Our briefing could tackle the two elements:

**Regulation**

- Emphasise the need for ecological studies before putting species on the protected list, and that these studies should be written with possible management in mind. (Current inventories are useless when it comes to writing management plans)
- Permits should not be too difficult to obtain, otherwise they will push people into the informal (illegal) sector
- Regulations should ensure that they do ensure that the resources are managed better by the communities (perhaps decentralise monitoring to the local level)

**Support**

- Public support is important across the chain (from community to cooperative and entrepreneur)
- Ecological studies (e.g. for permits) should not be carried out without follow-up (typically they are undertaken by natural resource consultancies who have no vested interest in making the natural management and business work sustainably)
- Support NTFPs as part of a basket of activities (including agricultural and other forest products)
- Better infrastructure
International briefing
Targeted at donors and projects – perhaps on supporting private sector development in relation to NTFPs; possible questions:
- Can you promote economic (or income-generating) activities related to NTFPs?
- Where do you start?
- How can the public sector support the private sector? [NB. Donor committee on SME Development suggests indirect support to firms and promotion of information flow through value chains]
- What are the key obstacles (barriers to entry/transaction costs) to commercialisation?
5. Publications

What theories do we need to respond to?

NTFP theory
- on marketing: recent literature does accept that traders must play an important role but there is little quantitative or detailed product evidence.

Global value chain theory
- how do NTFPs fit into this theory
- theory on the upgrading within the value chain
- lots on various commodity products but nothing on NTFPs

Journal of Forest Policy and Economics – special issue on ‘Innovation and Entrepreneurship in the forestry sector’

Innovation in the global value chain of NTFPs with evidence from Bolivia and Mexico

6. Next steps – direct outputs of this meeting
1. Fabrice and Jonathan to revise pita study by email.
2. Fabrice will collect comments from Janett (Palma cameadora) and Juan-Carlos (tepejilote) and pass them on to Jonathan by 31st March.
3. Jonathan will revise his report to include all comments from this meeting and from Fabrice and send to Kate
4. Kate to clean up 'lessons learned' document for Dirk
5. Dirk to go through the 'lessons learned' per product and add any evidence from the database and give to Kate and circulate
6. Dirk to redo subsidy analysis
7. Kate to make comments on the case study summaries and ensure that they reflect the lessons learned including Dirk’s additional evidence and any data from Jon’s report and give to Elaine (to check with Fab and Eric)
8. Kate to put together final list of definitions of success for Adrian and others
9. Elaine and Eric to go through manual structure and refine the questions and, if possible, check with Jonathan. Once checked, also start filling in the content of each page with bullet points. Then circulate to rest of team for comment.
10. Dirk and Kate to put together an abstract by 31st March for Forest Policy and Economics special issue

Other things that still need to be done
1. Editing the community and market reports for the CD-ROM
2. Elaine to finalise maps with all authors
3. Elaine to scout around policy entry options in Bolivia.
4. Elaine to finalise text analysis of community reports

Draft documents coming out of this meeting
Manual structure (Eric’s computer) and comments
Matrix analysis of community reports (Elaine)
Text analysis of all Community reports (Kate)
Integrated analysis of CR, Jon and Dirk (Kate)
Matrix of Jon’s responses to Hyps 5 and 6 (Kate)
Document on definitions of success (Kate)
Comparative table (Kate)
Fab’s social/envtal/economic impact tables for pita and hongos