

Working paper

# Fundamentals of viable community forestry business models

## Preliminary research findings

by Martin Greijmans, Ronnakorn Triraganon, David Gritten



**Presented at:** 24th IUFRO World Congress  
**Session:** Contributions of Business and Marketing to a Greener Future  
**Time:** Friday, 10 October, 15.30-18.00 hrs **Room:** 151C

## Introduction

Research from seven countries (Cambodia, Indonesia, Lao PDR, Nepal, the Philippines, Thailand and Vietnam) in the Asia-Pacific region shows that sustainable practices are inherent to the community forestry enterprise (CFE) business model and vital for communities to sustain and enhance their livelihoods. Preliminary research findings based on two cases in Lao PDR and Thailand are shared<sup>1,2</sup> in this working paper.

CF research shows that regulatory barriers play a key role in constraining sustainable community enterprises. Community forestry (CF) generally lacks support by governments and policies that undermine CFE's viability<sup>3,4,5,6</sup>, partly due to the misconception that communities are unable to manage forests in a sustainable manner<sup>7</sup>, but in particular due to unfair competition vis-à-vis the private sector and government management. These barriers prevent CF peoples to develop and commercialize forest products and only allows a subsistence approach<sup>8,9</sup>. Such findings are seemingly counterintuitive considering the apparent commitment by stakeholders to developing CF in the region in enhancing livelihoods and combating rural poverty.

Community forestry in many respects is synonymous with sustainable forest management, and RECOFTC strives for more locally controlled forests<sup>10</sup> arguing this will lead to more balanced results than achieved so far by governments and the private sector,<sup>11,12,13</sup> as CFEs capture and add value to local forest economies and alleviate poverty<sup>14,15,16</sup>.

## Definitions of community forestry and community forestry enterprise

RECOFTC embraces a broad definition of community forestry that includes all aspects, initiatives, science, policies, institutions, and processes that increase the role of all local peoples – including women, youth and disadvantaged groups – in governing and managing forest resources. It consists of informal, customary and indigenous, and formal or government-led initiatives.

Community forestry includes a variety of institutional arrangements such as indigenous management of sacred sites of cultural importance, direct community control or management of forest areas, small-scale forest-based enterprises, forest out-grower schemes, company-community partnerships, and other forms of decentralized and devolved forest management.

A community forestry enterprise is an entity undertaking commercial exchanges based on forest or trees, overseen by a credible representative body suited to act as a certificate holder and which can claim legitimacy within a self-defining 'community' in terms of people and area, that generates and redistributes profits within that community<sup>19</sup>.

## Key research findings

The 'CF principles' framework (see Box 1) is applied to assess the level of success of the two CFEs included in this paper: the Doi Chang Coffee Farm in Thailand and the Association of Organic Coffee Producers in Keoset Village Cluster, Lao PDR.

**Doi Chang Coffee Farm:** Arabica coffee is cultivated in government watershed protection forest by Akha hill tribe people in Chiangrai province, nestled in The Golden Triangle. Although restricted on the use of land and forest resources, Doi Chang Coffee Farm (DCCF) has become a key moneymaking business for most of the Doi Chang community and neighboring CFEs in Thailand.

**Keoset Village Cluster:** In the mountains of northern Laos (Xiengkhouang province) another coffee CFE developed under existing forest cover. Managed by Hmong hill tribe people the association demonstrates how livelihoods are improved while managing the natural resources in a sustainable manner. Although nowhere near the size and income earned under the DCCF case, this community is recognized by both the local government and private sector.

Using the CF principles framework, the two case studies assessed in this paper highlighted the following key findings:

*Accommodating multiple stakeholders interests.* Both CFEs were able to develop business relationships with larger socially inclined companies, such as the Lao based Saffron Company and KPB International Marketing Ltd (Thailand). These companies support the hill tribe CFEs who produce a particular product and story associated with 'green', 'organic' and/or 'pro-poor', to which the international market is opening up.

*Adaptive management and learning.* The CFEs' ability to assess progress happened in phases. DCCF adapted its business models after a business conflict and developed new partnerships. Keoset failed to move up in the value chain, realized this and decided to focus on productivity and quality control of green beans in order to maintain a good relationship with Saffron Coffee Company. Facilitation from outsiders has been key to review the lessons learned.

*Availability of (quality) resources.* Commitment of both Akha and Hmong communities is high as the CFE members see clear benefits coming from their forests and labors. Both groups have access to the natural resources, although land rights are not yet allocated. The Akha might have a successful business model at their disposal in which they invested heavily, but only to the limit of the boundary of their village, bordering the watershed area.

*Capacity of community and other key stakeholders.* Preliminary research shows that DCCF is amongst the most developed CFE compared to others. In particular the business capacity of its leader is high, enabling lobbying for loans with banks, developing links to a professional marketing agency and foreign partners. Nevertheless, they need to improve their capacity in developing contractual agreements. Keoset farmers are still learning these business skills, in contrast with their talents in managing the natural resources sustainably, which is appreciated by the government. In terms of financial skills, all CFEs are constrained to enter financial arrangements with banks or credit facilities. Collateral due to lacking tenure documents excludes both CFEs in finding investment. The Hmong farmers are scaling up their coffee areas but are constrained by available labor, divided between rice farming and tending cattle.

*Clear rights and tenure among resource users.* Village forest land is placed under the Forest Law (Laos). In Doi Chang, as the community is near a watershed it is heavily protected by four different laws, and accordingly cannot legally be sold. Nevertheless, the CFEs hold a village leadership issued certificate, with the Akha community able to transfer land use informally. In Keoset, there is sufficient forest land available without land use competition to grow coffee, and forest land can be requested with the village authorities by those interested in coffee cultivation.

*Effective governance.* The Xiengkhouang government actively stimulates and promotes the Keoset model with other farmer groups, as an example to be replicated. In the association each member is entitled to vote when decisions need to be made, and practices an open feedback approach to ensure that agreed coffee quality standards are strictly followed. Feedback is equally applied to the Group Committee and its leaders. Simple group regulations and rules exist with member registration and responsibilities, benefit sharing, product collection and sales regulation. DCCF builds on trusting relationships promising to provide high-quality, single-origin, Strictly Hard Bean Arabica coffee. (Strictly Hard Bean is coffee grown above 1,200 m, which mature slowly, and are harder and denser than beans grown at lower elevations. Inherent consistency and taste attributed makes them more desirable and more expensive).

*Effective participation.* Member participation of the Hmong CFE drives the association's decision processes with a high level of solidarity. Inter-member conflict is rare with disagreements resolved through customary means. Subtle leadership of the association ensures trust in CFE by its members. DCCF leadership is also paying off for the supplying coffee farmers after it entered a partnership with KPB, guaranteeing part of the profits for the farmers. DCCF is further pursuing Fair Trade certification with KPB in targeting a producer premium. A benefit sharing mechanism is yet to be put in place in Keoset, but a credit service or revolving fund is operational to meet the members' immediate cash requirements. Both coffee-producing areas can count on close family ties and information sharing about potential customers or markets.

*Effective policy and regulatory support.* This element of the principles is in many cases challenging for CF, especially with the Thai Community Forest Act, first drafted in 1992, still waiting to be enacted. Support from local governments in Chiangrai and Xiengkhouang

### Box 1: CF Principles

The following set of simple principles were used for assessing the level of success of the CFEs included in this paper:

1. *Accommodating multiple stakeholders interests*
2. *Adaptive management and learning*
3. *Availability of (quality) resources*
4. *Capacity of community and other key stakeholders*
5. *Clear rights and tenure among resource users*
6. *Effective governance*
7. *Effective participation*
8. *Effective policy and regulatory support*
9. *Meeting local needs*

is unambiguous since the CFEs manage the resources within the legal framework. The inaccessibility to smallholder loans to finance investment and build a sustainable business is a common barrier both CFEs face. Thai CFEs struggle to pay back loans and to readily find additional finances, with the Keoset association depending on advanced payments weakening their negotiation position.

*Meeting local needs.* Almost all villagers in Doi Chang are involved in the coffee sector, while in Keoset it is roughly 50%. The Hmong community clearly benefits from the cultivation of coffee by actively managing the forest trees to ensure productivity and a quality product. Despite the high density of coffee processing enterprises in Doi Chang village, there are no conflicting resource needs amongst them and rather a strong focus on improving the quality of the coffee.

## Success factors, challenges and recommendations

The case studies find that with a value proposition for their forest products or services and a strong connection to social, environmental and economic values, community forestry enterprises are valued by both the government and market.

**Success factors of the Keoset and DCCF business models:** The business models demonstrate that the CFEs depend heavily on their product value proposition as agreed with their key business partners. They implement non-destructive and appropriate management practices in forests whereby their product can be traded as 'green', or with a 'social' image. Neither CFE have strict certified guarantee systems to abide by and depend merely on strong corporate social responsibility (CSR) type relationships that demand a high quality product. Other key success factors are:

- Local governments regard applied forest management systems as a good model to scale up.
- Strong social capital in the community attracts the private sector.
- Experienced business leadership is key – but not always present with enough CFE members.
- Active promotion of quality products attracts and builds strong business relationships.
- Assistance from external facilitators in building skills and confidence to access markets.

**Existing challenges:** Some challenges lie within the control of the CFEs, whereas others are of an external character:

- The cases show that while local governments are supportive, CFEs lacked secure tenure thus there is no long term guarantee that this situation won't change, placing risks on future enterprise development.
- CFEs often lack access to legal assistance and capacity in financial risk management.
- Connecting to market intermediaries in itself is not enough if CFEs can't maintain the business relationship. Capacity development of business skills is needed to sustain the CFE-market relationship.
- Vulnerability to pests, diseases and climate change can negatively affect crop yields, and requires a strategy on how to mitigate these risks and potential losses.

**Recommendations:** Overall, the cases find that CF principles and criteria are yet to be met to the fullest in ensuring CFEs have a fair chance to become viable undertakings in the long run. The following recommendations aim to address barriers to CFEs so that they may become examples for other CFs.

### CFEs

- *Capacity and organization development* in leadership and business skills, including long term strategy development, based on a better understanding of value chains before upgrading their role in it. Small CFEs should explore collaborative arrangements with other CFEs to leverage funds and secure better access to markets
- *Technology* development to improve efficiency and reduce labor costs; the development of local and cheap appropriate technology and services can increase competitiveness in the market.
- *CFE relationship* development with supportive market intermediaries (CSR) to enhance their synergy in forest management and supply chains. Many CFEs are not yet ready to take on certain skill sets, and should consider seeking these elsewhere or pay for professional services.

### Policy-makers

- Securing land tenure is key to guarantee long term CFE investment, similar to what private businesses and investors require.
- Socially just policies and leveling the playing field can mitigate some risks, stimulating 'green' or 'socially just' products and associated trajectories.
- Provision of appropriate government services for CFE registration, access to capital and incentives will also enable CFEs.

### Public and private providers of financial and business development services (BDS)

- Current practices fail to sufficiently consider the specific needs of CFEs, operating in their cultural context and the typical small-scale enterprise risks they face. Engaging in dialogues creates an understanding of potential barriers and strategies of appropriate interventions.
- Alternative models of access to finance for smallholders are needed: instead of using land collateral, communities should be able to use their moveable assets, such as plantation trees, to obtain loans instead of premature harvesting of valuable timber<sup>17</sup>.
- A shift away from technical advice only towards facilitating greater access to markets and finance without sacrificing the forest-community connect is essential.

### International organizations and donors

- Promote the building up of enterprise skills over traditional technical skill sets, gaining CFEs exposure and experiences to engage with chain actors and processes.
- Develop inclusive and adaptive interventions fitting the local context needs and gaps of the concerned actors.
- Private sector investments with CSR character is the answer for donors gradually withdrawing their aid in favor of trade.

## Forest Connect Asia partners

Forest Connect Asia<sup>18</sup> is an alliance of organizations supporting community forest enterprises in Asia and the Pacific, building on the idea of 'Forest Connect', an ad hoc international alliance co-managed by the International Institute for Environment and Development (IIED), the UN's Food and Agriculture Organization (FAO), and RECOFTC.

- Capacity development needs assessment (CDNA) is the starting point in supporting CFEs
- Start developing CFE capacities with an exit strategy in mind with the aim to become a viable business (e.g., the Market Analysis & Development toolkit, which aims to enhance the entrepreneurial capacities of local communities to access market opportunities and improve incomes, while sustainably managing the natural resource base).
- Facilitate learning platforms that contribute a common understanding between multiple actors (e.g., ASFN - ASEAN Social Forestry Network, [www.asfnsec.org](http://www.asfnsec.org))
- NGOs must comprehend private sector interests' in providing effective support to CFEs

## References

- <sup>1</sup> Cheung, A. & M. Greijmans. in prep. Doi Chang Coffee Farm: A case study on a family-run coffee enterprise in northern Thailand. RECOFTC.
- <sup>2</sup> Phimmavong, B., N. Xajarath, A. Dhialuhaq, E. Canella and M. Greijmans. in prep. Coffee & Forests, Farmers hopes fears and actions: A case about a Community Forestry Enterprise from Lao PDR. EDC.
- <sup>3</sup> Gilmour, D.A., O'Brien, N. y Nurse, M. 2005. Overview of regulatory frameworks for community forestry. En N. O'Brien, S. Matthews & M. Nurse, eds. Regulatory frameworks for community forestry in Asia. First Regional Community Forestry Forum, Proceedings of a Regional Forum, pp. 3–33. Bangkok, RECOFTC.
- <sup>4</sup> Blaikie, P. 2006. Is Small Really Beautiful? Community-based Natural Resource Management in Malawi and Botswana. World Development.
- <sup>5</sup> Stearman, A.M. 2006. One step forward, two steps back: The Siriono and Yuqui community forestry projects in the Bolivian Amazon. Human Organization.
- <sup>6</sup> Nawir, A.A. 2012. Towards commercially oriented community forestry management: coping with economic globalisation and commercialization. IUFRO 2012 Small-scale Forestry Conference.
- <sup>7</sup> Macqueen, D.J. 2008. Supporting small forest enterprises – A cross-sectoral review of best practice. IIED Small and Medium Forestry Enterprise Series No. 23. IIED.
- <sup>8</sup> Rights and Resources Initiative and RECOFTC – The Center for People and Forests. 2013. Enabling Forest Users to Exercise Their Rights: Rethinking regulatory barriers to communities and smallholders earning their living from timber.
- <sup>9</sup> Gritten, D. 2009. Facilitating resolution of forest conflicts through understanding the complexity of the relationship between forest industry and environmental groups. *Dissertationes Forestales* 91.
- <sup>10</sup> Macqueen, D.J., C. Buss and T. Sarroca. 2012. TFD Review: Investing in locally controlled forestry. The Forest Dialogue, New Haven, USA.
- <sup>11</sup> Bowler, D., L. Buyung-Ali, J.R. Healey, J.P.G. Jones, T. Knight, and A.S. Pullin. 2010. The evidence base for community forest management as a mechanism for supplying global environmental benefits and improving local welfare. *CEE review* 08-011 (SR48). Environmental Evidence.
- <sup>12</sup> Charnley, S. and M.R. Poe. 2007. Community Forestry in Theory and Practice: Where Are We Now? *Annual Review of Anthropology*.
- <sup>13</sup> RECOFTC. 2013. Current status of social forestry in climate change mitigation and adaptation in the ASEAN region: Situational analysis 2013. Bangkok, RECOFTC – The Center for People and Forests
- <sup>14</sup> Bray, D.B. 2003. Mexican community forestry: Perspectives on common property enterprises and asset-building.
- <sup>15</sup> Scherr, S.J., White, A., Kaimowitz, D. 2004. A new agenda for forest conservation and poverty alleviation: making markets work for low-income producers. Washington, DC, Forest Trends and CIFOR.
- <sup>16</sup> Molnar, A., M. Liddle, C. Bracer, A. Khare, A. White and J. Bull. 2007. Community-based forest enterprises in tropical forest countries: status and potential. *ITTO, RRI and Forest Trends*.
- <sup>17</sup> <http://recoftc.wordpress.com/2013/03/05/improving-rights-and-benefits-for-teak-smallholders/>
- <sup>18</sup> For more information, see: [www.recoftc.org/site/resources/Forging-linkages-to-support-Community-Forest-Enterprises-in-Asia.php](http://www.recoftc.org/site/resources/Forging-linkages-to-support-Community-Forest-Enterprises-in-Asia.php)
- <sup>19</sup> Macqueen, D.J. 2008. Supporting small forest enterprises – A cross-sectoral review of best practice. IIED Small and Medium Forestry Enterprise Series No, 23. IIED.



THE CENTER FOR  
PEOPLE AND FORESTS

### About RECOFTC's approach to 'Enhancing livelihoods and markets'

Community forest products and services have great potential to enhance livelihoods through developing market-based community enterprises. Nevertheless, policies, capabilities and conditions required to enjoy these benefits are often lacking and under-valuing the role community forestry plays to reduce poverty and enhance social inclusiveness. On the other hand, sanctioned wide scale land conversions and concessions are further impoverishing forest-dependent peoples.

RECOFTC develops capacities of practitioners from local governments, NGOs and the private sector to demonstrate how members of communities can fairly and equitably participate in livelihood and enterprise development and obtain socio-economic benefits through market-based strategies. The approach is based on the conviction that when organized, communities have sufficient control over forested land and are equipped with the right skill sets to decide and develop economically feasible and sustainable forest management models, they are able to attract and develop inclusive business partnerships.

Our work focuses on initiating dialogues between private sector and forest-based enterprises, and reducing regulatory barriers that hinder communities' ability to utilize resources in a sustainable manner.

RECOFTC - The Center for People and Forests  
P.O. Box 1111, Kasetsart Post Office  
Bangkok 10903, Thailand  
Tel: +66 (0)2 940 5700  
Fax: +66 (0)2 561 4880  
Email: [info@recoftc.org](mailto:info@recoftc.org)  
[www.recoftc.org](http://www.recoftc.org)