

Formation of Successful Sustainable Forest Cooperative in Indonesia

This Indonesian case describes the successful formation of a 550 member cooperative, the Koperasi Hutan Jaya Lestari (KHJL), which received FSC group certification in 2005, and supplies teak for use in the international furniture market. 30% of the profit is divided amongst members; the cooperative also lobbies government for reform of unjust forestry laws, distributes government aid related to agriculture and forestry, and is starting a small loan program.

Background

In Konawe Selatan District in Southeast Sulawesi, Indonesia, individual families own one or more teak agroforest plots of an average size of less than one hectare. Due to legality restrictions – primarily related to the issue of harvesting and transport permits – most districts in the province have only one or two wood buyers who could therefore gain a monopoly over teak prices. Not being organised into groups meant that individual farmers in the district were obliged to sell their teak for very low prices.



The KHJL log yard.

Partnerships

The farmers partnered with Tropical Forest Trust (TFT) and Jaringan Untuk Hutan (JAUH, Network for Forests).

TFT is a member organisation comprised of retail companies in Europe and America that are committed to buying tropical hardwoods from forests that are FSC certified or working toward FSC certification. TFT's foresters support improved forest management on the ground in the tropics. JAUH is a network of environmental and social NGOs working throughout SE Sulawesi Province, with expertise on community organisation, government advocacy, and media campaigns.

Organisation

The cooperative's primary reason for becoming certified was the strong demand for FSC teak among European and American buyers, and the opportunity to sell wood for a higher price directly to TFT member factories in Java. Another driver was the potential for increased local government recognition of farmers' forest management abilities.

TFT realized that farmers were managing their teak in a largely sustainable manner, and had a willingness to work toward FSC Certification. They therefore worked with JAUH to organize farmers into a cooperative: 46 villages were helped to form farmer groups and elect representatives to come together as founding members of the cooperative.

Group formation was the only way to afford FSC certification, obtain the necessary permits and to establish direct links to international markets.

Previous attempts at cooperatives had failed due to a general lack of understanding among farmers about how these function. JAUH and TFT worked with the Indonesian Cooperative Department to provide training on cooperative structure and management, as well as intensive training and capacity building for the KHJL Leadership Council on business and forest management. TFT and JAUH were commissioned by the members to monitor the work of the KHJL Leadership Council and make recommendations as needed.



Ponijo, a member of the KHJL, proudly displays his private teak plot.

Training and Starting Up

Using the ProForest Document 'Group Certification for Forests: a Practical Guide' as a basis, TFT provided training in FSC Group Certification, and facilitated the formation of a Group Forest Management Plan. JAUH helped establish organizational structures to enable regular and transparent communication within the group.

Through consultation with TFT Members' factories, a short-term loan was arranged to help the cooperative process and pay for the initial permits necessary for buying and selling wood. This first sale was successful and led to a 25% increase in wood price for the farmers, as well as additional ongoing contracts to sell to TFT member factories to date.

Forming a group is challenging, but group members benefit considerably from more access to information and resources.

Success

In May 2005, the cooperative received FSC certification for a group of small forest owners, with an initial membership of 196 individuals covering 152 ha, which has now grown to 550 members and an area of 556 ha.

Along with FSC Certification came District and Provincial recognition that these farmers provide a significant amount of teak to the international market, and that their needs should be recognized in regional forestry legislation.

Moreover, the success of this effort, has led to an interest in certification of other smallholder products such as cocoa, cashew nuts, and black pepper, and information regarding other forms of labelling (eg: Fair Trade), and links to markets looking for such certified products.

Facts & Figures

Certificate details: SW-FSC FM/COC-001511, for group of SLIMFs, issued for square teak logs on 20 May 2005

Area: 152 ha in 2005; 556 in 2008

Membership: 196 members to start (20-05-2005); 550 members (as of 31-05-2008)

Quantities: Annual Output: 350m³; Annual Turnover: approx. US \$160,000

Lessons Learnt

> For these farmers, group formation was the only way to afford FSC certification, obtain the necessary legal permits for wood selling, and link more directly to an international furniture market.

> Working with a regional NGO and a network of buyers giving preference to FSC wood was vital to success and formation of the KHJL as these partners brought key expertise and resources to the group formation process.

> Although group formation is a very involved process, it can provide many benefits in terms of capacity building, access to resources, and information sharing among group members.

> Training in cooperative management is however very important for new groups: knowledge regarding how to form monitoring and management boards, how to calculate profit and divide this appropriately among staff and members, and how to set rules in a transparent, democratic manner are key components to a sustainable, democratic group structure.



Tedy Rusolono, Smartwood Assessor, discusses the KHJL COC system with Management Committee members.

The Future

There are a number of challenges and future opportunities for this cooperative:

> Training and capacity building in business management and development, and in marketing and product processing. The former would help develop a long-term vision and strategy for growth. The latter could lead to selling garden furniture components or sawn timber to keep more funds in the community.

> Simple but accurate sampling methods designed for trees on agroforestry plots to monitor growth are needed.

> More awareness raising and discussion with national government is needed to resolve, clarify and simplify legal requirements for wood coming from smallholders.

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