ACIAR to help 'outgrower'

One of the more significant changes in the global forestry sector in recent times has been the shift away from centralised forest management to local forest management, writes Greg Clough

ANI NAWIR

Nurseries developed by a local tree grower cooperative in Bulukumba, South Sulawesi.

In at least 60 developing countries, forest management responsibilities now rest – to varying degrees – with local districts. This is changing the role of local forestry communities and their relationships with forest companies and authorities. It means these different groups must have positive relationships and partnerships if forestry is to be environmentally sustainable, cost-efficient and socially equitable.

The question of equity is of particular interest to Ani Adiwinata Nawir, a socioeconomist with the Center for International Forestry Research (CIFOR) in Indonesia.

She says poor, small-scale farmers often miss out on the benefits of commercial forestry: "We need to know more about the working relationships that tree-growing communities have with forest companies and forest authorities.

"If the relationship is fair, usually everyone is better off. In Indonesia this could help ensure forests continue to provide livelihood and environmental benefits for a long time."

Relationships between local growers and forest companies or forestry agencies are generally known as outgrower schemes, and they are playing an increasingly important role in the forestry sectors of Australia, Indonesia and elsewhere in the world.

ACIAR is funding a three-year research project to explore and refine outgrower partnerships between landholders, communities and companies to improve commercial forestry outcomes because of their potential to reduce poverty and encourage sustainable forestry practices.

Dr Digby Race, a scientist from Charles Sturt University (CSU) and one of several Australians working on the project, says partnerships in Indonesia and Australia between communities, companies, governments, market brokers and others are motivated by a range of factors.

"The global demand for wood products is skyrocketing," Dr Race says. "And what we are seeing is that if a timber-processing company in Indonesia or Australia has inadequate forest holdings or limited access to public forests, it often turns to the small-scale grower for additional supplies."

Apart from an increased supply of wood, other advantages for companies engaging with outgrower schemes may include improved resource security without investing in land, and greater diversity of supply.

Dr Race says small-scale growers may be attracted to outgrower schemes because they offer an alternative income or a guaranteed buyer. In some instances outgrower schemes may even offer financial support.

Ms Nawir says the outgrower concept is good in theory, but still needs improvement in its practical application. "Outgrower arrangements don't always live up their rhetoric. They aren't always equally beneficial to all parties. This is a shame because properly implemented schemes can generate new skills and new jobs, and lead to local infrastructure development. They can improve corporate-community relations and generate income and reduce poverty."

Certain difficulties and risks are currently associated with outgrower schemes, such as villager reluctance to commit to long-term contracts, which they often see as risky. A Washington-based non-government research organisation, Forest Trends, says schemes can sometimes lead to entrenched low wages, increased transaction costs for both sides and contractual and financial misunderstandings, and can even help to perpetuate inequitable patterns of land ownership.

By examining the pros and cons of existing outgrower schemes, the ACIAR 'Community partnerships for plantation forestry' project aims to enhance the contribution forestry partnership schemes make to rural and community development in Indonesia and Australia.

To achieve this, the project is pursuing several objectives. One of its most important aims is to analyse the strengths and weaknesses of specific agreements and recommend how they can be improved. This will require researchers to examine partnerships in three regions – one in Australia and two in Indonesia.

Dr Race says central to understanding how outgrower schemes work is to examine them from the divergent perspectives of the parties involved.

"When people form partnerships they usually assume the partners will be generally fair, that they will carry out their side of the deal and generally commit fully to the partnership," Dr Race says. "But this assumption can be problematic because so many factors are involved."

One factor is the long period between establishing and harvesting a plantation and the changes in timber prices during that time. Others include changes in the opportunity cost of growing trees as prices for food crops and livestock fluctuate, and changes in community or company priorities and government policies that affect growers and companies.

The ACIAR project is also trying to address the difficulty some partners face in negotiating fair contracts. Through its capacity-

tree schemes grow

building activities, the project is working with community groups, government agencies and timber companies to develop mutually beneficial schemes that support positive plantation development in eastern Indonesia.

Ms Nawir says the project will help smallholders improve their ability to assess different scenarios and forest options and better negotiate fairer partnerships. "If we succeed in enhancing these skills, we may just succeed in improving small-scale livelihoods."

In addition to CIFOR and CSU, the project's research organisations include the Indonesian Ministry of Forestry's Research and Development Agency and the World Wide Fund for Nature's regional office for Indonesia.

Through this combination of scientists and organisations from Indonesia and Australia, the project is using a collaborative research strategy in which complex real-world situations are examined in a co-learning arrangement with the project's beneficiaries.

As the research unfolds, researchers and beneficiaries might gain a better understanding of the rationale for existing partnerships. Together they can analyse the rationale, assess its strengths and weaknesses and, as a team, develop methods for optimising outgrower partnerships.

Dr Race says the project will benefit those at a local level, where partners in outgrower schemes will benefit from ACIAR's research, and a national level. "This kind of research directly helps outgrower schemes. But the sharing of knowledge between Australian and Indonesian organisations is important too. Also, Indonesia and Australia have many similar policy and commercial characteristics, so helping each other with common challenges will benefit both countries." ◂

ANI NAWIR

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Local communities collect teak seeds, which they sell for additional household incomes in Sumbawa, West Nusa Tenggara Province.

Outgrower research sites in Australia and Indonesia

The ACIAR 'Community partnerships for plantation forestry' project has two research sites in Indonesia and one in Australia. The three sites provide scientists with an array of outgrower schemes and community forestry partnerships.

Sumbawa – Indonesia

In 1999, the Sumbawa Forestry and Estate District Office designated 257 hectares to Semamung village as a community forest. The aim was to foster a sense of local ownership by providing access to forest products for household and commercial use in return for undertaking silviculture and forest protection. About 180 farmers are members of the local farmer forest group. An agreement for a similar farmer-government partnership in Lamenta village was established in 2004 under the Indonesian Government's social forestry program. Farmers and officials are optimistic about the partnership, but there are concerns that brokers are receiving unfairly high prices for organising the harvest and transport of teak from the forests. Also, there are questions over the community's right to harvest teak on state land.

South Sulawesi – Indonesia

In Bulukumba, private company PT PAL contracted local farmers to grow trees for the veneering factory it built in 2001. With good growing conditions and a harvest within five to eight years, some farmers are already receiving payments. Farm forestry has been established across nearly 12,000ha.

FORDA (Forest Research and Development Agency, Indonesia) researchers are analysing the outcomes for two villages. Although no written contract exists, PT PAL distributes free seedlings to farmers based on the mutual expectation that farmers will sell their timber to the company. Harvesting is expected to occur between 2007 and 2010. Farmers are likely to continue with this local approach to marketing by selling their standing trees to firms who will harvest and transport the logs to the company.

'Green Triangle' – Australia

In Australia's south-east, the 'Green Triangle' has a long history of commercial forestry, with both the South Australian and Victorian governments establishing large-scale plantations early last century. Commercial plantings of hardwood, such as blue gum, were established in 1991. By 2000, the region was home to 15 per cent of Australia's total area of commercial forest plantations, covering 224,184ha. Only 2.5 per cent of these plantations fulfil the farm forestry definition of 1000 hectares or less under individual ownership. This contrasts with the 30 per cent of the plantation area established on former farmland. Many large companies use investment schemes to fund blue gum plantations. The company secures the land and manages the trees for sale at around 10 years. The companies usually prefer to buy farmland to establish plantations, but will negotiate with landholders for access to high-quality land. Landholders usually receive an annual payment, over 20 years, which allows the production of two crops.

PARTNER COUNTRIES: Australia, Indonesia
PROJECTS: FST/1999/01 and FST/2003/025: Community partnerships for plantation forestry: enhancing rural incomes from forestry in eastern Indonesia and Australia
DESCRIPTION: This project addresses the impact of the move towards local forestry management
CONTACT: Dr Digby Race, DRace@csu.edu.au