Forest Industry in Transition:

Role of SMFE's

(Towards a Robust, Resilient, Responsible, and Rich) New Forest Economy?

What is our vision, and who/what do we support?

What is the “Forest Industry”?

1. **Always been incredibly diverse – timber, non-timber, plantation, natural, eco-tourism, etc.**
   - Non-wood > wood (in-terms of economic activity) in many countries in the world, international trade (World Bank, ITTO);

2. **Always been incredibly “informal” and small-scale:**
   - 30 of 47 million jobs in wood sector are “informal” (ILO 2002), majority of 17 million “formal” jobs are in SMFEs;
   - Vast majority of enterprises are “small” in both “North” and “South”; EU ~ 90% of firms have 20 employees or less; US ~ 90%

- ***But: our Vision, and Support has often been: bigger is better, logging, export-oriented***

Contributions of SMFEs in the Developing World

	Brazil	China	Guyana	India	South Africa	Uganda
Number of SMFEs as a proportion of total forest enterprises	98.2-98.9%	87.0%	93.0%	87.0-98.0%	33.0-95.0%	–
Number of SMFE employees as a proportion of total forestry employment	49.5-70.4%	50.0%	75.0%	97.1%	25.0%	60.0%
SMFE revenues as a proportion of total forestry revenues	75.0%	43.0%	50.0%	82.0%	3.0%	60.0%

Source: Macqueen and Mayers, IIED, 2006.

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But Becoming Even More Diverse and “Small” - Transitions in Global Industry

1. **Large industry (in north) is downsizing, still going south and east -** some “niches” left when the big guys leave – <u>so growing market “space” for SMFE’s;</u>

2. **Continued growth in domestic demand in “south” for both wood and non-wood** – <u>more opportunity for SMFE’s;</u>

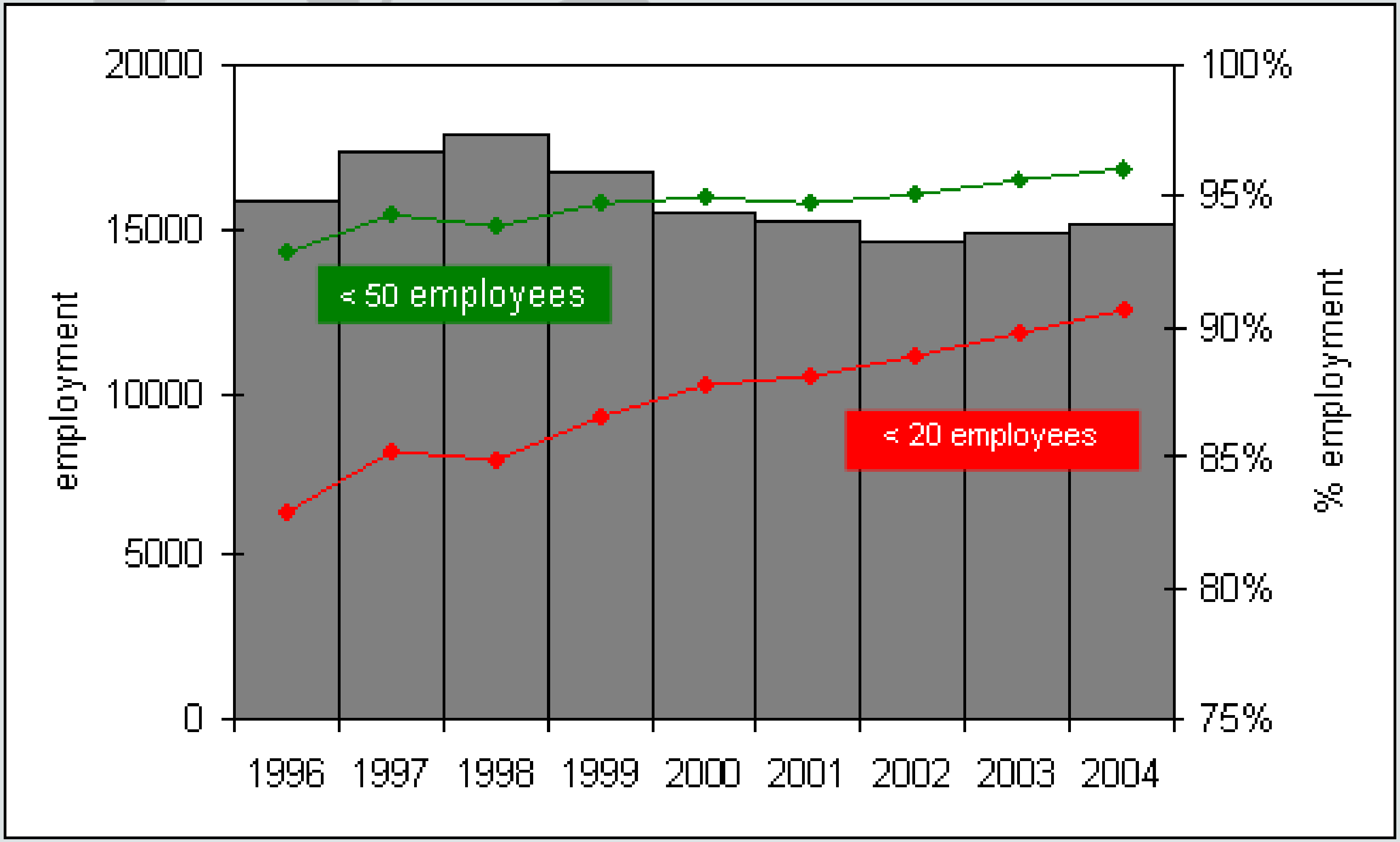
3. **Large industry diversifying –** Logging concessions, <u>logging off and selling carbon? Plantation – shifting to bioenergy biofuel etc?</u>

4. **Continued growth in eco-markets, consumer preference for social/env standards (in “north”) -** <u>providing opportunity for small, local, niches (in North and South);</u>

5. **Tenure and policy reforms in “south” -** <u>more opportunity for small scale producers, enterprises, in both wood and eco-markets</u>

- ***All – encouraging greater diversification and often, small-scale. So, is it “back to the future”?***

Growing Space for SMFEs: Experience in the "North" (1)

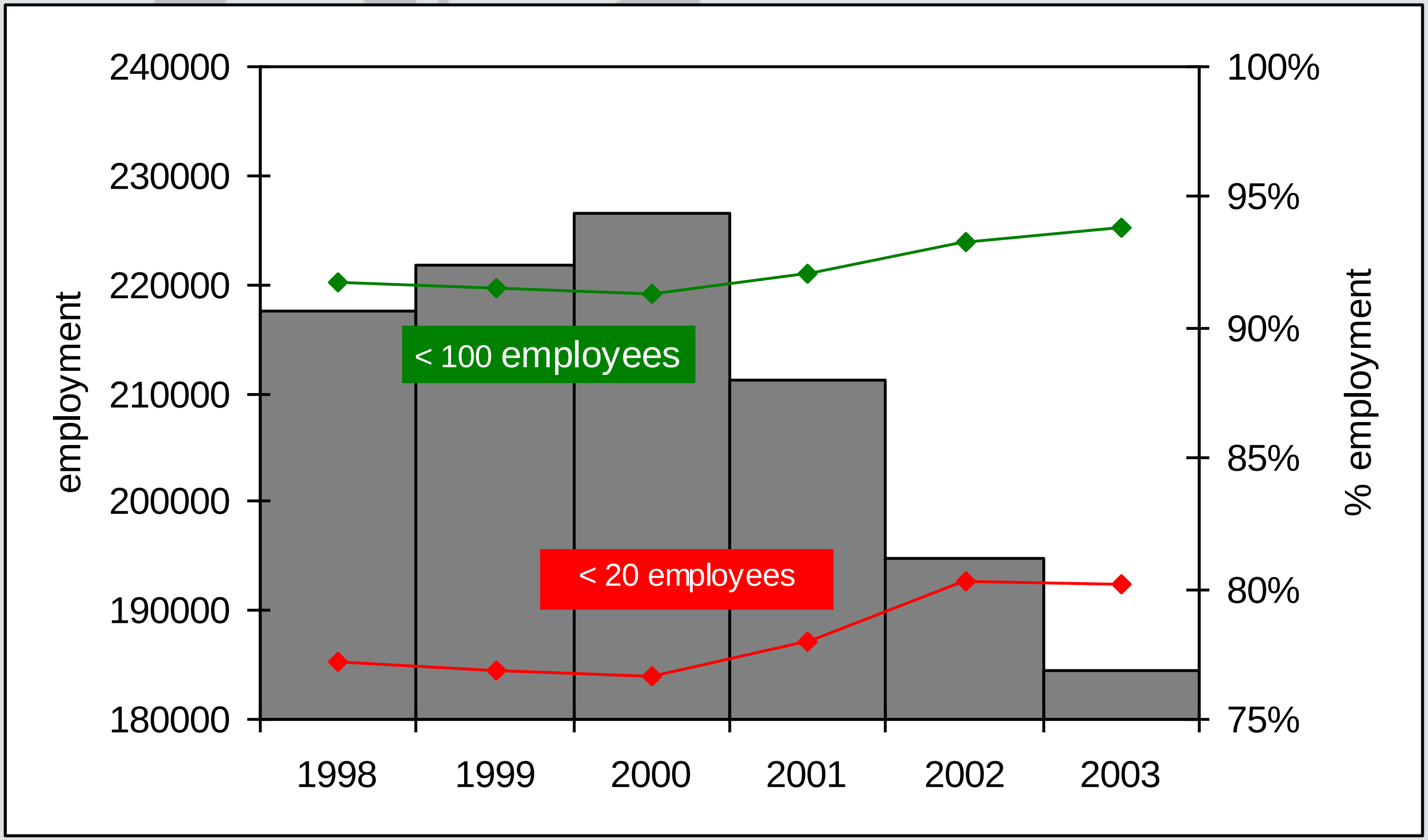


Swedish sawmilling sector

Total employment and proportion of employment attributed to firms with fewer than 20 and 50 employees

Source: Kozak 2007. Data from Eurostat, 2007.

Growing Space for SMFEs: Experience in the "North" (2)



United States wood household furniture sector.

Total employment and proportion of employment attributed to firms with fewer than 20 and 100 employees

Source: Kozak 2007. Data from the US Census Bureau, 2007.

Three Major Market Shifts

1. **Large plantation industry shifting towards agro-industrial/fibre/fuel (REDD?) enterprises– food too, beyond the control of forest agencies?**

2. **Growing importance of <u>non-timber production and enterprises, based on natural forests</u>**

3. **Growing roles/importance/potential contributions of <u>small-scale enterprises</u> in both N and S**

Forest Industries, Role in Growth and Governance

1. Globally, micro-enterprises account for 50-60% of all businesses, in Africa nearly 90% (*Economist, Nokia)* **same is true for forest sector**

2. Small enterprises key “engine” of economic growth,
   - especially “widely-shared”, “balanced” growth (World Bank);
   - more “resilient” to market, political, climate (?) shifts?
   - provide >50% of government revenues in many countries
   - Important in helping avoid the “resource curse”

3. Small enterprises, key role in developing local economies, capacity, “governance” (World Bank)

Challenges for Forest Agencies

1. Identifying, learning about, and supporting non-timber and SMFEs
    - new constituencies for many agencies – who are they, what do they want, what can they do?

2. Dealing with vested interests in unsustainable industry (& conservation)
    - how to shift support (subsidies) to innovation, diversification, SFM?

3. Managing climate change finance to help advance new vision of industrial development

Towards a Renewed, Robust, Resilient, Responsible, and Rich Forest Economy

1. **Address tenure insecurity and lack of access to forest resources by local people and their enterprises**

2. **Reduce, remove policy and regulatory barriers (and associated corruption) to communities and SMFEs**

    - Excessive plans, permits, taxes

4. **Help build SMFE capacity**
   - market information, credit and finance, business development assistance, SFM

5. **Embrace the new lobbies** for alternative, sustainable industry – <u>DON'T LET BIG, Non-SFM INDUSTRY CAPTURE CLIMATE CHANGE/REDD – or "Game Over"!</u>

Thank You

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