FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL

Summary of joint FSC / FLO labelling project: May 2010

Introduction

This project is jointly sponsored by the FSC (Forest Stewardship Council) and FLO (Fairtrade Labelling Organizations International) with core funding from ICCO (Interchurch Organisation for Development Cooperation) in Holland and with an additional contribution from Swiss Coop. It builds on earlier research by the UK based IIED (International Institute for Environment and Development) which concluded that labelling of forest products with FSC and Fairtrade may be a useful way of giving small-scale and community forest enterprises extra visibility and recognition in the marketplace thereby assisting their socio-economic development. The research suggested that using the two existing well-established labels was preferable to creating a new system enabling the use of both labels in a complementary way.

The project's first phase runs from April 2009 to Oct 2010. Expected outcomes are:

- Identify and research small-scale and community-based forest enterprises
- Develop Fairtrade Standards for timber
- Gain experience in auditing against the standards
- Identify a range of markets interested in supporting the dual-labelled concept
- Identify and place on the market suitable timber products.

A second phase is being planned which will monitor the progress of these products on the market and their impact on the producers and traders concerned.

Fairtrade Standards

Criteria for producer participation are that their forest sources should already be FSC certified. This allows FLO to avoid re-developing environmental standards and allows the newly developed Fairtrade Standard for Timber to concentrate on core Fairtrade concepts not covered by the FSC. In the long run this will make auditing to both standards more efficient.

The Fairtrade Timber standard draws on FLO's existing Generic Standards (Small Producer Organisation, Hired Labour and Contract Production) which are largely applied to agricultural products. However it introduces some new features, permitting flexibility in the scope of its application. Research indicated a very wide range of small-scale forestry enterprise organisational structures. While some small producers can directly access the market, more common are Community-Company partnerships. Here the small producers work through larger companies who have the capacity to turn the raw material into consumer products.

The standard accommodates this diversity by allowing the Forest Enterprise, who holds and is responsible for the Fairtrade Certificate to self-describe its own System of Production. Within this structure, a Fairtrade Association is formed whose members have the Fairtrade rights and responsibilities.

Another feature of the standard is that no minimum price for timber products is set. Given the huge variety of forest products produced by the various Forest Enterprises, trying to set minimum prices for all products would be impossible. Instead, Forest Enterprises are required to calculate and demonstrate their Costs of Sustainable Production within 1 year of certification, as are the small producers providing timber for the Forest Enterprises.

As different Forest Enterprises produce forest products at different levels of value-added, a single Premium Percentage that is applicable to all products is difficult to suggest. Instead, a degree of negotiation between producer and consumer around a starting point of 10% ex-works is permitted, with a 5% minimum safety net.

Two new ways of paying the Premium are also suggested, to minimise the effects of Premium amplification along the supply chain.
Option 1 is: *pass through;* requires the Premium payment to be itemised separately in any invoices.
Option 2 is: *direct payment;* allows the final retailer to make the Premium payment directly to the Fairtrade Association's bank account, bypassing the supply chain altogether.

A number of other requirements have been adopted from existing Fairtrade standards to the way the forestry sector works. By covering all necessary areas of Fairtrade standards (production, trade, prices, composition rules, basic labelling rules) this standard operates as a stand-alone standard as opposed to a product specific application of any existing generic Fairtrade standard. It is therefore THE only reference document for auditing and certification for all participants of the pilot.

Certification

FLO-CERT have now developed Compliance Criteria against the Standard and a certification programme for producers and traders involved in the pilot, to take place in from June 2010 onwards is being planned.

Supply Chains

The following producers / traders have to date been selected to take part in the pilot study and this list may be amended in the coming months. Many have also contributed to the research phase of the Standards development process.

Equatoria Teak Company: Situated in South Sudan. Teak plantations and a network of small farmer out-growers: Producing various grades of teak for various markets in India, UK and Europe and the Far East.

COATLAHL: Honduras. Cooperative of village timber harvesters with their own workshop. Producing chopping boards and other furniture for domestic and overseas markets.

Laminados Triunfo / Cooperfloresta and others. Acre, Brazil. Producers of Plywood for UK market. Company - Community partnership with the community managing the forest.

IIBA / Cooperfloresta. Acre, Brazil. Producers of wooden kitchenware for Swiss Coop. Company - Community partnership. IIBA make use of the branches and smaller dimensions after the peeler logs for Triunfo are prepared.

SSC Wood-Technologies. Curacautin, Chile. Producing dimensioned components for furniture. Network of small forest owners and indigenous community-owned forests. Possible market: Quadrato Furniture (Germany) TBC.

Multi-Agro. Cochabamba, Bolivia. Producing dimensioned components for furniture etc. Industrial producer sourcing logs from community-owned and managed Pine and Eucalyptus plantations. Possible market: Quadrato Furniture (Germany) TBC.

Next Steps

This summary will be updated regularly as the project develops. Please contact Chris Cox at c.cox@fairtrade.net for further information if needed.