



## SUCCESSFUL FOREST COOPERATIVE IN INDONESIA January 2013

This case from Indonesia describes the successful formation of a 744 member cooperative, the Koperasi Hutan Jaya Lestari (KHJL), which has maintained FSC group certification since 2005 and supplies teak for use in the international furniture market. The cooperative was also awarded the right to manage 4,640 ha of state teak plantation area under the Community Plantation (or 'HTR' Hutan Tanaman Rakyat) legislation in 2008.

### 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 ha. 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 that had a monopoly. Not being organised into groups meant that individual farmers were obliged to sell their teak for very low prices to these buyers.

### Partnerships

In 2003, The Forest Trust (TFT) and Jaringan Untuk Hutan (JAUH) began a collaboration to support the forest communities of Southeast Sulawesi. TFT is a global non-profit organisation that helps companies and communities deliver responsible products. Working with over 80 leading global retailers and manufacturers, TFT staff in 14 countries are seeking solutions that transform products' stories and their impact on people and the environment. JAUH is a network of environmental and social NGOs working in the SE Sulawesi Province, whose activities include community-based forest management, community development, government advocacy, and media campaigns relating to forestry.

TFT and JAUH each brought complementary skills that were instrumental in developing a successful community forest cooperative. JAUH brought local expertise in livelihood strategies, community organizing and decision-making techniques to the program. TFT provided professional expertise on the technical aspects of forest management and wood processing, along with market access to TFT member retailers seeking FSC-certified products.

### 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.

Previous attempts at cooperatives had failed due to a general lack of understanding among farmers about how cooperatives 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.

### FACTS

#### Certificate details

SW-FSC FM/COC-001511, for group of SLIMFs, issued for square teak logs on 21 October 2010

#### Area

152 ha in 2005; 750 ha in 2012

#### Membership

196 members in 2005; 744 members in 2012

#### Quantities

Annual Allowable Harvest: 540 m<sup>3</sup> teak  
Annual Turnover: approx. US \$130,000



## 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.

## Success

In May 2005, the cooperative became the first community forest group to achieve FSC certification in Indonesia, with an initial membership of 196 individuals covering 152 ha. KHJL has since passed every surveillance audit, and was re-certified in 2010. Membership has now grown to 744 members and an area of 750 ha.

Because of KHJL's success in achieving FSC certification, related parties in Indonesia began to recognize that these farmers provide a significant amount of teak to the international market, and they have the ability to comply with high international standards for managing forests responsibly. This led to changing legislation, and eventually to KHJL being awarded the right to manage 4,640 ha of state teak plantation area under the Community Plantation (or 'HTR' Hutan Tanaman Rakyat) legislation in 2008.

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 labeling (eg: Fair Trade), and links to markets looking for such certified products.

## 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 international furniture markets.

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

> Frequent and transparent communication between cooperative management and members remains very important for the group to maintain a fair, sustainable, and democratic group.



*KHJL community managed teak tree nursery.*

## The Future

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

> While there is growing demand for FSC certified timber, there is now growing supply from other certified forests in SE Asia. KHJL's track record of FSC certification and history of connecting with niche markets has set them apart from other suppliers and will continue to be key for long-term success.

> Like most businesses, KHJL will always need to be adapting to changing markets to meet evolving consumer's tastes. The growing demand for high quality indoor furniture that uses modern designs meant to highlight the unique natural beauty of tropical hard woods presents exciting new opportunities that could lead to greater sales from the community in the future.

> New internet based tools such as the FSC Marketplace and TFT SURE system will enable businesses and consumers to have greater access to information about FSC certified community forest groups such as KHJL. These new developments will further give companies incentive to invest in communities that deliver responsible products.

## CONTACT DETAILS

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