COMPANY-COMMUNITY CONTRACTS FOR FOREST PRODUCTION IN SICHUAN: EXAMPLES AND LESSONS FROM EXPERIENCE

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Introduction

1. History of company-community contracts

• After 1978, China shifted from a centrally planned economy to a market-oriented economy
• Before 1982, the only tenure arrangement was collective management
• After 1982, various forest tenure arrangements emerged, yielding company-community contracts
• Company-community contracts were a way for small-scale farmers to enter the market economy
• Reforestation schemes like the Yangtse Shelterbelt program and World Bank programs made room for company-community forest agreements
2. Company-Community Forestry Contracts in Sichuan

Evolution

• 1982 - mid 1990s: emphasis on plantations

• after mid 1990s: expansion into processing and marketing
Major Types of Agreements

- Company + farmer association/village + households
- Company + middle agencies + households
- Company + production base + households
- Company + households
Project Purpose

- Reviews company-community contracts in China
- Describes Plantation Timber Product Groups’ (PTP) out-grower scheme in Sichuan Province
- Reviews advantages, disadvantages and risks from a community perspective
- Makes recommendations for improvement to industry and policymakers
Sichuan Province
Forests and forestry industry in Leshan

- Forest coverage: 48.56 %, greater than national level (total area 12,826 km$^2$ - forest area 6228 km$^2$)
- Plantation stocking: 13.705 million m$^3$, highest in Sichuan Province
- Forest industry: timber, paper, chemical and foodstuff
PTP Group + community forest contracts

- Plantation Timber Products Group is based in Shanghai
- PTP Leshan: Sino-foreign joint venture, set up in 1993
- At the time, largest foreign investment project in manufacturing of medium density fiberboard in China
Relationship between PTP and households

- **PTP**: Provides 90% of PTP's timber need
- **Farmer cooperation/association**: Connected to PTP and administrative village
- **Leshan Huashong Forest Company (middle agency)**: Connected to administrative village
- **Administrative village**: Connected to households
- **Households**: Linked to all other entities

Provided 90% of PTP's timber need.
Quantity of Agreements

• 130,000 households have agreements with PTP

• percentage of total households: 16.25%
Roles of Stakeholders

**Government**

- Provide stable timber supply to PTP through control of harvest quota
- Bridge PTP and communities
- Mobilize farmers to plant trees
- Improve forest sector in its contribution to local economy and environment
Households
• Farmers are interested in being involved in agreements
• Less participation and a weak voice in the formation of the agreements

PTP
• Provide financial and technical support to farmers in their plantations
• Produce high quality products for domestic and international markets
PTP’s contribution to the local economy

- Tax payment: 25 million RMB, which accounts for 5% of Leshan’s fiscal budget
- Development of industry

Note: US$1 = 8.28 RMB
PTP Contribution to farmers’ livelihoods

- Total income to farmers: 60 million RMB (US$ 7.2 million)
- 117 Yuan (US$ 14.1) per farmer, accounting for 5% of per capita income
PTP contribution to forestation

• National Forestation Model City Award in 2004 (the only city in Sichuan, one of nine cities in the whole country)
Conclusion

• Company-community agreements play an important role in farmers’ livelihood improvement and forest development
• Government-driven agreements may not set up mutually beneficial partnerships for stakeholders
• Informal agreements are not risk-free for both farmers and PTP
World Natural and Historical Heritage Site

thanks!