

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

**公司+农户经营：四川案例研究**

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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 Yangtze 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

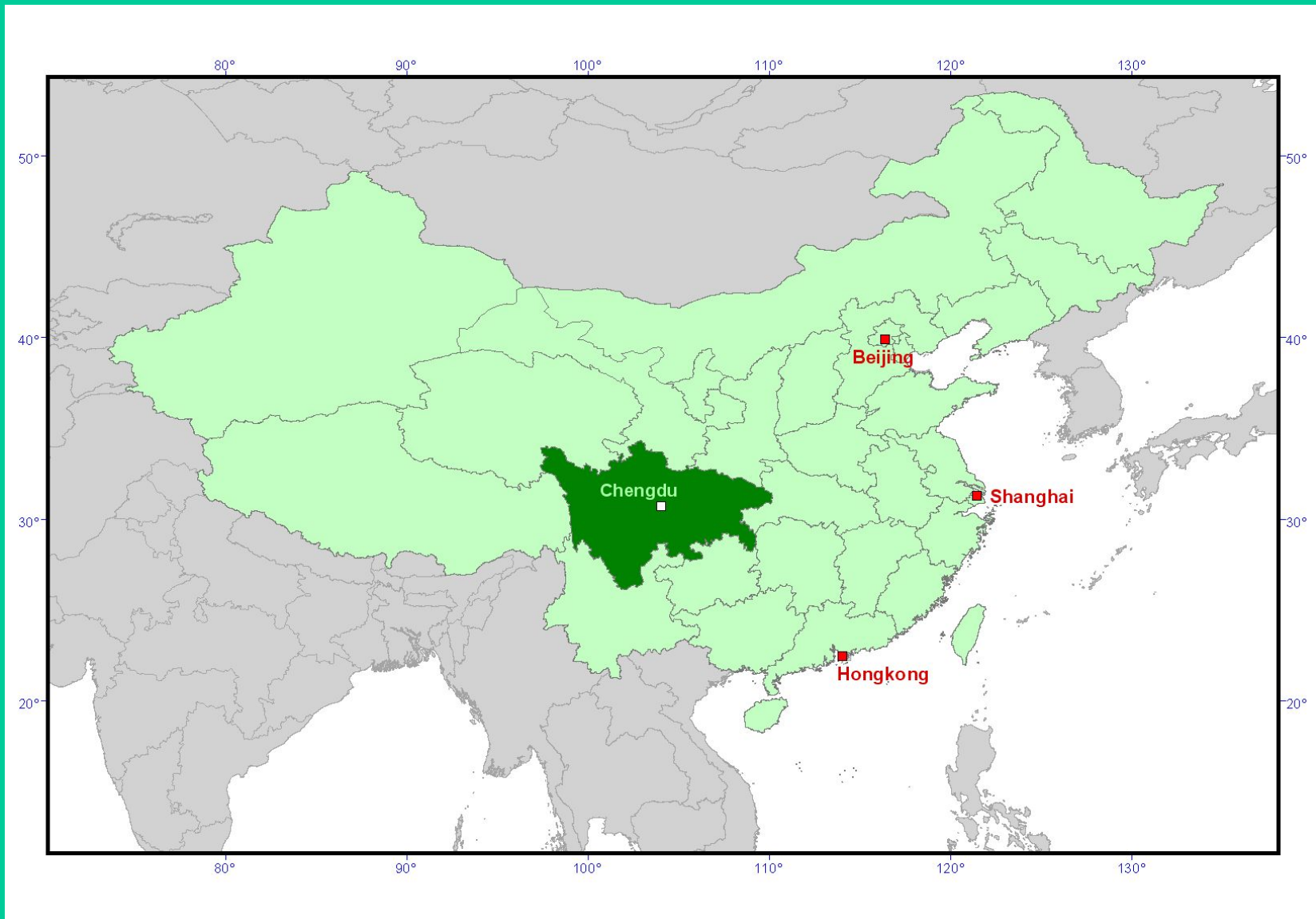
## Major Types of Agreements

- 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<sup>2</sup> - forest area 6228 km<sup>2</sup>)
- Plantation stocking: 13.705 million m<sup>3</sup>, highest in Sichuan Province
- Forest industry: timber, paper, chemical and foodstuff

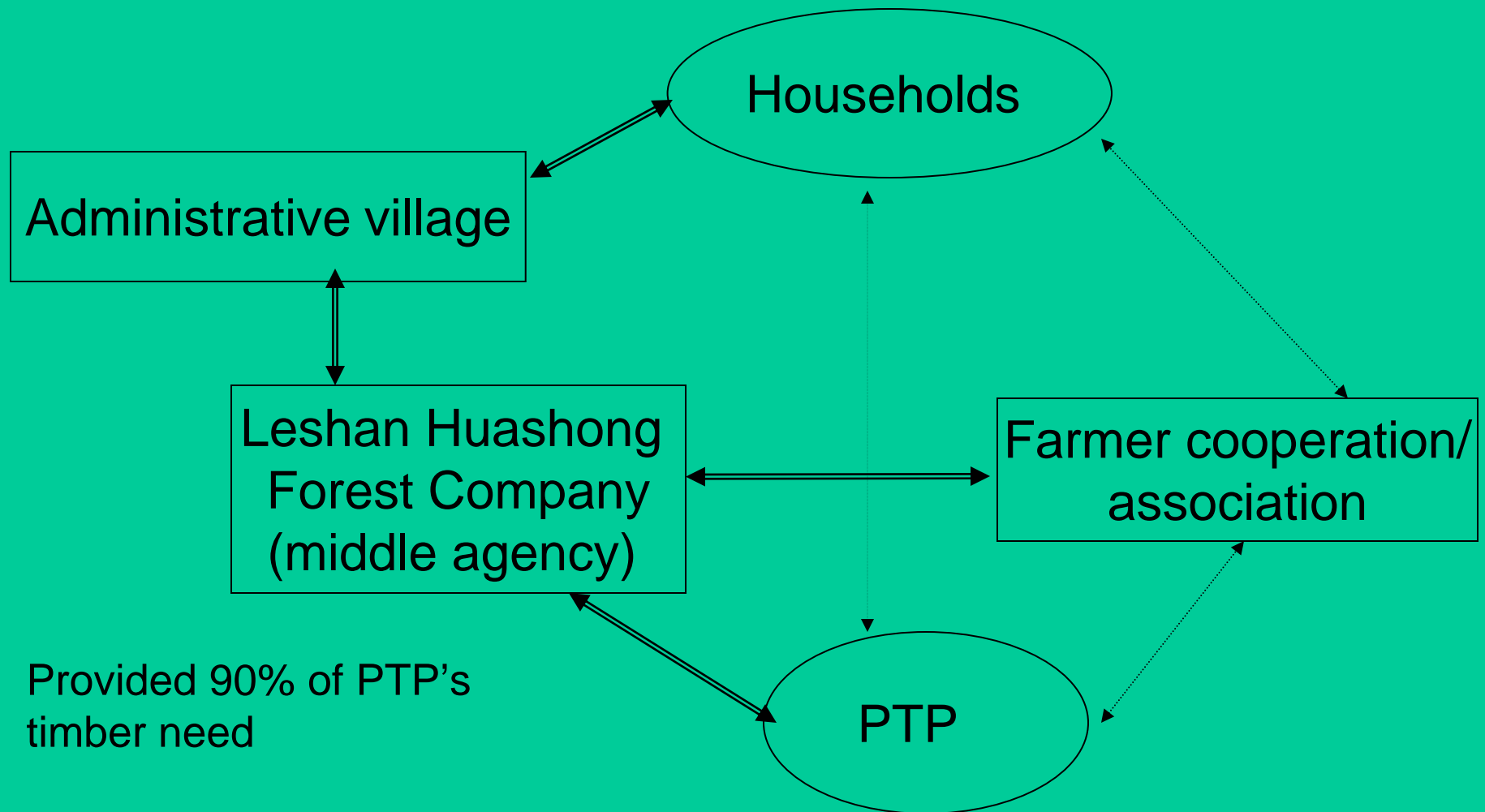


# PTP Group + community forest contracts

- 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



# 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

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and  
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