The Tropical Forest Trust (TFT)

Private Sector Experience with Supply Chain Management: SE Asia & China

Hugh Blackett
Director - Projects (SE Asia)
The Tropical Forest Trust

Beijing, September 2006

Linking Business with Responsible Forest Management
Introduction

• A UK registered not-for-profit organization funded by membership fees.

• Assists those trading in tropical wood products to link supply chains to well managed forests.

• Helps forest managers to achieve FSC certification.

• Activities centered in South East Asia.

Linking Business with Responsible Forest Management
TFT’s work with trade & industry

• Works with factories & buyers to monitor wood sources & supply chains.

• Verifies that raw material is legal & from well managed forests.

• This helps to establish environmental credibility for timber product traders.

Linking Business with Responsible Forest Management
TFT’s Origins

- A trade response to campaigning against a major furniture manufacturer.

- No straightforward answer as the “greens” demanded FSC certified timber.

- Such timber was not available in either the quantities or species required.

- The solution was the establishment TFT.

- The aim is to increase the availability of FSC certified timber.

Linking Business with Responsible Forest Management
Profile of TFT Members

• Traditionally members have been associated with trade in garden furniture.

• Now over 40 members involved in a range of activities.

• Members are predominately Europe based.

• Also include Indonesian factories & growing interest from N. America.

Linking Business with Responsible Forest Management
The TFT Model

- The model for support to industry is “Good Wood, Good Business”.

- “Good Wood” means wood verified as legal & from well managed forests.

- Credentials established as an industry backed organization addressing environmental issues.

- Main achievements with wood processing factories in Indonesia.

Linking Business with Responsible Forest Management
The Mechanics

Linking Business with Responsible Forest Management
The TFT in China

- Increasing focus by NGOs on the China wood industry.
- TFT now here to help business reduce negative impact.
- Establishment supported by U.K. Department of Food & Rural Affairs (DEFRA).
- Activities started mid 2006.
- Partners: U.K. Timber Trade Federation & GEI (Global Environmental Institute).
- Working with factories on raw material issues & supply chain management.

Linking Business with Responsible Forest Management
TFT’s Wood Control Systems (WCS)

- WCS has two components:
  - **WOOD ORIGIN CONTROL** (WOC) addresses issues related to source
  - **CHAIN of CUSTODY** (CoC) to verify wood origin in factories.

- DEFRA grant subsidizes rates of TFT engagement:
  - Advice on problem issues
  - Action plans detailing effective solutions
  - Assistance with action plan implementation.
The Seven Elements of WCS

Element 1: Identifies which wood is acceptable in end product.

Element 2: Targeted procurement policy.

Element 3: Implementation of CoC throughout supply chain.

Element 4: WOC to control wood entering supply chain.

Element 5: Internal auditing to ensure system is secure.

Element 6: Independent third party verification.

Element 7: Reporting systems.

Linking Business with Responsible Forest Management
The Six Step Approach to WCS

Step 1: Build a strong team

Step 2: Develop a communication program

Step 3: Determine baseline supply

Step 4: Develop a wood policy

Step 5: Taking action

Step 6: Achieving targets

Linking Business with Responsible Forest Management
Disadvantages

- Developing WCS can be complex and time consuming.
- Legal wood can be more expensive.
- The price of finished product may rise.

Linking Business with Responsible Forest Management
Benefits

- Illegal wood is often of inferior quality
  – lower recovery.
- COC requires efficient handling
  – better recovery.
- Only legal wood in your supply chain is good for export business.
- Premium prices may be achieved.
- Legal timber may become a pre-requisite for continued business.

Linking Business with Responsible Forest Management
Real Benefits

Recovery differences achieved in Vietnam by using fresh cut legal logs:

<table>
<thead>
<tr>
<th></th>
<th>ILLEGAL LOGS</th>
<th>LEGAL LOGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log price</td>
<td>$185/m³</td>
<td>$200/m³</td>
</tr>
<tr>
<td>Recovery</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Sawn timber cost</td>
<td>$462.50/m³</td>
<td>$400/m³</td>
</tr>
</tbody>
</table>
Why Should Industry Get Involved

- The demand for legality is gaining influence.
- Maintaining trade with valuable export markets requires wood used to be legal.
- Taking action will mean businesses comply with future requirements.
- Increasingly assistance is available.
- Currently TFT manages the DEFRA grant.
- The European Commission will extend the Timber Trade Action Plan to China.
Conclusion

The Tropical Forest Trust is here to help you address the issues & find solutions. In partnership with Chinese industry we believe we can make a difference.
Contacts & Further Information

Tropical Forest Trust
184 Jalan Tun Sambanthan, 50470 Kuala Lumpur, Malaysia
Tel +60 3 2274 9595
E-mail: h.blackett@tropicalforesttrust.com

Lewis Du Chaogang, China Representative, Shanghai
Tel +86 136 0101 5640
E-mail lewis.du@tropicalforesttrust.com

Web: www.tropicalforesttrust.com

Linking Business with Responsible Forest Management