ASSOCIATION SURVEYS FOR KNOWLEDGE (ASK)

LATIN AMERICA

Prepared by GTF

with support from World Resources Institute (WRI)

July 2018

Contents

GLOBAL TIMBER FORUM'S ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

This Survey seeks to better understand the challenges faced by forest and wood-based industry and trade associations around the world. The responses from associations in Asia, Africa, Europe and Latin America and the Caribbean will inform GTF's, and our project partners, knowledge about the skills and capabilities of associations and identify future support programs particularly focused on priority countries.

The survey was developed in collaboration with our project partners: FAO (Food and Agriculture Organization of the United Nations) and WRI (World Resources Institute). The survey was made up of three complementary sections. Respondent associations were encouraged to complete all three sections.

The survey results are anonymized and non-attributable except at regional level. GTF will share relevant data with survey respondents and our partners to better assist the development and funding of trade-focused responsible timber trade programmers.

The survey is focused on five themes:

- Theme 1 Association's profile and capabilities
- Theme 2 Priorities in delivering services to members
- Theme 3 Challenges faced by the association membership
- Theme 4 Analysis of domestic and regional markets
- Theme 5 Analysis of international market and customer needs including legality and sustainability aspects

This survey of trade associations based in Latin America was conducted in November 2017 at the Global Timber Forum Latin American Summit in Lima, Peru. GTF wishes to thank the following organizations for their time in contributing to this survey:

Country	Association	Sector
Argentina	*Asociación Forestal Argentina*	Comprehensive, forest management oriented
Bolivia	*Cámara Forestal de Bolivia*	Forest management oriented
Brazil	*Associação Brasileira da Indústria de Madeira Processada Mecanicamente (ABIMCI)*	Comprehensive, technical support oriented
	Associação das Indústrias Exportadoras de Madeira do Estado do Pará (AIMEX)	Forest management and export oriented
Chile	*Chile Timber Council*	Comprehensive
Colombia	*Federación Nacional de Industriales de la Madera (FEDEMADERAS)*	Forest management, construction and manufacturing oriented
Dominican Republic	*Cámara Forestal Dominicana*	Comprehensive
	Centro Regional de Estudios y Servicios (CRESER)	Comprehensive
Ecuador	*AIMA*	Comprehensive
	COMAFORS	Forest management oriented
	Asociación Ecuatoriana de Industriales de la Madera	Comprehensive
Guatemala	*Gremial Forestal*	Comprehensive
	AGEXPORT	Comprehensive
Honduras	*Asociación de Propietarios de Bosque de Honduras (APROBOH)*	Forest management oriented
	Asociación de Silvicultores de Honduras (ANASILH)	Forest management oriented
Mexico	*Asociación Nacional de Importadores y Exportadores de Productos Forestales, AC (IMEXFOR)*	Import oriented
Nicaragua	*Asociación Nacional de Reforestadores (CONFOR)*	Comprehensive
Panama	*Asociación Nacional de Reforestadores y Afines de Panamá (ANARAP)*	Forest management and plantations oriented
Peru	*Asociación de productores forestales de Ucayali*	Forest management oriented
	Consorcio de Exportación de Madera de Ucayali (CEMU)	Export oriented
	Fundación Amazonia Viva (FUNDAVI)	Forest management oriented

Summary

The 21 associations surveyed draw their membership from almost all the Latin America and the Caribbean countries. Their geographic reach includes national and subnational coverage. Together, the associations represent a combined membership of approximately 1,500 members. Almost 20% of the membership are micro enterprises, and over 60% are small and medium size enterprises.

Associations provide a wide variety of services to their members, ranging from representation and stakeholder engagement to trade promotion and general business management support and a mix of technical services and support on a variety of matters including forest/product legality, transportation and logistical services, as well as quality services. The provision of government liaison and policy, as well as market promotion are perceived to be of the highest priority for the associations' members. A significant challenge for the associations to deliver services to their members are related to the political instability because policies, staff and political priorities often change with new administrations.

Policy and government relationships are also perceived to be the most significant factor affecting the associations' membership, followed low profitability and access to finance which is linked to limited capacities to run efficient and competitive operations. For some of the associations' memberships the reputation of the forest sector that it is illegal, corrupt, or unsustainable further deteriorates their ability to trade in markets with legality and sustainability requirements.

The majority of the associations' members trade in the domestic and Latin America and Caribbean markets; some members aspire to expand to European, US and Middle East and Australian markets while a considerable amount of associations are not considering market expansion. Overall, the international markets –particularly European and the USS but potentially increasingly the Chinese and Brazilian markets—are more sensitive to sustainability and legality concerns, while domestic markets are more lenient.

Part 1 - Association profile & capabilities

Summary

The associations surveyed cover 13 countries in Latin America and have a combined membership of approximately 1,500 members. Association members are diverse and from all steps of the supply chain, but membership is slightly dominated by forest management companies and actors in the primary manufacturing sector. The members represented by the associations trade a full range of products from logs and sawn timber to panels, flooring, furniture, frames, moulding, biomass and engineered woods. A third of the products traded are logs and sawn timber. Estimates of volume traded by the members range from 10,000 to 30 million cubic metres of timber, with estimated values ranging from half a million to 4 billion US dollars.

Almost three quarters of the associations' members are micro and small and medium size enterprises employing less than 5 people. The average annual operating budget of the associations was $176,000 USD per year, but it ranges with a minimum of $30,000 to $1,000,000 USD per year. Except for two new associations, all the associations are funded through membership fees and only a very small number raise revenue through government grants, events, and consulting services.

Except for a few, most associations are financially weak and in need of external support to function and deliver value added to their membership.

Geographical coverage

The 21 associations interviewed draw their membership from 13 Latin American and the Caribbean countries. The associations include organizations with national and subnational coverage. The survey includes 4 associations from Peru, or 17% of the participants in the survey.

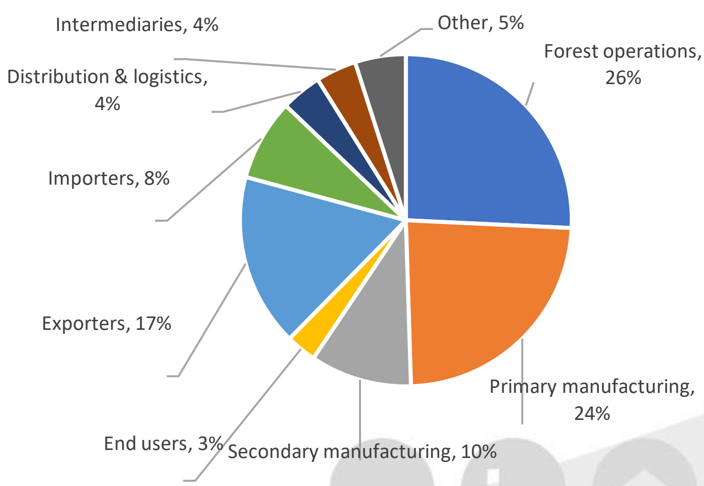
Membership & services offered

Profile of membership

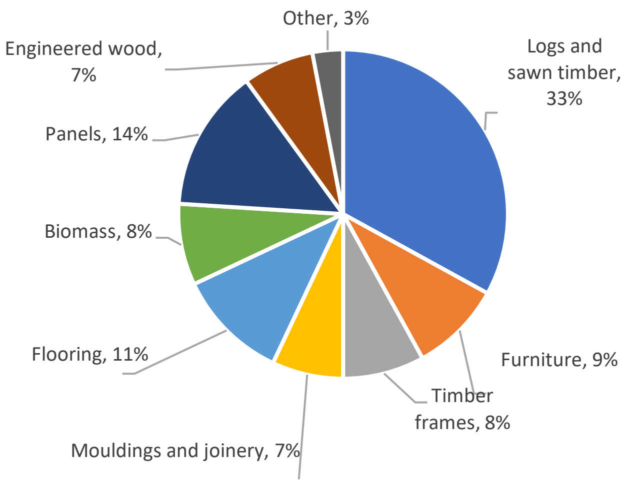
The 21 associations surveyed have a combined membership of approximately 1,500 members with an average membership of approximately 67.

Sectors represented

The membership of the associations is diverse from actors across the forest products supply chain but mostly dominated by forest operators and actors in the primary manufacturing sector.



Products traded



The membership of the associations is diverse and trade with a full range of products, from logs and sawn timber (almost a third of the products traded) to engineered wood.

Volume and Value traded by members

Most of the surveyed associations provided estimates of the volume and value of timber traded by their members per year. These estimates ranged from 10,000 to 30 million cubic meters of timber traded with values from half a million to 4 billion US dollars. The average estimated values were 2.3 million cubic meters and 400 million dollars per year.

Capacity - Number of staff

Staff numbers vary widely among the associations ranging from 1 member of staff to 36 paid staff members. The average number of staff is the equivalent to 5.7 including senior management, technical specialists, administrative and accounting staff. Almost three quarters of the associations have between 1 to 5 employees. Only 7 of the associations reported employing technical staff to address technical questions from members.

Association	Total staff (incl. volunteers)	Paid staff	Technical staff	Association	Total staff (incl. volunteers)	Paid staff	Technical staff
# 1	4	4	0	#10	2	2	0
# 2	6	6	0	#11	2	2	1
# 3	4	4	0	#12	36	36	No data
# 4	5	5	4	#13	2	2	No data
# 5	3	3	0	#14	1	1	1
# 6	5	5	0	#15	6	6	1
# 7	4	3	1	#16	1	1	0
# 8	11	11	3	#17	2	2	No data
# 9	4	4	1	**Average**	**5.7**	**4.8**	

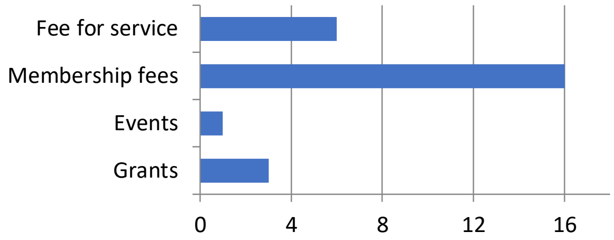
Overall budget

Only 15 associations provided data regarding their annual operating budget. The largest annual operating budget was $1,000,000 USD per year with an average of $176,000 USD.

Association	Annual budget	Association	Annual budget
# 1	$ 150,000	# 9	$ 90,000
# 2	$ 150,000	#10	$ 65,000
# 3	$ 77,000	#11	$ 30,000
# 4	$1,000,000	#12	$ 50,000
# 5	$ 425,000	#13	$ 30,000
# 6	$ 110,000	#14	$ 50, 000
# 7	$ 85,000	#15	$ 165,000
# 8	$ 300,000	**Average**	**$ 176,000**

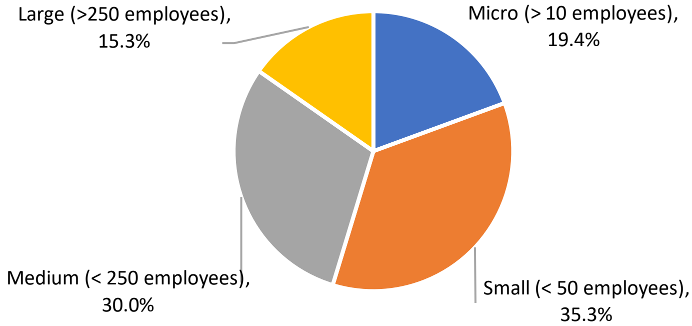
Funding

Two associations, relatively new, are entirely funded by government grants and other sponsors. All but two associations are funded through membership subscriptions; six associations complement their budget offering fee for services; another one through organizing events, and a third one with grants and donations.



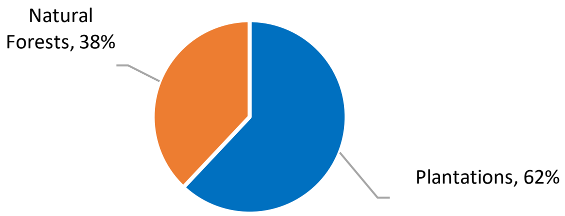
Size of member companies

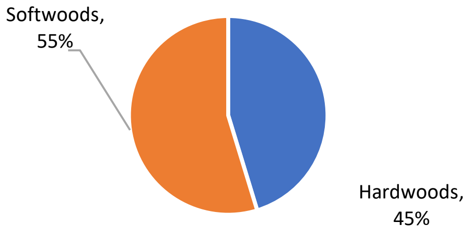
Little over than half of the approximately 1,500 members represented by the associations are small and medium size enterprises (between 50 and 250 employees).



Raw material sourcing

Associations' member sourcing is evenly distributed in sourcing a mix of hardwoods and softwoods species, mainly from plantations.





Part 2 – Priorities and challenges in delivering services to members

Summary

Associations provide a broad variety of services to their membership:

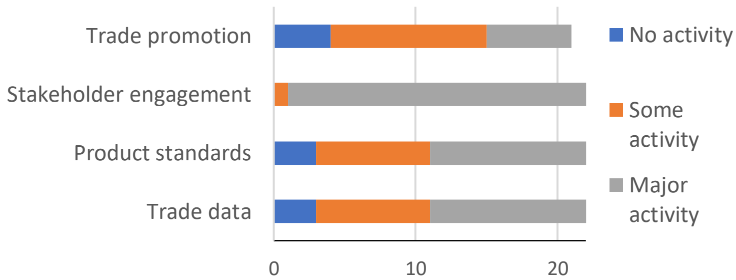
- Advocacy - Representing the interests of their members in government relationships and engaging with other stakeholders—including donors— to position and maintain the forest sector in the national public policy agenda and informing forest-related decision-making processes with forest sector data. Advocacy themes include forest sector policy and regulation, market promotion, technical product standards, tax policy, as well as sustainability, legality and forest products traceability. Strengthening partnerships with key stakeholders.
- Market promotion – expanding domestic, inter-regional and other international trade by: collecting and disseminating market information to members (prices, trends, etc.), disseminating information about the sector to other stakeholders and buyers, supporting and organizing business roundtables and tradeshows, facilitating access to buyers, and —in a few instances— engaging in inter-sectorial commitments to promote the demand of legal timber products.
- Membership communication – providing information to members about changes in regulations, market requirements —including legality and traceability—, quality standards and technological innovation.
- Building capacity – providing and facilitating access to technical training on a variety of topics including: forest management, forest management certification, labor standards, human resources management, product quality, product quality control and manufacturing processes, business management and development, forest legality and traceability.

Associations see the provision of technical services, market promotion, and government liaison and policy to be the top three services they provide to their members. The surveys also indicate that associations overall provide wide variety of services without focusing much on specific services (e.g. indicating "some" and "major" activity on many types of services).

The most significant challenge in delivering services include regulatory instability as government policies, regulations, taxes/fees and staff often change with new incoming administrations. Another challenge was illegal logging and the image that the sector is illegal, corrupt, or unsustainable makes it difficult to compete in markets with other products (e.g. plastic and construction), and in policy with other sectors (e.g. agriculture). Lack of coordination and inadequate member participation as well as the lack of financial resources and technical staff for trainings were also highlighted.

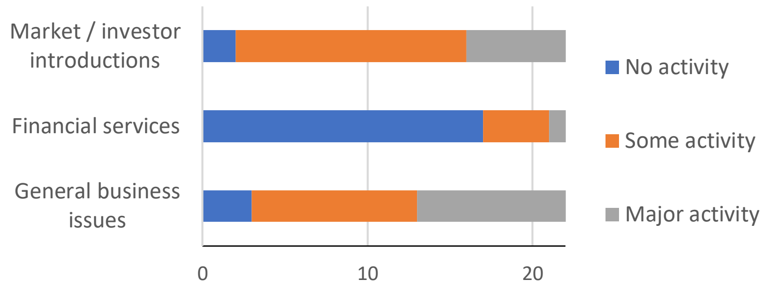
Services currently provided

The associations provide a broad range of services to their members most notably public and government stakeholder engagements.



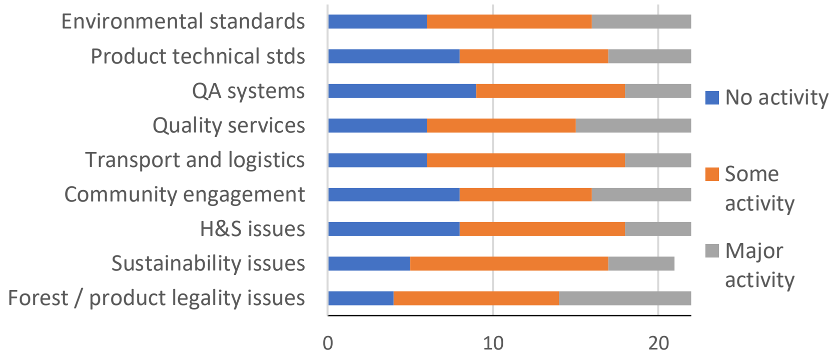
Business services provided

Associations provide some business services to their members, mostly focused on general business management and market/investor introductions.



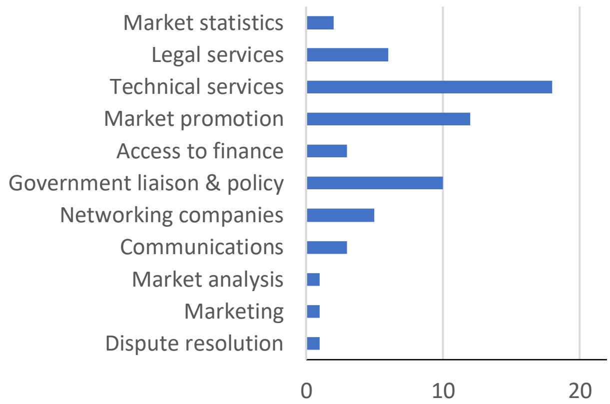
Technical services provided

Associations provide a wide variety of technical services to their members on a variety of topics but they seem to focus slightly more on forest legality, transport and logistics, as well as quality services.



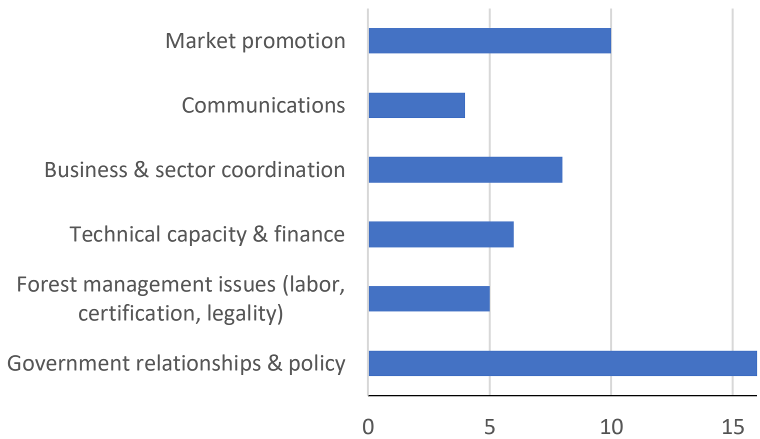
Priorities for service provision

The current top three priority areas are the provision of technical services, market promotion and access, and government liaison for sector representation in public policy development and implementation.



Challenges in delivering current services

The most significant challenge identified by associations to deliver services was associated with the political instability that it is usually related to changes in political administrations. Related to market promotion and access, the bad image of the sector, mostly related to illegality, makes it challenging to position forest products vis-à-vis other products in the markets. Lack of coordination in the sector and inadequate member participation as well as insufficient finance and technical capacity (staff) to provide services were also highlighted in the challenges.



Part 3 – Challenges faced by membership (particularly SMEs)

Summary

Government and public policy are considered the major challenge facing members of the associations surveyed. Other inter-linked challenges highlighted: market variation and access to finance –to some extent linked to the sector reputation—decreases the enterprises profitability and limits their abilities to run efficient operations.

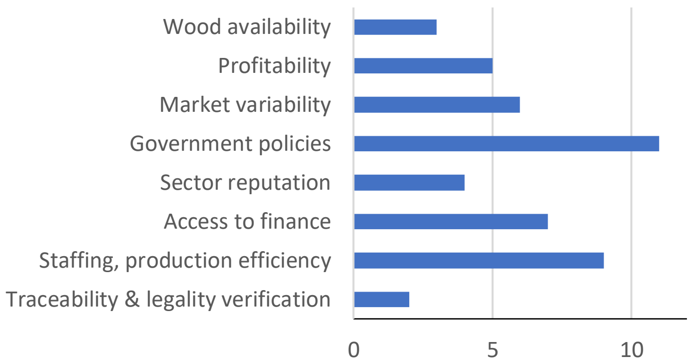
Associations aspire to deliver a wide variety of services covering all aspects of the supply chain, from forest management to market research and development. Services related to access to finance was the most commonly cited area of interest as well as trainings and support to strengthen enterprises' operational and communications capacities. Funding, staff, and the development of their own internal technical capacities are key for the associations to be able to deliver any additional services.

Most of the associations' members sell their products in domestic markets and within Latin America and the Caribbean. The United States and China are the current largest international markets and Europe was identified as an area of significant interest to expand trade. A few associations identified interest in selling in the Canadian, Middle Eastern and Australian markets while a considerable number of associations expressed their members are not currently considering expanding markets.

Challenges associations' members face in accessing export markets include overcoming the reputation of the sector and ability to demonstrate the legality and/or sustainability of their products, unfamiliarity with market policies and regulations, and a series of challenges that curb the competitiveness of the enterprises.

<u>Top challenges for members</u>

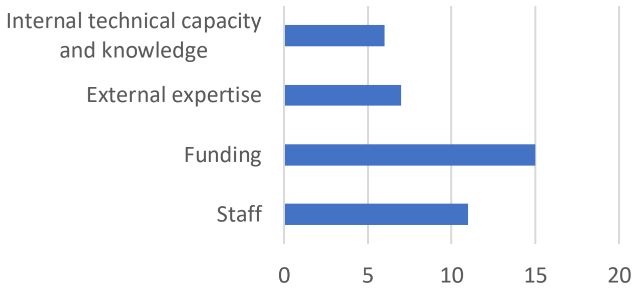
The main challenges for associations' members are related to government policies: over regulation, bureaucracy and uneven implementation of the laws and/or lack of capacity to implement laws. Market variation and access to finance as well as challenges in staffing and implementing efficient production processes emerged.



Additional services the associations would like to deliver

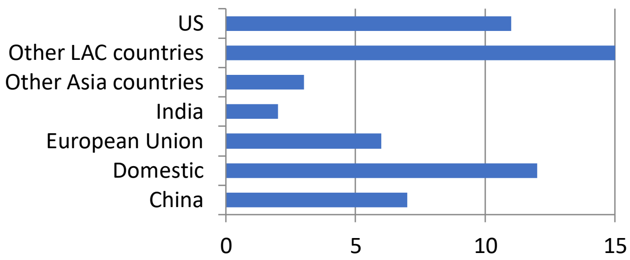
Associations would like to provide a variety of services to their members across the supply chain: from training on forest management, traceability, to access to markets. Not surprisingly, facilitating access to finance, was identified as the most important issue. Business management, institutional capacity, as well as communications were also identified as important priorities.

When asked what is needed to deliver these services, the associations identified funding as the largest impediment, followed by personnel and internal and external expertise.



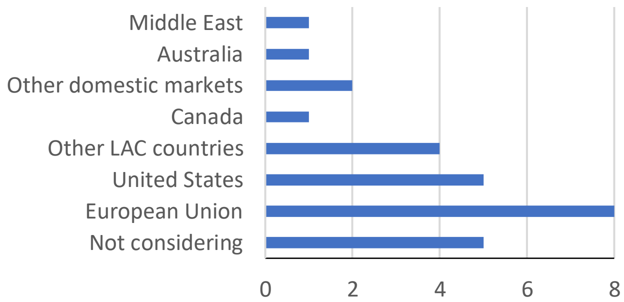
Current main markets

Most of the associations' members sell their products in the domestic markets and with other countries in the region including Mexico and the Dominican Republic. Beyond the region, the US and China are the biggest markets.



Target markets

Associations identified the European Union, the US and other Latin American countries as are of interest for increase trade. Some associations are not considering market expansion, while a few others are interested in new markets in Canada, the Middle East and Australia.



Exports – challenging issues

The major challenges for accessing export markets include:

- Challenges related to the competitiveness of the sector, including: high production costs, over-regulations, low product quality, access to finance and transportation costs, among others.
- Unfamiliarity with market policies and regulations.
- Bad image of the sector due to illegal logging and illegal logging investigations.
- Lack of traceability to document and demonstrate the legality and/or sustainability of the products to satisfy markets' demands.
- International agreements that both, facilitate or limit trade.

Part 4 – Analysis of domestic and regional markets

Summary

- Most of the members represented by the associations surveyed produce or source their timber from domestic sources.
- Except for 6 associations, they all depend mostly on the domestic markets; major export markets are the US and China and, overall, the buyers of the membership products are slightly dominated by manufacturers and traders.

Association	% domestic	% export
#1	80	20
#2	50	50
#3	35	65
#4	50	50
#5	20	80
#6	90	10
#7	50	50
#8	40	60
#9	40	60
#10	70	30
#11	85	15
#12	100	0
#13	100	0
#14	10	90
#15	80	20
#16	70	30
#17	0	100
#18	90	10
Average	59	41

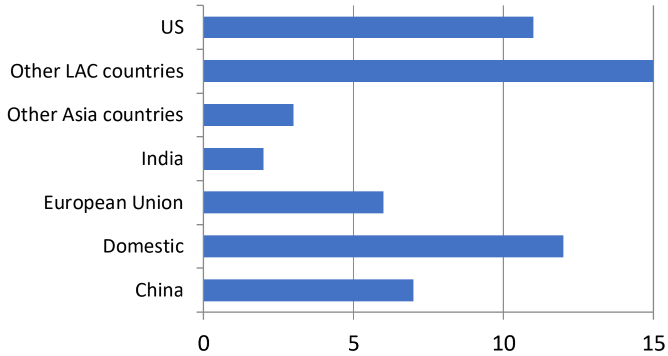
<u>Sourcing</u>

Except for two associations, most of the associations' members produce or source their timber from domestic sources.

<u>Exports – significance to members</u>

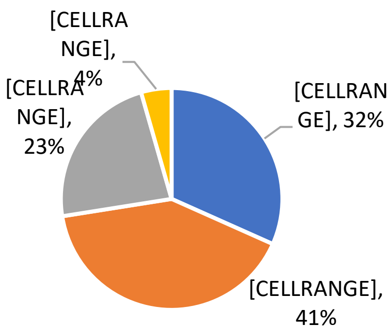
On average, the associations' members depend on both export and domestic markets. However, the members of only 6 of the 18 associations that responded to this question, depend by more than half, on the export market.

Aside from domestic markets and markets in other Latin American countries, the U.S., China and the European Union were identified as the top export markets.



<u>Customer profile</u>

Little over 40 percent of customers of the associations' members are manufacturers; traders represent a third of the customers, followed by retailers (23 percent).

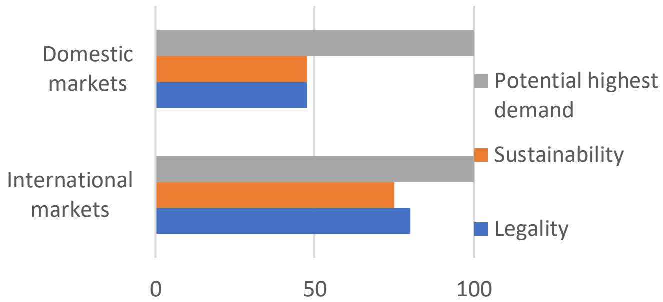


Part 5 – Analysis of international market and customer needs including legality and sustainability aspects

Summary

- For associations with exporting members, the demand for legal timber typically originate from the European and US markets although questions about legality were also mentioned from buyers from China, Vietnam, Japan and Brazil.
- Associations estimated that the level of demand for legal timber from international markets was high, but mostly depending on the country or region of origin.
- Respondents from countries with perceived higher levels of illegality, for instance, indicated major scrutiny.
- Demand for legal timber from domestic markets, however, was estimated to be relatively low. Similar responses and estimates were identified for demand for sustainable timber from international and domestic markets.

<u>Legality – level of demand from international and domestic markets</u>



For associations with exporting members, the demand and questions around legality typically originate from the EU and the US, although China, Vietnam, Japan and Brazil were also mentioned.

The level of demand from international markets for legal timber was estimated at 80 (on a scale of 0 to 100) by respondents. However, questions about legality depend to some extent on the country of origin –with more questions for countries with more claims of illegal logging—the type of product, or whether the product was certified or not. In contrast, the level of demand from domestic markets for legal timber was estimated at 47 (on a scale of 0 to 100) by respondents.

<u>Sustainability – level of demand from international and domestic markets</u>

For associations with members that export to international markets, the demand and questions around sustainability are relatively frequent and similar to the questions around legality. The level of demand from international markets for sustainable timber was estimated at 75 (on a scale of 0 to 100) by respondents. The EU and the US were noted as the most frequently demanding markets. Other countries mentioned were Japan and China, and overall buyers that already demand certified products.

Comparing the demand for legality and sustainability shows that the level of demand for legal and sustainable timber is perceived to be very similar for domestic and export markets.

This material has been funded by FAO EU-FLEGT Programme and the views expressed do not reflect the views of the European Union, Swedish government, UK government or the Food and Agriculture Organisation of the United Nations (FAO).