

**PRESENTATION GIVEN AT THE TRANSLINKS CEBU
VALUE CHAIN WORKSHOP ENTITLED:**

**“Improving Value Chain Dynamics for Natural Products in
the Furniture, and Gifts and Home Décor and Fashion
Accessories Industry”**

CEBU CITY, PHILIPPINES

JULY 2-3, 2008

**HOSTED BY ENTERPRISEWORKS/VITA AND THE
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The irony of rattan policies and the impact on the industry and producers

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NTFP- Exchange Programme

Presented at the workshop: "Improving Value Chain Dynamics for Natural Products in the Furniture, Gifts & Home Decor and Fashion Accessories Industry"

JULY 2, 2008, Cebu City, Philippines

Hosted by EnterpriseWorks/VITA



Rattan and the Furniture industry

**“Major revenue impact
but minor forest product”**

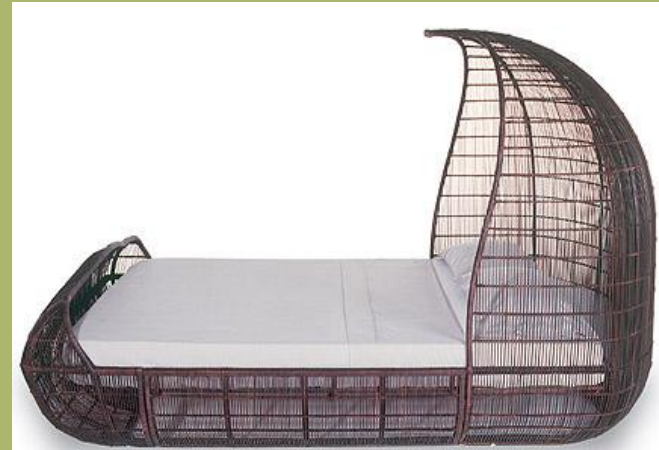
- The Furniture Industry as a whole is a major industry and **ranks third among the top export earners of the country.** (DTI, 2001)
- Total export value of the industry was **over \$290 million in 2004.** At that time, **rattan furniture comprised over 30%** of all furniture exports. (BETP-DTI, 2005)
- Rattan furniture exports in **2004 valued at US \$ 98,178,853** (BETP-DTI, 2005)





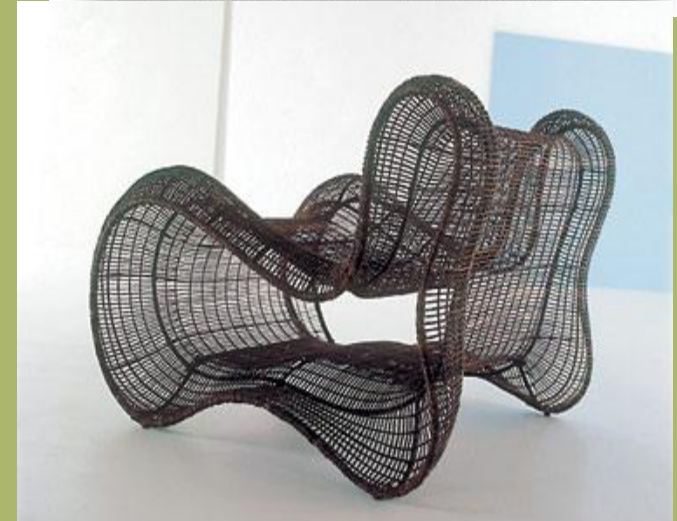
KENNETH COBONPUE

Acknowledged furniture design leader Kenneth Cobonpue gives the Philippines a reason to be proud. Once again, he has highlighted the country on the map of the highly competitive world of design. Him being granted the prestigious 2005 Design For Asia Award is a fierce statement that Filipino creativity is indeed world class.-
SunStarCebu2005



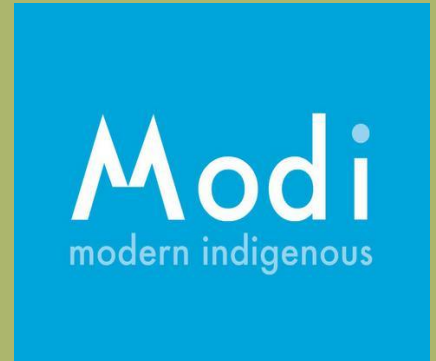
Now the big time beckons. Brad Pitt recently bought Cobonpue's **Voyage bed**, Warner Brothers asked Cobonpue to furnish a casino set for the forthcoming *Ocean's Thirteen*; and distributors from Spain to Singapore are clamoring to stock Cobonpue's sexy, curvaceous designs, most of which are consummate expressions of rattan's versatility.

Time, July 13, 2006





Alangan Mangyan
Tabud Basket



amm

Dilemma of sourcing rattan materials-

"He said / She said"

- Furniture manufacturers want to continue to make rattan products but have shifted to the use of mixed media given the problem of **difficulty in sourcing rattan raw materials**
- Within the period 1993-1997, the Philippines **imported** from China, Hong Kong and Singapore approximately **US\$2.8 million of raw rattan poles** to supplement the local supply. (FAO 2002)
- Arquiza's study (2007) on the economic value of NTFPs in 9 provinces, however, shows that the majority of stakeholders in these provinces say that there is **still an abundance of rattan in areas such as Quirino, Agusan, Palawan.**



Scenario of rattan concessions in the Philippines: **swan dive in 6 years!**

- In 1998 there were as many as 301 permittees with an AAC of 229,456,790 Im
- In 2004, there were only 42 rattan cutting permits for only 23,575,648Im which is only 10.3% of AAC 6 years back
- Some NTFP users believe a higher figure can be legally targeted without undue harm to the environment, provided there are rattan enrichment and restoration programs
- 1988 RP-German resource inventory recorded 4.57 billion linear meters. Palasan and limuran species, which are preferred by most furniture manufacturers, account for more than half of rattan resources found at that time. (Neri, 1994)



**Do we really have a
shortage?**

Yes,

Do we really have to import?

**Not as much as we do now,
if we got our act together and fixed our policies**



FUTURE DEMAND PROJECTIONS FOR RATTAN FURNITURE INDUSTRY

	2003	2005	2007	2009	2011	2013	2015
High Estimate							
Export Value (in \$US '000) ¹	101.79	1122.22	123.72	136.40	150.39	165.80	182.79
Rattan Needed (in lm) ²	44.25	48.79	53.79	59.31	65.39	72.09	79.48
Rattan Available ³	21.78	21.78	20.69	20.69	19.66	19.66	19.66
Difference	22.47	27.01	33.10	38.62	45.73	52.43	59.82
Low Estimate							
Export Value (in \$US '000)	99.85	105.93	112.38	119.22	126.48	134.19	142.36
Rattan Needed (in lm)	43.41	46.06	48.86	51.84	54.99	58.34	61.90
Rattan Available	21.78	21.78	20.69	20.69	19.66	19.66	19.66
Difference	21.63	24.28	28.17	31.15	35.33	39.68	42.24

¹ The 2003 export value (in US\$ million) is the base on 2002 projection, with 5% annual growth rate based for high estimate on historical data, while low estimate is at 3%. A lineal meter of rattan as furniture has export value of \$2.30 (Source: Industry)

² Million lineal meters

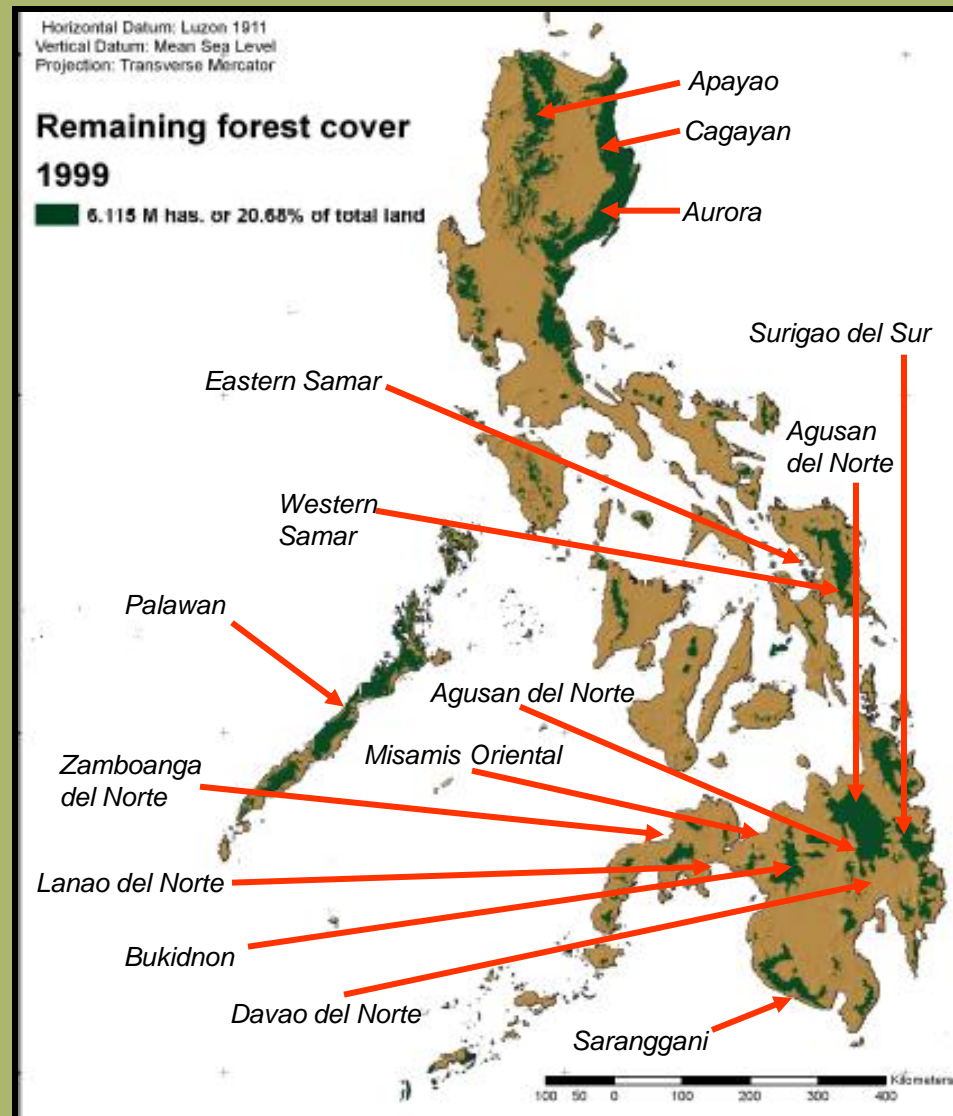
³ Based on average production for last 5 years, decreases at a rate of 10% every 5 year

Source: Tesoro 2001

Succeeding estimates of rattan resources range from a high of 5,607 mlm (NRAP,1997) to a low of 1,490 mlm (Tesoro, 2000)

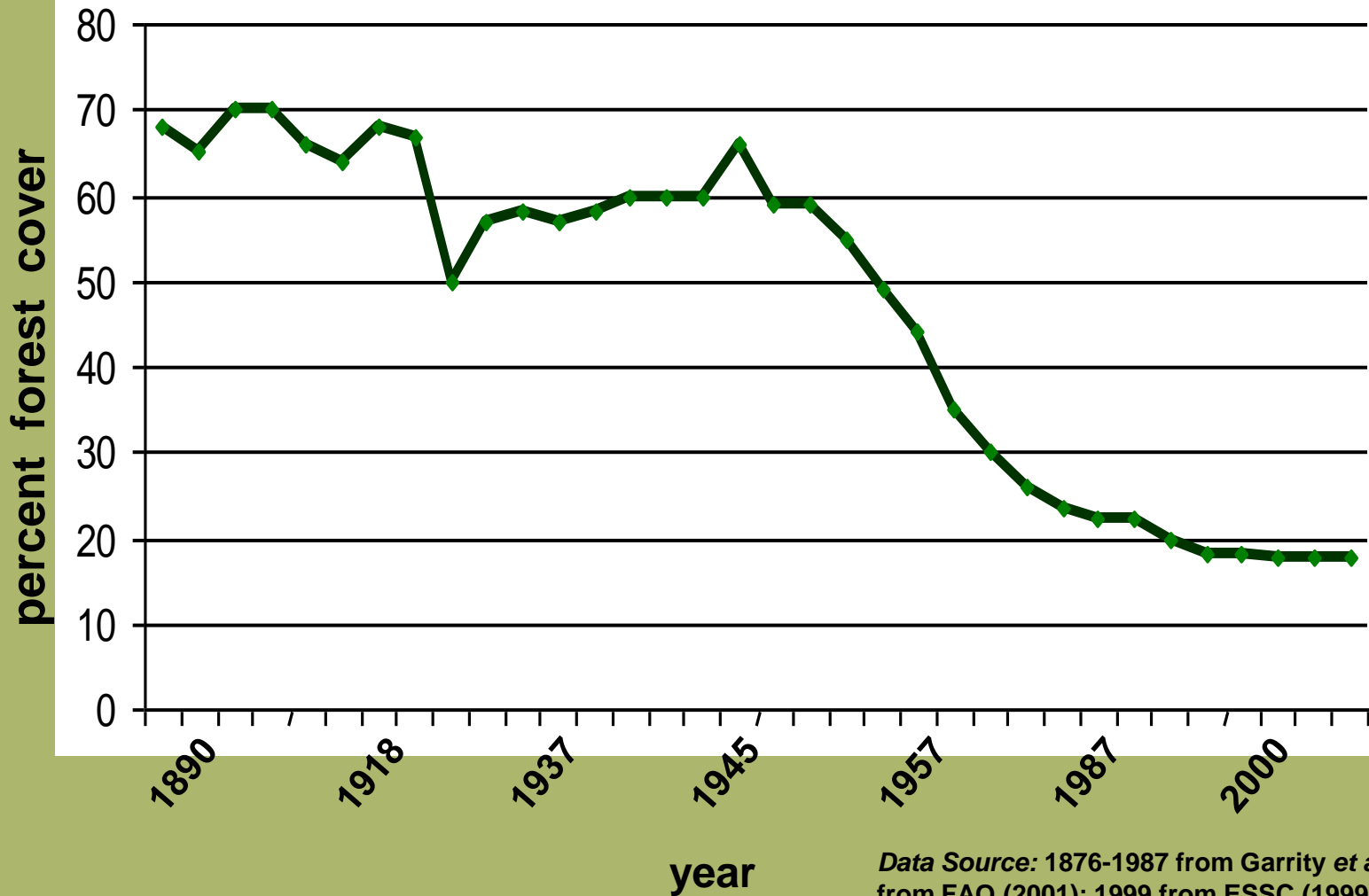


Forest cover 1988-1998



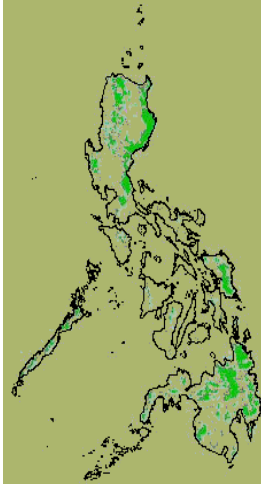
Philippines

Change in Forest Cover, 1876-2002

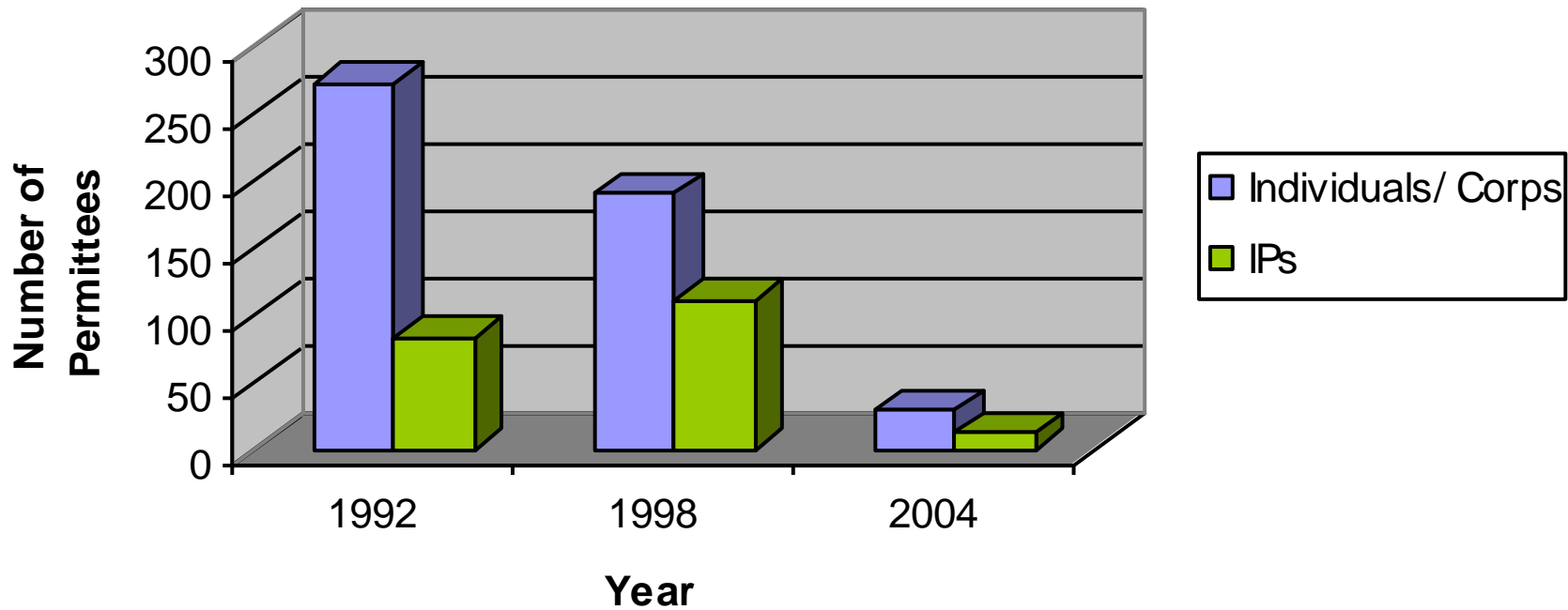


Data Source: 1876-1987 from Garrity *et al.* (1993); 1990 from FAO (2001); 1999 from ESSC (1999); 1991, 1996, 2001, 2000 and 2002 from DENR-FMB (2005)

Source: Fernando, 2005



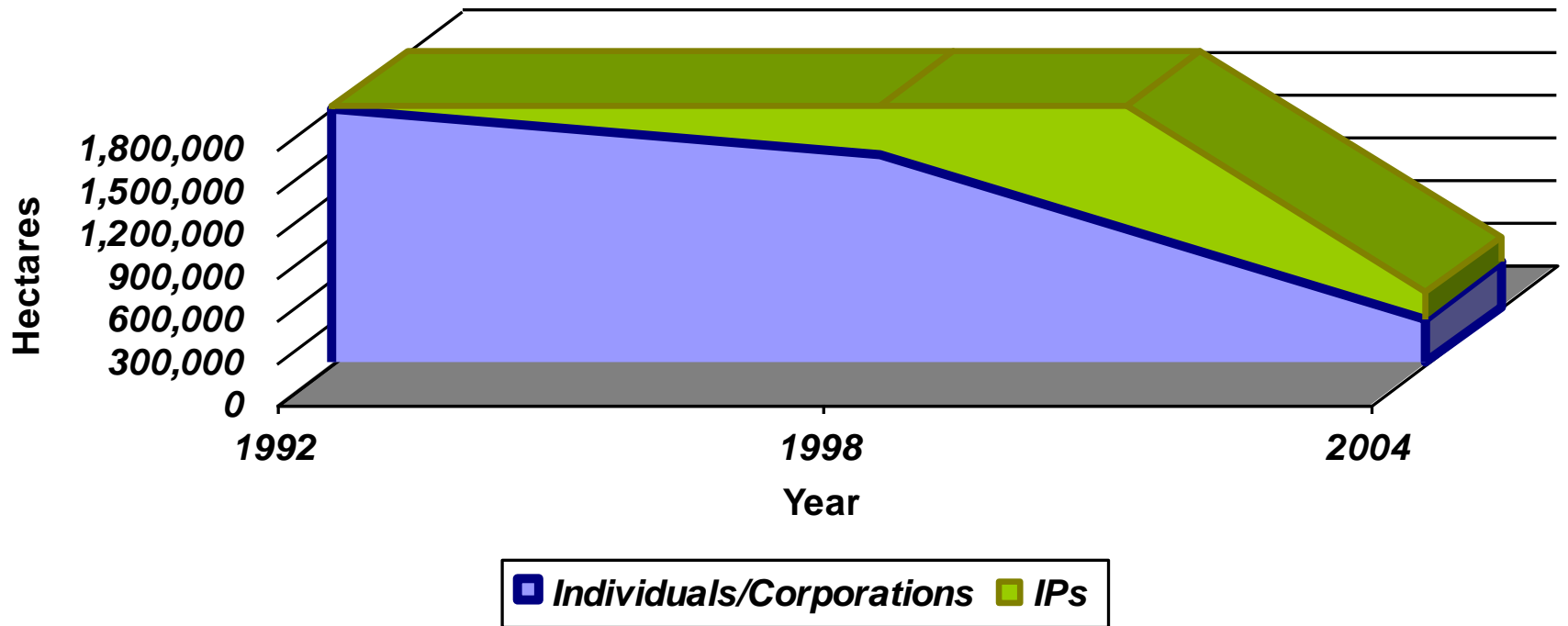
No. of Rattan Permittees (1992-2004)



Source: FMB, Existing Rattan Cutting Contracts 1992-2004, FMB-DENR website



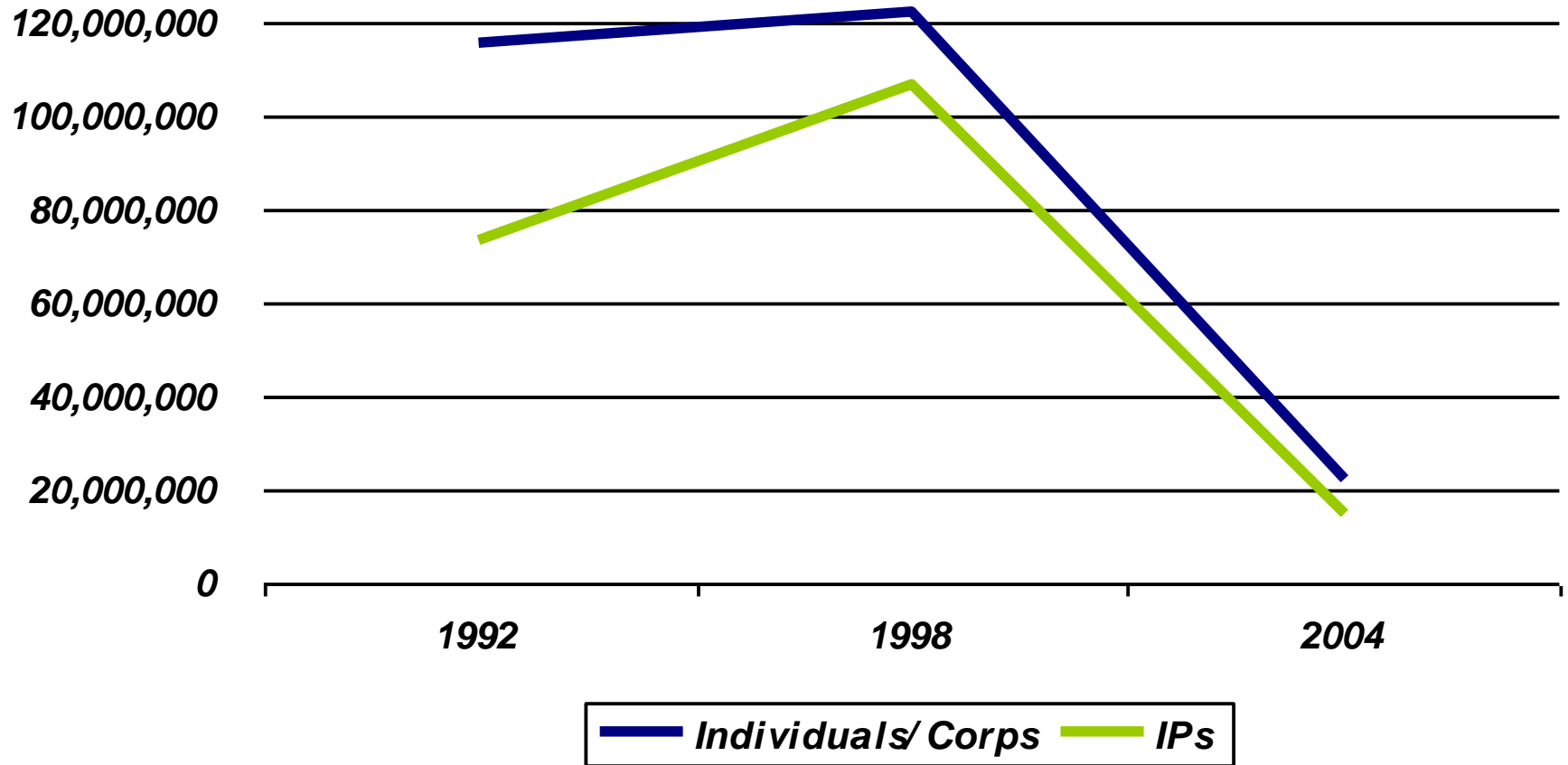
Area Utilization for Rattan Concessions



Source: FMB, Existing Rattan Cutting Contracts 1992-2004, FMB-DENR website



Allowable Cut for Rattan (in Im), 1992-2004



Source: FMB, Existing Rattan Cutting Contracts 1992-2004, FMB-DENR website



So do we have still substantial rattan resources?

If we do, why are there so few permits/concessions ???



Permits ≠ Production

- Lack of accurate and comprehensive data that is regularly updated on forest status and resources
- The reduction in the number of permits may not only be due to decreased production nor to disinterest in rattan as a form of livelihood for indigenous peoples but is also caused by
 - a) the low profitability of rattan enterprises because of unsupportive policies and
 - b) the difficulty in the permitting process thus resulting in the delay in renewal.



What are the permitting and policy issues?



Policies relating to NTFPs

- FAO 11, 1970- Definition of NTFPs as ordinary and minor forest products, requirements for permitting, types of licenses (never been amended since 1970)
- PD 705 – Basic policy on forestry. States that for any utilization, permit is needed
- EO 192 – DENR has jurisdiction and authority over forest lands and regulation of permits in the same
- DAO 4, 89 – rules and regulations governing rattan
- Forest charges – RA7161 – 10% of FOB Market price
- Fees
- Product specific (honey, almaciga, etc)

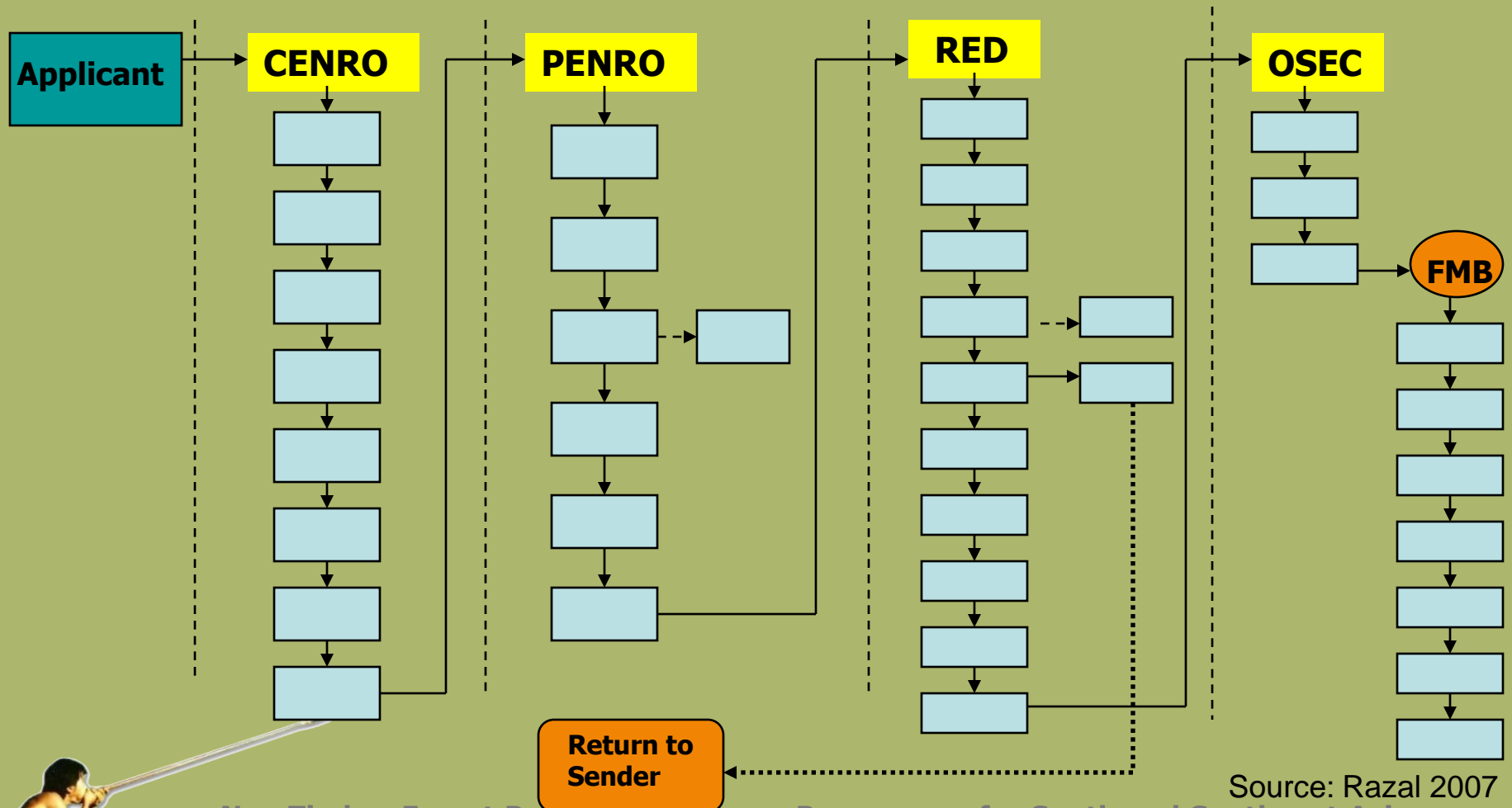


Policies: Utilization

- **Stringent government regulations** - lengthy and cumbersome permitting procedure for processing and renewal, many unnecessary requirements (Gatmaytan, 2004, Arquiza, 2007, Dolom, et al 2005, Razal 2007),
- **Bureaucratic muddle -Unclear policies between the NCIP and DENR,**
- **varying interpretations, outdate policies** on ntfp regulatory procedures (Gatmaytan, Arquiza, Dolom et al, 2005 and Razal 2007) ***Bukidnon example**
- **High transaction costs** – numerous expenses for permits and inventory



Flowchart of Rattan Cutting Contract Application Processing



GENERAL FLOWCHART OF PERMIT PROCESSING AT FMB

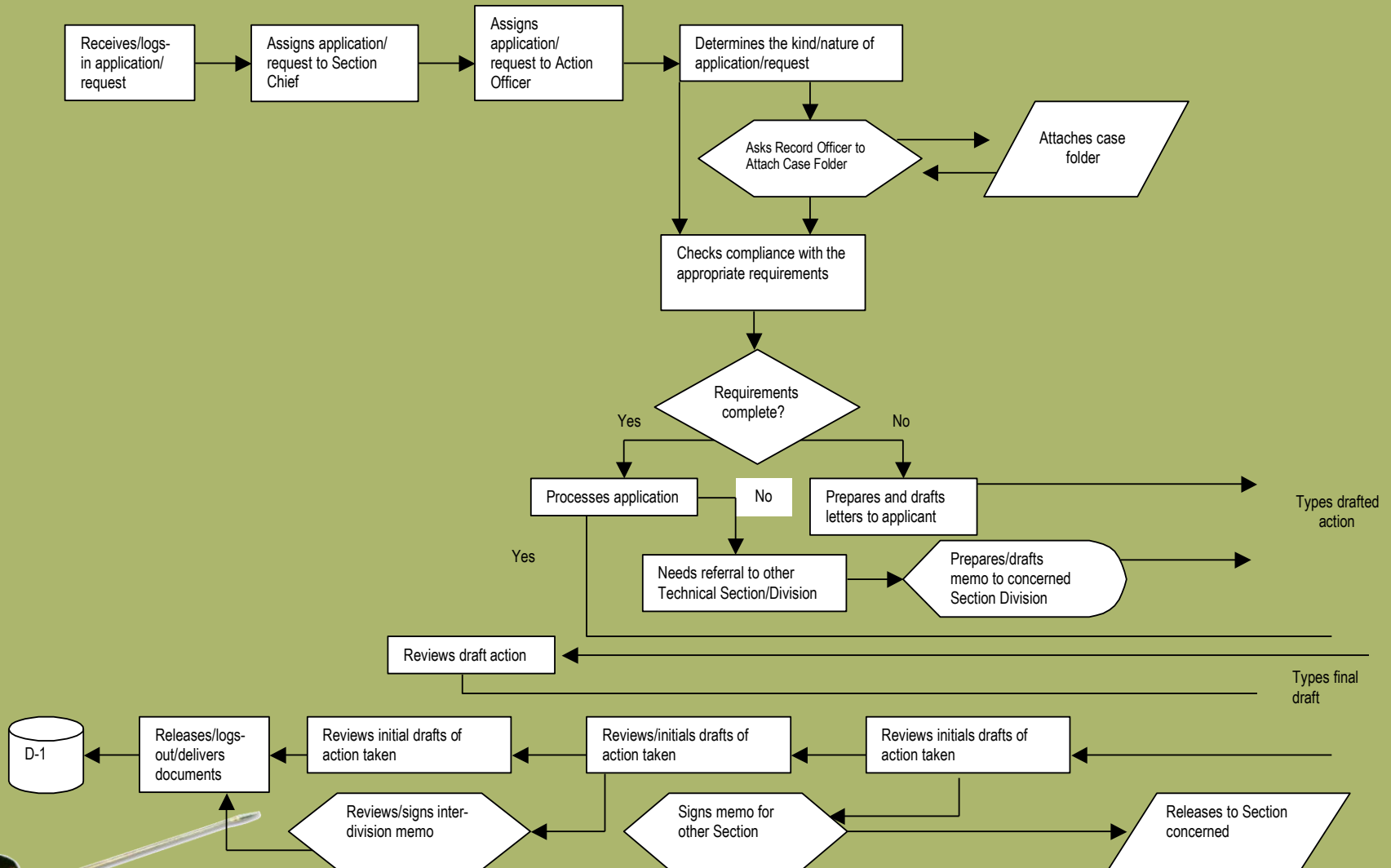


Figure 1a. FMB General Flowchart of Permit Processing



Policies: Transport and Selling

- **Irregular transport regulations** –, regulations allow for 15-30 days but usually just provide for 3-7 days...not enough time
- **Forest charges- steep,**
 - a) FC has increased in the last 5 years but price for rattan has not. Why?
 - b) Effective rate of Forest Charges is more than 10%
 - c) Irrational, impractical, exorbitant price is an incentive for illegal activity. This leads to recycling of documents, mis-declaration of volume, etc.

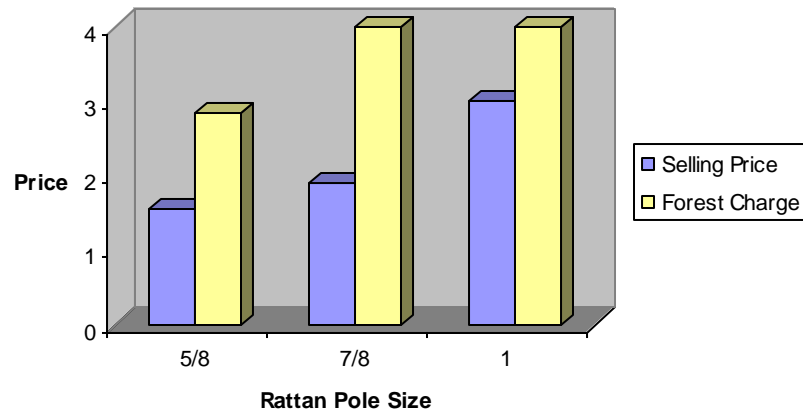
(Take note, there is no mention of recycling of documents with regards to almaciga where the rate is about 16% of what the gatherers/PO get)
- **SOP/Checkpoints-** in Isabela amount paid was P18,000. In Quirino P60,000 (for one trucking)



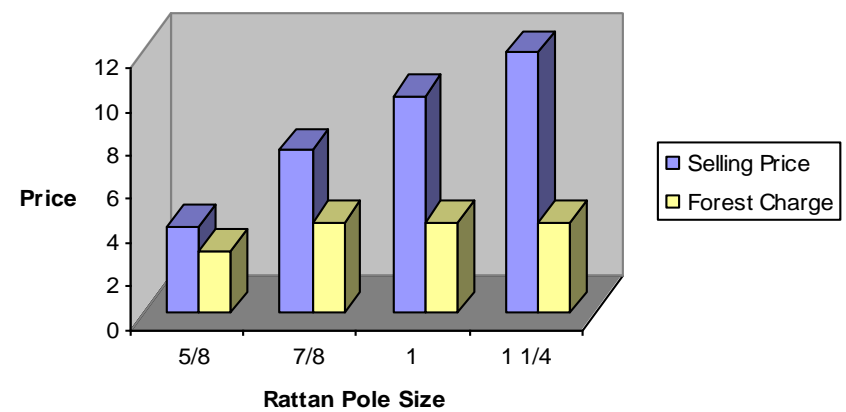
The effect of forest charges against selling price: 4 cases

Gatmaytan 2004

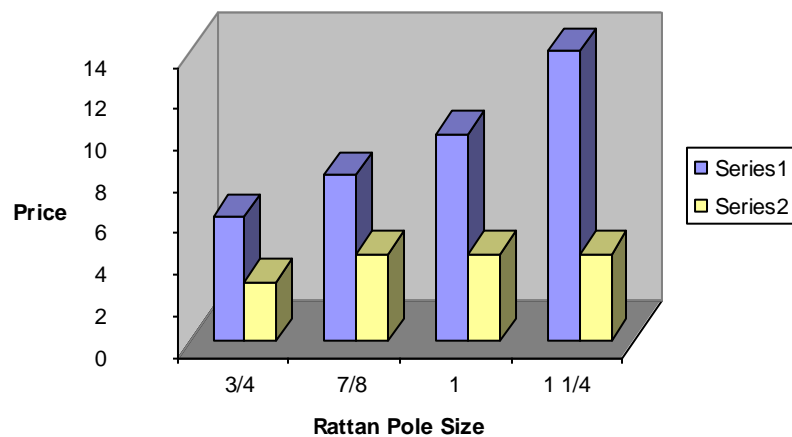
Cutter's Selling Prices for Rattan Poles and in Relation to Tax Rates, GIAVAN, 2003



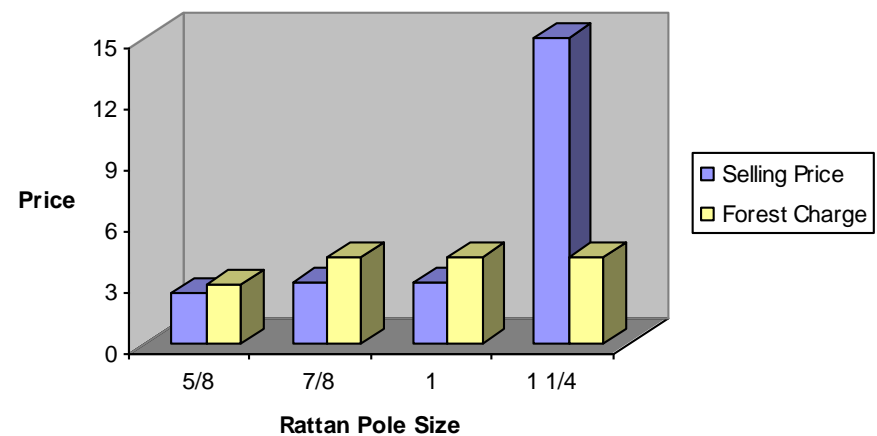
Cutter's Selling Prices for Rattan Poles and in Relation to Tax Rates, PINAGKAMPOHAN, 2003



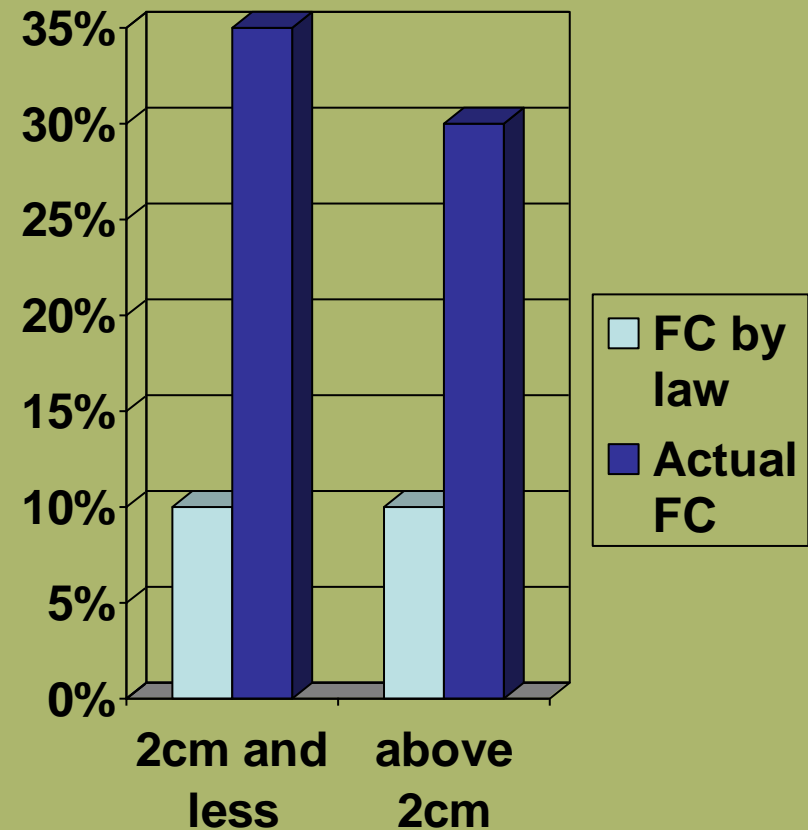
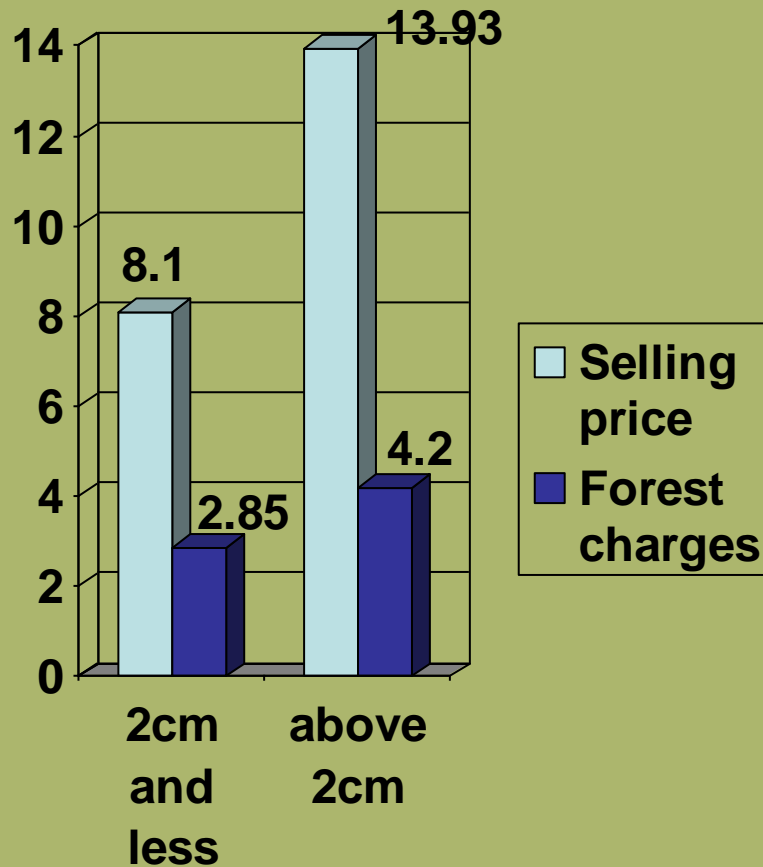
Cutter's Selling Prices for Rattan Poles and in Relation to Tax Rates, SANAMA, 2003



Cutter's Selling Prices for Rattan Poles and in Relation to Tax Rates, LATAY, 2003



Percentage of Forest Charge to Selling price



When 2% > 10%

	"10% - FC"	2% - FC	Net Benefit
Gov't Revenues	P2,458	P2,669	P181 7% increase
PO Expenses	P4,888	P2,669	(P2,219) 45% decrease

Aquino, 2007



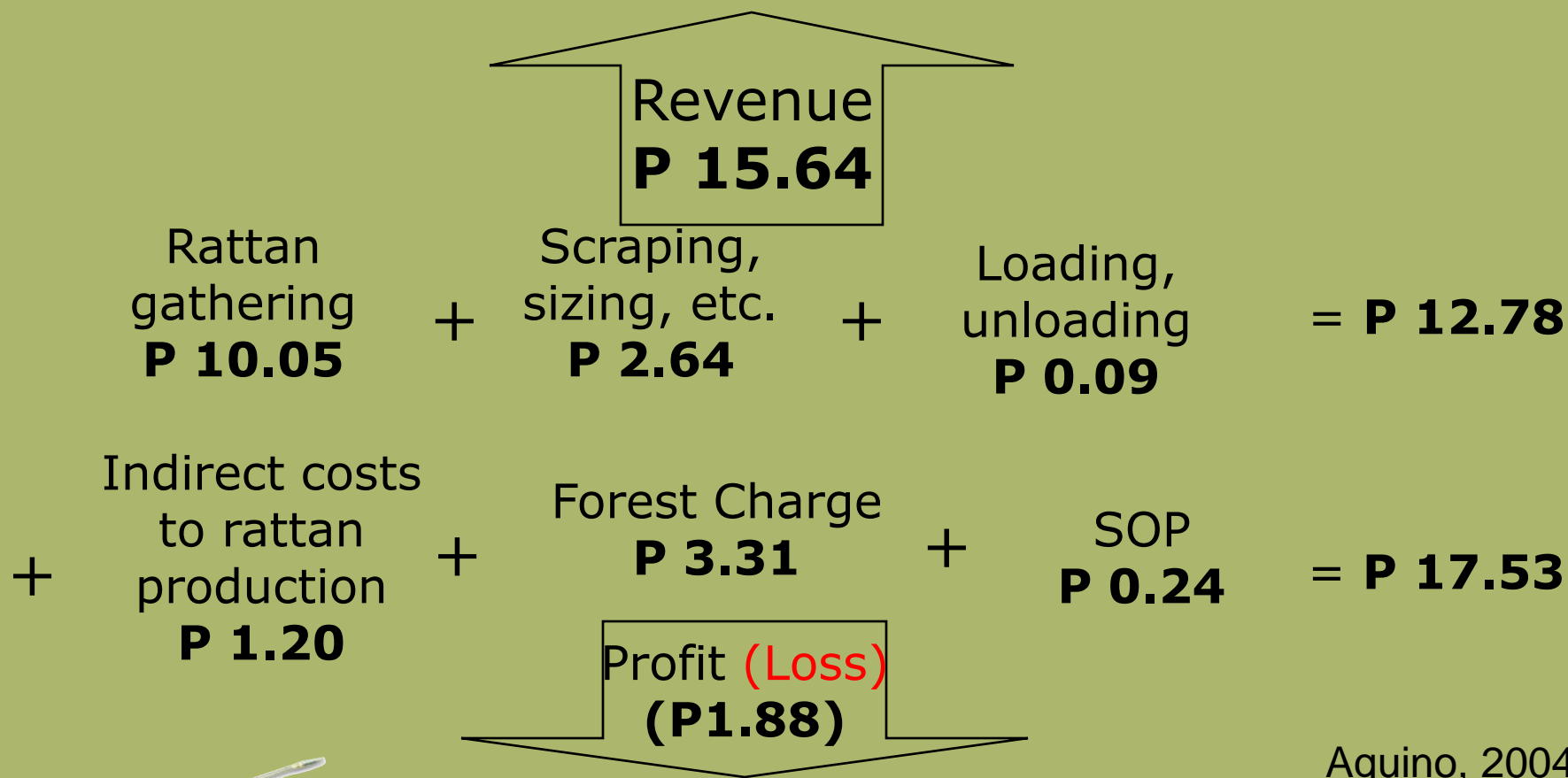
Policies: Sustaining NTFP resources

- **Poor monitoring, Possibly Inappropriate monitoring mechanisms** – Poor monitoring system of harvesting practices, (Dolom et al 2005, Razal, 2007)
- 5% resource inventory required (government doesn't have the personnel to do it, its expensive). Why should the burden be on the community?
- **Confined regeneration requirement**
 - a) Required rattan planting but what about ANR and protection of mother trees?
requiring inventory means less funds to reinvest in other resource management, monitoring activities



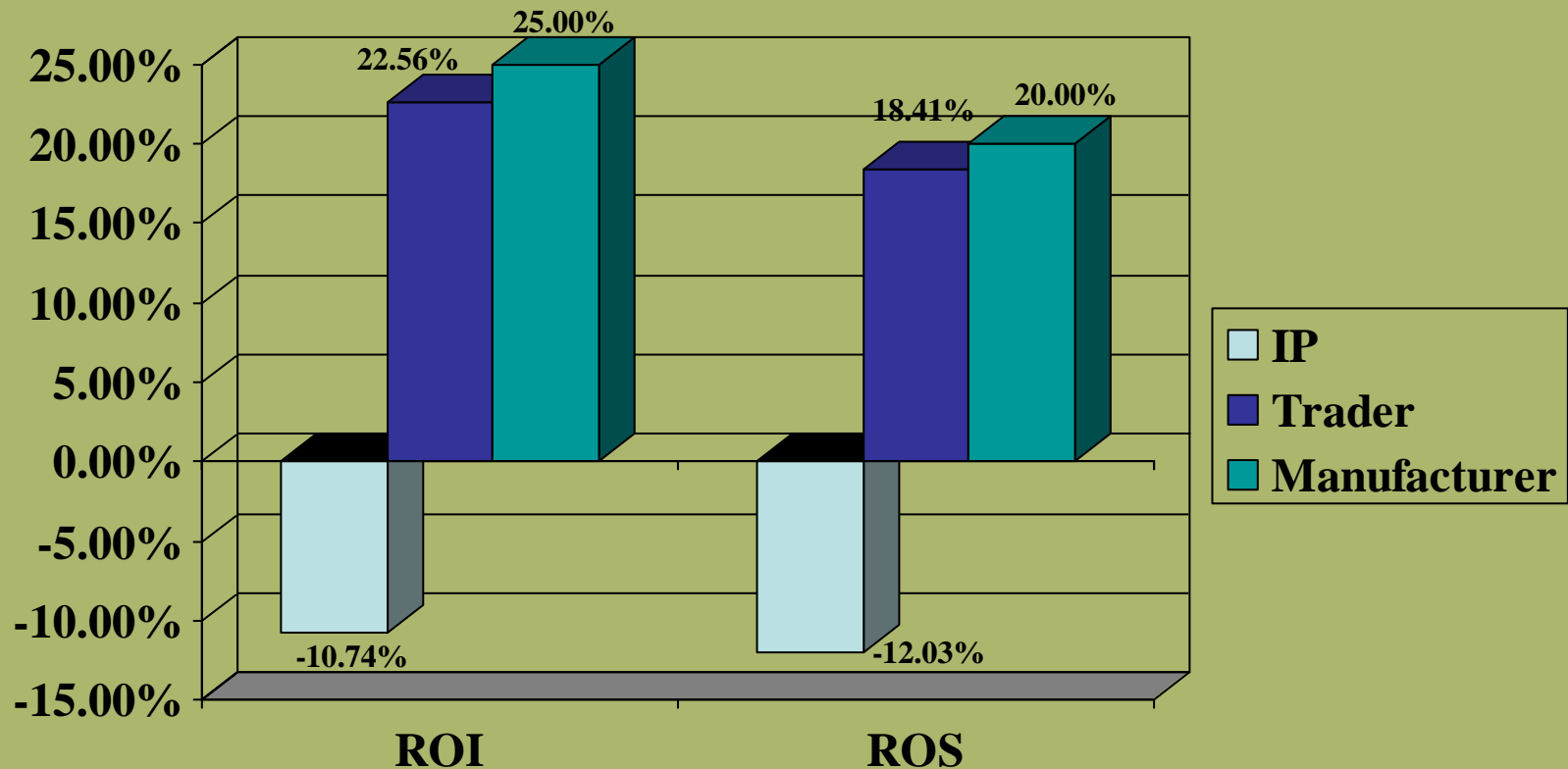
Impacts of Irrational Policies: Inequitable sharing of Benefits:

Benefits (**Losses**) of Gatherers in the: Rattan Value Chain



Benefit distribution by player

“Can we all have an equal piece of the pie?”



Aquino, 2004

Non Timber Forest Products Exchange Programme for South and Southeast Asia



Interventions and developments

"Caught between a rock and a hardplace"



- NTFP-TF and CFIF materials consolidation project (one of 5 challenges is policy to allow for stable, continuous trade of raw materials)
- Other natural products though not easy: bamboo in mindoro, seed jewelry, seed and abaca, traditional wine, fruit juices
- Fast tracking permits- Palawan (2), other provinces are dragging their feet
- Policy Forum Sept 2007 – resolutions
- Working group on policy on NTFP utilization in ancestral domains, participatory resource monitoring proposal



NTFP Policy recommendations

**“To reform or not to
reform,
that is the challenge”**



Internal-DENR

1) Fastracking permits

Launch government program to assist IPs /communities to process and obtain and renew NTFP licenses/permits

2) Reduce, simplify and streamline the licensing requirements

Review if all existing requirements are necessary.

3) Review and rethink section 26 of DAO 2004, 29 to retain Section 10, DAO 96-29

"The accepted resource use plan shall serve as the permit to utilize the resource." (Section 10, DAO 96-29)



Policy Development with other agencies

4) Clarify / Harmonize policies

Approve the Joint draft NCIP-DENR administrative order entitled "***Rules and Regulations for the Management and Utilization of NTFPs in ancestral domains and other areas traditionally occupied by indigenous peoples***"

- To simplify the administrative requirements for the management and utilization of NTFPs
- To provide adequate yet practical and cost-effective safeguards against abuse or non-sustainable utilization of NTFPs
- To clarify the respective roles and responsibilities of the DENR and the NCIP in relation to the management and utilization of NTFPs in ancestral domains.



Research, Testing New Approaches

5) Review & Revise the DAO on forest charges

Do an independent study on market price and forest charges to determine appropriate prices as basis for forest charge per product

6) Support the Participatory Resource Monitoring (PRM) project on field trials and protocol development for NTFPs

- a) Research, field test PRM
- b) Comparison with simplified inventory system and DENR inventory system (appropriateness, cost-effectiveness, replicability, usefulness in management, etc)
- c) protocol and policy development on monitoring schemes for NTFP as an alternative for existing mechanisms



Rattan

Criteria	Indicators	Methods
Rattan species diversity	Number of rattan species observed	Transect walk, harvest records, field diary, photograph, focus groups
Rattan abundance	Number of plants	Transect walk
	Yield of harvest/unit time	Harvest records
Rattan regeneration	Number of wildlings	Transect walks
Resource condition	Any shoots/stems with signs of disease, water marks, fungal attack, insect attack	Transect walks, harvest records
(clustering rattan species only)	Number of shoots/immature stems/mature stems per cluster	Transect walks, harvest records
Environmental conditions	Number and condition of monkeys and birds and other wildlife that help in regeneration	Transect walks, field diaries, focus groups
Practices are/are not followed	Stems cut before flowering/fruiting	Focus groups
(clustering rattan species only)	Shoots/immature stems damage/cut by harvesting activities	Transect walks, field diaries, focus groups
(clustering rattan species only)	Length of stump of harvested stem	Transect walks, field diaries, focus groups



Potentials and Pitfalls of Rattan Management (other than policy)

- *Potentials*: Number of CBFMS (1,781), (181) CADCs, CADTs (57), vibrant furniture and manufacturing industry, design talent, rainforestation concept, NGOs, CFIF –NTFP tie up, PCHI,
- *Pitfalls*: low capacity, unorganized communities, lack of information, linking of the value chain, low prices for raw materials, lack of government attention, different priorities



What can we do?



Non Timber Forest Products Exchange Programme for South and Southeast Asia

Calls

- **Call to government** – *internal DENR* a) fastrack permits, b) simplify licensing / decentralize?, c) DAO 29, 2004, d) review forest charges AO e) support PRM, f) recognize the need for protection of mother trees /sanctuaries
- **Call to donors-** support studies and recommendation on streamlining licensing requirements, support research on FC, support programs on better community access and management, support efforts on PRM development,
- **Call to industry** – a) support calls for policy reforms, b) adopt a community, tie up for restoration of habitats for rattan resources (rainforestation) and joint resource management, c) “win-win” trade deals



What happens if we do nothing?



- ***We continue to import*** – expensive rattan is bad for industry, we create competition for local rattan
- ***We don't fix our policies-*** it remains expensive and complicated to get a rattan license- no incentive to conserve, manage rattan, no incentive to follow policies, prone to misuse, unsustainable practice
- ***If unsustainable practice occurs***, we risk lack of regeneration, and risk losing species forever
- ***We lose a great opportunity*** to support the industry and provide income to upland forest people and revenues to the government



Improving NTFP policies can raise government income, boost business, reduce poverty, reduce corruption and allow sustainable use of forest resources for future generations

