Responding to Increasing Social and Economic Demands on Forests

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Outline

Demands and dependencies on forests  (slides 3-6)

On-going trends  (slides 7-10)

Challenges  (slides 11-16)

The way forward  (slide 17)
Demand for commercial timber

- Industrial timber production is the dominant forest use in most countries.
- Most of the forest sector’s value added comes from processing rather than wood production.
  - Pulp and paper production alone accounted for 49% of forestry’s global value added in 2000.
- Even with extensive forest resources, forestry rarely creates any considerable share of national gross domestic product.
  - The development benefits and impacts on welfare depend on the structure and interlinkages of the economy.
Demands of small-scale activities

• Small-scale forest products processing and trade are the largest non-farm sectors in the rural economies.
  – Many small enterprises use non-wood products as raw material.

• Forest sector continues to be dominated by small and medium enterprises (SMEs).
  – In Brazil, over 80% of forest sector firms have less than 10 employees.
  – In the European Union, over 90% of firms have less than 20 employees.

• The social, economic and environmental impacts of SMEs are enormous, although very small enterprises may not be covered in national statistics.
1.6 billion people depend on forests for their livelihoods

- Some 60 million people are employed in forestry and wood industries.
- More than 2 billion people rely on biomass fuels, mainly fuelwood for cooking and heating.
- 1.2 billion people in developing countries use trees on farms or manage remnant forests for food and cash.
- 350 million people living in, or next to, dense forest rely on them for subsistence and income.
- Some 60 million indigenous people are heavily dependant on natural forests for hunting, gathering and shifting cultivation.
Demands for subsistence and supplementary income

- Forests are important to rural households for subsistence, to supplement incomes or as safety nets in times of hardship.
- The largest number of rural households that use forest products consume them directly - various foods, medicines, materials for construction and utensils, fuelwood.
- Forest land is also needed for crops and grazing.
- In many parts of the world, large portions of the rural population earn between 10-30% of their total cash incomes from varied environmental resources.
Growing demand for diverse services

- Demand for diverse forest products is growing.
- Values and perceptions about the role of forests in benefiting people and nature are changing:
  - forests are no longer considered only as a source of wood and fibres but rather as complex ecosystems inextricably linked with human and other biological systems
  - growing public awareness of forest related problems, like forest loss, global warming and loss of biodiversity, and of the need to assure sustainable utilisation and conservation of forests.

A growing demand for sustainable management of forest resources
Increasing emphasis on rural development and poverty alleviation

- Poverty is largely a rural phenomena: three quarters of the world’s extremely poor live in rural areas.
- For landless and small-scale farmers, forests, woodlands and trees are essential for:
  - livelihood diversification
  - providing increased non-farm activities
  - off-farm employment opportunities.
- Together with agriculture, forest and trees provide the principal assets and opportunities for rural development and poverty alleviation.

A growing demand for forests and trees to promote sustainable rural development and poverty alleviation.
Changes in forestry employment

Sustainable development is unachievable, without decent work and employment.

- Increased productivity, globalization and relocation of industries has dramatically reduced formal sector employment in most countries.

- Increasing informal sector employment partly compensates the decline; outsourcing to contractors and the amount of temporary workers and self-employment is increasing.
  - This opens up more opportunities for small-scale operators, mainly in the informal sector and in tight competition.
Globalizing forest industries

• Globalization is driven by worldwide markets, increased global competition, scale economies, optimization of costs, trade and other government policies.

• The role of multinational companies has increased through mergers and acquisitions and through sharp increase of foreign direct investments.
  – Especially the pulp and paper industry is quickly turning from a highly fragmented industry, into one dominated by large multinationals.

• Presently the weight of industrial timber production is moving from the North to the South and from west to east, and timber production from natural to planted forests.
Diverse and conflicting challenges for the globalizing forest industries (1)

- Challenges in environmental issues:
  - Traditionally, the pressures have originated from the consumers, and from the environmental movement with heavy emphasis on sustainability.
  - Today’s issues are related to e.g. questions regarding illegal logging or ensuring the sustainability of plantation forestry.
Diverse and conflicting challenges for the globalizing forest industries (2)

- Challenges in product image and corporate social responsibility:
  - Outside North America, investors increasingly value short-term performance and profits, leading to streamlining of operations and cutting down less profitable units.
  - This has severe negative impacts on job opportunities and local livelihoods in forestry dependent areas – as well as on long-term business strategies.
Economic viability supports sustainability

• The forest sector needs to be economically viable to safeguard the environmental, social and cultural benefits of forests and to secure sustainable management.

• Productivity lays the base for adequate returns for any type of business:
  – Small-scale producers and manufacturers need financial services and help in improving technical, management and marketing skills, and in strengthening their negotiating powers, as well as in improving the quality of products.
  – Basic infrastructure is needed, including access to communications and updated market information.
Fair institutions and good governance are necessary

• Insecure land tenure and the absence of appropriate governance in the SME sector and labor markets creates an environment of insecurity and hinders accumulation of physical, financial, human and social capital.

• As many as 4 billion people, two-thirds of the world’s population live largely outside formal legal systems, mainly in the developing and transition countries.
  – Respect for contracts and recognition of title to property are often not available to wage workers, the self-employed or small businesses.

• Thus the entrepreneurial and productive potential is partly untapped, hindering growth and creating a source of increasing social tensions.
Development is based on human capital

Human capital, built on basic education and health, is essential for increasing productivity and sustainable use of resources for development.
Conflicting land uses for basic needs?

• In 2030 the world population will have grown by 2 billion.

• An extra one billion ton of cereals is needed, demanding an additional 120 million hectares for crops:
  – a considerable part of the extra land needed will come from forest clearance
  – 120 million hectares is equivalent to 3% of the world forest area, or 6% of forest area of the developing world.

• Agriculture and forestry will face similar challenges in securing production for basic needs and safeguarding the environmental services provided by different land uses.
Land-use planning and forest planning cannot be separated

With multiple and new demands on forests:

• the diverse interests of all stakeholders need to be considered

• there is a clear need for landscape level integrated land-use planning
  – The potential of forested landscapes, including “other wooded land”, trees on farms and outside forests, as well as agroforestry systems to produce forest products and services should be recognized.

• forestry should be integrated with other economic sectors.