

Micro-Enterprises Development for Poverty Alleviation

Volume II



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An Assessment of Potentials and Constraints of Timber Enterprise in Community Forest Users' Groups: A Case Study of Shreechhap Deurali Community Forest Users' Group in Sindhupalchok District¹

Abstract

With the advent of community forestry in Nepal in 1979, community forest users' groups (CFUGs) are managing the community forests. Despite the increasing demand for timber, the CFUGs are not able to exploit the surplus timber commercially. This study was conducted to assess the potentials and constraints of timber enterprise in Shreechhap Deurali CFUG in Sindhupalchok. Though the CFUGs are given the authority to sell timber, they are not harvesting the quantity as prescribed by Operational Plan. Lack of information on the demand for timber and lack of awareness on their rights are major reasons accorded for this. The CFUG installed a sawmill. However, the price of sawed timber was high and thus the sale of logs was more beneficial than selling sawn timber. The lack of awareness among the users about timber marketing was the major constraint in timber selling. The collusion of bidders was effective to decrease prices during auction. Awareness should be raised to develop marketing strategy. It should include collection and analysis of market information

1. Introduction

1.1 Background to the Study

The concept of community forestry (CF) was formally launched in Nepal in 1978. It was given high priority by Master Plan for Forestry Sector (MPFS) developed in 1989 (FINIDA, 1989). The CF is concerned with people's participation in protection, production, management and utilization of forest (Gilmour and Fisher, 1992). The Forest Act, 1993 and Forest Regulation 1995 have given the CFUG the legal rights to protect, manage and use forest resources. The CFUGs are authorized to sell and distribute the forest products independently fixing their price (Lamichhane et al, 2000; Chapagain et al, 1999; Oli, 2000).

Sindhupalchok district is a pioneer in the development of CF programme in Nepal. Most of the CFs were planted with pines in the 1970s to 80s. These plantations are becoming overstocked and require some level of harvesting. Due to passive forest management, users are not benefiting from the forest resources as much as they could. Some CFUGs have already begun to sell the surplus products, including timber to generate capital. The capitals are being used in different community development activities such as school, income-generating activities, water supply, etc. (Dangol, 1999; FRIS, 1998).

¹ BS Thesis 2010 by Ram Sharan BK - Nepal: Tribhuvan University, Institute of Forestry

1.2 Statement of the Problem

Due to favourable policy, the CF and the private tree growers are emerging to hold strong share in timber marketing (Oli, 2000). Due to expanding population, rapid urbanization and changing living standard of rural people, demand for timber is increasing (Malla, 1992). However, the commercial exploitation of surplus timber from the CFs is still poor (Karki et al, 1994). Lack of information on the market for timber, current demand inaccessibility, and lack of awareness of users on their rights are major reasons accorded for this (Hunt and Rasaily, 1999). Besides, there are opportunities like maximizing benefit through establishing timber processing units to get better price and generate local employment (Baral, 1998) and establishing cooperatives to solve the problem of small area and large capital requirement (Acharya and Skarner, 1993). It is necessary to think over opportunities and constraints in timber marketing by the CFUGs in order to provide the CFUGs with required skills and knowledge for analyzing the market information and fixing price.

1.3 Objectives

The overall objective of this study was to assess the potentials and constraints of timber enterprise in the CFUGs. The specific objectives were to:

- assess the potentialities of timber enterprise in the CFUGs,
- identify the constraints of timber marketing from the CFUGs, and
- explore weaknesses and gaps of the timber marketing legislation in Nepal.

2. Literature Review

2.1 Community Forestry Policy

The first forest policy named the National Forestry Plan 1976 emphasized on restricting the export of forest products only to processed or semi-processed form (Gilmour and Fisher, 1992). The Twenty-Year (1989-2010) MPFS aimed to meet people's basic need integrating forestry and farming practices (FINIDA, 1989). Similarly, the forest policy of the Ninth Five-Year Plan (1997-2002) emphasized on the management and utilization of forest resource maintaining a balance between environment and development (HMGN, 1998). The Private Forest Nationalization Act, 1957 regulated the forest use. This legislation was not found effective in mobilizing community for sustainable development. This realization resulted into the promulgation of the decentralization policy 1978 that opened the way for handing over of national forests to local units (Chapagain et al, 1999; Upreti et al, 2000). Among several Acts and policies, Forest Act, 1993 and Forest Regulation 1995, are the two important legislations that address the governance of the CF. With approval from a District Forest Office (DFO), the CFUGs can sell the CF products. The CFUGs are found selling the surplus timber at a price well below the royalty rate (Oli, 2000 and Baral et al, 1999). The CFUGs and the private forest owners are eligible to fix the price of forest products.

2.2 Marketing of Forest Products

In addition to urban demand, demand for timber in rural areas is increasing because of increasing number of commercial enterprises in rural areas (Malla, 1993). The CFUGs and the private farmers are becoming part of major timber suppliers in the hills (Oli, 2000). The Timber Corporation Nepal (TCN) and Forest Product Development Board (FPDB) are the main public agencies in timber marketing in Nepal. However, the supply of products and services from these agencies is inadequate and the gap is met by the private sector including the CFUGs (Kanel, 1994 and Shaikh, 1989). Official prices are one third of free market price. As the role of public enterprises in assuring affordable supply, there is an elite capture due to which the benefit of low-price supply does not necessarily go to the low-income groups. Some CFUGs have installed sawmill also to add value to their timber products and create employment (Singh, 1998). Yet, some sawmill review studies have shown that sawmills were not profitable and doubts were raised over the long-term viability of sawmill, suggesting that log sales were likely to produce greater returns than sale of sawn timber (NACRMLP, 2003).

3. Research Methodology

3.1 Conceptual Framework

The basic concept of the study is that the community-managed forests are more sustainable than the government-owned forests. As community takes the responsibility of the CF, there is participation of community members in the governance of the CF.

3.2 Analytical Framework

The analytical framework consists of the analysis of tree density, regeneration condition, allowable harvest quantity, operational plan (OP) and value addition activities in the CF. Growing Stock (GS) in a forest is measured as the sum (by number or volume) of all tree growing in the forest or specific part of it. Mean annual increment (MAI) is the total volume per hectare divided by age of stand at that time (Leuschner, 1984). Similarly, annual allowable harvest (AAH) is the amount of the timber or other forest products considered available for cutting during specified time period, usually a year (Leuschner, 1984).

3.3 The Data

This study was conducted in Shreechhap Deurali CFUG of Sindhupalchok district, Thulosirubari VDC-6. For the reason that this CFUG had a long experience of timber enterprise and was operating the sawmill, this CFUG was selected for this study. There were 232 households (Newar - 104, Janajati - 31, Dalit - 3, and Others - 94). A sample of 23 households (10% from each caste and ethnic group) was drawn randomly. Primary data was collected by using structured questionnaire. The secondary data was collected from the statute, operational plan and other official records of the CFUG. Specific information was collected from the DFO, wood traders and executive members of the CFUG.

4. Results and Discussions

4.1 Characteristics of the Study Area

Shreechhap Deurali CFUG, Thulosirubari VDC-6 was established in 1994 and registered officially in 1999. The total area of the forest is 80.65 hectare and divided into five blocks. Of the total five blocks, four blocks have been harvested (*thinning has been done*). The forest is basically subtropical ever green and deciduous in nature. *Pinus roxburgii* (Khote salla) and *Pinus patula* (Pate salla) are the main planted species (and are the species for marketing), and *Schima walichii* (Chilaune), *Shorea robusta* (Sal), *Alnus nepalensis* (Utis), *Madhuca indica* (Mahuwa), etc. are the other tree species in this CF. The sawmill was established in 2000.

4.2 MEDEP-supported Program in Shreechhap Deurali CFUG since 2007

MEDEP provided several training in forest management, appropriate harvesting of timber, account keeping, pine pole treatment, cooperative formation and management, cooperative management, technical support to forest management, entrepreneurs group formation, social mobilization, skill development, advanced *lapsi* processing technology, business counselling, *lapsi* and ginger processing, etc. With these supports, the CFUG achieved the following outputs. Increase in forest revenue, promotion of forest management activities, increase in participation of women in decision-making position, economic independence of women, sending children to school are some of the achievements with MEDEP's supports.

4.3 Regeneration Condition

Regeneration of the forest includes both seedling and saplings. There were 1,323 seedlings and 866 young established regenerations (of both seedlings and saplings) found in this forest. The regeneration found in this CF were *Litsea monopetala* (Kutmero), *Castanopsis species* (Katus), *Fraxinus floribunda* (Lankuri), *Pinus species* (Salla) and *Madhuca indica* (Mahuwa). The number of seedling of *Litsea monopetala* (kutmero) was 519 per hectare but the number of young regeneration of this species was zero

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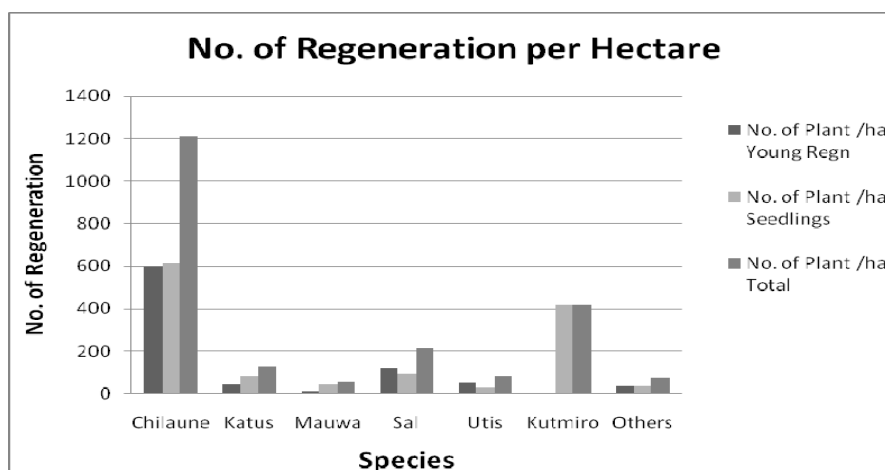


Figure 1: Regeneration condition in Shreechhap Deurali CF, Sindhupalchok

Growing Stock, MAI and AAH of the CF

This CF was 30 years old. According to Thinning Guideline 2065, the operational plan should specify 300 trees per hectare and others would be harvested. But the CFUG did not harvest as prescribed by the OP. The major reasons of not harvesting as prescribed by the OP were frequent changes in the government's decisions regarding timber marketing and royalty policies, unavailability of labours, lack of knowledge of information on timber marketing, etc. Summary of the GS, MAI, and AAH is presented in Table 1.

Table 1: GS, MAI and AAH of Deurali CF

Species	Growing Stock		MAI (cft.)	AAH (cft.)
	Number	Volume (cft.)		
Salla	555	4,104.19	164.17	1,908.81
Chilaune	70	296.12	8.88	5.33
Others	8	16.43	0.49	0.30
Total	633	4,416.74	173.54	1,914.44

4.4 Activities in the Shreechhap Deurali CF

- The forest management plan was based on the Thinning Guidelines (approved on 12 August 2007 by the government) for timber harvest. This study found that the tree harvested was much lower than the harvesting plan approved in the OP. For example, the harvesting plan was 13,816 Cft whereas the harvested quantity was 7,067 Cft in 2063/64 which was 16,650 Cft in plan and 3,392 Cft harvested in 2066/67. Lack of market information, traditional attitude of the DFO regarding forest protection and management, frequent change in government policies regarding timber harvesting and marketing and worse political situation of the country were some of the reasons accorded for this low harvest of timber than planned harvest.
- The Shreechhap Deurali CFUG has one sawmill leased out to a contractor since 2007. It gives regular employment to three workers and generates NRs 65,000 annually. The CFUG has also established a rice mill in 2008. The CFUG invested NRs 140,000 for purchasing of machinery, equipment and other materials. The mill has employed one person regularly. The net income of the CFUG from the rice mill is Rs 14,400 per annum.
- This CF has been selling surplus pine timber to commercial markets since FY 2058/059. When the sawmill was established in 2002, the CFUG started to sell the sawn timber from the CFUG. It was reported that selling of logs was more beneficial than selling sawn timbers. The price fetched by the CFUG members in the CF is much lower than the price of log in Kathmandu market (less than 50%). Collusion of bidders during bidding of logs has been found as the major reason for the low price of the timber in the CFUG.

4.5 Marketing Promotion

The respondents opined that auctioning was the only promotion strategy of the CFUG. It became clear, therefore, that the marketing promotion was poor. There were 46.15

percent of the CFUG members who did not know about the auction notice and tender process.

4.6 Constraints in Timber Marketing

The lack of awareness among the users (50%) about timber marketing was the major constraint in timber marketing. About 30.76 percent respondents were of the view that legal aspect was the most prominent problem in timber marketing followed by 7.69 percent each on transportation and market information problems. As said earlier, collusion of bidders to decrease prices during auction of timber was found to be another constraint of timber marketing.

5. Conclusions and Recommendations

5.1 Conclusions

Shreechhap Deurali CFUG achieved various outputs with the support from MEDEP. Increase in forest revenue, promotion of forest management activities, rise in participation of women in decision-making position, economic independence of women, sending children to school are some of the achievements with MEDEP's supports. Though there was a good plantation and regeneration of the forest, the harvesting of timber was much lower than the allowable harvest. Frequent changes in government's decisions regarding timber marketing and royalty policies, unavailability of labours, lack of knowledge of information on timber marketing, etc. were the major reasons for such a low harvest. Though the CFUG installed the sawmill, the price of sawed timber was high and thus the sale of logs was more beneficial than selling sawn timber from the CFUG. The lack of awareness among the users (50%) about timber marketing was the major constraint in timber marketing. The collusion of bidders was effective to decrease prices during the auction of timber.

5.2 Recommendations

Since the level of awareness among the users about marketing strategy adopted by the CFUG is poor, the programmes for awareness raising should be conducted. Marketing promotion strategy should include collection and analysis of market information so that harvesting of timber and generation of revenue can be made as planned. There should be a regular mechanism for updating of information on government's changing policies to adjust the CFUG's policies also accordingly to its OP. The DFO should conduct training to the CFUG members on forest-based enterprise development, processing and marketing of timber. The DFO and FECOFUN should support the CFUG in accessing market information and analyzing demand for timber.

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