

**PROCEEDINGS OF 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

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**HOSTED BY ENTERPRISEWORKS/VITA AND THE
CEBU FURNITURE INDUSTRIES FOUNDATION**



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

Translinks Workshop Proceedings
Linking Natural Resources, Economic Growth and Good Governance

Hosted by EnterpriseWorks/VITA and the Cebu Furniture Industries Foundation

Cebu City, Philippines
July 2 – 3, 2008



Translinks-Cebu Workshop Proceedings

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Opening Session

A. Ceremony Opening & Introduction of Participants - Offie Bernardino, Facilitator

The workshop had 48 attendees representing all aspects of the value chain for natural products in the furniture, and gift and home décor and fashion industry. Supported by USAID, the Translinks program sponsored the two day workshop which was co-hosted by EnterpriseWorks/VITA (EWV) and the Cebu Furniture Industries Foundation (CFIF).

- ❖ For the two day workshop agenda, see file link: [Translinks-Cebu-2008-agenda](#).
- ❖ For list of participants, see file link: [Translinks-Cebu-2008-participants](#).

B. Welcome Address - Ann Koontz, EnterpriseWorks/VITA (EWV)

Ms. Koontz explained that Translinks, supported by USAID, is a program of the Wildlife Conservation Society, in partnership with the Earth Institute's Center for Environmental Research and Conservation at Columbia University, Enterprise Works/VITA, Forest Trends, and the Land Tenure Center at the University of Wisconsin

Translinks builds from the nature, wealth and power (NWP) approach that focuses on economic growth while promoting environmental sustainability and good governance. Although natural products come from many different ecosystems, many end buyers fail to consider where the materials are sourced. Most of the time, the end buyer has no idea if the materials came from a well-managed forest system or how the workers were treated. Conversely, the raw material suppliers have little understanding of the product and quality requirements of the end markets. This workshop was intended to educate both ends of the value chain and explore improvements that can produce better environmental, economic and governance outcomes in the sector.

Ms. Koontz mentioned two terms: traceability and chain of custody. Both refer to being able to know which forest provided the materials and which forest entity harvested them. There is an opportunity to look at livelihoods and businesses to see how the value chain can be improved to respond to new markets while not undercutting the environment that supplies the raw materials for the end products.

The speaker explained that the objectives of the workshop were to:

- better understand the natural products value chain and each actor's perspective in the chain
- learn about new tools and programs that improve the supply chain and build markets
- devise short and long term action plans to improve value chain dynamics (leave the workshop with concrete directives)

In the end, Ms. Koontz emphasized the importance of seeing livelihoods and businesses grow while supporting a healthy environment and good governance.

- ❖ Presentation link: [Koontz1-EWV](#)

C. Keynote Speaker - Ruby Salutan, Executive Director, Cebu Furniture Industries Foundation (CFIF)

Ms. Salutan welcomed everyone to Cebu, the capital of furniture, fashion accessories, gifts and toys in the Philippines. She said that CFIF had taken the opportunity to be a co-organizer of the Translinks workshop in order to enhance itself and facilitate interaction among actors in the supply chain. Ms. Salutan pointed out that Cebu is a big exporter of natural processed material. Many fashion accessories manufactured and exported from Cebu – such as jewelry, bags, shoes, and slippers- are made of natural materials. The non-timber forest products (NTFPs) used include: seeds, weeds, grass, beads, barks, rattan, and leaves (among others.)

The speaker explained that the point of the conference was to link up the producer side of the value chain to the market side. She also gave many product examples of how a wide variety of natural products have been creatively used to make world-class products, while improving product sourcing standards. During the last part of her talk, she showed a video to showcase the Philippine furniture and furnishings industry.

- ❖ The video shown by Ms. Salutan is not included due to its large size.

D. “Rattan Value Chain Study – Lessons for Natural Products going into the Furniture, Gifts and Home Décor and Fashion Accessories Industry” - Arlynn Aquino, EWW

Ms. Aquino presented a summary of the Philippine Rattan Value Chain Study. The study was completed using the nature, wealth and power (NWP) framework to focus on the key issues of: sustainable use and management of rattan as a natural resource, economic development for all value chain participants, and good governance. The point of her presentation was to show the entirety of the value chain, from producers to buyers. She explained the physical flow of rattan – how it goes from its natural form to become the chair that is being marketed, and how it goes from the community to peoples’ organizations (Pos), the permit holders for the forest products and the harvesting and first trading organizers, which in the local context are called *kapatas*.

Ms. Aquino showed a matrix of the rattan subsector, including all of the processes that rattan undergoes, and a matrix of market actors and their functions. Ms. Aquino also showed a matrix of gross output sales to illustrate the distribution of proceeds between gatherers and retailers. (Data was compiled from the Philippine cities in Luzon, Visayas and Mindanao.)

The presenter explained the three major groups of employment: gathering, trading and manufacturing. A slide showed the form and nature of employment of the players in the rattan industry; the gender roles involved in the industry; and whether the employment was permanent, seasonal, formal or informal.

The study also revealed that sales destinations are mostly US, Japan, UK, and Australia. 60% of the total exports come from Cebu. In Luzon, Pampanga is the major area of manufacturing. The speaker showed another slide on the relationship between prices and profits for gatherers, permittees, national traders and manufacturers. It concluded that the more investment put in and risk taken, the higher the profit potential.

Given the three perspectives of the nature, wealth and power framework – biological sustainability and conservation, economic development, and governance aspect, it was concluded that an intervention strategy for rattan can be developed by: a) identifying competitive advantages and b) commercially upgrading the industry to realize competitive advantages.

Ann Koontz summarized that the study shows that it is not always true that manufacturers and retailers make disproportionate profits compared to the gatherers' end of the value chain. The reality is that if actors are putting in more money, they are taking more risk. When gatherers bring in the rattan, they get their money right away. Manufacturers pay upfront for workers' wages, materials and shipping, but they don't get paid until products end up in the market.

❖ Presentation link: [Aquino1-EWV](#)

Panel 1 – Understanding the Raw Material Supply Portion of the Value Chain

A. “The Biological Base of the Furnishing Industry: Our Forests, the Condition of our Raw Material Factories”- Dr. Perry Ong, Director, Institute of Biology, UP Diliman

Dr. Ong began his presentation by showing different scientific studies on humans' consumption of Earth's resources and concluded that humanity's resource demands exceed the earth's regeneration capacity. He explained the concept of an “ecological footprint” – the impact of an economic activity on the environment and how given humans' current rate of consumption we are in danger of ecological bankruptcy, meaning that what we take from the earth cannot be regenerated at a pace to keep up with human demand. An ecological footprint is said to be measured by marine fishing, timber harvesting, building infrastructure, fossil fuel burning, etc. He referenced a 1999 study that attempted to calculate how many hectares of land each human requires to support their level of consumption or ecological footprint. The global average each person required is 2.3 hectares which is lower than US (9.6 ha) or UK (5.3 ha). Based on these numbers, Dr. Ong surmised that some get too little of the Earth's resources while others get too much.

The speaker also discussed the different kinds of forests (lowland, montane and mossy forest) and the extent of forest cover loss in the last 100 years. Dr Ong referenced a newspaper article stating that 11 Philippine sites hold the key to endemic species' survival in the Philippines.

He also cited a Philippines Department of Environment and Natural Resources (DENR) report that claimed the remaining 5M hectares of forest cover has actually increased to 7M hectares. Dr. Ong's analysis was that this increase is only due to a change in the definition of forests to now refer to vegetative cover, including mango and coconut plantations. The increase is not in native biodiversity rich forest cover that produces a wide range of natural products.

Dr. Ong also summarized other environmental problems, such as the depletion of forests due to illegal logging. He showed that farming in the uplands, be it legal or illegal, leads to deforestation and landlessness. One important point he raised was the lack of coordination among environmental and agrarian reform advocates.

The speaker next mentioned the phenomenon of Human Aggravated Natural Disasters (HAND), stressing 1) the link between forests and flood, 2) how protecting the forests can prevent floods, and 3) the looming water crisis. He mentioned the twelve most serious environmental problems and argued that human population expansion affects them all. A bigger population increases energy and resources demands, leading to more deforestation, more toxic chemicals, more demand for wild fish, and more loss of biodiversity.

In his conclusion, Dr. Ong stressed the need to change MAPs - mindsets, attitudes and practices – to bridge GAPS - goals, aspirations, passion. In the fight to protect the Earth’s biological base, everybody should do his or her part to help.

❖ Presentation link: [Ong-UPDiliman](#)

B. Forest Gatherers’ Perspective: A need to understand End Market Requirements when gathering NTFPs. “Palawan: Its Potentials on Rattan and Other NTFPs” – Nida Collado, Palawan Community Based Forest Management (CBFM) Federation Chairman

Ms. Collado presented figures and maps for 40 CBFM projects in Palawan. She emphasized that there are still many potential sources of raw materials in Palawan. She followed with a map of the community and ancestral domain tenure areas; data on CBFM sites with rattan and other nontimber forest products (NTFPs); CBFMs with 5 year work plans approved by the government and approved resource use permits for extracting forest resources; other sources with permits; and a slide on the different rattan species in Palawan.

Among the issues and problems identified in the area of Palawan in terms of rattan and other NTFP gathering were:

- insufficient financial resources
- lack of technical assistance in the conducting of resource inventory
- lack of assistance on enterprise development, livelihoods and marketing
- absence of processing industries

Ms. Koontz compared the dire tone of Dr. Ong’s presentation to the encouraging tone of Nida’s presentation. She emphasized that we do have options to reverse the environmental decline while improving economic conditions, but it is important for the value chain for natural products to have a better flow of information. For example, the gatherers’ knowledge of what kind of rattan is available in the forest needs to be compared with what buyers indicate is being demanded by the market.

❖ Presentation link: [Collado-PalawanCBFM](#)

C. “The Irony of Rattan Policies and the Impact on the Industry and Producers” – Crissy Guerrero, Nontimber Forest Products Exchange Program (NTFP-EP)

At the beginning of the presentation, Ms. Guerrero stressed that despite unsupportive government policies, the furniture industry of the Philippines is well-known in world markets. She cited statistics for rattan and its major revenue impact, despite rattan still being called a minor forest product. For example, furniture was the third largest export sector in 2001. In 2004, the industry earned over \$290M, with rattan comprising 30% of all exports.

The speaker stated that manufacturers have difficulty in sourcing rattan raw materials. Although there is still an abundance of rattan in provinces like Quirino, Agusan and Palawan, local manufacturers opt for importing raw rattan poles. Ms. Guerrero stated that the Philippines would not have to import rattan if policies that delay rattan harvesting and transport were fixed.

Ms. Guerrero explained that the reduction in the number of permits may not only be due to decreased production or disinterest in rattan as a form of livelihood for indigenous peoples, but could also be caused

by the low profitability of rattan enterprises due to unsupportive policies and the difficulty in the permitting process, which results in renewal delays.

The speaker explained the policies relating to NTFPs and their utilization. Paramount issues included: stringent government regulations; the lengthy and cumbersome permitting procedure for processing and renewal; the many unnecessary requirements; unclear policies between the Department of Environment and Natural Resources (DENR) and the National Commission on Indigenous Peoples (NCIP); varying policy interpretations; high transaction costs; and steep forest charges. She also pointed out the 36-step process that an applicant has to undergo to get a harvesting permit.

Towards the end of the presentation, she enumerated some policy recommendations:

- fast track permits
- reduce, simplify and streamline the licensing requirement
- review and rethink section 26 of DENR Administrative Order (DAO) 2004, 29 to retain Section 10, DAO 96-29 (*The accepted resource use plan shall serve as the permit to utilize the resource*)
- clarify/harmonize policies between DENR and NCIP
- aid in research and testing of new approaches
- review & revise the DAO on forest charges
- support the Participatory Resource Monitoring (PRM) project on field trials and protocol development for NTFPs

The speaker concluded by saying if the Philippines does not adjust policy and instead continues to import, the country risks a lack of regeneration and will lose a great opportunity to retain significant value-added jobs in the furniture and handicraft sector. Furthermore, improving NTFP policies could raise government income, boost business, reduce poverty, limit corruption and ensure forest resources for future generations.

- ❖ Presentation link: [Guerrero-NTFP-EP](#)

D. “CFIF Supply Chain strengthening program” – Ruby Salutan, CFIF

Ms. Salutan explained that the Cebu Furniture Industries Foundation (CFIF) has a Supply Chain Strengthening Program that aims to enhance the competitiveness of the industry, address gaps in the chain through collaboration and networking with all stakeholders, and facilitate the creation of a supplier database.

CFIF participates in the selection of resource supply areas, works with NGOs and partners, and arranges visits of showrooms of selected companies by NGOs and community representatives. CFIF partners with communities as a more direct approach towards managing the supply chain. Ms. Salutan explained the need for more pro-active partnerships with material producers to ensure the sustainability of resources and the environment. In addition, CFIF partners with communities to educate the supply chain so that resources can be safeguarded, the environment protected, and communities self-sufficient.

The speaker commented that the organization is not just about rattan. They develop tools and templates to assist communities, such as: the community assessment template, the material prioritization template, and the material prioritization matrix. The community assessment template facilitates the proper selection of communities for manufacturers to partner with, and the document serves as reference for a particular

community or municipality so that they might become bankable for a sustainable supply of the needed material. Example templates are on the proceedings CD.

Ms. Koontz remarked that it is unique for the industry to take this step and encouraged gatherers to look at the tools. There may be areas in the column that gatherers are uncomfortable with, but they are negotiable.

Also, Ms. Salutan stressed that the world demand for rattan has gone down, but this trend is reversible. The challenge for the Cebu furniture industry is to have reliable supplies of rattan that can be worked into high quality designs to increase the demand for rattan products once again.

- ❖ Presentation link: [Salutan2-CFIF](#)
- ❖ Template link: [Template Folder](#)

E. Plenary

Ann asked the group, *what are the top 3 issues/difficulties in the rattan industry?* This generated an answer from the manufacturers and information exchange between the gatherers on the types of rattan they had in their areas and reactions from the buyers on demand for the species and sizes. Overall, most of the items offered were in demand from the buyers.

Chris Koefel (CFIF) said that he worked with two factories in 2003 and there was not enough rattan available. The sizes of rattan poles also were not delivered per their exact orders. Additionally, Chris noted he now understood the sudden drop in rattan supplies from Crissy's presentation - the government had dramatically decreased the number of permits from over 200 to about 40. Chris indicated that is why they had to switch away from rattan and use wrought iron or other materials in their furniture designs.

William Ledesma said that in Palawan they had 6,000 poles to be transported. Among the species were bugtong, palasan, kalape, and up to 6 kinds of rattan. The smallest size was ½ inch.

Nida Collado added that in Palawan there was an abundance of rattan measuring 1¼ inch and up.

Christina added that in Leyte 1¼ and 1 inch in diameter sizes were available in palasan, kalapi, and tumalim species. Although there was a good size supply, they could not be sure of adequate demand.

Jimmy Bueno of KAPPAS said that 1¼ inch diameter kalapi, palasan, tumalim, and arorog were available in their area.

Kag. Dhotz of AGMIHICU said that AGMIHICU rattan was available, and they were ready for business.

Nick of Palawan added that 1¼ inch diameter was available, as well as ¾, arorog which is small. Although they have a permit, the quality and size is not acceptable.

Perla Visorro of CAVAPPED said that there were plenty of raw materials in the Sierra Madre, available in all sizes and species. The supply though is dictated by the middlemen. Buyers sometimes refuse to buy, and sometimes there is a problem of distance. There is very intensive rattan gathering in the coastal side of Sierra Madre. Standard operating procedures (SOP) – a Filipino term for under the table payments to officials, which always happens.

Dr. Perry Ong inquired: *is there a drop in demand because of the supply problem?*

Ruby Salutan replied that it is a trend that they have experienced, like fashion. She continued to say CFIF does not follow trends, and it is possible to create a demand for rattan. As long as there is a supply of rattan, CFIF is confident they can create the demand.

Ping of Pacific Traders said that they are willing to buy indigenous materials, but they did not know how to get it. They need reliable, on-time deliveries. There is a need to develop and hone the rattan industry more.

Ann Koontz emphasized that in business, it is important to be able to commit and be on time. If there are constraints, it is important to communicate them in an open dialog with your buyers.

Dr. Perry Ong raised the issue of conservation and suggested that CFIF help lobby against mining. Mining may be attractive to government, but there could be a campaign for long-term livelihoods – given the forest resources are renewable, mining resource are not, and the forest is destroyed in the mining process. He further suggested that CFIF help in the campaign for the long term viability of the furniture industry that uses forest resources and creates so many jobs.

Dr. Donato Bumacas added that rattan is connected to forests and forests should be conserved. He asked Arlynn Aquino if a study had been done on traditional knowledge, Ms. Aquino replied that DENR recognizes that traditional management helps in the preservation of forests and there are studies showing that traditional management systems help. On the economic side, there should be enough skills for livelihood and enterprise management.

Dr. Burnacas then asked Dr. Ong a question on the availability of data on biodiversity hotspots? Dr. Perry responded that Cordillera was not involved in biodiversity hotspots because there was no data or published information.

Panel 2 – Understanding the Market for Natural Products in the Furniture, Gifts and Home Décor and Fashion Accessories Industry

A. “Market Trends, Promotion of Natural Materials in Design” – Ruby Salutan, CFIF

Ms. Salutan presented the statistics of Cebu furniture exports compared to other Philippine exports. She said that Cebu companies comprise 20% of the Philippine Furniture Industry, that over 300 furniture manufacturers and exporters are located in Cebu, and that 80% of Cebu furniture companies are small or medium scale enterprises. The industry employs not only elementary and high school graduates, but also the unschooled who have had the skills passed down to them for generations. CFIF directly employs 80,000 people and indirectly employs 140,000. She added that the industry is the most challenged it has been in 20 years given international competition, raw material supply constraints, and worker productivity. The industry is not operating at anywhere close to capacity, and the exports industry can accommodate approximately 29,000 40-footer containers a year.

Ms. Salutan next presented the design capabilities of CFIF. The designs are:

- *contemporary* - uses indigenous materials like coco, abaca, fibers, loofah, bamboo and not just rattan and caters more to the European taste
- *transitional* - caters more to North American market
- *classical/traditional* - also caters to the North American market, comprises 70% of all exports

The speaker also showed some of the accessories that they produce, such as lamps, throw pillows, picture frames and vases.

On the price positioning of Cebu companies, Ms. Salutan explained furniture manufacturers target the medium to high-end market where price is not the primary factor for sales. The selling point is their innovative furniture designs that make them a cut above the rest of their Asian neighbors.

The speaker said that the strength of the Cebu furniture industry lies in its skilled labor force, excellent craftsmanship, reputation for innovative design, design capability, mix of materials in products, and availability of special indigenous materials. She also considered the raw materials a strength, as indigenous and traditional materials are available either raw or semi-processed.

The weaknesses of the Cebu furniture industry are the erratic export of Cebu furniture, averaging a negative growth of almost 6% yearly from 2000 to 2004; generally low productivity that reduces the competitiveness in the global market; lack of adequate capitalization among smaller players in the industry; lack of R&D and information on alternative wood and NTFP species that could ease the supply constraint; manufacturing processes that are still mainly manual; lack of investments in modern machinery, tools and other production facilities that could improve manufacturing productivity and lower costs; and very limited government support. She also discussed opportunities for the furniture industry, as well as its threats.

- ❖ Presentation link: [Salutan3-CFIF](#)

B. “NGOs as Market Facilitators, Lessons Learned” – Rene Guarin, Upland Marketing Foundation (UMFI)

Mr. Guarin presented what his organization, UMFI, is doing in terms of marketing for communities. Basically, he gets products from the communities and markets them to mainstream Philippine retailers. He discussed some primary barriers to the trade, such as: low value and poor quality of products, limited or erratic production capacity, poor pricing and permitting, and tax problems. He also stressed issues governing community-based enterprises, local distribution, logistical support, and market-trade perception and policies. He explained UMFI’s marketing framework and how they make sure that the finished products are stable, well-packaged, competitive, and marketable.

Mr. Guarin provided examples of marketing food products from the uplands. He stressed that given the cost and effort involved, the choice of product was critical. The speaker stressed the advantages of value addition and its higher economic returns for the community. He said that one big lesson he learned is that reaching the market is not the biggest challenge - it is the easiest thing to do. Surviving and maintaining in the market, growing in the market, and protecting one’s share in the market are the real challenges. He also shared tips on marketing, especially on getting the right product, getting the right people, and setting up the right system. In sustaining and maintaining the markets, he said there should be a product mix and the option of getting one product from different communities.

The speaker also touched on maintaining fair business partnerships and fair pricing. He stressed that fair pricing is not tolerating inefficiency and that there is a need for strong partnerships across the stakeholders in the short and long-term. He discussed the erecting of barriers to protect markets and make it hard for new entrants to come in or copy. Lastly, he stressed the overall strategy to address bottlenecks through established partnerships, outsourcing of services, working with different initiatives, and focusing on the core business.

❖ Presentation link: [Guarin-UMFI](#)

C. “Sustainable Indigenous Peoples Environmentally Friendly Enterprise (SIPEFED)” – Dr. Donato Bumacas, Kalinga Mission for Indigenous Communities and Youth Development, Inc. (KAMICYDI)

Dr. Bumacas discussed the program, SIPEFED. This indigenous people’s (IP) group in Kalinga utilizes good governance and sustainable environmental practices to achieve economic growth and development. The group uses traditional and indigenous knowledge in practicing *Amung*, an indigenous peoples’ way of good governance. They also practice sustainable IP agricultural technology (SIPAT) and sustainable, environmentally-friendly indigenous community arts and handicrafts enterprise development. He added that although they uphold these practices, many challenges still exist, especially poverty.

The speaker next explained that the group uses Sinapat raw materials (forest invasive grass). Their Sinapat products include: furniture, mats and kitchen products. They also market complementary products like organic rice and coffee. Dr. Bumacas also discussed marketing strategies, impact on self-employment and family income, and investments in health, education, environment and poverty. He concluded with action points to improve their enterprise.

Dr. Bumacas’s presentation illustrated the role NGOs often take in supporting, facilitating, and conducting the marketing of natural products from communities, especially when the private sector is not

yet able and willing to provide the broad level of support needed by the communities to bring their products to market.

❖ Presentation link: [Bumacas-KMICYDI](#)

D. “Bridging Market Demands with Raw Material Supply Realities, Introduction of the Conservation Marketing Equation Tool Kit” – Ann Koontz, EnterpriseWorks/VITA

Ms. Koontz explained that the toolkit reflects EnterpriseWorks/VITA’s 15 years of experience working around the world with natural products. *The Conservation Marketing Equation (CME)* manual is a decision support tool to help organizations choose business opportunities that support forest conservation and social equity. It includes interactive worksheets for development and conservation professionals (the target audience.) It also has links to websites to get in-depth information for each topic.

Ms. Koontz defined “conservation marketing” as protecting and conserving biodiversity while delivering a high quality product to the market on competitive business terms. It also takes into account socio-economic equity in the product production and marketing process. She defined “socio-economic equity” as promoting equitable livelihoods for people to maximize profits. She added that the trick is to find win-win scenarios and learn to say “no” to enterprises that are unsustainable.

The speaker explained the four steps of the Conservation Marketing Equation (CME):

1. Select and define product/market
2. Define product quality, quantity and price
3. Define product regulations and certification
4. Define institutions/enterprise and their value chain intermediaries

Ms. Koontz stated that the sequence of steps allows product elimination at each step, so there is no need to complete all four steps to determine product feasibility. She promoted the use of the summary worksheet in the manual to assess the product and its market potential. If the product and market look promising, the next step is a full business plan for the enterprise/product. The worksheets in the manual encourage information gathering to fill gaps and reaching out to intermediaries to explore potential business deals.

❖ Presentation link: [Koontz2-EWV](#)

E. Plenary

Jess Zamora of DOST: *One of the strategies in protecting the market is to have a strong brand. Do you have only one brand? How do you ensure quality?*

Rene replied that they only have one brand. To ensure quality, they have quantitative figures, like using a moisture reader for muscovado. There is also a range of color that is acceptable. Rice, purity should be around 97%, whole grain should be around 87%, and eating quality should be acceptable to a panel of testers. For organic, some products are certified.

Dr. Len Bugayong of FDC-UPLB: *Is certification also a problem that CFIF encounters?*

Ruby replied that some buyers are looking for certification, like the Forest Stewardship Council (FSC) certification.

Ann added that FSC is the world's leading forest certification for well-managed forest ecosystems (the majority is for timber.) Recently, the Rainforest Alliance, an FSC certifier, started to certify NTFPs, although NTFP certification is still not well known in the markets.

Rene added that for food, the local market is generally not sophisticated enough to look for certified products, although some do. The export market, though, sometimes looks for certification.

Offie added that in Palawan sometimes it is a matter of trust, especially in communities. Sometimes, products do not pass because the quality does not meet the certifying body standards.

Dean Mon Razal: *How ready is the industry to use plantation grown wood? The forestry sector is looking forward to using it in the future.*

Ruby answered that Cebu Furniture Industries Foundation (CFIF) members are only using plantation wood now, as the Department of Environment and Natural Resources (DENR) is quite strict about permitting. Still, she said that they are importing a lot of wood, such as Maple and Oak, since local supplies are not sufficient. A secondary issue is that plantation wood does not always match up with buyers demands, for example the demand for Narra wood.

Ping of Pacific Traders added that they use local wood like Gmelina. The other kinds they use are Beachwood, Maple, and White Oak.

Perla Visorro of CAVAPPED: *How true is it that the wood from the Cordillera does not find its way to Cebu?*

Ruby responded that she does not know. She speculated that it may be hard to get past the DENR because they are very strict in moving wood out of the Cordillera, especially with the log ban. Chris added that CFIF uses gmelina and mahogany in replacement of lauan.

Ann Koontz, EWV: *Does CFIF have a code or standards among its members for raw material sourcing?*

Ruby replied that they have a code of ethics for members, but it is very general.

Panel 3 – Taking Action to Achieve Better Coordination between Raw Material Supplies and the Manufacturers to Meet Market Demand while Conserving our Forests and the Communities’ Livelihoods

A. “Resources Available in Post Harvesting and Quality Control Technologies” – Dr. Ramon A. Razal, UPLB-CFNR

Dr. Razal began by stating that the quality of products begins with planting stocks and materials. He discussed the necessity of good silvicultural systems and addressed the available post-harvesting and quality control technologies. One issue he saw was the need for sorting and grading. He said that combining various poles is dangerous because rattan species don’t all have the same characteristics. For example, bleaching does not always work for all species of rattan (they may bend or be brittle).

One available technology is prophylactic treatment for rattan poles, so they will not be attacked by decay-causing organisms. Applying chemicals, though, may cause staining. Dr. Razal said that looking at the cost of the treatment, given the gatherers pay for so much already, it may not be profitable for them to invest in the treatment, but this needs to be further explored. He suggested prophylactic treatment may be done on site, right where it is harvested. There is a question, however, of whether end-users would be willing to use rattan that has been pre-treated, as there are issues regarding safety and spillage of chemicals in the forest.

Another method is scraping or removing the skin, so that rattan dries faster. Low moisture content makes it less susceptible to diseases. Machines can be used to scrape rattan, or it can be done manually. Manual scraping, though, does not yield the same quality.

The speaker discussed another method of drying, used for bamboo and wood, done by leaving the poles/wood to be air dried. This is a slow process though, and leaves the bamboo exposed to the elements. The likelihood that bamboo will become infested with decay-causing organism is higher.

Dr. Razal next discussed the use of kilns – where one can control the temperature, humidity and air circulation. Though this technology requires some investment, it provides better control of the conditions and dries bamboo faster. He also stressed that it is important that materials are dried to a lower moisture content, especially in tropical conditions, if they are for export. The method of drying raw materials should be compatible with the desired purpose. He added that it is important to transport the materials dry because it will be cheaper, as the materials will be lighter and easier to handle.

Another technology is the application of bleaching materials to make pole appearance more uniform. This is not a very sophisticated technology, and the person who does the bleaching must be very careful.

The speaker next discussed bending or straightening – a method famous in the furniture industry. Rattan is considered a “thermoplastic material” because it easily softens and hardens. Bending is done by subjecting rattan to steaming, putting it in a chamber, and exposing it to high temperatures. Finishing is another method being used. Dr. Razal stressed the importance of surface preparation.

The speaker concluded by repeating that the quality of the products depends on the quality of the raw materials. Ensuring the quality of the raw materials meets the requirements of the industry is important.

❖ Note: The speaker did not use a PowerPoint for this presentation

B. “Environment and Rural Development Program: Support to Forest Conservation & Sustainable Livelihoods” – Don Ignacio, GTZ

Forester Ignacio began by explaining what GTZ is and what it does. GTZ has a special commitment to conserving forest and has more than 30 years experience in international cooperation. In the Philippines, it supported the national forest resource inventory, integrated rainforest management, community forestry, and CBFM. Mr. Ignacio said that GTZ is not as heavy on investments as it is on technical cooperation.

The Environment and Rural Development (EnRD) program seeks to strengthen the capacity of key government agencies and Local Government Units (LGUs) to plan, implement, and monitor natural resource management and sustainable rural development. Its interventions consist mainly of advisory services, trainings, studies, and pilot projects for the provision of participatory, planned services. EnRD promotes policies and strategies at the national and local level conducive to environmental conservation and the sustainable use of natural resources. The program aims to ensure that government agencies, private sector service providers and LGUs offer sustainable, sound and well-coordinated service packages.

Mr. Ignacio also said that in line with their objectives to be service providers that deliver effective services to target groups, GTZ works on different strategies on different levels. He elaborated on the CBFM component of their work, saying that its objective is to build up existing capacities of the support groups (DENR, LGUs, NGOs and other agencies), so that they can provide technical services to help peoples’ organizations fulfill their obligations as forest land managers. GTZ has a coordinated focus on nature, wealth and power.

On potential areas of cooperation, GTZ is presently exploring the following:

- simplification of processes and procedures for harvesting operations (i.e. resource inventory guidelines, permits)
- consolidation of information on available resources, locations, markets, etc.
- value chain studies for wood and bamboo

Mr. Ignacio also revealed that GTZ has 5M Euro to combat climate change. The fund is Philippines-wide in scope.

- ❖ Presentation link: [Ignacio-GTZ](#)

C. “Natural Products Supply Projects and Funding Opportunities” – Eric Buduan, Philippine Tropical Forest Conservation Foundation, Inc. (PTFCF)

Mr. Buduan talked about PTFCF - its vision, history and projects nationwide. He said they had 38 ongoing projects across the nation, covering mangroves and dipterocarp forests. PTFCF’s programs include:

- natural resource initiatives – forest restoration or rehabilitation; wildling collection and nursery establishment; survey, mapping, profiling and delineation of communal forests, watershed areas and protected areas/sanctuaries
- community livelihood initiatives – household gardening; processing of herbal tea, honey and forest fruits; agroforestry; eco-tourism; rice trading; nipa and buri product development and marketing; abaca and coffee production; “Tinagak” (single strand knotted abaca fiber) processing and marketing; aqua-culture based livelihood)

- governance initiatives – watershed management/land-use plan preparation; delineation of protected areas, watersheds and ancestral domain claims; advocacy; awareness-building; information campaigns, mobilization and organizing; law enforcement; multi-stakeholder partnership for forest conservation; inventory of mangroves and FLAs; cancellation of tax declaration of abandoned fishponds and subject to mangrove planting; application for co-management and CRMF formulation.

The speaker explained the six eligible activity areas that can be funded by PTFCF.

- The establishment, restoration, protection, and maintenance of parks, protected areas and reserves.
- Training programs to increase the scientific, technical, and managerial capacities of organizations involved in conservation efforts.
- Development of scientifically sound systems of natural resource management, including land and ecosystem management practices.
- Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting that forest.
- Research and identification of medicinal uses of tropical forest plant life to treat human diseases, illnesses, and health concerns.
- Restoration, protection, or sustainable use of diverse animal and plant species.

Support from PTFCF comes from solicitation of area proposals, partnerships, small grants, PTFCF initiative and direct engagement. He discussed who may qualify as eligible project holders, grant considerations, the characteristics of a strong proposal, steps in proposal evaluation, and the concept evaluation criteria.

Mr. Buduan concluded with specific field/community experiences on rattan in Agusan, Misamis, and Nueva Vizcaya provinces; and on buri product development in Pangasinan.

- ❖ Presentation link: [Buduan-PTFCF](#)

D. “Translinks Program and Resources Available” – Ann Koontz, EWW

Ms. Koontz explained that Translinks is a program of the Wildlife Conservation Society, in partnership with the Earth Institute’s Center for Environmental Research and Conservation at Columbia University, Enterprise Works/VITA, Forest Trends, and the Land Tenure Center at the University of Wisconsin. It is five-year program supported by USAID.

Translinks works with local, national and international partners to implement integrated activities that help ensure rural people have the capacity to manage natural resources sustainably and achieve equitable wealth creation under different environmental, social, and economic conditions. Translinks’ objectives are to:

- synthesize current **knowledge** and generates new knowledge on the complex interactions among nature, wealth and power across multiple scales
- develop diagnostic and decision-support **tools** to help stakeholders better understand positive, negative, or neutral relationships among natural resource conservation, natural resource governance, and alleviation of rural poverty

- target training to enhance local and national partners' *capacity* to integrate knowledge and tools into the implementation of environmentally friendly enterprises
- identify *best practices* that recognize essential synergies among good governance, conservation and wealth creation
- spread globally the knowledge, tools, capacity, and best practices that promote wealth creation for the rural poor, establish good environmental governance systems, and sustainably conserve.

Translinks activity outputs are case studies, workshops, tools (manuals, software), Payment for Ecosystem Services (PES), and Wildlife Friendly branding.

Ms. Koontz discussed the context for pro-poor PES and the categories of pro-poor rewards for ecosystem services. She also discussed the work of the Wildlife Friendly Enterprise Network, which protects wildlife in wild places by promoting enterprises that allow wildlife and people to coexist and thrive. Certified wildlife-friendly products may be endorsed by the network.

❖ Presentation Link: [Koontz3-EWV](#)

E. Plenary

The action ideas put forward for continued work and follow-up after the workshop included:

- Disseminating a list of conference participants and a description of core activities, especially the services of NGOs. EWV will take the lead on this and send with the proceedings.
- Arranging volunteer NGOs to complete CFIF forms (build on NTFP-TF concept). EWV can contribute travel funds/consultant for groups to review forms and look for common products to market and meet with CFIF again.
- Palawan rattan shipment to a CFIF member.
- Creating a mapping overlay of Palawan rattan concessions with mining permits.
- Working with CFNR on permit and fees assessment and impacts on industry; working with donors like GTZ on streamlining permit procedures (research, policy and partnerships).
- Working more on the 10 year CBFM strategic plan and streamlining permit procedures. GTZ sites will begin to document best practices; Don will take the lead to coordinate a next step – meeting/policy dialogue on CBFM.

The day was capped with the announcement of the scheduled factory visits for Day 2 and the awarding of workshop certificates.

Site Visits

A. Kenneth Cobonpue's factory (Interior Crafts of the Islands Inc.)

A visit to Kenneth Cobonpue's factory started the day. The participants were welcomed by two of Kenneth's staff: Stella Fernandez, Product Designer; and Marichu Natividad, Production department. First, the participants were taken on a tour of Kenneth's world-class furniture showroom. His furniture has been featured in international fairs, publications, and even Hollywood (Brad Pitt's bed and chairs.) Much of the furniture is made of rattan and abaca, and Ms. Fernandez explained how the raw materials from different provinces come to their factory. She also explained how they are designed, processed and manipulated to create furniture.

Ms. Natividad explained the production process, including exactly the materials they need and their specifications. The factory needs 10,000 pieces (6-7mm) of the arorog and sika species per month, for which they pay 3.50/pc. She said to contact them if gatherers have a volume of rattan, and they can send inspectors to the area. She also discussed with the rattan gatherer-participants the process of transporting materials.

Ms. Natividad said that 60% of the materials they receive are rejected. The rejection rate is so high because the materials are either too small or too big, or of insufficient quality. Ms. Fernandez added that traders can still sell the rejects, as there are many other rattan buyers. As for abaca, they buy braided abaca per roll of 16 meters. Ms. Natividad did not say how much abaca they buy, but she promised to coordinate with the group on the purchase price. She also said that the factory is open to other suppliers and communication lines should remain open.

The last part of the visit was a tour of the factory, where participants could see the different stages of production, including scraping, sanding, coloring, and dipping of the materials.

B. Jimcastler International

At the second stop, the Translinks delegation was welcomed by Stella Rama, Vice-President of Jimcastler International. Jimcastler is an international manufacturer of fashion accessories, jewelry and bags. Some of their international buyers are Old Navy, Gap and Estee Lauder. The indigenous materials they use include pandan, tikob, coconut, jute and wooden chips. Ms. Rama explained that most of the materials they get are semi-processed. Tikob is in limited supply and sourced from Leyte. Pandan can be sourced from Cebu and Bohol, while jute is sourced from Bicol.

Ms. Rama and her staff explained that they are given two months time to complete orders. She emphasized that the timeline is very strict for international exporters and it is important to have materials on time. She cited an example of when they were unable to complete an order for pandan bags from Old Navy due to delays from a typhoon. She believes the problem is not the market but the supply of materials.

As for the buying rates of the pandan, Jimcastler will buy a 28 x 30 inch pandan sheet for Php35-40. The pandan gatherers said that it takes a half-day for an experienced weaver to weave a 28 x 30 inch pandan sheet. As for quality, the gatherers said that pandan is a high-quality material as long as it does not get wet. Jimcaster also buys Tikob, woven in 30 x 75-inch sheets.

C. Crafters of Cebu factory

Laline Go, production manager of Crafters of Cebu, welcomed and showed the group around the showroom. She stressed that she has a good network of rattan traders, so they do not have a problem making rattan furniture. They usually get a lead time of 75 days for every order. Besides rattan, they use seagrass and coconut shell, which is presently doing very well in the marketplace, especially for accessories and table tops. Crafters of Cebu also uses: capis, coconut twigs, mansanitas and abaca weed, which they get from Mindanao and Leyte. Some materials that many consider useless can often be used creatively in different designs. The nito they use comes from Bohol. Most nito weavers there are children below 12 years old, who are able to make 3-4 baskets a week after school and on weekends. This level of income allows the children to pay for their lunch and snack expenses at school.

Ms. Go said that there are always differences in trends. Banig, for example, is making a comeback, after not selling much for four years. As for design, she said that the company likes to experiment. They have 20 people doing sample work. She added that their market is 100% US and said there were no problems getting permits from US Customs.

D. CFIF office

Next, Pinky Gonzalez of CFIF guided the group on a visit to the CFIF office and information center. Afterwards, the group had a debriefing/recap of what had transpired during the past two days.

Kagawad Dhotz from AGMIHICU said that the experience made him realize that there is a need for raw materials and he will need to work double time to supply them. He said that he will pass this information to colleagues in the barangay council and promised to coordinate with NGOs and their barangay so that they will be able to get a rattan permit.

Jimmy Bueno of KAPPAS said that they are interested in supplying pandan. The 6-7mm requirement for rattan is quite hard to meet though, as they only have 3-4mm rattan available. He also said that they should start doing the post-harvest processing step of scaling the rattan to reduce the buyer rejection rate. He added that there plenty of materials in the Ulot watershed.

Ann Koontz said that this tour does not mean that these are the only buyers. Rather, the participants should now have a better understanding of the buying and selling constraints and opportunities, as well as what questions to explore with buyers when negotiating supply contracts.

Crissy Guerrero mentioned the delay in releasing transport documents, which usually take 15-30 days when done legally with the government, versus recycled documents (illegal as one set of documents is used multiple time) are released in 5-7 days. She advocated working with the GTZ study to streamline the process of getting permits. She also mentioned the Palawan experience of having to give “under the table payments” known as standard operating procedures (SOP) in the Philippines to various government officials to get permits signed.

Kag. Dhotz coomented that there are many “buwaya” (unofficial payment points) and checkpoints.

Ann replied in regards to the transport document problems that the community/gatherers should document such events and the number of times they occur. Nida Collado of Palawan Federation said that the federation does this kind of documentation and that 60-70% of the permits are released through the federation’s help.

Dr. Razal said that DENR probably is not familiar with NTFP trade dynamics because NTFPs are relatively new (unlike timber). He then recommended capacity building with DENR field personnel (who are probably ignorant of the nature of NTFP products) or a DENR-LGU dialog.

Nicolas of Palawan CBFM Federation said that his federation should talk about the needs of the Cebu industry so that they can be addressed. He also added that the federation will meet to talk about timeframes and to fill out the assessment forms.

Jimmy from Leyte said that there was a sizeable opportunity for arorog in Cebu but that they could not control quality. She added that she will talk to her colleagues about it.

Dr. Razal asked if the POs are skilled in dealing with the system.

William said that the problem is not just with Department of Environment and Natural Resources (DENR), but also with the Palawan Council for Sustainable Development (PCSD). He said that holders of Certificates of Ancestral Domain Title (CADT) do not have problems with PCSD, but Community Based Forest Management (CBFM) tenure holders do.

Dr. Len Bugayong of UPLB-FDC said that GTZ can help in policy issues. He mentioned that FDC conducted a study in 2003-2004 about the lack of information dissemination from the central office to local offices. EcoGov, a USAID support project in the Philippines, now has this document, and interested parties should contact them for a copy. GTZ can help by working at the regional level.

Don Ignacio of GTZ said there is an upcoming policy dialogue between DENR and three main donors: GTZ, USAID and JICA. The exchange will focus on three priority policies: devolution, simplification of procedures, and exemption from NCIP clearance. He stressed that in the CBFM Strategic Plan, policies on harvesting should be decentralized.

Chris of CFIF said that maybe there should be an interactive website to link buyers and sellers.

Pinky added that there is indeed an opportunity for supply-market linkages, but it is important to address the supply chain problems first (permit and quality issues). She also said that CFIC can provide technical training to educate people on processing materials. She also requested CFIF be included in the loop of communications.

Ann Koontz stressed that gatherers should continue working with NGOs, assisting them to clarify permit and supply issues raised in the workshop before going directly to buyers. The buyers are willing to work with the gatherer groups once these issues are resolved.

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