

## Furniture-producing Cooperative in Honduras

The COATLAHL Cooperative in Honduras first obtained FSC certification in 1996. The cooperative holds a group FSC certificate on behalf of 14 small timber-producing community groups, who manage natural broadleaf forests totalling 19,500 ha of natural broadleaf forests. Coatlahl provides marketing and sales services and has a furniture workshop with a certified supply chain. Their main products are sawn timber and solid wood furniture. This case study describes some of the challenges they have faced, and overcome, in order to find markets for their FSC certified products and meet the demands of a trading relationship with an international client.

### A cooperative with a history

The *Regional Agroforestry Cooperative 'Colón, Atlántida, Honduras' Ltda* (COATLAHL) was founded in the 1970s and is made up of small timber producing groups based in communities in the Cordillera Nombre de Dios mountain range in Atlántida, in the northern part of Honduras. The highly biodiverse tropical moist forests in which they work are public land, with permissions granted to community forestry groups for management and protection.

### Certification Pioneer

COATLAHL is a pioneer in forest certification, having been awarded one of the first ever FSC community forestry certifications in 1996 - financed by the Canadian development agency CIDA. However, as with most pioneers, their journey not been without challenges. Promotional material about certification created expectations of higher prices and market security, but initially they perceived neither. This coincided with a crisis period of financial insolvency and spiralling debt due to a combination of problems including competition from illegal timber extraction and internal policies which obliged them to buy 100% of members' timber regardless of quality or demand. They decided not to renew its FSC certificate when it expired in 2002.

### A re-birth

However, COATLAHL is not a cooperative which gives up easily. They fought back from the edge of bankruptcy and have been systematically addressing their challenges. Together with the Danish NGO Nepenthes, with funding from the Danish development agency DANIDA, they decided to simultaneously seek FSC re-certification and establish a viable business. They achieved re-certification in 2003, but they still

faced two major challenges: Firstly **finding markets** that would appreciate their certified products, and secondly, **building internal capacity and working capital**, to fulfil large international orders and meet clients' demands for quality assurance, communication and timing.



### Finding Markets

Nepenthes helped establish a relationship with a Danish retailer (COOP Denmark) for the sale of furniture made from lesser-known timber species. COOP was attracted by the possibility of selling FSC certified products from rural cooperatives, but was initially unsure of COATLAHL's ability to meet the requirements of quality and quantity. In 2004 they placed their first order for 2200 wooden doormats, but requested a sample of 50 units upfront. This seemed excessive to COATLAHL, but proved crucial in building client confidence. There have been subsequent orders for a range of products for COOP and the Spanish NGO COPADE has also helped to promote furniture sales in Spain.

Finding national markets has been more challenging; competition from illegal timber remains a severe problem, and most local markets do not appreciate the added conservation values.

## Training for Improved Production

Having produced only small quantities of furniture previously, the size of their first international order was intimidating to Coatlahl. Training by national and international experts, supported by Rainforest Alliance and Nepenthes, helped develop skills in carpentry, timber drying and furniture production and prepared Coatlahl for mass production.

## Client Communication

Through trial and error COATLAHL have built a direct relationship and established a positive track record with their principal client. Initially Nepenthes' role was crucial as a bridge between the cooperative and the European client: they were able to explain the different realities and expectations on both sides. A crucial step was the visit of a COOP executive to Honduras, where

he inspected the product samples and explained product quality requirements, demonstrating which imperfections would trigger rejection. Nepenthes gradually handed over the communication role, and Coatlahl has appointed a single contact person for client communications.



One of the wooden doormats COATLAHL produced for COOP.

## Generating Operating Capital

A huge challenge was to secure sufficient credit to finance the production of their first major order. No advance payment was available, and with no property as collateral, Honduran banks did not consider COATLAHL a suitable client. A long and difficult search finally led them to a government fund for cooperatives which lent them US\$28,000, allowing them to finish their production run and pay off the loan within the agreed timeframe. However, when the government fund changed its rules the following year, deeming Coatlahl ineligible, the search for credit had to be renewed. Happily COATLAHL has since obtained bank-managed funding in Honduras and internationally, recently gaining lower risk status from a Danish bank, thanks to their timely repayment of previous loans.



## Key lessons learned

- > Efficient communication with clients is vital. Delegating communication to one person within the business helps achieve this.
- > For a small community operation and an international client to do business a relationship of trust needs to be built. This requires a major commitment from organizations such as NGOs – providing information and allaying doubts.
- > Don't give up! When seeking credit, approach associations and federations for information. There may be funding available, but this information may not be widely publicized.
- > Providing detailed, realistic and measurable investment plans and fulfilling loan conditions are crucial when seeking credit.

## Remaining Challenges

- > Broadening their client base to at least three international clients, and breaking into the national market.
- > Investment in improved production processes to increase their wood stock to be able to respond faster to client demands.
- > Obtaining higher prices to be able to pass on benefits of certification to their workers. The costs of certification remain challenging, however, they have set up a certification fund to finance recertification and not rely on external funding.

## Facts & Figures

**Certificate details:** SW-FM/COC-024

**Area:** 19,588.3 ha

**Membership:** 14 community groups, involving around 180 individual producers. Individual forest plots ranging.

**Quantities:** Annual turnover community groups ca. US\$26,400. Annual turnover COATLAHL cooperative ca. US\$157,700 (local timber and furniture sales, furniture export)

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