

## SSC Wood Technologies SLIMF group in Chile's 9<sup>th</sup> Region (Araucania)

This Chilean case describes a commercial venture managed by a subsidiary of SSC Americas, SSC Wood Technologies S.A. (SWT), based on the large native timber resource in the secondary forests of the region. The SLIMF group consists of small forest owners who mainly produce small 25-45 cm diameter sawlogs which are bought by SWT for processing at its sawmill in Curacautin. Processed kiln-dried lumber is sold on the export market, principally to Europe. There is an additional Chilean market for unplaned kiln-dried timber, and members also produce firewood for the local market.

### Background

The Chilean forest industry derives some 98% of its income from 2 million ha of plantations and less than 2% from its 11-15 million ha of native forests. Of these native forests, approximately 50% are secondary forests that have reinvaded agricultural land cleared in the period 1890 to 1940 under a government policy.

In 2002, consultants from SSC Forestry (which is made up of SSC - Svensk Skogscertifiering AB in Sweden, SSC Americas in Chile, SSC Africa in South Africa and Wildhorus Ltd in the UK.) conducted an evaluation of the Chilean native forest sector which demonstrated the existence of a significant, and largely overlooked, valuable native timber resource in the secondary forests of the 9th and 10th regions.

### Overcoming Initial Obstacles

Project planning took five years from the original idea in 2002 until the start-up of implementation in 2007.

**Marketing:** A key pre-start up issue was to determine what type of sawmilling results could be obtained using the small dimensioned timber from the secondary forests, and to find markets for these sawn products. Marketing was addressed by entering into a partnership with UK-based C. Leary and Co. as an agent for certified products in the international market.

**Site Selection:** The next important decision was to locate a project development site. Several areas were evaluated and Curacautin selected for a number of reasons:

- this is one of Chile's most depressed regions following the collapse of the Mosso plywood business in 2000 (caused mainly by over-harvesting of primary forests) which has resulted in large scale unemployment.
- the area is the location of the Auracarias del Alto Malleco model forest with whom SWT now shares office space.
- there is an abundant secondary forest resource and no large scale industrial competitors for the timber.

*"It is believed that the SSC Wood Technologies project will result in a rapid improvement in the livelihoods of both forest owners and our sawmill employees based on a sustainably managed forest."*



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### Tackling Major Challenges

The first main problem was finding forest owners prepared to sell timber. This reluctance was largely based on having been cheated in the past: in many cases traders simply did not pay for the timber, and even when they did, buyers tended to understate harvested volumes and downgrade timber quality so that payments never reached originally agreed levels.

Two factors were instrumental in overcoming this lack of trust:

- timely payments in full for all timber harvested
- a change in the way that SSC Wood Technologies makes its purchases; this has changed from a contract for cash basis to a joint offering in which SWT manages forest regeneration for five years after the harvest is taken, and draws up the forest management plans required for regulatory approval.

This latter development is particularly attractive to forest owners as it demonstrates a long term partnership commitment by SWT which has led to many forest owners becoming keen to join the group.

A second hurdle was posed by the labour component of forestry operations. Contractors traditionally exploited forest workers by paying them approximately one third of the minimum wage and failing to make social security payments on their behalf. Workers were also subject to poor training and inadequate health and safety provisions. Additionally, past extraction methods often led to unacceptable impacts on soils and watercourses.

To address this, SWT identified and formed a partnership with an 'honest contractor' trained to carry out forestry work according to the requirements of the FSC standard. The contractor pays at least the minimum wage as well as all required social security and insurances, and in return is assured of a certain minimum amount of work each year. Extraction to the compartment boundary is now carried out using oxen to minimise the impact levels.

*"We expect that the small forest owners will find that it is more profitable in the long term to invest in forest management than in conversion of forest to cattle grazing land."*



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## Lessons Learned

> A key factor in the success of this forest management model has been SWT's relationship with the Chilean Forestry Commission (CONAF) at the local level, mainly achieved through ongoing contact at the model forest office. Existing forest management regulations had made forest regeneration impossible; in particular, the prohibition of clear cuts had resulted in thickets of a local indigenous bamboo weed in small forest openings, effectively suppressing all tree regeneration for many years. Through discussions with CONAF and by using demonstration sites where forest owners have previously used 'illegal practices', SWT demonstrated the success of their forest regeneration model, and was permitted by the authorities to use these methods.



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> The development of a simplified SLIMF checklist in cooperation with the auditors greatly reduced the level of paperwork required for the certification. SWT also commissioned two independent studies as part of its preparation for certification: 1) a biodiversity survey in order to guide biodiversity management and develop criteria for identification of high conservation value forest, and 2) a social impact assessment to determine social baselines and identify relevant stakeholders and their concerns.

## The Future

> SWT has been selected by the FSC/FLO task team as a case study towards joint forest management and fair trade certification, and aims to certify operations to the new standard in May 2010. Participation in the fair trade system should increase the benefits to both forest managers and sawmill staff via premiums and improved conditions.

> Production problems in drying have led to difficulties in meeting minimum requirements of the international market, particularly during the start-up phase. To overcome this, SWT have been prospecting the internal market in Chile and have identified a number of clients with potential demand which will translate into orders for smaller quantities in the near future.

## Facts & Figures

### Certificate details:

Main inspection in September 2009 with no major CARs; FSC certificate expected to be issued in January 2010.

The saw mill already has a separate COC certificate: SA-COC-002015 SSC Wood-Technologies SA, issued 26 September 2008.

**Area:** Current group area is 854.4ha; total production area is 78ha.

**Membership:** Four initial members, expected to increase by around five members per year.

**Quantities:** Sawmill production 50m<sup>3</sup> / month; expected to grow to 150m<sup>3</sup> / month by end of 2010.

Expected Annual Turnover of SSC sawmill US \$200,000 in 2010

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