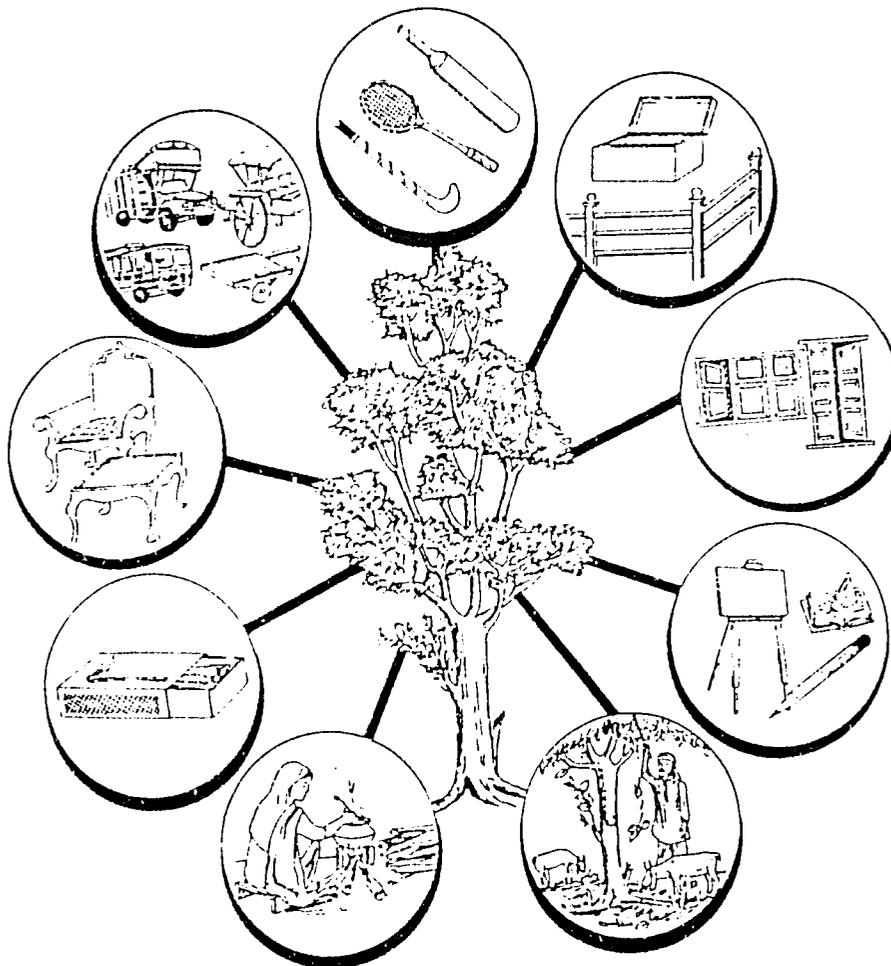




FORESTRY PLANNING & DEVELOPMENT PROJECT

Government of Pakistan-USAID

MARKETING FARM FORESTRY PRODUCTS



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MARKETING FARM FORESTRY PRODUCTS

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INTRODUCTION:

The best way to get farmers to plant trees is to show farmers how growing and selling trees improve their income. The social forestry program has been successful in encouraging large numbers of farmers to plant trees on the assumption that they will have value "some day" in the market place. But, the real job of convincing is now at hand. If the marketing program is successful, farmers will demand more tree seedlings to plant on their farms, and the new production system will become firmly established.

The introduction of Poplar in NWFP is a good example of marketing a new species. Poplar was introduced to NWFP farmers during the early sixties and they readily accepted it due to its high growth rate and leaf shedding during winter season. Initially, it was grown as a demarcation of farm boundary and a live fence around agricultural fields. In the early seventies when the crop was ready for harvesting, the country was facing a scarcity of matches depending upon imports. Match factories began to mushroom in NWFP as poplar matured, and demanded poplar wood. Early poplar tree growers received exorbitantly high prices for their standing crops which motivated other farmers to plant more. Poplar market prices were difficult to predict due to rapidly changing consumption and tree planting behavior. The initial shortage of wood ended in a temporary surplus supply which caused lower prices.

Low prices and sustained supply attracted middlemen to the business of marketing poplar wood. These middlemen introduced poplar into new market areas where low prices tempted wood users to test poplar wood as substitute to other high priced raw materials. Thus new end-uses in sports goods, crates, furniture, poles, scaffolding, cot frames, wooden roofs for country hutments, fuel-wood, etc., developed for poplar wood. Middlemen, because of superior market knowledge and experience, stabilized the wood market to create a "poplar preference" with a lasting strength.

The identification of potential market demand for the value product is considered as a basic step for perpetual marketing. Once the potential consumption of a product has been assessed, the product can be introduced into the market. For effective introduction, the product has to pass through regular channels of marketing. A well-organized market system not only offers better on-farm sale prices but also promotes product quality and waste reduction in processing. A well integrated rational marketing system ensures greatest return of valuable products from every part of the tree. In order to economize production from better quality and high priced material, the wood end-users try to improve upon processing and try to develop markets for by-products as well.

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Social forestry personnel are responsible for market structure analysis of the existing marketing channels to help farmers achieve profitable and durable penetration of farm forestry products. This requires thorough knowledge of buying procedures, marketing costs and standards, understanding of consumer needs, and factors influencing the choice of the consumer.

THE FORESTER'S ROLE AS ADVISOR:

Professional foresters in the social forestry wing are the responsible for bringing sellers and buyers together. They have two clients in each transaction; a farmer and a competitive set of market buyers.

Responsibilities to the farmer are greater. He controls the tree reinvestment and sale decision, but is the least knowledgeable of wood markets and requires more training and assistance. On behalf of the farmer, the forester should:

1. Advise the farmer when his trees will reach market size for different products; and whether it is worth waiting for growth in volume and grade.
2. Help the farmer select which trees are ready for harvest;
3. Help the farmer to estimate quantity or volume to be sold;
4. Help the farmer to determine the estimated stumpage value of the sale trees so that he can negotiate the highest possible selling price;
5. Help the farmer to find competitive buyers for his trees;
6. Encourage the farmer to put trees into the market. Each sale should make the farmer richer and help the market work better.

Because wood buyers or traders are more knowledgeable about market prices, product grades, and transaction strategies, the forester may have the idea that the buyer needs no help. But, buyers are important project clients. Without them, marketing opportunities for the farmer would be seriously limited. On behalf of buyers, the foresters should;

- 1) Maintain farm plantation information which will help buyers locate trees of the age, size, kind, and grade that he needs;
- 2) Help the buyer to improve his harvesting and handling techniques to reduced waste and labor costs;
- 3) Treat the buyers and traders as legitimate businessmen and not as adversaries.

The forester should never get personally involved in the receipt or transfer of money between buyer and sellers. A written sale agreement should be used to protect both parties so that the actual terms of the sale can be verified at a later date to avoid misunderstanding

or disagreement. A bill of sale short-form may also be needed from seller to buyer in the event of transport across district and/or provincial boundaries. These forms and sales agreements should be produced by the forest department and provided to both parties. See Appendix.

Finally, the forester should make a record of the sale so that market activity and price of various kinds and grades of trees can be tracked. This is important for the value estimation of future sales and for the benefit of counsel to farmers who will plant trees for future markets.

THE FORESTERS ROLE AS FACILITATOR:

The facilitator makes things happen. He is informed about both buyers and sellers so that he can educate each about the costs and constraints of the other. Market prices are strong during times when the demand for wood are increasing, or for some reason harvests are reduced. The stability of markets can be improved by professional foresters providing information to all participants and making transaction easier and less uncertain.

Markets involve the two elements of sellers and buyers, and each group has its own management strategy. On the farmer's side is the Farm Forestry Management Plan; on the buyer's side is the Wood Dealer/Buyer Record. In both cases the best success comes from good knowledge of wood products, prices and transactions and the recording of that knowledge for future use. These records should be developed and maintained by the RFO at the tehsil level.

In the Farm Forestry Management Plan, the forester and the farmer work out the details together; the forester enters the information on the form sheet (see appendix), keeps one copy on file, and provides one copy to the farmer. Each farm forestry plan becomes a separate "case", and the case file at the RFO should be up-dated as each management event (new planting, thinning harvest, etc) occurs.

For the Wood Dealer/Buyer Record, the forester fills in the record form during a personal visit to the place of business, and keeps a copy on permanent file. Individual case files for buyers might be developed; or the files could be arranged to put these forms together by product user groups - Such as for fuelwood, charcoal, furniture, poles, etc., in separate files (see appendix).

The complete plans and records give the foresters, farmers and users the best possible information so that all learn effective transactions which make the market work.

THE FARMER'S OPTIONS FOR MARKETING/UTILIZATION:

There are 5 wood marketing/utilization strategies used worldwide by farmers. The forester must be able to advise the farmer on using these strategies, (see Figure 1).

Stumpage Sales:

Busy farmers with many other agricultural activities of managing crops and livestock usually prefer this method. The farmer's cost of

making the sale is limited to finding prospective buyers and signing an agreement. His labor expense is limited to his own time spent marking the trees for harvest, showing the trees to potential buyers, and monitoring actual harvesting operations. The farmer gets cash for standing trees. The sale price of standing trees is lowest because buyers must cut, process, handle, transport, store and resell the wood products and they have costs of each operation. This type of sale is the one which sets the base line value of the standing trees themselves because it is only a sale of a tree, not a sale of wood + labor + transport (and other services).

Farmer Harvest for Home Use:

Home utilization for whole trees has two drawbacks: (1) it doesn't produce any cash income; and (2) it usually is not necessary for fuelwood because tops, limbs, and other debris from other harvesting can still be available to the farm family. This is, however, an important chance for farm savings in those cases where the trees are cut for home construction purposes in order to avoid spending cash in the market for similar materials. The costs of this activity are low, involving only the costs of proper tools to do the necessary work. Labor costs are considered to be medium level because the farmer must do all the work or hire it to be done.

Farmer Harvest for Local Sale:

In this case, the farmers incur medium level costs because they must invest in harvest costs, storage costs, or in some transport costs (or all three) in getting logs to the local buyers. Labor costs are likewise at the medium level because of farmer's inputs. However, market price is also considered to be at the medium level, because the farmer is selling wood and delivery services. These prices can be found by comparing what other farmers sell delivered wood for, or a firm percentage below the retail prices of wood sold in local markets. This strategy also produces high local benefits at low total cost.

Farmer Harvest and Sell at Roadside:

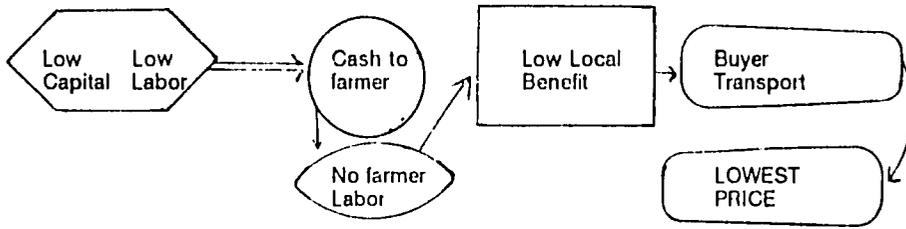
The cost and labor requirements are nearly identical to those for local sale, except that some additional costs will be incurred to set up and operate the selling point. These costs can often be off-set by the opportunity to sell the higher quality products in truck-load lots at prices above what local markets will pay (because the local market is less likely to demand the premium quality products which must move to specialized markets). Farmers will not want to do this kind of marketing unless they have a large volume farm forestry operation.

Farmer Harvest and Transport:

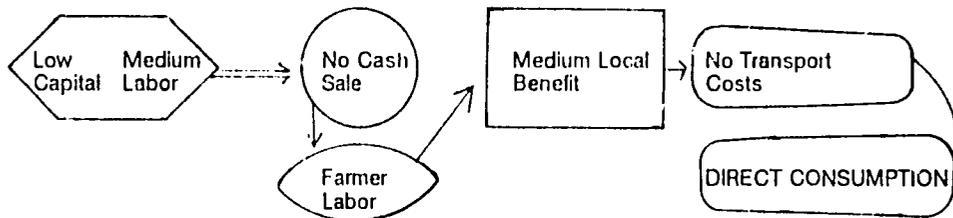
This method requires large investments for hiring or buying transport and high labor investment to find and negotiate with the final industrial wood user. It will bring the highest market price to the farmer, but because marketing, harvesting, and transport costs are high may not bring the highest net price (value) for the wood products when all costs are properly considered.

SOME WOOD MARKETING STRATEGIES FOR FARMERS

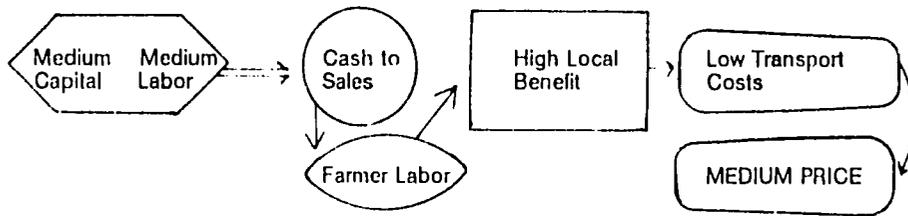
I. STUMPAGE SALES: (Buyer cuts and transports away)



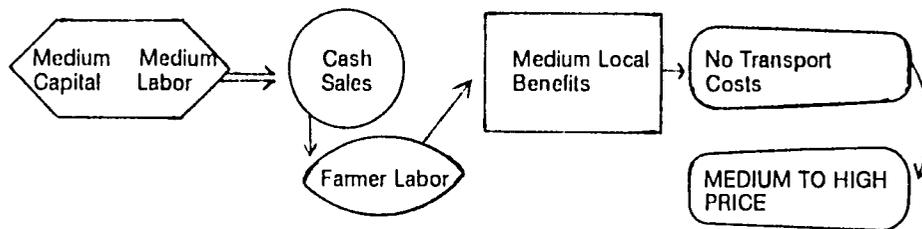
II. FARMER HARVEST FOR HOME-USE:



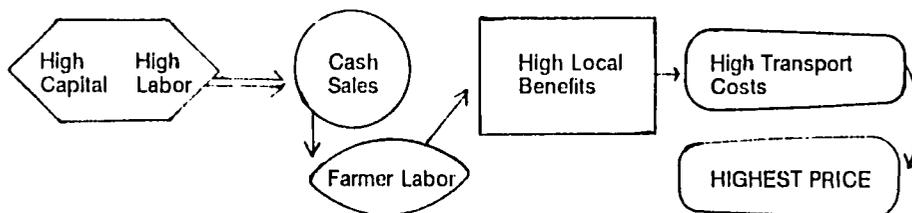
III. FARMER HARVEST FOR LOCAL SALE: (to neighbors)



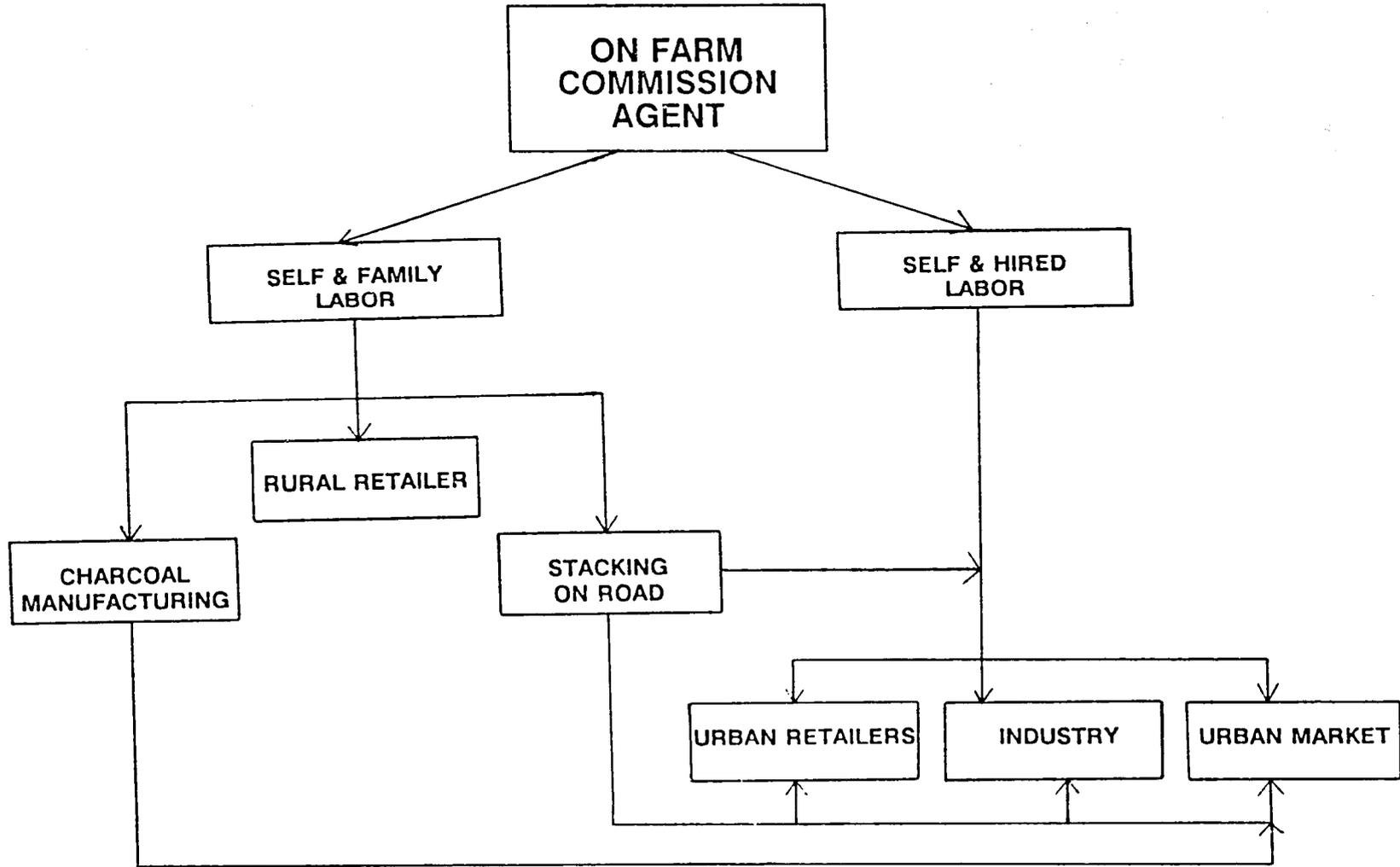
IV. FARMER HARVEST AND STACK AT ROADSIDE:



IV. FARMER HARVEST AND STACK AT ROADSIDE:



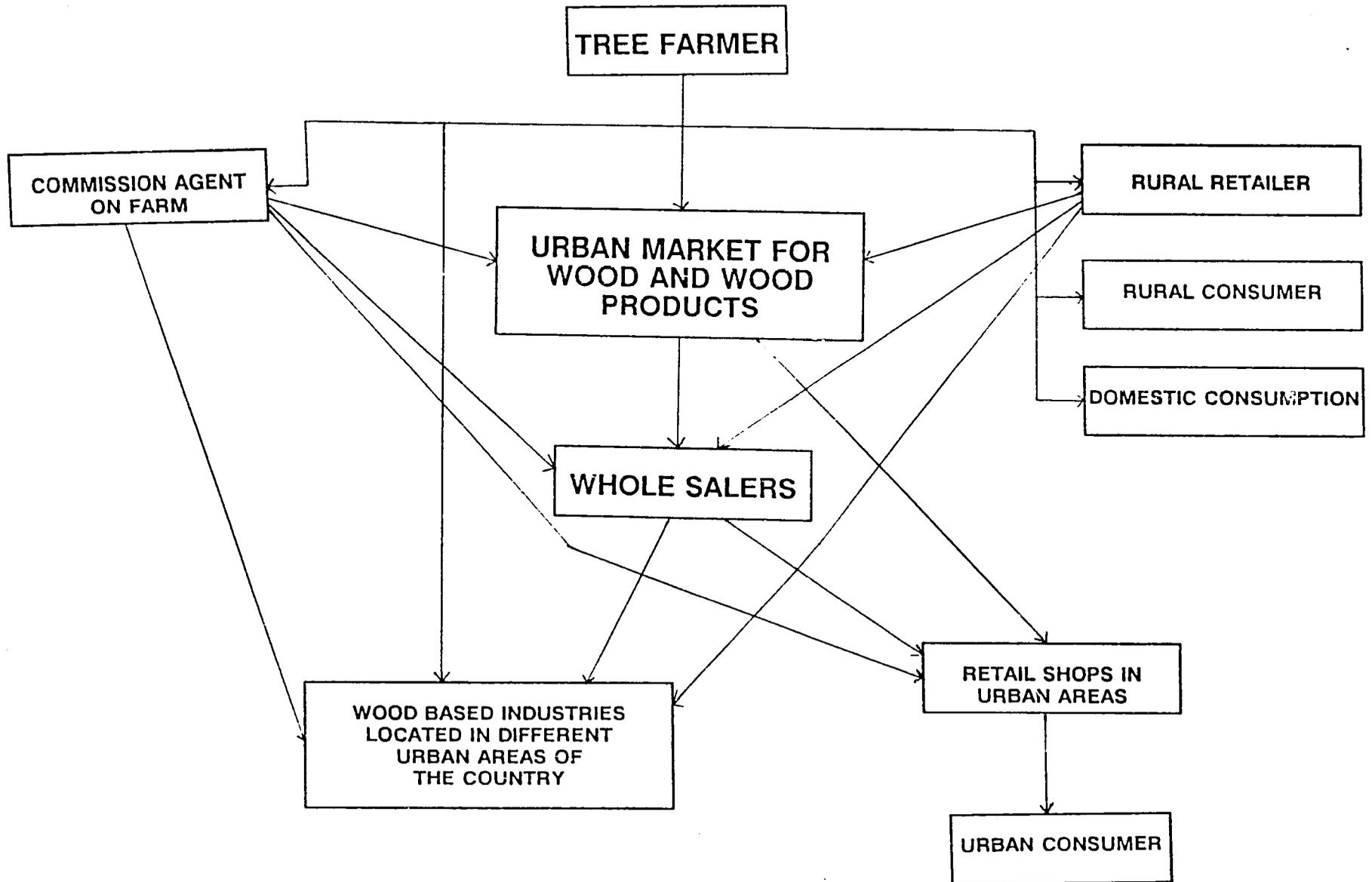
MARKETING STRATEGY



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FIGURE - 2

MARKETING CHANNELS



7

FIGURE - 3

A SAMPLE MARKETING STRATEGY FOR FARM FOREST PRODUCTS

The basic data collection level for the marketing analysis is the Social Forestry Tehsil. After tehsil data are collected and processed, the information should then be aggregated at the District level.

STEP ONE: Identify Principal Market Sectors

- a. Public carriers of forest products
- b. logging operators/buyers
- c. middlemen (brokers, concentration yards, etc.)
- d. sawmills
- f. lumber yards
- g. cabinet works, furniture, and casket makers.
- h. pulp mills
- i. fuelwood sales depots
- j. charcoal producers
- k. other wood using/consuming industries
(brick and ceramic kilns, tobacco driers,
bakeries, etc.)

STEP TWO: Interview the businesses on the "Demand" side

- a. what kinds and quantities of wood are purchased?
- b. what are the basic raw material specifications?
- c. what is the normal source of supply?
- d. what materials are the hardest to get?
- e. what can you use more of? at what average price?
- f. do you prefer to purchase delivered at the mill?
or, do you prefer to transport your own wood?
- g. do you have a "minimum quantity" transaction?
- h. how many regular employees do you have?
- i. is your demand seasonal or year-around?

STEP THREE: Develop a location map showing the existing market network using appropriate symbols by type of industry.

STEP FOUR: Establish a working linkage between producers and buyers.

- a. inform the farmers/producers of the locations of the buyers, by product category, and develop an information package covering the basic specifications of the market(s) by kind, size, quality standards, etc.
- b. develop a wood products marketing newsletter to help keep buyers informed of the development efforts of the forestry program, with special attention to the kind and quantity of trees being planted, anticipated growth rates, and other items of general interest. Remember, these industries are the source of cash that the farmers will depend on.
- c. as farmers get ready to enter the market, provide a "listing" service in the newsletter so that buyers will know where the materials are available.

STEP FIVE: Develop marketing strategies training program for the farmers (See diagram), including such things as:

- a. variations on the point of sale -- stumpage, roadside, concentration yard (cooperative), or delivered to the mill;
- b. contract versus cash sales -- lump sum, deferred payment, barter, etc.
- c. Methods of pricing -- negotiation, sealed bids, open auction, offer and acceptance, etc.

STEP SIX: Forester's followup

As sales are made by farmers in the district, be sure to keep track of the quantity, type, and quality of the products sold, the name of the buyer, and as much detailed information on the price as can be easily obtained. This kind of information builds a case record of market values which becomes a key element in the advising of farmer clients about the economic potential of wood products from farms.

FARM FORESTRY PROJECT MANAGEMENT PLAN AND RECORD

NAME: _____

MAILING ADDRESS: _____

FARM LOCATION: _____

SIZE OF FARM: _____ (kanals, acres, or hectares)

DATE (forester's 1st visit to farm): _____

Farmer's statement of forestry objectives for this farm: _____

I. TREE PLANTING RECORD:

month	year	species	number	block? (area)	line? (meters)	% survival
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

II. SILVICULTURE RECORD: (pruning, weeding, thinning, & harvest ops.)

month	year	describe kind of work	list products by quantity
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

III. IRRIGATION: (if the plantations are irrigated, describe the frequency and amount of water used)

FARM FORESTRY PROJECT
Wood Dealer/Buyer Record Sheet

NAME (Owner): _____ **Business Name:** _____

Mailing Address: _____ **Tele:** _____

Business Location: _____

Year of Operation: _____ **No. of Regular employees:** _____

Date: (Forester's first visit): _____

Kind of Business: _____

<u>Principal Products</u>	<u>Quantity Purchased per year</u>
_____	_____
_____	_____
_____	_____
_____	_____

Product Specifications: (list by highest demand first)

<u>Species</u>	<u>Min/Max Length</u>	<u>Min/Max Girth</u>	<u>Other specific requirements</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Prefers to Purchase: _____ **Standing trees;** _____ **Stacked at Roadside;** _____ **Other**

Does this Business: _____ Never _____ Sometimes _____ Regularly

1. Buy from farmers?
2. Need more wood?
3. Need more buyers for his products?

Would this Business want to be listed in a buyer's directory: _____ **Yes;** _____ **No**

Owner's Comments:

