ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

INDIA

Prepared by GTF

May 2019

Contents

GLOBAL TIMBER FORUM'S ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

This Survey seeks to better understand the challenges faced by forest and wood-based industry and trade associations around the world. The responses from associations in Asia, Africa, Europe, India and South and North America will inform GTF's, and our project partners, knowledge about the skills and capabilities of associations and identify future support programmes particularly focused on priority countries.

The survey is focused on five themes:

Theme 1	Association's profile and capabilities
Theme 2	Priorities in delivering services to members
Theme 3	Challenges faced by the association membership
Theme 4	Analysis of domestic and regional markets
Theme 5	Analysis of international market and customer needs including legality and sustainability aspects

The survey design was developed in collaboration with our project partners: FAO (Food and Agriculture Organisation of the United Nations) and WRI (World Resources Institute). The survey was made up of three complementary sections. Respondent associations were encouraged to complete all three sections.

The survey was conducted by the Quality Council of India in the first quarter of 2019.

Quality Council of India
Creating an Ecosystem for Quality

Set up in Jan 1997, Quality Council of India (QCI) is an autonomous non-profit society established jointly by the Government of India and the Indian Industry, determined towards upholding standards of quality in all spheres of activities. QCI has 22 years of experience establishing an internationally accepted quality infrastructure across various sectors.

Over the last couple of years, QCI has worked consistently to create an ecosystem of quality in key public services like healthcare, government scheme implementation, medicinal plants, rural development, and forestry. QCI was a part of the initial conversations that led to the establishment of the Global Timber Forum. QCI is also in the technical committee of important forestry initiatives in the country including the Network for Certification and Conservation of Forests (NCCF) and VRIKSH, the timber legality standard of the Export Promotion Council for Handicrafts (EPCH).

The survey results are anonymised and non-attributable. GTF will share relevant data with survey respondents and our partners to better assist the development and funding of trade-focused responsible timber trade programmes.

Other surveys are available in summary and full report formats at: www.gtf-info.com

GTF and QCI wish to thank the following organisations for their time in contributing to this survey:

- The Sports Goods Export Promotion Council
- Indian Paper Manufacturers Association
- Federation of Indian Plywood and Panel Industry
- Export Promotion Council for Handicrafts
- Indian Plywood Industries Research and Training Institute
- Bangalore Timber Merchants Association
- Bombay Timber Merchants Association
- Federation of Rajasthan Handicraft Exporters
- Association of Furniture Manufacturers and Traders
- Jodhpur Handicrafts Exporters Association

Market & Political Context

India's forest cover is estimated to be about 64 million hectares, or 19.5 percent of the country's area, however, the per capita availability of forest land in India is one of the lowest in the world, 0.08 ha, against an average of 0.5 ha for developing countries and 0.64 ha for the world. In qualitative terms, however, the dense forest in almost all the major states has been reduced. Forest degradation is a matter of serious concern.

About 35 million hectares of forests, some 55 percent of the forest area, are affected by fires annually. Other factors leading to forest degradation are transfer of forest lands for other land uses, encroachment on forest lands for agriculture and other purposes, grazing, and pests and diseases[1].

The area of forest has been increasing over the last few decades and the annual rate of afforestation was 0.4% for the period 1990-2015[2]. The forest sector was estimated to employ 707,000 workers in 2012 (0.1% of the total workforce), contributing to 1.7% of India's GDP[3].

The Indian Forest Act of 1927, the country's guiding forestry legislation, sought to consolidate and preserve areas with forest cover or significant wildlife, to regulate movement and transit of forest produce, and to levy duties on timber and other forest produce. Further, the Forest Conservation Act of 1980 stated that prior approval of the Central Government is essential for the diversion of forest areas for the non-forestry purposes. Diversion of forest land is mostly allowed in order to meet developmental needs for drinking water and irrigation projects, transmission lines, railways, roads, power projects, defense related projects, and mining.

The National Forest Policy 1988 was established to ensure compensatory afforestation, essential environmental safeguards, sustainable utilization, maintenance, restoration, and enhancement of forest areas. It also stipulates that industrial wood needs should be met increasingly by farm forestry. Its main implementing programme is called Joint Forest Management, which proposed that villages manage specific forest blocks in association with forest departments, in order to provide for the basic needs of rural and tribal populations, increase forest productivity, improve the efficiency of forest product utilization, and minimize the pressure on existing forests.

In 2018 the Ministry of Environment, Forest and Climate Change published the new Draft National Foreign Policy which aims to maintain at least one-third of India's total land area under forest and tree cover through scientific interventions and enforcing strict rules to protect the dense cover. It proposes public-private participation models for undertaking afforestation and reforestation activities in degraded forest areas.

India produces a range of processed forest (wood and non-wood) products ranging from sawn wood, panel products, handicrafts and wood pulp, paper, bamboo, rattan ware and pine resin. Total industrial wood consumption by wood-based processing industries is about 30 million cubic metres. This, however, accounts only for about 10 percent of total wood consumption; 90 percent is consumed in the form of small timber and fuelwood[4]. India consumes 3% of the global consumption of industrial round wood, and is responsible for 3% of global production of industrial round wood[5].

Production of logs, sawn wood and sheet materials in 2017 were estimated at 58 million cubic metres. Imports in 2017 of logs, sawn wood and sheet materials were estimated at 6.6 million cubic metres[6]. India is one of the

[1] FAO http://www.fao.org/forestry/country/57478/en/ind/
[2] FAO (2015) - *Forest Resource Assessment*. www.fao.org/forest-resources-assessment/current-assessment/en/
[3] FAO (2014) *Contribution of the forestry sector to national economies, 1990-2011*, by A. Lebedys and Y. Li. Forest Finance Working Paper FSFM/ACC/09. FAO, Rome.
[4] FAO http://www.fao.org/forestry/country/57478/en/ind/
[5] FAO http://www.fao.org/forestry/statistics/80938@180723/en/
[6] FAO STAT http://www.fao.org/faostat

world's largest importers of wood-based products with about 30% of India's total timber demand met though imports.

It has been suggested that India is a major consumer of "illegal timber". The estimated volume of illegal imports has been rising and in 2012 almost 20% of timber imports were estimated to be illegal[7].

Summary of survey findings

Conducted in the first quarter of 2019 the surveys reveal:

The associations and their membership

- The ten associations interviewed draw their membership exclusively from within India.
- They represent mainly businesses involved in primary and secondary manufacturing.
- The ten associations have a combined membership of over 14,000 companies.
- 76% of their membership comprises small or micro-sized businesses.

Sourcing and Markets

- Domestic sourcing of raw materials is important for the associations' membership.
- A wide range of source countries are also used by the members.
- The European Union and USA are the major overseas export markets.
- Intra-state trading is important to many members of the associations.
- Export growth is hindered by a lack of market information; potential low profit margins and increased tariffs.
- International markets are more demanding of legal and sustainable materials than domestic markets.
- The main markets demanding legality or sustainability are the European Union and USA.

Priorities and challenges

- All of the associations prioritise relations with Government and general public affairs. For seven associations this is their major activity.
- Stakeholder engagement is also a prominent activity for most of the associations.
- A major priority for their government relations activity is a focus on increasing or improving access to raw materials.
- Improving and facilitating market access is a major challenge for the associations.
- Changes to national or global regulations and taxation of products impacts upon the member companies and for some associations this is a major focus of activity.
- The associations use a wide range of partners to improve their offer of technical support.
- Access to raw material is the number one challenge faced by the membership of most of the associations.
- Some of the associations offer support for supply chain management and have developed tools to assist their membership.
- The majority of associations do not offer supply chain management support as this has not been requested by their membership.
- Generally the associations have not looked internationally for assistance with supply chain management support.
- Legality verification and certification are well supported concepts within some of the associations though the majority does not have a position regarding means of mitigating risk in the supply chain. The associations offer little regular training on technical issues.

- **The priority for additional service provision is the need to support members by offering training to include marketing skills and general business development skills**.

[7] Chatham House (2014) - *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. https://indicators.chathamhouse.org/explore-the-data/india

Part 1 - Association profile & capabilities

Summary

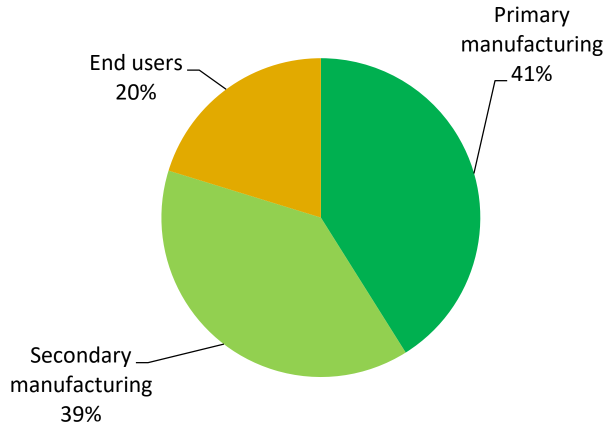
- The ten associations interviewed draw their membership exclusively from within India.
- They represent mainly businesses involved in primary and secondary manufacturing.
- The ten associations have a combined membership of over 14,000 companies, 76% of which are estimated to be small or micro sized businesses.

Geographical coverage

The associations interviewed exclusively draw their membership from within India. Six of the associations interviewed are national organisations with membership from across India. Four of the associations are regionally focused, generally drawing their membership from within a single state.

Profile of membership

The ten associations surveyed have a combined membership of 14,586 companies with an average membership size of circa 1,459. The largest association has in excess of 10,000 members, the smallest 16 – drawn from the paper sector.



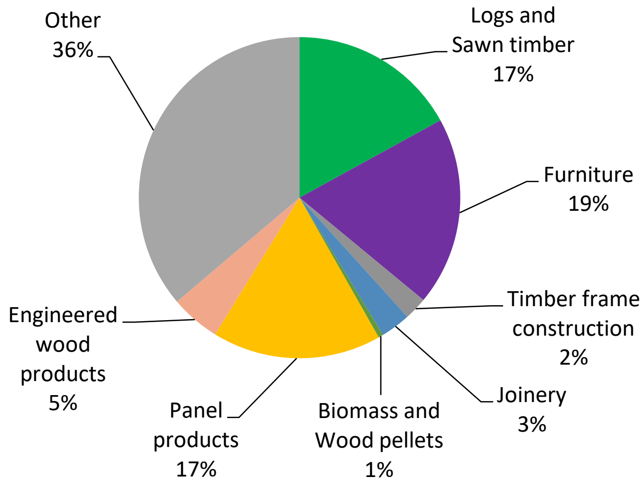
Sectors represented

Membership is extremely diverse though dominated by primary and secondary processors.

Products traded

The membership of the associations is extremely diverse and they trade a full range of wood products.

The "Other" category is mainly comprised of paper products, handicrafts including wooden carvings and sporting goods such as cricket bats.



Volume and Value traded by members

Only 5 of the associations were able to provide data as to the approximate volume of wood traded by their membership. This totaled 8.6 million m^3 of wood with a traded value of USD$1.2 billion per annum.

Capacity - Number of staff

Staff numbers vary widely between the associations.

The average number of full time equivalent positions across the region is 20.1. This includes senior management, other managers, technical specialists, financial staff, and administrators.

Two of the organisations surveyed are government funded institutions with 176 staff between them.

Considering the other 8 associations - the average number of employees is 3.1 full time equivalent.

Two out of the ten associations have staff available to answer technical questions from the membership. Both of the associations concerned have 5 members of staff each.

Overall budget

Nine of the associations were able to provide data regarding their annual operating budget.

The largest budget was nearly $19.7 USD per annum, the lowest just over $7,000 USD.

The average for all 10 surveyed was $2.39m USD per annum.

Excluding the two government funded institutions (in blue) funding levels are more modest. The eight member funded associations have an average operating budget of $39,600 USD per annum.

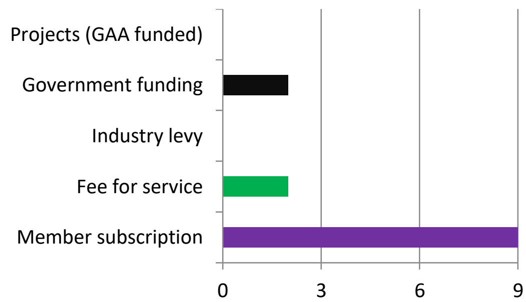
Association	Operating budget (USD)
#1	no data
#2	$187,400
#3	$24,510
#4	$19,770,702
#5	$1,440,000
#6	$7,200
#7	$7,200
#8	$29,000
#9	$7,200
#10	$14,610
Average (all)	**$2,387,536**
Average for 8 self- funded associations	**$ 39,589**

Funding sources

Nine of the associations' main source of funding is through membership subscriptions. Two associations also receive government funding and two raise funds through payment of fees for services from their membership.

None of the associations receive finds from overseas Government Aid Agencies or through any form of industry levy.

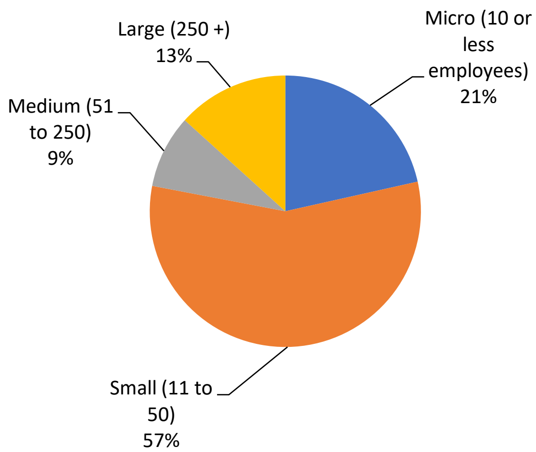
Note: The X axis represents the number of responses.



Size of member companies

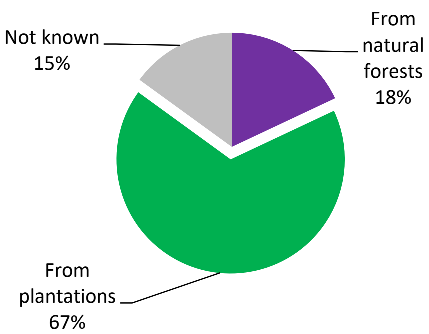
The 14,000+ members of the associations are dominated by micro and small organisations with less than 50 employees.

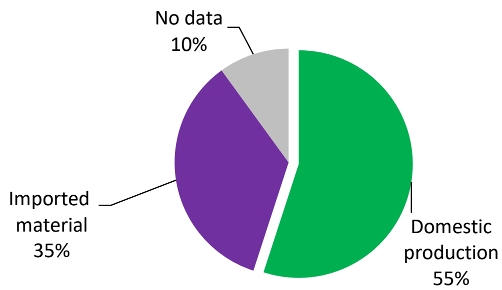
Only 13% of the member organisations have more than 250 employees.



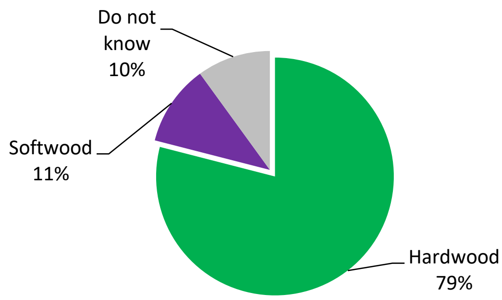
Raw material sourcing

The associations' members source a mix of domestically grown and imported material primarily originating from plantations. Hardwoods predominate as a raw material.



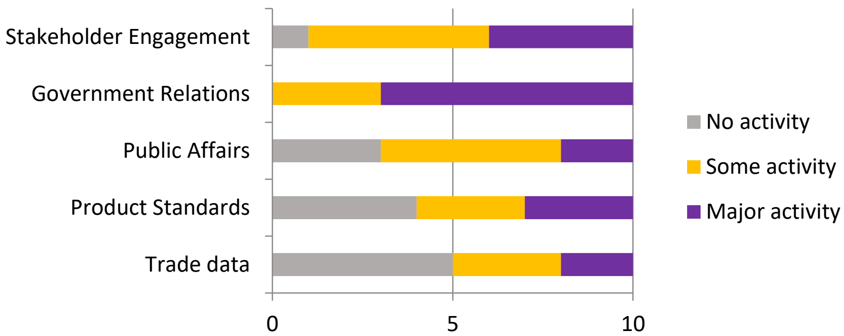


Note: The interviewees were asked about sourcing from "natural forests". This was deemed to include "semi-natural forests".



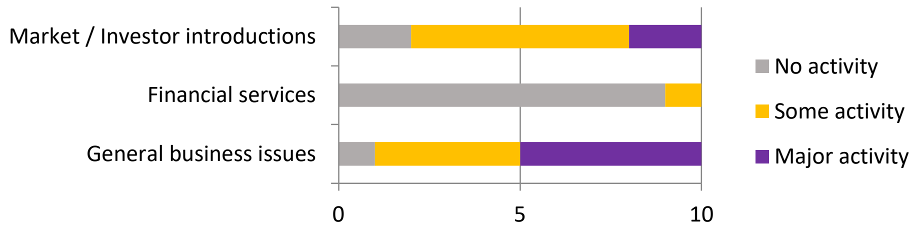
General services currently provided

All of the associations are involved in government relations. Nine of the associations are also involved in some form of stakeholder engagement.



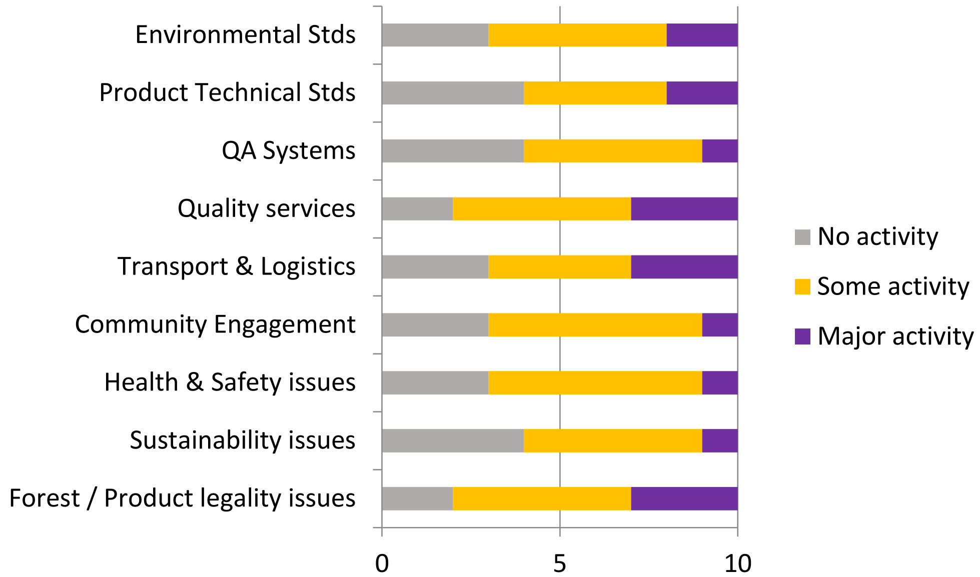
Business services provided

Most of the associations offer a range of general business services and have a limited role in providing a gateway to new markets or to new investors for their membership. Six of the associations are involved in promoting the businesses of their members.



Technical services provided

The associations offer a wide range of technical services. The most common services offered are those relating to, forest product legality, sustainability issues and quality issues. Transport and logistic support also key for some associations.



Part 2 – Priorities and challenges in delivering services to members

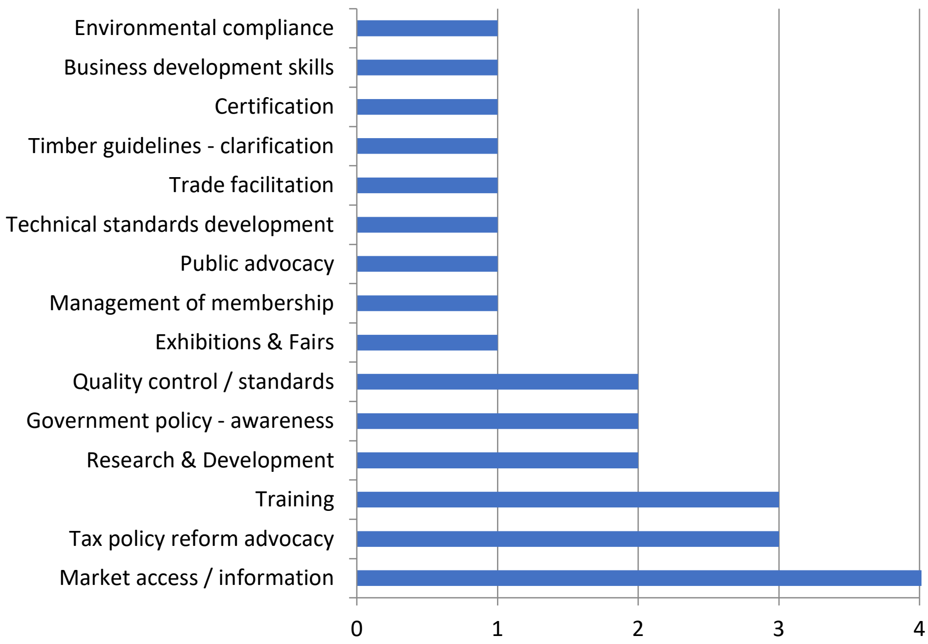
Summary

- All of the associations prioritise relations with Government and general public affairs.
- For seven associations this is their major activity.
- Assistance with stakeholder engagement is also an activity for most of the associations.
- A major priority for government relations is a focus on increasing or improving access to raw materials.
- Improving and facilitating market access is a major challenge for the associations.
- The associations use a wide range of technical support providing partners.
- The priority for service provision is the need to support members through training by offering more on marketing and general business development skills.

Priorities for Public Affairs / Government Relations / Stakeholder engagement

The current top priorities for the associations in terms of services offered are dominated by the need to provide better information and insight to current and potential new markets.

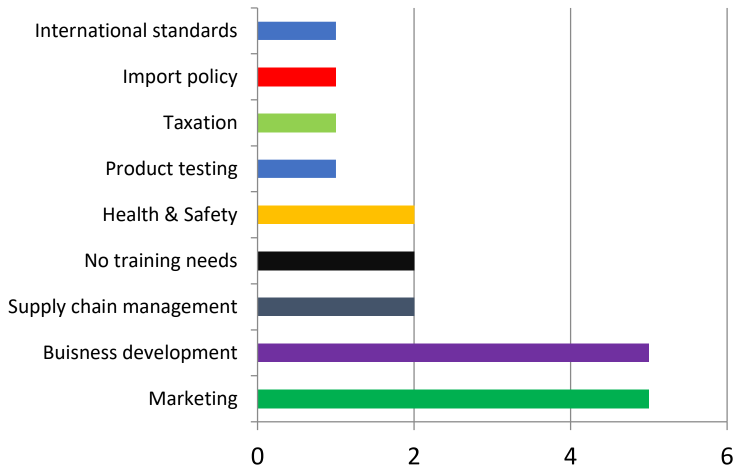
Other key priorities include a focus on tax policy reforms (in particular the Goods and Services – GST tax) and a need to increase the amount of training for employees.



Priorities for training

The overwhelming priority for service provision is the need to support members through training by offering more on marketing and general business development skills.

Second priorities include additional support for supply chain management and health and safety training.



Technical support – external partners

Organisations mentioned as providing technical support include: Quality Council of India (QCI); SGS & SCS (certification and verification bodies) ; GICIA; Indian Wood Sciences and Technology Institute; Indian Plywood Industries Research and Training Institute; Confederation of Indian Industry (CII) and Export Promotion Council for Handicrafts.

No organisation was mentioned more than once by any respondent.

Challenges in delivering current services

The most challenging areas to provide support are wide and varied.

The two most commonly identified areas are assisting with market access and the general challenge of engaging with government to advocate for policy or tax reform.

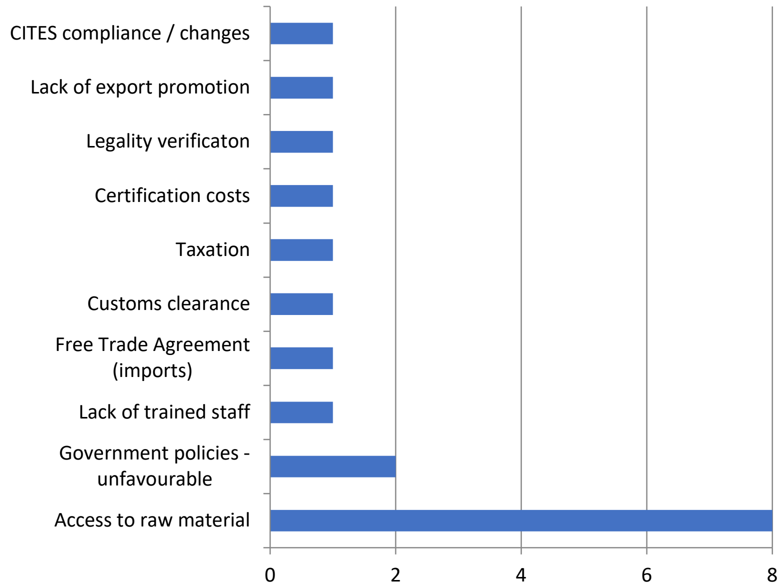
Part 3 – Challenges faced by membership

Summary

- Access to raw material is the number one challenge faced by the membership of the associations.
- Other less frequently mentioned challenges include policy and tax regimes unfavourable to smaller businesses.

<u>Top challenges for members</u>

A single challenge dominates the membership of the associations. Access to raw material was mentioned by 8 of the ten associations as the priority issue for their membership. Lack of access can vary from an absolute shortage of wood through to a shortage of suitable material, where suitability is determined by price, quality, environmental or legal status.



In 2016, the Convention of International Trade of Endangered Species of Flora and Fauna (CITES) decided that all species of rosewood and palisander within the genus *Dalbergia* will be protected under CITES Appendix II. This made trading in this wood illegal without a CITES permit. *Dalbergia sisoo* (commonly known as Shisham or North Indian Rosewood) is one of the most widely used timber species in India and the decision put a question mark on the survival of the entire wood based industry.

<u>Additional services the associations would like to deliver</u>

The associations have no shortage of ideas as to additional services that are needed by their members.

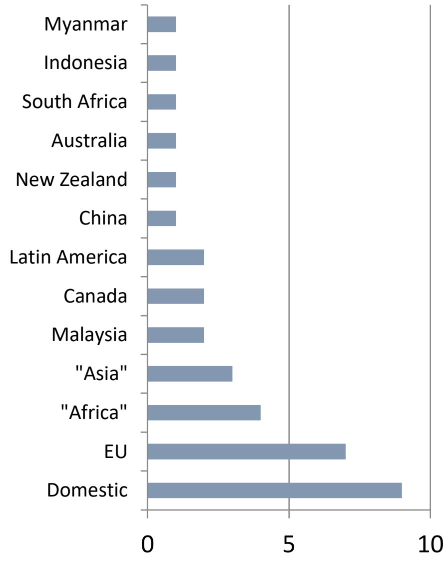
A very broad range of ideas were proposed with the most frequently mentioned new services including the provision of more training and associated seminars, industry visits and tours, more marketing activity and organising trade fairs.

When asked what would be required in order to deliver these new services the largest impediment identified was a shortage of funds, followed lack of trained staff and external expertise.

Part 4 – Analysis of domestic and regional markets

Summary

- Domestic sourcing is key to the associations' membership.
- A wide range of source countries are also used by the members.
- The European Union and USA are the major overseas export markets.
- Intra-state trading is important to many members.
- Export growth is hindered by a lack of market information, potentially low profit margins and tariffs.



Wood sourcing

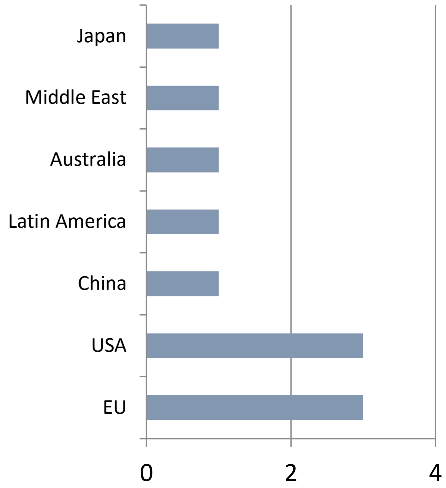
Wood sourcing is dominated by domestic supply with eight of the ten associations mentioning it as a key source for their membership. Other key regions include the European Union and from across Asia and Africa.

Current main markets

The range of export markets is diverse with the European Union and USA predominating.

Target markets for further exports include across Africa and Latin America.

Note: The X axis represents the number of responses which mentioned the specified market



Exports – challenging issues

The major challenge for exports to new markets is perceived low profit potential; incurring additional taxes and tariffs and a general lack of information on the target market.

Exports – significance to members

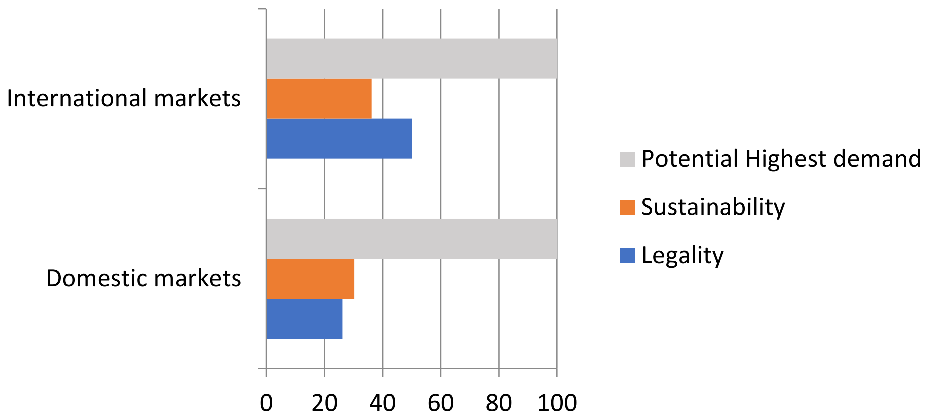
On average 39% of the associations' members are involved in exports. \`Exports' have been deemed to include intra-state trade as well as overseas exports.

Part 5 – Analysis of international market and customer needs including legality and sustainability aspects

Summary

- International markets are more demanding of legal and sustainable materials than domestic markets.
- The main markets demanding legality or sustainability are the European Union and USA.
- Some of the associations offer support for supply chain management and have developed tools to assist their membership.
- Generally, the associations have not looked internationally for assistance with supply chain management support.
- Legality verification and certification are well supported concepts though the majority of the associations do not recommend any forms of risk mitigation.
- The associations offer little regular training.

Legality – level of demand from international and domestic markets



For those associations who have members that export the demand and questions around legality mainly originate from customers in the European Union and USA.

The level of demand from international markets for legal timber was estimated at 50 (on a scale of 0 to 100) by respondents. The level of demand from domestic markets for legal timber was estimated at 25 (on a scale of 0 to 100) by respondents.

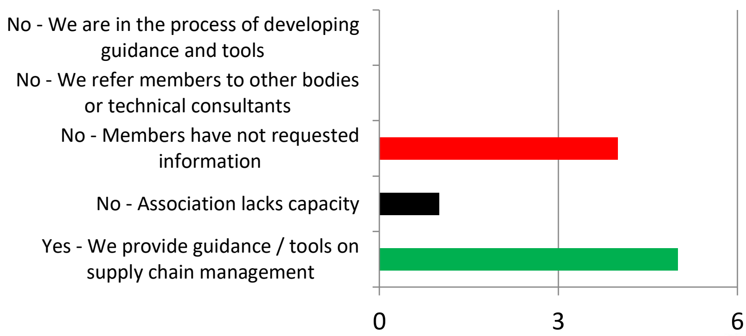
Sustainability – level of demand from international and domestic markets

For those associations who have members that export the demand and questions around sustainability are relatively frequent. The level of demand from international markets for sustainable timber was estimated at 35 (on a scale of 0 to 100) by respondents. The European Union and USA were noted as the most frequently demanding markets.

A comparison of the demand for legality and sustainability indicates that the level of demand for legal and sustainable timber is higher in international markets for both criteria.

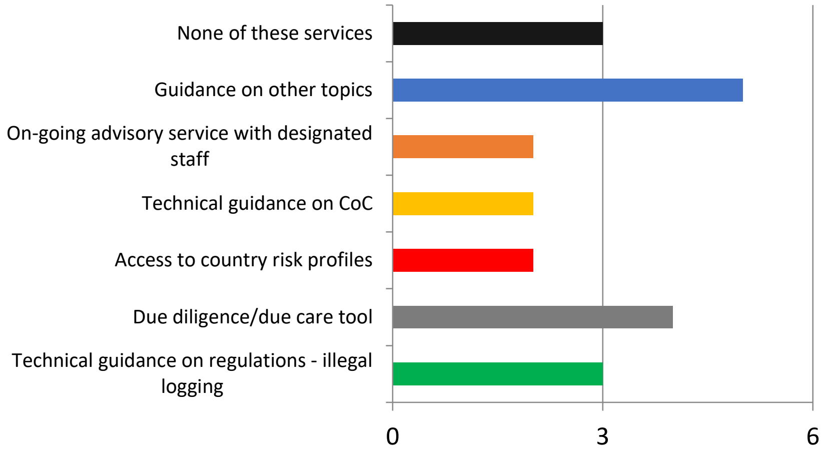
Supply chain management support – availability

Five of the associations offer guidance or tools on supply chain management. Of the remainder, four associations have not adopted such tools as their membership has not requested them to.



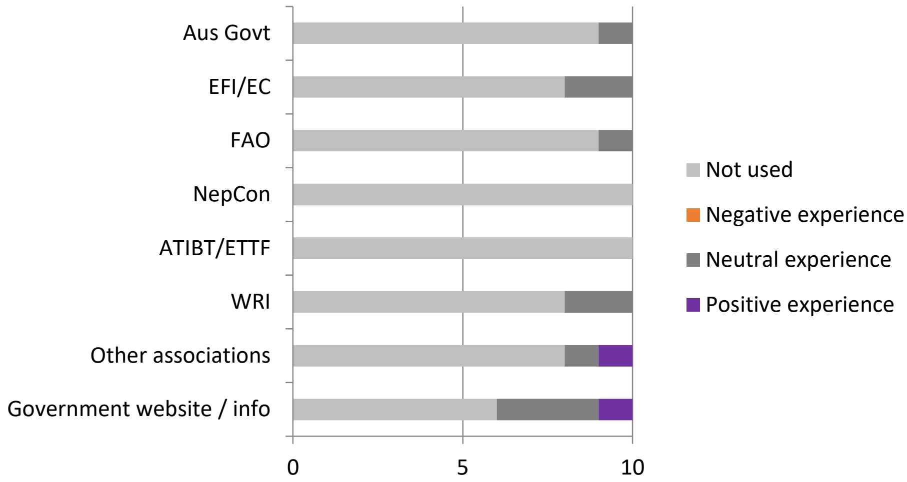
Supply chain management support – content

The bulk of the support offered focuses on general technical guidance followed by due diligence and technical guidance on legality compliance.



Supply chain management support – sources of information

Three of the associations develop materials from their own internal expertise and one used a third party. The remainder do not offer support in this area.



Key to acronyms:
Aus Govt – Australian Government
EFI/EC – European Forestry Institute / European Commission
FAO – United National Food and Agriculture Organisation
ATIBT/ETTF – *Association Technique Internationale des Bois Tropicaux* / European Timber Trade Federation
WRI – World Resources Institute

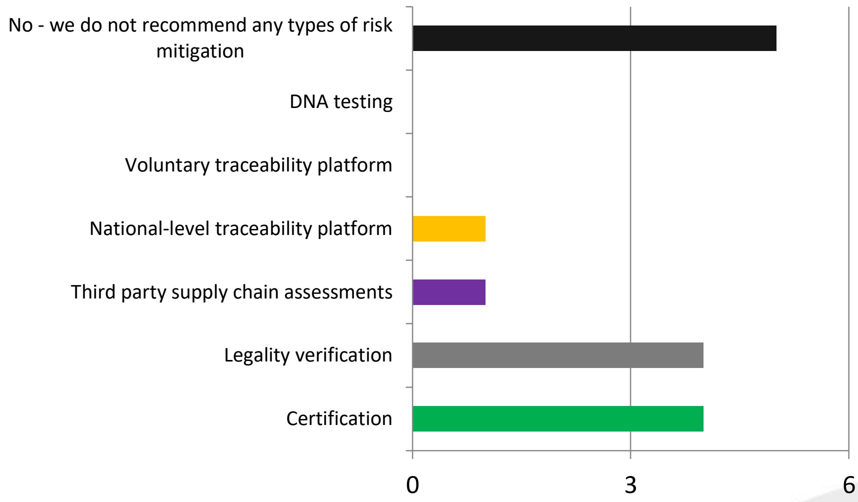
Supply chain management support – risk assessment provision

None of the associations surveyed develop risk profiles for their membership.

Supply chain management support – risk mitigation advice

The main positively viewed sources of external information to provide guidance on risk mitigation were sources provided by the Indian Government agencies and other trade associations.

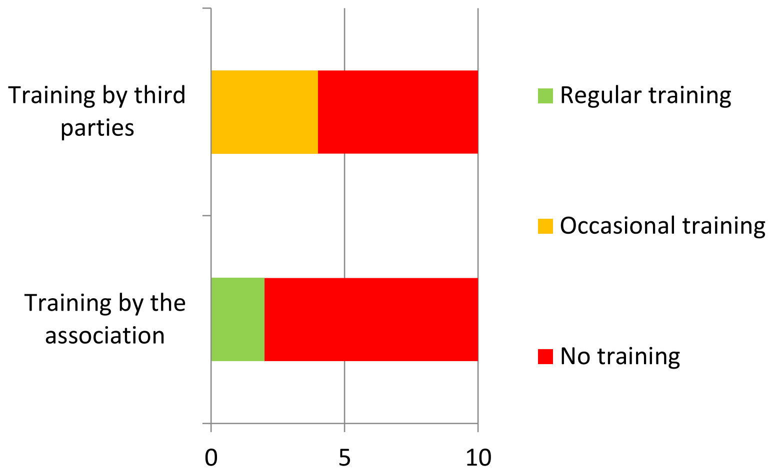
Types of risk mitigation recommended to members



For the 4 associations that provide advice on risk mitigation, the main types recommended to members were certification and legality verification.

Supply chain management support – training offered

Training opportunities offered by the associations are generally limited and irregular.



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