Sustainable and Responsible Trade Promoted to Wood Processing SMEs through Forest and Trade Networks in China, India and Vietnam.

WOOD Based Handicraft Industry

Report on Survey of Wood-based Handicraft Industry: Jodhpur, (Rajasthan)

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A MATTER OF FACT:
Complying with Lacey Act and the FLEGT Action Plan in India

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Further information

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1. INTRODUCTION

The rising appreciation for Indian handicrafts by consumers in developed countries, widespread novelty seeking, cheap and skilled labour and large supply of timber species has made the Indian wood industry one of the important suppliers of handicrafts to the world market. This industry provides employment to over five million artisans and supports and provides major opportunity of employment to rural sections. In addition to the high potential for employment, the sector is economically important from the point of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country.

The export revenue share of the wooden based handicraft is close to 40% of the total handicraft industry (US$2 billion) in India. The Indian wooden handicraft sector is the second largest employment provider after agriculture. The exported wooden articles market in India has a varied range of products including small gifts and decoratives, toys, statues, ornately carved suave and simple masterpieces, furniture and household products.

Some of the prominent centers of wooden handicrafts in India are based at Saharanpur & Nagina in Uttar Pradesh, Hoshiarpur and Amritsar in Punjab, Jaipur and Jodhpur in Rajasthan, Srinagar in Jammu & Kashmir, Jagdalpur and Behrampur in West Bengal, Chennapatna and Chennai in Tamil Nadu, Bengaluru and Mysore in Karnataka and Ernakulam and Cochin in Kerala.

The project on “Sustainable and Responsible Trade Promoted to Wood Processing SMEs through Forest and Trade Networks in China, India and Vietnam” (hereinafter referred to as the EC Project), in India is being implemented by WWF-India. TRAFFIC India has provided inputs to this project for carrying out the legal component and capacity building components of the project. The project is being implemented in the following states viz. Kerala, Rajasthan and Uttar Pradesh. In Rajasthan, the chosen project site is the city of Jodhpur. This survey was carried out in Jodhpur to investigate, scrutinize and examine the supply chain of the wood-based handicraft industry in Jodhpur. The aim of this survey was to document:

1. Sourcing species of wood used in different wood handicraft items
2. Location of resource extraction (i.e. where wood is being forested)
3. Uses of wood for handicrafts in four distinct categories: furniture, toys, decorative, and accessories.
4. Amount and percentage of items exported
5. Document the countries that are recipients of Jodhpur wood handicraft items
6. Retrieve proof of certifications among businesses (i.e. ISO 9001, ISO 9002, etc)

2. HISTORY OF HANDICRAFT

The land of Rajasthan boasts not only of its rich cultural and historical legacies, but also for its outstanding handicrafts. These splendid handicrafts of Rajasthan are popular throughout the world for their unique quality. Every corner of the state reveals a different tale of Rajasthan handicrafts. Rajasthan is a major centre of all forms of handicrafts whether it is jewelry, marble work, leather work or textile of wooden work. One can find from the history of Rajasthan that the Kings were patrons of art and handicraft. History reveals that the kings have also encouraged the craftsmen in promoting the art and craft.

Some of the handicrafts of Rajasthan include the beautiful carpet and durries. The carpets are generally hand knotted woolen clothes. The Rajasthan paintings are yet another fascinating art of the state. The miniature and the folk styles of the paintings on wood and cloth represent the excellent blend of colour, composition and theme.

Barmer and Jodhpur districts of Rajasthan are specially known for their wooden handicrafts. The local people of the districts make furniture with the locally available wood. But the technique for applying paints to the furniture is similar to that in other parts of the state. Rajasthan handicraft uses lively colors to impart distinct and attractive look to the furniture. The dyed, fabric work and embroidered textiles of Rajasthan are one of the most fascinating artwork.

3. INTRODUCTION TO JODHPUR HANDICRAFT INDUSTRY

Jodhpur (in Rajasthan State), is India's major woodcraft cluster and is known for its export excellence. This former princely state has emerged as a hub of wooden artistic furniture and handicrafts inspired by centuries old traditions and legacy.

The wooden handicrafts industry forms a 75% share of the total handicraft industry in Jodhpur. The three decades old business has shown an exponential growth. This industry is largely controlled by young entrepreneurs. Europe and USA are the major export markets of the wood products manufactured in Jodhpur, these include small gift articles, carved items, toys, small utility items and furniture products. Jodhpur is the biggest woodcraft industry of the country providing employment to more than one lakh people, and generating exports of more than 400 crores. The majority of the people (almost one lakh) are artisans working either at their homes or in the big manufacturing units. The other categories of the people include handicraft manufacturers (medium and large firms), timber traders and other raw material suppliers, exporters and other office staff at these units.

There are more than 500 handicraft manufacturing units in Jodhpur itself, and among those around 250 are handicraft export units. Jodhpur is also famous for its variable handicraft articles like textile, iron, and jewelry of gold, silver, metal (studded with precious and semi-precious stones).

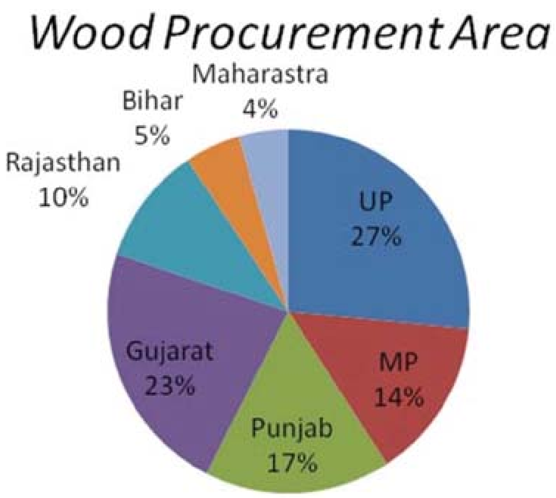
There is an association for Handicraft Exporters called "Jodhpur Handicraft Exporter Association". It has been established by the exporters of Jodhpur to facilitate its members for resolving their issues regarding customs, exports, and issues regarding laws and regulations. There are around 250 members associated with this Association.

4. EXPORTER/IMPORTER

Around 250 members are associated with "Jodhpur Handicraft Exporters' Association". Of these, a few are not exporting but their product have been exported in other exporter's container. Many firms do not have a manufacturing unit and they are into trade of handicraft products, purchase made items or furniture from some small units and carpenters of near villages.

Importers are few in comparison to exporter. Around 90% of the members are exporters and handicraft manufacturers. The percentage of wood importers is only 10%. Species of imported wood are Teak, Oak and MDF. Teak and Oak wood are imported mostly from Burma, Netherland and Malaysia. MDF (Medium Density Fiber Wood) is imported mostly from Malaysia and New Zealand. Other than importing teak, oak and MDF are also purchased from agents in Delhi.

5. WOOD PROCUREMENT



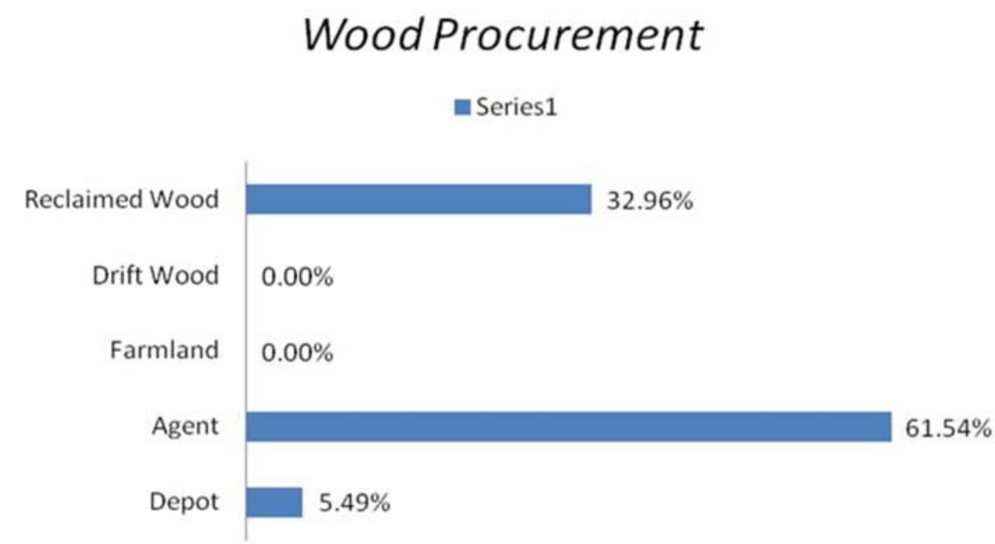
- Area of Procurement

Most of the handicraft industries are using Forest and Plantation wood. Wood procurement is generally made through depot and merchants.

- Wood Procurement

Around 32.96 % handicrafts exporters/manufacturers are using reclaimed wood. It was found out that some handicraft export houses use railway's wood which is used to support railway track. It is cheaper to procure and is usually purchased from Auction.

Drift wood is much more expensive in Rajasthan and hence not widely used. Study shows that 61.54 % exporters are procuring wood from agent/merchant, 32.96 % are using reclaimed wood and 5.49 % are purchasing from local depot.

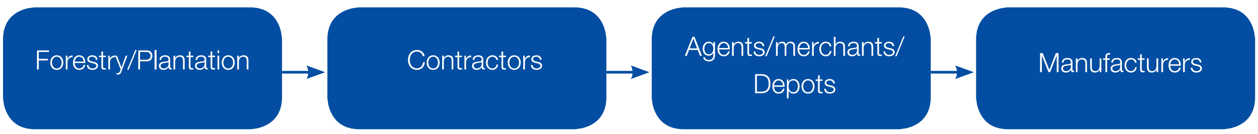


6. SUPPLY CHAIN

India is blessed with green trees on its land. It has 20.49 % covered area of forest land where we can see the richness of green color.

MP, Bihar, Himachal, South Indian States, Eastern States of India, Punjab and Gujarat are the places where the forestry of green trees is widely seen.

These areas are under the direct command of the forest department. Government and forest department organize the auction for forest trees and issue permits to the contractors. Contractors get permission and license from government of India and Forest Department for cutting the trees. These trees are cut into logs and planks of the wood by contractors and then sold to agents/merchants while keeping their margins on it.



Agents/merchants purchase the wood from contractors and sell it in the market/ depot.

Some manufacturers have direct link to agents/merchants. The deal is always in cash or in advance payment towards the material when wood is purchased from agents/ merchants.

There are some manufacturers, who don't want to purchase a large number of material and thus opt to purchase from local depot.

7. WOOD RECLAMATIONS

Different kinds of traditions and cultures can be seen in every corner of India. These cultures and traditions have descended from ancient India where the ruling emperors gave enough emphasis to tradition and art and allowed it to flourish and evolve.

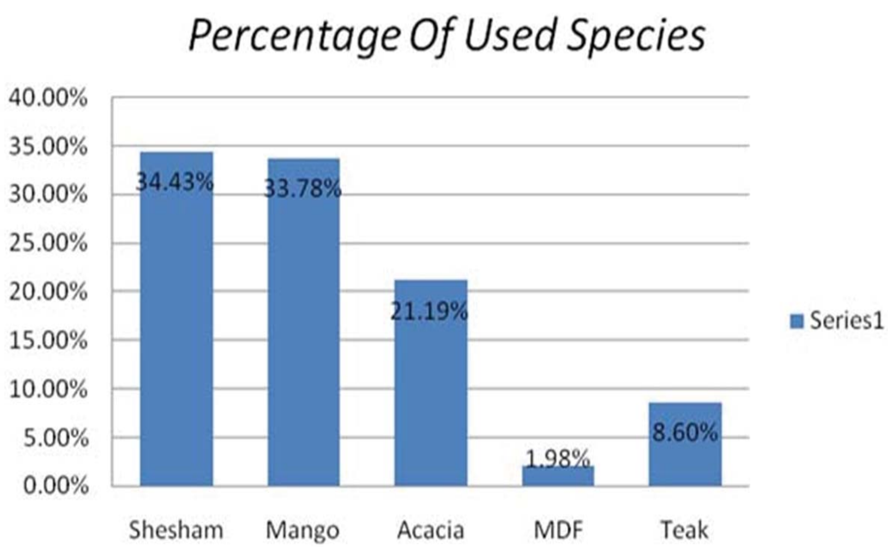
Manufacturers are always in search of antique items which were used in ancient India or in old houses and palaces. The old *havelies* in India having traditional and ancient items, furniture and statues of gods & goddesses are the hotspots for these wood exporters.

Most of the handicraft manufacturers have their agents in each corner of India to purchase these old woods and wooden items from old houses and *havelies*. These old houses and havelies are mostly found in Rajasthan, Gujarat, Himachal, Kolkata, Maharashtra and rest of the South India. Craftsman remake the old items with the missing parts of the furniture, color the furniture same, or if required customize it as per customer's demand. They also make imitation of the old furniture with new wood.

Sometimes, if many parts of an old furniture piece are missing, craftsmen create new articles or missing part with old furniture's useless parts.

8. WOOD SPECIES

The three most commonly used woods in handicraft industry are Sheesham (*Delbergia sissoo*), Mango (*Mangifera indica*) and Babool (*Acacia spp.*). The other minor woods include Oak (*Quercus spp.*) and Teak (*Tectona spp.*) used in 1.98 % and 8.60 % of the total wood consumption.



I. Sheesham(*Delbergia sisso*)

It is the most widely used wood in the handicraft industry. It is also known as Indian Rosewood. Sheesham is best known internationally as a premier timber species of the rosewood genus, but is also utilised as an important fuel wood and for shade and shelter. With its multiple products, tolerance to light frost and long dry seasons, this species deserves greater consideration for tree farming, reforestation and agro forestry applications. After teak, it is the second most important cultivated timber tree in the state of Punjab - which is the largest producer of sheesham timber in Pakistan and India, although it is the provincial tree of the Pakistani Punjab. In Bihar, the tree is planted on roadsides, along canals and as a shade tree for tea plantations. *Dalbergia sissoo* is known to contain the neoflavonoid dalbergichromene in its stem-bark and heartwood. Sheesham is among the finest cabinet and veneer timbers. The heartwood is golden to dark brown, and sapwood white to pale brownish white. The heartwood is extremely durable (the specific gravity is 0.7 – 0.8) and is very resistant to dry-wood termites; but the sapwood is readily attacked by fungi and borers. It is used for plywood, agricultural and musical instruments, as well as skis, carvings, boats, floorings, etc. Around 34.43% manufacturers are using Sheesham wood. Craftsman use Sheesham for making household furniture, office furniture, big articles and for remaking the old furniture because it is hard and tough wood to carve. It comes from Shriganganagar in Rajasthan, UP, Punjab and Bihar.

Purchasing Sheesham from Bihar is costly than other places because the one found in Bihar is the best quality. Due to decrease in its plantation in Bihar and speedy deforestation, its sourcing from Bihar to other states has been banned. The price of the Sheesham wood is 400-750 Rs per CFT (Cubic Fit), depending on the quality and distance to source.

II. Mango (Mangifera indica)

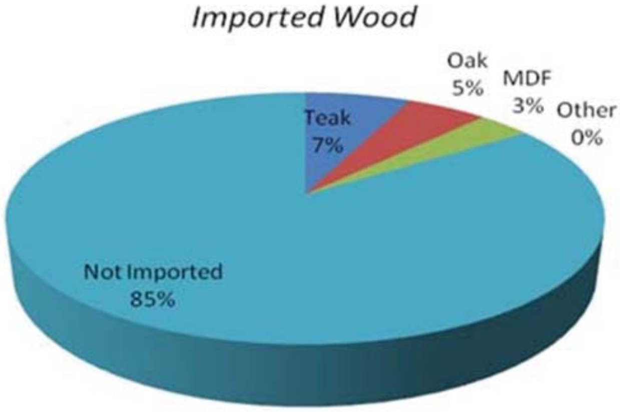
It is soft and durable to carve small articles like gifts, decorative and other small articles. It is the second most widely used wood after Sheesham in the wood based handicraft industry in Jodhpur. Over 33.78 % mango wood is being used in Jodhpur handicraft industry. Gujarat, UP and MP are famous for mango tree plantation. It costs around 300 to 500 Rs per CFT (cubic Fit).

III. Babool *(Acacia spp.)*

Acacia (Babool) is found in Rajasthan and Gujarat. It is well known in western Rajasthan. It does not need much water & care to grow, and is thus very popular in the western regions of Rajasthan. Around 21.19 % wood used in Jodhpur handicraft industry is Babool. It is cheaper than Sheesham and can be easily found in western Rajasthan, so it is also used for furniture and big articles.

- ### Imported Woods

Imported Teak, Oak, Pine and MDF (Medium Density Fiber Board) are also used to make furniture, accessories, gifts and decorative items. These woods are imported by few handicraft manufacturers. Only big manufacturers are importing woods from other countries.



Teak and Oak wood are being imported in India from Malaysia, Indonesia, New Zealand and Germany. There are a few who are importing these woods directly. Most of the handicraft unit owners are purchasing it through agents in Delhi.

9. PROCESSING OF WOOD

Processing is the most important part, before manufacturing any kind of article. There are two steps for wood processing:

(a) Treatment

(a) In treatment process, some chemicals (Borax, other Eco friendly & anti termite Chemicals) are applied with pressure on the wood to prevent the wood from worms and to make it anti- termite. By throwing the chemicals with pressure, chemicals are passed through the wood and they cover every particle of the wood. It takes around 7-10 days for treatment process.

(b) Seasoning

(b) After treatment, the wood becomes wet and it needs to be dried and seasoned to make any article.

For this process, a particular level of temperature has to be given to wood in seasoning chamber. It takes around 12-15 days to get the wood dried.

10. CONSUMPTIONS/QUANTITY

The consumption of the handicraft articles differs from organization to organization and depends on articles. Jodhpur – dubbed as the High Point of India – provides employment to around 3 lakh craftpersons and the total volume of exports from Jodhpur is estimated to be around 150 million USD per annum.

According to provisional data, exports of handicrafts during 2009-10 (April-December) have shown a decrease of Rs 242.67 crore from Rs 5778.95 crore to Rs 5536.28 crore, a decline of 4.20 per cent in rupee terms. In dollar terms, the exports have shown the decrease of $156.12 million clocking a decline by 11.95 per cent over the similar period in 2008-09.

Study shows that average number of exported container for a unit/organization is 156-180 container/annum and 13-15 container/month. A big organization/ unit is exporting between 300-700 container/year. The average turnover of a unit/ organization is Rs 13.29 crore per year.

11. TYPES OF HANDICRAFT PRODUCTS

Among the most intricate and painstaking crafts is ivory carving. Under regal partronage, the most delicate art of ivory carving flourished, in the princely capitals of Rajasthan; Bharatpur, Udaipur, Jaipur and **Jodhpur**. The art is still alive in the delicate ivory figurines of gods and goddesses, minutely carved and perfectly proportioned. Jali-work of lace like intricacy is testimony to the ivory carvers, fine eye and unerring hand. Animal figures, birds, fish trays and paper knives and a host of other decorative objects are carved with utmost artistry and craftsmanship.

Wooden handicraft has five categories:

- Furniture : Old or New
- Antiques
- Gift Items
- Accessories
- Decorative

Many kind of articles, like Almirah, Bed Side Cabinet, Bon Fitted, book Rack, Candle Lamps, Chairs & Benches, Chest Of Drawers, Coffee Table, Console Tables, Dining Sets, Dressers, Kitchen cabs, Frames, Hi-Fi Cabinets, library Cabinets, Side Boards, Side Tables, Study & Writing Tables, TV Cabinets, Wine Racks, Goddess Statue, and etc. are manufactured.

12. PORTS AND CUSTOMS

Jodhpur has a distinction for exporting a number of containers to various countries. The potential of export is so high in number and in value that Jodhpur is the only place in Rajasthan having its own ICD (Inland Container Depot).

The Thar Dry Port ICD (Inland Container Depot) in Jodhpur is a fully equipped dry port for CFS & CY cargo handling services, linked to gateway ports Nhava Sheva, Kandla & Mundra.

It is strategically located on the common road route from Rajasthan to all the major gateway ports, at a distance of 1 hour drive from Jodhpur City on the National Highway No. 112 and is about 14 km. from the railway station/ bus station.

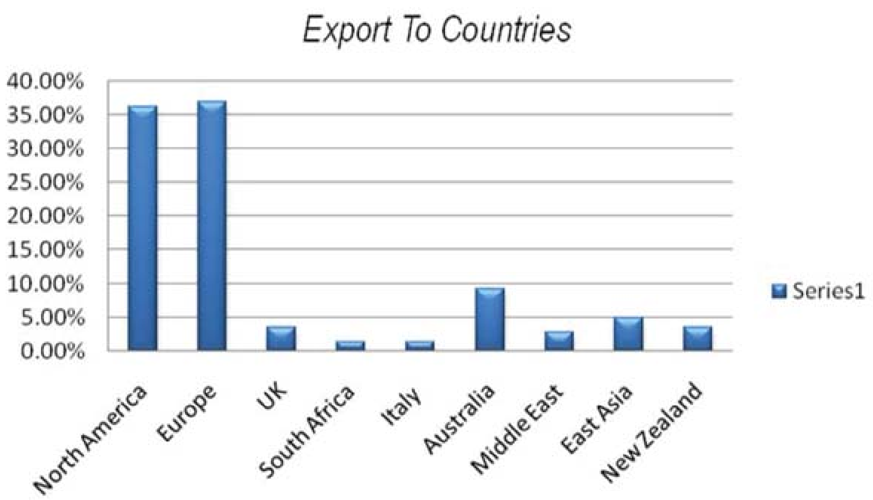
Customs are cleared from here only in Jodhpur at the time of loading the container or at ICD. In case of heavy and large number of containers loading at manufacturing unit, custom officer comes at the manufacturing unit and check/pass the material and seal the containers at manufacturing unit only.

13. TRADING AND EXPORT

Trading and export is known for its connectivity in every corner of the world. Handicraft business has explored a number of work opportunities for skilled and unskilled labors. It has given work to a huge numbers of craftsmen/carpenter in Jodhpur, Barmer, Jaisalmer and surrounding villages.

These craftsmen are known to make exquisite articles in furniture, gift items, accessories, statues and many other useful items which attract local as well as the foreign consumers. US, Europe and France are the major continents where Jodhpur's handicraft items are being exported in large number.

The values of export in percentage are 36.17% in US, 36.88% in Europe and rest of the 26.95% is in New Zealand, Australia, Middle East, and Far East. Handicraft industry of Jodhpur has tremendous network all over the world.



Buyers' from Germany, France, Australia, Poland, Holland, New Zealand and Spain have the biggest stake of export.

United States's and Europe's biggest Brand Retail Chain like Wall Mart, Target and Pier One etc. are the valued customers, buying handicraft articles from Jodhpur handicraft industry. Indonesia and China are the biggest competitor of India in handicraft industry. Bali and Thailand are far ahead in export to India.

14. CURRENT SCENARIO OF THE INDUSTRY

The last three years were the worst for the handicraft industry. Due to recession period and financial crisis in USA and other countries, the buying capacity was very low and the business suffered from the serious crisis. The impacts on handicraft industry were so harsh and the graph of turnover had touched the lowest point.

The business has recovered gradually but has still not been able to achieve its prior capacity to manufacture, export and consume. But there is a major problem facing the industry these days - labour problem. Due to labour problems, manufacturing units have been affected and production has been decreased.

Laborers are from surrounding villages and districts. Under NAREGA program, labour gets 100 days guaranteed work in their village only. They are entitled to Rs 100 for each day and this discourages them from coming to Jodhpur. Hence, the handicraft industry of Jodhpur is facing a big problem.

15. FSC IN JODHPUR WOOD BASED HANDICRAFT INDUSTRYAND INTERNATIONAL REGULATIONS

FSC is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests. FSC is a certification system that provides internationally recognized standard-setting, trademark assurance and accreditation services to companies, organizations, and communities interested in responsible forestry.

CODE is the certificate which is used for the quality of MDF (Medium Density Fiber Wood). Some big manufacturers have Govt. Recognized organization and Star Exporter certificate. Star Exporter certificate is given by Directorate General of Foreign Trade to the organization whose turn-over is 100 million or more.

Most of the manufacturers in Jodhpur have EOU (100% Export House) firm. It benefits the organization to get discounts in duties, tax and rate of interest in loan amount.

An EOU organization can't sell in local or retail, it is hundred percent export house.

16. CERTIFICATIONS

Certification is designed to allow consumers to select products made from timber from sustainable managed forests

The future of the world's tropical forests has for some years been a major public concern in the industrialized countries. The main issues have been deforestation, biological diversity conservation and the rights of indigenous people. More recently the debate on tropical forests has accelerated in the tropical countries themselves, and the focus of international public debate has broadened to include temperate and boreal forests, notably the issues related to the clear-felling of old-growth natural forests and biological diversity conservation. The 1992 United Nations Conference on Environment and Development (UNCED) emphasized the need for sustainable management guidelines, criteria and indicators for temperate, boreal and tropical forests alike. At UNCED, over 120 countries agreed, in the Forest Principles (which applies to all types of forests), that forest resources and forest lands should be maintained to meet the social, economic, ecological, cultural and spiritual needs of present and future generations.

Owing partly to a simplistic analysis of a complex issue and partly to the wish for a quick solution, industry and trade have often been depicted as key agents, if not the key agents, of forest destruction and/or degradation. Correspondingly, a campaign, spearheaded by environmental non-governmental organizations (NGOs), was waged in the mass media citing international trade as being largely responsible for the depletion of the natural forests. Campaigns were originally oriented towards bans or boycotts of timber. More recently, the desires of environmentalists have evolved, as they came to recognize that trade in timber was not in itself harmful provided it was based on timber from sustainably managed forests. The focus shifted to the establishment of environmental labelling or certification systems that would help consumers identify and purchase wood products from sustainably managed forests. The aim was to use market-based incentives and voluntary compliance.

i. WHAT IS TIMBER CERTIFICATION?

Timber certification is a process which results in a written statement (a certificate) attesting to the origin of wood raw material and its status and/or qualifications, often following validation by an independent third party. Certification is designed to allow participants to measure their forest management practices against standards and to demonstrate compliance with those standards. Timber certification may also be used to validate any type of environmental claim made by a producer, or to provide objectively stated facts about the timber products and their forest of origin that are not normally disclosed by the producer or manufacturer. Timber certification typically includes two main components: certification of sustainability of forest management; and product certification. Certification of forest management covers forest inventory, management planning, silviculture, harvesting, road construction and other related activities, as well as the environmental, economic and social impacts of forest activities. In product certification, round-wood and processed timber products are traced through the successive phases of the supply chain. Certification of forest management thus takes place in the country of origin; product certification covers the supply chain of domestic and export markets.

Thus, the objective of certification is to link the consumer who wishes to favour environmentally and/or socially responsible products with the producers of these products and the raw materials from which they are made. This involves several assumptions, including:

- Consumer purchasing patterns can be influenced by differentiating similar products according to environmental and/or social attributes.
- Producer behaviour can be influenced by market signals based on environmental and/or social concerns.
- The premium generated through differentiation will provide sufficient economic incentive for producers to adopt improved management practices.
- Efficiency and competitiveness will increase by internalizing environmental and social concerns.

ii. HOW DOES CERTIFICATION WORK?

Certification schemes fall under one of two basic conceptual frameworks: an evaluation of a product or a practice against particular specifications; and the evaluation of the potential of a management system to produce a desired outcome. Barron (1994) describes the practices approach as the measurement of “specific characteristics attributed to the product’s origins” according to specific ecological, social and economic performance indicators. Management practices assumed to ensure sustainability are the evaluation's focus. The systems approach, on the other hand, is based on evaluation of "ability to manage in an environmentally sound and sustainable manner". Here the evaluation focuses on the operation's management structure and general condition of the forest resource. This approach is typified by efforts that are linked to the International Organization for Standardization (ISO) and its 14000 series standards relating to environmental management tools and systems to measure a company's practices.

In either case, a credible certification programme must evaluate the integrity of the producer's claim and the authenticity of product origin, and must be seen to be objective and impartial. Assessing integrity involves an evaluation of management practices judged against recognized standards, generally at the management unit level. Assessing the authenticity of the product's origin involves the identification and monitoring of its chain of custody, including log transport and processing, shipping, secondary manufacturing and, finally, retail distribution.

iii. POTENTIAL COSTS AND BENEFITS OF CERTIFICATION

The theoretical costs of certification can be divided into two general categories:

- The incremental cost of improving forest management over current practices at the management unit level to meet certification standards; and
- The cost of the certification itself, including an assessment or audit of management practice and the cost of identifying and monitoring the chain of custody.

The possible incremental costs of compliance at the management unit level are lower yields, higher opportunity costs and a different distribution of costs and benefits over time (Bach and Gram, 1993). Lower yields may be necessary to match harvest levels to the rate of annual growth, and to reduce the damage to residual timber and non-timber goods and services. Reduced timber output can be partially compensated by lower operating costs and increased recovery as a result of better planning, maintenance of a long-term supply base resulting from reduced impacts, and better protection of the increasingly economically valuable non-timber products and services.

Various studies of the costs of reduced-impact harvesting techniques suggest that better planning may reduce rather than increase operating costs (Jonsson and Lingren, 1990). However, the income foregone with reduced yields can be a significant constraint. The costs of certification assessments have been estimated at between US$0.3 and $1 per hectare per year in tropical countries using local specialists. The costs of identifying and tracing the chain of custody have been estimated to be up to 1 percent of the border prices (Baharuddin and Simula, 1994).

The potential benefits of certification can be divided into market benefits and non-market benefits. Market benefits of certification may include market share, a "green" price premium and the stabilization of forest economies associated with increased security of a supply base.

However, there is less than convincing evidence for this. Market studies in the United Kingdom and the United States have shown a potential market share of up to 19 percent, with a price increase of up to 13 percent (WWF, 1994; Winterhalter and Cassens, 1994). The Environmental Protection Agency (EPA, 1993), reports that, “several surveys indicate that a majority of Americans consider themselves to be environmentalists and would prefer to buy products with a lessened environmental impact when quality and cost are compared”.

Baharuddin and Simula (1994) conclude, however, that “there is not yet convincing evidence on an existing price premium for sustainably produced, certified timber and timber products in the market.... There are some market segments, however, where willingness to pay a premium can be observed and could be exploited by [the timber] trade.”

The non-market benefits produced by forests, such as regulation of climate, genetic balance, soil, water and landscape values, are well documented (although poorly quantified) in the literature. The question is whether certification will, in fact, be an effective tool to improve forest management practices and, thereby, also these non-market benefits. A major difficulty is that the costs of conserving such non-market goods and services are difficult to quantify in monetary terms and usually fall on the forest owner or manager, while the benefits largely accrue to society at large.

iv. VIEWS ON CERTIFICATION

The international environmental NGOs were the prime movers in the pressure for timber certification, [Cabarle and Freitas]. It should be mentioned, however, that NGO support for timber certification is not universal. Some organizations express doubt as to whether the social functions of the forest that bring benefits to indigenous and other communities living in or around it can be retained once logging takes place, regardless of whether it qualifies for certification or not.

v. Producer and industry views

A large segment of the producer sector has been reluctant to embrace the certification movement. Opponents cite unproved market demand and question the equity of requiring an individual producer to internalize the environmental and social costs when the benefits accrue to society. Free-riders, those who make green claims without taking the same measures as their competitors, create further disadvantages and disincentives for voluntary compliance (Crossley, Primo Braga and Varangis, 1994). Others have sought to forestall the influence of independent certification programmes or have opted for their own schemes to assert green marketing claims.

The views on certification in the industry vary from outright opposition to strong support. Strong support comes from importers who are directly faced with mounting pressure from local environmental groups, or traders (particularly retailers) who see certification as an opportunity to open a market niche or to obtain a distinct competitive advantage. On the other hand, there is general concern about the possible impacts of certification on production and distribution costs which could reduce the competitiveness of timber and timber products *vis-à-vis* substitutes in the marketplace.

vi. OFFICIAL GOVERNMENT VIEWS ON CERTIFICATION

The positions of Government on timber certification vary across countries. This can be divided into three groups: (i) supporting (mainly consumer countries that largely depend on importers for their timber supplies and are acting in response to market pressure); (ii) tentative or limited interest (the majority consisting of both consumers and producers); and (iii) against (very few - from both consumers and producers)..

vii. CURRENT STATE OF CERTIFICATION

A wide range of actions are currently under way concerning the certification of forest products. Certification schemes are being developed or studied at the international, regional and national levels and exist in both developed and developing countries. However, only a small number of schemes are operational at present and the volume of timber covered by them is minor.

Operational schemes include those of the Forest Conservation Program of Scientific Certification Systems and the Smart Wood Certification Program of Rainforest Alliance in the United States, and the Responsible Forestry Programme of the Soil Association and SGS Silviconsult Ltd in the United Kingdom.

The following common features can be observed in the existing and planned certification schemes: a) a definition of standards and criteria, although with varying levels of clarity; b) generality, as they often refer to all types of forests and timber products; c) forest inspection and chain of custody verification; d) multidisciplinary teams consisting of local expertise for evaluation; e) standardized reporting; and f) strict rules on the use of labels. There are also important differences among the individual systems with respect to: a) the role of the companies to be certified in the process; b) the objective of the systems; c) organizational arrangements, particularly in the areas of decision-making on the rating for certification, and of accountability; d) operational procedures; and e) costs of certification.

The progress in certification can be observed on three levels: development of criteria to be used in the assessment (these efforts are not directly linked to the certification process itself); development of international and national procedures and organizational arrangements for certification systems; and work carried out to develop individual certifiers' systems. A fourth area could be developments in the market pressures towards certification.

Evaluating the sustainability of forest management practices is a key element in the certification process

In many European countries there is an ongoing process to develop national-level criteria for sustainable forestry within the so-called Helsinki process. The work has been expanded to boreal and temperate forests outside Europe under the so-called Montreal process. The International Tropical Timber Organization (ITTO) has developed guidelines, criteria and indicators of sustainable forest management for tropical countries which are being further elaborated in some producing member countries. These international and national criteria and indicators are not being developed specifically for certification purposes but they can serve as a useful framework in this regard. It is noteworthy that the various processes are not necessarily developing criteria and indicators at the same level; some are working at the national or regional level, while others are concentrating on the management unit level.

In a number of countries, the forest industry and private forest owners, through their associations, have also come forward with guidelines for good forest management which may be expressed in qualitative and quantitative terms. In most cases, these are not specifically designed for certification scheme use. In Brazil, however, certification criteria for plantation forests have been defined within the national Cerflor certification system which is being launched under the leadership of the Brazilian Silvicultural Society (SBS). In Sweden, national-level criteria were recently proposed by the World Wide Fund for Nature-Sweden together with the Swedish Association of Nature Conservation (SNF).

As far as the development of national systems is concerned, Indonesia is probably one of the most advanced countries. A decision has been taken to establish a national timber ecolabelling institute and substantial work has been carried out to develop the criteria for assessment and tracking procedures.

In the United Kingdom, the Woodmark system has recently been introduced by the private sector; however, this is more a certificate of origin than a certificate of the state of forest management. Such schemes have also been discussed in other countries (e.g. Switzerland).

In Canada, an industry-supported team involving the provincial governments is moving strongly on developing a certification system, intended to serve as a model on which a proposed ISO system could be built. In Germany, the main system is the private sector Initiative Tropenwald which, at present, is limited to tropical timber; in future it will be expanded to cover all timber. In the Netherlands, a process is under way to establish certification of imported timber, especially tropical timber; it will also include domestic timber in the future.

In the Nordic countries, discussions are under way at various levels both within and among countries. In Norway, the private forestry sector, government and NGOs are discussing a form of certification. Sweden is developing a system which may be linked to the Forest Stewardship Council (FSC), but discussion is still ongoing. The private sector in Sweden sees certification as a market tool and not a matter for government regulation.

In Switzerland, a system is being developed involving the private forestry sector, environmentalists and other interested groups. The issue is also under review by the European Union which has in the past focused mostly on support to member countries of the African Timber Organization (ATO).

As for market pressures, the most visible phenomenon has been the WWF Target 1995 Group in the United Kingdom which was set up to phase out trade in uncertified timber by associates of the group by 1995. This target date has proved to be impractical and now the objective has been redefined to increase the share of certified timber continuously in total purchases. There were approximately 50 associates in the WWF Target 1995 scheme in May 1995, including do-it- yourself supply stores, importers and merchants.

viii. PROBLEMS AND CONSTRAINTS OF TIMBER CERTIFICATION

The problems and constraints related to timber certification lie mainly in the lack of generally accepted international principles and criteria to assess forest management sustainability; the lack of a widely accepted accreditation process for certifiers; and the emergence of many parallel systems.

As has been discussed above, much effort at both the national and the international levels is currently being invested to determine the principles, criteria and indicators of sustainable forest management. However, this work continues to be fragmented, overlapping and even conflicting at times.

Certification suffers from an important weakness: it is not always clear who is providing the information or what standards are being used to assess the claim. For example, a 1991 WWF study of "sustainability" claims applied to wood products by over 600 companies operating in the United Kingdom revealed that only three were able and willing to substantiate their environmental marketing claims (Read, 1991). As early as 1990, calls echoed from various interest groups for the establishment of an accreditor for certifying organizations to ensure the creditability of market claims. The Forest Stewardship Council is the leader in work towards the evaluation of certifiers for the purpose of accreditation [*Ed. note:* see article by Cabarle and Ramos de Freitas].

Currently, the certification picture is clouded by the development of many competing and even conflicting systems. There is a real risk that timber suppliers may be called on to acquire more than one certificate for the same product in order to satisfy different groups of customers, each with its own allegiance to a given certification scheme.

Beyond these practical challenges, there is a larger philosophical question concerning the potential for certification schemes actually to do what they set out to do, i.e. provide a positive impact on the management of forest resources. There often seems to be a general feeling that certification is "inevitable" but that there is scant evidence of the real potential of this type of approach in contributing to sustainable forest management [*Ed. note:* see article by Kiekens].

Certification relates to processing as well as forest management

The awareness of the need for sustainable forest management is worldwide but agreement on the potential role of timber certification in achieving this goal is by no means equally widespread. Any viable timber certification scheme will need to be seen to be credible, objective with measurable criteria, reliable and independent and, most important, covering all types of timber. Participation must be voluntary, non-discriminatory in nature and adaptable to local conditions, cost effective, practical and transparent. So far, timber certification has not been applied on a wide enough basis to prove its practicality in application, its effect on the market or its contribution to good stewardship of the forest. The issue remains highly political in nature and will no doubt continue to be a subject of active international and intergovernmental debate for some time before a solution is found

There is no mandatory certificate for handicraft industry. According to an exporter, some kinds of certificates are used to increase the credibility of the organization; the certificate shows that the organization has responsibility towards the quality products. These certificates are only used by some big organizations only. According to an exporter and manufacturer, it is only a pomp and show. But some believes that it recommended and granted by their foreign buyers.

Some certificate and licenses which measure the standard of the product and wood are mandatory and demanded by various countries like US, UK, Germany and Australia to export. Manufacturers of wood based handicraft are aware about some acts, certifications and laws which are demanded and imposed by Indian or foreign government, NGOs and public sector organizations.

Lacey Act, FSC (Forestry Stewardship Council, USA, FLEGT, REACH compliance and CODE are certificates which are demanded by various governments for the wood based handicraft.
Source: http://www.fao.org (FAO Corporate Document Repository)

Lacey Act

- The Lacey Act makes it so that any wood that is harvested illegally in its native country now comes under domestic law and "anyone who imported, exported, transported, sold, received, acquired or purchased the wood products made from that illegal timber, who knew or should have known that the wood was illegal, may be prosecuted for violation of the Lacey Act," according to the International Tropical Timber Organization.
- The Lacey Act has been amended several times since its inception in 1900. The most significant ones occurred in 1969, 1981, and 1988. The 1969 amendments expanded to include amphibians, reptiles, mollusks, and crustaceans. The maximum penalty was increased to $10,000 with possible imprisonment for one year. Additionally, the mental state required for a criminal violation was increased to "knowingly and wilfully;" civil penalties were expanded to apply to negligent violations.

EU Forest Law Enforcement, Governance and Trade (FLEGT)

The EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) is the European Union's response to the global problem of illegal logging and the international trade in illegally-harvested timber. *Source: (Department for International Development)*

- Illegal logging and deforestation cause severe environmental damage, including a loss of biodiversity and impacts on climate change. The livelihoods of local communities who depend on forests – including indigenous people - are affected. Legitimate operators who are trying to manage forests sustainably find it hard to compete with illegally produced timber. Where forest governance is strengthened, however, policies to conserve and sustainably manage forests and reduce deforestation become much more effective.

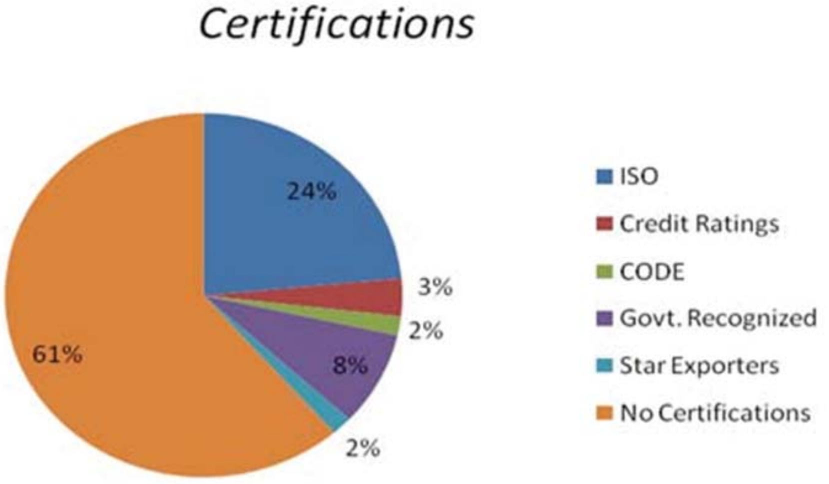
- Responding to public concerns on this issue, in 2003, the European Commission adopted a European Union (EU) Action Plan for Forest Law Enforcement Governance and Trade (FLEGT). The key regions and countries targeted, which together contain nearly 60% of the world's forest and supply a large proportion of internationally traded timber, are Central Africa, Russia, Tropical South America and Southeast Asia. The FLEGT Action Plan was endorsed by the Council through Conclusions published in November 2003.
- Though the ultimate goal of the Action Plan is to encourage sustainable management of forests, ensuring legality of forest operations is considered a vital first step. The Plan focuses on governance reforms and capacity building, to ensure timber exported to the EU comes only from legal sources. It includes ideas for action in areas such as public procurement and the private sector.
- A key element of the Action Plan is a voluntary scheme to ensure that only legally harvested timber is imported into the EU from countries agreeing to take part in this scheme. The Council adopted a Regulation in December 2005, allowing for the control of the entry of timber to the EU from countries entering into bilateral FLEGT Voluntary Partnership Agreements (VPA) with the EU. Once agreed, the VPAs will include commitments and action from both parties to halt trade in illegal timber, notably with a license scheme to verify the legality of timber. The agreements will also promote better enforcement of forest law and promote an inclusive approach involving civil society and the private sector.

- In accordance with the FLEGT Regulation a FLEGT Committee has been established. The Committee is comprised of Member States representatives and assists the Commission in the implementation of the FLEGT Regulation. Detailed rules for the implementation of the FLEGT Regulation within the EU are under discussion in the Committee.
- The European Commission has been given a mandate from the Council of Ministers to conduct negotiations in view of concluding such FLEGT VPAs. While the European Commission is leading in these negotiations, EU Member States play a key role in supporting the negotiations and the future implementation. Negotiations are currently underway with Malaysia, Indonesia and Ghana. A number of other countries have also expressed interest in VPAs.
- A series of Briefing Notes have been prepared with more information on the FLEGT VPA approach, which have been used to brief potential partners and clarify the parameters and framework the EU has adopted for FLEGT negotiations.
- Capacity-building is an important element of the FLEGT Action Plan, particularly for developing countries. The Commission is working with the EU Member States to provide such capacity-building for FLEGT

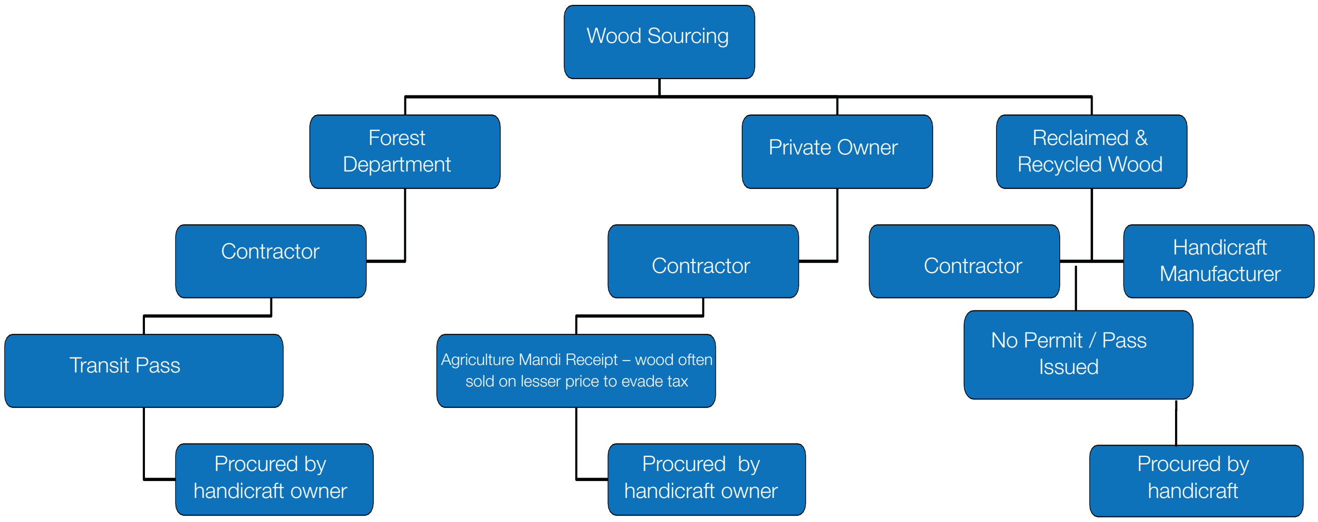
Partner countries including support to NGOs and private sector actions. Funding for FLEGT-related projects has been provided through development cooperation instruments managed by the Commission.

- An increasing number of EU Member States are adopting green public procurement policies requiring timber and timber products to be from legal and sustainable sources. Countries implementing such policies include Belgium, Denmark, France, Germany and the UK. T These policies are expected to have an important influence on the EU market – in many of them FLEGT licenses will be accepted as reliable proof of legality.
- A number of EU private sector timber trade federations have made commitments through Codes of Conduct to eliminate illegally harvested timber from their supply chains. Examples of such Codes can be found here: Finland, France, Netherlands, Spain, UK, EU, ACE, CEPI. Several major banks have put in place policies to ensure clients are not associated with illegal logging activities eg. ABN-AMRO and HSBC.
- Stakeholders in Europe have raised questions about the effectiveness of the FLEGT VPA approach. FLEGT VPAs focus on bilateral agreements with specific countries and coverage would therefore not be universal. In addition, efforts of countries under FLEGT VPAs could also potentially be circumvented. Producer countries which may not join the scheme could therefore provide a route through which illegally produced timber from VPA countries could enter the EU. Are further measures needed? Should forest producers in the EU also be required to demonstrate the legality of their timber?
- These issues were recently put to the public on the Your Voice in Europe website through a public consultation from December 2006 to March 2007. A Synthesis report on this consultation has been prepared. An impact assessment study commissioned by the European Commission will provide further information to the European Commission on the likely impact of the options put forward in the public consultation. *Source:* http://ec.europa.eu/environment/forests/flegt.html *(European Commission Environment)*

The present study shows that 61% manufacturers are not having any kind of certification, out of the rest 24% have ISO, 3% have credit ratings like CRISIL and other credit ratings, 2% have CODE certifications, 8% have Govt. recognized firm, and 2% have Star Exporter certifications. There are some manufacturers who have not renewed their ISO certificates. These certificates and ratings are for the credibility, quality purpose and for sustainable wood procurement.



17. WOOD SOURCING FLOW IN JODHPUR FOR WOOD BASED HANDICRAFTS



18. IMMEDIATE CONCERNS

- The Broker/Agent procures wood from several sources and sells the consignment as a mixed lot. It is difficult to find out which lot is from which place.
- The wood clearance system at the agriculture mandi is weak.
- No system is in place for reclaimed or recycled wood control.
- There is no system in place at the manufacturer level that can trace back the product to various wood sources and even segregate the lots procured from different agencies.
- Need for an effective BATCH system to mark each log / sawn piece / lot for easy traceability and transparency in trade.

19. WOOD ARTICLES, FURNITURE AND ARTIFACT MANUFACTURING PROCESS

Wood is procured in the form of sawn planks which are minimum 4.5 inches wide and an average length varying between 3-6 feet. At times it is also procured in the form of small 2-3 feet rounded cut pieces.

The wood is chemically treated in a treatment plant using a standard chemical & seasoned in seasoning kilns, both of which ensure that the final product is of the best quality. Seasoned & treated wood is then worked on to bring out the natural grain of wood, smoothness and beauty.

The wood is sawn into planks of desired sizes for different products.

The planks are sorted and stacked according to their sizes and quality.

Product designing & development

Product crafted by skilled artisans

Product polishing, fabrication, packaging and transportation

20. CONCLUSION/FINDINGS

We documented 58 different wood based handicraft exporters around Jodhpur. The majority of exporters use three main wood species: Mango, Sheesham, and Archasia which is used for the manufacture and production of furniture, decorative house items, and gift items. Very few exporters produced antiques or toys however, 33 exporters reused old wood and fashioned this into antique or renewed items. The exporters we investigated were very similar and showed little or no deviation from the three main wood species however, one may note that some exporters (10-15) used teak or MDF (medium-density fiber) wood which is procured from Malaysia.

Sources of wood species tend to be primarily from Northern India, including Rajasthan, Gujarat, Punjab, MP, and Bihar. It is important to note that Bihar wood and forestry may not be legal or in compliance with their state environmental or commerce laws. This was commented upon by very few exporters.

All wood based handicrafts exports go to Europe and/or the United States with limited exports being shipped to the Middle East (primarily UAE cities, Dubai and Abu Dhabi) and/or Japan and Australia/New Zealand. Most exports to the United States are sent to retailers (i.e. Pier One Imports, Target and Wal-Mart) whereas European exports appeared to be sent directly to consumers or their intermediaries. Study shows that the average number of exported container for a unit/organization is 156-180 container/annum and 13-15 container/month. A big organization/unit is exporting between 300-700 container/year.

Very few exporters are in compliance with any international labour standards or have obtained any certifications thus leaving many workers with limited occupational safety and hazard measures.