

Critical Issues for Success in the International Markets for Wood Products: Lessons Learned from Bolivia

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1. Characteristics of the international market

As a result of the globalization, the international market presents the following characteristics: an increased competence; intensive competence demands shorter innovation cycles; demand diversification and therefore new market niches; competitive capital, technology, and qualified labor are key factors; quality standards, minimum quantities and delivery periods; transportation of product production “labor intensive and use simple technology”; increasing importance of specialized service supply to the industrial producer.

2. Advantages for forest small and medium enterprises (SMEs)

Taking into account previous characteristics of globalizing international markets, forest SMEs in developing countries that wish to compete must make use of their potential competitive advantages. These may include: production based on low technical complexity and intensive labor use, access to a wide diversity of forest species present in tropical forests, and more flexibility than large enterprises in industrialized countries.

3. Critical elements for the success in international markets for timber products

There exist some elements that can be considered as critical for the success of forest SMEs in international markets for timber products. Among the main elements are:

- Identification of market niches where specialized production is key to cost minimization
- Knowledge of forest resource
- Focus on 6–8 abundant species (e.g. 399 species were utilized in Bolivia in 2005)
- Emphasis on focused sale efforts
- Recognition as a strategic provider in an integrated supply chain, providing quality products and reliable service (punctuality in the delivery, promptness in answers, etc.).
- Provide lesser known species (LKS) for the growing outdoor furniture market in various countries of Europe, where forest certification may provide an advantage.

4. Learned Lessons from the Bolivian Case

4.1 General Data from the Bolivian Forest Sector

Bolivia has 53 million ha of tropical forests, of which 28.7 million ha have been assigned as Permanent Forest Production Lands. Since 2005, 8.8 million ha of forest have been under sustainable management. The total timber harvest in 2005 was 862,000 m³. Exports in 2005 were US\$ 164 million, made up by 50 different products types (80% products with high added value) and imported by 50 countries. The export sector includes some 200 businesses, working with different 60 forest species. The Forest Commercial Balance was over US\$ 90 million.

4.2 Commercial Relation among a German Enterprise, a Bolivian Enterprise, and a Local Social Association (ASL)

Objective

Elaborate manufacture goods of increased added value with tropical timber under sustainable forest management (certified FSC).

Explanation of the Commercial Project

- **German enterprise** is one of the largest marketers of timber products in Germany, with a worldwide supply network. Currently, its timber for decking comes from Asia. However, this source is expected to present problems in the future. Thus, the German enterprise is interested in securing a new commercial partner who can guarantee a long-term sustainable supply of tropical timber products with FSC certification.
- **Bolivian enterprise** is a successful enterprise in sawn-wood sales to various Latin American, Asian, and European countries. It does not have FSC certification.
- **Local Social Association (LSA)** has a forest concession of 40,000 ha, granted 4 years ago. Up to now, the LSA has not been able to manage the forest due to lack of operating capital, knowledge of forest management practices, information, and market contacts.

4.2.3. Counterparts in the initiative

- **German Enterprise:** Guarantees buying at market prices for certified timber product for at least eight species; it will provide advice in the production process and will provide market information.
- **Bolivian Enterprise:** The Bolivian enterprise will be responsible of managing the ASL concession, and for obtaining and maintaining the FSC Certification of Forest Management. The enterprise will pay a fair price for timber. It will employ labor from the ASL, and will train people. In addition, the enterprise will saw and manufacture timber products (initially, decking). For this purpose, it will make the necessary investments.
- **ASL:** The forest management will be carried out in the ASL forest concession. In a period of 5 years, it is considered that the ASL will be able to maintain the FSC certification and will provide certified wood to the processing industry that will be installed in the project.

Possible support of cooperation agencies

It will be through experts in the following topics:

- Advise to ASL and the Bolivian enterprise in sustainable forest management and FSC certification
- Advice and training to the ASL in topics related to business administration, enforcement of certification requirements, among other topics
- Identification and research on Chiquitania's forest species and their possibilities of commercialization in Germany
- Installation of a center of teaching and training in milling and carpentry.

4.2 Critical Issues for the success of this commercial relationship

- Effective integration of the supply chain
- Management and use of LKS (8 species at the beginning)
- Knowledge and specialization along the supply chain
- Access to market information
- Participation in niche markets
- Secure business relations (assured sales)
- In the mid-term (after the training period), the ASL will provide certified pre-products
- Position of the Bolivian enterprise as a strategic provider for the German enterprise
- Production of goods of low technological complexity and a high use of labor.