The Forests Dialogue

Dialogue on Intensively Managed Planted Forests in Brazil
13 – 17 April 2008 – Vitória (Espírito Santo) and Mucuri (Bahia), Brazil

Co-Chair's Summary Report

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From 13-17 April 2008 The Forests Dialogue (TFD) convened 43 international leaders from the forest products industry, finance and investment sector, labor, the NGO community, academia, government, small forest owners, and local indigenous and rural communities in Espírito Santo and Bahia, Brazil for site visits and dialogue on intensively managed planted forests (IMPF).

The meeting was the final event in The Forests Dialogue's IMPF dialogue series. After a 2005 scoping meeting in Gland Switzerland, the series has followed the format of a field tour with associated dialogue, first in China in 2006 and then in Indonesia in 2007. Summaries and presentations from the dialogues are available at www.theforestsdialogue.org/ifm.html.

IMPFs and Brazil: Background and Trends

Of Brazil's 851 million hectares, land use is dominated by Amazon rainforest (345 million ha), pastureland (220 million ha), and 106 million ha of unoccupied land available for agricultural production. Planted forests occupy 6 million ha and are primarily eucalyptus grown for pulp and paper. The majority of IMPFs are oriented to pulp production (72% of eucalyptus and 77% of pine), followed by charcoal-based steelmaking (22% of eucalyptus; 7% of pine), and solid wood products (5% of eucalyptus; 7% of pine).

While IMPFs occupy less than 0.65% of Brazil's land base, the sector is projected to expand in the coming years. Brazil's pulp and paper sectors have grown rapidly, with 2007 exports totaling $6.1 billion. Exports grew by 18% in 2007 and are projected to increase by another 12% by the end of 2008. High-tech silviculture, a well-developed supply chain and contractor base, and favorable growing conditions make for high productivity and efficiency and give Brazilian softwood and hardwood a natural and competitive advantage. Brazil produces 58% of the world's eucalyptus pulp, 6th in pulp production, and 11th in paper production. The sector employs 110,000 permanent and 500,000 indirect workers.

The expansion of the IMPF sector has developed over the past 40 years and been mostly concentrated in the Atlantic Rainforest region, home to some of Brazil's rural indigenous and quilombola (maroon) communities. Most of the Atlantic Rainforest disappeared centuries ago with human settlement, illegal logging, and replacement of forest cover by pastures or degraded land on which IMPFs have most recently been
planted. The fragile land tenure rights system in Brazil has led to uncertain tenure and highly concentrated land ownership that have had profound social impacts. Tenure continues to shift as ongoing legal developments change land status (e.g. new indigenous land demarcations) and create new rights, such as for the quilombola communities. Tenure issues are complicated by agrarian reform, the role of grileiros (land-grabbers), and the fact that 70% of rural properties in the Atlantic forest region do not possess definitive land title or documentation. While IMPF expansion has primarily taken place on pasture, agricultural or unused land, rural communities feel that it has resulted in a shift away from subsistence agriculture and left them with limited economic alternatives. Lack of credit access to small farmers and to rural and indigenous communities and an absence of government involvement have greatly limited development options. Despite these challenges, communities are working to generate economic development, at times in partnership with companies.

Rapid growth in Brazil's pulp and paper sector has obliged companies to develop outgrowing programs, with approximately 15% of the fiber supply for IMPFs currently sourced from small farmers. The sector has grown rapidly in recent years and is an important projected growth area for the companies. While such programs offer employment and economic development opportunity to rural communities, their administration presents enormous logistical challenges. Differences in the rights and benefits offered to outgrowers (vs. permanent employees) remain a source of tension. A growing reliance on outsourced labor also raises concerns of fiber security.

Brazilian environmental law stipulates that landowners must adhere to conservation requirements that include the formation of legal reserves (RLs) and permanent preservation areas (APPs). Minimum preservation requirements for legal reserves vary by region, establishing a minimum of 80% for the Amazon region and 20% for the rest of the country; APPs comprise an additional 15%. While the average amount of protected area on IMPFs is 35% of the property, some companies dedicate up to 50% of total area to conservation. In practice, forestry companies are one of the few sectors that comply with this legislation. Native forest in the region remains threatened by charcoal and firewood extraction, a situation exacerbated by the lack of regulation in the charcoal and steel sectors. Illegal logging in the Amazon continues, due to lack of government enforcement. Land concentration and a focus on developing monoculture over diversified species also impact biodiversity. There is no significant collaboration among ministries of governments for landscape level land use planning, zoning and allocation, or landowner incentives.

Changes in Brazil's economic environment have made IMPF expansion much faster than expected by government. Expansion has been led by pulp and paper companies, who have invested $12 billion over the past decade. While private foreign capital and Brazilian investors interested in converting degraded grazing lands to IMPF are attracted to the country's strengthening economy and stable government, lower political and economic risks have meant lower returns. The costs of operating in Brazil have doubled, and the incidence of incursions has increased social risk as well. There are very few investors in the market, and long-term credit lines are still very new.

The Program
The first two days were devoted to visiting Aracruz and Suzano land and meeting with local communities. Plantation tours introduced the group to industrial operations, an active harvesting site, and a protected reserve area. A visit to an area where farmers intercrop corn, beans, and manioc with eucalyptus demonstrated the integration of food and wood production. Discussions with small forest owners offered firsthand accounts of outgrower arrangements with the companies. Meetings with charcoal-producing and sewing cooperatives introduced the group to local employment initiatives. Visits to a charcoal production
site highlighted the challenges faced by legal charcoal producers. The group learned about indigenous perspectives through a brief question-and-answer session with a Pataxó member as well as an extended discussion with the Tupiniquim – Guarani community about plans for land previously owned by Aracruz and that were recently set as Indian lands by the government.

The two-day dialogue that followed offered presentations from diverse stakeholders as well as updates on planted forest initiatives in progress by the FAO, FSC and Cerflor (Brazil’s certification program). The dialogue also included a presentation by members of Brazil’s quilombola (maroon) communities, descendants of settlements of escaped slaves.

Parallels with previous IMPF dialogues

The Brazil site visits offered the chance to observe firsthand the opportunities and challenges of IMPF operations. Past participants were able to evaluate the Brazilian example through the lens of conclusions that had emerged from the previous dialogues. The following drivers and dynamics of Indonesian and Chinese IMPF development were also found to be fundamental to the Brazilian context:

- Marginalization of communities as a result, in part, of insecure land tenure and use rights;
- Social conflict as a result of inadequate governance;
- Corporate social responsibility as a means to address gaps in governance;
- Scale as a determinant of choice;
- Organization of labor force and contractual arrangements with local populations for raw material supply to mills.

Insecurity of land tenure and use rights – a fundamental challenge to sustainable IMPF operations in China and Indonesia – is an issue in Brazil as well. With the majority of productive land concentrated in the hands of a few companies, quilombola and indigenous communities feel that they are surrounded by IMPF and confined to increasingly smaller areas. They share concerns about the environmental health and safety of IMPF lands. Living below the poverty line, they have turned to production of charcoal from native forests and eucalyptus residues as the sole source of income. With insufficient land, low rural production levels, and extremely limited access to credit and financing, many rural landowners have not been able to continue traditional subsistence agriculture (coffee, cocoa, etc.) and have opted to sell their land to IMPF companies.

Land transfer is complicated by the presence of grileiros (land-grabbers), intermediaries who in some cases illegitimately acquire land titles and re-sell land previously held by rural owners at very low cost. Inadequate governance of land acquisition exacerbates the social conflict, particularly between rural communities and companies over contested land. Conflict between charcoal producers and intermediaries with the IMPF companies and the environmental authorities is driven in part by demand from the steelmaking and pig iron industries.
Corporate social responsibility has endeavored to address gaps in governance through support for food- or income-generating programs. Examples include: integrated eucalyptus and food production to complement rural livelihoods; craft initiatives utilizing eucalyptus pulp, chips, and wood; support for local economic development (i.e. charcoal-producer and seamstress cooperatives); and corporate social investment plans that provide technical assistance and training for the development of tree nurseries, agro-forestry projects, and land management plans. While defining the terms of company-community partnerships is still in initial stages in many cases, partnerships have been established and both parties are working to identify needs and objectives.

As in China and Indonesia, scale plays a strong role in determining available land use options. Despite increased investment in Brazil, access to credit and financing differs for companies, small landowners, and rural communities. Another parallel between Brazil and Indonesia is that both are home to globally-significant areas of natural forest that provide essential benefits and ecosystem services. In both countries, natural forests are at risk of conversion to other land uses. Current IMPF expansion in Brazil does not occur at the expense of native forests. In addition to maintaining a minimum of 20% of their land in forest reserves as required by Brazilian law, some companies have adopted voluntary measures such as participation in carbon credit programs and certification systems.

As in Indonesia and other countries, outsourced labor plays a key role in IMPF operations. While companies provide outgrowers with start-up materials and technical guidance for turning land into productive eucalyptus plantations, outsourced employees are not guaranteed the same labor and social security rights as permanent employees. Monitoring such high numbers of outgrowers for social as well as environmental standards (i.e. basic labor conditions, contract legality, maintenance of conservation areas, wood certification) is beyond the capacity of most companies at present.

Newly-emerging themes
Several issues impacting IMPF management emerged strongly in the Brazil field tour, echoing – in some cases – those encountered in China and Indonesia:

- Lack of landscape-level land-use planning in areas where planted forests are expanding;
- Competition with other industrial/agricultural sectors for land use;
- The need for “co-responsibility” among companies, communities, and government, and the opportunities for IMPF companies to take the initiative as corporate citizens;
- Potential extent and limits of governmental involvement in rural development;
- The need for an effective social dialogue process with local communities around rural development options and processes;
- The need for an effective conflict resolution process between forest companies and communities.

Land-use planning in Brazil is complicated by a high degree of tenure insecurity. While there are examples of collaborative planning efforts between companies and communities who have recovered traditional lands, land management plans have yet to be integrated on a landscape scale, and there is a notable absence of government participation. Brazilian IMPFs occupy a small amount of land relative to competing sectors such as grazing and agriculture (coffee, fruit), and cross-sectoral land-use planning efforts do not appear to exist. Current legislation favors other land use over IMPF development. IMPF research and development is limited to exotic species, and native species plantation and sustainable forest management has only been explored on a very small scale.
Despite recent conflicts between companies and rural communities (in this case, quilombola and indigenous groups), there are established relationships between the two and a mutual interest in future partnership. Charcoal-producers, indigenous, and quilombolas have expressed a readiness to take part in Brazil’s new development and have some concrete ideas of where and how to start. They seek guidance in the development of sustainable economic livelihoods that will offer a higher quality of life. Companies and communities express a desire to abandon the system of corporate hand-outs and to move towards ‘co-responsibility’, a model that relies on corporate expertise and resources and community vision and identified needs. Both parties identify the need for government to play a role and for continued dialogue among all three.

The strong localist nature of Brazilian politics was repeatedly cited as a barrier to sustainable IMPF development and land-use planning. While there were many calls for increased government involvement in areas ranging from the expansion of the forestry base to conservation of the Atlantic Rainforest, it was recognized that contextual differences within Brazil present a significant challenge to general solutions. Due to distinctions in state governments, a solution that might work in Espirito Santo is unlikely to work in Rio Grande do Sul or even in the neighboring state of Bahia. And despite the support of some state governments for IMPF development, national mechanisms do not encourage planted forests. There are no incentives for farmers to plant forests over other crops, and complex and restrictive laws favor other production such as soy and rice.

Social development and equity issues were prominent during the Brazil dialogue, thanks to the strong representation and participation by local and rural communities. The evident need and growing assertiveness of local communities highlighted the importance of effective stakeholder engagement and the need for a social dialogue process.

**Way Forward**

In the final session, dialogue participants were asked to identify the key environmental and social issues facing IMPF management in Brazil and propose concrete next steps towards resolution. The following suggestions are a result of these sessions. There was general agreement that partnership among all sectors will be essential to future efforts.

**Environmental**

- Zoning was identified as a critical step in land-use planning and in the identification of priority conservation areas. Periodically-updated environmental evaluations conducted by companies and NGOs can provide the information needed to facilitate zoning decisions and inform ongoing management;

- Promoting native species is critical to conserving Brazil’s natural forest cover. Resources could be used to support applied research, promote native planting efforts, and create a productive chain of native species planting;

- Restoration of degraded areas is an important step to be carried out on company land as well as on outgrower properties and in other sectors. Restoration methodology from the Atlantic Rainforest manual/pact can be used;
Conservation incentives: The formal creation of RPPN’s (permanent private reserve areas) in high-conservation value areas can be extended to outgrowers. Government financial incentives (i.e. taxes) and recognition of best practices can serve as further incentive to conservation and avoid the conversion of natural areas to IMPFs;

Management of the impacts of IMPF activities on adjacent areas: Utilizing a landscape-level approach, companies can interact with impacted communities to manage the local environmental impacts of their operations. In addition to evaluating land use options on an individual basis, companies can create buffer strips between forestry activities and impacted communities. Environmental monitoring and stewardship activities (i.e. certification and best management practices) can also help to manage the impacts of IMPFs;

Law enforcement agencies can be strengthened to reduce environmental crimes, illegal harvesting, and forest fires. Partnership with the authorities can also work to confront land speculators and the grileiros;

Involvement of other sectors – such as the steelmaking industry – will be important, given their role in land use change and illegal charcoal production.

Social footprint: Including the social impacts of IMPF activities on adjacent communities will be important to expanding impact assessment criteria;

Distribution of benefits: Companies can help local communities generate economic alternatives through leasing arrangements for IMPF lands and providing financing options to facilitate community land purchases;

Tax reform: Long-term changes will be needed to make tax distribution and collection more just. Improving local governmental capacity can facilitate mechanisms to increase transparency and control public expenditures;

Social dialogue will be essential to mitigating negative social impacts of IMPF activities and should be conducted on a variety of scales: community, municipal, regional. Generating the space for dialogue with the authorities and other stakeholders can help municipalities in land-use planning;

Economic alternatives for communities: Supporting local cooperatives and making land available for rural production can work to reduce dependence on illegal wood sources. Government involvement can expand these initiatives as well as highlight the role of the middleman in illegal charcoal production.

Next Steps for TFD
The Brazil meeting is the final of the three regional dialogues that have comprised the IMPF series. In June, members of TFD’s Steering Committee will convene to review the three-year series and draft a report of key findings and recommendations. The final publication is expected to be completed and available to the public by October 2008.

Further Reading and Information
Meeting summaries and materials from all the dialogues in TFD’s IMPF series are available on our website. For more information about The Forests Dialogue, please see www.theforestsdialogue.org or email info@theforestsdialogue.org.
**Acknowledgements**

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**Dialogue Participants**

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<tr>
<th>Name</th>
<th>Organization</th>
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