Financial viability and income generation for a community forestry cooperative in Brazil
Overview

- Background
- Introduction to Coomflona
- Methods
- Costs
- Financial viability
- Income
- Conclusions
Background

• Current study is result of research that began in the Amazon region in Brazil in 2005

• Several pilot community forestry projects were initiated in the early 2000s in the Brazilian Amazon
  – Large investments in technical and operational capacity
  – Very little investment in business and financial management.
  – Doubts regarding financially viability of pilots

• Very little literature on the financial impacts of CFEs

• Humphries and Holmes (2012) performed cost-benefit analysis for two enterprises, including Coomflona in Para

• Methodology was turned into Green Value tool for monitoring and analyzing financial information
Coomflona: Mixed Cooperative of the Tapajos National Forest

Cooperative run by local residents
- 212 members from 21 communities
- 81 workers, incl. 34 permanent (2013)

Today, Coomflona is
- One of few pilot projects still operating and working independently
- One of two cooperatives running large scale forest management operations in the Brazilian Amazon
- Only instance of a cooperative managing resources and producing timber in a national forest concession.

Source: EII
Coomflona

Main activities
- Forest management (33,691 ha)
- Timber (2013: 1,000 ha/yr., 22 m³/ha)
- Reinvestment and distribution of benefits to members

Main timber products and markets
- Valuable hardwoods for export (furniture, flooring)
- Less valuable lighter woods for domestic use (construction)

Other products and services
Coomflona

Source: Coomflona
Methods

• Analyzed Coomflona’s timber production for 2007, 2011, and 2013

• Workshops with Coomflona staff and partner organizations
  – 2007: 4 days with spreadsheets designed by Humphries & Holmes
  – 2011, 2013: 3 days with Green Value tool

• Organized costs by
  – 5 major productive activities + Administration
  – Input type (labor, materials & services, machinery & equipment)

• Analyzed all costs and income related to timber, including subsidized items (except for permanent subsidies)

• Reflected on results and how to strengthen viability
Total costs* increased as
• Area and volume increased
• Labor costs increased
• Materials and services increased

Cost* per m³ decreased as
• Area and volume increased
• Paid workers based on production
• Workers were more efficient
• ’11 and ’13 similar to other CFEs and industrial operations

* All costs converted to USD and brought up to 2015 values
Costs

% cost per input type remained similar all 3 years

Some changes in % cost per activity

• Administrative costs (fixed) % decreased as the volume of timber increased

• Planning/inventory, skidding and loading were most expensive field activities
Financial viability

Coomflona has become a very profitable timber producer

Profits increased dramatically
• Volumes increased
• Efficiencies improved

Profits go into Coomflona revenue stream and support other activities

Overall profits are distributed among funds at the end of the year (reinvestment, health, training, etc.)
Total income generated per year (USD 2015)

Coomflona provides

• **direct benefits** to approximately ¼ of the households in the national forest
• even greater **indirect benefits** to local businesses
# Total income generated, 2013 (USD 2015)

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of months/yr.</th>
<th>Number of staff</th>
<th>Total (USD)</th>
<th>Range per person (USD)</th>
<th>Average per person (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent - full time</td>
<td>12</td>
<td>23</td>
<td>400,332</td>
<td>210,842</td>
<td>8,821</td>
</tr>
<tr>
<td>Permanent - part time</td>
<td>2 – 9</td>
<td>8</td>
<td>14,639</td>
<td>747 – 3,973</td>
<td>1,830</td>
</tr>
<tr>
<td>Audit committee</td>
<td>12</td>
<td>3</td>
<td>7,336</td>
<td>2,445</td>
<td>2,445</td>
</tr>
<tr>
<td>Temporary field workers</td>
<td>4 - 8</td>
<td>47</td>
<td>160,179</td>
<td>*</td>
<td>3,408</td>
</tr>
<tr>
<td><strong>Materials and services</strong></td>
<td></td>
<td></td>
<td>410,706</td>
<td></td>
<td></td>
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<tr>
<td><strong>Profit</strong></td>
<td></td>
<td></td>
<td>774,805</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>81</td>
<td>1,571,171</td>
<td></td>
</tr>
</tbody>
</table>

Permanent FT workers made **3.2 x legal minimum/year** ($2,763/year, $10.81/day)

Temporary workers made **1.2 x legal minimum/year** but worked only 4-8 months
Conclusions

- Coomflona has become more efficient over time and is very profitable.
- It reduced cost/m3 by increasing volumes sold and reducing costs.
- It is an important employer of families in the Tapajos National Forest.
- Timber sales generate very significant direct and indirect benefits for residents.
- Results indicate that CFEs can be both financially viable and important generators of socio-economic, as well as environmental, benefits.
- Policies and programs need to support CFEs, especially first 5 years.
Conclusions

- Green Value allowed for a seamless comparison of financial results over time
- Green Value is an important tool for improving financial monitoring and analysis for CFEs, though it requires some follow up with new users
- We hope others will use Green Value to strengthen CFEs and share cost-benefit analysis results
<table>
<thead>
<tr>
<th>Activity</th>
<th>2007</th>
<th>07%</th>
<th>2011</th>
<th>11%</th>
<th>2013</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and inventory</td>
<td>23,992.95</td>
<td>6.57%</td>
<td>65,145.98</td>
<td>4.32%</td>
<td>161,331</td>
<td>7.45%</td>
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<tr>
<td>Felling</td>
<td>11,357.22</td>
<td>3.11%</td>
<td>38,891.70</td>
<td>2.58%</td>
<td>62,765</td>
<td>2.90%</td>
</tr>
<tr>
<td>Skidding (included loading for '07)</td>
<td>40,509.28</td>
<td>11.10%</td>
<td>81,141.66</td>
<td>5.39%</td>
<td>84,285</td>
<td>3.89%</td>
</tr>
<tr>
<td>Measurement</td>
<td>3,916.33</td>
<td>1.07%</td>
<td>54,195.04</td>
<td>3.60%</td>
<td>63,260</td>
<td>2.92%</td>
</tr>
<tr>
<td>Loading</td>
<td>-</td>
<td>-</td>
<td>93,296.13</td>
<td>6.19%</td>
<td>114,086</td>
<td>5.27%</td>
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<tr>
<td>Administration</td>
<td>197,212.17</td>
<td>54.03%</td>
<td>303,048.79</td>
<td>20.12%</td>
<td>356,754</td>
<td>16.48%</td>
</tr>
<tr>
<td>Total</td>
<td>276,987.95</td>
<td>75.89%</td>
<td>635,719.30</td>
<td>42.20%</td>
<td>842,480.94</td>
<td>38.92%</td>
</tr>
</tbody>
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