

AFRICAN PRODUCER CASE  
STUDY

SAMARTEX  
TIMBER &  
PLYWOOD  
COMPANY LTD

# BRIEF HISTORICAL DEVELOPMENT OF SAMARTEX

Samartex (SAX) came into being in 1995 when the company was formed and purchased the assets of the then African Timber and Plywood Ltd (A.T.&P), which at the time was a State Owned Enterprise. A.T.&P was created in 1947 under the UAC Group of companies (now Unilever). At the time of acquisition the company was literally in ruins, and there followed an intense period of investment, renewal and recruitment, which continues to this day. Indeed, looking at the company today it is almost impossible to visualize the tremendous change that has been brought about.

- The headquarters of the company is located in the small town of Samreboi (in the center of the concessions). The timber processing facilities of Ply mill, Sawmill, Veneer Mill, Moulding Mill, Kiln Dryers, a Carving section and garden furniture line are all located here. The company maintains offices in Takoradi and Accra for shipping, importing, banking and logistical purposes.

- SAX employs about 2,500 workers in total, most of whom live in the Samreboi township. The workers are largely housed in company accommodation. Together with their families, they have access to healthcare and educational facilities as well as potable water and electricity all of which are provided free of charge by the company.

- Realizing that the workforce is the prime resource of the company, Samartex has set up and running a nationally recognized apprenticeship training scheme that trains people to work in the technical as well the production departments. The company frequently also runs health and safety workshops, and HIV awareness training for the employees.

# Social responsibilities

- The area is extremely rural and isolated and apart from catering for the welfare of its employees, a lot of development functions in the area are presently also borne by the company. These include the building and maintenance of road infrastructure (including some trunk roads). provision of medical facilities to serve non-SAX related people, schools, electricity poles and until lately, electricity free of charge to the Samreboi township.

- All these are in addition to the statutory contribution of millions of cedis annually to stumpage payments, a major source of revenue to the Traditional Councils in area.

# THE ORIGINAL BUSINESS PLAN OF SAMARTEX

- In the business plan that was presented in its bid to acquire A.T & P., Samartex indicated clearly among others, its desire to undertake the following as part of its business objectives:
  - Development, conservation and efficient utilization of both off-reserve and reserve forest in its concessions
  - Diversification of the business to improve socio-economic activities and living standards of the people in its area of operations. (The thinking was that there was a limit to the numbers that could be employed in the company directly but diversifying into other areas such as crops cultivation and processing could provide many direct and indirect jobs to many more people).



- It was for these reasons that at the initial stages, Samartex took on board from the previous owners, several off-reserve areas that were of little timber value. Later developments related to rent payments for the areas led to the company given up almost all the off-reserve areas. This was to be followed by the loss of some of its reserve concessions including a sizable chunk to the Globally Significant Biodiversity Areas (GSBAs) project.

- What remains of the Company's concessions are a mixture of Forest Reserves and Off-Reserve forests.
- The Forest Reserves are contiguous blocks of forest cover, same as was demarcated and set aside for silvicultural use by the then colonial Forest service. They consist of fourteen separate blocks of forests totaling 158,960ha.

- The Off-Reserve concessions have in the past not been managed for silvicultural use. Instead in conformity with a previous national policy most had been converted to farmlands. These concessions (of which SAX now has four) do not have the same contiguous cover or stocking levels as the Reserves. The area is much smaller (32,269 ha) and not of so much timber value.

- In spite of the off-reserve areas being of little timber value the company has maintained leases on them with the view to implementing, in line with its business plan, long-term agro forestry projects on them. This is also with the view to safeguarding what remains of the existing forest as they are currently under threat from farming activities.
- A direct result of this plan is the establishment of the Oda Kotoamso agro-forestry project as a pilot to involve forest fringe communities in sustained land use to mutually benefit themselves and the company.

# The Oda Kotoamso Agro-forestry project

- The Oda Kotoamso project has a mix of timber tree species (indigenous and exotic) and agricultural crops such as oranges and cassava.
- In the project and elsewhere, the company is pioneering the cultivation and extraction of artificial sweetener from *Thaumatococcus Danielli* (a locally abundant NTFP fruit) and actively researching essential oil and medicines from plant sources.

- The reasons for embarking on the Oda project are four-fold namely:
  - To diversify operations of the company from a purely timber processing company to include agro processing.
  - To increase the employment base in the area through providing direct jobs and facilitating the creation of indirect jobs through involvement of the locals in the farm forestry project - a positive measure towards reducing rural poverty

- To increase the country's tree stock for improved environmental quality.
- Provide long-term timber resource security to SAX.

It is the company's plan to replicate the Oda Kotoamso project in its off-reserve timber concession areas with the active involvement of land owners and farmers. The problem that is stalling further investment in this area has to do with tenurial arrangements for the land and details of shared ownership as these are long-term projects.

Another project being envisaged by the Company is to develop ecotourism in the area to mutually benefit the inhabitants and its business diversification policy.

All these diverse activities aim to safeguard the sustainability and viability of the company, which is so vital to the local economy of the area. The Samartex strategy is simply sustainability in the environmental, social and economic context.



# Sustainable Forest Operations

- In spite of losing a sizable portion of its concessions, the need for conservation development and efficient utilization of its remaining forests has always been a matter of great importance to the company. The reasons are many and include the following:
  - Most people in Ghana appreciate the fact that most of what is remaining of Ghana's forests lie in the Western Region of the country and includes the areas under Samartex's concession. The importance of this to environmental quality of the country cannot be underestimated or overemphasized. Samartex is very much aware of this and wants to make its contribution towards forest sustainability in this respect.

- The company is the only industrial set up in the area providing jobs for over 2000 people and livelihood to several thousands of their family members. The company's ability to continue its efforts at contributing to the eradication of rural poverty is clearly dependent on the sustainability of its raw material base.
- For SAX it is an opportunity to engage in good forest management practice which implies observing all laws associated with felling and processing timber in the country.

- Also Samartex believes that without value to people, forests are quickly destroyed and converted to other land uses. If therefore the company can continue to create value for the forests, sustainable forest management and timber production can continue in perpetuity in the area.

# Reasons for embarking on the road to Certification

- But beyond all this one must also understand and appreciate the fact that SAX is also a business enterprise which is mandated to improve its shareholder value.
- In this respect it is keenly aware of the many different internal and external environments that impact on its success, among which are trends in global forestry standards and how these impact on trade. These forestry and trade standards have become topical issues for various reasons including perceived illegality in forest operations and trade in timber and wood products.

- The growing seriousness with which the issue of timber illegality is being discussed at both local and international forums and the threats to exclude imports from companies and countries that don't comply with certain provisions cannot be overlooked by businesses with long-term interests. Ghana's decision to develop its own criteria and indicators for forest certification and the ongoing experiments in log tracking are all indicators that companies must begin to appreciate the changing circumstances and adapt as appropriate.

- As a company that exports products to many countries all over the world, it could not ignore the trends in these trade issues, particularly as its markets in Europe were beginning to express concerns about moves towards “legal” timber.
- Being insensitive and ignoring the concerns could impact negatively not only on the fortunes of the company but on the very livelihoods of the people whom a ban, for example, on imports from Samartex may be seeking to protect.

## Sustainable Forest Operations for timber

- For this reason the company has initiated big efforts through changes in technology and equipment as well as investment in personnel to improve planning and production in its forest operations.
- As a first step, the company has engaged the services of SGS to help with the process of getting its forests certified and installing a chain of custody for its sawn timber and veneer mills.

- As part of the programme, the company has computerised its forest operations such that at any point in time, one can know trees in the yield, trees felled and hauled to the bush siding, logs hauled to the yard in the mill and their distribution to the plymill, sawmill and veneer mill.
- Though the process are ongoing we can say that Samartex's current forest management in the reserves largely conforms to Ghana's logging standards and logs can thus be said to be legally produced in its concessions. The company is extremely selective in harvesting taking an average of two trees per hectare as prescribed by the FSD.



- Even though natural regeneration is fast, and it is not a legal requirement, the company re-plants at least one tree for every one harvested. After harvesting an area no further logging activities take place in line with the forty-year rotation to allow the forest to recover. These facts have been verified by an independent audit conducted by SGS Forestry in 2003 and only two months ago.
- Forest operations staff are also being trained in Reduced Impact Logging techniques.

- The audit obviously raised queries with suggestions for improvement. A five year period has been agreed to correct and improve aspects of the criteria for certification that were not met.
- Currently 24% of Samartex forest area has been turned over to permanent protection from any logging activity and most of these areas are now classed as “Globally Significant Biodiversity Areas”.

- At the moment, Samartex sources 75% of all its timber needs from own forests. The company is committed to making this 100% by the end of 2007 and will then eliminate all external supplies from sources not FSC certified. It is a company goal to achieve successful FSC certification by the end of 2007 which will be done with the help and support of the WWF Global Forest Trade Initiative to which the company is formally committed.
- To ensure the achievement of this objective a section has been established in the company purposely to oversee the certification process and draw management's attention to possible lapses.

## Samartex's relationship with WWF/GFTN

- Samartex is the only company in Ghana currently committed to the WWF's 'Global Forest Trade Network' initiative to improve the management of valuable and threatened forests. Samartex is working with the GFTN to improve even further the quality of its forest management and implement a verifiable, documented step-by-step process to achieving FSC certification in 2007.

# *Advantages of Certification*

- Samartex is implementing a phased approach to certification which is so far unique in Ghana. In the view of the company, the extensive process of gearing up to certification is an extremely positive one, contributing to lots of learning not only in forest operations but in all associated activities.
- The advantages of certification in Samartex's view can thus be summed up as follows:
  - People are learning to work better and more efficiently, they are learning to work together as teams at all levels of the organization and generally building climate in the company that is conducive for effectiveness and efficiency.

- Employees have become more aware of some of the external factors that impact on the company's operation, such as forest laws and relations to “legal timber” and sustainability, social responsibility agreements and some fiscal policies of the trade in Ghana.;
- Labour relations have generally improved as the situation with seasonal workers for example, have been regularised in compliance with Ghana's legal requirements and ILO conventions
- Certification confirms what the company claims – we claim sustainability and responsibility, and so far external audits have confirmed this.

- Certification is a growing positive tool in marketing – more and more customers (and indeed legislation) are demanding at least some level of independent or self verification. This situation is certainly only going to intensify, so initiating progress to certification is a logical and sensible business step.
- Certification demands improvement, and these improvements force companies to re-assess their operations and improve them. These improvements, although environmentally driven, also improve operational efficiency and effectiveness through better planning

# Problems of certification and legal timber

- Having said all that, we must now turn attention to problems associated with implementing these measures.
- First there is some confusion in the minds of people as to what differences if there are any, between certified timber and legal timber. For the past many years, everybody talked about, sustainability, certification and chain of custody which for all intents and purposes implied legality. Suddenly the issue of “legal timber” shows up and people begin to wonder if they are different things or just a question of semantics.



- And when people begin to talk about legality, to what extent do we want to carry the idea as it relates to the laws of Ghana.
  - There is for example in Ghana, a law or regulation to register all chain saws. One wonders what the practicality of this is to a firm like Samartex.
  - Many trucks carry more than the legally permitted weight of load on our roads. Shall we single out timber companies and declare a particular load illegal because it is overweight?

- If SSNIT payment is delayed for a month, it is illegal. Would all produce from a company in a particular month be considered illegal because SSNIT contribution for its employees was delayed?
- If for practical reasons a company cannot make its casual employees permanent after working for six months and fires and rehires the same people (if they want) after every six months for two years, this is against the law. Will the products of such a company be considered illegal and excluded from the market?
- Trivial as these examples may be it draws attention to the basic question of what shall constitute legality in Ghana?

- Sometimes people wonder in whose interest the issue of legality and certification is being pursued. Of course from the point of view of producers, the process introduces unnecessary restrictions to business and is expensive – setting the systems for verification, auditing costs, licensing, training of personnel, all takes time and money. However, markets as yet, are not prepared to pay a premium for certified products, or even legally verified products. The certification process may well open up marketing possibilities, but at the moment there are no direct financial benefits except perhaps some cost savings as employees begin to work better in the certification environment.

- And if the market really wants legal timber but does not want to pay premium prices, why would the proponents of excluding illegal timber from the trade not pay some attention to helping companies like Samartex directly to carry the cost burden in its bid to stay legal. Presently the talk is about supporting countries who become voluntary partners but that is again simply supporting bureaucracy. Without being critical or judgemental we have seen in this country the millions of dollars that have been pumped through the state bureaucracy into forestry development over the years by our development partners. The big question is what can we show for all that money? In the period between the mid 1980s and now when we had most money coming in to support forestry, we have lost more forest than before.

- Internally million of cedis through export levies have again been collected through the state bureaucracy to develop industrial competence in processing timber in Ghana. Again what benefit has has industry derived from all that money. Whatever modest developments the industry has achieved have largely been through their own efforts. The point I am making is that if Samartex for example, had waited for the state machinery through its agents the FC to perform, it would not have made whatever progress it has, towards sustainability and legality in operating its concessions. So while we talk about supporting countries we should also think about direct support to companies who make the effort to stay legal.

I thank you for the opportunity to address  
this forum

Thank you