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A Transition Towards Higher Added Value of Natural Resource Based Products: Case Study of Acacia Timber Value Chains in Central Vietnam

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Abstract

Land and the biomass production it supports are limited. Therefore, sustainable management of these natural resources is needed that sustains and improves their contribution to the local, national and international economy. In Vietnam, plantation forests serve as an important source of raw material for the wood-based industry. About half of the plantation area is currently managed by small-scale producers, with *Acacia auriculiformis* × *Acacia mangium* hybrids being the most prevalent cultivated species. However, up to 80% of plantation wood is currently used for low value woodchip production. In response to the increasing domestic timber demand and to stimulate higher value uses of plantation wood, the Vietnamese government has introduced a number of policies, such as land tenure or timber value chain (VC) improvement. These interventions aim at the development of high-quality plantation forests and the transition of the domestic timber processing industry towards higher added value products, such as furniture. However, a comprehensive analysis of this sector is lacking so far.

This paper elucidates the financial and economic performance of woodchip, non-FSC furniture and FSC-certified furniture VC from hybrid timber in Thua Thien Hue province, where the species has been cultivated since approximately 20 years. In-depth interviews with 30 timber producers, eight timber traders, one woodchip and one furniture processing and exporting company have been conducted. The findings were validated through direct observations and in six group discussions and 26 expert interviews.

The results demonstrated that small-scale producers and processing firms achieved the highest added value in the FSC-certified furniture VC. Timber traders generated a relatively modest value of 6.90 USD m⁻³ in the chip and 14.60 USD m⁻³ in the non-FSC furniture VC. The total added value of the woodchip, non-FSC furniture and FSC-certified furniture VCs was 31.60 USD m⁻³, 562.50 USD m⁻³ and 683.60 USD m⁻³, respectively. Aspects such as higher benefits for participants, higher investment in added value activities and lower negative impacts on natural resources made the VC of the FSC-certified furniture product relatively more efficient in term of economic performance. In contrast, the performance of the woodchip VC was least.

Keywords: Added value, plantation forestry, small-scale producer, sustainability, value chain upgrading