

## **INTERVIEW WITH ECOMADERA'S SUPPLY CHAIN MANAGER, IAIAN GORDON. IMPACT HUB NYC, AUGUST 2015.**

**The Pinchot family has a long history in forestry. Can you summarize the evolution of their role in forest conservation?**

My family and Peter Pinchot's family live in the same town and have been close for some time. As a kid I was a big reader of Gifford Pinchot and John Muir. I was intrigued by the dichotomy between their views; the conservation versus preservation debate. It's interesting how in the late 1800s America went from exploitation to the realization that we had to save some of the forest for future generations, whether as untrammelled wilderness the way John Muir wanted or through responsible use as Gifford Pinchot proposed. President Theodore Roosevelt chose Gifford Pinchot as the first Chief of the US Forest Service, and in the next five years Pinchot and Roosevelt protected 10% of the US continent by expanding the National Forest system.

The Pinchot family helped establish the Yale School of Forestry in 1900, as the first university program dedicated to training foresters and the conservation of forest systems. By this time the majority of forests east of the Appalachians had already been exploited, and industrial logging companies were clear-cutting forests from the northern great lake states to the west coast for wood fuel and construction materials. Sustainable forestry based on scientific management, as proposed by Gifford Pinchot and taught at Yale, provided a new strategy for protecting forests from unsustainable exploitation. It was based on managing forest ecosystems for the long-term supply of timber, water, wildlife, and outdoor recreation. Today some 30% of US forests are publically owned and managed under this philosophy.

Peter Pinchot, Gifford Pinchot's grandson, is a founder of the EcoMadera community forestry enterprise in Ecuador, which is applying this sustainable forestry strategy to address rapid deforestation in Ecuador's coastal rainforests. EcoMadera is connecting sustainably managed rainforests with markets for high-value wood products. Responsible use of tropical forests empowers forest communities through business and through money flowing into their local economy, while protecting the forests from destructive logging.

**How was EcoMadera founded, and why in Ecuador?**

In 2001, Peter visited David Smith, a Peace Corps friend in Ecuador. At the time, Peter was working on conservation projects in Pennsylvania. In the small village of Cristóbal Colón, settler families were making subsistence livings by logging their forests and clearing land for cacao plantations and cattle pasture. David was trying to start a community forestry organization to conserve the coastal rainforest. One of the main problems was that the timber was being sold for very little money, so locals had to cut a lot of trees to make a meager living. The

business began as a technical assistance project to help establish a small industry in town based on sustainable forestry and wood product manufacturing with the goal of helping the community make more money from the wood being cut. People were selling hand-sawn lumber on the black market for next to nothing, often just to be used for concrete forms. All this gorgeous wood - and the forests themselves - were so heavily undervalued. We asked, how can we add value to this wood to help bring the local community out of poverty, and allow them to cut less trees?

Over the last 5 years, Ecomadera has evolved from the original non-profit project into a rapidly growing forest products company, led by Peter and another entrepreneur, Garrett Siegers. EcoMadera has become the largest employer in the forest communities where it operates, and we've finally become profitable. Through local manufacturing we have tripled the value of the forest, so families can harvest far fewer trees and get more income. EcoMadera has also innovated a low impact harvest system using portable sawmills and cable extraction. This doubles the yield from each tree and eliminates the need to build roads. Avoiding roads is key, because they open the forest to settlement and rapid forest clearing for agriculture.

### **Why choose a social venture business model?**

One of the big lessons learned about tropical forest conservation in the last 20 years is that forest communities are the most effective agents for conservation, because they live in - and understand the value of - forests. EcoMadera was conceived as a community forestry business from the beginning. Community members defined the mission as forest conservation and community economic development. Our role is to provide the forestry, wood product and business management skills; and the leadership to bring their vision into reality. They are co-owners of the business, and we are helping them gain the skills and experience to move into professional and management positions in the company as rapidly as possible.

### **How have you engaged the local community, and how receptive have they been?**

Community engagement was always part of our hybrid business model. Ecomadera partners with the Pinchot Institute for Conservation, which receives grant funding for studies in forestry and land-use to promote conservation strategies that fit with community needs and interests. Actually, the name Ecomadera was created by our community member partners. The business is 45% owned by the community partners. And of course the business itself brings wealth to the community. We're completely vertically integrated, so the value of the whole supply chain remains in our company

When we started as a project, we held community meetings, and helped a group of interested community members develop a vision and mission. We trained them in conservation, forestry, and wood product manufacturing. And we helped them launch the business. Sixteen community members invested a full year of labor over a three-year period to build the original manufacturing plant and to launch the forestry and manufacturing business.

After four years, the community leaders along with Peter Pinchot and Garrett Siegers, who were working as NGO professionals, reached a consensus that we needed to create a more effective business structure. Peter and Garrett assumed the role of entrepreneurs, raised new investment and grants, and began to build a viable business enterprise. The sixteen original community members continue as shareholders, and some have taken over key professional roles in the business. Now we're the town's main employer. The manufacturing center is run by three women from the Cristóbal Colón community, who naturally rose up through the company because they were so efficient and competent. Women in the town are otherwise homemakers, so this was a rare opportunity for them to make a good living outside the home.

**What are your current forest product offerings, and which of them have the biggest potential impact?**

Right now the balsa laminate market is booming -- we're expanding production by 30% this year. Our balsa product is mostly used as an industrial composite material sandwiched between two pieces of fiberglass to make wind turbine blades. Ecuador produces over 90% of the world's balsa wood, so balsa was a natural choice for our first products. Also, balsa grows really fast, maturing in 5 years. We're helping community members to grow balsa plantations, which provides another source of income for 300 local families. It's also a good transitional species to return pastureland and abandoned farmland to forest, and it doesn't require much chemical input.

Beyond balsa, there is an incredible diversity of trees in the Chocó region of the coastal rainforest. We have identified over 300 different tree species in the watershed where we work. Fifty to eighty of those can be sustainably harvested. Europe has 124 species, by comparison. We're looking at creating a mixture of these colorful species to put into our new products including flooring, furniture, wall paneling and decorative objects.

We're not trying to sell any individual species; we really don't even want customers to think in terms of species. That way we're creating a market for Chocó hardwoods as a group, rather than building demand for particular species. We think of it in terms of bringing the diversity of the tropical rainforest into your home. We're currently in the prototype phase for flooring and furniture. Our new products will combine color, texture and other qualities of a variety of woods, and

we see this as a desirable feature. The appeal is similar to that of salvaged wood, with its imperfections, uniqueness and history.

When hardwood production starts, we anticipate almost doubling our staff, meaning we'll have about 120 people in the next year or two. We'll also have conservation control over a much larger area of forest which will significantly increase our environmental impact.

One of the benefits of managing the whole supply chain from forest to the final consumer is that we can help clients reduce their carbon footprint. We are conserving highly threatened rainforests, and therefore there is a direct relationship between the products we make and the forest being saved. Essentially, our clients are helping us conserve forests through their purchases, and we can even calculate the carbon footprint reduction associated each purchase.

### **What are the latest developments at EcoMadera?**

Peter and I recently took part in a twelve week accelerator program at the Social Enterprise Greenhouse in Providence, RI where we had some amazing advisors. And we just raised \$800,000 from a private donor to help us purchase forestland. Also, Peter and Garrett were invited to make an investor pitch at the Kiwa Investment Summit in Quito, Ecuador. As a direct result, we've been invited to enter due diligence with the Grassroots Business Fund, a social enterprise fund focused on small to medium size businesses with a strong poverty alleviation impact in developing countries. We're in a critical, exciting, moment right now with the advances we're making both in fundraising and market development.