

## Case Study 5.

### Australian Sandalwood: Aveda-Mt Romance-Aboriginal Community Sourcing Partnerships in Western Australia

#### Sandalwood in Western Australia

Sandalwood is one of the oldest and most popular incense and perfume ingredients in the world. *Santalum album* is found in India, Nepal, and Indonesia, and is considered the highest quality sandalwood species, but it is endangered from over-harvesting. The oil is found in both stem and roots, so trees are uprooted as part of harvesting. Full maturity is reached when the tree is 60-80 years old, but pressure on *S. album* has meant younger trees are harvested, and the species is now endangered. Australian sandalwood, *Santalum spicatum*, is a small tree (up to 4m) that occurs naturally in the southern half of Western Australia (WA). It is considered lower quality than Indian sandalwood, but is still attractive to the perfume and incense industries.

Western Australian sandalwood was first exported in 1845, and soon became Western Australia's biggest export earner. In the 1920s the essential oil was first produced in a higher quality manner that led to its adoption as an antiseptic in the pharmacopoeias of several countries, including Britain, France, Japan and Belgium, until it was replaced by antibiotics ([www.mtromance.com.au](http://www.mtromance.com.au)). Today, WA sandalwood is primarily exported to South-East Asia for the manufacture of incense, with Taiwan and Hong Kong accounting for more than 60% of annual production, and to India for the production of oil. Other major markets include Malaysia, Singapore, China and Thailand. Sandalwood is used within WA for furniture and crafts. The main company consuming sandalwood domestically is Mt Romance Australia (FPC, 2007). The sandalwood industry in WA is roughly \$30-35 million AUD today, with every tree accounted for, and tracked from point of harvest through to end use (David Brockelhurst, Mt Romance, pers. comm., 2007).

There are more than 250,000 tonnes of 'green' sandalwood distributed throughout Western Australia, found wild, in plantations, and in reserves including Aboriginal heritage sites. At present, the total area of distribution is approximately 161 million ha, of which almost half is protected from any form of harvesting. The government sets an annual harvest quota, currently of approximately 2,000 tonnes, which normally is half dead, and half green sandalwood. Harvesting contractors are full time and part time operators with contract quotas varying in size from between 10 – 250 tonnes/annum. Pastoralists and Aboriginal communities make up more than 50% of current contractors. Processing and marketing of all Crown land sandalwood is conducted by Wescorp International, a private company awarded the contract through a public process (FPC, 2007).

Sandalwood is a protected species, and the Department of Environment and Conservation issues licenses to harvesters, as well as the Forest Products Commission (FPC) to harvest the wood. The FPC is a government trading enterprise established to develop and market Western Australia's renewable timber resources. It is also responsible for the commercial harvesting, regeneration, marketing, and development of the sandalwood industry, both in plantations and natural resource

areas. The Department of Conservation and Land Management is responsible for the environmental management of the species (FPC, 2007).

*Mt Romance-Aveda-Aboriginal Community Sourcing*

Founded in 1995 with a mission of social and environmental responsibility, and based in Albany, Western Australia, Mt Romance is a private company, with roughly 50 employees. It operates the single largest sandalwood processing plant in the world, producing 16,000 kgs of sandalwood oil every year, all from Western Australian sandalwood. In addition to producing oil for the perfume industry, the company uses resins and all other by-products from the wood for use as incense, and in shampoos, detergents and other personal care products. The material used today by the company is wild-harvested, but plantations of both Indian sandalwood (3000 ha) and Australian sandalwood (9000 ha) will be coming on line in the next decade. Mt Romance does not own plantations, and instead intends to rely on partnerships with indigenous communities for its raw material. Wild material is higher quality than that from plantations, is organic, and undertaken by indigenous peoples allows them to stay on, and make a decent living from, their land and resources (David Brockelhurst, Mt Romance, pers. comm., 2007; [www.mtromance.com](http://www.mtromance.com)).

Founded in 1978, the Aveda Corporation is a wholly owned subsidiary of the Estee Lauder Companies, and is based in the US. It manufactures plant-based hair care, skin care, makeup, and lifestyle products with a commitment to protect the environment, conserve resources, and support indigenous communities. In the late-1990s, Aveda began to investigate alternative sources of sandalwood for its projects after reports of human rights abuses and poor harvesting associated with sandalwood in India. In 2003, they were introduced to Richard Walley of the Nyoongar Aboriginal peoples, and Stephen Birckbeck of Mt Romance. Aveda decided to move its sourcing of sandalwood to Australia, in partnership with Mt Romance and Aboriginal harvesters, since the trade there met the standards of the Department of Conservation and Land Management (CALM). They found, however, that existing sourcing practices in Australia resulted in minimal benefits for Aboriginal harvesters - with Aboriginal harvesters paid on average \$1300 AUD/tonne of wood, compared with pastoralists being paid \$8,000 – 11,000 AUD/tonne. As a result, Aveda entered into a partnership with Mt Romance and the Aboriginal Kutkububba community of Wiluna to develop an alternative supply chain, and build capacity in Aboriginal communities. A series of on-going consultations with a range of communities has expanded the sourcing partnerships into three other communities in recent years (David Hircock, Aveda Corporation, pers. comm., 2007).

Aboriginal harvesters may work through the Forest Products Commission, or through their own private licenses. If harvesters work through the FPC, they supply unprocessed wood, and receive less than \$2,000 AUD/tonne. Mt Romance provides an "indigenous bonus" to harvesters, paying \$3,600/tonne for unprocessed wood. If harvesters work through a private license, they receive \$8,600 AUD/tonne, but they must pay all harvesting, transport, and processing costs, with net revenues of \$4500-5,000 AUD/tonne. All material purchased by Mt Romance from Aboriginal communities is certified by the Songman Circle of Wisdom (see below); the premium it pays to harvesters under this scheme is passed on to purchasers of the oil, including Aveda and Givaudan (David Brockelhurst, Mt Romance, pers. comm., 2007).

## **Songman Circle of Wisdom**

During development of sourcing partnerships in Western Australia, Aveda and Mt Romance also supported creation of the **Songman Circle of Wisdom**, “a Western Australian based National Aboriginal Corporation owned, operated, managed and controlled by Aboriginal people” (Songman Circle of Wisdom, 2004). The Songman Circle of Wisdom is based on the belief “that by active participation in supporting and facilitating equitable commercial partnerships between the Indigenous and business communities, based on the sustainable use of natural resources and Indigenous cultural knowledge, positive change will occur” (Songman Circle of Wisdom, 2004). It was designed to meet the challenges faced by indigenous communities when seeking to establish sustainable business enterprises that respect the environment and traditional cultural knowledge, and to facilitate opportunities for the business community to work with and learn from indigenous peoples on an equitable basis. As part of partnerships, companies must obtain prior informed consent, in writing, from involved communities or individuals, and, while recognizing the existence and legitimacy of two parallel systems of law, “customary rights and traditional law will have precedence for the purpose of this protocol” (SCW, 2004).

The Songman Circle of Wisdom certifies the sandalwood supplied to Mt Romance, and the oil supplied to Aveda, including tracking it from the field, coding, and processing it separately. Within Mt Romance there are distillation units that process only Aboriginal peoples’ wood, and the oil is quarantined and kept separately in the oil cellar, until sold on to the customer.

## **Benefits for Aboriginal and local communities**

The Aboriginal and local communities sourcing sandalwood under the Songman Circle of Wisdom program receive a range of benefits associated with the supply of sandalwood. In addition to a more equitable price paid, an additional “royalty” of \$500 is also set aside on each tonne of wood, paid half by Mt Romance, and half by Aveda. For Aveda, this amounts to paying approximately \$25/kilo more for Australian sandalwood oil. These funds are placed in a revolving Capital Works Fund, audited by the Songman Circle of Wisdom, and held by Mt Romance. Funds are provided as interest-free loans, and allow communities to invest in local capacity and engage more effectively in the sandalwood trade, as well as address basic community needs. Examples include equipment such as de-barking machines, four wheel drive vehicles, and lifters to pull trees out of the ground with minimal environmental damage.

In the case of Albert and Norma Philips, who hold a lease on unallocated crown land, approximately 300 miles from Perth in the semi-arid Paynes Find region, supply of \$9,000 worth of equipment to meet new harvesting and environmental requirements meant that their capacity, and license, was increased to 100 tonnes/year. The Kutkabubba community has secured a private property license on a larger area of land than previously possible, and the Yamatji and Bondini people have built jobs and training for youth into their sourcing, including building cultural awareness and promoting teaching by Elders and collectors. Support for the sandalwood trade within Aboriginal communities is also a way to help people to stay on their land, and make a decent living. Additional enterprise development is also supported by Mt Romance and Aveda. For example, a 500 ha project has been established with the Kutkabubba community in Wiluna to plant out sandalwood and other indigenous medicinal plants in order to develop other forms of local enterprise. Aveda also makes grants for basic

needs in collaborating communities, including recently a mobile solar-powered desalination plant.

Aveda works on a number of levels to create a wide range of benefits for communities and conservation. More equitable prices paid for raw or processed materials, capacity-building, and supply of equipment and other materials for sourcing or basic community needs, are part of a package of immediate benefits that result from sourcing. In addition, the company seeks to link producers with a wider range of companies/buyers and certifiers, providing them with a rare commodity for communities – market access. For example, in Nepal Aveda worked with the Federation of Community Forestry Users (FECOFUN), Asia Network for Sustainable Agriculture and Bioresources (ANSAB), Himalayan Bio Trade Private Limited (HBTL), Enterprise Works/VITA, and Smartwood/FSC, to facilitate community owned paper making from sustainable sources of Lokta bark, and trade in other certified natural products. ([www.fecofun.org](http://www.fecofun.org); [www.enterpriseworks.org](http://www.enterpriseworks.org); [www.asnab.org](http://www.asnab.org); [www.himalayanbiotrade.com](http://www.himalayanbiotrade.com); [www.rainforest-alliance.org](http://www.rainforest-alliance.org)). As one partner in the initiative comments: "Aveda's willingness to provide industry expertise, guidance in product development and linkages with the herbal products industry is a contribution that goes beyond a traditional seller/buyer relationship" (The Canopy, 2004).

Aveda also works with indigenous peoples and communities on broader land rights, and increasingly provides linkages between communities and groups working on carbon sequestration and ecosystem services. In Brazil, for example, Aveda has worked with the Yawanawa people for 15 years, and recently assisted them in demarcating and monitoring their land, and defending claims on their land by logging companies. They are also brokering links between the community and groups working on carbon conservation (David Hircock, Aveda, pers. comm., 2007).

### **Use of images**

The use of indigenous peoples' images and cultural property in commercial marketing, without their prior informed consent, is a common problem in the personal care and cosmetic, botanicals, and other sectors. To address this problem, and allow for the use of sandalwood harvesting (not cultural) images in its marketing, Aveda worked with the Kutkabubba community in Wiluna to get approval for the use of approximately 10 images that might, at some point, be used in marketing. In Brazil, Aveda has signed a more formal written agreement with the Yawanawa, setting terms for the use of their images in marketing.

### **Benefits for companies**

In addition to fulfilling socially and environmentally responsible missions, and returning benefits to the lands and communities where sandalwood is sourced, Mt Romance and Aveda benefit from their partnerships with communities in a number of concrete, commercial ways: they secure access to biomass, and in the case of sandalwood a raw material in short supply; they provide customers with the certified products they seek; and they benefit from the story associated with community-based sourcing of raw materials, and the way this distinguishes products, and the company, in the marketplace.

### **Conclusion**

Although sandalwood is a widely known and used species, and 'prospecting' did not occur, the web of partnerships that make up this case highlight important aspects of ABS 'best practice' associated with raw material ("biological material") sourcing in this sector. These include significant consultations with a range of communities and groups on the contours of proposed partnerships; provision of a range of monetary (eg more equitable prices, royalties into a fund) and non-monetary (eg equipment, training, access to markets) benefits; attention paid to state and national laws, as well as prominence given to customary law and decision-making practices; and prior informed consent associated with the use of images in marketing.

Community-based partnerships for raw material sourcing remain the exception in all sectors, however, with large-scale commercial agriculture, or purchase of raw material on the open market, with no questions asked, representing cheaper, more reliable (in the short term), and easier alternatives. Even companies trying to "do the right thing" often source a large portion of raw material in this way. It is clear that incentives must be in place to allow companies to invest in these types of partnerships, including the ability to tell their story and position themselves as unique within the market, or to secure raw material in short supply. Critical to implementing best practice in the personal care and cosmetic, and botanicals, sectors (unlike the pharmaceutical, biotech, or seed, for the most part) is demand from educated consumers for sustainable and equitable raw materials in their 'natural' products, and the role of certifiers in ensuring that claims are accurate.

## **Bibliography**

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