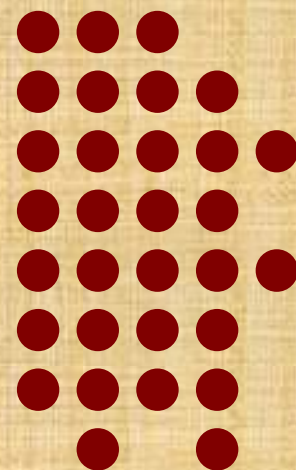


Current Status and Potential Future Developments for Forest Certification



Richard P. Vlosky, Francisco X. Aguilar
and Shadia Duery



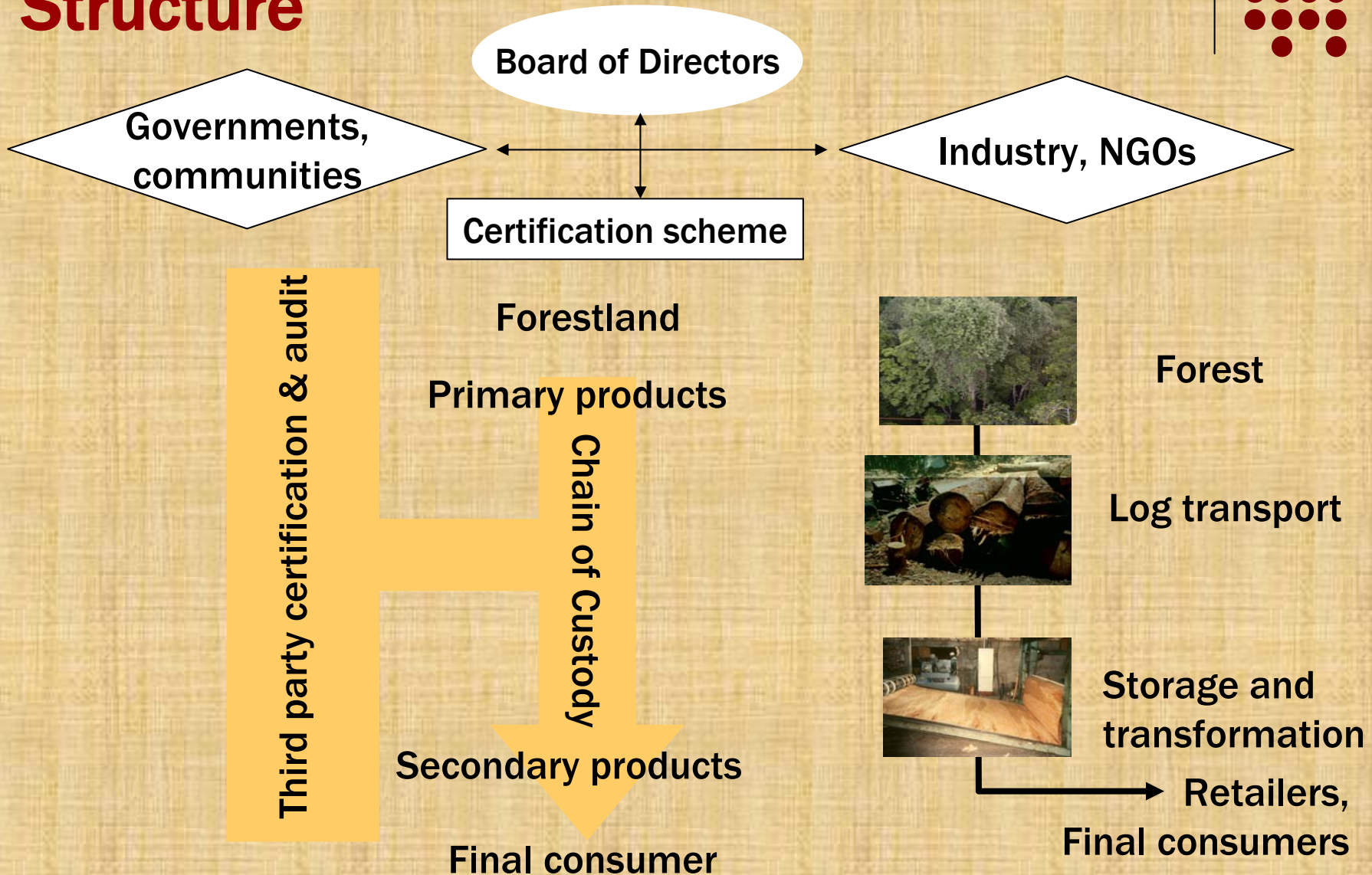
Louisiana Natural Resources Symposium
Baton Rouge, Louisiana
July 19-20, 2005



Why Forest Certification?

- ▶ Initially, concerns about rapid deforestation and illegal logging of tropical hardwoods, but later clear-cutting practices in North America.
- ▶ Address public concerns about perceived negative impacts of forest production activities on the natural environment.
- ▶ Need for consumers and stakeholders to be assured by neutral third-party organizations that forestry and products companies use sustainable forest management practices.

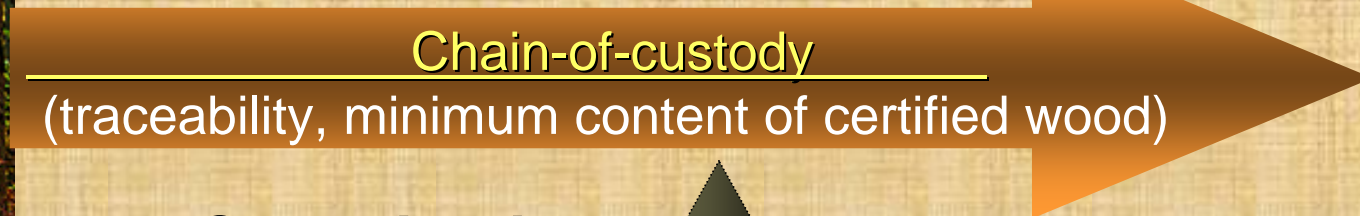
Generalized Certification Scheme Structure



Forest Management and Chain-of-Custody Certification



Harvesting,
Processing,
Transportation



Commingling

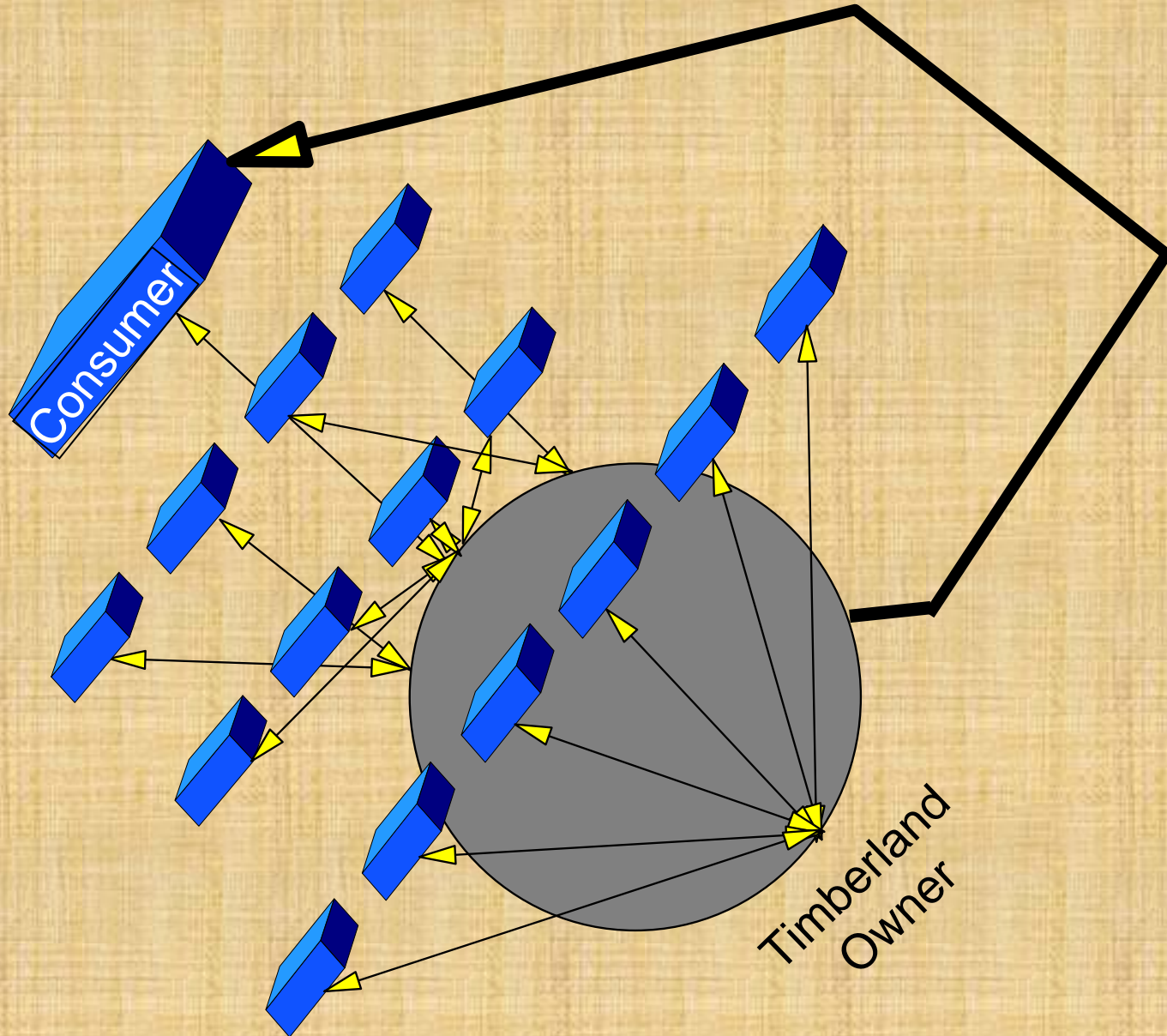
Non-certified
sources



*Final
consumers*

Independent third-party auditor

Chain-of-Custody





Major Forest Certification Standards



FSC: Founded in 1993 in response to public concern about tropical deforestation and demand for an international wood-labeling scheme.

PEFC (Programme for the Endorsement of Forest Certification schemes): Launched in 1999, created by the European industry as an alternative to FSC certification.



SFI: Developed by the American Forest and Paper Association in 1995. It is the major certifier in North America.

Major forest certification programs (cont.)



Canadian Standard Association (CSA), Sustainable Forest Management Program (CAN/CSA Z809): In 1996 CSA, along with the Canadian government, launched Canada's National Standard for Sustainable Forest Management (CAN/CSA Z809).



American Tree Farm: Established by the American Forest Foundation in 1941. It is one of the oldest forest certification schemes in the world. Certifies forest land in the USA.

Third-party auditing organizations



- **FSC**: SmartWood, Scientific Certification Systems, KPMG, SGS Forestry Services
- **SFI**: PricewaterhouseCoopers, BioForest Technologies, KPMG
- **PEFC**: SGS Forestry Services, PricewaterhouseCoopers



Major forest certification schemes, area certified and geographic scope



Scheme	Area Certified Million hectares	Geographic Scope
PEFC	55.0	Primarily focuses on forests in the European Union. Currently expanding to Australia, Brazil, Canada, Chile, Malaysia and the USA
SFI	55.0	Primarily focused on industrial forests in the United States and Canada.
FSC	48.0	International. Umbrella for many national schemes. Used by all types of forest ownership around the world.
CSA	47.4	Canadian Standards Association
ATF	13.6	United States

Total 219 million hectares certified (Over 540 million acres)

Is There One "Best" Scheme ?



Mutual recognition



- PEFC is the leader in the development and adoption of mutual recognition for certification schemes.
- The PEFC Council has endorsed **18** national schemes that comply with their standard requirements including schemes outside Europe: (Australia, Canada, UK, Chile).
- SFI considers PEFC to have a dominant position internationally and as a result, SFI is currently pursuing endorsement by PEFC.
- State of Oregon is considering PEFC certification for state lands

Examples of certified timberland in the U.S.



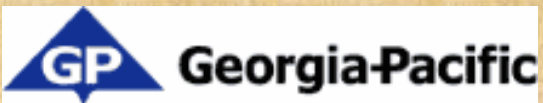
- 87 percent of North American timberlands owned or managed by Weyerhaeuser are certified to SFI or CSA standards.



- Second largest private timberland owner in the USA. All holdings are SFI certified.



- All of International Paper forestlands in the United States are certified to SFI standard.



- GP as a member of the American Forest & Paper Association and recognizes the SFI certification scheme

Demand for certified forest products



- Home Depot, the world's largest home improvement retailer, first issued a "Wood Purchasing Policy" in 1999. Favors FSC certification.



- Lowe's gives preference to the procurement of wood products from FSC independently certified forests.



- B&Q is the largest "do it yourself" retailer in Europe and the third largest in the world. 80% of all of their timber products are FSC certified.

Why Certify or Give Preference to Certified Products?



Get environmentalists off their backs?



Why Certify or Give Preference to Certified Products?



Altruism?



Why Certify or Give Preference to Certified Products?



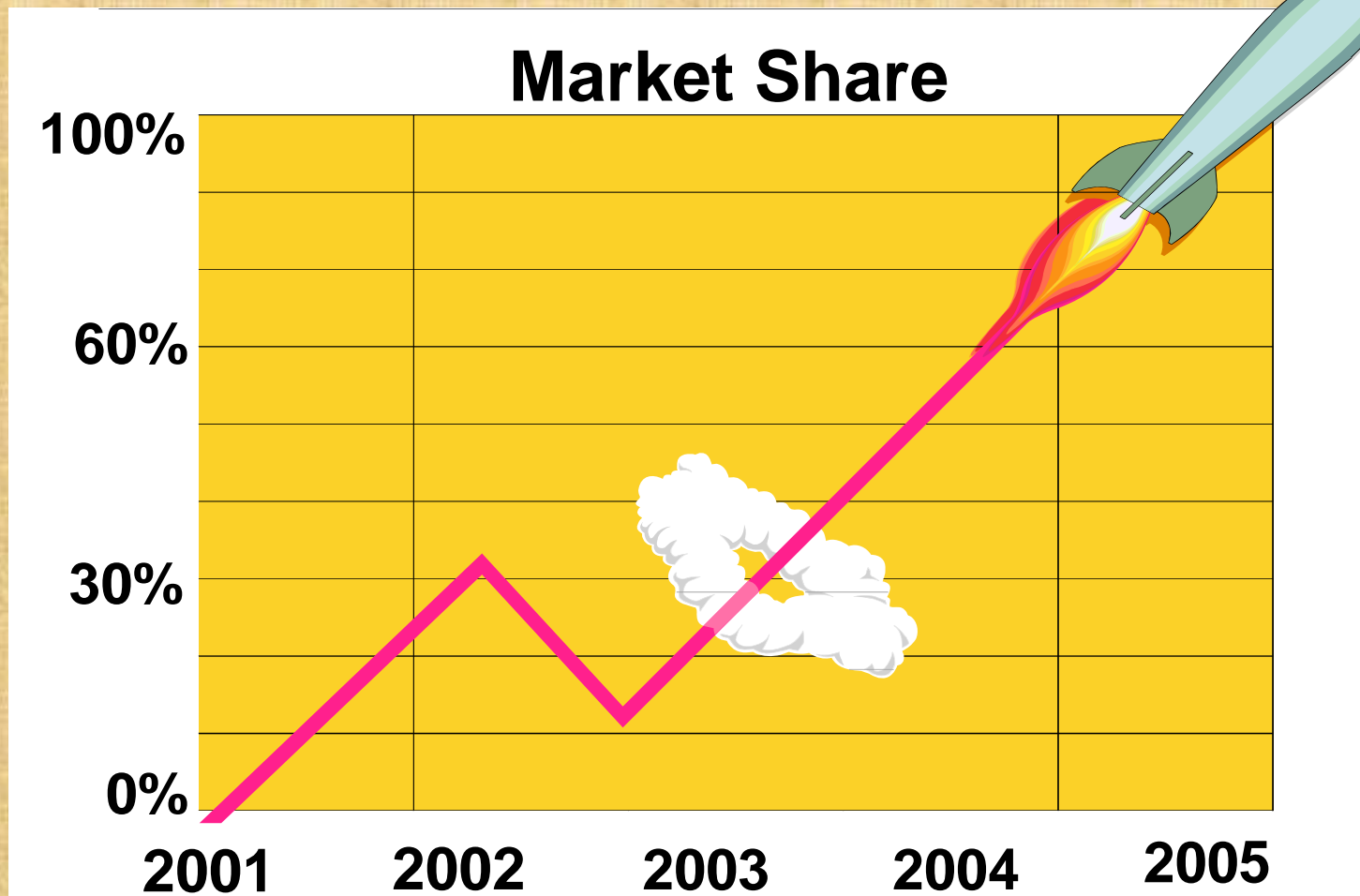
Promote Sustainability?



Why Certify or Give Preference to Certified Products?



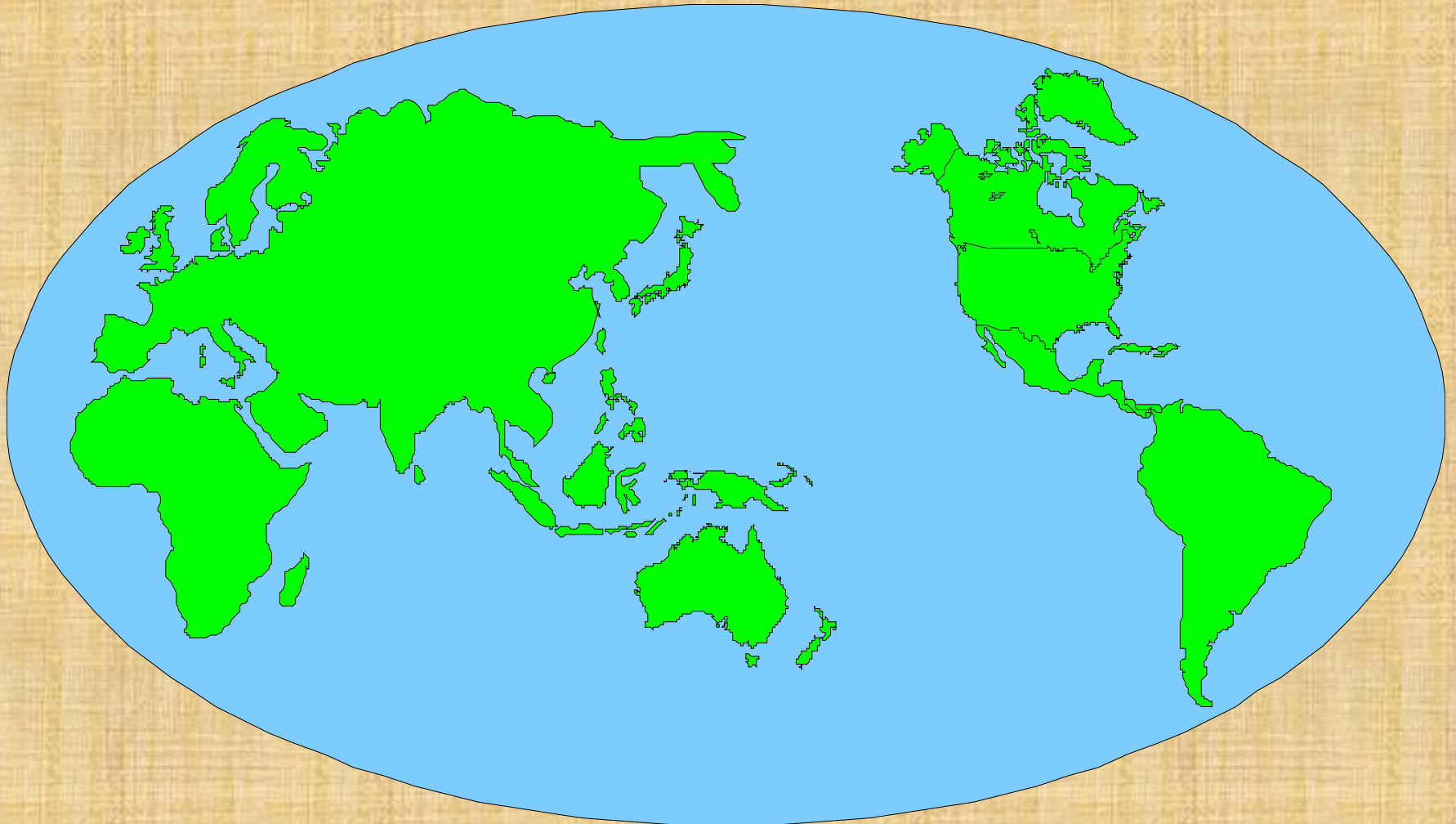
Market Positioning?



Why Certify or Give Preference to Certified Products?



Develop New Markets?



Why Certify or Give Preference to Certified Products?



Contribute to the Bottom Line?



Forest certification costs



- ▶ Cost are hard to compare due to differences in forest type, organization being certified and the firm performing the auditing.
- ▶ Channel members incur costs but generally do not see incremental profits.
- ▶ Certification is being positioned/perceived as a cost of doing business.
- ▶ Creates negative perceptions by companies that feel that they are being forced into participating.

Potential for price premiums

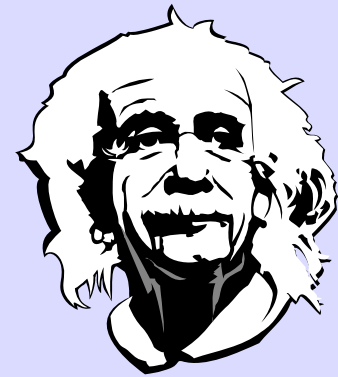


- ▶ Consumers, builders, architects, and other supply chain members in a number of countries state that they would pay a 5%-15% premium for certified wood products.
- ▶ Experimental research has shown that in reality, consumers do not pay a premium (Hansen 2005).
- ▶ Why? **NO VALUE PROPOSITION!!!!**

What Does The Future Hold for Forest Certification?



Will Continue to Evolve



Price Premiums?



Mass or Niche Markets?



▶ Mass markets:

- ▶ Larger corporations on sell & buy side
- ▶ Commodity products
- ▶ Consumers: less educated, less affluent

▶ Niche markets:

- ▶ Requested by customers
- ▶ Tropical certified wood products
- ▶ Consumers: more educated, more affluent

Public Perceptions?



- ▶ Consumers trust the forest products industry the least to monitor certification; environmental NGOs are the most trusted (Ozanne and Vlosky (1997, 2003).
- ▶ The general public is ignorant and at best confused about the concept and practice of certification.
- ▶ Opportunities for branding and value creation are fading.

A Common International Forest Certification Standard?



- ▶ Market forces are likely to foster further harmonization among forest certification programs (Fischer et al. 2005).
- ▶ PEFC is the leader in the development and adoption of mutual recognition for certification schemes.
- ▶ Probability for SFI/FSC mutual recognition?



Certification is Here to Stay



- ▶ Forest certification was once considered by many to be a passing phase that environmentalists would “get over”.
- ▶ Obviously, this has not been the case. Certification will continue to proliferate on a global scale.



Forest Certification Resource Center

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A COMPREHENSIVE RESOURCE FOR CERTIFIED FORESTS & WOOD PRODUCT SUPPLIERS WORLD WIDE.

The idea of forest certification began as a movement to use market-based incentives to encourage sustainable forest management practices in regions where regulation is lacking, and to exceed governmental standards in more regulated countries.

Independent certification can verify that forests are well-managed—as defined by a particular standard—and ensure that certain wood and paper products come from responsibly managed forests.

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News & Information

UPM Tests Forest Certification Standards

UPM's parallel testing of forest certification standards shows that common certifications achieved a balanced approach.

Forest Owners Adopt Unique Certification Standard

New Zealand forest owners are implementing their own certification standard.

Potlatch Calls Forest Certification a Boon for Company

Potlatch Corporation's 473,000 acres and mill in Arkansas have been third-party audited and certified by FSC.

The Forest Certification Resource Center is a program of [Metafore](#).

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Questions?



Comments?

