

JAPAN GOING TOWARD FOREST CERTIFICATION

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Toshiaki Owari

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## **JAPAN: GROWING INTEREST IN FOREST CERTIFICATION**

Japan has become one of the important markets for the Finnish forest industry. Finland has gained an impressive market share in sawn softwood in Japan since the 1990's. Japan accounted for 12 % of Finnish sawn softwood exports in 2003 and is now the largest market outside Europe (Finnish Forest Industries Federation 2004). Finnish paper companies are actively expanding their business in the Japanese market.

According to the FAO, the Asian region including Japan has the lowest proportion of certified forests (Fujiwara 2003). However, the Japanese forestry, forest industry and forest products customers are becoming aware of forest certification. In addition to the widespread of international certification schemes, a new national forest certification initiative named SGEN (Sustainable Green Ecosystem Council) was established in 2003. Moreover, Japanese paper companies and printers have been enthusiastically gaining the COC (Chain of Custody) certificates recently.

This paper provides latest information on forest certification in Japan. As a background, I first give an overview of the Japanese forest, forestry and forest industry. Second, I illustrate the situation of different forest certification schemes working in Japan. I describe the demand and supply for certified forest products briefly. Finally, I conclude this paper by analysing why Japan has been adopting forest certification.

## **FOREST, FORESTRY AND FOREST INDUSTRY IN JAPAN**

Japan has 25.1 million hectare of forest, covering 67 % of total land area (Forestry Agency 2004a). The total growing stock amounted to four billion m<sup>3</sup> in 2002 so that the average stand density was 160 m<sup>3</sup>/ha. Plantation forest (mainly Japanese cedar and cypress) accounts for 40 % (10.4 million ha) of the total forestland. Two thirds of the plantation forest age below 40 years. Tending those young stands has been a vital issue for the Japanese forestry.

Private-owned forest accounted for 60 % of the total forestland in Japan, whereas the state and municipalities own 30 % and 10 %, respectively. Japan's forests are owned on a small scale and in a dispersed way. There were one million non-industrial private owners in 2000, who had 5.6 ha of estate on average (Forestry Agency 2004a).

Due to unprofitable forestry practices, roundwood production has been inactive in Japan. Domestic wood production was 16.1 million m<sup>3</sup> in 2003 (Forestry Agency 2004b), which satisfied less than 20 % of the total wood demand.

The demand for wood totalled 87 million m<sup>3</sup> log equivalent in 2003 (Forestry Agency 2004b). Timber accounted for about 40% of the total demand and came to 34.8 million m<sup>3</sup>. The demand for pulpwood 37.0 million m<sup>3</sup>. The self-sufficiency of timber and pulpwood is 32% and 12%, respectively.

There were ten thousand sawmills, 300 plywood mills, 2,300 chip mills and 260 glulam mills in 2002 (Forestry Agency 2004a). Five thousand sawmills are dependent only on domestic logs and are relatively small in size. The average wood consumption was 1,700 m<sup>3</sup> annually in 2002, while the sawmills that use only imported logs consumed 6,400 m<sup>3</sup> on average.

The Japanese paper industry is structurally more oligopolistic. Though there are 38 member companies in the Japan Paper Association (Japan Paper Association 2004), three biggest companies Nippon Paper (27.9 %), Oji Paper (24.8 %) and Daio Paper (8.9 %) had more than half of the market share for printing and communication paper in 2003 (Mito Security 2004).

## **DIFFERENT FOREST CERTIFICATION SCHEMES IN JAPAN**

### ***ISO14001 (International Organization for Standardization)***

Although the system is not performance-based but process-based, ISO14001 certification was first adopted in Japan among different forest certification schemes. In July 1999, the forestry division of Sumitomo Forestry, which manages forty thousand hectare of the company forests, first got the ISO certification in Japan. Tokyo Metropolitan Government (22 thousand ha) and Mitsui Bussan Forestry (39 thousand ha) have also acquired the certification. Nippon Paper has got ISO14001 certification for managing the plantation forests in South Africa.

### ***FSC (Forest Stewardship Council)***

Forest Stewardship Council (FSC) is the performance-based forest certification system that was first adopted in Japan. WWF (World Wide Fund of Nature) Japan has actively taken the initiative to introduce the FSC certification. WWF Japan has also led the discussion to develop the FSC national certification standard since 2000.



In January 2000, a private forest of 1,070 ha located in Mie Prefecture was first certified by FSC. By 2002, a total of about 7,500 hectares had been certified in four locations in Japan (Fujiwara 2003). Japan has currently 18 certified forests with 177 thousand hectares under FSC, amounting to 0.7 percent of the country's total forest area (See Appendix).

Most of the FSC-certified forests are public-owned, which shows growing interests in forest certification by local governments (Fujiwara 2003). Mie Prefecture has offered a subsidy to cover the cost for acquiring FSC certification. Kochi Prefecture has included FSC-certified construction materials in the list of green procurement.

Japanese companies have got FSC certification for their plantation forests located overseas (e.g. Mitsubishi Paper in Chile, Daio Paper in Chile, Oji Paper in South Africa

and New Zealand, PanaHome in New Zealand). Mitsubishi Paper has procured FSC-certified wood chips from the company forests since the end of 2002.

184 FSC COC certificates have been issued in Japan as of 1<sup>st</sup> September 2004. In the wood products sector, some Japanese sawmills and house builders have got the FSC COC certification. They are mostly small in size. The market of FSC labelled wood products has been limited in Japan. It is mainly due to limited resources, unstable supply and lack of demand for certified products. WWF Japan has formed FTN (Forest and Trade Network) and is actively promoting FSC certified products.

Major Japanese paper companies, printers and trading companies have been actively gaining the FSC COC certificates lately. Mitsubishi Paper is producing FSC labelled printing paper (coated and uncoated). Oji Paper is also producing FSC labelled paper. Some large Japanese companies such as KIRIN Beverage, Komatsu (construction & mining equipment), Shimizu Corporation (construction), Asahi Beer, Mitsubishi Trading have used FSC certified paper for the environmental report. Mitsubishi Motors, NIKE Japan, Mini Stop (convenience store) have adopted FSC certified paper for the product catalogue.

### ***SGEC (Sustainable Green Ecosystem Council)***

Sustainable Green Ecosystem Council (SGEC) is a new national certification scheme founded in Jun 2003. Among the sponsors of this initiative are many representatives from Japan's wood industries, as well as representatives from international environmental NGOs such as FoE (Friend of Earth) Japan (Fujiwara 2003). Six forests with 3,900 hectares have been certified and 3 COC certificates have been granted by SGEC as of September 2004 (See Appendix).



The Japanese forestry and forest industry have worried that the Japanese consumers believe that imported forest products with certification labels are more environment-friendly than domestic products. Indeed, SGEC has been created in order to protect Japanese forests and forestry (SGEC 2004).

According to SGEC (2004), the SGEC forest certification is a system that raises the level of Japanese forest management and ensures healthy forests by achieving a balance between natural environment and sustained yield of wood products. The certification requirements for forest management comprise seven standards and 35 indicators, which reflect Japan's current situation while meeting international requirements (SGEC 2004).

There are two certification bodies of the SGEC certification. Unlike FFCS, where the Finnish Accreditation Service (FINAS) accredits the certification bodies, they are accredited by SGEC itself. The SGEC certification bodies may use the existing forest management plan through the certification process, which is obligatory under the forest law in Japan. This can make the certification procedure more simple and suitable to the reality of Japanese forestry (SGEC 2004).

SGEC also gives certification to the distribution (separation and labelling) systems for certified forest products. For the distribution certification, only physical segregation

systems are applicable and material flow accounting is not available. A certified business entity should separate certified forest products from others at the stage of manufacturing, storage and shipping so as to avoid mixing (SGEC 2004).

### ***PEFC (Pan-European Forest Certification)***

In Japan, PEFC Promotions Asia is engaged in the promotion of the PEFC certification scheme. There is a PEFC certification body, Japan Gas Appliances Inspection Association (JIA), which is accredited by SWEDAC (Swedish Board for Accreditation and Conformity Assessment). It has been working on PEFC certification since November 2003. Two COC certificates have been granted (See Appendix). Meiji Seika, Ltd. launched confectionery products with new paper packaging which carry the PEFC logo. The company announces it on the environmental report.



## **WHY FOREST CERTIFICATION IN JAPAN?**

Japanese paper companies have been incorporating forest certification in their corporate strategy. There seem to be two main aims. One is that they intend to create a better corporate image of themselves. The use of recycled paper has been a major indicator of environmental friendliness for the Japanese paper industry. Given the technological limitation of recycle fibre usage, the industry has acknowledged forest certification as an alternative to show their environmental friendliness to the stakeholders.

Another aim is that they can attract the Japanese large industrial end-users by offering environmental friendly products. Larger companies are especially becoming aware of CSR (Corporate Social Responsibility) in Japan. By using certified products and communicating with the stakeholders, they can show their contribution to the society and natural environment.

The Japanese domestic forestry and wood industry seem to have different objectives in forest certification. They have been aiming to protect themselves against imported wood products. They have been also expecting to get a price premium from the certified products. As the Western markets, the demand for certified wood products has been limited in Japan, and they have been struggling to harvest a fruit from forest certification.

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## APPENDIX. LIST OF FOREST/COC CERTIFICATES IN JAPAN

### *FSC Forest Certificates (18 forests, 177,495 ha, 1<sup>st</sup> Sep. 2004)*

| Client  | Certification Body  | Land Ownership | Forest Type  | Area (ha) |
|---|---------------------|----------------|--|-----------|
| Asahi Breweries, Ltd  | SCS                 | Private        | Plantation   | 2,193     |
| Chusei Forestry Association Forest Group Scheme   | Soil Association    | Private        | Plantation   | 1,281     |
| Hayami Forest   | SCS                 | Private        | Plantation   | 1,070     |
| Higashishirakawa Forest Owners Co-operative   | SGS                 | Private        | Semi-Natural and Mixed Plantation & Natural Forest | 1,462     |
| Hokuetsu Paper Mills Ltd. Iwate Forest  | SGS                 | Private        | Plantation   | 3,044     |
| Iwaizumi Town Forest Group Scheme   | Soil Association    | Public         | Semi-Natural and Mixed Plantation & Natural Forest | 5,316     |
| Kesen Province Forestry Association Forest Group Scheme                                   | Soil Association    | Public         | Semi-Natural and Mixed Plantation & Natural Forest | 9,266     |
| Mathisaka-Iinan Forestry Association  | Soil Association    | Private        | Natural  | 2,352     |
| Matsusaka-Iinan Forestry Association Forest Group Scheme                                  | Soil Association    | Public         | Semi-Natural and Mixed Plantation & Natural Forest | 3,274     |
| Miyagawa Forestry Association   | Soil Association    | Private        | Plantation   | 1,814     |
| Nagano Prefecture   | Soil Association    | Public         | Plantation   | 207       |
| Ryujin-mura Forest Owners' Cooperative (FM)   | Rainforest Alliance | Private        | Natural  | 3,351     |
| San-ei Kraft, Ltd.  | SGS                 | Private        | Plantation   | 955       |
| Shimokawa Town Forest Owner's Cooperative   | SGS                 | Communal       | Semi-Natural and Mixed Plantation & Natural Forest | 2,079     |
| Tokyo University of Agriculture and Technology  | SGS                 | Private        | Semi-Natural and Mixed Plantation & Natural Forest | 902       |
| Yamanashi Prefectural Government (Forestry Division, Forestry and Environment Department) | Rainforest Alliance | Public         | Semi-Natural and Mixed Plantation & Natural Forest | 135,423   |



|                                     |                     |         |            |       |
|-------------------------------------|---------------------|---------|------------|-------|
| Yoshida Honke Sanrin-bu             | Soil Association    | Private | Plantation | 1,257 |
| Yusuhara Forest Owners' Cooperative | Rainforest Alliance | Private | Plantation | 2,249 |

**SGEC Forest Certificates (6 forests, 3,896.06 ha, 15<sup>th</sup> Sep. 2004)**

| Date of Issue | Client                       | Prefecture | Area (ha) | Certification Body |
|---------------|------------------------------|------------|-----------|--------------------|
| 25.12.2003    | Oji Paper                    | Shizuoka   | 187.81    | NAFEA              |
| 25.12.2003    | Nippon Paper                 | Shizuoka   | 673.19    | JAFTA              |
| 16.03.2004    | Oji Paper                    | Wakayama   | 645.37    | JAFTA              |
| 15.09.2004    | Sato Wood Industry           | Hokkaido   | 568.80    | NAFEA              |
| 15.09.2004    | Miyazaki Prefecture Morokata | Miyazaki   | 1,575.79  | NAFEA              |
| 15.09.2004    | Tazume Forestry              | Miyazaki   | 245.10    | NAFEA              |

Note: JAFTA: Japan Forest Technology Association

NAFEA: National Forestry Extension Association in Japan

**SGEC Distribution Certificates (3 companies, 15<sup>th</sup> Sep. 2004)**

| Date of Issue | Client  | Prefecture | Products             | Certification Body |
|---------------|---|------------|----------------------|--------------------|
| 16.03.2004    | Daishowa Korin Co., Ltd. (Subsidiary of Nippon Paper) | Shizuoka   | Sawn wood and glulam | JAFTA              |
| 15.09.2004    | Yamasa Co-operative Association                       | Hokkaido   | Glulam               | NAFEA              |
| 15.09.2004    | Sato Wood Industry                                    | Hokkaido   | Sawn wood            | NAFEA              |

**PEFC COC Certificates (2 companies, Sep. 2004)**

| Client                        | Certification Body | Process                       |
|-------------------------------|--------------------|-------------------------------|
| Dai Nippon Printing Co., Ltd. | JIA                | Paper printing and processing |
| Itochu Pulp and Paper Corp.   | JIA                | Pulp and paper                |

Note: JIA: Japan Gas Appliances Inspection Association