Current Status and Potential Future Developments for Forest Certification

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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

Governments, communities

Board of Directors
Certification scheme

Industry, NGOs

Forestland
Primary products
Chain of Custody
Secondary products

Third party certification & audit

Final consumer

Forest
Log transport
Storage and transformation
Retailers, Final consumers

Aguilar and Duery, 2004
Forest Management and Chain-of-Custody Certification

Chain-of-custody
(traceability, minimum content of certified wood)

Retailers
Procurement policies

Forest Management Certification

Harvesting, Processing, Transportation

Commingling

Non-certified sources

Final consumers

Independent third-party auditor

Non-certified sources
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

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

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?
Market Positioning?

Why Certify or Give Preference to Certified Products?

Market Share

2001 2002 2003 2004 2005

0% 100%
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?
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.
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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 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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