Chapter 13
Certified Forest Products Marketplace

Highlights

- *Potential supply of certified forest products is growing faster than market demand.*
- *Market demand for certified forest products continues to be more from retailers and not final consumers.*
- *The Timber Committee believes certification currently has value as a communication and marketing tool, in addition to its primary objective of encouraging sustainable forest management.*
- *Thus far, most certified forests are in the ECE region – only 8% are in the tropics.*
- *The new Pan-European Forest Certification system is coming on stream and has the possibility of doubling the forest area certified in Europe within 2 years.*
- *Some forestlands are achieving multiple certifications and mutual recognition between certification schemes is being initiated.*

13.1 Introduction

The analysis of certified forest products (CFPs) markets is a regular chapter now in the Review. An initial special chapter on the subject was included in 1998 and last year the first regular chapter was published. The Timber Committee expanded its market discussions to include this sector as it feels that CFPs are important, especially as the certification of sustainable forest management remains a topical issue at the beginning of the new millennium.

At the 1999 market discussions, the Committee saw value in certification as a communication tool to provide a channel of communication between the sector and the people outside of the sector. Delegates explained that certification is, among other things, a marketing tool and indeed some companies have found valuable, but sometimes not directly profitable, benefits from manufacturing CFPs or at least in environmentally-oriented marketing. Some delegations expressed concern that a multiplicity of certification schemes could actually harm the image of wood by confusing the consumer.

Information for this chapter came from a variety of sources, but does not come from country-supplied statistics to a formal questionnaire like the preceding chapters. Customs classifications do not make the distinction between CFPs and other products. Considerable information for this chapter came from a forthcoming Geneva Timber and Forest Discussion Paper entitled "Status of forest certification in the ECE region: Summer 2000 update". We are indebted to the authors of that Discussion Paper: Messrs. Eric Hansen (Oregon State University, United States), Keith Forsyth (VELUX A/S, United Kingdom) and Heikki Juslin (University of Helsinki, Finland). Other sources are listed in the text where they are referenced.

Some information for this chapter was gathered from the Internet. A new Market Information Service is on the Timber Committee web site and it includes

information and links about CFPs (www.unece.org/trade/timber/mis.htm).

13.2 What are CFPs?

Certified forest products bear labels demonstrating in a verifiable manner that they come from forests that meet standards for sustainable management. Consumers might find labels on furniture and wood products while manufacturers could verify the source of certified products from a system of chain of custody that precisely identifies the origin of the wood.

13.3 What are the objectives of certification?

Certification systems have two major components:

- *A system to determine whether a particular forest area is managed in a sustainable way; and*
- *A system to verify that forest products are in forest produced from the specified forest area (chain of custody).*

The overriding objective is to promote sustainable forest management by informing final consumers whether the product they are buying is from a sustainably managed forest. However, the interests and objectives of the various actors – forest owners, forest industries, wholesalers, retailers, managers of certification systems, certifying companies, consumers, governments – vary widely. Sometimes, they conflict. To be successful, a certification system must further the objectives of all actors, or at least be acceptable to them.

This chapter examines, first, demand for certified forest products (e.g. consumer attributes, volume available, distribution channels) and then supply (e.g. certification systems in place, area of certified forest).

13.4 Demand for CFPs

13.4.1 Why sell CFPs?

Despite the weak demand by consumers, some manufacturers are producing and some retailers are selling CFPs for other reasons than sheer economics. At the Timber Committee's September 1999 market discussion, Dr. Richard Vlosky (Louisiana State University, United States) stated that the "green premium" for producing and selling CFPs, may not be in terms of higher prices, but of an improved image of the producer or retailer.

It bears repeating, from a Geneva Timber and Forest Discussion Paper[1] by Drs. Eric Hansen (Oregon State University, United States) and Heikki Juslin (University of Helsinki, Finland), The Status of Forest Certification in the ECE Region, a passage about reasons, other than direct profit, for marketing CFPs:

- *Access to new niche markets;*
- *Promotion of a company's "environmental" image and policy;*
- *Credibility in communication with customers; and*
- *Building strategic marketing networks.*

It seems that the marketplace is changing rapidly for CFPs. Many manufacturers and forest owners (including governments) in the ECE region were resistant to certification initially, stating that they knew that their management was sustainable and the burden of certification would simply add an additional, non-retrievable cost. In the last few years, however, more forest managers and manufacturers have changed their opinions and now consider that certification may indeed have additional values, for example as a communication and marketing tool. Likewise many trade associations that are involved with CFPs through their members welcome the public relations opportunities of certification to promote wood as an environmentally-friendly, renewable resource.

Many (but not all) traditional forest sector actors, in western Europe and North America, including forest owners, forest industries and state forest services, have ceased to see certification as a threat and a burden imposed by "outsiders" (environmental NGOs). Now they see it rather as an opportunity to check and improve their own practices against objective criteria and to demonstrate to consumers and NGOs that their practices do in fact constitute sustainable forest management.

Current market research shows a continued lack of awareness of environmental issues and certification. For example, sawmills on the West Coast of North America saw little environmental awareness in their most important customers (Seppälä, 2000)[2]. Nevertheless, respondents in the study did see good forest management as a source of competitive advantage.

In summary, at this early stage of evolution of the CFPs market, the direct revenue from price premiums by selling CFPs is not common. Many studies have been conducted that indicate consumers are willing to pay more for CFPs than equivalent un-labelled wood products. However, actual buyer behaviour does not always correspond to the stated intention and is naturally influenced by such factors as availability, price and quality. Nevertheless, some potential for price premiums exists in specific market niches. In short, the question of whether or not it is possible for sellers to get a premium for CFPs has not yet been fully tested in the market. If

[1] *ECE/TIM/DP/14, 1999.*

[2] *Unpublished thesis by Mr. Jarno Seppälä, Forest Products Marketing Department, Oregon State University, United States, 2000.*

such a premium could be created, there would remain the question of how it would be distributed between forest owners, producers, wholesalers and retailers.

13.4.2 Where are CFPs sold?

CFPs can be broken down into: 1. purchases by final consumers, e.g. at a furniture store; 2. industrial products for further manufacturing, e.g. sawn hardwood that goes into furniture purchased directly from producers or through agents and middlemen.

Like other markets, the market for CFPs is being affected by the development of the internet. Suppliers, buyers and providers of certification services are now able to provide information, develop business relationships and trade online. For instance, the North America-based Certified Forest Products Council currently provides an online service which enables potential buyers to search for suppliers of certified wood products. Later in 2000, they envision development of online trading in CFPs. On a relatively small scale, other online traders are currently successfully supplying customers with certified wood products via the internet. It is expected that as Internet-based marketing systems are developed, CFPs will find a place in them.

13.4.3 Main components of demand for certified forest products

Globally CFPs represent less than 1% of the value of sales of forest products. However in some markets they have greater importance; for example, in the United Kingdom they are estimated to have a 20% share of the market for forest products, including wood and paper (Boilley, Le Commerce du Bois, June 2000). The strongest impetus comes from some retailers and wholesalers who are committed to selling wood produced according to certifiable sustainable management, rather than directly from final consumers. It appears that final consumer market demand is small and thus the situation is more of a supply-push than a demand-pull. Manufacturers have generally been concerned with sustainable sources of supply of wood raw materials to their factories and some now are heeding the call from some retailers to produce CFPs. From a pure marketing view, the key demand from the final purchaser is missing and will only be created through considerable public relations efforts to educate consumers about potential advantages of CFPs over non CFPs.

This section analyses separately demand from final consumers, from retail and industrial buyers and from manufacturers.

13.4.3.1 Consumer demand

There is little new information available on final consumers' preferences for CFPs. Some initial studies investigated the potential for achieving price premiums to cover the additional forest management and forest products manufacturing costs of certification. While the studies generally found a willingness to pay premiums, this could not be confirmed at the cash register. Environmental aspects of products in most cases are not regarded as being of key importance in purchases (Sustainable Forest Management Certification, by Rametsteiner, 2000). There has been continual erosion of wood products' market share in the following building products: windows, doors, facades, furniture, framing, etc. (The Competitive Climate for Wood Products and Paper Packaging: the Factors Causing Substitution with Emphasis on Environmental Promotions, by Burrows and Sanness, 1999).

The importance of environmental considerations, as opposed to considerations of price, performance or fashion, in these developments is not clear. It could be that purchasers consider wood an environmentally-friendly raw material but do not take this into account in their decisions. Or perhaps they consider wood use to be hostile to the environment (encouraged in this belief by public relations work from competing materials) and are for that reason, reducing their purchases of forest products. If the first supposition is true, introduction of certification is unlikely to have much influence. If the second is true, certification could be the key to recovering lost market share.

13.4.3.2 Retailer demand

Heretofore termed "buyers' groups", The Global Forest and Trade Network established by the WWF is designed to create demand for CFPs. The name was changed to accept producers' groups, the first of which has been formed in Russia. Other producer groups are planned in other countries. Buyers' groups have been started in many countries in the ECE region and outside (table 13.4.1).

The first buyers' group, the 95+ Group in the United Kingdom, has had an undeniable impact on the development of and demand for certification. The Group is now made up of 94 companies and 11 local authorities. These companies make up nearly $6 billion in wood products sales. One of the reasons the Group has had such a significant impact on certification is that as a whole, they purchase and distribute wood products from 80 different countries, 28 of which are now supplying certified wood. To reach their long-term goal of 75% of trade of forest products in the United Kingdom, their membership will be expanded into other sectors such as

TABLE 13.4.1

ECE region members of the WWF Global Forest and Trade Network, 2000

	Group Name	Founded	Members
Austria	WWF Gruppe 98	1996	25
Belgium	Club 97	1994	41
Germany	Gruppe 98	1997	58
Switzerland	WWF Woodgroup	1997	20
Netherlands	Stichting Goed Hout!	1995	41
Finland, Sweden, Denmark, Norway	WWF Skog 2000	1998	32
Spain	WWF Grupo 2000	1998	13
United Kingdom	WWF 95+ Group	1991	102
North America	Certified Forest Products Council	1997	239
France	Club PROFORETS	1999	9
Russia	Association of Responsible Producers of Russia	2000	66
Ireland	Just Forests	2000	6

Source: WWF Forests for Life, 2000.

specifiers, construction, small businesses, producers, forest managers and supporters.

The year 2000 was to be a significant milestone for many of the early members of the 95+ Group. The goal was to be selling 100% certified products by the end of 1999 but at present approximately 9% of the Group's trade is certified. Originally the group was exclusively limited to Forestry Stewardship Council (FSC) certification, but as supplies of FSC-certified wood products do not yet equal the Group's demand, some members are open to sales of products certified by other systems, especially if there were mutual recognition between schemes (more detail in the Discussion Paper).

Environmental groups in North America have recently had significant success in steering companies away from old growth wood and toward certification. The world's largest chain of do-it-yourself stores, The Home Depot, announced that it would stop selling wood products from environmentally sensitive areas and give preference to certified wood. In response to the company's challenge, several of its competitors are following its example.

13.4.3.3 Manufacturing demand

At this time in most ECE countries there exists no domestic demand, either from consumers or from retailers, for CFPs. However there is growing demand from export-oriented manufacturers who target environmentally sensitive markets, for example the Netherlands and the United Kingdom. The same situation applies to many tropical timber producers and exporters.

As discussed above, the commitments of major industry customers in North America have taken the interest in certification to a new level in that region. The demand from retailers is clearly making its way back to producers of primary and secondary producers. Questioned by their customers whether the wood sold is from sustainable forest management, some manufacturers have initiated chain-of-custody procedures to demonstrate that the wood they sell really comes from sustainably managed forests.

So far, the system that is clearly demanded in the European marketplace is FSC. As Pan-European Forest Certification system (PEFC) has only recently been constituted and the first countries' systems agreed in summer 2000, no PEFC-certified material is yet on sale.

13.5 Supply of CFPs

At this time in the early evolution of modern certification of sustainable forest management, as no statistics exist on the volume or value of certified wood coming out of ECE region forests, this section describes the area of forestland certified. There are a few international systems plus a number of systems operating in individual countries (these may or may not be "national" systems, i.e. established by national governments). The international schemes are the International Organization for Standardization (ISO), FSC and the PEFC. Since the inception of certification of sustainable forest management, considerable debate has surrounded the schemes' perceived advantages and disadvantages. They are often seen as being mutually exclusive, but this may not in fact be the case. Some forest managers are arranging for their management to be certified under more than one system.

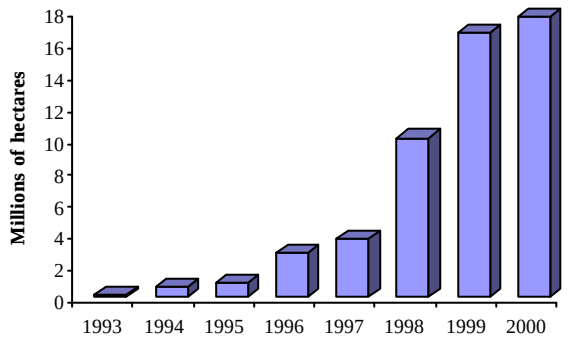
13.5.1 FSC

Since 1993 the area of FSC certified land has grown to approximately 17.6 million hectares as of June 2000 (FSC, 2000) (graph 13.5.1). This is approximately 1.4 million more than reported in last year's Review. Sweden dominates with approximately 9 million hectares, or over half of the total FSC certified land (graph 13.5.2). The number of chain of custody certificates was 735 in a total of 37 countries. Membership in FSC, which is divided into environmental, social and economic members, has climbed to 369 environmental non-governmental organizations, individuals, companies, university faculties, institutes, associations, etc. A total of 9 certifiers now have FSC accreditation and 7 await approval.

FSC has changed its percentage-based claims policy. The new policy allows lower percentages of FSC certified content in chip and fibre products. This new policy will be a challenge to follow through chain-of-custody. For assembled products to be certified by FSC, they must contain at least 70% of their volume in certified wood.

GRAPH 13.5.1

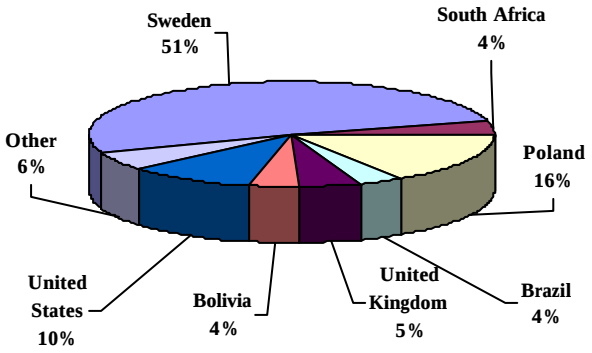
Area of FSC-certified forestland, 1993-2000



Source: FSC, 2000.

GRAPH 13.5.2

Distribution of FSC-certified forestland, 2000



Source: FSC, 2000.

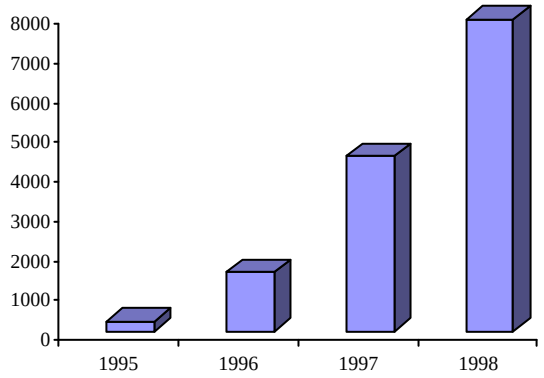
13.5.2 ISO

Not a certification scheme, but rather a set of internationally-recognized standards, the International Organization for Standardization has the ISO 14000 series of standards which the Organization has allowed to be used for certifying the environment management systems of forest and timber production operations.

Within the last year a number of companies in the forestry and wood products industry have obtained ISO 14001 Environmental Management System (EMS) certificates (graph 13.5.3). At the end of 1998, ISO records showed that a total of 7,887 ISO 14001 certificates had been issued, an increase of 78% when compared to the 1997 figure of 3,454. Of the total 7,887 certificates, 7,112 were classified into industrial sectors. Certificates issued to companies in the "Pulp, Paper and Paper Products" sector totalled 209, while certificates issued in the "Wood and Wood Products" sector totalled 34. It should be noted that 1S0 14001 certifies the existence and performance of an environment management system, not the attainment of specified forest managed standards.

GRAPH 13.5.3

ISO 14001 environmental management system certificates, 1995-1998



Source: ISO, 1999.

13.5.3 PEFC

The PEFC Council was launched in June 1999 as a voluntary, private-sector initiative, to certify sustainable forest management according to the Pan European Criteria as defined by the Lisbon Ministerial Conference on the Protection of Forests in Europe.

The purpose of the PEFC scheme is to promote an internationally credible framework for the mutual recognition of forest certification schemes and initiatives in European countries (PEFC, 2000). Timber from certified forests that meet the PEFC criteria and requirements will have access to the PEFC logo.

Membership in PEFC is different than in FSC and currently consists of 14 national PEFC groups:

- *PEFC Austria*
- *WoodNet asbl, Belgium*
- *The Council of the National Certification Centre – Czech Republic*
- *PEFC Denmark*
- *PEFC France*
- *Forest Certification Council, Finland*
- *German Certification Council*
- *PEFC Council of Ireland*
- *PEFC Latvia*
- *PEFC Norway*
- *Conselho Da Fileira Florestal Portuguesa, Portugal*
- *CEF (Certificación Española Forestal), Spain*
- *Swedish PEFC Interim Board*
- *PEFC Switzerland*

As of June 2000 a number of the groups above had applied for acceptance under PEFC, and some forestlands may be certified under PEFC this year. However, because of the strong interest in many European private forest owners' associations and governments to have their forests certified under PEFC, the potential exists for the certified forestland in Europe to double within 2 years.

It is a common misconception that PEFC only works on certification issues in Europe. In reality, PEFC focuses on Europe but is potentially global in its coverage and has the possibility to endorse certification standards worldwide. PEFC is understood to have entered into discussions with some Canadian organizations with a view to possibly endorsing certification schemes in Canada.

13.5.4 SFI

The Sustainable Forestry Initiative (SFI) is a United States system run by the American Forest and Paper Association whose membership controls approximately 90 percent of the industrial forestland in the United States, or just over 23 million hectares. Acceptance of SFI is a condition for membership of AF&PA, the main United States industry association. In addition, licensees (non AF&PA members) such as state and county management agencies account for another 1.3 million hectares. The SFI celebrated its fifth anniversary in 2000 with a new standard which includes five principles, eleven objectives and 37 performance measures. SFI has developed a third-party verification option for the system, which previously relied on self-certification and as of the end of 1999, approximately 20 million acres had been either committed to or completed the verification process. Many of the major corporate members have chosen to undergo verification.

SFI and the American Tree Farm System recently announced mutual recognition between the two systems. Lands certified through the American Tree Farm System amount to over 36 million hectares and represent a significant source of supply to many AF&PA companies.

SFI is planning upon becoming international through certification of forests according to its standards in Canada, Central and South America and other areas of the world (AF&PA, 2000).

13.5.5 CSA

Significant certification developments have taken place in Canada. The forestland certified under the Canadian Standards Association (CSA) Sustainable Forest Management System has more than doubled since May 1999 and in mid 2000 was approximately 480,000 hectares. This area is likely to increase with some of Canada's largest forestry and wood products companies – including Canfor, Interfor and Weyerhaeuser – aiming to achieve CSA certification (CSA 2000). Some companies have multiple certification standards accepted for the same forestland and CFPs.

However, the majority of certification work has been carried out according to ISO 14001 (table 13.5.1). In May 2000, ISO 14001 certificates had been issued to operations responsible for the management of almost 16 million hectares of forest, more than a six-fold increase when compared to May 1999.

TABLE 13.5.1

Certified forestland in Canada, 1999-2000

	Area covered (hectares)	
Standard	May 1999	May 2000
CSA	230,000	480,000
FSC	Not available	212,189
ISO 14001	2,550,000	15,960,000
Total	2,780,000	16,652,189

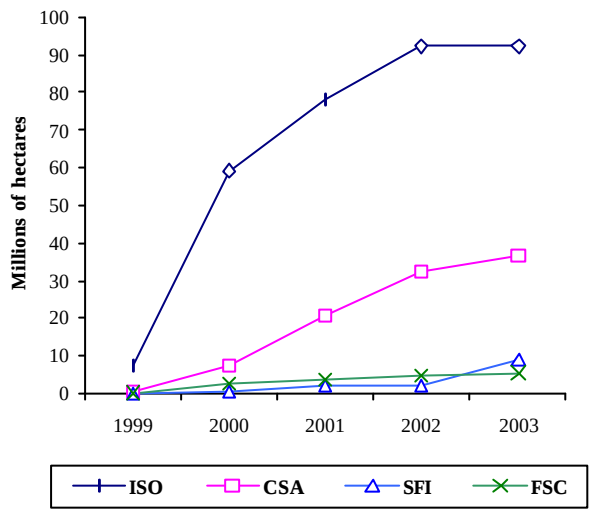
Sources: CSA 2000; and FSC 2000.

Approximately 75% of Canada's productive forestland could become certified according to one or more schemes (Canadian Sustainable Forestry Certification Coalition, 2000) (graph 13.5.4). According to companies' forecasts,

ISO 14001 will remain the dominant certification scheme used by forestry companies, followed by the CSA standard, the SFI and then the FSC standard. What the graph tends to hide is that there are several Canadian companies pursuing multiple certifications.

GRAPH 13.5.4

Potential certified forestland in Canada, 1999-2003



Source: Canadian Sustainable Forestry Certification Coalition, 2000.

TABLE 13.5.2

Summary of forest area certified in the ECE region

Country	Hectares certified	Scheme
United States	36.4 million	American Tree Farm System
	24.3 million	SFI
	1.8 million	FSC
Canada	15.7 million	ISO
	480,000	CSA
	22,000	FSC
Finland	13.5 million	Finnish Forest Certification System
Sweden	9 million	FSC
	1 million	Swedish PEFC
Norway	3.7 million	Living Forest/PEFC
Poland	2.7 million	FSC
Germany	1.5 million	German Forest Certification System
	120,000	FSC
United Kingdom	877,000	UKWAS/FSC
Denmark	36,000	FSC
Russian Federation	32,800	FSC
Ireland	11,000	FSC

Source: Forthcoming Status of Forest Certification in the ECE Region: Summer 2000 Update, 2000.

13.5.6 Other schemes

It is beyond the scope of the Review to list all the schemes developing in the ECE region, however they are well documented in the forthcoming Discussion Paper on the "Status of forest certification in the ECE region: Summer 2000 update". The Discussion Paper lists the following situation in the ECE region as of the summer 2000 (table 13.5.2). It is important to note that the scene is changing rapidly.

13.6 Mutual recognition between schemes

Concern has been expressed in several fora about the multiplicity of certification schemes which could confuse consumers, harm the image of wood and possibly legitimate widely differing standards of forest management, thus negating the usefulness of the whole exercise. Retailers too are concerned about the problems which could arise from stocking simultaneously products certified to different systems. They are also concerned that not enough certified forest products are available to satisfy their marketing strategies. The United Nations Intergovernmental Forum on Forests urged "countries, international organizations, including WTO and other interested parties to undertake as appropriate, further cooperative work on voluntary certification and/or labelling schemes, in line with the recommendations of Intergovernmental Panel on Forests, while seeking to enhance their international comparability and considering their equivalence, taking into account the diversity of national and regional situations, and to ensure adequate transparency and non-discrimination in the design and operation of such schemes, and are consistent with international obligations, so as to promote sustainable forest management and not to lead to unjustifiable obstacles to market access".

For all theses reasons, mutual recognition has become a common issue for discussion in certification fora. However, there are at present many strong opinions and vested interests that slow the process, as well as complex questions of sustainable forest management in concrete terms in particular regions.

Industry associations are concerned about mutual recognition between certification systems. The Confederation of European Paper Industries (CEPI) published a "Comparative Matrix of Forest Certification Schemes" in 2000 to "address concerns about a number of similar forest certification systems available, which could confuse consumers of forest raw materials and products; create trade barriers; and possibly fail to deliver the credibility promised" (CEPI, 2000). CEPI and the European Commission assisted in a seminar in Brussels in July 2000 by the PEFC on mutual recognition. The

American Forest and Paper Association and its member organizations and the Canadian Pulp and Paper Association as well as other Canadian associations have initiated mutual recognition between different schemes for reasons similar to CEPI.

In the United States, the American Tree Farm System of the American Forest Foundation, which is a community of 66,000 non-industrialist private forest owners and the Sustainable Forestry Initiative of AF&PA, the forest industry associations have formally recognized each other's standards for sustainable forest management.

There have been efforts to resolve this issue at the national level. For instance, the United Kingdom has set up, after a widespread consultation process, a United Kingdom Forestry Standard and a United Kingdom Woodland Assurance Scheme (UKWAS), both of which are acceptable to all stakeholders. Thus, forests managed according to the United Kingdom Forestry Standard and certified through UKWAS could be eligible for both the FSC and the PEFC logos. Similar strategies are being implemented in some other European countries.

Lack of mutual recognition has delayed progress in certification. Some European wood products manufacturers that are buying certified sawnwood do not sell CFPs. Why? Because without mutual recognition they fear alliance to one label would be perceived as being against another system which may or may not have a label. To avoid jeopardizing their sales, they currently carry no label.

13.7 Conclusion

The market for CFPs is evolving rapidly and continues to create excitement in the forest and forest industry sector. While demand from final consumers is weak, retailers, wholesalers and manufacturers are finding advantages in producing and trading in CFPs, for example as a valuable public relations vehicle. Governments and trade associations see certification as a new communication channel to reach their public and clientele and to assure them about the purchase and use of forest products produced under sustainable forest management. It is not clear to what extent forest management practice has changed as a direct result of certification schemes, notably because their arrival has coincided with changes in the emphasis of forest policy in most ECE region countries.

However, there has been considerable progress from the situation of controversy and doubt which existed a few years ago. A number of national and international certification schemes are in place and certified products are at last reaching the final consumer in significant quantities.

Nevertheless, a number of important points are still in doubt, including the following:

- *Ultimately, what proportion of forest products will be certified, the great majority or only a small part?*
- *will national and international systems continue to co-exist?*
- *will there be mutual recognition or convergence between major systems based on very different fundamental principles (e.g. ISO, FSC, PEFC)?*
- *who will bear the costs of certification in the future – consumers, wholesalers/retailers or the forest owners?*
- *will an established supply of certified forest products stimulate the use of wood, thanks to support from environmentally-aware consumers? Or will the higher costs reduce wood's competitivity?*
- *One certainty is that ECE/FAO will continue to monitor and analyse developments.*

Note: A Geneva Timber and Forest Discussion Paper is anticipated to update the status of certification and the marketplace for CFPs in the ECE region in 2000.