Abstract

As forest certification has developed, much of the discussion has concentrated on its potential benefits. Potential risks of certification are often overlooked. This paper explores both the opportunities and risks associated with certification using examples from the U.S. Implications for New Zealand plantation forestry are outlined.

The Development of Forest Certification

During the 1980s, tropical forests drew considerable attention from the international community. Government failures to prevent rapid tropical deforestation and forest degradation led many environmental non-governmental organizations (ENGOs) to environmental activism and boycotts or bans of tropical timber.

Although effective in impacting markets, boycotts have not necessarily always served their intended purpose. For example, boycotting tropical timber in Middle Europe may have actually accelerated the deforestation of tropical forests (Parviainen, 1998). As ENGOs realized the true impacts of boycotts, they began to look to other alternatives. Accordingly, they have been key agents in spreading the concept of forest certification.

Certification has the potential to be a tool for, marketing, promoting sustainable forest management, satisfying the needs of customers, verifying forest management accomplishments.

Market Linkages

The Role of Environmental Groups

ENGOs have had a significant impact on the development of sustainable forestry and the link to markets. Stanbury et al. (1995) provide an overview of the situation in Western Canada during the late 80s and early 90s. In this case, environmentalists and companies were literally at war over forest management issues. The overview is an intriguing assessment of the strategies used by ENGOs and the reactions and strategies of Canadian companies.

While activism elsewhere has centered on tropical forests, much of the activism in North America has concentrated on old growth and public forests. ENGOs first used the courts to accomplish their objectives. Now that many public lands in the U.S. have been set aside for non-timber uses, the groups have focused their energies on "market mechanisms".

Forest certification is one such market mechanism. ENGOs have not only supported the development of certification but also the development of demand for certified products. WWF has been intimately involved with the formation of the Forest Stewardship Council (FSC) and has developed a number of buyers' groups around the world to support development of demand for certified products. There are now buyers' groups covering 15 countries and plans for a buyers' group in Hong Kong to coordinate activities across Southeast Asia and one in Japan (Howard 2000). If their growth follows their European counterparts, they could become important future factors in key markets for New Zealand products.

In Europe too, environmental groups are going directly to the marketplace. Scandinavian wood producers have documented similar marketplace pressure by ENGOs during the past decade. Recent pressures have been most significant on forestry organizations via the marketplace rather than directly from ENGOs (Granqvist 1998).

In North America, ENGO pressure on wood markets is beginning to have an impact with a number of corporations committed to buying certified products. The commitment of The Home Depot and other large retailers to move away from wood from endangered forests and towards wood products from certified forests has had the most immediate and significant impact on producers of wood products in North America.

Market Development in the U.S.

The Home Depot Story

American DIY retail giant ($38.4 bill, 1999 sales), The Home Depot (HD), has actively monitored issues surrounding forestry for some time. In the early 90s, the company hired an Environmental Marketing Manager who invested heavily in forestry related issues and participated in the early development of forest certification. The Manager also served as a forestry knowledge base for the company and acted as a 'policy entrepreneur'. Partially because of the proactive work on forestry issues, HD avoided heavy targeting from ENGOs (McAlexander and Hansen 1998). In the mid-
1990s, forestry issues appeared to take a lower priority
within HD and a new Environmental Marketing
Manager was hired. Rainforest Action Network (RAN)
originally targeted HD in 1992 because of its selling
of old growth tropical timber. HD made a commitment to
eliminate the use of products originating from these
forests. For example, it eliminated a line of teak
furniture.

HD was soon to become a target again when RAN
launched its old growth redwood campaign in early
1997. In October of 1997, demonstrations were held at
35 HD stores. In October of 1998, 75 stores saw
demonstrations and in March 1999 the number climbed
to 150. In August of 1999, HD made a commitment to
stop selling wood from endangered forests and
purchasing certified wood products (RAN 2000).

An important aspect of this struggle is that after HD
made the commitment they were rewarded with
positive public relations. In fact, RAN actually helped
HD in its public relations efforts by publicly
acknowledging its thanks to HD. There are increasing
examples of this type of action where ENGOs are
cooperating with and supporting those companies they
consider allies, often simultaneously publishing names
of companies that are not behaving according to desired
practices.

With its commitment to certification, HD challenged
its competitors to make similar commitments. Major
competitors quickly followed. In fact, Lowes (second
largest U.S. DIY retailer) is working to develop a policy
that goes beyond that of HD (Marx 2000).

A New Target - Centex

The January 2000, National Association of
Homebuilders show in Dallas, Texas served as a kickoff
for RAN's next generation campaign. The group has
chosen to target the homebuilding industry and has
started with Centex Homes. Centex Homes is the largest
builder of single-family homes in the U.S. with sales in
1999 of $5.2 billion. Activists were at the show in Texas
handing out literature and there were a couple of small
demonstrations. RAN declared April 1, 2000 as a day
of action against the nation's largest homebuilders. Prior
to April 1, Centex Homes and Kaufman & Broad made
commitments to move away from old-growth wood and
towards certified.

As ENGOs build on past successes and continue to
join together in broad coalitions, their success will fuel
further growth of buyers' groups and concessions from
wood sellers. In addition, as the forest industry
continues to consolidate, larger companies will make
bigger and more attractive targets. Understanding ENGO
strategies and tactics is critical to the success of long
term company forest management and marketing
strategies.

Environmental Marketing

Certification of forests and forest products is one part
of the growing field of 'environmental' marketing. Such
marketing recognizes the broader environmental
responsibility of a company and helps the company
adapt to new circumstances. Environmental marketing
is one way companies can support sustainable
development. It serves to build a bridge between
companies and stakeholders, especially customers. If
customers are environmentally conscious and want to
make choices supporting sustainable development, a
company can transform these environmental
requirements into business opportunities. It means
integrating environmental perspectives into all aspects
of marketing planning, especially marketing strategies.

True environmental marketing originates in a strong
company philosophy about its responsibility to society
and the environment. That philosophy must be seen
in a true commitment to environmental issues and
improved performance. Otherwise, a company can be
accused of 'greenwashing' and may end up worse off
than doing nothing at all. As illustrated by the Chief

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At Proseed we pride ourselves on our commitment
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Zealand Tree Breeding Co-operatives as well as the
New Zealand Forest Nursery Growers Association.
Forester of Stora Forests in Sweden, "Commitment to sustainable forestry must be real. A media campaign to change attitudes will not work. They will find you out" (Hansen et al. 1998).

Certification Options

An increasing number of certification systems are available to landowners. The level of performance required under the various systems is highly variable, and often used to distinguish them in the marketplace. Examples include CSA in Canada, VEP in New Zealand, SFI in the U.S., PEFC in Europe, and ISO and FSC internationally.

Of all the systems, only FSC provides a broad stakeholder standard setting process, significant ENGO input, mandatory 3rd-party audits, and full chain-of-custody with an ecolabel. For the time being, this makes it the only system acceptable for many environmentally selective customers.

Other systems are moving in this direction. PEFC has developed an ecolabel and rules for chain-of-custody and will shortly be able to challenge FSC in European markets. Product labeling is being contemplated by SFI, but it will be some time before it can be implemented, even if adopted. There is ongoing discussion regarding harmonization and mutual recognition among systems. For example, there will soon be mutual recognition between the SFI and American Tree Farm systems in the U.S.

When analyzing the acceptability of the various systems from a current and future risk point of view, the issues that continue to surface include whether or not the system is truly a third party system, and the level of performance standards featured. Systems such as SFI are currently too dominated by industrial input to be credible with ENGOs.

Risks in Environmental Certification

Despite the underlying goal of improved forest management, certification is filled with idealism and politics. This creates a host of potential risks to landowners that choose to pursue certification. A sample of these risks is discussed below.

Collapse of Systems

Major certification systems such as FSC, SFI, and PEFC are infants, riding a current wave of environmental concern. Whether they grow into adulthood and how they will change as they grow are both topics of great uncertainty. Both the political and multi-stakeholder nature of certification poses potential problems.

Although the level of risk is difficult to estimate, FSC may pose the biggest risk with respect to collapse. Even some ENGOs that support FSC question its long-term viability. As more industry players become involved and work to change the system to their benefit, the risk increases that ENGOs will withdraw their support. If the ENGO community were to withdraw its support from FSC, its attractiveness in the marketplace would nosedive. On one side are ENGOs concerned that certification standards are too weak to achieve environmental protection. On the other is timber companies trying to control costs in the face of intensifying competition from inside and outside the industry.

Changing Standards

As FSC regional rules such as those proposed for the West Coast of the United States (FSC, 1999) are approved, existing certified operations must meet them. Companies are faced with more strict and expensive rules than those they signed up for. Their choices are to conform to the more expensive rules, or pull out of certification losing their investment and risking public embarrassment.

Another standards issue is accurately estimating the full cost of implementation. While companies can easily compute payback for the direct costs of a certification assessment, it is much harder to estimate the costs of fully implementing certification conditions, and complying with additional requirements imposed by annual audits. This is particularly true for issues like set aside areas and monitoring activities. With changing standards, future economic costs of certification become an even greater liability.

Marketplace Demand and/or Acceptance

Given the options currently available to landowners, a clear risk in pursuing certification is simply choosing the wrong system. Because the marketplace is so young, it is still unclear what system(s) will be accepted. While FSC appears to have the momentum and support of key ENGO’s and other players, there are many issues surrounding FSC that could eventually make it non-competitive. For example, there is potential that demand will get so far ahead of supply that companies like The Home Depot will abandon FSC and commit to a system that can deliver large volumes of product.

Certification systems now operating do not currently have large market followings, and downturns in future world economic conditions may make them irrelevant. Many in the forest products industry view replacement of FSC with another system as the only way to save it. For example, there is potential that demand will get so far ahead of supply that companies like The Home Depot will abandon FSC and commit to a system that can deliver large volumes of product.

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Club Canada immediately disputed the successful certification. The company was required to wait while FSC went through its dispute resolution process. Press surrounding the issue was not always positive for the company and its investment in certification sat during resolution of the dispute.

There is the potential for small accidents or mistakes on the part of the landowner to become magnified if the landowner is certified. Certification agencies must carefully guard their credibility have the potential to act aggressively when mistakes are made. While one positive aspect of certification is image enhancement (discussed below) there is always the downside of being under additional scrutiny from various stakeholders.

**Opportunities in Environmental Certification**

**Market Access**

Certification may hold its greatest potential in providing entry into new markets or maintenance of existing markets.

Collins Pine, a small U.S. sawnwood producer, was able to sell certified pine shelving directly to a large retailer and certified white fir to a furniture company, both new markets.

As large retailers make commitments to purchasing certified products, there will be significant opportunities for small companies to begin dealing direct with these retailers.

Those marketing tropical wood in Europe claim that certification is often what allows them to successfully sell tropical wood in markets where it has largely gone out of favor.

**Image**

Generally, companies have experienced positive public relations from becoming involved with forest certification. Retailers such as The Home Depot in the U.S., Homebase in the U.K., and Migros in Switzerland have received positive press for their commitment to purchasing certified products.

Companies in the U.S. are also attempting to capitalize on their commitment to the SFI through advertising of third-party verification efforts.

**Credibility**

Credibility is key to successful implementation of environmental marketing strategies. Since companies are rarely seen as credible sources of information, they face a considerable challenge.

The Swedish industry saw credibility when communicating with their customers as a critical advantage in becoming certified.

Public land managers in the U.S. hope certification and the evaluation by a set of outside experts will give citizens more confidence in their management decisions.

**Premiums**

Initially, supporters of certification claimed consumers would be willing to pay more for “environmentally preferable” products. A number of studies investigated the willingness-to-pay of consumers and various industry sectors (e.g., Ozanne and Vlosky 1997, Rametsteiner et al. 1998, Vlosky and Ozanne 1997). None of these studies observed actual consumer behavior so it is difficult to conclude an expressed willingness-to-pay would materialize in an actual buying situation. In some cases, premiums do exist. However, few expect premiums for certified products to last long.

**Networking & Improved Marketing**

Because the infrastructure for marketing and distributing certified products is still being developed, companies are finding it necessary to network with suppliers and competitors alike. As one industry insider put it, "FSC has had the effect of unifying the value chain like nothing else I have ever experienced". Mid-sized companies see building alliances as one way to be competitive. Selling certified products has often required improved marketing skills. For example, production-oriented sawnwood companies have had to change to a market-orientation and become much more in tune with the marketplace.

**Improved Management**

Foresters that have gone through a certification often feel that the process was positive with respect to gaining the tools they need for better management. For example, foresters at Collins Pine wanted to implement a GIS system but it wasn't until the certification agency pointed to a need for better inventory data that upper management approved the purchase. Each time a certification is done, there are areas the auditors point out that can be improved. Without this outside input, many potential improvements might be ignored. Certification audits can be a tool for stimulating a company's continuous quality improvement system.

**Implications for New Zealand Forestry**

**Environmental Marketing and the Forest Accord**

Will the Forest Accord be a long-term asset or liability from an eco-risk point of view? The Accord has served the industry well by deflecting attention from environmentally controversial plantation forestry practices, while improving environmental claims by establishing significant natural forest reserves. To the extent that the reserves are maintained, and continue to develop their natural character, they will be living proof of the environmental commitment of the New Zealand forest industry.

The Accord will not necessarily buffer New Zealand
plantsations from criticism being leveled at issues like genetically modified organisms and impact of tree farming practices on soil and water quality.

Finally, current trends are towards agreements with broad stakeholder input. The Forest Accord is a private business deal, with little input from indigenous peoples, government agencies, labor groups, or other potentially powerful opponents. Time will tell if this lack of broad stakeholder input will weaken the appearance of the Accord in foreign markets.

Future for Environmental Claims from New Zealand Plantation Forests

New Zealand plantation proponents such as Wink Sutton have made strong arguments extolling the virtues of converting New Zealand sheep pastures into exotic tree fiber farms as an environmentally sound strategy to meet world fiber needs and deflect wood harvest from the world's natural forests (Sutton, 1999). To date, this argument has been well received by certifying organizations, as evidenced by successful FSC certifications in New Zealand and elsewhere. There may, however, be perils ahead worth watching for.

Prime amongst future concerns will be how plantation managers buffer the impact of forest plantations on associated natural resources, particularly soil, air and water. Although plantation managers can expect to continue to receive some reprieve from expectations placed on natural forests for issues like biodiversity, and treatment of endangered species, they will not be able to completely avoid scrutiny. Inputs of pesticides, fertilizers, and other pollutants into groundwater will be scrutinized carefully. Avoiding compaction of soils, and attention to long-term productivity, including maintenance of soil micro-flora and fauna will be expected. Maintaining water quality and quantity is now, and will continue to be an important expectation for plantation managers. In addition, the issue of GMO's is likely to be a difficult one for plantation managers who see them as a more prosperous future, and environmentalists who question knowledge of the true environmental risks they may represent.

Conclusions

As the old saying goes, nothing ventured - nothing gained. Environmental certification does pose real risks. Those risks may be outweighed by the potential benefits of certification. In addition, there may be considerable risk to NOT becoming involved with certification.

Although certification has been around for over 10 years, the marketplace is still not well developed. The critical mass of demand may soon be reached to create the necessary incentive for landowners to jump on board. If this happens, the balance between risks and opportunities will shift dramatically to the opportunity end of the scale.

Literature Cited


