

FOREST CERTIFICATION UPDATE:
THE FOREST STEWARDSHIP COUNCIL (FSC)

MATTHEW WENBAN-SMITH

DR. JIM BOWYER
DR. STEVE BRATKOVICH
ALISON LINDBURG
KATHRYN FERNHOLZ
DR. JEFF HOWE

JUNE 23, 2008



DOVETAIL PARTNERS, INC.



Forest Certification Update: *The Forest Stewardship Council (FSC)*

Background

In 2004 and 2005 Dovetail Partners released a series of reports outlining the major forest certification programs,¹ followed in April 2007 by a report highlighting subsequent changes within the Sustainable Forestry Initiative (SFI) program². This latest report considers recent changes to the Forest Stewardship Council (FSC) program.

In September 2004, when Dovetail first reported on the FSC, the program was already established as a global endeavor with nearly 125 million acres of forest certified in 62 countries, and over 4,000 companies certified to sell FSC-labeled product³. Since then the figures have more or less doubled. As of June 2008, FSC reports a certified forest area of 280 million acres, and 9,106 chain-of-custody certificates held in 79 countries⁴.

FSC remains the leading forest certification program in terms of market penetration and is the only program that can be described as truly global in the sense of applying the same set of Principles and Criteria to all certificate holders regardless of country or region. The FSC includes certified forests and plantations in tropical, temperate and boreal regions, and chain of custody certified manufacturers and suppliers worldwide (Figure 1).

Introduction

The Forest Stewardship Council was founded in 1993 by a diverse group of social and environmental non-governmental organizations (NGOs), retailers, forest managers and forest product manufacturers. It was the first international forest certification system, and provided the impetus for the establishment of the American Forest & Paper Association (AF&PA)'s Sustainable Forestry Initiative (SFI) in the USA, and the Pan European Forest Certification (PEFC) scheme in Europe⁵.

FSC is an international membership organization, with approximately 730 members divided into social, environmental and economic chambers. Members range from large corporations and major NGOs, to individual supporters. The FSC International Center (FSC-IC) is located in Bonn, Germany. The International Center oversees a program of FSC national initiatives, which are now active in 46 countries. National initiatives are tasked with representing FSC at the national level, developing national standards, and promoting uptake.

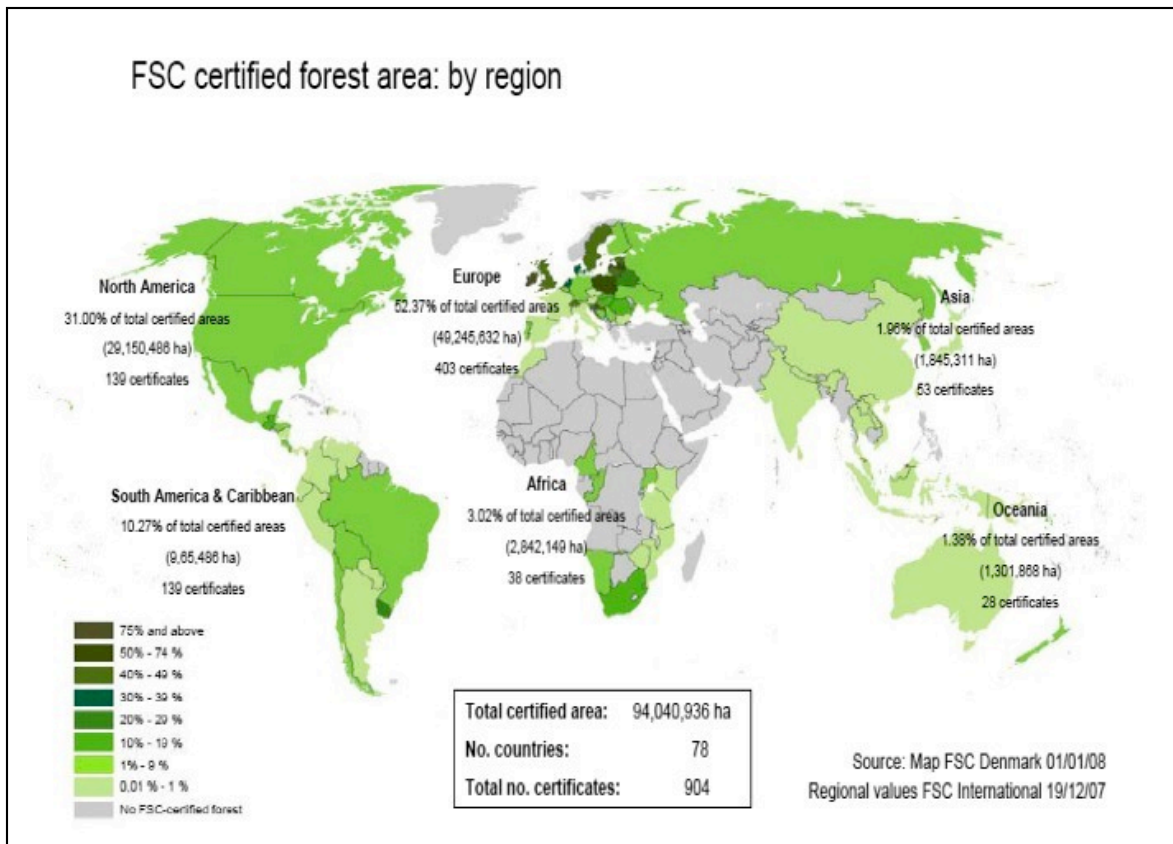
¹ For a listing of reports by Dovetail Partners, visit: <http://www.dovetailinc.org/Publications.html>

² Forest Certification Update: The Sustainable Forestry Initiative. Dovetail Partners, April 2007. Available at: <http://www.dovetailinc.org/reports/pdf/DovetailSFIUpdate0407cg.pdf>

³ Beginner's Guide to Third-Party Forest Certification: Shining a Light on the Forest Stewardship Council (FSC) Approach. Dovetail Partners, September 2004. Available at: <http://www.dovetailinc.org/reports/pdf/Dovetail3rdParty91504bi.pdf>

⁴ www.fsc.org (Accessed June 11, 2008)

⁵ The SFI has since established itself as an independent non-profit organization, and the PEFC has since been re-branded as the "Programme for the Endorsement of Forest Certification schemes". The SFI is a member of the PEFC, and the SFI standard has achieved PEFC endorsement.

Figure 1. FSC Certified Forest Area

The FSC system of forest certification is based on a single international standard (the *FSC Principles and Criteria for Forest Stewardship*). The standard consists of ten principles and 56 associated criteria that aim to ensure "environmentally appropriate, socially beneficial and economically viable" forest management.

All FSC certified forests and plantations must meet the *FSC Principles and Criteria*, and forest managers in any country of the world can apply for certification. To date FSC forest management certificates have been issued in more than 80 countries. The largest individual FSC certified forest areas are in Canada, Sweden, USA, Russia and Croatia. Approximately 25 million acres of forestland are FSC-certified in the U.S and nearly 65 million acres are certified in Canada.

More detailed requirements for implementation of the FSC standards may be defined through the development of national or regional indicators and means of verification published as FSC-endorsed national standards. Twenty-seven FSC national or regional standards have been approved to date in 14 countries, including the United States. Most major temperate timber exporting countries are now covered by these locally defined standards, including the USA, Canada, Sweden and Finland.

National standards have also been endorsed for the management of tropical forests in Bolivia, Brazil, Colombia and Peru. Approximately 29 million acres of forestland (including plantations) are FSC-certified in the tropics and sub-tropics, of which about 21 million acres are considered to be natural or semi-natural forest. However, FSC continues to be criticized for not having had a greater impact in the tropics. For a review of this issue see the Dovetail report: *Certification in the Tropics: is the glass half full or half empty?*⁶

A full list of national initiatives and their contact details is available from the FSC website⁷. Information about FSC activities in the USA can be found on the FSC US National Initiative website at: <http://www.fscus.org>, and for Canada at <http://www.fscCanada.org>. Additional information about the FSC international program can be found in previous Dovetail reports³.

FSC Certification and Accreditation

In 2005 FSC formally separated its accreditation program from its standards development program, with the establishment of a new legal entity named 'Accreditation Services International' (ASI). ASI now manages FSC's accreditation functions worldwide. ASI also offers an international accreditation service for non-forest sectors, and has been providing accreditation for the Marine Stewardship Council (MSC) program since 2006.⁸

There are currently eighteen FSC-accredited certification bodies. The three most active in North America are Scientific Certification Systems (SCS), the Rainforest Alliance SmartWood program, and SGS Qualifor.⁹

FSC Chain-of-Custody and Labeling

In 2005 FSC completed a major revision of its labeling requirements, introducing new labels for 'FSC mixed' and 'FSC 100%' products as well as for recycled wood fiber products.



⁶ <http://www.dovetailinc.org/reports/pdf/DovetailTropCert0307jm.pdf>

⁷ http://www.fsc.org/en/about/documents/Docs_cent/5

⁸ See <http://www.accreditation-services.com/> for more information.

⁹ For a complete listing of accredited certification bodies and contact information, see: <http://www.fscus.org/certifiers/>

Development of the new labels was accompanied by an overhaul of FSC's chain of custody requirements, designed to make the system more accessible to large-scale timber processors and to the pulp and paper sector in particular. A key element of this revision was the development of the 'FSC Controlled Wood' standard to define and exclude controversial sources of timber from all FSC labeled products¹⁰.

As of June 2008, there are more than 1,900 chain of custody certified companies in the US and more than 470 in Canada.

Consumer Recognition

Companies wishing to use the FSC logo on their products must meet the FSC chain of custody (CoC) standard. Adherence to the CoC standard ensures buyers that the wood or wood-fiber they are using comes from FSC certified forests, other controlled sources or recycled material.

The value of FSC-labeled products appears to be increasing faster than the growth in certified forest area or chain of custody certificates, with the value of labeled products estimated to have risen from US\$5 billion in 2005 to US\$20 billion in 2007¹¹. Consumer recognition of the FSC label is increasing rapidly in Europe, with 20% - 30% unprompted recognition in a range of countries, rising to between 50% and 70% for prompted recognition in some markets⁴. Comparable data is not available for the USA or Canada, though the figures are probably much lower, in the absence of major consumer-oriented marketing efforts.

Figure 2. Example of FSC-labeled product



Increasing effort is being put toward making market information accessible to businesses as well as consumers with the launch of a new certified products database in March 2008¹².

In 2007 FSC established a new body – FSC Global Development, which is legally distinct from FSC's core standards program as well as from the accreditation function and has a remit to build markets for FSC products worldwide.

¹⁰ For more information, see the Dovetail Report addressing the FSC's controlled wood standard, available at: <http://www.dovetailinc.org/reports/pdf/DovetailCtrlldWd0507ry.pdf>

¹¹ http://www.fsc.org/keepout/en/content_areas/67/1/files/FSC_market_info_pack_Jan_08_FINAL.pdf

¹² <http://www.fsc-products.org/>

Challenges

Changes made to improve various aspects of the FSC program represent both strengths and liabilities. On the one hand, changes mesh with the objective of achieving continuous improvement and respond to demands from both the NGO and business communities. On the other, changing requirements are frustrating to businesses that need stability to enable rational development of business systems. In addition, FSC is becoming a larger and more attractive target for some NGOs, in particular those campaigning against plantations in the tropics¹³.

To maximize growth potential FSC needs to consolidate its strengths. A focus on managerial competence rather than radical change in programs and systems would offer the FSC international organization, certified product distributors, specifiers, and users greater stability as well as an opportunity to more effectively promote the product and to build sustainable business models.

Perhaps FSC's biggest challenge remains its potential to improve forest management practices and livelihoods in natural forests in the tropics. While FSC is still the only international forest certification system with a significant program in the tropics, the scale of the task is daunting. Key drivers of forest destruction, such as demand for land for agricultural production remain beyond FSC's control. The likelihood that carbon offset funding will be applicable to 'avoided deforestation' provides some hope that greater progress toward responsible management of tropical forests can be achieved.¹⁴

Impacts of Recent Changes and FSC's Future

A key technical change for FSC over the last five years has been the work on chain of custody systems and labels. These changes have entailed some disruption for chain of custody certificate holders. The changes do appear to have eased bottlenecks between supply and demand, and have provided the basis for a significant increase in the availability of FSC-labeled product at the end of the supply chain. As the new requirements work their way through the supply chain it should become clearer whether they also lead to an increase in demand for forest certification, and, more importantly, whether they support improved forest management.

Significantly, FSC now appears to be achieving high levels of consumer recognition in at least some markets, and may be entering into a positive spiral in which increasing consumer recognition drives demand for the label, further increasing recognition and creating new opportunities for consumer-focused marketing efforts.

¹³ <http://www.wrm.org.uy/>

¹⁴ See Dovetail Report, Ecosystem Markets: New Mechanisms to Support Forestry
<http://www.dovetailinc.org/reports/pdf/DovetailEcoMkts0308dk.pdf>

All things considered, in the pulp and paper and softwood sectors FSC's future looks bright. According to a market study by Pira International¹⁵ FSC paper consumption worldwide will grow by 48.7% to nearly 6.5 million tonnes by 2012. The study predicts that this will drive increasing demand for FSC certification for forests and plantations supplying pulpwood.

An important question is whether increasing market recognition for the FSC system, especially in Europe and North America, can be leveraged into the kind of institutional and governmental support needed to bring about major impact in tropical countries.

The Bottom Line

The Forest Stewardship Council has continued to gain market recognition and to increase sales as changes have been made to its certification and chain of custody standards. A number of signs point toward further growth in the future.

To maximize growth potential FSC needs to consolidate its strengths. A focus on managerial competence rather than radical change in programs and systems would offer the FSC international organization and users improved stability as well as an opportunity to more effectively promote the product and to build sustainable business models.

¹⁵ Global Markets for Chain-of-Custody Certified Papers, Pira International

This report was prepared by
DOVETAIL PARTNERS, INC.

Dovetail Partners is a 501(c)(3) nonprofit organization that provides authoritative information about the impacts and trade-offs of environmental decisions, including consumption choices, land use, and policy alternatives.

FOR MORE INFORMATION OR TO REQUEST
ADDITIONAL COPIES OF THIS REPORT,
CONTACT US AT:

INFO@DOVETAILINC.ORG

WWW.DOVETAILINC.ORG

612-333-0430

© 2008 Dovetail Partners, Inc.



DOVETAIL PARTNERS, INC.

528 Hennepin Ave, Suite 202

Minneapolis, MN 55403

Phone: 612-333-0430

Fax: 612-333-0432

www.dovetailinc.org