NEW INFORMATION

Certification in Southland[1]

The only examples of forest and mill certification in New Zealand are in Southland where the largest plantation owner and the largest sawmill are both certified by the Forest Stewardship Council (FSC). A new veneer plant and a consortium of plantation owners is considering applying for FSC certification.

The market for certified sawn timber has held its price and increased its volume in the 6 months since certification when all other markets have fallen, and certified logs have been sold to people in other parts of New Zealand pondering the merits of certification.

The only people potentially to lose out are small forest growers put off by the expense and complexity of certification.

Quite a lot has been written and said recently about certification of plantation forests and the industries dependent on them, but at the time of writing (October 1998) in only one part of New Zealand has this actually happened — in Southland.

Early in 1998, Craigpine Timber Ltd's sawmill and Southland plantations, and Rayonier New Zealand Ltd's South Resources District plantations were accepted for certification by the Forest Stewardship Council. FSC has certified Craigpine's sawmill at Winton (Southland's largest) and 2,035 hectares of plantation, 42,720 hectares of plantation under Rayonier's management, about 10,000 hectares of which is in indigenous forest and not used for wood production have also been certified. Rayonier is the largest plantation owner in Southland. Their only processing plant in Southland, the MDF plant at Mataura, is not a part of the certification package.

The case for certification originated with Craigpine. The Company has an important Chinese customer who sells finished wood products into the United Kingdom. His most important customer sells wooden products mainly from certified sources and has policy of using 100% certified sources by the end of 1999. Craigpine therefore had two options — to certify and hold on to an expanding market, or not to certify and to lose it. They chose to certify.

The 'chain of custody' implicit in certification means that both the sawmill and its log supply source must be approved. Craigpine's own plantations supply only a small part of their needs and they have to buy in the balance. Their main supplier is Rayonier, so Rayonier joined them in the certification exercise.

Since then another large mill has expressed interest in FSC certification. A new peeled and sliced radiata pine veneer plant is being set up near Invercargill, scheduled to start production in 1999.

The company has no forest of its own.

The mill has European backers, one of whom sees certification as a necessary commercial insurance cover. A group of about 15 plantation forest owners with 5,000 hectares of plantation is also considering application for certification.

If all are successful, the bulk of the Southland resource and sawmilling industry will be certified by the Forest Stewardship Council.

The final consequence of all this for the uncertified forest grower is masked by this year's difficult market conditions but the theoretical impact is simple enough.

1. A certified mill is allowed to cut uncertified logs, but there is a cost — they and their product must be kept entirely separate from the certified cut. This puts a discount on uncertified logs, and if the certified log supply is abundant and no more expensive (which just now it is), why buy uncertified logs at all?
2. A certified forest owner has a potential market advantage. He can sell logs to anyone but he has a product which for the moment no one else in New Zealand has. He will be encouraging existing and potential customers to examine the market advantage of FSC certification, further reducing the market for uncertified logs.

Certification poses no immediate problems for the sawmiller in Southland. For the forseeable future, Rayonier have a surplus of certified logs for sale to any mill deciding to go that way and so far there is no price premium for the uncertified buyer and plenty of uncertified logs for sale as well.

The difficulty lies with the small forest grower. Craigpine are now out of the market for uncertified woodlots, though Rayonier (who are largely log brokers) will still buy. Certification is expensive, of the order of $50,000 to be accepted with an annual inspection cost of something like $10,000. That means a cooperative approach is necessary for small growers, but, given the scale of much farm forestry planting how many members do you need before the economics make sense? The process for organising and administering a cooperative certified group of small growers has yet to be worked out. The Farm Forestry Association has set up a working party to look into this.

On top of all this nobody can agree on how important certification at the level required by the Forest Stewardship Council is. The green view is "very important", but there is certainly an element of wishful thinking there. The national corporate view is ambivalent — they poo-poo FSC certification as at best a fad in the richest part of Western Europe (which they don't see as an important market), but they are hedging their bets by developing their own less demanding system (VEP, or 'Verification of Environmental Performance').

Craigpine and Rayonier have found it important in their relations with one large customer. At a time when other markets have shrunk that market has held its value and grown in volume since they received FSC certification. Craigpine have also found that the discipline required in reaching and maintaining standards has had a very beneficial effect on their mill and forest management processes.

In addition some certified logs have been exported to other parts of the country, presumably so that people can check out their quality before deciding whether to go for FSC certification themselves.

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[1] *Unless otherwise stated, Certification here refers only to that process of forest and factory certification administered by the Forest Stewardship Council.*