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Finding markets for New Zealand's certified wood products

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Introduction

Forest and wood product certification provides a guarantee to buyers that their purchase comes from a well-managed forest. This system promotes sustainable and equitable forest management practices (Upton and Bass, 1995). Forest certification may also secure access to environmentally sensitive wood product markets (Stevens *et al.*, 1997).

More and more companies in New Zealand are seeking or being granted FSC[1] or ISO 14000[2] certificates, and recently some of the main forestry stakeholders met to launch a National Initiative to develop certification standards for all type of forests. Since market access is a key issue for companies seeking certification, knowing the attitude of the markets towards certified wood products (CWPs) is crucial.

Do the domestic or the export markets of New Zealand forestry companies justify the emphasis being placed on certification? Which certification scheme is likely to be most accepted on these markets? The purpose of this paper is to tackle these questions, thus providing decision-support information to forest companies exploring certification options.

Is there a market for certified wood products?

CWPs represent approximately 0.5% of the international wood market (Rametsteiner and Schwarzbauer, 1999; Hansen, 1997; Jenkins and Smith, 1999). Therefore, it is not surprising that customs and statistical bureaux do not differentiate certified and non-certified wood products (ECE/FAO, 2000; Grist, 2001). Because forest certification is so new and the amount of certified wood in the marketplace is so small, it is difficult, if not impossible, to accurately forecast supply and demand (Hansen and Juslin, 1999). Consequently, analysis of New Zealand's CWPs markets around the Pacific requires consideration of qualitative factors, such as the macro-environment (wood trade flow) and customers' attitudes (the attitude of both industrial clients and final consumers). An important point in relation to customers is the existence and the activity of so-called "buyers' groups". Buyers groups are associations of manufacturers, traders, and retailers committed to increase the use of sustainably-produced wood and wood products, and are thought to be the main driver of certification processes around the world.

Markets for Certified Wood Products

Domestic market

Some studies have found a potential market for environmentally certified products in New Zealand, with consumers ready to pay a premium for CWPs (Bigsby *et al.*, 1997; Ozanne *et al.*, 1999). However, as New Zealand mainly exports the products of its forest resource (Griffiths, 2000),

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1 The Forest Stewardship Council (FSC), founded in 1993, has developed a certification scheme for both forest management and chain-of-custody, and delivers a logo.

2 The International Standards Organisation (ISO) 14000 series of standards, developed in 1996, is a framework for developing, implementing and monitoring environmental management policies. It has no required performance standards and does not deliver a logo.

it is more relevant to focus on export markets.

Australia

Australia is the main importer of forest products from New Zealand, notably pulp and paper products (MAF website). Surveys of wood producers, forest industry representatives, retailers and end-consumers, showed that there was little awareness of certification initiatives, low demand for certified timber and no willingness to pay a premium for such items (Forest and Wood Product Research and Development Corporation, 1997; Wallis *et al.*, 1997). Even though a WWF buyers' group was created in 1997, it remains modest and inactive.

Asia

The Asian market is of key importance for New Zealand exporters of wood and wood products. Japan, Korea, China and Taiwan are amongst the main destinations of New Zealand wood products in the Pacific Rim (MAF website). Traditionally, as illustrated by the case of Japan (EFI, 2000), these markets are said to be indifferent to any environmental characteristics of wood products. Consumers may become more aware of CWPs in the future, depending on the promotional work of the WWF buyers' groups, currently under development in both Japan and Hong-Kong. But, for example, very few companies have shown interest in joining ecowood@sia, the Hong-Kong WWF buyers' group that will cover the East Asia region and will be probably launched in August this year (Lam, 2001). However, Asian countries are exporting remanufactured wood products to "eco-sensitive" markets in Europe or North America. Thus, they are putting pressure on New Zealand companies to supply certified raw products, a phenomenon already observed by several forest companies/owners (Purey-Cust, 1998; NZFIC, 1999; Birchfield, 2001; Olson, 2001). This factor may become critical in the near future for New Zealand forest companies.

USA

The American market is the fourth major export market for New Zealand's wood products, essentially sawn timber (MAF website). Consumers in the USA are globally concerned about environmental issues. Despite having little awareness of certification initiatives (Ellis, 1999), some are willing to pay a premium of up to 18.7% for CWPs (Ozanne and Vlosky, 1997). The market for CWPs in the USA is so far described as a "niche" market, with the following characteristics:

- a segment of 25 million consumers, likely to pay a premium (Ozanne & Smith, 1998);
- demand mainly located in the West Coast (California, Oregon, Washington) (Stevens *et al.*, 1997);
- some specific products such as flooring material (hardwood), furniture, architectural moulding and panels, Douglas fir lumber (Stevens *et al.*, 1997; Ellis, 1999).

If the US market for CWPs is not yet as developed as some European ones (UK, Netherlands), the influence of its buyers' group, the Certified Forest Products Council (CFPC) will probably change that situation. The CFPC, founded in 1997, now includes Home Depot (largest wood retailer in the world, with a consumption of wood estimated at 10 million m^3/year, US$20 billion in annual sales), Wickes, and Andersen Windows & Doors (Fletcher and Hansen, 1999; Ford, 2000). The CFPC's mission is to put certification into the mainstream of North American industry.

Which Certification Scheme

Which certification scheme is most likely to be accepted on these markets? Though not stated directly, the WWF buyers' groups are clearly promoting the use of the FSC system. As demand in some places is exceeding supply (namely in the USA), alternative schemes may be accepted, as long as their requirements are close enough to FSC's standards. It is, however, unlikely that ISO 14000 certification will satisfy the environmental and buyers' groups. Nevertheless, it is possible that certification under ISO 14000 will become a condition of many customer and clients contracts (Woodward-Clyde, 1999; Bass, 1998).

Conclusion

The Pacific Rim is a potentially sensitive market for CWPs, for two main reasons. Firstly, a network of buyers' groups is developing in both eco-sensitive markets (USA) and non-sensitive ones (Australia, East Asia, Japan). The educating role these groups could play may begin to increase the importance of certification in these latter countries. Secondly, Asian companies remanufacture raw materials from sources like New Zealand and then export to Europe or North America, where timber certification is becoming a "compulsory" feature in an increasing number of retailers (B&Q, Home Base, J. Sainsbury, Carrefour, Home Depot). This represents a real challenge for New Zealand forestry companies. New Zealand forest production is expected to double over the next 15 years (Griffiths, 2000), and this increase will have to be absorbed by the Asia-Pacific wood markets. Moreover, New Zealand is competing in this market with countries that have similar forestry situations (Chile, Australia). Certification could therefore be a powerful marketing tool to both meet the

requirements of wood markets and to stay ahead of such competitors.

From a marketing point of view, the FSC scheme is likely to be the most useful system. However, a controversial issue for this scheme in particular, and for forest certification in general, is the matter of cost.

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