CERTIFICATION OF FOREST PRODUCTS FOR SMALL BUSINESSES:

IMPROVING ACCESS - ISSUES AND OPTIONS

FINAL REPORT

Project Purpose:

1. To identify the problems faced by small businesses (both forest managers and wood users) wishing to participate in independent certification of forests and forest products.

2. To propose outline methodologies which could be developed to overcome the barriers to certification which exist and/ or are perceived to exist for small businesses.

United Kingdom Department for International Development (DFID)

Renewable Natural Resources Knowledge Strategy (RNRKS)

Forestry Research Programme (FRP) pre-project ZF0083

RNRKS Programme Purpose and Topic: (b) Artisans, traders and small-scale entrepreneurs, Topic 1.3 Certification

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Date of final revision: 8th September 1999

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Acronyms

AAC	Annual Allowable Cut
CAR	Corrective Action Request
CoC	Chain of Custody
EC FAIR	European Commission Fisheries, Agriculture and Agro-Industrial Research DGXII Fourth Programme
EMAS	Environmental Management Systems
FMU	Forest Management Unit
GTZ	Deutsch Gesellschaft fur Technische Zusammenarbeit
IIED	International Institute for Environment and Development
ITTO	International Tropical Timber Organisation (Japan
ISO	International Organisation for Standardisation
FRP	Forestry Research Programme of the UK Department for International Development
FSC AC	Forest Stewardship Council (Civil Association) - with secretariat in Mexico
FSC P&C	Forest Stewardship Council Principles and Criteria
FSC UK	Forest Stewardship Council United Kingdom Working Group
GCP	Group Certification Programme
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit,, Federal Republic of Germany
LDC	Less Developed Country
LTS	Land and Timber Services
NGO	Non Governmental Organisation
PR	Public Relations
RNRKS	DFID's Renewable Natural Resources Knowledge Strategy
SGS	Societé Generale de Surveillance
WWF	Worldwide Fund for Nature

DFID Acknowledgement

Note on references

Reference numbers in the text of this report refer to those listed in full in Section 7 (page 40).

1.   Summary

Markets for forest products, particularly in Europe and North America are increasingly demanding wood products which are independently certified as being products of well managed forests. Forest Stewardship Council certification currently provides the only commonly recognised, international system of forest certification.

Small businesses in the forest management and wood processing industries are faced with particular difficulties in meeting international standards and paying for third party certification, creating a barrier to their market access. This project was undertaken by the Forest Stewardship Council United Kingdom Working Group (FSC-UK) in association with three certifying bodies (Soil Association, Societé Generale de Surveillance (SGS) Forestry and Rainforest Alliance) with the aims of:

1. identifying problems faced by small businesses wishing to participate in independent certification of forests and forest products; and

2. proposing outline methodologies which could be developed to overcome barriers to certification which exist and/or are perceived to exist for small businesses.

The study was based on a questionnaire survey of small business contacts who had shown an interest in forest certification, and on (or through) reviews by the three certification bodies and FSC UK of problems encountered in the certification of small businesses.

The small-scale forest managers who responded to the survey identified the following as the main barriers to certification:

- Costs of certification process

- Excessive documentation / administration requirements

- Difficulties meeting the standards

Wood users (chain of custody companies) identified the main issues as:

- Costs of certification process

- Inadequate supply of certified material

- Excessive documentation / administration requirements

- Inability to access markets for certified products

Results were analysed qualitatively; common issues grouped together and approaches to solving them identified. A combination of research, development of workable models, field trials, improved documentation and training materials could overcome many of the problems. The solutions to some issues require policy changes on the part of accreditation or certification bodies.

Recommendations are made for six areas for further research and practical measures to improve access to forest certification for small businesses:

1. Developing and testing a certification programme for small forests

2. Models for cost effective chain of custody certification

3. Small business guide to marketing timber products

4. Models for simplified group certification

5. Development of practical field materials

6. Assisting small businesses to benefit from certification

The single most important recommendation is for research into a simpler, less expensive certification process for small businesses. This process would operate within the existing framework but would be available to businesses below a certain size threshold.

2.   Introduction

The world's forests are not adequately protected from destruction and poor management. Certification is a recently developed market based instrument for improving forest management by giving a market incentive to producers of timber products from well managed forests.

Markets in Europe and North America are increasingly demanding independently certified wood products.

There has been a dramatic increase in the area of certified forest in the last 5 years, but it is increasingly clear that there are barriers to certification for small businesses. Concerns are being expressed by small forest owners and wood users in many different countries.

Both for internal consistency, and to ensure that forest certification can meet its social objectives, there is a need to ensure that small scale responsible forest owners, managers and wood users can engage in and benefit from certification. This project aims to gain a better understanding of the problems facing small businesses in relation to certification and to propose ways in which research can be targeted at overcoming these problems.

2.1   Independent certification of forest management

People depend on forests in many different ways in different parts of the world. For some people forests provide virtually everything they use, for others forests provide employment, homes, timber resources, protection from floods and erosion, fuel wood or simply recreation. More species than we can even name also depend on forests for survival, from soil micro-fauna to charismatic mega-fauna. The world's forests are still not adequately protected from destruction and poor management in spite of countless programmes and initiatives around the world.

Certification is a recently developed market based tool for improving forest management by giving a market incentive to producers of timber products from well managed forests.

Markets in Europe and North America are increasingly demanding that wood products are independently certified as coming from well managed forests. In the UK alone the demand from the certified timber buyers' group is now worth over US$4 billion per year (around 18% of the UK timber market). There are similar buyers' groups in many European countries as well as Canada and North America. A number of buyers' groups have also started in Asia. Only a very small percentage of timber sources are currently certified and certified timber is coming mainly from Sweden, North America, Poland, Central and South America and South Africa. Certification and labelling of certified products allows traders, specifiers, retailers and consumers to identify and give preference to products from well managed forests. Currently the only internationally accepted scheme is Forest Stewardship Council accredited certification, but there are various other schemes proposed or under development. Its objective is to promote socially beneficial, environmentally responsible and economically viable forest management. It attempts to address these equally and does not focus on a single aspect of the interaction between people and forests. There is not an assumption that certification alone can protect all forests or that all forests need to be certified. However there is an assumption that certification should be accessible to all in order to optimise its impact and to be equitable to responsible

forest managers everywhere.

Over 15 million hectares of forest world wide have been certified under the FSC umbrella (January 1999). These are located in 28 countries and range from small family owned operations in the South Pacific to very large industrial forestry companies in Sweden and South Africa. Markets for certified forest products are growing fast in Western Europe and North America and are starting to develop in other areas.

Whilst there has been a dramatic increase in the area of certified forest in the last 5 years, it is increasingly clear that there are barriers to certification for small businesses. This paper aims to review those barriers and to identify those aspects for which access to forest certification can be improved by the application of research.

2.2   Specific concerns of small businesses

Large businesses find it easier to adapt to new demands. Economies of scale enable them to take advantage of new opportunities and to devote human, technical and financial resources to delivering and demonstrating compliance with the requirements of any new standards. This is not unique to the forest and wood sector: it applies equally to implementation of Health and Safety legislation, Quality Assurance, environmental impact assessment requirements or changes in employment legislation.

Many international standard setting processes are aimed at issues such as consumer safety or international industry compatibility (e.g. food hygiene standards or machine component parts) which are not concerned with impacts on businesses of different sizes. In contrast, independent forest certification was developed specifically to include social objectives such as benefits to people who live in, or make their living from forests and forest products (Forest Stewardship Council (FSC) Principles and Criteria for Forest Stewardship, Revised 1998). If certification reduces the opportunities for small businesses to make a living from the responsible management of natural resources, it is unlikely to benefit either rural populations or the forests on which they depend.

FSC has recognised the importance of this issue and has responded with a number of approaches. The development of Group Certification (Forest Stewardship Council A.C., Group Certification, 1998, *FSC Guidelines for Certification Bodies[1]*) allows a number of small forest properties to be certified together to reduce costs. A common management approach, a level of co-ordination and internal monitoring and a "systems and sampling" approach to inspection by the certification body make this possible.

The second approach is a policy on percentage based labelling which allows products with less than 100% certified material to carry the FSC Trademark subject to attainment of certain thresholds (Forest Stewardship Council A.C., 1998, *Board approved percentage labelling policy[2]*). This can assist small uncertified producers in areas where their products are fed into a large processing industry, which is sourcing from both certified and non-certified forests.

The FSC accreditation process also requires certification bodies to develop their programmes in such a way that access to certification is equitable for operations of different sizes. However, no guidance is provided on means of achieving this and it is difficult economically to put into practice.

While these initiatives undoubtedly help, it is evident that more needs to be done. Concerns are being expressed by small forest owners and wood users in many different countries. While some are politically opposed to independent certification

per se, many others would like to participate but feel themselves excluded. Both for internal consistency, and to ensure that forest certification can meet its social objectives, there is a need to ensure that small scale responsible forest owners, managers and wood users can engage in and benefit from certification.

2.3   Scope of this study

This project aims to:

1. gain a better and more comprehensive understanding of the particular problems facing small businesses in relation to certification; and

2. propose ways in which research can usefully be targeted at overcoming these problems.

This paper is intended to inform a future study under Topic 3.1 (1998 call for concept notes: Forest Certification) of the Forest Research Programme of the United Kingdom Department for International Development.

The term "small business" in this paper refers to both forest-based operations and all stages of downstream processing of forest products (i.e. both forest certification and chain of custody issues). No definitive size limit is applied because different parameters are relevant in each situation; in some cases hectares of forest is important, in others it is turnover in certified products or number of employees. Responses ranged from sole operators to organisations with 20 – 50 employees. Due to the range in productivity and population density of forests in different countries, area of forest is not a consistent measure of the size of a forest operation. The intended target group of the study was generally operations with less than 10 employees and/or less than 1,000 ha of forest, although in countries such as the UK the forest area threshold was nominally less than 100 ha.

The scope of this study is international. Many of the same issues are of concern in both developed and developing countries. Although research work under the Forest Research Programme will focus on developing countries, where the problems and needs are more acute, it is anticipated that the results will be of benefit in most countries where forest certification is happening.

This study focuses on reactions to the Forest Stewardship Council certification system because this is the system which is currently having the greatest impact on markets for small businesses. A number of other certification schemes have been proposed or are under development; environmental management system certification standards such as Environmental Management Systems (EMAS) and International Organisation for Standardisation (ISO) 14001 are also applied to forestry. However, general lessons learned from analysis of the FSC scheme will be applicable to other schemes; small businesses entering other certification schemes are likely to face similar problems and seek similar solutions.

2.4   Other Related Work

1. European Commission (EC) FAIR Research Report, 1998, *Potential Markets for certified forest products in Europe*, Ramsteiner et al[3]. This was presented in 1998, and is the biggest market study of its kind. The survey addressed forest owners, industry and consumers in four European countries (mainly in 1997). The surveys of private forest owners in the UK and Finland are relevant to this study. Although these are not all small businesses, low or marginal incomes are earned from many of the properties; even some of the larger operations appear to

face similar problems.

2. LTS International, (Land and Timber Services International Ltd), (1998), *Certified wood products: the potential for price premia*[4]. This paper by Keith Forsyth looked at whether customers actually are paying premium for certified timber or products. It concluded that some customers have paid premia and that these have ranged from 5-20% but that this was not consistent and no clear rules could be derived from the evidence available. The study concluded that this was due to a temporary shortage of supplies rather than perceived higher value. The study also looked at the costs of certification and found that figures ranged from 0.02 US$ per hectare to US$111.1 per hectare, with a weighted average figure of $0.37 per hectare in the first year

3. The International Institute for Environment and Development (IIED) published a review of certified enterprises in May 1999 [10], based on a database of all active certificates issued by the FSC. This review provides a classification of certified enterprises according to geographical distribution, enterprise type, certifier and forest type, and also analyses the trends in the conditions placed on enterprises. carried out a study on the forests concerned with certification.

4. World Wide Fund for Nature (WWF) Belgium study for a lower threshold chain of custody system for furniture makers (*A group certification and labelling system for small scale timber processing industry*, 1998, Leujeune, G. [5] This is still at the proposal stage but could very usefully complement or be combined with follow up field work based on this study. It aims to develop a simple and cost effective way of certifying chain of custody for the smallest types of wood using businesses. The proposal will be to develop the system through a practical project of testing and modification. For further information contact: Geert Lejeune, Forests Programme, WWF Belgium, Rue de l'abbaye 46, 1050 Brussels, Tel: 32 2 340 0959.

3.   Study Methods

Sources of data: a questionnaire for small businesses and a report submitted by each of the three certification bodies. A questionnaire was distributed to 200 small businesses. The sample was non-random; the smallest businesses were selected, which had shown an interest in certification. Eighty-one businesses responded. Analysis consisted of:

1. The issues raised by questionnaire respondents were organised into groups or types of issues

2. The matrices submitted by the certification bodies were compared with the results from the questionnaire survey

3. Issues were considered in terms of possible means to overcome them and a number of recommendations for further research and practical measures were drawn up

3.1   Data collection

There were two main sources of data:

- a questionnaire for small businesses to get direct input

- a report submitted by each of the three certification bodies, based on their experience of working with small businesses around the world.

The results from both sources are considered together.

3.1.1 Questionnaire survey

The authors (with assistance from Reading University Statistics Services Centre and a private statistical consultant) compiled a four-page questionnaire which was distributed to 200 small business contacts. English and Spanish versions were prepared. The sample was non-random; the smallest businesses were selected, which had shown an interest in forest or product certification. All had all either undergone certification, applied for certification or approached FSC national contact persons or a certification body for information. (See Table 1 for certification status of respondents). The questionnaire was distributed by post or e-mail. Eighty-one businesses responded with completed forms. A particular effort was made to identify the smallest sizes of business and those in developing countries. In spite of this, the contact list and the response was still greatest from the UK and North America where the certification bodies involved inevitably have most contacts.

The English version of the questionnaire is attached in Appendix No. 1 .

3.1.2 Certification body reviews

Each of the three certification bodies involved prepared a report in the form of a matrix. The matrix shows for each problem or issue raised:

- the reasons why it is a problem;

- which group or sector is experiencing the problem;

- what, if any, solutions have been found to work elsewhere or are proposed;

- suggestions for appropriate further work.

The completed matrices are included in Appendix No. 2.

3.1.3 Review of press cuttings and correspondence

The FSC UK Secretariat is not directly involved in certifying forests or timber but acts as a point of contact for people seeking information and expressing views about certification. To make use of information available from this source, the FSC UK Secretariat also noted problems and comments arising from a review of press cuttings and correspondence. In practice, there was very little new material that was not repeatedly highlighted in the survey.

3.1.4 Telephone Interviews

Originally, it was proposed to carry out some of the survey by telephone interview. A small number of interviews were carried out as a pilot, but this approach was not pursued because the respondents indicated that they would prefer to receive the questionnaire by post than to be asked to complete it over the telephone. This allowed recipients to choose whether and when to respond. As time is a common constraint for small businesses, there was no desire to make this study a further burden relating to certification. It was also decided that the most useful stage at which to follow up the respondents would be when developing solutions in order to test responses to proposals.

3.2 Analysis

The study aimed to identify the issues facing small businesses. No detailed statistical analysis of the questionnaire results was planned or carried out. Analysis consisted of:

4. The issues raised by questionnaire respondents were organised into groups or types of issues, discussed below.

5. The matrices submitted by the certification bodies were compared with the results from the questionnaire survey to identify any extra issues and to determine those issues where the experience of the certification body supported the findings of the survey.

6. Issues were considered in terms of possible means to overcome them and a number of recommendations for further research and practical measures were drawn up (see section 6).

The specific question about levels of premium that could be expected for certified products was also analysed to determine which respondents were reporting from experience (i.e. already had achieved certification themselves) and which were reporting expected premia, but were not certified.

3.3 Limitations of the data

The study sought feedback about problems encountered by businesses that had actively investigated certification as an option. The survey was therefore sent to those businesses which had made direct contact with one of the participating certification bodies or FSC Contact Persons. Inevitably, these were biased towards Europe and North America where the certification bodies are based although efforts were made to send it to contacts in developing countries.

A lower response rate was received from developing countries and from the Spanish version of the questionnaire. This highlights one of the issues raised by those who did respond; i.e. that international communication is often a weak link for small businesses. In anticipation of the bias towards European and North American

responses, the certification bodies specifically drew on their experiences in developing countries for their report matrices.

Although the questionnaires were sent to businesses taken from the lists of contacts held by certification bodies and FSC UK they were not always well known to the research team. Consequently a small number turned out to be larger operations than intended. As no statistical analysis was carried out, they were still included in the results.

A final limitation of the survey is that the businesses to whom the questionnaire was sent had already made contact with a certification body or FSC. There are many small businesses who do not even have access to that information.

4. Findings - Issues raised

For forest-based small businesses the most frequently identified barriers to certification are: cost, documentation / administration and standards related issues.

For wood users (chain of custody companies) the main issues were identified as: cost, inadequate supplies of certified material, documentation / administration and inability to access markets.

A wide range of benefits of certification were identified by respondents to the survey, including the availability of price premia as well as other less tangible benefits.

Respondents reporting the higher premia appeared to be speaking from experience, i.e. they were already selling certified products. However, there were also certified operations reporting either that they received no premium or that they did not know.

The most frequently reported benefit was market access – either improving it or retaining and securing it.

4.1 Overview

4.1.1 Survey Response

The survey results are based on eighty-one returned questionnaires: forty-one from forest owners or managers and forty from wood-using companies,

The respondents were from countries as varied as Germany and the Solomon Islands and ranged from sole operators to one with two hundred people involved (a group certification scheme producing charcoal in South Africa). The highest response rate was from North America and the UK. The break down of countries is given below:

Europe:	UK:	32
	Italy:	1
	Ireland:	1
	Switzerland:	1
	Germany:	1
	Poland:	1
	Sweden:	1
North America:	USA:	27
	Canada:	4
Latin America:	Mexico:	1
	Peru:	1
	Ecuador:	1
	Chile:	1
	Costa Rica:	1
Africa:	South Africa:	4
	Gambia:	1
Pacific:	Solomon Islands:	1

The questionnaire was sent only to people who had previously contacted a certification body or FSC for information, so they were pre-selected as being interested in certification. This suggests that the problems they report in trying to achieve certification are likely to be real rather than general opposition to independent certification *per se*. The certification status of the eighty-one respondents can be broken down as follows:

Table 1 Certification status of subjects

Certification Status[+]	Wood Producers	Wood Users
Already Certified	14	20
Undergoing Certification	5	4
Member of group certification	3	2
Considering/planning to apply	18	10
Not certified or considering it	0	2
Status unknown	1	2
Total	**41**	**40**

[+] "Wood Producers" is taken to mean forest management operations and "Wood Users" to mean chain of custody operations.

4.1.2 Main Findings

A detailed breakdown of the reported barriers to certification is shown in Appendix 3. For forest-based small businesses the most frequently identified barriers to certification are:

- Cost

- Documentation / Administration

- Standards related issues

Of the forty-one survey responses from forest owners/managers, thirty-four reported at least one of these to be a problem, while only seven did not. All three certification bodies also reported that all the above were causing difficulties for certification of small forestry operations.

For wood users (chain of custody companies) the main issues were identified as:

- Cost

- Inadequate supplies of certified material

- Documentation / Administration

- Inability to access markets

In general the chain of custody companies reported fewer problems than the forestry operations but twenty out of forty reported at least one of the above to be a barrier to certification. This finding was supported by all the certification bodies.

The issues raised are examined in detail below.

Figure 1 shows the frequency of reporting of the most commonly reported problems and divides the respondents into wood producers (forestry operations) and wood users (processors and manufacturers).
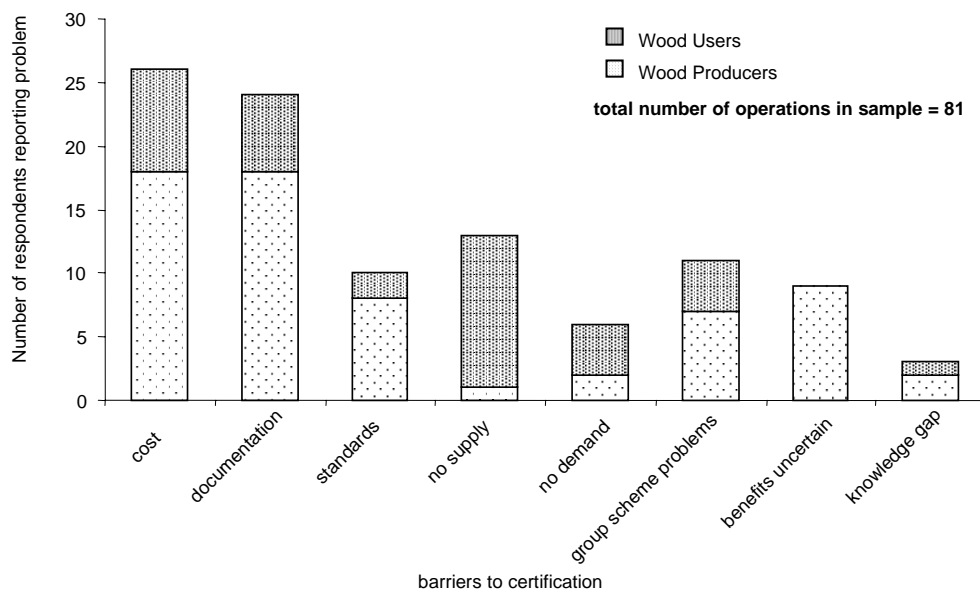
Figure 1:   Reported barriers to certification for small businesses

4.2   Detailed findings

4.2.1 Cost

Cost was the most frequently cited barrier to certification for small businesses. The survey did not directly ask if the costs were excessive but respondents were asked:

- what they thought the actual cost would be, and

- what they thought a realistic cost was.

Those who either gave a significantly higher actual cost than the cost they considered realistic, plus those who brought up cost under "Any other constraints", were counted as raising cost as a problem.

Twenty-five respondents indicated that the costs of certification were too high. In fact, this accounted for virtually all those who completed both sections of the cost question. Only two said they thought the cost was reasonable (both chain of custody companies). The majority did not answer either or both sections of the cost question meaning that either they did not know the likely costs or they preferred not to discuss it. The authors' experiences in discussion with small businesses, indicates that the former is more likely.

The highest value any respondent expressed as reasonable was £1,400 for the first year and £140 a year thereafter. Respondents frequently cited figures in the low hundreds of pounds as realistic, especially for chain of custody inspection. Forest managers expected to pay more but rarely more than £600 in the first year and £100 - £500 thereafter. Both groups indicated that annual monitoring costs should be between 10% and 50% of the initial certification cost. Using three rough size categories it is possible to see that the smallest businesses have the most problem with the cost of certification, as shown in the table below. However this is very crude because of the low numbers. Within each category larger businesses were not willing to pay more; it appeared to depend more on their level of interest than the size of their business. These figures are within the range of costs for small businesses under a group certification scheme. However, in situations where a group certification scheme is not available, cost becomes a serious barrier to certification, which is reflected in the small numbers of small businesses applying for individual certification. Too few of the respondents completed this part of the questionnaire to be able to compare the results from developed and developing countries.

Table No 2:   Willingness to pay for certification.

Size of business	*Willing to pay for initial certification- range* *(UK Sterling)*	*Willing to pay for annual monitoring - range* *(UK Sterling)*
Wood Producers[+]		
Very Small[*1]	50-600	30-300
Small[*2]	750- 2,000	350-1000
Medium[*3]	200- 5,000	100-350
Wood Users[+]		
Very Small[*1]	100- 250	50-250
Small[*2]	100 -500	25-500
Medium[*3]	2,500 - 4,000	1,000

[+]   "Wood Producers" is taken to mean forest management operations and "Wood Users" to mean chain of custody operations.

[*1]   Very small businesses with either 3 or less workers, 1,000 ha of forest or less or a turnover in wood products of UK Sterling 30,000 or less per year.

[*2]   Small businesses with 3-10 workers or 1,000-10,000 ha of forest or UK Sterling 30,000 - 300,000 turnover.

[*3]   Medium sized businesses with >10 workers or > 10,000 ha or > UK Sterling 300,000 turnover

Generally, the cost of inspection and certification was perceived as the problem rather than the cost of delivering the required standard of forestry or implementing a secure chain of custody. Both forest owners and wood users reported that they felt the cost of certification was considerably higher than they were willing or able to pay, as demonstrated by the quotations from questionnaire responses in the shaded boxes below.

- *"We encourage all our suppliers to participate but often, after a review of costs they say that they are better off selling to markets that do not require certification."*

- *"Cuesta mas producir certificado y el mercado no paga este costo"* ("It costs more to produce certified material and the market does not cover this cost")

- *"Small woods cannot support any further costs"*

Where economies of scale are not available, the fixed costs of inspection become an increasingly heavy burden for the small business to cover. Fixed costs include:

- travel costs time for the inspector(s) to reach the site,

- development of a local checklist, in the absence of a national FSC standard

- report writing

- peer review.

The time spent inspecting the operation is also difficult to reduce significantly because of the level of detail required and the number of indicators which are under scrutiny. While a large, complex operation does take longer to inspect than a small, simple one, the overall unit cost per hectare, per cubic metre of timber or per finished item is still much lower and easier to absorb for a large organisation.

The issues of costs and the availability of increased revenue on certified products are closely related. Within reason, a cost can be borne, even welcomed, if it results in a return that is ideally greater than, but at least equal to, the cost, and if that return can be expected in the near future. Respondents expressed this repeatedly in both this survey and the EC FAIR study[3] *(See Section 2.4, page 9: Other related work - 1.)* If the premium is non-existent, uncertain or too small then the cost becomes an absolute barrier to the smallest businesses and a major disincentive to many others at the smaller end of the scale. As one respondent pointed out, on a small property the harvest may be only once every ten years but the costs of maintaining the certification are annual.

Another factor, which is more difficult to measure, is the value that the business places on having certification for other reasons or relative to other ways they could spend the money. For example, is it more useful than insurance premia or a new piece of equipment? The EC FAIR Study reported that a significant proportion of forest owners in the UK would be willing to pay up to 2% of their timber income on certification costs (41% of the respondents), 17% would be willing to pay more than this and 42% would not be willing to pay anything.

Time is a resource that is often in short supply in small businesses and any time spent on certification processes is time lost on other aspects of forest or business management. Several respondents raised this as a cost issue as the quote below explains.

- *"As a sole trader, I find it difficult to find the time and resources to develop and promote my business."*

The issue of cost is closely tied to the issue of premia for certified timber. The results relating to premia are discussed under Section 4.3, "Weighing up the Benefits".

4.2.2 Difficulties with the standards required

Issues in this category cover a wide range of quite specific problems where the forest owner / manager finds the standards required for certification differ from what they are currently doing. They are either unable or unwilling to change their practices to comply with the standard.

The standards used are based on the Forest Stewardship Council Principles and Criteria (Forest Stewardship Council A.C., 1998, *Principles and Criteria for Forest Management* [6]) with national or regional interpretations. There was little consistency in the specific problems raised: ten respondents said the standards of forestry required were too high or too rigid while six said they were too easy. Two complained that the standards were biased against commercial forestry and a couple raised an issue of the coppice sector where the coppice worker seeking certification has no broad or long term management control over the woodland.

Certification standards are intended to be implemented in a manner "appropriate to the scale and intensity" of the operation. This is perhaps not adequately emphasised or understood and is left to the certification bodies to interpret, which may lead to differences in application. Perhaps surprisingly, concerns about the requirements of the standard did not relate so much to management in the field, as to the paperwork required by the standard, discussed below. As there was no pattern in the parts of the standards which were reported to cause problems, it is likely that the components of the standards are less of a problem than the perceived inflexibility and the total weight of the demands on the applicant.

The certification bodies also identified specific areas where small forest operations had particular problems meeting the standards. These were assessment and documentation of environmental aspects, monitoring and management planning and relate closely to 4.2.3 below.

K. Thornber ("Global Trends in FSC certificates" [10]) compared problems meeting FSC requirements in developed and developing countries, by looking at the 'conditions' attached to the issue of certificates. Five of the criteria of the FSC Principles and Criteria (P&Cs)[6] accounted for 50% of the conditions issued. The report found that enterprises in developing countries appear to have more problems than those in developed countries with conditions that relate to the management system, monitoring and social aspects, for example:

- Environmental Impact Assessment (6.1)

- Training of employees (7.3)

- Data collection for monitoring in management (8.2)

On the other hand, enterprises in developed countries have greater problems than hose in developing countries in meeting conditions that relate to environmental performance requirements, including:

- Recognition of values of forest services and resources (5.5)

- Maintenance of ecological functions (6.3)

- Protection of representative samples of ecosystems (6.4)

4.2.3 Documentation and administration

Twenty-three respondents found the documentation or administrative requirements of certification to be excessive. Most (eighteen) of these were forest owners/managers and only five were chain of custody companies. Again, there was no particular aspect of the documentation, which caused problems but rather the total volume and

detail of it which most people objected to. The few who did specify particular aspects mentioned inventory data, management plans and monitoring data as being excessively detailed, one said that legal title was not easily available. All certification bodies highlighted gaps in documentation and administration, particularly regarding management plans, monitoring and mapping, as being problems for the certification of small enterprises.

> - *"For private farmers the quantity of additional paperwork is unnecessary"*
> - *"I am concerned about additional paperwork"*

A comment that has frequently been reported (and is illustrated by the above quotes) is that certification should not generate paperwork that is only necessary to achieve certification. Another is that applicants are short of time and the documentation takes too much time. Where written management plans and records are already in use it is clear that certification should make use of these. However, in places or situations where people record little or nothing in relation to the forest it is a real problem.

It is extremely difficult and subjective to audit the management of an operation if the manager or owner has nothing documented about past management or plans for the future. In addition it is currently a requirement of the standard that such written plans and records must be available and implemented. Resolving this may be a combination of defining the minimum level of documentation that is useful and ensuring that each part of the documentation clearly serves a useful purpose which assists the manager to do his/her job. Providing simple templates which make recording as easy as possible would be useful.

> - *"It is always desirable to reduce documentation to an optimum level. However validation of good management is difficult without adequate documentation"*
> - *"The actual FSC documentation, though long, is relatively clear (could do with a 3 page summary of what is required over and above Government regulations). But the documentation required for actual certification is very extensive and not that clear"*

4.2.4 Supply and demand

For chain of custody companies, the single most reported issue was the difficulty of obtaining supplies of certified timber. Thirteen respondents mentioned this problem. All three certification bodies also reported this to be a major issue. Problems related to most aspects of supply. Some relate mainly to the early stage of development of certification and the high demand for certified product, e.g. long lead times, inadequate choice of species, dimensions and local sources and insufficient volumes available. Inconsistent quality of certified timber was also raised as an issue. Forest certification does not cover timber grading or quality and the demand for certified timber may be resulting in timber reaching markets it is unsuited for.

Conversely, eight respondents said that they experienced little or no demand for certified timber, or had a very low turnover in certified material. Both these issues tie in and reconfirm a specific problem experienced by small-scale forest operations, especially in the tropics. Small businesses are often not equipped to supply into large volume, high quality, international markets. Having a certified forest may be necessary but not sufficient to enable them to reliably benefit from access to markets for timber from well managed forests. There is a need for training and investment on the drying, processing and marketing side of the operations, although this is not unique to certified small processors.

Small businesses do not have the power to influence the market, either in terms of

the supply to them or the demand from them. With the best will in the world they are often still too isolated to make use of their certified status. The quote below is from the USA where certification is relatively advanced.

- *"My forest is certified but there are few certified mills and they are too far away to transport timber economically"*

Various respondents raised the issue of inability to successfully penetrate or access markets and the certification bodies also commented on it. One certification body placed this as the single most difficult issue facing certified small businesses in Latin America. The box below sums up the experience from two representatives of that certification body.

- *"Small operations are ill equipped to develop markets for their certified products. Barriers include communications equipment, lack of marketing and business skills… Small operations involved in processing are often faced with quality control problems…resulting in wariness / suspicion by buyers. The operations are often under capitalised and have antiquated, inefficient equipment."*

- *"This is by far the greatest issue we are confronted with in Latin America. The international buyers' groups are too big to bother with the small producer and the quality of products aren't meeting international specs"*

4.2.5 Group Certification

Group certification can overcome many of the cost issues but can generate its own problems such as increased administration and documentation and conflicts of interest between managers and members of the group. The question relating to group certification yielded scant information, primarily because few people have direct experience of running group schemes. Six respondents indicated that the administrative burden for group schemes was too high. Two said they encountered problems controlling and monitoring the group members.

Where the group manager is the customer of the members, this can leave the members vulnerable to the changing fortunes or interests of the manager. One of the certification bodies cited an example where the manager was an exporter purchasing timber from small family-owned forests. The members did not own or control the process and the scheme failed when the group manager went bankrupt and the company was sold. One certification body reported problems where a group manager is well informed about certification, the forest-owning group members know less about it and the contractors hired by the members know little or nothing about it. The control chain ensuring that forest management standards are applied is then difficult to maintain.

4.2.6 Information / Knowledge gap

- *"I still don't understand what is really required"   "The language is alien"*

A minority of the respondents plus all three of the certification bodies raised the issue that forest owners often do not understand enough about certification and what it requires of them. One certification body representative working in Latin America said that this is a "huge issue" in that region. The use of unfamiliar language was raised, with terms such as "stakeholder", "chain of custody" and "surveillance visit" being given as examples of words that are unfamiliar to foresters. "Biodiversity" and

"Environmental Impact Assessment" are also quite unfamiliar in some parts of the world, or at least not well understood.

It is not only the language but also the documentation as a whole which some find off-putting or difficult to understand. This is obviously most acute in situations where literacy levels are low. It is improbable that an operation with no literate representative or assistance would attempt certification, and certification bodies would find it extremely difficult to work with clients with no written contract. However if people have only basic literacy skills the paperwork associated with certification would be daunting. In such cases where certification is happening, there is usually some kind of development group or other technical assistance to help with the certification.

4.3   Weighing up the benefits

A wide range of benefits of certification were identified by respondents to the survey, including the availability of price premia as well as other less tangible benefits. One of the problems identified is that the benefits of certification are too uncertain or intangible when compared with the immediate and very real financial costs. Eight respondents brought this up in various forms and one of the certification bodies emphasised it.

> • *"Certification will open doors but it is an expensive key and no guarantee"*

4.3.1 Premia

The range of premia reported or anticipated ranged from 0% on the sale price of timber or products to over 20% (see Figure 2):

- 35 respondents reported a premium was available. Of these 11 were not certified, and 24 were already certified, and therefore, one might assume, speaking from experience. 7 were under going certification;

- 18 said they did not know what, if any, premium was available (6 certified and 12 non-certified);

- 24 reported there was no premium (10 certified, 14 non-certified).

It is worth noting that respondents reporting the higher premia appeared to be speaking from experience, i.e. they were already selling certified products. However, there were also certified operations reporting either that they received no premium or that they did not know. Many of the positive responses (i.e. speaking from experience and receiving a premium) were North American. The tropical operations in Latin America were particularly unsuccessful at tapping into more lucrative markets. The higher premia were reported mainly by wood processors and the lower premia (1-5%) by wood producers.

It is clear that the reality about premia on certified timber varies, probably according to market sector as well as geographically. It is also clear that access to good information about the markets for certified products is inadequate and this may be affecting uptake of certification amongst small businesses.
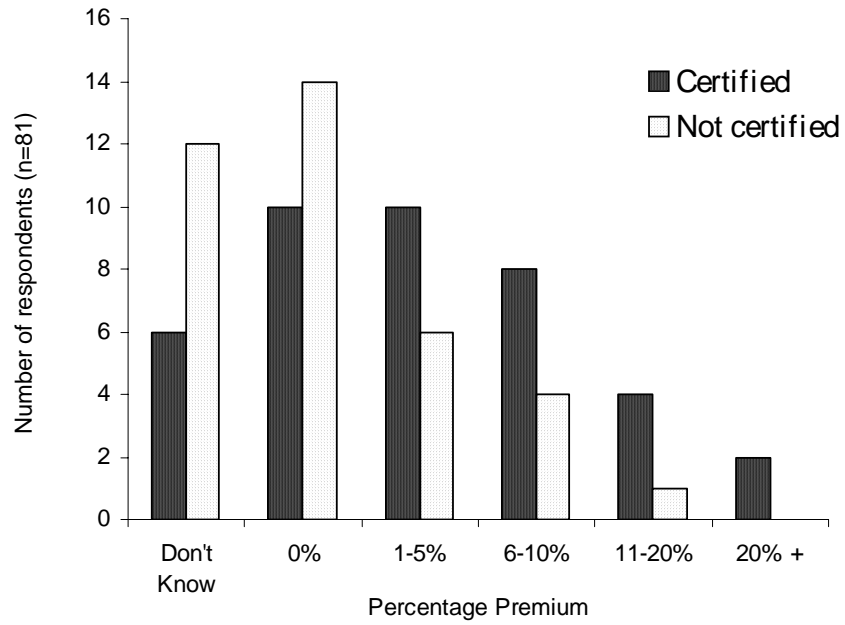
Figure 2   **The range of premia expected and the certification status of the respondents.**
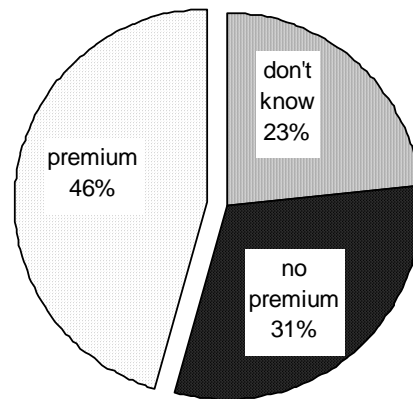

Figure 3   **Total numbers expecting to receive a premium**

Some of the comments received indicated that premia are not simply a matter of whether, but where and when they exist, as the quotes below illustrate.

- *"If there are premia they are more at the retail end of the chain than the forest end"*

- *"There is a good premium (11-20%) but only for the top grade logs so it is not enough to cover the costs of certification"*

- *"Any premium is likely to be temporary"*

Within the field of certified organic produce, information is more widely available on the premia and market penetration available to producers, processors and traders. Retail prices of organic food certified to IFOAM organic farming standards in the UK range from 25% to 100% higher than conventional products, and the market for organic food is growing rapidly. The EU organic retail market accounts for approximately 2% of the total food market and it is estimated that organic food will account for 7-8% of the total food market by 2002. (*The Organic Food and Farming Report 1998*[7], published by the Soil Association). Premia received by organic producers vary greatly for different products and depending on short term market conditions. A 100% premium for organic produce compared to the non organic equivalent (on the basis of gross margin per hectare) is not unusual, with premia varying from about 30% to 200% (pers comm. Robert Haward, Soil Association Producer Services). Comparisons between estimates in the *Farm Management Pocketbook*[8] and the *1999 Organic Farm Management Handbook*[9] suggest price premia to the farmer of 70% to 400% (e.g. for main crop potatoes and carrots). What is perhaps most notable is that premia vary widely and depend on a range of factors including the state of the market at the time of sale, the particular product, and the productivity of the individual organic/non organic farmer.

A premium on certified material is the main and obvious way to pay for the costs of certification so it is important to understand and communicate clearly what is happening in the markets for certified products from smaller operations. There are potentially large markets for certified timber but it is less clear that small businesses can access those markets or reliably expect to earn more. The situation is far from simple and more information is needed to enable small businesses to better weigh up the costs and benefits of certification.

4.3.2 Other benefits

Half of the respondents identified expected benefits other than premia. Many of the respondents had undergone certification (or were in the process) and this may influence their desire to perceive benefits. Having made a decision to do something (and pay for it) people tend to want to believe that it was a good decision. Even those who had not undergone certification were generally positive about certification – only two or three expressed clear hostility to the concept.

The most frequently reported benefit was market access – either improving it by entering new markets or retaining and securing it. Several of the developing country operations mentioned that it was perhaps the only way of persuading European markets to consider them as new suppliers. The next most commonly reported benefits related to enhancing the public and market perceptions of the business. This was expressed by a wide range of respondents, as shown in the quotes below.

- *"Easy to sell – no arguments about sourcing"*   *"Prestige"*
- *"Public recognition for the standard of forestry we practice"*
- *"Good P.R."   "Example of best business practice in perception of others"*
- *"Peace of mind for customers"*   *"Employee morale"*

Communicating the other reported benefits better may be worthwhile although they are subjective and difficult to measure and may not be appreciated until they are experienced. They may be a bonus once certification is achieved but it may not be appropriate to "oversell" the less concrete benefits. Two of the certification bodies reported that they felt certification had been "oversold" to small businesses by enthusiastic individuals or organisations. There are many other business constraints for small businesses which restrict their ability to benefit from certification.

perceived benefits
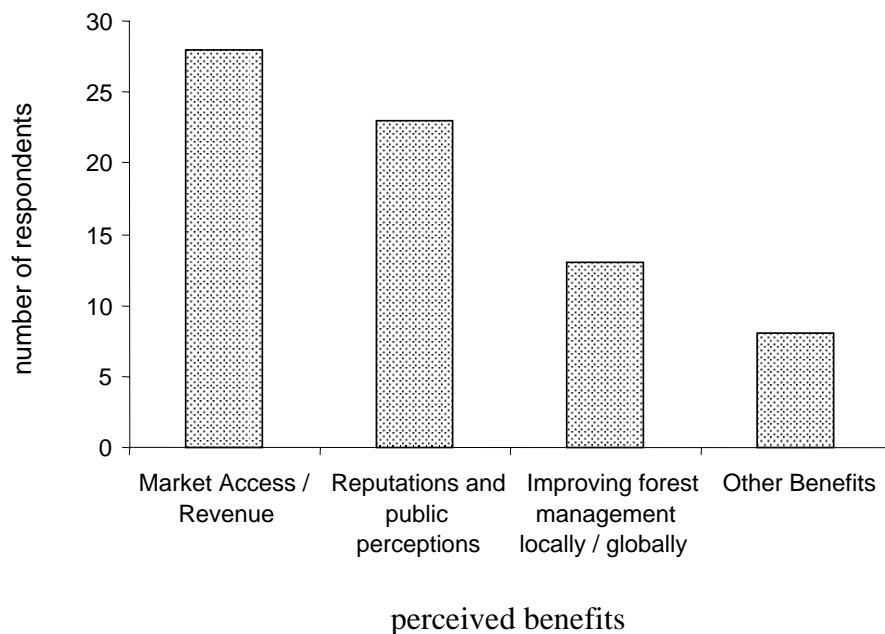
Figure 4   Most frequently reported 'other' benefits of certification

Table 3 shows the other benefits reported by the respondents. The numbers indicate how many respondents mentioned the issue.

Table 3   Reported benefits of Certification

Market Access/Revenue		Reputations and Public Perceptions	
To interest UK buyers in a potential new supplier/Market access	5	Marketing/Publicity/PR/Public recognition/Prestige	12
Retain Market share/ Supply Buyer's Group companies	9	Re-establishing public confidence/credibility	4
Possible increased or new markets	7	Peace of mind for customers/ Goodwill from customers	2
Competitive advantage	4	Reassurance to sponsors	1
Possible increase in value for finished products	2	Demonstrate best practice	1
Increasing use of forest products e.g. timber	1	No arguments re: sourcing	1
Total	**28**	Employee morale	1
		Complete package to sell to forest owning clients	1
		Total	**23**
Improving forest management locally/globally		**Other benefits**	
Better management/ Increased efficiency	4	Personal/ Business environmental aims	2
Ethical issues/ Stability of world ecology	3	New discussion on aims/ tasks of communal forestry	1
Learning from professionals reviewing my operations	2	Enables operation to get soft credit loan from World Bank	1
Measure/ validation of performance	2	Promise for the future	1
Supports local agenda process in communities	1	Long term supply	1
Strengthening position of forestry in natural resource debate	1	Association with like minded businesses	1
Incentive to manage forests	1	Education of public and foresters	1
Total	**14**	**Total**	**8**

4.4 Miscellaneous and beyond the scope of this study

The following issues raised by the survey are beyond the scope of this study to address:

- Compliance with Health and Safety laws and best practice is often difficult and expensive for very small businesses, e.g. requirements that chain saw operators never work alone. Also, health and safety in Chain of Custody operations can be a problem. It is not a formal part of chain of custody *per se* but most certification bodies are unwilling to issue a certificate in cases where obvious breaches are taking place.

- The slow development of national standards for certification increases uncertainty and deters some businesses from entering certification. It also increases the costs of certification, when a local checklist needs to be developed by the certification body.

- In many countries there is a deficiency of forest ecology and forest management data and research at the national level. This makes management planning and inventory difficult but is primarily a forest management rather than a certification issue. The demands of certification simply highlight it.

- Opposition from Government or mainstream industry as a barrier to certification. This is changing rapidly in many countries now but may still be important in specific countries.

- Four respondents expressed frustration at the slowness of, or lack of response from, the certification body.

5.   Summary of recommendations

Research work recommendations were elaborated to address the barriers identified, under the following titles:

Title 1:   Developing and testing a certification programme for small forests

Title 2:   Models for cost effective chain of custody certification

Title 3:   Small business guide to market opportunities for certified products

Title 4:   Models for simplified group certification

Title 5:   Development of practical field manuals

Title 6:   Assisting small businesses to benefit from certification.

A range of approaches to resolving the problems identified by this study are presented here. This section provides a summary of the conclusions, under four general headings, which are cross-referenced to the detailed recommendations for six research topics and practical measures described in section 6.

The first five research topics can be grouped into two major areas, under which projects could be combined:

- Titles 1 & 2 both address *systems* issues of certification and examine means of reducing the cost and burden of certification for small businesses;

- Titles 3 - 5 aim to provide *practical guidance* on meeting the challenges of certification for small businesses, covering market opportunities, developing groups and training materials.

- Title 6 addresses a more institutional issue and aims to provide recommendations on how donor funding can be targeted to assist small businesses with the initial start-up costs of certification and marketing.

Some requirements for policy changes on the part of the certification and accreditation bodies were also noted, but these fall outside the scope of this study. However, the outcomes from the proposed research will need to be accepted by the certification and accreditation bodies, if they are to have an impact for small businesses. It is therefore recommended that the on-going research and solutions proposed are closely discussed with certification and accreditation bodies to ensure that they are acceptable.

5.1   Small woodland certification programme

This approach aims to respond to the issues of cost, excessive documentation and administration, and difficulties with meeting the standards (see sections 4.2.1, 4.2.2 and 4.2.3). It includes both forest-based and wood-processing small businesses.

Various aspects need to be addressed:

1. Time (and therefore costs) required for inspection: although it takes less time to inspect 10 hectares than 10,000, the scale is not proportional to the size. A certification system which is rigorous enough for a large concession in a poorly regulated country is inevitably burdensome for a small operation. A large number of indicators are included on the checklist of the certification body and have to be assessed. Identification of critical requirements to be inspected in small businesses would reduce the time necessary for an inspection.

2. Documentation: the level of documentation required for a certification should appropriate to the scale of the operation. There is currently no definition of what minimum documentation requirements might be for small businesses.

3. Fixed costs associated with certification assessments: the costs of travel to the site, report writing and peer review are passed on to the client and change little according to and the size of the operation. For small businesses in remote locations, this can become the major part of the total cost of certification.

Most certification bodies try to find ways of keeping the costs down for small businesses but there is a limit to what they can do and still comply with their accreditation requirements. In the process of carrying out this study, it became clear that the requirements of certification need to be tailored to be appropriate for small businesses. In effect a specific small business certification programme is required. This could fit within the larger accreditation and certification structures and would be available to businesses which fall below a certain threshold.

Guidance needs to be available to define a "small business" in different countries and contexts. One suggestion, for example, is to define a threshold which is triggered if the normal costs of certification exceed a certain percentage of the predicted turnover. The EC FAIR Study indicated that 2% of turnover was a figure that forest owners could cope with as the cost of certification.

Development of such a system would involve the examination of all aspects of the process and requirements of certification and distilling them down to the bare essentials, focusing on a reduced number of critical points of inspection. It would also mean changing the way the accreditation requirements work for small operations, for example, simplified reports and reducing the requirement for peer review.

See Project Recommendations:

Title 1: Developing and testing a certification programme for small forests

Title 2: Models for cost effective chain of custody certification

5.2 Markets for timber products from small producers

Small businesses do not have easy access to the major markets for timber products. They often lack good information as well as the technical capacity to meet demanding specifications. It is clear from this study that the benefits of certification and the availability of price premia, as much as the disadvantages of not achieving certification, are very unclear to most small businesses. Price premia are perceived to exist in some markets and regions, but not in others.

This area for research aims to examine the opportunities and constraints relating to timber marketing for small businesses.

Access to market knowledge would enable, not only small businesses themselves to make informed decisions, but also donors and other organisations working to support small businesses in the wood products sector.

See Project Recommendations:

Title 3: Small business guide to marketing timber products

NB: This proposal was modified at the suggestion of DFID's Forest Research Programme to a more specific approach covering only certified timber. The authors have not investigated what other work has already been carried out in this area.

5.3　Group certification – Models that work

Group certification is a relatively new, but fast growing, aspect of forest certification. It is one of the most promising means for making certification accessible to small businesses. Group managers provide a widely varying extent of services to their members, from relatively hands-off monitoring to full management of members' forests.

Experience of certification bodies and responses to this survey demonstrate that some groups operate more effectively than others. Responses to the survey and experience of certification bodies also indicated that group managers find the documentary and administrative requirements of running a group excessive (see section 4.2.5) and that there is a lack of understanding of how to set up an effective group.

Research should be directed at identification of the features which make some groups more successful than others. Identification of ways to reduce the burdens of group management would assist the establishment of new groups. Practical guidance, appropriate models and template documents could be developed to facilitate group management.

See Project Recommendations:

Title 4: Models for simplified group certification

5.4　External support

This study has highlighted the lack of appropriate information about certification particularly aimed at small businesses (see section 4.2.6). There is a clear need for simple, jargon free, information relating both to the specific requirements of certification and the wider technical skills for forest management. Practical measures such as the development of suitable field training manuals in forest and chain of custody certification for small businesses would help address this issue.

The recently published book 'The Sustainable Forestry Handbook' [11] has been written to meet these requirements. The book provides detailed guidance and explanations for many of the requirements of forest management, and relates these closely to current certification systems and standards. It is likely to be very useful for the literate and experienced forest manager striving to understand and meet the demand to get certified. In the context of small scale or community based forestry it is more likely to be useful as a source and reference book for extension workers or trainers. The book is aimed at forest managers rather than processors. Whilst it contains useful information for small businesses interested in chain of custody certification, a free-standing publication aimed specifically at processors would be more likely to reach this audience.

Cost has also been identified by this study as a major barrier to certification of small businesses (see section 4.2.1). Even with the development of a small business certification programme, the initial direct and indirect costs are likely to be a barrier to certification in developing countries. Mechanisms to channel donor funding to small businesses could be developed as part of wider development programmes. Currently there are few models for donor support to businesses trying to achieve certification, although certification is favourably regarded by many of the international donors.

See Project Recommendations:

Title 5: Development of practical field manuals

Title 6: Assisting small businesses to benefit from certification.

6. Specific project recommendations

6.1 Developing and testing a certification programme for small forests

TITLE 1:   Developing and testing a certification programme for small forests
PROBLEMS TO BE ADDRESSED: 1. Some requirements of certification standards too difficult/expensive to implement. 2. Some certification requirements are excessive relative to the scale of operations. 3. Documentation requirements of certification are excessive. 4. The certification process is too time-consuming and expensive relative to the scale of operations.
KEY QUESTIONS: 1. What is a small forest? 2. What is the minimum set of critical certification requirements applicable to small forests? 3. What are the minimum documentation requirements applicable? 4. Can certification bodies reduce their process (e.g. reporting, peer review) for small businesses? 5. How can the cost of certification be minimised by reducing the intensity of sampling for groups? 6. Can the management burden (especially documentation) of group certification be reduced?
METHODOLOGY: Potential collaborators: certification bodies, accreditation authorities, statistical expertise, small businesses 1. Define fair threshold(s) for operations to qualify for a small businesses programme 2. Identify critical requirements and develop a reduced standard for both individual small businesses and group schemes for both documentation and field operations. 3. Determine where major costs occur in certification process and identify how these may be reduced without risking the integrity of the system. Develop low-intensity system for certification bodies to apply for small businesses. 4. Analyse other farm/forest certification schemes for application to small businesses. 5. Evaluate suitable sampling regimes for group certification schemes. 6. Field trial recommendations alongside standard requirements in sample locations, to identify any actual differences in results to ensure that revised approach incurs a low risk of failing to pick up problems identified by the current approach.
OUTPUTS: 1. Field-tested small-woods certification standard to be recommended to accreditation bodies. 2. Recommendations for simplified assessment system for certification bodies 3. Recommendations for simplification of the requirements for group certification schemes

6.2 Models for cost effective chain of custody certification

TITLE 2: Models for cost effective chain of custody certification

PROBLEMS TO BE ADDRESSED:

1   Small businesses perceive chain of custody certification as difficult and/or expensive.

2   Small businesses seeking chain of custody certification are often unaware of simple solutions that have been developed elsewhere.

3   No group certification scheme exists for small processors.

KEY QUESTIONS:

1. What generally applicable techniques already exist for achieving cheap chain of custody control for small businesses?

2. Can the techniques of group certification of forests (e.g. sampling of sites, use of group managers) be applied to chain of custody certification? If so, in what situations?

3. What are the generic requirements for controlling chain of custody in a group situation?

METHODOLOGY:

Potential collaborators: certification bodies, accreditation authorities, wood technology institutes.

1. Documentation of basic chain of custody solutions known by certification bodies.

2. Review of chain of custody certification reports, standards documentation and similar literature.

3. Interviews with small manufacturers who have chain of custody certification.

4. Line drawings/photos of examples of appropriate techniques

5. Review of current forest group certification techniques

6. Workshops with certification bodies and small manufacturers

OUTPUTS:

1   Case book of simple techniques for achieving chain of custody certification.

2   Templates for simple stock control systems.

3   Evaluation of the potential for group certification models for chain of custody.

4   Documented models of group certification for chain of custody.

6.3 Small business guide to marketing timber products

TITLE 3: Small business guide to marketing timber products

PROBLEMS TO BE ADDRESSED:

1. Marketing and market access for small producers is becoming increasingly difficult in the face or increasingly demanding specifications and competition from much larger, vertically integrated operations.

2. Some small producers have problems understanding and meeting the market demands buyers of (often international) in terms of quality, consistency, reliability of supply, technical specifications, independent certification and price.

3. There is inadequate information about how certification will affect demand and prices for different kinds of products and market opportunities for certified timber. Small producers do not have adequate information about costs and benefits of certification on which to make an informed decision about certification.

KEY QUESTIONS:

1. How can small producers take advantage of market opportunities available for their timber products? What are the best market opportunities for small producers of timber?

2. What are the main specifications demanded by international markets?

3. What are the barriers preventing small businesses meeting market specifications How can these barriers be overcome?

4. What information does a small producer need in order to weigh up the costs and benefits of certification?

5. How is certification likely to affect the price and demand for certified and non-certified products in different market sectors?

METHODOLOGY:

Potential collaborators: Forest producer and user associations, NGOs working with community forestry projects; agricultural/forestry extension agencies, certification bodies; university economics departments; WWF buyers' group co-ordinators; Analysis of actual costs of certification for all current certificate holders, through study of certification body records.

1. Interviews with small suppliers and buyers of uncertified and certified timber at different points in the supply chain (and other collaborators) to determine constraints and opportunities for small businesses and key technical specifications.

2. Quantitative evaluation of current and expected demand for timber, and evaluation of price and market implications for certified and non-certified timber in specified markets. Evaluation of existing 'willingness to pay' studies in different markets to determine most appropriate market opportunities.

OUTPUTS:

1. Step by step guide for small producers and manufacturers to determine the market opportunities available to them and the steps needed to access them.

2. Clear explanations for producers as to the technical specifications that are required by buyers of timber in key markets.

3. Guidance for small producers as to how to meet the basic technical specifications.

4. Identification of technical/institutional/capital obstructions to small producers in providing main requirements and recommendations for technical support most needed by small producers.

5. Report identifying costs, benefits and predicted market opportunities relating to certified products in key markets and regions.

6.4   Models for simplified group certification

<u>TITLE 4:</u>   Models for simplified group certification
<u>PROBLEMS TO BE ADDRESSED:</u> 1. The requirements for group certification are complex and require considerable administrative inputs on the part of the group manager, especially where group members are illiterate or uneducated. 2. For some small producers there are no obvious pre-existing groups to provide a basis for certification and little advice is available to assist setting up a group.
<u>KEY QUESTIONS:</u> 1. Can group certification schemes be simplified to reduce the administrative /documentary burden? 2. What existing structures provide a basis for group forest certification in developing countries? 3. How can the setting up of new groups be facilitated? 4. Can standardised group schemes be developed for general use?
<u>METHODOLOGY:</u> Collaborators: Certification bodies, accreditation bodies, existing groups (certified and not certified), recipient country agricultural/forestry institutions, environmental or social NGOs. 1. Analysis of group certification reports to identify common problems and successful solutions. 2. Interviews with actual and potential group managers and members and to determine constraints, opportunities and suggested adaptations of the scheme. 3. Analysis of other group structures that exist in the forestry and agricultural sectors (e.g. for marketing, forest health, fire control…) for suitability as potential group managers. 4. Workshops with recipient country agricultural/forestry research/extension agencies; and Non Governmental Organisations (NGOs). 5. Development and field testing of simplified group system and standardised documentation templates.
<u>OUTPUTS:</u> 1. Recommendations for adaptation and simplification of basic requirements for group certification. 2. Standardised documentation templates and models for setting up and managing group certification schemes. 3. Guide for potential group managers/co-ordinators on setting up and running groups.

6.5 Development of practical field materials

TITLE 5: Development of practical field materials for small forest owners.

PROBLEMS TO BE ADDRESSED:

1. Poor understanding of certification requirements and their application to small forests.
2. Lack of skilled advice regarding implementation of certification requirements.

KEY QUESTIONS:

1. What appropriate technical materials are required, with regard to relevant levels of literacy and understanding? This is applicable to the understanding and implementation of certification requirements.
2. What are the key limiting factors, in terms of technical understanding?
3. What are the optimal means of delivering the required information?

METHODOLOGY:

Potential collaborators: local partners in sample locations to assist with survey, evaluation and delivery of training. Funding would be required for involvement of such partners and production of training materials.

1. Workshops and surveys of small forest managers in sample locations to evaluate understanding of key requirements and perceived needs for information.
2. Conversion of key needs identified into suitable field materials.
3. Delivery of technical materials through initial training courses.

OUTPUTS:

1. Analysis of key shortfalls in technical understanding among small forest owners in sample locations.
2. Field training materials, to facilitate understanding and implementation of certification requirements.
3. Training courses to support delivery of field materials.

6.6   Assisting small businesses to benefit from certification

TITLE 6:   Assisting small businesses to benefit from certification
PROBLEMS TO BE ADDRESSED: 1. External funding focuses on forest management, but does not integrate with marketing and product quality control aspects. 2. Small businesses need to overcome the start-up costs incurred by improved forest management (indirect costs) and being assessed by a certification body (direct costs). 3. Suitable institutional mechanisms need to be developed to enable small businesses to access available funding and take advantage of market opportunities for certified products (see section 6.3) .
KEY QUESTIONS: 1. What are donor policies with regard to support of certification schemes? 2. Are there models from other sectors where support is provided to small businesses to facilitate access to markets? 3. Is certification of small businesses consistent with current funding priorities? 4. What are the available models where certification is included in project objectives?
METHODOLOGY: Potential collaborators: multilateral and bilateral donor agencies, e.g. World Bank, European Commission, International Tropical Timber Organisation (Japan), Department for International Development, GTZ. 1. Survey of donors and funding mechanisms regarding policies on certification. 2. Analysis of successes and failures of current projects that include support for certification. 3. Comparison with funding mechanisms for small businesses in other sectors to develop models.
OUTPUTS: 1. Report on current funding priorities and mechanisms of donor agencies with regard to certification. 2. Recommendations for appropriate project models, to integrate certification with other objectives. 3. Recommendations for appropriate institutional arrangements, to facilitate access for small businesses to funding for certification schemes.

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8. Appendices

8.1 Appendix No. 1: Survey questionnaire

November 17th 1998

<u>Forest and wood product certification for small businesses</u>

Independent forest certification and product labelling are becoming significant in securing markets and developing new markets for timber from well managed forests.

If you are involved in a small business that either produces or uses wood and are interested in independent forest/timber certification we would very much like to hear from you.

We are interested in finding ways of making the benefits of certification more easily available for small businesses around the world. To do this we would like to know more about the experiences and opinions of business men and women who would like to make use of independent certification. This study is funded by the UK Department for International Development Forestry Research Programme.

We would be very grateful for a few minutes of your time to complete the enclosed questionnaire. Please return it to us by post (in the envelope provided) or fax or email by December 4th 1998. We will try and incorporate late arrivals - so please send it in even if you miss the deadline. We will select one response by lottery, and the winner will receive a prize of £100.

We will be following up a sample of the questionnaires by telephone.

Yours sincerely

Hannah Scrase
FSC UK -Co-ordinator

SECTION 1 - YOUR BACKGROUND

If you wish to remain anonymous do not fill in the first question in this section. However, all responses will be confidential. This questionnaire is being sent to both forestry and wood products businesses, please mark Not Applicable (N/A) on any questions which do not apply to you or which you prefer not to answer.

1. Contact details

1.1 Name:|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|
1.2 Company: 1.3 Position:
1.4 Country:
1.5 Telephone: 1.6 Fax: 1.7 Email:

2. Your Business (please tick one or more answers)

☐ Forest owner   ☐ Forest manager   ☐ Forestry consultancy
☐ Development organisation ☐ Forestry Contractor   ☐ Sawmill
☐ Timber trader   ☐ Craft worker   ☐ Builder
☐ Joiner   ☐ Furniture maker   ☐ Charcoal producer
☐ Manufacturer (please describe main product type):_____
☐ Other: Please describe:_____

3. How many workers or sub-contractors do you normally employ?

Full Time_____   Part Time_____

4. What is the area of the forest you own or manage? State whether Hectares or Acres.

Area:_____   ☐ Not applicable

5. What is your approximate annual turnover of wood products?

Value (please state currency):
or
Volume/Quantity (please state units):   ☐ N/A

6. Are you a member of or involved with any group or association relating to your business?

☐ Trade association   ☐ Marketing group   ☐ Trade Union
☐ Management company   ☐ Community Council   ☐ Co-operative
☐ Woodland management advisory service
☐ Other (please describe):_____

YOUR ADDITIONAL RECOMMENDATIONS / COMMENTS

We would welcome more detailed comments or suggestions. If you need more space for any question or would like to add comments on topics not covered please attach additional sheets or use the reverse side of the covering letter.

SECTION 2. YOUR EXPERIENCE OF CERTIFICATION

7. Which of these describes your situation? (Please tick one or more boxes)

7.1 Involved in certification

☐ Considering certification or planning to apply

☐ Undergoing certification by an FSC accredited certification body

☐ Undergoing certification under another certification scheme - please specify

_____

☐ Current FSC certificate holder.

☐ Participant in FSC certified group certification scheme

7.2 Not involved in certification - if you tick one of the following boxes please add brief outline of the reasons for your answer.

☐ Certification is not applicable to my organisation

☐ Interested in certification, but am not able to do it

☐ Previously certified, but not currently certified

Reasons:

8. How does certification affect your business?

8.1 My customers have requested certified products:

☐ often　　☐ rarely　　☐ never　　☐ N/A

8.2 I have requested certified supplies:

☐ often　　☐ rarely　　☐ never　　☐ N/A

9. Where do you get information about certification: (Please tick one or more boxes)

☐ Trade press	☐ Trade associations	☐ General press
☐ FSC information	☐ Internet	☐ Certification bodies
☐ Word of mouth	☐ Your customers	☐ Already certified organisations
☐ Suppliers	☐ Other: please say which:	

SECTION 3 – CERTIFICATION FOR SMALL BUSINESSES

10. Costs (please state currency)

10.1 How much do you think it would cost to get your business certified? ☐ Don't Know ☐ N/A Currency: _____ Initial certification cost:_____ Annual monitoring cost:_____ 10.2 What do you think is a realistic cost to get your business certified? ☐ Don't Know ☐ N/A Initial certification cost:_____ Annual monitoring cost:_____

11. The standard of forest management required for certification is:
(circle one number in this range - 3 indicates the requirements are about right for this question):

Too easy to comply with 1 2 3 4 5 Too restrictive and difficult ☐ Don't Know ☐ N/A Which requirements are a problem?

12. The amount of documentation required is: (circle one number in this range - 3 indicates the requirements are about right for this question)

Too easy to comply with 1 2 3 4 5 Too excessive and difficult ☐ Don't Know ☐ N/A Which documentation requirements are causing problems?

13. Is it possible for you to join a group certification scheme in your area?

☐ Yes	☐ No	☐ Don't know	☐ N/A

14. The administrative systems required for group certification membership are: (mark one number in this range - 3 indicates the requirements are about right for this question)

Not rigorous enough   1   2   3   4   5   Excessive

☐ Don't know   ☐ N/A

Which requirements do you find difficult to comply with?

15. Are there other constraints to certification for your business?

Please explain briefly here and continue on extra sheet if you wish to give more detail.

16. Benefits of Certification

16.1 The premium on sale price available for certified timber or wood products of the sort that my company would sell is: (please tick one box):
☐ 0%   ☐ 1-5%   ☐ 6-10% ☐ 11-20% ☐ 20%+ ☐ Don't know ☐ N/A

16.2 What other benefits do you think certification does or could bring to your business?

SECTION 4 - FOLLOW-UP

Can we contact you to discuss your responses to this questionnaire?
☐ Yes   ☐ No

Would you be interested in having your business involved as a case study in subsequent work on improving access to certification for small businesses.
☐ Yes   ☐ No   ☐ Undecided

If you answer YES to either of the above please make sure you have completed Question 1- Contact Details. Thank you very much for your time.

8.2   Appendix No.2: Certification body review matrices

The following matrices were developed on the basis of responses from the certification bodies involved in this study. Responses from all certification bodies were combined, and repetitions were eliminated. Responses were then roughly grouped into the following areas:

1.   General barriers for small forest managers seeking forest certification
2.   General barriers for small businesses seeking chain of custody certification
3.   Specific problems for small forest managers in meeting forest certification standards
4.   Specific problems for small businesses in meeting chain of custody standards

Issue/problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
1. GENERAL BARRIERS FOR SMALL FOREST MANAGERS SEEKING FOREST CERTIFICATION				
1.1 In Rabaul, local market demand was sufficiently high after volcano to make new (certified) markets unnecessary. Timber sold locally, no local demand for certification. Regional export markets (Australia, New Zealand) did not demand certified timber.	Not a problem for local producers, but shows that certification not appropriate where markets do not require it. Insufficient price premium for certified products.	People who want to promote certification as a method to improve forest management.	Promote timber as 'local' – special marketing (e.g. Duchy of Cornwall) Need to create demand/premia in consumer markets.	? Not a research issue
1.2 Small volumes of timber (and only the best timber) demanded by buyers of certified timber. This timber is the easiest to sell in any case, and if premium is only available on the best quality it has to be a high premium because of low volume.	Need very high premia to support certification on such small volumes.	Individual small holders	Group together for sales and marketing (Coed Cymru in Wales, SWIFT in Solomon Islands)	Case studies of e.g. Coed Cymru and SWIFT – distribute information.

'1.3 No premium'	Premium is the clearest incentive for small producers. If premia do not exist it will be hard to use certification as a tool to improve forest management.	For small producers who have paid for certification. In fact premia do exist, and have been achieved e.g. SWIFT reported 25% premium, and LTS study reported 6% to 22% in a variety of businesses. But premia not universal.	Promotion and marketing. Grouping together for sales.	Reputable and formal analysis of financial costs and benefits for small producers/processors. More research into actual premia, and in which markets, and for which products. Distribution of information.
1.4 Cost	Costs have to be met by premia. If premia are small, or on low volumes, costs must be minimised. Marginal premium for certified wood reported. If certification costs more than it benefits it won't happen	Reported in Solomon Islands workshop (SI) and elsewhere.	Group certification. Project based certification. External funding Use local cbs (don't exist in most countries). Donor funded certification Buyer funded certification	Now enough examples for a realistic assessment of the financial cost/benefits of certification for small owners. Calculate total costs of certification for various 'case book examples'. Look at value of sales of products. Calculate premium required for different sizes of forest in order to make certification worthwhile. Develop training packages for potential certification bodies.
1.5 Technical aspects of certification may be unfamiliar – e.g. requirement for inventory, maps.	FSC standards have specific technical requirements for such	Especially a problem where education and literacy an issue, but also a problem for small owners who manage on the basis of what is in their head, and what they can see with their eyes.	External technical support. Rules of thumb for inventory (e.g. cut 1 tree per family per month)	Training Development of simple and efficient inventory techniques 'appropriate to size and complexity'.
1.6 Unfamiliar language of quality of management systems	Hard for people to grasp concepts	SI	Imaginative naming, external support. In SI major CARs described as 'sharks', and minor CARs as 'snakes'	Can the whole QMS system be 'translated' into familiar terms for different communities?

1.7 Bureaucratic procedure	Too much paper work for small communities for whom this kind of work is unfamiliar. Especially difficult when landowners cannot read or write, or find this very difficult.	SI	External technical support Group co-ordinators – funded by whom? Is this 'sustainable'? Delegate control to local organisation (e.g. SWIFT) with minimalistic paper work – monitoring made up for (?) by local knowledge. If you can do a 38 producer group in SI, why can't you do it elsewhere?	Study of group certification requirements to see whether they can be reduced. How much paper work is absolutely necessary? How much is FSC requirement and how much cb requirement? Research into 'paper free' monitoring techniques. CBs to use photographic reference points as basis for monitoring?
1.8 Lack of safety equipment, training for small producers – e.g. no boots, no ear defenders, etc., etc.. Same old problems about equipment being uncomfortable in the heat.	A standards problem – Standards require workers to operate as safely as possible. Particularly expensive for small producers to comply – safety equipment is usually imported from developed countries and as a result is expensive and/or hard to come by.	Requirement to work with partner noted as problem in Wales (HS). Especially a problem in hot countries, and in poor countries.	Further development of concept of safety equipment and training being 'appropriate to the scale of the operations'.	Research into appropriate systems for safety for small operators. Research into most important safety requirements that are appropriate in hot working conditions. Evaluation of cost/benefit of being too hot, or unprotected from noise/dust/chainsaws.
1.9 Time from contact to certificate	This is a major problem when contrasted with the speed with which concessionaires move in – certification hard and long.	SI	In organic farming there is a three year period of support for farmers in the process of conversion. Could a similar scheme be set up for foresters?	Research into appropriate subsidy mechanisms – e.g. use of Carbon taxes to support long term management, provide short term incentives to enter certification programmes.
1.10 Long term commitment.	Owners wish to keep future options open	SI	None stated by certification bodies	None stated by certification bodies
1.11 Privacy	UK standards require some element of public access	Appears to be a problem especially in UK	Standards are very 'flexible'	

1.12 Small holders renting old farm land to grow fast growing tree crops didn't want to set land aside to 'biodiversity' (i.e. return to natural trees) because 1) they would have to clear it again if they wanted to grow crops; 2) if it reverted to 'natural' forest they would need a permit to clear it, with need to bribe officials, etc., etc..	A standards problem (requirement to set aside land in non productive use), coupled with institutional problems in country concerned.	Costa Rica	None stated by certification bodies	None stated by certification bodies
1.13 Poor availability of people to help preparation on certification	Certification new and complex process. There is a need for people who genuinely understand it to facilitate uptake by others.	Reported from SI, but a fairly common problem.	'Scoping visits' help alleviate the problem.	Development of training materials, provision of training courses.
1.14 Lack of national standards (not only a problem for small producers)	Without national standards there is variability between certification bodies, and uncertainty about what the requirements will be. Standards development seems to be delayed by pointless conflict between supporters of different systems (e.g. ISO, FSC, ITTO, national systems….)	SI UK Chile…	So far standards have all taken 2-3 years to achieve the necessary consensus. In UK and Sweden government neutrality/facilitative role has been invaluable. In UK now recognised that special consideration must be given to create standards appropriate to small users.	Investigate ways to make standard development quicker? E.g. develop a more neutral context in which supporters of different systems can work without feeling publicly committed to one system or another. How can this be achieved? Research into generic guidelines that explain how standards can be developed 'appropriate to size and complexity'.
1.15 Lack of forest managers technical knowledge about certification, little training available.		SI	None stated by certification bodies	None stated by certification bodies

1.16 Buyers of certified timber 1.17 insist on top grades only	A forest management problem – potential for premium only on small proportion of total production.	SI		
1.18 Monitoring of CoC can be problematic	Can make certification difficult because source cannot be verified even though forest management looks good	SI	None stated by certification bodies	None stated by certification bodies
1.19 If local community is expanding agriculture into the forest, it will conflict with requirements of certification	A standards issue	SI		Research into standards that allow for communities to develop sustainable agriculture & forestry as holistic view of land use.
1.20 Sense of ownership Individuals do not want to pass 'sovereignty' of land to FSC, to certification body, or to resource manager.	Creates conflict between 'right to manage land myself' and potential cost savings of 'group' schemes. Also conflict between personal commitment, and reluctance to make legal commitment.	Common in UK and USA	None stated by certification bodies	None stated by certification bodies
1.21 Problems with providing quality, reliability, etc, required for European/US markets	Sometimes naivety on behalf of promoters ('gold under the green rainbow'). Small producers not used to quality standards – timber has been shipped when not properly dried, poorly graded… Local producers taking benevolent outsiders for a ride, with risk of giving certified timber a reputation for poor quality. Aid projects tend to concentrate on forestry, not on marketing –it is acceptable to subsidise training in forestry but unacceptable to subsidise training in marketing.	Plan Piloto (not small) SWIFT	None stated by certification bodies	Market research for community products. International co-operative buying – like ETC but with a training wing and more money.

1.22 Profit for certification body very small for small producers – travel and admin a high proportion of total cost passed on to client. But large producers unwilling to provide subsidies.	Tends to make certification of small producers unattractive to certification bodies	Small producers Idealistic certification bodies	Subsidy mechanisms with access restricted to genuinely deserving cases. Gatekeeper other than cb.	None stated by certification bodies
1.23 Donors (e.g. DFID) unwilling to fund certification because it is deemed a 'commercial' activity. But it is only commercial for large operators. Economies of scale then favour large operators, with negative implications for social management.	Tends to make certification of small producers unattractive to certification bodies	Small producers Idealistic certification bodies	None stated by certification bodies	None stated by certification bodies
1.23 Land disputes	In Samoa this ranked as the highest problem. Arguably a problem of forest management, not a problem related to certification per se.	Areas where land tenure not settled	None stated by certification bodies	Research into problems of land tenure, leading to system for solutions? Research into solutions found elsewhere (e.g. Fiji, SI).
1.24 Low awareness	If producers do not know certification exists they won't apply	Cited in SI workshop	NGO publicity Government support	Training of extension services.
1.25 Lack of good, technical advice. Certification bodies not supposed to provide 'consultancy' advice.	Certification new and unknown	General	None stated by certification bodies	None stated by certification bodies

1.26 ' We are already doing good fm' Small producers especially are unwilling to incur an extra cost when they reckon the management will not improve. Resentment against buying power of large chains – e.g. B&Q	Certification seen as bullying tactic by B&Q et al. Root of problem is that most forest managers sell raw materials, rather than value added products. Especially difficult for producers to capture available premia	General	When there are premia to cover the cost this becomes a simpler market decision.	Research into group marketing of forest products. Distribution of information about premia may give sellers a stronger hand, and counteract B&Q propaganda about paying 'nothing more' for certified wood.
1.27 Itinerant forest workers	Small workers may not own the land they work on – e.g. coppice workers – they do good, low impact environmentally friendly work, but have no control of land use or long term management planning.	Itinerate workers who are doing good small scale forest care	None suggested	Research into possibilities for certification of itinerant management systems. Schemes to get groups of land owners to sign up to longer term commitments.
General management/ institutional issues of certification				
1.28 Group management Change of ownership/ management of a group and poor management capability. The group manager - a private exporter - collapsed and was taken over.	CARs weren't dealt with, certificate withdrawn; group members don't know of or understand the CARs without input from manager	the forest owners the group manager	No	What are the conditions necessary for a successful group manager (technical, financial, personnel)?

1.29 Adequate assessment of social impacts A group composed of family/ communities in a complex land tenure situation. With many small areas it is difficult to spend sufficient time with the community to get a grip on social relations within the group, making the assessors reliant on background information from the group manager (who has their own agenda)	Certification may go ahead without the full support t of all members of the community, without the assessor knowing, leading to problems of long-term commitment to the process; benefits of certification (e.g. proceeds from sales) may not reach the entire community	the forest owner(s) the certifier	better stakeholder consultation - difficult to know how in disparate groups of small owners at a distance better use of local specialist assessors	None stated by certification bodies
1.30 Commitment/ understanding Forest owners often don't understand fully what they are signing up to, esp. with groups set up by commercial buyers/manufacturers who may initially feel they don't need to explain all the details of FSC etc.	Owners aren't aware of the costs which certification may entail; certification is being sold to them as purely beneficial	Forest owner	Provision of good appropriate information; FSC P&C in 10 easy words	Collect examples of good interpretations of FSC from certified groups.
1.31 Marketing Small quantities, specialised markets, quality control, its a problem for small producers to make full use of the certification	There's little value to the certification if they can't use it to sell products	Forest owner	Some groups using the certification, not for selling wood, but to draw in grants from e.g. WB, and watershed management incentives	Marketing studies/ database of potential customers for certified products; also research the synergy of FSC plus fair trade markets

2. GENERAL BARRIERS FOR SMALL BUSINESSES SEEKING CHAIN OF CUSTODY CERTIFICATION				
2.1 Cost	Small businesses don't wish to spend money without clear return	All businesses	Premia and/or other market advantages for the products.	Research into methods for reducing costs, and/or increasing benefits.
2.2 Paper work seen as intrusive	Disincentive to achieve certification	Small businesses in general	None stated by certification bodies	None stated by certification bodies
2.3 Lack of information, knowledge about solutions	There are practical solutions around – end painting, tagging, simple paper based stock control systems -–but they are perceived as being complicated and difficult.	Small businesses in general	Manuals, guidebooks	Development of 'best practice' guidelines and worked examples. A 'case book'.
2.4 CBs in difficult position with regard to division between consultancy/ certification.	Clients need advice. Knowledge about chain of custody requirements still sparse. Certification bodies have knowledge but can't give it.	Small businesses in general	Manuals, guidebooks, development of independent consultants as market develops	None stated by certification bodies
2.5 Lack of supply – should be less of a problem for small 2.6 manufacturers, but still a problem in terms of species, dimensions, quality, availability, etc..	Problem matching irregular demand and irregular supply	Suppliers in general	Development of market	None stated by certification bodies
2.7 Health and safety	Certification bodies are expected to look at health and safety issues – and may refuse a certificate if they are not addressed – this may put off some clients.	Especially small suppliers find compliance relatively onerous	None stated by certification bodies	None stated by certification bodies
2.8 Under group certification, some group managers reportedly refuse to give individual members the right to sell product as certified.	Conflict of interest between group managers and individual members.	Sweden	None stated by certification bodies	None stated by certification bodies

2.9 Weak negotiating position.

Buyers not genuinely committed. | A problem for small manufacturers generally – the big buyers set the price and are not prepared to pay a premium. Big buyers still happy to buy uncertified if it is cheaper. | Small producers have to take the going market price, and have great difficulty negotiating a better price from large buyers. | Ultimately big buyers must be prepared to accept that certified wood is a more expensive material than non-certified wood (at least in the short term) and pass costs on to consumers. | None stated by certification bodies |
| 2.10 Markets for small producers not developed. The major buyers of certified wood are the 95+ group members. These are almost all BIG buyers, who are driving the market. Same old problems of small producers and big buyers. | Small suppliers find it hard to supply big buyers – investment, equipment, reliability become problems. | Small suppliers in general | None stated by certification bodies | None stated by certification bodies |
| 2.11 Impossible yet to stock complete range of certified products – and buyers not prepared to order sufficiently in advance to meet individual orders. | Difficult to meet a whole order in certified wood. | Suppliers in general | Development of markets | None stated by certification bodies |
| 2.12 Informal ways of doing business | Goes for forest workers and manufacturers.

Business transactions may not be documented, and may be 'grey economy' – e.g. to avoid tax, employment legislation, health and safety etc..

Not really a problem for certification per se., but rather for the way legislation can affect small businesses. | Small businesses in general | None stated by certification bodies | None stated by certification bodies |
| 2.13 There is no Group Certification Programme for CoC | Costs disproportionately high for small manufacturers | Small manufacturers, especially if all selling to one larger manufacturer or group | See on-going study | Develop CoC GCP |

Issue or problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
3. SPECIFIC PROBLEMS FOR SMALL FOREST MANAGERS IN MEETING FOREST CERTIFICATION STANDARDS				
3.1 Lack of research and data: For small forest owners, the traditional concepts of AAC, cutting cycles, etc. are difficult to apply. For cost-effectiveness it may be easier to harvest whole FMU more intensively at once, then leave to regenerate; alternatively, small family-held area might want to take one tree now, one in 5 years and supply it to a manufacturer, but they don't want a whole management plan, conservation plan, etc.	Can be difficult for small owners to provide proof that their yields are sustainable and that they know what their yields are. If they harvest whole FMU more intensively, then leave for longer, they're not doing anything much within the life time of the certificate. It's more variable than large scale operations and data to support this type of harvesting is often not available.	the forest owner the certifier	None stated by certification bodies	None stated by certification bodies
3.2 Planning Small owners supplying to a large manufacturer: Individual suppliers can only supply on a periodic basis. They harvest once every 10 years, small scale. They don't have money or expertise to invest in a management plan. The manufacturer, who wants certification, doesn't have money or ability to provide technical expertise to suppliers to help plan.	Management plans aren't written; there is no long-term management; can't be certified?	Manufacturer can't take from small owners	None stated by certification bodies	What's the minimum level of planning acceptable for certification?

Issue or problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
3.3 Conservation of biodiversity In small areas it's not feasible (or useful?) to set aside areas in each FMU for conservation. Within a group it MAY be possible to get some complete areas set aside to compensate for other areas completely harvested, but needs strong group management	Requirement of FSC not being met	Forest owner/manager	Only in groups	Need to define, within a group what is acceptable in terms of some areas set aside if other areas are completely harvested/managed?
3.4 Maps Mapping is expensive, but is a basic requirement. Many small owners don't have adequate maps to determine areas, conservation/protection areas, boundaries, etc, nor have expertise and equipment to produce	Calculation of harvests, demarcation of harvest/ non-production areas, planning cannot be done	Forest owners	Sort of technical aspect group managers should be involved in	Not so much research as training
3.5 Monitoring What, how and when should monitoring be done? Small owners have no idea on the whole and often no tradition or culture of writing keeping written records	Although they may be monitoring in an informal sense, there's no records for the purpose of certification.	Forest owners Certifiers	In the UK trying to define minimum acceptable levels/ objects of monitoring; A major area where group management have to take a role in GCP	None stated by certification bodies
3.6 Optimising benefits Small owners have no ability to influence markets, research or try new species.	May be more inclined to 'cream' high value species	Forest owners	If selling in a group, the manager should be encouraged to look at other species	None stated by certification bodies

Issue or problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
3.7 Health and safety; contractors Small owners are more likely to either use contractors or carry out operations themselves. If themselves, they often don't have adequate training or safety equipment; if contractors, it's hard to influence them to ensure their sub-contractors are trained/ equipped; also that sub-contractors are properly registered, etc.	Don't meet Health & Safety requirements of the standard	Forest owners	In GCP, group manager may be able to provide a pool of equipment and training and recommended contractors, but it's still a problem where a group is geographically disparate	What is the minimum protective clothing for different activities in the tropics, esp. chainsaw use and chemical applications?
3.8 Training Basic operations - esp. inventory, calculation of permissible harvests, boundary mapping/demarcation - small owners don't have training to do	Insufficient planning to meet requirements	Forest owners	Training courses and materials - need to be appropriate and locally developed	Review of training materials produced for small scale management projects and compilation of a database/list of contacts
3.9 Documentation Small owners don't have adequate documentation; in GCPs, generic template documentation is often provided. Owners don't then feel any ownership of the documentation	Documents exist purely for the sake of certification; management continues as before	Forest owners Group managers Certifiers	Provision of better information to owners on what is needed and why	None stated by certification bodies

Issue or problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
3.10 Tenure and control of management Especially with secondary products e.g. charcoal; where demand is only for the secondary product to be certified and the producer is not the same as the owner/manager of the rest of the forest; also with such products, they're likely to be selling to a certified group; responsibility for harvesting and selling is separated from responsibility for on-going management.	The producer of the secondary product and/or the group wants the certification; the owner/manager of the resource may have to take the corrective actions; however if the product is only minor, it may not be worth their while investing in maintaining the certificate.	Group managers Producers of secondary products	Management agreements, but it's difficult to make them stick	None stated by certification bodies
3.11 Tenure and long term commitment With secondary products, harvested by non-owner, producer may move from one small FMU to the next, returning to the first after the expiry of the certificate.	What guarantee is there the owner will continue to comply? The producer of secondary products is likely to be unable/ unwilling to monitor; what control is there to ensure corrective actions are taken? - it makes no odds to the owner if they're knocked off the certification by the time the secondary producer has left.	Producer of secondary products	Management agreements but difficult to make them stick	None stated by certification bodies

Issue or problem	Why is this a problem?	For whom is this a problem?	Known or potential solutions	Suggested research methodology
3.12 Use of contractors In groups, where group member takes on the contractor, but group manager is responsible for ensuring FSC standards are met, the control chain may be too long and requirements may not be accurately communicated to the contractor	Standards of operations are inadequate	Group manager Forest owner	High levels of supervision by the group management	None stated by certification bodies
3.13 Identification of environmental aspects Exactly what is this requiring of small forest owners? What level of assessment do they need?	Frequently small forest owners assume that because they're small their impacts are small and they haven't done any form of assessment	Forest owner	WT have developed basic assessment form (for the UK)	Development of a basic environmental impact checklist.
4. SPECIFIC PROBLEMS FOR SMALL MANUFACTURERS IN MEETING CHAIN OF CUSTODY STANDARDS				
4.1 Systems Most producers are manufacturing a variety of products; small producers don't have documented systems to demonstrate intact CoC	Even if they are segregating certified and non-certified, can't prove it	Small manufacturers	None stated by certification bodies	None stated by certification bodies
4.2 Segregation of materials Small manufacturers may not have space to physically segregate certified and non-certified	Can't demonstrate intact CoC	Small manufacturers, charcoal producers	None stated by certification bodies	None stated by certification bodies

Barriers to Certification for Small Business – Forest Management

Issue or problem	Why is this a problem?	For whom, or for which organisation is this a problem	Have any solutions already been identified by other consultees	Suggestions for research towards resolving the issues.
Certification technical requirement too demanding	Certification standards requirements (e.g. information collection/inventories, management planning, monitoring) are often out of reach for small landowners or community based operations (LDC). Technical barriers are a result of: ♦ poor access to technical services, especially true in LDCs where trained foresters and other professionals are scarce ♦ financial inability to contract for needed technical services or skills. ♦ Inability of resource manager to convince small landowners to make required improvements to management plans to meet certification standards.	Small landowners, community based operations, resource managers (group certification)	Identification of (and referral to by SW) organisations or agencies which provide technical assistance to these forest management operations. Community based operations in Latin America are often able to access resources from bilateral or multilateral development organisations.	
Price premia, if any, do not reach the forest land owners.	Landowners selling logs are ill equipped to capture any price premia, due to infrequencies of harvest and small volumes.	Small landowners, community based operations, resource managers (group certification)	1) Formation of forest owners co-operatives (e.g. Timbergreen Forestry, Vermont Family Forests) for co-ordinated marketing resulting in increased wood volume marketed and more frequent sales. This translates into increased leverage in marketplace. 2) Timber growers undertake value added processing to improve ability to capture premia and improve markets for lower valued species. (e.g. Timbergreen, Full cycle woodworks, Haliburton Forest)	
Certification revenues are infrequent, but costs are regular.	Smaller landholding harvest infrequently (every 10 –15 years in temperate areas). FSC certification requires annual audits and reassessment every 5 years. Benefit cost ratio of certification can be negative or irregular revenues create cash flows problems for covering recurring certification costs.	Small landowners	Group certification model can transfer annual costs to resource manager who may be better able to absorb costs, or may spread out costs among many members.	
Inability to effectively access markets for certified product	Small operations are ill equipped to develop markets for their certified products. Barriers include communications hardware (phone, fax, email…), lack of marketing and business skills, *Small operations involved in processing are often faced with quality control problems in producing certified products resulting in wariness/suspicion by buyers. These operations are often undercapitalised and can have antiquated inefficient equipment.	Small landowners, community-based operations.	Secure access to technical or business development assistance from outside organisations or agencies (e.g. Small business Administration loans, international development organisations, governmental organisation, etc)	

Barriers to Certification for Small Business – Chain of Custody:

Issue or problem	Why is this a problem?	For whom, or for which organisation is this a problem	Have any solutions already been identified by other consultees	Suggestions for research towards resolving the issues.
Cost of certification too high	*Initial assessment and auditing costs are too high given the financial benefits from certification.	All small business.	No	
Benefits not perceived or not adequate	*Premia if any, not sufficient to cover additional costs (certification costs plus certified inputs)	All small business	No	
Inability to access markets for certified.	*Small operations lack marketing and financial resources to put together effective marketing plans in order to penetrate certified markets and generate required levels of sales and price premia	Many small businesses, especially operations in LDCs and small shops and artisans.	No	
Certification Technical requirements too difficult	*Physical space constraints for separate storage and processing of certified. *Inadequate record keeping (e.g. raw material or finished product inventory)	Artisan or craftsman type operations. (1-5 person shops).	No	
Certified inputs difficult to obtain or too costly	*Full range of certified wood inputs may not be available. *Certified supplier may not want to deal with small orders. *Operation may not be able to cover additional cost for certified inputs or may not be able to pass on this cost to their buyers.	All small business		

8.3   Appendix No.3: Reported Barriers to certification:

Forest Management and Chain of custody certification:

Numbers indicate how many respondents raised this issue.
F = forest management operation (wood producer)
C = chain of custody operation (wood user)

1.	Costs of certification inspection too high (General):	F17	C7
1.1	Costs too high relative to revenue from timber:	F3	C1
1.2	Costs too high relative to premia available:	F1	C1
1.3	Costs not fixed and transparent:	F2	
1.4	Costs in time are too much:	F1	
1.5	Cost of buying certified supplies too high:		C1
1.6	Cost of separating supplies and inventory for CoC:		C2

2.	Standards Issues		
2.1	Too rigid/too high:	F8	C2
2.2	Standards too easy:	F2	C4
2.3	Biased against commercial forestry:	F2	
2.4	Labour rights/ Social standards/ consultation difficult/expensive:	F2	C1
2.5	Forest management needs to be improved first:		C1
2.6	Standards too vague:	F1	
2.7	Standards not appropriate to coppice sector (woods not owned)	F1	
2.8	Standards ok but expensive to deliver:	F1	

3.	Documentation requirements excessive (General):	F18	C5
3.1	Inventory:	F2	C1
3.2	Maps:		C1
3.3	Biological surveys:	F1	
3.4	Management plans:	F1	C1
3.5	Monitoring:	F2	
3.6	Harvesting predictions / records:	F1	
3.7	Not appropriate for coppice workers:	F1	
3.8	Certifiers take too long to process paperwork:	F1	

4.	Problems with Group Certification		
4.1	Documentation / Admin. burden too great:	F4	C2
4.2	Difficult to control and monitor group members:	F2	

4.3	Conflicts of interest between group members and co-ordinators:	F1	
4.4	Problems associated with many small producers:		C1
4.5	Admin for group certification is inadequate:		C1

5.	Benefits too uncertain / intangible:	F4	
5.1	Don't know what the benefits are:	F2	
5.2	Benefits are for retailers not growers:	F2	
5.3	Costs are definite and now, Benefits are maybe and later:	F1	
5.4	No markets for round timber especially in small volumes:	F1	

6.	Information / Knowledge gap		
6.1	Not clear what is really required of manager:	F1	C1
6.2	Language is alien / jargon e.g. stakeholder:	F1	

7.	Miscellaneous		
7.1	Opposition from government / timber trade:	F2	
7.2	Certifiers and FSC unbusiness-like / certifier not interested in small businesses:	F2	C2
7.3	Forests already well managed, no benefit to certify them:	F1	C1
7.4	Low education level of producers:	F1	
7.5	Site not producing any timber:	F1	
7.6	No certified mills to process timber:	F1	

Chain of Custody Certification Specific issues

8.	Supplies, suppliers and demand		
8.1	Appropriate and / or local supplies inadequate (size, quality, quantity, species, lead times etc) or no progress in a specific country:	F1	C12
8.2	Little/no demand for certified product:	F2	C4
8.3	Small turnover in certified product:		C2
8.4	Buyers use non wood alternatives rather than pay high premia:		C1
8.5	Reluctance to drop a reliable but uncertified supplier:		C1

9.	Problems achieving certification / Requirements		
9.1	Physical separation of supplies is difficult:		C1
9.2	Need more guidance / support:		C1