Study on New Market Opportunities of US Certified Forest Products in China

Xiaoqiong-Liang
Chinese Academy of Forestry
1. China

Population: 1.35 billion
Area: 960,000,000ha
National Forest Continues Inventory

- **Plantation**: 62 million ha (2004-2008)

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Forest Coverage Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1973-1976)</td>
<td>12.70</td>
</tr>
<tr>
<td>(1977-1981)</td>
<td>12.00</td>
</tr>
<tr>
<td>(1999-2003)</td>
<td>18.21</td>
</tr>
</tbody>
</table>
Global Import of Sawn Timber (2001-2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deciduous Tree</th>
<th>Coniferous Tree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3400</td>
<td>640</td>
</tr>
<tr>
<td>2002</td>
<td>4206</td>
<td>1189</td>
</tr>
<tr>
<td>2003</td>
<td>4139</td>
<td>1373</td>
</tr>
<tr>
<td>2004</td>
<td>4304</td>
<td>1700</td>
</tr>
<tr>
<td>2005</td>
<td>4090</td>
<td>1883</td>
</tr>
<tr>
<td>2006</td>
<td>3960</td>
<td>2108</td>
</tr>
<tr>
<td>2007</td>
<td>3686</td>
<td>2804</td>
</tr>
<tr>
<td>2008</td>
<td>3408</td>
<td>3645</td>
</tr>
<tr>
<td>2009</td>
<td>3519</td>
<td>6344</td>
</tr>
<tr>
<td>2010</td>
<td>5341</td>
<td>9371</td>
</tr>
<tr>
<td>2011</td>
<td>6592</td>
<td>14920</td>
</tr>
<tr>
<td>2012</td>
<td>6346</td>
<td>14220</td>
</tr>
<tr>
<td>Country</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>Quantity</td>
<td>Proportion %</td>
</tr>
<tr>
<td>Logs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>18665.1</td>
<td>63.12</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1908.6</td>
<td>6.45</td>
</tr>
<tr>
<td>U.S.</td>
<td>397.5</td>
<td>1.34</td>
</tr>
<tr>
<td>Canada</td>
<td>206.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Australian</td>
<td>429.5</td>
<td>1.45</td>
</tr>
<tr>
<td>Total of Import</td>
<td>29570</td>
<td></td>
</tr>
<tr>
<td>Lumber</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>1968.3</td>
<td>27.91</td>
</tr>
<tr>
<td>New Zealand</td>
<td>239.1</td>
<td>3.39</td>
</tr>
<tr>
<td>U.S.</td>
<td>1042.5</td>
<td>14.78</td>
</tr>
<tr>
<td>Canada</td>
<td>1133.6</td>
<td>16.07</td>
</tr>
<tr>
<td>Total of Import</td>
<td>7053</td>
<td></td>
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</table>
Why I am here

- Along with the increasing demand of legality and sustainability of forest products by the international communities, the market demand for certified forest products in China will be increasing rapidly.
- U.S is China's top trade partner in forest products.
- U.S has 2 national forest certification schemes which are SFI and ATFS, and both are endorsed by PEFC.
Project Purpose

• Share China forest certification information
• To understand the current trade status of un-certified and certified forest product between China and U.S
• To analyze the future trade perspectives of un-certified and certified forest products between China and U.S
2. China Forest Certification Scheme and International Schemes in China
Overview of forest certification schemes in the world

• Forest certification started around UNCED in 1992

• The first forest certification scheme was established in 1993
**FM certification**: to enhance forest management level

**COC certification**: to ensure sources of certified raw materials

Certified forests → Certified company → Certified products
Overview of forest certification schemes in the world

- Currently, there are 2 categories of forest certification schemes in the world:
  - (1) International schemes
    - PEFC Scheme (Programme of the Endorsement of Forest Certification Schemes)
    - FSC Schemes (Forest Stewardship Council)
  - (2) National schemes
    - Over 30 national schemes, including China
Forest certification in China

- Currently, 3 forest certification schemes exist in China
  - China Forest Certification Scheme (CFCC)
  - PEFC Scheme
  - FSC Scheme
CFCC

- Certification standard
  - Two certification standards both for FM and COC
  - Forest Certification in China --- Plantation Management (nearly finished)
  - Forest Certification in China --- Bamboo Plantation Management (nearly finished)
  - Carbon forest management certification (certification standard is going to be developed)
CFCC

● Also:

- Non-wood forest products certification (certification standard is under development)
- Forest eco-service certification (certification standard is under development)
- Certification for commercially managed precious, rare and endangered species (certification standard is under development)
CFCC progress --- certification

- Only one certification body
  - Some applicants are waiting for approval
- Current progress of certification
  - Issued 10 certificates: 8 for FMUs with 420,000 ha; 2 for COC
certified forest management units
FSC

- Established in November 1993
- Headquarters: Now in Bonn, Germany
- Mainly initiated by ENGOs, such as WWF and the Greenpeace
- Accredit certification standards and certification bodies by itself
- Certification bodies: 30 accredited
International standard:
  – Before: 10 principles and 56 criteria
  – Currently: 10 principles and 70 criteria

• Each country may develop its own national standard, but with FSC requirements and accredited by FSC

• National Initiatives/National Working Groups, now transferring to National Offices
PEFC

• Established in June 1999 in Paris, with headquarters now in Geneva
• Mainly initiated by private forest owners in Europe
• Changed from regional scheme into international scheme in 2003, with the same abbreviation of PEFC
• Consists of PEFC Council and Board of Directors, and national governing bodies are its members
• 36 national members, including China
PEFC

Certification standard:
  – Same as Helsinki Process (6 criteria and 27 indicators)
  – Each country may develop its own standard but should be endorsed by PEFC

Certification bodies: Accredited by national accreditation bodies
Development of international schemes in China

- as of July 2013
- FSC
  - 3.13 million ha by 59 FMUs
  - 2,956 COC certificates, excluding 140 from Taiwan and 572 from Hong Kong
- PEFC
  - No forest certified by PEFC due to no endorsement yet
  - 190 COC certificates, excluding 7 from Taiwan
FSC and PEFC relationship with Chinese Government

• FSC:
  – The first forest certification scheme in the world and the first forest certification scheme entering China
  – Now the relationship is complicated due to: (1) that it cannot be mutually endorsed; (2) We already have CFCC; (3) Certification body register;
FSC and PEFC relationship with Chinese Government

- PEFC
  - Its China Office was established in 2007
  - Currently, China Forest Certification Scheme is seeking endorsement by PEFC
  - the relationship will reach peak stage once the endorsement is made
Perspective of CFCC

- Government side
  - Help wood companies to access the international market
  - Help to improve forest management level
  - Green-wood products public procurement policy

- Enterprise side
  - Need certification for int'l trade
  - China wants own system (more cost-effective than FSC)
Project Purpose

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Research Method

- Information collect: books, papers, website, field trip...
- Questionnaire Survey: FSC and SFI certified Forest owned companies in Oregon state and Washington state
Certified Forests in Oregon and Washington

- FSC --- 7 cases, 72,617 ha
- SFI --- 18 cases, 3,987,531 ha
Questionnaire Survey

- FSC certified company:
  - Sent 7, got 4 reply
- SFI certified company:
  - Sent 15, got 10 reply
• What percentage of your forestlands and your wood product are certified?

FSC: 75% of them have all of their forest land certified by FSC, and all of them want to increase their acreage.

SFI: 90% of them have all of their forest land certified by SFI, 40% want to increase their acreage.
• Do you export to China?

FSC: 100% of them export their logs/lumber/forest product to China. 30%;

SFI: 50% of them export their logs/lumber/forest product to China. 25%;
• Do you think that having certification is critical to the success of your business, both domestically and internationally?

FSC: 100%
SFI: 70%
• Are you aware that China has its own forest certification system (Chinese Forest Certification Scheme), which will be endorsed by PEFC—the European certification system?

FSC: 0% know
SFI: 30% know
• Are you aware that FSC does not comply with the Chinese Certification and Accreditation Regulation, and it is likely that in the future the Chinese Government will not accept FSC certified products?

FSC: 0% know
SFI: 10% know
Conclusion

• All of FSC certified respondents sell their logs/lumber to China, and only some of SFI certified respondents sell their log/lumber to China

• The current trend will continue - the market demand for forest products in China will keep increasing

• SFI certified wood - In a short time after CFCC is endorsed by PEFC, the market demand for SFI certified forest products in China will increase rapidly

• FSC certified wood – the market demand for FSC certified wood in China will decrease

• The companies I spoke with did not know much about Chinese Forest Certification situation, we need much more information exchange
Thank you!

Xiaoqiong Liang
Chinese Academy of Forestry
Email: xq0520@hotmail.com
### List of companies I spoke with

**SFI CERTIFIED COMPANIES:**
- Forest Investment Associates
- Hampton Resources
- Hancock Forest Management
- Olympic Resource Management
- Plum Creek Timber Company
- Port Blakely Tree Farms, L.P.
- Sierra Pacific Industries
- Weyerhaeuser NR Company
- Yakama Nation
- Starker Forests

**FSC CERTIFIED COMPANIES:**
- Collins Pine Co
- GreenWood Tree Farm Fund
- Hancock Forest Management
- Trout Mountain Forestry