WORKING PAPER 1998-10

sustainable forest management network

réseau sur la gestion durable des forêts

Expectations, Choices and Realization: Perspectives of Owners and Managers of FSC Certified Forests in the U.S.

J. Hayward and I. Vertinsky

A Network of Centres of Excellence
Un réseau de centres d'excellence

For copies of this or other SFM publications contact:

Sustainable Forest Management Network
G208 Biological Sciences Building
University of Alberta
Edmonton, Alberta, T6G 2E9
Ph: (780) 492 6659
Fax: (780) 492 8160
http://www.biology.ualberta.ca/sfm

This Working Paper is published by the Sustainable Forest Management Network. All Network Researchers are invited to present ideas and research results in this forum to accelerate their application and to foster interdisciplinary discussion on knowledge, strategies and tools leading to sustainable management of Canada's boreal forest. Working Papers are published without peer review.

Do not cite this Working Paper without the expressed written consent of the author(s).

Expectations, Choices and Realization: Perspectives of Owners and Managers of FSC Certified Forests in the U.S.

by

Jeffrey Hayward

Faculty of Forestry
University of British Columbia
Vancouver, B.C.

and

Ilan Vertinsky

Forest Economics and Policy Analysis Research Unit
University of British Columbia
Vancouver, B.C.

The authors are grateful for partial funding provided by the Network of Centres of Excellence, Sustainable Forest Management.

ABSTRACT

Interest in forest management certification is increasing rapidly. While there has been wide speculation in the literature about the motives of forest owners and managers to adopt certification and the benefits which could accrue to them from it, there a is paucity of empirical evidence. In this paper, we investigate the motives and experiences of U.S. forest land owners and managers with Forest Stewardship Council (FSC) certification. In-depth interviews were conducted in 20 certified forest operations representing 90% of certified operations in the U.S. as of December 1997. From these case studies, some general propositions are derived regarding the nature of the process of committing to FSC certification and the benefits and costs as perceived by various types of forestry operations.

INTRODUCTION

Interest in forest certification is increasing. Globally, as of June 30, 1998, the area of certified forests totaled 10,339,392 hectares. This was a marked increase from 6,502,793 hectares certified by January 1998 and 3,100,000 hectares certified by September 1997.In this paper we explore the experiences of forest owners and forest managers in the U.S. whose forests were certified by two certification programs accredited by the Forest Stewardship Council (FSC). In particular, we investigate the motives that led these operations to seek certification, the scope of changes required in forest management planning, how certification accrued additional costs, and the benefits realised after certification was obtained.

All certification in the U.S. has been done by either: (1) the SmartWood Program, established in 1990 by the Rainforest Alliance, a not-for-profit organization based in New York; and (2) Scientific Certification Systems (SCS), a for-profit company based in Oakland, California, through the Forest Conservation Program (FCP), established in 1991. Both were accredited by the FSC in 1995 and follow its principles and criteria.

SCS and SmartWood certified nearly 3,449,000 acres in the US from their inception until December 1997. SmartWood certified 1,051,083 acres and SCS certified 2,616,044 acres (The two organizations jointly certified Menominee Tribal Enterprises, 218,244 acres.) While the current total of 1.4 million hectares certified in the U.S. are a small proportion of the total U.S. forest lands, it represents a significant share of the global pool of certified forests.

METHODS

The study consisted of structured interviews with key decision makers (forest managers or owners) in 20 different forest operations which obtained certification from SCS or SmartWood. These represent 90% of the operations and 99% of the land certified in the U.S. as of December 1997 (Table 1). The principle questions asked were:

(1) What were the primary benefits you expected to gain from certifying your forest operation?

(2) Were you required to make changes to forest management planning because of the certification process?

(3) To what extent did certification increase operating costs?

(4) Which of the expected benefits of certification were realized and were new benefits found?

Table 1. Certified Forests in the U.S.[1]

Forest Operation:	Acres	State:	Certifier[2]:
Industrial Private			
Big Creek Lumber	6,800	California	SCS
Collins Pine	94,000	California	SCS
Kane Hardwoods	122,000	Pennsylvania	SCS
Keweenaw Land Association, Ltd.	155,000	Michigan	SW
Menominee Tribal Enterprises	218,244	Wisconsin	SCS + SW
Red Hills Lumber	7,246	Georgia/Florida	SW
Seven Islands Land Management Co.	975,000	Maine	SCS
Public Lands			
Aitkin County Land Commission	221,095	Minnesota	SW
Metropolitan District Commission Quabbin Reservoir Lands	58,000	Massachusetts	SW
Minnesota Department of Natural Resources	361,000	Minnesota	SW
Pennsylvania Bureau of Forestry	1,200,000	Pennsylvania	SCS
Non-Industrial Private			
Krantz-Kahan Property	60	California	SW
McClellen Mountain Ranch	328	California	SW
Surface Road Associates	30	Washington	SW
Tree Shepherd Woods	9	Washington	SW
Wylatti Timber Management Company, Ltd.	900	California	SW
Resource Manager			
Blencowe Managed Forest Lands	12,000	California	SW
Individual Tree Selection Management, Inc.	5,023	Oregon	SW
Northeast Ecologically Sustainable Timber	3,360	New Hampshire	SW
Two Trees Forestry	8,788	Maine	SW

[1] At least one forest manager or forest owner was surveyed from each of these operations, certified as of December 1997.

[2] SCS = Scientific Certification Systems Forest Conservation Program; SW = Rainforest Alliance SmartWood Program.

The interviews took place during the latter part of 1997. Interviews were tape recorded, transcribed and response variables coded. We classified operations into four groups: private forest companies producing timber on an industrial scale; public lands managed for multiple resource values, including production of timber; non-industrial private forests, generally small properties

managed by the owner; and the resource manager, a professional forester managing a portfolio of forest lands owned by several owners. Operations ranged in size from 9 to 1,200,000 acres, representing differences in terms of tenure, forest type, and management objectives. The small size of the population does not allow for general inferences, but the results provide a basis for "grounded theory" development in the concluding section of the paper.

RESULTS

Expected Benefits from Certification

Several authors have suggested a variety of benefits that forest certification can provide (Cabarle 1994; Upton and Bass 1995; Rotherham 1997; and von Mirbach 1997). Table 2 provides a summary of these possible certification benefits cited in the literature. These benefits may be realised within an operation and affect internal stakeholders (e.g., employees, managers, owners, and shareholders,) or those generated externally, but with potential direct impacts on the organization, (e.g., product markets, financial markets, public opinion, or the physical environment).

Table 2. Potential External and Internal Benefits for the Forest Manager from Certification

External Benefits	Internal Benefits
Price premium	Improve management
Market advantage	Reduce operating costs
Public confidence	Staff morale
Reduce environmental risk	Shareholder satisfaction
Investment image - 'green funds'	
Improve access to capital	

The most direct economic gain from certification could result from product differentiation that returns a price premium. Not surprisingly 70% of all respondents expected a price premium for certified wood (see Figure 1).

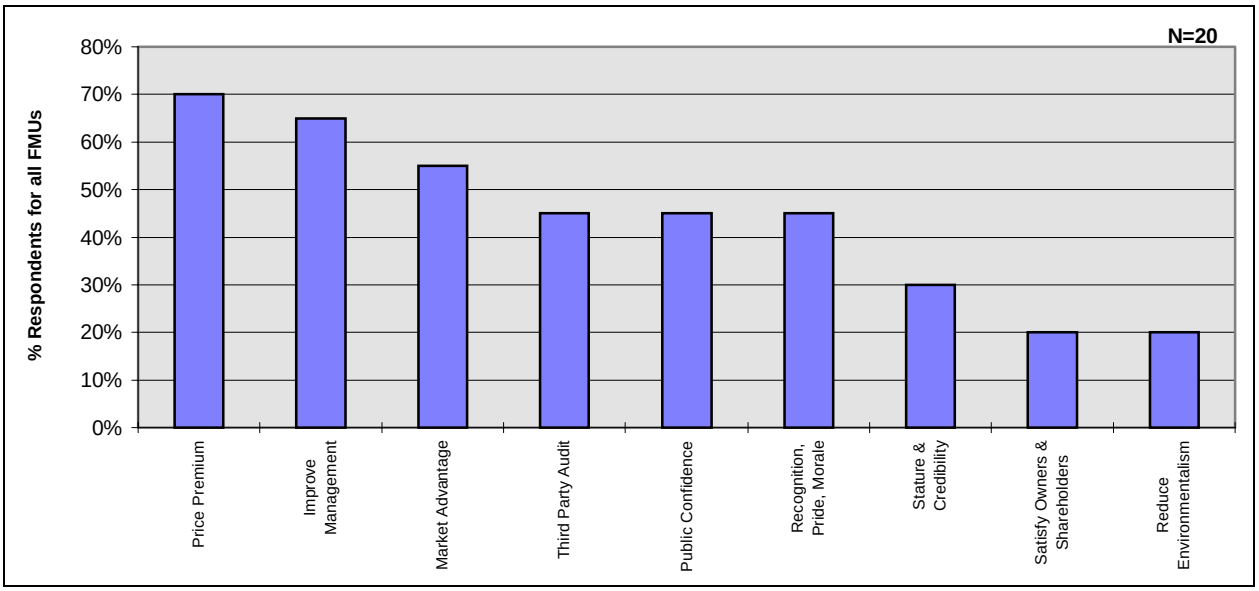

Figure 1. Benefits from Certification for Certified Forests in the United States

Our interviews revealed that the expectation of a price premium was stronger among the industrial private, public and resource managers than the non-industrial private operations. Three of the four professional resource managers interviewed stated that expected price increases were their prime motive for certifying, hoping to bring greater returns to their clients. Managers of both public lands and private forest companies also considered a price premium an important reason for certifying. In contrast, only 50% of the small private non-industrial operations expected a price premium. Indeed, non-economic motives (such as strong commitment to forest stewardship principles) often dominated their quest for certification.

Protecting or gaining market access through certification was expected by 55% of the respondents. This expectation was shared by a significantly larger proportion of managers of industrial private operations (71%) than all the other respondents. A significant number of these operators (43%) sought to reduce the impacts of environmental group actions on their sales. For example, Big Creek Lumber Company in California endured the threat of campaigns by Earth First and Greenpeace for two years. Certification, the company hoped, was a means to avoid the negative externalities of industry-wide protests. Even though the primary objective was to obtain third party validation of Big Creek forest practices, managers had hoped such validation would provide a buffer against boycott of their redwood forest products (Jani 1997).

Fifty percent of the public land managers expected certification to improve market access. Twenty-five percent of these managers were also seeking to buffer the impact of environmental groups' actions (i.e., emphasizing opening opportunities for new markets rather than defence of existing markets). Improving market share was expected by 41% of the non-industrial private operations. None of the nine small landowners or resource managers surveyed, however, sought certification to shelter them from environmental protests. As a group, they felt that their small-scale forestry minimized impacts to the physical environment, and by virtue of their rights as property owners, as well as respecting neighbors and complying with the law, they simply were not targets of environmental opposition.

Seventy-five percent of the public land managers saw certification as means to earn public confidence. Similarly, 57% of the private industrial and resource managers expected to gain the public's trust. Many of the private companies (43%) believed certification would boost their stature and credibility. Only a quarter (or less) of all other respondents expected improved credibility to be a benefit, and no private non-industrial operation was concerned about gaining public confidence.

Third party audits to provide validation of the quality of forest management for an operation was an important motive for both private companies (70%) and public land managers (50%). It was relatively less important to smaller operations. Only 20% of the non-industrial and 25% of the resource managers said they sought certification for the value of the independent audit of their practices.

Forty-three percent of private industrial companies said that satisfying concerns of owners or shareholders was a factor in the decision to certify. For example, this assurance was sought by Collins Pine Company in their decision to certify forest lands in Chester, California and for the Seven Islands Land Management Company, Bangor, Maine. Both firms wished to confirm the quality of forest resource management to family owners. In the case of the Collins family, there was earnest sentiment that management of the lands reflect family values of stewardship that was positive for the environment and the local community (Howe 1997). Seven Islands Land Management Company, professional managers of Pingree family lands since 1964, wanted to verify for the owners that they were practicing high quality forestry based on principles of long-term management (Cashwell 1997). With regard to shareholders, only one publicly traded

company, Keweenaw Land Association of Ironwood Michigan, has been certified in the US. However, Keweenaw managers reported that shareholders did not pressure the company to get certified. Even though shareholders may hold strong convictions regarding forest management, managers speculate that most shareholders are primarily concerned that their investments offer a high rate of return and remain secure (Davenport 1997).

The potential to improve forest management, by the learning gained through the certification process, was perceived as an important benefit by most small land owners (80%) and public land managers (75%). However, only 43% of the private industrial operations expected to improve their forest management through certification. Most of these considered their forest planning and practices to be of high quality and had anticipated only marginal immediate improvements from the evaluation process. Nevertheless, interviewees for all types of forest operations expressed that they learned something from the process.

Overall, the results suggest that while the price premium and market access are key factors in the decision to certify by larger forestry operations, the potential of learning, and improving management, is a strong motivation for many of the smaller forestry operations. For the larger firms learning has proven to be a valuable part of the certification process, although at the outset this benefit was not well recognized. None of the respondents viewed certification as a means of improving access to capital, improving their image amongst socially responsible investors, or as means for gaining efficiency.

Extent of Change Required to Forest Management Planning

Almost 70% of the industrial private and public forest managers surveyed indicated that they were required to change some aspect of their forest planning procedures as a result of certification. Fifty-five percent described these changes as slight, minor, or incremental (see Figure 2). In contrast, in the group of small landowners and resource managers more than 50% of the respondents reported that no changes were required. This was puzzling since four out of five of these landowners were required by SmartWood to improve elements of their forest planning as conditions of the certificate. For example, planning changes mandated as certification conditions included the development of forest inventories, quantification of stand structure objectives, calculation of harvest projections, development of fire management plans and harvest plans,

collection of more information on understory vegetation, snags, and coarse woody debris – all potentially costly steps in planning.

One reason why small landowners may not have perceived these conditions as substantial changes was that their management plan—a requirement of FSC certification—was considered 'certifiable' and the actions required followed directly from these plans. Indeed, many managers suggested that the planning changes the certifier asked for were improvements they already had anticipated or were currently implementing.

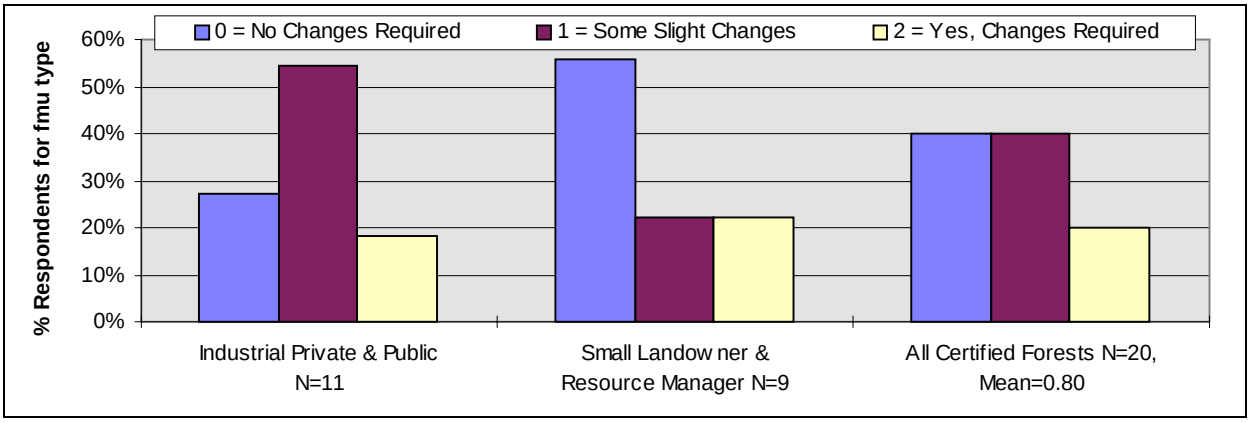

Figure 2. Did Forest Management Planning Require Changes for Certification?

Definitive changes, indicated by 20% of all certified forestry operations, generally were substantive improvements to the management plan. Two private companies reported that they had to substantially rewrite their management plans to get certified, because although they managed well in practice, they did not have detailed written plans. Resource managers who had to convince their clients to pay for formal management plans and inventories said that this requirement of certification involved substantial changes to their business. Kane Hardwoods, of Kane, Pennsylvania was required to take a more professional approach to future cutting plans, record keeping, inventory updates, regeneration and wildlife surveys, and making the GIS operational. These were big changes to their planning procedures at the time, but perceived by the company as beneficial over the long run (Puller 1997).

Forty percent of those surveyed acknowledged what they perceived to be relatively minor changes. These were identified as involving improvements in systems to collect, document, model, and map data. For instance, Aitkin County Land Commission of Aitkin, Minnesota was expected

to write more detailed silviculture prescriptions, to increase staff training on plant communities and forest pests, and to incorporate ecological classification information into planning (Jacobs 1997).

Extent to Which Certification Increased Costs

It is expected that costs will increase for producers who must restructure forest management planning to meet certification standards (Sikod 1996; Simula 1996). The two costs a producer incurs through certification are indirect costs (from improving management) and direct costs (paid to the certification body). Indirect costs depend upon the amount of investment and time frame within which to attain the level of the certification standard. Upton and Bass (1995) suggested that indirect costs could be more expensive than the direct costs of the certification process.

Seventy-eight percent of the small landowners and the resource managers reported that certification increased costs, compared to 55% of the industrial private or public managers. The managers reporting increased costs identified the following cost components:

***Indirect costs*:**

1) time involved in record-keeping and paperwork;
2) time involved in planning and laying out treatments;
3) time involved supervising loggers;
4) costs associated with specific improvements, such as inventory updates, mapping, information analysis;
5) costs resulting from segregating log yard sorts to maintain chain of custody in woodlands operations with mills (Howe 1997; McCrary 1997);
6) marketing and public relations costs incurred to promote the forestry operation's certified status.

***Direct costs*:**

1) the cost of the forest assessment audit;
2) the cost of annual audits.

The majority of those surveyed, especially among the smaller landowners, stated that the direct costs were more significant to them than the indirect costs. (This was consistent with our

findings that a majority of these managers did not foresee much change as a consequence of the certification, as they viewed required changes as part of the normal business of continually improving their practices).

How much were the direct costs to the owners and managers? In our survey, the mean cost per hectare was $0.37. However, the range in cost per hectare varied from as high as $111 per hectare, paid by one small owner, for an area less than 20 hectares, to as low as $0.20 per hectare, paid by a considerably larger private company. Comparatively, the costs for small areas were greater than for large areas, as there were economies of scale.

Realization of Expected Benefits and New Found Benefits

The expectation of increased demand for certified wood and the emergence of a market premium has not been realized. Some enterprises reported that certification helped increase the visibility of the company and helped shorten the chain between producer and the retailer. For example, the Seven Island Company noted that as a consequence of certification the company has become a point source on the Good Wood list, generating more direct channels between the forest and the end consumer (Cashwell 1997).

Respondents noted that the market for certified wood has not developed so far, because of a lack of public awareness and understanding of the certification process, difficulties in maintaining the chain of custody, and resistance from downstream users to maintain segregation of wood supplies from certified forests. Many respondents, however, anticipated that as the critical mass of certified suppliers evolves the demand for certified wood will increase, differentiation will deepen and a market premium will emerge.

Most of those who sought to obtain external validation for their forest stewardship felt that their expectations were fulfilled. (This was not surprising since we interviewed only operations which passed the certification process with success. Drop-outs and those operations failing to meet certification conditions would no doubt have been disappointed). Those seeking validation to satisfy intrinsic values such as fulfillment of forest stewardship obligations, developing self-esteem and satisfaction of "doing the right-thing" found the certification process highly satisfying. Similarly, those with commitment to learning and continuous self improvement

found the feedback offered through the certification process and the commitment affirmed through it very beneficial.

Unexpected benefits were largely ones that resulted as externalities of the certification process and the feedback opportunities it offered. Some enterprises reported that being forced to collect and process a comprehensive set of data regarding their operations and "make sense" of a long history of management led them to reflect on all forestry practices. This provided an opportunity to re-examine and discard some outdated practices that remained entrenched solely because of organizational inertia. The pause for reflection and the generation of databases provided stimuli for managerial change and innovation.

Feedback and professional dialogue offered by the certification process allowed examination of forest management without the political calculations (external or internal) that debates on forestry practices often trigger. For example, Thomas Kyker-Snowan of MDC Quabbin Reservoir, summarized the benefit this way: “One of the unplanned advantages of green certification was that those of us who are active on a day-to-day basis managing the land got to sit down with this group of experts without an axe to grind, who were interested in every detail of how we do forest management. It was good to have that kind of inspection, and lay everything out on the table.”

CONCLUSION

The study focused on a group of early adopters of FSC accredited certification in the U.S. The empirical findings suggest several propositions with respect to the adoption process and the initial adjustment following implementation.

The first proposition highlights the distinctions we found between the population of small non-industrial forest owners and public or private enterprises in terms of their motivation to seek certification.

Proposition 1:

Small forest land operations tend to seek certification to satisfy intrinsic needs reflecting post-material societal values such as fulfilling forest stewardship responsibilities, learning and seeking to bolster self-esteem through external validation. Industrial private and public lands managers tend to seek certification to satisfy extrinsic demands, such as

improving profits, defending market share and market access, and seeking to maintain their "public licence" to operate through external validation.

Proposition 2:

In smaller enterprises the main barrier to change is likely to be a high level of direct costs.

Indirect costs may also be high and constitute a barrier to implementation. Our study, however, revealed that the group of owners who considered certification were those who perceived themselves as already practising sustainable forestry and thus did not foresee large indirect costs. When faced with such costs managers generally accepted them as regular costs of doing business—irrespective of the certification requirements.

Proposition 3:

Once engaged in certification land owners modify their objectives and find new benefits which increase their commitment to the certification process. Even when initially certification is motivated by economic objectives, participation in the process highlights the benefits of continued improvement and learning.

Despite frustration with the economic consequences of certification no indication of plans to exit were given by any of the respondents. Most managers emphasized the non-economic benefits, while others adopted a longer perspective, patiently waiting for the development of differentiated markets for certified forest products. Several saw the advantages of certification as triggering reflection about practices and bringing innovation.

REFERENCES

Cabarle, B. (1994). Forest management and the Forest Stewardship Council, pp. 102–110 in *Timber Supply Canada: Challenges and Choices*.

Cashwell, J. (1997). President, Seven Islands Land Management Company, Bangor, Maine. Personal communication.

Chapman, C. (1997). Owner, Northeast Ecologically Sustainable Timber, Dover, New Hampshire. Personal communication.

Davenport, B. (1997). Controller, Keweenaw Land Association, Ironwood, Michigan. Personal communication.

FSC. (1998). Forests certified by FSC-accredited certification bodies (July 8, 1998), Document No.5.3.3, FSC, Oaxaca, Mexico.

Grace, J. (1997). Director, Pennsylvania Bureau of Forestry, Harrisburg, Pennsylvania. Personal communication.

Howe, B. (1997). Forest Manager, Collins Pine Company, Chester, California. Personal communication.

Hurt, B. (1997). Owner, Wylatti Timber Management Company, Ltd., Covelo, California. Personal communication.

Jacobs, M. (1997). Assistant Land Commissioner, Aitkin County Land Commission, Aitkin, Minnesota. Personal communication.

Jani, M. (1997). Senior Forester, Big Creek Lumber Company, Davenport, California. Personal communication.

Kyker-Snowman, T. (1997). Natural Resource Specialist, Metropolitan District Commission, Commonwealth of Massachusetts. Personal communication.

McCrary, B. (1997). Owner, Big Creek Lumber Company, Davenport, California. Personal communication.

Puller, B. (1997). Lands Manager, Kane Hardwoods, Kane, Pennsylvania. Personal communication.

Rotherham, T. (1997). Forest management certification: Objectives, international background, and the Canadian program. Sustainable Forest Certification Coalition, Montreal, Quebec.

Sikod, F. (1996). Certification process in sustainable forest management: Economic concepts and indicators. pp. 125–141 in *Proceedings of the UBC-UPM Conference on the Ecological, Social, and Political Issues of the Certification of Forest Management.* May 13–16, 1996. Putrajaya, Selangor, Malaysia, University of British Columbia.

Simula, M. (1996). Economics of certification, pp.123–136 in *Certification of Forest Products: Issues and Perspectives*, Island Press, Washington, D.C.

Upton, C. and S. Bass. (1995). *The Forest Certification Handbook*, Earthscan Publications, London.

Von Mirbach, M. (1997). No magic bullet: What certification can't do and shouldn't try to do. Presented at Global Approaches to Sustainable Forest Management: Certification Criteria and Indicators Conference, September 21–26, 1997. Prince George, British Columbia.