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# Market share of sustainably produced timber doubled in three years: government target exceeded

According to a market study performed by Probos in 2012 on behalf of the Dutch government, in 2011 65.7% of the total consumption of sawnwood and wood based panels on the Dutch market was labelled with a certificate for sustainable forest management. This is an significant increase compared to the market share of 33.5% in 2008. The market share of certified paper and paperboard was 32.8% in 2011.

2013 nr. 2

# *Market share of sustainably produced timber government target exceeded*

### *Government objectives*
In its Biodiversity programme the Dutch government set a target that timber with a demonstrably sustainable origin should reach 50% of the Dutch market by 2011. This target was formulated in order to stimulate sustainable forest management across the globe, to increase substantially the market share of demonstrable sustainably produced timber on the Dutch market and to prevent illegally produced timber from entering the Dutch market.
The aim of the market study executed by Probos in 2012 into the market share of guaranteed sustainably produced timber was to determine whether the Dutch government had reached its target. The study also focused on other elements, such as: determining the market share of guaranteed sustainably produced paper and paperboard, gaining insight into the market share of timber of guaranteed legal origin, determining the country of origin of tropical timber and determining the market share of guaranteed sustainably produced timber within construction and civil engineering. The study is a sequel to the market studies executed by Probos for the years 2005 and 2008.

### *Source approach*
In all three studies, the "source approach" was used. The volumes of certified wood were determined as they first entered the Dutch market. In order to quantify the market share, the Dutch processors and producers of timber, paper and/or paperboard and the Dutch importers of sawn wood and wood based panels and paper (products) were approached. As a consequence of this method, the market share presented in this study does not provide information on the volume of certified products that can be identified as such by the end user. The approached companies were asked to provide their imported as well as their (re)exported volumes in order to acquire the volume they actually put on the Dutch market.

### *Sustainably produced timber*
In the market study sustainably produced timber and paper and paperboard were defined as follows: timber and paper and paperboard demonstrably originating from forests that are certified under a certification system that has been accepted for the sustainable procurement policy of the Dutch government based on the purchasing criteria for sustainable produced timber (Timber Procurement Assessment System, TPAS). At this moment (April 2013) the approved certification systems are FSC and PEFC, excluding the Malaysian certification system MTCS. The market share was mapped for each certification system separately. To satisfy this requirement, the product must not only come from a forest certified as being sustainably managed, but have a chain-of-custody certificate enabling the company which puts the product on the market to demonstrate this fact.

*Table 1. The total volume of sawnwood and wood based panels with a certificate for sustainable forest management on the Dutch market in 2008 and 2011 (in m³ roundwood equivalent).*

| | FSC | PEFC | Total certified | Total market | Certified as % of total market |
|---|---|---|---|---|---|
| 2011 | 1,394,993 | 2.468,336 | 3,863,329 | 5,876,752 | 65.7% |
| 2008 | 784,981 | 1,437,965 | 2,231,153 | 6,655,549 | 33.5% |

* The figures for the "total market" are based on the annual Probos/CBS production and trade statistics for timber- and paper products.

### *Government target achieved*
In total a volume of nearly 3.9 million m³ of roundwood equivalents (rwe) of sawnwood and wood based panels with a certificate for sustainable forest management was brought to the Dutch market in 2011. This volume corresponds to 65.7% of the total Dutch consumption of sawnwood and wood based panels (Table 1). The market share of certified sustainably produced timber almost doubled compared to 2008, when the market share was 33.5%[1]. In absolute terms the total Dutch wood consumption decreased by almost 12% between 2008 and 2011, while the total volume of sustainably produced sawnwood and wood based panels has increased by 73% in absolute terms.

### *High share of certified wood in softwood market*
There is a wide variation in the market share of certified sustainably produced goods according to product group (see Figure 1), as well as in the growth in market share of certified products between 2008 and 2011. Within the product group of sawn softwood the market share of certified sustainably produced timber has increased to 85.9%, while for temperate sawn hardwood it is far behind, at 22.8%. Sawn tropical hardwood shows the strongest growth in market share of certified products, which more than doubled, from 15.5% in 2008

[1] Due to an adjustment of the conversion factor for sawn tropical hardwood, the market share for 2008 of this product used in this study is slightly lower than the market share presented when the earlier study was completed in 2010 (33.8%).

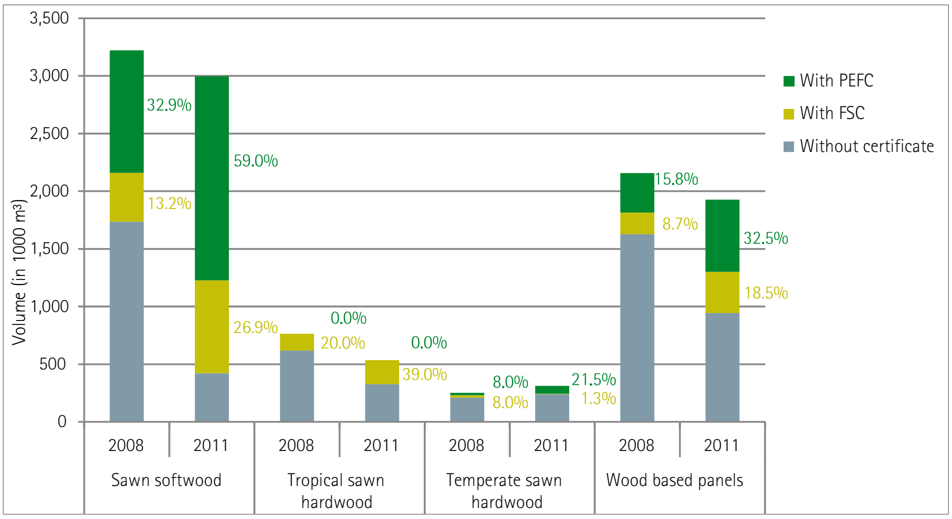


*Figure 1. Total consumption of sawnwood and wood based panels (in 1000 m³ roundwood equivalent) and the shares of FSC and PEFC within the total consumption, 2008 and 2011.*

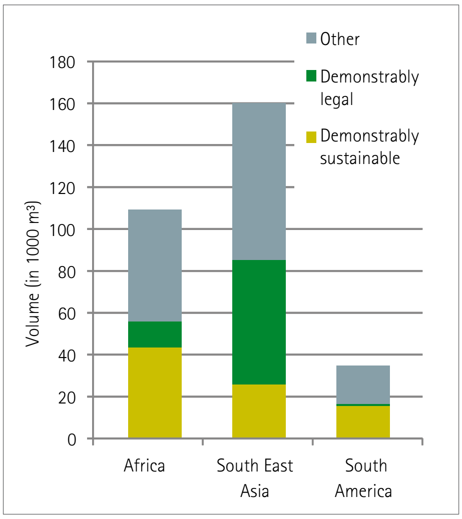


*Figure 2. Volume of demonstrably sustainable, demonstrably legal and other tropical sawn hardwood, brought to market in 2011, by region of origin (in 1000 m³).*

to 39% in 2011. The share of certified products in the wood based panels market has also doubled, to 51% in 2011 (Figure 1).

## *Tropical sawn hardwood*

Special attention was paid to the origin of tropical sawn hardwood. With a market share of approximately 40%, Malaysia was the main country of origin in 2011. Cameroon (22%), Indonesia (10.5%) and Brazil (10%) also played a major role. However, Africa is the main source of tropical sawn hardwood with a certificate for sustainable forest management, that meets the Dutch procurement criteria, followed by Southeast Asia (Figure 2). This is because MTCS, endorsed by PEFC, is currently not accepted as demonstrably sustainable within the sustainable procurement policy of the Dutch government. It is therefore classified in the market study as demonstrably legal.

## *Market share of FSC and PEFC*

PEFC accounted for 64% by volume of sawnwood and wood based panels with a certificate for sustainable forest management on the Dutch market in 2011 and the rest (36%) was FSC. The market share of the total Dutch wood consumption is 42% for PEFC and 23.7% for FSC (Table 2).

## *Demonstrably legal*

FSC, PEFC and MTCS are certification systems for sustainable forest management (although MTCS is not recognised as such by the Dutch government). In addition to certification schemes, there are schemes to verify the legality of timber, such as OLB[2], TLTV[3] and VLO/VLC[4]. All existing legality verification systems were included in the market study, along with the "demonstrably sustainable" systems, to determine the market share of "demonstrably legal" timber on the Dutch market in 2011. This method has resulted in a market share of demonstrably legal timber of almost 70% of the total consumption of sawnwood and wood based panels on the Dutch market in 2011. The market share of systems that meet the procurement criteria of the Dutch government for demonstrably legal (FSC, PEFC, MTCS, TLTV), is slightly lower - 67%. From these results it cannot be concluded that the remaining products are illegally harvested, only that their legality has not been verified. These volumes have just been brought to the Dutch market without a certificate for sustainable forest management or a verification of legality. Putting illegally harvested timber onto the European and as such the Dutch market became impossible/illegal since the implementation of the EU Timber

*Table 2. Market share by certification system (FSC and PEFC) within the total consumption of sawn timber and wood based panels in the Netherlands in 2011.*

| | With certificate |
|---|---|
| FSC | 23.7% |
| PEFC | 42.0% |
| **Total** | 65.7% |

2 Origine Legalité des Bois (Bureau Veritas)
3 Timber Legality & Traceability Verification (SGS)
4 Verification of Legal Origin & Verification of Legal Compliance (Smartwood)

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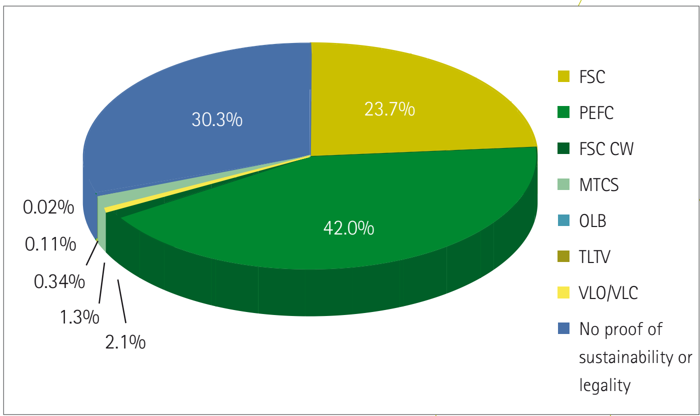


*Figure 3. Market shares of the different certification systems and legality statements.*

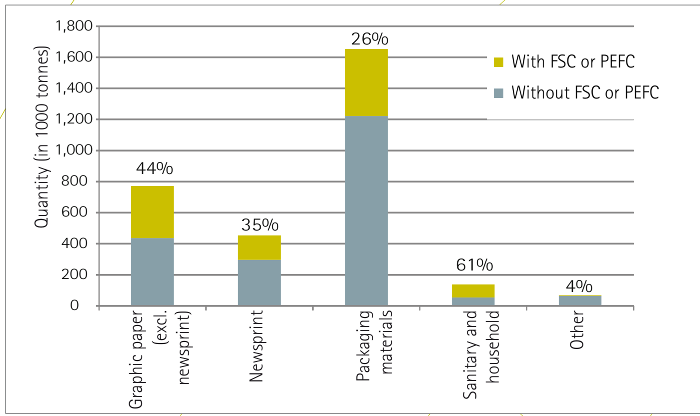


*Figure 4. Quantities of paper and cardboard (1000 tons) on the Dutch market in 2011 by product group and market shares of FSC and PEFC certified paper and paperboard within each product group.*

Regulation at the 3rd of March 2013. The shares of the individual certification systems and legality verification systems within the total volume of demonstrably sustainable and demonstrable legally produced sawn timber and wood based panels are presented in Figure 3.

## *Sustainably produced paper and paperboard*

The total amount of paper and paperboard with a certificate of sustainable forest management on the Dutch market amounted to 1.01 million tons in 2011. This corresponds to a market share of 32.8% (23.9% FSC and 8.9% PEFC) out of a total consumption of paper and paperboard in 2011 of 3.09 million tons (Table 3). Probos suspects that the market share is higher in reality, because some companies only reported the volume with FSC or PEFC certificates which they sold with those certificates. They indicate, however, that they purchased more paper and / or paperboard with certificates than they sold, although they are not able to quantify this. In Figure 4, the share of paper and paperboard with a certificate of sustainable forest management is presented by product group.

## *Conclusion*

Based on the results of this market study for the year 2011, it can be stated that the Dutch government target - 50% demonstrably sustainably produced timber on the Dutch market by 2011 - is more than achieved as the market share has already reached 65.7%. This is the result of the combined efforts of the government and a large number of parties from the timber sector. It is particularly the merit of companies which import sawnwood, wood based panels and paper and paperboard. These companies have purchased demonstrably sustainably produced products even when demand from the market has not been present. This does not mean that the timber sector can now rest on its laurels. Within the product group of tropical sawn hardwood (and temperate sawn hardwood) the market shares of certified timber remain far behind. This situation has developed even though certification of sustainable forest management was originaly introduced mainly to make a difference in the tropics. A lot of work has to be done to increase the market share to the ultimate goal of 100% certified sustainably produced for all timber and timber products. Only when that goal has been achieved can the timber and paper sector take full advantage of its unique selling point: wood as a very eco-friendly raw material. Wood is inherently renewable and can be virtually carbon-neutral, if sustainably produced.

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*Table 3. The total volume of paper and paperboard certified for sustainable forest management that was brought onto the Dutch market in 2011 (in tons).*

| FSC | PEFC | Total certified | Total market | Certified as % of total market |
|---|---|---|---|---|
| 716,000 | 275,000 | 991,300 | 3,085,800 | 32.1% |