UK Timber Industry Certification

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Timber Trade Federation
growing the use of wood

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Introduction

Timber and wood-based products offer an ability to build structures (houses, hotels, bridges, schools), make articles (doors, windows, stairs, floors) and decorate and furnish our lives (furniture, cladding, mouldings, ornamentation). Timber and wood-based products are all around us, but their usefulness and purpose demand that the original material from which all of these products are made is sourced from countries able to demonstrate responsible and ethical forestry and timber processing practices.

The preferred method of achieving this is through third-party verification in the form of timber certification.

This report is designed to present the development of timber certification in the UK over the last three to four years. Timber and wood-based products that are certified under one or other of the main certification schemes have been sourced from countries where good forestry management takes place. However, it is also important to provide a balance in order to recognise that, not all uncertified material derives from unsustainable sources.

Nevertheless, despite this important qualification, certification provided by the main accreditation schemes operated by the Programme for the Endorsement of Forest Certification Schemes (PEFC), the Forestry Stewardship Council (FSC), the Sustainable Forestry Initiative (SFI), the Canadian Standards Association (CSA) and the Malaysian Timber Certification Council

> **“Certification... is able to provide confidence that material has not originated from sources harmful to the world's eco-systems or, as is very rarely the case in the UK, from illegal sources.**

(MTCC) is able to provide confidence that material has not originated from sources harmful to the world's eco-systems or, as is very rarely the case in the UK, from illegal sources.

The forestry and timber industry in the UK has long-recognised that as the world's only renewable natural resource, wood products possess unique qualities. This, and the many economic benefits of using wood and wood-based products, is being increasingly recognised by many people outside of the timber industry too. However, despite strong arguments in favour of wood usage, there is a continuing requirement for suppliers of forest-based products to provide clear proof of sustainable (and legal) ways of working. This has led to forest owners and managers, contractors, processors and traders taking steps to show independent third-party proof that products have derived from sustainable sources. The ability to trace wood and wood-based products from forest to end-use through a 'chain of custody' has become an important element in the operations of many timber industry companies since the 1990s. Consequently, providing certified timber products is one of the ways the industry is able to demonstrate its sustainable nature.

Although the timber industry was confident that an increasing volume of its products sold were certified, the extent of product certification, especially in the import and trading sector, remained unclear. This certification study was commissioned in 2009 to measure the development of certification in the UK for the year 2008 and determine how the incidence of certification is likely to change in 2009 and how certification had changed since the first report of this kind was produced covering the year 2005.

“The forestry and timber industry in the UK has long-recognised that as the world's only renewable natural resource, wood products possess unique qualities.

Background to the Report

The original research into timber industry certification for the year 2005 was conducted because only limited estimates existed of wood products certification in some of the main sectors of the UK timber industry and in the UK as a whole. Some reliable information on certification was available from the Forestry Commission and the Northern Ireland Forest Service, but it was necessary to augment this with further examination of the harvesting, sawmilling and panel production sectors, which, in conjunction with new research conducted in the timber importing and trading sector would, it was hoped, eliminate the gaps in knowledge

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that existed. There was no reliable quantification of the extent of product certification of imported timber and panel products. The Timber Trade Federation (TTF) wished to provide a clear understanding of the availability of certified materials for the benefit of securing more and better informed timber and panel products specification.

The original certification study covering 2005 addressed these needs.

The 2005 study indicated that the incidence of certification in the UK timber industry was growing and three years later, the Timber Trade Federation and other bodies wished to update this research in order to measure the development of certification over the period 2005 to 2008.

Objectives of the Research

The objectives of this certification study, conducted in 2009 for the year 2008 were:

1 To quantify certified softwood roundwood, sawn timber and panel products available from recognised schemes within the major sectors of the timber industry in the United Kingdom for the year 2008 and compare this to the results from the previous study for 2005 and to indicate how certification might develop into 2009.

2 To make an estimate of the quantity of certified timber available from recognised certification schemes and provide a comparison of how the main certification schemes have developed between 2005 and 2008.

3 To assess the effect that the Olympic Games to be held in London in 2012 was having on the working practices of companies appointed to the Olympic Delivery Authority's supply panel.

Scope of the Research

The research was concerned with the main primary wood processing industries in the UK and the timber importing and trading sector in the UK.

The research was designed to gather information on:

- the harvesting of softwood roundwood from UK forests and consumption of softwood roundwood by UK primary processors
- the production of solid wood and panel products from UK primary processors

> **Research focused on the supply of roundwood from UK forests; production from UK sawmills and panelmills and imports.**

- the importation of solid wood and panel products to the UK.

Research Methodology & Sample

As with the original study, in order to keep costs to a minumum whilst attempting to provide the widest possible coverage, it was decided to use e-mail and telephone as the prime methods of research to a carefully selected sample of companies using a short survey form as the means to capture the required data. The publication, "Forestry Statistics 2009" from the Forestry Commission has been used to verify results from the survey and as the prime measure of certification in selected parts of the domestic production sectors.

Customised research was conducted for the harvesting, sawmilling, panel production and timber importing and trading sectors of the industry. A total of 76 companies were contacted of which 36 responded with information - a 47% response rate.

The extent of the coverage that these companies provided of each sector varied, but was sufficient to enable assessment of each sector and measure progress of certification since 2005. Nearly all respondents were also respondents to the 2005 survey, making comparisons particularly meaningful.

In the harvesting sector, respondents to the survey accounted for 37% of all volume harvested and delivered in 2008. This data, in conjunction with Forestry Commission information, enabled estimates to be made of the quantities of deliveries from both private woodlands and the public estate and the proportions certified. The certification study also requested consumption information from primary processors, represented by the sawmilling, panel production and pulp production industries. Consequently, it was possible to compare the output from the forest with the input to primary processing, which provided further evidence and confirmation of the extent of certified material harvested and delivered. Separate analyses of the consumption of softwood roundwood was carried out for each of these primary processing industries. In the sawmilling sector, a larger number of firms responded to the 2008 survey and collectively accounted for 68% of all sawmill consumption and 65% of sawn softwood production. A reasonable spread of respondents by size of company facilitated analysis by larger and smaller mills, in order to detect possible differ-

“Customised research was conducted for the harvesting, sawmilling, panel production and timber importing and trading sectors of the industry.

ences in certification between the two types. The findings from the certification research were used in conjunction with the Forestry Commission's statistical information to provide reliable estimates.

Analysis of the panel production sector was carried out with the cooperation of all panel producers. Consequently, a 100% coverage of this sector was attained. This enabled identification of the main raw material consumed and facilitated the measurement of certification of these inputs. Consequently, a measure of certified softwood roundwood, other sawmill products (e.g. chips, sawdust) and recycled wood fibre was possible.

The consumption of softwood roundwood by pulp mills in the UK was derived from the survey responses of these companies and their harvesting suppliers. Once again, a 100% coverage was attained.

The substantially larger timber importing and trading sector research sample comprised three groups: twenty TTF Members (large and small companies), five timber importing non-TTF Members and five terminal operators in the UK. Within these groupings were included the Olympic Delivery Authority's Timber Supply Panel companies. A disappointing response to the request for information still enabled 21% of all lumber and panel products imports in 2008 to be identified. Importantly, all those responding also responded to the 2005 survey which enabled direct comparisons to be made on the development of certification with these companies. Additionally, terminal operators were requested to estimate volume sales to timber importers and merchants which allowed a proportion of the volume imported to be removed in order to adjust totals for double counting.

Development of Certification into 2009

As with the original study conducted for the year 2005, the research required to identify the extent of certification for the following year. Consequently, the separate sector questionnaires requested estimates of projected volumes consumed and produced and the proportions of these volumes that were likely to be certified in 2009.

> The research enquired into the development of certification in 2009

Key Messages

By Product and Industry Sector

The certified proportion of the 8.18 million tonnes of softwood roundwood harvested in the UK in 2008 grew to 83.9%, from a level of 80.5% in 2005.

Private sector certified softwood roundwood increased from 61% of the private sector harvest in 2005 to 68% in 2008.

The certified proportion in the UK of the 14.40 million m^3 of timber and panel products produced and imported in 2008 grew to 83.6% - from a level of 66.7% in 2005.

The level of UK sawmill certified consumption of softwood roundwood rose to 81.2% in 2008, from 76.2% in 2005. Certified production from UK sawmillers also increased to 75.4% in 2008 from 70.8% in 2005.

The proportion of UK produced certified panel products in 2008 was 100%, as in 2005.

Certified softwood production among smaller sawmills has risen from 25% of this group's total output in 2005 to 36% in 2008.

Without exception, the level of certification for all timber and panel products from UK producers and importers grew in 2008.

The level of certification of timber and panel products imports to the UK has risen from 55.8% in 2005 to 81.4% in 2008.

Imported softwood lumber certification has been the area of fastest growth, rising from 58% of imports in 2005 to over 90% in 2008.

> **The level of certification in the UK timber industry has increased significantly between 2005 and 2008.**

Key Messages

By Scheme

PEFC and FSC dominate certification in the UK, with each building upon their strengths in their specialist areas.

The PEFC share of timber and panel products produced in the UK and imported rose to 32% in 2008, from 18% in 2005. The share of FSC rose to 52%, from 48% in 2005.

PEFC share of UK imports in 2008 was around 50% with FSC having a 30% share.

Supply and Demand, 2008 & 2009

The certified UK harvest is predicted to grow to 85.0% in 2009 from 83.9% in 2008.

The certified consumption of UK sawmillers is expected to rise to 83.1% in 2009 from 81.2% in 2008.

The certified production of UK sawmillers is expected to rise to 76.0% in 2009 from 75.4% in 2008.

The certified share of all timber and panel products imports in 2009 is set to rise to 82.4% of the total, from 81.4% in 2008.

Specific requests for certified goods from the customers of importers and distributors has risen from around 10% of sales in 2005 to over 30% in 2008 - 1 in 3 customers specifically demand certified goods.

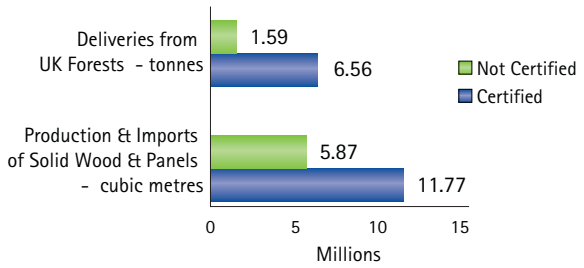
The Olympic Effect

The Olympic Games, to be held in London in 2012, has to date, had the effect of raising the external profile of the corporate social responsibility of some ODA supply companies.

> **The level of certification from UK primary processing and importation has risen from 66.7% of the total in 2005 to 83.6% in 2008**

Executive Summary

Chart 1: Total Output & Levels of Certification by Industry Sector - 2005



Certification in the UK

Through original research in the importing, sawmilling, panel production and harvesting sectors of the industry and utilising existing information from the Forestry Commission, estimates were made on the extent of timber certification in the UK for the year 2008, which provided comparison against levels of certification determined from the initial research into certification carried out for the year 2005. In 2005, from the timber harvesting sector in the UK, 6.56 million green tonnes (revised), or 80.5%, from a total of 8.15 million green tonnes of softwood roundwood delivered from UK forests was certified. Certified UK production and imports in 2005 stood at a level of 66.7%, which consisted of 11.77 million m^3 of certified goods within a total of 17.64 million m^3. The levels of certification in 2005 are shown in **chart 1**.

By 2008, levels of certification in each of the harvesting, primary processing and importing sectors of the UK timber industry had risen since 2005. Total volumes from harvesting operations were broadly the same in 2008 as in 2005, but output from UK producers and imports was lower in 2008 compared to 2005. In 2008, a total of 6.86 million green tonnes of certified softwood roundwood was harvested in the UK which accounted for 83.9% of the total. The volume of certified UK production and imports in 2008 was 12.04 million m^3 which was 83.6% of the total. Certification in the harvesting sector, at just over 80% in 2005, has increased still further to a level of 83.9%, but the most rapid growth has taken place in the production and

Executive Summary

importation sectors of the industry where overall certification levels have risen from 66.7% in 2005 to 83.6% in 2008. The levels of certification in 2008 are shown in **chart 2**.

The volumes available from UK production and imports for onward supply through the timber supply chain have fallen substantially in 2008 as the UK economy entered into recession. The differences in volume between 2005 and 2008 are significantly different with total volumes from UK production and importation in 2005 of 17.64 million m^3 falling to 14.40 million m^3 in 2008. As seen from the charts, despite this large fall in volumes, the volume of certified material supplied from UK production and importation has risen.

Certification in the UK by Scheme

These positive changes in the level of certification in 2008 have also brought about changes in the participation of the leading certification schemes. In 2005, the certified volume available from UK production and importation of 11.77 million m^3 was shared mostly by FSC and PEFC as shown in **chart 3**.

In 2008, certified volume of 12.04 million m^3 represented a 2% increase over the certified volume of 2005, but importantly, this small increase was made against the background of an 18% reduction in the total volume produced and imported. The FSC and PEFC share of production and importation of 12.04 million m^3 is shown in **chart 4**.

Certification in the UK by Product

Changes in certification by product over the period are shown in **chart 5**.

Certification in the UK – Summary

Certification in the UK timber industry has moved strongly ahead in the period between 2005 and 2008. In all sectors and in all product groups, levels of certification are higher. With 2008 levels of certification in the harvesting sector at 83.9% and at 83.6% for all UK production and importation, it is clear that certification at the end of the first decade of this century is now woven into the fabric of the UK timber industry.

Chart 2: Total Output & Levels of Certification by Industry Sector – 2008

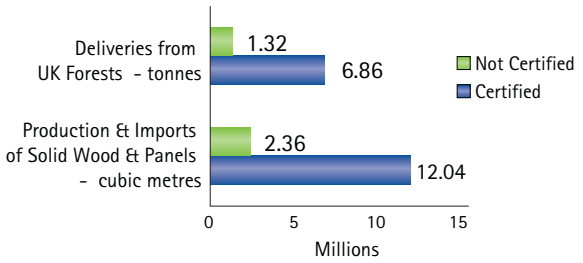


Chart 3: Proportion of Certified Products Available to the UK Supply Chain by Scheme, 2005

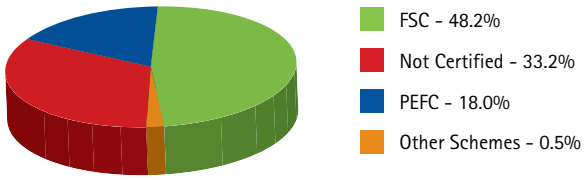


Chart 4: Proportion of Certified Products Available to the UK Supply Chain by Scheme, 2008

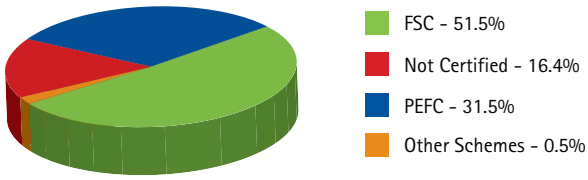
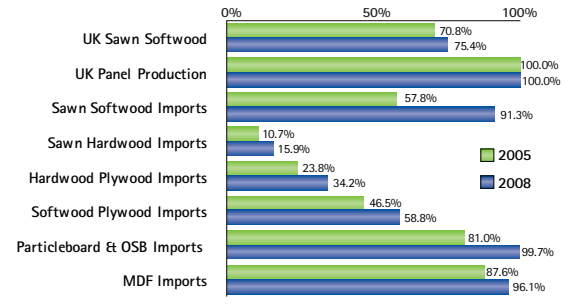


Chart 5: Change in Certification by Product & Source, 2005-2008



UK Softwood Roundwood Harvesting

Certified Roundwood in the UK

Timber harvesting operations continue to demonstrate responsible and ethical practices in the logging and sale of forest products. The harvesting of roundwood from UK forests is a well-managed and increasingly certificated activity. Compliance with the United Kingdom Woodland Assurance Standard (UKWAS) provides buyers and users with the proof that timber emanating from UK forests are sustainably managed. Roundwood that has been harvested under the requirements of the UK Woodland Assurance Standard is certified under the Forest Stewardship Council (FSC) scheme. However, if roundwood from UK forests is not certified, this does not mean that it has been felled illegally or has come from poorly managed sources. All timber harvested in the UK, whether certified or not, comes under the strict controls of the Forestry Commission or, in Northern Ireland, the Forest Service. It can therefore be described as sustainable. The only exception is illegal felling, which accounts for less than 0.1% of timber harvested.

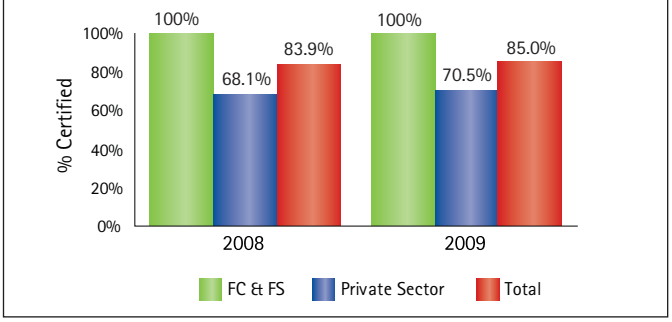
In 2008, it has been estimated that nearly 8.18 million tonnes of softwood roundwood, were harvested from UK forests and delivered to saw mills, pulp mills, panel mills and a variety of other users. The results of the research conducted to provide a measure of certified material harvested and delivered in the UK estimated that in 2008, a little over 6.86 million tonnes, or 83.9% of all softwood roundwood harvested was certified. The research was also designed to determine the development of certification into 2009. Using data

> **Certification of softwood roundwood from the UK's private woodlands has increased from 61% of the private sector harvest in 2005 to 68% in 2008.**

UK Softwood Roundwood Harvesting

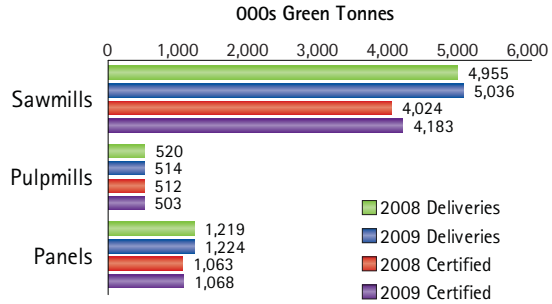
from the Forestry Commission publication, "Forestry Statistics 2009" and the information from the certification study research, it was determined that the quantity of softwood roundwood that is expected to be harvested in 2009 is 8.23 million tonnes, representing a growth of 0.7%. In 2008, all material from the public sector was 100% certified and it was estimated that 68.1% of private sector deliveries were certified. By the end of 2009, the proportion of certified private sector deliveries are expected to have grown to 70.5%, on slightly higher volumes. These changes are likely to raise the overall level of certification from the UK harvest of softwood roundwood to 85.0%, from the 83.9% level in 2008. This would amount to deliveries of 6.99 million tonnes of certified softwood roundwood from UK forests in 2009. These developments are shown in **chart 6**.

Chart 6: Estimated % of Certified Softwood Roundwood Delivered by Source, 2008 & 2009



The extent of certified softwood roundwood harvesting in the UK was determined through responses provided by leading harvesting companies in the UK and through the research in roundwood using markets. Consequently, the outcome of the research with harvesting companies which identified roundwood supply from UK forests was matched against the results of the research conducted with sawmillers, pulp mills and panel producers which measured roundwood consumption. This information, coupled with data from the Forestry Commission and supplementary analysis, has resulted in estimates of the quantity of certified softwood roundwood consumed by these main markets, by source. Roundwood is also supplied to other markets, such as fencing and bio-energy, but research for this certification study concentrated on the three leading markets that consume 85% of roundwood from UK forests. Roundwood consumption in 2008, projected consumption in 2009 and the certified proportions by main market are shown in **chart 7**.

Chart 7: Estimated Softwood Roundwood Deliveries to Main Markets



Certified Roundwood Consumption by Main Market

The marginal growth in the proportion of certified roundwood predicted in 2009 is most likely to stem from growth from the sawmilling sector. Total sawmill consumption is likely to have increased in 2009 by 1.6%, but growth in the amount of certified material consumed is predicted to be higher at around 4.0%. Growth in the certified consumption of roundwood by UK panel producers is expected to be very small in

UK Softwood Roundwood Harvesting

Chart 8: % Growth of Certified & Total Softwood Roundwood Deliveries to Main Markets 2009/2008

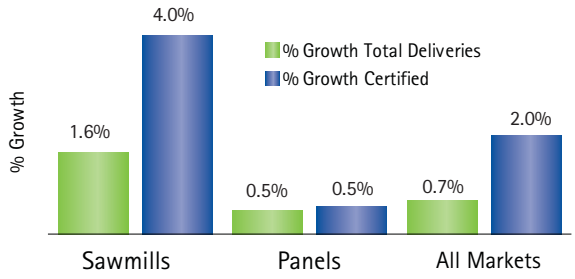
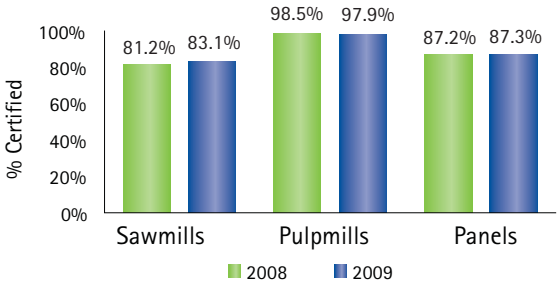


Chart 9: % Certified Softwood Roundwood Deliveries to Main Markets, 2008 & 2009



2009, increasing by 0.5%, as total consumption increases by 0.5% also. Pulp mills will maintain a high level of certification into 2009. For all markets combined, the rise in total consumption is expected to be 0.7%, with certified consumption growing by 2.0%. as shown in **chart 8**.

The changes in certification in 2009 compared to 2008 are shown in **chart 9**.

Pulp mills will maintain a very high level of certification into 2009, although a minor fall is predicted because of a decrease in volume from public forests and an increase in the volume purchased from private sources. Although increasing proportions of private sector roundwood are certified, not all forests are certified, unlike public forests.

Market Demand for Certified Roundwood Consumption

As will be seen in other sections of this report for other sectors, the development towards higher levels of certification has been driven by supply, not demand. Suppliers able to provide verification that their products are certified under one of the recognised schemes have access to markets that otherwise might be denied them. This is particularly important in the area of public procurement, but is beginning to become more widely recognised in other markets also. In order to gauge the extent of demand for certified goods from the non-public procurement sector, the research conducted for this report requested companies to identify whether there had been an increase, decrease, no change or a never or rarely response to the question of specific demand from customers for certified roundwood.

Only a small number of harvesting companies were contacted through this work, but the combined volume of these companies accounted for nearly 40% of harvested roundwood. In response, 75% of these companies reported that they had not witnessed any change in the demand for certified roundwood from customers in 2008. The other 25% reported that an increase in the requests for certified roundwood had been observed.

UK Softwood Roundwood Harvesting

Conclusion

In the report produced for the initial certification study covering the year 2005, it was suggested that the rate at which certified softwood roundwood is harvested was set to slow, or even decrease. This was due to the belief that less Forestry Commission timber (all certified) would be harvested, relative to private sector roundwood (not all of which is certified). Slightly more private sector roundwood was harvested in 2008 than in 2005, but as shown previously in this section, the rate of increase in private sector certification has been steady over the period and this has contributed to the overall increased level of certification from UK forests. Based upon the indications provided by harvesting companies, there will be further growth in the supply of private sector softwood roundwood in 2009, despite the view that some owners will limit felling due to, currently, low standing timber prices.

> **"... the rate of increase in private sector certification has been steady over the period and this has contributed to the overall increased level of certification from UK forests.**

UK Sawmilling

Sawmill Certification

The sawmilling industry in the UK is the single largest consumer of roundwood from UK forests. As in the harvesting sector of forest-based industries, sawmillers have the need to demonstrate responsible and ethical forestry and timber processing practices. Evidence of this is provided by sawmillers from the growing proportion of roundwood that is purchased from sources that comply with the United Kingdom Woodland Assurance Standard (UKWAS). This standard has been designed for use in the certification of UK woodlands and forests enabling independent third party verification of sustainable forest management practices. As noted in the section of this report concerned with harvesting, it is important to note that uncertified material is also sourced from forests that are managed in accordance with comprehensive Government standards. Therefore, despite a lack of formal certification, uncertified roundwood is extremely likely to be purchased from sustainable and well-managed sources where sound and long established forest management practices are in place.

> **The sawmilling industry in the UK is the single largest consumer of roundwood from UK forests.**

UK sawmill consumption of UK grown softwood roundwood in the 2005 certification study was 4.98 million tonnes and this had changed little by 2008, with 4.96 million tonnes consumed. In 2005, the proportion of the volume consumed that was certified was 76.2%. By 2008, the proportion of a very similar volume had risen to 81.2%.

Production of sawn softwood from UK sawmills in 2005 was 2.73 million m^3 of which, around 2.00 mil-

UK Sawmilling

lion m^3 or 70.8% of the total was certified. In 2008, sawn softwood production was slightly higher than in 2005 at 2.77 million m^3, however, the volume of certified production had risen to 2.09 million m^3 which has had the effect of raising the level of certification in 2008 to 75.4%.

Production of other sawmill products, such as wood chips, bark and sawdust was estimated to be 2.67 million tonnes in 2005 with 1.89 million tonnes or 70.8% certified and by 2008, the production of other products totalled 2.47 million tonnes, of which 2.18 million tonnes, or 88.3% was certified.

The UK sawmilling industry in 2008 compared to 2005 consumed slightly more certified roundwood from which higher proportions of certified sawn material and other sawmill products were produced. The status of sawmill certification in 2008 is shown in **chart 10**.

The certified volumes in chart 10 are expressed as a percentage of all volume by each measure in **chart 11**.

Certified Roundwood Consumption

In 2008, sawmillers in the UK consumed 4.96 million tonnes of timber sourced from UK forests. A little was imported, but this section of the report is concerned solely with the supply of material from the UK. All material emanating from public forests, as managed by the Forestry Commission of Great Britain and the Forest Service of Northern Ireland (FC & FS), is certified and, with estimates from the research conducted for this report revealing that the volume delivered from public forests was 2.20 million tonnes, the basis for calculating the proportion of certified timber consumed by sawmills was provided. The remaining 2.75 million tonnes consumed by sawmills in 2008 were sourced from private sector woodlands. Total quantities consumed in 2008 were broadly similar to consumption in 2005, but around 14% more was sourced from private woodlands in 2008, reflecting the age profile of state and non-state forests. As less roundwood was sourced from the public estate, all of which is certified, and more from private woodland owners where not all material is certified, the increase in the supply of certified roundwood from private woodlands between 2005 and 2008 can be identified. In 2005, 51% of the supply by private woodlands to UK sawmills was certified and by 2008, this had grown to 66% certified from the private sector. The research conducted for this report captured 68% of all timber

Chart 10: UK Sawmills Certification Status, 2008

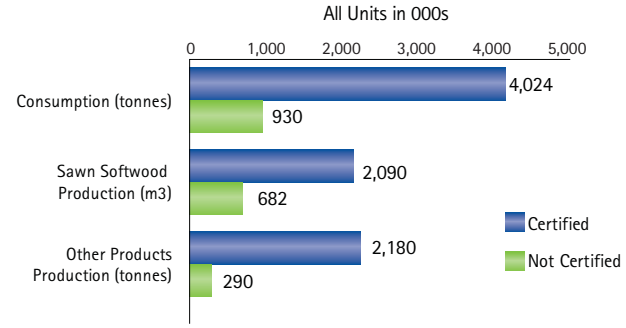
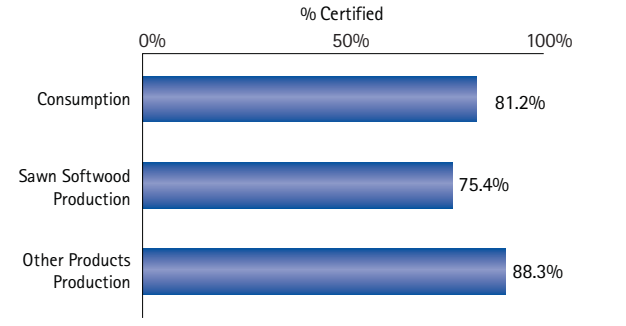


Chart 11: UK Sawmills % Certification Status, 2008



purchases by sawmillers in the UK in 2008 compared to 58% in 2005, but as with the 2005 report, the number of firms responding was small. Consequently, care should be taken in interpreting the results from this research, nevertheless, its results match very closely the findings from the Forestry Commission's own sawmill survey which requests information on the development of certification by sawmill.

Within the survey sample for this 2008 report, a number of large and small sawmills were identified and differences in consumption between the two were determined. Through this breakdown, it was also possible to identify the consumption characteristics of the two size types by their purchases of timber from private woodlands and public forests. As stated above, it is estimated that in 2008, 81.2% of sawmill consumption was certified. Volume delivered from public forests was 2.20 million tonnes, or about 45% of the total, excluding the small volume of imports. The remaining 55% was supplied from private forests, but as also mentioned above, not all private woodlands are certified. The difference between the approximate 45% of certified consumption from public forests and the estimate of the total certified of 81.2% is the proportion of total consumption from the private sector that is certified. The likely development of certification by source of supply to 2009 was also determined through this certification study. By applying the results of the survey across all UK sawmills for 2009, it is estimated that the proportion of sawmill output that is likely to be certified will rise in 2009 to 83.1% of the total. These developments from 2008 are shown in **chart 12** and **chart 13**.

The proportion of consumption supplied from public forests is - against the recent trend of supply over the past few years -likely to increase in 2009, albeit marginally. The quantity of roundwood to be made available by private growers will, in part, be dictated by the development in the price of standing timber. At prevailing levels, it is considered that some private owners and forest managers will restrict the amount of softwood roundwood made available in 2009. This suggests a slightly higher volume will be sourced by sawmillers from the public estate. Derived from the certification study, the probable increase in the certified proportion of softwood roundwood consumed by sawmillers in 2009 to 83.1% would be brought about by an increase in supply from public forests (FC & FS volume all certified) of 1.9% and a smaller increase in

Chart 12: Certified Sawmill Consumption, by Source 2008

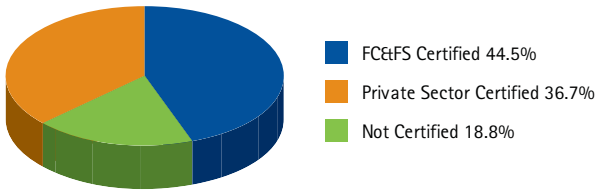
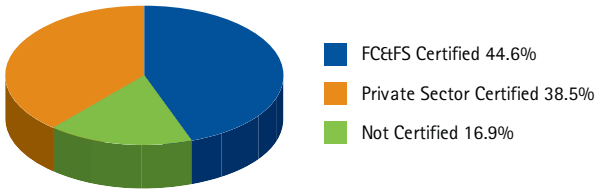


Chart 13: Certified Sawmill Consumption, by Source 2009



UK Sawmilling

certified private sector supply of 1.4%. The growth in the proportion of certified private sector roundwood in 2009 to 38.5% is predicted to occur because of a greater quantity of certified material within the mix of private sector roundwood.

Changes in 2009 by source are shown in **chart 14**.

Certified Softwood Production

Consistent with improved response to the survey for sawmill consumption in this 2008 report, this latest survey captured 65% of the total production of softwood lumber from the UK sawmill sector. This compares to 53% in the 2005 report. The survey sample contained a number of the largest sawmills, but smaller sawmills also provided information for this report. Although there was an under-representation of smaller sawmills, the information from the survey carried out followed a very similar pattern to the results from the Forestry Commission's 2008 Sawmill Survey. From the volume of production captured by the Sawmill Survey, 75.4% of this was certified. The larger mills accounted for the majority of the volume and therefore the majority of certified volume also. The proportion of the production of the larger mills that was certified, as measured by the certification survey was 86% and for the smaller mills, the certified proportion of this volume was 32%. This compares favourably with the Forestry Commission's Sawmill Survey where 85% of the production of larger mills was estimated to be certified and 36% from smaller mills. The interpretation that can be drawn from the certification study is therefore based on sound evidence, as its results are consistent with the findings from the Sawmill Survey. The certification study as mentioned is slightly less representative among the smaller sawmills than the Sawmill Survey, therefore the certified proportions from the Sawmill Survey are used here, in this report, for the purpose of presenting a consistent view of the sector. Production of sawn softwood in 2008 was 2.77 million m^3 and 2.09 million m^3, or 75.4%, was certified as shown in **chart 15**.

This compares to 70.8% of a very similar total volume that was certified in 2005. As described, the incidence of certification is greater with the larger sawmills (annual production of 25,000m^3 and over) and this is shown by comparing **charts 16** and **17**.

Chart 14: Estimated Change in Sawmill Consumption, by Source

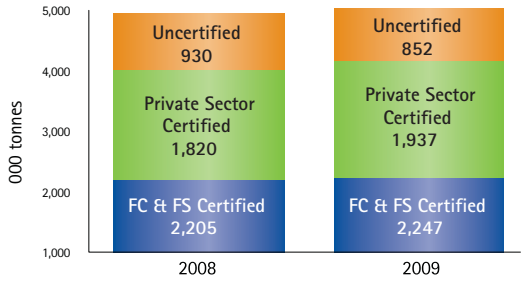


Chart 15: Certified Sawmill Production, 2008

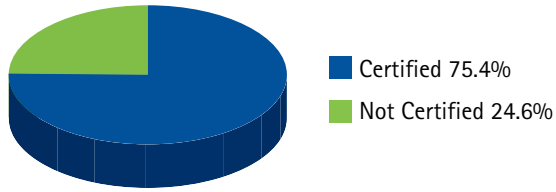


Chart 16: Larger Sawmills Sawn Softwood Certified Production 2008,

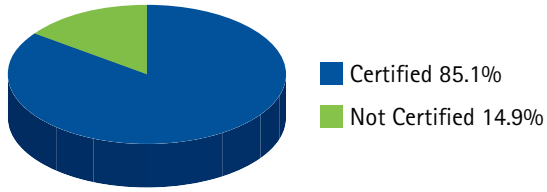


Chart 17: Other (Smaller) Sawmills Sawn Softwood Certified Production, 2008

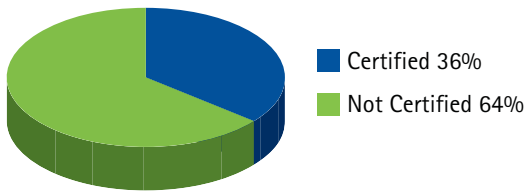


Chart 18: Sawmill Characteristics, 2008 & 2009(est)

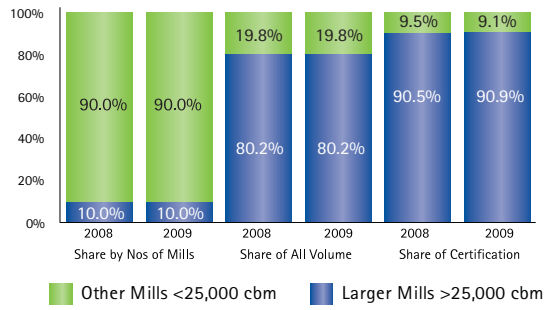


Chart 19: Projected Change in Certified Production, 2009/2008 by Larger Sawmill (>25,000cbm)

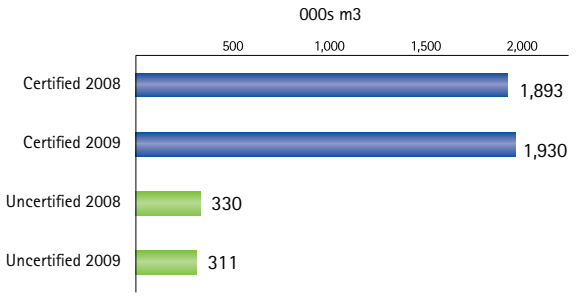
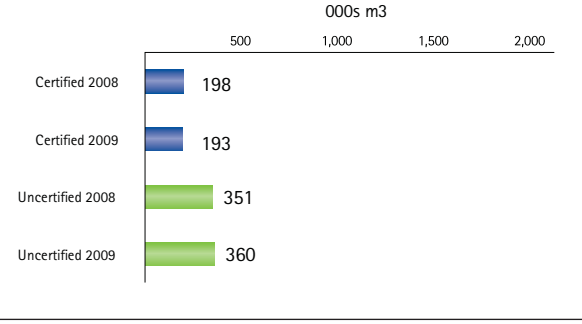


Chart 20: Projected Change in Certified Production, 2009/2008 by Smaller Sawmill (<25,000cbm)



Projected Softwood Production, 2009

The proportion of certified production from larger mills was marginally higher in 2008 than in 2005 (85.1% compared to 83.2%), but the further development of certification in the sawmill sector has come from the other (smaller) group of UK sawmills. In 2005, the proportion of certified production for this other group of sawmills stood at 24.8% and by 2008, this had risen to 36%. In order to gauge the likely development of certified sawn softwood production from UK sawmills for 2009, respondents to the certification study were invited to provide a projection of their volume and its certified element for 2009. Using data from the Forestry Commission's "Forestry Statistics" and by applying the changes for 2009 that were projected from response to this study, the relative change in the incidence of certification by size of sawmill was derived. As shown in **chart 18**, the estimated changes from 2008 to 2009 are minor.

No change is expected in the share of production between larger and smaller sawmills with around 80% of all production accounted for by the larger sawmills. Larger mills will also continue to account for 10% of the total number of sawmills. The only change that it is predicted is with a slight increase in the share of certified production by larger mills. However, this change does not alter the pattern seen since 2005 with certified softwood production becoming a more important element of smaller sawmill output. In 2005, smaller mills accounted for 7.3% of certified production and in 2008, this had risen to 9.5%.

Based on estimated increases in production from the certification research, total UK production is projected to rise marginally in 2009 to 2.79 million m^3 from 2.77 million m^3 in 2008. From these estimates, the small changes in certified production for large and small sawmills in 2009 are shown in **charts 19** and **20**.

The margin for error in estimating volume changes for smaller sawmills is such that the eventual production could be somewhat different to that shown in chart 20, but the estimates provided by the respondents to the certification research, when 'grossed' to arrive at the proportion of total output that this group of sawmills is estimated to represent, the volume of certified production is expected to marginally decline.

UK Sawmilling

The estimated volume changes for larger and smaller sawmills and the effect of these changes is shown in **chart 21**, where the combined changes by size of sawmill is to raise the proportion of total production that is predicted to be certified in 2009 to 76.0%, from 75.4% in 2008.

Certified Production of Other Sawmill Products

In addition to sawn timber, many other products are also produced by UK sawmillers. These include chips, bark, sawdust and other products that provide for a very high utilisation of raw material from the forest. Much of this output is consumed by the wood processing industries, especially panel manufacturers. A growing proportion is being used as an energy source for own use by sawmills and sold as a bio-energy raw material for use by other organisations.

The research conducted for this study posed a question to help determine the extent to which sales of these products were certified. Once again the comprehensive "Forestry Statistics 2009" conducted by the Forestry Commission has been used alongside the results from the certification research to help quantify the tonnage of materials produced and derive estimates of the extent of certification of these other (than sawn) products. As shown in **chart 22**, 88.3% of the production of other products by UK sawmillers were certified.

This proportion is higher than the revised 2005 figure which identified that 78.3% of other sawmill products was certified.

The estimated production of all other sawmill products in 2008 was 2.47 million tonnes of which, wood chips accounted for 68%, or 1.69 million tonnes, bark 0.25 million tonnes and sawdust and other products 0.53 million tonnes. The certification research enquired as to the certified proportion of each of these other products and of total wood chip production, it is estimated that 78.6% was certified. Bark certification was estimated to be at a level of 80.1% and certified sawdust and similar products production was estimated to be 78.5% of production. These volumes are compared in **chart 23**.

Caution is advised in viewing these data as the results are from small number of respondents to the survey and may not be representative of the whole sawmill sector. The certification status of each of the main

Chart 21: Projected Change in % Certification 2009/2008

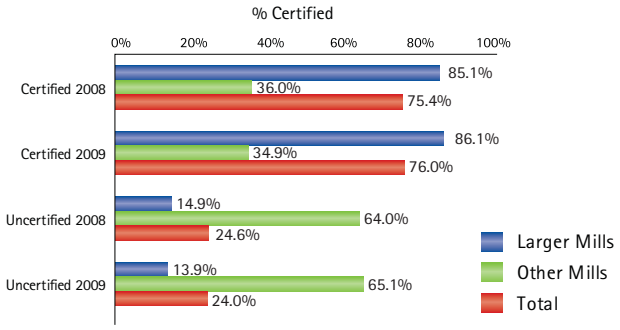


Chart 22: Certified Sawmill Production of Other Products, 2008

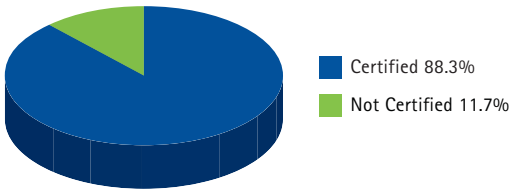


Chart 23: Certified Sawmill Production of the Main Other Products, 2008

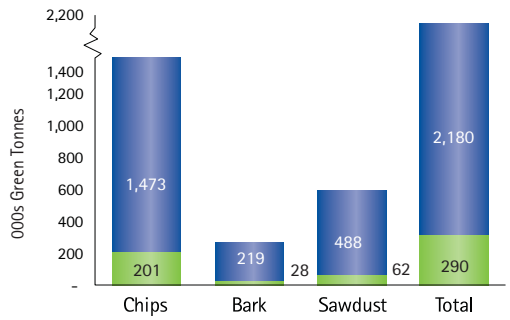
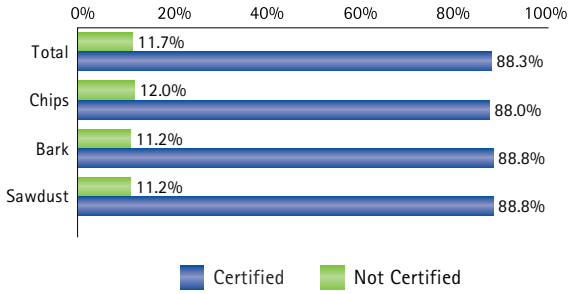


Chart 24: Certified Sawmill Production of the Main Other Products, 2008



other sawmill products in 2008 is shown in **chart 24**.

A similar total of sawmill production as in 2008 is estimated for 2009, consequently, similar quantities of other sawmill products will be available in 2009 as in 2008. Consequently, it is estimated that in 2009, around 2.5 million tonnes of other sawmill products will be produced. This marginally higher quantity will, consistent with the trend in sawnwood production, have been made available from larger mills. It was noted in the 2005 report that the demand for these other sawmill products had changed since 2003, with panel producers consuming slightly less (mainly wood chips) and newer uses in new and growing markets beginning to emerge; especially in the bio-energy sector. These changes have continued with the bio-energy sector becoming a more important consumer of other sawmill products, especially wood chips. In 2008, 83% of sawmill wood chip production was consumed by panel and pulp mills compared to 94% in 2005. In 2008, 14% of wood chips from sawmills was consumed by bio-energy compared to 5% in 2005. The switch in volume of wood chips over the period has seen a reduction of around 100,000 tonnes by wood processors and an increase of 150,000 tonnes destined for bio-energy markets. It is not thought that these changes in market uses has had any material effect on levels of certification.

The consumption of bark has also undergone change between 2005 and 2008, with the intake from wood processing industries lower, by around 60,000 tonnes while sales of bark from sawmills to 'other' markets, most probably for mulching and weed suppressants has increased by over 100,000 tonnes. Similarly, these changes have not had any impact on the level of certified bark supplied. As identified in this report, between 80% and 90% of sawmill production (sawn goods and other sawmill products) is certified. UK sawmills supplying certified products do so by choice, fulfilling the need to supply goods sourced from well-managed forests, thereby giving customers confidence over issues of legality and sustainability.

UK Sawmilling

Market Demand for All Certified Sawmill Products

The high level of certification provided by UK sawmills has been driven by the sawmills themselves and not through customer insistence. Whether requested or not, many customers of UK sawmills receive certified products. This report was tasked with understanding whether there had been any increase in customer awareness of certification and also any increase in requests from customers to receive certified goods. The outcome from this particular investigation was very different to the results from the 2005 survey which asked a similar question. In 2005, it was determined that customers very rarely requested certified goods. In 2008, it would appear that the requirement for certified products has changed, with nearly a half of sawmills (of various sizes) responding to the survey confirming that in 2008 there had been an increase in the requests by customers for certified goods. The extent of the increase in these requests is unknown and probably not easily measurable, but there has clearly been movement from 2005 when requests for certified goods were, effectively, non-existent. For some customers of UK sawmillers, the awareness of certification certainly appears to be higher and increasing, but this finding from the work for the 2008 certification study needs to be tempered by the verdict of the other 'half' of sawmillers responding to the survey. One sawmill commented that there had been a decrease in requests for certified goods in 2008, another that requests had never been received and the remaining 41% of sawmills reported that there had been no change in the level of requests for certified goods in 2008. Importantly, this 'no change' response was from a starting point of certification being "rarely" requested. Consequently, there appears to be a rough divide in the sawmill sector between those believing that there is an increasing number of requests for certified goods and those claiming there had been "no change".

For advocates of greater levels of certification in wood markets, these results are encouraging. For sawmills believing that certification is not an important issue for customers, there is support for that view also.

> **In 2008 there had been an increase in the requests by customers for certified goods.**

Conclusion

A further increase in the proportion of the UK sawmilling industry supplying certified products has taken place between 2005 and 2008. It was stated in the 2005 report that the rate of development will probably have slowed by 2006 with only a marginal increase in the proportion of certified sawn timber and other sawmill products for sale. This may have occurred in 2006, but the incidence of certification in 2008 is higher for sawmill consumption, sawn softwood production and for other sawmill products, such as wood chips and bark.

The rate of progress projected for 2009 is marginal, from an already high level and the further growth of certification in the sawmilling sector is likely to be difficult to win. All of the production of many of the larger sawmills is now certified and, as was the case in 2005, the challenge for the UK sawmilling industry is in persuading more smaller firms to also offer certified goods. Encouragingly, this report has revealed that more smaller sawmillers in the UK are supplying certified goods, but total certification remains a distant objective.

> More smaller sawmillers in the UK are supplying certified goods.

UK Panel Production

Panel Producers Certification

In 2008, approximately 3.9 million tonnes of roundwood, other sawmill products (e.g. wood chips), recycled fibre and other materials were consumed by UK panel mills. The information provided by panel producers has enabled the measurement of certified material used for panel production in the UK. It is estimated that a little over 3.2 million tonnes, or 82.2% of panel mill consumption was certified under the Forest Stewardship Council (FSC) scheme. This compares with 72% of raw materials certified in 2005. This higher level of certification is represented by a higher volume of certified raw materials within a lower overall level of raw materials consumed by panel producers between 2005 and 2008. In 2005, just over 3 million tonnes of certified material were consumed, compared to 3.25 million tonnes in 2008, a real growth of 8%. This intake was part of the total 3.9 million tonnes consumed in 2008, which was an 8% reduction compared to 2005. As in the 2005 study, the immediate development of certification in this sector was measured and panel producers have supplied their projections of raw material purchases for 2009. In 2009, purchases of raw materials are likely to marginally decline, by less than 1%, and the certified proportion is predicted to be around the same level as in 2008. Although there is predicted to be change in the sources of supply in 2009, the proportion of certified consumption is expected to remain the same as in 2008, at 82.2%. All of the 2.6 million cubic metres produced by UK panel producers is sold as certified. Consump-

> **“... a little over 3.2 million tonnes, or 82.2% of panel mill consumption was certified under the Forest Stewardship Council (FSC) scheme.**

Chart 25: Panel Producers Consumption & Production, 2008 & Projected 2009

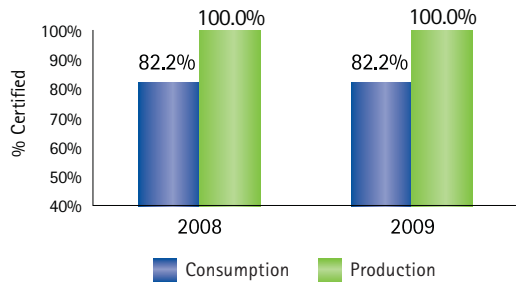


Chart 26: Panel Producers Total Consumption 2008

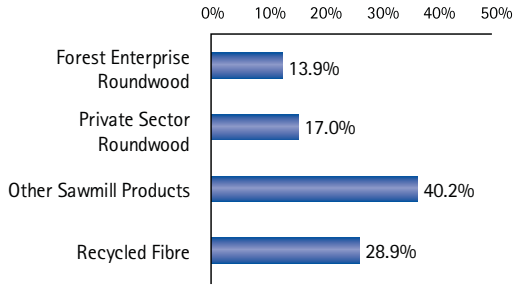


Chart 27: Changing Source of Panel Producers Consumption 2008/2005

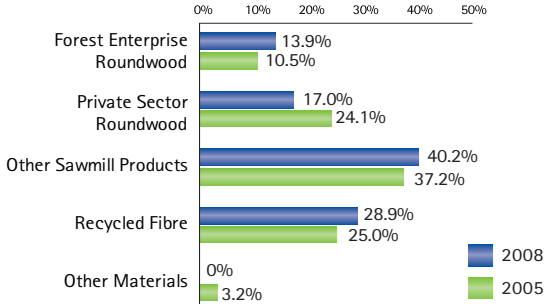
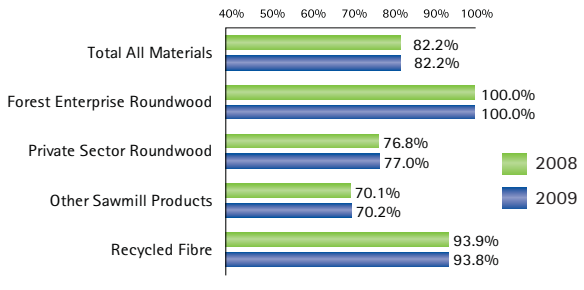


Chart 28: Panel Producers Certified Material Consumption 2008 & Projected 2009



tion and production that is certified in the UK is certified under the FSC scheme. The projected status from 2008 to 2009 is shown in **chart 25**.

Certified Consumption by Panel Producers

Roundwood from public and private forests continues to be the raw material with the highest share of all materials consumed. A total of 1.2 million tonnes of roundwood, was consumed by panel producers in 2008. Other sawmill products, the majority of which are wood chips, also contributed around 1.6 million tonnes in 2008, although this volume has decreased since 2005. A slightly higher volume of recycled fibre had been consumed in 2008 compared to 2005. The mix of raw materials consumed in 2008 is shown in **chart 26**.

The proportion of the supply of roundwood to panel producers in 2008 was, at around 31% of the total of all materials consumed, lower than the 35% of the total supplied in 2005. However, the change in the source of roundwood over the three year period has been significant. In 2005, 24% of the total of all raw material consumed was roundwood from private woodlands, but by 2008, the share of this material had fallen to 17%. In contrast, the share of roundwood supplied from the public estate was 10.5% in 2005 and had risen to nearly 14% in 2008. Changes in raw material supply from 2005 to 2008 are shown in **chart 27**.

As shown in **chart 25**, the certified proportion of panel producers' consumption in 2009 is likely to remain very similar to the level of 2008, There are likely to be marginal changes in the level of certification by material type, which are described in **chart 28**.

All output from public forests is certified and therefore no change in certification from this source will occur in 2009. Consistent with the growing development of certification in the private sector, the proportion of certified private sector roundwood is expected to increase marginally to 77% of all of this type of material purchased. A tiny increase in the level of certification is also projected for other sawmill products in 2009, but an equally small drop in the certified proportion of recycled fibre is predicted for 2009.

UK Panel Production

Certified Production by Panel Producers

All production of panel products in the UK is certified. The 2.6 million m^3 of UK manufactured panel products in 2008 consisted mainly of particleboard, including Oriented Strand Board (OSB) and Medium Density Fibreboard (MDF). If the mix of production remains similar in 2009, based on the small decrease in consumption projected by all of the UK panel producers, production will fall marginally to around 2.5 million m^3, all of which will be certified. The majority of this production is sold in the UK, with approximately 18% exported. All of the UK panel producers sell all of their production as certified, whether marked on the product or on invoices and delivery notes. It should be noted however, that certified supply from panel producers is governed by the FSC proportional system, whereby all goods are sold as certified if a certain percentage of the total qualifies as being certified. This can vary according to the individual practice adopted by the panel manufacturer, but is often based on a 60% to 80% certified proportion for particleboard, including OSB and a 70% proportion for MDF.

Market Demand for Certified Panel Products

As with other timber industry sectors, it is virtually impossible to measure the underlying demand for certified goods. UK panel manufacturers do not differentiate between certified and uncertified panel products as all production is sold as certified as qualified above. However, as in the 2005 certification study, the question was asked whether any change had been detected in the requests from customers for certified goods. For the 2005 study, over 75% of panel producers indicated that an increase in the number of requests had been received. By 2008, the same proportion of manufacturers reported the same response, indicating that awareness of certification is increasing among the buyers and specifiers of panel products in the UK.

> **All production of panel products in the UK is certified.**

> ... panel production has been one of the successes of the UK timber industry in the last decade.

Conclusion

Despite lower levels of production in 2008 and 2009, because of the economic difficulties in the UK, panel production has been one of the successes of the UK timber industry in the last decade. Construction markets and the furniture industry are important consumers of UK produced panel products and panel producers have taken the necessary steps to ensure that products consumed are certified and that the materials used in their manufacture derive from sustainable sources.

Timber Importing & Trading

Certification of Imported Timber & Panel Products

The growth of certified timber and panel products imports to the UK has been rapid. In 2005, the certified proportion of all timber and panels imported (softwood lumber, hardwood lumber, plywood, particleboard, OSB, MDF and other products), was estimated to be 55.8%, mostly through PEFC or FSC, as shown in **chart 29**.

By 2008, the share of certified imports had grown to 81.4% of the total, as shown in **chart 30**.

In total, in 2008, the volume of timber and sheet materials imported to the UK amounted to just over 9.25 million m^3 of which approximately 9.15 million are featured in the quantification for this report. From the results of the survey conducted to provide a measure of imported certified material available for sale in the UK, it is estimated that the certified proportion of 81.4% in 2008 consists of a total volume of 7.45 million m^3.

As the proportion of uncertified timber and panel products has reduced significantly over the three year period, both PEFC and FSC have increased their shares of the market. As shown in chart 30, FSC has improved its position, raising its share from around 27% in 2005 to just over 30% in 2008. PEFC has increased its penetration of the available market substantially, raising share from around 28% in 2005 to just over 50% in 2008. The extent of development needs to be set in context, because in absolute volume terms, the volume

Chart 29: Proportion of Certified Imports to the UK by Scheme, 2005

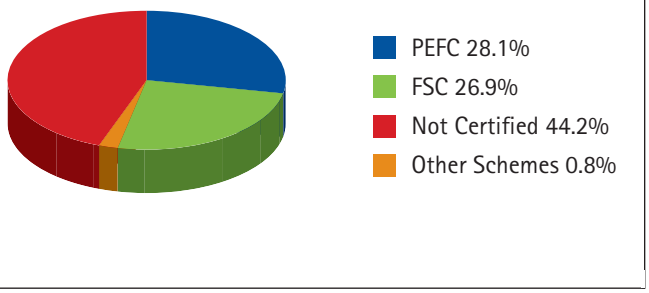
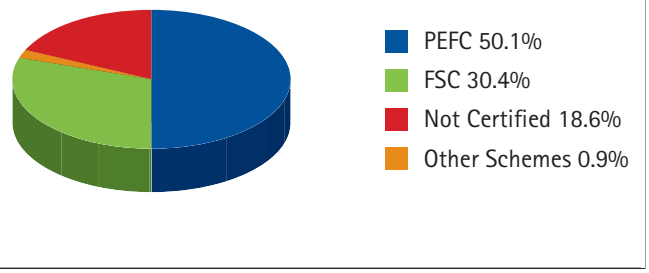


Chart 30: Proportion of Certified Imports to the UK by Scheme, 2008



of imports fell sharply in 2008, as the recession in the UK began to take effect. Nevertheless despite a drop in the total of imported volume in 2008 to 9.15 million m^3 from 11.48 million m^3 in 2005, which represents a decline of 20% over the three years, the quantity of certified material imported in 2008 of 7.45 million m^3 was higher by 16% over the certified 6.41 million m^3 imported in 2005.

Availability of Imported Certified Products – Softwood Lumber

The UK in 2008 was in the grip of recession and the volume of imports of many products reflected these economic difficulties. A total of nearly 5.49 million m^3 of softwood lumber was imported in 2008, compared to 7.96 million m^3 in 2007. In 2005, the year that certification in the UK was first measured, imports of softwood totalled 7.56 million m^3. In 2005, it was estimated that 57.8% of UK softwood imports were certified under one or other of the recognised certification schemes. In 2008, this had risen to an estimated 91.3% of softwood imports.

Softwood import volumes in 2008, as stated, were significantly lower in 2008, but a further demonstration of the growth in the incidence of certified softwood is provided by comparing actual volumes between the two years 2005 and 2008. In 2005, the volume of certified softwood was 4.37 million m^3 and in 2008, certified volume was 5.09 million m^3. Consequently, despite a fall in overall softwood import volume of 27% in 2008 compared to 2005, the volume of certified softwood rose by over half a million cubic metres, or 14%. The pace of change has been rapid over the intervening three years and the extent to which the volume of certified softwood has penetrated the UK market is testimony to the way in which softwood importers and traders have embraced certification as an integral part of their product offering. The rise in certified softwood has also been aided by the growing strength of Scandinavian countries in the supply of softwood to the UK with the vast majority of forests in Sweden and Finland certified under either the PEFC or FSC certification schemes. This switching of supply has also seen a reduction in the volume of softwood imported from some countries with less well developed forest management systems. By scheme, the most rapid growth has been experienced by PEFC. Comparing those companies that participated in both the

A total of nearly 5.49 million m^3 of softwood lumber was imported in 2008, compared to 7.96 million m^3 in 2007.

Timber Importing & Trading

2005 and 2008 surveys for this work, there is a clear migration of volume towards PEFC, however, it is also important to note that a number of traders responding to the 2005 survey, but not to the 2008 survey, had a greater proportion of FSC certified softwood than PEFC within their total purchases. Consequently, the results from this latest survey for 2008, revealing that PEFC accounted for three-quarters of all softwood imported in 2008, may be somewhat over-stated. Despite this qualification, it is clear that PEFC has made gains in certified share of softwood imports at the expense of FSC. The share of certified softwood by scheme and the relative changes in these shares is shown in **charts 31** and **32**.

The encouraging aspect of the proportion of certified softwood rising to over 90% by 2008 is the ability of the industry to be able to legitimately claim that the great majorityof softwood supply to the UK is sourced from sustainable and well-managed forests.

Availability of Imported Certified Products – Hardwood Lumber

More than 60 countries exported a large variety of hardwoods to the UK in 2008. As with other timber and panel products imported to the UK in 2008, hardwood volumes were lower and compared to 2005, the subject year for the first certification study, total import volume has fallen by around 40%. Despite this substantial loss in volume, the actual volume of certified hardwood has fallen by only 10%. In 2005, 10.7% of hardwood imports were estimated to be certified, but by 2008, the proportion of the lower volume imported had risen to over 15%. In 2005, FSC and the MTCC had similar shares of certified hardwood imports to the UK, but since that time, FSC has increased its penetration of the market, reflecting the broader constituency represented by this scheme compared to the Malaysian scheme. Changes in certification and by scheme from 2005 to 2008 are shown in **charts 33** and **34**.

The positive outcome of the growth in certification of hardwood imports is the improvement from countries where previously sustainable forestry practices were less evident. By region, the share of (all) African hardwood imports to the UK has increased from 12% in 2005 to 16% in 2008 and the share of Asian hardwoods has risen to 10% in 2008 from 8% in 2005. By including imports from Central and South America, the

Chart 31: Proportion of Certified Softwood Imports by Scheme, 2005

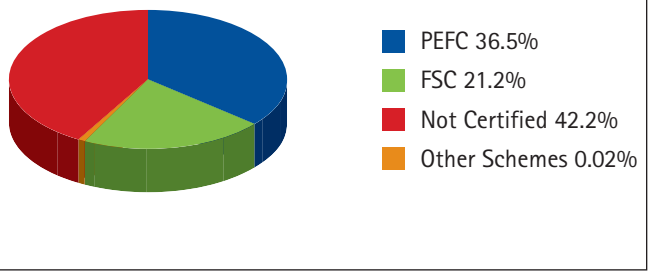


Chart 32: Proportion of Certified Softwood Imports by Scheme, 2008

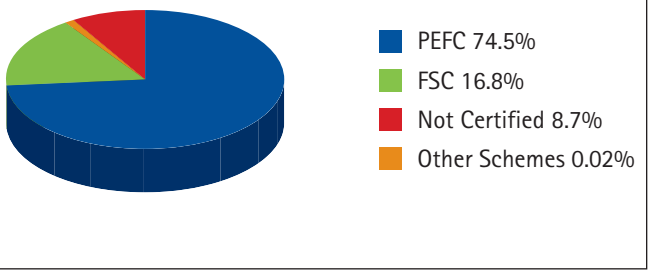


Chart 33: Proportion of Certified Hardwood Imports by Scheme, 2005

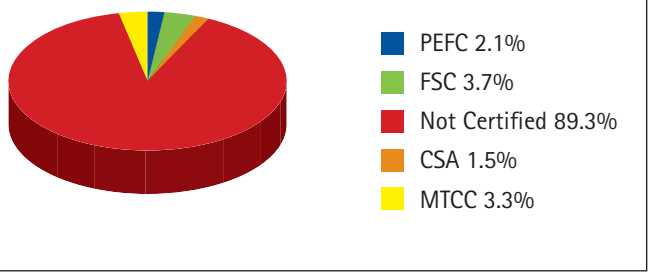
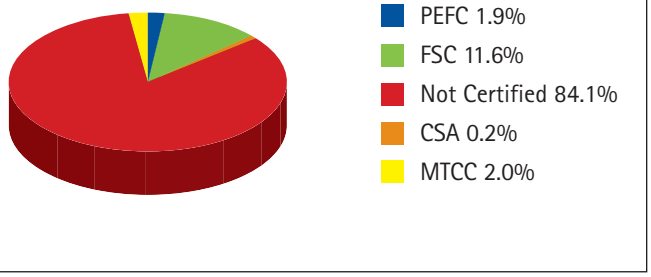


Chart 34: Proportion of Certified Hardwood Imports by Scheme, 2008



combined share of hardwood import volume to the UK from these three regions increased from 22% in 2005 to 28% in 2008. At the same time as changes in the source of imported hardwoods was taking place, the incidence of certification was also changing: rising as seen from the charts. The greater presence of FSC certification in Africa and Asia is consistent with the rise in the share of FSC certified hardwood to account for over 11% of all hardwood imported to the UK. It should be noted that as in the supply of softwood lumber, bias in the sample for this survey may have provided too low a measure in the share of CSA certified hardwood in 2008.

Availability of Imported Certified Products – Plywood

Growth in the proportion of certified plywood imported to the UK has also occurred between 2005 and 2008. In 2005, 23.8% of hardwood plywood imports were estimated to be certified and this has grown to 34.2% in 2008. The estimated share of certified softwood plywood in 2005 stood at 46.6% of all softwood imports and this share has increased by 2008 to 58.8% of the total.

Chart 35: Proportion of Certified Hardwood Plywood Imports by Scheme, 2005

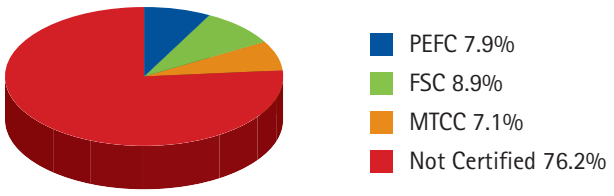
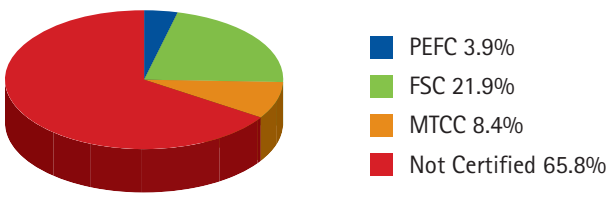


Chart 36: Proportion of Certified Hardwood Plywood Imports by Scheme, 2008



Hardwood Plywood

Asian hardwood plywoods have been a major contributor to the overall growth in plywood imports over the last few years. The growth of FSC certified hardwood plywoods from Malaysia and other Asian countries has been a contributory factor in the rise of the proportion of certified hardwoods imported to the UK. Imports in 2008 were lower than in 2007, because of the downturn in the economy, but all hardwood plywood imports in 2008 were higher than in 2005 by 14%. Over this period, growth in the volume of certified hardwood imports was around 65%. This has had the effect of raising the share of certified hardwood plywood to 34.2% of the total of all hardwood plywood imports in 2008. Both FSC and the MTCC certified hardwood plywood volumes and shares have increased between 2005 and 2008. **Charts 35** and **36** show the overall rise in the share of certified hardwood plywoods over the period and also the increasing penetration of FSC and MTCC certified hardwood plywoods.

Timber Importing & Trading

Softwood Plywood

Like all other imported timber and panel products, including hardwood plywood, softwood plywood volumes in 2008 were lower than in 2007. Unlike hardwood plywood imports however, all softwood plywood imports were lower in 2008 than in 2005.

Despite these lower overall volumes over the three years, the volume of certified softwood plywood in absolute terms, increased in 2008 compared to 2005. This increase, to an estimated 0.34 million m^3 represented 58.8% of all softwood plywood imports in 2008. The share of certified softwood plywood in 2005 stood at 46.5%.

As was revealed in the 2005 certification study, PEFC had a higher share of imported certified softwood plywood and this has continued into 2008. It should be noted however, that, as was identified in the section of this report concerned with softwood lumber, there may well be bias in the survey sample towards PEFC goods. Consequently, the FSC and CSA share of certified softwood plywood may again be understated. Supply of softwood plywood to the UK in 2008 from north America was around 2% of the total. The changes in the certification of softwood plywood are shown in the **charts 37** and **38**.

Chart 37: Proportion of Certified Softwood Plywood Imports by Scheme, 2005

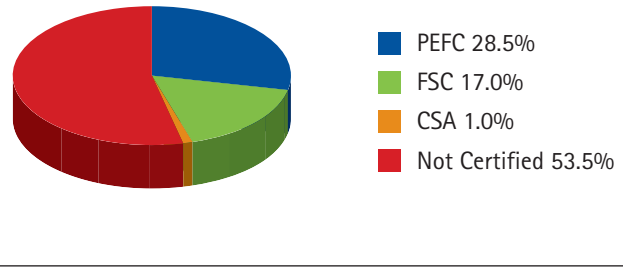
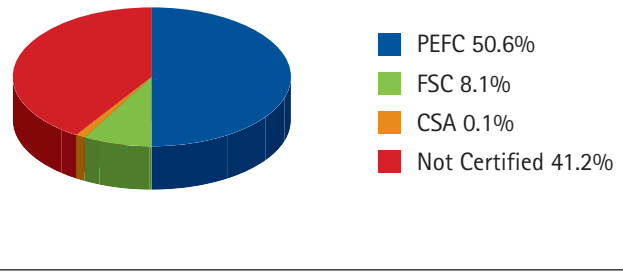


Chart 38: Proportion of Certified Softwood Plywood Imports by Scheme, 2008



Availability of Imported Certified Products – Particleboard, OSB & MDF

The great majority of particleboard, OSB and MDF imported to the UK continues to be sourced from Europe. The supply of these products from European panel mills has ensured that the majority of imports to the UK would be certified and in 2005, it was estimated that just over three-quarters (76.5%) of all particleboard imports were certified. Although particleboard import volumes have declined by around 20% between 2005 and 2008 - in common with the certification of plywoods, the actual volume of certified particleboard has increased by 6% over the period.

The amount of uncertified particleboard in the UK is now probably very small. According to the results from the survey conducted among particleboard importers and terminal operators, virtually all imports are certified. The growth in the incidence of certified particleboard imports between 2005 and 2008 and the changes by certification scheme are shown in **charts 39** and **40**.

Chart 39: Proportion of Certified Particleboard Imports by Scheme, 2005

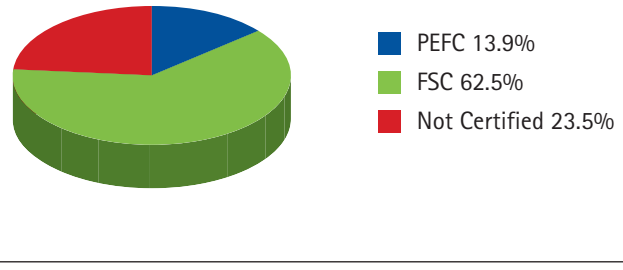


Chart 40: Proportion of Certified Particleboard Imports by Scheme, 2008

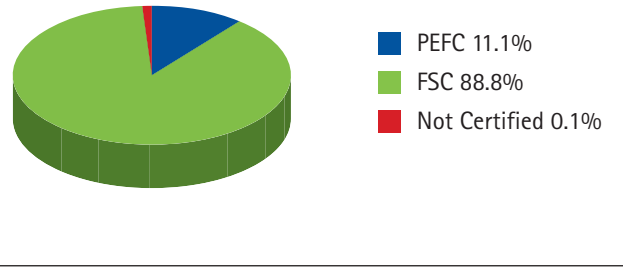


Chart 41: Proportion of Certified OSB Imports by Scheme, 2005

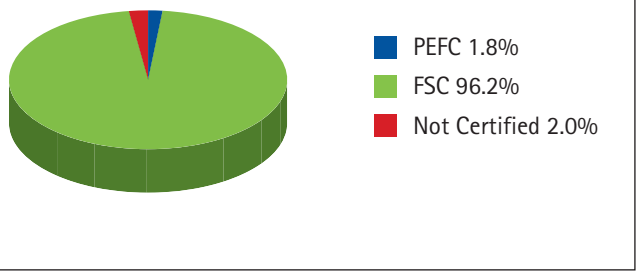


Chart 42: Proportion of Certified OSB Imports by Scheme, 2008

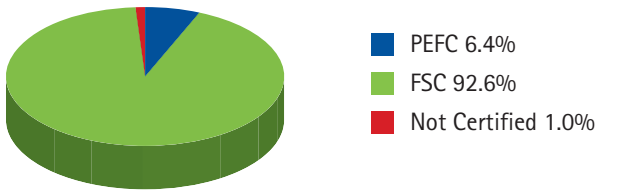


Chart 43: Proportion of Certified MDF Imports by Scheme, 2005

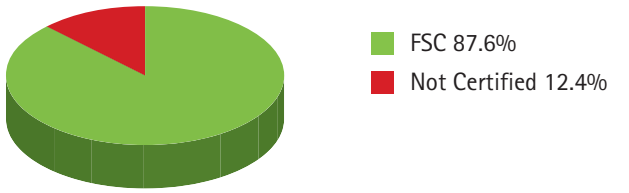
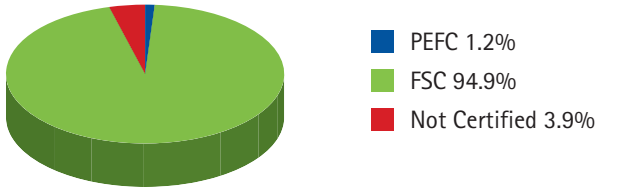


Chart 44: Proportion of Certified MDF Imports by Scheme, 2008



In the earlier years of this decade, purchasing FSC certified particleboard was the only means of obtaining certified goods, however, despite more PEFC material becoming available, FSC has continued to dominate the certified supply of particleboards in the UK. The same has occurred in the supply of OSB.

Particleboard and OSB are separately identified in this report for the purpose of measuring the extent to which each is certified. Certified OSB accounted for virtually all of the imported supply of these products in 2005 and this has been maintained over the period to 2008. The share of certified OSB held by FSC has eroded slightly, but is maintained at over 90% of the total of all OSB imports. The difference is not significant however as the changes that have taken place could be explained by changes in the research sample. Changes of OSB by scheme are shown in **charts 41** and **42**.

A very similar development and certification profile exists for MDF. In 2005, the proportion of certified MDF imports to the UK stood at 87.6% and this has improved to 2008 where it is estimated that over 90% of MDF was certified. As with the importation of OSB and particleboard, FSC is the dominant certification body. For the 2005 survey, import volumes from certification bodies other than FSC were not recorded, but by 2008, a little PEFC certified MDF had been identified. Changes in the certification of imported MDF by scheme is shown in **charts 43** and **44**.

Certification Scheme Characteristics – Strengths & Weaknesses

The certification study conducted for the year 2005 revealed that with the exception of the Malaysian Timber Council's certification scheme in selected product areas, the dominant schemes in the import of timber and panel products in the UK are PEFC and FSC. The 2005 study also revealed clear differences in the relative strength of each certification body, with PEFC having the major share in the supply of softwood lumber and softwood plywood and FSC dominant in all other product areas. Effectively, there has been further polarisation in the market where each of the main certification schemes have consolidated their positions in their specialised product areas.

When reviewing the comparative strengths and weaknesses of each certification body by product, it should be remembered that softwood lumber has traditionally

been the largest product type by volume imported to the UK and despite the economic recession in 2008, this remains so. Understandably the development of certification within each product type has an affect on the development of the share held of certified volume by scheme. As has been seen above, the increase in the proportion of certified softwood lumber has been rapid between 2005 and 2008 and this development, coupled with the already high volume imported compared to many other products, has helped raise the PEFC share of imported certified supply to the UK.

As seen in chart 30 previously, the PEFC share of supply in overall terms has risen to just over 50% of all import volume, while the share for FSC has risen to just over 30%. Consequently, the specialisation by product for each scheme means that changes in the volume of different products imported will have a direct impact on the share of certified supply held by each scheme.

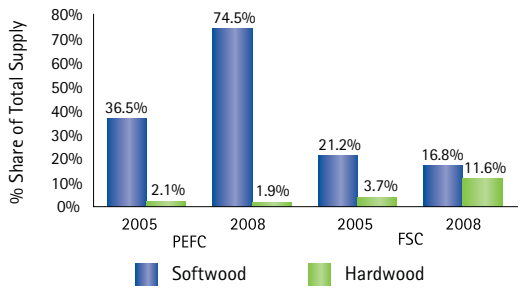
Despite one or two small developments to the contrary, the survey for this 2008 certification study has confirmed the increasing polarisation of the two main schemes by product.

If volumes imported in 2008 had been similar to those in 2005, comparisons of the development of each scheme would have been relatively simple, but because of the downturn in business in 2008 and at differential rates by product, comparisons of absolute volume by product type would be misleading. Therefore, a more meaningful comparison is the changing proportion of volumes held by each of the main schemes in each of the main product types. **Chart 45** provides a comparison of softwood and hardwood lumber certification by scheme for the two survey years of 2005 and 2008. This polarisation by scheme for each product is shown by the differential development of the share of volume held by each scheme.

For softwood imports, the rapidly rising share by PEFC (to 74.5%) is accompanied by a lowering of the FSC share (16.8%) in the supply of this product. The total certified proportion of hardwood imports is much lower than with softwood, hence the smaller bars in the chart denoting the incidence of certification, but the rapid rise in the share held by FSC is accompanied by a lowering of the already small share of supply held by PEFC for hardwood imports.

In summary, the previously higher share of softwood supply by PEFC has increased further as has the previ-

Chart 45: Certified Development of Lumber Imports by Main Scheme



ously higher share of hardwood supply by FSC. PEFC and FSC have consolidated their positions within each market.

A similar development has occurred in the supply of plywood.

As the share of the supply of PEFC certified softwood plywood increased in 2008 (to 50.6%) compared to 2005, the share of FSC certified softwood plywood reduced (to 8.1%). As shown in **chart 46**, once again, the opposite applies in the supply of hardwood plywood, with FSC share of supply rising to reach 21.9% in 2008 while the PEFC participation falls to 3.9%.

In both the supply of softwood and hardwood lumber and plywood, the divide between the two main schemes by product specialisation in terms of share of certification widens in the period between 2005 and 2008.

This trend also largely applies with the supply of the other main panel products, with the possible exception of OSB as can be seen in **chart 47**.

The increasing share of FSC certified particleboard contrasts with the declining share of PEFC certified particleboard. The share of FSC certified MDF has also increased. The share of PEFC certified MDF has increased also, but holds a very small share of the market compared to FSC. A similar shift has occurred with OSB, but such changes have not materially affected the FSC share of OSB imports.

In summary, for all imported volume, where each scheme had its individual strength in 2005, a further strengthening has taken place to 2008.

It should be noted that the small number of companies in the research sample may have led to a slight understatement of the size of the other three schemes in operation in the UK and an overstatement of the participation of the two main schemes in their specific areas where they have the leading share.

This report has identified MTCC certification as being present in both the sawn hardwood and the hardwood plywood markets and there are probably also higher volumes of SFI and CSA certified goods in some product areas that the report has failed to identify. Despite these weaknesses, brought about by a relatively small sample of companies in specific product areas, this research has determined that the incidence of certification has risen in all imported product areas.

Chart 46: Certified Development of Plywood Imports by Main Scheme

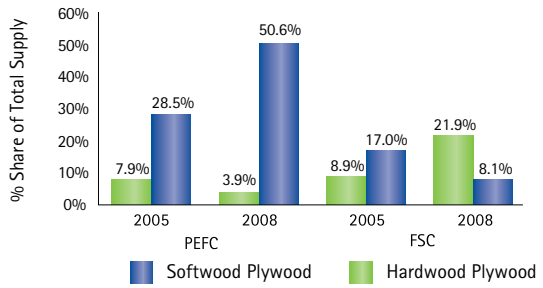
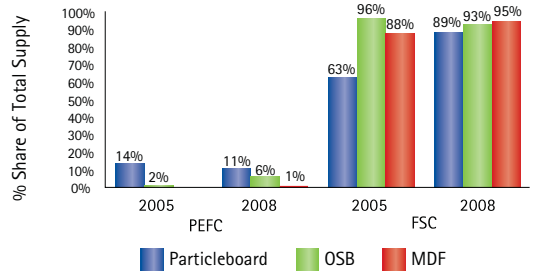


Chart 47: Certified Development of Other Panel Imports by Main Scheme



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Growth by Product by Main Certification Scheme into 2009

The 2005 research identified sawn softwood, plywood and especially the supply of sawn hardwood as areas of weakness, in terms of relatively low levels of certification. This latest research for the year 2008 has determined that the weakness of certification in the softwood lumber market is being addressed, with rapidly rising levels of certification and the weaker plywood and hardwood lumber areas too have improved shares of certified volume. In comparison to softwood lumber and the other panel products, the incidence of certification of hardwood plywood and hardwood lumber remains relatively low, despite improvements as shown.

Asked whether an increase in the level of certification was taking place in the 2005 study, 88% of timber importers and terminal operators combined, claimed that they did detect an increase.

Asked the same question for the 2008 study and 100% of respondents considered that the incidence of certification was increasing.

Whether all imports will one day be certified is open to debate, but it is clear from this report that for some products, total certification is close, while for others, there remains much to aim for.

Respondents were similarly asked to predict how they saw the further development of certification into 2009, with the following projections for each product.

Reviewing the responses to the first certification study in 2005, it was stated that the highest predicted increase in certification - in both volume and percentage terms - would be for imported sawn softwood. It was stated by responding companies that the proportion of certified softwood would rise to 64% in 2006 from 58% in 2005. This may well have been correct as the certified proportion of softwood lumber by 2008, as this report has revealed, has grown substantially to over 90% of all imported softwood lumber. Where respondents may have been less accurate was the belief that FSC certified softwood would exhibit the fastest growth, but as shown, although growth of FSC has occurred, it has been the PEFC scheme that has grown the fastest.

> **“... 100% of respondents considered that the incidence of certification was increasing.**

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Chart 48: Change in Softwood Certification

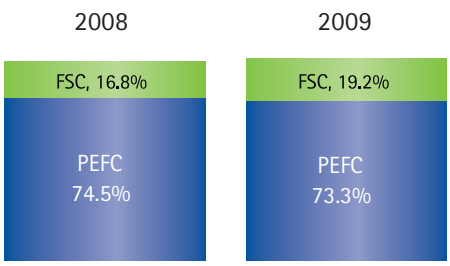


Chart 49: Change in Hardwood Certification (Main Schemes only)

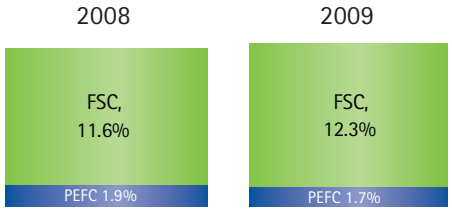


Chart 50: Change in Softwood Plywood Certification (Main Schemes only)

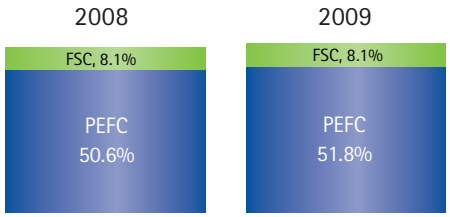
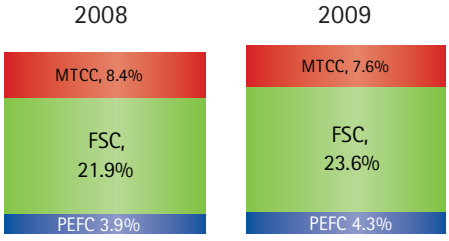


Chart 51: Change in Hardwood Plywood Certification



Softwood Lumber

In 2009, the growth in the proportion of imported certified softwood is predicted to be marginal, rising from an estimated 91.3% in 2008 to 92.5%. The small increase is predicted to come from FSC certified supply, as depicted in **chart 48**.

Hardwood Lumber

Hardwood lumber imports represent only 4% of the total of all import volume of the products featured in this report. Consequently, the relative low incidence of certification for hardwood lumber does not significantly affect the overall level of certified imports to the UK. However, there has been proportionate growth of certified hardwood lumber between 2005 and 2008, and according to the respondents to this 2008 study, this growth is set to continue as shown in **chart 49**.

According to those companies responding to the survey, a higher proportion of certification will be achieved in 2009 from a lower level of volume imported. The beneficiaries of this further growth, in terms of increased share are FSC and the MTCC.

Softwood Plywood

The proportion of certified softwood plywood for 2009 is likely to improve marginally and is projected to reach 60% of all softwood plywood imports. As shown in **chart 50**, absolute volumes are predicted to be lower in 2009 compared to 2008, but a slightly higher proportion of this lower volume will be certified with PEFC edging further ahead in terms of share of certified volume.

Hardwood Plywood

Certification of hardwood plywood is also expected to increase slightly in 2009, rising to around 35% of all hardwood plywood imports as shown in **chart 51**. There are predicted to be small changes in the share of this volume by certification scheme, with FSC perhaps gaining the most from a higher proportion of certified material, although just small shifts in supply would alter these estimates.

Other Panel Products

The proportions of certified OSB particleboard and MDF, as reported above, are close to being totally certified and any changes in the source of supply in 2009

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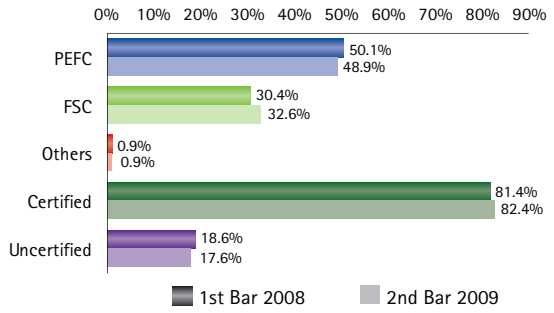
are unlikely to alter the extent of certification for these three panel products. FSC will remain the dominant scheme in 2009, with a share of over 90%.

The proportion of imported certified timber and panel products within the total of all imports in 2005 was estimated to be 55.8%, with PEFC and FSC having almost equal shares. PEFC had 28% of the total of all imports, FSC held 27% and the remainder was supplied by mainly MTCC and CSA. In 2008, the proportion of certified supply had risen to 81.4% of the total and this is set to rise once more in 2009 to stand at 82.4% of all timber and panel products. Development by scheme since 2005 has, in overall terms, seen a faster rate of growth for PEFC, which, as shown previously in this report, has been driven in the main by the rapid progress made in the certification of softwood lumber imports. The small changes in share by scheme as shown in **chart 52** should not be viewed as particularly significant, as small changes in source of supply would produce different outcomes in the small movements in market share. The information that is of major significance however is the high, over 80%, incidence of certification in the importing and trading sector of the industry and the continued growth predicted for 2009.

Chart 52: Change in Total Imported Certification, 2009/2008



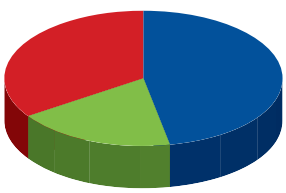
Market Demand for Certified Imported Products

The question was asked in the survey conducted for this certification study, "Approximately what volume of certified timber sold in 2008 was because of specific requests from customers, i.e. orders explicitly asking for certified products". This was exactly the same question that was asked in the first certification study in 2005. For this 2008 study, as in the 2005 study, it was possible for companies to quantify the certified volume that was specifically requested and it was stated back in the 2005 report that some companies, especially the larger, considered that demand - as defined by specific requests for certified material - was increasing rapidly.

This has proved to be correct as the proportion of combined timber and panel products sales in 2008 that resulted from specific requests has risen sharply, from around 10% of sales in 2005 to around a third of all import volume in 2008 as shown in **chart 53**.

Assuming that there has been consistent interpretation of the question by mostly the same companies re-

Chart 53: Estimated Demand for Imported Certified Timber & Sheet Materials, 2008



Other Available Certified Material 47.1%
Uncertified Material 18.6%
Certified Material Demanded 34.3%

sponding to the study, over the period between 2005 and 2008, it can be claimed that the efforts of those involved to raise the awareness and desirability of buying certified timber and panel products are beginning to be rewarded.

Conclusion

Despite the strong improvement in the proportion of specific requests for certified material, there remains a disparity between the larger and smaller companies in the research conducted for this study. The greater part of the proportion of sales that were identified as coming from specific requests for certified goods was made up from the responses from larger companies. It is very probable that this finding can be applied to the whole market place, whereby specific requests for certified goods made to smaller companies happens less often, resulting in a much smaller percentage of their sales coming from such requests.

The 2005 report concluded that there was a detectable 'two-speed' development of imported certified timber and panel products with a more rapid adoption and participation in certification taking place with larger suppliers (often selling to larger industrial and public sector users). This faster pace of development of the certification process was being driven by a growing requirement to provide proof that timber materials had been purchased from certifiable sources and this was especially important in areas of public procurement. Despite a continuation of a 'two-speed' development, it is believed that the work for this study has revealed that the differences between larger and smaller companies, although still present, are less marked than they were.

“This faster pace of development of the certification process was being driven by a growing requirement to provide proof that timber materials had been purchased from certifiable sources and this was especially important in areas of public procurement.

This increasing awareness of certification from the customers of timber suppliers and the increasing percentage of imported certified goods – in all timber and panel products – is testament to the willingness and efforts made by timber and panel suppliers to provide goods that have originated from sustainable and well-managed sources, for which evidence – through certification – has been provided.

The Olympic Effect

With the Olympic Games being held in London in 2012, new stadia, structures and facilities are being created, all of which are underpinned by the declared

intention of the Olympic Delivery Authority (ODA) to make London 2012 a truly sustainable Games. The ODA Head of Sustainability has confirmed that, "Sustainability …….. is now at the heart of the ODA's work to design and build the venues and infrastructure for both Games and the legacy communities".

To ensure compliance with these aims, the ODA has appointed a Timber Supply Panel, the members of which will supply only legal and sustainable timber during the construction of the London 2012 Olympic and Paralympic Games venues and infrastructure.

The ODA has stated that the Timber Supply Panel will supply up to an estimated 600,000m^3 of hardwood, softwood, plywood and other products to the ODA's contractors and their suppliers.

To gain appointment to the Timber Supply Panel, timber suppliers needed to ensure that they had comprehensive certification and sufficient auditing in place to guarantee standards are met throughout their supply chains. Effectively, all timber and panel products supplied by ODA Timber Supply Panel companies will need to be certified. As part of this study into certification in 2008, the ODA requested that their Timber Supply Panel companies be contacted in order to determine the influence that the 2012 Olympic Games was having or had had on their businesses.

The ODA wished to know what changes to working practices had taken place, in order to secure appointment to the supply panel and how these changes had, or will, affect their businesses, particularly in terms of their certification and sustainability profile.

The extent to which the supply of timber had begun was also requested of each of the 16 companies on the Timber Supply Panel.

Appointment to the Timber Supply Panel and Changes Made

The research findings confirmed that the supply of timber to the Olympic venues via Panel Members had not started in 2008. Supplies began during 2009, although these are predicted to be relatively small by year end.

Supply panel companies confirmed that they had not made any adjustments or changes to their operating policies or had made any special preparation in order to win appointment to the panel.

It was felt that existing systems in place in some of

"To gain appointment to the Timber Supply Panel, timber suppliers needed to ensure that they had comprehensive certification and sufficient auditing in place…

these companies, such as ISO 9001, ISO 14001 and chain of custody management systems were equal to the requirements of ODA procurement processes. Some of the panel members considered that the process involved in becoming appointed to the supply panel was useful in itself, as it facilitated a check on existing systems and processes, to ensure that such systems were working sufficiently well.

The conclusion from the responses given by supply panel companies is that the appointed companies were already well-served by responsible procurement systems and did not therefore, need to make any changes to processes or procedures in order to gain appointment to the panel.

Appointment to the Timber Supply Panel and its Effect on Business

The effect that appointment to the supply panel has had on each of the businesses responding to this study has, currently, been minimal. The projects currently being worked on for London 2012 have generated very little in terms of additional business and appointment to the supply panel has resulted in virtually no change in the operating procedures of the selected companies. One company reported that very little new business had yet been generated from membership of the supply panel, but there had been a substantial increase in the volume of enquiries connected to the Games, but these were often of a technical, rather than a commercial nature. Another of the panel companies commented that activity is expected to begin to increase once the ODA central delivery management system is fully functional, but at time of survey in mid-2009, this was not the case.

A number of companies have detected a particular effect that membership of the supply panel has had on their businesses however.

As revealed, each of the supply panel companies, in order to be appointed, were required to have effective systems in place to ensure that their supply chain could verify that timber and panels purchased emanated from legal and sustainable sources. For some of the respondents, the ODA procurement process has provided an internal focus on their quality management and supply chain verification processes. This internal focus has produced a greater awareness of these strengths within their companies. For these companies, their corporate social responsibility (CSR)

> **“The ODA procurement process has provided an internal focus on their quality management and supply chain verification processes. This internal focus has highlighted... a greater awareness of these strengths within their companies.**

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commitments are at the forefront of their efforts to contribute to sustainable economic development. The steps taken by these companies to ensure that timber and panel products are procured from sustainable sources, is a positive application of CSR. Moreover, two of the supply panel companies have translated this previously perceived internal strength into an external communication tool. Effectively, these companies are now promoting their CSR credentials as a means to convey positive messages to their customers and other stakeholders about their companies.

The greater visibility of these messages in the external communications from these companies is as a direct result of appointment to and involvement with the ODA supply panel.

“Effectively, these companies are now promoting their CSR credentials as a means to convey positive messages to their customers.

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