2011

ETTF Annual Survey: The European Market For Verified Legal And Sustainable Timber

André de Boer, Gunther Hentschel

European Timber Trade Federation

20.04.2011

Foreword

As Secretary General of the European Timber Trade Federation (ETTF) I am keen that as a European trade body we monitor our performance in purchasing verified legal and sustainable timber products. With the support of UK Timber Trade Federation colleagues and funding through the UK's Department For International Development, I commissioned a European market study with the assistance of Gunther Hentschel. Gunther is educated as a forest scientist and has much experience within the forestry and timber trade sector. He is an independent researcher and consultant with Ackermann & Hentschel GbR.

As the budget was limited the countries chosen represent the vast majority of the tropical timber imports i.e.; Denmark, France, Italy, Germany, the Netherlands and the United Kingdom. As expected the study did show large differences with regards to the implementation of codes of conduct, responsible purchasing policies and general awareness towards issues like legality and sustainability of timber production.

For executing the study we developed a questionnaire which in Denmark, France and Germany was sent - with the assistance of the national federations - to all the members of those federations. Additionally a number of telephone interviews were conducted with key importing companies. We were unable to distribute the questionnaire in Italy and hence the paragraph on Italy is based on a few expert interviews. In the UK and the Netherlands a different approach was taken to incorporate the work that has already been undertaken. The federations in these countries implement codes of conduct and responsible purchasing policies mandatory for their members. And their members are obliged to report to individual bodies on a yearly basis with regards to their performance on buying and selling legal and sustainable timber, which provided the quantitative data for this survey.

With regards to the results we cannot claim that the study is fully representative as participation was disappointing, although we feel - fed by our own long-term experience - that it certainly adequately reflects actual trends. Generally speaking one can ascertain that supply and demand of (verified legal or sustainable) certified softwood becomes more and more the norm whereas this still doesn't go for (tropical) hardwoods. Where we can say - again generally speaking - that certification aims at solving a problem and that this problem lies more in the tropical then in the temperate zone a world is still to win. Recent developments driven by the European Timber Regulation, public procurement policies and responsible purchasing (working or "under construction") of the federations give rise to optimism with regards to future developments. It is dependent on the availability of budget whether we can continue to make this study a yearly one but we surely think that it is worthwhile to do so.

We thank the UK Department For International Development for their financial support in making this study possible, the secretariats of GD Holz, le Commerce du Bois, Fedecomlegno, Dansk Traeforening, UK Timber Trade Federation and the Royal Netherlands Timber Trade Association for their valuable and much appreciated support and contributions.

André de Boer, Secretary General ETTF

Content

Summary

After almost 20 years of forest certification, the concept today is widely acknowledged and promoted by policy makers and industry alike. Public and private purchasing policies aim at developing the market for certified timber. And some of the private timber trade federations envisage expelling members if they do not yearly increase certified volumes (Netherlands NTTA and UK TTF). It is believed forest certification will bring sustainable natural resource management locally, ensures long-term supply of timber (species and quality), and enables larger promotion of timber as the renewable material of choice. But it has not changed consumer behaviour, and wider promotion to the public is a key concern to the certified companies. To date, “there is no demand for certified products from the private consumer” and people generally go for the best price.

Based on this survey’s data it is impossible to say companies were selling X% of their products certified or verified legal. As a vague trend, the companies estimated the share of certified products between 5 and maximum 20% of their turnover[1]. In general, the importers and traders interviewed for this survey are disappointed as to the low level of demand for certified products. And many interviewees had similar experiences as one Italian trader stated: “last year we’ve sold 17% of our FSC stocks with a certification claim to the client, and only 4% of the PEFC products” (the remaining volumes being sold as standard material).

The demand for certified products by and large is rooted in corporate and public policies. In terms of corporate policies, it is primarily bigger corporations concerned with reputational risk and attacks by ENGOs that are specifying certified materials (DIY chains, insurer, banks, construction companies, etc.). And usually sustainable forest management (SFM) and chain-of-custody (CoC) certification respectively is yet another criterion for qualifying as a supplier to those groups, rather than being regarded an additional value worth a price premium.

Likewise public purchasing policies require certified products in order to apply for a tender and consequently drive the related industry obtaining CoC certification to deliver such products[2], which is primarily softwood for constructional purposes, but also tropical hardwoods for exterior and marine projects. Since SFM certification is almost a standard product attribute for softwoods (see below), it is especially the hardwoods for external use where public purchasing plays an important role fostering supply of certified materials.

All countries assessed do have public purchasing policies in one way or another, which request the authorities specifying SFM certified and equivalent material only. Some of those policies also allow for purchasing verified legal products in the absence of SFM alternatives (Denmark, Netherlands, and United Kingdom). Generally public purchasing policies are mandatory only for central Governments, and local administrations often do not follow the procurement rules or have their own agenda, such as exclusively specifying FSC. Also the level of implementation varies largely amongst the EU Member States assessed, and it is evident that a notable impact requires heavy assistance by the respective authorities (e.g. UK) and/or a generally high awareness on SFM and certification (e.g. Netherlands).

[1] Based on over 200 CoC audits carried out by the author - mostly in Germany - SFM certified products usually account for 5 to 10% of the respective turnovers

[2] Only companies with a valid CoC-certificate are eligible for selling material with a certification claim.

One of the key buyers of SFM certified material is the DIY and retail sector. This industry generally does not specify certified material for addressing private consumer concerns but to accomplish internal policies and especially risk management to avoid ENGO campaigns. Hence predominantly products with exposure to environmental campaigns - e.g. tropical garden articles - are being specified with SFM certification. For less exposed products such as MDF or softwood, the need for supplying certified material is less. Consequently the entire supply chain feeding raw material, semi-finished and finished products into the described segments generates a demand for certified material. And hardwood decking and mouldings for the DIY and retail sector is the only market where demand for certified products equals or even outstrips supply.

A notable impact with regards to demand for certified products is coming from "Responsible Purchasing Policies" requiring members of trade federations continuingly increasing volumes of certified material. Moreover, such policies are the basis of the demand for verified legal products in Europe, since companies have to provide alternative evidence for a non-controversial origin in the absence of certified material. Irrespective of market demand, those policies require importers and traders generally sourcing such material; this sometimes leads to buyers cooperating with suppliers in order to achieve legality or SFM certification (e.g. EU Timber Trade Action Plan[i]). Since it is often difficult to refund price premiums for certified products, some buyers aim for verified legal supplies to avoid the surcharges for certified products, and still complying with the RPPs or internal risk management measures. With the coming EC due diligence regulation importers and traders expect risk management to be applied more profoundly within the industry leading to increasing demand for SFM certified and verified legal products. Consequently supplies from potentially "controversial" regions will be most affected.

Price premiums are perceived a major obstacle to a wider use of certified products. Based on this survey, they are marginal for softwood products, below 5% for temperate hardwoods, and about 10 to 20% for tropical hardwoods. But occasionally surcharges can achieve as much as 30% for some tropical hardwoods. Generally speaking, it is either the public sector accepting such premiums, or the processing industry supplying the DIY and retail sector. For other clients, it is difficult to pass on surcharges for certified material.

Note: The data is based on questionnaire results from Denmark, France and Germany. The figures show **estimates** made by importers and traders. The Netherlands and UK data has not been used for the below summary, since the format of data collection was different. Figures in brackets show number of responses; figures before brackets show the corresponding average value;

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?						
	Softwood		**Temperate hardwoods**		**Tropical hardwoods**	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	3 (3)	77 (14)	28 (3)	29 (7)	27 (5)	20 (10)
B mouldings	10 (1)	87 (4)	-	8 (2)	5 (1)	5 (2)
C decking	28 (3)	71 (5)	-	13 (2)	19 (3)	14 (6)
D veneer	-	-	-	20 (1)	-	-
E plywood	10 (1)	52 (5)	-	53 (5)	-	38 (3)
F composite products	-	100 (1)	-	-	50 (1)	10 (1)

How many of your clients DEMAND either verified legal or certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	33 (4)	46 (12)	23 (5)	12 (6)	15 (7)	17 (10)
B mouldings	18 (3)	43 (7)	40 (2)	21 (4)	0 (2)	17 (4)
C decking	23 (3)	58 (6)	33 (2)	38 (2)	8 (3)	29 (7)
D veneer	-	-	-	-	-	-
E plywood	0 (1)	3 (3)	25 (2)	13 (4)	25 (2)	3 (3)
F composite products	0 (1)	0 (1)	0 (1)	0 (1)	50 (1)	10 (1)

Which are the principle DRIVERS for that demand?	*from 0 (-) to very important (+++)*
Public agencies	42,0
DIY, wholesale, retail	34,5
Other industry - large enterprises	42,0
Other industry - SMEs	27,3
Your own internal policies	34,2
Other (please describe):	-

[-=0, +=1, ++=2, +++=3] Formula: (number of returns)*(average value of returns)=sum/rank

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	0 (2)	2 (6)	5 (4)	4 (6)	9 (7)	11 (9)
B mouldings	0 (1)	2 (6)	-	2 (1)	0 (1)	2 (2)
C decking	0 (1)	2 (4)	10 (2)	8 (3)	10 (3)	14 (7)
D veneer	-	-	-	-	-	-
E plywood	-	0 (2)	5 (2)	2 (5)	0 (1)	6 (3)
F composite products	0 (1)	0 (1)	0 (1)	0 (1)	10 (1)	20 (1)

Key findings

- Supply of SFM certified raw material is generally not a constraint, but low market demand and willingness to cover price premiums are limiting a further development of the market
- Demand for verified legal and SFM certified products primarily is based on corporate and public policies rather than consumer behaviour
- The public sector and commercial big buyers - DIY, wholesaler, retailer and other large enterprises - are the main drivers generating demand for SFM certified timber
- Internal policies and risk management e.g. responsible purchasing and CSR policies are an increasingly important factor for companies buying SFM certified and verified legal material (in all products types and - most importantly - independent from market demand)
- SMEs are generally the weakest demand factor, if not negligible
- For softwood SFM certification has become almost a standard product attribute, so far with the exception of Russian supplies (although certification is picking up in Russia); but only a fraction of the certified volumes is being sold with a certification claim

- In terms of hardwoods, the key markets for certified material are products for exterior use, such as windows and window friezes, garden articles and decking
- For interior and design products (doors, parquet, furniture), demand for certified products is surprisingly low
- If no policies apply requiring the exclusive specification of certified material, buyers tend to be less concerned with regards to certified softwood and temperate hardwoods (which they believe come from domestic or other non-controversial sources and hence certification would not add much benefit)
- Price premiums are difficult to obtain, especially for verified legal or certified softwood, but also for temperate and tropical hardwoods if supplied to the DIY, wholesale and retail sector (in contrast, in this sector price-reductions may be applied for non-certified products)
- Price premiums for certification are most easily being paid for high-value products

General findings:

- Survey results do not represent the commercial "reality" of the individual company (i.e. the variance amongst questionnaire and interview results was enormous and results were often contradictory)
- A representative and cost-efficient approach for such survey would be national trade organisations including the questionnaire into existing members' surveys, and encouraging broad participation (see also Netherlands' NTTA Responsible Purchasing Policy)

Key buyer 1: Public purchasing
Product types: Sawn wood for constructional projects and finished products for external use (esp. windows, decking, and garden furniture)
Driver: Public Purchasing Policies (see chapters below)
Main supplier: Importers, traders

Key buyer 2: DIY sector
Product types: Parquet and finished products for external use (esp. decking and garden furniture)
Driver: Internal policies, ENGO campaigns
Main supplier: Importers, traders, processing industry

Key buyer 3: Processing industry supplying 1 and 2
Product types: Sawn wood and semi-finished products for parquet, windows and garden furniture
Driver: Customer demand
Main supplier: Importers, traders

Key buyer 4: Companies with an internal risk management or Responsible Purchasing Policy
Product types: Any
Driver: Responsible Purchasing Policies (see chapters below)
Main supplier: Any

Notes to the methodology

The survey at hand is based on:

- A desk-based study on public and private purchasing policies
- A quantitative survey; a questionnaire has been distributed by national timber trade organisations and companies responded directly to the appointed consultant
- Qualitative interviews with individual companies

The quantitative survey has been introduced to enable a broader share of the industry and especially smaller companies commenting on the supply and demand situation. Often environmental market surveys are based on qualitative interviews with big companies and market leaders (which have environmental or CSR personnel, possess significant "buying power", participate at political lobbying and influencing the market, etc.). The market situation for smaller companies is often very much different to those market leaders. The survey format aims at capturing a balanced cross section of the timber importing and trading industry.

In one case the result of the quantitative survey has not been taken into account, since the respondent set 100% in all boxes for supply of verified legal timber (it is assumed the respondent not having fully understood the definition of verified legal as outlined in the questionnaire).

Study Limitations

The commercial "reality" of the individual company is highly unique both in terms of the supply and the demand of verified legal and/or certified sustainable products. Hence the variance amongst questionnaire and interview results was enormous, including interview statements contradicting the questionnaire results (and vice versa) or comments made by other companies.

Concluding statements from this survey such as "supply of certified hardwood mouldings is X%" or "demand for verified legal softwood decking in Europe is Y" are misleading and the results only show vague tendencies. Both qualitative and quantitative interviews are based on estimates made by the merchant; companies mostly do not have processed figures on the traded volumes of verified legal or certified products (unless they are FSC-CoC-certified[3] or operate a Responsible Purchasing Policy). Nonetheless, the figures and questionnaire format provide a starting point for a broader and regular trade survey, e.g. as a component of members' surveys conducted by national trade organisations.

Some specific issues of the survey are:

- The survey has only covered a fraction of the industry
- Qualitative and quantitative survey are mostly based on estimates made by the merchant
- The variance amongst questionnaire and interview results was huge and results were often contradictory
- Demand for verified legal and/or certified timber depends heavily on the customer and product type

[3] Companies with FSC-CoC-certification annually report purchased and sold volumes of certified products, including product type and species. Unfortunately to date the FSC does not use this data for market reports.

- Likewise the supply of verified legal and/or certified timber very much depends on the supplier, geographical region, importance/size of the buyer and the specific commercial relation (i.e. “buying power”)
- Results depend on the company, its products and clients, and also the person addressed within the company (the “environmental guy” vs. sales person)

DENMARK

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	24	n.a.
sawmill	3	n.a.
pulp & paper	8	n.a.
other primary forest industry	0	n.a.
wood manufacturing	25	n.a.
construction	1	n.a.
wood products trade/ retailers	209	n.a.
other	0	n.a.
TOTAL certificates	**270**	**162**

PPP - Public Purchasing Policy

Name: Guidelines on Public Procurement of Legal and Sustainable Timber[ii]

Responsible organisation: Ministry of Environment/ Danish Forest and Nature Agency

Introduction: 2001 (revised in May 2010)

Product coverage: Timber and paper products

Required material: Legal timber, sustainable to be preferred; the guidelines recommend either A: set minimum requirements for legal and a certain amount of sustainable timber (i.e. only bidders with a high share of sustainable timber qualify), B: set minimum requirements for legal timber only and (optional) award criteria for a high share of sustainable (i.e. all bidders with 100% legal timber will be taken into account), C: set legal timber only and no award criteria for share of sustainable timber

Proof of legal: TLTV-VLC (SGS), OLB, VLC (e.g. Smartwood) and FLEGT licenses when available

Proof of legal and sustainable: FSC, PEFC

Scope: Voluntary for both central Government and local authorities

ETTF Trade Survey

Issuing organisation: Danish Timber Trade Federation (Dansk Traeforening); 32 members (importer); covering about 80% of national imports

Respondents: 10 (= 31% of the membership)

Note: Figures in brackets show number of responses; figures before brackets show the average value

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?

	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	10 (1)	66 (4)	55 (2)	21 (5)	23 (3)	18 (5)
B mouldings	10 (1)	70 (1)	-	5 (1)	-	10 (1)
C decking	10 (1)	70 (1)	-	5 (1)	27 (2)	20 (4)
D veneer	-	-	-	20 (1)	-	-
E plywood	10 (1)	48 (2)	-	45 (3)	-	75 (2)
F composite products	-	100 (1)	-	-	50 (1)	10 (1)

How many of your clients DEMAND either verified legal or certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	30 (2)	36 (2)	5 (3)	9 (4)	10 (3)	5 (4)
B mouldings	5 (2)	35 (2)	80 (1)	21 (2)	0 (1)	1 (2)
C decking	10 (1)	70 (1)	5 (1)	5 (1)	5 (2)	8 (3)
D veneer	-	-	-	-	-	-
E plywood	0 (1)	0 (1)	25 (2)	5 (2)	25 (2)	5 (2)
F composite products	0 (1)	0 (1)	0 (1)	0 (1)	50 (1)	10 (1)

Which are the principle DRIVERS for that demand?	*from 0 (-) to very important (+++)*
Public agencies	(9)*1,9=17,1
DIY, wholesale, retail	(9)*1,1=9,9
Other industry - large enterprises	(8)*1,8=14,4
Other industry - SMEs	(6)*1,5=9,0
Your own internal policies	(7)*1,6=11,2
Other (please describe):	-

[-=0, +=1, ++=2, +++=3] Formula: (number of returns)*(average value of returns)=sum/rank

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	0 (2)	1 (2)	5 (4)	6 (5)	15 (4)	20 (5)
B mouldings	0 (1)	2 (1)	-	-	-	-
C decking	0 (1)	2 (1)	10 (2)	10 (2)	10 (3)	18 (4)
D veneer	-	-	-	-	-	-
E plywood	-	0 (1)	5 (2)	3 (3)	0 (1)	10 (2)
F composite products	0 (1)	0 (1)	0 (1)	0 (1)	10 (1)	20 (1)

General demand situation

For the interviewed Danish companies it is generally very difficult to draw a picture of the demand situation in Denmark, since they export a large share of their products. But they mostly agree with the questionnaire results (see above) in terms of demand for certified products covering only a fraction of the supplied volumes. Moreover, there was a notable disappointment of company representatives over a weak demand for such products (amongst other demand being “far less than we had expected 6 or 7 years ago”). Nonetheless, most companies regard SFM certification the way forward for the timber industry.

It is an absolute exception buyers exclusively or generally demanding verified legal or certified material (e.g. as a company policy). The normal case is buyers requesting such material, if they themselves already have clients or apply for a tender for which legality verification or certification is required. Hence the importer or trader has to stock the potentially required material, but generally as a niche product with an above-average uncertain market (esp. with regards to tropical hardwood products). This is sometimes leading to clearing stocks (i.e. selling the material at a standard price) and dropping of certified products. In contrast for the buyer - especially secondary processors - establishing certified product lines carries the issue of significant price premiums and uncertain long-term availability of certified raw material. But for softwood products and some temperate hardwoods (esp. PEFC-certified products from Western-Europe) those issues are less significant and certified material is becoming almost a standard commodity.

Legality verification seems only to be of interest occasionally for public tenders. In practice the Danish public procurement policy would translate to requesting certified timber, and especially FSC. Also other buyers would predominantly ask for FSC material, since there is little awareness of PEFC or other verification systems in Denmark.

Key markets and indicator products

Public purchasing is a main driver for certified and verified legal material, especially for certified sawn wood for constructional projects and decking, garden furniture or other products for external use. For private construction projects price premiums for certified products would generally lead to non-certified materials being used. As another source of demand, the Danish importers and traders sell certified material to processing companies such as furniture, doors or glulam industry. There is no data available on how much of the finished products are consumed by the domestic market. If certified or verified legal material is being requested, it is especially the big companies asking for it.

Overall, companies estimate fewer than 10% of hardwood products being sold with SFM certification (with the exception of temperate hardwood mouldings). For certified hardwood products, companies can achieve significant price premiums. But often existing stocks have to be sold at a normal price, if no customers for certified materials can be found. Traders in Denmark report legality verification and certification would be more important for tropical than temperate hardwoods; buyers believe temperate forests being mostly well-managed. Nonetheless, reportedly premiums of up to 50€ per cubic metre were being paid for SFM certified temperate hardwood. As for softwood products, customers regularly request certified products, but usually at no or marginal price premiums (one company reported 60% of their clients paying a premium for certified softwood; on average 2%). For panel products clients rather exceptionally demand products with legality or SFM certification.

There is generally no preference for certain species being purchased with SFM certification. As for temperate hardwoods, any species used for mouldings and parquet may be requested with certification. In terms of tropical hardwoods, it is mainly Sipo, Sapeli and Azobe/Bongossi from the Western and Central Africa (good supply), and Massaranduba, Cumaru, Ipe and Itauba from Brazil (limited volumes of certified material).

FRANCE

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	451	n.a.
sawmill	530	n.a.
pulp & paper	601	n.a.
other primary forest industry	55	n.a.
wood manufacturing	484	n.a.
construction	4	n.a.
wood products trade/ retailers	67	n.a.
other	8	n.a.
TOTAL certificates	**2200**	**576**

PPP - Public Purchasing Policy

Name: French Timber Procurement Policy/ National Strategy for Sustainable Development[iii]

Responsible organisation: Ministry of Agriculture

Introduction: 2003 (expanded to cover all timber products in 2005)

Product coverage: Timber and paper products

Required material: Legal and sustainable timber

Proof of legal: -

Proof of legal and sustainable: Product and chain-of-custody certificates based on internationally recognised criteria; management plan, eco-label or industry code of conduct verified by a third party

Scope: Mandatory for national departments and agencies, voluntary for local authorities

RPP - Responsible Purchasing Policies (industry/private)

Name: Environmental Charter

Responsible organisation: Le Commerce du Bois (LCB)

Introduction: 2007

Principles: Member companies request verification of legality from suppliers as a minimum and steadily increase volumes of certified sustainable timber; according to the share of certified products, members are being rated between 0 and 3 “leaves”; every two years members’ performance is being evaluated by an independent body

Targets: Continuous improvement of company performance

Proof of legal: Third-party verified certificate of legality; for the time being also certificates issued by national authorities are being accepted, in accordance with the WWF “Keep it legal” guidance

Proof of legal and sustainable: In line with the French PPP (see above); alternatively evidence for moving towards certification is also being accepted

Scope: Since 2011 mandatory for all LCB members

ETTF Trade Survey

Issuing organisation: Le Commerce du Bois (LCB); 105 members (merchants, importers, agents); covering 60-70% of national imports

Respondents: 7 (= 7% of the membership)

Note: Figures in brackets show number of responses; figures before brackets show the average value

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	0 (1)	87 (3)	0 (1)	52 (1)	30 (2)	22 (4)
B mouldings	-	100 (1)	-	-	5 (1)	0 (1)
C decking	-	100 (1)	-	-	-	-
D veneer	-	-	-	-	-	-
E plywood	-	-	-	100 (1)	-	-
F composite products	-	-	-	-	-	-

How many of your clients DEMAND either verified legal or certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	-	65 (2)	-	-	30 (2)	8 (3)
B mouldings	-	70 (1)	-	-	-	10 (1)
C decking	-	80 (1)	-	-	-	-
D veneer	-	-	-	-	-	-
E plywood	-	-	-	30 (1)	-	-
F composite products	-	-	-	-	-	-

Which are the principle DRIVERS for that demand?	*from 0 (-) to very important (+++)*
Public agencies	(4)*2,3=6,3
DIY, wholesale, retail	(4)*1,5=6,0
Other industry - large enterprises	(6)*2,3=13,8
Other industry - SMEs	(5)*1,6=8,0
Your own internal policies	(6)*2,2=13,2
Other (please describe):	-

[-=0, +=1, ++=2, +++=3] Formula: (number of returns)*(average value of returns)=sum/rank

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	-	<1 (1)	-	-	3 (3)	10 (3)
B mouldings	-	0 (1)	-	-	0 (1)	0 (1)
C decking	-	0 (1)	-	-	-	-
D veneer	-	-	-	-	-	-
E plywood	-	-	-	4 (1)	-	-
F composite products	-	-	-	-	-	-

General demand situation

The demand for SFM certified material in France is increasing every year, but it is still at a low level. Some traders estimate 80% of their customers not even knowing what certification was about, and criticize a huge lack of communication. Reportedly it is the “professional buyers” within the industry understanding the issues and requesting certified material, but the further down the supply chain, the less awareness and demand would exist for SFM certification. As of a low level of knowing or understanding the certification systems, consumers and also public buyers would generally avoid exotic timber species - with or without certification. And clients would often regard certification not adding much value to softwood and temperate hardwood products, since they would presumably originate in Europe and North America (and not be aligned with controversial issues).

To date “just a few” buyers would ask for legality verification. But there has been a notable uptake of the topic since last year, and traders expect an increasing demand for such verification with the implementation of the EU due diligence regulation (2013). In some cases legality verification is being used as an alternative or rather in the absence of SFM certified material (mainly tropical hardwoods).

Certified products would “develop quite well in many cases”, but there is still an issue with the supply base. Especially for certified African species sometimes only two or three suppliers exist; if “then there is a problem with one of them, we have a high risk of not meeting the required price and conditions with the others”. Therefore for the processing industry, it is difficult to develop a product based on a species, which is not widely available with SFM certification.

Although to a lesser extent, this would also apply for temperate hardwoods being offered with different certificates (i.e. FSC versus PEFC); in order to ensure the best purchasing conditions, companies aim for using a broad supply base which is generally either FSC or PEFC certified. But the finished product can only be marketed with either one or the other eco-label.

Importers do feel tropical supply countries have improved tremendously over the past years in terms of providing more rigid safeguards on the legal origin and supply of certified material. Especially in Malaysia and Central Africa the supply of certified timber has increased significantly (e.g. from Western Malaysia “95% of the timber we purchase is MTCC/PEFC certified”). In Indonesia and Brazil control mechanisms with regards to the legal origin are perceived “maybe not perfect yet, but much better than a few years ago”, and volumes of exported timber of dubious origin having dropped drastically. Only in Brazil, there is not much increase in SFM certified area, and volumes of marketable timber - i.e. the better known species - remain low.

Key markets and indicator products

The key driver of demand for certified and verified legal timber in France is the processing industry, and especially the large companies. Certified material is mostly being requested for the production of windows, doors, staircases and garden furniture. Generally any timber type fit for purpose can be used for the named products (softwood and hardwood). In terms of SFM certified raw material it is especially Beech and Oak from Western Europe, Meranti and Keruing from South-East-Asia, and Sipo, Sapeli and Ayous from Africa. The companies interviewed - mostly importers and traders - were not certain to what level the named finished products were destined for e.g. public purchasing, DIY or other sectors; hence the driver behind the processing industry are ambiguous.

Unlike in some other European countries, public purchasing is not a major factor of demand for verified legal or SFM certified products in France (at least in terms of what is being perceived at the importers and traders end of the supply chain). Apparently there is much bigger potential for public procurement generating such demand; traders feel the public procurement policy is being handled rather “confidentially” and not being communicated by the purchasing departments properly.

Industry clients from the big companies are perceived open for certified products and partly also willing to pay slight price premiums. Smaller traders or industry are generally not very interested in certified or verified legal material. There seems to be a tolerance of up to 5% of price premium for certified tropical hardwoods (and less for other timber types); above 5% reportedly few companies are able or willing to pay such premiums. This leads to difficulties for the sales of (FSC) certified products from Brazil, since surcharges are sometimes over 20%.

ITALY

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	14	n.a.
sawmill	96	n.a.
pulp & paper	78	n.a.
other primary forest industry	28	n.a.
wood manufacturing	146	n.a.
construction	11	n.a.
wood products trade/ retailers	24	n.a.
other	73*	n.a.
TOTAL certificates	**470**	**890**

*primarily printers

PPP - Public Purchasing Policy

Name: Green Public Procurement National Action Plan (GPP NAP)[iv]; timber is included in the below mentioned priority products
Responsible organisation: Ministry of the Environment
Introduction: 2008
Product coverage: Office furniture, construction material
Required material: Sustainable or 100% post-consumer recycled timber, or a combination of both
Proof of legal: -
Proof of legal and sustainable: Credible demonstration of social and environmental commitments, such as FSC, PEFC
Scope: ?

General demand situation

The demand for certified timber products in Italy is very low. Although it is increasing, traders have expected demand today being "ten times higher". Moreover, it is predominantly the export market leading to buyers requesting certified material in Italy (e.g. the processing industry delivering finished products for UK DIY chains or public building projects in Germany). As for the Italian market, if certified material is being requested it is mostly by individual projects or architects. And traders regard price premiums for certified products the key issue limiting a broader consumption.

To date legality verification does not play an important role on the Italian market, and the concept is largely unknown to the clients of the importing and trading businesses. But importing companies reported the consumption of exotic timber species having decreased due to a lack of credible certification and products being substituted with softwood alternatives.

An independent consortium of several companies and the ENGOs Traffic and WWF Italy has been set up to monitor implementation of the EC due diligence regulation. The consortium is already recognised by the Italian Government. But whether it is the Ministry of Forestry or the Ministry of Environment being the responsible administration has not been decided upon yet.

Key markets and indicator products

The larger companies within the furniture and window industries have been named as a client requesting certified material, although predominantly for addressing the export market and DIY and retail sector. Also the number of CoC-certificates is biggest in the wood manufacturing industry (see above). For the Italian market itself, SFM certified products are being requested occasionally for public procurement. In terms of specific products types that are being specified with certification, the interviewed companies could not name any preferences, since demand was generally very low. Awareness for FSC certification is apparently somewhat bigger than for the PEFC label (one company last year sold 17% of its FSC stocks with a certification claim to the client, and only 4% of the PEFC products).

GERMANY

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	534	n.a.
sawmill	241	n.a.
pulp & paper	477	n.a.
other primary forest industry	22	n.a.
wood manufacturing	151	n.a.
construction	28	n.a.
wood products trade/ retailers	87	n.a.
other	14	n.a.
TOTAL certificates	**1554**	**1469**

PPP - Public Purchasing Policy

Name: Joint Instruction on the Procurement of Wood Products[v]

Responsible organisation: Ministry of Food, Agriculture and Consumer protection

Introduction: 2007 (revised in 2010)

Product coverage: Timber products

Required material: Legal and sustainable timber

Proof of legal: -

Proof of legal and sustainable: FSC, PEFC or equivalent (alternatives to be inspected by the two appointed public research organisations)

Scope: Mandatory for the Federal Administration, several Federal States and public institutions voluntarily adopted the policy

ETTF Trade Survey

Issuing organisation: Gesamtverband Deutscher Holzhandel (GD Holz)/ department of external trade; 200 members (importer, agents); covering 80% of national imports

Respondents: 10 (5% of the membership)

Note: Figures in brackets show number of responses; figures before brackets show the average value

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?						
	Softwood		**Temperate hardwoods**		**Tropical hardwoods**	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	10 (1)	78 (7)	-	15 (1)	-	20 (1)
B mouldings	-	90 (2)	-	10 (1)	-	-
C decking	45 (2)	43 (3)	-	20 (1)	10 (1)	8 (2)
D veneer	-	-	-	-	-	-
E plywood	-	55 (3)	-	15 (1)	-	1 (1)
F composite products	-	-	-	-	-	-

How many of your clients DEMAND either verified legal or certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	35 (2)	37 (8)	40 (2)	15 (2)	5 (2)	37 (3)
B mouldings	30 (1)	24 (4)	0 (1)	20 (2)	0 (1)	40 (1)
C decking	35 (2)	24 (4)	60 (1)	70 (1)	10 (1)	50 (4)
D veneer	-	-	-	-	-	-
E plywood	-	5 (2)	-	5 (1)	-	1 (1)
F composite products	-	-	-	-	-	-

Which are the principle DRIVERS for that demand?	*from 0 (-) to very important (+++)*
Public agencies	(8)*1,8=14,4
DIY, wholesale, retail	(10)*2,0=20,0
Other industry - large enterprises	(6)*2,2=13,2
Other industry - SMEs	(9)*0,9=8,1
Your own internal policies	(6)*1,5=9,0
Other (please describe):	-

[-=0, +=1, ++=2, +++=3] Formula: (number of returns)*(average value of returns)=sum/rank

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	-	3 (3)	-	2 (1)	-	3 (1)
B mouldings	-	4 (4)	-	2 (1)	-	4 (1)
C decking	-	3 (2)	-	5 (1)	-	9 (3)
D veneer	-	-	-	-	-	-
E plywood	-	0 (1)	-	0 (1)	-	1 (1)
F composite products	-	-	-	-	-	-

General demand situation

According to the questionnaire results (see above) demand for SFM certified timber in Germany is bigger than in most other countries, especially for certified tropical hardwoods. The interview results draw a different picture though; traders report the main demand for certified products coming from the Dutch, Swiss and UK markets. Moreover, clients in the mentioned foreign markets in many cases have triggered companies in Germany obtaining CoC-certification, and still form the key customer base for certified products. Hence the result of the questionnaire approach presumable does not represent the demand on the German market itself (as intended), or it documents the importance of the DIY sector (see below). With regards to the German market traders report biased experiences: the majority does see demand for certified products growing or constitute an even bigger potential than expected, but some also feel there was not much development in the past years.

Reportedly there is still significant confusion with regards to certification, especially concerning small and medium-sized companies; buyers might ask for certified products, but would back off if they realise they would need to become CoC-certified in order to sell the product with an eco-label[4]. Also

[4] Else they could not sell the product with a logo or certification claim (i.e. unless the client is an end user).

still many buyers would regard a product purchased from a CoC-certified supplier automatically being certified (which is not the case). Overall, interviewees criticize a lack of awareness-raising within industry and especially towards the consumer end being a main reason for a sluggish demand for SFM certified products in Germany.

Third-party legality verification does not play a role on the German market. It is even widely unknown to many traders, unless they do business with the Netherlands or UK. Demand or requests for verified legal products are invariably "non-existent" or "never heard of". And there is little prospect for legally verified products becoming more important, since clients - if they do require assurance with regards to the product origin - would ask for SFM certified timber. [The demand for verified legal products outlined in the questionnaire results (see above) reportedly represents the Dutch and UK buyers.]

Key markets and indicator products

The essential markets for certified products in Germany are the public sector and DIY groups. Parquet and exterior products (garden benches, decking, etc.) are the most important products purchased with SFM certification. Some traders report demand would even outstrip certified supply for those goods. For products where the wood component is not so visible (e.g. laminated MDF), pressure for certified supplies is less. The public sector is a key buyer of certified products, and there is potential for improving or broadening implementation of procurement rules (i.e. implementation is sometimes lax). Another source of demand is purchasing associations (e.g. "Holzring", "Holzland").

There is occasional demand for SFM certified products from the processing industry, but generally only if they supply the public or DIY sector. E.g. mouldings or door manufacturers establish certified product lines for the mentioned clients. Certified plywood is generally not being sourced with SFM certification (below 1%), and there are very little prospects for respective price premiums in this sector. Also demand from traders is negligible ("peanuts", "below 1%", etc.), since their customers would not require certification. For clients from the interior work and boatbuilding sector SFM certification is "absolutely irrelevant".

With regards to species, there is much stronger demand for tropical hardwoods being certified than other products. Buyers would often believe e.g. maple or oak would necessarily originate from Germany, whereas large volumes of those species on the market are from Siberia or Ukraine. Hence they believe certification would not add benefit, or temperate species were not aligned with environmental issues respectively. As a result demand for certified temperate hardwood is low. And SFM certification is regarded a premise concerning softwood; buyers would not explicitly ask for it (except Siberian larch) and less so be willing to pay price premiums.

The supply of certified African species reportedly is good with regards to Bongossi and Sapeli, but less so for Sipo and Iroko. Certified Ayus and Wawa apparently are very difficult to obtain. From South America Massaranduba, Cumaru and Garapa provide significant supply of certified tropical hardwoods (mostly for decking). But as of the increasing domestic demand in Brazil and strong Real it is becoming more difficult to obtain certified material for the German market.

Price premiums for SFM certified timber are being paid (see above), especially from the public sector. But DIY and other large groups generally do not pay premiums; in contrast, they sometimes impose price-reductions for non-certified products. Consequently for the processing industry supplying the DIY sector the issue of price premiums is most difficult; they generally have to pay higher prices for certified raw material, but seldom can refund the additional costs from the client.

NETHERLANDS

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	110	n.a.
sawmill	8	n.a.
pulp & paper	88	n.a.
other primary forest industry	5	n.a.
wood manufacturing	73	n.a.
construction	36	n.a.
wood products trade/ retailers	207	n.a.
other	11	n.a.
TOTAL certificates	**538**	**1088**

PPP - Public Purchasing Policy

Name: Dutch Procurement Policy for Timber[vi]

Responsible organisation: Ministry of Infrastructure and the Environment

Introduction: 2008

Product coverage: Timber and paper products

Required material: 100% sustainable timber (since 2010); legal timber only in the absence of verifiable sustainable alternatives

Proof of legal: In accordance with the UK procurement policy on timber (see below)

Proof of legal and sustainable: FSC, PEFC (to date excluding MTCC), equivalent alternatives to be approved on a case-by-case basis by the Timber Procurement Assessment Committee/ TPAC[vii]

Scope: Mandatory for public institutions at national level, and for regional and local authorities

RPP - Responsible Purchasing Policies (industry/private)

Name: NTTA Code of Conduct in combination with the policy plan 'Conscious with timber'

Responsible organisation: Royal Netherlands Timber Trade Association (NTTA) and the Dutch Joinery Industry Association (NBvT)[5]

Introduction: 2004 (Code of conduct) and 2010 ('Conscious with Timber')

[5] The Dutch Organization of Joinery Manufacturers (NBvT) represents about 250 joinery manufacturers.

Principles: Member companies are committed to steadily increase volumes of certified sustainable timber or other product traceable to the forest source; members' performance is being evaluated by an independent body; members are committed to report their volumes of certified SFM timber every half year to Probos[viii]; Probos reports the results of all members as a percentage to the NTTA
Targets: by 2015 50% of hardwood, 85% of panels and 100% of softwood imported and processed in the Netherlands originating from demonstrably sustainably managed forests
Proof of legal: Legality certificates approved by Keurhout[ix] (i.e. FSC Controlled Wood)
Proof of legal and sustainable: SFM certificates approved by Keurhout (all FSC and PEFC certificates)
Scope: Since 2004 mandatory for all NTTA members

ETTF Trade Survey

Issuing organisation: Netherlands Timber Trade Association (NTTA); 300 members (wholesale, importers); covering 70% of national imports
Respondents: -/ NTTA is annually requesting the data below from its members

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber*	0	46.1	0	16	9.5	26
B mouldings						
C decking						
D veneer						
E plywood	verified legal: 1.6 certified: 24.7					
F composite products						

Note: The data represents the Netherlands as a whole. Within those figures NTTA members purchase 0% verified legal and 75% certified softwood, 15% verified legal and 33% certified hardwood, and 3% verified legal and 63% certified wood based panels. Figures have been provided by Probos Foundation, the Netherlands.

How many of your clients DEMAND either verified legal or certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber						
B mouldings						
C decking						
D veneer			no data available			
E plywood						
F composite products						

Which are the principle DRIVERS for that demand?	*from 0 (-) to very important (+++)*
Public agencies	++
DIY, wholesale, retail	+
Other industry - large enterprises	+
Other industry - SMEs	-
Your own internal policies	++
Other (please describe): FSC and PEFC Netherlands	++

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber						
B mouldings						
C decking						
D veneer			no data available			
E plywood						
F composite products						

General demand situation

The Netherlands are one of the most important European markets for certified and verified legal timber. About half of the softwood products are being imported with SFM certification, about 25% of tropical hardwoods and wood-based panels each, and "only" 16% of temperate hardwood products (Probos 2009). More than clients or end-consumers creating demand for sustainable products, it is a clear political commitment for "going green", both from the public and private sector; The Dutch Green Building Council (promoting building codes such as BREEAM, especially in the region of Amsterdam), the Ministry for Infrastructure and Environment (Procurement Policy for Timber), the Netherlands Timber Trade Association and Joinery Industry Association ('Conscious Timber' action plan), and various construction and building associations encourage the timber industry providing credible eco-friendly products.

More than in any other EU country, FSC certification has been marketed to the broad public relatively extensively, including TV commercials. And according to a FSC market study, a large share of the Dutch population knows the FSC label (67% of prompted market recognition[x]). Hence buyers - if asking for certified material - generally would first ask for FSC products. And only professional buyers would also request PEFC, although often as an alternative to FSC material. But traders do expect a significant increase in demand for PEFC certified timber, despite some clients continuing to insist on FSC (e.g. local administrations and members of a major Dutch builders association).

A key factor for the tremendous growth of certified and verified legal volumes imported by the Netherlands, is the Royal National Timber Trade Association's (NTTA/ in Dutch VVNH) purchasing policy (see above); The policy requires all members to continuously increase purchases of SFM certified goods, and buying verified legal material as a minimum. And the association envisages excluding all members, which do not obtain a CoC-certificate. The ultimate goal of the policy is 100% of products imported by members coming from sources with verifiable sustainable forest management (in general SFM certified material). In 2009, the membership sourced 0% verified legal and 75% certified softwood, 15% verified legal and 33% certified hardwood, and 3% verified legal and 63% certified wood based panels. Unlike other important market drivers, the policy does not lead to a focus on specific product types or industry branches, but implies traders generally demanding certified or verified legal material. The NTTA also supports the membership assessing the environmental or legality issues aligned with specific supply regions (amongst others an independent study on the plywood industry in China, with the result of members having stopped buying those products).

With regards to legally verified material, reportedly the only demand comes from NTTA members for complying with their internal policies. Although the public procurement policy for timber allows specifying such material in the absence of sustainable alternatives, this has little relevance for the purchasing practice. Traders do expect the EC due diligence regulation indirectly increasing the demand for certified products, and closing the “grey areas” of the industry dealing with material of dubious origin.

Key markets and indicator products

Both public and private construction projects are a predominant destination for certified timber, particularly if they include hydro-related purposes. Reportedly for such projects buyers would generally opt for the cheaper offer, which in many cases is PEFC rather than FSC, especially with regards to hardwood products. Despite constructional wood products, also cladding, decking, windows and window frames, garden furniture or other products for external use are frequently being specified with SFM certification.

In terms of softwood SFM certification has become a standard product attribute. Some traders report they were buying 100% of their products with FSC and especially PEFC certificates. And if suppliers do not provide enough certified volume (e.g. from Russia), occasionally non-certified material would be sourced, which they try buying as FSC Controlled Wood. Smaller traders would generally not request certified material, but the bigger groups and industry would do so, and also pay premiums of about 2-3.5% (5€/cbm).

For certified hardwood sawn wood and other products such as finger-joint laminates, FSC material is up to 35% more expensive (or up to 1000€/cbm!), especially for products from South-East Asia. Price premiums for FSC temperate hardwoods are less significant, but also lead to buyers choosing cheaper alternatives. For much of the certified wood based panels no premiums are being achieved. Only in the case of hardwood plywood from the Far East or Brazil a 4-5% premium may be claimed.

UNITED KINGDOM

Status of Chain-of-Custody (CoC) certification

Industry branch	PEFC	FSC
timber trade	110	n.a.
sawmill	1	n.a.
pulp & paper	631	n.a.
other primary forest industry	2	n.a.
wood manufacturing	105	n.a.
construction	23	n.a.
wood products trade/ retailers	590	n.a.
other	6	n.a.
TOTAL certificates	**1468**	**2121**

PPP - Public Purchasing Policy

Name: UK Government's Timber Procurement Policy[xi]

Responsible organisation: Department for Environment, Food and Rural Affairs (DEFRA); Central Point of Expertise on Timber Procurement (CPET) as an advisory body

Introduction: 2000 (latest Advice Note revision April 2010)

Product coverage: Timber and paper products

Required material: Sustainable or FLEGT-licensed timber; equivalent alternatives as advised in CPET guidance ("category B" evidence); legal timber only in the absence of sustainable or FLEGT verified alternatives; from April 2015 sustainable only

Proof of legal: Voluntary legality verification systems ensuring full legal compliance (i.e. according to the definition of Verified Legal Compliance/VLC, in contrast Verified Legal Origin/VLO does not fulfil the UK Governments' requirements[xii]); generally OLB (Bureau Veritas), LHV (SCS), Certisource Legality Verification, VLC (Smartwood), and TLTV-VLC (SGS) are accepted as proof of compliance, whereas VLO (Smartwood) and TLTV-VLO (SGS) certificates are not sufficient

Proof of legal and sustainable: FSC, PEFC (only products with >70% certified or recycled content), FLEGT-licensed timber (the UK Government argues FLEGT-licenses ensuring more than legality, i.e. improved forest governance on a national scale), "category B" evidence for sustainable as advised in CPET guidance[xiii]

Scope: Mandatory for central Government departments and agencies, as well as non-departmental public bodies; local authorities are encouraged to implement the policy

RPP - Responsible Purchasing Policies (industry/private)

Name: TTF Responsible Purchasing Policy (RPP)

Responsible organisation: UK Timber Trade Federation (TTF)

Introduction: 2005

Principles: Member companies are committed to systematically assess the risk of buying timber from controversial sources; for products without credible independent verification (i.e. certification of legality or sustainability) members request suppliers responding to the RPP questionnaire; members steadily increase volumes of verified legal and certified sustainable timber and reduce "high risk sources"; members are independently audited and send their annual reports to a separate independent body, who is collating the information and reporting on performance
Targets: 100% legal and sustainable timber
Proof of legal: In line with CPET/ UK Timber Procurement Policy (see above)
Proof of legal and sustainable: In line with CPET/ UK Timber Procurement Policy (see above)
Scope: Since 2010 mandatory for all UK TTF members

ETTF Trade Survey

Issuing organisation: UK Timber Trade Federation (TTF); 180 members (merchants, importers, agents); covering 60-70% of national imports
Respondents: -/ the information below is being collated annually via the UK RPP (see above)

How much of your SUPPLY is being offered verified legal or as certified sustainable timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	0,1	99	6	37	-	-
B mouldings	-	-	-	-	-	-
C decking	-	-	-	-	-	-
D veneer	-	-	-	-	-	-
E plywood	-	-	59 (2008)	34 (2008)	3	80
F composite products	-	-	-	-	-	-

<table>
<tr><th colspan="7">How many of your clients DEMAND either verified legal or certified sustainable timber?</th></tr>
<tr><th></th><th colspan="2">Softwood</th><th colspan="2">Temperate hardwoods</th><th colspan="2">Tropical hardwoods</th></tr>
<tr><th></th><th>verified legal (%)</th><th>certified (%)</th><th>verified legal (%)</th><th>certified (%)</th><th>verified legal (%)</th><th>certified (%)</th></tr>
<tr><td>A rough sawn lumber</td><td colspan="6" rowspan="6">All products 34% (average)</td></tr>
<tr><td>B mouldings</td></tr>
<tr><td>C decking</td></tr>
<tr><td>D veneer</td></tr>
<tr><td>E plywood</td></tr>
<tr><td>F composite products</td></tr>
</table>

Which are the principle DRIVERS for that demand? *from 0 (-) to very important (+++)*	
Public agencies	+++
DIY, wholesale, retail	+
Other industry - large enterprises	+
Other industry - SMEs	-
Your own internal policies	+++
Other (please describe): NGOs	+++

At what level you think PRICE PREMIUMS are being paid for verified legal or certified timber?						
	Softwood		Temperate hardwoods		Tropical hardwoods	
	verified legal (%)	certified (%)	verified legal (%)	certified (%)	verified legal (%)	certified (%)
A rough sawn lumber	No specific data available					
B mouldings						
C decking						
D veneer						
E plywood						
F composite products						

General demand situation

The UK is the most important market for verified legal products, and both Government and private organisations have been the initiator of legality verification in the international context. Particularly the UK TTF's Responsible Purchasing Policy is a major driver for importing companies sourcing verified legal material, especially for the "high risk" supply regions (i.e. with regards to illegal or otherwise controversial sources). The policy includes buyers ceding supplies without credible proof of legal origin. And the TTF members are committed to steadily increasing purchases of SFM certified products. Hence companies mostly request certified or alternatively verified legal material to comply with their internal policy or risk management rather than addressing "real" market demand (i.e. demand from the consumer end of the supply chain); in other words it is the origin of the product driving the need for verification. Furthermore, the industry is very aware of the implications of the EC due diligence regulation, as of which the described strategy will be followed even more rigorously. The UK TTF has also initiated a couple of surveys on sensitive supply regions, sometimes resulting in members stopping to buy certain materials (e.g. plywood from China).

The variety and complexity of legality verification schemes (TLTV, VLO, VLC, etc.) is leading to little direct demand from clients, and customers from both public and private sector generally tend to request primarily FSC or alternatively PEFC materials. The demand for SFM certified timber in general is steadily increasing, but at a level far below the certified volumes available on the market.

The London Olympics were perceived an additional driver for certified products, since SFM certified material is specified as a condition for tender. But the requirements have not been implemented consistently, and traders are disappointed for sometimes products without certification or broken Chain-of-Custody having been purchased instead. And especially for certified tropical hardwoods there was reportedly no notable positive impact, i.e. increasing demand.

Key markets and indicator products

Public procurement is estimated to account for about 25-35% of the total timber consumption in the UK, and it is a major market for certified timber products. The UK Government has put much effort into ensuring public administrations implementing the policy consistently, especially via CPET providing training and advice to central government agencies, local administrations and universities[xiv]. Despite initial difficulties reportedly the level of awareness and practice of the provisions is good for the larger administrations, but local authorities sometimes have a different agenda and request FSC only. Similarly the larger builders' merchants groups, DIYs and retailers have strict internal policies requesting SFM certified material and therefore create a key market for such products in the UK.

In terms of the typical product types for which certified hardwoods are being used, it is predominantly kitchen tops, flooring, decking and other products for the retail and DIY market (i.e. value-added products). For certified softwood it is constructional material for building projects.

In the UK, buyers predominantly seek certified and verified legal material for their internal risk management rather than for demand. Hence they generally do not source temperate hardwoods selectively with SFM certification (since the risk for buying potentially controversial or "high risk" material is rather low, especially with regards to US or Western European supplies). As of the good availability of certified softwood it is generally being sourced to high proportions with SFM certificates. In terms of demand it is mostly the public sector and builders merchants groups that specifically request certified softwood products. And generally no surcharges are being applied (or max. 1%). One particular issue with FSC certified softwood has been mentioned by the processing industry: with the required implementation of the Controlled Wood standard, the complexity of the FSC volume credit system (i.e. for producing FSC Mixed Credit material) has led to some processing companies shifting to the transfer system, with the result of drastically reduced output volumes.

Price premiums for tropical hardwoods are being paid up to a maximum of 25-30%, but this applies only to species with limited availability or secondary timber species (e.g. Azobe). In contrast, for products where there is a big supply of certified volumes (e.g. Sapeli) and also for products supplied to the joinery industry it is difficult to obtain surcharges. For secondary species the price premiums for certified products are essential though, since else the harvesting and transport cost would not justify a commercial use. But more and more buyers would source verified legal instead of certified products, in order to be confident about the legal forest origin and avoid surcharges for FSC material. But FSC certification would be regarded important for the credibility of the supplier.

ANNEX

[i] www.tft-forests.org/ttap
[ii] http://www.mim.dk/eng/Topics/Agriculture_and_Forestry/Forestry/
[iii] http://www.fonction-publique.gouv.fr/IMG/20081203_Circulaire_5351_SG.pdf
[iv] http://www.dsa.minambiente.it/gpp/page.asp?id=33
[v] http://www.bmelv.de/cln_181/SharedDocs/Rechtsgrundlagen/EN/H/ProcurementOfWoodProducts.html
[vi] http://www.tpac.smk.nl/nl/s518/c410-TPAC-home
[vii] http://www.tpac.smk.nl/nl/s518/c410-TPAC-home
[viii] http://www.probos.net/index.php
[ix] http://www.keurhout.nl/english/index.htm
[x] http://www.fsc.org/fileadmin/web-data/public/document_center/powerpoints_graphs/facts_figures/FSC_market_info_pack-2009-07-01.pdf
[xi] http://www.cpet.org.uk/uk-government-timber-procurement-policy/the-uk-government-policy
[xii] http://www.cpet.org.uk/files/An%20overview%20of%20legality%20verification%20systems%20briefing%20note%20Feb%202011.pdf
[xiii] http://www.cpet.org.uk/evidence-of-compliance/other-evidence-as-assurance
[xiv] http://www.cpet.org.uk/