

FOREST CERTIFICATION

A comprehensive description & historical context within Minnesota

Background – What is Forest Certification?

Forest Certification is an independent, third-party verification system that evaluates and recognizes sustainable and responsible forest management and procurement practices. In the context of Forest Certification, sustainability includes maintenance of the ecological, economic, and social components of forests and surrounding communities.

Consumer / Market Demand

Forest Certification is widely seen as the most important initiative of recent decades to promote the sustainable management of the world's forests. Primarily a market-driven initiative, consumers began to demand "green" certified products in response to increased concerns over illegal logging and the degradation of tropical rainforests. Through chain-of-custody certification, consumers can be confident that products displaying a certified logo were grown, harvested and produced in a sustainable manner, consistent with the principles of Forest Certification.

While participation in Forest Certification within the U.S. is voluntary, for much of the global forest products industry, sourcing from certified forests and providing chain-of-custody credentials is seen by customers as a pre-requisite or license to doing business.¹ Large retail chains such as Home Depot, Lowe's, and IKEA, that give preference to certified products by purchasing specific proportions of their wood products from certified firms or organizations; publishers; and public procurement policies are seen as the primary drivers of Forest Certification. Although consumers may not yet demand certified products explicitly, they do expect that the products they purchase are not derived illegally and do not degrade forest ecosystems.

Companies that buy wood and paper products face substantial marketplace risks and targeted negative media campaigns from environmental groups if their brands are associated with poor forest management practices that have detrimental environmental or social consequences. Time Inc., one of the corporations targeted in the early 2000s by environmental groups for not addressing forest sustainability issues, now has a paper purchasing standard requiring 80% to be sourced from sustainably managed, third-party certified forests.

¹ 2010. Price Waterhouse Coopers. Forest, Paper, and Packaging CEO Perspectives.

Auditing Process

To become certified, certificate holders must successfully undergo re-certification assessments every 5 years, and annual surveillance audits during each non-reassessment year. Audits must be performed by approved, accredited auditing firms. After each audit, corrective action requests (CARs) are assigned for compliance gaps. The organization seeking or striving to maintain Forest Certification, must respond to, and correct, each compliance gap within the time-frame allowed, generally 3 months to 1 year.

Certification "Brands"

Domestically, there are three major internationally recognized Forest Certification systems: Forest Stewardship Council® (FSC), the Sustainable Forestry Initiative® (SFI®), and the American Tree Farm System (ATFS).



Early History of Certification in Minnesota

In 1997, the Minnesota Department of Natural Resources (MN DNR) and Aitkin County Land Department pursued and obtained third-party Forest Certification for about 150,000 acres of state and 220,000 acres of county-administered forest lands within Aitkin County. These were the first public forest lands to be certified in the United States, thereby establishing MN DNR and Aitkin County as nationwide leaders in Forest Certification.

Since 1997, interest, recognition and support for Forest Certification has continued to grow among natural resource managers, forest product manufacturers, builders, policy makers, consumers of green or sustainable products, and informed members of the general public. In response to this increased market demand and the *Governor's Task Force Report on the Competitiveness of Minnesota's Primary Forest Products Industry*, MN DNR committed to, and successfully obtained, dual (FSC and SFI) third-party Forest Certification on all MN DNR Forestry and most Division of Fish and Wildlife administered lands in December of 2005. MN DNR currently manages 4.98 million acres of certified lands, 4.96 million acres of which are dual-certified through FSC and SFI. MN DNR has been recognized by FSC for its leadership and commitment to sustainably forestry, and for MN

DNR's success in administering the largest single forest management certificate in the nation.

Why is Forest Certification Important?

Forest Certification of 4.98 million acres of state-administered forestlands has led to a sustainable supply of forest products and services from healthy, diverse and productive ecosystems, independently recognized progress towards sustainability, continuously improved forest management practices, and improved interdisciplinary coordination and communication. Maintaining Forest Certification demonstrates and re-affirms MN DNR's dedication to sustainable and responsible forest management.

Given the current stresses of invasive species, forest conversion, climate change, etc., managing sustainably is crucial for ensuring a long-term flow of forest products and timber revenue from Trust lands and other DNR-administered lands. Forest Certification has not changed MN DNR's priorities or management objectives, but has rather focused attention on mission-driven work and prompted action on managing sustainably by addressing biodiversity, water quality, and other issues that MN DNR was already committed to, but had not risen to top priority. In some cases, Forest Certification is likely to lead to increased future products and revenue as a result of improved ecological and forest health conditions. MN DNR views Forest Certification as a license to practice forestry under the claim of sustainability.

In the current tough economic times, certification has helped improve the global market competitiveness of Minnesota's certified forest products. Forest Certification has helped ensure strong markets for state-owned timber, thereby maintaining our ability to effectively manage our forests while also maintaining the economic vitality of many of Minnesota's forest dependent rural communities. Minnesota has experienced fewer mill closures and stronger forest product markets, compared to other regions in the country where certified forests and products are not available. Although data indicates that consumers are not willing to pay more for certified products (i.e., certificate holders are not receiving price premiums), most agree that Forest Certification has played a huge role in securing and ensuring market access. As explained earlier, many in the global forest products industry view Forest Certification as a requirement to doing business and a necessity in order to compete with

cheaper, foreign fiber sources or forest products. Forest Certification is expected to be increasingly important in the future in order to compete in the global marketplace, especially as large acreages become certified.

There are numerous other qualitative and indirect benefits associated with Forest Certification, including:

- Greater stakeholder recognition and support for forest management policies and operations (demonstrated by fewer lawsuits or appeals to management plans and timber harvests);
- Added focus of managing on a landscape scale;
- Taxes and jobs provided at the local level from maintaining a thriving forest products industry, which is aided by forest certification.

Recent Growth in Forest Certification

Minnesota:

MN DNR has been recognized by FSC for its leadership and commitment to sustainable forestry, and for success in administering the largest single forest management certificate in the Nation. Since 2005, MN DNR has worked to maintain certification on 4.98 million acres of state-administered forestlands, 4.96 million acres of which are dual-certified (FSC & SFI).

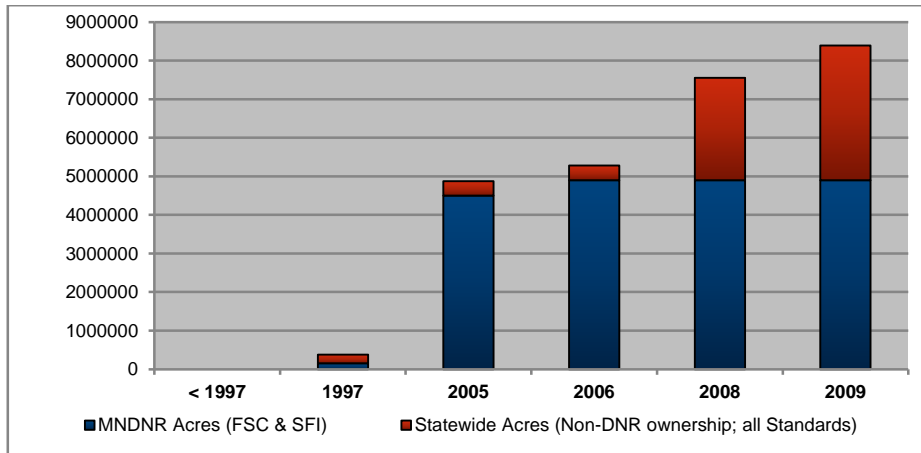
Forest Certification is continuing to grow, proof that other certificate holders are seeing economic gains through increased competitiveness in external markets, in addition to improvements in their sustainable management operations. There are nearly 8.4 million acres of certified forests in Minnesota across both public and private ownerships.

Great Lake States & Nationwide:

The Great Lakes States Region has long been recognized by Dovetail Partners, FSC, and countless others, as a success story for forest certification and as a hub for certified products. Forest Certification has continued to grow faster, proportionately, in the Great Lakes States than in other areas of the country. The certified forestland in Minnesota, Wisconsin, and Michigan combined, totals over 14 million acres. This makes up nearly 50% of the FSC certified forests in the U.S.

Since 2005, Maine, Maryland, Massachusetts, New York Department of Environmental Conservation, Pennsylvania, and Washington DNR have certified their state forestlands. More recently, Ohio and Indiana have also certified their state forestlands.

Certified Acres in Minnesota



Chain-of-Custody Process

The Chain-of-Custody (CoC) process allows an end product to be marketed and labeled as certified, only if it originated and was grown, harvested and manufactured in accordance with the certification standard(s). The documentation required to meet the CoC requirements enables forest based products to be tracked back through the manufacturing process, thereby verifying that the product was grown, harvested and manufactured responsibly. If at any point in the supply chain a product is legally transferred (i.e. changes ownership) to a non-certified manufacturer, that product is no longer considered to be certified and cannot be labeled as such. Both FSC and SFI have separate Forest Management (FM) and CoC standards. Printers and other producers of forest products must all adhere to the CoC standard in order for the end product to be marked and labeled as certified.

Benefits of the Chain-of-Custody Process

Acquiring and maintaining a current CoC certificate allows a manufacturer to market forest products using the certified logo. By doing so, the manufacturer is able to access a wider array of markets and customers. This is becoming increasingly important in today's market, where many consumers want assurance that their products were harvested and manufactured in a way that is consistent with sustainability and responsible management. A CoC certificate signifies that the certificate holder has responsibly addressed both the social and environmental aspects during each step of the manufacturing process. Therefore, acquiring a CoC certificate reflects positively on the producer.

Growth in Chain-of-Custody Certificates

Both FSC and SFI has seen significant increases in the number of CoC certificates since 2005, in part because several green building initiatives require the use of certified fiber in order to qualify for green building credits. Most notably, the U.S. Green Building Council (USGBC) and the Canada Green Building Council (CaGBC) require that all vendors selling wood-based products to Leadership in Energy and Environmental Design (LEED) projects must be FSC CoC certified. This has been a major competitive factor, especially in the current down economy, for wood product companies who supply products for building projects and rely on the housing market for their survival.

MN DNR's Certification Status & Contact

MN DNR remains the largest single FSC certificate holder in the country, with 4.9 million acres certified to the SFI and FSC Standards. We are committed to the SFI 2015-2019 Forest Management Standard and to the FSC-US Forest Management Standard (v1.0) 2010.

Past audit reports, CAR responses, and other info can be found on MNDNR's Forest Certification website @ <http://www.dnr.state.mn.us/forestry/certification/index.html>. For more information, please contact:

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