How can we solve the supply chain puzzle?

Andrew Heald explores the challenges for timber processors and sawmills in sourcing adequate future supplies of certified material What really drives demand for certified timber?

One of the perceptions around certification is that demand is driven by consumers pressuring retailers and demanding ethical supply chains. However this isn't always apparent on the High Street; If you visit two well-known stores – Marks & Spencer and Asda – you will see almost no evidence of certification labels and very little information about where or how they've sourced their wooden furniture or paper products. Dig a little deeper, particularly on their corporate, investor-facing websites and you will find much more information.

In 2015, working for WWF UK, I reviewed the sustainability communication and commitments from about 130 companies who traded in forest products[1]. As part of this review, I came to the conclusion that both Marks & Spencer and Asda are publically committed to sourcing very high percentages of certified material and monitor their suppliers carefully. Many consumers will choose M&S trusting that they will do the 'right thing', but few companies seem to see the value in directly communicating to consumers about whether their products are certified.

However many companies do value certification as a means of managing risk in their supply chain, even if their customers don't directly ask for it. In fact some of the some of the lowest performing companies in the study were customer-facing, solid wood furniture retailers. The highest scoring sector in the 2015 study was construction. The driver for this is quite simple; government contracts (whether local or central) nearly always ask questions about the sustainability of timber. The construction companies in turn will ask their suppliers to deliver certified material; when I visited a large government construction site, the procurement manager simply said "if it is made out of wood, it must have the PEFC or FSC logo stamped on it or it doesn't come through the gate".

Construction companies will often prefer to deal only in certified material. This makes compliance with the Chain of Custody standards and compliance with green building promotion relatively straightforward. Similarly, it is also easier for their timber suppliers (like Travis Perkins or Jewsons) to work with a single label for as much of their supply as possible. Using the FSC Mix label, companies are allowed to source up to 30% uncertified "controlled wood" material and still label everything as certified. However, getting adequate supplies of certified material is becoming a challenge in parts of the UK, particularly

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as the supply from the fully certified Forestry Commission forests is dropping to around 30-40% of the total domestic supply.

Besides sawn timber, woodchip (either for the board market or for biomass) is a key component in the certified supply chain. The majority of the board market is certified (using FSC Mix or PEFC) and the auditors for some large biomass generators perceive certification as the simplest way to meet government sustainability requirements. These purchasers of chip are sending clear signals to sawmills that they want to purchase certified co-product material.

Processors stuck in the middle

The challenge in the UK seems to be a "disconnect" from the middle of the supply chain back to growers about the demand and 'value' of certified material.

Part of this disconnect is that as timber moves along the supply chain, less and less of it is actually labelled as certified. It is hard to know exactly what % of domestic timber comes from certified forests; but we know that all of the FC harvested material is, and the majority of material from Tilhill and SW managed forests are also PEFC & FSC certified. We also know that the majority of the large sawmills operate on the FSC % scheme meaning that at least 70% of their inputs are certified. However, speaking to some of the smaller mills, they are struggling to purchase sufficient certified material and often operate on the credit system.

As previously mentioned, it is simplest in terms of invoicing, labelling and stock management to record everything as FSC Mix and stay above the magic 70%. However, we simply don't know how many of the primary customers demand certified material, and whether this % has changed in recent years, or how mills perceive it will change in the future

Feeding an FSC-hungry supply chain

There is growing discontent amongst some smaller forest owners and managers about certification and the rate of growth in certified hectares has reduced >>

>> significantly and actually fallen in England in recent years. At Confor we often hear from forest managers who are concerned about the cost of certification; this isn't usually the cost of better management but the financial burden of compulsory audits and the management time invested in complying with bureaucratic requirements. Speaking to many sawmills and processors, we hear that there is a shortage of certified material and even when there is a price differential of £2-£3 per tonne, that this isn't enough to coax owners and managers into certification. In writing this article, we wanted to explore why there is an apparent disconnect between supply and demand for certified material and why the demands for more certified material isn't being heard in the forest.

Forest managers who are selling timber on a regular basis know that if it is certified, they will improve their market access. In the case of smaller forest owners or managers, who perhaps only sell timber once every few years, they may be able to wait for the market to strengthen and sell uncertified material at the point when mills are hungriest for timber and the price differential between certified and non-certified is negligible.

What if supply drops below 70% and/or if FSC reject UKWAS for a second time in April, of if the FSC pesticides committee reject our derogation for pesticides to control weevil. What happens to the supply chain that has grown used to a simple single label of FSC Mix?

Investing in a sustainable future, but who will supply the certified material?
(Source: Savills and Scottish Woodlands UK Forestry Market Report; see p57)

Have your say

This leads us to a question for the processing sector: How many of your customers insist on certified material? Would they be happy with uncertified material if they knew it was UK sourced? Some sawn timber customers will tell their UK suppliers that the material must be FSC certified but will import identical PEFC certified material from Europe – is there really scope for suppliers to switch labels to PEFC or to simply supply it as UK grown?

Confor is working with the supply chain to try to find out more and we are launching an anonymous on-line survey, to help identify some of these challenges, and allow us to help the sector address these issues. We are also planning a number of certification awareness events over the summer months to help the sector better manage their certified supply and prepare for an uncertain future.

Certification has been one of the hottest of hot topics in UK forestry and timber for many years, yet the amount of information we have on supply and demand of certified material is very limited. This survey is a vital attempt to address that, please find the time to let Confor know what these challenges are and how we can be begin to tackle them together.

ENGAGE

Have your say: take part in the supply chain survey

Have your say and take part in the supply chain survey. Let us know your challenges sourcing certified material and how important certification is to your customers. Visit the Confor website and follow the links to the survey from our home page.

WHAT'S NEXT IN CERTIFICATION

- FSC International are re-considering UKWAS 4 in early April, as soon as we know the result we will update the Confor website.
- We are working with Tilhill, James Jones, Soil Association and Forestry Commission Scotland to plan a certification event on 24 May near Banchory
- Confor has submitted a formal motion for the FSC International General Assembly in October to investigate "outcome-focussed auditing" and streamline audit reports.