



**Group Certification Options:  
Costs and Benefits**

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# Group Certification Options

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## **1.0 INTRODUCTION**

### **1.1 Purpose**

The SmartWood Program of the Rainforest Alliance is committed to creating effective models that provide equal access to Forest Stewardship Council (FSC) forest management certification to a broad spectrum of forestland owners. One of these models - group certification - was designed to reduce costs and increase opportunities for forestland owners to participate in FSC certification by distributing the costs of certification among a larger number of forest landowners. The purpose of this document is to provide information and guidance to interested forest landowners, managers and group entities regarding FSC and SmartWood group certification options. This document will explore several categories of group entities, options for forming a group, costs and benefits of group certification, and case studies of specific SmartWood group certifications.

### **1.2 Group Certification Defined**

Group certification is a certification process by which multiple landowners or forest managers are certified under one FSC/SmartWood certificate. The principal difference between group certification and a traditional forest management operation certification is that the group entity has no legal title or use right to the forest resources. The group entity may be an individual resource manager (forest manager), a cooperative, an owner association, a forest management company, a governmental resource agency or other legal entity that can provide the appropriate forest management system and administrative oversight to a group of landowners and/or managers. There must be direct accountability from landowner to group certificate holder and the group certificate holder must monitor the forest management of every landowner for compliance with the group's forest management plan, system and policies and the FSC P&C.

Although the group entity may be certified, being a member of the group does not automatically confer membership in the certified pool. A forest owner or manager may choose not to join, or may be removed from the certified pool, but may remain a member of the organization or a client of a certified forest manager.

## **2.0 GROUP CERTIFICATION REQUIREMENTS**

There are a number of requirements that must be fulfilled by all types of groups pursuing FSC/SmartWood certification. The requirements of both the group organizers and group members are outlined below.

### **2.1 Group Entity Requirements**

The group entity seeking certification is primarily responsible for:

- Providing individual members of the group with forest management systems, a planning framework and policies that conform to the FSC Principles and Criteria (P&C);

- Establishing a legal entity that would provide administrative oversight and monitoring of the certified members for ensuring that the FSC requirements are met by the forestland owners or managers covered by the certificate;
- Being the primary contact with the certification body (SmartWood) for the purpose of communication, coordination of audits and the maintenance of group records.

Responsibilities will differ among different group certification entities. Some group entities may take on almost all of the responsibilities for forest management, including management planning, silviculture, harvest supervision, and log sales. In other cases the group entity will do little more than administer the group certification scheme, with the individual members taking responsibility for all forest management activities. Still others will develop some hybrid where the group entity will assume full management responsibilities for some members and little to none for others.

For forest landowners, forest managers or established groups interested in becoming a candidate for group certification, there are some fundamental elements needed to operate a group entity including:

- A technically qualified staff who can manage the forest management, administration and fiscal responsibilities of the group entity;
- The financial capacity and support to maintain the required systems and staff;
- A legal structure that will allow the organization to enter into contracts and agreements;
- A pool of landowners or forest managers that have some history of forest management who can be assessed for certification;
- A written policy statement detailing management goals, including a commitment to managing forests in the spirit of the FSC Principles and Criteria (P&C);
- Written management plans, guidelines and/or policies consistent with the FSC Principles & Criteria to guide forestry activities on all lands within the group;
- Documentation of group membership requirements, including procedures and rules of entry and exit from the certified pool;
- Clearly defined and documented management responsibilities of the group entity and the individual group members;
- A template forest management plan that guides management planning for the individual members; and
- A policy and practice for monitoring of the management activities of members in the certified pool.

## **2.2 Group Member Requirements**

The forestland owners or managers that are the members of a group are responsible for:

- Meeting all of the requirements that the group entity has established for entry into the certified pool;

- Complying with all the requirements of the P&C on an individual basis, appropriate to the size and scale of the forest operation. Responsibilities for meeting the P&C may not be “traded” between different members or properties (e.g. where one member meets all P&C, while another does not meet any).

Fundamental elements needed for individual landowners or forest managers to be eligible for entering a certified group would include:

- Clearly documented title or use rights to the forestland.
- A management plan that would conform to the group’s management plan template.
- A history of management that would, under the present ownership, meet the FSC P&C.
- A signed statement that acknowledges participation in the certified pool, adherence to the group policies and commitment to the FSC P&C.

Members of a certified group do not hold individual certificates. Each member’s forestland is certified under a single forest management certificate held by the group. Forest products from these member lands will be covered by the group’s chain of custody certificate, and can carry the FSC and SmartWood Logo.

### **3.0 GROUP CERTIFICATION MODELS**

The following section describes three of the many potential variations on group certification: resource manager certification, the certification of a cooperative, and the certification of an association. While all fall under the heading “group certification”, each has slightly different organizational challenges and advantages.

#### **3.1 Resource Manager**

SmartWood first pioneered Resource Manager certification in 1995 as a mechanism for grouping small landowners to reduce costs and open access to FSC certification. From SmartWood’s initial work with the resource manager model, FSC policy was developed for group certification. The resource manager model is, therefore, the basis of all “group” certification models. The resource manager, in the classical sense, is a forester or group of foresters that manages forestlands as part or all of their business. These businesses are typically consulting foresters, forest management companies or primary manufacturers with forestry departments. They generally assume the primary responsibility of managing forestlands for landowners who may have nothing more in common than the fact that they employ the same forest manager and have a commitment to the FSC P&C. The forest managers help the landowners articulate their goals and objectives for the property and then develop a management plan, prescribe silvicultural treatments, supervise harvesting and road building, market logs, pay taxes, etc.

In some cases, certified resource managers may have clients in their certified pool for whom they are not the primary forest manager. In this case, the landowner, or his or her forest manager, must adhere to the certified resource manager’s forest management policies, submit management records and submit to periodic auditing by the resource manager, who monitors performance and adherence to the management

plan, the group management system and the FSC P&C. Under this scenario, the resource manager charges a fee for monitoring but not for any forest management activities. Although this is not common at present, this variation of resource manager certification may grow as a means by which small landowners and other consulting foresters can more easily access FSC certification.

### **3.1.1 Applying Group Certification to a Resource Manager**

Applying the group certification process to a classical resource manager is generally the least complex of all group certifications. The resource manager who operates a consulting forestry company usually has direct control over the forestry operations of his or her forestland owner/client; therefore the basic control mechanisms required by the FSC are in place. The consulting forestry company commonly has a consistent forest management system, regularly monitors client forestlands and maintains records and documents.

Resource managers are an excellent way for small landowners to access FSC certification. Most small forestland owners need expert forestry advice at some period of their land tenure. FSC/SmartWood certified resource managers have an established public record of excellent forest stewardship practices, which are described in the public summary sections of assessment and audit reports provided by SmartWood and other FSC certifiers. The public summary reports are one of the few places where forestland owners can access an independent review of a forest manager's management system and philosophy. Additionally, if the landowner is looking for a group "umbrella" under which to be certified, rather than a full service forestry company, resource managers may be the simplest of the group schemes to get involved with. In either case - getting full service forestry or strictly a group umbrella - resource managers can make decisions quickly about a landowner's eligibility and compatibility with their certification policies and forestry philosophy.

## **3.2 Cooperatives**

The defining characteristic of a cooperative is that it is a business owned and controlled by the people who use its services. Although cooperatives vary in type and membership size, their primary purpose is to help members assure markets and supplies, achieve economies of scale, and gain market power through jointly marketing, bargaining, processing, and purchasing supplies and services. Cooperatives are typically used for promoting the interests of the less powerful members of society and small to medium sized businesses. Cooperatives in market economies have emerged where impediments to market access, excessive concentrations of powerful economic forces, and unmet needs exist. Cooperatives have also tended to emerge where the costs of adapting to market and economic changes have threatened to damage communities; here, they provide local individuals greater power to control the pace and the direction of change in order to maintain economic competitiveness.

Cooperatives' structural and operational characteristics include, in addition to being owned by the producer member, a democratically elected board of directors that controls the business. The board sets the overall operating policies, approves the annual budget, oversees the operation, and distributes benefits derived from use of the cooperative to members. The board also hires professional management to handle the day-to-day operations.

Depending on the economic group served, cooperatives can be classified into one of three distinct categories: 1) producer-marketing cooperatives, formed to purchase supplies or services and to market products; 2) consumer cooperative, formed to buy products, financial services (e.g. credit unions) and other goods and services; or 3) worker cooperatives, formed to create employment opportunities and provide the benefits of ownership to members. In terms of certification, landowner cooperatives (discussed here) and wood manufacturing cooperatives fit into the producer-marketing category. SmartWood has certified both landowner and wood manufacturing cooperatives, including the case studies outlined in Appendix 5.

### **3.2.1 Applying Group Certification to a Landowner Cooperative**

The landowner cooperative provides both the legal and management structure that lends itself well to the SmartWood group certification process requirements. Most cooperatives are business entities recognized by their respective governments throughout the world. The cooperative board of directors has the authority to develop management policies and to regulate and supervise the business. Some cooperatives choose to appoint committees for supervising some aspect of the business. Working under the committees or Board of Directors are paid management staff that implement policies and run the business of the organization. The cooperative can therefore sign certification contracts, develop policies required to attain group certification, and hire staff to manage the certified pool of landowners and respond to the certification body and certification conditions. Additionally, it has been SmartWood's experience that the cooperative can significantly reduce the cost of certification per landowner by spreading the cost over multiple landowners.

Although an existing cooperative is an excellent structure on which to overlay group certification, it may not be easy or recommendable to establish a cooperative for the primary purpose of creating a group for certification. The cooperative is a business first and foremost, owned and controlled by the landowners (and workers). The landowners therefore must have common business interests that, by working together, will bring clear benefits that cannot otherwise be obtained. These benefits may certainly be enhanced by certification, but certification in and of itself may not be enough of a common interest for landowners to go through the complex planning and development stages required to start a cooperative. Cooperatives require the start-up development steps of any business, which, in addition to organizing the landowners, include finding financial support, business planning, developing the democratic structure and policies, hiring of staff, etc. Those steps take a significant amount of time and energy.

Creating landowner cooperatives for the sole purpose of group certification may, however, be more feasible in places where, due to precedent or tradition, cooperatives are more culturally acceptable, or in places where the government is keenly interested in developing cooperatives. For example, cooperatively managed forestlands are entrenched in Japan, where forestry cooperatives manage 46 percent of Japan's forestland area. This stands in contrast to the United States, where, despite its long tradition of agricultural cooperatives, virtually no tradition of forestry cooperatives exists.

### **3.3 Associations**

Associations can be categorized generally as interest groups or promotional groups. Interest groups have, as their primary purpose, the enhancement of the advantage of their members, while promotional groups primarily work to enhance the advantage of others. For example, timber industry associations are traditionally interest groups in that their activities include promoting their members' businesses, advocating for advantageous government policies and providing technical assistance to members. Social associations are normally promotional groups promoting the welfare of a disadvantaged population. Both types of associations can be beneficial to society as a whole. Some associations are NGOs and can raise government or grant funding for projects.

Associations generally have a paying membership that elects a board of directors. The board sets the overall operating policies, convenes task committees and approves the annual budget. The board also hires professional management to handle the day-to-day operations.

#### **3.3.1 Applying Group Certification to an Association**

Much like cooperatives, associations can provide both the legal and management structure to meet SmartWood group certification process requirements. The association board of directors has the authority to sign certification contracts, develop policies required for group certification, hire staff to manage the certified pool of landowners, and respond to the certification body.

Associations – particularly landowner associations - are excellent organizations for developing a group certification scheme. Landowner or forest industry associations are already operating for the benefit of its members, have knowledgeable staff and/or access to competent consultants. Certification could provide increased benefits to some association members.

Although forming an association from scratch to provide interested landowners with a group entity for certification would be easier than forming a cooperative, it is still a relatively complex process to recruit landowner members, form a board and develop governing statutes. Associations are not businesses in the same sense as a cooperative. Most do not jointly operate a business venture for the financial benefit of the members. However it still takes a significant amount of time, planning and

financial support to organize one. Again, the best scenario is for landowners to convince an existing association to participate in a certification program.

#### **4.0 CONCLUSIONS**

In the seven years since group certification was created, we have learned much about the costs and benefits of the various group approaches, and the factors that must be considered by those creating a group for certification, or those applying certification to an existing group. Some of the broad conclusions we can draw from this experience are:

- The minimum group size required to make the costs of the FSC assessment and audit affordable for the members of a group depends on the economy of the region in which the group is located and the production capabilities of the group's forests;
- All else being equal, a larger group will have lower assessment and audit costs per landowner than a smaller group;
- Often, the costs of the FSC assessment and audits can be covered in creative ways, such as through membership fees (under cooperative and association certification), government/foundation grants, or "right of first refusal" arrangements with certified resource managers;
- Some benefits of participating in group certification include:
  - Lower certification costs than traditional certification;
  - High quality forest management advice and services;
  - Access to markets and/or market advantages through cooperative or joint log marketing;
- The logistical hurdles involved in creating a group for the sole purpose of certification are high; it is preferable to apply certification to an existing group or pursue the Resource Manager approach.

These conclusions are described in detail the sections to follow.

#### **4.1 Group Certification Costs and Benefits**

There are two kinds of costs associated with certification: direct and indirect. Direct costs are the costs of the certification assessment and audits. Indirect costs are costs related to the changes that may be needed in management planning and forest practices to conform to the certification standards. The direct cost of certification can be substantially reduced for landowners applying for certification through a group entity. The group enjoys the benefit of economies of scale, just as large forest operations do. The more members and more land to be certified the lower the cost per unit (ownership, hectare, cubic meter). Groups are certified much like large landowners. Not every management unit, i.e. forestland owner, is visited during the assessment and audit, although most of the units would be visited over the five-year contract period. The assessment team develops a sampling strategy that identifies the appropriate portion of group members for field visits, based on elements such as management variables, forest type, harvest history and ownership size.

The cost of group certification depends on the size of the group and the size of the forest area to be assessed (some case studies below provide more specific insight into certification costs). Costs have ranged between \$5,000 USD to \$30,000 USD for the assessments of group entities and \$1,500 USD to \$10,000 USD for annual audits. To date, very few, if any, members of groups have been billed directly by the group entity for the certification assessment or audits. None of the case study groups mentioned below charged the landowners for the assessment or audits. Cooperatives and associations have paid for the certification assessments from membership fees, organizational budgets or grants (from foundations or government). Resource Managers - individual forest managers and management companies - have also generally paid for the certification themselves and have not passed on the cost to their clients. Costs, however, if figured per landowner, have been generally very reasonable, ranging from as low as \$12 USD for the initial assessment to a high of \$1,500 USD. A majority of the group certifications fall in the \$200 to \$300 USD per owner range. Certifying a single small landowner (who is not part of a group) with under 1000 hectares would cost a minimum of \$4,700 USD, given that nearly the same energy is expended to certify one individual landowner as is required to certify multiple landowners within a group. Costs per hectare for group members have ranged from approximately \$0.70 to \$14.00 USD; costs per cubic meter have nearly all been under \$1.00.

It is hard to establish a baseline for the minimum size a group should be for certification to be cost effective for its members. There many variables that affect "cost effectiveness". One variable is the economy of the region. Cost in one region might be considered reasonable, but the same cost in another region could be considered completely unaffordable. In Japan, \$300 USD per landowner would be reasonable; in Indonesia that amount could be a landowner's annual income. Another variable is production. A group with only a few members and therefore a relatively high per-member cost of \$1000 or more might find that price reasonable if they have highly productive forests and the cost per cubic meter of certification is only \$0.50. One thing is certain: the larger the group, the more cost effective the certification no matter where the entity is located or its production capabilities.

Below is an example of direct costs for two theoretical group entities. Group X has 30 members, a total of 15,000 hectares, and an annual production of 12,000 m<sup>3</sup>. Group Y, on the other hand, is larger: it has 70 members with a combined acreage of 35,000 hectares and 28,000 m<sup>3</sup> production per year. For each group, the cost for the initial assessment is \$15,000 and for each annual audit is \$5000. The table below shows how the per-member, per-hectare and per-m<sup>3</sup> costs differ between Group X and Group Y.

Table 1. Group certification costs for two hypothetical groups with different numbers of members, hectares and annual harvest volumes.

	<b>Group X</b> 30 members 15,000 hectares 12,000 m <sup>3</sup>	<b>Group Y</b> 70 members 35,000 hectares 28,000 m <sup>3</sup>
Initial assessment cost	\$15,000	\$15,000
per group member	\$500	\$214
per hectare	\$1.00	\$0.42
per cubic meter	\$1.25	\$0.54
Annual audit cost	\$5000	\$5000
per group member	\$166.67	\$71.43
per hectare	\$0.33	\$0.14
per cubic meter	\$0.42	\$0.18
5 year total costs	\$35,000	\$35,000
per group member	\$1166.67	\$500
per hectare	\$2.33	\$1.00
per cubic meter	\$2.92	\$1.25
Average annual cost	\$7,000	\$7,000
per group member	\$233.33	\$100
per hectare	\$0.47	\$0.20
per cubic meter	\$0.58	\$0.25

It is difficult to pin down the indirect costs of group certification, which are the forest management upgrades needed to meet the certification standards (i.e. the difference between what the landowner was doing before certification and what the landowner is required to do after certification). Indirect costs are influenced by the landowner's current level of forestry practices, as well as fees charged for management services. Whether the landowner actually pays for the indirect cost varies from group to group. Organizations like cooperatives and associations sometimes provide technical assistance and landowner education as part of their membership services. Some resource managers, particularly those who work primarily for processing companies, will provide free services as an incentive for allowing the company "right of first refusal" or contractual rights to buy the landowner's logs. Most resource managers, particularly independent consulting foresters, charge a fee for their management services because that is their primary business. The incentive for the resource manager to absorb the direct assessment and audit costs has been that being third-party certified and therefore having a published and peer reviewed credible, independent review of their forest management system and philosophy can attract potential clients who are looking for a "good" forest manager to manage their lands.

Becoming a member of a certified group entity can provide a number of benefits, not only in terms of certification, but also in terms of forest management services, forest product marketing and landowner education. Benefits include:

- Reduced direct certification costs.
- Proven high quality forest management advice and services from certified resource managers or certified group entity staff.

- Access to markets and/or market advantages through cooperative or joint log marketing. Primary sawmills and log yards are generally more interested in a single large log volume purchase than several small volume purchases. Additionally, more variety of sawmills could potentially be interested in purchases from a group given the increased volume of a particular species or grade. This is particularly true for certified logs because the demand is higher than supply.
- Economies of scale. Besides the economy of the certification assessment and audit costs, cost breaks can be realized from joint purchasing and management services.
- Landowners can learn from the experiences of others. Members of the group will have access to the increased number of professional and experienced lay people within the group.

#### **4.2 Organizing a Group**

Although group certification has many benefits, it is not a simple task for individual landowners to form a group solely for the purpose of certification. Developing a group entity can be a complex process. Potential members must have a common interest and clear incentives, beyond certification, that will drive the desire to form a group. Organizing a group for certification would include developing the elements described above under *Group Entity Requirements*, in addition to the start-up development steps of creating a business plan, organizational structure, bylaws, etc. The case studies found in Appendix 5 describe some of the ways that real-life groups have tackled these issues.

A more logical avenue for landowners to become FSC certified is to work with existing organizations and resource managers (foresters/forest managers). Cooperatives and associations already have the legal and organizational structure within which to house a pool of landowners for certification, and resource managers are in the business of providing forestry services. Resource managers could also include governmental service foresters or university extension foresters that provide technical assistance to landowners. SmartWood's current experience, however, is that it is organizations and resource managers (rather than individual landowners) that have been primarily responsible for pursuing group certification on behalf of their members or clients. The reasons why organizations and resource managers pursue certification vary, although market demand and/or organizational mission are the most common. In some cases, the members themselves have asked the organization's board or staff to investigate certification.

The costs for developing any of the three types of group entities described above can vary dramatically depending on the capacity and forestry skills of the organization or resource manager. The organization or resource manager must have staff that can operate what is basically a forest management service and monitoring body.

The consulting forester or forest management company is in the best position to start up a group entity for certification purposes. As stated earlier, it is the business of

forest managers to provide forest management services. Developing the systems for meeting the SmartWood and FSC group certification requirements in their case would primarily be a paper exercise: it would require developing template management plans, landowner agreements, group entry and management policies and member monitoring strategies. It is unlikely that they would have to hire more staff to administrate the certification.

For membership organizations like cooperatives or associations that may not have forestry expertise on staff, there would be the costs of developing the systems plus the costs of either hiring a staff person or contracting with a firm to administer the organization's group certification scheme. In addition, there would be travel costs involved in monitoring the landowners' forest management activities.

An alternative approach, introduced in section 3.1, occurs when the certified resource manager, cooperative or association holds the certificate on behalf of its clients or members without directly performing the forest management activities for them. Here, the certificate holder must have the management capacity to meet all of the SmartWood and FSC group technical and administrative requirements. Any consulting forester, forest management company, organization, government service foresters, university extension foresters, or already existing certified resource manager or group entity could offer themselves as a certificate holder. In several of the case studies mentioned below landowners are in the certified pool but the certificate holder is not the forest manager. Rather, the certificate holder simply provides the guiding management systems and direct oversight and monitoring that meet the SmartWood and FSC group entity policies.

Key considerations for landowners seeking an organization, company or forester for the purposes of joining a group certification scheme:

- The cost to participate in the group scheme
- The competency of the group scheme coordinator
- The proximity of the landowner to the group certificate holder
- The level of philosophical/cultural match between the landowner and the certificate holder
- The level of agreement between landowner and organization on forest management principles, systems and oversight
- The certificate holder's access to certified markets
- The proximity of the landowner to the certificate holder's markets
- The access and cost of forestry advice and technical assistance of the certificate holder.

Key considerations for an organization, company or consulting forester developing the capacity to implement a group certification scheme:

- The number of interested landowners within reasonable geographic proximity
- The number of interested landowners that conform to the high standards of forest stewardship required by the FSC

- The level of philosophical/cultural match between the organization and the landowners.
- The level of agreement between landowners and organization on forest management principles, systems and oversight
- The level of internal philosophical agreement among the governing board or owners and staff about FSC certification and sustainable forest management
- Whether the cost of certification assessments and audits could be recovered by market demand or access to new markets
- Whether landowner fees, or forest management services to landowners, or profit sharing recover the cost of operating the group scheme
- Whether certification meets or enhances the mission of the organization.

As demonstrated in the case studies below, the logistics of operating a group certification scheme can range from simple (14 members) to complex (2,500 members), and developing the required systems and hiring a staff can add cost. However, the wide variety of complex situations that have been overcome by many of our certified group entities show that, given the right set of common incentives, groups can make it work.

See [www.smartwood.org](http://www.smartwood.org) or [www.fscoax.org](http://www.fscoax.org) for more information about the specific requirements of SmartWood and FSC group certification.

## **5.0 APPENDIX I - CASE STUDIES**

### **5.1 Resource Manager**

#### **5.1.1 Blencowe and Associates, Fort Bragg, California, USA**

Blencowe and Associates was certified by SmartWood in 1995 and was the first certified resource manager in the FSC system (SW-FM/COC-009). Craig Blencowe, Registered Professional Forester in the state of California, is the principal owner of Blencowe and Associates. He has been a consulting forester since 1981. He has two employees who are both registered foresters. All of Blencowe and Associates' clients under their management are in the certified pool. The firm offers forestland owners a full range of services: management planning, wildlife surveys, silviculture, timber sales and administration, harvesting layout and supervision, harvest road and skid trail monitoring, afforestation and reforestation. Other services include management plan implementation, pre-commercial thinning and release, creation and maintenance of fuelbreaks, installation and maintenance of erosion control measures, timber cruises and appraisals, and field trips. He encourages landowners to accept full responsibility for long-term stewardship by continuing landowner education, and allowing implementation and/or monitoring of all of the above services.

Blencowe and Associates manage approximately 4,858 hectares of forestland in northwestern California involving some 30 landowners. On the average, the forestland owners annually harvest nearly 12,000 m<sup>3</sup> of timber, more in good market years, less in poor market years. The annual harvest also fluctuates because of the

periodic nature of small landowner harvest patterns. The annual allowable cut for the certified pool is nearly double the actual harvest rate. Typically, Blencowe harvests involve 6 operations per season utilizing 3 small contract loggers. The timber, which includes species such as redwood (*Sequoia sempervirens*), Douglas fir (*Pseudotsuga Menziesii*), grand fir (*Abies grandis*) and Ponderosa pine (*Pinus ponderosa*), is sold to local sawmills for the highest bid.

Over the life of the certificate the cost per landowner per year and per cubic meter harvested dropped. The landowner base and land base (number of hectares) stayed constant and the volume harvested over the five-year period was approximately 60,000 m<sup>3</sup>. Annual audit costs are significantly lower than assessment costs, therefore the annual cost per landowner and the cost per cubic meter decreased over the five year period, e.g. less than \$400 USD per landowner and less than \$0.25 per cubic meter.

The very consistent management system employed, the comprehensive records kept and the long-term client base, most with at least a decade of excellent forest management history under Blencowe and Associate's control, made the certification assessment process relatively easy, even given that it was done in the very early stages of group certification development. Adding to the efficiency of the assessment and audits is that the lands are all in relative close geographic proximity to one another. The sampling intensity was 10% of the total number of landowners during the assessment representing about 38% of the forestland area. During the four subsequent audits, SmartWood auditors had visited 30% of the owners and representing 75% of the land area. There were four assessors on the initial assessment and one auditor on each annual audit. The landowners chosen for field visits were primarily based on recent or current harvesting activities, a variety of management practices and silvicultural prescription, topography, size of parcel, and rare, threatened and endangered species habitat. Not all landowners performed management activities during the five-year period. Those ownerships were not visited. The size of Blencowe's landowners' forestland parcels ranges from 8 hectares to 1200 hectares.

#### **5.1.2 P.F. Olsen and Company, Limited, Rotorua, New Zealand**

P.F. Olsen and Company, Ltd (PFO) is a professional forest management and consulting firm, managing plantation forests of primarily exotic species for forest owners, landowners, and trusts based on agreements for management services. They are New Zealand's largest forestry management company. The late P F Olsen founded PFO in 1971 as a privately owned forest management company. The company has maintained incremental growth over 30 years. Some clients are still with PF Olsen since the early 1970s. Ownership is now vested with staff; a small amount in the Olsen family estate, and some retired staff. SmartWood certified them in 2002 (SW-FM/COC-190).

The company focus on sustainable forest management led to the development of the PF Olsen FSC Group Scheme with the purpose of providing small-scale forest owners

with a cost effective environmental management system appropriate for FSC certification. PFO designed a group certification scheme that is consistent with SmartWood policies and procedures for Resource Manager certification. PFO full management clients and casual clients that have agreed to undertake FSC certification via the Olsen FSC Group Scheme make up the certified pool. Members of the PFO scheme are either "Resource Members" or "Group Members"; the former are those clients for whom the group manager (PFO) is directly responsible for managing the forest plantation on the owner's behalf as well as providing a management scheme, group administration, coordination and compliance monitoring; the latter are those clients who manage their own forest plantation with the group manager undertaking the administration and monitoring roles only. This scheme allows both types of Olsen clients to access FSC certification.

PFO manages forests throughout New Zealand but their main blocks of forestry land are in the North Island. While the company manages approximately 51,000 ha of plantation forest, a little over 4,526 ha of managed forest was within the certified pool assessed for FSC certification. This pool is made up of 11 resource members and 3 group members. Actual harvest is estimated to be about 21,000 m<sup>3</sup> in 2002. The bulk of these forests are based in the central North Island and in the east coast region. The exotic forests managed by PFO are predominantly radiata pine (*Pinus radiata*), but also include redwood (*Sequoia semprevirens*), lusitanica (*Cupressus lusitanica*), Douglas fir (*Pseudotsuga menziesii*), and *Eucalyptus spp.* The land type prior to planting was mainly farmland, which included some land covered in regenerating scrub. These plantations range from new plantings to the harvesting of mature stands.

Although the cost per landowner was less than \$1,500, the initial evaluation was relatively high because only 14 of their clients participated. PFO has a large land base; therefore if more of their clients join the pool the total cost per landowner, hectare and cubic meter should drop significantly over the life of the five-year certificate.

The three person assessment team made a stratification of the forests currently within the certified pool and under PFO management, and chose sites both randomly and based upon information regarding the location, history, treatment, forest type, harvesting activity, etc., that could be observed through field visit during the assessment. The selection of sites emphasized where most certified pool member forests were located and where most management activity has taken place. The largest forest areas within the pool were chosen, as were those that had the most active management, especially with respect to harvesting, thinning, pruning, and road construction operations occurring. It was equally important to visit some sites that were recently established, with a long time horizon before harvest, those with reserve areas, culturally significant sites, or other forest uses. The sampling intensity was 29% of the total number of landowners during the assessment representing; around 61% of the forestland area was visited. Landownership size ranged from 25 hectares to 2200 hectares.

### 5.1.3 PT. Xylo Indah Pramata, Rawas, South Sumatra, Indonesia

PT Xylo Indah Pratama (XIP) plants and harvests pulai (*Alstonia scholaris* and *Alstonia angistoloba*) for its pencil slat factory in Muara Beliti, Musi Rawas District, South Sumatra. The pencil slat factory provides slats to three of XIP pencil factories in Java, two in Bandung and one - a joint venture with Faber Castell of Germany - located near Jakarta. XIP sells its products around the world, including to Faber Castell, the world's leading pencil manufacturer.

SmartWood certified XIP in March 2000 (SW-FM/COC-140) and they represent perhaps the most innovative resource manager certification in the SmartWood system. XIP works with two small private landowner groups to procure its raw material. The first group is smallholder rubber plantations and forest garden plots where pulai grows as a secondary species. This group is the current supply of wood for the XIP slat factory. The second group is the result of an ambitious project started four years ago, where XIP is establishing community agroforestry plantations with small private landowners. XIP plans to jointly manage these plantations and, in the future, source the majority of its wood from them. Under joint management agreements, XIP finances site preparation, establishment and maintenance costs and have management control over the tree production until the trees are harvested in ten years time. With this sharecropping system, when the trees are harvested the net revenues, minus the harvest and transport costs, are divided equally between the landowner and XIP. Landowners are not obligated to sell their logs to XIP, and some may opt not to. Upon completion of the rotation, XIP intends to negotiate another ten-year management agreement with the farmer landowners and keep them within the certified pool, although each owner is free to adopt alternative land uses if they so choose, which will be monitored by XIP.

In 1996 XIP entered into agreements with the government that allowed the company to harvest 30,000 m<sup>3</sup> of pulai annually and to undertake a 10-year program to eventually establish 10,000 hectares of pulai plantations on degraded and unutilized private land involving 3,500 different farmers. As of March 2000, XIP had begun reforestation on 4,181 hectares with approximately 1400 different agroforestry landowners. At that time XIP was also harvesting from approximately 200 smallholder rubber plots and forest gardens with 2,000 hectares of land. As of 2002 the agroforestry smallholders had grown to over 1500 in number, covering 5,041 hectares; the smallholder rubber plots and forest gardens had grown to 1,065 in number, covering 11,011 hectares.

The direct costs of the certification is less than \$4 USD annually per landowner and less than \$0.35 USD per cubic meter. With the audit costs significantly lower than assessment costs and the certified pool of landowners growing, over the life of the certificate the cost per landowner per year, per hectare and per cubic meter will drop more.

A four-person assessment team assessed XIP for resource manager certification in July and August 1999. The certification was complex given the sheer number of landowners and the two distinct landowning groups: the smallholder rubber plantation and forest gardens, and the agroforestry landowners. The forest certification assessment process

evaluated performance as it relates to both past and current practices, and how these apply to the production systems. However, it was important that the certification assessment give due consideration to the management system and practices of the agroforestry plantation system that would not be harvest until 10 years hence.

Based on the assessment, certification conditions and pre-conditions were identified, and XIP began implementation of management system improvements to meet SmartWood and FSC resource manager standards. For XIP it was a challenge to develop mechanisms to administer a group that would grow into the thousands of landowners and that would cover both the present harvesting of pulai and the future crop just now being planted. Over the next year, XIP organized a staff whose sole job is to manage the systems required to operate the resource manager certification. To guide management, XIP developed an overall strategic management plan and operational guidelines. In assembling the planting blocks, XIP attempts to consolidate the land of a number of farmers (10-30) into one block of 20-50 hectares in size, in order to facilitate establishment and future management. The establishment of a continuous forest inventory system follows harvesting. Each participating landowner signs a joint management agreement with XIP and XIP maintains an agreement register and corresponding maps showing the location and size of each plot planted in Pulai.

## **5.2 Cooperatives**

### **5.2.1 Yusuhara Forest Owners' Cooperative, Yusuhara Town, Kochi Prefecture, Japan**

Yusuhara Forest Owners' Cooperative (YFOC) is a traditional cooperative structure. YFOC is a cooperative locally owned by its members. The cooperative comprises 1220 forestland-owning members and 75 worker members. There are 200 elected representatives (3 year terms), 6 Board of Director members (elected from the representatives and elected for 3 year terms), and 3 supervisory board members (advisors). These representatives and Board members approve policy and dividends. There are committees that oversee reforestation, thinning, harvesting and milling. YFOC hires the cooperative management staff, which, in turn, hires the employees. In the case of the YFOC forest management, foresters and logging crew participate with the certified pool of landowners in making forest management planning, silviculture and harvesting decisions. SmartWood certified YFOC in 2000 (SW-FM/COC-125)

YFOC is a vertically integrated forest products business. It began in 1956 selling poles harvested from their members' plantations during thinning operations. Most plantations of Japanese cedar (sugi) and cypress (hinoki) were planted after World War Two. In 1980 the Coop built their first sawmill and molding plant, and in 1996 they built a new facility with greater capacity and efficiency. The sawmill is chain of custody certified (SW-COC-400).

There are 1220 forestland owners in the cooperative. They own a combined 15,984 ha, which includes almost all of the private forestland in Yusuhara. There are 193

YFOC members and 3 public landowners that have signed agreements to participate in the group certification scheme. Collectively, the YFOC certified pool owns 3,336 hectares. Their annual allowable cut (AAC) is 26,000 m<sup>3</sup>, however, their actual AAC is approximately 5000 m<sup>3</sup>.

The annual direct cost of certification for YFOC to this point is less than \$210 USD per landowner and less than \$5 USD per cubic meter. Currently there are 196 members who are part of the pool. As the certified pool grows, the costs will be reduced even more. One can imagine how low the cost would be per owner if all 1220 owners were in the pool.

The certification assessment of YFOC was easily accomplished as a group entity. The Coop is a legal entity in Japan, and therefore able to sign the certification contract. In anticipation of the certification assessment YFOC developed a contract for those signing up for the certified pool, a management plan that provides a framework of forest management planning for the members of the certified pool, certified pool monitoring policy and a forest management team to work with the certified pool and SmartWood. YFOC had no conditions on their certification related to the management of the group scheme.

The sampling intensity was about 10% of the total number of landowners during the assessment and the audit, which represented about 40% of the land area. The size of the ownerships represented in the sample ran from 0.5 ha to 660 ha. Both public and private ownership were visited. In addition, multiple sites were visited on some of the larger landowners. The sites and landowners were chosen based on a stratification of management practices and history, protected areas, topography, aquatic and terrestrial habitat, and age class distribution. YFOC has considerable advantage in that the forest type and management scheme is nearly the same for all of the forest owners. The cedar and cypress plantations are the primary commercial forest species, with an intermixing of broadleaf patches. Although the ages of the plantations vary to some degree, the estimation of inventory, growth and yield, the silvicultural methods and the harvesting methods are consistently applied.

### **5.2.2 Groupement Forestier de l'Est-du-Lac Témiscouata (GFELT) Auclair, Québec, Canada**

Groupement Forestier de l'Est du Lac Témiscouata (GFELT) is a cooperative enterprise certified by SmartWood in May 2002 (SW-FM/COC-191). GFELT is owned by a membership of forestland owners and workers. The ownership of GFELT is regulated in order to ensure an equal number of shares at a fixed price for eligible persons. Eligibility for shares of GFELT is conditional on the ownership of forest or farmland within 6 municipalities of Auclair, Ville Dégelis, Lejeune, Squatec, Notre-Dame-du-Lac, and Saint-Juste-du-Lac, Québec and by signing a land use agreement. Alternatively, any person can become a "worker-member" through a loan to GFELT that will be reimbursed under agreed conditions.

The GFELT's board of administrators includes 13 members whose election is regulated in order to ensure representation of landowners (6 seats) and of worker-members (6 seats). The board selection is also balanced by having representation of each of the 6 municipalities. One seat is available for a landowner without a land use agreement (non-member) but who is using the GFELT forest management services.

GFELT has a staff of resource professionals that provide logging, forest management and ecological assessment services to members and non-members owning private forestlands and of crown lands (public land concessions). GFELT staff also administers the certification responsibilities. They have all of the necessary policies to meet the group certification guidelines. Private forestland planning is highly regulated by the Province. Regional guidelines are established for management planning, silvicultural treatments and monitoring. Baseline information on ecological attributes, wildlife habitat and timber resources is available from the provincial government. That information allows GFELT foresters to develop an AAC and multi-resource projections for their area. GFELT accredited forest engineers (recognized by the Regional Agency) sign all forest plans, prescriptions and monitoring and harvesting reports. There is, therefore, a built-in consistent management system that benefited GFELT in the development and implementation of their group certification scheme.

GFELT's overall activity in the year 2000 covered 675 owners, totaling 35,000 hectares. 436 landowners, covering 27,064 hectares, signed agreements to become FSC certified. The size of the ownerships range from 4 hectares to 940 hectares. In 2000-2001 GFELT harvested 39,123 m<sup>3</sup> from its certified pool. The AAC is about one and one-half times that.

The approximate costs of the certification for GFELT for the initial assessment is less than \$60 USD per landowner and less than \$0.60 USD per cubic meter. GFELT can still attract more landowners; therefore these costs could drop significantly over the five-year life of the certificate.

The sampling intensity was about 8% of the total number of landowners during the assessment. The three-assessor team considered the annual monitoring that the Bas-St-Laurent Regional Agency conducts on GFELT's management of its woodlot clients. This monitoring to assess conformance to regional guidelines includes field visits on a sample of 8% of the operations. The last two annual monitoring reports were made available to the SmartWood assessment team, permitting the team to complete a compliance overview of the operation. The selection of sites also prioritized ownerships that had seen management activities in the past 5 years. The team visited all of the 6 municipalities. This permitted the team to review the consistency between the different GFELT forest management staff. Visits were planned in order to sample a full range of silvicultural treatment for different forest structures (even-aged and uneven-aged), forest types, age groups, ownership size (<100ha and >100ha) and ownership type (individual and corporate). Assessors also viewed harvesting operations that included both landowner's operation and GFELT's and its contractors.

## 5.3 Associations

### 5.3.1 Residents' Committee for the Protection of the Adirondacks, North Creek, New York, USA

The Residents' Committee to Protect the Adirondacks (RCPA) is non-profit landowner association that was formed in 1990, with the objective of supporting and protecting natural resources, resource-based local economies and communities within the Adirondack Park through outreach, education, research, and advocacy activities. RCPA has a current membership of 3,000 households.

In June 2000 RCPA initiated The Sustainable Forestry Project (SFP) to advise landowners and provide technical assistance for achieving and maintaining forest certification among members. They hired a forester to manage the SFP, administer the certified pool and provide forestry services. The forester and RCPA directors have developed a RCPA management plan template, forest management policies and group monitoring policies. SFP is offering the group certification scheme to both members and non-members located within the Adirondack Park. SFP is also offering both a resource manager type certification group (where the RCPA forester provides all of the forestry services) and a second group where the participating landowners have their own forester but follow the SFP forest management policies and are monitored for compliance by the RCPA forester. SmartWood certified RCPA in April 2002 (SW-FM/COC-201).

The Sustainable Forestry Project has currently 11 members enrolled in the certified pool covering 2,471 hectares. . The properties submitted for certification under the RCPA group scheme are scattered over roughly the eastern quarter of the Adirondack State Park, which is the largest state park in the continental United States. Parcel sizes ranged from 25 hectares to 1,390 hectares. Although the properties submitted for certification appear to have all their forested acreage scheduled for active forest management, they have not harvested recently.

The costs of the certification for RCPA is less than \$400 USD per landowner per year. RCPA have not harvested during the certification period. RCPA will undoubtedly attract more landowners, therefore these cost could drop significantly over the five-year life of the certificate.

A three-person team assessed RCPA. The assessment sites visited in the field were selected using a stratified sampling method. Variables used to stratify included size, harvesting history, management type (consultant forester managed lands vs. RCPA forester managed lands), and landowner residency (landowners that could be present during the assessment for interview with the team vs. non-resident landowners). The assessment team visited 64% of the forestlands in the pool, and interviewed 3 landowners on site. The sites visited represent 84% of the total acreage in the RCPA pool