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Economics of forest certification

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ABSTRACT

Forest certification is a market-based incentive to promote the sustainability of forest through its forest management. Certification provides an assurance to the buyer that the forest product comes from a well-managed forest and will not encourage unsustainable or inequitable practices which is the main cause of forest degradation. Current certification initiatives are developing against a rapidly-changing background of international and national initiatives in forestry, biodiversity, conservation, environmental management systems and trade – many of which also aim to achieve sustainable forestry on the ground. However, the ecological stage i.e undertaking a certification of forest can be a costly exercise and the economic benefits may not be immediately or in expected quantity. The three most important market benefits of forest certification are potentially market access, improved public image and price premiums. Although forest certification has achieved major progress in the European countries by enabling certified forest products to penetrate some environmentally sensitive market niches by maintaining and enhancing the public image of forestry companies but the price premium has proved difficult to realize. Considerable uncertainty exists regarding the future of forest certification and the presence of too high a premium could drive consumers towards cheaper products derived from unsustainable (or illegal) forestry activities. Forest certification can either market driven, voluntary or imposed through some regulatory mechanism. Whatever the basis for certification may be, there is some cost (both fixed and variable) associated with forest certification compared to the uncertain returns which has posed as the most important challenge for certification in developing countries like India. The paper tries to explore the economics associated with forest certification and its implications. It also focuses on associated costs and market incentives, including gaining or maintaining market access, promoting public image and the ability to obtain a price premium from consumer. Several influential factors involved with forest certification and its impacts on the costs and financial benefits are also included in this.

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