

Backgrounder

Forests

Keywords:

Forestry, deforestation, supply chains, sustainability, consumption



Issue date
September 2013



Simon Lim

Cutting 'demand-driven' deforestation

Ways to reduce the forest footprint of agricultural and timber commodities

Soaring demand

The world's burgeoning population of 'middle class' consumers, expected to reach five billion by 2030, is driving up global consumption and opening a yawning gap between demand and sustainable supply.

Tropical forests are disappearing, not just to produce timber, but to grow palm oil, soy and beef, and provide leather and biofuels. The livelihoods of people who depend on forests are being threatened, and we are all losing the global 'ecosystem services' that forests help provide: services like climate regulation, water catchments and erosion control.

Demand for consumer goods is so strong that it frequently frustrates countries' own 'supply side' efforts to curb deforestation. So it's essential that consumer nations also take action on the 'demand side'.

Demand side measures can include:

- **Legislation**, for example banning imports of illegally logged products, requiring traceability or due diligence. Examples include the US Lacey Act, Australia's Illegal Logging Prohibition Bill, and the European Union Timber Regulation.
- **State-implemented public sector measures**, such as the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which includes developing Voluntary Partnership Agreements between the EU and tropical wood exporting countries to license legal timber products. Austria, Denmark, France, Finland, Germany, Mexico, the Netherlands, New Zealand and the UK now also have government policies that aim to ensure public sector purchases are sustainable — or at least legal.
- **Private sector measures**, including certification schemes such as the Forest

KEY TERMS

Demand-side deforestation

measures: initiatives to tackle deforestation from the consumer end by enforcing, encouraging or enabling more sustainable supply, ranging from laws to consumer action.

Supply-side deforestation

measures: initiatives within forested countries, including laws, licensing, enforcement, land use planning, improvements in agricultural productivity.

Forest footprints: like the well-understood concept of carbon footprints, which encapsulates the wider embodied carbon cost of an action or product, a forest footprint encompasses the overall deforestation cost. The concept highlights the fact that many consumer goods (not just wood products) are contributing to deforestation.

Forest risk commodities: traded commodities that carry a high risk of associated deforestation, usually because forest is lost during their production.

VITAL STATISTICS

The top five 'forest risk commodities' are **timber, soy, palm oil, beef/leather and biofuels**.

US\$246 billion: the annual value of the global timber trade (2011).

Commodity production in the tropics is worth **US\$47 billion** for soy, **US\$15 billion** for cattle and **US\$31 billion** for palm oil (2011 figures).

80 per cent of tropical deforestation is attributable to agriculture alone, and global shifts in human diets will continue this pressure.

KEY ARENAS

■ **Timber certification.** Includes the Forest Stewardship Council (FSC) established 1990, now covering 180.4 million ha in 80 countries, and the Programme for the Endorsement of Forest Certification (PEFC) (249 million ha, >750,000 forest owners). Their combined market share is around 12 per cent.

Stewardship Council and the Programme for the Endorsement of Forest Certification; 'roundtables' where industry and civil society discuss the issues, for example the Roundtable on Sustainable Palm Oil, the Roundtable on Responsible Soy, the sugarcane roundtable (BonSucro), and the Roundtable on Sustainable Biofuels; voluntary disclosure; investor activism; or moratoria on certain products.

- **Consumer measures** designed to push or pull demand, often using campaigning. They can effectively drive consumers (and other private sector buyers) away from 'bad' products, but may be short term, may not drive much-needed demand to more sustainable alternatives, and don't always choose the most effective target.

Ways to support demand side measures

Cut costs. Cost is the main factor limiting demand for sustainably traded forest commodities. Markets don't want to pay the costs of demand-side schemes, and suppliers balk at 'upfront' certification costs. The sector needs new ways to: cut finance costs, simplify supply chains, make efficiency gains, and introduce fiscal policy incentives. This will require involvement from the financial sector, operations and procurement divisions in public and private entities, and use of technology to help cut traceability and enforcement costs.

Engage emerging markets. The biggest challenge for demand-side measures is the huge and growing Asian markets, and their weak engagement with sustainability (from both industry and government). International traders know that where Europe or North America bans imports, there are ready and growing markets in Asia, so demand-side measures can be profitably sidestepped.

Asia needs to catch up with demand-side measures developed elsewhere. Factors like press freedom, consumer responsiveness, corporate responsibility and political leadership would direct the best 'mix' of measures. In emerging economies and less developed countries, domestic and intra-regional markets are important, and so locally controlled enterprises need central support for securing commercial resource rights, building business capacity and organisation, and developing sound market access and investment proposals.

Recognise producers' concerns. Demand-side initiatives cannot be isolated from supply-side concerns. For example,

price premiums must reach producers, who need to see a clear long-term benefit if they are to invest. Some will need help adhering to standards or showing traceability. Major corporate players need to work more with trade associations and smallholder groups (helping to ensure compatibility with small-scale producers' needs). Companies along supply chains should 'partner' their suppliers, helping them deliver certified, sustainable products. New networks in major processing countries could reach out to previously excluded stakeholders.

See sustainability as security for supply, markets and tenure. 'Sustainability' must cover environmental, economic and social aspects. Seeing sustainability as 'security of supply, markets and tenure' can help ensure long-term production, economic viability and social protection. And it puts the emphasis on opportunities rather than risks.

Measure sustainability. A well-accepted framework for measuring sustainability would make it easier to strengthen support for widespread adoption and coordination of demand-side measures. This is work IIED intends to take forward.

Looking ahead

Synergy between demand side measures is crucial, but lacking. For example, legislation and certification schemes may have broadly similar aims but few practical links. Campaigns or regulations that focus on specific areas or niche markets can simply displace the problem. Price premiums for deforestation-free commodities rarely compensate producers, and demand can be erratic. There is momentum towards new collaborations between industry, governments, public sector organisations and civil society, and these should investigate the risks and impacts throughout supply chains and at a landscape level. A strategic and coordinated mix of demand-side measures is urgently needed.



Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges. We support some of the world's most vulnerable people to strengthen their voice in decision making.

■ **Agricultural commodity roundtables.** Roundtables are multi-stakeholder initiatives that involve industry and also civil society organisations. They include the Roundtable on Sustainable Palm Oil, the Roundtable on Responsible Soy, the sugarcane roundtable BonSucro, and the Roundtable on Sustainable Biomaterials (for biomass and all its derived bio-products). Their market share varies between < 1–14 per cent.

■ **Consumer Goods Forum (CGF).** The CGF is a global industry network bringing together the CEOs and senior management of over 400 retailers, manufacturers, service providers and other stakeholders covering over 70 countries and combined sales of €2.5 trillion. CGF has pledged to help achieve zero net deforestation by 2020.

■ **The Carbon Disclosure Project's (CDP's) forests program.** CDP's forests program helps companies and their investors worldwide to understand and address how their use of five agricultural commodities exposes them to deforestation risk. The five are the commodities that are responsible for deforestation — timber products, palm oil, soy, cattle products and biofuels. During 2008–12, the project reached 100 disclosing companies, backed by more than 165 endorsing investors managing around US\$12 trillion.

SOUTHERN VOICES

In April 2013 the Nature Conservancy, Walmart Brazil, Marfrig Group and ranchers joined forces to promote sustainable cattle production in the Amazon region. Mathias Azeredo De Almeida, from the Marfrig Group, commented:

Bringing the private sector and NGOs together to work with different parts of a complex livestock supply chain in the Amazon, from ranchers to end consumers, through packers and retailers, shows that it is possible to value good practice and promote sustainable beef production in a world that needs to produce more with less.



This research was funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the views of the UK Government.

FIND OUT MORE

Our work on demand-side measures to curb deforestation is part of the Reducing Forest Footprints project, run by IIED, the Global Canopy Programme, the Prince's Rainforest Project and the Carbon Disclosure Project. Find out more about our work on demand-side measures at www.iied.org/forests