

## Frankfurt Declaration

of the German Sawmills Industry (producers), represented by the BSHD and the VDS, as well as the German Pulp and Paper Industry (consumers), represented by the VDP, and the German Wood Materials Industry (consumers), represented by the VHI, and supported by the AGR

**Re: Implementation of FSC Directive FSC-DIR-40-005 EN (last updated: 08 December 2010), ADVICE-40-005-17 – “Documentation and procedural requirements to demonstrate the geographical district of origin for co-products”**

### Definitions and abbreviations

The pulp and paper industry is hereinafter referred to as PPI, the wood materials industry as WMI.

The products arising during the sawn timber production in sawmills (in the form of woodchips, shavings, sawdust, etc.) and supplied afterwards to the PPI or WMI are referred to as co-products in the directive.

Chain-of-Custody is abbreviated as CoC, Controlled Wood as CW.

## **Starting point**

Co-products comprise a large share of raw materials in the PPI and WMI.

At present only few (generally major) sawmills are FSC-CoC or CW-certified. It cannot be assumed that there will be an extensive introduction of the FSC-CoC or CW-certification in the short term. That is why only minor quantities of FSC-CW co-products are available to the PPI and WMI as raw materials. For this reason, the PPI and the WMI would have to audit those co-products which don't meet the FSC-CW criteria.

In this context, ADVICE-40-005-17, which is to be implemented on 1 April 2011, requires, among other things, the FSC-CoC or CW certificate holders to provide evidence of the geographical district of origin of the wood (forest management unit of the felled timber) for all co-products, and to evaluate (in the framework of an internal risk assessment) which co-products do not meet the FSC-CW criteria.

This procedure cannot be carried out by the FSC-COC or CW certificate holders for the following reasons:

## **Problems with the implementation of ADVICE-40-005-17**

### **1. Competition**

#### **1.1 Competition between PPI, WMI and thermo-energetic wood consumers**

There is demand for co-products from two different competing sectors: the material users (i.e. PPI and WMI) and the thermo-energetic users (e.g. operators of biomass cogeneration plants). The administrative burden to meet the FSC-CW obligation to document the district of origin of the wood (which is required by the PPI and WMI) is deterring many (especially minor) sawmills. In case of doubt, co-products go to the thermo-energetic industry, which (so far) imposes no such requirements (and has no legal obligation to enforce such requirements). This trend will be reinforced by the

already existing seller's market for co-products. Thus the PPI and the WMI are clearly at a competitive disadvantage.

## **1.2 Competition between PPI, WMI and the sawmills/timber merchants**

On procurement markets for round timber, wood purchase by PPI and WMI is competing with the timber trade and the round timber purchasing departments of the sawmills. Neither the timber merchants nor the sawmills are prepared to specify their suppliers' wood origin districts to the PPI or WMI, as they fear to suffer from competitive disadvantages on the procurement markets for round timber.

## **2. Lack of legal enforceability**

The PPI and WMI purchase much of their co-products not directly from sawmills, but indirectly from (timber) merchants. Most of these suppliers are not prepared to agree to a contractual right of inspection into their business records (trade secrets) and into those of their suppliers. This is why it is impossible for the PPI and WMI to document the geographical district of origin of wood purchased from the timber trade. Conclusive evidence of the district of origin of the wood can only be provided through a contractual agreement between all parties in the supply chain: from the merchant back to the sawmill back to the supplier of the round timber to the sawmill. As the merchants and the suppliers are not legally bound to such an agreement, the PPI and WMI cannot require that they provide such evidence.

## **3 Technology: "Log yard black box"**

In sawmill log yards, space constraints prevent any physical separation of round timber according to supplier or forest owner. Immediately after delivery at the sawmill, the round timber is unloaded, measured automatically, sorted according to length and diameter at small end, and finally assigned to the different round timber boxes. At this point in the process, it is impossible to match the round timber to the supplying

forest owner. Moreover, the co-products resulting from production cannot be separated according to suppliers.

After the sawing it is therefore impossible to identify the district of origin (e.g. indication of the supplying forest enterprise or commercial undertaking) of co-products resulting from production. At best, the sawmill will be in a position to provide an indications on the origin of round timber purchased during a specified period and used in the production of co-products. This is however only possible for all round timber purchased during this purchasing period. Should even a small quantity of round timber purchased by a sawmill not meet the FSC-CW standards, all co-products from this sawmill would be unfit for the production of FSC-certified materials.

### **Alternative action**

The member companies of the signatory associations have called for a dialogue with the FSC. They wish to remove co-products — as previously — permanently from the evidence and control obligations of the FSC-CW standard.

The signatory associations welcome the possibility conceded by the FSC to extend the derogation for co-products. Nonetheless, the member companies of the signatory associations need a viable long-term solution to the FSC-CW obligation to produce evidence of the origin of co-products.

### **Position**

The goal of the member companies of the PPI and WMI is still to market FSC products. To do so, the FSC Chain-of-Custody must be maintained along the entire product chain, from forest to end consumer.

Therefore, the signatories propose that a viable procedure for the implementation of the CW requirements should be produced in collaboration with FSC International, and hereby invite FSC International to participate in a joint working session.

The contact person for the coordination is Ms Vanessa Sterner, Verband Deutscher Papierfabriken ([V.Sterner@vdp-online.de](mailto:V.Sterner@vdp-online.de), tel.: 0228 / 267 05 54).

Yours sincerely,



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