Modeling Consumer Willingness to Pay Premiums for Environmentally
Certified Wood Products in the U.S. Market

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Abstract

Environmental certification has become an important issue in the wood products industry since its inception nearly 15 years ago. A research question that has been examined is the potential of price premiums for certified products or raw materials to offset certification costs. This study examines willingness to pay for four wood products from the perspective of U.S. consumers. Information was collected for 1995 and 2005 to detect changes in attitudes, perceptions and willingness to pay for certified wood products over a 10-year period. Results of an ordered probit model suggest that higher probabilities of paying a premium are associated to consumers who seek out other environmentally certified products and who believe certification can lessen environmental impacts such as tropical deforestation. There is also a strong relationship between respondent income and willingness-to-pay. Despite the current industry structure in the U.S. that has adopted a mass-certification strategy that does not charge consumers price premiums for certified products, results suggest that such premiums may exist for imported certified tropical wood products. We foresee that niche markets can potentially be exploited in the U.S. and price premiums captured by wood products manufacturers in tropical regions and/or American importers.

Keywords: Environmentally certified wood products; WTP; price premiums; U.S.

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