

Grow the markets before growing the wood

The global supply of timber is outstripping demand; predictions of a timber glut seem to be materialising

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IN his paper on the global outlook for wood product supply and demand, the UN/ECE Timber Committee's Ed Pepke stunned many at a recent conference with figures showing a growing surplus of wood in some regions and a general oversupply compared to demand.

The *table* shows the difference between what is growing (that is, the wood volume increment) and what is harvested: removals are considerably below increases in harvestable stocks in some major timber-producing regions and there are wide variations in the utilisation of available wood. The Baltic countries use just half their increment, while Russia harvests an astonishingly low 16% of its apparent sustainable yield. The *figure* shows the huge surplus in wood volume increment in the Commonwealth of Independent States.

Tropical timber production is not increasing, either. The *ITTO Annual review and assessment of the world timber situation* estimates it at around 125 million m³ in 2002. Production has been in the range 122–126 million m³ for the last five years and a gradual decline in the timber harvest in natural tropical forest can be expected.

This all points to a shift in the consumption of commodity wood products in the medium term (as predicted by Alf Leslie in the *TFU* three years ago in the face of a 'tidal wave' of plantation timber). North American lumber production exceeds consumption and the excess is forecast to grow by 2010. In Europe the picture is much the same, with lumber production being higher than its consumption.

Some tropical timber producers might dismiss fears of competition because the bulk of the oversupply will be in softwoods: tropical hardwood producers are accustomed to competition from softwoods and the markets and end-uses are different enough to minimise any serious market challenge. However, net annual incremental growth of us and some European hardwoods is also exceeding the annual cut, introducing the likelihood of increased direct competition with tropical hardwoods for some higher-value markets.

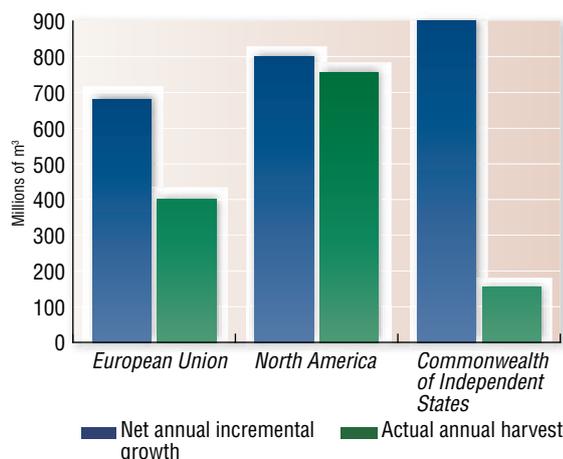
The outlook for the us and European wood panel trade is also for an excess of production over consumption. This leaves only the Asian markets where, for the foreseeable future, production will continue to be lower than demand.

It is there that the battles for market share are being fought and the competition is going to really heat up in the next few years.

Nevertheless, the prospects for growth in demand in Asia are very mixed. In Japan, for example, the consumption of wood and especially of tropical wood products has been

Take it or leave it

Annual increment versus annual timber harvest



declining for several years, and demand in the tropical-timber consumer countries of India, Korea and Thailand is also weak. It is only in China that demand for commodity wood products is growing; for example, during the first six months of 2002 it imported 12.2 million m³ of logs from all sources valued at US\$1.06 billion, up 53% in volume and 20% in value over the same period last year, while sawnwood imports increased 39% in volume and 22% in value. In contrast, plywood imports were down 28% in volume and 37% in value compared to the first half of last year as the country's plywood manufacturing sector boomed (see *TFU* 12/3).

In the light of all this, the timber sector is facing some difficult times. As pointed out by Ed Pepke, if the markets for wood are to grow we need to:

- guarantee that today's wood products meet consumer needs;
- develop new products to meet evolving needs; and
- develop new markets for wood products as alternatives to products from non-renewable materials.

Every producer, tropical or not, will look to the Chinese market for growth and there is no doubt that the opportunities are good. But a word of caution: China already has a huge plantation stock. It is working hard to improve the productivity of these plantations and at the same time is investing heavily in new plantations. The challenge for both hardwood and softwood producers looking to the Chinese market will really begin when China invests in new capacity for producing manufactured boards such as oriented strand board, laminated veneer lumber and high-end fibreboards to absorb the plantation timbers and provide a substitute for imports.

Growth versus yield

Timber harvest as a percentage of wood increment

Region or country	%
Europe – 41 countries	59
EU – 15 countries	64
Nordic countries	72
Baltic countries	50
Central and Eastern Europe	56
Russia	16
North America	79

Source: Pepke, UN/ECE Timber Committee, pers. comm.

ITTO funds secondary forest management, certification

The most recent session of the International Tropical Timber Council financed further activities at the policy and field levels



Dialogue: Indonesian and Malaysian delegates discuss an issue during a break in the 33rd Council session.

Photo: © Francis Dejon, IISD/ENB

THE International Tropical Timber Council has committed another US\$6.6 million in grants for initiatives promoting sustainable forest management, greater transparency in the tropical timber trade and the development of sustainable tropical forest-based industries.

The commitment was made at the Council's 33rd session, convened in Yokohama, Japan on 4–9 November 2002. It includes funds for the immediate financing of 24 new projects and scoping studies in all of the Organization's main areas of work, and seven decisions. The Council traditionally awards grants every six months to assist member countries in implementing Council policies.

One project financed at this session will develop a strategy for the sustainable management of secondary forests in central Peru, enabling an immediate application of the *ITTO Guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests* (see page 3). Another project will create a logging school to facilitate and promote the adoption of reduced impact logging in Indonesia and the Asia-Pacific region, another will assist the certification of sustainable forest management in Indonesia, and another will establish a national system for the collection, entry, processing and dissemination of forestry and timber statistical data in Togo. Summaries of all projects and pre-projects financed at the session will be published in the next edition of the *TFU*.

The Council also provided grants that will make available to tropical countries the services of forest fire experts who will work with local fire management staff to devise appropriate strategies for preventing and managing fire. These will include measures such as public awareness campaigns in rural areas, the use of appropriate technologies in fire management, and the improvement of land management practices that minimise the risk of wildfire. The fire experts

will also help develop fire management proposals for funding by the international community, including through ITTO. The Council decided to finance joint action by civil society organisations and private-sector tropical timber producers to strengthen forest management and achieve environmental certification (see below).

During the Session, the Council took its first steps towards the renegotiation of a successor agreement to the International Tropical Timber Agreement (ITTA), 1994, under which the Organization currently operates and which will expire at the end of 2006. The Council adopted a schedule for the Preparatory Committee meetings and renegotiations and decided to convene a working group on the matter in the first months of 2003. This working group will identify issues to be addressed in negotiating a successor agreement and analyse the potential changes to the ITTA, 1994.

Partnerships between timber producers and civil society

The International Tropical Timber Council will finance joint action by civil society organisations and private-sector tropical timber producers to strengthen forest management and achieve environmental certification, after a decision at the Council's 33rd session.

Tropical timber producers have long been criticised, mainly by western environmentalists, for their forest management practices. In the last decade, considerable progress has been made towards raising forest management standards, but some environmentalists continue to call for boycotts on tropical timber products if they are not certified as derived from well-managed forests. Yet tropical timber producers face enormous difficulties in meeting the standards set by certification schemes, including the highly complex nature of tropical forests and a lack of forest management

capacity. Moreover, a loss of access to western markets reduces the incentive for sustainable forest management and contributes to the loss of tropical forests.

The new decision by the Council aims to add impetus to the quest for sustainable forest management and certification in the tropics. It will provide seed money to facilitate partnerships between timber producers and civil society organisations that will both guide forest practice and increase market access for the timber produced under such partnerships. In particular it will emphasise partnerships involving small-scale enterprises and community-based forest managers, local and national civil society organisations, and forest owners.

“The decision is a first step towards an innovative approach that will assist our quest to grow the trade in tropical timber from sustainably managed sources,” said Council Chair Dr Jürgen Blaser. “We wait to see how this idea works, but I hope that both the industry and relevant civil society organisations embrace it. In so doing, they will be clearly showing the international marketplace that tropical timber producers are doing their best to bring about sustainable forest management.”

Timber trade group wants importing countries to help stop illegal trade

The ITTO Trade Advisory Group (TAG), which was set up to provide input to the policy debate in the Council, has condemned illegal logging and illegal trade and called on importing countries to cooperate in stopping illegal trade.

In his closing statement at the Council's 33rd session, TAG spokesperson Barney Chan of the Sarawak Timber Association praised the Council's efforts to combat illegal logging and the illegal trade and said the legitimate trade was willing to cooperate in every way possible. Illegal activities undermine both progress towards sustainable forest management and the markets for timber produced from well-managed forests, he said.

Mr Chan called on all ITTO members to play their part in combating illegal activities, citing cooperation between Malaysia and Indonesia on the issue of the illegal trade in tropical hardwood logs. Malaysia has banned the import of logs from Indonesia to help enforce Indonesia's log export ban announced last year. Mr Chan called on other countries to consider similar moves to help Indonesia crack down on illegal activities.

ITTO has recently launched several initiatives to address illegal logging and illegal trade. For example, 13 ITTO member countries—Bolivia, Brazil, Cameroon, China, Republic of Congo, Indonesia, Japan, Malaysia, Papua New Guinea, Peru, Thailand, UK and the USA—are participating in an ITTO study to assess export and import data on tropical timber and tropical timber products. This study will help determine the extent of undocumented and possibly illegal trade, one of the first steps in reducing such trade.

In an address to the Council, ITTO Executive Director Dr Manoel Sobral Filho reported that the Government of Peru had invited ITTO to assist it in improving forest law enforcement. ITTO will finance a study on ways to address illegal logging and illegal trade in that country as an input to the Inter-ministerial Commission to combat illegal logging established last October by President Alejandro Toledo. ITTO and the Government of Indonesia are discussing a proposal for a similar study in Indonesia. Meanwhile, an ITTO project to find ways of reducing illegal logging is underway in the Indonesian provinces of Riau and West Kalimantan.

Phased approaches

The role of phased approaches to forest and timber certification featured in debates during the 33rd session of the Council. Dr Markku Simula, who has written widely on certification in the tropics, presented an interim report on phased approaches which suggested that such approaches could serve to start the certification process where the conditions do not yet exist at the national level, provide a 'road map' towards full certification, allow for the periodic assessment of progress towards full certification, and provide intermediate incentives for forest managers to improve management. He proposed the following steps: 1) commitment to achieve verified legality and sustainable forest management; 2) compliance with the legal requirements of the country and international rules; 3) progressive compliance with certification requirements (sub-steps); and 4) certification of sustainable forest management and origin.

Phased approaches were also called for by several speakers at a panel discussion organised by the ITTO Civil Society Advisory Group, which was formed last May to provide inputs to ITTO's policy work. The panel, the theme of which was 'succeeding in the certified forest products marketplace', comprised speakers from the World Wide Fund for Nature International, the Tropical Forest Trust, the Brazilian Buyers' Group of Certified Timber, and directors of timber companies in Bolivia and Malaysia.

Visit <http://www.iisd.ca/linkages/forestry/itto/ittc33> for daily reports and an overall summary of the session prepared by the *Earth Negotiations Bulletin*.

Fellowships awarded

Twenty-eight fellowships worth a total of US\$150 000 were awarded at the 33rd Session of the International Tropical Timber Council. Awardees were:

Mr Edson Corrales Melgar (Bolivia); **Mr Ezechiel Gwet Essoum** (Cameroon); **Mr Hubert Ngoumou Mbarga** (Cameroon); **Mr Walters Cheso** (Cameroon); **Mr Qinglin Huang** (China); **Mr César Augusto Velásquez Rúa** (Colombia); **Ms Yadid Oliva Ordóñez Sierra** (Colombia); **Mr Yeboa Alexis Koffi** (Côte d'Ivoire); **Mr Bouattenin Kouadio** (Côte d'Ivoire); **Mr Vicente Juan Guadalupe** (Ecuador); **Mr Stephen Edem Akpalu** (Ghana); **Dr Samuel Adzedu Amartey** (Ghana); **Dr Karan Deo Singh** (India); **Mr K.C. Chacko** (India); **Dr Uma Melkania** (India); **Ms Diana Prameswari** (Indonesia); **Ms Yelnititis** (Indonesia); **Mr Doan Nainggolan** (Indonesia); **Ms Chai Ting Lee** (Malaysia); **Ms Kamziah Abd Kudus** (Malaysia); **Professor Saw Kelvin Keh** (Myanmar); **Mr Kedar Nath Paudel** (Nepal); **Mr Buddi Sagar Poudel** (Nepal); **Mr Shyam Mohan Mishra** (Nepal); **Mr Walter Figueroa Pizarro** (Peru); **Mr Edinson Eduardo Lopez Galan** (Peru); **Dr Elmer Velasco Sayre** (Philippines); **Mr Marra Guy Dourma** (Togo).