FOREST PRODUCTS MARKETS & TRADE IN THE UNECE REGION

by
Mr. Ed Pepke
Forest Products Marketing Specialist
UNECE/FAO Timber Section
Geneva, Switzerland
DOBFO DOŠLI
to the workshop!
Topics of presentation

I. UNECE/FAO forest products marketing programme
II. UNECE region markets and trade
III. Supply, i.e. forest resources
IV. Conclusions
V. Discussion
Sources of information

- UNECE/FAO TIMBER database
  - Forest products production, consumption trade
  - 1964 – 2004 annual
  - www.unece.org/trade/timber/mis/fp-stats.htm
- UNECE/FAO *Forest Products Annual Market Review*
- UNECE Timber Committee forecasts for 2005 and 2006
- UN Comtrade database
  - Forest products trade flows
  - As validated by European Forest Institute
- FAO and UNECE *Forest Resources Assessment*
- UNECE/FAO *European Forest Sector Outlook Study*
- FAOSTAT forest products database
I. UNECE marketing programme objectives

• To ensure sustained forest products markets in the UNECE region
  – products meeting customers’ demands,
  – while maintaining production capacity and
  – a continued demand for forest products
• to ensure sustainable forest management in economic, social and ecological terms.
Why is the UNECE/FAO Timber Branch involved in forest products marketing?

- The basis for sustainable forest management is consistently strong demand for wood and non-wood forest products
- UNECE Timber Committee and FAO European Forestry Commission place high priority in forest products marketing activities
- Marketplace is one link to other domains
- Forest and forest industries sector, relies on
  - vibrant forest products markets
  - information supplied by the Timber Branch for marketing wood and non-wood forest products.
Leveling the playing field in forest products markets
How is the UNECE/FAO Timber Branch working in forest products marketing?

- Network of official and non-official collaborators
- Collects statistical and other information on forest products market developments and policies
- Analyzes, publishes and distributes
- Official information is collected through 2 annual formal questionnaires
- Supplementary information collected via officially nominated country correspondents
- UNECE/FAO Team of Specialists on Forest Products Markets and Marketing
- Other marketing experts, international conferences, trade journals, Internet.
UNECE/FAO Forest Products Marketing

1. Analyses of market & policy developments
2. Collection of statistics and information
3. Dissemination of information
4. Annual Timber Committee Market Discussions
5. Marketing capacity building
6. Team of Specialists on Forest Products Markets and Marketing
Impacts

• Analyses produced for member governments and trade associations via Timber Committee and European Forestry Commission

• They use analyses, statistics and forecasts to make policy decisions

• Central and eastern European countries and Commonwealth of Independent States stated UNECE/FAO market information is main source of annual, international, objective information
II. UNECE region
markets and trade
UNECE region = 55 countries
Where in the world is the UNECE region’s trade?

Source: FAOSTAT database, 2005
Current influences on European forest sector

- Expanding markets
- Resources outgrowing markets
- Intensifying trade
- Recovery from transition to market economies
- Non-wood forest products increasing demand, value
- EU renewable energy policy pushes wood energy
- Globalization of forest products trade
- Innovation of products and processing
- Recycling of paper, use of byproducts

Subregions for this presentation only

- Balkan countries = Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Serbia & Montenegro, Romania, Slovenia, The former Yugoslavian Republic of Macedonia
- European Union “24” = EU25 without Slovenia
- Russia (and for pre-1990, former USSR)
- North America = Canada and United States
Forest (wood) products in this presentation

- Roundwood (industrial roundwood and fuelwood)
- Sawn softwood
- Sawn hardwood
- Panels
  - Structural panels = plywood & OSB (oriented strand board)
  - Non-structural panels = “decorative panels” = particle board & MDF
- Paper and paperboard (cardboard)
- Certified forest products
Product flows in this presentation

- Consumption (as an indicator of market demand)
- Production
- Exports
- Imports
Roundwood market highlights, 2005

- Total roundwood removals in the UNECE region reached record levels, reflecting a growing demand for both wood and paper products.
- CIS exports of raw material rose 12% in 2004 = 1/3 of harvest.
- In addition to documented harvests and exports from Russia, there are substantial volumes of undocumented roundwood removals, from the eastern provinces in particular, destined for further processing in China.
- Sawlog, pulplog and residual chip prices rose in North America and Europe as a result of higher log consumption.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
2005 North American & European consumption at record levels, driven by sawnwood, panels & paper production.

Russian consumption not recovered

2004 Balkan region consumption exceeds former Yugoslavia

Source: UNECE/FAO TIMBER database, 2006
Production trends follow consumption

14% fuelwood in 2004

Source: UNECE/FAO TIMBER database, 2006

Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006
TIMBER COMMITTEE
EUROPEAN FORESTRY COMMISSION
Roundwood exports, 1000 m³

Exports within region included, e.g. exports from Germany to Austria

Russian policy makers concerned by export of raw material without capturing its value-added from further processing

Source: UNECE/FAO TIMBER database, 2006
Roundwood imports, 1000 m³

Again, trade within region included, e.g. imports to Austria from Germany

Source: UNECE/FAO TIMBER database, 2006
Sawn softwood market highlights, 2005

- Europe and North America at record levels
- In North America, heightened market activity resulted from favourable interest rate policies and surging housing starts (also at record highs)
- European exports to the United States and Japan increasing dramatically.
- Russia’s exports at record levels, but domestic consumption falling.
- EU membership of the Baltic countries has positive effects, e.g. open borders with fewer customs formalities mean faster, less costly delivery.
- North America became a net importer of sawn softwood for the first time as offshore imports exceeded exports to offshore destinations
- North American sawn softwood imports exceeded European imports for the first time.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Sawn Softwood Consumption, 1000 m³

- Russian consumption mysteriously shrinking
- US consumption increasing with wood-framed housing

Source: UNECE/FAO TIMBER database, 2006
Sawn Softwood Production, 1000 m³

Russia not recovered to former USSR, but included Baltics, Belarus and other CIS

Source: UNECE/FAO TIMBER database, 2006
Balkan Sawn Softwood Production, 1000 m³

Statistics for former Yugoslavia unavailable by state in 1989

- Albania
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Romania
- Serbia and Montenegro
- Slovenia
- The FYR of Macedonia
- Former SFRY

Is current total really below former Yugoslavia?

Source: UNECE/FAO TIMBER database, 2006
Sawn Softwood Exports, 1000 m³

Russia and Balkans doubling

N. America is mostly Canada to US

Source: UNECE/FAO TIMBER database, 2006
Balkan Sawn Softwood Exports, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006

TIMBER COMMITTEE
EUROPEAN FORESTRY COMMISSION

Sawn Softwood Imports, 1000 m³

North America mostly US from Canada, but increasing from offshore

Source: UNECE/FAO TIMBER database, 2006
Sawn hardwood market highlights, 2005

- Consumption decreasing in the UNECE region due to reduced US furniture production (and increased imports).
- Production falling in the US
- Production rising in Europe.
- European consumption and production increased with eastern European infrastructure investment and harvests.
- European exports have fallen steadily since 2000 (year of windthrow).
- US exports rising to highest level since 2000, principally due to increases to China and to Viet Nam.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Sawn hardwood market highlights, 2005

- Oaks dominating—beech prices declining.
- US imports of sawn hardwood rising fast.
- Rising US and western European imports of furniture and flooring reducing domestic production and consumption.
- Sawn hardwood producers organizing: Hardwood Federation, European Hardwood Export Council
- Concern for the legality and sustainability of the source of hardwood are reflected in public procurement policies and companies’ purchase procedures.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Sawn Hardwood Consumption, 1000 m³

25% volume of softwood

US consumption decreasing with higher furniture, cabinet and flooring imports

Source: UNECE/FAO TIMBER database, 2006
Sawn Hardwood Production, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Balkan Sawn Hardwood Production, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Sawn Hardwood Exports, 1000 m³

Storm damage in 1999 boosts exports in 2000

Balkan exports recovered

Source: UNECE/FAO TIMBER database, 2006
Balkan Sawn Hardwood Exports, 1000 m³

Question: Downturn in 2004? Increased value-added wood products production?

Former SFR Yugoslavia exports at higher level

Source: UNECE/FAO TIMBER database, 2006
Sawn Hardwood Imports, 1000 m³

Includes tropical sawnwood imports

US increasing tropical imports

Source: UNECE/FAO TIMBER database, 2006
Subregional Sawnwood Trade Flows (softwood + hardwood)
Russia Sawnwood Exports (USSR for 1989)

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
North America Sawnwood Exports

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th>United States</th>
<th>Japan</th>
<th>Canada</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Mexico</td>
<td>Spain</td>
<td>Australia</td>
</tr>
<tr>
<td>Germany</td>
<td>China</td>
<td>Belgium</td>
<td>Hong Kong, SAR</td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
EU Sawnwood Exports

Top 12 destinations by order of total value in 2004

United Kingdom  Italy  Germany  Netherlands  France  Denmark  Total

Source: UN Comtrade/EFI, 2006

Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006

TIMBER COMMITTEE  EUROPEAN FORESTRY COMMISSION
Balkan Sawnwood Trade Flows
(softwood + hardwood)
Albania Sawnwood Exports

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Greece</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Egypt</td>
<td>6,000</td>
<td>7,000</td>
<td>8,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Slovenia</td>
<td>9,000</td>
<td>10,000</td>
<td>11,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Serbia &amp; Montenegro</td>
<td>13,000</td>
<td>14,000</td>
<td>15,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Czech Rep</td>
<td>17,000</td>
<td>18,000</td>
<td>19,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Turkey</td>
<td>21,000</td>
<td>22,000</td>
<td>23,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>25,000</td>
<td>26,000</td>
<td>27,000</td>
<td>28,000</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>29,000</td>
<td>30,000</td>
<td>31,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Columbia</td>
<td>33,000</td>
<td>34,000</td>
<td>35,000</td>
<td>36,000</td>
</tr>
<tr>
<td>France</td>
<td>37,000</td>
<td>38,000</td>
<td>39,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Portugal</td>
<td>41,000</td>
<td>42,000</td>
<td>43,000</td>
<td>44,000</td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
Bosnia & Herzegovina Sawnwood Exports

Top 12 destinations by order of total value in 2004

- Serbia & Montenegro
- Italy
- Croatia
- Austria
- Slovenia
- Germany
- Egypt
- fYR Macedonia
- Greece
- Spain
- Albania
- Poland

Source: UN Comtrade/EFI, 2006
Bulgaria Sawnwood Exports

Top 12 destinations by order of total value in 2004

- Greece
- Italy
- Turkey
- fYR Macedonia
- Egypt
- Serbia & Montenegro
- Jordan
- Cyprus
- France
- Germany
- Israel
- China

Source: UN Comtrade/EFI, 2006
Croatia Sawnwood Exports

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Slovenia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Egypt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2000</td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
The fYR Macedonia Sawnwood Exports

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>$12,000</td>
</tr>
<tr>
<td>Slovenia</td>
<td>$10,000</td>
</tr>
<tr>
<td>Greece</td>
<td>$8,000</td>
</tr>
<tr>
<td>Israel</td>
<td>$6,000</td>
</tr>
<tr>
<td>Serbia &amp; Montenegro</td>
<td>$4,000</td>
</tr>
<tr>
<td>Japan</td>
<td>$4,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$2,000</td>
</tr>
<tr>
<td>Germany</td>
<td>$2,000</td>
</tr>
<tr>
<td>Austria</td>
<td>$2,000</td>
</tr>
<tr>
<td>Sweden</td>
<td>$2,000</td>
</tr>
<tr>
<td>China M</td>
<td>$2,000</td>
</tr>
<tr>
<td>Cyprus</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
Romania Sawnwood Exports

Top 12 destinations by order of total value in 2004:

<table>
<thead>
<tr>
<th>Country</th>
<th>Egypt</th>
<th>Syria</th>
<th>Italy</th>
<th>Lebanon</th>
<th>Saudi Arabia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989 Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995 Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000 Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004 Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
Serbia & Montenegro Sawnwood Exports

Top 12 destinations by order of total value in 2004

<table>
<thead>
<tr>
<th>Country</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Egypt</td>
</tr>
<tr>
<td>Russia</td>
<td>Slovenia</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Spain</td>
</tr>
<tr>
<td></td>
<td>Greece</td>
</tr>
<tr>
<td></td>
<td>Algeria</td>
</tr>
<tr>
<td></td>
<td>FYR Macedonia</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>Bosnia &amp; Herzegovina</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
</tr>
</tbody>
</table>

Source: UN Comtrade/EFI, 2006
Slovenia Sawnwood Exports

Top 12 destinations by order of total value in 2004

- Italy
- Croatia
- Austria
- Germany
- Israel
- Total

Source: UN Comtrade/EFI, 2006
Panel market highlights, 2005

- The particle board industry in Europe recorded a major upswing.
- MDF consumption in Europe accelerated with the laminate flooring industry as the key driving force.
- OSB production in Europe continues to expand and benefits from strong North American demand.
- The European plywood industry faces fierce competition from China despite anti-dumping duties.
- The Russian particle board and MDF industries are restructuring and developing rapidly.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Panel market highlights, 2005

- Prices in Europe and North America rose to levels above prior year.
- A strong housing market allowed the North American plywood industry to post a 100% capacity utilization rate.
- Increased imports of cabinets and furniture reduced demand for particle board in the United States.
- OSB production in North America reached a record volume of 23.1 million m³
- 10 new OSB mills in North America by 2008.
- Rapid growth of Brazilian plywood imports to US.
- Chinese plywood to receive grade stamp approval and begin exporting to the US.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Structural Panels Consumption, 1000 m³

North American structural panels for wood frame housing and building construction and repair and renovation

- **North American** more OSB than plywood

Source: UNECE/FAO TIMBER database, 2006
Decorative Panels Consumption, 1000 m³

Non-Structural or decorative = Particle board and MDF

Source: UNECE/FAO TIMBER database, 2006
Structural Panels Production, 1000 m³

Structural panels = Plywood and OSB

Source: UNECE/FAO TIMBER database, 2006
Balkan Structural Panels Production, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Decorative Panels Production, 1000 m³

Decorative panels = Particleboard and MDF

Source: UNECE/FAO TIMBER database, 2006
Balkan Decorative Panels Production, 1000 m³

Source: UNECE/FAO TIMBER database, 2006

Foreign investment boosts production

Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006

TIMBER COMMITTEE
EUROPEAN FORESTRY COMMISSION
Structural Panels Exports, 1,000 m³

Source: UNECE/FAO TIMBER database, 2006
Balkan Structural Panels Exports, 1000 m³

Source: UNECE/FAO TIMBER database, 2006

Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006
TIMBER COMMITTEE
EUROPEAN FORESTRY COMMISSION
Decorative Panels Exports, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Balkan Decorative Panels Exports, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Paper and paperboard market highlights, 2005

- European production of paper and paperboard at record levels
- In North America and CIS production increased, but not at highest levels
- CIS growth of consumption slowing
- Net exports from Europe increased as exports to Asia rose substantially.
- In Europe, policy issues are related to industry competitiveness, simplification of EU legislation on chemicals and dramatic energy price increases.
- Decline in US dollar exchange value and labour productivity gains helped restore industry competitiveness and profitability

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Paper & Paperboard Production, 1000 m.t.

Source: UNECE/FAO TIMBER database, 2006
Paper & Paperboard Exports, 1000 m.t.

Source: UNECE/FAO TIMBER database, 2006

Forest Products Marketing—from Principles to Practice
Balkan Training Workshop, April 2006

TIMBER COMMITTEE
EUROPEAN FORESTRY COMMISSION
Balkan Paper & Paperboard Exports, 1000 m³

Source: UNECE/FAO TIMBER database, 2006
Certified forest product market highlights, 2005

- Certified forest area increased to 250 million hectares
- 60% of the world’s certified forest area is located in North America
- 36% in western Europe
- Potential roundwood supply from certified forests is estimated at 22% of global industrial roundwood production; however, only a small share of products from certified origins bear a label.
- Chain-of-custody certificates increased by about one third, reaching 6,000 certificates worldwide
- China now has the fourth highest volume of CoCs outside the UNECE region, and is producing some certified forest products

Source: UNECE/FAO Forest Products Annual Market Review, 2005
Certified forest product market highlights, 2005

- No price premium exists for CFPs in most markets
- Certified products have become more visible in the marketplace, driven by large do-it-yourself (DIY) and international paper companies.
- Active demand by private end-consumers remains a minor factor
- More public procurement policies with regard to legally harvested and sustainably produced wood are developing and driving certification.
- Illegal logging dominates government discussions related to forest products because it causes damage to companies acting legally and is a major cause of tropical deforestation.

Source: UNECE/FAO Forest Products Annual Market Review, 2005
III. Supply, forest resources
Where are the world’s forests?

Europe 27%

S. America 23%

N&C America 14%

Africa 17%

Asia 14%

Oceania 5%

Russia included in Europe

Source: FAO FRA, 2005
Annual change in forest area, 1990-2000

Source: FAO FRA, 2005
Reasons behind deforestation

- Conversion to other land uses (0.4% of world’s forests annually in the ’90s)
  - Agricultural, including grazing
  - Urbanization
- Unsustainable silvicultural practices
  - Unmanaged harvesting
  - Poor regeneration
  - Fire, insects and diseases
  - Overharvesting fuelwood
- Poverty and overpopulation
Forest resources: Growing stock

Source: FAO FRA, 2005
Forest resources: Net annual increment vs. fellings

Europe (41)  N. America  CIS

- Europe (41): 60% Net annual increment, 80% fellings
- N. America: 80% Net annual increment, 40% fellings
- CIS: 16% Net annual increment, 84% fellings

Source: FAO FRA, 2005
Forest Resources Summary

- Removals considerably below growth
- Wide variance in utilization rates of NAI
- Growing stock increasing in Europe
- Oversupply compared to demand for wood
- Increasing alternative demands on forests
IV. Conclusions

- Forest products markets and trade at record levels in UNECE region
- Eastern countries not all recovered to pre-transition levels
- Diverse direction of trade – China current hot spot
- Concerns for proof of legality and sustainability for wood products
- Region wide, forest resource growth exceeds removals
- UNECE/FAO analyses depend on country-supplied market information, statistics and forecasts
Conclusion—MOST important

• We hope to establish
  – Good working relationships
  – Collaboration
    • Mutually rewarding
    • Long-term
V. Discussion on UNECE region forest products markets & trade