Forest Products Market Interactions

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Contents

I. Forest products markets
   • Production, consumption & trade
   • Global
   • Regional (N. America, Europe, Asia, Central Asia)
   • Market sectors (logs, lumber, panels)

II. Certification and certified forest products

III. Need for international forest products market information
Major information sources

- UNECE/FAO TIMBER database on forest products
- FAOSTAT database on forest products
- UNECE Timber Committee market forecasts
- UNECE/FAO *Forest products annual market review, 2004-2005*
- UNECE/FAO *European Forest Sector Outlook Study*
- FAO *State of the World’s Forests, 2005*
- UN Comtrade analysis by European Forest Institute
1. Forest products markets
Sectoral analysis: Logs

UNECE/FAO definitions:
• “Roundwood” is industrial roundwood + fuelwood
• “Industrial roundwood” as sawlogs, veneer logs, pulp logs and other industrial roundwood
World production of roundwood, 1961-2003

Source: FAOSTAT

Industrial roundwood
Fuelwood

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World roundwood utilization as fuel

- Over half used as fuel
  - Domestic heating
  - Cooking
- Mostly in developing countries
- Low value
- Modern wood energy
  - Small international trade
  - Growing market
  - Policy push in Europe
Regional trade, all primary forest products, 2003

Source: FAOSTAT
North American trade, all primary forest products, 1994-2003

Source: FAOSTAT
American industrial roundwood consumption and production to 2010

Source: Global Forest Products Model, 2003
American industrial roundwood trade to 2010

Source: Global Forest Products Model, 2003

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Factors affecting models and markets

- Gross domestic product (GDP)
- Population
- Costs and prices (labor, raw material, etc.)
- Technological change
- Government policies
- Socio-economic trends

European industrial roundwood consumption and production to 2010

Source: Global Forest Products Model, 2003
European industrial roundwood trade to 2010

Source: Global Forest Products Model, 2003
Asian industrial roundwood consumption & production to 2010

Source: Global Forest Products Model, 2003
Asian industrial roundwood trade to 2010

Million m³

- **Exports**
- **Imports**

Source: *Global Forest Products Model, 2003*
Industrial Roundwood Production, 1990-2004

- Europe
- N. America

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Industrial Roundwood Production and Exports from Former USSR, 1992-2004

- Production
- Exports

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Industrial Roundwood Production, 1990-2004

Cubic metres


Armenia  Azerbaijan  Georgia
Kazakhstan  Kyrgyzstan  Mongolia
Tajikistan  Turkmenistan  Uzbekistan
Industrial Roundwood Imports (without Turkey), 1990-2004

Cubic metres

0 100000 200000 300000 400000 500000 600000 700000 800000 900000 1000000 1100000 1200000 1300000 1400000 1500000 1600000 1700000 1800000


- Armenia
- Azerbaijan
- Georgia
- Kazakhstan
- Kyrgyzstan
- Mongolia
- Tajikistan
- Turkmenistan
- Uzbekistan
Industrial Roundwood Exports, 1990-2004

Cubic metres

Amenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyzstan
Mongolia
Tajikistan
Turkmenistan
Turkey
Uzbekistan

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China’s Industrial Roundwood Market, 1992-2004

- Industrial Roundwood Production
- Industrial Roundwood Imports
- Industrial Roundwood Exports
European primary wood products demand, 1980-2020

Million m³, RWE

RWE=RoundWood Equivalent.

Source: European Forest Sector Outlook Study, 2005.
Major influences on current European forest sector

• Expanding markets, but resources outgrowing markets
• Intensifying trade
• Recovery from transition to market economies
• Non-wood forest products increasing demand, value
• Renewable energy policy of EU and member countries
• Globalization of forest products trade
• Innovation of products and processing
• Recycling of paper, use of byproducts

Source: UNECE/FAO European Forest Sector Outlook Study, 2005
Sectoral analysis: Sawnwood
N. American sawn softwood market, 1996-2005

Source: UNECE Timber Committee forecasts, 10.2004
N. American sawn softwood trade, 1996-2005

Source: UNECE Timber Committee forecasts, 10.2004
US sawnwood imports: Europe & S. Hemisphere

Sources: USDA-Foreign Ag. Svc. and Wood Markets Monthly, 2005
US sawnwood imports: Europe & S. Hemisphere

- Excludes Canadian imports
  - 98% of US imports in ’96, but 87% 2004
  - Canadian-sourced imports up 8% 2004
- Offshore exporters aided by Softwood Lumber Agreement duties
- Imports of dimension softwood, some EWPs
- European-sourced imports
  - Increased 52% in 2004
  - Despite 45% rise in euro value vs. $
  - “Semi-natural forests” vs. plantation

Sources: USDA-Foreign Ag. Svc. and Wood Markets Monthly, 2005
US sawnwood imports: Europe & S. Hemisphere

- Northern hemisphere sources in 2004
  1. Germany (up 73%)
  2. Austria (up 75%)
  3. Sweden (down 2%)
  4. Czech Rep., Lithuania, Russia, Finland, Estonia

- Southern hemisphere sources in 2004
  1. Brazil (up 37%)
  2. Chile (up 35%)
  3. New Zealand (down 3%)
  4. Argentina, Mexico, other

Sources: USDA-Foreign Ag. Svc. and Wood Markets Monthly, 2005
European sawn softwood market, 1996-2005

Production
Consumption

Source: UNECE Timber Committee forecasts, 10.2004

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European sawn softwood trade, 1996-2005

Source: UNECE Timber Committee forecasts, 10.2004
Sawnwood Production, 1990-2004

Million m³

Europe
N. America

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Sawnwood Trade, 1990-2004

Million m³

Europe Imports  N. America Imports  Europe Exports  N. America Exports


Europe Imports  N. America Imports  Europe Exports  N. America Exports
Russian sawn softwood trade, 1996-2005

Source: UNECE Timber Committee forecasts, 10.2004
Asia sawnwood production and consumption to 2010

Source: Global Forest Products Model, 2003
Asia sawnwood trade to 2010

Source: Global Forest Products Model, 2003
Sawnwood Production, 1990-2004

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Sawnwood Imports, 1990-2004

- Armenia
- Azerbaijan
- Georgia
- Kazakhstan
- Kyrgyzstan
- Mongolia
- Tajikistan
- Turkmenistan
- Turkey
- Uzbekistan
Sawnwood Exports from Central Asia, 2003

Source: UN Comtrade/European Forest Institute
China’s Sawnwood Market, 1992-2004

Million m³

Production Imports Exports


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Sectoral analysis: Panels
North America structural panel production, 1996-2005

Source: UNECE Timber Committee forecasts, 10.2004
European OSB market, 1996-2005

Production, Imports, Exports

Source: UNECE Timber Committee forecasts, 10.2004

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America panel consumption & production to 2010

![Bar chart showing consumption and production of America panel from 1980 to 2010. The chart shows an increase in both consumption and production over the years.]

Source: Global Forest Products Model, 2003
America panel trade to 2010

Source: Global Forest Products Model, 2003
Europe panel consumption & production to 2010

Source: Global Forest Products Model, 2003
Asia panel consumption & production to 2010

Source: Global Forest Products Model, 2003
Panels Production, 1990-2004

Cubic metres


Azerbaijan
Georgia
Kazakhstan
Mongolia
Armenia

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China’s booming timber imports

- Housing construction
  - Only minority wood-based
  - Green and healthy communities
  - Affordable
- Renovation market for houses and municipal
- Infrastructure development
- Interior woodwork and furnishings
- Olympic-related construction (2008 Beijing)

Source: “China Forest Products Market Information”, 2003
New EFSOS market conclusions

- Collapse in CIS and eastern Europe, 1990s
- Partial recovery
- Increased small log demand
- Increased recovered materials
- Intensifying trade
- Declining log prices
- Renewable energy
Productivity in wood industry by region

Source: FAO Trends and current status of the contribution of the forestry sector to national economies, 2004
Summary: Key market issues

- Forest law enforcement, governance and trade (illegal logging and trade of illegally sourced products)
- Forest sector development policies
- Policies for promoting use of sustainably produced products
- Climate change policies
- Wood energy policy
- Trade policy, tariff and non-tariff barriers

**Source:** Forest Products Annual Market Review, 2004-2005
II. Certified forest products markets
Certification of sustainable forest management

- Over 250 million hectares worldwide (6%)
- Over half of world’s certified area in N. America
- Another 40% in Europe
- Only 1% in tropical forests
Area of certified forests, 1996-2004

Top 8 countries certified forest area, 2003 and 2004

Certification schemes’ market share

- PEFC: 30%
- FSC: 25%
- SFI: 23%
- CSA: 15%
- ATFS: 5%
- Other: 2%

Certified forests by ownership type

- Industry: 50%
- State: 24%
- NIPFO: 23%
- Communal: 2%
- Other: 1%

Three quarters of the world's certified forests are privately owned or managed

Source: Savcore Indufor, 2005
Certified forest products markets

- Growing demand via wholesalers & retailers
- Demand boost by government procurement
- Private consumer demand remains minor
- Chain-of-custody key current development
- Most certified timber sold without label
  - Potential over 300 million m³ (20% world roundwood production)
  - Lost opportunities for market promotion and PR

Certified forest products markets

• Certification system conflicts discredit forest products in the marketplace
• Variety of schemes necessary for different stakeholders’ interests
• Impacts of forest certification locally significant
• Difficulties in certifying natural tropical forests, but less so for tropical plantations
• Markets developing slower than forest certification

Source: Savcor Indufor, 2005
Certification

• Introduced to combat deforestation in tropics
• Most certified forests are temperate & boreal
• Therefore, not an instrument to combat deforestation, but to promote sustainable forest management
• Mutual recognition between schemes an issue
• Potential additional roles
  – Verification mechanism in Kyoto Protocol
  – Indication of source, but not proof of legality

Sources: Savcor Indufor, and UNECE/FAO, 2005
III. Need for international forest products market information
Capitalizing on market opportunities

- **Domestic market**
  - Current needs
  - Developing demand for wood products
  - Or in low-forest countries, for non-wood goods and services
  - Information for government, trade associations, forestland owner associations, industry

- **Export markets**
  - Increasing imports in developed countries (example: USA)
  - Increasing imports in China, next India
  - Usually higher profitability than domestic, CIS market
  - Attracting foreign investment
Policy interactions

• Developing new policies to support forest sector
  - Forestland management
  - Infrastructure and institutions
  - Restitution of private land, and new private forestland owners and their associations
  - Market development (domestic and export)

• Monitoring policy effectiveness

• Trade association policies too
Forest resource interactions

• Country’s current forest
  - What is its market potential
  - Wood products
  - Non-wood products
  - Services (watershed protection, recreation, eco-tourism, hunting & fishing)

• Planning forest management for future markets
  - What species are needed?
  - For fibre, pulpwood or logs?

• Resource is global, transportable
Discussion and Questions
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