Global forest products market trends

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Main sources of information

- *Forest Products Annual Market Review*, UNECE/FAO
- *Importance of China’s Forest Products Markets on the UNECE Region*, UNECE/FAO
- UNECE/FAO Timber Database, UNECE/FAO
- FAO Statistics database
- UN Comtrade database

I. Introduction
Global Forest Products Trade
by Ed Pepke, EFI
Forests, Markets, Policy & Practice
Shanghai, China, 22 June 2011

World shaped by political boundaries

Source: Worldmapper, 2009

World shaped by population

Source: Worldmapper, 2009

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As shaped by forest products production

Sources: Worldmapper & FAOStat, 2009

Shaped by wood and paper consumption

Sources: Worldmapper & FAOStat, 2009
As shaped by forest products exports

Sources: Worldmapper & FAOStat, 2009

As shaped by forest products imports

Sources: Worldmapper & FAOStat, 2009
Structural change in forest sector – 4 underlying reasons

1. Downturn in demand forcing rationalization of production capacity
2. Climate change policies: escalation of wood energy production, consumption and trade
3. Globalization of forest products markets, e.g. China’s rise as a major provider of forest products in the global markets
4. International control of origins of wood to ensure sustainable and legal production.
II. Global market drivers

Global market drivers

b. Increasing consumption of wood products, including China
c. Green building – wooden construction, interiors
d. Certification and public procurement policies
e. Fight against illegal logging & trade – FLEGT, EU Timber Regulation, US Lacey Act Amendment
f. EU renewable (wood) energy policies
g. Japan’s reconstruction from March 2011 earthquake and tsunami
a. Economic and construction developments

- Recovering from the most severe financial shock since the Great Depression
- Deepest economic downturn since World War II
- Debt crisis continues in the Euro-zone
- Sluggish recovery despite massive intervention
- High unemployment restrains recovery

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**Housing Starts: North America vs. Europe**

- **Europe**
- **North America**

Source: CMHC / NAHB / Euroconstruct 2010/11 - Forecast

Source: WOOD MARKETS Monthly Newsletter, 2010
United States housing starts, 2006-2012

- Peak 2.2 million new houses per year in 2005
- But 2010: 580,000 new houses; 2011 600,000 forecast
- Huge inventory unsold new and used homes +
- “Shadow homes” (owned by banks, not on market)
- House prices down at 2003 levels
- Problems grew
  - Sub-prime mortgages with little down payment
  - Mortgage value greater than house value
  - Economic downturn → foreclosures
- Source of problem / source of recovery
b. Globalization and increasing consumption

- International trade doubled in last 10 years (more later)
- China’s domestic consumption doubled over last 10 years for sawnwood, panels, paper and paperboard
- Developing countries’ consumption increasing with improved standards of living, in part due to international trade

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**Chinese consumption of wood & paper products**

+10%/year forecast to 2015, without roundwood

- 75-80% production is consumed domestically. Link with GDP

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c. Green building

- Energy efficient
- Considering construction materials’ environmental impacts
- Wood frame construction for residences, businesses
- Wood used in interior applications

d. Certification and public procurement policies
Certification drivers

- Procurement policies by governments, organizations, corporations
- Business-to-business (not by consumer demand)
- Minority of companies that have chain of custody
- Considerable potential for development
  - EU FLEGT and Timber Regulation
  - USA Lacey Act Amendment
  - Corporate responsibility programs (trade associations and companies)

E. Fight against illegal logging & trade

- EU FLEGT Action Plan
- EU Timber Regulation
- US Lacey Act Amendment
f. Wood energy

The only market sector that grew during the 2008-2009 economic crisis

Wood energy drivers

- European Union renewable energy targets: 20% renewables by 2020
- Rising fossil fuel costs
- Energy security – independence from imports
- Environmental concerns with fossil fuels
- Countries phasing out nuclear energy
- Forest sector development by governments and industry
- Industry-driven diversification
European wood pellet production capacity

- Germany
- Sweden
- Austria
- Portugal
- France
- Poland
- Latvia
- Finland
- Others


Major European pellet importing countries and their suppliers, 2009

- US
- Canada
- Germany
- Russia
- Sweden
- Estonia
- Finland
- Latvia
- Austria
- Other

Modern wood energy

- Production is efficient, economical and environmentally sound
- Beneficial for some parts of the forest sector
- Presents competition for low-grade, small-diameter timber with other parts of the sector
- Generated global trade of low unit-value wood.

Photo source: M. Fonseca

- g. Japan’s recovery from earthquake and tsunami

- Temporary wood shelters
- Earthquake-resistant wooden houses and buildings
- Concrete forming (panels and sawnwood)
III. Global trade trends

Source: UN Comtrade, 2011.
Global value-added imports

Doubled in 10 years

-16%

Value-added forest products exports

Doubled in 10 years

Source: UN Comtrade, 2010.
Chinese forest products exports

- **Doubled in 4 years**

- **Note:** 2010 value-added estimated.
- **Source:** UN Comtrade, 2011.

Chinese consumption of wood & paper products

- **Note:** Forecast by Wood Markets International, 2010.
- **Sources:** FAOStat, UNECE/FAO estimates, 2010.
IV. Conclusions

Conclusions (1 of 2)

• Structural change in forest sector – requires innovation in products, processing and marketing
• Global trade
  – Doubled in years preceding 2008-2009 economic crisis
  – Now rebounding
• Recovery dependent on US housing market, remains weak
• China suffered less than other countries, in part from increasing domestic consumption
Conclusions (2 of 2)

- Forest sector negatively affected by illegal logging and trade
- FLEGT, EU Timber Regulation, US Lacey Act Amendment to ensure legality, sustainability
- Other market drivers
  - Certified wood and paper products
  - Public procurement policies
  - Green building
  - Wood energy
  - Japanese recovery

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Thank you!

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