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## Global forest products market trends

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Forests, Markets, Policy & Practice – Shanghai, 23 June 2011



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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

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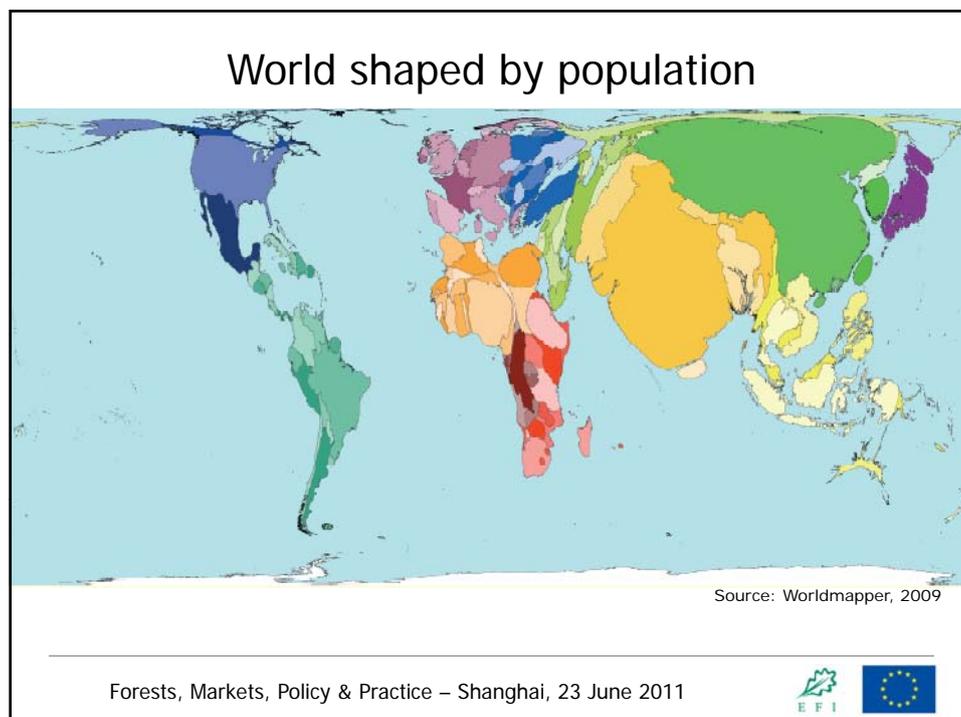
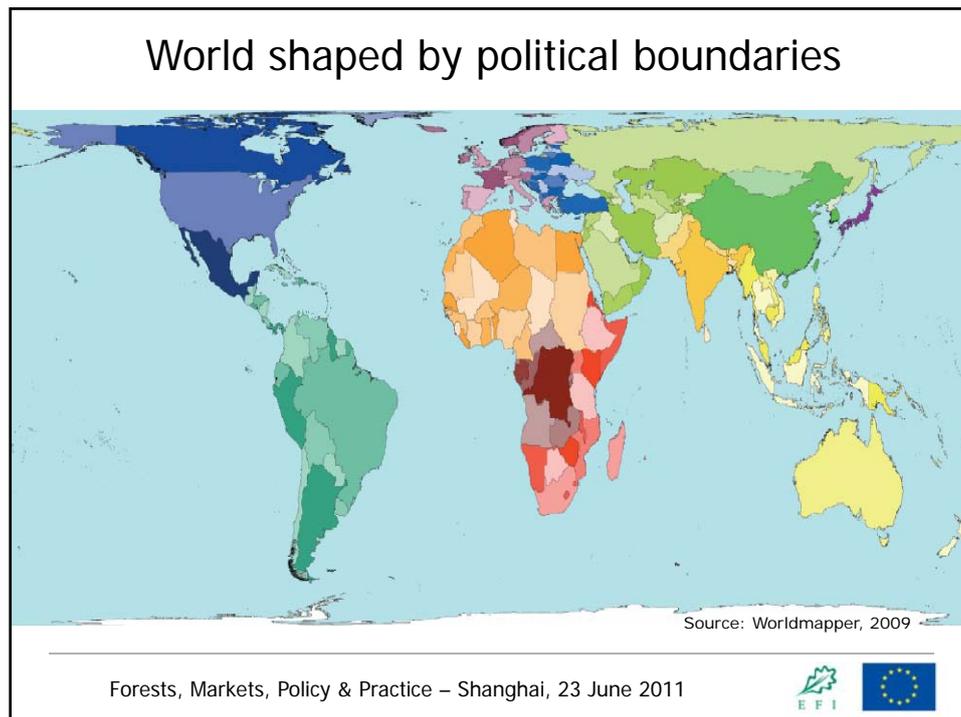
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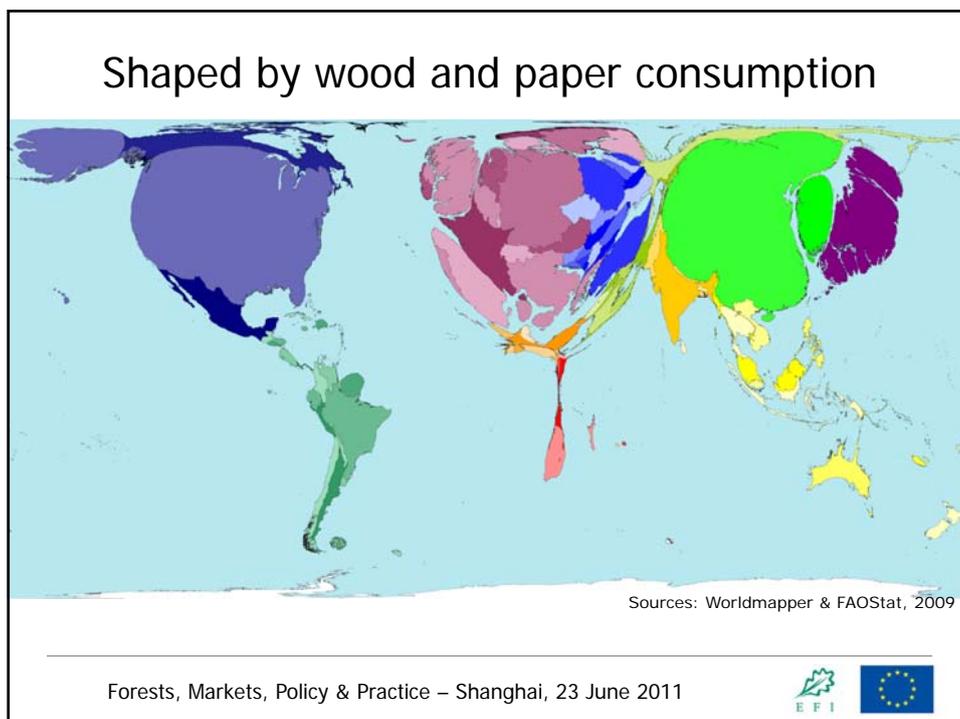
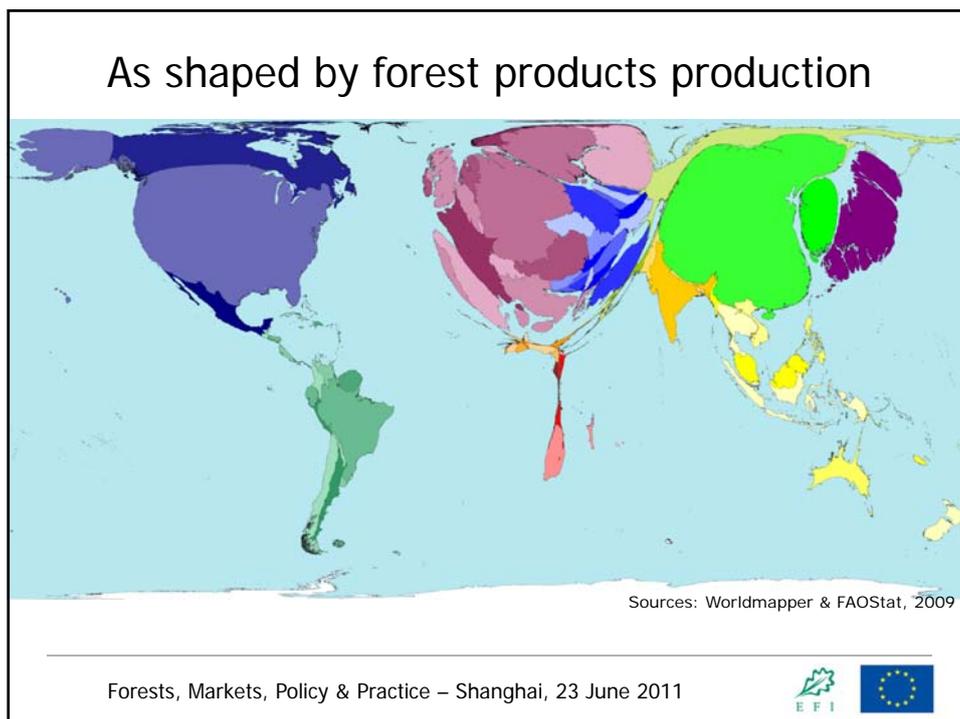
## I. Introduction

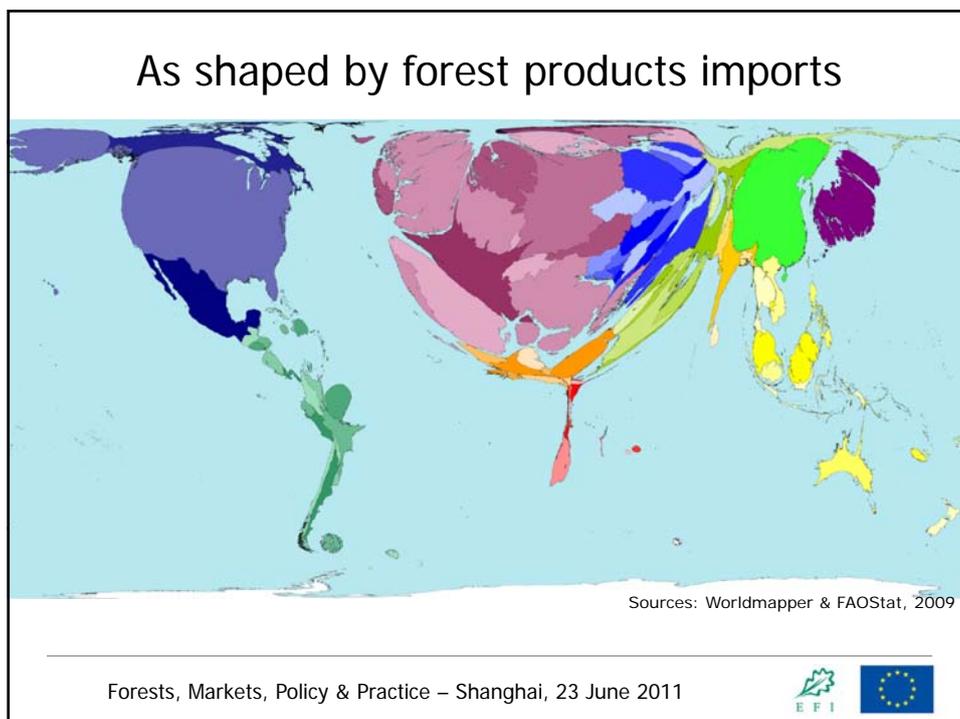
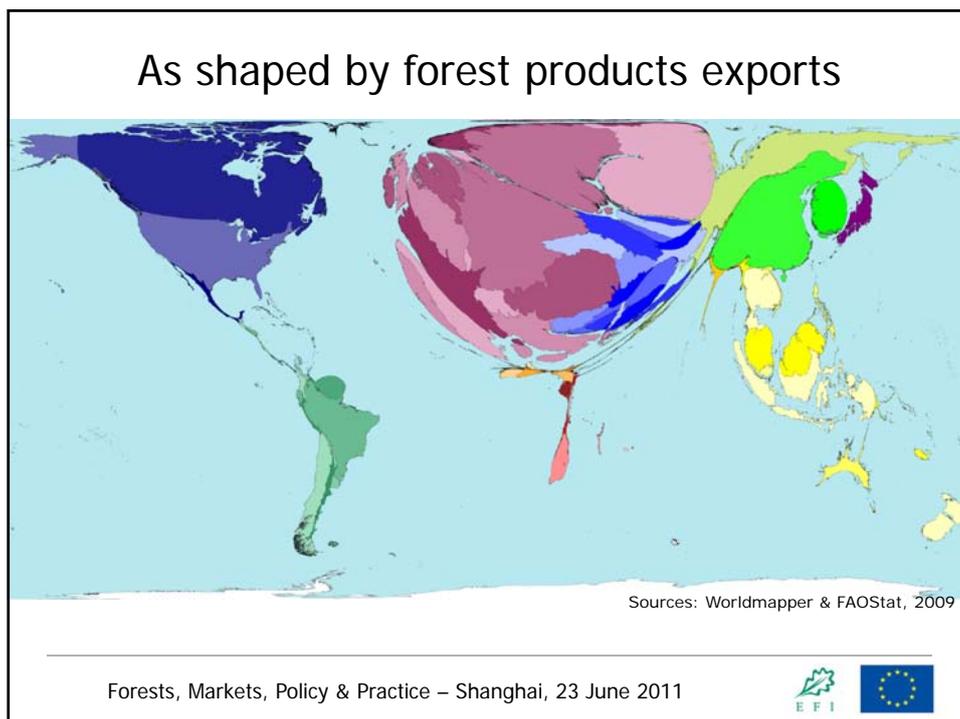


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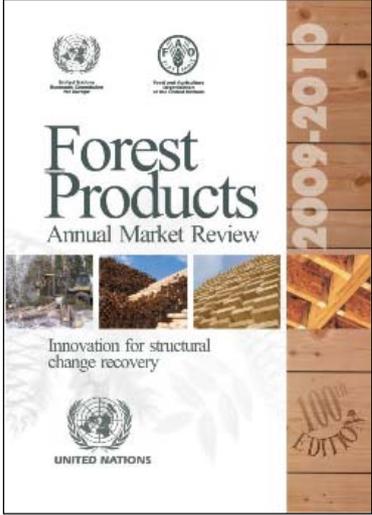






UNECE/FAO *Forest Products Annual Market Review*

**"Innovation for structural change recovery"**  
**Main finding**



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### 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.

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## II. Global market drivers



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## Global market drivers

- Recovery from global economic, financial crisis 2008-2009
- Increasing consumption of wood products, including China
- Green building – wooden construction, interiors
- Certification and public procurement policies
- Fight against illegal logging & trade – FLEGT, EU Timber Regulation, US Lacey Act Amendment
- EU renewable (wood) energy policies
- Japan's reconstruction from March 2011 earthquake and tsunami

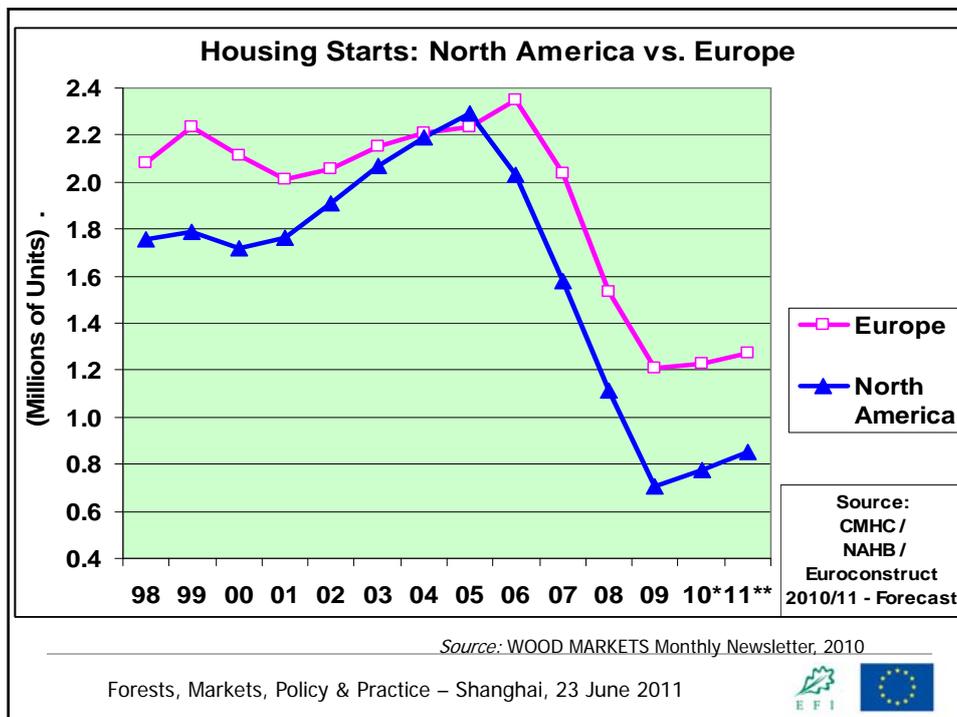
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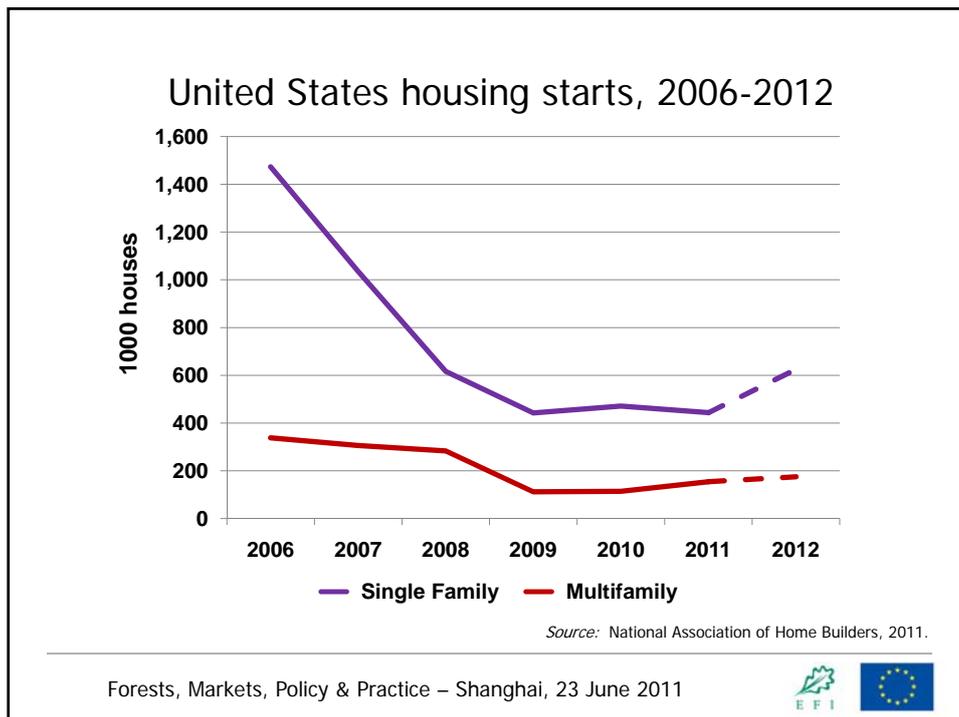


a. Economic and construction developments

- 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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### 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

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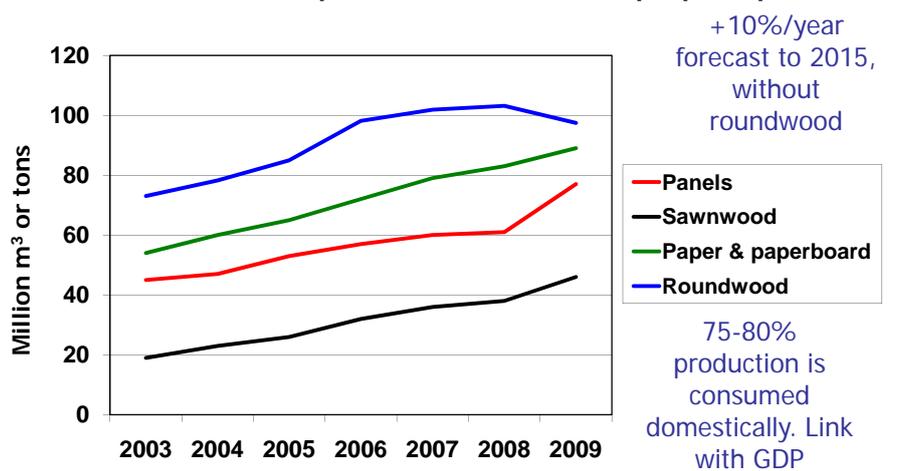
b. Globalization and increasing consumption

- 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



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

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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

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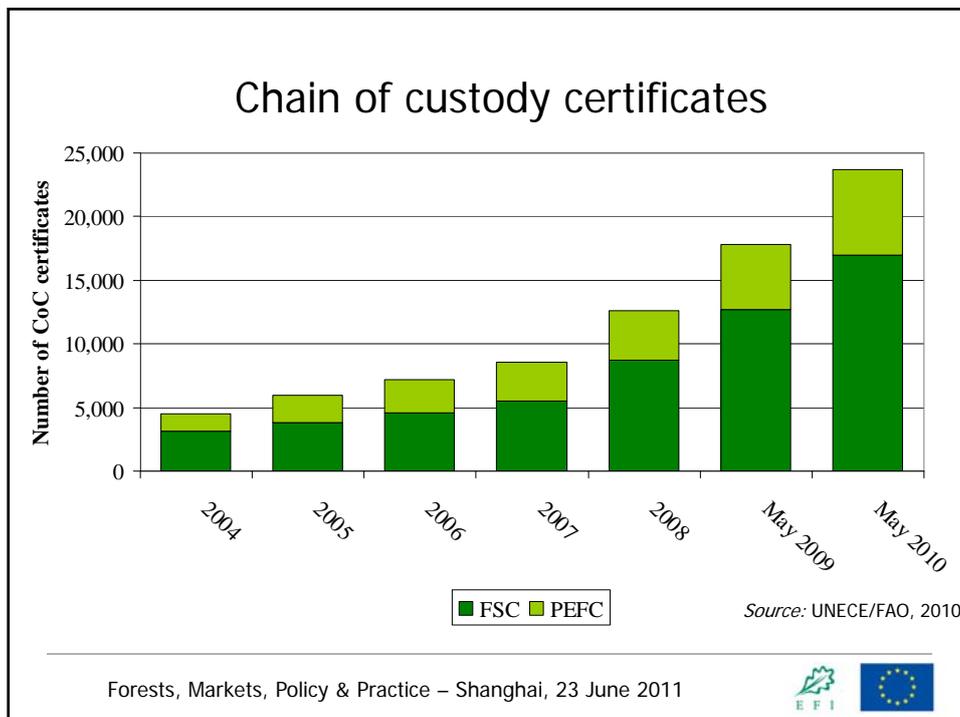
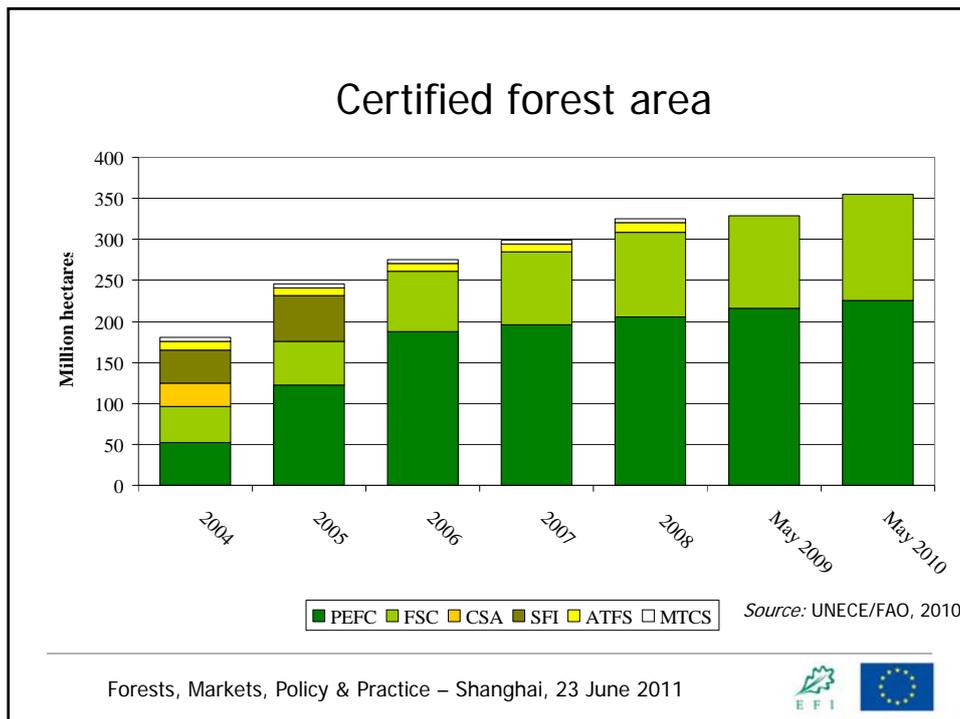


d. Certification and public procurement policies



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### 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)

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### e. Fight against illegal logging & trade

- EU FLEGT Action Plan
- EU Timber Regulation
- US Lacey Act Amendment

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*Photo source: Metsaliitto*

#### f. Wood energy

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

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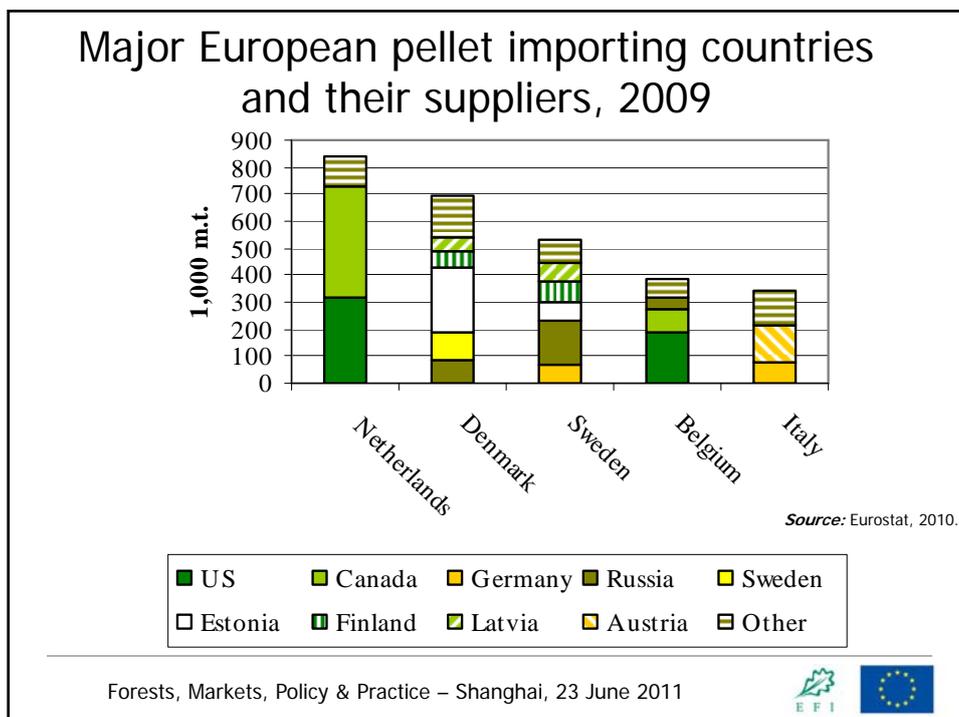
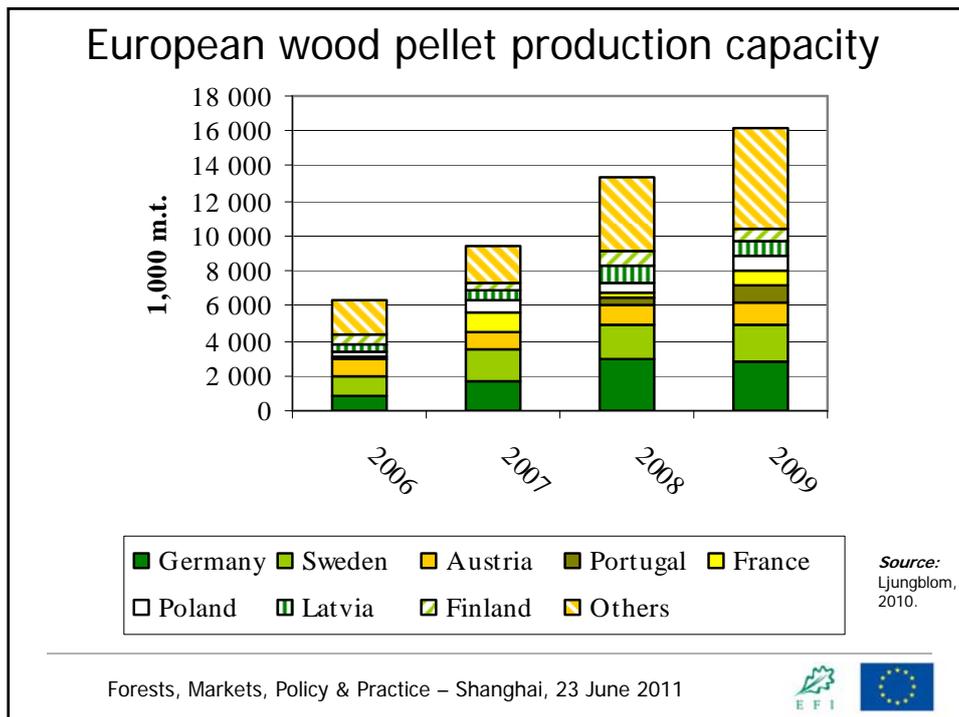


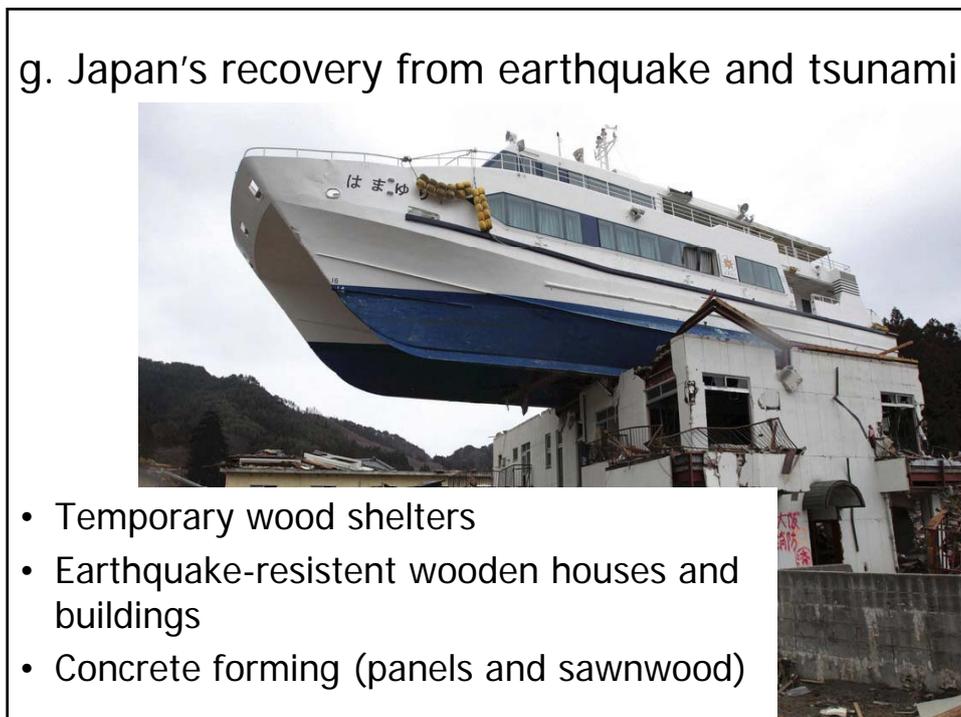
### Wood energy drivers

- 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

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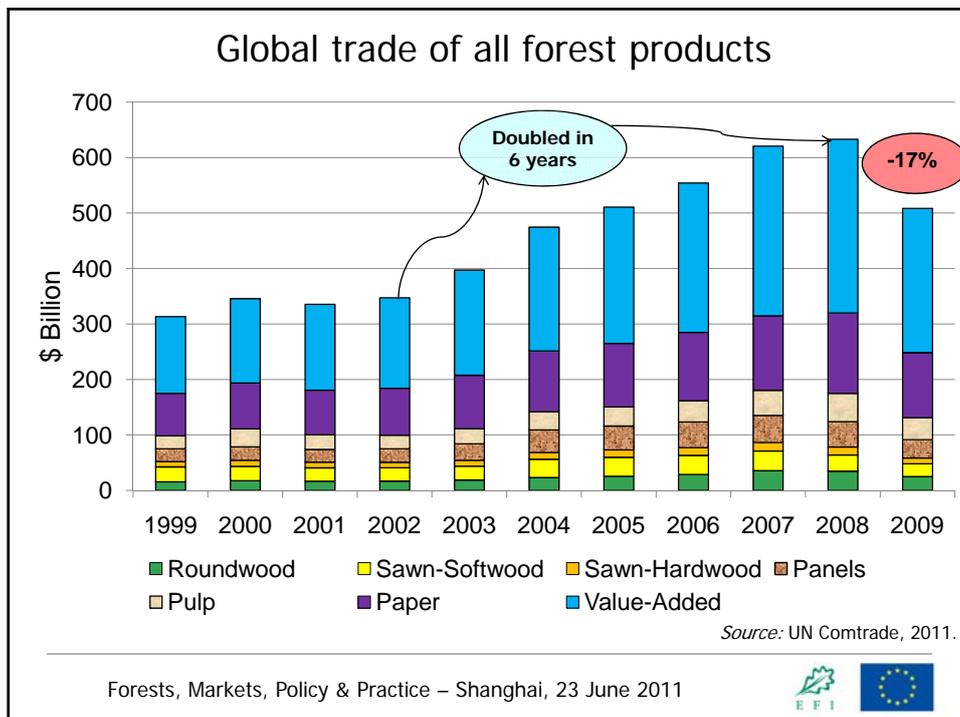
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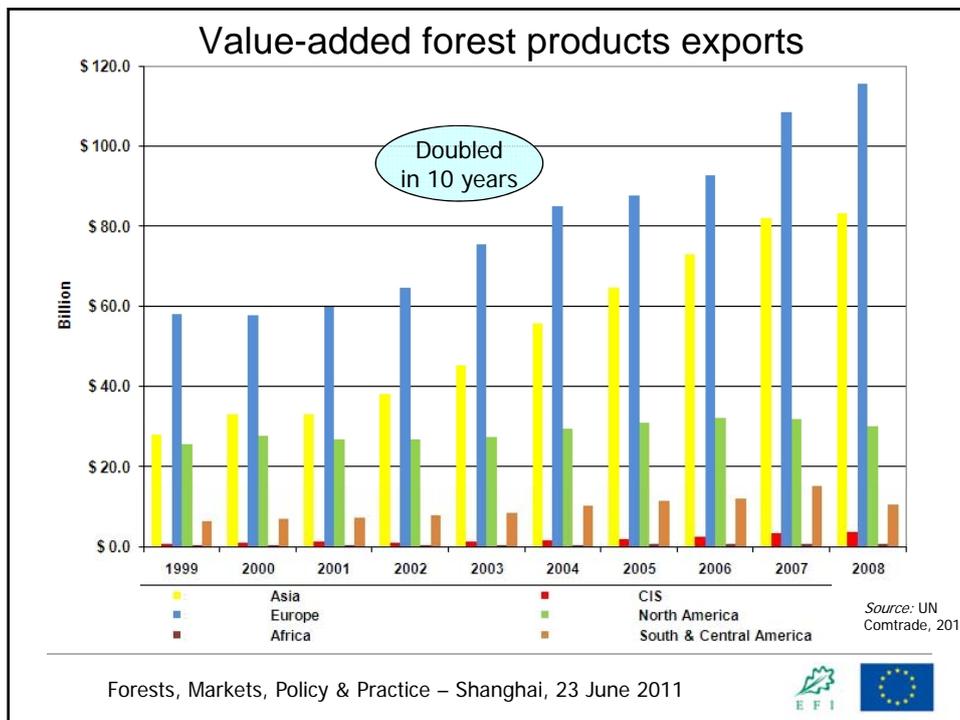
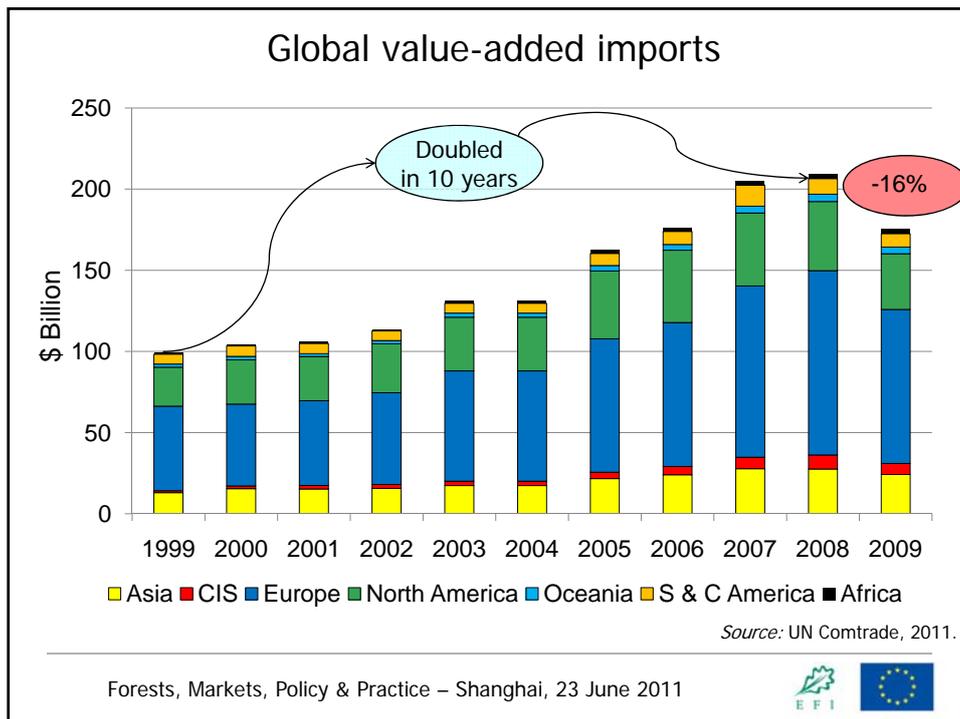
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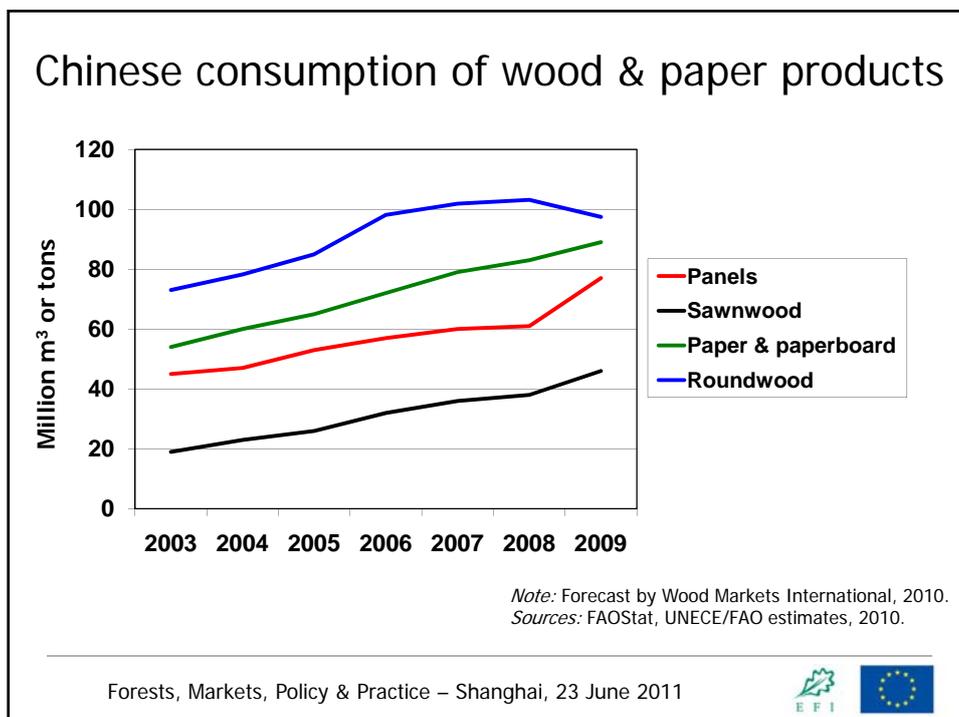
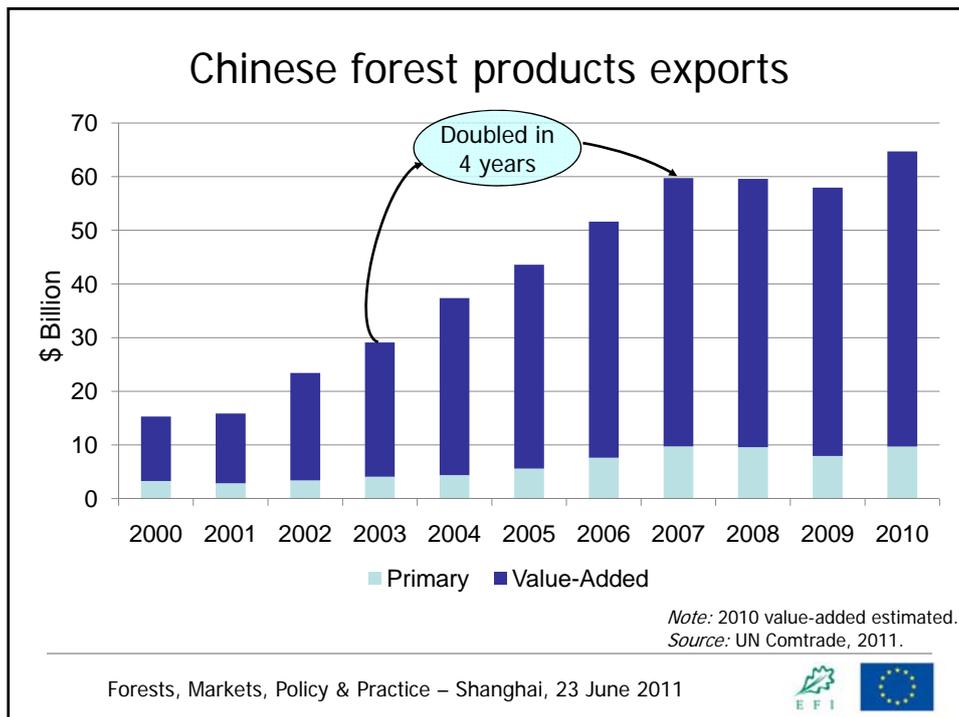
### III. Global trade trends

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## IV. Conclusions



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### 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

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## Conclusions (2 of 2)

- Forest sector negatively effected 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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