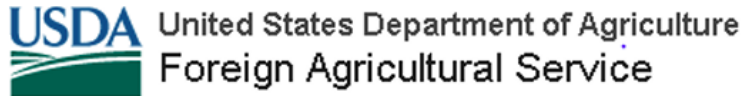




29 November 2021



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP



Voluntary Report – Voluntary - Public Distribution

Date: October 29, 2021

Report Number: RP2021-0062

Report Name: Philippine Wood Products Report

Country: Philippines

Post: Manila

Report Category: Wood Products, Promotion Opportunities, Promotion Opportunities, SP1 - Expand International Marketing Opportunities, Wood Products

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Prepared By: Marie Christine Del Castillo

Approved By: Ryan Bedford

Report Highlights:

The Philippines' declining production of lumber and other wood products cannot meet the country's growing demand for residential, commercial, and public construction projects. As operations in the industry gain momentum, FAS Manila forecasts a 5 percent rise in wood imports by year-end and additional opportunities over the following years. Due to the country's growing import requirement, Post projects a 50 percent increase in U.S. forestry product exports this year, with long-term potential in this emerging market.

PHILIPPINE WOOD PRODUCTS REPORT

SUMMARY

Given the rise in Philippine residential, commercial, and public construction projects, the declining production of lumber and other wood products cannot meet the country's demands. Wood manufacturers have therefore increasingly turned to imports for alternative sources of forestry products.

With the present pandemic situation, FAS/Manila (Post) forecasts a 15 percent increase in wood imports by year-end, as operations in the industry pick up in 2021 and continue in 2022. Post projects a 50 percent increase in U.S. forestry product exports in 2021 versus last year due to high demand in the market.

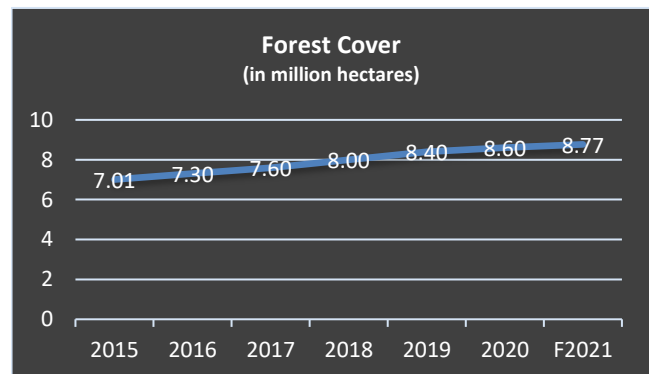
PHILIPPINE FORESTS

Philippine total land area is 30 million hectares, slightly larger than the state of Arizona.¹ The country's forest cover (i.e., natural and man-made forests) is around 23 percent of total land area, lower than the global average of 30 percent and significantly less than Vietnam (47 percent), Indonesia (49 percent), and Malaysia (58 percent).²

Driven by reforestation programs under the National Greening Program ([Executive Order 26](#)), the Department of Environment and Natural Resources (DENR) has planted 1.3 billion seedlings on approximately 1.7 million hectares from 2011 to 2016 to improve forest cover.³ The government extended [Executive Order 26](#) via the [Enhanced National Greening Program \(E-NGP\)](#) to 2028 to rehabilitate 7.1 million hectares of denuded forest lands as well as maintain and protect existing forests.



Source: [Global Agricultural Trade System \(GATS\)](#)



Source: [Department of Environment and Natural Resources \(DENR\)](#), [Forest Management Bureau \(FMB\)](#), and FAS Research

Meanwhile, the Office of the President has issued [Executive Order 23](#), prohibiting the harvesting of timber in natural forest. The Department of Interior and Local Government (DILG) has also ordered local leaders to reactivate anti-illegal logging task forces and urged the deployment of more forest guards.

¹ <http://forestry.denr.gov.ph/index.php/publications/2020> (Accessed July 9, 2021).

² <https://data.worldbank.org/indicator/AG.LND.FRST.ZS> (Accessed July 12, 2021).

³ [DENR Issues New Guidelines to Increase the Participation in Gov't Reforestation Program](#) (Accessed July 8, 2021).

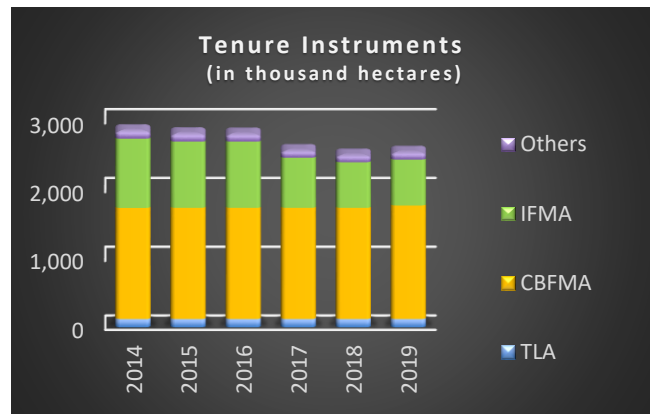
To ensure management of forest lands, DENR issues land tenure instruments for the use of public lands (e.g., [Community-Based Forest Management Agreement \(CBFMA\)](#), [Integrated Forest Management Agreement \(IFMA\)](#), [Socialized Integrated Forest Management \(SIFMA\)](#), Certificate of Ancestral Domain Claim/Title, and Private Land ownership). According to the [Forest Management Bureau \(FMB\)](#), tenured instruments totaled 2.5 million hectares in 2019, including forest rehabilitation, preservation, sustainability, plantation, and others⁴.

Government programs, however, have yielded marginal results to date. Other priorities overshadow government efforts, as the country faces pandemic challenges. Poverty, land-use conversion, forest fires, landlessness, insufficient funds, lack of political will, and widespread illegal logging have contributed to the present critical condition of Philippine forests. These factors have created opportunities for wood importation to address the supply shortage and meet local demand.

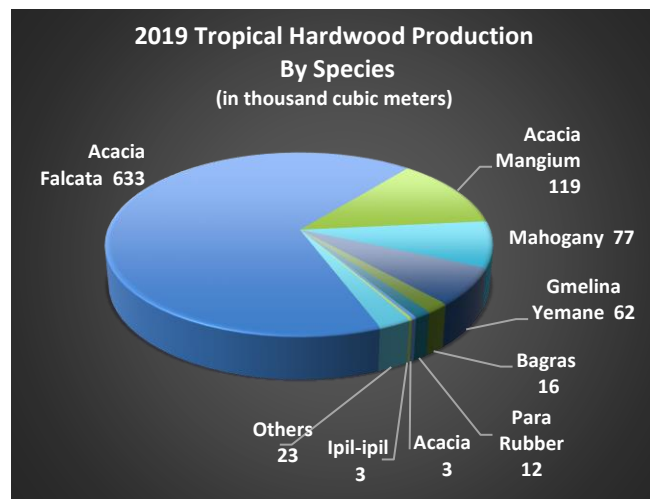
PRODUCTION

The primary species grown in the Philippines are tropical hardwoods Acacia Falcata, Acacia Mangium, Mahogany, and Gmelina Yemane. The southern part of the country produces the majority of the lumber, veneer, and plywood. Given the potential to generate income for rural families, short maturity period, and pulp texture, wood processors favor Acacia Falcata to produce plywood, ply-boards, and packaging materials. Substitutes for Philippine Mahogany also have an opportunity to fill in the demand for plywood.

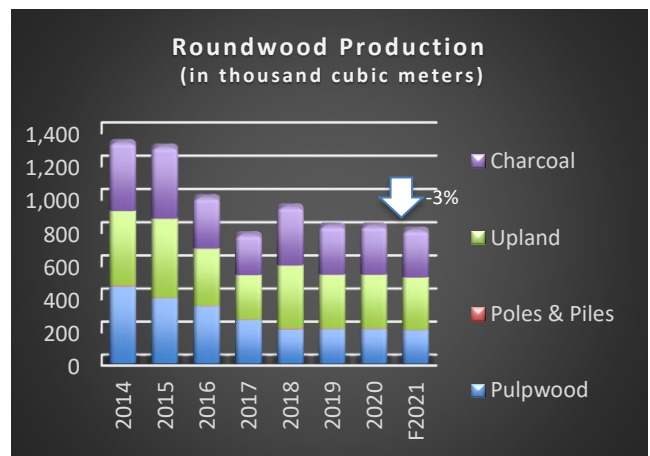
The Philippine Wood Producers Association (PWPA) noted a 30 percent decline in total log production in 2020 due to interruption of operations and the corresponding decrease in sales⁵. Currently, the government assists forest farmers to revive the



Source: [DENR, FMB](#)



Source: [DENR and FMB Regional Reports](#)

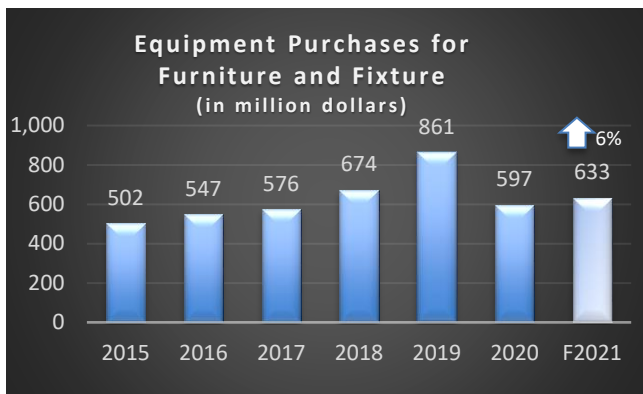


Source: [DENR, FMB](#), and FAS Research

⁴ <http://forestry.denr.gov.ph/index.php/statistics/philippines-forestry-statistics> (Accessed July 5, 2021).

⁵ [Wood Summit: The Role of Philippine Wood Industry in Nation Building](#) (Accessed July 9, 2021).

plywood and veneer industry in Mindanao⁶ while the Department of Energy continues the discussion on exploring wood chips as alternative sources.



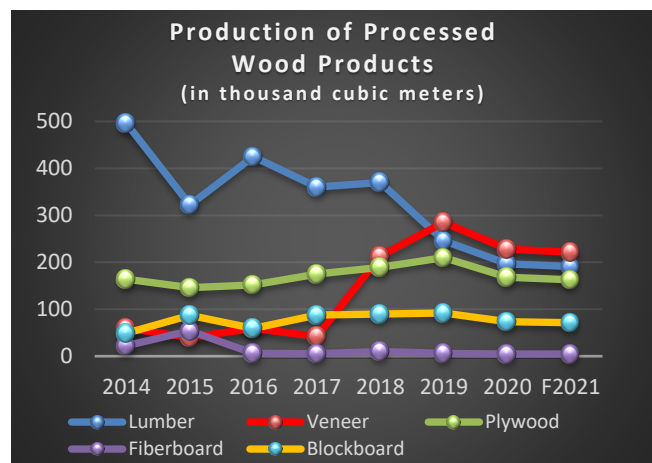
Source: [Philippine Statistics Authority](#) and FAS Research

CONSUMPTION

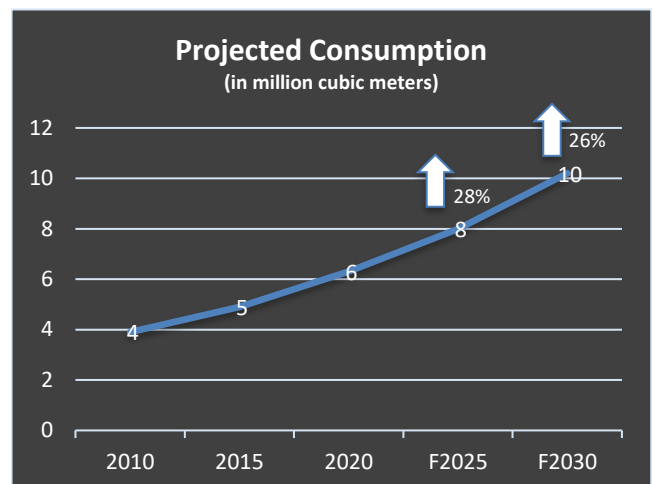
In 2020, the local supply of wood and wood-based products could not meet the 6-million-cubic-meter annual average consumption of the Philippines⁷. The growing local and export demand is due to the increased use of wood for construction (buildings, houses, bridges, and wharves), paper packaging and printing, furniture, cabinetmaking, and carvings.

Construction companies and real estate developers use wood products for residential and commercial projects (condominiums, hotels, resorts, houses, restaurants, and coffee shops) for the structure, outer walls, interiors, doors, window frames, and roof decks. Some famous vacation establishments (e.g., [Tagaytay Highlands](#) and [Manor Hotel](#) in Baguio) used imported Western Red Cedar logs to create log cabin interiors.

The Philippine government allocated \$22 billion for ongoing projects under the [Build Build Build Program](#). Over the past five years, the [Department of Transportation](#) completed hundreds of projects. One successful Build Build Build project that opened in 2019 is the Mactan-Cebu International Airport, an [award-winning](#) passenger terminal building



Source: [DENR, FMB](#), and FAS Research



Source: [DENR, FMB](#)



Mactan-Cebu International Airport, [Philippine News Agency](#)

⁶ <https://www.bworldonline.com/plywood-revival-in-mindanao-planned/> (Accessed August 16, 2021).

⁷ <https://forestry.denr.gov.ph/> (Accessed July 20, 2021).

showcasing imported glue-laminated timber in its arches.

The improvement of infrastructure comes alongside the development of more hotels in the country. Construction projects in high-end local and international hotels and serviced apartments are expected to add 9,000 rooms from 2019 to 2021.⁸ The [Tourism Infrastructure and Enterprise Zone Authority](#) allocated a three-year budget worth \$280 million for several tourism programs and infrastructure to help mitigate the effects of COVID-19.⁹

Based on interviews, contractors struggle with lockdown restrictions enacted by Local Government Units (LGUs) that stymie completion dates for existing projects, especially in urban areas. Construction companies needed to reduce labor and working hours during lockdowns, delaying private and government projects. Moreover, construction companies incurred additional operating expenses to provide on-site housing for workers.

Post estimates the construction industry will pick up by the fourth quarter of 2021 and reach pre-COVID-19 levels by 2025, as construction of houses and buildings rises with resumed operations.

In the furniture industry, Posts anticipates the value of output in manufacturing furniture to grow by 10 percent in 2021. The sector depends mainly on local demand, with 10 percent of total production allotted for exports. According to interviews, furniture exporters were resilient during the pandemic. Furthermore, local demand for furniture rose simultaneously with the renovation and construction of new houses and with the aid of online ordering. Most furniture hubs are located in Metro Manila, Cebu, and Pampanga, while others are in Davao, Cavite, Laguna, Batangas, and Rizal.



Source: [Euromonitor International](#) and FAS Research



Furniture Hubs in the Philippines

Source: Emerging Markets Program Assessment 2016

⁸ [Tourism boom drives investments in Philippine hospitality sector/](#) (Accessed June 17, 2021).

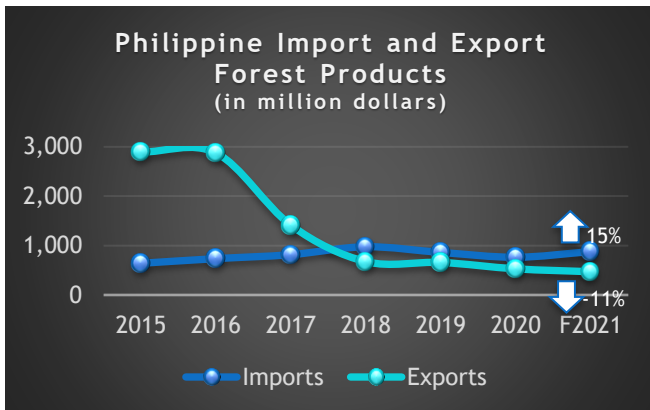
⁹ [P14-B allocation to span 3 years for tourism support: DOT](#) (Accessed July 26, 2021).



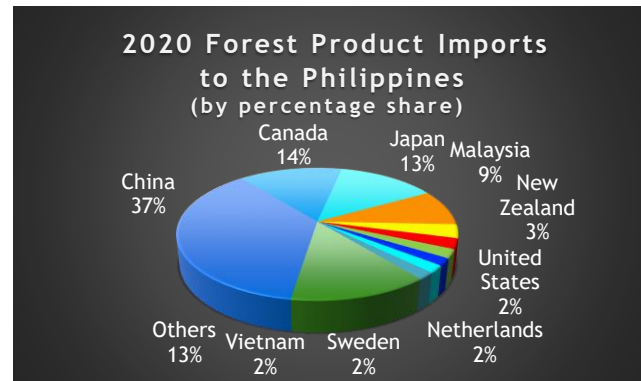
Source: [PSA](#) and FAS Research

TRADE

Total Philippine forestry product exports have mostly stabilized after years of decline, while wood imports are expected to rise in 2021.



Source: [Trade Data Monitor, LLC](#) and FAS Research



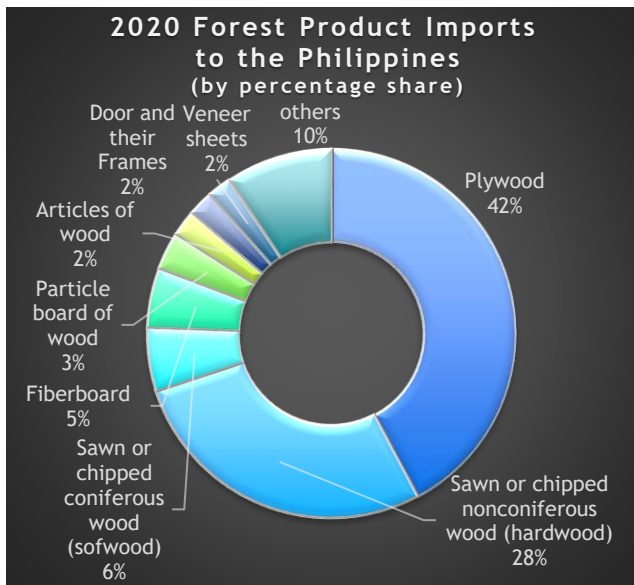
Source: [Trade Data Monitor, LLC](#)

IMPORTS

The Philippines imports 75 percent of its wood and wood products, the majority being plywood, veneered panels/sheets, laminated wood, and coniferous or non-coniferous wood sawn or chipped lengthwise. After a 12 percent decline in imports last year, Post forecasts a 15 percent increase in 2021 as demand for imported wood rises. In 2020, the Philippines continued to import forest products mainly from Asian countries, with other suppliers including Canada, New Zealand, the Netherlands, Sweden, and the United States.

Imported Products	Top Trading Partners
Paper and articles of paper, and paperboard	China, Indonesia, Japan
Wood-based furniture	China, Malaysia, Japan
Pulp and waste paper	United States, New Zealand, Thailand
Other wood-based manufactured articles	China, Japan, Vietnam
Lumber	Canada, Ukraine, Finland

Source: [PSA](#)

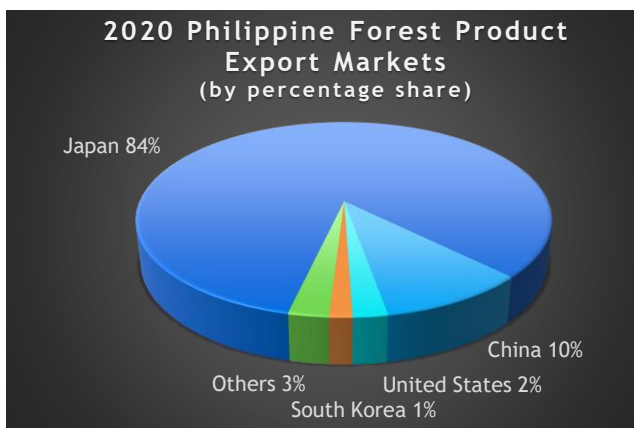


Source: [Trade Data Monitor, LLC](#)

EXPORTS

FAS Manila estimates an 11 percent decrease in 2021 exports. While lumber, pulp/wastepaper/paper, builder’s joinery and carpentry wood, and furniture continue to be in demand, wood processing plants and furniture makers are not expected to normalize before the fourth quarter of 2021.

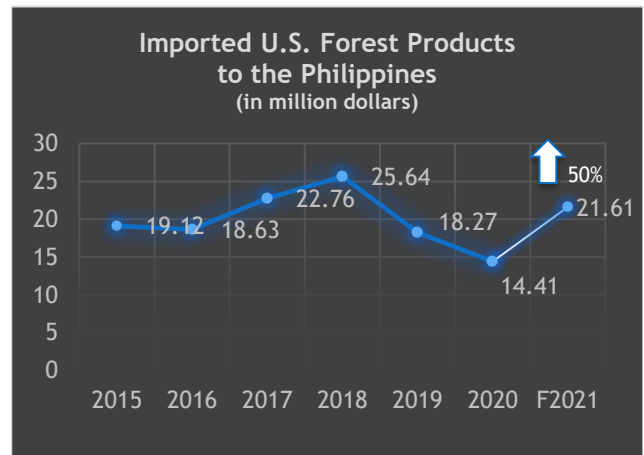
Japan remains by far the largest export destination for Philippine forestry exports, followed by China and the United States. [Philexport](#) initially planned to tap into new furniture markets, such as Qatar, Lithuania, Russia, and Malaysia, before the COVID-19 onset.¹⁰



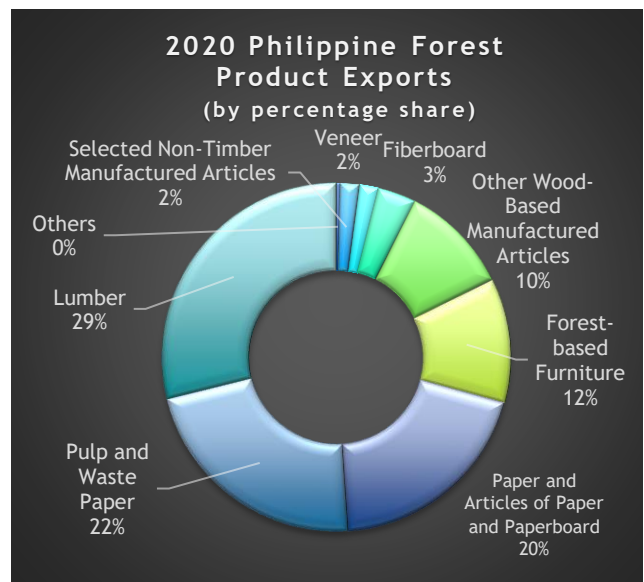
Source: [Trade Data Monitor, LLC](#)

Imports from the United States

Almost reaching pre-pandemic levels, Post projects a 50 percent increase in 2021 U.S. forestry imports due to demand for quality wood. The top U.S. forestry imports are coniferous or non-coniferous wood sawn or chipped lengthwise, wood in the rough, veneer sheets, casks/barrels/vats/tubs, French windows with frames, and builders' joinery and carpentry of wood. Moreover, imported boxboards, corrugated inner, and liner boards from the U.S. have potential for packaging products such as fruits.



Source: [Trade Data Monitor, LLC](#) and FAS Research

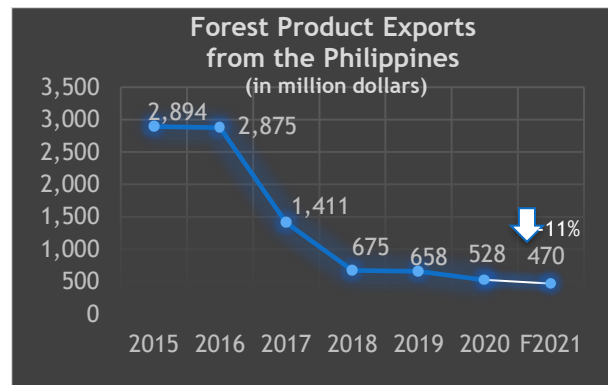


Source: [Trade Data Monitor, LLC](#)

¹⁰ [Furniture makers projecting 10-15% sales growth in 2020](#) (Accessed July 6, 2021).

Exported Products	Top Trading Partners
Lumber	Japan, United States, China
Pulp and waste paper	U.K., Netherlands, Japan
Paper and articles of paper and paperboard	United States, Indonesia, Taiwan
Forest-based furniture	United States, Japan, Netherlands
Other wood-based manufactured articles	Japan, United States, South Korea

Source: [Philippine Statistics Authority](#)



Source: [Trade Data Monitor, LLC](#) and FAS Research

INDUSTRY ANALYSIS

ADVANTAGES AND CHALLENGES

U.S. wood products have the following strengths, market opportunities, and challenges in the Philippine market:

ADVANTAGES

Construction

- U.S. wood for building airports, highways, and bridges and potential use in conservation of old buildings and green building designs
- Opportunities for imported veneer sheets to meet local demand for plywood
- Increasing demand for cladding and decks of houses and buildings

Furniture

- Local demand for furniture for hotels, museums, leisure providers, and vacation houses to meet contract deadlines
- Demand for high value and durable customer-specific furniture items, as the Philippines is known to be the “Milan of Asia” for manufacturing high-quality furniture for domestic consumption and exports¹¹
- U.S. wood meets European requirements for the importation of furniture
- Potential use of engineered wood for furniture mass production

CHALLENGES

Supply

- Delayed supply due to container shortages and port congestion
- Yearly sourcing of wood items by furniture buyers

Pricing

- Competitive pricing on imported wood products from ASEAN countries
- Users shift from prime grade to lower grade for affordability and bulk of supply (e.g., imports from China and Malaysia)
- Export requirements compete with high U.S. demand for U.S. softwood resulting in increased pricing
- Costs of inter-island logistics

Product Familiarization

- Unfamiliarity with quality, variety, attributes, and grades of U.S. softwood and hardwood products to initiate trial and use
- Misconceptions about softwoods having inferior quality and strength compared to hardwoods

¹¹ <http://industry.gov.ph/industry/furniture/> (Accessed June 20, 2021).

Pulp and Wastepaper

- Opportunities for imported pulp and waste paper, given scarcity of used corrugated cartons from food and beverage retail stores

Standards

- Consistent quality based on international standards
- Reliable and sustainable source of wood and wood production
- Having a lower carbon footprint than cement and steel, providing eco-friendly products

Technology

- Increased use of e-commerce to penetrate the retail market, including furniture stores
- Leverage the capacity of some U.S. companies to handle design-to-construction big data

Technical Knowledge

- Lack of technical knowledge on production and value-adding of forest-based products
- Lack of exposure to the application of U.S. softwood and hardwood in construction designs
- Hesitation in using U.S. wood within a tropical climate, given wood infestation concerns

Read about factors affecting the Philippine wood product industry in the following reports:

- o [The Philippines Country Commercial Guide](#)
- o [Exporter Guide](#)

ENVIRONMENTAL EFFORTS

Agroforestry

There is a need for the government to support, educate, and assist agroforestry farmers and enact policies to strengthen technical forestry planning and management skills. Government agencies can help farmers develop lands into agroforest farms through existing programs,¹² introducing more tree species, and educating farmers on efficient and environment-friendly technologies (e.g., utilizing organic fertilizers). On the other hand, social-oriented forestry programs such as the Integrated Social Forestry Program, under the Community-based Forest Management strategy, promote forest rehabilitation while discouraging most upland farmers in slash-and-burn cultivation.

Climate Change

With current government efforts to improve conditions brought about by climate change, the Philippines joined the [Paris Agreement](#) with a recent submission of the [Nationally Determined Contribution](#) to reduce greenhouse gas emissions, such as carbon dioxide equivalent emissions from transportation, agriculture, and industry sectors. The Philippines became a State Party to the United Nations Framework Convention on Climate Change, committing to decrease carbon footprint and prevent biodiversity loss and destruction of sensitive ecosystems, such as Philippine forests. Wood harvested in a sustainable manner is a renewable construction material that emits less carbon footprint than steel or cement, attracting consumers with environment-related advocacies.

In addition, climate policies and changing technologies have led to lower paper consumption in printed materials. Companies shifting to digital newspapers, magazines, schoolbooks, and billing statements to embrace

¹² [The 2009 Upland Development Program - Reforestation and Agroforestry](#) (Accessed August 21, 2021).

technological improvements also provide environmental benefits. During the pandemic, more companies implemented paperless policies for safety and cost-cutting measures.

Biodegradable Materials

The government encourages groceries to use biodegradable materials such as local old, corrugated cartons (LOCC), eco-bags, and brown paper bags to substitute plastic bags. Biodegradable packaging for foodservice establishments currently using take-out bags, styrofoam, cups, food utensils, sachets, straws, and stirrers have market opportunities. Some LGUs started implementing legislative proposals (i.e., [House Bill No. 9147](#) and [Senate Bill No. 2262](#)) on a single-use plastic ban. Meanwhile, some private companies promote eco-friendly products for brand marketing purposes and Corporate Social Responsibility campaigns.

For U.S. biodegradable suppliers, please see [Bio-preferred Products](#) for details.

POLICIES AND PROCEDURES

An importer needs to register with DENR and obtain quality certification for imports, including imported plywood.¹³ Wood products require a Phytosanitary Certificate from the country of origin. This would be issued by USDA's Animal and Plant Health Inspection Service (APHIS) for U.S. origin products and would be submitted to the Philippine Department of Agriculture's Bureau of Plant Industry (DA-BPI). Access the following links for details:

- o [Philippines: FAIRS Annual Country Report](#)
- o [Revised Regulations Governing the Entry and Disposition of Imported Wood Products](#)
- o [Importer Registration](#)
- o [Phytosanitary Certification](#)

¹³ <https://www.dti.gov.ph/archives/news-archives/plywood-mandatory-certification/> (Accessed 23, 2021).

EVENTS

Virtual events and webinars allow buyers to interact with suppliers even during the pandemic. Apart from annual and monthly meetings of local organizations and B2B meetings, the following events are opportunities for launching programs to feature various wood species and high-quality standards of U.S. wood products:

DOMESTIC

PhilConstruct VX Virtual Exhibition November 4-7, 2021	Philippines International Furniture Show SMX Exhibition, Manila March 2022 (TBC)
The Philippine World Building and Construction Exposition Iloilo, July 7-10, 2022 (TBC) Cebu, September 8-11, 2022 (TBC) Davao, May 2023 (TBC)	Manila FAME 2022 SMX Exhibition, Manila October 2022 (TBC)

REGIONAL

Taipei Building Show Taipei, Taiwan December 9-12, 2021	Association of Southeast Asian Nations (ASEAN) International Furniture and Furnishings Show VX (AIFFS VX) March 2022 (TBC)	The International Woodworking and Furniture Manufacturing Components Show 2021 Jakarta, Indonesia September 21-24, 2022
VietnamWood Ho Chi Minh City, Vietnam October 18-21, 2022	MBAM OneBuild Malaysia October 2022	Taipei Building Show Taipei, Taiwan December 8-11, 2022

KEY CONTACTS AND INFORMATION

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Forest Management Bureau, Department of Environment and Natural Resources	Center for International Trade Expositions and Missions (CITEM)	Philippine Wood Producers Association (PWPA)
Department of Environmental and Natural Resources	Construction Industry Authority of the Philippines	ASEAN Furniture Industries Council (AFIC)
Department of Trade and Industry	Philippine Constructors Association	Cebu Furniture Industries Foundation, Inc. (CFIF)
Philippine Exporters Confederation, Inc. (PHILEXPORT)	International Federation of Asian and Western Pacific Contractors' Associations (IFAWPCA)	Chamber of Furniture Industries of the Philippines (CFIP)-National
United Architects of the Philippines	Philippine Institute of Interior Designers	

Attachments:

No Attachments.