FOREST PRODUCTS MARKETS & TRADE IN THE UNECE REGION

by

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DOBFO DOŠLI
to the workshop!

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

TIMBER COMMITTEE

EUROPEAN FORESTRY COMMISSION

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

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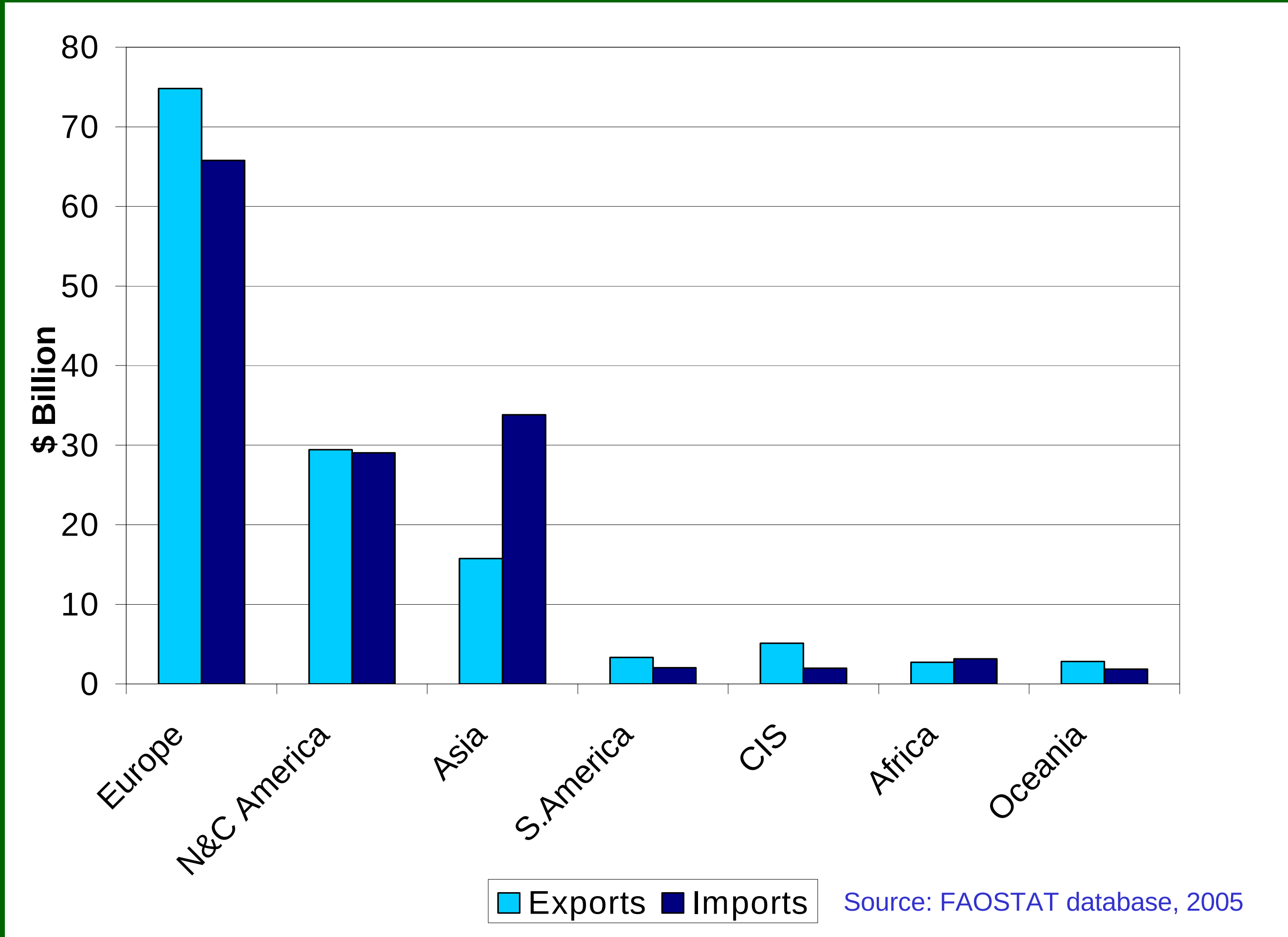
Where in the world is the UNECE region's trade?



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

Source: UNECE/FAO *Forest Sector Outlook Study, 2005.*

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

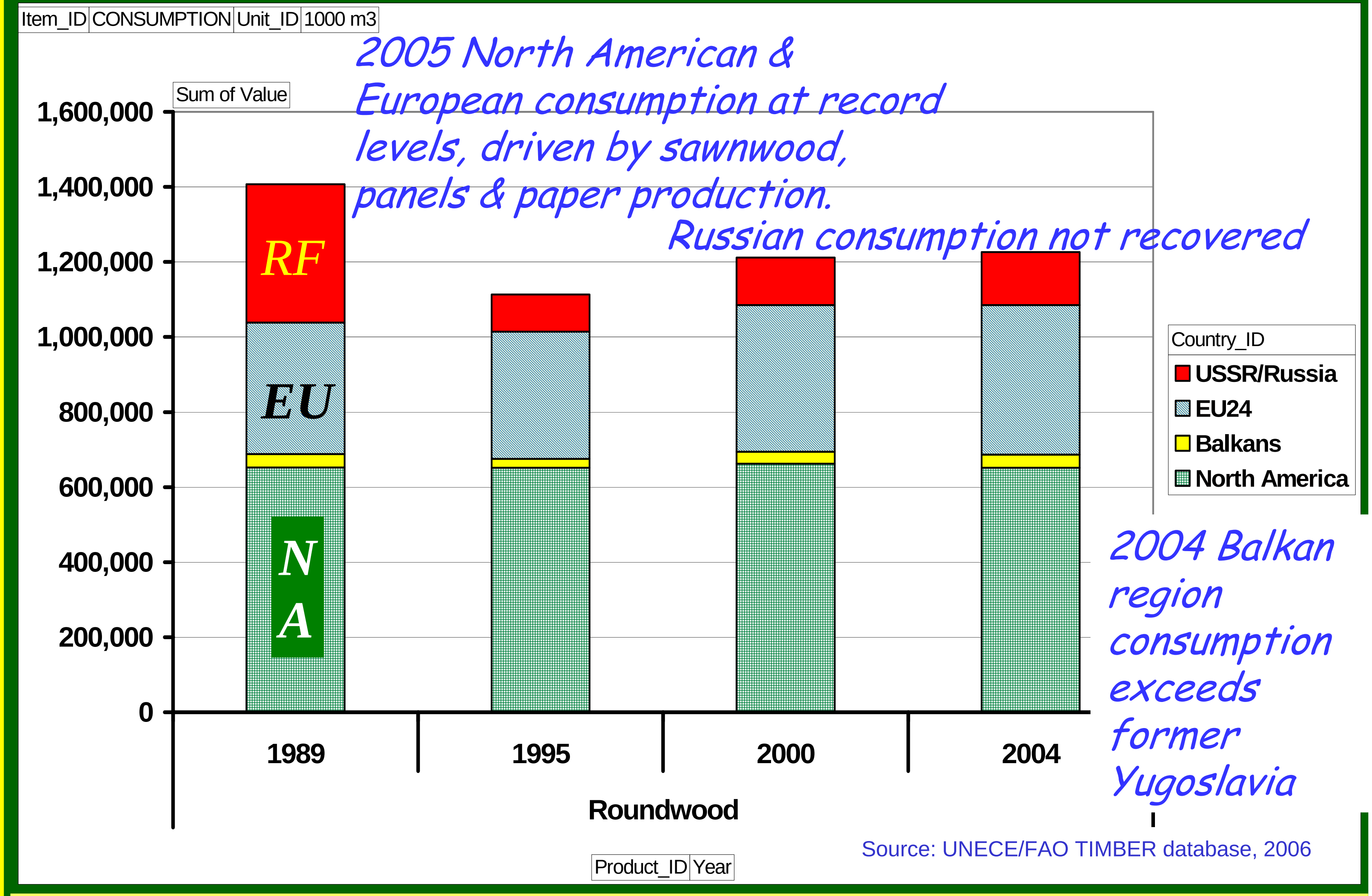
- Consumption (as an indicator of market demand)
- Production
- Exports
- Imports

Roundwood market highlights, 2005

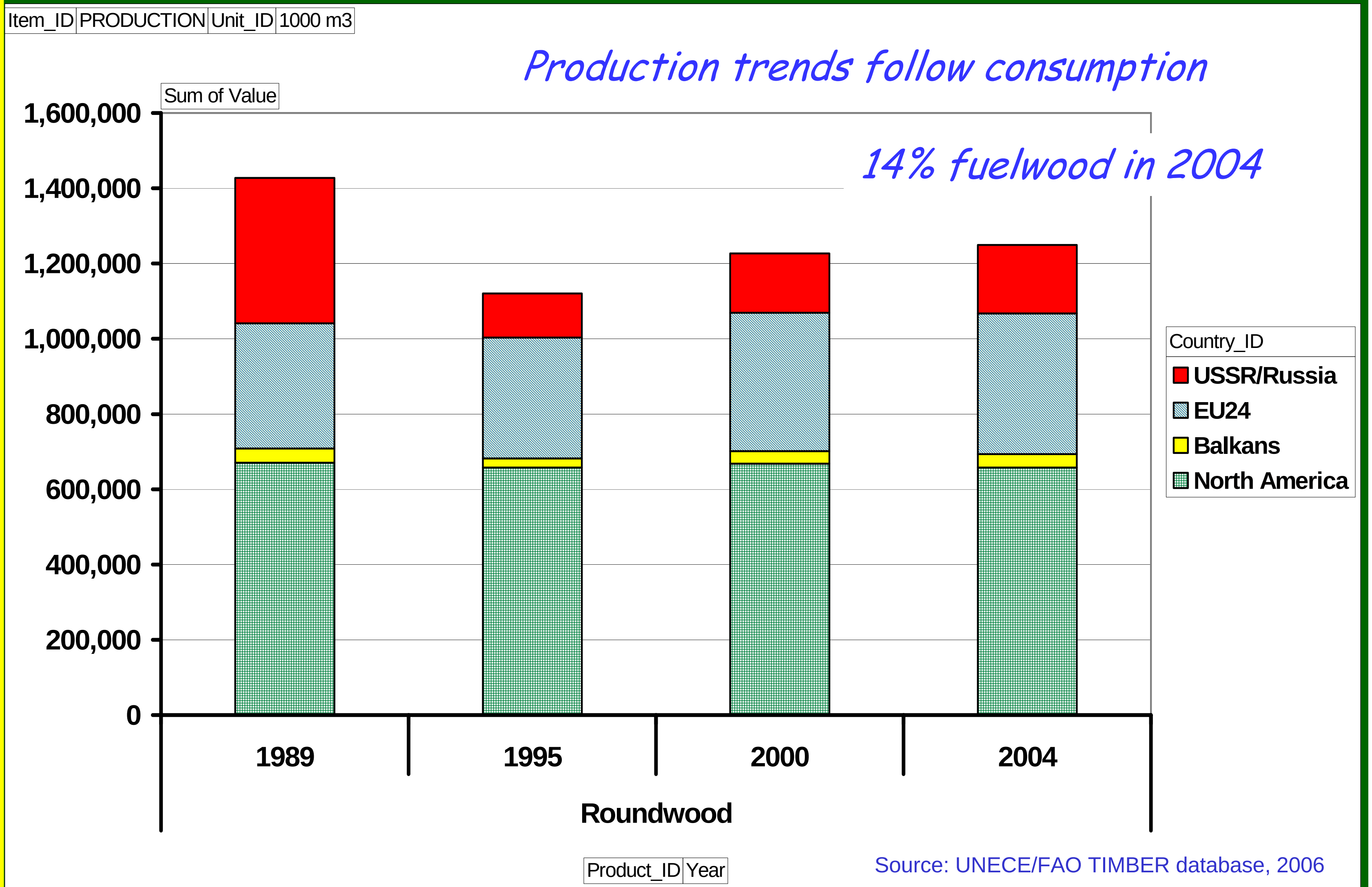
- Total roundwood removals in the UNECE region reached record levels, reflecting a growing demand for both wood and paper products.
- CIS exports of raw material rose 12% in 2004 = 1/3 of harvest.
- In addition to documented harvests and exports from Russia, there are substantial volumes of undocumented 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

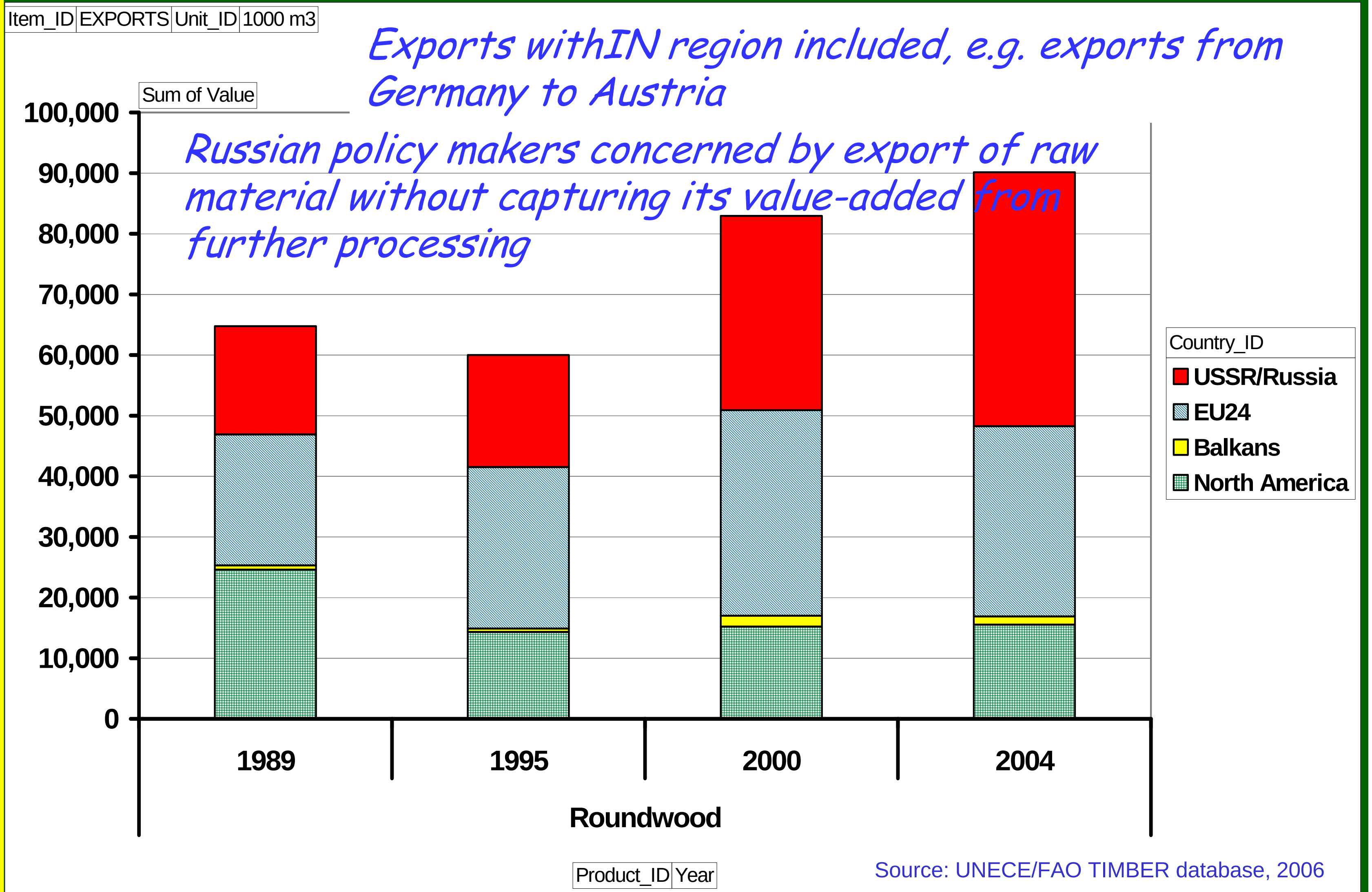
Roundwood consumption, 1000 m^3



Roundwood production, 1000 m^3

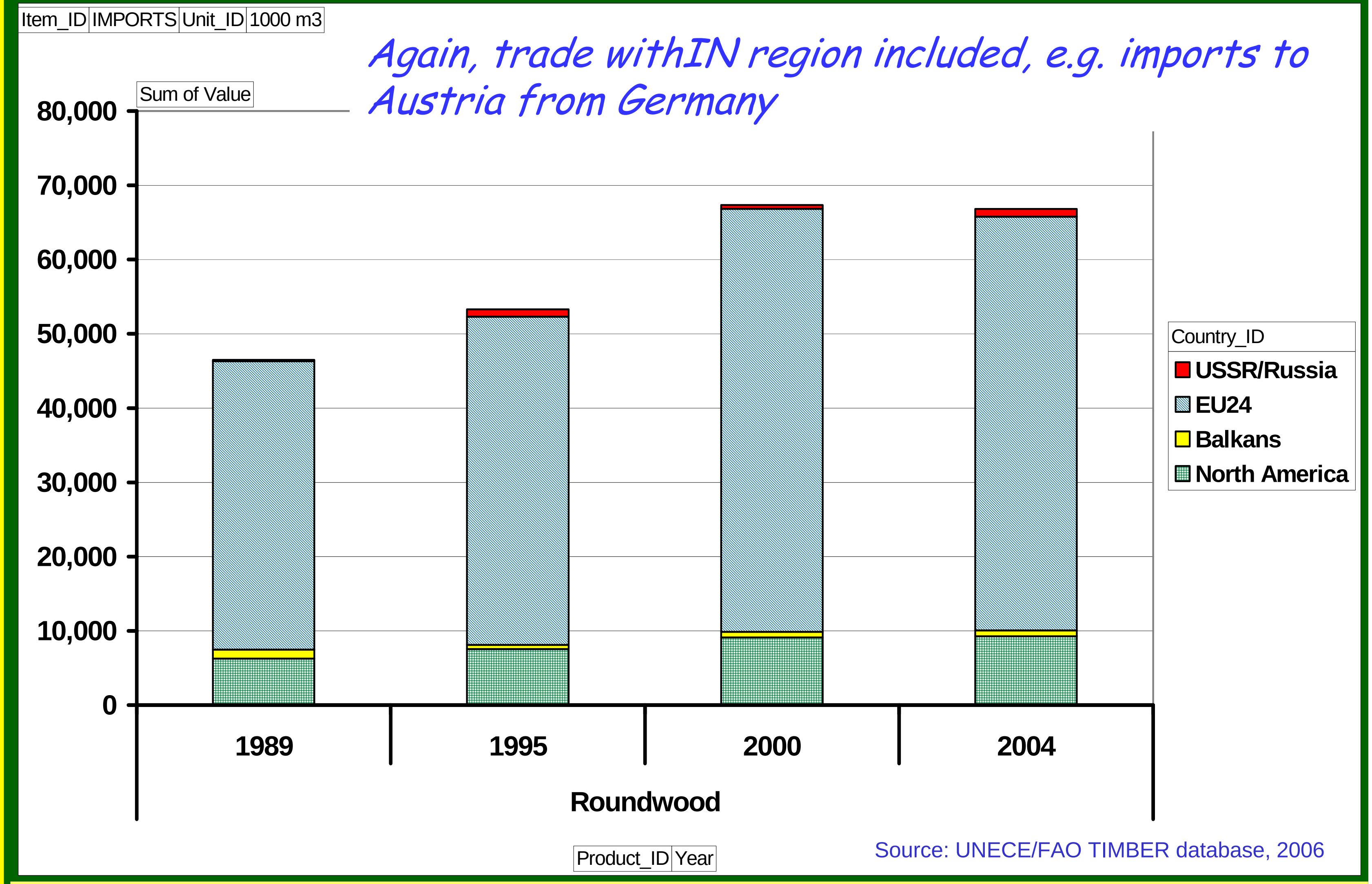


Roundwood exports , 1000 m^3



Source: UNECE/FAO TIMBER database, 2006

Roundwood imports, 1000 m^3



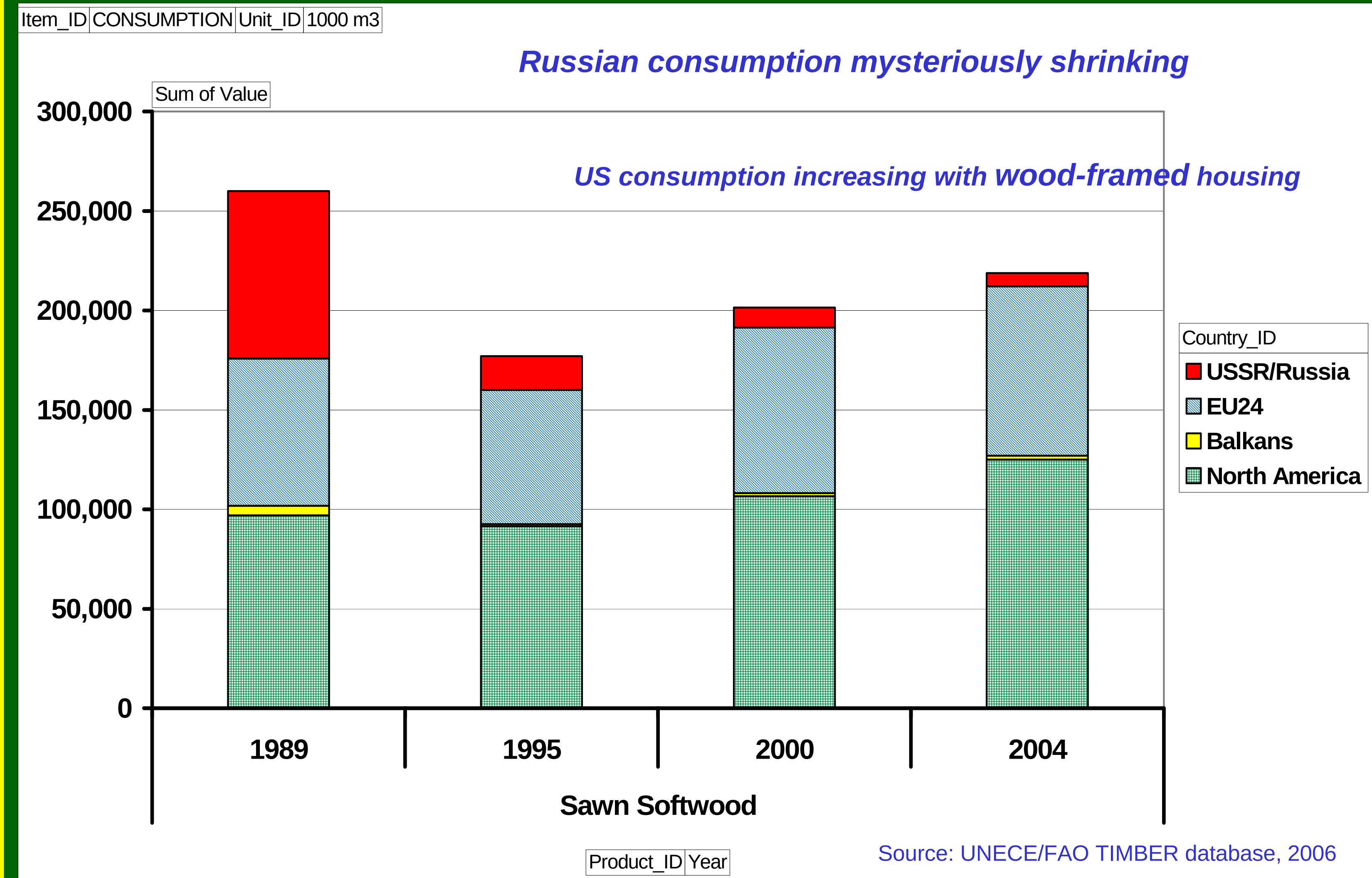
Source: UNECE/FAO TIMBER database, 2006

Sawn softwood market highlights, 2005

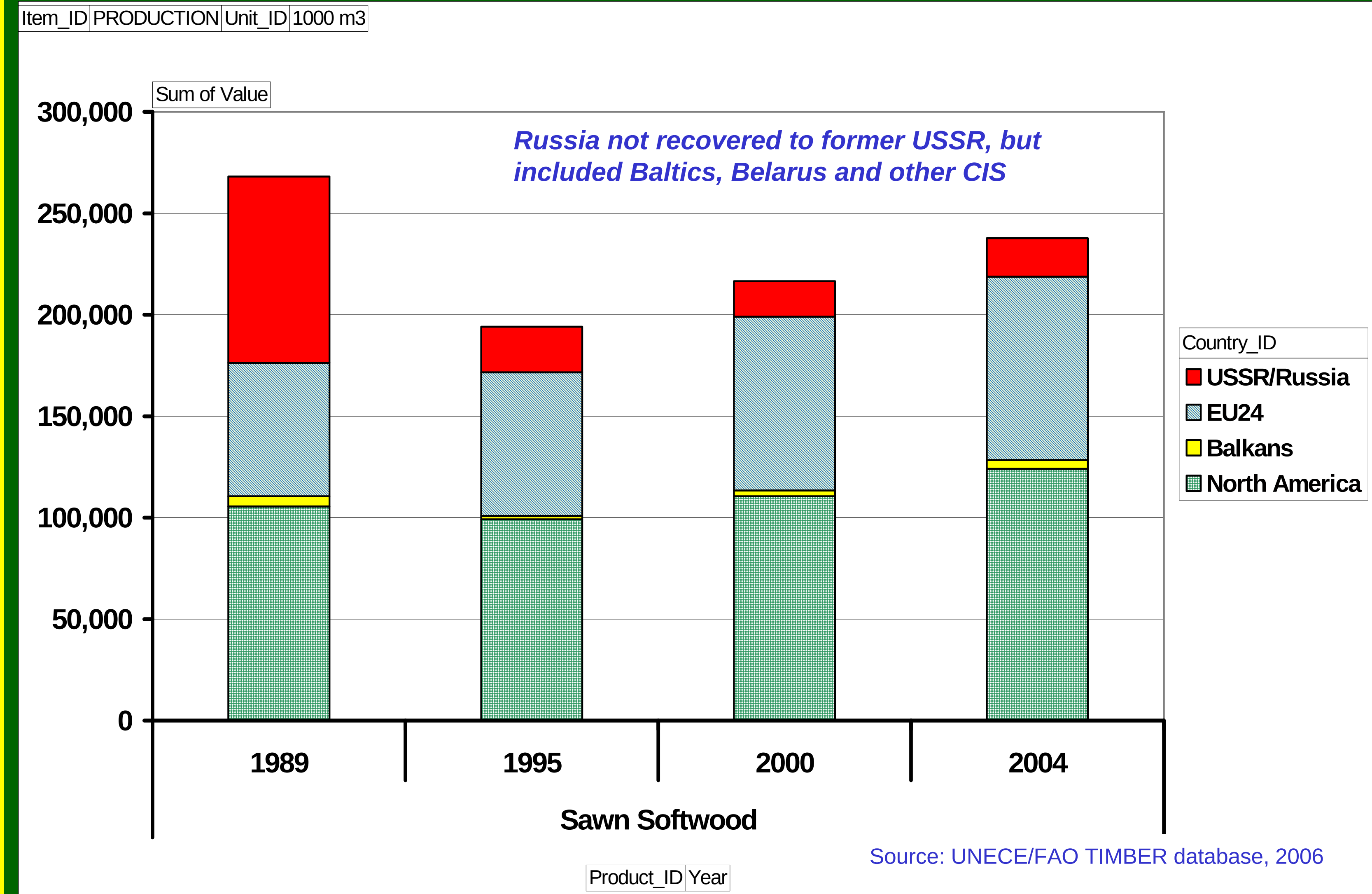
- Europe and North America at record levels
- In North America, heightened market activity resulted from favourable interest rate policies and surging housing starts (also at record highs)
- European exports to the United States and Japan increasing dramatically.
- Russia's exports at record levels, 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 m^3

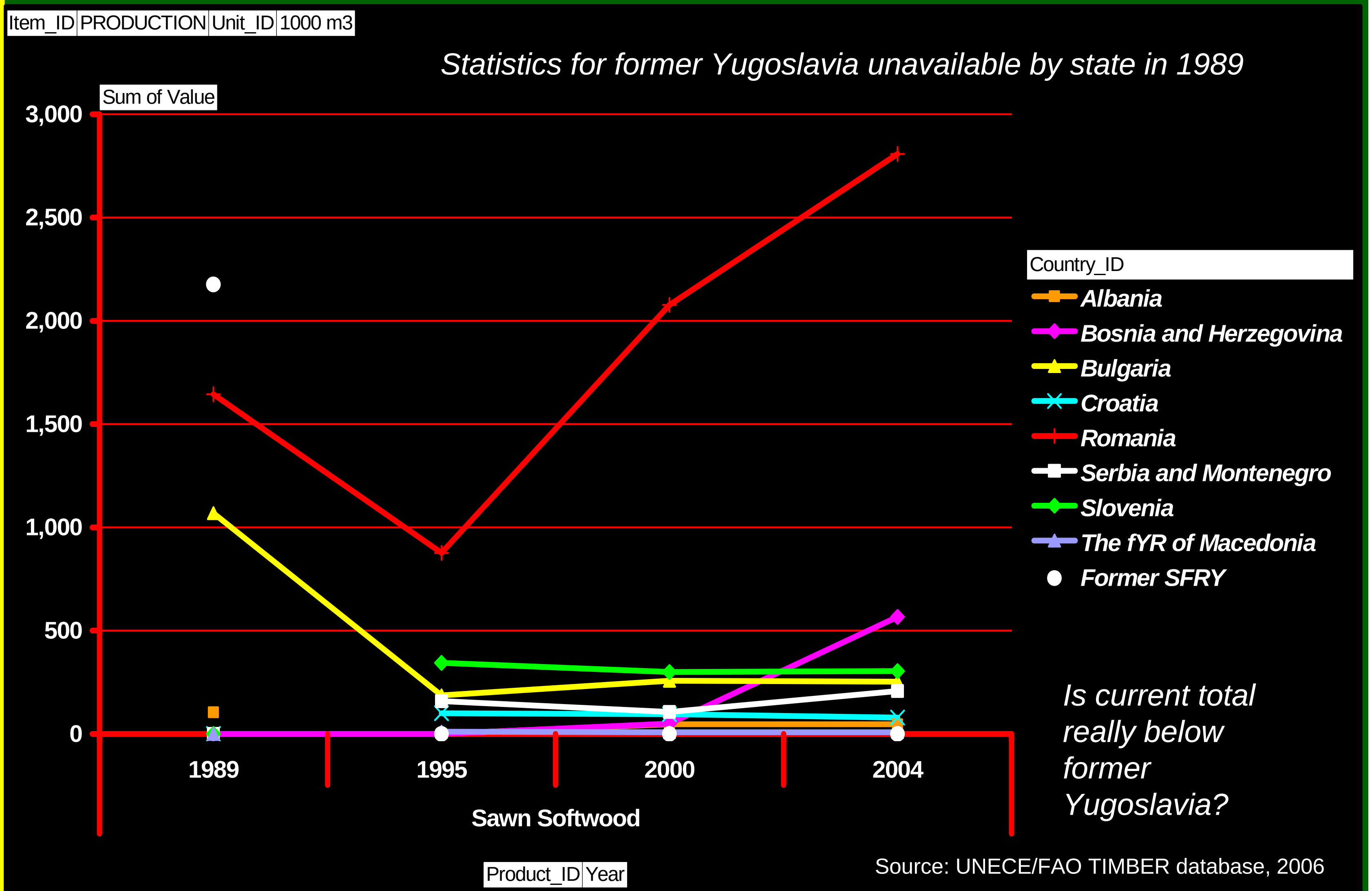


Sawn Softwood Production, 1000 m^3

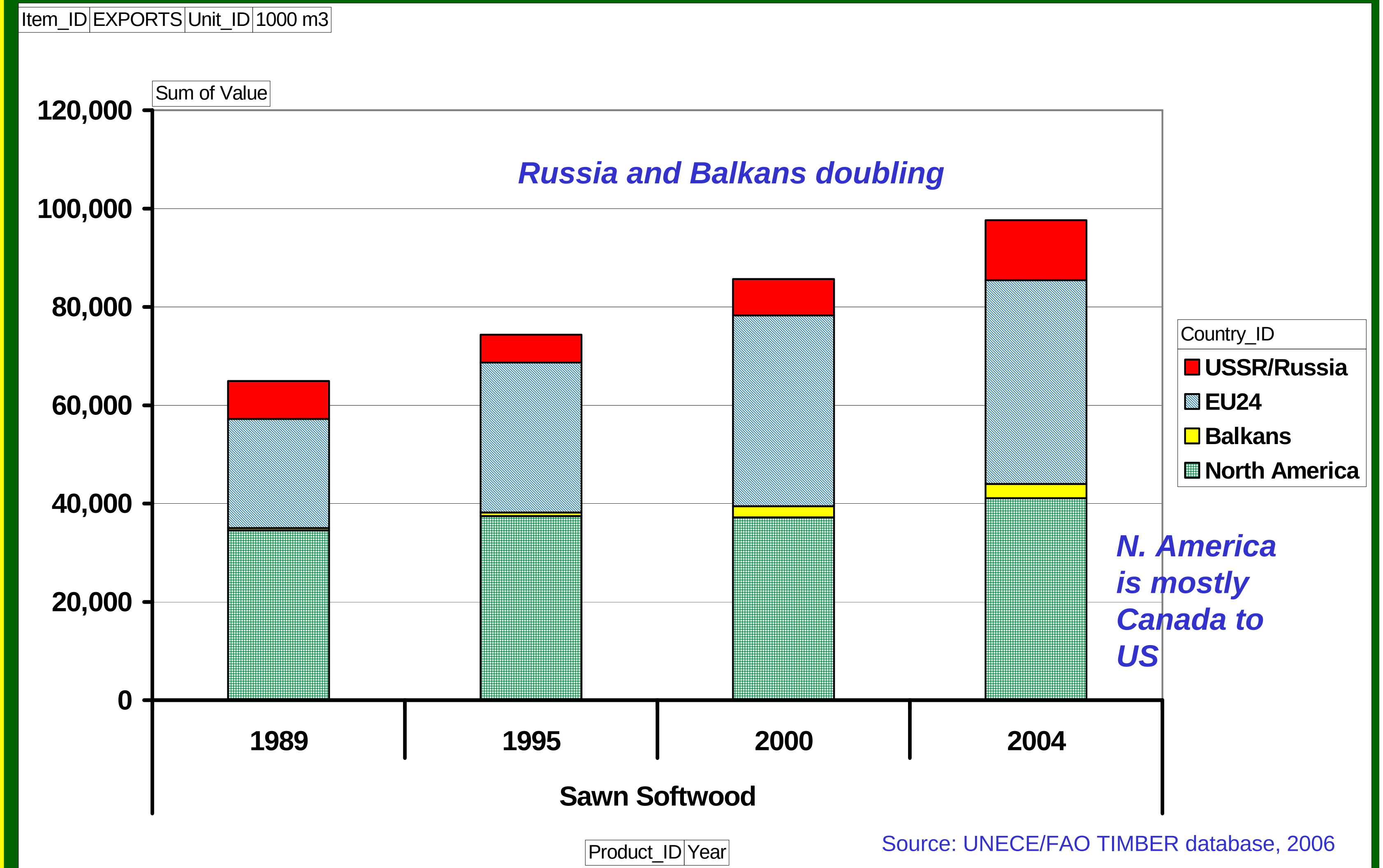


Source: UNECE/FAO TIMBER database, 2006

Balkan Sawn Softwood Production, 1000 m^3

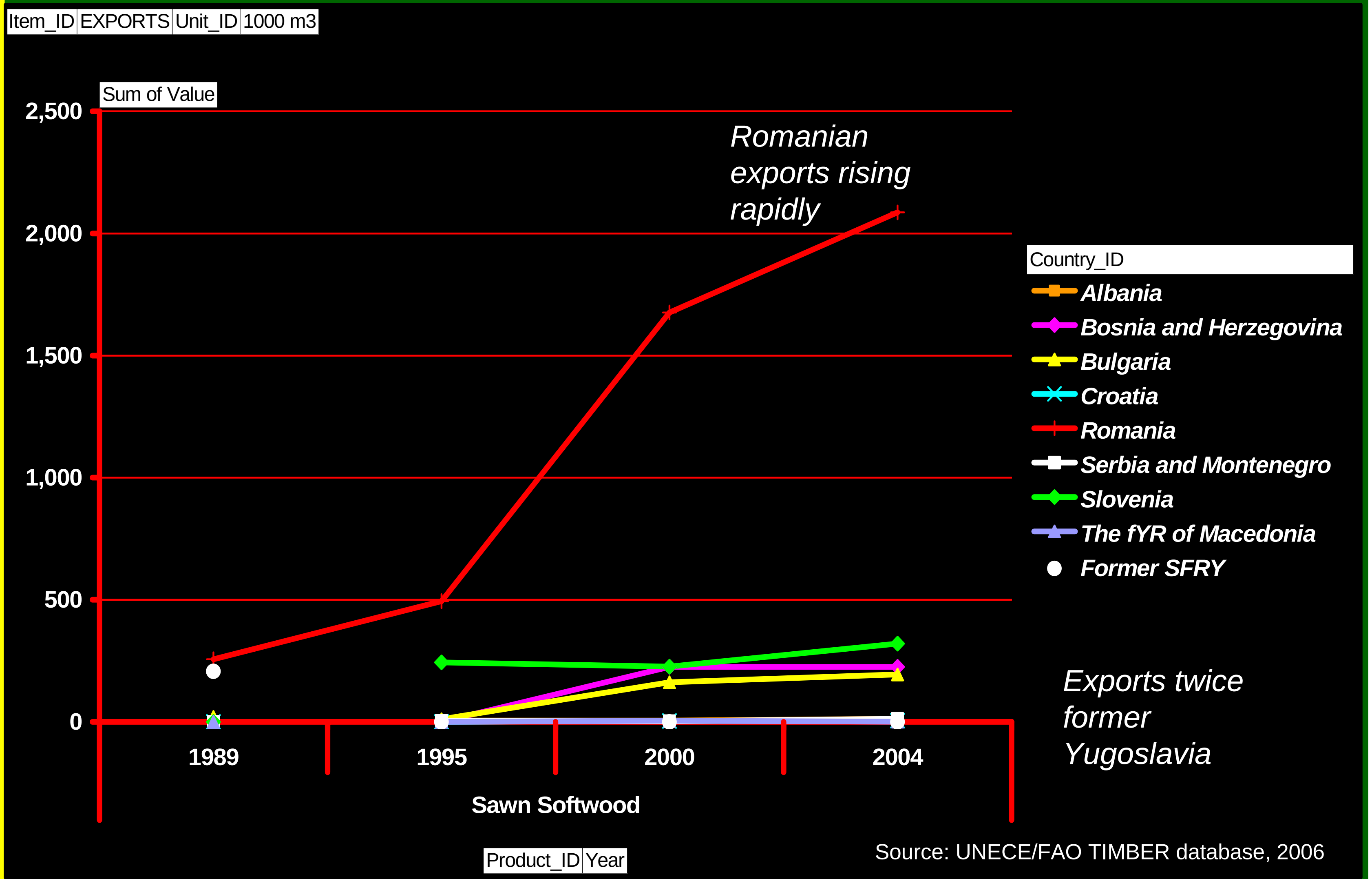


Sawn Softwood Exports, 1000 m^3

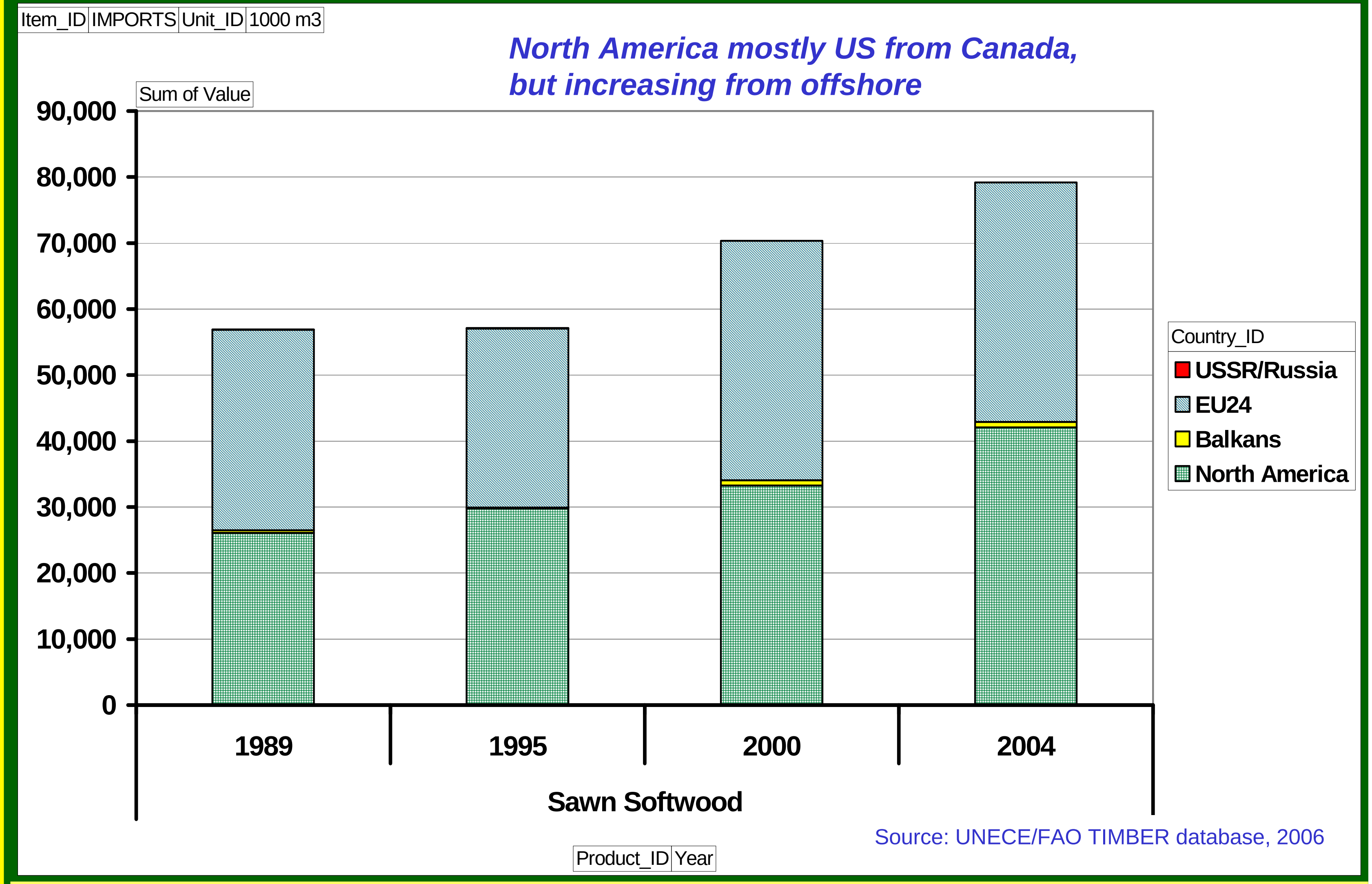


Source: UNECE/FAO TIMBER database, 2006

Balkan Sawn Softwood Exports, 1000 m^3



Sawn Softwood Imports, 1000 m^3



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

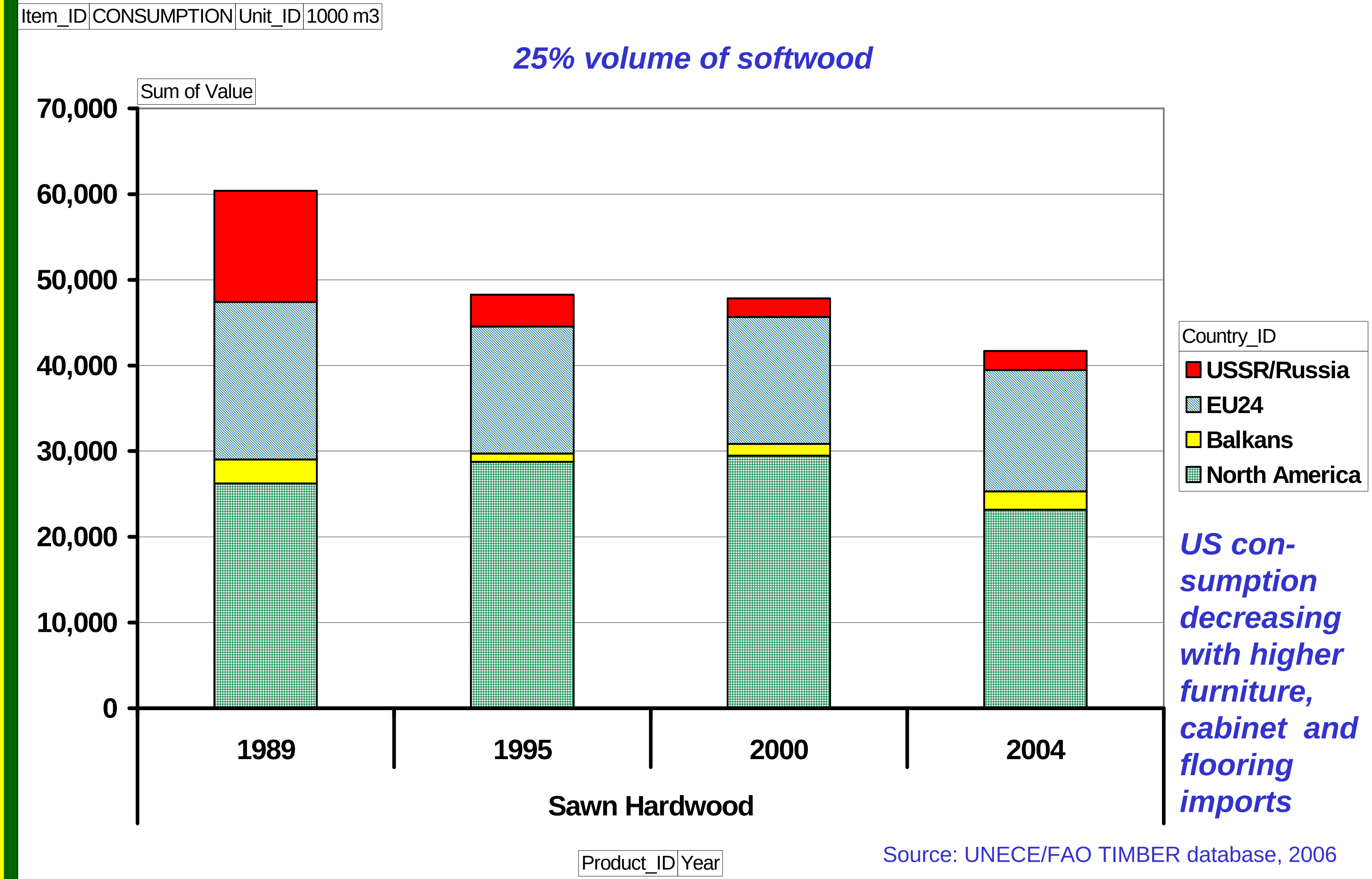
Sawn hardwood market highlights, 2005

- 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 m^3

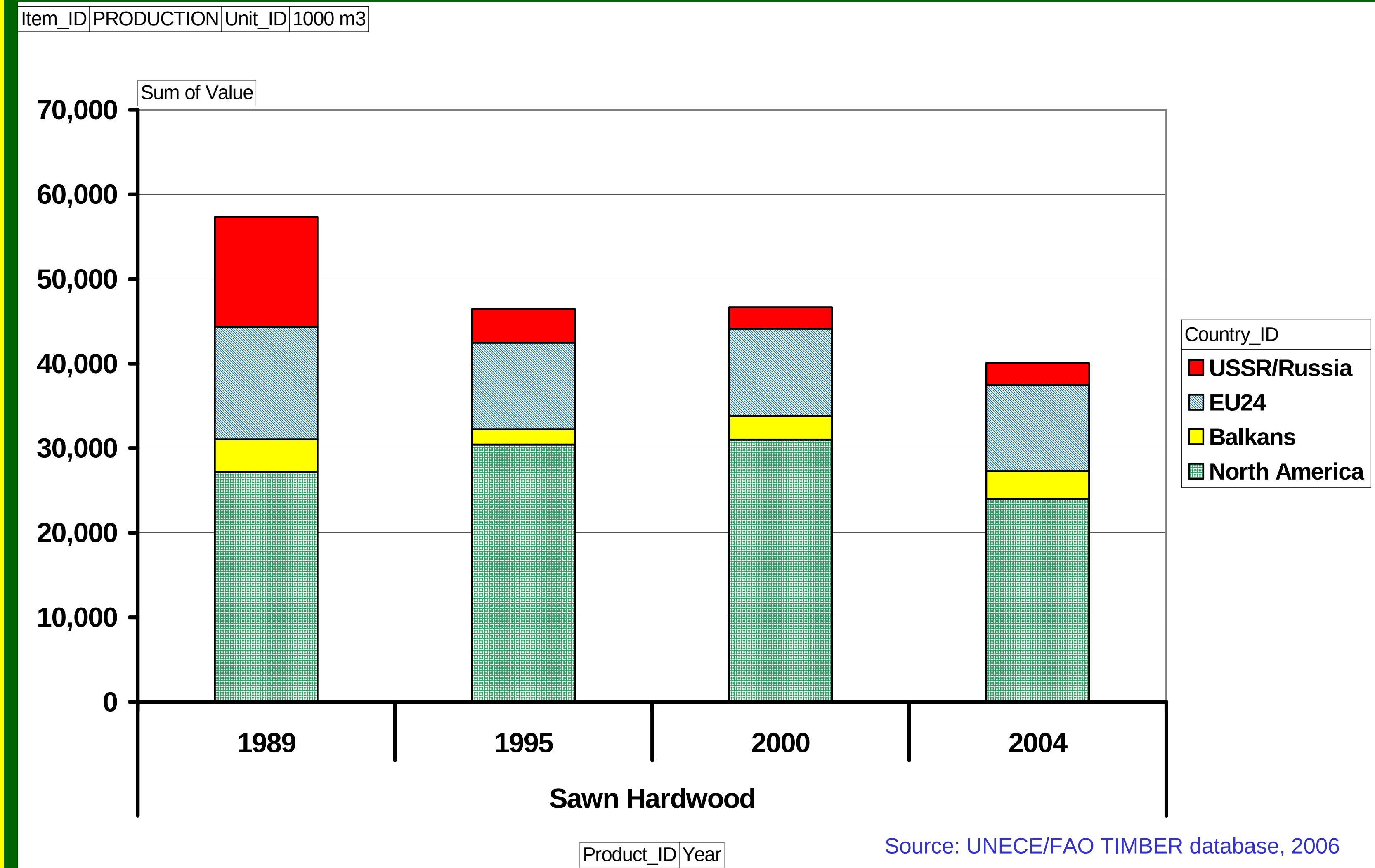
25% volume of softwood



US con-sumption decreasing with higher furniture, cabinet and flooring imports

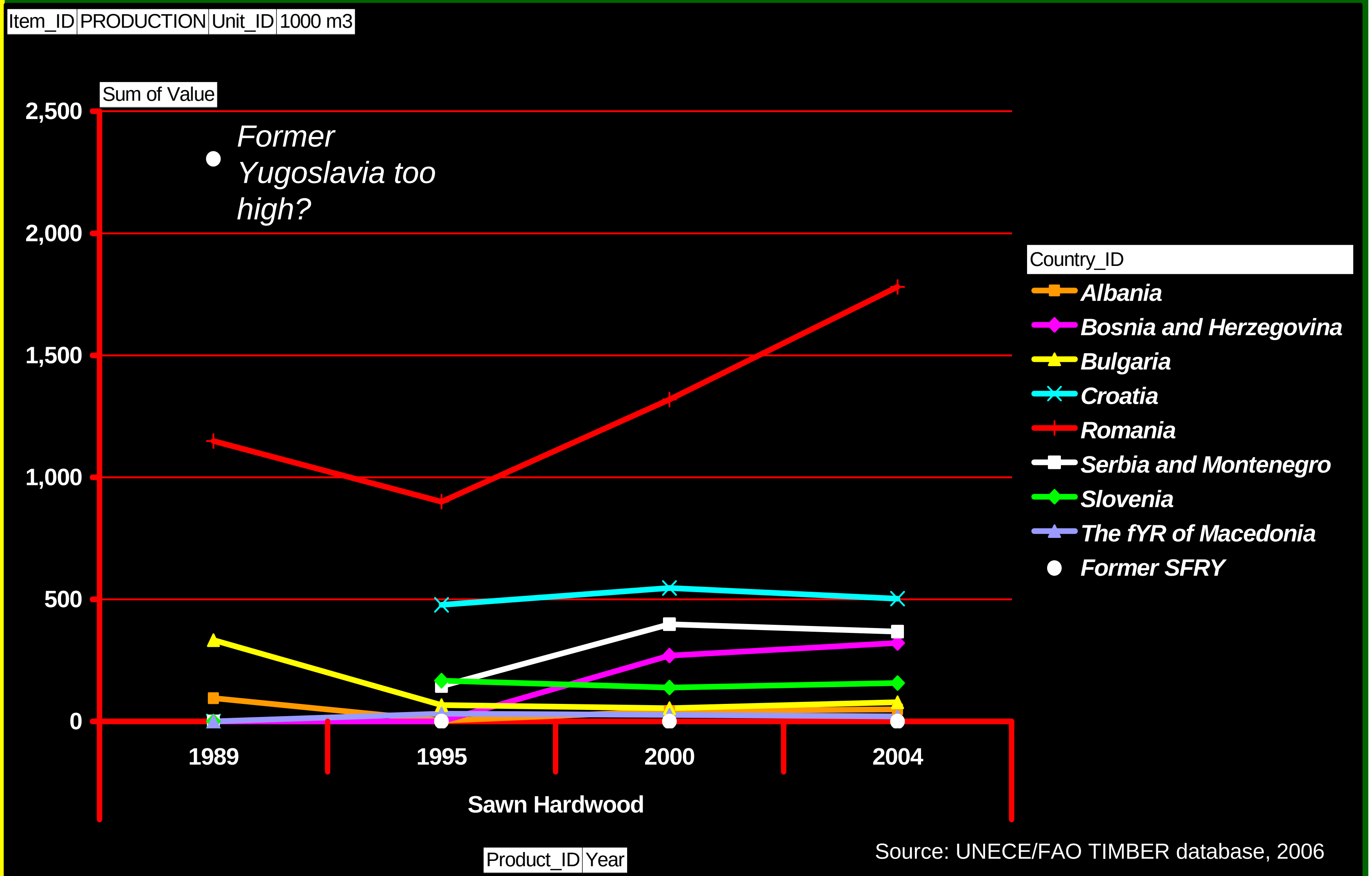
Source: UNECE/FAO TIMBER database, 2006

Sawn Hardwood Production, 1000 m^3



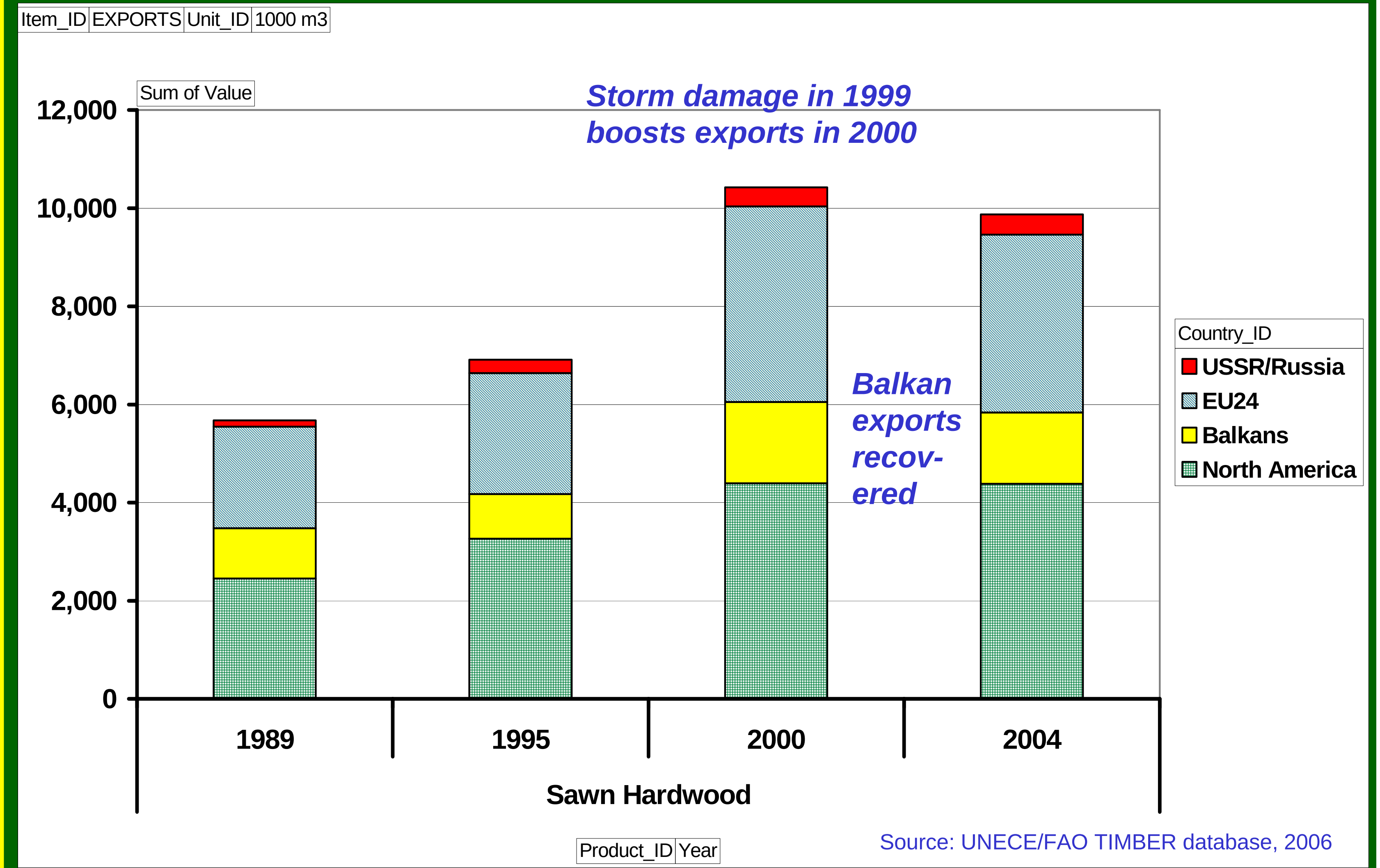
Source: UNECE/FAO TIMBER database, 2006

Balkan Sawn Hardwood Production, 1000 m^3



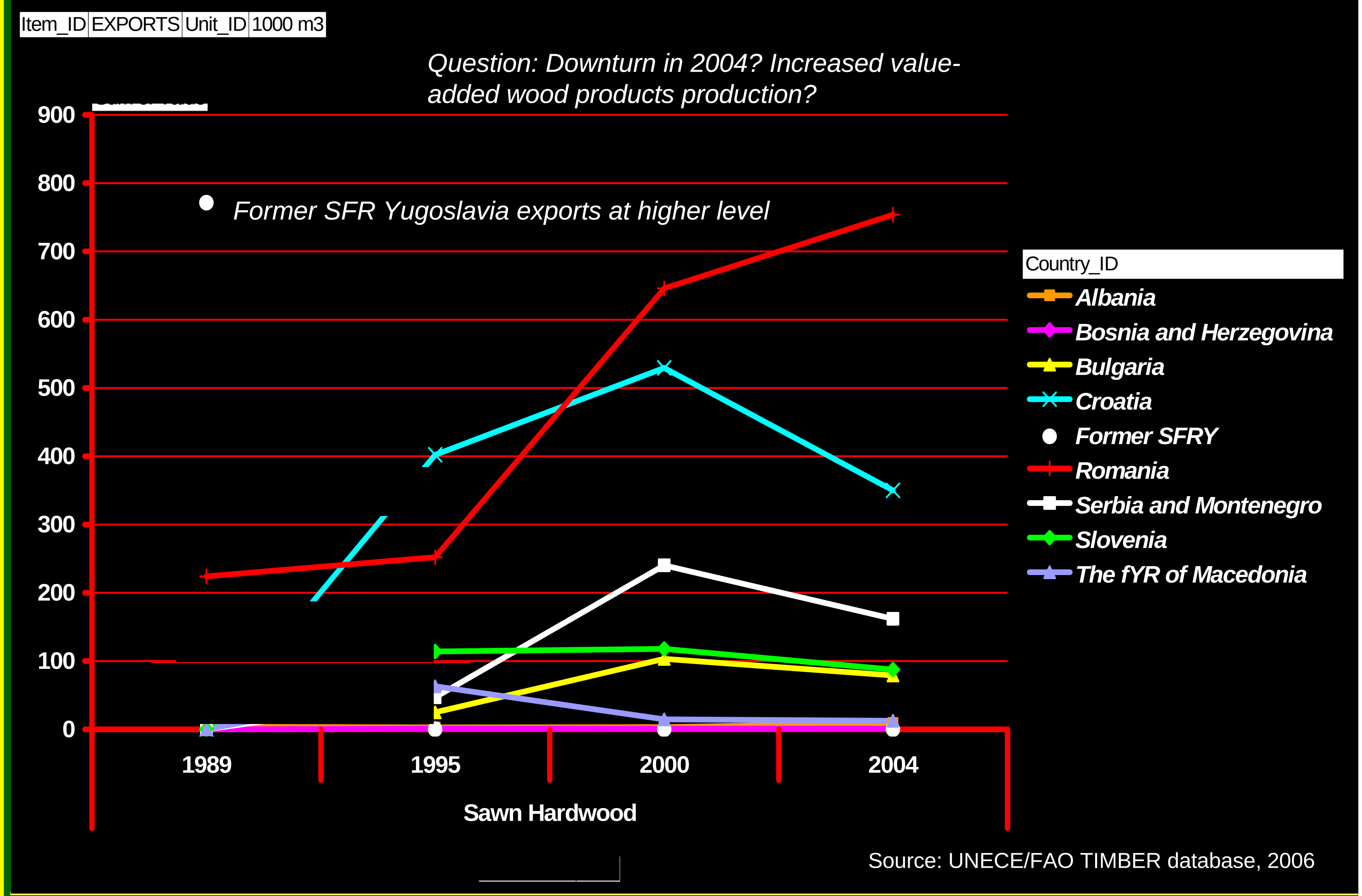
Source: UNECE/FAO TIMBER database, 2006

Sawn Hardwood Exports, 1000 m^3



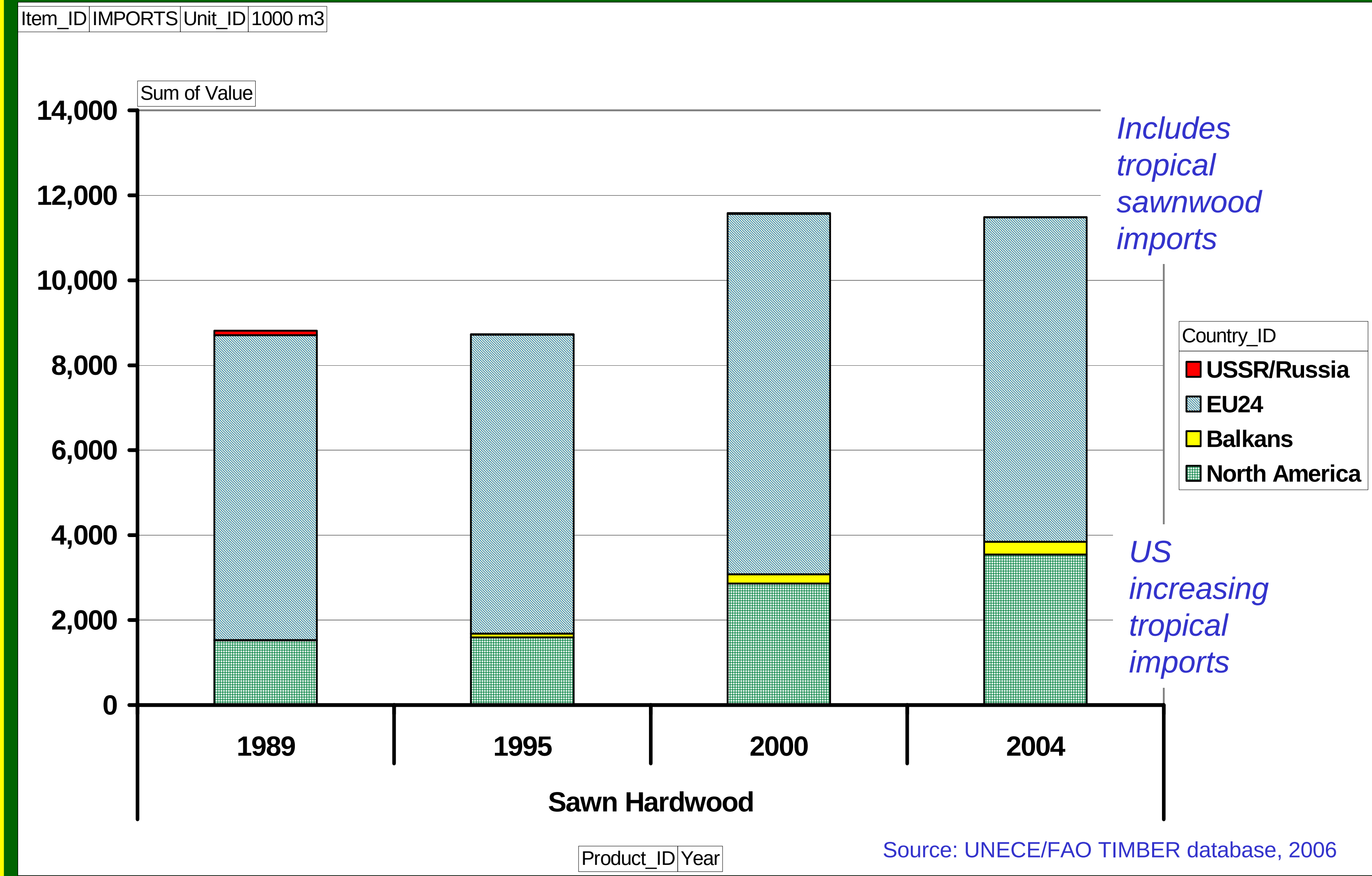
Source: UNECE/FAO TIMBER database, 2006

Balkan Sawn Hardwood Exports, 1000 m^3



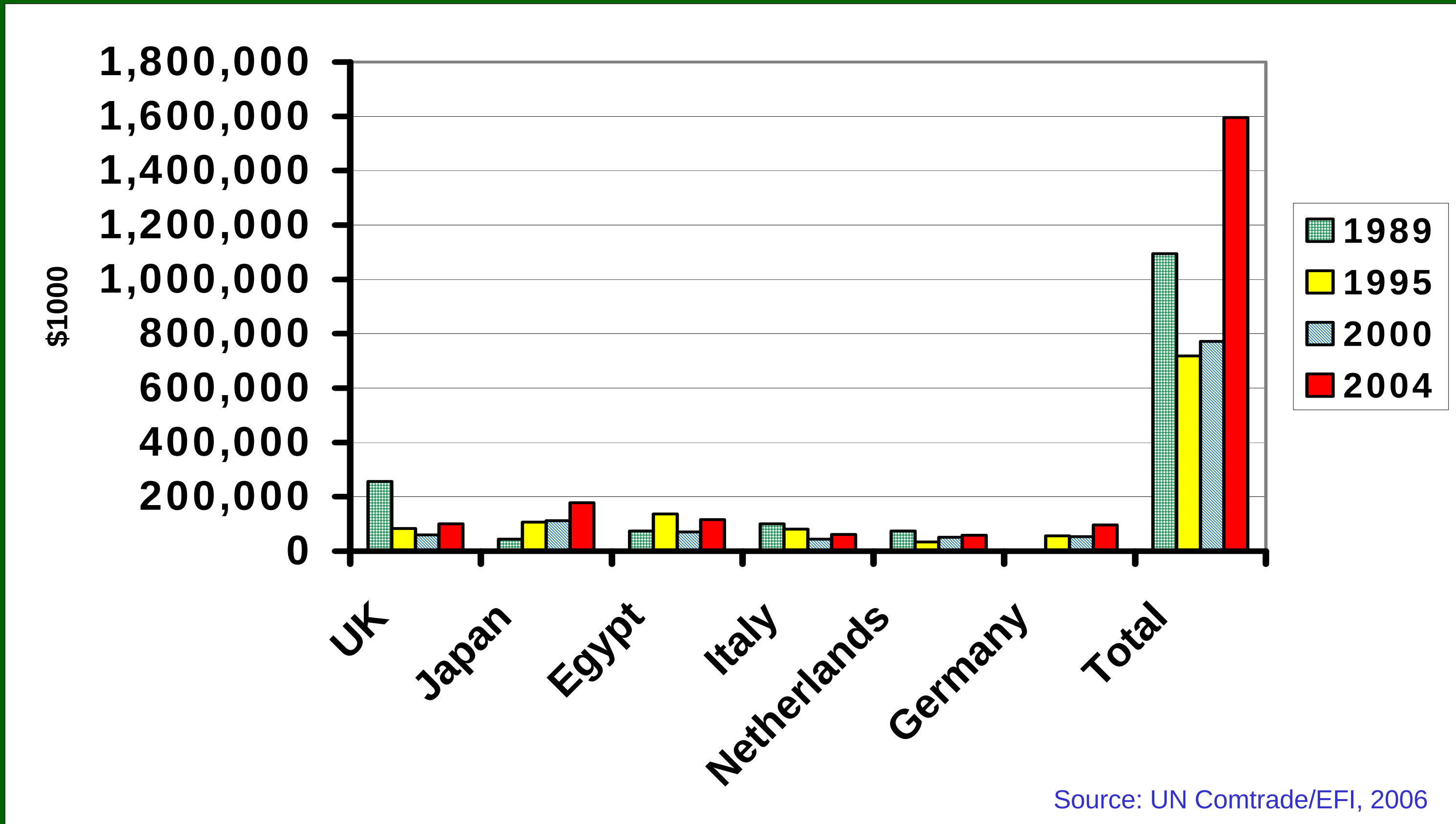
Source: UNECE/FAO TIMBER database, 2006

Sawn Hardwood Imports, 1000 m^3



Subregional Sawnwood Trade Flows (softwood + hardwood)

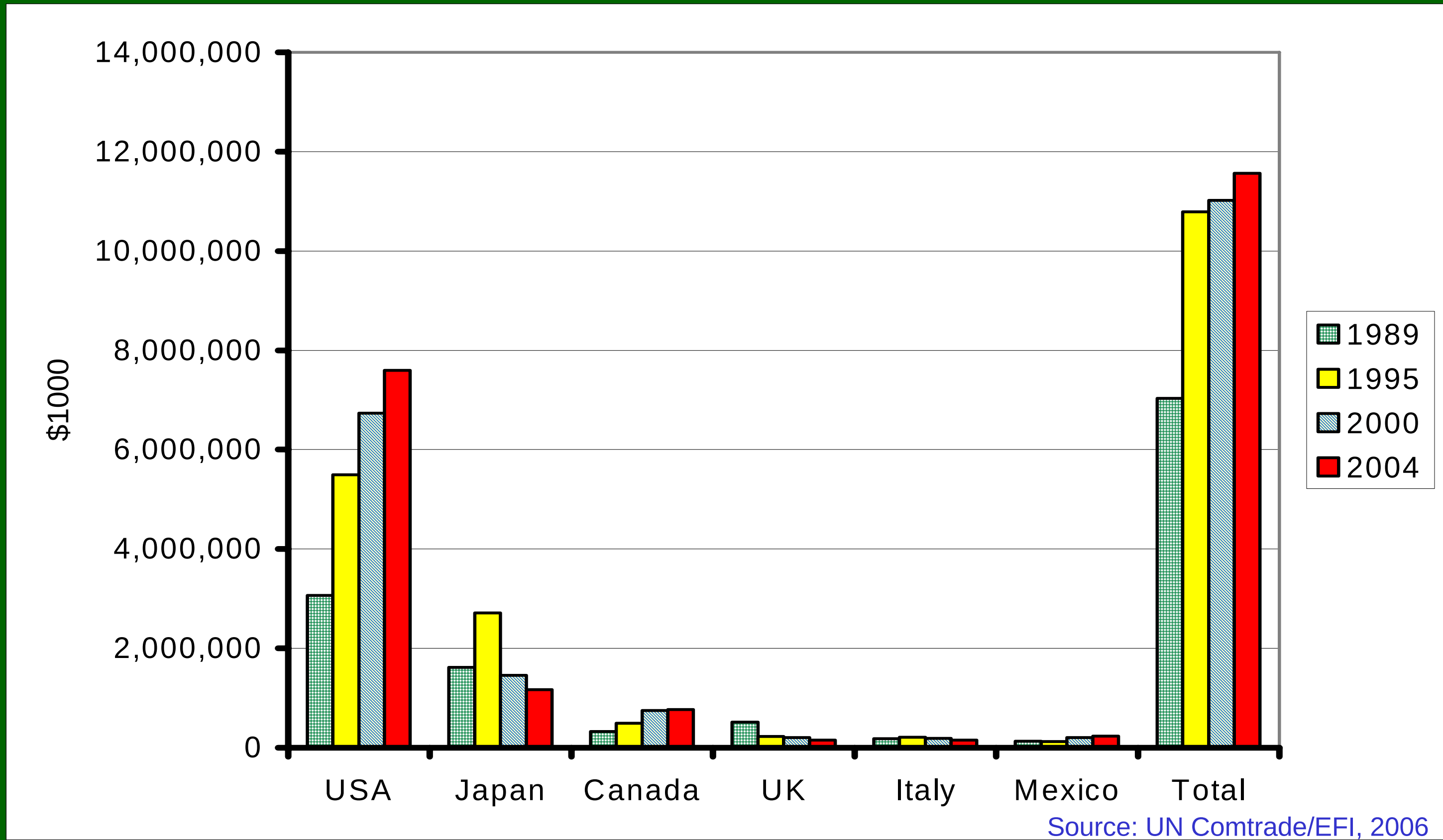
Russia Sawnwood Exports (USSR for 1989)



Top 12 destinations by order of total value in 2004

United Kingdom	Japan	Egypt	Italy
Netherlands	Germany	France	Belgium
Syria	China	Cuba	Ireland

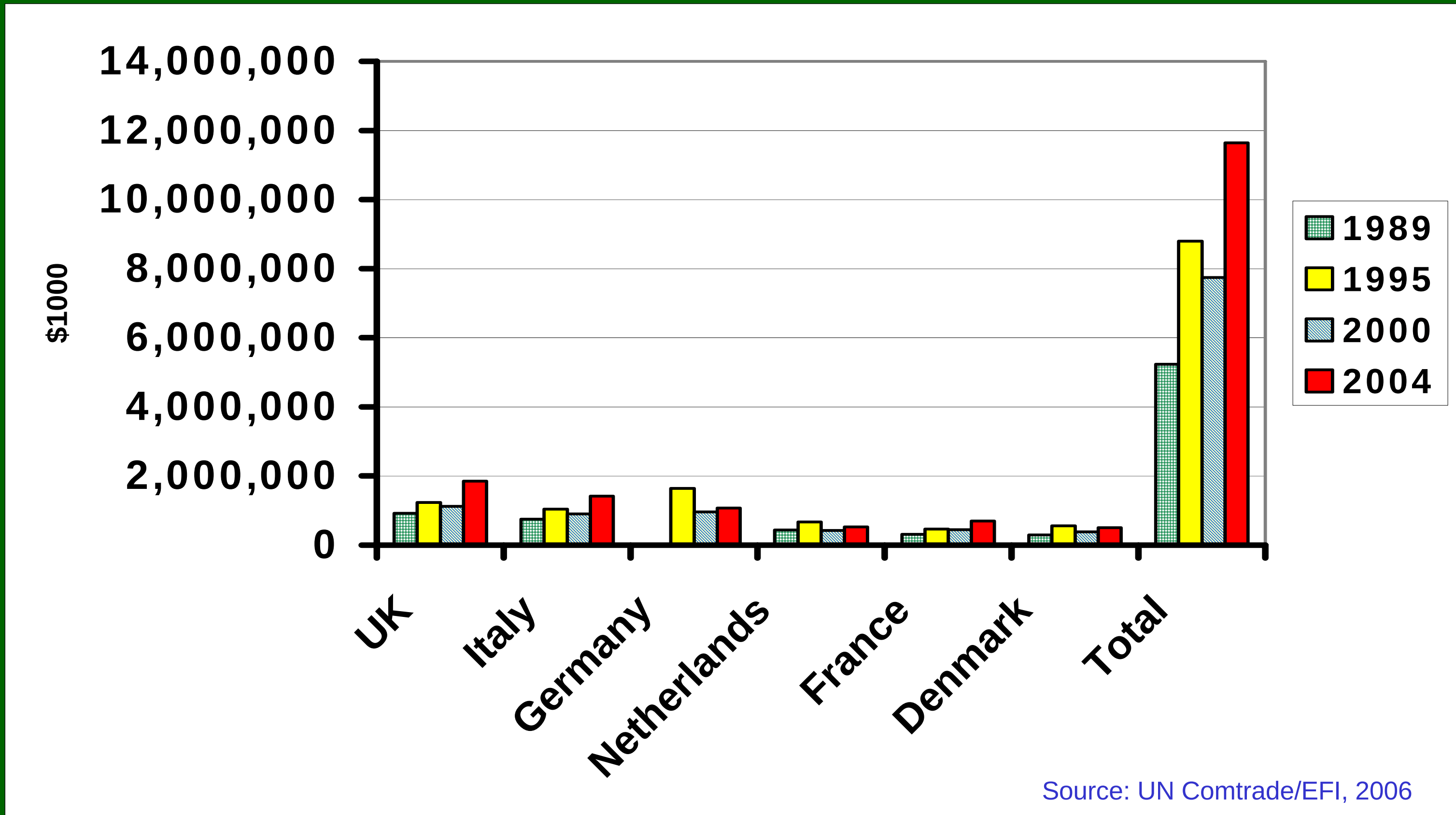
North America Sawnwood Exports



Top 12 destinations by order of total value in 2004

United States	Japan	Canada	United Kingdom
Italy	Mexico	Spain	Australia
Germany	China	Belgium	Hong Kong, SAR

EU Sawnwood Exports

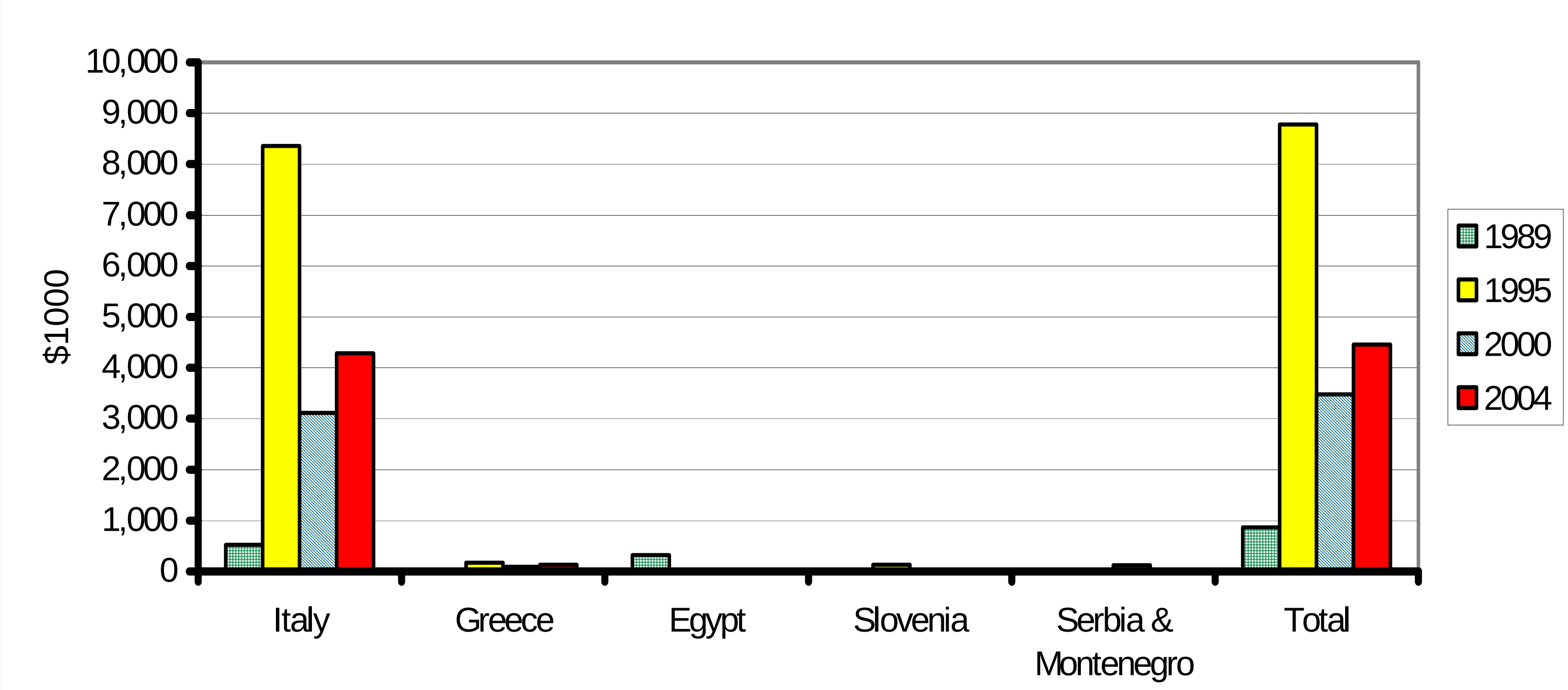


Top 12 destinations by order of total value in 2004

United Kingdom	Italy	Germany	Netherlands
France	Denmark	Japan	Spain
United States	Norway	Austria	Switzerland

Balkan Sawnwood Trade Flows (softwood + hardwood)

Albania Sawnwood Exports

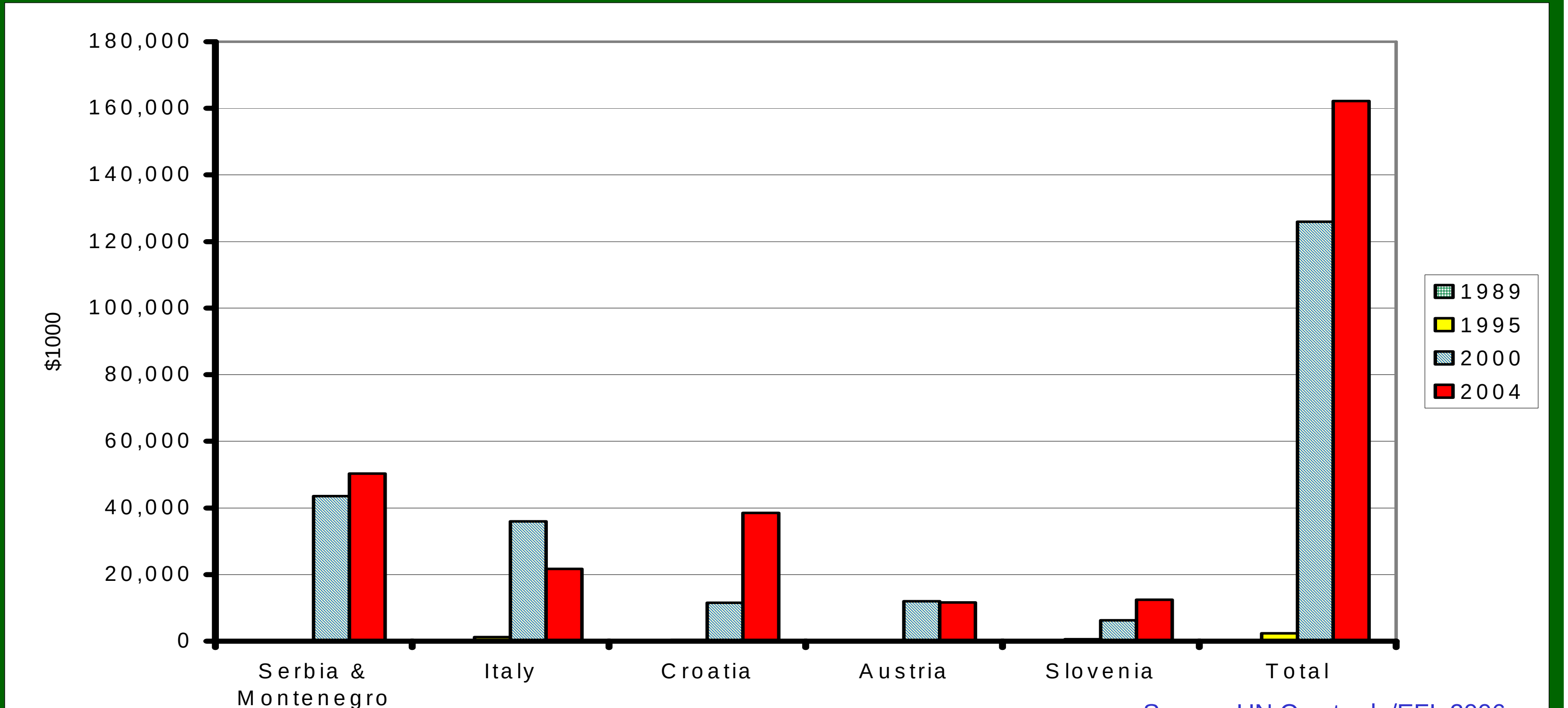


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

Italy	Greece	Egypt	Slovenia
Serbia & Montenegro	Czech Rep	Turkey	Thailand
fYR Macedonia	Columbia	France	Portugal

Bosnia & Herzegovina Sawnwood Exports

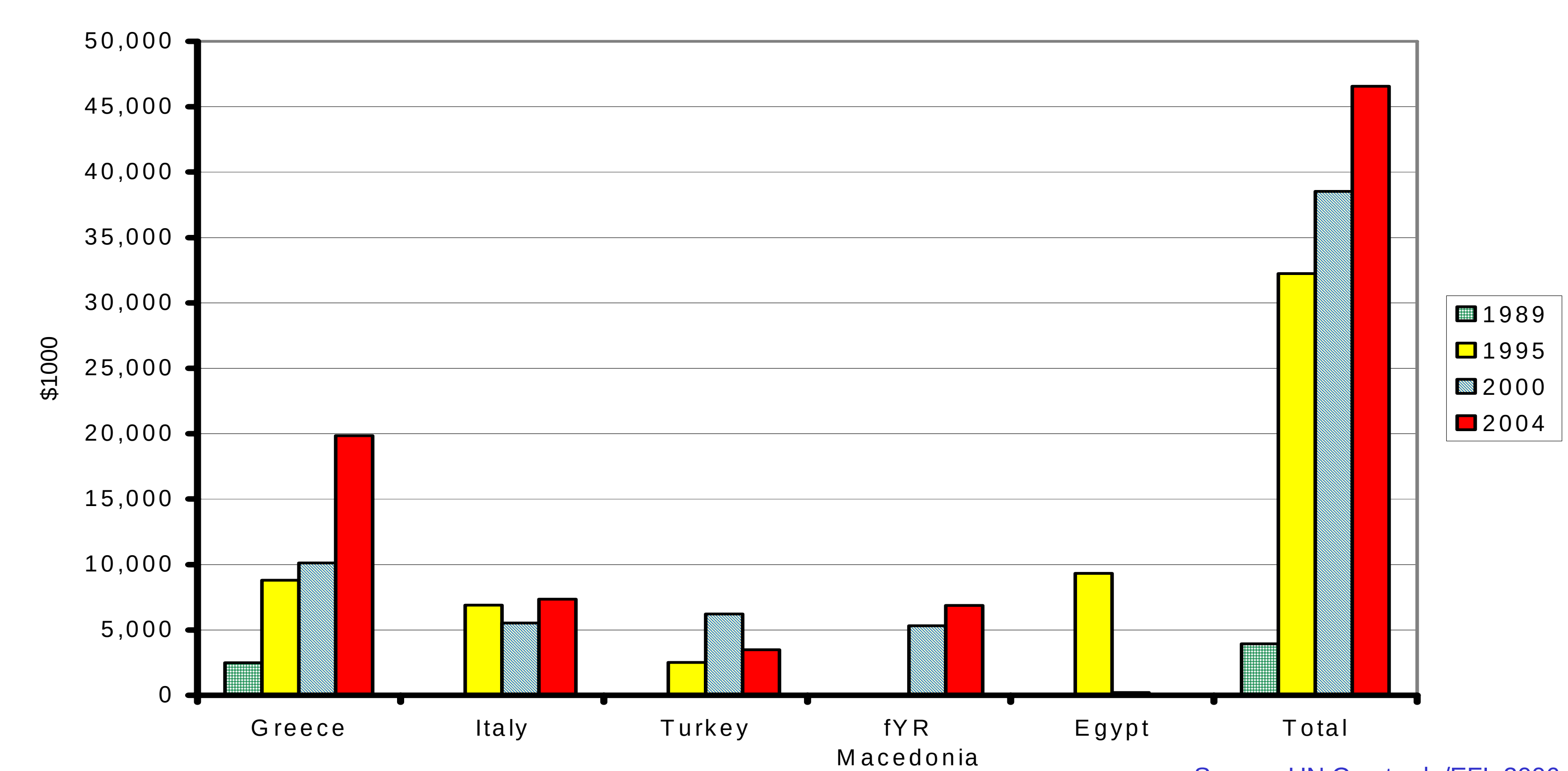


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

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

Bulgaria Sawnwood Exports

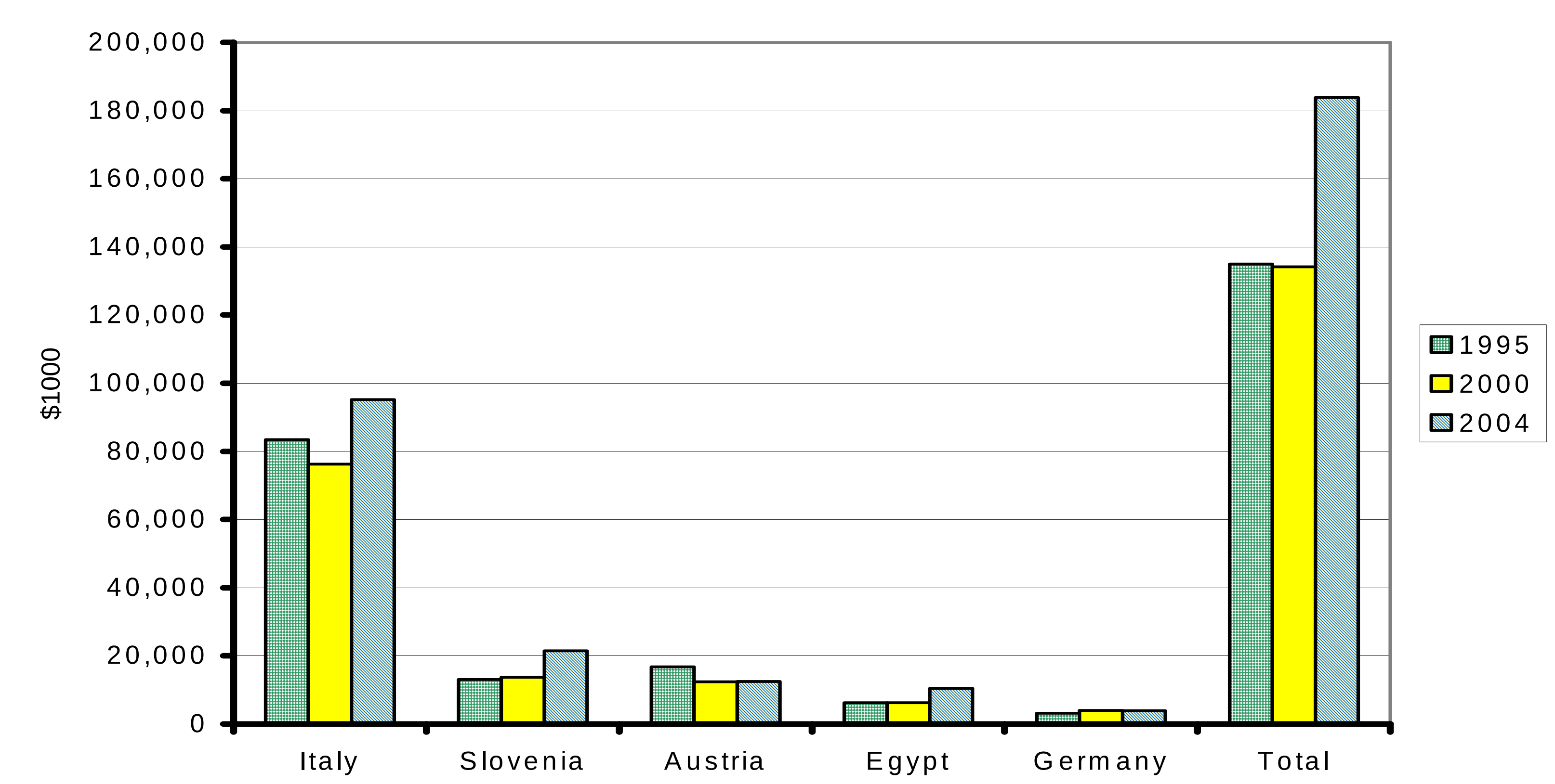


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

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

Croatia Sawnwood Exports

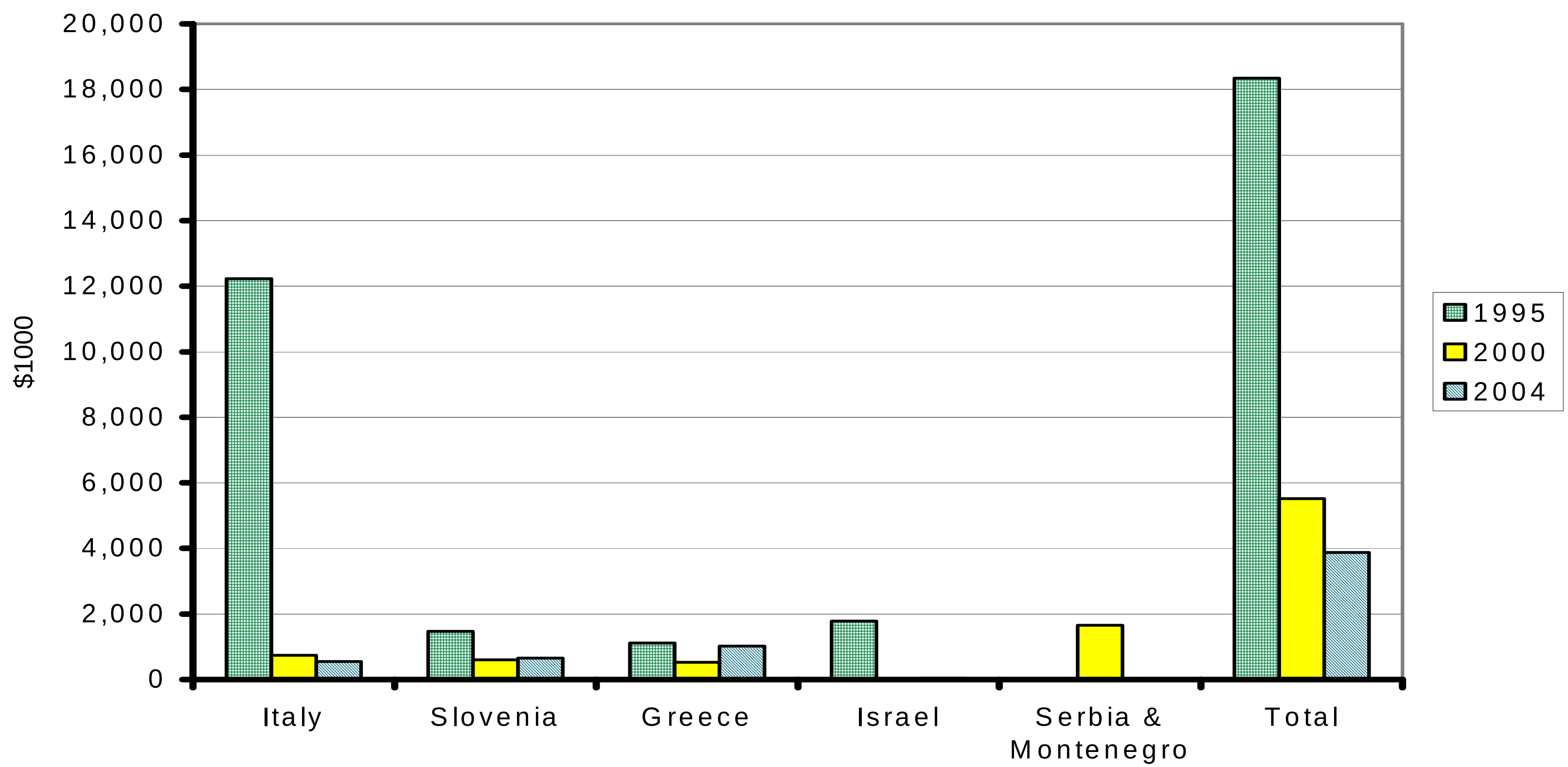


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

Italy	Slovenia	Austria	Egypt
Germany	Switzerland	Spain	Netherlands
Sweden	France	Bosnia & Herzegovina	Serbia & Montenegro

The fYR Macedonia Sawnwood Exports

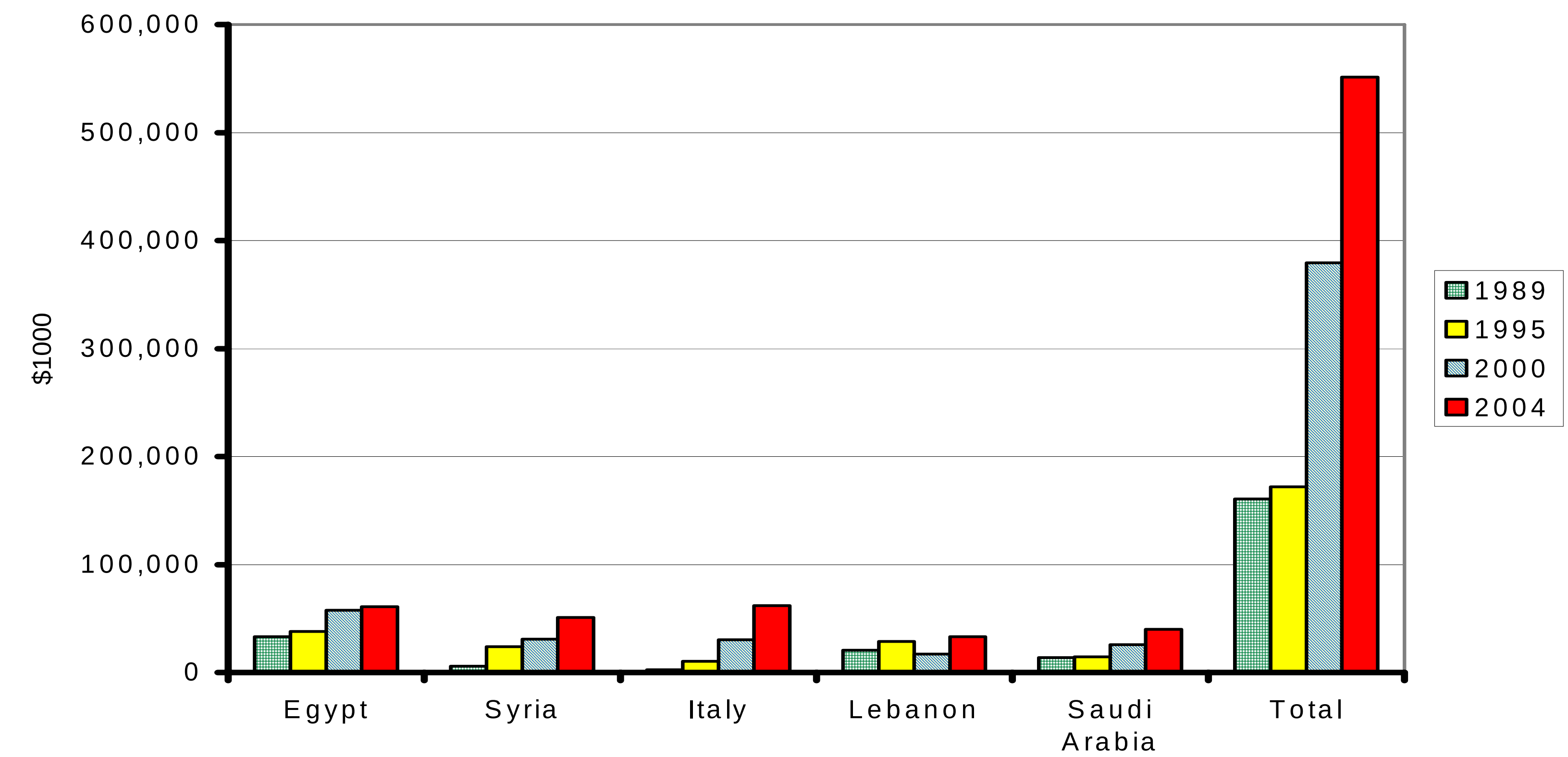


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

Italy	Slovenia	Greece	Israel
Serbia & Montenegro	Germany	Austria	China M
Japan	Switzerland	Sweden	Cyprus

Romania Sawnwood Exports

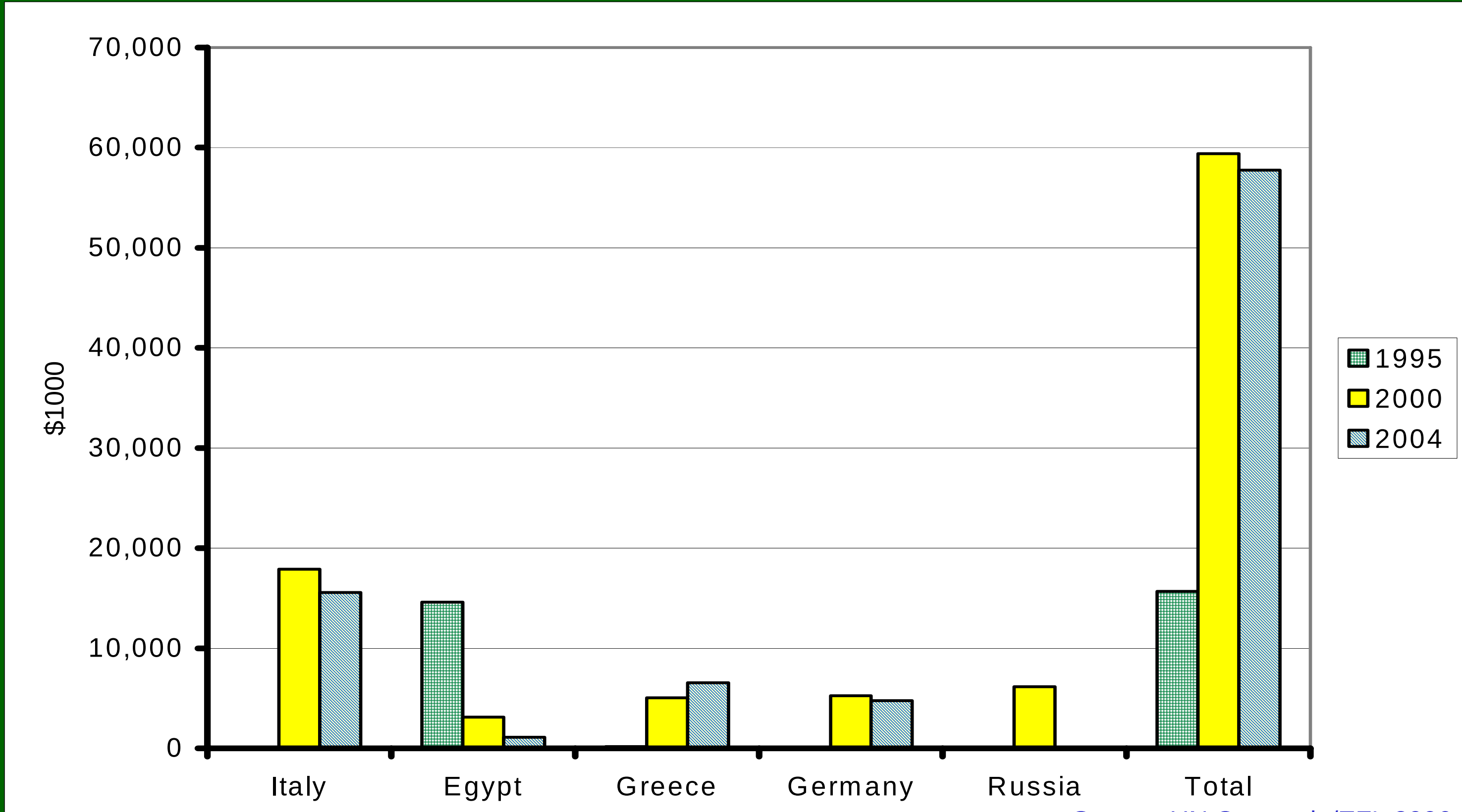


Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

Egypt	Syria	Italy	Lebanon
Saudi Arabia	Hungary	Greece	China
Morocco	Unit Arab Emirates	Jordan	Japan

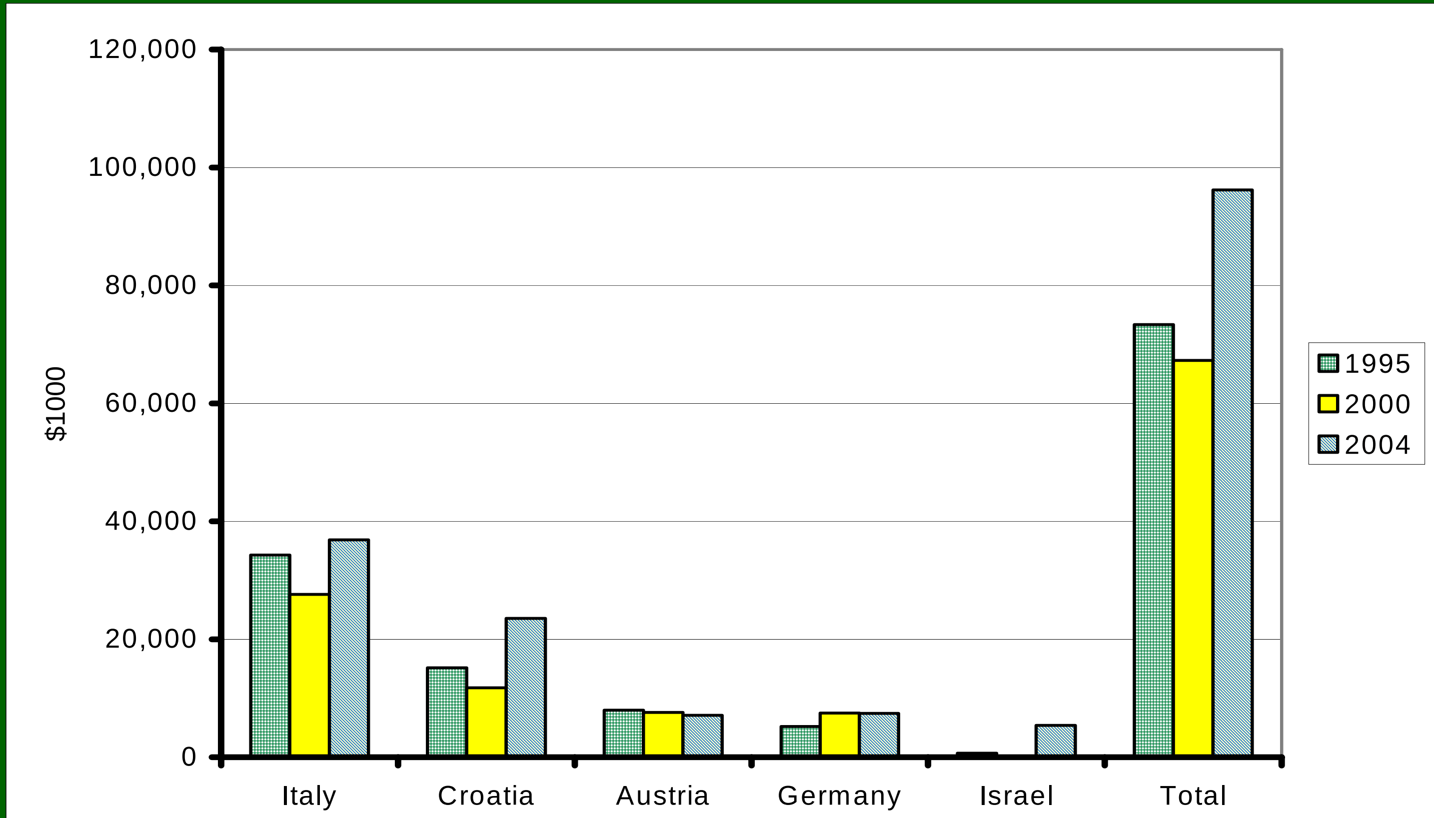
Serbia & Montenegro Sawnwood Exports



Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004			
Italy	Egypt	Greece	Germany
Russia	Slovenia	Algeria	Bosnia & Herzegovina
Cyprus	Spain	fYR Macedonia	Sweden

Slovenia Sawnwood Exports



Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004			
Italy	Croatia	Austria	Germany
Israel	Algeria	fYR Macedonia	Saudi Arabia
Denmark	Indonesia	United States	Sweden

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

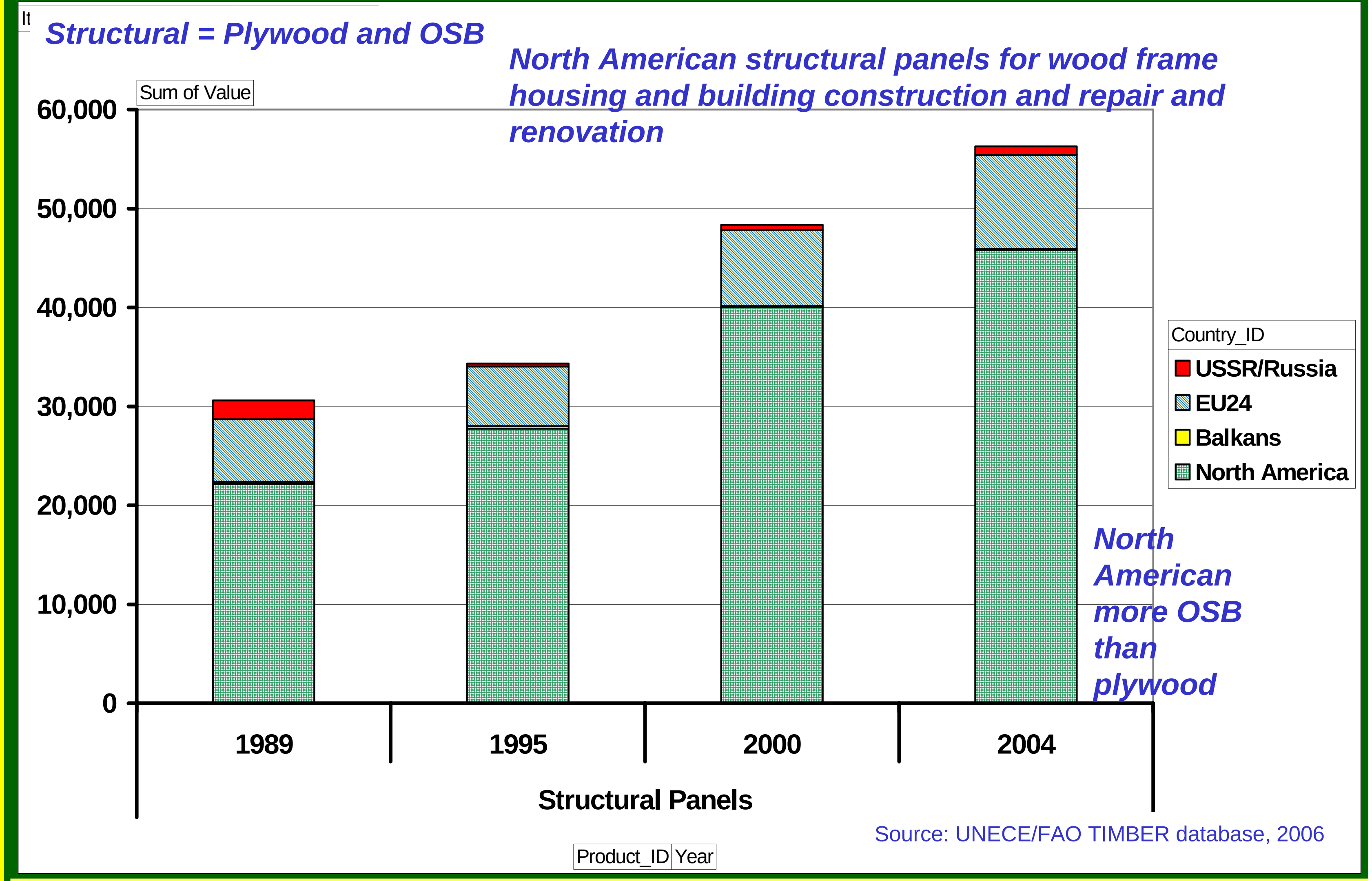
Source: UNECE/FAO *Forest Products Annual Market Review*, 2005

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.

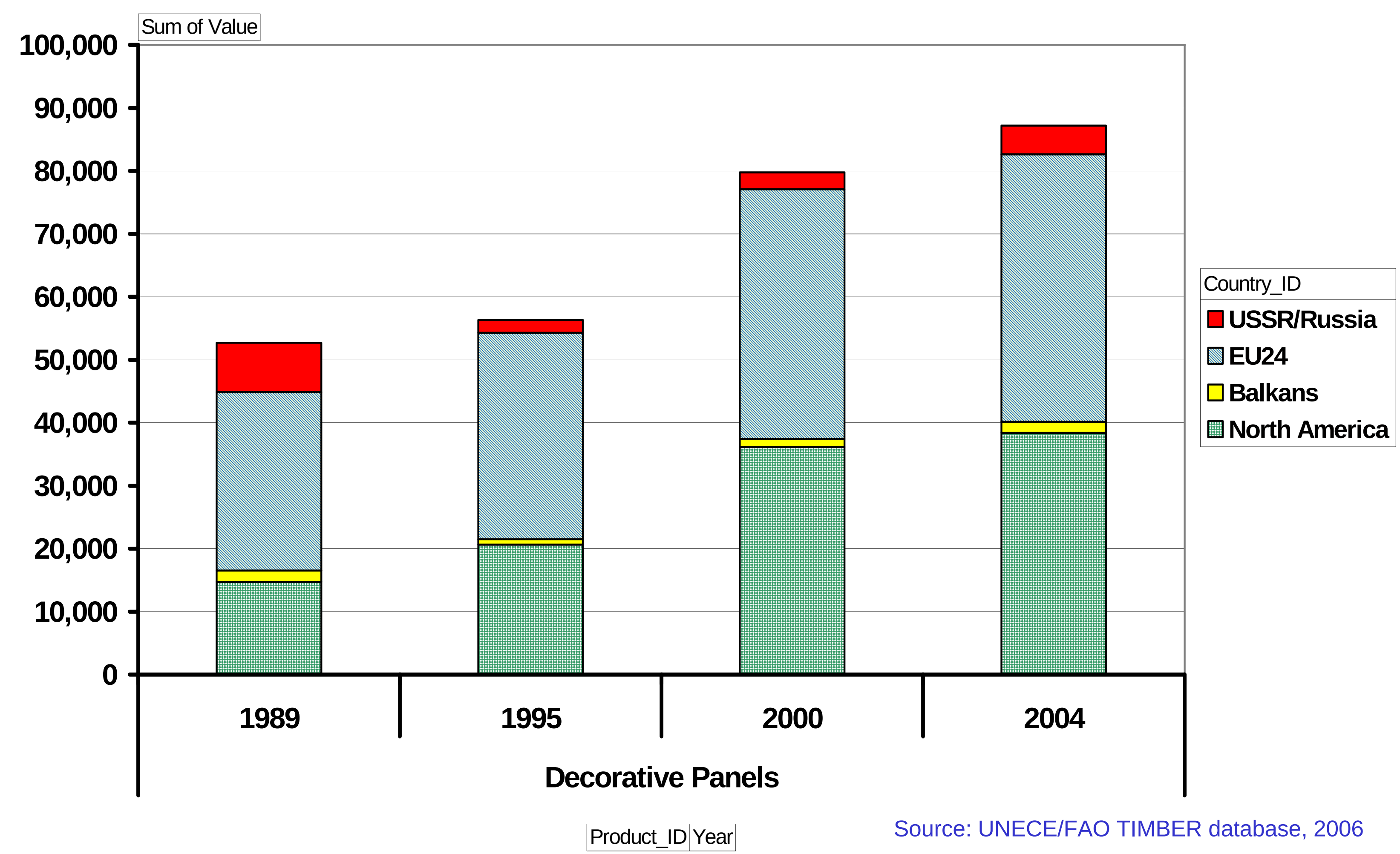
Source: UNECE/FAO *Forest Products Annual Market Review*, 2005

Structural Panels Consumption, 1000 m^3

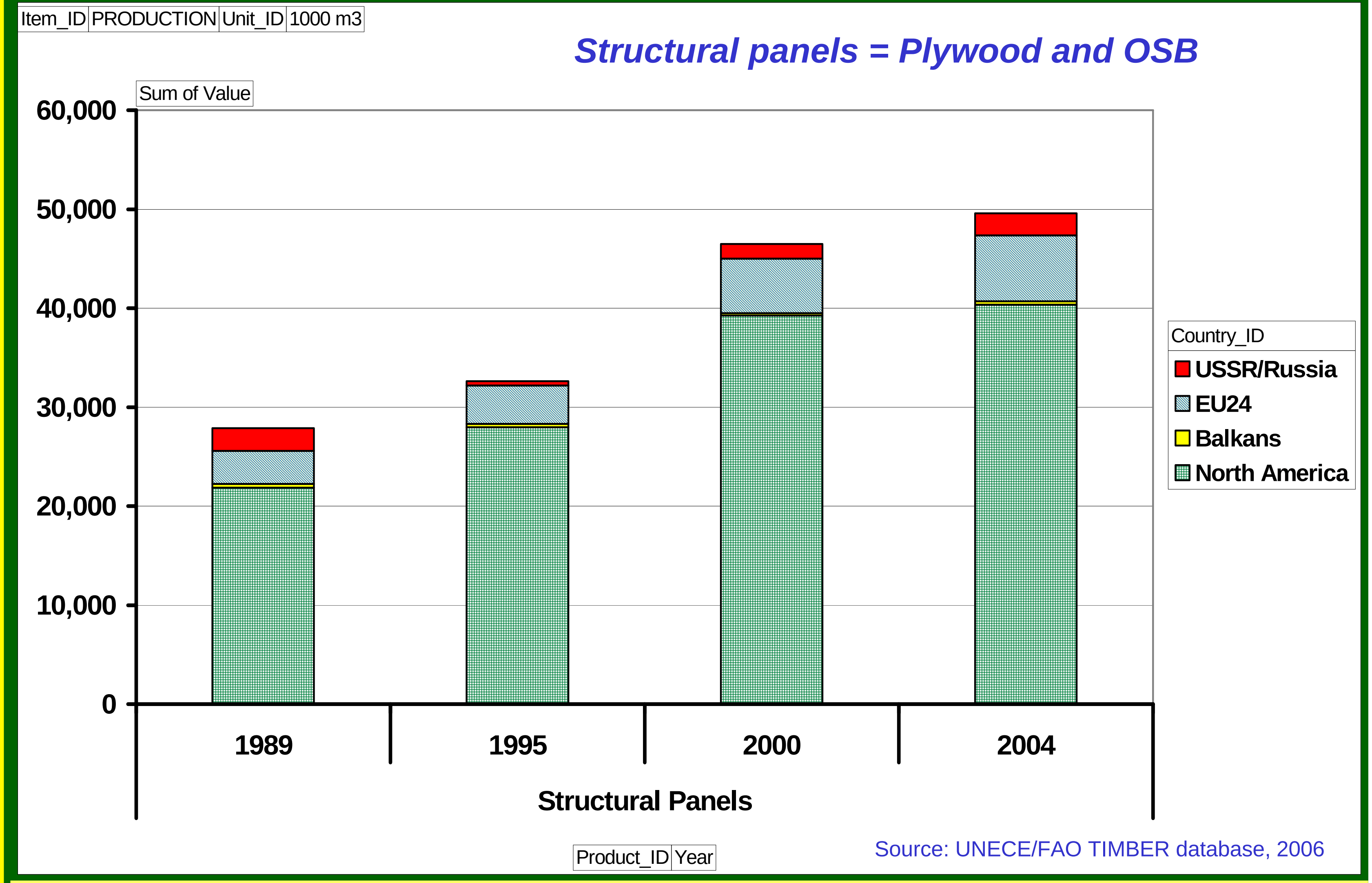


Decorative Panels Consumption, 1000 m^3

Non-Structural or decorative = Particle board and MDF

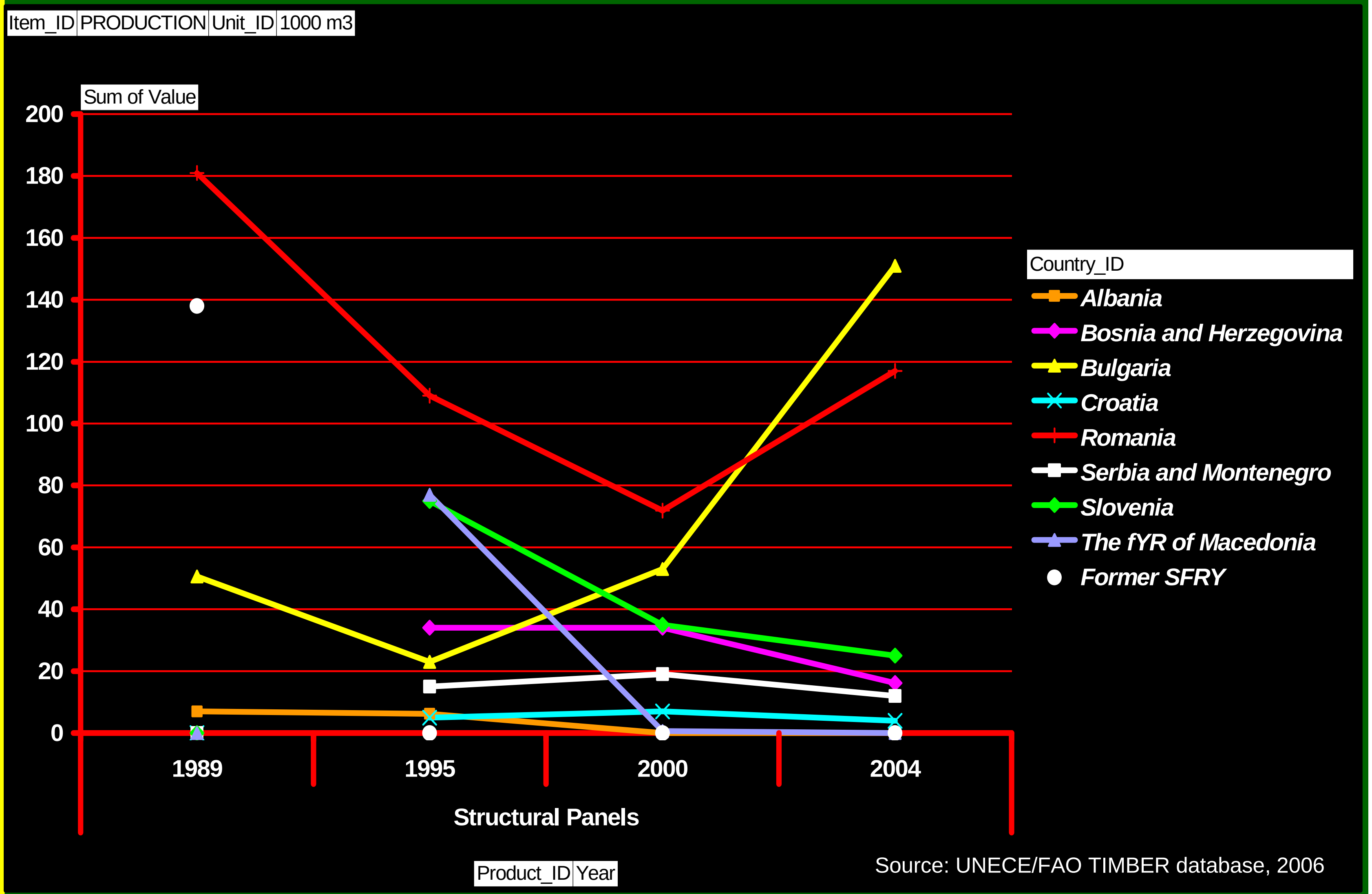


Structural Panels Production, 1000 m^3

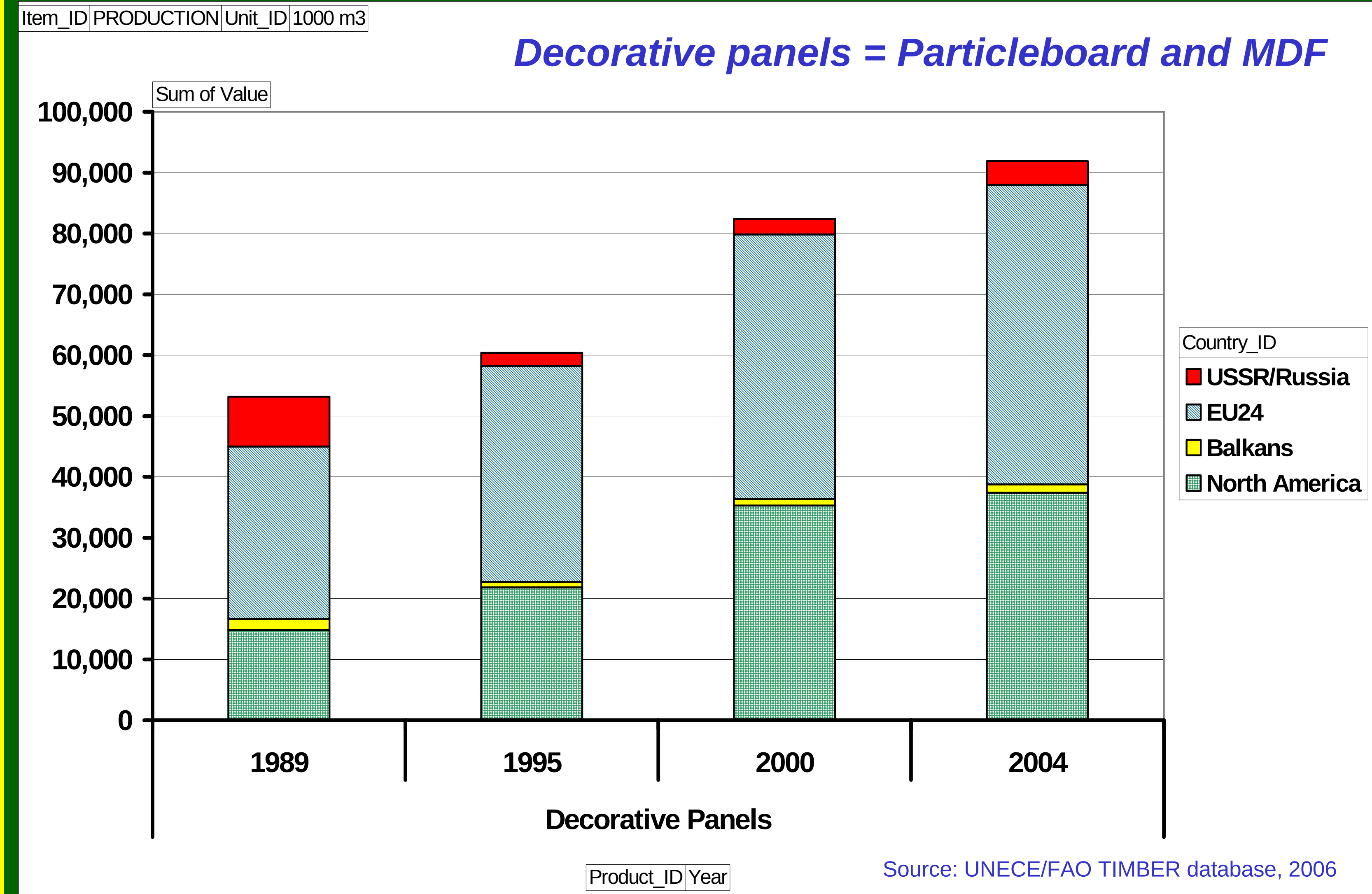


Source: UNECE/FAO TIMBER database, 2006

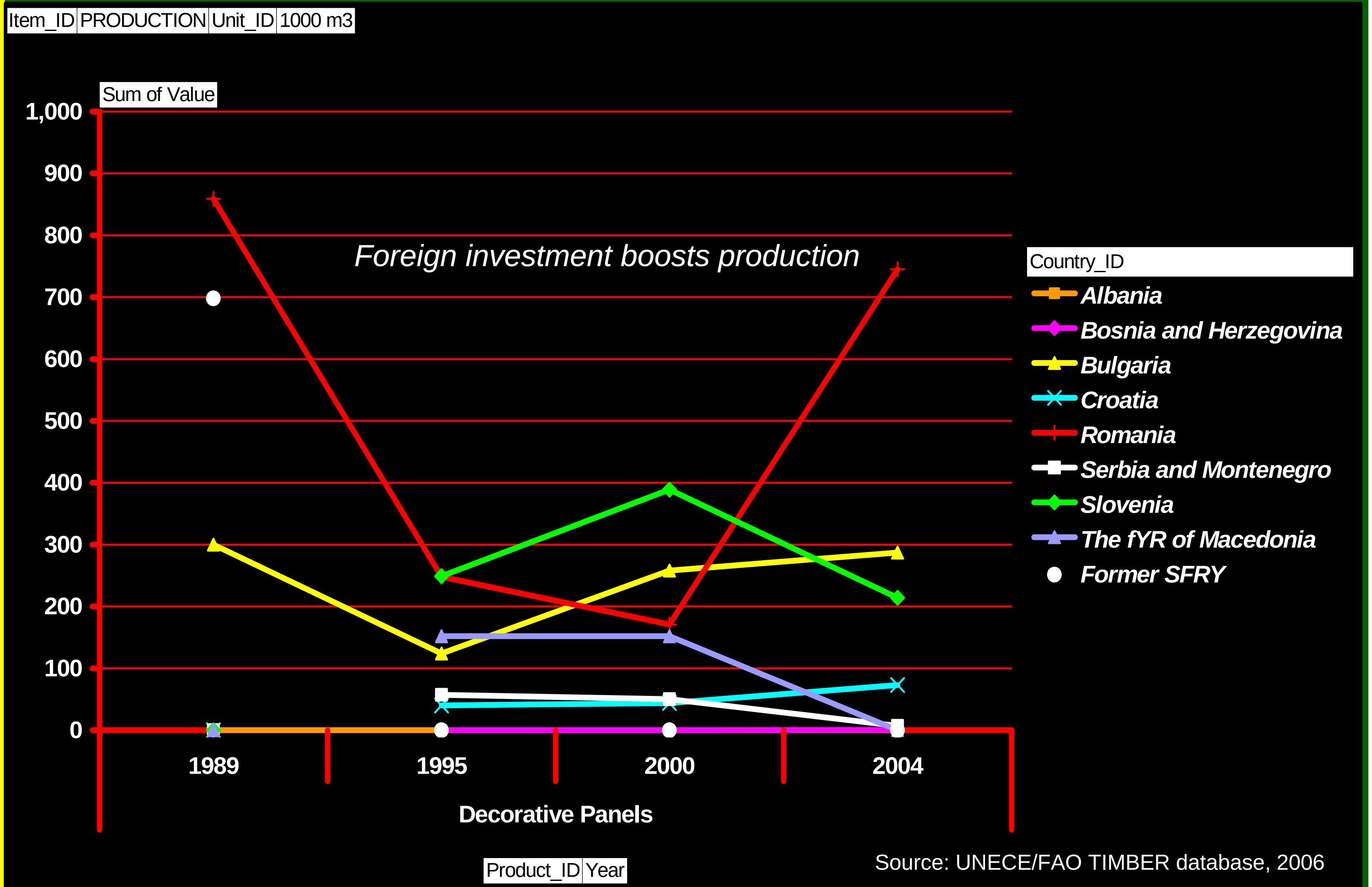
Balkan Structural Panels Production, 1000 m^3



Decorative Panels Production, 1000 m^3

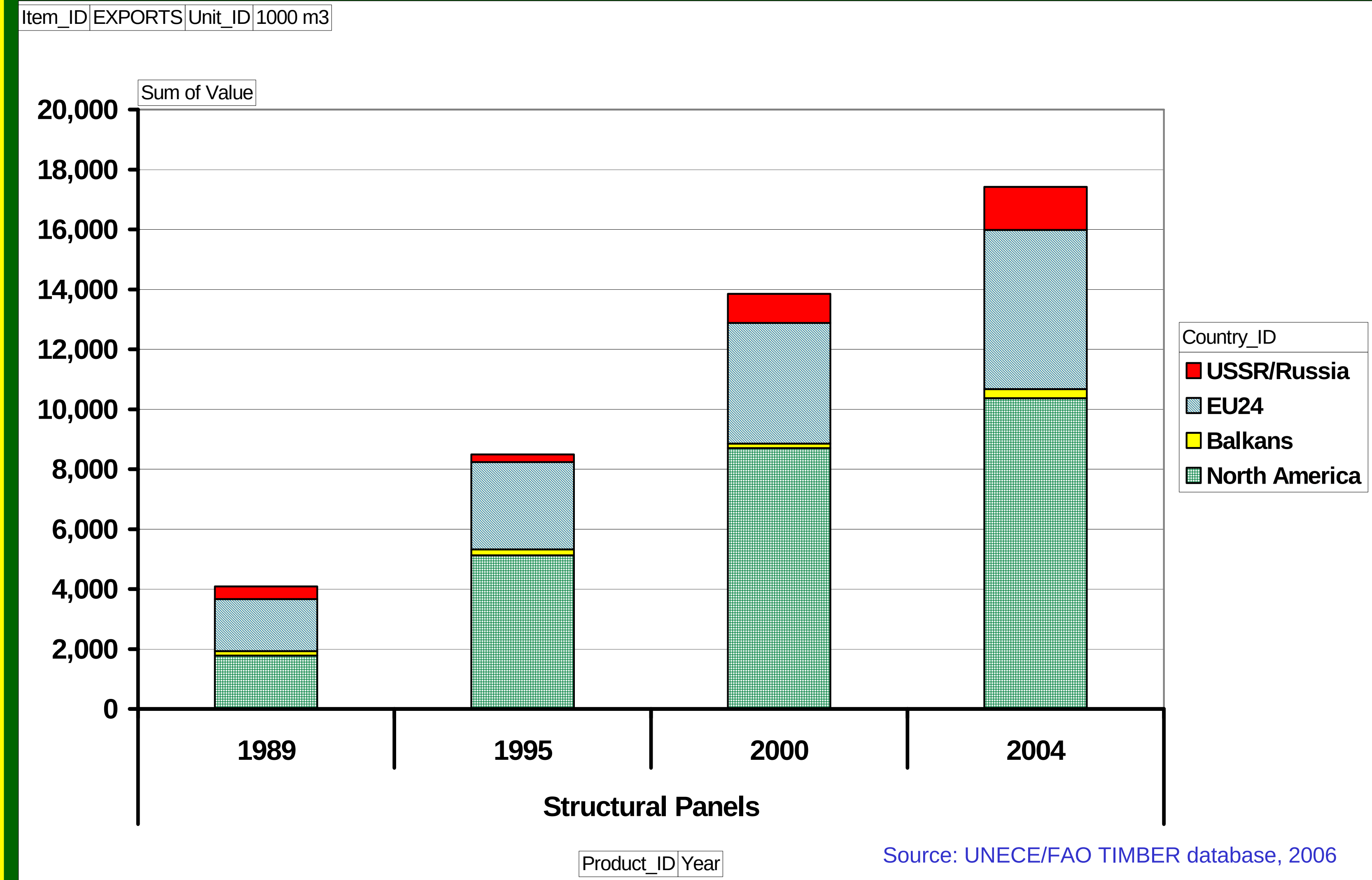


Balkan Decorative Panels Production, 1000 m^3



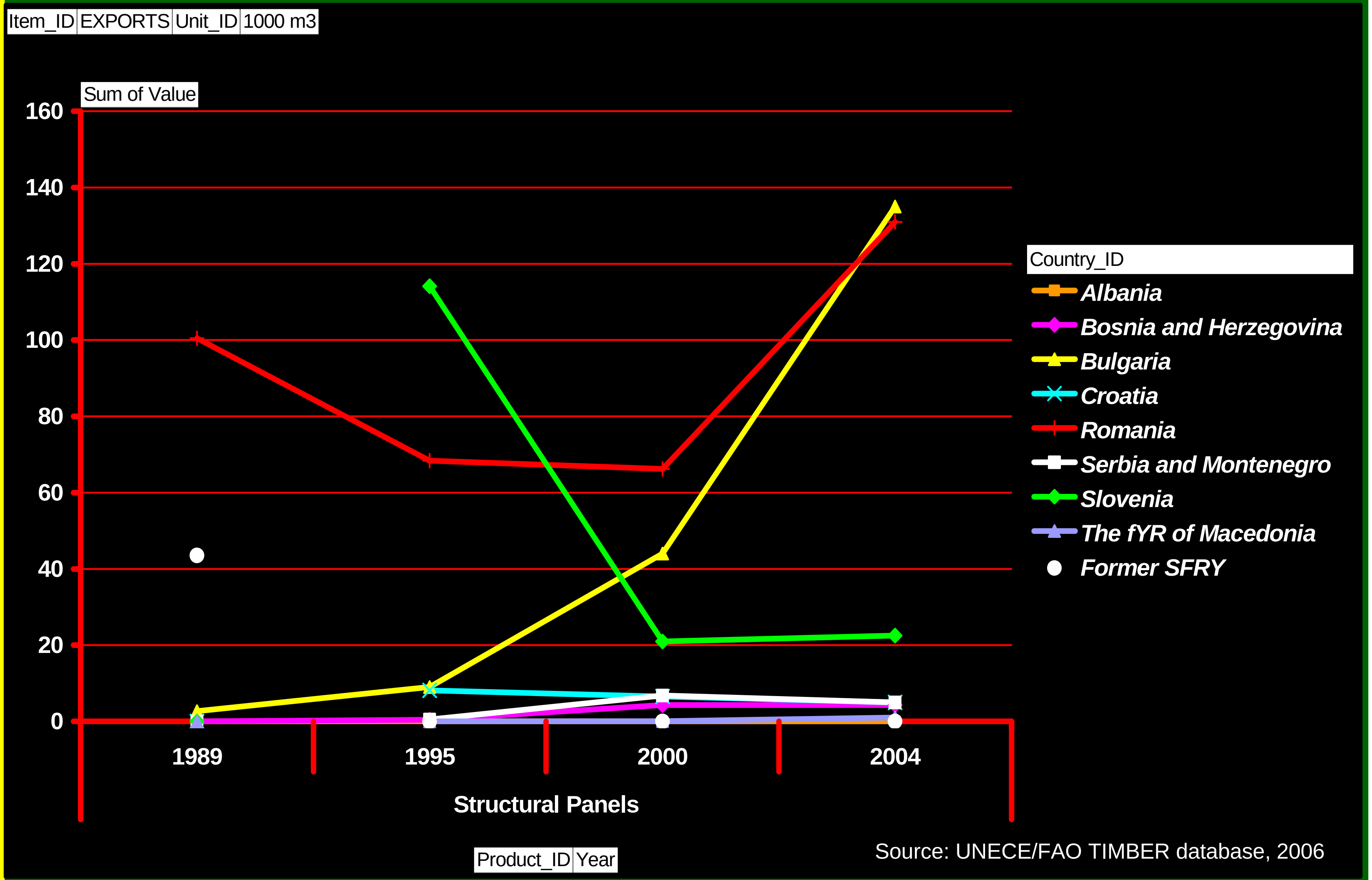
Source: UNECE/FAO TIMBER database, 2006

Structural Panels Exports, 1000 m^3

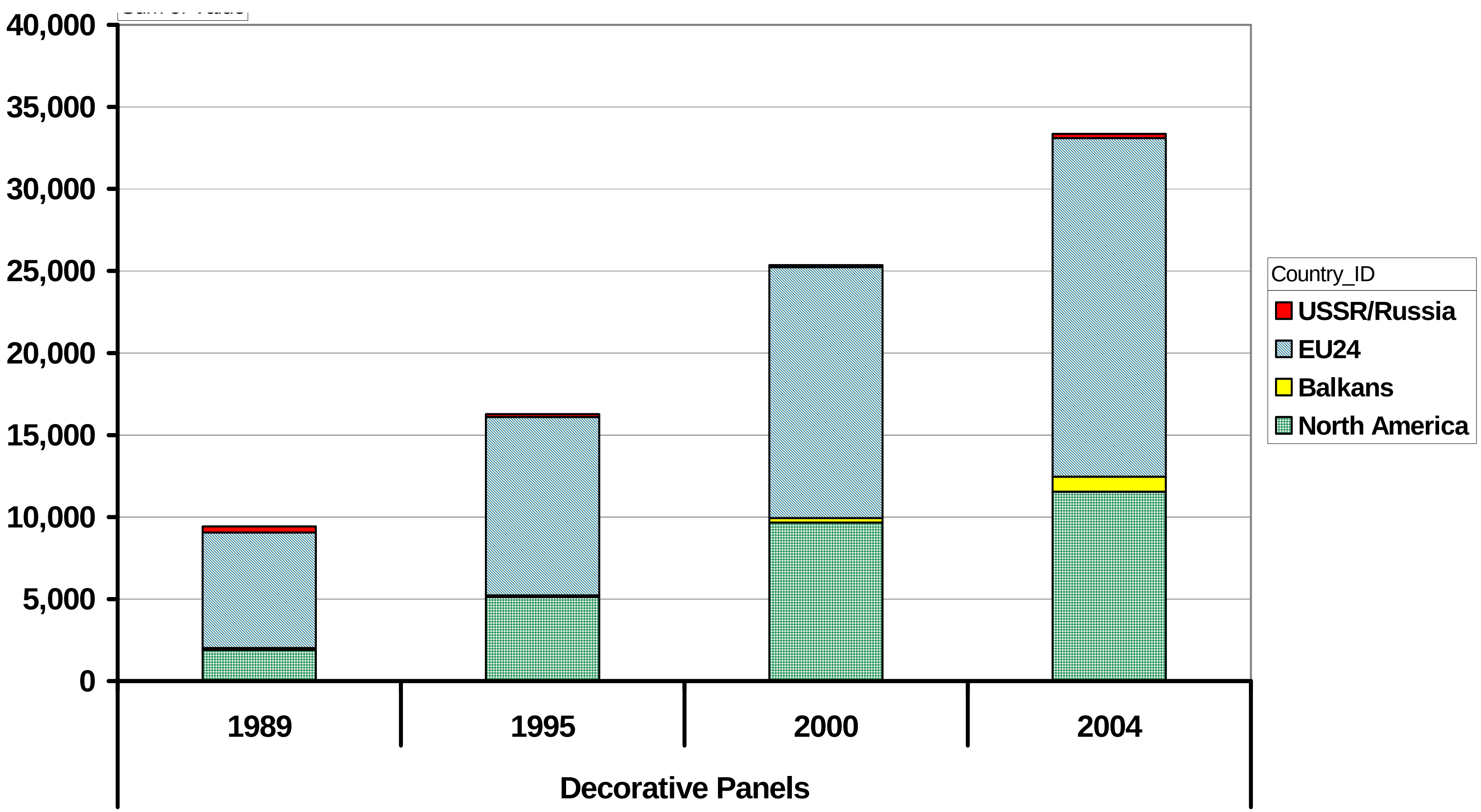


Source: UNECE/FAO TIMBER database, 2006

Balkan Structural Panels Exports, 1000 m^3

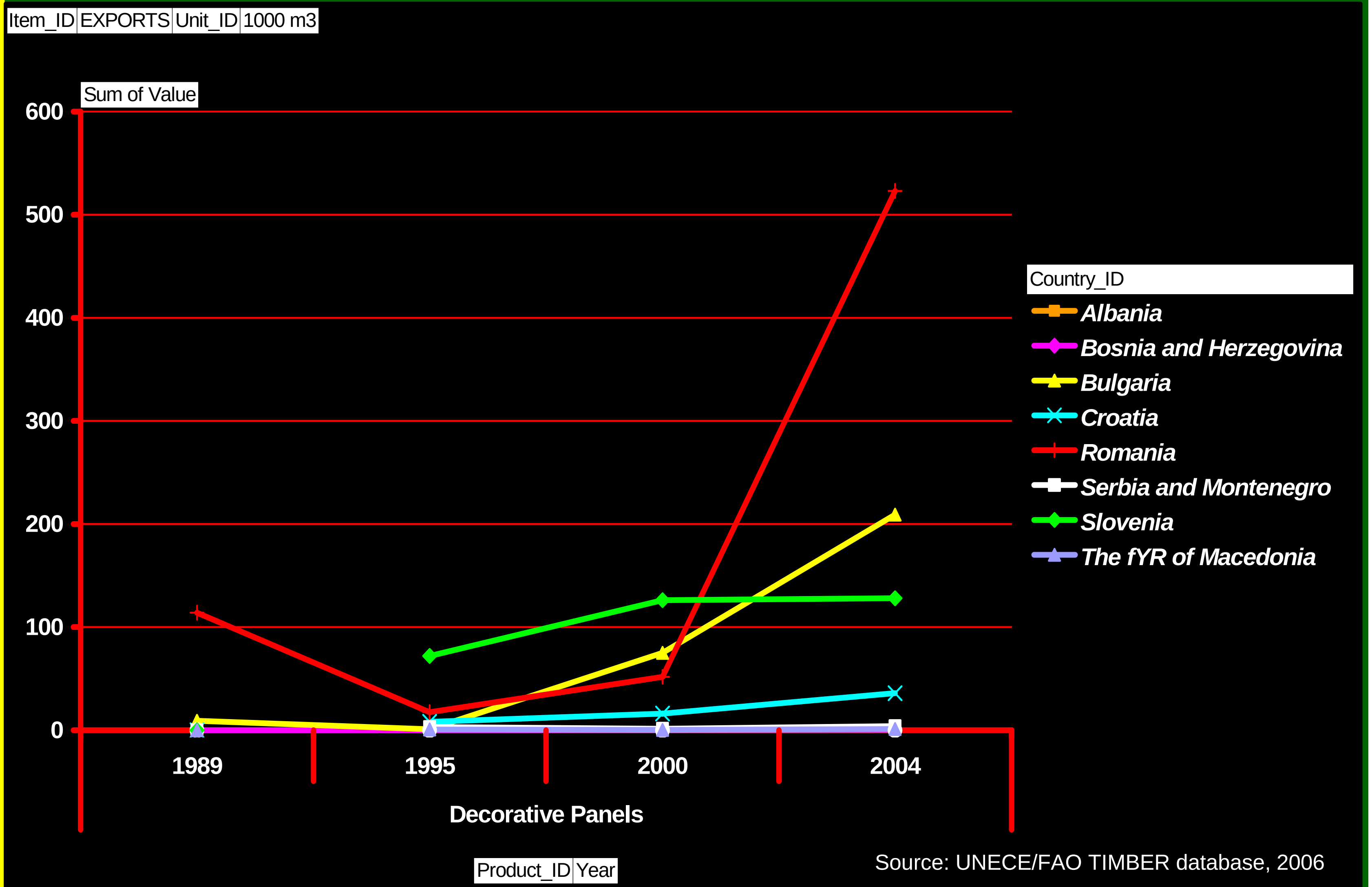


Decorative Panels Exports, 1000 m^3



Source: UNECE/FAO TIMBER database, 2006

Balkan Decorative Panels Exports, 1000 m^3



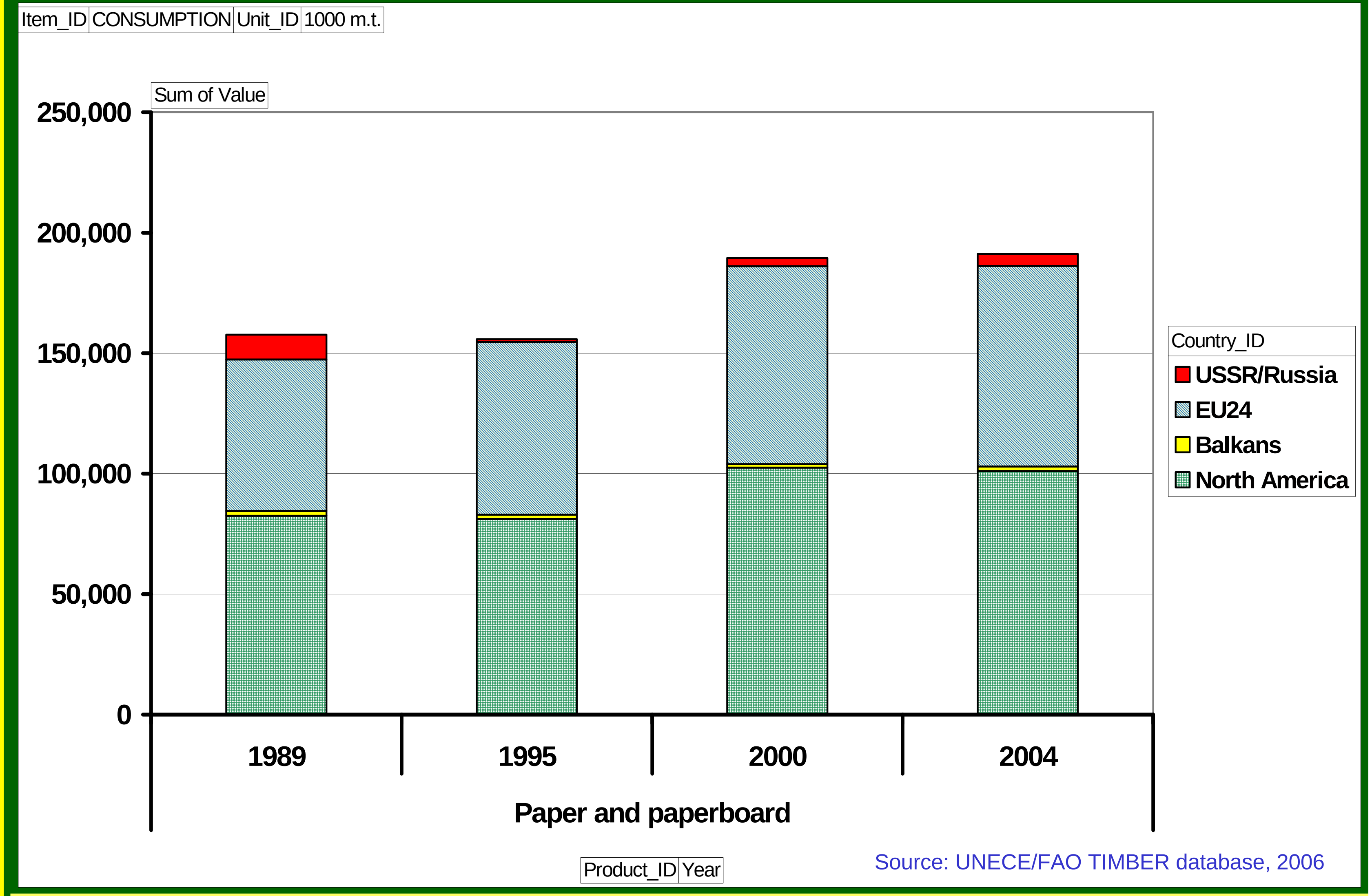
Source: UNECE/FAO TIMBER database, 2006

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

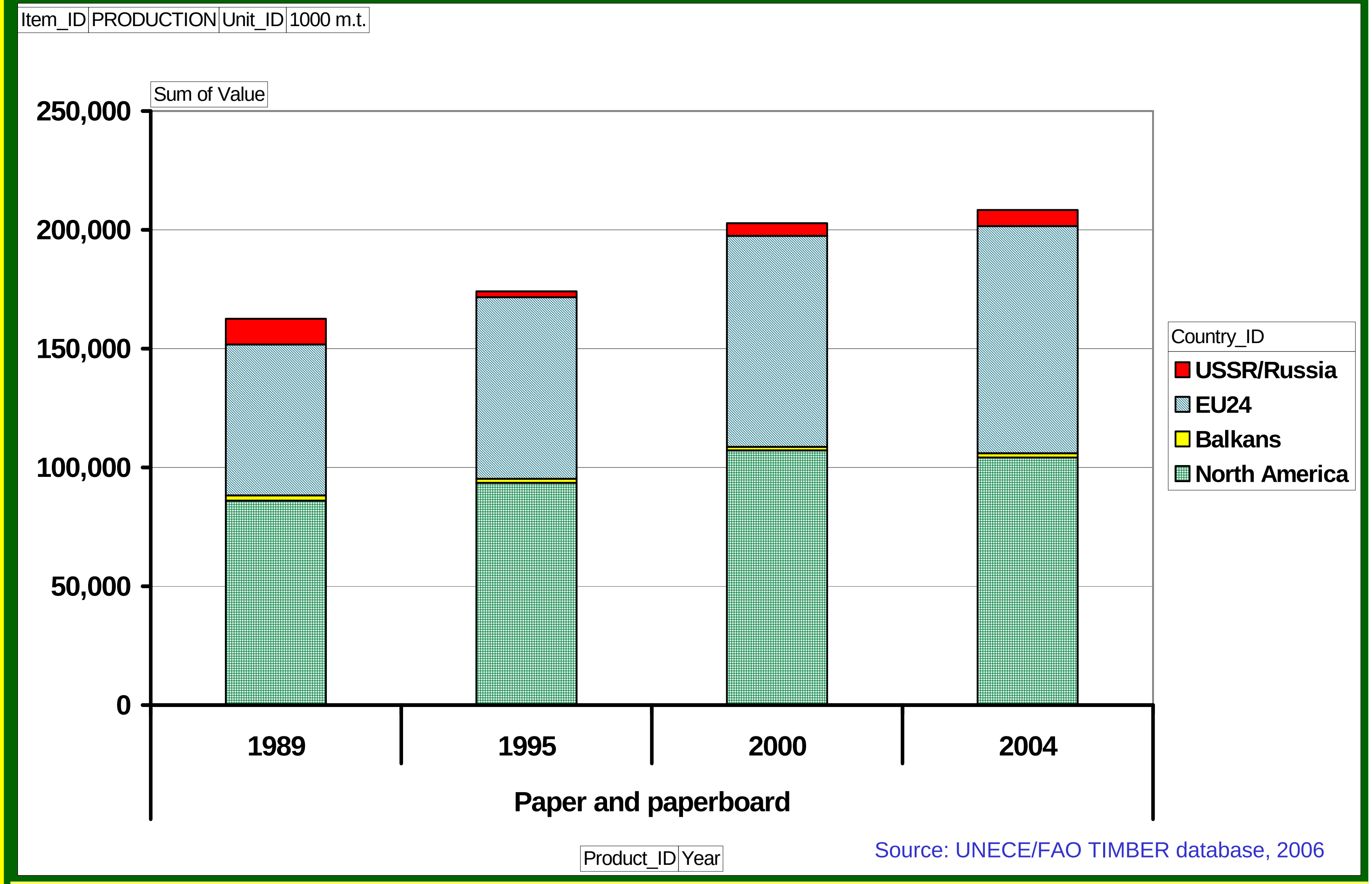
Source: UNECE/FAO *Forest Products Annual Market Review*, 2005

Paper & Paperboard Consumption, 1000 m.t.



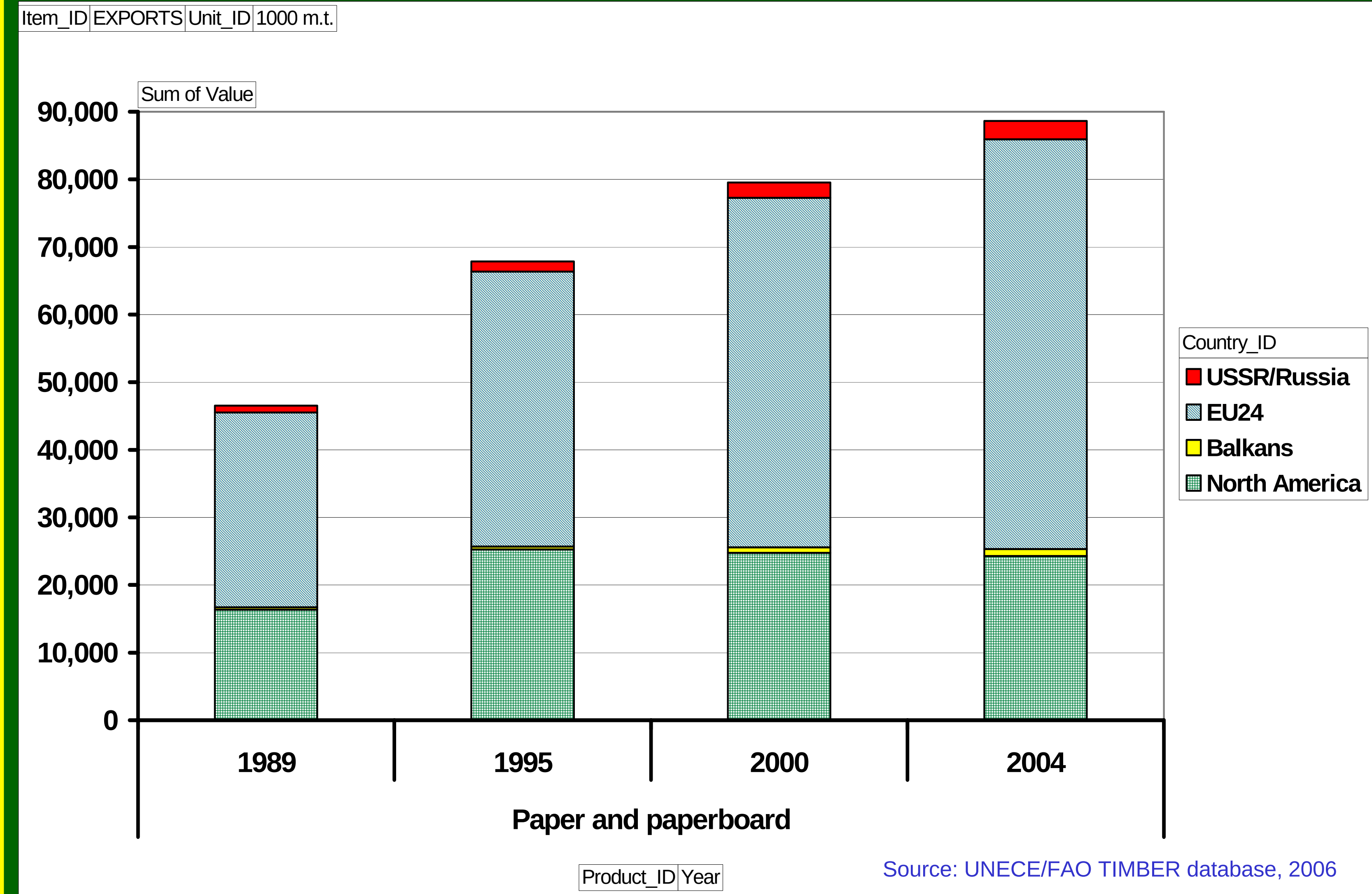
Source: UNECE/FAO TIMBER database, 2006

Paper & Paperboard Production, 1000 m.t.



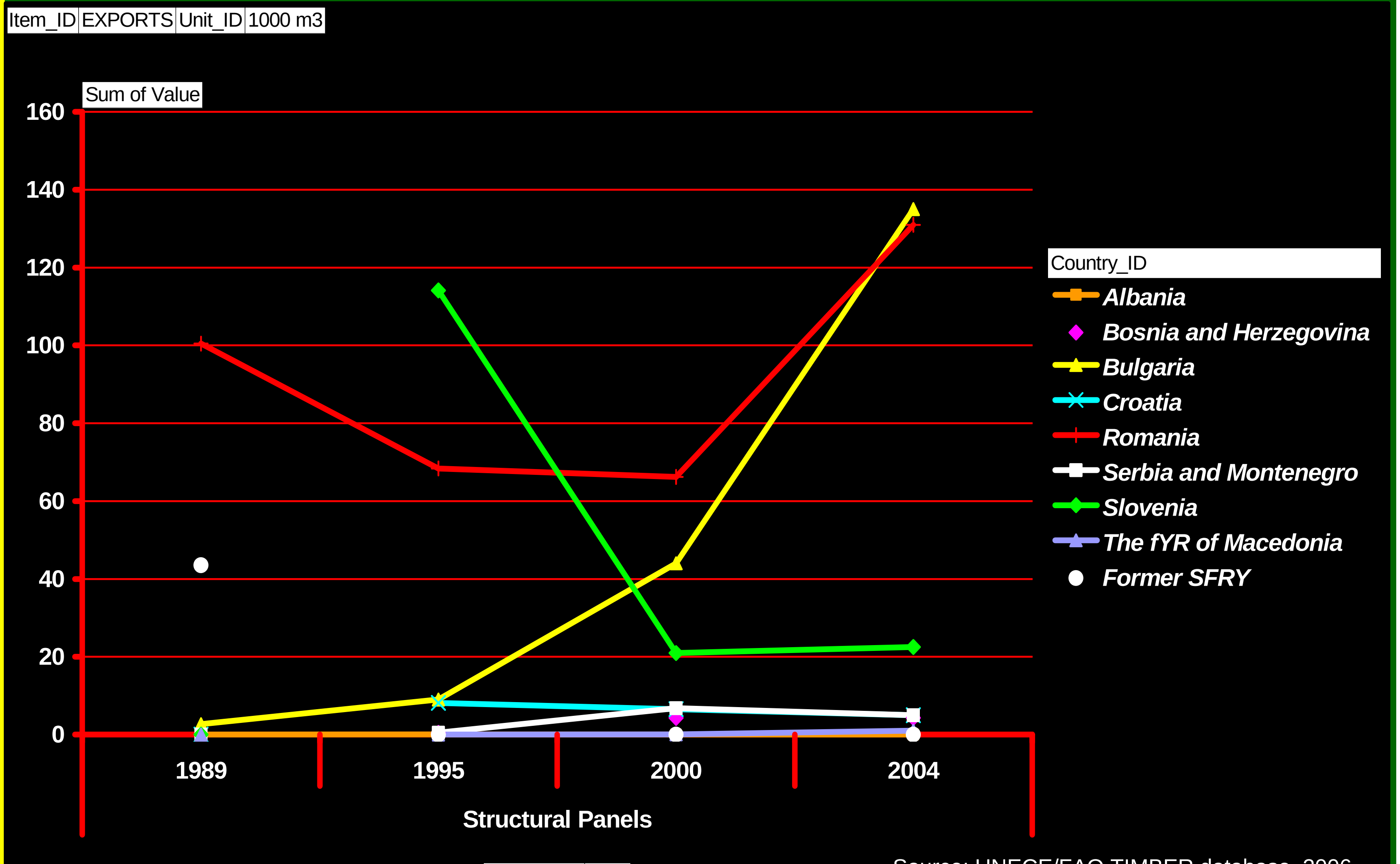
Source: UNECE/FAO TIMBER database, 2006

Paper & Paperboard Exports, 1000 m.t.



Source: UNECE/FAO TIMBER database, 2006

Balkan Paper & Paperboard Exports, 1000 m^3



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

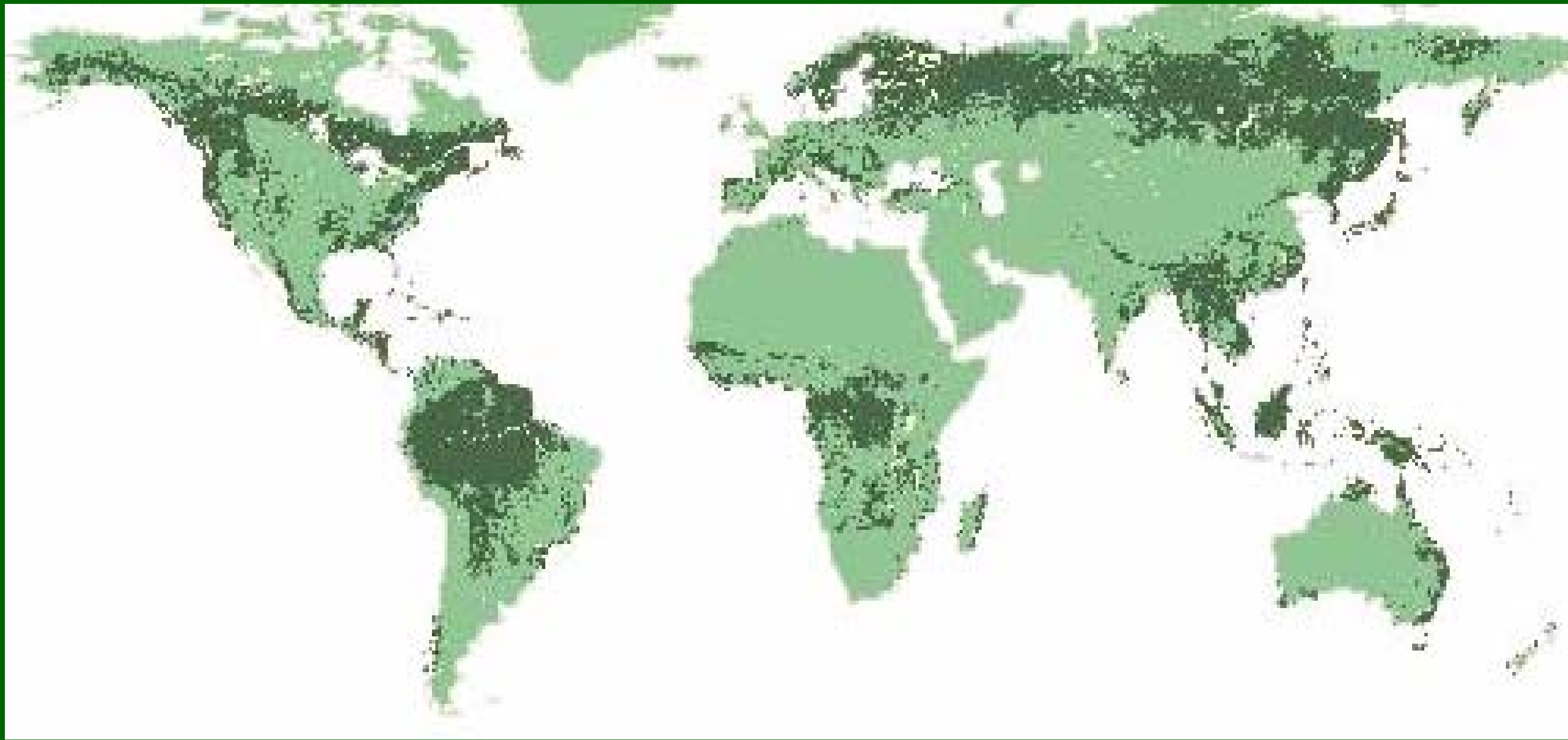
Source: UNECE/FAO *Forest Products Annual Market Review*, 2005

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.

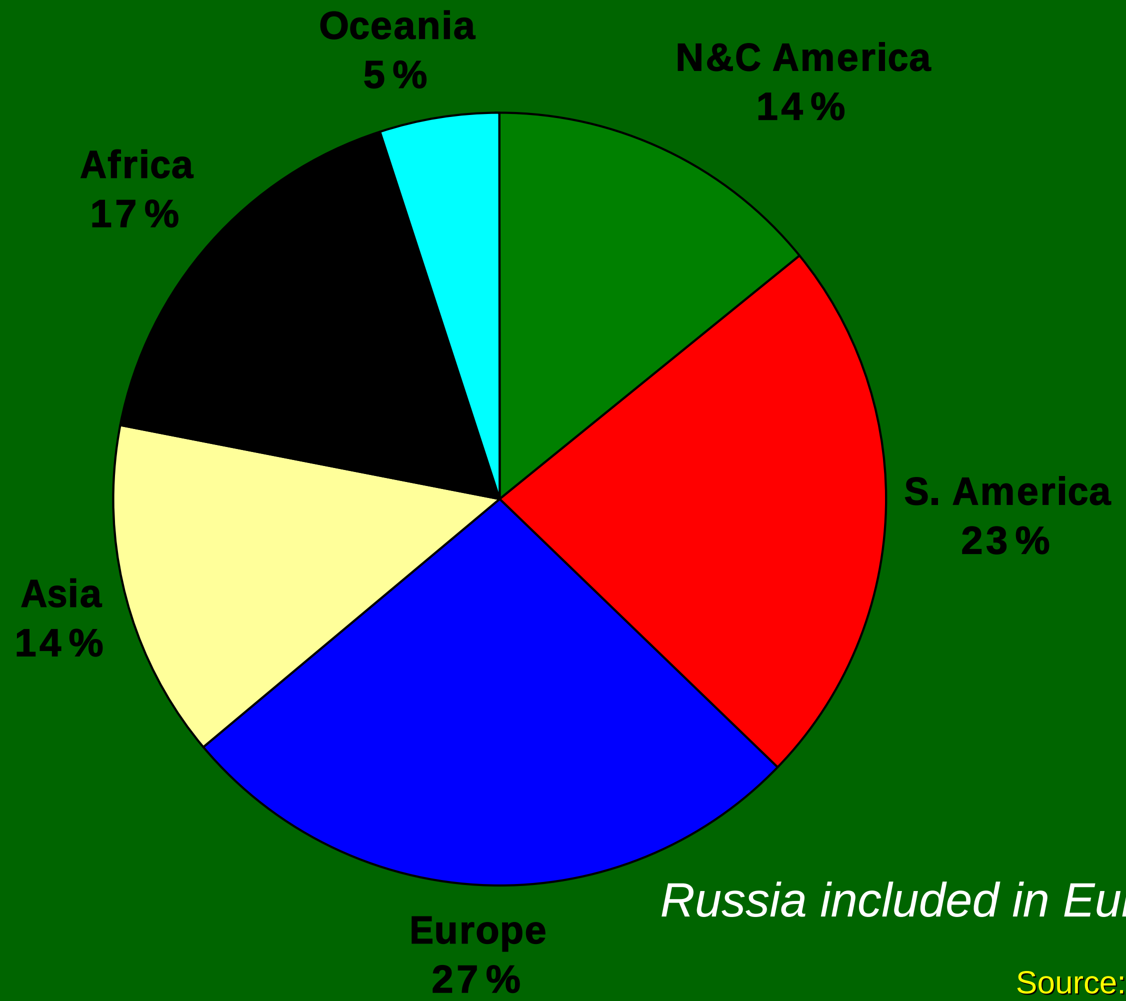
Source: UNECE/FAO *Forest Products Annual Market Review*, 2005

III. Supply, forest resources



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

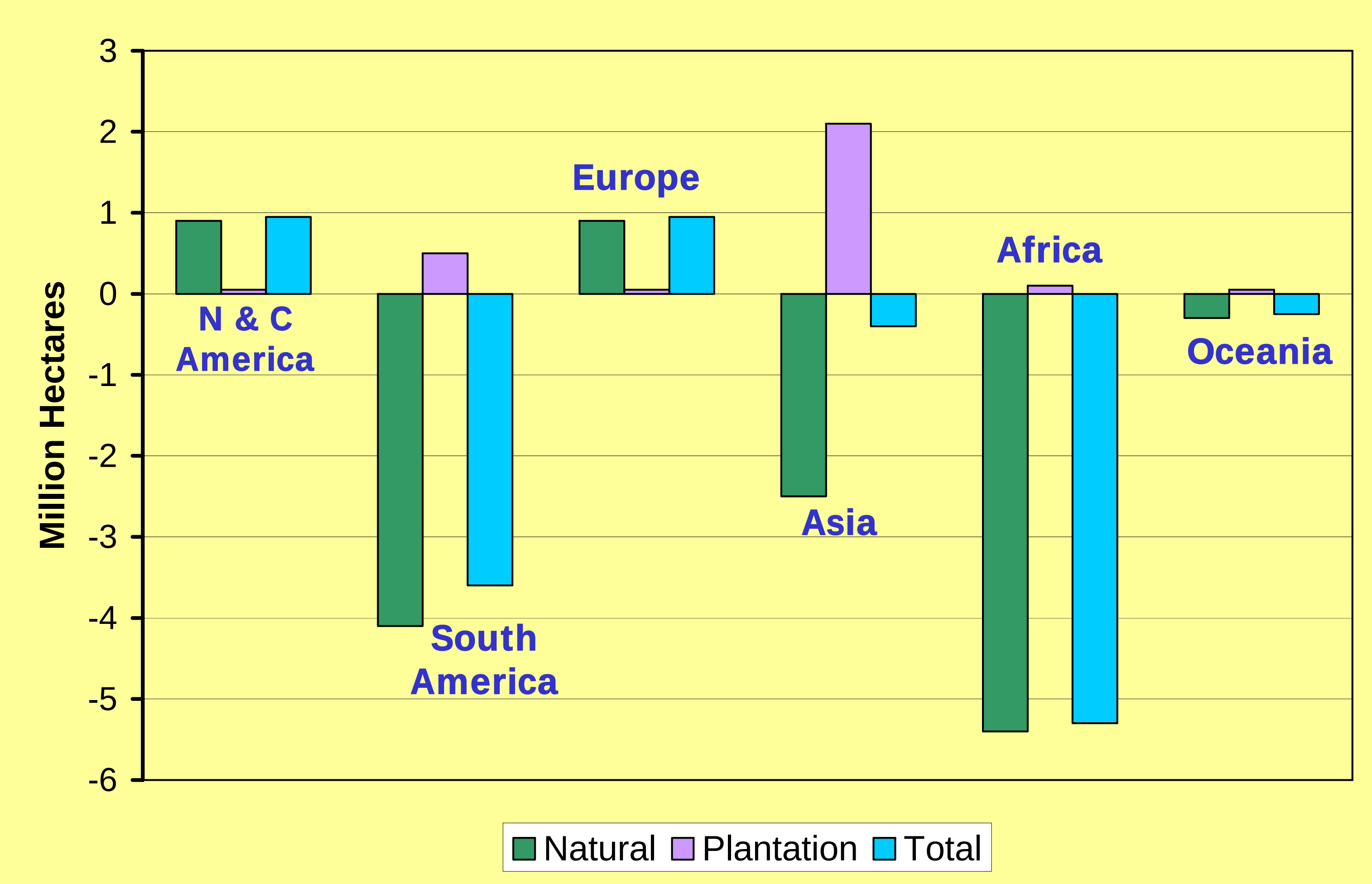
Where are the world's forests?



Russia included in Europe

Source: FAO FRA, 2005

Annual change in forest area, 1990-2000

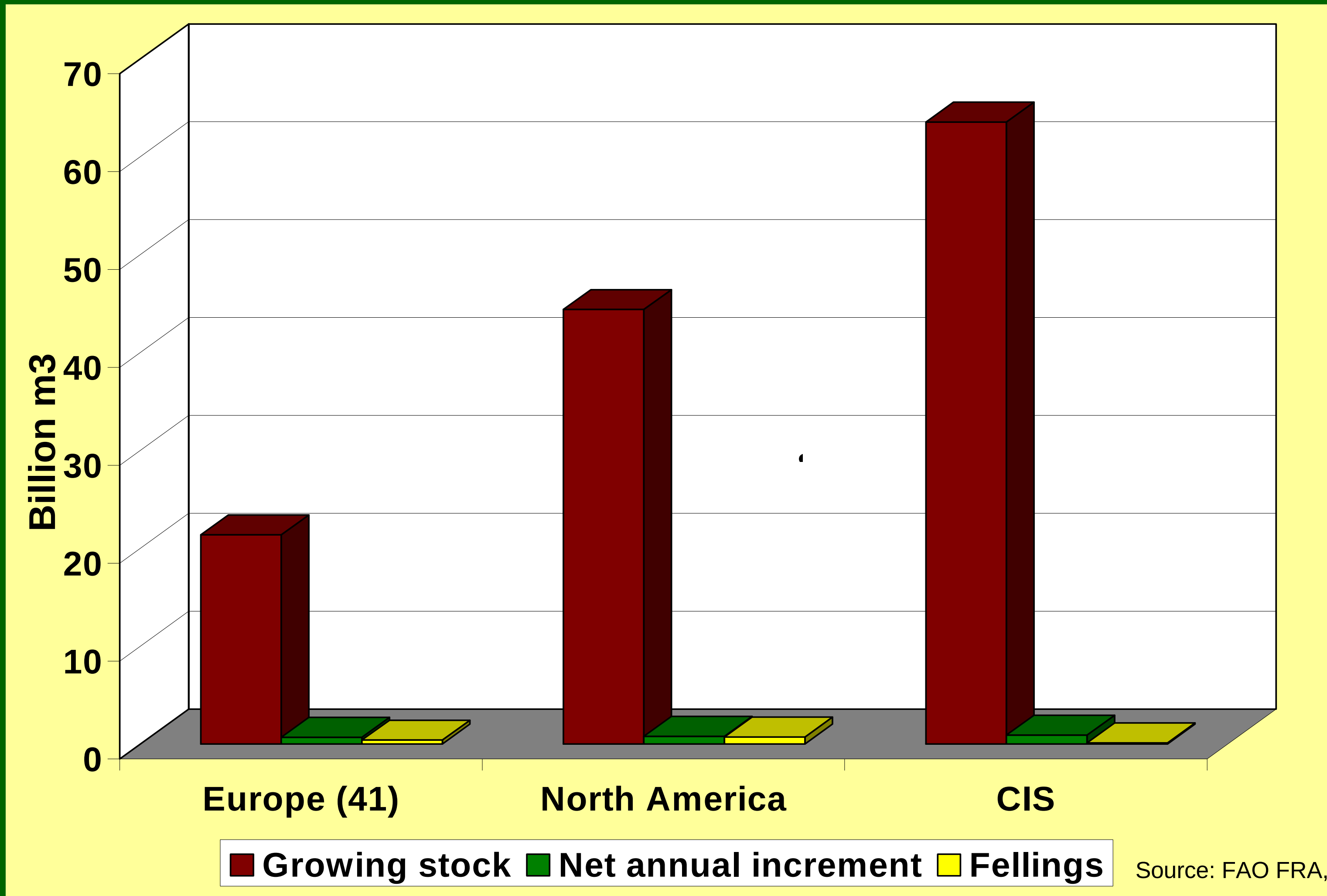


Source: FAO FRA, 2005

Reasons behind deforestation

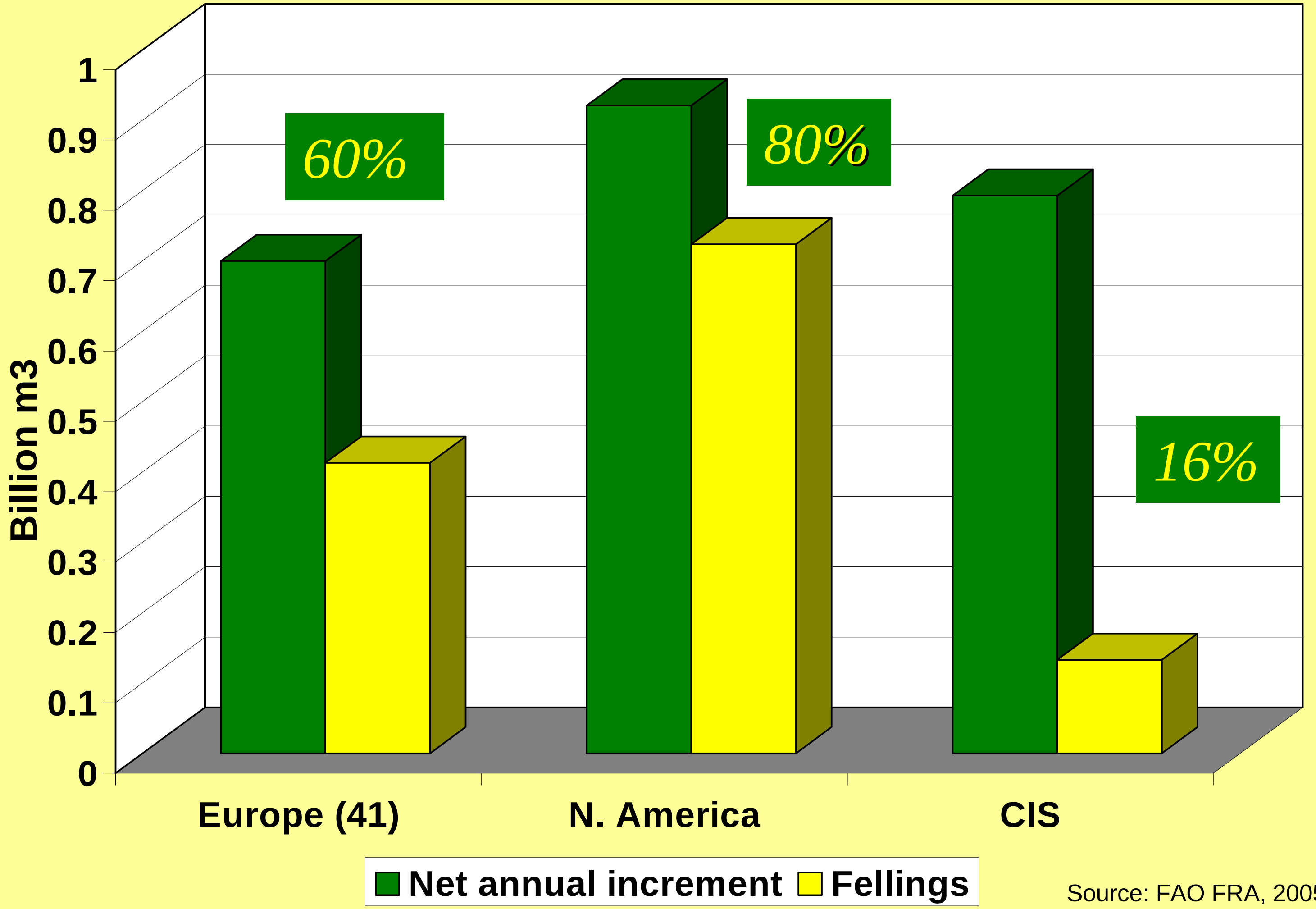
- Conversion to other land uses (0.4% of worlds’ forests annually in the ’90s)
  - Agricultural, including grazing
  - Urbanization
- Unsustainable silvicultural practices
  - Unmanaged harvesting
  - Poor regeneration
  - Fire, insects and diseases
  - Overharvesting fuelwood
- Poverty and overpopulation

Forest resources: Growing stock



Source: FAO FRA, 2005

Forest resources: Net annual increment vs. fellings



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

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