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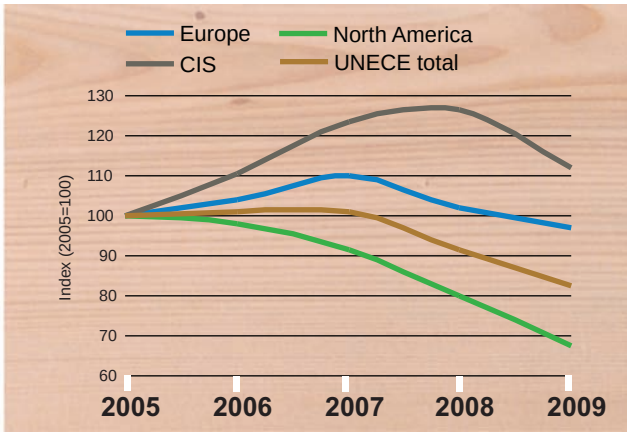
ECONOMIC CRISIS DRIVES UNECE REGION WOOD HARVEST TO AN ALL-TIME LOW

The consumption of wood and paper products fell by 11.6% in the UNECE region in 2009, the largest year-on-year drop since the oil crisis of the 1970s, according to the UNECE/FAO's Forest Products Annual Market Review 2009-2010 released on 5 August.

Consumption of forest products in the UNECE region, 2005-2009

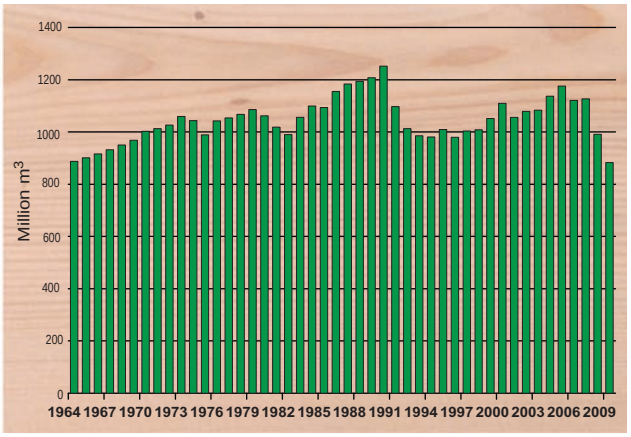


Note: Based on roundwood equivalent for sawnwood, panels and paper and paperboard.
Source: UNECE/FAO TIMBER Database, 2010.

The main cause was of this decline, after the 8.5% drop registered in 2008, was the continuing negative impact on the sector of the 2008-2009 global economic and financial crisis, which has seen US housing starts collapse and a severe downturn in Europe. Housing starts in the Russian Federation fell as well in 2009, the first such fall following a period of steady growth. Building construction and related demand for wooden interior furnishings are the main drivers for forest product markets.

As a result, industrial roundwood harvests (i.e. the raw material for wood and paper products) fell in 2009 to only 880 million m^3, their lowest level since UNECE/FAO began collecting market statistics in 1964 and the first time in more than 20 years that they have fallen significantly below 1 billion m^3.

UNECE region industrial roundwood removals, 1964-2009

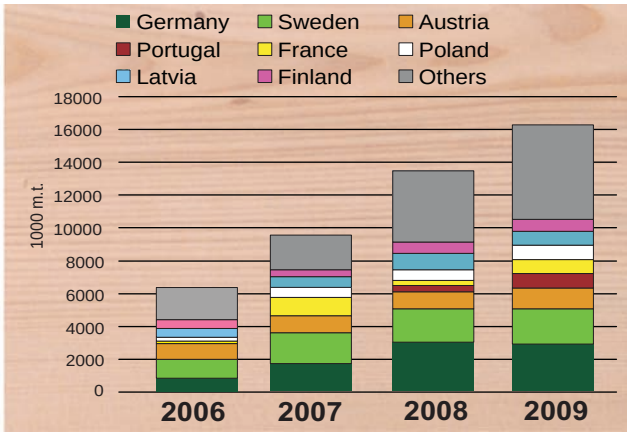


Source: UNECE/FAO TIMBER Database, 2010.

Indications from the first part of 2010 are that consumption has begun to rise and there is an expectation of a modest recovery in both timber harvests and consumption of wood products, across all three UNECE subregions, i.e. North America, Europe and the Commonwealth of Independent States.

The only segment of the market that grew in 2009 was wood used for energy.

European wood pellet production capacity, 2006-2009



Source: Ljungblom,2010.

Government policies to mitigate climate change and to improve energy security boosted renewable energy sources, of which wood is the key component. In the European Union, wood accounts for more than 50% of renewable energy sources. Incentives to promote wood energy have intensified competition for wood supplies. Demand for wood began to increase in early 2010, and in combination with the record low harvests, roundwood prices rose.

Forest products markets are now global, as illustrated by China's meteoric rise over the past decade to become a major producer, consumer and trader of wood and paper products. China has competed successfully on price and quality to seize market share from former leaders, such as Italy for furniture. However, to take advantage of lower manufacturing costs and to maintain competitiveness, UNECE region companies are now increasingly investing in production facilities in other countries in Southeast Asia and South America.

The Russian forest sector is also undergoing fundamental changes brought on by the above factors combined with the uncompleted implementation of the 2008 Forest Code and the ongoing roundwood export taxes. The taxes were initiated to promote greater value-added processing in Russia, in part through foreign investment. However, the current taxes, and especially the proposed increase from €25 to €50/cubic metre of roundwood exported, have consequently reduced Russian exports to most destinations. The result is serious consequences for the entire Russian forest sector.

Concern about the source of wood had led many governments to require the forest industry to prove that wood comes from legal sources. A new trend is emerging, with procurement policies that initially focused mainly on legality now also targeting sustainability criteria as well and applying these obligations to everyone in the supply chain. Certification has been a primary means of providing these assurances. However, despite a steady increase in recent years, only 9% of the forest area worldwide has so far been certified. But 88% of these are located in the UNECE region.

These issues above are evidence that the global forest sector has gone through a structural change. While difficult to recognize in the midst of such a change, it appears that a major shift is occurring, or has occurred, in the UNECE region's forest sector—which will eventually be determined with hindsight.

The sector is adapting to the structural change by developing innovative products, production processes and construction methods. For example, engineered wood products are structural products that make the greatest use of wood properties to meet existing and new uses. An example is Cross Laminated Timber, a massive engineered wood panel that replaces steel reinforced concrete, and has been employed in all-wood construction of 9 storeys in London.

Innovation will be a key theme of the annual UNECE Timber Committee Market Discussions (11-12 October), thanks to a first ever joint session with the international Society of Wood Science and Technology titled "Forest sector rebounds in the UNECE region: Innovative wood products lead the way".

The early signs of an upturn in demand and production of sawnwood and paper in 2010 reinforce the Timber Committee's forecast that markets hit the bottom in 2009 and would improve. The Committee will forecast markets for 2011 at the October session. □

The review is available at:
http://timber.unece.org/fileadmin/DAM/publications/sp-25.pdf
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