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PREFACE

Sustainable forest management has three components: environmental, social and economic. The economic component is closely dependent on forest products markets that must be economically viable if the sector is to be truly sustainable for the long term. Accurate, independent, reliable and timely information on, and analysis of, international trends, are vital for governments and other stakeholders in this sector to make their operational decisions and to formulate their policies. From their beginnings in the late 1940s, the UNECE Timber Committee and the FAO European Forestry Commission have placed high priority on monitoring and analysing forest products markets on the basis of statistics supplied by each member country.

The *Forest Products Annual Market Review* is the annual flagship publication of the UNECE/FAO integrated programme in the field of timber and forests, serving the Timber Committee and the European Forestry Commission. It analyses forest products market developments in the context of the surrounding political and economic environment within the UNECE region. It provides readers with the earliest comprehensive analysis on recent developments in the forest and forest product sector in the UNECE region and among its trading partners. This publication should be of use to experts and market actors as well as those responsible for policy formulation in the forest and forest industries sector.

Commensurate with both organizations' priorities, UNECE and FAO are working to make the analyses they produce more relevant to policy makers and attempting to ensure that they are a stimulus and support to meaningful policy discussion in international fora. Current policy issues, many of a cross-sectoral nature, discussed in the chapter on "Policy issues related to forest products markets in 2003 and 2004" include:

- Forest law enforcement, governance and trade;
- Forest certification;
- Policies promoting the sound use of wood;
- Research and development related policies;
- Industry competitiveness and investment policy;
- Climate change policy;
- Wood energy promotion policy;
- Trade policy and tariff and non-tariff barriers;
- Phytosanitary measures; and,
- Russia – developing a new forest code.

This ability of UNECE and its partners to produce independent and policy-relevant analysis in the areas identified as priorities by member states and considered vital for the sustainable development of all countries in the region, demonstrates once again its continuing central position for international cooperation in the region. This year the policy analysis spans the entire forest and forest industries sector in preparation for the joint session of the Timber Committee, with its market orientation, and the European Forestry Commission, with its forest orientation. The annual Timber Committee Market Discussions on 5 October 2004 have the theme of "links between forest policy and market policy", and this publication provides background for this forum.

This *Review* is the result of contributions by more than 40 experts and authors and their organizations, including sector experts, national correspondents, colleagues in partner organizations and members of the secretariats in Geneva and Rome. I offer my appreciation to all those who have contributed, directly or indirectly, to preparing this *Forest Products Annual Market Review*.



Brigita Schmögnerová
Executive Secretary

UN Economic Commission for Europe

ACKNOWLEDGEMENTS

The most enjoyable part of producing this *Forest Products Annual Market Review, 2003-2004*, is thanking the many people who directly or indirectly contributed to its production. While we mention some people below, we simultaneously acknowledge others working with them, or companies or institutions that made their time and travel funds available. The majority of the contributions for the *Review* were donated, although a few authors' direct expenses were compensated.

In addition to those named below, numerous other experts helped on specific parts of the *Review* and their names are included in the following list of contributors. The analysis is based on statistics received from official country correspondents, who are also listed. For some data in the chapter on certified forest products, the UNECE Timber Committee and FAO European Forestry Commission established a network of officially nominated country correspondents on certified forest products markets and certification of sustainable forest management. Our sincere appreciation goes to these people without whose efforts we would not have been able to produce the *Review*.

In order of chapter number, we first acknowledge the external authors, then all those who helped from the secretariat.

The policy chapter was written by Jim Bowyer, Professor, Department of Bio-based Products, University of Minnesota, USA, and Ewald Rametsteiner, also a forest-sector policy expert, Institute of Forest, Environment and Natural Resources Policy, University of Natural Resources and Applied Life Sciences, Vienna, Austria. It was a pleasure to work together with them to analyse the current policies affecting today's forest products markets. Dr. Rametsteiner is also a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

Our thanks also to Dieter Hesse, Chief, Macroeconomics and Structural Studies Section, UNECE Economics Analysis Division, who reviewed the economic overview chapter. The construction section of the economic background chapter was written by Al Schuler, Research Economist, Northeast Forest Experiment Station, USDA Forest Service, Princeton, West Virginia and Craig Adair, Director, Market Research, APA-The Engineered Wood Association, Tacoma, Washington. Dr. Schuler also is a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. They again wrote the section on engineered wood products markets in the value-added wood products chapter. The first part of the value-added products chapter was written by Jukka Tissari, Director, Division of Forest Industries and Markets, Indufor Oy, Helsinki, Finland. We complement the analysis of primary-processed products with indications of demand from secondary-processed products through the valuable work of these authors.

Håkan Ekström, President, Wood Resources International, wrote the wood raw materials chapter analysis. He is Editor-in-Chief of *Wood Resource Quarterly* and the *North American Wood Fiber Review*, two publications tracking worldwide wood fibre markets, including prices. He, in turn, worked with collaborators, who are also included in the contributors list. We thank all of them.

Our appreciation for the sawn softwood analysis goes to Henry Spelter, Research Forester, Timber Demand and Technology Assessment Research Work Unit, Forest Products Laboratory of the USDA Forest Service, Robert Kozak, Associate Professor, Department of Wood Science, University of British Columbia, Canada, and Nikolai Burdin, General Director, NIPIEllesprom, Russian Federation, and former Chairman of the UNECE Timber Committee. We thank all of them for their insight into sawn softwood markets.

We thank Roderick Wiles, Broadleaf Consulting, United Kingdom, who wrote the sawn hardwood analysis. We sincerely appreciate support from the American Hardwood Export Council through David Venables, European Director, who also reviewed the chapter. Rupert Oliver, Editor, hardwoodmarkets.com, also contributed to the sawn hardwood chapter. Filip de Jaeger, Secretary General, CEI-Bois and European Federation of the Parquet Industry, was also a key contributor. We thank them all.

Eva Janssens, Economic Advisor, European Panel Federation, produced the wood-based panel chapter. She used the Federation's recent *Annual Report 2004* as a basis, as well as input on the Russian market from Dr. Burdin, who is also thanked above for his sawnwood contribution. Ms. Janssens is a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. Jorge Nájera, Economic Affairs Officer, UNECE/FAO Timber Branch, also contributed to the analysis. We thank all these authors.

For the paper, paperboard and woodpulp chapter, four authors, representing the different subregions of the UNECE, contributed. First we thank Peter J. Ince, Research Forester, USDA Forest Service, US Forest Products Laboratory, who coordinated the production of the chapter. Dr. Ince was also a principal author for the North American subregional analysis. Subregional analyses came from Professor Eduard L. Akim, PhD, Saint Petersburg State Technological

University of Plant Polymers and the All-Russian Research Institute of Pulp and Paper Industry, Bernard Lombard, Recycling and Economics Manager, Confederation of European Paper Industries (CEPI) with statistical assistance by Eric Kilby, Statistics Manager, CEPI, and by Tomas Parik, Managing Director, Wood and Paper A.S. Both Dr. Ince and Mr. Spelter, sawnwood chapter author, work together in a research unit led by Ken Skog, Timber Demand and Technology Assessment Research Work Unit, Forest Products Laboratory, USDA Forest Service, whom we would also like to thank for enabling this continued cooperation. Both Dr. Ince and Professor Akim are members of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

Florian Kraxner and Ewald Rametsteiner, both from the Institute of Forest, Environment and Natural Resources Policy, University of Natural Resources and Applied Life Sciences, Vienna, Austria who are expert on certified forest products markets, continued analysing this sector. Our thanks go to both of them.

Another tropical timber assessment was made thanks to our colleagues in ITTO, Drs. Steve Johnson, Statistician/Forest Economist, and Michael Adams, Market Information Service Coordinator along with Masaki Miyake, Statistical Assistant. Their analysis is based on their *Annual Review and Assessment of the World Timber Situation 2003* and updated with current market developments. Drs. Adams and Johnson are also members of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

A heartfelt thanks to Ulla Kytälä and Eliisa Ranta, who were our forest products marketing assistants throughout the summer production. They are both masters students at the University of Helsinki's Department of Forest Economics. They conducted market research and produced all the graphics. In doing so they revised our *Graphics Production System*, *Review Production Manual*, *Review Planning System* and websites associated with the *Review*. These assistants are critical to the timely production of the publication and the effort is mutually advantageous. Their internships were facilitated by Heikki Juslin, Professor, and Pasi Paldanius, Assistant, Forest Products Marketing, Department of Forest Economics, University of Helsinki and Raija-Riitta Enroth, Senior Researcher, Finnish Forest Research Institute.

Forty people directly participated in the *Review* production. Ed Pepke (UNECE/FAO Timber Branch) led the project. The individual chapters had the following lead authors: 1. Ed Pepke; 2. Jim Bowyer and Ewald Rametsteiner; 3. Dieter Hesse, Al Schuler; 4. Håkan Ekström; 5. Henry Spelter, Robert Kozak and Nikolai Burdin; 6. Rod Wiles; 7. Eva Janssens and Nikolai Burdin; 8. Peter Ince, Eduard Akim, Bernard Lombard and Thomas Parik; 9. Florian Kraxner and Ewald Rametsteiner; 10. Jukka Tissari and Craig Adair; 11. Steve Johnson, Michael Adams and Masaki Miyake.

Alex McCusker (UNECE/FAO Timber Branch) validated and produced the statistics collected from the national statistical correspondents. Ronald Jansen, United Nations Statistics Division, provided the latest forest products trade statistics from Comtrade and Bruce Michie, Senior Researcher, EFI, validated the trade data and produced the database upon which we produced trade flow graphs and tables. Thanks to them all for our statistical base.

Matt Fonseca (UNECE/FAO Timber Branch) was responsible for the publication layout. Cynthia de Castro, (UNECE/FAO Timber Branch) performed all administrative duties. Sefora Kifle (UNECE/FAO Timber Branch) prepared price data and supported authors with documents and journals. T. P. Cherman, Consultant, was the principal copy editor. Christina O'Shaughnessy (Editor, Trade Development and Timber Division) and Douglas Clark (UNECE/FAO Timber Branch) also did some copyediting as well as proofreading of most of the publication. Thanks to all of them, and we welcome Mr. Clark to the Timber Branch and *Review* Team.

Initial technical reviews were done by Ed Pepke and Kit Prins (UNECE/FAO Timber Branch). We appreciate the supplementary reviews from the Forest Products and Economics Division of the FAO Forestry Department by Osamu Hashiramoto and CTS Nair.

This draft manuscript was completed on 6 August 2004. It is my pleasure to personally thank all members of the Team, and the many other contributors, for their devoted efforts in producing this year's *Forest Products Annual Market Review*.

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The secretariat would like to express our sincere appreciation for the information and assistance received from the following people in preparation of the *Forest Products Annual Market Review*. The base data for the *Review* were supplied by country statistical correspondents, who are acknowledged in a separate listing. We regret any omissions.

Martti Aarne, Finnish Forest Industries Federation, Finland
Craig Adair, APA – The Wood Engineered Association, United States
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 José María Solano López, Ministry of Environment, Spain
 Václav Stránský, Ministry of Agriculture, Czech Republic
 Władysław Strykowski, Wood Technology Institute, Poland
 Rafael S. Suleymanov, State Statistical Committee of the Azerbaijan Republic

¹ *Forest Products Statistics* is available at www.unece.org/trade/timber/mis/fp-stats.htm

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Dimitris Vakalis, Ministry of Agriculture, Greece,

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Thomas Westcot, U.S. Department of Agriculture, United States

Frank Wolter, Direction des Eaux et Forêts, Luxembourg

Hasan Zolic, Agency for Statistics of Bosnia and Herzegovina, Bosnia and Herzegovina

DATA SOURCES

The data on which the *Forest Products Annual Market Review* is based are collected from official national correspondents² through the FAO/ECE/Eurostat/ITTO Joint Forest Sector Questionnaire, distributed in April 2004. Within the 55-country UNECE region, data for the 19 EU and EFTA countries are collected and validated by Eurostat, and for other UNECE countries by UNECE/FAO Geneva.

The statistics for this *Review* are from the TIMBER database system. As the database is continually being updated, any one publication's analysis is only a snapshot of the database at that particular time. The database and questionnaires are in a state of permanent development. Data quality differs between countries, products and years. Improvement of data quality is a continuing task of the secretariat, paying special attention to the CIS and central and eastern European countries. With our partner organizations and national correspondents, we strongly believe that the quality of the international statistical base for analysis of the forest products sector is steadily improving. Our goal is to have a single, complete, current database, validated by national correspondents, with the same figures available from FAO in Rome, Eurostat in Luxembourg, ITTO in Yokohama and UNECE/FAO in Geneva. We are convinced that the data set used in the *Review* is the best available anywhere as of July 2004. The data appearing in this publication form only a small part of the total data available. *Forest Products Statistics* will include all of the data available for the years 1999-2003. The TIMBER database is available on the Market Information Service of the joint Timber Committee and European Forestry Commission website at www.unece.org/trade/timber/mis.htm.

The secretariat is grateful that correspondents provided actual statistics for 2003 and, in the absence of formal statistics, their best estimates. Therefore all statistics for 2003 are provisional and subject to confirmation next year. The responsibility for national data lies with the national correspondents. The official data supplied by the correspondents account for the great majority of records. In some cases, where no data were supplied, or when data were confidential, the secretariat has estimated figures to keep region and product aggregations comparable and to maintain comparability over time. Estimations are flagged within this publication, but only for products at the lowest level of aggregation.

In addition to the official statistics received by questionnaire, trade association and government statistics are used to complete the analysis for 2003 and early 2004. Supplementary information came from experts, including national statistical correspondents, trade journals and internet sites. Most of these sources are cited where they occur in the text, at the end of the chapters, on the list of contributors and in the annex reference list.

² Correspondents are listed with their complete contact details in "Forest Products Statistics, 1999-2003".

EXPLANATORY NOTES

“Apparent consumption” is calculated by adding a country’s production to imports and subtracting exports. Apparent consumption volumes are not adjusted for levels of stocks because all countries cannot report stocks.

“Net trade” is the balance of exports and imports and is positive for net exports, i.e. when exports exceed imports, and is negative for net imports, i.e. when imports exceed exports. Trade data for fifteen European Union countries include intra-EU trade, which is often estimated by the countries. Export data usually include re-exports. Regional trade aggregates in tables include trade occurring between countries of the region.

The term “central and eastern European countries”, used exclusively for presentational convenience, includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, and The former Yugoslav Republic of Macedonia.

As in last year’s *Forest Products Annual Market Analysis*, Europe has been split into “EU/EFTA” (19 countries) and “Other Europe” (22 countries). For a breakdown of the regions please see the map in the annex. References to EU refer to the 15 countries in the EU in 2003 and not the 25 countries in 2004, unless specified.

The term “softwood” is used synonymously with “coniferous”. “Hardwood” is used synonymously with “non-coniferous” or “broadleaved”. More definitions appear in the electronic annex.

SYMBOLS AND ABBREVIATIONS USED

(Abbreviations spelled out in the text may not be listed again here.)

-	nil or negligible
...	not available
\$	United States dollar unless otherwise specified
CEECs	Central and eastern European countries (listed above in explanatory notes)
CIS	Commonwealth of Independent States
CoC	chain-of-custody
EFTA	European Free Trade Association
EQ	equivalent of wood in the rough
EU	European Union (15 countries)
EWPs	engineered wood products
FOB	free on board
GDP	gross domestic product
IMF	International Monetary Fund
m ²	square metre
m ³	cubic metre (solid volume of roundwood or processed product)
m.t.	metric ton
NGO	non governmental organization
PoC	Taiwan Province of China
PPP	purchasing power parities
RWE	roundwood equivalent
SAR	Hong Kong Special Administrative Region of China
UK	United Kingdom
UNECE	Economic Commission for Europe
US	United States
USDA	United States Department of Agriculture
WWF	World Wide Fund for Nature
VAWPs	Value-added wood products