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European Forestry Commission

Joint FAO/UNECE Working Party
on Forest Economics and Statistics

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GUIDANCE OF WORK AREA 1: MARKETS AND STATISTICS

Note by the Secretariat

Summary

This note provides an update on activities in Work Area 1, Markets and Statistics, including:

- a. Statistics on forest products and forest fires
- b. Analysis of markets for forest products and certified wood products
- c. Capacity building for forest products marketing in countries in transition
- d. Team of Specialists on Forest Products Markets and Marketing
- e. Dissemination and Resources

The Working Party is invited to note and comment on any developments in the work area and also respond to the specific questions posed within this note.

Delegates are invited to review potential changes to the Joint Forest Sector Questionnaire and give their opinion as to the feasibility and desirability of such changes.

Suggestions from the Working Party on additional resources for capacity building would be welcomed.

I. Review of Work Area

1. Work Area 1, Markets and Statistics, is one of five work areas of the Integrated Programme of Work of the UNECE Timber Committee (TC) and the FAO European Forestry Committee (EFC) containing the following elements:

- A. Statistics on production, trade, consumption and prices of forest products
- B. Capacity building for forest products statistics
- C. Statistics on forest fires
- D. Analysis of markets for forest products, notably topical and policy relevant aspects
- E. Capacity building for forest products marketing in countries in transition
- F. Monitoring and analysis of markets for certified wood products
- G. Team of Specialists on Forest Products Markets and Marketing

2. This secretariat note is organized accordingly.

A. Statistics on production, trade, consumption and prices of forest products

Review of Statistical Outputs

3. In 2006 the secretariat produced the *Forest Products Trade Flow Data* and the *Timber Committee Forecasts* as well as data tables in support of the *Forest Products Annual Market Review* based on the Joint Forest Sector Questionnaire (JFSQ). At the time of writing, work is proceeding on the final *Forest Products Statistics*. All of these are electronic-only publications available on the UNECE/FAO Timber Section website.

4. The Price Database continues to be updated. No work has taken place during this year to increase the current number of series (42) being collected or to increase collaboration with other organizations.

5. Data are shared with other organizations (FAO, ITTO, Eurostat) through the Intersecretariat Working Group on Forest Sector Statistics (IWG). All forest products data were uploaded to the FAOSTAT interactive database, the primary distribution site for forest products data, in July and November for dissemination in August and December.

Replies to Questionnaires

6. The table below indicates the number and extent of replies over the last several years to the various questionnaires issued by the Timber Section on forest products. There are 52 countries from which we request data in the UNECE region. For the JFSQ the number of replies includes European Union/ European Free Trade Association (EU/EFTA) countries which are processed by Eurostat, while the percentage of cells filled is an average only for UNECE-region countries processed by UNECE/FAO Timber Section. For the Timber Committee Questionnaire (TCQ) all countries are considered. Questionnaires were received in the vast majority of cases within the time needed to process and include the data in the publications.

Questionnaire		Year Questionnaire Sent			
		2003	2004	2005	2006
JFSQ	JQ1 (production) - replies	44	43	41	42
	% of cells filled (of 66)	67.9	78.3	65.0	65.3
	JQ2 (trade) - replies	42	40	41	40
	% of cells filled (of 216)	92.0	87.6	83.4	90.6
JFSQ	SP1 (sec. prod. trade) - replies	22+9	21+11(EU)	10+24(EU)	15+20(EU)
	% of cells filled (of 42)	93.1	91.2	92.3	75.7
JFSQ	ECE1 (species trade) - replies	22+8	21+11(EU)	11+23(EU)	11+23(EU)
	% of cells filled (of 88)	90.1	84.8	87.1	91.8
TCQ	TC1 (roundwood forecast) - replies	31	31	32	31
	% of cells filled (of 21)	89.0	86.7	85.2	94.3
TCQ	TC2 (product forecast) - replies	31	31	31	31
	% of cells filled (of 45)	93.1	92.2	83.3	95.1

7. In terms of the "indicators of achievement" used by the UN to evaluate performance, the following table shows the results for the last 14 years. The "% satisfactory" is the number of countries supplying more than 80% of the 209 possible responses to JQ1 and JQ2, divided by the total number of countries in the UNECE region. The 2004 data were revised upward from the figure of 63.5 reported last year. We can expect a slight change to these figures for 2006 as a 53rd country, Montenegro, is now part of the UNECE.

Data for Year	% Satisfactory
1992	62.2
1993	60.8
1994	61.5
1995	59.6
1996	55.8
1997	55.8
1998	51.9
1999	59.6
2000	63.5
2001	69.2
2002	71.2
2003	65.4
2004	65.4
2005	63.5

International Statistical System

8. The IWG met in February 2007. Information on the meetings (agenda and notes) of the IWG can be found at <http://www.unece.org/trade/timber/mis/iwg/>. It was agreed that the JFSQ issued in 2007 would remain the same. A "big bang" approach is planned for the 2008 JFSQ, with the following issues (listed in approximate order of importance) likely to lead to changes in the questionnaire and definitions: (a) accounting for changes to the Harmonised Commodity and Coding System (HS); (b) inclusion of coniferous tropical items in accordance with the new International Tropical Timber Agreement (ITTA); (c) the current exclusion of certain items (e.g. treated logs) due to an inability to assign them to a species group; (d) the correspondence between COMTRADE data and data supplied on the Secondary Products (SP) questionnaire; (e) coverage of non-wood forest products; (f) questionnaire integration and (g) increased validation checks. These subjects are covered below.

9. The HS2007 introduces a number of changes. Several of these will have a significant impact. The provision of specific codes for bamboo mean the codes will need to be identified in the cross-reference between the JFSQ and HS, resulting in an increase in complexity of the cross-reference. OSB will now be distinct (rather than part of) particle board. The distinction made now in fibreboard is based entirely on specific weight but HS2007 introduces a separate category of MDF. This may likely mean a change to the current fibreboard breakdown.

10. The new ITTA, which may enter into force in 2008 or 2009, mandates the collection of both coniferous and non-coniferous tropical data. This would result in the addition of a further tropical sub item for coniferous sawnwood, veneer and plywood in the production, trade and direction of trade questionnaires.

11. Some items, for example treated logs (HS440310) or sleepers (HS4406), have been excluded from the JFSQ on the basis that they are not defined in the HS in a species group (they could be either coniferous or non-coniferous). Other items (hoopwood, HS 4404) seem to be too small in value. It appears, from a survey of HS440310, that a significant amount of trade (and by implication production) may thus not be covered by the JFSQ. The IWG proposes to adopt a requirement that trade of a wood item above a certain level (perhaps 1% of total forest products [\$190 billion in 2005]) affecting a certain number of countries (perhaps at least 10 countries with at least \$10 million of trade each) would mean that HS code should be included in the JFSQ. However the question would then be into what species group to place such products or whether a new "other-unspecified" sub item should be created.

12. The IWG has, in small studies, identified an overlap between the data available through the SP questionnaire and the data available from COMTRADE. That is, theoretically, value data (the only element currently asked) should be similar at the national level between these two sources. At the moment it appears the data are sufficiently different to justify continuing collection of the SP. However a more comprehensive survey will be carried out to understand the extent of the differences between data collected from these two sources.

13. The Working Party has previously endorsed integrating the three questionnaires dealing with species (ECE1, ITTO2, EU3). It has not been possible to include the tropical species in a way that would simplify reporting so the IWG is now focusing on combining ECE1 and EU3. A proposal will be made and submitted to the correspondents for review (as requested by the Working Party last year) during this year. The questionnaire will also be revised to increase

checks prior to countries submitting data. In addition the basic validation (aggregates, rate of change, unit value, apparent consumption) carried out by each organization will be expanded to cover roundwood availability.

14. The views of the Working Party expressed last year were conveyed to the IWG and, along with the basic principles below, form the background for any decisions taken on the JFSQ. These principles include the following: (a) a clear definition, including HS codes; (b) potential to collect data; (c) interest shown in having data; (d) avoidance of duplication; (e) continuity of data series over time; and (f) changes are long lasting.

15. Delegates are invited to review the above issues and give their opinion as to the feasibility and desirability of changes listed in paragraph 8. In particular, suggestions on standards to be used in determining whether items should be included in the JFSQ, including non-wood products, would be welcomed.

16. The Working Party has been made aware in previous sessions of the decline in the quality of EU internal trade statistics for wood products in volume units. The Working Party is invited to suggest ways in which to effectively communicate its concern at these trends.

Cooperation

17. The Joint Research Centre (JRC-Ispra) has cooperated closely in facilitating the exchange of forest fire data during the past year. This has avoided duplication and improved the quality of the available data. It has also improved the structure and cohesiveness of the databases maintained by the UNECE and JRC.

18. The Working Party last year asked the IWG, the secretariat, and member states to cooperate more closely with non-official sources of statistics. Despite a number of meetings, only limited progress has been made in this area. Some countries have increased contacts but this has not yet led to significantly improved data. The secretariat continues to work on improving data exchange as well as deepening understanding of the differences between the data.

B. Capacity building for collecting forest products statistics

19. The Working Party has expressed its interest for a correspondents meeting for countries with difficulty in replying to the JFSQ. The IWG explained that FAO and ITTO had held a number of regional meetings outside the UNECE region to improve capacity building for reporting data via the JFSQ. Members of the IWG are available to share their expertise in conducting workshops, as well as organizing the workshops. The latest meeting had been in Santiago, Chile, in September 2006. The secretariat is actively planning such a meeting, probably focused on EECCA, and hopes to provide more details during the Working Party.

20. The Working Party is invited to consider the desirability of statistical capacity building workshops in the UNECE region, and possible contributions to them.

C. Statistics on forest fires

21. After a suspension of activity for some years, a new forest fire questionnaire was issued and data have been collected from a number of countries. Aside from a good reply from the EU/EFTA members of the European Forest Fire Information System (through cooperation with

the JRC), the response was relatively poor. However given that the most significant countries in the region have provided information, the secretariat believes the data is of interest and will publish the results. The figures are currently being integrated into the TIMBER database and the resulting tables will be available shortly.

D. Analysis of markets for forest products, notably topical and policy relevant aspects

22. The *Forest Products Annual Market Review, 2005-2006* (FPAMR) was produced by 40 people, led by a team within the secretariat together with direct input from external expert authors. It is based on statistics returned by national statistical correspondents to the JFSQ, as well as supplementary information. The 2006 FPAMR appeared at the beginning of August on the TC/EFC website, and was in print in early September. Some of the authors were engaged to present their chapters at the annual TC Market Discussions, for which the *Forest Products Annual Market Review* is prepared. From the secretariat standpoint, and from readers' comments, the production met our expectations. The only drawback was that the French translation of its executive summary, as other TC documents, was not available for the TC Market Discussions as expected due to problems with French translating services at the Palais des Nations.

23. Responding to requests from the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing, and the Working Party, the 2006 FPAMR contained a new chapter on wood energy markets and policies, which will be continued in 2007. The remainder of the content and production of the 2007 FPAMR will be similar to 2006. This will necessitate on-time responses to the JFSQ, i.e. by 15 May 2007. It will maintain its focus on market and policy developments and interactions. It will continue to bring forward developments in eastern Europe, especially south eastern Europe, Caucasus and Central Asia when statistics and other information are available.

24. The Market Discussions in 2006 were highly appreciated as indicated by participants' written and verbal evaluations, due to expert presentations and ensuing discussions. The theme was "China's influence on forest products markets in the UNECE region" and the thread of China's wood markets was also present in the FPAMR. Another theme of the FPAMR linked to the following policy forum on "Public procurement policies for wood and paper products and their impacts on sustainable forest management and timber markets" The 1½-days provided time for discussion, and resulted in the annual Committee market statement and press release. In addition to the FPAMR, the Market Discussions are based on the country market forecasts for the current and next year, and country market statements. Countries' forecasting remains inconsistent in quality, although a secretariat-produced "Forecasting Manual" was circulated beforehand as recommended by the Working Party. Likewise, the country market statements vary in quality and the secretariat attempted to build synergies with the International Softwood Conference (ISC) on forecasts and statements. The collaboration was valuable in some cases, and at least reduced duplication of efforts for respondents of similar questionnaires for the TC and the ISC. Joint TC/ISC Market Discussions are planned on 8-9 October 2007 in Geneva. Joint discussions could double participation and provide greater exchange between national and international trade association experts and government representatives. Success will be measured by repeated TC/ISC Market Discussions in the future.

25. Other market analyses were conducted for special conferences, and uploaded to the Market Information Service site on the TC/EFC website. For example, “International softwood markets, 2005-2007” an analysis presented at the ISC 2006, drew information from joint TC and ISC forecasts, country market statements, the TIMBER Database, the FPAMR, the TC Market Statement and expert presentations at the TC Market Discussions.

E. Capacity building for forest products marketing in countries in transition

26. This activity features in the integrated programme of work of the UNECE Timber Committee and FAO European Forestry Commission and is part of the mandate of the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing.

27. A workshop, “Forest Products Marketing – from Principles to Practice” held in Novi Sad, Serbia from 3 – 6 April 2006 received generous support from Austria and the Forest Policy and Economics Education and Research (FOPER) project of the European Forestry Institute, and funds from Serbia, the University of Belgrade and Louisiana State University. Held over four days, it examined marketing principles, reviewed markets in the region and beyond, before considering how to make effective use of a range of marketing tools. Over 40 people from Albania; Bosnia and Herzegovina; Croatia; the Former Yugoslav Republic of Macedonia; Montenegro, Romania as well as Serbia, benefited from the participation of expert speakers from around the world, including many from the Team of Specialists on Forest Products Markets and Marketing. The support of the principal local organizers, Dr Branko Glavonjic of the Faculty of Forestry of the State University of Belgrade, a team of specialists member, and his colleague, Mr. Nenad Petrovic (also FOPER), was key to the success of the workshop.

28. Discussion groups from the four sectors represented at the workshop i.e. government, the wood processing and higher education sectors and private forest owners, led to these five recommendations:

- a. Establish a common marketing information system covering all the countries in the region, with different levels for government, education, private forest owners and the wood processing industry.
- b. Initiate a coordinated, region-wide promotional campaign, targeted at improving the image and sound use of wood, including its environmental advantages, for the economic benefit of the entire region including, ideally, Romania and Bulgaria.
- c. Set up strong industry associations.
- d. Conduct a follow-up marketing workshop on practical principles and tools to train-the-trainers; topics to include long-term assistance, strategy development, new market penetration and emerging competition.
- e. Develop markets for non-wood forest products and services, including recreation and ecotourism.

29. The conclusions, recommendations, papers and a list of participants and speakers can be found at http://www.unece.org/trade/timber/Workshops/2006/2006_balkanworkshop.htm

30. Picking up a recommendation from the Novi Sad workshop, a seminar, “Marketing in forestry and wood industry”, in Dubrovnik, Croatia on 5-6 December 2006 attracted representatives from Balkan countries, plus experts from outside the region, about 80 people in

all. Though the seminar was directed at industry with practical case studies it did not attract as many participants from industry as had been hoped and the organizers are trying to find out how they could draw in more industry representatives in future.

31. The key recommendations were:

- a. Initiate a coordinated, region-wide promotional campaign, targeted at improving the southeast Europe forest sector image, including promotion of the sound use of wood, including its environmental advantages, for the economic benefit of the entire region.
- b. Establish a common, web-based marketing information system covering all the countries in the region, with levels for government, education, private forest owners and the wood processing industry.
- c. Strengthen industry associations and build a network of wood-based businesses, for example through clustering, so that the considerable knowledge and contacts that exist can be shared for the benefit of all companies in the region.
- d. Improve model of distribution throughout the wood chain, from forest to final products, for example through a wood 'stock exchange' in Croatia.

32. It is noteworthy that, while the audiences for the two workshops were quite different, the recommendations are strikingly similar, confirming that these are indeed seen by regional stakeholders as being the priority issues.

33. There was broad support for this type of seminar to become a regular annual event, to encourage regional dialogue. The meeting expressed the hope that this might even become a showcase for businesses in the region and beyond, operating as a regional trade fair. Efforts are being made to find partners and donors so that this can be put on a firm footing.

34. The capacity building element of our work continues to benefit from the loaned expert from the UK Forestry Commission. However, his funding ends in mid-2007 and the secretariat is continuing to try to secure extra-budgetary resources that would allow this specific programme to continue into the medium term.

35. *The Working Party is invited to suggest sources of extra-budgetary resources, both financial and in-kind, for capacity building for forest products marketing in countries in transition.*

F. Monitoring and analysis of markets for certified wood products

36. A UNECE and FAO policy forum on "Forest certification—Do Governments Have a Role?" was held in September 2005, at the time of the Committee session (www.unece.org/trade/timber/docs/tc-sessions/tc-63/Policy_Forum/2005TCPolicyForum.htm). The proceedings of the forum were printed as *UNECE/FAO Geneva Timber and Forest Discussion Paper* number 44 in 2006.

37. The *Forest Products Annual Market Review* included an annual chapter on certified forest products markets which provided background for the Timber Committee Market Discussions on this sector and the accompanying policy forum on public procurement policies (which often include references to certified wood products). Input for the chapter was provided thanks to the

Timber Committee and European Forestry Commission Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets.

38. Activities planned in 2007 include the certified forest products markets analysis in the *Forest Products Annual Market Review* and the sector discussion at the Market Discussions.

39. The Working Party held a special discussion at its 2006 session on information on certified forest products, which had been requested from the previous year's policy forum mentioned above. The TC/EFC Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets was deemed to be a valuable source of information on national developments within the UNECE region, and heads of the TC and EFC delegations were requested to assist the secretariat in maintaining this Certification Network. The Certification Network could validate statistics from other sources, e.g. where multiple certifications of forests could lead to double counting of the area certified. For the near term, it was decided that the UNECE/FAO Timber Section should maintain its current activities in this field, with additional collaboration when available. Although official statistics are unavailable, countries gave priority to information concerning the following parameter: (1) certified forest area; (2) number of chain of custody certificates; and (3) roundwood removals. The Working Party recognized downstream parameters were generally not available. Countries were satisfied with current efforts and with the role of UNECE/FAO and its partners.

G. Team of Specialists on Forest Products Markets and Marketing

40. The Team of Specialists met twice in 2006, once in conjunction with the Market Discussions, and the other time during the Forest Products Society International Convention in California, USA in June 2006. The meeting was held with the International Union of Forest Research Organizations (IUFRO) Forest Products Marketing and Business Development Working Group, for which Team Leader, Dr. Richard Vlosky, is also the leader. The Team conducted marketing workshops for the CIS and southeastern European countries in April 2006 and December 2006. The Team prepared and presented a study for the 5 October 2006 Public Procurement Policy Forum on "Market Effects of Public Procurement Policies for Wood and Paper Products in the UNECE Region". The Team participated actively in the Market Discussions.

41. The Team member list is on the joint TC/EFC website. In addition, there is an expanded joint (with IUFRO) marketing specialist database at: www.unece.org/trade/timber/mis/tos/MarketExpertList.xls. The network has 133 members from 34 countries

42. As the Team Leader, Dr. Richard Vlosky, will submit a separate report on the Team's activities at the Working Party, this note is limited to areas where the Working Party can provide guidance.

43. Noting that country market statements and forecasts are critical to the success of the annual Market Discussions, the Team notes that the quality is inconsistent. In 2006 there was an attempt to coordinate reports and forecasts with the International Softwood Conference, which will be repeated again in 2007 in preparation for the joint TC/ISC Market Discussions. The 23 country reports received in 2006 were less than the 25 country reports received in 2005 but more than the 21 received in 2004. Earlier years have been higher. The country market reports and a summary

of the topics requested in the report may be found at: www.unece.org/trade/timber/mis/reports.htm.

44. The Team's Current Issues Forum Website is growing and is located on the Louisiana State University server at: <http://www.rnr.lsu.edu/lfp/new/unece/>. Currently the site has information in these market sectors: bio fuels, e-business, global market enhancement and illegal logging.

45. The Team is currently interested in these market issues: public procurement policies and green building policies, opportunities and threats of the booming Chinese market, improving TC forecasts and country market statements, mobilising wood for energy and traditional wood products, marketing capacity building, distance learning possibilities, corporate social responsibility and enhanced use of wood.

46. The Team now has 72 members from 23 countries and 6 organizations, plus a list of 133 experts in forest products markets and business management. These experts form a wealth of expertise for all of the activities within this work area. For more activities of the Team, please see their website at www.unece.org/trade/timber/mis/tos/specialists.htm and the Team Leader's report to the Working Party.

47. *The Working Party is invited to review the work of the Team.*

II. DISSEMINATION

48. The primary source of international data on forest products is the FAO database offered on the internet via FAOSTAT (<http://faostat.fao.org/DesktopDefault.aspx?PageID=381&lang=en>). In August 2006 this system was reorganized. Unfortunately a number of problems have occurred which has resulted in a decrease in the usability of the interface and the available statistics. These problems have been recognized by FAO and are being worked on. We welcome comments and suggestions on improvements you and other users would like to see.

49. The data collected from UNECE member countries is routinely shared with a number of bodies. In forest products we collect data on past years (JFSQ) and future years (TCQ). The JFSQ data on EU candidate countries, North America and the Russian Federation are provided to Eurostat. The JFSQ and TCQ information on ITTO member countries (essentially EU/EFTA and North America) is provided to ITTO. The JFSQ data, including SP1 but not ECE1, for all countries in UNECE, are provided to FAO. Each of these organizations subsequently provides some or all of the data in their publications and websites. The supplementary questionnaires in the JFSQ, SP1 and ECE1, covering secondary products and species trade, are currently only available through the TC/EFC web site. Other dissemination routes include journals and associations which reproduce elements of the data from reports and databases made available by UNECE/FAO.

50. The UNECE distributes a large amount of information over the internet. There were 266,000 identified downloads from the TC/EFC website in 2006. This compares with 390,000 in 2005. It should be noted that only about 1/3 of all downloads are identified and that the host server was changed at the end of 2005 so the two figures may not be comparable. The three items most downloaded in 2006 were the FPAMR, the explanatory brochure on the TC and EFC,

and the Russian language Outlook Study. A more detailed list of downloads from the TC/EFC website will be made available at the Working Party meeting.

III. RESOURCES

51. Within Work Area 1, the secretariat includes a market analyst, a statistical assistant, part-time assistance on forest products prices, a loaned marketing specialist, a temporary intern on wood energy markets, two temporary interns for Forest Products Annual Market Review production. The secretariat seeks extra-budgetary resources in this work area, for example in capacity building in forest products marketing.

IV. CONCLUSION

52. We have described above the work carried out in the area of Markets and Statistics. We ask for your comments on these activities and the specific questions posed above.