



**Economic Commission for Europe
Organization**

Timber Committee

**Joint FAO/UNECE Working Party
on Forest Economics and Statistics**

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Food and Agriculture

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**Guidance on Work Area 1: Markets and Statistics
Review and Plans – Markets**

Note by the Secretariat

Summary

According to its mandate, the Working Party is expected to provide guidance to Work Area 1: Markets and Statistics. This document provides information about activities on the marketing side of this Work Area during the period since the Working Party's last session and plans for the future. It draws the Working Party's attention to specific issues where guidance is needed on:

- I. UNECE/FAO *Forest Products Annual Market Review*
- II. Timber Committee Market Discussions
- III. Market analyses at other forums
- IV. UNECE/FAO Team of Specialists on Forest Products Marketing
- V. Capacity building in forest products marketing
- VI. Certification
- VII. Resources
- VIII. Work Area 1 in the period to 2013.

I. Forest Products Annual Market Review

1. The UNECE/FAO *Forest Products Annual Market Review, 2009-2010* (FPAMR) was produced as a basis for the joint Timber Committee (TC) and Society of Wood Science and Technology (SWST) Market Discussions in October 2010. The theme of the FPAMR was “Innovation for structural change recovery”. The theme of the joint Market Discussions was “Forest products markets rebound in the UNECE region; Innovative wood products lead the way”. The two themes were specifically chosen to link the current market developments with the interests of the TC and the SWST.
2. The FPAMR is the first published, comprehensive analysis of the developments in forest products markets in the UNECE region each year and, as a result, attracts considerable interest from a wide range of stakeholders. It serves primarily as a core background document for the annual Timber Committee Market Discussions, but its value goes well beyond when used by industry, governments, researchers and the media. The secretariat and the Organisation of the European Sawmilling Industry (OES) continued to collect market forecasts together in 2010. The secretariat presented the TC Market Discussions outcomes and the forecasts to the International Softwood Conference (ISC), which is organized by the OES. The Conference was most appreciative of the FPAMR, calling it the “Bible”.
3. The English version of the FPAMR was published on the TC and FAO European Forestry Commission (EFC) website in early August 2010. It was available in print and distributed to TC delegates 2 weeks ahead of the discussions on 11-12 October 2010. At the time of drafting this note, neither the Russian nor the French versions have been received in print. However, as the delay in both French and Russian translations was anticipated, Executive Summaries in all three languages were made available both in electronic versions on the website beforehand and in print at the Market Discussions.
4. The UNECE/FAO Team of Specialists on Forest Products Marketing provided many authors and reviewers, some of whom spoke at the TC and SWST Market Discussions.
5. Production of the FPAMR is only possible thanks to the contributions of a few donors, and the significant in-kind contributions of most authors and several interns. Led by a team within the UNECE/FAO Timber and Forestry Section, 57 people worked directly on the publication of the FPAMR, a figure supplemented by over 100 statistical correspondents and information contributors. The FPAMR analyzes topical policy and market developments in 13 chapters: this includes a chapter on carbon markets, added at the request of the Working Party.
6. Producing the printed FPAMR in time for the TC Market Discussions in October every year is a demanding process, for which timely submission of the Joint Forest Sector Questionnaires (JFSQ) is critical. Late submissions by several important countries in 2010 caused significant problems in the FPAMR production in 2010. The secretariat acknowledges and appreciates the considerable work undertaken by national statistical correspondents to assemble and submit all data on time.
7. Using these data, the secretariat produced a number of additional market analyses for other meetings and workshops. See section III and <http://timber.unece.org/index.php?id=243>
8. At the time of drafting this note, only 70% of the necessary funding to produce the FPAMR has been allocated in the secretariat. This shortage seriously jeopardizes producing the same quality as in the past.

The Working Party is requested to stress to national statistical correspondents the importance of submitting country JFSQs by 16 May 2011.

II. Timber Committee Market Discussions

9. The TC Market Discussions bring together the most recent information and forecasts for all wood and paper products market segments in the UNECE region, as a basis for debate. The active participation of government delegates, industry representatives, researchers and consultants from the UNECE region and outside the region contributes to the richness of the officially adopted TC Market Statement on the current state and near future prospects for the region’s forest products markets.

10. Holding the TC Market Discussions jointly with other relevant organizations, as was done in 2007 for the first time with the ISC, has the benefit of increasing participation and thus the visibility of the TC and its work. In 2010, the TC held joint Market Discussions with the Society of Wood Science and Technology. The TC will hold joint Market Discussions with the EFC in October 2011.

11. The TC Market Discussions are based on the FPAMR, expert presentations and specific information supplied by countries. Specifically countries are requested to contribute:

- (a) Market reports according to a suggested, flexible format;
- (b) Forest products market forecasts for the current and forthcoming years.

Timely submission of both country market reports and forecasts is essential to allow for preparation of expert analyses and advance information for the participants and secretariat.

12. The inputs to the Market Discussions and delegate discussions enable the TC to produce its annual market statement and market forecasts. The Strategic Review and Planning process for the period until 2013 reaffirmed that the FPAMR, Market Discussions, forecasts and reports are vital to the work of the TC.

13. Countries unable to attend the Market Discussions receive the FPAMR and the country market reports through the TC/EFC website. After the TC, the website contains all information, including the market forecasts, the TC Market Statement and the expert presentations.

14. For the first time the 2010 Market Discussions were broadcast live via an interactive webinar thanks to SWST impetus and its webinar licensing agreement and the technical services of the UN Staff Development and Learning Services. Remote listeners could listen in English, French or Russian. They could see the PowerPoint presentations. They could and did send questions via email for the discussion periods. Normally only those participants who attend the Market Discussions hear the speakers and join in the debates. The webinar was recorded and presentations are available at: <http://swst.org/meetings/AM10/swfs>. This experience proved that it is possible for UNECE/FAO meetings to be available live to an interactive, remote audience.

15. Inevitably, the quality of the country market reports and forecasts vary. Many countries submit excellent high quality and timely market reports with comprehensive forecasts for the current and future years. To help to improve the quality and country response rates, the Team suggested making the market reports more flexible, and so the structure of the 2008 reports was changed. By allowing countries to focus on the issues and market sectors that were important for their country and putting less emphasis on presenting a comprehensive report, it was hoped that more countries would respond.

16. Unfortunately only 22 countries submitted market statements in 2010, compared to 23 in 2009 and 26 received in both 2008 and 2007. This reflects the continuing problems of countries in preparing replies despite attempts to make them simpler and to encourage cooperation with associations and other groups in the field of forest products. Some extremely important forest products producing countries did not submit either reports or forecasts, yet they attended and participated actively in the Market Discussions.

17. In 2010, 26 countries submitted market forecasts. For comparison, this is down from 30 forecasts received in 2009 and 2008. The downward trend in market forecasts and statements is of concern for the quality of the Market Discussions and the Market Statement. Detail on the number of responses in 2010 and the short-term trend appears in the accompanying secretariat note on statistics for Work Area 1.

18. "Quality" of market reports and forecasts could be defined as:

- (a) Comprehensive for a country's important market segments and topical policy issues;
- (b) Based on quantifiable data from authoritative sources (including unofficial, e.g. trade association and industry information);
- (c) Including both forecast as well as short-term historical analysis;
- (d) Clear presentation of reasons for market trends;
- (e) On-time delivery to secretariat.

19. Producing a market report and forecasts is a challenge for government representatives who do not spend a significant proportion of their time on forest products market issues. Many countries divide the work to prepare the reports and the forecasts among trade associations, where these exist. Some countries have contracted the work to a marketing specialist. These are means to produce high-quality, on-time reports and forecasts without relying solely on Government employees.

20. The TC Market Discussions can provide national delegates with valuable information and understanding to plan their forest sector and conduct their businesses. Delegates use the knowledge they

gain, both in the formal sessions, and in meeting with experts and colleagues outside the meeting room, to the benefit of their country, association or institution. In fact, the TC depends on delegates to disseminate what they have learned, when back in their countries. The TC Market Statement has a long life after its issue in a press release as it is reproduced in trade journals and other publications. As there is no limit to the number of participants, some country delegations are composed of representatives of many different segments of their forest and forest industries sectors. The sharing of reports, forecasts and other information before and during the Market Discussions has tremendous value for those countries able to participate actively, as reflected in the growth in attendance of recent years.

21. In summary, the TC Market Discussions are a principal reason that delegates come to Timber Committee sessions. The Discussions have wide reverberations in the press and on the internet. The preparation and outcome of the 1½-days discussions is equivalent to a year's work for one of the Timber and Forestry Section staff. Conducting the Discussions has considerable cost if the time of the secretariat and participants is added together with travel expenses and preparatory expenses of expert presenters, delegates and the secretariat. TC heads of delegation carry responsibility for preparing and participating in the Discussions and also for the subsequent follow-up in raising awareness within their countries of the Discussions and their outcomes.

The Working Party is invited to suggest means to improve response rates to the Timber Committee Questionnaire and the country market reports.

III. Market analyses at other forums

22. The secretariat prepared a number of additional market analyses since the 2010 Working Party session and presented them at the following meetings:

- (a) "The Growing Trade of Wood and Paper Products". Presented at the Workshop on Emerging Trade Measures in Timber Markets, Geneva, March 2010;
- (b) "Global Wood Markets: Consumption, Production and Trade". Presented at: International Forestry and Global Issues, Nancy, France, May 2010.
- (c) "Forest Products Market Developments, 2009-2010". Presented at: European Institute for Wood Preservation Congress, Dubrovnik, Croatia, September 2010.
- (d) "Softwood Markets, 2009-2011". Presented at: International Softwood Conference, Zurich, Switzerland, October 2010
- (e) "European Wood Products Markets". Presented at the workshop on "Improving forest products marketing to help drive sustainable rural economic development in south-east Europe", Monrova, TfyR of Macedonia, December 2010;
- (f) "Sustainable Development in The Forest Sector: Balancing Production and Consumption in a Challenging Economic and Political Environment". Presented at the workshop on "Promoting sustainable consumption", Geneva, February, 2011.

These analyses and, in some cases the corresponding statistics, are available at: <http://timber.unece.org/index.php?id=331>

IV. UNECE/FAO Team of Specialists on Forest Products Marketing

23. The Team presents a separate report on its activities, as required in its mandate, which was renewed in 2010 by the TC and EFC until 2013. As mandated, the Team's main activities include:

- (a) Providing a forum for discussing forest products marketing;
- (b) Advising the secretariat and producing the FPAMR;
- (c) Participating in the TC Market Discussions;
- (d) Supporting capacity building in forest products marketing in southeast Europe;
- (e) Building a network of experts in forest products marketing;
- (f) Work with universities to develop and implement curricula and courses devoted to forest products marketing.

24. The Team solidified its collaboration with the IUFRO Forest Products Marketing and Business Management Group through holding joint workshops, technical sessions and business meetings in conjunctions with the IUFRO World Congress in Seoul, Republic of Korea in August 2010. The joint sessions were so successful that another joint workshop is planned for June 2011 in Portland, Oregon, United States, at the time of the Forest Products Society and SWST conventions.

25. The Team is launching a project as a result of a recommendation from their joint meeting in Seoul to collect information on the availability of marketing databases. The results will be the basis for a gap analysis at their joint workshop in June 2011.

26. Team members helped in the organization and conduct of capacity building marketing workshops as described in section V below.

27. The TC directed the Team “to consider the legality and competitiveness of forest products.” To this end the Team is organizing a workshop on the impacts of legislation against illegal logging on the timber trade, currently titled “Does banning illegal logging rule out wood? Implications for the forest-based sector of recent trade legislation within the UNECE region”. This is a continuation of the outcomes from the workshop at the 2010 Working Party session on emerging trade issues and the TC Market Discussions in 2010. It is scheduled to be held in April 2011 in Brussels, Belgium.

28. The Team seeks the Working Party’s support to address three particular issues:
- (a) The loan of a professional to enable Timber and Forestry Section to maintain its efforts in marketing capacity building, especially in south east Europe
 - (b) Encourage all countries that are not currently represented and active in the Team to consider nomination of members.
 - (c) The need for all countries to contribute country market statements and forecasts to the annual TC Market Discussions and to observe the deadlines for submission.

The Working Party is requested to review the report of the Team and respond to the three issues raised.

V. Capacity building in forest products marketing

29. On 13-14 April 2010, UNECE/FAO worked with partners in Serbia to conduct a workshop on “Corporate social responsibility in the forest sector in south eastern Europe”. This workshop was called for during the 2009 TC Market Discussions following a presentation and discussion on corporate social responsibility in the forest sector in the UNECE region. The workshop was an opportunity for sharing information on the state of corporate responsibility in southeast Europe. The conclusions and recommendations and press release from the workshop are available at: <http://timber.unece.org/index.php?id=284>.

30. On 7-9 December 2010, UNECE/FAO and partners conducted a workshop on “Improving forest products marketing to help drive sustainable rural economic development in southeast Europe” in Mavrovo, TfyR of Macedonia. In addition to support from the Ministry of Agriculture, Forestry and Water Economy, it had financial support from FAO (headquarters in Rome and SEU in Budapest), the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management. Thanks to these contributions the workshop was able to secure the necessary matching grant from the Central European Initiative. With representatives of many southeast European countries the workshop was an opportunity to share common issues and solutions. Its conclusions and recommendations are available at:

31. One of the recommendations from the marketing workshop in TfyR of Macedonia was to continue conducting additional UNECE/FAO capacity building workshop. In later 2011 another workshop is being planned with hosts in Slovenia. As always it is subject to funding. An application for matched funding from the (CEI) has been submitted to the CEI Secretariat in Trieste with a decision expected by May/June 2011. Sponsors for the workshop are needed.

32. On 8-9 November 2011 a marketing workshop titled “Mobilising green resources – the sustainable approach” is being organized in Bucharest, Romania with assistance from UNECE/FAO. Some of its objectives include discussions on the forest products markets in Europe, forest policy related issues, sustainable wood resources potential and challenges for the forest sector and its sustainable development.

Organizational work in Romania is through a new private forest land owners association. More details will be presented to the Working Party and will be available on the TC/EFC website as developed.

33. Work continues on the FAO Technical Cooperation Programme on wood energy in Serbia, which is due for completion by the end of 2010. Similar projects in other eastern Europe, Caucasus and CIS countries would be beneficial but funding remains a major challenge.

The Working Party is invited to comment on the marketing capacity building activities, and to address the need for re-establishing the loaned expertise.

VI. Certification

34. Most certification work is now through the chapter in the FPAMR on markets for certified forest products. The chapter provides an update on certification systems developments as an indication of supply, and discusses market and policy developments.

35. The 2010 FPAMR chapter did not use information gathered from the TC and EFC Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets. However, this network is a valuable source of independent information, and the secretariat intends to use country correspondents when needed.

36. A certification website within the TC/EFC website provides links to the most current FPAMR chapters, to each certification presentation at the annual TC Market Discussions as well as older certification publications. See: www.unece.org/timber/mis/cfp.htm.

VII. Resources

37. Work Area 1 benefits from substantial, periodic in-kind contributions and the amount of work accomplished benefits proportionately.

Working Party delegations are requested to consider whether they would be able to make in-kind contributions to the activities under Work Area 1.

VIII. Work Area 1 in the period to 2013

38. The Integrated Programme of Work of the TC and EFC for the period to 2013 has the following programme elements under Work Area 1:

1.1	Collecting, validating and disseminating statistics on production, trade, consumption and prices of forest products
1.2	Analysis of markets for forest products, notably topical and policy relevant aspects, including <i>Forest Products Annual Market Review</i> and annual TC Market Discussions
1.3	Implementing sustainable forest management through capacity building for forest products marketing
1.4	Monitoring and analysis of markets and policies for certified wood products, including public procurement and green building

The Working Party is invited to provide guidance on any aspect of Work Area 1, focusing on the issues above.