



FOREST PRODUCTS MARKETS & TRADE IN THE UNECE REGION

by

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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



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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



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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.



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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.



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Leveling the playing field in forest products markets



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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.



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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



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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



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II. UNECE region markets and trade



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UNECE region = 55 countries



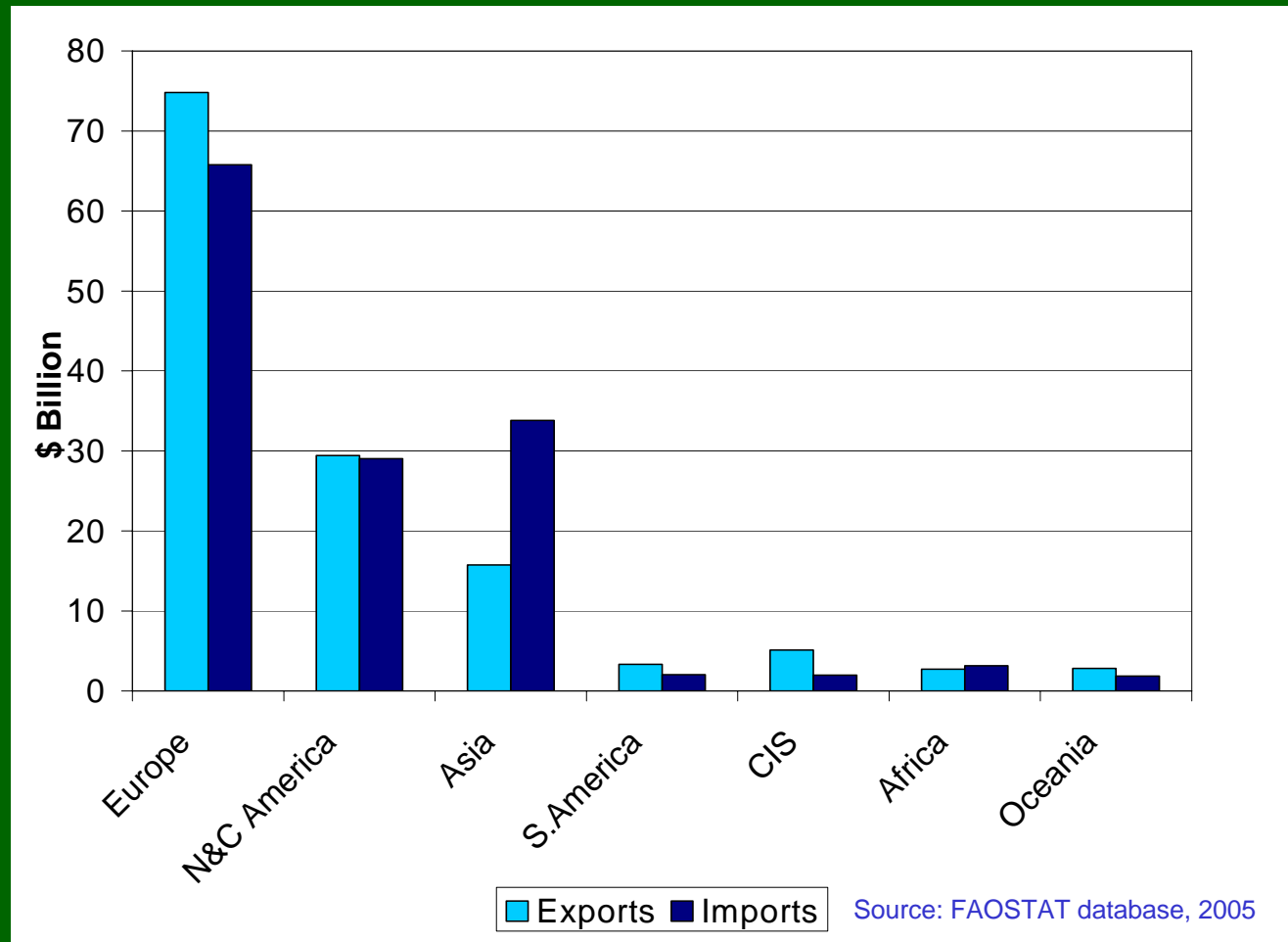
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Where in the world is the UNECE region's trade?



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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.*



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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



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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



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Product flows in this presentation

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



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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



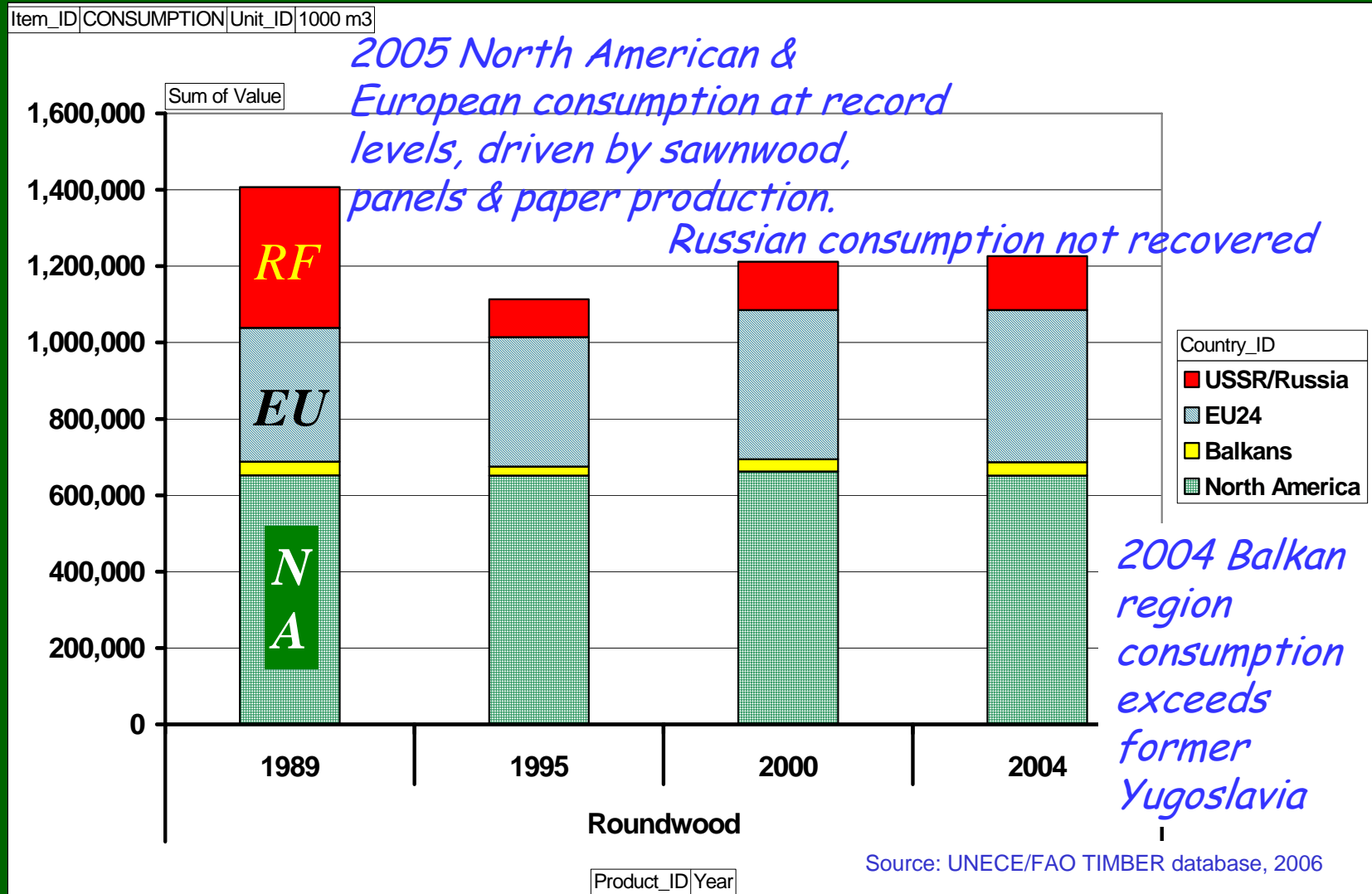
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Roundwood consumption, 1000 m³



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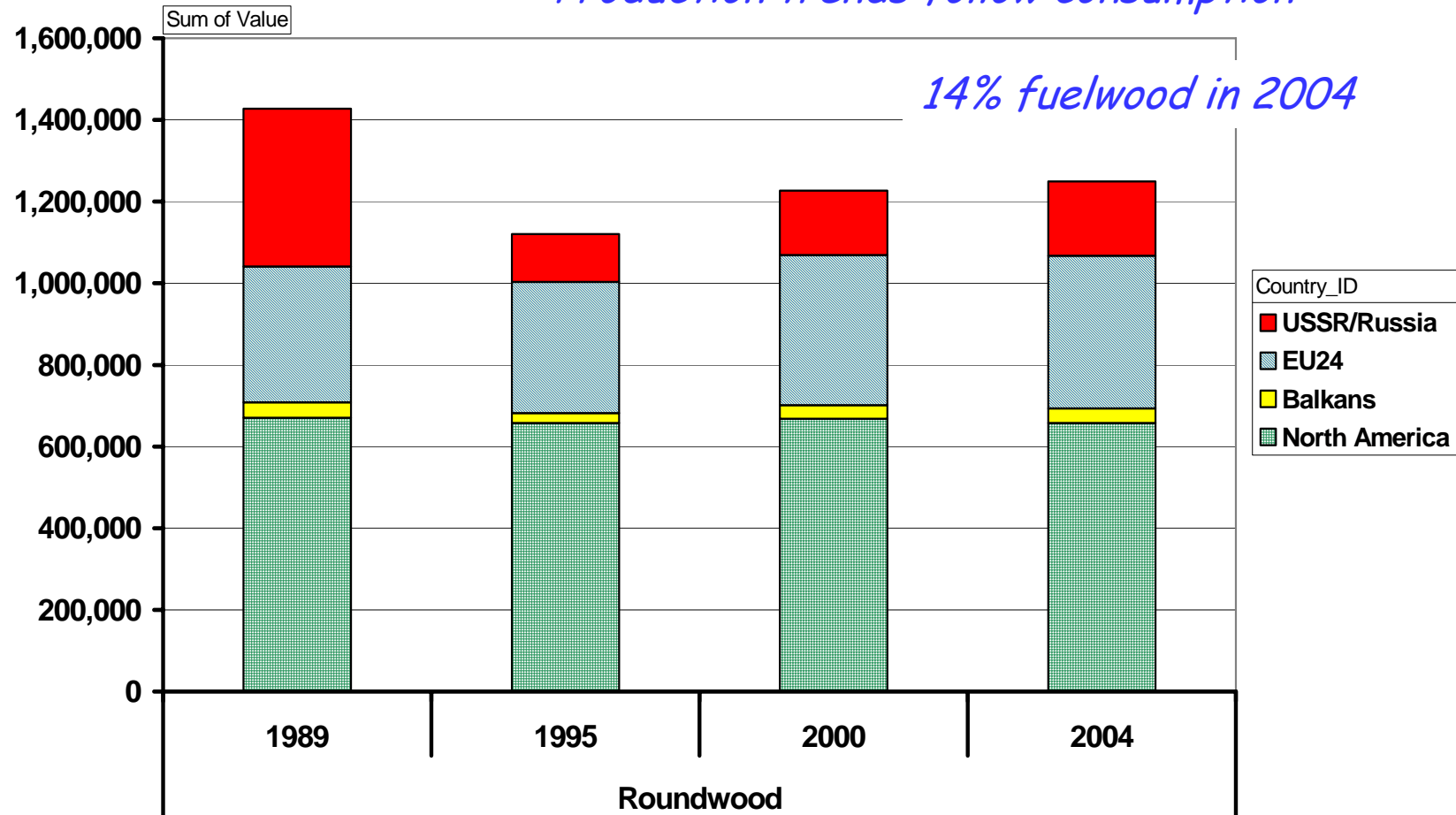
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Roundwood production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3

Production trends follow consumption



Product_ID | Year

Source: UNECE/FAO TIMBER database, 2006



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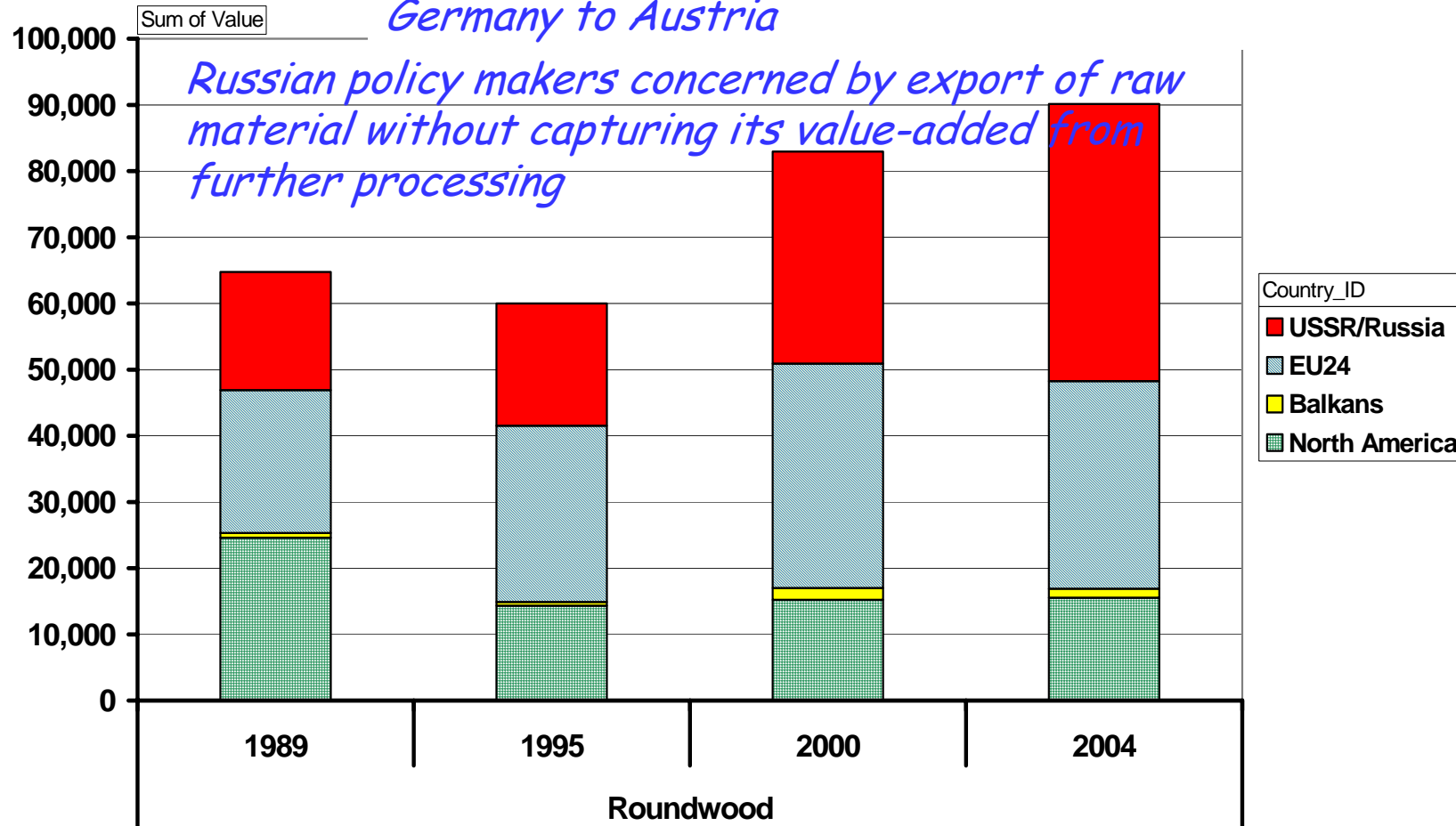
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Roundwood exports , 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m³

Exports with IN region included, e.g. exports from Germany to Austria



Product_ID|Year

Source: UNECE/FAO TIMBER database, 2006



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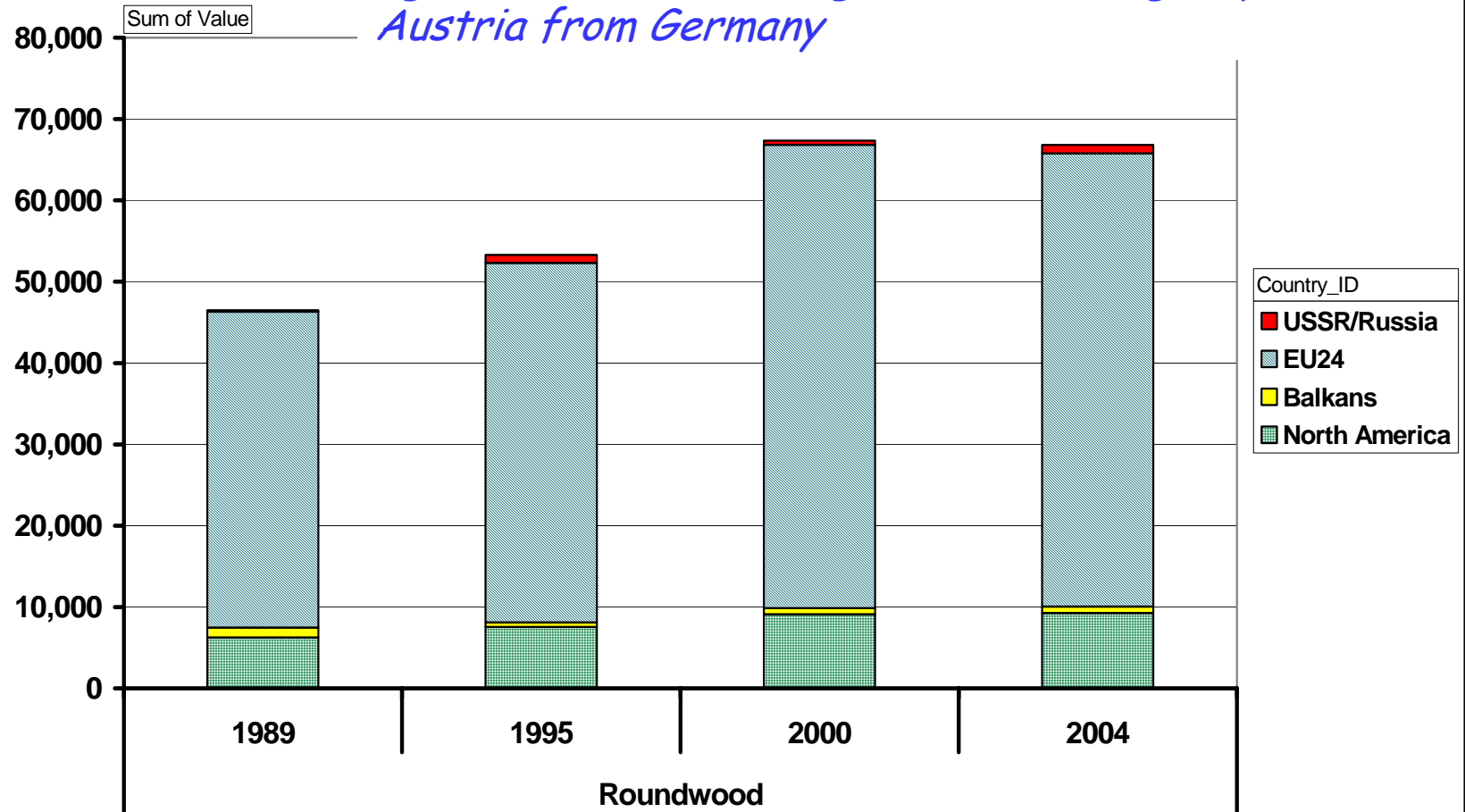
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Roundwood imports, 1000 m³

Item_ID | IMPORTS | Unit_ID | 1000 m3

Again, trade with IN region included, e.g. imports to Austria from Germany



Product_ID | Year

Source: UNECE/FAO TIMBER database, 2006



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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



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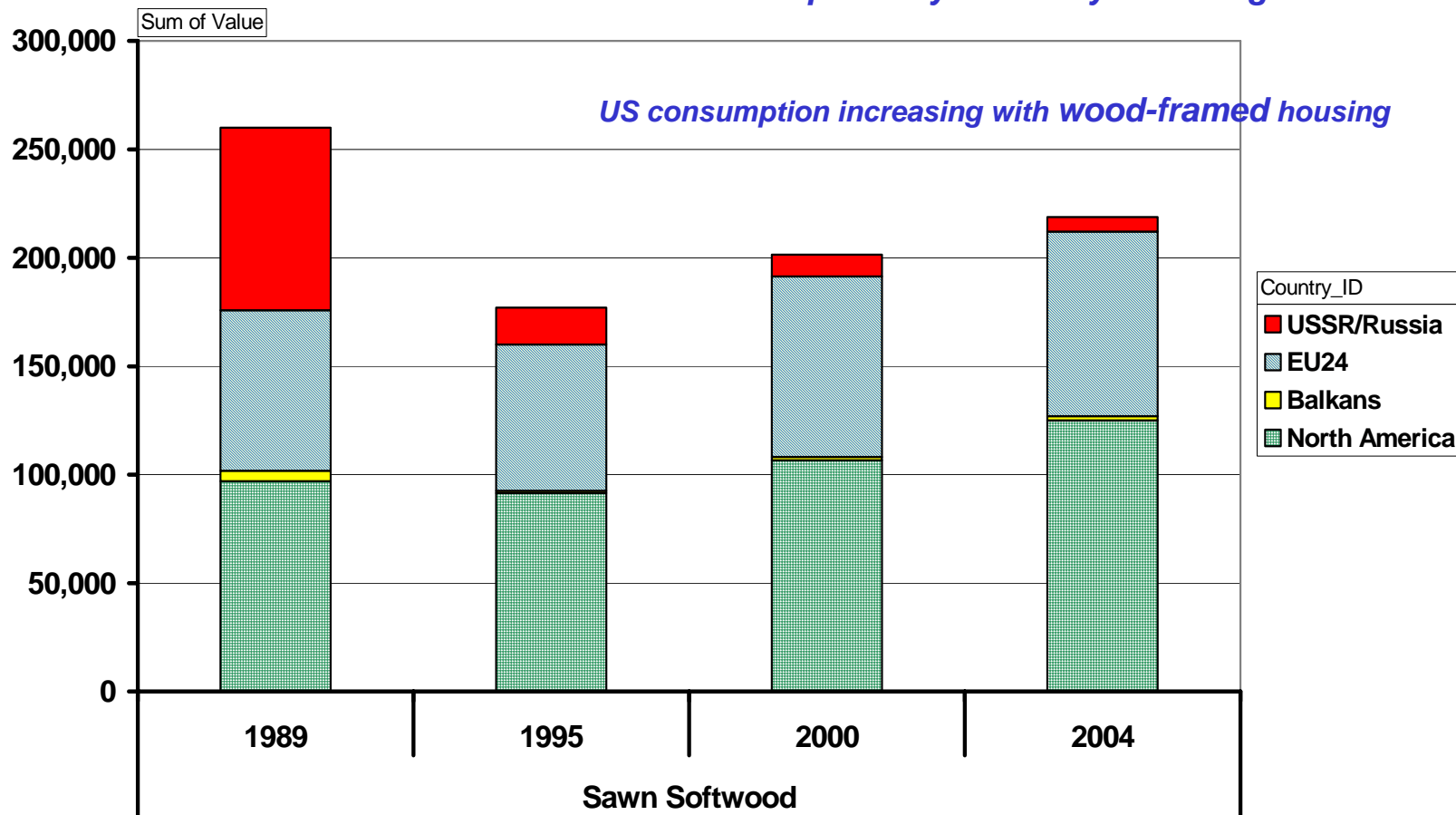


Sawn Softwood Consumption, 1000 m³

Item_ID|CONSUMPTION|Unit_ID|1000 m3

Russian consumption mysteriously shrinking

US consumption increasing with wood-framed housing



Product_ID|Year

Source: UNECE/FAO TIMBER database, 2006



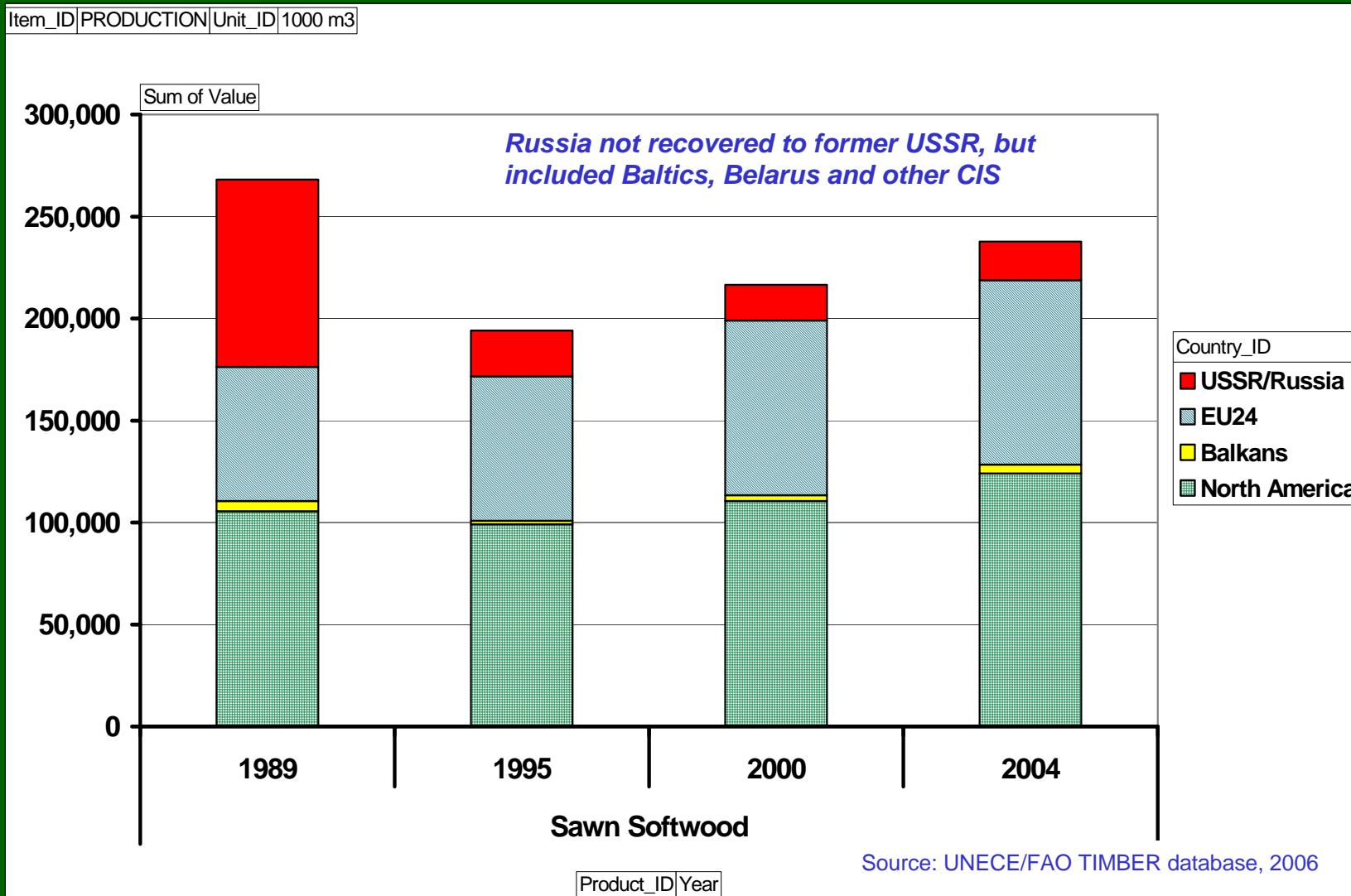
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Sawn Softwood Production, 1000 m³



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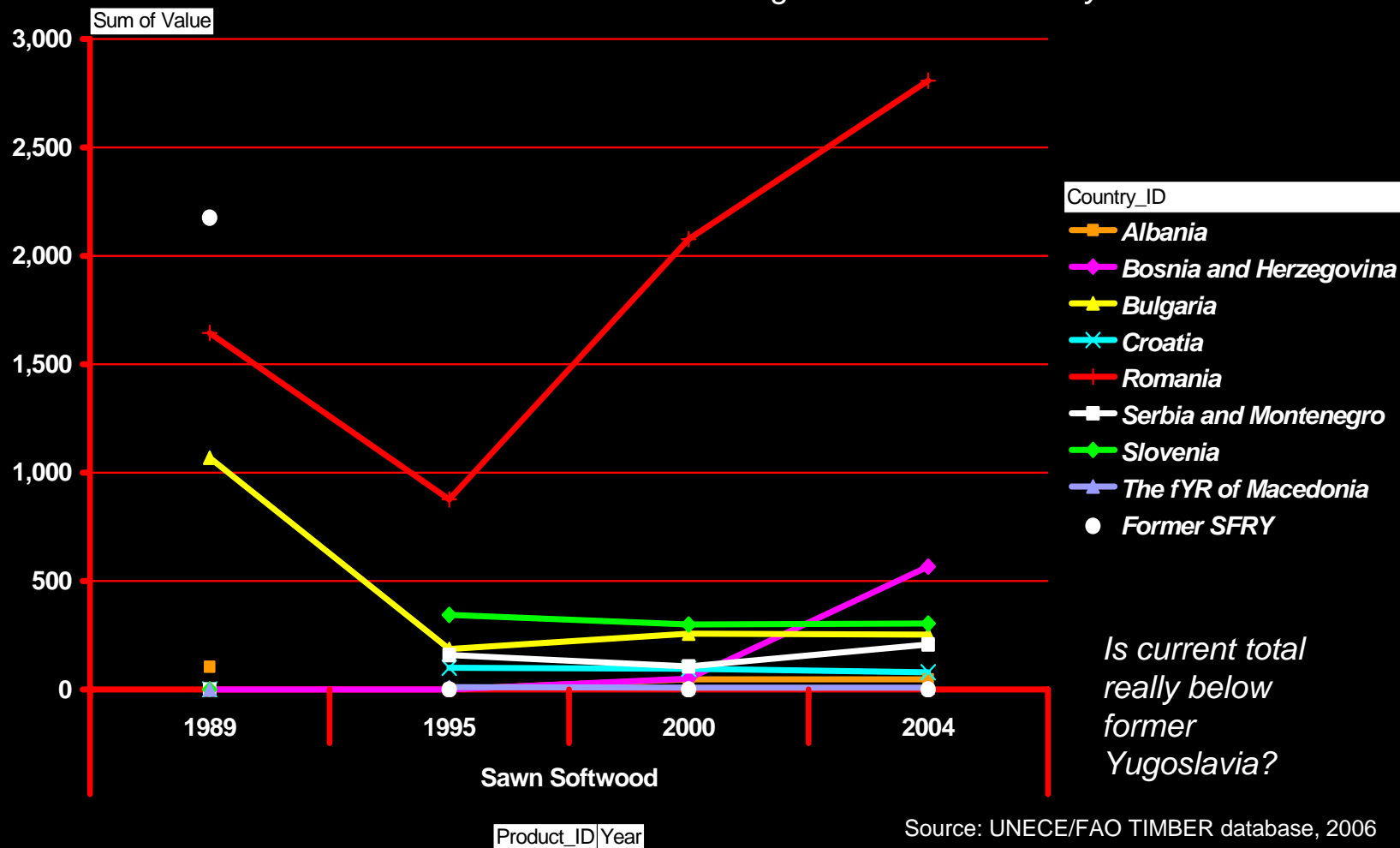
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Balkan Sawn Softwood Production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3

Statistics for former Yugoslavia unavailable by state in 1989



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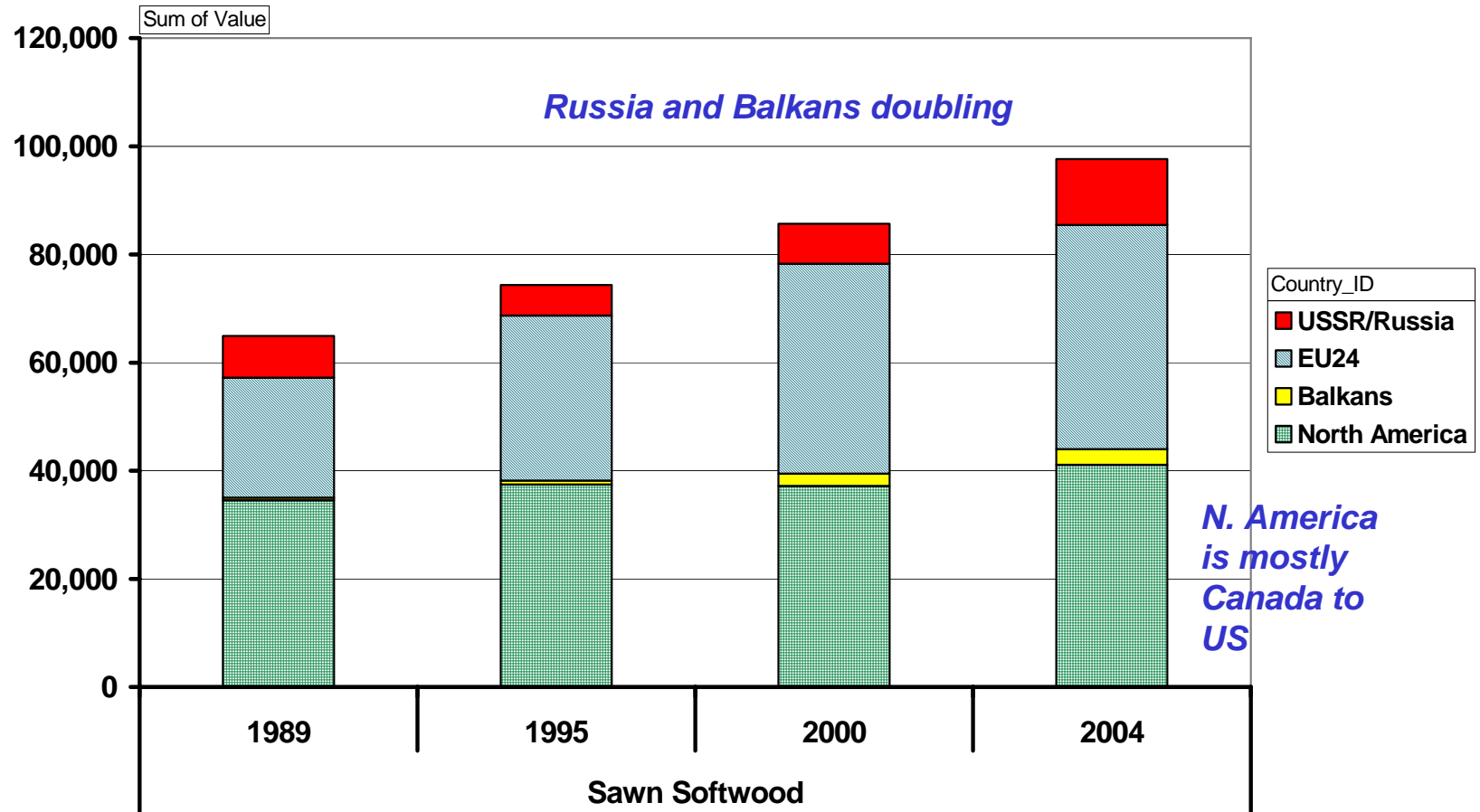
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Sawn Softwood Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



Product_ID|Year

Source: UNECE/FAO TIMBER database, 2006



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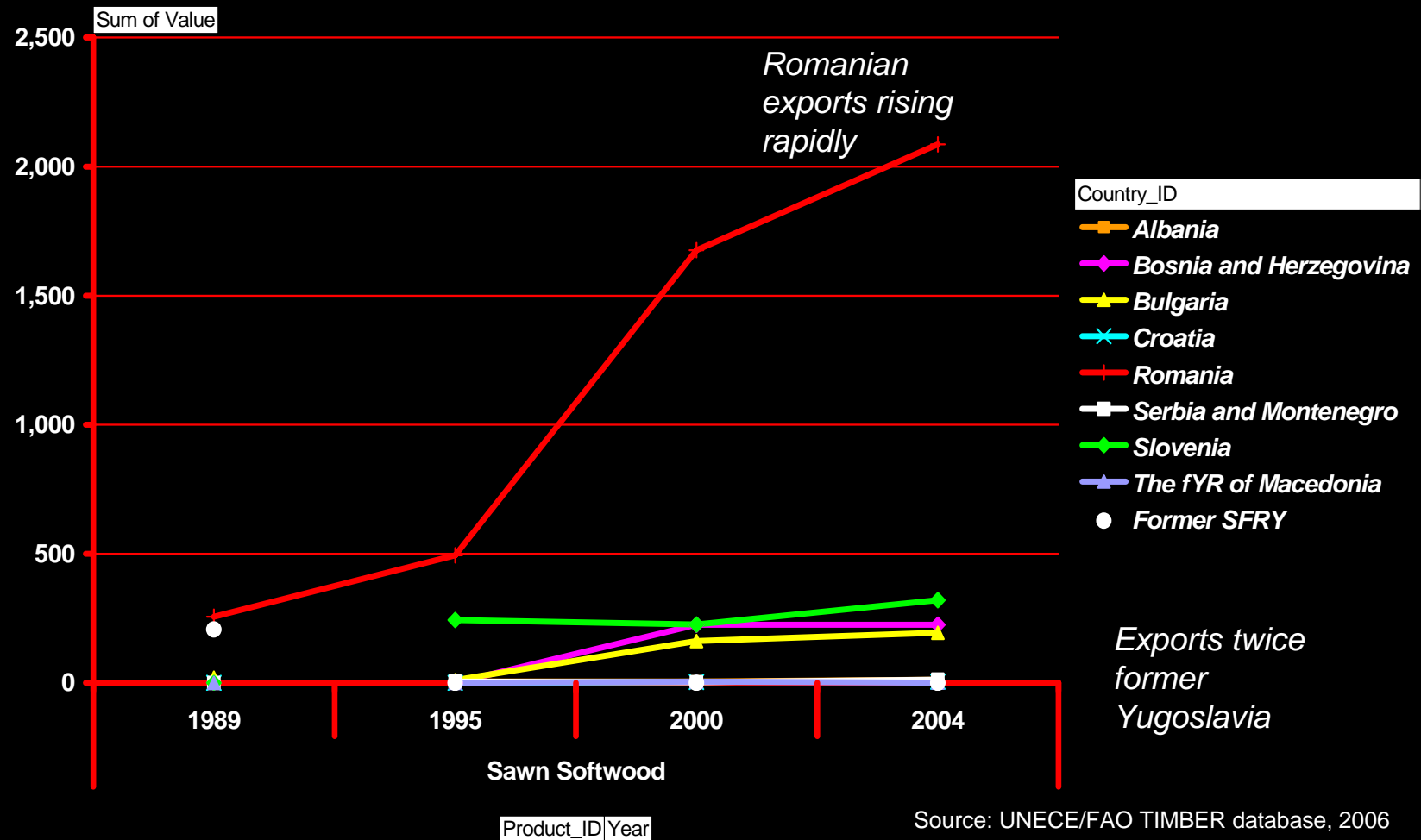
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Balkan Sawn Softwood Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



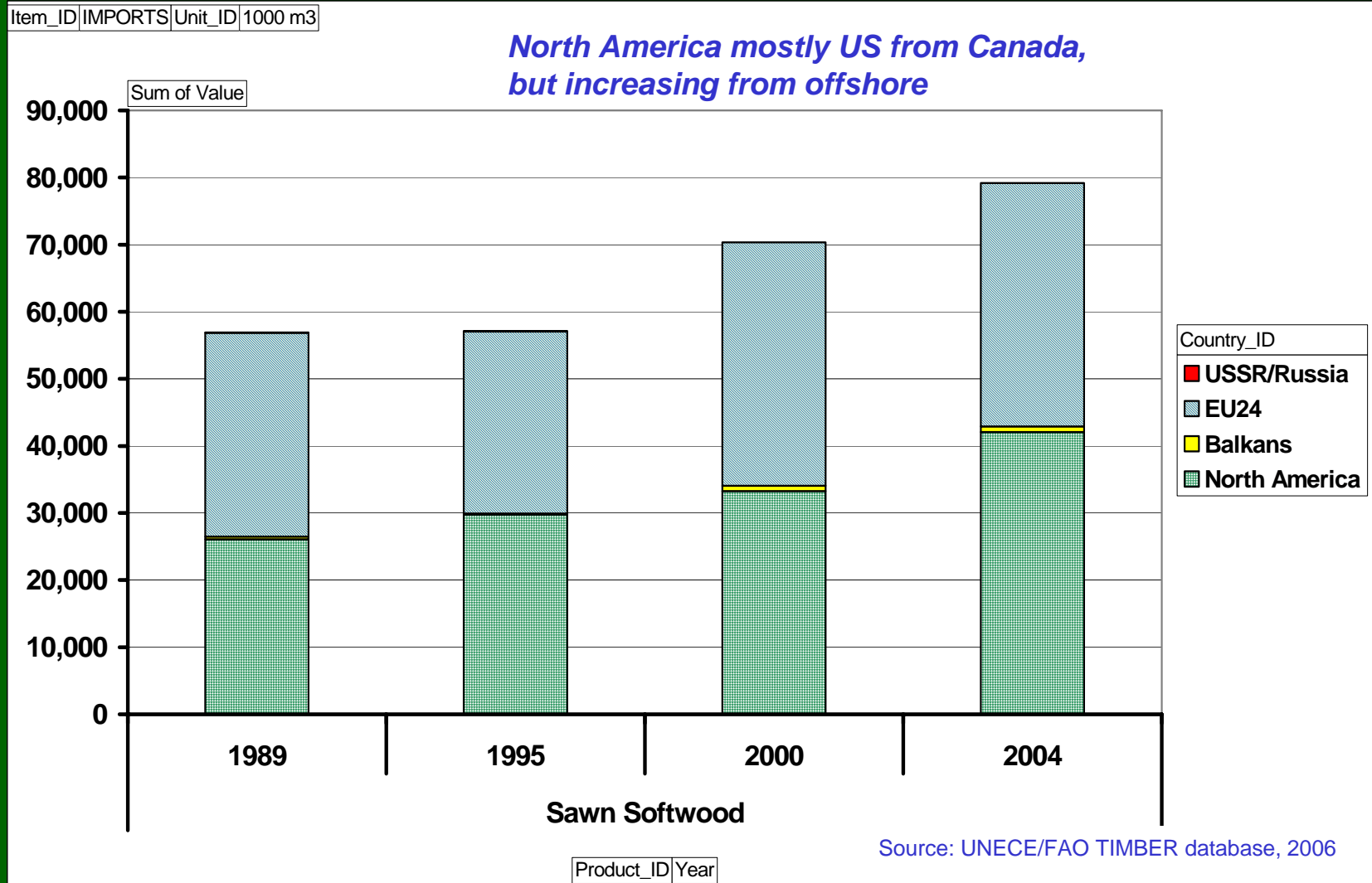
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Sawn Softwood Imports, 1000 m³



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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



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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



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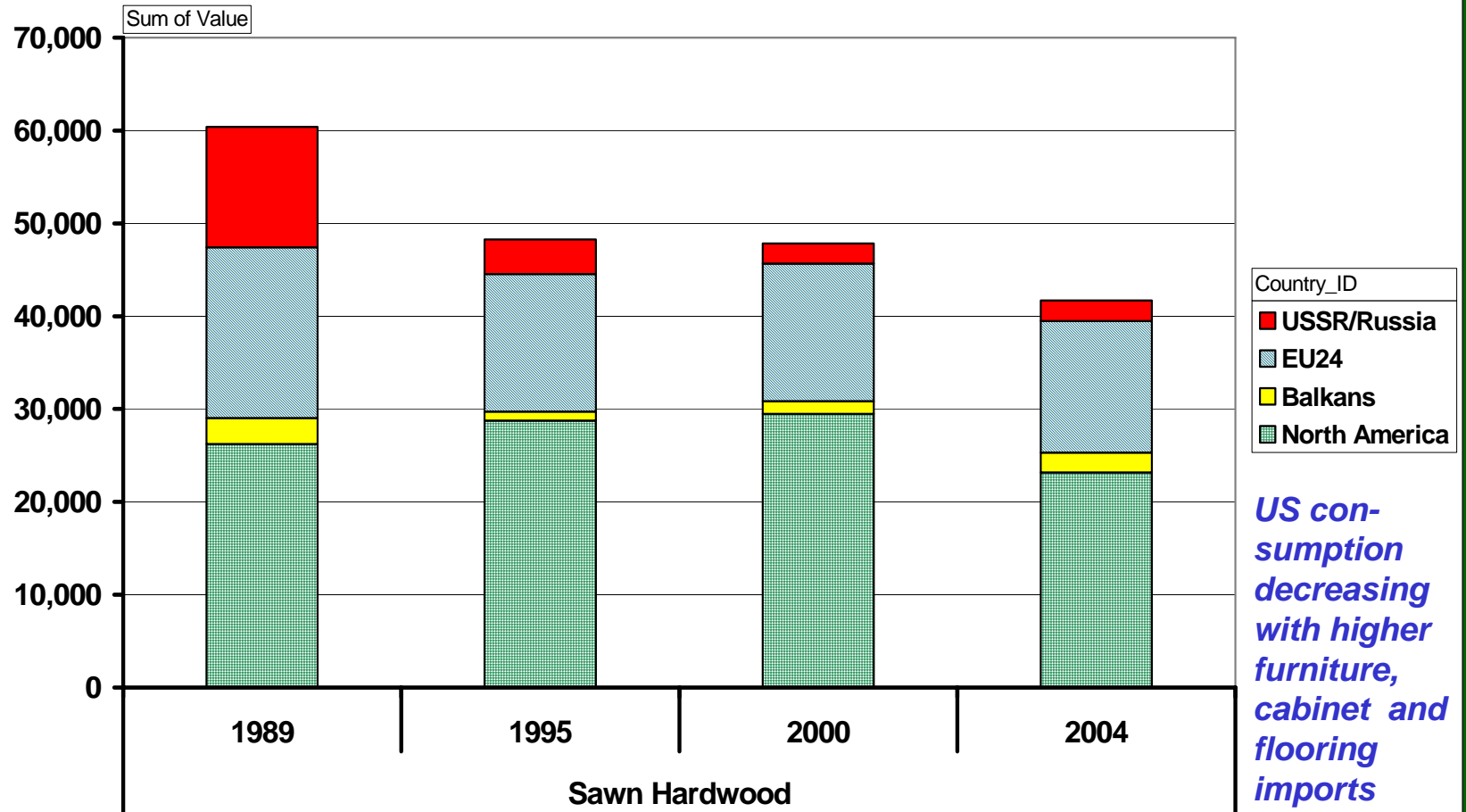
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Sawn Hardwood Consumption, 1000 m³

Item_ID CONSUMPTION Unit_ID 1000 m3

25% volume of softwood



Source: UNECE/FAO TIMBER database, 2006



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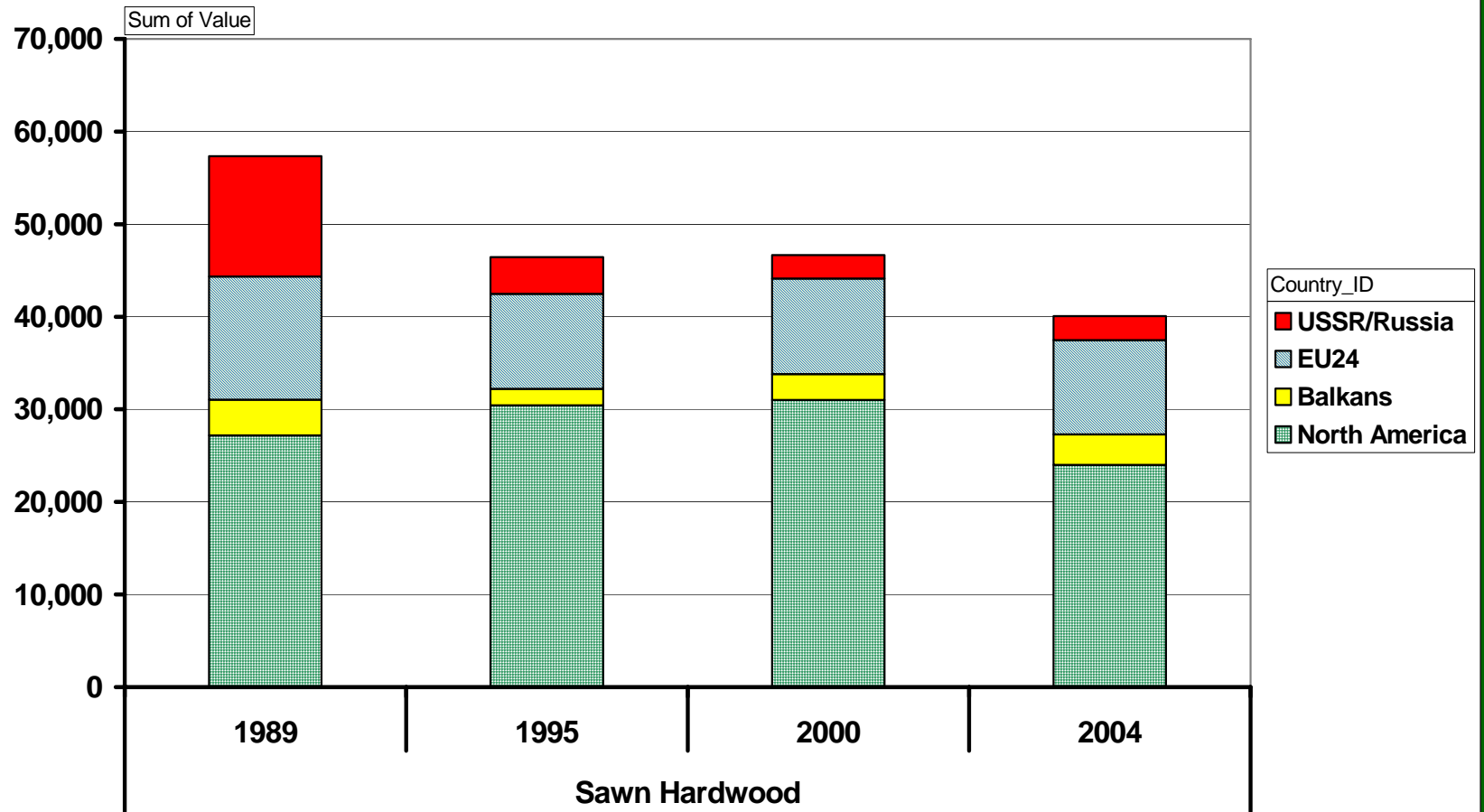
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Sawn Hardwood Production, 1000 m³

Item_ID|PRODUCTION|Unit_ID|1000 m3



Product_ID|Year

Source: UNECE/FAO TIMBER database, 2006



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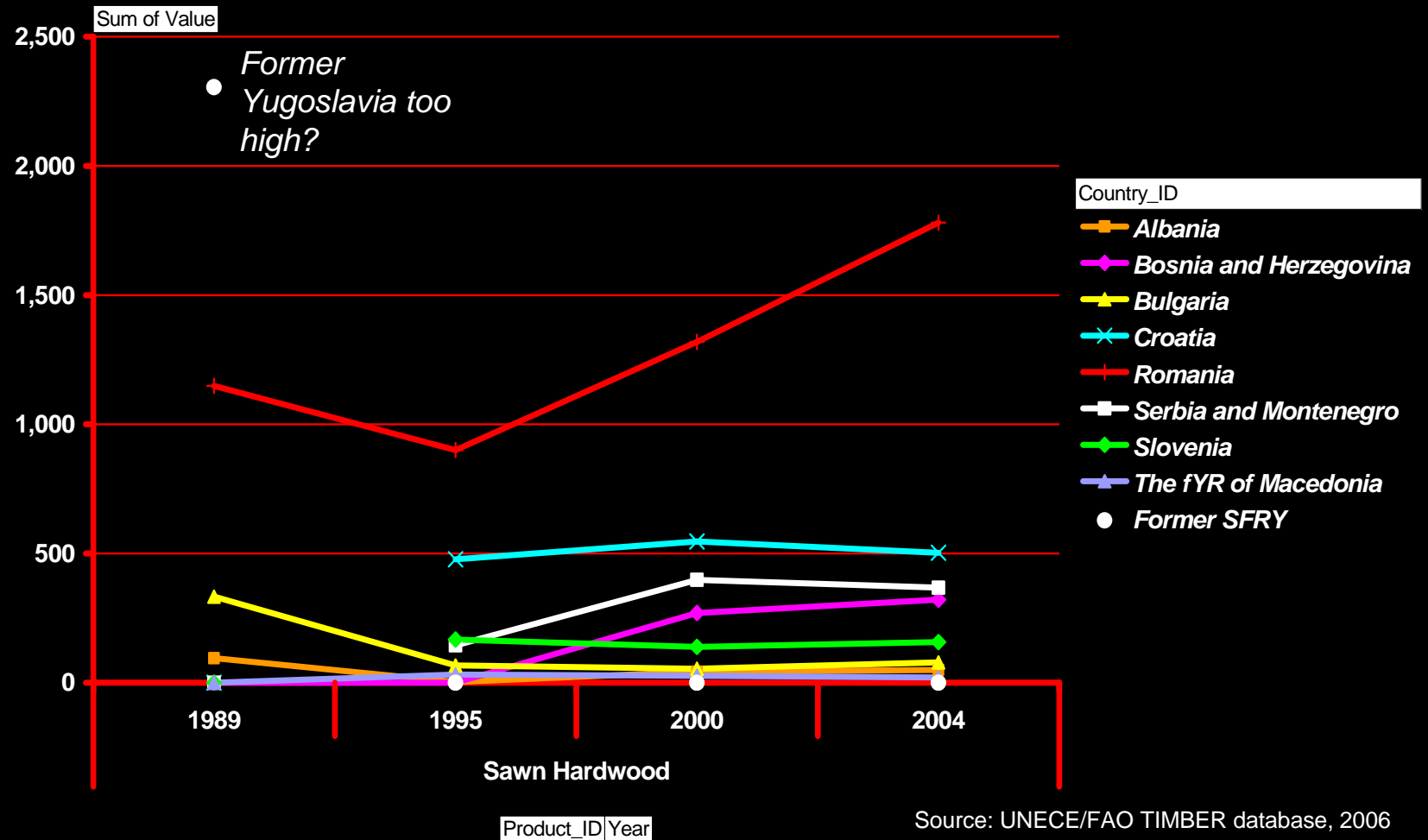
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Balkan Sawn Hardwood Production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3



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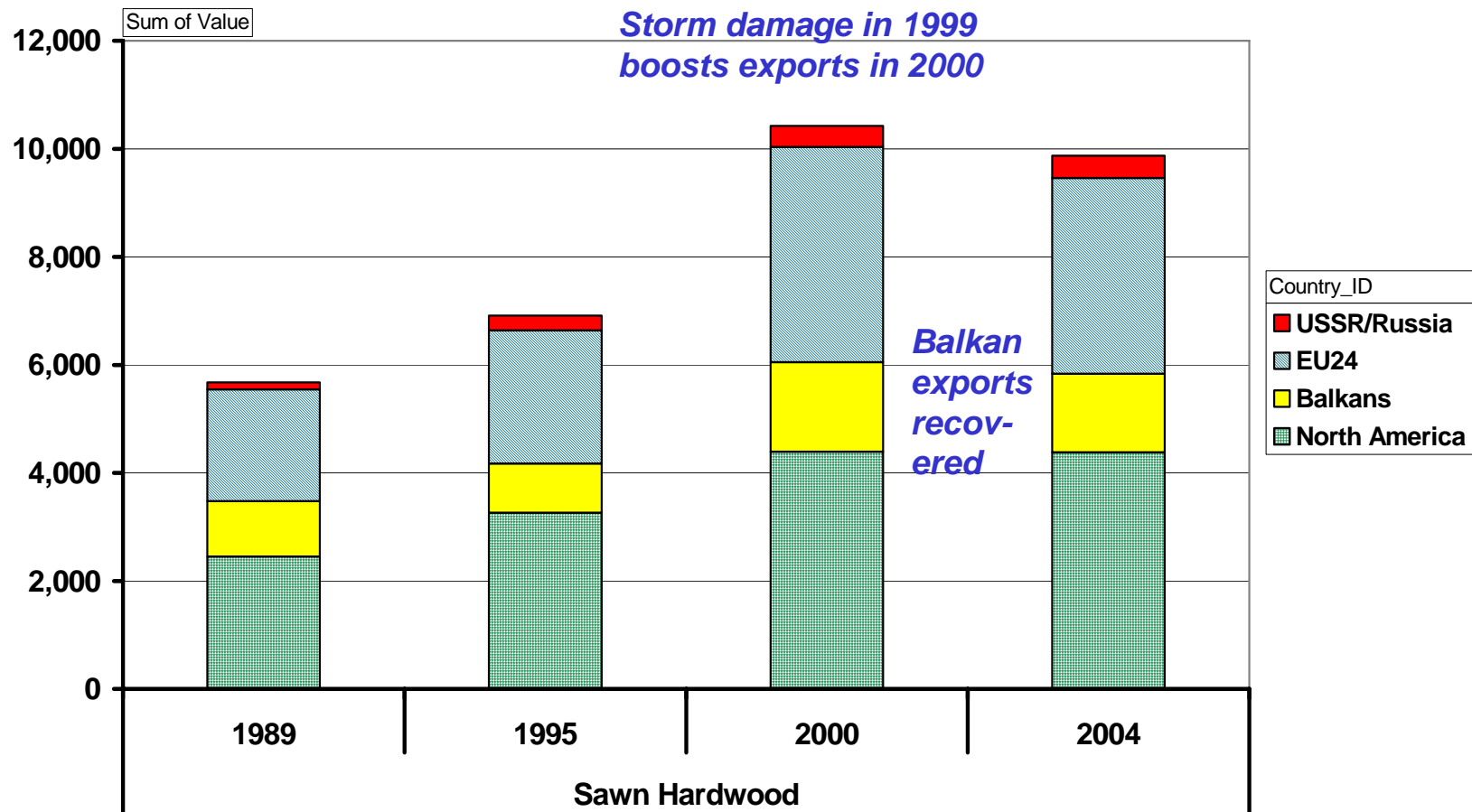
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Sawn Hardwood Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



Source: UNECE/FAO TIMBER database, 2006



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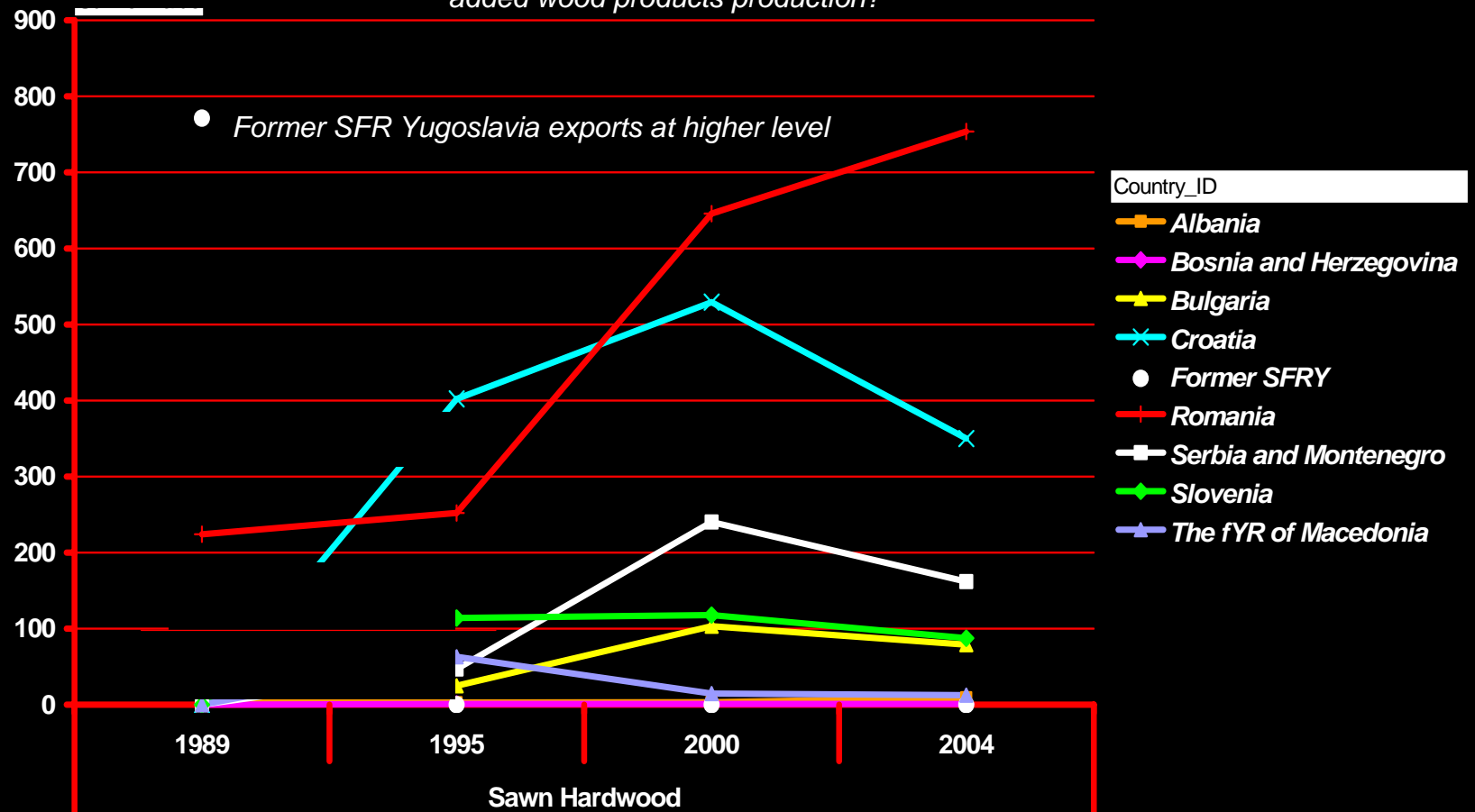
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Balkan Sawn Hardwood Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3

Question: Downturn in 2004? Increased value-added wood products production?



Source: UNECE/FAO TIMBER database, 2006



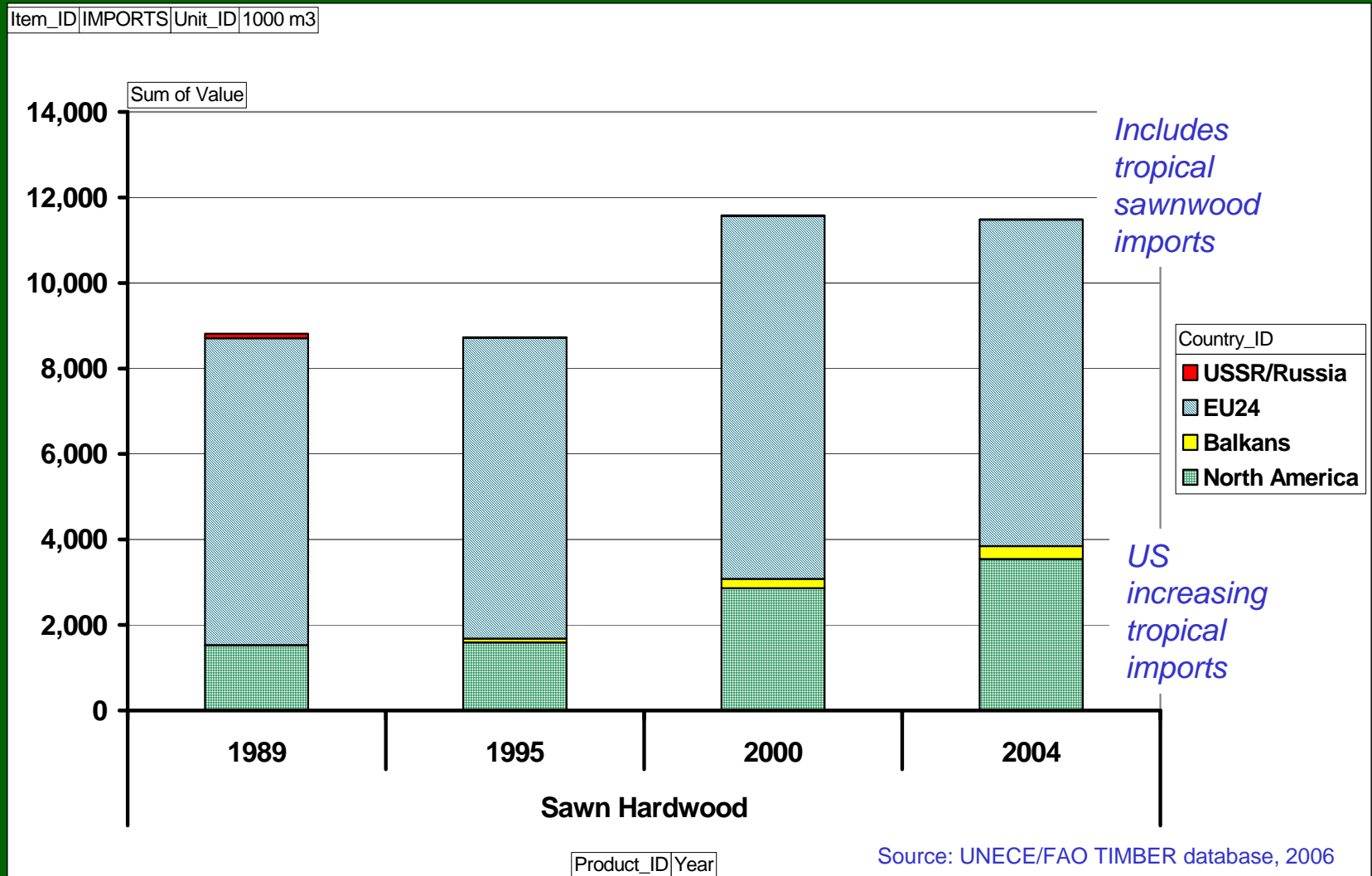
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Sawn Hardwood Imports, 1000 m³




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Subregional Sawnwood Trade Flows (softwood + hardwood)



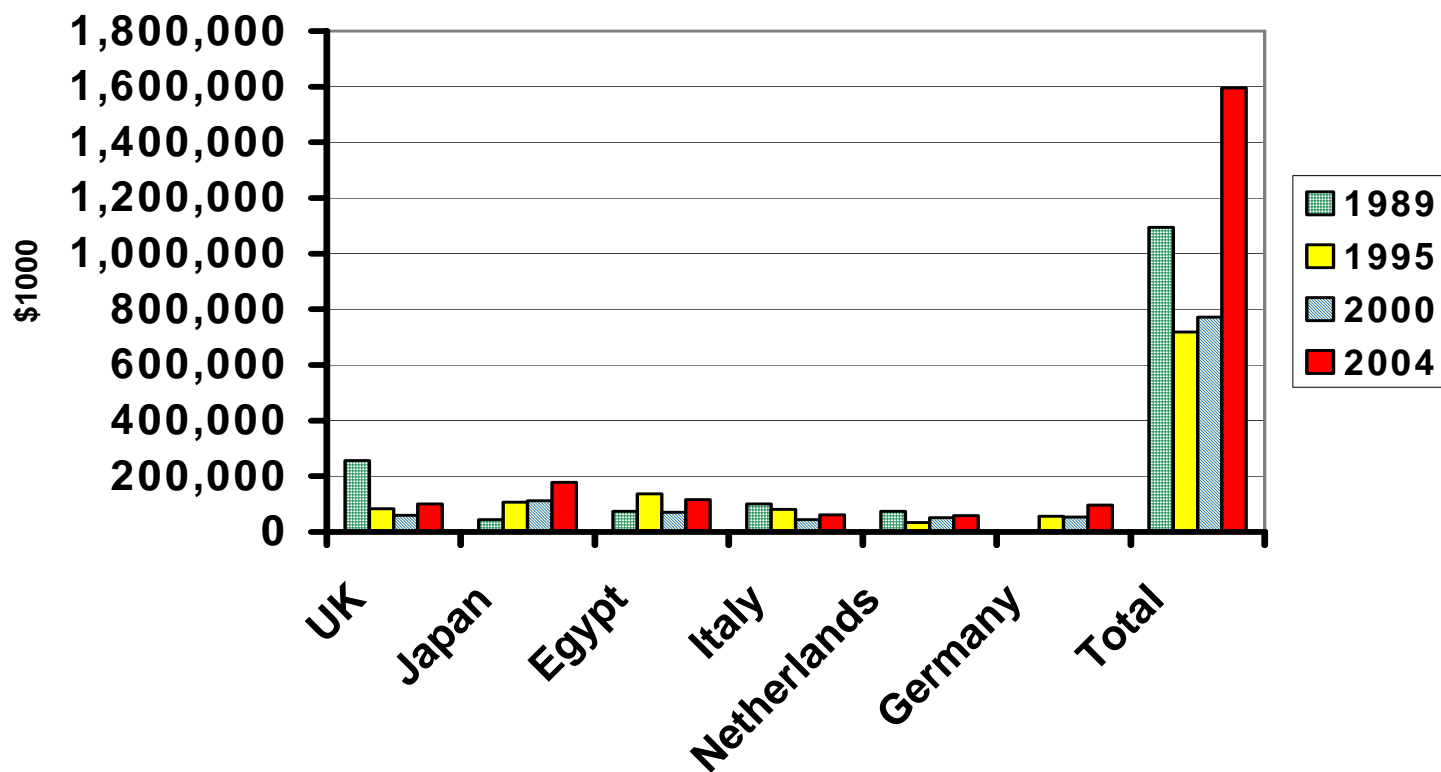
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Russia Sawnwood Exports (USSR for 1989)



Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

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



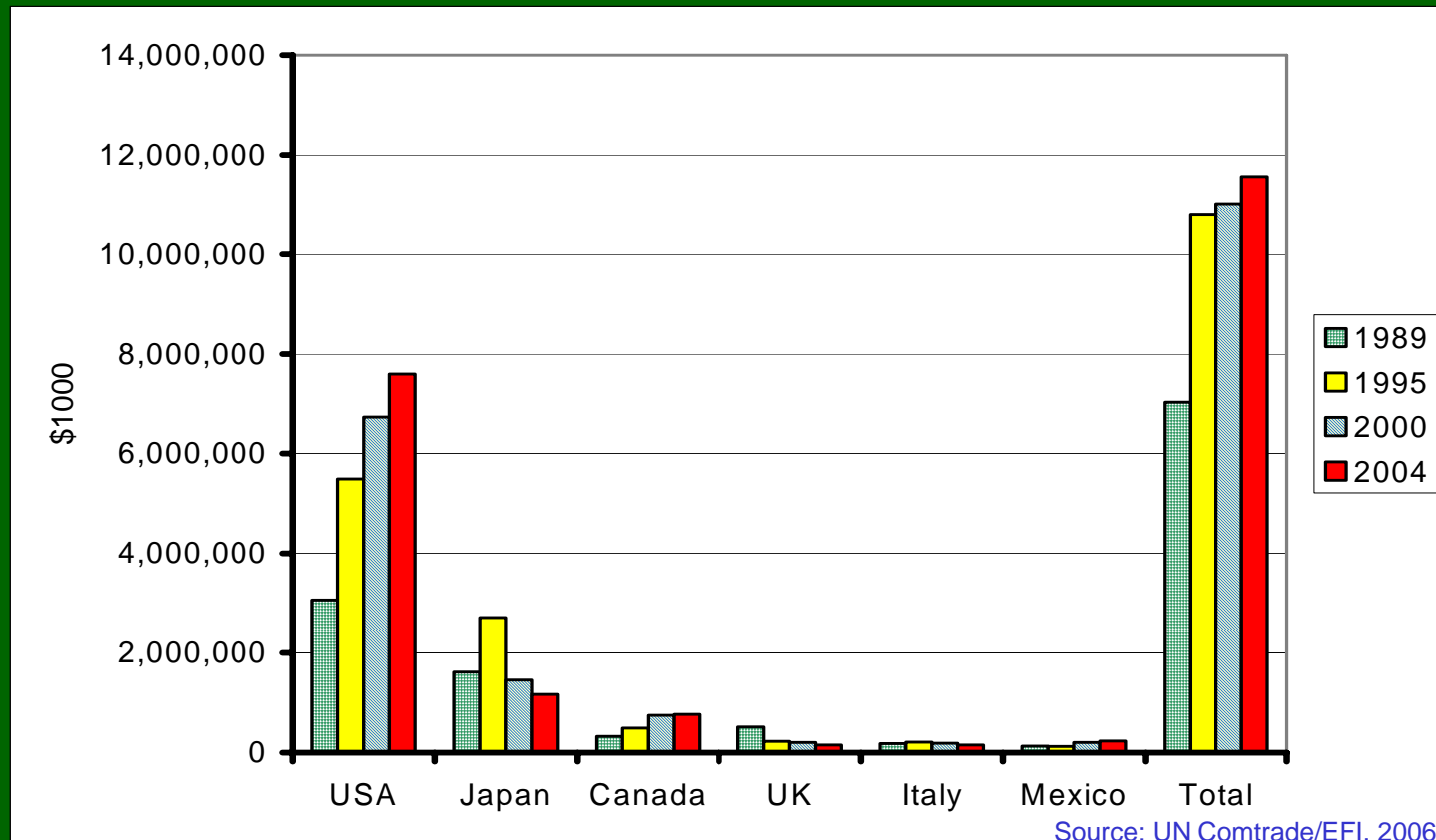
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North America Sawnwood Exports



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



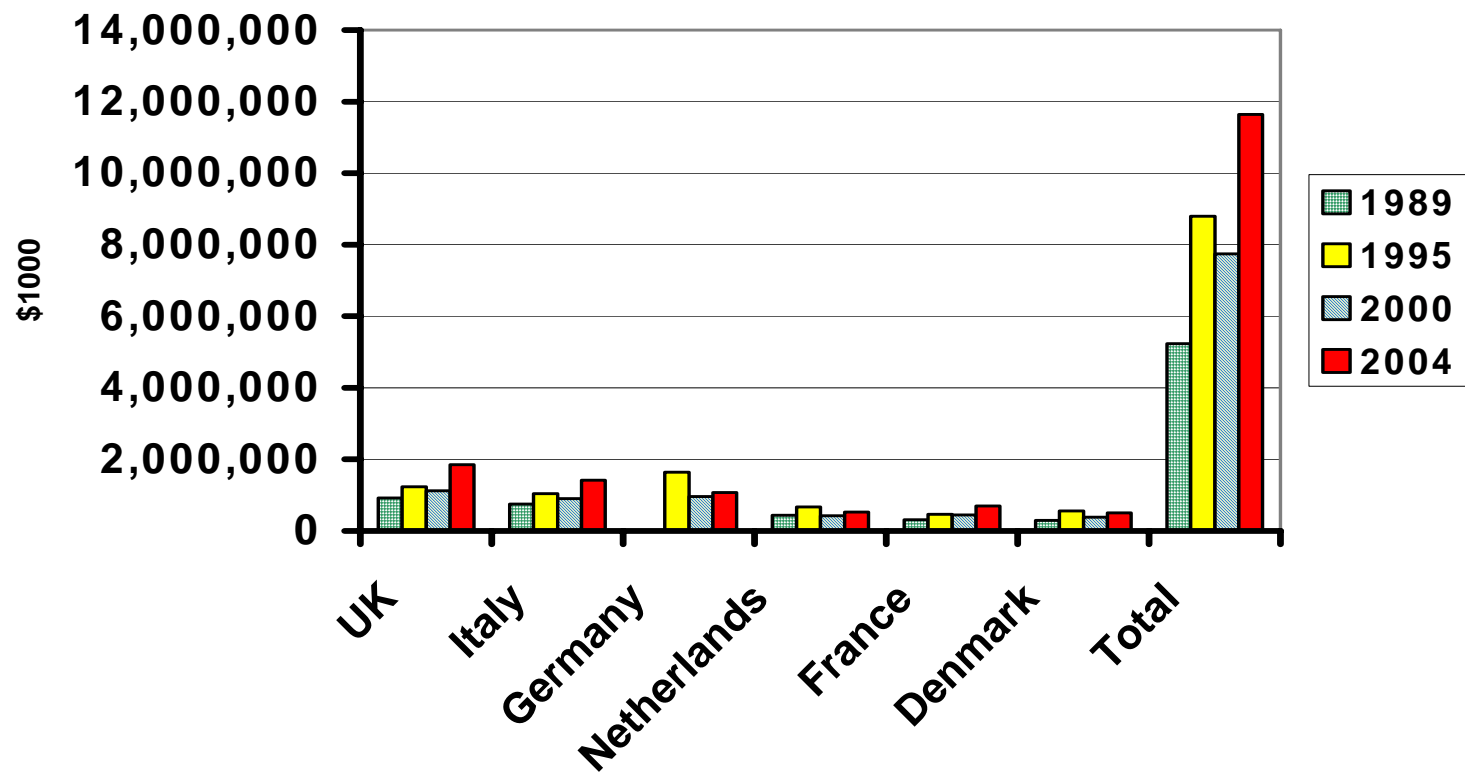
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EU Sawnwood Exports



Source: UN Comtrade/EFI, 2006

Top 12 destinations by order of total value in 2004

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



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Balkan Sawnwood Trade Flows (softwood + hardwood)



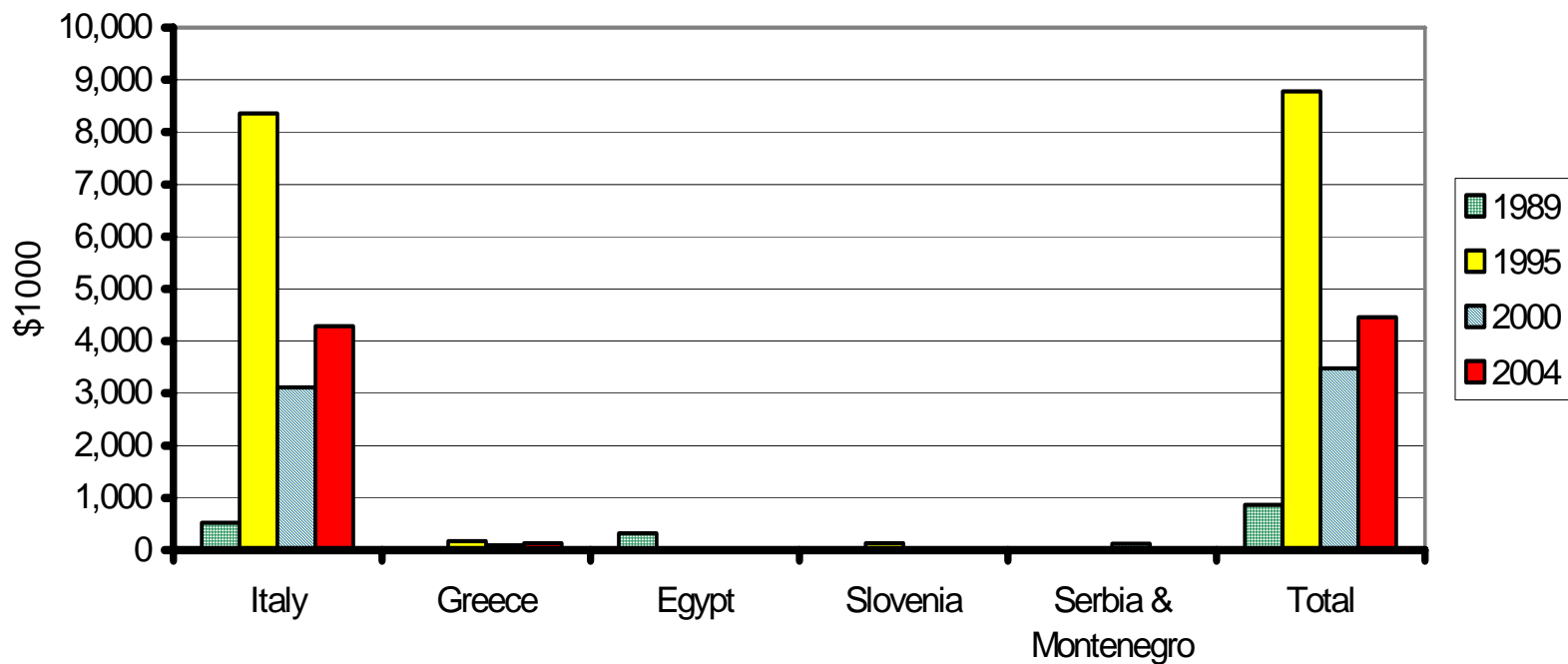
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Albania Sawnwood Exports



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



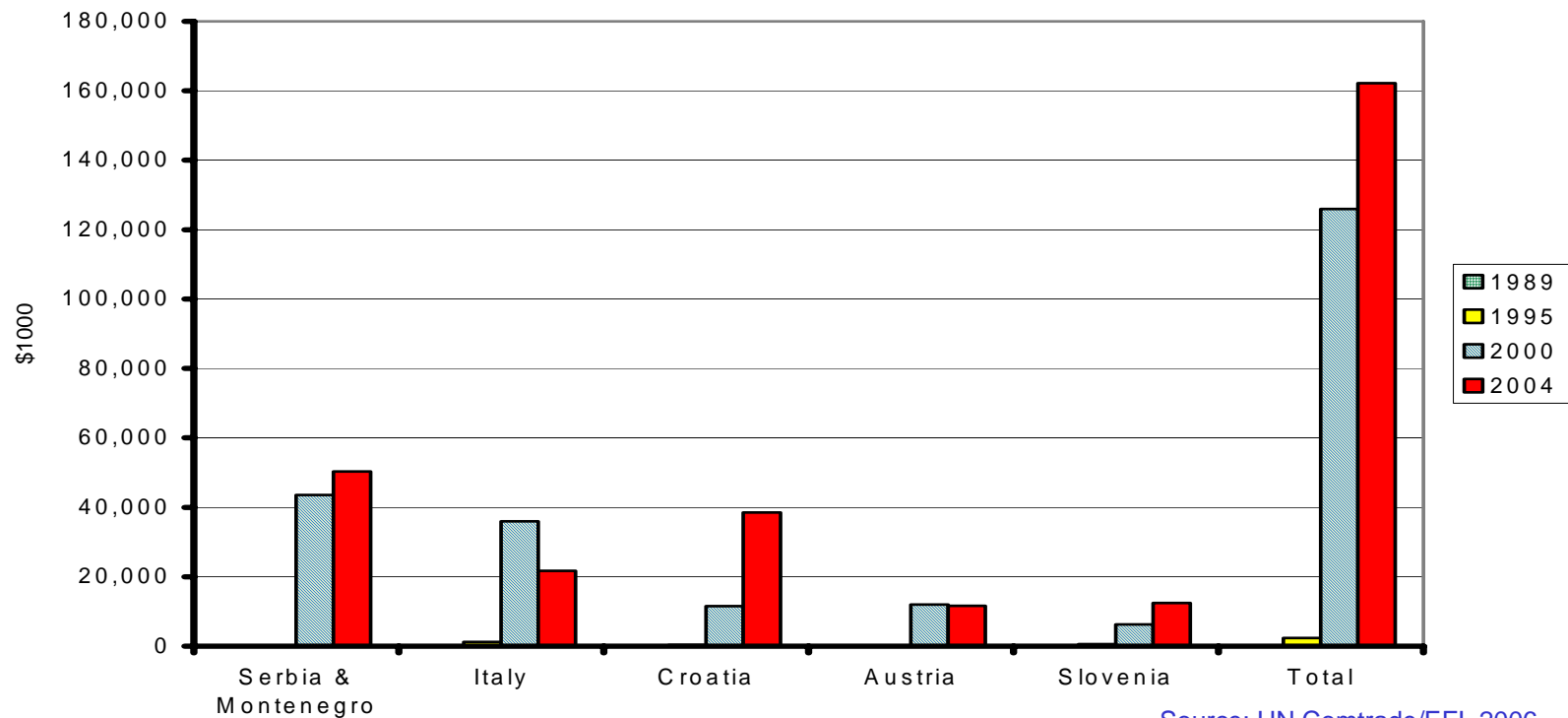
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Bosnia & Herzegovina Sawnwood Exports



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



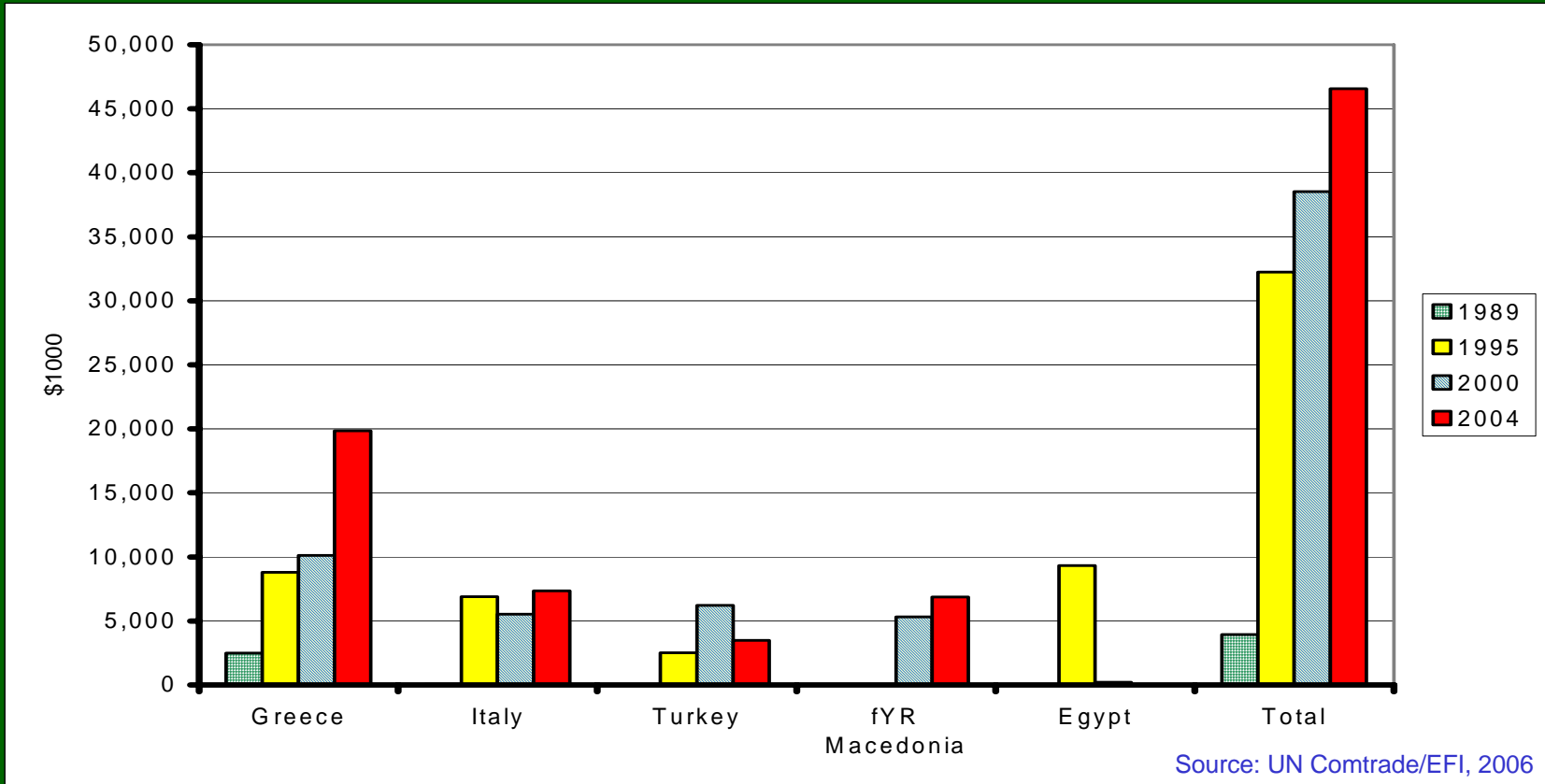
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Bulgaria Sawnwood Exports



Top 12 destinations by order of total value in 2004

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



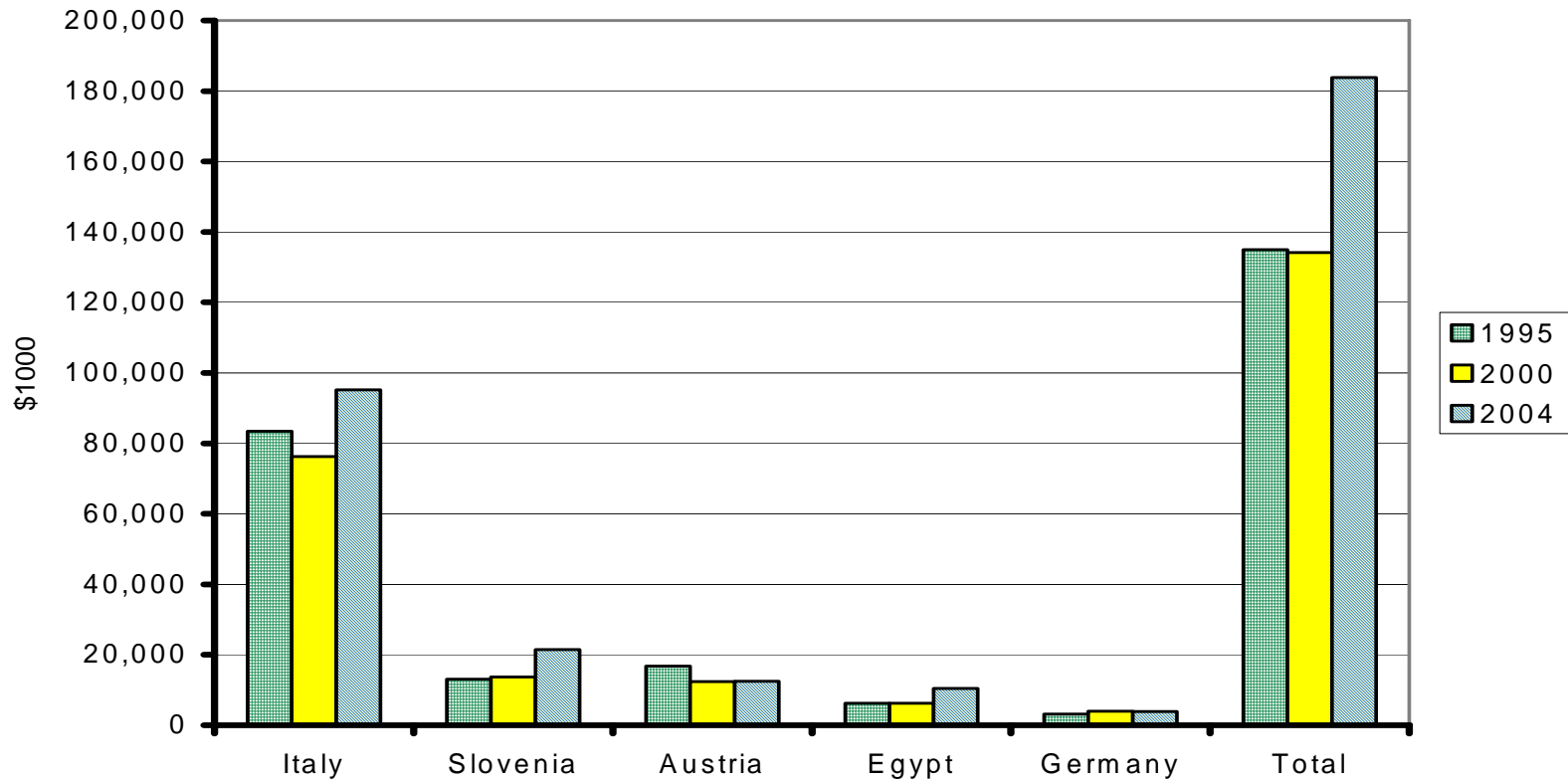
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Croatia Sawnwood Exports



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



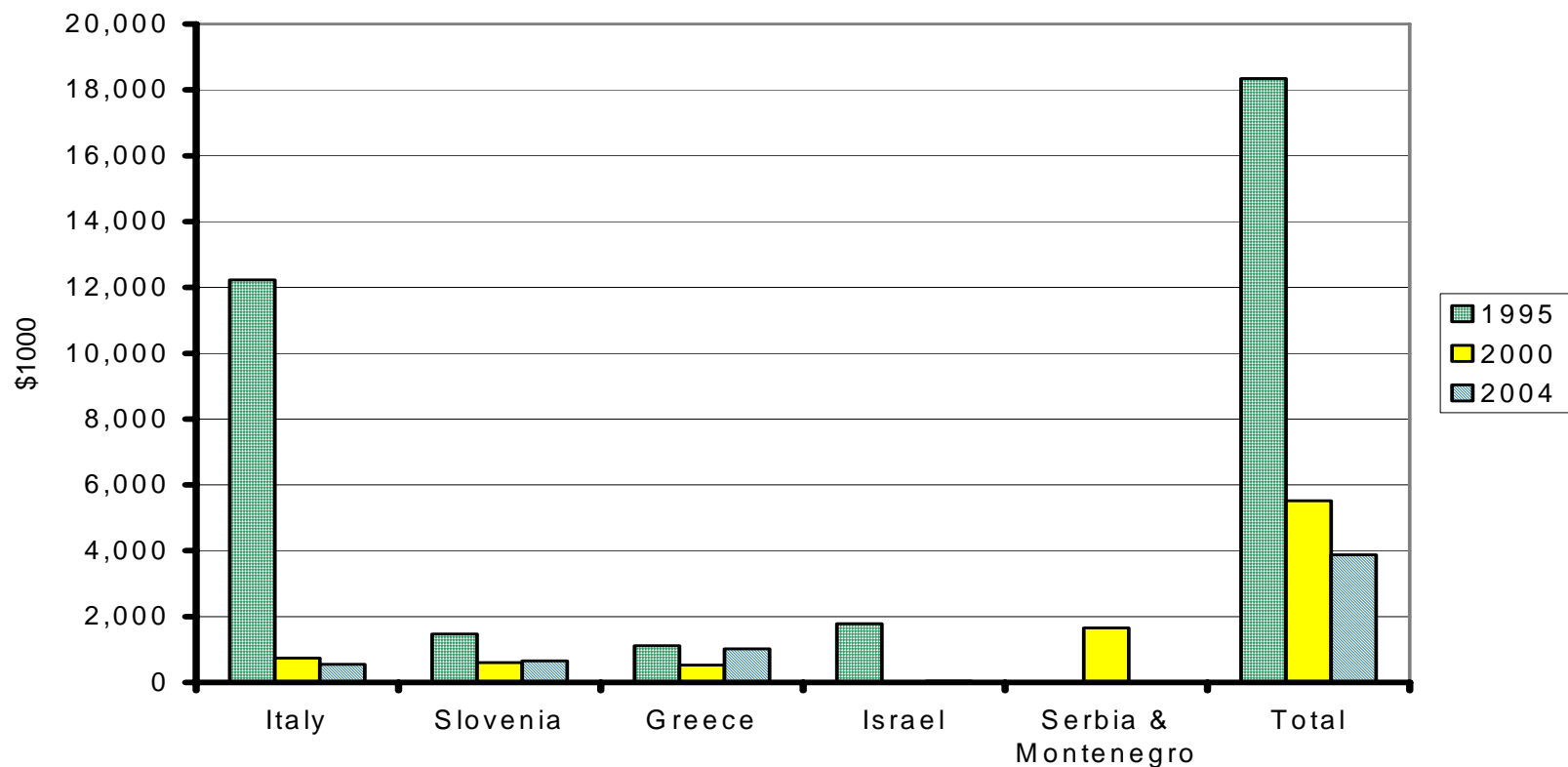
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The fYR Macedonia Sawnwood Exports



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



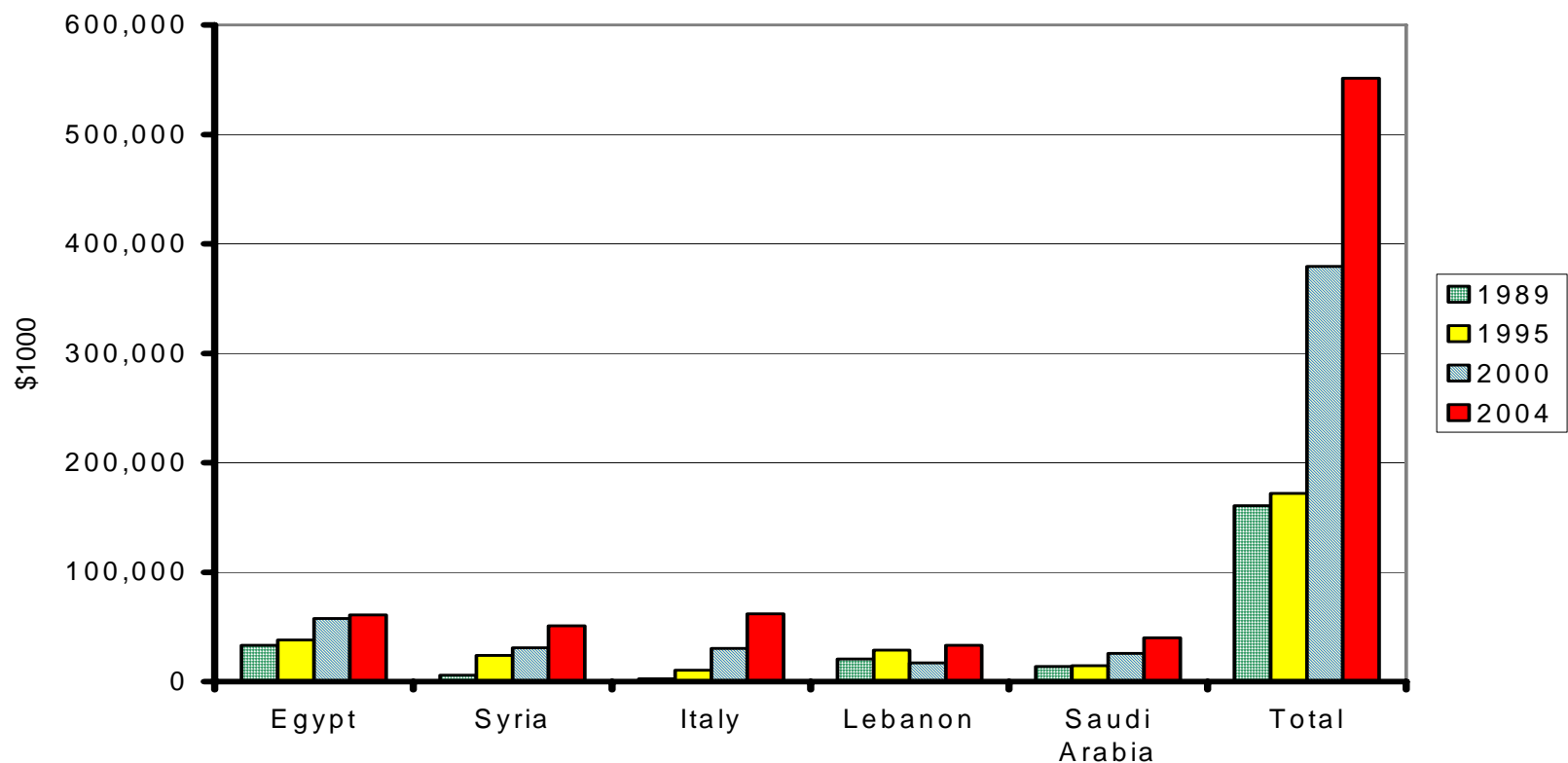
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Romania Sawnwood Exports



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



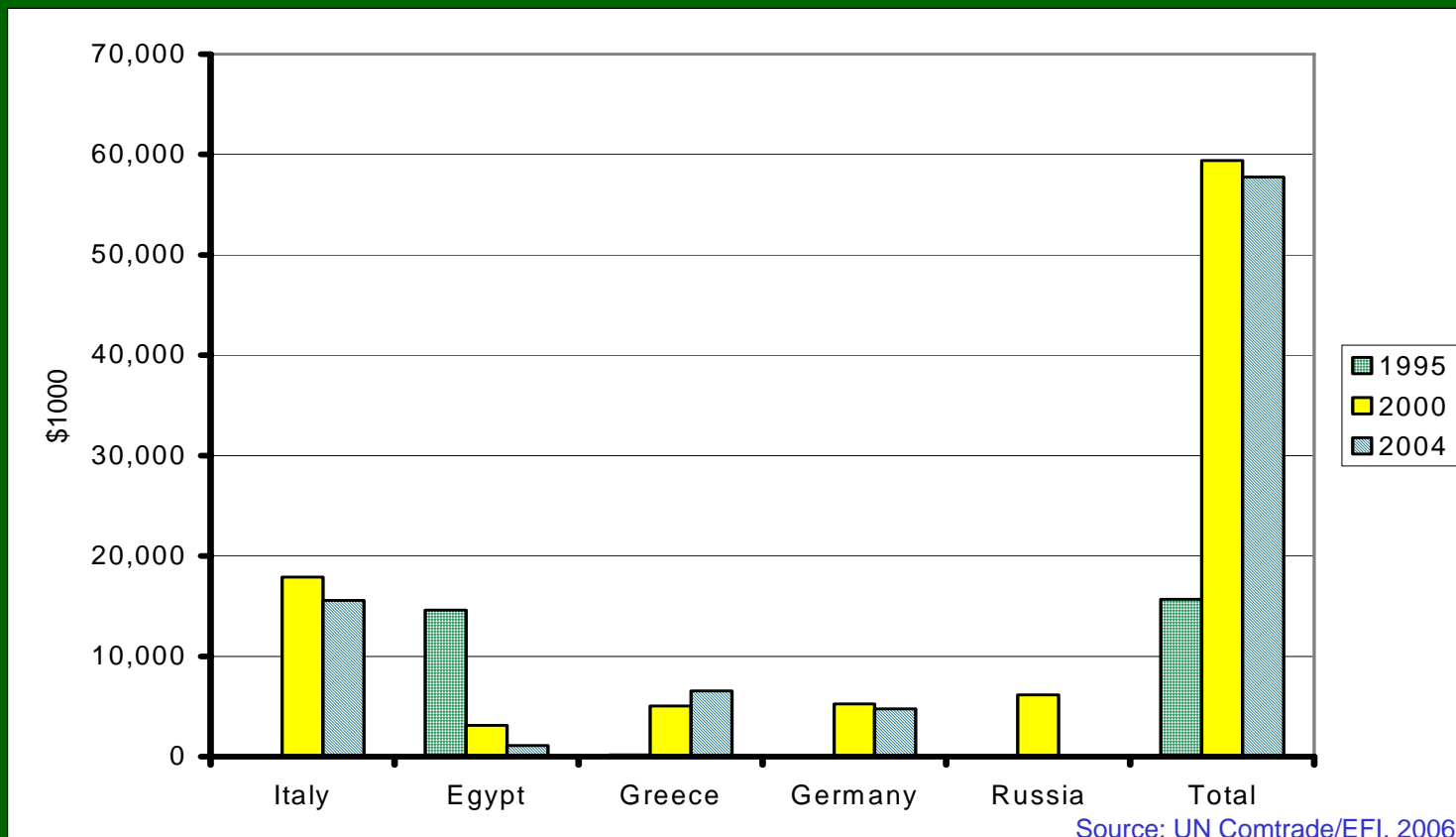
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Serbia & Montenegro Sawnwood Exports



Top 12 destinations by order of total value in 2004

Italy

Egypt

Greece

Germany

Russia

Slovenia

Algeria

Bosnia & Herzegovina

Cyprus

Spain

fYR Macedonia

Sweden



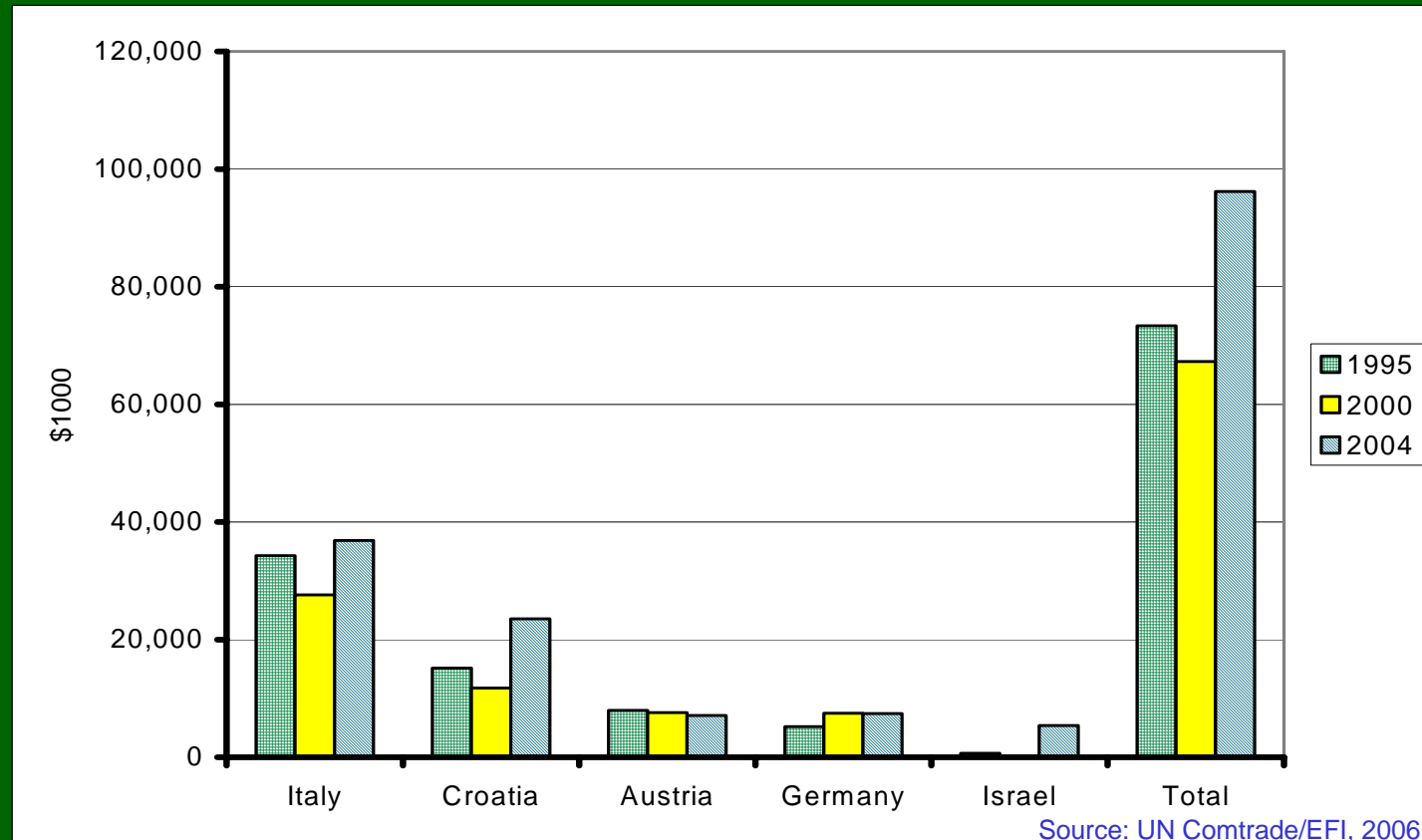
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Slovenia Sawnwood Exports



Top 12 destinations by order of total value in 2004

Italy
Israel
Denmark

Croatia
Algeria
Indonesia

Austria
fYR Macedonia
United States

Germany
Saudi Arabia
Sweden



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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



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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



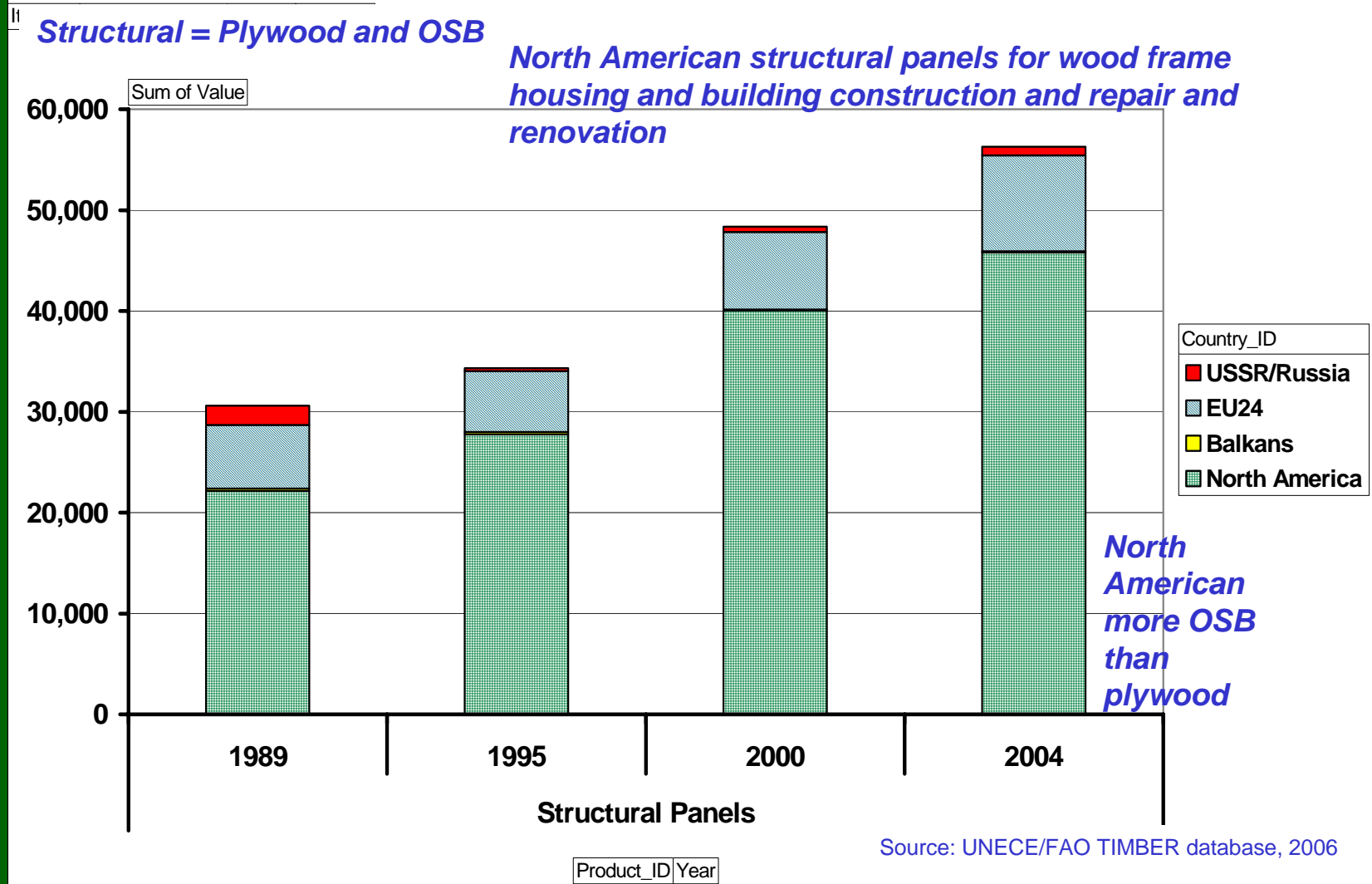
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Structural Panels Consumption, 1000 m³



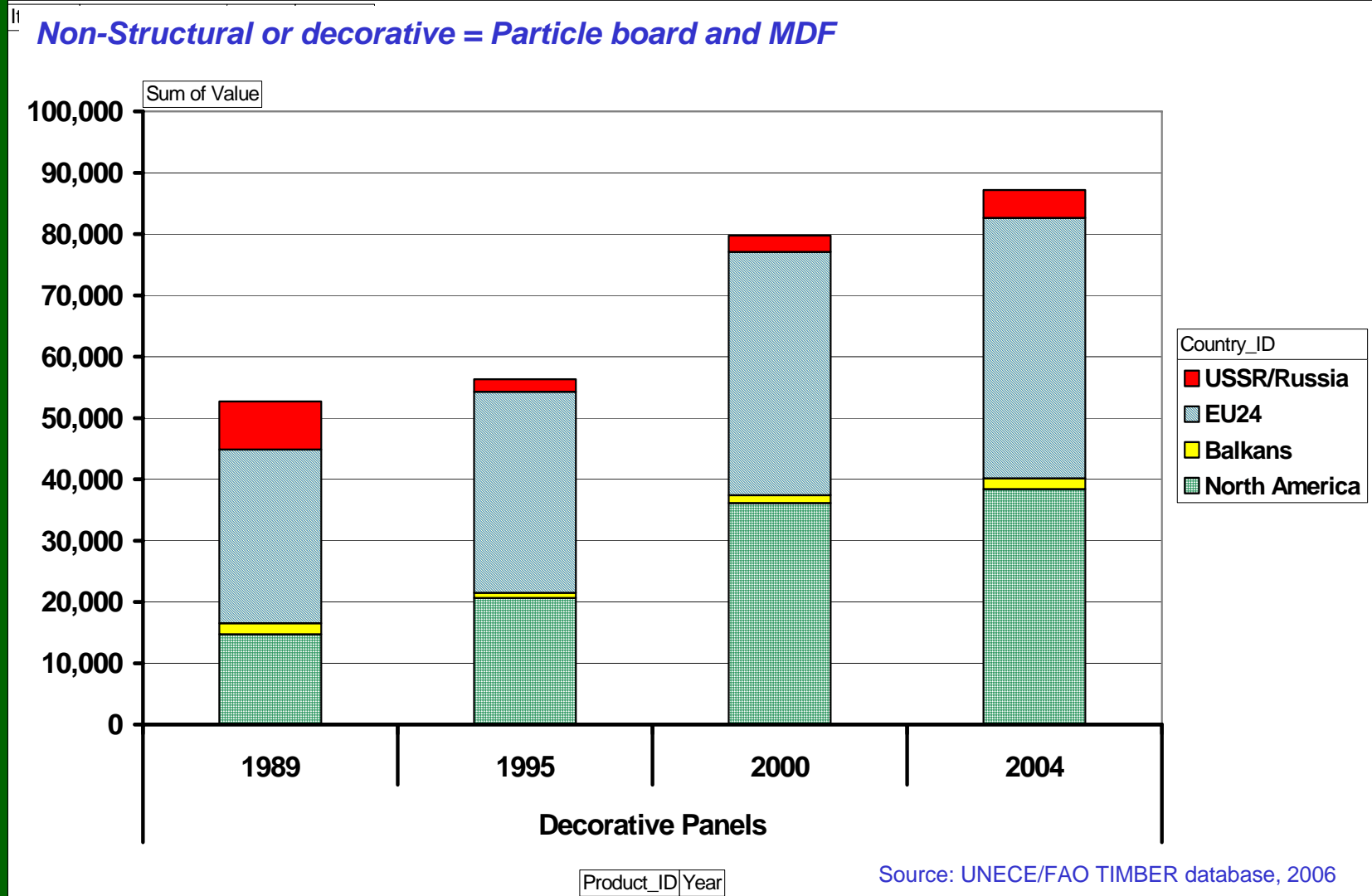
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Decorative Panels Consumption, 1000 m³



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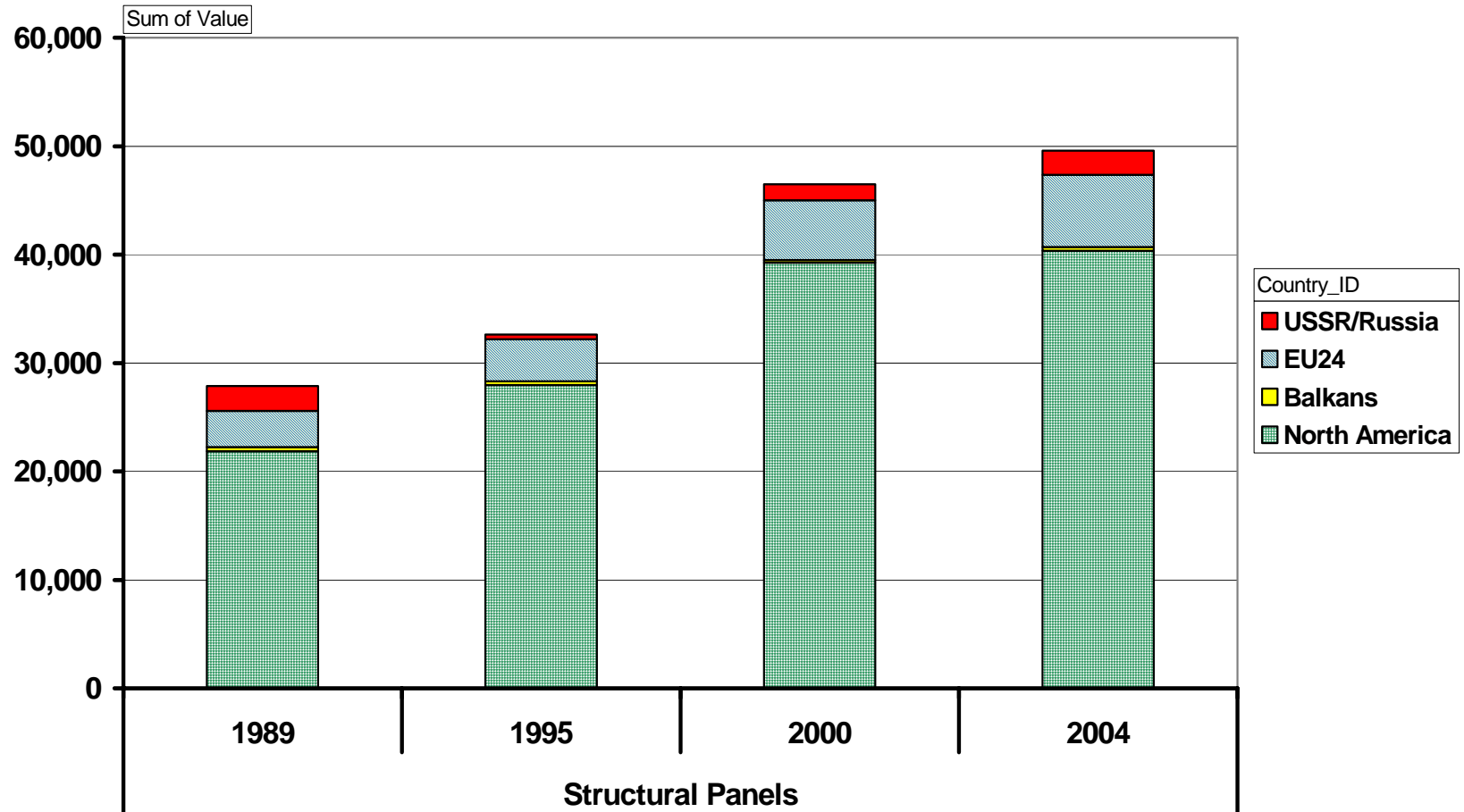
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Structural Panels Production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3

Structural panels = Plywood and OSB



Product_ID | Year

Source: UNECE/FAO TIMBER database, 2006



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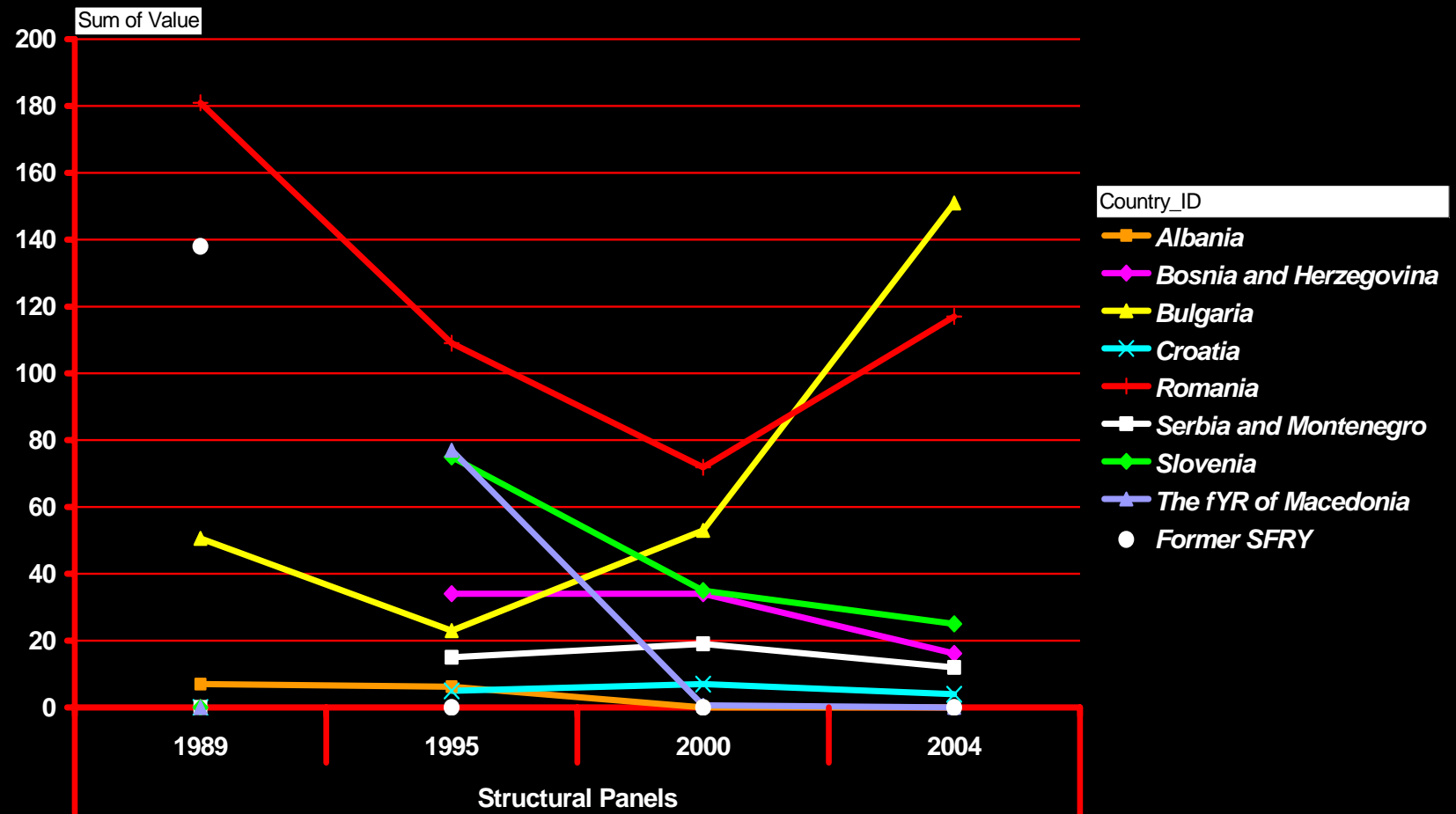
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Balkan Structural Panels Production, 1000 m³

Item_ID|PRODUCTION|Unit_ID|1000 m3



Source: UNECE/FAO TIMBER database, 2006



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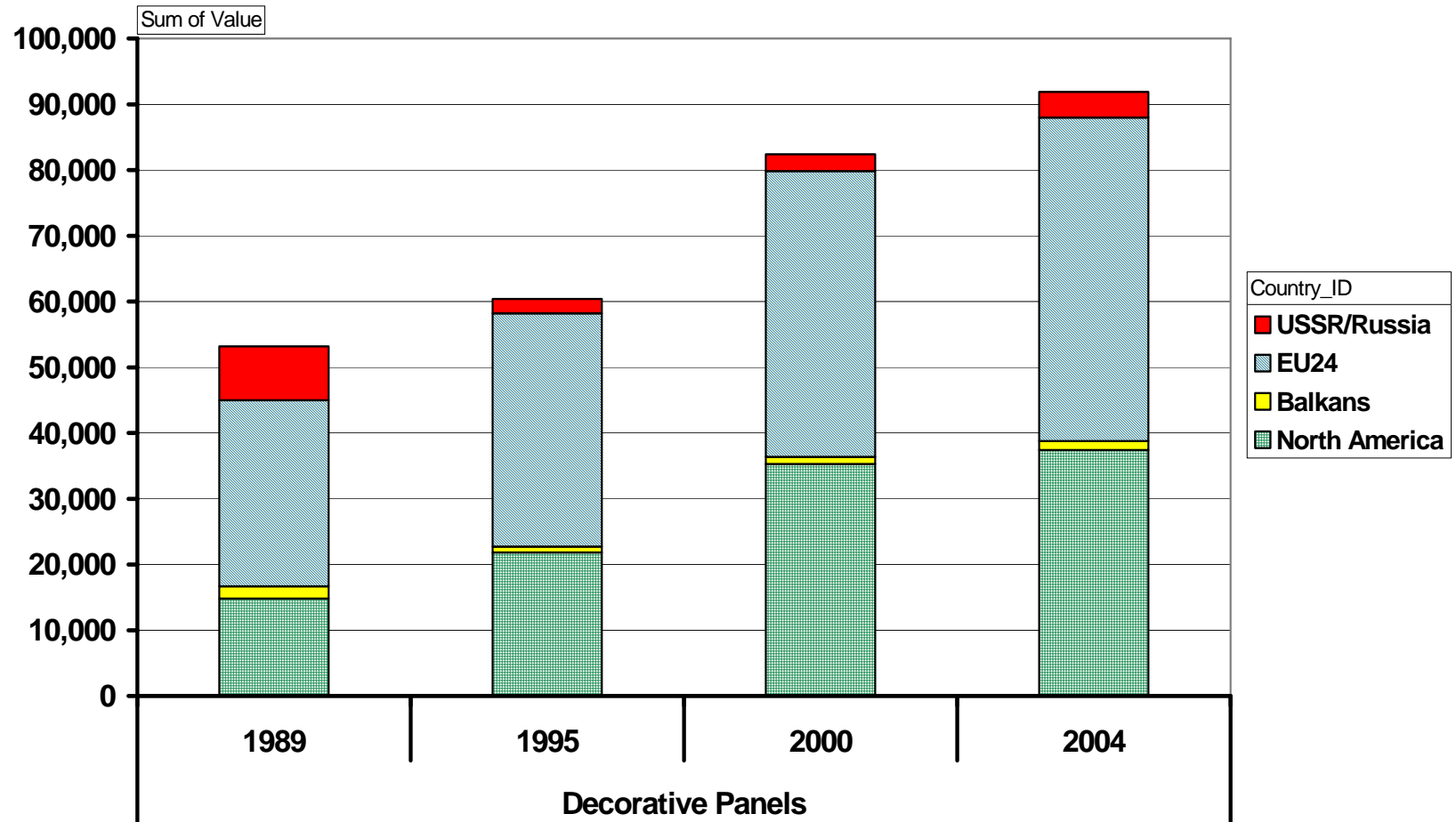
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Decorative Panels Production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3

Decorative panels = Particleboard and MDF



Product_ID | Year

Source: UNECE/FAO TIMBER database, 2006



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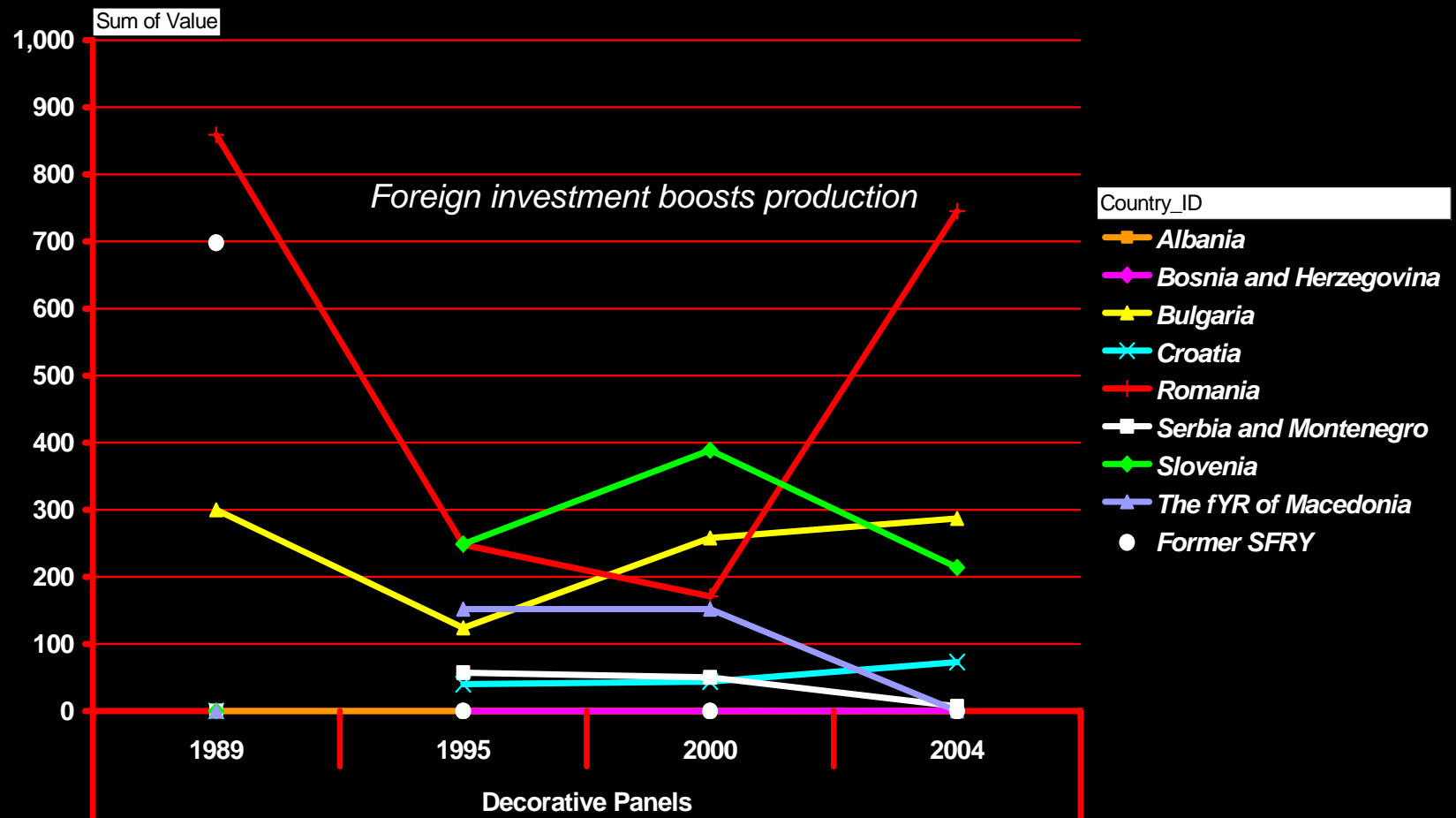
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Balkan Decorative Panels Production, 1000 m³

Item_ID | PRODUCTION | Unit_ID | 1000 m3



Source: UNECE/FAO TIMBER database, 2006



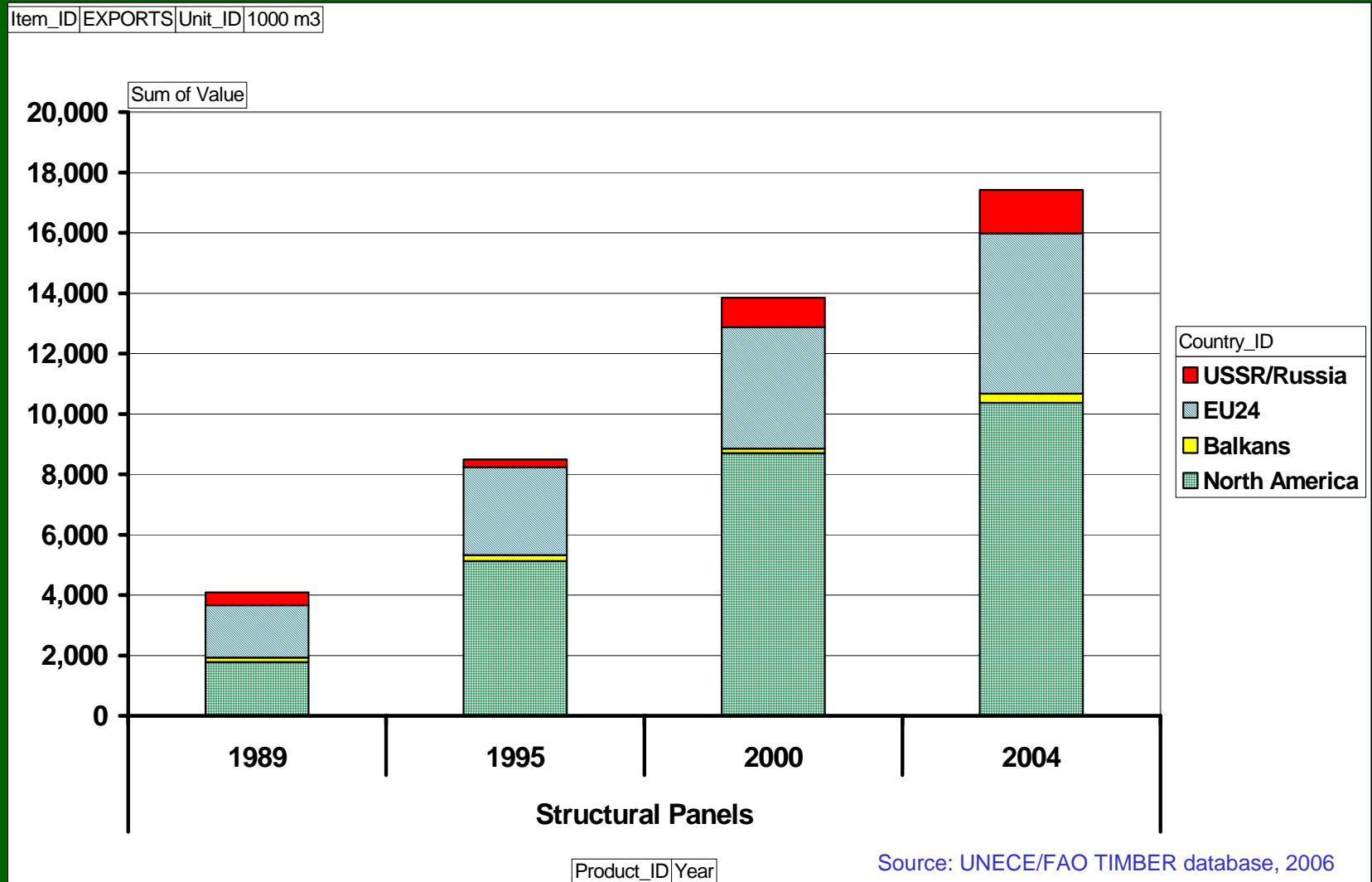
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Structural Panels Exports, 1000 m³



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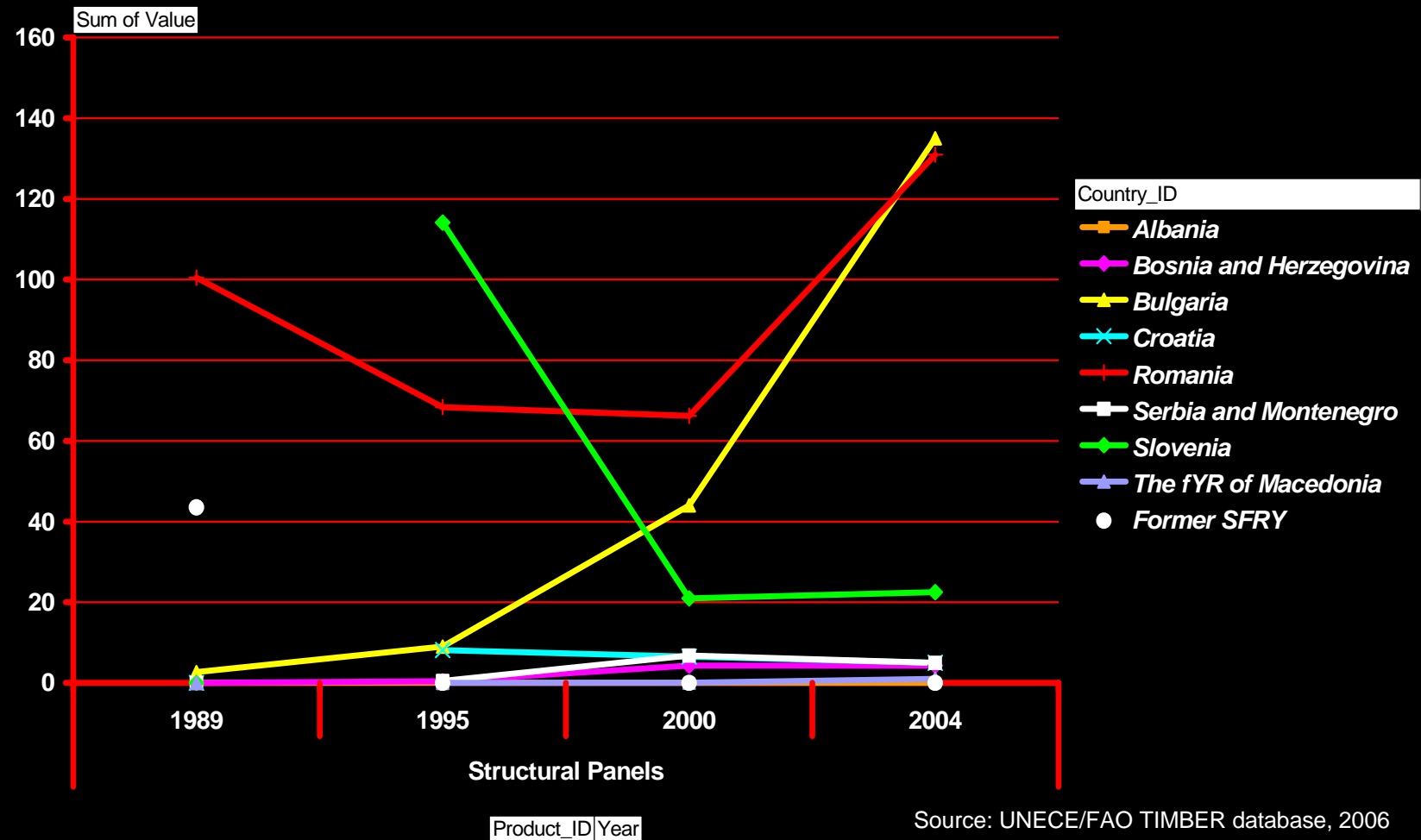
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Balkan Structural Panels Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



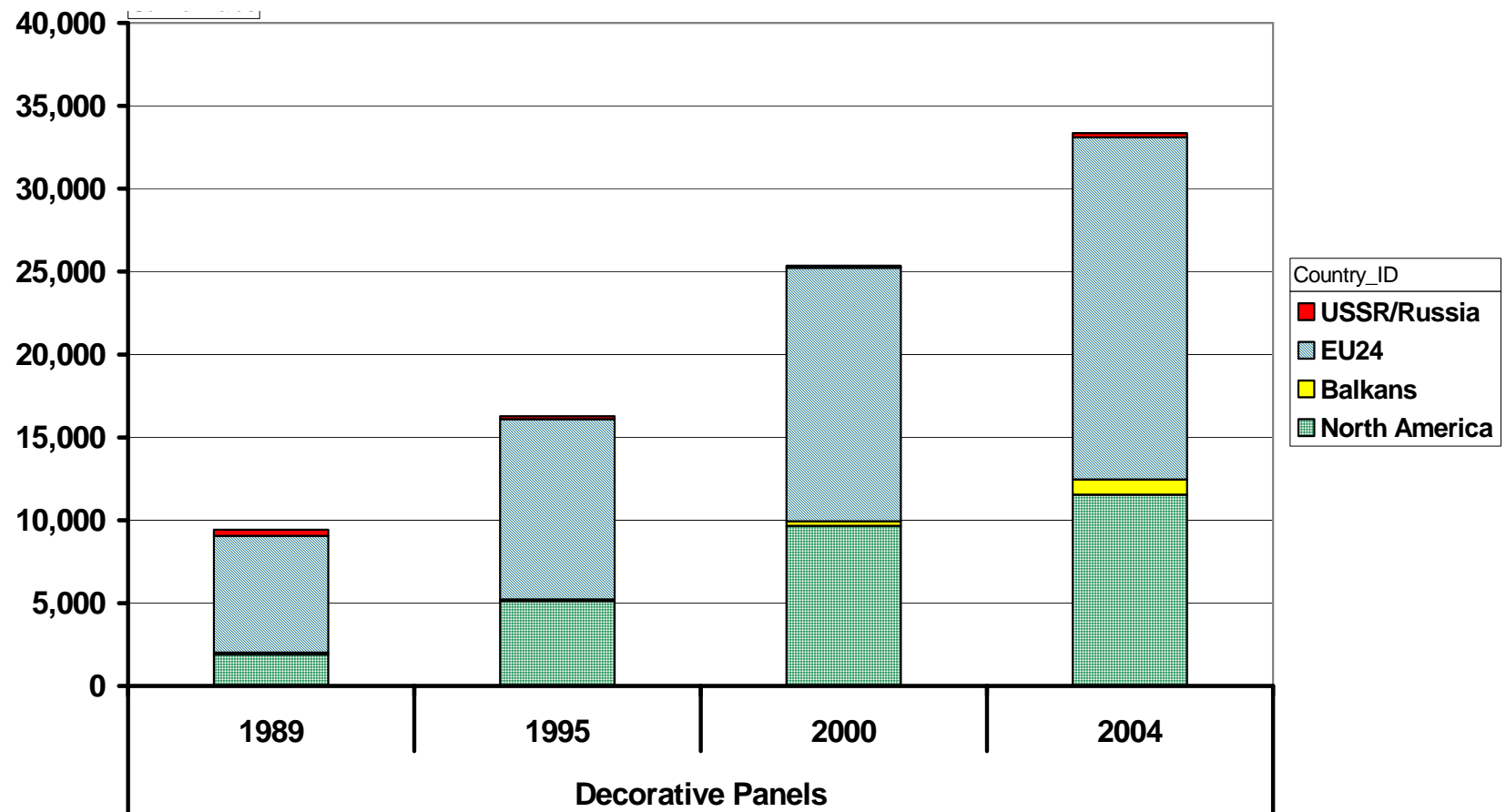
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Decorative Panels Exports, 1000 m³



Source: UNECE/FAO TIMBER database, 2006



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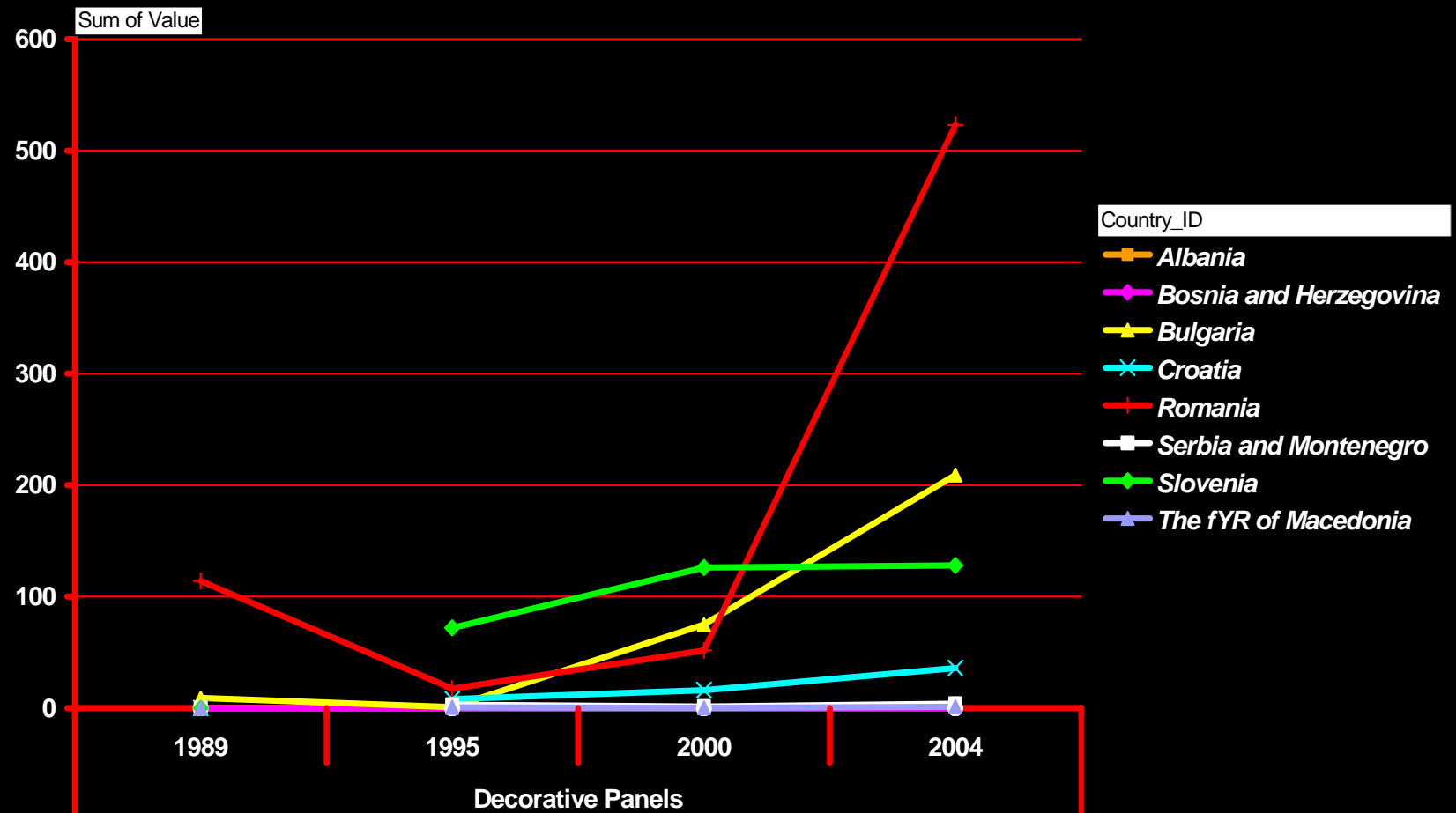
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Balkan Decorative Panels Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



Source: UNECE/FAO TIMBER database, 2006



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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



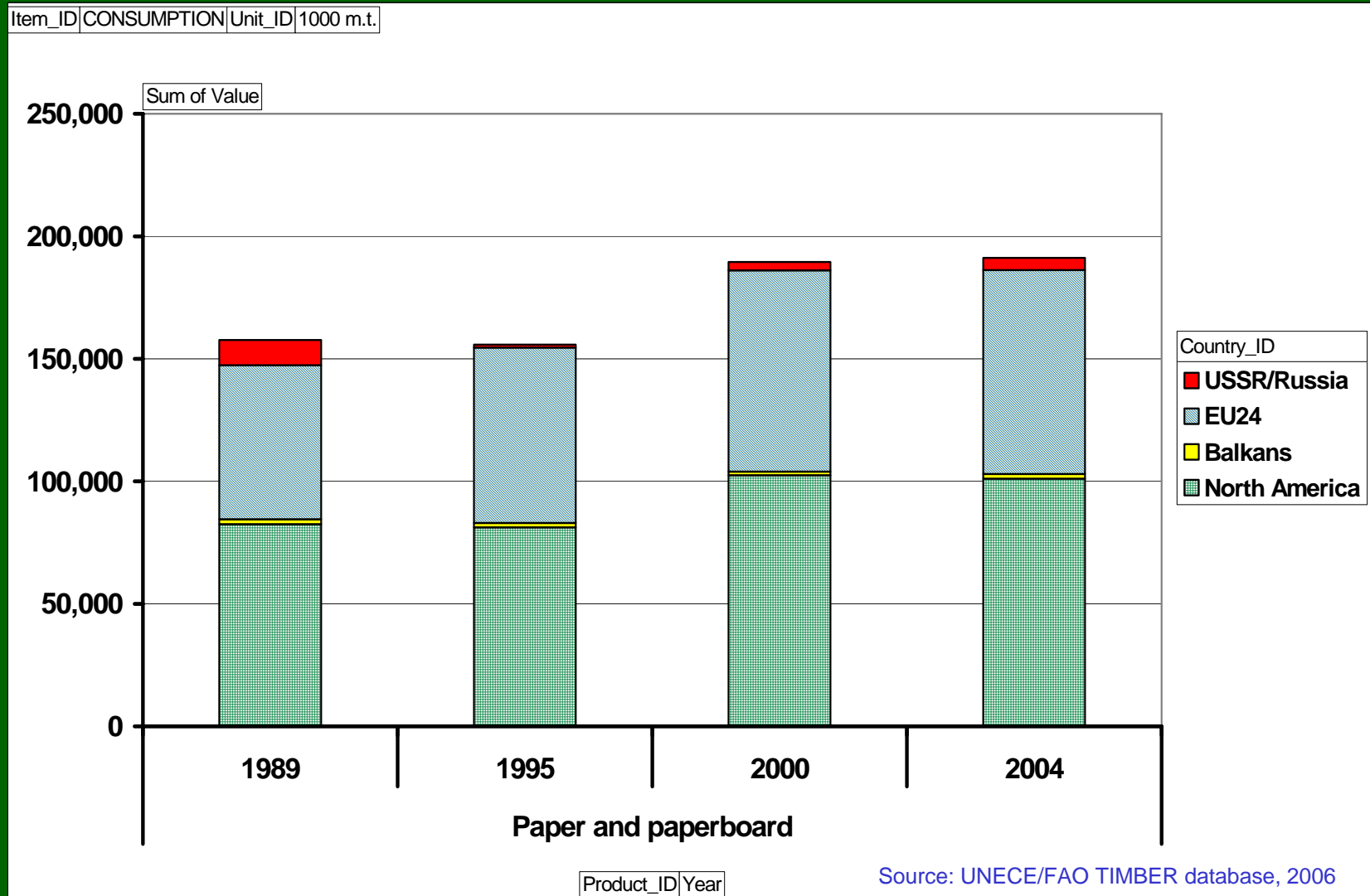
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Paper & Paperboard Consumption, 1000 m.t.



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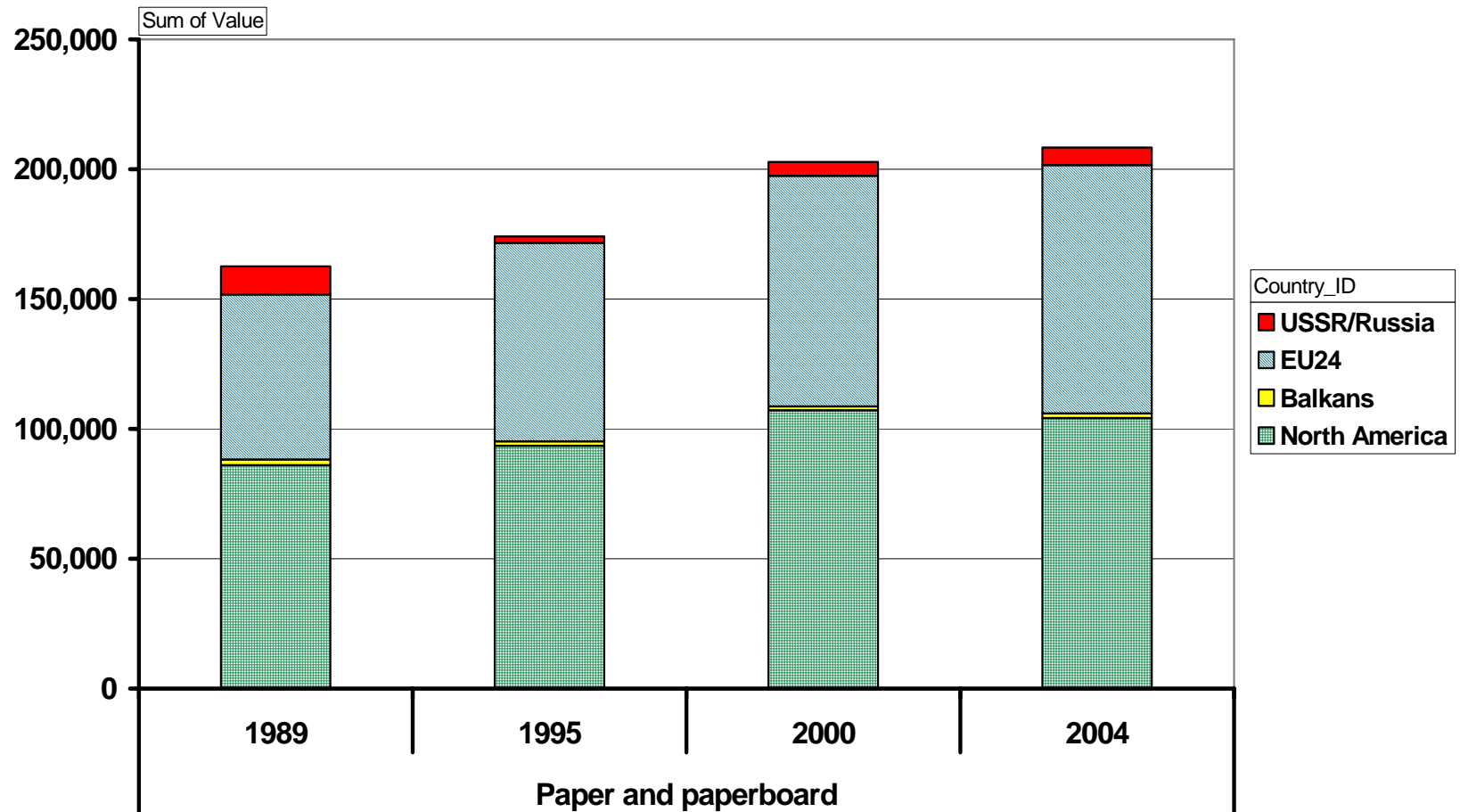
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Paper & Paperboard Production, 1000 m.t.

Item_ID|PRODUCTION|Unit_ID|1000 m.t.



Source: UNECE/FAO TIMBER database, 2006



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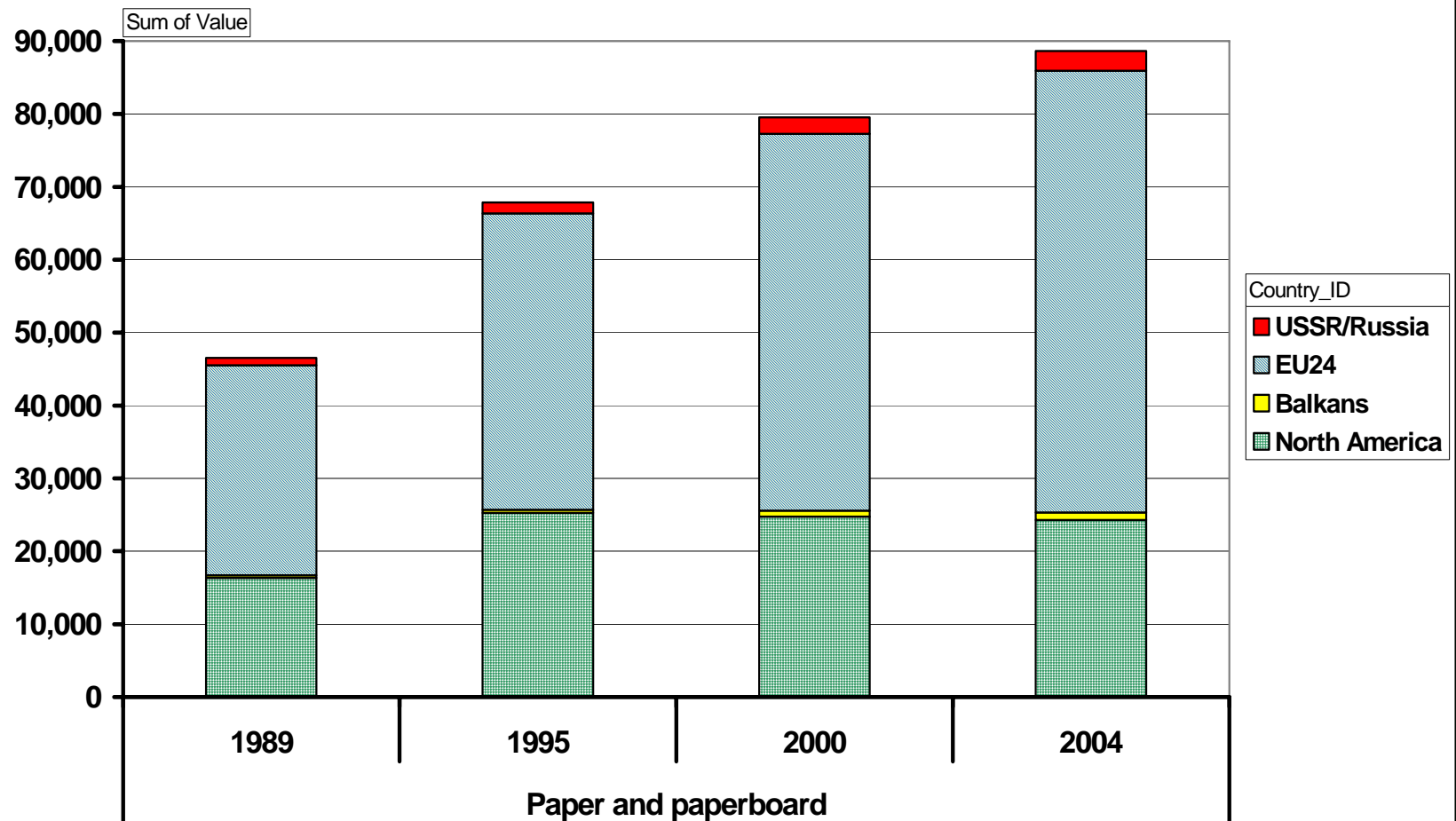
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Paper & Paperboard Exports, 1000 m.t.

Item_ID|EXPORTS|Unit_ID|1000 m.t.



Product_ID|Year

Source: UNECE/FAO TIMBER database, 2006



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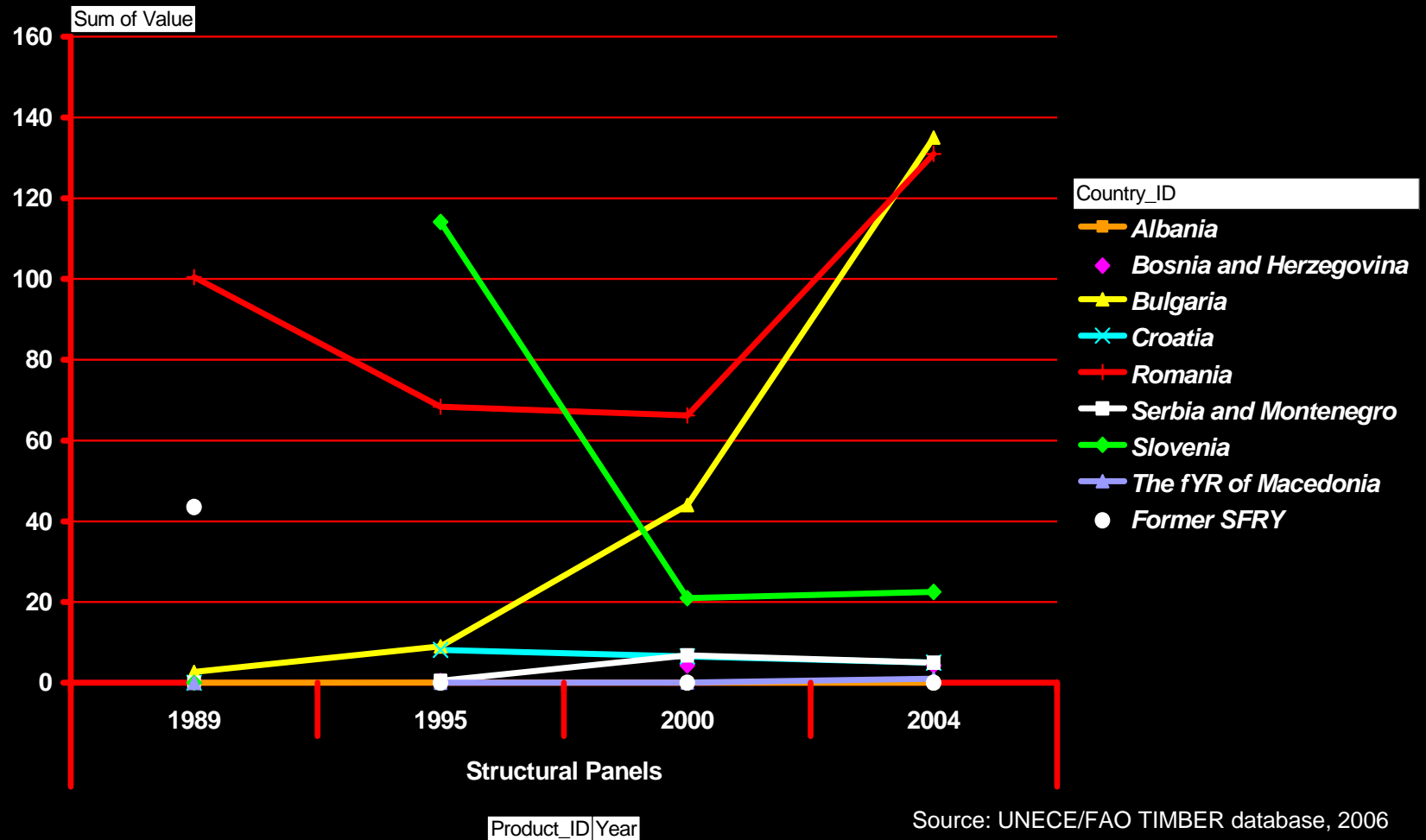
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Balkan Paper & Paperboard Exports, 1000 m³

Item_ID|EXPORTS|Unit_ID|1000 m3



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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



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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



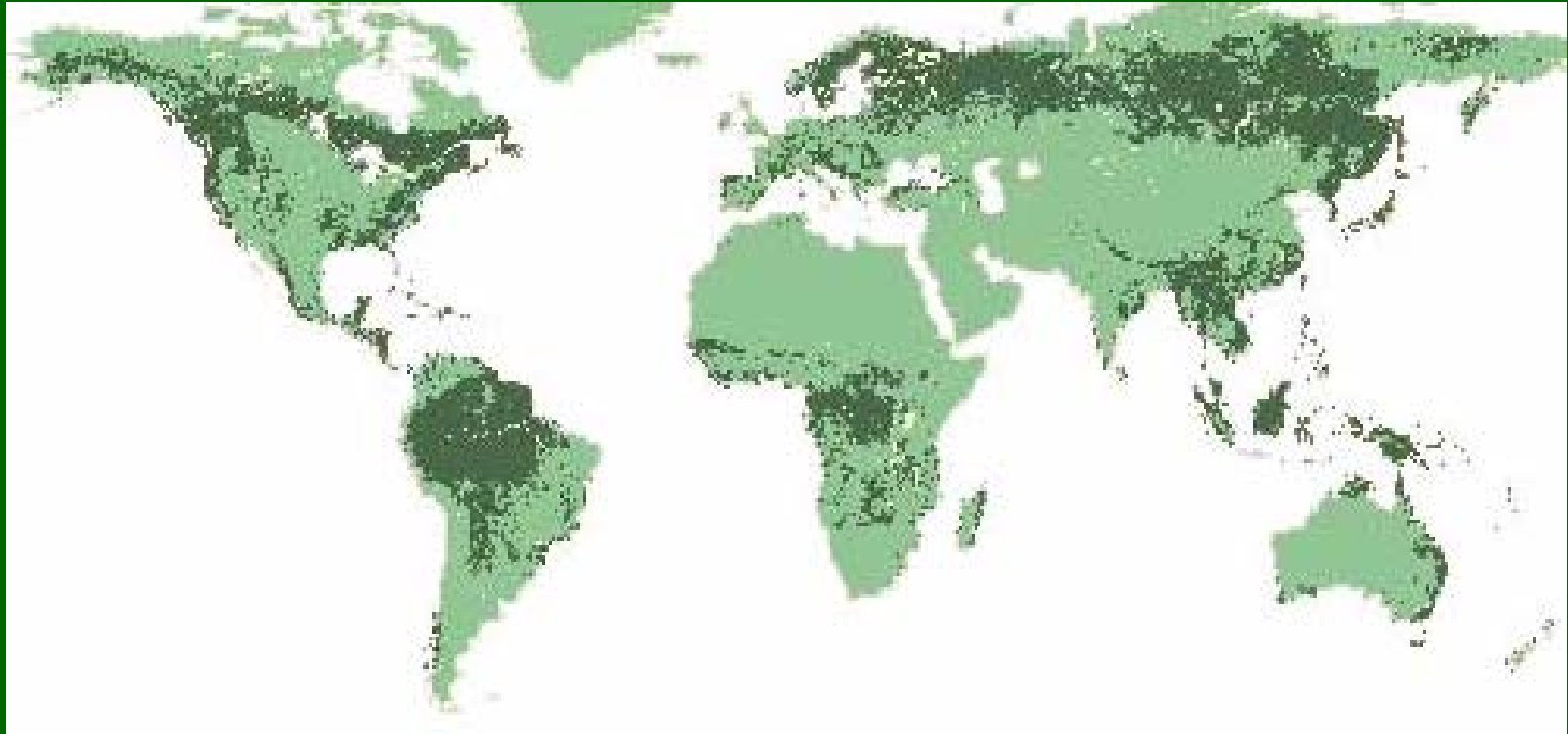
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III. Supply, forest resources



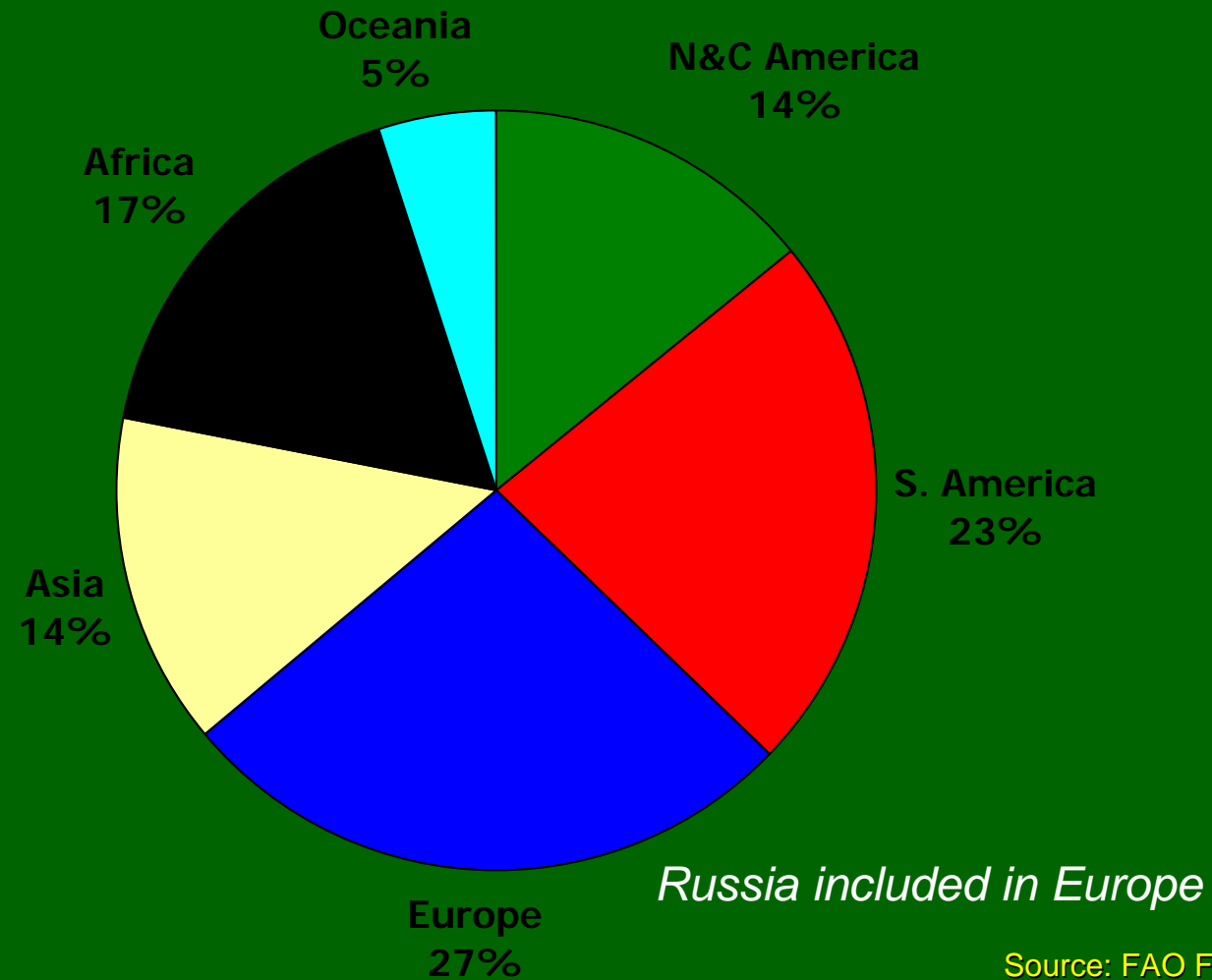
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Where are the world's forests?



Source: FAO FRA, 2005



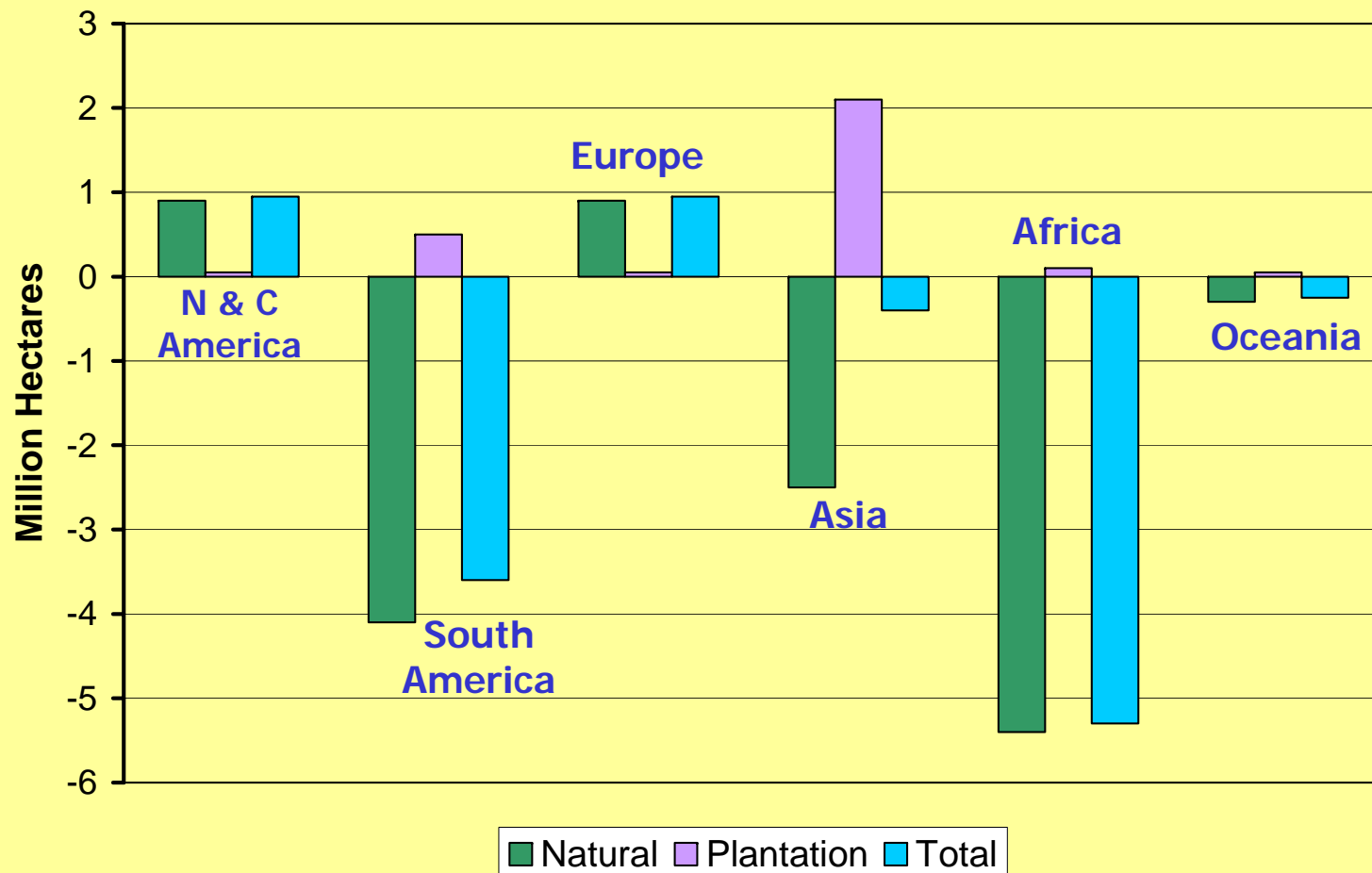
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Annual change in forest area, 1990-2000



Source: FAO FRA, 2005



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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



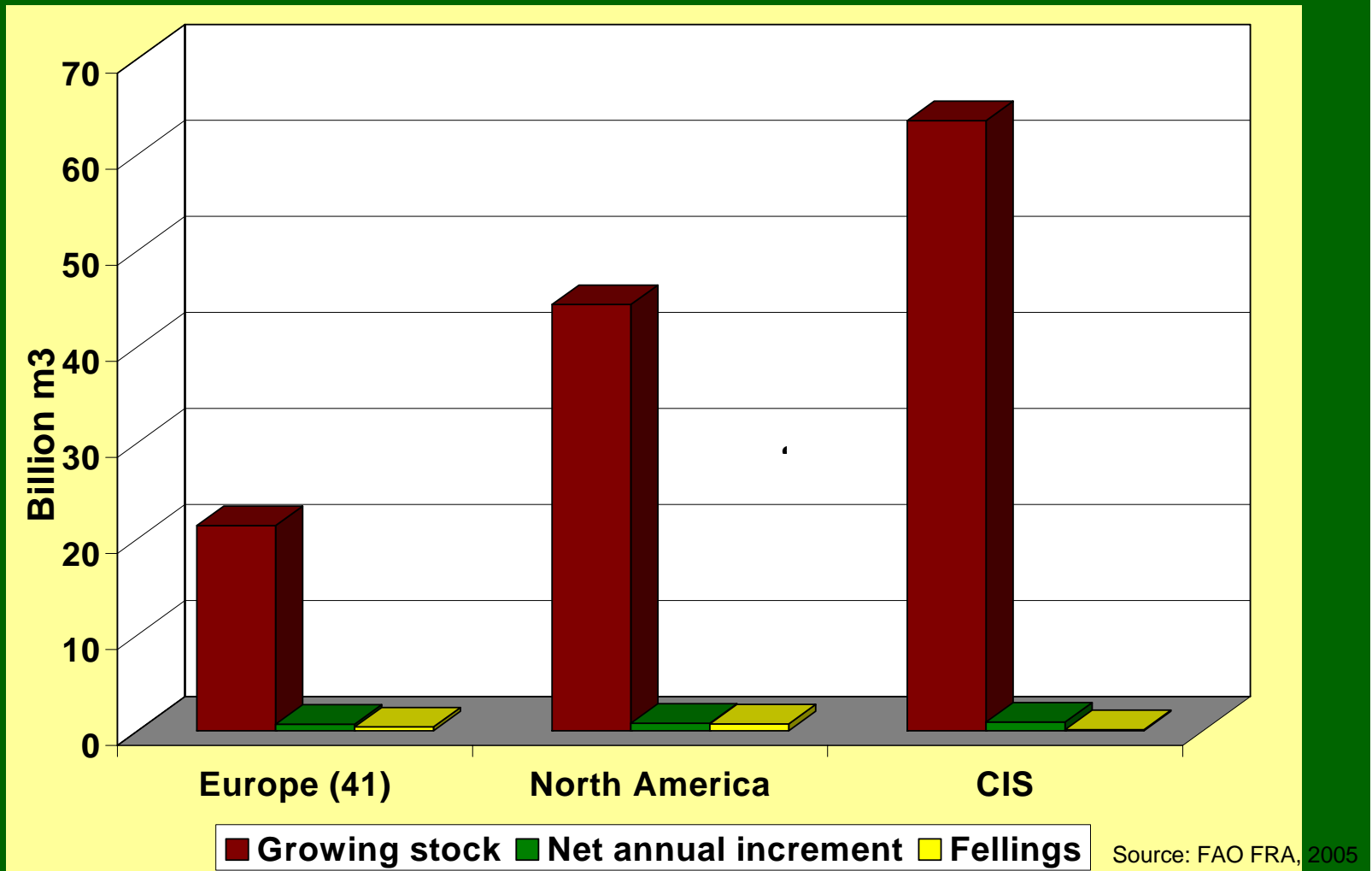
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Forest resources: Growing stock



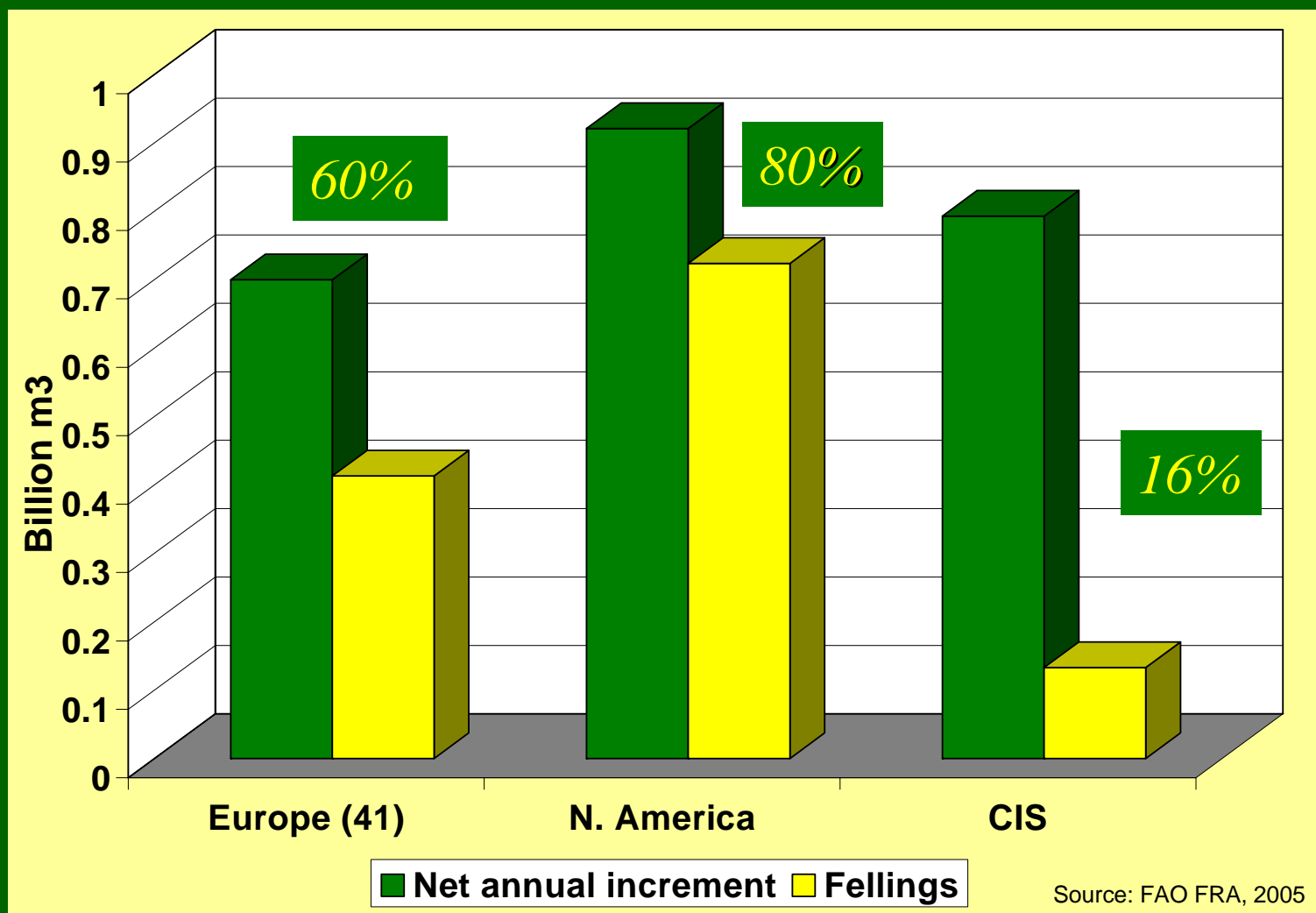
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Forest resources: Net annual increment vs. fellings



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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



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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



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Conclusion—MOST important

- We hope to establish
 - Good working relationships
 - Collaboration
 - Mutually rewarding
 - Long-term



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V. Discussion on UNECE region
forest products markets & trade

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