Overview of Wood Products Trade in Europe: Focusing on Balkan Countries

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Main information sources

- UNECE Timber Committee & International Softwood Conference, October 2007
- UNECE/FAO forums on wood energy and mobilization, Jan. and Oct. 2007
- UNECE/FAO/University of Hamburg/EC Study on wood resources: availability, demand, and effects of renewable energy policies, Oct. 2007
- UNECE/FAO Forest resources assessment
- UNECE/FAO Timber database
- UNECE/FAO Forest Products Annual Market Review
- FAO Statistics
I. Forest resources
Where are the world’s forests?

- **Europe with Russia**: 25%
- **N. America**: 18%
- **Africa**: 17%
- **Latin America & Caribbean**: 20%
- **Asia**: 15%
- **Oceania**: 5%

Source: FAO Global Forest Resources Assessment 2006
World’s forests with Russia identified

Source: FAO Global Forest Resources Assessment 2006
Forest resources in Europe*

- Only 60% of the annual growth is harvested
- Forest volume increases ~700,000 m³ daily
- Forest area growing: ~700,000 hectares annually

* Europe = 43 countries for the UN Economic Commission for Europe

Source: UNECE/FAO Forest Resources Assessment
State of Europe’s forests

• Volume and area increasing
• Concern for health, vitality and fire
• Protected forests (to some degree): 12%
• Productive functions maintained
• Plantations: 3%
• Biodiversity an issue
• Socio-economic functions important
Increasing forests in the UNECE region:
% of annual growth harvested

<table>
<thead>
<tr>
<th>Region</th>
<th>% harvested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>60%</td>
</tr>
<tr>
<td>Russia</td>
<td>34%</td>
</tr>
<tr>
<td>North America</td>
<td>80%</td>
</tr>
</tbody>
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Sources: *State of the World’s Forests, 2007* and UNECE/FAO Forest Resources Assessment
Summary of European forest resources

• Annual harvests below growth, “overproduction” in forests
• Great variation in utilization of annual growth
• Standing timber volume increasing constantly in temperate forests
• Increased demands on forests for non-wood products and services, e.g. recreation
• Escalating demand for wood fuels
II. Forest products markets
World roundwood production

Roundwood production in UNECE region

Total roundwood = logs, pulpwood, fuelwood, other.

Sources: UNECE/FAO TIMBER database & UNECE Timber Committee Forecasts, October 2007
World industrial roundwood production

Industrial roundwood = logs + pulpwood + others (no fuelwood)

Source: FAO Statistics
Industrial roundwood production in UNECE region

Sources: UNECE/FAO TIMBER database, UNECE Timber Committee forecasts, October 2007
World trade of industrial roundwood

(Worldwide, exports = imports)

Source: FAO Statistics
Wood fuel production

Sources: UNECE/FAO TIMBER database, UNECE Timber Committee forecasts, October 2007
French fuelwood production


Sources: UNECE/FAO TIMBER database, and UNECE Timber Committee forecasts, October 2007
European pulpwood prices rising

[Graph showing European pulpwood prices from 2005 to 2007.]

Source: Latvian Forest Industry Federation
Softwood log prices

Source: World Resources International
Softwood log prices
(Second semester, 2007)

Source: Wood Resource Quarterly
Third Annual Regional Wood Products Marketing Workshop
6 December 2007, Sarajevo, Bosnia & Herzegovina

Balkan markets, focusing on exports
Balkan countries’ sawn softwood exports

EU imports of sawn softwood from Balkan countries

EU imports of sawn softwood from Balkan and all countries

EU imports of further processed sawn softwood from Balkan countries

EU imports of further processed sawn softwood from Balkan and all countries

Balkan countries' sawn hardwood exports

EU sawn hardwood imports from Balkan countries

EU sawn hardwood imports from Balkan and all countries

EU imports of further processed sawn hardwood from Balkan and all countries

EU plywood imports from Balkan countries

EU plywood imports from Balkan and all countries

EU particle board imports from Balkan countries

EU particle board imports from Balkan and all countries

EU fibreboard imports from Balkan countries

EU fibreboard imports from Balkan and all countries

EU imports of builders joinery and carpentry from Balkan countries

EU imports of builders joinery and carpentry from Balkan and all countries

EU wooden furniture imports from Balkan countries

EU wooden furniture imports from Balkan and all countries

III. Certified forest products
Global distribution of certified forest area as a percentage of total forest area by countries, 2007

Sources: Individual certification systems, Forest Certification Watch, the Canadian Sustainable Forestry Certification Coalition, and FAO
Distribution of certified forests, 2007

Sources: Individual certification systems, Forest Certification Watch, the Canadian Sustainable Forestry Certification Coalition
Certification summary

• ~300 million hectares, 8% world’s forests
• Mostly temperate, only ~6% tropic
• Equivalent of industrial roundwood
  - ~400 million m$^3$
  - ~25% of world production
• New drivers
  - Public procurement policies
  - Biomass certification
UNECE Timber Committee on certification

- Chain-of-custody tracing important to achieve full certification benefits
- N. American drivers
  - Paper industry holds most chain-of-custody certificates
  - Publishers, as paper consumers
- US Green Building Council is driving certification via LEED rating systems
- Green building rating systems should accept all internationally recognized sustainable forest management standards
- Woodfuels certification to drive further certification
IV. Wood energy
(the oldest and newest market)

Nice discovery Og, but what about global warming?
Situation today

- Record high petroleum prices
- Energy sources security problems
- Climate change policies
- Wood industries’ raw material needs increasing
- Wood energy production increasing
- Roundwood and residue prices increasing
Record oil prices

$ 97/barrel on 6 November 2007

Source: US Dept. of Energy, Nov. 2007
Energy security

- European oil and gas imports from Russia
- China’s energy consumption escalating
- War in Iraq (2003+)
- Conflict between Turkey and Kurds (Oct. 2007)
- Desire for secure sources, especially domestic and price stabilization
Climate change policies

- Kyoto Protocol
- European Union
  - 20% renewable energy in 2020
  - 20% increased efficiency in 2020
- Biofuels rapidly expanding – policy push
Renewable energy percentage, European Union, 2005

Source: EurObserv'ER, 2007
EU Renewable energy sources, 2005

Source: EurObserv'ER, 2007
Utilization of biomass in the EU

- **Wood & wood waste in households & services**
- **Other wood & wood waste**
- **Wood 80%**
- **Municipal waste**
- **Biogas**
- **Liquid biofuels**

Source: EurObserv'ER, 2007
Wood for the wood-based industries

- Increasing demand forecast
- Wood raw material prices climbing
- Competition for roundwood and residues
  - Local and regional
  - Short-term intense!
  - Medium term?
V. Conclusions
UNECE Timber Committee on “Energy”

• Entire forest sector being transformed by increased wood energy in the UNECE region
  – Forest owners and managers
  – Wood industry and markets
  – Bioenergy industry

• Growing wood energy is both a challenge and an opportunity

• Government policies must consider
  – Needs of the forest sector, especially the wood industry
  – Needs for bioenergy
UNECE Timber Committee on “Energy”

- Interaction of policies and markets is complex
- Policies promoting bioenergy
  - Strongly increase wood energy consumption
  - Open important markets
  - Create new trade
Policies can level or distort the playing field

- Laws, duties, tariffs, taxes, regulations
- Raw material costs
- Labour costs & benefits
- Manufacturing costs
- Goal: Raise standard of living → and domestic consumption of wood products
UNECE Timber Committee on “Energy”

• Pellet demand at record level
• Pellet prices at new highs
• Increasing pellet trade
  – Especially strong in Germany, Sweden, Austria
  – 80% of N. American production exported to Europe
• Consumption of wood energy much greater than previously known
Pellet consumption et production

Source: Canadian Wood Pellet Association, 2007
Swedish imports of wood fuels

Source: UNECE/FAO
Forest Products Annual Market Review
UNECE Timber Committee on “markets”

- N. American markets forecast to decline due to crash in US housing market
- Positive developments in Europe and Russia
  - Prices at record highs in 2007
  - Roundwood production forecast to increase in 2007 with demand from wood and paper
  - Russian export taxes will halve exports in 2008
Timber Committee: corporate social responsibility

- Trade associations issuing codes of conduct
- Companies developing CSR policies to demonstrate their positive social impact
- CSR policies are a means to
  - Shape consumer perceptions
  - Gain competitive edge
  - Improve international recognition and perception
- Mutual recognition of trade associations’ CSR policies could facilitate trade.
Timber Committee on wood promotion

- Several European countries target parliamentarians
- 2010 Vancouver Olympics and the 2012 London Olympics: major opportunities to showcase wood
- Consistent approach needed on wood specifications to aid choices for construction
- Certification of sustainable forest management is an important communication tool.
Forest sector mitigates climate change

- Replacement of non-renewables
  - Energy: wood for fossil fuels
  - Materials: wood for concrete, steel, plastics
- Storage of carbon
  - Forest ecosystem
  - Wood and paper products
- Burning wood is carbon neutral
- Wood-based insulation for energy efficiency

Source: State of Europe’s Forests 2007
Conclusions from *State of Europe’s Forests, 2007*

- European forests in comparatively good state
- Sustainable forest management progressing
- Political commitment to SFM
- Threats to forests being addressed
- New challenges require effective policies and action
  - Increasing risks to forests
  - Increasing demands
    - More diverse, including from other sectors
    - More stakeholders

*Source:* UNECE/FAO & MCPFE, 2007
Future of the forest sector

• Integrated production of wood & paper products with energy production
• Greater value of energy production by integrated plants than by “primary wood & paper” products?!
• Profitability of the sector linked to wood energy
  – Challenge for certain industries, e.g. panels
  – Opportunity for forest owners, sawmills, energy suppliers
VI. Recommendations

• Build information on the forest resources and markets (domestic and international) to provide valid basis for marketing decisions.

• Know the provenance of your wood – be sure it’s sustainable and legal, not only for your company today, and for your company tomorrow, but for the sake of the entire sector's reputation.

• Work together to increase wood demand through effective promotion.

• Use wood efficiently, with highest values first, and eventually recycle for new products and energy.
VII. Discussion & questions
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