

Chapter 1

Overview of Forest Products Markets in 1999 and early 2000

Highlights

- Consumption of forest products in the ECE region once again reached record levels in 1999.
 - Strong economies in Europe and North America in 1999 and early 2000 resulted in record production and trade although there were signs of slower growth ahead.
 - The Commonwealth of Independent States had not recovered from the 1998 Russian economic crisis and although domestic consumption of sawnwood fell, it rose for panels and paper, while exports of most products increased.
 - Prices were weak for some products and sub-regions, for example sawn softwood and panels in North America where new capacity outstripped the rise in consumption.
 - Central and eastern European countries exported more roundwood and primary-processed products as well as increased exports of value-added products such as furniture.
 - Life-cycle analysis for wood-based panels confirmed continued market penetration for OSB and MDF, moderate growth for particle board and stagnation for plywood in North America.
 - The ECE region has the majority of the world's certified forestland and new certification systems for sustainable forest management are being implemented with possibilities for mutual recognition between systems. With the new certificates, the demand for certified products is less than the potential supply.
 - Windstorms in December 1999 felled 3 years' worth of timber in Europe causing chaos in forests and forest products markets for roundwood in early 2000.
 - China is rapidly increasing forest products imports with important benefits for ECE region exporters.
 - Japan began recovery from the 1997/1998 Asian economic crisis and imports from the ECE region improved.
-

1.1 ECE region developments

Overall in the ECE region (Europe, North America and the CIS), forest products markets were at record levels in 1999 due to strong domestic and export demand for primary wood products (roundwood, sawnwood, panels, pulp and paper). Residential and non-residential construction was at high levels in North America and Europe in 1999 and early 2000, resulting in strong markets at the beginning of the millennium. Recovery from the 1998 economic crisis in the Russian Federation persisted into 1999, however, depending on the product, either lower consumption or higher production led generally to greater exports.

Consumption of forest products in North America rose sharply in 1999, by over 5% for sawnwood, panels and paper and paperboard, raising the roundwood required by 38.7 million m³ (table 1.1.1). Sawnwood consumption moved up to 731 million m³ and 56 million m³ worth of panels were consumed for construction and non-structural uses. Sawnwood trade between Canada and the United States was at record levels in 1999, as were imports to North America. The strong US dollar weakened export opportunities in some markets, but not in all products. Paper and paperboard consumption increased to new records at 104 million m³.

European economies were generally stronger in 1999 and forest products markets were at record consumption. Sawnwood consumption rose by over 3% to 105 million m³ and trade within Europe was high as well as exports to Asia and the United States. Paper and paperboard consumption rose too, to a record 105 million m³. Panels consumption, boosted by structural and non structural uses rose by half as much, 1.5%, to 52 million m³. Prices remained depressed in 1999, but they have somewhat strengthened in 2000.

Production of sawnwood in the Russian Federation fell to 13 million m³, and as domestic consumption fell even more, greater volumes were exported. Consumption of panels rose but did not overcome the drop in 1998. Paper and paperboard consumption rose most, by 29.3% to 3 million m³, moving back near the level in 1993.

Removals of roundwood from forests escalated in 1999 but remained well below annual growth as determined by the recently published study by the Temperate and Boreal Forest Resources Assessment.¹ The study shows higher levels of removals would still be possible under sustainable forest management.

Japan and some other countries in Asia began recovering from the 1997 and 1998 economic crisis. The Chinese demand for wood products is growing fast due to

a combination of factors, especially the decrease domestic harvests for flood control and the increasing consumption commensurate with opening borders and a rising standard of living for the 1.3 billion population. Exporters from across the region capitalised on these opportunities.

The export markets outside of Europe have become especially important in 2000 in light of the December 1999 windstorms which toppled 193 million m³ of roundwood in France, Germany and Switzerland (as well as other countries). There were multiple market consequences of this disaster for the countries involved: 1. a sudden, enormous supply, equivalent to 2 to 3 years annual harvest; 2. the disruption of forest management plans in the damage zone and postponement of those outside the zone; 3. the collapse in roundwood prices, but not necessarily further processed product prices; and 4. the panic to remove usable wood before destruction by insects, disease or fire. In mid 2000, thanks in part to governments' actions, and due primarily to a strengthened solidarity in the sector, many countries struck by the storms had restored order to forests and forest products markets. Nevertheless, the effects of the storms will have serious repercussions for years in the hardest hit communities and regions.

Central and eastern European countries exhibited strong export orientation for roundwood and sawnwood and were making strides to develop value-added processing such as furniture manufacturing.

In North America the number of houses built was at near record levels, even though mortgage rates began to rise in 1999. Constructed essentially from wood, i.e. sawnwood and panels, the 1.7 million homes in the US, plus another 150,000 in Canada also meant a strong demand for millwork, mouldings and furnishings. These in turn necessitated increased forest removals, up slightly to 686 million m³. However this is below levels of the late 1980s when the US exported more wood.

The decline in US exports and the concurrent rise in production were not satisfactory to meet demand and imports of roundwood, sawnwood, pulp and paper rose. European sawnwood is becoming more prevalent in the US; however Canada maintains a 95% market share.

The paper and paperboard sector in Europe and North America saw strong growth in demand, and higher levels of production and consumption. Pulp's share of raw material used for paper and paperboard continued to decline to the profit of recovered paper and non-fibre raw materials such as coatings. Companies continued to merge and expand across regions, creating several truly global players. For both paper and pulp, profitability was restored as capacity growth was restrained, bringing up the capacity utilisation rate, and influencing prices upwards.

¹ Forest Resources of Europe, CIS, North America, Australia, Japan and New Zealand, 2000 (ECE/TIM/SP/17).

The wood-based panels market is dynamic and when combined with engineered wood products the future of wood products markets becomes clearer. New product developments with end-use orientation are being reconstituted from flakes, shavings, veneers, fibres and other residues and by-products. These new composition products are in panels or glued into beams for uses in construction, materials handling, furniture and other uses.

Consumption of panels and engineered wood products is at record levels in North America and Europe but with capacity being installed faster than demand, the result was weak prices in Europe and volatility in North America. MDF is a product which is replacing solid wood

in furniture and mouldings, and which is constantly finding new applications. However like other panels, MDF capacity is high and prices are weak. Well established in North America, OSB does not have the same construction applications in Europe, although different applications and new market niches are being developed.

TABLE 1.1.1
Apparent consumption of sawnwood, wood-based panels and paper and paperboard
in the ECE Region, 1996-1999

	Thousand	1996	1997	1998	1999	Change 1998 to 1999	
						Volume	%
EUROPE							
Sawnwood ^b	m ³	90,891	97,339	101,872	105,026	3,154	3.1
Wood-based panels ^c	m ³	43,167	46,462	51,437	52,194	757	1.5
Paper and paperboard	m.t.	73,463	79,211	82,470	85,322	2,852	3.5
Total	m3 EQ ^a	463,533	498,607	524,868	540,795	15,926	3.0
RUSSIAN FEDERATION							
Sawnwood ^b	m3	18,412	16,753	14,731	12,558	-2,173	-14.8
Wood-based panels ^c	m3	2,228	3,134	2,560	2,866	306	11.9
Paper and paperboard	m.t.	2,212	2,353	2,128	2,751	623	29.3
Total	m3 EQ ^a	40,522	39,796	34,880	34,003	-876	-2.5
NORTH AMERICA							
Sawnwood ^b	m3	161,892	167,860	171,634	181,416	9,782	5.7
Wood-based panels ^c	m3	48,019	48,628	52,794	55,615	2,821	5.3
Paper and paperboard	m.t.	91,608	86,306	98,332	103,789	5,457	5.5
Total	m3 EQ ^a	646,409	638,957	692,431	731,095	38,664	5.6

^a Equivalent of wood in the rough

^b Excluding sleepers

^c Excluding veneer sheets

Source: ECE/FAO TIMBER database, 2000.

1.2 Trends in forest products markets

Due to socio-economic changes, for example demographic changes, a number of structural changes are occurring in forest products markets in the ECE region. Markets are continuing to become more global, despite rising transportation costs, and wood raw materials are being shipped considerable distances between continents.

With increasing competition a stronger market orientation is becoming evident across the ECE region as primary forest product producers seek to diversify from commodity markets and meet market requirements. The result is sales offices in key export country destinations or, conversely, foreign investment in timber-rich areas. An example of the former would be Swedish sales offices in Japan and examples of the latter would be Malaysian investment in forests and sawmills in Russia, or Japanese sawmills and panel plants in Europe and North America.

Part of the market orientation is producing new products from wood to meet more exigent specifications or to improve on current uses of wood. An example is the substitution of wood I-beams for solid-wood joists and rafters. Combination of solid wood and composite products into engineered wood products enables serving new functions, as well as improvement on existing applications.

Another trend is the increased communication between the forest and forest industries sector and the public. Certification of sustainable forest management is established and thus far has been most beneficial in the ECE region as a tool to communicate companies' and governments' assurance that forest products are being sustainably produced. While availability of certified forest products is increasing, and the potential supply is increasing faster, in general in the region consumers are not demanding CFPs.

Industry is restructuring in line with global markets and marketing and the number of players is dropping as production capacity is rationalised, especially in the pulp and paper sector. Large, multi-national companies can achieve greater efficiencies in marketing, including distribution channels. Fewer players have an impact on prices, both for raw materials and final products.

Inventory carrying costs are continually minimised through just-in-time ordering. Sometimes price volatility occurs when stocks cannot buffer price rises.

More extensive and timely market information is available, both in print and in electronic form over the Internet. Electronic communication has accelerated price comparisons and ordering. Electronic marketplaces are no longer the future, but are well established.

The promotion of wood as a natural, renewable, environmentally-sound choice is accelerating in

countries, corporations and internationally. Nevertheless wood products and paper-based packaging remain under threat from substitution by plastics, steel, aluminium and concrete. Companies are finding that their environmental policies are an important competitive advantage in certain marketplaces.

The emphasis on new construction sometimes overshadows the important demand for wood and wood products for the repair and remodelling markets. Whether through professionals or through DIY stores, the values of wood materials going into renovation and improvement are often equivalent to the proportion for construction.

1.3 Timber Committee forecasts

The Timber Committee forecast production and trade of forest products in 1999 and 2000 at the September 1999 session. In retrospect the projected apparent consumption for 1999 was low for Europe and North America and the predictions for 2000 have been surpassed.¹ In early 2000 the trends were much stronger than envisaged and the annual totals will depend on continued strength in economies – an uncertainty in mid 2000. The Committee predicted the direction of the decrease in Russian Federation consumption of sawnwood, but not the magnitude. However the Committee foresaw a rise in sawnwood exports and a further increase was forecast for 2000. An anticipated growth in 1999 in panels' apparent consumption was correct and another climb was foreseen for 2000.

¹ Direct comparison between forecasts and the actual statistics is difficult because of changes in definitions.

Chapter 2

Economic Factors Affecting Forest Products Markets

Highlights

- During 1999, fears that the world economy would slide into recession receded, and in the second half of the year, business confidence, real activity and expectations for 2000 all improved steadily.
 - At end 1999, the western European economies were growing at an annual rate of about 3.5%, with similar growth expected for 2000.
 - Western European construction rose by 3% in 1999, and further growth, but at a lower rate, is expected for 2000 and 2001.
 - The United States economy continued to expand, for the 108th consecutive month, the longest upswing on record. For the third year in succession, growth was over 4%.
 - The United States housing boom continued in 1999 and early 2000. However there are signs that the end of the boom may be in sight as starts fell, quite significantly, in March and May 2000.
 - Eastern Europe grew slower than forecast, by 1.4% and the Baltic countries went into recession.
 - The Russian economy grew by more than 3%. Construction output rose by 5.4%, the first rise after three successive falls.
 - The Japanese economy fell in both the third and fourth quarters of 1999, despite fiscal measures to stimulate performance.
 - Japanese housing starts stagnated in 1999 at a relatively low level.
-

Chapter 3

Effects of the December 1999 Storms on European Timber Markets

Highlights

- Severe windstorms felled 193 million m³ of roundwood in December 1999, the equivalent of 2 years' harvest in affected countries.
 - Roundwood markets in Europe were in chaos with sharp falls in prices initially, although some order had been restored by mid 2000.
 - Government measures intervened to stabilise markets, assist forest owners and provide necessary infrastructure. Some planned harvests were postponed outside the storm-damaged zones.
 - Considerable roundwood was salvaged quickly, or stored, before the onset of attack by pathogens or fire.
 - Existing trade channels within Europe were strengthened and new markets were found in central and eastern European countries and in Asia.
 - Similar to the 1990 storm's effects on wood products markets, the fluctuations in supply and price were absorbed during primary processing and there were little distinguishable effects in sawnwood, panels and pulp production, prices or sales.
 - Greater market calamity was mitigated through sector solidarity.
 - The crisis will have some long-term benefits for the sector due to its valuable public relations opportunities, new export and energy markets, and development of harvesting, transportation and manufacturing capacity.
-

Chapter 4

Poland's Forest Products Markets

1

Highlights

- Poland's wood industry is among the forerunners to emerge from the 10-year period of transition and transformations, 1989 to 1999, as indicated by dramatic rises in production and exports.
- Liberalization of foreign trade in 1995 stimulated exports, mainly to western Europe, and predominantly to Germany. In 1999 Poland exported twice as much sawnwood, 8 times more particle board, 9 times more paper and paperboard and 12 times more furniture than in 1989.
- Furniture is the fastest-growing export product, primarily to western Europe, and this sector holds tremendous potential for further development and will be the driving force behind the development of wood industry.
- In comparison with other branches of Polish economy, the forest and forest industries sector is relatively well prepared for integration into the EU.
- Positive net trade in wood products reduces the national negative foreign-trade balance.
- A certified wood market has not yet developed in Poland.
- New associations and organizations within the wood sector were established during the last 10 years of political and economic transformations.
- In Poland the per capita consumption of wood products, with the exception of particle board, is low compared to EU countries.
- Production of MDF started in 1994 and OSB in 1997 and demand by export markets has grown rapidly.
- The Polish forest and forest industries sector is characterized by a high degree of raw material self-sufficiency, however industrial roundwood imports are increasing.
- Forest cover, of which over three-fourths is state owned, is forecast to grow to over one-third of the total land.

¹ By: Dr. Wladyslaw Strykowski, Deputy Director, Wood Technology Institute, Winiarska str. 1, PL-60 654 Poznan, Poland, Telephone +48 61 822 4700, Fax +48 61 822 4372, E-mail: W_Strykowski@itd.poznan.pl, and Dr. Ewa Ratajczak, Head of Wood Industries Economics Department, Wood Technology Institute, Poznan, Poland, Telephone +48 61 849 2461, E-mail: E_Ratajczak@itd.poznan.pl

Chapter 5

China's Forest Products Markets ¹

Highlights

- China's domestic demand for wood products is growing rapidly due to the rising standard of living of its 1.3 billion people.
- Because of extreme lack of forest resources and strong demand, China now ranks as the world's third-largest importer of forest products, importing nearly one-third of its forest products consumption.
- After the economic reform and opening to the outside world, the production and trade of major forest products has increased considerably and has accelerated with foreign investment.
- For natural forest protection programme, the annual production of roundwood will be halved between 1998 and 2000, and be further reduced by 2003. The shortfall in domestic harvest volume is being replaced by imports.
- Although 5 million hectares are planted per year, the forest land cover is only 17%. A structural shortage is forecast in 2010 when China is expected to import 50% of its forest products demand, of which almost 70% will be from temperate and boreal sources.
- Sawnwood consumption and production rank third in the world.
- Although per capita consumption is less than half the world average, China's production and consumption of paper and paperboard is second only to that of the United States.
- Since 1998, by value, forest products have been the greatest commodity imported by China.
- Sources of softwood log imports have changed from North America to Russia and New Zealand. Hardwood logs still come from the United States, Russia and increasingly from Europe, especially in 2000 following the European windstorm volumes.
- Furniture exports, of which 50% were wooden, more than doubled in value from 1997 to 1999, reaching \$2.7 billion. The major destination was the United States.
- Wood-based panels production increased 42% in 1999 from 1998 and plywood imports decreased as a result, by 38% in volume.
- Paper manufacturing is increasing substantially. Imports of pulp and waste paper rose and paper imports decreased by 23% in 1999.
- A growing volume (5 million m³ in 1999) of roundwood, both domestic and imported, is used for cultivation of edible fungi.

¹ By: Prof. Kunshan Shi, Director, Institute of Scientific and Technological Information, Chinese Academy of Forestry, Wan Shou Shan, 100091, Beijing, China, Telephone +86 10 6288 3772, Fax +86 10 6288 2317, E-mail: istifsh@public3.bta.net.cn; Prof. Fengming Lin, Vice Director, Tropical Forest Product Information and Consultation Center of China, Chinese Academy of Forestry, Wan Shou Shan, 100091, Beijing, China, Telephone +86 10 6288 3772, Fax +86 10 6288 2317, E-mail: linfengming@isti.forestry.ac.cn; and Mr. Zhisheng Xu, Engineer and Assistant Professor, Institute of Scientific and Technological Information, Chinese Academy of Forestry, Wan Shou Shan, 100091, Beijing, China, Telephone +86 10 6288 9732, Fax +86 10 6288 2317, E-mail: xuzhisheng@hotmail.com

Chapter 6

Secondary Processed Wood Products Markets ¹

Highlights

- Trade of secondary processed wood products (SPWPs) is growing faster than that of primary products in both temperate and tropical species.
 - The United States and the EU are the world's major producers, importers and exporters of SPWPs.
 - Volumes of SPWPs traded are difficult to assess from trade statistics, however they are still small compared to primary wood products.
 - Furniture is the most traded SPWP in the ECE region and overall the region is a net importer.
 - While levels of intra-regional trade continue to grow, imports from outside the region, and especially tropical SPWPs are growing faster.
-

¹ By: Mr. Pierre-Marie Desclos, Consultant, Via Cassia, 1004, I-00189 Rome, Italy, Telephone +39 06 3031 1046, Fax +39 06 3031 1293, E-mail: pmd@fnc.net

Chapter 7

Wood Raw Material – Production, Trade and Consumption

Highlights

- Production of roundwood in the ECE region, at 1.2 billion m³ annually, is far below the volume of annual growth.
 - The demand for roundwood in western European countries is increasingly dominated by an ever smaller number of large wood processing companies, leading to weaker pricing power of the traditional small private and municipal forest owners and state forest services.
 - The social demand for non-wood benefits is increasing in forests near urban areas, which leads to additional pressure on the forest owners and their incomes in these areas.
 - Market forces have stimulated central and eastern European countries and the CIS to, at least temporarily, increase exports of roundwood. This is a major determinant for current developments in roundwood markets of the ECE region.
 - Since 1996 exports to western Europe from the CIS and central and eastern European countries increased rapidly, by 36.2% and 9.5% respectively. These exports influence the traditional roundwood trade flows in other parts of ECE region and outside of it.
 - If indications of about 20 to 30 million m³ in illegal cuttings in the CIS countries are correct, they would mainly reduce the tax revenues, and not the sustainable level of removals.
 - CIS roundwood production and consumption decreased through 1998, but turned around and increased in 1999 by 13.8% and 7.9% respectively.
 - The dynamic development of roundwood exports in the CIS and central and eastern European countries should lead in the medium term to increasing income as a base for improving processing equipment, productivity and domestic purchasing power.
 - Roundwood production and trade accelerated in Europe in 2000 following the extensive windthrow from the 1999 storms.
-

Chapter 8

Sawn Softwood – Consumption, Supply and Trade

Highlights

- Consumption, production and trade of sawn softwood rose to record levels in North America and Europe in 1999 and were even stronger in early 2000.
 - Consumption of sawn softwood in the ECE region grew 4% in 1999, with growth of 6% in North America, 3% in Europe and a decrease of 18% in Russia.
 - Strong economies in North America and Europe are driving demand for sawnwood for construction and other uses.
 - Prices moved in opposite directions in 2000, falling to near-term lows in North America and firming in Europe.
 - The United States increased imports by over 1 million m³, with much of the new increase coming from Europe, as well as new sources from South America and Russia.
 - Germany became the largest sawnwood producer in Europe and continues to be the greatest consumer by far.
 - Central and eastern European countries are rapidly increasing domestic consumption, albeit from low levels, and are succeeding in finding new export markets in western Europe, United States and Asia.
 - Russian Federation exports increased dramatically in 1999, although production fell.
 - The ongoing recovery from the 1998 Asian economic crisis allowed ECE region exporters' markets in Japan to rebound.
-

Chapter 9

Sawn Hardwood – Consumption, Supply and Trade

Highlights

- Consumption of sawn hardwood in the ECE region rose in 1999, by 2.2%, due to high demand for furniture and construction-related uses as well as other uses, such as packaging and pallets.
 - Trade was at record levels in North America and Europe in 1999 and in early 2000 trade continued to accelerate.
 - North America and Europe each produced roughly 1 million m³ more of sawn hardwoods in 1999.
 - The windstorms which felled millions of cubic metres of hardwoods at the end of 1999 in Europe resulted in higher than normal levels of production and trade in 2000.
 - Following the 1998 economic crisis in Russia, the CIS continued to have weak demand and production of sawn hardwood, although exports rose slightly.
-

Chapter 10

Wood-based Panels – Supply, Trade and Consumption ¹

Highlights

- Overall wood-based panels consumption in Europe shows a small increase in 1999 to a new record level.
 - Particle board consumption in Europe in 1999 was just above 1998 levels and reached 35.2 million m³, a new record, thanks to the recovery of markets in the second half of the year.
 - OSB in Europe is gaining market share very rapidly and consumption was up 43% to just under 1 million m³. This trend is expected to continue as new capacity comes on stream.
 - Overall fibreboard consumption in Europe was 2.8% higher in 1999, and reached 10.4 million m³; of this amount, the increase of MDF consumption was stronger, up 10.7% to 7.1 million m³, despite very competitive markets.
 - Production of plywood in Europe was up 2.3% from 1998, as output from the main producer Finland was over 1 million m³ for the first time. However, consumption remained near 1998 levels and markets were competitive.
 - Overall wood-based panels consumption in North America reached record levels in 1999 to 55.6 million m³, a 5.3% increase.
 - In the North American structural panel sector, OSB continued its strong growth and consumption increased 10.6% in 1999. Softwood plywood consumption increased marginally, up 2.9%, due to a fall in United States exports, while North American production remained at 1998 levels.
 - Overall wood-based panels consumption in the Russian Federation, was up 13% to 3.0 million m³ in 1999, but overall consumption remains well below 1992 levels.
-

¹ Coauthored by Mr. Henry Spelter, Research Forester, Forest Products Laboratory, USDA Forest Service, One Gifford Pinchot Drive, Madison, Wisconsin 53705-2398, United States, Telephone +1 608 231 9380, Fax +1 608 231 9592, E-mail: hspelter@facstaff.wisc.edu

Chapter 11

Engineered Wood Products – Production, Trade, Consumption and Outlook ¹

Highlights

- Engineered Wood Products (EWPs) manufacture and use is expanding globally. Glued laminated timbers are being employed worldwide, while structural wood I-beams and LVL are primarily a North American phenomenon. However, LVL use is rapidly gaining popularity in Asian markets.
- Two key forces driving North American demand are prevalence of wood-frame construction and the changing nature of softwood fibre supply.
- North American I-beam production grew 27% in 1999 while North American LVL production grew 21%. EWPs now constitute more than 5% of North American softwood dimension lumber² (sawnwood) supply.
- EWPs in North America, Japan, and the Nordic countries are consumed primarily in structural applications in residential markets. In continental Europe, both structural and nonstructural applications drive demand in both residential and commercial markets.
- EWPs demand in Europe and Japan is also growing with greatest potential in Japan as the Japanese industry increasingly adopts these products in the traditional post and beam housing sector.
- Trade in EWPs is small compared with that of other wood products, but as a percentage of their production, the volume of trade is significant. North America, Japan, and Europe consume most of their own production in residential construction end uses. The largest trade flow is of glulam – primarily from North America and Europe to Japan.
- The outlook for EWPs is excellent with much of the impetus coming from the global need for efficient construction techniques, growing environmental concerns, and the universal requirement for affordable shelter.

¹ By: Dr. Al Schuler, Research Economist, Northeast Forest Experiment Station, USDA Forest Service, 241 Mercer Springs Road, Princeton, West Virginia, United States 24740, Telephone +1 304 431 2727, Fax +1 304 431 2772, E-mail: aschuler@fs.fed.us and Mr. Craig Adair, Director, Market Research, APA-The Engineered Wood Association, P.O. Box 11700, Tacoma, Washington, United States 98411-0700, Telephone +1 253 565 7265, Fax +1 253 565 6600, E-mail: craig.adair@apawood.org

² Softwood dimension lumber is sawnwood produced to standard sizes for construction purposes.

Chapter 12

Paper, Paperboard and Woodpulp – Production, Consumption and Trade ¹

Highlights

- Since early 1999 and through the first half of 2000 both the European and North American pulp and paper sectors sustained a strong economic recovery.
 - Recovery contrasted with relatively volatile markets from 1996 through 1998, and afforded producers the best market conditions since the previous market peak in 1995.
 - The recovery is attributed to stable economic growth in North America and Europe, restrained growth in mill capacity, and an upturn in Asian and global markets.
 - A modest but unprecedented historical decline in paper and paperboard production capacity of -0.5% occurred in the United States in 1999. The capacity utilization rate improved.
 - Domestic purchases and consumption of paper and paperboard in both North America and Europe have continued in general to follow upward economic growth trends.
 - Although United States markets displayed considerable price volatility from 1996 through 1998, the trend in United States domestic purchases of paper and paperboard was steadily upward.
 - Consumption of paper and paperboard was steadily increasing in both Europe and North America in recent years, reaching record levels despite intermittent market volatility.
 - The resurgence of Asian and Latin American economies placed increased demand pressures on global fibre supplies, particularly market pulp and recovered paper.
 - Production and consumption of pulp have risen in both North America and Europe, but pulp's share of total fibre input continues to decline as use of recovered fibre continues to rise.
 - Since early 1999, prices have generally increased for paper, paperboard, market pulp and recovered paper, along with improvements in capacity utilization rates.
-

¹ Coauthored by Dr. Peter Ince, Research Forester, Timber Demand and Technology Assessment, Forest Products Laboratory, USDA Forest Service, Madison, Wisconsin 53705-2398, United States, Telephone +1 608 231 9364, Fax +1 608 231 9592, E-mail: pince@fs.fed.us

Chapter 13

Certified Forest Products Marketplace

Highlights

- Potential supply of certified forest products is growing faster than market demand.
 - Market demand for certified forest products continues to be more from retailers and not final consumers.
 - The Timber Committee believes certification currently has value as a communication and marketing tool, in addition to its primary objective of encouraging sustainable forest management.
 - Thus far, most certified forests are in the ECE region – only 8% are in the tropics.
 - The new Pan-European Forest Certification system is coming on stream and has the possibility of doubling the forest area certified in Europe within 2 years.
 - Some forestlands are achieving multiple certifications and mutual recognition between certification schemes is being initiated.
-

Chapter 14

Tropical Timber Developments

1

Highlights

- Tropical forest products markets recovered slightly in 1999 from the recession due to the Asian economic crisis of 1997 to 1998.
- A rapid expansion of Chinese imports, spurred by shortages of domestic raw material, coinciding with a fall in Japanese imports, has made China the world's largest tropical log importer.
- The trade in tropical secondary processed wood products, of which the majority is exported to the ECE region, is growing more rapidly than that of primary products.
- Tropical log and sawnwood prices recovered slightly from the decline caused by the Asian economic crisis although plywood prices remain lower. Teak prices, however, are rising steadily.
- Production and exports of reconstituted wood panels, particularly MDF, in tropical countries shot up and new capacity has been announced, principally in Asia.
- Indonesia continues to be by far the largest producer of tropical plywood, although its share has been declining since production in China, based on imported logs, exploded to 2 million m³ in 1999.
- Tropical sawnwood production fell during the crisis, especially in Malaysia and Indonesia, and did not recover significantly in 1999.
- Log exports are decreasing as tropical timber producers add value domestically.

¹ By: Dr. Steve E. Johnson, Statistician/Forest Economist, Economic Information & Market Intelligence, International Tropical Timber Organization (ITTO), International Organizations Center, 5th Floor, Pacifico-Yokohama, 1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220, Japan, Telephone +81 45 2231 110, Fax +81 45 2231 111, E-mail: steve_j99@hotmail.com and Dr. Michael Adams, Market Specialist, Economic Information & Market Intelligence, ITTO (same address), E-mail: itto-mis@mail.itto-unet.ocn.ne.jp