

NOTE

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ABSTRACT

The UNECE/FAO *Forest Products Annual Market Review, 2001-2002* provides general and statistical information on forest products markets in the UN Economic Commission for Europe region (Europe, North America and the Commonwealth of Independent States). The *Review* begins with a chapter on the policy dimensions and general overview of the forest products markets, followed by a description of the economic situation in the region. Three special chapters are included this year: "Market effects of wood promotion", "Turkey's forest products markets" and "Chile's forest products markets". The market developments in five standard sectors, based on annual country-supplied statistics, are described for: wood raw materials, sawn softwood, sawn hardwood, wood-based panels and paper and paperboard. Regular chapters discuss markets for certified forest products, value-added wood products and tropical timber. In each chapter production, trade and consumption are analysed and relevant material on specific markets is included. Tables included with the text present detailed information and annex tables contain further reference material.

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PREFACE

The sustainable development of the forest and timber sector depends, *inter alia*, on strong forest products markets. Viable markets for wood and non-wood forest products support the economic viability of the whole sector. The entire production chain, from forest to end consumers, benefits from a continual supply of affordable forest-based products, whether they are wood or non-wood.

Accurate, objective, reliable and timely information on and analysis of international trends—in increasingly global markets—are vital for governments and other stakeholders in this sector. From their beginnings in 1948, the UNECE Timber Committee and the FAO European Forestry Commission have placed high priority on monitoring and analysing forest products markets on the basis of data supplied by countries. The *Forest Products Annual Market Review* is the annual flagship publication of the UNECE/FAO integrated programme in the field of timber and forests, serving the Timber Committee and the European Forestry Commission. It is the main background document for the Timber Committee's annual discussion of forest products markets. Furthermore, it is to provide readers all over the world with the earliest comprehensive analysis on recent developments in the forest and forest product sectors in the UNECE region and its trading partners.

This objective of the analysis in the *Review* is in line with the conclusions of senior policy bodies at global and regional levels:

- The UN Millennium Declaration signatories committed themselves to “intensify our collective efforts for the management, conservation and sustainable development of all types of forests”.
- The Intergovernmental Panel on Forests and the Intergovernmental Forum on Forests, predecessors of the UN Forum on Forests, called on Governments to “improve market transparency”, to “promote responsible producer and consumer choices in the supply and demand for forest products”, to “promote policies, as needed, to meet increasing demand for wood and non-wood forest products and services, through sustainable forest management,” to “develop and implement policies designed to promote sustainable production of wood and non-wood forest goods and services that reflect a wide range of values”, and to “ensure that the benefits of commercialisation of wood and non-wood forest goods and services contribute to improved management of forests and are equitably distributed to the people who protect and provide them” and to “stimulate and promote the sound use of wood as a renewable and environmentally friendly material”.
- The Ministerial Conference on Protection of Forests in Europe confirmed the social and economic development function of forests. The ministers stated that, “The production, marketing and consumption of wood and other forest products and services from forests under sustainable management, a key renewable resource, should be actively promoted as a means for improving the economic viability of forest management, taking advantage of new market opportunities.”

UNECE and FAO are working to make the analyses they produce more relevant to policy makers and a stimulus and support to meaningful policy discussion in international fora. For example, the *Review* this year contains a first chapter devoted to drawing the policy implications from the other chapters. The policy chapter's themes include:

- the need for policies on the sound use of wood;
- the importance of a cross-sector approach;
- the emergence of several transition countries as specialised players on forest products markets;
- environmental influences on markets via certified forest products.

These themes are intended to stimulate policy discussion at the Timber Committee and the European Forestry Commission sessions in 2002, and, thereby, influence the broader policy discussion in UNECE and FAO, thus contributing to a better understanding of market issues and options in the context of the sustainable development of the forest and timber sector.

This *Review* is the result of contributions, from many colleagues, from our secretariats and partner organizations, as well as from national correspondents and sector experts. We offer our thanks to all those who have contributed, directly or indirectly, to preparing this *Review*.

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In addition to those named below, numerous other experts helped on specific parts of the *Review* and their names are mentioned in the following list of contributors. The *Review* is based on statistics received from official country correspondents who are listed in the companion *Timber Bulletin* on "Forest Products Statistics, 1997-2001". Our sincere appreciation goes to these people without whose efforts we would not have been able to produce this *Review*. For some data in the chapter on certified forest products, the UNECE Timber Committee and FAO European Forestry Commission established an informal network of officially nominated country correspondents on certified forest products markets and certification of sustainable forest management. We thank those correspondents who contributed information for this chapter for which there are no other official statistics.

In order of chapter number, we first acknowledge the authors, then all those who helped from the secretariat.

"Market effects of wood promotion" was written by Mr. Peter Hofer whom we thank for also sharing his expertise in this field. Mr. Hofer was formerly the director of Lignum, the Swiss wood promotion organization, and is now a senior advisor with GEO Partner AG, a consulting firm specializing in environmental and resource management in Zurich. He produced the chapter based on valuable contributions from five leaders of wood promotions organizations: Dr. Holger Conrad, Arbeitsgemeinschaft Holz e.V., Germany, Mr. Conrad Gossweiler, Lignum, Switzerland, Mr. Jan Hagsted, Nordic Timber Council, Sweden, Mr. Kelly McClosky, Wood Promotion Network, Canada and Mr. David Venables, American Hardwood Export Council, United Kingdom. One intent of the *Review* is to bring current market developments to light, and the market effects of wood promotion was suggested at the 2001 Timber Committee Market Discussions by the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. This will also be the theme of the 2002 Timber Committee Market Discussions on 24-25 September.

"Trade links strengthening as Turkey's forest sector is modernized—Turkey's Forest Products Markets, 2001-2002" is the continuation of the *Review* series of special chapters focusing on one UNECE region country. We are indebted to Mr. Ramazan Bali, Director, General Directorate of Forestry, Ankara, for writing this chapter with its insight into the forest and forest industry sector in Turkey. Mr. Bali is a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. We acknowledge the important contribution of Mr. Ulvi Us, also General Directorate of Forestry, for supplying the statistics. Mr. Us is our statistical correspondent for Turkey. We also thank their directorate, which enabled working on this chapter.

"Chile's forest products markets—a plantation success story" is a chapter continuing the *Review* series highlighting an important forest products trading country from outside the UNECE region. We are grateful for this analysis by its two authors. Production of this chapter was led by Mr. David Cartwright, Forestry Consultant and Special Advisor to the Canadian Council of Forest Industries, from Vancouver, Canada. Dr. Christopher Gaston, Group Leader, Markets and Economics, Forintek Canada Corporation was the co-author. Dr. Gaston is the leader of the new UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. The authors of the chapter travelled to Chile and met with representatives of the Instituto Forestal and the Corporación Chilena de la Madera, to whom we also extend our thanks. Mr. Carlos Marx Carneiro, Regional Forestry Officer, FAO Regional Office for Latin America and the Caribbean in Chile, facilitated and reviewed this chapter.

Dr. Riitta Hänninen, Market Researcher, Finnish Forest Research Institute, wrote the chapter on wood raw material production, trade and consumption titled, "Market in Europe recovering from storm damage, but declining in North America". She did part of the analysis, and another part, along with statistical work on the TIMBER database on wood raw materials, was done by Dr. Volker Sasse, Forestry Officer, UNECE and FAO Timber Section, Trade Development and Timber Division, Geneva, Switzerland. We gratefully recognize their contributions, as well as those of the other researchers in Metla, who provided information and assistance. We appreciate the information for the wood energy section furnished by Ms. Pirkko Vesterinen and Ms. Eija Alakangas, Energy Production Research Scientists with VTT Technical Research Center, Finland.

We thank the authors of the sawn softwood trends chapter: Dr. Robert Kozak, Assistant Professor, Department of Wood Science, University of British Columbia, Canada and Dr. Christopher Gaston, Group Leader, Markets &

Economics, Forintek Canada Corporation. This is the second year that they wrote the chapter and we appreciate this continued cooperation.

For the second time the sawn hardwood chapter was written by Mr. Michael Buckley, a wood industry consultant with World Hardwoods. We are grateful both to Mr. Buckley, who was formerly the European Director of the American Hardwood Export Council (AHEC) and to Mr. David Venables, the current European Director of AHEC, for again facilitating this continued collaboration. Mr. Buckley is Deputy Leader of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

We also express our gratitude on the contribution to the wood-based panels chapter to Mr. Henry Spelter, Research Forester, Timber Demand and Technology Assessment Research Work Unit, Forest Products Laboratory of the USDA Forest Service. This is the third time that he has contributed to this chapter by providing an analysis of the North American market developments. From the European Panel Federation, Ms. Eva Janssens, Economic Advisor, Brussels, contributed information from the Federation's *Annual Report*. She is a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. Mr. Jorge Najera, Economics Officer, UNECE and FAO Timber Section, Trade Development and Timber Division, Geneva, provided the remainder of the analysis. We thank all of these contributors to the panels chapter.

For the paper, paperboard and woodpulp chapter, the same trio of authors, representing different subregions of the UNECE, contributed again this year. We thank first Dr. Peter J. Ince, Research Forester, USDA Forest Service, United States Forest Products Laboratory, who was the principal author and who coordinated the production of the chapter. And we extend our sincere appreciation for the contributions of the two co-authors, Professor Eduard L. Akim, PhD, Saint Petersburg State Technological University of Plant Polymers and the All-Russian Research Institute of Pulp and Paper Industry and Mr. Bernard Lombard, Recycling and Economics Manager, Confederation of European Paper Industries (CEPI). Again statistical assistance for Mr. Lombard came from Mr. Eric Kilby, Statistics Manager, at CEPI. We simultaneously express our gratitude to Ms. Marie Arwidson, Director General of CEPI, for facilitating this continued collaboration. Dr. Ince worked together with us for one week in Geneva thanks to Mr. Val Mezinis, Director of International Programs, who facilitated his consultancy. Both Mr. Spelter and Dr. Ince work together in a research unit led by Mr. Ken Skog, whom we would also like to thank for providing us with their services. The unit is the Timber Demand and Technology Assessment Research Work Unit, Forest Products Laboratory, USDA Forest Service. Both Dr. Ince and Professor Akim are members of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

We sincerely appreciate the continued working relationship with Dr. Ewald Rametsteiner, of the Institute of Forest Sector Policy and Economics, Vienna, an Expert on Certified Forest Products Markets. He based the chapter on his own knowledge, plus topical information gathered from the above-mentioned informal network of country correspondents on the markets for certified forest products and a survey conducted by Mr. Florian Kraxner, also of the Institute of Forest Sector Policy and Economics. Our thanks go to all of them. Dr. Rametsteiner is also a member of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

For the chapter on value-added forest products markets, including engineered wood products, we would like to recognize the excellent work of the three authors. For the first time we collaborated with Mr. Jukka Tissari, Market Development Officer, International Trade Centre, Geneva Switzerland who wrote the parts on value-added products, drawing in parts from work by colleagues at the International Tropical Timber Organization (ITTO). He also wrote the chapter's forward-looking conclusion. The sections on engineered wood products, as in previous years, were co-authored by Mr. Craig Adair, Director, Market Research, APA-The Engineered Wood Association, Tacoma, Washington and Dr. Al Schuler, Research Economist, Northeast Forest Experiment Station, USDA Forest Service, Princeton, West Virginia. Both Mr. Tissari and Dr. Schuler are members of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing. We continue to compliment the analysis of primary-processed products with some indications of demand from secondary-processed products through the valuable work of these authors.

Dr. Schuler also was again the main author, along with Mr. Adair, of the section construction developments in the economic chapter. We express our gratitude to both for this key contribution too.

We value highly the continued cooperation with our colleagues in ITTO, Drs. Steve Johnson, Statistician/Forest Economist, and Michael Adams, Market Information Service Coordinator along with Ms. Masaki Miyake, Statistical Assistant. They summarized tropical timber markets developments from their *Annual Review and Assessment of the World Timber Situation 2001* and updated it with current market developments. Drs. Adams and Johnson are also members of the UNECE&FAO Team of Specialists on Forest Products Markets and Marketing.

We express our sincere gratitude to Messrs. Eetu Einiö and Jussi Haapkylä, our two assistants during the summer 2002 production phase of the *Review*. Messrs. Einiö and Haapkylä are forest products marketing graduate students at University of Helsinki, Department of Forest Economics. They produced all the graphics, and some tables and figures. In doing so they revised the *Graphics Production System* which had been started by their predecessors from the University of Helsinki. They also performed market research for the authors in preparation of chapters. Mr. Haapkylä continued the development of the *Review Planning System*, which has become essential because of the complexity of the production process and the number of people involved. He also expanded the Market Information Service website as part of his personal projects. Mr. Einiö formalized the *Review Production Manual*, which is an assembly of all the different guidelines and instructions used to produce this publication. In our experience, not only is engaging interns for the production of the publication necessary, but it is mutually advantageous. Their internships were facilitated by Dr. Heikki Juslin, Professor, and Mr. Jari Kärnä, Assistant, Forest Products Marketing, Department of Forest Economics, University of Helsinki, and Ms. Raija-Riitta Enroth, Senior Researcher, Finnish Forest Research Institute, who arranged funding through the Foundation for the Promotion of the Export of Forest Industry Products. Prospective interns are encouraged to apply to work with the UNECE/FAO Timber Section.

This *Review* was produced as a joint effort by 42 people. Ed Pepke (UNECE/FAO Timber Section) led and coordinated the work. The individual chapters had the following authors: 1. Ed Pepke and Kit Prins (UNECE/FAO Timber Section); 2. Kit Prins (drawing on the UNECE *Economic Survey of Europe*), plus for the construction section, Al Schuler and Craig Adair (United States); 3. Peter Hofer (Switzerland) with input from Holger Conrad (Germany), Conrad Gossweiler (Switzerland), Jan Hagsted (Sweden), Kelly McClosky (Canada) and David Venables (United Kingdom); 4. Ramazan Bali (Turkey); 5. Riitta Hänninen (Finland) based on statistical analysis by Volker Sasse (UNECE/FAO Timber Section); 6. Robert Kozak and Christopher Gaston (Canada); 7. Michael Buckley (United Kingdom); 8. Henry Spelter (United States) and Jorge Najera (UNECE/FAO Timber Section); 9. Peter Ince (United States), Eduard Akim (Russian Federation) and Bernard Lombard (CEPI); 10. Ewald Rametsteiner (Austria); 11. Jukka Tissari (ITC), Craig Adair and Al Schuler (United States); 12. Steve Johnson, Michael Adams and Masaki Miyake (ITTO). Alex McCusker (UNECE/FAO Timber Section) produced the statistics, wrote some statistics-related passages and proofread. Graphics production and market research were by Eetu Einiö and Jussi Haapkylä (Finland). Matt Fonseca (UNECE/FAO Timber Section) was responsible for the layout of the text, tables and graphs, as well as performing all administrative duties. We welcome him to the Review Team. He was assisted at the end of the process by Romi Chopra (Trade Development and Timber Division), Isabelle Hay and Helena Simkova (UNECE/FAO Timber Section). Sefora Kifle (UNECE/FAO Timber Section) prepared price data and supported authors with documents and journals. Christina O'Shaughnessy (Trade Development and Timber Division) was the principal copy editor, and she also proofread most of the publication. Carlos Marx Carneiro, Wulf Killman and Miguel Trossero (FAO) contributed to the content editing during the FAO review step. Most content editing was done by Ed Pepke and Kit Prins.

This manuscript was completed on 2 August 2002. It is my pleasure to personally thank all members of the Team, and the many other contributors, whether in Geneva or far away, for their devoted efforts in producing this year's *Forest Products Annual Market Review*.

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DATA SOURCES

The data on which the *Forest Products Annual Market Review* analysis is based are collected from official national correspondents¹ through the FAO/ECE/Eurostat/ITTO Joint Forest Sector Questionnaire, distributed in April 2002. Within the 55-country UNECE region, data for the 19 EU and EFTA countries are collected and validated by Eurostat and for other UNECE countries by UNECE/FAO Geneva.

The statistics for this *Review* are from the TIMBER database system. As the database is continually being updated, any one publication's analysis is only a snapshot of the database at that particular time. The database and questionnaires are in a state of permanent development. Data quality differs between countries, products and years. So far, only a few countries of the CIS subregion provide data although the largest producer (Russian Federation) does so. Improvement of data quality is a continuing task of the Secretariat, paying special attention to the CIS and central and eastern European countries. With our partner organizations and national correspondents, we strongly believe that the quality of the international statistical base for analysis of the forest products sector is steadily improving. Our goal is to have a single, complete, current database, validated by national correspondents, with the same figures available from FAO in Rome, Eurostat in Luxembourg, ITTO in Yokohama and UNECE/FAO in Geneva. We are convinced that the data set used in the *Review* is the best available anywhere as of July 2002. The data appearing in this publication form only a small part of the total data available. *Forest Products Statistics* (Timber Bulletin #2) will include all the data available for the years 1997-2001. The TIMBER database is available on the Market Information Service of the Timber Committee website at www.unece.org/trade/timber/mis.htm.

The secretariat is grateful that correspondents provided actual statistics for 2001 and, in the absence of formal statistics, their best estimates. Therefore all statistics for 2001 are provisional and subject to confirmation next year. The responsibility for national data lies with the national correspondents. The official data supplied by the correspondents account for the great majority of records. In some cases, where no data were supplied, or when data were confidential, the Secretariat has estimated figures to keep region and product aggregations comparable and to maintain comparability over time. Although estimations are not indicated within this *Review*, they are flagged in the *Forest Products Statistics*. Data for Belgium and Luxembourg are combined through 1998 while after this year the data are reported separately.

In addition to the official statistics received by questionnaire, trade association and government statistics are used to complete the analysis for 2001 and early 2002. A number of trade journals and internet sites were used for supplementary information, as well as institutions and experts, including national correspondents. Most of these sources are cited in the text and in the annex.

¹ Correspondents are listed in the companion *Timber Bulletin*, "Forest Products Statistics, 1997-2001".

EXPLANATORY NOTES

“Apparent consumption” is calculated by adding a country’s production to imports and subtracting exports. Apparent consumption volumes are not adjusted for levels of stocks because all countries cannot report stocks.

“Net trade” is the balance of exports and imports and is positive for net exports, i.e. when exports exceed imports, and is negative for net imports, i.e. when imports exceed exports. Trade data for fifteen European Union countries include intra-EU trade, which is often estimated by the countries. Export data usually include re-exports.

The term “central and eastern Europe countries”, used exclusively for presentational convenience, includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, The former Yugoslav Republic of Macedonia and Yugoslavia.

As in last year’s *Review*, Europe has been split into “EU/EFTA” (19 countries) and “Other Europe” (34 countries). For a breakdown of the regions please see the map in the annex.

The term “softwood” is used synonymously for “coniferous.” “Hardwood” is used synonymously for terms “non-coniferous” or “broadleaved” wood. More definitions appear in the annex.

SYMBOLS AND ABBREVIATIONS USED

-	nil or negligible
...	not available
\$	United States dollar unless otherwise specified
AFPA	American Forest and Paper Association
C\$	Canadian dollar
CEPI	Confederation of European Paper Industries
CFP	certified forest products
CIS	Commonwealth of Independent States
CPA	Composite Panel Association
DIY	Do-it-yourself
ECE	Economic Commission for Europe
EFSOS	European Forest Sector Outlook Studies
EFTA	European Free Trade Association
EPF	European Panel Federation
EQ	equivalent of wood in the rough
EU	European Union
EWP	engineered wood products
FEP	European Federation of the Parquet Industry
FOB	free on board
GDP	gross domestic product
IMF	International Monetary Fund
ITTO	International Tropical Timber Organization
kph	kilometres per hour
m ²	square metre
m ³	cubic metre (solid volume of roundwood or processed product)
MSR	machine stress rated
m.t.	metric ton
N.A.	not applicable
NIEs	Newly industrializing economies
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SPWP	secondary processed wood products
USDA	United States Department of Agriculture
WWF	World Wide Fund for Nature