UNECE Timber Committee Market Discussions

“China’s Influence on forest products markets in the UNECE region”

FOREST CERTIFICATION AND CERTIFIED FOREST PRODUCTS

Florian Kraxner, IIASA

Geneva, 3-4 October 2006
OUTLINE

- Setting the stage
- Certified forest area
- Certified forest products
- Outlook on China and Asia
- Conclusions
INFORMATION BACKGROUND

• No official statistics for trade in CFPs
  „CFPs do not feature in the Harmonized Commodity Description and Coding System HS“

• Analysis and data based on other resources (Ch.10, FPAMR, 2005-2006)
  – surveys (UNECE Timber Committee/country correspondents on certification FAO EFC UNECE)
  – key producers
  – retailers
  – GFTN
  – Auditing bodies
  – CERTIFICATION SYSTEMS
GLOBAL FOREST MAP

At a first glance...
THE RESOURCES

Forests cover 30% of total land area.
Total forest area = 4 billion hectares = 0.62 ha/capita.
64 countries = 2 billion = <0.1 ha/capita.

- 10 most forest-rich countries account for two-thirds of the total forest area.
- 7 countries or territories have no forest at all.
- 57 have less than 10 percent of their total land area.

Ten countries with the largest forest area, 2005 (million ha)

- Russian Federation: 809
- Brazil: 478
- Canada: 310
- United States: 303
- China: 197
- Indonesia: 88
- Peru: 69
- India: 68
- Australia: 164
- Democratic Republic of the Congo: 134

Others: 1333

FAO 2005
Deforestation = 13 million hectares per year

Deforestation in the south, while forests increase in the north.

THE RESOURCES
Geographical Distribution of Total Certified Forest Area
2005-2006

- North America: 58% (2005), 58% (2006)
- EU/EFTA: 33% (2005), 29% (2006)
- Other Europe and CIS: 3% (2005), 5% (2006)
- Latin America: 4% (2005), 4% (2006)
- Oceania: 1% (2005), 2% (2006)
- Africa: 1% (2005), 1% (2006)
- Asia: 0.3% (2005), 0.4% (2006)

Kraxner et al. 2006
CERTIFIED FOREST AREA

Certified Forest as a Percentage of Total Forest Area, by Regions, 2005-2006

EU/EFTA
North America
Oceania
Other Europe and CIS
Africa
Latin America
Asia

Kraxner et al. 2006
CERTIFIED FOREST AREA

Forest Area Certified by Major Third Party Certification Schemes, 1998-2006

270 mil ha certified = 7 % of forest area world-wide

Kraxner et al. 2006
Regional Distribution of Certified Forest Area by PEFC (and PEFC - Endorsed Systems), 2006

- North America: 66%
- EU/EFTA: 30%
- Oceania: 3%
- Latin America: 1%
Regional Distribution of Certified Forest Area by FSC, 2006

- EU/EFTA: 33%
- Other Europe and CIS: 18%
- North America: 32%
- Asia: 2%
- Oceania: 2%
- Africa: 3%
- Latin America: 12%

Kraxner et al. 2006
Rate of Increase of FSC Endorsed Forest Over Time
(Dec '95 - Jan '06)

Total certified area in ha

- Tropical/Subtropical
- Temperate
- Boreal

Source: FSC
Rate of Increase of FSC Endorsed Boreal Forest over Time
(Jun '99 - Jan '06)

*Note. The classification of forest type was redefined in 2002*
Rate of Increase of FSC Endorsed Temperate Forests over Time
Jun '99 - Jan '06

*Note. The classification of forest type was redefined in 2002*

Source: FSC
Rate of Increase of FSC Endorsed Tropical Forest over Time
Jun '99 - Jan '06

*Note. The classification of forest type was redefined in 2002*
CERTIFIED FOREST AREA

Top 10 Countries' Certified Forest Area, 2004 - 2006

China: 440,000 ha (FSC)

Hot spots

Kraxner et al. 2006
CERTIFIED FOREST PRODUCTS


Number of CoC Certificates

- PEFC
- FSC

Kraxner et al. 2006
CERTIFIED FOREST PRODUCTS

Chain-of-Custody Certificate Distribution Within the UNECE Region, 2006

Number of Certificates

France  Germany  UK  USA  Poland  Austria  Netherlands  Czech Republic  Switzerland  Canada  Italy  Sweden  Belgium  Finland  Latvia  Spain  Denmark

PEFC  FSC

Kraxner et al. 2006
CERTIFIED FOREST PRODUCTS

Chain-of-Custody Certificate Distribution Outside the UNECE Region, 2006

Number of Certificates

Japan  Brazil  China  South Africa  Vietnam  Malaysia  New Zealand  Chile  Indonesia  Bolivia  Mexico  Australia  Uruguay  Taiwan  Singapore

+ 50 % during last year

Kraxner et al. 2006
CERTIFIED FOREST PRODUCTS, FSC

FSC Worldwide Chain-of-Custody Distribution by Industry Sector, 2006

- Wood manufacturing 26%
- Sawnwood 26%
- Roundwood and other primary forest industry 14%
- Pulp & paper 8%
- Furniture 10%
- Panels 7%
- Other 5%
- Windows & doors 4%

Kraxner et al. 2006
CERTIFIED FOREST PRODUCTS, PEFC

PEFC Worldwide Chain-of-Custody Distribution by Industry Sector, 2006

- Timber trade 32%
- Sawmill 30%
- Other primary forest industries 13%
- Wood manufacturing 11%
- Wood products trade / Retailers 7%
- Pulp & Paper 4%
- Other 3%

Kraxner et al. 2006
Chinese Forest Resources

• Removals of industrial roundwood
  ▪ Legal ~45 million m³ ?
  ▪ Illegal/over harvest ~75–115 million m³ ?

• Wood Fuels
  ▪ 110–225 million m³/year
  ▪ Some 70% of rural households rely on wood fuel and agricultural waste

• We do not really know the extent and qualities of the Chinese forests

• The State Forest Inventory ??
Chinese Forest Resources

- Timber Forests – forest for industrial wood supply
  - Contradiction of 15 – 20 mio ha

- Area available for wood supply
  - 50 – 60 % of timber forest area?

- Plantations
  - Gross: 53 million ha
  - Fast growing: 4-5 ?
  - Slow growing: 15 – 20 ?

- Growth rates ??
Plantations in China?
Land Use Map of China
Many Chinas Within China

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Average per Capita Disposable Income</th>
<th>US$</th>
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</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>1300 million</td>
<td></td>
<td>660</td>
</tr>
<tr>
<td>Urban Population</td>
<td>500 million</td>
<td></td>
<td>1024</td>
</tr>
<tr>
<td>Rural Population</td>
<td>800 million</td>
<td></td>
<td>316</td>
</tr>
<tr>
<td>Urban Areas Employed</td>
<td>255 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Unemployed</td>
<td>240 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Migrants</td>
<td>145 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No legal permanent residence</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Discriminated by local employment laws</td>
<td></td>
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</tr>
<tr>
<td>• Less salary (80%)</td>
<td></td>
<td></td>
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<tr>
<td>• No welfare benefits</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Laid-off workers in SEA and collectives</td>
<td>65 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land-expropriated farmers</td>
<td>50 million</td>
<td></td>
<td></td>
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<tr>
<td>• Limited compensation</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Mostly jobless</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Poverty</td>
<td>+ 100 million</td>
<td></td>
<td></td>
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<tr>
<td>Working</td>
<td>500–600 million</td>
<td></td>
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</tbody>
</table>
Forestry Program

Source: Cao, 2000
What Does It Mean?

• There is no single national market – consumers are too dispersed, too inaccessible, too different

• Average per capita measures of income and demand are quite meaningless as a forecast tool on demand
China’s Industrial Roundwood Removal

Official forecasts

- Natural forest = 195 million m$^3$
- Plantation (fast growing) = 133 million m$^3$
- Total industrial roundwood removal = 328 million m$^3$

Sources: Zhou, 2001; Bull and Nilsson, 2004
China’s Wood Import Trends (RWEs)

Source: Xiufang Sun, 2005
**Demand, million m³**  
*(Fuller, 2006)*

<table>
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<tr>
<th>Material</th>
<th>2004</th>
<th>2020</th>
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<tr>
<td>Plywood</td>
<td>16.8</td>
<td>19.6</td>
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<tr>
<td>MDF</td>
<td>16.5</td>
<td>38.8</td>
</tr>
<tr>
<td>Particleboard</td>
<td>7.0</td>
<td>20.6</td>
</tr>
<tr>
<td>Lumber</td>
<td>20.2</td>
<td>41.0</td>
</tr>
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</table>
Conclusion

• Enormous potential (and need) for certification in China
• In the future the gap between consumption and domestic supply will widen substantially
• The outlook (Fuller) will effect the global market
• Procurement Policy (illegal logging/harvesting)
• What is going to happen in the Tropics
• The Russian market development
• Certification of other products e.g. NWFP
为我们的友好合作！

谢谢

Florian Kraxner et al.