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Timber Committee

European Forestry Commission

Joint FAO/UNECE Working Party
on Forest Economics and Statistics

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Item 4(a) of the provisional agenda

GUIDANCE OF WORK AREAS

Work area 1: Markets and Statistics

Note by the secretariat

Summary

According to its mandate, the Joint Food and Agriculture Organization (FAO)/United Nations Economic Commission for Europe (UNECE) Working Party on Forest Economics and Statistics is expected to provide guidance to Work Area 1: Markets and Statistics. This document provides information about activities on the marketing side of this Work Area during the period since the Working Party's last session and plans for the future. It draws the Working Party's attention to specific issues where guidance is needed.

1. This document is produced in accordance with the programme of work as approved by the Timber Committee in ECE/TIM/S/2008/6 (paragraphs 14 through 53) and “to provide guidance on the implementation of work areas 1, 2 and 3 and parts of work area 5” as stated in the terms of reference of the Working Party as approved by the Timber Committee in ECE/TIM/S/2008/6/Add.1 (paragraph 27).

I. Forest Products Annual Market Review

2. The UNECE/FAO “Forest Products Annual Market Review, 2007-2008” was produced as a basis for the joint Timber Committee and European Forestry Commission Market Discussions in October 2008 at the European Forest Week. The themes of the Forest Products Annual Market Review and the Market Discussions were green building’s impacts on the forest products markets and forest sector, respectively. This theme coordinated well with the workshop which began the European Forest Week in Rome on “The roles of green building and green building effects on the forest sector in the UNECE region”.

3. The Forest Products Annual Market Review was one output considered during the Strategic Review of the Integrated Work Plan of the Timber Committee and European Forestry Committee in 2008. The Strategic Review cited the Forest Products Annual Market Review as a flagship publication with excellent quality as measured by its comprehensive content and on-time delivery. Part of this evaluation of the Forest Products Annual Market Review came from the User Survey of UNECE/FAO Timber Section Outputs conducted in 2007-2008. The Forest Products Annual Market Review is the first published, comprehensive analysis of the developments in forest products markets in the UNECE region each year. While prepared as a fundamental background document for the annual Timber Committee Market Discussions, the publication has even greater value beyond them when used by industry, government, researchers and the media.

4. The Forest Products Annual Market Review was singled out by the International Softwood Conference, as an important contribution to their activities. Following the joint Timber Committee and International Softwood Conference Market Discussions in 2007, collaboration with this important industry association has continued. The secretariat and the Organisation of the European Sawmilling Industry continued to collect market forecasts together in 2008. The secretariat presented market developments, based on the Forest Products Annual Market Review, and softwood market forecasts to the International Softwood Conference. As the International Softwood Conference held their meeting in October before the Timber Committee, this time their forecasts were even more important for the Timber Committee (as usually the inverse is true as the International Softwood Conference has had the advantage of the results of the Timber Committee Market Discussions, and its forecasts, when occurring in advance). The International Softwood Conference may meet again with the Timber Committee for joint market discussions in 2011.

5. The English version of the Forest Products Annual Market Review was on the Timber Committee/European Forestry Committee website in early August 2008, and it was available in print and distributed to Timber Committee delegates only 1 week ahead of the discussions on 21-22 October. It had been prepared by the secretariat in sufficient time to be available 3 to 4 weeks in advance, but a delay in printing occurred. As of the time of drafting this note, neither the Russian nor the French versions have been received. However, as the delay in both French and Russian translations was anticipated, Executive Summaries in all three languages were made available both in electronic versions on the website beforehand and in print at the Market Discussions.

6. Once again the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing provided many authors and reviewers. Some of the authors were also speakers at the Timber Committee and European Forestry Committee Market Discussions.

7. The Forest Products Annual Market Review was possible thanks to contributions of a few donors, and significant in-kind contributions of most authors and several student interns. Led by a production team within the UNECE/FAO Timber Section, the Forest Products Annual Market Review had 65 people working directly on the publication, which was more than ever before. In addition, there were over 100 statistical correspondents and information contributors. The Forest Products Annual Market Review has 12 chapters analyzing topical policy and market developments.

8. In order to be available in print for the Timber Committee Market Discussions on 13-14 October, on-time responses to the Joint Forest Sector Questionnaire (JFSQ), i.e. by 15 May 2009, are critical. The secretariat encountered some significant problems in May and June 2008 with late and incomplete responses which caused production delays and considerable overtime. These problems are discussed in a companion note, ECE/TIM/EFC/WP.2/2009/5.

9. The secretariat produced a number of additional market analyses for other meetings and workshops, which may be found at: www.unece.org/trade/timber/mis/reports.htm

Question for delegates

10. The Working Party is requested to invite national statistical correspondents to submit their country's JFSQ by 15 May 2009.

II. Timber Committee Market Discussions

11. The purpose of the Timber Committee Market Discussions is to bring together the most recent information and forecasts for all wood and paper products market segments in the UNECE region as a basis for presentations and debate. The outcome is an officially adopted Timber Committee Market Statement on the current state and near future prospects for the region's forest products markets. A wide breadth of views and experience is achieved by active participation from government delegates, industry representatives, researchers and consultants from the region and beyond.

12. In 2008 the Timber Committee Market Discussions were held together with the European Forestry Committee during the European Forest Week. Joint Timber Committee/European Forestry Committee Market Discussions are normal every four years when they meet together. In 2007 the Timber Committee held joint market discussions for the first time with the International Softwood Conference. One advantage of joint discussions is increased participation and thus visibility of the Timber Committee and its work. It is possible that the Timber Committee and International Softwood Conference may meet together again in 2011. It is possible that the Timber Committee may hold joint market discussions in 2010 with the Society of Wood Science and Technology (subject to final approvals and arrangements).

13. The Timber Committee Market Discussions are based on the Forest Products Annual Market Review, expert presentations and specific information supplied by countries. Specifically countries

are requested to contribute:

- (a) Market reports according to a suggested format;
- (b) Forest products market forecasts for the current year and the forthcoming year.

14. With the above four inputs to the Market Discussions, plus the discussions of the delegates, the Timber Committee produces its annual market statement and market forecasts. The discussions, forecasts and reports are vital to the work of the Timber Committee as confirmed by the Strategic Review and Planning process for the period until 2013. Countries are expected to contribute equally, and receive equal benefits, by their submissions in advance, and contributions to the discussions.

15. Countries which are not able to attend the Market Discussions are able to receive some information beforehand, specifically the Forest Products Annual Market Review and the country market reports, because they are available on the Timber Committee/European Forestry Committee website. Afterward, all information is available on the website, including the market forecasts, the Timber Committee Market Statement and the experts' PowerPoint presentations. Only participants at the Market Discussions are able to hear the speakers and join in the debates. For preparation of the experts' analyses, the secretariat and participants' advance information, timely submission of both the forecasts and country market reports are necessary.

16. Contributions of country market reports and forecasts to the annual Timber Committee Market Discussions are not consistently good. Some countries do an excellent job of submitting high quality and timely market reports and comprehensive forecasts for the current and future year. The Team of Specialists worked with the secretariat to improve the quality and response rates of country submissions. They advocated a lenient approach which guided countries in preparing their market reports. The Team of Specialists suggested making the market reports more flexible, allowing countries to focus on market drivers and their key market sector developments.

17. The requested structure for the 2008 reports is attached in the Annex. The structure was accompanied by a letter and email message explaining the need for timely submission. The letter also urged countries to focus on issues and market sectors which were important for their country, in order to relieve pressure to present a comprehensive report, and in order to attain a higher rate of responses.

18. 26 countries submitted reports in 2008, although some were actually for the International Softwood Conference, and some came late. This was the same quantity as in 2007. Some replies were exceptionally good, both in content and in their on-time submission. Some excellent market reports came in too late to be read and incorporated into the presentations and discussions. Some extremely important forest products producing countries did not submit either reports or forecasts, yet they attended and participated actively in the Market Discussions.

19. Market forecasts were submitted by 30 countries in 2008. In 2007 there were 31 forecasts received. Detail on the number of responses in 2008 and the short-term trend appears in the accompanying secretariat note on statistics for Work Area 1.

20. Countries which took the time and effort to produce reports and forecasts could lose their incentive to undertake that work if other countries do not make equitable contributions. And countries which either do not submit reports and forecasts, or which are of lower quality, or which are not submitted sufficiently in advance, still receive the benefit from those which do. Certainly

there are exceptional cases, but the information requested in the forecasts and reports is simple enough that countries should be able to complete the work on time. Therefore country market reports should be seen as an “admission ticket” to the discussions: countries should feel a moral obligation to submit a quality, on-time market report in order to share in the discussions.

21. “Quality” of market reports and forecasts could be defined as:
 - (a) Comprehensive for a country’s important market segments and topical policy issues;
 - (b) Based on quantifiable data from authoritative sources (including unofficial, e.g. trade association and industry information);
 - (c) Including both forecast as well as short-term historical analysis;
 - (d) Clear presentation of reasons for market trends;
 - (e) On-time delivery to secretariat.
22. Producing a market report and forecasts can be a difficult task for Government representatives who do not spend significant proportion of their time on forest products market issues. Many countries divide the work of the reports and the forecasts among the trade associations which are responsible for a particular market segment. Other countries have contracted the work to a marketing specialist. In brief, there are means to produce high-quality, on-time reports and forecasts without relying solely on Government employees.
23. The Timber Committee Market Discussions can provide national delegates with valuable information and understanding to plan their forest sector and conduct their businesses. Delegates use the knowledge they gain, both in the formal sessions, and in meeting with experts and colleagues outside the meeting room, to the benefit of their country, association, institution, etc. In fact, the Timber Committee depends on delegates to disseminate what they have gathered and learned when back in their countries. The Timber Committee Market Statement has a long life after its issue in a press release as it is reproduced in trade journals and other publications. As there is no limit to the number of participants, some country delegations are composed of representatives of many different segments of their forest and forest industries sector. In short, the sharing of reports, forecasts and other information in preparation for and during the Market Discussions has tremendous value for those countries participating actively.
24. In summary, the Timber Committee Market Discussions are a principal reason delegates come to Timber Committee sessions. The Discussions have wide reverberations in the press and on the Internet. The preparation and outcome of the one and a half days discussions is equivalent to a year’s work for one of the Timber Section staff. Conducting the Discussions has considerable cost if the time of the secretariat and participants is added together with travel expenses and preparatory expenses of expert presenters, delegates and the secretariat. Such expense needs to be taken seriously by Timber Committee heads of delegation and they must assume their responsibility for preparations, participation and follow-up.

Question for delegates

25. The Working Party is invited to suggest means to improve response rates to the Timber Committee Questionnaire and the country market reports.

III. Market analyses at other forums

26. The secretariat made a number of additional market analyses and presented them at the following meetings during the period of this report:

- (a) “International Wood Market Developments”, presented at European Institute for Wood Preservation Congress, September 2008, Lausanne, Switzerland;
- (b) “International Wood Energy Market Developments”, presented at Modern Wood Energy Systems and Markets, September 2008, Timisoara, Romania;
- (c) “International Softwood Markets”, presented at the International Softwood Conference, October 2008, Helsinki, Finland;
- (d) “Global Trade of Wood and Paper Products”, presented at the Society of Wood Science and Technology Conference, November 2008, Concepcion, Chile.

27. These presentations, and in some cases their statistics, are available at: www.unece.org/timber/mis/presentations.htm

IV. UNECE/FAO Team of Specialists on Forest Products Markets and Marketing

28. The Team of Specialists presents a separate report on its activities, as required in its mandate, in ECE/TIM/EFC/WP.2/2009/9. The Team of Specialists’ mandate was renewed by the Timber Committee and European Forestry Committee through 2013. As mandated, the Team of Specialists has been most active in:

- (a) Providing a forum for discussing forest products marketing;
- (b) Advising the secretariat and producing the Forest Products Annual Market Review;
- (c) Participating in the Timber Committee Market Discussions;
- (d) Supporting capacity building in forest products marketing in southeastern Europe;
- (e) Building a network of experts in forest products marketing.

29. The main output of the Team of Specialists was the Green Building Workshop on 20 October 2008. The workshop launched the European Forest Week at FAO Headquarters and was well attended by people representing different sectors of green building. See detail in report.

30. Immediately after the Green Building Workshop the Team of Specialists conducted its inaugural meeting under its new mandate. It is currently in the process of reconstructing its membership as detailed in ECE/TIM/EFC/WP.2/2009/9.

31. Team of Specialists members helped organize and conduct marketing capacity building and wood energy market workshops.

32. In short, the Team of Specialists is working well together. In their report, they address three issues for the Working Party:

- (a) In order to maintain momentum in marketing capacity building the Team of Specialists asks the Working Party member countries to consider loaning a professional to the Timber Section to maintain this effort.
- (b) The Team of Specialists asks the Working Party to encourage all countries not yet nominating members to consider whether they wish to have members on the Team of Specialists.
- (c) Regarding contributions of country market statements and forecasts to the annual Timber Committee Market Discussions, the Team of Specialists asks the Working

Party to request all countries participate equitably in the Market Discussions by providing their reports and forecasts by the deadline.

Question for delegates

33. The Working Party is requested to review the report of the Team of Specialists and respond to the three issues raised.

V. Capacity building in forest products marketing

34. During 2008 UNECE/FAO worked with partners in Romania and Serbia to conduct two workshops focused on wood energy in southeast Europe. Both workshops resulted in good sharing of information which is available on their respective websites, along with the conclusions and recommendations echoed in their press releases. For Romania see: <http://www.unece.org/timber/workshops/2008/timisoara/timisoara.html>
For Serbia see: <http://www.unece.org/timber/workshops/2008/belgrade/belgrade.html>

35. UNECE/FAO, along with partners, expects to conduct a marketing capacity building workshop in Ljubljana, Slovenia in late 2009, providing funding can be secured.

36. As mentioned last year, the Timber Section worked with the Ministry of Agriculture, Forestry and Water Management in Serbia to help draft a FAO Technical Cooperation Programme on wood energy. The proposal has been funded and the project started. Similar projects would be advantageous in other eastern Europe and CIS countries.

37. Further marketing capacity work has been restricted since the departure from UNECE/FAO of Mr. Douglas Clark, who returned to the Scottish Forestry Commission, and was then retired. He achieved commendable results over the 4-year period with the Timber Section, albeit working with limited resources. Through the impressive network he established, he often was able to bring together adequate resources, financial and human, to carry on marketing capacity building. However, in his absence, the Timber Section does not have the staff available to maintain the same level of responsiveness to the marketing needs of eastern Europe and the CIS.

Question for delegates

38. The Working Party is invited to comment on the marketing capacity building activities, and to address the need for re-establishing the loaned expertise.

VI. Certification

39. Most work on certification is in the chapter in the Forest Products Annual Market Review on markets for certified forest products. The chapter provides an update on certification systems developments as an indication of supply, and discusses market and policy developments. Last year's chapter linked certification to the green building theme of the Forest Products Annual Market Review. One of the chapter's reviewers presented the findings at the Timber Committee/European Forestry Committee Market Discussions. The secretariat used the findings and information from the chapter and its presentation in subsequent market analyses and their presentations.

40. The 2008 Forest Products Annual Market Review chapter used information gathered from the Timber Committee and European Forestry Committee Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets. This network continues to be a valuable source of independent information.

41. A certification website within the Timber Committee/European Forestry Committee website provides links to the most current Forest Products Annual Market Review chapters, as well as older certification publications. Recently a page was added to provide direct links to each certification presentation at the annual Timber Committee Market Discussions. See: <http://www.unece.org/timber/mis/cfp.htm>

42. The secretariat has been requested to give a presentation on “Forest certification in the context of sustainable development” at the International Scientific Conference on Hardwood Processing in Paris, France in September 2009. Preparation of the Forest Products Annual Market Review chapter will provide an opportunity to prepare information for the presentation.

VII. Resources

43. The Timber Section staff in Work Area 1 is limited to one marketing specialist and one statistical assistant (although other Timber Section staff regularly assist in some work). Until mid-2008, the work benefited tremendously from the loan of a consultant in forest products marketing from the Scottish Forestry Commission. Continuity of the level of programme outputs, both in quantity and quality, is dependent on his replacement.

44. Student interns have been essential for some activities in Work Area 1, for example in the production of the Forest Products Annual Market Review. While unfortunately the UNECE cannot fund any of an intern’s expenses, some students are able to find funding to offset costs while in Geneva. Most of the interns have gone on to important careers in the forest sector, which validates their experiences in the Timber Section.

45. Work Area 1 benefits from substantial, periodic in-kind contributions and the amount of work accomplished benefits proportionately. The statistical assistant could use temporary help in working with the TIMBER, forest fire and price databases.

Question for delegates

46. Working Party delegations are requested to consider whether they would be able to make in-kind contributions to the activities under Work Area 1.

VIII. Work Area 1 in the period to 2013

47. The integrated UNECE/FAO programme for the period to 2013 has the following programme elements under Work Area 1:

1.1	Collecting, validating and disseminating statistics on production, trade, consumption and prices of forest products.
1.2	Analysis of markets for forest products, notably topical and policy relevant aspects,

	including Forest Products Annual Market Review and annual Timber Committee discussions.
1.3	Implementing sustainable forest management through capacity building for forest products marketing.*
1.4	Monitoring and analysis of markets and policies for certified wood products, including public procurement and green building.
1.5	Collecting and disseminating forest fire statistics.

* = requires extra-budgetary funding

Question for delegates

48. The Working Party is invited to provide guidance on any aspect of the Work Area, focusing on the issues above.

Annex

Request for Country Market Reports in 2008

The following request for country market reports was sent on 29 August 2008 to heads of delegations in preparation of the 21-22 October 2008 joint Timber Committee and European Forestry Commission Market Discussions by e-mail.

Written market reports are traditionally organized like the market discussions. Further information on the organisation of the discussions is given in “Forest Products Market Developments in 2008 and Prospects for 2009” (ECE/TIM/2008/6), which may be found along with other documents at: www.unece.org/trade/timber/docs/tc-sessions/tc-66/tc-66.htm. It is suggested that the following subjects be addressed, where appropriate, for the current year as well as for the next year’s forecast. Following this format will facilitate the uploading and reading of the electronic reports.

1. General economic trends affecting the forest and forest industries sector (brief description).
2. Policy measures taken in your country over the past 18 months, which might have a bearing on trade and markets of forest products or forest management. The UNECE/FAO “Forest Products Annual Market Review, 2007-2008” is a background document for the Market Discussions (see www.unece.org/trade/timber/docs/fpama/2008/fpamr2008.htm). It discusses the following policy measures, which you too may wish to address in your report:
 - (a) Energy and the forest sector;
 - (b) Climate change and forest products markets;
 - (c) Food security versus the biofuels issue;
 - (d) The green building movement;
 - (e) Corporate responsibility;
 - (f) Russian forest sector reform; and
 - (g) Research and development policies.
3. Market drivers, including wood and paper procurement policy developments. What market drivers are positively or negatively affecting your country’s forest products markets?
4. Developments in forest products markets sectors (major emphasis):
 - (a) Wood raw materials (e.g. roundwood: sawlogs, pulpwood and fuelwood);
 - (b) Wood energy, with a focus on government policies promoting wood energy;
 - (c) Certified forest products;
 - (d) Value-added wood products;
 - (e) Sawn softwood;
 - (f) Sawn hardwood (temperate and tropical);
 - (g) Wood-based panels (particle board, fibreboard and MDF, OSB, plywood);
 - (h) Pulp and paper.
5. Tables
 - (a) Economic indicators
 - (b) Forest products production and trade in 2007, 2008 and 2009

Past market reports have varied in quality and length. You may wish to consult last year’s market reports at: www.unece.org/trade/timber/mis/market/market-65/market-65.htm