

# Grow the markets before growing the wood

**The global supply of timber is outstripping demand; predictions of a timber glut seem to be materialising**

by Mike Adams

ITTO Secretariat

Yokohama, Japan

itto-mis@itto.or.jp

IN his paper on the global outlook for wood product supply and demand, the UN/ECE Timber Committee's Ed Pepke stunned many at a recent conference with figures showing a growing surplus of wood in some regions and a general oversupply compared to demand.

The *table* shows the difference between what is growing (that is, the wood volume increment) and what is harvested: removals are considerably below increases in harvestable stocks in some major timber-producing regions and there are wide variations in the utilisation of available wood. The Baltic countries use just half their increment, while Russia harvests an astonishingly low 16% of its apparent sustainable yield. The *figure* shows the huge surplus in wood volume increment in the Commonwealth of Independent States.

Tropical timber production is not increasing, either. The *ITTO Annual review and assessment of the world timber situation* estimates it at around 125 million m<sup>3</sup> in 2002. Production has been in the range 122–126 million m<sup>3</sup> for the last five years and a gradual decline in the timber harvest in natural tropical forest can be expected.

This all points to a shift in the consumption of commodity wood products in the medium term (as predicted by Alf Leslie in the *TFU* three years ago in the face of a 'tidal wave' of plantation timber). North American lumber production exceeds consumption and the excess is forecast to grow by 2010. In Europe the picture is much the same, with lumber production being higher than its consumption.

Some tropical timber producers might dismiss fears of competition because the bulk of the oversupply will be in softwoods: tropical hardwood producers are accustomed to competition from softwoods and the markets and end-uses are different enough to minimise any serious market challenge. However, net annual incremental growth of us and some European hardwoods is also exceeding the annual cut, introducing the likelihood of increased direct competition with tropical hardwoods for some higher-value markets.

The outlook for the us and European wood panel trade is also for an excess of production over consumption. This leaves only the Asian markets where, for the foreseeable future, production will continue to be lower than demand.

## Growth versus yield

Timber harvest as a percentage of wood increment

Region or country	%
Europe – 41 countries	59
EU – 15 countries	64
Nordic countries	72
Baltic countries	50
Central and Eastern Europe	56
Russia	16
North America	79

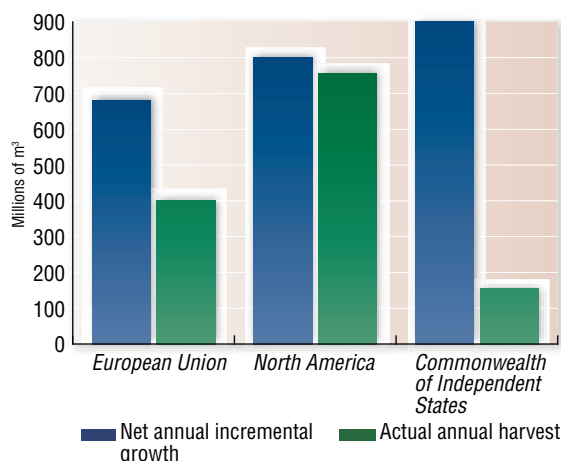
Source: Pepke, UN/ECE Timber Committee, pers. comm.

It is there that the battles for market share are being fought and the competition is going to really heat up in the next few years.

Nevertheless, the prospects for growth in demand in Asia are very mixed. In Japan, for example, the consumption of wood and especially of tropical wood products has been

## Take it or leave it

Annual increment versus annual timber harvest



declining for several years, and demand in the tropical-timber consumer countries of India, Korea and Thailand is also weak. It is only in China that demand for commodity wood products is growing; for example, during the first six months of 2002 it imported 12.2 million m<sup>3</sup> of logs from all sources valued at US\$1.06 billion, up 53% in volume and 20% in value over the same period last year, while sawnwood imports increased 39% in volume and 22% in value. In contrast, plywood imports were down 28% in volume and 37% in value compared to the first half of last year as the country's plywood manufacturing sector boomed (see *TFU* 12/3).

In the light of all this, the timber sector is facing some difficult times. As pointed out by Ed Pepke, if the markets for wood are to grow we need to:

- guarantee that today's wood products meet consumer needs;
- develop new products to meet evolving needs; and
- develop new markets for wood products as alternatives to products from non-renewable materials.

Every producer, tropical or not, will look to the Chinese market for growth and there is no doubt that the opportunities are good. But a word of caution: China already has a huge plantation stock. It is working hard to improve the productivity of these plantations and at the same time is investing heavily in new plantations. The challenge for both hardwood and softwood producers looking to the Chinese market will really begin when China invests in new capacity for producing manufactured boards such as oriented strand board, laminated veneer lumber and high-end fibreboards to absorb the plantation timbers and provide a substitute for imports.