Out on a limb

The reality of the ongoing concession process in Peru is that much of the timber can't be sold

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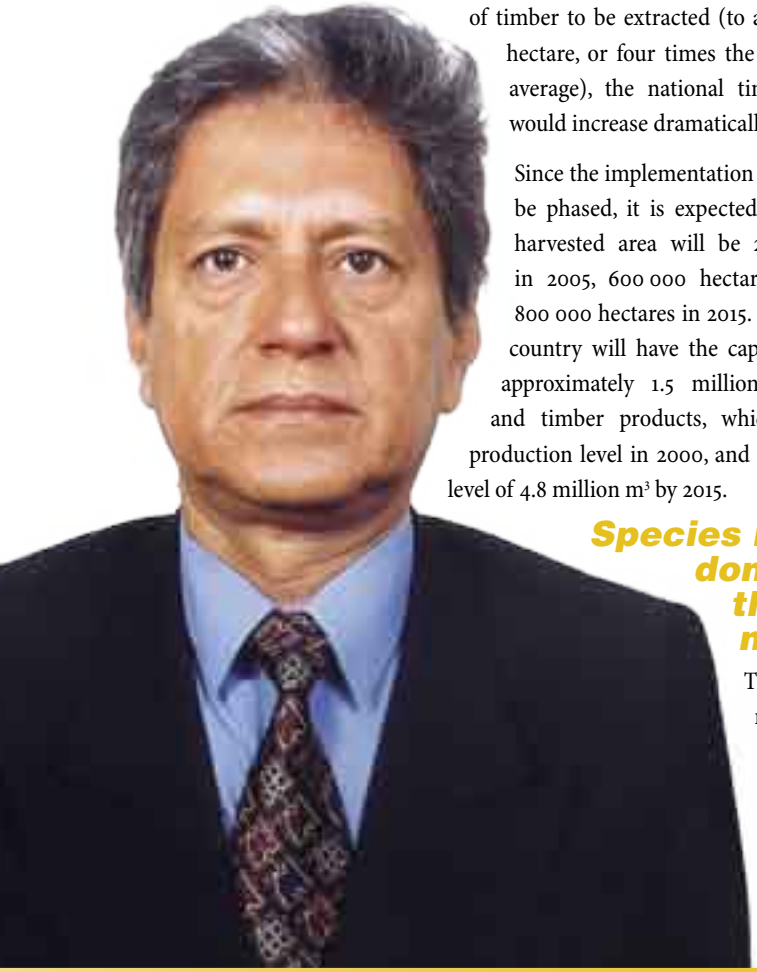
PERU'S new forest legislation, described in detail on page 10 of this edition, has introduced major changes to the country's approach to forestry, including its model of timber production.

The changes are far-reaching. Now we need to ensure the regime's sustainability, which is ultimately dependent on the sector's profitability; in this, production and market issues will play decisive roles. The social and environmental benefits of forest management can only be achieved if the management regime is economically and financially viable—not the other way round, as is often argued. But such viability depends on the marketability of the timber; I argue here that the timber industry won't be able to sell a large part of the resource, bringing the sustainability of the entire regime into question.

Expected timber supply

Peru's timber production is expected to increase in the next few years as the new forest management regime becomes consolidated. Under a simulated scenario based on a 25-year felling cycle, the projected growth in concession areas, and an increase in the number of species to be harvested and therefore the volume of timber to be extracted (to at least 12 m³ per hectare, or four times the current national average), the national timber production would increase dramatically *(Table 1)*.

Since the implementation of the model will be phased, it is expected that the annual harvested area will be 250 000 hectares in 2005, 600 000 hectares in 2010, and 800 000 hectares in 2015. Thus, in 2005 the country will have the capacity to produce approximately 1.5 million m³ of timber and timber products, which is twice the production level in 2000, and we could reach a level of 4.8 million m³ by 2015.



Species likely to dominate the market

The results of recent 100% forest harvesting inventories show that in the next few years mahogany, cedar, ishpingo and walnut—all high-value timber species that have been sustaining the timber industry up to now—will be in short supply. Instead, there will be a predominance of species that currently have only medium-to-low value or whose value is presently unknown (ie 'potential'; *Table 2*). Many of the former are known to be less resistant to the attacks of destructive biological agents and therefore have limited acceptance in the local market.

If forests are harvested under management plans, the national supply will be dominated by species of low and medium commercial value and those whose potential is unknown *(Table 3)*. The list of medium-value species includes lupuna, copaiba, shihuahuaco, catahua, red quinilla, cachimbo, tornillo, huayruro, cumala and yellow moena; among these, cumala, shihuahuaco, lupuna and quinilla account for about 30% of the potential timber supply. These species already have an identified market at the domestic level, but new export markets would be needed at the proposed level of production. The remaining species, with the exception of tornillo and to a lesser extent yellow moena, are in limited demand in the local market. Therefore, nearly 70% of the potential supply currently has no identified market at either the national or international levels, and nothing is being done to change this situation. This is very risky, since higher timber harvesting volumes per hectare are being promoted as part of the new management regime but there is no clear guidance on how to sell the timber, to whom to sell it, and at what price.

Oversupply?

Table 1: Potential timber supply

Year	Allocated concessions *(hectares)*	Annual coupe *(hectares)*	Harvested roundwood *(m³)*	Processed timber[1] *(m³)*
2000				713 053
2005	6 250 000	250 000	3 000 000	1 500 000
2010	15 000 000	600 000	7 200 000	3 600 000
2015	20 000 000	800 000	9 600 000	4 800 000

[1]*Finished-product conversion factor from roundwood = 0.5*

What are the government's forest-sector priorities?

The priorities of government agencies

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The unknown quantities

Table 2: Most abundant forest species and timber volumes per hectare in four forest areas of the country

No.	Von Humboldt Forest	Volume (m³/hectare)	Alto Ucayali	Volume (m³/hectare)	Nanay River	Volume (m³/hectare)	Lower Amazonas Putumayo River	Volume (m³/hectare)
1	Zapote[4]	4.50	Moena[3]	3.90	Cumala[2]	5.50	Cumala blanca[2]	7.34
2	Lupuna[2]	3.62	Cachimbo[2]	3.88	Quinilla[2]	3.99	Cumala colorada[2]	4.45
3	Chimicua[4]	3.46	Tornillo[2]	3.32	Shimbillo[4]	2.48	Palo sangre[4]	2.80
4	Manchinga[3]	3.06	Quina quina[3]	2.02	Tornillo[2]	1.97	Mari mari[3]	2.58
5	Copaiba blanca[2]	2.81	Huayruro[2]	1.99	Almendro[4]	1.96	Tornillo[2]	1.90
6	Panguana[3]	2.76	Almendra[4]	1.54	Lupuna[2]	1.34	Palisangre[4]	1.66
7	Shihuahuaco[2]	2.43	Camungo moena[4]	1.15	Pashaco[3]	1.33	Quillobordon[3]	1.49
8	Mashonaste[4]	2.10	Mashonaste[4]	1.01	Loromicuna[4]	1.07	Moena amarilla[2]	1.39
9	Catahua[2]	2.09	NNNN[4]	1.07	Mari mari[3]	1.06	Quillosisa[4]	1.30
10	Quinilla colorada[2]	2.06	Pashaco[3]	0.84	Huarmi caspi[4]	1.05	Azúcar huayo[2]	0.79
11	Machin zapote[4]	1.81	Copal[4]	0.73	Caupuri[2]	0.96	Moenas[3]	0.69
TOTAL		**30.70**		**21.45**		**22.71**		**26.39**

1 = high commercial value; 2 = medium commercial value; 3 = low commercial value; 4 = potential value

and cooperation institutions supporting forest development in Peru are currently focused on:

- the consolidation of concessions;
- environmental conservation; and
- institutional strengthening.

These issues are important and should be addressed, but policy- and decision-makers do not seem to have a clear perception of the new forest development model they are trying to implement. In my view what they should be doing is developing a forest management model that takes a business-oriented approach, in which the three core pillars of the development process (forest—industry—market) are addressed simultaneously. The market component should be a priority because if the necessary information is not available, investment decisions will have to be made almost in the dark, similar to what could happen in harvesting operations if they are not based on reliable forest inventory data.

We should not lose sight of the fact that forest management operations in Peru are only implemented by the private sector; therefore, any forest policy failure could lead to negative economic results that could in turn jeopardise the whole process of sustainable forest management. Micro and small enterprises, which currently account for the majority of concessionaires in the country (and, despite the new regime, will continue to do so for some time), would be difficult to sustain in an environment of poor economic performance. This issue requires urgent attention because even now, a year after the first forest concessions were granted, many concessionaires are showing early symptoms of poor financial performance.

Cheap wood, anyone?

Table 3: Standing timber volume of tree species grouped by commercial value, in four forest areas *(m³/hectare)*

Area	High commercial value	Medium commercial value	Low commercial value	Potential unknown
Von Humboldt	–	13.0	5.8	11.9
Alto Ucayali	–	9.2	6.8	5.5
Nanay	–	13.8	2.4	6.6
Putumayo	–	15.9	4.8	5.8
Total		**51.9**	**19.8**	**29.8**

How could the market respond?

If the simulated scenario becomes a reality—that is, if the proposed management system is gradually put in place—there will be an oversupply of timber of medium and low commercial value. Under these conditions, the market response could be as follows:

- there will be an oversupply that would exceed the national demand. The excess supply will be difficult to place in the export market without concerted market promotion, which is not happening at present; and
- prices for traditional high-demand species (mahogany, cedar and tornillo) will increase as their supplies dwindle. The industry, unable to utilise many local species, may increase its use of pine imports from Chile, Ecuador, Brazil and the USA, leading to a shift in national timber consumption patterns.

There is therefore an urgent need to develop products and markets at both the national and international levels to facilitate the marketing of new timber species to be produced as a result of the new forest management regime. Otherwise, the regime could have the perverse effect of minimising the contribution of the timber sector to the economic and social development of Peru, as is already happening in some neighbouring Amazonian countries. And the forest itself might then end up being replaced by more profitable land-uses, such as agriculture.