

**ITTO/FAO INTERNATIONAL CONFERENCE ON**  
**TROPICAL PLYWOOD**

26–28 September 2005 Beijing, China

**SUMMARY OF THE**  
**TECHNICAL SESSIONS and CONFERENCE RECOMMENDATIONS**

**SESSION 1: PRODUCTION AND TRADE DATA**

- Statistics and lack of market transparency remains problematic
- Over the last decade, global production and trade in Tropical Plywood (TP) remains stable, while other wood based panels show significant growth
- Indonesian production and exports may further decline, leaving Malaysia as the top tropical plywood exporter
- China will stabilize production and expand exports, although maybe not as fast as in the past, and could be the nr. 1 exporter by 2007
- Brazil will continue to supply plantation coniferous plywood faster than tropical
- Africa will continue to increase production and trade from low base, but growth depends on investment and market access
- Japan will continue to shrink as a (tropical) plywood producer/importer
- USA market will continue to grow for wood-based panels, probably less for tropical plywood
- EU trade of wood panels (imports and exports) will continue a downward trend, slow for imports, probably faster for exports
- India's plywood production is growing fast and its market potential is increasing

**SESSION 2: OPPORTUNITIES AND CHALLENGES FOR TP TRADE**

- New products (film, wire mesh, combi-ply), softwoods plywood and reconstituted panels (mainly OSB) will continue to reduce demand for tropical plywood (TP)
- Increasing pressure from logistics as a result of high oil price, vessel shortages, etc, will continue to increase TP production and trade costs
- The forestry industry, specially tropical forestry industry, is highly regulated with numerous legal and regulations imposed along the process and supply chains
- Non Tariff Trade Barriers (NTTB) are gaining more importance and are increasing costs for tropical plywood production
- Tropical countries' expertise to meet NTTB market requirements is low and is dependant on international expertise
- TP is affected by sharp price fluctuations and poor price transparency
- China soon to be the largest TP producer and will further monopolize the low-value segment of the TP market. Other producers, such as Malaysia and Indonesia, have few other options then to move up the value chain with more added-value products

- Chinese plywood will continue to substitute Asian, African and L. American products and its quality will continue to improve
- Tropical plywood will retain niche market segments where high quality-use is required

### SESSION 3: TECHNOLOGICAL DEVELOPMENTS

- More technical innovations are needed to adjust to smaller diameters, to increase processing efficiencies and to produce more added-value products
- Need to improve TP quality-control testing and procedures; and different standards and testing procedures with no mutual recognizance, is limiting TP producers access to markets
- Costs for quality certification are generally high, and limits market access specially for small tropical plywood producers

### SESSION 4: RAW MATERIAL SUPPLY

- Progress towards Sustainable Forest Management (SFM) and certification of natural tropical forests should proceed faster and over larger areas
- Shift to plantation-based supply will continue for several technical, financial and environmental reasons, but natural forests in the tropics will still supply the bulk of the production for the next decade
- Compliance to “Sustainable Forest Management”; “legality” and chain-of-custody-related market requirements will increase;
- Certification, timber procurement schemes (private, government) and chain of custody systems are increasing the costs of log production. Price premiums are neither guaranteed nor uniform across markets. In some sensitive markets, such as the UK, there are indications that premiums of 2 – 30 % are emerging
- Exports of tropical logs will continue to become more restricted while log exports from temperate and boreal sources (mainly Russia) will increase
- Tropical natural forests have not attracted significant private investments due to low economic returns, political, social and environmental reasons

### SESSION 5: CORPORATE RESPONSIBILITIES

- Environmental and social concerns will increase and lead to more regulations and procurement policies/rules in the market
- Corporate Responsibility requirements will increase and are to be applied equally to all (tropical) plywood manufacturers and raw material/log suppliers; incl. to those in China and Russia

### CONFERENCE RECOMMENDATIONS

In collaboration with ITTO member countries, tropical plywood producer and trade associations and relevant national and international agencies involved in promoting

sustainable production and trade of forest products from tropical countries, the Conference urged ITTO to:

- Prepare and help implement national strategies to strengthen the development of tropical plywood industries through a.o. reviewing sustainable sources of wood supply, including from natural forests, plantations and imports from other tropical timber producers; and analyze the private sector's investment opportunities for improving TP manufacturing and trade;
- Enhance the capacities of tropical plywood producing countries in:
  - implementing SFM of natural tropical forests and for developing appropriate policies/incentives for plantation development in the tropics;
  - develop and provide relevant incentives for increasing product quality and for producing more added value products;
  - better understanding of and compliance to market requirements, such as quality standards, NTTB, procurement policies and other market access impediments mechanisms; and
  - promoting the use, image and sustainable trade of tropical plywood;
- Assist TP producer and trader's associations to strengthening their capacities to service their members by:
  - improved information sharing and training on appropriate processing technologies and market information intelligence;
  - helping tropical producer's associations in their lobbying capacity and strategies to advance sustainable forest industry development in their country and in the tropics; and
  - promoting initiatives, such as elaborating appropriate Code of Conducts to help tropical plywood producer and trading companies to participate actively on the international stage to improve their environmental and social corporate responsibilities;
- Promote tropical plywood produced from sustainable sources in the international markets, through a.o.:
  - the review of procurement policies and to facilitate their mutual recognizance and market access considering discussions under the Doha Agenda (WTO);
  - to assist and facilitate in collaboration with other agencies and TP trade associations, discussions and initiatives between TP producers and consumers to address price volatility, price insurance options and to remediate the lack of market transparency, such as, for example, to evaluate and reactivate, as appropriate, the listing of TP on the Shanghai Future Exchange;
  - supporting producing countries to combat illegal logging and its related trade; and
  - supporting harmonization of grading standards of tropical plywood among the markets;

- Enhance exchange of information at national, regional and global levels on TP production and trade between producers, traders and consumers through, among others:
  - strengthening ITTO's Market Information Services (MIS);
  - to convene at regular intervals (every 4 years) an international Conference on Tropical Plywood;
  - to convene expert meetings on specific technical issues;
  - in depth market studies for tropical plywood in major consumer markets;
  - comparative studies on the production costs and technologies of tropical and non-tropical plywood in the major producer countries; and
  - projects, national seminars and training sessions, publications in ITTO's Technical Series, etc;
  
- Analyze and promote appropriate financing systems and ways of how to increase (private sector) conditional investment as a tool to promote tropical forests and TP production;
  
- In collaboration with the World Customs Organization (WCO) and relevant Trade Associations, review the Harmonized System Chapter: 44.12; incl. to review listing of tropical species and to better define tropical plywood so as to improve trade statistics;
  
- In collaboration with relevant agencies (FAO, ITTO and others) and countries; support and improve ongoing forest resource assessment and forest management assessments, especially to qualify and quantify the available timber supply for industrial uses and its future trend; and
  
- Make the materials presented at the conference and its proceedings (including translations of a Summary of the Conference and its Recommendations in Chinese, Spanish and French) widely available.