



***International Tropical Timber
Organization Market Discussion***
44th Session of the International Tropical Timber Council

Intra-regional Trade in Challenging Times: The Role for ITTO

Presentation by:

Brent J. McClendon, CAE

Executive Vice President

International Wood Products Association



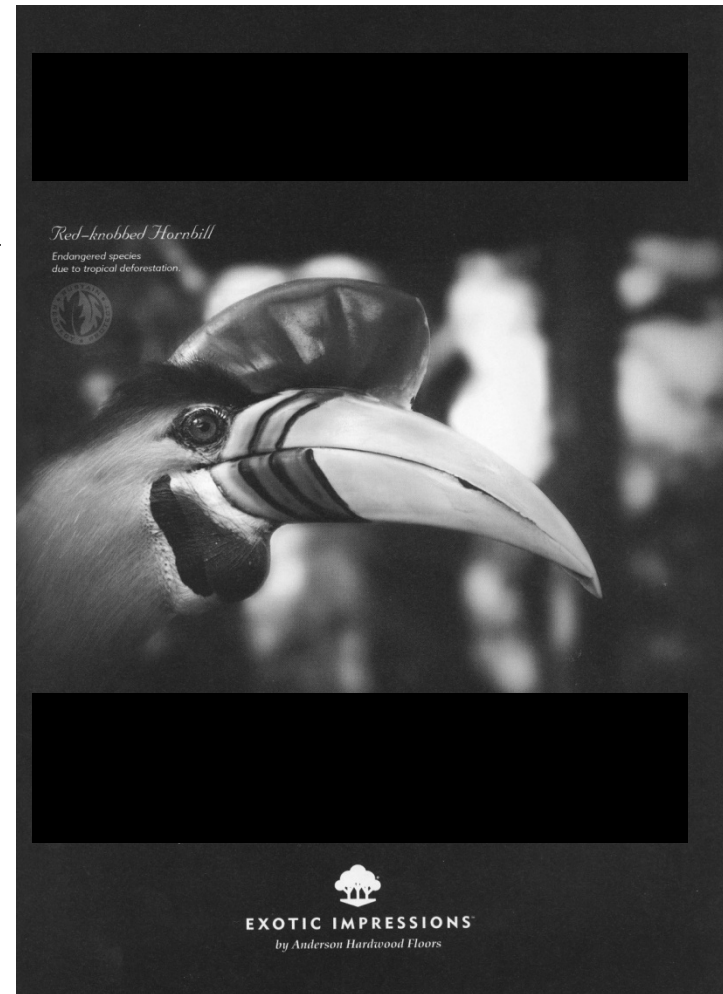
Promote Truth, Not Fear

U.S. company getting it wrong...

Red-knobbed Hornbill
Endangered species due to
tropical deforestation

Company Tagline (website):

While exotic hardwoods may add mystery and drama to your living space, they also come with a high environmental price tag. Now you can have the look of exotics without the guilt.....





About IWPA

Profitability, Sustainability, Growth.

The International Wood Products Association (IWPA) represents more than 200 companies and associations from 30 countries:

- ***U.S. Importers***
- ***Offshore Suppliers***
- ***Shippers, Brokers, etc.***

Sustaining Forests - Sustaining Trade



Economic Crisis in U.S.

- **Consumer Confidence is low.**
- **Housing Market!!**
- **Companies have shed jobs, can't get credit.**
- **Volatility and unpredictability – markets, oil, currency.**





U.S. Housing & Remodeling

- **Single-family home building** permits fell to a 26-year low in August 2008.
- **Remodeling** – plummeted. Equity values down, can't get “new credit”.

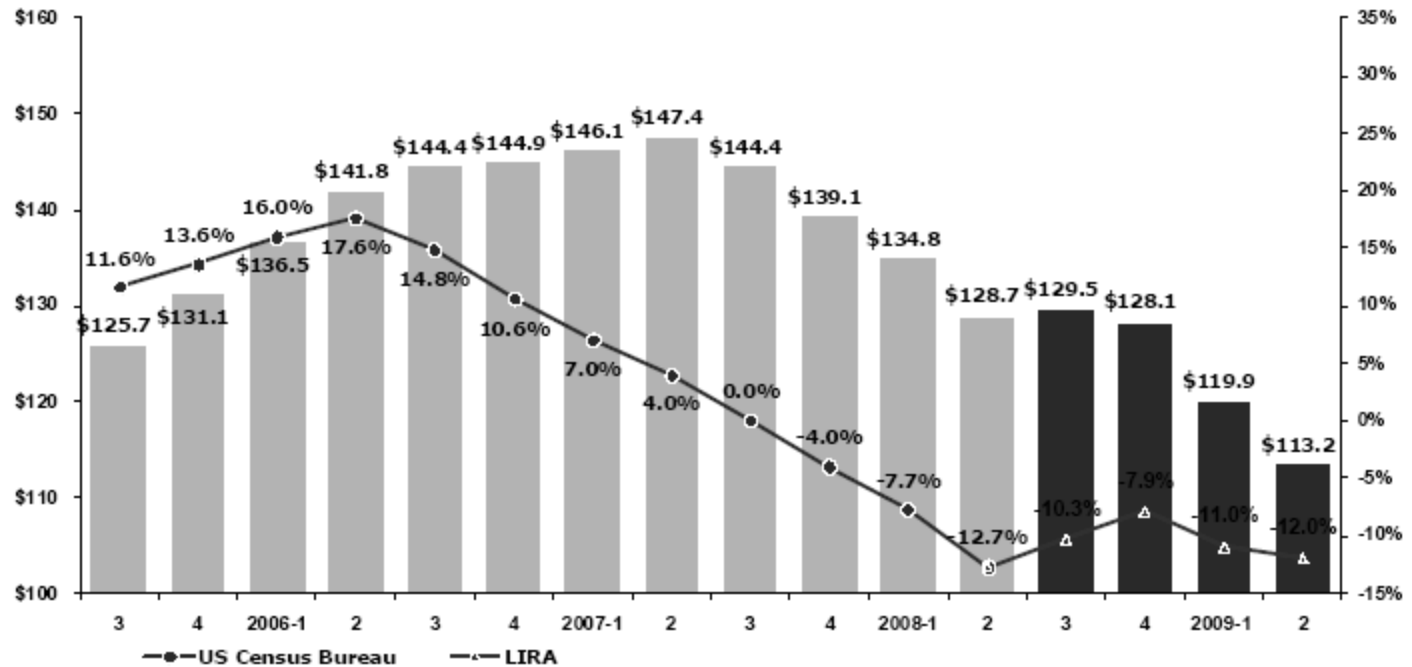




Leading Indicators for Remodeling Activity in USA

Homeowner Improvements
Four-quarter moving totals in Billions of \$

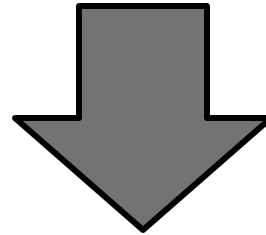
Four-Quarter Moving
Rate of Change



Source: Joint Center for Housing Studies.



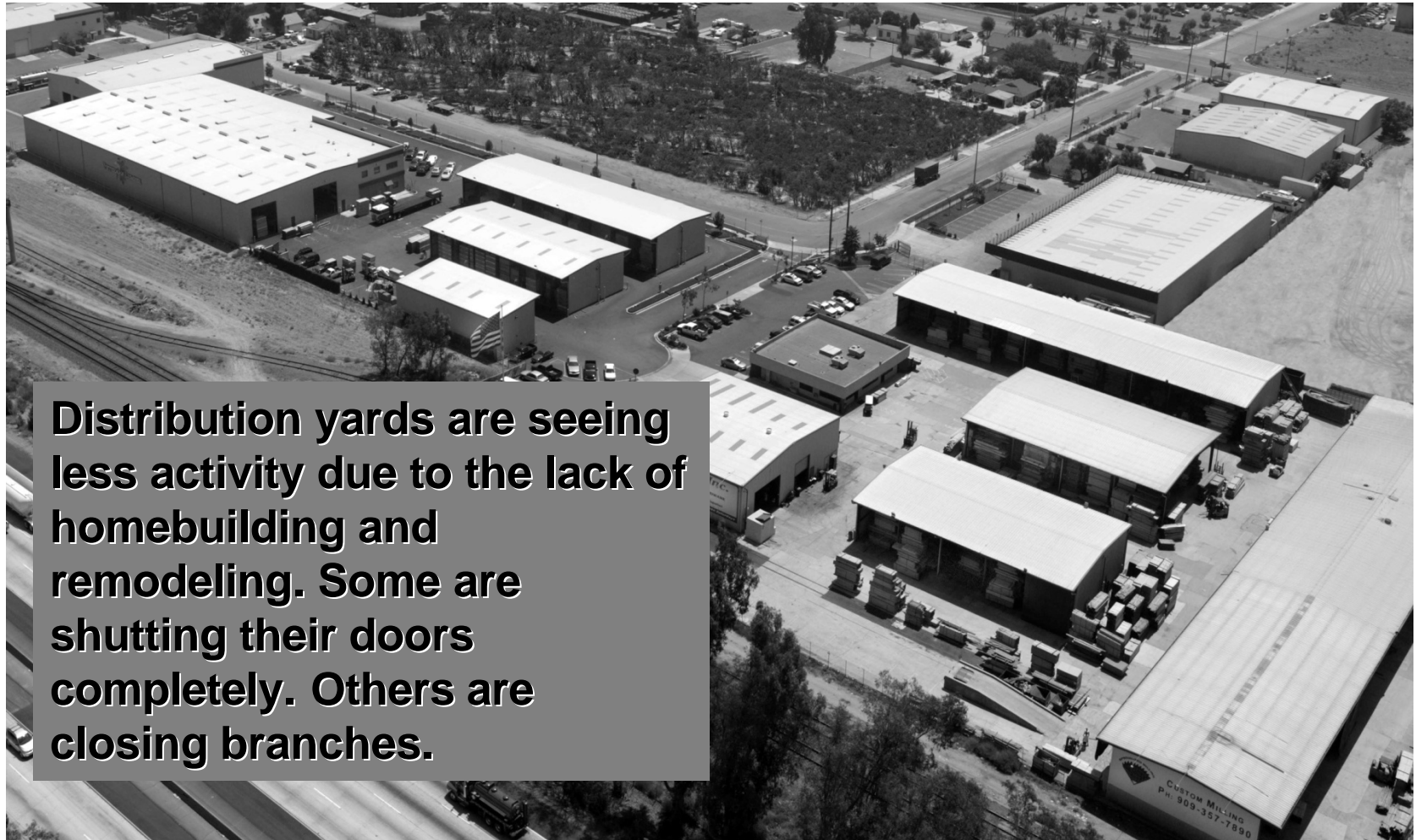
U.S. Demand for Wood Products



- **Cabinets:** Down 16% from previous year
- **Flooring:** Down 17% from previous year
- **Furniture and home furnishings** store sales: Down 8%
- **Moulding and Millwork:** Down each of past 8 months.
- **RV Shipments:** Down 50% from March
- **Manufactured Housing:** Down 14%
- **Hardwood Plywood imports:** Down 21%
- **Hardwood Lumber imports:** Down 27%
- **Wood Components:** Down 25%



Distribution Yards



Distribution yards are seeing less activity due to the lack of homebuilding and remodeling. Some are shutting their doors completely. Others are closing branches.



Transportation: Trucking

More than 1,900 trucking companies failed in the first half of 2008. More than 88,000 trucks (4.5%) of the nation's capacity, were idled during the same time.

Source: Kansas City Business Journal; Avondale Partners LLC August 2008 Report on trucking sector.



Back to Basics



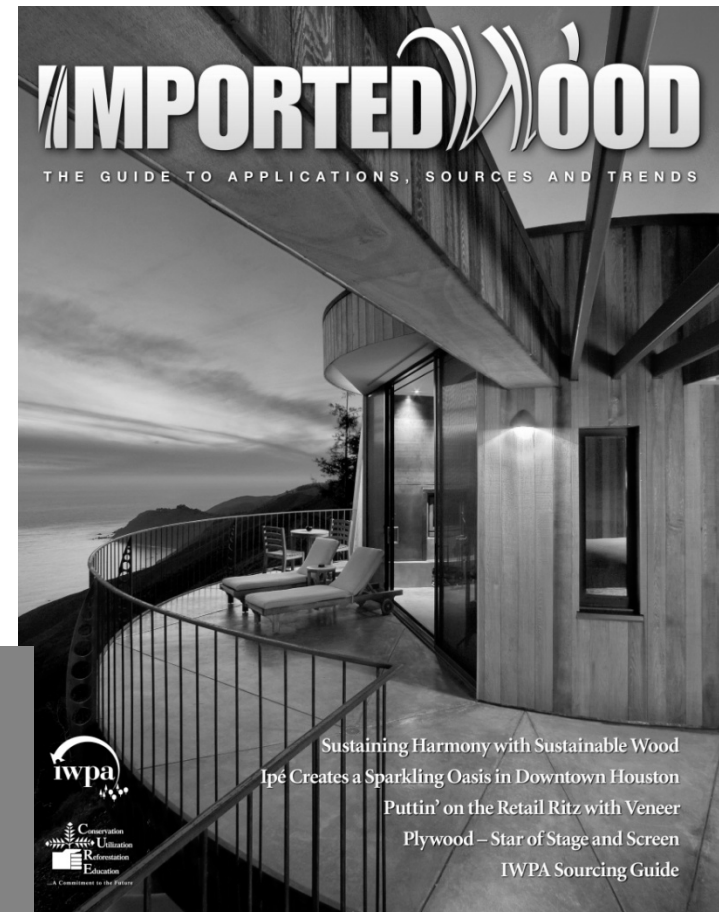
***Sustainable Forests linked with
Sustainable Trade***



Strengthen Marketing Efforts

- **Market Promotion** of tropical wood as a commodity.
- **Education** – Tackling hot button issues: legal trade, SFM, CITES, benefits of wood

IWPA's *Imported Wood* magazine shows the diversity of imported woods. Targeted to architects, specifiers, builders, and the trade. Distribution over 15,000 in the USA.



Get the message out...

THE HILL

September 19, 2007

Illegal-logging bill misses mark

Op-Ed By Brent McClendon
It is unfortunate that companion bills by Senator Ron Wyden (D-OR) and Representative Earl Blumenthal (D-OR) places undue responsibility on small family businesses to enforce foreign laws, makes U.S. Customs regulations more complex and provides no protection for innocent owners. It is anti-small business and an anti-competitive swipe at a community engaged in fair trade. If passed as written, the legislation could lead to harmful and ironic consequences—lost ground in the fight against illegal logging while harshly impacting U.S. jobs...

THE WALL STREET JOURNAL

July 28, 2007

Biggest Threat to Forests Is Still Land Conversion

By Brent McClendon Executive Vice President International Wood Products Association
Customers of imported wood products should be assured that their goods are legal and have been approved by government officials from both the country of export and country of import and they are accompanied by the necessary permits, documents and paperwork that allow them to be traded legally under international and national laws and regulations.

WOODdigest

April 2007

IWPA members stay positive

Initial feedback from the industry suggests that business is tightening, but many International Wood Products Association (IWPA) members remain optimistic for 2007 citing low unemployment, low inflation and reasonable interest rates.

"While a widely reported slowdown in U.S. construction dampens excitement, the overall mood is guarded optimism," says Brent J. McClendon, IWPA executive vice president.

npr

October 16, 2007

Lawmakers to Halt Illegally Harvested Timber

STEVE INSKEEP, host: And let's report on another resource that people want to make sustainable - wood. Today, Congress examines legislation aimed at shutting down the U.S. market for wood that is harvested illegally abroad...

Mr. BRENT MCCLENDON (International Wood Products Association: It's certainly a feel-good initiative that we all share the ideals of. Who doesn't want to stop illegal logging overseas?

SCHALCH: But Brent McClendon, vice president of the International Wood Products Association, says the burden on importers is too heavy because shipments could be seized, even if the importing companies have no idea that anything is amiss. He says legal and illegal wood can look exactly alike.

ENVIRONMENT & ENERGY DAILY

October 17, 2007

FORESTS: Bush admin would extend Lacey Act to stop illegal timber imports

Dan Bertram, E&E Daily senior reporter
"The supply chain in lumber is far longer and more complex" than the fish and wildlife trade the Lacey Act currently addresses, said Craig Forester of the Rex Lumber Co., representing the International Wood Products Association. "It's very difficult to audit that trail."

AP The Associated Press

August 1, 2007

Lawmakers seek to curb trade in illegal timber

The International Wood Products Association, which represents wood importers and suppliers, opposed the logging bill, saying it would "deputize" U.S. companies to enforce foreign laws.

"Creating new laws that make U.S. family businesses responsible for law enforcement in foreign countries, while at the same time not giving these companies any way to protect themselves against U.S. government prosecution, does nothing to stop forest destruction," said Brent McClendon, the group's executive vice president.

WOOD & WOOD PRODUCTS

November 2007

IWPA REP TESTIFIES AGAINST ILLEGAL LOGGING BILL

"This legislation is well-intended, but attempts to get illegal logging by deputizing small, family businesses to enforce foreign laws," Forester said. "If enacted, U.S. importers, manufacturers and distributors can be held responsible for illegal acts overseas at any step of the supply chain — violations that they would have no reasonable expectation to know about, much less the underlying laws that exist in all foreign countries."



Craig Forester



Lacey Act

http://aphis.usda.gov/plant_health/lacey_act/

- The Lacey Act, as amended, is an important new tool that will help the United States combat illegal logging.
- Illegal to import or transport, any plant taken in violation of U.S. State laws, or any foreign law, that protects plants.
- Illegal to trade in plants sold without the payment of appropriate royalties, taxes, or stumpages fees.



Lacey Declaration Requirement

- Declaration must be made at time of importation.
- Products covered by declaration includes:
 - Commodity products (lumber, plywood, flooring)
 - Value-added products (furniture, doors, windows)
 - All products containing wood extracts (all printed matter, lemonade, cars, pharmaceuticals)
- Declaration must contain:
 - Scientific name of **plant** (including genus & species) that may be included in product imported.
 - Value of importation / Quantity of the **plant**
 - Name of the country in which the **plant** may have been harvested



Lacey Declaration Requirement

Plant Import Declaration (cont.)

SECTION 2 - Compliance with Lacey Act Requirements (16 U.S.C. 3372(f))

10. DESCRIPTION OF MERCHANDISE:		
11. HTSUS NUMBER:	12. ENTERED VALUE: (in Dollars)	13. % RECYCLED MATERIAL: (if paper/paperboard)

For each article or component of an article, provide the following:

14. ARTICLE/COMPONENT OF ARTICLE	15. PLANT SCIENTIFIC NAME: (Genus and Species)	16. COUNTRY OF HARVEST:	17. QUANTITY OF PLANT MATERIAL:	18. UNIT OF MEASURE:
DRAFT				



IWPA Views on Lacey

- Trade celebrates Lacey
 - Marketplace now has complete assurance that imported products are legal, responsible.
 - Architects and designers can increasingly specify imported species and products.
 - Increase/maintain imports market share in U.S.
 - IWPA Compliance Packet
- Trade has concerns with Lacey
 - Protection for “good actors”? Certification no help.
 - How to prove legality? Government or Third Party?
 - Costs / Unintended Consequences on SFM?
 - Changing Purchase Terms / Contractual Terms



State Regulation: California

<http://www.arb.ca.gov/toxics/compwood/background.htm>

- Sets limits on formaldehyde emissions levels from composite wood products (hardwood plywood, mdf, particleboard) and products containing these products (cabinets, furniture)
- Effective January 1, 2009 all cwp products imported that will be sold/distributed in California must be 3rd party certified.
- Great health initiative... Only problem:
 - Only 12 certifiers approved worldwide – and 6 in the U.S.
 - Only 7 countries have companies certified.
 - China has 5,000 cwp factories – only 10 certified
 - Indonesia / Malaysia have 5 certified factories each
 - Europe / S. America do not have any certified companies yet
- de facto national standard



State Regulation: California

BusinessWorld

Furniture makers see decline in exports due to California ban

PHILIPPINE FURNITURE exports may decline because of a California ban on wood products containing formaldehyde, an industry group has said.

Furniture makers are in need of formaldehyde-free raw materials and are calling for the formation of a local certifying board to meet US standards for wood products.

Under an "airborne toxic control measure," California will start barring the entry of furniture and other wood products that have high formaldehyde emissions by January 2009, after finding that exposure to the substance may cause cancer.

ITTO Role - Facilitation

- **Bring groups together (TAG/CSAG/FSC)**
 - **Controlled Wood Status for Tropical? NWFA**
 - **Purchasing Policies - Key Components?**
- **Expand collaboration with CITES.**
- **Act as agent to begin dialogue with consuming countries, urging them to accept government docs as proof of legality, exchange info. on new laws / regulations that can impact trade.**

ITTO Role - Research

- **Continue work on consolidation of forest inventory/trade data.**

ITTO is the platform to discuss trade issues as it is the only organization with experience in the forests and international trade.



ITTO Role - Marketing



**More Generic
Marketing of the
forest products
sector.**

Consumer countries will see greater, quicker, more efficient and effective progress to SFM and legality assurance through increased specification and use of tropical wood products.

Adequate ITTO Funding

Trade in forest products helps the 450 million indigenous people worldwide who are entirely dependent on forests for their livelihoods, and another 1.6 billion people who rely on forests for food, fuel and building materials.



*Acronyms may change – REDD, UNFCCC
Can't lose focus – Wood is good*



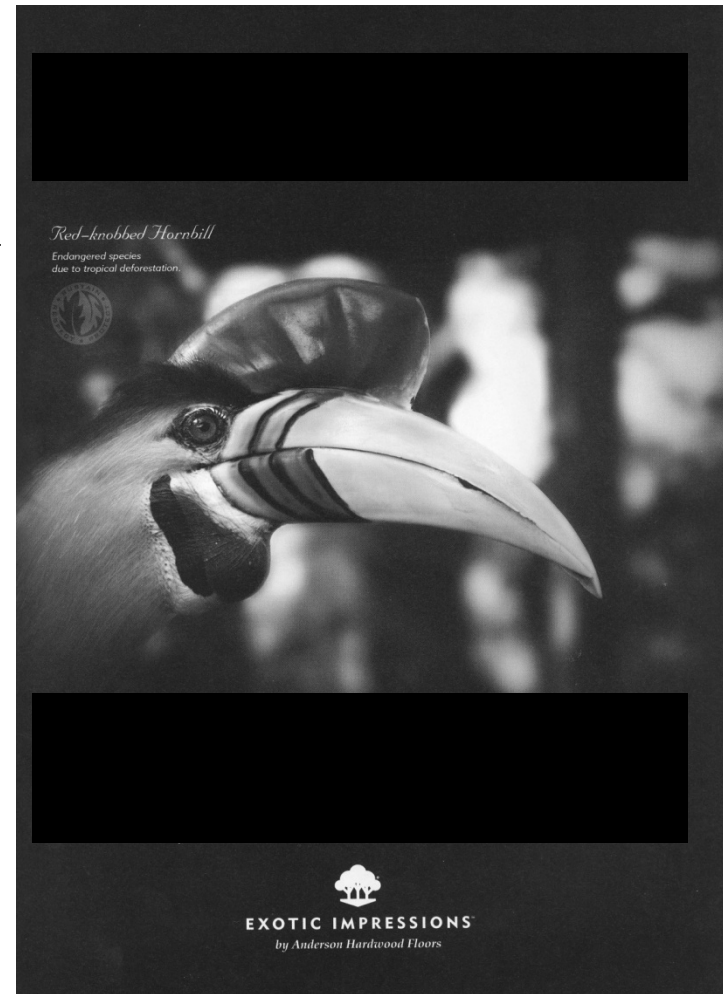
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Thank you

Brent J. McClendon
Executive Vice President
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IWPA Upcoming Event
World of Wood 2009
March 25-27, 2009
Indian Wells, California

www.iwpawood.org