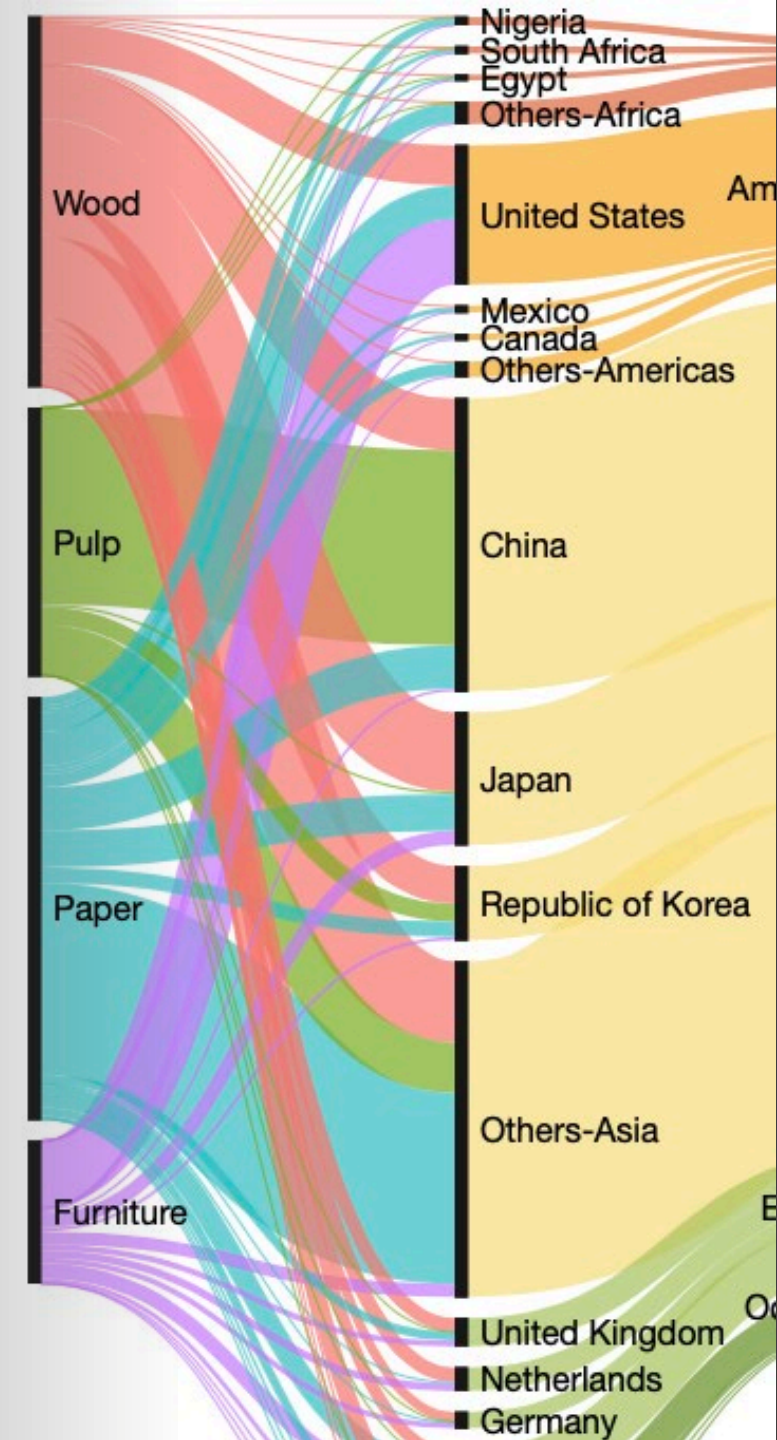
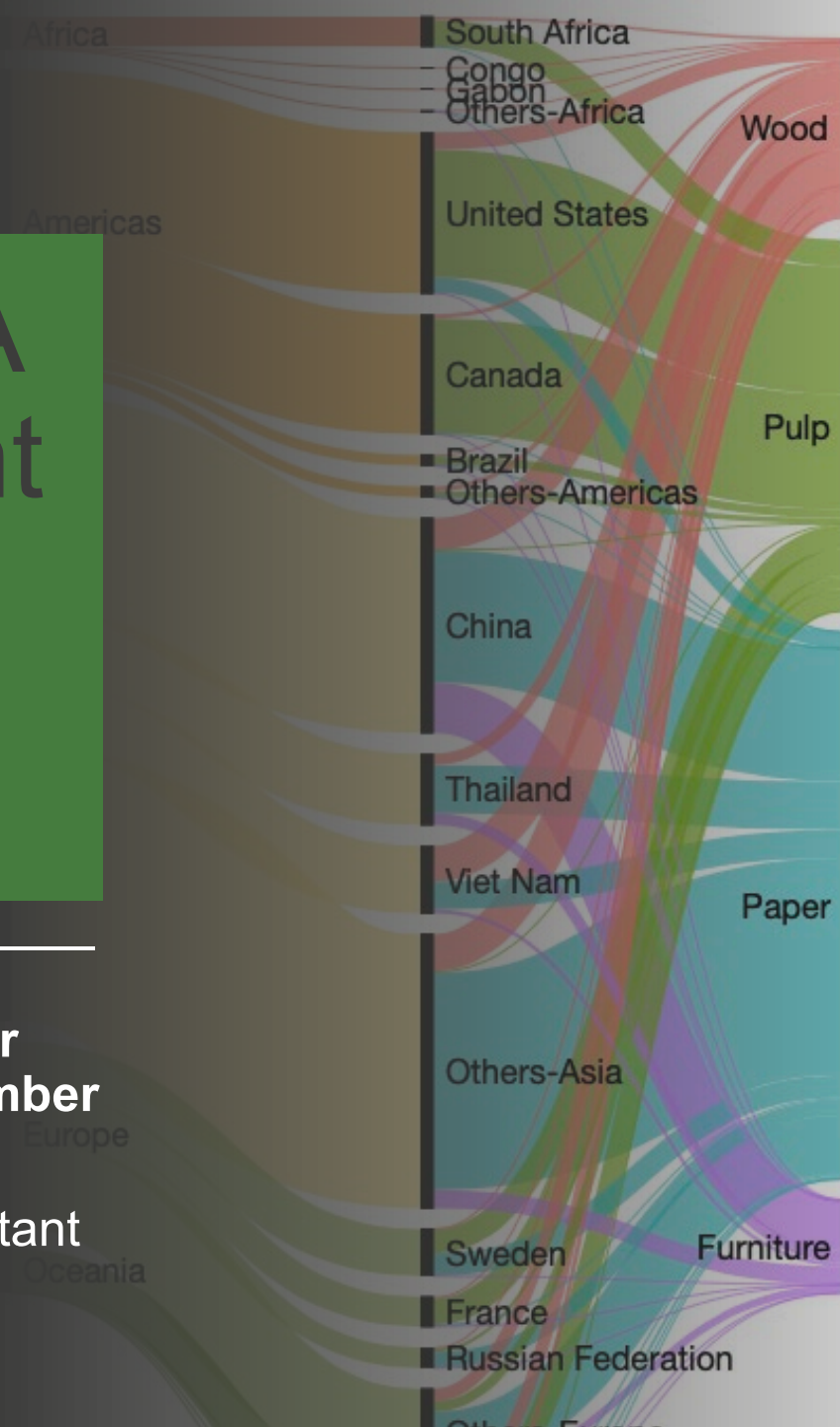


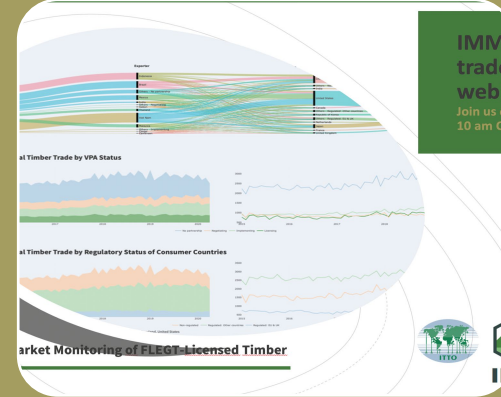
FLEGT VPA Independent Market Monitoring (IMM)

Presentation for the November
2020 International Tropical Timber
Council

Sarah Storck, IMM Lead Consultant



Presentation Outline



**IMM
Background/
Methodology**

**IMM 2020
Special Studies –
Key findings**

**IMM EU 2020
Trade Survey –
Status update**

**IMM Data
Dashboard and
tropical timber
market trends
(Rupert Oliver)**

IMM Background



Mandated by FLEGT VPAs

Funded by EC DG DEVCO & managed by ITTO

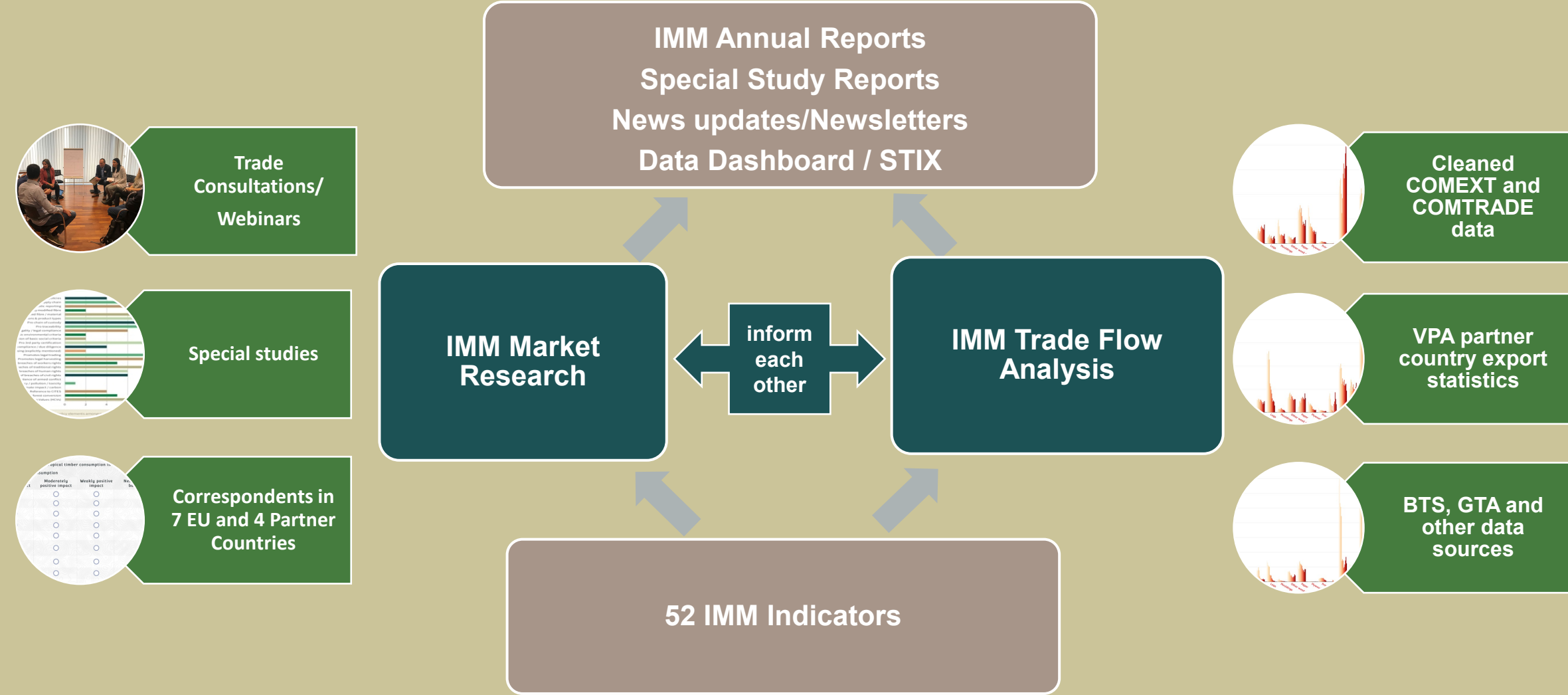
Project term extended to December 31, 2022

Objectives

- *Independently monitor FLEGT VPA market impacts*
- *Improve understanding of impacts on timber prices, trade and market trends globally*
- *Contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation*

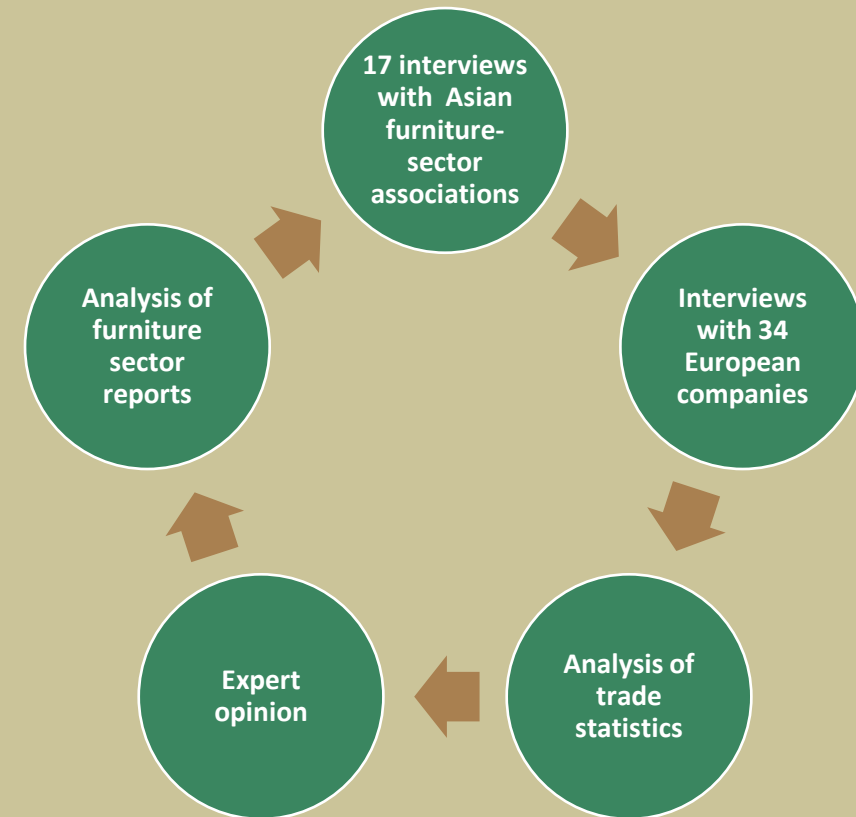
IMM has no mandate to promote FLEGT licenses, but can inform marketing strategies and raises awareness.

IMM Methodology

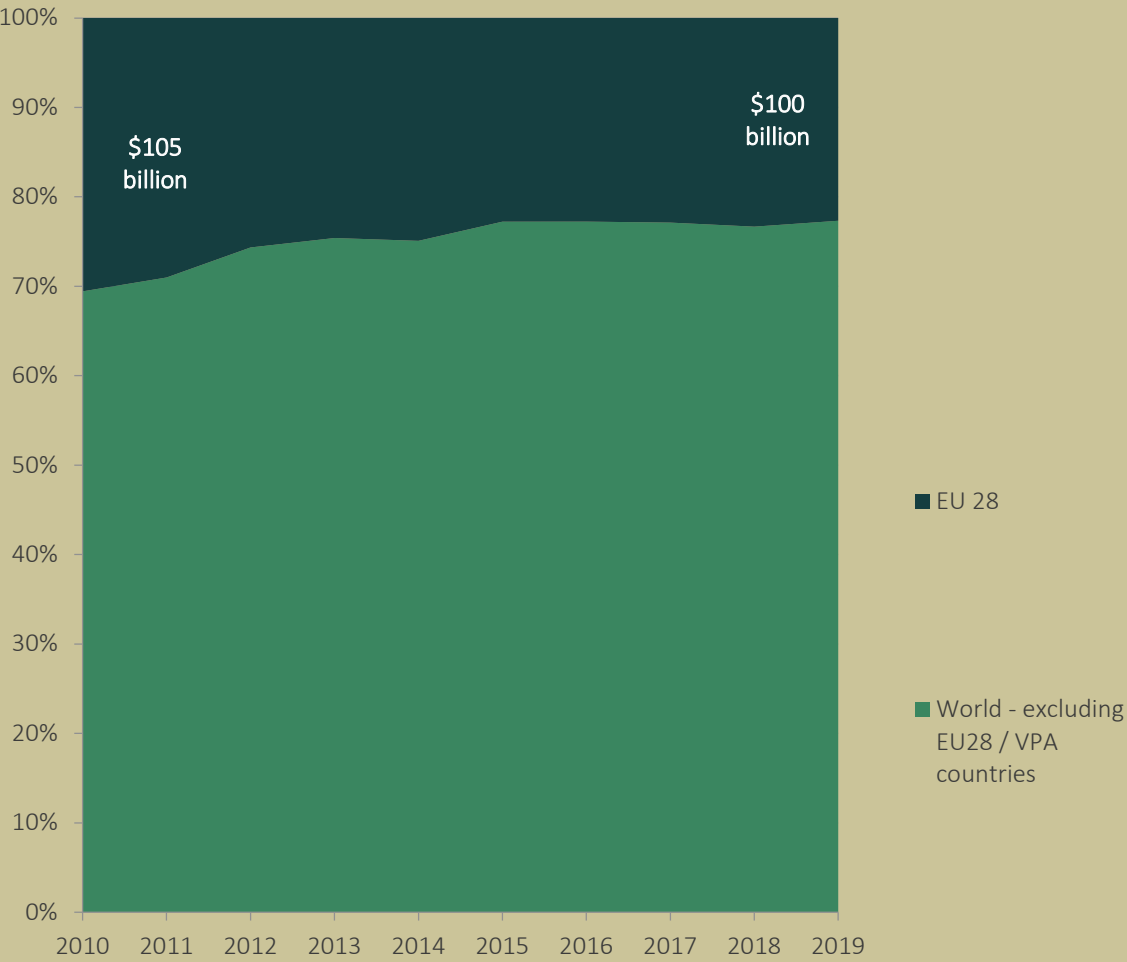


IMM 2020 Special Studies – Furniture Sector

Study	aims to:
Describe and explain	current market conditions and distribution channels for wood furniture exported by VPA partner countries and direct competitors into the EU
Elaborate and prioritise	the factors determining the relative competitiveness of VPA partner countries in relevant EU furniture market segments;
Elaborate on	VPA partner countries' marketing priorities;
Provide commentary	on the current and potential role of FLEGT Licensing to improve market access in the EU and other regulated markets;
Identify	market trends and developments for the period 2018 – 2020, specifically focusing on market developments in Indonesia, Viet Nam, Malaysia and India.

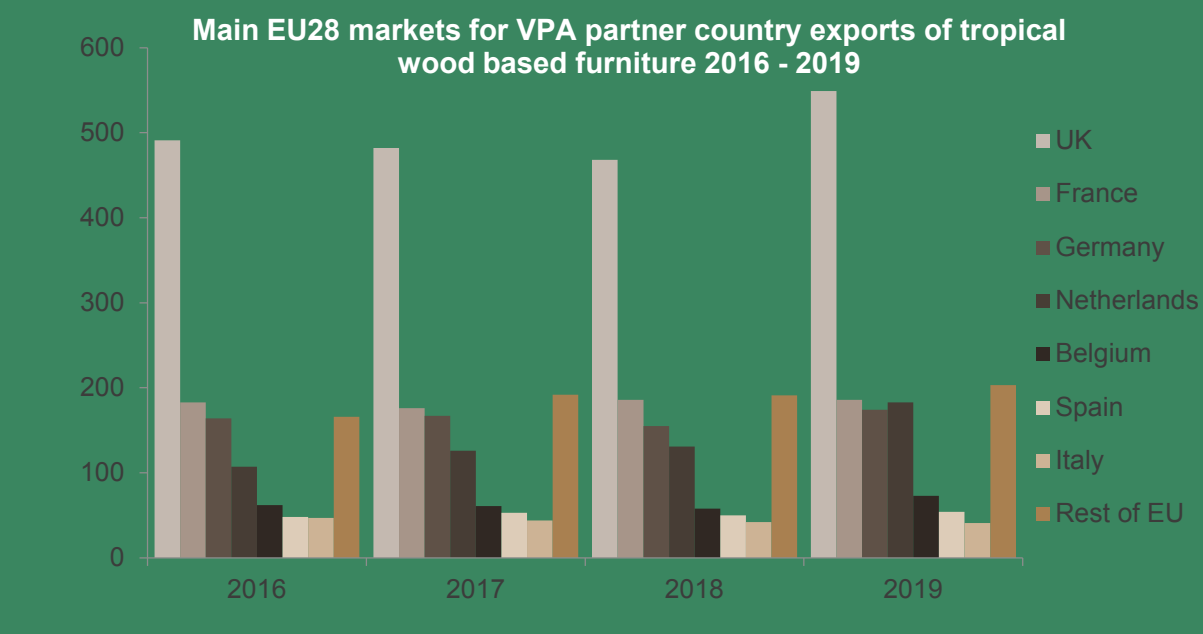
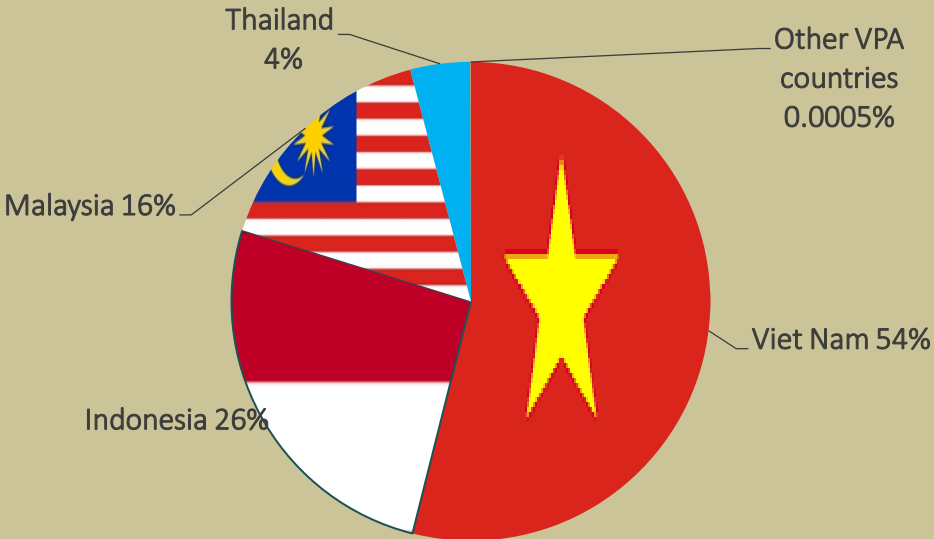


IMM 2020 Furniture Study– EU market trends

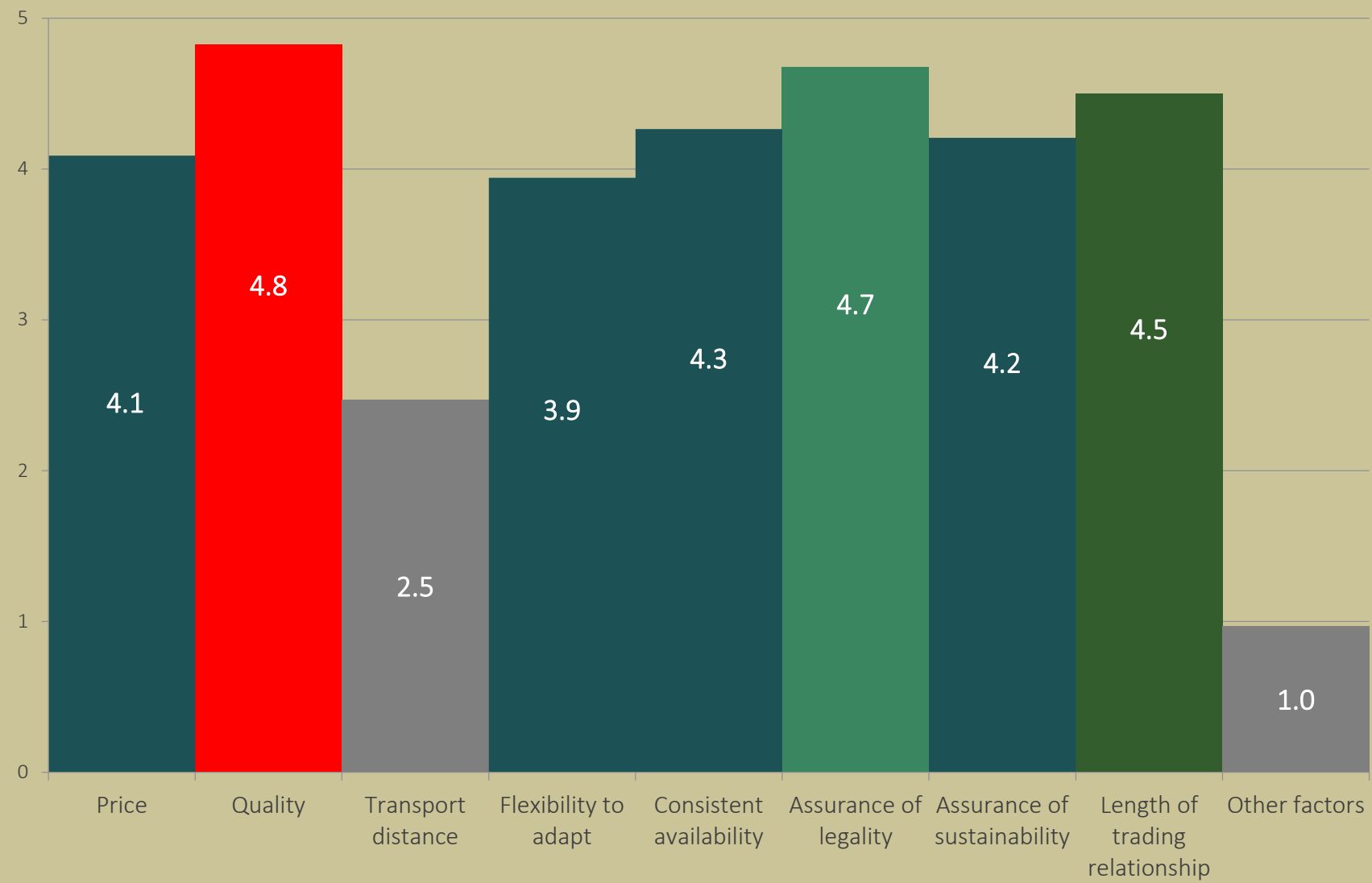


EU28 share of global furniture consumption 2010 – 2019
CSIL 2019

VPA partner country furniture exports to EU27+UK



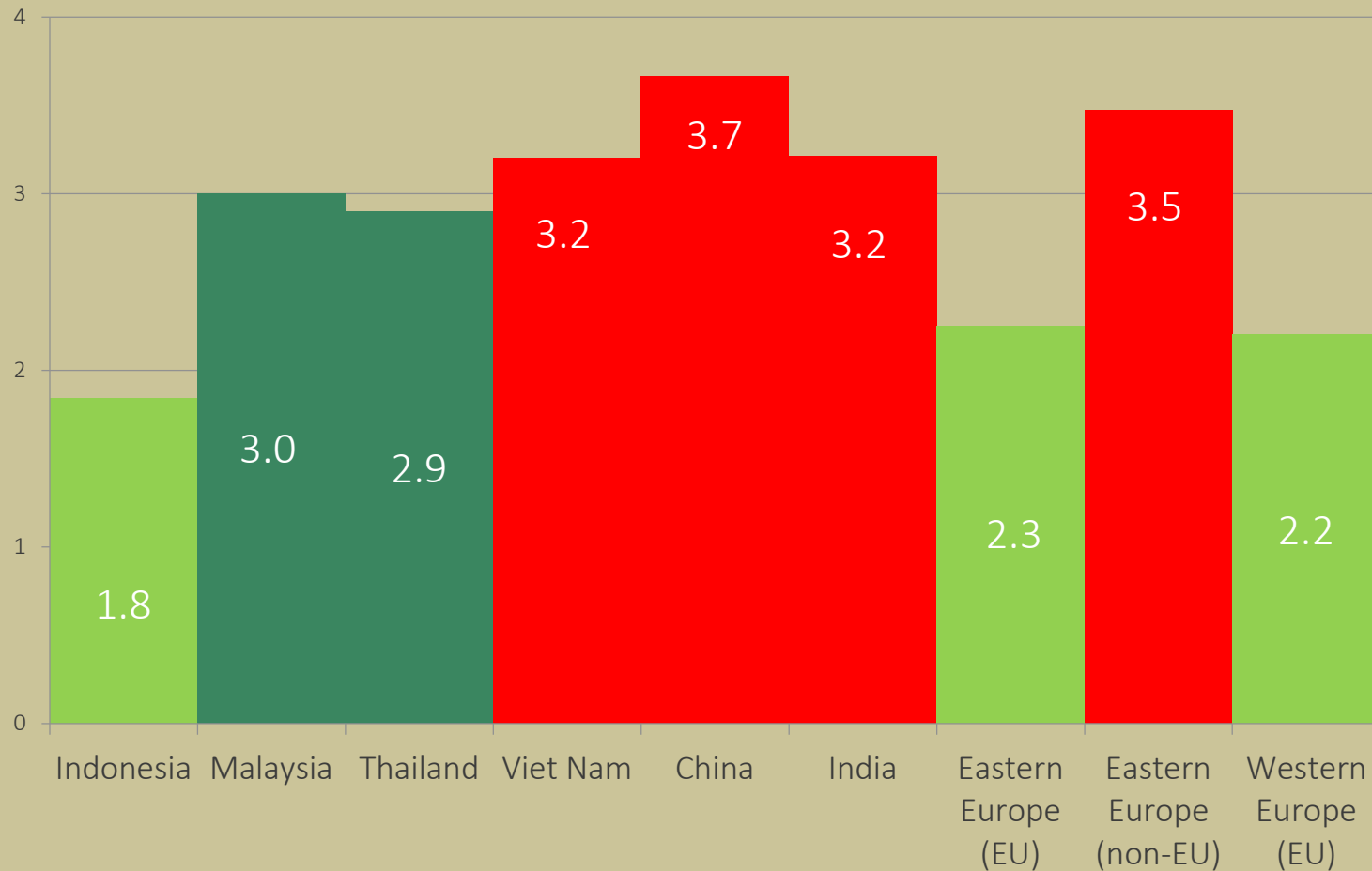
IMM 2020 Furniture Study – EU purchasing decision making



Interviewees were asked about their decision making priorities when purchasing furniture.

They were asked to consider nine different attributes and to indicate the most and least relevant to them by putting them in order of relevance **1 = lowest priority and 5 = highest priority.**

IMM 2020 Furniture Study – Proving negligible risk

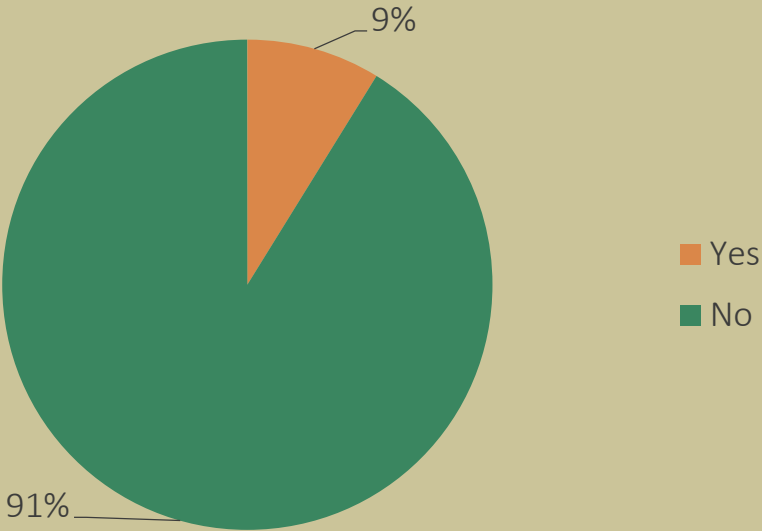


China stands alone as the most difficult country to prove negligible risk, followed by non-EU countries in Eastern Europe.

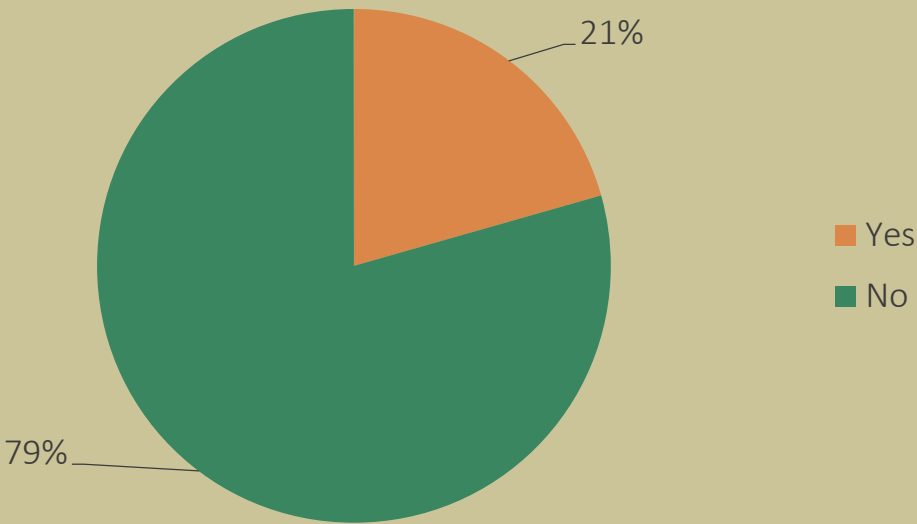
Viet Nam and India also have high levels of perception of difficulty to prove negligible risk. Indonesia has the lowest perception of difficulty of proving negligible risk of illegality from across all countries and regions within the comparison.
1 = lowest difficulty and 5 = highest.

Perceived difficulty of proving negligible risk of illegality for furniture imports from selected countries / regions

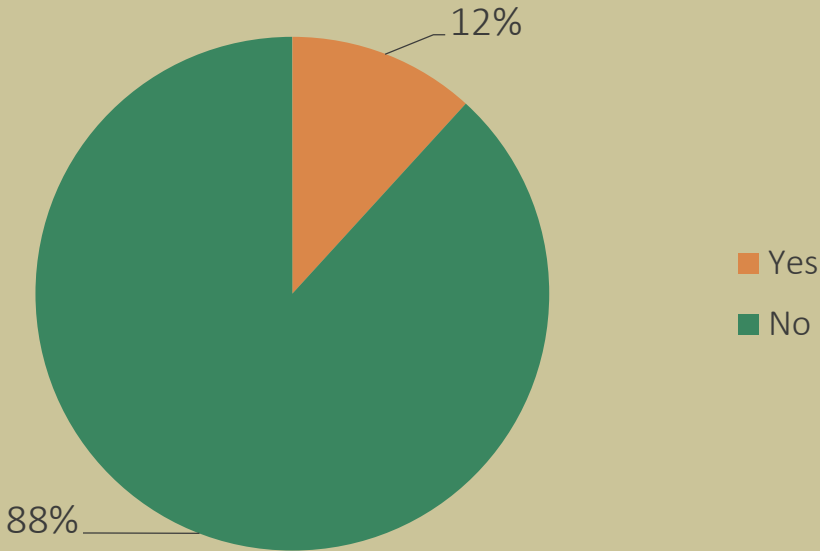
IMM 2020 Furniture Study – Changes in Purchasing Behaviour



Have you stopped importing furniture from certain countries / regions due to EUTR due diligence?

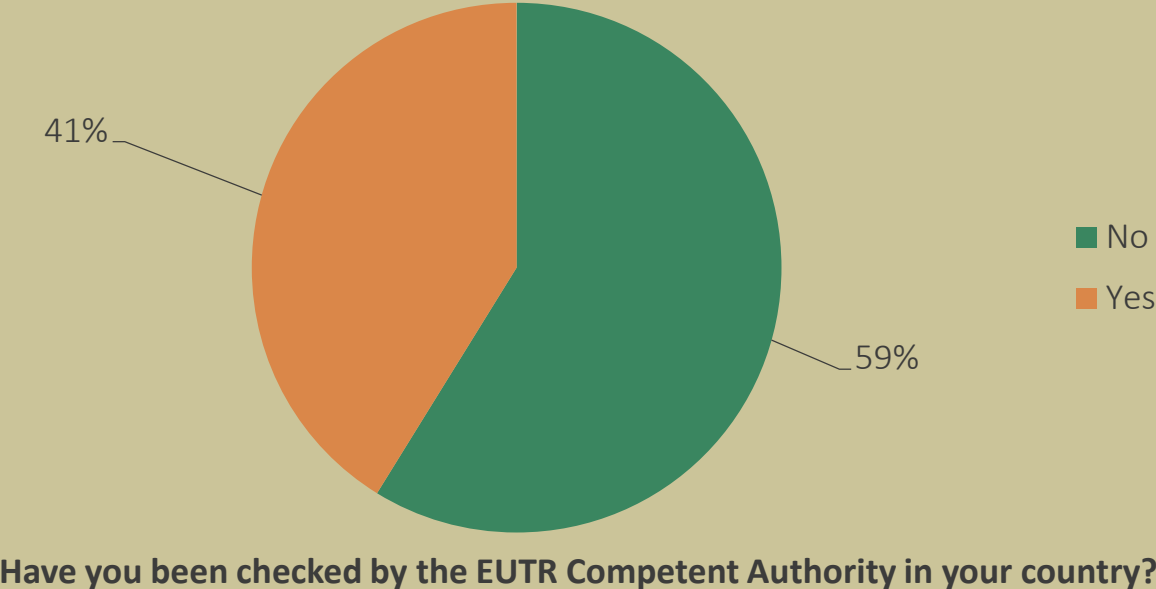
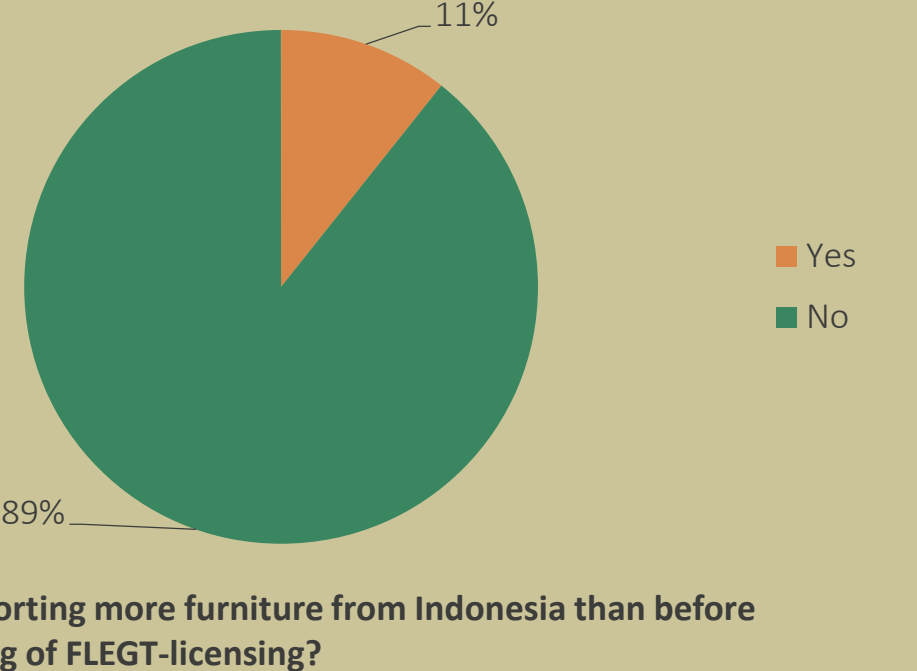
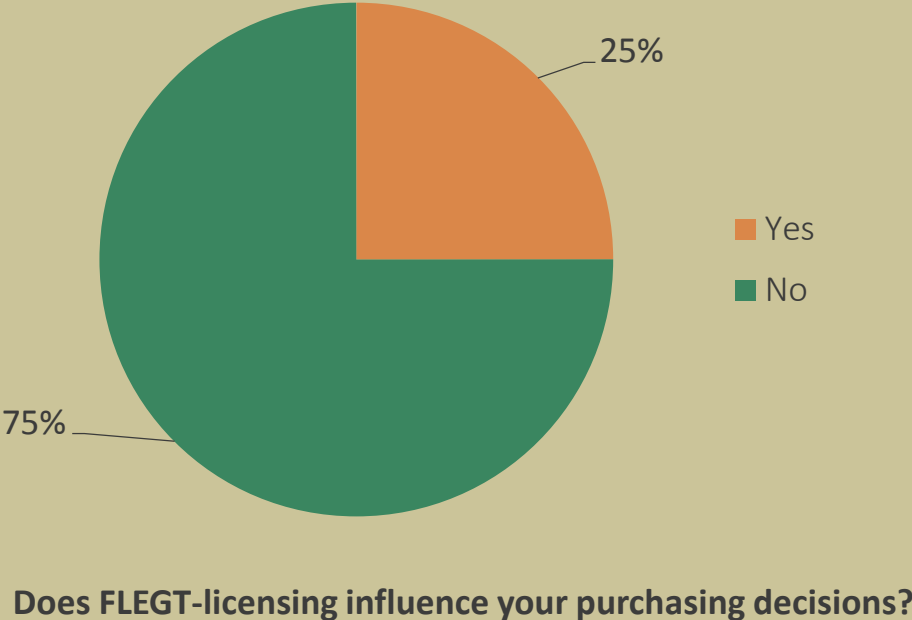


Have you dropped suppliers due to EUTR due diligence?

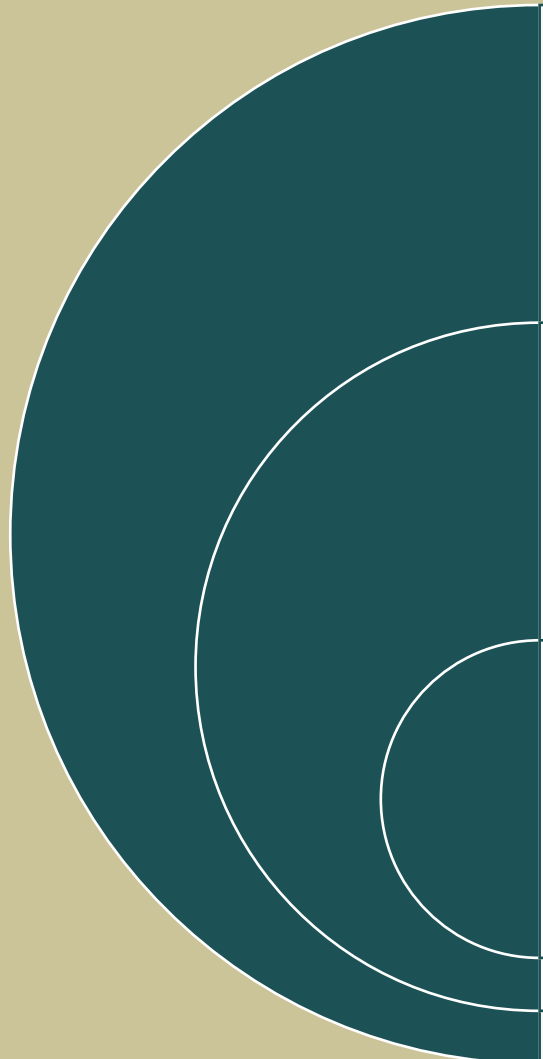


Have you stopped importing furniture containing certain wood species due to EUTR due diligence?

IMM 2020 Furniture Study – Changes in Purchasing Behaviour



IMM Investment Study – Objectives



Provide a historical review of forest sector investment and enterprise data and correlation with milestones of the FLEGT VPA process in Indonesia and Viet Nam.
Assess VPA influence on investment decisions pre-2020 through stakeholder survey.
Assess VPA potential to strengthen resilience and risk management during the CoViD-19 pandemic through stakeholder survey.

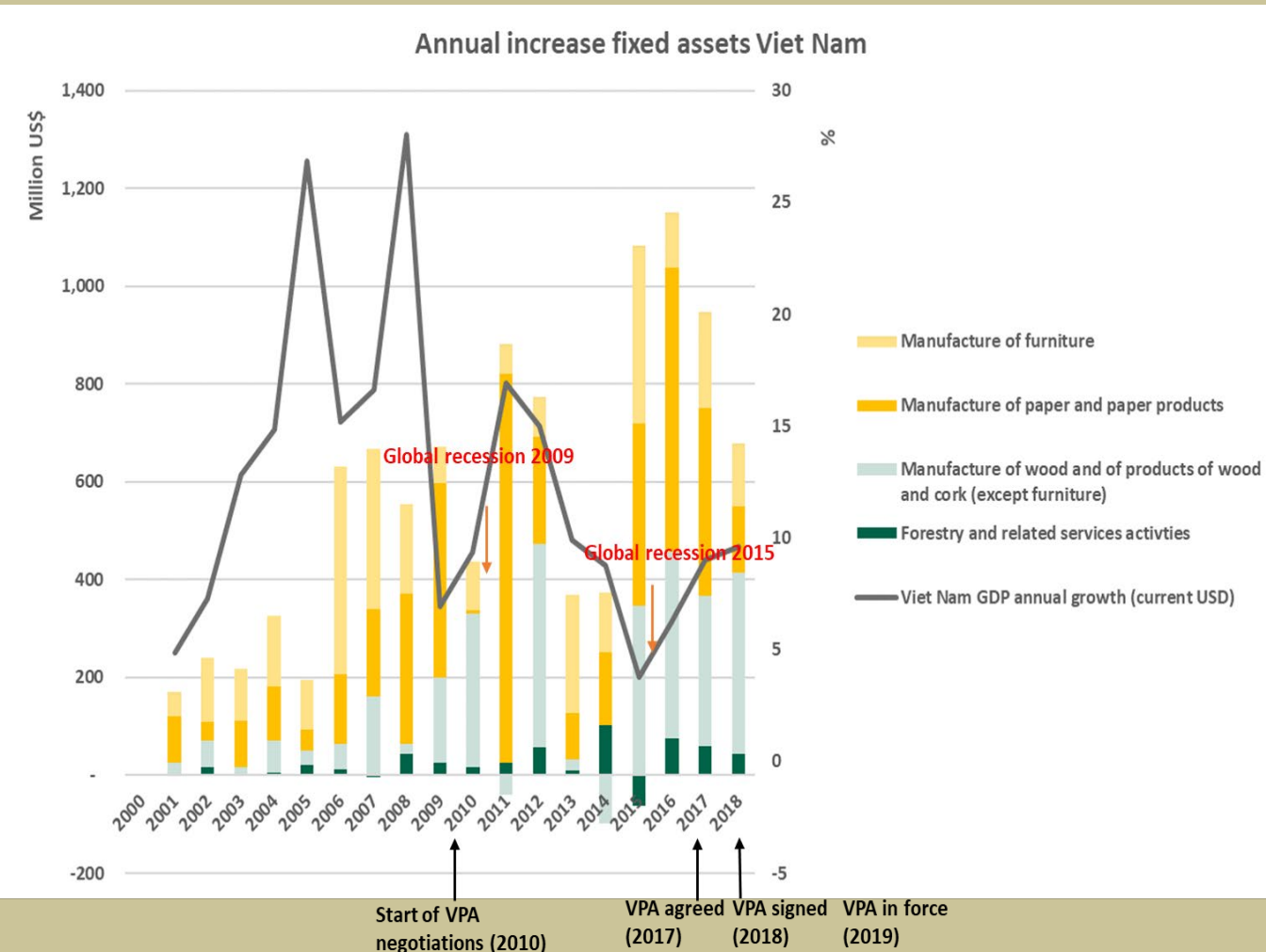
IMM Investment Study – Viet Nam Overall Impact

In Viet Nam, the in-depth study did not (yet) identify clear correlation between milestones in the Vietnamese VPA process and investment activity in the forest sector.

Comparison of the decades before and after start of VPA negotiations in 2010 shows a significant increase in average investment volumes per year.

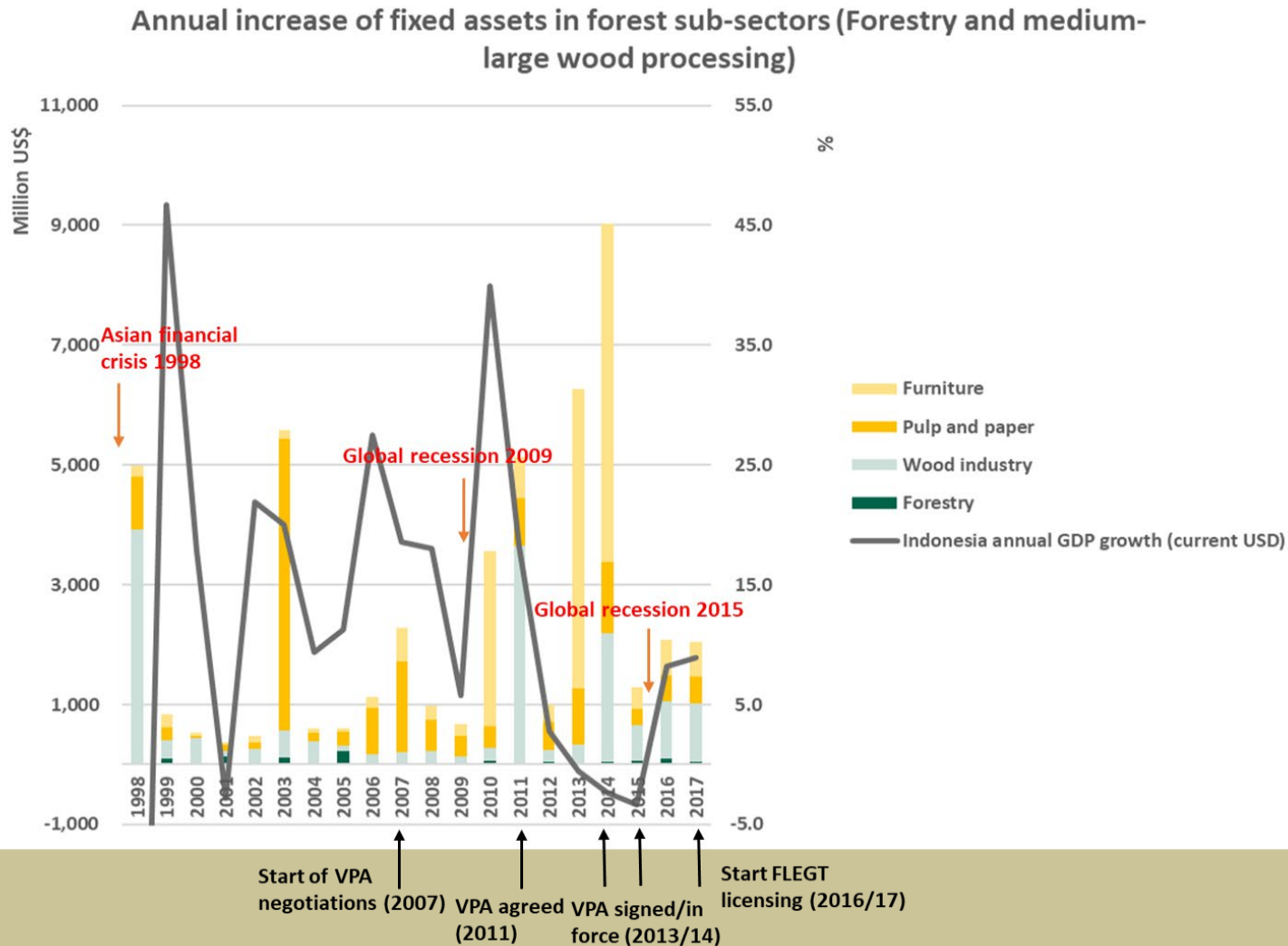
Favourable factor costs and economic reforms were identified as the major investment drivers.

However, **Vietnamese enterprises voiced high expectations in the fully implemented VPA in terms of mitigation of market risk, capital mobilisation and sector governance in the years to come.**



Source: Annual Statistical Yearbooks for Viet Nam

IMM Investment Study – Indonesia Overall Impact



Average annual forest sector investment in the pre-VPA negotiation period (1998 to 2006) of US\$1.7 billion almost doubled between 2007 and 2017 (US\$3.1bn).

Focus of investment shifted from pulp and paper more towards wood processing and furniture manufacturing.

Survey respondents **attributed this increase in investment volumes in wood industry and furniture operations at least partly to the FLEGT VPA process and related improvements in forest sector governance as well as improved Indonesian market access to the EU, the US, Australia and some Asian markets.**

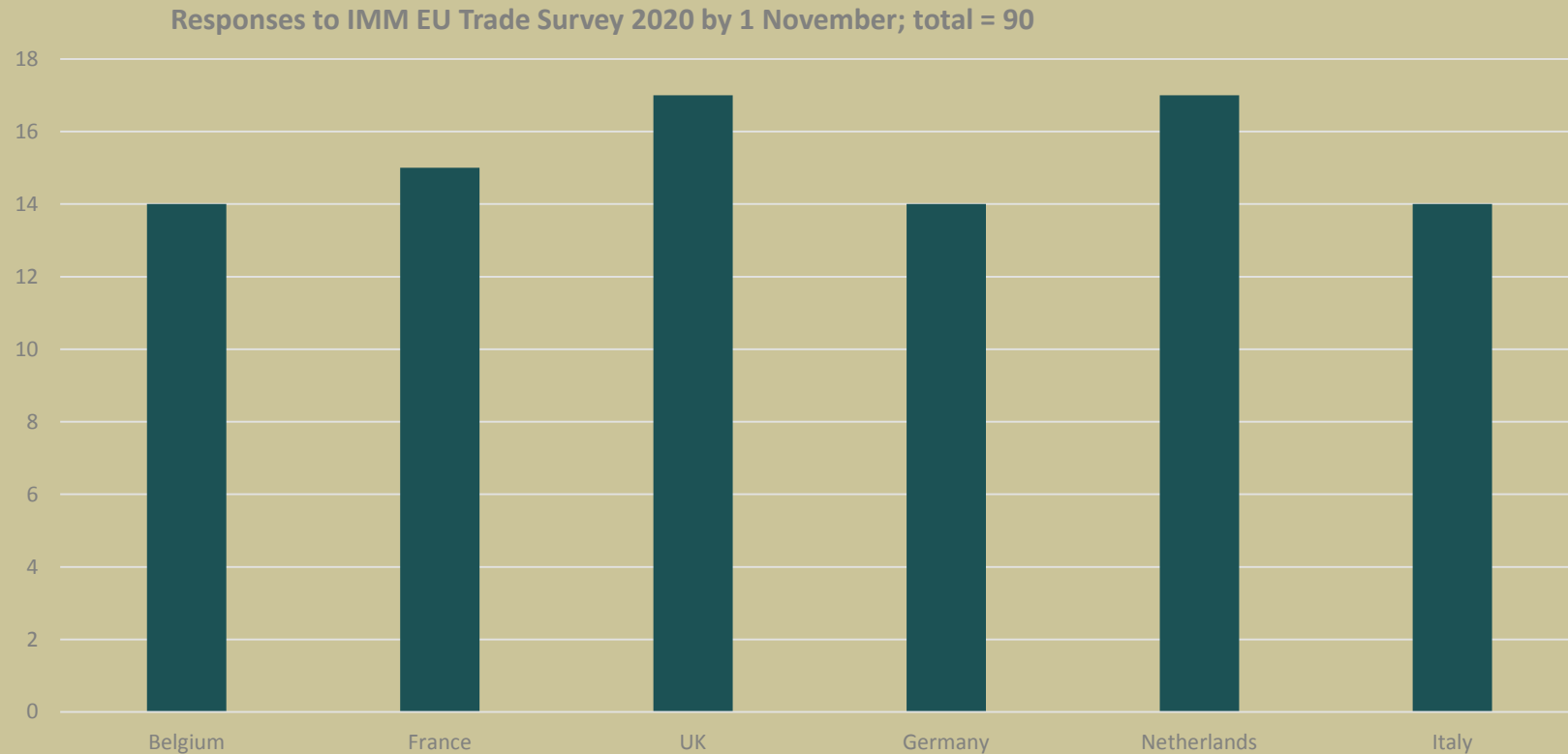
IMM Investment Study – Conclusions

A VPA alone cannot compensate for the lack of market drivers for investments
However, in countries market drivers exist, as is the case in Viet Nam and Indonesia,
VPAs can be a stimulating factor in the investment-enabling environment in the forest sector by:

- Creating **improved access to regulated markets**;
- Improving **access to capital and investors** through formalisation/improved credibility of forest sector enterprises;
- **Eliminating market distortions** through unfair / illegal competition;
- Establishing good forest governance, **addressing social and environmental risk factors**;
- Ensuring long term viability of operations by **enhancing sustainable forest management practices**.

EU 2020 Trade Survey Update

- Five EU countries + UK: Belgium, France, Germany, Italy, Netherlands, UK (83% of all EU imports of tropical timber and timber products)
- 90 interviews completed by 1 November; small number (up to 5) still pending; completion delayed by about 3 weeks due to Covid-19 pandemic
- IMM also interviews associations, EUTR monitoring organisations and CAs.
- Results will be published on the IMM website and newsletter and in the IMM 2020 Annual Report.



IMM Resources



FLEGT
INDEPENDENT MARKET MONITOR



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Key EU Countries

VPA Countries

Data Dashboard

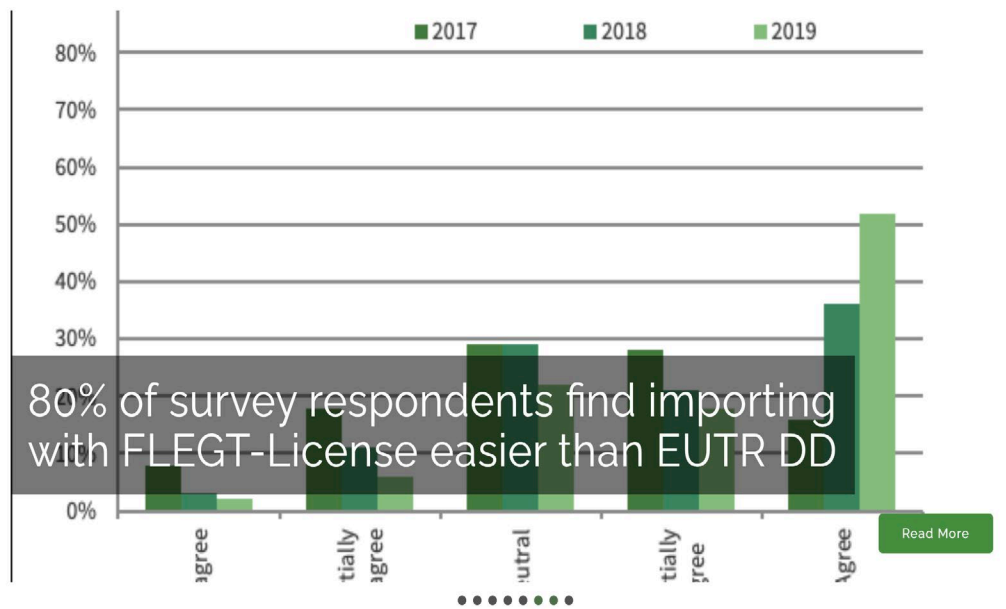
Events

Resources

EU market (May 2020 report)

Latest IMM newsletter (H2 2019)


Latest IMM Annual Report (2018)



Past Events

European Trade Consultation in Barcelona, Spain (7 October 2019)

Written on 16 March 2020.



Workshop 1. Trends in the European tropical timber sector – background, reasons and solutions (summary)

1) Presentation of IMM trade data (Rupert Oliver, IMM)


Presentation File



Workshop 2. Recognising priorities and purchase dynamics for tropical wood products. Assessing how supply chain relationships develop and the relevance or impact of FLEGT licenses (summary)

1) Architects' material sourcing practices and priorities (George White, IMM consultant)


Presentation File



2) Indonesian timber products and FLEGT-licensing (Puri Listiyani, Director of Indonesian Trade Promotion Centre, Barcelona)

Presentation File

Indonesia



Profile Industry Trade Overview Imports Exports EU Imports Data Sources and Issues

Trade Overview

Highlights

- Most wood supplied to Indonesia's wood processing sector is from domestic forest sources, with a growing dependence on plantations. Imports of primary wood are limited.
- Indonesia does not allow log exports and limits sawnwood exports to S4S (products surfaced on four sides). As a result, exports include a wide variety of further-processed timber products, ranging from S4S, veneer, plywood, pulp and paper to doors, furniture and handicrafts.
- Indonesia's timber exports were rising in 2017 and 2018 with particularly strong growth in China, but gains were also made in the EU for plywood, doors, charcoal and S4S.
- However, exports of Indonesian wood furniture and decking/moulding to the EU declined during this period, due both to supply side issues and intense competition from other wood suppliers and non-wood materials.



Resources

Written on 10 April 2019.

Background Documents

Title	Published date	Download
IMM Global Indicators	24 November 2017	English
IMM Country-Specific Indicators	24 November 2017	English

Annual Reports

Title	Published date	Download
FLEGT VPA Partners in EU Timber Trade 2018	November 2019	Full report
FLEGT VPA Partners in EU Timber Trade 2017	November 2018	Summary (French) Summary (Indonesian) Full report
FLEGT VPA Partners in EU Timber Trade 2014 to 2016	October 2017	Summary Full report
Europe's Changing Tropical Timber Trade 2004 to 2014	November 2015	Summary Full report Supplement 1. Statistical Annexes Supplement 2. Review of Market Impact Factors


Special Studies

Title	Published date	Download
IMM scoping study of FLEGT impact on forest sector investment	September 2019	Full report
EU wood promotion programmes and their recognition of FLEGT	April 2019	Full report
IMM study of EU Member States green public procurement policies and FLEGT	July 2019	Full report
EU Private Sector Timber Procurement – IMM Study Identifies Attitudes And Priorities	December 2018	Full report
IMM EU Furniture Study	October 2018	Full report

Newsletters

Issue	Download
IMM Summary Newsletter H2/2019	English
IMM Summary Newsletter H1 / 2019	English
IMM Summer 2019 Newsletter	Bahasa Indonesia Français
IMM Spring 2019 Newsletter	Bahasa Indonesia Français
IMM Autumn 2018 Newsletter	English Français
IMM Summer 2018 Newsletter	English Français
IMM Spring 2018 Newsletter	English Français
IMM Autumn 2017 Newsletter	English

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Thank you

Sarah Storck
IMM Lead Consultant
lead@flegtimm.eu

Independent Market Monitoring of FLEGT-Licensed Timber

