Trends of trade and market access of tropical timber and timber products

Tetra Yanuariadi

Projects Manager, International Tropical Timber Organization

T2.29 Strengthening Teak Forest Management for Sustainable Teakwood Supply Chains and Trade
Stockholm, Sweden, 28 June 2024

Photo: Björn Olin

Outline

The importance of sustaining tropical forest

Trends on tropical timber production, consumption and trade

Market access and current market requirements

EUDR

Tropical forests—vital for planetary wellbeing

- Forests cover **31% of the planet's land surface**, and are among the world's most productive land-based ecosystems:
  - conserve soil and water,
  - filter the air we breathe, mitigates climate,
  - prevent land degradation and desertification,
  - host terrestrial biodiversity,
  - reduce the risk of floods, landslides, droughts and other disasters, among others.
- Around **1.6 billion people** depend on forests for their subsistence.
- **Tropical forests represent 45%** of all forests (1.84 billion has—22% in Latin America, 16% in Africa and 7% in South and Southeast Asia).
- **Over 70%** of global population in **extreme poverty** live in **the tropics**.
- IMF Report (2023) **– economic imbalance globally sees 95 million living in acute poverty today.**

CRITICAL TO SUPPORT SUSTAINABLE MANAGEMENT OF TROPICAL FORESTS!

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

Despite their importance deforestation and forest degradation continue …

- The world lost an estimated 10 million ha of forest (the size of the Republic of Korea) per year between 2015 and 2020. In 2023, the tropics lost 3.7 million hectares of primary forest, the equivalent of losing 10 football fields per minutes, a rate stubbornly consistent previous years:
- Most deforestation occurs in the tropics:
  - competing land uses that produce higher/more rapid financial returns (agriculture, energy, mining and infrastructure)
  - failure of market policies (don't reflect the full value of forests)
  - illegal logging, fragmentation, food security, woodfuel/energy needs
  - climate change impacts

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

Benefits of sustainable tropical forestry

- The sustainable harvesting, processing and trade of tropical timber and other forest products:
  - supplies residential and commercial consumers worldwide,
  - contributes to local and national economies, and
  - **enhances value of tropical forests**—a key factor in **reducing forest conversion** to other economic land uses.
- When sustainably managed, tropical forests are:
  - **healthy**, **productive** and **renewable** ecosystems.
  - contribute to nature-based solutions.
  - the sustainable management of forests is of critical importance to the 2030 Agenda for Sustainable Development and almost ALL SDGs:

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

The International Tropical Timber Organization's mission

- Promote the **sustainable management and conservation** of tropical forests.
- Promote the **expansion and diversification of trade** in tropical wood from sustainably managed and legally harvested forests.

The **International Tropical Timber Organization (ITTO) is THE SOLE inter-governmental organization focused entirely on tropical forest resources**.

- 76 member countries (37 producers & 39 consumers) covering **80% of global tropical forests and** accounting for **90% of trade in tropical forest products!**

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

Trends on tropical timber production, consumption and trade (2000s–2023)

- The global financial and economic crisis (2008–2009):
  - Impacted construction and consumer spending & demand for tropical wood products particularly in North America and the EU,
  - growth in consumption and imports of primary wood products in China and India cushioned the impacts of the crisis for tropical exporters.

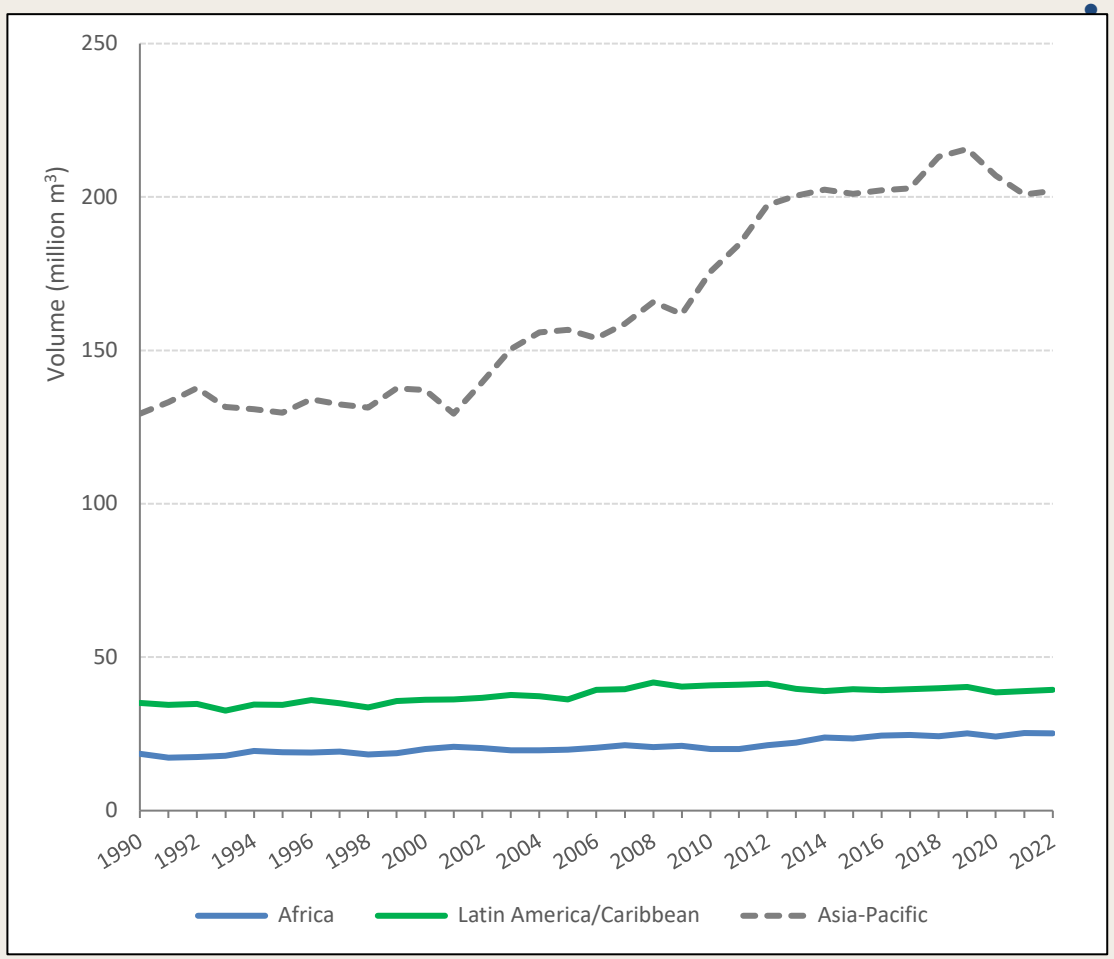
- The COVID-19 pandemic (2020–2022):
  - severe disruptions to production, consumption, transport, shipping, supply chains etc.

- Ongoing global conflicts – strong impact on production, consumption, supply chains, demand, prices

ITTO

STOCKHOLM 2024
26th WORLD CONGRESS
IUFRO
FORESTS & SOCIETY TOWARDS 2050

Tropical roundwood production



- Dominated by six countries:
  - Indonesia (30%),
  - India (18%),
  - Viet Nam (12%),
  - Brazil (11%),
  - Thailand (4%) and
  - Malaysia (4%).

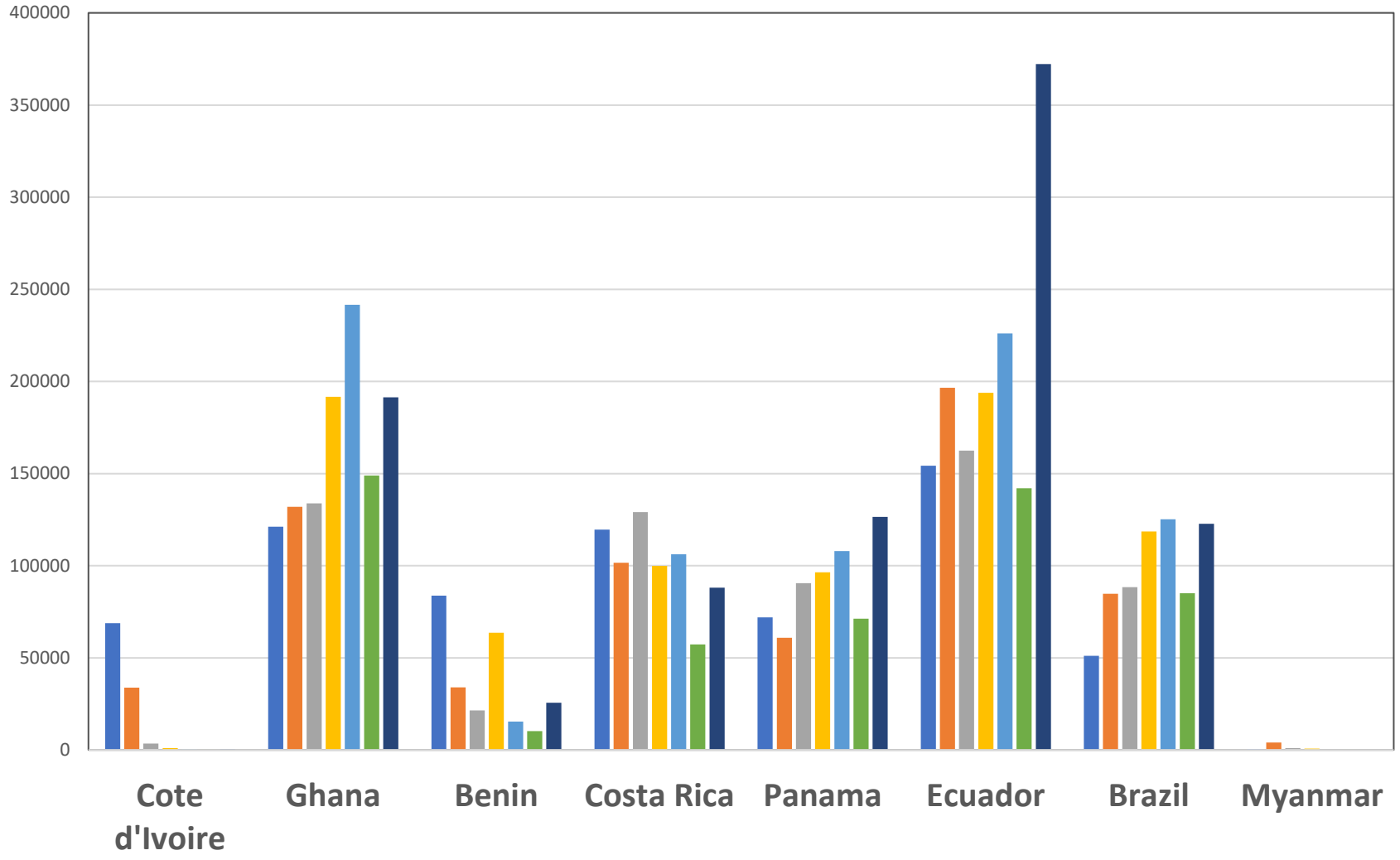
Malaysia's production has declined significantly since 1990, in response to reductions in logging quotas associated with its SFM policies. In contrast, production has grown over the period in Indonesia and Viet Nam.

A major trend has been growth in roundwood production from plantations in tropical producer economies and a decline in production from natural forests.

ITTO

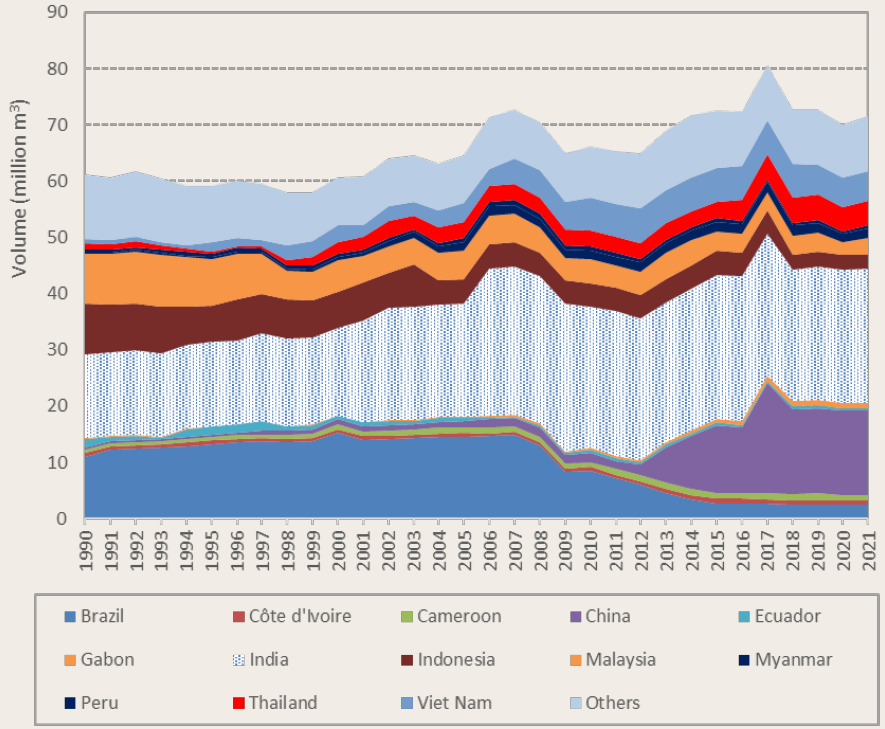
STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

India: Imports of Teak Log 2015-2019 (m^3)



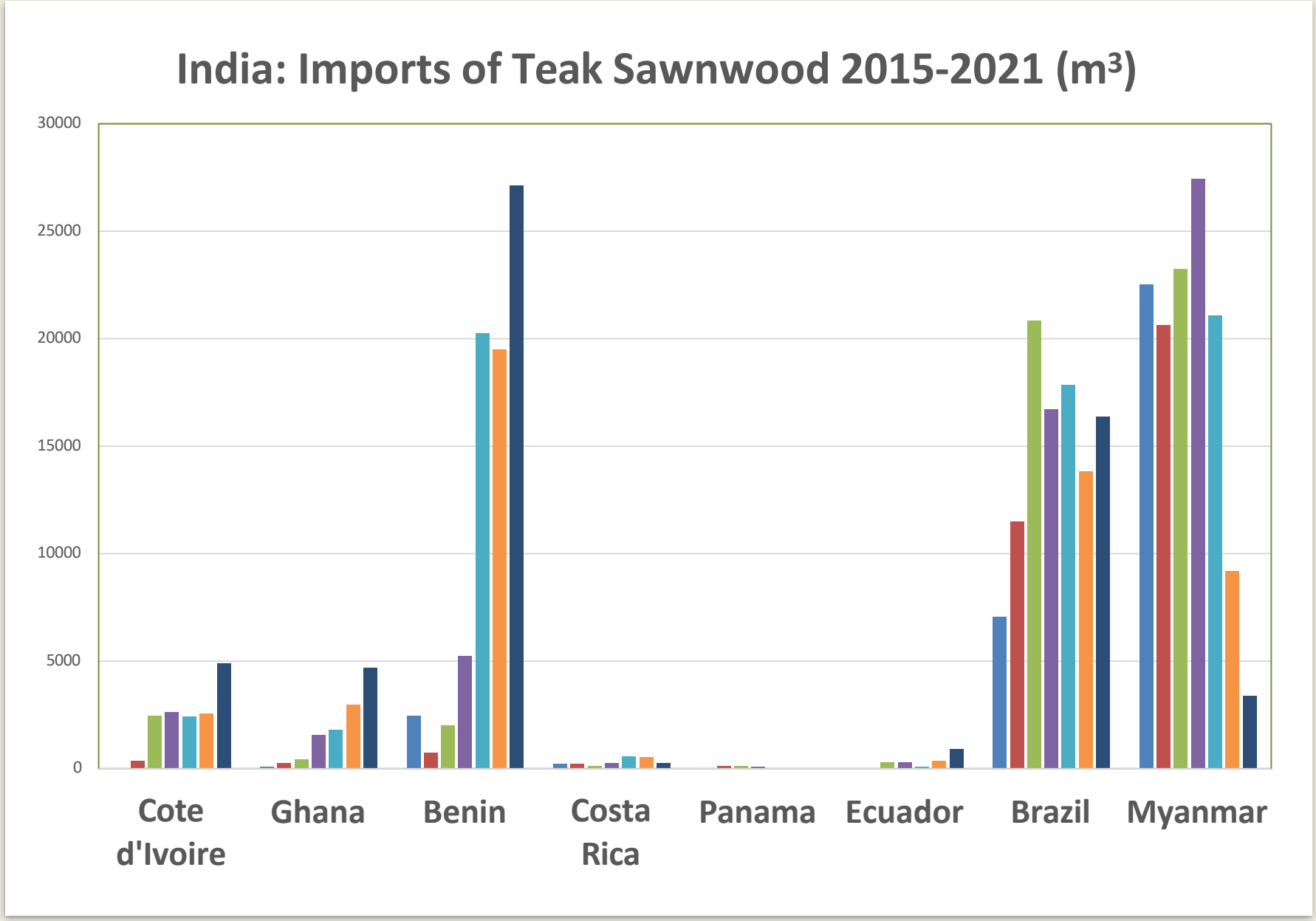
Tropical sawnwood production

- Relatively steady globally between 1990–2000, fluctuations 2000-2021:
  - two peaks in 2007 and 2017, at 72.7 million m^3, and 80.8 million m^3, before retreating to 71.4 million m^3 in 2021,
  - emergence of China as a major producer (2012) based on imported tropical logs,
  - Brazil's production declined sharply since 2012, and production fluctuated, reduced volumes from Malaysia and Indonesia from about 1990,
  - the tropical sawnwood industry is dominated by SMEs (vulnerable to economic shocks),
  - Africa is highly export-dependent. Since 2010 industry investment has transfer from European to Asian firms, reflecting an increase in Chinese demand for hardwood sawnwood from non-traditional sources.



ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050



Source: ITTO Timber Trade Portal

Secondary Processed Wood Products (SPWP)

- China and Viet Nam have become major tropical manufacturing hubs.
- Malaysia, Indonesia and Thailand are also important tropical SPWP producers based on plantation timbers.
- Tropical producer countries are generally characterized by:
  - low levels of investment in wood technology, manufacturing, marketing, and research and development;
  - limited access to finance, negotiating power, and ability to respond quickly when markets recover;
  - the vulnerability of SMEs in the tropical producers during global economic shocks.

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

International trade (tropical industrial roundwood)

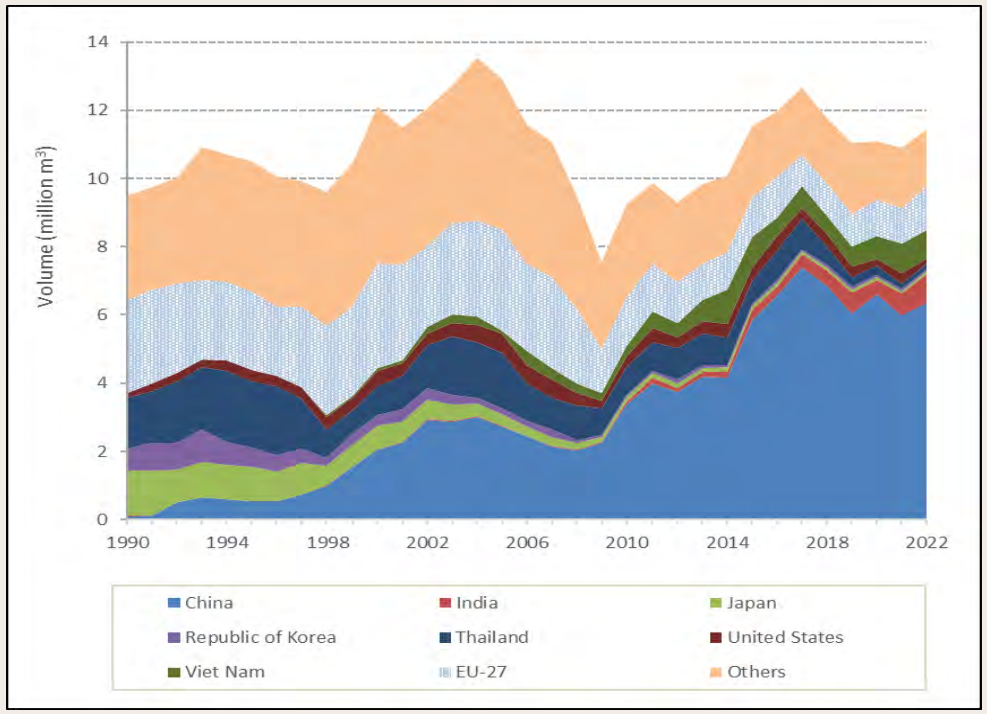
- Trended downwards since 1990:
  - notable declines in 1997, 2007 and 2020 (global economic shocks),
  - peaks in 1990, 2000 and 2014 when demand in import markets surged.
- Major changes in direction of trade:
  - import demand has shifted from traditional markets to mainly China and India (62% and 16% of world imports in 2021),
  - China has diversified its tropical log sources from predominantly Southeast Asia to the Pacific (PNG and Solomon Islands) and Africa,
  - decline of exports from Malaysia and the Mekong subregion,
  - tropical log exports have been affected by trade restrictions imposed by exporter countries (quantitative restrictions, quotas on exports of certain products and species, and log export taxes).

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

International trade (tropical sawnwood)

- Trended downwards since 1990:
  - declining trend in European markets since 1990,
  - significant growth of China's tropical sawnwood imports,
  - exports have transitioned from products sourced from natural forests to plantations,
  - declines in sawnwood exports from Brazil, Indonesia and Malaysia,
  - Thailand's exports of plantation-grown rubberwood have grown since 2009, almost all of which has gone to China's wooden furniture industry.

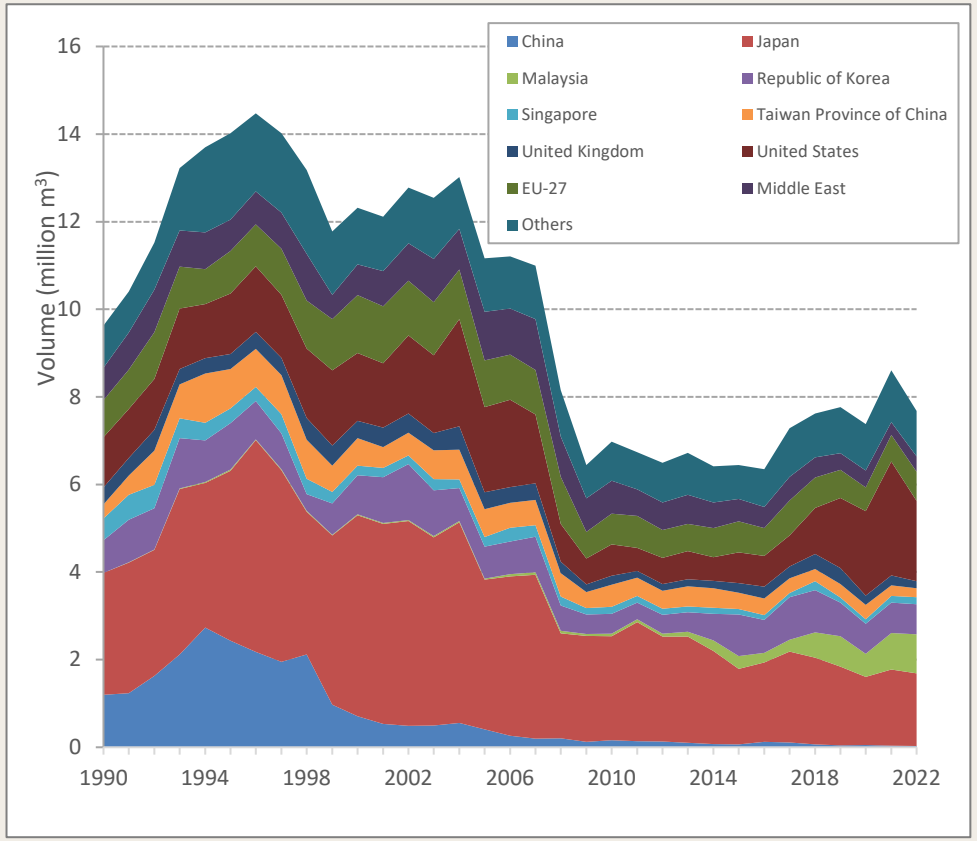


Imports of tropical sawnwood, by major importing country or region, 1990–2022

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

International trade (tropical plywood)



Global imports of tropical plywood, by major importing country or region, 1990–2022

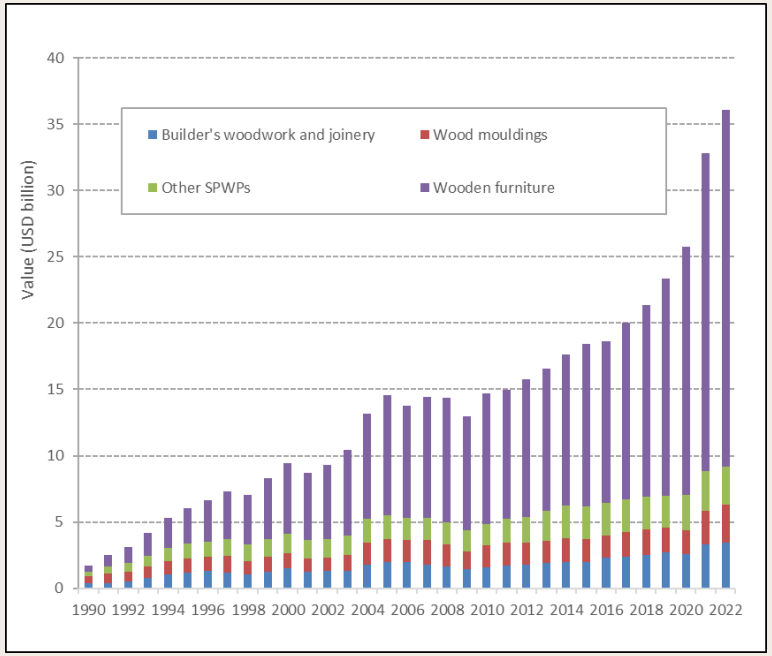
- Trended downwards since 1990:
  - declining trend since 1990,
  - United States tropical plywood imports are linked to housing and construction, with imports accelerating between 2017 to 2021:
    - antidumping investigations and have affected imports of tropical plywood from China, with importers diversifying supply sources to other tropical plywood suppliers,
  - tropical plywood export trade has been dominated by China, Indonesia, Malaysia and Viet Nam.

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

International trade (SPWPs)

- Growth in the value of exports of SPWPs from tropical countries, up from USD 1.7 billion in 1990, to USD 14.7 billion in 2000, to USD 36.1 billion in 2022.
- Rapid growth in wooden furniture exports from China and Viet Nam.
- The share of wooden furniture in total SPWP exports (by value) from tropical countries increased from 28% in 1990, to 57% in 2000, to 75% in 2022.
- Dominant markets for SPWP imports are developed economies:
  - global demand for wooden furniture and joinery follows trends in housing starts and consumer spending in the EU and the United States,
  - imports of wooden furniture have grown considerably worldwide since 1990, especially in Australia, EU, Japan, the Republic of Korea and the United States.



Exports of secondary processed wood products from tropical countries, 1990–2022

ITTO

STOCKHOLM 2024
WORLD CONGRESS 26th
IUFRO
FORESTS & SOCIETY TOWARDS 2050

Market developments of tropical timber and timber products

3 important factors:

Economic trends, Building and construction indicators, and Market policy trends and access

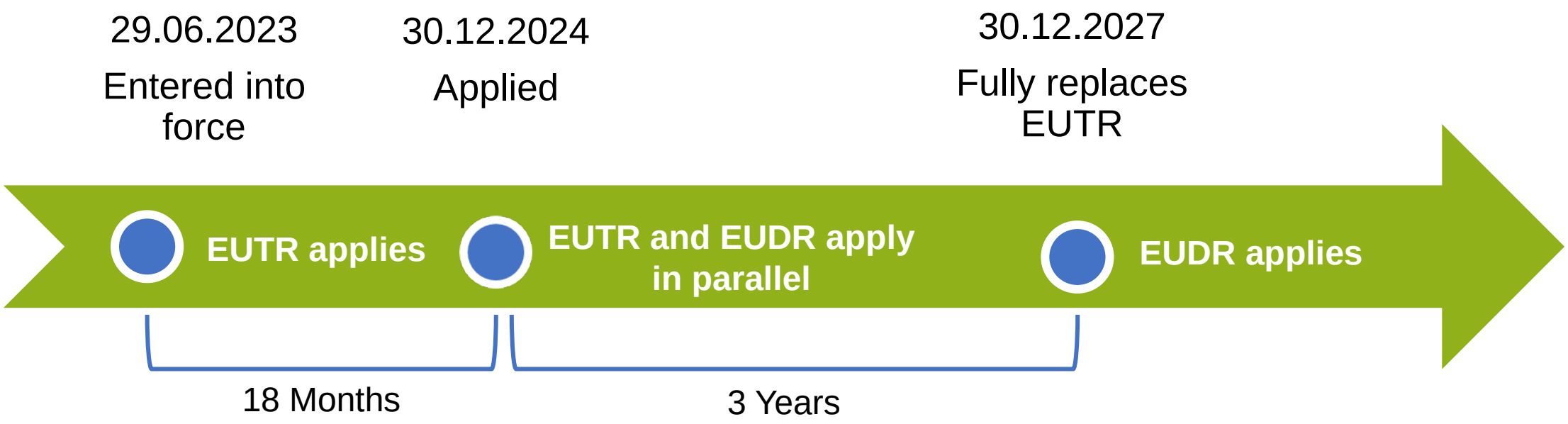
Market policy trends and access

- Numerous policy measures are now being implemented to improve forest law enforcement and governance and counter the trade in illegally harvested timber (Lacey Act, EUTR/EUDR, etc.)
- Certifications, procurement policies , and CITES species protection
- EU Environment Council votes for deforestation-free supply chains. New rules are intended to prevent timber, coffee, cocoa, palm oil, beef, soy and derivative products from entering the EU internal market in future if their production has caused deforestation

ITTO

STOCKHOLM 2024 WORLD CONGRESS 26th IUFRO FORESTS & SOCIETY TOWARDS 2050

EUDR: Timeline



EUTR continues to apply in case of:

- Harvest before 29.06.2023
- Placing on the EU market between 30.12.2024 und 30.12.2027

EUDR applies to all wood harvested from 29.6.2023

Source: ETTF, 2023

EUDR: Information required from producers

- Evidence that wood was harvested legally
- Evidence that the wood doesn’t originate from a plot of land where deforestation or forest degradation occurred after 31.12.2020
- For high-risk-countries (evidence of corruption or mixing along supply chains etc.), additional information and risk mitigation measures might be necessary

Source: ETTF, 2023

EUDR: Information required from producers

- Geo-coordinates of all plots of land where wood was harvested:
  - Area under four hectares: single point
  - From four hectares: polygon
  - In case of several plots of land: everything must be specified!
- Date or time range of harvest
- Information about the product (scientific name etc.)

Source: ETTF, 2023

EUDR: Conclusion

- Illegal logging, deforestation and forest degradation are not the problem. The challenge is collecting and forwarding the necessary proof that the wood is legal and deforestation-free
- Insufficient information = no import into EU possible
- Nobody is prepared better for this regulation than forestry enterprises in the tropics (already use GIS systems; documents proving compliance exist; experience with EUTR)

Source: ETTF, 2023

http://www.youtube.com/user/ittosfm

@itto_sfm

itto_sfm

International Tropical Timber Organization

www.itto.int

tetra@itto.int