



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC-JC(XLV)/2 – Annex II
26 September 2011

ENGLISH

FORTY-SEVENTH SESSION
14-19 November 2011
La Antigua Guatemala, Guatemala

META-EVALUATION OF PREVIOUSLY EVALUATED ITTO PROJECTS

Lessons learned & good practices towards sustainable management of tropical forests

Summary Report

12. Markets, marketing and trade

Markku Simula, Hosny El-Lakany and Ivan Tomaselli

THEMATIC SUMMARY REPORT No. 12

Markets, Marketing and Trade

1. INTRODUCTION

Markets, marketing and trade are important areas to develop and sustain a healthy timber economy. Markets ultimately create the value for tropical timber and timber products and thereby establish preconditions for sustainable forest management (SFM). Trade contributes to generations of income and employment and supports investments for competitive operations, which can ensure sustainability of the economic benefits derived from timber and non-timber forest products and services.

Several ITTA Objectives reflect the importance of actions that are necessary to improve markets, marketing and trade of tropical timber and timber products. Among the ITTA Objectives relevant to this thematic area are objective (b) *Providing a forum for consultation to promote non-discriminatory timber trade practices*; objective (d) *Enhancing the capacity of members to implement strategies for achieving exports of tropical timber and timber products from sustainably managed sources*; objective (e) *Promoting improved understanding of the structural conditions in international markets, including long-term trends in consumption and production, factors affecting market access, consumer preferences and prices, and conditions leading to prices which reflect the costs of sustainable forest management*; objective (h) *Improving market intelligence and encouraging information sharing on the international timber market with a view to ensuring greater transparency and better information on markets and market trends, including the gathering, compilation and dissemination of trade related data, including data related to species being traded*; and objective (k) *Improving marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources and which are legally traded, including promoting consumer awareness*.

The International Tropical Timber Organization (ITTO) has financed several projects and activities related to the development of markets, marketing and trade of tropical timber and timber products. These projects have mainly been aimed at improving market transparency and build up capacity in market information systems, marketing and trade development.

The recently launched ITTO Thematic Programme on Trade and Market Transparency is expected to provide increased support to this critical area in the work of the Organization.

2. KEY ISSUES

- The market requirements for timber and timber products are constantly changing due to economic conditions, regulatory changes related to trade and increasing attention given to environmental aspects of tropical timber products. This calls for intensive monitoring of new developments and identification of implications for tropical timber producers. Without assistance, tropical timber producing countries will continue to face difficulties in having facilitated access to import markets.
- Complex export and import procedures in both developed and developing countries, lack of clarity of sanitary/phytosanitary and other regulations, and high transaction costs paid to trade intermediaries are other barriers for trade development.
- Adequate knowledge on the market prospects is critical for investment decisions and policy design but it is frequently insufficient. High risks need to be taken due to lack of detailed market information.
- Information on the structure of the value chain of tropical timber and timber products is inadequate, limiting strategic planning for vertical integration at enterprise level and policy design at national level.
- Many market studies carried out are too generic to be useful for marketing development at enterprise level.
- Small and medium-scale enterprises have limited access to available market information limiting their possibilities for entering new business areas.
- Few companies in the timber industry have adequate market information systems. In general, the capacity to analyze available market information is also limited.

- Knowledge on domestic and regional markets is often limited in the timber sector which has traditionally focused on main import markets. This has resulted in loss of significant economic opportunities.
- Trade of tropical timber is heavily concentrated on a relatively few number of main commercial species. Diversification would contribute to economic efficiency of forest management and utilization, but it has been hampered by lack of information on markets and weak marketing capacities to bring new products to the market. In particular, end uses and market characteristics of individual species, including lesser-used species (LUS) and plantation species, are poorly known.
- Trade development efforts have often been valuable but need active follow-up work by participating companies, which has often been lacking.
- In producing countries, the legal and policy frameworks are often inappropriate with bureaucratic customs and inspection procedures and associated high transaction costs, corruption, as well as inappropriate taxation and inadequate incentive mechanisms. There is a need for trade facilitation measures to address these problems.
- Interest and commitment of companies to participate in projects to strengthen marketing capacity has often been limited due to lack of understanding of potential benefits. Pilot companies have not been eager to share new knowledge on markets that has been generated.
- Private sector bodies such as industry and trade associations are too weak in most tropical timber producing countries to play an active role in trade development.

3. LESSONS LEARNED

- Incentives to promote foreign trade have been a decisive factor in the expansion of the wood industry in several countries.
- Regulatory measures to limit exports of logs and primary processed products tend to distort local markets but can be a transitional measure to develop trade in further processed products.
- Any market information improvement should be based on systematization of information rather than *ad hoc* studies. Continuous monitoring of market developments is necessary. On the other hand, *ad hoc* studies are often needed for kick-starting marketing in new products or markets.
- Unreliable projections of demand and supply make planning at enterprise and national levels difficult, leading to taking unnecessary risks which can be significant both for the government and individual enterprises.
- Depending on the situation, market studies are needed to cover a broad scope for policy design and evaluation and be specific to serve for information needs of individual companies.
- Market studies are also needed for bioenergy such as fuelwood and charcoal when markets are developed for these products
- Information on market potential on LUS needs to be complemented by inventories establishing potential supply and by technical studies on processing aspects. Market promotion of LUS is only possible afterwards.
- Developing standards for timber and timber products and associated quality control can help improve competitiveness.
- Support to development of marketing strategies and strengthening of marketing skills can be piloted with few companies but mechanisms are needed to share knowledge and experience broadly.
- Support to improving market information and marketing can often be usefully provided through industry and trade associations.

4. GOOD PRACTICES

- Identification and proper assessment of optional measures of export trade regulation (export bans for logs, export taxes and quotas, etc.) is necessary for designing policy measures for the development of exports in further processed products.
- Special studies can identify barriers to trade both in exporting and importing countries and propose measures to eliminate or reduce trade barriers.
- Clarification of the needs for information is important for a proper design of market studies and market information systems.
- Continuous updating of market and resource information is necessary due to changing demand and supply conditions.
- Development of market information systems and marketing capability needs specific targeted efforts, including training.
- Pilot enterprise approach in improving market information and marketing capability can be useful but possible conflicts of interest among competing enterprises need to be addressed.
- Trade development projects need to include provisions for follow-up activities by participating enterprises to ensure their impacts.
- Private sector executing agencies need to have an adequate management capacity for project implementation.
- Effective marketing promotion can be undertaken through well-organized roundtables between buyers and suppliers in the country of origin with sufficient participation on both sides.
- Effectively dissemination among potential beneficiaries is critical for investments in improving market information. Special measures may be needed to convert the data into information which is useful for small and medium-sized enterprises.
- Development of trade and market networks is helpful for ensuring sustainability of market promotion projects.

SOURCES

This thematic summary is based on the ex-post evaluation reports of the following projects:

PD 109/90 Rev.4 (I)	ASSISTANCE TO MODERNIZATION, RESTRUCTURING AND DEVELOPMENT OF WOOD-BASED INDUSTRIES IN COTE D'IVOIRE
PD 24/95 Rev.1 (I)	THE IDENTIFICATION, PROPERTIES AND USES OF THE TROPICAL TIMBER IMPORTED TO CHINA FROM LATIN AMERICA
PD 7/94 Rev.3 (M,I)	INFORMATION AND TECHNICAL ASSISTANCE FOR PRODUCTION AND TRADE ON TROPICAL TIMBER
PD 15/96 Rev.2 (M,I)	UTILIZATION, COLLECTION AND TRADE OF TROPICAL NON-WOOD FOREST PRODUCTS IN THE PHILIPPINES
PD 51/00 Rev.2 (I,M)	IMPROVEMENT OF RUBBERWOOD UTILIZATION AND MARKETING IN THAILAND
PD 146/02 Rev.1 (I)	PROMOTING SUSTAINABLE UTILIZATION OF BAMBOO THROUGH COMMUNITY PARTICIPATION IN SUSTAINABLE FOREST MANAGEMENT
PD 167/91 Rev.1 (M)	DIAGNOSIS AND EVALUATION OF THE BRAZILIAN FORESTRY SECTOR
PD 35/94 Rev.4 (M,I)	FOREST PRODUCTS MARKETING ORGANIZATION FEASIBILITY STUDY
PD 25/96 Rev.2 (M)	CHINA'S CONSUMPTION OF FOREST PRODUCTS AND ITS DEMAND FOR THEM IN THE INTERNATIONAL MARKET BY THE YEAR 2010
PD013/96 Rev.1 (F)	MULTIPLE-USE MANAGEMENT IN THE MACAUA NATIONAL FOREST BASED ON RUBBER ESTATES - PHASE I: DEVELOPMENT OF MASTER PLAN TO SUPPORT COMMUNITY ORGANIZATION
PD 17/92 Rev.4 (I)	TECHNOLOGY TRANSFER/COMMERCIALIZATION OF SELECTED COCOWOOD UTILIZATION TECHNOLOGIES