

# **TRENDS AND PERSPECTIVE OF TIMBER SUPPLY OF PNG**

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- A brief look at current PNG log export production reveals –

	2010	2016	2017
<b>M3 p.a.</b>	<b>3,000,000</b>	<b>3,605,878</b>	<b>3,260,501</b>
<b>Export destination</b>			
<b>China</b>	<b>90%</b>	<b>87%</b>	<b>88%</b>
<b>India</b>	<b>6%</b>	<b>4%</b>	<b>4%</b>
<b>Japan</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>
<b>Average export price</b>	<b>\$91</b>	<b>\$98</b>	<b>\$98</b>
<b>Origin of production</b>			
<b>Normal permit</b>	<b>77.5%</b>	<b>63.5%</b>	<b>66%</b>
<b>Plantations</b>	<b>4.5%</b>	<b>5.5%</b>	<b>4%</b>
<b>Forest conversion</b>	<b>18%</b>	<b>31%</b>	<b>30%</b>
<b>Major species ‘000M3</b>			
<b>Taun</b>		<b>530</b>	<b>483</b>
<b>Kwila</b>		<b>325</b>	<b>317</b>
<b>Malas</b>		<b>331</b>	<b>223</b>
<b>Terminalia</b>		<b>181</b>	<b>174</b>

**Tropical log imports to China in 2017 was 9.65million M3 an increase of 6% on 2016. Total log imports were 56.7million M3, tropical logs being only 17% of the total. Tropical logs were sourced from PNG 30%, Solomon Islands 29%, Guinea 11%, Congo 8%, Cameroon and Nigeria 5% each and all others 12%.**

**In this context, some comments on the PNG scene –**

**Production volumes, species mix, export prices and export market destinations have all been relatively stable for some time now.**

**Our exports to India are dominated by Kwila species, and Vietnam is emerging as a significant market for our plantation species, eucalypt and acacia in particular.**

**Over the last several years volumes coming from forest conversion projects have increased by nearly 50% to approximately 1 million M3 per year. These projects are in response to government programs to increase agricultural production, reduce rural poverty, and diversify sources of economic growth and development in the economy. They are mainly carried out under Special Agricultural Business Leases, SABLs, which many western based organisations, NGOs, consider illegal.**

**This is not the case. PNG Courts have repeatedly held that SABLs are legal and valid. Logs sourced from SABLs are legally harvested, of course subject to compliance with the harvesting permit issued and monitored by our Forest Authority. As under any system of land ownership and control, and here we need to note that the PNG Government has no land ownership rights over almost all rural areas, individual land residents may legally contest SABLs on the grounds of errors or omissions when the SABL was issued. But this continuing right of action does not invalidate the SABL nor any action, including logging, taken under it.**

**Although the 4 major species noted in slide 1 account for one third of production, this reflects their widespread distribution throughout PNG and not a concentrated resource in any one area. Our harvesting rules require the felling of all species over 50cm d.b.h. within logging coupe areas. This results in a great diversity of mixed species making up the majority of export log shipments in PNG: unfortunately it also tends to depress average export prices! However, this d.b.h. requirement is designed to protect forest regrowth and species diversity in secondary growth forests; that is to say, it avoids/lessens forest degradation. Evidence to date would suggest this is successful.**

**Forest certification is a growing trend in PNG. Presently it is being driven mainly by**

**market requirements in export markets for processed forest products and plantation logs. FSC, and its controlled wood standard, and PEFC are the leaders in this field currently. I would note that FSC has recently had to amend its national standard to reflect PNG's unique system of landownership, the western concept of documented proof of ownership by landowners has been effectively abandoned. This had had a disastrous impact on our efforts to get landowners to plant trees and act as outgrowers to bigger commercial, plantation operators. Our Balsa industry was particularly impacted as it relies on outgrowers for about 60% of log input.**

**In PNG the establishment and development of the balsa industry has been an outstanding, recent success. Commencing in the 1990's with the assistance of ITTO, it has grown to be a commercial, world recognized achievement. Ranked among the top 3 producers worldwide, producing top quality, certified balsa for secondary processing in export markets. China is our major market, followed by the E.U.**

**Significant progress has also been made on the development of our PNG Timber Legality Standard. This is now in its final version for formal adoption and compulsory implementation on all forest projects in PNG, including SABLs. The standard builds on earlier work by industry to ensure legality of production, and has actively**

**involved all stakeholders and relevant agencies including the E.U. and governments of PNG and Australia. It is planned that the official launch of the standard be made at the Port Moresby meeting of APEC this November.**

**Closely related to legality is chain of custody, and in this regard we are closely monitoring the development of ISO standard ISO 38200, Chain of Custody for forest products. Brazil and Germany are playing leading roles in this standard development in the ISO project committee PC287. There is also some consideration being given to turn PC287 into a permanent, technical committee of ISO which may go on to develop additional forest related standards. PNG industry would support such moves to the extent that such ISO standards are developed within a known, transparent and accountable framework, are internationally acceptable and recognized, and they could remove and/or reduce the doubt and uncertainty caused for both producers and consumers by the proliferation of private, usually NGO, developed standards.**

**The outstanding feature of our forest management practices in PNG has been the completion of the national forest inventory phase 1 in late 2015. This work was carried out with funding and technical support from JICA of Japan, and with the support of UN REDD program, the FAO and the EU.**

**Phase 1 of the inventory involved the complete, detailed satellite imagery mapping, forest typing and density, and land use change identification for the whole country.**

**The results show that PNG has forest cover of 80%, one of the highest rates in the world. Of total PNG land area 60% is undisturbed or primary forest, 14% is logged over and in the absence of post harvest human intervention is regenerating, and 26% is disturbed forest. Significant causes of disturbance include gardening, fire and fuel wood use – estimated at close to 8million M3 per year. This is more than double the “commercial” use of the forest.**

**The FAO, based on this data, has in its State of the World’s Forests reports, estimated our, PNG’s, rate of deforestation at less than 1% per year over the last 15 years. This is one of the lowest rates in the world and given that we have a population growth rate over 3% per year, is a remarkable achievement.**

**Phase 1 has demonstrated that our forest management systems in PNG are world class and have achieved sustainable forest management at a national level.**

**Our annual sustainable log harvest level, for commercial use, is set at 3.8 million M3 and this has never been exceeded.**

**The forest inventory and all its supporting data have demonstrated that, under current and known future scenarios, PNG can remain a sustainable and deforestation free log producer and export supplier for many years to come.**

**And of course, our exports of processed forest products – although not significant in value or volumes compared to log exports currently – can be similarly classified;**

**“Sustainable and Deforestation free”**

**And please note, copies of the Inventory Report are available on request.**

**Thankyou for your kind invitation to attend this seminar and your attention. Your questions and/or comments are most welcome.**