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European Forestry Commission

Joint FAO/UNECE Working Party On Forest
Economics And Statistics

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Item 3 of the provisional agenda

GUIDANCE OF WORK AREA 1: MARKETS AND STATISTICS (*)

Note by the Secretariat

This note provides an update on activities in Work Area 1, Markets and Statistics, including:

- Statistics on forest products and forest fires
- Analysis of markets for forest products and certified wood products
- Capacity building for forest products marketing in countries in transition
- Team of Specialists on Forest Products Markets and Marketing
- Resources

The Working Party is invited to note and comment on any developments in the work area and also respond to the specific questions posed within this note.

- Delegates are invited to review potential changes to the Joint Forest Sector Questionnaire and give their opinion as to the feasibility and desirability of such changes;
- Delegates are invited to consider the options for providing improved links with other data providers in their own country or internationally and furnishing the best possible data;

Suggestions from the Working Party on additional resources for capacity building would be welcomed.

*This document was submitted late for document processing as clearances from relevant parties were received late.

I. INTRODUCTION

1. Work Area 1, Markets and Statistics, is one of five work areas of the Integrated Programme of Work of the UNECE Timber Committee (TC) and the FAO European Forestry Committee (EFC) containing the following elements:

- (a) Statistics on production, trade, consumption and prices of forest products
- (b) Analysis of markets for forest products, notably topical and policy relevant aspects
- (c) Capacity building for forest products marketing in countries in transition
- (d) Monitoring and analysis of markets for certified wood products
- (e) Statistics on forest fires
- (f) Team of Specialists on Forest Products Markets and Marketing

2. This secretariat note is organized accordingly.

A. Statistics On Production, Trade, Consumption and Prices of Forest Products

1. Review of Statistical Outputs

3. In 2005 the secretariat produced the *Forest Products Statistics* (provisional), *Forest Products Trade Flow Data* and the *Timber Committee Forecasts*. At the time of writing the *Trade by Species* publication is prepared and work is proceeding on the final *Forest Products Statistics* and the *Trade of Secondary Processed Wood and Paper Products* publications. All of these are electronic-only publications available on the UNECE/FAO Timber Section website.

4. The Price Database continues to be updated. No work has taken place during this year to increase the current number of series (42) being collected or to increase collaboration with other organizations.

5. Data are shared with other organizations in the Intersecretariat Working Group on Forest Sector Statistics (IWG). All forest products data was uploaded to the FAOSTAT interactive database, the primary distribution site for forest products data, in July and December for dissemination in August and January.

2. Replies to Joint Forest Sector Questionnaire

6. The table below indicates the number and extent of replies over the last several years to the various questionnaires issued by the Timber Section on forest products. There are 52 countries from which we request data in the UNECE region. For the Joint Forest Sector Questionnaire (JFSQ) the number of replies includes EU/EFTA countries which are processed by Eurostat, while the percentage of cells filled is an average only for UNECE-region countries processed by UNECE/FAO Timber Section. For the Timber Committee Questionnaire all countries are considered. Questionnaires were received in the vast majority of cases within the time needed to process and include the data in the publications.

Questionnaire		Year Questionnaire Sent			
		2002	2003	2004	2005
JFSQ	JQ1 (production) - replies	40	44	43	41
	% of cells filled (of 66)	69.1	67.9	78.3	65.0
	JQ2 (trade) - replies	36	42	40	41
	% of cells filled (of 216)	88.0	92.0	87.6	83.4
	SP1 (sec. prod. trade) - replies	20	22+9 (EU)	21+11(EU)	10+24(EU)
	% of cells filled (of 42)	90.0	93.1	91.2	92.3
TCQ	ECE1 (species trade) - replies	18	22+8 (EU)	21+11(EU)	11+23(EU)
	% of cells filled (of 88)	86.6	90.1	84.8	87.1
	TC1 (roundwood forecast) - replies	32	31	31	32
	% of cells filled (of 21)	79.5	89.0	86.7	85.2
	TC2 (product forecast) - replies	31	31	31	31
	% of cells filled (of 45)	90.2	93.1	92.2	83.3

7. In terms of the "indicators of achievement" used by the UN to evaluate performance, the following table shows the results for the last 13 years. The "% satisfactory" is the number of countries supplying more than 80% of the 209 possible responses to JQ1 and JQ2, divided by the total number of countries in the UNECE region.

Data for Year	% Satisfactory
1992	62.2
1993	60.8
1994	61.5
1995	59.6
1996	55.8
1997	55.8
1998	51.9
1999	59.6
2000	63.5
2001	69.2
2002	71.2
2003	65.4
2004	63.5

3. Potential Joint Forest Sector Questionnaire Revisions

8. A number of issues have been raised concerning changes to the principal international instrument for collecting forest products data, the JFSQ. Although no change is planned this year the IWG will consider at its next meeting in 2007 the possibility of making changes. It should be pointed out that a number of issues would be weighed in making any decision to modify the JFSQ but the principle factors are the ability to correctly define a product, the potential to actually collect valid data and the interest shown in having such data.

- (a) Currently it appears from the *European Forest Sector Outlook Studies* and other studies that a major route for wood to enter the production chain is being missed. This is recovered (or recycled) wood.
- (b) We have been asked to gather more information on wood energy. These questions are being discussed under agenda item 8. Recommendations may be suggested to modify the JFSQ.
- (c) There are some increasing problems with collecting data on paper products using the more detailed breakdown in use since 1998. One proposal would be to eliminate the new sub items and revert to the simpler format used prior to 1998.

9. As both recovered wood and wood energy items (e.g. pellets) are not able to be clearly identified in the trade classification, it would most likely not be possible to include items for them in the JFSQ.

10. In addition to the above, other suggestions may be made at this year's IWG meeting in April 2006. An oral report will be made to the Working Party of any such suggestions. Any recommendations from the Working Party will also be transmitted to the IWG.

11. ***Delegates are invited to review the above issues and give their opinion as to the feasibility and desirability of such changes.***

4. Integrating Data from Non-Official Sources

12. For the past several years the secretariat has made use of the support and cooperation offered by the Confederation of European Paper Industries (CEPI) and the European Panel Federation (EPF) to review and revise the data supplied by national correspondents. In all cases any changes were discussed with official national statistical correspondents (NCs) to receive their agreement. However it has not been particularly easy to balance the conflicting data and determine what is causing data differences, particularly given the narrow time frame within which we operate.

13. The secretariat is trying to improve on this past cooperation by developing a better understanding of the reasons for the differences between the industry association data and that supplied by NCs. At a meeting in Luxembourg in February 2006, CEPI, EPF, UNECE/FAO and Eurostat agreed to review the definitions used and to increase data exchange. It is clearly desirable to use the best available information and to use multiple sources to achieve this end. In some cases, industry associations may have better access to commercial data not provided to NCs, or may be able to produce data faster. However they may also have incomplete coverage or use unofficial or non-compatible definitions. In addition national industry associations may not be able to further distribute their information. It must also be borne in mind that only the NCs have formal responsibility for the data.

14. The secretariat uses the following procedures:

- (a) The normal data source is officially nominated NCs
- (b) When there are gaps or delays in official data, trade association data (national or international) may be used, and if so, the NCs are informed. However, this results in frequent over-writing of data as "improved" data from non-official sources are not accepted by NCs when they submit the next year's official data.

15. The secretariat proposes three options for decision by the Working Party:

- (a) Continue with current procedures

- (b) The secretariat will ask NCs to reconcile data and methods of collecting information with trade associations to provide the best data possible when there are either gaps or discrepancies between official and non-official data.
- (c) The secretariat discusses and accepts data directly from associations with these data not being requested from the NCs.

16. These arrangements must be acceptable to all concerned and consistent over time. It is understood that no data will be changed without the explicit agreement of the NC and that the data used by the organizations remain the responsibility of the countries.

17. ***The Working Party is invited to agree on which option is acceptable or if other options should be explored.***

5. UNECE Timber Committee Forecast Analysis

18. Last year the Working Party was presented with the results of an analysis of the forecasts made for production and trade of sawn softwood in the UNECE region for the year 2002 for the Committee meeting of that year. This analysis indicated that the forecasts were only moderately reliable but were better than simply guessing the result or repeating previous year's figures.

19. The secretariat was asked to extend this analysis and present a report to the Working Party. This work is currently being done and will be presented at the meeting. Furthermore a draft forecasting manual is being prepared in order to receive the endorsement of the Working Party prior to sending this out to assist countries in making forecasts for the Committee.

B. Analysis of Markets For Forest Products, Notably Topical and Policy Relevant Aspects

20. The *Forest Products Annual Market Review, 2004-2005* (FPAMR) was produced by 40 people, led by a team within the secretariat together with direct input from external expert authors. It is based on statistics returned by national statistical correspondents to the JFSQ, as well as supplementary information. The 2005 *Forest Products Annual Market Review* production appeared at the end of July on the UNECE/FAO Timber Section website, the earliest ever. In September, some of the authors were engaged to present their chapters at the annual Market Discussions during the Committee session, for which the *Forest Products Annual Market Review* is prepared. One significant change was that the designation of "Other Europe" was dropped, due to the enlargement of the European Union from 15 to 25 countries, including some of the most eastern European countries. Nevertheless, a focus on Eastern Europe was maintained.

21. Content and production of the 2006 *Forest Products Annual Market Review* will be similar to 2005. This will necessitate on-time responses to the JFSQ, i.e. by 15 May 2006. There is a possibility of adding a new chapter analyzing wood energy markets and policies, which will need additional resources. The *Forest Products Annual Market Review* will maintain its focus on market and policy developments and interactions. It will continue to bring forward developments in eastern Europe, especially south eastern Europe, Caucasus and Central Asia when statistics and other information are available.

22. The Market Discussions in 2005 were appreciated as indicated by participants' written and verbal evaluations, due to the high level of expert presentations. The theme was "Forest certification policies' influence on forest products markets in the UNECE region" to provide a link to the following policy forum on "Forest certification—Do governments have a role?" The 1½-days provided time for discussion, and resulted in the annual Committee market statement and press release. The Market Discussions are based on the *Forest Products Annual Market Review*, as well as the country market forecasts for the

current and next year, and country market statements although countries' forecasting remains inconsistent in quality. Likewise, the country market statements vary in quality and the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing is considering how to improve quality and responses. For 2006 there is a possibility to collaborate with the International Softwood Conference on forecasts and statements, in order to prepare for joint market discussions in 2007. Joint discussions could double participation and provide greater exchange between national and international trade association experts and government representatives.

23. Other market analyses were conducted for special conferences, and uploaded to the Market Information Service site on the UNECE/FAO Timber Section website.

C. Capacity Building for Forest Products Marketing in Countries in Transition

24. This work element is part of the integrated programme of work of the UNECE Timber Committee and FAO European Forestry Commission and is part of the mandate of the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing.

25. The Workshop on Building Capacity in Sharing Forest and Market Information took place in the Czech Republic in October 2005. A complete report can be found under agenda item 10 on Capacity building for sector information systems with a separate secretariat note (ECE/TIM/EFC/WP.2/2006/10). This item also includes information on the upcoming Balkan Training Workshop – Forest Products Marketing – from Principles to Practice, which will be held in Novi Sad, Serbia and Montenegro, in April 2006.

26. A printed and electronic proceedings is available from the Czech organizers. The Workshop's declaration calls for a specific follow-up workshop on forest products marketing in one of the participant countries by March 2007, as well as other follow-up actions.

27. This capacity building element continues to benefit from the loaned expert from the UK Forestry Commission in 2006. However, the programme lacks long-term funding despite secretariat attempts to secure greater extra-budgetary resources for this specific programme. Obviously there is a direct link between resource availability and accomplishments.

28. ***The Working Party is invited to suggest sources of extra-budgetary resources, both financial and in-kind for capacity building for forest products marketing in countries in transition.***

D. Monitoring and Analysis of Markets for Certified Wood Products

29. A UNECE and FAO policy forum on "Forest certification—Do Governments Have a Role?" was held in September 2005, at the time of the Committee session (www.unece.org/trade/timber/docs/tc-sessions/tc-63/Policy_Forum/2005TCPolicyForum.htm). At the time of drafting the proceedings of the forum are being printed as *UNECE/FAO Geneva Timber and Forest Discussion Paper* number 44.

30. The *Forest Products Annual Market Review* included an annual chapter on certified forest products markets which provided background for the Market Discussions on this sector and the accompanying policy forum. Input for the chapter was provided thanks to the Timber Committee and European Forestry Commission Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets (the Certification Network). The Working Party will be briefed on a April 2006 survey of the Certification Network.

31. Activities planned in 2006 include the certified forest products markets analysis in the *Forest Products Annual Market Review* and the sector discussion at the Market Discussions. The UNECE/FAO

policy forum will be on public procurement policies, which will include discussions on certification of sustainable forest management and certified forest products.

32. For more information on certification-related activities, including the Certification Network, see ECE/TIM/WP.2/2006/8.

E. Statistics on Forest Fires

33. There has been no activity in this element for several years due to illness.

F. Team of Specialists of Forest Products Markets and Marketing

34. The Team of Specialists met twice in 2005, once in conjunction with the Market Discussions, and the other time during the IUFRO World Congress in Brisbane, Australia. As the Team Leader, Dr. Richard Vlosky, will submit a separate report on the Team's activities, this note is limited to areas where the Working Party can provide guidance.

35. Last year the Team produced a survey of the UNECE/FAO Timber Section's market-related outputs. A number of actions were recommended, some of which have been implemented.

36. Acknowledging that country market statements and forecasts (discussed above) are critical to the success of the annual Market Discussions, the Team notes that the quality is inconsistent. The Team inserted a question on market drivers into the 2005 request for country reports, however the response rate was low. One comment made at the Team's meeting on this subject was that the preparation is onerous. The 25 country reports received in 2005 were an improvement over the 21 received in 2004, although past years have been higher. The country market reports and a summary of the topics requested in the report may be found at: www.unece.org/trade/timber/mis/reports.htm.

37. The Team's Current Issues Forum Website is growing and is located on the Louisiana State University server at: <http://www.rnr.lsu.edu/lfpl/new/unece/>. Currently the site has information in these market sectors: biofuels, e-business, global market enhancement and illegal logging.

38. The Team participated actively in the Market Discussions and in the following policy forum on governments roles in certification. They launched the idea of the 2006 forum on public procurement policies and will have an active role.

39. The Team's Emerging Markets Subgroup is working together with the Working Party on wood energy statistics as noted in the secretariat note on the special topic of monitoring and analysis of wood energy developments (ECE/TIM/EFC/WP.2/2006/7).

40. The Team now has 70 members from 22 countries and 6 organizations, plus a list of 135 experts in forest products markets and business management. These experts form a wealth of expertise for all of the activities within this work area. For more activities of the Team, please see their website at www.unece.org/trade/timber/mis/tos/specialists.htm and the Team Leader's report.

II. RESOURCES

41. Within Work Area 1, the secretariat includes a market analyst, a statistical assistant, part-time assistance on forest products prices, a loaned marketing specialist, a temporary intern on wood energy markets, two temporary interns for *Forest Products Annual Market Review* production. The secretariat seeks extra-budgetary resources in this work area, for example in capacity building in forest products marketing.

III. CONCLUSIONS

42. *We have described above the work carried out in the area of Markets and Statistics. We ask for your comments on these activities.*