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**FOOD AND AGRICULTURE
ORGANIZATION**

Timber Committee

European Forestry Commission

Joint FAO/UNECE Working Party
on Forest Economics and Statistics

Thirtieth session
Geneva, 2-3 April 2008
Item 6 of the provisional agenda

GUIDANCE OF WORK AREA 1: MARKETS AND STATISTICS

Note by the Secretariat

Summary

According to its mandate, the Working Party is expected to provide guidance to work area 1: Markets and Statistics. This document provides information about activities in this work area since the Working Party's last session and plans for the future, drawing the Working Party's attention to any specific issues where guidance is needed.

1. This document is produced in accordance with the programme of work as approved by the Timber Committee in ECE/TIM/2007/9 and “to provide guidance on the implementation of work areas 1, 2 and 3” as stated in the terms of reference of the Working Party as approved by the Timber Committee in ECE/TIM/2006/8.

I. Marketing

A. Market Analyses

2. The UNECE/FAO *Forest Products Annual Market Review, 2006-2007* (FPAMR) was produced as a basis for the first joint Timber Committee and International Softwood Conference Market Discussions in October 2007. The themes of the FPAMR were softwood markets, to coordinate with the International Softwood Conference (ISC) and wood energy and wood mobilization, to coordinate with the Timber Committee (TC) and FAO European Forestry Commission (EFC) policy forum titled “Opportunities and impacts of bioenergy policies and targets on the forest and other sectors”. While comments on the FPAMR during the joint TC and ISC Market Discussions were limited, it received many compliments, and a few suggestions, in the User Survey of UNECE/FAO Timber Section Outputs conducted in 2007-2008.

3. The English version of the FPAMR was on the TC/EFC website in early August 2007, and it was available in print and distributed to TC delegates 2 to 3 weeks ahead of the discussions. The Russian version was uploaded to the website in February 2008, when it also went in the printing process. The French version was uploaded to the website in March 2008 after experiencing the traditional delays, and was sent for printing. However as the delay in both French and Russian translations were anticipated, Executive Summaries in all three languages were made available both in electronic versions on the website beforehand and in print at the Market Discussions.

4. Once again the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing (ToSFPM&M) provided many authors and reviewers. Some of the authors were also speakers at the TC and ISC Market Discussions.

5. The FPAMR was possible thanks to contributions of a few donors, and significant in-kind contributions of most authors and several student interns. Led by a production team within the UNECE/FAO Timber Section, the FPAMR had 53 people working directly on the publication, as well as over 100 statistical correspondents and contributors. Again in 2007 the FPAMR had the same 12 chapters, including for the second year, a chapter on wood energy markets.

6. The 2008 FPAMR will again have 12 chapters analyzing policy and market developments. In order to be available in print for the joint TC and EFC Market Discussion during the European Forest Week on 20-24 October, on-time responses to the JFSQ, i.e. by 15 May 2007 are critical. The FPAMR will continue to highlight developments in eastern Europe, especially south eastern Europe, Caucasus and Central Asia when statistics and other information are available.

7. The secretariat produced a number of additional market analyses for other meetings and workshops, which may be found at: www.unece.org/trade/timber/mis/reports.htm

8. ***The Working Party is requested to invite national statistical correspondents to submit their country's JFSQ by 15 May 2008.***

B. Timber Committee Market Discussions

9. Held jointly for the first time with the ISC, the discussions were attended by nearly 300 participants. Many positive comments came from the participants' comment forms. The one-and-a-half days of discussion were oriented towards softwood markets, but included all other traditional market sectors too. It is possible that the TC and ISC will again hold joint market discussions in 2009, which in itself would be a measure of a successful first joint meeting.

10. In addition to the FPAMR, the discussions were based on country market forecasts for 2007 and 2008 which were received via the TC Questionnaire (TCQ) from thirty-one countries, the same as in 2006. Combination with the ISC was advantageous, as some TCQs were submitted by ISC delegates, when official channels were not producing timely replies. However, these alternative channels inevitably provide incomplete forecasts, which sometimes do not correlate to statistics submitted in the JFSQ. Nevertheless the cooperation with the ISC seems to have improved the quality of data.

11. Another basis of the discussions was the country market statements. In 2007 twenty-six countries submitted market statements, up from twenty-three in 2006. The secretariat worked together with the ISC to produce joint country market statements, by facilitating collaboration between national delegates to the TC and the ISC. While this resulted in more statements than if only the TC delegates had responded, the ISC statements covered only softwood markets. The secretariat believes that the country market statements are essential for the TC Market Discussions. Clearly a problem of equity arises if not all countries provide statements. Therefore country market statements should be seen as an "admission ticket" to the discussions: countries should feel a moral obligation to submit a quality market statement in order to share in the discussions. All the country market statements were uploaded to TC/EFC website in advance of the session to facilitate delegates' preparations. Although delegations were requested as usual to bring 200 paper copies to the meeting, some delegations complained about the cost and utility of paper versions, and as there were paper versions left afterwards, the secretariat has decided to stop requesting paper versions.

12. The secretariat has worked with the ToSFPM&M to improve response rates to the TCQ and country market statements. The Team suggested to make the market statements more flexible, allowing countries to focus on market drivers and their key market sector developments. The secretariat realizes that some countries do not appreciate the value of the TCQ, market statements and their ultimate outputs of the TC forecasts and the TC market statement. Perhaps the secretariat could contact TC heads of delegations to reinforce the need for adequate and timely submission of their TCQ and market statement.

13. *The Working Party is invited to suggest means to improve response rates to the TCQ and the country market statements.*

C. UNECE/FAO Team of Specialists on Forest Products Markets and Marketing

14. The ToSFPM&M submitted a separate report on its activities, as required in its mandate. The Team has been most active in the production of the FPAMR and subsequent participation in the TC Market Discussions. They have provided strong support in capacity building in forest products marketing in southeastern Europe. Team members helped organize and conduct workshops, as well as securing financial contributions. They established a Forest Products Marketing Distance Learning

website within their site on the TC/EFC website, to facilitate finding web-based training in forest products marketing.

15. The Team met in October 2007, immediately after the TC and ISC Market Discussions, and have planned a number of activities. They proposed to the Bureaux of the TC and EFC that a policy forum on “green building’s impacts on the forest sector” be conducted at the European Forest Week in 2008. In addition to the above two activities, other continuing and new activities include:

- (a) Presentation on green building at the 2007 TC and ISC Market Discussions;
- (b) Improving wood energy statistics and their analysis, especially in terms of mobilizing more wood for energy and industrial processing;
- (c) Corporate social responsibility;
- (d) Maintenance of their Current Issues Forum website;
- (e) Promoting networking via their database of marketing experts jointly with the International Union of Forest Research Organisations (currently over 200 experts);
- (f) Building a market information system in the Balkan region.

16. The Team proposes that a team on the same topic be founded for the period from 2008 to 2013, and has suggested that the objectives remain the same as in the former mandate. The expected major outputs should be updated. The mandate proposed by the team is provided in annex 1.

17. The Working Party is requested to review the proposed mandate for 2008-2013. Any comments or suggestions will be transmitted to the Special Session of the TC and EFC in April 2008.

D. Capacity building in forest products marketing

18. During 2007 UNECE/FAO worked with partners in Serbia and Bosnia and Herzegovina to organize a workshop in Belgrade in November 2007, focused on wood energy, “Wood Energy as a Driver for Sustainable Rural Economic Development in South East Europe” and a forest products marketing seminar in December 2007, in Sarajevo. The Sarajevo meeting echoed calls from earlier workshops for a transparent marketing information system, and recommended that the international organizations work together to support the development of the forest and wood processing sectors in the western Balkans. Conclusions from the Sarajevo meeting can be found at <http://www.unece.org/trade/timber/workshops/2007/sarajevo/conclusions-draft.pdf>

19. In addition, the Timber Section worked with the Ministry of Agriculture, Forestry and Water Management in Serbia to help draft Technical Cooperation Proposals on wood energy and forest products marketing and has worked with FAO to prepare a project proposal under the Climate Change programme of the Global Environment Facility (GEF) titled, “Improving energy efficiency and reducing greenhouse gas emissions through the promotion of modern biomass energy systems.” The proposal has not so far received the necessary endorsement from the GEF focal point in Serbia, however, and consequently has not been submitted to GEF.

20. Following the wood energy workshop in Belgrade, Timber Section has continued to work with UNIDO (Agro-Industry Unit in Vienna), UNDP (Belgrade) and Oesterreichisches Bundesforste Consulting Group to draft a proposal for a multilateral wood energy project in Serbia, which would have broadly similar aims to the dormant GEF proposal.

21. It is expected that the cooperation developed in Sarajevo with UNDP and UNCTAD/WTO – ITC may lead to a multilateral project designed to set up advisory networks in south east Europe that would help wood processing businesses enhance their marketing skills and develop more fully their export potential. While some countries such as Bosnia and Herzegovina and Serbia recognize the value of their forests, especially if they can succeed in building the market for wood products, both domestically and in the more lucrative export markets, there are few instances where the forest sector's potential rates more than a passing mention in key documents such as Poverty Reduction Strategies, if indeed it is mentioned at all.

22. As part of a strategy to build improved links and networks with those in the forest sector at the political/government level, the section undertook missions to Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Serbia during 2007. Such visits, which build on an earlier programme in 2006, are helping to improve our understanding of the challenges that the countries of south east Europe face in their journey from the former centrally-planned economies to market economies. Undoubtedly, one of the principal challenges remains the underlying weakness of the institutions that control and help the forest sector to develop. This is compounded by the fact that forestry, in spite of its clear potential to support sustainable rural economic development, still ranks too low in the political priorities and ambitions of too many countries.

23. During 2008 there are plans (subject to funding) to organize four seminars/workshops as follows:

June 2008	Modern Wood Energy Systems and Markets – an opportunity for south east Europe	Timisoara, Romania
Sept. 2008	Forest Products Marketing workshop for SE Europe	tFYR Macedonia
Oct. 2008	Forest Products Marketing workshop for CIS	Czech Republic
Nov. 2008	Wood Energy workshop	Belgrade, Serbia

24. Future capacity building work is in doubt owing to uncertainty about resources. The loaned professional from the UK Forestry Commission is due to return there after July 2008. Currently there are no arrangements in hand to replace this individual and without this extra-budgetary contribution it is difficult to see how the work that has begun can be continued, other than in a rather more ad-hoc way.

25. Good results have been achieved in the last few years, working with limited resources. A new approach to implementing sustainable forest management, in marketing and other areas is clearly needed. The secretariat is preparing proposals for the attention of the special session in April, based on the concept of sub regional workshops in areas of comparative advantage of UNECE/FAO, including marketing

26. *The Working Party is invited to comment on the marketing capacity building activities, and how to transmit the expertise existing in the networks in the marketing area to countries in eastern Europe and central Asia.*

E. Certification

27. Most work on certification is in the chapter in the FPAMR on markets for certified forest products. The chapter provides an update on certification systems developments as an indication of supply, and discusses market and policy developments. Last year's chapter brought forward the complexities of certifying biofuels. One of the chapter authors presented the findings at the TC and ISC Market Discussions. The secretariat used the findings and information from the chapter and its presentation in subsequent market analyses and their presentations. A certification website within the TC/EFC website provides links to the most current FPAMR chapters, as well as older certification publications.

28. The 2007 FPAMR chapter did not use information from the TC and EFC Network of Officially Nominated National Correspondents on Certification and Certified Forest Products Markets. However, in 2008 the secretariat anticipates querying the network, in part to maintain this valuable source of independent information.

II. Statistics

A. Outputs

29. In 2007 the secretariat produced the *Timber Committee Forecasts* as well as data tables in support of the *Forest Products Annual Market Review* based on the Joint Forest Sector Questionnaire (JFSQ). At the time of writing, work is proceeding on the final *Forest Products Statistics, 2002-2006*. All forest products data were uploaded to the FAOSTAT interactive database, the primary distribution site for forest products data, in July and December for dissemination in August and January. The price database continues to be updated. An additional four price series were added during the year. All data are provided in electronic-only form on the UNECE/FAO Timber Section website.

30. Data have been collected for the *Trade in Species* and *Secondary Products Trade*, as well as forest fire statistics. Due to a shortage of human resources these data have not however been reviewed or published although the secretariat intends to do so as the personnel situation should improve during 2008.

B. Replies

31. In general in 2007 the number of replies to the JFSQ declined while the completeness of the data supplied increased. A complete table comparing recent years is attached in annex 2.

C. Intersecretariat Working Group

32. Cooperation between the partners responsible for the JFSQ (FAO, Eurostat, ITTO) of the Intersecretariat Working Group on Forest Sector Statistics (IWG) continues to be good. Minutes of recent IWG meetings can be found at www.unece.org/trade/timber/mis/iwg. A number of changes to the JFSQ were made during the latest meeting in February 2008, taking advantage of the expressed

desire of the Working Party for carrying out changes to the questionnaire at one time rather than over a period of years. The main driver of these changes was to adapt the JFSQ to the implementation of the Harmonised System (HS) 2007 trade classification. All changes were previously discussed at the Working Party sessions.

- (a) Secondary Products questionnaire changes:
 - i. Integrated into the standard JFSQ by becoming JQ3.
 - ii. Additional items have been added to the questionnaire to cover HS codes not previously included (HS44.14 / 17 / 19 / 20/ 21). These are items such as broomsticks for example.
- (b) There are several questionnaires covering trade in species. After several years of attempts the ECE1 and EU3 questionnaires have been integrated into a single form in an effort to simplify the response burden.
- (c) Definitional and/or HS code number changes necessitated by implementation of HS 2007 were made to:
 - i. Particle board
 - ii. Fiberboard
 - iii. Paper categories
 - iv. Bamboo has been excluded from a number of products including
 - a. Wood charcoal
 - b. Further processed sawnwood
 - c. Plywood

33. The HS classification is the primary classification used in collecting trade statistics at the global level. It also therefore determines the level of detail and structure of items in the JFSQ. The Working Party and other bodies have pointed out the need for some changes to the HS in order to make more clear the role of wood in energy supply. The next revision of the HS is scheduled to be implemented on 1 January 2012. The IWG will attempt to have wood pellets, recovered wood and wooden houses added to the HS2012 revisions which must be finalized by June 2009. ***The Working Party is invited to endorse this effort.***

34. Non-wood forest products (NWFPs) continue to attract interest at the political level. Last year the Working Party indicated that these should not be included as part of the JFSQ process. A list of NWFPs published by FAO (FRA 2005) and MCPFE (State of Europe's Forests) is available on the meeting website. It is also clearly possible for some countries to provide some information on some of their NWFPs although the consistency and quality of data may not be sufficient for the JFSQ. This was discussed at the IWG and consultation with the respective bodies requested. ***Would the Working Party confirm their continued wish not to include these products?***

III. Information on wood energy

35. During the Working Party 2007 meeting, the secretariat presented its progress on improved information on wood energy. Data gained through the first Joint UNECE/FAO/IEA Wood Energy Enquiry (JWEE) radically changed experts' view of the situation which is confirmed by their use in many international publications on wood energy in the past year. The reference year of the first enquiry was 2005. The near-final version of the paper is available on the website and the secretariat

intends to finalise and publish it in 2008. Since then there are many indications, but no reliable statistics, that development of the renewable energy sector has continued at a rapid pace.

36. The Working Party agreed in 2007 that the secretariat should prepare a second edition of the JWEE. It was proposed to issue the questionnaire on a biannual basis in the future. The Working Party expressed appreciation of the revised structure of the enquiry and proposed some additional modifications which will be taken into account. Based on these decisions, the secretariat proposes to conduct the second JWEE in 2008 which will compile data using 2007 as the base year.

37. It is intended to widen the range of specialists involved in the JWEE. Experiences from the last two years confirmed again that detailed knowledge on wood energy is scattered but often available at national level. The exercise will seek relevant information beyond the limits of the forest sector involving specialists from energy, waste, trade and other related sector.

38. The secretariat asks the Working Party to approve the following communication channels with national experts for the JWEE:

- (a) The national statistical correspondent (NC) is the focal point for communicating data to the UNECE/FAO Timber Section.
- (b) The NC is invited to consult with any specialist at national level to find required information.
- (c) The secretariat may directly inform national specialists about the enquiry based on the networks and contacts made in all relevant sectors. The secretariat will inform any specialist who has been contacted directly that he should provide any data via the NC. Where possible the secretariat will inform NCs about each directly contacted expert. This may not always be possible due to confidentiality reasons of some networks (e.g. national correspondents of the International Energy Agency).
- (d) The secretariat will ask the NC for approval for any data not being sent through them.

39. The secretariat envisages pre-filling national tables as far as possible. Basic underlying data will be gained through the JFSQ. It is hoped that the International Energy Agency will be able to provide initial energy production data as framework information. Due to data validation processes the secretariat aims at sending out the enquiry around 15 July 2008 (containing latest data available). The enquiry will include:

- (a) Comprehensive explanation and definitions;
- (b) Include the latest conversion factors (considering results of the background paper of the workshop on National Wood Resource Balances and discussions).

40. The deadline for submitting data to the secretariat would be 15 September 2008. The relatively tight schedule is required as the secretariat is aiming at presenting preliminary findings during the "European Forest Week" of the UNECE Timber Committee and FAO European Forestry Commission in October 2008. Results of the 2nd JWEE will be finalized by end 2008 and presented to the Working Party at its meeting in 2009.

41. *The Working Party is invited to review and endorse these plans for implementing the second joint Wood energy enquiry*

IV. Resources

42. The Timber Section staff in Work Area 1 is limited to one marketing specialist and one statistical assistant (although other Timber Section staff regularly assist in some work). The work has been substantially increased over the last nearly four years thanks to the loan of a consultant in forest products marketing from the UK Forestry Commission. However, he is scheduled to return to the UK in July 2008, leaving a considerable hole in the programme.

43. Work Area 1 benefits from substantial, periodic in-kind contributions and the amount of work accomplished benefits proportionately. The statistical assistant could use temporary help in working with the TIMBER database.

44. *Working Party delegations are requested to consider whether they would be able to make in-kind contributions to the activities under work area 1*

V. Work area 1 in the period to 2013

45. The integrated ECE/FAO programme for the period to 2008 has the following programme elements under work area 1:

Work area 1 Markets and Statistics	
	<i>Programme elements</i>
1.1	Statistics on production, trade, consumption and prices of forest products
1.2	Analysis of markets for forest products, notably topical and policy relevant aspects
1.3	Capacity building for forest products marketing in countries in transition
1.4	Monitoring and analysis of markets for certified wood products
1.5	Statistics on forest fires
1.6	Team of Specialists on Forest Products Markets and Marketing

46. A new programme will be drawn up for the period to 2013 and approved at the special session in April. The document under preparation for the special session contains the following suggestions for work area 1 (description of the work area and list of programme elements):

“Work Area 1: Markets and Statistics

UNECE/FAO monitors and analyses developments in markets, notably topical and policy relevant aspects, and provides a neutral forum for discussion between governments and stakeholders at the annual Timber Committee sessions, which analyse developments and make short term forecasts. As a basis for this and other work, comprehensive statistics on production, trade and prices of forest products are collected,

validated, analysed and disseminated. Data collection activities are coordinated through the Intersecretariat Working Group on Forest Sector Statistics. UNECE/FAO, together with partners, builds capacity in forest products marketing and statistics in central and eastern Europe, southeast Europe, the Caucasus and Central Asia.”

Work area 1 Markets and Statistics	
	Programme elements
1.1	Collecting, validating and disseminating statistics on production, trade, consumption and prices of forest products:
1.2	Analysis of markets for forest products, notably topical and policy relevant aspects, including Forest products Annual Market Review and annual timber Committee discussions
1.3	Implementing sustainable forest management through capacity building for forest products marketing*
1.4	Monitoring and analysis of markets and policies for certified wood products, including public procurement and green building
1.5	Collection, and dissemination of forest fire statistics

Annex I

<p style="text-align: center;">UNECE/FAO TEAM OF SPECIALISTS ON</p> <p style="text-align: center;"><i>FOREST PRODUCTS MARKETS AND MARKETING</i></p> <p style="text-align: center;">Reference to Integrated Work Programme: Work Area 1</p> <p style="text-align: center;">Programme elements 1.1, 1.2, 1.3, 1.4</p>	
A. OBJECTIVES	
<p>To contribute to the sustainable development of forest products markets in the UNECE region:</p> <ol style="list-style-type: none"> 1. Provide a forum for discussion of forest products marketing in the UNECE region. In particular, contribute to the Timber Committee annual market discussions and thereby advise UNECE/FAO on forest products market developments. 2. Advise the UNECE/FAO secretariat on implementation of Work Area 1, focusing on its products and publications, and undertaking studies as appropriate. 3. Provide assistance in marketing in the UNECE region, especially to central and eastern European countries, through information collection, analysis and dissemination, and capacity building. 4. Maintain and expand the international network and forums for discussion on forest products markets and marketing. 	
<p>EXPECTED MAJOR OUTPUTS:</p> <ol style="list-style-type: none"> 1. Contribution to Timber Committee market discussions and workshop(s) on relevant topics, including the market effects of green building policies, corporate social responsibility in forest products marketing and trade, public procurement policies, wood energy, and other topics, in line with the work programme. 2. Advice on market-related publications and products, including the provision of expertise in the production and technical reviews of the Forest Products Annual Market Review. 3. Participation in wood energy market study in conjunction with the secretariat's long-term outlook study for wood energy 4.. Maintenance and expansion of the "Current issues website" (http://www.lfpdc.lsu.edu/unece/) to collect and share with a wider community forest products marketing information, and the Forest Products Marketing Distance Learning Website (http://www.unece.org/trade/timber/mis/forest-products-marketing-links.htm) 5. Maintenance and expansion of the "Forest Products Marketing & Business Management Reference List" 	
B. BACKGROUND	
<p>ESTABLISHED / APPROVED BY</p>	<p>Joint session of the UNECE Timber Committee and FAO European Forestry Commission, Rome, 24 October 2008</p>

DURATION	From 2008 to 2013
METHODS OF WORK	To be determined by the team
REPORTING	To the Joint FAO/UNECE Working Party on Forest Economics and Statistics
TEAM LEADERS	To be nominated during the 1 st meeting of the Team
RESPONSIBLE SECRETARIAT MEMBER	Ed Pepke

Annex II

Replies to the Questionnaires

Questionnaire		Year Questionnaire Sent			
		2004	2005	2006	2007
JFSQ	JQ1 (production) - replies	43	41	42	39
	% of cells filled (of 66)	78.3	65.0	65.3	83.4
	JQ2 (trade) - replies	40	41	40	38
	% of cells filled (of 216)	87.6	83.4	90.6	94.8
	SP1 (sec. prod. trade) - replies	21+11(EU)	10+24(EU)	15+20(EU)	12+21(EU)
TCQ	% of cells filled (of 42)	91.2	92.3	75.7	72.9
	ECE1 (species trade) - replies	21+11(EU)	11+23(EU)	11+23(EU)	13+23(EU)
	% of cells filled (of 88)	84.8	87.1	91.8	90.0
	TC1 (roundwood forecast) - replies	31	32	31	31
	% of cells filled (of 21)	86.7	85.2	94.3	87.2
	TC2 (product forecast) - replies	31	31	31	30
	% of cells filled (of 45)	92.2	83.3	95.1	87.1

There were 55 member countries for the period 2004-2006 and 56 in 2007.