Summary

Objective of the study

The *European Forest Sector Outlook Study (EFSOS), Main Report,* is the sixth major study in the European outlook study series. It aims to provide decision makers in the forestry sector with information and analysis about long-term trends in the sector and projections of future developments.

Scope of the study

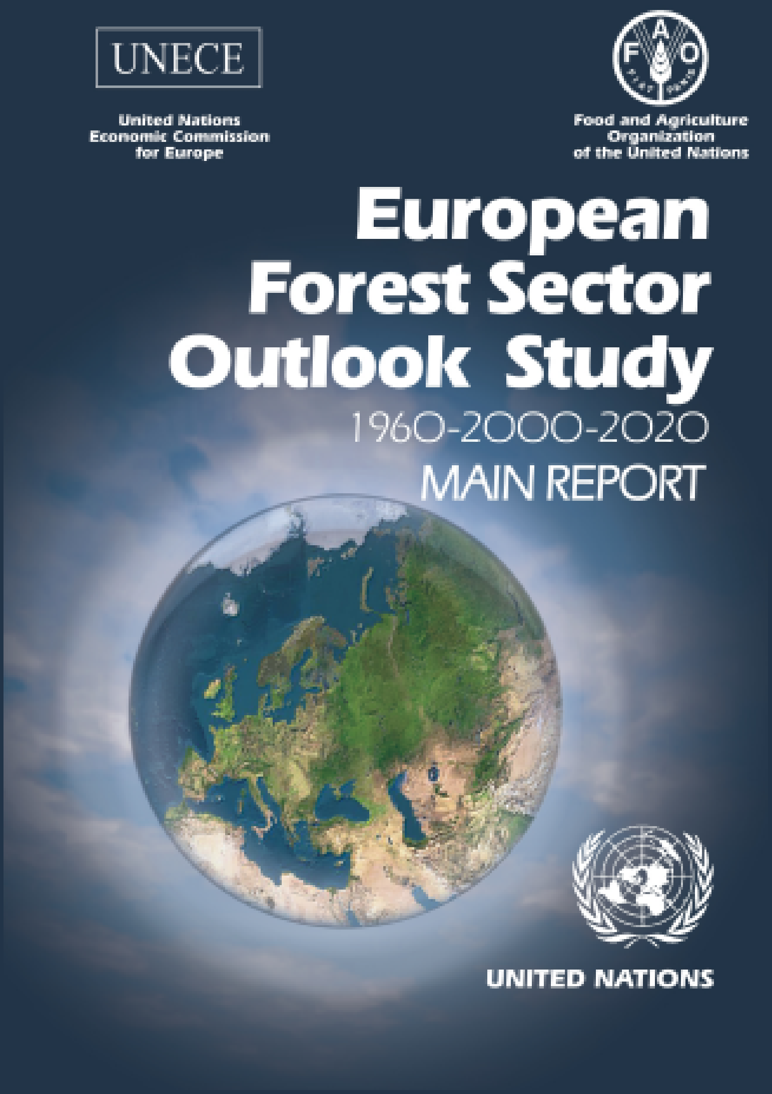
Geographic: The study covers 38 countries, including all of the European countries and 7 of the countries from the former-USSR including the Russian Federation. Most of the results of the historical analysis are presented for the period from 1961 to 2000, and projections are presented for the period 2000 to 2020.

Products: roundwood, sawnwood, wood-based panels, pulp and paper, recovered paper and wood products, non-wood products. In addition, the report examines the trends and outlook for forest resources, forest services, forest policy and management.

Methodology and sources

For wood-based forest products, econometric projections of supply, trade and consumption were prepared, while for non-wood products and for services, qualitative estimates were presented. Special attention was paid to the inter-action of forest sector trends and developments in other sectors. Eight Discussion Papers present and discuss the data and analysis on which the main report is based. Almost all of the data presented and analysed were drawn from the ECE and FAO databases.

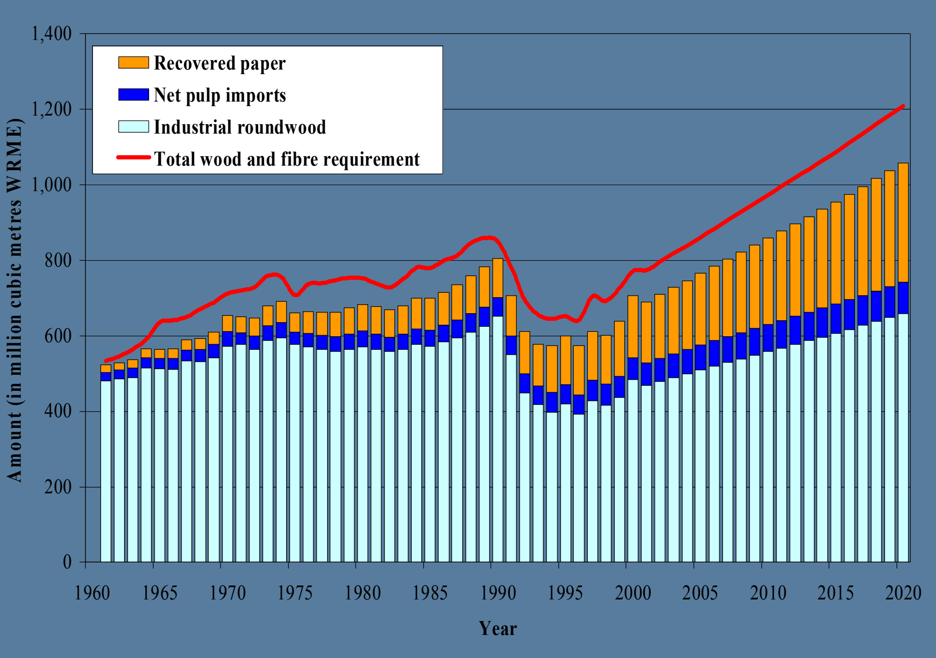
The study is based on the generous contribution over several years of sector experts and national correspondents, without whose help the study would have been impossible.



Trends from 1960 and status around 2000

- Forest area, growing stock and increment have all increased steadily over the whole period.
- Around 2000, about 70% of net increment is harvested in Western Europe, 75% in Eastern Europe and only 25% in the Russian Federation. The gap between fellings and increment has been increasing since 1960, leading to an accumulation of forest stocking all over the region.
- It appears that the quality of forest resources and forest management in Europe has been quite stable and in some respects may have increased. However, significant problems still exist in many countries, notably, forest fires, outbreaks of pests and diseases, defoliation and illegal activities.
- There has been a gradual, but long-term trend for managers and Governments to give higher priority to objectives other than wood production, such as biodiversity conservation, recreation and protection of landscapes.
- Consumption, production and trade of wood-based products have all increased steadily over the whole period, with the exception of the collapse in production and consumption in the transition countries in the first half of the 1990s. Since then, there has been dramatic recovery in the Baltic countries followed by the rest of Eastern Europe and the CIS. The Russian forest sector is now showing signs of vigorous growth.

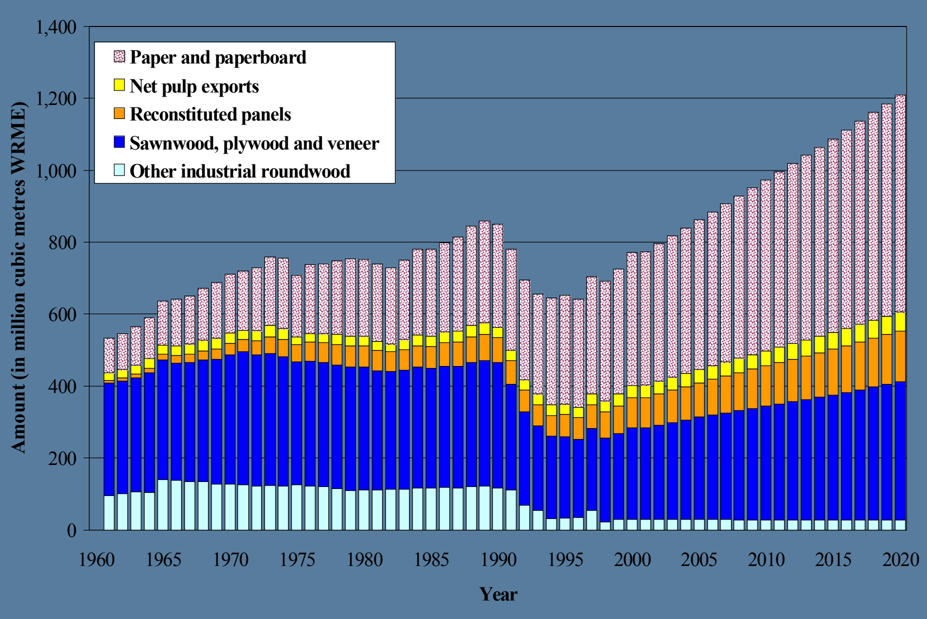
FIBRE SUPPLY FOR PAPER, SAWNWOOD AND PANEL, TOTAL EUROPE



- Forest products prices have remained stable or declined in real terms since the 1970s. For coniferous sawnwood, particle board, plywood and paper, the decline has been dramatic. Partial information suggests that stumpage (i.e. the price of standing roundwood) may have declined since 1970 by as much as 50% in real terms.
- Government policies have changed to reflect the higher priority given to sustainable development, for instance through support to recycling and renewable energy.
- Forest sector institutions and policies have also been developing to respond to changes and pressures: structures are being built to help the new forest owners appearing as a result of privatisation and restitution of forest land in transition countries. Increasingly managers of publicly owned forests are expected to act in a more commercial way, and the roles of the forest administration (policy formulation, policy implementation and the management of public forests) are being clearly separated.
- The economic viability of forest management had been gradually declining due to global competition and declining (wood) product prices. Forest managers are increasingly expected to meet higher management standards and to produce a wider range of goods and services, while their main source of revenue (wood production) is lower than ever before. In Western Europe, according to incomplete information, income from subsidies and fiscal measures is approaching wood production as an income source for forest owners.
- As labour productivity has been rising faster than the volume of production, total employment in the sector had been falling.

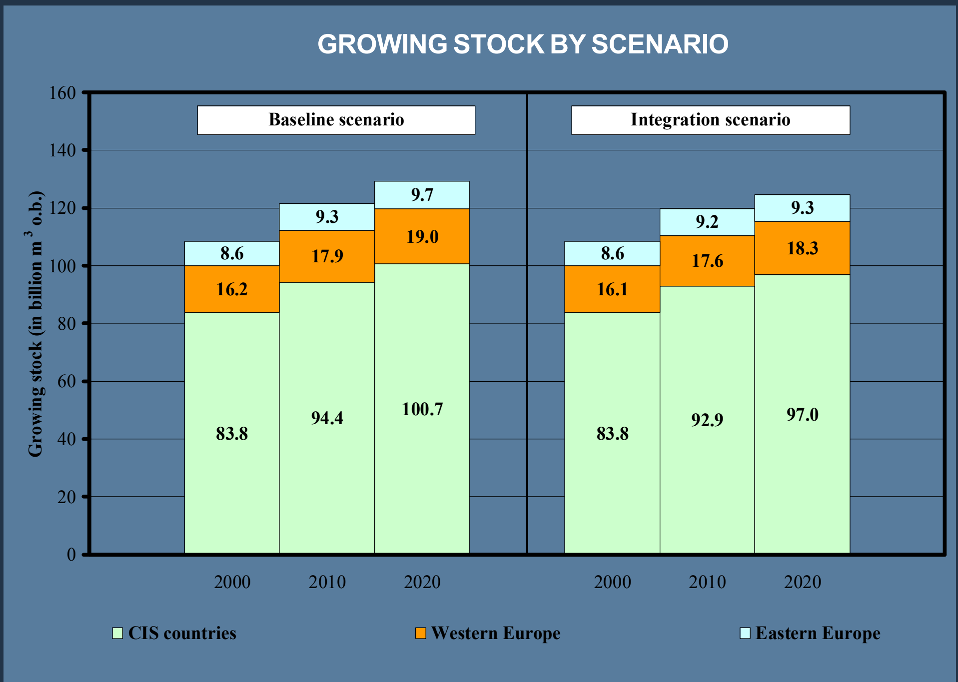
- The strongest growth has been for reconstituted panels and for paper and paperboard, leading to a significant change in the structure of demand for wood raw material: faster growth for small-sized wood and recovered paper, slower for sawlogs.
- Increasingly, the forest industries are based on recycling and residues. In Western Europe, the direct use of industrial roundwood now accounts for less than half of the fibre used to produce forest products, with recovered paper, recovered wood products and industrial residues accounting for the other half.
- Despite the weak information base, it appears that the importance of non-wood forest products and forest services is increasing relative to that of wood: non-wood forest products could account for between 10% and 25% of the value of forestry production in Europe. The value of forest services (recreation, biodiversity, protection etc.) is probably at least as high and may well exceed the value of wood production in several countries, especially in Western Europe.
- International trade in forest products has intensified, at the global, regional and sub-regional levels, especially during the 1990s, partly due to globalisation and partly to the increased export orientation of several eastern European and CIS countries.
- Europe (as defined in EFSOS) remains an important exporter of forest products (about half of the world total) but its relative importance as an importer is falling, due to high growth elsewhere, notably Asia. By value, it is now a small net exporter of forest products.

DEMAND FOR WOOD IN EUROPE (TOTAL), BY PRODUCT



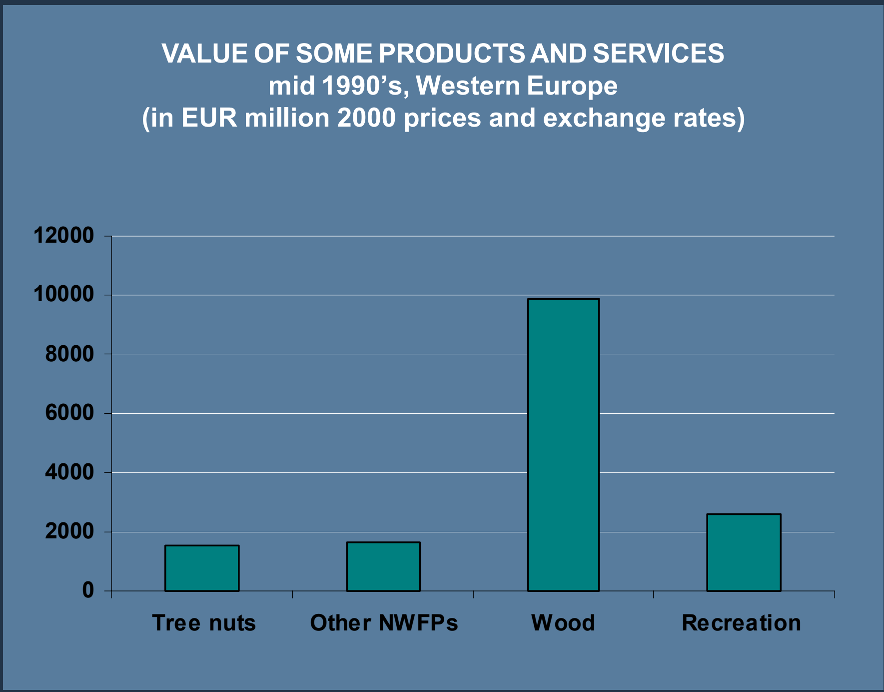
Outlook

- Economic growth is expected to continue, at a moderate rate (1.3% p.a.) for Western Europe, and faster for eastern Europe and CIS (4.2% and 4.0%, respectively).
- Consumption and production of wood-based forest products will also grow steadily, more slowly for sawnwood. Western Europe, where growth is slower than elsewhere, will however remain by far the largest market.
- Trade patterns for wood products will change, with a significant absolute and relative increase in export from the east, as Russia and other countries redevelop their forest sector to supply both the world's expanding markets, especially in Asia, and traditional European markets.
- Production of industrial roundwood will also rise, by about 40% between 2000 and 2020. Fellings will rise but remain below increment in all countries.
- Production and consumption of recovered paper are expected to double over the 20-year period, and net exports of recovered paper to rise even faster.
- In Western Europe, commercial collection of non-wood forest products may continue to decline, due to high labour costs, but recreational collection may expand, whereas commercial production may expand in the other two sub-regions.
- Demand for edible non-wood forest products, for medicinal plants and for decorative foliage and Christmas trees may continue to expand in Western Europe.
- Cork markets are expected to grow steadily, provided the product remains price competitive and reliable.
- Tree nut consumption may continue level in Western Europe, with declining production, while consumption and production may both rise in the other two sub-regions.
- Demand for protection of soil, water and infrastructure is likely to remain very strong, but localized.
- As demand for forest recreation is already very high in Western Europe, increase may concern the quality of forest recreation rather than the number of visits. However, higher visitor demand and more forest visits are to be expected in Eastern Europe and CIS.
- Demand for biodiversity conservation is also likely to increase in all countries, especially in Eastern Europe and CIS.
- Supply of forest recreation and biodiversity will depend on government policies. Some forest owners will develop commercial forest recreation activities, but overall the future supply of these services will depend upon the level of public support and the legal requirements for forest owners.
- Europe's forests will certainly be called on to play a role in strategies to mitigate climate change, notably through:
  - measures to maintain or increase carbon stocks in forest ecosystems;
  - incentives for the use of wood energy as part of renewable energy policies; and
  - measures to encourage the use of forest products instead of less "carbon-friendly" ones.
- Forest sector employment will continue to decline. Problems concerning the quality of employment may persist, especially with respect to skill levels, wage levels and the health and safety of employees (particularly in forestry).



The main policy relevant forecasts may be summarised as follows:

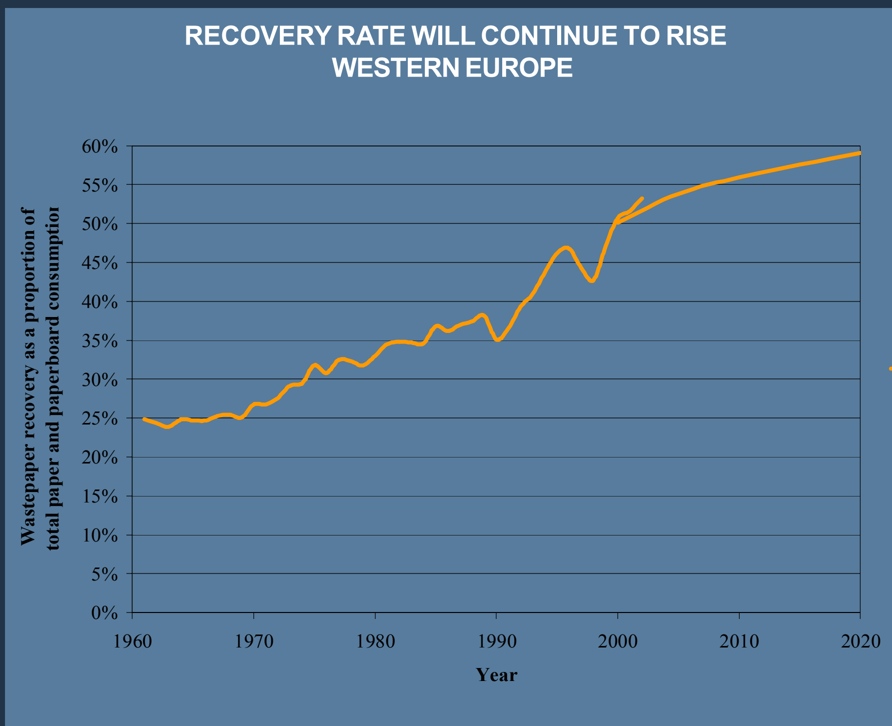
- Recycling and residue use will continue to expand.
- Renewable energy policies will increase the demand for wood.
- Europe's forest resource will continue to expand.
- Fellings will remain below annual increment.
- Forest-products trade will intensify further.
- Economic viability of forest management will remain threatened.
- Forest sector institutions will continue to evolve rapidly.



- Governments should attach sufficient political priority to improving the economic viability of forest management in Europe, notably by implementing the relevant commitments of the Vienna Ministerial Conference.
- Governments, employers and unions should consider the long-term needs of the forestry work force.
- The highest political authorities of southern Europe and the Russian Federation should attach sufficient priority to preventing and controlling forest fires.
- There is an urgent need to address threats to sustainability in south-eastern Europe and the CIS, including excessive forest fires, increasing wood demand, overgrazing, illegal logging, shortages, erosion and deforestation.
- Policy attention should be devoted to the consequences of the dynamic developments in Eastern Europe and the CIS.
- Experience of the advanced transition countries in relation to institutional change should be widely shared.
- The European experience in sustainable forest management needs to be promoted more actively on a global level.

Policy recommendations

- A cross-sectoral approach is necessary.
- Forest-sector institutions should be proactive in the climate change debate.
- Political will and resources are necessary to provide satisfactory instruments for monitoring environmental and social benefits of forestry.
- Governments should work together to improve forest law enforcement and governance.
- Governments and EU institutions should develop a policy and legislative framework to support and promote the sound use of wood as an integral part of sustainable development.
- Governments should promote wood-energy production and use it as part of a balanced implementation of wood energy policies.
- The European industry and other stakeholders should identify region by region what are Europe's areas of comparative advantage and disadvantage and how they should be developed.



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