



ARGENTINA

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1. What are the emerging issues facing the industry in your country?

The forest-based industry in Argentina is supplied 90% from cultivated forest. With 1.2 million hectares planted—mainly pine, eucalyptus and salicaceae— annual production is estimated at 20 million cubic meters of wood, approximately, half of which is used – around 10 million m³. On the other hand, it is estimated that around 2.5 million m³ of the waste, resulting from thinning forests and sawmills, are unused. This shows the dimension of the possibility of industrial investment which is not currently exploited in Argentina.

Good news in the forest sector was the extension of the Law for the Promotion of Investments in Cultivated Forest. [*Ley de Promoción de Inversiones en Bosques Cultivados*] for an additional 10-year term – up to 2019- which has been a sign of continuous public support to the expansion of foresting in the country. Accordingly, Argentina has at least 2 million hectares of high-productivity forest lands, which do not compete with agriculture or native forests, available for foresting.

On the other hand, the so-called Forest Law [*Ley de Bosques*] was passed, whereby provinces are required to undertake land use planning in order to classify native forests for a better management and exploitation thereof. This Law recognizes the payment of Environmental Services provided thereby. The Law has been recently regulated (February 13, 2009) and the provinces are making progress in land use planning. This tool is essential for the expansion of cultivated forest and the sustainable exploitation of native forests.

Argentina has high-productivity forest lands available and around 10 million m³ of wood for the industry. We believe that the greatest challenge for the forest sector and related industries in Argentina is to create a business environment attractive for the investments required to exploit the country's forest potential.

2. What are the most important business developments within your industry over the last year?

Undoubtedly, the financial crisis and the decrease in demand in the main wood markets – especially in the United States- are having a strong impact on companies. Exports have decreased at the same time the domestic market shows signs of retraction.

Most of the companies are redesigning their strategies to overcome this situation, which is estimated to show the worst scenario in 2009. The sector has sought to reduce costs and improve productivity.

The forest area has shown an expansion of mechanization in forest harvesting. Development of forest services and professionalization of rural workers have continued, making progress in the measures taken for social and environmental sustainability. It is estimated that around 30% of the forested land is certified by some environmental, labor or sustainable standard

(ISO 14000; OSHA 18000, FSC), and that such area will grow. Accordingly, in 2008 progress was made on a federal rule on forest certification which may be approved by PEFC as well as on establishing a FSC National Initiative. It is expected that the two programs will be operating in 2009.

The investments in the industry have not significantly increased the production of pulp and paper. During 2008 no progress was made in any greenfield investment, although there is at least one significant project waiting. The main investments were focused on improving the environmental management of the industry and expanding and optimizing the productive processes in the existing plants.

Wood production is particularly affected by the crisis, and thus, production is estimated to have decreased in comparison with 2007. It has been reported that many small sawmills have closed down and that the payroll of bigger wood-producing companies has been reduced. To date (February 2009), the companies report a two-month-production stock.

On the other hand, during 2008 progress was made on the investments related to bio energy. A pellet-production factory started operating (in addition to another factory which was already operating) and cogeneration systems have been installed for the production of energy from sawmill waste.

3. What new information do you have on the socio-economic contributions of the forest industry in your country (formal and informal employment generated by the forest industry, contribution to rural and urban development, health, education, poverty alleviation, etc).

According to estimates made on the basis of the input-output matrix, the forest industry generates in Argentina direct and indirect employment for over 500,000 people. According to AFoA estimates, foresting generates 1 job every two planted hectares and one job in the industry per every harvested hectare.

On the other hand, the forest sector is leading the implementation of a Labor Competency Certification and Continuous Training Program for forest as well as industrial workers. The sector is working jointly with the Ministry of Labor, trade unions and the academic sector in order to accomplish such purpose. The goal is to reduce labor risks, improve workers employability and the quality of job training.

The first 700 assessments of rural workers showed that only a minority of such workers -2%- had completed middle school. Most of them – 50%- only completed elementary school, while 35% of the workers have not completed elementary school and 12% has not finished high school.

This education profile of workers describes them as a “vulnerable group”, - those that show high levels of unemployment, low income and high rates of industrial accidents-. With this Program, recently implemented in Argentina, the forest and forest-industrial sector aims at improving the employability of workers and the continuous training system, permitting to reduce labor risks and improve labor productivity of the forest sector and related industries.---

Some data:

According to data from the Secretariat of Agriculture, livestock, fisheries, and Food (SAGPyA) an estimated 1, 2 million hectares were planted as of 2008. Additionally, there are 33.2 million hectares of native forest. It is estimated that about 80% is in Mesopotamia.

Forest products exports were estimated in 1 billion US dollars and imports in 1.4 US billions in 2007.

Buenos Aires, February, 2009.