



The Impacts of the Financial Crisis on Forest Industry

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FAO, Rome

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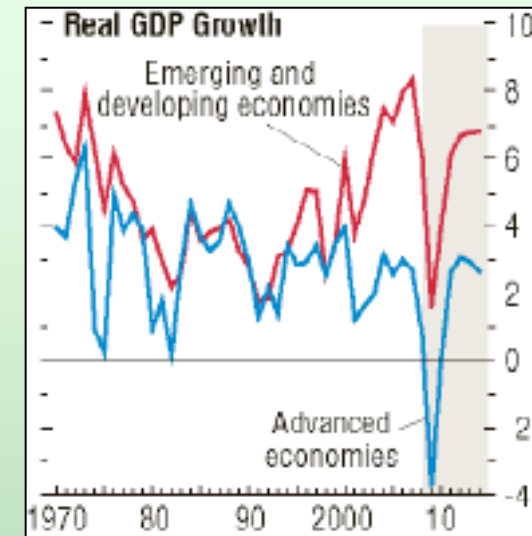
Structure of presentation

1. **World's Financial Crisis**
2. **Influence on Forest Industries**
3. **Global Forest Products Consumption**
4. **Way Out**
5. **Points for Further Discussion**



1. World's Financial Crisis

- World economy is undergoing one of the most dangerous financial shocks since the 1930s.
- The IMF has sharply lowered its economic forecast: the world economy will shrink for the first time in 60 years during 2009.
- A “downward spiral in loss of confidence”.
- Countries are in different phases of the crisis.



Source: IMF, April 2009

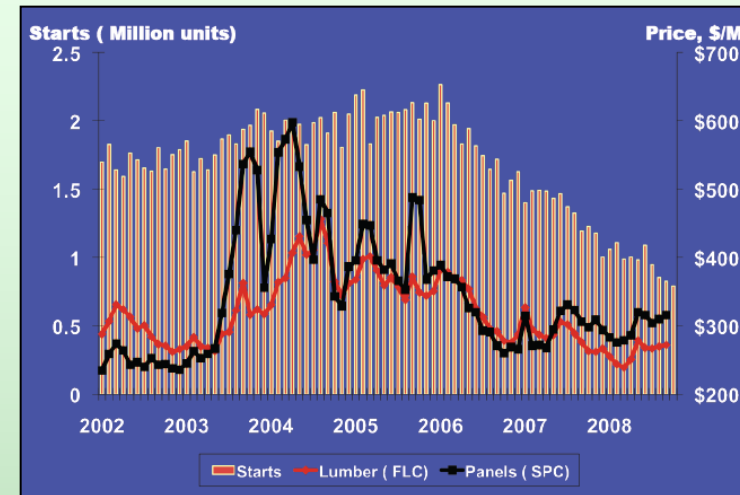


Forestry

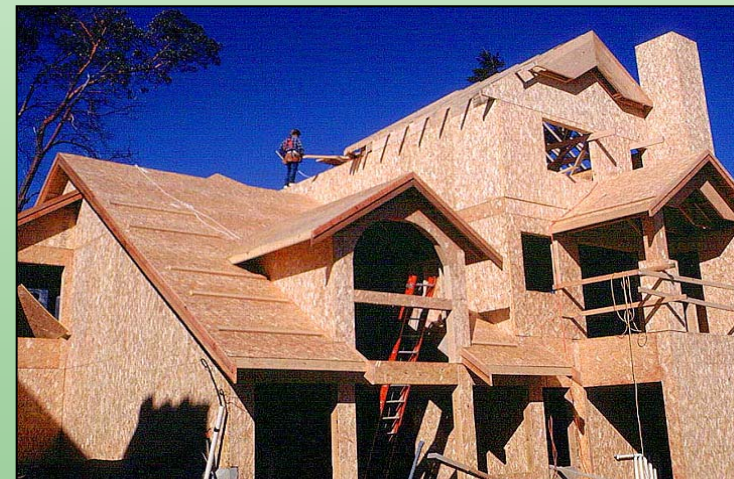
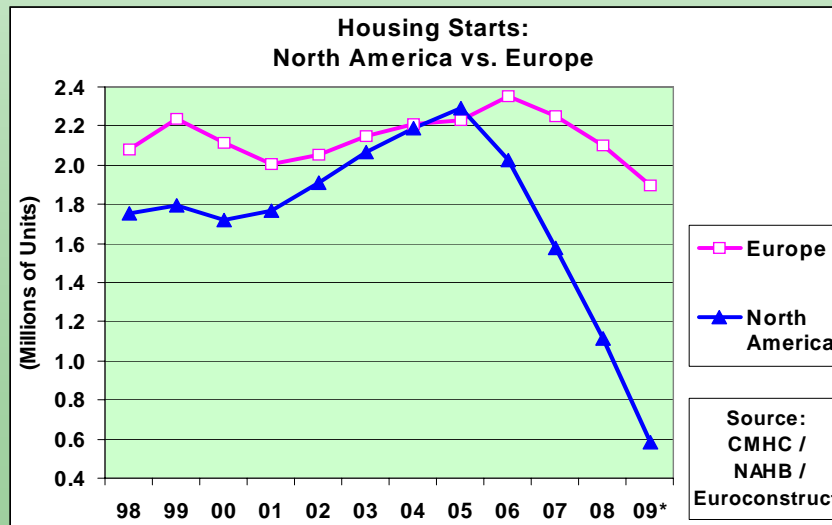


2. Influence on Forest Industries

- 2009 US new housing starts at 458,000.
- Housing starts are expected to remain weak at least until the second half of 2009-2010.
- N-Am. structural wood production:
 - Softwood lumber demand down 50% since 2005
 - Hardwood lumber down 35%
 - Structural panels down 37% since 2005
 - Engineered wood products (EWP) down 30%
- Effects of housing problems ripple through entire wood products value-chain.



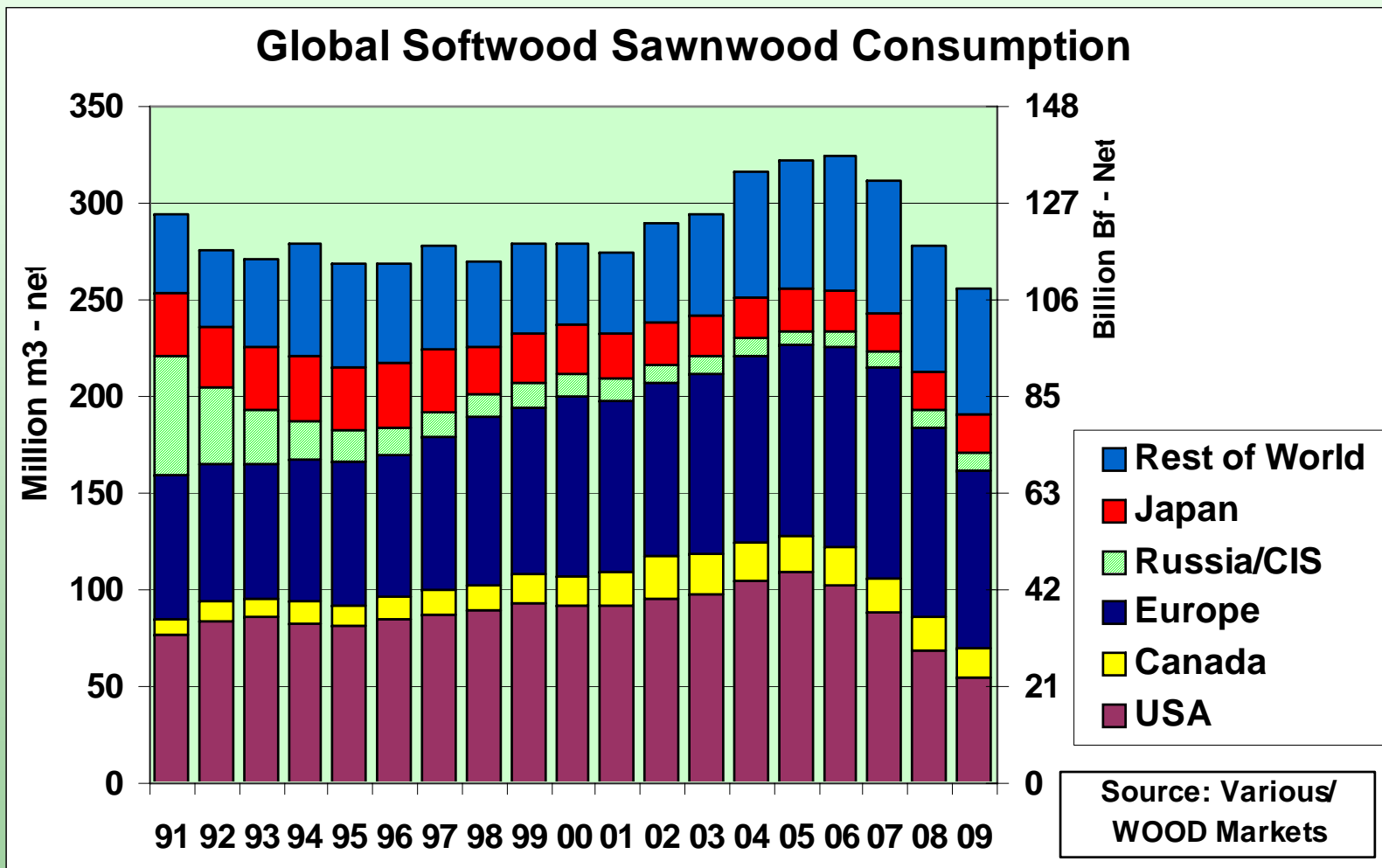
American building material prices are the lowest since the Second World War



Forestry



3. Global Forest Products Consumption 1/5



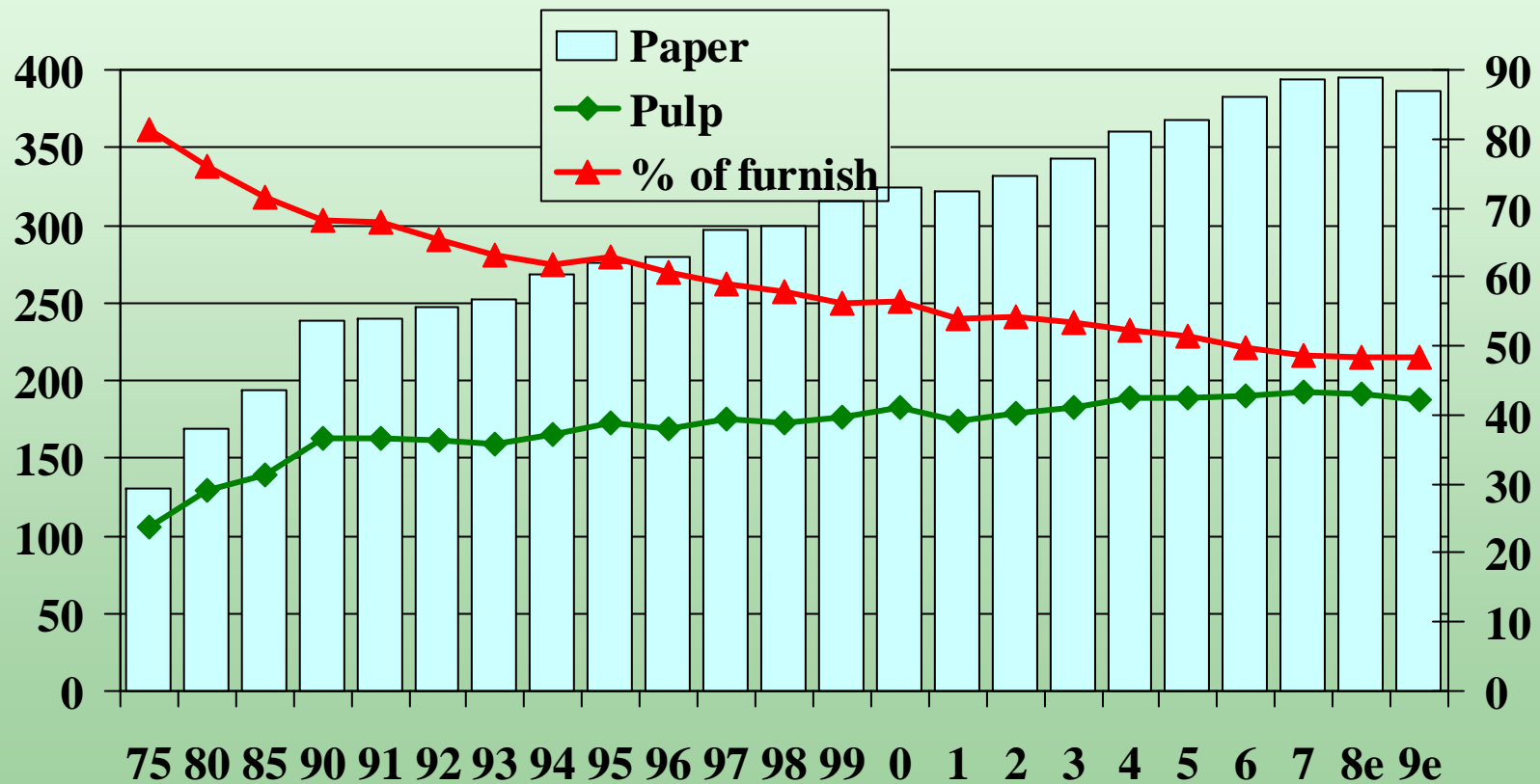
Source: International Wood Markets Group Inc. 2009





3. Global Forest Products Consumption 2/5

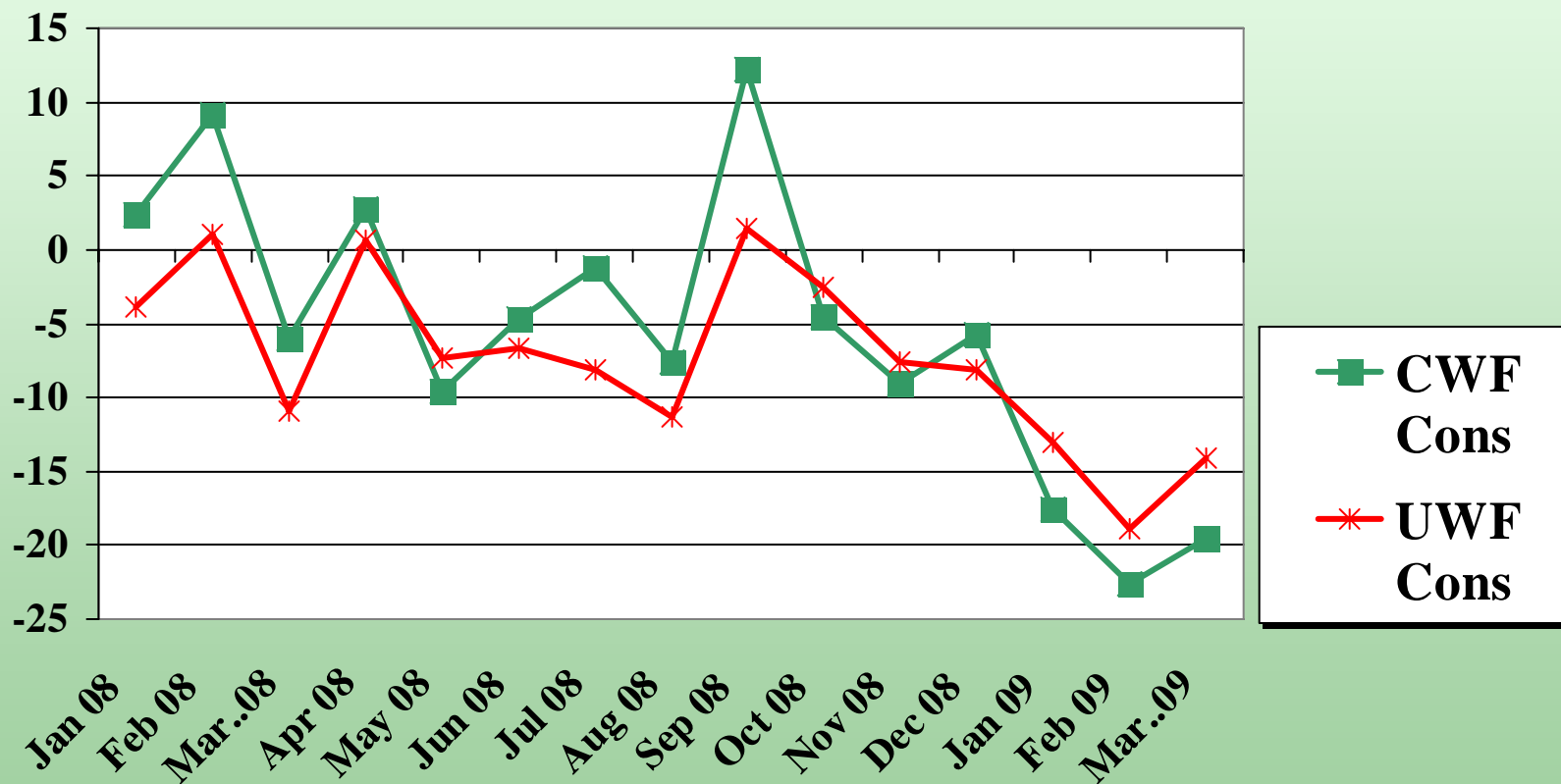
Global Pulp and P&B Consumption





3. Global Forest Products Consumption 3/5

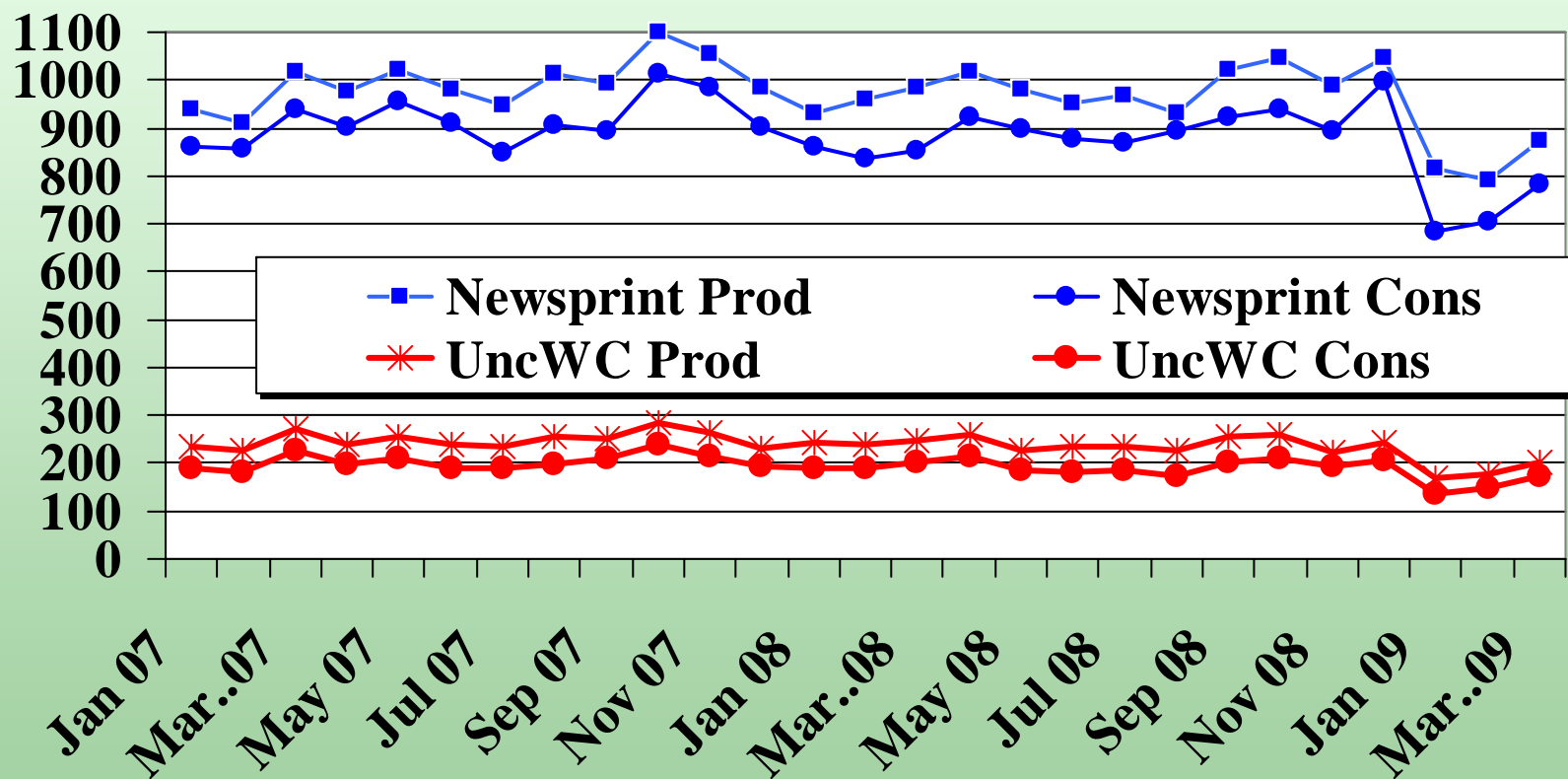
European Fine Paper Consumption





3. Global Forest Products Consumption 4/5

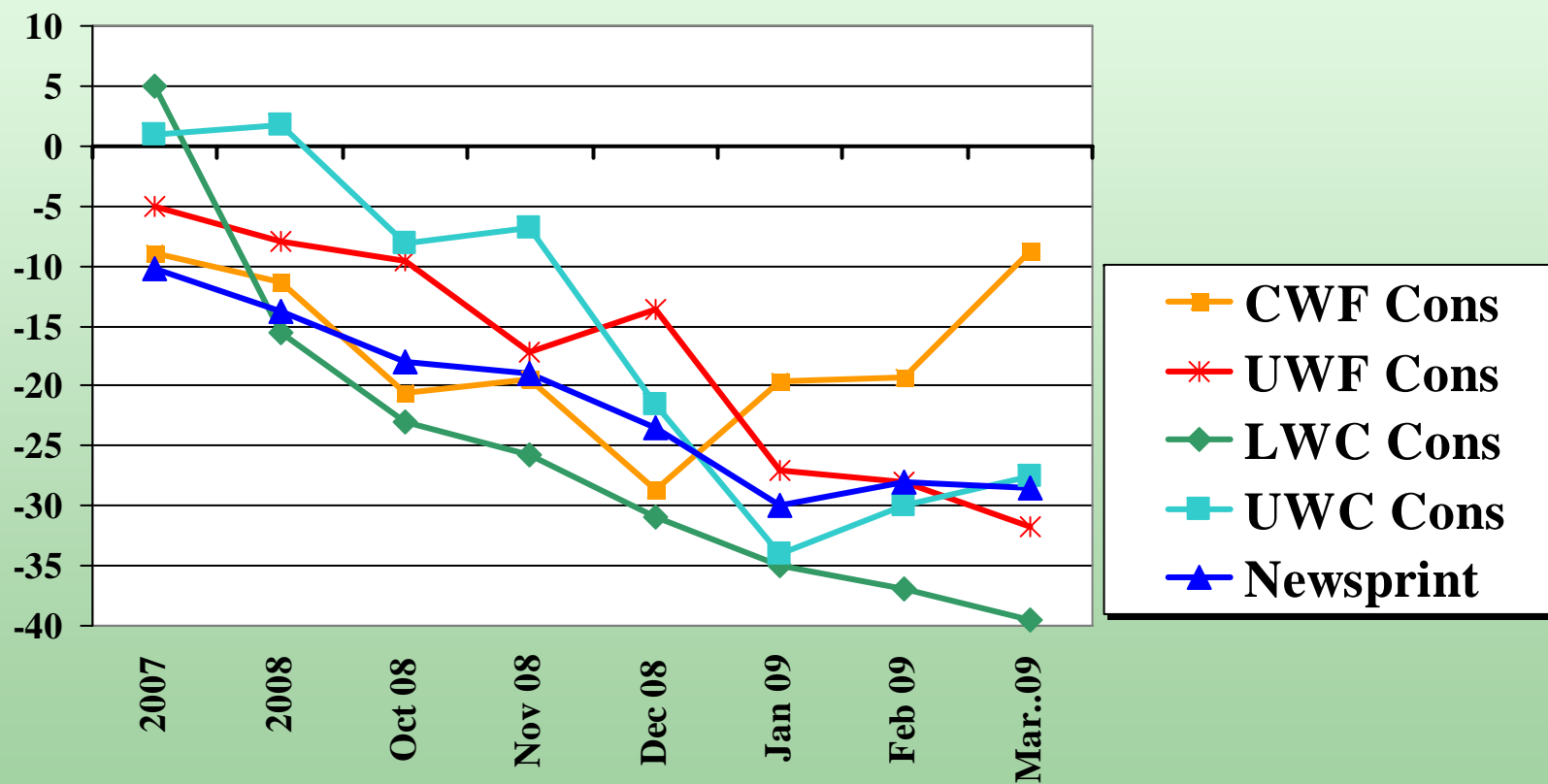
European Newsprint & Mechanicals Consumption





3. Global Forest Products Consumption 5/5

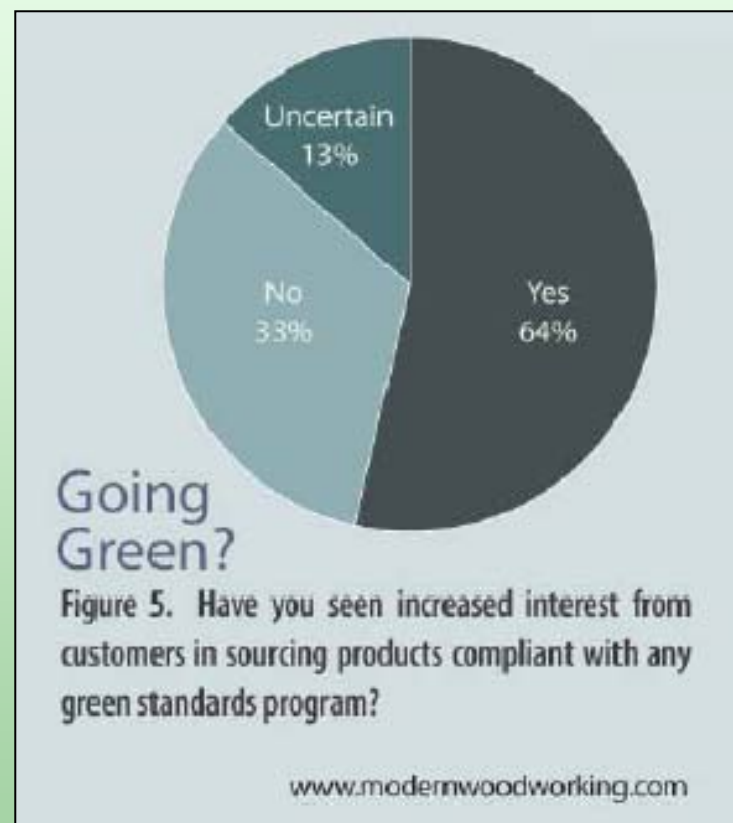
North American Consumption





4. Way Out 1/3

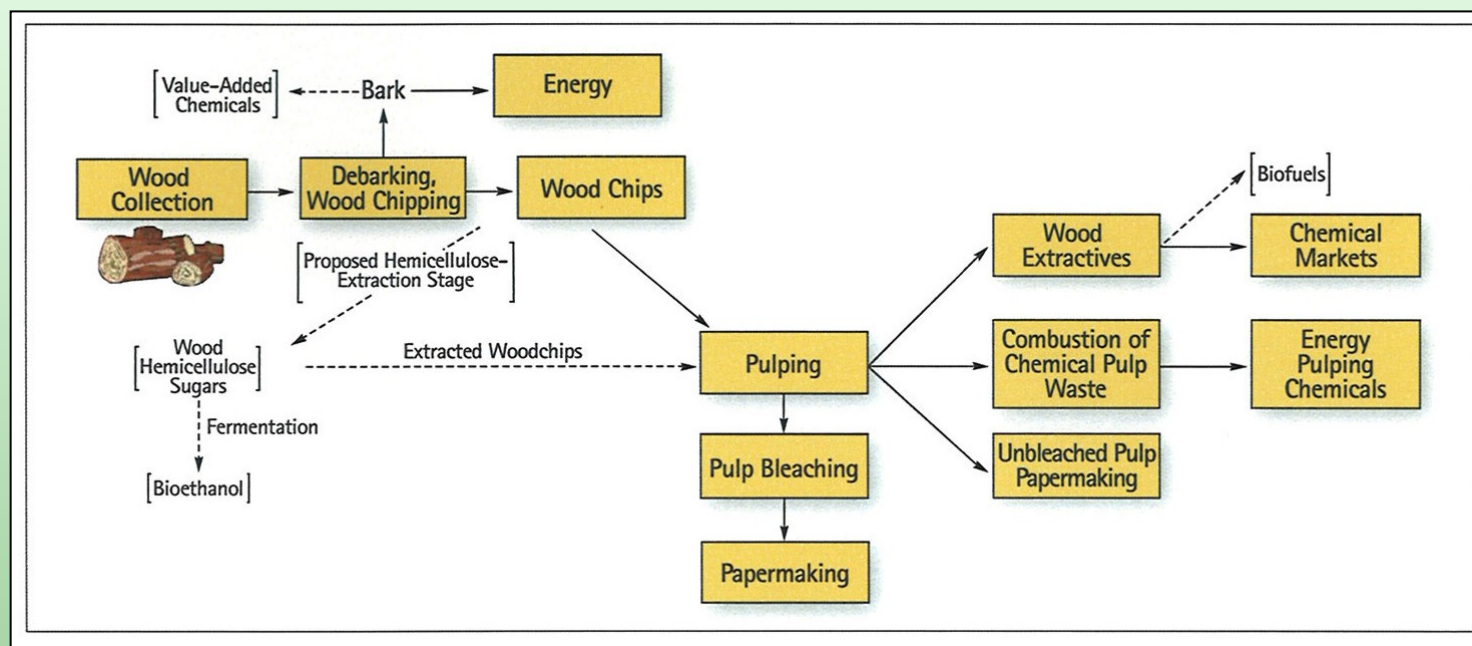
- **Green building:**
 - mitigating climate change through substituting wood for non-renewable building materials
 - inherent low CO₂ footprints in wood products, carbon storage in harvested wood products (HWP), energy efficiency, building systems and low building costs
 - carbon displacement factors communicated
 - professional wood promotion and awareness-raising among builders and owners





4. Way Out 2/3

- Integrating pulp with biofuels and green chemicals: biorefinery



More valuable products from wood: pellets, liquid biofuels, gasified fuels, sugar-based chemicals and polymers, wood composites, sulfur-free lignin for polymer, polyurethane, syngas production.



4. Way Out 3/3

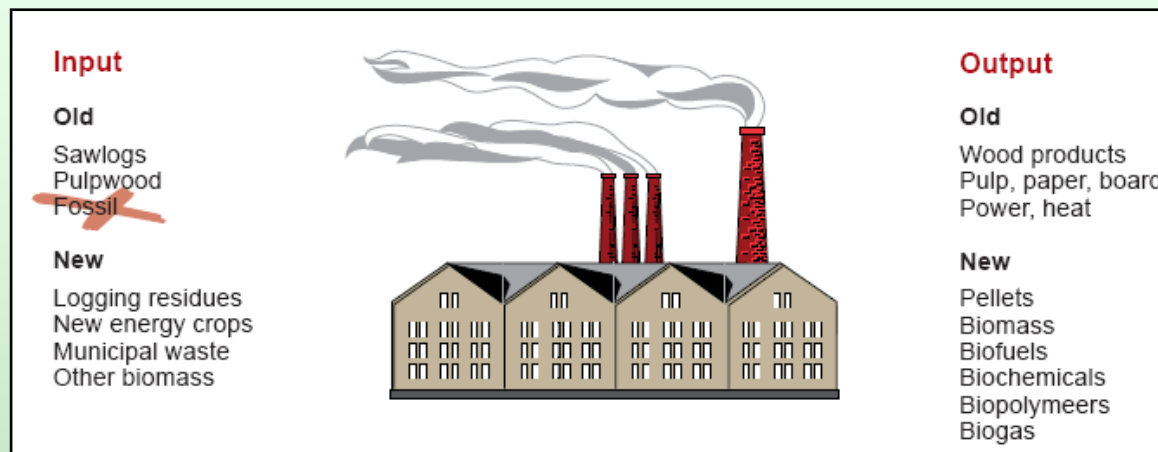
What needs to be changed?

Who finances it?

In the short term (2009-10) investors remain risk averse.

Less debt and more equity: collaborating with venture capital and private equity firms to make the best use of limited R&D funding.

Potential demand exists!



Targets for biofuels of total transportation fuels

	2010	2012	2020
Australia	5	5	20
Brazil	5	5	5
EU	5.75	5.75	10
India (concerns only diesel)	-	20	20
Canada	5	5	5
China	10	10	15
USA	-	4.6	4.6

Source: Finnish Forest Association





5. Points for Further Discussion

1. Can forest industry restructuring lead to a wider perception that the “green cluster” can become an important stepping stone into low-carbon economy?
2. What are the crucial steps in product and process development to steer the industry into the next level of sophistication?
3. How can wood industry best tap the opportunities of the green building movement: what type of stimulus must be provided to consumers / builders who select materials?
4. How can the paper industry rejuvenate by connecting printed and electronic media?
5. How can the forest industry best integrate bio-energy and renewable fuels into its strategies?

- AND: What is expected from FAO?