Status and Problems of the Lumber and Panel Products in the Philippines

Dr. Romulo T. Aggangan
Director

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Outline of Presentation

- Overview of the Philippine Forests
- Status of the Industry
  - Lumber
  - Veneer
  - Plywood
- Problems and Issues
- Opportunities
- Strategic Priority Programs

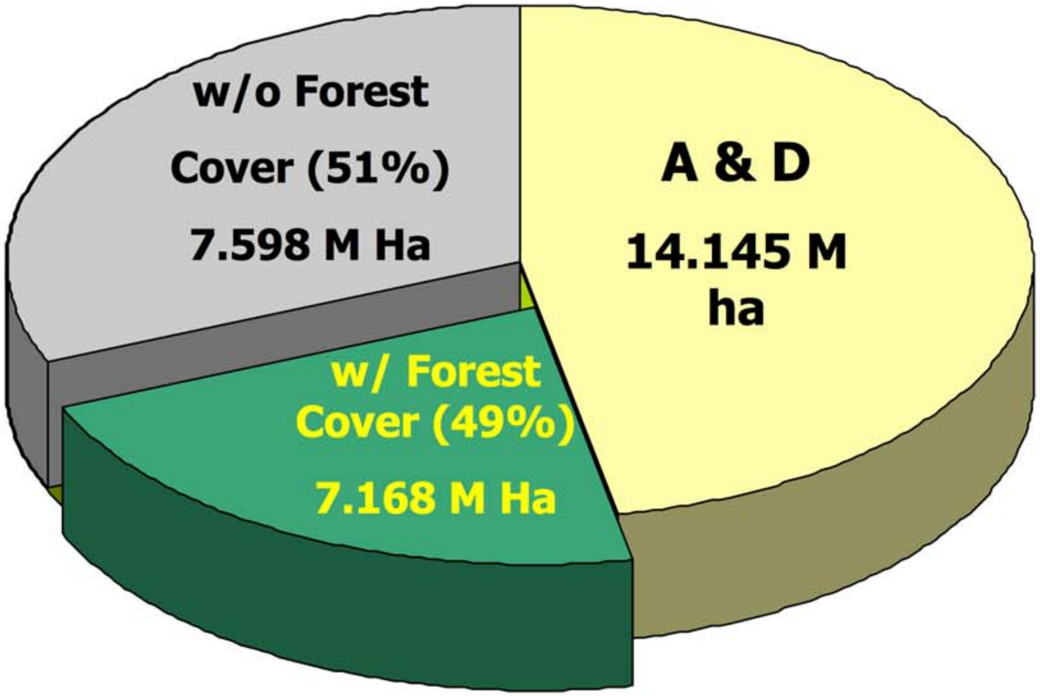
oVERVIEW
THE PHILIPPINE FOREST

CHANGES IN PHILIPPINES FOREST COVER

YEAR	FOREST COVER (Million Hectares)	% OF TOTAL LAND AREA
1575	27.5	92.0
1863	20.9	70.0
1920	18.9	64.0
1934	17.8	57.3
1970	10.9	36.3
1980	7.4	24.7
1990	6.7	20.7
2003	7.2	24.3

SOURCE: REVISED MASTER PLAN FOR FORESTRY DEVELOPMENT, October 2003 and FMB-DENR, 2014

Forestland



51% of our forestland no longer have forest

Status of the Industry

- The lumber industry was an "offshoot" of the development of the lumber sector during the 60's when the demand for Philippine lumber was at its peak internationally.

- The panel products industry is an "offshoot" of lumbering and has grown to be an important and independent branch of the woodworking industry

Status of the Industry

- Both the lumber and panel products are extensively used for building and housing construction and for the manufacture of furniture.

- Construction is booming –HLURB targets 1 million housing units in 2016 –Announcement of over 300 condominium projects in Metro Manila.

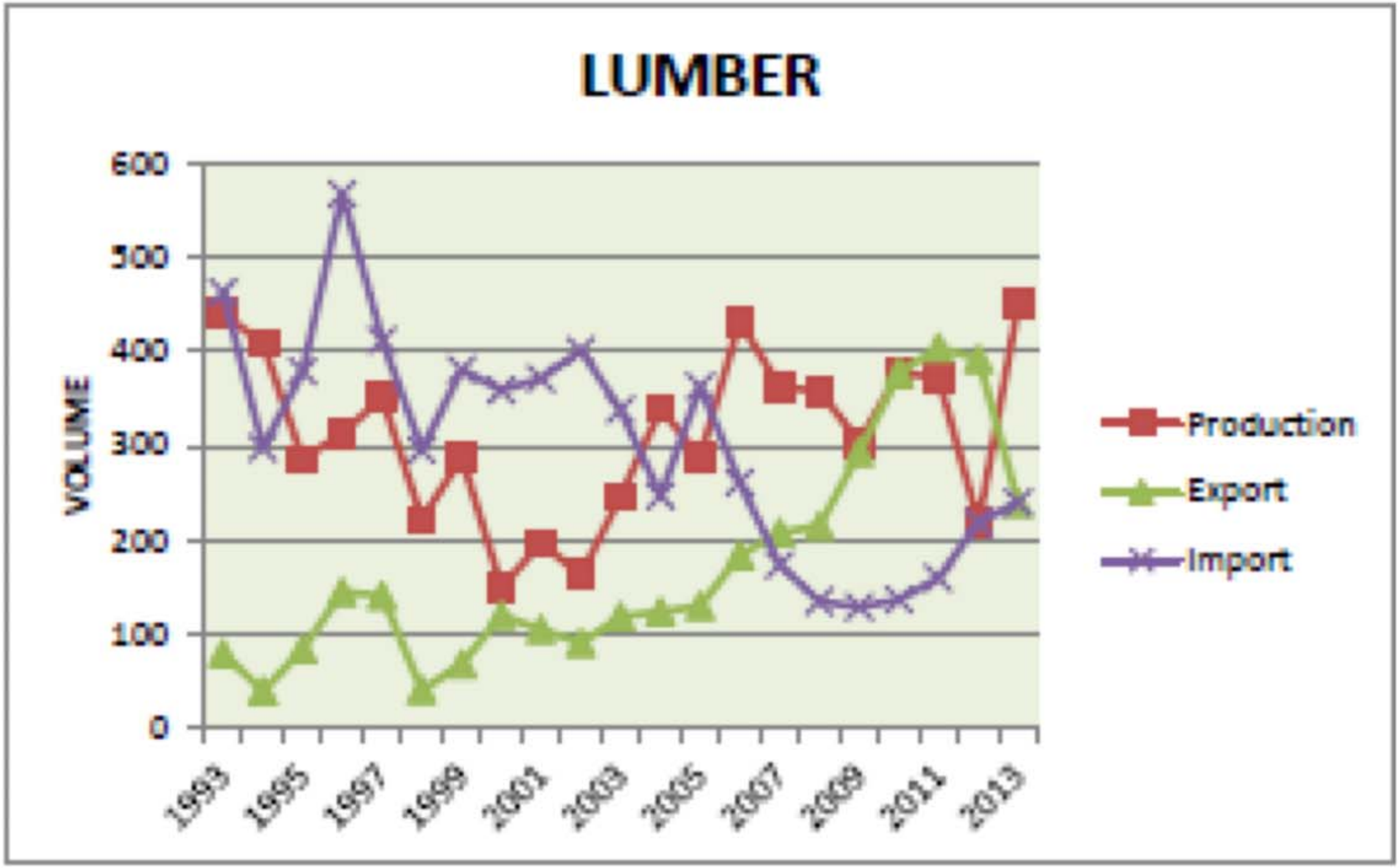
Status of the Lumber Industry

- **The lumber industry was an "offshoot" of the development of the lumber sector during the 60's when the demand for Philippine lumber was at its peak internationally.**
- **In 2014, there were 39 sawmills but only 28 were active with a daily rated capacity of 1,198 cubic meters and an estimated annual log requirement of 430,652 cubic meters**

Status of the Lumber Industry

- There were 222 mini-sawmills with a combined daily rated capacity of 1,503 cubic meters.
- Lumber production slightly increased in 2014 manifesting 496,000 cubic meters compared to the previous year's level of 450,000 cubic meters.
- Philippines imported lumber in 2014 and bought 207,362 cubic meters worth $ 108.9 million compared to 2010's record of $ 10.5 million.

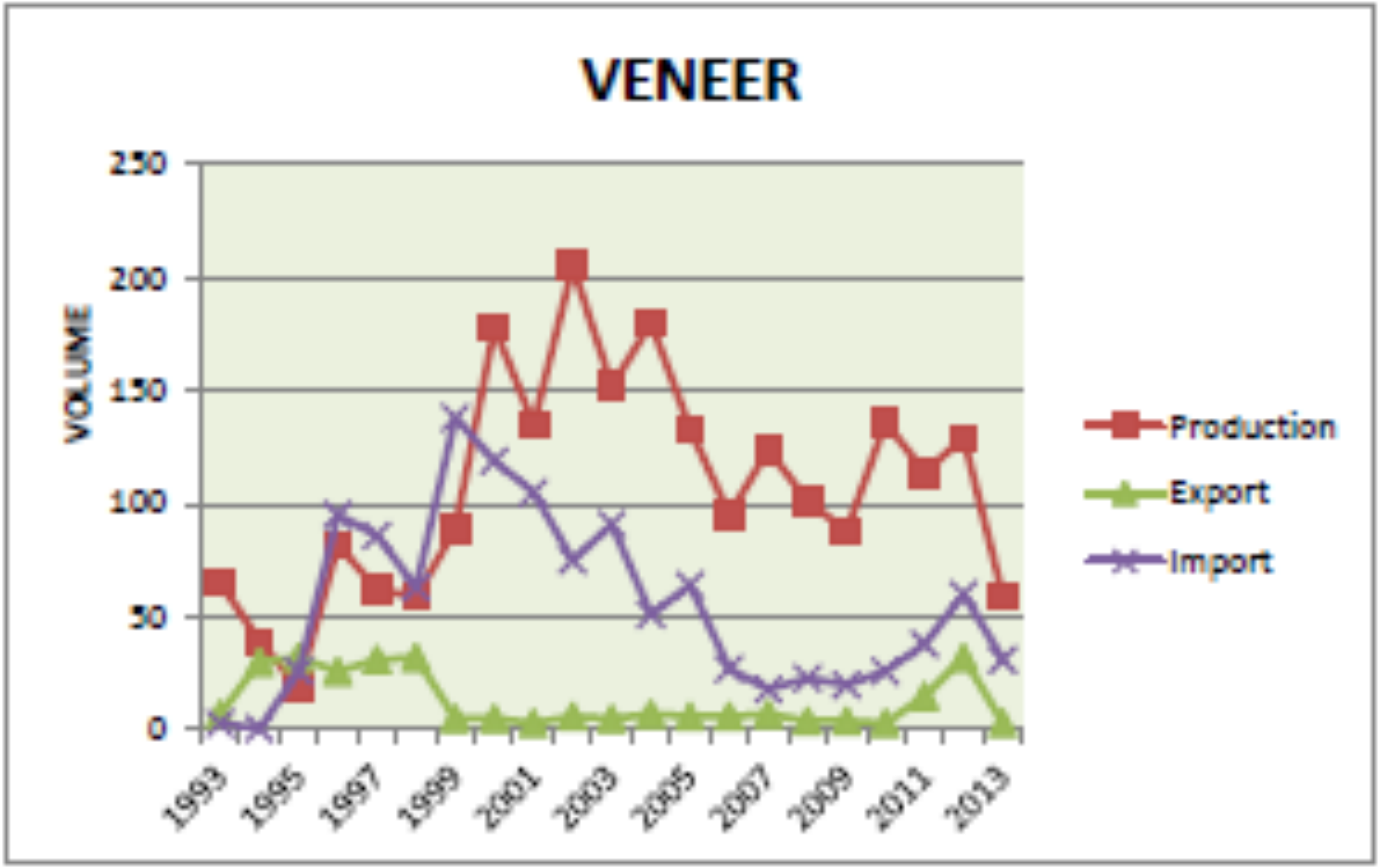
Status of the Industry



Status of the Veneer Industry

- **In 2014, the existing veneer plants numbered 67 with a daily rated capacity of 3,021 cu. m.**
- **Majority or more than 80% of the plywood and veneer plants are located in Mindanao.**
- **Veneer importation significantly increased in 2014 of about 14,826 cubic meters valued at $ 9.52 M over the 2010's record of $ 37.3 million.**

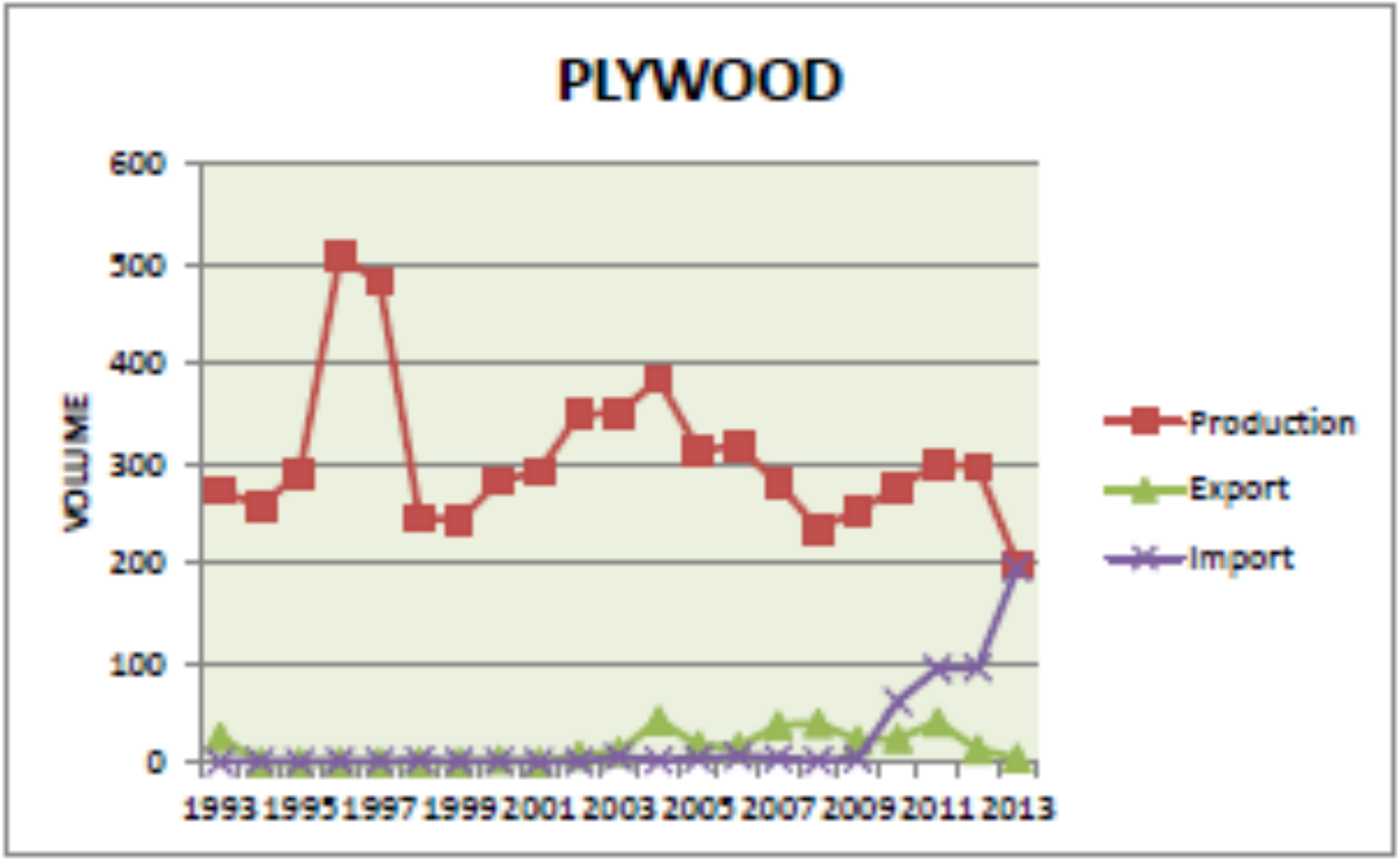
Status of the Industry



Status of the Plywood Industry

- In 2014, the existing plywood plants was 37 with a daily rated capacity of 2,514 cubic meters
- Plywood's performance re-emerged from the 2009 to 2010 dip of 32% to an increase of 63% in 2014 with 39,834 cubic meters worth $ 24.3 M
- Plywood importation significant increased in 2014 of about 411,269 cubic meters valued at $ 67,080,385 over the 2010's record of $ 37.3 million

Status of the Industry



PROBLEMS AND ISSUES

- **Decreasing production of lumber and panel products**
  - ✓ insufficient supply of raw materials
  - ✓ increasing production costs
  - ✓ wasteful raw material utilization

- **Shift from traditional dipterocarp species from natural forests to fast-growing plantation species**
  - ✓ lower quality products
  - ✓ smaller diameter-sized logs
  - ✓ more expensive transport cost of raw materials

PROBLEMS AND ISSUES

- **Stiff competition in the world market**
  - **Cheaper imported products**
  - **Emergence of competitive substitutes / alternative materials**
  - **Non-compliance to the criteria and indicators system to produce globally competitive products from sustainably-managed forests**
  - **Weak linkages between and among suppliers, manufacturers and contractors**
  - **Inadequate marketing and promotion support**

OPPORTUNITIES

- **Availability of areas for development**
- **Skilled tenure holders and manufacturers**
- **Wood Innovation**
- **Availability of plantation wood abroad**
- **Legal and ethical sourcing through wood certification**

Strategic Priority Programs

1. Policy Reforms and Institutions Development

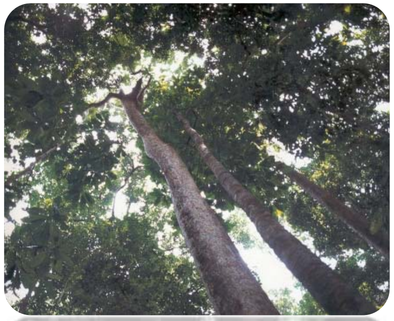
- **Harmonization of forest and other policies affecting the sector**
- **Institutional reforms designed mainly to enhance the capacity of forestry institutions**

Strategic Priority Programs

2. Sustainably managed residual forests

- Initial target of 1.5 million hectares (ha)
- Target areas given priority for delineation, mapping and segregation
- Designated as provincial forest; MOA with target provinces
- Closely monitored and enhancement of CBFM implementation



Strategic Priority Programs

3. Commercial Forest Plantations

- Development of 700,000 ha of forest plantations at the rate of about 50,000 ha per year;
- Main species that will be planted are *Paraserianthes falcataria, Gmelina arborea, Swietenia macrophylla, Polyscias nodosa* and selected dipterocarp species

Strategic Priority Programs

4. *Bamboo Development Program*

- **Establishment of 100,000 ha of bamboo plantations by 2020;**
- **Increase pole production from 36 million annually to 45.78 million by 2015 and 55.44 million by 2020**

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