

WORLD FIBER RESOURCES OUTLOOK AND THE COMPETITIVENESS OF MAJOR FIBER PRODUCING COUNTRIES

CONFERENCE ON *IMPROVING FOREST
PRODUCTIVITY FOR TIMBER.....A KEY TO
SUSTAINABILITY*

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I would like to discuss some significant issues relating to the future availability of global fiber, and their implications for the U.S. forest industry. For years there has been speculation about whether the world is heading for a long-term fiber shortage. On one hand, environmentalists and the media have many believing the world is running out of wood. On the other hand, many in our industry believe just the opposite.

I will argue that the issue is more about cost than availability, and that there is fiber to more than meet the projected demands. The problems, where they occur, are of a regional nature where “traditional” supply sources have been strained. This has prompted the industry to move to an ever widening array of fiber types and sources in its efforts to meet demand and to achieve cost-competitive positioning.

Demand will continue to be met; what will change will be the fiber used to make the products and where the products are made.

Key Forest Products Industry Trends to 2010

- World Fiber Demand Trends
- World Fiber Resources Outlook
- Trends in Global Cost Competitiveness
- Conclusions

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SLIDE 2: KEY FOREST PRODUCT INDUSTRY TRENDS

This is an overview of my talk today. I will present three main themes.

- The first of these is demand and the shift in growth from the developed to the developing economies, especially in Asia.
- Second is supply; and rising demand, especially in fiber-poor regions, will widen regional supply demand imbalances, prompting increased trade and shifts in fiber sources.
- Third is the issue of cost competitiveness and how this is driving changes in fiber, products, and the technology to make them.

I will conclude by discussing what it all means for you here today.

The changes in the industry that I outline will profoundly alter its character—moving from a dominant Northern Hemisphere natural forest base to an industry drawing from an array of fiber types and sources. Maintaining an environmentally sound, cost-competitive fiber supply system within this climate of change is a major challenge. How each sector of the industry responds to this challenge will determine the future outlook for the fiber supply.

My aim is to give you, as stakeholders and professionals in the forest industries, an understanding of the global fiber trends we see as important.

Consider how these issues are affecting your company or organization. Recognizing change and early positioning can be the difference between success and failure.

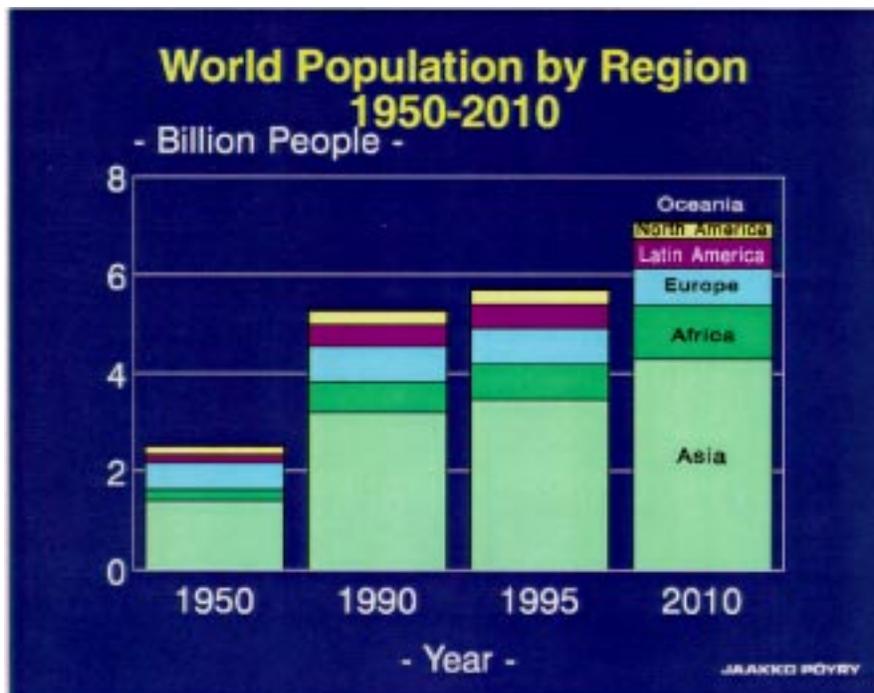
Demand

- Driven By Demographics
 - Population
 - GDP
- Asian Growth / Developing Economies

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SLIDE 3: DEMAND

The first issue I'm going to talk about is DEMAND. I'll describe some macro demographic trends, and how these will drive demand for forest products in different regions. I will highlight the growth in Asian demand as a major shift that is occurring.



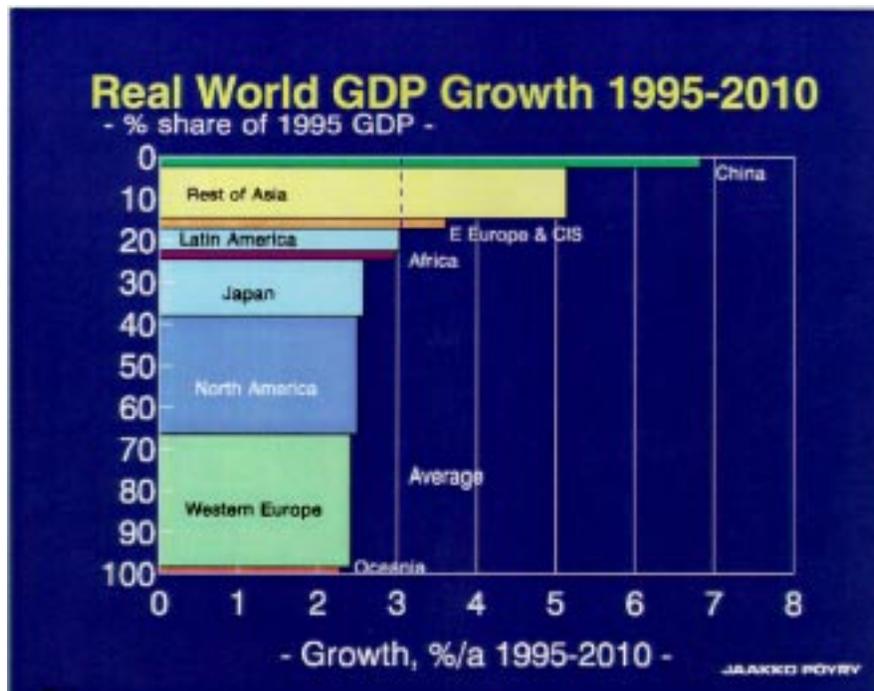
SLIDE 4: WORLD POPULATION

Population has doubled since World War II, and under some scenarios could double again by 2050.

Note that by 2010, 60% of the world's population will be in Asia, which has only 10% of the world's forest land.

Asia has a young population, with 60% of people under 25 years old compared with only 35% in developed countries.

Think of what the Baby Boom meant to western economies as young families became established. These trends are indicators for continued growth in demand for forest products and future demand for fiber.



SLIDE 5: REAL WORLD GDP GROWTH TO 2010

The world's economic growth profile is also changing. Key points here are the growth in Asian population plus projected growth in GDP for this region; despite the current turmoil, growth fundamentals continue.

You can see that between now and 2010, world GDP is expected to grow by nearly 70%.

Growth rate in Asia-Pacific will be two to three times greater than in developed regions.

Developing countries' share of world GDP will climb from 20 to 35%.

In these regions, there will be increasing sectors of the population who are better educated, more literate, and with greater buying power—located in economies becoming more open to world trade.

What does it mean? Greatly increased demand for all products, including forest products.