



TIMBER TRADE IN INDIA- CHALLENGES AND POLICIES

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ABSTRACT

India is a net importer of timber and this import is growing fast to meet the domestic demand and export of value added timber products. While timber imports are liberalised, the exports of unprocessed logs are prohibited as conservation measure to protect India's forests. In the absence of adequate due diligence systems and its implementation mechanisms, India will become a destination for logs harvested illegally and unsustainably. Forest certification offers a voluntary system to the managers of forests including agro forestry, farm forestry and trees outside forests and companies engaged in timber trade to establish credible due diligence systems and thereby support improvement of forest governance besides generating several social, environmental and economic benefits. This paper attempts to address the linkages between India's timber trade and forest certification with special reference to FSC Certification.

KEY WORDS: Timber Industry, Import, Export, National Forest Policy, Demand, Supply.

INTRODUCTION

Timber products are environmentally superior to other variants made from metals, plastics and cement as these are recyclable, energy efficient and reduce greenhouse gases. Existing forest policies, laws and national forestry programmes in various countries across the world were revised to promote sustainable forest management, biodiversity conservation, and to restrict uncontrolled timber logging. India is an importer of timber and this import is growing fast to meet the domestic demand and export of value added timber products. While timber imports are liberalised, the exports of unprocessed logs are prohibited as conservation measure to protect India's forests. In the absence of adequate due diligence systems and its implementation mechanisms, India will become a destination for logs harvested illegally and unsustainably. Forest certification offers a voluntary system to the managers of forests including agro forestry, farm forestry and trees outside forests and companies engaged in timber trade to establish

credible due diligence systems and improve governance besides generating several social, environmental and economic benefits. This paper attempts to address the linkages between India's timber trade and forest certification with special reference to FSC Certification.

Forest Plantations managed by the Government is the largest domestic source of timber in India (Government of India, 2009). State Forest Development Corporations (SFDCs) set up by the State Forest Departments have established credible systems in harvesting, transporting and marketing of timber. The management of forests is the responsibility of State Forest Department and this is in accordance with the approved forest working plans prepared based on scientific forestry principles. However, the timber originated from forests, including agro forestry, farm forestry areas and trees outside forest areas often lack such management plans. To address this, the Indian industry, in particular paper and pulp sector provide technical and financial support to the farmers (most

of them are small holders) to improve management of farm forestry / agro forestry areas in accordance with the best practices. The cooperative societies of these farmers play a significant role in implementing best forest management principles for such areas, including conservation of ecosystem services. National Forest Policy 1988 encouraged such partnerships to increase the supply of timber needed by the industry besides meeting the economic needs of the communities including fuel wood.

CHALLENGES

Deforestation, forest degradation and illegal logging continue to be the challenges that humanity faces today despite global attention to these challenges and introduction of several regulatory and voluntary approaches. The two significant global international initiatives in 2015, the Paris Agreement to address the Climate Change and the adoption of UN Sustainable Development Goals have secured hope and confidence. It is widely acknowledged that the Governments alone cannot implement these initiatives. Therefore, the role of the civil society and private sector are crucial.

In international timber trade, private sector initiatives to support sustainable standards, in particular environmental labelling and certification have made positive contribution to address global challenges in forestry sector. However, the lack of awareness on the benefits of credible forest certification schemes have become a concern. These include the cost of compliance of environmental standards, lack of technology that can be applied locally, lack of awareness on the scope for and limitations of such initiatives.

The World Forest Report 2016 (of FAO) reported that there was a net forest loss of 7 million ha per year in tropical countries in 2000-2010 and net gain in agricultural land of 6 million ha per year³. The report identified agriculture as the most significant driver of global deforestation (large scale commercial agriculture-40%; local subsistence agriculture-33%) followed by infrastructure(10%), urban expansion(10%) and mining (7%). One of the key message of the report :“Where large scale commercial agriculture is the principal driver of land use change, effective regulation of change with appropriate social and environmental safeguards is needed. Private governance initiatives such as voluntary certification schemes and commitments to zero deforestation also have a positive impact.” (FAO, 2016)

Increased regulation in the world’s leading markets, in particular US Lacey Act amendment in 2008, EU Timber Regulation in 2013, regulations in Australia and Japan to address illegal logging and global deforestation have impacted international trade in timber and timber products. As part of compliance measures with these regulations, the companies/operators in these markets have started asking additional information and documentation from their suppliers in India as well as other

countries. This has resulted in increased costs and procedural delays in fulfilling such demand from overseas markets.

Recognition of international forest certification systems by the leading multinational enterprises to address traceability and sustainability in their global supply chains became a driver to the uptake of forest certification in India. However, the local suppliers need to improve their capacity to meet such requirements to access global markets.

NATIONAL FOREST POLICY

CONTEXT

India’s National Forest Policy 1988 was a major shift from previous policies in several aspects. The earlier forest policies had focused on the sustained production of timber on scientific and business lines for maintaining a sustained supply of wood for industry and large timber for defence, communication and other national purposes. The principal aim of the national forest policy 1988 was “to ensure environmental stability and maintenance of ecological balance including atmospheric equilibrium which is vital for sustenance of all life forms, human, animal and plant. The derivation of direct economic benefit must be subordinated to this principal aim” (Government of India, 1988)

The Policy stated “As far as possible, a forest based industry should raise the raw material need for meeting its own requirements, preferably by establishment of a direct relationship between the factory and the individuals who can grow the raw material by supporting the individuals with inputs including credit, constant technical advice, and finally harvesting and transport services”. To minimise the pressure on India’s forests and to meet the industry requirement of timber, the policy recommended import liberalisation of timber.

The National Forest Commission constituted by the Government of India in 2003 made several recommendations in its report submitted in 2006. By recognising the supply constraints of timber in India, the commission noted that felling regulations on private lands may be restricted to “highly restricted tree species” and recommended there should be no restrictions and regulations on the felling and removal of other trees on private holdings. Under Land Ceiling Act, no land ceiling shall be imposed on land under plantation of forest tree species. This will motivate the corporate sector and big farmers to invest in plantations (Government of India, 2006).

Green India Mission (GIM), as part of National Action Plan on Climate Change aims to increase 5 million ha under forest and tree cover and another 5 million ha to improve the quality of forest or tree cover in forest and non forest areas and thereby enhancing carbon sequestration by 100 million tonnes of CO₂ equivalent annually.

Draft National Forest Policy -2016, a report prepared by the Indian Institute of Forest Management (IIFM) incorporated several innovative

and practical approaches to revise/update the National Forest Policy 1988. For example, among the aims and objectives, the report recommended: "Double the tree cover outside forests by the end of the next decade by incentivizing agro-forestry and farm forestry, facilitating assured returns, with enabling regulations and by promoting the use of wood products." (IIFM,2016).

IIFM report recognised the need to encourage forest certification in India. While recommending the policy directions, the report states: "Mechanisms such as forest and chain of custody certification that promote sustainable management of forest resources should be encouraged through development of appropriate standards and institutional framework." (IIFM,2016). The focus on "promoting sustainable use of wood" rather than "substitution of wood" is a paradigm shift.

The objectives of the National Forest Policy 1988 and subsequent policy interventions have effectively incorporated in other policies, including those related to agriculture, land use practices, trade and investment, finance as well as relevant bilateral, regional and multilateral trade agreements. India's commitment to the implementation of UN Sustainable Development Goals and the Paris Agreement to address climate change supports effective implementation of these policies.

INDIA'S GROWING FOREST FOOTPRINT

India with a population of more than 1.3 billion and GDP of USD 2.095 trillion is the sixth largest economy in the world and is growing fast⁵. Increased disposable income of the middle class and the predominance of young working people and implementation of liberalisation policies since 1991 made India as a potential market for trade and investment. India's international trade have crossed USD1 trillion.

The impact of India's economic growth and trade liberalisation put tremendous pressure on forest resources both within the country and overseas. A Chatham House report noticed that about 17 per cent of India's timber imports are illegal origin (Lawson, 2014) India is one of the largest destinations of illegal exports of wood products from several countries⁶. The widening gap between timber demand and supply had adversely affected the development of forest based industries in India. A research by the Forest Trends pointed out that many of the countries that source forest products from India have serious concerns about the rapid decline of natural forests, and about their ability to supply products in the future, both for local needs and for exports.

The World Bank (2006) Reported that "India is facing serious imbalances between the supply of and demand for wood; and the over harvesting of fuel wood, about **139 million cu.m** above the sustainable supply from regulated sources.

Much of the log supply deficit is being met through illegal harvesting, putting additional pressure on the remaining high quality dense forests. The supply demand situation underscores the national government's strong support for forest conservation, manifested through efforts to protect existing forests and grow new plantations under Joint Forest Management (JFM)"

The forest conservation measures are not the major limiting factors in timber supply in India. The key determinants of timber supply in the country include GDP growth rate, timber imports, and industrial production of wood and whole sale price index of all commodities. Unless India takes the required measures to boost its timber productivity, it will face a severe shortage in timber supply from domestic sources. WWF India recommended that availability of trees outside the forests for timber as well as provisioning of ecosystem services should be promoted by strengthening agro-forestry and farm forestry systems and incentives to growers; development of high yielding tree plantations should be supported, if they are appropriately located and well managed; industry should be encouraged to carry out research in collaboration with relevant universities in India and abroad; promote use of reclaimed wood in the manufacturing of handicrafts, furniture and other timber products; promote imports of timber from certified forests through fiscal and other incentives to the business and industry; safeguard the interests of growers; promote forest certification by providing suitable support (both technical and budgetary) to the State Forest Departments, communities and growers; A significant portion of wood that can be used for timber is currently used for fuel wood. Without compromising the local energy requirements and livelihood timber production can be increased substantially, if the opportunities and policy options are effectively utilised by the forest based industry in India.

INDIA'S TIMBER TRADE

The supply of timber in India is mainly from domestic production and imports. The recycled/reclaimed wood is also contributed to the supply but the volume is limited. The main sources of domestic production of timber in India are (a) Government forests/plantations (b) farm forestry/agro forestry areas(c) private plantations.

TIMBER IMPORTS AND EXPORTS

India's wood market has long defined the expectations of foreign wood exporters who sensed that a growing economy and a large population in a country with limited forest resources should result in new opportunities for wood suppliers. Instead, Indian industries that would normally consume wood were heavy users of substitutes like concrete and steel.

India has long sought to augment its domestic wood supply through the importation of logs. Going back 20 years when imports of value

added wood products were effectively banned, logs were one of the only wood-sector products that could be imported. Most timber imports are in the form of logs, whereas the import of sawn wood is in lesser quantities, and veneer and plywood is almost negligible. Logs enjoy a lower tariff and satisfy the general policy of shifting value addition to India whenever possible. While logs comprised a significant (75 percent) portion of the value of India's wood product imports, that share is declining as imports diversify to other higher value processed wood products as wood-based projects and applications increase in sophistication and quality.

More than two thirds of log imports come from Malaysia, Myanmar, and New Zealand due to a freight advantage and relatively lower prices. Major log imports from these countries include hardwood species of teak, meranti and mahogany softwood species of ash, maple, cherry, oak, walnut, beech, hemlock and pine. Other major suppliers of logs to India are Cote D'Ivoire, Papua New Guinea, Gabon, Ecuador, Costa Rica, Panama and Cameroon.

MARKETING

Larger design firms are increasing in number to serve both the export and growing domestic market for wood furniture and wood interior items. Rising incomes and real estate development are boosting demand for imported hardwood and softwood lumber varieties for use in building projects as interior decorating materials and furniture. India's smaller "tier-two" and "tier-three" cities are emerging markets, with a growing housing supply and need for interior materials and furnishings. India's first home stores have opened over the past few years, introducing customers to new concepts in home decoration.

TIMBER DEMAND

The demand for raw wood by different industries increased from 52 million m³ in 1998 to 95 million m³ in 2010, and is projected to increase further to 123 million m³ in 2015 and 153 million m³ in 2020. This demand is found to be doubling or tripling in all sectors except for agriculture, where demand is stagnant because of increased mechanisation. The increase in demand for paper and the paper board industry has increased the most since 1998. Similarly, the demand for raw wood in the construction, packaging, plywood and furniture industries is consistently growing, and is projected to increase further due to economic growth and a rise in population. Moreover, it is interesting to mention that timber production from government forest areas caters to 3.35% of the total demand, whereas potential timber production is 45% of the total demand. This implies that there is a need for enhanced timber production on a sustainable basis, or through enabling policies and programmes to meet domestic demand and reduce the reliance of India on imports.

STRATEGIES TO IMPROVE TIMBER PRODUCTION

Timber still today is the robust raw material required for both domestic and industrial utility. But due to policy and legal compulsion, the availability of timber from reserve forest is restricted which led to massive imports. These imports not only consume huge foreign exchange but create uncertainty in timber availability and associated market prices. To resolve this issue, the Forest College and Research Institute of Tamil Nadu Agricultural University has established a Consortium of Industrial Agro-forestry (CIAF) where in timber industry is one of the significant components

CONCLUSION

India is one of the largest timber producing as well as importing country due to its increasing demand for both domestic and industrial utility. It has been estimated that India demands over 80 million m³ of wood to meet its multifarious utility. Due to the policy and legal regulations, the timber production from the forests has declined which necessitated massive imports. The imported log not only increases the price but also exhibited varying quality. The National Forest Policy (1988) and the Agro-forestry Policy (2014) directed to promote agro-forestry in order to meet the timber demand besides augmenting the tree cover in the country. Various institutions and organizations both at state and central levels are involved in promoting timber species in agro-forestry.

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