



1996 **ANNUAL REPORT**




**PHILIPPINE WOOD
PRODUCERS ASSOCIATION**

BOARD RESOLUTION

The Board of Directors of the Philippine Wood Producers Association, by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and the President as its Report to the Members for the year ended December 31, 1996.


PEDRITO M. ARAGON
Chairman


ANTONIO G. BERNAS
President



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COMPARATIVE STATISTICAL HIGHLIGHT

PHILIPPINE WOOD PRODUCERS ASSOCIATION

1996 ANNUAL REPORT

INDUSTRY PERFORMANCE

• RESOURCES

	<u>1995</u>	<u>1996p</u>	<u>Percentage Change</u>
TLA's in existence, number	41	35	-14.63
Annual allowable cut, '000 cu m	1,105	517	-53.21
Forest area under license, '000 ha	1,601	802	-49.91
ITPLA's (IFMA), number	213	200	-6.10
ITPLA'S (IFMA), area, '000 ha	436	422	-3.21

• PRODUCTION (Volume in '000 cum)

	<u>1995</u>	<u>1996p</u>	<u>Percentage Change</u>
Logs	758	635	-16.23
Lumber	286	304	6.29
Plywood	290	508	75.17
Veneer	19	82	331.58

• EXPORT (Volume in '000 cum; Value in '000 US\$, FOB)

	<u>1995</u>		<u>1996p</u>		<u>Percentage Change</u>	
	<u>Volume</u>	<u>Value</u>	<u>Volume</u>	<u>Value</u>	<u>Volume</u>	<u>Value</u>
Logs	-	-	-	-	-	-
Lumber*	84	14,661	145	23,196	72.62	58.22
Plywood	a	101	a	78	-	-22.77
Veneer	33	13,487	26	12,856	-21.21	-4.68
Other wood-based panel	16	5,692	12	4,430	-25.0	-22.17
Other wood-based manufactured articles ('000 GK)	61,961	131,077	70,328	150,014	13.50	14.45
Furniture, n.e.s. of wood ('000 GK)	1,089	76,188	1,226	84,947	12.58	11.50

• IMPORTS (Volume in '000 cum; Value in '000 US\$, CIF)

	<u>1995</u>		<u>1996p</u>		<u>Percentage Change</u>	
	<u>Volume</u>	<u>Value</u>	<u>Volume</u>	<u>Value</u>	<u>Volume</u>	<u>Value</u>
Logs	695	82,036	878	127,412	26.33	55.31
Lumber	378	82,225	567	161,972	50.00	96.99
Plywood	a	128	1	674	-	-
Other wood-based manufactured articles ('000 GK)	3,011	3,967	3,135	6,305	4.12	58.94

Source: Data furnished by FMB/DENR, 07 July 1997, (p-preliminary, a-less than 1,000 cu m)

* - Finished lumber products only, raw lumber not allowed for export.

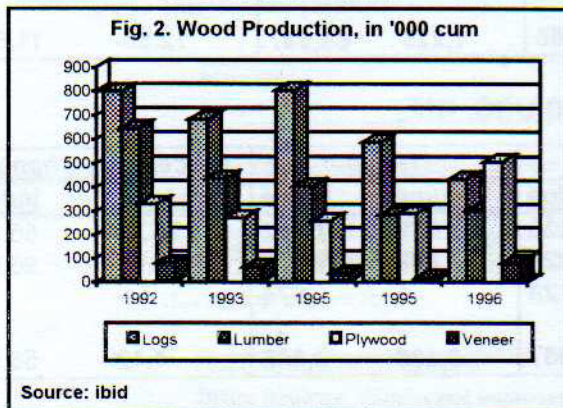
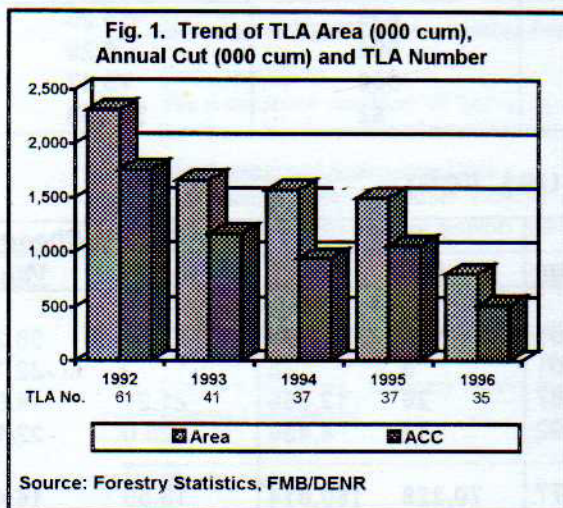
ASSOCIATION INFORMATION

	<u>1995</u>	<u>1996p</u>	<u>Percentage Change</u>
Regular Members	94	94	-16
Associate Members	3	3	-
Revenues	P 4,359,229	P 6,165,068	41
Expenses	P 5,582,141	P 4,394,960	-21
Assets	P 1,530,178	P 2,995,187	96

WOOD-BASED INDUSTRIES IN REVIEW

The resiliency of the wood-based industry has been evidently demonstrated during the year under review.

The structural adjustment it made, prompted by strict government policies that significantly decreased the number of TLA-holders who were able to operate in a much reduced cutting areas and annual allowable cut (Figure 1), enabled its wood manufacturing to attain an overall positive growth (Figure 2).



The ability of the wood-based industry to source its raw materials from outside the country made the surprising positive performance in wood manufacturing.

The year under review signaled a new benchmark of industry attitude toward itself, toward the government, and toward the global environment of trade.

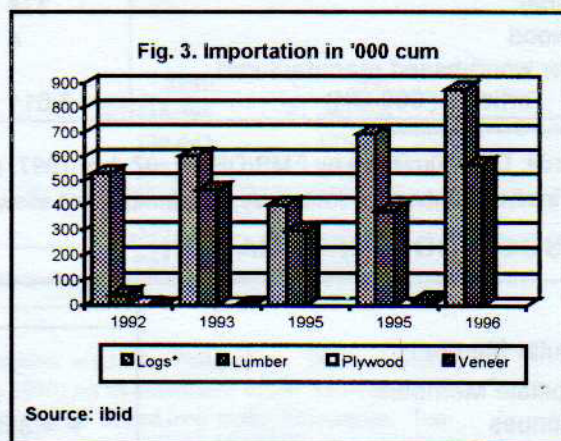
The wood industry will now have to harness its own capacity and capability to chart its own development. It will now have to act proactively on issues the government seems passive about relative to effecting a meaningful development in the wood-based industry. (No new needed law passed like the forestry code and tariff implementation suspension; but, no few distressing rules in effect). And, it will now have to scan keenly the global environment to be able for it to compete and to protect tightly its local market.

ROUNDWOOD OR LOG SUPPLY

The log supply for domestic wood processing summed up to 1.51 million cum, 4% higher than the previous year's 1.45 million cum. However, 0.88 million cum or 58% of the total came from importation, compared with 48% in the previous year.

The short supply of locally-sourced logs was caused mainly by the inability of many TLA-holders to secure their annual allowable cut. The new requirements of the DENR of aerial photos and photo mosaics submission and procedures of obtaining ECCs have significantly reduced the number of TLA-holders to conduct logging operations and hence a reduce log production. Twelve (12) TLA-holders only, out of the existing 35, were able to operate with approved IAOPs.

The wood-based industry imported logs and raw lumber despite high costs to be able to meet domestic demand for finished wood products (Figure 3).



PRODUCTION AND IMPORTATION OF WOOD PRODUCTS

The domestic production of finished primary wood products increased significantly - a vast improvement from immediately preceding years (revisit Fig. 2).

Aggregate-wise, the production was nearly 300,000 cum more than the previous year's, from 595,000 cum in 1995 to 894,000 cum in 1996, or an increase of 50%. Lumber production improved by 6% (from 286,000 cum to 304,000 cum), plywood by 75% (from 290,000 cum to 508,000 cum), and veneer by 330% (from 19,000 to 82,000 cum).

The importation of lumber continued to surge, from 378,000 cum to 567,000 cum or 50% increase. As in previous years, the importation of plywood and veneer has been kept at minimal level.

WOOD MARKETS AND TRADE BALANCE

Wood products other than primary are main export of the Philippines while logs and lumber are its primary import. Logs in particular come from an ever changing sources: for non-coniferous from Sarawak, PNG, Malaysia, Solomon Islands and as far as Africa and South America and for coniferous from New Zealand, South Africa and USA.

During the period under review, the wood-based industry exported various wood products and wood-based manufactured articles and furniture worth US\$275 million as against import worth US\$296 million (Fig. 4).

Fig. 4. Trade Balance in Wood Products			
	1995	1996	Var (%)
Export (US\$ Million, FOB)	241,200	275,500	34,300
Logs only (% share)	0	0	(14%)
Primary products (% share)	14	15	
Other products (% share)	86	85	
Import (US\$ Million, CIF)	168,400	296,400	128,000
Logs only (% share)	49	43	(76%)
Primary products (% share)	49	55	
Other products (% share)	2	2	
Balance, approx. (US\$ Million)	72,800	(20,900)	(93,700)

MAJOR ISSUES FACED

The major issues faced by the wood-based industry during the period under review (please see following pages for details) may be summarized as follows:

- The failure of many existing TLA-holders to obtain their 1996 cutting/logging permits on account of new DENR regulations and guidelines;
- The inability of a number TLA-holders to have their expiring TLAs to be converted into IFMAs on account delayed promulgation and/or changed of DENR guidelines.
- The policy of the government to implement on schedule the tariff rates on wood products despite the absence of safety nets to enable the industry to compete;
- The non-priority status of the Forestry Reform Code at the Senate inspite of its passage by the House.
- The uncertainty of wood raw materials and their prices in the world market.

Most of these issues are expect to persist in the next two years.

ASSOCIATION

The same set of directors of the Board in 1995 was elected in 1996. Mr. Pedrito M. Aragon of PICOP Resources, Inc. assumed the chairmanship of the Board and Atty. Antonio G. Bernas continued on as president of the Association.

A feeling of dispiritedness engulfed many members and a cloud of uncertainty loomed over the Association on account of the inability many members to secure from the DENR their operation permits. Notwithstanding, the members maintained a phalanx of support to the Association and have begun to assume a proactive stand on issues affecting the wood-based industry. By adopting a strict fiscal policy the Association was able to effect a positive financial position.


PEDRITO M. ARAGON
 Chairman


ANTONIO G. BERNAS
 President

ISSUES	POSITION TAKEN BY PWPA	STATUS
A. ARISING FROM DENR		
<p>1. Log Control and Monitoring. DMO No. 96-04 dated February 13, 1996 as implemented by DMO No. 96-06 dated February 28, 1996 establishes the Log Control and Monitoring System (LCMS). Logs from standing trees shall be (a) tracked by a system of numbering entered into computer; (b) forest charges pre-paid therefor; and (c) further tracking of finished products to end-users.</p>	<p>PWPA submitted the position on the impracticability of LCMS in actual operations. A similar one was tried a long time ago by the BFD and abandoned it. Not only are DENR field lacks computers and operators but the system is complicated, time-consuming, expensive to implement and may be arbitrarily misused. PWPA suggested piloting LCMS by the DENR in certain areas to test or to debug it.</p>	<p>In view of PWPA representation, DMO No. 96-08 dated March 22, 1996 as amended by DMO No. 96-11 dated June 19, 1996 the DENR modified LCMS with its implementation to be done on a pilot basis in certain logging set-ups of selected few companies in Region XIII (Caraga) only.</p>
<p>2. Integrated Annual Operations Plan. DMO No. 96-04 dated March 14, 1996 requires submission of aerial photos and mosaics and checklist EIA. Erstwhile approved at RED level, IAOPs are now coursed to the FMB/DENR for verification. The new procedures have delayed logging operations of TLA-holders.</p>	<p>Notwithstanding the submission of PWPA that the delay was caused by contractor Geodata, and notwithstanding the former DENR Secretary's ruling that payment by TLA for aerial photo project consisted compliance therewith, the present DENR officials ruled that submission thereof is a condition for IAOP processing.</p>	<p>By end of May 1996, only four (4) TLAs and one IFMA have approved IAOPs, increasing to eight (8) toward the end of 1996. By May 1997, a total of 12 obtained approval of their IAOPs.</p>
<p>The twelve (12) month effectivity of an IOAP was opined by the DENR as valid up to the end of the current year, irrespective of the date of its approval. IAOPs approved in May 1996, for example, will be valid up to end of December 1996 only.</p>	<p>PWPA advanced the position that a one-year IAOP is equivalent to twelve-month effectivity, reckoned from date of approval. A one year plan covers logging, reforestation, forest protection, research, community development, etc. activities that are scheduled for a year implementation.</p>	<p>There existed 35 TLAs but most failed to obtain approval of their IAOPs. In 1997, 10 TLAs will expire.</p>
<p>3. Environmental Impact Assessment or System. A condition for the approval of IAOPs is the prior approval of EIS and grant of Environmental Clearance Certificate. Environmental Guaranty Fund and Multipartite Monitoring Fund upon issuance of ECC have to be set up by a TLA-holder. Subsequently, DAO No. 96-37 dated December 2, 1996, revising DAO No. 92-21, was promulgated, a general form of a rule the DENR indicated will be fleshed out with specific guidelines for forestry.</p>	<p>PWPA submitted the proposal that in the absence of the implementing rules and regulations (IRR) to guide: (1) the compliance of the forestry sector with EIA/EIS as called for under P.D. No. 1586, E.O. No. 192, DAO No. 92-21 and DAO No. 96-37, and (2) the determination of the amount for EGF and MMF, the DENR may consider continuing the checklist EIA and used it as a basis for determining the EGF and MMF that would be commensurate with the extent of logging operations and their possible implications to the environment.</p>	<p>The DENR, in its Memo Order No. 96-16 dated September 11, 1996, agreed with the position of PWPA.</p> <p>TLA-holders who have been extended approval of their IAOPs and ECCs are allowed to negotiate the amount of the EGF and MMF, the mode of their payment, and manner of their utilization.</p> <p>This transitory arrangement was allowed pending the formulation of the EIS scoping guidelines and manual of procedures for forestry projects, including logging.</p>

ISSUES

POSITION TAKEN BY PWPA

STATUS

4. Integrated Industrial Forest Management Agreement (IFMA).

The DENR decided to suspend the implementation of DAO No. 93-60 that accordingly is only being abused in implementation but also inequitable to the community. The operations of existing IFMAs and the conversion of TLAs into IFMAs were thus held in abeyance.

The Association advanced the position that existing IFMAs, being a contract, shall continue to be governed by existing DAO No. 93-60 and operations allowed therein shall not be stopped. Any new regulation shall be prospective in application.

The DENR continued to suspend DAO No. 93-60. To avoid future "legal technicality", holders of expiring TLAs were advised by PWPA to notify DENR of their intention to have their TLAs converted into IFMAs.

On August 23, 1996 DAO No. 96-24, the so called Socialized IFMA for small tree planters and on March 4, 1997, DAO No. 97-04, the "corporate" IFMA were promulgated, respectively.

5. Importation of Wood Products.

The issuance of DAO No. 97-08 dated March 18, 1997, that prescribes, among others, the procedures of inspection, discharge, storage and processing of imported wood products, is viewed by PWPA as unnecessary and duplicatory can cause delay in business operations.

PWPA called the attention of the DENR that major provisions of DAO No. 97-08 seem to have no legal basis. The inspection and clearance of imported wood, like any other imported articles are legal functions of the Bureau of Customs and the Plant Quarantine Office, in accordance with E.O. No. 292, the Administrative Code, the same Code specifying legal functions of the DENR.

The DENR Secretary himself instructed his officials to review DAO No. 97-08, calling attention to the position of the Bureau of Customs and Plant Quarantine Office that on the matters of importation such are their legal functions. The study on possible revisions of said order is underway.

B. ARISING FROM THE OFFICE OF THE PRESIDENT AND FROM CONGRESS

1. From the Office of the President.

The Tariff Commission is for pursuing the implementation as scheduled, the tariff reduction on imported wood products.

The Plywood Council of the Association submitted a position to the Tariff Commission for the deferment of the implementation of the tariff schedule, especially for plywood to enable the industry to strengthen its safety nets against global competition.

The entire industry sector of the country has requested the President for the deferment of the implementation of the tariff reduction schedule and he ordered for a review thereof by the government. PWPA is still pursuing its own request at the Tariff Commission

2. From Congress.

The Lower House of Congress has recently passed on third and final reading the forestry reform code bill or the sustainable management and development of forest resources.

It seems the bill passed by the Lower House contains provisions friendly to the wood-based industry.

The Senate has yet to act on a similar bill but there seems no initiative being done by it along this matter.

REGULAR MEMBERS

CAR

Furniture Group, Inc.
R-273 Wellington Bldg.,
Plaza Ruiz, Binondo, Manila
Mr. Florio Buñag

REGION II

Cagayan Plywood Corp.
G/F W&W Building, 106 Aguirre St.,
Legaspi Village, Makati City, Metro Manila
Mr. Vicente S. Chan

Jones Logging Corp.
20 Bulletin St., West Triangle, Quezon City
Mr. Benito Dy/Alejo Dy

La Peña Sawmill Co., Inc.
560 Padilla de los Reyes Bldg.,
232 Juan Luna St., Binondo, Manila
Mr. Francisco U. Peña

Liberty Logging Corp.
123 Kaingin Road, Quezon City
Mr. Wilson Lim

Luzon Mahogany Tbr. Ind., Inc.
44 Edison St. U.E. Tech. Subdivision,
Malabon, Metro Manila
Atty. Bienvenido Rillo

Monte-Alto Timber Res. Corp.
R-407 Anita Building
1300 Quezon Avenue, Quezon City
Mr. Romeo de Jesus

Security Sawmill Co., Inc.
900 Reina Regente, Binondo, Manila
Mr. Benjamin Dy

Sierra Madre Wood, Ind., Inc.
c/o Emco Plywood Corp., G/F W&W Bldg.,
106 Aguirre St., Legaspi Village
Makati City, Metro Manila
Mr. Vicente Chan

Southern Plywood Corp.
No. 220 Wilson St., Greenhills,
San Juan, Metro Manila
Mr. Osmundo R. Quijano

GMWPA

A & A Wood Corp.
205 Maysan Road
Valenzuela, Metro Manila
Mr. Manuel Anbio

Alaska Lumber Co., Inc.
2071 Int. Raxa Bago St.,
Juan Luna, Tondo, Manila
Mr. Felipe Lee

Atlanta Wood Dev. Corp.
12 T. Santiago St., Canumay,
Valenzuela, Metro Manila
Mr. Tan Chin

Atlas Wood Industries, Inc.
387 McArthur Highway, Malinta,
Valenzuela, Metro Manila
Mr. Jim Lim

Canada Sawmill
Marulas, Valenzuela, Metro Manila
Mr. Juan S. Ong

Canumay Wood Corp.
T. Santiago St., Bo. Canumay,
Valenzuela, Metro Manila
Mr. Jose L. Chua

Capitol Sawmill Corp.
Paseo de Blas,
Valenzuela, Metro Manila
Mr. Rufino Chua

Catmon Sales International Corp.
c/o GMWPA, 2/F G & D Bldg.
18 D. Tuazon St. cor. Quezon Ave.,
Quezon City
Mr. Antonio Toh/Mr. Tomas Toh

Century Hardwood & Lbr. Co., Inc.
2627 T. Earnshaw St.,
Tondo, Manila
Mr. Tay Chun Lai

East Asia Sawmill Corp.
1235 T. Earnshaw St, Tondo, Manila
Mr. James Lee

Elco Wood Processing Corp.
San Juan, Balagtas, Bulacan
Mr. Juan L. Santiago

Extensive Wood Processing Corp.
Km. 15 McArthur Highway, Dalandanan,
Valenzuela, Metro Manila
Mr. Johnny Chan

Goldenforest Trade Int'l., Corp.
173 Gen. Luis St.,
Novaliches, Quezon City
Mr. Benjamin Uy

Golden Star Ind. Corp.
Bo. Patubig, Marilao,
Bulacan
Mr. Edward Coquinco

Grand Pacific Ent., Inc.
17-1/2 Km. McArthur Highway,
Meycauayan, Metro Manila
Mr. David C. Golangco

Great Wood Corp.

Vicente Reales St., Valenzuela, Metro Manila
Mr. Guillermo Go/Mr. Pinsing Ng Chua

Great World Ind'l. Int'l. Corp.

Bo. Canumay, Valenzuela, Metro Manila
Mr. Benjamin Coquinco

New Bocaue Sawmill Co., Inc.

Km. 25 McArthur Highway,
Valenzuela, Metro Manila
Mr. Michael Tan

Oversea Sawmill

473 McArthur Highway,
Valenzuela, Metro Manila
Mr. Felimon Chua

Panama Sawmill Co.

Lazaro St., Caruhatan,
Valenzuela, Metro Manila
Ms. Virgie Go

Sahara Wood Corp.

2 T. Santiago St., Canumay,
Valenzuela, Metro Manila
Mr. Tan Chin

Southern Sawmill

1331 Dagupan St., Tondo, Manila
Mr. Tan Chin

Sta. Ana Industrial Corp.

2735 Old Panaderos St.,
Sta. Ana, Manila
Mr. Benjamin Coquinco

Tabang Sawmill, Inc.

Tabang, Guiguinto, Bulacan
Mr. Jose Ong, Jr.

Tanduay Lumber, Inc.

Bo. Wakas, Bocaue, Bulacan
Mr. Andrew Loo

Region III

Baliwag Mahogany Corp.

Rm. 203 Anita Building
1300 Quezon Ave., Quezon City
Mr. Alfredo Ong

Emerson Wood Ind., Inc.

Km. 24 McArthur Highway, Marilao, Bulacan
Mr. Peter S.L. Santos

Goodyear Timber Products Corp.

27-C Compound, Bagbagundo,
Valenzuela, Metro Manila
Mr. Benny Coquinco

Industrial Timber Corp.

R-504 ITC Bldg., 337 Sen. Gil J. Puyat Ave.,
Makati City, Metro Manila
Dr. Tomas T. Tangsac, Jr.

Lauan Pacific Res. Corp.

123 Kaingin Road,
Balintawak, Quezon City
Ms. Maria Carina Evangelista

Maple Resources Dev. Corp.

Pandayan, Meycauayan, Bulacan
Mr. Jimmy A. Ng

M R Board, Inc.

G/F Metrobank Bldg., Ortigas Ave. cor. Wilson St.,
Greenhills, San Juan, Metro Manila
Mr. Pedro C. Bernardo/Mr. Jimmy Ng

New Olympic Industrial Corp.

25 Km. McArthur Highway,
Bunlo, Bocaue, Bulacan
Ms. Imelda Rogando

Panel Products Ind. Corp.

4/F YAO Building
7th Avenue cor. Rizal Ave. Ext.,
Caloocan City
Mr. Wellington Yao

Rosewood Processing Inc.

1012 E. delos Santos Ave.,
Project 7, Quezon City
Mr. Julian Ong

Scala Sawmill

R-560 Padilla delos Reyes Bldg.,
232 Juan Luna St., Binondo, Manila
Mr. Francisco U. Peña

Region IV

Industries Dev. Corp.

IDC Compound, E. Rodriguez Jr. Ave.,
Ugong Norte, Quezon City
Mr. Joselito Ong

Inter-Pacific Forest Res. Corp.

R-203 Anita Building
1300 Quezon Ave., Quezon City
Mr. Alfredo Ong

Interwood (Sawmill Div.)

Dalig, Cagsiay 2, Mauban, Quezon
Mr. Johnson Santos

Mt. Banahaw Wood Ind., Inc.

24 Dancalan St.,
Damar Village, Quezon City
Mr. Rafael Tantuco

Pacific Timber Export Corp.

2/F LGI Bldg., Ortigas Avenue
Greenhills, San Juan, Metro Manila
Mr. Fernando A. Lu/Gen. Felizardo R. Tanabe

San Roque Sawmill, Inc.

Dingalan, Aurora

BOARD OF DIRECTORS

PHILIPPINE WOOD PRODUCERS ASSOCIATION

1996 ANNUAL REPORT

PEDRITO M. ARAGON, Chairman
PICOP Resources, Inc.



ARAGON

CELSO E. ABASTILLAS
Zamboanga Plywood, Inc.

ALFONSO C. KEH, JR.
Emco Plywood Corp.

ANTONIO C. OLIZON
TIPI Wood Products Corp.

EDITH I. ALCANTARA
C. Alcantara & Sons, Inc.

JOSE A. LORENZO
Twin Peaks Dev. Corp.

ARISTEO G. PUYAT
Surigao Dev. Corp.

ANTONIO G. BERNAS
Sirawai Plywood & Lumber Corp.

FERNANDO A. LU
Pacific Timber Export Corp.

ERNESTO F. SANVICTORES
Aras-asan Timber Co., Inc.

DAVID C. GOLANGCO
Grand Pacific Ent., Inc.

RUFINO T. NASSER
Vicmar Dev. Corp.

FELIX T. TAMESIS
Nasipit Lumber Co., Inc.

SEVERINO T. DE GUZMAN
Industries Dev. Corp.

JIMMY A. NG
Maple Res. Dev. Corp.

LEONARDO D. ANGELES
Secretary of the Board

ABASTILLAS	ALCANTARA	BERNAS	GOLANGCO	DE GUZMAN
KEH, JR.	LORENZO	LU	NASSER	NG
OLIZON	PUYAT	SANVICTORES	TAMESIS	ANGELES

ADVISORY COUNCIL

RAMON S. ANG
(SEN.) MAGNOLIA W. ANTONINO
TEDDY G. BERNARDINO
JOSE T. CHING

GEN. JOSE P. MAGNO (RET.)
GEN. RAMON E. MONTAÑO (RET.)
MANUEL L. MORATO
PETER T. ROXAS

EXECUTIVE OFFICERS

PHILIPPINE WOOD PRODUCERS ASSOCIATION

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BERNAS

ANTONIO G. BERNAS
President

FERNANDO A. LU
Executive Vice-President

CELSO E. ABASTILLAS
VP-Information Education & Communications

JOSELITO C. BALTAZAR I
VP-Membership Relations

FELIX T. TAMESIS
VP-Timber

JOSE A. LORENZO
VP-Forestry & Environment

ERNESTO F. SANVICTORES
VP-International Relations

DAVID C. GOLANGCO
VP-Lumber & Related Products

VALENTIN A. VELASCO
VP-Industrial Forest Plantation

ALFONSO C. KEH, JR.
Treasurer

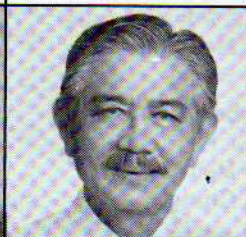
JIMMY A. NG
VP-Plywood & Related Products

SEVERINO T. DE GUZMAN
VP-Legal & Government Relations

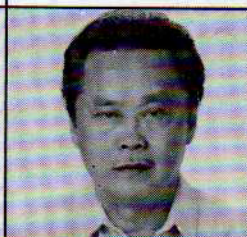
LEONARDO D. ANGELES
Executive Director



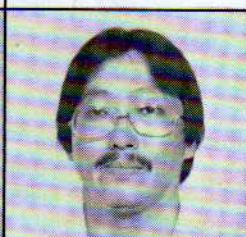
LU



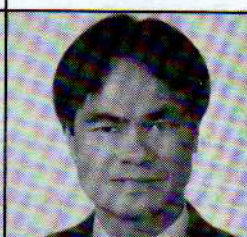
TAMESIS



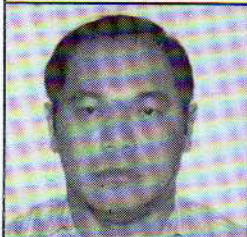
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ABASTILLAS



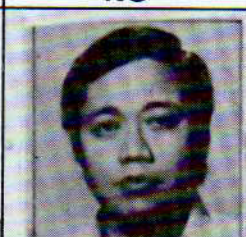
LORENZO



VELASCO



DE GUZMAN



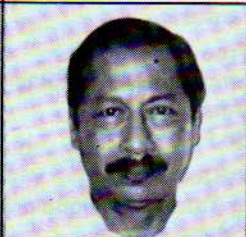
BALTAZAR I



SANVICTORES



KEH, JR.



ANGELES



DUWAY



SERAFICO

SECRETARIAT

LEONARDO D. ANGELES
Executive Director

CELIA P. DUWAY
Administrative Officer

REGINO M. SERAFICO
Account Officer

Tableria Tan Tao Sawmill, Inc.
c/o Seven Brother, 5/F APMC Bldg.
135 Amorsolo St., Legaspi Village
Makati City, Metro Manila
Mr. Domingo Tan/Mrs. Sandra Yu Shaw

Verdant Agro-Forest Dev. Corp.
G/F Metrobank Building
Wilson St., cor. Ortigas Avenue
Greenhills, San Juan, Metro Manila
Mr. Jimmy A. Ng

N.C.R.

Far East Timberland & Plywood Corp.
917 Susano Avenue, Novaliches, Quezon City
Mr. Ramon Lim

International Plywood Corp.
518 Baesa Road, Caloocan City
Mr. Raymundo Ong/ Mr. Manuel Young

Republic Wooden Commodities Mnfg. Corp.
#917 Susano Avenue, Novaliches, Quezon City
Mr. Rosendo Dy

Region IX

First Plywood Corp.
4/F DACON Bldg., 2281 Pasong Tamo Ext.,
Makati City, Metro Manila
Atty. Antonio G. Bernas

Mindanao Estates Timber Corp.
2227 Jose Abad Santos Avenue
Tondo, Manila
Mr. Jose Dy

Sirawai Plywood & Lumber Corp.
4/F DACON Bldg., 2281 Pasong Tamo Ext.,
Makati City, Metro Manila
Atty. Antonio G. Bernas

Westmin Forest Products, Inc.
Mintrade Drive, Lanang Davao City
Mr. Guilbert Go

Zamboanga Plywood, Inc.
Rm. 272 Wellington Building
Plaza Ruiz, Binondo, Manila
Mr. Celso E. Abastillas

Region X

Agusan Plywood Corp.
R-502 APC Building,
1186 Quezon Ave., Quezon City
Mr. William L. Perez

Agusan Wood Ind., Inc.
R-504 ITC Building, Sen. Gil J. Puyat Ave.
Makati City, Metro Manila
Dr. Tomas T. Tangsac, Jr.

Anakan Lumber Co.
5/F Maritima Building,
117 Dasmarinas St.,
Binondo, Manila
Atty. Felix T. Tamesis

Casilayan Softwood Dev'l. Corp.
028 Jose Rosales Ave., Capitol Center
Butuan City 8600 or
P.O. Box 197, Butuan City 8600
Mr. Valentin A. Velasco

Emco Plywood Corp.
G/F W & W Building
106 Aguirre St., Legaspi Village
Makati City, Metro Manila
Mr. Alfonso C. Keh, Jr.

JCA Lumber & Plywood Ind., Inc.
707 Culmat Building
E. Rodriguez, Jr., Ave., Quezon City
Mr. Hernani S. Pasion/ Mr. Joseph LI. Edralin

Liberty Forest, Inc.
91 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila
Mr. Jose T. Ching

Mainit Lumber. & Co., Inc.
91 Sen. Gil J. Puyat Avenue,
Makati City, Metro Manila
Mr. Jose T. Ching

Master Wood Ent. Corp.
Phividec Ind'l. Estate, Baluarte,
Tagoloan, Misamis Oriental
Mr. Willie Tan

Nasipit Lumber Co., Inc.
5/F Maritima Bldg., 117 Dasmarinas St.,
Binondo, Manila
Atty. Felix T. Tamesis

Phil. Wallboard Corp.
5/F Maritima Bldg., 117 Dasmarinas St.,
Binondo, Manila
Mr. Felix Tamesis

Provident Tree Farms, Inc.
PHIMCO Compound, A. Bautista St.
Punta, Sta. Ana, Manila
Mr. Lutgardo F. Lopez

Royal Match Co., Inc.
2111 Pasong Tamo cor. Tindalo St.,
Makati City, Metro Manila
Mr. Antonio M. Cruz

TIPI Wood Products Corp.
R-502 State Cond. I, Salcedo St.,
Legaspi Village, Makati City, Metro Manila
Mr. Antonio C. Olizon

Sta. Ines-Melale Corporation

3/F Maripola Building,
109 Perea St., Legaspi Village,
Makati City, Metro Manila
Ms. Rosie Macero

Top Forest Developers, Inc.

G/F Cordova Building,
Valero St., Salcedo Village,
Makati City, Metro Manila
Mr. Robert N. Kua

Union Plywood Corp.

R-502 State Cond. I, Salcedo St.,
Legaspi Village, Makati City, Metro Manila
Mr. Antonio C. Olizon

United Wood Industries Corp.

111 A. 6th Street cor. 6th Avenue
Grace Park, Caloocan City
Mr. Stanley Tan/Stephen Tan

Woodland Domain, Inc.

Unit R Times Plaza Building
Pamplona, Las Piñas, Metro Manila
Mr. Danny Dragon

Region XI

Aras-Asan Timber Co., Inc.

30 Scout Tuazon St., Diliman, Quezon City
Mr. Ernesto F. Sanvictores

C. Alcantara & Sons, Inc.

3/F ALSON Bldg., 2286 Pasong Tamo Ext.,
Makati City, Metro Manila
Ms. Edith I. Alcantara

Consolidated Plywood Ind., Inc.

R-202 Cityland III, Herrera cor. Esteban St.,
Legaspi Village, Makati City, Metro Manila
Mr. Henry C. Wee

Davao Enterprises Corp.

788-790 Juan Luna St., Binondo, Manila
Ms. Evelyn Uy

Davao Plywood Co., Inc.

Km. 24 Bunawan, Davao City
Mr. Gokim Leng

Mindanao Lumber Co., Inc.

15/F G.E. Antonino Bldg.,
T.M. Kalaw St., Manila
Ms. Magnolia W. Antonino

PICOP Resources, Inc.

2297 Priscilla 100 Building Pasong Tamo Ext.,
Makati City, Metro Manila
Mr. Pedrito M. Aragon

San Manuel Wood Products, Inc.

Daliao, Toril, Davao City
Mr. Manuel G. Ting/ Mr. Faustino B. Lim Suan, Jr.

Super Plywood Corp.

#608 Echelon Tower, 2001 A. Mabini St.,
Malate, San Andres, Manila
Mr. Conrado Lo

Surigao Dev't. Corp.

4/F ENZO Bldg., 399 Sen. Gil J. Puyat
Makati City, Metro Manila
Mr. Aristeo G. Puyat

Ventura Timber Corp.

VTC Compound R. Castillo St.,
Beside Salonga Motors, Lanang, Davao City
Mr. Jainal B. Uy

Region XII

Ever Sun Dev. Ltd.

Sarmiento Bldg. #11, Pasong Tamo Ext.,
Makati City, Metro Manila
Mr. Kevin Cheng

Findlay Millar Tbr. Co.

Unit C, G/F, Cordova Building
cor. Sedeno & Agustin Sts.,
Salcedo Village, Makati City, Metro Manila
Ms. Maria Teresita N. Kua

ARMM

Cotabato Timberland Co., Inc.

4/F DACON Bldg., 2281 Pasong Tamo Ext.,
Makati City Metro Manila
Mr. Antonio G. Bernas

Timber Industries of the Phils., Inc.

G/F Cordova Building,
Valero St., Salcedo Village,
Makati City, Metro Manila
Mr. Rufino T. Nasser

Vicmar Dev. Corp

Unit C, G/F Cordova Building
Valero, cor. Sedeno St., Salcedo Village
Makati City, Metro Manila
Ms. Maria Teresita N. Kua

ASSOCIATE MEMBERS

AG&P Co., Inc.

Pasong Tamo Ext., Makati City, Metro Manila
Mr. Fernando Garcia

Borden Int'l. Phils., Inc.

Suite 1001, Ayala Life Building
Ayala, Avenue, Makati City, Metro Manila
Mr. Rolando del Rosario Sison

Resins, Inc.

E. Rodriguez, Jr., Ave., Bagong Ilog,
Pasig City, Metro Manila
Mr. Meneleo Carlos, Jr.

SGV & Co

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Philippine Wood Producers Association, Inc.

SyCip Gorres Velayo & Co
An Arthur Andersen Member Firm

6760 Ayala Avenue
1226 Makati City Philippines
632 891 0307
632 819 0872 Fax

We have audited the accompanying statements of assets, liabilities and members' equity of Philippine Wood Producers Association, Inc. (a nonstock, nonprofit corporation) as of December 31, 1996 and 1995, and the related statements of revenues and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and members' equity of Philippine Wood Producers Association, Inc. as of December 31, 1996 and 1995, and its revenues and expenses and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

SyCip Gorres Velayo & Co.

April 1, 1997

PHILIPPINE WOOD PRODUCERS ASSOCIATION, INC.**(A Nonstock, Nonprofit Corporation)****STATEMENTS OF ASSETS, LIABILITIES AND MEMBERS' EQUITY**

	December 31	
	1996	1995
ASSETS		
Current Assets		
Cash and cash equivalents	₱927,771	₱461,588
Receivables - net (Note 3)	2,005,742	902,857
Total Current Assets	2,933,513	1,364,445
Property and Equipment - net (Note 4)	51,974	156,033
Other Assets	9,700	9,700
	₱2,995,187	₱1,530,178
LIABILITIES AND MEMBERS' EQUITY		
Accounts Payable and Accrued Expenses	₱202,642	₱372,741
Dues Collected in Advance	—	135,000
Members' Equity		
Balance at beginning of year	1,022,437	2,245,349
Excess (deficiency) of revenues over expenses	1,770,108	(1,222,912)
Balance at end of year	2,792,545	1,022,437
	₱2,995,187	₱1,530,178

See accompanying Notes to Financial Statements.

PHILIPPINE WOOD PRODUCERS ASSOCIATION, INC.**(A Nonstock, Nonprofit Corporation)****STATEMENTS OF REVENUES AND EXPENSES**

	Years Ended December 31	
	1996	1995
REVENUES		
Membership dues and assessment (Note 5)	₱5,922,007	₱3,385,733
Interest and others	243,061	973,496
	6,165,068	4,359,229
EXPENSES (Note 5)		
Salaries, wages and employee benefits	1,054,933	862,194
Office expenses	509,204	339,430
Write-off of receivables	352,275	—
Special projects	339,438	636,148
Transportation and travel	321,888	522,655
Professional fees	307,784	253,250
Condominium expenses, light and water	286,458	250,345
Public relations and information	245,811	569,356
Meetings and conferences	240,082	641,039
Regional chapter expenses (Note 5)	187,970	317,968
Donations and gifts	164,289	846,485
Depreciation	115,749	114,579
Telephone, telegram and postage	90,055	99,092
Membership dues	65,790	61,500
Insurance	22,143	32,180
Taxes and licenses	21,789	24,894
Others	69,302	11,026
	4,394,960	5,582,141
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENSES (Note 1)	₱1,770,108	(₱1,222,912)

See accompanying Notes to Financial Statements.

PHILIPPINE WOOD PRODUCERS ASSOCIATION, INC.**(A Nonstock, Nonprofit Corporation)****STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	₱1,770,108	(₱1,222,912)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	115,749	114,579
Write-off of receivables	352,275	—
Changes in assets and liabilities:		
Increase in receivables	(1,455,160)	(477,994)
Increase (decrease) in:		
Accounts payable and accrued expenses	(170,099)	(239,570)
Dues collected in advance	(135,000)	135,000
Net cash provided by (used in) operating activities	477,873	(1,690,897)
CASH FLOWS FROM INVESTING ACTIVITY		
Additions to property and equipment	(11,690)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	466,183	(1,690,897)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	461,588	2,152,485
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	₱927,771	₱461,588

See accompanying Notes to Financial Statements.

PHILIPPINE WOOD PRODUCERS ASSOCIATION, INC.**(A Nonstock, Nonprofit Corporation)****NOTES TO FINANCIAL STATEMENTS****1. Organization**

The Philippine Wood Producers Association, Inc. (Association) is an association of corporations, partnerships and individuals engaged in logging, sawmilling, veneer and plywood manufacture, wood preservation, and other related activities. Incorporated as a nonstock, nonprofit corporation, the Association aims to achieve unity in the wood industry under a single integrated association that would serve as spokesman for the entire wood industry in its continuing dialogue with government authorities. Its services, programs and activities are all geared towards the promotion and development of the lumber and plywood industry.

The Association is exempt from payment of income tax with respect to revenues received in accordance with the provisions of Sec. 26 (f) of the National Internal Revenue Code.

2. Summary of Significant Accounting Policies**Cash Equivalents**

The Association considers all highly liquid debt instruments purchased with maturities of three months or less from date of acquisition to be cash equivalents.

Membership and Assessment Dues

Membership dues of Timber License Agreement (TLA) holders, sawmillers and associate members are based on fixed monthly rates. Assessment dues of TLA holders are computed based on the annual allowable cuts.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets ranging from 5 to 10 years. Ordinary repairs and expenditures which do not benefit future periods are expensed as incurred.

3. Receivables

This account consists of:

	1996	1995
Members	P1,997,000	P941,275
Others	105,017	57,857
	2,102,017	999,132
Less allowance for doubtful accounts	96,275	96,275
	P2,005,742	P902,857

4. Property and Equipment

This account consists of:

	1996	1995
Condominium office building	P1,010,396	P1,010,396
Office furniture, fixtures and improvements	129,043	129,043
Office equipment	247,789	236,099
	1,387,228	1,375,538
Less accumulated depreciation	1,335,254	1,219,505
	P51,974	P156,033

5. Association's Regional Chapters

The Association maintains a number of regional chapters within the Philippines. These chapters (organized during the latter part of 1979 and during 1980) act as extensions of the Association in their respective regions. Dues collected by these chapters are turned over to the Association. Ten percent of such collections are remitted back to the chapters to cover their administrative expenses. For purposes of accounting, such amounts are treated as expenses upon receipt of the chapters' collections.

Forest Stewardship Council

Why do we need forest stewardship?



- Forests cover 1/3 of the world's land surface -- now only 1/2 of the original area.
- Forests contain as much 90% of the world's species -- havens for biodiversity.
- About 94% of the world's forests are unprotected, nearly 1% of the world's tropical forests disappear each year.
- Present timber exporting countries are facing to lose their natural forests and once timber exporting countries have lost their forests and are now importing their timber requirements
- There will be a time when the world needed more timber, more water, more services and more benefits but there may not be that much forests left unless the world acts now as good steward of the forests.

What is the FSC?

The FSC is an international non-profit organization. It is an association of members founded in 1993 by a diverse group of representatives from environmental and social groups, the timber trade and the forestry profession, from around the world.

It is committed to bridging the gap between responsible producers and consumers of forest products worldwide. It enables producers who can demonstrate sound forest management to reach consumers who wish to have an independent guarantee that the forest or woodland of origin is managed according to agreed social and environmental principles and criteria. The FSC therefore provides an incentive in the marketplace for good forestry practice. It does this by providing an umbrella organization and structure, within which respectable independent certifiers can operate according to clear guidelines and using agreed standards covering social, environmental and economic aspects of forest management.

The FSC provides consumers with reliable information about forest products and their sources through a voluntary accreditation program for certifiers of forest products. It will evaluate, accredit and monitor certifiers based on their adherence to the FSC's Principle and Criteria of Forest Management, and on their adherence to the FSC's Guidelines for certifiers.

FSC will help to eliminate confusing and false claims by evaluating and accrediting certifiers according to internationally agreed Guidelines and standards.

The FSC evaluates applications from certifiers for the purposes of accreditation and is also supporting many national initiatives worldwide.

What are the FSC principle of good forest management?

- 1. Compliance with laws and FSC principles**
Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.
- 2. Tenure and use rights and responsibilities**
Long term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.
- 3. Indigenous people's rights**
The legal and customary rights of indigenous peoples to own, use and manage their lands, territories and resources shall be recognized and respected
- 4. Community relations and workers' rights**
Forest management operators shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.
- 5. Benefits from the forest**
Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.
- 6. Environmental impact**
Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile eco-systems and landscapes, and, by so doing, maintain the ecological functions and integrity of the forest.
- 7. Management plan**
A management plan - appropriate to the scale and intensity of the operations - shall be written, implemented and kept up to date. The long term objectives of management, and the means of achieving them, shall be clearly stated.
- 8. Maintenance of natural forests**
Primary forests, well developed secondary forest and sites of major environmental, social, or cultural significance of the forest, yields of forest products, chain of study, management activities and their social and environmental impacts.
- 9. Plantations**
Plantations shall be planned and managed in accordance with Principles and Criteria 1-9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

Where is FSC located?

Dr. Timothy Synnott, Executive Director,
The Forest Stewardship Council, 502 Avenida Hidalgo,
68000 Oaxaca, Mexico. Fax 00 52 951 62110
Email: scoax@antequera.antequera.com



"The forests must be, and will be, not only preserved, but used; and the experience of all civilized countries that have faced and solved the questions show that ... the forests, like perennial fountains, may be made to yield a sure harvest of timber, while at the same time all their far-reaching beneficent uses may be maintained unimpaired."

**JOHN MUIR
1895**

**3rd Floor, LTA Condominium Bldg., 118 Perea St., Legaspi Village, Makati City, Philippines
Telephones: 817-6751 • 817-6884 • 817-6885 • 812-1760 Fax: (632) 817-6884
E-mail: philwood@epic.net**