



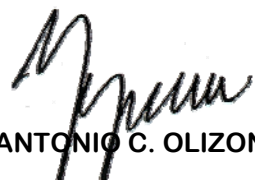
ANNUAL REPORT

2012



*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 of
Directors and the President of the Association as its
Report to the Members of the Association
for the year ended December 31, 2012.*


FERNANDO A. LU
Chairman


ANTONIO C. OLIZON
President

Vision

A strong and dynamic organization committed to the economic and environmentally sound development of the Wood Industry in the Philippines

Mission

In partnership with government and all concerned stakeholders, we shall:

- *Conserve and protect the environment through the sustainable management of natural and plantation forests;*
- *Utilize technology and best practices for the production of high quality wood products at competitive prices;*
- *Promote and encourage the use of high quality wood products;*
- *Work for appropriate legislation and good governance to ensure the sufficiency of wood resources and enhance the competitiveness of the wood industry;*
- *Contribute to the well-being of workers and communities where the wood industry operates.*

About the cover: *A veneer of White Lauan (Shorea contorta), endemic to the Philippines, where it occurs on the islands of Babuyan, Luzon, Polillo, Marinduque, Masbate, Samar, Leyte, Negros, Sibuyan, Mindanao, Polau and Basilan. It grows in lowland, seasonal, semi-evergreen dipterocarp forest, from sea level up to about 700 metres. Classified as Critically Endangered (CR) on the IUCN Red List 2007. Numbers of white lauan have become depleted due to logging and slash-and-burn agriculture. The valuable timber of the white lauan is used for general construction and for furniture making.*

Executive Officers

ANTONIO C. OLIZON
President

FERNANDO A. LU
Chairman

ALFONSO C. KEH, JR.
Executive Vice-President
VP-Plywood

STANLEY Q. TAN
Treasurer

EVARISTO M. NARVAEZ, JR.
VP- Timber

LEONARDO D. ANGELES
Secretary & Executive Director

RAMON Y. UY
VP-Lumber & elated Products

MAILA R. VASQUEZ
Deputy Executive Director

CHARLIE H. LIU
VP- International Relations

JOSE A. LORENZO
Adviser- Forestry & Environment

ROBERT W. KUA
VP- Membership Relations

62nd Annual General Assembly

Director In-Charge

RAMON Y. UY

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PWPA Board of Directors 2012-2013



FERNANDO A. LU
Chairman
Pacific Timber Export Corp.



ANTONIO C. OLIZON
President
Union Plywood Corporation



ALFONSO C. KEH, JR.
Executive Vice President
EMCO Plywood Corporation



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



VICTOR A. CONSUNJI
M & S Company, Inc. /
Sirawai Plywood & Lumber Corp.



ROBERT W. KUA
Vicmar Development Corp.



CHARLIE H. LIU
MATIMCO, Incorporated



EVARISTO M. NARVAEZ, JR.
ARTIMCO Incorporated



ARISTEO G. PUYAT
Surigao Development Corp.



STANLEY Q. TAN
Philippine Softwood Products, Inc.



RAMON Y. UY
Consolidated Wood Products Inc.



JHONNY M. YOUNG
Asia-Pacific Timber & Plywood Corp.



CALVIN T. DAVID
Worldwood Trading Corporation /
Ventura Timber Corp.

Financial Report

PHILIPPINE WOOD PRODUCERS ASSOCIATION, INC. (A Nonstock, Non-profit Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)	P165,897	P145,698
Receivables (Note 5)	2,763,017	2,287,717
Total Current Assets	2,928,914	2,433,415
Noncurrent Assets		
Property and equipment (Note 6)	10,500	—
Other noncurrent asset	9,700	9,700
Total Noncurrent Assets	20,200	9,700
TOTAL ASSETS	P2,949,114	P2,443,115

LIABILITIES AND MEMBERS' EQUITY

Current Liability		
Accounts payable and other current liabilities (Notes 7 and 8)	P470,556	P481,288
Noncurrent Liability		
Retirement benefits liability - net of current portion (Note 8)	640,674	686,141
Total Liabilities	1,111,230	1,167,429
Members' Equity	1,837,884	1,275,686
TOTAL LIABILITIES AND MEMBERS' EQUITY	P2,949,114	P2,443,115

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	P562,198	P389,115
Adjustments for:		
Depreciation (Note 6)	7,500	—
Unrealized foreign exchange loss	2,171	490
Dividend income	(1,834)	(1,588)
Interest income (Note 4)	(497)	(3,707)
Excess of revenue over expenses before working capital changes	570,338	384,310
Increase (a decrease) in:		
Receivables	(475,300)	(879,012)
Accounts payable and other current liabilities	(18,732)	37,913
Retirement benefits liability	(45,467)	(180,864)
Cash generated from (used in) operations	38,839	(637,653)
Dividend received	1,034	1,588
Interest received	497	3,707
Net cash from (used in) operating activities	40,370	(632,358)
CASH FLOWS FROM AN INVESTING ACTIVITY		
Acquisition of office equipment (Note 6)	(18,900)	—
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2,171)	(490)
NET INCREASE (DECREASE) IN CASH	20,199	(632,848)
CASH AT BEGINNING OF YEAR	145,698	778,546
CASH AT END OF YEAR	P165,897	P145,698

See accompanying Notes to Financial Statements.

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended December 31	
	2012	2011
REVENUE		
Membership and assessment dues	P3,166,984	P4,087,547
Registration and entrance fees	923,540	1,260,021
Dividend	1,034	1,588
Interest (Note 4)	497	3,707
Donations and contributions	—	3,930,000
Special assessment dues	—	2,006
Others	132,284	157,240
	4,224,339	9,442,109
EXPENSES		
Rent, light and water	636,487	602,306
Salaries, wages and other employee benefits	600,315	1,045,955
Professional fees	591,700	711,400
Transportation and travel	331,105	476,515
Public relations and information	282,894	811,763
Representation and entertainment	259,246	370,072
Telephone, telegram and postage	210,676	234,498
Office supplies	145,212	234,493
Repairs and maintenance	111,051	62,266
Meetings and conferences	82,392	1,137,264
Donations and gifts	79,734	2,478,471
Insurance	71,494	110,743
Taxes and licenses	53,974	34,743
Subscription and publication	43,221	61,240
Depreciation (Note 6)	7,500	—
Retirement benefits cost (Note 8)	—	419,136
Others	155,140	262,129
	3,662,141	9,052,994
EXCESS OF REVENUE OVER EXPENSES	562,198	389,115
OTHER COMPREHENSIVE INCOME	—	—
EXCESS OF REVENUE AND OTHER COMPREHENSIVE INCOME OVER EXPENSES	P562,198	P389,115

See accompanying Notes to Financial Statements.

Report to the Members

The Association in 2012

The year 2012 has been challenging for the wood industry. A year after the issuance and implementation of the Executive Order No. 23 (EO 23) otherwise known as the Moratorium on the Harvesting of Trees in Natural and Residual Forest and the Creation of the Anti-Illegal Logging Task Force (AILTF), your Association continues to find ways on how the industry will be able to reach the proper authorities, especially His Excellency, Honorable Benigno S. Aquino III, to make them appreciate the important role of the wood industry in the country's economic and social development.

To face the challenges the industry will deal with in the succeeding year, the Philippine Wood Producers Association (PWPA) had its strategic planning workshop last November 11, 2011, at the AIM Centre in Makati City to explore action options to improve the state of the wood industry especially with the on-going implementation of EO 23.



Hurdling the Barriers. Directors and officers of PWPA and resource persons plan out strategies to move forward the wood industry.

The workshop began with a presentation of the different activities and initiatives undertaken to have the IFMAs of member-companies be reviewed and evaluated by the DENR toward the lifting of EO No. 23.

The different recommendations, earlier worked-out by a PWPA small group to move forward the lifting of EO 23 were also presented.

The opinions and possible remedies from the legal point of view were made by different legal experts. A former government official and practicing professional also suggested actions to be considered in dealing with the industry-government issues.

Another resource person, who has intimate knowledge about the wood industry and the government, said what is happening is a *déjà vu*, a repeat of similar executive decisions made by past administrations. He emphasized the need to educate the public to know the environmental role the PWPA plays.

After a very intensive yet productive discussion on the most critical issues facing the industry, the strategy options were grouped into clusters of move-forward action plans: 1) extra-judicial such as lobbying in its ethical sense; 2) administrative, dealing with DENR

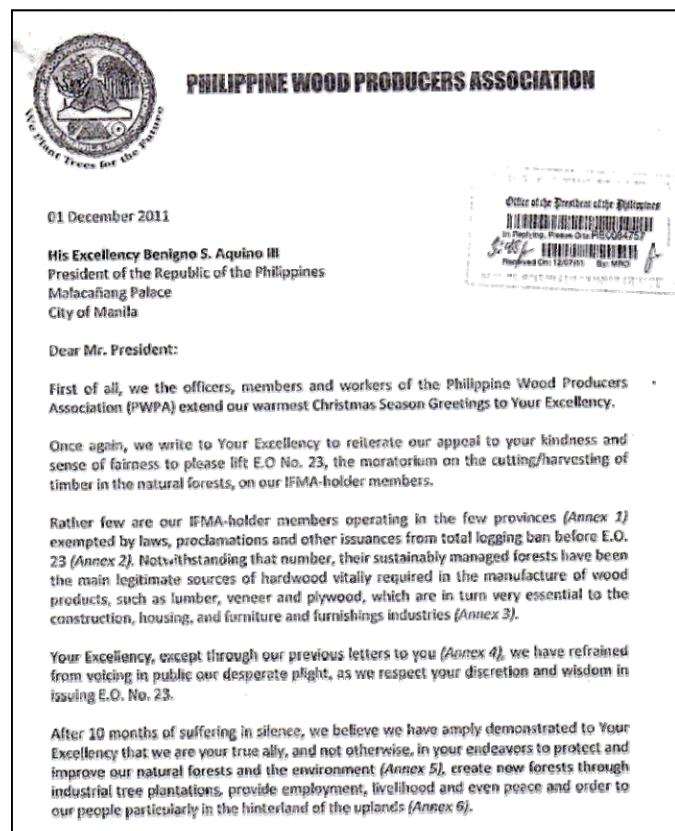
and other government agencies; and 3) public relations with trade association, media and the public.

The following are the efforts of your Association has made following the results of the move-forward action plans:

Extra-Judicial Actions

Letter of Appeal to His Excellency, Honorable Benigno S. Aquino III

In its letter of appeal to the President (also the fourth letter) dated December 1, 2011, the PWPA stated it has been over a year that the legitimate players of the wood industry, like the members of the PWPA who are holders of government production-sharing contracts called Integrated Forest Management Agreements (IFMAs), have stopped operations in their forest concessions to comply with EO 23, resulting in a business vacuum and loss of jobs.



The PWPA informed the President that the association complied wholeheartedly to the wisdom of the President's EO 23 in the hope that its members will be distinguished as a law-abiding ally of his Administration against the pernicious illegal loggers and that, after the called-for mandatory review and evaluation of their

Report to the Members

performance under the IFMAs, the moratorium will be timely lifted so as to allow them to resume their operations.

The PWPA lamented that the review and evaluation of their IFMAs by the DENR has never been carried out, despite several request letters and formal meetings with the Department.

The PWPA is the 60-year old national organization of companies involved in the sustainable management of natural forests, development of industrial tree plantations, and manufacturing and trading of wood products like lumber, veneer and plywood. Its IFMA-holder members with wood processing mills have been sustainably operating the same forest areas for over 50-years until they were halted by EO 23.

The letter stated that in compliance with EO 23 and as ordered by the DENR, the PWPA IFMA-holder members brought down from the forests all their logging, road-building and hauling equipment and inevitably also laid-off their workers. Only the PWPA members obeyed in silence EO 23 while the illegal loggers and log black-marketers who should have been the object of EO 23 continued with impunity their environmentally-destructive activities.

In the letter, the PWPA said the President should know by now that illegal logging is the true environmental menace and it must be stopped. This was evidenced by the devastating floods of Storm Sendong in the cities of Cagayan de Oro and Iligan which was tragically aggravated by the flow of hammering illegal logs and also by the widely reported millions of pesos worth of confiscated illegal logs in Lanao del Sur, Davao City and Cagayan Valley, among other places.

The PWPA hopes the President will heed their appeal to lift the logging moratorium so that its members could resume their operations, which means, rehire their workers, re-enliven the socio-economic life of rural, upland communities and most importantly, protect and sustainably manage their forest areas, develop tree plantations and supply the country of its need for wood products, a service the PWPA has been giving for over 60 years.

Courtesy Visit to Senator Escudero

The PWPA led by President Antonio Olizon, EVP Alfonso Keh, Jr. and VP Evaristo Narvaez, Jr. made its traditional courtesy call to Senator Francis Joseph "Chiz" Escudero, the new Chairman of the Senate's Committee on Environment and Natural Resources, last November 22, 2011 at his Senate Office in Pasay City.

Senator Escudero welcomed the PWPA delegation as he asked how the EO No. 23 has been affecting the operations of the PWPA and their workers. He said when the President was considering issuing the EO 23, his (Escudero's) position was not to include areas under tenure.



Lending an Advice. Senator and ENR Committee Chair Chiz Escudero (left) intimates his views on industry issues with PWPA President Antonio Olizon and VP-Director Evaristo Narvaez, Jr.

President Olizon introduced the members of the PWPA delegation. Executive Director (ED) Leonardo Angeles made a short presentation on the status of the wood industry with elaboration from President Olizon and Director Narvaez, Jr.

Senator Escudero said he is familiar with the sustainable forest management being practiced by the PWPA. He empathized with PWPA since the EO 23, to him, is not a good issuance by the President. He added that DENR Secretary Paje can not be expected to help notwithstanding the mandate of EO 23 that there be a review/evaluation of the IFMAs by the DENR as only the President can lift EO 23.

Told that the PWPA has already written the President, Senator Escudero advised it to try to write him another letter which the Senator would hand carry himself to the President.

Senator Escudero also advised the PWPA not to be silent on the issue of the logging moratorium, but to consider requesting columnists to write about the plight of the industry, or to advertise it as an appeal to the President himself.

With regards to the Sustainable Forest Management Act (SFMA), he said the ENR committee report was already prepared and will be submitted. He said SFMA may be the answer to the problem poised on the industry by EO 23. He added he will try inserting a provision in the SFMA the recognition of a national wood trade organization as the accreditation body of those in the wood industry, similar to that of Integrated Bar of the Philippines.

Position on the Proposal for Total Log Ban¹

Environment and Natural Resources Secretary Ramon Paje was quoted by media as saying that he "asked President Aquino to certify as urgent proposed legislation that would put a stop to all forms of logging in the natural forest."

According to Paje, legislating a log ban would give his department, and other agencies of government, "more teeth" against illegal logging as a log ban law would "set in stone" rules to protect the Philippine forests that would outlive the Aquino Administration.

Report to the Members

The Philippine Wood Producers Association (PWPA) said there is no further need for a law to ban logging in the natural forest as there are existing orders that only have to be implemented effectively by the Department of Environment and Natural Resources (DENR).

"What Secretary Paje must do is simply put his department's best efforts at effectively implementing existing logging ban orders that are already in place," said PWPA Executive Director Leonardo Angeles.

Angeles mentioned the logging ban orders issued during the administrations of Presidents Marcos, Cory Aquino and Ramos virtually covering the country's entire forest lands. He added that President Macapagal-Arroyo imposed in 2004 a nationwide logging suspension that she subsequently lifted in mid-2005 but only in Regions 11 (Davao) and 13 (Caraga), and in Zamboanga del Sur, Sultan Kudarat, South Cotabato, Apayao, Southern Isabela and Northern Aurora.

"It is only in ten provinces of the country where the 15 members of the PWPA are responsibly and sustainably operating in the same natural residual forests for over 60 years before the issuance by President Aquino of EO 23, the nationwide logging moratorium in natural and residual forests," Angeles clarified.

The PWPA decried that despite existing orders of logging ban or moratorium, illegal logging activities are openly and incessantly occurring in untenured forest lands and even in the national parks and protected areas. The DENR, even as it is legally fully-clothed with mandates, orders and proclamations, has never been able to successfully curb illegal logging. As the DENR openly admits, it just does not have the necessary financial and physical resources, even if it is aided by the DND, DILG, AFP and PNP in so-called convergence Anti-Illegal Task Force created under EO 23, to combat syndicated illegal logging. It has only confiscated, from time to time and here and there, illegally cut timber as its accomplishment.

"Confiscation is not an accomplishment... it manifests failure of duty because the myriads of saplings and trees have been already wantonly cut and forever gone that no amount of reforestation can ever replace them," Angeles said.

He said the DENR has to be more ingenious or innovative in controlling illegal logging, charcoal-making and kaingin-making. The DENR may consider out-of-the-box measures suggested by many well-meaning sectors, such as we in PWPA has been trying to do for the past, to contain illegal activities in forest lands, he added.

The PWPA laments logging ban or moratorium affects most seriously and damagingly only the legitimate players or stakeholders like the few members of the PWPA, also usually used

as the visible scapegoat for every flooding-related calamity and tragedy that visits the country.

Only the PWPA members faithfully stopped their logging operations and immediately brought down all their logging equipment on Day One of the EO 23, and laid-off their workers after sensing that there will be no early lifting of the moratorium, despite much pleading to Secretary Paje for the required review and evaluation of their agreements.

It is public knowledge that despite the logging ban and moratorium, illegal logging, charcoal-making, and kaingin-making continue unstopably all over the untenured forest lands of the country. This is recently evidenced by numerous small-diameter logs and tablon (squared timber) swept down by flood waters to Cagayan de Oro City and Iligan City and media-reported confiscation of illegally cut logs in the Cagayan Valley.

The PWPA submits that the proposal of Secretary Paje for President Aquino to urge Congress to legislate a ban on all forms of logging in all natural forest is ill-advised to say the least.

Firstly, there are already existing orders, including EO 23, that ban or put under moratorium logging in the natural forests. The DENR must only implement them, particularly in open-access, free-for-all forests.

Secondly, a nationwide logging ban has been intensely debated since the 8th Congress until Congress itself (both Senate and House of Representatives), in keeping with the mandate of the Constitution that it "shall provide, for such period as it may determine measures to prohibit logging in endangered forests and watershed areas," settled to pass a measure called Sustainable Forest Management Act (SFMA).

The DENR must support its early passage by Congress. SFMA tells the DENR – who has sole jurisdiction over all forest lands (defined separately from national parks and mineral lands but still under the jurisdiction of the DENR) – the proper and appropriate measures to manage, develop, use and protect what the SFMA has separately designated as protection forests and production forests.

SFMA is the way to develop and conserve the patrimony of the country, far more effective in all ways than total logging ban, which academicians, scientists and practitioners contend, and experiences have proven, as generally an unproductive, wasteful measure.

Lastly, instead of prolonging the implementation of EO 23 (now on its 11th month) and proposing to "set it in stone" through a logging ban legislation, Secretary Paje may consider recommending to the President the lifting of the moratorium, at least to tenure holders with no record of any violation of the terms and conditions in their

Report to the Members

agreements nor of the existing forestry rules and regulations.

In that way, these agreement holders, particularly concerned members of PWPA, shall be able to resume and continue to model responsible, sustainable and climate-friendly forest management operations, continue to contribute to employment generation and socio-economic/ livelihood development in rural and upland areas as well as to indigenous communities.

It Appeared in Philippine Star as an article entitled "Wood producers bucks Paje's total log ban proposal" by Ms. Marianne Go last January 9, 2012

Attends Hearing on Local Log Ban

The Senate of the Philippines' Environment and Natural Resources (ENR) Committee conducted a public hearing last April 9, 2012 on different forestry and environmental bills passed by the Lower House of Congress.

Senator Chiz Escudero, Chair of the Committee, started off the hearing with the local logging ban bills.



A Ban Within a Ban. L-R. Chair of Senate Committee of Environment and Natural Resources, Senator Chiz Escudero, Committee Secretary Clarinda Mendoza, Congresspersons and bill authors Benjur Salimbangon, Evelyn Mellana, Hermilando Mandanas and Rufus Rodriguez.

The PWPA was invited to the hearing to comment on the bills banning logging in Cagayan de Oro City and in the Second District of Surigao del Sur.

Cong. Rufus Rodriguez himself presented his House Bill No. 1063, An Act Imposing Logging Ban in Cagayan de Oro City and House Bill No. 1398, An Act Reforesting 3,000 Hectares of Public Land in Cagayan de Oro City. He said that with the devastation caused by the recent typhoon Sendong, it is timely to impose logging ban in the city and to provide funds for its reforestation.

DENR Undersecretary M. Gerochi said the DENR will program the budget for the reforestation of Cagayan de Oro City, although the thrust of the DENR is the reforestation of upstream watersheds.

The PWPA submitted its position paper on the local logging ban bills as it orally manifested that total logging bans have never worked in the country; they made deforestation worse. Logging ban affects only the legitimate stakeholders because they follow

the directives and stop operations. Logging ban has no effect nor meaning to the illegal loggers, the real destroyer of the forest and the environment. Past experiences and scientific studies were cited to show forests that became open-access had undergone severe denudation. Security of tenure and the practice of sustainable forest management are still the best ways of managing the forest, not logging ban.

Cong. Rodriguez, following on the PWPA statements, said the Lower House has already submitted the SFMA bill to the Senate as he asked the Chair Escudero on its status in the Senate. Senator Escudero said they have already completed the draft committee report and will soon be scheduling the bill for plenary presentation.

Senator Escudero also inquired with PWPA about the situation of the wood industry in the face of EO 23 as he was informed that many in the wood industry have stopped operations and have laid-off workers. He asked who are the three main companies affected by EO 23 and he was answered with the following: SUDECOR, SPLCI and PATECO, among the PWPA members.

With regards to the local logging ban and reforestation bills, Senator Escudero said they are approved in principle but they may have to be consolidated as they refer to the same topic.

Present during the hearing are: some sponsors of different bills from the Lower House Reps. Rufus Rodriguez, Evelyn Mellana, Benjur Salimbangon, and Hermilando Mandanas; representatives from DENR, LGUs, NGO's, SFF and PWPA.

Attends Public Hearing on HB 5113

The PWPA joined the Lower House's Committee on Natural Resources' public hearing of House Bill 5113 or an Act to Promote Investments in the Forestry Sector on May 9, 2012 at the Batasan Complex, Quezon City.

Cong. Rodel Batocabe, presiding chair, welcomed all resource persons and participants as he started off with bills dealing on the conversion of forestland into other uses in different provinces.

HB 5113 "An Act to Promote Investments in the Forestry Sector" was introduced by its author, Cong. Angelo Palmones as he suggested to remove the provision on the establishment of a Forestry Development Bank and to subsume the provision on insurance to the Philippine Crop Insurance instead of creating one. He recommended that a technical working group be created to further refine the bill.

PWPA gave its support to the bill and said that it is very timely and relevant to the needs of times, adding that this is a bill the wood industry has long been waiting for. DENR/FMB and PCAARRD gave also their full support to the bill.

Report to the Members



In Close Consultation. L-R. Cong. Angelo Palmones, author of HB 5113, PWWA Forest and Environment Adviser J. A. Lorenzo, Executive Director (ED) L. D. Angeles, FPI Chair Emeritus M. J. Carlos, Jr. and PWWA Deputy ED M. R. Vasquez during the Bill's deliberation.

Mr. Meneleo Carlos, Jr. of FPI also supported the bill with the suggestion that it provides tenure to small farmers so that not only will plant and harvest the trees they have planted but avail of the incentives the bill provides.

All Committee members manifested their desire to be co-authors of the bill.

In attendance to the hearing are House of Representatives Committee on Natural Resources led by Vice Chairman Cong. Rodel Batocabe of Partylist (PL) Ako Bicol; with him are Vice Chair D. Ramos (2nd District of Sorsogon), H. Roman (1st District, Bataan) and J. Paras (1st District, Bukidnon); Cong. R. Amatong (2nd District, Compostela Valley), M. Dalog (1st District, Mt. Province), R. Daza (1st District, Northern Samar), L. Ilagan (PL Gabriela), D. Kho (PL Senior Citizens), A. Palmones (PL Agham), L. Ocampos (2nd District, Misamis Occidental), P. Pichay (1st District, Surigao del Sur), and Committee Secretary Raul Terso. Representatives from DENR (Central and Regional Offices and attached agencies concerned), LGUs, NGOs, Other Government Agencies, FPI (Mr. M. J. Carlos, Jr.) and PWWA (ED L. D. Angeles, Deputy ED M. R. Vasquez and Forestry & Environment Adviser J. A. Lorenzo).

Comments and Recommendations on HBN 1063 and HBN 4711¹

Logging bans have been imposed at different times in the natural forests of the country, to wit: (Table 1)

Even prior to the imposition of the logging moratorium (EO 23) on February 1, 2012 by President Aquino III, and, prior to, the logging suspension declared by President Arroyo in 2004, the entire country - except in about 10 of all its provinces - has been under the different logging ban directives that have not been lifted.

Logging bans and/or moratoriums affect only the legitimate stakeholders for they lawfully obey such government directives even at the tremendous loss of investment, revenue, and market

Table 1

Period	Coverage of Logging Ban
Marcos 1979 and 1983	Entire country, except Palawan, Samar, Mindanao and Cagayan Valley
Cory Aquino 1986, 1989 and 1992	Entire country, now including Palawan, Samar and Cagayan Valley (except southern Isabela Province). Also included in the logging ban: Bukidnon, Cotabato, Misamis Occidental and Basilan in Mindanao
Arroyo 2004	Entire country under logging suspension in December 2004; but lifted in mid 2005; only in CARAGA and Davao Regions and in of Zamboanga del Norte, Sultan Kudarat and South Cotabato in Mindanao and in the southern part of Isabela, northern part of Aurora and Apayao in Luzon.
Noynoy Aquino III Feb 1, 2012 to date	Entire country in logging moratorium

as well as of employment of workers and community benefits and services.

Logging bans and/or moratoriums do not affect the illegal logging syndicates - the seemingly uncontrollable and real menace of the forests and the environment. They have no licenses to be cancelled nor activities, even how nefarious they are to be responsible and accountable for. They can operate anywhere and in any destructive manner they want to as they have no care for government rules and regulations. They exploit the ignorance, poverty and/or needs of the upland people in their illegal activities but they leave no benefits to them. They pay no tax to the government. Logging bans and/or moratoriums favor and are boons only to them as the forests and the market for wood are all theirs to manipulate.

It is easy to declare logging bans or moratoriums but to implement them on the ground is difficult and with devastating ecological results.

Experiences and empirical studies have consistently demonstrated that logging bans or moratoriums do not work as intended or desired. With insufficient manpower, physical and financial means to contain the illegal logging syndicates, the government and the well-meaning segment of civil society are helpless to implement logging bans or moratoriums.

A study jointly conducted in 1996 by the UPLB and the DENR on the after effects of the cancellation and/or non-renewal of 33 forest licenses with an aggregate area of 1.66 million hectares in 7 regions of the country has shown the following results: (Table 2)

What the study meant is: it is unwise to put in open-access the forest like imposing a logging ban merely for it to suffer the "tragedy of the commons". It is best to put the forest under tenure

Report to the Members

Table 2

Situation	Before Cancellation	Nine-years after cancellation	Percent change
Population, no.	121,300	154,300	+27
Employment, no.	30,000	9 (equipment guards)	(100)
Upland farmers, family no.	49	230	+370
Land-use change, in hectares (All 33 TLAs in 7 regions)			
Old growth forest			
Second growth forest	602,000	136,000	(77)
Other forest	445,500	438,700	(2)
Cultivated/Open	276,000	132,000	(55)
Total area	<u>338,000</u>	<u>963,800</u>	+185
	1,661,500	1,661,500	-

wherein the holder thereof, while allowed to obtain benefits therefrom, is also made responsible and accountable for its protection and wise utilization. Tenure may be given to a family, a community, an LGU, a PO, or private sector who will follow the universally-accepted practice of sustainable forest management because of the lasting benefits derive out of it. Illegal logging gets all benefits out of destructive practices but, seemingly invisible, shares no iota of responsibility and accountability.

Imposing a logging ban in Cagayan de Oro City and in the 2nd District of Surigao del Sur will only place the forest therein in open-access situation for “feasting” by the illegal logging syndicates. Instead of banning logging, extend appropriate tenurial agreements to responsible stakeholders. A logging ban is synonymous to the abandonment of the forest, while a tenure instrument is the means to the protection development of the forest.

¹ Submitted to the ENR Committee of the Senate during its public hearing on April 9, 20112.

HBN 1063 – An Act imposing a logging ban in Cagayan de Oro City by Reps. R. Rodriguez, M. Rodriguez & Matugas

HBN 4711 – An Act imposing a logging ban in the second District of Surigao del Sur of Reps. Garay & Matugas

Paper on Wood and Wood Products

The PWPA presented a paper on processed wood products at the Roundtable Discussion on “Processed Food and Wood Products: Current Status, Issues and Concerns” sponsored by the National Academy of Science and Technology, Philippines (NAST PHL) on November 28, 2012 at Acacia Hotel, Muntinlupa City.

It was the second in the series of round table discussions being conducted by the NAST PHL in preparation for its 35th Annual Scientific Meeting which will be held on July 10 and 11, 2013 with the theme “Harnessing Science and Technology: Reversing the Decline of the Manufacturing Sector in the Philippines.”

NAST PHL is the country's highest advisory body to the

government and the science community on matters related to science and technology.

Executive Director L. D. Angeles made the paper presentation and reactors to the paper were Dr. Menandro Acda, a professor from the UPLB College of Forestry and Natural Resources (UPLBCFNR) and Dr. Romulo Aggangan, the director of the Forest Products Research and Development Institute, DOST.

During the open forum on the presentation, Dr. Antonio Carandang, the director of the Forest Development Center of the UPLBCFNR and PWPA deputy executive director Maila Vasquez - co-authors of the paper with For. Angeles - and the reactors responded to the queries from the audience.

Academician (Acad.) Ruben Villareal, the moderator and master of ceremonies, said the paper was well presented and the NAST PH should take note of the mentioned bills (Sustainable Forest Management Act and the Land Use Policy Act) that the Congress has not passed for so many years.

Acad. Rafael Guerrero III made a synthesis of the food and wood industries presentations and concluded that most of the challenges they faced have similarities that science and technology should do concrete actions on to help improve the food, particularly the fish and livestock, and wood industries.

Administrative

Attends Training Workshop on Timber Legality Assurance System

The PWPA attended the 2nd Sub-Regional Training Workshop on Timber Legality Assurance System (TLAS) last October 25-27, 2011 at Kota Kinabalu, Sabah, Malaysia.

The workshop aims to provide an overview of the policies related to timber legality and market initiatives; exchange of experiences on TLAS and Voluntary Partnership Agreements (VPAs) between ASEAN Member States; enhance the capacity of the participating countries to develop and implement TLAS through exchange of lessons learned; and elaborate next steps for sub-regional and/or national level processes in the Mekong region.

The participants are from Cambodia, Indonesia, Laos, Malaysia, Myanmar, Thailand, Vietnam and the Philippines represented by Foresters Genesis Francisco (government sector – FMB/DENR) and Maila Vasquez (private sector – PWPA), the resource persons from European Forest Institute, and observers from Finland, Vietnam and Malaysia.

Dr. Alex Hinrichs, Forest Law Enforcement, Governance and Trade (FLEGT) Asia Regional Advisor, welcomed the participants

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and gave the rationale of the training workshop.

He said that with the increasing global concern to combat illegal logging and its associated timber trade malpractices, there are many initiatives being implemented like the EU Timber Regulation, the US Lacey Act and Public Procurement Policies of many countries that demand the importation of timber and timber products should be verified through a credible Timber Legality Assurance System (TLAS).

He added that the ASEAN adopting a reference framework for timber legality at the forest management unit level and for chain of custody is a very significant initiative in promoting the development of a credible systems for the verification of timber legality at the national level.

The verification of the legality of timber is the main thrust of the EU FLEGT VPA where it was already concluded with Ghana, Cameroon, Republic of Congo, Central African Republic, Indonesia, and Liberia. VPA negotiations are currently underway with Malaysia and Vietnam.

The European resource persons presented important information on relevant international initiatives and the role of stakeholders in the development of TLAS under FLEGT VPAs.

Participating countries made presentation about their TLAS accomplishments and the challenges they are still facing. The Philippines, who has not yet expressed its interest on TLAS development, presented the policies dictating the flow of timber in the country.

The participants were divided into three thematic groups, each group to discuss one of the following issues: a) timber tracking and control; b) how to define timber legality; and c) how to identify and secure stakeholder support. The results of the discussion provided possible areas the regional exchange could focus on the following year.

The participants in their visit to the forest area and processing sites

of the Sabah Forest Industries SDN BHD, witnessed how the company has put in place the traceability requirements of the Sabah draft TLAS and other private sector verification systems, as well as how progress was regularly monitored through an independent audit program being implemented by Global Forest Services under the oversight of the Sabah Forest Administration and a German-Dutch support program. The participants learned that the private sector in Sabah is responsive to increased transparency and targeted control, with precise requirements and security in existence.

The different documentary requirements presented by the Sabah Forest Industries are already being prepared by tenure holders in the country. What seems lacking is the enforcement and systematic monitoring.

It is opined that implementing TLAS in the Philippines will be to the advantage of the legal tenure holders because traceability of the timber will be required which may curb illegal logging. However, developing TLAS might be a challenge.

Meets with BOC Deputy Commissioner Lim

The PWPA led by President Antonio Olizon met with new Bureau of Customs (BOC) Deputy Commissioner Danilo Lim last December 22, 2011, at his Office at the Port of Manila for a courtesy call and a briefing on the harmful impact of imported plywood from China on the local wood industry.

Deputy Commissioner Lim, a retired AFP general, instructed his chief of staff, Reynaldo Ordonez, also a retired AFP general, to coordinate closely with PWPA in monitoring and surveillance of imported plywood entering the country. The meeting was a sequel to an earlier visit made by PWPA to BOC Commissioner Ruffy Biazon.

With President Olizon were Director Alfonso Keh, Jr. Executive Director (ED) Leonardo Angeles, Deputy ED Maila Vasquez, Industry Coordinator Ricardo Patawaran, Ms. Sylvia Cortes of Alsons, Mr. Ramon Lim of SMWPI and Mr. JV Magsaysay.



Meeting the BOC Intelligence Group. PWPA delegation, headed by President A. C. Olizon (second from left), meets with BOC Deputy Commissioner Danilo Lim, (third from left).

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Meets with FMB Director

The PWPA led by Chair Fernando Lu and President Antonio Olizon made the traditional courtesy call to the new Forest Management Bureau Chief, Director Ricardo Calderon last July 3, 2012 in his office in Quezon City.

Director Calderon welcomed the PWPA delegation and said the partnership between his Forestry agency and the wood industry represented by the PWPA has been established and gone a long time already.

President Olizon said that it has been a tradition of the PWPA to make a courtesy call to whoever sits as Director of the Forest Management Bureau (FMB).



A New Hope. FMB Director Ric Calderon, 4th from the left, flank by PWPA Chair F. A. Lu (to his right) and President A. C. Olizon (to his left) during PWPA's courtesy call last July 3, 2012 at the FMB, Q.C.

He mentioned the PWPA has been much seriously affected by EO 23 as it has long been waiting for the EO mandated review/evaluation (R/E) of the IFMA holders' performance in their areas. He added the PWPA has not been formally informed on the status of the R/E guidelines that have been lengthily discussed with the PWPA and other stakeholders. Meantime, in the absence of the operations of the legitimate logging, because of the moratorium, illegal logging has taken a huge rise and stride, the effort of the task force, notwithstanding.

Chair Lu said under the current processes and procedures, as allowed by EO 23 and its implementing regulations, the wood industry is yet undergoing tremendous difficulties such as the clearing of shipments and the renewal of WPPs.

Director Calderon said that he is now reviewing the guidelines for the review/evaluation of IFMAs and he has also created a committee to prepare a wood industry roadmap. As a way out of EO 23, he said he is studying, for the eventual recommendation to higher authorities, how the IFMA holders can legitimately operate by matching their harvested timber volume to capacities of their respective processing plants.

He said that, although he has wide field experience, he is still very new with the Bureau but he is studying keenly how it can be proactive thereby improving its service to its stakeholders. He added he will be needing the help of the industry in this endeavor.

Chair Lu and President Olizon said PWPA is always ready to help the Bureau.

DENR Clarifies Memorandum on Suspension of Cutting Permit

On April 30, 2012, the DENR issued Memorandum No. 196 suspending the processing of all requests for cutting permits.

The PWPA, observing the vagueness of the Memorandum, wrote the DENR on May 8, 2012 for clarification of the context of the Memorandum to be guided with.

On June 22, 2012, the DENR released a clarification on the said Memo 196 as follows:

- a. Tree cutting permits covering naturally grown trees within public forest/timberland are being suspended/deferred for processing.
- b. The cutting permits not covered by suspension are those:
 1. Naturally grown trees within private/titled property;
 2. Planted trees within public forest timberland and private lands; and
 3. Tree cutting activities covered by exemptions provided in the Memorandum from the Secretary dated 20 October 2011 regarding "similar activities" of Section No. 2, item 2.2 of EO 23.

Further, the memorandum states that all requests for tree cutting permits referred to in item B includes: 1) appropriate justifications that tree cutting can no longer be avoided, and b) possible options to minimize the impact/damage to the environment. It also stated that the request shall be processed at the field/regional offices and shall be properly endorsed by concerned Regional Executive Director to the Office of the Secretary through the Forest Management Bureau.

The PWPA feels this DENR memorandum will need further clarification as parts of it are outside the scope of EO 23.

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Guidelines for CCTV Installation, Connectivity and Implementation

The DENR, in its memorandum dated October 11, 2011 to all Regional Executive Directors, has required all wood processing plants (WPP) permittees to install CCTV cameras to help closely monitor the operations of the wood mills.

The memorandum states that installation of the CCTV camera will be a requirement for the renewal of the WPP permits as it orders the amendment of the Environmental Compliance Certificate already issued to the permittees to include the provision on the installation of CCTV cameras.

The members of the PWPA immediately complied with the Order even without any approved implementing guidelines. However, in its letters dated November 14, 2011 and January 6, 2012, the PWPA has requested for definite guidelines in order to be clear about the required installation, configuration and conformity details.

The DENR memoranda dated March 29, 2012 and April 4, 2012, instructing its Regional Executive Directors to submit the passwords of all CCTV cameras installed by WPP permittees enabled the PWPA to request the DENR, through its letter dated April 20, 2012, to consider the following concerns in the formulation of guidelines for the CCTV cameras:

- The exemption from CCTV of wood processing mills of low rated/installed capacities because of economic reason;
- The monitoring alternative for mills located in areas where there are no service providers or connectivity signal; and
- The ensuring of the security or privacy of CCTV passwords of WPP permit holders submitted to the DENR.

To date, the guidelines have yet to be issued by the DENR. Meantime, most permits for wood processing plants (WPPs) are pending approval by the DENR due to changing rules the wood industry has not been consulted about.

AILTF No. 2012-001 to 004



On June 7, 2012, the Anti-Illegal Logging Task Force (AILTF) created under EO 23 issued Resolution Nos. 2012-001 to 2012-004.

AILTF Resolution No. 2012-001 authorizes only the government to implement tree cuttings in all natural and residual forests provided that those authorized under AILTF Resolution No. 5 dated July 21, 2011 and

those attendant to approved development projects, but with the strict supervision by the DENR/AILTF.

AILTF Resolution Nos. 2012-002, 003 and 004 deputized the Arm Forces of the Philippines (AFP) and the Philippine National Police (PNP) as Environment and Natural Resources Officers (ENROs), the Presidential Anti-Organized Crime Commission (PAOCC), and the Philippine Coast Guard and the Marine Industry Authority in the implementation of EO 23 and the subsequent issued resolutions, respectively.

IFMA Holders with DENR Secretary¹

The PWPA representatives joined the group of IFMA holders (IFMA Association of the Philippines or IFMAP) in meeting with DENR Secretary Ramon Paje on October 24, 2012 at his office in Quezon City to discuss issues and concerns relative to EO 23 and to request his assistance in bringing the same to the President in the hope he (the President) may lift the 20-month long logging moratorium.

At the outset, Secretary Paje said that he might not be able to help in having the EO 23 lifted because the President will be the one to decide on it. However, he said he will be able to help along some areas, as what everyone likewise can do, within the purview of EO 23, for example:

1. On Public-Private Partnership

Secretary Paje said the DENR has a target of 300,000 hectares for NGP (National Greening Program - EO 26) for 2012 and he is thinking of assigning 1/3 or 100,000 hectares of it (outside of existing IFMA areas) to the private sector through contract planting.

He claimed that at contract price of P12,000/hectare, return on investment after 10 years will be much more. However, the bid price for matured planted trees, at whatever end-use, will be based on the amount the planting contractor, or anyone, is willing to competitively offer over and above the P12,000/hectare investment of the government.

DENR is still preparing the mechanics of contracting.

2. On Wood and Products Certification

Secretary Paje said that he has commissioned the Forest Development Center (FDC), UPLB CFNR at Los Banos, to start drawing-up the certification process.

He requested the IFMAP, PWPA, SFF (Society of Filipino Foresters) and FDC to form the committee for the purpose.

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3. On Wood Summit

Secretary Paje said that in his meeting with SFF, the idea of a wood summit, that will bring together stakeholders in the wood industry, like the IFMAP, PWPA, CFIP, the academe, the professionals and the government, might be a good way to make the President to see, from the results of the summit, that there is still a need for natural-grown timber for furniture, plywood and lumber manufacture.

He said the same committee he mentioned earlier might be able to help in the formulation of the framework of the summit that may be held in January 2013.

4. On the Review/Evaluation (R/E) of Tenurial Instruments

Secretary Paje said that he intentionally did not go through the R/E in accordance with EO 23 but opted instead to use the regular or usual R/E conducted by the field offices because if the R/E of EO 23 were done, only three IFMAs would pass. He said the results of the R/E by the regional offices are already being finalized.

He suggested, however, that to lift EO 23, the President should be convinced that the wood industry could be a backbone of the economy that the country may rely on.

He suggested that the presentation to the President should show the impact of EO 23 to the whole wood industry - from the producers down to the consumers and also should answer the questions like:

- If going into wood business is good, why are there companies losing?
- Why are there companies not paying forest charges?
- What happened to the 7.6 million hectares denuded forest areas? Why was it left denuded until now?

He said that the common objective should be: everybody must be happy. He added that for the past 18 months, the government is seeing the ingredients of its success such as the massive cleansing of illegal logging hotspots (it was reduced to 27 from 100+ areas) and the use of military solution to illegal logging in Mindanao.

Messrs. Antonio Antonio, Robert (Bong) Siquian and Green Circle owner Romeo Roxas of the IFMAP gave the introduction, rationale and objectives of the meeting, respectively. PWPA Executive Director L. D. Angeles, whenever asked by Secretary Paje, gave his professional opinions and answers to the questions and made clarifications to certain unfounded remarks by Secretary Paje.

The meeting did not really meet the IFMAP objectives nor did it

open opportunity to fully present its position paper on EO 23. Instead, it was Secretary Paje who was able to make his position and agenda clear.

¹ Prior to this meeting, on August 13, 2012, IFMAP and the PWPA representatives met with DENR undersecretaries Demetrio Ignacio and Ernesto Adobo, Jr. and other key DENR and FMB officials. No substantive result came out of the meeting as Secretary Paje, accordingly, has the final say on the issues and concerns that were raised.

Meets DENR NCR Regional Executive Director

The PWPA made a courtesy call last July 31, 2012 to Forester Neria Andin, the new Regional Executive Director (RED) of the DENR-National Capital Region (NCR).

RED Andin, the former OIC, FMB Director, together with her key staff, welcomed the PWPA as she assured the PWPA that DENR-NCR will continue to be the partner of the wood industry attending to its concerns.

PWPA Director Ramon Uy thanked RED Andin as he said that there are some concerns and issues faced by the PWPA members in the NCR that need to be discussed and clarified. He also expressed that the courtesy call will only be the first of the many meetings that both DENR-NCR and PWPA will make towards more effective dialogues.

Director Uy also reminded RED Andin to take note of the different point of entries in San Jose Nueva Ecija, Sto. Tomas, Batangas and Sinoloan, Laguna as well as Batangas and Manila where illegal logs/wood products may enter.

Public Relations

Meets with Malaysian Timber Council

The PWPA, headed by VP-Director Ramon Uy, meets with the Malaysian Timber Council (MTC), headed by its Director for Policy and Planning Unit, Dr. Erik K. L. Ng last November 3, 2011 at the Milky Way, Makati City. The meeting aimed at continuing a closer working relationship between the two associations and also to



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invite the PWPA to the MTC Woodmart 2012 to be held in Kuala Lumpur from October 4-6, 2012.

Meets with IFMA Holders

The IFMA holder members of the PWPA led by Chair Fernando Lu and President Antonio Olizon met last June 4, 2012 to discuss ways on how they would have to treat their IFMAs which were suspended by the promulgation of EO 23 last February 2012.



PWPA and non-PWPA member IFMA holders discuss options regarding the suspension of their IFMAs due to EO No. 23.

Chair Lu shared the information that in the meeting of the Bukidnon Forests, Inc. (BFI) that he attended, DENR Secretary Ramon Paje said that the wood industry should already adopt a mindset that there will be no more harvesting in the natural and residual forests.

With the opinions provided by three different legal sources, the meeting agreed, the meeting agreed on how they will be treating the issue of operational suspension at hand and also made suggestions on what other things to be done to make the cause of the PWPA be heard by the authority.

The meeting was attended by members ARTIMCO, Casilayan/Royal Match, C. Alcantara, Furniture group, LUZMATIM, Sirawai/M&S, Southwood Timber and SUDECOR representatives.

Visits YSG in Sabah, Malaysia

The PWPA, led by its President Antonio Olizon, together with the University of the Philippines at Los Banos (UPLB), headed by Chancellor Rex Victor Cruz himself, and the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), represented by Forestry and Environment Research Division Director Joefel Calora, visited the Yayasan Sabah Group (YSG) in Sabah, Malaysia last February 23-26, 2012 to observe the cloning facilities of its Biotech Laboratory and its demonstration plantation for teak and oil palm.

The Philippine delegation was first welcomed by some directors of YSG led by Innoprise Corporate Services Sdn Bhd. Executive Chairman Tan Sri Datu Khalil Bin Datu Haji Jamalul at Menara Tun Mustapha, Yayasan Sabah headquarters, Likas Bay, Kota Kinabalu.



Innoprise Corporate Services Sdn Bhd. Executive Chairman Tan Sri Datu Khalil Bin Datu Haji Jamalul (rightmost) led YSG in briefing the Philippine delegation (l-r) DOST-PCAARRD FERD Director Joefel Calora, UPLB Chancellor Rex Victor Cruz and PWPA President Antonio Olizon.

Then, at YSG biotech laboratory, the group manager for Biotech and Horticulture Division, Dr. Doreen Goh, briefed the Philippine delegation about the cloning of high-value and fast growing industrial forest tree species, like teak and acacia species.

Dr. Goh said the biotech laboratory started in 1992 as a joint project with the French Centre for Agricultural Research (CIRAD) focusing on in vitro protocols of high value and fast growing industrial tree species, their demonstration and commercial planting, and getting standing orders for cloned seedlings/planting stocks from Australia, Mexico, Brazil, Ecuador, among other countries.

Each documented cloned Solomon teak progeny seedling, for example, costs between \$1.00 - \$1.50. She said the delivery includes an additional 5% to take care for mortality.

Dr. Goh said the cloned seedlings could be outplanted 4-6 months after they have been nurtured in the nursery.

The delegation then visited the Sabah Softwoods Berhad (SSB) in Tawau, Sabah, Malaysia. Chief Operating Officer Frank Salazar said SSB's operations cover three sectors: oil palm, tree plantation and human resources development.

The oil palm sector has already established about 28,000 hectares of plantation and is already operating a crude palm oil mill with a capacity of 45MT/hr that will be expanded to 90MT/hr by 2012. He added that oil palm plantation cum palm oil milling is a very promising industry in the country.

The tree plantation sector has now 27,000 hectares plantation accredited with Forest Stewardship Council and Chain of Custody certification. He said the demand for plantation timber is on the increasing trend because of the decrease in the supply of logs from natural forest. The sector is also operating a chipmill whose wood chips are exported to Japan, and with China as potential market.

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The human resources sector is conducting trainings and seminars for the workers, especially on safety and health aspect.

SSB's corporate social responsibilities include: 1) the conservation of about 2,300 hectares of high value natural forest and the preservation of riparian reserves within SSB's tree and oil palm plantation, employees housing and services, among others.



In the SSB demonstration plot, a 10-year old cloned teak trees attain a diameter of about 34 cm and height of more than 20 ft.

SSB has also developed Acacia mangium and Eucalyptus pilleta tree plantation, among other species.

The delegation also observed the vast oil palm plantation in Tawau. Aside from the oil palm plantation seen inside the SSB area, oil palm is also widely planted in the countryside. Oil palm is a big business in Malaysia.

Dr. Goh said she was originally against oil palm plantation but because of its economic contribution to the country, she began to accept the idea as long as the tree plantation areas are not affected.

The Philippine delegation is composed of the following:

- a. University of the Philippines at Los Banos: Dr RexVictor Cruz, Chancellor, Dr Marilyn Quimado, In-charge, Forest Biotech Laboratory, and Dr Nelson Pampolina, Chairman, Forest Biological Sciences;
- b. DOST-PCAARRD: Dr Joefel Calora, Director, Forestry and Environment Research Division and Dr. Marcelino Siladan, Science Research Specialist; and
- c. Philippine Wood Producers Association: Mr. Antonio C. Olizon, President, Mr. Ruddy M. Cabuay, SPLC and For. Maila R. Vasquez, Deputy Executive Director.

Meets the Malaysian Minister for Plantation Industries and Commodities and the Malaysian Timber Council

The key officers of the PWPA and the Chamber of Furniture of the Philippines (CFIP) met with Malaysian Minister for Plantation Industries and Commodities, Minister Bernard G. Dompok and his staff on April 18, 2012 at Dusit Thai Hotel, Makati City to explore future bilateral trade in plantation commodities.

Minister Dompok said Malaysia, with a total land area of 32.98



Malaysian Minister for Plantation Industries and Commodities, Minister Bernard G. Dompok (seated, middle), flanked by PWPA VP-Director R. Y. Uy and CFIP VP-Finance A. L. F. Hernandez.

million hectares (the Philippines, 30 million hectares) has plantation crops consisting of: a) Oil palm, 5 million hectares dominated by small-holders each with less than 40-hectares with 100,000 ha/year cutting and replacement program; b) Para Rubber, 1.2 million hectares but some are being replaced by oil palm; and c) Tree Plantation, 375,000 hectares, were 300,000 hectares are planted to Falcata, Mangium, Bagras and Teak by the private sector.

Mr. Cheah Kam Huan, Malaysian Timber Council (MTC) Chief Executive Officer added that a 10,000-hectare oil palm plantation can viably support the economic operation of an oil palm mill.

Minister Dompok said he is familiar with Mindanao as he was once consulted by ARMM and BIMP-EAGA on oil palm plantation.

On the sourcing or importing wood from Malaysia inquired of by the CFIP representatives, PWPA Director R. Y. Uy volunteered the following information: a) source and magnitude of imports by the Philippines: Sarawak, 70%; Sabah, 30%; and Peninsular Malaysia, nil because of supply and shipping problems; b) import must be bulk cargo, at least 2 vessels per week; and c) should be mixed grade as high grade meranti is expensive.

The MTC, seconded by Mr. Uy also encouraged the CFIP members to attend the MTC Global WoodMart 2012 in October at Kuala Lumpur as it will be a good opportunity for everyone to meet buyers and sellers, manufacturers, producers and experts in one place at the same time. He said PWPA members might join as buyers.

Meets Universidad Politecnica de Madrid Professors

Professors Juan Prados, Miguel Allue and Javier Zazo from the Universidad Politecnica de Madrid (UPM) met last May 22, 2012 at Makati City with the PWPA led by Chair F. A. Lu and President A. C. Olizon and explored the possibility of increasing the capacity of the local forestry sector to penetrate rural areas for creating jobs and bringing added value to forest goods and services. The meeting is in line with the forthcoming implementation of the Spanish

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Renewing Old Ties. L-R. PWPA Forestry & Environment Adviser J. A. Lorenzo, President A. C. Olizon, Chair F. A. Lu, UPLBCFNR Prof. Ramon Razal, UPM Prof. Javier Zazo, Miguel Allue and Juan Prados,

community and the UPLB forestry school exploratory project entitled "Preparatory Action for the Sustainable Forestry Development Cooperation in the Philippines" otherwise known as CODE-FOR-FILIPINAS.

Accompanying the Spanish professors were UPLBCFNR Professors Ramon Razal and Nathaniel Bantayan. With PWPA Chair Lu and President Olizon were Executive Director (ED) L. D. Angeles, Deputy ED M. R. Vasquez and Forestry & Environment Adviser J. A. Lorenzo.

Earth Day 2012 Celebration

The PWPA joined the Earth Day Network Philippines (EDNP) and the nation in celebrating Earth Day 2012 Celebration at the Ayala Triangle, Makati City last April 22, 2012. With the theme "Earth Day everyday, everywhere," the nation was invited to make everyday and everywhere an Earth Day as simple ways of caring the earth will always make a difference.

Earth Day 2012 Celebration is a month-long celebration with



DENR Undersecretary Demetrio Ignacio (leftmost) and EDNP President Roberto Guevarra (rightmost) with other EDNP partners join the Earth Day 2012 Celebration.

simultaneous activities being done and participated by Local Government Units (LGUs), Non-Governmental Units (NGOs), Other Government Agencies (OGAs), civil society and the private sector. EDNP celebrated Earth Day 2012 at Ayala Triangle, Makati City in partnership with the LGU of Makati City, the Department of Environment and Natural Resources (DENR) and other different organizations. EDNP President Roberto Guevarra said he wish that all actions from the different sectors of the society will be complementary with each other and not as fragmented as he had observed to avoid overlapping and redundant actions.

A press conference for the Earth Day 2012 Celebration was held at the DENR last March 28, 2012 to inform the public about the Earth Day 2012 Celebration to be held on April 22, 2012 at the Ayala Triangle, Makati City and also other activities to be celebrated by member-organizations during the earth month.

During the presscon, Secretary Paje gave the key message and suggested that this year's theme "Earth Day everyday, everywhere" will henceforth be the permanent theme of Earth Day celebration. He said the people should be conscious that Earth Day is not only celebrated once a year but its activities should be observed by them everyday and everywhere.

61st Annual General Assembly

The PWPA held its 61st Annual General Assembly of Members last October 19, 2012 at the MAN Multipurpose Hall, Quezon City – exclusively for PWPA members and loyal sponsors.

With the theme: "The Wood Industry: Facing a New Horizon," the meeting updated the members on the status of the wood industry and heard from members insights and recommendations as guides for the PWPA to move forward the industry vis-à-vis Executive Order No. 23, the logging moratorium in natural, residual forest.



Wood Industry Meeting. (l-r) PWPA Chairman Fernando Lu, FPI Chairman Emeritus Meneleo Carlos, Jr. and PWPA President Antonio Olizon welcome PWPA officers, members and sponsors.

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Chairman Fernando Lu gave the opening statement welcoming the members. He expressed the hope that with the difficulties the industry is facing, the simple gathering would inspire the members to share their ideas and recommendations to help each other and the industry.

Chairman emeritus Meneleo Carlos, Jr. of the Federation of the Philippine Industry who is also the President of the RI Chemical Corp., the co-presenter of the general assembly, gave a short message about the need for intensifying tree plantation development to support the wood needs of the country now that the lifting of EO 23 is uncertain. Additionally, the Department of Environment and Natural Resources announced the need to reforest another 300,000 hectares for fuelwood alone.

He introduced the concept of the barangay nursery that sister company, Claveria Tree Nursery, Inc. (CTNi), is modeling in Misamis Oriental using the cloning technology in propagating seedlings that are faster in growth and cheaper in cost than what any other nurseries offer.

CTNi general manager Roberto Togle made a presentation about mass producing genetically superior tree seedlings by macrosomatic cloning. He also showed the indicative cost for establishing a typical barangay nursery wherein a cloned seedling costs P7.00 versus the buying price of National Greening Program at P12.00/seedling.

During the business meeting, President Olizon requested Directors Jhonny Young and Calvin Tan David to present the status of the wood industry and financial standing of the PWPA, respectively.



Reports to Members. Directors David (left) and Young report the financial status of the Association and the state of the wood industry, respectively.

Director Young said the continued implementation of EO 23, which is on its 19th month already, has caused much difficulties to the wood industry. He said illegal logging, intended to be stopped by EO 23, continues to persist with impunity. Illegal logging and the influx of undeclared, misdeclare or underdeclared plywood from China have made legally-produced local wood

products uncompetitive. He said despite the different efforts the PWPA had done, the lifting of EO 23 is still uncertain.

President Olizon told the members that the PWPA will continue to work hard for the lifting of the logging moratorium.

Director David summarized the PWPA 2011 financial report prepared by SGv as he requested for the continuous support of the

members to the Association.

Deputy executive director Maila Vasquez read the official statement of PWPA regarding the implementation of EO 23.

The members re-elected all incumbents as directors of the Board for the year 2012-2013, namely: Ms. Edith Alcantara, Mssrs. Victor Consunji, Calvin Tan David, Alfonso Keh, Jr., Robert Kua, Fernando Lu, Charlie Liu, Evaristo Narvaez, Jr., Antonio Olizon, Aristeo Puyat, Stanley Tan, Ramon Uy and Jhonny Young.

The principal presenters of the General Assembly were RI Chemical Corp. and CTNi of the Resins Inc. Group of Companies while the major sponsors were Bondtite Pty. Ltd. and Matimco, Inc.

On the Danger of Imported Plywood

The PWPA continues its best efforts to arrest the influx of undeclared, misdeclared or underdeclared China-made plywood in the local market.

The flow of importation of China-made plywood has already created a severe dislocation of the local plywood industry consisting of 30 mills nationwide that directly employing more than 30,000 workers, half of whom has already lost their jobs.

No less than 300 to 400 containers of such plywood enter the country on a monthly basis with one container equivalent to nearly P1 million worth.

Such huge volume of cheap, substandard plywood not only has displaced 50% of the market share of locally produced plywood but more seriously has been displacing local labor. For every container of such plywood entering the country, about 16 local workers are being displaced.

Such huge volume of plywood entering the country is also a huge loss in government revenues, in the forms of import tax, value-added tax and other taxes. Practically, all arrivals of China-made plywood escape taxes by having them declared by unscrupulous "shell companies" as mere construction materials or panels, phenolic boards, etc.

Because such plywood are substandard by the measure of the Department of Trade and Industry (DTI) Bureau of Product Standard and are tested high in formaldehyde emission, they pose structural danger and health hazard to workers, users, and home occupants.

In October 18, 2012, the PWPA met again with Bureau of Customs Commissioner Rozzano Rufino Biazon to make an appeal for assistance to stop the entry of smuggled plywood from China. The PWPA, in its letter handed to Commissioner Biazon on the same date, has indicated the tariff headings wherein such plywood

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belong and also the ports of origin where they are coming from.

Commissioner Biazon assured PWPA of his bureau's assistance. He said he appreciates the move of the private sector, like the PWPA, in helping the government in its anti-smuggling campaign.

Just after the meeting, according to news reports, Commissioner Biazon ordered the close monitoring of plywood importation especially those coming from Tsing Tao and Quing Dao ports in Shandong Province, China.

The PWPA, through its Plywood Council, also continues to cooperate with the DTI in monitoring such plywood at the retail outlets. It also posted the quality and standard of locally produced plywood as it advertised, in English and Chinese, the poor quality and hazard of China-made plywood as a warning local buyers and consumers.

The Plywood Council also closely coordinates with the DTI Bureau of Product Standard in developing technical guidelines to ensure the quality standards of plywood being manufactured and sold in the local market.

Speaks Before the Convention of Foresters

PWPA President Antonio Olizon presented a paper entitled "Forest Law Enforcement, Governance and Trade (FLEGT)" during the 64th Anniversary Convention of the Society of Filipino Foresters on September 19-21, 2012 at the Subic Bay Exhibition and Convention Center.



President Olizon traced the development of forest law enforcement, governance and trade in the Philippines, its implementation, and impacts on the forests and the wood industry of the country. He also made key recommendations and possible actions to be taken towards its effective implementation.

Other paper presented during the conference were: The State of

Philippine Forest by Dr. Antonio Carandang; Forest Law Enforcement by Gen. Renato Miranda; Holistic Evaluation and Approaches to Curb Illegal Logging in the Philippines by Forester-Atty. Wilfrido Pollisco; Pagsasaayos ng Kagubatan: Isang Hamon ng Pulitika at Hindi ng Teknolohiya by Dr. Antonio Contreras; Initiatives on Strengthening Forest Law Enforcement and Governance by Atty. Ma. Generosa Maslang; Lokal na Inisyatiba sa Pagprotekta ng Kagubatan: Karanasan at Mga Isyung Kinakaharap ng Bantay Gubat ng Mangatarem by Mr. Ely Curimao; National Greening Program by Dir. Ricardo Calderon; SCUFA: A Triumph of Forest Restoration and Economic Uplift by Mariano Saclauso, Sr. and Framework for a National Action Plan on Forest Law Enforcement, Governance and Trade by Dr. Manuel Bonita.

The convention was attended by more than 1,000 professional foresters coming from the different regions of the country and representing various sectors from the government agencies, the non-government organizations, the academe and research and the private sector.

Attends National Export Congress

The PWPA attended the National Export Congress on December 5, 2012 at the Philippine Trade Training Center, Pasay City. The National Export Congress was organized by the Department of Trade and Industry-Bureau of Export Trade Promotion (DTI-BETP), Export Development Council (EDC), and the Philippine Exporters Confederation, Inc. (PHILEXPORT) and is jointly supported by export oriented private sector associations and government agencies.

With the theme "Mabuhay ka, Exporter," the Congress aims to encourage exporters to rise above global challenges and boost their performance by way of recognizing their contribution to export growth and the Philippine economy and will also provide new information to upgrade their current capabilities.

The Congress was opened by Director Senen Perlada of the Bureau of Export Trade Promotion of the Department of Trade Industry. He said that the Philippines has reached a point in export history where the chance should not be missed, he said exporters should face up with the challenge and abolish its fears, that they should be prepared for success. He said that in times when you hit the rock bottom, there is no way but to go up.

On the part of the private sector, President Sergio Ortiz-Luis, Jr. of the Philippine Exporters Confederation, Inc. and Vice Chair of the Export Development Council said that exporters should not only weather the storm but should also meet their targets. He said that they should be confident and be able to sustain and improve until the end of 2012.

The Congress was also the venue to recognize selected exporting

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companies who has shown good performance for the year.

Export innovation and productivity and competitiveness programs were the topics of the panel discussion of the National Congress.

Wood Industry Assessment

2012 Assessment. In February 2011, President Benigno S. Aquino III issued Executive Order No. 23, otherwise known as, "Declaring a Moratorium on the Cutting and Harvesting of Timber in the Natural and Residual Forests and Creating the Anti-Illegal Logging Task Force." The issuance of EO stopped all tenurial holders to operate in natural and residual forests as equipment were brought down from the forest area.

Except for the natural timber cut prior to the issuance of EO 23, no cutting or transport of the same has been allowed. With the limited supply of raw materials logs, it was expected that prices of lumber, plywood and veneer will increase; however, it was not as expected. The price increases were only felt during the first six months, thereafter they stabilized because of the influx of substandard plywood from China and the proliferation of illegal logging filled up the demand.

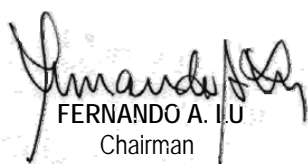
In terms of wood processing mills, renewal of the permits has been difficult because of the 5-year log supply contract requirement is hard to get.

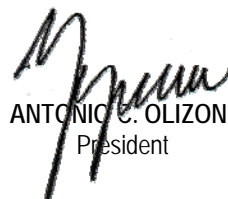
In 2012, the same situation as in 2011 is being felt by the industry.


Wood processing mills rely on plantation timber which is dwindling in supply and on imported natural timber.

The influx of substandard plywood from China still continues hence local producers have difficulty in competing with the low market prices.

Projection for 2013. With the situation continuing and the EO 23 not being lifted, it is projected that many wood processing mills will slowdown their operations, if not stop operations due to the limited supply of raw materials. The raw materials will come from a) tree plantation; and b) imports but with difficulty because of policies of exporting countries on value-adding, export quotas and taxes and the high cost of imported wood. If not prevented, imported substandard plywood and illegal logs may continue to supply needed demand.


FERNANDO A. IRU
Chairman


ANTONIO C. OLIZON
President



PHILIPPINE WOOD PRODUCERS ASSOCIATION

Notice and Warning on Substandard and Smuggled Plywood

The Philippine Wood Producers Association Inc. (PWPA), the national association of leading Plywood Manufacturers in the country, hereby Issues the following notice and strong warning:

1. The PWPA member-companies, along with other plywood companies, duly licensed with the Bureau of Product Standards (BPS) are the only legitimate manufacturers and legal source of locally produced plywood.

Only locally manufactured plywood made by manufacturers duly licensed with the BPS are authorized to bear the "PS" mark.

2. Imported plywood must pass through the Bureau of Product Standards, for certification and product testing on integrity and safety. Each and every panel must bear the ICC (IMPORT COMMODITY CLEARANCE) serially numbered sticker. They must not bear a PS (PRODUCT STANDARD) mark nor the brand of any locally licensed plywood manufacturer. For imported plywood, only these with authentic ICC stickers can be legally sold.

3. It has come to the attention of PWPA that unscrupulous individuals and companies have been smuggling plywood into the country; selling them Absent Any Markings, or with the unauthorized and unlawful use of the foregoing PS mark; passing them off as locally manufactured.

These smuggled plywood have been found to be substandard:

- ▲ They are not properly dried.
- ▲ They can warp and deform anytime.
- ▲ They may introduce wood boring pests, such as "Buk Buk."
- ▲ They have very thin external veneers and cannot be sanded.
- ▲ They have very high and strong emissions of Formaldehyde, which poses a serious health hazard to the consumer, and is cancerous.


4. The sale, trading and distribution of these substandard, improperly marked, unlicensed imported plywood is **UNLAWFUL**. Stores and establishments, both wholesale and retail, are strongly advised to stop dealing in these substandard, improperly marked, unlicensed imported plywood.
5. Aside from cheating the general public, these plywood importers are defrauding the Government because they under declare the value of their importation and they do not declare the product they imported correctly. These plywood importers are also cheating the Government by depriving it of the correct duties and taxes. This is **SMUGGLING**. This is **ECONOMIC SABOTAGE**.

WARNING is hereby given to the general public, and more particularly to any and all persons or entities engaged -in the illegal importation, distribution and/or sale of these smuggled plywood to immediately cease and desist from these acts. Otherwise, PWPA and its members will not hesitate to report to the proper authorities, and/or prosecute any person or entity found involved in these illegal activities, civilly and criminally, to the fullest extent of the law.

Lastly, we are **CALLING THE ATTENTION OF THE CONCERNED GOVERNMENT AGENCIES, especially the:**

- ▲ Department of Finance, Bureau of Customs, and Bureau of Internal Revenue
- ▲ Department of Justice and the National Bureau of Investigation

to take the necessary and appropriate actions against these illegal plywood importers.



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From the Perspective of the Wood Industry: Forest Laws Enforcement, Governance and Trade in the Philippines

by Antonio C. Olizon¹

Good afternoon...

Before anything else, allow me to congratulate the members of the Society of Filipino Foresters on its 64th Founding Anniversary. Come to think of it, this Society is only three years OLDER than the organization I am representing, the PHILIPPINE WOOD PRODUCERS ASSOCIATION (PWPA).

It is a privilege for me and for the PWPA to be a PART of this Conference. It is our fervent HOPE that today we will make great progress in examining, strengthening and unifying our efforts at FOREST LAW, ENFORCEMENT, GOVERNANCE AND TRADE, or FLEGT for short, to ensure the sustainability of our country's forest resources.

FLEGT is an international action plan on forestry laws. It is a voluntary agreement on how each country may be able to enforce properly and effectively laws governing forest and carry out proper liberal trade on timber and timber products.

The Philippines has not yet signed the Voluntary Partnership Agreement (VPA) that will adopt and implement an internationally accepted FLEGT action plan.

Today I seek to share with you the perception of the private wood industry on the implementation of forest laws enforcement, governance and trade in the country. My presentation will revolve around 2 key points:

- The Issues and concerns on FLEGT in the Philippines; and
- Our recommendations and possible actions towards the effective implementation of FLEGT.

Let me illustrate my FIRST POINT with a story.

About forty years ago, when I was also forty kilos lighter, I was a young bachelor starting out in the wood business. I encountered a famous, or maybe INFAMOUS, FORESTER. *Itago na lang natin siya sa pangalang Mr. G.*

I will never forget what Mr. G told me while we were on a small boat approaching Cotabato City one day. He said, "You know Tony, we made a thousand laws for our forests here in the Philippines so that if you violate just one, you can already be considered and called a VIOLATOR."

I'm not sure exactly how many laws we really have but what I do

know is that a lot of them are ANTIQUATED, IMPRACTICAL, AND MISGUIDED.

ANTIQUATED. *The Philippine forestry law is outdated, the Executive Orders keep on changing, and rules are disorganized as they are frequently modified.* Past and present regulations on forestry, environment, wood processing and timber trade are still rooted on a 37-year old decree that has already outlived its usefulness. There are instances when rules and regulations of DENR hardly have any legal basis. In our country, what appears as FLEGT is a mere response without too much preparation to certain issues or guidelines BY SOMEBODY new at the helm of the environment and natural resources department. Never mind if these new laws or regulations contradict older ones, creating much confusion on implementation.

The Sustainable Forest Management Act (SFMA) remains unlegislated since the 8th Congress, which is 25 years ago.

Some of existing laws are seldom based on vision or science.

IMPRACTICAL AND MISGUIDED. The loss of natural forests in the Philippines is attributed to two (2) main causes; namely: the legal conversion of forest lands to Alienable and Disposable (A & D) lands on one hand, and the ILLEGAL LOGGING in classified forest lands, on the other.

In 1936, through Commonwealth Act No. 141, forests in declared A & D lands must be removed for homestead settlements, sale, lease or confirmation of imperfect or incomplete titles by judicial or by administrative legalization (free patent).

Holders of short-term timber licenses in A & D lands were urged to hasten their cutting of the timber. They were even penalized if they failed to remove and manifest at least 70% of their allowable annual cut of timber.

95% of forest cover loss is attributed to land conversion while only 5% on logging damage as reflected in the Master Plan for Forestry Development study done for the DENR by Jakko Poyry Oy, funded by ADB-FINNIDA in 1990.

Forest Cover Loss, in 000 ha. (1934-1990)								
Period	1934-1945	1945-1955	1955-1965	1965-1975	1975-1985	1985-1990	Total '34-'90	Ave. Ann. Loss
Beginning Balance	17000	15700	13900	11600	8600	6600	-	-
Less: Losses due to								
Forest conversion	1260	1740	2200	2835	1880	460	10375*	185
Logging damage	40	60	100	165	120	40	525**	9
Total	1300	1800	2300	3000	2000	500	10900	194
Ending Balance	15700	13900	11600	8600	6600	6100	-	-

Note: Up to the mid 1970's TLA-holders must harvest at least 60% of their annual allowable cut or else the TLA is cancelled.

Reference: Summarized from Notes and References, p. 47, Appendix 2, Main Report, Master Plan for Forestry Development, DENR-Jakko Poyry Oy (Finnish)-MADECON (Phil.) TA 933 PH of ADB-FINNIDA, 30 June 1990

* - Total Forest Cover Loss. ** - Damage out of 5,300,000 Hectares Logged.

In the know

IMPRACTICAL AND MISGUIDED. Despite our efforts, most lawmakers and politicians have voted for a total logging ban simply because it is the more popular way, EVEN IF THIS WAY HAS PROVEN MORE HARMFUL TO OUR FORESTS.

A study by the UPLB and the FMB/DENR in 1996 covering 33 CANCELLED TLA areas reveals that, in just NINE (9) YEARS from TLAs cancellation, these areas have fallen victim to the negative effects of illegal logging and kaingin-making. The study seems to indicate THAT it is better that the forests, for their own protection and sustainable management, HAVE TENURED STEWARDS.

Key Results of the UPLB-FMB/DENR Study			
Situation	Before Cancellation	Nine-years after cancellation	Percent change
Population, no.	121,300	154,300	+27
Employment, no.	30,000	9 (equipment guards)	(100)
Upland farmers family, no.	49	230	+370
Land-use change, in hectares (All 33 TLAs in 7 regions)			
Old growth forest	602,000	136,000	(77)
Second growth forest	445,500	438,700	(2)
Other forest	276,000	132,000	(55)
Cultivated/Open	338,000	963,800	+185
Total area	1,661,500	1,661,500	-

Ambrosius Ruwindrijarto, the Indonesian environmentalist and 2012 Ramon Magsaysay awardee, himself said that illegal logging is a complex and serious problem; illegal logging is not simply the destruction of the forests; it is also about the system of corruption and the wealth it creates.

The 2012 Ramon Magsaysay awardee was also able to demonstrate THAT FORESTS WITH TENURE ARE SAFE from illegal logging. His NGO together with communities manage 200,000 HECTARES of forests in Indonesia. The same maybe said of the forests sustainably managed by the IFMA holders in the Philippines.

IMPRACTICAL AND MISGUIDED. Our existing laws on FLEGT is generally oriented to its narrowest concept and sense. It is ORIENTED TOWARD REGULATION AND PUNISHMENT. Enforcement is plain fault-finding and imposing sanctions;

Governance disregards the equal protection clause of constitutional law for it is biased against the LEGITIMATE STAKEHOLDERS while favoring or exempting others; and IN THE MATTER OF TRADE, legitimate players are more challenged with processes, regulations and cost than the ILLEGITIMATE ONES.

It is the opinion of the stakeholders in the private wood industry that forestry governance has been made unnecessarily

complicated.

Our opinion is that FLEGT in its universally-accepted concept, intention and practice, is yet to happen seriously and extensively in the Philippines.

IT CAN NEVER BE EFFECTIVE as to be productive, even when implemented TO ITS EXTREME, such as in the CATCH-ALL SOLUTION of the LOGGING MORATORIUM OR LOGGING BAN. To the contrary, FLEGT without a strong foundation is INEFFECTIVE AND MAY EVEN BE HARMFUL. For example:

- The Philippines has lost most of its natural forests while forest protection, restoration and development are weak and slow, injured further by widespread illegal logging, firewood gathering and charcoal making that cannot seem to be controlled;
- The Philippines, from a net exporter of timber and timber products, has become a net importer of the same;
- The logging moratorium (EO 23), as an improvised FLEGT, has eliminated the role of the legitimate stakeholders in sustainable management of the natural and residual forests.

The question begging for an answer is: Why can the Philippines not implement a real FLEGT in a manner recognized by the international community?

The challenge today is how to make forestry governance simple, practical, doable, friendly, measurable and yet efficiently functioning and cost-effective. We propose four strategies to make this happen:

We must change our current paradigms, think out-of-the-box, and harness the power of information.

It is, imperative that, while continuing to implement the current FLEGT system, a new paradigm must be urgently sought, formulated and implemented to remedy and to improve the forestry situation.

We recommend to the Society of Filipino Foresters (SFF), that it considers advocating for and helping formulate a new FLEGT paradigm in lieu of the antiquated PD 705 and the few issued EOs. The Sustainable Forest Management Act is an excellent bill to enact into law to serve as the legal benchmark for law enforcement.

Since the 8th Congress, it has gone through a number of revisions. In this 15th Congress, the Lower House has passed and endorsed to the Senate its version of the SFMA and the Committee on Environment and Natural Resources of the Senate is presenting to the plenary its version of the SFMA. We hope that the Society of

Filipino Foresters will show a strong support for the approval of the SFMA by this Congress.

We also need clear and separate Implementing Rules and Regulations (IRRs) for the management and development of protection forestland on one hand, and in the production forestland, on the other. Likewise, there should be separate IRRs for the natural forest from the plantation forest.

We need our laws to be more proactive instead of reactive. Stricter monitoring for illegal logging should be done at the source or at the forest area where cutting of trees can actually be prevented, rather than trying to catch illegal activities at the ports, where damage to the environment has already been done.

THINK OUT-OF-THE-BOX. We need to intensify our efforts in forest protection and prevention of illegal logging.

The placing and manning of forest stations in the heart of untenured forestlands, as done abroad, may be considered for implementation. The employment of Information, Education and Communication (IEC) strategies is a powerful way for getting the cooperation of communities in the matter of forest protection and the prevention of illegal logging.

When possible, appropriate tenurial agreements in forestlands should be granted to as many qualified and responsible stakeholders, whether families, communities, associations, local government units, and private sectors. Experience and study point out that forests are protected and developed by people or organizations trusted with contracts. In this manner they have the authority and at the same time they have responsibility to manage the forest.

We need cooperation or convergence among agencies.

The 'UNIVERSE' of the wood industry, for example, extends not only to the DENR but also to the DTI/BOI, DOF/BOC, NEDA, OP/TC (Tariff Commission) & NCIP, etc.

Requirements and regulations of government agencies and purposes and objectives of organizations over certain issues, at times, cross one another and are difficult to reconcile. The situation makes it difficult for the wood industry to develop and progress.

REFORM, TRANSPARENCY, INFORMATION EXCHANGE, AND SUPPORT-SHARING are better taken up in a milieu of cooperation or convergence among agencies of related mandates, interests and concerns.

The private wood industry has proposed the creation of the Timber Industry Board for the purpose of having long-term plans and policy-making for the wood sector. This is also to avoid the present

practice of CHANGING POLICIES every time we have a new DENR secretary.

We need streamlined processes.

Though we have encountered resistance from older generation of foresters, PWPA has proposed to use the portfolio approach to attract investors to invest in industrial tree plantations. What are its salient features?

Permits required in granting and operating an area for industrial plantation should already be secured or should already be in place, when the government wants to bid out or invite investors to go into a specific area. Permits, which are really very voluminous such as permits from the local LGU, permits from FMB/DENR, including the environmental clearance certificates, environmental impact statements – the permits from the indigenous people-NCIP, and so many others that really discourage investors to go into this business of industrial tree plantation.

IF YOU HAVE P50MILLION idle capital today, you would not only think twice or thrice, but maybe 10 times before you go into such a business. Why so? Because it would take you an average of 1 year before you can get all the necessary permits and licenses before you can start up with your project. That would mean to say, P50 million of IDLE CAPITAL, P50 million that is NOT PRODUCTIVE AT ALL and not at all sure when one can start operations.

WE PROPOSE THE PORTFOLIO APPROACH – that all permits and licenses should be in place before the government invites investors – to maximize bids from private investors for areas that are suitable for industrial tree plantation. Investors do not have to think of so many other things, and they can just focus on operations and profitability, and sustainability.

The government must also rethink regulations on plantations such as the species to be planted. Malaysia and Indonesia have taken the lead to plant oil palm in their forestlands and are now reaping tremendous income not only for their investors but also for their government. They have become world leaders not only in timber products but also in the supply of palm oil.

HARNESS THE POWER OF INFORMATION.

The Forestry Management Bureau must have a better database. Today, if you apply for a certain parcel of land, either for planting or for harvesting purposes, it will be likely that the FMB would not have complete information on this land. They would not be able to pinpoint, calculate or even describe the contents of that parcel of land. In most probability, they would only depend on satellite maps, which are not that DETAILED.

In other countries, if you want to apply for a parcel of land, in a few

minutes, their Forestry Authorities could already tell you if the land you are applying for is suitable for plantation, they would be able to tell you the topography of the land, they would be able to tell you the exact location having very accurate coordinates. They would also be able to tell you if there are inhabitants or claimants to that land. THIS IS NOT THE CASE IN THE PHILIPPINES. We lack a clearer database, even in statements released by government on the forest cover of our country, there are already inconsistencies between pronouncements by different government agencies.

I AM TALKING FROM EXPERIENCE. Several years ago, we actually applied for a certain piece of land for industrial tree plantation purposes, we went through the tedious process of application, filling out many documents, only to find out after several long months that the land we were applying for had already been granted to another party for mining purposes.

IN THIS AGE, INFORMATION IS POWER.

A real FLEGT is motivational, developmental and rewarding to existing and prospective stakeholders or investors.

To close, I would like to go back to the story of Mr. G. He, along with the other foresters I've had the privilege of knowing these past decades, as well as all of you attending this conference, does not merely have a career in forestry – what you have is a VOCATION. Our forests are the only sustainable, natural resource that we have. IN MY VIEW, you have even greater responsibilities than that of any mining engineer, whose duty is to discover and extract something that cannot be replaced, something that is non-renewable.

Foresters study and take care of trees including its best use, from seedlings all the way to harvesting then back to planting – THE FULL CYCLE OF LIFE. In fact, wood is essential to man's cycle of life as well - from the cradle we use as crib for infants to the coffins we use in our death – all come from the wood in our forests. Forestry is far more complex than other basic disciplines. You study the characteristics of hundreds of wood. A lot of other industries like construction industry, the furniture industry and handicraft industry are dependent on our forest.

YOUR VOCATION, YOUR CALLING, YOUR MISSION, is to ensure the sustainability of our forests which give life to so many in the present, and hopefully to future generations. Sustain our forests and sustain lives. Let us heed this call by being at the forefront of law enforcement, governance and trade. Let us make a difference and bring back the glory days of the forestry sector. Let us walk tall and stand proud.

I thank you for the opportunity to talk to you today. Good afternoon and Mabuhay ang mga Foresters.

¹ PWWA President A. C. Olizon delivered the paper/speech during the 64th SFF Convention, Sept. 19-21, 2012 at Subic Bay Freeport Zone, Philippines.

PROCESSED WOOD PRODUCTS: CURRENT STATUS, ISSUES/CONCERNS AND PROSPECTS

by

L. D. Angeles, Antonio P. Carandang, and M. R. Vasquez

1. BACKGROUND

Sectors of the Wood Industry

The local wood industry maybe classified into two sectors: a) the upstream and b) the downstream.

The **upstream processing sector**, generally vertically integrated with timber sourcing, now mainly consists of sawmilling, veneering and plywood-making.

Before, included in the sector were the manufacturing of pulp and paper, the preservative-treatment of transmission poles and foundation pilings, and the preparation of railroad sleepers or ties and underground mine timbers.

Timber sourcing means securing the main raw material of the sector, the commercial roundwood or logs from the local natural forest and plantation forest through logging/harvesting or from imports of logs and veneer sheets.

The **downstream processing sector**, generally utilizing, as its raw material inputs the main products of the upstream sector, consists of the manufacturing of the internationally-called secondary processed wood products (SPWP). As its particular market niches may require, the sector also imports specific wood materials as inputs to its manufacturing.

Products and Markets of the Sectors

The **upstream sector's** processed wood products are lumber, veneer and plywood, termed as primary wood products. Historically, the local volume of lumber dominates the two other products.

Over time, however, their aggregate production has declined substantially. The combined exports of these products have also waned considerably. The present local production outputs of primary wood products is generally destined for domestic consumption or use.

Lumber and plywood are utilized directly in mass or low-cost housing and other types of construction requiring wood. Marine plywood, for example, is extensively used in small-boat building used by the fishing industry and fisherfolks. Lumber and plywood, together with veneer, to a certain extent, are also the principal raw

material inputs of the downstream sector.

The downstream sector's SPWPs are mainly furniture and furnishings of wood and wood-based manufactured articles such as doors and windows and their thresholds; builder's joinery; and carpentry of wood. It is a high value-adding and principally export-oriented sector. In the last 5 years, according to NSO, exports of furniture and manufactured articles of wood averaged yearly at US\$ 122 million and US\$ 1,045 million, respectively.

Supply-demand Process Flow

The preceding information about the interrelationship of the two sectors may be viewed from the schematic diagram (Figure 1); thus:

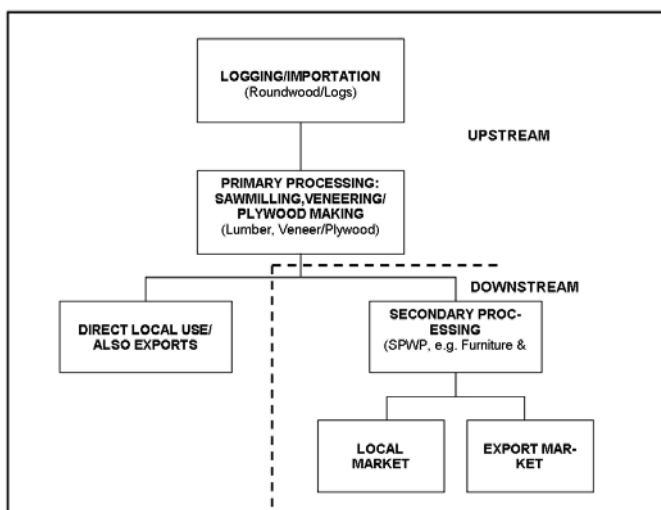


Figure 1. Supply-Demand Process Continuum

Theme of the Presentation

Processed wood products, specifically lumber, veneer and plywood – is the main focus of the paper.

They are the primary wood products outputs of the upstream sector and are principally utilized directly by the consuming public for construction and are also the capital raw material inputs of the downstream sector.

2. PROCESSED WOOD PRODUCTS

Current Status

One of the pillars of the national economy, together with copra, sugar and mineral ores, particularly during the post-war reconstruction era, the primary wood products of the upstream sector, and the sector itself, are on the gradual, albeit abrupt, decline.

In the last four decades, the local production of lumber, the predominant product, inexorably sank by nearly 80%; veneer, 55%; and plywood, the major wood-based panel products (that include particle- and fiber-board), 46%. In aggregate, the drop in their production was 70% - from a yearly average of 2,548,000 cubic meters in the period 1973-1978 down to only 790,000 cubic meters in the period 2009-2011.

The decline, in yearly average per period, is shown in the Table 2.1 and corresponding Figure 2.1.

Table 2.1 Production of Processed Wood Products
Yearly Average Per Period in 1000 cubic meters

Period	Lumber	Veneer	Plywood	Total
1973-1978	1,670	365	513	2,548
1979-1983	1,360	392	479	2,231
1984-1988	1,108	80	129	1,317
1989-1993	726	62	333	1,121
1994-1998	316	52	357	725
1999-2003	209	145	304	658
2004-2008	356	127	306	789
2009-2011	350	165	275	790

Source: 2008 Philippine Forestry Statistics and 2010 Forestry Statistics (forestry.denr.gov.ph)

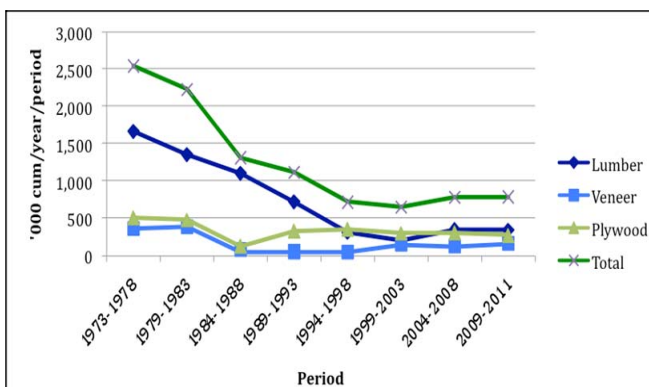


Figure 2.1 Production of Processed Wood Products

To meet the apparent domestic demand for, or consumption of, lumber, veneer and plywood, as indicated in Table 2 and corresponding Figure 2, the country, specifically the upstream sector, is impelled to import them yearly.

Table 2.2 Apparent Domestic Consumption of Processed Wood Products
Yearly Average/Period in 1000 cubic meters

Period	Lumber	Veneer	Plywood	Total
1973-1978	1,220	206	224	1,650
1979-1983	655	250	170	1,075
1984-1988	545	33	185	763
1989-1993	690	28	232	950
1994-1998	616	75	257	948
1999-2003	479	245	302	1,026
2004-2008	420	157	279	856
2009-2012	134	186	247	567

Source: ibid
(Note: ADC=(Local Production + Imports) - Exports)

In the know

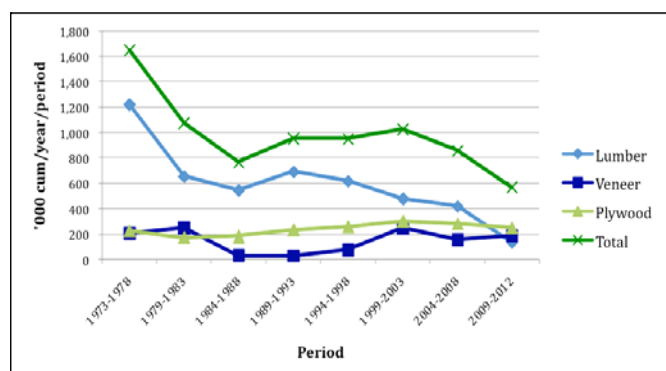


Figure 2.2 Apparent Domestic Consumption of Processed Wood Products

From a negligible volume and value at the beginning of the 1990's, the imports of lumber and veneer peaked between 1994 and 2003 valued at yearly average of US\$ 99 million and US\$ 22 million, respectively, while plywood, recently, in the period 2009-2011, at US\$ 39 million, mainly because of the influx of China-made plywood. Between 1994 and 2011, in aggregate, their average yearly imports was at 355,000 cubic meters valued at US\$ 112 million, as shown in Table 2.3 and Figures 2.3a and 2.3b.

Table 2.3. Imports of Processed Wood Products

Yearly Average/Period in 1000 cubic meters and 1000 US\$, cif

Period	Lumber		Veneer		Plywood		Total	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
1973-1978								
1979-1983								
1984-1988	<1	653	NS	NS	NS	NS	<1	653
1989-1993	106	12,720	<1	385	1.6	848	108	13,953
1994-1998	390	98,922	54	15,972	1.0	480	445	115,374
1999-2003	370	98,428	105	27,682	1.6	742	477	126,852
2004-2008	236	88,917	36	9,688	3.6	1,902	276	100,507
2009-2011	142	60,070	28	7,782	53	39,252	223	107,104

Source: ibid

(Note: CIF is 9%-10% higher than FOB)

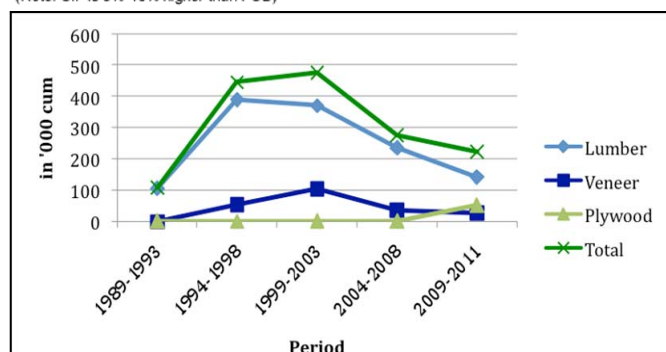


Figure 2.3a Volume of Imports of Processed Wood Products

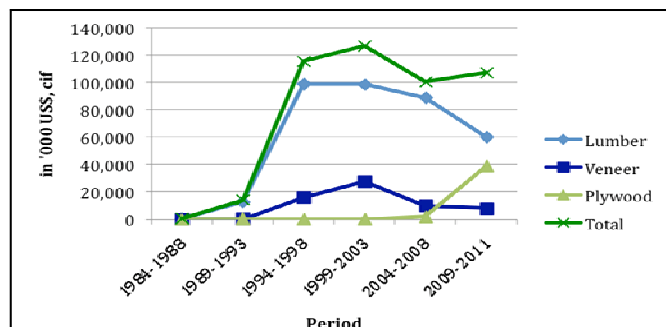


Figure 2.3b Value of Imports of Processed Wood Products

On the other hand, the aggregate export of primary wood products, then hugely dominated by lumber, is on a slump; notwithstanding the slight recovery of plywood.

From an aggregate yearly average peak of 1,157,000 cubic meters valued at US\$ 275 million in the period 1979-1983, exports, particularly from the period 1999-2003, plunged to a low 109,000 cubic meters valued at only US\$ 18 million. A very weak but untenable recovery of their exports, as seemed evident from their combined performance, started in the period 2004-2008 (Table 2.4 and Figures 2.4a and 2.4b).

Table 2.4 Exports of Processed Wood Products

Yearly Average per Period in 1000 cubic meters and 1000 US\$, fob

Period	Lumber		Veneer		Plywood		Total	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
1973-1978	450	112,820	158	15,121	289	46,844	897	174,785
1979-1983	705	156,612	142	29,935	310	88,780	1157	275,327
1984-1988	564	122,503	47	14,180	244	62,669	855	199,352
1989-1993	142	40,905	35	10,030	100	35,940	277	86,875
1994-1998	90	14,274	30	12,873	<1	475	121	27,622
1999-2003	100	13,508	5	2,574	4	1,783	109	17,865
2004-2008	172	11,473	6	3,340	31	13,373	209	28,186
2009-2012	358	14,934	7	1,568	32	20,406	397	36,908

Source: ibid

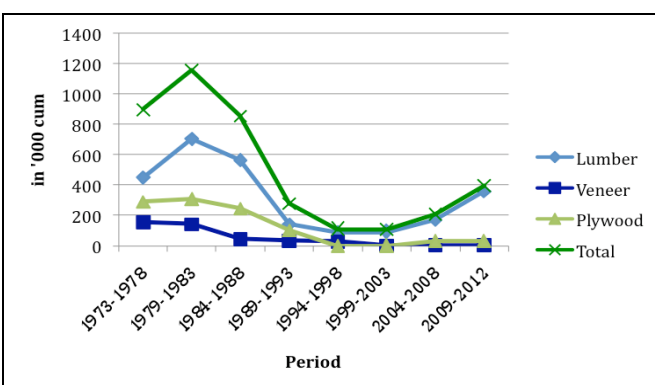


Figure 2.4a Volume of Exports of Processed Wood Products

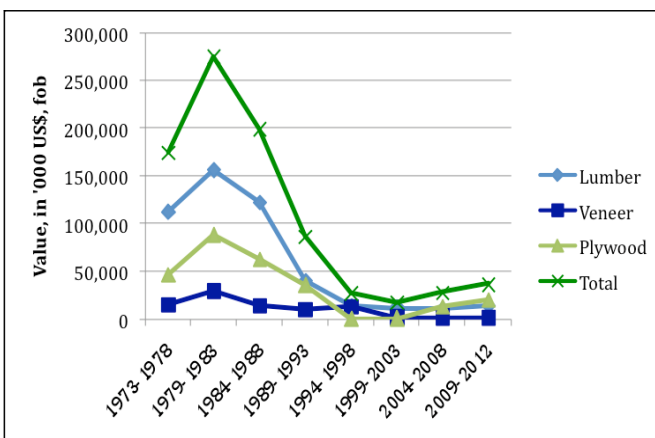


Figure 2.4b Value of Exports of Processed Wood Products

Table 2.5 Aggregate Values of Imports and Exports of Lumber, Veneer and Plywood, 1973-2011
Yearly Average per Period in 1000 US\$

Period	Imports, cif	Exports, fob
1973-1978	-	174,785
1979-1983	-	275,327
1984-1988	653	199,352
1989-1993	13,953	86,875
1994-1998	115,374	27,622
1999-2003	126,852	17,865
2004-2008	100,507	28,186
2009-2011	107,104	36,908

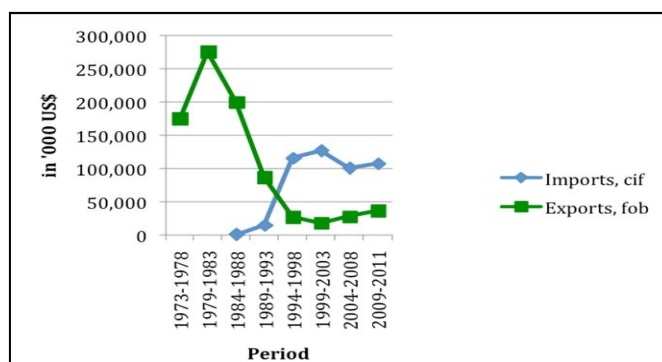


Figure 2.5 Aggregate Values of Imports and Exports of Lumber, Veneer and Plywood, 1973-2011

Despite the decline in the local production of the primary wood products, and the difficulty of accessing at them, including round timber or logs, from producing-exporting countries, the upstream sector has been, prior to the promulgation of Executive Order No. 23 (EO 23) of 2011, able to supply the direct consumers with price-affordable lumber and plywood particularly, and the downstream sector, with the same, including veneer, as its needed inputs in the manufacture of SPWPs, the export thereof has kept the overall balance of trade in wood still in favor of the country.

Parenthetically, the importation of timber/logs and primary wood products means FOREX drain for the country and also the subsidizing the labor in the exporting countries.

Causes and Impacts

The main cause for the weakening and decline of the productive capacity of the upstream sector has been the visionary or unimaginative policies of the government with respect to land use and the forest in particular. The loss of the forest and, by extension, the availability of timber, were the collateral damage of these policies.

The land use policy, specifically the Public Land Use Act (CA No. 141 of 1936), as variously amended, has converted forest-rich lands of the public domain into alienable and disposable (A&D) lands. The ADB/FINNIDA-funded 1990 Master Plan for Forestry Development (MPFD) noted that 95% of the loss of forest cover has been due to this land classification and conversion process. To date, the DENR's data on land classification note that of the 30

million hectares of total land area of the country, 45% is A&D and 55% is forestland.

The summary of the MPFD study on forest loss is shown in Table 2.6.

Table 2.6 Forest Cover Loss (1934-1990), in '000 ha

Period	1934-1945	1945-1955	1955-1965	1965-1975	1975-1985	1985-1990	Total '34-'90	Ave. Ann. Loss	% Forest Cover Loss
Beginning Balance	17000	15700	13900	11600	8600	6600	-	-	-
Less: Losses due to									
Forest conversion	1260	1740	2200	2835	1880	460	10375*	185	95%
Logging damage	40	60	100	165	120	40	525**	9	5%
Total	1300	1800	2300	3000	2000	500	10900	194	100%
Ending Balance	15700	13900	11600	8600	6600	6100	-	-	-

Note: Up to the mid 1970's TLA-holders must harvest at least 60% of their annual allowable cut or else the TLA is cancelled.

Reference: Summarized from Notes and References, p. 47, Appendix 2, Main Report. Master Plan for Forestry Development. DENR-Jasuko Poyry Oy (Finland)-MADECOR (Phil.) TA 933 PHI of ADB-FINNIDA. 30 June 1990

* - Total Forest Cover Loss. ** - Damage out of 5,300,000 Hectares Logged.

Also, the early tacit policy to "capitalize" the forest to earn needed FOREX has allowed the proliferation of short-termed, small-sized and unsustainable forest concessions. The impermanence and unsustainability of their situation contributed significantly to the destruction of forest in forest land.

Ensuing and often-changing policies and regulations issued by every incoming administration were palliative measures unable to retain and manage the remaining forest that, today, stands at 7.2 million hectares – 24% and 45% of the total land and forestland areas, respectively, of the country. A description of the country's forest cover is shown in Table 2.7.

Table 2.7 Forest Cover of the Philippines
In '000 hectares

	Area	Percent to Total
Philippines	7,168	100
Closed	2,560	36
Open	4,031	56
Mangrove	247	3
Forest Plantation	330	5

Source: 2008 Philippine Forestry Statistics.

Note: Not updated since 2003

Forest cover of major islands: Luzon, 59%, Visayas, 12% and Mindanao, 29%. Seventy percent of the forest cover is in CAR (9%); R-2 (16%); R-3 (8%); R-4B (17%); R-8 (7%); R-11 (6%); and Caraga (7%)

Only about 1 million hectare generally in the open forest are in IFMAs.

In time, long-termed (25 years, renewable to another similar period as the earlier Constitutions prescribed), large-sized (at least 40,000 hectares with an allowable annual cut of at least 45,000 cubic meters as the regulations provided) prevailed over "timber-mining" type of short-termed, small-sized timber concessions.

The consolidation of small timber concession areas, aimless regulations and suspension or cancellation of forest concessions

In the know

for real or alleged violations, however, have not stopped profligate timber draining practices. They were tried halted through PD No. 705 of 1975 and the subsequent policies of selective logging bans. (Table 2.8 shows the areas where logging bans, as compiled by the PWWA, were declared.)

Table 2.8 Provinces and/or Regions Under Logging Ban

Period	Provinces/Regions under Logging Ban
Marcos Leido, Jr. (October 4, 1979)	Negros Oriental
Penia (August 9, 1983)	Entire country, except Region 2 (Cagayan Valley), Palawan, Samar and Island of Mindanao After Marcos, there has been subsequent imposition or lifting of logging ban in provinces/regions.
Corv Aquino Maceda (1986)	Nueva Viscaya, Quirino and Ifugao in Region 2 (not covered by Marcos ban in 1983) South-Cotabato, Misamis Occidental and Basilan in Mindanao (not covered by Marcos ban in 1983) Abra and Benguet in Region 1 and Laguna in Region 4 (covered by Marcos ban in 1983)
Factoran (1989-1992)	Samar in Region 8 (not covered by Marcos logging ban in 1983) Gallatran and Baggao in Cagayan (not covered by Marcos ban in 1983) San Mariano and Iagan in Isabela (not covered by Marcos ban in 1983) Nueva Viscaya in Region 2 (not covered by Marcos ban in 1983) Bukidnon in Mindanao (not covered by Marcos ban in 1983) Gen. Nakar, Real and Mauban In Quezon (covered by Marcos ban in 1983)
Ramos Alcala (1992-1994)	Palawan (not covered by Marcos ban in 1983) Quirino (not covered by Marcos ban in 1983) Sarangani (not covered by Marcos ban in 1983)
GMA Defensor (2004-2006)	Quezon (covered by Marcos ban in 1983) Entire country covered by logging suspension on December 8, 2004; thereafter, lifting of the suspension in entire Regions 11 & 13 (Caraga), and in Zamboanga del Sur (Region 9), Sultan Kudarat (Region 12) in Mindanao as well as in Apayao (CAR), southern Isabela (Region 2) and northern Aurora (Region 3) in Luzon.

These measures failed because of weak forest governance and indifferent enforcement of policies and regulations by the concerned government agencies.

The impacts of failed policies and weak enforcement of regulations were: reduced number of players; forest areas left unmanaged and made open-access to illegal logging and other forms of forest destruction and the decline of local timber/log allocation and production.

Over the last 35 years ending in 2008 the reduction in number of Timber License Agreement (TLA) holders, forest concessions areas held and the timber/log annual allowable cut or harvest allocation are shown in Table 2.9 and Figure 2.6.

Table 2.9 Timber Licenses, 1977-2008

Yearly Average/Period, Area in 1000 ha, AAC in 1000 cu m

Period	TLA Only			Percent of TLA to Total License		
	Number	Area	AAC	Number	Area	AAC
1973-1978	218	7,780	15,730	56	80	78
1979-1983	150	6,385	10,730	65	84	73
1984-1988	135	5,495	8,255	90	94	92
1989-1993	70	2,735	3,715	85	90	94
1994-1998	30	1,335	865	88	94	93
1999-2003	18	790	365	95	95	93
2004-2008	14	620	245	100	100	100

Source: ibid.

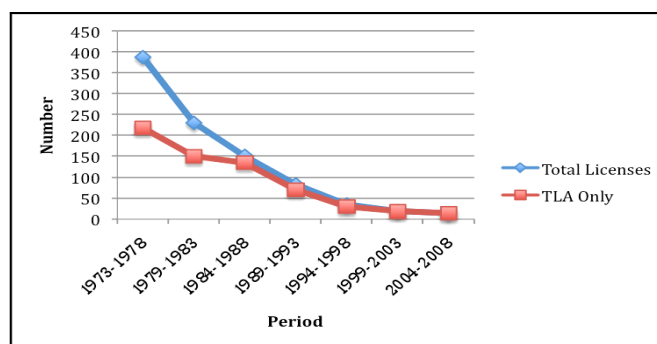


Figure 2.6a Number of TLAs vs Total Licenses, 1973-2008

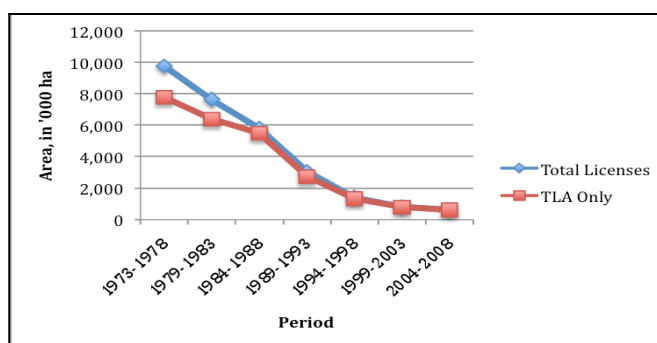


Figure 2.6b Area of TLAs vs Total Licenses, 1973-2008

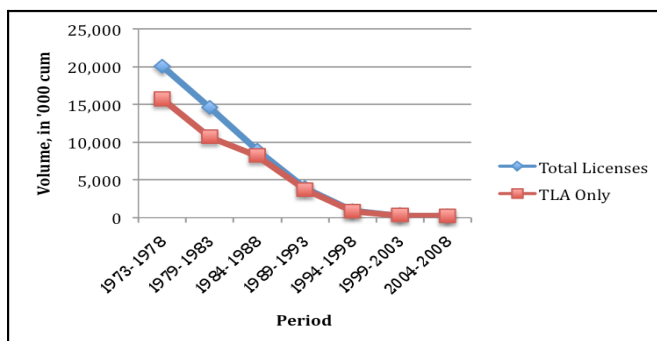


Figure 2.6c Annual Allowable Cut of TLAs vs Total Licenses, 1973-2008

The unhealthy state of the forest, and, by extension, the poor state of the primary sector, are reflected in the dwindled volume of local, legal production and increased imports of timber/logs which are essential in the manufacture of lumber, veneer and plywood. Also, they are mirrored in the reduced number of wood processing mills.

From a yearly average high of 9,000,000 cubic meters in the period 1973-1976, local log production has ebbed to only 743,000 cubic meters in period 2009-2011, while with the declaration of log exports beginning in the period 1979-1983, the imports of the same began to peak at about 636,000 cubic meters valued at US\$ 88 million in the period 1994-1998 but diminishing thereafter. (Table 2.9 and Figures 2.7a and 2.7b)

Table 2.10 Roundwood (Timber/Log) Production, Exports and Imports
Yearly Average per Period in 1000 cubic meters and 1000 US\$

Period	Production	Imports, cif		Exports, fob		ADC	Trade
		Vol	Value	Vol	Value		
1973-1978	9,007			3,775	187,645	5,232	+
1979-1983	5,488			877	94,446	4,611	+
1984-1988	3,766	~2	247	488	37,619	3,278	+
1989-1993	2,010	460	48,930	33	1,916	2,437	-
1994-1998	735	636	87,672	2	95	1,369	-
1999-2003	602	502	48,444	~2	44	1,102	-
2004-2008	868	115	20,800	<1	27	982	-
2009-2011	743	56	12,482	3	113	796	-

Source: ibid

(Note: ADC=(local production + Imports) - Exports

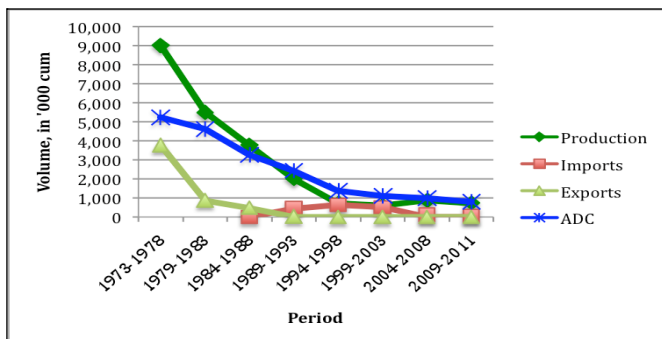


Figure 2.7a Volume of Roundwood (Timber/Log) Production, 1973-2011

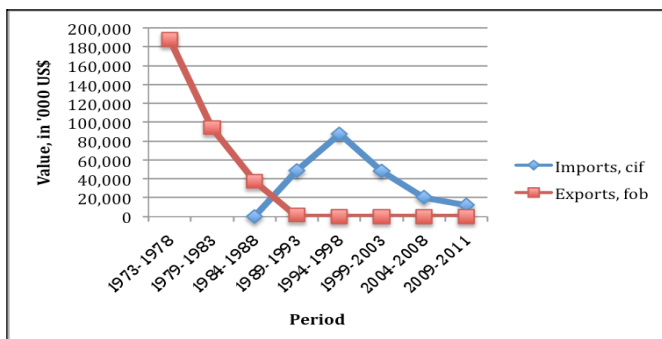


Figure 2.7b Value of Roundwood Exports and Imports, 1973-2011

The apparent annual volume of at least 2,000,000 cubic meters of timber/logs seems necessary to be able to produce the apparent domestic consumption of lumber, veneer and plywood at a yearly average of 1,230,000 cubic meters. The insufficiency of available legally-sourced timber/logs (local production and imports) averaging annually at only 1,340,000 cubic meters is plainly being met by the illegal production.

Table 2.11 Wood Processing Mills
ALR (Annual Log Requirement) in 1000 cubic meter

Type	1976		2008		Change Percent	
	No.	ALR	No.	ALR	No.	ALR
Sawmill	325	7,675	35	620	(90)	(92)
Veneer mill	24	550	34	370	42	(33)
Plywood mill	33	1,460	41	1,165	24	(20)
Total	382	9,685	110	2,155	(70)	(78)

Source: Ibid.



Figure 2.8a. Number of Wood Processing Mills, 1976 vs 2008

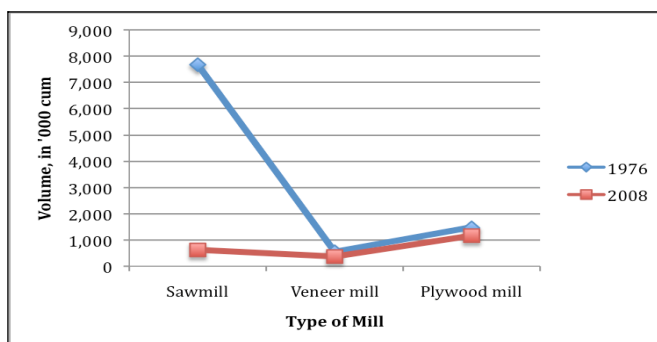


Figure 2.8b. ALR of Wood Processing Mills, 1976 vs 2008

As a footnote, by operation of the 1997 Constitution (Sec. 2 Art. XII), the grant or extension of TLAs ceased. There was an exodus of forest concession players. The few who have been in the business for generations and have protected and sustainably managed their forest concessions opted to convert to Industrial Forest Management Agreement (IFMA), the new tenurial instrument allowed the Constitution as a production-sharing agreement.

Before EO 23 that was issued in February 2011, about 35 IFMA-holders were actively operating their forest concessions. By operation of EO 23, timber from natural forest is banned from being cut/harvested; thus, stopping the operations under the IFMA. The upstream sector now depends on dwindling plantation timber and on imports of timber from natural forest.

The Asian financial crisis that started in 1997 and the global economic crisis that started in 2007, perforce, affected, with lingering effects, the performance of the upstream sector.

Issues and Concerns

From the preceding discussion, the primordial issues and concerns seriously facing the upstream sector, that, undoubtedly, have impact not only on its future but, also to industries and consumers still much dependent on primary wood products.

In the know

The issues and concerns that need addressing are:

- the scarcity of local raw material, timber/logs made aggravated by EO 23;
- relatedly, the danger posed by the now increasing rise of illegal logging as was demonstrated in a past study (Table 2.12);
- increasing difficulty of accessing at timber/logs from abroad due to non-tariff restrictive policies;
- the regulations being encountered by local SPWPs in the export market specifically those of the EU's and the USA's and also the competition being encountered by upstream sector wood products in the local market by the influx of cheaper wood products, specifically from China; and
- the dearth of LDI/FDI in the forest/tree plantation and mill modernization.

Table 2.12. Study on the Cancellation of 33 TLAs

Situation	Before Cancellation	Nine-years after cancellation	Percent change
Population, no.	121,300	154,300	+27
Employment, no.	30,000	9 (equipment guards)	(100)
Upland farmers family, no.	49	230	+370
Land-use change, in hectares (in 7 regions)			
Old growth forest	602,000	136,000	(77)
Second growth forest	445,500	438,700	(2)
Other forest	276,000	132,000	(55)
Cultivated/Open	338,000	963,800	+185
Total area	1,661,500	1,661,500	-

Source: UPLB and FMB/DENR Study on the Effects of the Cancellation of Timber License Agreements on the Forest. 1996

Prospects

Two scenarios:


- Benchmarked on its recent performance, however feeble, the recovery and future growth of the upstream sector has a good prospect. The taming, as it were, of the aforecited issues/concerns or constraints, particularly those within the control and power of the government is imperative. Policies and measures governing a highly-regulated industry such as the wood, particularly its upstream sector, need to be investment-friendly. A paradigm shift of policies and measures, from strict, police-type regulations to investment-oriented ones, needs to be adopted in a milieu of what is being mouthed as inclusive growth policy;
- A status-quo stance of the government, as exemplified by EO 23, however, is a slow "death" to the upstream sector and perhaps to other sectors and industries dependent on primary

wood products.

RECOMMENDATIONS

- Enact into law the Land Use Policy Act and the Sustainable Forest Management Act (to replace PD 705), both long in the backburners of Congress. Both acts shall be the unmoving reference points for issuing stable policies, regulations and measures for all wood-based sectors in road-mapping their respective development and growth.
- Promulgate investment-friendly policies much more competitive than other near-by countries now enjoying massive flow of LDI/FDI. Use economics, science and technology in developing such policies, regulations and measures.
- Improve governance and policy enforcement as well as strengthen institutional capability to fairly carry them out in the competitive playing field.





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