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Wood and Wood Product Trade in Peru Remains Strong

Report Categories:

Wood Products

Agricultural Situation

Approved By:

Kirsten Luxbacher

Prepared By:

FAS Lima staff

Report Highlights:

Peru’s forest product market is expected to grow in 2018 after a slowdown in the construction sector compounded by heavy rains, flooding, and landslides reduced market size in 2017. Ongoing challenges to combat illegal logging represent a challenge for Peru’s timber to remain competitive in the global market. Total U.S. forest products exports to Peru in 2016 were almost $10 million of softwood lumber and engineered wood.

Executive Summary:

Wood and wood products trade remains strong in the Peruvian market. The Peruvian forest products market is estimated to value $800 million in 2017. It is expected to grow to $1 billion in 2018, boosted by the recovery of the construction sector and reconstruction efforts after El Nino rains that caused flooding and landslides. Peru's total market has grown steadily over the last 15 years, mainly driven by its construction and mining sectors. Wood products trade has also experienced steady growth. Chile, China, Ecuador and Brazil are the top suppliers of wood products to Peru in 2016. FAS Lima sees opportunities for increased softwood and engineered wood product use in Peru's construction sector

Production:

According to the Peruvian Forest Service (SERFOR), Peru produced 686.4 thousand cubic meters of timber in 2015. Of that volume, 84 percent was converted into sawn wood, nine percent was converted into plywood, and the remaining seven percent was used to produce charcoal, parquet flooring, laminated wood, railroad ties, and poles.

Peru primarily produces tropical hardwood species such as Cumala (*Virola sp.*), Shihuahuaco (*Dipteryx sp*) and Tornillo (*Cedrelinga catenaeformis*). Eucalyptus, a non-native softwood introduced for agroforestry purposes suffered a 98 percent drop in production in 2015.[1] According to local sources, this drop is due to a reduction in mining and construction projects. The Loreto region produces 54 percent of forest products and is followed by Ucayali with 14 percent.

Peruvian plywood company in Iquitos processing Capinuri and Lupuna species (Photo Credit: FAS Lima June 2017)

Peruvian Forest Product Market:

[1] Anuario de Estadisticas Ambientales 2016 (2016 Yearbook of Environmental Statistics) Page 308

The Peruvian forest product market is estimated to value $800 million in 2017, down from $950 million in 2016. This fall in market value is due to reduced exports linked to challenges sourcing legal domestic product, the disruption of the supply chain by flooding and landslides caused by the heavy rains of the Coastal Nino of spring 2017, and a slowdown in the construction sector due to a slowdown in the Peruvian economy. Over 90 percent of domestic production is consumed locally for construction (concrete forming), room dividers and non-shear walls, flooring, and furniture carpentry. While Peru possesses large tracts of forests, the forestry industry is not very developed[2] since wood is seen as a second-class material. In 2015, eight percent of the exterior walls of houses in Peru were made out of wood (non-structural).[3] The wood industry for commercial use in Peru is sustained by natural forests that are heterogeneous and diverse. The Peruvian National Forest Service and Wildlife (SERFOR) is leading efforts to reforest 3.2 million hectares of degraded land by 2020. As part of this initiative, two million hectares will be treated through productive reforestation and 1.2 million hectares will undergo a process for recovery of degraded areas.

Trade:

Peru produces tropical hardwoods that it exports to the world. Mainly for interior uses e.g. flooring, stairs, and exteriors (e.g. cladding, decking and waterworks). Peru imports softwood that is used to make furniture and housing carpentry, such as non-shear walls. Softwood imports have increased in the last years from $2 million in 2001 to $27 million. This growth can be linked to importer preferences for properties offered by these softwood imports including standardization, dried, and dimensions that domestic production cannot met.

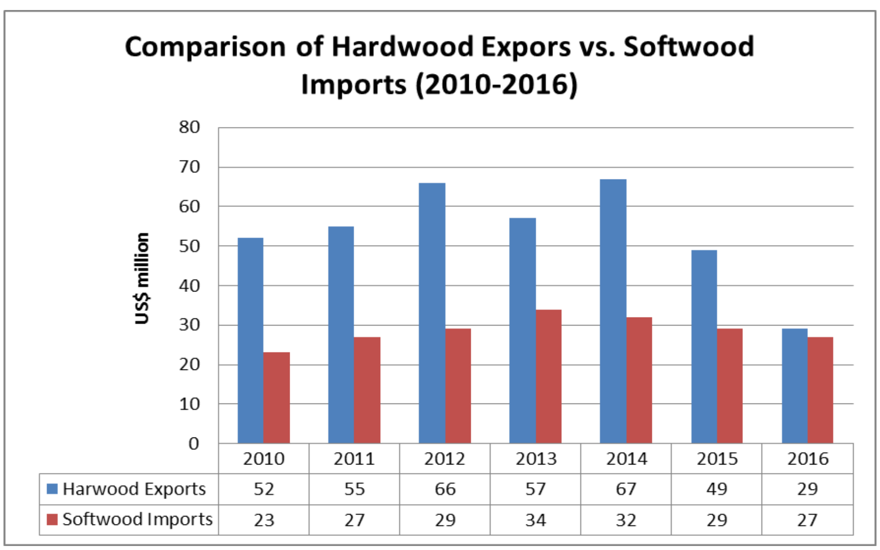


Chart 1. Source: SUNAT

Tropical Hardwood:

[2] idem Page 257
[3] idem Page 25

Peru faces ongoing challenges to combatting illegal logging, which has negatively impacted exports as some foreign imports have turned elsewhere to source product. In 2016, China was the top export destination for Peru's hardwoods, followed by the Dominican Republic and Mexico.

Commodity	HS Codes
Hardwoods	440799 440729

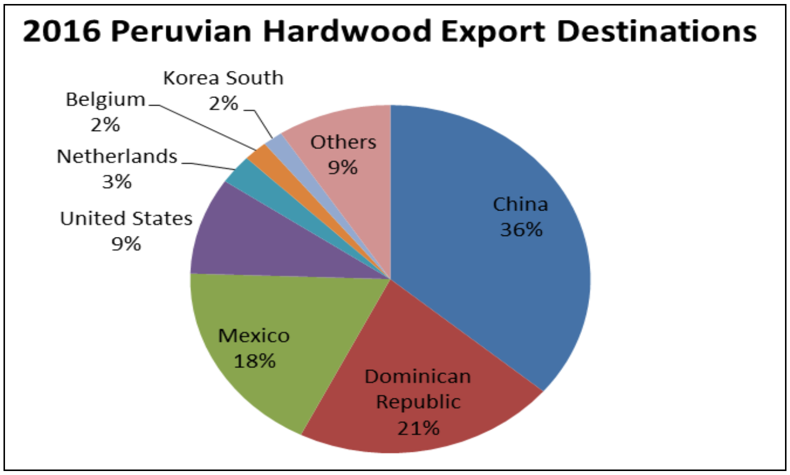


Chart 2. Source: SUNAT

Softwoods:

Chile is the top exporter of softwoods and treated lumber to Peru, representing 84 percent of Peru's total imports in 2016. The United States and Uruguay follow with import market shares of seven percent and six percent, respectively. Softwood and treated lumber is used to make wood furniture, doors, window frames, baseboard, and in concrete forming.

Commodity	HS Codes
Softwood and Treated Lumber	440710

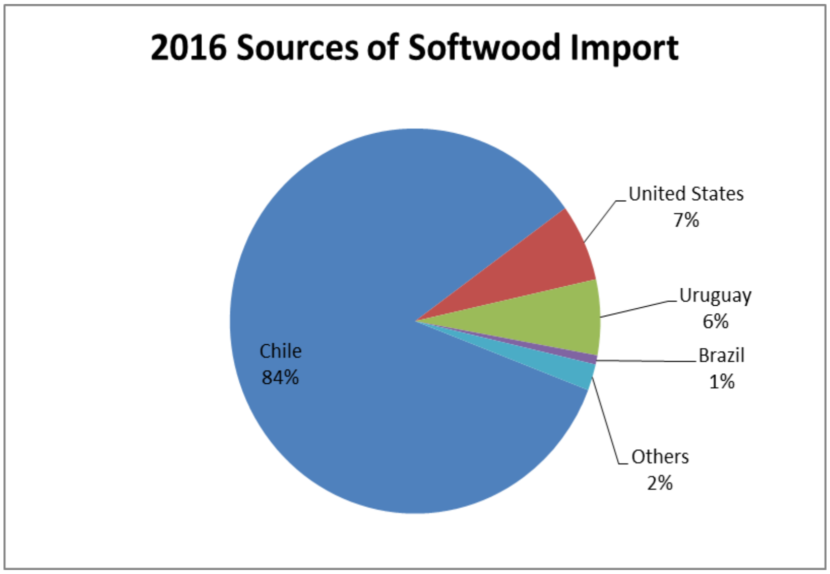
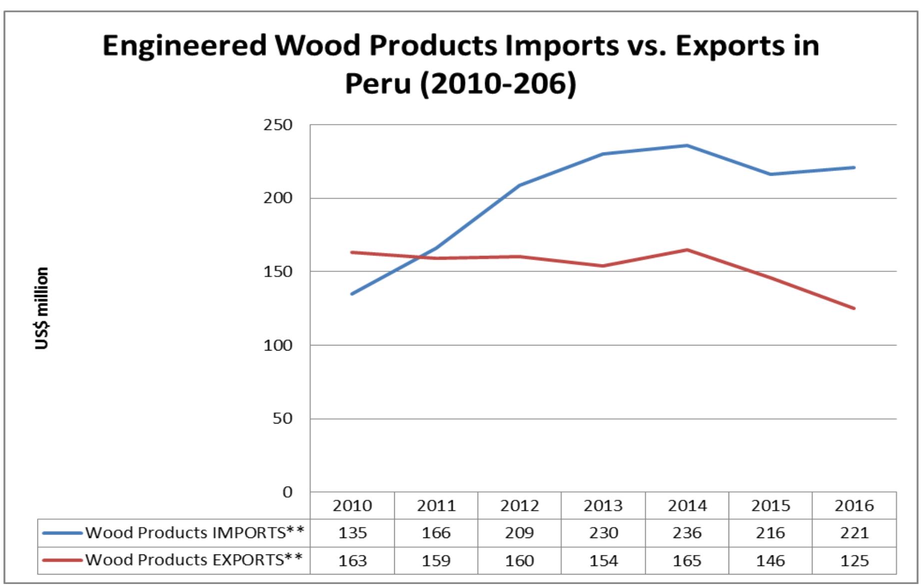


Chart 3. Source: SUNAT

Engineered Wood Products:

Peru's imports of engineered wood products have increased significantly over the past 15 years. These products are made out of softwoods and include products such as wafer board, oriented strain board (OSB), fiberboard, medium density fiberboard (MDF), and plywood. These products are also known as structural and non-structural wood products. These forest products are not produced domestically with the required qualities and quantities needed by Peruvian industry. The top suppliers of engineered wood products to Peru are Chile, China, Ecuador, and Brazil.



	2010	2011	2012	2013	2014	2015	2016
Wood Products IMPORTS**	135	166	209	230	236	216	221
Wood Products EXPORTS**	163	159	160	154	165	146	125

Chart 4. Source: SUNAT

Policy:

The U.S.-Peru Trade Promotion Agreement's Environmental Chapter contains an Annex on Forest Sector Governance. This Annex addresses the environmental and economic consequences of trade associated with illegal logging and illegal trade in wildlife. It commits the U.S. and Peru to enhance forest sector governance and promote legal trade in timber products. Under the Annex, Peru has committed to increasing the number and effectiveness of personnel charged with enforcing forest sector laws and regulations, imposing criminal and civil penalties at levels to deter actions, and improving administration and management of forest concessions. The United States has committed to work with Peru to build its capacity to meet these commitments.

On December 2015, the Peruvian government passed Forestry Law 29,763 and its regulation. The Law is a step towards a deep forest reform aimed at achieving territorial improvement, simplification of procedures, and business oriented to reinforce legal timber production. Due the complexity of land use in Peru, there are several authorities in charge of forest management and use:

- The Ministry of Agriculture's (MINAGRI) sub-agency, the National Forest and Wildlife Service (SERFOR), is responsible for developing and overseeing forestry policy that governs the national management system.
- The Regional Governments' Regional Environment Authorities (ARA), administer and control forests within their province.
- The Ministry of Environment's (MINAM) sub-agency, the National Service of Protected Areas (SERNANP), ensures the conservation, biological diversity, and the maintenance of environmental services in protected areas.
- The Supervisory Body of Forest Resources (OSINFOR) sets the supervision and monitoring in compliance with the authorization certificates and respective management plans.