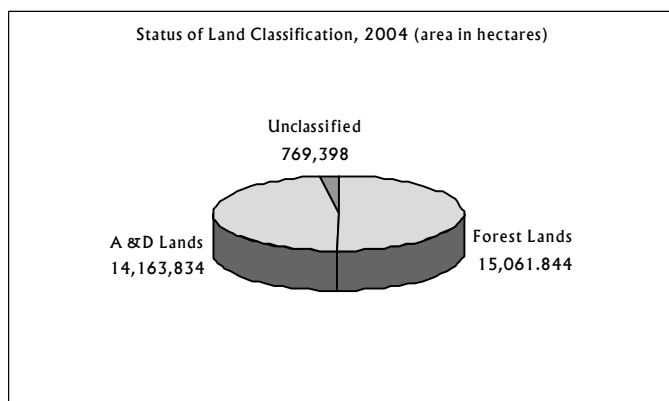


THE STATE OF FORESTRY AND WOOD SECTOR IN THE PHILIPPINES

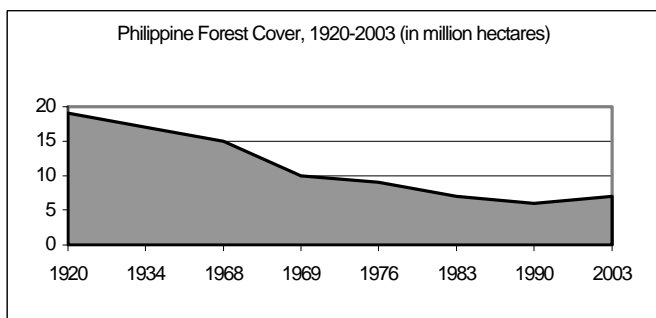
- STATE OF FORESTRY -

Land Classification. About 50% of the country's total land area or 15 million hectares are classified as forestland, 47% as alienable and disposable, while 3% remains unclassified. All lands in the public domain of 18% in slope or greater are classified as forestlands. In recent decades, it has become evident that significant portion of the lands that have been classified as forests are no longer forested, and have been put to use for agriculture or human settlements.



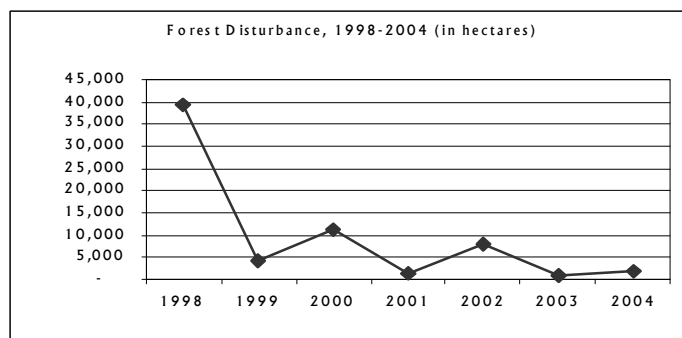
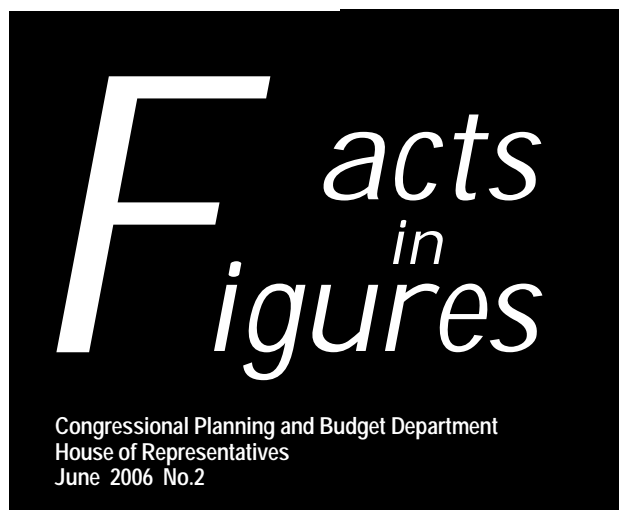
Source: Essential Statistics on Environment and Natural Resources, Philippines 2004

Forest Cover. Based on LANDSAT images from 2001 to 2003, only 6.5 million hectares out of the 15 million hectares classified as forestlands are actually forested, including an estimated 1.5 million hectares in protected areas and 4.7 million hectares in production forest. From 1969 to 1990, the country lost an average of 133,300 hectares of forest per year. This amounts to an average annual deforestation rate of 3%.



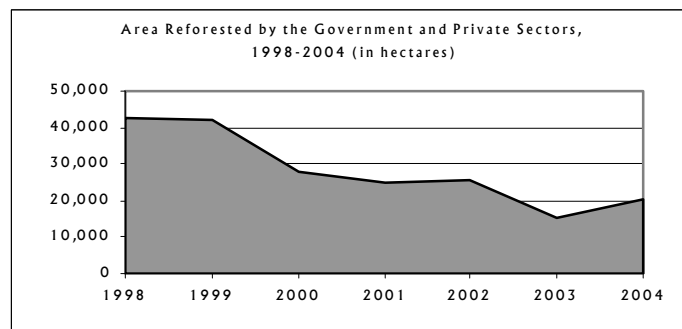
Source: Proposed Budget FY 2006, DENR; Philippine Statistical Yearbook, 2005

Deforestation. One of the principal causes of deforestation is forest disturbance (others include conversion to agricultural lands and human settlements) which is brought by urbanization and increasing population pressure. Forest disturbance was highest in 1998 at 40,000 hectares. This was due to *kaingin* activities and forest fire that affected 14,000 hectares and 21,000 hectares, respectively. In 2000, the DENR estimated that illegal logging caused the destruction of 4,920 hectares of forest.



Source: Philippine Statistical Yearbook, 2005

Reforestation. From 1998 to 2003, the average size of reforested areas has decreased by 64% or about 4,500 hectares per year. In 2004, however, it grew by a modest 34% from 15,088 in 2003 to 20,333 hectares. Out of this increase, 12,435 hectares were contributed by the government sector, and non-government sector accounted for the remaining 7,898 hectares.



Source: Philippine Statistical Yearbook, 2005

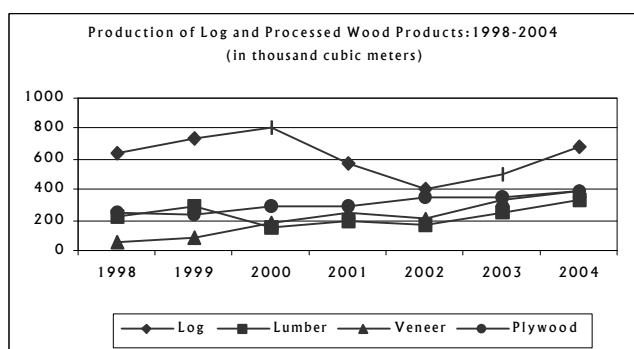
Community-Based Forest Management (CBFM) is the national strategy to ensure sustainable development of forestland resources. CBFM projects cover about 5.9 million hectares, but only 4.9 million hectares are tenured. About 1.42 million hectares of the CBFM sites remained idle due to lack of capital, and 210 CBFM agreements were cancelled due to unsatisfactory performance.

COMMUNITY-BASED FOREST MANAGEMENT PROJECTS: AS OF June 2004					
(area in hectare)					
Region	No. of Sites	Project Area	Tenured Area	Beneficiaries (No. of HH)	No. of People's Organization
Philippines	5,503	5,969,522	4,904,116	690,691	2,877
CAR	461	719,815	684,435	33,455	79
1	297	99,809	88,199	23,754	272
2	227	834,245	685,404	112,120	166
3	323	245,810	240,545	46,846	278
4a	89	42,009	29,167	5,632	63
4b	160	803,747	609,919	34,319	134
5	296	203,712	178,763	37,211	142
6	330	179,496	77,245	67,479	233
7	373	83,051	63,608	52,454	318
8	227	271,236	128,687	17,130	134
9	700	435,718	216,382	36,106	306
10	514	497,506	435,651	49,237	313
11	630	560,545	527,388	87,078	229
12	304	400,963	366,281	33,238	62
13	517	554,970	537,803	51,514	133
ARMM	55	36,890	34,640	3,118	15

Source: Department of Environment of Natural Resources

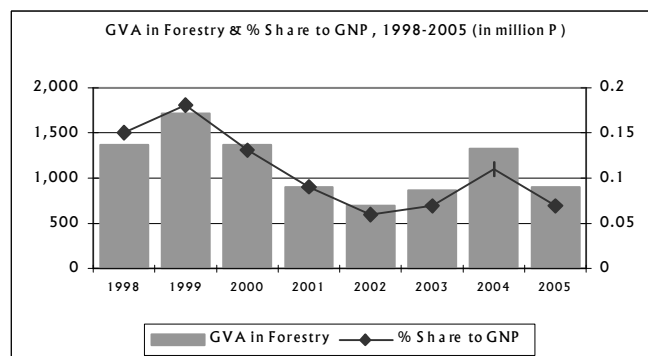
- WOOD SECTOR -

Production. Production of log and wood products has gradually improved since 2002. In 2004, log production totaled 683 thousand cubic meters or a 36% increase from the previous year. Lumber and other processed wood products also increased its production during the year. Lumber production rose by as much as 37%, while veneer and plywood posted growth of 14% and 9% respectively.



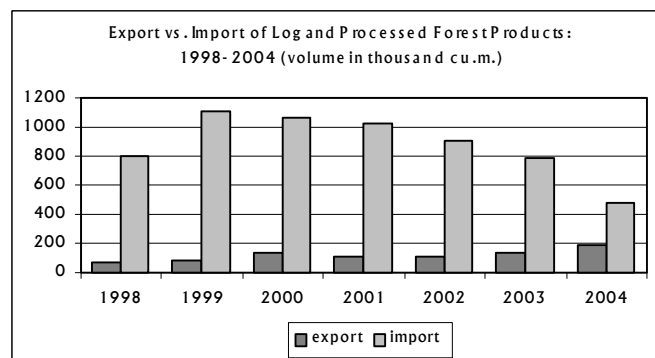
Source: Philippine Statistical Yearbook, 2005

Gross value added. Between 1999 and 2002, contribution of the forest sector to national economy had drastically declined and stood at only of 0.06% of gross national product (GNP) in 2002. In 2004, the growth of forestry sector gradually improved, contributing a 0.11% share of the country's GNP but this dropped to 0.07% in 2005.



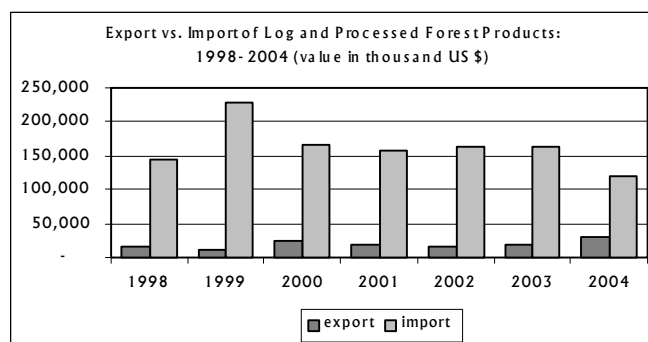
Source: Essential Statistics on Environment and Natural Resources, 2004; National Income Accounts, 2005

Net Importer of Wood. Despite improvements in domestic production, the country remains a net importer of wood and wood products. Since 1998, the average volume of wood importation amounted to 882,547 cubic meters—this peaked in 1999 when it reached 1.1 million cubic meters. The shift in the sources of logs from large tracts of natural forests held by a few corporations to small plantations has largely contributed to the timber trade imbalance in the country.



Source: Philippine Statistical Yearbook, 2005

The country's average trade deficit in the wood/forest sector amounted to US\$143 million for the past seven years. In 1999, the country incurred a high deficit of US\$215 million from timber trade alone. Beginning 2001, however, the deficit has been declining by an average of 36% from US\$139 million in 2001 to US\$ 88.9 million in 2004.



Source: Philippine Statistical Yearbook, 2005