



THE TIMBER SECTOR CRISIS SCENARIO IN PARÁ STATE

The timber activity in Pará State, which comprises logging of native forests, forest planting and the timber industry production chain, has become one of the main economic segments over the past three decades, accounting for income and employment generation in the region.

The disordered growth of this activity, in addition to land, environmental and institutional deficiencies, has brought about consecutive crisis to this sector, thus jeopardizing its own continuity within the State of Pará.

Recently, some projects have proposed to order the forest sector in Pará such as the **Public Forests Management Act** (which creates forest concessions), the creation of **State Production Forests** and the establishment of **Ideflor (Pará State Forest Development Institute)** which shall be accountable for managing the State's forest production policy.

Such projects can actually add to the suitable ordering and development of the timber-forestry sector, since they are prioritized by both State and Federal Governments. All of these policies, however, are structural proposals demanding some reasonable time for development.

Meanwhile, the timber sector is experiencing one of its worst crises caused mainly by the shortage of legal raw material, thus requiring prompt actions from the public managers in order to avoid collapse of the activity.

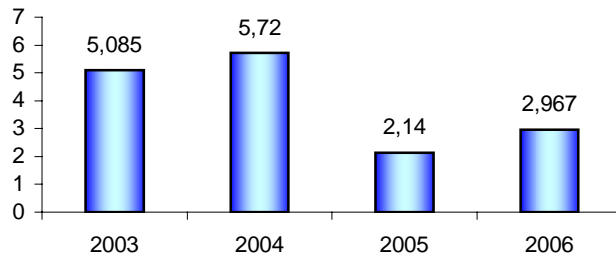
Undertaking actions and instruments that allow for the transition from the current stage into the future operation model of Pará's forest sector is necessary in order to enable maintenance of employment and capital that are generated by the State's second largest economic activity.

We list, below, the key points of the sector's current crisis:

a) Lack of Management Plans – The management plans in effect are not enough to meet the sector's minimum demand. If SECTAM (Pará State Science, Technology and Environment Secretariat) does approve of new management plans, the industrial timber sector is sure to collapse and so will the social and economic chain of several cities. What brings concern is the fact that this secretariat has only one Attorney-in-fact accountable for analyzing the PMFS (Forest Management Plans). If this condition is not settled immediately, the producers will not be able to work legally on this year's harvest. The following table shows the drastic drop in the volume authorized by the environmental agencies in the State of Pará:



Volume of Projects Authorized by IBAMA (millions/m³)



Source: CGREF/IBAMA and IMAZON

Thus, it is easy to verify that the volume traditionally authorized by the environmental agency (Ibama) in 2003 and 2004 was, respectively, 5,085 and 5,720 million m³. In 2005, this volume plummeted to 2.140 million m³ and in 2006 to 2,967 million m³. That is, there is an annual average difference of 2,849 million m³ of raw material without which there is no way for the forest-based industry to remain in the business without a production collapse.

Currently, several management projects are pending approval from Sectam, but this agency does not have the minimum structure to meet the sector's demand.

This way, this environmental agency urgently needs to create an emergency task-force to address the matter by hiring technicians in order to complete the evaluation of all of the environmental permits pending approval.

Moreover, it is required that those lands with no definitive deed, considered as being under public domain, to be granted authorization to transitory production until concessions commence, for in 2007 no management plan has been approved by Sectam.

b) Concessions – The private sector believes that only the implementation of the forest concessions, created by Act 11.284/2006, shall allow for the development Pará's forest economy with stability. For this reason, the concessions of public forest need to be brought into effect as soon as possible. **The requirement is for 16 million hectares of forests in the next four years, accounting for 13% of the State's territory, to be managed over 30 years.** Again, the biggest problem lies on the management capacity of the public agencies, since all of them suffer from the lack of qualified personnel, equipment and physical infrastructure to make such policy work properly.

c) Settlements – Another problem is the issue concerning rural settlements, which are carried out with no planning or environmental permits in this State. Because of that, the



settlers end up debushing their lands in a disorderly manner and are compelled to sell the timber they harvest for self-support in a clandestine way, instead of becoming suppliers of legal forest economy, which could also increase these settlers' income. Meanwhile, the companies are going bankrupt, unemployment lurks the sector, social chaos rules over the municipalities where the timber business is an economy pillar. This scenario discourages other companies to invest in Pará's timber industry due to the status of legal instability of this sector.

d) Unemployment – The number of companies closing down is increasing every day and, consequently, employment rises. **The timber industry alone** (not accounting other forest-based activities such as furniture-making, iron and steel industries, reforestation etc.), **generates over 180 thousand direct and indirect jobs, with an annual revenue of more than 3 billion Reais (+/- 1.5 billion dollars) for the State.** This revenue is internalized as salaries, taxes, services, equipment etc., and circulates in the State's economy to generate even more employment and revenue.

Counseling – In order to minimize the crisis and allow for the continuity of the timber activities in the State and, at the same time, provide the basis for the sector's definitive order with an aim at sustainable production, the State and Federal Governments are required to act efficiently and quickly by investing in both human and financial resources for the forest sector. Ruling is, above all, taking on responsibilities. It is past the time the timber sector was regarded as important for the State's economy and start finding solutions for this crisis that is devastating the sector, for this lethargy may result in an out-of-control social situation. Aimex shall keep on demanding that the authorities adopt the necessary measures to solve this crisis, since it believes in the forest economy potential of the Amazon Region and the benefits this activity can bring to this region, should it be developed adequately.