8 Trend Analysis and Basic Scenarios

The present chapter analyses the utilization and substitution trends for tropical timber after 1984 on the basis established in the previous two chapters. Information from the previous years is generally not carried forward because it is considered obsolete.

The procedure adopted is explained and theoretically justified in Section 8.1. Section 8.2 examines utilization and substitution trends for the raw material tropical timber in general. Following thereafter (Section 8.3), the trends found after 1984 are examined qualitatively and quantitatively for the seven chief end consumer categories for tropical timber in Germany. Using the results of this analysis and the procedure described in Section 8.1, the consumed quantities which could be achieved by setting up a credible certification scheme, are calculated to a first approximation for five submarkets (basic scenarios).

In the first instance the basic scenarios just represent quantity trends, that must be modified in order to be able to consider price effects too. The modifications are made in Part III and involve several effects on the supply and on the demand side (extended scenarios).

8.1 Procedure for Determining the Basic Scenarios

This study is characterized by two essential methodical aspects. Firstly, several important submarkets for tropical timber are examined with regard to their reaction to a certification scheme. This approach was given preference over a highly aggregated analysis of the total German demand for tropical timber because very different conditions prevail on some of the submarkets, for example with regard to possible substitutions for tropical timber or with regard to the effects of the campaign against tropical timber.

Secondly, a method was chosen for indirectly estimating the increased demand which a credible certification scheme could produce in the respective end consumer areas. The two chief factors of influence which have in recent years acted against the utilization of tropical timber in the individual submarkets, were the campaign against tropical timber and a change of fashion in favour of lighter-
coloured timbers thus discriminating against the often relatively dark tropical timber species. Instead of assessing in bulk the increased demand which could result in the submarkets through a certification scheme, for example by estimating or setting a certain percentage increase of demand, this study is guided by the market losses suffered by tropical timber in the individual end consumer categories through the campaign against tropical timber and/or the change of fashion in recent years (trend analysis). Building on the results of the trend analysis, the possible increase of demand in the course of establishing a credible certification scheme is defined on the assumption that the certification scheme will restore the consumption of tropical timber in the affected submarkets from the present low level to the long-term trend level which existed before the campaign against tropical timber and the change of fashion.

The detailed procedure is explained below. The seven chief end consumer categories for tropical timber products are known from the distribution analysis. For five end consumer areas it was possible to calculate two trend quantities as basic scenarios:

The Basic Scenario T I describes for the year 1993 the quantity which would have been demanded according to the historic trend without the campaign against tropical timber.

The Basic Scenario T II describes for the year 1993 the quantity which would have been demanded according to the historic trend without the campaign against tropical timber and without the change of fashion towards lighter-coloured timber species in recent years.

Consequently the basic scenarios determine the quantities which could be consumed today in the respective segments, if the effects of the two chief negative factors operating against the utilization of tropical timber in recent years, can be cancelled again by a certification scheme. It is assumed that this is 100% possible with a credible certification scheme.

Fig. 7 shows graphically the price and quantities development on introduction of a certification scheme confined to the Federal Republic of Germany. If the consumers who have withdrawn from the market on account of the campaign against tropical timber and/or the change of fashion can be recovered by a certification scheme, the quantities T I and T II respectively would have been achieved for the reference year 1993, taking into consideration the growth rate on these markets between 1984 and 1993. These are the basic scenarios calculated in Section 8.3 for important submarkets. 57

Ideally a complete market model should have been specified and estimated econometrically for each submarket, instead of just calculating trend quantities. As chief components, the model would have contained dummy variables for the campaign against tropical timber and for the change of fashion. Estimates made with the model and simulations derived from it with/without the campaign against tropical timber and the change of fashion, could then have been used to calculate the basic scenarios.

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57 For the construction of the trend quantities T I and T II, see for example Fig. 11 in Section 8.3.1 and the associated explanation.