

CHAPTER 5

THE ECONOMIC IMPORTANCE OF SRI LANKA'S FORESTS

5.1 The economic importance of timber

It is quite clear that timber from forests has contributed to the economic development of Sri Lanka, and continues to do so. Historically, Sri Lanka has had a well-developed woodworking industry dating back over 2,500 years, as can be seen from the doors, windows and other strong and massive wooden structures that have been found, or recorded, in historical buildings (Pushparajah, 1987). Even solid wooden bridges constructed using ironwood (*Messua ferrea*) lasted for centuries. The ironwood tree is the national tree of Sri Lanka. Most of the finer outside woodworking was done by highly-skilled and experienced craftsmen and artisans.

New equipment for logging and conversion of timber on a large scale came during the Dutch period when valuable tough timbers like ebony and calamander were extracted and shipped to the Netherlands. The economic importance of the country's forests grew even further when other valuable tropical hardwoods such as satinwood were cut and shipped to Europe or used as sleepers in the construction of railways. Large timbers were also supplied to the United Kingdom during the Second World War.

Subsequently, the forests' timber potential played a major role in the development process that ensued after Independence in 1948, by meeting the needs of large-scale housing and construction programmes. These have included the housing programmes, the Mahaweli Development programme and other similar development projects. However, the recently-liberalised economy and the processes of industrialisation demand very large quantities of timber which the country's natural forests can no longer supply in full. Although dense-canopied, the natural forests are generally poorly stocked with marketable timber because of over-exploitation, earlier by the Forest Department, and later, since 1968, by the State Timber Corporation, and because of illegal felling. One writer admits that the State Timber Corporation has grown by leaps and bounds, of course at the expense of the forested

environment (Abeysekera, 1987). The largest quantities of timber ever harvested by the State Timber Corporation were from the Mahaweli Development Authority command area in the 1980s.

Fortunately, the country has a fair-sized plantation forest estate which is being continuously increased and which could meet part of this increased demand. Special-purpose timbers are being supplied to meet the requirements of the government building sector, the Railway Department and the agencies requiring electrical and telegraph poles. Private-sector institutions generally import their timber now. Today, the State Timber Corporation on its own cannot meet the rising demand for timber. Pressure on the forests has also been reduced by timber coming out of the non-forest wood resources. These sources, together with the relaxation of timber import controls, have enabled the country to rest its over-exploited and degraded natural forests.

High demand for timber, coupled with limited supply, has meant a steady escalation of timber prices. It is now only a wealthy man who could afford to purchase prime hardwood timber for his house or furniture. Even cane and rattan furniture is now quite expensive.

5.2 The economic importance of other wood products

Some of the forest wood products, other than sawnwood, that contribute to the economic importance of forests include:

- electrical transmission poles;
- telegraph poles;
- fuelwood;
- charcoal;
- fence posts;
- plywood;
- pulpwood;
- cane furniture;
- bamboo;
- curios;
- toys;
- other miscellaneous value-added items.

A value estimate of all this, plus the value of log and sawn timber, will run into billions of rupees every year. Recognising the economic value of forests, the country continues its forestation programmes. Some charcoal is being produced by the State Timber Corporation from forest wood, chiefly from the "lop-and-top" and unwanted tree species from salvage forest coupes.

Also, recognising the environmental, ecological and genetic importance of natural forests, the Government decided that, from 1981, no more natural forests would be converted to plantation forests, and only highly-degraded lands, grasslands, *chena* lands, degraded tea estates, coastal areas and areas of special or critical importance would be forested.

5.3 The economic importance of non-wood forest products

Other forest products of economic importance include:

- medicines;
- honey;
- thatch;
- food, including fruits, fodder, fish and game meat.

Although hunting in forests is not encouraged, and many wild fauna are on the protected list, there is a demand for wild meat in some tourist hotels, with the result that there is some illicit trafficking. There is also some evidence of the illegal smuggling of leopard and crocodile skins out of the country which is causing problems for the Department of Wild Life Conservation. Honey has been an important product from natural forests from prehistoric times and continues to be so today; honey from forest plantations is also popular – beehives in eucalypt plantations yield very good honey.

5.4 Demand for wood products

The demand for industrial timber is growing steadily and by the year 2000 it will be in the region of 1,444,000 m³. The demand for industrial timber in 1995 was 1,357,000 m³, compared with 980,000 m³ ten years previously (NARESA, 1991).

Table 5.1 gives the wood requirements of the Sri Lankan forest industry for the period 1995 to 2020 by different categories in a self-sufficiency scenario.

In view of the prevailing moratorium on logging in natural forests, an expanded afforestation programme, together with careful management of existing forest plantations and continuation of imports, will be essential. This will enable the forestry sector to continue to make its contribution to the economy of the country and to meet projected demands for timber and other forest products in perpetuity.

Table 5.1
Wood requirements of the Sri Lankan forest industry
1995-2020, self-sufficiency scenario, million m³

Year	Sawnwood	Plywood (mostly rubberwood plylogs)	Pulp and paper(mostly <i>Albizia</i> and <i>Eucalyptus</i> pulpwood)	Total
1995	1.320	0.016	0.009	1.345
2000	1.427	0.008	0.009	1.444
2005	1.536	0.004	0.009	1.549
2010	1.649	0.004	0	1.653
2015	1.759	0.004	0	1.763
2020	1.864	0.004	0	1.868

5.5 Forestry, industry and employment

Approximately 200,000 people are employed in the forestry sector. About 60,000 are employed throughout the year in the activities of the Forest Department alone. Most of the forest-planting work, nursery work, some building work and some maintenance work is done by women. The wood industry includes about 300 sawmills for subsequent processing of timber for the local market, around 8,000 furniture-cum-carpentry industries and nearly 400 other wood products industries.

Some of these are on a small scale. All sawmills and all sales outlets of timber, numbering around 1,500, are registered and pay licence fees to the government. All these industries consume around one million m³ of wood per year. However, not all timber for these industries comes from the forest proper. About half comes from the non-forest wood sector. Also, now that the import of timber is permitted, there is the likelihood that wood industries will grow and, with the large extents of forest plantation gaining maturity for harvesting under sustained-yield management, the economic importance of forestry will no doubt grow.

5.6 Summary

The demonstrated economic value of forestry is now leading to private sector establishment of industrial and agroforestry plantations, with government support. The Forest Department tried private sector forestry some years ago but at that time it was not successful, because of various restrictions and land tenurial problems. With a liberal policy being adopted today, there is great potential in the field of private sector forestry for industry, and would-be entrepreneurs are aware of the economic benefits from long-term forestry. With the technology of establishing fast-growing timber species like eucalypts, pines and mahogany now well-known, private sector forestry has a good future. It should further reduce the pressure on the hard-pressed and over-exploited natural forests of the country. However, in order for private enterprise forestry to succeed, there needs to be security of land tenure and a ready market for the forest products. Private sector forest industries may not be profitable ventures, except in the case of a venture growing small wood for pulp and paper industries, or for power generation. Sri Lanka is planning to set up a pilot plant to generate power from small wood gassification. As land is available at the moment, this could be a success.

Unfortunately, the total economic importance of the forestry sector is not adequately recognised in the state's accounting system, which generally shows a GDP contribution of about two per cent. This is a serious underestimate of the true worth of forests and forestry. Important benefits are not included or register only very poorly in GDP statistics. These would include the economic contribution of forestry to the total energy needs; the value of all value-added products; the costs and benefits of harvesting and transporting timber;

intersectoral linkage benefits; and, above all, the environmental and social benefits of forests. It is important that this underestimate is eliminated in order to improve awareness among the people of the total benefits and economic importance of the country's forests.