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Denmark

Forest Products Annual

1999

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Report Highlights:
Softwood plywood and hardwood are the major U.S. forest products exported to Denmark. High U.S. domestic prices are constraining U.S. softwood exports to Denmark. In 1999, the U.S. market share is expected to drop to 15 percent, compared to 47 percent in 1997.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Copenhagen [D11], DA

EXECUTIVE SUMMARY

Denmark imported wood products valued at $30 million from the United States in 1998, 41 percent of which was softwood plywood. The total Danish wood trade in 1998 amounted to $1.7 billion, with imports valued at $1.04 billion and exports worth $677 million. The Nordic countries accounted for about 90 percent of all the wood trade. Almost half of the imports were pine logs ($508 million).

In 1998, the U.S. supplied $13 million of softwood plywood to the Danish market but high U.S. prices are expected to reduce sales in 1999 by about half, bringing U.S. market share down to around 15 percent. Just a few years ago, the U.S. market share was above 40 percent. Danish importers report strong competition from Finland, Poland and other East European countries. Other suppliers include Russia, Germany, Sweden, and Canada.

In 1998, Danish furniture exports amounted to more than $1.7 billion, with the majority of the industry exporting pine furniture to Germany. However, exports of cheaper MDF (Medium Density Fiberboard) based furniture from Eastern Europe are replacing Danish pine furniture in Germany.

On December 3, 1999, the first hurricane ever registered in Denmark hit Danish forests, completely destroying whole forests in certain regions. It is estimated that the hurricane fell about 150 percent of Denmark's annual normal tree harvest. The influence of the hurricane on harvests in 2000 is still uncertain. Excess supplies will definitely depress prices and further constrain U.S. softwood export opportunities, even though much of the "hurricane harvest" can not be used for normal purposes.

Average Exchange Rates:
1998: U.S.$1 = DKK 6.70
December 1999: U.S.$1 = DKK 7.35

General

Production

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Land Area	4.3	4.3	4.3
Total Forest Area	0.4	0.4	0.4
--of which, Commercial	0.4	0.4	0.4
----of commercial, tropical hardwood			
----of commercial, temperate hardwood	0.14	0.14	0.14
----of commercial, softwood	0.27	0.27	0.27
--of forest area, non-commercial			
Forest Type			
--Of which, virgin			
--Of which, plantation	0.4	0.4	0.4
--Of which, other commercial (regrowth)			
Forest Ownership			
--Nationally owned and no commercial access	0	0	0
--Nationally owned, commercial logging permitted	0.1	0.1	0.1
--Other publicly owned land, no commercial access	0	0	0
--Other publicly owned, logging permitted	0	0	0
--privately owned commercial forest	0.3	0.3	0.3
Total Volume of Standing Timber	n.a.	n.a.	n.a.
--Of which, Commercial Timber			
Annual Timber Removal 1/	1.7	1.8	1.8
Annual Timber Growth Rate	n.a	n.a.	n.a.
Annual Allowable Cut	average yearly cuts corresponding to growth		

Government Policies

EU forestry regulations make it difficult to transform agricultural land into forests. However, Christmas tree growing on agricultural land is not regulated and has accounted for most of the last years' forest expansion. In contrast, legislation only allows 10 percent of private forests to be used to grow Christmas tress. The Danish Forestry Society represents most Danish private forest owners and encourages members to take full advantage of the 10 percent level.

Forest Area

The Government wants to double Danish forests to 800,000 hectares (this would be about 20 percent of Denmark's total area) during the next 80 to 100 years. There are EU programs that encourage conversion of private farm land into forestry but EU funding levels are not high enough to cover the costs of transforming agricultural land into forest, even on marginal soils. Danish government subsidies for increasing the area of broad leaf trees (for recreational purposes) have generally been used to replant areas where conifers were harvested, hence, the total forested area remains unchanged.

Subsidies

In 1997, new Danish planting and income compensation subsidies were introduced. The government budget began with DKK 50 million. This amount only funded about half of the submitted subsidy applications, which resulted in planting of about 950 hectares. The 1998 budget of DKK 40 million still only funded half of the 2,500 hectare target to increase private forests. New legislation increased the 1999 budget to about DKK 100 million. To met the goal of doubling the forest area, public forests must also expand by 2,500 hectares per year, but so far, annual plantings have not exceeded 600 hectares. This is because much of the public forests are controlled by local governments and do not find the Federal subsidies a sufficient incentative to expand their forests.

Crop Quality

The quality of most Danish grown species -- softwood as well as hardwood -- is considered low. Conifers are used mostly in the particle board industry while most beech is exported to Sweden for processing into pulpwood, an industry which does not exist in Denmark. High quality beech is kept in Denmark for production of finished floors, to satisfy domestic demand.

Softwood Plywood

Production

Domestic production used to be about 7,000 to 8,000 CUM but is now only about 5000 CUM. This level is only about 5 percent of total Danish consumption and is not expected to increase in the near future.

Market Impediments: Oriented Strand Board (OSB) is becoming a strong competitor of softwood plywood. This trend is generally credited to the production of fast growing small trees at the expense of production of larger trees and better utilization of the wood.

Oriented Strand Board (OSB) imports are registered in the customs category together with wafer. Consequently, imports of OSB are difficult to estimate. Total 1998 imports of wafer board (including OSB) reached 70,444 CUM, of which 369 CUM came from the U.S. OSB standards for North American companies are not approved for Denmark so several U.S. companies have located factories in Europe. For example, Louisiana Pacific has joined together with an Irish company to produce OSB in Ireland, which is approved for the EU/Danish market. OSB 3 (and OSB 4) are used in Denmark for roofs and floors, but since both standards are used for the same purpose, Danish importers prefer only to stock OSB 3.

Trade

Danish imports of plywood have increased drastically the last three years from 72,083 CUM in 1996 to 102,360 CUM in 1997 and 125,745 CUM in 1998. Due to increased competition from OSB, imports of plywood is forecast to decrease to 115,000 CUM in 1999 and maybe even a bit lower in future years.

U.S. market share has traditionally been about 40 percent but strong price competition lowered it to 29 percent in 1998 and it has remained at only 15 percent for the first six months of 1999. Danish importers claimed that prices of U.S. plywood are 30 percent above world market prices. Long time Danish importers of U.S. plywood are now buying plywood in East European countries for export to the United States.

There was one exception in November 1999 where prices were only 15 percent above world market prices. During that week about 3,000 CUM were ordered for Denmark. Danish importers will continue to import U.S. speciality plywood products, such as Siding T1-11, but in smaller quantities (thousands of CUM).

Some Danish importers claim that Finland and some other U.S. competitors produce plywood that is more attractive and “nicer to touch”, compared to the same grade and specifications of the U.S. product. They feel it will be difficult for U.S. exporters to regain market share, even if U.S. prices decline.

PSD Table

PSD Table						
Country	Denmark					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Production	7	4	7	5	0	5
Imports	110	126	100	115	0	110
TOTAL SUPPLY	117	130	107	120	0	115
Exports	27	30	22	20	0	20
Domestic Consumption	90	100	85	100	0	95
TOTAL DISTRIBUTION	117	130	107	120	0	115

Import Trade Matrix

Import Trade Matrix			
Country	Denmark		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Imports for:	1997		1998
U.S.	47812	U.S.	36642
Others		Others	
Russia	14820	Russia	15497
Finland	13963	Finland	21535
Germany	10698	Germany	8691
Poland	6000	Poland	15114
Sweden	4328	Sweden	9711
		Indonesia	15042
		Canada	1841
Total for Others	49809		87431
Others not Listed	4739		1672
Grand Total	102360		125745

Export Trade Matrix

Export Trade Matrix			
Country	Denmark		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Exports for:	1997		1998
U.S.		U.S.	
Others		Others	
Germany	7002	Germany	2952
Norway	6625	Norway	1787
UK	2493	UK	157
Faeroe Islands	2329	Faeroe Islands	1317
Greenland	2606	Greenland	21552
Total for Others	21055		27765
Others not Listed	5418		1894
Grand Total	26473		29659

Strategic Indicator Tables

Construction Market

STRATEGIC INDICATOR TABLE: CONSTRUCTION MARKET			
Country: Denmark	Previous	Current	Following
Report Year: 1998	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	n.a.	n.a.	n.a.
--Of which, wood frame	n.a.	n.a.	n.a.
--Of which, steel, masonry, other materials			
--Of total starts, residential	16,776	17,000	17,000
----Of residential, single family	9,797	9,850	9,850
----Of residential, multi-family	6,979	7,150	7,150
--Of total starts, commercial			
Total Value of Commercial Construction Market ($US million)	17586	18000	18000

Total Value of Repair and Remodeling Market ($US million)	n.a.		
Are tariffs on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal, but EU single market		
Are tariffs on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal, but EU single market		
Are non-tariff barriers on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal, but EU single market		
Are non-tariff barriers on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal, but EU single market		
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	No		
If yes, identify the following:			
--Country(ies)			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/			
--Estimated annual market expansion outlay ($US million) by country			
Is the acceptability of U.S. style timber frame construction (i.e., per building codes, mortgage availability, etc.) high, medium or low? 3/	Low		
Are consumer preferences for solid wood materials vis-a-vis non-wood materials in construction high, medium or low? 3/	High for summer houses, low for residential houses		
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 3/	Low for OSB, otherwise high		
If price quotes for construction and structural wood products are available, identify the leading source(s)	DHL, Skagensgade 66, DK-2630 Taastrup. Tel: +45 4350 0100. Fax: +45 4350 0249		

Furniture and Interiors Market

STRATEGIC INDICATORS TABLE: FURNITURE & INTERIORS MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	16,776	17,000	17,000
Total Number of Households)	2,400,000	2,400,000	2,400,000
Furniture Production ($US million)	1867	1744	1780
Interiors Market Size ($US million)	475	450	430
Total Furniture Imports ($US million)	677	806	850
Total Furniture Exports ($US million)	2069	2100	2200
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal, but EU single market		
Are non-tariff barriers on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	No		
Are there market development programs for furniture or interiors market expansion funded by foreign governments?	No		
If yes, identify the following:			
--Country(ies) 2/			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 3/			
--Estimated annual market expansion outlay ($US million) by country			
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 4/	High		
If price quotes for furniture and interiors products are available, identify the leading source(s)	IKEA, Maakaervej 15, DK-2630 Taastrup. Tel: +45 4359 0101. Fax: +45 4359 0951		

Material Handling Market

STRATEGIC INDICATOR TABLE: MATERIAL HANDLING MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output ($US million)	51	50	50
New Pallet Production (million units)	8.7	8.5	8.5
Are consumer preferences for solid wood pallets and packaging materials vis-a-vis non-wood materials high, medium or low? 1/	High		
Are industry/trade preferences for repaired/recycled pallets over new pallets low, medium or high? 1/	High		
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 1/			
Identify leading source(s) of price quotes:	Danish Timber Information Center, Lyngby Kirkestraede 14, DK 2800 Lyngby. Tel: (+45) 4587 3833, Fax: (+45) 4588 0833		
Are there market development programs for the materials handling market expansion funded by foreign governments?	No		
If yes, identify the following:			
--Which Countries?			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/			
--Estimated annual market expansion outlay ($US million) by country			
1/ If low or medium, explain in text of report.			

2/ If "other", explain in text of report.			