



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/25/2000

GAIN Report #AU0002

Austria

Solid Wood Products

Recent Developments on the Austrian Forest and Forest Products Sector 2000

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Report Highlights: The strong storm on December 26 1999, caused unexpectedly little damage in Austrian forests. The demand for wooden framed windows is declining. Wooden framed windows are increasingly replaced by PVC- framed windows. Parquet imports have been significantly exceeding exports. However, exports have been rising in recent years. France and the U.S. may become new export markets. Lumber producers expect good capacity use and firm prices for 2000.

PSD changes: No

Includes

Includes Trade Matrix: No
Unscheduled Report
Vienna[AU1], AU

Recent Developments on the Austrian Forest and Forest Products Sector

Summary

The strong storm Lothar, which struck many parts of Europe on December 26 1999, caused unexpectedly little damage in Austrian forests. The demand for wooden framed windows is declining which is reflected in a production drop and the closure of some companies producing only such windows. Wooden framed windows are increasingly replaced by PVC- framed windows. Austria is Europe's largest per capita user of parquet. Parquet imports have been significantly exceeding exports. However, exports have been rising in recent years and this trend should continue in 2000. France and the U.S. may become new export markets. Lumber producers expect good capacity use and firm prices for 2000.

Storm Damage in Austrian Forests Relatively Low

The storm Lothar, which struck Europe on December 26, 1999, caused considerable forest damage in some west European countries. According to the Austrian association of agricultural and forest enterprises, France, Germany, and Switzerland were particularly affected by the storm.

In Austria, the association of agricultural and forest enterprises carried out a survey which showed that Lothar's damage to domestic forests is surprisingly low. However, the volume of damaged wood shows great local and regional variation. Primarily the provinces of Upper Austria, Lower Austria, Salzburg, and Vorarlberg were affected. Total wind breakage of December 26 is put at around 400,000 cubic meters, which corresponds to less than 3% of the annual felling rate.

Due to frozen ground conditions since December 1999, the storm did not uproot trees but broke trunks at a height of some meters. For this reason, the wind breakage resulted more in a loss of value of the affected timber. In addition, moving the damaged wood under deep snow conditions will be more costly. In heavily affected areas clearing work will take a long time as logging companies have concentrated on Germany and France.

Storms in January 2000 have not caused any significant forest damage so far.

The large availability of wood from France and particularly south Germany is expected to put downward pressure on Austrian wood prices. However, it is hoped that the price drop will be only moderate. Probably beginning March, larger wood quantities from south Germany will enter the Austrian market.

The orders on books and prospects for 2000 of saw mills are regarded as very good. At least in the next few months saw mills will operate in full capacity.

Demand for Wood Windows Soaring

In 1999, production of window scantlings declined for the first time in many years. In the first half of 1999, the output was 22,300 cubic meters, down 9.3% below that of the first half of 1998. At the same time, exports dropped 14% to 11,800 cubic meters.

The reason for this negative development is the shrinking market for wooden window frames, particularly in traditional export markets. Already in the second half of 1998, exports declined considerably (-9%) compared to the corresponding period of 1997. According to the association of window scantling producers, even in traditional wood window frame areas PVC-windows are gaining ground significantly. Thus, of the firms producing both wooden and PVC-frame windows, a rising number is turning towards PVC-frame windows whereby the production of wood windows is reduced. Some producers of wooden frame windows have had to close their companies.

Within the shrinking wooden frame window market, there is also a distinct increase in the supply of windows from central European countries is noticed. Due to the good surface milling characteristics of tropical woods and the reduced environmental debate over tropical hardwood harvesting, interest in window frames of tropical species remains high.

All these developments affect prices, which, according to the association of window producers, have reached a disastrous level. Some competitors already offer their products at cost and there have been cases in which window scantlings were sold below cost to gain new customers.

The association of window producers believes that there will be soon a shift in the market toward demand based either on quality or price. The association believes that if the latter will be the case, the traditional wooden frame window will disappear in many regions and become a niche product.

Austrian Parquet Industry Remains Successful

In the last three years, the parquet industry was very successful in export markets. Since 1996, parquet exports more than doubled. In 1998 the export volume rose 23% compared to 1997. This rising trend continued in 1999, particularly in the first quarter when a rise of 33% compared to the first quarter of 1998 was noticed. In the second quarter growth that high could not be maintained. Nevertheless, in the first half of 1999, exports were 15% above the first half of 1998. A continued but slower export rise is also expected for the second half of 1999 and for 2000.

To consolidate Austrian parquet sales in foreign markets, the Austrian industry intends to carry out common promotions. The main export markets are Germany, Italy, and Switzerland. New export targets are France and the U.S.

Parquet imports increased only slightly. In the first half of 1999 the rise was +3.1% compared to the first half of 1998. However, imports declined in value, particularly in the second quarter of 1999. This indicates that rising quantities of cheap parkets are imported. The major share of imports comes from Germany, Sweden, Finland, Romania, and Hungary. The import increase of Chinese parquet in the first half of 1999 of almost 400% is striking. Parquet imports exceed exports significantly.

The Austrian parquet industry recently expanded its capacities and at the same time increased its efforts to gain a larger

share of the domestic market. Austria is Europe's largest per capita parquet user (0.64 square meter per capita). At present, the most popular wood types for parquet are beech, larch, oak, and maple.

Sawmillers Optimistic for 2000

Sawmillers look with optimism into the new year as firm requirements are expected. On the domestic market and on the main outlet markets no disturbing competition is foreseen. Sales on the Japanese and the U.S. markets are going well for all European sawmills. The almost equal value of U.S. dollar and Euro and favorable yen exchange rate create good export conditions.

Due to low lumber stocks, capacity use is expected to be relatively high. However, lumber producers do not believe that prices can be increased.