Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 12/15/2003

GAIN Report #GM3054

Germany

Solid Wood Products

Annual

2003

Approved by:
Richard Petges
U.S. Embassy, Berlin
Prepared by:
Dietmar Achilles

Report Highlights:
As a result of the somewhat weaker U.S. dollar versus the Euro, U.S. hardwood sales recovered somewhat in 2003. However, competition from central and eastern European suppliers continues to increase. The German construction industry is still in recession and not foreseen to recover soon. Consequently, domestic demand for flooring wood, wooden window frames and furniture is weak. The German wood processing industry tries to compensate for the reduced domestic demand by increased export efforts, predominantly to European markets, but also to Asian markets.

Includes PSD changes: Yes
Includes Trade Matrix: Yes

Annual Report
Berlin [GM1], GM

Executive Summary

The weaker U.S. dollar versus the Euro provides a base for growing sales of U.S. timber products to Germany. Trade data for the first nine months of CY 2003 indicate increased sales of hardwood lumber and veneer, which represents a recovery to 2001 levels. As the EU enlarges, effective May 2004, U.S. exporters will face increasing competition from timber suppliers in central and eastern European countries.

U.S. wood product sales to Germany are closely linked to the well-being of the German furniture industry and the housing market. Both markets are depressed. Housing starts dropped by about 10 percent in 2003 and the furniture industry reports a reduction in turnover of about 2 percent for 2003. The outlook for 2004 in the housing industry is not optimistic. The furniture industry seems to be more optimistic and counting on increased export demand, initiated by an economic turnaround in Europe and further growth of the markets in eastern Europe and in Asia.

Since the German wood industries have been facing a weak domestic market, they are expanding their activities to export markets outside the EU and outside Europe. German sales of softwood lumber for the construction and packaging industry, wooden panels and other wood products grew by more than 20 percent to a total value of U.S.$283 million (tariff codes 4401:4413) during January to September 2003. Aside from European markets, German exporters are increasingly penetrating Asian markets, in particular China, Hong Kong, Japan and South Korea.

Note: In recent years the U.S.$/EURO exchange rate has been as follows:

1997: $1 = Euro 0.8870	2000: $1 = Euro 1.0827
1998: $1 = Euro 0.8990	2001: $1 = Euro 1.1166
1999: $1 = Euro 0.9383	2002: $1 = Euro 1.0575
	Oct 2003: $1 = Euro 0.8553

General Economic Situation

The economic situation in Germany worsened considerably in 2002 and 2003 so that GDP growth for 2003 is estimated at an extremely marginal rate of only 0.1 percent. An economic turn-around is forecasted for 2004. The predicted growth rate of 1.5 percent for 2004 will mainly be driven by increased export demand. Domestic budget deficits are rising and consequently public demand will not inspire additional growth. For the years 2002 through 2004, Germany will exceed the debt ceiling of three percent established by the EU. This so-called Maastricht criteria was created to secure the stability of the Euro currency and requires that a country's total debt does not exceed three percent of its GDP.

The German government is working on a substantial income tax reform and income tax relief program to spark domestic private demand. However, rising contributions to the social welfare system, health care and old age insurance, increasingly limit available private income to be used for consumer spending. Since the social welfare system is co-financed at equal shares by employers and employees, labor cost in Germany are among the highest in the industrialized world. The industry reacts to these high labor costs by considering the relocation of jobs to countries with lower labor and investment cost, mainly in Central and Eastern Europe (CEE) but also in Southeast Asia.

In view of a high unemployment level of 10.5 percent in 2003, the private savings rate has increased to about 11 percent. Private investment in housing and furniture suffers under this negative economic environment. For many years, construction had been one of the big economic engines in Germany. This has changed considerably since the mid-1990s. Today, export markets are the main engine of growth for the German economy. About 55 percent of German exports are shipped to neighboring EU countries which will rise to more than 65 percent after EU enlargement in May 2004. The U.S. receives more than 10 percent of total German exports. Germany fears that the current strength of the Euro could have a negative impact on its export competitiveness in non-EU markets.

Domestic Wood Production

The German timber harvest for CY 2003 is roughly estimated at 46.2 million cubic meter (CUM), an increase of nearly 10 percent over CY 2002. The increase in harvest was exclusively in softwoods, as bark beetles threatened German forests during the summer of 2003. In particular, southern German forests, still weakened by storm damage in 2000, could not fully withstand the invasion of bark beetles during the extreme summer heat of 2003. The annual re-growth rate of timber is estimated at 57 million CUM. With proper forest management, Germany could harvest about 10 million CUM of timber more than the current level. However, a major share of privately owned forests in Germany (37 percent of total forest land) is of relatively small size and therefore not very economically managed. Management and harvesting costs could easily exceed returns from timber sales.

Table 1: German Timber Harvest in 1000 CUM							
	Logs	Slee-	Industr Wood		Stacked	Other	All
		pers	Long	Short	Wood	Wood	
Oak, Red Oak							
1996	625	9	300	88	193	128	1,343
1997	493	10	117	67	238	139	1,064
1998	700	12	212	98	246	160	1,428
1999	703	11	268	87	238	148	1,456
2000	850	10	244	81	319	289	1,793
2001	815	9	304	119	288	284	1,819
2002	673	12	272	92	245	269	1,563
2003*	650						1,450
Beech, oth Hardwoods							
1996	3,170	62	2,578	557	620	358	7,345
1997	2,727	63	1,378	552	914	447	6,081
1998	3,553	72	2,309	708	912	498	8,054
1999	3,717	72	2,509	623	831	514	8,268
2000	3,915	49	2,223	531	793	1,120	8,631

2001	3,376	43	2,537	740	1,067	1,194	8,957
2002	2,642	30	2,130	630	1,171	1,038	7,641
2003*	2,550						7,450
Spruce, Fir, Douglas Fir							
1996	16,194	0	1,350	2,700	660	341	21,245
1997	17,935	86	1,040	2,744	750	480	23,035
1998	15,749	0	889	2,640	645	409	20,332
1999	14,465	0	791	2,374	630	400	18,661
2000	27,090	56	1,020	2,634	789	2,626	34,215
2001	14,296	53	729	2,556	703	1,474	19,811
2002	16,978	19	754	2,853	2,151	1,221	23,976
2003*	20,000						27,000
Pine, White Pine							
1996	3,435	2	849	2,235	299	259	7,079
1997	4,066	7	669	2,171	817	297	8,027
1998	4,542	5	772	2,788	808	324	9,239
1999	4,426	6	673	2,962	871	307	9,245
2000	4,563	4	651	2,733	720	399	9,070
2001	3,853	8	592	3,079	925	440	8,897
2002	4,090	2	437	3,231	1,058	383	9,201
2003*	5,000						10,500
All Species							
1996	23,424	73	5,077	5,580	1,772	1,086	37,012
1997	25,221	166	3,204	5,534	2,719	1,363	38,207
1998	24,544	89	4,182	6,234	2,611	1,391	39,053
1999	23,311	89	4,241	6,046	2,570	1,369	37,630
2000	36,418	119	4,138	5,979	2,621	4,434	53,709
2001	22,340	113	4,162	6,494	2,983	3,392	39,484
2002	24,383	63	3,593	6,806	4,625	2,911	42,381
2003*	28,200						46,400
* FAS Bonn Forecast							
Source: Federal Ministry of Agriculture							

As a result of the continued sluggish economy, timber prices remained at a relatively low level in CY 2002 and 2003. The outlook for CY 2004 does not provide much chance for a substantial upward development. In particular, the strength of the Euro limits Germany's export opportunities in the Americas and in the growing Asian markets.

Table 2: German Timber Price Index - 1995 = 100%									
	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Total Roundwood	100.2	89.8	93.6	101.4	105.3	92.4	87.7	86.7	87.0
Total Logs	99.7	88.8	95.3	103.2	107.0	92.3	87.2	86.3	87.0
- Oak	99.3	85.2	90.1	86.2	98.7	88.8	87.1	86.3	84.0
- Beech	98.8	99.5	99.6	103.9	108.2	106.9	107.4	106.4	102.0
- Spruce	100.8	86.1	95.8	105.8	109.0	88.8	82.6	82.0	85.0
- Pine	95.2	91.0	89.8	95.7	98.8	94.2	87.1	85.6	81.0
Total Indust Wood	101.1	96.6	82.3	89.4	93.5	93.3	91.4	89.2	88.0
- Oak	102.9	100.0	88.2	71.9	80.5	78.0	88.0	107.1	130.0
- Beech	108.1	99.1	79.7	82.7	88.6	88.4	85.9	80.4	88.0
- Spruce	100.8	95.9	93.2	104.2	101.1	101.5	94.4	94.5	96.0
- Pine	93.7	95.1	74.9	85.7	93.5	93.0	95.4	92.7	83.0
* prelim.									
Source: FedMinAgr.									

Forest Certification

About 61 percent of the German forest area of 10.7 million hectares is PEFC certified. Since this year, PEFC stands for Platform for the Endorsement of Certification Schemes. The previous name was Pan European Forest Certification. In the meantime, PEFC gained membership from a number of countries outside of Europe. FSC (Forest Stewardship Council) certified area in Germany amounts to about 400,000 hectares which represents nearly 4 percent of the forest area. FSC has under contract the state forests of Nordrhein-Westfalen, Schleswig-Holstein, Hamburg and Berlin and a number of community forests. FSC receives a lot of political support from the German Federal Ministry of Consumer Protection, Food and Agricultural (BMVEL) which is headed by a member of the German Green Party. BMVEL is currently preparing a criteria list for public procurement of wood products. BMVEL intends to make sure that all wood products purchased for federal ministry offices comes from sustainably managed forests.

In 2003, PEFC concentrated its efforts to convince sawmills and traders to adopt the PEFC system. A number of do-it-yourself retail chains advertise that part of their wood products are FSC certified. The end consumer interest in forest certification is rather limited. However, consumers are quite interested to know whether or not tropical timber products originate from sustainable forests. Aside from the DIY markets, the German paper industry requests that their raw timber originates from certified forests.

Consumption

Total annual wood use by the German wood working industry is roughly estimated at about 42 to 45 million cum. The vast majority (45%) is used by sawmills for lumber production. The German sawmilling industry consists of about 2,000 to 3,000 sawmills, depending on the statistical definition, producing a total of almost 16 million CUM of softwood lumber. The majority are small sized mills cutting softwood lumber for the local construction market. Since most single unit houses are individually designed, construction lumber is usually supplied by small mills. The other end of the market is big companies producing standardized product. About three percent of all sawmills produce about two thirds of German softwood lumber output. All of these mills are using the modern profiler technology. These big mills increasingly concentrate on production for export markets within Europe and overseas. About 20 percent of German softwood lumber is already sold outside of Germany. Despite the sluggish demand in the domestic construction sector, German softwood lumber production is expected to grow at a slow rate because the big mills are very modern and therefore competitive in the European market.

The temperate hardwood market is much smaller, producing 1.1 million CUM of predominantly beech and oak lumber. About 50 percent is destined for export markets. The Chinese market is of prime importance for German beech lumber manufacturers. In CY 2003, German exports to the Far-East dropped by about 20 percent because Chinese customers complained about quality problems and high prices. A small portion of these losses will be compensated by increased sales to EU countries. However, German hardwood mills face strong competition from Central and Eastern European and Baltic suppliers.

The German paper industry reports a 5 percent increase in paper production for both graphic and packaging papers to a total of 19.4 million MT in CY 2003. While the volume of output went up, the total value of production dropped by 3 percent. German paper exports went up to 8.1 million MT versus 7.5 million MT in CY 2002. A particular target for German exports is China where per capita paper consumption is estimated at 29 kilograms versus 225 kilograms in Germany. The use of recycled paper amounts to 65 percent which represents the targeted maximum use by the industry. There is hardly any more usable old paper available for recycling. In the summer of 2004, a new pulp mill in Stendal near Berlin will start its operation. The mill is expected to process about 2 million CMU of industrial softwood timber plus 1 million CUM of wood chips. The wood will come from the forests within 300 km of Stendal. Forest experts claim that German forests can provide sufficient timber for the new mill without any significant impact on raw material prices. German forests are reportedly under-harvested.

A growing competitor for timber and timber by-products is the energy market. Production of energy pellets is estimated to reach 100,000 MT in CY 2003. Pellet production capacity is forecasted to rise to about 500,000 MT until 2010. Pellets are primarily made from by-products of profiler mills. The German government subsidizes the installation of wood pellet heat plants.

Table 3: Timber Use in Wood-Using Industry in 1000 CUM									
	1994	1995	1996**	1997	1998	1999	2000	2001	2002***
Sawmills									
Dom Wood									
Softwood	18,104	17,274	11,852	18,072	17,662	17,496	18,552	18,349	20,286
Hardwood	1,377	1,257	962	1,214	1,282	1,643	1,648	1,549	1,339
Imp Wood	114	136	215	326	562	436	1,405	1,584	
All	19,595	18,667	13,029	19,612	19,506	20,173	21,605	21,482	21,625
Veneer Mills *)									
Dom Wood									
Softwood	21	57	30	54	83	100	97	56	61
Hardwood	107	260	182	254	256	237	208	185	156
Imp Wood	103	37	34	54	49	43	44	50	
All	231	354	246	362	388	380	349	291	217
Plywood									
Dom Wood									
Softwood	255	227	121	140	148	152	n.a.	151	103
Hardwood	326	190	n.a.	n.a.	159	152	154	62	51
Imp Wood	19	8	n.a.	n.a.	11	13	n.a.	n.a.	
All	600	433	296	320	318	317	154	213	154
Fiberboard									
Industrial Wood	264	397	717	1,058	1,411	1,645	1,784	2,315	3,638
Cut-offs Slabs + Residues	924	825	887	2,769	863	1,052	1,080	2,166	5,613
All	1,188	1,222	1,604	3,827	2,274	2,697	2,864	4,481	9,251
Particleboard									
Round Timber	4,106	2,947	2,744	2,899	2,743	2,525	2,522	2,960	4,118
Cut-offs Slabs + Residues	5,447	6,138	4,519	6,112	6,053	5,596	6,418	5,838	12,996
All	9,553	9,085	7,263	9,011	8,796	8,121	8,940	8,798	17,114
Cellulose & Paper Ind									
Softwood	3,057	3,095	2,716	2,764	2,730	2,544	3,197	2,982	2,886
Hardwood	852	846	876	761	873	952	1,006	1,019	1,062
Cut-offs Slabs + Residues	3,326	3,683	3,717	3,509	2,752	2,479	3,046	2,920	2,994
All	7,235	7,624	7,309	7,034	6,355	5,975	7,249	6,921	6,942

Grand Total	38,402	37,385	29,747	41,863	40,657	37,663	41,161	42,186	55,303
* Decorative veneers only									
** excl. the state of Baden-Wuerttemberg									
*** No.s for timber use in panel production calculated as stacked meter beginning CY 2002									
Total numbers do not add. Table serves as a relative picture of German wood use.									
Source: Federal Ministry of Agriculture									

Construction Market

The German construction market is consolidating at a substantially lower level than during the boom years of the 1990s. Although the number of construction permits for CY 2003 increased substantially during the first three months of the year, actual construction activity is forecast to drop by up to 10 percent in CY 2003. Because there are proposals being discussed to discontinue or at least sharply cut back income tax benefits for the construction of private homes, a large number private individuals applied for construction permits to secure the tax benefits of the current system. It is likely that a portion of the granted permits will remain unused or actual construction will be postponed by up to five years, which corresponds with the maximum validity length of these permits. In addition, demographic studies indicate that the German population is going to shrink by several million over the next thirty years, unless the extremely low birth rate in Germany is offset by increased immigration.

Since rental prices have softened during the past several years, and building costs have been rising, it has become less economic to construct houses for rental purposes. Even historic low financing costs of 4 to 5 percent interest for 5-year mortgages do not inspire many investors to build new houses. Current home construction is primarily for private housing.

German housing is predominantly masonry. However, wooden houses gained popularity during recent years mainly for their superior energy efficiency. In addition, home owners also build wooden houses in order to distinguish themselves from the normal housing market. A third reason for the growing popularity of wooden homes is the significantly shorter construction period of only 3 to 4 months versus 9 to 12 months for a masonry building. In CY 2002, the number of new wooden prefab homes actually went up by about 5 percent to 17,190 units. In Germany, wooden home are not necessarily cheaper than masonry building because of their often superior interior outfit.

The renovation and modernization of homes generally follows the downward trend in the German construction market. Real estate experts report that the number of empty homes and office space is rising. The forecasted recovery of the German economy in 2004 will initially reduce the level of vacant space but it may be some time before more new buildings will be erected. In the eastern part of Germany about 1 million apartments are reported vacant. The government started a destruction program for many of the unsuitable buildings. The same is also intended for rental home buildings built in the 1950s and 1960s in Western Germany. In less favored regions an increasing number of apartments have already been unused for years.

Table 4: Housing Permits and Housing Starts in Germany		

	Permits			Housing Starts			
	Private	Commercial	Total	Single	Multiple	All	Commercial
	Homes	Buildings		+Duplexes	Units	Private	Buildings
1991	340,639	59,968	400,607	133,800	130,341	268,931	45,577
1992	394,093	91,272	485,365	137,377	179,251	322,128	52,447
1993	525,935	80,677	606,612	164,044	221,555	394,120	61,331
1994	624,839	87,797	712,636	212,354	284,309	501,728	71,155
1995	552,695	85,935	638,630	205,165	312,481	524,606	78,151
1996	496,694	79,544	576,238	188,802	292,173	485,249	74,239
1997	453,727	74,369	528,096	211,056	285,586	501,120	77,059
1998	407,594	68,117	475,711	220,611	208,400	432,237	68,413
1999	379,628	57,956	437,584	237,379	167,416	406,717	66,088
2000	304,614	43,894	348,508	229,727	138,814	368,541	54,500
2001	257,677	33,407	291,084	185,400	100,600	286,000	40,200
2002	243,228	30,892	274,120	172,874	80,826	253,700	32,687
2003*	236,000	29,000	265,000	160,000	70,000	230,000	31,000
2004*	230,000	25,000	255,000	155,000	67,000	222,000	30,000
*Forecast FASBonn							
Source: Federal Statistics Office + FASBonn							

Flooring

Not surprisingly, the wooden flooring market also suffers under the depressed construction market in Germany. However, demand in CY 2003 remained relatively stable thanks to the construction of modern single unit homes equipped with high value parquet or other solid wood flooring which are preferred by German customers . The lower price alternative for solid wood flooring is high pressure laminate (HPL) flooring which is predominantly installed in multi-unit homes or also often self-installed by tenants. HPL sales in CY 2002 were estimated at about 60 million square meters.

Preferences for wood species of the past several years have not changed. Germans prefer light colored wood species, namely oak (40%) and beech (30%), followed by hard maple and birch. Flooring experts claim that demand for dark color flooring in combination with light color species is increasing. Soft maple and white ash are not desired by German flooring manufacturers. Actually, the term soft maple may be misleading for flooring wood. A German importer suggests renaming it Red or Silver Maple, which is supposedly synonymus with soft maple.

Table 5: German Parquet Flooring Market, in 1,000 sqm				
	Production	Import	Export	Consumption
1993	8,781	11,406	2,174	18,013
1994	9,955	13,648	2,612	20,991

1995	10,228	14,949	3,312	21,865
1996	9,850	15,000	3,684	21,166
1997	9,962	12,771	4,215	18,518
1998	10,568	17,555	7,208	20,915
1999	10,115	16,701	5,033	21,783
2000	11,475	19,163	5,404	25,234
2001	10,240	16,283	4,588	21,935
2002	9,158	16,110	5,379	19,889
2003*	10,400	15,000	5,700	19,700
2004*	10,500	14,500	5,800	19,200
*Forecast				
Source: Federal Statistics Office				

Windows

The demand for wooden window frames is strongly shrinking. Wooden frames are being replaced by plastic frames since these require less maintenance and possess better insulation properties. Wooden windows are not foreseen to regain market shares in the foreseeable future. The predominant wood species is dark red meranti followed by European pine. Oregon pine and hemlock have only a relatively small market share of less than 10 percent.

Table 6: Production Developments on the German Window Market (mill. units)									
	1997	1998	1999	2000	2001	2002	2003*	2004*	2005*
Wood Windows	6.6	5.9	5.4	4.6	3.6	3.1	2.6	2.4	2.2
Plastic	12.6	12.2	12.1	10.7	8.6	7.1	6.5	6.2	5.9
Aluminum	4.4	3.7	3.5	3.4	3.1	2.9	2.5	2.4	2.3
Alu + Wood	0.7	0.8	0.8	0.7	0.7	0.8	0.7	0.7	0.7
All Types	24.3	22.6	21.8	19.5	16.0	13.9	12.3	11.7	11.1
* Forecast									
Source: German Windows Manufacturers Ass'n						www.window.de			

Furniture

The German furniture industry is in a consolidation process. The number of manufacturing companies dropped by 3.2 percent to 1,339 companies, which is still a typical mid-sized industry sector. This consolidation is partly due to the generally sluggish economic situation but also influenced by an ongoing relocation process of going east. A number of German furniture makers decided to move their production facilities to Poland and other central and eastern European countries because of significant cost advantages. In particular labor and investment costs are lower in eastern Europe.

The move of production facilities to eastern Europe also has the effect that these manufacturers increasingly source their timber inputs from the surrounding regions. The quality of processed timber has improved significantly in eastern Europe, making this region increasingly competitive against U.S. high quality logs and lumber.

In CY 2003, German furniture production is forecast to drop by 2 percent, which is a much smaller reduction rate than in CY 2002 when German furniture output dropped by 9.6 percent. Total annual turnover in CY 2002 was reported at Euro 20.27 billion ($19.16 billion). For CY 2004, the furniture industry association is optimistic, predicting a 2 percent production increase. The additional demand will come from the customers in Europe outside of Germany.

Export markets are of growing importance to the German industry, accounting for about 25 percent of sales. Ten years ago, only 15 percent of German made furniture was destined for export. Growth markets are central and eastern European countries, China and other Asian countries. Due to the growing strength of the Euro versus the U.S. dollar, German exports to the U.S. are shrinking in CY 2003 by 2 percent to about U.S.$ 200 million.

German furniture imports grew during the first three quarters of CY 2002. In particular eastern European countries are shipping more furniture to Germany. This is in part the result of the decision of several German furniture manufacturers to move their production facilities to this region. However, Asian countries are also increasing their furniture sales to Germany. The leading Asia suppliers are China and Indonesia. Their speciality is teak garden furniture. Imports from the United States remained stable during Jan/Sep 2003 versus the same period in 2002, at $30 million.

The preference scale for wood species by the German furniture industry did not change significantly in 2002. Consumers continue to favor light color wood species, namely European beech. At this year's international furniture fair in Koeln (Cologne), white oak was displayed far more than in previous years. Other species of interest are birch and hard maple. Black cherry and walnut continue to be in demand for the high quality furniture market.

The German veneer industry reports a major decrease in production capacity, which is moving into the eastern countries of Europe. Veneer mills are also moving to the site of the raw material. Production statistics for 2002 indicate a reduction of about nine percent. Also in CY 2003, German veneer production is shrinking by about eight percent to about 185,000 CUM. In 2002, about 32 percent of all sheet veneers are from beech, versus 44 percent in 2001, followed by black cherry (18 percent versus 14 percent in 2001), birch (10 percent) tropical woods (13 percent), hard maple (6.5 percent) and oak with only 5.5 percent. A strong revival for oak is not in sight.

Panel Industry

In 2002, the German particleboard industry reduced its production by 4.7 percent to 9.25 million cum. Lower domestic demand and resulting slightly lower average prices for particleboard induced this development. At the same time, increased exports to Asian countries and also Canada partly compensated for the loss on the domestic market. Reports for the first half of 2003 indicate a production increase of about five percent which is accompanied by increased exports of three percent. Demand improved especially from EU countries. Since particleboard has to compete with medium density fiberboard (MDF) in furniture production, industry experts do not expect that German production of particleboard will ever reach a level above 10 million cum, as occurred in 2000. New investment in wooden panel production will be preferably in MDF and OSB facilities. About 20 percent of German particleboard production is exported to Far East markets and to Poland and the Czech Republic. Export volume to these markets has grown over the past years.

Oriented strandboard (OSB) production capacities in Germany have increased to about 1.1 million cum during recent years. Actual production of OSB in 2003 is roughly estimated at 600,000 cum. Industry experts are optimistic that OSB will capture market shares from other panel products. In particular, softwood plywood will be increasingly replaced by OSB. Major softwood plywood suppliers are Brazil, Finland and Russia.

All 3 German OSB production plants are located in Eastern Germany. These plants were built with the financial assistance of the EU and the German government. Roughly 25 percent of the investment volume was subsidized. These subsidy programs also apply to other industry investments in Eastern Germany.

MDF production in Germany is estimated at 3.6 million cum in 2002 compared to 2.9 million cum in 2001. Estimates for CY 2003 indicate a further slight increase of about three percent. MDF will be the panel of the future for furniture production and other purposes such as base material for high pressure density laminates (HDL). MDF has promising markets domestically but is also successful in export markets. About 796,000 tons have already been exported in Jan/Sep 2003, 5 percent more than in Jan/Sep 2002. Imports are much lower, at 161,000 tons in Jan/Sep 2003. The number one supplier is Switzerland.

The panel industry fears cost increases for raw material in the coming years. A new large scale pulp mill in Stendal, west of Berlin, is in construction and will start operating in 2004. Increasing volumes of sawmill residues and recycled wood may be used in energy production and will not be available for panel production. The slow German economy may have a negative impact on wood harvest. If less timber for lumber production is harvested, then less smaller dimension wood will be available for wood panel producers. In addition, the EU intends to increase the portion of its energy sourced from renewable resources (solar, biomass, water) from 13.9 percent in 1999 to 22 percent in 2010. Germany will have to increase its share from 6 percent to 13 percent. In Germany, wood pellet production for energy purposes has increased from 23,000 tons in 2001 to an estimated 123,000 tons in 2003. By 2010, a further increase to 500,000 tons is forecast. It is likely that German panels will become less competitive than products from CEE countries.

Trade

German imports of U.S. wood and wood products in CY 2002 dropped noticeably, by 13 percent, to $157 million (tariff codes 4401-4421). This reduction is especially attributed to the previous strength of the dollar and the sluggish German economy. The growing strength of the Euro versus the dollar is reflected in increased U.S. shipments to Germany during the first 9 months of CY 2003. Imports from the U.S. went up by about 10 percent to $127 million. The improvement occurred namely in the hardwood veneer market. Actually, this is only a recovery to more normal export levels since hardwood veneer shipments had fallen significantly in 2001. U.S. sales of hardwood lumber in 2003 also improved by 15 percent, again a recovery to the 2001 level. Traders expect that the current strength of the Euro will further support U.S. timber business with Germany.

Shipments of U.S. softwood plywood have practically ended. Only 64 CUM at a value of $38,000 were shipped to Germany in 2002 versus $5.9 million in 1999. Aside of the strong dollar until 2002 and the slow economy in Germany, the build-up of OSB production capacities in Europe also hindered American plywood sales into Germany. It is possible that under the current currency exchange rate conditions some softwood plywood trade with Germany may revive a little. Sales of other panels, such as particleboard,, MDF and OSB amounted to $620,000 in 2002 versus $530,000 in CY 2001. A recovery of U.S. panel shipments other than plywood is not yet evident for 2003. U.S. exports of builders joinery have been very slow during Jan/Sep 2003 amounting to only 141 tons valued at $281,000 versus 411 tons in CY 2002. Exports of window frames and doors and frames are marginal, amounting to only $163,000 in Jan/Sep 2003. Window frame sales were relatively stable during the past three years. Door and frame shipments were up and down without a clear trend line.

At the same time as U.S. exports to Germany dropped significantly, German wood product exporters successfully entered the U.S. market. However, the value of German exports for the first 9 months of 2003 already are about 10 percent below the same period of 2002, amounting to $232 million versus $268 million. In particular softwood lumber shipments went down to 516,000 cum in 2002 (Jan/Sep) versus 635,000 cum in 2002 (Jan/Sep). The majority of lumber is for the construction industry, as well as for packaging purposes. German companies also sold 13,151 cum of beech lumber to the U.S., from January to September 2003. During the same period in 2002, all German temperate hardwood lumber exports to the U.S. accounted for only 5,087 cum. Temperate hardwood veneer exports to the U.S. reached 1,585 cum during Jan/Sep 2003 which is 200 cum less than in 2002. In the wooden panel business, German exporters more than doubled their shipments of MDF and OSB to about 60,000 tons to the United States in Jan/Sep 2003. At the same time, German hardboard shipments were cut in half to 44,000 tons. Total panel shipments to the U.S. were valued at $101 million in Jan/Sep 2002 versus $122 million in Jan/Sep 2002. Exports of builders joinery to the U.S. more than doubled to 3,568 tons in Jan/Sep 2003 from 1,586 tons (Jan/Sep 2002). German exporters claim that the favorable currency exchange rate of the Euro versus the dollar opened the U.S. market for them in CY 2000 and 2001, but the ability of European producers to customize their products played a role.

Other main export markets with great growth potential for German wood products are Asian countries. China is the most important destination for German exports outside of Europe. China is an important customer for German beech logs and lumber, but only small amounts of veneer. China is also an important market for German wooden panels, in particular fiberboard. However, by the second half of 2002, Chinese customers reduced their purchases of German beech lumber, reportedly because of quality problems. Canada has also been developed as a market for German fiberboard. Overseas exports of OSB have grown noticeably in 2002.

Large portions of fiberboard and other wood products sold overseas are produced by several different companies located in Wismar, Mecklenburg-Vorpommern. Wismar is located and equipped to easily import raw timber and export wood products through its Baltic Sea port.

Policy

The German federal coalition agreement between the Social Democratic Party and the Green Party explicitly states that wood products used for public investments should be FSC certified. This, however, is not a law; it is only a political intention. Currently, the Federal Ministry for Consumer Protection drafts a standard for the use of wood in public investments which tends to support FSC certified timber. Since the vast majority of German forests are PEFC certified, forest owners are intensively opposing the political preference for FSC certified forest products. German environmental organizations are supporting the Green Party in their support for FSC.

Marketing

Germany remains an important customer for certain high value wood species such as white oak, hard maple, red alder, black cherry, and walnut. Other species not in similar strong demand face strong competition from suppliers in central and eastern Europe. Germany hosts several international trade fairs relevant for lumber, veneer, furniture parts and construction timber products.

The most important fair is Interzum - Furniture Production and Wood Interiors held in Koeln (Cologne) every other year. The next Interzum will take place in April 29 - May 3, 2005. The U.S. wood industry has for many years participated at Interzum. About 1,500 exhibitors from more than 50 countries participate regularly at Interzum.

Interzum - Furniture Production and Wood Interiors
KoelnMesse GmbH
Messeplatz 1
50679 Koeln, Germany
Tel.: +49 221 821 2542
Fax: +49 221 821 3411
www.koelnmesse.de
info@koelnmesse.de
iz@koelnmesse.de

The most important furniture fair for Germany is the International Furniture Fair in Koeln held every year in January. About 1,500 companies and organizations from 46 countries are regularly exhibiting in Koeln. U.S. participation had been rather limited during recent years. In January 2003, KoelnMesse reported an increased interest by foreign visitors, mainly from Asian countries.

Internationale Moebelmesse - International Furniture Fair
KoelnMesse GmbH
Messeplatz 1
50679 Koeln, Germany
Tel.: +49 221 821 2280
Fax: +49 221 821 3411
www.koelnmesse.de
info@koelnmesse.de
imm@koelnmesse.de

For the construction market, Leipzig hosts the Construction Trade Fair Baufach - Bau-Fachmesse Leipzig, held every other year. The next fair will be in October 2005. Baufach covers the complete construction sector with wooden materials being one section of the fair. About 1,600 exhibitors from 30 different countries take part in Baufach.

Baufach - Bau-Fachmesse Leipzig
Construction Trade Fair Leipzig
Leipziger Messe GmbH
Messe-Allee 1
04356 Leipzig, Germany
Tel.: +49 341 678 8641
Fax: +49 341 678 8212

www.baufach.de
baufach@leipziger-messe.de

An international fair for building materials and systems is held in Muenchen (Munich) every other January with about 1,800 exhibitors from about 40 countries. The next fair will take place January 17-22, 2005.

BAU - Internationale Fachmesse fuer Baustoffe, Bausysteme, Bauerneuerung
International Trade Fair for Building Materials, Building Systems, Building Renovation
Messe Muenchen GmbH
Messegelaende
81823 Muenchen, Germany
Tel.: +49 89 949 20111
Fax: +49 89 949 20119
www.bau-muenchen.de
siebert@mese-muenchen.de

An international fair for window and facade technologies is held every other year in Nuernberg. This next fair will be in March 31 - April 3, 2004. Normally about 1,400 exhibitors from up to 30 countries participated in fensterbau/frontale.

fensterbau/frontale
International Trade Fair Window and Facade - Technologies/Components/Prefabricated Units
Fensterbau Informations- und Ausstellungs-GmbH
NuernbergMesse GmbH
Messezentrum
90471 Nuernberg, Germany
Tel.: +49 911 8606 160
Fax: +49 911 8606 259
www.frontale.de
frontale@nuernbergmesse.de

Hannover hosts an international fair for the forest and wood industries (LIGNAplus), which focuses on processing machinery. This show has a small section which covers trade in forest products. The LIGNAplus, May 2-6, 2005, usually directly follows the Interzum show held in Koeln. Interested visitors have the opportunity to attend Interzum and LIGNAplus in one trip.

LIGNAplus HANNOVER - Weltmesse fuer die Holz- und Forstwirtschaft
World Fair for the Forestry and Wood Industries
Deutsche Messe AG
Messegelaende
30521 Hannover, Germany
Tel.: +49 511 89 32126
Fax: +49 511 89 31263
www.ligna.de
ligna@meese.de

The German wood product industries are increasingly focusing on export markets since the domestic market does not seem to provide opportunities for growth. To a limited extent, growth is seen in CEE countries but the focus is mainly on Asian markets, Arab markets, and also in African countries. A helpful tool to develop these markets is the export promotion homepage of the sawmilling industry (www.germantimber.com) which is available in different languages, such as Chinese, French, Italian, Spanish, Japanese, and Arabic. Organization representatives are located in the U.S., Japan and China.

Statistical Section

Softwood Logs - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	4200	3315	4000	3200	0	3300
Imports	200	234	200	200	0	230
TOTAL SUPPLY	4400	3549	4200	3400	0	3530
Exports	1350	1419	1400	1450	0	1500
Domestic Consumption	3050	2130	2800	1950	0	2030
TOTAL DISTRIBUTION	4400	3549	4200	3400	0	3530

Import Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	62472	U.S.	56813
Others		Others	
France	70922	France	95948
Hungary	11736	Hungary	3588
Switzerland	11289	Switzerland	6855
Austria	8034	Austria	7724
Finland	7710	Finland	12825
Czech Rep	8819	Czech Rep	2903
Ukraine	7210	Ukraine	5989
Slovakia	6919	Slovakia	3488
Belgium	6589	Belgium	3826
Poland	4333	Denmark	6328
Total for Others	143561		149474
Others not Listed	44594		27259
Grand Total	250627		233546

Export Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	104	U.S.	18
Others		Others	
Sweden	405251	Sweden	430524
PR China	334209	PR China	316357
Denmark	195880	Denmark	249411
Italy	115304	Italy	131698
Austria	75696	Austria	63908
Netherlands	95735	Netherlands	70680
France	30419	France	40482
Hong Kong	48408	Hong Kong	29237
Belgium	28708	Belgium	21694
Switzerland	14594	Japan	15801
Total for Others	1344204		1369792
Others not Listed	44950		49103
Grand Total	1389258		1418913

Temperate Hardwood Logs - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	4200	3315	4000	3200	0	3300
Imports	200	234	200	200	0	230
TOTAL SUPPLY	4400	3549	4200	3400	0	3530
Exports	1350	1419	1400	1450	0	1500
Domestic Consumption	3050	2130	2800	1950	0	2030
TOTAL DISTRIBUTION	4400	3549	4200	3400	0	3530

Import Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	62472	U.S.	56813
Others		Others	
France	70922	France	95948
Hungary	11736	Hungary	3588
Switzerland	11289	Switzerland	6855
Austria	8034	Austria	7724
Finland	7710	Finland	12825
Czech Rep	8819	Czech Rep	2903
Ukraine	7210	Ukraine	5989
Slovakia	6919	Slovakia	3488
Belgium	6589	Belgium	3826
Poland	4333	Denmark	6328
Total for Others	143561		149474
Others not Listed	44594		27259
Grand Total	250627		233546

Export Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	104	U.S.	18
Others		Others	
Sweden	405251	Sweden	430524
PR China	334209	PR China	316357
Denmark	195880	Denmark	249411
Italy	115304	Italy	131698
Austria	75696	Austria	63908
Netherlands	95735	Netherlands	70680
France	30419	France	40482
Hong Kong	48408	Hong Kong	29237
Belgium	28708	Belgium	21694
Switzerland	14594	Japan	15801
Total for Others	1344204		1369792
Others not Listed	44950		49103
Grand Total	1389258		1418913

Tropical Hardwood Logs - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	0	0	0	0	0	0
Imports	135	111	135	90	0	95
TOTAL SUPPLY	135	111	135	90	0	95
Exports	40	25	50	15	0	15
Domestic Consumption	95	86	85	75	0	80
TOTAL DISTRIBUTION	135	111	135	90	0	95

Import Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Logs		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
Liberia	17787	Liberia	14540
Cameroon	57698	Cameroon	46283
Gabon	23638	Gabon	17432
Equat Guinea	16313	Equat Guinea	12073
Congo	18185	Congo	13847
Myanmar	2777	Myanmar	2444
Cent Afric Rep	2397	Cent Afric Rep	1197
Dem Rep Congo	1677	Dem Rep Congo	2204
Total for Others	140472		110020
Others not Listed	1018		830
Grand Total	141490		110850

Export Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Logs		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	1	U.S.	
Others		Others	
Netherlands	7016	Netherlands	3935
Denmark	5763	Denmark	6337
Switzerland	3208	Switzerland	2911
PR China	6206	PR China	1008
Hong Kong	3540	Hong Kong	756
United Kingdom	2413	United Kingdom	1012
Belgium	1574	Belgium	513
South Korea	1518	South Korea	1104
Japan	511	Sweden	1258
Taiwan	476	Italy	932
Total for Others	32225		19766
Others not Listed	4888		5016
Grand Total	37114		24782

Softwood Lumber - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	14600	15782	15000	15850	0	16500
Imports	4500	3930	4000	3800	0	3700
TOTAL SUPPLY	19100	19712	19000	19650	0	20200
Exports	3500	2878	3500	3100	0	3500
Domestic Consumption	15600	16834	15500	16550	0	16700
TOTAL DISTRIBUTION	19100	19712	19000	19650	0	20200

Import Trade Matrix			
Country	Germany		
Commodity	Softwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	13928	U.S.	11636
Others		Others	
Finland	607921	Finland	557074
Russia	534341	Russia	497650
Sweden	572157	Sweden	591245
Czech Rep	375065	Czech Rep	294200
Belarus	330735	Belarus	459868
Poland	255479	Poland	261683
Lithuania	208474	Lithuania	205631
Austria	271077	Austria	263200
Latvia	184164	Latvia	169719
Norway	130484	Norway	145595
Total for Others	3469897		3445865
Others not Listed	446371		536537
Grand Total	3930196		3994038

Export Trade Matrix			
Country	Germany		
Commodity	Softwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	423101	U.S.	851262
Others		Others	
Italy	547390	Italy	704322
France	604037	France	595743
Netherlands	396530	Netherlands	427606
Austria	203030	Austria	263750
Belgium	248559	Belgium	249189
Switzerland	100525	Switzerland	89320
United Kingdom	63165	United Kingdom	83583
Spain	42482	Spain	84117
Denmark	32495	Denmark	51230
Slovenia	32706	Japan	55023
Total for Others	2270919		2603883
Others not Listed	183826		230518
Grand Total	2877846		3685663

Temperate Hardwood Lumber - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	1150	1119	1230	1080	0	1150
Imports	580	527	500	500	0	520
TOTAL SUPPLY	1730	1646	1730	1580	0	1670
Exports	400	521	500	520	0	550
Domestic Consumption	1330	1125	1230	1060	0	1120
TOTAL DISTRIBUTION	1730	1646	1730	1580	0	1670

Import Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	39548	U.S.	33126
Others		Others	
Lithuania	133158	Lithuania	153016
Latvia	56205	Latvia	54529
Ukraine	51879	Ukraine	55503
Belarus	38048	Belarus	31363
Russia	37572	Russia	32580
Poland	31640	Poland	28096
Canada	32806	Canada	27575
France	20922	France	17509
Czech Rep	18462	Czech Rep	12917
Slovakia	14674	Slovakia	11661
Total for Others	435366		424749
Others not Listed	70377		68810
Grand Total	545291		526685

Export Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	1923	U.S.	10537
Others		Others	
PR China	112451	PR China	96325
Hong Kong	46548	Hong Kong	35970
Spain	73548	Spain	58274
Netherlands	41709	Netherlands	40958
United Kongdom	39295	United Kongdom	36295
Italy	26046	Italy	34693
Belgium	21924	Belgium	26388
Poland	22990	Poland	29933
Austria	13370	Austria	17764
Sweden	10877	Switzerland	28427
Total for Others	408758		405027
Others not Listed	94175		105388
Grand Total	504856		520952

Tropical Hardwood Lumber - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	30	21	30	20	0	22
Imports	145	145	150	135	0	140
TOTAL SUPPLY	175	166	180	155	0	162
Exports	50	58	50	56	0	55
Domestic Consumption	125	108	130	99	0	107
TOTAL DISTRIBUTION	175	166	180	155	0	162

Import Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	1261	U.S.	171
Others		Others	
Ghana	59541	Ghana	45396
Cameroon	18207	Cameroon	18366
Malaysia	30154	Malaysia	37710
Indonesia	7086	Indonesia	7656
Cote d'Ivoire	6751	Cote d'Ivoire	6610
Netherlands	7403	Netherlands	7532
Brazil	2262	Brazil	2110
Belgium	1953	Belgium	5644
Cent Afric Rep	1254	Gabon	2175
		Singapore	1799
Total for Others	134611		134998
Others not Listed	9113		9920
Grand Total	144985		145089

Export Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	795	U.S.	826
Others		Others	
Netherlands	7628	Netherlands	6803
United Kongdom	5136	United Kongdom	10001
Denmark	5342	Denmark	6034
Switzerland	5703	Switzerland	7533
Poland	4380	Poland	6438
Austria	3877	Austria	6123
Belgium	2220	Sweden	1258
France	1485	France	1019
Czech Rep	1571	Czech Rep	1123
Slovenia	1199	Slovenia	1186
Total for Others	38541		47518
Others not Listed	9526		9738
Grand Total	48862		58082

Softwood Plywood - PS+D and Trade Tables

PSD Table						
Country	Germany					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	0	0	0	0	0	0
Imports	350	349	330	380	0	380
TOTAL SUPPLY	350	349	330	380	0	380
Exports	50	40	35	42	0	40
Domestic Consumption	300	309	295	338	0	340
TOTAL DISTRIBUTION	350	349	330	380	0	380

Import Trade Matrix			
Country	Germany		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Imports for:	2001		2002
U.S.	451	U.S.	61
Others		Others	
Brazil	199649	Brazil	174810
Finland	61542	Finland	70782
France	34893	France	34350
Russia	32410	Russia	16156
Czech Rep	19109	Czech Rep	14231
Italy	6807	Italy	4823
Denmark	6674	Denmark	8189
Poland	4574	Poland	4018
Total for Others	365658		327359
Others not Listed	22210		21950
Grand Total	388319		349370

Export Trade Matrix			
Country	Germany		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Exports for:	2001		2002
U.S.	1042	U.S.	1735
Others		Others	
Denmark	14006	Denmark	2263
Austria	4536	Austria	6533
Netherlands	3981	Netherlands	5060
Switzerland	3396	Switzerland	2504
Czech Rep	3038	Czech Rep	3531
Solvenia	2950	Portugal	1497
Belgium	2990	Belgium	1861
Italy	2427	Italy	2765
France	2008	France	2427
Poland	1074	Poland	1200
Total for Others	40406		29641
Others not Listed	8247		8404
Grand Total	49695		39780