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Spain

Solid Wood Products

Annual

2007

Approved by:
Stephen Hammond
U.S. Embassy, Madrid

Prepared by:
Arantxa Medina
Heather Page

Report Highlights: The American Hardwood Exporters Association's efforts to convince Spanish contractors and end users of the desirability of U.S. red oak, in addition to favorable red-oak prices vis-à-vis white oak and other hardwood species, appear to be opening the once completely locked Spanish red-oak import prospects "door." The relative weakness of the U.S. Dollar vis-à-vis the Euro and other European currencies appears to be buoying U.S. hardwood and softwood exports into the Spanish market, even as wood importers pull back because of a decline in housing-construction activity.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1]
[SP]

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SUMMARY

In Calendar Year (CY) 2008, U.S. hardwood exports to Spain will likely remain close to CY 2007 levels, but red oak will likely gain ground vis-à-vis white oak and other hardwoods. For U.S. hardwood exporters, maintaining their export level in this shrinking market will be no easy task, but the relative weakness of the Dollar will benefit their efforts.

For U.S. softwoods, the weakness of the U.S. Dollar and the slowdown in the U.S. home-construction market portend potentially stronger U.S. softwood exports into the Spanish market. However, U.S. softwood will likely be competing with low cost hardwoods, which may dampen potential demand.

The construction sector, a primary motor of the Spanish economy during the last decade, shows signs of a slow-down, which will primarily affect the residential construction sector. Industry sources expect that Spanish contractors will build about 500,000 homes during CY 2008, a significant decline from the 800,000 homes built during CY 2005.

European Union importers continue to trust the U.S. sustainable logging practices even though U.S. efforts to certify sustainability may be lagging. Most European forest products come from certified forests, so the lack of U.S. certification may become an issue in the future.

PRODUCTION

Spain is not traditionally a significant producer of solid woods, with only around four percent of European Union (EU)-27 production. According to most recently published data in Eurostat Forestry Statistics Edition 2007, during Calendar Year (CY) 2005 Spain logged 8.7 million cubic meters (mm^3) of softwood and 6.8 mm^3 of hardwood.

Additional uses for Spanish farms, in particular plantations include some 400,000 hectares of pine and eucalyptus trees used in paper production. Owners of these plantations of fast-growing tree species, which cover two percent of the total Spanish forest area, produce for just over 100 paper mills.

Coniferous and non-coniferous Logging

	2005	2006	2007	2008
ROUNDWOOD TOTAL (mm^3 without bark)	15.5	15.6	15.6	15.7
Coniferous (softwood)	8.7	8.8	8.9	9.0
Non-coniferous (hardwood)	6.8	6.8	6.7	6.7

Source: Eurostat Forestry Statistics Edition 2007 for 2005; FAS estimates and forecast otherwise

For full details on Spain's Forestry Statistics, please see http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-76-06-322/EN/KS-76-06-322-EN.PDF

Spanish hardwood varieties include beech wood (*Haya*), Eucalyptus (*Eucalipto*), Oak (*Quercus/Roble*), Black Poplar (*Chopo*) and Chestnut (*Castaño*). Softwoods include pine trees. *Galicia*, in the northern region of Spain, is the primary zone for tree production.

Forest Situation and Outlook

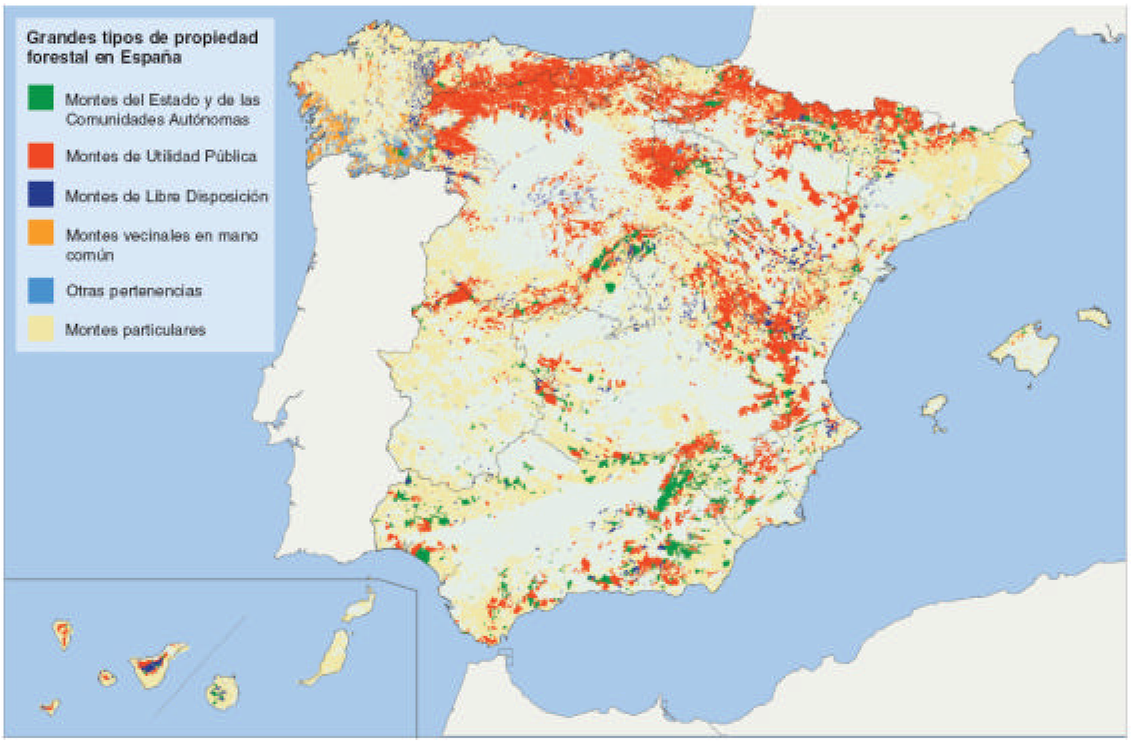
Regarding total area planted to trees, Spain is fourth in Europe behind Sweden, Finland and France. Approximately two million private citizens own about 80 percent of the forested area (please see table below); municipalities, autonomous communities and the national governments control the remaining 20 percent. Private and public owners dedicate about 90 percent of the acreage to erosion and desertification prevention and operate commercially on about ten percent of the land.

Spain ranks second (behind China) with the largest net forest gain between 2000 and 2005 (according to FAO's Forest Resources Assessment 2005 & State of the World's Forests 2007). Europe is the only region with a net increase from 1990-2005. To achieve such impressive progress, the Government of Spain designed, implemented and fomented reforestation and erosion control programs throughout the country.

Production by ownership category

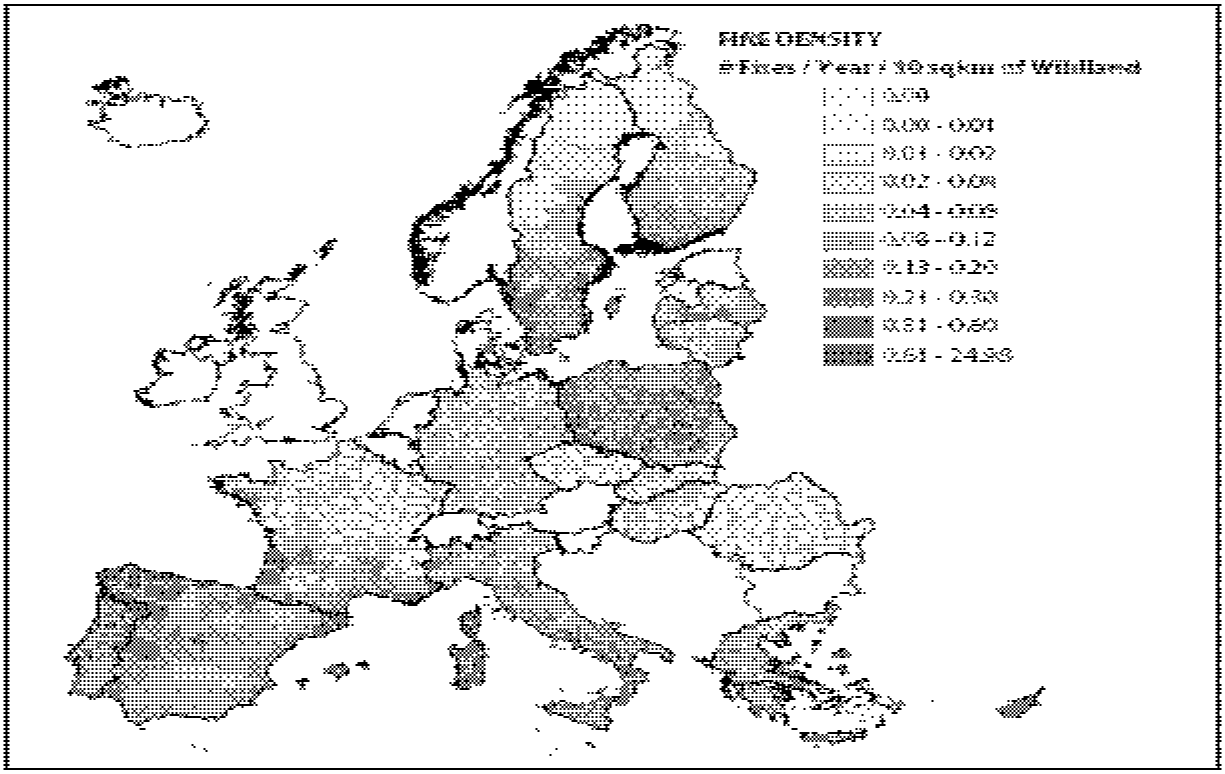
TYPE OF FOREST	AREA (mm^3)
State forests	0.3
Other publicly Owned forests	2.7
Private forests	12.5
Total	**15.5**

Source: Eurostat Forestry Statistics Edition 2007



State & Autonomous Community Forests
Public Use Forests
Public Use/Access Forests
Neighborhood Forests for Common Use
Others
Private Owners

Source: Atlas de la España Rural (MAPA)



Source: Eurostat Forestry Statistics Edition 2007

Forest fires were extremely destructive during CY 2006, and less so during CY 2007, but always a tremendous threat in this arid-to-semiarid environment. The above map shows a ten-year average forest fire frequency by zone. In addition, we note that between 60,000 and 400,000 hectares of forested land is burnt each year.

Because of the tremendous fire-generated loss during CY 2006, over 2,600 professionals received fire-prevention and extinction techniques offered by the Government of Spain (GOS). This strategy was part of a 33 million Euro project incorporated in the Spanish National Forest Plan.

POLICY

For European Commission forest-sector plans, guidelines and regulations please visit the following Web sites: http://ec.europa.eu/agriculture/fore/action_plan/com_en.pdf http://ec.europa.eu/environment/forests/flegt.htm

Spanish Forest Plan:

Spain implemented a Forest Plan in 2002 to help guide forest land owners. The Spanish Forest Plan comprises principles of sustainable development, the multiple functions of regional forests, ecological contributions and public/social participation to form policies, strategies and programs for the conservation and management of forests. The Plan covers a period of 30 years with two revisions scheduled that could affect the structure, development and interpretation of the over 150 measures proposed in the Plan.

Principal measures proposed include: permanently updated forestry statistics; program of priority actions for hydrologic-forest restoration; promotion of sustainable forestry management; support for forestry certification; prevention and fire extinction sensibilization programs; integration of biodiversity conservation in forestry management; and, a Plan for Industry Forest Use.

Certification Programs

Certification schemes in Europe include the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC). The PEFC began in 1999 and is considered the dominant certification program in Europe.

1. Program for the Endorsement of Forest Certification (PEFC Council):
http://www.pefc.org/internet/html/

PEFC certified more than one million forest hectares in Spain belonging to about 1,000 owners. Spain submitted its forest certification scheme to the PEFC in 2002 and utilizes PEFC standards for chain of custody certification, in which over 250 businesses participate. This certification reportedly validates that the sawn wood meets the sustainable management criteria.

2. Forest Stewardship Council (FSC):
General: http://www.fsc.org/en/
Spain: http://www.fsc-spain.org/

The Forest Stewardship Council (FSC) reportedly promotes the responsible stewardship of the world's forests. Up to fifty businesses in Spain participate in FSC certification and eighty businesses take part in the chain of custody certification program that certifies that the wood used in processing, transformation, manufacturing and distribution meets the "well-managed forests" criteria.

SOLID WOOD PRODUCTS SITUATION AND OUTLOOK

U.S. Exports to Spain

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
FAS EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED			JANUARY - DECEMBER QUANTITIES 2002	2003	2004	2005	2006	JANUARY - SEPTEMBER COMPARISONS 2006	2007	%CHNG
SPAIN	HARDWOOD VENEERS	M2	32,043,125.0	26,764,921.0	27,763,582.0	28,163,743.0	29,119,781.0	20,836,739.0	24,561,910.0	17.88
	SOFTWOOD VENEERS	M2	3,854,121.0	7,973,518.0	9,736,149.0	8,527,193.0	8,771,480.0	6,765,439.0	3,894,636.0	-42.43
	HARDWOOD LUMBER	M3	173,196.0	171,145.0	172,494.0	163,349.0	139,661.0	104,449.0	89,274.0	-14.53
	SOFTWOOD LUMBER	M3	78,660.0	50,435.0	54,994.0	72,678.0	79,458.0	59,771.0	35,654.0	-40.35
	WOOD PACKING MATERIAL	NO	25,284.0	71,498.0	28,710.0	55,536.0	47,941.0	41,422.0	61,871.0	49.37
	HARDWOOD LOGS	M3	21,050.0	23,665.0	29,021.0	30,745.0	44,127.0	34,727.0	51,025.0	46.93
	BUILDERS CARPENTRY	NO	9,584.0	3,497.0	7,753.0	9,660.0	6,138.0	3,422.0	8,025.0	134.51
	HARDWOOD FLOORING	M2	2,271.0	11,729.0	702.0	5,025.0	4,897.0	2,369.0	1,399.0	-40.95
	SOFTWOOD LOGS	M3	8,771.0	8,448.0	13,044.0	8,316.0	4,682.0	3,615.0	11,949.0	230.54
	HARDBOARD	M3	663.0	1,066.0	1,315.0	2,840.0	1,980.0	1,780.0	350.0	-80.34
	OTHER WOOD PRODUCTS	M3	801.0	1,938.0	1,343.0	1,710.0	660.0	367.0	1,372.0	273.84
	HARDWOOD PLYWOOD	M3	67.0	4,966.0	3,463.0	637.0	193.0	193.0	78.0	-59.59
	SOFTWOOD PLYWOOD	M3	392.0	534.0	1.0	68.0	0.0	0.0	229.0	--
	PULPWOOD	M3	1,381.0	57.0	0.0	0.0	0.0	0.0	0.0	--

Source: U.S. Government Export Statistics

Overview/Outlook

Hardwoods

Spanish builders use more U.S. hardwoods in the furniture, flooring and molding sectors than any other European country with the exception of Italy. Spanish importers prefer white oak, but are showing increased interest in red oak. They are switching because of the relative value and availability of red oak vis-à-vis other hardwoods.

Softwoods

Spanish softwood importers are looking at American softwood again, because of increasing value and availability. Traditionally, Spanish builders use U.S. softwood in the carpentry sector.

Competition

In the hardwood log sector, France, Portugal, Germany and Argentina are the strongest U.S. competitors.

Germany, France, Sweden and Austria compete with U.S. softwood in the Spanish market. Increasingly, however, Brazil and Chile gain market share. The Spanish use Portuguese softwood in the packaging sector.

MARKET SEGMENT ANALYSIS

Construction Sector

According to some industry analysts, Spanish builders will have to cope with a 5-6 percent construction growth over the next few years, approximately half of the rate maintained over the last decade. These same analysts predict that the Spanish builders will remain in this pattern for the next 3-to-4 years. Remodeling will keep some builders busy, and analysts predict that the commercial construction sector will remain strong.

Furniture & Interiors Sector

China, Vietnam, and other Asian furniture producers are forcing small-to-medium producers out of the market. China now leads world furniture exports, pressuring Spanish furniture manufacturers more every day.

Upcoming events (furniture sector):

Construmat – International Building Exhibition (Barcelona)
http://www.construmat.com/

Maderalia – International Suppliers Fair for the Wood and Furniture Industry (Valencia)
http://maderalia.feriavalencia.com/