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Egypt

Solid Wood Products

Annual

2000

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Report Highlights:
Egypt's total lumber imports in 1999 declined by about 5 percent compared to 1998. Most of the reduction occurred in the hardwood market segment, where imports declined nearly 30 percent. Hardwood lumber imports are expected to remain low in 2000.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Consumption and Utilization

With virtually no commercial forest production, Egypt has to import all of its wood requirements. In 1999, total lumber imports (softwoods and hardwoods) amounted to 2,667,000 cubic board meters, or about 5 percent lower than the 1998 level. Most of the reduction occurred in the area of hardwoods where imports declined by 100,000 CBM, while softwood imports which, comprised approximately 90 percent of all wood consumed in Egypt remained almost unchanged. During 1999, and the first half of 2000, the hardwood market was grappling with three factors that have impacted negatively on the consumption of hardwoods: First, the central bank of Egypt's instruction to Egyptian banks not to open letters of credits (L/C) unless importers deposit 100% cash of the value of the imported products. Second, the general economic slowdown during last year has had a negative impact on demand for hardwood since it is mostly used in the furniture sector. Third, rapid development and increased utilization of medium density fiber board (MDF) materials in furniture production has come at the expense of hardwoods. Increasing numbers of furniture manufacturers at the low end are relying on MDF materials rather than hardwoods. These factors combined led to a large decline in hardwood imports. Redwood is used mainly for doors, windows as well as furniture manufacturing, while whitewood is utilized mostly in concrete forming, scaffolding, packaging, joinery, and other purposes including low quality furniture.

Hardwood consumption, which represents about 10 percent of the total wood market, is mostly used in furniture and floor manufacturing, with small quantities utilized for doors and kitchen manufacturing. Beechwood accounts for over 80 percent of total hardwood consumption in Egypt, while oak accounts for most of the balance. There are small quantities of walnut, ash, sherry and maple, which basically represent a niche market for luxury furniture.

Furniture production, though mostly fragmented and scattered all over the country, has a large concentration in the port city of Damietta in the northern part of the Delta. The furniture sector has been growing rapidly in the last few year, especially in the upscale sector for up-scale consumers. Not withstanding 1999, this strong growth in the up-scale furniture manufacturing has created a greater demand for high grades and more expensive hardwood varieties such as U.S. oak.

The most common quality of softwood lumber used in Egypt is Grade #2 or higher, with 10-15% of total usage consisting of Grade #3. A small amount of unsorted grades are used for joinery. These grades are similar to the Scandinavian Grades No. 5 and 6, and Russian Grades Nos. 4 and 5. The most commonly used thickness is 50 mm, but 25 mm, and 75 mm are also used. Most importers prefer to order at least 50% of their shipments with 50 mm thickness. The most commonly utilized widths are 200 mm, 175 mm, 150 mm and 100 mm. The most frequently demanded lengths are 2.70 meters and up, in increments of 30 cm. Egyptian importers and end-users prefer to buy rough-sawn lumber with size measured after kiln drying, and moisture content not exceeding 19% at the time of inspection.

Concerning hardwoods, the most popular dimension is the 2" thickness but the 1" and the 1.5" thicknesses are also desirable. Widths should be 15 cm and up, and lengths should not be less than 1.8 meters. The grade # 2 common for U.S. oak is normally acceptable in Egypt, but there is a preference for the grade common #1, or the select grade.

The use of tropical hardwood lumber is currently very limited in Egypt. The quantities imported have been declining in the last few years, with few small shipments, mostly mahogany, being imported for the manufacturing of luxury furniture. Tropical hardwood veneers are also declining due to their increased substitution with artificial veneers. However, temperate hardwood veneers, particularly walnut, are still preferred over their artificial substitutes.

Trade

Sweden, Finland and Russia continue to be the main suppliers of low grade softwood lumber to the Egyptian market, although there are some quantities being imported from Estonia, Latvia, Chile and Canada. In 1999, Sweden and Finland, controlled about 70 percent of the total softwood market, while Russia had a 20 percent market share. Russian softwood exports are expected to increase sharply in 2000 and could reach 650,000 CBM compared to 484,000 CBM in 1999. This increase will came at the expense of both Sweden and Finland exports which can not compete with the prices of Russian low grades (Domestic grades). According to industry sources, such domestic low grades can not be exported to other markets. Chilean lumber is unpopular and is considered to be of inferior quality to the Scandinavian and Russian products. According to importers, Chilean products are purchased on the basis of price only.

Currently, the private sector imports all of Egypt’s lumber needs. Until the late 1980's, Societe Commercial De Bois (FABAS), which is the only remaining public entity in the industry, used to import between 70 to 80 percent of Egypt’s wood requirements. The company’s competitive position, however, has diminished significantly reaching zero during the last two years.

Romania, Croatia, Yugoslavia and the United States are currently the main suppliers of hardwoods to Egypt. The beechwood market is dominated by Romania, which controls over 95 percent of the market. Until recently, all beechwood imports came via the port of Alexandria. However, about 30 percent of total beechwood imports are currently directed to the port of Damietta because several furniture manufacturers are now sourcing their import requirements directly rather than making purchases through traders in Alexandria. U.S. exports consist of oak in addition to panels and veneers, and very small quantities of Ash and walnut. More than 50 percent of all U.S. hardwoods exports consists of veneers and other paneling products. Many Egyptian hardwood importers are becoming increasingly aware of the quality and the difference between American and Yugoslavian oaks (i.e. U.S. products are kiln dried and free of insects), and many importers are willing to pay a small premium for it. The majority of hardwood importers, however, are still price sensitive buyers.

Prices

Egypt is a very traditional wood market that has been dominated by Scandinavian wood exports for long time. As a result, prices of Scandinavian woods are used as a benchmark for softwood of different origins. In 1999, the average price of Scandinavian Whitewood (SPF) was reported to be about $210 per CBM/C&F, compared to $220 per CBM/C&F Alexandria in 1998. During the same year, Russian, Canadian and Chilean whitewoods were imported at an average prices of $185, $165, and $130 CBM/ C&F Alexandria, respectively. The average price for Scandinavian redwood grades 5 and 6 in 1999 was about $165 CBM/C&F, compared to $225 CBM/C$F in 1998. Russian red wood for the same grades were being imported for between $160 and $110 CBM/C&F compared to $225CBM/C&F in 1998.

Beechwood imported from Romania is currently being imported at about $230 CBM/C&F, compared to an average price of $320 CBM/C&F during 1999. The average price of imported oak from the U.S. varies between $ 375 and $800 CBM/C&F depending on the type and the grade of the imported product. It is reported that the price of the common #2 is between $395 and $425 CBM/C&F, while the price for the common #1 is about $570 CBM/C&F. The Appalachian oak from the east coast region of the U.S. is reported to be imported at price of about $800 CBM/C&F. European oak from Yugoslavia is currently being imported between $320 and $370 CBM/C&F, compared to $350 and $380 CBM/CIF in 1999.

Importers prefer that all wood shipments be kiln dried, cut in metric sizes, and be printed with their names on the side of each bundle. The dimension, length, grade, cubic meters, and number of pieces must be indicated on each bundle. In addition, Egyptian importers do not accept sale contracts made in nominal sizes, rather the wood must be invoiced and delivered in actual metric sizes with moisture content not exceeding 19 percent at the time of shipment inspection.

Factors Affecting U.S. Trade

The Egyptian wood market, particularly for softwood, is very price sensitive. The main constraint that faces U.S. softwood exports in penetrating this market is the lack of price competitiveness. The market has been dominated by Scandinavian and Russian softwoods. According to importers, U.S. softwood exporters were unable to meet the prices offered by these countries. In addition, several trial shipments of U.S. softwoods that were introduced to the market few years ago were met with a negative reaction from the Egyptian end-users due to lack of trade servicing to educate these end-users on how best to utilize U.S. softwood varieties.
The recent slowdown in Egypt’s general economy had a negative impact on the imports of U.S. hardwoods. U.S hardwood imports amounted to 11,000 CBM in 1999 declining 63 percent from the previous year. U.S. market share has also declined from 8.9 percent in 1998, to 4.6 percent in 1999. According to traders, the depresed level of hardwood imports is expected to continue during the rest of 2000 and 2001. While the market remains price sensitive in general, there is a segment of importers that is seeking and willing to pay for quality products. However, the lack of trade servicing remains a major constraint for U.S. exporters to fully take advantage of this market potential. The majority of Egyptian importers and end-users are still unfamiliar with lumber varieties, grades and dimensions of U.S. products therefore they are reluctant to use them.

Tariff

The import tariff on lumber is 5%. In addition, there is a 5% sales tax and 3% customs service fee.

PSD Table						
Country:	Egypt					

Commodity:	Softwood Lumber					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	0	0	0	0	0	0
Imports	1900	2427	2000	2430	0	2440
TOTAL SUPPLY	1900	2427	2000	2430	0	2440
Exports	0	0	0	0	0	0
Domestic Consumption	1900	2427	2000	2430	0	2440
TOTAL DISTRIBUTION	1900	2427	2000	2430	0	2440

Import Trade Matrix			
Country:		Units:	
Commodity:			

Time period:			
Imports for	1998		1999
U.S.		U.S.	
Others		Others	
Finland	866	Sweden	895
Sweden	852	Finland	800
Russia	457	Russia	484
Chile	83	Estonia	60
Latvia	70	Latvia	50
Canada	40	Chile	42
Estonia	26	Canada	25
Romania	18	Romania	20
Turkey	6	Lithuania	5
Ukraine	5		
Total for Others	2423		2381
Others not listed	27		46
Grand Total	2450		2427

PSD Table						
Country:	Egypt					
Commodity:	Temperate Hardwood Lumber					
		1999		2000		2001

	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	0	0	0	0	0	0
Imports	250	240	300	235	0	240
TOTAL SUPPLY	250	240	300	235	0	240
Exports	0	0	0	0	0	0
Domestic Consumption	250	240	300	235	0	240
TOTAL DISTRIBUTION	250	240	300	235	0	240

Import Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Imports for	1998		1999

U.S.	30	U.S.	11
Others		Others	
Romania	165	Romania	127
Croatia	55	Croatia	52
Yugoslavia	35	Yugoslavia	36
Greece	29	Greece	11
		Solvenia	3
Total for Others	284		229
Others not listed	26		
Grand Total	340		240

PSD Table						
Country:	Egypt					
Commodity:	Tropical Hardwood Lumber					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	0	0	0	0	0	0

Imports	5	5	4	5	0	4
TOTAL SUPPLY	5	5	4	5	0	4
Exports	0	0	0	0	0	0
Domestic Consumption	5	5	4	5	0	4
TOTAL DISTRIBUTION	5	5	4	5	0	4