Foreign Agricultural Service
*GAIN* Report
Global Agriculture Information Network

Required Report - public distribution

Date: 9/3/2002

GAIN Report #EG2018

# Egypt

# Solid Wood Products

# Annual

# 2002

Approved by:
**Asif Chaudhry**
**U.S. Embassy**
Prepared by:
Ali Abdi & Sherif Ibrahim

---

**Report Highlights:**
**Softwood lumber imports reached a record level at 2.65 MCBM in 2001 due to increased availability of low-priced quantities in traditional markets, while hardwood lumber imports decreased by about 9 percent. Both softwood and hardwood imports are, however, expected to decline by about 25 and 10 percent, respectively next year.**

---

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1], EG

## Consumption and Utilization

Since Egypt has no commercial forest production of its own, virtually all wood requirements are imported. In 2002, total lumber imports (softwood and hardwood) amounted to 2.8 million cubic board meters, the same levels of 2000. But softwood lumber imports in 2001 achieved a record level of 2.65 MCBM while hardwood lumber imports decreased by about 9 percent. The main reason for this increase is a decline in import prices, and the availability of the option to use cash against documents as a financing tool as opposed to the use of letters of credit, which requires traders to deposit 100 percent of the value of the sale. The government implented this banking policy late 2000. This encouraged new importers to get into the wood import business, and the volume of imports increased substantivally. However, in 2002, both softwood and hardwoods imports are expected to decline by about 25 percent and 10 percent, respectively. The expected decline in softwood imports which represents approximately 90 percent of the wood consumed in Egypt, is mainly due to the following reasons: (1) General economic slowdown in the country that has led to a substantial decline in the construction sector. (2) Short supply in Russia. The anticipated decrease in hardwood lumber imports is primarily due to the following: (1) Romanian beechwood prices increased 7 to 21percent during this period. Industry analysts attribute the increased export price of Romanian beechwood to a recent demand increase in China, which is also a traditional market for Romanian hardwoods. (2) Furniture manufacturers' increased usage of (Medium Density Fiber) rather than hardwoods. These factors combined led to a large decline in hardwood imports last year.

Hardwood lumber and veneer, which represents about 10 percent of the total wood import market, is mostly used in the furniture and flooring sector, 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. Small quantities of walnut, ash, sherry and maple species are imported for the luxury furniture niche market. Redwood species are mainly used for doors, windows, furniture while whitewood is utilized mostly in concrete forming, scaffolding, packaging and joinery.

Furniture production, though mostly fragmented and scattered all over the country, is largely concentrated in the port city of Damietta in the Northern part of the Delta. The furniture sector has been growing rapidly in the last few years, especially in the upscale sector. This strong growth has created a greater demand for high quality grades and more expensive hardwood varieties such as U.S. oak. However, continued weakening of the Egyptian Pound against the U.S dollar during the last 18 months, and lack of foreign exchange availability in the banking sector is making U.S products more expensive.

In Egypt, concrete, rather than wood, continues to be the main building material of choice in construction. Softwood lumber and plywood are used extensively for scaffolding, forming and joinery. Approximately 70 percent of softwood imports are consumed by the construction industry. The balance is used in making doors, windows and other items including low quality furniture.

Concerning hardwoods, the most popular dimension is the 2" thickness, but 1" and 1.5" thicknesses are also used. For widths, most specifiers prefer 15 cm and up, and lengths of not less than 1.8 meters. Grade # 2 common for U.S., oak is normally acceptable in Egypt, but there is a preference for 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, Russia and Finland continue to be the main suppliers of low grade softwood lumber to the Egyptian market, although there are some quantities being imported from Latvia, Romania, Chile and Estonia. In 2001, Sweden and Finland, controlled about 60 percent of the total softwood market, while Russia had 30 percent market share. However, according to industry sources, Russian softwood exports are expected to decrease sharply in 2002 and could drop to 500,000 CBM compared to 805,000 CBM in 2001. This expected decrease is due to the short supply of Russian logs. Chilean lumber is unpopular, and is considered to be of inferior quality to the Scandinavian and Russian products.

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 during in the last two years.

Romania, Croatia, Yugoslavia/Greece 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 some importers are willing to pay a small premium for it. A majority of hardwood importers, however, are still price sensitive buyers.

### Prices

Egypt is a traditional market for Scandinavian wood exports. As a result, prices of Scandinavian woods are used as a benchmark for softwood of different origins. The current average price of Scandinavian Whitewood (SPF) is reported to be about $150 per CBM/C&F, compared to $180 per CBM/C&F Alexandria in 2001. The current import price of Russian, and Chilean whitewood is between $115 and $120 CBM/C&F, while Romanian whitewood is being imported for between $120 and $123 CBM/C&F for grades 5 and 6 compared to $140 and $130/ CBM in 2001. Lower grades are imported for $100-$115CBM/C&F.

The current average price for Scandinavian redwood grades 5 and 6 is between $165 and $175 CBM/C&F, compared to $135 and $140 CBM/C$F in 2001. Russian red wood of similar grades is being imported for between $135 and $120 CBM/C&F.

Romanian beechwood is currently being imported between $280 CBM/C&F for short and $330 CBM/C&F for long, compared to $230 CBM/C&F, and $280 CBM/C&F, respectively during the same period in 2001. The current price of imported oak from the U.S. varies between $ 340 and $580 CBM/C&F depending on the type of grade. Reportedly, the price of common #2 is between $340 and $360 CBM/C&F compared to $300 CBM/C&F in 2001, while the price of common #1 is between $440 CBM/C&F and $460 CBM/C&F, compared to between $ 500 and $600 CBM/C&F in 2001. The Appalachian oak from the East coast region of the U.S. is reportedly bieng imported for between $550 CBM/CIF and $ 580 CBM/CIF, compared to about $800 CBM/CIF in 2001 . Yugoslavian and Romanian oak is currently being imported for between $310 and $370 CBM/C&F, compared to $290 and $300 CBM/CIF in 2001.

Importers prefer that all wood shipments be kiln dried, cut in metric sizes, with labels printed 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 US Trade

The Egyptian wood market is price sensitive, particularly for softwoods. Egypt is a low-grade market, and 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 suppliers in other 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 slowdown in Egypt's general economy had a negative impact on the imports of U.S. hardwoods. U.S hardwood imports amounted to 6,000 CBM in 2001 declining 45 percent from the previous year. As a result, U.S. market share decreased from 6 percent in 2000 to 3.7 percent in 2001. Industry experts do not expect that the conditions in the hardwood sector will improve in the near future. While the market remains price sensitive in general, there are few importers that are 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.

### Tariffs

The import tariff on lumber is 8 percent. In addition, there is a 5 percent sales tax, 1 percent tax and 3 percent customs fee.

## PSD Table (SWL 000 CBM)

| | | | | | | |
|---|---|---|---|---|---|---|
| PSD Table | | | | | | |
| Country: | Egypt | | | | | |
| Commodity: | Softwood Lumber | | | | | |
| | | 2001 | | 2002 | | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Imports | 2200 | 2650 | 2300 | 2000 | 0 | 2100 |
| TOTAL SUPPLY | 2200 | 2650 | 2300 | 2000 | 0 | 2100 |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic Consumption | 2200 | 2650 | 2300 | 2000 | 0 | 2100 |
| TOTAL DISTRIBUTION | 2200 | 2650 | 2300 | 2000 | 0 | 2100 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

**Import Matrix Table (SWL 000 CBM)**

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country: | | Units: | |
| Commodity: | | | |
| Time period: | | | |
| Imports for | 2000 | | 2001 |
| U.S. | | U.S. | |
| Others | | Others | |
| Sweden | 790 | Sweden | 807 |
| Russia | 730 | Russia | 805 |
| Finland | 700 | Finland | 702 |
| Latvia | 83 | Lativia | 70 |
| Chili | 59 | Romania | 60 |
| Estonia | 55 | Chili | 55 |
| Romania | 30 | Estonia | 52 |
| Canada | 20 | | |
| Lithuania | 12 | | |
| | | | |
| Total for Others | 2479 | | 2551 |
| Others not listed | | | 100 |
| Grand Total | 2479 | | 2651 |

## PSD Table (HWL 000 CBM)

| | | | | | | |
|---|---|---|---|---|---|---|
| PSD Table | | | | | | |
| Country: | Egypt | | | | | |
| Commodity: | Temperate Hardwood Lumber | | | | | |
| | | 2001 | | 2002 | | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Imports | 240 | 150 | 243 | 135 | 0 | 140 |
| TOTAL SUPPLY | 240 | 150 | 243 | 135 | 0 | 140 |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic Consumption | 240 | 150 | 243 | 135 | 0 | 140 |
| TOTAL DISTRIBUTION | 240 | 150 | 243 | 135 | 0 | 140 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

## Import Matrix Table (HWL 000 CBM)

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country: | | Units: | |
| Commodity: | | | |
| Time period: | | | |
| Imports for | 2000 | | 2001 |
| U.S. | 11 | U.S. | 6 |
| Others | | Others | |
| Romania | 87 | Romania | 75 |
| Croatia | 52 | Croatia | 62 |
| Greece&Yugos | 22 | Greece/Yugos. | 13 |
| Greece | | | |
| Solvenia | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 161 | | 150 |
| Others not listed | | | |
| Grand Total | 172 | | 156 |