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Germany

Solid Wood Products

Annual

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Report Highlights:
U.S. exports of solid wood products to Germany dropped by 20 percent to only U.S.$106 million in Jan-Sep 2002 versus U.S.$135 million in Jan-Sep 2001. The reduction of U.S. sales is closely linked to the slow German economy, the weakness of the German construction and furniture industries, the strength of the U.S. dollar and the increasing competition for Central and Eastern European countries. However, demand for U.S. hardwoods continues to exist. The recent strengthening of the Euro may help U.S. exporters in 2003.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

U.S. wood products sales to Germany are closely linked to the well-being of the German furniture industry and the housing market. Both markets are in depression. Housing starts dropped by 11percent in 2002 and the furniture industry reports a reduction in turnover of about 10 percent for 2002. The outlook for 2003 is not optimistic. In 2002, U.S. wood products sales to Germany are expected to drop by about 20 percent which is the same rate of decline as in 2001. The strength of the U.S. dollar, the weakness of the German construction industry, and the increasing competition from Central and Eastern European countries contributed to the negative development for U.S. exporters. U.S. exports of plywood dropped to near zero in 2002. However, American hardwoods will remain in demand by German processors. White oak, hard maple, red alder, black cherry, walnut, and increasingly white birch are species favored by German importers. U.S. exports of builders joinery, doors and frames, and window frames are marginal amounting to a total value of U.S.$ 760,000 (Jan/Sep 2002) versus U.S.$ 980,000 in CY 2001

Since the German wood-using industries are increasingly facing economic problems in the domestic market they are expanding their activities to export markets outside the EU and outside Europe. German sales of softwood lumber for the construction industry, wooden panels and other wood products grew by more than 60 percent to a total value of U.S.$268 million during January to September 2002. Total German export sales (logs, lumber, panels) grew by 15 percent in 2002, thereof 56 percent was sold to other EU countries. German exporters are increasingly penetrating Asian markets, in particular China, Hong Kong, Japan and South Korea.

General Economic Situation

Germany's gross domestic product (GDP) is reported at 0.4 percent for 2002, compared to 0.6 percent in 2001 and 3.0 percent in 2000. The outlook for 2003 is not much better, somewhere below 1.0 percent. Unemployment numbers are pointing upward, cost for the health care and pension funds are rising. Fundamental reforms of the social support systems are urgently needed because the rising costs of medical, retirement, and unemployment insurance are reflected in higher labor costs. Federal, state, and community budgets are in deep deficit and improvement without significant reforms of labor market regulations, health care and old age insurance is not in sight.

The frequent reports by the German media have highlighted the weakness of the German economy and have served to instill a sense of pessimism into the Germans. German consumers have reacted to the negative situation by spending less which has increased the savings rate which is at 10.2 percent at the moment. The industry reacts to rising labor costs by considering relocation of jobs to countries with lower labor and investment cost mainly in Central and Eastern European (CEE) countries. Furthermore, the recent political proposal to re-install the property tax, which had been abolished in 1997, and to increase the heritage tax have further stymied economic growth and consumers' willingness to spend money.

The main economic engine of the German economy during recent years has been the export sector which took advantage of the low value of the Euro versus the dollar. The recent re-valuation of the Euro by about 10 percent may partially offset the expected recovery of the global economy. However, the major target region for German exports are EU and CEE countries, taking about 72 percent of all German exports. The U.S. receives about 10 percent of total German exports.

For most years of the history of the Federal Republic of Germany, the construction industry had been the engine of the economy. This has considerably changed since the mid 1990s when special tax support programs for commercial construction were either discontinued or lowered. In particular, the eastern part of Germany faces a significant oversupply of private and commercial housing built because of lucrative tax support programs during the first years of re-unification. Construction investment in 2002 dropped by 3.4 percent. Ironically, the great flood of the Elbe river in the summer of 2002 which destroyed many homes in the affected valleys will support the regional construction industry for a short period in 2002 and 2003.

Domestic Wood Production

The German timber harvest in 2002 is estimated at 37 million cum, about 2 million less than in 2001. Annual timber re-growth is estimated at 57 million cum. Theoretically, timber harvest could be 10 to 15 million cum higher than the actual harvest 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. The Federal Ministry for Consumer Protection, Food and Agriculture is in the process of carrying out a general forest inventory . The last one was done in 1986/89 and released shortly before the re-unification of Germany. The new report is expected in 2003/04 and should provide more accurate wood production data.

In 2002, German forests luckily did not experience any significant storm or fire damage. The devastating storms over France, Switzerland and Southern Germany in December 1999 had disturbed timber markets for a while. To avoid a timber price collapse, limitations on logging were implemented for 2000 and 2001. In addition about 4.5 million cum of softwood logs were put into wet storage. By the end of 2002, about 1.5 million cum are still in wet storage and will be released in 2003.

Table 1: German Timber Harvest in 1000 CUM							
	Logs	Slee-pers	Industr Wood Long	Industr Wood Short	Stacked Wood	Other Wood	All Wood
Oak, Red Oak							
1990	843	4	126	128	218	86	1,405
1991	570	19	107	64	170	79	1,009
1992	483	15	120	83	197	75	973
1993	475	16	104	66	196	87	944
1994	536	9	138	69	206	107	1,065
1995	667	8	307	90	203	100	1,375
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*							1,750
Beech, oth Hardwoods							
1990	4,329	83	1,772	788	841	204	8,017
1991	2,746	100	1,682	497	762	165	5,952
1992	2,239	98	1,607	600	721	215	5,480
1993	2,193	85	1,468	525	763	270	5,304
1994	2,578	71	1,706	515	761	329	5,960
1995	3,175	66	2,500	650	760	321	7,472
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*							8,650

Table 1 con't: German Timber Harvest in 1000 CUM							
	Logs	Slee-pers	Industr Wood		Stacked Wood	Other Wood	All Wood
			Long	Short			
Spruce, Fir, Douglas Fir							
1990	44,513	195	3,851	4,353	1,286	397	54,595
1991	12,918	119	2,026	3,359	620	164	19,206
1992	11,333	162	1,447	2,771	619	230	16,562
1993	12,389	0	1,192	2,457	634	273	16,945
1994	16,932	0	1,130	2,569	811	335	21,777
1995	16,491	0	1,350	3,000	828	350	22,019
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*							18,000
Pine, White Pine							
1990	6,136	4	2,503	1,602	596	163	11,004
1991	2,544	2	969	1,486	357	160	5,518
1992	2,068	2	692	1,447	406	129	4,744
1993	2,359	5	551	1,253	411	185	4,764
1994	2,806	3	676	1,629	472	230	5,816
1995	3,919	3	1,100	2,700	500	255	8,477
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*							8,600

Table 1 con't: German Timber Harvest in 1000 CUM							
	Logs	Slee-pers	Industr Wood		Stacked Wood	Other Wood	All Wood
			Long	Short			
All Species							
1990	55,821	286	8,252	6,871	2,941	850	75,021
1991	18,778	240	4,784	5,406	1,909	568	31,685
1992	16,123	277	3,866	4,901	1,943	649	27,759
1993	17,416	106	3,315	4,301	2,004	815	27,957
1994	22,852	83	3,650	4,782	2,250	1,001	34,618
1995	24,252	77	5,257	6,440	2,291	1,026	39,343
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*							37,000
* Forecast							
Source: Federal Ministry of Agriculture							

As result of the slush economy, German wood prices are trending downward in 2002.

Table 2: German Timber Price Index - 1995 = 100%								
	1995	1996	1997	1998	1999	2000	2001	2002*
Total Roundwood	100.2	89.8	93.6	101.4	105.3	92.4	87.7	84.0
Total Logs	99.7	88.8	95.3	103.2	107.0	92.3	87.2	83.5
- Oak	99.3	85.2	90.1	86.2	98.7	88.8	87.1	83.5
- Beech	98.8	99.5	99.6	103.9	n.a.	101.9	105.0	100.0
- Spruce	100.8	86.1	95.8	105.8	109.0	93.1	82.6	81.0
- Pine	95.2	91.0	91.0	96.5	99.5	95.2	87.3	86.5
Total Indust Wood	101.1	96.6	82.3	89.4	93.5	93.3	91.4	88.5
- Oak	102.9	100.0	88.2	71.9	80.5	78.0	88.0	105.0
- Beech	108.1	99.1	79.7	82.7	88.6	88.4	85.9	80.0
- Spruce	100.8	95.9	93.2	104.2	101.1	101.5	94.4	90.0
- Pine	93.7	95.1	74.9	85.7	93.5	93.0	95.4	94.0
* prelim.								
Source: FedMinAgr.								

Forest Certification

About 60 percent of the German forest area of 10.7 million hectares is PEFC (Pan European Forest Certification) certified. FSC certified area amounts to 400,000 hectares. FSC (Forest Stewardship Council) has under contract the state forests of Nordrhein-Westfalen, Schleswig-Holstein, Saarland, Hamburg and Berlin as well as several community forests, plus several private forests. The majority of large scale state forests in other federal states and most private forests are under PEFC contract. Although the PEFC and FSC seals are hardly known in the public, the German paper industry requires that their raw materials originate from certified forests with sustained management practices. Also the sawmills selling their milling by-products to the paper industry need to be certified. Some do-it-yourself (DIY) retailers also advertise that their wood products are from sustained forests. The German PEFC council estimates that within three years about 7.5 million hectares will be certified. The owners of the remaining 3 million hectares of forest land are not expected to participate in the certification process since their forests are not market relevant because of their small size.

Consumption

Total annual wood use by the German wood working industry is roughly estimated at about 42 million cum. The vast majority (51 percent) is used by sawmills for lumber production. The sawmilling industry consists of about 2,000 mills, most are small to mid-sized companies producing customer tailored lumber. About 75 percent of total production was cut by the 50 biggest mills. Experts expect that by 2010 the number of sawmills will drop to 1,000. An EU study says that by 2020, the biggest 20 mills will produce about 90 percent of total German lumber. The German sawmills are hard hit by the depression in the German construction industry. However, they compensated the lack of domestic demand by increased efforts on export markets. For the first half of 2002, the association of the sawmilling industry reports an increase in production by about 5 percent. Over the full year this increase is expected to be a little lower at about 3 percent.

The export markets, including markets in North America, Asia and Arab countries, are predominantly supplied by super-sized profiler mills. In CY 2001, about 20 percent of the total annual turnover of German sawmills had been for export markets compare to only 10 percent 5 years ago. The export market is becoming increasingly important to the milling industry.

The hardwood market is reportedly in a difficult position. End-consumers in Germany are reducing their spending for furniture and other wooden household outfits made from hardwoods. Also Chinese buyers increasingly switched over to buying hardwood logs rather than cut lumber which puts hardwood lumber prices under pressure. In addition, domestic hardwood mills are facing stiff competition from Eastern European countries which over the past ten years significantly improved their production technology and are still much more competitive on the cost side. Stocks of hardwood lumber by German mills have grown considerably during the past year. In order to avoid a depreciation of these stocks, the milling industry is asking German forest owners to reduce the hardwood timber harvest in 2003 and to restrict the sales of beech logs to Chinese markets with the idea that Chinese buyers will again purchase German beech lumber instead of beech logs.

For 2002, the German paper industry reports a 4.5 percent increase in paper production to 18.7 million tons versus 17.95 million tons in CY 2001. The increase took place mainly in cardboard. Paper demand for newspapers and magazines is decreasing reflecting the reduced level of print advertisements. Exports and imports of paper are of nearly the same size at 9 million tons each. The use of recycled paper amounts to 11.6 million tons. In 2002, the EU approved investment support of 250 million Euro for the construction of a new pulp mill in Stendal near Berlin. Total investment amounts to about 800 million Euro. The new mill will produce bleached pulp from softwood for paper production.

Table 3: Timber Use in Wood-Using Industry in 1000 CUM						
	1996**	1997	1998	1999	2000	2001
Sawmills						
Dom Wood						
Softwood	11,852	18,072	17,662	17,496	18,552	18,349
Hardwood	962	1,214	1,282	1,643	1,648	1,549
Imp Wood	215	326	562	436	1,405	1,584
All	13,029	19,612	19,506	20,173	21,605	21,482
Veneer Mills *)						
Dom Wood						
Softwood	30	54	83	100	97	56
Hardwood	182	254	256	237	208	185
Imp Wood	34	54	49	43	44	50
All	246	362	388	380	349	291
Plywood						
Dom Wood						
Softwood	121	140	148	152	n.a.	151
Hardwood	n.a.	n.a.	159	152	154	62
Imp Wood	n.a.	n.a.	11	13	n.a.	n.a.
All	296	320	318	317	154	213
Fiberboard						
Industrial Wood	717	1,058	1,411	1,645	1,784	2,315
Cut-offs Slabs + Residues	887	2,769	863	1,052	1,080	2,166
All	1,604	3,827	2,274	2,697	2,864	4,481
Particleboard						
Round Timber	2,744	2,899	2,743	2,525	2,522	2,960
Cut-offs Slabs + Residues	4,519	6,112	6,053	5,596	6,418	5,838
All	7,263	9,011	8,796	8,121	8,940	8,798

Table 3 con't: Timber Use in Wood-Using Industry in 1000 CUM						
	1996**	1997	1998	1999	2000	2001
Cellulose & Paper Ind						
Softwood	2,716	2,764	2,730	2,544	3,197	2,982
Hardwood	876	761	873	952	1,006	1,019
Cut-offs Slabs + Residues	3,717	3,509	2,752	2,479	3,046	2,920
All	7,309	7,034	6,355	5,975	7,249	6,921
Grand Total	29,747	41,863	40,657	37,663	41,161	42,186
* Decorative veneers only						
** excl. the state of Baden-Wuerttemberg						
Total numbers do not add. Table serves as a relative picture of German wood use.						
Source: Federal Ministry of Agriculture						

Construction Markets

German construction industry is in a deep depression, reporting lower construction volume year after year since 1997. Before 1997, the construction sector was booming because of highly attractive tax incentive programs mainly for eastern Germany. The industry built up surplus capacities of private homes and commercial buildings. Consequently, rental prices had come under significant pressure so that new investment is not profitable until the markets change considerably. In addition, the German government intends to cut back further existing tax support programs for private home builders. Despite historic low financing costs - mortgages at 5.5 to 6.0 percent over ten years, private investors are at the moment not willing to invest in houses since returns are too low. Rental prices are in most regions under pressure because of the surplus situation described above.

German housing is predominantly masonry. However, wooden houses gained popularity among private home investors. In 2001, about 19,600 units were wooden houses, thereof 16,440 prefabricated wooden houses. In 2002, these numbers are expected to have dropped to the same extent as the decline in total construction. However, the relative share of wooden houses compared to total production has been increasing steadily to 12.7 percent in 2001. The interest in wooden houses is attributed to their superior insulation characteristic, resulting in reduced energy/heating costs.

Renovation and modernization of homes has followed the general downward trend in the construction market. However, renovation is strongly needed in a large number of Eastern German homes. Due to low rental prices, it seems to be uneconomical for owners to invest in modernization. Also the tremendous losses in the stock markets over the past two years significantly limited the available funds for such projects.

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*	233,000	32,000	265,000	171,000	83,000	254,000	34,000
2003**	205,000	31,000	236,000	160,000	61,000	221,000	32,000
*Forecast FASBonn							
** D-M-D Bau-Marktforschung F. Kreimeyer							
Source: Federal Statistics Office + FAS Bonn							

Flooring

The flooring market is also following the downward trend of the construction market. In particular, since September 11, demand has fallen. Consumers seem to be afraid of taking any major financial risks. Many modern homes are equipped with parquet or other solid wooden flooring in the living room area. The lower price alternative to parquet is high pressure laminate (HPL) flooring which is predominantly installed in multi-unit houses. Preferences for wood species of the past few years have not changed in 2001. Favored are light color wood species, namely beech and oak. However, darker tropical species are increasingly incorporated into light color floorings. In order to keep costs down, several parquet manufacturers decided to relocate their production facilities to Poland or other CEE countries.

The vast majority of parquet built into German homes is multilayer parquet, accounting for 69 percent of total production. Mosaic parquet accounts for 16 percent and solid parquet accounts for 14 percent. HPL flooring is estimated at about 50 to 55 million sqm.

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*	9,500	16,000	4,300	21,200
2003*	8,800	15,800	4,000	20,600
*Forecast				
Source: Federal Statistics Office				

Windows

The German window production has been cut in half during the past eight years. A further 9 percent reduction is forecast for 2003. The reduction took place in both markets, new homes and renovation (48 percent of the window market). Market share losses are particularly strong in wooden window frames, losing 65 percent of its market share over these eight years. Many house owners switched over to plastic frame windows since they are cheaper and easier to maintain. In addition, plastic frames provide excellent insulation properties which is an important decision making factor. Wooden windows are not foreseen to regain market share in the near future. About 41 percent of the wooden windows are made from dark red meranti, followed by 39 percent of European pine, 8 percent Oregon pine and 6 percent hemlock.

Table 6: Production Developments on the German Window Market (million units)									
	1995	1996	1997	1998	1999	2000	2001	2002*	2003*
Wood Windows	7.4	6.9	6.6	5.9	5.4	4.6	3.6	3.0	2.6
Plastic	12.3	12.0	12.6	12.2	12.1	10.7	8.6	7.7	7.0
Aluminum	5.2	4.9	4.4	3.7	3.5	3.4	3.1	3.0	2.7
Alu + Wood	0.7	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.6
All Types	25.6	24.5	24.3	22.6	21.8	19.5	16.0	14.4	12.9
* FAS Bonn Forecast									
Source: German Windows Manufacturers Ass'n					www.window.de				

Furniture

A 2001 report of the German furniture industry said that German consumers are European champions with respect to expenditures for furniture. German per capita spending is reported at 430 Euro while the European average amounts to only 257 Euro. At the bottom of the spending are the Iberian countries Spain and Portugal with Euro 164 and Euro 116 respectively. Of total private spending per household, 7.2 percent is earmarked for furniture and household appliances, 24.6 percent are spent for rent and 15.6 percent for food and beverages.

For the first 9 months of 2002, the German furniture industry reports unsatisfactory furniture sales of negative 9.6 percent, dropping to Euro 15.0 billion. The outlook for 2003 remains pessimistic. Total annual turnover in 2001 was reported at Euro 22.4 billion versus Euro 22.7 billion in 2000. The number of furniture manufacturing companies in Germany dropped by 1.7 percent to 1,393 in 2001 and by another 3.7 percent in 2002 to 1,344 thereof 1,058 of them are producing home furniture and 286 companies are active in office and other business furniture. The vast majority of these companies are located in western Germany, only 227 companies operate out of eastern Germany. About 18 percent of German furniture production is for export markets. The export market share of domestic production is continuously growing. Total furniture exports in 2001 amounted to Euro 4.88 billion versus Euro 4.94 billion in 2000. For the first half of 2002, the industry reports an export increase of 0.6 percent. Two thirds of the sales went to other EU countries, with the Netherlands, Austria, France and Belgium as the leading markets. Exports to eastern European countries are also growing by 2.2 percent, amounting to Euro 256 million during the first half of 2002. Exports to North America again grew by 10 percent in 2002 compared to 7.7 percent in 2001 and a surprising increase of 45 percent in 2000. The United States is a top target region for the German furniture industry. Exports during the first half of 2002 amounted to Euro 106 million ($U.S. 100 million). Sales into the Asian markets slowed down in 2002, by 8.3 percent to Euro 96.7 million (Jan/Jun). In particular, sales to Japan and Hong Kong dropped in 2002. Another growing market for German manufacturers are African countries, buying furniture for about Euro 18.9 million in Jan/Jun 2002.

German imports of furniture are still about 36 percent higher than exports, but net-imports are continuously shrinking - to Euro 1.78 billion in 2001. Major countries or regions of origin are eastern Europe and Italy. Interestingly, imports from EU countries dropped by 8.1 percent to Euro 1.2 billion in 2002 (Jan/Jun) while imports from eastern Europe grew by 9.9 percent to Euro 1.55 billion. Also Asian countries (namely China) improved their market position on the German furniture market by 8.6 percent, to Euro 272.5 million in Jan/Jun 2002. North American manufacturers lost market share in 2001 (negative 9 percent) and again in Jan/Jun 2002 (minus 17.8 percent). The United States exported furniture to Germany worth Euro 17.4 million in Jan/Jun 2002. The high value of the U.S. dollar versus the Euro had created a major obstacle for American furniture makers.

The preference scale for wood species by the German furniture industry has not changed 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. As the big German furniture manufacturers are relocating parts of their production to Central and Eastern European countries these companies are increasingly sourcing lumber and furniture parts from these regions. High cost producers in Europe and North America are facing significant competition from these new high quality furniture manufacturers.

The German veneer industry reports a major drain of production capacities which is moving into the eastern countries of Europe. Veneer mills are moving to the site of the raw material. Production statistics for 2002 indicate a reduction of about five percent. 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) and tropical woods (13 percent), hard maple (6.5 percent) and oak with only 5.5 percent. A strong revival of oak is not in sight.

Panel Industry

In 2001, the German particleboard industry reduced its production by 4.5 percent to 9.88 million cum. Lower domestic demand and a 6 percent lower export level induced this development. The downward trend of production continued in 2002 although exports grew by 2.5 percent during the first nine months of 2002. 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 in 2000. New investment in wooden panel production will be preferably in MDF 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. Production of OSB in 2002 is roughly estimated at 300,000 cum. These two numbers clearly prove that there is currently an extreme capacity surplus. However, 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 3.4 million cum in 2002 compared to 2.8 million cum in 2001. 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 excellent markets domestically but is also successful in its export markets. About 1.3 million tons have already been exported in Jan/Sep 2002, almost as much as in CY 2001 (136 million tons). Imports are much lower at 300,000 tons in Jan/Sep 2002.

The panel industry fears costs for raw material for the coming years. A new large scale pulp mill in Stendal, west of Berlin, is in construction and will start operating in 2004. 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 its energy share resulting 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 63,000 tons in 2002. By 2004, a further increase to 120,000 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 2001 dropped by U.S.$42 million to U.S.$168 million (tariff codes 4401 - 4412). During the first 9 months of 2002, German imports from the United States dropped by another 20 percent. This occurred mainly in temperate hardwood veneers and lumber where sales dropped by 10 to 20 percent in 2002 versus 2001. Sales of temperate hardwood logs did not suffer that badly. Oaks log exports dropped by only 3 percent while total log shipment went down by 8 percent. The expensive dollar and the depressive economy in Germany contributed to this development. However, it should not be overlooked that the German wood working industry is increasingly looking eastward for raw materials and semi-finished parts.

Shipments of U.S. softwood plywood has practically ended in 2002. Only 39 cum at a value of U.S.$30,000 were shipped to Germany in 2002 versus U.S.$5.9 million in 1999. Aside of the strong dollar and the slow economy in Germany, the build-up of OSB production capacities in Europe also the hinders American plywood sales into Germany. Sales of other panels, such as particleboard,, MDF and OSB amounted to U.S.$ 505,000 during Jan/Sep 2002 versus U.S.$ 440,000 in CY 2001. U.S. exports of builders joinery more than doubled in Jan/Sep 2002 to 263 tons valued at U.S.$ 684,000 versus 98 tons during the same period in 2001. Exports of window frames and doors and frames are marginal.

At the same time as U.S. exports to Germany dropped significantly, German wood products exporters successfully entered the U.S. market. The value of shipments for the first 9 months of 2002 already exceed total CY 2001 sales to the U.S. , U.S.$ 268 million versus U.S.$ 237 million. Softwood lumber shipments went up to 634,801 cum in 2002 (Jan/Sep) versus 244,223 cum in 2001 (Jan/Sep). The majority of lumber is for the construction industry as well as for packaging purposes. German companies seem to take advantage of the punitive tariffs on Canadian softwood lumber. However, German companies also sold 4,796 cum of beech lumber to the U.S., from January to September 2002. During the same period in 2001, German temperate hardwood lumber exports to the U.S. accounted for only 1,397 cum. Temperate hardwood veneer exports to the U.S. reached 1,792 cum during Jan/Sep 2002 which is the same level as in 2001. In the wooden panel business, German exporters also increased their shipments of hardboard, MDF, and OSB to the United States in Jan/Sep 2002. Total panel shipments to the U.S. were valued at U.S.$ 122 million in Jan/Sep 2002 versus U.S.$ 102 million in Jan/Sep 2001. Exports of builders joinery to the U.S. also tripled in 2002 from 516 tons (Jan/Sep 2001) to 1,586 tons in 2002. German exporters claim their success is based on the favorable currency exchange rate of the Euro versus the dollar but also due to the ability of European producers to customize their products.

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 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

In the coalition agreement between the Social Democratic Party and the Green Party it is explicitly laid down that wood products used for public investments should be FSC certified. There is no reference made that PEFC or other certification programs should be regarded as equivalent. The German PEFC representative reports that so far no public purchasing contract for wood products contains an exclusive clause favoring FSC. Since the vast majority of German forests are PEFC certified, forest owners are intensively opposing the political preference 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 May 2003. 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 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 2002, 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/November 2003. 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 shortly in January 2003.

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 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 a international fair the forests and wood industries focusing processing machinery with a small section showing trade in forest products. The LIGNAplus usually directly follows the Interzum held in Koeln. Interested visitors have the chance 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 products 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

PSD Table						
Country	Germany					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	17000	18149	18000	17500	0	17500
Imports	3000	2817	3000	2700	0	2700
TOTAL SUPPLY	20000	20966	21000	20200	0	20200
Exports	3200	2832	3500	3100	0	3100
Domestic Consumption	16800	18134	17500	17100	0	17100
TOTAL DISTRIBUTION	20000	20966	21000	20200	0	20200

Import Trade Matrix			
Country	Germany		
Commodity	Softwood Logs		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	1	U.S.	86
Others		Others	
Russia	617769	Russia	801261
Belgium	572456	Belgium	301569
France	485792	France	481963
Czech Rep	305392	Czech Rep	310767
Switzerland	155320	Switzerland	63515
Estonia	155148	Estonia	215695
Netherlands	162158	Netherlands	145163
Denmark	160518	Denmark	58356
Sweden	117654	Sweden	158468
Latvia	50755	Latvia	63473
Total for Others	2782962		2600230
Others not Listed	169992		216259
Grand Total	2952955		2816575

Export Trade Matrix			
Country	Germany		
Commodity	Softwood Logs		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	13	U.S.	56
Others		Others	
Austria	2083615	Austria	1157049
Italy	572848	Italy	405154
Czech Rep	595896	Czech Rep	579865
Sweden	284623	Sweden	157355
Belgium	172990	Belgium	227885
France	110585	France	35095
Finland	52871	Japan	27367
Norway	44005	Norway	62279
Denmark	43910	Switzerland	30579
Total for Others	3961343		2682628
Others not Listed	121413		149346
Grand Total	4082769		2832030

PSD Table						
Country	Germany					
Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	4200	4191	4200	4000	0	4000
Imports	200	251	200	200	0	200
TOTAL SUPPLY	4400	4442	4400	4200	0	4200
Exports	1450	1389	1350	1350	0	1400
Domestic Consumption	2950	3053	3050	2850	0	2800
TOTAL DISTRIBUTION	4400	4442	4400	4200	0	4200

Import Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	70607	U.S.	62742
Others		Others	
France	221941	France	70922
Denmark	17202	Denmark	4862
Belgium	14774	Belgium	6589
Czech Rep	11700	Czech Rep	8819
Switzerland	13874	Switzerland	11289
Hungary	11617	Hungary	11736
Austria	10213	Austria	8034
Finland	9107	Finland	7710
Luxemburg	6052	Luxemburg	3742
Poland	7256	Romania	4630
Total for Others	323736		138333
Others not Listed	41546		49552
Grand Total	435889		250627

Export Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	413	U.S.	104
Others		Others	
PR China	316816	PR China	334209
Sweden	326557	Sweden	405251
Denmark	258763	Denmark	195880
Italy	174759	Italy	115304
Netherlands	86200	Netherlands	95735
Austria	60863	Austria	75696
Hong Kong	50560	Hong Kong	48408
France	41202	France	30419
Belgium	36895	Belgium	28708
Switzerland	29225	Switzerland	14594
Total for Others	1381840		1344204
Others not Listed	52763		44950
Grand Total	1435016		1389258

PSD Table						
Country	Germany					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	0	0	0	0	0
Imports	130	141	135	115	0	110
TOTAL SUPPLY	130	141	135	115	0	110
Exports	40	37	40	30	0	30
Domestic Consumption	90	104	95	85	0	80
TOTAL DISTRIBUTION	130	141	135	115	0	110

Import Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Logs		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	0	U.S.	
Others		Others	
Cameroon	74255	Cameroon	57698
Congo	27804	Congo	18185
Gabun	23687	Gabun	23638
Equat.Guinea	11739	Equat.Guinea	16313
Liberia	8626	Liberia	17787
Zaire	5273	Zaire	1677
Myanmar	2774	Myanmar	2777
Angola	2081	Centr.Afric.Rep	2397
Centr.Afric.Rep	2845		
Total for Others	159084		140472
Others not Listed	1482		1018
Grand Total	160566		141490

Export Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Logs		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	157	U.S.	1
Others		Others	
Netherlands	12090	Netherlands	7016
PR China	4752	PR China	6206
Hong Kong	3069	Hong Kong	3540
Denmark	6231	Denmark	5763
Switzerland	2701	Switzerland	3208
Belgium	2079	Belgium	1574
South Korea	1156	South Korea	1518
Sweden	867	Sweden	895
Taiwan	544	Taiwan	476
		Indonesia	798
Total for Others	33489		30994
Others not Listed	6112		6119
Grand Total	39758		37114

PSD Table						
Country	Germany					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	14600	15000	14600	15300	0	15000
Imports	4300	3930	4500	4000	0	4000
TOTAL SUPPLY	18900	18930	19100	19300	0	19000
Exports	3300	2878	3500	3500	0	3500
Domestic Consumption	15600	16052	15600	15800	0	15500
TOTAL DISTRIBUTION	18900	18930	19100	19300	0	19000

Import Trade Matrix			
Country	Germany		
Commodity	Softwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	25804	U.S.	13928
Others		Others	
Finland	913243	Finland	607921
Sweden	847387	Sweden	572157
Austria	470626	Austria	271077
Russia	523651	Russia	534341
Czech Rep	474003	Czech Rep	375065
Poland	394811	Poland	255479
Belarus	355644	Belarus	330735
Lithuania	278088	Lithuania	208474
Latvia	259482	Latvia	184164
Norway	164956	Norway	130484
Total for Others	4681891		3469897
Others not Listed	591943		446371
Grand Total	5299638		3930196

Export Trade Matrix			
Country	Germany		
Commodity	Softwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	215190	U.S.	423101
Others		Others	
Italy	716326	Italy	547390
France	682928	France	604037
Netherlands	439762	Netherlands	396530
Austria	349890	Austria	203030
Belgium	359071	Belgium	248559
Switzerland	98628	Switzerland	100525
Denmark	55219	Denmark	32495
United Kingdom	44027	United Kingdom	63165
Spain	45011	Spain	42482
Slovenia	36776	Slovenia	32706
Total for Others	2827638		2270919
Others not Listed	158945		183826
Grand Total	3201773		2877846

PSD Table						
Country	Germany					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	1150	1214	1150	1230	0	1230
Imports	550	545	580	520	0	500
TOTAL SUPPLY	1700	1759	1730	1750	0	1730
Exports	360	505	400	520	0	500
Domestic Consumption	1340	1254	1330	1230	0	1230
TOTAL DISTRIBUTION	1700	1759	1730	1750	0	1730

Import Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	49750	U.S.	39548
Others		Others	
Lithuania	105779	Lithuania	133158
Russia	63905	Russia	37572
France	36897	France	20922
Latvia	55240	Latvia	56205
Poland	41253	Poland	31640
Ukraine	46028	Ukraine	51879
Belarus	37951	Belarus	38048
Canada	34022	Canada	32806
Czech Rep	28440	Czech Rep	18462
Austria	24357	Austria	14907
Total for Others	473872		435599
Others not Listed	121283		70144
Grand Total	644905		545291

Export Trade Matrix			
Country	Germany		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	1827	U.S.	1923
Others		Others	
PR China	110061	PR China	112451
Hong Kong	62331	Hong Kong	46548
Spain	87299	Spain	73548
Netherlands	57316	Netherlands	41709
Great Britain	43973	Great Britain	39295
Italy	34822	Italy	26046
Austria	34822	Austria	13370
Denmark	18436	Denmark	10404
Belgium	18608	Belgium	21924
Poland	15242	Poland	22990
Total for Others	482910		408285
Others not Listed	76999		94648
Grand Total	561736		504856

PSD Table						
Country	Germany					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	30	28	30	20	0	20
Imports	140	145	145	140	0	135
TOTAL SUPPLY	170	173	175	160	0	155
Exports	54	49	50	55	0	50
Domestic Consumption	116	124	125	105	0	105
TOTAL DISTRIBUTION	170	173	175	160	0	155

Import Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Lumber		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	1696	U.S.	1261
Others		Others	
Ghana	63630	Ghana	59541
Malaysia	50594	Malaysia	30154
Cameroon	13611	Cameroon	18207
Indonesia	9528	Indonesia	7086
Netherlands	9961	Netherlands	7403
Ivory Coast	5574	Ivory Coast	6751
Belgium	3249	Belgium	1953
Singapore	2680	Centr.Afric.Rep	1254
Brazil	1973	Brazil	2262
Total for Others	160800		134611
Others not Listed	13456		9023
Grand Total	175952		144895

Export Trade Matrix			
Country	Germany		
Commodity	Tropical Hardwood Lumber		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	901	U.S.	795
Others		Others	
Denmark	10166	Denmark	5342
Netherlands	8847	Netherlands	7628
Great Britain	7880	Great Britain	5136
Austria	5618	Austria	3877
Switzerland	3708	Switzerland	5703
Poland	3766	Poland	4380
Belgium	3215	Belgium	2220
Czech Rep	1750	Czech Rep	1571
France	1448	France	1485
Hungary	928	Hungary	1047
Total for Others	47326		38389
Others not Listed	6013		9678
Grand Total	54240		48862

PSD Table						
Country	Germany					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	0	0	0	0	0
Imports	380	388	350	350	0	330
TOTAL SUPPLY	380	388	350	350	0	330
Exports	52	50	50	40	0	35
Domestic Consumption	328	338	300	310	0	295
TOTAL DISTRIBUTION	380	388	350	350	0	330

Import Trade Matrix			
Country	Germany		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Imports for:	2000		2001
U.S.	5763	U.S.	451
Others		Others	
Brazil	216214	Brazil	199649
Finland	71660	Finland	61542
France	43649	France	34893
Canada	22000	Russia	32410
Russia	19467	Czech Rep	19109
Czech Rep	21791	Poland	4574
Poland	9433	Italy	6807
Italy	7786	Denmark	6674
Denmark	4160		
Total for Others	416160		365658
Others not Listed	22031		22210
Grand Total	443954		388319

Export Trade Matrix			
Country	Germany		
Commodity	Softwood Plywood		
Time period	CY	Units:	CUM
Exports for:	2000		2001
U.S.	569	U.S.	1042
Others		Others	
Denmark	7842	Denmark	14006
Italy	6377	Italy	2427
France	5886	France	2008
Austria	4680	Austria	4536
Czech Rep	3417	Czech Rep	3038
Switzerland	3127	Switzerland	3396
Belgium	2724	Belgium	2990
Slovenia	2650	Slovenia	2950
Portugal	2159	Poland	1074
Great Britain	3041	Great Britain	1049
Total for Others	41903		37474
Others not Listed	13456		11179
Grand Total	55928		49695