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# Denmark

# Solid Wood Products

# Annual

# 2003

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**Report Highlights:**
East European suppliers are still selling at very low prices and U.S. softwood and plywood exports to Denmak are minimal. Gradually the Danish wood industry is moving production to countries where production costs are considerably lower. Forty pecent of Danish sawn oak imports originate from U.S. but these are mainly for re-export

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Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
The Hague [NL1]
[DA]

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## Executive Summary

Total Danish wood trade in 2002 amounted to $1.8 billion with imports totaling $1.1 billion and exports $701 million. Pine log imports amounted to $366 million. The Nordic countries combined account for about 50 percent of the Danish wood imports.

Denmark imported wood products valued at $26 million from the United States in 2002, of which 28 percent was oak and another 25 percent other hardwood products. Ninety percent of the oak imported from the U.S. is re-exported. In addition, $6.8 million of the imports registered from U.S. were imports of mahogany species.

Until 1998, the U.S. was the major supplier of softwood plywood to Denmark. In 1999, Scandinavian and East European countries, especially Russia but also Finland and Poland, took over the market and the U.S. market share is now 0.6 percent. Due to high prices of U.S. softwood plywood, most importers have shifted their focus to other countries, and the U.S. will have difficulty regaining its former market share. According to the major wood trader in Denmark, the price for U.S. wood would have to be very competitive in order for the US to break back into the market. Plywood trade has been so completely reversed that Danish wood traders are now exporting plywood directly from Russia to U.S.

Another noteworthy trend, though still on a small scale, is the outsourcing of production to countries where production costs are lower. This has resulted in some Danish wood processing operations moving to Eastern European countries.

Requirements for certification for sustainable forestry are increasing and are expected to be a normal requirement within few years. At present, all government purchase of wood products have to be certified. A Government guide (in English): " Purchasing Tropical Timber, Environmental guidelines" for this trade is available at www.sns.dk/udgivelser/2003/tropical/default.htm. Also, major furniture retailers label their product with a FSC certificate.

Denmark imported 55,000 tons of oak chips for fuel for energy production in 2002 at a value of $2.1 million. Infestation concerns have now resulted in Danish requirement for full kill and treatments that are applicable for other oak imports. This requirement seems to have stopped imports of oak chips.

Average Exchange Rates:

| | |
|---|---|
| 2002: | U.S.$1 = DKK 7.88 |
| December 2002: | U.S.$1 = DKK 7.35 |
| December 2002: | U.S.$1 = DKK 6.30 |

**Strategic Indicator Table**

# FOREST PRODUCT
# STRATEGIC INDICATOR TABLES FOR DENMARK

**CONSTRUCTION MARKET**

| **Country:**<br>**Report Year:** | **Previous Calendar Year** | **Current Calendar Year** | **Following Calendar Year** |
|---|---|---|---|
| Total Housing Starts (thousand units) | 18 | 17 | 17 |
| --of which, wood frame (thousand units) | 1 | 1 | 1 |
| --of which, steel, masonry, other materials (thousand units) | N/A | N/A | N/A |
| --of total starts, residential (thousand units) | 15 | 16 | 17 |
| ----of residential, single family (thousand units) | 10 | 11 | 11 |
| ----of residential, multi-family (thousand units) | 5 | 5 | 5 |
| --of total starts, commercial (thousand units) | N/A | N/A | N/A |
| Total Value of Commercial Construction Market ($US mil) | 15,693 | 15,000 | 15,000 |
| Total Value of Repair and Remodeling Market ($US million) | | | |

**FURNITURE & INTERIORS MARKET**

| **Country:**<br>**Report Year:** | **Previous Calendar Year** | **Current Calendar Year** | **Following Calendar Year** |
|---|---|---|---|
| Total Housing Starts (number of units) | 17,849 | 18,103 | 18,000 |
| Total Number of Households) | 2,456,106 | 2,500,000 | 2,500,000 |
| Furniture Production ($US million) | 2,493 | 2,650 | 2,700 |
| Total Furniture Imports ($US million) | 728 | 750 | 750 |
| Total Furniture Exports ($US million) | 2,008 | 2,125 | 2,250 |
| Interiors Market Size ($US million) | 1,213 | 1,175 | 1,200 |

**MATERIAL HANDLING MARKET**

| **Country:**<br>**Report Year:** | **Previous Calendar Year** | **Current Calendar Year** | **Following Calendar Year** |
|---|---|---|---|
| Total Value of Industrial Output ($US million) | 60,062 | 61,000 | 62,000 |
| New Pallet Production (million units) | 6 | 6 | 6 |

**FOREST AREA**

| Country:<br>Report Year: | Previous Calendar Year | Current Calendar Year | Following Calendar Year |
|---|---|---|---|
| Total Land Area (million hectares) | 5 | 5 | 5 |
| Total Forest Area (million hectares) | 0 | 0 | 0 |
| --of which, Commercial ('000 hectares) | 0 | 0 | 0 |
| ----of commercial, tropical hardwood ('000 hectares) | 0 | 0 | 0 |
| ----of commercial, temperate hardwood ('000 hectares) | 174 | 180 | 180 |
| ----of commercial, softwood ('000 hectares) | 294 | 300 | 300 |
| Forest Type | | | |
| --of which, virgin ('000 hectares) | 0 | 0 | 0 |
| --of which, plantation ('000 hectares) | 0 | 0 | 0 |
| --of which, other commercial (regrowth) ('000 hectares) | 468 | 480 | 480 |
| Total Volume of Standing Timber (thousand cubic meters) | N/A | N/A | N/A |
| --of which, Commercial Timber ('000 cum) | N/A | N/A | N/A |
| Annual Timber Removal ('000 cum) 1/ | 16,069 | 1,700 | 1,700 |
| Annual Timber Growth Rate ('000 cum) | 4,000 | 4,000 | 4,000 |
| Annual Allowable Cut ('000 cum) | 4,000 | 4,000 | 4,000 |

***1/ If Removals exceeds growth rate, analyze impact in text.***

**WOOD PRODUCTS SUBSIDIES**

| Country:<br>Year of Report | Previous Calendar Year | Current Calendar Year | Following Calendar Year |
|---|---|---|---|
| Total Solid Wood Export Subsidy Outlay ($US million) | Nil | Nil | Nil |
| Is there a ban on the export of logs, lumber, or veneer? 1/ | No | No | No |
| Are there export taxes (yes/no)? 2/ | No | No | No |
| Total Wood Production Subsidy ($US million) | 0 | 0 | 0 |
| Scope (thousands of hectares) | | | |
| Are there other wood products export expansion activities? 1/ | | | |

## Construction Sector

### Overview

The Danish construction market is rather small but stable with about 17,000 new construction units per year. Interest for houses constructed of wood is increasing but still limited. Construction of wooden houses is now allowed up to four stories and wood houses now account for four to five percent of new construction.

### Marketing.

The demand for newer, engineered products such as I-beams and LVL is limited, partly due to conservatism among Danish builders, and partly because they are considered too costly and used mostly when very light materials are required. Danish importers have tried to market KATO beams from Finland, but have had very little success in selling this product, which is specially marketed for smaller building units.

Treated wood terraces around houses are fast increasing. Preferred materials are secondary species such as Barangai (Indonesia) and Jatoba (Brasil). Other preferred species for this purpose are Red Cedar and Southern Yellow Pine. It should be noted that although copper treating is banned in Denmark, copper treated wood products are allowed imported.

## Furniture and Interiors Sector

### Overview

With furniture production worth Euros 2.5 billion (of which 80 percent is exported), Denmark is a substantial importer of woods for furniture. Although European, and especially the German markets are suffering from low economic growth, furniture production is forecast to increase. For the first six months of 2003, exports to the U.S. increased by 17 percent, to Sweden by 16 percent and to Germany by 13 percent. It is not possible to obtain figures for species-specific demand, but the bulk of furniture is made of MDF and other fiber or particleboards

### Marketing

Although there are no exact figures available, the bulk of Danish furniture is made from softwoods. Conversion away from softwood is difficult because machinery is difficult to readjust to hardwood. However, the development has resulted in an increased use of light woods, free from knots. The most popular such species are Beech, Cherry and Maple. All wood for furniture production is imported through the major wood importers, of which DLH is reported to have a market share of between 75 and 80 percent.

The demand for hardwood floors (either solid or laminated with a hardwood overlay) is rising. Most preferred woods for flooring are Beech, Oak and Cherry.

Windows, doors and frames are manufactured in Denmark to specific measures for each individual construction project and imports are very limited.

Denmark imports 40 percent of its sawn oak from the U.S. In 2002 these imports totaled 7,841 Cubic Meters (CUM). Other major suppliers are Germany (3,200 CUM), Latvia (900

CUM), Canada (1,100 CUM) and Lithuania (2,000 CUM). However, about 90 percent of the oak is reexported, mainly to other Northern European countries, and about 10 percent is shipped back to the U.S. after being processed. Of total Danish imports of hardwood blocks for parquet and wood block flooring (200,000 square meters), the U.S. has a market share of 0.8 percent, drastically decreased from 9,666 square meters in 2001 to 1546 square meters in 2002. Major suppliers are now Indonesia and Poland, accounting for 60 percent of total imports.

**Material Handling Industry**

Danish pallet production is stable around 6 million pieces per year. Imports for this production amount to over 100,000 CUM of softwood yearly, all of which is imported from Sweden. To satisfy demand for pallets, Denmark imports about 5 million pieces of which 1.5 million come from Poland, 800,000 from Germany, 750,000 from each of Sweden and Latvia and 535,000 from Lithuania.

**Softwood Plywood**

# PSD Table

## Country Denmark

## Commodity Softwood Plywood

| | 2002 | Revised | 2003 | Estimate | 1000 |
|---|---|---|---|---|---|
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | US |
| **Market Year Begin** | | 01-2002 | | 01-2003 | |
| Production | 5 | 2 | 5 | 2 | |
| Imports | 100 | 119 | 100 | 180 | |
| TOTAL SUPPLY | 105 | 121 | 105 | 182 | |
| Exports | 25 | 36 | 25 | 60 | |
| Domestic Consumption | 80 | 85 | 80 | 122 | |
| TOTAL DISTRIBUTION | 105 | 121 | 105 | 182 | |

**Production**

During recent years domestic production has fallen from 5,000 CUM to 2,000 CUM annually, about 2 percent of total Danish consumption.

Market impediments

Oriented Strand Board (OSB) imports are recorded under the same tariff number as wafer, so imports of OSB are difficult to estimate. Total 2002 imports of wafer board, including OSB, reached 217,000 CUM compared to 60,238 CUM in 2001. Several U.S. companies have established themselves on the European market with local factories. Louisiana Pacific's joint venture factory in Ireland has obtained Danish approval.

OSB standards used by U.S. and Canadian companies have not been approved for the EU and Denmark. As a result, no U.S. factories are producing OSB to EU specifications and no U.S.-origin OSB is imported. In the meantime, both OSB 3 & 4 are used in Denmark for roofing and flooring, but since both standards can be used for the same purpose, Danish importers generally prefer OSB 3.

While Oriented Strand Board generally competes with softwood plywood, and it appeared in the past that OSB demand would grow at plywood's expense, in fact demand for both has grown. Imports of OSB for the period January to July grew from 118,000 CUM in 2002 to 152,000 CUM in 2003. Sweden accounts for 60 percent of imports, while Norway and Germany share the rest. Imports of softwood plywood have likewise increased to 110,000 during the first seven months of 2003 (from 72,000 in 2002). Discussion with the trade has not revealed the reason for this increase, which is too large to be explained by the slight increase in construction.

**Trade**

# Import Trade Matrix

## Country Denmark

## Commodity Softwood Plywood

| | | | |
|---|---|---|---|
| Time Period | CY | Units: | CUM |
| Imports for: | 2001 | | **2002** |
| U.S. | 1597 | U.S. | 691 |
| Others | | Others | |
| Russia | 73653 | Russia | 58738 |
| Finland | 15710 | Rfinland | 23378 |
| Poland | 4805 | Poland | 9662 |
| Sweden | 2165 | Sweden | 5921 |
| Chile | 3082 | Chile | 3285 |
| Germany | 1503 | Germany | 252 |
| Czech Rep. | 2059 | Czech Rep. | 1274 |
| Brazil | 1963 | Brazil | 6631 |
| Ireland | 0 | Ireland | 7587 |
| | | | |
| Total for Others | 104940 | | 116728 |
| Others not Listed | 2241 | | 1332 |
| Grand Total | 108778 | | 118751 |

Danish plywood imports have increased dramatically in recent years from 72,083 CUM in 1996 to 118,751 CUM in 2002. At the same time, U.S. market share has collapsed. Traditionally US share had run at about 40 percent and as late as 1997 reached 47 percent before dropping to 4 percent in 2000. US exports seem to be limited to only specific specialty products, amounting to less than 1,000 CUM per year. Danish importers explain that the U.S. has lost market share due to high prices, and while U.S. prices had been periodically high at other times, during the last 5 years other suppliers were ready to take over. The Danes are now accustomed to these new suppliers and product specifications and construction qualities are similar to U.S. products.

U.S. exporters are not expected to regain former market shares in the short term. To the contrary, Danish wood traders are exporting softwood plywood from Russia to the U.S.

Danish importers will continue to import specialty plywood products from the U.S., but quantities are expected to be in the range of less than a thousand CUM.

# Export Trade Matrix

**Country** Denmark

**Commodity** Softwood Plywood

| | | | |
|---|---|---|---|
| Time Period | CY | Units: | CUM |
| Exports for: | 2001 | | **2002** |
| U.S. | 880 | U.S. | 114 |
| Others | | Others | |
| Germany | 13094 | Germany | 15856 |
| Netherlands | 5244 | Netherlands | 5964 |
| Norway | 1922 | Norway | 3644 |
| Sweden | 2248 | Sweden | 3179 |
| Greenland | 2841 | Greenland | 2319 |
| Faroe Islands | 2028 | Faroe Islands | 2410 |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 27377 | | 33372 |
| Others not Listed | 2206 | | 2876 |
| Grand Total | 30463 | | 36362 |