Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 12/13/2002

GAIN Report #SP2051

Spain

Solid Wood Products

Annual

2002

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Report Highlights: Although declining, dwelling starts in 2002 will again be over the half-million-unit bench mark. Next year's performance is uncertain, however. For other wood consuming sectors, flooring is growing rapidly, home renovation is firm, but furniture has slowed. From the record levels attained in 2000, forest products imports have declined significantly from all sources, including the U.S.; southern pine has been particularly affected. Stock replenishment, euro appreciation against the dollar and decreased tropical hardwood supplies should help to sustain U.S. forest product imports. Increased quality wine production is creating greater marketing opportunities for U.S. oak in cooperage products.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1], SP

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Executive Summary

The Spanish construction industry is currently slowing down due to slow growth in building activity, although civil works activity remains robust. After reaching a record of 539,000 units in 2000, new dwelling starts are declining, although they may be again over a half-million units this year. For 2003, housing activity is difficult to predict as prospects for the overall economy remain uncertain. While renovation activity continues firm, the furniture industry is slowing down. Door output is slowing slightly but other builders' joinery and carpentry products, such as windows and flooring, are up. Greater utilization of cooperage products can be expected due to larger production of quality wine.

White oak continues to be the species of choice for flooring, doors and kitchen cabinets. Cherry is the species of choice for furniture, although walnut, red alder, tulipwood and wengue are currently rising. Redwood pine and iroko are the main species used for windows. U.S. southern pine lumber has increasingly been displaced by other pine species and tropical iroko wood.

Spain's forest products imports from all sources in 2001 amounted to $1.37 billion, a nearly 10 percent decline from the previous year's record of $1.45 billion. A breakdown of these imports by value in 2001 is as follows (in million U.S. dollars): softwood lumber (288), oak lumber (134), beech lumber (33), other hardwood lumber (222), softwood logs (55), hardwood logs (183), veneers (135), flooring strips (41), other moldings (16), fiberboard (74), particle board (89), plywood (64), cooperage products (17) and other forest products (33).

In 2001, the main suppliers of softwood lumber to Spain, value basis, were Sweden, the U.S., Finland, France and Portugal; for temperate hardwood lumber, the U. S., France, and Germany; for hardwood veneer, the U. S. and Germany; for softwood plywood, Germany and Portugal.

During 2002, Spanish imports of forest products showed significant declines from all sources including the U.S., although they seem to have recovered slightly in recent months. For 2003, importers are not optimistic but they will eventually have to replenish their current low inventory levels. Moreover, the current appreciation of the euro against the dollar and the problems in major tropical supplying countries, such as Ivory Coast and Cameroon, will help to sustain shipments of U.S. forest products into Spain.

Spain's imports of U.S. forest products in 2001 declined to $241 million, a nearly 15-percent decline from the previous year's record of $282 million. These imports are mainly composed of softwood and hardwood lumber, veneer, hardwood logs and cooperage products. In 2001, Spain remained a leading market for U.S. hardwood lumber, veneer and softwood lumber. The Spanish market is traditionally concentrated in two individual U.S. species, southern pine and white oak. Last year, Spain continued to be the number one market for U.S. white oak lumber. For U.S. southern pine lumber, however, Spain was displaced by the Dominican Republic as the number one market.

Spanish builders' joinery and carpentry industries are facing growing competition from other EU countries, Eastern Europe, China and South Asia; imports of flooring panels and molding in particular, are growing rapidly.

Last summer, the WTO agreed with the EU's complaint that the U.S. Foreign Sales Corporation's (FSC) tax breaks for American businesses were illegal. As a consequence, the EU has published its preliminary retaliation list of U.S. products which may be penalized if the FSC does not alter its program. The Spanish wood trade has been greatly concerned that Southern Yellow Pine was included on the EU's retaliation list. The EU plans to publish a revised list before the end of the year.

$/Euro exchange rates: 1999: 1.06; 2000 - 0.92; 2001: 0.89; average expected for 2002: 0.92; current rate: 1.00

FOREST PRODUCT			
STRATEGIC INDICATOR TABLES FOR (SPAIN)			
(Please do not add/delete rows or columns -- note and other info must be added below row 110 -- thank you!)			
CONSTRUCTION MARKET			
Country: Spain	Previous	Current	Following
Report Year: 2002	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	524	485	450
--of which, wood frame (thousand units)	3	3.5	4
--of which, steel, masonry, other materials (thousand units)	521	481.5	446
--of total starts, residential (thousand units)	518	482	447
----of residential, single family (thousand units)	170	175	180
----of residential, multi-family (thousand units)	348	307	267
--of total starts, commercial (thousand units)	3	3	3
Total Value of Commercial Construction Market ($US mil)	9,300	9,600	9,800
Total Value of Repair and Remodeling Market ($US million)	25,400	26,200	27,100
FURNITURE & INTERIORS MARKET			
Country: Spain	Previous	Current	Following
Report Year: 2002	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	524,000	485,000	450,000
Total Number of Households)	21,000,000	21,300,000	21,600,000
Furniture Production ($US million)	7,600	7,500	7,500
Total Furniture Imports ($US million)	1000	900	900
Total Furniture Exports ($US million)	1,450	1,300	1,300
Interiors Market Size ($US million)	n/a	n/a	n/a
MATERIAL HANDLING MARKET			
Country: Spain	Previous	Current	Following
Report Year: 2002	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output ($US million)	162,400	162,000	162,300
New Pallet Production (million units)	15	14	14

FOREST AREA			
Country: Spain	Previous	Current	Following
Report Year: 2002	Calendar Year	Calendar Year	Calendar Year
Total Land Area (million hectares)	47	47	47
Total Forest Area (million hectares)	15	15	15
--of which, Commercial ('000 hectares)	7,550	7,550	7,550
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	2,050	2,050	2,050
----of commercial, softwood ('000 hectares)	5,500	5,500	5,500
Forest Type			
--of which, virgin ('000 hectares)	n/a	n/a	n/a
--of which, plantation ('000 hectares)	n/a	n/a	n/a
--of which, other commercial (regrowth) ('000 hectares)	n/a	n/a	n/a
Total Volume of Standing Timber (thousand cubic meters)	n/a	n/a	n/a
--of which, Commercial Timber ('000 cum)	321,000	322,000	322,000
Annual Timber Removal ('000 cum) 1/	15,000	15,000	15,000
Annual Timber Growth Rate ('000 cum)	16,000	16,000	16,000
Annual Allowable Cut ('000 cum)	15,000	15,000	15,000
WOOD PRODUCTS SUBSIDIES ``			
Country: Spain	Previous	Current	Following
Year of Report: 2002	Calendar Year	Calendar Year	Calendar Year
Total Solid Wood Export Subsidy Outlay ($US million)	0	0	0
Is there a ban on the export of logs, lumber, or veneer? 1/	no	no	no
Are there export taxes (yes/no)? 2/	no	no	no
Total Wood Production Subsidy ($US million)	0	0	0
Scope (thousands of hectares)	n/a	n/a	n/a
Are there other wood products export expansion activities?	n/a	n/a	n/a

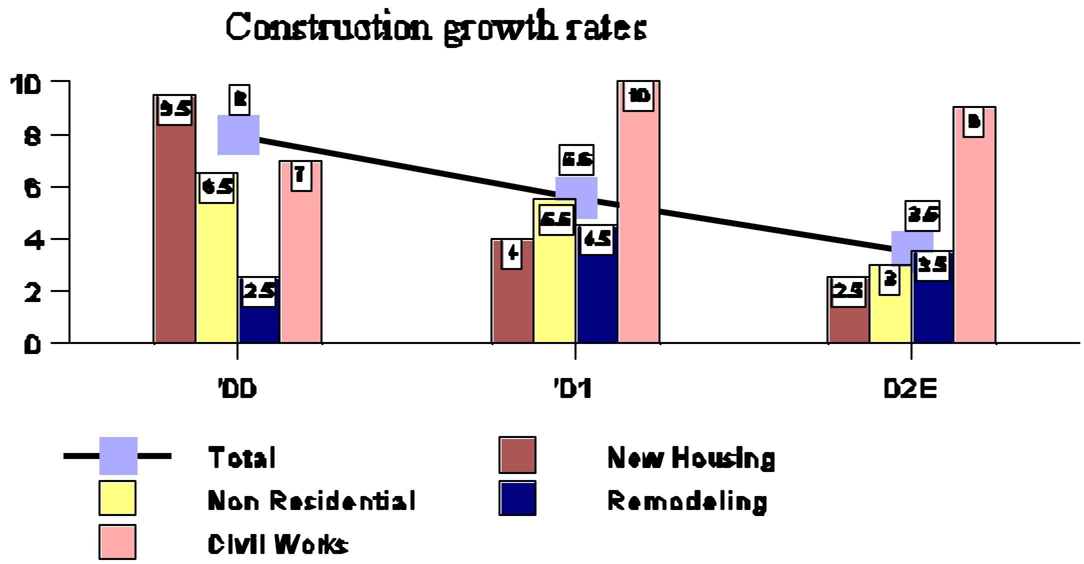
FOREST PRODUCT TARIFFS AND TAXES (percent)						
		Tariff	Tariff	Other		
Country: Spain	Product	Current	Following	Import	Total Cost	Export
Report Year: 2002	Description 1/	Year	Year	Taxes/Fees	of Import 2/	Tax
4401.21&22	Wood chips	Free	Free	Free	Free	Free
4403.10.10	Tr. softw. pole	Free	Free	Free	Free	Free
4403	LOGS	Free	Free	Free	Free	Free
4404	Hoopwood	Free	Free	Free	Free	Free
4405	Wood wool	Free	Free	Free	Free	Free
4406	R. sleepers	Free	Free	Free	Free	Free
4407	LUMBER	Free	Free	Free	Free	Free
4408	VENEER	4	4	Free	$4	Free
4409.10.11&20.11	Frame molding	Free	Free	Free	Free	Free
4409.20.91	Parquet strips	Free	Free	Free	Free	Free
4410	Particleboard	7	7	Free	$7	Free
4411	Fiberboard	7	7	Free	$7	Free
4412	Plywood*	7	7	Free	$7	Free
4413	Densified wood	Free	Free	Free	Free	Free
4414	Frames	Free	Free	Free	Free	Free
4415	Crates & Pallets	4	4	Free	$4	Free
4416.00.10	Oak staves	Free	Free	Free	Free	Free
4416.00.90	Wine barrels	Free	Free	Free	Free	Free
4417.00.20	Tool handles	Free	Free	Free	Free	Free
4418.10	Windows	3	3	Free	$3	Free
4418.20	Doors	Free	Free	Free	Free	Free
4418.30	Parquet panels	Free	Free	Free	Free	Free
4418.40	Concrete forming p.	Free	Free	Free	Free	Free
4418.90.10	Glue-lam	Free	Free	Free	Free	Free
4419	Table & kitchenware	Free	Free	Free	Free	Free
4420	Marquetry	4	4	Free	$4	Free
4421.10	Clothes hangers	Free	Free	Free	Free	Free
9403.30&50	Furniture	Free	Free	Free	Free	Free
9403.4	Kitchen furniture	2.7	2.7	Free	$2.7	Free
9406.00.10	Prefabricated houses	2.7	2.7	Free	$2.7	Free
2/ Calculate as tariff plus other import taxes/fees assuming a commodity value of $100.						
*except for a duty-free EU quota of 650,000 Cubic Meters of softwood plywood						

MARKET SEGMENT ANALYSIS

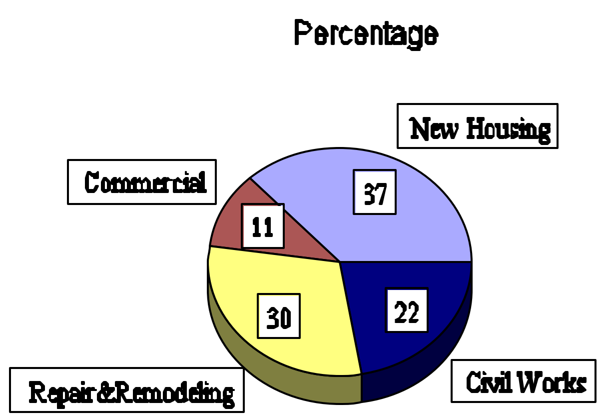
Construction Sector

Overview

The Spanish construction industry is the fifth largest in Europe, with sales of $84.7 billion in 2001, about $4 million more than in 2000. The Spanish construction industry is going thru a growth cycle which began in 1997, peaked in 1999 and is currently slowing down. Currently, the industry's driving force is civil works since the growth in building activity is declining significantly.

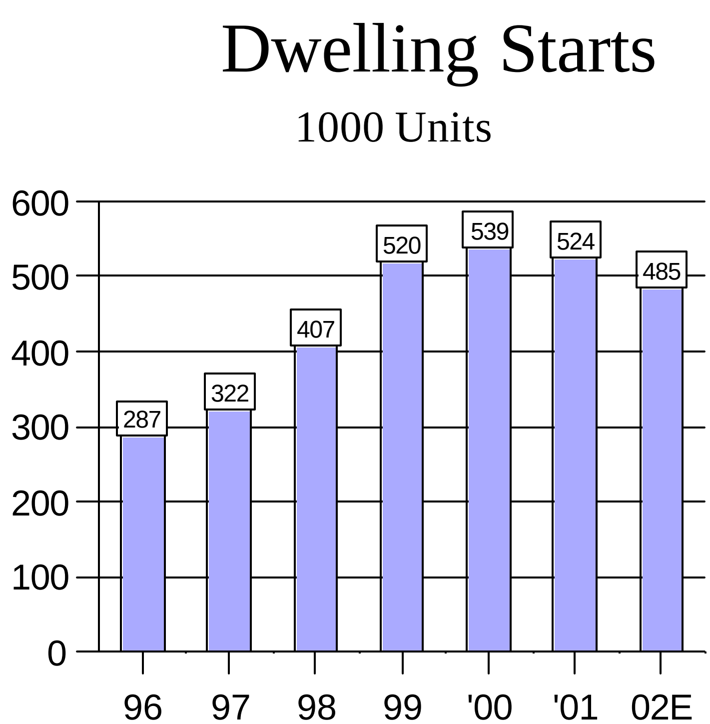


A sectorial breakout in 2001 is shown below. Shares are about the same as 2000, with the exception of new housing, which lost one percentage point to civil works.



Although dwelling starts have declined from the impressive level in 2000, they are still high.
For 2003, however, there is much uncertainty about the sector's performance. Historically low interest rates (currently about 5 percent, with further drops expected) have increased consumer purchasing power and mortgage repayment terms are much more flexible than before. Since local governments finance much of their activity through the reclassification and sale of land, they have little incentive to open large amounts of land to development; this restricted supply, along with speculation, has boosted land prices. In addition, the launch of the euro has encouraged foreign investment in the Spanish real state market, which has had dramatic price increases since 1999. Domestic investors have also recently focused on the real state market, as they move away from the depressed stock markets.

All of these factors have caused an impressive rise in housing prices -- some 58 percent in the last 5 years. Indeed, since 1985, the year of Spain's accession to the EU, they have more than tripled. Wages in that period, however, have only doubled, and consumer prices have risen by a factor of 1.8. In addition, Spain has a high rate home ownership: 80 percent of families live in their own homes. This compares with 67 percent in the U.S., 53 percent in Holland, and 43 percent in Germany. High prices, combined with a high rate of home ownership, are depressing home sales and are reducing the sizes of new dwellings in many urban areas. The one bright spot in real estate is the vacation home market in coastal and tourist areas. Strong demand for properties in these areas from both Spanish and foreign buyers should help sustain the home building market for the next few years.



In housing, wood products are mainly used for doors, windows and flooring. Timber frame construction is still underdeveloped, and utilization of structural wood products is limited.

Door production, estimated at about 10 million units annually, has recently slipped. The great majority of doors produced in Spain are state-of-the-art products which are very competitive in domestic as well as export markets. Interior flush doors are generally of two types: those made with a veneer-faced, 35- millimeter particleboard core; and those made with a lacquered MDF core with solid wood stiles and rails. The higher-priced door line – for individual homes, hotels, offices and public buildings – utilizes wood; white oak and tropical sapelli are the main species used, although the latter has recently been losing market share to oak. Some U.S. southern pine is also used. The lower-priced door line – for institutional and low-income housing – uses alternative non-wood products.

For exterior doors, solid wood door production is currently growing, in response to larger single family home construction; white oak is the predominant species utilized. Other types of doors with growing demand include armored doors, fire proof-doors and acoustic doors.

Wooden window production is about 9 million units annually, accounting for 20 percent of the window market. Although most windows are mostly made of aluminum and PVC, there is a trend toward production of mixed aluminum-wood windows as well as quality windows. In addition, consumers' desire for "natural" products and improved varnishing techniques have led to a slight recovery in the demand for wooden windows. Tropical iroko wood and redwood pine lumber (I-IV Baltic grades) are mostly used in wooden windows. Some clear grades of Southern yellow pine and Douglas Fir are also used.

Wood flooring is a growing market, with consumption growing faster than domestic production. Last year, domestic consumption was about 13.5 million square meters (up 23.8 percent from 2000), whereas domestic production was just 5.3 million square meters. Imports were up to 11.5 million square meters (77,000 metric tons). A breakout of imports by types and percentages is as follows: mosaic (12), lamparquet (38), strip flooring (19), multi-layer or floating flooring (31).

Despite higher consumption, there is currently no mosaic flooring production; this product is basically an imported item. Lamparquet production is declining as a result of increased imports. Floating/multi-layer flooring, which is mainly used in home renovations, is made of two layers, one of hardwood and the other of plywood; domestic production and consumption are growing fast, by 30 and 33.5 percent, respectively. A new 3-layer product (with a spruce layer inserted) has recently been introduced into the market.

Strip flooring use, which is also growing but at a lower pace, is principally utilized in Northern Spain, in single-family homes in particular. About 30 percent of hardwood consumption, including temperate and tropical species, are utilized in strip flooring. White oak is the species of choice, followed by sapelli.

Timber frame housing is still limited in Spain (see strategic tables). Timber frame builders have been able to remove a legal obstacle that made insurance a burden. This may give a modest boost to this type of construction in Spain, but consumers still have a strong preference for traditional concrete and brick residential buildings and for brick or ceramic systems used for sheathing, wall paneling, partitions and roofing. For concrete forms, metallic systems as well as sawn wood and plywood are all used in Spain.

Marketing

Timber frame builders are generally using European structural sawnwood and panels which are cheaper than competing U.S. products.

Few opportunities exist in for U.S. timber in frame construction: the market is small and is dominated by Nordic or German woods. In addition, many of the existing builders are distributors of foreign-made home kits, primarily from France, the Netherlands, Finland, Canada and the United States.

U.S. construction materials such as softwood plywood and OSB face strong competition in applications such as roofing, sheathing and siding face. European production is growing and is favored by use of the metric system.

Domestic production of wooden doors, windows and flooring is providing excellent market opportunities for U.S. hardwood and softwood lumber and veneers. The door market, however, has recently slowed.

The next Barcelona International Construction Fair is scheduled for May 26-31, 2003. This fair includes sections for structures, partitions and roofs, prefabrication and industrialized construction, and wood carpentry. Further information can be obtained from the Fair's website at: www.construmat.com.

The main commercial impediment for U.S. wood materials is their price differential with woods sourced in other countries. Nordic softwoods are providing increased competition for U.S. softwoods. For example, utilization of Nordic whitewood (spruce) is notably growing for painted wood, door frames and windows. Although U.S. southern pine is clearer -- a quality generally preferred by Spanish consumers – it tends to check in outside applications such as doors (especially in the dry interior regions of Spain) when not given appropriate treatment. Checks also develop after planing if kiln-drying is done too quickly. Moreover, southern pine is generally varnished to let this wood shows its superior beauty. Once traditional varnishes disappear, however, moisture may get into the wood causing blue stains. (The solution could be the utilization of improved varnishing and pressure treatment). These problems, coupled with the past strength of the dollar, are factors explaining southern pine's recent loss of market share to other species.

Regarding concrete forms, U.S. companies must tailor sizes of timbers and finishing panels – which many other suppliers do – in order to compete. Consumers' lack of awareness on the utilization of treated softwoods for outdoor decking is also a major impediment to their use as alternatives to tropical hardwoods.

Furniture & Interior Sector

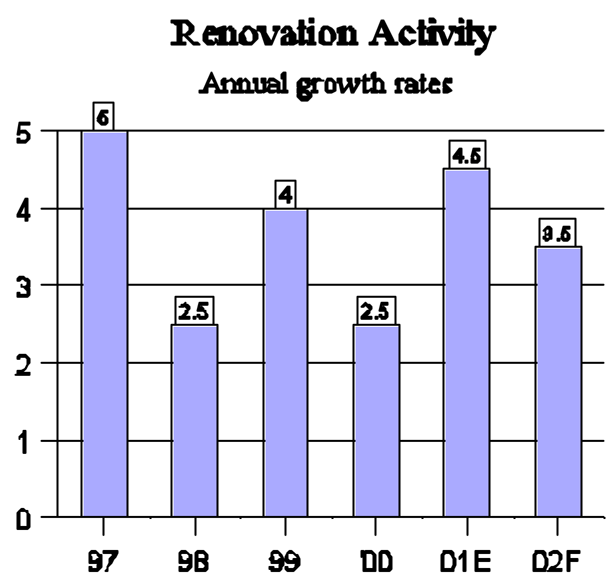
Overview

Spain is the fourth largest European furniture manufacturing country, following Italy, Germany and the U.K. About 20 percent of Spanish furniture production is exported, primarily to other EU markets (France, Portugal and Germany in particular) and the United States. Design and a fairly good price/quality ratio are behind the industry's competitiveness.

The furniture industry has been strongly growing since 1993 due to increased domestic and export sales. The domestic market, however, is currently sluggish, and export sales, after reaching a $1.45 billion in 2000, have declined since.

A notable trend in furniture design is stronger demand for an updated classical line that is offsetting a decline in sales of the traditional classical line. The new classical line is a more modern and simpler style which is being used for dinning rooms, and lately, for bedrooms. It currently holds about 54 percent of sales, compared with 24 percent for the traditional classical line. The remaining furniture market includes rustic furniture (9 percent), designer furniture (7 percent) and kits (6 percent). Avant-garde designs are also increasing in popularity with younger consumers. Bedroom furniture is the principal segment sold.

Renovation activity is still firm. More than 3.5 million dwellings are in need of some kind of significant repair. Although the standard of living in Spain is steadily increasing, it is still at about 85 percent of the EU average.



Marketing

The Spanish interior design/furniture sector has been the traditional end user of U.S. forest products. U.S. softwood and hardwood lumber, veneer logs and veneers are used for the manufacture of joinery, flooring, doors, windows and furniture. The market has been traditionally concentrated in two single U.S. lumber species, oak and southern yellow pine. Oak lumber, FAS and Better, is utilized for furniture, kitchen doors and moldings. White oak is the main species used for kitchen cabinets and exterior doors. No. 2 Common oak lumber is widely used for flooring.

Southern yellow pinewood (SYP) is mainly utilized in Spain for molding, doors, turnings, windows, stair cases, balustrades, and picture frames. The main SYP grades used are Saps, Prime & Better; Flitches (for door stiles); Number 1 Timbers (for untreated porches); Squares; and some Merchantable (for bars). Other softwoods utilized include Douglas fir lumber, clears N. 2 and 4, Eastern White Pine, Lodgepole, Ponderosa Pine, and Hemlock (See chart on page 25). However, U.S. southern pine lumber has increasingly been replaced by other pine species and tropical iroko wood lumber.

Spain's current high production level of doors has created a strong demand for temperate hardwood solidwood pieces, molding and veneers. In addition, strong single housing construction has boosted the utilization of solidwood doors and stair cases for which several temperate hardwood species are utilized, as well as U.S. southern yellow pine. Parquet and strip flooring are only utilized in the medium and high-quality home segment.

In addition, current strong manufacturing of furniture and doors, coupled with high utilization of MDF veneer wrapped profiles for molding and picture frames, have also created market opportunities for U.S. hardwood veneer and veneer logs, such as white oak, cherry, walnut, maple, ash, and some U.S. softwood veneer such as southern yellow pine and douglas fir. Competition comes from European temperate hardwood and tropical species such as sapelli, makore, mahogany, palissandre, teak, and jatoba.

Cherry continues to be the species of choice used in both traditional and new classical furniture lines, i.e., furniture made entirely of solid cherry wood, or veneered in cherry in combination with other species (beech wood for solid parts in particular). Many furniture makers who experimented with oak last year, are returning to cherry this year. Use of walnut in classical furniture is increasing and some manufacturers are using cedar wood this year. In the vanguard line, wengue is the star species, although cherry and beech are also abundantly used for the adult and young consumer segments, respectively. Oak and sapelli are the veneers most used to face doors. U.S. douglas fir and southern yellow pine veneers are also used.

Spain's marketing channels for wood products are composed of a network of wholesalers/ importers based throughout the country, but principally in Valencia, Barcelona, Madrid, Andalucia and Galicia. Agents assist them in importing wood products from foreign countries. These outlets supply wood manufacturing industries as well as smaller warehouses which in turn supply local joiners and other end-users. Only large wood manufacturing industries have their own import units, but they also frequently buy from wholesalers/importers.

For exporters who may have an interest in the Spanish wood products market, a list of Spanish forest products importers and agents can be obtained from the Office of the Agricultural Counselor in Madrid . For further information, please contact the Counselor for Agricultural Affairs in Madrid, PSC 61, Box 20, APO-AE 09642; Fax: 011-34-91-564-9644; E-mail: AgMadrid@fas.usda.gov. Information can also be obtained from the Spanish National Wood Importers Association at the following address: Asociacion Espanola de Importadores de Maderas (AEIM), Flora 3-2; 28013 Madrid. Fax: 011-34-91-547-3980; E-mail: aeim@aeim.org.

The next exhibition of the International Wood and Furniture Industry Suppliers in Valencia (FIMA-MADERALIA) is scheduled for November, 2003. This fair includes sections for lumber, veneer, panels, flooring, wall paneling, kitchen cabinet components, do-it-yourself and marquetry. American Hardwood Export Council (AHEC) and American Softwoods are two traditional exhibitors at this fair and several U.S. lumber companies usually also participate. Further information can be obtained at the following website:

www.feriavalencia.com./fimma-maderalia

The main commercial impediment for the utilization of U.S. woods in interiors and furniture is the price competition from alternative sources including European hardwood as well as tropical hardwoods. Consumers currently prefer "natural" (non-stained) woods. This is a major impediment for the use of soft maple that can look like cherry or easily-stained tulipwood. Imports of U.S. tulipwood have notably increased, however, due to AHEC promotion activities.

At the last AHEC Annual Convention held in Lisbon, Spanish importers requested that the U.S. industry pay more attention to the use of "sustainable forest"certification (Some importers are already requiring this certification). They also asked that the information U.S. exporters provide on lumber tallies be supplied with a software program (one to be provided by the Spanish Importers Trade Association AEIM) instead of in writing, as it is currently the case. They indicated that this change would be an immense help in record keeping.

Material Handling Industry

Overview

New pallet production is declining due to increased utilization of reusable pallets. Pinewood is the main material used for pallets in Spain. There are abundant domestic supplies at competitive prices in the Iberian Peninsula (Spain and Portugal) for the production of wooden pallets. Other sources are Poland and Brazil (Elliotis Pine).

Marketing

Post believes that there is limited potential in this market due to abundant local supplies at competitive prices.

The same market impediments in the construction sector are applicable in the material handling market, as follows: Availability of many product alternatives is the main constraint as well as lack of product distribution near the major industrial areas.

Cooperage products

Overview

Spain is the third largest wine producing country in the world after France and Italy, with an excellent price/quality ratio. During the past several years, this industry boomed with increased prices and export demand. Many wineries upgraded and modernized their facilities for the production of quality aged wines. In the leading quality wine producing area, La Rioja, the oak barrel inventory has doubled in the last decade to a current level of over one million. Barrels are currently being replaced earlier than in the past, when they were used for 12 years or longer. Since older barrels transmit fewer features to the wine, aging used to last a long time. The current trend for newer and more toasted barrels has raised the annual barrel replacement to 15 percent.

There are about 15 independent coopers (only a handful wineries have their own cooperage facility) in Spain that make barrels for local wineries and for export. Coopers generally import the wood themselves. The limited domestic oak timber production is banned for utilization in wine barrels. There are also a couple of sawmills that import oak logs for the production of staves.

Spanish coopers have traditionally used the more flavored U.S. white oak, especially from Pennsylvania and Missouri, but also from Virginia, Ohio, Kentucky and Tennessee. Some of the more tannic and expensive French oak is also used. An American oak barrel costs about $240, while one made of French oak costs twice as much. Lately, coopers are using larger amounts of oak from East Europe, particularly Bosnia, Slovenia and Hungary. Ukranian oak has not been used since the Chernobyl accident.

Marketing

Good opportunities exist for U.S. mills that are willing to produce oak planks according to the specifications (of sizes, drying procedures and moisture content) that Spanish coopers require. Some coopers, however, import green (or semi-dried) oak stave planks to be air-dried locally. This is not the case of French staves that are only available dry. Another advantage for U.S. over French oak is that U.S. prices have remained rather stable during the past several years, while French oak prices have been steadily increasing.

A list of Spanish coopers can be obtained from the Agricultural Counselor's Office at the address specified in the preceding page.

The Spanish market for oak staves declined somewhat last year. Annual imports of American oak for barrel making are estimated at about 1,000 containers. This amount of wood is sufficient to make 250,000 barrels. Each container carries about 20 cubic meters or 7,500 staves worth nearly $4 each.

The last exhibition of the International Fair for Wine Cellar Machinery and Equipment was held in Zaragoza (Spain), in late January 2002. Exhibitors included many coopers from Spain as well as from other countries. Further information can be obtained from the following website:

www.enomaq.com

The new EU wine regime which began in 2000 calls for quality enhancement. As a result, more wines should be aged in barrels, creating more marketing opportunities for U.S. oak staves and planks for barrel making. As a matter of fact, production and sales of quality wines in Spain are showing steady growth.

A leading Spanish cooper is making inroads for American oak in wineries in France, which has traditionally regarded American oak as inferior. The Spanish cooper says that in blind wine tastings he conducted in France, wine aged in American oak has been the winner.

TRADE

Spain's forest products imports from all sources in 2001 amounted to $1.37 billion, a nearly 10 percent decline from the previous year record of $1.45 billion. A breakdown of total 2001 imports by value is as follows (in million U.S. dollars): softwood lumber (288), oak lumber (134), beech lumber (33), other hardwood lumber (222), softwood logs (55), hardwood logs (183), veneers (135), flooring strips (41), other moldings (16), fiber board (74), particle board (89), plywood (64), cooperage products (17) and other forest products (33). Compared to 2000, gains in imports of some forest products (such as softwood logs, plywood and tropical hardwood lumber) were more than offset by declines of others (hardwood logs, softwood and temperate hardwood lumber, veneers, flooring strips, molding, fiber board and particle board.

In 2001, the main suppliers of softwood lumber to Spain were (in million U.S. dollars) Sweden (67), the United States (55), Finland (31), France (28) and Portugal (25); for temperate hardwood lumber, the United States (114), France (24), Germany (19), and Canada (14); for hardwood veneer, the United States (42), Germany (20), Italy (7) and France (3); for softwood plywood, Germany (3), Portugal (2) Finland and France (1 each).

During 2002, the January-August period shows significant declines in imports of forest products into Spain from the comparable period a year earlier. The exception is temperate hardwood lumber (other than oak and beech) and softwood plywood. The decline in softwood lumber imports was moderate. There are some signs of slight recovery, however, in the last months of the year.

For 2003, importers are not optimistic about market conditions, but they will eventually have to replenish their current low inventory levels. Moreover, the recent appreciation of the euro against the dollar and the political problems occurring in major tropical supplying countries (such as Ivory Coast and Cameroon) will help to sustain imports of U.S. forest products into Spain.

Spain's imports of U.S. forest products in 2001 fell to $241 million, a nearly 15 percent decline from the previous year's record of $282 million. They included $55 million worth of softwood lumber, $116 million of hardwood lumber, $49 million worth of veneer (primarily hardwood veneer), $12 million worth of hardwood logs, $6 million of cooperage products* and $2 million of railroad sleepers. In 2001, Spain was the United States' second largest market for hardwood lumber (after Canada), the third largest for hardwood veneer (after Canada and Germany) and the fourth largest market for softwood lumber (after Japan, Canada and Mexico).

*Trade statistics greatly underestimate sales of cooperage products. Statistics for hardwood lumber include oak planks for staves, which account for nearly one fourth of the total market for U.S. hardwood lumber.

Spain also remained a leading market for U.S. hardwood lumber, veneer and softwood lumber. As the market is concentrated in two individual species, southern pine and white oak, Spain continues to be the number one market for U.S. white oak lumber. For U.S. southern pine lumber, however, Spain was displaced by Dominican Republic as the number one market last year.

White oak continues to be the predominant U.S. hardwood lumber species imported into Spain, accounting for 83 percent of the total last year. Among minor U.S. species imported are western red alder, cherry and tulipwood (see Chart on page 25). In addition, U.S. oak logs increased dramatically in the U.S. veneer log import mix (see Chart on page 26).

During the first eight months (January-August) of 2002, imports into Spain of U.S. forest products are showing steep declines for softwood lumber and hardwood logs. The decline in imports of oak lumber and hardwood veneer is much less acute and cooperage products show a major increase.

Imports of builders' joinery and carpentry products into Spain are growing rapidly and are outpacing the growth in exports. As a result, imports of these products totaled euro 225 million last year, some euro 36 million more than exports. While parquet panels are the main imported items and the principal contributor to the growth in imports, doors are the main exported items. Windows are primarily imported (euro 20 million), while the molding trade is basically in balance (about euro 25 million for imports and exports, each). While molding imports come mainly from neighboring countries, windows are mainly imported from Denmark. Mosaic flooring panels come from Portugal and Eastern Europe. Lamparquet imports come mainly from China, Poland, Hungary, Germany, Thailand and Croatia. Floating flooring comes mainly from Sweden, Belgium, Southeast Asia and China. Strip flooring imports are principally sourced from China, France and Eastern Europe. Home kit imports, which also increased notably last year to euro 18 million, come mainly from other EU countries and Canada.

Spain's phytosanitary requirements and import duties are fully harmonized with the rest of the EU. Duty-free imports include unprocessed products such as logs and lumber but also many wooden products such as treated softwood poles, oak staves, wine barrels, frame molding, frames, parquet strips and panels, windows, doors, concrete forming panels, tool handles, table and kitchenware, clothes hangers, and glue-lam timber. Products such as veneer, panels, crates, pallets, windows, kitchen furniture and prefabricated houses continue to be subject to import duties (see table on page 5). In addition, Spanish importers may benefit from the EU duty-free softwood plywood quota of 650,000 cubic meters, which was bound in the GATT in 1996. Spanish imports of U.S. softwood plywood are, however, very limited.

Although forest products imports come into Spain through 25 ports, Valencia is the most important. It handles a volume of nearly 600,000 tons of wood per year, accounting for almost 30 percent of all imports entering by sea into Spain. The four ports of Galicia in the Northwest of Spain – Vigo, Ferrol, Villagarcia and Marin-Pontevedra – are also important in the trade, together handling 500,000 tons. Other important ports for entry of wood are Bilbao, Barcelona, Santander and Pasajes. In addition, Spain's two archipelagos, the Canaries and the Balearic Islands, are also important, specially if cabotage in addition to direct imports is included.

PRODUCTION

Forest Situation

Commercial forests in Spain are mainly located along the northern coast in the Cantabrian Range, and in the northwestern, central and southern mountain regions.

Because of very low average tree densities in Spanish forests (about 40 percent), the average forest yield in Spain is estimated at 1.05 cubic meters per hectare, well below the 2.5 cubic meters/hectare average for other EU countries. However, average yields can vary dramatically from region to region, depending on rainfall. The rainy northern Cantabrian range, which accounts for about one third of all Spanish timberland, yields an average of about 7 cubic meters per hectare.

The Government has recently approved a new forest plan with the ambitious goals of reforesting 3.8 million hectares, upgrading 1.4 million of the existing forests and increasing resources to fight fires. The plan, which will be funded with euro 2.2 billion during the next seven years, is designed to protect the land from erosion and the degradation of soil and water by restoring the protective cover of vegetation. Although the plan has been welcomed by the wood industry, there is skepticism that the plan's very ambitious goals can be met.

Current reforestation programs provide for about 125,000 hectares annually. Forest fires cause significant destruction of commercial timberlands in Spain, averaging 80,000 hectares annually during the last decade.

PSD Table						
Country	Spain					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	7400	7400	7400	7400	0	7400
Imports	1000	2219	950	1750	0	1600
TOTAL SUPPLY	8400	9619	8350	9150	0	9000
Exports	220	247	230	150	0	200
Domestic Consumption	8180	9372	8120	9000	0	8800
TOTAL DISTRIBUTION	8400	9619	8350	9150	0	9000

Import Trade Matrix			
Country	Spain		
Commodity	Softwood Logs		
Time period	CY	Units:	CY
Imports for:	2000	1000 CUM	2001
U.S.	0	U.S.	0
Others		Others	
France	1286	France	2020
Portugal	131	Portugal	125
Estonia	91	Sweden	42
Sweden	31	Denmark	12
Denmark	26	Estonia	7
Russia	26	Finland	5
Norway	10	Germany	3
Netherlands	2	Russia	2
Finland	2		
Germany	2		
Total for Others	1607		2216
Others not Listed	3		3
Grand Total	1610		2219

PSD Table						
Country	Spain					
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	5100	5100	5100	5100	0	5100
Imports	2550	2494	2300	2000	0	2200
TOTAL SUPPLY	7650	7594	7400	7100	0	7300
Exports	125	175	120	170	0	175
Domestic Consumption	7525	7419	7280	6930	0	7125
TOTAL DISTRIBUTION	7650	7594	7400	7100	0	7300

Import Trade Matrix			
Country	Spain		
Commodity	Temperate Hardwood Logs		
Time period	CY	Units:	CY
Imports for:	2000	1000 CUM	2001
U.S.	25	U.S.	24
Others		Others	
Portugal	672	Portugal	994
Uruguay	662	Uruguay	745
Chile	401	France	327
France	390	Chile	243
Argentina	108	Argentina	46
Germany	35	Germany	36
Belgium	20	Ukraine	19
Ukraine	17	Belgium	10
Poland	12	Poland	5
Stonia	11	Romania	4
Total for Others	2328		2429
Others not Listed	16		41
Grand Total	2369		2494

PSD Table						
Country	Spain					
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	2300	2300	2300	2200	0	2200
Imports	2290	2012	2150	2000	0	2000
TOTAL SUPPLY	4590	4312	4450	4200	0	4200
Exports	40	74	38	100	0	100
Domestic Consumption	4550	4238	4412	4100	0	4100
TOTAL DISTRIBUTION	4590	4312	4450	4200	0	4200

Import Trade Matrix			
Country	Spain		
Commodity	Softwood Lumber		
Time period	CY	Units:	CY
Imports for:	2000	1000 CUM	2001
U.S.	174	U.S.	131
Others		Others	
Sweden	466	Sweden	437
Portugal	314	France	390
France	302	Portugal	350
Finland	185	Finland	188
Russia	149	Russia	158
Brazil	111	Germany	73
Germany	37	Brazil	73
Poland	36	Poland	46
Latvia	35	Chile	39
Chile	25	Romania	25
Total for Others	1660		1779
Others not Listed	99		102
Grand Total	1933		2012

PSD Table						
Country	Spain					
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	700	700	700	700	0	700
Imports	500	577	470	550	0	560
TOTAL SUPPLY	1200	1277	1170	1250	0	1260
Exports	30	35	28	28	0	30
Domestic Consumption	1170	1242	1142	1222	0	1230
TOTAL DISTRIBUTION	1200	1277	1170	1250	0	1260

Import Trade Matrix			
Country	Spain		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	
Imports for:	2000	1000 CUM	2001
U.S.	216	U.S.	207
Others		Others	
France	151	France	130
Germany	95	Germany	81
Letonia	27	Letonia	28
Canada	17	Canada	20
Ukraine	16	Ukraine	15
Switzerland	11	Romania	13
Belgium	10	Belgium	8
Romania	9	Switzerland	6
Poland	7	Poland	6
Croatia	4	Hungary	6
Total for Others	347		313
Others not Listed	29		57
Grand Total	592		577

PSD Table						
Country	Spain					
Commodity	Hardwood Veneer				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	40	40	40	40	0	40
Imports	50	53	50	49	0	50
TOTAL SUPPLY	90	93	90	89	0	90
Exports	16	26	15	30	0	30
Domestic Consumption	74	67	75	59	0	60
TOTAL DISTRIBUTION	90	93	90	89	0	90

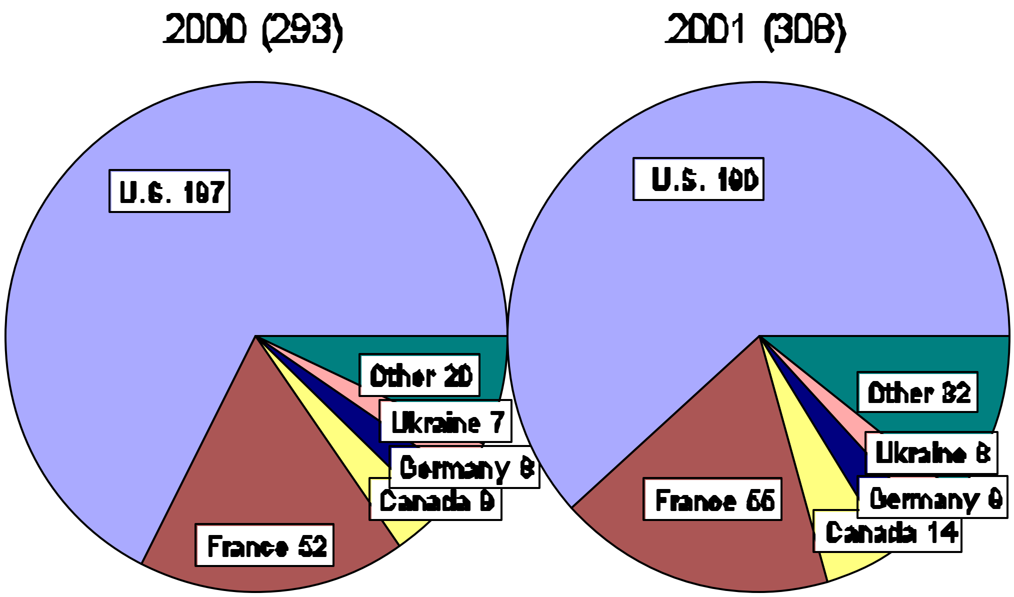
Import Trade Matrix			
Country	Spain		
Commodity	Hardwood Veneer		
Time period	CY	Units:	CY
Imports for:	2000	1000 CUM	2001
U.S.	19	U.S.	17
Others		Others	
Germany	5	Germany	6
Italy	3	Croatia	4
Russia	3	Italy	4
Ghana	3	France	4
Ivory Coast	2	Ghana	3
Croatia	2	Portugal	2
Brazil	2	Russia	2
Eq. Guinea	1	Brazil	2
France	1	Belgica	1
S. Africa	1	Poland	1
Total for Others	23		29
Others not Listed	8		7
Grand Total	50		53

PSD Table						
Country	Spain					
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	23	38	20	35	0	35
Imports	34	20	35	25	0	27
TOTAL SUPPLY	57	58	55	60	0	62
Exports	45	48	43	50	0	50
Domestic Consumption	12	10	12	10	0	12
TOTAL DISTRIBUTION	57	58	55	60	0	62

Import Trade Matrix			
Country	Spain		
Commodity	Softwood Plywood		
Time period	CY	Units:	CY
Imports for:	2000	1000 CUM	2001
U.S.	1	U.S.	1
Others		Others	
Finland	9	Portugal	4
France	8	Brazil	4
Portugal	2	Germany	3
Germany	2	France	3
Poland	1	Finland	2
Denmark	1	China	1
Brazil	1	Poland	1
Chile	1		
Total for Others	25		18
Others not Listed	2		1
Grand Total	28		20

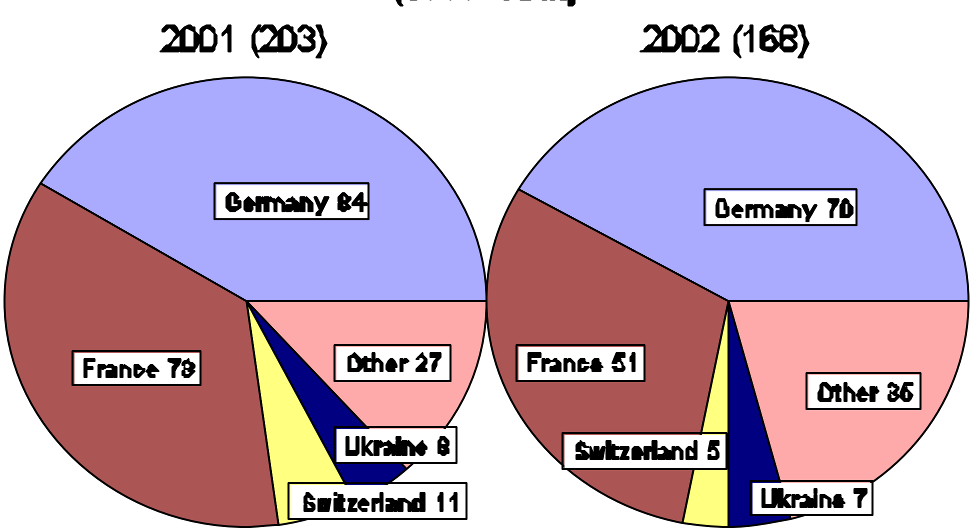
IMPORTS, Oak Lumber

(1000 CUM)



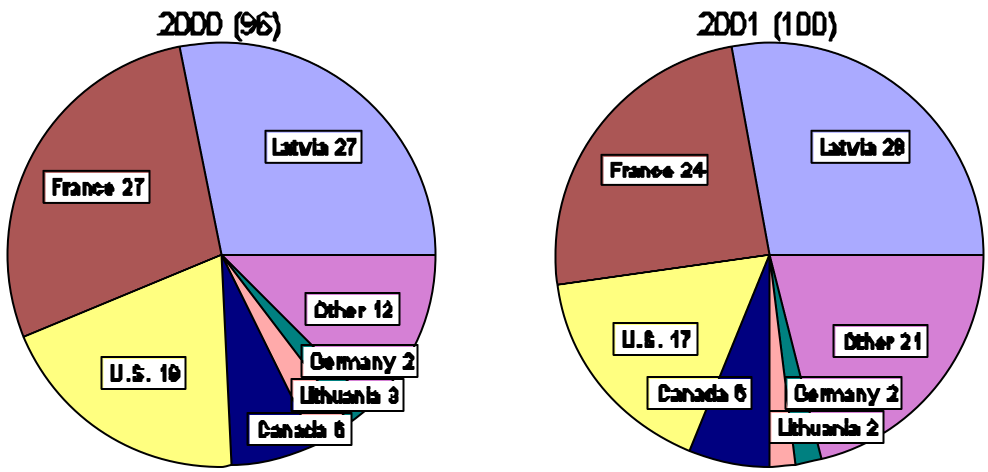
Beech Lumber

(1000 CUM)

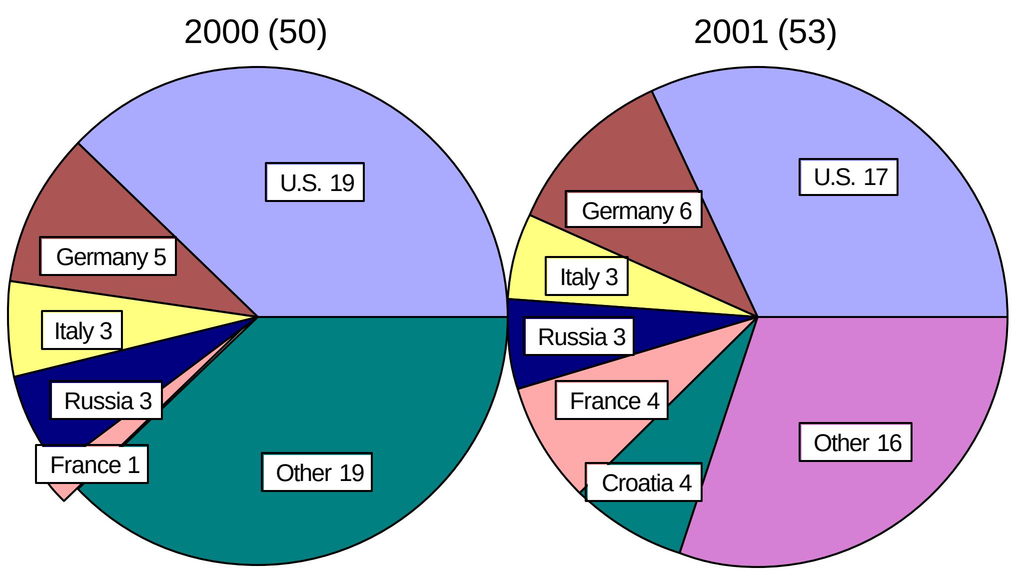


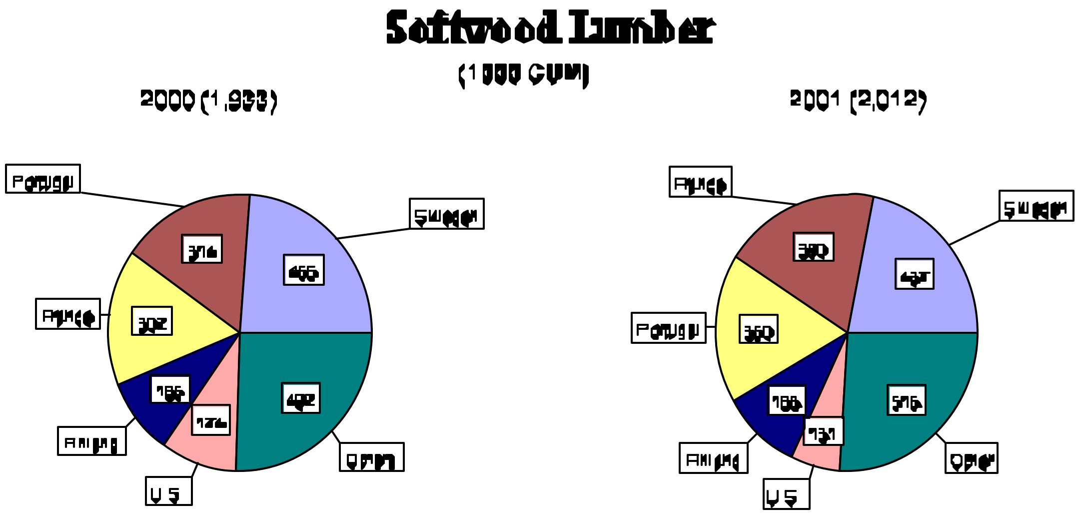
Other Temperate Hardwood Lumber

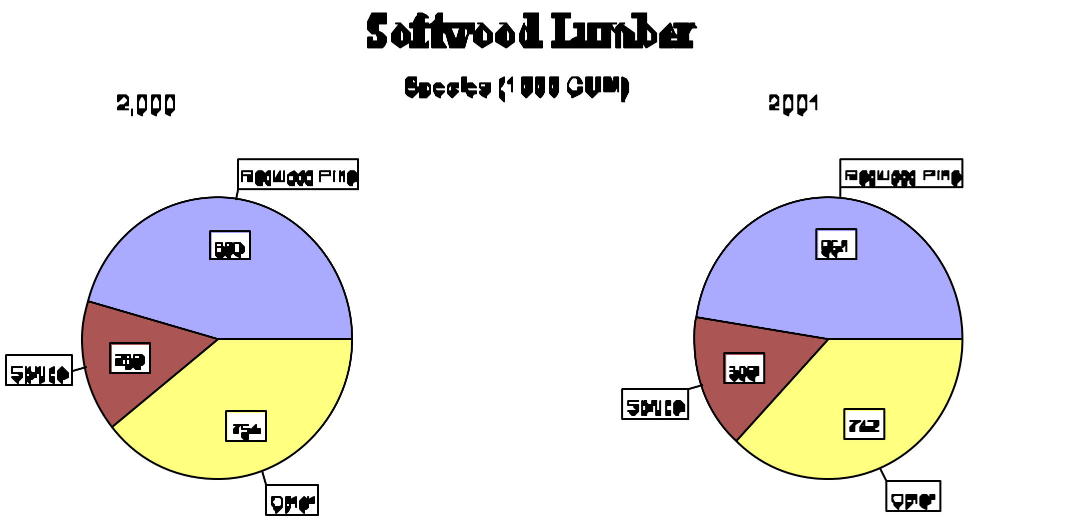
(1000 CUM)



Hardwood Veneer

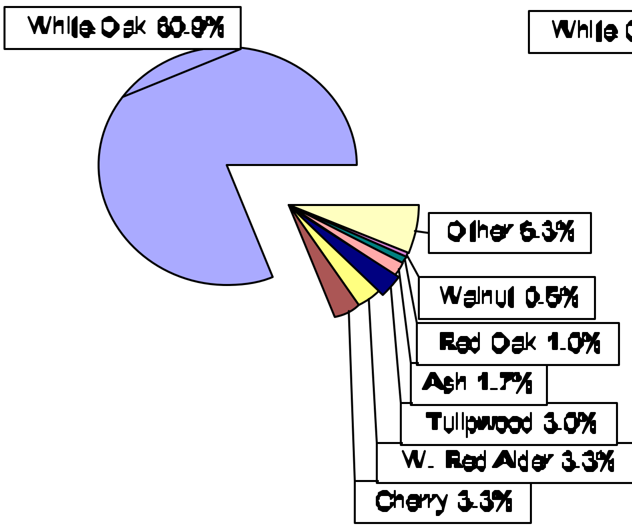



Softwood Lumber

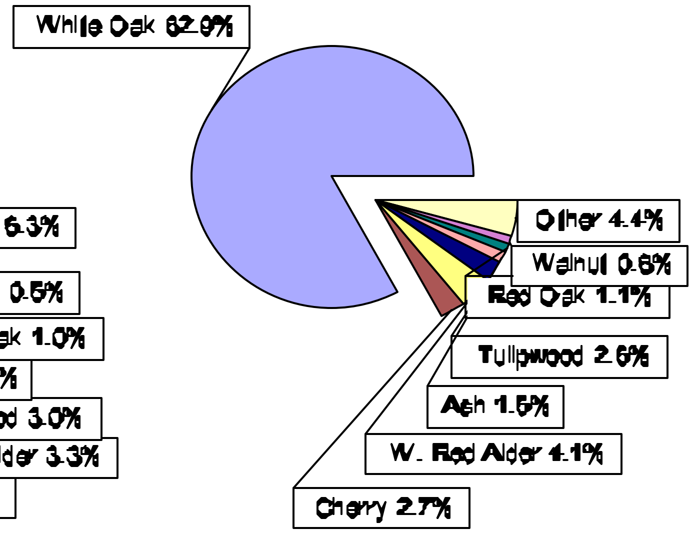

Softwood Lumber

Composition of U.S. Hardwood Lumber Imports

2000

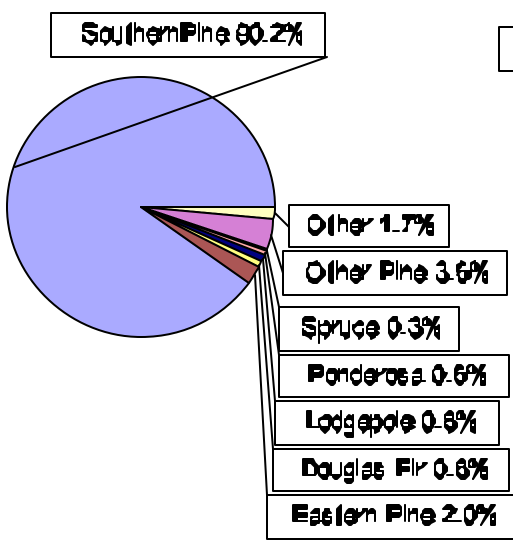


2001

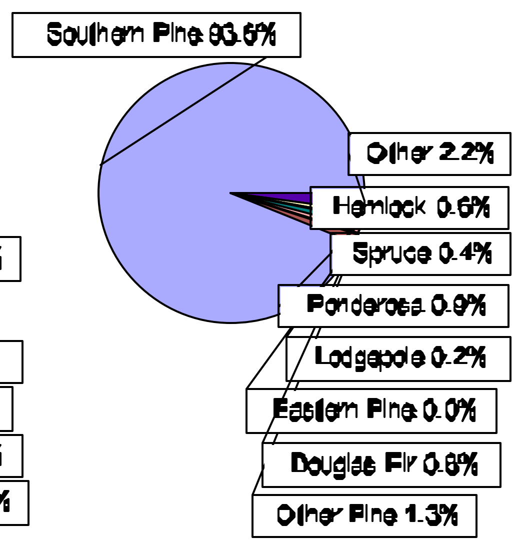


U.S. Softwood Lumber Species Imported

2000



2001



Composition of U.S. Hardwood Log Imports