GERMANY MARKET PROFILE

GERMANY: FOREST PROFILE[1]

As a result of increased *afforestation* since the middle of this century the forest area of Germany increased by 6% since the middle of this century, accounting now for 10.8M ha or 30% of the total land area. Considering the high population density of more than 225 people per square kilometer this represents a fairly high percentage.

GERMANY'S FOREST DISTRIBUTION

	Forest Cover 2000	Distribution of land cover/use % (1987)		
	´000 ha	Forest	Other Wooded Land	Other land
Germany	10,740	30.7	.0	69.3
Europe	1,039,250	46.0	1.3	52.9
World	3,869,453	29.4	11.2	58.6

Located in the temperate zone, originally deciduous trees covered about two thirds of the area. The virgin forests of Central Europe were dominated by beech (Fagus sylvatica), mixed with other hardwoods such as oak (*Quercus robur* & *Q. petraea*), ash (*Fraxinus excelsior*), maple (*Acer pseudoplatanus* & *A. platanoides*), or alder (*Alnus glutinosa*) depending on site conditions and climate. Two thirds of the volume of growing stock consists of coniferous species, the main species being Norway spruce and Scots pine. Beech and oaks are the commonest broadleaved species. The growing stock per hectare is, as in other central European countries, very high and has been increasing. This has been the result of net annual increment, which on a per hectare basis is the highest in Europe, exceeding annual fellings in recent decades.

Only in higher elevations did coniferous trees dominate the species mixture. The most important softwood species are silver fir (*Abies alba)*, pine (*Pinus sylvatica*), spruce (*Picea abies*), and douglas fir (*Pseudotsuga menziesii*), introduced from the Pacific Northwest of the USA at the end of the last century. Particularly spruce, originally confined to montane and high montane zones, gained a substantially higher share over the centuries due to a softwood supporting forestry mainly aiming at high yield.

Today, hardwood trees cover only about one third of the forest area. The human-made extension of softwood species to areas where they do not represent part of the natural forest communities caused problems that became most obvious in severe wind throws and the spread of fungi and insects.

TRENDS/ISSUES

This, coupled with an inventory revealing that only two thirds of the actual growth rate of 6 m^3/year/ha are harvested caused a nosedive of wood prices after 1990. The situation was exacerbated by the opening of the formerly closed Eastern European countries which started to offer wood to prices German forestry could not compete with due to higher production costs. Prices recovered slowly and because of increasing deficits of the forest service there is an ongoing debate if wood production or other forestry values such as recreation and protection of watershed should be ranked at the same level or higher. It is declared goal of the States' forest services to pursue all these aims simultaneously and ecological forest management gained more and more support over the last years.

The future will show if the measure taken to stabilize forest ecosystems and to secure and maintain biodiversity in German forests are sufficient. At the moment forest and forestry are in an important transition period with results being unknown.

PRODUCTS AND TRADE

Germany is one of the major markets for forest products in Europe. The country also has a strong forest industry and it is one of the leading producers of wood-based panels and paper in the world. Germany has the largest engineered wood product industry in Europe, which is based partly on sawnwood imports. Two thirds of the paper production is based on imported wood pulp. Paper recycling is well organized in Germany and it is one the largest exporter and consumers of recovered paper.

[1] Source: World Forest Institute. http://www.worldforestry.org/wfi/world-forests.htm

GERMANY MARKET PROFILE

GERMANY TRADE OVERVIEW

Germany Export Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	4,962.9	100.0%	18.5%	14.5%
Austria	738.1	14.9%	31.4%	12.0%
Poland	630.5	12.7%	35.3%	
Finland	299.0	6.0%	13.1%	-30.2%
Sweden	293.9	5.9%	16.6%	-36.9%
Czech Republic	289.8	5.8%	20.4%	
Belgium	256.9	5.2%	23.5%	-10.1%
Netherlands	254.2	5.1%	16.3%	-23.7%
France	242.3	4.9%	13.9%	-32.4%
Italy	228.3	4.6%	5.7%	-24.4%
Denmark	227.1	4.6%	2.9%	-25.6%

Germany Import Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	4,647.5	100.0%	16.8%	-10.3%
Poland	680.4	14.6%	36.9%	18.1%
Austria	440.1	9.5%	13.9%	0.3%
Czech Republic	300.0	6.5%	18.8%	-8.6%
Finland	277.6	6.0%	4.6%	-33.6%
Denmark	195.9	4.2%	35.1%	5.9%
Sweden	190.6	4.1%	-5.0%	-52.0%
Russia	181.8	3.9%	22.8%	45.5%
Switzerland	174.4	3.8%	57.0%	12.2%
France	170.1	3.7%	10.3%	-32.0%
United States	165.9	3.6%	11.4%	-38.2%

TOP IMPORTED PRODUCTS

GERMANY IMPORT STATISTICS FROM WORLD							**UNITS: $1,000**	
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**% Share**
ALL	44+94	Wood + Furniture	6,838,535	6,877,514	7,970,576	15.9%	-3.5%	100.0%
ALL	44	ALL WOOD PRODUCTS (EX-FURNITURE)	4,041,357	4,059,420	4,647,488	14.5%	-10.3%	58.3%
TOTAL PRIMARY			2,390,674	2,338,894	2,615,578	11.8%	-16.8%	32.8%
PRIMARY	4407	Lumber	883,813	929,031	989,847	6.5%	-26.9%	12.4%
PRIMARY	4412	Plywood & Panels	453,255	429,935	518,430	20.6%	-0.7%	6.5%
PRIMARY	4410	Particle Board	293,896	253,736	300,759	18.5%	-15.7%	3.8%
PRIMARY	4408	Veneers Sheets	237,677	237,585	255,803	7.7%	-14.1%	3.2%
PRIMARY	4403	Logs	288,094	233,869	246,872	5.6%	-22.4%	3.1%
PRIMARY	4411	Fiberboard	142,130	162,823	192,865	18.5%	-0.6%	2.4%
PRIMARY	4402	Wood Charcoal	32,072	36,086	43,815	21.4%	20.5%	0.5%
PRIMARY	4401	Fuel Wood & Wood Chips	30,830	31,254	34,272	9.7%	13.8%	0.4%
PRIMARY	4413	Densified Wood Shapes	13,754	9,386	16,148	72.0%	-32.7%	0.2%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	8,741	8,702	9,713	11.6%	69.5%	0.1%
PRIMARY	4406	RR Ties	5,730	4,926	5,149	4.5%	24.5%	0.1%
PRIMARY	4405	Wood Wool or Flour	682	1,561	1,904	21.9%	731.9%	0.0%
TOTAL SECONDARY			4,447,860	4,538,620	5,354,998	18.0%	4.6%	67.2%
SECONDARY	94	ALL WOOD FURNITURE	2,797,177	2,818,094	3,323,088	17.9%	7.9%	41.7%
SECONDARY	4418	Builders' Carpentry	712,034	736,630	828,799	12.5%	-18.1%	10.4%
SECONDARY	4421	Articles Of Wood, Nesoi	438,666	455,440	530,703	16.5%	14.7%	6.7%
SECONDARY	4415	Wood Packing Material	206,286	215,179	294,968	37.1%	44.8%	3.7%
SECONDARY	4409	Wood, Continuously Shaped	118,842	135,738	171,356	26.2%	9.7%	2.1%
SECONDARY	4420	Wood Marquetry Etc.	75,602	80,844	97,840	21.0%	3.4%	1.2%
SECONDARY	4414	Wood Frames Etc.	47,198	42,207	47,390	12.3%	-8.9%	0.6%
SECONDARY	4419	Wood Tableware & Kitchenware	29,186	28,641	33,907	18.4%	1.5%	0.4%
SECONDARY	4417	Tool & Broom Bodies	21,127	23,206	24,090	3.8%	2.6%	0.3%
SECONDARY	4416	Cooperage Products	1,743	2,640	2,857	8.2%	40.2%	0.0%

GERMANY MARKET PROFILE

IMPORT OVERVIEW

Germany imported almost \$8.0Bn worth of forestry products in 2003. While down slightly over 1999 figures (-3.5%), Germany is still a prime export market for U.S. wood products. Primary imports lost only 16.8% over 1999 numbers, with a significant rebound over 2002, while secondary products gained 4.6% through the period. Furniture imports accounted for almost \$3.3Bn in 2003, demonstrating Germany's position as a global furniture consumer. European trading partners represented the largest suppliers of forest products to the German market. Poland (14.6%), Austria (9.5%), the Czech Republic (6.5%), Finland (6.0%), and Denmark (4.2%) accounted for the top 5 positions. Russian imports of wood products saw marked growth as increased capacity headed for European markets.

PRIMARY PRODUCTS IMPORTS

LOGS

German imports of HW and SW Logs reached \$246M in 2003, or 2.45M m³. This represents a moderate decrease of -15.8% over the period. SW logs and HW logs are both ranked as top 10 primary imports, and are evenly split in terms of demand. The largest suppliers of logs to the German market were: France (16.4%), Belgium (16.2%), Russia (15.2%), Czech Republic (11.7%), and Sweden (7.5%). The U.S. has seen little change in exports of logs to Germany, with a mere 1.8% of the market.

GERMANY IMPORTS: PRIMARY	UNITS: \$1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
TOTAL PRIMARY	2,615,578	32.8%	11.8%	-16.8%
SW Lumber	734,403	9.2%	9.2%	-27.5%
HW Plywood	366,000	4.6%	26.6%	6.5%
HW Lumber	255,444	3.2%	6.2%	-25.1%
Particleboard	244,448	3.1%	25.5%	-15.1%
HW Veneers	237,012	3.0%	13.3%	-13.9%
Other Panel Products	216,903	2.7%	22.4%	191.3%
SW Logs	130,519	1.6%	12.3%	-25.2%
SW Plywood	115,116	1.4%	13.5%	-15.9%
HW Logs	113,522	1.4%	1.8%	-19.9%
Hardboard	69,068	0.9%	23.6%	-30.2%
MDF	65,808	0.8%	-15.6%	-31.3%
OSB-WB	52,953	0.7%	24.3%	-18.5%
SW Veneers	18,792	0.2%	-3.7%	-17.3%
RR Ties	5,149	0.1%	13.6%	24.5%
SW Chips	4,195	0.1%	10.7%	76.4%
Poles	2,831	0.0%	-13.9%	26.7%
HW Chips	541	0.0%	36.0%	-47.8%

LUMBER

Lumber imports (both SW and HW) reached 4.56M m³ in 2003, down nearly -30% over the period. Total value of lumber imports declined equally to \$989M in 2003 (-26.9%). Softwood lumber accounted for 74% of all lumber imports. Top suppliers to the German market were: Russia (12.4%), Belarus (11.8%), Sweden (10.5%), Finland (10.4%), and Poland (7.7%). Russia and Belarus were the only countries to show significant growth over the period (30.4%, 61.7%). The U.S. saw a sharp decline in demand for lumber, losing 49% of total volume from 1999 to 2003. U.S. market share stood at 1.0% in 2003. Obvious changes in the supply network from the CEE Region have damaged traditional suppliers' market share in Germany; U.S. was no exception.

PANEL PRODUCTS: PLYWOOD, VENEERS, FIBERBOARD, AND PARTICLEBOARD

Plywood imports remained stable over the period with 2003 volume of 1.1M m³. The total value of German imports of plywood reached \$518M in 2003. HW Plywood accounted for 68% of total demand, SW with 22%. Major suppliers were Brazil (20.7%), Finland (19.5%), Russia (8.0%), Indonesia (6.9%), and Italy (6.1%). No U.S. presence

Imports of Veneers reached 161,000 m³ in 2003, down over 12%. Total value of veneer imports reached \$255M in 2003, with HW Veneer accounting for 93% of the import demand. Top suppliers of German veneer were: the U.S. (18.4%), Cote d'Ivoire (16.0%), Poland (9.4%), and Czech Republic (7.9%). The U.S. has consistently lost market share to the Czech Republic and Poland, amounting to a -28.3% drop in imports, as both countries realized strong gains over the 5 year period (87%, 165%).

Fiberboard imports showed a slight loss in volume from 1999 to 2003, reaching 95M m². Total value over the period was slightly negative also at -.6%. Total value reached \$192.8M in 2003, with MDF and Hardboard declining sharply (-30%). Top suppliers of fiberboard were Switzerland (31.7%), Poland (15.4%), and Austria (13.8%). The U.S. does not have significant volume/value in this category.

Particleboard imports reached 1.3M m³ in 2003, down -16.0% over 1999. Total value of imports dropped to $300M with equal loss. OSB/Waferboard represents only 25% of this category and did not show significant growth over the period. Top suppliers to the German market were: Austria (30.2%), Switzerland (17.3%), France (16.3%), and Belgium (15.2%). The U.S. maintains minimal market share in Germany for particleboard.

SECONDARY PRODUCTS IMPORTS

GERMANY IMPORTS: SECONDARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
	5,354,998	67.2%	18.0%	4.6%
Wood Framed Seats	1,299,460	16.3%	26.1%	29.5%
Builders Carpentry	649,724	8.2%	22.6%	-9.8%
Pencil Slats	511,175	6.4%	17.1%	13.7%
Household Furniture	468,520	5.9%	13.6%	-5.7%
Wood Furniture Parts	409,148	5.1%	15.3%	7.5%
Packing Material	294,968	3.7%	37.8%	44.8%
Prefabricated Buildings	227,002	2.8%	13.8%	-19.9%
Office Furniture	115,821	1.5%	14.7%	2.9%
HW Flooring, Molding, Siding	94,582	1.2%	41.4%	44.6%
Kitchen Furniture	88,439	1.1%	32.0%	-16.8%
SW Flooring, Molding, Siding	76,774	1.0%	13.3%	-15.5%

Secondary products imports totaled $4.4Bn in 2003, up 4.6% over 1999 totals. Secondary imports accounted for 67% of the total German demand for forestry products. Germany is one of the few top markets where secondary demand outstripped primary demand. This information gives evidence to the mature nature of the German market, and a more sophisticated forest industry. Germany is one of the leading importers of wood furniture as evidenced by dominant sub-categories in the adjacent chart. Wood Framed Seats came in with significant growth over the period (29.5%). Builders Carpentry (excluding other BC) and Pencil slats also had sizeable share of the overall market. The largest overall gains were made in Wood Packing Material imports, jumping 44.8% over the period to $294M. Germany also saw modest gains in Wood, continuously shaped, lead by HW FMS (44.6%).

U.S. EXPORT OVERVIEW

Germany is a major European export market for U.S. forestry products, and ranks #8 overall. The German market is also the only top 10 market other than China that registered overall growth from 2002-2003 above 10%. U.S. exports of primary and secondary products reached $159M in 2003. This was up 10.4% from 2002. However, U.S. market share in the Germany market has continually dropped over a 5-yr. period by about -28.8%. Major competitors for U.S. forestry products in Germany are the Central European countries of Poland (14.6%), Austria 9.5%), and the Czech Republic (6.5%). Other competitors in the Germany market are Finland (6.0%), Denmark (4.2%), Russia (3.9%), and France (3.7%). As evidenced by these numbers, U.S. presence in the Germany market on an aggregate level is minimal at 3.6%. The German market is dominated by European partners, which have been increasing their market share against the U.S., especially Poland, Russia, and Denmark.

US EXPORT STATS:		**GERMANY**				**UNITS: $1,000**		
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**SHARE**
TOTAL	44+94	Wood Products + Furniture	170,564	144,869	159,930	10.4%	-28.8%	100.0%
TOTAL	44	Total Wood Products	162,981	136,214	153,741	12.9%	-28.4%	96.1%
TOTAL PRIMARY		Total Primary	139,983	122,706	141,656	15.4%	-22.9%	88.6%
PRIMARY	4408	Veneer Sheets	53,178	50,607	63,706	25.9%	-8.1%	39.8%
PRIMARY	4403	Logs	41,109	39,759	42,603	7.2%	88.7%	26.6%
PRIMARY	4407	Lumber	38,434	25,871	26,939	4.1%	-66.1%	16.8%
PRIMARY	4412	Plywood & Panels	891	824	4,545	451.5%	-26.8%	2.8%
PRIMARY	4413	Densified Wood Shapes	1,503	4,484	3,076	-31.4%	2808.4%	1.9%
PRIMARY	4401	Fuel Wood & Wood Chips	167	215	482	124.4%	233.3%	0.3%
PRIMARY	4411	Fiberboard	286	208	135	-35.1%	-60.7%	0.1%
PRIMARY	4410	Particleboard	4,168	425	110	-74.1%	-97.6%	0.1%
PRIMARY	4404	Poles, Pickets, Stakes	206	296	41	-86.0%	-92.5%	0.0%
PRIMARY	4405	Wood Wool	11	-	16	#DIV/0!	-85.9%	0.0%
PRIMARY	4402	Wood Charcoal	29	11	3	-69.5%	-91.6%	0.0%
PRIMARY	4406	RR Ties	-	6	-	-100.0%	-100.0%	0.0%
TOTAL SECONDARY		Total Secondary	30,580	22,163	18,274	-17.5%	-55.4%	11.4%
SECONDARY	94	All Wood Furniture	7,582	8,654	6,189	-28.5%	-38.6%	3.9%
SECONDARY	4417	Tool & Broom Bodies	1,515	2,598	3,369	29.7%	392.7%	2.1%
SECONDARY	4415	Wood Packing Material	5,989	3,701	2,758	-25.5%	-9.8%	1.7%
SECONDARY	4409	Wood, Continuously Shaped	991	886	1,509	70.3%	11.4%	0.9%
SECONDARY	4418	Builders' Carpentry	1,782	1,000	1,437	43.8%	-89.6%	0.9%
SECONDARY	4420	Wood Marquetry Etc.	1,582	1,004	1,420	41.5%	401.6%	0.9%
SECONDARY	4421	Articles Of Wood, Nesoi	10,530	3,713	1,065	-71.3%	-90.2%	0.7%
SECONDARY	4416	Cooperage Products	309	391	367	-6.2%	77.3%	0.2%
SECONDARY	4414	Wood Frames Etc.	233	120	115	-4.9%	1.9%	0.1%
SECONDARY	4419	Wood Tableware & Kitchenware	67	95	46	-51.9%	-88.8%	0.0%

GERMANY MARKET PROFILE

U.S. EXPORTS- PRIMARY

U.S. PRIMARY EXPORTS:	GERMANY	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
HW VENEERS	$60,254	-11.0%	23.8%	32.8%
HW LOGS, CHERRY	$24,728	80.5%	1.9%	13.5%
HW LUMBER, WHITE OAK	$8,050	-53.4%	12.8%	4.4%
HW LOGS, MAPLE	$6,043	99.8%	-0.9%	3.3%
HW PLYWOOD	$4,417	901.6%	709.0%	2.4%
HW LUMBER, OTHER TEMPERATE	$4,079	117.8%	-26.2%	2.2%
HW LOGS, OTHER TEMPERATE	$4,053	612.3%	107.2%	2.2%
HW LUMBER, MAPLE	$3,790	-62.1%	34.0%	2.1%
SW VENEERS	$3,762	161.4%	114.6%	2.1%

U.S. exports of primary products to Germany dominated total trade with the country at 96.0% of all exports. In 2003, U.S. primary exports reached $152Bn. Primary exports saw a significant jump over 2002 numbers, with an increase of 18.7%. The trend, however, remained flat to negative over the last 5 years, as lower cost wood products from Central and Eastern Europe flooded the German market, a trend emulated in other top European countries as well. Hardwood Veneers dominated U.S. exports with almost 33% of total market share in 2003, and 15% of global HW veneer exports. HW Veneers represented almost 94% of total veneer exports to Germany. Hardwood logs also represented a major export category reaching $41M in value in 2003, and 22.5% of U.S. forest exports to Germany. Hardwood log species at the top of the list were Cherry (13.5%) and Maple (3.3%). Hardwood lumber species with substantial export presence were White Oak (4.4%), Other Temperate (2.2%), and Maple (2.1%).

Top performing categories in Germany were again dominated by Hardwood products such as lumber, plywood, and logs. U.S. exports of tropical lumber topped the list with an almost 4 fold increase annually since 1999. Hardwood plywood represented the largest value-based increase, jumping from $441,000 in 1999, to over $4.4M in 2003; an increase of 900% in total. Softwood chips (373.9%) recorded huge increases in total value shipped from 1999 to 2003, but had a relatively small impact on total U.S. exports of SW chips.

U.S. EXPORTS BY GROWTH: GERMANY PRIMARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
HW LUMBER, TROPICAL	$696	1888.6%	351.9%
SW CHIPS	$338	1369.6%	109.9%
HW PLYWOOD	$4,417	901.6%	709.0%
MDF	$49	880.0%	48.5%
HW LUMBER, WALNUT	$1,700	871.4%	98.6%
HW CHIPS	$132	842.9%	149.1%
HW LOGS, OTHER TEMPERATE	$4,053	612.3%	107.2%
HW LOGS, W. RED ALDER	$57	470.0%	-80.3%
SW VENEERS	$3,762	161.4%	114.6%
HW LOGS, WHITE OAK	$3,451	153.0%	20.8%
HW LUMBER, OTHER TEMPERATE	$4,079	117.8%	-26.2%
HW LOGS, BIRCH	$24	100.0%	-61.9%
HW LOGS, MAPLE	$6,043	99.8%	-0.9%
HW LOGS, CHERRY	$24,728	80.5%	1.9%
HW LOGS, WALNUT	$2,709	56.4%	127.6%

U.S. EXPORTS- SECONDARY

U.S. SECONDARY EXPORTS:	GERMANY	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
WOOD HOUSEHOLD FURNITURE	2,820	-54.3%	-30.1%	1.8%
WOOD PACKING MATERIAL	2,285	20.6%	-35.1%	1.5%
WOOD FURNITURE PARTS	1,539	-41.8%	106.8%	1.0%
WOOD DOORS AND FRAMES	1,081	592.9%	856.6%	0.7%
HW SIDING	983	165.7%	210.1%	0.6%
WOODEN OFFICE FURNITURE	$914	155.9%	-68.0%	0.6%
WOOD OR WOOD FRAME SEATS	850	-5.3%	-16.7%	0.5%
HW FLOORING	421	-27.9%	16.0%	0.3%
COOPERAGE PRODUCTS	333	60.9%	-14.8%	0.2%
PENCIL SLATS	204	-96.8%	-91.2%	0.1%

Secondary exports to Germany are very minor category in terms of total exports. They account for a little over 11% of the entire U.S. export market. With dismal performance over the period analyzed, U.S. exports of secondary products fell -55.4% since 1999, and -17.5% in 2003. Although Wood furniture was the dominant secondary export category to Germany, the category still suffered from foreign competition, losing -38.6% over the period. The U.S. is clearly not a dominant supplier of Wood Furniture to one of the world's largest importers. Germany imported $3.3Bn worth of furniture in 2003. Wood Packing Material was also a dominant category, but experts estimate drops in market share from pallet exports as changing EU regulations will limit the use of wood-based pallets for consumption and use. Germany, being the "greenest" of all European countries will lead the way on enforcement of the new Packaging regulations. Within the Builders' Carpentry category, Wood Doors & Frames was the largest contributor to that category, with $1.08M sold in 2003. While not included in the table above, Tools & Broom Bodies continued its upward trend, turning in exports sales of $3.3M in 2003, an increase of nearly 392.7% over 1999 levels.

U.S. EXPORTS BY GROWTH: GERMANY SECONDARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
WOOD DOORS AND FRAMES	$1,081	592.9%	856.6%
WOOD KITCHEN CABINETS	$66	250.1%	
HW SIDING	$983	165.7%	210.1%
WOODEN OFFICE FURNITURE	$914	155.9%	-68.0%
COOPERAGE PRODUCTS	$333	60.9%	-14.8%
SW MOLDING	$36	50.0%	350.0%
WOOD PACKING MATERIAL	$2,285	20.6%	-35.1%
WOOD OR WOOD FRAME SEATS	$850	-5.3%	-16.7%
HW FLOORING	$421	-27.9%	16.0%
WOOD FURNITURE PARTS	$1,539	-41.8%	106.8%

Wood doors & frames, HW siding, and Wood Office Furniture were the highest performing sectors for secondary products. However, Wood Office Furniture did suffer a hard decline over 2002 numbers (-68%). Cooperage products increased slightly, despite a slowing wine & spirits sector. The largest category to show growth from 1999-2003 was Wood Packing Material (4.1%), although that trend is discussed above. Wood furniture parts show strong gains from 2002-2003 (106.8%).

SOUTH CAROLINA EXPORTS

	SC EXPORTS TO GERMANY			TOTAL VALUE		$US				
HTS	Description	2001	2002	2003	SC 1YR	SC 5YR	US 5YR	% SHARE	SC RANK	% SC SHARE
44+94	Wood + Furniture	1,772,728	1,201,441	1,512,985	25.9%	-58.1%	-20.9%	100.0%		
44	Wood	1,669,025	1,157,629	1,412,664	22.0%	-58.1%	-28.4%	93.4%	16	0.92%
4407	Lumber > 6Mm Thick	817,786	835,307	1,094,082	31.0%	-61.0%	-66.1%	72.3%	9	4.07%
4420	Marquetry Etc.	128,443	61,032	177,333	190.6%	#DIV/0!	401.6%	11.7%	3	12.49%
94	All Wood Furniture	103,703	43,812	100,321	129%	-59%		6.6%		
4415	Packing Material	78,383	54,306	85,437	57.3%	-82.4%	-9.8%	5.6%	6	3.08%
4417	Tool & Broom Bodies	10,000	11,610	44,672	284.8%	57.0%	392.7%	3.0%	20	1.33%
4412	Plywood & Panels	0	25,000	6,376	-74.5%		-26.8%	0.4%	7	0.14%
4419	Tableware+Kitchenware	0	0	4,764			-88.8%	0.3%	4	10.40%
4409	Wood, Continuously shaped	0	0	0			11.4%	0.0%		0.00%
4403	Logs	0	22,989	0	-100%		88.7%	0.0%		0.00%
4421	Articles Of Wood, nesoi	0	0	0			-90.2%	0.0%		0.00%
4418	Builders' Carpentry	0	0	0		-100.0%	-89.6%	0.0%		0.00%
4416	Cooperage Products	6,120	0	0			77.3%	0.0%		0.00%
4408	Veneer Sheets	628,293	147,385	0	-100%		-8.1%	0.0%		0.00%

South Carolina exports to Germany have seen marked declines from 1999 levels. This trend is in line with overall U.S. performance in the German market. Once the 5th largest export market for SC forest products, Germany has since fallen off to #11. Exports to Germany account for 2.4% of all SC forest product exports. Exports in 2003, dropped to $1.2M, a loss of more than -58% over the 5-yr period. SC ranks 16th overall in U.S. exports to Germany. The U.S. export trend is similar while to a lesser extent, as SC export losses were more than double the rate of the U.S. average (in terms of % change). Lumber, once again, was the dominant category for SC exports to Germany, with 72.3% of the total market. Wooden Marquetry (11.7%), Wood Furniture (6.6%), and Packing Material (5.6%) were the only other dominant categories in the German market. Wooden Marquetry is a very minor U.S. category that has shown surprising growth in the Germany market for SC. Within the lumber category, Oak was the top product with 77.4% of the market, followed by Other HW's at 19.0%. SW Lumber exports, which in 1999, accounted for more than 50% of SC exports, retained only a marginal 3.6% market share in Germany. Packing Material, which also attained sizeable exports in 1999, fell to $85,000 in 2003. The Packing Material category was evenly split between Cases/Boxes/Crates (57.9%) and Pallets (42.1%). SC ranked 3rd in Wooden Marquetry, 6th in Packing Material, and 9th in Lumber exports to Germany.

Largest growth categories were Wooden Marquetry (190.6%, 1YR), and Lumber (31.0%, 5YR). Lumber growth was led by growth in the Other Hardwood category.

BEST GROWTH PROSPECTS

BEST PROSPECTS- U.S. PRIMARY

HW LOGS:	CHERRY, MAPLE, WHITE OAK, AND WALNUT
PLYWOOD:	HW PLYWOOD
VENEERS:	HW VENEERS (1PLY TROPICAL), SW VENEERS

BEST PROSPECTS- U.S. SECONDARY

TOOLS & BROOM BODIES	
BUILDERS CARPENTRY:	WOOD DOORS & FRAMES
WOOD, CONT. SHAPED:	HW SIDING

BEST PROSPECTS- SOUTH CAROLINA

NONE

ECONOMIC FACTORS (GENERATING DEMAND)

As a result of the somewhat weaker U.S. dollar versus the Euro, U.S. hardwood sales recovered somewhat in 2003. However, competition from central and eastern European suppliers continues to increase. The German construction industry is still in recession and not foreseen to recover soon. Consequently, domestic demand for flooring wood, wooden window frames and furniture is weak. The German wood processing industry tries to compensate for the reduced domestic demand by increased export efforts, predominantly to European markets, but also to Asian markets.

GDP GROWTH

GERMANY: INDICATORS	2000	2001	2002	2003
GDP per head ($ at PPP)	26,114	26,311	26,690	27,060
GDP (% real change pa)	2.86	0.85	0.18	-0.1
Government consumption (% of GDP)	18.99	19.01	19.16	19.7
Budget balance (% of GDP)	1.1	-2.8	-3.6	-4
Consumer prices (% change pa; av)	1.34	1.98	1.36	1.07
Public debt (% of GDP)	60.5	60.21	62.4	63.9
Labor costs per hour (USD)	23.38	23.23	25.08	30.86
Recorded unemployment (%)	9.61	9.37	9.81	10.5
Current-account balance/GDP	-1.38	0.05	2.34	1.7
Foreign-exchange reserves (mUS$)	56,891	51,309	51,171	50,694

As evidenced by the following chart, German economic performance has been substandard as the country has been dragged into a European slowdown. German GDP is expected to grow 0.6pc in the second quarter compared to the first, a group of German economists said today. Domestic consumption has fallen, including forest products and building materials. The Deutsche Institute fuer Wirtschaftsforschung (DIW) said recent data point to robust growth, driven primarily by foreign demand, but domestic consumption is still too weak for a rigorous, self-sustaining economic upswing. "The external recovery is the decisive factor in the current economic pick-up," DIW said, adding global demand for German products and services is dragging the Germany economy out of its long phase of stagnation. But it added: "For a rigorous upswing, domestic demand is still too weak at the moment."[2]

CONSTRUCTION/ BUILDING INFORMATION

The German construction market is consolidating at a substantially lower level than during the boom years of the 1990s. Although the number of construction permits for CY 2003 increased substantially during the first three months of the year, actual construction activity is forecast to drop by up to 10 percent in CY 2003. Because there are proposals being discussed to discontinue or at least sharply cut back income tax benefits for the construction of private homes, a large number of private individuals applied for construction permits to secure the tax benefits of the current system. It is likely that a portion of the granted permits will remain unused or actual construction will be postponed by up to five years, which corresponds with the maximum validity length of these permits. In addition, demographic studies indicate that the German population is going to shrink by several million over the next thirty years, unless the extremely low birth rate in Germany is offset by increased immigration.

Since rental prices have softened during the past several years, and building costs have been rising, it has become less economic to construct houses for rental purposes. Even historic low financing costs of 4 to 5 percent interest for 5-year mortgages do not inspire many investors to build new houses. Current home construction is primarily for private housing.

The renovation and modernization of homes generally follows the downward trend in the German construction market. Real estate experts report that the number of empty homes and office space is rising. The forecasted recovery of the German economy in 2004 will initially reduce the level of vacant space but it may be some time before more new buildings will be erected. In the eastern part of Germany about 1 million apartments are reported vacant. The government started a destruction program for many of the unsuitable buildings. The same is also intended for rental home buildings built in the 1950s and 1960s in

[2] Source: http://www.businessworld.ie

Western Germany. In less favored regions an increasing number of apartments have already been unused for years.[3]

HOUSING STARTS

As noted above, housing starts are markedly off their highs of the late 90's. More discussion on this topic follows in the "markets" section.

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	243,228	30,892	274,120		172,874	80,826	253,700	32,687
2003	236,000	29,000	265,000		160,000	70,000	230,000	31,000
2004*	230,000	25,000	255,000		155,000	67,000	222,000	30,000
*Forecast FASBonn								
Source: Federal Statistics Office + FASBonn								

[3] Source: http://www.fas.usda.gov/gainfiles/200312/146085392.pdf

TRADE FACTORS (AFFECTING U.S. EXPORTS)

POLICY

CERTIFIED WOOD

About 61 percent of the German forest area of 10.7 million hectares is PEFC certified. Since this year, PEFC stands for Platform for the Endorsement of Certification Schemes. The previous name was Pan European Forest Certification. In the meantime, PEFC gained membership from a number of countries outside of Europe. FSC (Forest Stewardship Council) certified area in Germany amounts to about 400,000 hectares which represents nearly 4 percent of the forest area. FSC has under contract the state forests of Nordrhein-Westfalen, Schleswig-Holstein, Hamburg and Berlin and a number of community forests. FSC receives a lot of political support from the German Federal Ministry of Consumer Protection, Food and Agricultural (BMVEL) which is headed by a member of the German Green Party. BMVEL is currently preparing a criteria list for public procurement of wood products. BMVEL intends to make sure that all wood products purchased for federal ministry offices comes from sustainably managed forests.

In 2003, PEFC concentrated its efforts to convince sawmills and traders to adopt the PEFC system. A number of do-it-yourself retail chains advertise that part of their wood products are FSC certified. The end consumer interest in forest certification is rather limited. However, consumers are quite interested to know whether or not tropical timber products originate from sustainable forests. Aside from the DIY markets, the German paper industry requests that their raw timber originates from certified forests.

The German federal coalition agreement between the Social Democratic Party and the Green Party explicitly states that wood products used for public investments should be FSC certified. This, however, is not a law; it is only a political intention. Currently, the Federal Ministry for Consumer Protection drafts a standard for the use of wood in public investments which tends to support FSC certified timber. Since the vast majority of German forests are PEFC certified, forest owners are intensively opposing the political preference for FSC certified forest products. German environmental organizations are supporting the Green Party in their support for FSC.

MARKETS [4]

WOOD-BASED HOUSING

German housing is predominantly masonry. However, wooden houses gained popularity during recent years mainly for their superior energy efficiency. In addition, home owners also build wooden houses in order to distinguish themselves from the normal housing market. A third reason for the growing popularity of wooden homes is the significantly shorter construction period of only 3 to 4 months versus 9 to 12 months for a masonry building. In CY 2002, the number of new wooden prefab homes actually went up by about 5 percent to 17,190 units. In Germany, wooden homes are not necessarily cheaper than masonry building because of their often superior interior outfit.

FLOORING

Not surprisingly, the wooden flooring market also suffers under the depressed construction market in Germany. However, demand in CY 2003 remained relatively stable thanks to the construction of modern single unit homes equipped with high value parquet or other solid wood flooring which are preferred by German customers . The lower price alternative for solid wood flooring is high pressure laminate (HPL) flooring which is predominantly installed in multi-unit homes or also often self-installed by tenants. HPL sales in CY 2002 were estimated at about 60 million square meters.

Preferences for wood species of the past several years have not changed. Germans prefer light colored wood species, namely oak (40%) and beech (30%), followed by hard maple and birch. Flooring experts

[4] Source: FAS Country Report, Germany (2003). http://www.fas.usda.gov/gainfiles/200312/146085392.pdf

claim that demand for dark color flooring in combination with light color species is increasing. Soft maple and white ash are not desired by German flooring manufacturers. Actually, the term soft maple may be misleading for flooring wood. A German importer suggests renaming it Red or Silver Maple, which is supposedly synonymous with soft maple.

FURNITURE

The German furniture industry is in a consolidation process. The number of manufacturing companies dropped by 3.2 percent to 1,339 companies, which is still a typical mid-sized industry sector. This consolidation is partly due to the generally sluggish economic situation but also influenced by an ongoing relocation process of going east. A number of German furniture makers decided to move their production facilities to Poland and other central and eastern European countries because of significant cost advantages. In particular labor and investment costs are lower in eastern Europe. The quality of processed timber has improved significantly in Eastern Europe, making this region increasingly competitive against U.S. high quality logs and lumber.

The preference scale for wood species by the German furniture industry did not change 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.

HIGH VALUE WOOD

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.

COUNTRY INFORMATION SOURCES

GOVERNMENT

German Federal Ministry
Division of Consumer Protection, Food and Agriculture
Mailbox 14 02 70, 53107 Bonn.
Phone: 0228/529-0
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TRADE ASSOCIATIONS

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