UNITED KINGDOM MARKET PROFILE

UK: FOREST PROFILE[1]

The United Kingdom of Great Britain and Northern Ireland, located to the north-west of continental Europe, has a mild, humid climate. Forest and other wooded land accounts for only one tenth of the land area; this percentage has doubled since the First World War as a result of afforestation, much of which took place in Scotland, Wales and northern England. More than four fifths of the forest is available for wood supply; the remainder is not available, for conservation and protection reasons. Over two thirds of the forest is classed as plantations, the remainder as semi-natural. Public ownership has been declining as a result of privatization, to around two fifths of the total. Most private forests are owned by individuals but some by investment groups and nature conservation associations.

Britain's warm wet climate is ideal for growing trees. Historically most of the country was covered by natural forest, but by the end of World War I clearances over the past centuries had reduced the tree cover to 4%. A regulated forestry sector and a program of reforestation have increased this figure to almost 11% an area of 2.4M hectares.

UK'S FOREST DISTRIBUTION

	Forest Cover 2000	Distribution of land cover/use % (2000)		
	´000 ha	Forest	Other Wooded Land	Other land
United Kingdom	2,794	11.6	.0	88.4
Europe	1,039,250	46.0	1.3	52.9
World	3,869,453	29.4	11.2	58.6

Around 80% of the timber used in the U.K. is softwood (of conifer origin). Productive conifer woodlands cover about 1.5M hectares, a large proportion of which is in Scotland. Britain also has Europe's largest man-made forest at Kielder Forest in Northumberland. Of the commercial tree species grown in Britain, 28% of the forest area is Sitka spruce (*Picea sitchensis*), 13% is Scots pine (*Pinus sylvestris*) (Britain's only native conifer species), 9% is oak (*Quercus petraea* and *Quercus robur*), 7% lodgepole pine (*Pinus contorta*), 6% is Japanese larch (*Larix kaempferi*) and 6% is Norway spruce (*Picea abies*). In addition there are significant quantities of beech, ash silver birch, and Douglas Fir (introduced).

Approximately 66% of forests in Britain are privately owned, ranging from farmers and small woodland owners to large estates, wood processing companies and pension fund and life assurance companies. Forest Enterprise the management arm of the government's Forestry Commission manages the remainder.

PRODUCTS AND TRADE

In 1997 the U.K. consumed 48.3M m³ of timber. Imports met 85% of this demand, making the U.K. one of the largest European markets for forest products. Most of the demand for pulp and sawnwood in the country is met by imports. The sawmill and panel industry based on domestic raw material is expanding steadily, as more plantations reach harvestable age. Please see UK Import Overview for current import figures.

Homegrown timber production currently stands at 9.3 million cubic meters and will reach a peak of 16 million cubic meters in 2025. This future growth offers opportunities for the expansion of U.K. timber markets, currently based on sawnwood, wood-based panels, paper and paperboard and other wood products such as veneers, poles and high value furniture. Non-wood forest products are of relatively low importance.

POLICIES/ISSUES

The U.K. is committed to sustainable forestry management and the centerpiece of the system guiding and monitoring forestry is the U.K. Forestry Standard. This published standard sets out criteria for the sustainable management of all forest and woodland types in the U.K. The standard includes criteria for forest soil condition, water quality, net carbon sequestration, air pollution, timber production, nature and heritage conservation, workforce competency, rural development and landscape quality.

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

UNITED KINGDOM TRADE OVERIVEW

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

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	4,347.7	100.0%	16.6%	44.1%
Sweden	662.6	15.2%	18.3%	16.8%
Finland	489.2	11.3%	25.0%	22.3%
Latvia	354.4	8.2%	32.5%	
Germany	321.3	7.4%	14.2%	94.1%
Belgium	309.9	7.1%	19.6%	92.7%
Ireland	217.1	5.0%	34.9%	84.2%
France	174.8	4.0%	24.7%	20.1%
United States	163.6	3.8%	-3.9%	-28.7%
Denmark	145.7	3.4%	31.8%	60.6%
Brazil	135.3	3.1%	-5.3%	8.1%

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

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	4,831.1	100.0%	14.8%	27.4%
Sweden	632.5	13.1%	13.5%	6.0%
Finland	492.4	10.2%	24.4%	32.8%
Latvia	422.2	8.7%	27.0%	44.7%
Germany	293.1	6.1%	5.1%	61.5%
Belgium	266.0	5.5%	17.5%	133.1%
Ireland	241.6	5.0%	24.9%	30.0%
United States	216.6	4.5%	5.0%	-19.7%
China	203.0	4.2%	29.2%	129.2%
France	199.0	4.1%	22.3%	52.1%
Brazil	182.8	3.8%	4.3%	39.9%

TOP IMPORTED PRODUCTS

UK IMPORT STATISTICS FROM WORLD						UNITS: $1,000		
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**% Share**
ALL	44+94	Wood + Furniture	5,617,589	6,473,647	7,827,846	20.9%	47.0%	100.0%
ALL	44	ALL WOOD PRODUCTS (EX-FURNITURE)	3,754,047	4,207,940	4,839,770	15.0%	27.6%	61.8%
TOTAL PRIMARY			2,703,815	2,983,993	3,463,801	16.1%	24.8%	44.2%
PRIMARY	4407	Lumber	1,508,667	1,660,791	2,001,315	20.5%	23.5%	25.6%
PRIMARY	4411	Fiberboard	265,854	407,187	482,851	18.6%	99.6%	6.2%
PRIMARY	4412	Plywood & Panels	466,699	444,151	456,344	2.7%	1.6%	5.8%
PRIMARY	4410	Particle Board	261,231	262,470	261,173	-0.5%	2.9%	3.3%
PRIMARY	4403	Logs	84,904	93,760	129,617	38.2%	50.4%	1.7%
PRIMARY	4408	Veneers Sheets	64,840	56,512	62,437	10.5%	-23.2%	0.8%
PRIMARY	4402	Wood Charcoal	16,257	16,791	23,474	39.8%	55.1%	0.3%
PRIMARY	4401	Fuel Wood & Wood Chips	11,982	14,877	14,813	-0.4%	96.9%	0.2%
PRIMARY	4413	Densified Wood Shapes	10,418	13,138	14,663	11.6%	68.1%	0.2%
PRIMARY	4406	RR Ties	9,397	8,419	8,345	-0.9%	23.6%	0.1%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	3,106	5,051	7,579	50.0%	103.7%	0.1%
PRIMARY	4405	Wood Wool or Flour	461	847	1,188	40.3%	10.5%	0.0%
TOTAL SECONDARY			2,913,773	3,481,678	4,364,046	25.3%	71.2%	55.8%
SECONDARY	94	ALL WOOD FURNITURE	1,863,542	2,265,707	2,988,077	31.9%	95.1%	38.2%
SECONDARY	4418	Builders' Carpentry	426,208	513,275	581,438	13.3%	43.2%	7.4%
SECONDARY	4421	Articles Of Wood, Nesoi	175,834	194,274	224,570	15.6%	47.9%	2.9%
SECONDARY	4409	Wood, Continuously Shaped	138,415	185,783	205,539	10.6%	28.0%	2.6%
SECONDARY	4415	Wood Packing Material	136,376	140,462	172,893	23.1%	39.0%	2.2%
SECONDARY	4420	Wood Marquetry Etc.	60,570	60,784	67,912	11.7%	18.9%	0.9%
SECONDARY	4419	Wood Tableware & Kitchenware	47,142	54,817	60,721	10.8%	58.8%	0.8%
SECONDARY	4414	Wood Frames Etc.	29,374	31,006	33,191	7.0%	8.9%	0.4%
SECONDARY	4416	Cooperage Products	24,621	23,035	17,979	-21.9%	-50.8%	0.2%
SECONDARY	4417	Tool & Broom Bodies	11,691	12,535	11,724	-6.5%	-2.4%	0.1%

IMPORT OVERVIEW

In 2003, the UK imported over \$7.8Bn worth of forestry products, ranking them 2nd only to Japan in total value of imported goods. Over the period analyzed, the UK sustained solid import growth of 47.0% from 1999 figures. The UK is another strong secondary products market with over half of all imports falling under that category. Primary imports occupied about 44.2% of the market in 2003. Leading suppliers of forestry products to the UK were Sweden (13.1%), Finland (10.2%), Latvia (8.7%), and Germany (6.1%). The U.S. held a market share of 4.5% at the end of 2003. Belgium, Germany, and China all achieved above average growth in UK imports over the period, while the value of U.S. forest products dropped by -19.7%. It is expected that imports from the newly ascended EU countries in Eastern Europe will supplant even more market share from U.S. and other European competitors in the short to medium term future. Top products imported into the UK were Wood Furniture, Lumber, Builders' Carpentry, Fiberboard, and Plywood.

PRIMARY PRODUCTS IMPORTS

LOGS

The UK imported almost 1.2M m^3 of logs in 2003, up 239.8% from 547,000 m^3 in 1999. Total value of British imports was \$129.5M in 2003. HW and SW Logs evenly split the import distribution. Top suppliers to the UK market were Ireland (25.1%), Latvia (22.7%), Finland (14.0%), Sweden (9.9%), and Russia (6.2%). The U.S. held 5.1% of the UK market in 2003, with substantial gains slightly below the average. Top performers were Russia, Sweden, Latvia, and Finland; all gaining market share over the period. Germany and France, which registered almost no exports to the UK in 1999, grew to 5.6% and 4.2% market share, respectively.

UK IMPORTS: PRIMARY	UNITS: \$1,000			
PRODUCT	**2003**	**% Share**	**1 YR AGR**	**5 YR AGR**
TOTAL PRIMARY IMPORTS	3,463,801	44.2%	16.1%	24.8%
SW Lumber	1,647,491	21.0%	23.1%	23.2%
HW Lumber	350,853	4.5%	8.9%	23.7%
MDF	349,051	4.5%	22.3%	151.5%
Hardboard	343,238	4.4%	35.9%	318.4%
HW Plywood	255,579	3.3%	-4.2%	1.6%
Particleboard	200,829	2.6%	-5.2%	-7.9%
SW Plywood	170,480	2.2%	7.4%	-0.1%
Other Panel Products	167,937	2.1%	8.2%	124.8%
SW Logs	61,887	0.8%	40.4%	112.0%
HW Logs	60,022	0.8%	39.6%	19.5%
HW Veneers	49,934	0.6%	29.8%	-22.7%
OSB-WB	25,022	0.3%	9.2%	39.3%
SW Veneers	11,995	0.2%	-33.5%	-28.5%
RR Ties	8,332	0.1%	-1.0%	23.4%
Poles	7,670	0.1%	14.5%	13.1%
SW Chips	3,600	0.0%	-31.1%	38.6%
HW Chips	405	0.0%	40.8%	-26.4%

LUMBER

The value of UK lumber imports reached \$2.0Bn in 2003. Lumber represents slightly over 40% of the total import demand from the UK. SW Lumber imports accounted for almost 80% of all Lumber, while HW Lumber imports were significantly less at 20% of the market. The value of lumber imports grew steadily at 23.5% over the period, with significant gains made by Latvia (45.8%), Russia (46.8%), and Estonia (83.9%). Dominant suppliers to the UK market were Sweden (26.6%), Finland (15.9%), Latvia (18.8%), Russia (5.5%), and the U.S (4.7%). British imports of U.S. lumber dropped -10% to \$94M from 1999 to 2003.

PANEL PRODUCTS: PLYWOOD, VENEERS, PARTICLEBOARD, AND FIBERBOARD

Plywood imports reached 1.5M m^3 in 2003, an increase of 29.6% over the period. Total value barely increased to \$456M. Top suppliers to the British market were: Brazil, Finland, Indonesia, Malaysia, and China. These five countries represent 72.8% of the British import demand for plywood. The U.S., who was the single largest supplier of plywood to the UK in 1998, currently holds a .7% market share with losses absorbed by lower-cost plywood from Spain and China.

Veneer imports to the UK reached \$62M in 2003, down 23% from 1999 values. The veneer market is supplied by Germany (17.3%), the U.S. (15.1%), South Africa (13.4%), and France (11.1%). South Africa, France, and Spain (425%) all made significant gains in the import market, while the value of U.S. exports to the UK dropped to \$9.4M, a loss of -61.2%.

Fiberboard imports reached 130M m² in 2003, up 52.4% from a 1999 volume of 101M m². Total value of UK fiberboard imports in 2003 was $480.8M. Top import partners were Belgium, Ireland, Germany, Spain, and Poland with 63.9% of the market. U.S. market share of 2.0% represented a loss of over 5,000 m² since 1999. Belgium, Poland, and Germany experienced significant gains in import share over the period, outperforming the market average.

Particleboard imports maintained throughout the period at $260M, in total value. Imports grew nominally over the period, at 2.8%. Top suppliers to the UK were Germany, Belgium, France, Ireland, and Finland with a total market share of 82.5%. The U.S. was not a factor in the import market, with <.1% market share. Germany was the top performing supplier with growth of nearly 46% from 1999 to 2003.

SECONDARY PRODUCTS IMPORTS

UK IMPORTS: SECONDARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
TOTAL SECONDARY IMPORTS	4,364,046	55.8%	25.3%	71.2%
Wood Framed Seats	972,040	12.4%	43.6%	113.8%
Builders Carpentry	469,049	6.0%	15.0%	51.6%
Household Furniture	430,221	5.5%	44.0%	112.7%
Wood Furniture Parts	328,054	4.2%	7.6%	77.5%
HW Flooring, Molding, Siding	144,502	1.8%	24.0%	46.0%
Pencil Slats	214,308	2.7%	14.9%	47.2%
Packing Material	172,851	2.2%	23.1%	39.0%
Office Furniture	159,078	2.0%	9.2%	22.3%
Kitchen Furniture	147,225	1.9%	28.0%	68.2%
SW Flooring, Molding, Siding	61,030	0.8%	-11.9%	-1.0%
Prefabricated Buildings	28,448	0.4%	65.6%	145.5%
Cooperage Products	17,977	0.2%	-22.0%	-50.8%

Secondary product imports reached $4.36Bn in 2003, up over 71% from 1999 values. The UK experienced significant growth in almost all major categories over the period analyzed with a growing housing sector generating demand for building materials. Dominant categories in this secondary market were Wood Furniture (38.2%) and Builders' Carpentry (7.4%). Continuously Shaped Wood was also imported in significant quantities, with $205M in 2003. Total Wood Furniture recorded a strong 95% increase in imports from 1999-2003. Wood furniture led the way with strong growth in several product categories, such as Wood Framed Seats (113.8%), Household furniture (112.7%), and Wood Furniture parts (77.5%). Builders Carpentry was another strong category with solid growth of 51.6% and a total value of almost half a million USD in 2003. HW FMS also recorded strong growth with sizeable volume over the period ($144M, 46%), dominating the CSW category mentioned earlier. Prefabricated Buildings (including wood), grew substantially over the period with 145.5% growth.

U.S. EXPORT OVERVIEW

The United Kingdom is the 6th largest trading partner with the U.S. based on total export value, closely trailing Spain. The U.S. exported nearly $194.0M worth of primary and secondary forest products to the UK in 2003. Exports to the UK have seen a consistent decline over 1999 numbers of about 26.7% overall. The U.S. currently holds around 4.5% of the UK market, following Sweden, Finland, Latvia, Germany, Belgium, and Ireland. Belgium, China, Latvia, and France have all seen strong gains over the past 5 years, leading to an eroding market share for U.S. products. See UK imports section of the report for more information. Primary exports outpaced secondary exports by a factor of 2:1. Top Categories exported to the UK based on market share were: Lumber, Densified Wood Shapes, Wood Furniture, and Logs.

US EXPORT STATS:		UNITED KINGDOM				UNITS: $1,000		
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**SHARE**
TOTAL	44+94	Total Wood Products + Furniture	232,075	198,620	194,835	-1.9%	-26.7%	100.0%
TOTAL	44	Total Wood Products	201,182	170,174	163,555	-3.9%	-28.7%	83.9%
TOTAL PRIMARY		Total Primary	153,363	135,686	133,774	-1.4%	-23.4%	68.7%
PRIMARY	4407	Lumber	94,232	78,372	68,672	-12.4%	-29.2%	35.2%
PRIMARY	4413	Densified Wood Shapes	299	29,503	31,515	6.8%	31530.5%	16.2%
PRIMARY	4403	Logs	8,474	6,025	14,375	138.6%	-18.5%	7.4%
PRIMARY	4408	Veneer Sheets	12,700	7,714	9,100	18.0%	-52.6%	4.7%
PRIMARY	4411	Fiberboard	7,988	10,077	8,197	-18.7%	-56.4%	4.2%
PRIMARY	4401	Fuel Wood & Wood Chips	489	238	714	200.3%	243.1%	0.4%
PRIMARY	4412	Plywood & Panels	2,710	1,053	450	-57.3%	-93.9%	0.2%
PRIMARY	4410	Particleboard	25,742	2,180	414	-81.0%	-96.9%	0.2%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	530	407	262	-35.5%	-37.2%	0.1%
PRIMARY	4406	RR Ties	15	95	55	-42.1%	463.5%	0.0%
PRIMARY	4405	Wood Wool	40	23	15	-34.0%	-93.9%	0.0%
PRIMARY	4402	Wood Charcoal	143	-	5	#DIV/0!	-97.9%	0.0%
TOTAL SECONDARY		Total Secondary	78,712	62,933	61,061	-3.0%	-33.0%	31.3%
SECONDARY	94	All Wood Furniture	30,894	28,446	31,280	10.0%	-13.5%	16.1%
SECONDARY	4418	Builders' Carpentry	6,720	8,132	8,083	-0.6%	24.1%	4.1%
SECONDARY	4421	Articles Of Wood, Nesoi	11,343	8,152	6,804	-16.5%	-45.1%	3.5%
SECONDARY	4416	Cooperage Products	15,924	7,884	3,680	-53.3%	-83.3%	1.9%
SECONDARY	4409	Wood, Continuously Shaped	4,007	2,974	3,378	13.6%	-33.9%	1.7%
SECONDARY	4417	Tool & Broom Bodies	2,778	1,640	2,983	81.9%	133.6%	1.5%
SECONDARY	4415	Wood Packing Material	2,561	1,882	2,745	45.9%	31.5%	1.4%
SECONDARY	4420	Wood Marquetry Etc.	2,278	1,975	1,009	-48.9%	-74.8%	0.5%
SECONDARY	4414	Wood Frames Etc.	804	513	673	31.2%	-22.0%	0.3%
SECONDARY	4419	Wood Tableware & Kitchenware	1,402	1,336	426	-68.1%	-43.6%	0.2%

U.S. EXPORTS- PRIMARY

U.S. PRIMARY EXPORTS:	UK	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
HW LUMBER, WHITE OAK	$25,290	-32.2%	-10.0%	15.2%
HW LUMBER, ASH	$8,063	-48.2%	-9.1%	4.9%
HARDBOARD	$7,729	-20.8%	-17.5%	4.7%
HW VENEERS	$7,366	-60.6%	5.3%	4.4%
HW LUMBER, MAPLE	$7,134	-25.5%	-30.6%	4.3%
HW LUMBER, CHERRY	$6,526	-34.2%	-8.4%	3.9%
HW LUMBER, OTHER TEMPERATE	$5,165	81.4%	-23.2%	3.1%
SW LOGS, OTHER CONIFEROUS	$4,994	55388.9%	602.4%	3.0%
HW LUMBER, YELLOW POPLAR	$4,192	18.1%	-7.9%	2.5%

The U.S. exported $133M worth of primary products to the UK in 2003, down substantially over the 5-yr period (-23.4%). Primary products exports accounted for 68.7% of the UK market in 2003. Exports of lumber reached $68.6M in 2003, down sharply from 1999 levels (-29.2%). Lumber, however, is still the single largest export category for U.S. primary products with around 35% of the total UK market, followed by, Densified Wood Shapes (16.2%), and Logs (7.4%). HW Lumber accounted for nearly 94% of all Lumber exports, with SW Lumber taking a significant loss to only 5% of Lumber sales. Hardboard (4.7%) and HW Veneers (4.4%) were two sub-categories with significant exports. Globally, exports of Hardboard to the UK hold significant shares in the international market (12.9%). Within the HW Lumber category, White Oak (15.2%), Ash (4.9%), Maple (4.3%), and Cherry (3.9%) dominate U.S. exports with a combined total of 28.2% of entire stock of U.S. exports, primary and secondary.

Some minor sub-categories that performed well in the UK market were Other Coniferous Logs, White Oak Logs, and Walnut Lumber. Apparently, growth in demand for smaller categories took the form of raw materials requirements, with the bulk of strong growth taking place in the Logs category. This assumption is further supported by significant growth in exports of Densified Wood Shapes (31,530%) and Fuel Wood (243%). While SW Veneers represent a much smaller percentage of U.S. exports than HW Veneers, this category saw marked growth over the period with 281% growth since 1999. Once again, however, the dominant categories for both growth and value were HW products. Southern Yellow Pine Logs experienced moderate 5-yr growth, but still has not made headway in penetrating the UK market ($106,000), and were overshadowed by other SW Log imports (other Pine).

U.S. EXPORTS BY GROWTH: UK PRIMARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
SW LOGS, OTHER CONIFEROUS	$4,994	55388.9%	602.4%
HW LOGS, WHITE OAK	$3,350	994.8%	172.4%
HW LOGS, YELLOW POPLAR	$91	658.3%	-2.2%
HW LOGS, OTHER TEMPERATE	$787	496.2%	2438.7%
RAILROAD TIES	$55	450.0%	-42.1%
HW LUMBER, WALNUT	$3,258	339.7%	26.1%
SW VENEERS	$1,734	281.1%	141.5%
HW LUMBER, WESTERN RED ALDER	$416	212.8%	32.5%
HW LUMBER, HICKORY	$560	184.3%	24.7%
HW LOGS, CHERRY	$498	111.9%	-18.4%
HW LOGS, ASH	$528	98.5%	10.5%
HW LUMBER, OTHER TEMPERATE	$5,165	81.4%	-23.2%
SW LOGS, SOUTHERN YELLOW PINE	$106	60.6%	-40.4%
HW LOGS, WALNUT	$1,016	31.8%	98.8%

U.S. EXPORTS- SECONDARY

U.S. SECONDARY EXPORTS:	UK	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
WOOD HOUSEHOLD FURNITURE	$26,216	35.7%	28.4%	13.6%
COOPERAGE PRODUCTS	$3,680	-83.3%	-53.3%	1.9%
OTHER BUILDERS CARPENTRY	$3,268	-6.4%	-15.2%	1.7%
WOOD PACKING MATERIAL	$2,559	115.6%	58.8%	1.3%
HW FLOORING	$2,195	-16.7%	60.5%	1.1%
WOOD FURNITURE PARTS	$2,081	99.0%	-39.1%	1.1%
WOOD WINDOWS AND FRAMES	$2,018	97.1%	0.4%	1.0%
WOODEN OFFICE FURNITURE	$1,916	-77.3%	-39.0%	1.0%
WOOD DOORS AND FRAMES	$1,287	29.5%	41.4%	0.7%
PREFABRICATED BUILDINGS	$1,036	342.7%	10.4%	0.5%

With 31% of the U.S. export market share, secondary forest products exports reached $61M in total value in 2003. This number is off almost $30 million from 1999 values, representing a -33% loss from 1999-2003.

Total Wood Furniture exports dominated the secondary market with $31.0M in 2003. While down significantly, Cooperage Products held its position as the second largest secondary export from the U.S., with $3.6 million in 2003. However, a 5yr loss of 83% was recorded over the period.

Wood furniture and Builders Carpentry (other BC, WWF, and WDF) dominate secondary exports to the UK market, with 16.1% and 4.1% of the total export market, respectively. Wood furniture represented slightly over 50% of all secondary exports in 2003. Wood Household Furniture is the single largest secondary product exported to the UK, with solid growth (35.7%) and a huge market share (13.6%). Within the Builders' Carpentry category, the following breakdown occurred: Other BC (49.7%), Windows & Frames (25.0%), Doors & Frames (18.8%), and Formwork/Shuttering (5.7%).

U.S. EXPORTS BY GROWTH: UK SECONDARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
SW MOLDING	$168	1100.0%	-36.1%
PREFABRICATED BUILDINGS	$1,036	342.7%	10.4%
WOOD PACKING MATERIAL	$2,559	115.6%	58.8%
WOOD FURNITURE PARTS	$2,081	99.0%	-39.1%
WOOD WINDOWS AND FRAMES	$2,018	97.1%	0.4%
WOOD HOUSEHOLD FURNITURE	$26,216	35.7%	28.4%
WOOD DOORS AND FRAMES	$1,287	29.5%	41.4%
WOOD KITCHEN CABINETS	$77	25.4%	-31.0%
OTHER BUILDERS CARPENTRY	$3,268	-6.4%	-15.2%
HW FLOORING	$2,195	-16.7%	60.5%

Top performing secondary sub-categories for U.S. exports to the UK were Prefabricated Buildings, including wood (342%), Wood Packing Material (115.6%), Wood Furniture parts (99.0%), and Wood Windows and Frames (97.1%). Prefabricated Buildings and Wood Packing Materials showed the strongest gains over both 1-yr and 5-yr periods for secondary forestry exports. Softwood Molding saw huge increases from 1999 values, but at a very low volume ($168,000). Wood Household Furniture, which represents a major secondary product for the UK, showed positive gains at both the 1 and 5-yr marks (28.4%, 35.7%). However, Wood Office Furniture exports continued to lose ground since 1999, dropping from $8.5M to $1.9M, down almost -80% since 1999. Furniture exports, while a sizeable category for the U.S. will continue to face pressure from dominant European suppliers, and lower cost products coming from the Central and Eastern European region, due to ramped up capacity.

SOUTH CAROLINA EXPORTS

SC EXPORTS: UK	TOTAL VALUE ($)						
Description	2003	SC 1YR	SC 5YR	US 5YR	% SHARE	SC RANK	% SC SHARE
WOOD + FURNITURE	4,426,735	5.5%	19.3%	-22.2%	100.0%		
ALL WOOD	4,187,836	3.9%	30.8%	-28.7%	94.6%	13	2.56%
Lumber	4,108,884	12.9%	62.5%	-29.2%	92.8%	5	5.97%
Wood Furniture	238,889	44.2%	-53.1%		5.4%		0.92%
Logs	44,765	246.0%	n/a	-18.5%	1.0%	18	0.31%
Tools & Brooms	25,909	196.1%	n/a	133.6%	0.6%	20	0.87%
RR Ties	8,278	n/a	n/a	463.5%	0.2%	2	15.03%

The United Kingdom is South Carolina's largest European trading partner in forest products, with a 7.1% share of total exports. Overall, the UK is ranked #4, following Japan (18%), Canada (13.3%), and China (11%). SC exports of forest products have seen solid growth in demand from the U.K. with 2003 exports reaching $4.4M, a 5-yr increase of 19.3%. Lumber exports once again dominated SC exports to the U.K. with almost 93% of the entire market. SC is the 5th largest state exporter of Lumber to the U.K. Other notable historic categories have been Particleboard, Builders Carpentry, and Cooperage Products; however, all three failed to record any export numbers in 2003. Other HW Lumber exports led the category with 48.6% of the total lumber market. The breakdown of Lumber exports to the UK was as follows: Other HWs (48.6%), Oak lumber (47.8%), and SW Lumber (3.6%). SW lumber was not a factor in SC exports to the UK, taking a very minor role in overall exports. Wooden furniture represented 5.4% of total exports to the U.K., dominated by Miscellaneous Wood Furniture with 87.9% of the market. Wood furniture exports reached $238,000 in 2003, but were down more than -50% since 1999.

Categories exhibiting strong growth over the period were Other HW Lumber (393.2%), Oak Lumber (42.2%), and Miscellaneous Wood Furniture (69.5%). Cooperage Products exports reached $1.4M in 2000, but declined to zero in 2002 and 2003. A similar trend was identified for Fiberboard ($244,000) and Particleboard ($195,000).

BEST PROSPECTS- U.S. PRIMARY

HW LOGS:	WHITE OAK, WALNUT, OTHER TEMPERATE
SW LOGS:	SOUTHERN YELLOW PINE, OTHER SW (nesoi)
HW LUMBER:	YELLOW POPLAR, HICKORY, OTHER TEMPERATE
VENEERS:	SW
FUELWOOD/WOOD CHIPS:	SAW DUST/WASTE/SCRAPS, FUELWOOD
OTHER:	DENSIFIED WOOD SHAPES, BLOCKS, STRIPS

BEST PROSPECTS- U.S. SECONDARY

WOOD FURNITURE:	HOUSEHOLD FURNITURE, FURNITURE PARTS
WOOD PACKING MATERIAL:	PALLETS AND OTHER LOAD BOARDS
BUILDERS' CARPENTRY:	WOOD DOORS & FRAMES, WOOD WINDOWS & FRAMES
OTHER:	PREFABRICATED HOUSING, TOOL & BROOM BODIES

BEST PROSPECTS- SOUTH CAROLINA

LUMBER:	OAK, OTHER HW
WOOD FURNITURE:	MISCELANEOUS WOOD FURNITURE
OTHER:	TOOLS & BROOM BODIES

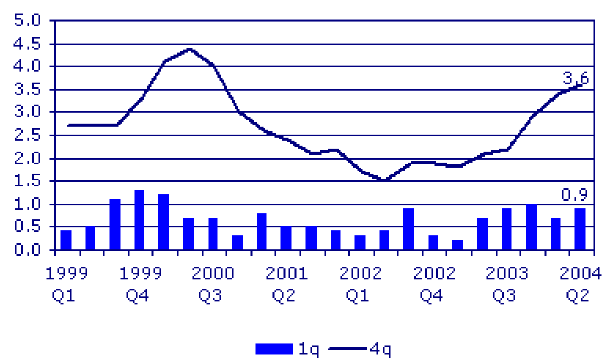
Economic Factors (Generating Demand)

GDP Growth[2]

UK: INDICATORS	2000	2001	2002	2003
GDP per head ($ at PPP)	24,642	25,870	26,520	27,490
GDP (% real change pa)	3.78	2.13	1.69	2.3
Government consumption (% of GDP)	18.69	19.23	20.09	20.5
Budget balance (% of GDP)	3.9	0.7	-1.3	-3.1
Consumer prices (% change pa)	0.8	1.22	1.27	1.36
Public debt (% of GDP)	51.5	50.4	50.35	51.4
Labor costs per hour (USD)	16.45	16.15	17.47	19.24
Recorded unemployment (%)	5.39	5.03	5.11	5.1
Current-account balance/GDP	-1.99	-1.25	-0.92	-1.6
Foreign-exchange reserves (mUS$)	43,891	37,284	39,360	41,850

Over the last 4 years, the UK has experienced moderate growth in per capital GDP from 1999-2003. However, GDP for the UK was estimated to have grown by .9% in Q2 of 2004. Over the first two quarters of 2004, UK economy continued to grow at its fastest rate for four years last quarter, with record rises in investment and manufacturing. As a result, the British economy, Europe's second largest, is now outperforming rivals with the 12 eurozone nations growing just 0.5 per cent. Officials estimate continued expansion over the coming months, as growth is driven by consumer spending, the housing sector, and in industrial expansion. However, housing starts, which have been on a comparable trend with the U.S. market, are bound to cool off, as inflation issues creep back into the economy.

But other figures released yesterday showed British consumers were definitely feeling the pinch after five interest rate rises in less than a year, with a slowdown in the rampant housing market, ebbing consumer confidence, and retail sales returns that confirm the high street boom is over. The fast-paced British results prompted speculation that interest rates had reached their peak, with one member of the Bank of England's monetary policy committee, Kate Barker, saying, "the period of tightening" was almost complete. Quarterly real gross domestic product growth was 0.9 per cent said the office of national statistics, up from 0.7 per cent in the first quarter.



Although annualized growth was revised down to 3.6% from 3.7 per cent last quarter, it is still the fastest rise since 2000.

Construction Sector

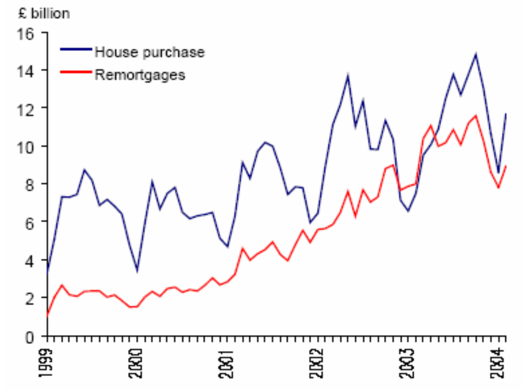
The UK construction industry remains relatively buoyant compared to other indicators within the economy. It has rebounded well from a dip in output for the first quarter. However, a slowdown in construction output continues. The short-term future of the construction industry involves a swing into the public sector, with an increase in house building and health facilities. Development in the commercial property sector is slowing down and the public purse is seen as the key to prosperity in the coming year. Construction prices have fallen in London and contractors are lowering tender prices to secure the diminishing amount of office development work. Labor rate increases are therefore showing signs of being higher in the Northeast and the Midlands than they are in London and the South East.[3] The UK construction industry provides a tenth of the UK's gross domestic product, employs 1.4 million people, and is worth around £65B per annum. With an output of £81.9bn in 2002, the UK construction industry is ranked in the global top ten. Housebuilding output is forecast to increase by 19% at constant 1995 prices between 2001 and 2005. Building materials embrace a wide range of materials and components such as bricks, tiles, cement and

[2] Source: http://www.statistics.gov.uk/cci
[3] Source: http://www.turnerandtownsend.com/pdfs/4Q%20Report%20October%202003.pdf

timber. The UK construction materials sector is undergoing a period of rationalization, with many UK companies now forming part of international companies. The UK building materials market is forecast to increase by 13.7% at current prices between 2001 and 2005. This is a strong forecast that U.S. wood products firms should take advantage of.[4]

Housing Starts

The value of loans for house purchase approved by all lenders totaled £16.5 billion in March 2004. In the latest three months, the value of loans was 55.9 percent higher than the same period a year ago.



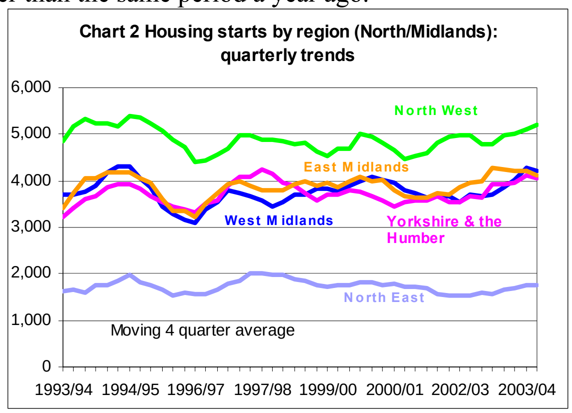


Fig. Loans approved: UK Lending for house purchase and re-mortgaging – All lenders (not seasonally adjusted).

TRENDS IN NEW HOUSING STARTS

	2000	*2001*	*2002*	*2003*
Private sector housing starts (000's)	*157.8*	*162.8*	*140.1*	*160*

- In England during the quarter to March 2004, there were 42.1 thousand housing starts and 31.9 thousand completions; starts were up 4 percent on the same period in 2003 and completions remained level.
- During the financial year 2003-04, starts numbered 160,000 (up 6 percent on the previous financial year) and completions totaled 143,000 (up 4 percent).
- London, the South East and the East saw continuing upward trends.
- Latest available UK figures for 2002-03 show 195,000 starts and 184,000 completions. Completions were up on the previous year, particularly reflecting the upturn in England and Northern Ireland.[5]

[4] Source: http://www.corporatewatch.org/profiles/construction/construction.htm
[5] Source: http://www.odpm.gov.uk/pns/DisplayPN.cgi?pn_id=2004_0122

Trade Factors (Affecting U.S. Exports)

THE FOREST AND FOREST INDUSTRIES SECTOR

The forestry industry plays an important part in the economies of England, Scotland and Wales, particularly in some rural communities where it is a significant source of income and employment. Three separate studies were commissioned by the Forestry Commission to assess the impact of the forestry industry in England, Scotland and Wales. A study estimating the impact of the forestry industry at the GB level will be available later in the year.

The development of the British timber industry, using wood from British forests, has been a major industrial success story. Over £1.6 billion has been invested in sawmills and paper and board mills over the last 15 years, and a further £2 billion is likely to be invested over the next fifteen years, creating many new jobs as well as decreasing Britain's dependence on foreign imports of timber products.

The volume of wood supplied from British forests each year has more than doubled from 4 million cubic meters in the 1970s to nearly 9 million cubic meters now. This will increase to 15 million cubic meters by 2020, offering scope for further substantial investment in the processing industry.

Britain uses a large amount of timber, paper, boards and other wood products each year, equivalent to about 50 million cubic meters of timber; about 85% of this has to be imported, at a cost of about £8 billion. The British government is taking steps to reduce dependency on imported timber with new investments in the forestry sector. However, due to the strongly industrialized nature of the British economy, and increased demands on its timber industry, the UK will continue to rely heavily on foreign sources of timber.

NEW SUPPLY FROM NEW EU MEMBERS

With the newly ascended EU-10 now members of a larger network, U.S. firms can expect to see increased imports from this low cost source of timber production. The CEE countries have been gearing up rapidly by expanding their forestry capacity. While the UK is not a major importer of CEE wood products, this number is bound to increase as low-cost labor, and oversupply will drive down the price of timber from the region. This poses to direct threat the U.S. timber producers/exporters, as the transportation and production costs are significantly low in this region than in the U.S. On a positive note, many developed European economies will be directly competing with the CEE countries as well.

POLICY DEVELOPMENTS [6]

The UK Forest Partnership for Action in 2002 has agreed on a number of key priority programs. These include international efforts to combat illegal logging; the requirements for government departments to source timber products from legal and sustainable sources; developing an international partnership on forest restoration programs; promotion of greater uptake of the certification of forest management and the delivery of certified wood to the marketplace; and the development by the UK forest industries of a sustainability strategy. Other areas that affect timber markets include the further implementation of policies for renewable energy, materials recycling and sustainable construction.

Wood Packing Material Standards

The European Commission's Standing Committee for Plant Health has approved new import requirements for wood packaging materials (WPM) that are likely to be adopted by the EU later this month. The new rules will require WPM entering the EU on or after March 1, 2005, to be heat-treated or fumigated, and marked, in accordance with the international standard approved by the International Plant Protection Convention in March 2002. However, in a departure from the international standard, the EU will also require that WPM be made from debarked wood to address what it perceives to be the risk of re-infestation. However, the EU has offered no evidence to date to justify the additional requirement, as is required by the international standard.

[6] Source: www.unece.org

COUNTRY INFORMATION SOURCES

GOVERNMENT

UK Forestry Commission
Headquarters
231 Corstorphine Road, Edinburgh EH12 7AT
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Forest Service (Northern Ireland)
Dundonald House, Upper Newtownwards Road,
Belfast BT4 3SB
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Contact: Chief Forest Officer: Mr. Malcolm Beattie
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Timber Research and Development Association
Stocking Lane, Hughenden Valley,
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Website: http://www.asktrada.co.uk

Commonwealth Forestry Association
PO Box 142, Bicester, OX26 6ZJ, United Kingdom
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Website: http://www.cfa-international.org/

Forestry and Timber Association
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Email: info@forestryandtimber.org
Website: http://www.forestryandtimber.org/

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Timber Trade Federation
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