

Austrian Market Report 2012

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Federal Ministry of Agriculture, Forestry, Environment and Water Management
Forestry Department

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1. General economic situation ¹

After unexpectedly vigorous growth at the beginning of the year, the Austrian economy expanded by a mere 0.1% in the second quarter of 2012. Economic activity has thus slowed down noticeably but, given the recession in the Eurozone, can nevertheless be described as relatively good. The outlook, however, is subdued, and dampened not only by weak global activity, but also by the crisis in the euro area. Economic output contracted by 0.2% on euro area average between April and June 2012.

Following a definitely positive development of the global economy in the first half of 2012, signs are mounting that activity has slowed down now. This development is largely a result of the persistent Eurozone crisis. Growth appears to decelerate notably in Asia. In Latin America and the U.S.A. economic activity is still relatively resilient.

The **Austrian economy** is increasingly coming under the influence of the European sovereign debt crisis. Three of Europe's five large economies (UK, Italy and Spain) are already in recession, France's GDP is stagnant, only Germany is still providing positive stimulus to growth. Following real economic growth of 0.5% in the first quarter of 2012, overall economic output in Austria increased by 0.1% quarter-on-quarter in the second quarter (adjusted for seasonal and calendar effects). The modest growth momentum was apparent in almost all categories of demand: Fixed investment was increased in a similarly cautious manner as in the first quarter. While construction investment stagnated compared with the previous quarter, business spending on machinery and equipment increased slightly. Private household consumption remained flat for the second consecutive time in the second quarter of 2012. Public consumption rose at a somewhat slower pace than in the previous period.

The situation in the Austrian labour market continues to deteriorate. The seasonally adjusted number of persons in dependent active employment increased by 0.2% month-on-month in August. Unemployment is rising again; 233,000 persons were registered as unemployed in August (+6.1%, compared with a year before). The seasonally adjusted unemployment rate was 7.1% in August, according to the Austrian method of calculation. The number of unemployed persons enrolled in vocational training programmes increased, that of vacancies decreased slightly. Inflation remains low: In July, the annual increase in consumer prices as measured by the HICP was 2.1%. Hence, the inflation rate in Austria is somewhat lower than Eurozone average (2.4%).

2. Policy measures

Government Programme

In its Government Programme for the period from 2008 to 2013 the Grand Coalition between the Social Democratic Party and the Austrian People's Party stated the following objectives:

- The intensified and efficient use of biomass to enhance our country's energy security has to be supported, with priority being given to the additional mobilisation of wood resources.
- The development and further development of new markets as well as the possibilities of use for wood have to be supported to enhance sustainability and achieve the climate protection goals.
- In public tenders, greater importance is to be attached to domestic wood as a construction material.

¹ Source: Austrian Institute of Economic Research, WIFO Monthly Reports, 9/2012

The Austrian Forest Dialogue and the Austrian Forest Programme

In Austria, ensuring multifunctional forest management on a long-term basis is a matter of top priority in forest, environment and social politics. The Austrian Forest Dialogue, launched in 2003, is an innovative approach aimed at the foresighted settling of clashing interests and the improved coordination of forest-related activities. In 2010/2011 an evaluation of the Austrian Forest Dialogue, respectively the Austrian Forest Programme, was carried out. Based on the findings of this evaluation the setting and the process of the Forest Dialogue were adapted. As at the beginning of 2012 the second Forest Dialogue cycle was launched with the aim of preparing a new forest programme by the end of 2015. In the first phase of the 2nd Forest Dialogue cycle priority will be given to developing the sub-programme “Forest – Water” concerning the EU Rural Development Regulation 2014-2020.

Forest subsidisation

Austria negotiated a forest package for the 2007-2013 period within the framework of the Rural Development Regulation. Every year € 25 million (EU + Federal Government + Federal Provinces) are available to promote the enhancement and intensification of forest management in Austria. Altogether (including the forestry measures in protection forests), subsidies in the amount of € 43 million were made available for forestry measures in 2011. The preparations for the 2014-2020 period are underway.

Joint timber marketing

The instrument of joint timber marketing has been applied for nearly 50 years in Austria to strengthen the market force of private forest owners. In recent years these activities have been intensified. One of the reasons has been the great demand for timber while at the same time the utilisation ratio in private forests decreased. Many forest owners have lost touch with their forests and are no longer interested in timber utilisation. Nowadays many owners of small (private) forests are organised in forest owner cooperatives. The current level of organisation focuses primarily on cooperation in roundwood sales, loose machinery alliances and collaborative forest operations. Also consulting for forest owners and the preparation of forest management plans are important services. In some cases local forest owner cooperatives (‘Waldwirtschaftsgemeinschaften’) even manage the forests of some of their members. The forest owner association of greatest relevance to roundwood supply is the Austrian Forest Owner Cooperative (Waldverband Österreich). Under its 8 provincial associations nearly 62,000 forest owners are organised in about 250 local forest owner cooperatives. In 2011 totally 2.94 million m³ of timber were marketed. (www.waldverband.at)

Cooperation Platform Forest-Wood-Paper (“Kooperationsplattform Forst Holz Papier”, FHP)

FHP is a coordination and communication platform of Austria's forestry and timber industry as well as of the paper and pulp industry. It is a platform for lobbying and organizing improved frame conditions and aims at achieving the highest possible value added for wood in all industries. FHP itself is not involved in any sales operations. Its field of activity comprises the provision of wood (automated takeover of timber at the mill, wood flow, timber harvesting, transport and logistics), wood as (construction) material (research, standardisation), wood energy, wood balance (data service) and wood promotion (see below). The joint activities are funded through the FHP cooperation contribution of all participating industries. (www.forstholzpapier.at)

Wood promotion

“proHolz Austria” is a working group of the Austrian forestry and timber industry. Its objective is the effective marketing of wood and wood products in the domestic market and abroad. The budget for 2011 amounted to € 2.46 million. The activities of proHolz Austria are financed from the FHP contributions. Marketing, publicity and information on wood are the instruments applied to attain this goal. (www.proholz.at)

proHolz Austria is active also beyond Austrian borders. With its internationalisation programme proHolz Austria works actively to raise people’s appreciation of wood and to increase the use of timber by creating advertising cooperations in selected target markets, in particular in Central and Southern/Eastern Europe and in the Balkans, by deepening expert knowledge by means of know-how transfer and education in Italy (www.promolegno.com), and by establishing and developing the oversea markets Japan and China (European Wood Initiative). Europe’s largest database for wood construction, dataholz.com, is available online free of charge in German, English, Italian and Spanish.

3. Market drivers

For the Austrian economy, 2011 was an extremely successful year. The GDP saw a real increase by 2.7%, which exceeds the growth of the year before. The production loss suffered due to the economic crisis of 2008/09 has thus been compensated. With a real increase of +7.9% exports expanded markedly, though no longer as strongly as in 2010. Due to the slowdown in economic activities abroad Austria’s foreign trade increasingly lost momentum in the course of the year.

The Austrian timber and paper industry recorded a production growth only in a few sectors in 2011, but due to higher prices the turnover nevertheless increased in most sectors. Roundwood prices went again up significantly after they had risen already in 2010. Due to higher harvest quantities in private forests the supply with domestic roundwood increased altogether.

Recent reports from economists indicate that, being an export-oriented country, Austria is not able to escape the weak economic development of the Eurozone in 2012. Economic life again lost impetus in the second quarter of 2012. However, compared to the economic situation in Spain, Italy or Great Britain, Austria and Germany are not stuck in recession. As the prices of steel are presently rather low on the international steel stock exchange, the competitiveness of steel in the construction sector has risen again compared to timber. Forestry and the sawmilling industry are expecting considerable declines in production for 2012. Sawlog prices stay high.

Due to the global insecurity on financial markets and the downward revision of the economic growth, forecasts for 2013 are only cautiously positive.

4. Developments in forest-products market sectors

A. Wood raw materials

With a share of 47.6% of the federal territory and about 145,000 forest enterprises forests play an important part in Austria with respect to farmers’ income and the value added in rural areas. Maintaining and increasing the yield of forests are thus of high significance not only for

agriculture and forestry but also for wood-processing enterprises. In view of the large processing capacities of the wood and paper industry in Austria, the increasing use of wood for energy generation and the required imports of roundwood (2011: 8.3 million m³, mostly from Germany and the Czech Republic) mobilizing the available domestic resources has become a major goal of Austria's forest policy.

In 2011, 18.70 million cubic metres under bark were harvested, a record quantity for a normal year without major damaging events. The harvest volume was 4.8% above the previous year, 3.0% below the five-year average and 3.7% above the ten-year average. Sawlogs accounted for 55.5%, pulpwood for 17.4%, fuelwood and chippings from forests for 27.1% of the quantity felled. The share of coniferous wood in the total fellings amounted to 84%. Altogether, small forest owners (forest area < 200 hectares) felled 11.34 million m³ in 2011 (+11.4%), the owners of forests larger than 200 hectares 5.73 million m³ (-1.8%) and the Austrian Federal Forests 1.63 million m³ (-10.7%). The high quantities harvested 2011 are therefore exclusively due to the more comprehensive harvesting operations in private forests, which has three different reasons: 1. Considerable utilisation reserves in private forests. 2. Due to its cost structure private forests can react flexibly to (high) timber prices. 3. Activities of the forest associations concerning timber mobilisation.

Roundwood imports declined by altogether 4.6% in 2011, with highly different trends for the individual products. Whereas the imports of fuelwood rose by 35% and reached 825,000 m³, the imports of sawlogs and pulpwood decreased to 4.72 million m³ (-9.6%), respectively 2.71 million m³ (-4.0%). Exports amounted to 64,000 m³ of fuelwood (-15.0%), 695,000 m³ of sawlogs (+1.3%) and 322,000 m³ of pulpwood (+19.7%).

On annual average the prices of roundwood (incl. fuelwood) were in 2011 11.4% above those of 2010. This is mainly a result of the higher prices for pulpwood and coniferous sawlogs. On annual average, sawmills paid € 93.65 per cubic metre of sawlog spruce/fir, Cat. B, Media 2b, 11.9% more than in 2010; the annual minimum of € 90.39 was paid in January, the annual maximum of € 96.75 in November 2011. The 2011 mixed pulpwood/mechanical pulpwood price for spruce/fir was with € 40.53 per m³ 19.6% above the average of the preceding year – pulpwood € 37.36 (+18.4%), mechanical pulpwood € 46.28 (+19.1%). The production value of domestic forestry (incl. forest-related services and non-separable non-forestry subsidiary activities) reached € 1.734 billion in 2011 (preliminary), after € 1.537 billion in 2010.

2012: Sawlog prices declined slightly during the first quarter of 2012, but have slightly risen again since then. In summer, prices were almost back to the record level of November 2011. In spite of the high timber prices the forest sector is expecting a 5% reduction in the quantity felled for 2012. This may have several reasons: First, many private forest owners intensified harvesting already last year to benefit from the high timber prices. Second, the Austrian Federal Forests and other large forest companies reduced timber harvesting after, due to the severe damage caused by storm and pests, they had seen several years of extraordinarily high harvesting levels. Third, the quantity of wood damaged by bark beetles declined again in Austria this year. Also the imports of roundwood further decreased during the first six months of the year.

The roundwood market at the beginning of the 2012 autumn season: Due to the mostly small stocks held by sawmills the demand for coniferous sawlogs are still high. The roundwood provided is removed swiftly; sawmills have the capacity to absorb the entire quantities. Prices

have remained stable at an attractive level, with slight regional increases. In some cases quality, quantity and early delivery bonuses improve the income situation of roundwood sellers. The stocks of the paper, pulp and board industries are rather full. However, the prices of coniferous industrial roundwood are stable again after the reductions suffered during the summer months. Beech pulpwood continues to be sold without any problems. The wood-for-energy market has remained quiet; the fuelwood stocks of bulk consumers are well supplied. As the cold season is coming up, sales of dry, ready-for-use fuelwood have increased again.

For 2013, forest owners and the sawmilling industry are hoping that the production declines of the current year will partly be compensated. The recent downward trend in economic growth and the global insecurities in the financial sector hardly permit long-term forecasts, however.

B. Wood energy

Wood is the by far most important raw material for bioenergy in Austria. The wood flow diagram on page 16 offers a good overview of the Austrian wood energy sector. In 2009, firewood billet was still the most important biogenic source of energy. Industrial wood residues and forest wood chips are used above all in the sawmilling and other wood-processing industries and in long-distance heating systems. Pellets are increasingly used primarily in heating systems of detached houses. Waste liquors and sludges of the paper industry as well as bark are used in the paper and pulp industry to produce electricity and process heat.

According to the official removals statistics 5.07 million m³ of fuelwood and chippings from forests were utilised in 2011, which corresponds to a 27.1% share in the total removal and a growth rate of 11.3% compared to 2010. Fuelwood accounted for 2.77 million m³ (1.45 million m³ of coniferous wood, 1.32 million m³ hardwood), wood chips from forests to 2.29 million (solid) m³. The production of wood chips from forests therefore increased by 27% since 2009, while fuelwood production remained at the same level (-0.4%). With € 59.25 per m³ of stacked wood (with bark, without turnover tax) the price of non-coniferous fuelwood in 2011 rose by 6.6% compared to 2010, that of coniferous fuelwood rose by 4.8%, thus reaching € 39.98. In 2012 a slight increase in fuelwood prices was observed for the period until August.

Wood pellets are produced at 30 sites in Austria, predominantly by the sawmilling industry. In 2011 the production capacity amounted to 1.25 million tonnes; real production amounted to 940,000 tonnes (+11% compared to the preceding year); 320,000 tonnes were imported; 512,000 tonnes were exported, mainly to Italy. Domestic consumption ranged at about 710,000 tonnes (+8%). In 2012 the Austrian pellet production will probably rise to slightly below 1 million tonnes; consumption is expected to rise to 840,000 tonnes. The price survey done by proPellets Austria (www.propellets.at) resulted in an average price of 22.79 cent/kg of (bulk) wood pellets (incl. turnover tax) in September 2012. Compared to September 2011 this means a price increase of 0.1%. Wood pellets in bags (when ordered by the pallet) cost an average of 3.78 € per 15 kg sack (+0.6%).

At the end of 2011 next to 90,000 wood pellet boilers (<100 kW) were in operation in Austria (2010: 79,000). For 2012 new record sales for pellet heating systems are expected. According to estimates from proPellets Austria over 12,000 new central heating boilers for wood pellets will probably be installed this year. An even more dynamic growth is recorded for the market in pellet stoves where domestic manufacturers report growth rates of up to 50%.

C. Certified forest products

PEFC Austria: Since September 2000 the Austrian PEFC certification system has been applied. Both forest certification by means of the regional model and the “Chain of Custody” (CoC) certification have been developed so as to suit the specific requirements of small- and medium-sized enterprises in Austria. After a revision process with broad public participation, the PEFC Austria certification system was reendorsed by the PEFC Council in November 2011. Currently, forest owners holding about 2.55 million hectares effectively take advantage of the certification and 458 enterprises hold a CoC Certificate.

Forest Stewardship Council (FSC): In Austria around 450 hectares of forest have so far been certified according to FSC. 269 enterprises hold an FSC Chain of Custody Certificate.

D. Value-added wood products

Apart from the sawmilling and board industries (see E, F, G), also the construction industry, the furniture industry, and the ski industry represent important lines of business of the Austrian wood industry.

The sales of the construction industry totalled € 2.54 billion in 2011 (+10.3%). Within the construction-related sector, the individual lines of business performed mostly positive. The production of windows rose to € 456 million (+3.3%); prefabricated wooden houses: € 547 million (+12.7%), doors: € 242 million (+0.9%), glued structural components: € 656 million (+13.4%). Laminated wood exports increased to € 397 million (+4.5%). Italy is with a market share of 50.6% the main buyer of Austrian laminated wood. Japan is with 25.3% the second largest export market, followed by Germany with 9%. Wooden floors exports increased by 6.7% to € 221 million, the main export markets being Germany and Switzerland.

After the 1.6% production growth achieved in 2010, the Austrian furniture industry faced a decline of 3.3% (€ 2.29 billion) in total production, which was above all due to parts of the supply industry ('parts for furniture' -20.1%). Exports rose to € 1.31 billion (+2.4%) in 2011, but this level has still a long way to go before reaching the top value of 2007 (€ 1.6 billion). The main export market is Germany. Furniture imports to Austria increased by 11.3% and resulted in a total value of € 1.83 billion. China increased its exports to Austria by 14.4% to a value of approximately € 126 million.

The Austrian furniture industry comprises 53 industrial plants with about 7,300 employees – most of them privately owned medium-sized companies. Since 2012 the Austrian furniture industry has been a member of the European Furniture Industries Confederation (www.efic.eu).

E. Sawn softwood

With approximately 1,200 companies and close to 10,000 employees the Austrian sawmilling industry is the biggest processor of wood in Austria (see wood flow diagram, page 15). It mainly consists of small- and medium-sized enterprises. However, its eight largest companies generate 53% of the total production volume, its 40 largest companies 83%. About 60% of the total sawnwood production is designated for the export. Austria is the world's fifth largest exporter and the eighth largest producer of sawn softwood. About 98% of the Austrian sawnwood production is sawn softwood.

In 2011, the production of sawnwood amounted to 9.66 million m³ (2010: 9.65 million m³), of which 9.49 million m³ were sawn softwood. The production value of the Austrian sawmilling industry reached € 2.13 billion, a plus of 9%. As in the year before, processed roundwood accounted for approximately 16 million solid m³, including 4.7 million solid m³ of imported sawlogs (2010: 5.2 million solid m³).

In 2011, 5.59 million m³ of sawn softwood were exported - a decrease of about 7% compared to the previous year (5.98 million m³). In terms of value, the export volume remained stable with € 1.09 billion (2010: € 1.10 billion). More than 60% of all sawn softwood exports were shipped to Italy, Austria's long-standing key export market. With a total export volume of 3.36 million m³, the Italian market declined by 3.9% (2010: 3.50 million m³). Exports to Germany increased by 1.3% (2011: 574,000 m³), to Switzerland by 3.7% (120,000 m³) and to the Czech Republic by 30.2% (137,000 m³). Exports to the Levante decreased by more than 24% (2011: 783,000 m³). The Japanese and Asian market decreased by 4%, thus amounting to 320,000 m³.

In 2011, imports of sawn softwood increased significantly by 8.6%. Imports totalled 1.73 million m³, of which 978,000 m³ from Germany. In terms of value, the volume of imports amounted to € 342 million (+12.5%).

Sawmilling industry is facing structural problems

During the past decade, from 2000 to 2010, the sawmilling industry expanded its capacities significantly all over Central Europe. The precondition for this expansion was the high availability of roundwood resulting from damaging events following each other in quick succession and the attractive sales opportunities which offered themselves for overseas exports until 2007. Due to the economic crisis of 2008/2009 and the ensuing saving measures taken by the European countries, economic activities in the construction sector are still sluggish and the demand for sawnwood and processed wood products continues to be rather low on important markets. Austrian and German markets gained more strength again than others, but Southern European markets are still jeopardised by drastic economic problems. Especially Austria's major export market, Italy, is still affected by economising measures and a liquidity squeeze.

In addition to the difficulties faced on sales markets, the production capacities presently installed clearly exceed the quantities of roundwood available in Central Europe. In Austria, the situation is aggravating also because Austria is traditionally strongly dependent on imports from its neighbouring countries. As the latter, in particular Germany and the Czech Republic, expanded their processing capacities, smaller quantities of roundwood are now entering Austria. In 2011 the forest sector just about managed to compensate this reduction by means of additional exploitation in small forest holdings (forest area < 200 hectares), but for 2012 also forest harvesting in small forest holdings is expected to decline.

As a consequence of the developments on the supply markets and sales markets, the margin for sawmills has considerably declined since 2010 and roundwood prices have for quite some time been decoupled from the prices on the sawnwood market. Austria is one of the most expensive roundwood regions worldwide. Should these unfavourable framework conditions continue for an extended period of time, a further consolidation of the sector may take place. We proceed on the assumption that presently 20% to 30% of the installed production capacities are not utilised.

In 2012 both a marked reduction in domestic felling operations and another reduction in the imports of sawlogs have been observed. The sawmilling industry is expecting a decline of approximately 10% in the production of coniferous sawnwood compared to the preceding year.

This decline is also due to the fact that sales markets, especially the Italian market, are weak. As a result, Austria's exports of coniferous sawnwood declined by 10% during the first six months of the year, the exports to Italy even by 16%. Especially large sawmills which depend on exports suffer from the decreasing quantities of timber harvested and the slumping sales markets.

Even though it is not easy at the moment to keep positive about the near future and sawmills expect that wood supply will remain a challenge for the Austrian sawmilling industry, there are some aspects which give hope: Austria has now most modern sawmills, processing and timber engineering enterprises and is leading as regards innovations in this sector. Wood is a renewable raw material and will thus probably gain importance in a green economy. Rising market shares of timber in the field of construction can be interpreted as a step towards this development.

F. Sawn hardwood

The 2011 production of the sawmills specialized in hardwood decreased to 151,000 m³ (2010: 158,000 m³). Exports of sawn hardwood in 2011 decreased by 1%, thus accounting for 130,000 m³. In terms of value, the export volume amounted to € 73 million (2010: € 71 million). Tropical sawnwood is a minor matter in Austria.

G. Wood-based panels

According to current export reports, the successful consolidation course of the panel industry produced the desired results; an increase in volume exported to the most important markets, particularly chipboards, is an indicator for this development. The measures implemented during the crisis years, which included the reduction of capacities, held the competitiveness of the Austrian panel industry at a high level.

An export quota of up to 80% is proof of the strong performance of the Austrian panel industry. A basically stable market development and promising growth potentials in several markets are notable positive effects. However, the fact that increases in costs for raw materials and pre-materials were only partially covered by product pricing strategies resulted in pressure on profits. The medium-term effects of this development could have a negative impact on constantly necessary investments, particularly in this capital-intensive industry.

The Austrian enterprises of the particle, MDF and fibre board industries produced at eight Austrian premises in 2011 and employed more than 3,000 persons. The largest portion of the turnover was made with particle boards. Particle board production amounted to about 2.25 million cubic metres in 2011, of which about 80% were exported.

Some changes were observed in the field of raw material supply. As in the preceding year, the use of domestic wood has again risen in 2011; this is true both for the use of roundwood and for the use of by-products of sawing and chips. The use of domestic roundwood went up to 0.81 million solid m³ (+10% over 2010), that of by-products of sawing to 1.99 million solid m³ (+6%), whereas the quantities imported declined to 0.56 million solid m³ (-10%), respectively 0.39 million solid m³ (-7%).

At the beginning of the fourth quarter of 2012 it is evident already that the board industry will produce a stable result for 2012 as a whole. There are presently no signs indicating any significant change in the development of the market. We are expecting that the construction and

furniture sectors will purchase the corresponding quantities of wooden panels during the last quarter of the year. The euro, financial and budget crisis have evidently not affected private consumption. We will have to observe in detail the decline in the economic activities in the U.S.A. and in Canada – this, in fact, applies to the entire industrial and economic development – but also saving programmes like, for example, those in France. 2013 will show whether this will have impacts on the wood-based panels sector. So far, the demand for domestic roundwood (assortment “roundwood for the board industry” (Plattenholz)) continues.

H. Pulp and paper

As with the rest of European developments in 2011, paper production decreased slightly while remaining at a high level. After the recession of 2009 and the dynamic but brief rebound of 2010, the year 2011 was for Austria a year characterised by growth, with national output rising by 2.7% and industrial production increasing by 8.2%. Although the paper business cycle normally correlates with the gross domestic product, production volume decreased marginally by 2.2% with graphic and packaging papers being equally affected. This development had an impact on the utilisation of production facilities, which in 2011 stood at 90%. Partial shutdowns of paper machinery had the expected negative effects on factories' complex flows of material, energy and emissions. The number of persons employed in the paper industry had been stable for many years, but declined to about 8,000 recently.

In the face of generally sluggish demand, companies were able to compensate for rising costs, at least partially, through price increases so that throughout the year the average price remained relatively high at above the 700 Euro marker. The price for the preliminary product of pulp even reached an all-time-high of over 1,000 dollars (per tonne NBSK). Strong overseas demand led to 13.3% more exports by market pulp manufacturers. Due to increased revenues in paper and pulp, a 6.1% increase in total turnover led to a new high of € 4.02 billion, despite a slight decrease in paper volume. The outcome for individual companies was, however, that they mostly could not keep up with concurrently increasing costs for energy, wood, recovered paper and other factors.

While, in the packaging sector, paper can boast of continued growth, competition has become tougher in the print media industry. Individual paper products have to compete on the open market, but there is also internal, locational competition for lower costs. In Austria the firm Roxell got into paper production and took over from the Prinzhorn Group the location at Niklasdorf which produces Brigl & Bergmeister label papers. There was a second change in ownership at Hallein; after M-real ceased the production of fine paper there in 2009, the Schweighofer Group acquired the existing pulp mill in order to implement a new fibre concept. After Dickenauer (Lower Austria) in 2004, Timmersdorfer (Styria) in 2006 and Rosegg (Styria) in 2009, another small enterprise had to close in 2011: In September the Wagner board mill at Neufelden (Upper Austria) ceased to operate. Merckens at Schwertberg (Upper Austria) is now the only producer of cardboard in Austria.

While the packaging industry weathered the recent economic crisis almost unscathed, production in the graphic sector has been declining for several years. The recovery which followed the 2009 economic crisis held its vitality for one year only. In 2011, paper production decreased by 2.2% and with 4.9 million tonnes remained well below the record year 2006 (5.2 million tonnes). Even though both of the two major types of paper, graphic paper (-2.5 %) and packaging papers (-2.3 %), lost in terms of quantity, the decline experienced since 2006 has

affected above all printing papers, which can be explained by the closure of the production site at Hallein in 2009. Specialty papers were able to grow by 1.1% in 2011 and by over 5% since 2006.

As Austria's foreign trade deficit rose to € 9.2 billion in 2011, the paper industry was able to strengthen this balance by € 3.3 billion. This was partly due to an increase in export quotas (85.8%) of new paper. The figures show that the Austrian paper industry continues to be competitive on an international level. Apart from the domestic market with 696,000 tonnes, the largest consumer markets are still Germany (891,000 tonnes) and Italy (533,000 tonnes), with increasing growth among many Eastern European countries. 758,000 tonnes of paper were shipped overseas, which, however, was countered by growing quantities of paper coming from the Far East onto the European market.

The situation for market pulp has also developed along two ways, as strong demand and high prices persisted into the fourth quarter. Production volume remained generally unchanged from the previous year (sulphites +3.3%, sulphates -2.4%), while wood pulp production increased by 6.0%. Due to a lean domestic wood supply, this growth was possible only by accepting a timber import rate of meanwhile 37.4 percent.

Sustainable recovery of the paper industry is impeded by a lack of macroeconomic vitality coupled with rising production costs. The expected growth in Austria's gross domestic product for 2012 will be less than one percent. This is too low for the manufacturing sector to indicate growth, especially in a market situation where volumes and prices seem constricted from increasing. Certain paper companies are additionally burdened by changes in the federal rules on group taxation. The industry is further concerned about cost increases for factors like energy and transportation, a narrowing wood supply and international competition through subsidies, for example for the incineration of black liquor.

Perspectives: According to Austropapier the global competitiveness of the Austrian paper industry, and consequently the investment and innovation of its businesses, is being threatened by two major developments: the new competition from the economic giants China, India, Russia and Brazil and the often one-sided climate objectives of the European energy policy. However, if the industry reorients itself and makes better use of its green potential, it can seize upon its prospects by emphasising the sustainability and the environmental soundness of paper in multifunctional graphic applications and innovative packaging solutions, by realising the considerable added value which wood as a raw material has in its cascading use in promoting growth and employment compared with its use solely as a source of energy.

I. Innovative wood products

Representative for the many innovations produced by the Austrian timber sector in the course of the past years, we would like to mention an initiative which was launched to promote innovations: To strengthen the competitiveness of the European forest-based sector, the Schweighofer Prize is awarded for innovative ideas, technologies, products and services which concern the whole value chain. (www.schweighofer-prize.org)

5. Charts

Economic indicators (WIFO, 28 September 2012)

	2008	2009	2010	2011	2012	2013
	Percentage changes from previous year					
GDP Volume	+ 1.4	- 3.8	+ 2.1	+ 2.7	+ 0.6	+1.0
GDP Value	+ 3.2	- 2.3	+ 3.7	+ 5.0	+ 2.5	+2.6
Export of goods Volume	+ 0.5	- 18.3	+ 13.0	+ 7.9	+ 0.8	+4.3
Export of goods Value	+ 2.5	- 20.2	+ 16.7	+ 11.3	+ 1.7	+4.5
Import of goods Volume	+ 0.6	- 14.1	+ 10.9	+ 8.5	- 0.3	+4.0
Import of goods Value	+ 4.7	- 18.4	+ 16.5	+ 15.3	+ 1.0	+4.5
Consumer prices	+ 3.2	+ 0.5	+ 1.9	+ 3.3	+ 2.3	+2.1
Active dependent employment	+ 1.7	- 1.5	+ 0.8	+ 1.9	+ 1.5	+0.5


Wood resources

Product	Year	Production	Imports	Exports
		1,000 m ³		
Sawlogs, pulpwood and other industrial roundwood	2010	13,281	8,040	955
	2011	13,631	7,427	1,017
	2012	12,630	6,905	897
	2013	13,630	6,705	835
Wood residues, chips, particles	2010	6,868	2,213	1,143
	2011	7,218	2,370	1,111
	2012	6,800	2,450	1,080
	2013	7,000	2,450	1,050
Fuelwood	2010	4,549 ¹⁾	611	76
	2011	5,065 ¹⁾	825	64
	2012	5,200 ¹⁾		
	2013	5,700 ¹⁾		

¹⁾ incl. chippings from forests

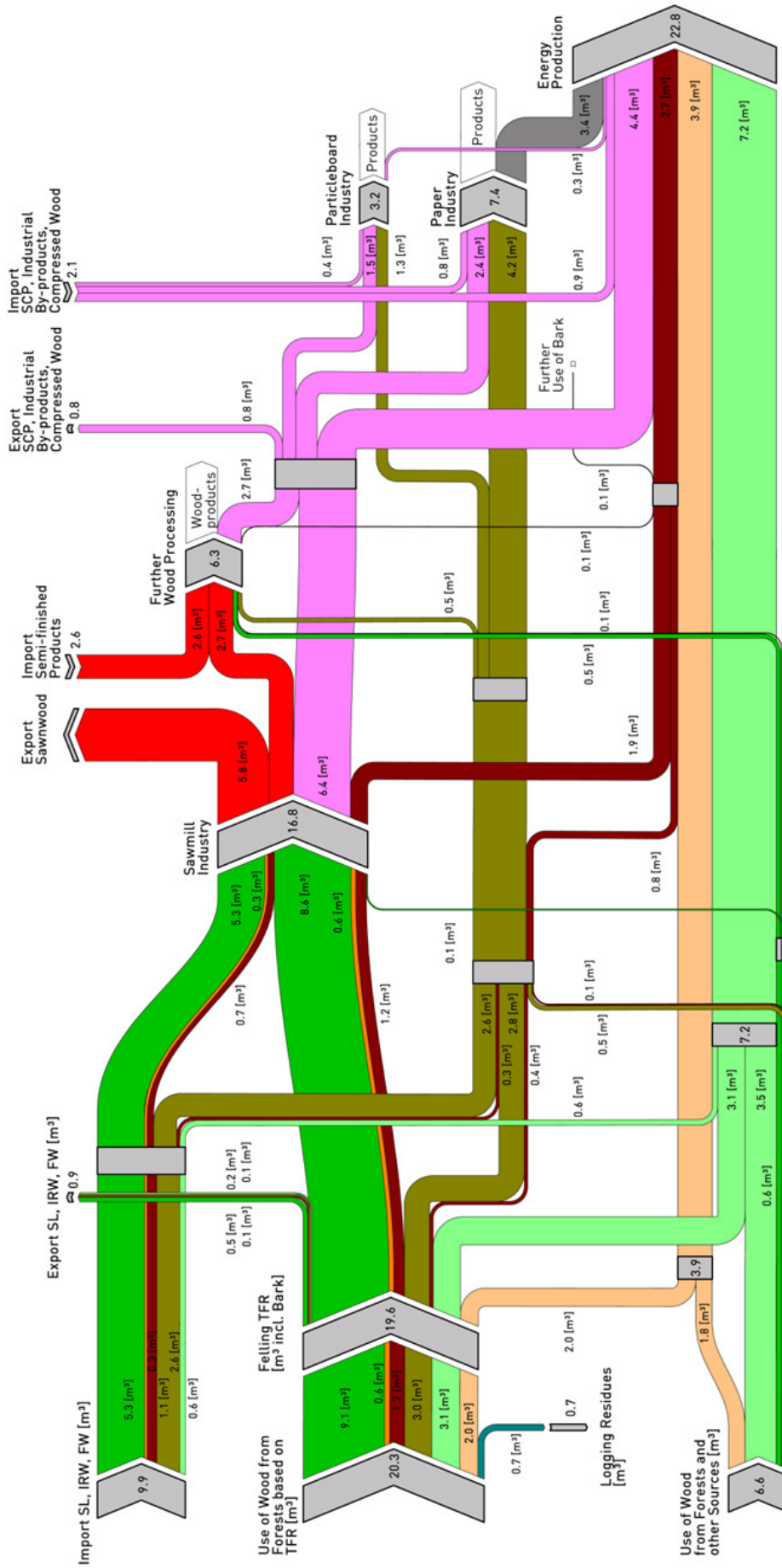
Sawnwood

Product	Year	Production	Imports	Exports
		1,000 m ³		
Coniferous sawnwood	2010	9,445	1,592	5,981
	2011	9,485	1,729	5,586
	2012	8,500	1,700	5,000
	2013	9,000	1,720	5,500
Non-coniferous sawnwood	2010	158	205	142
	2011	151	213	142
	2012	170	236	145
	2013	175	243	145

 <p style="text-align: center;">TC1 UNECE TIMBER COMMITTEE FORECASTS Roundwood</p>		Country: Austria		Date: 18.Sep		
		Name of Official responsible for reply:				
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E-mail: johannes.hangler@lebensministerium.at						
Product Code	Product	Unit	Historical data		Estimate	Forecast
			2010	2011	2012	2013
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS					
	Removals	1000 m ³	9.893	10.065	9.000	10.000
	Imports	1000 m ³	5.023	4.507	4.200	4.000
	Exports	1000 m ³	645	649	560	500
	Apparent consumption	1000 m ³	14.271	13.922	12.640	13.500
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS					
	Removals	1000 m ³	274	321	300	330
	Imports	1000 m ³	195	212	205	205
	Exports	1000 m ³	41	46	40	40
	Apparent consumption	1000 m ³	429	487	465	495
1.2.1.NC.T	of which, tropical logs					
	Imports	1000 m ³	1	0	1	1
	Exports	1000 m ³	0	0	0	0
	Net Trade	1000 m ³	1	0	1	1
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS					
	Removals	1000 m ³	2.649	2.719	2.800	2.800
	Imports	1000 m ³	1.676	1.490	1.350	1.350
	Exports	1000 m ³	211	270	250	250
	Apparent consumption	1000 m ³	4.114	3.938	3.900	3.900
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS					
	Removals	1000 m ³	465	526	530	500
	Imports	1000 m ³	1.146	1.219	1.150	1.150
	Exports	1000 m ³	58	52	47	45
	Apparent consumption	1000 m ³	1.553	1.693	1.633	1.605
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES					
	Domestic supply	1000 m ³	6.868	7.218	6.800	7.000
	Imports	1000 m ³	2.213	2.370	2.450	2.450
	Exports	1000 m ³	1.143	1.111	1.080	1.050
	Apparent consumption	1000 m ³	7.938	8.477	8.170	8.400
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS					
	Removals	1000 m ³	0	0	0	0
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS					
	Removals	1000 m ³	0	0	0	0
1.1.C	WOOD FUEL, CONIFEROUS					
	Removals	1000 m ³	2.754	2.944	3.000	3.200
1.1.NC	WOOD FUEL, NON-CONIFEROUS					
	Removals	1000 m ³	1.795	2.121	2.200	2.500

Product Code	Product	Unit	Historical data		Estimate	Forecast
			2010	2011	2012	2013
5.C	SAWNWOOD, CONIFEROUS					
	Production	1000 m ³	9.445	9.485	8.500	9.000
	Imports	1000 m ³	1.592	1.729	1.700	1.720
	Exports	1000 m ³	5.981	5.586	5.000	5.500
	Apparent consumption	1000 m ³	5.056	5.628	5.200	5.220
5.NC	SAWNWOOD, NON-CONIFEROUS					
	Production	1000 m ³	158	151	170	175
	Imports	1000 m ³	205	213	236	243
	Exports	1000 m ³	142	142	145	145
	Apparent consumption	1000 m ³	221	222	261	273
5.NC.T	of which, tropical sawnwood					
	Production	1000 m ³	n.a.	n.a.	n.a.	n.a.
	Imports	1000 m ³	9	8	9	9
	Exports	1000 m ³	3	4	4	4
	Apparent consumption	1000 m ³	n.a.	n.a.	n.a.	n.a.
6.1	VENEER SHEETS					
	Production	1000 m ³	8	8	8	8
	Imports	1000 m ³	49	53	56	55
	Exports	1000 m ³	24	27	28	28
	Apparent consumption	1000 m ³	34	34	36	35
6.2	PLYWOOD					
	Production	1000 m ³	n.a.	n.a.	n.a.	n.a.
	Imports	1000 m ³	155	196	225	230
	Exports	1000 m ³	304	353	360	360
	Apparent consumption	1000 m ³	n.a.	n.a.	n.a.	n.a.
6.3	PARTICLE BOARD (including OSB)					
	Production	1000 m ³	2.200	2.250	2.250	2.200
	Imports	1000 m ³	464	438	490	480
	Exports	1000 m ³	1.829	1.796	1.820	1.790
	Apparent consumption	1000 m ³	836	892	920	890
6.3.1	of which, OSB					
	Production	1000 m ³	0	0	0	0
	Imports	1000 m ³	138	138	138	137
	Exports	1000 m ³	9	7	8	8
	Apparent consumption	1000 m ³	129	130	130	129
6.4	FIBREBOARD					
	Production	1000 m ³	750	750	755	750
	Imports	1000 m ³	140	106	111	109
	Exports	1000 m ³	600	577	575	575
	Apparent consumption	1000 m ³	290	279	291	284
6.4.1	Hardboard					
	Production	1000 m ³	100	100	100	100
	Imports	1000 m ³	33	30	31	31
	Exports	1000 m ³	65	67	68	68
	Apparent consumption	1000 m ³	68	64	63	63
6.4.2	MDF (Medium density)					
	Production	1000 m ³	650	650	655	650
	Imports	1000 m ³	89	56	60	58
	Exports	1000 m ³	533	509	505	505
	Apparent consumption	1000 m ³	206	198	210	203
6.4.3	Other fibreboard					
	Production	1000 m ³	n.a.	n.a.	n.a.	n.a.
	Imports	1000 m ³	18	19	20	20
	Exports	1000 m ³	2	2	2	2
	Apparent consumption	1000 m ³	n.a.	n.a.	n.a.	n.a.
7	WOOD PULP					
	Production	1000 m.t.	1.984	2.005	2.015	2.040
	Imports	1000 m.t.	615	637	780	780
	Exports	1000 m.t.	353	393	550	575
	Apparent consumption	1000 m.t.	2.246	2.249	2.245	2.245
10	PAPER & PAPERBOARD					
	Production	1000 m.t.	5.009	4.901	4.995	5.000
	Imports	1000 m.t.	1.363	1.366	1.320	1.350
	Exports	1000 m.t.	4.072	3.987	4.375	4.420
	Apparent consumption	1000 m.t.	2.300	2.281	1.940	1.930

Woodflow for Austria 2009



State: November 2011

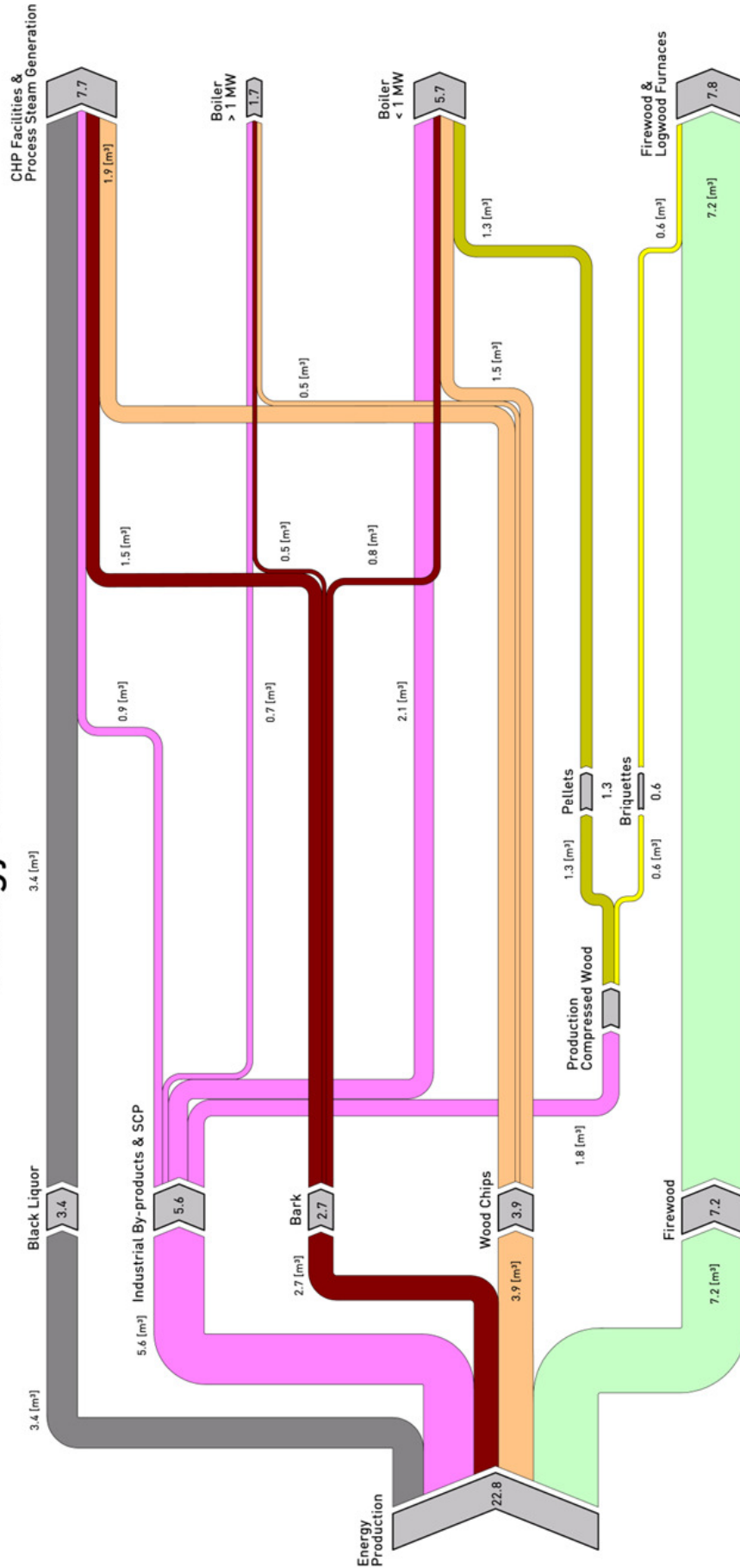
LEGEND (All values are given in [m³]; values < 0.1 m³ million are not shown)

- Sawlogs (SL)
- Industrial Roundwood (IRW)
- Firewood (FW) incl. Bark
- Logging Residues
- Bark
- Wood Chips
- Sawmill Co-Products (SCP)
- Industrial By-products, Compressed Wood
- Cross-Cut Ends
- Black Liquor
- Sawwood & Semi-finished Products

This illustration is based on the current state of knowledge and information, and has been compiled to the best of the authors' knowledge and experience. However, the authors accept no liability whatsoever for errors or omissions and reserve the right to incorporate latest findings.
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Woodflow for Austria 2009

Energy Production



LEGEND (All values are given in [m³]; values < 0.1 m³ million are not shown)

- Black Liquor
- Briquettes
- Bark
- Pellets
- Firewood incl. Bark
- Industrial By-products & Sawmill Co-products
- Wood Chips

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