MINISTERIO DE AGRICULTURA,
ALIMENTACIÓN Y MEDIO AMBIENTE

SECRETARÍA GENERAL DE AGRICULTURA Y ALIMENTACIÓN

DIRECCIÓN GENERAL DE DESARROLLO RURAL Y POLITICA FORESTAL

SUBDIRECCIÓN GENERAL DE SILVICULTURA Y MONTES

SPANISH MARKET REPORT 2016

1. – GENERAL ECONOMIC TRENDS: OVERVIEW

Spanish economy's had in 2015 a growth rate of 3,2%, according to GDP data (updated in September 2016). This value confirms the upward trend, started in 2013 with the upturn after the economic crisis. These numbers were accompanied by improvement in job creation figures. Data available for 2016 confirm this trend. GDP increased 0,8% in 1st quarter 2016, and 0,8% in the 2nd quarter (chart 1).

According to official estimations for 2016, the buoyant upturn is expected to continue, though a more contained path The final forecast for GDP 2015 would be 3,2%, and it would decelerate to 2,3 % in 2017 and to 2,1 % in 2018.

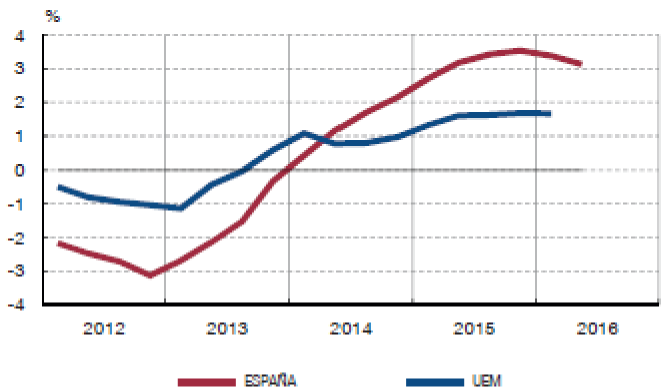

Chart 1: Gross Domestic Product, Spain/Euro Zone.
(Source: Banco de España, Eurostat, National Statistics Institute)

Inflation rate remained in negative values in 2014 and 2015 (-0,5%). After descending to -1,2% in April 2016, inflation has increased progressively, although it remains in negative rate (-0,1% in August 2016). The projections for the rate of change of inflation are estimated to stand at -0,3% on average in 2016, rising to 1,3% in 2017 and 1,6 in 2018 (chart 2).

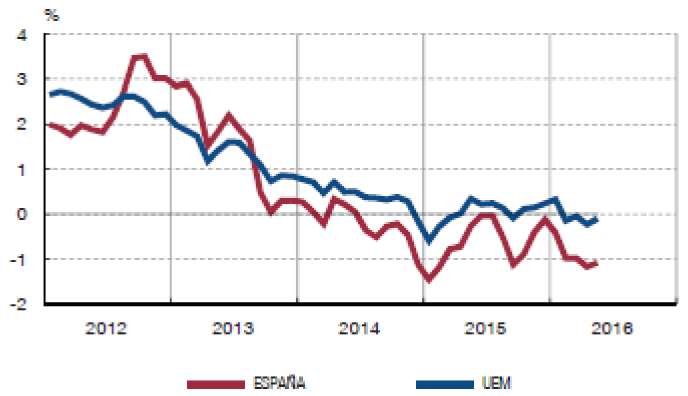

Chart 2: Index of Consumer Prices
(Source: Banco de España, Eurostat, National Statistics Institute)

2. – POLICY MEASURES TAKEN OVER THE PAST 18 MONTHS

The Spanish political and administrative system establishes that the Autonomous Communities (Regional Governments) are competent for most of the forest issues, being the Government of Spain in charge of establishing the common basis for forestry and forest sector and the accomplishment of international representation. 17 Regional governments exist in Spain, and they legislate on forest and forest product aspects.

Regarding the central **Government of Spain**, the most relevant political measures affecting trade and market of forest products have been:

a) Forest Law 21/2015, modifying the previous existing Forest Law 43/2003. It regulates different aspects, of timber and forest product purchasing processes for public administrations, as well as minor changes in forest harvesting:

- Certification: public administration will promote the development of voluntary & transparent forest certification systems (51, changing previous art. 35).

- Responsible purchase of forest products: public administrations could exclude from public purchase those forest products which could not credit the fulfillment in origin of legality and/or sustainability. Forest certification is accepted as one of the systems to guarantee the sustainability (52, changing previous Art 35 bis).

- Forest harvesting: establishing changes in forest timber and non-timber products harvesting, property and management (53&54, changing previous Art.36&37).

- The system of penalties for infringements of the rules set by the European Union Timber Regulation and a statement of responsibility for operators who exercise due diligence for products placed in EU market.

b) Royal decree 1088/2015, to ensure the legality of the placing on the market of the timber and timber products. This decree establish at national level the necessary regulation to combat the placing illegal timber products on the on the market, according to of EU

Regulations 2173/2005 and 1024/2008 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community, and the EU Regulation 995/2010 laying down the obligations of operators who place timber and timber products on the market.

c) Also some legal initiatives to reduce differences on general trade requisites inside Spain have been taken, among them, the law 20/2013, of December 9, for guaranteeing market unity has been approved to harmonize the different situation with basic standards.

d) Order PRE/2788/2015, modifying the IX annex of the Vehicles General Regulation. This modification allows for permitting, in certain cases, the circulation of vehicles with maximum authorized weight up to 60 tons.

The National Plan on the legality control of timber placed on the market has been approved by the Sectorial Conference on Agriculture and Rural Development[1] (February 2015). It lay down criteria for distribution among competent authorities in autonomous communities of the 500 controls to be carried out on the operators that shall exercise due diligence according to EUTR.

3. – MARKET DRIVERS

With respect to construction, which plays a key role in the Spanish forest product demand and is the key market driver for sawnwood, added-value goods, fibreboard, particleboard, plywood and veneer sheets, the investment has turned upwards in 2015 after a long period of recession (table 1). Even small, this is the best increase in the sector since 2012

	2015	2016 (est)	2017(est)
Investment in construction	5,3	2,1	4,2
Investment in capital goods	10,2	7,9	6,6

Table 1. Spanish economy´s variables on construction (annual rate of change in volume terms/% of GDP). (Source: Banco de España, NSI)

4. – DEVELOPMENT IN FOREST PRODUCTS MARKET SECTOR

4.1 WOOD RAW MATERIAL

In 2015 the roundwood production in Spain reached 20,4 million m^3 ob (16,8 million m^3 ub, table 3). This represents around 39% of the total annual growth (approx. 52 million m^3 ob) and proves the nonexistence of any overharvesting risk.

[1] The body for the coordination of agriculture and rural development policy at national level

The total offer of roundwood in Spain will probably remain at similar levels for 2016

Removals	*Million m^3 ub*	2015	2016 (est)
Roundwood		16,8	17,1
	Industrial roundwood	13,0	13,3
	Softwood	*6,1*	*6,4*
	Hardwood	*6,9*	*7,0*
	Fuelwood	3,8	3,8

Table 3: Removals of industrial roundwood and fuelwood, 2015 (Million m3 ub)
(Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)

Hardwoods represented, in 2015, 56% of the total harvested volume, while softwood reached 44%. The split softwood/hardwood has changed in the last years: from a traditional position leaded by softwoods to a dominancy of hardwoods.

Removals	*1000 m^3 ub*	2015	% of total	2016
Industrial roundwood		13.009	100	13.320
	Sawmilling and Plywood/Veneer	*3.915*	*30%*	*4.200*
	Pulp & Boards (particle board, fibre board)	*8.832*	*68%*	*8.850*
	Other industrial uses	*262*	*2%*	*270*

Table 4: Industrial end uses for the total industrial roundwood removals (1000 m^3 ub)
(Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)

In 2015 approx. 68% of the total felling ended up in pulpwood, while 30% was used for sawmilling and plywood/veneer industries (table 4). The weight of pulpwood has increased regularly in the last 5 years, though previously it represented around 60% of the total felling. The most of the sawngoods produced are coniferous species.

In 2015 the trade has shown positive balance in roundwood, as exports have increased while imports decreased (table 5). The trade of roundwood in Spain reflects a dominant regular flow of eucalyptus imports since the late seventies. The tropical roundwood imports are very much reduced. Finally, around 0,4 million m^3 of coniferous logs are imported and around 0,8 million exported.

Roundwood trade	*1000 m^3*	2015	2016
Roundwood imports		800	719
	Hardwood (incl. tropical)	*358*	*121*
	Tropical	*7*	*5*
	Softwood	*435*	*593*
Roundwood exports		1.896	1.821
	Hardwoods (incl. tropical)	*1.116*	*965*
	Tropical	*1*	*1*
	Softwood	*779*	*855*

Table 5: Roundwood trade by species (1000 m3)
(Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)

4.2 WOOD ENERGY

Both wood fuel and wood pellet market showed increases in 2015 (table 6). And also the demand of roundwood for fuel competing with industrial uses (pulp & board) was significant. The wood energy market in 2015 & 2016 has kept positive fundamentals both in demand and price. This was the trend since 2011-2012, being the driving force the demand for wood to be used as heat producing fuels

WOOD ENERGY		2015	2016
Wood fuel *(1000 m^3)*	Production	3.709	3.750
	Softwood	*1.288*	*1.300*
	Hardwood	*2.421*	*2.450*
Wood pellets (*1000 t*)	Production	350	400
	Imports	26	22
	Exports	29	67

Table 6: Figures for wood fuel production (1000 m^3) and wood pellets production and trade (1000 t).
(Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)

4.3 SAWNWOOD

Spanish sawmills suffered heavily during the recent economic crisis; even during the construction boom, important structural problems were detected but unfortunately not corrected. The market situation has improved slightly in 2015-2016 (table 7).

Regarding trade, the sawngoods market in Spain shows a traditional dependence on softwood imports. The dominant origins for better qualities have long since been Sweden & Finland. But in the last decade, also Central European countries have played a significant role

SAWNWOOD	2015		2016	
Production	2.453		2.500	
Softwoods		*2.062*		*2.100*
Hardwoods		*392*		*400*
Imports	1.072		1.268	
Softwoods		*863*		*1.013*
Hardwoods		*154*		*187*
of wich Tropical		*54*		*68*
Exports	206		259	
Softwoods		*168*		*221*
Hardwoods		*32*		*34*
of wich Tropical		*5*		*4*

Table 7: Sawnwood market in Spain (thousand m^3)
(Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)

Flooring, paneling and other similar products were being used in an increasing way during the building boom that ended in 2007; after that, a regular demand exists but on much smaller basis.

4.4 CERTIFIED FOREST PRODUCTS

Two forest certification systems are followed in the Spanish forest:

- PEFC (Program for the Endorsement of Forest Certification). -
  FSC (Forest Stewardship Council).

The market for certified forest products also demands mainly these two schemes, as most of the commerce has origin and destiny in UE countries.

PEFC is leading the certified forest area in Spain, with 1,9 million ha. 825 Chain of Custody Certificates have been issued so far for 1226 certified installations.

Sector	Number of Installations/Companies
Timber & construction	398
Sawmilling	392
Graphic industry	155
Pulp & paper	169
Other	112
Total	**1226**

Table 8: PEFC Chain of custody Certificates by type of company (October 2016)
(Source: PEFC España)

FSC Certified forests in Spain reach 252.700 ha (July 2016) and have issued around 810 Chain of Custody Certificates

4.5 PULP AND PAPER

Pulp and paper overpassed the Spanish crisis better than most of the sectors. The hardest times occurred in 2009, and after that, an improvement in the situation has raised back the sector turnover to a standstill level. Year 2016 is maintaining this situation.

The 2015 consumption of pulplogs in Spain to produce virgin fibre pulp was 5,1 million m^3 ub. The composition by species indicates that 77% (3,9 million m^3 ub) was Eucalyptus sp and 23% (1,2 million m^3 ub) was Pinus sp.

Pulp consumption of logs	2015
Eucalyptus	3912
Domestic	*3747,9*
Imported	*164*
Pine	1153
Domestic	*5093,9*
Imported	*0*
TOTAL	5093,9

Table 9: Pulp consumption of logs in Spain (1000 m^3 ub)
(Source: ASPAPEL).

The total production of virgin fibre pulp in 2015 reached 1,7 million tons, slightly less than in previous years. 44% of this amount was exported, mainly to UE countries.

1000 t	Paper and paperboard		Pulp	
	2015	2016	2015	2016
Production	6.195	6.250	1.641	1.700
Imports	3.074	3.199	1.126	1.172
Exports	2.751	2.668	666	754
Consumption	6.519	6.781	2.101	2.118

Table 10: Main figures for pulp & paper production in Spain (thousands tons) (Source: Ministerio de Agricultura, Alimentación y Medio Ambiente, ASPAPEL)

Apart from market concerns, a big controversial regarding the energy supply/production of pulp and paper factories is taking place as a consequence of the change in the Spanish law regarding energy co-generation since July 2013.

4.6 WOOD BASED PANELS

Wood based panel also had good activity in 2015 and some production increases and even investments are taking place in the factories. Main customers for the board manufacturers in Spain are furniture and components, door factories, construction and flooring.

WOOD BASED PANELS	1000 m3	2015	2016
Particleboard			
	Production	1.851	1.855
	Imports	569	591
	Exports	602	606
Fibreboard			
MDF	Production	1.520	1.520
	Imports	325	367
	Exports	1.095	1.065
Hardboard & others	Production	118	130
	Imports	54	59
	Exports	104	107
Plywood			
	Production	301	310
	Imports	134	168
	Exports	224	256
Veneer			
	Production	118	120
	Imports	108	165
	Exports	34	41

Table 11: Principal figures for the wood based panel market in Spain (Source: Ministerio de Agricultura, Alimentación y Medio Ambiente)