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VALUE-ADDED WOOD PRODUCTS TRADE

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Introduction

- This short presentation will cover the international trade of furniture, joinery, carpentry, profiled wood and flooring with a special chapter on laminate flooring and engineered wood products in reference to the North-American and Japanese markets

- Even if their share of the total international timber trade grew, the overall trade of value-added wood products started slowing in 2001 after several years of steady growth.

Drivers and Strategy

The international trade of value-added wood products is the result of an ever and fast changing combination of many factors, the main ones being:

international labour division,

reliability and access to the forest resource,

investment (national or foreign direct investment)

exchange rates and freight costs

The changing markets of emerging countries have brought a change in the scope of foreign investment in added-value manufacturing.

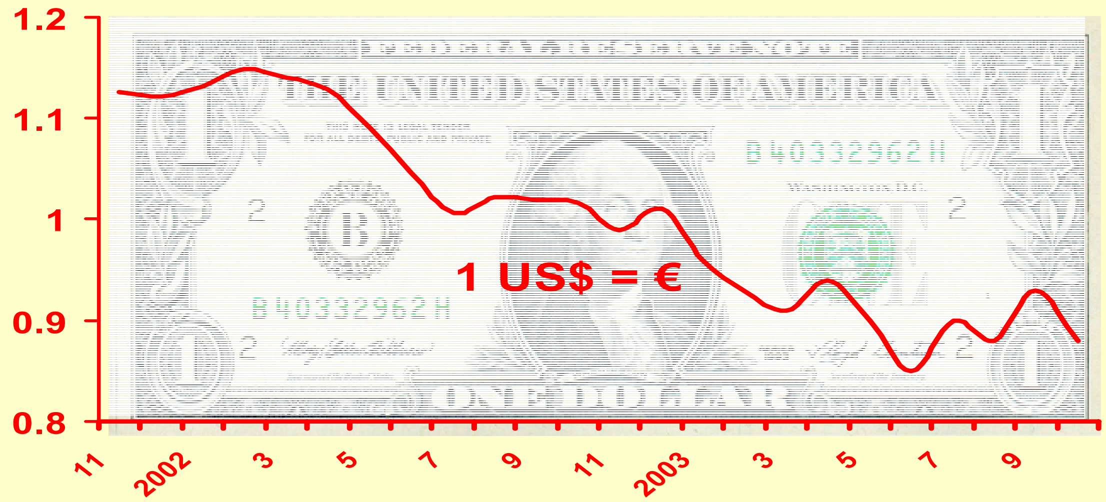
Earlier approach: **to establish new lines of supply**

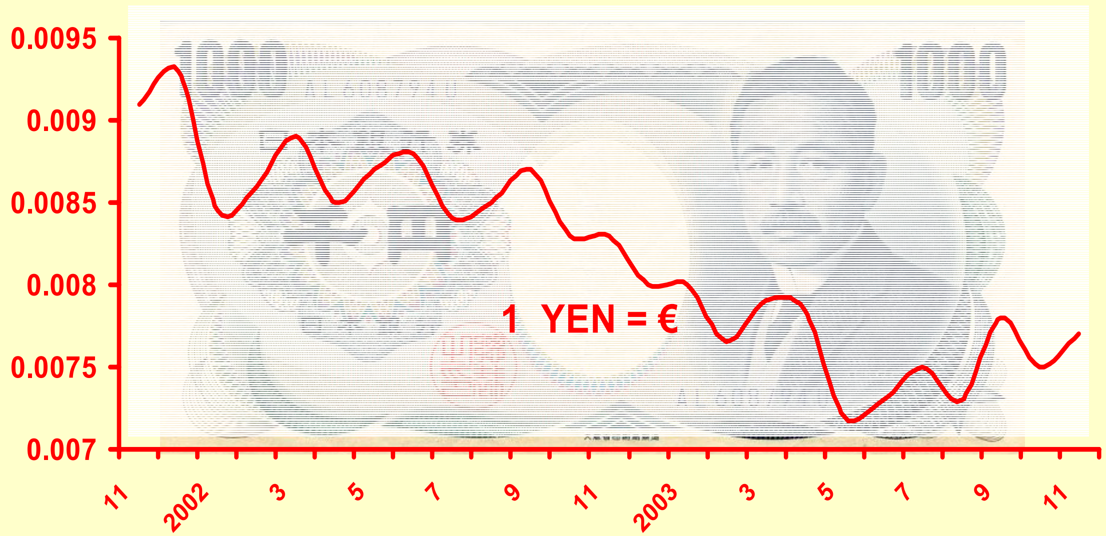
Recent strategic re-orientation : **to cover also the local demand** of emerging markets e.g. eastern European countries

Drivers and Strategy

International out-sourcing means flexibility and quick adjustment to any change of equilibrium.

The international trade of added-value products reacts much faster than primary products trade to the variations of exchange rates.





Furniture: International trade flows

International furniture trade:

More than half of the global international furniture exchange is traded between exporters and importers of the same region *:

- **Western Europe: 66%**
- **NAFTA area: 60%**
- **Asia / Pacific regions: 50%**

*Source: EPF / CISL

Main transcontinental / transregional furniture trade flows :

- from **Asia to the USA** and **Europe**
- from **Europe to the USA**, mostly from Italy
- from **Eastern Europe to Western Europe**, mostly to Germany

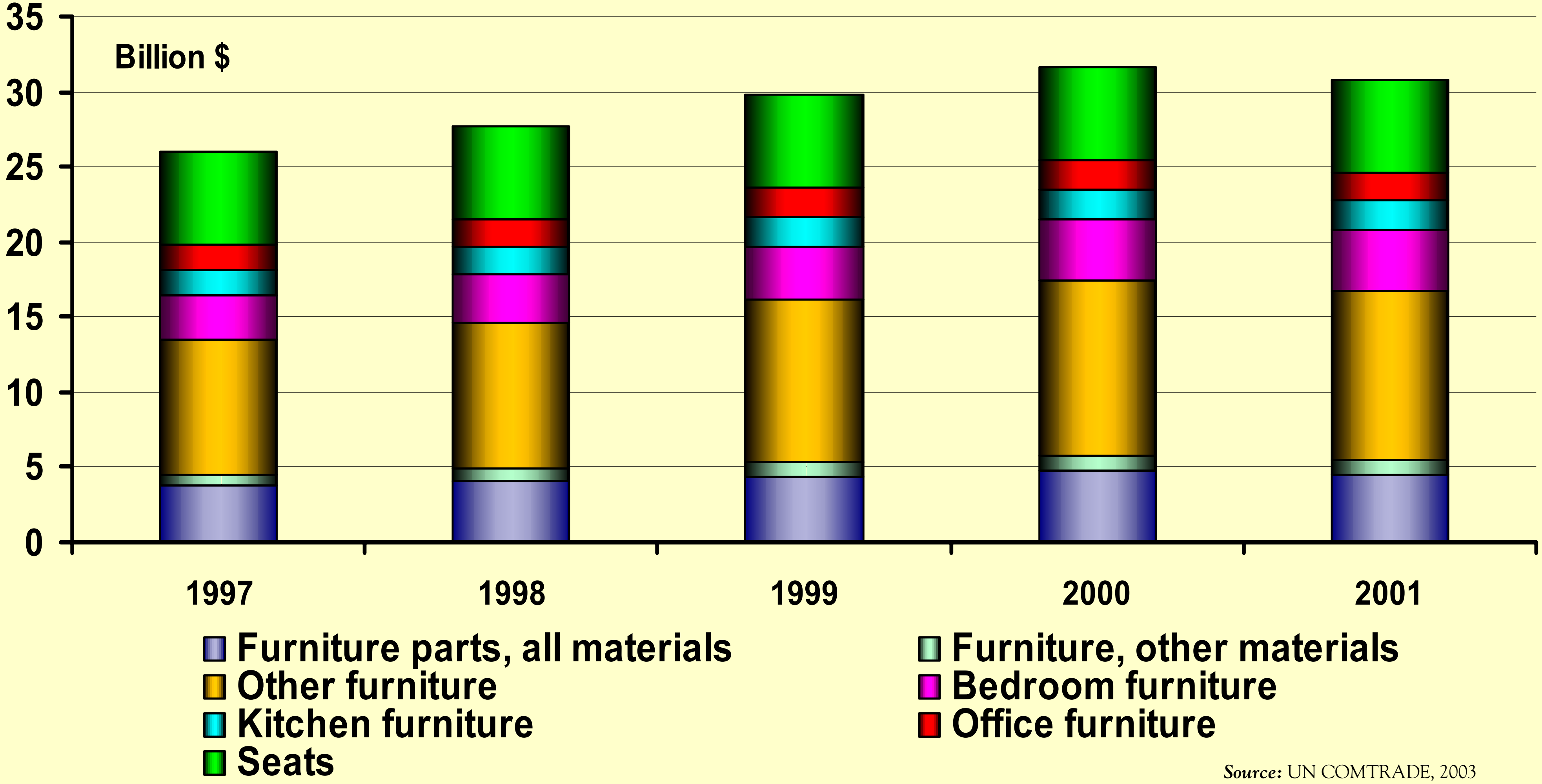
Furniture: International trade

- In 2001 the global import of furniture went down by 2.8%.
- In the **EU-15**, the furniture production was down by 14%. The balance of **furniture trade went negative** and a correction of this trend is unlikely.
- The **rapid growth of the Asian furniture industries** has a direct impact in the USA and in Europe, mainly in the lower-cost range. **China is now the second world exporter** of furniture. Its capacity is expanding and the current trend will last, both in parts and finished furniture.
- The foreign **trade is very positive for Eastern and Central European countries**.

  e.g. in the last 5 years, the German imports of furniture from Eastern countries more then doubled, and currently Germany imports more furniture from Poland than from Italy.

Furniture

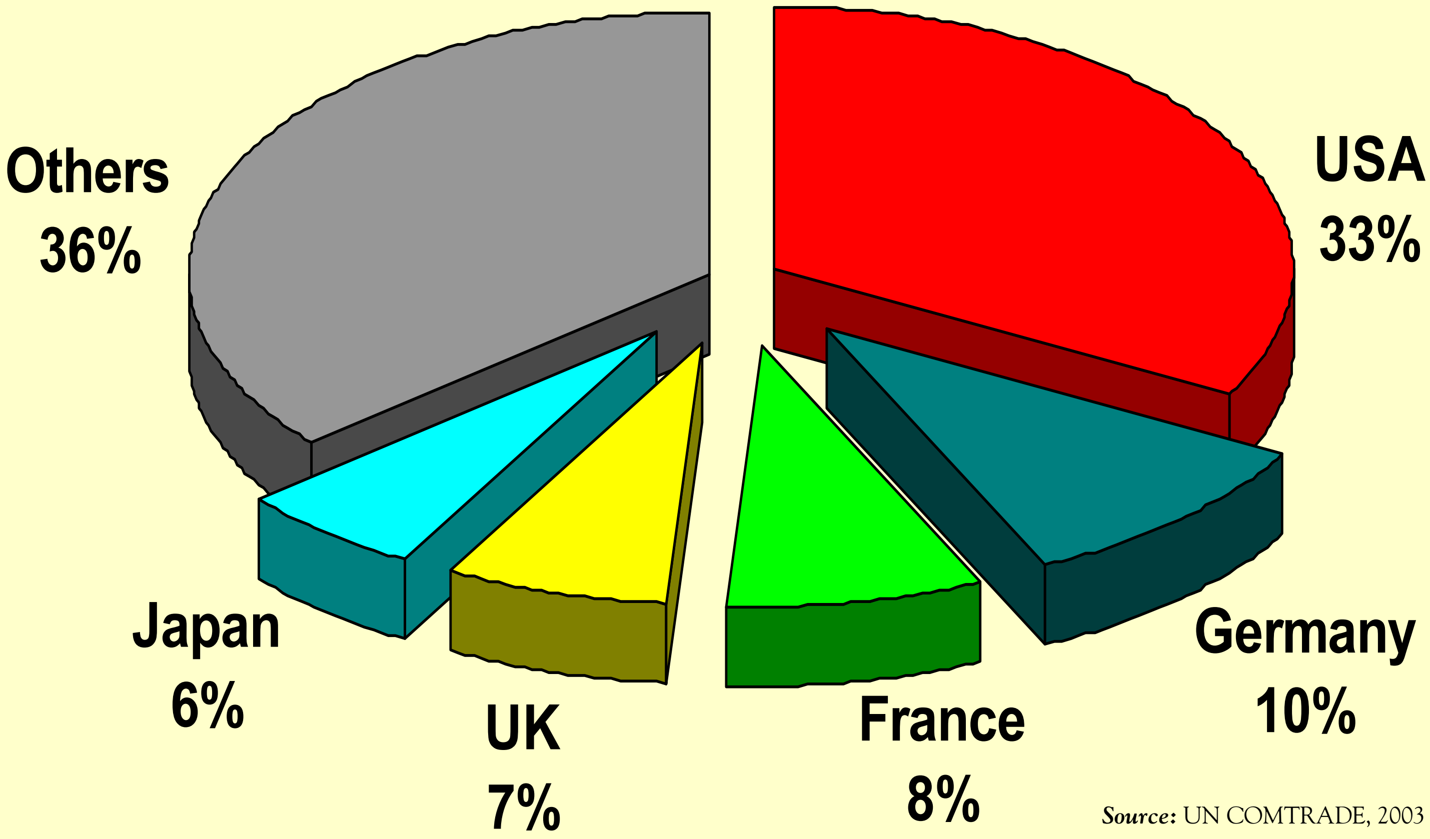
World imports of wooden furniture by product group



Source: UN COMTRADE, 2003

Furniture

Major importers of wooden furniture and parts, 2001



Source: UN COMTRADE, 2003

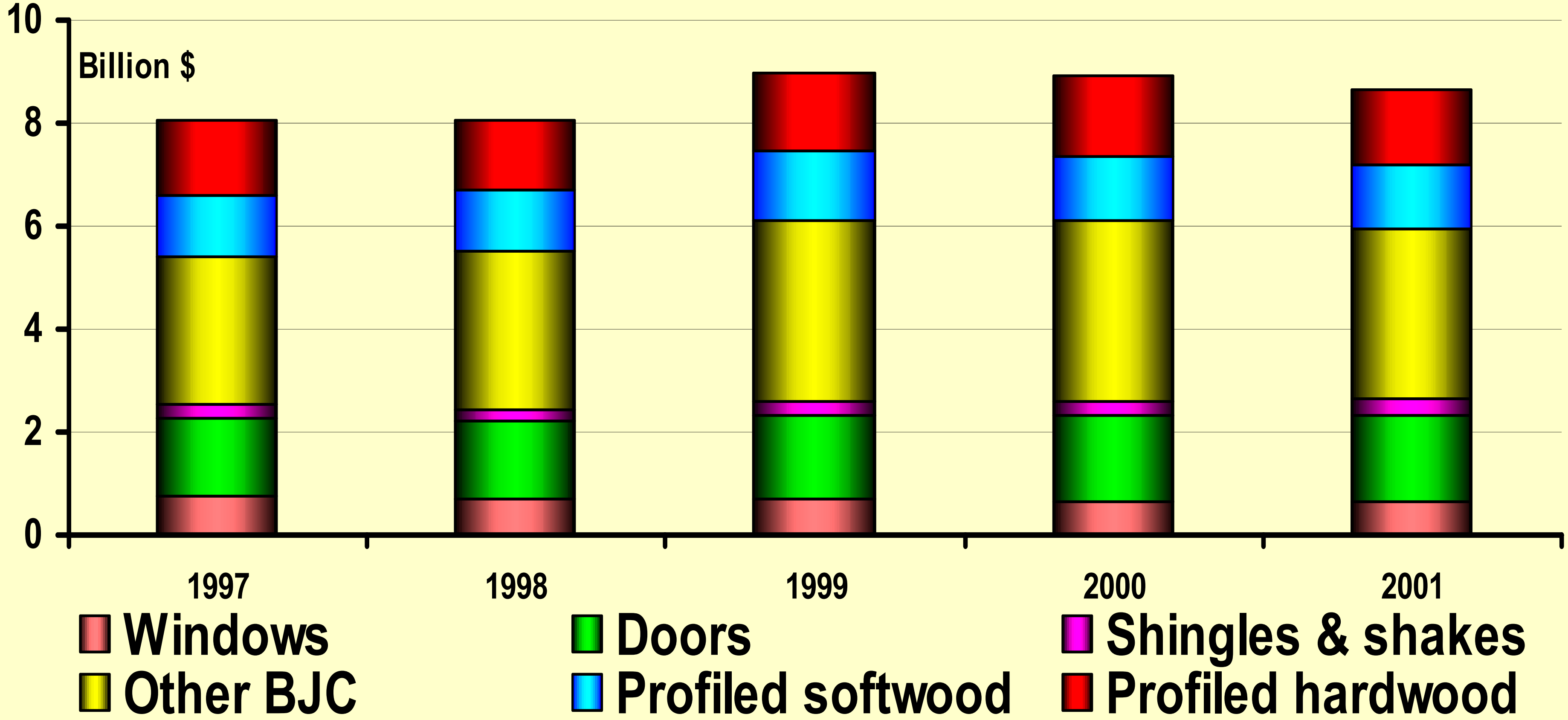
Joinery, carpentry and profiled wood

- In value, the global imports of joinery, carpentry and profiled wood, went down 2.4% in 2001.
- Profiled wood imports declined by 5.3%
- Latin America exporters gained a 50% share of the US imports of profiled wood.

Joinery, carpentry and profiled wood

Main downturn in Germany (construction crisis) and in Japan.

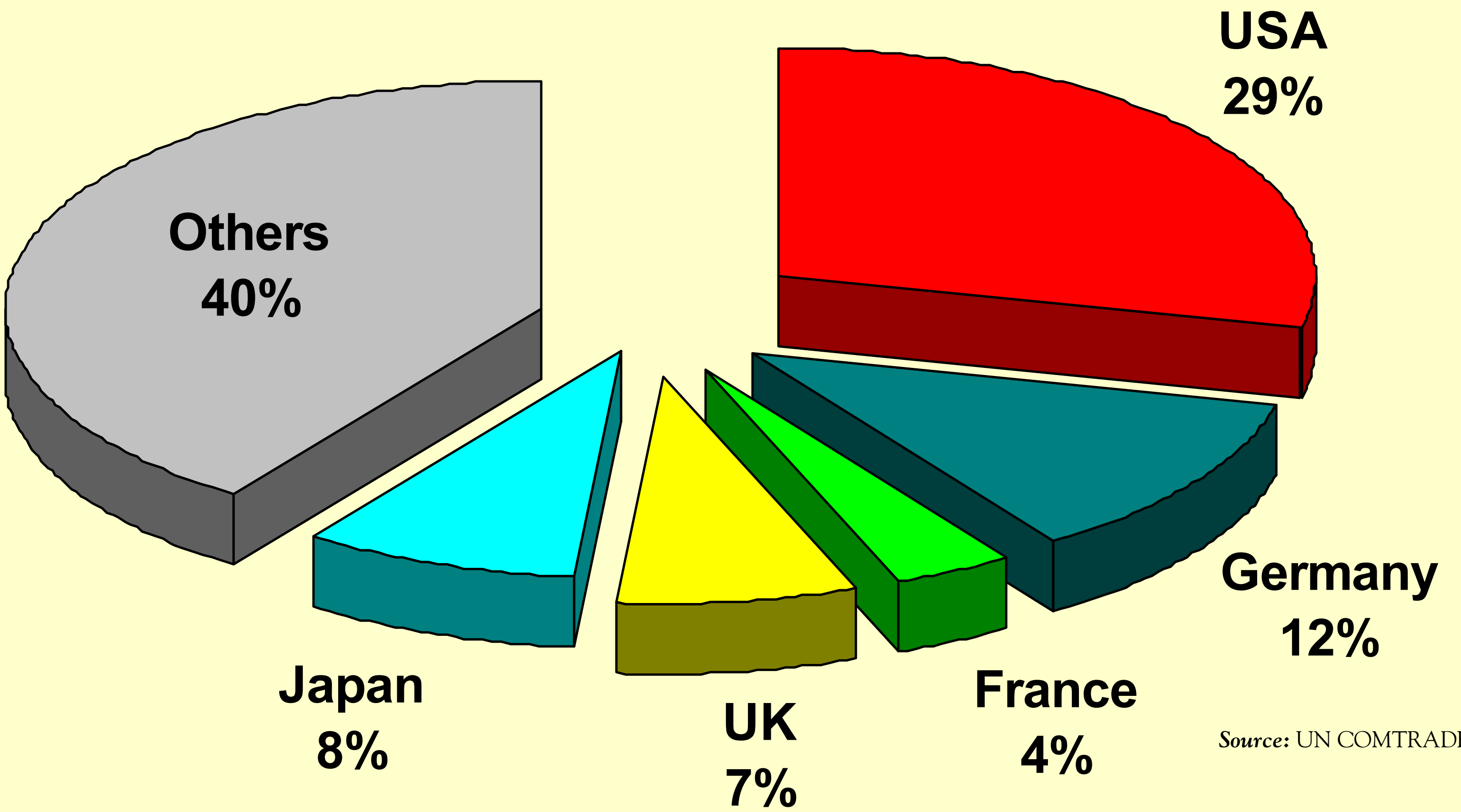
World imports by product group



Source: UN COMTRADE, 2003

Joinery and carpentry

Major importers of builders' joinery and carpentry

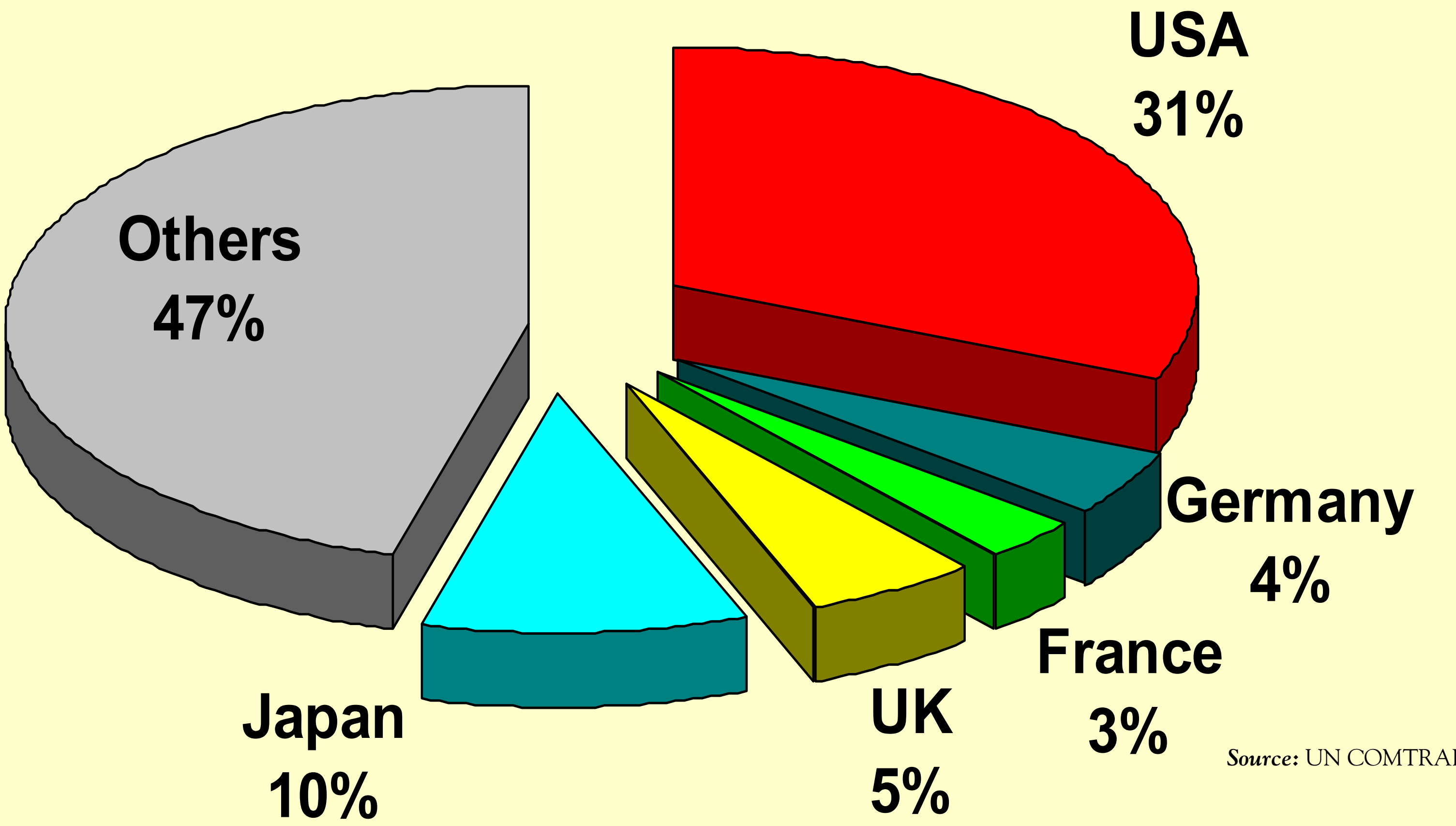


Source: UN COMTRADE, 2003

Profiled wood

In 2001, profiled wood imports declined by 5.3%
Only Italy and France increased their imports

Major Importers of Profiled Wood, 2001



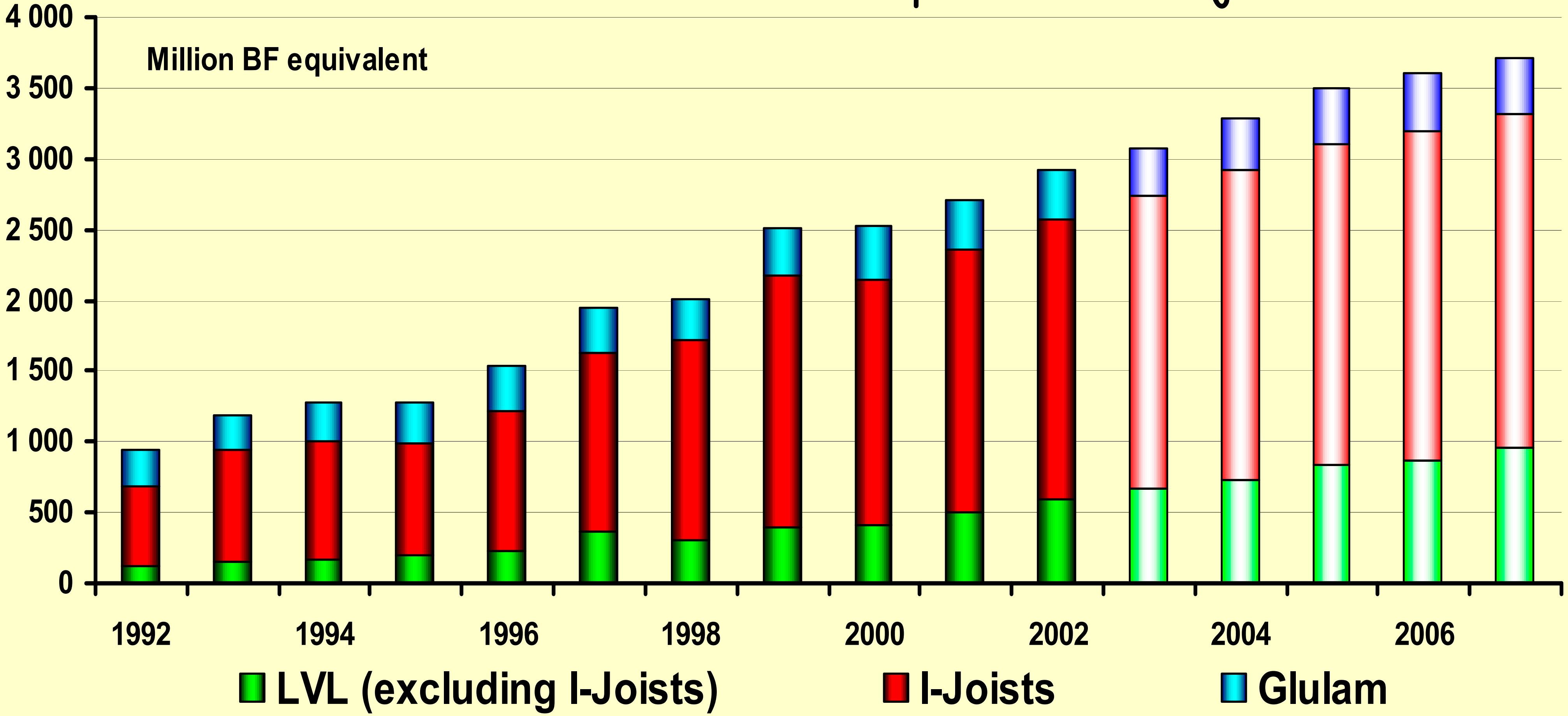
Source: UN COMTRADE, 2003

Engineered Wood Products in North America

Spectacular and continuous growth of EWP in North America

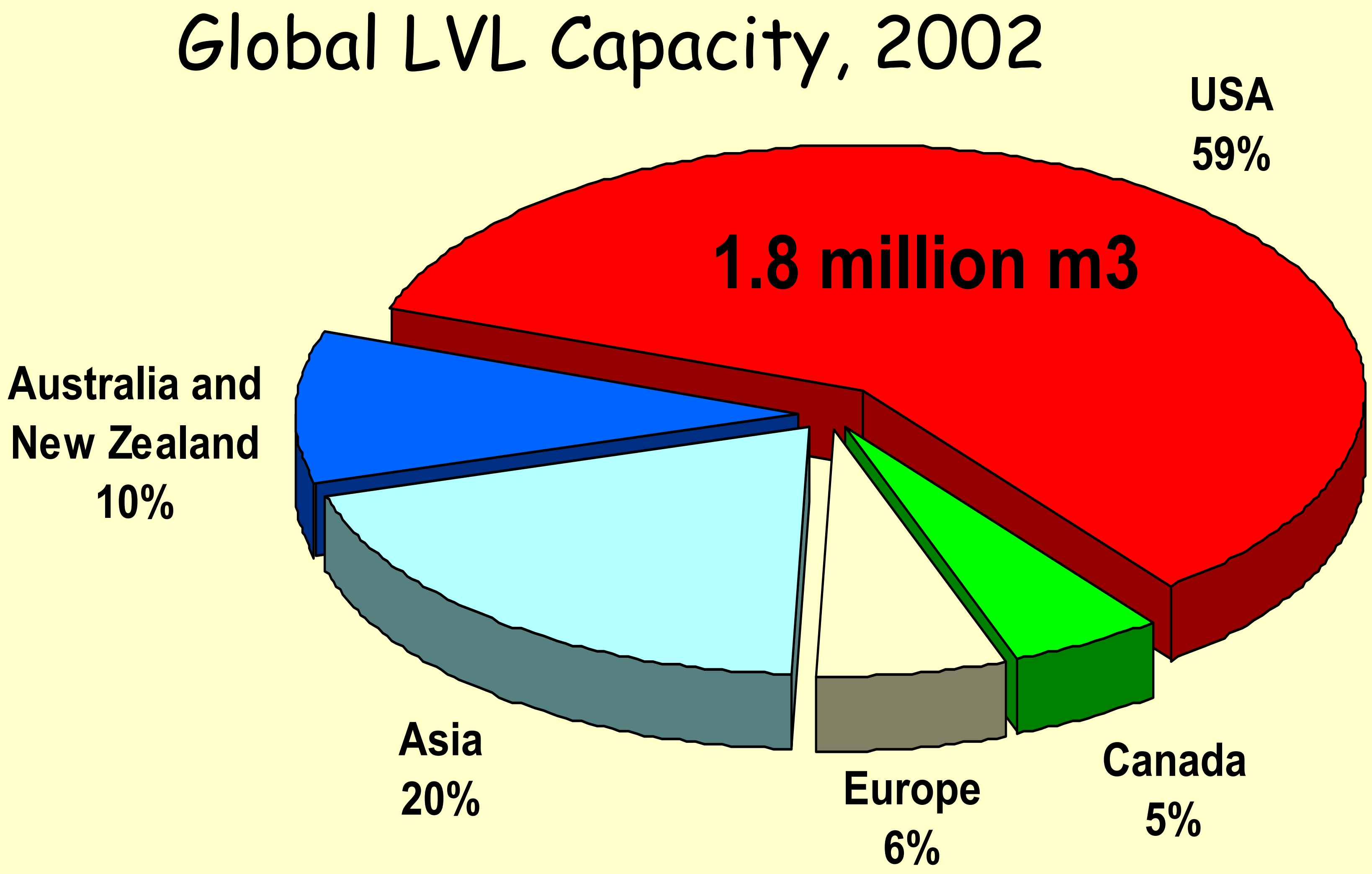
Now covering 5% of structural lumber demand

EWP in North America: Consumption and Projection



Source: APA, *Regional Production and Market Outlook*, APA Economics Report E169, 2003.

Engineered Wood Products: LVL



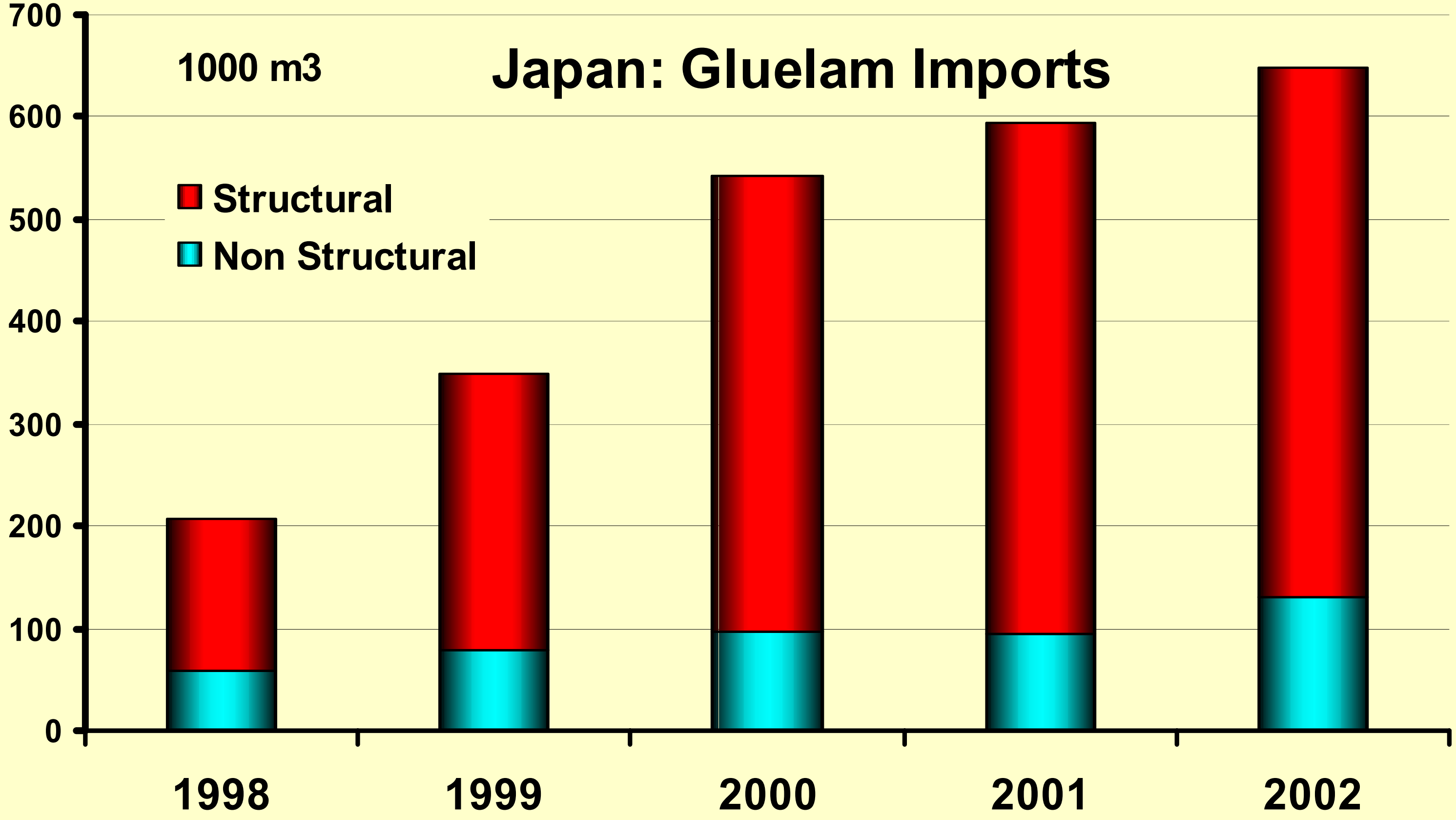
Source: BIS Shrapnel Forestry Group, NZ, 2003

Japan: Gluelam imports

Japan is by far the single largest consumer of gluelam

(1.5 million m3 structural gluelam)

Imports: 35 % of consumption



Source: Japan Lumber Reports

Laminate flooring: the fastest growing product

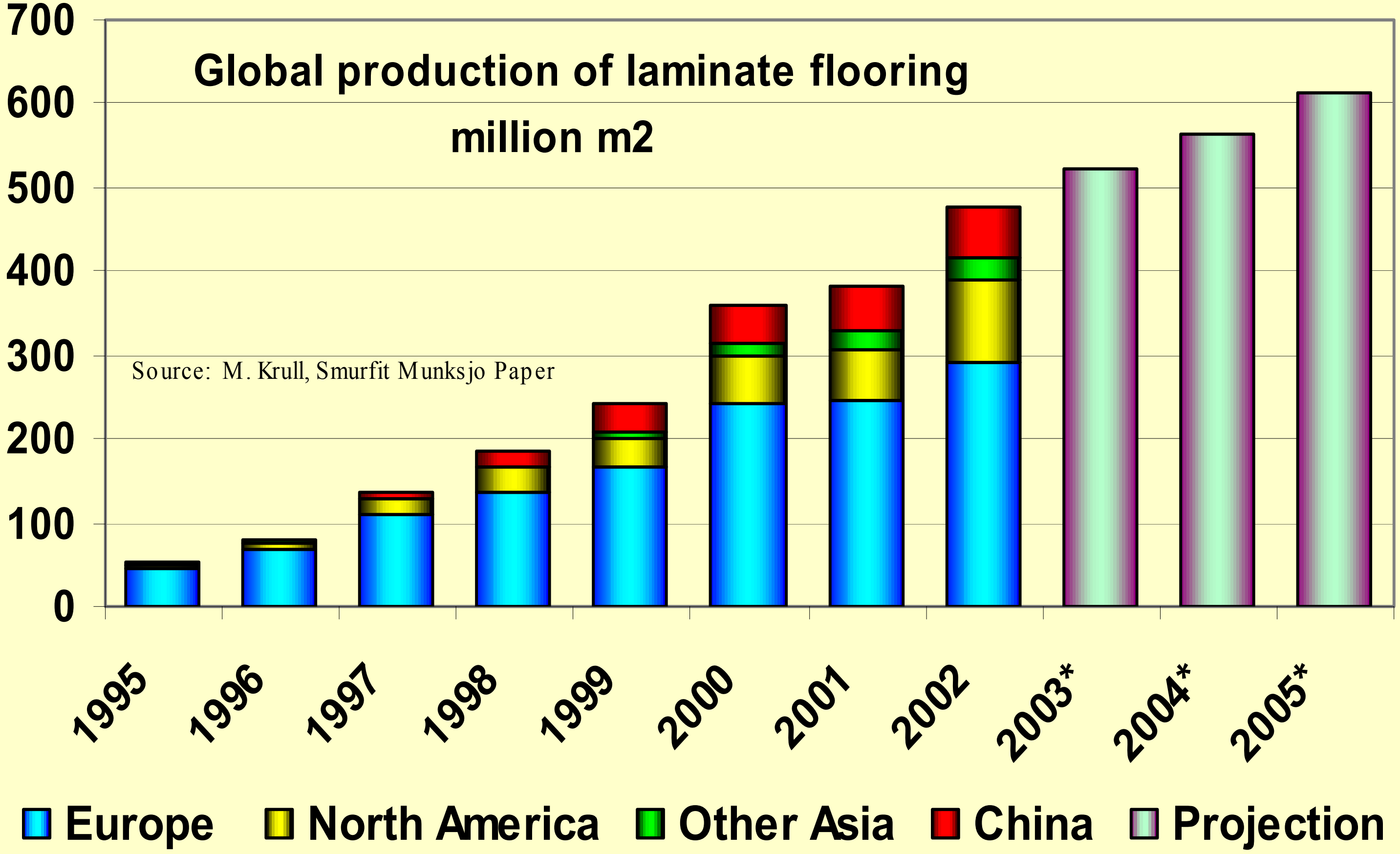
Solid wood flooring accounts for about 5% of the European market

The share of laminate flooring is growing sharply. The global consumption of laminate flooring increased

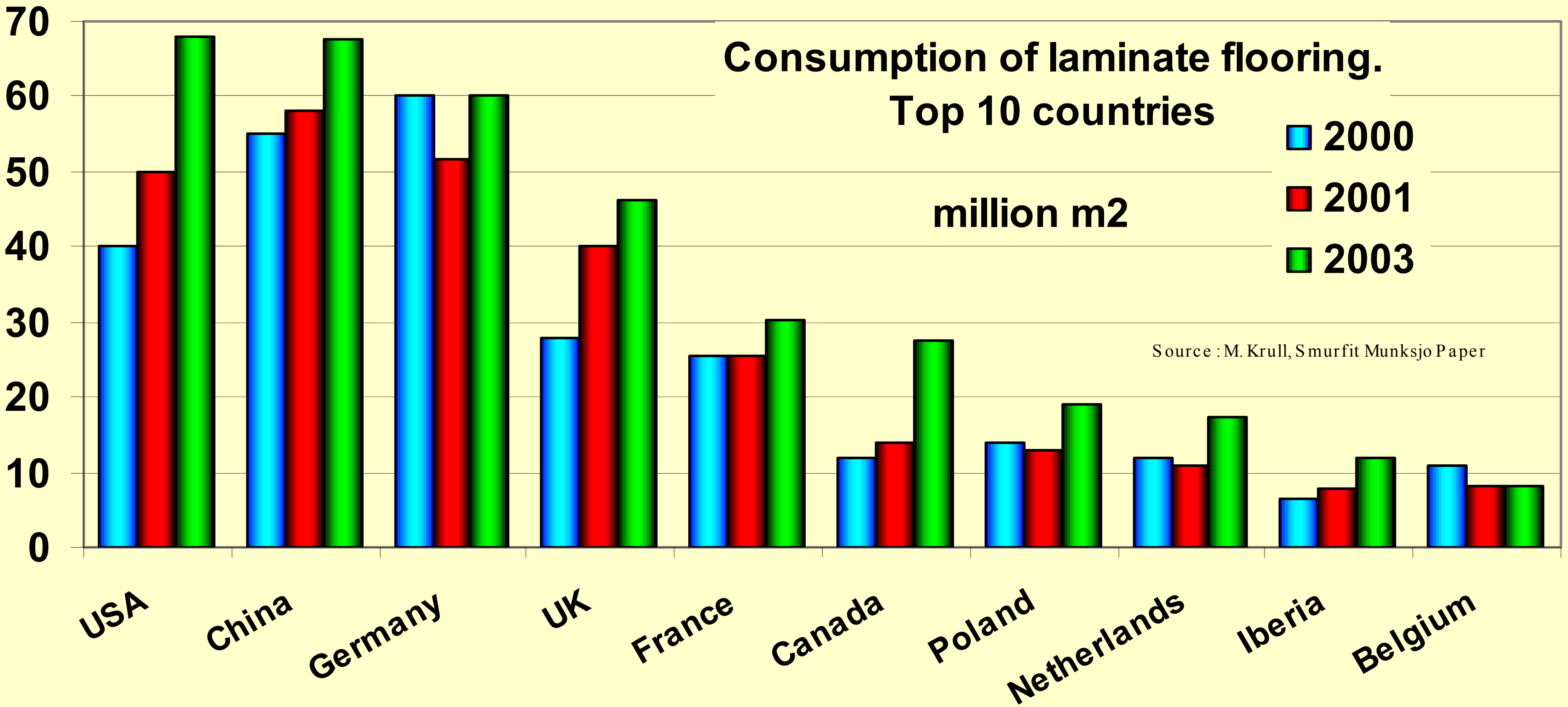
from 187 million m2 in 1998

to 479 million m2 in 2002.

Europe main producer, with declining share (78 % of total production).



Laminate Flooring



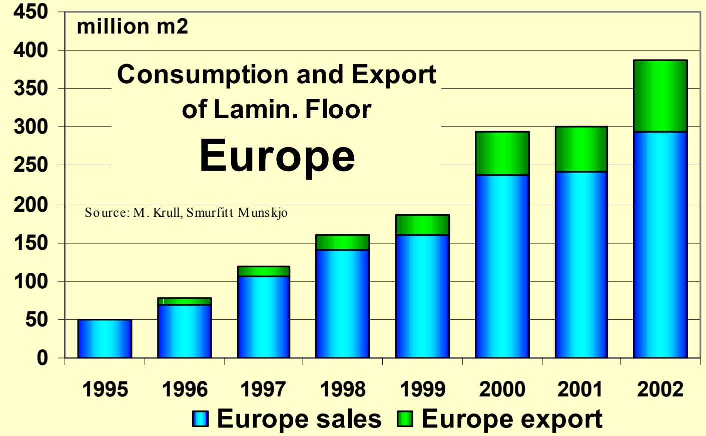
Europe is the largest regional market for laminate flooring
By country: Germany 29%, UK 23%, France 15%, Netherlands 8%
China is the second largest consumer, 85% supplied by domestic production.

Laminate Flooring

Production, consumption and trade

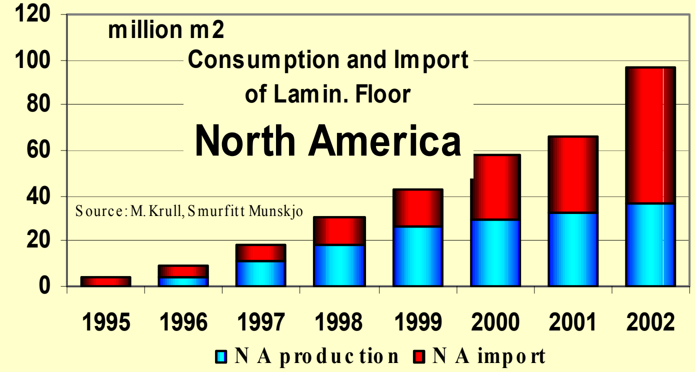
million m2 Production Export Import

- Part of the European production is exported (mostly to North America and China)

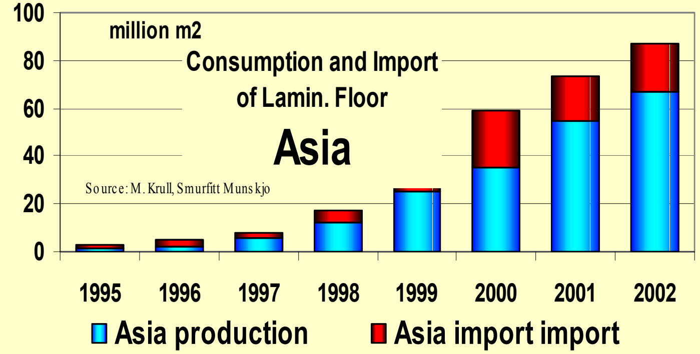


- North America is heavily dependant on European imports.
  Consumption of laminate flooring in North America rose from 30 million m2 in 1998 to 96 million m2 in 2002.

  Forthcoming production capacity extensions in North America, will limit imports from Europe.



- Constant increase of Chinese production and consumption and stagnation of imports from Europe.



Tropical Value-Added Wood Products

- The trade of tropical value-added products has increased considerably in the last years.
- After many years of efforts, lesser known species (LKS) are gaining acceptance in the manufacture and trade of tropical value-added products.
- Plantation products account for a large share of tropical value-added products
- The international market of garden furniture, decking and gluelam scantlings is very active
- Certification is a strategic issue, conditioning investments and exports

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