

STATEMENT

submitted by the Delegation of **Germany**
to the **sixtieth session of the ECE Timber Committee**
Geneva, 24 - 27 September 2002

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1. General economic trends affecting the forest industries sector

In 2001, the slowing down of the global economic development was particularly pronounced in Germany. Yet, the German economy is now set on a growth path again: in the first quarter of 2002 the gross domestic product rose by 0.2 % over the previous quarter (after seasonal adjustment and adjustments for working-day variations and price rises).

The future-oriented economic indicators (especially commercial prospects and intake of orders) suggest that economic activities are likely to gather momentum in the course of the year. The **intake of orders and the business climate in industry show an upward trend**. What matters especially is that the mood in industrial enterprises has improved since it hit a low in October last year.

In 2002, the real increase in the gross domestic product is likely to amount to around $\frac{3}{4}$ %. Opportune **framework conditions** substantiate this expectation: upswing in the global economy, low short and medium-term nominal interest rates, moderate unit labour costs, favourable profit expectations of enterprises, stable prices, steps taken in economic and financial policies (i.e. investment scheme for the future, improvement of family benefits). **External demand** is again expected to provide growth impetus next year. Furthermore, the **domestic economic situation** is also likely to strengthen, notably private consumption and investments.

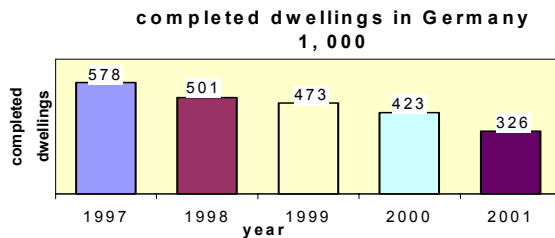
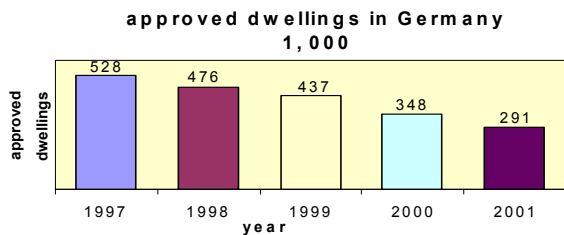
As in the past the **construction industry** will exert a great influence on timber sales in the future. It is estimated that ca. 2/3 of annual forest cuts in the form of sawnwood, boards and constructional elements go towards this economic sector.

In contrast to the building industry as a whole, prefabricated construction dominated by timber was able to achieve better results (sector-specific boom for timber construction). The trade association attributed this chiefly to the fact that the **prefabricated construction industry** had backed the supply of energy-efficient houses at a very early stage. Here timber can play the trump

card of its excellent properties in terms of heat technology. In the neighbouring European countries as well a growing interest in prefabricated buildings can be observed.

Over the past decade, overall timber-frame housing construction also increased substantially (artisanal and industrial manufacturing). In this period the number of annually completed timber houses rose from ca. 7,000 (1991) to 32,000 (2000) dwelling units. The sector-specific boom in timber construction expanded the market share to ca. 15 %.

As shown by the graphs below, in 2001 the number of building permits as well as of completed dwellings declined further in housing construction as a whole, however. This also affected timber construction eventually. Thus there has been no question of an sector-specific boom in timber construction for some time now.



The impact of the immense flooding disaster of this summer on the construction industry cannot be precisely assessed to date. It can be assumed, however, that it will result in a recovery of building activities in the regions concerned (especially in Germany's east), at least in the short term.

Intensive marketing activities are also designed to help revive timber sales, inter alia, in the building industry. In the process, the **sales promotion fund of forestry and the forest industries (Timber Sales Promotion Fund)** plays a key role.

The Timber Sales Promotion Fund meets the statutory task of centrally promoting the sale and use of products made by German forestry and forest industries. For this purpose, around € 11 million are made available annually that are levied as charges on forest and forest industry enterprises on the basis of the Timber Sales Promotion Fund Act (8 per mill of sawlog sales). Apart from

advertising and public relations, market and marketing research, expert advice for timber construction and product research number among the principal marketing instruments.

The focus is currently on measures designed to stabilize the market position of timber as structural and basic materials and expand this position in the long run. A major aim is also the mobilization of existing reserves of raw materials in forests. To meet these tasks, a multi-annual marketing campaign "Pro-active timber" is being carried out as the most important measure. This campaign is to pool the existing potentials in small- and medium-sized businesses. Alongside this supra-regional campaign, regional activities launched by forestry and the forest industries are also being organized in advertising and public relations. Further information on the Timber Sales Promotion Fund and its tasks can be accessed at its website (see last page).

2. Developments in the forest products market sectors

A. Value-added forest products and engineered wood products

The economic downturn in 2001 also affected the timber and paper industries. The turnover and employment figure declined by around 5 % respectively. Particularly hard hit were producers of prefabricated building components and of finish carpentry elements made of timber. Furniture manufacturers also sustained lighter losses. Experience has shown that consumer uncertainty causes them to postpone the purchase of consumer durables.

Production of selected products

Comparison of 2001 production values with 2000

- 1000 €

Product	2000	2001	Change in %
Seating furniture, mainly with wooden frame	2 177 095	2 096 228	- 3.7
Wooden furniture for offices	1 497 308	1 435 549	- 4.1
Wooden furniture for kitchens	3 484 266	3 360 461	- 3.6
Wooden furniture for bedrooms, dining rooms and living rooms	3 288 018	3 100 845	- 5.7

The competent trade association presently expects a further decline for the current year as well.

B. Certified forest products

Given ca. 6.3 million hectares, almost 60% of the forest area in Germany has now been certified according to the certification schemes of the Forest Stewardship Council (FSC) and the Pan-European Forest certification (PEFC). An ongoing upward tendency can be observed. Yet, the expenditure involved in verifying the chain of custody still only allows a comparatively minor percentage of certified finished products to enter the market. Great efforts are therefore being made to shape the chain of custody system in a more feasible manner.

In the context of certification, the issue of "illegal logging" is increasingly gaining in importance. It can be assumed that certified wood products can also make a key contribution to controlling illegal logging. Yet, the success here depends again on whether certification schemes can be shaped in a practicable way. In view of the hardly curbed forest destruction in many regions of the world it would be desirable for certified wood products to enter the markets successfully in the near future.

Certified forest areas in Germany

September 2002

Certification system	Certified areas (ha)	Percentage of total forest area (%)
FSC	422,985	3.9
PEFC	5,899,000	54.9

C. Sawn softwood

At around 15 million m³, the production of coniferous sawnwood in 2001 was slightly below that of the previous year (- 1 %). Whereas a further decline is anticipated for the current year, production is expected to rise substantially in 2003. As far as expectations for foreign trade are concerned, the trade association assumes that imports will remain constant, but that exports will soar. The producer price index dropped continuously in the course of 2001 and declined from 92.5 to 89.8 points (1995 = 100).

D. Sawn hardwood (temperate and tropical)

The production of non-coniferous sawnwood fell considerably short of the previous year's level at 1.2 million m³ (- 6 %). In this sector as well a further decline is expected for the current year, followed by a stronger increase in 2003. Whereas a perceptible decline in imports is forecast, exports are expected to rise appreciably.

E. Wood-based panels (particle board, fibreboard and MDF, OSB, plywood)

Plywood production plunged further in 2001 to around 200 000 m³ (- 36 %). In this product area, foreign supplies play a far greater role than domestic production. In foreign trade a slight decline is predicted in imports as well as in exports.

Particleboard production amounted to around 10 million m³ in 2001. That means a decrease of 4 % against the previous year. A slight increase with subsequent stagnation in 2003 is again anticipated for the current year. The trade association expects imports to decrease further and considerably with a minor increase in exports.

F. Pulp and paper

In 2001, the production of **mechanical pulp** (1.23 million t) and **chemical pulp** (0.87 million t) totalled ca. 2.1 million t (- 5 %). A slight fall in production is expected for the near future. Major changes are expected in foreign trade, however. The estimates by the trade association forecast substantial losses in imports and exports. This does not take the most recent investment decision into account as it will take effect only in a few years time.

Following a successful notification in Brussels, the decision has been taken to establish a **new pulp manufacturing plant** in the Federal Republic of Germany. On 30 August 2002, the foundation stone of the plant was laid in the vicinity of Stendal (Saxony-Anhalt). The plant will be built on premises where the former GDR intended to set up a nuclear power plant. It is planned to produce sulfate pulp with an annual capacity of 550, 000 t. The annual wood requirements account for around 3 million m³ (industrial wood and industrial wood residues). The pulp manufacturing plant is expected to be completed by the end of 2004.

After a slacker year 2001, the growth prospects of the **paper industry** in Germany are viewed positively. For the current year, the trade association expects a 3 % rise and a 2 %

increase for 2003. Whereas a marked increase in imports is forecast for the same period, exports are expected to fall compared to 2001.

G. Wood raw materials (e.g. roundwood including sawlogs and pulpwood)

The repercussions of the gale "Lothar" (December 1999) still made themselves felt in the forestry year 2001. As the market disturbances due to the storm damage could not be completely eliminated in the 2000 forestry year, regular fellings of coniferous roundwood were restricted for another year by decree in Baden-Württemberg, Bavaria, Hesse, Rhineland-Palatinate and Saarland. Baden-Württemberg was most severely affected by the gale and had to convert and use around 1.6 million m³ of beetle-damaged timber in addition to the windthrown timber. About 4.5 million m³ of coniferous logs, ca. half of which has now been removed, had been preserved in wet conservation sites. The salvage logging of windfall timber in Baden-Württemberg could be completed in 2001. The facilities for roundwood road transports to cope with the concentrated accumulation of timber still applied in 2001, in some Länder even beyond this period. This was designed to achieve an equalization among the regions and to counteract a devaluation of timber.

The felling restrictions and price cuts resulted in decreasing regular fellings. Yet the logging yield of coniferous roundwood (sawlogs and industrial wood without pine) reached a high level at around 20 million m³ due to the necessary use of windthrown timber. The timber species groups of oak and beech recorded slight increases in logging over the previous year so that the result of total fellings in Germany levelled out at around 39.5 million m³ within the range of the multi-year average.

In September 2001 the producer prices indices of roundwood from state forests decreased slightly below the previous year's results.

In 2001, fellings of coniferous logs amounted to 18.2 million m³ that is below the multi-year average. At the end of the 2001 forestry year (September 2001) the producer price index for spruce and pine roundwood represented 78.9 and 83.8 respectively, i.e. was 1.7 % and 6.3 % respectively down from the index of the same month last year.

In 2001, at 4.2 million m³ fellings of non-coniferous logs were below the previous year's level by around 12 %. At the end of the 2001 forestry year the producer price index for oak and beech roundwood resulted - 14.2 % and + 4.5 % respectively in comparison with the same month last year.

3. Tables

A. Economic indicators

Country: Federal Republic of Germany

	2000 (actual)	2001 (actual)	2002 (estimate)	2003 (estimate)
(%age change on previous year)				
Gross Domestic Product ¹⁾	+ 3,0	+ 0,6	+ ³ / ₄	+ 2 ¹ / ₂
Industrial production ^{1) 2)}	+ 5,4	- 0,1	+ ¹ / ₂	+ 5 ¹ / ₂
Construction investment ¹⁾	- 2,5	- 5,8	- 3	+ ¹ / ₂
of which:				
- new dwellings (completions)	- 2,7	- 7,0	- 3 ¹ / ₂	0
- new non-dwelling construction	- 2,3	- 4,2	- 2 ¹ / ₂	+ 1

¹⁾ Constant prices of 1995

²⁾ Industry excluding construction

Source: Spring Forecast 2002, Federal Ministry of Finance (Germany)

B. Forest products production and trade in 2001, 2002 and 2003

C. Enterprises, workers and turnover in the German timber and paper industry^{*)}

Economic sector	Notes	Enterprises		Workers		Turnover - million €-	
		2000	2001	2000	2001	2000	2001
Primary wood processing ¹⁾		2 512	2 508	49 469	47 782	8 750	8 518
⁹⁾		2 236	2 229	28 098	27 255	4 601	4 324
-sawmills ²⁾		276	279	21 371	20 527	4 149	4 194
-wood-based panel production							
Secondary wood processing ^{3) 9)}	excluding wood and upholstered furniture manufacturing	1 034	976	70 183	64 508	8 771	8 078
Furniture industry ^{3) 5) 9)}	also from materials other than wood	1 358	1 334	156 264	152 251	21 908	21 629
Woodcraft industry ^{4) 7)}	excluding furniture- manufacturing, excluding timber- related building crafts	14 385 ⁸⁾	14 453 ⁸⁾	62 628	59 244	4 630	4 367
Furniture manufacturing crafts ^{4) 5) 7)}	also from materials other than wood	7 593 ⁸⁾	7 656 ⁸⁾	35 876	34 731	2 630	2 559
Timber-related building crafts ^{1) 7)}		28 916 ⁸⁾	28 857 ⁸⁾	164 282	151 830	11 745	10 926
Timber wholesale trade ^{6) 7)}		4 431 ^{a)}	4 431 ^{a)}	51 461	47 628	16 716	15 348
Pulp and paper production ^{1) 7) 9)}		256	273	47 875	47 173	15 030	14 427
Total forest industries ⁷⁾		60 484⁸⁾	60 488⁸⁾	638 038	608 147	90 179	85 853

¹⁾ businesses with one or more workers

²⁾ sawmills with 5,000 cubic metres of roundwood (solid measure) or more annual removals

³⁾ businesses with 20 or more workers, including craft businesses

⁴⁾ businesses with 1 to 19 workers

⁵⁾ excluding mattress production

⁶⁾ businesses with a minimum turnover of 12,500 €

^{a)} 1 626 of which are accounted for by the trademark number 51.53.1

⁷⁾ partly estimated

⁸⁾ craft undertakings in 1994 in accordance with the 1995 craft census

⁹⁾ monthly report as of 1997 refers to the reported group which was expanded by units of the 1995 craft census

***) divergences from earlier results can be explained by the corrections applied meanwhile due to actual surveys**

Source: Federal Statistical Office/ Federal Ministry of Consumer Protection, Food and Agriculture (532)

Please find further information on the following topics at the internet sites listed below:

- **Timber industry and timber marketing in general**

<http://www.bmvel.de>

<http://www.dainet.de/forstforum>

<http://www.holzabsatzfonds.de>

<http://www.infoholz.de>

<http://www.holz.de/>

- **certification**

<http://www.fsc-Germany.de/>

<http://www.dfzr.de/>