MARKET STATEMENT 2001
HUNGARY

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Prepared by:

Ministry of Agriculture
And Regional Development
Department of Forestry
Budapest
University of West Hungary
Sopron

Economic Commission for Europe

FOREST PRODUCTS MARKET STATEMENT OFD THE REPUBLIC OF HUNGARY

Macro-economic situation

As a consequence of the general recession characterising the course of world economy last year, as well as of the drop in domestic demand, the dynamics of the industrial production has considerably braked. This braking of dynamics however appeared the more so as the growth in the industrial production showed its highest pace of the past decade just in 2000.
Following an increase of 18.1 per cent in the output of industry in 2000, the corresponding value in 2001 was 4.1 per cent only. The sum of total sales exceeded that of the former year by 4.5 per cent. Much like in the previous years, the growth of production was based on the expansion of export trade, but due to the unfavourable developments in the foreign market the dynamics slowed down.
The GDP per capita in 2001 amounted to 5 095 USD or 5 690 EURO.
In the year 2001 the net average salary of full–time employees expanded by 16.2 per cent, which meant an increase of 6.4 per cent of the real earnings besides a 9.2 per cent increase of price index.
The increase of incomes however showed significant dispersion among the different branches.

General characterisation of Hungarian forestry

The Hungarian forestry authority, with the use of the database of the National Forest Stand Data-bank, has been for many years compiling the annual reports about the forestry activities according to consistent professional points of view.
The data below are taken from the latest report:

Table 1.

	Year 1999.	Year 2000.	Year 2001.
Forested area, th. ha	1 767	1 782	1 798
Growing stock, gross million m^3	323	325	331
Completed regeneration of forests, th. ha	20.8	19.9	20.1
First afforestation, th. ha	8.7	9.8	15.4
Completed afforestation, th. ha	7.9	6.9	7.6
Removals, gross th. m^3	6 901	7 287	7 010
Removals, percentage of annual forest plan potentials	79	79	75

It can be stated that both the forested area and the growing stock are continuously growing.
The increment in standing volume can be explained with the forest area expansion, the under-exploitation of harvest potentials as well as partly with the natural growth.
The state of health of the forestlands in the country, as judged on the basis of defoliation, has not changed on national level in the year 2001.
On the basis of reports from forestland users the rate and area of biotic and abiotic damages has slightly decreased. Decrease of ice break damages was more significant.
As a whole, the competency of forest management in Hungary is of reasonable standard.

Distribution by ownership of the lands of forestry activities is as below:

Table 2.

Forest land owner	Area, th. ha	Share, %
State	1 061	59
Public (municipal etc.)	18	1
Private	719	40
Total	1 798	100.0

Distribution of forestland area by use:

timber production	69.2 %,
protection	28.8 %,
public welfare	1.8 %,
other	0.2 %.

These proportions have slightly changed to the advantage of the protective forests during the last years. Parallel with a slight decrease of the share of productive forests there was an increase of forests of other purposes that can be related to the designation of seed producing stands, forest reservations and their shelter zones.

Removals

In the year 2000. fellings were performed on 92 000 ha, out of which area, some 21 000 ha was harvested, i.e. final cut performed. The removed gross amount of 7.011 million m^3 of timber represents 75 per cent of the sustainable forest plan potentials of 9.348 million m^3. Compared to the last year's data as basis, it means that the amounts of felling decreased by 277 thousand m^3.
The state forestry share companies exploited their felling possibilities at 86 per cent on the average, while forest companies of other ownership structures at 61 per cent only, 2 per cent less than in the last year.

The need for nature conservancy presents itself as a continuing tendency in the management of forests. Currently, 28.8 per cent of the total forested area is protected and this trend puts further limits to timber harvesting.

The state of wood processing industry

The production data in the wood-processing industries in 2001 show an increase, however with a slowing pace. The wood processing industry expanded according to the average growth of processing industries and industry in general. Looking at the details it becomes obvious the heart of expansion is sawn wood production. The manufacturing companies tried to compensate the increase of costs by an increase of production volumes and sales. At the same time the production of wood packing goods, cases, pallets etc. continued to go down.
Despite the boom in the building industry the output and domestic sale of building joinery exhibited a backset, it only showed some extension in the foreign market.
Production of wood-based panels exhibits continuous increase since 1999. However, domestic sales are reducing as a contrast to the increase of export trade.

Preliminary production volumes for the year 2001 based on the reports not yet complete are shown in the table below, and the same are related to numbers of the year 2000.

Table 3.

Product	Production 2000	Production 2001	Index, 2001/2000 %
Removals (net timber volume above cut surface), thousand m^3	5 866	5 634	96.0
Sawnwood, thousand m^3	198	204	103.0
Plywood, thousand m^3	5.3	5.0	94.3
Fibreboard, thousand m^3	60.6	59.9	98.8
Particleboard, thousand m^3	505.3	512.4	101.4
Veneer, million m^2	22.5	22.6	100.4

In the year 2000 there showed up a strong interest for investment in the wood proceeding branch that continued in 2001. However, due to the relative strength of the Hungarian currency and to the decreasing prosperity of the world economy, the indices of investment became less favourable. The most important investments took place in the constructional joinery (56 per cent); panel production was another field of important developments with its 22 per cent share of investments. Sawmilling industry had a share of 15 per cent.

Foreign trade of forest products

As for the volumes of the foreign trade of forest products, figures are unfavourable in summary, when compared to either the previous years' figures or the results of the other branches of national economy. The past years' tendency of slow decrease of forest products' export continued along with a growth of unaltered pace of import. The total value of export of forest products amounted to USD 372.9 million in 2001, which was 1.1 per cent less than in the previous year. At the same time the total value of imports increased by 3.0 per cent. As a result, the active balance of the foreign trade of forest products went down from the former year's 89.9 million USD to 77.2 USD. **The main reason for the decrease of export was the unfavourable foreign trade conditions; at the same time the strengthening of the Hungarian currency did not encourage to increase export either.** The volume of foreign trade of forest products as expressed in HUF shows somewhat more favourable picture. (The table below demonstrates the last year's foreign trade values of forest products for the main categories of products).

As for the structure of the foreign trade of forest products, the positive tendency of a favourable change should be pointed out. Export volumes for panel products and miscellaneous wood products of higher added value increased, while those for wood in the rough and sawn products of less added value decreased. Miscellaneous wood products processed at higher degree continued to be the category of products representing the highest share (45 per cent) within the foreign trade of wood products, followed by a current 21.1 per cent though increasing share of panel products, At the same time, sawn timber products only have a 17.5 per cent share and the export value of wood in the rough (either round or split) sums up to no more than 16.3 per cent.

The import of forest products continued to increase at the same pace as in the previous years. Regarding the shares of the different categories within the overall import volume, that of wood in the rough decreased significantly (to 6.7 per cent); the share of sawn products increased to reach 38.6 per cent. The import of wood-based panels slightly increased (to 31.1 per cent) just like that of miscellaneous wood products to 23.1 per cent.

Looking at the foreign trade in terms of partner countries it can be stated that as regards export, the European Union has a leading share of 76.2 per cent that is slightly diminishing. The 14.6 per cent share of the Central European countries follows this. Miscellaneous wood products is the leading category of export of forest products from Hungary to countries of the EU, followed by sawn products and wood in the rough, while panel products are lagging behind. As in the previous years, Hungary mainly exported panel products and miscellaneous wood products to the Central European countries in the year 2001, the export of sawnwood to these countries was even less than before.

As regards regional distribution of the import of wood products, the tendencies of the last couple of years continued in 2001. The Central European countries are the most important partners with their 55 per cent, ever increasing share. They are followed by the European Union with a 40 per cent, slightly decreasing share. Wood in the rough imported from countries of Central Europe represented the category of least amount. From the European Union, panel products on the first place, miscellaneous wood products, sawn products to less amounts and marginal amounts of wood in the rough were imported to Hungary in 2001.

Foreign trade flows of forest products in 2000-2001.

Table 4.

	2000	2000	2001	2001	Index (2001/2000%)	
	million HUF	million USD	million HUF	million USD	HUF	USD
	EXPORT					
Roundwood	18121.5	65.2	17 036.6	59.4	94.0	91.1
Sawn wood products	22990.3	82.0	18 973.3	65.8	82.5	80.2
Wood-based panels	19716.1	70.6	22 853.6	79.7	115.9	112.9
Miscellaneous wood products	44477.4	159.1	48 277.6	168.0	108.5	105.6
Forest products total	**105305.3**	**376.9**	**107 141.1**	**372.9**	**101.7**	**98.9**
	IMPORT					
Roundwood	9985.8	35.7	5 811,8	20,2	58,2	56,6
Sawn wood products	29761.3	104.9	32 815,0	114,3	110,3	109,0
Wood-based panels	25027.5	89.1	26 239,5	91,5	104,8	102,7
Miscellaneous wood products	15773.3	57.3	19 985,2	69,7	126,7	121,6
Forest products total	**80547.9**	**287.0**	84 851,5	295,7	105,3	103,0
	BALANCE					
Roundwood	8135.7	29.5	11 224,8	39,2	138,0	132,9
Sawn wood products	-6771.0	-22.9	-13 841,7	-48,5	204,4	211,8
Wood-based panels	-5311.4	-18.5	-3 385,9	-11,8	63,7	63,8
Miscellaneous wood products	28704.1	101.8	28 292,4	98,3	98,6	96,6
Forest products total	**24757.4**	**89.9**	**22 289,6**	**77,2**	**90,0**	**85,9**

Price of forest products

In the tables that follow, the components of marketing indices in the year 2001 for the main categories of products and trade are given.

Marketing indices for the year 2001.

Table 5.

Category	Change in return, %			Change in price of production%			Change in quantities and trade flow %		
	Domestic sale	Export	Total.	Domestic sale	Export	Total	Domestic sale	Export	Total
Industrial wood	101,66	81,63	95,66	109,34	98,33	106,04	92,98	83,16	90,21
Fuelwood	99,95	53,73	90,37	106,74	106,45	106,68	93,64	50,47	84,71
Forest products total	101,20	76,97	94,45	108,69	99,69	106,17	93,11	77,21	88,96

Change of price of forest products in the year 2001.

Table 6.

	Price index for 2001, weighted with the data for year 2000, %		
	domestic	export	overall
Veneer logs	**106.9**	**108.2**	**107.0**
Sawlogs, deciduous	111.2	104.2	109.9
Sawlogs, coniferous	107.1	99.3	106.3
Sawlogs total	**112.3**	**113.5**	**112.5**
Roundwood total	**111.5**	**112.8**	**111.7**
Other sawmill raw material	110.2	9.1	109.7
Pulpwood	84.3	92.1	89.5
Chipwood	115.4	87.9	101.4
Industrial wood total	**109.3**	**98.3**	**106.0**
Fuel wood	106.7	106.5	106.7
Forest products total	**108.7**	**99.7**	**106.2**

Certified forest products

The Hungarian Privatisation and State Holding Company (ÁPV Rt.) has implemented, through the support of the European Union' PHARE project, the ISO 9002 quality assurance and ISO 14 001 environment acceptability system at 19 forestry share holding companies.
All these companies have organised the certification of their activities according to the standards mentioned.

These companies perform forest use and management on more than half of the forestlands of the country, representing 90 per cent of state owned forests. Forests under their management represent special national value because they comprise the majority of Hungarian forest reserves. These companies manage 90 per cent of all forest reserves, out of which more then 35 per cent falls under restrictions of nature conservation. At the same time, through the sale of the exploited timber in the domestic and international market, they are active players of the market.
To our knowledge, one of the forestry companies has acquired certification according to the criteria and indicators of FSC, another company is working on becoming certified.

Vision

The situation of the housing industry being decisive for the woodworking industry is changeable. The ambitious programme of building homes as well as other important projects of development initiated by the Government gives new perspectives to the housing industry and, as a consequence, expectations to the woodworking industry. Saw-milling industry may derive benefit of this tendency in the short term and panel industry in the long term.
The same situation may also mean that the import of coniferous roundwood and sawnwood as well as that of wood-based panels probably will increase, but the domestic producers of wood-based panelling and flooring will have an access to a better market too.
It is worth mentioning at this point the rise of prices that can be experienced in the market of mineral sources of energy. An important part of the biological potential of fellings in Hungary could be utilised in the energy market. This is a possibility that worth attention in the case if consumers can be convinced of the use of renewable sources of energy, just like wood. The question today is not primarily a biological and technological one, rather it is related to logistics and financial support.
The significantly increasing encouragement of afforestation from the Government's side is a challenge for the wood-processing industries in the medium and long term.