

FOREST PRODUCTS MARKET IN 2007 AND PROSPECTS FOR 2008 IN ROMANIA

1. General economic trends affecting the forest and forest industries sector

In Romania, the year 2007 represents the sixth consecutive year of economical increment. The preliminary data supplied by the National Institute of Statistics ^{x)} confirms this fact. So, the Gross Domestic Production – GDP increases in real terms, in the first half year 2007 in comparison with the same period of 2006, by 5.8 %. Despite all difficulties caused by the drought, the GDP increasing rate is kept up, though at lower levels in comparison with these initially foreseen. The National Commission of Prognosis estimates for the entire year 2007, an economical increment by 6.1 % and foresees an increment by 6.5 % in the year 2008, the unemployment rate will lie around 4.4 %, and it is foreseen an inflation of 4.5 % for the end of year 2007 and of 3.8 % in 2008.

In the year 2007 it is prognosed an agricultural production of 92 % from the production of year 2006, the contribution of the agriculture to the GDP building decreased, this generating in the first half-year 2007 only 3.4 % from national wealth (3.6 % in the first semester 2006).

An important weight in the GDS building, had in the first semester, the services – with 51.4 % the second placed being the industry with 27.1 %. The construction generated 6.4 % from GDP, and, in accordance with the last estimates of the National Commission of Prognosis for the entire year 2007, will contribute with 7.9 %, in the coming year knowing a steady increment: 10 % from GDP at the level of the year 2010 (under the conditions of a GDP increment rate ranged between 5.7 % - 6.5 %).

National Institute of Statistics – Monthly Statistical Bulletin, nr. 7- August 2007; Official statements Nr. 157, 160, 171, 172-August, September 2007

The industrial production was higher by 6.3 % in the first seven month of 2007 in comparison with the same period of 2006, thanks to the increment by 7.4 % of processing industry. The highest increments were registered in the industrial branches with important weights, out of which: the construction materials manufacturing and of other non – metallic mineral products (+ 25.4 %); the wood processing and wooden products (+ 24.3 %); the pulp, paper and paper products (+ 13.1 %) and the furniture production (+ 10.8 %).

The GDP evolution in the first half-year 2007, from the utilization point of view, underlines a significant increment of domestic demand (+ 12.8 %), and especially of final consumption of individual people dwellings (+ 11.0 %) and of the fixed capital formation (+ 18.6 %), which are net superior in comparison with GDP increment. The investments in new buildings increased by 31.1 %, and these in the machinery (including transport means) accounted an increment by 2.9 % in comparison with the first half-year 2006. In the first six month of 2007, were finished 16,962 dwellings, (94.7 % from private funds), at 30th June 2007 were in various stages of execution 108,917 dwellings, out of which these using the budgetary funds, accounted 9.8 %.

The FOB exports realized in the period 1st January – 30th June 2007, had a value by 4.9 % in lei and by 11.3 % in Euro, higher than the same period of 2006. The CIF imports value for the same period knew an increment by 21.0 % in lei and 28.3 % in Euro. The value of goods exchanges within EU, in the first half-year 2007, accounted more than 72 % from the total exports, respective, total imports.

The trade deficit FOB – CIF in the first half year 2007 was of 32,218 million lei (9,662.5 million Euro), by 11,567.1 million lei (3,813.5 million Euro) more than the corresponding period of the year 2006.

The difference between the dynamic determined basing on values expressed in lei in those expressed in Euro, is the consequence of national currency appreciation in the first half – year 2007, with values which lie within the range of 3.9 % - 9.1 % in comparison with the corresponding period of the year 2006.

The economical analysis carried out at macro-economical level, appreciated that the main indicators and presented trend will not suffer major changes in the forthcoming months.

2.Legislation adopted in the last 18 month, which might have a bearing on trade markets of wood and forest management

In the analysed period, the main characteristic of the activity in the legislation field is the concern for legislation harmonization in Romania with the European laws. In this context, is mentioned:

< *The Law 265 / 2006 regarding the environment preservation.* Together with the measures of interest for the whole economy, as are those regarding the re-technologization of production processes to minimalize or eliminate the pollutant factors, the Law contains, an appart chapter dedicated to forestry, being forseen a better forest fund management through forest preservation plans, forestry arrangement as well as through elaboration of the afforesting strategy and of the program for avoiding the soil erosion.

< *The Romanian Gouvernment Decision 475/2007 for approval of National Plan for R & D and Innovation in the period 2007 – 2013.* Among the objectives of interest for wood market are mentioned:

-the creation of products, processes and technologies and wastes turning into account;

-the scientific substantiation and the development of technologies for preservation, reconstruction and enhancement of biological and ecological diversity;

-technologies for turning into account the energy of biodegradable wastes, as fuel gases or liquids.

The Ministry of Economy and Finances elaborated the operational sectorial Program “*The economical Competitiveness Improvement*”, which answers to the first priority of National Plan of Development 2007-2013: the enhancement of economical competitiveness and economy development based on knowledge, but assures also the premises of economy competitiveness enhancement on long term. The document was approved by the European Commission on the 12th July 2007.

It is ongoing further, the *Program of Products Competitiveness Enhancement*, approved by GD 357/2004. In the year 2006, were finalized the overtake works of the Norms afferent to the Directives 89/106 EC, 98/37 EC and 2001/405 EC.

The employment association in the field, have, further, an efficient contribution to legislation improvement, to supporting the access at informations, as well as the initiation of certain business relationship with domestic and foreign companies.

In the period 27th – 30^{td} June 2007, The Asociation of Romania Forest Rangers, was the host of the *Third Biannual Meeting of Partners within the Frame of COMFOR Project*, financed by EU. The assembly – seminary and work trip – constituted a good opportunity for the 31 participants from 10 countries, to make informations exchange regarding the work ergonomoy, safety and performance in forest exploitations.^{x)}

In this year was established the Employers of Thermo – insulated Joinery Manufacturers.

3.The impulsione factors on the market

-The availability in the country of necessary wood raw materials resources, in proportion of 90 %.

-The products take advantage of increasing domestic market correlated with the forseen improvement of main economic indicators of Romania. The increment of dwellings and officies construction represents a real opportunity for the development of furniture manufacturing companies, and implicitly of raw materials and wood based materials suppliers. The manufacturers shall, but, intensively to preoccupy themselves for products diversification, design improvement, but also for the services asked by the customers before and post - sale.

^{x)} The Association of Romanian Forest Rangers – ASFOR – Informal Bulletin nr. 9 / 2007.

On the foreign market, the Romanian products occupy a traditional share and there are sure possibilities of extension, as for example: the Russian Federation, the neighbouring or near countries. The European currency devalorization led, but, to the lowering of export efficiency, thus forcing many companies to orientate in other ways their production, intended to domestic market. The consequences of these changes will be perceived in the forthcoming years.

-It is an sector for SMM's establishment with low investment costs, which uses local resources and contribute to solving the rural or regional development programs. In actual conditions, when due to the lack of certain opportunities at local level, the migration of work power became a problem of concern, it is justified the establishment of some wood processing enterprises in such zones, actions which could benefit of structural funds through European Union Programs.

The existent production capacities can become more efficient through modernizing and retechnologization actions which will lead to the achievement of competitive products on international market. These actions require imperiously to be intensified also to balance the negative effects of continuous increasing raw materials and utilities prices.

The existence of certain investment projects for environment preservation and regional development .

4.Trends and developments on wood products market

a. Wooden raw materials (logs for conversion, panels and wooden fuel)

In the year 2007, the maximal volume of wooden mass which may be harvested ^{x)} is of 18.5 million m³, out of which 10.4 million m³ from state ownership forest, managed by the National Forest Administration, 2.85 million m³ from forest rangers owned forest, 4.4 million m³ from private owned forest. The calamities from past years as well as the wind fallen trees from July – August 2007, have made difficult the harvesting, skidding from the forest and logs transport.

^{x)} Romanian Government Decision 1548 from 1st November 2006

There were further affected the forest roads, thus being conditions under it is estimated to be harvested only a raw volume of 17.5 million m³ from the wooden mass till the end of 2007, out of which 39 %, respective 6.8 million m³ coniferous. The coniferous share increased from 30 % to 39 % in comparison with the forest management plans, due to wind fallen trees of about 2 million m³ logs which happened pre-eminently above all, within those area.

Despite that there is in discussions a proposal for supplementation of wooden mass put into exploitation in the year 2007, by 1.0 million m³, it is estimated that due to existent conditions, the harvested wooden mass will be maintained within the above stated limits.

To diminish the impact on environment, there are in researching and elaboration “*Solutions of wood exploitation from difficult to access areas and in interaction with the technics of forests cultures*” – research team: The National Institute of Wood, the Institute for Research and Forestry Management, from University Transilvania – Braşov,

Under the conditions when the demands on coniferous sawn timber market remain high, both on domestic market and for export, the netto volume of coniferous logs estimated to be harvested – 4,700 thousand m³ will be used for domestic production, and the export is estimated at about 250 thousand m³. The same situation is valid for the wood needed for panels and pulp, the whole volume being utilized for domestic production and to this adding an report of about 100 thousand m³. It is forssen for year 2007 a volume of non-coniferous logs of 3,900 thousand m³. The exports will not exceed 100 thousand m³. The logs for panels and pulp will be intended in totality to domestic market, the imports being insignificant.

In the year 2008, the maximal volume of wooden mass which may harvested is of 19.5 million m³ raw volume ^{x)}. It is forssen the decrease further of harvested volume by the National Forest Administration (53.3 % from total, in comparison with 60 % in 2007) and the increment of harvested volume from the private owned forests.

^{x)} Provisional data M.A.P.D.R.

The coniferous wood will represent 40 % from total. The domestic market of round timber remains in the same parameters. Under these conditions, there are not foreseen exports of coniferous logs, imports of around 250 thousand m³/year, but the export of non-coniferous logs lies at about 100 thousand m³. The logs intended to panels and pulp production will be also, destined to domestic market, the same destination will have also the timber for other industrial utilizations and the fire wood.

b. Energy from wood and policies for wood energy promoting

The wood wastes consumption in the thermal stations of the enterprises is estimated to lie also in the year 2007 at the quantity of 1,600 thd. m³.

In accordance with Romanian Government Decision nr. 1892/2004, to set the promoting system of electrical energy generation from renewable energy sources in the station with installed power less or equal with 10 MW, were put into operation or modernized till in the present, about 625 steam and hot water boilers for industrial warming based on biomass respectively on wood and wood rests.

In accordance with the proposals of Romanian Agency for Energy Preservation (ARCE), will be encouraged the companies and the citizens to invest in alternative energy sources (among which also the biomass), so that the share of electrical power produced from renewable sources to reach 33 % from national consumption, equivalent to a total of 21.4 TWh.

In the present, the share of electrical energy produced from renewable sources is of 29 % (including the energy generated by the big hydro-electric plants).

c. Certified wooden products

In Romania have been afforded till in the present certificates of forest management in system FSC to 1,124,412 ha of state and private owned forest within the areas of 8 Forestry Branches, and WWF supported the obtaining of the first FSC certificate by a private forest (The Association of Vrancea county Communities – the Forest Range Năruja, Vrancea county) and is preparing the certification the Forest Range Baia Mare; also 30 companies from wood processing field are certified in FSC system.

Obtained in 2005 with a validity of 5 years duration, the FSC certificate is annually monitorized. In the period 2006-2007, were monitorized through *Woodmark*

Soil Association, a number of four Forestry Branches (Pitești, Târgoviște, Neamț, Suceava), being utilized the *Generic Woodmark Standard*, adapted to Romania.

The Informing Centre regarding the Forest Certification, established in the year 2006, develops an intensive activity within the frame of the project for Forest Management improvement, being ongoing by the WWF – The Program Danube – Carpathes in partnership with the company IKEA.

With a monthly traffic of more than 800 visitors from Romania and abroad, the Centre assures through it's web-site www.certificareforestiera.ro, a large information to the users, represents also an information source for foreign companies interested in buying wood or certified products, represents an appropriate advertising source for the companies which want the promotion of a certain product or wish to sustain a credible certification system (Forest Stewardship Council), nearby one of the biggest world-wide NGO's (World Wide Fund for Nature).

d. High added value products

It is maintaining high the share of **furniture production** within the whole wood products output. The industrial production volume increased in the first half – year 2007 in comparison with the first half year 2006, by 10.8 %. The realized export in the same period, in the value of 525 million Euro, shows an increment by 8.25 % and is noticed that 86 % from sales markets for Romanian furniture are within the EU countries. It's estimated that, for the whole year 2007, the amount of sales revenue and the exports value in euro will register an increment by about 8 %, trends which will be kept also in 2008. A significant increase has known the furniture import, of 196 million Euro in the first six month of the current year, estimating an increment by about 20 % of imports value in the year 2007 in comparison with 2006, and the keeping up of increment trend in 2008. The interest in the furniture and Romanian furniture market, ensues also from the great number of participating companies at the Specialty Fair – BIFE – TIMB 2007 Bucharest, which took place between 5-9 September 2007, with a total number of 550 companies out of which 400 Romanian ones and 150 foreign companies, representing 17 countries.^{x)}

^{x)} Informative Bulletin APMR – year XIII, issue nr. 151 – September 2007

During the International Furniture Fair BIFE-TIMB, took place a meeting of social dialog partners from furniture field of the EU member countries.

At the meeting attended: the President of Furniture European Union – UEA, mr. Calixto Valenti, the President of (Furniture European Union) Commission mr. Rodrigo Rodriques, the General Secretary of UEA Furniture European Union, mr. Bart De Turck.

The construction sector in development, affects positively the **production of doors – windows, prefab houses**, estimating also for this sector an increment by aprox. 20 % of the production and 18 % of the export (about 69 % from doors – windows production and 85 % from prefab houses are intended to the export).

The manufacturers of high added value wooden products and especially the furniture and paper manufacturers face further with a series of problems generated by the increasing prices of raw materials and energy. The enhancement of national currency RON in comparison with the Dollar (\$) and Euro (€), led to important losses in the export activity.

So, if the export value expressed in Euro, increased in the first half-year 2007, by 8.25 %, in the same period, the export value expressed in national currency, in comparable prices, represents only 98.7 %, from the value realized in the first six months of year 2006 (at an average appreciation of national currency in the first half year 2007 which reached 8.85 %).

In this background, the main concerns of the decision makers in the field, are the improvement of managing performances and the technological modernizing. In accordance with the Program resulted after the work finalizing “*the Strategy of furniture industry, wooden products, pulp and paper, having in view a more effective utilization of wood resources for the sector competitiveness enhancement*” – Beneficiary: The Ministry of Economy and Finances, elaborators: The National Institute of Wood – INL Bucharest and the Institute of Research and Design for Pulp and Paper – CEPROHART Brăila.

It is mentioned also:

< the elaboration in the year 2007, by the Romanian Association of Furniture Manufacturers – APMR of the “*Strategy for integration within EU of Romanian*

furniture industry in the period 2007-2013” work of a real interest for the over 3,000 enterprises in the field.

< The initiation by INL Bucharest, in collaboration with the National Association of Standardization – ASRO, of some studies to set out the manufacturing criteria and prescriptions of environmental friendly furniture in accordance with the requirements of European and international norms and directives.

e. Coniferous sawn timber

Correlated with the wooden mass put into exploitation, it is estimated for the year 2007, a production of 2,850 thousand m³ coniferous sawn timber and for 2008 a production of 2,950 thousand m³.

Despite the demands on domestic market will increase the export level remains high (1,700 thousand m³ in 2007 and 1,750 thousand m³ in 2008) – Further it remains high the demand for coniferous sawn timber on domestic market and for export. thus contributed in great extent, to sale price increment both of the logs and of the sawn timber. It shall be taken in to account also other facts: the utilities price increment, the poor equipment of some small mills which in the future will be either closed or re-equipped with modern machinery in order to face well the competition from quality and prices point of view. The product will be analyzed within a large research work titled “The elaboration and implementation of a criteria and quality systems for the products of wood exploitation and processing, in accordance with the European performance requirements, which will be carried out by the National Institute of Wood – Bucharest in collaboration with the University Transilvania – Braşov, having dead line the year 2009.

f. Non-coniferous sawn timber (temperate and tropical)

The non-coniferous sawn timber products of 1,900 thousand m³, shows in 2007 an increment by 2.7 %, on comparison with 2006 and it is foreseen an increment in 2008 to 1,950 thousand m³. To assure the domestic consumption, the export during the entire period will account for about 40 % from total production.

There are not foreseen significant imports.

g. Wood-based panels (particle boards, hard fibre boards, MDF, OSB, plywood)

Plywood – The domestic consumption is foreseen to reach the value of 70 thousand m³/year in the period 2007 – 2008 . Under the conditions when the import is estimated to reach 35 thousand m³/year, there are premises for an yearly export of 100 – 105 thousand m³ in the years 2007 – 2008, from a domestic production of 135 thousand m³ in 2007 and 140 thousand m³ in 2008.

There are not planned new capacities or modifications of existent capacities.

Veneer: after the increment registered in the production volume in the year 2006, 73 thousand m³ in comparison with 57 thousand m³ in 2005, it is estimated minimal increments in the year 2007 – 2008, respectively 75 and 80 thousand m³, corresponding to the existent production capacities. Under these conditions, the import will not exceed the volume of 25 thousand m³/year, from which 10 thousand m³ represent tropical species veneer. For 2007-2008 it is foreseen an export of 60-62 thousand m³/year.

In the field of **wood particle board and fibre boards**, the group Kronospan Sebeş, is further the leader. It is estimated for this year that the **particle boards production (PAL)** will increase by 21 % in comparison with 2006 – e.g. 811 thousand m³ in comparison with 668 thousand m³.

The values registered in the first seven monthes, allow t0 forsee for the entire year 2007, an import of 490 thousand m³ and an export of 465 thousand m³, the domesting consumption being around the value of 830 thousand m³. The modernizing of the particle boards line of Sebeş, will assure, in the year 2008, the production increment till 850 thousand m³/year.

In the year 2007, started the works to a particle boards installation with the capacity of 2,000 thousand m³ in Dorneşti – Suceava county, being an investment of the company EGGER – Austria. It is planed the putting in to operation in the early monthes of the year 2008. The company guarantees that the new production unit, equipped especially with production lines Siempelkamp, will be the most environmental friendly particle boards plant in Europe. The company Egger will purchase wood wastes from sawn mills, sawn dust and poor quality timber sourcing from a areas of 300 km around the Rădăuți town.

It is foreseen an enhanced increment of **OSB** used in constructions, thus leading to the imported quantities increment: 120 thousand m³ in 2007 in comparison with 75 thousand m³ in 2006. In the same time it is foreseen an investment also in Romania. The company ALPSTRAT-ALPROM in Pitești plans to built an OSB plant with a capacity of 100 thousand m³ and putting it into operation in the year 2009.

The production of **wood fibre boards**, of 444 thousand m³, total foreseen for 2007, knows an increment of more than 30 thousand m³, through a production achievement of 350 thousand m³/year in the MDF plant Sebeș. It is estimated a total export of 350 thousand m³, out of which 290 thousand m³ MDF (85 % from MDF production) and an import of about 395 thousand m³, this leading to an apparent consumption increment to 489 thousand m³. Because there are not foreseen modifications of productions capacities, the situation remains the same also in the year 2008.

h. Paper and pulp

In accordance with the Program of the sector development, were continued the modernizing actions of paper machines, with the target of quality improvement and the alignment at the world costs.

During this year, was put into operation the modernized paper machine tissue , from PEHART TEC Petrești, reaching a capacity of 20,000 t/year, and at the company CELHART DONARIS Brăila, the paper machine nr. 1 (which processed paper for printing writing) was reconverted for paper processing for corrugated boards, at a capacity of 70,000 t/year. For this capacity, was put into operation also a new line for spoilt sheets processing (60,000 t/year), the pulp installation producing only natural cellulose. Under these conditions, it is estimated that the pulp production will reach an increment by 21.6 % in 2007 and by 33.8 % in 2008, in comparison with the year 2006.

The paper and paper boards production will increase by 14.5 % in 2007, respective by 31 % in 2008, in comparison with the same reference year 2006, reaching 515 thousand m³ in 2008. The paper and paper boards export will not show significant increments. The import will be kept at high levels, assuring more than 50 % from the domestic consumption.

5. Tables

Forest products production and trade in 2005, 2006, 2007 and 2008