Metsä2013 Joint session of the ECE Committee on Forests and the Forest Industry and the FAO European Forestry Commission

Market developments in Turkey

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Main economic indicators and trends

- Turkish economy is the 17th biggest economy
- Economic growth is quite high with 5,1% average GDP growth in last 10 years in spite of adverse effect of global economic crises
- Strong banking system, low budget deficit (0,3 % of GDP) and low public debt (36% of GDP) are strengths
- High payment deficit is the main weakness
- Economic recovery slowdowned, after strong recovery witnessed in 2010 and 2011 by 8.9% and 8.5%
- GDP Growth in 2012 and the first half of 2013 are 2,2% and 3,7%
- Overall picture of construction and furniture sectors look strong
GDP Growth rates

<table>
<thead>
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<th>Year</th>
<th>Annual GDP Growth rates</th>
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<tbody>
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<td>2003</td>
<td>5.3</td>
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<td>2004</td>
<td>9.4</td>
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<td>2005</td>
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<td>2006</td>
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<td>2007</td>
<td>4.7</td>
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Despite moderate increase of building number,

Dwelling unit number and floor area are increasing rapidly

This means taller buildings larger dwellings

Changing construction techniques and multistorey buildings cause less wood usage
Furniture sector

- Furniture sector, the most important area for wood products consumption, has been growing fast since 2000.
- Rapid growth of the sector thanks to strong domestic demand and dramatic increase of export.

[Graph showing wood furniture export and import values from 2000 to 2012.]

- Export and import values in million dollars.
• 76% of demand met by public production
• Most of private production is made from poplar plantation in agricultural land
• Import amount and its share are decreasing as a result of taxation and other restrictions
• 9.6 mil. ha allocated for wood production out of 21.7 million ha public forest
• Annual increment is quite higher than felling
• There is quite big potential for additional felling
Industrial roundwood production doubled in last decade

- Strong demand by panel industry
- Satisfying price
- Policy priority of GDF

Ambitious strategic plan targets (20 mil m³ ind. wood and 5,8 mil m³ fuel wood production in 2017)
• Roundwood prices are relatively high
• General trend of prices is flat,
• Sawlog price is slightly downward
• The price fall in 2013 is mainly caused by oversupply
Pine sawlog monthly auction sales and prices

Price TL.

Amount (1000 M3)

Unsold Sold Price

2009…

2010…

2011…

2012…

2013…

Şubat Mart Nisan Mayıs Haziran Temmuz Ağustos Eylül Ekim Kasım
Wood industry

- Wood industry is composed of too many enterprises (23,830) employing 118,000 workers.
- The industry is being consolidated.
- The development performance is well over than manufacture industry in terms of turnover, production value, and value added.
- Development performance and potential of wood-working industry branches are significantly different from each other.
- Particle board, fibre board, pallet, and other packaging equipment production have increased strongly in recent years, but massive parquet, sawnwood, and plywood branches witnessed serious problems.
Production capacity of particle and fibre board industry

Beside new investments, renovation and capacity expansion continues apace, especially in fibreboard branch.
Particle and fibre board production and consumption

Production increased paralleling investments

The increase of fibreboard production is more striking, by 500% rise
• Sawnwood production showed flat trend between 1993 and 2001
• Since 2002, production and consumption have been increasing depending on increasing pallet and packing equipment demand
• The increase of consumption is more visible
• Hard sawnwood market seems to contract
Turkey is net importer of wood products in total.

Export value is lower than half of import.

Turkey is net importer of wood products in total. Export value is lower than half of import.
• Turkey is net importer of roundwood, sawnwood and plywood
• but exporter of secondary processed wood products
• Import increase of chips and sawnwood is very sharp
• Chips import rise to 3 million mt. in 2012 from 50 thousands in 2002
• Import and export balance changed absolutely in last decade

Major reasons are;

• High cost of domestic production including taxation and transport

• Decrease of sawlog import depending on restrictions

• Demand for high quality sawlog

![Graph showing trade of wood products](image)
Wood Energy

- In spite of incentives for energy generation from wood, there is no substantial investment yet.
- The competitive and politic strength of panel industry beside concerns about wood raw material availability are main factors discourage investments.

Woodpulp

- Four plants closed in last decade because of insufficient competitiveness and hard global market conditions.
- Only one is working with 75,000 mt production.
- Paper and paper board production, consumption and import increase significantly.
Total certificated forest area is 1.8 million hectare and certification process is continuing in another 0.68 million ha forest area.

Felling from certificated forest is 2.4 million m³, equal to 15% of total felling.

All certifications are by FSC.

National certification scheme (PEFC) is being developed.
Considering the increase of construction permits and high performance of furniture sector, slightly market recovery can be expected for 2014, but European market conditions and political instability in middle east will be determining factors.

- Capacity expansion of panel industry likely to continue but at lower speed. Possible investment in wood energy and cheaper good import are main threats.

- The rapid increase of roundwood production from public forest likely to continue.

- Slight price rebound is forecasted in 2014.
Conclusion and prospects of

THANK YOU FOR YOUR ATENTIONS

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