THE NETHERLANDS
NATIONAL MARKET REPORT 2003

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Institute for forestry and forest products, SBH
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Ministry of Economic Affairs
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1 GENERAL ECONOMICAL OVERVIEW OF THE NETHERLANDS

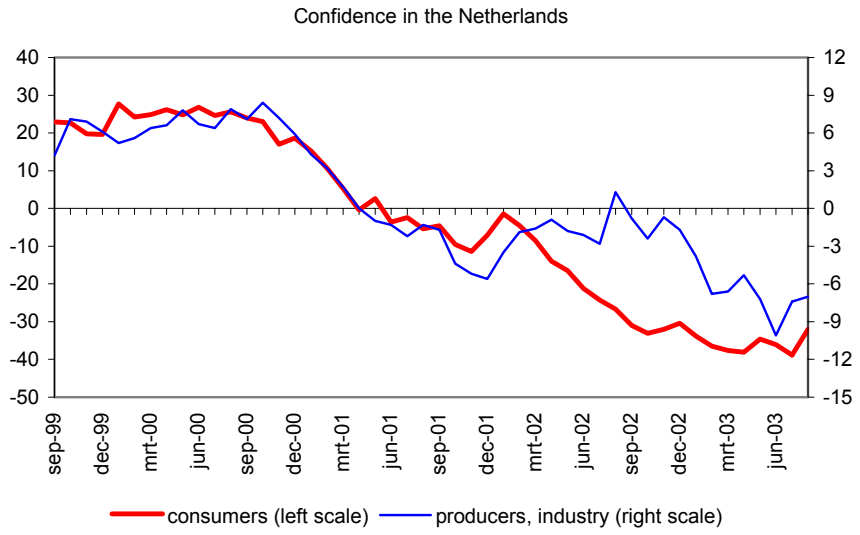
- The Dutch economy is currently in the middle of the deepest downturn since the early 1980's. GDP growth dipped in 2001 (q-o-q) and again – more severely - in the last quarter of 2002 and the first two quarters of 2003. Most forecasts show growth picking up in the second half of 2003, following a pick-up in world trade led by the recovering US economy. Expectations for the Netherlands are 0% growth in 2003: the lowest figure since 1982 and the lowest in the EU. Growth is expected to recover to 1% in 2004.
- Although a gradual recovery had been expected to take shape during 2002, it failed to materialise. Slower than expected world-wide economic growth, declining stock markets, confidence, business profits and export competitiveness are the prime causes for the weaker than expected Dutch performance. Although a mild recovery is foreseen from the second half of 2003 onwards, realisation data do not show clear signs of this yet.
- Export growth declined sharply as a result of the global economic slowdown in 2001. Although exports are expected to lead the way towards revival of the Dutch economy - following the expected recovery of world trade growth - export growth is hampered by the declining competitive position of the Dutch exposed sectors in terms of unit labour costs. The slow downward adjustment of contract wages, but also rising pension contribution rates and waning productivity growth contributed to the increase in unit labour costs. Vis a vis non-Euro competitors, the recent strengthening of the Euro has worsened this development.

Table 1
Key figures Dutch economy, recent forecasts CPB

Change in %, unless otherwise specified	**2002**	**2003**	**2004**
GDP	0,2	0	1
Private consumption	0,8	0	¾
Government consumption	0,8	¾	0
Private gross fixed investment (excl. housing)	-5,9	-3¾	-¾
Exports of goods	0,0	1	5¼
Imports of goods	-1,1	1½	4¾
Production, market sector	-0,7	-¾	1¼
Consumer Price Index (inflation)	3,5	2	1½
Compensation per employee, market sector	5,0	4	2½
Productivity, market sector	0,1	1¼	2¾
Unit labour costs, manufacturing	4,6	¾	-2
Labour income share, market sector, level in %	84,9	86	84¾
Employment, whole economy	0,2	-1¼	-¾
Employment, market sector	-0,8	-2¼	-1¾
Unemployment, level, % labour force	3,9	5½	7
EMU-debt, level in % GDP	52,4	53,5	54,4
EMU-balance, level in % GDP	-1,6	-2,4	-2,4

Sources: CPB, Mev2004

- Private consumption growth remained positive during 2002 - although the growth rate was much lower than in the period 1998-2000, when consumption was boosted by rising housing and equity prices. The second quarter of 2003 however, has seen consumption decline by 1,2%. Especially the rapid rise in unemployment (from 3,9% in 2002 to 7% in 2004) is expected to adversely affect disposable income and consumption. Consumer expenditures are thus forecast to improve only slightly during 2003 and 2004, following a gradual recovery in confidence and stock markets.



- Business investment growth (excluding housing) turned negative in 2001, following a decline in output and business profits and is expected to stay negative throughout 2003 and most of 2004, thus declining by almost 12% in four years. This decline is the result of lack of demand, following a period of mostly by debt financed excess-investment in the late nineties. The resulting slack in production capacity and deterioration of corporate financial positions requires substantial restructuring, which is currently under way, but my no means finished. In the second quarter of 2003, industrial production and capacity utilisation where still shrinking and although profits seem to be recovering, this has thus far been achieved mostly by means of cutting employment and postponing investment, not by increasing turnover.
- Dutch inflation continues to decline towards the Euro-average and is expected to reach 2% this year and 1¼% in 2004. Recent realisation figures are not available due to revision of data.

2 POLICY MEASURES INFLUENCING TIMBER TRADE AND MARKETING

a. Flora and Fauna Law

Since 1 April 2002 the Dutch government introduced a new law partly based on the European Bird Guideline. One issue that is touching the forestry sector now, is the penalization when disturbing birds. Consequence of this legislation was that last year and also in 2003 harvesting operations in Dutch forests were closed down and different arrests were made against forest owners. The forest sector has launched a good practice guide how to act sound in forest management operations. Initiatives taken by the Ministery of Agriculture hopefully will result this year in an amendment of the law to allow standard forest operations.

b. Woody biomass for energy

The Dutch government is stimulating use of biomass for electricity production. Electricity producers has made a covenant with the government to replace 3 Mton coal by biomass to reduce CO2 emissions. So far wood is main raw material (waste wood, industrial rest wood and forest wood). The traditional wood working industry is worried about the effects of these developments in Europe (see CEPI studies) on the wood market.

3 DEVELOPMENTS IN DUTCH FOREST PRODUCTS MARKETS SECTORS

a. Wood energy

The Dutch government aims to produce 10% renewable energy by the year 2020, of which bioenergy will constitute 4.4%. At present, less than 1% of the total national energy consumption comes from renewable sources. The Dutch energy sector uses about 550 PJ per annum for heating and electricity, which corresponds with the energy contents of approximately 100 million tonnes of wood. *The target of 10% renewables means for the energy sector the conversion of 10 million tons of wood per year*, which is quite substantial, given the total wood harvest capacity of Dutch forests of 1,5 million tons per annum. Most of the harvested wood is dedicated to the traditional wood processing industry in The Netherlands, which relies, to a very large extent, on timber imports. In principle, the left-overs, i.e. the industrial wood residues, can be used for bio-energy. Biomass from conventional forests at present amount only 20.000 odt per annum.

b. Round wood

In 2002 the removals in the Dutch forests reached the level of 0.7 million m^3 industrial round wood under bark, somewhat less compared with 2001. There was a rather strong decrease of 20 % for saw logs and an increase of pulpwood.
In 2002 there was a strong increase in the export of industrial round wood, it nearly doubled up to 0.42 million m^3 and was about the same as the import of industrial round wood.
There is an overall tendency in Dutch forestry for decreasing interests in wood production and harvesting. Main reason is the growing interests for nature conservation.

c. Illegal wood

The certification discussion goes more and more direction illegal logging. The Dutch NGO's published different studies on illegal logging in Cameroon and Indonesia addressed to Dutch wood trading companies. They also studied how the Dutch should prevent the import of illegal wood in relation with EU policy in discussion (FLEGT). The NGO's had taken the initiative to organize a meeting in London on 4 September 2003 how to prevent financial input in illegal logging. Both environmental organisations and international banking organizations were invited.
The Dutch Timber Trade Organization has set up this year a new code of behaviour to prevent import of illegal timber by her members and to stimulate the trade of certified wood products.

c. Certified forest products

Goal of the Dutch government is to realize 25 % certified wood on the Dutch market in 2005. In April 2003 an adapted draft of the Act on mandatory labelling of forest products (sold in the Netherlands) with red and green labels was submitted to the Dutch Parliament. Main amendment requested by the Upper House of the Dutch Parliament in July 2002 was the removal of the red label. Moreover the new draft has been rewritten to present basic legislation for the development of an Assessment Guideline for the introduction of sustainable produced wood products on the Dutch market. This change has resulted in an additional article in which criteria in the Guideline should be at least equal to the FSC criteria. Other objections made by the

forest industry sector are still European trade barriers. The new draft will be treated in Parliament in September 2003. Dutch politicians have requested our government to support and stimulate the use of certified wood and wood products.
In the beginning of 2002 the Dutch government took the initiative to set up an Assessment Guideline for certified wood products based on the Dutch minimum standards for sustainable forest management. Voluntary accepted wood and wooden products will get an extra Dutch label. A draft guideline has been developed now and will hopefully be accepted by both the NGO's and the industry. The draft will be assessed in different pilots during the autumn of this year.

The most recent monitoring for the use of certified wood in the Netherlands has been made for FSC products in 2001. 470.000 m3 rwe was available as FSC wood, about 7 % of total use of construction wood. In fact 200.000 m3 rwe was brought on the market with a FSC label that is about 3 % of total use of construction wood. Available volume for 2003 is estimated on 600.000 m3 rwe.
By Keurhout in 2002 25.000 m3 sawn wood was labelled , of which 95 % was tropical hardwoods from Africa.

e. Sawn softwood

The slowdown of the economy that became apparent in 2001 continued in 2002. Investment in general declined in 2002 with 3 % and the investments in buildings declined on average even more (residential: -3.%; non-residential -4%). The demand for products of the timber industry also suffered. As a consequence the consumption and the import of sawn softwood in 2002 declined with the same percentage as in 2001 (13 %) and will probably decline some more in 2003.

Table 2
Key facts of the Dutch sawn softwood market

	1995	1996	1997	1998	1999	2000	2001	2002
				X 1000 m3				
Domestic Production	200	186	223	196	203	247	168	149
Net Imports	2323	2413	2413	2658	2629	2770	2450	2229
Stock Change	-46	-50	-50	25	-68	-25	-25	-91
Apparent Consumption	2569	2649	2686	2829	2900	3042	2643	2287

Sources: National Statistics (CBS) / Netherlands's Timber Trade Association (VVNH)/ SBH

f. Sawn hardwood

In the hardwood market we see the same reduction. For the last two years import and consumption shrunk with about 30 % both for tropical hardwoods as for European hardwoods.
For the Dutch sawmills the situation became even more worse. Disappeared during 2001 only small-scaled sawmills, last year also middle sized sawmills have to be shut down. This development concerns both softwood and hardwood mills.

Table 3
Key facts of the Dutch sawn hardwood market

	1995	1996	1997	1998	1999	2000	2001	2002
				X 1000 m3				
Domestic Production	227	176	178	153	159	143	100	109
of which tropical	49	41	40	40	45	40	23	25
Net Imports	497	503	465	468	542	634	532	431
of which tropical	330	330	346	276	315	405	327	277
Apparent Consumption	724	679	643	621	701	777	632	540
of which tropical	379	371	386	316	360	445	350	302

Sources: SBH, National Statistics (CBS)

g. Pulp and paper

Table 4
Fibre furnish of the Dutch paper and board industries

	1995	1996	1997	1998	1999	2000	2001	2002
				X 1000 m3 round wood equivalents under bark				
Roundwood	167	143	144	157	160	171	165	159
Chips	138	106	110	130	135	137	170	160
Market pulp	2,602	3,101	3,401	3,411	3,127	2,658	2,856	2,935
Recovered paper	6,886	6,845	7,478	7,365	7,719	7,846	7,540	7,710
Total fibre input	9,793	10,195	11,133	11,063	11,141	10,812	10,731	10,967

Source: SBH, VNP

In 2002 the Netherlands' economy grew by 0.1%, whilst the European economy grew by 0.6%. During the past year the 4.0% rate of inflation in the Netherlands was excessively high in comparison with the average for the EU (2.0%). After the marked decrease in output (-5%) in 2001, last year the production of the paper and board industry returned to the level of the year 2000. In 2002 we produced 3.3 million tonnes of paper and board (+5%). In spite of the recovery of the production in 2002, the sector's
turnover nevertheless decreased by 0.5%. During the past five years the total output grew by 5%, an increase which fell short of the growth during the same period in Europe (8%). The pressure imposed on Dutch exports to Germany is a factor of importance to the production figures; during the past five years exports to Germany fell by 12%. The increased production of packaging materials (+9%) accounts for much of the increase in the Netherlands' production of paper and board. The output of graphic paper for magazines and newspapers has not yet recovered from the loss in 2001; the advertising market is still in a dip. The production of tissue has not exhibited any major fluctuations.

The development in the Dutch paper and board industry is given in table 5.

Table 5
Recent developments of the Dutch paper and board industries

	1995	1996	1997	1998	1999	2000	2001	2002
Production:								
Thermo-mechanical pulp (integrated)	24.2	-19.1	9.6	-8.8	11.0	16.0	-2	-9
Newsprint	16.2	-6.3	10.4	-7.0	8.0	10.0	-4	-10
(Other) graphic papers	-9.3	2.7	4.9	0.0	2.0	3.0	-17	-5
Case materials	-0.8	5.1	2.8	2.0	8.0	0.0	-5	+14
Wrappings upto 150 gsm	-12.0	7.1	11.6	-3.0	17.0	-8.0	-5	+2
Folding boxboard and other paper & Board for packaging	1.0	-1.4	6.9	4.0	2.0	2.0	-1	+5
Sanitary & household	-3.7	-1.3	6.1	0.0	14.0	-8.0	-3	-1
Total paper & board	-1.4	0.7	5.7	1.0	2.0	2.0	-5	+5
(Turnover [million Euro])	1.971	1,744	1,868	1,923	1,960	2,300	2,197	2,187
Price change of production of paper and board industries	12.7	-5.5	-1.25	2.75	n.a.	n.a.	n.a.	n.a.

Source: VNP

Table 6

Forest production and trade in 2002, 2003 and 2004

Product Code	Product	Unit	2002	Esti- 2003	Fore- 2004
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m^3	321	300	300
	Imports	1000 m^3	111	125	125
	Exports	1000 m^3	164	175	175
	Apparent consumption	1000 m^3	268	250	250
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m^3	77	75	75
	Imports	1000 m^3	26	25	25
	Exports	1000 m^3	16	15	15
	Apparent consumption	1000 m^3	87	85	85
1.2.1.NC.T	of which, tropical logs				
	Imports	1000 m^3	50	50	45
	Exports	1000 m^3	10	5	5
	Net Trade	1000 m^3	40	45	40
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS				
	Removals	1000 m^3	122	125	125
	Imports	1000 m^3	239	200	200
	Exports	1000 m^3	117	125	125
	Apparent consumption	1000 m^3	244	200	200
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m^3	67	75	75
	Imports	1000 m^3			
	Exports	1000 m^3			
	Apparent consumption	1000 m^3			
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES				
	Domestic supply	1000 m^3	Un	Un	Un
	Imports	1000 m^3	635	700	700
	Exports	1000 m^3	326	325	325
	Apparent consumption	1000 m^3			
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m^3	79		75
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m^3	37		40
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m^3	0		0
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m^3	136		135
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m^3	149	150	150
	Imports	1000 m^3	2.455	2.300	2.250
	Exports	1000 m^3	220	220	220
	Apparent consumption	1000 m^3	2.384	2.230	2.180
5.NC	SAWNWOOD, NON-CONIFEROUS				

Product Code	Product	Unit	2002	Esti- 2003	Fore- 2004
	Production	1000 m^3	109	110	110
	Imports	1000 m^3	567	530	520
	Exports	1000 m^3	136	135	135
	Apparent consumption	1000 m^3	540	505	495
5.NC.T	of which, tropical sawnwood				
	Production	1000 m^3	25	25	25
	Imports	1000 m^3	383	360	350
	Exports	1000 m^3	106	100	100
	Apparent consumption	1000 m^3	302	285	275
6.1	VENEER SHEETS				
	Production	1000 m^3	11	0	0
	Imports	1000 m^3	25	35	35
	Exports	1000 m^3	12	10	10
	Apparent consumption	1000 m^3	24	25	25
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m^3	9	0	0
	Imports	1000 m^3	8	20	20
	Exports	1000 m^3	10	10	10
	Apparent consumption	1000 m^3	7	10	10
6.2	PLYWOOD				
	Production	1000 m^3	2	0	0
	Imports	1000 m^3	541	505	495
	Exports	1000 m^3	43	50	50
	Apparent consumption	1000 m^3	500	455	445
6.2.NC.T	of which, tropical plywood				
	Production	1000 m^3	2	0	0
	Imports	1000 m^3	226	230	230
	Exports	1000 m^3	27	30	30
	Apparent consumption	1000 m^3	201	200	200
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	624	580	570
	Exports	1000 m^3	66	70	70
	Apparent consumption	1000 m^3	558	510	500
6.3.1	of which, OSB				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	112	120	125
	Exports	1000 m^3	7	10	10
	Apparent consumption	1000 m^3	105	110	115

6.4	FIBREBOARD

Product Code	Product	Unit	2002	Esti- 2003	Fore- 2004
	Production	1000 m^3	**10**	**10**	**10**
	Imports	1000 m^3	**441**	**410**	**400**
	Exports	1000 m^3	**134**	**130**	**130**
	Apparent consumption	1000 m^3	**317**	**290**	**280**
6.4.1	**Hardboard**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**98**	**100**	**100**
	Exports	1000 m^3	**25**	**25**	**25**
	Apparent consumption	1000 m^3	**73**	**75**	**75**
6.4.2	**MDF (Medium density)**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**230**	**215**	**210**
	Exports	1000 m^3	**70**	**70**	**70**
	Apparent consumption	1000 m^3	**160**	**145**	**140**
6.4.3	**Insulating board**				
	Production	1000 m^3	**10**	**10**	**10**
	Imports	1000 m^3	**114**	**105**	**105**
	Exports	1000 m^3	**39**	**40**	**40**
	Apparent consumption	1000 m^3	**85**	**75**	**75**
7	**WOOD PULP**				
	Production	1000	**132**	**140**	**140**
	Imports	1000	**1.055**	**950**	**950**
	Exports	1000	**160**	**300**	**300**
	Apparent consumption	1000	**1.027**	**790**	**790**
10	**PAPER & PAPERBOARD**				
	Production	1000	**3.346**	**3.200**	**3.200**
	Imports	1000	**3.344**	**3.450**	**3.450**
	Exports	1000	**2.844**	**3.000**	**3.000**
	Apparent consumption	1000	**3.846**	**3.650**	**3.650**