

FOREST PRODUCTS MARKET IN 2003 AND PROSPECTS FOR 2004 IN ROMANIA

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

The first half year 2003* confirmed the trends in economy, outlined in the previous year. Industrial output presented in absolute volume an increase and in consequence also of gross added value in the industry (+3.6 %), construction works (+6.4 %), services (4.0 %), with a contribution of 83.9 % in Gross Domestic Product, determined the increase of G.D.P. by 4.3 % in the first six month 2003, compared with the same period of the previous year. Because of the unfavorable climate conditions (drought) in the agriculture, forestry and fish breeding, the gross added value presented a decrease by 0.6 %.

The economy growth stimulated the people consumption and the investments. From point of view of G.D.P. utilization, the final total consumption presented an increase by 5.0 %, compared with the same period of previous year; the net final consumption of the people dwellings increased by 5.4 %, while the public administration consumption presented an increase by 0.5 %.

In this context, the other indicators have been also improved. Comparing the achievements of the first half-year 2003 with those of the same period of the previous year, it results:

- ◆ the increase of investments in national economy by 6.9 %. From the total investments, the new construction works (41.8 %) are increasing by 3.9 %, and the investments in machinery and transport means (47.7 % from total) exceeded by 13.8 % the level of the first six month of previous year. The investments in the private sector represented 65.1 % from total and were directed, mainly to machinery and transport means purchase;
- ◆ the increase of construction works by 5.5 %; out of which 90.4 % represented works in the majority private ownership;

*) National Commissions for Statistics – Press official communicate no. 47 from the 8th September 2003

- ◆ the increase of dwelling units under execution. In the first half year it were accomplished a number of 9691 dwellings (77.4 % from private funds) and on the 30th June 2003, there were in various construction stages, 85097 dwellings, out of which about 40 % being in final stage.

As consequence of more accentuate growth of goods and services imports (+13.1 %) in comparison with the good and services exports (+11.3 %), the net export in the first six month of 2003, was negative.

The special preoccupation for increasing efficiency in the industry covered with actions intended to new work places provision, determinate an unemployment rate lower than the rate recorded in 2002, at the end of July 2003, that being 6.9 % (9.2 % in July 2002).

The economic surveys at macroeconomic level, appreciated that the main indicators and the envisaged trends will not change significantly in the next month. The G.D.P. will record in 2003, a growth by 4.8 % and the inflation will be of 14.6 %.

2. Trends and developments in forest products market

The wood-working industry recorded in the period 1.I.2003 – 30.VI.2003, a growth by 17.8 % compared with the same period of the previous year*. The start up of some important capacities in the previous years, changed the configuration of production and trade of wood and wooden products, evidencing the reduction of export volume for sawlogs (the level of 2000 represents for this product a peak which can be hardly reached despite that with the beginning of 2002 there are no restrictions for exports anymore), and also the entering of Romania on the international market with new products, significant, for example, being the M.D.F.

A. Value-added forest products and engineered wood products

In the wood industry as a whole, it is ascertained a high share of furniture industry (45.5 % from the total production in the first six month 2003), the developments and trends following to secure a growth of this production to a level of 50 % from aggregate production of wood industry. In the first half of 2003, from the total export of wood and wooden products, the furniture exports in value of 348.3 million EURO in increasing trend by 5.3 % compared with the same period of 2002, represented 44.8 % and it is envisaged the keeping steady this share to the end of 2003**.

*) Ministry of Economy and Trade

**)The Review “Furniture” – edited by the Romanian Furniture Manufacturer Association, no. 2-3/2003.

The structure of furniture production required by the market, involves, more and more, the utilization of massive wood panels. Those production increased by 39.6 % in the first half-year 2003, in comparison with the same period of previous year. Interesting is to notice that this product is manufactured both by specialized producers and the furniture producers with tradition in the field, which, so, reevaluate the rests of massive wood resulted from anterior processing.

The housing construction sector has influenced the doors – windows and parquet production that is increasing in the first month of this year, by 49.7 %, respectively by 9.4 %, there being an increased demand both on domestic market and for export. The export of doors – windows and panels for parquetry registered in this period a growth of 38.6 %, keeping steady also the imports level from previous years. The sector of prefabricated buildings with an estimated production in 2003, of 40 thousand units, registered in the first half – year, a production growth by 66 % and of export by 37.3 %.

The paper and paperboard sector remains further dependent of imports. It is estimated for the first half – year an amount of imports that exceeds with 164.1 million USD the exports. There is envisaged changes in the production structure of this sector, as consequence of investments concluding, with deadline the year 2003:

- ◆ machine for sanitary papers manufacturing from deinked old papers, capacity 30 thousand tons/year, investment of the Company Perrini at CONCEH Călărași;
- ◆ installation for pulp from old papers for news-print paper production, capacity 40 thousand tons/year, investment at LETEA Bacău.

B. Certified forest products

Within the Project FAO – TCP – ROM / 6612, concerning the implementation of Strategies for Forestry Development in Romania, the activity in respect of implementation of forests certification system in accordance with F.S.C. norms, resulted as a first step in the certification of forests covering an area of 31600 ha in two forest districts under the control of National Forest Administration. This activity will continue, having in view the certification in the final stage of 1.0 million ha. Therefore, the NFA concluded with Woodmark Soil Association, a contract for forest certification on a 1 million ha located within the areas of 8 Forestry Regional Districts. At the same time, it have been initiated actions also for certification of private forests. In the first half of the year, were evaluated for the certification by the Smartwood, three Private Forestry Districts. Another action of high interest for wood industry companies is the certification of “Chain of Custody” (CoC). In anticipation of the first forest management certification, in 2001 were evaluated CoC, two foreign investors.

At the end of 2002, there were certificated four companies and other seven companies are in evaluation stage in order to obtain CoC^{*}.

C. Sawn softwood

Following the growth recorded for harvesting, the production of coniferous sawnwood estimated for 2003, reaches 2600 thousand m³ and for 2004 will reach only 2450 thousand m³.

Despite the increase of demands on domestic market, the export level remains high (1850 thousand m³ in 2003 and 1600 thousand m³ in 2004), representing this year 71 % of total production and 65 % of the total production in 2004.

D. Sawn hardwood

The production of deciduous sawnwood recorded in 2003 an increase by 8.2 % compared with 2002, and foresees an increase also in 2004 to a volume of 1700 thousand m³ (+9.6 % compared with 2003). In order to secure the domestic consumption estimated be about 950 thousand m³/year, the exports along the whole period will amount to 45 % of the total production.

E. Wood – based panels

In this category, will not be foreseen important changes in the volume of production and domestic consumption of *plywood*. It will reach 90-94 thousand m³ production in 2003-2004, respectively a domestic consumption 31 thousand m³. Under these terms is expected an export in equivalent with 80 % of production volume and the keeping steady the imports volume at 13-12 thousand m³.

The veneer sheets indicates a development of the production by putting into service, in 2003, of a factory with 12 thousand m³/year capacity, being an investment of the German Company Blomberger Holzindustrie at S.C. CILDRO in Drobeta Turnu Severin. In 2004 is estimated a production of 40 thousand m³ veneer, an export of 26 thousand m³ and the keeping steady the import level at 19 thousand m³, securing in this way a domestic consumption of 33 thousand m³ veneer.

The investments done in the last years, provided a significant increase of *particle board and fibreboard* production. Hence, the particleboard production will reach 370 thousand m³ in 2003 in comparison with 145 thousand m³ in 2002, and also increase the export with 200 thousand m³ in 2003 in comparison with 59 thousand m³ in 2002 (by 3.4 the 2002 year export).

^{*}Abrudan, I. V: Forest certification in Romania and the market perspective; Strategies for the sound use of wood, March 2003, Romania

In the same time, it will not find a decrease of imports volume (3200 thousand m³ foreseen for 2003 and 2004), many of particleboard users maintaining the contracts with foreign suppliers.

In fibreboard production without modification of capacity, presents a slight decrease due to general revision of the factory MDF – Sebeş Fratti. It is envisaged a production of 299 thousand m³ in 2003 and 329 thousand m³ in 2004, out of which MDF represents 270 thousand m³ respectively 300 thousand m³. The MDF export is kept at the level of 85-87 % from production volume, while the imports of 66-61 thousand m³/year, are recorded preponderant in the hardboard and insulating board consumption.

F. Pulp and paper

The production of pulp and paper, without significant changes in the capacity: pulp production 274 thousand tons in 2002 and 286 thousand tons in 2003, paper and paperboard – 370 thousand tons respectively 395 thousand tons in the same time interval, will know a valuable increase by assortments changing as a result of modernization carried out in the pulp and paper plants. In the first half – year, the output of this sector was by 6.8 % higher than records registered in the same period from 2002 due to increase of special technical paper production, duplex, triplex paperboards, while the newsprint production decreased by 16.3 %. For the entire year 2003, the growth index in the sector will be maintained, in 2004 being foreseen a production of 400 thousand tons.

Because the domestic paper and paperboard production doesn't cover the internal demand, in 2003 will be recorded also significant imports. For the first six month of this year, the imports announced to 231.1 million USD (increasing by 45.9 % in comparison with the same period of 2002) and compared with 48.2 million USD, exports. The large majority of imports comes from EU countries, while 60 % from the exports are outside of EU area. For 2004 are estimated the same levels for import – export.

G. Wood raw materials

It notices, as regards the raw material sources from the domestic harvesting, the steady increase of wooden mass volume supplied from private forests.

In the year 2003 it is envisaged that only 78.75 % from wooden mass to proceed from public, state ownership forests. This percentage will lie at 71.5 % in 2004, the total wood volume approved to be harvested in 2003 being of 16.0 million m³, and for 2004 existing the proposal for raw volume of 17.2 million m³.

The wind fallen in 2002 , preponderant of *resinous wood* , affect also in 2003 the structure on species of wooden mass, the *coniferous* representing 44 %

from the net total volume of about 14500 thousand m³ that is foreseen, to be harvested.

In the context of increased demands also on the *coniferous sawn timber* market both for export and domestic consumption it is envisaged for 2003, an increase of resinous logs volume, by 11 % that entirely will be utilized for internal production of *sawnwood*.

For the year 2004, is expected a decrease of *resinous wood* volume with 500-600 thousand m³ in comparison with this year, that will reflect, also, in the level of *sawn-timber production*.

Beginning with 2002, there are no more restrictions for logs export, but this doesn't lead to significant increase of those, expecting for *resinous* logs exports the level of 50 thousand m³ for 2003-2004, and for **non-coniferous logs**, 70 thousand m³ in 2003 and 100 thousand m³ in 2004. Imports are not significant.

The pulpwood, in correlation with the increasing production of boards, pulp and paper, knows an increased demand on the domestic market: + 13.7 % in 2003 and + 5.3 % in 2004 compared with the previous year, so that isn't availability for export anymore.

H. Wood as energy source

The sound wood consumption, supposes not only the finding of some methods to reduce the useless wastes, but also wooden wastes high recovery. In this context can be mentioned two projects in the last period, to support the wooden wastes recovery as raw material for energy production:

- The project NNE5/1999/48, financed in proportion of 62.86 % by European Commission, in which were established solutions for wooden waste utilization as fuel in thermal station of the manufacturing companies from wood industry. In 2000 were used as fuel 1050 thousand m³ wooden wastes and for 2010 are foreseen 1786 thousand m³ wooden wastes, that represent 32 % from fuel necessary in the wood working industry. In 2002, was used in this scope, a volume of 1264 thousand m³ wooden wastes.
- The Program PHARE "Utilization of wood wastes for urban heating" – solution implemented in the town Câmpeni, the county Alba, with a population of 10000 inhabitants, that, using a volume of about 3126 m³ wood wastes/year, assures the increase by 88 % of warm quantity supplied by the thermal station, simultaneously with the decrease of pollutant gases emission into the atmosphere. By the Program Sawndust 2000, it's foreseen the extension of this solution at a number of another 5 localities.

I. Implications of forest law enforcement, governance and trade (FLEGT) on markets

The legal frame for the preservation and sustainable management of the forest, was presented in Romania's Forest Products Markets-Timber Bulletin-Volume LIV (2001), No.3.

It mentions the following recent documents:

- Decision of Government 1476 / 12th December 2002, for approving some measures to take regarding the sustainable management of the forest - which foresees: in the scope of the increase the sustainable forest management quality and to recognize it on international level, the managers forest owner may request to the recognized on international level organisms the forest certification.

To enhance companies specialized in wood harvesting which owing to the available equipment and staff can comply with the requests of forestry management providing also proper utilization of wood resources by the – Law 654 / December 2002 – approving the conclusion by the National Forest Administration of long term contracts (for a quantity up to 20 % of maximum wood volume for industry) with economic agents working in the field of wood, processing. The contracts are concluded with the economic agents assigned by public auction for 20.000 m³ standing trees / year / economic agent and for a period of minimum 3 years and maximum 10 years. It is envisaged that taking into account above condition the following can be avoided: degradation of raw material changing the destination.

The activity of central public administration bodies is derived at present from the Government Program for medium term (2001-2004) and for long term (2001-2010). The policy in the field of sound wood utilization in Romania find full support in a series of laws and regulations of which:

-Decision of Romanian Government No. 1570 / 2002 concerning the approval of mechanism for affording the financial support from the Budget by the Program for increasement of industrial products competitively (A program under the administration of Ministry of Resources and Industry);

-The emergency ordinance No. 120 / 2002 concerning the approval of support system and export promotion with financing from the Budget;

-The Decision of Romanian Government 1493 / 2002 concerning the exempt and temporary reduction of custom duties from import for some goods – the wood sector taking advantages from reduction for: sawn timber, veneer, plywood of tropical wood species.

The last regulations place a special stress on the increment of product quality. The state support is found in same extents for: implementation and certification of quality systems and environmental management; accreditation of

testing laboratories and equipment; registering and protection foreign market of Romanian industrial designs and models; carrying out of market surveys and product studies; participation at international fairs and shows; general advertising activities for products / product groups on target markets.

In order to spread out of mechanisms for granting the financial support it has been set up a commission in the Ministry of Industry and Resources which includes also the representatives of the employers and of professional associations.

It is worth mentioning to remember here the professional association which, by their united membership policies can strengthen the wood harvesting and processing industry: Romanian Furniture Manufacturers Association-APMR, Association of Romanian Foresters-ASFOR , Romanian Panels Manufacturers Association- APSLR, Patronizing Organization for Pulp and Paper Industry-ROMPAP.

It is highly appreciated the role of these Association in the improvement of regulations in the field in the stimulation of domestic and foreign trade development, by organising exhibitions, fair and symposiums, supporting the access to information concerning modern products and technologies as well as promotion of business relationships with domestic and foreign companies.

Another important impact on the Romanian policy in the field of wood was due to the alignment to the European legislation – Directive 68/89 EEC, Directive 94/62 EEC, and Directive 88/378 EEC – and also by the adoption and harmonization of more than 87 % European standards regarding wood and wood products and also the waste management issued from the forest exploitations and wood – working, pulp and paper industry, regulated by Decision of Government 856/2002.

3. Tables

Forest products production and trade in 2002, 2003 and 2004.



TC1
UNECE TIMBER COMMITTEE FORECASTS
Roundwood

Country: Romania	Date: 12 September 2003
Name of Official responsible for reply: Istratescu Constanta	
Official Address (in full):	
National Institute of Wood - Sos. Fabrica de Glucoza nr. 7, sector 2, Bucharest	
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Product Code	Product	Unit	Historical data		Revised	Estimate	Forecast
			2001	2002	2002	2003	2004
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS						
	Removals	1000 m ³	3,023	4,087	4,087	4,530	4,130
	Imports	1000 m ³	10 #	60 #	67	15	15
	Exports	1000 m ³	27 #	90 #	46	50	50
	Apparent consumption	1000 m ³	3,006	4,057	4,108	4,495	4,095
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS						
	Removals	1000 m ³	2,615	2,975	2,975	3,200	3,700
	Imports	1000 m ³	11 #	15 #	10	10	10
	Exports	1000 m ³	72 #	70 #	37	70	100
	Apparent consumption	1000 m ³	2,554	2,920	2,948	3,140	3,610
1.2.1.NC.T	of which, tropical logs						
	Imports	1000 m ³	2 #	0 #	1	1	1
	Exports	1000 m ³	0 #	0 #	0	0	0
	Net Trade	1000 m ³	2	0	1	1	1
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS						
	Removals	1000 m ³	1,196	1,407	1,407	1,450	1,450
	Imports	1000 m ³	4 #	20 #	10	2	2
	Exports	1000 m ³	10 #	10 #	4	10	10
	Apparent consumption	1000 m ³	1,190	1,417	1,413	1,442	1,442
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS						
	Removals	1000 m ³	954	1,056	1,056	1,350	1,500
	Imports	1000 m ³	0 #	0 #	0	0	0
	Exports	1000 m ³	0 #	0 #	0	0	0
	Apparent consumption	1000 m ³	954	1,056	1,056	1,350	1,500
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES						
	Domestic supply	1000 m ³	317 C	432 C	1696 ¹⁾	1,890	1,900
	Imports	1000 m ³	0 C	1 C	1	1	0
	Exports	1000 m ³	5 C	7 C	7	12	10
	Apparent consumption	1000 m ³	312	427	1,690	1,879	1,890
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS						
	Removals	1000 m ³	106	533	533	75	100
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS						
	Removals	1000 m ³	1,912	2,034	2,034	1,200	2,200
1.1.C	WOOD FUEL, CONIFEROUS						
	Removals	1000 m ³	198	565	565	200	159
1.1.NC	WOOD FUEL, NON-CONIFEROUS						
	Removals	1000 m ³	2,420	2,497	2,497	2,230	2,400

¹⁾ It adds 1264 m³ that represents the volume utilized in the thermal power stations of the manufacturing companies; solutions settled by the project NNE 5 / 1999 / 48