

**THE NETHERLANDS  
NATIONAL MARKET REPORT 2004**

**PRESENTED TO  
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Netherlands' Timber Trade Association, VVNH  
Netherlands' Paper and Board Association, VNP  
Ministry of economic affairs  
Ministry of agriculture, nature and food quality

## 1 GENERAL ECONOMIC TRENDS AFFECTING THE FOREST INDUSTRIES SECTOR

Over 2003 GDP growth averaged  $-0.9\%$ . This was the first decline in GDP since 1982. In 2003, exports stagnated and domestic demand declined because of a significant drop in business investment growth for the third consecutive year and the largest drop in private consumption growth since 1981. Only government expenditure contributed positively to economic growth, but this contribution moderated as well.

The year 2003 was overshadowed by an international economic recession. It was also a tough economic year for the Dutch forest industries sector.

The consumption of sawn softwood declined in 2003 even further. The consumption of hardwood showed a slight increase, while panel consumption was the same compared with 2002. An important reason was the decline in investments in buildings for the private sector. Private consumption was also stagnant.

The production in the paper and board industry remained at the same level as in 2002 at over 3.3 million tonnes. In this respect the Dutch paper and board sector lagged behind the European industry, which saw a production increase of  $2.2\%$ . The slight drop in exports of Dutch paper and board was offset by a corresponding increase in national sales. Despite the fact that production volumes remained the same, the overall turnover dropped by  $6.3\%$ . This was largely due to the heavy downward pressure on paper and board prices in 2003.

In the 1st quarter of 2004, investment growth has turned positive for the first time since the beginning of 2001. This reflects improved corporate profitability and producer confidence. Despite slowly increasing consumer confidence, private consumption is still very weak as unemployment has been increasing at a record pace. Especially purchases of durable consumer goods are declining strongly.

For the year 2004 Dutch GDP growth is expected to increase to  $1\frac{1}{4}\%$  according to latest CPB forecasts. Exports will contribute more than 70% of GDP growth in 2004 with domestic demand still very weak. This pick-up in economic growth is lower than in earlier periods of recovery and is projected to lag behind overall GDP growth in the Euro area .

## **2 POLICY MEASURES INFLUENCING TIMBER TRADE AND MARKETING**

### **a. Flora and Fauna Law**

In 2002 the Dutch government introduced a new law partly based on the European Bird Guideline. Consequence of this legislation was that during the last years harvesting operations in Dutch forests were closed down in the period between March 15 and July 15. This year the forest sector together with the Dutch organization for Birdprotection have launched a good practice code how to act sound in forest management operations. This code is experienced now by forest owners and the wood harvesting companies.

In the meantime the Ministry of Agriculture started last year a procedure to amend the law to allow standard forest operations. This process of amendment is now in her final stage and expected to be in force in the end of this year. At that time the forest sector has improved their code of good practice and will present it for approval to the minister of Agriculture.

### **b. Law Sustainable Produced Wood (by M. Vos)**

In earlier reports The Netherlands informed the ECE/Timber Committee on the Dutch Act on labelling of forest products. Originally this draft legislation of the Dutch Parliament was presenting a mandatory 'red and green labelling' of all timber and paper products sold in The Netherlands. After discussions in The Upper House of Dutch Parliament in 2002 the initiator skipped the red label. The European Commission subsequently requested the Dutch authorities to present the new draft law for a notification procedure. So far the Commission and four member states gave their detailed opinion. The Commission is of the opinion that the draft, despite the progress made, still contains provisions which may constitute measures of equivalent effect to quantitative import restrictions. Furthermore the Commission questions the exclusive reference to the Forest Stewardship Council in respect of other existing systems for marking, tracing and certifying wood. The extended standstill period lapses on 24 September 2004. After that The Netherlands will report to the commission.

### **c. National Guideline for the Assessment of Certified Wood Products**

In relation with the discussions on the labelling act the Dutch government took the initiative in 2002 to set up a guideline for the assessment of certified wood products based on the Dutch standards for sustainable forest management. Wood and wooden products brought on the Dutch market which fulfil the standard could be provided with a special mark.

The whole process is co-ordinated by the ministry of Housing, Spatial Planning and the Environment. A broad variety of environmental and organizations for indigenous people are involved, also different branch organizations from forestry and the forest based industry and officials from different ministries. Last year the final draft of the Guidelines was produced together with an Assessment protocol. This year these drafts were evaluated on their performance in different pilots. Comments were discussed and the project group is now finalizing both documents. The co-ordinating ministry is expecting the introduction of the Guideline in the beginning of 2005.

#### **d. Illegal Logging**

The use of illegal and unsustainably produced timber is a growing political issue within the Netherlands. The Netherlands has since the beginning of the 1990's invested heavily in the area of sustainable development. As a result the Netherlands has become one of the largest donors in the area of sustainable forest management in relation to poverty alleviation with an annual budget for such initiatives of about € 70 million per year. In the light of this effort to improve sustainable management of forests on the supply side it is increasingly difficult to explain to the public that the country is also a major importer of timber from potentially illegal sources. As a small country open to trade the Netherlands favours the use of multilateral or at least EU wide approaches over bilateral agreements to tackle the problem of illegal logging. The Netherlands supports the development of the EU FLEGT action plan and its Voluntary Partnership Agreements with key timber producing countries. The Netherlands also supports the development of FLEG and other regional forest initiatives in Asia, Russia en Africa.

Another activity is the use of green public procurement policies aiming to provide an incentive for those countries and timber traders that producing in a legal and sustainable manner. In June 2004 Dutch cabinet decided that timber purchases by central Government bodies would have to be of guaranteed legal origin and where possible from sustainably managed sources.

The Dutch private sector is also active in developing measures against illegal timber. In January 2004 the Netherlands Timber Trade Association (NTTA) adopted a code of conduct, which binds its members to exclusively trade in timber from legal sources. The NTTA is also engaged in projects in Indonesia aiming to clean up its supply chain while it is also developing a legality verification protocol for its members.

### **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 bio energy will constitute 4.4%. At present, less than 1% of the total national energy consumption comes from renewable sources. In 2002 a total of 540 kton of biomass was used for co-combustion in coal fuelled power plants for the production of electricity and 165 kton of industrial wood residues and forestry biomass in stand alone biomass production units. The biomass for co-combustion consisted mainly from agricultural waste and residues from the agro-industry. Approximately 200 kton was used wood.

Recent developments for new capacity in the use of RES are stagnating, because of problems with licences to use waste as a fuel for the production of electricity and heat. So far residues from the wood working industries become more important as a source for woody biomass. At the moment 25 % of the wood residues and 20 % of used wood are used for the production of renewable energy.

Related to the capacity of Dutch forests most of the harvested wood (1,5 million tons per annum) 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 15.000 odt per annum.

#### **b. Round wood**

In 2003 the removals from the Dutch forests was nearly 25 % higher than the year before. Main reason for this increase was the incorporation of the harvesting of energy wood from the forest and plantations. This means an extra volume of 0.15 million m<sup>3</sup> was added to the total harvest. Also industrial round wood under bark increased with 7 % compared with 2002 at a level of 0.75 million m<sup>3</sup>, an. This increase was mainly caused by harvesting more saw logs.

The export of roundwood has increased again and came above 0,5 million m<sup>3</sup>. Import was 0.125 million m<sup>3</sup> lower. In total these figures conclude that the 2003 industrial round wood consumption in The Netherlands had a reduction of about 0.2 million m<sup>3</sup>.

#### **c. Certified forest products**

According to estimates by the Netherlands Timber Trade Association (NTTA) roughly 10% of all timber used in the Netherlands comes from certified sustainably managed forests and a controlled chain of custody. The government policy target for 2005 is to have 25% of all timber on the Dutch market derived from sustainably managed sources. This should be achievable as by far the largest part of timber imports into the Netherlands is from countries with temperate forests where certifications schemes have generally been successful.

The most recent monitoring for the use of certified wood in the Netherlands has been made for FSC products on the Dutch market in 2003. Last year 770.000 m<sup>3</sup> rwe was available as FSC wood, about 11 % of total use of construction timber in The Netherlands. The total import volume of FSC timber was 490.000 m<sup>3</sup> rwe, that is about 7 %

of the total net import of construction timber. In 2003 56.000 m3 rwe FSC tropical hardwood was consumed, that is 11 % of the total volume FSC wood imported in the Netherlands. Available FSC volume for 2005 is estimated 890.000 m3 rwe.

The volume of certified wood with Keurhout label in 2003 was not available.

#### e. Sawn softwood

The slowdown of the economy that became apparent in 2001 continued also in 2003. Special the decline in investments in buildings for the private sector and the stagnation in private consumption of wood products has resulted in a slight reduction in the consumption of sawn softwood. Compared with the minus 13 % in 2001 and 2002 one might say these are the first steps for recovery. Housing seemed to recover somewhat, but not enough to boost the use of softwood in this sector.

**Table 1**  
*Key facts of the Dutch sawn softwood market*

	1996	1997	1998	1999	2000	2001	2002	2003
	X 100 m3							
Domestic Production	186	223	196	203	247	168	149	164
Net Imports	2413	2413	2658	2629	2770	2450	2229	2230
Stock Change	-50	-50	25	-68	-25	-25	-91	9
Apparent Consumption	2649	2686	2829	2900	3042	2643	2469	2385

Sources: National Statistics (CBS) / Netherlands's Timber Trade Association (VVDH)/ Probos

#### f. Sawn hardwood

In the hardwood market import and consumption shrunk during the years 2001 and 2002 with about 30 % both for tropical hardwoods as for European hardwoods. In contrary with softwood the consumption of sawn hardwood increased considerably in 2003, especial the consumption of tropical sawn hardwood (+20 %). The reason for the greater consumption of tropical hardwoods, despite the slowdown of the Dutch economy, might be found in the increase of the import of FSC species.

**Table 2**  
*Key fact of the Dutch sawn hardwood market*

	1996	1997	1998	1999	2000	2001	2002	2003
	X 1000 m3							
Domestic Production	176	178	153	159	143	100	109	105
of which tropical	41	40	40	45	40	23	25	22
Net Imports	503	465	468	542	634	532	431	533
of which tropical	330	346	276	315	405	327	277	347
Apparent Consumption	679	643	621	701	777	632	540	638
of which tropical	371	386	316	360	445	350	302	369

Sources: Probos, National Statistics (CBS)

## g. Pulp and paper

Two paper plants in the Netherlands are using fresh fibres for the production of newsprint and for board for folding boxes. The fresh fibres are produced from poplar and from a mix of Scots pine and Norway spruce. Both production plants consume also recovered fibres. Table 3 shows an increase during the last years in the use of TMP chips, mostly imported from the sawing industries.

The total fibre input slightly increased with 2 %, mainly because of more input of market pulp. This is in line with the unchanged production level compared with 2002.

**Table 3**  
*Fibre furnish of the Dutch paper and board industry*

	1996	1997	1998	1999	2000	2001	2002	2003
	X 1000 m <sup>3</sup> round wood equivalents under bark							
Roundwood	143	144	157	160	171	165	159	161
Chips	106	110	130	135	137	170	160	174
Market pulp	3,101	3,401	3,411	3,127	2,658	2,856	2,935	3,148
Recovered paper	6,845	7,478	7,365	7,719	7,846	7,540	7,710	7,725
Total fibre input	10,195	11,133	11,063	11,141	10,812	10,731	10,967	11,208

Source: Probos, VNP

The year 2003 was overshadowed by an international economic recession. The Dutch economy shrank by 0.7%. It was also a tough economic year for the Dutch paper and board industry. Production remained at the same level as in 2002 at over 3.3 million tonnes. In this respect the Dutch sector lagged behind the European industry, which saw a production increase of 2.2%. The slight drop in exports of Dutch paper and board was offset by a corresponding increase in national sales. Despite the fact that production volumes remained the same, the overall turnover dropped by 6.3% (see table 4). This was largely due to the heavy downward pressure on paper and board prices in 2003.

The production of graphic paper increased slightly in 2003. Due to major cutbacks in advertising, there was a considerable reduction in the consumption of newsprint in the Netherlands. However, production rose in the Netherlands; for strategic reasons some production was temporarily transferred to the Netherlands from abroad.

In the area of packaging, 2003 was marked by a decline in turnover and price cuts.

Production volumes in the area of graphic board declined. Dutch production was mainly sold abroad. The lower exchange rate of the dollar made graphic board relatively expensive, which resulted in a disappointing turnover relative to 2002.

The situation in the area of hygiene products was generally stable. The price war in the retail sector has to some extent brought this to an end.

**Table 4***Recent developments of the Dutch paper and board industries*

	1996	1997	1998	1999	2000	2001	2002	2003
Charge in production in %:								
Thermo-mechanical pulp (integrated)	-19.1	9.6	-8.8	11.0	16.0	-2	-9	+12
Newsprint	-6.3	10.4	-7.0	8.0	10.0	-4	-10	+20
(Other) graphic papers	2.7	4.9	0.0	2.0	3.0	-17	-5	+2
Case materials	5.1	2.8	2.0	8.0	0.0	-5	+14	-6
Wrappings upto 150 gsm	7.1	11.6	-3.0	17.0	-8.0	-5	+2	-4
Folding boxboard and other paper & board for packaging	-1.4	6.9	4.0	2.0	2.0	-1	+5	-3
Sanitary & household	-1.3	6.1	0.0	14.0	-8.0	-3	-1	-1
Total paper & board	0.7	5.7	1.0	2.0	2.0	-5	+5	0
(Turnover [million Euro])	1,744	1,868	1,923	1,960	2,300	2,197	2,187	2,041
Price change of production of paper and board industries	-5.5	-1.25	2.75	n.a.	n.a.	n.a.	n.a.	n.a.

Source: VNP

## 4. TABLES

### A. ECONOMIC INDICATORS

<b>Change in %, unless otherwise specified</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
GDP	-0,9	1¼	1½
Private consumption	-0,9	¼	0
Private gross fixed investment (excl. housing)	-3,5	1¼	¾
Exports of goods	0,5	5	7¼
Imports of goods	1,0	4	5¾
Production, market sector	-1,3	1¼	2
Consumer Price Index (inflation)	2,1	1¼	1¼
Compensation per employee, market sector	4,8	2¼	¼
Productivity, market sector	0,8	3½	1¾
Unit labour costs, manufacturing	3,4	-1½	-1¼
Labour income share, market sector, level in %	86,9	87	86¼
Employment, whole economy (persons)	-0,5	-1	½
Employment, market sector (labour years)	-2,3	-2¼	¼
Unemployment, level, % labour force	5,1	6½	7
EMU-debt, level in % GDP	54,1	55,9	57,9
EMU-balance, level in % GDP	-3,2	--2,9	-2,6

Source: CPB, MEV2005

## B. FOREST PRODUCTS PRODUCTION AND TRADE IN 2003, 2005 AND 2006

**Table 6**  
Forest production and trade in 2003, 2004 and 2005

Product Code	Product	Unit	Estimate		Forecast
			2003	2004	2005
<b>1.2.1.C</b>	<b>SAWLOGS AND VENEER LOGS, CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	335	325	325
	Imports	1000 m <sup>3</sup>	149	135	135
	Exports	1000 m <sup>3</sup>	225	200	200
	Apparent consumption	1000 m <sup>3</sup>	259	260	260
<b>1.2.1.NC</b>	<b>SAWLOGS AND VENEER LOGS, NON-CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	103	95	95
	Imports	1000 m <sup>3</sup>	20	25	25
	Exports	1000 m <sup>3</sup>	11	10	10
	Apparent consumption	1000 m <sup>3</sup>	112	110	110
<b>1.2.1.NC.T</b>	<b>of which, tropical logs</b>				
	Imports	1000 m <sup>3</sup>	33	35	30
	Exports	1000 m <sup>3</sup>	16	10	5
	Net Trade	1000 m <sup>3</sup>	17	25	25
<b>1.2.2.C</b>	<b>PULPWOOD (ROUND AND SPLIT), CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	120	110	90
	Imports	1000 m <sup>3</sup>	92	100	120
	Exports	1000 m <sup>3</sup>	148	130	130
	Apparent consumption	1000 m <sup>3</sup>	64	80	80
<b>1.2.2.NC</b>	<b>PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	70	75	80
	Imports	1000 m <sup>3</sup>	10	12	12
	Exports	1000 m <sup>3</sup>	3	10	15
	Apparent consumption	1000 m <sup>3</sup>	77	77	77
<b>3 + 4</b>	<b>WOOD RESIDUES, CHIPS AND PARTICLES</b>				
	Domestic supply	1000 m <sup>3</sup>	n.a.	n.a.	n.a.
	Imports	1000 m <sup>3</sup>	809	850	850
	Exports	1000 m <sup>3</sup>	421	450	450
	Apparent consumption	1000 m <sup>3</sup>			
<b>1.2.3.C</b>	<b>OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	89	100	120
<b>1.2.3.NC</b>	<b>OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	37	40	40
<b>1.1.C</b>	<b>WOOD FUEL, CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	50	50	50
<b>1.1.NC</b>	<b>WOOD FUEL, NON-CONIFEROUS</b>				
	Removals	1000 m <sup>3</sup>	240	240	240
<b>5.C</b>	<b>SAWNWOOD, CONIFEROUS</b>				
	Production	1000 m <sup>3</sup>	164	170	170
	Imports	1000 m <sup>3</sup>	2.547	2.600	2.750
	Exports	1000 m <sup>3</sup>	317	370	380

Product Code	Product	Unit	Estimate		Forecast
			2003	2004	2005
	Apparent consumption	1000 m <sup>3</sup>	2.394	2.400	2.540
<b>5.NC</b>	<b>SAWNWOOD, NON-CONIFEROUS</b>				
	Production	1000 m <sup>3</sup>	105	110	110
	Imports	1000 m <sup>3</sup>	616	620	630
	Exports	1000 m <sup>3</sup>	83	90	90
	Apparent consumption	1000 m <sup>3</sup>	638	640	650
<b>5.NC.T</b>	<b>of which, tropical sawnwood</b>				
	Production	1000 m <sup>3</sup>	22	20	18
	Imports	1000 m <sup>3</sup>	392	390	395
	Exports	1000 m <sup>3</sup>	45	40	38
	Apparent consumption	1000 m <sup>3</sup>	369	370	375
<b>6.1</b>	<b>VENEER SHEETS</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	37	35	35
	Exports	1000 m <sup>3</sup>	8	5	5
	Apparent consumption	1000 m <sup>3</sup>	29	30	30
<b>6.1.NC.T</b>	<b>of which, tropical veneer sheets</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	15	15	15
	Exports	1000 m <sup>3</sup>	5	5	5
	Apparent consumption	1000 m <sup>3</sup>	10	10	10
<b>6.2</b>	<b>PLYWOOD</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	527	530	540
	Exports	1000 m <sup>3</sup>	32	30	30
	Apparent consumption	1000 m <sup>3</sup>	495	500	510
<b>6.2.NC.T</b>	<b>of which, tropical plywood</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	213	215	215
	Exports	1000 m <sup>3</sup>	17	15	15
	Apparent consumption	1000 m <sup>3</sup>	196	200	200
<b>6.3</b>	<b>PARTICLE BOARD (including OSB)</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	628	630	640
	Exports	1000 m <sup>3</sup>	80	80	80
	Apparent consumption	1000 m <sup>3</sup>	548	550	560
<b>6.3.1</b>	<b>of which, OSB</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	127	130	135
	Exports	1000 m <sup>3</sup>	10	10	10
	Apparent consumption	1000 m <sup>3</sup>	117	120	125
<b>6.4</b>	<b>FIBREBOARD</b>				
	Production	1000 m <sup>3</sup>	10	10	10
	Imports	1000 m <sup>3</sup>	438	440	440
	Exports	1000 m <sup>3</sup>	128	130	130
	Apparent consumption	1000 m <sup>3</sup>	320	320	320
<b>6.4.1</b>	<b>Hardboard</b>				
	Production	1000 m <sup>3</sup>	0	0	0

Product Code	Product	Unit	Estimate		Forecast
			2003	2004	2005
	Imports	1000 m <sup>3</sup>	97	100	100
	Exports	1000 m <sup>3</sup>	23	25	25
	Apparent consumption	1000 m <sup>3</sup>	74	75	75
<b>6.4.2</b>	<b>MDF (Medium density)</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	215	220	225
	Exports	1000 m <sup>3</sup>	78	80	80
	Apparent consumption	1000 m <sup>3</sup>	137	140	145
<b>6.4.3</b>	<b>Insulating board</b>				
	Production	1000 m <sup>3</sup>	10	10	10
	Imports	1000 m <sup>3</sup>	126	125	125
	Exports	1000 m <sup>3</sup>	26	25	25
	Apparent consumption	1000 m <sup>3</sup>	110	110	110
<b>7</b>	<b>WOOD PULP</b>				
	Production	1000 m.t.	124	124	125
	Imports	1000 m.t.	1.182	1.186	1.195
	Exports	1000 m.t.	347	350	350
	Apparent consumption	1000 m.t.	959	960	970
<b>10</b>	<b>PAPER &amp; PAPERBOARD</b>				
	Production	1000 m.t.	3.341	3.422	3.500
	Imports	1000 m.t.	3.264	3.200	3.200
	Exports	1000 m.t.	3.044	2.972	2.900
	Apparent consumption	1000 m.t.	3.561	3.650	3.800