

**THE NETHERLANDS
NATIONAL MARKET REPORT 2005**

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Netherlands' Timber Trade Association, VVNH
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1 GENERAL ECONOMIC TRENDS AFFECTING THE FOREST INDUSTRIES SECTOR

In 2004 there was a GDP growth of 1.5 % in the Dutch economy. For the Dutch paper and board sector the production rose over 3.4 million tonnes, a record for the The Netherlands. However due to the pressure on prices, the turnover in the Dutch paper and board industry decreased by more than 9%.

In spite of the the better economic situation the consumption of sawn softwood and total panel consumption remained at the same level as in 2003. The consumption of sawn hardwood increased by 8 %.

After a very weak first quarter 2005, there was an unexpected recovery of the Dutch economy in the second quarter. Main reasons for this recovery were the increased export of services and commodities and the increased number of dwellings under construction. Growth is expected to continue during the second half 2005 also because private consumption remained at the same level during the last months. Economic growth for 2005 is estimated up to now about 0.5 %. Main reason for the rather low estimate is the high oilprice.

The gloomy expectations from the Dutch economists in the beginning of this year have been changed. During the last 5 years the Dutch economy performed below par, but for 2006 the expected growth of 2% is close to potential growth and will be equal to the mean figures of most European countries.

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 not allowed in the period between March 15 and July 15. 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 was experienced last year by forest owners and the wood harvesting companies.

The Ministry of Agriculture started last year a procedure to amend the law to allow standard forest operations. This amendment became effective during the end of last year in combination with the Code of Practice.

Experiences up to now show good results, but still there is some reluctancy by the forest owners to perform their harvesting operations.

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.

In January 2005 the Dutch Parliament treated an actualized draft, which was brought more into line with the development of the National Guideline for the Assessment of certified Wood Products. Different amendments were discussed with the initiator MP Mrs Vos. Up to now the Parliament is waiting for Mrs Vos answer.

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. In 2003 the final draft of the Guidelines was produced together with an Assessment protocol. In 2004 these drafts were evaluated on their performance in pilots, in which wood products were imported from different countries. Comments were discussed and the projectgroup finalized

their documents. At the same time the representatives of the Dutch forest based industries discussed the final drafts with their international sister organizations. Further discussions in September will concentrate on the most important bottle-necks. The co-ordinating ministry will take the final decision for the implementation of the Guideline before the end of this year.

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.

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 together with European sister organizations aiming to clean up its supply chain in the most important tropical hardwood delivering countries.

As part of their new policy plan 2006-2009 the NTTA has developed a legality verification protocol for its members. This year this draft protocol was discussed with the NGO's and government officials. Introduction of this protocol will take place in 2006.

e. Green Public Procurement Policies

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 the 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 co-ordinating ministry of Housing, Spatial Planning and the Environment is setting up the new rules now for implementation. The National Guideline for the Assessment of certified wood products will be an important tool and integrated in this procurement policy.

3 DEVELOPMENTS IN DUTCH FOREST PRODUCTS MARKETS SECTORS

a. Wood energy

The Dutch government aims to produce 5% renewable energy by 2010 and 10% by the year 2020, half of which will have to come from bio-energy. In 2004 about 1.8% of the total national energy consumption (i.e. 3280 PJ) came from renewable sources. The co-combustion of biomass in coal fueled power plants for the production of green electricity amounted to 15.5 PJ and 12.3 PJ of bio-energy resulted from energy recovery in municipal solid waste combustion plants. Biomass totals amounted to 40 PJ in 2004, which consisted for 60% of agricultural residues and residues from the agro-food industry. In terms of roundwood equivalents, this amount of biomass used for bio-energy purposes in 2004 corresponded with 4.4 million m³, approximately 40% of which was wood (i.e. 1.76 million m³). Most of this energy wood (1.23 million m³) was imported and 530,000 m³ was supplied from domestic sources: by the wood processing industries, by traders in used wood and by companies involved in forest exploitation.

Wood processing residues

In 2004 the wood processing sectors in The Netherlands have produced 1.1 million m³ of residues in total, of which approximately 1 million m³ has been sold. This corresponds with a trading volume of 514,000 oven dry tonnes/a. The primary wood processing sectors sold virtually all their residues (96%). The finished products sectors sold 87% of their residues and used about 13% for their own internal heat supply. The total amount of wood residues used internally for heat production was about 100,000 m³ for both sectors together. From the 1 million m³ of residues sold, approximately 50,000 m³ was sold directly to utilities for the production of bio-energy and 644,000 m³ was sold to traders, 10% of which was delivered to bioenergy utilities (i.e. 60,000 m³). Thus the total amount of wood processing residues used for bio-energy purposes in 2004 was 210,000 m³ of round wood equivalents.

Used wood

A 2004 assessment of the used wood trade performed by Probos indicated that a total volume of 1.25 million (air dry) tons of used wood was put on the market, of which 40% A quality (clean wood), 56% B quality (slightly contaminated) and 4% C quality (hazardous wood waste).

Only 22 % of the used wood volume was being utilised in The Netherlands, i.e. 250 ktons, of which 130 kton has been used for the production of pallet blocks and single use pallets of pressed wood; 60 kton for the production of energy pellets and approximately 50 kton has been used by Dutch utilities for the production of bio-energy. Most of the used wood (970 kton; i.e. 78%) which became available in The Netherlands in 2004 has been exported. 53 % of which went to the board industry in Germany, Belgium and Italy and about 47 % of the export volume went to utilities in Germany and Sweden (i.e. 450 ktons). Thus the total amount of used wood used for bio-energy purposes in 2004 was 660 ktons (approximately 700,000 m³ round wood equivalents).

Forest exploitation

The contribution of woody biomass from the Dutch woodlands to the biomass totals is limited to approximately 120,000 m³ /a. This includes the energy wood fraction from regular thinnings (40,000 m³) and the clearing of trees and woodlots for infrastructure

projects, thinnings in landscape elements and prunings from road site trees, garden and parks (80,000 m³).

Totals from domestic sources

The 2004 total volume of wood processing residues, used wood and energy wood from the Dutch used for bio-energy purposes amounted to 1.03 million m³ of round wood equivalents, of which 530,000 m³ was used in The Netherlands and 500,000 m³ was exported to Germany and Sweden.

Table 1
Share of woody biomass used in the different Dutch conversion routes in 2004

Conversion routes	wood	other	PJ*	PJ wood**
Co-combustion in coal plants	50%	50%	15.5	7.8
MSW combustion plants	10%	90%	12.3	1.2
Others	60%	40%	12.2	7.3
Total			40.0	16.3

* total consumption of biomass of 40 PJ corresponds with 4.4 million m³ round wood equivalents

** Share of wood was $16.3/40.0 = 40\%$, i.e. 1.76 million m³

b. Round wood

In 2004 the removals from the Dutch forests was nearly the same as the year before. Main reason for the increase in 2003 was the incorporation of the harvesting of energy wood from the forest and plantations. An extra volume of 0.15 million m³ was added in the statistics for the total harvest.

Industrial round wood under bark slightly decreased to 0.735 million m³. This decrease was mainly caused by harvesting less saw logs.

The export of roundwood has increased again and came nearly at 0,6 million m³. Import of roundwood in 2004 was 0.275 million m³ and was 0.1 million m³ lower compared with 2003. From our statistics we can conclude that industrial roundwood consumption in The Netherlands has reduced since the year 2000 with about 0.2 million m³.

c. Certified forest products

According to estimates by the Netherlands Timber Trade Association (NTTA) roughly 14% of all timber used in the Netherlands in 2004 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 m³ 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 m³ 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.

FSC data for 2004 are not available, but the FSC volume for 2005 is estimated 890.000 m3 rwe. The volume of certified wood with Keurhout label in 2004 was not available.

e. Sawn softwood

Although the Dutch economy showed recovery and the number of completed hous-buildings grew considerably in 2004 the import increase for sawn softwood in 2003 could not be enforced in 2004. Last year the Dutch consumption of sawn softwood remained at the same level as in 2003. For 2005 consumption is expected to grow with 5 %.

In 2004 there was a remarkable drop in import from the Baltic states with 30 % and also the imports from Sweden and Finland was considerably less. This was compensated by a strong import increase from Germany.

Table 2
Key facts of the Dutch sawn softwood market

	1997	1998	1999	2000	2001	2002	2003	2004
	X 1000 m3							
Domestic Production	223	196	203	247	168	149	164	175
Net Imports	2413	2658	2629	2770	2450	2229	2230	2245
Stock Change	-50	25	-68	-25	-25	-91	9	26
Apparent Consumption	2686	2829	2900	3042	2643	2469	2385	2394

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

f. Sawn hardwood

In the hardwood market import and consumption remained on the same level as in 2003. While the consumption of European sawn hardwood decreased considerably in 2004, the consumption of tropical sawn hardwood again increased as in 2003. 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 3
Key fact of the Dutch sawn hardwood market

	1997	1998	1999	2000	2001	2002	2003	2004
	X 1000 m3							
Domestic Production	178	153	159	143	100	109	105	98
of which tropical	40	40	45	40	23	25	22	19
Net Imports	465	468	542	634	532	431	533	534
of which tropical	346	276	315	405	327	277	347	377
Apparent Consumption	643	621	701	777	632	540	638	632
of which tropical	386	316	360	445	350	302	369	396

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. The consumption of roundwood decreased rather strongly. Main reasons were a fire damage in the Mayr-Melnhof factory and a shift in the other company from the mix into pure Norway spruce. Both production plants consume also recovered fibres. Table 4 shows an increase during the last years in the use of TMP chips, especially last year, mostly imported from the sawing industries.

The total fibre input slightly increased with 1.5 %, mainly because of the greater input of market pulp.

Table 4

Fibre furnish of the Dutch paper and board industry

	1997	1998	1999	2000	2001	2002	2003	2004
	X 1000 m3 round wood equivalents under bark							
Roundwood	144	157	160	171	165	159	161	117
Chips	110	130	135	137	170	160	174	218
Market pulp	3,401	3,411	3,127	2,658	2,856	2,935	3,148	3,308
Recovered paper	7,478	7,365	7,719	7,846	7,540	7,710	7,725	7,735
Total fibre input	11,133	11,063	11,141	10,812	10,731	10,967	11,208	11,378

Source: Probos, VNP

Economic status of the Dutch paper and board industry

In 2004, Dutch paper and board production rose to over 3,4 million tonnes, a record level for the Netherlands. Due to the pressure on prices, turnover in the Dutch sector decreased by more than 9%. The average price dropped to €535 / tonne, the lowest but one level in the last 20 years. While there was a slight drop in national sales, the export of Dutch paper and board more than compensated for this. For packaging paper, there was a drop in the production of folding box board due to a fire at the Mayr-Melnhof mill in Eerbeek. Exports of graphic board to the Asian market rose again, after several years of decline. In the area of graphic paper there was also an increase in production of about 4%. This is mainly due to 8% increase in the production of uncoated printing and writing paper. National sales of (jumbo reels for) household and sanitary paper dropped from 90 to 71 Ktonnes, but exports rose significantly from 37 to 60 Ktonnes.

Table 5
Recent developments of the Dutch paper and board industries

	1997	1998	1999	2000	2001	2002	2003	2004
Charge in production in %:								
Thermo-mechanical pulp (integrated)	9.6	-8.8	11.0	16.0	-2	-9	+12	-9
Newsprint	10.4	-7.0	8.0	10.0	-4	-10	+20	-1
(Other) graphic papers	4.9	0.0	2.0	3.0	-17	-5	+2	+4
Case materials	2.8	2.0	8.0	0.0	-5	+14	-6	+3
Wrappings upto 150 gsm	11.6	-3.0	17.0	-8.0	-5	+2	-4	+13
Folding boxboard and other paper & board for packaging	6.9	4.0	2.0	2.0	-1	+5	-3	-27*)
Sanitary & household	6.1	0.0	14.0	-8.0	-3	-1	-1	+4
Total paper & board	5.7	1.0	2.0	2.0	-5	+5	0	+4
(Turnover [million Euro])	1,868	1,923	1,960	2,300	2,197	2,165	2,032	1,849
Price change of production of paper and board industries	-1.25	2.75	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: VNP

*) Fire damage in the Mayr-Melnhof factory

4. TABLES

A. ECONOMIC INDICATORS for The Netherlands

Change in %, unless otherwise specified	2004	2005	2006
GDP	1.5	0.5	2
Private consumption	0.3	- 0.75	- 3.25
Private gross fixed investment (excl. housing)	2	0.5	5.5
Exports of goods	9.6	3	6.25
Imports of goods	9.1	2.25	5.75
Production, market sector	1.3	0.75	2.5
Consumer Price Index (inflation)	1.2	1.5	0.5
Compensation per employee, market sector	2.5	1	0.25
Productivity, market sector	3.7	1.5	2
Unit labour costs, manufacturing	- 2.3	- 0.5	- 2.25
Labour income share, market sector, level in %	86.4	86.75	85
Employment, whole economy (persons)	- 1.2	- 0.25	1.25
Employment, market sector (labour years)	11.5	- 0.5	1
Unemployment, level, % labour force	6.2	6.75	6.5
EMU-debt, level in % GDP	55.6	58.0	58.4
EMU-balance, level in % GDP	- 2.3	- 2.1	- 2.2

Source: CPB, MEV2005

B. FOREST PRODUCTS PRODUCTION AND TRADE IN 2004, 2005 AND 2006

Table 7
Forest production and trade in 2004, 2005 and 2006

Product Code	Product	Unit	Estimate		
			2004	2005	Forecast 2006
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m ³	302	295	295
	Imports	1000 m ³	132	150	150
	Exports	1000 m ³	224	225	225
	Apparent consumption	1000 m ³	210	220	220
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m ³	91	90	90
	Imports	1000 m ³	21	20	20
	Exports	1000 m ³	32	20	20
	Apparent consumption	1000 m ³	80	90	90
1.2.1.NC.T	of which, tropical logs				
	Imports	1000 m ³	19	20	20
	Exports	1000 m ³	22	10	10
	Net Trade	1000 m ³	-3	10	10
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS				
	Removals	1000 m ³	131	140	140
	Imports	1000 m ³	33	50	50
	Exports	1000 m ³	189	170	170
	Apparent consumption	1000 m ³	-25	20	20
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m ³	57	60	60
	Imports	1000 m ³	7	10	10
	Exports	1000 m ³	1	5	5
	Apparent consumption	1000 m ³	63	65	65
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES				
	Domestic supply	1000 m ³	n.a.	n.a.	n.a.
	Imports	1000 m ³	831	900	1.000
	Exports	1000 m ³	739	700	600
	Apparent consumption	1000 m ³			
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m ³	117	130	130
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m ³	38	40	40
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m ³	50	50	50
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m ³	240	240	240
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m ³	175	175	175
	Imports	1000 m ³	2.524	2.670	2.800
	Exports	1000 m ³	272	300	300
	Apparent consumption	1000 m ³	2.427	2.545	2.675
5.NC	SAWNWOOD, NON-CONIFEROUS				

Product Code	Product	Unit	Estimate		Forecast
			2004	2005	2006
	Production	1000 m ³	98	100	100
	Imports	1000 m ³	652	700	750
	Exports	1000 m ³	118	100	100
	Apparent consumption	1000 m ³	632	700	750
5.NC.T	of which, tropical sawnwood				
	Production	1000 m ³	19	20	20
	Imports	1000 m ³	450	475	500
	Exports	1000 m ³	73	65	65
	Apparent consumption	1000 m ³	396	430	455
6.1	VDNEER SHEETS				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	29	30	30
	Exports	1000 m ³	10	10	10
	Apparent consumption	1000 m ³	19	20	20
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	10	10	10
	Exports	1000 m ³	7	5	5
	Apparent consumption	1000 m ³	3	5	5
6.2	PLYWOOD				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	542	570	600
	Exports	1000 m ³	46	50	50
	Apparent consumption	1000 m ³	496	520	550
6.2.NC.T	of which, tropical plywood				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	198	210	210
	Exports	1000 m ³	21	20	20
	Apparent consumption	1000 m ³	177	190	190
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	1.069	1.000	1.000
	Exports	1000 m ³	470	400	400
	Apparent consumption	1000 m ³	599	600	600
6.3.1	of which, OSB				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	301	300	300
	Exports	1000 m ³	76	75	75
	Apparent consumption	1000 m ³	225	225	225
6.4	FIBREBOARD				
	Production	1000 m ³	8	10	10
	Imports	1000 m ³	475	475	475
	Exports	1000 m ³	199	200	200
	Apparent consumption	1000 m ³	284	285	285
6.4.1	Hardboard				
	Production	1000 m ³	0	0	0

Product Code	Product	Unit	Estimate		Forecast
			2004	2005	2006
	Imports	1000 m ³	150	150	150
	Exports	1000 m ³	68	70	70
	Apparent consumption	1000 m ³	82	80	80
6.4.2	MDF (Medium density)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	189	200	200
	Exports	1000 m ³	96	100	100
	Apparent consumption	1000 m ³	93	100	100
6.4.3	Insulating board				
	Production	1000 m ³	8	10	10
	Imports	1000 m ³	136	140	140
	Exports	1000 m ³	36	40	40
	Apparent consumption	1000 m ³	108	110	110
7	WOOD PULP				
	Production	1000 m.t.	119	130	130
	Imports	1000 m.t.	1,215	1,250	1,250
	Exports	1000 m.t.	369	350	350
	Apparent consumption	1000 m.t.	965	1,030	1,030
10	PAPER & PAPERBOARD				
	Production	1000 m.t.	3,459	3,580	3,580
	Imports	1000 m.t.	3,055	3,150	3,150
	Exports	1000 m.t.	2,957	3,000	3,000
	Apparent consumption	1000 m.t.	3,557	3,730	3,730