Statement
submitted by the German Delegation
to the 64th session of the UN-ECE Timber Committee

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I. Economic situation

1. General economic trends

Overall, the German economy continued its recovery in 2005. Taking 2006 as a whole, the Federal Government has predicted that gross domestic product will rise from 0.9% in 2005 to 1.4% in 2006. While the recovery in Germany last year was mainly marked by strong exports and further gains in market share, there are increasing signs that the domestic economy is also gaining in strength. The pick-up has been particularly strong regarding investments in machinery and equipment.

The improvement in the economic situation is increasingly being reflected in the development of tax revenue which was 6.5% higher in the first quarter of 2006 than in the comparable period of the previous year. Revenue from corporate income tax grew strongly in the first three months of the year, increasing by 17.8%. This can be taken as an indication that the companies' profit situation remains healthy. Growth in imports from third countries also led to a substantial increase in import turnover tax.

If German tax and contribution ratios are compared internationally or over time, it can clearly be seen that, overall, Germany's problems relate to social insurance contributions rather than to the tax burden. Over the last five years, the tax ratio was significantly below the long-term average. Compared internationally or at European level, Germany currently has one of the lowest tax ratios.

Nevertheless, private consumption remains weak, despite economic stimuli *inter alia* from the World Cup. It is to be expected that the rise in value added tax and turnover tax from 16% to 19%, which is to be implemented at the beginning of next year, will lead to a temporary increase in the willingness to spend in order to avoid additional tax expense; this will be to the detriment of the savings development of private households.

Despite this greater propensity to spend caused by purchases being brought forward, consumer confidence is still far from the peak levels reached during the boom 5 years ago. This is due in particular to the ongoing problems on the labour market and real losses in purchasing power caused by moderate wage development and rising prices as well as to health and labour-market reform and significant increases in energy costs.

2. Labour market situation

The situation on the labour market remains difficult, with 4.39 million people registered unemployed. Unemployment remains at 10.5%, the average rate in the past few years, although there were recent signs of a slight temporary recovery, caused e.g. by the World Cup. Seasonally adjusted figures show that unemployment dropped by 84,000 in 2006. The increase in the number of wage and salary earners is due mainly to people taking on low-paid part-time work and "One-Euro Jobs" (labour market reintegration programme). The number of wage and salary earners subject to social insurance contributions increased by 140,000 in the first half of the year when compared with the comparable period for the previous year. Unemployment is expected to drop by 220,000 during the remainder of the year.

According to data from the German Institute for Economic Research, each manhour cost western German industrial enterprises 27.87 Euro in 2005. The only countries with higher industrial labour costs were Norway (29.45 Euro) and Denmark (28.33 Euro).

Labour costs in eastern German manufacturing enterprises are, at 17.37 Euro per manhour, almost a third lower than those in western Germany. It is true that the costs for wages and fringe benefits in western Germany only rose by 1 percent, whereas they increased by 3 percent in most of the competing countries. However, an industrial manhour in the western federal states still cost 34 percent more than the average in the other industrialised countries. Labour costs for industrial enterprises in Italy, Japan, the USA, Great Britain and France were between 18 and 21 Euro per hour.

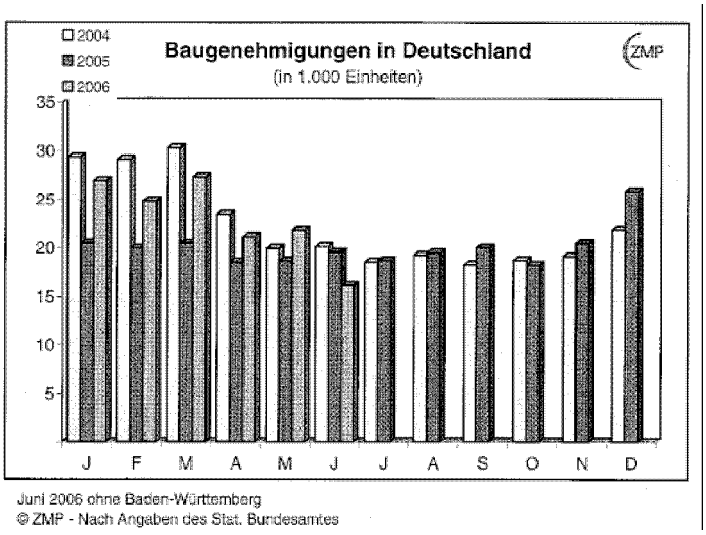
II. The operating environment of the forestry and forest-based industries and market drivers

1. Recovery of overall construction activity

With regard to the timber-intensive construction of one-family and two-family homes, the number of building permits granted between January and September 2005 was 16% and 33% below the levels of the previous year. However, the building permits for flats in the residential and non-residential construction sector rose in the first six months of 2006 - in particular due to

the results in the first quarter of 2006 - by almost 18% compared with the previous year, corresponding to an increase of a good 138,000 units (**see fig. 1**).

Figure 1: **Development of building permits in Germany**
(in thousands of units)



The permits granted in the timber-intensive construction of one-family and two-family housing grew by more than a fifth to approximately 87,000 units. The discontinuation of the owner-occupied homes premium as of 1 Jan 2006 is a burden and the increase in VAT which has been announced for 2007 will probably slow private builder-owners' willingness to invest. The deadline announced for the discontinuation of the owner-occupier housing subsidy has provided a certain stimulus, but overall has not led to any great new impetus for one-family and two-family houses, as the effects resulting from purchases being brought forward were muted due to constantly low mortgage rates.

It must be borne in mind that the timber construction and prefabricated housing sectors have been developing better than the construction sector as a whole for a long time (+14%). After a 10-year recession in the construction sector, the German construction industry is hoping for an end to the lull. There is considerable need for development, alteration and modernisation work, and ecological, energy-saving construction remains buoyant.

Market losses in conventional new construction work are also being offset by energy-saving construction with timber and increasingly by renovation and modernisation measures, which now make up a share of 61%. Solid wooden constructions are increasingly developing into an alternative both to the traditional stone construction methods and also to the light wood-frame construction method.

2. National Forest Inventory

The results of the 2nd National Forest Inventory (NFI), which were published in 2004/2005, show very high timber stocks and biomass increment in German forests, resulting on the one hand in increased potential for the forestry and forest-based industries to make sustainable use of timber and on the other in a development towards greater naturalness. According to these results timber stocks now amount to 3.4 billion m^3. This stock development can be attributed to various causes. The National Forest Inventory shows an annual timber increment of approximately 95 million m^3/year. This is not all available for use. A study, carried out by the Federal Research Centre for Forestry and Forest Products (BFH), estimates the annual harvesting potential to reach a level of approximately 85 million m^3.

The considerable importance which the NFI results have with regard to forestry policy means that further in-depth analyses and regular repeat inventories are necessary. The same applies in respect of the nation-wide forest soil survey; preparations are currently being made to repeat this survey after an interval of approximately 15 years. A 3rd NFI is to be carried out in 2012.

3. German Charter for Wood Promotion

The Charter for Wood Promotion (Woodcharter), which was passed in September 2004, contains about 30 specific measures which are to be gradually implemented. These include for example:

- official commitment to wood and wood products at state level;
- optimisation of timber supply;
- forest and wood cluster analysis;
- gradual phasing-out of obstacles to the use of timber in the building and energy sectors;
- marketing campaigns (e.g. Timber Sales Promotion Fund);
- voluntary commitments by industry to the avoidance of illegal timber imports;
- quality assurance and standardisation;
- further development of forest technology;
- improvement of logistics (e.g. through the use of satellite navigation systems in forests; improved cooperation between forestry and forest-based industries, improvement of the forestry and timber network).

The per capita consumption of timber and wood products has risen since the Woodcharter was passed. Preliminary figures give consumption as being almost 1.2 m^3 (roundwood equivalent). All stakeholders (government, industry and associations, science, social partners) have consequently already made large strides towards attaining the objective stated in the Woodcharter of there being a per capita wood consumption of 1.3 m^3 (roundwood equivalent) by 2014.

The positive development on the German timber market is underlined by the creation of new production capacities at various locations, in particular in the sawmilling industry. So the importance of the Woodcharter was reaffirmed by the coalition agreement of November 2005 which was adopted by the CDU/CSU and SPD parliamentary parties. This commitment to timber and the use of timber promotes the acceptance of wood and shows continued support for the efforts being undertaken to increase the sale of forest products. Greater mobilisation of wood resources will play a particularly important role in this regard.

4. Research & Development

Another central aim is to intensify research and development in the forestry and timber sectors. A primary requirement will be to make systematic use of the ecological advantages and extensive availability of wood as a renewable raw material and energy source. The development of consumer-friendly and innovative products will be pivotal in this regard. Effective publicity measures are just as important, for example information campaigns on the almost closed material cycle which can be achieved with the "forest-timber" system. Timber will play an increasingly important role in securing the supply of raw materials in Germany and elsewhere; from timber supply in forests, processing, product recycling and energetic use of waste wood to the disposal of the low ash residues.

The Federal Government is contributing significantly to supporting the Woodcharter, focussing its support in particular on several areas of forestry and wood research, on renewable raw materials and energies. One particular area of support is “sustainable forest management”, where the government is providing project funds totalling over 24 million Euro.
Since 1993, 106 projects on the use of timber for the production of materials have been sponsored under the “Renewable Resources” programme; a total of 30 million Euro were provided for these projects (about 12 percent of the programme's funds). the German Agency of Renewable Resources was integrated more closely into forestry research & development with regard to the non-energetic use of wood. In March of this year, a new support priority was established there which provides *inter alia* for financial support in the area of logistics and timber supply. This area is to be further expanded in 2006.

5. Forestry policy

The increasing importance of the forestry and forest-based industries has prompted the Federal Government to push ahead with the promotion of sustainably produced products while also paying due regard to global ecological aspects. Illegally logged timber, and timber which has not been sustainably produced, contributes to the global destruction of the forests and damages the competitiveness of the domestic forestry and forest-based industries.

In the fight against the illegal felling of timber, against infringements of sustainability principles and social standards, and in the fight to protect the interests of indigenous peoples, forests and virgin forests, BMELV attaches great importance to German timber importers making a voluntary commitment agreement; such an agreement has not yet been concluded. BMELV welcomes the fact that the German Pulp and Paper Association has concluded a commitment agreement. It shows that the needs of the time are being recognised and responsibility for the support of sustainable and legal forest management is being taken seriously.

The EU's FLEGT Action Plan on Illegal Logging (Forest Law Enforcement, Governance and Trade) represents the creation of a joint action programme against the import of illegal timber. The commitment shown by the Federal Government during the consultations on the FLEGT Action Plan contributed towards the Council Decision on the Introduction of a Voluntary Licensing System for Timber Imports into the EU being able to be passed in October 2005. This means that an important first step has been taken towards there being improved controls of EU timber imports. The Federal Government is backing enhanced measures for forest conservation at UN level and in this regard held "Scoping for a future agreement on forests", an international meeting of experts, in Berlin in November 2005.

III. Development in forest products markets sector

1. Situation in selected segments of forestry and timber industry

a) Wood raw materials (e.g. roundwood, industrial wood)

Since the end of the 1990s, the trend in Germany has been to fell more roundwood; this trend continues. In 2005, a total amount of 56.9 million m³ of roundwood was put on the market, 4.8% more than in the previous year. Compared with the average amount of felling over the last 10 years (43.3 million m^3), this is an increase of 31%. Coniferous logs make up 30.8 million m³ (hardwood logs make up approx. 3.6 million m³ , other varieties make up 22.5 million m³). According to expert opinion, the statistically recorded felling is subject to system-related underestimates; Germany has therefore made it its task to substantially improve timber statistics (*inter alia* increased research into causes, alterations to recording methods in certain federal states, simplification of the assortment structure and harmonisation with international definitions). The first changes are due to be introduced in 2007.

According to the timber industry, there are some difficulties with the supply of roundwood in certain regions and with regard to certain tree species (mainly coniferous timber). It is conceivable that limited reductions of the enormous timber stocks could be made and provide additional amounts of timber. Cross-border trade offers further opportunities for improving the supply of roundwood in certain regions.

Roundwood prices have risen especially for coniferous species as a result of increases in demand in the non-energetic sector and in particular in the energy sector. With the exception of oak roundwood it was especially with regard to hardwood timber that prices either stagnated or, in the case of some species, fell slightly (**see fig. 2**).

Figure 2: **Producer price index for forest products from the state forests**
Calendar year 2000 = 100
(without VAT)

Forest products	Share	**Forestry year** 2000	2001	2002	2003	2004	2005	**Change 05/04 (%)**
Total wood	1.000.00	100	98.9	98.8	97.4	90.2	92.8	+ 2.9
Total roundwood	835.86	100	98.8	98.1	95.6	88.7	91.6	+ 3.3
Oak (B/EEC)	45.33	100	99.1	98.0	94.5	95.5	107.6	+ 12.7
Beech (B/EEC)	192.45	100	101.0	94.6	87.2	77.9	74.3	- 4.6
Spruce (B/EEC)	478.89	100	99.2	101.0	100.0	92.4	96.7	+ 4.7
Pine (B/EEC)	55.79	100	94.2	93.1	96.5	95.0	94.5	- 0.5
Pine (C/EEC)	63.40	100	93.1	91.2	88.1	82.2	91.0	+ 9.9
Total industrial wood	164.14	100	99.3	102.1	106.2	98.1	98.9	+ 9.9
Oak	5.33	100	102.5	105.4	141.0	118.2	114.4	- 3.2
Beech	59.85	100	101.7	105.7	107.0	116.0	113.9	- 1.8
Spruce	46.40	100	97.7	103.5	112.6	106.2	112.2	+ 5.7
Pine	52.56	100	97.5	96.4	96.0	68.6	68.6	0

Source: German Federal Statistic Office

The intensified mobilisation of resources will become increasingly important in the future. To this end, existing concepts must be further developed across all stages of the value-added chain to ensure that wood can be made available to manufacturing and processing operations at competitive prices.

Timber marketing, as a core activity of forestry associations and the Timber Sales Promotion Fund, has been supported for years by the Federal Government via federal congresses for managerial staff. These congresses focus on subjects such as the mobilisation of timber resources, new distribution channels, logistics and business training. This has already helped significantly stimulate cooperation between enterprises in small-structure private forests.

Plans have been made to amend the Federal Forest Act in order to improve the scope of forest associations to carry out joint timber marketing. The founding of NavLog GmbH in December 2005 via the German Centre for Forest Work and Technology (KWF) represented an important prerequisite for improving timber logistics. The aim of NavLog GmbH is to create a standard national navigable routing system for the entire forest area in order to minimise time lost during the transport of timber.

Within the framework of the Woodcharter the Federal Research Centre for Forestry and Forest Products (BFH) was commissioned to draw up a national cluster study of the forestry and timber

sector. The study is intended to provide the data pool for improved cooperation between the forestry and forest-based industries. For instance, the aim is to better exploit the harvesting potential of forests, and to attain a greater value added and higher employment. The results will also form the basis for a planned cluster management system at all levels.

b) Wood energy

The use of wood in the energy sector has developed continually and recently received extraordinary impetus due to the huge increases in oil and gas prices. Heating with CO^2-neutral wooden pellets has become a cost-effective alternative to conventional fuels. So much use was made of the support options offered by the Federal Government that the budgetary funds were completely exhausted in 2005. In 2006, 160,000 applications have already been made - 50 percent more than the total number supported in 2005. This has now exhausted the existing support funds. The support programme will be continued in 2007, but will use support rates which have been adapted to the rapid market development. The pellet production is developing into another economic mainstay for an increasing number of enterprises in the sawmilling and timber industry, often in addition to their own generation of heat or electricity based on bark and wood residues.

The German Pellet Association (DEPV) expects the number of pellet-fuelled heating systems in Germany to rise in 2006 by 28,000 units to a total of 67,000. By 2015, it is expected that there will be between 70,000 and 100,000 new installations of pellet-fuelled heating systems per year. This would mean that 3.5-5 million t of pellets would be needed in 2015 and as a result 6.2-8.8 million t of woodchips. Currently, however, the sawmilling and planing-plants in Germany provide a maximum of 3 million t / year, mainly based on wood residues. Pellet manufacturers are therefore heavily dependent on imports or have to tap other wood sources, e.g. from the forests.

There were also 350 timber and biomass combustion plants in Germany in 2004, which, according to the most recent surveys, consume 7.8 million t of biomass. With 3.3 million t, waste wood makes up the largest percentage of this, followed by 1.6 million t of industrial timber and 1 million t of sawmilling by-products. The continuing increase in demand for timber is leading to increased competition between demanders from the timber industry on the one hand and energy users on the other. Although it is generally up to the market forces to balance demand and supply, it will become increasingly urgent to mobilise existing wood reserves in the forest and moreover create new wood resources (e.g. plantation of fast-growing species).

c) Certified Forest Products

In Germany, more than 70% of the total forest area of 11.1 million ha has been certified (2006), including approximately 7.2 million ha forests certified according to the "Programme for the

Endorsement of Forest Certification Schemes” (PEFC) criteria, and approximately 565,000 ha according to the "Forest Stewardship Council” (FSC) criteria. The Federal Government supports the certification of sustainably managed forests and is backing the further development and harmonisation and mutual recognition of the systems. Thus in the last 12 months the certified forest area in Germany rose by 2 %.

The Federal Government takes the view that wood and wood products in its sphere may only be procured from stocks which have a credible certificate. In 1996 a first government initiative was set up that tropical timber should come from sustainable forestry, attended by credible certification. In 2002 discussions focussed on specific procedural requirements to further develop this initiative and started with the elaboration of a draft procurement policy paper. The latest coalition agreement of 11 November 2005 states that the Federal Government will only provide wood products from certified sources (taking into consideration legal and sustainability aspects). Against this background drafting went on with the aim that bidders are obliged to account for a credible certification of their products (FSC, PEFC or comparable quality certificate). This objective is to be implemented via a procurement regulation which is likely to be published soon.

2. Analysis by sectors of forest based industries

General situation

The economic upturn in the timber and paper industry also continued in 2005. The turnover grew in 2005 by 1% to 81.7 billion € (**see fig. 3**). However, it must be borne in mind that changes to the frame of the survey made by the Federal Statistical Office meant that there were slight variations compared with the data supplied in 2004.

The largest sales gains in 2005 were seen in the furniture industry (up 4,8 %), the sawmilling industry (+4.4%) and in the pulp and paper industry (+ 3,9 %). Overall, it can be assumed that it will be possible to maintain this positive development in 2006 as well. The development in the area of wooden packaging has also been very positive. Following DIY stores, this is the second-largest sales market for the sawmilling and timber industry. The price development of the rival building materials of steel, aluminium and plastics has also supported this sector.

Figure 3: **Enterprises, workers and turnover in the German timber and paper industry**[1]

Economic sector	Enterprises		Workers		Turnover (€ mill)	
	2004	2005	2004	2005	2004	2005
Total timber industry	**55 388**	**54 545**	**530 506**	**510 962**	**80 929**	**81 739**
Wood processing	**2 653**	**2 549**	**45 670**	**44 293**	**9 566**	**9 580**
- Sawmills	2 424	2 330	27 356	27 202	4 690	4 897
- Wood-based panels	228	219	18 314	17 091	4 876	4683
Secondary wood processing (excluding wood and upholstered furniture manufacturing)	**736**	**705**	**51 154**	**49 182**	**7 035**	**6 837**
Furniture industry (including from materials other than wood)	**1 032**	**992**	**118 111**	**114 913**	**18 413**	**19 305**
Woodcraft industry (excluding furniture manufacturing and timber-related building crafts)	**12 698**	**12 033**	**68 882**	**65 869**	**4 376**	**4 229**
Furniture manufacturing crafts (including from materials other than wood)	**6 830**	**6 615**	**38 651**	**37 289**	**2 470**	**2 519**
Timber-related building crafts	**27 851**	**28 066**	**121 808**	**116 179**	**9 350**	**9 195**
Timber wholesale trade	**3 323**	**3 323**	**40 115**	**38 643**	**15 272**	**15 068**
Pulp and paper production	**265**	**262**	**46 114**	**44 594**	**14 447**	**15 006**

[1] Data partly recomputed for 2003 and 2004. Not comparable with earlier figures.

Source: German Federal Statistical Office/BMVEL (532)

Roundwood supply

The extraordinarily positive development of the timber sector is at certain risk due to the companies sometimes receiving an insufficient supply of roundwood, in particular spruce. Spruce demand exceeds the supply capabilities throughout the entire federal territory. This affects all categories of forest ownership. The mobilisation of timber resources, particularly in privately owned forests, must be increased, merely in order to be able to meet roundwood requirements of existing capacities and the envisaged expansion investments.

Sawnwood

Despite a continuing downward trend in building investments, the German sawmilling industry increased its production in 2005 by 14% to 21.0 million m³ (sawn softwood), following an increase in production in 2004 of 12.4% (+ 2 million m³) to 18.5 million m³. The overall turnover in the sawmilling industry rose from 4.69 billion € in 2004 to 4.9 billion €, achieving an increase of 4.4%. Within 5 years, the production of sawn softwood in Germany has risen from 15 million m³ in 2000 to 21 million m³ in 2005 - this represents a total increase of 6 million m³ or 40%. Judging by the results in the first six months of 2006, this record output will probably be exceeded by up to 2.5 million m³, given that the effective-demand boom continues.

The sawn softwood industry continued to expand its leading market position in Europe last year. Exports were the driving force behind this development. The supply of sawn softwood, in particular in respect of spruce, seems to be problematic in some cases. The boom in the wood-energy sector is having an effect on the raw materials markets. The hardwood sawmilling

industry achieved a positive sales development for oak and was able to stabilise the difficult situation in its beech segment by means of intensive development of foreign markets.

The production of sawn hardwood rose between 2004 and 2005 (+2.2 %) and as a result clearly exceeded predictions. In the hardwood sector, oak sales continue to rise, while the beech market is gradually stabilising and export operations are gaining ground again. For instance, exports in beech sawnwood rose by 9.1 % in the period up until September 2005. The most important export countries are China (+19.8%), Spain (-8.7%), USA (+32.6%) and Poland (+82.6%).

The cooperation of several hardwood timber operations under the EHEC (European Hardwood Export Council) has made considerable progress since it was set up in December 2004 and has laid the foundation for further market development in the export sector through the introduction of a standard sorting system. The European Hardwood Conference, a newly created platform for the European hardwood sawmilling industry, is an important step on the way to effectively supporting the sector's interests. The first conference of this year, which took place in Versailles, confirmed this.

According to information supplied by the sawmilling industry, there are currently (2006) 2,465 sawmills in Germany. 353 enterprises have been closed down since 2000. The industry processed 33.4 million solid metres of roundwood in 2004. Of this timber, 92.1 % was coniferous timber and 7.9 % was hardwood timber. 62 enterprises have a processing rate of more than 100,000 m^3 a year. These enterprises account for 64.6% of the total input.

It is notable that, in terms of size of operation, the greatest loss of capacity among the enterprises which have been closed down was suffered by the ones with annual felling rates of between 10,000 and 20,000 m^3. Many small enterprises – this is also shown by the survey - have used great creativity to adapt flexibly to the market changes, and have been able to use the advantage of market and customer proximity and maintain their position through a flexible delivery service. The sector is of the opinion that lower admissible transport weights for timber vehicles in comparison with neighbouring countries also continue to cause distortions to competition to the detriment of the German timber industry.

Foreign trade (roundwood/sawnwood)

Exports are the driving force behind this development; domestic demand has continued to be quiet. Export growth has tended to continue to accelerate, particularly in respect of planed goods. Within the last 5 years, sawn softwood exports have risen by approximately 75% (+ 2.4 million m^3). Overall, exports have reached 5.7 million m^3 this year. This means that Germany has extended its position as a net exporter. The US market alone absorbed approx. 30% of the overall exports, corresponding to approx. 2 million m^3. The brisk building activity in many European countries has also favoured export sales. Results in foreign trade with roundwood and semi-

finished wood products were mainly positive in the first five months of 2006, with regard to both imports and exports.

According to preliminary information from the Federal Statistical Office, imports of coniferous roundwood increased by a good 12% to approx. 1 million m³ in the period up to the beginning of June 2006, when compared with the corresponding period in the previous year. There was also significant to strong growth in respect of sawn softwood and particle board. Exports of coniferous roundwood increased slightly by almost 2% to a good 1.87 million m³. Export sales of beech roundwood rose by approximately 3%.

Exports of sawn softwood rose by almost 16%, corresponding to a good 1.58 million m³; exports of coniferous planed products grew, based mainly on the export successes on the US market, by almost 55%, corresponding to 1.3 million m³. Overall, imports of sawn softwood are declining once more. In 2005, they sank to 3.6 million m³ (-20%). This is on the one hand an expression of increased mobilisation of wood resources by the German forestry industry and increased competitiveness of the sawmilling industry, but on the other hand also expressive of ongoing restraint in domestic demand.

With regard to the Federal Republic of Germany's foreign trade in timber with China, exports of roundwood (mainly beech) increased in 2003 and 2004 from approx. 300,000 m³ to 326,000 m³ in 2004 and approximately 380,000 m³ in 2005 (+ 16 %). Exports of sawnwood amounted to approximately 95,000 m³ in 2003, to approximately 70,000 m³ in 2004 and grew slightly again in 2005 to approximately 78,000 m³ (+11.1%). Exports consisted mainly of hardwood, in respect both of roundwood and of sawnwood.

The sawmilling industry pleads for giving priority in future to the domestic supply ahead of roundwood exports, so that the existing capacities can be utilised. A total of 3.4 million solid metres of coniferous roundwood were exported in 2004. For the period up until September 2005, the statistics again show an increase of 28.8% in the export of coniferous logs. The sector is concerned by the increases in the cost of roundwood caused by demand, and by a series of other cost factors such as electricity, diesel fuel and toll fees, all of which have risen.

Customer sectors must therefore expect price increases for sawnwood and other semi-finished wood products in 2006 and 2007 (**see fig. 4**). It is also to be feared that, as well as the continual increase in productivity, the more intensive competition for wood will accelerate structural change, particularly in the sawmilling industry.

Figure 4: **Producer price index for semi-finished wood products**

Producer price index for semi-finished wood products Year 2000 = 100			
	July 2006	Change (%) against previous year	previous month
Sawn softwood	101.1	+ 14.0	+ 3.1
construction timber (DIN 4074, S10, dry)	99.2	+ 8.8	+ 2.2
Sawn hardwood	91.6	+ 0.1	+ 0.2
chips	116.4	+ 19.8	+ 5.5
plywood	102.5	+ 6.3	+ 1.1
particleboard	110.4	+ 7.4	+ 1.3
fibreboard	98.3	+ 1.1	+ 0.6
paper, cardboard	95.5	+ 1.3	0

Source: ZMP, German Federal Statistic Office

Panel industry

The panel industry had an annual turnover in Germany of 4.9 billion € in 2004; this figure decreased by 4.2% in 2005 to 4.7 billion €. This sector employs 16,500 people directly and is consequently the largest producer of wood-based panels in Europe. There are also a further 350,000 downstream jobs in industry, trade and craft.

With a production of approx. 16.5 million m³ in 2005, the panel industry processed approx. 19.5 million m³ of wood, of which 10.1 million m³ comprised industrial wood, 7.1 million m³ sawmilling by-products (e.g. wood shavings and wood chips) and 2.3 million m³ recovered wood. These quantities correspond to 9.4 million metric tons of pure wood mass (without water) which result in a continual, annual carbon fixation of 17.0 million metric tons.

Production of particleboards increased from 10.6 million m³ in 2004 to 11 million m³ in 2005 (+3.4%). Fibreboard production rose from 5.1 to 5.4 million m³ in the same period (+6.3%). This output volume is made up of approximately 1.2 million m³ MDF (medium density fibreboard), 1.1 million m³ coated MDF, 1.8 million m³ hardboard and 1.3 million m³ coated hardboard. With regard to OSB, waferboard, and other specific particleboards, there was a significant rise in the second half of the year, resulting in an overall output of almost 1.1 million m³.

Plywood production is falling; it dropped by 49,000 m³ from 283,000 m³ in 2004 to 232,000 m³ in 2005 (-21.9%). According to information provided by the German Panel Association, the member companies produced 8.2 million m³ of particleboard in 2005. Uncoated particleboard accounted for 4.9 million m³ (approx. 60%) of this amount. The production of melamine resin-coated particleboard rose to 2.9 million m³. The figures provided stated that 0.43 million m³ of HPL (High Pressure Laminated) particleboard was produced, and 34,257 m³ of hardwood veneered particleboard.

The industry intends to impose slight price increases in the second half of 2006, in order for example to take into account the competition caused by increasing use of wood as biomass and rising purchase prices.

Particleboard exports sank from 94,000 m³ in 2004 by 53.4 percent to approximately 44,000 m³ in 2005; in 2003 they had amounted to approximately 92,000 m³. Fibreboard exports dropped in the same period from 68,000 m³ to 20,000 m³ and then to 11,000 m³ in 2005. With regard to imports, only plywood imports are worthy of mention: they rose from 6,400 m³ in 2003 to 70,000 m³ in 2004 and then to 101,000 m³ in 2005.

Timber trade

According to the monthly inter-company comparison carried out by the German Timber Trade Federation, the turnover in specialist timber trade rose by 7.5% in the first six months of 2006. Following a rise of 6.8% in the first quarter, the timber trade turnover then sank by 3.4% in April. However, this drop at the beginning of the second quarter was more than compensated by the very positive development in the months of May and June (+4.7%).

Wholesale trade also contributed to the increase in the first half of the year; turnover in wholesale grew faster than that in retail trade, which increased by 1%. However, significant price increases in the wholesale product ranges of “panel materials” and “sawnwood” were responsible for the increase in wholesale trade; quantity sales did not develop as positively. The percentage of overall turnover made up by panel materials increased as a result of the price increases to 33%. Half-yearly turnover improved by 12.5%. There was also growth in “floors”, “interior doors” and “garden wood”.

In order to be able to improve turnover in the future, the German timber trade is attempting to come up with new products, to tap new areas of business and new customer groups. The association’s innovative products include for example dry construction-timber such as laminated beams, veneer beams or double-T-girders. Thermally modified timber products and Wood Plastic Composites (WPC) are also still being introduced onto the market and seem to offer good growth opportunities.

Furniture industry

The current economic development in the furniture industry confirms the long-standing positive trend. The official turnover grew by 5.6% in 2005 to 21.2 billion Euro compared with the previous year (20.1 billion Euro). This is the largest increase for seven years. The positive figures must not, however, distract attention from the fact that domestic business was fairly slow. The growth can mainly be attributed to exports.

In the course of 2005, company figures and the number of employees declined further in all sub-sectors of the furniture industry. According to information (adjusted figures) provided by the

head association of the German woodworking and plastic industries, there were 1,125 furniture-producing industrial enterprises in Germany, which equates to 3.5% fewer than a year ago. Approximately 105,000 people were employed in the German furniture industry – 5.1% fewer than in the previous year.

Paper industry

The German paper industry achieved an increase in sales and production of 5 to 6 percent respectively. It remained by far the largest producer of paper in Europe, with a record production of 21.7 million t paper, card and cardboard. Germany was even the fourth largest producer in the world, ahead of Canada and behind the USA, China and Japan. In 2005, wastepaper consumption reached a total of about14.5 million t (+ 9 % against 2004) which means a further rise of the wastepaper recovery rate up to 66 % (+ 1 % against 2004).

On average, production grew annually by 3.6 percent over the last 5 years. Exports (about 12.6 million t paper products in 2005) were once more the main driver behind the growth; domestic demand remained weak. In 2006, it is expected that exports will remain the mainstay of the German paper industry; in view of the general economic situation, there are also expectations of an upswing in domestic demand.

IV. References/additional information

Please visit the following web sites for further information on the timber industry and timber marketing in general:

- www.verbraucherministerium.de
- www.bundeswaldinventur.de
- www.holzabsatzfonds.de
- www.infoholz.de
- www.holz.de
- www.dhwr.de
- www.dfwr.de
- www.fsc-deutschland.de
- www.pefc.de
- www.fnr.de
- www.erneuerbare-energien.de
- www.bfafh.de