THE NETHERLANDS
NATIONAL MARKET REPORT 2007

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1 GENERAL ECONOMIC TRENDS AFFECTING THE FOREST INDUSTRIES SECTOR

At the moment, the Dutch economic climate is sunny and will probably stay summery for some time. Last year, the speed of GDP growth doubled to 3%, and economic prospects are still favourable for 2007 and 2008: 2¾% in both years. Economic tensions will rise further, especially at the labour market. Unemployment is expected to decrease to an average of 4% of the labour force in 2008, which will consequently lead to upward pressure on contractual wage growth. The Dutch economy is not expected to become overheated this or next year, however. Financial burden increases by the new cabinet, among other things, will keep private consumption from growing as fast as it did in the beginning of this century. Several policy measures contribute to an improvement of the general government financial balance in 2008.

As in 2006, domestic expenditure and exports both count for 50% of GDP growth, which means that this growth is broadly based. Private consumption is expected to increase by 2½% this year. Due to rising wages and employment, disposable household income will come out higher. In addition, household capital has increased, thanks to higher house prices and share prices. Greater wealth and the ensuing optimism stimulate the purchase of mainly durable private consumption goods. Next year, private consumption growth will smooth to 1¾%. Higher taxes and social security contributions and higher inflation contribute to negative purchasing power developments, putting pressure on private consumption.

Entrepreneurs in the manufacturing industry are optimistic about the economy. Influenced by the pick-up in production and by favourable profitability, gross fixed investment is expected to increase in both 2007 and 2008, after a strong decline in the first half of this decade. Re-exports keep on growing spectacularly, by more than 10%. The 'made in Holland' exports have the potential to grow by 3½% in this year and in 2008, driven mainly by favourable international developments.

Employment in the market sector will probably rise by 2% in full-time equivalents- the highest growth since 1999. Also in 2008, employment will continue to rise, although the growth speed will moderate slightly. Employment in both years will increase considerably faster than the labour force, causing a steady decrease of unemployment, to an average of 4% of the labour force in 2008. This figure falls amply short of the estimated level of equilibrium unemployment, which means tightness on the labour market.

Due to increasing tensions on the labour market, contractual wage increases pick up in the estimate from 2% in 2007, to 3% next year. In 2008, social security premiums for employers increase due to the estimated rise of the income-related contribution for medical expenses. Due to both effects, the rise of labour costs in the market sector accelerates from 2½% this year to 4½% in 2008. Inflation is expected to increase from 1½% in 2007 to 2% in 2008- partly as a consequence of higher labour costs and higher indirect taxes.

2 POLICY MEASURES INFLUENCING TIMBER TRADE AND MARKETING

a. 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 (VROM). 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 project group finalized their documents.

At the end of 2005 there was an agreement about the content of the national guideline. However the environmental organisations could not agree with the proposed organisational structure and withdraw from the process. The ministry decided to continue. Next step was to install the Equivalence Assessment Board which performed a test run on 6 certification systems. The purpose of this test run was to analyse if the Guideline was workable in practice. The final report was published mid August this year.

The Board came to the conclusion that none of the tested certification systems were fully compatible with the Dutch set of criteria. Most important reason for this result is the complexity of the guideline and the very detailed set of criteria. The Board recommended to set up an improved and simpler set of criteria which will be solely used for the purpose of *public timber procurement* (the guideline was originally set up as a forest certification scheme as well as a system for equivalence assessment). After a round of consultation-meetings with relevant stakeholders, planned for September, the new assessment system for timber procurement is expected to be operational before the end of 2007.

b. Public procurement in the Netherlands

The Netherlands is in the process of developing its public procurement policy on wood-based products. The policy will address the purchasing of all wood-based products for the Dutch government in order to secure the procurement of products which come from sustainable managed and legally harvested forests. In 2010 all timber procured by central government should come from a sustainable source. Before 2010 it should preferably come from a sustainable source and at the least come from a legal source. For legal timber the Dutch government has decided to use the UK (CPET) criteria for legal timber. For sustainable timber the government (at the request of the Dutch parliament) has been working with stakeholders on National Assessment Guidelines (BRL) for a Dutch national certification system for sustainable forest management and the chain of custody of timber originating from sustainable managed forests.

c. Combating Illegal Logging and related trade

The Netherlands continues to play an active role in the fight against illegal logging and related trade. At the Government-to-Government Level the Netherlands government supports the European Commission in its development of Voluntary Partnerships and the associated Legality Assurance Systems. Malaysia, Indonesia and Ghana have all three opened formal negotiations with the European Commission. The Netherlands supports the VPA negotiations in Malaysia and Ghana. It is now also looking into the option of expanding its FLEGT related support to Indonesia. In 2008 emphasis will also be laid on implementing the customs regulations necessary to receive FLEGT timber from FLEGT partner countries. At the Business-to-Business level the NL Government provides financial support to the two Tropical Trade Action Plans that have been initiated by a number of European timber trade federations.

d. 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. 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. Mrs. Vos left Parliament in 2006 and up to now the Parliament is waiting for her answer. So far her political party, Green Left, did not take any action to revise the draft.

3 DEVELOPMENTS IN DUTCH FOREST PRODUCTS MARKETS SECTORS

a. Wood energy

As the Commission has tightened its sustainable energy target for 2020 at 20%, the Dutch government has set the same target. In 2006 the bioenergy contribution to the amount of avoided fossil energy is estimated to be around 56 PJ, which is a slight drop compared to 2005. This amounts around 1.7% of the total Dutch energy supply. For all sustainable energy sources this figure is 2.5%.

The first half year of 2006 the production of sustainable electricity was higher than ever before, primarily as a result of using biomass to fuel power plants. The second half showed a sharp fall in biomass input because a reduction i9n the subsidy for co-incineration.

Due to the commercial sensitivity, Dutch companies are rather reluctant to provide information concerning the use of biomass fuels. The availability of data has reduced significantly over the past years. The fuels can be generally categorized as wood pellets/wood chips, agricultural residues, residuals from the food and snack industry, bio-oil and animal waste. Imports of biomass have risen dramatically over the past years. In 2005 and the first half of 2006 it was estimated that 80% of the power plants generated electricity from imported biomass, mostly wood pellets, clean agricultural residues and palm oil. No data are available for the input of woody biomass.

b. Round wood

In 2006 the removals from the Dutch forests were at the same level than in the year before. Consumption of coniferous sawlogs in the Netherlands decreased with 8%, consumption of non-coniferous sawlogs increased with 16%.

In 2006 there was an increase in round wood trade: both import and export were 40% higher compared with 2005.

c. Certified forest products

Last year a monitoring for certified wood products on the Dutch market in 2005 was made by Probos. Main results of the study are presented in table 1.

Table 1
Market share per certification scheme as a percentage of the total volume of timber consumed in the Netherlands in 2005, differentiated for timber imported with a certificate and timber without a certificate but sourced from certified forest.

	With certificate	From certified forest	Total
FSC	9.3%	2.9%	12.2%
PEFC	3.9%	18.1%	22.0%
MTCC	0.0%	0.3%	0.3%
CSA	0.0%	0.2%	0.2%
SFI	0.0%	0.1%	0.1%
Other*	0.1%	1.5%	1.6%
Total	13.3%	23.1%	36.4%

*) The category 'other' consists of imported timber bearing the Keurhout label (from various developed countries, and Gabon) and timber which was sourced from certified forests but for which no certification scheme was specified.

Sources: Probos

d. Sawn softwood

The economic indicators for The Netherlands in 2007 and 2008 are rather sunny. But recent information about the developments in the house-market indicate a strong decrease in the selling market. Therefore the optimistic estimate for the number of houses ready for occupation in 2007 have to be corrected. The industry expects an apposition from 82,000 to 60,000 up to 65,000 houses ready for occupation. The import of sawn softwood has a strong relation with the turnover in the house building industry. We expect 3 to 4% less imports compared with 2006.
Up to the beginning of this year the market for sawn softwood was a seller-market. Prices were raised by 30% during 2005 and 2006. Notwithstanding these high prices traders purchased more sawn softwood to enlarge their stock. The storm Kyrill in the beginning of this year resulted in a more balanced market. Prices however continued as yet at a higher level. The German sawmills were confronted with increasing stocks as a consequence of the increased supply of storm wood but also by the reduced exports to the USA. American imports of sawn softwood from Europe dropped in the first months of this year with 400,000 m^3. Also in the Scandinavian countries exports to Europe declined (Sweden minus 8% in the first quarter 2007). These developments will undoubtedly have a downwards effect on prices.

Again the import from Germany increased strongly. In 2006 20% of the sawn softwood was imported from Germany, while front runner Sweden has a market share of 27%. Imports from Finland and Norway stagnated, those from Sweden and Russia increased about 10%.

Table 2
Key facts of the Dutch sawn softwood market

	1998	1999	2000	2001	2002	2003	2004	2005	2006
					X 1000 m3				
Domestic Production	196	203	247	168	149	164	175	176	180
Net Imports	2658	2629	2770	2450	2229	2230	2245	2116	2348
Stock Change	25	-68	-25	-25	-91	9	26	139	-70
Apparent Consumption	2829	2900	3042	2643	2469	2385	2394	2431	2458

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

e. Sawn hardwood

In the hardwood market the consumption remained at the same level. In the non-tropical hardwoods there was a decrease in consumption of 9%. The increase of tropical hardwoods with 6% could be found in the growing import of different FSC species.
The scarcity of tropical hardwoods during last year resulted in a eager buying situation with high prices. The traders expected in the beginning of 2007 an increasing demand. However it looks like if the end-users of tropical hardwoods have still enough in stock which will result in a weak demand. For 2008 a reduced consumption is expected.

Table 3
Key facts of the Dutch sawn hardwood market

	1998	1999	2000	2001	2002	2003	2004	2005	2006
					X 1000 m3				
Domestic Production	153	159	143	100	109	105	98	103	86
of which tropical	40	45	40	23	25	22	19	19	19
Net Imports	468	542	634	532	431	533	534	492	511
of which tropical	276	315	405	327	277	347	377	359	381
Apparent Consumption	621	701	777	632	540	638	632	595	597
of which tropical	316	360	445	350	302	369	396	378	400

Sources: Probos, National Statistics (CBS)

f. 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 Norway spruce. The consumption of round wood decreased again. Both production plants consume also recovered fibres. Table 4 shows an increase during the last years in the use of TMP chips mostly imported from the sawing industries.

Table 4
Fibre furnish of the Dutch paper and board industry

	1999	2000	2001	2002	2003	2004	2005	2006
	X 1000 m3 round wood equivalents under bark							
Round wood	160	171	165	159	161	117	104	95
Chips	135	137	170	160	174	194	203	188
Market pulp	3,127	2,658	2,856	2,935	3,148	3,308	3,452	3,304
Recovered paper	7,719	7,846	7,540	7,710	7,725	7,735	8,001	7,625
Total fibre input	11,141	10,812	10,731	10,967	11,208	11,354	11,760	11,212

Source: Probos, VNP

Economic status of the Dutch paper and board industry

The last year was a year of transition for the paper and board industry in the Netherlands. Large companies reorganised which resulted in the closure of some production plants, also in the Netherlands. SCA Edet in Tilburg and Eendracht Karton in Appingedam closed in 2006 and in yhe course of 2007 production will also cease at Berghuizer papierfabriek in Wapenveld. The first two had an output of some 150,000 tonnes of paper and board, or around 4% of total Dutch production.

In 2006 the other plants produced 3.3 million tonnes, broadly the same as in 2005. During that period sales grew by 5% to EUR 2 billion. Sales of coated paper for graphics applications rose while sales for packaging paper fell.
To cope with the rising costs of energy and raw materials, there have been great efforts. In recent years to improve labour productivity. As a result the number of employees in the industry in the Netherlands fell from around 5,700 to around 5,100. This refers to personnel operating the paper and board producing machinery. The indirect functions and support services amounted to around 800 employees. In the past year the labour productivity grew from 610 to 660 tonnes, an increase of 8.2%.

Table 5
Recent developments of the Dutch paper and board industries

	1999	2000	2001	2002	2003	2004	2005	2006
Charge in production in %:								
Thermo-mechanical pulp (integrated)	11.0	16.0	-2	-9	+12	-9	9	-6
Newsprint	8.0	10.0	-4	-10	+20	-1	0	0
(Other) graphic papers	2.0	3.0	-17	-5	+2	+4	-2	+6
Case materials	8.0	0.0	-5	+14	-6	+3	+5	0
Wrappings upto 150 gsm	17.0	-8.0	-5	+2	-4	+13	0	+6
Folding boxboard and other paper & board for packaging	2.0	2.0	-1	+5	-3	-27*)	-1	-14
Sanitary & household	14.0	-8.0	-3	-1	-1	+4	-5	-13
Total paper & board	2.0	2.0	-5	+5	0	+4	0	-3
(Turnover [million Euro])	1,960	2,300	2,197	2,165	2,032	1,996	1,910	1,998
Price change of production of paper and board industries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a

Source: Royal VNP
***)** Fire damage in the Mayr-Melnhof factory

4. TABLES

A. ECONOMIC INDICATORS FOR THE NETHERLANDS

Table 6
Key figures Dutch economy, recent CPB forecasts

Change in %, unless otherwise specified	**2005**	**2006**	**2007**	**2008**
GDP	1.5	2.9	2.75	2.75
Private consumption	0.7	-1.0	2.5	1.75
Private gross fixed investment (excl. housing)	3.1	6.4	2.75	4.5
Exports of goods	6.8	7.9	7.0	7.5
Imports of goods	6.0	8.4	7.0	7.25
Production, market sector	2.3	3.6	3.5	2.5
Consumer Price Index (inflation)	1.7	1.1	1.5	2.0
Productivity, market sector	2.3	3.6	3.5	2.5
Unit labour costs, manufacturing	- 0.8	2.2	-0.5	0
Labour income share, market sector, level in %	79.0	80.2	80.25	80.5
Employment, whole economy (persons)	0	2.3	2.25	1.25
Employment, market sector (labour years)	- 0.3	1.5	2.0	1.0
Unemployment, level, % labour force	6.5	5.5	4.5	4.0
EMU-debt, level in % GDP	52.7	48.7	48.0	46.0
EMU-balance, level in % GDP	- 0.3	- 0.7	-0.8	-0.4

Source: CPB, MEV2005

B. FOREST PRODUCTS PRODUCTION AND TRADE IN 2006, 2007 AND 2008

Table 7
Forest production and trade in 2006, 2007 and 2008

Product Code	Product	Unit	Revised 2006	Estimate 2007	Forecast 2008
1.2.1.C	**SAWLOGS AND VENEER LOGS, CONIFEROUS**				
	Removals	1000 m^3	**350**	**350**	**350**
	Imports	1000 m^3	**261**	**250**	**250**
	Exports	1000 m^3	**300**	**300**	**300**
	Apparent consumption	1000 m^3	**311**	**300**	**300**
1.2.1.NC	**SAWLOGS AND VENEER LOGS, NON-CONIFEROUS**				
	Removals	1000 m^3	**93**	**100**	**100**
	Imports	1000 m^3	**26**	**20**	**20**
	Exports	1000 m^3	**18**	**20**	**20**
	Apparent consumption	1000 m^3	**101**	**100**	**100**
1.2.1.NC.T	**of which, tropical logs**				
	Imports	1000 m^3	**8**	**10**	**10**
	Exports	1000 m^3	**19**	**20**	**20**
	Net Trade	1000 m^3	**-11**	**-10**	**-10**
1.2.2.C	**PULPWOOD (ROUND AND SPLIT), CONIFEROUS**				
	Removals	1000 m^3	**230**	**220**	**220**
	Imports	1000 m^3	**62**	**50**	**50**
	Exports	1000 m^3	**148**	**140**	**140**
	Apparent consumption	1000 m^3	**144**	**130**	**130**
1.2.2.NC	**PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS**				
	Removals	1000 m^3	**111**	**110**	**110**
	Imports	1000 m^3	**7**	**5**	**5**
	Exports	1000 m^3	**5**	**5**	**5**
	Apparent consumption	1000 m^3	**113**	**110**	**110**
3 + 4	**WOOD RESIDUES, CHIPS AND PARTICLES**				
	Domestic supply	1000 m^3	**1280**	**1280**	**1280**
	Imports	1000 m^3	**1102**	**1200**	**1300**
	Exports	1000 m^3	**415**	**400**	**400**
	Apparent consumption	1000 m^3	**1967**	**2080**	**2180**
1.2.3.C	**OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS**				
	Removals	1000 m^3	**20**	**20**	**20**
1.2.3.NC	**OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS**				
	Removals	1000 m^3	**12**	**10**	**10**
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**	**250**	**250**

Product Code	Product	Unit	Revised 2006	Estimate 2007	Forecast 2008
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m^3	180	180	180
	Imports	1000 m^3	2.751	2.700	2.650
	Exports	1000 m^3	418	375	375
	Apparent consumption	1000 m^3	2.513	2.505	2.455
5.NC	SAWNWOOD, NON-CONIFEROUS				
	Production	1000 m^3	86	100	100
	Imports	1000 m^3	648	650	650
	Exports	1000 m^3	137	150	150
	Apparent consumption	1000 m^3	597	600	600
5.NC.T	of which, tropical sawnwood				
	Production	1000 m^3	19	15	15
	Imports	1000 m^3	465	450	450
	Exports	1000 m^3	84	85	85
	Apparent consumption	1000 m^3	400	380	380
6.1	VENEER SHEETS				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	27	25	25
	Exports	1000 m^3	6	5	5
	Apparent consumption	1000 m^3	21	20	20
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	16	15	15
	Exports	1000 m^3	2	2	2
	Apparent consumption	1000 m^3	14	13	13
6.2	PLYWOOD				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	603	650	650
	Exports	1000 m^3	60	50	50
	Apparent consumption	1000 m^3	543	600	600
6.2.NC.T	of which, tropical plywood				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	212	210	190
	Exports	1000 m^3	26	25	25
	Apparent consumption	1000 m^3	186	185	165
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	755	815	815
	Exports	1000 m^3	139	140	140
	Apparent consumption	1000 m^3	616	675	675
6.3.1	of which, OSB				
	Production	1000 m^3	0	0	0
	Imports	1000 m^3	92	100	100

Product Code	Product	Unit	Revised 2006	Estimate 2007	Forecast 2008
	Exports	1000 m^3	**8**	**10**	**10**
	Apparent consumption	1000 m^3	**84**	**90**	**90**
6.4	**FIBREBOARD**				
	Production	1000 m^3	**10**	**10**	**10**
	Imports	1000 m^3	**477**	**495**	**495**
	Exports	1000 m^3	**157**	**155**	**155**
	Apparent consumption	1000 m^3	**330**	**350**	**350**
6.4.1	**Hardboard**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**112**	**115**	**115**
	Exports	1000 m^3	**14**	**15**	**15**
	Apparent consumption	1000 m^3	**98**	**100**	**100**
6.4.2	**MDF (Medium density)**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**294**	**310**	**310**
	Exports	1000 m^3	**111**	**110**	**110**
	Apparent consumption	1000 m^3	**183**	**200**	**200**
6.4.3	**Insulating board**				
	Production	1000 m^3	**10**	**10**	**10**
	Imports	1000 m^3	**71**	**70**	**70**
	Exports	1000 m^3	**32**	**30**	**30**
	Apparent consumption	1000 m^3	**49**	**50**	**50**
7	**WOOD PULP**				
	Production	1000 m.t.	**109**	**110**	**110**
	Imports	1000 m.t.	**1.242**	**1.240**	**1.240**
	Exports	1000 m.t.	**518**	**500**	**500**
	Apparent consumption	1000 m.t.	**833**	**850**	**850**
10	**PAPER & PAPERBOARD**				
	Production	1000 m.t.	**3.368**	**3.370**	**3.370**
	Imports	1000 m.t.	**3.367**	**3.370**	**3.370**
	Exports	1000 m.t.	**3.169**	**3.170**	**3.170**
	Apparent consumption	1000 m.t.	**3.566**	**3.570**	**3.570**