DENMARK COUNTRY MARKET REPORT 2006-2008

The last year

The economy is still in a very positive cycle. Over the last year, the greatest threats have been lack of employees, capacity and a shortage of raw materials.

The softwood market has followed the European trend with sharp increases in prices and low availability of logs.

The hardwood market has not followed the same trend except for oak, which has been very popular.

With rising oil costs and high demand for transportation, the transport costs have also risen considerable. In order to secure timely delivery, more sawmills have now in-sourced transportation of finished products.

The market has been slow in accepting higher costs on sawn wood, but fortunately also this has changed now.

The increase in demand can primarily be allocated to the home market. The overall export performance has not improved over the last period.

The future

With signs of a stagnating housing market and increasing interest rates there is a mounting insecurity regarding the future. The overall short term expectations are not nearly as positive as earlier.

With Södra's possible entry to the Danish market, there is a fear that the prices will be boosted further and that a considerable share of the Danish roundwood being exported directly to Sweden.

Also, the structure of the forests in Denmark is changing. Earlier, forests were seen primarily as a raw material resource for the wood processing industry. Today, focus is more on recreational and ecological value, whereby coniferous forests are giving way to non-coniferous forests. This is especially true for the state owned forests. Naturally, the sawmill industry is worried if the forests will be able to deliver the needed volumes of softwood in the future.

The FSC certification of all of the State owned forests (25 pct. pf the total Danish forest area) only increases the problem.

During the last 20 years the structure of the primary wood sector has changed drastically. Today there are less than 50 sawmills left and even these are very small compared to our neighbours in both Germany and Sweden. With an increasing regional struggle for raw materials, small and medium sized Danish sawmill with a limited access to funds, could find themselves incapable of paying the same price as other larger international sawmill companies if the market is thrown into a bidding war.

Two other factors that will influence the industry in the nearest future is the strong political interest in the production of CO_2 neutral energy and greening of public procurement.

Successful Danish sawmills are clearly focussing on niche products and flexible production setups often delivering more and more value added products. Thereby avoiding competition of larger international sawmills, who primarily deliver larger series of standardised products.

For now, the orderbooks are full and the sawmills are struggling to follow the demand. As for the future, nobody dears hope that this trend will go on. The "not so positive" expectations to the future are therefore based on both current developments in the market and a belief that the current trend just can not go on.