ESTONIA
COUNTRY MARKET STATEMENT

Presented to the fifty-seventh session of ECE Timber Committee
27-30 September 1999 Geneva

1. General economic trends

According to preliminary estimates of the Statistical Office of Estonia, the economic growth in Estonia was –2,4% in the 2nd quarter of 1999 compared to the 2nd quarter of 1998. During 1999 the growth of GDP is expected to decline to the level of around 0,5% and in 2000 grow more than 5%.

In January-August 1999 the industrial sales decreased over 8% in comparison with the same period of 1998. Compared with August 1998 the industrial sales increased in during respective period in the manufacture of textiles, manufacture of wood and wood products, manufacture of paper, manufacture of electrical machinery and communication equipment and manufacture of furniture.

In January-June 1999 the value of foreign trade was 47,1 billion kroons, of which exports accounted for 20,1 billion kroons or 43% and imports 27 billion kroons or57%. The value of foreign trade decreased by 19%, exports by 12% and imports by 23% compared with the same period of 1998. Foreign trade deficit was 6,9 billion kroons (in the same period of 1998 it was 12 billion kroons).
In January-June 1999, in exports the proportion of machinery and appliances was the largest (19%), followed by wood and articles of wood (15%), textile products (13%), live animals and food preparations (12%), metals and articles of metal (10%). The positive balance was the largest in the trade of wood and articles of wood (2,5 billion kroons). The most important foreign trade partners of Estonia were still Finland, Sweden, Germany and Russia.

The capital inflow in the form of direct investments during 1st half of 1999 was high and formed 2,42 billion kroons, which is nearly 400 million kroons more than the same period of 1998. The investments were made in transport and communication, trade and industry. Estonian direct investments made abroad formed 0,3 billion kroons and were mostly related to the investments in other Baltic countries by the financial sector, real estate and business activities sector.

2. Developments in forest products market sectors

Pulp and paper

About 90% of Estonian paper and paperboard consumption is satisfied by imports. This corresponds to an average consumption of 30 kilograms per capita per year which is low figure by western European standards.

No pulp was imported in 1998, as the Kohila Paper Factory has stopped producing paper from pulp (it continued only converting imported paper into paper products). 3,000 tons of pulp were exported, mostly as sample deliveries to Belgium and Switzerland. 89,000 tons of paper and cardboard were imported (almost 29% more than in 1997) and 83,000 tons were exported (an increase of 60%). Paper and paperboard were exported mainly to Belgium (23.1%) and Ukraine (20.7%). Most of the imported paper came from Russia (56.6%), Finland (30.1%) and Sweden (6%).

Roundwood

3.8 million m^3 of unprocessed roundwood was exported in 1998, which was 62% of the felling volume and exceeded the export volume of 1997 by almost 27% . 2.2 million m^3 of conifer roundwood and 1.6 million m^3 of deciduous roundwood (mainly birch and aspen) was exported. The main destinations were Sweden (52.6%), Finland(25.6%), Norway (15%) and Germany (3.9%). Altogether, pulpwood and sawlogs were exported to 23 countries. Some 80% of roundwood export volumes are concentrated to 10 large Nordic companies.

Although only 0.3 million m^3 of unprocessed roundwood was imported in 1998, this was almost three times more than in 1997. 0.2 million m^3 of conifer roundwood and 0.1 million m^3 of deciduous roundwood was imported. The main import volumes came from Russia (80.9%), Latvia (16.8%) and Belarus (1.4%). Most of the import assortment was sawlogs. Altogether, roundwood was imported from 11 countries. In 1999 the annual export volume should be approximately 3,3 million m^3. At the same time the import of roundwood should increase by 70%, reaching the level of 0.5 million m^3; these are predominantly sawlog imports from Russia.

Sawnwood

In 1998, 690,000 m^3 of sawn softwood and 57,000 m^3 of sawn hardwood (96% of which was birch) was exported from Estonia in 1998, a 17% increase over 1997.

In 1998 the import volume increased to 93,000 m^3 (annual growth of 43%), whereas the market situation brought about specifically the growth of the import of spruce sawnwood.

Sawn softwood was exported mainly to United Kingdom (42.5% of the export volume), Germany (11.6%), Netherlands (8.4%), Egypt (8.3%), France (6.8%), Finland (4.7%) and Denmark (4.4%). The biggest export volumes of deciduous sawnwood went to United Kingdom (41.1%), Finland (14.7%), Netherlands (7.9%) and Denmark (6.8%). Altogether, sawnwood was exported to 39 countries.

Sawnwood, mainly spruce, was imported mostly from Russia (67.9%), also from Sweden (12.7%), Finland (12.2%) and Latvia (3.3%). Sawnwood was imported from 16 countries altogether (the most exotic of which, although not large quantities were from Myanmar, Congo, Honduras and Brasil).

In 1999 the export volume of coniferous sawnwood is expected to be 790,000 m^3 and decidous sawnwood 74,000 m^3. The import of sawnwood is expected to exceed 152,000 m^3 by the end of 1999.

Wood-based panels

The exports of the wood panel industry were 14% of the total export value of wooden products in 1998: 68,000 m^3 of plywood, 125,000 m^3 of particle board and 195,000 m^3 of fibreboard. Plywood was mainly exported to Sweden (23.3%), United Kingdom (21.3%) and Germany (16.6%) (the share of those countries was 20.2%, 15.3% and 25% in 1997 respectively). Particle board was exported mainly to Sweden (26.8%), Poland (20.8%), Finland (18.3%) and United Kingdom (8%). Most of the export of fibreboard went to Italy (27.3%), Sweden (20.1%), Germany (14.5%), United Kingdom (10.5%), Denmark (9%) and Netherlands (8.9%). In 1998, 61,000 m^3 of plywood was imported, 91.6% of which from Russia. 44,000 m^3 of particle board was imported mainly from Germany (52.7%) and Finland (24.8%). 60,000 m^3 of fibreboard was imported mainly from Russia (52.3%) and Belarus (26.9%).

The import and export of plywood are forecast to remain at the level of 1998. The import of particle board is expected to grow almost two times. The export volume of fibreboard is expected to decrease by 10..15% and its import volume by even more, down by 35..40%.

Certified forest products

No essential changes in the supply and demand of certified forest products could be noticed in 1998. A questionnaire among major producers and exporters shew that most of them were aware of alternative certification possibilities, but had not invested in product certification because of the lack of direct demand (and because their owners abroad had recommended not to do so in many cases). The situation is further complicated by the fact that most of the private forest owners are small owners, with average holdings of approximately 10 hectares and are often persons far from forestry and therefore have no knowledge or interest in certifying their forests. Consequently, the domestic market lacks a supply of certified wood. In addition there is no direct or indirect (through price bonuses) industrial demand for certified raw material. There were no certified forests in Estonia as of the middle of 1999.

The demand for certified forest products is getting to be a problem for some small enterprises having key customers among the 95+ Group in the United Kingdom, and for the wood panel manufacturers exporting about 10% of their production to the United Kingdom. Beginning of autumn there has been increased an intrest about FSC-certified products among intermediative companies who export wooden furniture to Germany and Denmark.

The Forestry Board initiated a forest products certification standard workgroup in November, 1998. Representatives of the Estonian wood industry, private forest owners, non-governmental environmental organizations, state forest management and certification/standardization organizations participate in its work. The goal of the workgroup is to elaborate or apply a national certification standard for the year 2000 at the latest. The management of the workgroup has suggested to apply to FSC for a national FSC workgroup status.

3. Tables

Table 1. Growth of GDP, 1995 to 2000* (%)

	Growth of GDP
1995	4,3
1996	3,9
1997	10,6
1998	4,0
1999*	0,5
2000*	5,0

*forecast made by IMF

Table 2. Construction in current prices, 1995 to 1999*(million kroons)

	Construction
1995	6 252
1996	8 232
1997	10 868
1998	14 043
1999*	12 500

*forecast

Table 3. Felling volumes, 1995 to 1999* (million m3)

	Felling in state forests	Total felling
1995	2,8	3,8
1996	2,7	4,0
1997	2,9	5,5
1998	2,7	6,1
1999*	3,0	6,6

*forecast

Table 4. Wood industry production, 1995 to 1999*

	unit	1995	1996	1997	1998	1999
Sawnwood	1000 m3	350	450	728	850	850
Veneer	1000 m3	11	18	20	21	19
Fiberboard	1000 m3	109	151	167	177	170
Particle board	1000 m3	155	143	179	176	160
Pulp	1000 t	0	21	36	44	50
Paper	1000 t	0	21	33	43	50

* forecast