United Nations – Economic Commission for Europe

Timber Committee

Timber market statement 2001 - Denmark

The Danish Forest and Nature Agency, September 2001

1. General economic trends affecting the forest and forest industries sector

The Danish economy experienced a good growth rate in 2000 and a low inflation. The retail price index increased by around 2.5 % in 2000, which was a little less than the previous year. The wholesale price index increased by 4.1 % in 2000.

The development in the expectations in the construction industry in Denmark was falling during most of 2000. At the end of 2000 there was a severe decrease in construction activity following the repair work after the storm damages, and this situation has kept on in the first half of 2001.

The Danish currency during 2000 was stable towards EURO, SEK and DM, but weakened to USD. Up till now in 2001 the SEK has seriously gone down by 10 % causing severe problems for the Danish competitiveness. This has made imports from Sweden cheaper, but at the same time the strong USD has improved the sales situation fore especially the secondary wood industry. The Danish Krone is still strong and causes difficult conditions for the competitiveness of our wood industry.

Looking at the general development of the wood industry in Europe it is obvious, that Denmark being a small country with a small forest area and high labour costs is caught in a very difficult situation. International mergers and take-overs have become the normal situation in Europe these days, and in this context Danish forestry is to small to be really interesting strategically – especially when it comes to the primary wood industry. Many industries are caught in a trap, where they have paid out the buildings and machinery. Thereby they are able to cut cheaply and survive for long time, but at the same time does not earn enough to invest in the future.

In stead the development goes in the direction of Danish sawmills outsourcing the trading with roundwood as well as sawnwood – this making it possible to concentrate on the core-business in a situation, where knowledge about the ever more complex market situation becomes crucial. The hardwood-sawmills now almost entirely cuts planks and the more detailed cutting is done in eastern European countries, where the lower labour costs justifies the extra transport before the Danish furniture industry takes over.

Encouragement has been given to the primary wood industry to develop their products further. But when it does so with a viable product it almost inevitably leads to the industry finding out it's a better business. They then stop the sawmill and import the sawnwood. And forestry is back to nil.

The major factor in Danish forestry in 2000 has been the wind-throw following the hurricane on the 3rd December 1999. It took down 3.6 million CUM or almost twice the normal yearly Danish production – the vast majority being softwoods. The windfall was unevenly distributed leaving parts of the country almost untouched, whereas other parts lost 30 years of normal production. All has now been harvested, and some 400 thousand CUM lumber of the best qualities are under water irrigation to be sawn over the next 3 years.

Luckily the forest health situation after the hurricane is good due to the cold summer of 2000 and even rainfall all summer in 2001.

Cuttings are now down at 35 % of the normal in softwoods in the state forests and 50 – 60 % in private forests. Sales conditions in general are almost back to the situation before the hurricane – prices are still lacking behind.

2. Developments in forest products markets sectors

2.1. Pulp and Paper

There is no wood pulp production left in Denmark. The production of paper and paperboard is relatively stable.

2.2. Roundwood including sawlogs and pulpwood

The market in 2000 was as mentioned heavily affected by the wind-throw at the end of 1999. Demand was unsatisfying and much more wood was put under water irrigation than expected. Prices on the best qualities and biggest dimensions of softwood went down 15 – 20 % and the lower qualities 30 – 40 %. In the beginning of 2000 hardwood prices were stable, but under the influence of the central European wind-throw at the end of December they came under pressure ending up with unexpected high needs for water-storage in May/June, covering most of the demand in the second half of 2000.

A big effort has over the last years been put in to widening the Danish market for wood fuel. The goal is to be able to use most of the lower quality wood residues from the wood industry and the forests for wood fuel in Denmark. In 2000 it was not possible to heighten the production considerably, but in 2002 a new power energy plant in Jutland will be ready to consume 200.000 tons of wood fuel. At the same time an other power plant in Copenhagen will be ready to consume 200.000 tons of wood pills, thereby solving the total wood waste problem from the flooring industry Junckers. This will hopefully stabilise the weak market for the lowest qualities of roundwood in Denmark.

No major changes took place in 1999 and first half of 2000 in the Danish wood industry. Some smaller sawmills have shut down – not really affecting the market. The market is heavily affected by the set up of the large sawmill in Wismar, Germany (Klausner Nordic Timber) demanding the better qualities of short timber and supplying sawnwood in intense competition with other sawmills in the region. The same has been the case in the hardwood market with Pollmeyer.

The Danish production of softwood pulpwood is exported – mainly to the Nordic countries. This is due to the fact, that the Danish production of pulpwood is too small to support a Danish pulp mill.

2.3. Sawn softwood

The sawn softwood timber market in Denmark was weak through 2000 with a hard competition in the country and from import. This caused extremely low revenues in the wood industry and the Danish production was almost unchanged despite the wish to cut large quantities from the wind-throw.

The large Danish import of sawnwood stayed relatively unchanged from 1999 to 2000. The largest impact has therefore so far been seen on the prices for sawn timber and on the demand for roundwood during the wind-throw. The demanded species and qualities for the Danish furniture industry can't be supplied from Denmark.

2.4. Sawn hardwood

The hardwood market is dominated by beech, which despite of increased log export to China and other Far East countries experienced falling average prices during 2000. The average quality and dimension fell, and the market were difficult. The export consisted of the better qualities and achieved slightly falling prices.

However the Danish sawmills were under pressure in processing the rest of the roundwood production, facing the problems cutting the lower qualities with larger sorting costs due to high Danish labour costs in comparison to the competing eastern European sawmills. The oak and ash market stabilised on a relatively low price level.

2.5. Wood-based panels (particle board including OSB, fibreboard including MDF, plywood) and engineered products

There is only one particleboard plant in Denmark. The only MDF-plant were shut down in 2000. The mill have been operating at capacity although market conditions for the boards have been difficult. The particleboard mill has benefited from increasing availability of chips from the Danish sawmills and cheap wood of the lowest qualities from the wind-throw. On the other hand the sales prices for particleboard's have been on a critical level mainly due to the large production in for instants Poland.

2.6. Certified forest products

In Denmark no buyers groups has as yet shown up, and no real demand for certified forest products has been seen in the marketplace. The private forest owners have therefore been relatively reluctant to invest time and money in having their forests certified. A FSC scheme is expected to be at place at the end of 2001, but important economic stakeholders have not as yet involved themselves in the process, and consider the criteria's for the sustainable forest management to be far to economically burdening to ensure viable private forestry. A PEFC scheme is expected to be ready in the summer 2002.