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Solid Wood Products

Annual

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Approved by:
Fred Giles
U.S. Embassy

Prepared by:
Sherif Ibrahim

Report Highlights:
Egypt total lumber imports in 2004 amounted to about 2.3 million cubic board meters, or about 9.7 percent less than the 2003. However, for 2005, both softwood lumber and hardwood lumber are expected to increase by 5 and 2 percent respectively.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Egypt's total lumber imports in 2004 amounted to about 2.3 million cubic board meters, or about 9.7 percent less than the 2003. However, for 2005, both softwood lumber and hardwood lumber are expected to increase by 5 and 2 percent, respectively. Most U.S. hardwood lumber exports to Egypt consisted of oak and small quantities of ash and walnut.

Consumption and Utilization

With no significant forest production of its own, Egypt imports virtually all of its wood requirements. In 2004, total lumber imports (softwood and hardwood) are estimated at about 2.3 million cubic board, or about 9.7 percent less than the 2003 level. While softwood lumber imports decreased by about 11 percent, hardwood lumber imports increased by about 4.5 percent. This increase in hardwood lumber is mainly due to increasing furniture exports to European and Arab countries in 2004.

For 2005, both softwood lumber and hardwood lumber are expected to increase by 5 and 2 percent, respectively. The expected increase in softwood lumber imports is primarily due to the following reasons: (1) there is a considerable decrease in steel prices which has led to increased demand in the construction sector, the primary channel for softwood imports; (2) the continued stabilization of the Egyptian pound against the dollar at LE 5.8 compared to LE 7 during the most of 2004 has lead to lower import prices for lumber and veneer; and (3) the lower price of the euro against the U.S. dollar has made the price for Scandinavian softwood for export markets lower than usual.

Tropical hardwood lumber consumption has been stable in the last several years, with a few small shipments being imported from West Africa mostly for the manufacture of luxury furniture. Mahogany, teak, euro, samba and sabelli are the commonly imported species, but mahogany is the most preferred choice. Tropical hardwood veneer consumption is also stable due to increased substitution with artificial veneers. In 2004, Egypt's total veneer imports are estimated at 10,000 cubic board meters (CBM) with 70 percent (7,000 CBM) imported from the U.S. (mostly red oak). Some veneer importers are considering the possibility of importing logs from Turkey for veneer production.

Concrete, rather than wood, continues to be the main building material used in construction in Egypt. Softwoods, including some plywood, are used extensively for scaffolding, forming and joinery. Approximately 70 percent of softwood imports are consumed by the construction industry. The reminder is used in making doors, windows and other items, including low quality furniture. According to industry sources, about 30 percent of all redwood is used by the furniture industry, 20 percent is used in non-structural construction, 18 percent in structural construction, 15 percent for joinery, and 17 percent for other purposes. About 35 percent of all imported whitewood is used in concrete forming, 25 percent for scaffolding, 14 percent for packaging, 8 percent in furniture, 6 percent for joinery and 12 percent for other purposes. Egypt consumes all grades of lumber. No.2 Grade accounts for about 10 percent of total imports, No.3 Grade; 15 percent; No.4 Grade, 30 percent; No.5 Grade 30 percent; and No.6 Grade, 15 percent. A small amount of unsorted grades are used for joinery. These unsorted grades are similar to Scandinavian Grades Nos. 5 and 6, and Russian Grades Nos. 4 and 5. The most commonly used thickness in Egypt is 50 mm, but 25 mm and 75 mm are also used. Most importers prefer to order at least 50 percent of their shipments with 50 mm thickness. Four widths dominate the market, and the 200 mm width accounts for approximately 15 percent of total usage; 175 mm, about 10 percent of the total; 150 mm is by far the most popular width with nearly 60 percent of the total; and the 100 mm size comprises 15 percent of total usage. The lengths in greatest demand run 2.70 meters and up, usually in increments of 30 cm. The longer lengths clearly dominate the market; 2-3 percent of total lumber usage includes lengths running between 1.80 and 2.40 meters. Importers and end users alike prefer lumber to be imported pre-cut and in rough form. The final size is determined after kiln drying. Importers and end users normally do not deal in nominal sizes; rather, goods must be invoiced and delivered in actual metric sizes. Moisture content should not exceed 19 percent at the time of import inspection.

Concerning hardwoods, about 65 percent of all hardwood lumber imports are of two-inch thickness; 20 percent are of one-inch thickness; and 15 percent are of 1.5 inch thickness. Preferred widths are 15 cm and up. Preferred lengths are normally not be less than 1.8 meters. The grade common #2 for the U.S. oak is normally acceptable in Egypt. There is a preference for the grade common #1 or the "select" grade, but high prices limit the quantity imported.

Trade

All of Egypt's lumber imports are handled by the private sector. Russia and Sweden continue to be the main suppliers of softwood lumber to the Egyptian market. In 2004, Russia controlled 68 percent of the Egyptian softwood market, while Sweden controlled 26 percent of the softwood market share. This pattern is expected to continue in 2005 and 2006.

Romania, Croatia and Bosnia are the main suppliers of hardwoods to Egypt. In 2004, Romania continued to be the major supplier of beechwood, capturing 70 percent of total Egyptian imports. Forty percent of beechwood import shipments are directed to the port of Damietta which is the main hub for the furniture industry in Egypt. U.S. hardwood exports to Egypt in 2004 are estimated at 5,000 CBM, compared to 3,000 CBM in 2003. This increase was primarily due to the decrease in the quantity of oak available for export from Europe. Most U.S. hardwood lumber exports to Egypt consisted of oak in addition to panels and veneers, and small quantities of ash and walnut. Most buyers import low quality wood in an attempt to keep import prices low. However, a few importers are buying quality oak from the U.S. According to importers, U.S. oak is required for the manufacture of luxury furniture. It is reported that the quality of U.S. oak is better than European oak. It has the advantage of being kiln dried and free of insects. Trade sources indicated that U.S. oak imports arrive with moisture content of 8-10 percent as compared to between 20-30 percent for European oak.

Importers prefer that all wood shipments be kiln dried, cut in metric sizes, and importer's name be printed on the side of each bundle. The dimension, length, grade, cubic meters, and number of pieces must be indicated on each bundle. In addition, Egyptian importers do not accept sales contracts made in nominal sizes.

Prices

The current average price of Scandinavian whitewood (SPF) is reportedly $214 per CBM/C&F, compared to $195 per CBM/C&F Alexandria in August 2004. Russian white woods are being imported at an average price of $200 per CBM, compared to $190 per CBM/C&F Alexandria during the same period last year. The current average price of Scandinavian red wood grade 5 and 4 in is between $190-$200 CBM/C&F, compared to $175-$185 CBM/C&F during the same period last year. Russian low quality grades are being imported at $180 CBM/C&F, while Romanian Beechwood is being imported at between $300/CBM/C&F for long, $250 /CBM/C&F for short and $180 CBM/C&F for super short. The average current prices of imported oak from the U.S. vary between $570 and $860 CBM/CIF, depending on the grade of the imported product. It is reported that the current price for common #2 is $570/ CBM/CIF while the price for the common #1 is between $680 and $770 CBM/CIF. Appalachian oak is being imported at $850 CBM/CIF. European oak is currently being imported for $410-$430 CBM/CIF.

Tariffs

The import tariff on lumber is 8 percent. In addition, there is a 5 percent sales tax and 3 percent customs service fee.

Factors Affecting U.S. Trade

The Egyptian wood market is price sensitive, particularly for softwoods. Egypt is a low-grade market, and the main constraint that faces U.S. softwood exports in penetrating this market is the lack of price competitiveness. The market has been dominated by Scandinavian and Russian softwoods. According to importers, U.S. softwood exporters were unable to meet the prices offered by suppliers in other countries. In addition, several trial shipments of U.S. softwoods that were introduced to the market a few years ago were met with a negative reaction from the Egyptian end-users due to the lack of trade servicing to educate these end-users on how best to utilize U.S. softwood varieties.

The slowdown in Egypt's general economy has had a negative impact on the imports of U.S. hardwoods. In 2004, U.S. hardwood imports amounted to 3,000 CBM, unchanged from 2003. As a result, U.S. market share remained at 1.3 percent in 2004. Industry experts do not expect that the conditions in the hardwood sector will improve in the near future. While the market remains price sensitive in general, there are importers who are seeking and willing to pay for quality products. However, the lack of trade servicing remains a major constraint for U.S. exporters to fully take advantage of this market potential. The majority of Egyptian importers and end-users are still unfamiliar with lumber varieties, grades and dimensions of U.S. products. Therefore, they are reluctant to use them.

PSD Table

Egypt **Softwood Lumber** (Thousand CBM)						
		2004		**2005**		**2006**
	Old	New	Old	New	Old	New
Market Year Begin		**01/2004**		**01/2005**		**01/2006**
Production	0	0	0	0	0	0
Imports	1,900	2,045	2000	2,150	0	2,180
TOTAL SUPPLY	1,900	**2,045**	2000	**2,150**	0	**2,180**
Exports	0	0	0	0	0	0
Domestic Consumption	1,900	2,045	2000	2,150	0	2,180
TOTAL DISTRIBUTION	1,900	**2,045**	2000	**2,150**	0	**2,180**

Import Trade Matrix

Egypt Softwood Lumber (Thousand CBM)			
	2003		**2004**
U.S.		U.S.	
Others		**Others**	
Russia	1250	Russia	1400
Sweden	489	Sweden	500
Finland	326	Finland	40
Romania	100	Romania	40
Latvia	87	Latvia	50
Estonia	63	Estonia	15
Total for Others	2315		2045
Others not listed			
Grand Total	2315		2045

PSD Table

Egypt Temperate Hardwood Lumber (Thousand CBM)						
		2004		**2005**		**2006**
	Old	New	Old	New	Old	New
Market Year Begin		**01/2004**		**01/2005**		**01/2006**
Production	0	0	0	0	0	0
Imports	200	230	225	235	0	240
TOTAL SUPPLY	200	**230**	225	**235**	0	**240**
Exports	0	0	0	0	0	0
Domestic Consumption	200	230	225	235	0	240
TOTAL DISTRIBUTION	200	**230**	225	**235**	0	**240**

Import Trade Matrix

Egypt Temperate Hardwood Lumber (Thousand CBM)			
	2003		**2004**
U.S.	3	U.S.	3
Others		**Others**	
Romania	150	Romania	162
Croatia	47	Croatia	39
Bousnia	20	Bousnia	26
Total for Others	217		227
Others not listed			
Grand Total	220		230

PSD Table

Egypt Tropical Hardwood Lumber (Thousand CBM)						
		2004		**2005**		**2006**
	Old	New	Old	New	Old	New
Market Year Begin		**01/2004**		**01/2005**		**01/2006**
Production	0	0	0	0	0	0
Imports	3	4	3	3	0	4
TOTAL SUPPLY	3	**4**	3	**3**	0	**4**
Exports	0	0	0	0	0	0
Domestic Consumption	3	4	3	3	0	4
TOTAL DISTRIBUTION	3	**4**	3	**3**	0	**4**