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Solid Wood Products

Annual

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Report Highlights:
Egypt's total lumber imports in 2005 amounted to about 2.7 million cubic board meters, or about 17 percent higher than 2004 levels. In 2005, U.S. market share in the hardwood market increased to 1.9 percent as compared to 1.3 percent in 2004.

Includes PSD Changes: No
Includes Trade Matrix: No
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Consumption and Utilization

With no significant forest production of its own, Egypt imports virtually all of its wood requirements. In 2005, total lumber imports (softwood and hardwood) are estimated at about 3.7 million cubic board meters (CBM), or about 17 percent over the 2004 level. While softwood lumber imports increased by about 9 percent, hardwood lumber imports increased by about 13 percent. This increase is mainly due to increasing furniture exports to European and Arab countries in 2005.

A further increase of 8 percent is expected for hardwood lumber in 2006, while, a slightly increase of 1 percent is expected for softwood lumber. Expected increases in lumber imports are primarily due to the considerable increase in the number of new tourist villages and hotels along the coasts of the Mediterranean and the Red Sea. There has also been new residential development adjacent to Cairo and Alexandria, that has led to increased demand in the construction materials, primary woods.

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 2005, Egypt's total veneer imports are estimated at 12,000 CBM with 60 percent (5,000 CBM) imported from the United States (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 remainder 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: 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 are 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 less than 1.8 meters. The common grade #2 for the U.S. oak is normally acceptable in Egypt. There is a preference for the common grade #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 2005, Russia controlled 68 percent of the Egyptian softwood market, while Scandinavia, Baltic countries and Canada controlled the balance. This pattern is expected to continue in 2006.

Romania, Croatia and Bosnia are the main suppliers of hardwoods to Egypt. In 2005, Romania continued to be the major supplier of beechwood, capturing 70 percent of total Egyptian imports. About 20 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 2005 are estimated at 10,000 CBM, compared to 5,000 CBM in 2004. This increase is primarily due to the increased demand for U.S. hardwood particularly in new construction projects that specify U.S. hardwood only. 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 United States. According to importers, U.S. oak is required for the manufacture of luxury furniture. It has the advantage of being kiln dried and free of insects. Trade sources indicate 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, with the importer's name 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 $175 per CBM/C&F, compared to $190 per CBM/C&F Alexandria in August 2004. Russian white woods are being imported at an average price of $240 per CBM, compared to $200 per CBM/C&F Alexandria during the same period last year. The current average price of Scandinavian red wood grade 5 and 4 is between $240 - $260 CBM/C&F, compared to $190 - $200 CBM/C&F during the same period last year. Russian low quality grades are being imported at $185 per CBM/C&F, while Romanian beechwood is being imported at between $300 - $360 per CBM/C&F for long, $250 -

$275 per CBM/C&F for short and $180, CBM/C&F for super short. The current average prices for imported oak from the United States vary between $1,015 and $1,100 CBM/CIF, depending on the grade of the imported product. It is reported that the current price for common #2 is $600/CBM/CIF while the price for the common #1 is between $700 and $750 CBM/CIF. Appalachian oak is being imported at $850 CBM/CIF. European oak AB grade is currently being imported for $590-$600 CBM/CIF.

Tariffs

The import tariff on lumber is 5 percent. In addition, there is a 5 percent sales tax.

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 for 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 increased number of new hotels and cities has had a positive impact on the imports of U.S. hardwoods. In 2005, U.S. hardwood imports increased to about 5,000 CBM, compared to 2,000 CBM in 2004. U.S. market share increased also, to 1.9 percent in 2005 compared to 1.3 percent in 2004. Industry experts 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.