USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 12/13/2006

GAIN Report Number: DA6012

Denmark

Solid Wood Products

Annual

2006

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Report Highlights:
East European suppliers are still selling at very low prices, holding U.S. softwood and plywood exports to Denmark at minimal levels. In contrast, U.S. is sharply increasing market share of sawn oak.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Copenhagen [DA1]
[DA]

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FOREST PRODUCT

STRATEGIC INDICATOR TABLES FOR DENMARK

CONSTRUCTION MARKET

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (thousand units)	25	26	27
--of which, wood frame (thousand units)	1	2	2
--of which, steel, masonry, other materials (thousand units)	N/A	N/A	N/A
--of total starts, residential (thousand units)	23	23	24
----of residential, single family (thousand units)	15	15	16
----of residential, multi-family (thousand units)	8	8	8
--of total starts, commercial (thousand units)	N/A	N/A	N/A
Total Value of Commercial Construction Market ($US mil)	26,111	27,000	28,000
Total Value of Repair and Remodeling Market ($US million)	N/A	N/A	N/A

FURNITURE & INTERIORS MARKET

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	24,665	25,000	26,000
Total Number of Households)	2,487,910	2,500,000	2,500,000
Furniture Production ($US million)	3,441	3,500	3,500
Total Furniture Imports ($US million)	1,064	1,400	1,500
Total Furniture Exports ($US million)	2,735	2,800	3,000
Interiors Market Size ($US million)	1,770	2,100	2,200

MATERIAL HANDLING MARKET

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Value of Industrial Output ($US million)	91,127	95,000	100,000
New Pallet Production (million units)	6	6	6

FOREST AREA

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	5	5	5
Total Forest Area (million hectares)	1	1	1
--of which, Commercial ('000 hectares)	486	490	495
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	174	175	175
----of commercial, softwood ('000 hectares)	294	300	300
Forest Type			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	0	0	0
--of which, other commercial (regrowth) ('000 hectares)	486	490	495
Total Volume of Standing Timber (thousand cubic meters)	N/A	N/A	N/A
--of which, Commercial Timber ('000 cum)	N/A	N/A	N/A
Annual Timber Removal ('000 cum)	1,866	1,900	1,900
Annual Timber Growth Rate ('000 cum)	4,000	4,000	4,000
Annual Allowable Cut ('000 cum)	4,000	4,000	4,000

1/ If Removals exceeds growth rate, analyze impact in text.

WOOD PRODUCTS SUBSIDIES

Country: Year of Report	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Solid Wood Export Subsidy Outlay ($US million)	Nil	Nil	Nil
Is there a ban on the export of logs, lumber, or veneer?	No	No	No
Are there export taxes (yes/no)?	No	No	No
Total Wood Production Subsidy ($US million)	0	0	0
Scope (thousands of hectares)			
Are there other wood products export expansion activities?			

Executive Summary

Total Danish wood trade in 2005 amounted to $2.6 billion with imports totaling $1.7 billion and exports $930 million. Pine log imports amounted to $446 million, of which 80 percent was imported from the Nordic countries. The Nordic countries combined account for about 45 percent of the Danish wood imports. Other major suppliers are Germany, Poland and the Baltic countries.

Denmark imported $22 million of wood products from the United States in 2005, of which 40 percent was oak and 29 percent other non-coniferous products. Ninety percent of the oak imported from the U.S. is re-exported. Softwood plywood and OSB from the U.S. accounted for $472,000 and $293,000, respectively. With a market share of less than one percent, the United States is no longer an important supplier of plywood for Denmark. Scandinavian and East European countries, especially Russia, Finland and Poland, and Brazil, China and Chile are now major suppliers.

A noteworthy trend is the outsourcing of production of furniture and other wood products to countries where production costs are lower. This has resulted in a small but escalating movement of Danish wood processing operations to Eastern European countries.

For debarking requirements for wood packing material, Denmark is awaiting the position of the IPPC Technical Panel on Forestry Pests. It is anticipated that this group will finalize its conclusions before summer 2007.

Average Exchange Rates:

2005	U.S.$1 = DKK 6.00
December 2006	U.S.$1 = DKK 5.60

Construction sector.

Overview.

Since 2000, new construction projects have amounted to 144,000 and continue to increase. Building starts are forecast to reach 26,000 in 2006 and increase to 27,000 in 2007. While number of houses constructed was unchanged in 2005 as compared to 2004, the area increased by 8 percent on top of the 16 percent increase registered for the previous year. Interest for houses constructed of wood is increasing but still limited. Building codes allow for the construction of wooden houses up to a height of four stories. Wood houses now account for more than 10 percent of new construction.

Marketing.

The demand for newer, engineered products such as I-beams and LVL is limited, partly due to conservatism among Danish builders, and partly because they are considered too costly and used mostly when very light materials are required. Danish importers have tried to market KATO beams from Finland, but have had very little success in selling this product, which is specially marketed for smaller building units. Builders in Denmark prefer iron beams or laminated beams, which are mainly produced in Denmark.

Construction of treated wood terraces around houses is increasing sharply. Preferred materials are secondary species such as Barangai (Indonesia) and Jatoba (Brasil). Other preferred species for this purpose are Western Red Cedar and Oregon pine. It should be noted that although copper treating is banned in Denmark, copper treated wood product imports are allowed.

Policy

It is the policy of the Danish government that all wood used for public purposes should be certified, if possible. All board products are certified. PEFC (Program for the Endorsement of Forest Certification schemes) certification is more common than FSC (Forest Stewardship Council). It is the policy of the large wood importers to be able to supply certified wood products and also to increase the yearly sales of certified wood. This is not easy because certified wood is not always available—a problem in particular for wood sourced from the tropics. In addition, consumers to a certain extent are unwilling to pay the higher price for certified products.

Furniture and Interiors Sector

Overview

With 2006 furniture production worth $3.5 billion (of which 80 percent is exported), Denmark is a substantial importer of wood to support its furniture industry. Furniture exports to Germany are forecast to increase by 11 percent to $650 million in 2006. This is partly due to stronger economic growth in Germany but also related to a year-end surge in German buying in advance of a VAT tax increase scheduled to take effect at the beginning of 2007. It is not possible to obtain figures for species-specific demand, but the bulk of furniture is made of MDF and other fiber or particleboards and considered discount furniture. Exports of more traditional Danish (designed) furniture are still increasing for the Japanese and Nordic markets, as are sales on the domestic market. Outsourcing of furniture production to lower cost countries, such as China, continues to be a significant trend. The Danish furniture industry labor force declined 15 percent during the last three years. The number of furniture manufacturers declined from 580 to 342 during the same period.

Marketing

Although there are no exact figures available, the bulk of Danish furniture is made from softwoods. Conversion away from softwood is difficult because machinery is difficult to readjust to hardwood. However, the development has resulted in an increased use of lightwood free from knots. The most popular hardwood species are White Oak while demand for Cherry is decreasing. All wood for furniture production is imported through the major wood importers, of which DLH is reported to have a market share of between 75 and 80 percent. DHL is mainly a trading company and they own PW Hardwood with facilities in Brooksville, Pennsylvania and Brattleboro, Vermont. However, only limited amounts of hardwood from these companies reach Denmark.

The demand for hardwood floors (either solid or laminated with a hardwood overlay) is rising. The preferred woods for flooring are oak. The demand for cherry and beech has declining significantly.

Windows, doors and frames are manufactured in Denmark to specific specifications for each individual construction project and imports are very limited.

The U.S. is a major suppler of sawn oak. In a steady market of about 30,000 CUM, U.S. market share rose to 45 percent in 2006. However, about 90 percent of the oak is reexported (mainly to other Northern European countries), and some is shipped back to the U.S. after being processed. Given the heavy use of advanced technology, it is important for the Danish industry that imports meet exact specifications, as the labor costs to adjust the machinery are significant. This enables the importers to pay a premium price for U.S. wood as compared to product of South American origin.

Material Handling Industry

According to Danish Government contacts, the EU is looking for international standards for Wood Packing Material (WPM) to be established based on discussions now underway in the International Plant Protection Convention's (IPPC) Technical Panel on Forestry Pests and in the International Forest Quarantine Research Group. These discussions are expected to reach a conclusion during the summer of 2007. The Danes are awaiting a common EU position based on the findings of the above-mentioned groups.

Softwood Plywood

Trade

While oriented strand board (OSB) generally competes with softwood plywood, and it appeared in the past that OSB demand would grow at plywood's expense, in fact demand for both products has grown. Imports of softwood plywood and OSB are forecast to increase by 15 percent in 2006, reflecting growth in the construction sector. Softwood plywood has during the past years been supplied mainly from Finland and Russia, with China, Chile and Brazil gaining larger market shares. However, the supplies from China are used only in the furniture industry, not for construction. Plywood is also used as backs for kitchen cabinets or bottom of drawers.

U.S. exporters are not expected to regain former market shares in the medium term. DLH even exports about $50 million birch plywood from Russia to U.S. Danish importers will continue to import specialty plywood products from the U.S., but quantities are expected to be in the range of less than a thousand CUM.

Certification for plywood products is now a requirement from all customers.