

# **FOREST PRODUCTS MARKETS IN 2000 AND PROSPECTS FOR 2001 IN ROMANIA**

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In 2000, for the first time after the year 1997, the industrial production recorded a slow increase.

So, the industrial production achieved during 1<sup>st</sup> January – 31<sup>st</sup> July 2000 was by comparison with the same period from the previous year higher by 6.5% in absolute volume <sup>x)</sup>. There have been recorded increases in all the sectors: +13.1% in the energy industry; +8.8% in the extractive industry; +5.3% in the processing industry. Within the processing industry there have been recorded different increase ratios by branches.

In this context other economic indexes have also been improved keeping steady in the first quarter of 2000 the increase of total export volume by 27.4% compared with the level achieved in the same period of 1999, the reduction of total member of unemployed workers etc.

Although the average monthly rate of inflation during the 1<sup>st</sup> January – 31<sup>st</sup> July 2000 was 3.1% as to 4.2% in the same period of 1999, the rate of inflation exceeded the level provided by the Government programme for 2000.

The continuous price increases, the alterations in the exchange rate of national money in relation with US Dollar on the currency markets have an adverse effect on the domestic trade and the investments.

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<sup>x</sup> National Commission for Statistics – Monthly Statistic Bulletin – Year XI, issue 7/2000

It is estimated that before the end of 2000 the main indicators and the said trends will not meet significant changes.

By comparison with the same period of 1999 the woodworking industry recorded during the 1<sup>st</sup> January – 31<sup>st</sup> July 2000 an increase by 12.9% which is higher than value recorded by the processing industry, the pulp and paperboard production recording also higher values, respectively 7.7%.

***Main general and specific economic actions influencing the production and export of wood products in 2000 and also the provisions for 2001 are referring to:***

- the launching and amplification of restoring the property rights for agricultural and forest lands in accordance with the Law 1/2000
- the forest cutting limitation by deciding the maximum amount of wood logged over yearly in accordance with the allowable cut established by forestry management plan. It is estimated that in 2000 there will be harvested about 12.5 million cubic meters (as to the agreed gross volume of 14.6 million cubic meters)

For the year 2000 the allowable cut of 15.0 million cubic meters shall have different structure in respect of reduction of coniferous wood share in the total wood volume:

- the total release beginning with the 1<sup>st</sup> January 1998 of wood product export;
- the liberalization of wood sale prices by legislation of public auctions and of negotiations;
- the application beginnings with the 1<sup>st</sup> January 2000 of provisions of exigency order of the Government no. 217/1999 concerning the reduction of export profit tax to 5%;
- the decrease of domestic furniture consumption and the limitation of international markets for this product;

Under the above considerations, the main features of the year 2000 are: the maintaining and even increase of sawn timber and log export concomitantly with the trend in the reduction of resources for high grade processed wood products: veneer, plywood, pulp etc.

The operative actions for restructuring and modernization of wood based board industry which beginning with the quarter IV - 2000 will provide new high performance capacities, determine particularly for 2001 some changes in the end use of wood.

For the main products analyzed the following production, import and export values are foreseen:

### **Round wood (TC1).**

The round wood removals will be intended mainly to the production of sawn timber and veneer logs recording slow increases in non-coniferous wood volume in 2000 and 2001 by comparison with 1999, while for, due to growing stock structure, the coniferous log volume will beginning with 2001 be in slow decrease with 100.000 m<sup>3</sup>/year.

The sawn timber demand of economic agents specially for an increased export and the less favorable market conditions for coniferous logs determine at the level of the year 2000 a decrease of the exports by 30.2%, this trend being maintained also in 2001. In case of non-coniferous logs in 2000 is expected the increase of exports by 54% compared with 1999, this volume being maintained also in 2001.

As provided for the year 2000 the wood for pulp and wood based panels will show a decrease (both coniferous and non-coniferous) with 7 % by volume in relation with the demand of respective industries. A small increase will be recorder beginning with the quarter IV - 2000. This growth is significant in 2001: 12 % for coniferous and 85 % for non-coniferous being determined by the changes in the production of panels.

Sensible decrease of removals will be recorded at the industrial wood with 15 % in 2000 for coniferous wood and again 15 % in 2001; the same situation being also provided for fuel wood (coniferous) with a decrease of 14.3 % in 2000.

### **Sawnwood and wood based panels (TC 2)**

The foreign market demand stimulated the sawn timber producers for the achieving of increased outputs. In case of coniferous sawn timber the raw material resource restricted the growth so as for 2001 a small decrease of production is expected. In case the domestic consumption shall not meet significant changes it is estimated the export volume for the analysed period be situated close to 1500 thousand cubic meters.

Regarding the production of non-coniferous sawn timber the expected growths are: 13 % in 2000 by comparison with 1999 and 9 % in 2001 by comparison with 2000, assuming also an export increase by 100 thousand cubic meters in 2000 as to 1999. The sawn timber import is maintained at very low level along the entire period.

In the first seven months of the year 2000 the wood products section (without the furniture) held 5.7 % of the total Romanian exports. Within this section the sawn timber had a share representing 63.8 % of total. About 83 % of non-coniferous sawn timber export is provided by beech wood.

The significant increase in the last years of sawn timber export and start up beginning with 1996 of new capacities for laminated parquet and solid wood panels reduced considerably the raw material supply for the production of pulp and wood – based panels which, correlated with the domestic demand and also with the poor preoccupation for the modernisation of technology, lead to shortages - in case of particle boards – and otherwise have been maintained at a steady level as in case of plywood production.

In July 2000 a new and modern MDF plant is started up and came into operation. This investment is started by the company S.C. Sebe<sup>o</sup> FRATI s.p.a belonging to the group FRATI – Italy.

The new capacity of 285 thousand cubic meters / year shall be equipped with a melamine surfacing plant with a capacity of 5000 thousand square meters/year.

The company shall have in operation in 2001 a particleboard plant with capacity of 240 thousand cubic meters/years.

*These major investments will create in 2001 a new configuration of particleboard production in Romania and consequently will determine the changes in the end use of removals as well as in the import and export of wood based panels by means of:*

- the increase of particleboard production by 256 % and also the 8 times increase of exports at the same time with the decrease of imports by 47.5 %;

- the increase of 4 times in the fiberboard production by increasing the MDF production from 32000 to 230000 cubic meters;

- the availability of 215000 cubic meters of MDF for export.

### **The market of certified forest products**

Within the FAO-TCP-ROM / 6612 assistance project for the application of forestry development strategies in Romania there are actions for the implementation of forest products certification system.

This project (1998-2000) is in progress of execution.