

THE NETHERLANDS NATIONAL MARKET REPORT 2002

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Netherlands's Timber Trade Association, VVNH
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1 GENERAL ECONOMICAL OVERVIEW

The world economy is currently experiencing a period of slow growth, which achieved its lowest point around the second half of 2001. Since the beginning of 2002 economic growth seems to be recovering. Mostly due to declining financial markets during the first half of 2002, the speed of recovery has been relatively slow as compared to previous periods of economic upswing. Barring further financial market troubles and rising tension in the Middle East, the pace of growth is expected to increase into 2003.

Much of the international economic outlook depends on the performance of the US economy. While US GDP grew by 0,3% in 2001, growth is expected to accelerate to 2¼% in 2002 and 3¼% in 2003. Underlying this development is a gradual recovery in confidence, profits and productivity, helped by low interest rates and a favourable dollar exchange rate.

The European economy is expected to follow the US business cycle at a more modest pace with GDP growth increasing from 1¼% in 2002 to 2½% in 2003. Recovery in the Euro area is hampered by sluggish domestic demand, mainly due to strong inflationary pressures and increasing unemployment. Additionally, European export growth is diminished by a strong euro exchange rate.

Strong export performance in the first half of 2002 have improved the economic outlook for Japan, which currently stands at ¼% in 2002 and 1½% in 2003. Domestic demand remains weak, however. Outside the major economies, growth performance is relatively strong, with production following favourable developments in domestic and foreign demand. Notable exceptions are the major Latin American economies, which continue to be plagued by financial market instability related to government debt positions.

The Dutch economy is expected to perform relatively weakly compared to the rest of Europe, with growth reaching only ½% in 2002 and 1½% in 2003. With the first half of 2002 showing no signs of improvement, a more solid economic rebound is expected to take shape during the remainder of the year, continuing into 2003. The main source of growth is expected to be foreign demand. However, export growth is hampered by a decline in competitiveness, mainly due to adverse developments in unit labour cost. As Table 1 shows, consumption growth is expected to be stable, but weak throughout the forecast period. This is the result of a severe drop in confidence in the first half of 2002, increasing unemployment and a modest increase in disposable income. Investment growth is expected to be negative this year, while recovering weakly to 0% growth in 2003. Due to budgetary cutbacks in 2003, growth will no longer be supported by government consumption and investment as it was in 2002. The government budget surplus will turn negative by the end of this year nevertheless. Inflation is expected to decline gradually from 3½% in 2002 to 2½% in 2003.

Table 1
Main indicators of Dutch economic performance

	2001	2002	2003
	% change from last year		
World trade of goods		3¼	10
Gross Domestic Product	1,3	½	1½
Consumption	1,2	1¼	1½
Investment market sector	-2,1	-2¼	0
Exports of goods	0,9	1¼	5¼
Imports of goods	1,4	1¼	5¼
Employment	2,0	½	-¼
Unemployment (level, %)	3,3	4	5
CPI	4,5	3½	2½
Public surplus (EMU-def.; level, % of GDP)	0,1	-0,5	-0,4

Source: Centraal Planbureau, 2002.

2 REVIEW OF DUTCH FOREST INDUSTRY SECTOR

2.1 Round wood

In 2001 the removals in the Dutch forests reached the level of 0.73 million m³ industrial round wood under bark, a decline of 15 % compared with 2000. The decrease was both for saw logs and pulpwood.

In 2001 there was a strong increase in the export of industrial round wood, it nearly doubled up to 0.42 million m³ and was about the same as the import of industrial round wood.

There is an overall tendency in Dutch forestry for decreasing interests in wood production and harvesting. Main reasons are the increasing values for nature conservation and low wood prices for the forest owner.

2.2 Pulp and paper

Table 2
Fibre furnish of the Dutch paper and board industries

	1995	1996	1997	1998	1999	2000	2001
1000 m ³ round wood equivalents under bark							
Roundwood	167	143	144	157	160	171	165
Chips	138	106	110	130	135	137	170
Market pulp	2,602	3,101	3,401	3,411	3,127	2,658	2,856
Recovered paper	6,886	6,845	7,478	7,365	7,719	7,846	7,540
Total fibre input	9,793	10,195	11,133	11,063	11,141	10,812	10,731

Source: SBH, VNP

The production of newsprint and to a lesser extent that of folding boxboard, determines the demand for domestic pulpwood. The mechanical wood pulp production in 2001 was 3.5 % lower than the year before. The industry expects the same production for 2002 and 2003.

The slow down in the economy which began at the end of 2000 can be seen in the figures for 2001. The forecast is that a turning point will be reached in 2002 and economic activity will increase again. The general feeling is that Dutch companies have still managed to do well.

The fall back in the American economy following 11 September 2001, also led to a further slowdown in the Netherlands' economy. This was immediately reflected in the consumption of paper and board. Fewer advertisements in newspapers and magazines meant thinner publications and therefore less paper. This also applied to products: reduced consumption meant less packaging.

In general terms, the Netherlands saw only modest economic growth in 2001; the rate of 1.1% being the smallest since 1993. The growth in exports in particular, severely declined in 2001. Internationally, the Netherlands' economic growth was below average. Last year inflation increased by almost 2 percentage points to reach 4.5%, the highest level recorded since 1982.

The Dutch paper and board industry saw a drop in turnover in 2001 of 4.6%, down to approx. 4.8 billion guilders (2.2 billion euro's). Sales were also down by 4.8% to 3.2 million tonnes. Nevertheless, we can speak of reasonable results in the industry, because the higher costs, higher energy prices and wages were partly offset by the lower raw material prices. In 2002 production is expected to pick up again during the course of the year.

The development in the Dutch paper and board industry is given in table 3.

Table 3
Recent developments of the Dutch paper and board industries

	1995	1996	1997	1998	1999	2000	2001
	Annual Percentages Change						
Production:							
Thermo-mechanical pulp (integrated)	24.2	-19.1	9.6	-8.8	11.0	16.0	-2
Newsprint	16.2	-6.3	10.4	-7.0	8.0	10.0	-4
(Other) graphic papers	-9.3	2.7	4.9	0.0	2.0	3.0	-17
Case materials	-0.8	5.1	2.8	2.0	8.0	0.0	-5
Wrappings upto 150 gsm	-12.0	7.1	11.6	-3.0	17.0	-8.0	-5
Folding boxboard and other paper & Board for packaging	1.0	-1.4	6.9	4.0	2.0	2.0	-1
Sanitary & household	-3.7	-1.3	6.1	0.0	14.0	-8.0	-3
Total paper & board	-1.4	0.7	5.7	1.0	2.0	2.0	-5
(Turnover [million Euro])	1,971	1,744	1,868	1,923	1,960	2,300	2,197
Price change of production of paper and board industries	12.7	-5.5	-1.25	2.75	n.a.	n.a.	n.a.

Source: VNP

2.3 Sawn softwood

For 2001 it became clear that the long period of brisk economic growth had come to an end. This slowdown had effected the building industry, especially the investments in new houses (- 4 %). We see a drastic fall in the consumption of sawn softwood compared with the two previous years. The consumption in 2001 is back now on the level of the mid nineties.

Table 4
Key facts of the Dutch sawn softwood market

	1995	1996	1997	1998	1999	2000	2001
	x 1000 m ³ under bark						
Domestic Production	200	186	223	196	203	247	168
Net Imports	2323	2413	2413	2658	2629	2770	2450
Stock Change	-46	-50	-50	25	-68	-25	-25
Apparent Consumption	2569	2649	2686	2829	2900	3042	2643

Sources: National Statistics (CBS) / Netherlands's Timber Trade Association (VVNH)/ SBH

2.4 Sawn hardwood

After two years of substantial growth of imports and consumption of sawn hardwood 2001 shows a substantial drop. The decrease for sawn hardwood is relative stronger compared with sawn softwood.

Again in 2001 eight sawmills in The Netherlands were closed down. There are several reasons for this decrease: small profits, lack of successors, increasing environmental restrictions etc. Mostly small-scaled sawmills are disappearing, the remaining sawmills

taking over the market gap resulting in an increase of scale. This development concerns both softwood and hardwood mills.

Table 5
Key facts of the Dutch sawn hardwood market

	1995	1996	1997	1998	1999	2000	2001
	x 1,000 m ³ under bark						
Domestic Production	227	176	178	153	159	143	100
of which tropical	49	41	40	40	45	40	23
Net Imports	497	503	465	468	542	634	532
of which tropical	330	330	346	276	315	405	327
Apparent Consumption	724	679	643	621	701	777	632
of which tropical	379	371	386	316	360	445	350

Sources: SBH, National Statistics (CBS)

2.5 Certified forest products

In previous Market Statements of The Netherlands we informed ECE/Timber Committee on the Act on mandatory labelling of all forest products. This draft legislation of the Dutch Parliament on 'red and green labelling' of all timber and paper products sold in the Netherlands should stimulate the use of certified wood products. During final discussions in July 2002 The Upper House of Dutch Parliament recommended the initiator to skip the red label. As far as we know the draft will be adapted and again introduced in both Lower and Upper House of Parliament.

In relation with the discussions on the labelling act the Dutch government took the initiative in 2002 to set up a guideline for the assessment of certified wood products based on the Dutch minimum standards for sustainable forest management. Accepted wood and wooden products will be completed with a special mark. Introduction is expected to take place in the end of 2002.

The last monitoring for certified wood in The Netherlands has been done for 1999. Recently FSC-Netherlands ordered the monitoring for FSC wood on the Dutch market in 2001.

In 1999 327.000 m³ r.e. FSC wood was available on the Dutch market, about 4 % of the total use of construction wood. That year "Stichting Keurhout" had labelled 65.000 m³ r.e. mainly from different forest areas in Malaysia. These forest areas were not officially certified but in a transition phase to certification.

For 2001 professionals estimate the percentage FSC wood on the Dutch market in the range 6 – 8 % of the total use of construction wood. In October new figures are available.

TABLE 6. Forest products production and trade in 2001,2002 and 2003

Product Code	Product	Unit	Estimate		Forecast
			2001	2002	2003
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m ³	394	374	374
	Imports	1000 m ³	n.a.		
	Exports	1000 m ³	n.a.		
	Apparent consumption	1000 m ³			
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m ³	103	98	98
	Imports	1000 m ³	n.a.		
	Exports	1000 m ³	n.a.		
	Apparent consumption	1000 m ³			
1.2.1.NC.T	of which, tropical logs				
	Imports	1000 m ³	75	71	71
	Exports	1000 m ³	0	0	0
	Net Trade	1000 m ³	75	71	71
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS				
	Removals	1000 m ³	96	91	91
	Imports	1000 m ³	n.a.		
	Exports	1000 m ³	n.a.		
	Apparent consumption	1000 m ³			
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m ³	52	49	49
	Imports	1000 m ³	n.a.		
	Exports	1000 m ³	n.a.		
	Apparent consumption	1000 m ³			
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES				
	Domestic supply	1000 m ³	1.282	1.218	1.218
	Imports	1000 m ³	380	361	361
	Exports	1000 m ³	182	173	173
	Apparent consumption	1000 m ³	1.480	1.406	1.406
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m ³	54	51	51
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m ³	30	29	29
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m ³	0	0	0
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m ³	136	129	129
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m ³	168	168	168
	Imports	1000 m ³	2.669	2.669	2.669
	Exports	1000 m ³	211	211	211
	Apparent consumption	1000 m ³	2.626	2.626	2.626
5.NC	SAWNWOOD, NON-CONIFEROUS				

	Production	1000 m ³	100	100	100
	Imports	1000 m ³	625	625	625
	Exports	1000 m ³	93	93	93
	Apparent consumption	1000 m ³	632	632	632
5.NC.T	of which, tropical sawnwood				
	Production	1000 m ³	23	23	23
	Imports	1000 m ³	388	388	388
	Exports	1000 m ³	61	61	61
	Apparent consumption	1000 m ³	350	350	350
6.1	veneER SHEETS				
	Production	1000 m ³	18	18	18
	Imports	1000 m ³	16	16	16
	Exports	1000 m ³	17	17	17
	Apparent consumption	1000 m ³	17	17	17
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m ³	16	16	16
	Imports	1000 m ³	5	5	5
	Exports	1000 m ³	12	12	12
	Apparent consumption	1000 m ³	9	9	9
6.2	PLYWOOD				
	Production	1000 m ³	2	2	2
	Imports	1000 m ³	600	600	600
	Exports	1000 m ³	57	57	57
	Apparent consumption	1000 m ³	545	545	545
6.2.NC.T	of which, tropical plywood				
	Production	1000 m ³	2	2	2
	Imports	1000 m ³	225	225	225
	Exports	1000 m ³	30	30	30
	Apparent consumption	1000 m ³	197	197	197
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	676	676	676
	Exports	1000 m ³	81	81	81
	Apparent consumption	1000 m ³	595	595	595
6.3.1	of which, OSB				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	79	79	79
	Exports	1000 m ³	6	6	6
	Apparent consumption	1000 m ³	73	73	73
6.4	FIBREBOARD				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	517	517	517
	Exports	1000 m ³	103	103	103
	Apparent consumption	1000 m ³	414	414	414
6.4.1	Hardboard				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	68	68	68
	Exports	1000 m ³	13	13	13
	Apparent consumption	1000 m ³	55	55	55

6.4.2	MDF (Medium density)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	298	298	298
	Exports	1000 m ³	53	53	53
	Apparent consumption	1000 m ³	245	245	245
6.4.3	Insulating board				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	152	152	152
	Exports	1000 m ³	37	37	37
	Apparent consumption	1000 m ³	115	115	115
7	WOOD PULP				
	Production	1000 mt	130	130	130
	Imports	1000 mt	916	916	916
	Exports	1000 mt	282	282	282
	Apparent consumption	1000 mt	764	764	764
10	PAPER & PAPERBOARD				
	Production	1000 mt	3.174	3.174	3.174
	Imports	1000 mt	3.232	3.232	3.232
	Exports	1000 mt	3.050	3.050	3.050
	Apparent consumption	1000 mt	3.356	3.356	3.356