Sawn hardwood markets
2002 - 2003
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Just to re-cap

- Growth in exports from Asia affecting manufacture and trade in UN/ECE
- Production remained stable in 2002 after fall in 2001
- Apparent consumption fell 6% in EU/EFTA, but rose 6% in “Other Europe” sub-region
- Trade in dimension continues to grow
- Romanian exports rose 21% in 2002
- Hardwood flooring in EU levelled off in 2002
- Demand for certified sawn grew in 2002/3 but availability is in question
Trends in 2002 & 2003

"It is now very clear that 2000 was a peak year"

1. Change in hardwood trade with semi-finished and finished products replacing logs and sawn wood
2. Discernable shifts in species preference
3. Exchange rate dynamics
Major trade flows 97-01

Index (1997=100)

- non-ECE to EU/EFTA
- North America to North America
- CEEC to EU/EFTA
- EU/EFTA to EU/EFTA
- North America to non-ECE

1. Change in hardwood trade

Comparison of EU imports of sawn hardwood and logs

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>% Change 2001 to 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tropical logs</td>
<td>527.1</td>
<td>449.1</td>
<td>-15%</td>
</tr>
<tr>
<td>Beech logs</td>
<td>68.0</td>
<td>56.0</td>
<td>-18%</td>
</tr>
<tr>
<td>Oak logs</td>
<td>46.6</td>
<td>39.1</td>
<td>-16%</td>
</tr>
<tr>
<td>Other hardwood logs</td>
<td>603.9</td>
<td>584.3</td>
<td>-3%</td>
</tr>
<tr>
<td>Tropical sawn hardwood</td>
<td>1 293.4</td>
<td>1 156.1</td>
<td>-11%</td>
</tr>
<tr>
<td>Beech sawn hardwood</td>
<td>212.8</td>
<td>201.3</td>
<td>-5%</td>
</tr>
<tr>
<td>Oak sawn hardwood</td>
<td>497.4</td>
<td>468.8</td>
<td>-6%</td>
</tr>
<tr>
<td>Other sawn hardwood</td>
<td>631.7</td>
<td>579.2</td>
<td>-8%</td>
</tr>
</tbody>
</table>
2. Shift in species preference

- Measured return to darker species
- An end to the blonde wood trend in Europe
- Increased consumption of tropical species in flooring
- Return to fashion for oak
3. Exchange rate dynamics

- Reduction of the U.S. Dollar
  - Helps exports from:
    - USA
    - Asia

- Improvement of the Euro
  - Strengthens competition from imports:
    - USA
    - Asia
Sawn consumption 96-02

Index (1996=100)


EU/EFTA

Other Europe

Russian Federation

North America
Flooring EU 2002

- Nordic countries
- Germany
- France
- Spain
- Italy
- Austria
- Switzerland
- Belgium

% of market share

- Production
- Consumption
US Exports to EU 01-02

Million $  

- Lumber $  
- Veneer $  
- Logs $
Certified sawn hardwood

- Pressure from ENGOs continues
- Producers are responding
- PEFC and SFI still seek mutual recognition with other credible schemes such as FSC
- Availability in species, grades and specifications in dry sawn stock remains too limited
- Demand from private and public sectors differ significantly