CBI MARKET SURVEY

THE TIMBER AND TIMBER PRODUCTS MARKET IN AUSTRIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the timber and timber products market in Austria. The information is complementary to the information provided in the CBI market survey 'The timber and timber products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: industrial demand and production

In this survey, we will mainly focus on Forest Stewardship Council (FSC) certified timber and timber products. It should be noted that detailed statistical data on the certified timber market are scarce and that reliable figures are hard to obtain. Please be aware that data discussed throughout the report does not differentiate between FSC certified and non-certified timber. Consumption data are derived from the International Tropical Timber Organization's (ITTO) most recent Annual Timber Review (2005).[1]

Industrial demand

- Austria is a relatively large consumer of timber and timber products, especially when taking into account the small population of the country. In 2005, Austria accounted for 6.6% of EU15[2] consumption.
- In line with EU developments, Austria's combined industrial demand for round wood, sawn wood, veneer and plywood increased on average by 4% annually between 2001 and 2005, totalling 26 million m^3 in 2005. Austria is a small consumer of veneer and plywood. Consumption of the latter showed an erratic course; between 2001 and 2003, consumption increased greatly from 38 thousand m^3 to 102, then fell to 65 m^3 in 2004. The country is a large consumer of round wood, accounting for 6.9% of EU15 round wood consumption in 2005.

Table 1.1 Austria's industrial demand for all timber, 2001-2005, 1,000m^3

	2001	2003	2005	Annual change
Round wood	17,123	20,448	20,949	5%
Sawn wood	5,463	5,144	5,160	-1%
Veneer	30	30	45	11%
Plywood	38	104	46	5%
Total	**22,654**	**25,726**	**26,200**	**4%**

Source: ITTO, Timber annual review (2005)

Tropical timber consumption

- A large part of Austria's consumption in Table 1.1 consists of non-tropical species and is covered by EU/Austrian production. Austria's consumption of tropical timber is negligible. In 2005, Austria accounted for only 0.2% of EU15 tropical timber consumption. Furthermore, tropical timber consumption decreased on average by 2% between 2001 and 2005, totalling 13 thousand m^3 in 2005. Only the consumption of tropical sawn timber

[1] For information on ITTO and the main producing and consuming countries, refer to the CBI Market survey covering the EU market for timber and timber products.
[2] EU15 refers to the 15 countries in the European Union before the expansion on 1 May 2004. EU25 refers to the composition of the EU as it was until January 2007 (without Bulgaria and Romania).

showed a positive development, with consumption increasing on average by 73% annually in the period revised, amounting to 9 thousand m^3 in 2005.

Production
The European Commission on Forest-Based Industries (F-BI) recognises the following sectors of forest-based industries: forestry, woodworking, pulp and paper manufacturing and related activities (paper and board converting, printing).

Forestry
- Forest covers 47% of Austria's territory, which is among the highest rates in the EU. Its total forested area is also steadily increasing (UN-ECE Timber Committee, Austrian Market Report 2005). In contrast to other European countries, Austria's forests contain a large diversity of tree species.
- Timber supply per hectare of productive forest is 310 cubic meters. The total supply amounts to around one billion m^3. Only about 2% of this is utilized annually and only two thirds of the 27 million cubic meters annual increment is actually utilized. (http://www.fpp.at/) .
- The Austrian Forestry Act, which regulates forest management, is one of the strictest in the world. Nevertheless, the availability of Forest Stewardship Council (FSC) certified forest in Austria is, after Denmark, the smallest in the EU. In 2006, Austria had 5.9 thousand hectares of FSC-certified forests. The reason is that Austria is committed to the Programme for Endorsement of Forest Certification Schemes (PEFCS) system of forest certification, while FSC is hardly known among the wood-based industries and Austrian consumers. In 2006, almost 4 million hectares of Austrian forest were PEFC certified, generating a continuous supply of certified non-tropical raw material.

Wood-working industries
- Austrian wood-based industry sales totalled € 6.2 billion in 2005, which represents an increase of 3.8% in terms of value since 2004.
- The total sales value by the wood-based industry sector has grown by nearly 50% over the past eight years (The Austrian Wood Industries, Annual Rapport 2005/06). It is forecasted that this trend will continue.
- Major wood processors in Austria are represented by the sawmill industry, the fibreboard and particle board industry, which processes around 3.5 million cubic meters annually, as well as the pulp and paper industry which processes around 7 million cubic meters each year (http://www.fpp.at/) .
- The wood industry is a strongly export-oriented sector, with an export ratio of up to 75%. The most important export products are sawn softwood, wood-based panels and skis. The main destination markets are Germany and Italy.
- The Austrian wood industry is a varied sector. In terms of production volumes, its most important lines of business are the saw milling industry, the construction elements industry, the furniture industry, the manufacture of wood-based panels, and the ski industry.

Product groups
- Austria is one of the largest producers of sawn wood in the EU, accounting for 10% of EU27 sawn wood production. As shown in Table 1.2, sawn wood production amounted to 11.1 million m^3. Almost half of the timber demand from the Austrian sawmill industry is met by imports. In 2005, industry sales exceeded € 2 billion.
- Total sales of the construction elements industry in 2005 amounted to € 1.8 billion, up by 2.8% from the year before. Window production is the most important line of business.
- In 2005, Austrian furniture production reached a total value of € 2.6 billion.
- Wood-based panels production increased by 3% annually on average, totalling 3,453 thousand m^3 in 2005, with a value of € 882 million in 2005. Austria is an especially large producer of particle board, accounting for 6% of EU production.
- The Austrian ski industry exports over 85% of its production. Given this extraordinarily high export ratio, Austrian ski brands are represented in all world markets. This is

remarkable, according to the Association of the Austrian Wood Industries, as only a few branded articles from Austria have succeeded in establishing a strong presence at the international level.

- Austria is an important producer of pulp, paper and paperboard, accounting for 5.1% of EU production in 2005. In 2004, 85% of production was exported. Production increased by 6.3% compared to 2003 but, due to the unfavourable price situation, the turnover of the sector rose by only 1.9% to € 3.4 billion (UN-ECE Timber Committee, Austrian Market Report 2005).

Table 1.2 Production of selected timber and timber products in Austria, 2001-2005, in 1,000 m^3

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	13,467	17,055	16,471	5%	4%
Sawn wood	10,227	10,473	11,074	2%	10%
Wood based panels	3,019	3,419	3,453	3%	6%
Fiberboard	*640*	*810*	*810*	*6%*	*5%*
Particle board	*2,170*	*2,400*	*2,425*	*3%*	*6%*
Plywood	*186*	*186*	*195*	*1%*	*5%*
Veneer sheets	*23*	*23*	*23*	*0%*	*2%*
Paper and paperboard	4,250	4,565	4,950	4%	5%

Source: Foresstat (2007)

Trends

- The wood-based industry sector in Austria is becoming very concentrated. Austria has 1,008 active sawmills. The 40 biggest sawmills account for approximately 90% of total production, while 65% of the total amount of sawn wood is produced by the 10 largest mills (The Austrian Wood Industries, Annual Rapport 2005/06).
- Comparable to many European countries, profits of the wood-working industries, especially the wood based panel branch, came under substantial pressure, due to a steep increase of wood and other raw material prices. Nevertheless, Austria maintained a trade surplus of € 567 million for wood-based panels in 2005. According to the preliminary foreign trade figures published by Statistics Austria, a further increase of the foreign trade surplus can be expected.
- Because of its geographical location, Austria is strongly focused on its eastern European neighbours. Joint ventures and outsourcing of production to countries such as Poland, Czech Republic and Lithuania, is a clear trend.

Opportunities and threats

It will be a challenge for developing countries to enter the Austrian market, because of several reasons:

- Austria is self-sufficient regarding many timber products. Austria is among the most densely forested countries of Europe and consequently produces large volumes of sawn wood and wood-based panels.
- Austria has a very well developed and competitive wood-based industry. The workforce is well educated, forests are sustainably managed and state-of-the-art technology is used. Also, wood and water are available in sufficient quantities, ideal for paper production.
- Most companies of the Austrian particle, MDF and fibreboard industry are family-owned. A high export ratio and a large volume of investments in international locations testify to the success of the Austrian particle and fibreboard industry (The Association of the Austrian Wood Industries, Annual Report 2005/06).
- Consumption of tropical timber is negligible.
- FSC does not play a major role in certification in Austria, as the country is dedicated to PEFC classification. Consequently, consumer awareness of FSC is low. Austria uses its own protected trade mark, "Timber from Austria", to help consumers identify Austrian timber and wood products. The label certifies the origin of timber from Austria's forests as well as the fact that mainly Austrian wood has been used in the manufacturing of various wood

products. Other wood used in wood-based products must come from forestry management areas with comparable ecological standards.

Please refer to chapter 7 of the CBI market survey covering the EU market for more information on opportunities and threats.

2 Trade channels for market entry

The distribution of tropical timber from developing countries to Austrian consumers is somewhat different from other EU countries, because Austria is a land-locked country. Since it does not possess a port, the country mainly relies on re-exports from Italy and Germany for its supply of tropical timber. Consequently, tropical timber imports from developing countries are "'hidden'' in the international trade statistics and developing countries account for a very small share of imports (see section 3). Note that tropical timber is a luxurious, niche product. Hardly any direct imports takes place by wholesalers and DIY chains. Most Austrian DIY chains are managed by their German neighbours, so that procurement and sales decisions are generally taken by the German headquarters. Some industry sources note that, in this respect, Austria can be viewed as a province of Germany. Ikea does not have its own production units in Austria.

The most important trade channels for exporters in developing countries to enter the Austrian market are through sales agents, importers/traders and importers/processors. Companies importing FSC products and which could be interesting for developing country suppliers are, amongst others:

- Frey-Amon, an internationally active wood wholesaler and processing enterprise with its main headquarters in Austria and branches in Poland, the Czech Republic and Lithuania: http://www.frey-amon.at
- The Bruno Berthold OHG Group is specialised in solid wood planks and panels. The group's saw mill, under the name European Hardwood Production GmbH, is located in Austria and is one of the largest hardwood sawmills in Europe: http://www.berthold-holz.de

FSC-certified products in Austria are marketed mostly in DIY stores, but also in the paper sector. Please note that DIY chains usually source through wholesalers or buying agents. As the market is not very transparent, information about the suppliers they are dealing with can be obtained through contacting these chains. The most important retail/DIY channels for timber and timber products are:

- Hornbach Baumarkt, which has 11 mega-stores in Austria: http://www.hornbach.com/
- The Kika/Leiner Group is furniture market leader in Austria: http://www.kika.at/cgi-bin/frontp.php
- Baumax is an Austrian chain with a large market share in Eastern Europe: http://www.baumax.at
- Ikea Austria: http://www.ikea.com/ms/de_AT/

It is very difficult to present an overview of the different margins which apply throughout the various trade channels, as margins depend on species, quantity, quality and stage of processing. Also, the transport costs vary, depending on the country of origin and destination, the proximity of the forest plantation and the saw mill to a port, the volume of the shipment, fuel prices etc. In general timber prices at the final consumer destination (DIY, wholesalers, garden centres) do not vary much across Europe. Prices found at DIY chains can be indicative for prices wholesalers are willing to pay. As a rule of thumb you should be able to offer products for not more than 40% of retail prices. Please refer to the CBI market survey covering the EU market for more specific information on margins.

There is a growing trend in the timber trade to use the Internet for sourcing timber and timber products (E-commerce). The use of Internet reduces the trade chain by several links, cuts transaction costs and improves efficiency.

- *On-line company database* for finding companies working in the timber and timber products market are:
  - Europages, an online business directory, with full EU coverage. Wood and furniture are a separate product group and it is possible to include Austria in the search options:: http://www.europages.com
- Also refer to the CBI market survey covering the EU market for more information on on-line company databases

3 Trade: imports and exports

Imports

- Austria is the eighth largest importer of timber and timber products in the EU, accounting for 6% of total EU imports in 2005. Between 2001 and 2005, imports increased on average by 5% annually in terms of value, totalling € 1.6 billion / 10.2 million tonnes in the latter year.
- Compared to other major timber importers, Austria imports relatively more low-value timber products, which is shown by the low import unit value. For instance, Austria was the second largest importer of round wood, accounting for 14% of EU round wood imports. Almost half of Austria's demand for round wood is supplied by Germany, another 22% by the Czech Republic.
- Developing countries only accounted for 4% of Austrian timber imports, which is far below the EU average of 19%. Furthermore, imports from developing countries decreased on average by 6% annually between 2001 and 2005. The main supplier was China, but it still accounts for only 0.3% of Austrian imports.
- 88% of total timber imports comes from intra-EU sources. Neighbouring countries, such as Germany and the Czech Republic, were the main suppliers.

Exports

- Austria is a net exporter of timber and timber products. After Germany, Austria is the largest exporter of timber in the EU, accounting for 12% of total EU exports in 2005. Exports increased on average by 7% annually between 2001 and 2005, totalling € 3.3 billion / 8.9 million tonnes in 2005.
- Of interest is the difference in export unit value compared to the import unit value. Austria mainly imports products with limited value addition (round wood), shown in the low import unit value, and mainly exports further processed timber products, as is shown in the high export unit value.
- Austria's exports of builder's joinery increased on average by 15% annually between 2001 and 2005, turning the country into the largest exporter of builder's joinery in the EU. More than half of the builder's joinery exports is destined for Italy. Furthermore, substantial amounts are exported to Germany and Japan.

Opportunities and threats

- Although Austria is among the largest traders of timber and timber products in the EU, the country is not really an interesting market for developing country producers. This is foremost because of the very low import market share of developing countries, in addition to the fact that imports from developing countries are decreasing. Furthermore, domestic production and export volumes are very large, making it a highly competitive market.
- Austria mainly imports raw or basic processed timber products, which are not really interesting for developing countries, because of the globally applied import/export bans on raw timber material and because of the limited value-addition possibilities. Furthermore, Austria mainly exports further processed products, indicating a well developed wood-based industry.
- Please refer to chapter 7 of the CBI survey covering the EU market for more information on opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int

4 Price developments

Austrian softwood prices are generally higher than the Scandinavian softwood prices. The average price for Pine sawn wood was $62 USD per m^2 during the course of 2006, Spruce was $91/ m^2 and Beech was $93/m^2. While tropical timber prices strongly increased during the review period, softwood prices in all main EU producing countries decreased. As opposed to the previous years, the price for Pine in Finland decreased by 11%, Spruce by 6% and Beech by 4% (World Timber Price Quarterly, 2007).

Tropical timber prices are not developing differently in Austria from any other EU country. The price premium of FSC certified tropical hardwood varies between the 10 and 15%. Please refer to chapter 5 of the CBI market survey covering the EU for information on price developments and useful sources.

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government.

For information on legislative and non-legislative requirements go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select timber and Austria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://export-help.cec.eu.int/

6 Doing business

Information on doing business such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. Also, the Internet provides many sources on business practices and culture, such as http://www.kwintessential.co.uk/resources/global-etiquette/austria-country-profile.html. Please keep in mind that these pages only give general remarks. Therefore, when conducting business, use your intuition and an understanding attitude.

For more information on doing business in Austria, visit the following websites:

Trade associations

- Österreichischer Verband des Holz- und Holzwerkstoffhandels (The Association of the Austrian Wood Industries): http://www.holzindustrie.at/
- Austropapier, Austrian Paper Industry http://www.austropapier.at/ (In German only).
- Die Österreichische Parkettindustrie (Austrian Parquet Industry Association) http://www.parkett.co.at/parkett/ (in German only).
- The Austrian Furniture Industry: http://www.moebel.at/
- WWF Global Forest & Trade Network Austria: http://www.wwf.at/wwfwoodgroup
- Verband Österreichischer Hobelwerke (Association of the European Planing Mill Industry): http://www.veuh.org/cms/cms.php?pageName=About_us

Trade fairs

- BWS: International trade fair for woodworking processing, fittings, carpenter supplies and joinery requirements. Every two years in April. Next date: April 2009. http://www.bwsmesse.at/en/aussteller/infofacts.html

Trade press

- Forum for Forest, Board and Paper: The forum contains a wealth of information on forest and timber in Austria, mainly provided by partners from the forestry, the pulp and paper industry, and the chipboard and fibreboard industry: http://www.fpp.at/

This survey was compiled for CBI by ProFound - Advisers in Development

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