

CBI MARKET SURVEY

THE TIMBER AND TIMBER PRODUCTS MARKET IN CYPRUS

Publication date: August, 2007

Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the timber and timber products market in Cyprus. 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**Industrial demand**

The International Tropical Timber Organization's (ITTO)¹ is normally the most relevant source when discussing the EU market for timber as the organization is, on a global scale, the most detailed and reliable in its data recording. However, ITTO only records data of the EU15² instead of the EU27. Unfortunately, the Cyprus Furniture & Woodworking Industry Association (PASYVEX) does not record timber and timber products consumption data either. Furthermore, ForesSTAT and UNECE do not have up-dated, informative market reports on the timber market in Cyprus. The latest UNECE Timber market Statement, dating from September 2005, recorded an 11% growth in value for the Cyprus forest-based industry as opposed to the previous year. Like in other European countries, an upward trend in timber consumption can be observed in Cyprus

- Cyprus hardly consumes any tropical timber, but mainly coniferous round wood and sawn wood for its domestic small-scale builder's joinery, carpentry and furniture industry. Most of the demand is covered by imports from intra-EU sources, most notably Italy and Sweden, while a small share is covered by domestic production.

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

- In 2000, forests covered an area of 172 thousand hectares. Brutia Pine is the main forest species in Cyprus growing from sea level up to the 1,600 m altitude. Its forests represent about 90% of the Island's forest area (http://www.un.org/esa/forests/pdf/national_reports/unff4/cyprus.pdf).
- Forests in Cyprus are mainly natural and the regeneration is based on natural seeding. Only small-scale forestations / reforestations are applied, where only native species are used. The annual growth of the productive forests of Cyprus in 2003 was about 42 thousand m³.
- The relatively low productivity and poor stocking of the Cyprus forests severely restrict the potential for domestic wood (and non-wood) production.

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).

Wood-working industries

- The present contribution of the forests to the Gross Domestic Product is limited to less than 0.1%. However, the indirect benefits are valued as very important by the Cypriot Department of Forest. The indirect benefits from forests such as environmental protection, nature and wildlife conservation, water conservation and recreation have been given a higher importance by the Department of Forest, than that of direct benefits. Therefore, the management of the state forests is based on the multiple use and role of forests, as well as on the principle of sustainability (FAO, Report of Cyprus, 2004).
- Cyprus is a small producer of timber and timber products, due to the limited forest acreage. As shown in Table 1.2, the country holds no share in EU production of timber and timber products. Between 2001 and 2005, the country decreased its production of plywood and wood-based panels on average by 20% annually. Cyprus also decreased its production of round wood and sawn wood by 15% and 16% annually respectively.
- Cyprus no longer manufactures fibreboard, particle board and veneer sheets.
- Cyprus has no domestic pulp and paper industry.

Table 1.2 Production of selected timber and timber products in Cyprus, 2001-2005, in 1,000 m³

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	18	12	10	-15%	0%
Sawn wood	9	6	4	-16%	0%
Wood based panels	4	2	2	-20%	0%
Fiberboard	0	0	0	N.A.	N.A.
Particle board	0	0	0	N.A.	N.A.
Plywood	4	2	2	-20%	0%
Veneer sheets	0	0	0	N.A.	N.A.
Paper and paperboard	0	0	0	N.A.	N.A.

Source: Foresstat (2007)

Trends

- Constructions costs are increasing for the Cypriot construction industry. Between 2001 and 2005, the cost of constructions recorded a sharp increase of 53.6%, which is on average an annual increase of 11% (<http://www.eazybuild.com/general/news.jsp?newsType=NEWSLETTER&newsNum=122>).
- Since the domestic forest-based industry is not competitive and is of limited capacity, sustainable forest management has been put high on the agenda, in order to ensure the beauty of the forest, mainly for recreational purposes and as a tourist attraction. In this concept, a National Forest Programme (NFP) was adopted in 2002 covering the 10-year-period 2002-2011.

Opportunities and threats

- + The relatively low productivity and poor stocking of the Cyprus forests severely restrict the potential for domestic wood (and non-wood) production. Therefore, Cyprus will remain highly dependent on imports for its timber supply.
- Consumption of tropical and temperate timber is very small.
- Forest Stewardship Council certification (<http://www.fsc.org>) does not play a major role in certification in Cyprus, consequently, consumer awareness of FSC is low.

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

2 Trade channels for market entry

- The most important trade channels for exporters in developing countries to enter the Cypriot market are through sales agents, importers/traders and importers/processors.

Though, the distribution of timber from developing countries to Cypriot consumers is somewhat different from other EU countries, because Cyprus is a small island and therefore imports little timber and timber products. The country mainly relies on re-exports from Italy 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).

- FSC is likely to play a limited role in the Cypriot market, comparable to other South European countries. Companies importing FSC products and which could be interesting for developing country suppliers are, amongst others: D.C.Demetriades Ltd, Cyprus' leading building materials importer and distributor: <http://www.dcdemetriades.com.cy>
- Cypriot DIY chains are very small and include Ellinas DIY (<http://www.ellinasdiy.com>) and Paintshop (<http://www.paint-shop.net/>). 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.
- 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 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 is:
 - Europages, an online business directory, with full EU coverage. Wood and furniture are a separate product group and it is possible to include Cyprus in the search options: <http://www.europages.com>
 - Cyprus Builder is a portal to all the major building industry companies of Cyprus: <http://www.cyprusbuilder.com/>
 - Cyprus Furniture is a portal to the major furniture manufacturers, importers and furniture stores in Cyprus: <http://www.cyprusfurniture.com/>
 - Cyprus Home is a portal with links and information on companies which deal with furnishing and decoration in Cyprus: <http://www.cyprushome.com/>
 - Cyprus Timber Frame is a portal which features the major timber frame suppliers and distributors in Cyprus: <http://www.cyprustimberframe.com/>

3 Trade: imports and exports

Imports

- Cyprus is a minor importer of timber and timber products in the EU, accounting for 0.3% of total EU imports in 2005. Between 2001 and 2005, imports from Cyprus had an annual increase of 11% in terms of value. Imports amounted to € 83 million/ 157 thousand tonnes in the latter year.
- Compared to other EU timber importers, Cyprus imported little timber and timber products. The most important import product for Cyprus was wooden frames.
- Between 2001 and 2005, Cyprus had an 18% annual increase on imports of wooden frames. Almost half of Cyprus' demand for wooden frames was supplied by Italy and China.
- Developing countries only accounted for 9% of Cyprus timber imports, which is far below the EU average of 19%. However, imports from developing countries increased on average by 18% annually between 2001 and 2005. The main developing country supplier was China, accounting for 2% of Cyprus imports.

- 70% of total timber imports came from intra-EU sources. Italy and Sweden were the two main suppliers.

Exports

- Cyprus is a small exporter of timber and timber products. Exports increased on average by 15% annually between 2001 and 2005, totalling € 670 thousand / 250 tonnes in 2005.
- The two main markets for Cyprus' timber were Gibraltar and the United Kingdom.
- Cyprus exports both primary processed products, like sawn wood and wood-based panels, and processed products, like builder's joinery.
- Cyprus' exports of builder's joinery increased on average by 35% annually between 2001 and 2005. Almost all builder's joinery exports are destined to Gibraltar and Saudi Arabia.

Opportunities and threats

- + Cyprus may be an interesting market for developing country producers. Between 2001 and 2005, imports from developing countries increased by 18%, far above the EU average of 3%.
- Cyprus mainly relies on re-exports from Italy for its supply of tropical timber.
- Even though Cyprus imports a great amount of wooden frames, Cyprus mainly imports primarily processed timber products, which are not really interesting for developing countries because of the limited value-addition possibilities.
- Furthermore, Cyprus is increasing its exports of further processed products, indicating a development in the wood-based industry.

Please refer to chapter 7 of the CBI market 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

Cypriot (tropical) timber market prices do not differ from general EU prices. Therefore, no country-specific websites exist for up-to-date prices and price information. Just as in other EU countries, timber prices showed an upward trend. Please refer to chapter 5 of the 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 Cyprus, you should be aware of the market access requirements of your trading partners and the government of Cyprus.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select timber and Cyprus 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. For more information on doing business in Cyprus, visit the following websites:

Trade associations

- Cyprus Chamber of Commerce and Industry: http://www.ccci.org.cy/about_4.shtm
- Cyprus Furniture & Woodworking Industry Association: <http://www.sxtrading.com/>
- Cyprus Employers & Industrialists Federation: <http://www.oeb.org.cy/main/default.aspx>

Trade fairs

- Ideal Home 2007: International trade fair for furniture, decoration and home equipment. The last event was held in September 2006 and the next one will be in October 2007. http://www.csfa.org.cy/csfa2/ideal_home.html

Trade press

- There is no specific website for timber or wood trade press, however it may be interesting to look at the following website for news on the country and general information: <http://www.cips.com.cy/>

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

in collaboration with Rop Monster and Marco Bijl

Disclaimer CBI market information tools : <http://www.cbi.eu/disclaimer>