

## CBI MARKET SURVEY

## THE TIMBER AND TIMBER PRODUCTS MARKET IN DENMARK

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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 Denmark. 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).<sup>1</sup>

**Industrial demand**

- Denmark is a relatively small consumer of timber and timber products. In 2005, Denmark accounted for 0.9% of EU15<sup>2</sup> consumption. Denmark's industrial demand for timber remained unchanged in the period reviewed, totalling 3.8 million m<sup>3</sup> in 2005.
- Different from EU developments, Denmark's industrial demand for veneer increased by 16% annually between 2001 and 2005, totalling 75 thousand m<sup>3</sup> in 2005, while EU15 consumption decreased at average by 2% in the same period. Denmark is also an increasing consumer of plywood, with an annual increase of 14% between 2001 and 2005, a figure considerably above the 3% EU15 average. Denmark's industrial demand for sawn wood decreased by 5% whilst EU consumption of the same product group increased slightly by 1% annually.
- It is estimated by the Danish Ministry of the Environment that about 25% of the country's consumption of timber and timber products is covered by domestic production.

***Tropical timber consumption***

- A large part of Denmark's consumption consists of non-tropical species and is covered by EU/Danish production. Denmark's consumption of tropical timber is small. In 2005, Denmark accounted for 2% of EU15 tropical timber consumption. Tropical timber consumption remained constant between 2001 and 2005, totalling 106 thousand m<sup>3</sup> in 2005.
- Consumption of tropical round and sawn wood showed an extremely negative development, with consumption decreasing on average by 100% annually in the period reviewed. On the other hand, consumption of veneer showed a strong positive development, with consumption increasing on average by 86% annually, a number far above the 5% EU15 average.

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<sup>1</sup> 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.

<sup>2</sup> 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).

## 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

- Forested area in Denmark, compared to other EU countries, is small. In 2005, Danish forests covered approximately 500 thousand hectares, corresponding to around 11% of the total area. Forests in Denmark are fragmented and often very small. (Ministry of the Environment: <http://www.sns.dk/internat/dnf-eng.pdf> and Eurostat Forestry statistics 2007).
- Denmark is a relatively forest-poor country, with only around 0.1 ha forest per capita, whereas in the neighbouring country Sweden the number is approximately 2.8 ha (Idem).
- The most common tree species are Norway spruce (27%), beech (17%) and oak (9%). Species for Christmas trees and greenery production add up to 8% of the total forest cover. Private ownership accounts for 46% of all forest land. The number of private forest holdings is about 25,000. Companies and foundations own 26% of the forests and the remaining 28% is publicly owned (Nordic Family Forestry: <http://www.nordicforestry.org/facts/Denmark.asp>).
- The Danish Forest Act was passed by the Parliament in 2004. The main objective is to obtain sustainability in the Danish forests. About 10,000 hectares or 2% of the Danish forests is certified under the Danish PEFC-Scheme (Idem).
- Denmark has very little FSC-certified timber. In 2006, it was reported by the Forest Stewardship Council that only 876 hectares of forest were FSC-certified (<http://www.certified-forests.org/region.htm>).

### Wood-working industries

- Denmark is a large producer of furniture and is known world wide for its Scandinavian designs. The Danish remanufacturing industry and particularly the furniture industry is among the world's best. The furniture industry employs around 22,000 people. Turnover was lastly recorded in 2002, and totalled € 4.3 billion, which corresponds to 6% of the turnover in the whole Danish manufacturing industry (<http://www.trademeeting.com/>).
- In 2006, the furniture sector comprised approximately 400 companies, which, combined, produced furniture to the value of € 2.6 billion. 83% of the production (approximately € 2.2 billion) was exported, making the Danish furniture sector Denmark's sixth-largest export industry in 2006. The three most important export markets for Danish furniture are Germany, Norway and the United Kingdom (Danish Furniture: <http://www.danishfurniture.dk/>).

**Table 1.1 Production of selected timber and timber products in Denmark, 2001-2005, in 1,000 m<sup>3</sup>**

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	1,613	1,627	2,285	9%	1%
Sawn wood	283	248	196	-9%	0%
Wood based panels	378	401	345	-2%	1%
Fiberboard	0	0	0	N.A.	N.A.
Particle board	364	384	345	-1%	1%
Plywood	14	17	0	-100%	0%
Veneer sheets	0	0	0	N.A.	N.A.
Paper and paperboard	389	388	423	2%	0%

Source: Foresstat (2007)

### Product groups

- As shown in Table 1.1, Denmark is a very small producer of timber and timber products in the EU.

- Different from EU market developments, Denmark increased its production of round wood by 9% annually between 2001 and 2005, totalling 2.3 million m<sup>3</sup> in the latter year.
- Note that Danish plywood production decreased considerably in the period reviewed. Currently, the country does not manufacture plywood.

### **Trends**

- Public procurement is boosting sustainable timber consumption. In February 2006, the Danish environment minister launched a 9-point-plan for public purchase of legal and sustainably produced timber in Denmark. According to the policy, all public institutions should buy legal and sustainable timber. The policy covers both wood and paper products (Proforest: <http://www.proforest.net/cpet/international-policies-1/denmark>).
- Looking at the general development of the wood industry in Europe, it is obvious that Denmark, being a small country with a small forest area and high labour costs, is caught in a very difficult market situation. International mergers and take-overs have become the normal situation in Europe these days, but in this context Danish forestry is too small to be really interesting strategically – especially when it comes to the primary wood industry.
- There is no wood pulp production left in Denmark, however the production of paper and paperboard is relatively stable.

### **Opportunities and threats**

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

- There are strict guidelines for the purchase of tropical timber in Denmark (Ministry of the Environment: [http://www.illegal-logging.info/uploads/tropical\\_timber\\_22102003\\_UK\\_D.pdf](http://www.illegal-logging.info/uploads/tropical_timber_22102003_UK_D.pdf)).
- FSC does not play a major role in certification in Denmark, as the country is dedicated to PEFC classification. Consequently, consumer awareness of FSC is low.
- Timber certification is increasingly important for the Danish timber market, specially when the timber is sourced in developing countries (FSC and MTCC Malaysian certification are increasingly important).
- The timber producer must have the necessary rights and permits to undertake trading activities in the main tropical species (known as azobé, teak, mahogany, merbau, meranti, jatoba, and doussié).
- Denmark has a competitive wood-based industry. The workforce is well educated, forests are sustainably managed and state-of-the-art technology is used.
- Consumption of tropical timber is negligible.

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**

- Denmark's trade structure resembles those of other North European countries. The most important trade channels for exporters in developing countries to enter the Danish market are through sales agents, importers/traders and importers/processors. See the survey covering the EU market for more in-depth information on the EU timber trade channels.
- Characteristics and trends of the timber trade in Denmark:
  - Increased concentration of the product chain.
  - Danish importers and distribution companies such as DLH play an important role in other Nordic countries as well.
  - The construction market is dominated by a few timber wholesalers.
  - The DIY market segment is characterised by mergers, acquisitions and consolidation. Denmark's DIY sector is dominated by domestic players, which also play a role in other Nordic countries.
- Companies importing FSC products and which could be interesting for developing country suppliers are, amongst others:

- Woodshop, an FSC-certified importer and distributor/wholesaler of a range of timber products: <http://www.woodshop.dk>.
  - Atlas Timber, imports veneer, sawn wood and round wood, mainly from Africa: <http://www.atlas-timber.dk/>.
  - Large importers such as Dalhoff Larsen (<http://www.dlh-group.com>) also import FSC timber (next to non-certified timber). DLH is among the largest wholesalers in the world and is currently the largest producer of sustainable tropical timber in Africa.
  - Tracer, certified importer, imports from Asia: <http://www.koppwood.com>
  - Scancom is among the largest importers and producers of garden timber and is FSC-certified: <http://www.scancom.net>.
  - Tvearsam is an FSC-certified garden furniture importer from developing countries and an on-line retailer: <http://www.multikulti.dk>.
  - Johan Olsen is an FSC-certified parquet producer: <http://www.johanolsen.dk/>.
- FSC-certified products in Denmark 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. Denmark has several large domestic DIY groups such as Danske Traelast and Silvan, which are both part of the DT-group (<http://www.dtgroup.dk>), also active in other Nordic countries. A Smaller player is Harald Nyborg (<http://www.harald-nyborg.dk>). Another important player is the German Bauhaus Group. Furthermore, COOP (<http://www.coop.dk>) also sells FSC timber products.
- 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 information on opportunities and threats.

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 Denmark in the search options: : <http://www.europages.com>
  - Other players can be found through the trade associations mentioned in Section 6.
- 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

- Denmark was the ninth largest importer of timber and timber products in the EU, accounting for 4% of total EU imports in 2005. Between 2001 and 2005, imports increased on average by 5% in terms of value, totalling € 1.3 billion / 3.4 million tonnes in the latter year.
- Denmark was the third largest importer of fuel wood in the EU, accounting for 11% of total EU fuel wood imports. Almost half of Denmark's demand for fuel wood was supplied by Estonia and Sweden.



- Denmark was the fifth largest importer of builder's joinery in the EU, accounting for 8% of total EU builder's joinery imports. Sweden and Poland are the main suppliers of builder's joinery to Denmark.
- Developing countries only accounted for 9% of Denmark's timber imports, which is far below the EU average of 19%. However, imports from developing countries increased on average by 11% annually between 2001 and 2005. The main developing country supplier was China, accounting for 2% of Denmark's imports.
- 82% of Denmark's total timber imports came from intra-EU sources. Neighbouring countries, such as Germany and Sweden, are the main suppliers.

### Exports

- Denmark was the twelfth largest exporter of timber and timber products in the EU. The country accounted for 2% of total EU exports in 2005. Exports decreased on average by 1% annually between 2001 and 2005, totalling € 660 million / 826 thousand tonnes in 2005.
- Between 2001 and 2005, exports from Denmark decreased by 1% per year. Exports of mouldings, round wood and wooden frames decreased by 7%, 9% and 17% respectively.
- Denmark was the third largest exporter of builder's joinery in the EU, behind only Austria and Germany. In 2005, the country exported 146 thousand tonnes of builder's joinery, totalling € 484 million.
- It is important to notice that Denmark is a great importer and exporter of builder's joinery, a product with high value addition in the market.
- Denmark's exports of builder's joinery increased on average by 1% annually between 2001 and 2005. A great part of the builder's joinery exports is destined for Germany and the United Kingdom. Furthermore, substantial amounts were exported to Ireland and The Netherlands.

### Opportunities and threats

- Although Denmark is among the ten largest traders of timber and timber products in the EU, the country not seems an interesting market for developing country producers at the moment. This is foremost because of the very low import market share of developing countries and the need to compete with intra-EU countries.
- Denmark's timber trade is strongly focused on Intra-EU sources.

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

Danish 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. The price premium of FSC certified softwood is at average 3%. The premium for 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 Denmark, you should be aware of the market access requirements of your trading partners and the Danish government.

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

### *Trade associations*

- Danish Furniture On-Line: <http://www.danishfurniture.dk/>
- Association of Danish Woodworking Industries: <http://www.ta.di.dk/> (Website in Danish only).
- Danish Timber & Building Merchants' Trade Organization is a member of the European Timber Trade Association: <http://www.byggevaerdata.dk/> (website in Danish only).
- Confederation of Danish Industries is a member of the European Confederation of Woodworking Industries: <http://www.di.dk/English/>
- Junckers Industrier A/S is a member of the European Federation for the Parquet Industry: <http://www.junckershardwood.com/>
- The Danish Timber Trade Federation: <http://www.dktimber.dk/> (website in Danish only)

### *Trade fairs*

Compared to other EU countries, Scandinavian buyers visit trade fairs less frequently, as buyers usually wait for exporters to send them offers. Nevertheless, a trade fair of interest in Denmark is:

- The Copenhagen International Furniture Fair, takes place annually in May. The next event will be in May 2008: <http://www.furniturefair.dk/>

### *Trade press*

- The Dalhoff Larsen & Horneman A/S website gives interesting information about the Danish market and trade (see News): <http://www.dlh-group.com/en/index>
- Danish Forest and Nature Agency: <http://www.skovognatur.dk/English/>

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

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