CBI MARKET SURVEY

THE TIMBER AND TIMBER PRODUCTS MARKET IN ITALY

Publication date: August, 2007

Report summary
This CBI market survey discusses the following highlights for the timber and timber products market in Italy:

- Italy accounts for 5.0% of EU15[1] timber consumption and for 14.4% of EU15 tropical timber consumption, which is a large percentage compared to other European countries. Italy's industrial demand for round wood, sawn wood, veneer and plywood altogether decreased slightly by 1% annually between 2001 and 2005, totalling 19.8 million m^3 in 2005.
- Consumer awareness of, and industrial demand for, Forest Stewardship Council (FSC) certified timber is very limited. However, this is expected to change in the near future.
- Italy is one of the larger timber producing countries in the EU, accounting for 9% of EU27 wood based panels production in 2005.
- Italy is the second largest importer of timber and timber products in the EU. Imports increased by 1% annually between 2001 and 2005, totalling € 3.4 billion in the latter year. About 25% of Italian timber imports is sourced in developing countries, which is well above the EU average of 19%. Imports from developing countries increased slightly by 1% annually in the period reviewed..

This survey provides exporters of timber and timber products with sector-specific market information related to gaining access to Italy. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The timber and timber products market in the EU', which covers the EU market 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. Although several certification schemes exist in Europe, of which the Programme for the Endorsement of Forest Certification Schemes (PEFC) is the most widely implemented across Europe, the focus in this EU survey is on FSC-certified timber, as FSC enjoys the highest consumer recognition among the European population. 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 the data discussed throughout the report do not differentiate between FSC-certified and non-certified timber. However, when information is available on certified timber and timber products, this is specifically mentioned.

Consumption data are derived from the International Tropical Timber Organization (ITTO), based on their most recent Annual Timber Review (2005). Note that ITTO's data are a derivative from its members, and therefore do not capture total Italian consumption of tropical timber. Nevertheless, its 59 members represent about 80% of the world's tropical forests and 90% of the global tropical timber trade, therefore almost resembling total Italian demand for tropical timber. ITTO's producing members[2] are equivalent to developing countries, while

[1] EU15 refers to the 15 countries in the European Union before the expansion on 1 May 2004 [1] EU25 refers to the composition of the EU as it was until January 2007 (without Bulgaria and Romania).

[2] ITTO producing countries are: Cameroon, Central African Republic, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Gabon, Ghana, Liberia, Nigeria, Togo in Africa; Cambodia, Fiji, India, Indonesia, Malaysia, Myanmar, Papua

ITTO's consuming members[3] embrace the Western economies. Production data are mainly derived from Foresstat, the Forest Division of Faostat.

Industrial demand

In 2005, Italy accounted for 5.0% of EU15 consumption. Italy's industrial demand for round wood, sawn wood, veneer and plywood altogether decreased slightly, by 1% annually between 2001 and 2005, totalling 19.8 million m^3 in 2005. This is in contrast to EU15 market developments, where timber consumption of the four product groups increased by an annual average of 3% between 2001 and 2005. Italy is in particular a large consumer of sawn wood, accounting for 11.7% of EU15 consumption.

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

	2001	2003	2005	Annual change
Round wood	8,160	6,952	7,253	-3%
Sawn wood	9,188	8,863	9,335	0%
Veneer	2,590	2,483	2,580	0%
Plywood	615	608	617	0%
Total	**20,553**	**18,906**	**19,785**	**-1%**

Source: ITTO, Timber annual review (2005)

Tropical timber consumption

A large part of Italy's consumption in Table 1.1 consists of non-tropical species and is covered by EU/Italian production. It is interesting for developing country suppliers to know what part of timber consumption consists of tropical timber, as these species need to be imported.

Italy is a large consumer of tropical timber, accounting for 14.4% of EU15 consumption in 2005. Consumption decreased slightly by 1% annually, totalling 780 thousand m^3in 2005. Italy is the largest consumer of tropical veneer in the EU, accounting for 31% of EU15 consumption. Most of the veneer sheets are destined for the large domestic furniture industry.

In 2004, the share of tropical timber imports in total Italian imports was 5% for round wood, 4.7% for sawn wood, 36.9% for veneer and 16.9% for plywood. Compared to other EU countries, Italy especially relies on tropical timber imports for its supplies of veneer. The import shares of the other products are rather small.

Table 1.2 Italy's industrial demand for tropical timber, 2001-2005, 1,000 m^3

	2001	2003	2005	Annual change
Round wood	275	195	220	-5%
Sawn wood	313	313	340	2%
Veneer	116	91	105	-2%
Plywood	98	128	115	4%
Total	**802**	**727**	**780**	**-1%**

Source: ITTO, Timber annual review (2005)

Certification

The Government of Italy is dedicated to the two main sustainable forest management schemes in Europe, namely the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification Schemes (PEFC). FSC started to operate in Italy in 1997 and the National Working Group (FSC-Italy) was launched in 2001. FSC-Italy is not directly supported by public agencies or by the Government, but relies on the support of many national stakeholders active in the environmental, the economic and the social sphere. Italian

New Guinea, Philippines, Thailand, Vanuatu in Asia & Pacific; Bolivia, Brazil, Colombia, Ecuador, Guatemala, Guyana, Honduras, Mexico, Panama, Peru, Suriname, Trinidad and Tobago, Venezuela in Latin America.

[3] ITTO consuming countries are: Australia, Canada, China, Egypt, the EU15, Japan, Nepal, New Zealand, Norway, Republic of Korea, Switzerland and the USA.

consumers are increasingly aware of the problems of illegal and unsustainable logging in tropical countries. This has resulted in a growing demand for certified timber products. Certified forest products markets are also being driven by government purchasing policies and domestic timber manufactures, and retailers joined in the FSC National Working Group. Since 2006, FSC-Italy is part of the Broker-Project, financed by FSC International. This project aims to facilitate trade between producers of FSC products in Central and East European countries and West European markets (http://www.fscbroker.com/).

Despite increased interest, consumer awareness of the 'brand' FSC is still small and the market share of FSC-certified timber available in Italy is very low. The exact share is not known, as data are not recorded.

Forecast

According to FSC Italy, the market share of FSC timber on the Italian timber market will increase. This is caused by government procurement policies, the increasing public concern about the environment, a strong lobby and many promotional activities by environmental organizations to raise public awareness. Consumer demand for certified timber is increasing faster than supply.

Market segmentation

The most important distribution channels for timber traders are the packing industry, the furniture sector, the marine sector, construction and civil engineering, and retail (DIY markets and garden centres). Comparable to most European countries, the construction and civil engineering sector are the most important market segments for timber and timber products and account for the lion's share of timber consumed in Italy. Exact percentages are not known. The DIY market segment is of less importance, as Italy does not have such a well-developed DIY market sector as most Northern European countries. Compared to other EU countries, a relatively large part of timber, especially veneer, is destined for the domestic furniture industry.

Trends

- Italian retailers are embracing FSC as an important tool to market forest products from responsible forest operations. Castorama Italy, part of the Kingfisher Group, has undertaken a series of activities to increase awareness of its FSC-certified products.
- Consumer demand for FSC timber products available in the DIY market is increasing. This development was first noted for gardening articles, but is now also visible for other timber products.
- FSC Italian products are largely exported, but they are also increasingly present on the domestic market, thanks to the joint efforts of FSC-Italy, companies and large retailers (Castorama Italia, Coop-Italia etc.).

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

Forests are at the beginning of the value chain in the production process. Therefore, sustainable forest management is necessary to provide industries with the resources needed. Total forested area in Italy accounts for an estimated 29% of its territory area and amounts to 8.7 million hectare. The annual harvesting over the past years has been about 8 million m^3 of which almost 70 % is fuel wood. The remaining share, 30%, consists of the removals of industrial round wood of which non-coniferous accounts for almost 2/3. The volume of sawn wood is roughly 60% of industrial round wood removals, while the remaining part is pulpwood (ITTO, Italian Timber Market, 2005). The availability of certified forest in Italy is moderate. In 2006, Italy contained 15.8 thousand hectares of FSC-certified forest and 65 thousand hectares of PEFC-certified forest.

Wood-working industries

The primary activities in the wood-working sector are divided over round wood, sawmilling and wood-based panels. Secondary activities are joinery, carpentry and packaging. Sometimes the furniture industry is also included, but 'pure' woodworking excludes furniture production. The sector is represented on a European and international level by CEI-Bois, the European Confederation of Woodworking Industries. In Italy, the sector is represented by Federlegno-Arredo, the Federation of wood furniture, cork, and furnishing Italian industries.

Excluding furniture manufacturing, the turnover for the wood working sectors fluctuated at around € 15 billion during the period 1999-2003, with a slight downward trend. Exports represent about 8-9 % of the branch's annual turnover. The total domestic demand of more than € 17 billion has been further fulfilled during recent years by imports, amounting to approximately € 3.4 billion in 2005 (ITTO, Italian Timber Market, 2005). Please note these numbers can not be readily compared with consumption data, as different product groups are covered. The picture for the furniture sector looks rather different. Furniture manufacturing was estimated at € 23 billion in 2003. Almost 50% of the production is exported. Therefore, Italy has a strongly positive trade balance in recent years fluctuating around € 9 to € 10 billion.

Regarding primary processing, the actors involved directly or indirectly in the processing of raw wood material are domestic sawmills, veneer and plywood plants and manufacturers of other panels. Here, the focus is mainly on sawmilling and veneer/plywood production. Production of the three products totalled 2.5 million m^3 in 2005. The sawmills in Italy are in most cases family-owned, small-scale industries concentrated in the northern part of the country along the Alps. Custom-made products are usually marketed to local buyers, e.g. the construction and furniture industries, according to specific demand requirements. Regardless of the many small mills involved in production, the annual output of the whole branch is dominated by the production of a few medium and large-size mills. It is likely that the raw material for sawing in smaller mills is procured totally from domestic sources, whereas the larger-size mills also use imported logs.

Secondary processing includes further processing of semi-processed raw materials. The product categories considered by Federlegno-Arredo are builders' joinery and carpentry, flooring, mouldings, and wooden furniture. More specifically, regarding builders' joinery, the production of windows & doors is the most dominant sub-sector.

Italy's production structure is on the one hand characterised by its typical, industrial districts (clusters of e.g. furniture manufacture) and on the other hand by a strong tradition of private ownership, originating from agriculture, craftsmanship, entrepreneurship and community culture. Besides the 'path dependency' of the current status of the industrial districts, the 'spin-offs' in the form of 'cloning' of and 'vertical specialization' from existing units have been of utmost importance for the creation of the network structure of the districts. Another characteristic is the 'spill-over effect' which leads to an establishment of supporting and/or service activities for the original branch, e.g., woodworking machines for furniture manufacturing. These characteristics contribute to the coexistence of the network of industrial districts in Italy.

Table 1.3 Production of selected timber and timber products in Italy, 2001-2005, in 1,000 m^3

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	8,099	8,219	8,049	0%	2%
Sawn wood	1,600	1,590	1,590	0%	1%
Wood based panels	5,468	5,321	5,611	1%	9%
Fiberboard	*1,260*	*1,000*	*1,156*	*-2%*	*7%*
Particle board	*3,240*	*3,350*	*3,525*	*2%*	*9%*

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Plywood	*488*	*511*	*460*	*-1%*	*11%*
Veneer sheets	*480*	*460*	*470*	*-1%*	*31%*
Paper and paperboard	8,926	9,491	9,999	3%	10%

Source: Foresstat (2007)

Italy is one of the largest producers of timber and timber products in the EU. The country is a very large producer of veneers sheets, accounting for 31% of EU27[4] production in 2005. Notable is Italy's small production of sawn wood, accounting only for 1% of EU27 production.

Interesting players

- Eurotimex is a hardwood sawmiller and exporter. The wood mainly originates in Bosnia, Serbia, Slovakia, Georgia and Russia: http://www.eurotimex.com/
- Pedross, a mouldings and parquet manufacturer. The company's product range covers 50 different profiles available in over 60 wood types: http://www.pedross.com/unternehmen.html?L=2
- Bruno Spa imports wood from mainly France and Ivory Coast to produce and sell parquets throughout Europe: http://www.brunospa.com/
- Vastolegno is specialized in tropical sawn timber (e.g. Ayous). It imports its products mainly from south east Cameroon: http://www.vastolegno.com/

The just mentioned producers and exporters can be competitors to developing country suppliers. However, at the same time, these companies can also import tropical timber species, making them a potential trade channel for developing country suppliers aiming to enter the Italian market. Depending on the product you can supply, companies could either be competitors, buyers, or are active in entirely different trade channels/industries. Please refer to chapter 2 for a more complete list on interesting players in the Italian timber market.

Trends

The number of saw mills in Italy has decreased by more than 40% over the past ten years. However, as regards the plywood and veneer industry, the development has been the opposite. The number of plants reached 472 in 2003 (more recent data are not known), an increase of 28% compared to 1991. Nevertheless, only ten veneer and plywood plants provide about 65-70 % of the total domestic production.

The number of enterprises in Italy' secondary processing timber industry is decreasing, while the number of employees is decreasing at a slower pace, indicating a tendency towards larger production units.

The Italian furniture industry has been negatively influenced by the Euro, depressed markets in Germany (traditionally a significant export market especially for furniture) and the increasing role of China (in supplying semi-finished wood products as furniture parts, often at lower prices).

Opportunities and threats

+ Italy is a large consumer of tropical timber. Especially the supply of tropical veneer could be an interesting niche market.
- Italy's further timber processing industry is facing difficulties; export value has somewhat decreased, and the number of enterprises and people employed also decreased over the past ten years. This could affect industrial demand and volume of imports, offering fewer opportunities for developing country suppliers.
- It is important to note that quality demands on the Italian market are high. Suppliers in developing countries have to meet these standards. In addition, the Italian timber market is highly competitive. Suppliers from developing countries will have to be efficient and

[4] As of January 2007, with the entry of Bulgaria and Romania, the EU numbers 27 member states.

reliable to enter the market. According to an industry source, one of the most important factors for a successful trade is reliability.

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

Useful sources

- Most branch associations and other Italian organisations dealing with timber are in some way associated with Federlegno-Arredo, the Federation of Italian wooden furniture, cork, and furnishing industries, which is a member of the European Timber and of the European Confederation of Woodworking Industries. With 2,200 companies enrolled, it is an important player in the Italian wood industry: http://www.federlegno.it/ (Website in Italian only).
- Agelegno, Italian Timber Agents Association, representing in total 26 member companies based in Italy: http://www.agelegno.it/ (Website in Italian only).
- Promolegno, an association established to promote wood use in Italy: http://www.promolegno.com (Website in Italian only).
- Furniture Industry Research Institute - http://www.csilmilano.com/
- Consortium Real Wood: http://www.verolegno.it
- Federazione Italiana delle Communitá Forestalia - http://www.federforeste.org/ (Website in Italian only).
- Italian National Association of Private Construction Companies: http://www.ance.it (Website in Italian only).
- Forest Stewardship Council Italia: http://www.fsc-italia.it/ (Website in Italian only).

2 Trade channels for market entry

Trade channels

The Italian timber industry is fragmented, consisting of many small and medium-sized companies (4-5 employees). Each of these market sectors requires a range of wood products, in terms of species, dimensions, quality etc. The major actors in the tropical timber trade are the big importers (many having several distribution centres) which sell on to the numerous fragmented industries all over the country, each of which has its own needs and demands. The importers import directly from Africa, where joint ventures with suppliers or export agents exist. This fragmented structure, in which the needs of individual end users are met by the large importers, is different to the rest of Europe where the trade distribution and production systems are more standardised and consolidated (Timber Trade Federation, 'Changing International Markets for Timber, Market Report Italy', 2005). A high degree of fragmentation, numerous specialised demands by end users and strong competition between the importers, make it difficult to establish business relations.

Italian investors have been dominant in Ivory Coast, Ghana and Cameroon, as Italy and West Africa have had relationships since the turn of the century. Raw materials used to be exported through large English and French brokers and in some cases directly by the producers. Such companies were principally from France. Gradually, with large investments in new sawmills financed by European, including Italian investors and the applied round wood export ban, imports of processed products in addition to round wood has increased. In recent years, many Italian companies have established operations in several African countries, not only to produce raw material, but also to supply finished products to the Italian market. The main timber harbour in Italy is located in Livorno, in Lombardi. It is one of the cheaper harbours in Europe.

Retail and DIY outlets

The Italian DIY market is less developed than most other (Northern) European ones. However, according to Euromonitor, the Italian DIY market enjoyed strong growth in sales during the period 1999-2004. The development of distribution has been one of the most important drivers of the DIY market during the last decade and one of the factors boosting the market as a whole during the period under review. The expansion of a specialist supply channel and the establishment of large international operators, such as Leroy Merlin and Castorama, provided significant exposure for the DIY sector as a whole.

Leroy Merlin's share of FSC-certified timber is negligible, and the same holds for many other DIY and garden centres in Italy. FSC-Italy stressed that only Castorama-Italy has a very high percentage (80%) of FSC-certified timber (mainly garden articles). Castorama Italy is working towards 100% FSC certification by 2010. It became the first retail member of the FSC Italy Working Group in July 2004, a member of FSC International in October 2005 and the first Italian company to become a member of the Tropical Forest Trust (TFT) in May 2006

Interesting players for exporters in developing countries:

Traders

- Cora Legnami is a traditional family firm established in 1919 in Italy. It imports a great range of products: http://www.coralegnami.com/
- Pallavisini Legnami, importer of FSC hardwood http://www.pallavisini.it/ (Website in Italian only).
- Segheria Rosa, hardwood sawmill. This company deals mainly with the production of raw timber products and semi-manufactured products: http://www.segheriarosa.it/
- Bordiga Francesco is a hardwood sawmilling plant specialized in mouldings and in the imports of hardwood round wood: http://www.bordiga.it/
- Gilegno di Grossoni E. e Figli is a tropical hardwood sawmilling plant: http://www.gilegno.com/ (Website in Italian only).
- ITACOM, importer of raw wooden elements for the DIY retail stores. The company supplies wooden components to the Italian furniture factories: http://www.itacom.it/
- Gallo Legnami is a wholesaler, importer and trader for the wood sector. Its main products are timber for building, exterior flooring, lamellate woods, logs and planks. It also works with FSC certified wood: http://www.gallolegnami.it/

Retail and DIY outlet

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:

- Leroy Merlin: http://www.leroymerlin.it/
- Castorama: http://www.castorama.it

Brokers/agents

- Timberlegno, agent for mouldings and sawn lumber, located in Napoli: http://www.timberlegno.com/home_eng.html

Price structure

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.

As Italy is dependent on raw timber material for its furniture industry and the country does not contain very large areas of forest, raw material timber prices are slighter higher in Italy. In general, one can say that Italian importers, just like in the other Benelux countries and France, pay the lowest prices for tropical hardwood.

As shown in Figure 2.1, European importers (generally also taken care of wholesale and distribution activities) acquire the largest price margin. Brokers and agents can be from the country of origin or have the European nationality. In the case of FSC certified timber, the brokers/ agents are normally Europeans, as FSC is still in its infancy in most developing countries.

Figure 2.1 Average price margins per trade channel

Trade channels	Average margin
Wood production	± 20%
Wood processing	± 20%
Brokers/agents	± 20%
Importers, wholesalers, distributers	± 40%
Wood finishing (joinery, furniture)	± 20%
DIY and retail	± 5-15%

Source: ProFound – Advisers in Development, in collaboration with consultants.

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

- *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 Italy in the search options: http://www.europages.com
- Furthermore, the European Panel Federation contains a country specific companies directory. Look at: http://www.europanels.org/
- At most of the national FSC Internet sites you can find an overview of companies importing and supplying FSC tropical hardwoods and softwoods. The overview also includes the species on offer. The Italian affiliate is FSC Italia (http://www.fscnl.org/).

3 Trade: imports and exports

Imports
Bulgaria and Romania are not included as members of the EU in the analysis underneath. When the EU is mentioned, it should thus be interpreted as EU25.

Total imports
Italy is the second largest importer of timber and timber products in the EU, accounting for 12% of EU25 imports. Italian imports increased by 1% annually between 2001 and 2005, totalling € 3.4 billion / 12.8 million tonnes. About 25% of Italian timber imports was sourced in developing countries, which is well above the EU average of 19%. Imports from developing countries increased slightly by 1% annually in the period reviewed.

The three most important countries supplying timber and timber products to Italy were Austria, Germany and France. Between 2001 and 2005, imports from Austria and Germany increased both by 3% annually, while imports from France decreased on average by 4%.

Italy sources its timber in various countries. The leading supplier, Austria, still has a considerable share in imports, of 28%. Austria particularly supplies large amounts of sawn wood, which Italy uses as a raw material input for its carpentry and furniture industry. The leading developing country suppliers of timber were Cameroon and Ivory Coast, each accounting for a share of 3% in imports. Imports from Cameroon and Ivory Coast decreased on average by 2% and 6% annually respectively. Imports from China increased the most, by 42% annually, mainly at the expense of other developing country suppliers.

Table 3.1 Imports by and leading suppliers to Italy 2002 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2006 Share in %	Share (%)
Timber and timber products	1,652	1,705	2,046	Intra-EU: Austria (27), Germany (11), France (5), Finland (3), Switzerland (3)	60
	820	845	524	Extra-EU ex DC*: USA (4), Russia (3), Canada (1)	15
	820	809	862	DC*: Croatia (4), Cameroon (3), Côte d' Ivory (3), Gabon (2), Brazil (2), China (2), Indonesia (1)	25
Fuel wood	45	59	82	Intra-EU: Austria (29), France (8), Switzerland (7), Slovenia (7), Germany (7)	66
	14	26	22	Extra-EU ex DC*: USA (9), Canada (0.1)	18
	3	15	20	DC*: Croatia (7), Bosnia & Herzegovina (6), Brazil (3), Albania (0.3)	16
Round wood	196	175	199	Intra-EU: France (14), Switzerland (14), Austria (12), Germany (12), Hungary (5)	51
	158	132	82	Extra-EU ex DC*: USA (5), Russia (0.4)	22
	136	116	106	DC*: Gabon (7), Croatia (6), Congo (4), Cameroon (2), Central Africa (2), Myanmar (1), Congo Dem. Rep. (1)	27
Sawn wood	832	855	941	Intra-EU: Austria (37), Germany (7), Finland (4), Sweden (3), Czech Rep. (2)	61
	417	416	241	Extra-EU ex DC*: USA 6), Russia (3), Canada (2)	16
	391	371	353	DC*: Cameroon (4), Croatia (4), Ivory Coast (3), Gabon (2), Ukraine (2), Malaysia (1), Bosnia & Herzegovina (1)	23
Mouldings	59	76	89	Intra-EU: Austria (24), France (5), Germany (3), Denmark (1), Hungary (1)	40
	18	22	14	Extra-EU ex DC*: USA (0.2)	6
	95	101	121	DC*: Indonesia (9), China (9), Croatia (7), Ivory Coast (6), Nigeria (4), Ghana (3), Cameroon (3), Brazil (2), Myanmar (2), Malaysia (2)	54
Wood based panels	351	348	454	Intra-EU: Austria (14), Germany (13), France (9), Finland (4), Spain (3)	58
	162	174	125	Extra-EU ex DC*: Russia (5), USA (3)	16
	159	169	199	DC*: Cameroon (5), Brazil (4), Ivory Coast (3), Gabon (3), China (2), Ghana (2), Croatia (2), Turkey (1), Morocco (1)	26
Densified wood	4	4	5	Intra-EU: Germany (22), Austria (18), Poland (9), Hungary (3), Slovakia (3)	56
	3	1	0.007	Extra-EU ex DC*: USA (0.1)	0.1
	8	4	4	DC*: Brazil (39), China (3), Cameroon (1), Syria (0.4), Ecuador (0.1)	44
Wooden frames	2	2	1	Intra-EU: Poland (4), Switzerland (3), Austria (2), France (2), Germany (1)	12
	0.5	0.9	0.9	Extra-EU ex DC*: USA (0.5), Kuwait (0.3)	8
	8	7	9	DC*: China (55), Thailand (11), Albania (8), India (3), Indonesia (3), Philippines (0.7)	80
Builders joinery	164	187	274	Intra-EU: Austria (36), Germany (24), Sweden (2), Slovenia (2), Finland (2)	75
	47	72	40	Extra-EU ex DC*: Russia (0.7), Canada (0.2)	11
	19	25	49	DC*: Indonesia (5), China (2), Brazil (1), Malaysia (1), Ukraine (1), Tunisia (0.4)	14

Source: Eurostat (2006)
*Developing Countries

Imports by product group
As shown in Table 3.1, apart from round wood and densified wood, imports of the timber product groups increased between 2001 and 2005. Intra-EU imports increased for the product groups combined.

The bulk of Italian timber and timber product imports consisted of sawn wood and wood based panels. Imports of these two product groups account for approximately 80% of total timber imports. Italy was the second largest importer of sawn wood, accounting for 16% of EU25 imports. It is the third largest importer of wood based panels, representing 9% of EU imports. Between 2001 and 2005, imports of sawn wood decreased at average by 2% annually while EU imports of sawn wood increased by 5% annually. Italy's imports of wood based panels increased by 4% annually, just as in the EU.

Italy's imports of densified wood decreased on average by 9% annually, and imports from developing countries decreased even more, by 15% annually.

Italy is also a large importer of builder's joinery, accounting for 10% of EU25 imports. Between 2001 and 2005, imports of builder's joinery increased by 12%, well above the EU average increase of 2%. Developing countries performed particularly well, as imports increased by 26% annually. All developing countries performed well, with great increases in supplies experienced by Indonesia (+24% annually), China (+87% annually) and Brazil (+55% annually).

Exports
Italy is a medium-large exporter of timber and timber products and, consequently, a large net importer of timber. The country is the eighth largest exporter of timber and timber products in the EU, accounting for an EU25 export market share of 3.8%. Between 2001 and 2005, exports decreased on average by 2% annually, totalling € 1.0 billion / 870 thousand tonnes in the latter year. Total EU exports of timber and timber products increased by 5% annually in the same period.

Italy's largest export market is Germany, which received € 155 million / 78 thousand tonnes of timber in 2005. Other larger export markets are France (€ 96 million / 56 thousand tones), the USA (€ 81 million / 16 thousand tones) and Spain (€ 72 million / 54 thousand tones). Among the major export markets, exports to Russia increased the most on average by 9% annually in the period reviewed.

Italy is the largest exporter of mouldings and wooden frames in the EU25. Nevertheless, between 2001 and 2005, exports of both products groups decreased considerably by 20% and 43% annually respectively. Italy is the third largest exporter of densified wood. In the period reviewed, exports of that product group increased by 20% annually.

Opportunities and threats
+ Italy is an important trading country of timber and timber products, being the second largest importer and the eighth largest exporter of timber and timber products in the EU. Imports far outweigh exports, as Italy relies strongly on imports for its domestic wood-based industry sector.
+ Developing countries account for 25% of imports, which is well above the EU average. Furthermore, imports are not dominated by a single developing country supplier. However, note that China is doing particularly well, mainly at the expense of other developing country suppliers.
- The Italian wood products industries, while being large net importers of raw material and primary processed products, manufacture high-value products such as wooden furniture and mouldings for the domestic and export market. The total net import of wood and

wood products amounted to € 2.4 million in 2005. However, considering its high-value furniture industry, Italy turns out to be a leading net exporter at that level, of approximately € 5.1 billion (ITTO, Italian Timber market, 2005). This could be considered a threat to developing country producers.

Exporters should note that a development or trend can be an opportunity for one exporter, while posing a threat to other exporters. Exporters should therefore analyse if the developments and trends discussed in the previous chapters provide opportunities or threats depending on their specific situation. Please refer to chapter 7 of the CBI market survey covering the EU market for an example of such an analysis.

Useful sources

- EU Expanding Exports Helpdesk

http://export-help.cec.eu.int/ ➔ go to: trade statistics

- Eurostat – official statistical office of the EU

http://epp.eurostat.cec.eu.int ➔ go to 'themes' on the left side of the home page ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data'

4 Price developments

Prices for timber and timber products are extraordinarily high at the moment, because of a supply shortage due to storms in Scandinavia and The Baltic states and because of a shortage of supply of tropical hardwood. This is related to the import and export bans on logs and the increased demand from India, China and other emerging markets. Apart from weather conditions, fuel prices also greatly influence EU and world market prices.

Prices in Italy are very low at the moment, as the internal competition is intense. The Italian market is very segmented and various small firms are struggling to establish themselves.

Depending on the species, availability, volume, value addition, etc. prices of sustainable certified timber are likely to be higher than conventional timber, as certification requires relatively high investments. Nevertheless, price premiums of FSC timber are low and almost non-existent in the South and East European countries. There is no price-premium for FSC-certified timber in Italy.

For more information on price developments, please refer to Chapter 5 of the survey covering the EU. The following websites might contain valuable price information as well:

- http://www.promolegno.com/prontuari.htm
- http://www.agri-legno.it/pali.html (for garden timber)
- http://www.original-legno.it/Pavimentazione_quadrotti_Pedane_Componibili/Pavimentazione_Pedane.asp

5 Market access requirements

As a manufacturer in a developing country preparing to access the Italian market, you should be aware of the market access requirements of your trading partners and the Italian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

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

Additional 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

General 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) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals 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/italy-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.

Sales promotion
Common practices of trade promotion in Italy should not differ considerably from other European countries. Not many inhabitants of Italy speak English although knowledge of English is a little bit more common in the trade business, as are the French and German languages. In general, great care should be taken of existing contacts through prompt, constant and reliable communication. Letters of inquiry should always be replied to. Essential tools are detailed and up-to-date customer databases and websites proposing well-defined products, competitive advantages (e.g. USP, quality, cost reduction and delivery reliability) and client references to facilitate the building of trust. Many large Italian importers buy from West Africa with a payment term that is usually Cash Against Documents, then selling to the mentioned end-users or distributors with a medium payment term of 110-120 days (invoice date).

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on timber and timber products. Refer to chapter 1 for information on Italian industry associations.

Trade fairs
Trade fairs offer companies in developing countries the opportunity to establish contacts and a trustworthy image through several participations, promote their products and conduct EU market orientation. Italian buyers, like UK and other Southern EU buyers, are accustomed to going to trade fairs to meet new people/exporters. Major fairs of EU-wide significance are mentioned in the CBI document 'From survey to success: guidelines for exporting timber and timber products to the EU'. Trade fairs of interest in Italy are:

- EIMU, the international office furniture exhibition. The next event will be held in Milan from 16 to 21 April, 2008: http://www.cosmit.it/
- Xylexpo, the international salon of woodworking technology. The next event will be held in Milan from 27 to 31 May, 2008: http://www.xylexpo.com/ita/index.cfm
- Salone Internazionale del Mobile, the international salon of furniture. The last event was held in Milan in April, 2007 and the next one will be in April, 2008: http://www.cosmit.it/

Trade press
Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns finding potentially interesting companies, as well as promotion of your own activities and products. Major trade press of EU-wide significance is mentioned in the CBI document 'From survey to success: guidelines for exporting timber and timber products to the EU'. Trade press of interest in Italy is:

- Lavor in Casa gives information on DIY in Italy: http://www.lavorincasa.it/ (website in Italian only).

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