CBI MARKET SURVEY

THE TIMBER AND TIMBER PRODUCTS MARKET IN PORTUGAL

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 Portugal. 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. 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's (ITTO) most recent Annual Timber Review (2005).[1]Production data is mainly derived from Foresstat, the Forest Division of Faostat.

Industrial demand

- Portugal is a small consumer of timber and timber products. In 2005, Portugal accounted for 2% of EU15[2] consumption. Portugal's combined industrial demand for round wood, sawn wood, veneer and plywood decreased on average by 1% annually between 2001 and 2005, totalling 9.9 million m^3 in 2005.
- Portugal is a small consumer of veneer and plywood. Consumption of the latter showed a declining course; between 2001 and 2003, consumption decreased from 58 thousand m^3 to 45, further down to 41 thousand m^3 in 2005. The country is an average consumer of round wood, accounting for almost 3% of EU15 round wood consumption in 2005.

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

	2001	2003	2005	Annual change
Round wood	8,646	8,522	8,427	-1%
Sawn wood	1,463	1,348	1,344	-2%
Veneer	39	28	40	1%
Plywood	58	45	41	-8%
Total	**10,206**	**9,943**	**9,852**	**-1%**

Source: ITTO, Timber annual review (2005)

Tropical timber consumption

- A large part of Portugal's consumption in Table 1.1 consists of non-tropical species and is covered by EU/Portuguese 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. Portugal's consumption of tropical timber is relatively large. In 2005, Portugal

[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).

accounted for 9% of EU15 tropical timber consumption. Nonetheless, Portuguese tropical timber consumption decreased on average by 15% between 2001 and 2005, totalling 485 thousand m^3 in 2005. Only the consumption of tropical sawn wood and plywood showed a positive development. Consumption increased on average by 3% and 2% annually respectively, totalling 374 thousand m3 for sawn wood and 2 thousand m3 for plywood in 2005. Portugal is in particular a large consumer of tropical round wood and sawn wood, accounting for 15.5% and 13.9% of EU15 consumption respectively. The consumption of plywood at an EU15 share of 0.2% is negligible.

- Portugal's large consumption of tropical timber also shows in the import figures. In 2004, the share of tropical timber imports in total Portuguese imports was 56.3% for round wood, 45% for sawn wood, 41.3% for veneer and 43.5% for plywood. Compared to other EU countries, Portugal relies on tropical timber imports especially for its supplies of round wood and sawn wood.

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 occupies 33% of the Portuguese territory, resembling 3.8 million hectare (Eurostat, Forestry Statistics, 2007). Among the most representative species are pine, sobreiro and eucalyptus. The three species occupy almost 75% of the total forest area (AIMMP).
- The annually extracted wood production is about 11,5 million m^3, of which the two main timber species, pine and eucalyptus, contribute 6.2 million m^3 and 4.5 million m^3 respectively (http://62.48.187.117/atlas/Cap3/Cap3b_6.html).
- Portugal is home to the largest cork-oak forests in the world, found in the southern (Algarve) and south-central (Alentejo) parts of the country.
- About 70% of the forest is comprised of private property. These properties are on average about 5 hectares (http://www.carbono-zero.com/).
- In 2006, Portugal had 50,253 hectares of FSC certified forests. In mid 2006, the WWF took the responsibility to implement a programme called National Initiative FSC. The mission was to develop a national FSC norm, which was launched on December 6, 2006. FSC certified cork-oak forest covers an area of 3 thousand hectares.

Wood-working industries

- The forest-based industry is one of the most important clusters in the economy, accounting for 5.3% of Portugal's GDP, for 12% of the industrials sectors GDP and for 12% of the countries' export earnings in 2005 (AIMMP).

Table 1.2 Portugal's wood-working industry, 2005

Segment	Enterprises	no of employees	Sales in € million
Sawmilling, planning and impregnation of wood	< 300	5,000	530
Manufacture of wood based panels	12	2,000	400
Manufacture of builders joinery and carpentry	>2,000	14,000	645
Manufacture of furniture	>2,500	34,000	1,800
Total	**ap. 5,000**	**ap. 55,000**	**ap. 3,375**

Source: Portuguese Wood Industry and Furniture Association AIMMP: http://www.aimmp.pt/

- As shown in Table 1.2, total sales value of the Portuguese timber and furniture industry amounted to € 3.4 billion in 2005. Please note that this number can not be readily compared with consumption data, as different product groups are covered. Furniture manufacture is the principal subsection, with approximately 53% of total sales value; it also generates most job employment.
- Note from Table 1.2 that Portuguese builder's joinery and furniture sectors comprise many very small-scale companies, with on average of around 10 employees. This is in contrast to

wood-based panel production, where industrialization and economy of scale have changed the sector profoundly.

- Portugal is responsible for 55% of the world's cork production. The country has 45 companies dedicated to cork production (http://www.portugalnews.pt/).

Product groups

- Portugal's production of selected timber products shows a rather uneven course, with increases and decreases as revealed in Table 1.3. Round wood production increased, in contrast to EU developments, strongly, on average by 6% annually in the reviewed period.
- Sawn wood production decreased on average by 9%. Total sawn wood production in 2005 amounted to 1 million m^3. Around 45% of the production was for pallets, 22% was for the construction business, 25% for furniture and 8% for other purposes (http://www.aimmp.pt/DOCUMENTOS/sector2005.pdf).
- Total wood based panel production basically remained unchanged in the five year period, however, plywood production sharply decreased down to almost no production at all, while particle board production increased on average by 5% annually to 850 thousand m3 in 2005.
- Portugal is responsible for 5% of pulp production and for 1.6% of paper production in Europe (http://www.portugalnews.pt/).

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

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	8,946	9,673	11,106	6%	3%
Sawn wood	1,492	1,383	1,010	-9%	1%
Wood based panels	1,243	1,215	1,306	1%	2%
Fiberboard	*470*	*420*	*405*	*-4%*	*3%*
Particle board	*700*	*742*	*850*	*5%*	*2%*
Plywood	*32*	*25*	*21*	*-10%*	*0%*
Veneer sheets	*41*	*28*	*30*	*-8%*	*2%*
Paper and paperboard	1,419	1,530	1,577	3%	2%

Source: Foresstat (2007)

Trends

- Knowledge about FSC certification is increasing in Portugal, but it is still very meagre.
- The domestic forest-based industry is facing difficulties, due to factors such as increased oil prices, higher raw material prices and increased competition in the further processed wood sector, from countries such as China. As a consequence, in the last eight years, more than two thirds of enterprises related to the wood industry were closed and more than half of the jobs wiped out (AIMMP).

Opportunities and threats

+ Portugal is a large consumer of tropical timber, accounting for 9% of EU15 consumption. Therefore, as shown in its trade figures, the country is strongly dependent on tropical timber imports. Consequently, developing countries account for an above-EU-average import market share.
- Portuguese tropical timber consumption decreased considerably in the review period, on average by 15% annually. Only the consumption of tropical sawn wood and plywood showed a positive development.
- The market share of FSC-certified timber products is negligible. Consequently, consumer awareness of FSC is still low.

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 most important trade channels for exporters in developing countries to enter the Portuguese market are through sales agents, importers/traders and importers/processors.
- The Portuguese distribution channels are comparable to those in other Southern European countries, as they are not very transparent and they comprise many agents. The Portuguese timber market is fragmented, between many family-owned small and medium enterprises, although larger producers also exist. This fragmented structure and the numerous specialised demands by end-users and strong competition between importers make it difficult to develop business-to-business or direct relationships between suppliers and end-users to develop.
- Companies importing FSC products and which could be interesting for developing country suppliers have not been found, which is most likely due to the limited role certified timber plays on the Portuguese market. FSC Portugal (http://www.fscportugal.org and http://www.fsc-info.org/) lists the companies that have been accredited, but this concerns only local producers. They produce many products from eucalyptus and cork trees.
- FSC-certified products, likely to be of limited importance, are in Portugal marketed mostly in DIY stores, but also in the paper sector. The DIY market is also under-developed, and much less concentrated than in other North European countries. Large specialist multiple outlets are increasingly gaining in importance, compared to more traditional outlets. However, in contrast to most other South European countries, it concerns mostly domestic players. It has resulted in new products, a greater diversity of brands, and far lower prices. 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. Most important retail/DIY channels for timber and timber products are:
  - Aki Brocodis: http://www.aki.pt/main.php
  - Maxmat: http://www.maxmat.pt
  - Mestre Maco: http://www.mestremaco.pt/

- 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. These prices used to be higher in Portugal for DIY products, but due to the increasing scale of DIY companies, prices have decreased substantially. 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 Portugal in the search options:: http://www.europages.com
  - The sources mentioned in Section 6 can also be used to obtain company information.
- 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

- Portugal is the sixteenth largest importer of timber and timber products in the EU, accounting for 1.5% of total EU imports in 2005. Between 2001 and 2005, imports decreased on average by 4% in terms of value, totalling € 420 million / 836 thousand tonnes in the latter year.
- Portugal was the eleventh largest importer of wooden frames in the EU, accounting for 2% of total EU wooden frames imports. 36% of Portugal's demand for wooden frames was supplied by Spain, another 16% by France.
- Developing countries accounted for 34% of Portugal's timber imports, which is far above the EU average of 19%. However, imports from developing countries decreased on average by 7% annually between 2001 and 2005. The main supplier was Brazil, accounting for 12% of Portuguese imports.
- 54% of total timber imports come from intra-EU sources. Nearby countries, such as Spain and France, were the main suppliers.

Exports

- Portugal is a growing exporter of timber and timber products and consequently a small net exporter of timber products. Exports increased on average by 6% annually between 2001 and 2005, totalling € 430 million / 2.7 million tonnes in 2005.
- Of interest is the similarity between the export unit value and the import unit value. Portugal mainly imports products with high value addition (e.g. wooden frames) and mainly exports round wood or primary processed products (e.g. wood based panels).
- Portugal's exports of round wood increased on average by 9% annually between 2001 and 2005, turning the country into the ninth largest exporter of round wood in the EU. Almost the entire exports of round wood were destined for Spain. Furthermore, small amounts were exported to France and Morocco.

Opportunities and threats

\+ Portugal is not a major trader of timber and timber products in the EU, but the country is still an interesting market for developing country producers. This is foremost because the import market share of developing countries is substantial.

\+ Between 2001 and 2005, Portugal mainly imported processed timber products, which are interesting for developing countries, because of the value-addition possibilities.

\- Between 2001 and 2005, Portugal was facing a decrease in imports, but increasing exports.

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

Portuguese 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. Please refer to chapter 5 of the CBI market survey covering the EU market for information on price developments and useful sources.

5 Market access requirements

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

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

Trade Associations
- Portuguese Wood Industry and Furniture Association-AIMMP: http://www.aimmp.pt/ (website in Portuguese only)
- Portuguese Furniture Association- APIMA: http://www.apima.pt/ (website in Portuguese only)
- Agriculture, Forestry and Rural Development Association: http://www.aeiou.pt/ (website in Portuguese only)
- The Centro Pinus is a partnership of pine consumers with pine production representatives, like the Federation of Portuguese Forest Producers: http://www.centropinus.org/ (website in Portuguese only)
- Federation of Portuguese Forest Producers: http://www.fpfp.pt/ (website in Portuguese only)

Trade Fairs
Portuguese buyers, like UK and other Southern EU buyers, are accustomed to visiting trade fairs to meet new people/exporters.Trade fairs of interest in Portugal are:
- INTERCASA 2007 is an international furniture and lighting exhibition which will be held in Lisbon October 6 -14, 2007: http://www.intercasa.fil.pt/ (website in Portuguese only)
- MATEC is an international fair for machines, equipment, raw materials and technology for the wood industry. The fair is held every two years and the next event will be held October 11 -14, 2007 in Batalha: http://www.exposalao.pt/website/en/index.php?id=1341
- EXPODECOR is a trade fair for decoration, furniture, ceramics, lighting, flowers and floor coverings. The fair is held every year and the next event will be held November 17 – 25, 2007 in Batalha: http://www.exposalao.pt/website/pt/index.php?id=1343

Trade Press
- Portugal News gives general information on the Portuguese market and news. There is a section on furniture: http://www.portugalnews.pt/icep/matriz.asp (website in Portuguese only)
- Prensa Escrita gives the links to all newspapers in Portugal: http://www.prensaescrita.com/portugal.php

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

in collaboration with Rop Monster and Marco Bijl