CBI MARKET SURVEY

THE TIMBER AND TIMBER PRODUCTS MARKET IN ROMANIA

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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 Romania. 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 all 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. 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 EU15[2], in stead of the EU27. Unfortunately, Romanian Industry Associations do not record consumption data either. Furthermore, ForesSTAT and UNECE do not cover Romanian industrial demand for timber.

- Removals can give an indication about domestic industrial demand, although this does not include imports or deduct exports, therefore actual consumption might turn out to be a rather different figure. In 2004, the maximum wooden mass approved to be harvested was 18.2 million m^3, of which 11.3 million m^3 came from state property forests managed by National Forest Administration (62 % from total) and 3.7 million m^3 from private property forests (20 % from total) (FAO,2004).
- The Romanian National Institute of Wood recorded 30 thousand m^3 of plywood consumption and 12 thousand m^3 of sawn hardwood in 2005, which is small compared to other EU countries. Furthermore, they note that domestic demand for soft wood and veneer is steadily increasing. The demand for tropical timber is high in veneer sheets manufacture.

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

- Romania's forests cover 27% of the country, which is approximately 6.4 million hectares and includes some of the last and largest regions of natural forests still remaining in Europe (Eurostat, Forestry Statistics,2007) The forest sector in Romania is at present still dominated by the state, but the restitution of up to half of all forest to new private

[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).

ownership is in progress. At the same time, the importance of these privately owned forests as wood suppliers to the market is growing (UNECE, 2003).

- The main species are coniferous (especially spruce), beech and oak. National forest stock is about 1.4 million m^3 and annual growth is about 5.4 m^3 hectare per year (FAO 2004).
- The number of hectares of FSC-certified forest is large in Romania. In 2006, the country contained 1.1 million hectares of FSC-certified forest.
- The forestry sector and wood-working industry are not well integrated in Romania.

Wood-working industries

- The forestry sector's (including processing) contribution to the Gross Domestic Products was about 4.5% in 2004, which is substantial compared to other EU countries (FAO, 2004).
- In 2004, about 28 thousand people were employed in forest administration and management, about 15 thousand in wood harvesting, 67 thousand in the woodworking industry, 21 thousand in the pulp and paper industry and 104 thousand in the furniture industry (FAO, 2004).
- The wood industry is at present under the coordination of the State Secretary for Industrial Development and of General Direction for Consumer Goods.
- The forest-based industry contains around 8.6 thousand companies. The over majority of wood-working companies is low-key, having less than 10 employees.
- The annual export value of forest products (including processed timber and furniture) was about € 74 million in 2004, which corresponds approximately with 11% of total Romanian export value. Furniture production represented about 39% of the total forest-based industry sales.
- The developing construction sector positively influences the production of doors, windows and prefabricated houses (UNECE, 2005).

Product groups

- Compared to EU countries, wood based panel production increased relatively the most in Romania, on average by 23% annually, totalling 1 million m^3 in 2005.
- Sawn hardwood production accounts for approximately 42% of total sawn wood production. Production of sawn hardwood increased by 5.8% in 2005 as opposed to the previous year, totalling 1.9 million m^3 (UNECE, 2005).
- Just like in most other East European countries, production of virtually all product groups increased substantially in the period reviewed. As shown in Table 1.1, between 2001 and 2005 production of wood-based panels, particle board and veneer sheets increased by 23%, 38% and 25%, annually respectively. In 2005, Romania was responsible for 4% of total EU production of veneer sheets.
- In 2005, 26% of manufactured veneer consisted of tropical species (National Institute of Wood).

Table 1.1 Production of selected timber and timber products in Romania, 2001-2005, in 1,000 m^3

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	12,424	15,440	14,501	4%	3%
Sawn wood	3,059	4,246	4,321	9%	4%
Wood based panels	442	765	1,011	23%	2%
Fiberboard	*206*	*273*	*345*	*14%*	*2%*
Particle board	*134*	*364*	*483*	*38%*	*1%*
Plywood	*79*	*94*	*126*	*12%*	*3%*
Veneer sheets	*23*	*34*	*57*	*25%*	*4%*
Paper and paperboard	395	443	371	-2%	0%

Source: Foresstat (2007)

Trends
- The privatization of forests in Romania will strongly affect the wood industry market and forest management (including certification).
- The forest certification in Romania is regarded as a forestry policy issue, with an important commercial component and with positive effects on the sustainable management of forests. Since 1999, Romania has a Forest Certification Information Centre which was set up with the help of WWF and DIY chain IKEA .
- The construction industry is developing strongly in Romania, boosting the demand and production of timber in the country.

Opportunities and threats
- There is no concrete data on consumption of tropical timber in Romania.
- Purchasing power is low in Romania, therefore consumption of durable and more expensive tropical timber will most likely remain low for the next couple of years.
- More than 25% of the total cost of furniture production in the EU15 consists of labour costs. This gives the newer EU member states (among which Poland, Romania, Hungary, Slovakia, Slovenia) a stronger starting position in the cost race, because today, the labour cost in these countries is still a fraction of what it is in the EU15. On the other hand, the European market is relatively far away. Therefore, Eastern Europe will not be such a great threat to developing country producers of hardwood furniture, as could be expected.

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 restructuring of the Romanian timber sector is still underway, with huge tracts of forest being returned to their owner, while processing of timber is also mostly a private market affair. Initiatives towards FSC certification plays an important role to ensure sustainable practices. However, these initiatives have not impacted consumer awareness, nor have they impacted timber processing. Only 30 China of Custody certificates are currently registered.
- Romania is likely to become an important outsourcing location for West European companies, especially those dependent on low-cost labour.
- The most important trade channels for exporters in developing countries to enter the Romanian market are through sales agents, importers/traders and importers/processors.
- As tropical timber species are not well known, and local industries mainly focus on soft wood, oak and beach, there is a limited number of companies importing tropical timber. Importers and buying leads can be found at http://www.timbermarket.ro.
- The Romanian DIY market is undeveloped and very fragmented. However, since 2005, several EU, especially French, players such as Baumax (Austria), Mr. Bricolage (France), Groupe Bresson (France), Bricostore (France), Praktiker (Germany) and Hornbach (Germany) have entered the market (Ziarul Financiar, 2005-2006). 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 are:

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

3 Trade: imports and exports

Imports

- Romania is one of the smaller importers of timber and timber products in the EU, accounting for 1.1% of EU imports in 2005. Imports in value increased strongly, on average by 27% annually, totalling € 299 million / 757 thousand tonnes in the latter year.
- In contrast to market developments in most other EU countries, round wood imports increased in Romania in the period reviewed, on average by 61% annually. The demand for round wood is fuelled by the growing domestic saw milling industry. Between 2001 and 2005, several product groups showed very strong increase in imports, most notably sawn wood (41% annually), wood based panels (39% annually) and builders joinery (58% annually).
- The four main suppliers were Poland, Germany, Hungary and Austria, supplying more than half of Romania's total imports.
- Developing countries accounted for 8.5% of Romania's timber imports, which is small compared to the EU average of 19%. However, imports from developing countries increased on average by 51% annually between 2001 and 2005, far more than the EU average of 3% annually in the same period. The main suppliers are Ivory Coast (€ 3,4 million in 2005), Turkey (€ 3,3 million), China (€ 3,2 million in 2005), and Ghana (€ 1.5 million). Basically all developing countries performed well between 2001 and 2005. The strongest increases were for China (+263% annually) and Ivory Coast (+157% annually). Remarkable is that Romania hardly sources timber in Southeast Asian countries.

Exports

- Romania was a strong net exporter of timber and timber products, accounting for 2.7% of EU exports. Exports increased on average by 9% annually, totalling € 740 million / 2,184 thousand tonnes in 2005.
- Its main export destination was Italy, followed at a distance by Spain, Egypt and Japan.

Opportunities and threats

+ Bulgaria could become an interesting trade partner for developing country suppliers. Although the country plays a small role in EU timber trade, this is changing since both import and export have increased strongly in the review period.
- Developing countries' import market is small.
+ On the other hand, imports from developing countries increased considerably between 2001 and 2005.

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

Romanian 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 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 Romania, you should be aware of the market access requirements of your trading partners and the Romanian government.

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

Trade Associations
- National Forest Organization (Romsilva): http://www.rosilva.ro/ (website in Romanian only)
- Romanian Furniture Manufacturers Association: http://www.apmr.org/
- Chamber of Commerce and Industry of Romania and Bucharest (CCIRB): http://www.ccir.ro/
- Romanian Foreign Trade Centre (RFTC): http://www.traderom.ro/
- National Institute of Wood: http://www.inl.ro/

Trade Fairs
- Bife-Timb is an international fair for furniture, wooden products, furniture fittings, interior decorations; forest exploitation and wood processing. This fair takes place once a year and the next event will be held in Bucharest September 1, 2007: http://www.bife.ro/ (website in Romanian only)

Trade Press
- Foreign Trade Promotion Centre S.A.: http://www.aneir-cpce.ro/authors/cpce/main.html
- Bucharest Business Week: http://www.bbw.ro/
- Jurnalul National: http://www.jurnalul.ro/ (website in Romanian only)

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