



PRESS RELEASE

Wood-based panels producers satisfied about market conditions but worried about soaring production costs and wood availability constraints

During the fourth edition of their joint Annual General Meeting during the last week of June 2007 in Stresa, Italy, the European producers of wood-based panels expressed their satisfaction about 2006 and the beginning of 2007. However, they are worried about the increasing production costs and they fear wood supply constraints after summer.

The President of the European Panel Federation (EPF), Mr Ladislaus Döry, reported during the Open Part of the General Assembly on 28 June that the increase in production for particleboard, MDF and OSB went along with an even stronger increase of the consumption thanks to the improved macro-economic situation and the enhanced construction activity in particular. Particleboard production increased by 4% to amount to 37.2 million m³, while demand accelerated by 6.2% to amount to 34 million m³. MDF production rose by 5.6% reaching 12.4 million m³, while consumption gained 6.2% or 11.9 million m³. The strongest growth rates were registered for OSB, as production increased by 12% to reach 3.5 million m³ and demand even increased by 15%. For each of these products, Europe is a clear net exporter. However, Chinese panel producers are expanding their sales volumes in all continents, especially for MDF.

Mr Döry was very pleased that EPF is backed by the large majority of wood-based panel producers in order to fulfil its lobbying duties, which are becoming ever more important for the future of the industry. Competition with the biomass energy sector and related huge cost increases for raw materials, increasingly stringent regulations on the factories, a potential reclassification of formaldehyde, a major customer (the furniture industry) that is facing extreme competitive pressure from China, these are just the main issues on a long list of challenges which the sector is facing at the moment.

Mr Uldis Bikis, President of the European Federation of the Plywood Industry (FEIC), informed that plywood production remained fairly stable in Europe, amounting to 4 million m³ although the situation differed significantly on regional level. The



European plywood demand continued to grow, gaining 5.2% and amounting to 4.5 million m³. Imports were underpinning consumption growth. Contrary to other wood-based panels, Europe is a net importer of plywood and competition with overseas exporters is fierce.

Mr Bikis stressed that the technical activities of the federation are increasingly important for the European plywood producers who want to stay ahead of the competition with low cost producers in the commodity plywood markets. To support innovation and technical progress in the plywood industry, FEIC has established a Technical Working Group during the General Assembly in June 2006 in Helsinki. This Technical Working Group already met 3 times focusing mainly on steering the European and international standardisation work and on research issues. Mr Bikis expressed his trust that, under the chairmanship of Mr Tero Nokelainen of the Finnish member company Finnforest, this Technical Working Group will become a very valuable platform for exchanging experience and technical knowledge among FEIC members and to develop new projects to further technical progress in plywood and to enhance the competitiveness and use of European plywood.

Both Mr Bikis and Mr Döry highlighted that the good market situation is overshadowed by exceptionally high cost increases for nearly all cost factors, but in particular for glues and wood raw material. Wood and glue prices soared by more than 20% in 2006 thereby confirming the trend that appeared in 2005. Wood prices suffered from tight competition for wood with the biomass energy sector. On top of this, the general price level for raw materials is increasing worldwide. Costs for glues followed the strong upward trend oil prices experienced in 2005 and 2006. However, where oil prices decreased in the second half of 2006, resin prices in general did not. Moreover, costs for energy and transport were continuously increasing. This clearly presents a challenge for all companies to safeguard their competitiveness now and in the future.

Wood availability is the biggest concern for the European wood-based panel producers. The wood supply was challenged by harvesting problems in the Northern and South-Eastern regions, by massive log exports to China in Central Western Europe and by supply problems for tropical wood originating from Africa. Moreover, the new Russian export tax for logs threatens to increase the costs for wood even further in the near future. All these developments generate a lot of nervousness on the wood markets, which makes long-term planning very difficult for the panel producers. After the summer, wood supply shortages are being expected.



Therefore, EPF and FEIC are co-operating with the governments at the level of the United Nations' Economic Commission for Europe (UNECE) and the European Commission in a study to measure current and future real wood availability. The first results of this work are expected in October 2007.

To conclude, Mr Bikis and Mr Döry expressed their positive opinion about this fourth joint EPF–FEIC General Assembly and thanked the Italian wood and furniture association “Federlegno–Arredo/assoPannell” for organising this event in the scenic settings of Stresa at the Lake “Maggiore”. They also announced that the secretariats of EPF and FEIC will move their offices to 24, rue Montoyer in the centre of Brussels, close to the European Parliament and other institutions.

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The European Panel Federation (EPF) represents the European manufacturers of particleboard, MDF and OSB from 25 countries.

The European Federation of the Plywood Industry (FEIC) represents the plywood producers from 20 countries.