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Solid Wood Products

Annual

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Report Highlights:
Egypt's total lumber imports in 2003 amounted to about 2.5 million cubic board meters, or about 11 percent higher than the 2002 level. However, for 2004 both softwood and hardwood imports are expected to decline by about 17 and 9 percent, respectively.

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Consumption and Utilization

With virtually no commercial forest production, Egypt has to import all of its wood requirements. In 2003, total lumber imports (softwoods and hardwoods) amounted to about 2.5 million cubic board meters, or about 11 percent higher than the 2002 level. While softwood lumber imports in 2003 increased by 13 percent, hardwood lumber imports decreased by nearly 8 percent. The increase in softwood lumber imports is mainly due to the decline in prices, combined with increased production in exporting countries such as Russia (the main supplier of softwood to Egypt). This encouraged new importers to get into the wood import business. However, due to the general economic slowdown in 2004, both softwood and hardwood imports are expected to decline by about 17 and 9 percent, respectively. The decline in softwood imports, which comprised approximately 90 percent of all wood consumed in Egypt, is mainly due to a 40 percent decline in the construction sector. The decline in hardwood lumber imports in 2004 is mainly due to: the increased price of Romanian beechwood (the major supplier for hardwood to Egypt); the decline in Egyptian furniture exports to Europe due to the presence of wood weevil in Egyptian furniture; and an increase in the number of furniture manufacturers at the low end who are relying on MDF (Medium Density Fiber) materials rather than hardwoods. These factors combined led to a large decline in hardwood imports.

Hardwood purchases, which represent about 10 percent of the total wood market, are mostly used in furniture and floor manufacturing with small quantities utilized for doors and kitchen manufacturing. Beechwood accounts for over 80 percent of total hardwood consumption in Egypt, while oak accounts for most of the remaining balance. There are small quantities of walnut, ash, cherry and maple, which basically represent a niche market for luxury furniture.

Furniture production, though mostly fragmented and scattered all over the country, has a large concentration in the port city of Damietta in the northern part of the Delta. Concrete, rather than wood, continues to be the main building material used in construction in Egypt. Softwoods, including some plywood, are used extensively for scaffolding, forming and joinery. Approximately 70 percent of softwood imports are consumed by the construction industry. The balance is used in making doors, windows and other items including low quality furniture. Most of products are made from redwood. According to industry sources, approximately 30 percent of all redwood is used by the furniture industry, 20 percent is used in non-structural construction, 18 percent in structural construction, 15 percent for joinery, and 17 percent for other purposes. About 35 percent of all imported whitewood is used in concrete forming, 25 percent for scaffolding, 14 percent for packaging, 8 percent in furniture, 6 percent for joinery and 12 percent for other purposes. Every grade of lumber is consumed in Egypt. Grade two accounts for about 10 percent of total imports, Grade three 15, percent; Grade four, 30 percent; Grade five, 30 percent; and six 15 percent. A small amount of unsorted grades are used for joinery. These grades are similar to the Scandinavian grades five and six, and Russian grades four and five. Among hardwoods, the most popular dimension is the 2" thickness but the 1" and the 1.5" thicknesses are also desirable. Widths should be 15 cm and up, and lengths should not be less than 1.8 meters. Grade two, common for U.S. oak, is normally acceptable in Egypt, but there is a preference for the common grade one, or the select grade.

The use of tropical hardwood lumber is currently very limited in Egypt. The quantities imported have been declining in the last few years. There have been a few small shipments of mostly mahogany, imported for the manufacture of luxury furniture. Tropical hardwood veneers are also declining due to an increased substitution with artificial veneers. However, temperate hardwood veneers, particularly walnut, are still preferred over their artificial substitutes.

Trade

Russia, Romania, and Sweden continue to be the main suppliers of low-grade softwood lumber to the Egyptian market, although there are some quantities being imported from Latvia, Romania, Finland and Estonia. In 2003, Russia controlled nearly 54 percent of the total softwood market, while Sweden and Finland had a 35 percent market share. While total softwood imports are expected to decrease by 17 percent in 2004, Russian softwood market share is expected to increase to 65 percent as compared to 54 percent in 2003. This expected increase is due to the increased supply of Russian logs.

Romania, Croatia, Bosnia and the United States are currently the main suppliers of hardwoods to Egypt. The beechwood market is dominated by Romania, which controls over 75 percent of the market. Until recently, all beechwood imports came via the port of Alexandria. However, nearly 40 percent of total beechwood imports are currently directed to the port of Damietta as several furniture manufacturers are now sourcing their import requirements directly rather than making purchases through traders in Alexandria. U.S. exports consist of oak in addition to panels and veneers, and very small quantities of ash and walnut. More than 50 percent of all U.S. hardwood exports consist of veneers and other paneling products. The majority of Egyptian buyers import low quality wood in an attempt to keep the import price low. However, a small number of importers are willing to pay a premium for good quality oak from the United States. U.S. oak is of grater quality than European oak with the advantage that U.S. products are kiln dried and free of insects.

Prices

Egypt is a very traditional wood market that has been dominated by Scandinavian wood exports for many years. As a result, prices for Scandinavian woods are used as a benchmark for softwood of different origins. The current average price of Scandinavian whitewood (SPF) is reported to be $195 per CBM/C&F, compared to $190 per CBM/C&F in 2003. The current import prices for Russian whitewood are $140 per CBM/C&F, compared to $120 in 2003. Romanian whitewood is imported at a price of $160- $150 CB/MC& F for grades five and six compared to $130- $140, in 2003. Russian low-quality lumber (domestic grades) are imported for $100-$115 CBM/C&F.

The current average prices for Scandinavian redwood grades five and six are between $175-$185 CBM/C&F, compared to $160-$170 CBM/C&F in 2003. Russian redwood for the same grades was being imported for $150 CBM/C&F compared to $135 CBM/C&F price for domestic grades.

Beechwood from Romania is currently being imported at $225 CBM/C&F for short and $275 CBM/C&F for long, compared to a price of $160 CBM/C&F for short and $225 CBM/C&F for long during 2003. The current price of imported oak from the United States varies from $570 to $730 CBM/C&F depending on the type and the grade of the imported product. It is reported that the price of the common #2 is $550-$620 CBM/C&F compared to $525 CBM/C&F in 2003, while the price for the common #1 is $670 -$760 CBM/C&F, compared to $560-$730 CBM/C&F. The Appalachian oak from the east coast region of the U.S. is be imported at $630-$ 840 CBM/C&F. European oak from Yugoslavia and Romania is currently being imported at $405-$425 CBM/C&F, compared to $360-$370 CBM/C&F in 2003.

Importers prefer that all wood shipments be kiln dried, cut in metric sizes, and be printed with their names on the side of each bundle. The dimension, length, grade, cubic meters, and number of pieces must be indicated on each bundle. In addition, Egyptian importers do not accept sale contracts made in nominal sizes, rather the wood must be invoiced and delivered in actual metric sizes with moisture content not exceeding 19 percent at the time of shipment inspection.

Factors Affecting U.S. Trade

The Egyptian wood market, particularly for softwood, is very price sensitive. The main constraint for U.S. softwood exports trying to penetrate this market is the lack of price competitiveness. The market has been dominated by Scandinavian and Russian softwoods. According to importers, U.S. softwood exporters have been unable to meet the prices offered by these countries. In addition, several trial shipments of U.S. softwoods that were introduced to the market a few years ago were met with a negative reaction. There was a lack of trade servicing to educate Egyptian end-users on how best to utilize U.S. softwood varieties. The slowdown in Egypt's economy had a negative impact on the imports of U.S. hardwoods. U.S hardwood imports amounted to 3,000 CBM in 2003, about the same as the previous year. According to traders, the depressed level of hardwood imports is expected to continue throughout the rest of 2004 and 2005. While the market remains price sensitive in general, there are a few importers that are seeking and willing to pay for quality products. However, trade servicing activities are necessary to fully take advantage of this market potential. The majority of Egyptian importers and end-users are still unfamiliar with lumber varieties, grades and dimensions of U.S. products; therefore, they are reluctant to use them.

Tariff

The import tariff on lumber is 8 percent. In addition, there is a five percent sales tax, one percent commercial and industrial tax and three percent customs service fee.

PSD Softwood lumber

PSD Table

Country:	**Egypt**					
Commodity:	**Softwood Lumber**					
		2003		**2004**		**2005**
	Old	New	Old	New	Old	New
Market Year Begin		**01/2003**		**01/2004**		**01/2005**
Production	0	0	0	0	0	0
Imports	2000	2300	2000	1900	0	2000
TOTAL SUPPLY	2000	**2300**	2000	**1900**	0	**2000**
Exports	0	0	0	0	0	0
Domestic Consumption	2000	2300	2000	1900	0	2000
TOTAL DISTRIBUTION	2000	**2300**	2000	**1900**	0	**2000**

Import Trade Matrix Softwood Lumber

Import Trade Matrix

Country:	**Egypt**	Units:	
Commodity:	**Softwood Lumber**		
Time period:			
Imports for	**2002**		**2003**
U.S.		U.S.	
Others		Others	
Russia	950	Russia	1250
Finland	540	Sweden	489
Sweden	360	Finland	326
Latvia	70	Romania	100
Romania	60	Latvia	87
Estonia	50	Estonia	63
Total for Others	2030		2315
Others not listed			
Grand Total	2030		2315

PSD Temperate Hardwood

PSD Table

Country: Egypt

Commodity: Temperate Hardwood Lumber

	2003		2004		2005	
	Old	New	Old	New	Old	New
Market Year Begin		**01/2003**		**01/2004**		**01/2005**
Production	0	0	0	0	0	0
Imports	220	220	225	200	0	225
TOTAL SUPPLY	220	**220**	225	**200**	0	**225**
Exports	0	0	0	0	0	0
Domestic Consumption	220	220	225	200	0	225
TOTAL DISTRIBUTION	220	**220**	225	**200**	0	**225**

Temperate Hardwood Import Trade Matrix

Import Trade Matrix

Country:	**Egypt**	Units:	
Commodity:	**Temperate Hardwood Lumber**		
Time period:			
Imports for	**2002**		**2003**
U.S.	3	U.S.	3
Others		Others	
Romania	180	Romania	150
Croatia	42	Croatia	47
Bousnia	15	Bousnia	20
Total for Others	237		217
Others not listed			
Grand Total	240		220

PSD Tropical Hardwood Lumber

PSD Table

Country:	**Egypt**					
Commodity:	**Tropical Hardwood Lumber**					
		2003		**2004**		**2005**
	Old	New	Old	New	Old	New
Market Year Begin		**01/2002**		**01/2003**		**01/2004**
Production	0	0	0	0	0	0
Imports	3	4	3	3	0	4
TOTAL SUPPLY	3	**4**	3	**3**	0	**4**
Exports	0	0	0	0	0	0
Domestic Consumption	3	4	3	3	0	4
TOTAL DISTRIBUTION	3	**4**	3	**3**	0	**4**