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Sweden

Solid Wood Products

Annual

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Report Highlights:
Sweden sees the largest potential for growth to be in the Asian markets where consumption of forest products is lower than in other markets but is rising faster. In 2003, exports to Asia continued to increase while exports to the European markets continued to decrease. Swedish exports to Japan increased by 3 percent to 881,000 cum. Exports to the U.S. were hampered by the weakening of the U.S. dollar and decreased by 25 percent to 413,000 cum.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SUMMARY

Sweden is one of the most heavily forested countries in the world. Almost 70 percent of the total land area is covered with forests. The raw material base of 23.3 million hectares of productive forestry land consists mainly of softwood species. Total stocks of timber are estimated at 2,810 million cubic meters (cum), annual growth at 103.7 million cum and annual fellings average 83 million cum. Sweden is a major softwood lumber producer, supplying the European market with about 15 percent of its consumption. In 2003, Swedish production of sawn timber reached its highest level ever at 16.8 million cum, 3 percent more than in 2002. In recent years, Sweden has also increased its share of the Japanese market, thus competing with Finnish and U.S. softwood lumber. Sweden's main forest industry product, however, is pulp. In 2003, pulp production amounted to 11.8 million tons. The production of paper amounted to 11.1 million tons, including newspaper print, fine paper and board.

The total value of forestry exports in 2003 amounted to SEK 108.6 billion (USD 13.5 billion), compared to SEK 110.3 billion (USD 13.3 billion) in 2002. Imports of forest products amounted to SEK 22.6 billion (USD 2.8 billion). The forest sector accounted for 13 percent of Sweden's total exports, and around 4 percent of Sweden's total imports in 2003.

Sweden sees the largest potential for growth to be in the Asian markets where consumption of forest products is lower than in other markets but is rising faster. In 2003, exports to Asia continued to increase while exports to the European markets continued to decrease. Exports to non-European markets accounted for almost 25 percent of total sawn timber exports. Five years ago, non-European exports accounted for 15 percent. Swedish exports to Japan increased by 3 percent to 881,000 cum. Exports to the U.S. were hampered by the weakening of the U.S. dollar and decreased by 25 percent to 413,000 cum.

Rates of exchange used in this report are:
CY 2002: USD 1 equals SEK 9.72
CY 2003: USD 1 equals SEK 8.09

PRODUCTION

Forest Situation / Outlook

Virtually all forests in Sweden are re-growth. Small areas of virgin forests are protected in national parks and nature reserves. The raw material base of 23.3 million hectares of productive forestry land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth is estimated at 103.7 million cum and annual fellings average 83 million cum. There is a potential for annual fellings to increase by about 20 million cum. The composition of the present forests, with few species and uneven age distribution, makes imports a necessity.

In 2003, 51 percent of Sweden's forest area was privately owned, 39 percent was company-owned, and 10 percent was government-owned (including national parks and reserves). The majority of private forest owners are members of regional associations of forest owners, many of which own sawmills, pulp mills, and processing and bioenergy plants. These regional associations are organized as a forest delegation within the Swedish Farmers Federation (LRF), the umbrella farmers' union.

The Swedish government decided in the early 90's that no subsidies would be made available to the commercial side of the Swedish forest industry. This reflected the GOS view that subsidies would be destructive to an industry whose ongoing operations and future development relied heavily on a strongly competitive international market. When Sweden joined the EU in 1995, it had to adopt Council Regulation (EEC) No. 867/90, which provides supports to forest owners. However, due to the requirement that the GOS co-finance 50 percent of the subsidy, only a small amount of EU subsidies have actually been paid to Swedish forest owners.

The only government assistance during the last ten-year period has been to forest owners of select valuable varieties of trees which are in short supply. This category includes indigenous tree species of elm, ash, hornbeam, beech, oak, wild cherry, linden/lime and maple. Government assistance has been granted to compensate farmers for the loss of harvest income while trees of these species mature. These trees generally take 200 years to mature— about twice as long as pine and spruce. Such subsidies amount to about SEK 18 million per year (USD 2.2 million) and are applied to areas which in total cover about 1 percent of Sweden’s productive forests.

The Swedish government has proposed a national strategy for increasing the use of wood in housing construction. If adopted, the government would support the education of constructors, architects, technicians etc in how to use wood in modern housing construction. In addition, the Swedish government has granted SEK 4.2 million (USD 519,000) to support foreign investments in the Swedish industry for processed wood.

The most recent Forestry Act was effected on January 1, 1994. It outlines strict forestry practices, which must be adhered to by all forest owners at their own expense. The main provisions of the Act include requirements that: regeneration must be effected after final felling and/or severe damage to the stand; forest owners must inform forest authorities about planned final felling and how nature conservation and historical concerns are to be taken into consideration at the felling sites; insect damage must be prevented through proper management practices; and measures supporting nature conservation and historical concerns must be integrated into all kinds of forest management operations.

Nature conservation agreements between forest owners and the government have been established to protect and develop nature in certain areas. In the period January 1, 1994, through December 31, 2003, land owners were compensated a total of SEK 90.6 million (USD 11.2 million) under a total of 1,750 individual nature conservation agreements. During the same period, 3,525 protected forest habitats or key biotypes were established for which forest owners have been compensated SEK 462 million (USD 57 million). There is no formal felling ban on key biotypes, but there is great pressure on owners not to disturb them.

There are no special environmental requirements for wood processors, however any industry discharges or emission releases must comply with strict municipal requirements. The major forest companies now publish annual environmental reports in addition to their annual reports.

Solid Wood Products Situation/Outlook

Sweden is, together with Germany, the largest producer of sawn softwood in Europe. Almost all of the timber sawn is pine or spruce. Only very small quantities of birch are sawn. Swedish production of sawn timber reached its highest level ever in 2003 at 16.8 million cum, 3 percent more than in 2002. The rise in production is explained by higher prices due to increased demand for sawn timber domestically and in Japan. In 2004, the positive trend in the market for housing construction in Sweden is continuing and production is expected to increase further by 2 percent. In 2005, a recovery of the European housing construction sector is expected which should lead to a further production increase in 2005.

The forest industry is highly integrated. The four major companies, i.e., StoraEnso, SCA, Holmen and Setra Group, own both forests and processing industries. Private forest owners cooperate through associations which either process timber themselves or sell large quantities to processing companies. The sawmilling industry is constantly restructuring. The ten largest companies now account for 60 percent of total production. In July, 2003, the sawmilling companies Assidoman Timber and Mindab merged and thereby establish the largest forest industry group in Sweden, and the fourth largest group in Europe. The new company, Setra Group, includes 14 saw mills and has a turnover of SEK 5 billion (USD 0.5 billion) and a capacity of 2.3 million cum per year.

Swedish Industry Mills and Production Units

Paper	**2002**	**2003**
Number of units	47	46
Total capacity, million tons	11.4	11.7
Production, million tons	10.7	11.1
Exports, million tons	9.0	9.4
Export value, SEK billion	60.0	60.3
Pulp	**2002**	**2003**
Number of mills	45	45
Total capacity, million tons	11.9	12.0
Production, million tons	11.4	11.8
Exports, million tons	3.3	3.5
Export value, SEK billion		12.8
Lumber and processed wood	**2000**	**2003**
Number of sawmills*	207	190
Production, million cum	16.2	16.7
Exports, million cum	11.1	11.2
Export value, SEK billion	18.5	20.7

*>10,000 cum per year

Glulam production in Sweden is very limited and only a few sawmills produce this product. However, there seems to be an increasing interest in glulam on the Swedish market. Swedish imports of glulam increased to 13,000 tons, compared to 3,000 tons in 2001, most of which originated in Latvia, Norway and Estonia. Swedish exports of glulam decreased for the first time in years and amounted to 18,000 tons in 2002, down 25 percent from 2001.

The Nordic countries are working together on a strategy aimed at helping the sawmilling industry to structure their work in a way that contributes to an increased demand for solid wood products. The strategy is based on the reports "Global Drivers and Megatrends in the Wood Products Industry to Year 2010" and "Solid Wood Products Threats and Possibilities."

TRADE

Overview / Outlook

The EU remains the most important market for Sweden's forestry products. Within the EU, the UK, Denmark, Netherlands and Germany are leading customers. However, Sweden sees the largest potential for growth to be in non-European markets. Exports to non-European markets accounted for almost 25 percent of total sawn timber exports in 2003. Five years ago, non-European exports accounted for about 15 percent. Japan, where demand for sawn timber has increased due to improved economy and increase in wooden housing construction, is considered as being one of the most important markets for Swedish sawn timber.

Total exports of Swedish sawn softwood decreased by 4 percent to 11.0 million cum in 2003. The drop is explained by lower exports to the U.S., which decreased by 25 percent to 413,000 cum, due to the weakening of the U.S. dollar against the Swedish krona. Exports to Asia continued to increase, however. Swedish exports to Japan increased by 3 percent to 881,000 cum. Although exports to China almost doubled in 2003 to 8,500 CUM, the quantity is still very small. The fact that wood is not traditionally used as building material in China was before considered to be a potential, but is now considered to be the hindering factor for large growth.

This year, exports to the U.S. have been increasing due to improved market for housing construction and total exports from Sweden is expected to increase by 1-2 percent. In 2005, exports of sawn softwood is expected to increase further by 3-4 percent due to the improved market for housing construction in Sweden, Europe and the U.S. and continued positive developments in Japan.

Due to high domestic prices, the Swedish industry imports a large amount of raw material from Russia and the Baltic states. This material is processed in Sweden and exported to, among other countries, the U.S. at competitive prices. Swedish sawmills also produce more highly finished materials for both the domestic and export markets. Major competitors are Finland, Austria and Canada. Competition in the European market from Latvia and Estonia continues to increase.

Russia, Latvia and Estonia are the main suppliers of total raw material imports. Total imports of forest products amounted to SEK 10.5 billion (USD 1.3 billion). Imports sourced from the U.S. amounted to about 2% of total value (mainly hardwood lumber). Harwood lumber for floors, joinery, doors and interior finishes presents the best opportunities for U.S. exports to Sweden, particulary now that the U.S. dollar has weakened against the Swedish krona.

Competition

Sweden is competing in the European market with Finland, Canada, the U.S., the Baltics and Russia. Competition from the Baltics and Russia has increased substantially during recent years. The Baltics have increased their export volumes to Europe by one third in four years (and have quadrupled in the last eight years). The EU accession of the Baltics and other new member states to the EU is expected to increase their sales of softwood lumber to other EU member states.

As mentioned earlier in this report, there are no significant government subsidies allocated for forestry and forestry products in the Swedish annual budget. The major companies invest in promotional efforts to meet competition from other countries. Globalization of the forest industry is a fact. The four major forest companies in Sweden all have large holdings in other countries.

The Nordic Timber Council (NTC), which has its head office in Stockholm, is the joint promotional association for Swedish, Finnish and Norwegian lumber producers. The Council has offices in Spain, the United Kingdom, France and the Netherlands. Major projects are: the wood for good in the UK; the French co-operation; the New Markets; and the Pan European campaigns. Financiers in the UK and France are co-sponsoring the campaigns in the UK and France. The French campaign started in 2004. Through the New Market campaign, the NTC is trying to influence the Japanese and Chinese industries to use wood in large-scale construction. In the Pan European campaign, the NTC is cooperating with other European promotion organizations.

The discussion of the certification that forestry products were produced according to environmentally sustainable standards, led in 1996 to the launching of a joint Nordic forestry certification project participated in by Sweden, Norway and Finland. This project aims to achieve like standards and like market recognition for certified forestry in all three countries. Imported raw materials (such as logs from Russia), however, are not subject to these same standards.

Within Sweden there has been an ongoing debate on which system to adopt. The Swedish forest industries decided in 1998 to adopt the FSC (Forest Stewardship Council) system. The Forest Owners Association strongly opposed this decision and announced their decision to continue to work to find a Family Forestry Certification (FFC) system suitable for small forest owners as opposed to the FSC, which is geared towards large-scale forestry. The Forest Owners' Association has believed that both systems can be used on the market at the same time and that there is need for both of them. The large companies maintain, however, that there should be only one system in Sweden, and that system should be the FSC. Both systems are well-established in the country, which makes Sweden rather unique. However, the ongoing negotiations concerning mutual recognition of systems were finalized in December, 2001, when the two certifying organizations, together with two environmental organizations, presented the mutually agreed document called "Skogsduvan" (the stock-dove) on ways in which to harmonize the two systems. In 2002, the Swedish Pan-European Forest Certification (PEFC) approved "Skogsduvan."

The EU PEFC, which aims to establish an internationally recognized framework for certification applicable to small-scale forestry, encompasses both the FFC and the FSC. There are now 25 countries which have subscribed to the PEFC.

STATISTICAL SECTION

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares / million cum)

FOREST AREA Country: Sweden 2004	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	41.1	41.1	41.1
Total Forest Area (million hectares)	28.2	28.2	28.2
--of which, Commercial ('000 hectares)	22.6	23.3	23.3
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	2.6	2.6	2.6
----of commercial, softwood ('000 hectares)	20	20	20
Forest Type (spruce, pine, broadleaved (mainly birch))			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	20	20	20
--of which, other commercial (regrowth) ('000 hectares)	9	9	9
Total Volume of Standing Timber (thousand cubic meters)	2,900	2,900	2,900
--of which, Commercial Timber ('000 cum)	2,600	2,600	2,600
Annual Timber Removal ('000 cum) 1/	83	84	85
Annual Timber Growth Rate ('000 cum)	101	101	101
Annual Allowable Cut ('000 cum)	95	95	95

STRATEGIC INDICATOR TABLE: FOREST PRODUCT TARIFFS AND TAXES (percent)

	Product Description 1/	Tariff Current Year	Tariff Following Year	Other import taxes/fees
4401	Fuel wood	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4403	Logs, rough	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4404	Wood roughly squared	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4405	Wood wool	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4406	Railway sleepers	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4407	Lumber	0 2.5	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4408	Veneer	0 6	n/a	
4409	Wood, planed, etc.	0	n/a	
4410	Particle boards	7	n/a	
4411	Fiber boards	7	n/a	
4412	Plywood	6 10	n/a	There is a 0 tariff up to a quota of 650,000 CUM
4413	Wooden Beadings	0	n/a	
4414	Wooden picture frames	2.5	n/a	
4415	Wooden packing cases	3 4	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4416	Casks, barrels	0	n/a	Euro 0.1009/CUM for phytosanitary control, minimum euro 42.05 per shipm
4417	Tools	0	n/a	
4418	Builders' joinery	0 3	n/a	
4419	Household utensils	0	n/a	
4420	Dec. wooden utensils	0 4	n/a	
4421	Other wood products	0 4	n/a	
9406	Pre-fabricated houses	3	n/a	

PSDs, TRADE MATRICES AND PRICE TABLES

PSD Table

Country	**Sweden**					
Commodity	**Softwood Logs**				1000 CUBIC METERS	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Production	35000	34200	35000	34500	0	35000
Imports	5000	1701	5000	2000	0	2200
TOTAL SUPPLY	40000	35901	40000	36500	0	37200
Exports	2000	760	2000	1300	0	1500
Domestic Consumption	38000	35141	38000	35200	0	35700
TOTAL DISTRIBUTION	40000	35901	40000	36500	0	37200

Export Trade Matrix

Country	Sweden		
Commodity	Softwood Logs		
Time Period	CY	Units:	1,000 CUM
Exports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Norway	477	Norway	496
Austria	434	Germany	169
Finland	94	Finland	86
Germany	65		
Total for Others	1070		751
Others not Listed	27		9
Grand Total	1097		760

Import Trade Matrix

Country Sweden

Commodity Softwood Logs

Time Period	CY	Units:	1,000 CUM
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Russia	1069	Russia	1012
Latvia	361	Latvia	181
Estonia	243	Finland	171
Norway	137	Norway	155
Finland	73	Estonia	66
Poland	20	Lithuania	43
Total for Others	1903		1671
Others not Listed	117		30
Grand Total	2020		1701

Prices Table

Country Sweden

Commodity Softwood Logs

Prices in	SEK	per uom		CUM
Year	2002	2003		% Change
Average for year	471		438	-7.0
Exchange Rate	8.09	Local Currency/US $		
Date of Quote	2003	MM/DD/YYYY		

PSD Table

Country **Sweden**

Commodity **Softwood Lumber**

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Production	17000	16800	17000	17200	0	17600
Imports	150	295	150	150	0	150
TOTAL SUPPLY	17150	17095	17150	17350	0	17750
Exports	11600	11022	12000	11200	0	11600
Domestic Consumption	5550	6073	5150	6150	0	6150
TOTAL DISTRIBUTION	17150	17095	17150	17350	0	17750

1000 CUBIC METERS

Export Trade Matrix

Country Sweden

Commodity Softwood Lumber

Time Period	CY	Units:	1,000 CUM
Exports for:	2002		**2003**
U.S.	548	U.S.	413
Others		Others	
UK	2653	UK	2632
Denmark	1273	Denmark	1275
Germany	977	Japan	881
Japan	856	Netherlands	861
Norway	817	Germany	836
Egypt	423		
Total for Others	6999		6485
Others not Listed	3908		4124
Grand Total	11455		11022

Import Trade Matrix

Country Sweden

Commodity Softwood Lumber

Time Period	CY	Units:	1,000 CUM
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Norway	132	Norway	152
Russia	121	Finland	88
Finland	34		
Total for Others	287		240
Others not Listed	32		55
Grand Total	319		295

Prices Table

Country Sweden

Commodity Softwood Lumber

Prices in	SEK	per uom		CUM
Year	2002	2003		% Change
Average for year	1746		1834	5.0
Exchange Rate	8.09	Local Currency/US $		
Date of Quote	2003	MM/DD/YYYY		

PSD Table

Country **Sweden**

Commodity **Hardwood Plywood**

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Production	0	0	0	0	0	0
Imports	80	61	80	60	0	60
TOTAL SUPPLY	80	61	80	60	0	60
Exports	3	3	3	3	0	3
Domestic Consumption	77	58	77	57	0	57
TOTAL DISTRIBUTION	80	61	80	60	0	60

1000 CUBIC METERS

Export Trade Matrix

Country Sweden

Commodity Hardwood Plywood

Time Period	CY	Units:	1,000 CUM
Exports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	3		3
Grand Total	3		3

Import Trade Matrix

Country Sweden

Commodity Hardwood Plywood

Time Period	CY	Units:	1,000 CUM
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Russia	28	Russia	25
Finland	18	Finland	17
Latvia	7	Latvia	6
Total for Others	53		48
Others not Listed	12		13
Grand Total	65		61

Prices Table

Country Sweden

Commodity Hardwood Plywood

Prices in	USD	per uom	CUM
Year	2002	2003	% Change
Average for year	863	876	1.5
Exchange Rate	8.09	Local Currency/US $	
Date of Quote	2003	MM/DD/YYYY	

PSD Table

Country **Sweden**

Commodity **Softwood Plywood**

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2000		01/2001		01/2002
Production	100	75	100	70	0	70
Imports	80	88	80	95	0	95
TOTAL SUPPLY	180	163	180	165	0	165
Exports	60	34	60	35	0	35
Domestic Consumption	120	129	120	130	0	130
TOTAL DISTRIBUTION	180	163	180	165	0	165

1000 CUBIC METERS

Export Trade Matrix

Country Sweden

Commodity Softwood Plywood

Time Period	CY	Units:	1,000 CUM
Exports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Denmark	17	Denmark	13
UK	9	UK	7
Ireland	2	Norway	4
Germany	3	Ireland	4
		Netherlands	3
Total for Others	31		31
Others not Listed	16		3
Grand Total	47		34

Import Trade Matrix

Country Sweden

Commodity Softwood Plywood

Time Period	CY	Units:	1,000 CUM
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Finland	53	Finland	49
Denmark	5	Denmark	18
Total for Others	58		67
Others not Listed	25		21
Grand Total	83		88

Prices Table

Country Sweden

Commodity Softwood Plywood

Prices in	USD	per uom	CUM
Year	2002	2003	% Change
Average for year	322	430	33.5
Exchange Rate	8.09	Local Currency/US $	
Date of Quote	2003	MM/DD/YYYY	

PSD Table

Country **Sweden**

Commodity **Softwood Veneer**

1000 CUBIC METERS

	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Production	2	5	2	5	0	5
Imports	20	19	20	20	0	20
TOTAL SUPPLY	22	24	22	25	0	25
Exports	15	24	15	20	0	20
Domestic Consumption	7	0	7	5	0	5
TOTAL DISTRIBUTION	22	24	22	25	0	25

Export Trade Matrix

Country Sweden

Commodity Softwood Veneer

Time Period	CY	Units:	1,000 CUM
Exports for:	2002		**2003**
U.S.	2	U.S.	1
Others		Others	
Germany	8	Germany	9
Poland	4	Poland	4
		Austria	4
Total for Others	12		17
Others not Listed	6		6
Grand Total	20		24

Import Trade Matrix

Country Sweden

Commodity Softwood Veneer

Time Period	CY	Units:	1,000 CUM
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Finland	17	Finland	17
		Germany	1
Total for Others	17		18
Others not Listed	1		1
Grand Total	18		19

Prices Table

Country Sweden

Commodity Softwood Veneer

Prices in	USD	per uom	CUM
Year	2002	2003	% Change
Average for year	563	608	8.0
Exchange Rate	8.09	Local Currency/US $	
Date of Quote	2003	MM/DD/YYYY	