2010-22-06

**Sawmilling industry regains confidence despite difficult times**
**EOS General Assembly in Como on 11 June 2010**

*Como/Brussels*: Hosted by the Italian association Assolegno, the annual general meeting of EOS was held in Como on 11 June 2010.

In the open part of the Assembly, members received a detailed report on the Italian wood market, presentations on the European Pallets and Packaging sector (FEFPEB), carbon footprinting and building with wood (Roadmap 2010).

Mr Gil Covey, chairman of FEFPEB described the economic situation within the European wood pallets and packaging sector, which he presented as a key customer of the European sawmilling industries, with many interactions and interdependencies. FEFPEB wants to continue its work on promoting wood pallets and packaging further under the umbrella of the CEI-Bois Roadmap 2010 process and focus in particular on safeguarding wood's market share over competing materials.

Mrs Gunilla Beyer from the Swedish Forest Industries Federation, Skogsindustierna, presented a tool to calculate the carbon footprint of sawn timber products, which could be used to show the environmental benefits of using wood over other materials. The EOS Board has previously decided that the association should become active in this field and develop a specific action plan.

EOS secretary general Filip De Jaeger gave a status report on the CEI-Bois Roadmap 2010 activities on behalf of Dr Erich Wiesner. He highlighted the results of the external evaluation of the Roadmap 2010 activities performed in November 2009 and presented the plans for the future, including the proposal to build up a competence centre for wood in construction together with other actors in the wood construction sector (material producers and builders). This idea was very much welcomed by the EOS members.

From an organizational point of view, agreement was reached over the EOS action plan 2010-2011 and members also adopted an EOS position on the use of biomass and renewable energy sources. The latter will be subject to a separate communication.

Mr. Hannu Kasurinen (Stora Enso Timber) was confirmed as Vice-President of EOS softwood and Mr. Timo Karinen (Metsäliitto) was approved as member of the Board.

As part of the annual meeting programme, the members also had the opportunity to visit the wood company Belloti S.p.A., specialised in timber, plywood and semi-finished products.

**Market report**

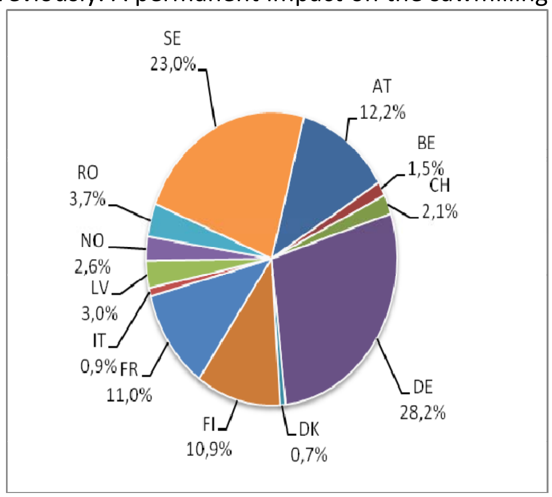
**Sawn softwood production and consumption**

In the year 2009 the production volumes of sawn softwood in the EOS member countries continued to decline as a consequence of the measures taken by the sawmilling sector to face the worldwide economic crisis. Compared to 2008, production volumes fell by a further 11.2%, after a contraction by 7.8% in 2008 already. The production volume just below the 70 mio $m^3$ threshold (69.9 mio $m^3$) corresponds to volumes from the end of the previous century.

It is believed that this represents an absolute bottom level, which can only improve in the years to come. In any case, the sector expects a slight recovery of the market conditions, and production levels, by 6.1% in 2010. This would bring the total production above 75 mio $m^3$ again.

The decline in production was general across the EOS countries, with the exception of Latvia, which could slightly recover from the strong drop in 2008. Finland, Austria, Belgium and Norway reported production losses above 15% (Finland even above 20%). Production in Germany contracted by more than 10%.

For the year 2010, the outlook is slightly better again, though the expected pick-up of production is still very modest compared to the volumes reached previously. A permanent impact on the sawmilling companies can, therefore, not be excluded and is more than likely.




With a production of 19.7 mio $m^3$ and a share of 28.2%, Germany remained the largest sawn softwood producer within the EOS community. Sweden ranks second with 16.1 mio $m^3$ (23%) and Austria third with 8.5 mio $m^3$ (12.2%).

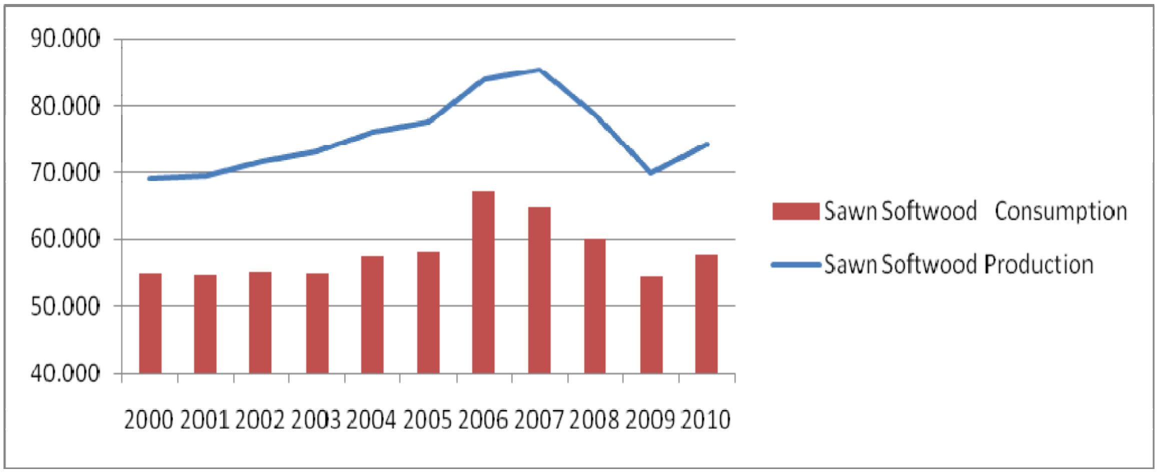
France and Finland complete the top 5, though France has surpassed Finland slightly as far as production volumes are concerned.

Contrary to the expectations expressed last year, however, consumption did not fall below 50 mio $m^3$, and reached a volume of 54.6 mio $m^3$. A major decline was recorded in Finland, with a decrease by close to 37%!

As for production, it is expected that one has now reached the bottom level. The EOS members are more optimistic for 2010, forecasting a minor recovery by 5.5%. The record consumption levels of 2007, however, are still far off.

With a total volume of 16.8 million m3, Germany remains the largest market for sawn softwood within EOS (30.8% share). France ranks second before Italy and Sweden.

Sawn softwood production and consumption in EOS member countries (in thousand m³)

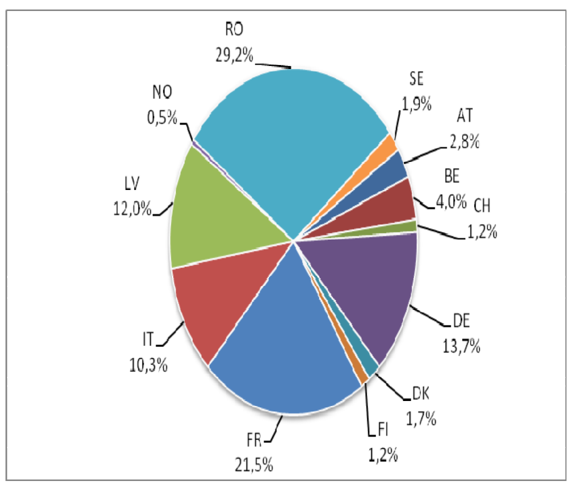



A major constraint for the softwood sawmilling sector at present is the tight log supply situation in many regions and countries. Volumes made available by forest owners are rather modest despite the high price level of the raw material. This situation is likely to have an impact on the activity levels within many sawmills over summer and beyond, including production interruptions.

**Sawn hardwood production and consumption**

The hardwood sector, which had started experiencing a contraction of the markets as from 2007 already, again had a difficult year in 2009. Overall production fell by 16.6%, thus performing worse than expected previously. Most striking is the strong decline in France, which for years had been the most important sawn hardwood producer within EOS. In addition to a 21.4% decline in 2009, revised historic data now indicate that France has lost its first place in 2009 already, to the benefit of Romania. For 2010, the trend shows upward again.

As new data now show, Romania has replaced France as the main sawn hardwood producer within the EOS community already in 2008. In 2009, the country accounted for close to 30% of the total production volume. France remains a most important player, holding a share of 21.5%. Germany is the third largest producer.

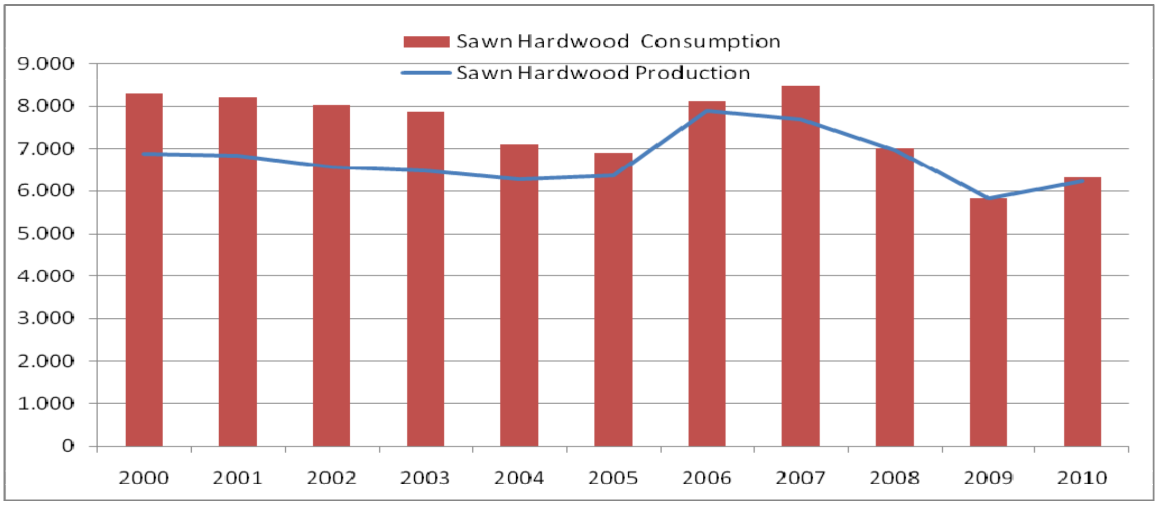



Hardwood consumption in the EOS countries has suffered much more strongly than consumption of softwood. From 2007 to 2009 it dropped by more than 31% (-17.2% in 2008 and -16.8% in 2009 respectively). Consumption in 2009 amounted to 5.8 mio m³. This strong decline is not explained only by the economic crisis, but fuelled by structural changes in the main customer sectors, such as furniture.

Several countries saw hardwood consumption drop by more than 20%, with very strong decreases in particular in Germany, Italy and Latvia. As for 2010, the feelings are mixed. Whereas some countries forecast a slight improvement of the situation, some still count with further cutbacks in consumption. For the EOS area overall, a 8.4% increase is expected.

In 2009, Italy was the biggest market for sawn hardwood within the EOS community, counting for more than a quarter of consumption. France is second before Romania and Germany.

Sawn hardwood production and consumption in EOS member countries (in thousand m³)




**President's statement**

EOS president Alfred Jechart remarked that in the light of the global economic crisis, the sawmilling industry in Europe has been obliged to take appropriate measures to safeguard its future existence and competitiveness. In many cases, this has meant important production curtailments, e.g. by reducing the number of shifts, or temporary or permanent company closures. In particular in the Nordic countries, sawmilling capacity has been reduced permanently.

In addition, companies have introduced important cost-saving measures. Overall, these have resulted in rather stable market situations, but at a strongly reduced level of activity; in the second half of 2009.

Though, in the first months of 2010, the sector has been able to see some improvement in the market conditions, with demand for some products picking up, at least for some time. Nevertheless, one of the most important drivers for wood use in Europe, being the construction sector, it still very much behind the performance levels of 2007 and early 2008, and unless these do not improve a substantial and lasting improvement of the sawmilling activity cannot be anticipated.

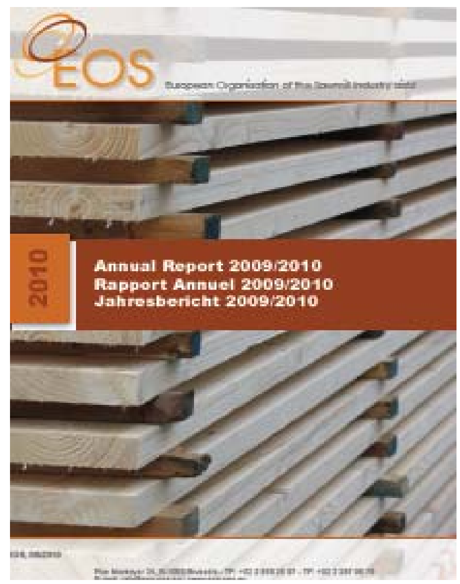
Generally speaking, the softwood sawmilling sector seems to be performing somewhat better than the hardwood sector. The latter is in particular affected by the lack in demand from the parquet and furniture industries that are facing sales difficulties.

Mr. Jechart concluded that despite this situation, the sector is confident about the future for wood and wood-based products, in particular considering the advantages offered by wood use in the context of the climate change debate, continuing after the failure to come to a solution at the COP15 conference in Copenhagen in December 2009. EOS will contitute to work actively with its partners to attain recognition of the positive role of harvested wood products at the forthcoming climate change negotiations and within the CEI-Bois Roadmap 2010 “Wood in Sustainable Development” process.

**German sawmilling industry fully represented within EOS**

The General Assembly welcomed the renewed membership of the “Verband der deutschen Säge- und Holzindustrie”, VDS (Wiesbaden) within EOS. This implies that, as from mid-2010, the entire German sawmilling sector forms an integral part of the organisation through the federations BSDH (Berlin) and VDS (Wiesbaden).

**Key findings of the EOS Annual report**




- Softwood production in EOS countries:
    - -11.2% in 2009
    - 6.1% in 2010
- Softwood consumption in EOS countries
    - -8.9% in 2009
    - +5.5% in 2010
- Hardwood production in EOS countries:
    - -16.6% in 2009
    - +7.1% in 2010
- Hardwood consumption in EOS countries
    - -16.8% in 2009
    - +8.4% in 2010

**Upcoming major events**

- 2010-10-20, Zurich, EOS General Assembly
- 2010-10-21/22, Zurich, 5th International Softwood Conference

For more information on EOS and the latest economic developments, please contact the EOS secretariat, TP: +32 2 5562597 (Mr Filip De Jaeger, secretary general), info@eos-oes.eu.

**Note for editors:**

The European Organisation of the Sawmill Industry (EOS), an international non-profit association according to Belgian law, represents the interests on European and international level of the sawmill industries from 12 European countries (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Latvia, Norway, Romania, Sweden and Switzerland), with turnover of 37.5 billion euros per year. Together with the planning and impregnation sector it represents 27% of the overall EU production value generated by 35,500 companies employing 303,000 employees.