ITALY MARKET PROFILE

ITALY: FOREST PROFILE[1]

Italy occupies a long peninsula stretching from the Alps into the central Mediterranean Sea with a mountainous "backbone" where the forests are mostly located. Forest and other wooded land accounts for less than two fifths of the land area. Half is high forest, the rest coppice, often of indifferent quality. Because of its long north-south extension and wide range of altitudes, a large variety of forest types and of flora and fauna are found.

ITALY'S FOREST DISTRIBUTION

	Forest Cover 2000	Distribution of land cover/use % (1995)		
	´000 ha	Forest	Other Wooded Land	Other land
Italy	10,003	34.0	3.3	63.1
Europe	1,039,250	46.0	1.3	52.9
World	3,869,453	29.4	11.2	58.6

Broadleaved species make up two thirds of the volume of growing stock, the principal species being beech, deciduous and evergreen oaks, poplars and chestnut. The main coniferous species are pines, Norway spruce and European larch. Three fifths of the forest is available for wood supply and two fifths not available, partly for conservation, partly for economic reasons. Virtually all forest is semi-natural, with some areas of plantations, including introduced species such as some poplar species, Douglas fir, radiata pine and eucalyptus; the area of forest and other wooded land undisturbed by man is small. Two thirds of Italian forests are privately owned, mostly by individuals in small holdings; one third is publicly owned, mainly by communes and municipalities. Non-wood forest products are of importance for the rural economy.

PRODUCTS AND TRADE

Italy is a major consumer, producer and trader of forest products in Europe. Its share of European paper and wood-based panel production is nearly ten percent. The paper industry is based mainly on imported pulp. However, the country is the biggest producer and consumer of non-wood fiber pulp in Europe. Italy is also a major importer of lumber. The large and dynamic furniture industry exports half of its production, and is a major consumer of panels and sawnwood. Consumption of forest products per capita is around the European average level.

[1] Source: World Forest Institute. http://www.worldforestry.org/wfi/world-forests.htm

ITALY MARKET PROFILE

ITALY TRADE OVERVIEW

Italy Export Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	3,592.6	100.0%	25.1%	51.2%
Austria	1,329.5	37.0%	31.2%	45.3%
Germany	386.8	10.8%	18.2%	40.3%
France	288.0	8.0%	24.9%	19.8%
United States	168.4	4.7%	3.2%	-17.6%
Romania	139.8	3.9%	44.5%	
Switzerland	120.5	3.4%	14.4%	-9.9%
Finland	109.3	3.0%	20.6%	21.9%
Hungary	104.3	2.9%	16.3%	
Slovenia	94.1	2.6%	24.0%	
Poland	84.5	2.4%	43.4%	

Italy Import Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	4,048.9	100.0%	18.8%	12.6%
Austria	995.8	24.6%	18.2%	13.2%
Germany	409.5	10.1%	17.3%	26.0%
France	229.8	5.7%	4.7%	-12.6%
United States	187.2	4.6%	10.2%	-19.6%
Romania	151.0	3.7%	46.5%	128.0%
Croatia	141.2	3.5%	22.3%	17.1%
Cameroon	126.4	3.1%	15.3%	10.3%
Russia	119.7	3.0%	26.0%	20.4%
Hungary	118.1	2.9%	10.4%	10.3%
Switzerland	111.9	2.8%	15.1%	-13.1%

TOP IMPORTED PRODUCTS

ITALY IMPORT STATISTICS FROM WORLD — **UNITS: $1,000**

TYPE	HS	DESCRIPTION	2001	2002	2003	1YR Δ	5YR Δ	% Share
ALL	44+94	Wood + Furniture	3,422,451	3,696,074	4,320,122	16.9%	14.8%	100.0%
ALL	44	ALL WOOD PRODUCTS (EX-FURNITURE)	3,240,383	3,479,985	4,048,934	16.3%	12.6%	93.7%
TOTAL PRIMARY			2,606,683	2,766,597	3,179,436	14.9%	6.1%	73.6%
PRIMARY	4407	Lumber	1,467,278	1,561,502	1,791,754	14.7%	2.0%	41.5%
PRIMARY	4403	Logs	439,205	420,976	468,369	11.3%	-11.9%	10.8%
PRIMARY	4408	Veneers Sheets	211,411	235,448	270,757	15.0%	22.9%	6.3%
PRIMARY	4412	Plywood & Panels	192,362	220,083	244,113	10.9%	23.8%	5.7%
PRIMARY	4411	Fiberboard	108,954	119,578	149,403	24.9%	72.6%	3.5%
PRIMARY	4401	Fuel Wood & Wood Chips	54,951	68,551	111,728	63.0%	114.3%	2.6%
PRIMARY	4410	Particle Board	89,550	95,665	97,538	2.0%	-9.0%	2.3%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	15,559	16,595	16,412	-1.1%	2.7%	0.4%
PRIMARY	4402	Wood Charcoal	9,655	10,076	12,837	27.4%	25.1%	0.3%
PRIMARY	4413	Densified Wood Shapes	13,092	11,534	10,397	-9.9%	-21.0%	0.2%
PRIMARY	4406	RR Ties	3,532	5,027	4,247	-15.5%	24.6%	0.1%
PRIMARY	4405	Wood Wool or Flour	1,135	1,563	1,880	20.3%	39.0%	0.0%
TOTAL SECONDARY			815,769	929,477	1,140,686	21.8%	43.3%	26.4%
SECONDARY	4418	Builders' Carpentry	206,315	248,788	311,715	25.3%	64.6%	7.2%
SECONDARY	94	ALL WOOD FURNITURE	182,068	216,089	271,187	25.5%	62.5%	6.3%
SECONDARY	4409	Wood, Continuously Shaped	153,595	167,776	221,017	31.7%	37.8%	5.1%
SECONDARY	4421	Articles Of Wood, Nesoi	91,019	98,374	127,624	29.7%	66.7%	3.0%
SECONDARY	4415	Wood Packing Material	93,202	98,025	106,513	8.7%	26.2%	2.5%
SECONDARY	4420	Wood Marquetry Etc.	31,438	38,691	42,406	9.6%	31.0%	1.0%
SECONDARY	4416	Cooperage Products	32,230	36,288	29,098	-19.8%	-4.8%	0.7%
SECONDARY	4419	Wood Tableware & Kitchenware	11,951	11,933	13,541	13.5%	2.2%	0.3%
SECONDARY	4414	Wood Frames Etc.	9,359	8,678	10,819	24.7%	15.4%	0.3%
SECONDARY	4417	Tool & Broom Bodies	4,593	4,835	6,766	40.0%	48.7%	0.2%

IMPORT OVERVIEW

Italy imported over $4.3Bn worth of global forestry products in 2003, representing a 14.8% increase over 1999 values. Primary imports accounted for 73.6% of the market, while secondary imports made up the remaining 26.4%. Italy is known for its value-added furniture industry which depends heavily on raw materials from partner countries. Top suppliers to the Italian market were Austria (24.6%), Germany (10.1%), France (5.7%), the U.S. (4.6%), and Romania (3.7%). Romania is the only supplying country to make any significant gains over the 5yr period.

PRIMARY PRODUCTS IMPORTS

LOGS

Log imports represent about 11% of Italy's total forest product demand. In 2003, Italy imported 4.4M m³ worth of logs. Log imports are down -14.7% over 1999 volume, with similar trends on the total value imported ($468M, -11.9%). Switzerland (17.7%), Austria (16.2%), France (14.2%), and Germany (13.4%) currently make up the bulk Italian demand for logs. Highest growth occurred in Croatia (82.0%), and Uruguay which went from no share of the Italian import market, to over 186,000 m³ in 2003.

ITALY IMPORTS: PRIMARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
TOTAL PRIMARY	3,179,436	73.6%	14.9%	6.1%
SW Lumber	1,075,963	24.9%	19.8%	5.4%
HW Lumber	715,791	16.6%	14.8%	-2.8%
HW Logs	279,904	6.5%	9.4%	-19.4%
HW Veneers	258,231	6.0%	18.2%	31.7%
SW Logs	182,774	4.2%	18.8%	1.7%
HW Plywood	166,859	3.9%	16.1%	46.1%
Other PP	87,514	2.0%	5.5%	80.3%
Hardboard	86,887	2.0%	44.8%	95.8%
MDF	76,792	1.8%	41.9%	86.3%
PB	66,874	1.5%	5.2%	-22.2%
SW Plywood	54,194	1.3%	10.1%	-7.5%
HW Chips	23,474	0.5%	86.0%	83.4%
OSB-WB	21,256	0.5%	-7.5%	80.2%
SW Chips	15,416	0.4%	93.2%	66.2%
SW Veneers	12,526	0.3%	-8.3%	-48.5%
Poles	5,691	0.1%	35.4%	35.7%
RR Ties	4,247	0.1%	-11.3%	24.6%

LUMBER

At $1.79Bn, Italian imports of Lumber represent almost 45% of total wood products demand. In 2003, Italy imported 7.6M m³ of lumber for its primary industry. This total was down -7.4% from 1999 volumes, but is still the largest volume product imported into Italy. The value of Italian lumber imports increased slightly over the period. The majority of Italian lumber comes from Austria, with 44.7% of the market. However, Germany (10.2%), Russia (6.2%), Finland (3.0%), and the U.S. (2.9%) fill minor roles in the Italian lumber industry. Russian and Germany imports continued to grow throughout the period, while other top suppliers saw moderate decreases in market share. The U.S. lost 70,000 m³, or -26.6% over the period analyzed, due to lower cost alternatives in geographically favorable locations. Softwood Lumber represented 60% of the lumber demand with Hardwoods covering the difference.

PANEL PRODUCTS: PLYWOOD, VENEERS, FIBERBOARD, AND PARTICLEBOARD

Italian imports of plywood played a smaller role than logs or lumber in the Italian economy, but still totaled 550,000 m³ in 2003. Volume of shipments was up 22.2% over the period, while the value increased to 23.8% to $244M. Dominant suppliers to the Italian market were Russia (19.9%), Brazil (14.8%), Finland (10.6%), and Austria (6.4%). Largest gains were made by Brazil (172.4%) and Romania (477.6%).

Veneer imports dropped from 312,000 m³ to 284,000 m³ in 2003, representing a slight decrease in import demand of -8.9% over the period. Total value of veneers increased 22.9% to $270M in 2003 on increases from higher-value U.S. and German veneer sheets. Top suppliers to the Italian market were: Cameroon (18.1%), Cote d'Ivoire (13.4%), and France (10.4%). With significant of lower cost products, top gainers were Cameroon (67.8%), Turkey (118.3%), and Gabon (888%). The U.S., with 3.5% of the market did see an increase of 18.7% over the period to reach 9,850 m³ in 2003.

Fiberboard imports grew 27.1% to reach 80M m² in 2003. The total value of fiberboard imports increased 72.6% to $149M over the same period, on higher prices in the market. Bulgaria (21.6%), France (19.4%), Austria (19.4%), and Germany (13.2%) supplied the bulk of fiberboard product to the Italian market with all four seeing strong growth over the period (46-85%). Italian imports of U.S. fiberboard were nominal.

Particleboard imports dropped -21.2% over the 5 year period, ending at 561,000 m³. The total value of shipments reached $97.5M in 2003, eased by higher prices for particleboard. Austria (50.2%), France (18.5%), and Germany (15.8%) were the 3 largest suppliers to the Italian market, accounting for 84.5% of total supply. However, it was the CEE countries of the Czech Republic and Bulgaria that realized huge growth over the period moving both into the top 10. U.S. market share in this category was nominal as well.

SECONDARY PRODUCTS IMPORTS

ITALY IMPORTS: SECONDARY	UNITS: $1,000			
PRODUCT	**2003**	**% Share**	**1 YR AGR**	**5 YR AGR**
	828,971	19.2%	21.8%	43.3%
Builders Carpentry	259,531	6.0%	24.6%	72.9%
HW FMS	162,661	3.8%	31.9%	39.0%
Pencil Slats	122,294	2.8%	31.0%	69.2%
Wood Framed Seats	112,836	2.6%	52.7%	71.1%
Packing Material	106,513	2.5%	11.1%	26.2%
Wood Furniture Parts	88,366	2.0%	22.8%	44.5%
SW Flooring, Molding, Siding	58,356	1.4%	36.5%	34.7%
Household Furniture	32,484	0.8%	25.7%	-1.1%
Cooperage Products	29,098	0.7%	-19.4%	-4.8%
Prefab Buildings	25,052	0.6%	93.6%	180.0%
Kitchen Cabinets	21,373	0.5%	3.5%	-17.0%
Office Furniture	17,096	0.4%	1.3%	-13.0%

Secondary products imports in Italy reached almost $1.14Bn in total value in 2003. This represented and increase of nearly 44% over 1999 values. Despite the fact that Italy is the world’s leading furniture producer, imports of furniture were the second largest category imported. However, Builders Carpentry ($259M) and Continuously Shaped Wood ($221M) were the dominant secondary categories imported. HW FMS ($162M) was the major sub-category within the CSW sector, as mentioned above. Growth occurred on increased imports of Builders Carpentry, HW FMS, and Wood framed seats. Pencil Slats were also a major secondary import, with $122M in 2003. Within the Furniture category, demand for furniture parts saw marked improvement in the burgeoning furniture capital of the world (44.5%).

ITALY MARKET PROFILE

U.S. EXPORT OVERVIEW

Italy is the 7th largest trading partner with the U.S. for primary and secondary forestry products. U.S. exports to the Italian market reached almost $174M in value in 2003, slightly up from 2002, but down almost -17% from 1999. The Italian market is completely dominated by European competition, with the U.S. holding only 4.6% of the entire market. The U.S. actively competes with Austria, Germany, France, and Romania in this market and has lost ground to all four in recent years. Of the top 10 suppliers of forest products to the Italian market, the U.S. lost the most ground over the period, followed by Switzerland and France. All other top suppliers experienced moderate to strong growth in exports. Primary contributors to a decline in U.S. market share stem from tightened EU restrictions on imported wood products, competition from Central & Eastern European countries, and an overall decline/consolidation in Italian manufacturing of wood-based products. A strong dollar over the period analyzed also led to a less competitive environment for U.S. forestry companies. Primary products make up the bulk of export value in the Italian market at 93%.

US EXPORT STATS:		**ITALY**				**UNITS: $1,000**		
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**SHARE**
TOTAL	44+94	Total Wood Products + Furniture	172,062	168,596	174,190	3.3%	-16.5%	100.0%
TOTAL	44	Total Wood Products	168,362	163,201	168,417	3.2%	-17.6%	96.7%
TOTAL PRIMARY		Total Primary	161,737	157,462	161,736	2.7%	-15.5%	92.9%
PRIMARY	4407	Lumber	98,023	96,758	98,205	1.5%	-30.9%	56.4%
PRIMARY	4403	Logs	28,808	26,071	28,233	8.3%	-1.4%	16.2%
PRIMARY	4408	Veneer Sheets	23,299	25,665	27,108	5.6%	47.0%	15.6%
PRIMARY	4401	Fuel Wood & Wood Chips	10,788	8,098	7,621	-5.9%	6502.1%	4.4%
PRIMARY	4412	Plywood & Panels	214	597	340	-43.1%	-62.7%	0.2%
PRIMARY	4411	Fiberboard	123	32	135	328.6%	-7.9%	0.1%
PRIMARY	4410	Particleboard	76	165	57	-65.5%	-41.1%	0.0%
PRIMARY	4405	Wood Wool	-	11	18	70.6%	-72.9%	0.0%
PRIMARY	4402	Wood Charcoal	-	-	14	#DIV/0!	#DIV/0!	0.0%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	407	61	4	-93.7%	-99.4%	0.0%
PRIMARY	4406	RR Ties	-	-	-	#DIV/0!	-100.0%	0.0%
PRIMARY	4413	Densified Wood Shapes	-	3	-	-100.0%	-100.0%	0.0%
TOTAL SECONDARY		Total Secondary	10,325	11,135	12,454	11.9%	-26.9%	7.1%
SECONDARY	94	All Wood Furniture	3,700	5,395	5,774	7.0%	34.9%	3.3%
SECONDARY	4415	Wood Packing Material	337	885	1,354	52.9%	-49.8%	0.8%
SECONDARY	4421	Articles Of Wood, Nesoi	3,174	1,603	1,273	-20.6%	-76.9%	0.7%
SECONDARY	4417	Tool & Broom Bodies	488	925	1,247	34.7%	281.5%	0.7%
SECONDARY	4418	Builders' Carpentry	783	405	1,070	164.4%	-61.7%	0.6%
SECONDARY	4416	Cooperage Products	1,082	851	567	-33.4%	-20.4%	0.3%
SECONDARY	4420	Wood Marquetry Etc.	104	54	564	941.4%	346.8%	0.3%
SECONDARY	4409	Wood, Continuously Shaped	449	592	482	-18.5%	6.3%	0.3%
SECONDARY	4414	Wood Frames Etc.	158	14	87	535.3%	5.7%	0.0%
SECONDARY	4419	Wood Tableware & Kitchenware	49	411	38	-90.7%	-46.7%	0.0%

ITALY MARKET PROFILE

U.S. EXPORTS- PRIMARY

U.S. PRIMARY EXPORTS:	ITALY	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
HW LUMBER, YELLOW POPLAR	$25,931	4.7%	-1.4%	14.6%
HW VENEERS	$25,076	37.1%	6.4%	14.1%
HW LUMBER, OTHER TEMPERATE	$16,586	40.8%	11.8%	9.3%
HW LUMBER, WHITE OAK	$14,542	-13.3%	34.5%	8.2%
HW LUMBER, WESTERN RED ALDER	$11,698	-48.5%	-2.1%	6.6%
HW CHIPS	$7,262	6686.9%	-9.0%	4.1%
HW LUMBER, CHERRY	$6,888	-31.8%	-8.3%	3.9%
HW LOGS, YELLOW POPLAR	$6,422	18.9%	16.6%	3.6%
HW LOGS, WALNUT	$6,402	4.5%	38.2%	3.6%
HW LOGS, CHERRY	$6,361	-38.4%	-19.2%	3.6%

U.S. exports of primary products reached $157.0M in 2003, losing some 15% of its value. Primary products represent 92.9% of the entire expordt market to Italy. Dominant categories within the market were: Lumber, Logs, and Veneer Sheets. Hardwood products dominate the primary market with Lumber (50.0%), Logs (14.3%), and Veneers (14.1%) capturing a combined 78% of the Italian export market. Hardwood Chips are a major export product with an Italian global market share standing at 16%, and have seen huge growth since near zero exports in 1999. Among the dominant HW Lumber market, the following species make up the bulk of U.S. export value: Yellow Poplar (14.6%), Other Temperate (9.3%), White Oak (8.2%), and Western Red Alder (6.6%). Although representing only 6% of total U.S. HW Veneer exports, these products represent over 14% of total U.S. exports to Italy. HW Veneers also account for 91% of Veneer exports to Italy. Hardwood Log species with a significant presence in the Italian market were Yellow Poplar, Walnut, and Cherry (all with 3.6% market share).

Top performing primary export products over the period were Hard and Softwood Chips, Birch lumber (544.3%), and Hardwood Plywood (462.0%); although small and significantly down over 2002 numbers. The largest category showing strong growth was from Hardwood Veneers with a 37.1% increase over 1999 numbers. Other Temperate Lumber also showed strong growth, with 40.8% from 1999-2003. HW Chips dominated the category with sales of $7.3M and growth of 6,686%. 1999 levels were nominal and contribute to the apparent huge increase in exports to Italy.

U.S. EXPORTS BY GROWTH: ITALY PRIMARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
HW CHIPS	$7,262	6686.9%	-9.0%
SW CHIPS	$223	2687.5%	197.3%
HW LUMBER, BIRCH	$1,250	544.3%	173.5%
HW PLYWOOD	$281	462.0%	-41.5%
HW LOGS, WESTERN RED ALDER	$464	359.4%	53.6%
POLES	$219	291.1%	-6.4%
PARTICLEBOARD	$48	269.2%	336.4%
SW VENEERS	$1,731	222.9%	-14.8%
SW LOGS, PINE, OTHER	$23	64.3%	
HW LOGS, OTHER TEMPERATE	$4,430	59.7%	171.6%
SW LOGS, OTHER CONIFEROUS	$1,558	48.1%	47.3%
HW LUMBER, OTHER TEMPERATE	$16,586	40.8%	11.8%
HW VENEERS	$25,076	37.1%	6.4%
HW LOGS, YELLOW POPLAR	$6,422	18.9%	16.6%

U.S. EXPORTS- SECONDARY

U.S. SECONDARY EXPORTS:	ITALY	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
WOOD HOUSEHOLD FURNITURE	5,270	94.1%	61.9%	3.1%
WOOD PACKING MATERIAL	1,354	-49.4%	57.3%	0.8%
OTHER BUILDERS CARPENTRY	610	-74.8%	119.4%	0.4%
COOPERAGE PRODUCTS	567	-23.0%	-33.4%	0.3%
WOOD DOORS AND FRAMES	356	4985.7%	1012.5%	0.2%
WOOD FURNITURE PARTS	236	-27.5%	54.5%	0.1%
HW FLOORING	225	13.1%	-31.4%	0.1%
WOOD OR WOOD FRAME SEATS	138	-84.4%	-67.8%	0.1%
WOODEN OFFICE FURNITURE	117	-51.7%	-89.6%	0.1%

U.S. exports of secondary forest products to Italy reached just over $11.0M in 2003. The U.S. has consistently lost export value over the 5 year period, resulting in $6M in losses or -26.9%. However, the market rebounded significantly from 2002 levels with an 11.9% performance. Secondary exports are minor when compared to the overwhelmingly primary demand from Italy. Wood Furniture accounted for almost 50% of all secondary exports to Italy, with the only other significant category coming from Wood Packing Material. The largest furniture category was Wood Household Furniture by far with a 3.1% share in the total Italian export market. Wood furniture, in general, dominated export sales in 2003 with just under $5.8 million or 70% of the secondary market. Within the Wood packing material category, Pallets/Loading Boards accounted for 80% of the demand, while Cases/Boxes/Crates accounted for the remaining 20%.

U.S. EXPORTS BY GROWTH: ITALY SECONDARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
WOOD DOORS AND FRAMES	$356	4985.7%	1012.5%
WOOD HOUSEHOLD FURNITURE	$5,270	94.1%	61.9%
HW FLOORING	$225	13.1%	-31.4%
COOPERAGE PRODUCTS	$567	-23.0%	-33.4%
WOOD FURNITURE PARTS	$236	-27.5%	54.5%
WOOD PACKING MATERIAL	$1,354	-49.4%	57.3%
WOODEN OFFICE FURNITURE	$117	-51.7%	-89.6%
FABRICATED STRUCTURAL WOOD MEMBERS	$48	-68.6%	77.8%
OTHER BUILDERS CARPENTRY	$610	-74.8%	119.4%

Wood household furniture posted strong gains over 1999 values at 18.8% annually, and represented the largest valued secondary category to experience above-average growth. Although a minor product in the Builder's Carpentry category, Wood Doors and Frames saw record growth over the same 5 year period, ending at $356 thousand in value. The majority of other secondary forest products to the Italian market saw slight decreases in the value of shipped products. Wood Furniture Parts, Other Builders Carpentry, and Wood Packing Material showed strong gains over 2002 numbers. However, WPM exports were down significantly over 1999 levels, with a loss of almost 50% of total value.

SOUTH CAROLINA EXPORTS

SC EXPORTS: ITALY	TOTAL VALUE ($)						
Description	2003	SC 1YR	SC 5YR	US 5YR	% SHARE	SC RANK	% SC SHARE
WOOD + FURNITURE	2,440,798	55.0%	-23.9%	-16.8%	100.0%		
ALL WOOD	2,440,798	65.6%	-23.9%	-17.6%	100.0%	17	1.45%
Lumber	2,426,760	244.3%	-15.9%	-30.9%	99.4%	10	2.47%
Logs	10,458	-96.9%	-81.0%	-1.4%	0.4%	31	0.04%
Particleboard	3,580	n/a	n/a	-41.1%	0.1%	3	6.28%
Plywood	0	-100%	n/a	-62.7%	0.0%		0.00%
Tools & Brooms	0	n/a	n/a	281.5%	0.0%		0.00%
Veneer Sheets	0	-100%	-100%	47.0%	0.0%		0.00%

Italy is the 8th largest export market for South Carolina forestry products. The Italian market commanded 3.9% of all SC exports with $2.4M in 2003. South Carolina ranks 17th overall for U.S. exports to Italy. SC exports to Italy have seen significant declines from 1999 levels (-23.9%, 5YR). Exports of $3.2M were recorded in 1999, but have not recovered since then. However, strong growth over 2002 volume was recorded, with a gain of 55% in 2003. Lumber exports completely dominated SC exports with 99.4% of the total Italian market. After dropping to record lows of $704,000 in 2002, Lumber exports rebounded sharply, ending at $2.4M the next year. Within the Lumber category, HW Lumber exports accounted for 93.7% of export value. Exports of lumber were divided between Other Hardwoods (55.0%), Oak (38.7%), and Softwoods (6.3%). Lumber exports recorded a -15.9% loss over 1999 levels, despite strong growth from the Other Hardwood category (63.4%, 5YR). SC ranks as the 10th largest exporting state to Italy for lumber products. Veneer sheets were another dominant category that recorded no exports in 2003, off highs of $670,000 in 2001. HW logs recorded solid exports in 2002 ($337,000), but dropped to almost zero in 2003. While not included in the table above, exports of Wood Furniture totaled $100,000 in 2002, but subsequently dropped to zero in 2003.

BEST GROWTH PROSPECTS

BEST PROSPECTS- U.S. PRIMARY

HW LOGS:	YELLOW POPLAR, WALNUT, OTHER TEMPERATE
HW LUMBER:	YELLOW POPLAR, WHITE OAK, BIRCH,OTHER TEMPERATE
SW LOGS:	OTHER CONIFEROUS
FUELWOOD/CHIPS:	HW CHIPS
VENEER SHEETS:	HW (volume), SW (GROWTH)

BEST PROSPECTS- U.S. SECONDARY

WOOD FURNITURE:	HOUSEHOLD FURNITURE
BUILDERS CARPENTRY:	WOOD DOORS & FRAMES
WOOD PACKING MAT.:	PALLETS AND OTHER LOAD BOARDS

BEST PROSPECTS- SOUTH CAROLINA

LUMBER:	OTHER, NONCONIFEROUS (HW)

ECONOMIC FACTORS (GENERATING DEMAND)

As in other European countries, poor economic conditions and increasing competition from Western Europe had an adverse effect on U.S. sales to Italy during 2002. However, the recent decline of the U.S. dollar against currencies worldwide is expected to maintain the competitiveness of U.S. exports. The market for U.S. hardwood lumber declined in 2002; however the performance in 2003 appears to have improved marginally. Italian imports of U.S. forest products totaled almost $162 million. Imports of forest products and wood furniture, as well as components from all sources were valued at $4.5 billion in 2002.

GDP GROWTH

ITALY: INDICATORS	1999	2000	2001	2002
GDP per head ($ at PPP)	23,921	25,657	26,655	27,010
GDP (% real change pa)	1.66	3.14	1.81	0.37
Government consumption (% GDP)	18.47	18.74	19.27	19.2
Budget balance (% of GDP)	-1.81	-0.58	-2.58	-2.3
Consumer prices (% change pa; av)	1.66	2.54	2.79	2.46
Public debt (% of GDP)	114.49	110.49	109.44	106.67
Labor costs per hour (USD)	15.88	14.01	13.76	14.94
Recorded unemployment (%)	11.26	10.39	9.46	8.98
Current-account balance/GDP	0.69	-0.54	-0.02	-0.6
Foreign-exchange reserves (bn$)	22	25	24	28

When the target economic growth figure was lowered to 0,8 percent for 2004, it was stressed that subdued household consumption would be the weak spot on the road towards recovery. Ever since, consumer confidence and retail sales given have shown little evidence that our call for household spending growing less than 1 percent could turn out too pessimistic.

Furthermore, industrial production has ounces again disappointed in Q1, as soft private consumption coupled with to strong currency dried up nearly every source of demand. Given Supported by evidence arising from hard, the data confirmed the view that growth, after stagnating in Q4-03, will fail to pick up significantly in H1-04, given also the current drag from net export and the need to deplete the high level of inventories built up throughout 2003.

As to matter of fact, according to forecasts, both inventory accumulation and net trade should contribute negatively to 2004 GDP growth, the most relevant effect being displayed in the first two quarters of the year. Fixed investments, on the other hand, are bound to display loads sort of improvement after contracting by 2,1 percent in 2003. The peace of the recovery will likely accelerated closer to the trend level only in the second part of 2004. The baseline scene for H2-04 sees consumer sentiment and spending stabilising somewhat, while the recent euro depreciation and resilience in world growth should provide support to economic activity fostering to mild increase in export and to gentle upswing in investment spending.[2]

[2] Source: The Economist Intelligence Unit, www.economist.com/countries

CONSTRUCTION/ BUILDING INFORMATION

	2,002 Million €	2003 Estimate	2004 Forecast	2005 Outlook
Residential Construction				
New	24,258	24,404	23,183	22,094
Renovation	38,619	37,692	37,278	37,315
Total	62,877	62,096	60,461	59,409
Non-Residential Construction				
New	21,323	21,131	20,497	19,923
Renovation	21,208	21,060	21,102	21,123
Total	42,531	42,191	41,599	41,046
Building				
New	45,581	45,535	43,681	42,017
Renovation	59,827	58,752	58,379	58,438
Total	105,408	104,287	102,060	100,455
Civil Engineering				
New	12,987	13,442	13,818	14,094
Renovation	16,977	17,300	17,490	17,525
Total	29,964	30,742	31,308	31,619
Construction Sector Output	135,372	135,027	133,367	132,074
Services/Construction by other sectors, DIY/ Black Market	22,904	22,789	22,607	22,449
Total Construction Output	158,276	157,817	155,975	154,523

The relative buoyancy of the wood and wood products sector is largely due to positive trends in the construction industry, which largely supported the growth in other sectors. In 2002, the Italian economy entered a phase of stagnation that contrasts with the much more optimistic forecast previously made. Against this general economic background, the construction sector – which throughout 2002 underpinned the Italian economy in both investment and employment terms – is expected to enter into a recession stage lasting throughout 2004 – 2005. The overall value of the construction sector, including services, during 2002 still recorded a growth with respect to 2001 reaching 158.3 billion Euro, but the rate of increase has become very low and anticipated the stagnation of 2003 (which has highlighted a decline of 0-3% (to 157.8 billion Euros) and the recession that is expected for 2004 (-1.2%) and 2005 (-0.9%). With the exception of the civil engineering market, all building sectors will show a downward trend. The combined effect of the fall in sales and the reduction of household consumption penalized the residential maintenance and renovation market. In 2001, investment in extraordinary residential maintenance and renovation grew by only 0.5 percent but in 2002 began to fall by 0.8 percent. This drop could worsen in 2004, towards the end of the fiscal year. However, recently the Italian government has indicated that tax incentives for renovations works will still be maintained for 2004 and also increase the benefit to 41 percent of the total expense. This tax incentive has fuelled demand over the last few years and hopefully will somewhat help the renovation market for next year.

New Residential Building: In 2001, 86 million cubic meters of residential building were completed in Italy (+ 7.9 % over 2000). In 2002, a further 99 million cubic meters arrived on the market (+ 14.6%). The forecast for 2003 indicate an increase in constructed volumes of 3.2 percent or over 102 million cubic meters. Investments in new residential building recorded increases at constant values, of 6.2 percent in 2000, 8.5 percent in 2001 and 6.3 percent in 2002. The market for new residential building in 2004/5 is expected to level off. It needs to be said that a great part of remodeling is not taken into account by statistics because it is done privately by home owners.

HOUSING STARTS

Total housing starts for Italy are forecast to remain stagnant and even decline in the coming years. This point is marginally insignificant as wood-framed housing starts represent only about 9% of the total housing market. The total value of new residential housing construction in 2003 was 24.6 B Euro, or roughly $36.0 B. As shown in the chart below, apartments and/or flats represent a large portion of the housing market in Italy. Timber-based construction of residential homes has yet to make a significant impact on the Italian housing market

Italian Housing Starts		1999	2000	2001	2002	2003	2004	2005
Housing Starts	1+2 family dwelling	45	50	52	56	56	53	51
	Flats	130	146	157	159	153	125	120
	Total	228	240	249	255	245	225	218

TRADE FACTORS (AFFECTING U.S. EXPORTS) [3]

POLICY

FOREST CERTIFICATION

Although wood removals in Italian forests are very low, Italy remains a leader in the processing of wood and in the production of furniture, activities where the impact of forest certification is relevant and still increasing. FSC Italy was founded in 2001. About 22,000 ha of plantation and natural forests are currently certified in a European program that calls for re-planting of harvested timber. The FCS scheme has been found rather unsuitable for the Italian forests, due to the fact that they are too small and too divided between private owners. Nevertheless, FCS Italy is organizing courses on forest certification and chain of custody. Reportedly a good number of firms working in wood processing have already acquired certification for chain-of-custody.

Certification remains a voluntary market instrument, however currently it is of secondary importance due to lack of demand (in part due to lack of consumer awareness). Some of the products produced from certified forests are being sold without a proper label documenting the source. This shortcoming in the distribution channel deprives producers and consumers of some of the potential benefits of trading recognizable certified forest products.

REAL WOOD TRADE MARK

A quality trade mark is being promoted by the Consorzio Vero Legno (Real Wood Consortium). Consortium "Vero Legno" is a no profit company established in Italy which is open to all wood –furnishing industry operators. Members of this consortium are companies that manufacture and market wood raw materials, wood semi-finished products and wood products. The real wood trade mark is trying to defend manufactured and handcrafted wood products against wood imitations and safeguards manufacturer and consumers. It is U.S. experts analysis that this is an attempt to keep competing wood products out of the Italian market; a "Buy Italian" initiative.

Detailed information on the "Real Wood" project can be requested from:
Consorzio Vero Legno Soc. Coop a.r.l.
Via C. Mauri 5 GH
22066 Mariano Comense (Como)
Tel +39.031.751012 Fax +39.031.751036
www.verolegno.it e-mail: verolegno@verolegno.it

ECO-LABEL

The furniture sector is also concerned by the EU community eco-label scheme which is designed to promote products which have a reduced environmental impact compared with other products and provide consumers with accurate and scientifically based information and guidance on products. The scheme was revised in 2000 and furniture is one of the product group's under development. An eco-label for furniture is now available and can be found on the European Commission's environmental website. While this label has not fully taken hold in Italy, pressure from EU bodies is generating interest in this product, and should be alert to yet another "sustainable" initiative being pushed from above.

FURNITURE DISTRIBUTION SYSTEM IN ITALY

As U.S. furniture has not been able to successfully compete against the Italian Furniture industry in its own country, opportunities for U.S. wood products exist on a raw materials basis, supply Italian manufacturers with high-end woods for use in the furniture sector. Between March 2001 and March 2002 almost 5 million Italian families purchased household furniture; of these 61 percent were purchases made through furniture retailers and 16 percent through large scale distributions. There are still 20,000 traditional

[3] Source: USDA Country Market Reports, Italy. www.fas.usda.gov/gainfiles/200312/146085461.pdf

furniture points of sales and about 10 major distribution chains, and many smaller ones. The number of distribution chains is expected to increase in the future with a subsequent reduction of traditional furniture shops.

The large distribution chains include: Mercatone Uno, Ikea, Emmezeta, Divani &Divani, Semeraro Holding, Chateaux d'Ax, Ricci Casa, Emmelunga, Aventino Arredamenti, Consorzio Italiano Arredamenti, Bergamin, Casa Mercato, Aiazzone, Casa Italia, Oltre Frontiera, Roche Bobois and many DIY groups.

Furniture Association:
Assoarredo
Via Foro Bonaparte 65
20121 Milano
Contact: Cesare Bergamini
Tel +39 02 806041 Fax +39 02 80604392
Email : assoarredo@federlegno.it

*A list of furniture manufacturers who are members of Assoarredo can be viewed in the Association web site.

MARKETS [4]

FLOORING

Reportedly the most used species for the production of parquet in 2002 were as follows: oak (47%); beech (19%); maple (6.5%); ash (3.6%); birch (1.6%); cherry (1.7%) tropical (16%) and other species. In recent years there has been an increasing demand for tropical hardwood flooring. Finished parquet uses sawn timber and wood panels (mainly plywood) as a support. The cost of raw materials accounts for about 50% and this is a real drawback to wood flooring expansion.

FURNITURE INDUSTRY

The use of real wood products in the furniture sector is restricted to the higher end market. This specific sector continue to prefer high grade hardwood, mainly tulipwood, red alder and red oak as well as other species such as ash, cherry and hard maple. However, some furniture plants are looking at lower-priced woods such as soft maple and white oak. More furniture manufacturers are increasingly replacing the natural wood with panel products with a thin covering of veneer and or other different materials (especially semi-finished products and ready made components) created by the smallest firms for specific purposes and with unique quality characteristics. The availability of cheap wood panels has favored this trend. The greater number of semi-finished products and components, which due to their specific characteristics are much more simply processed than natural wood, have helped designers to develop new solutions, customize and standardize the products, increase productivity and economize on manufacturing costs Some traditional furniture manufacturers have diversified production from measure-made furniture to the production of post-formed tops, shelves and laminated panels.

WOOD PACKAGING

During 2002, pallet /packaging production in Italy increased by almost 2 percent. The overall packaging sector employs about 60,000 people. The Italian pallet sector is continuing its radical changes. During the last three years almost all pallet producers and distributors have been renewing their pallet stocks by producing and purchasing Epal (Euro pallets). The industry uses a vast assortment of wood (poplar, fir, pine, beech, and oak), cut to size decking and long length material with which special pallets of various sizes can be created, also for heavy duty use and special handling or stockage. Italy imports about 80 percent of the wood needed in the whole packaging sector, worth two billion US$. Standard formats include lighter weight 800x1200mm pallet designs and a variety of light and heavy duty 1000x1200mm designs. Wooden crates and boxes represent about 45 - 50 % of all wood packaging.

[4] Source: USDA Country Attaché Guide. Italy. http://www.fas.usda.gov/gainfiles/200312/146085461.pdf

COUNTRY INFORMATION SOURCES

GOVERNMENT

Italian Institute for Foreign Trade
(ICE, Istituto nazionale Commercio Estero)
Via Liszt, 21 - 00144 Rome
Phone: 0039 06 59921
Fax: 0039 06 59647382
Website: http://www.ice.it

Ministry of Agriculture and Forest Policies
Via Carducci, 5, 00187 Roma
Contact: Luciano Marletta
Phone: 39 06 46657047
Email: div03@corpoforestale.it

Corpo Forestale dello Stato (Government of Italy)
Via Carducci, 5, 00187 Roma
Contact: Cesare Patrone
Phone: 06 46657096
Fax: 06 484891
Email: posta@corpoforestale.it

TRADE ASSOCIATIONS

Italian National Association of Private Construction Companies (ANCE)
Via Guattani
00161 Roma
Profile: Construction
Phone: +39 06 84 567.1
Email: info@ance.it
Website: www.ance.it

Edilegno- Federlegno
Via Foro Bonaparte 65
20121 Milano
Profile: Wood Joinery Sector (windows, doors, flooring), which lists wood joinery companies in Italy.
Phone: +39 02 806041
Fax: +39 02 80604392
Email: edilegno@federlegno.it
Website: www.federlegno.it/associazioni/edilegno

Italian Traders Association
Fedecomlegno – Federlegno
Via Toscana 10
00187 Roma
Phone: +39 06 4200681
Fax: +39 06 42012236
Email: fedecomlegno@fedecomlegno.it
Website: www.federlegno.it/associazioni/fedecomlegno

Italian Agent Association
Agelegno
Piazza San Martino 1
40126 Bologna
Phone: +39 051 227122
Fax: +39 051 265967
Email: info@agelegno.it
Website: www.agelegno.it

AIEL - Associazione Italiana Energia dal Legno
Italian Association for Wood Energy
Via Mariano Fortuny n° 20
IT-00196 Roma
Phone: +39 06 326 87243
Fax: +39 06 326 87209
Website: www.aiel.cia.it

Italian woodworking machinery and tools manufacturers' Association
Centro Direzionale Milanofiori - 1a Strada - Palazzo F3 - 20090 Assago (MI)
Profile: (Associazione Costruttori Italiani di Macchine ed Accessori per la Lavorazione del Legno)
Phone: +39 02-89210200
Fax: +39 02-8259009
Website: http://www.acimall.com/eng/

Italian Federation of Wood, Furniture, Furnishing, and Cork
Federlegno Arredo: Foro Bonaparte 65 - 20121
Milano, Italy
Profile: List of furniture manufacturers who are members
Phone: +39/02806041
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Assopannelli
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Fax: +39 02 80604392
Email: assopannelli@federlegno.it
Website: www.federlegno.it/associazioni/assoPannelli

A.N.I.B.O.
National Association of Buying Offices
50123 Firenze - Via dei Corsi 3
Profile: National Association of Italian Buying Offices
Phone: +39 055 291926
Fax: +39 055 291926
Email: anibo@buyingoffice.it
Website: http://anibo.com/Inglese/profile.html

Consorzio Vero Legno Soc. Cop a.r.l.
Via C. Mauri 5 GH
22066 Mariano Comense (Como)
Profile: Consortium promoting the "Real Word" Project in Italy. Protection against imitation wood products
Phone: +39 031 751012
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Website: www.verolegno.it

RESEARCH/EDUCATION

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Profile: Research company in Italian construction sector
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Website: www.euroconstruct.com

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Website: www.timberandmore.com