

Prepared by the New Zealand Embassy in Berlin

Summary

- Germany is known as a land of forests, but these softwood-dominated forests are increasingly suffering from storms, dry weather and pests – often attributed to climate change.
- The damage over the past two to three years has been enormous and triggered an estimated 180 million cubic metres of wood that needs to be removed and if possible marketed.
- This has led to record (but somewhat forced) harvests, a domestic oversupply of softwood and booming log exports, including to markets outside the EU, mainly China.
- But reforestation prioritises hardwood and therefore this trend should reverse in the coming years, creating opportunities for other softwood producers in the German and other markets

Report

Background: Germany's forests and forestry sector

Forests cover nearly a third of German territory (11 million hectares). Their structure is very different to New Zealand, i.e. there are only a few forest plantations and very little conservation forest; instead most forests (private and public) are actively managed with selective logging over the years. At present, around 55% consists of coniferous species (softwood), mainly spruce (26%) and pine (23%), the remainder largely consisting of fir and larch. The other 45% are deciduous hardwoods, mainly the native species beech (16%) and oak (10%). Most of the harvest usually goes into in-country processing, e.g. for furniture and paper, and 90% of the wood used domestically is softwood. Germany has traditionally been a net importer of timber, but a net exporter of paper.

Storms and dry weather are taking their toll: softwood oversupply in the short term

Storms, dry weather, forest fires and the bark beetle have in recent years caused major damage to German forests. Forced by these conditions, annual harvesting increased by 20% in just one year to 65 million cubic metres in 2018 (New Zealand: 35 million), mainly spruce (60%), which is particularly vulnerable. In August this year, the Federal Ministry for Food and Agriculture (BMEL) estimated that nearly 180 million cubic metres of damaged wood would have to be removed. The Government is offering subsidies to support this. The peak of the current 'forest dieback' is estimated for 2021, but depending on the climate conditions going forward the situation could worsen before it gets better. And even the common native hardwood trees may not be able to always cope with the changing climate, therefore the forestry sector is also considering other species or trees with different traits.

Driven by this early harvest and domestic oversupply, softwood log exports have increased significantly in recent years, from 2 million cubic metres in 2014 to >7 million cubic metres last year. Initial statistics for the first months of this year suggest that shipments are continuing to increase. Before the current crisis emerged two years ago, Germany was hardly exporting any logs beyond Europe, but since then China has become the largest market,

absorbing nearly half of the export volume, at competitive prices. As a consequence, other softwood producing countries, including New Zealand, have been losing market share, both in the German market and in third countries. The pressure on German (and other central European) log producers to find a market for their forced oversupply of softwood will continue for some time.

Reforestation prioritising hardwood: future domestic softwood shortages offer opportunities mid-term

BMEL estimates that an area of 285,000 hectares will have to be reforested. Anticipating continued climate change and as a result more adverse weather events, the German forestry sector is looking at moving away from spruce and focus on more resilient species, mainly hardwood such as beech and oak. The Government is providing financial support for the conversion to more climate-adapted mixed forests. This transformation is already underway, with more hardwood trees planted in recent years. The next forest generation is expected to comprise something like an average three quarters of hardwood and just one quarter of softwood, ie. a 75-25 ratio compared with a status quo at 45-55. For economic and other reasons, forest owners are also looking at planting more resilient but non-native softwood species, but the overall direction (back) to more hardwood-dominated forests is clear.

As a consequence, the German softwood export boom will not last forever and according to experts could come to an end within the next five years. And going forward, given the ongoing transformation of German forests, in the mid- to longer term there could instead be a shortage of domestic softwood supply to meet the demand of the paper, building and furniture industries. Demand for softwood may even increase further, given that the Government is promoting a much greater use of wood in construction, where softwood is more suitable.

In addition to the reforestation of degraded forests, the EU's Green Deal and increased climate target recognises the role of forests in sequestering carbon. Planting an additional 3 billion trees across the EU has been cited as a potential goal, and there are discussions about potential funding mechanisms. The German forestry industry is lobbying for a new type of premium for forest owners who actively adapt their forest land to climate change, to ensure that German forests can continue to sequester carbon (currently estimated at >120 million tons of CO₂ per year).

This outlook suggests there could be growing opportunities again for other softwood producing countries, both in third markets and in Germany.

More reports

View full list of market reports from MFAT at <https://www.mfat.govt.nz/en/trade/mfat-market-reports>

If you would like to request a topic for reporting please email exports@mfat.net

To contact the Export Helpdesk

Email exports@mfat.net

Call 0800 824 605

Visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.

