

Spanish wood industry transformed by the downturn

The Spanish timber trade suffered dramatically from the economic crisis and especially from the contraction by 70-80% in the building sector. However the Spanish economy and the local wood industry are slowly beginning to recover. The industry has also changed dramatically since the crisis and is now exploiting new market segments. This is according to an interview with Alberto Romero, General Secretary of the Spanish importers' federation AEIM, for the European Timber Trade Federation (ETTF) newsletter.

Mr Romero said that thermal and chemical treatment of wood are now opening up new opportunities for timber use in a wider range of exterior applications in Spain. Timber's green credentials are also beginning to make timber the building material of choice in small-scale, rural construction projects, the number of which has increased as a consequence of the economic crisis. This is in market which has traditionally been dominated by concrete, stone and tiles. Wood is also increasingly being used in building bridges, road barriers or signage, according to Mr Romero.

Mr Romero also said that the central government in Spain had given little support to the timber industry. Regional and local authorities, on the other hand, had introduced public purchasing policies that favoured low environmental impact materials. AEIM was thus focussing its promotional activities on those bodies.

On EUTR implementation, Mr Romero conceded that Spain is lagging behind: the Competent Authority was shown the "yellow card" by the EU Commission this year, but has now developed an enforcement plan. AEIM has applied to become a EUTR Monitoring Organisation, especially to assist its small and medium-sized member companies in practising due diligence.

Mr Romero also said that it was frustrating that there is still no FLEGT-licensed timber on the market. However he emphasised the importance of the FLEGT VPA process as, in his view, it has already made a significant contribution to improving governance and transparency.

Russia's rollercoaster trading year

The Russian timber sector "has had to contend with challenging, fast-changing and unpredictable trading conditions" over the last year, reports Sviatoslav Bychkov of Illim Timber in the ETTF newsletter. The dramatic devaluation of the Russian rouble against the US dollar, a fall in crude oil prices as well as EU and US economic sanctions all caused turmoil in the market.

The weakness in the rouble was the main factor in foreign sales trends for Russian wood products in 2014. In the fourth quarter, in particular, when the rouble went through the

sharpest devaluation, exports sales jumped, with China and Europe showing especially strong growth rates. Latest UNECE statistics indicate that Russian sawn hardwood exports rose sharply in 2014, rising 22.8% to 911,000m³, the vast majority destined for Russia. Mr Bychkov reports Russian sawn softwood exports also increased by 5.4% last year to around 21.7 million m³, the main markets being China, Uzbekistan, Egypt and Tajikistan.

According to Mr Bychkov, Russia's major foreign trade partner China is now becoming more sensitive to legality and wood origin issues. This provides an additional incentive for Russia to comply with timber trade regulatory requirements. There is also a strong trend to towards forest certification in Russia, with certified forest area extending to 31.2 million hectares, the country has "the biggest area of FSC certified forest in Europe", according to Mr Bychkov. He added that Russian authorities now regularly use satellite-monitoring systems to track illegal logging and fight corruption.

But while the situation was considered to be under control in the western part of the country, Siberia and the Far East are still facing challenges. According to estimates up to 10% of Russian harvesting is still illegal, according to Mr Bychkov. However, the government recently introduced a new Unified State Automated Software System for monitoring logs and lumber sales to help improve enforcement.

German timber trade reports slow business in 2015

The German timber trade experienced subdued business in the first four months of 2015, reports the Global Timber Forum. Data provided by the German timber trade federation GD Holz indicates that turnover was 5.5% lower than in the same period of 2014. However, GD Holz points out that sales had been exceptionally strong in the first four months of 2014, with double-digit growth over 2013.

Sales of decking and other outdoor assortments of particular relevance to the tropical wood industry fell steeply by 13% in the first four months of this year. Again this was partly owing to the base effect of strong sales in 2014. Sales of lumber (-6%), planed timber (-4%), and wood flooring (-2%) also declined. The only sector experiencing positive growth was interior doors, rising 7% over 2014.

According to a survey conducted by GD Holz among its members, the German timber trade is cautiously optimistic about prospects in the coming months. Around half of the companies expect stable turnover at last year's level and 20% anticipate increases. GD Holz believes that the underlying conditions in Germany are still positive.

Norway and Switzerland move to regulate timber imports

Although not an EU member state, Norway has decided to implement the EU Timber Regulation (EUTR) with effect from 1 May 2015. According to a press release issued by

the Norwegian government, Norway has operated “on the same level as the EU countries regarding the timber regulation” since that date.

Norway has become a significant financier of REDD and other climate-related forest protection policies in tropical countries – but is not generally recognised as a significant player in the tropical wood industry. The country remains the only country in the world where the national government bans the use of all tropical timber in public sector buildings and construction works. As noted by Chatham House, the UK-based policy and research organisation, this policy is unlikely to be consistent with WTO procurement rules but has never been challenged, possibly because it has had limited impact.

Nevertheless, Norway’s direct imports of wood related products from tropical countries are not negligible, in the region of \$80 to \$90 million each year, dominated by wood furniture from Vietnam, Thailand and Malaysia, and charcoal from Indonesia.

Norway has already appointed two Competent Authorities for enforcement of the new timber regulation: the Agricultural Authority will be in charge of checking on timber and timber products of Norwegian origin and the Norwegian Environmental Agency is responsible for imported timber.

Plans by Switzerland to introduce an equivalent to the EUTR will also impact on the tropical wood trade. Although Switzerland imports only around 4.3% of timber and timber products from outside the EU, the country imported in excess of US\$100 million of products containing wood fibre direct from tropical countries in 2014. Much of this consisted of furniture and other added value products, notably from Thailand, Vietnam and Indonesia.

The Swiss Federal Council had hoped to have the new regulation in place this year or early in 2016. However, consultation is taking longer than expected and introduction of the EUTR may now be delayed until the second half of next year or even into 2017.

Rougier teams up with WWF against background of rising revenues

France-based African hardwood and plywood producer Rougier reports that revenues were €157.8 million in 2014, up 11% on the previous year. Revenues in the first quarter of 2015 were €39.0 million, up a further 16.6% compared to the same period in 2014.

Rougier note that the rate of growth in the first three months of this year is compared to weak trading conditions in the same period of 2014 and the strong quarterly growth cannot be extrapolated over the full year for 2015. In 2015, the company aims to continue to build on strong business performance of operations in the Congo Basin and also on ongoing commercial developments in France and internationally.

Rougier and WWF France recently announced formation of a three-year strategic collaboration focused on advancing sustainable forestry in Africa and responsible supply chains in Europe. According to a WWF press release, the cooperation “sends a strong signal that addressing environmental sustainability makes good business sense”.

As a part of the cooperation, WWF will support Rougier “in maintaining and strengthening its objectives to increase the volumes of credibly certified products (...) as well as in ensuring that the company is successful in implementing responsible due diligence measures required by the EU Timber Regulation”.

In return, Rougier agreed to implement a package of measures including “development and implementation of indicators for wildlife management and monitoring in Rougier’s concessions in Gabon, establishment of effective mechanisms for local development in Cameroon, supporting the well-functioning of the anti-poaching unit (USLAB) in Northern Congo and enabling a better functioning of the local development fund financed by Rougier and contributing directly to local development in Congo”.

Rougier is a large player in the European tropical timber markets with production facilities and concessions in several African countries including Cameroon, Gabon and Republic of Congo. Some of the concessions in Cameroon and Gabon are FSC certified.

Netherlands exceeds certified import target

The initiative by the Netherlands’ Timber Trade Association (VVDH) to make certified timber the norm on the Dutch market is running ahead of plan, according to a report by Probos. In 2014, 88% of imports by VVDH members were FSC or PEFC certified, well ahead of the 85% target. Certification covered 97% of softwood imports, 89% of panel products imports, and 56% of hardwood imports. VVDH members account for 60-70% of Dutch timber imports. They report twice a year on certified materials trade levels.

ETTF AGM supports widening of procurement policies

At the ETTF annual general meeting in Rome, the organisation agreed to back an initiative of the EU Sustainable Tropical Timber Coalition (STTC) to support development of procurement policies favouring certified over uncertified wood in Germany, France, Italy, Spain and Denmark. The proposed policies are similar to those already in place in the Netherlands and the UK.

The ETTF also recommended that the EUTR should be more uniformly enforced across Europe and that PEFC and FSC certification be made a “green lane” for compliance.

ETTF reported at the AGM on plans for joint project between STTC and ITTO to establish an online platform of tropical producer information. The platform will feature tropical supply country businesses and contact data, with harvesting and compliance

information to facilitate EUTR due diligence.

ETTF has commissioned Form International, a Dutch-based organisation, to implement the project jointly with ITTO. The website is expected to be launched in November 2015 and to be completed in 2016.

Wood for Growth promotes wood's low carbon credentials

The industry network Wood for Growth urges EU politicians to recognise the potential of timber as a driver of low emission growth, reports the ETTF newsletter. Politicians should realise the advantages of timber at the Paris UN COP 21 Climate Change Conference in November. At the same time, Wood for Growth also calls upon the wood industry to promote its low carbon credentials to policy makers and the market.

“We focused on supporting measure the EU Commission has put forward (...) in its Roadmap to Paris, a package of environmental strategies and recommendations to be tabled at the COP 21”, David Hopkins, Wood for Growth chairman, told the ETTF newsletter.

The Roadmap recognises the role forestry can play in tackling climate change. Wood for Growth aims to build on this by emphasising that “this benefit can only reach maximum potential with increased use of wood. Using wood in manufacture and construction locks in CO₂ absorbed by trees in the long-term”.

Another factor the wood industry should promote more, according to Mr Hopkins, is the woodworking industry's potential to support economic growth, while cutting emissions. “European woodworking has a growth goal, which would boost EU industrial output by 4% a year. This would add €2.35 billion to the economy and create 80.000 jobs, while cutting atmospheric CO₂ emission levels by 150 million tonnes”.

Denmark to carry out more DNA timber testing

The Danish government is evaluating DNA timber testing to facilitate enforcement of the EUTR, the ETTF newsletter reports. Until now, the Danish EUTR competent authority (CA) as well as importers have relied primarily on supplier documentation. According to the Danish government, DNA testing will provide much greater clarity on wood species and origin in the future. This is particularly difficult at the moment where composite products are concerned.

The Danish Environment Ministry and the CA have already carried out initial DNA trials on samples provided by the industry, according to the ETTF newsletter. Industry representatives in Denmark have welcomed the initiative as it would “communicate to suppliers that it is crucial their due diligence is on par”. Long-term funding for the initiative has still to be secured, but the Danish government is financing the initial phase.

IHC focuses on global market trends and new market opportunities

Global market trends as well as the availability and mobilisation of hardwood resources will dominate the morning session of the International Hardwood Conference (IHC) in Copenhagen on 17 September. Analyst Rupert Oliver, Lead Consultant to the EU-funded FLEGT Independent Market Monitoring mechanism hosted by ITTO, will give an overview of the global hardwood trade. Regional market trends in Europe, Asia/China, USA/Canada and Africa will be presented by Jean-Francois Guilbert (French Timber) and Andreas von Möller (European Timber Trade Federation, ETTF), Sheam Satkuru-Granzella (Malaysian Timber Council), Mike Snow (American Hardwood Export Council, AHEC) and Ad Wesselink (Wijma).

The afternoon session will be dedicated to new market opportunities and wood promotion. The architect Peter Wilson will speak about innovative use of hardwood in building and design. AHEC European director David Venables will explain how to create new market opportunities for hardwood and Knud Erik Hansen of Carl Hansen & Son will present Danish furniture design. The afternoon session also feature talks about the EU Timber Regulation, sustainability and the availability of European hardwoods.