

European tropical timber markets have been volatile in first half of 2015

European importers are reporting satisfactory overall demand for tropical timber in the first six months of this year: the majority of sources said business was stable or slightly better than last year. However, they also noted that the market had shown sharp fluctuations in the last few months, with periods of strong demand frequently being followed by several rather subdued weeks.

This is mostly believed to be due to uncertainty caused by the economic crisis in Greece and the related weakness in the euro. Smaller importing companies and downstream converters have apparently scaled back their purchases against this background, as they wanted to avoid the risk of building uncompetitive stock. As a result, large, well-stocked importers in several instances noted an increasing number of last-minute inquiries and orders – and growth in their business and market share.

In addition to exchange rates trends, freight rate fluctuations as well as the UK elections in May were also quoted as reasons for the patchy demand for tropical hardwood in the first half of this year.

Key European market stable or growing

Sales of tropical hardwood in the UK market have maintained a good level overall. However UK demand is not quite as strong as last year when many companies reported double-digit percentage increases in sales. Signs of recovery in the French market have firmed during the summer months and several companies are now reporting significant improvements compared to last year. The Netherlands market also continues to show signs of a turnaround after the lengthy crisis, although market insiders are still uncertain as to whether this is a lasting trend. The Scandinavia and German markets are generally described as stable at a satisfactory level.

African tropical timber has shown a better trend than Asian timber

Among the different producer regions, African timber has shown the strongest trend in Europe in the last few months, according to importers. European demand for sawn sapele, iroko and sipo, for example, has remained at a good overall level and improved in some markets. The market for wawa was stable until recently. However importers are now voicing concerns that price hikes instituted by Ghanaian suppliers in the last few weeks could dampen demand. Prices in Ghana were raised against the background of the strong US dollar, to which the Ghanaian cedi is tied. This has made the old, euro-based sales prices increasingly unattractive for Ghanaian sawmills.

Prices for most of the other key African species for European markets have been stable in recent weeks, after several rounds of price hikes were pushed through last year. At the same time, European importers note that sawn timber prices for species sold primarily to the USA, such as khaya or makoré, have climbed again in the last two months, on the back of continuing strong US demand and the strong US dollar, making them almost unaffordable for European buyers.

According to European importers, the supply situation in Africa is described as largely in balance with demand, in contrast to last year when there were shortfalls in supply for certain species and grades. The recent slow-down in Chinese demand has meant some improved availability of tropical timber for European buyers. However to some extent this benefit is offset as many European importers have now narrowed their base of suppliers in response to EUTR. And even in a slow-down, China still consumes a large quantity of tropical timber.

German importers report that demand for bangkirai decking, sawn meranti and laminated meranti scantlings from Malaysia and Indonesia is slightly more subdued in 2015 than last year. This is blamed mainly on the weak euro/US dollar exchange rate. In response buyers are reported to have switched to European domestic species, notably softwoods such as larch and douglas fir or (in the case of window scantlings) pine and fir. In addition Wood Plastic Composites (WPC) continue to gain market share in the decking sector, while plastic is making ground in the window sector.

However, German importers note that sales of bangkirai decking were particularly strong in the first half of 2014. Although sales are down a bit this year, they are still significantly higher than in 2013. The market also slowed significantly in the second half of 2014 and no such trend is expected this year.

The situation for sawn meranti remains more difficult than for bangkirai, according to importers. Both wood species lost significant market share in 2012 and 2013, due to sharp price increases in early 2012 and long delays in delivery of meranti scantlings and sawn meranti. However, in contrast to bangkirai which regained some market share last year when prices were lower, demand for meranti has yet to recover any ground in the European market.

European demand for sawn tropical timber from South and Central America has been more buoyant in 2015 than last year. Total EU imports from the region were 47,000 m³ in the first quarter of 2015, 35% greater than the same period in 2014. Although Brazil still accounts for around 70% of sawn hardwood imported into the EU from South and Central

America, there was a sharp increase in imports from Surinam and Guyana in the first quarter of 2015.

Changes to EUTR Guidance Document

According to importers, one factor which continues to create uncertainty in the European market for tropical wood is lack of clarity on the steps required to mitigate risk of illegality in line with the EU Timber Regulation (EUTR). Some market players seem unsure whether any documentation from countries with a low score on the Transparency International Corruption Perceptions Index can be accepted as evidence of negligible risk under the EUTR.

This is particularly the case in Germany where, in 2013, the German EUTR Competent Authority seized a shipment of wenge roundwood after concerns were raised over the authenticity of legal documents issued by the government of the Democratic Republic of the Congo.

In an effort to clarify the situation, the European Commission recently updated the EUTR Guidance Document – although it has yet to publicise this on their website. The new guidance emphasises that operators placing timber on the EU market must do more than merely collect legal documents. They also have an obligation to explain why and how each document serves to mitigate risk of illegality.

The key change is to Chapter 4 of the Guidance Document (Clarification of the requirement for documents indicating compliance of timber with applicable legislation) which states: “It is important to remember that information included in the collected documents must be verifiable. If the information cannot be verified, the value of the document becomes questionable and the use of the document for risk evaluation and risk mitigation is most likely insufficient”.

The new Guidance goes on: “In addition it is also necessary to take into account the risk of corruption, where possible, specifically in relation to the forestry sector. In cases where the risk of corruption is not negligible even official documents issued from authorities cannot be valued as reliable in themselves.The higher the risk of corruption in a specific case is, the more it is necessary to get additional evidence to mitigate the risk of illegal timber entering the EU market. Examples of such additional evidence may include third party verified schemes, independent/self-conducted audits or timber tracking technologies (e.g. with genetic markers or stable isotopes)”.