

Mixed prospects for tropical wood in the European surfaces sector

The European surface materials market is important to the tropical hardwood sector for two reasons. First, because significant volumes of tropical hardwood sliced veneer continue to be used by European door, flooring and furniture manufacturers. Second, because European furniture designers and manufacturers are influential in setting fashions for interiors worldwide, impacting on the choice of all materials, both wood and non-wood.

The fortunes of real wood veneer products in Europe have undergone major changes in the last two decades. From the early 1990s onwards, Western European wood products manufacturers have faced mounting competition, first from Eastern Europe and then from East Asia. This encouraged a major shift from solid lumber in favour of reconstituted wood panels covered with a decorative veneer as a cost saving measure.

At the same time, another much more negative trend for real wood veneers has emerged and progressively deepened. Real wood veneers have progressively lost market share to non-wood alternatives with the development of a range of new technologies.

A wide range of surface finishing technologies are now available developed with the intent of replicating the look, feel and performance of real wood veneers including impregnated décor paper, vinyl foils (PVC), and direct printing. At the same time, the utility and range of applications for these technologies has greatly expanded as a result of substantial improvement in the dimensional accuracy and surface properties of wood-based panels and the development of High Performance Coatings (HPCs) which greatly enhance levels of durability, wear, and mechanical and thermal resistance.

European manufacturing capacity for many of these alternative products is now substantial and, in some cases, has significantly overshot the level of demand. For example, supply of laminate flooring increased from near zero in 1995, to 275 million m² in 2001 and hit 507 million m² in 2007.

These various pressures have meant that the European market for surface materials is intensely competitive. There is considerable pressure on all manufacturers to cut costs while at the same time to maintain high and consistent quality and reliability of service. All suppliers increasingly have to market with new and innovative products, backed with appropriate technical information and design recommendations, if they are to maintain market share.

This in turn implies very high barriers to market entry requiring considerable capital investment, product and market knowledge. The essential need to be close to the consumer means that a very high proportion of value added associated with veneer sector is carried out in Europe itself rather than in supplying countries.

Analysis of trade and production data suggests fairly static consumption of real wood veneers in the EU over the 2001-2008 period at a level of around 2 million m³ per year. Given that this was a period of significant growth in EU manufacturing of wood based panels, furniture, building materials, and non-wood surface materials, it seems safe to assume a significant loss of market share for real wood veneer against non-wood surfaces over the last decade.

While some tropical countries have increased exports of sliced veneer to the EU-25 over the last decade, this is more a result of policy measures to restrict log exports from those countries than an indication of any strong increase in the relative competitiveness of tropical sliced veneers.

The rapid progress and expansion of non-wood substitutes in high-volume low-end sectors of the European market for surface materials, suggests negligible opportunities for expansion of markets for standard tropical hardwood veneers in these sectors. There may once have been some potential to expand lower-end markets for veneers in the southern European door sector, but the recent economic downturn in Spain, Portugal and Italy and the mounting competitive pressure from non-wood substitutes, suggests this is no longer a viable option.

Fashion trends have also been working against tropical hardwoods. While a few highly variegated tropical species (such as rosewood) and brown/black species (such as teak and wenge) are still quite popular in the European surfaces market, red tropical hardwoods are very much out of fashion. Current demand is concentrated on species with pronounced grain, texture and natural variation. This combined with a requirement for large volumes and consistency has increasingly focused attention on a limited range of temperate species, particularly oak.

Ready availability, versatility, and familiarity have meant that designers have continued to favour oak even as fashions have shifted over the last decade from lighter to darker colours – a trend which would otherwise be expected to favour many tropical species. In fact, there were strong indications at European trade shows in 2009, which have continued into 2010, that oak flooring is increasingly replacing for tropical species even for products in the darkest shades.

Another parallel trend, which also aims to greatly expand the versatility of readily available species, is the development of re-constituted veneer products by the traditional veneer suppliers. This represents an attempt by wood veneer manufacturers to combine the natural benefits of wood veneer with variety and flexibility of laminates. Using raw materials originating from plantations and other abundant forest resources, backed in most cases by some form of certification, procedures have been developed to reconstruct high-quality woods through a precise industrial process.

Maintaining and increasing access of real wood veneers to relatively high-volume markets in Europe is likely to be heavily dependent on the success of innovative new products like Danzer's "Vinterio" and Alpi's "Alpilignum". The latter, which includes ayous in the mix of wood species used as a substrate, suggests that there could be a role for some higher volume tropical hardwoods in these innovative products. However, this will require further technical development work in association with large veneer companies and will also be dependent on reliable environmental certification.

However the best opportunities for tropical hardwood are likely to lie at the high-value low-volume end of the market where the custom designer may select a flitch of veneers with which to produce a work of art or to satisfy the design brief of a particular client. In this part of the market, a significant premium may be placed on the range of species to choose from, natural characteristics, and the 'narrative' and environmental qualities associated with each species. The sheer range and variety of tropical hardwoods compared to temperate hardwoods suggests opportunities to expand market share in this part of the market

Even at the upper end of the market, there is no doubt that competitive pressure from non-wood substitutes will continue to intensify for real wood veneers as technical developments are improving the look and feel of these substitutes. But at the high end of the market, the tropical hardwood veneer industry can build on the fact that the desire for the look of wood is strong and there are indications that consumers and designers are still seeking the naturalness, sustainability, warmth, and performance of real wood.

Domotex flooring show

Domotex 2010, Europe's leading floor covering show, was held 16 to 19 January in Hanover, Germany. Overall, the show highlighted that the European wood flooring sector is now intensely competitive, facing much reduced consumption and excess capacity at the low and medium end of the market, but with some optimism at the higher specialist level end of the market.

Over the four days of the show, some 40,000 professionals turned out to view products offered by 1,395 companies from over 70 different nations. Overall exhibitor numbers held steady compared to 2009, although this hides a significant 30% rise in the sections of the show devoted to parquet and laminated flooring. This implies that the areas dedicated to non-wood floor coverings were well down.

Another positive signal was a 12% increase in overall visitor attendance compared to 2009, with numbers up from all continents. Around 22,600 visitors were from abroad, over 60% from other European countries. As usual most visitors were retail and wholesale specialists, although visitors from the skilled joinery and finishing trades were also on the rise.

Domotex 2010 took place against the background of a significant dip in production and sales of wood flooring in Europe. Members of the European Parquet Federation (FEP) recorded a drop in wood-based flooring sales of 7% in 2008 and 15% in 2009.

FEP is now expressing confidence that the market may already have bottomed out. Quoted in the TTJ, FEP note: "increasingly positive economic indicators of late fuel the hope that the tide is gradually turning and that a market stabilisation process will gain momentum in the course of the current year...growing consumer and industry confidence [give] grounds for cautious optimism".

Visitors to Domotex 2010, together with recent trade reports, suggest that existing problems in the European flooring sector are concentrated at the low end of the market. Laminates have been particularly exposed to the slide in new house building in Europe. Solid and engineered products, on the other hand have been buoyed to some extent by their greater strength in contract markets, which have held up better than residential in the downturn. Continuing public sector spending has also helped the education and sports markets, where solid and engineered flooring do well.

Engineered and solid wood flooring manufacturers were strongly emphasising the "sustainability", "naturalness" and "authenticity" of their products at Domotex 2010 in an effort to differentiate themselves from the laminate flooring sector.

Domotex 2010 highlighted that European oak has consolidated its dominant market position in the flooring sector through application of an increasingly wide array of stain and other surface treatments. The distressed or antique look was very evident in many product ranges. Colours ranged from dark black, produced by smoking or heating the oak, through to a variegated white look, created by lime-washing oak and then brushing to bring out the grain. There were also signs of increased use of paint, again mainly on oak, brushed and distressed to give an antique look.

There was a strong preference for wide boards, although a few exhibitors were displaying products in narrow boards, emphasising the range of design possibilities and environmental benefits of using small dimension lumber.

Aside from the oak, there was a little walnut and ash on display, but light and less grainy species like maple, beech and rubberwood were not very visible. Very little tropical hardwood was on display – only the occasional line of mainly brown/black species such as teak, wenge and iroko. In explaining the general lack of tropical wood, manufacturers cited the fashion away from red-coloured species together concerns about availability and environmental issues.

A few companies were presenting products as green alternatives to tropical hardwoods. For example, Singapore-based Enito was marketing palm wood floors as "a new and innovative alternative to tropical hardwood timber that is being rapidly depleted due to deforestation and illegal logging".

Plywood

European demand for tropical hardwood plywood remains weak. Poor winter weather continues to combine with economic uncertainty to dampen consumption. Interest in the forward market remains subdued despite rising CIF prices. Prices for Malaysian 18mm 4X8 ft BB/CC plywood in the European market have risen from levels of around INDO96 +5% at the end of last year to around INDO96 + 10% today.

Prices for equivalent specifications of Indonesian plywood now stand at over INDO96 +20% and are considerably higher for larger boards. There are reports that buyers in the Benelux countries and Germany, which in the past tended to favour Indonesian plywood despite higher prices for quality reasons, are now looking for alternatives.

Rising increases in CIF prices partly reflect reasonable demand for plywood products in China and the United States. The weakness of the GBP, which fell to a 9 month low against the US\$ at the end of February on the back of weak economic data, is another factor for UK importers.

There have also been significant increases in freight rates. For example, prices for a 40 foot container from China to the Netherlands increased from around \$2800 at the end of last year to current levels of around US\$4000. Increasing freight rates reflect shortages in container space now that shipping lines have dramatically reduced sailings between Europe and Asia in the face of generally low levels of trade.

Spain

Spanish hardwood demand is currently very weak and importers are expecting another very slow year in 2010. The once booming construction sector is now very quiet and is expected to remain so with a large glut of unsold houses on the market. House prices have continued to fall this year despite a large downward correction in 2009. Spain's large door industry, a significant user of tropical hardwood lumber and veneer in the past, has been very hard hit. Furniture production is also down by nearly 25%. However, there is some hope of an upturn in renovation and remodelling activity stimulated by government incentives in the form of reduced VAT. Spanish importers have greatly reduced stock levels and are now keeping them low.