TTJ celebrates strong prospects for tropical hardwood

The UK-based TTJ published its annual Tropical Timber supplement in the last week of April, containing a series of articles and expert commentaries on prospects in the UK and wider European market. Major European concerns in relation to tropical timber include: the potential impact of the EU Illegal Timber Law (ITL) – to be fully implemented from 3 March 2012; the impact of rising demand in emerging markets to reduce availability of supply to Europe; the rate of uptake of certification in tropical supply countries; and the extent to which modified softwoods and temperate hardwoods may substitute for tropical hardwoods in the future. While there is clearly uncertainty about future prospects to tropical wood in the European market, there are also encouraging signals that many buyers remain committed to sourcing and marketing genuine tropical hardwoods.

Representatives of Danzer and UCM noted their optimism for the future of tropical timber in the European market, highlighting their wide range, versatility and durability which continue to give a competitive edge. The report demonstrates that there is willingness amongst European traders to back this confident talk with serious financial investment in tropical timber.

Representatives of France-based Rougier reported on their programme to invest €10-12 million per year in the Central African sawmilling sector and a further €1 million for forest certification and legality verification.

Similarly UK-based importer Latham's explained their recent decision to invest around £4.2 million in the purchase the UK arm of the Denmark-based DLH hardwood trading company. Prior to the purchase, Latham's were DLH UK's biggest customer, accounting for £4.5 million of its £15 million turnover and purchasing around 6000 m3 of timber a year, mainly sapele, iroko, idigbo, and bangkirai. Latham's decision to buy DLH UK was due to the latter's strong presence in the African sawn hardwood business and their record in supply of certified legal and sustainable timber. Latham's are keen to develop both these areas of business into the future.

Certification central to marketing tropical hardwood in Europe

The role of independent certification as an increasingly essential requirement for marketing of tropical hardwood in the European market was a central theme of comment in the TTJ supplement. Requirements for certification in the tropical hardwood sector are currently being driven by CSR policies of larger retailers and manufacturers and are expected to receive a major boost with introduction of the ITL. The Technical Director of Jeld Wen, the UK's largest joinery manufacturing company comments: "Large housebuilders, retail, public sector, and merchant customers all demand chain of custody certification for most products, regardless of whether they're tropical or temperate forest-sourced".

Several commentators quoted in the TTJ emphasised the power of forest certification to overcome existing prejudices against tropical hardwood in the European market. Representatives of several large and high profile wood consuming companies all made the case for continued use of certified tropical hardwoods as a way of adding value to sustainably managed tropical forests, incentivising good practice and reducing pressure to convert forests.

A representative of Kahrs Flooring said that it has now amended its “No Tropical Policy” - introduced 20 months ago in response to “issues with counterfeit environmental certification in Brazil” – so that it will now “support tropical species again in controlled quantities, provided they’re FSC certified”.

In a similar vein, B&Q’s Sustainability Manager explained that the company’s continuing commitment to using tropical material is shaped by “a genuine sense of corporate social responsibility; the view that environmentally-sound exploitation is part of the solution to tropical deforestation…if companies like ours pull out, there’s the risk that forest land will be turned over to agriculture, cattle or palm oil plantations.”

IKEA’s Global Forestry Manager explains that while IKEA currently does not purchase any tropical timber, this is not because of any objection on environmental grounds – it’s due to the fact that tropical timber does not fit into the look and feel of IKEA’s products. He emphasises “where it is sustainably managed and certified by the FSC…we have no issue with tropical timber”.

Certification not an easy option

While it is increasingly obvious that certification is a large part of the answer to tropical wood’s image problem in the European market, the TTJ supplement also highlights that this is not an easy option. While an investment in certification may run into millions of dollars, many commentators note the continuing lack of willingness to pay on the part of final consumers. Certification is required simply to protect existing market share for tropical hardwood and can’t be expected, in isolation, to generate a big increase in market demand. In these circumstances, it seems likely that the largest operators in the tropical timber sector will be the major beneficiaries from the shift to certification.

This concern is mitigated to some extent by the example of B&Q’s plywood procurement activities in Brazil. B&Q now sources all its tropical plywood from the Brazilian state of Acre where WWF has been working with local communities to certify their forests via the Coopfloresta co-operative. According to the TTJ, “the result was the locals quadrupling their forest income by supplying exclusively FSC timber to plywood producer Laminados Triunfo. The latter subsequently became B&Q’s plywood supplier and last year, in turn, doubled both output and workforce at its Acre mill”.

Nevertheless, while there a few positive examples of progress towards certification in the tropics, many commentators in the TTJ supplement were seriously concerned that the pace of uptake is likely to fall behind the level of demand in the future. There is a widespread expectation in Europe that demand for certified tropical wood will pick up strongly over the next two years as the EU moves towards full implementation of the ITL. This is raising concerns that the ITL may have negative consequences in a world where the balance of wood consumption is shifting inexorably away from western to emerging markets.

The MD of UK-based importer Ecochoice explains: “we’re going to have a situation where certified timber is in short availability for countries that want it, and non-certified is in big demand elsewhere, in less regulated markets like China.” Faced with the decision either to invest heavily in certification to supply a small niche market in Europe for uncertain financial return, or simply to export uncertified product to emerging markets, the majority of exporters may well choose the latter path.

Commentators in the TTJ supplement gave some consideration to measures that might help overcome these obstacles. Representatives of European manufacturers and retailers note their continuing willingness to pay premium prices for certified tropical wood even when their own customers are unwilling to pay extra. Others note the importance of leaving the door open to a range of certification systems, not just demanding FSC as a default position, to help keep options open and costs down.

Concern to increase demand for lesser know species

The TTJ supplement highlights that there is also a continuing concern in some quarters to increase the range of tropical timbers used in the European market so as to boost availability and the income that may be derived from certification of tropical forests. The MD of Ecochoice notes that they recently conducted a study with TRADA for the UK Environment Agency looking at the appropriateness of different tropical species for sea defence works. It’s noted “we had some very positive findings with angelim vermelho, cupiuba, eveuss, okan and tali…the challenge is now fostering demand for these tested, yet relatively new species. It seems to be all in the name. Even though we demonstrated that these species do a great job, customers still want ekki or greenheart. We need to educate clients to think performance, not species.”

Market impact of modified wood products

There were mixed views expressed in the TTJ supplement on the question of whether “modified” softwoods and temperate hardwoods are having a significant impact on European markets for tropical timbers. A representative of UK-based importer UCM suggests the impact is “small” and that it remains unclear how long-lasting it will be. It’s noted that “tropical timbers are known for durability, appearance and strength and some modified timbers don’t replicate all those properties”. In contrast representatives of Lathams and Ecochoice are very upbeat about prospects for modified woods, suggesting that existing technical limitations are being gradually overcome through further research and testing. However, in both cases, the suggestion is that modified wood products are more likely to “supplement” than replace tropical hardwoods.

Moreover, an article by Sheam Satkuru-Granzella, European Director of the Malaysian Timber Council, highlights how innovations like wood modification are not a one-way street and may be equally exploited by tropical wood producing countries. Satkuru-Granzella lists thermal treatment of wood products as one of many processes contributing to improved efficiency in the use of tropical wood resources. Malaysian producers are experimenting with this technology alongside other innovative processes to add value to timber products such as production of laminated scantlings for the joinery sector and products engineered from wood biomass.