Garden furniture

At this time of year, European garden furniture merchants and retailers are typically busy preparing for the spring season. But reports from European agents and distributors suggest demand is likely to be very slow this year. In public, designers and manufacturers continue to talk-up the market opportunities in the recession from the trend to “improve not move” and consumers’ desire to protect themselves from the harsh realities of life through home improvement. But in private, there is more talk of the very real difficulties of parting consumers from their money, particularly for “non-essential” items like garden furniture.

Perhaps even more worrying, there seems to be an accelerating trend away from tropical hardwood in garden furniture lines. In these difficult times, retailers are unwilling to commit ahead and are looking more and more for products that can be purchased in large volumes at short notice and at reasonably stable prices. They are also looking for products that can be readily adapted to abrupt and unexpected changes in consumer taste and behaviour. Tropical wood with its relatively long lead times, difficult and uncertain supply base, and perceived environmental problems, is featuring less in retailers’ calculations.

This move away from tropical wood is also linked to fashion and changing consumer tastes. For example there is a trend towards combining furniture for indoor and outdoor use. This is encouraging greater interest in well finished modular, foldable, and lightweight furniture in alternative materials, using only small volumes of tropical hardwood (usually teak) to soften lines. Other materials suppliers, in league with European furniture manufacturers and designers, are actively promoting this shift in fashion.

A range of alternative materials are benefiting from this trend. Alongside other traditional materials such as glass, aluminium, cast iron, and wicker (both natural & man made), there is also resin, fibre glass, bamboo, acrylic-coated MDF, water hyacinth, and various forms of plastic. The latter includes new Chinese recycled plastic composites with a photograph film coating of various tropical hardwood species presented as an eco-friendly product. Innovative paint products paint products which offer flexibility in colour and finishes is also encouraging wider use of lower durability wood species as alternatives to tropical wood in garden furniture.

Despite the expanding range of thermally-treated pine products now available from northern Europe, for now these seem to be less of a threat to tropical hardwood in the garden furniture sector. Concerns still exist amongst manufacturers about the longer term stability of these products – which can be brittle and have a tendency to split – and they are not yet a common feature of garden furniture lines seen in Europe.

When talking about “tropical hardwoods” in relation to garden furniture, we are referring overwhelmingly to teak. Teak offers by far the best combination of technical characteristics, including: proven long-term weather resistance; high strength; good machinability, screwing and gluing properties; and consistent colour which is resistant to stain. There is of course considerable difference between plantation grown teak and natural forest teak, the latter offering significantly higher quality and yield, so the two are usually considered as entirely separate and distinct commodities within the industry.

A few other tropical hardwood species have been used in the past by the large South East Asian garden furniture suppliers to Europe, notably balau/bangkirai and kapur. However balau is now virtually logged out and remaining supply is expensive. Kapur has a very poor reputation in the industry. When attempts were made to extend kapur’s use in the sector several years ago, products suffered from severe leaching problems which led to massive claims on the suppliers.

The current pressure on tropical hardwood in the European garden furniture market is particularly intense for mid-priced products manufactured from plantation teak. Very high end products manufactured from natural forest teak still retain a certain aura of quality which is hard to substitute for. Meanwhile, teak has already been largely squeezed out at the low end of the market which is now dominated by cheap FSC-certified treated softwoods and alternative fast-growing plantation hardwoods, notably eucalyptus.

Despite current low levels of demand, lack of supply and pricing remain obstacles to the maintenance of tropical hardwood's share of the European garden furniture market. Both the absolute level of price and price volatility of tropical hardwoods is a problem. Although the recession did lead to a fall in teak prices, particularly for plantation stock, the perception in the garden furniture trade is that supplies remain short and that the long-term supply trend is not positive. While European retailers are still pushing for lower prices for garden furniture, indications from the tropical wood sector are that prices now need to rise.

The supply situation in this sector is strongly influenced by corporate social responsibility policies of large European retailers. The major retailers in the UK, Germany, Holland, Scandinavia and other EU countries will not deal in any non-certified wooden garden furniture. The general preferred demand in the tropical hardwood garden sector is for FSC certification, although some will accept as an interim measure wood verified through various phased certification programmes such as those operated by The Forest Trust (TFT) or Smartwood.

Myanmar teak is also off-limits to European buyers due to poor market perception of Myanmar's record on human rights and trade sanctions imposed on Myanmar by the European government.

The development of FSC-certified teak plantations in recent years has offered only a partial solution to long-term supply problems. Wood quality offered by these plantations is variable, but generally much lower than natural forest products. Plantation teak tends to be cut very young, after about 17 years growth, whereas traditional forest teak is cut after 40 to 60 years growth giving much larger dimension and higher quality timber.

There are also significant factors constraining efforts to develop plantations. Other commercial cash crops such as sugar cane, cassava, palm oil and rubberwood often seem a better option for land owners and communities in tropical countries, providing a quicker return and with no certification issues to contend with.

The long-term future for tropical hardwood in the European garden furniture sector seems bleak without much more concerted efforts to market the merits of tropical hardwood products compared to the alternatives and to improve consistency of supply of certified raw material.

Garden decking

Reports from the European wood decking sector suggest that tropical hardwood continues to be chosen for very high end projects to make an impact, although there are now a wider range of products looking for market share.

Heat treated softwood products are beginning to make inroads into the European decking market. Products include Thermowood, produced by the Scandinavian companies Finnforest and Stora Enso, and Plato Wood from the Netherlands. According to a report in the German trade journal EUWID, current European production capacity of thermally treated wood is now at least 160,000 m3, with known capacity of 80,000 m3 in Scandinavia, 40,000 m3 in German-speaking countries of central Europe, 30,000 m3 in the Netherlands, and 8,000 m3 in the Baltics.

Wood Plastic Composites (WPC) are also having an impact. This fact was highlighted in a recent report from the German trade journal EUWID. Drawing on research by Asta Eder of Kompeteenzzentrum Holz GmbH, EUWID suggest that the annual growth rate of WPC production in European countries is currently around 50%.

Total Europe-wide production of WPC amounts to 120,000 tonnes (excluding product destined for the auto industry) and is heavily concentrated in Germany, Austria, France and the Benelux countries. Around 68,000 tonnes of this production is currently destined for the decking sector. WPC market share in the European decking sector is estimated to be around 6%.

Prices for WPC decking to European end-users are very variable, ranging from around €40/m2 to €107/m2, but still tend to be slightly higher than prices for bangkirai. Anecdotal reports from traders in Europe indicate that steep price rises and supply problems for key tropical decking species in 2007 and 2008, particularly bangkirai, has been a factor encouraging greater substitution by WPCs in the EU.

A recent report on the UK decking market in the TTJ suggests that “a key specification requirement for any non-residential sector application is the maintenance cost involved with a new deck application. Composite is made from recycled materials and is one of several products providing a solution. Requiring little or maintenance, the boards’ durability makes them a good choice for commercial installations where whole life costs and the maintenance requirements present key concerns. Importantly, the boards widely carry a low slip rating and can be installed by way of secret clip and fixing to provide a flush, fix free surface.”

Nevertheless, WPC materials have certain disadvantages relative to tropical hardwoods. WPC decking looks artificial, colours are quite dull and uniform, and there is only a passing resemblance to real wood even with wood grain effect. While being highly resistant to rot, WPCs can still soak up water due to their mixing with organic wood fibers. Efforts to avoid this have involved loading up wood fibres with oils or other products that repel water, which adds to the cost and environmental load. The polymers and adhesives added to these products make wood-plastic composite materials relatively difficult to dispose of, although they can be recycled again as a new wood-plastic composite. The products are not as rigid as wood and may slightly deform in extremely hot weather. The material is also sensitive to staining from a variety of agents due to its porosity. The extra energy costs of production compared to wood raises questions about their real environmental credentials.

With respect to current levels of market demand for wood decking, the TTJ report suggests that weak house sales are dampening demand in the UK residential sector, a part of the market where treated softwood now dominates in any case. The commercial sector, where tropical hardwood plays a more prominent role, is showing signs of continued growth, for example in retail, educational, leisure, and hospitality projects. Here wood decking is increasingly valued for providing a relatively quick and versatile way of transforming any space. TTJ note that “while some big players are no longer investing in developing the decking market, others still see merit in doing so”.

With respect to continental European demand, EUWID reports that “many German and other European importers are still cautious when it comes to placing follow-up orders, in spite of the tightening supply, especially where bangkirai decking is concerned. Insiders estimate that significantly smaller volumes have been ordered for the upcoming garden wood season than in previous years. This is being attributed to the general uncertainty about the future development of demand this year as well as the related lack of advance orders from the trading sector.”

EU Due diligence legislation

The European Council of Ministers reached agreement on a text of the proposed “due diligence” legislation targeting illegal logging in late December 2009. The text, which did not receive the unanimous support of all European Member States, now needs to be agreed with the European Parliament before it can become law.

This legislation was originally proposed by the European Commission in October 2008. The legislation would not to monitor the legality of each individual import. Instead it would require European operators that “first place” timber on the EU market (importers and producers) to operate a management system designed to minimise the risk of their trading in illegal timber.

The legislation would apply to all timber products (everything from logs through to finished furniture) from all sources. The legislation would define illegality in relation to laws of country where timber was harvested.

The legislation is currently being considered for adoption under the European Union joint-decision procedures that require consensus agreement between the European Parliament and European Council of Ministers.

A key aim of the legislation would be to boost European market demand for wood legally-licensed under the terms of Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPA) between the EU and a range of tropical countries. So far the EU has completed VPA negotiations with Ghana, the Congo Republic and Cameroon. Formal VPA negotiations are on-going with Malaysia, Indonesia and Liberia. Preliminary dialogue towards a VPA is underway with CAR, Gabon and Vietnam.

As noted in a previous ITTO report, the European Parliament published their initial reaction to the proposed legislation in April 2009. The Parliament called not only for the legislation to be adopted, but also significantly strengthened. For example, Parliament included proposals for tough sanctions at EU level, for much more detailed guidance on the supplier risk assessment procedures to be applied, and for compulsory certification of all wood products traded in the EU within 2 years. They also called for a specific prohibition in the legislation to enable prosecution of any European operator found by the authorities to be in possession of wood sourced contrary to the laws of any country.

In December, the European Council, while strongly supporting the case for legislation, essentially rejected the more radical proposals of the European Parliament. The Council text includes no prohibition on the first placing of illegal wood on the EU market. Also national governments would retain the right to define sanctions. Certification would not become compulsory and is recommended only as one possible due diligence mechanism to be used where the risk of illegal logging is high.

However the decision of the European Council was not unanimous across all European countries. Shortly after the Council decision was announced, the UK, Denmark, Belgium, Netherlands and Spain jointly issued a statement regretting "that the Council Political Agreement is not more ambitious" and calling for the EU to introduce a prohibition on the first placing of illegal timber on the European Union market. They argue that "this would complement the due diligence approach and enable Member States to take action against operators that place illegal timber on the market".

The next stage is for the European Parliament and European Council to try to reach a consensus agreement which brings together their two contrasting versions for the legislation. This is going to be difficult given that the Council has largely ignored the Parliament's April 2009 proposals to make the legislation more restrictive. Nevertheless, the Spanish government, which currently holds the 6-month rotating European Presidency, has indicated their intent of reaching a final decision before their term of office is up at end June 2010.

UK construction outlook remains bleak

The UK construction industry continued to decline in the final quarter of 2009, despite a return to growth for the wider economy, according to the latest Construction Products Association construction trade survey. With the rising cost of materials and increasing fuel and energy prices, coupled with decreasing orders and enquiries, the construction industry outlook may deteriorate still further as 2010 progresses. Signs of recovery are not expected for at least another twelve months. There are signs of increasing pressure on an industry that has already been in decline for two years. The Chancellor’s confirmation in December 2009 that public spending on construction will fall by more than 50% has added to concern that recovery may be delayed beyond 2011.