Tropical hardwood market in France

Traditionally France has played a central role in the international tropical hardwood trade. Over recent year's this influence has diminished as a greater proportion of tropical hardwood is diverted away from Europe and into emerging markets, as tropical hardwood has lost competitiveness in Europe, and as tropical producing countries have restricted log exports and increased domestic production. Nevertheless France remains the leading European importer of tropical wood, accounting for around 900,000 m3 (roundwood equivalent volume) of the 4.5 million m3 of tropical wood products imported into the EU during 2010. French companies retain large investments in the tropical wood industry, notably in Central and West Africa.

The French market is particularly relevant at the present time because it is one the few European countries that performed reasonably well during the recent economic downturn. There are also on-going policy processes with real potential to benefit wood consumption.

Following a downturn in GDP in 2009 (-2.6%), the French economy recorded robust growth in 2010 (+1.6%) driven by strong expansion in exports (+9.5%) and government stimulus measures which boosted private consumption (+1.5%). The economy is expected to grow by a further 1.6% this year despite progressive phasing out of government stimulus measures. The French construction sector continued to shrink by 4.2% in 2010 but at a slower pace than in 2009 (-7%). Confidence in the construction sector is now improving, particularly in the new residential and civil engineering components. Stimulus measures boosted new home sales to pre-crisis levels by mid 2010 and encouraged housing starts during the second half of 2010. The removal of stimulus measures was widely expected to cool the new residential sector this year, but so far activity has remained reasonable and is being partly offset by an upturn in renovation and infrastructure projects. A chronic shortage of housing in France combined with French attachment to home ownership indicates good longer-term prospects in the residential construction sector.

In order to reduce carbon emissions and boost use of French native forests, the use of wood is now favoured in French government policy. Government guidelines propose that a minimum of 2dcm^3 of wood should be used for every m^2 of construction. In May 2009, President Sarkozy not only reaffirmed this commitment but indicated that the target should be raised ten-fold to 20dcm^3/m^2. There is a strong environmental element in government measures designed to stimulate residential construction. Developers of new housing in compliance to the Batiment Bass Consommation (BBC), a new energy efficiency standard, are eligible for significant tax rebates. In December 2010, 25% of new housing starts were already compliant to the new BBC standard.

Okoume plywood consumption falls in France

While there is strong potential to increase overall wood consumption, tropical hardwoods have not fared well in France in recent years. Consumption of okoume plywood, a standard reference product on the French market for decades, has been declining. Imports of logs for manufacture of okoume plywood in France have fallen dramatically since 2007 (see Tables). The reduction in availability in log supply from Gabon following that country's log export ban in May 2010, has been only partly offset by rising log imports from other countries in the Congo basin. French imports of tropical hardwood veneer did increase in 2010, but are still well below levels prevailing in 2007. Declining production of tropical hardwood plywood in France has not been offset by any significant increase in imports of hardwood plywood from other countries. This may be partly explained by the EU's imposition of anti-dumping duties on okoume plywood from China since November 2004, a measure most recently extended in an EU decision on 31 January 2011. The European Commission's review of the okoume plywood market as background to this decision concluded that the European industry remained "fragile and vulnerable".

Recent reports by EUWID (www.euwid-wood-products.com) suggest that demand for okoume plywood in France remains weak and there is considerable market resistance to efforts by producers and importers to raise prices. Margins in this sector have been narrowing as prices have remained static while costs for glues, transport and energy have been rising. The okoume plywood sector in Europe so far seems to have benefited little from recent tight plywood supplies in the Far East and strong plywood demand for reconstruction activity in Japan. This is despite manufacturers having product to hand and being able to offer buyers short lead times of only 2 to 4 weeks.

The reality is that okoume plywood in France has come under increasing competitive pressure from cheaper substitutes. In the past, okoume plywood was strongly valued in France for its huge versatility. French joiners would always have a stock of okoumé plywood at hand and would use it for a huge range of applications, even those for which such a high-performance product was not necessary. However, as the construction sector has become more price competitive and as pre-fabrication has increased, the demand for okoume plywood as a utility joinery product has diminished. It has been replaced in less demanding applications by cheaper materials like softwood and combi-plywood, veneered MDF and various composites. Okoume plywood has increasingly been confined to those applications where it is specifically required, for example external applications where durability is essential or internal applications where the final visual aspect comes first.

Okoume plywood continues to have a marketing edge in those applications requiring products manufactured in accordance with the EN 13986 standard and capable of compliance with the EN 636-3 performance standard for exterior use. New opportunities for okoume plywood in France lie in development of a wide range of specialist plywood products similar to those developed in birch (for example heavy duty grip flooring panels or a fire retardant throughout panel).

In addition to plywood, France remains a large and diverse market for tropical hardwood lumber. The economic downturn led French imports of this commodity to fall dramatically between 2007 and 2009, from 396,000 m3 to 218,000 m3 (see table). Imports rebounded to 254,000 m3 in 2010 and have continued to rise in 2011. Much of the increase this year has been due to reviving imports from Brazil – which consist mainly of utility hardwoods used by large French joinery manufacturers. However supply problems are hampering more significant recovery in imports from other tropical countries.

Rougier performance continues to improve

One indicator of the changing fortunes of French tropical hardwood market is provided by the financial reports of the Paris-based Rougier Group, the largest French-owned tropical timber company. The economic downturn combined with the Gabon log export ban created some major challenges for Rougier which was heavily engaged in the log export trade. However the Group's recent reports indicate a robust response and concerted move towards diversification.

Rougier generated €34.5 million in revenues over the first quarter of 2011, up 13.5% in relation to the first quarter of 2010. Following on from the upward trend recorded throughout the year in 2010, Rougier report that business is being driven by improvements in the Group's main markets both in terms of volumes and prices. Rougier report particularly good demand in the renovation segment of the construction sector.

Rougier report that "higher level of industrial processing, greater value added in products and good forest management certification represent the driving forces for building up more in-depth product ranges". This strategy is being supported in 2011 by a major industrial investment program. The shift away from log sales is developing rapidly and processed products now represent 78% of the Group's consolidated revenues. Around 26% of the log equivalent volume of products offered by the company is now certified. The Group is benefitting from moves to mandatory certification in several markets, particularly in Northern Europe. Growth is also being encouraged by the highly dynamic development seen in certain emerging markets, particularly in China, India, and Vietnam.

LCB Charter being adapted to meet new EU due diligence requirements

The French timber trade association Le Commerce du Bois (LCB) is currently engaged in a process to adapt its existing Charter for members to ensure it is fully conformant to the EU Timber Regulation (EUTR). From March 2013 all wood importers in the EU will be required to implement due diligence systems which minimise the risk of any timber from illegal sources being placed on the internal market. LCB is expected to act as a so-called "Monitoring Organisation" (MO) under the terms of the EUTR. MOs will be mandated to develop and monitor a due diligence system on behalf of their members.

LCB's Charter, which has been mandatory for members since 2008, already commits French timber importers to responsible purchasing of timber. A priority of the system is to increase the supply of certified products year after year. Members must also provide their clients with proof of legality for all non-certified products. Members are required to clearly identify to their clients the commercial name, country of origin and form of certification, if any, for all products. Members are subject to a bi-annual audit to assess conformance to the Charter.

While the Charter already covers many of the requirements of the EUTR, a process is underway to review and update the current documentation, to develop monitoring capacity, and to cooperate with the French authorities to develop compliance procedures and sanctions. To further assist LCB members to conform to the EUTR after March 2013, LCB is working with the WWF to develop a database assessing the risk of illegal wood being sourced from individual suppliers.

Joint wood marketing initiative in France

The various French trade organisations representing both manufacturers of timber products and professional users of timber have joined together to create a new trade organization. The newly established FBIE will help raise the image and visibility of wood as a material and create a more powerful political lobby in support of wood. The founding members of the FBIE include the UIB (wood industry), l'UIPP (panel manufacturers), the FFPPC (French federation of paper pulp producers), UNIFA (furniture manufacturers), together with federations representing joinery contractors. Other members who have recently joined FBIE include FNB (Fédération nationale du bois), LCB (Le commerce du bois), l'IRB (Interprofessions régionales bois).