

## **Hardwood importers remain very cautious**

While the European summer holiday season has now come to end, hardwood importers across the EU remain extremely cautious of forward buying. So far expectations that reduced landed stocks in Europe after a very long period of limited buying would stimulate greater forward orders in the third quarter of the year, have yet to be realised.

In North Western Europe, hardwood sawn lumber trading remains heavily focused on just-in-time top-up orders from the large continental importers in the Benelux region. While some of these importers have been trying to push up prices for landed stocks so that they better reflect replacement prices, there continue to be reports of cheap offers around, particularly for sapele. This suggests that there are still a few importers still carrying reasonable landed stocks of this species. UK prices for immediate delivery of kiln dried FAS sawn sapele lumber sold from landed stocks on the European continent now stand at only 630 euro/m<sup>3</sup>, while FOB prices for the same product sourced from Africa stand at 580 euro/m<sup>3</sup>. Therefore there's little incentive for importers to buy forward.

Forward orders for popular South East Asian species, mainly various varieties of dark red and light red meranti sawn lumber and bangkarai/balau decking, have also remained low. Importers have generally been ordering only small volumes and have been insisting on fast-turnaround times by Far Eastern shippers if they want to secure sales. This is particularly true of bangkarai/balau decking which importers generally want to receive by mid October so that they avoid carrying stocks over the winter months. However, due to much reduced production in the Far East, this has been a struggle for many shippers. Demand for meranti tembaga sawn lumber in the UK has now fallen to very low levels, the market having switched almost completely to sapele. One agent noted "for every ten truckloads of sapele ordered nowadays, there'll be only be one truckload of meranti". US\$ CIF prices for Far Eastern hardwoods on offer to the European market have remained stable over recent months, limited consumption now balanced by tight supplies. Competition on European wholesale markets for these products remains intense.

## **First decline in European flooring production in at least decade**

The European flooring sector has been one of the most important areas of market growth for hardwoods over the last decade. According to statistics produced by the European Parquet Flooring Federation (FEP), in the ten year period between 1997 and 2007, parquet production in the FEP region increased 86% from only 53.8 million m<sup>2</sup> to 100.3 million m<sup>2</sup>. However, last year this market suffered its first major reversal for at least a decade. During 2008, parquet flooring production in the FEP region declined by 16% to 84.72 million m<sup>2</sup>.

Falling production was recorded last year in all the major producing countries including Poland (down 8% to 15.3 million m<sup>2</sup>), Sweden (down 29% to 12.0 million m<sup>2</sup>), Germany (down 15% to 11.0 million m<sup>2</sup>), Spain (down 19% to 8.2 million m<sup>2</sup>) and France (down 25% to 7.7 million m<sup>2</sup>).

The decline affected all types of parquet including multi-layer (down 15% at 65.2 million m<sup>2</sup>), solid wood (down 17% at 15.2 million m<sup>2</sup>), mosaic (down 19% at 2.2 million m<sup>2</sup>) and lamparkett (down 4% at 2.1 million m<sup>2</sup>).

The overall make-up of species used to manufacture parquet changed only slightly from the previous year. Oak remained hugely dominant, accounting for 57.6% of all flooring production and up marginally from 56.7% in 2007. Tropical woods accounted for 14.7%, a slight decline on their 15.4% share the previous year. However tropical woods remained important in flooring production in several markets including 60% in Italy, 30% in Spain, and 29% in Poland.

FEP statistics also indicate a significant fall in parquet flooring sales during 2008 compared to the previous year. Overall sales throughout the FEP region declined 10% from 112 million m<sup>2</sup> in 2007 to only 102 million m<sup>2</sup> in 2008. Although there was a slight increase in consumption in a few smaller markets including Romania, the Czech Republic and Hungary, these gains were insufficient to offset big losses in the largest markets. Sales in the largest markets of Germany, Spain, Italy, and France respectively fell by 14% (to 18 million m<sup>2</sup>), 22% (to 14 million m<sup>2</sup>), 5% (to 12.8 million m<sup>2</sup>) and 15% (to 10.6 million m<sup>2</sup>).

The FEP region includes: Poland, Sweden, Germany, Spain, France, Austria, Norway, Denmark, Finland, Italy, Romania, Hungary, Netherlands, Czech republic, Switzerland, and Belgium.

### **Modified softwood and composite panels threaten tropical hardwood**

Tropical wood's position in key sectors of the European market has long been based on its natural qualities of durability, toughness and resilience to wear. In the past, softwoods, temperate hardwoods and composite panels have generally been unable to match these qualities of tropical hardwoods. Preservative treatments have offered only a partial solution, being an emotive environmental subject because the best treatments, such as creosote and Copper Chromium Arsenic, are also toxic to humans. Creosote and CCA have been heavily legislated against in Europe limiting their use to specialist applications such as sleepers and bridge decks. In practice, low levels of demand have meant that these traditional forms of treatment are no longer financially viable in many countries. Some progress has been made with modern pressure/vacuum treatment processes, but even with these the chemical often only penetrates a few millimetres so all cuts and holes have to be made good before treatment.

The problems associated with traditional forms of preservation have stimulated a search for alternative treatments. Two processes have been identified by the softwood industry as having particular potential, namely heat treatment and acetylation. Both these have now developed to such an extent that they are beginning to offer a significant competitive challenge to tropical hardwoods.

The Scandinavian companies Finnforest and Stora Enso are now producing Thermowood, a heat treated product made by steam heating softwood to temperatures over 200C, driving out moisture and resin to enhance durability and stability. The modified product is being marketed for decking, garden furniture and external

cladding. Kebony, a product from Norway is produced by a similar process except that ‘tropical-wood-colour’ is added to the candidate softwood by impregnating furfuryl (a by-product from sugar making) before being subjected to intense heating. Other heat treated brands include Plato Wood and Lignia.

Acetylation, involves the use of naturally occurring acetic acid to alter the molecular structure of wood. The treated timber is more durable and stable without any marked effect on visual appearance. Titan Wood’s Accoya is probably the most well known brand of this material and is being marketed for exterior joinery applications, particularly windows, doors, conservatories and cladding. Accoya claims a service life of 50 years and a first maintenance (of paints and coatings) period of 12 years.

At present, the ability of these products to compete with tropical hardwoods is constrained by price. For example Kebony is currently priced at between US\$4000 and US\$14000 per m<sup>3</sup> depending on quality, and is therefore targeted specifically at the high end teak market. However price levels are expected to come down as capacity increases. In June 2009, the German trade journal EUWID reported that European production capacity of thermally treated wood is now around 160,000 m<sup>3</sup>, with known capacity of 80,000 m<sup>3</sup> in Scandinavia, 40,000 m<sup>3</sup> in German-speaking countries of central Europe, 30,000 m<sup>3</sup> in the Netherlands, and 8,000 m<sup>3</sup> in the Baltics. In 2009, reported projects in Germany and Finland will extend production by a further 20,000 m<sup>3</sup>. These figures may not seem high, but are significant when set against the 600,000 m<sup>3</sup> combined annual EU import volume of meranti and sapele, the EU’s two leading tropical joinery species.

In August, the UK trade journal TTJ reported claims by Titan Wood that its two largest UK distributors had shown sales increases of more than 200% in the May to July 2009 period compared with the same period in 2008 – remarkable growth during a period of generally sluggish demand. TTJ notes that one of these distributors, International Timber, puts the growth down to durability and aesthetic reasons, plus people looking for a sustainable alternative to tropical hardwood. Titan Wood also reckons that Accoya has potential to take market share from steel, PVCu, aluminium and concrete.

In a notable development from the perspective of tropical hardwood plywood, in June 2009 Titan Wood and Medite Europe Limited signed a joint development agreement to commercialise new MDF and OSB panels made from acetylated “Tricoya” wood elements. By protecting the OSB from wood rot and significantly improving durability and dimensional stability, the market development strategy for acetylated OSB targets external applications currently occupied by tropical hardwood plywood in Europe.

### **New European Timber Trade Federation (ETTF)**

A new European Timber Trade Federation (ETTF) was established on 1 July to represent trade interests at European level. The management team of the ETTF is headed by Andre de Boer of the Netherlands Timber Trade Association (VVDH). De Boer will combine his role as CEO of VVDH with his new role as ETTF General Secretary until the end of this year, after which time he will dedicate himself to his new tasks as ETTF. Other positions on the board of ETTF will be held by the

Chairman of the Union pour le commerce des bois durs (UCBD), Union pour le commerce des panneaux en bois (UCIP), and Union pour le commerce des bois résineux (UCBR) which have now merged into the ETTF. The ETTF membership comprises 12 national importer associations: Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and the UK. The official headquarters of the ETTF will be in Brussels, Belgium, however de Boer will coordinate Federation work from Almere in the Netherlands. A key objective is to ensure more powerful representation of the interests European wood importers at EU level, for example in relation to on-going negotiations surrounding legislative proposals which aim to minimise the risk of illegal wood entering European supply chains.