

European hardwood markets: Current developments and outlook for 2010

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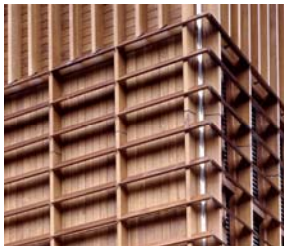


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Vienna, 29-30 October 2009





Outline of presentation



- Introduction
- Sawn hardwood markets in Europe, 2008-2009
 - Production
 - Consumption
 - Exports
 - Imports
- Current market trends
- Future trends
- Forecasts
 - UNECE/FAO Timber Committee, October 2009
- Conclusions

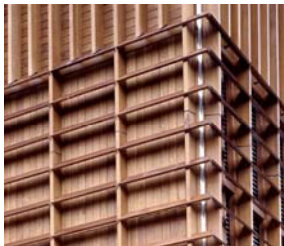


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Introduction



- UN Economic Commission for Europe / FAO Timber Section
- Statistics, market analysis, forest resource data, long-term sector outlook studies, indicators of sawn hardwood markets
- UNECE/FAO database
- Country forecasts and statements, notably at annual session
- Joint analytical effort by many experts
- More information at <http://www.unece.org/timber>



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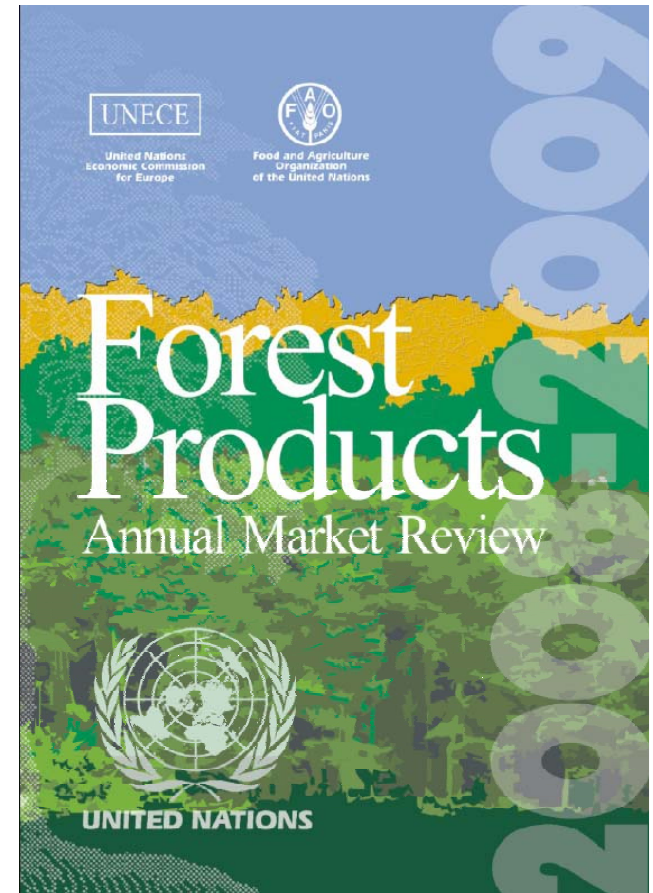


UNECE/FAO

Forest Products Annual Market Review, 2008-2009

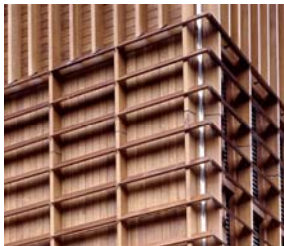


- Sawn hardwood analysis by Mr. Rod Wiles, Broadleaf Consulting
- Presentation assistance by Mr. Eero-Matti Salminen, Marketing Assistant, University of Helsinki



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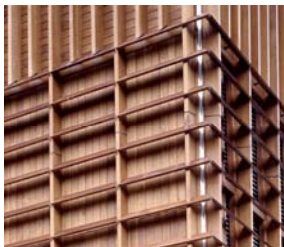


Economic background and forecasts



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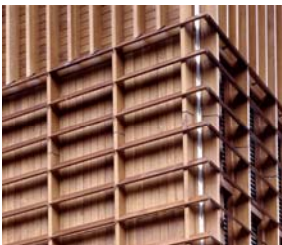
The Great Recession 2007-2009

- Most severe financial shock since the 1930s
- Worse economic downturn since WWII
- Unprecedented, concerted policy response avoided second Great Depression
- But, significant long-term implications
 - living standards
 - design of institutions

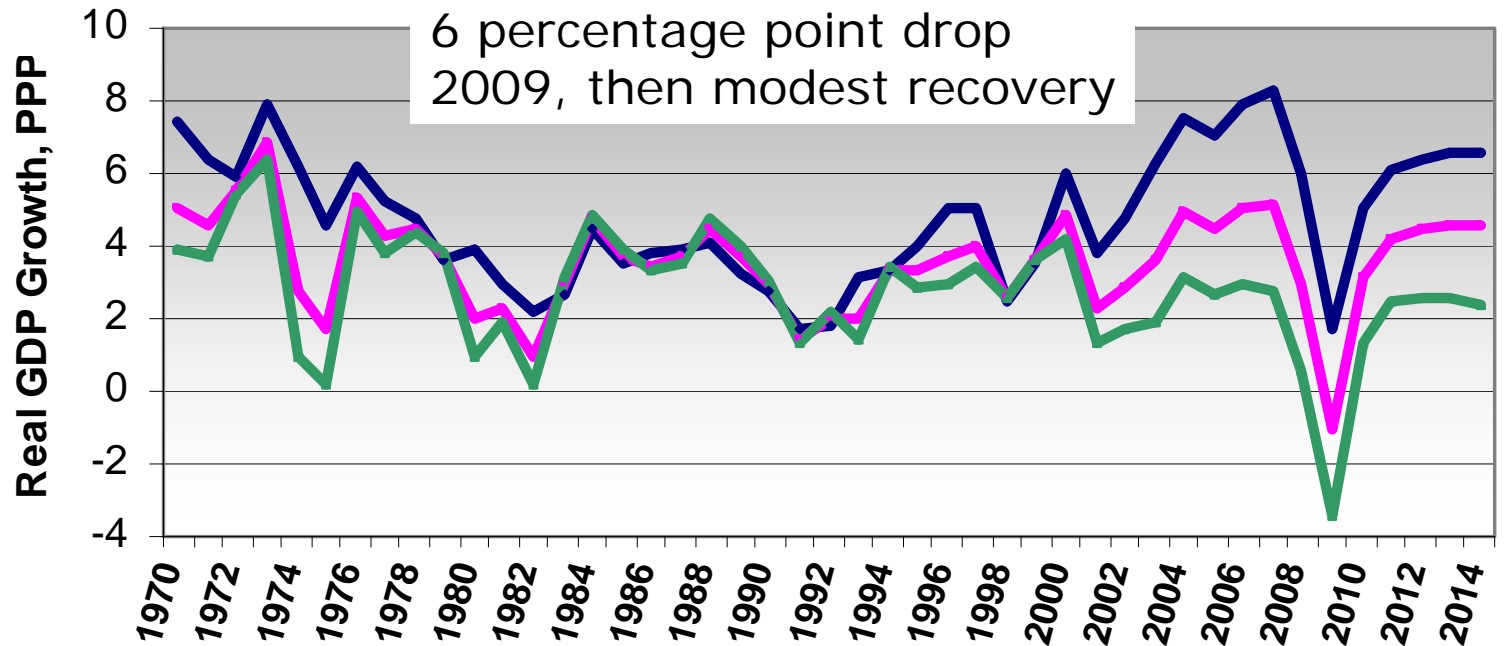


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World GDP through 2014



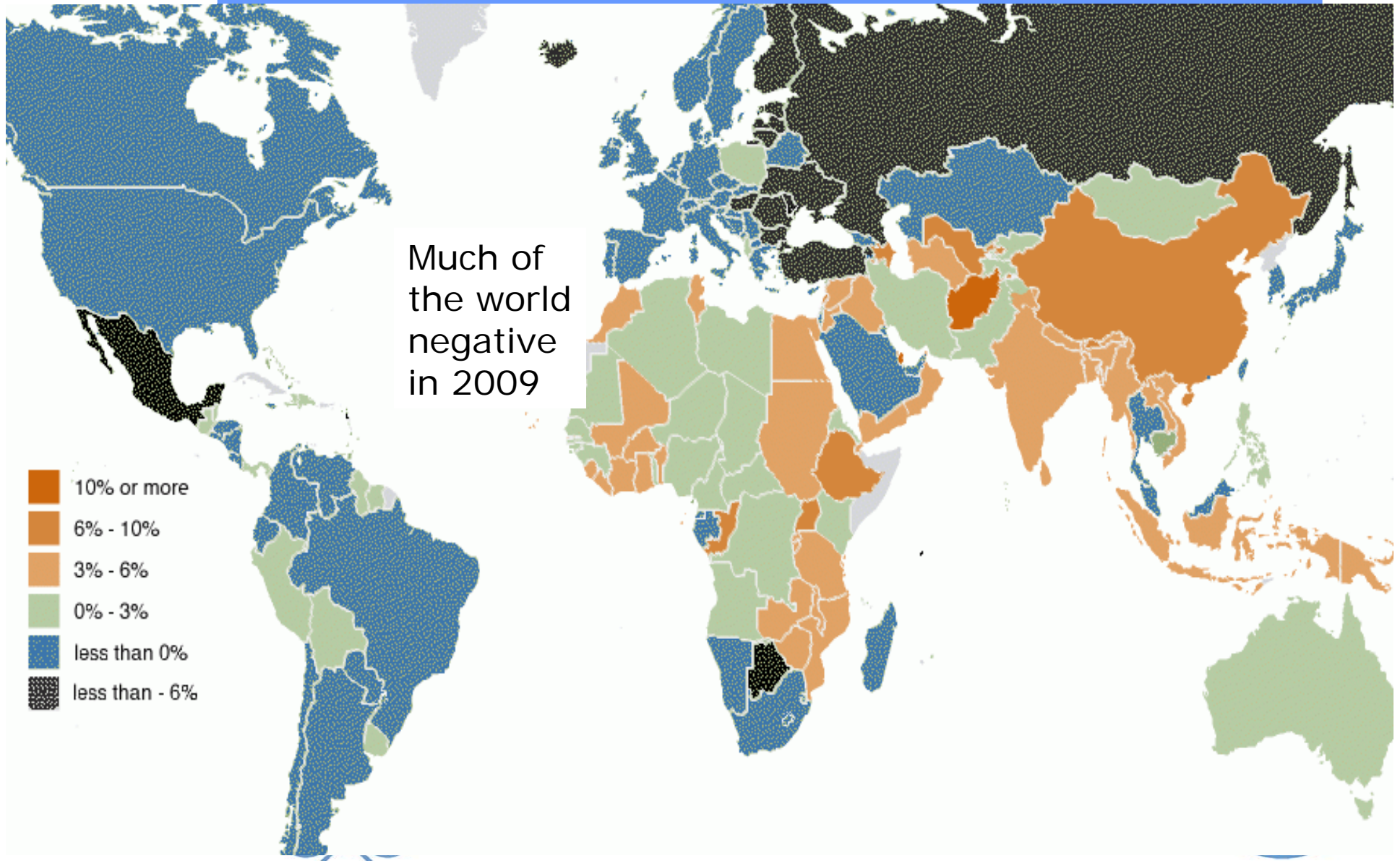
— Emerging market/developing countries
— World
— Advanced economies



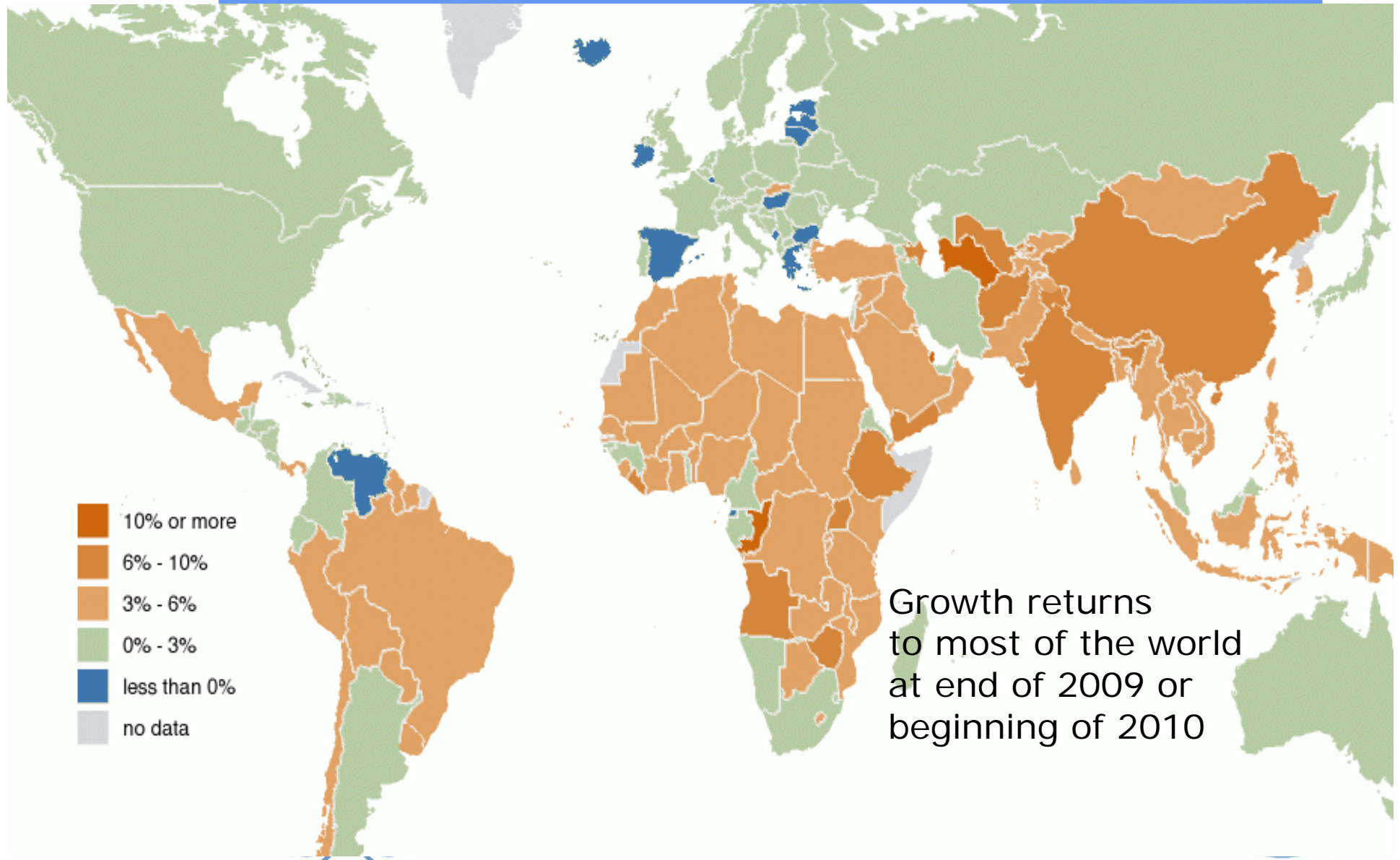
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World GDP 2009

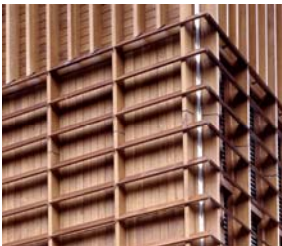


World GDP 2010





Recovery slow



- US and western Europe
 - Unemployment may not reach pre-crisis levels until 2013 or 2014
 - Businesses facing credit and financing difficulties
 - Inflation remains low
 - Government deficits too high
- Eastern Europe especially hard hit
- Central Asia doing remarkably well
 - Fast recovery
 - Few long-term consequences

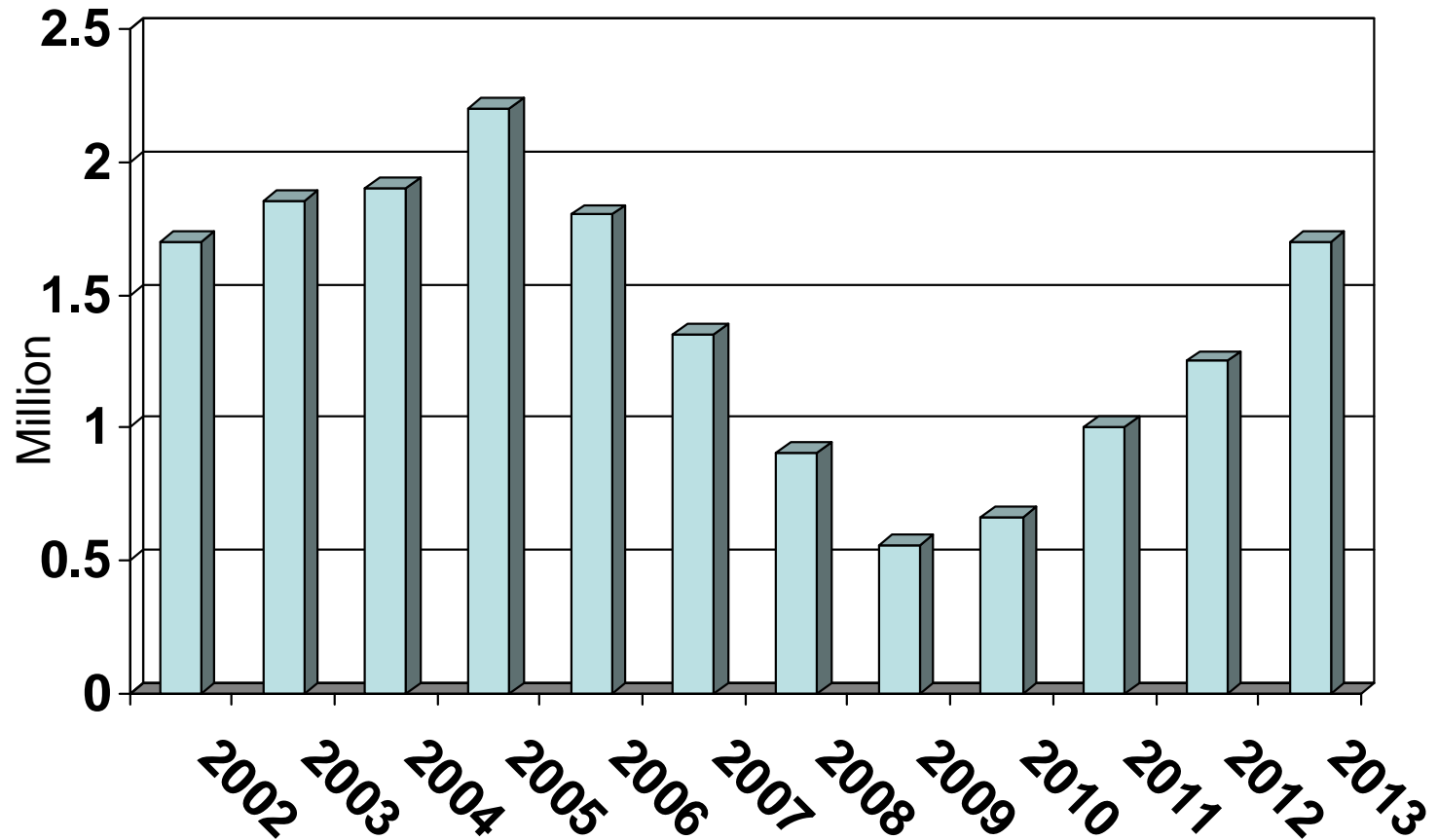
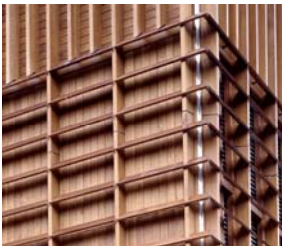


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US housing starts



Source: APA – The Engineered Wood Association, 2009

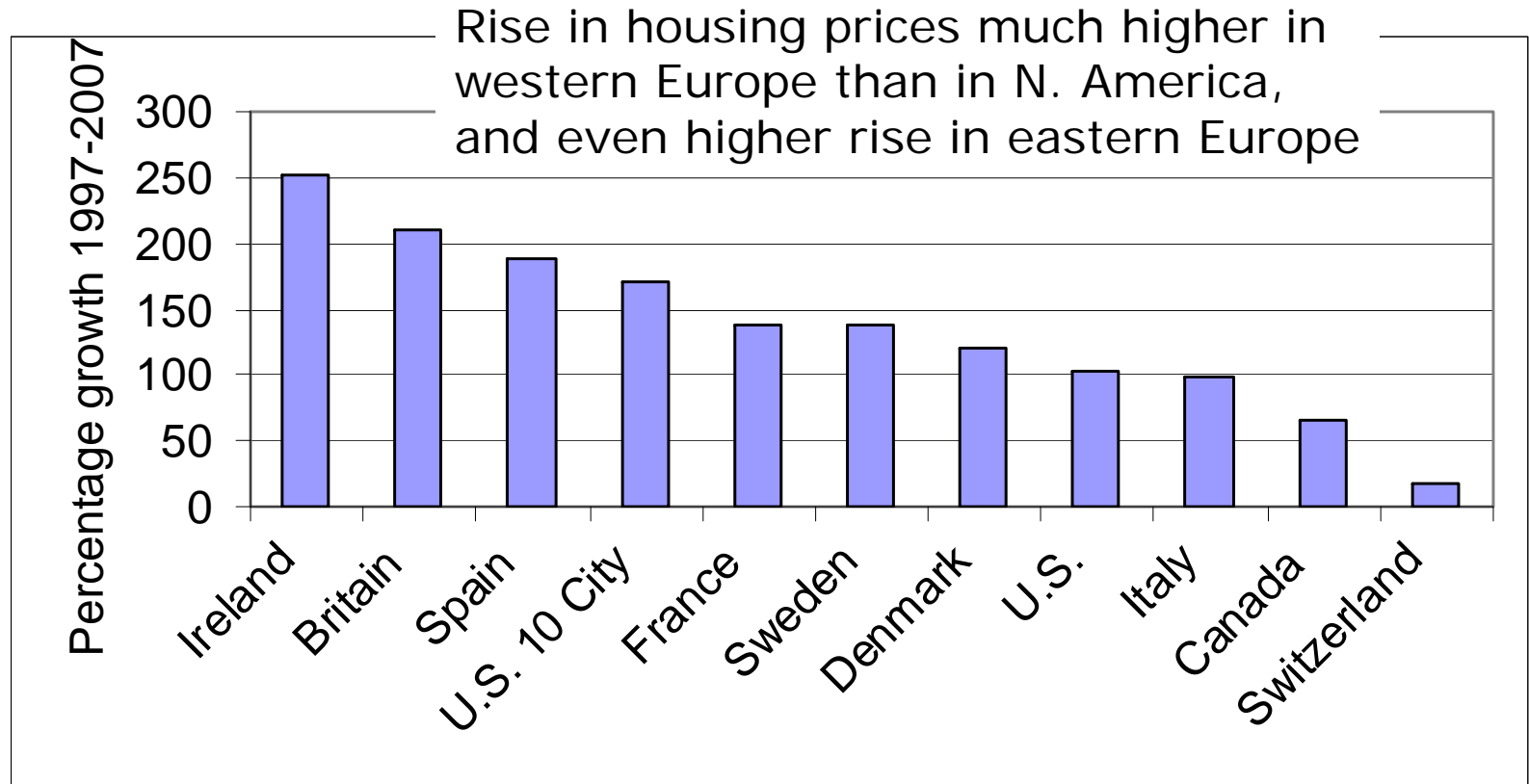
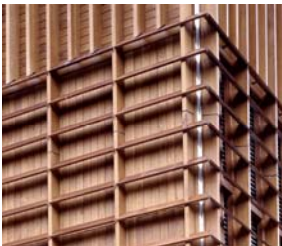


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Global rise in house prices

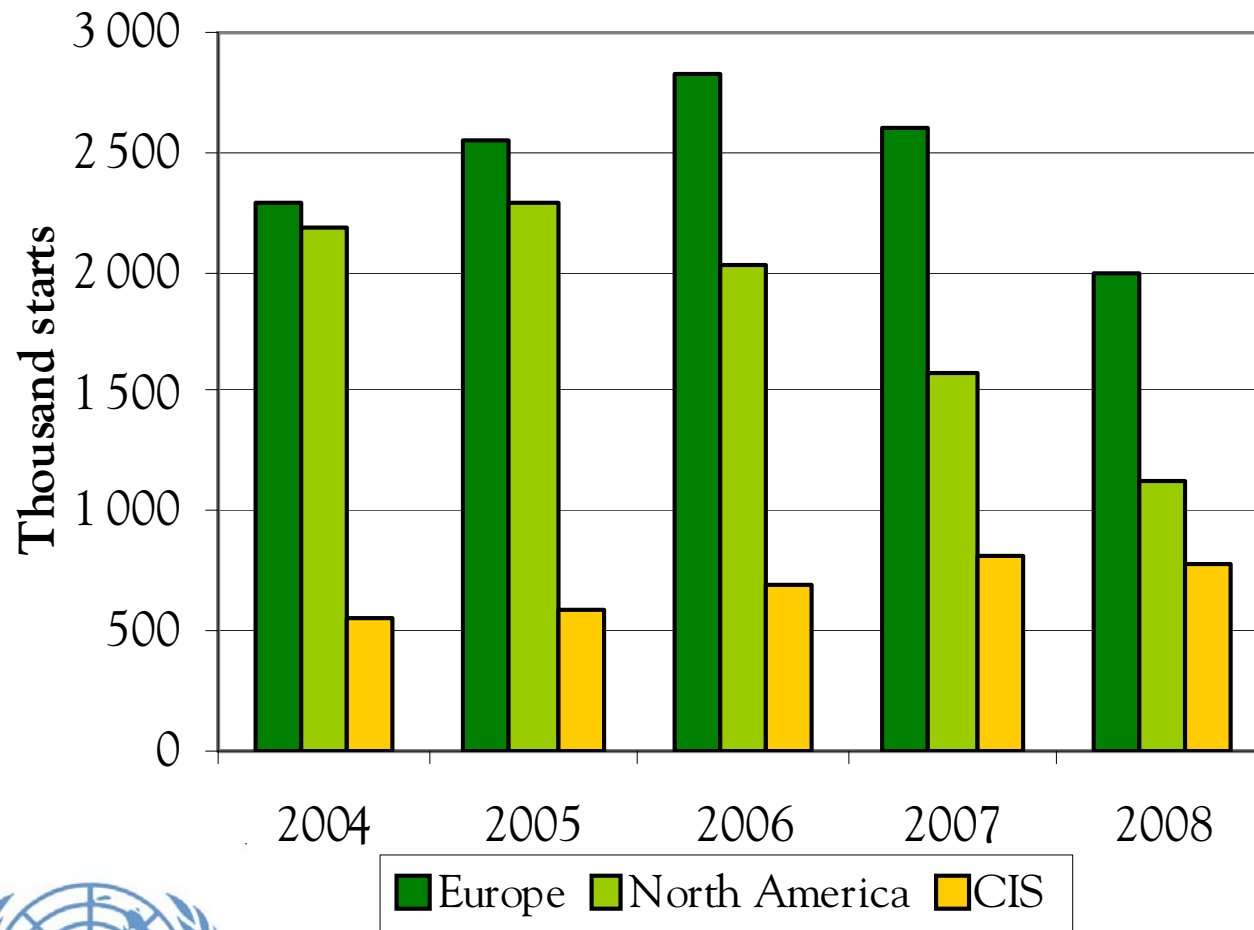
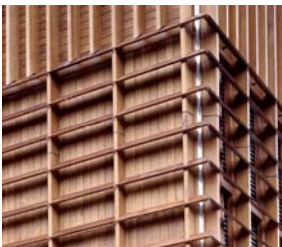


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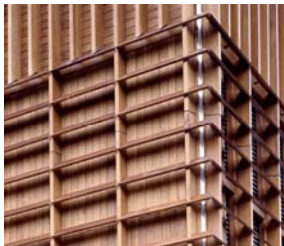


Housing in UNECE subregions



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Sawn hardwood markets



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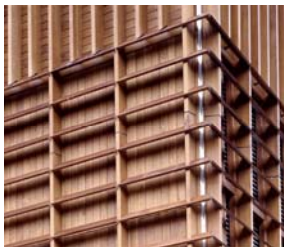
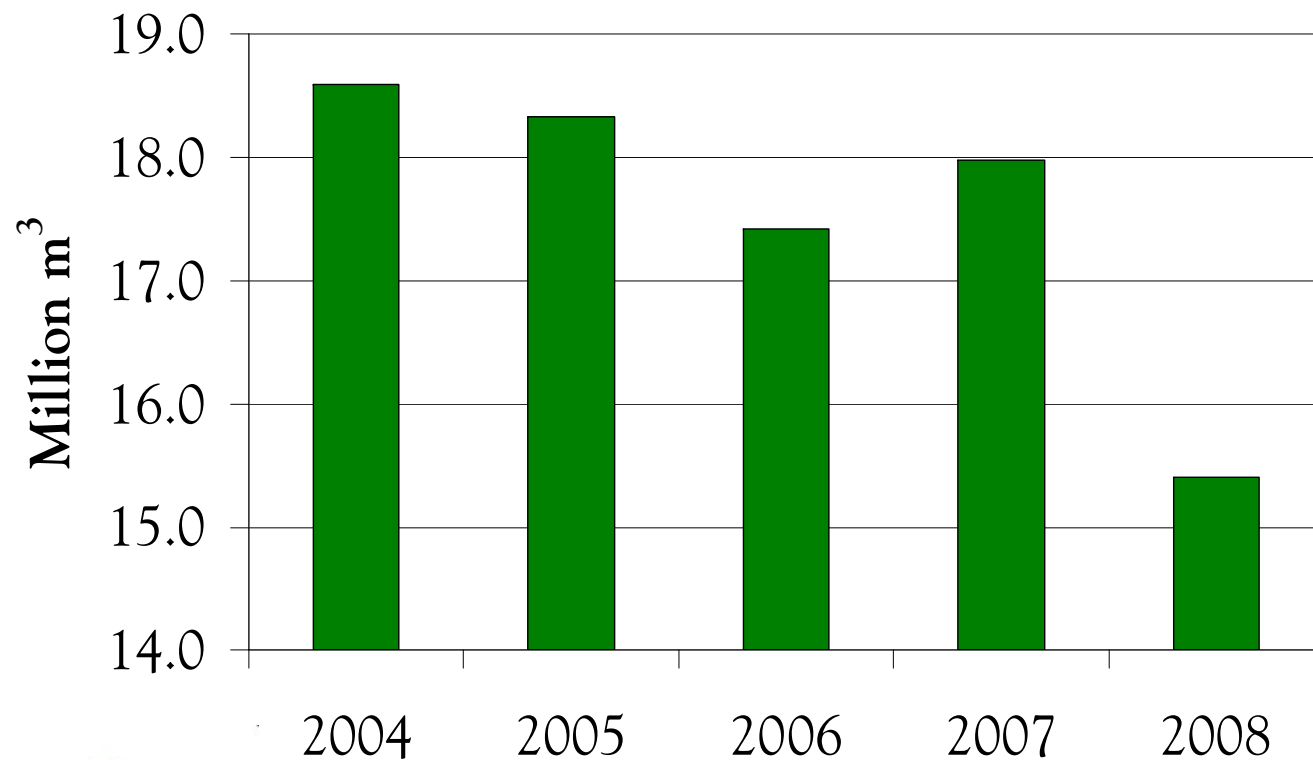




Sawn hardwood consumption – Europe (41 countries)

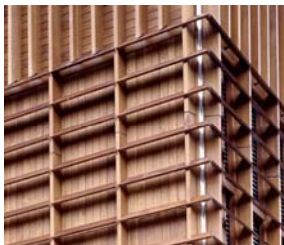


- 2008 total of 15.4 million m³, a -14% from 2007
- Of which 12.0 million m³ in EU-27, -18%



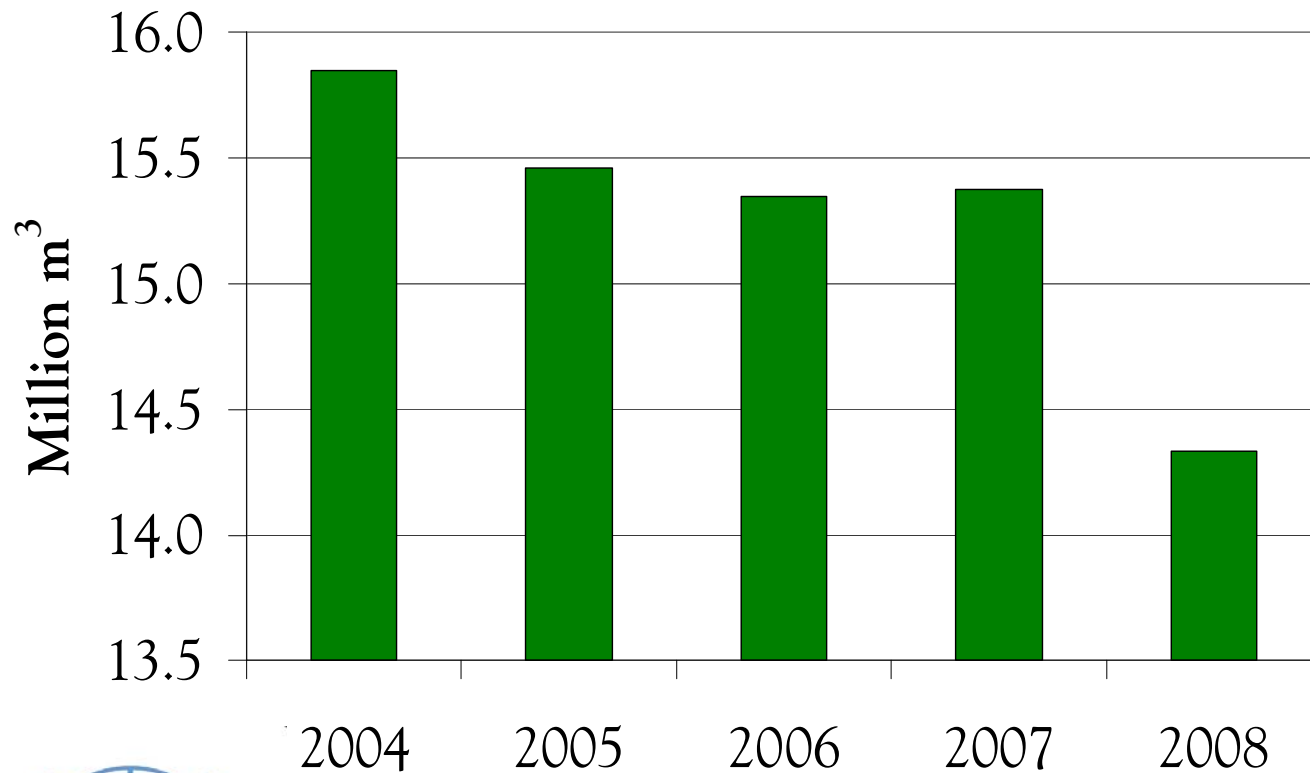
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Sawn hardwood production – Europe

- In line with consumption, in 2008 fell by 6.8% to 14.3 million m³
- Of which 10.5 million m³ in EU-27, -8.6% from 2007

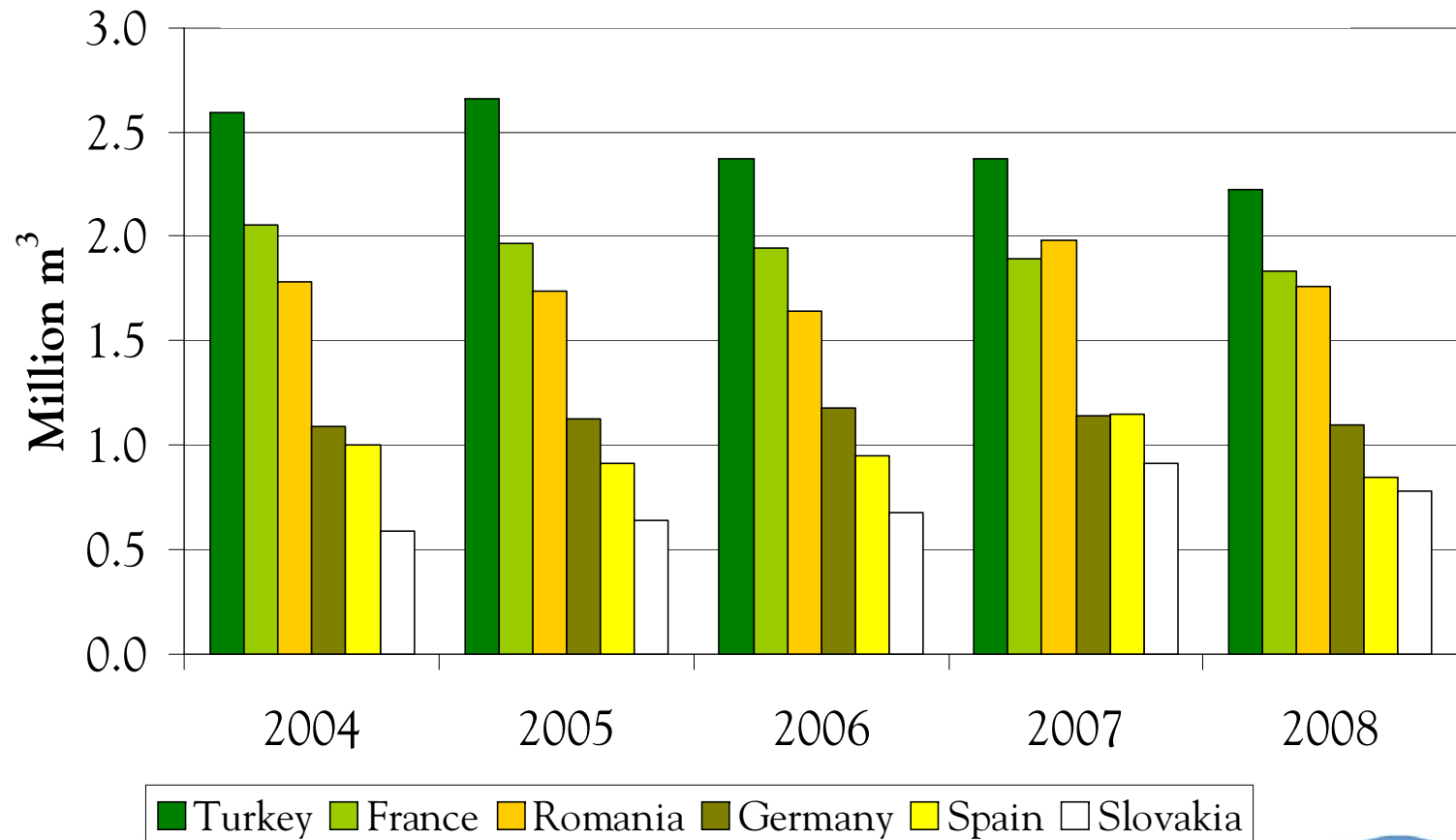
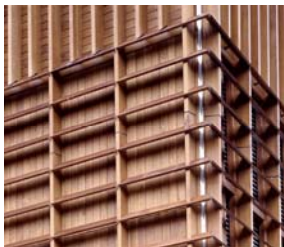


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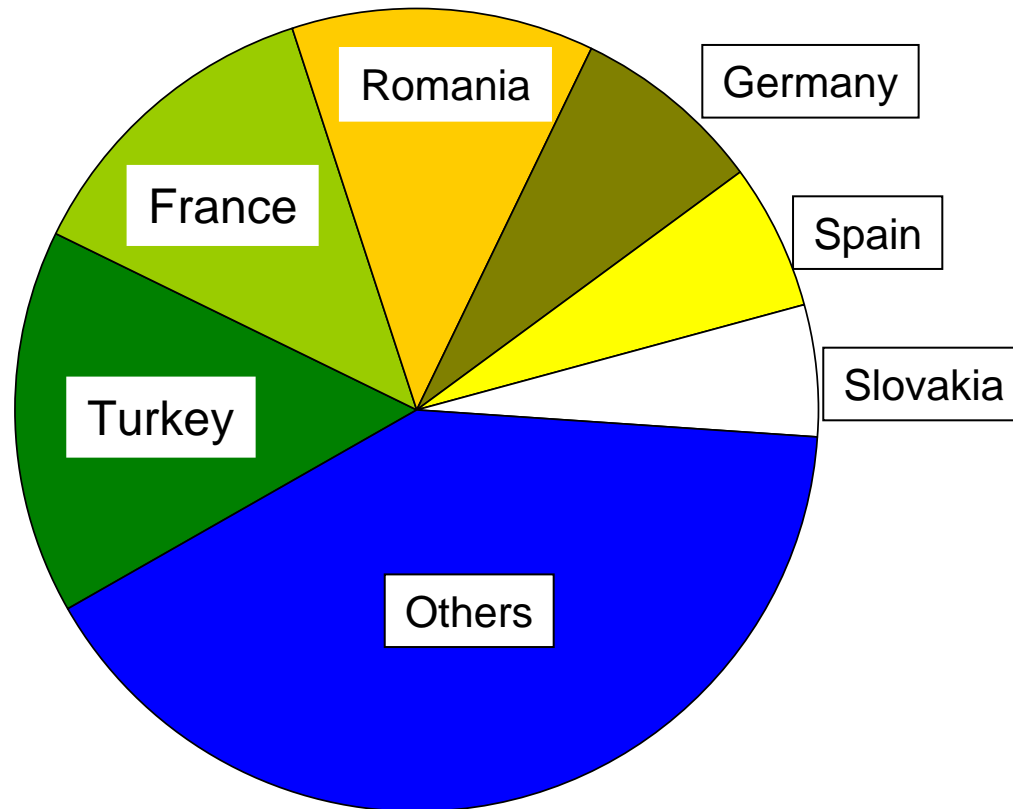
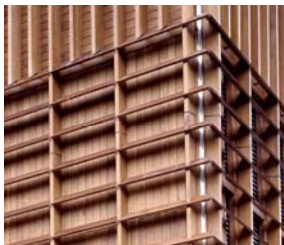
Major European hardwood producers



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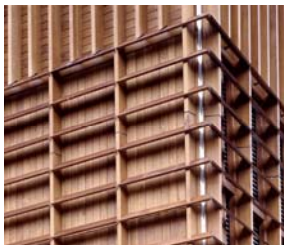
Major European sawn hardwood producers, 2008



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Sawn hardwood trade in Europe



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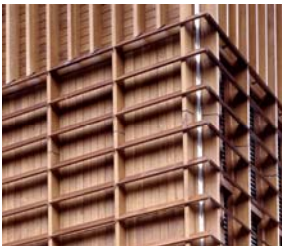




Main market trends



- Europe sawn hardwood sector affected by the economic crises to a lesser extent than North America and CIS
- Sawn hardwood becoming more important to the European building sector

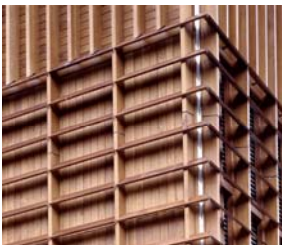


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Main market trends



- “Cash is king” – Lack of credit insurance making things even more difficult for the producers
- Turkey remains Europe’s largest producer of sawn hardwood
- China’s influence over the UNECE region sawn hardwood markets increases but is also affected by the crises
 - As both consumer and producer
 - Log exports to China reducing available raw materials & raising costs



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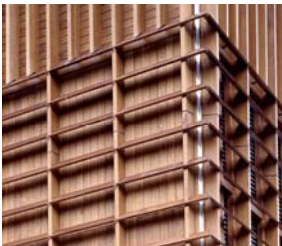
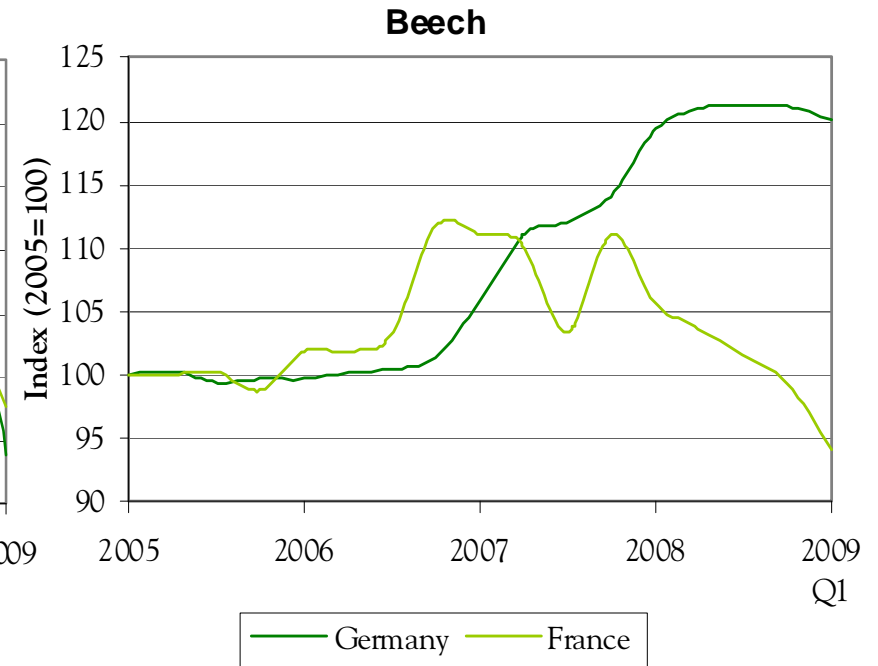
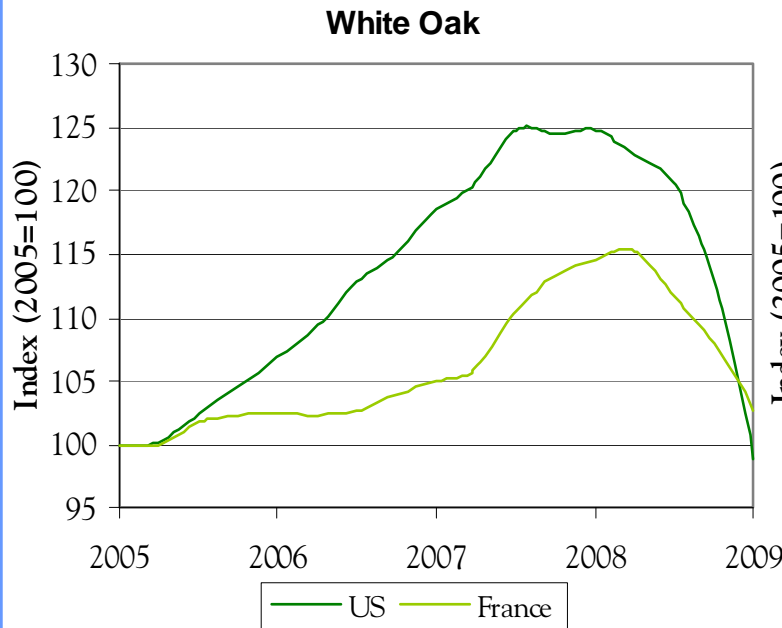




Main market trends



Steep decline in prices on both sides of the Atlantic

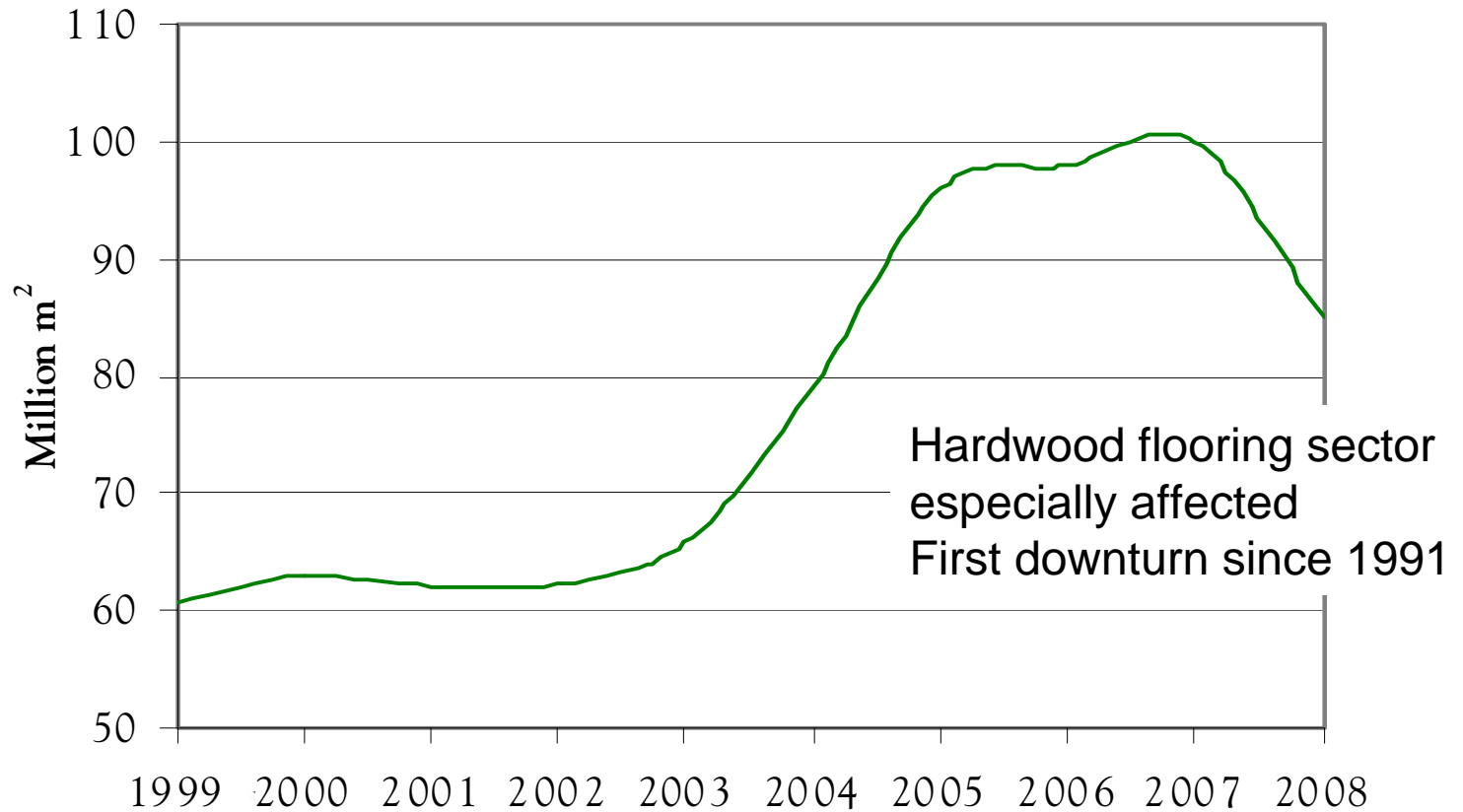


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Market trends – European flooring production



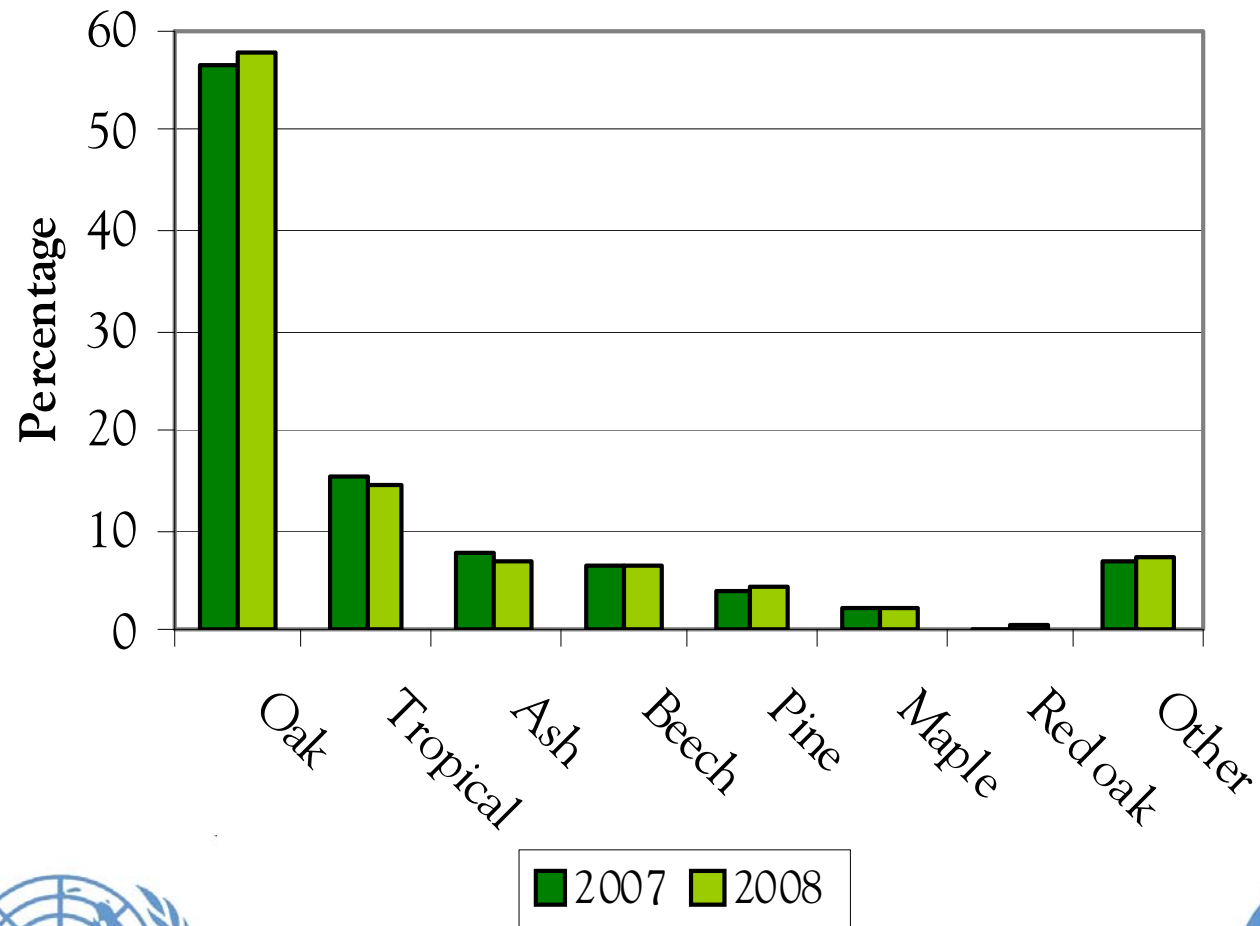
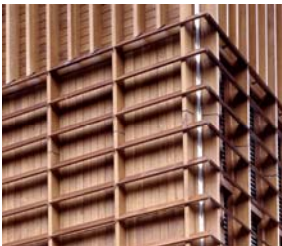
Source: FEP, 2009.

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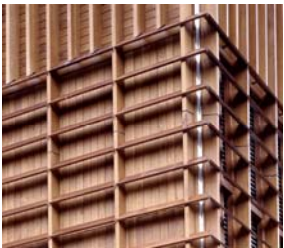


Main European flooring species



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Hardwood certification

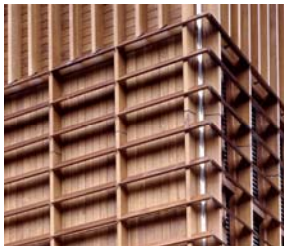


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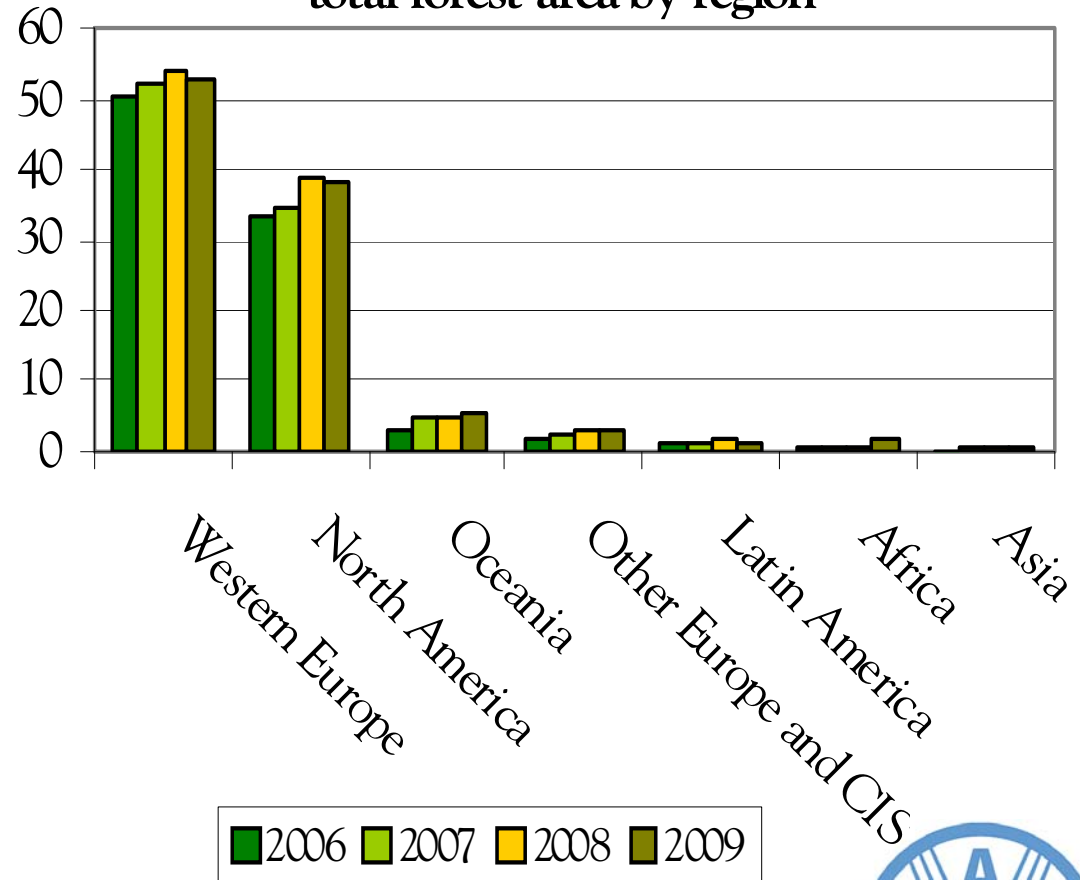


Main market trends – certification



- Increased concern about illegal trade
- Public and private green procurement policies
- Corporate social responsibility

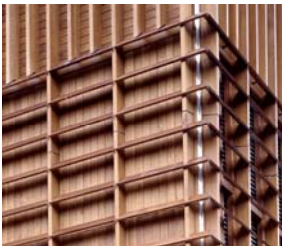
Certified forest area as a percentage of total forest area by region



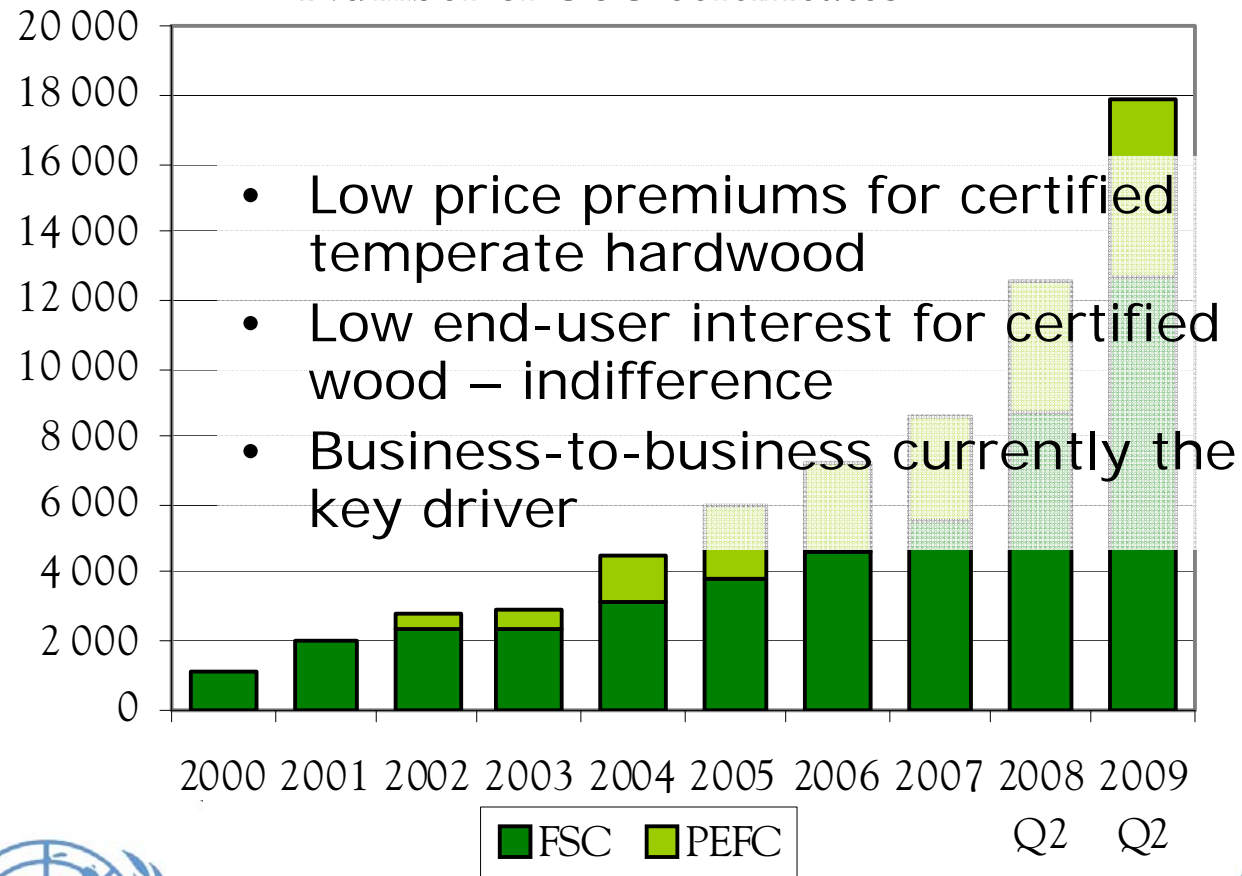
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Main market trends – certification



Number of CoC certificates



- Low price premiums for certified temperate hardwood
- Low end-user interest for certified wood – indifference
- Business-to-business currently the key driver

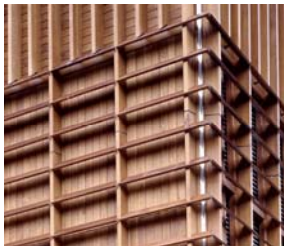


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Main market trends – Lacey Act



- Prohibits all trade in plant and plant products such as sawnwood, furniture and paper that are illegally sourced from any country
- Requires importers to declare the country of origin of harvest and species name of all plants and plant derived materials contained in their products
- Establishing penalties, including forfeiture of goods and vessels, fines, and imprisonment for those who knowingly violate the declaration requirements.
- Places burden of proof on prosecutor

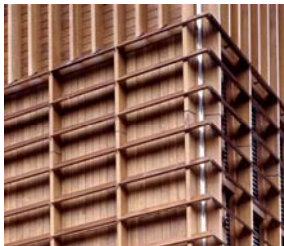


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Main market trends – EU FLEGT



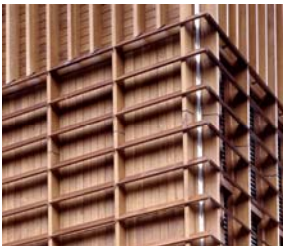
- Action Plan for Forest Law Enforcement Governance and Trade
- Due diligence system
- Companies must ensure legality of the source
- Wood has to be harvested according to country's laws
 - Properly documented
 - Audited
 - Within and outside of Europe
- Not yet approved by the EU Agricultural Council
 - Thus not yet law



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UNECE Timber Committee forecasts

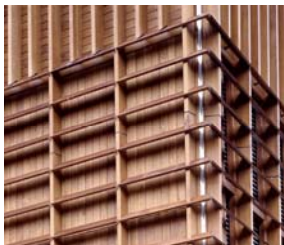


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UNECE Timber Committee forecasts (from October 2009)

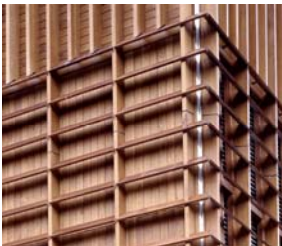


- North America the production of sawn hardwood continued falling in 2008 and 2009, by 9.1% and 6.4% respectively – no change is expected in 2010.
- Although US domestic demand is weak, sawnwood exports are forecast to improve, rising by 7.2% in 2010.
- The European hardwood consumption and production to rise by 4.2% and 3.2% respectively.



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UNECE Timber Committee forecasts (from October 2009)

- Trade restrictions on tropical timber, both from producer countries policies to manufacture greater value-added products, and importers' controls for sustainability and legality, are constraining the tropical timber trade.

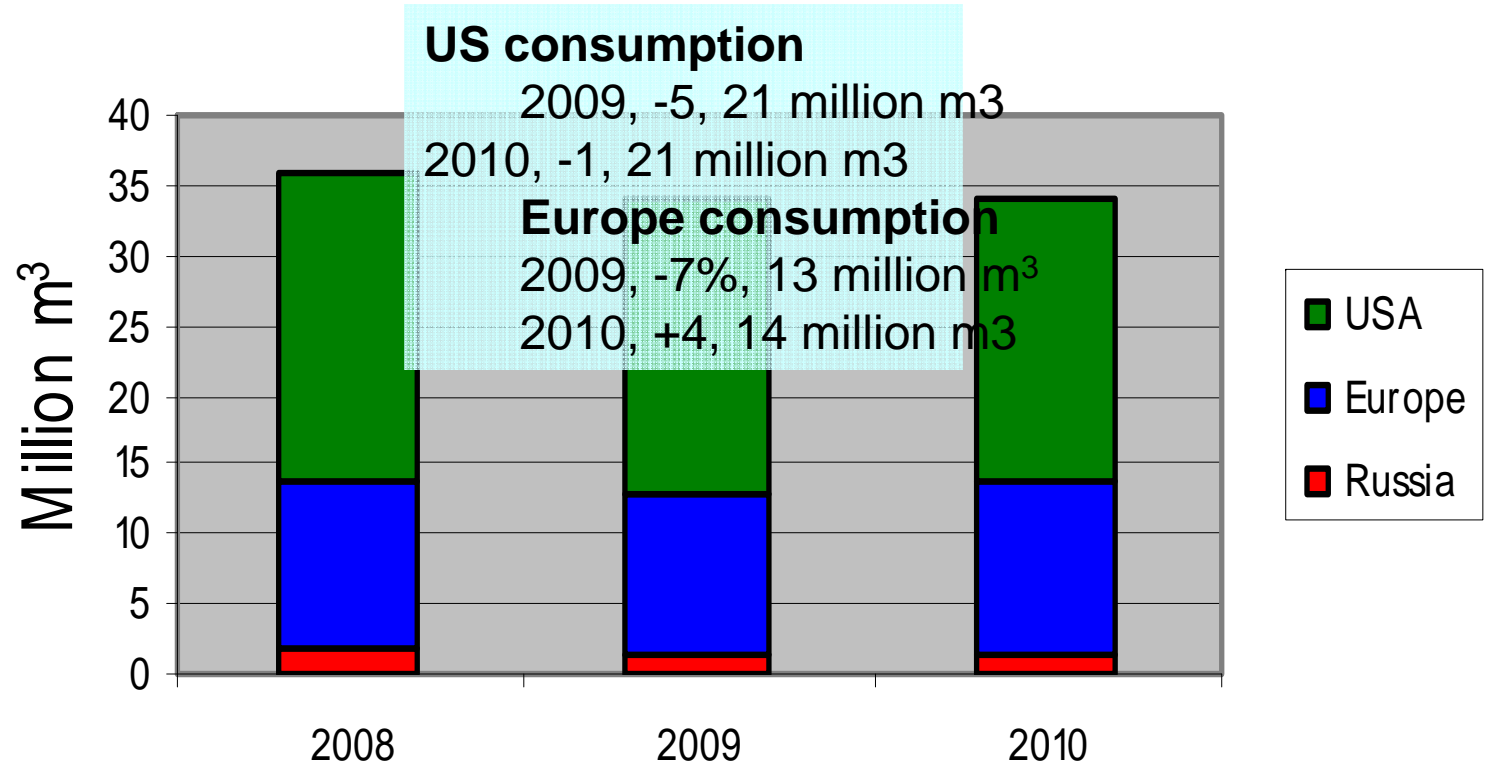
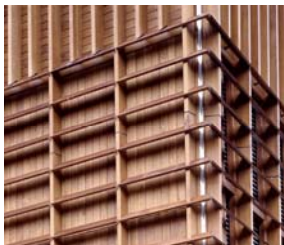


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Sawn hardwood forecasts – Consumption



Source: UNECE Timber Committee, October 2009

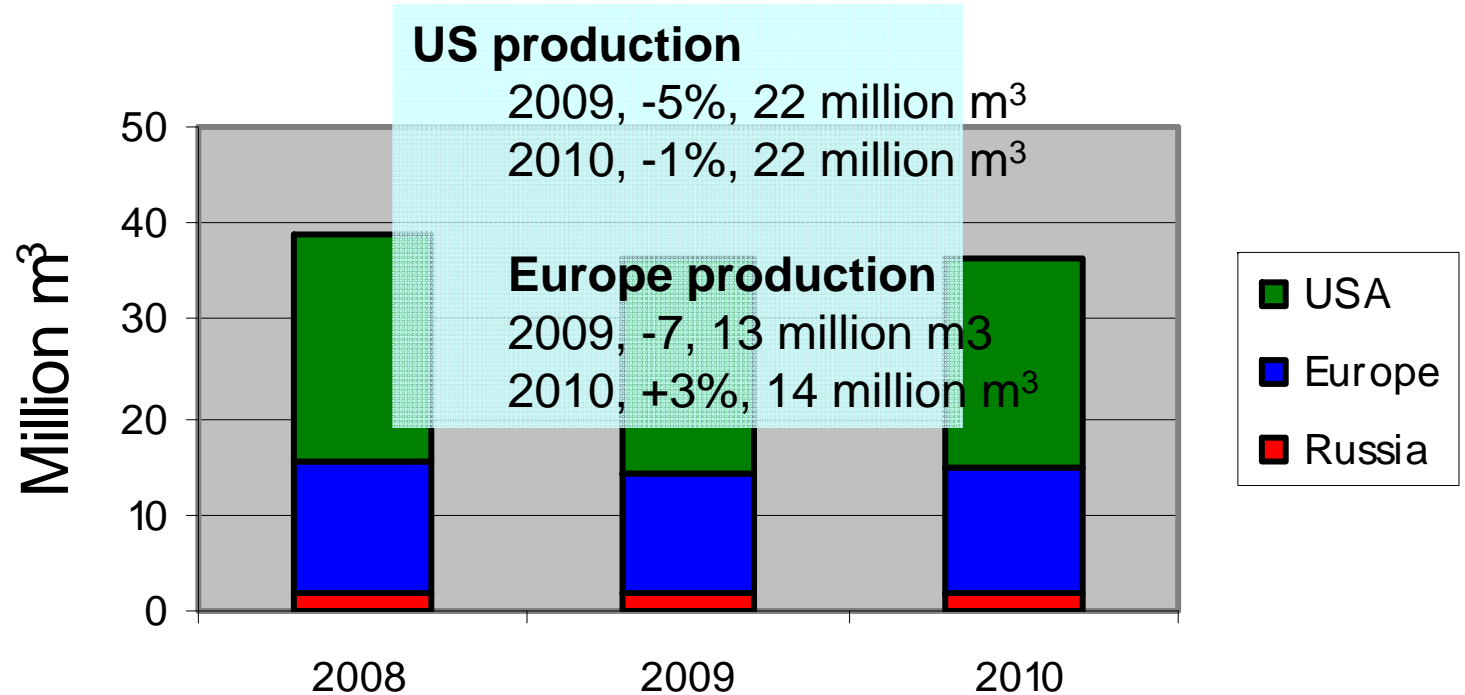
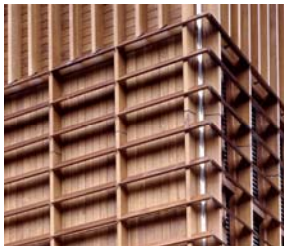


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Sawn hardwood forecasts – Production



Source: UNECE Timber Committee, October 2009

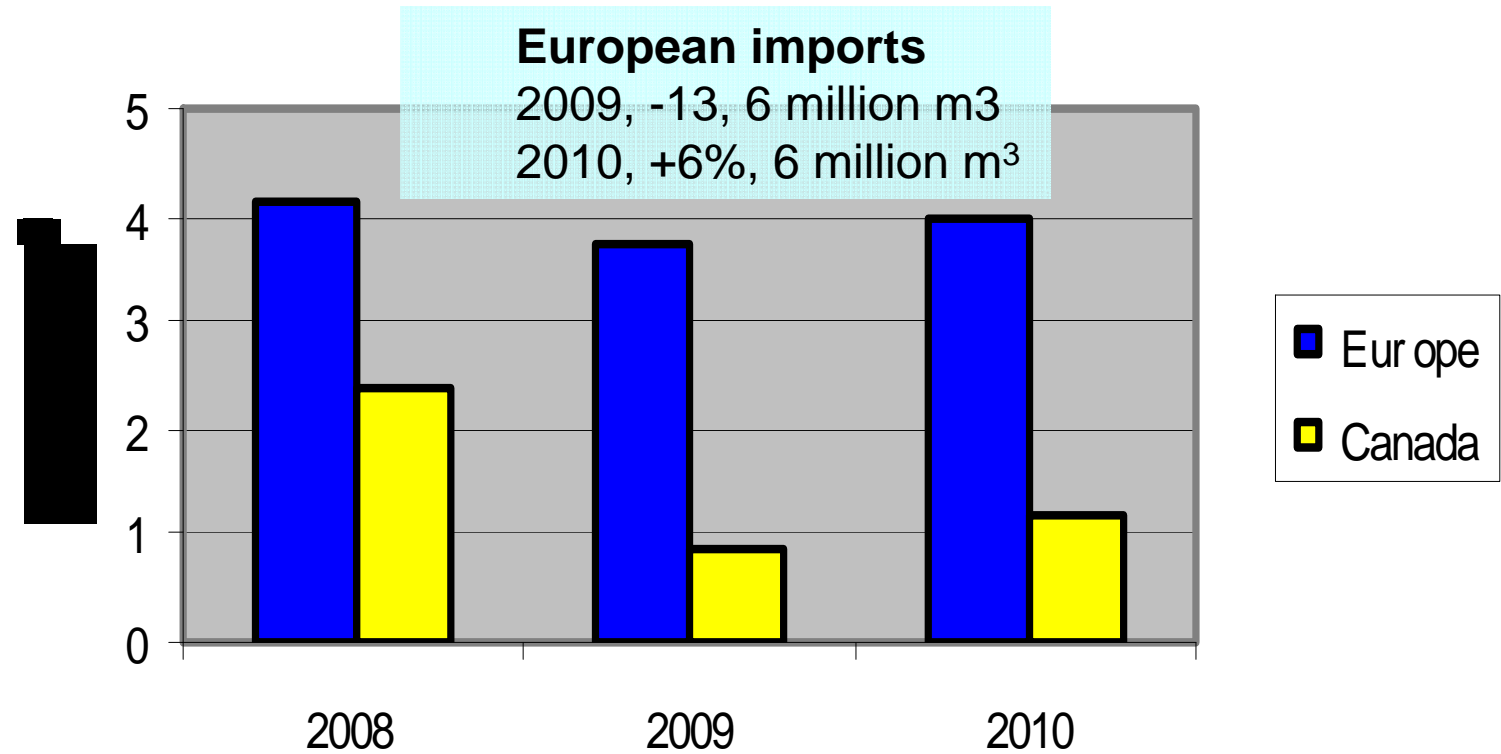
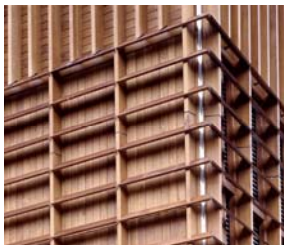


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Sawn hardwood forecasts – Imports

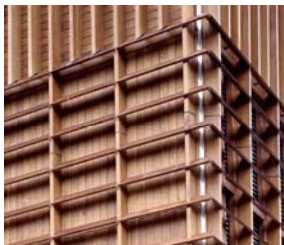


Source: UNECE Timber Committee, October 2009

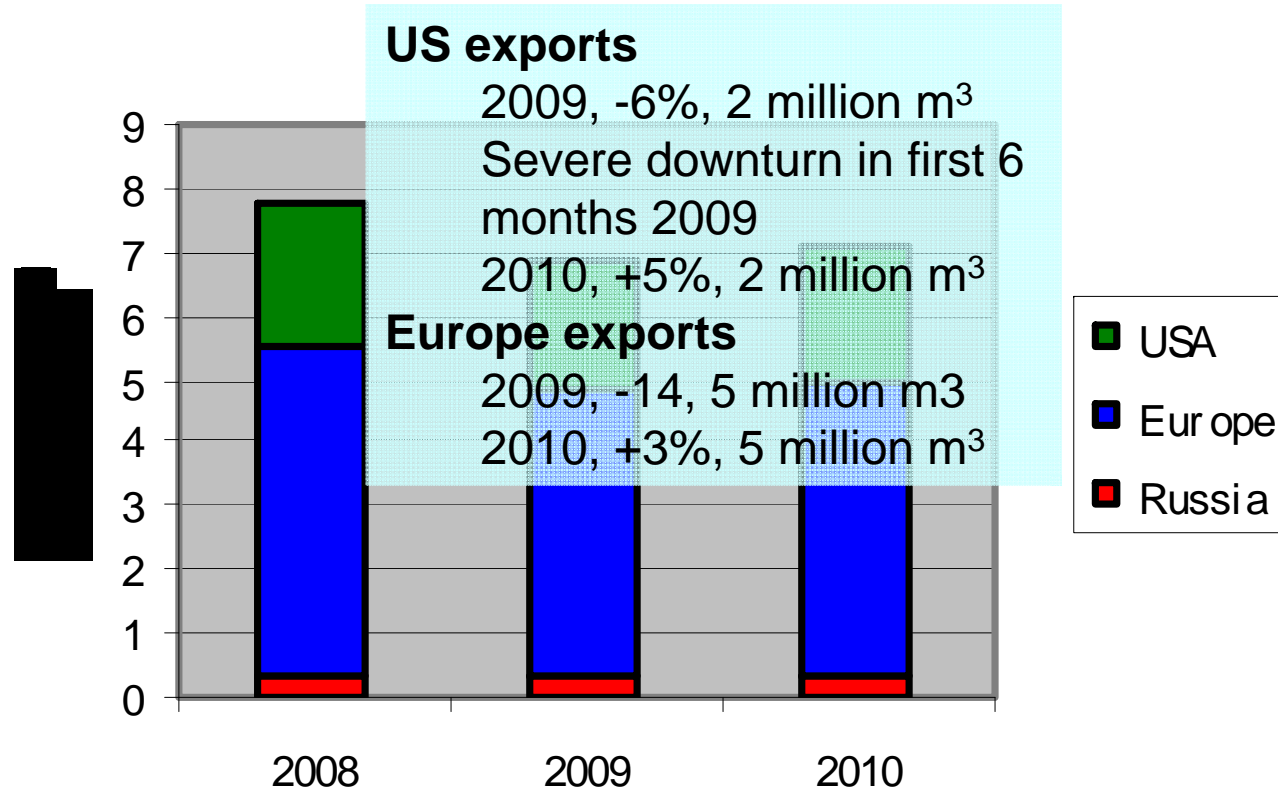


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Sawn hardwood forecasts -- Exports



Source: UNECE Timber Committee, October 2009

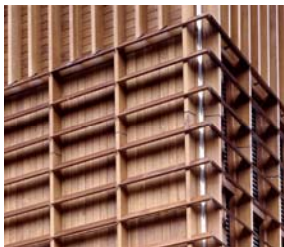


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UNECE Timber Committee forecasts for US sawn hardwood



- Consumption
 - 2009, -5%, 21 million m³
 - 2010, -1%, 21 million m³
- Production
 - 2009, -5, 22 million m³
 - 2010, -1, 22 million m³
- Exports
 - 2009, -6%, 2.1 million m³
 - 2010, +4.5%, 2.2 million m³



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Timber Committee forecasts for European sawn hardwood

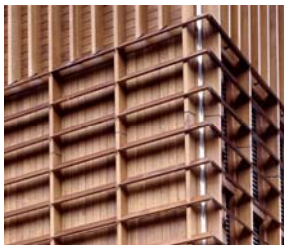


- Consumption
 - 2009, -7%, 13 million m³
 - 2010, +4%, 14 million m³
- Production
 - 2009, -7, 13 million m³
 - 2010, +3, 13 million m³
- Exports (including within Europe)
 - 2009, -14%, 4.8 million m³
 - 2010, +3%, 4.9 million m³
- Imports (including within Europe)
 - 2009, -13%, 5.6 million m³
 - 2010, +6%, 5.9 million m³

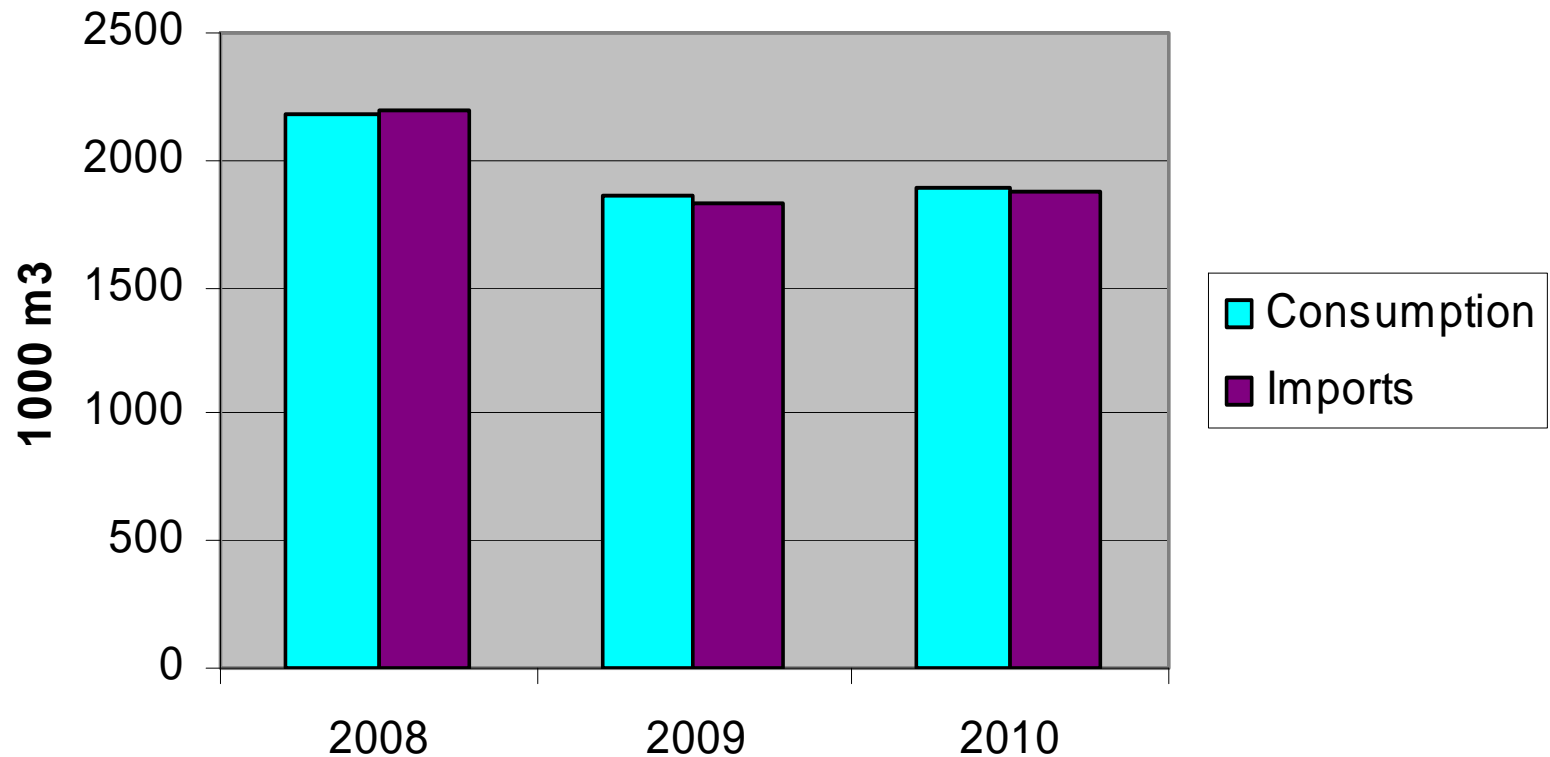


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European tropical forecasts



Source: UNECE Timber Committee, October 2009

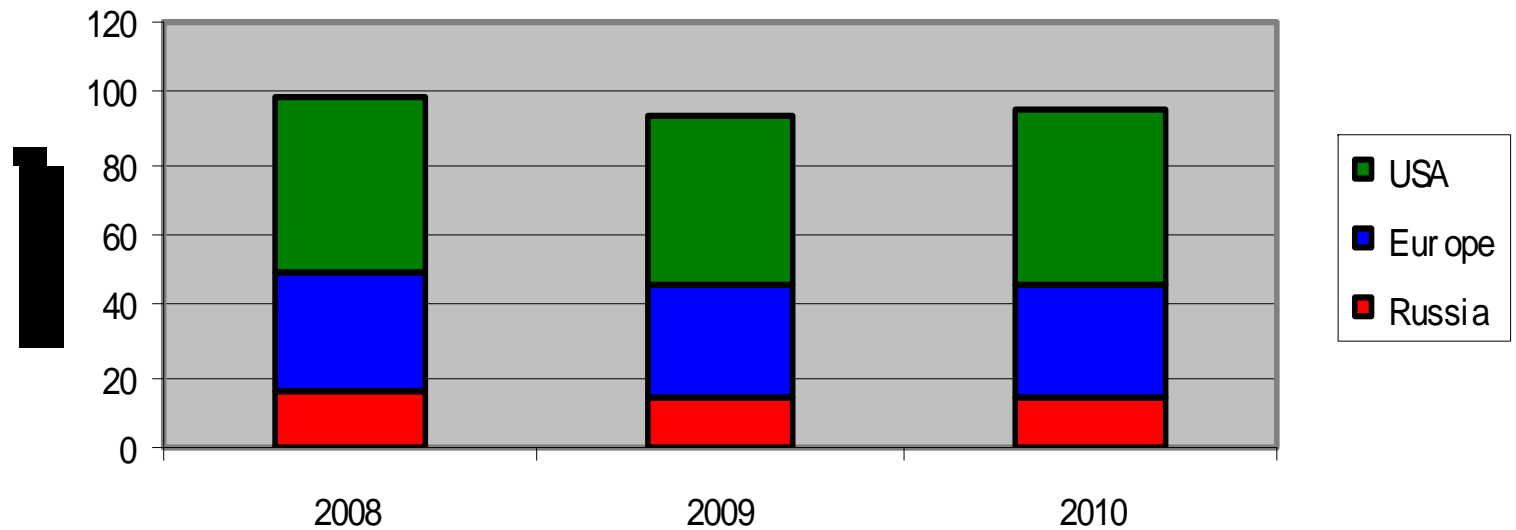
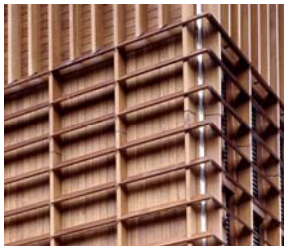


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Hardwood logs – Consumption



Source: UNECE Timber Committee, October 2009

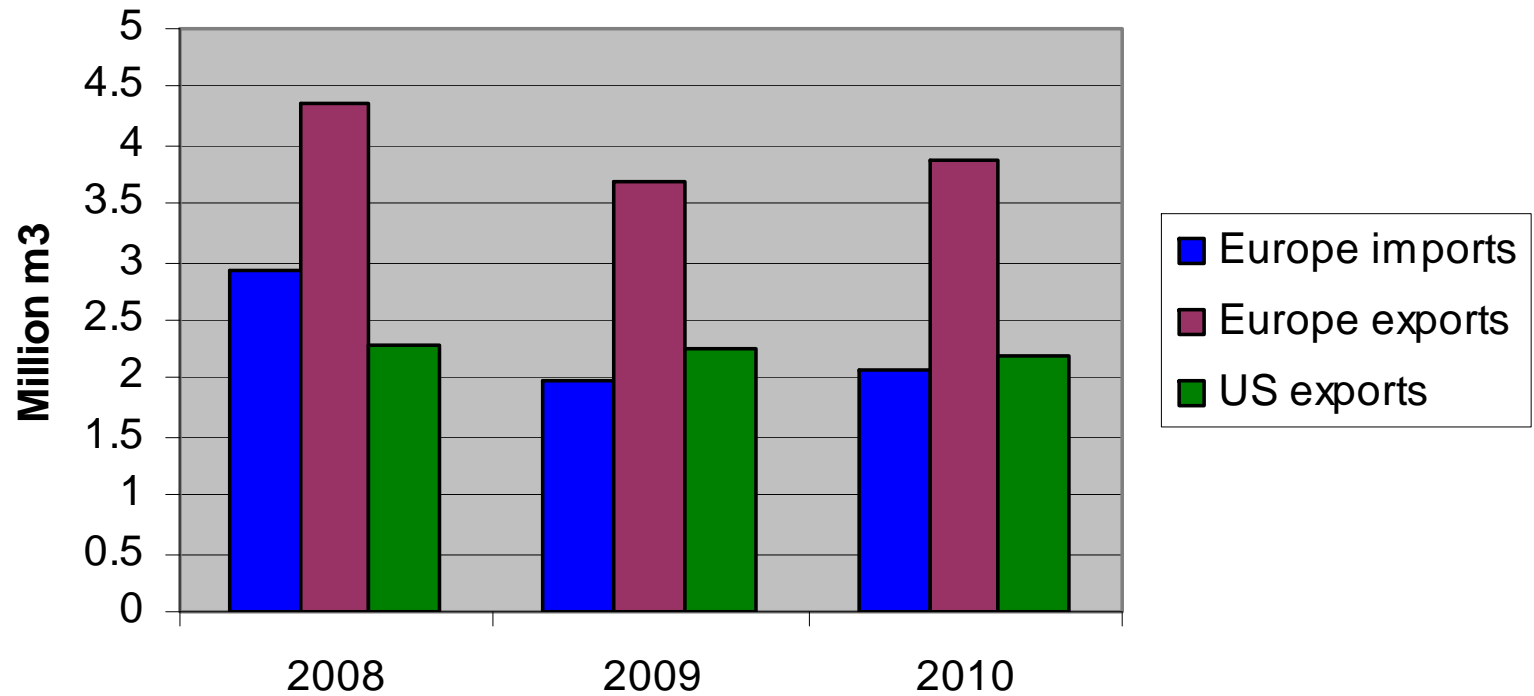
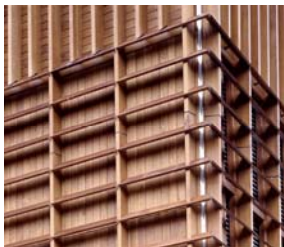


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Hardwood logs – Trade



Source: UNECE Timber Committee, October 2009

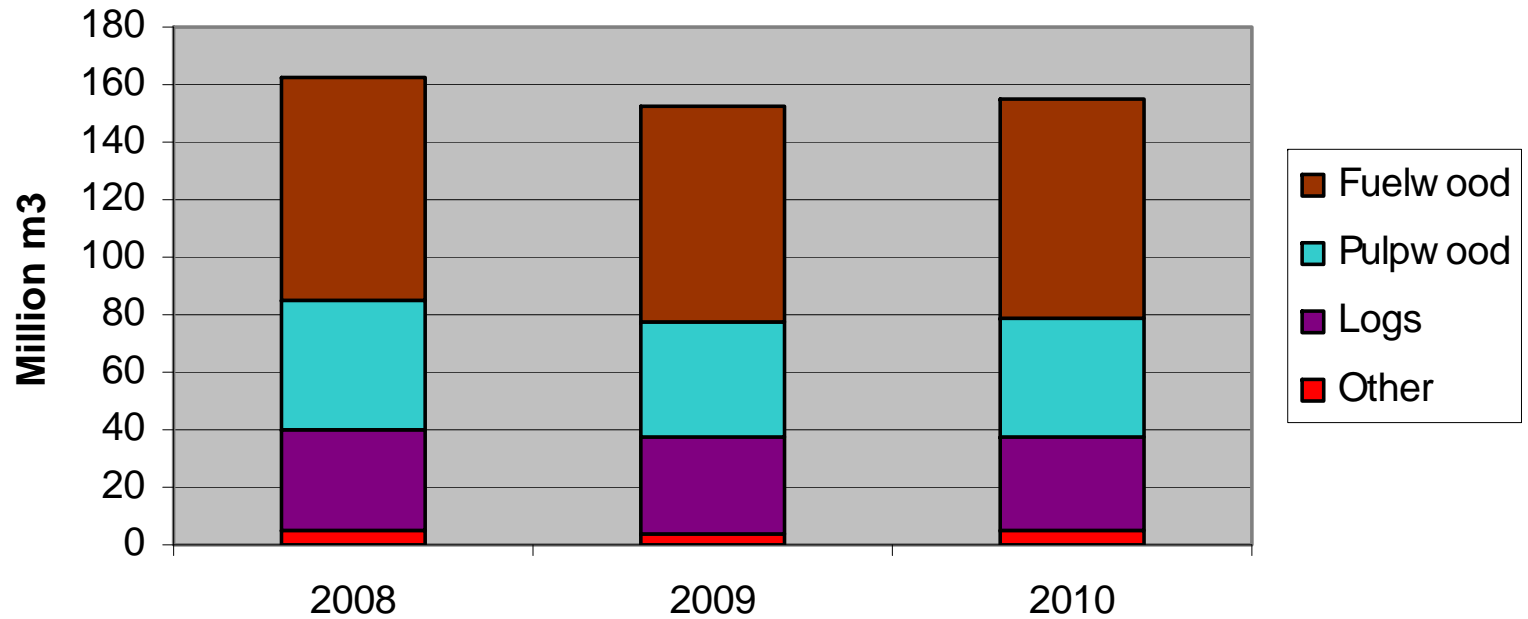
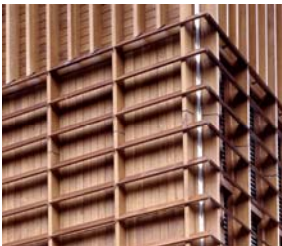


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European hardwood harvests



Fuelwood is over twice logs,
Harvests pushed by
renewable energy policies

Source: UNECE Timber Committee, October 2009

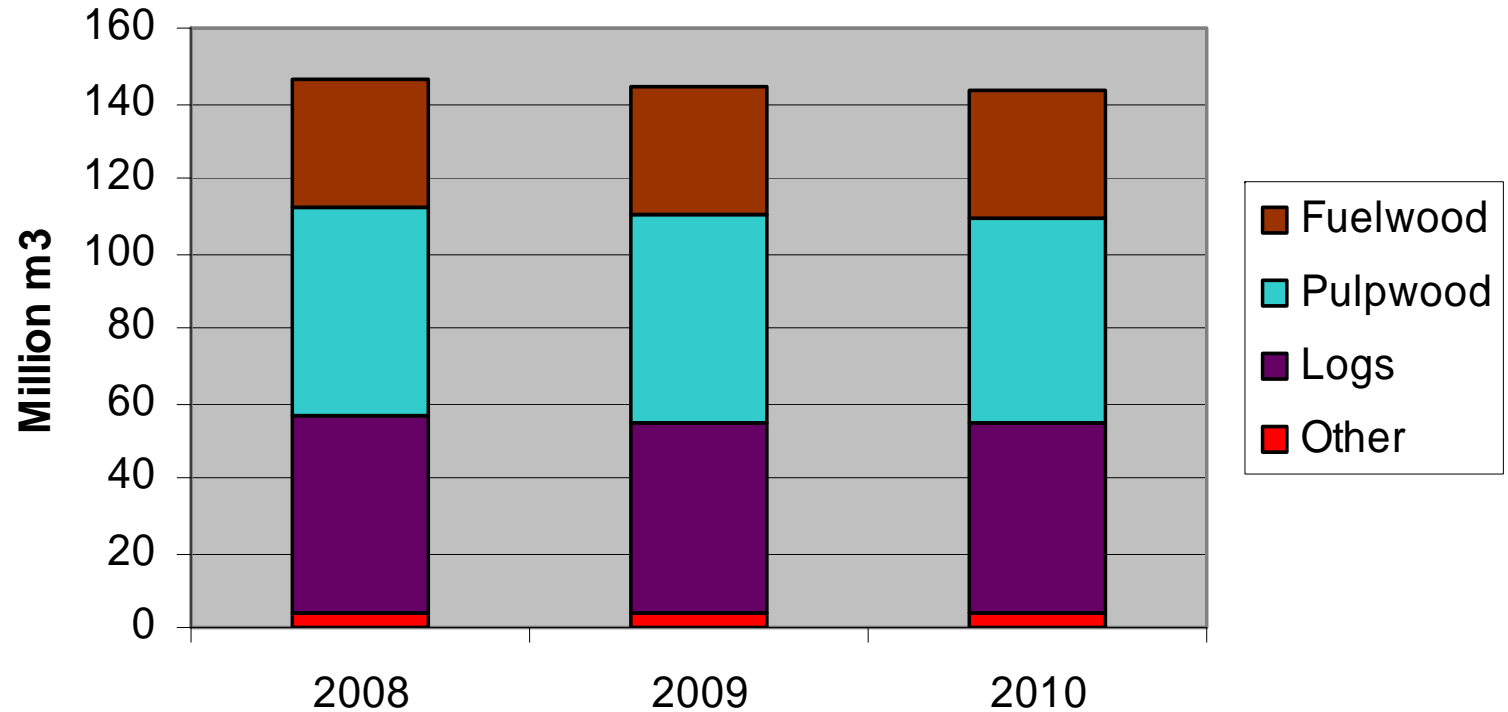
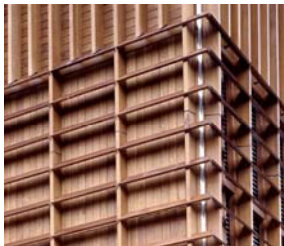


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US hardwood harvests



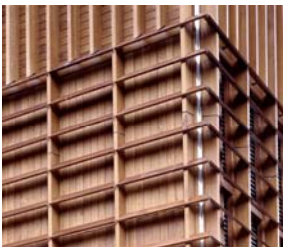
US harvests -1.1% 2010

Source: UNECE Timber Committee, October 2009



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Future trends

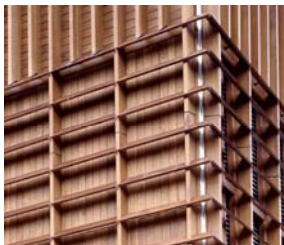


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Future trends



- Environmental issues becoming increasingly important
 - New timber procurement policies and the impact on the raw material supply
- Greenbuilding and issues of climate change, energy security and energy cost
 - LEED
 - BREEAM

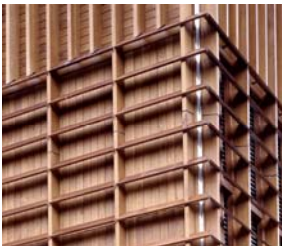


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Future trends



- Decline in demand could continue well in to 2010
- European furniture and joinery manufacturers may switch away from real wood in favour of alternatives
 - Long lead times
 - Difficulties in assessing future demand
 - Incentive to switch to materials more easily supplied on little-and-often basis
- European furniture manufacturers countering competition by focusing on high-end, high quality and high value products



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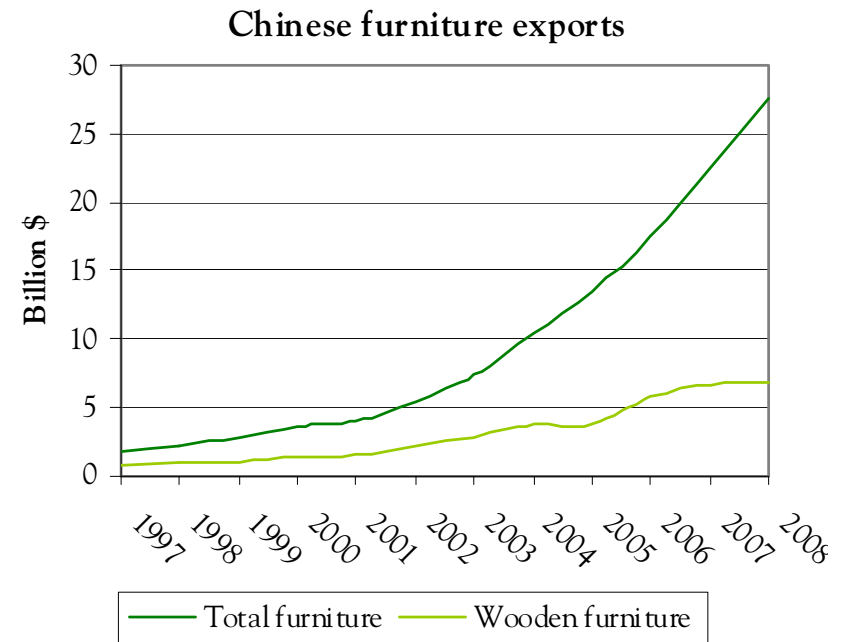
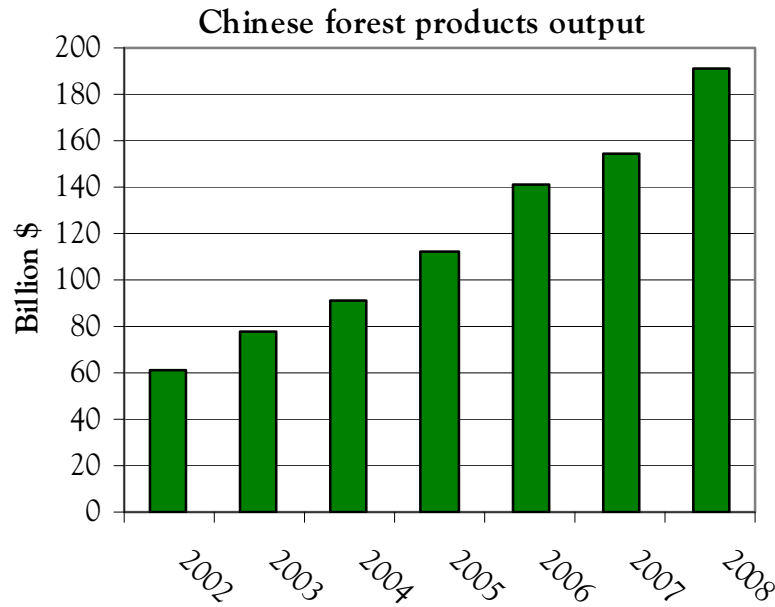
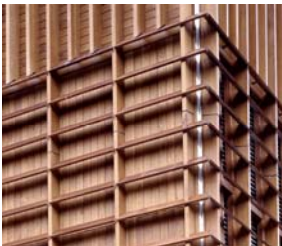




Future trends



- China's increasing influence
 - World's largest exporter of wooden furniture

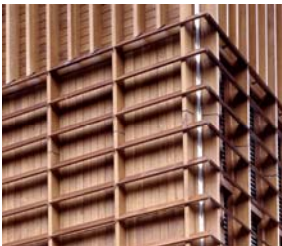


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Conclusions



- European hardwood markets forecast to improve in 2010
- US exports increasing at expense of domestic consumption
- Green building important driver – could get boost if carbon sequestration counted in “harvested wood products”
- Economic recovery precarious
- China and other southeast Asian countries impacting traditional hardwood markets

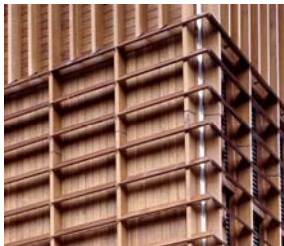


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Thank you!



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