Sawn hardwood market developments and forecasts

By Rupert Oliver
Forest Industries Intelligence Ltd.
United Kingdom
Overview

• Downturn in the hardwood industry deepened further throughout 2009
• Overall production across the UNECE region declined 5.9% to 39.2 million m3.
• Consumption across the UNECE region fell a further 7.2% to 38.5 million m3 in 2009
• Recovery underway, but it will be a long hard road
Europe - 1

- Production of sawn hardwood fell 5.7% to 12.9 million m³ across the European region in 2009
- Romanian production increased - demand boosted in export markets by strength of the euro against the lei
- Large declines in production in France and Germany
- Consumption of sawn lumber fell by 9.3% in 2009 due to slow demand in the furniture and parquet industries
- Oak consolidating dominant market position in European flooring and joinery sectors
  - Risk-adverse culture favouring readily available fashionable species
  - Application of oak extended through use of wide range of staining & other finishing techniques
  - Tropical timbers losing ground due to limited availability and development of innovative new products for external applications.

- Patchy signs of recovery in 2010
  - Rising prices as supply was curtailed
  - Short-term restocking rather than sustained rise in consumption
Europe - 2

UNECE Timber Committee and Society of Wood Science and Technology
Market Discussions, Geneva 2010
Europe - 3

Market Discussions, Geneva 2010

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North America -1

- Production down 5.4% & consumption down 5.8% in 2009
- Part of longer term trend
  - Production declined from a peak of 31.0 million m³ in 2000 to 23.2 million m³ in 2009
  - Declining markets as manufacturing industries moved off-shore
  - Increased substitution by cheaper panel and softwood products
  - Low awareness amongst smaller owners of the need and value of sustainable timber production
  - Logging professionals leaving the industry
  - Rising insurance costs, lack of credit and higher fuel costs
  - Environmental campaigns created negative perception of harvesting
  - Hardwood forest resource now seriously under-utilised.
- North American consumption and exports of sawn hardwood bottomed out by mid-2009 and began to improve in the second half of 2009
- Supplies tightened in 2009 and early 2010 leading to rising prices
- More supplies began to come on to the market in 2nd qtr 2010 easing upward price movement
Other market issues

- Emerging markets becoming major consumers
  - China to account for 50% of new residential construction by 2015
  - Declining availability of hardwood logs for export in Russian Far East and South East Asia
  - Generating new demand for imports of sawn hardwood

- Green Building Rating Systems
  - Gained momentum during 2009 and 2010
  - Boosted by political interest in climate change and green-tinged emergency public funding
  - Increasing need for hardwood suppliers to gather credible life cycle inventory data
  - Facilitate preparation of Environmental Product Declarations (EPDs)
Mr. Rupert Oliver
Forest Industries Intelligence Limited
The Little House
18 Church Street
Settle
North Yorkshire, UK  BD24 9JE
Tel/fax: +44 (0) 7553 346 410
www.sustainablewood.org
rjwoliver@btinternet.com