

Chapter 9

Sawn Hardwood – Consumption, Supply and Trade

Highlights

- Consumption of sawn hardwood in the ECE region rose in 1999, by 2.2%, due to high demand for furniture and construction-related uses as well as other uses, such as packaging and pallets.
 - Trade was at record levels in North America and Europe in 1999 and in early 2000 trade continued to accelerate.
 - North America and Europe each produced roughly 1 million m³ more of sawn hardwoods in 1999.
 - The windstorms which felled millions of cubic metres of hardwoods at the end of 1999 in Europe resulted in higher than normal levels of production and trade in 2000.
 - Following the 1998 economic crisis in Russia, the CIS continued to have weak demand and production of sawn hardwood, although exports rose slightly.
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9.1 Introduction

Overall the sawn hardwood markets in the ECE region have risen with construction-related demands for high-value hardwoods, as well as the need for low-quality sawnwood for pallets, crating and other non-appearance uses. This chapter analyses the developments in sawn hardwood markets in the ECE region as a whole and then in the individual sub-regions. Sawn tropical sawnwood is analysed separately in chapter 14. A separate analysis of secondary-processed wood products in chapter 6 describes the end uses, and indirectly, the demand for sawn hardwood.

The analysis is based on the statistics received from countries in the ECE region to whom we are grateful for this critical basis for the analysis. In addition, considerable material was drawn from secondary sources,

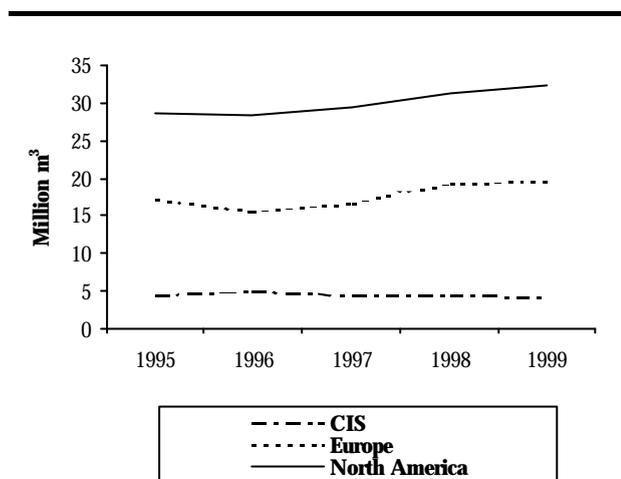
for example trade journals and websites. Lastly, personal contacts were made with country correspondents, trade associations and other experts in hardwood markets.

9.2 ECE market developments

Consumption of sawn hardwood rose by 2.2% to achieve a new record in the ECE region in 1999, with strong gains in Europe, by 3.0% and North America, by 2.7%, offsetting a 5.0% drop in the CIS (graph 9.2.1) (table 9.2.1). Trade was more active than in previous years as exports rose by 18.1% to a new height of 9.9 million m³, of which 5.3 million was in Europe. Imports in the region rose by 7.8% to a new high of 11.4 million m³. On much smaller volumes the CIS trade of sawn hardwoods improved for exports, rising 33.7% to reach 440,000, while imports fell by 4.5% to 107,000 m³.

GRAPH 9.2.1

Consumption of sawn hardwood, 1995-1999



Source: ECE/FAO TIMBER database, 2000.

9.3 North American market developments

The greatest volumes of sawn hardwood in North America are used for low grade uses like pallets, crating and railroad ties. Higher value uses are mainly for furniture, with smaller shares going into mouldings and millwork, cabinets and flooring. Both high and low value uses surged in 1999 with the strong economic developments.

In the United States, where consumption rose by 2.8% to a record 31.5 million m³, strength in all manufacturing sectors called for pallets and packaging from sawn hardwood. Production rose by 3.0%, to a third consecutive annual record of 33.9 million m³ (table 9.3.1). Approximately 90% of the United States production is consumed domestically and in mid 2000 the domestic market was strong from both new residential construction-derived demand, as well as remodelling. Sales of flooring, cabinets, furniture, millwork and other

TABLE 9.2.1

Sawn hardwood balance in the ECE region, 1995-1999
(Million m³)

	1995	1996	1997	1998	1999	Timber Committee estimates for 2000 *
EUROPE						
Production	13.86	12.76	12.70	13.63	14.58	14.90
Imports	6.80	6.22	7.34	8.19	8.68	8.69
Exports	3.31	3.35	3.73	4.35	5.30	5.47
Net trade	-3.49	-2.87	-3.61	-3.84	-3.38	-3.22
Apparent consumption	17.40	15.76	16.44	17.59	18.12	18.12
RUSSIAN FEDERATION						
Production	3.98	4.38	3.93	3.97	3.85	4.76
Imports	0.01	0.01	0.05	0.03	0.01	0.00
Exports	0.27	0.25	0.25	0.25	0.33	0.44
Net trade	0.26	0.24	0.20	0.22	0.32	0.44
Apparent consumption	3.71	4.14	3.73	3.75	3.53	4.32
NORTH AMERICA						
Production	30.44	30.65	31.28	32.89	33.85	33.94
Imports	1.59	1.45	2.12	2.25	2.58	2.63
Exports	3.26	3.55	3.89	3.68	4.13	4.14
Net trade	1.67	2.11	1.77	1.43	1.55	1.51
Apparent consumption	28.76	28.55	29.51	31.46	32.30	32.43

* = The Timber Committee's forecast trend from the September 1999 session was applied to the 1999 figure.

Source: ECE/FAO TIMBER database, 2000.

high-quality end products were strong in 1999 and 2000 (Hardwood Review Export as reported by www.hardwoodreview.com, 2000).

A growing share of the United States consumption is imported, some of which is tropical. In the last 4 years United States imports have tripled and in 1999 they rose by 15.5% to reach 2.6 million m³ (table 9.3.2). However import volumes are roughly half of exports.

With extensive hardwood forests and increasing sawmill capacity and productivity, the United States is a net exporter of sawn hardwoods. Some of that wood is reprocessed overseas or in Mexico or Canada, and then it is re-imported as furniture, cabinetry or semi-finished goods. United States exports rose by 11.5% in 1999 to a level of 2.8 million m³, but did not recover completely from the drop in 1998.

Primarily the higher grades of sawn hardwood are exported to Europe and a lower grade mix goes to Mexico and Asia. Lower grades contain fewer defect-free cuttings and thus require more processing time and labour costs. However lower-grade sawnwood is less costly and thus there is always a trade-off between labour and raw material costs.

The majority of the 1998 decline in exports was due to the Asian economic crisis. Evidently the partial recovery in main Asian export markets, like Japan, has not been fully reflected in a return to previous hardwood import levels from North America.

However volumes to China have been increasing and accounted for a 12% share of 1999 exports. The current trend is for lower grades and light coloured species such as tulipwood and basswood (Hardwood Review, 2000). Following the 1997/1998 crisis, United States exports to Japan stagnated at lower levels while those to China have more than doubled in volume (exports to Taiwan Province of China have been decreasing slowly over the last decade). In the first 5 months of 2000, exports of sawn hardwood to China grew dramatically, by 148% in value to reach \$23.7 million and by 136% in volume to reach 56,000 m³ (USDA Foreign Agricultural Service, 2000). For reference Canada was the primary export destination at \$180.0 million and Italy was second at \$50.7 million.

The main destination for the United States hardwoods is Canada with over a 35% share of the 1999 exports, up from 31% in 1997 (USDA Foreign Agricultural Service, 2000). The share to the European

TABLE 9.3.1
Production of sawn hardwood, 1996-1999
(Million m³)

	1996	1997	1998	1999	Change 1998 to 1999	
					Volume	%
EUROPE	12,760	12,704	13,633	14,584	951	7.0
of which :						
France	3,094	2,807	3,023	3,050	27	0.9
Turkey	1,766	1,801	1,889	1,935	46	2.4
Germany	1,144	1,048	1,165	1,559	394	33.8
Italy	900	963	900	900	0	0.0
Poland	780	900	1,080	1,120	40	3.7
Romania	769	746	744	973	229	30.8
Croatia	484	505	522	519	-3	-0.6
Slovakia	203	266	420	405	-15	-3.6
Czech Republic	305	293	327	333	6	1.8
Other countries	3,315	3,376	3,563	3,790	227	6.4
Russian Federation	4,383	3,925	3,970	3,850	-120	-3.0
Canada	1,000	835	1,027	1,051	24	2.3
United States	29,650	30,444	31,860	32,804	944	3.0
NORTH AMERICA	30,650	31,279	32,887	33,855	968	2.9

Source: ECE/FAO TIMBER database, 2000.

TABLE 9.3.2
Exports and imports of sawn hardwood, 1996-1999
(1,000 m³)

	1996	1997	1998	1999	Change 1998 to 1999	
					Volume	%
EXPORTS						
EUROPE	3,346	3,726	4,352	5,302	950	21.8
of which:						
France	558	576	552	571	19	3.4
Germany	304	365	446	510	64	14.3
Romania	331	325	333	423	90	27.0
Slovakia	106	195	290	381	91	31.3
Poland	228	296	297	315	18	5.9
Hungary	150	163	250	258	8	3.1
Italy	45	103	125	237	112	89.6
Austria	160	115	110	135	25	22.7
Netherlands	142	123	137	126	-11	-7.9
Slovenia	114	103	106	109	3	2.5
Other countries	1,208	1,363	1,706	2,238	532	31.2
Canada	859	1,003	1,178	1,339	161	13.6
United States	2,692	2,890	2,502	2,790	288	11.5
NORTH AMERICA	3,551	3,893	3,680	4,129	449	12.2
IMPORTS						
EUROPE	6,217	7,339	8,187	8,682	496	6.1
of which:						
Italy	1,576	1,760	2,021	2,120	99	4.9
Germany	553	852	775	859	84	10.8
Netherlands	583	542	605	840	235	38.8
France	535	601	600	640	40	6.6
United Kingdom	575	611	479	504	25	5.1
Portugal	144	161	187	223	36	19.1
Austria	165	192	199	218	19	9.5
Sweden	109	106	123	166	43	35.3
Other countries	1,977	2,514	3,198	3,113	-85	-2.6
Russian Federation	8	46	26	9	-17	-65.4
Canada	928	1,027	954	1,083	130	13.6
United States	518	1,096	1,295	1,496	201	15.5
NORTH AMERICA	1,446	2,123	2,249	2,579	331	14.7

Source: ECE/FAO TIMBER database, 2000.

(graph 9.3.1). In 2000, despite the strong dollar compared to the euro, exports to the larger EU imports increased both in the euro zone countries (by 17% to \$51 million to Italy, by 24% to Spain, by 13% to France, by 37% to the Netherlands, by 18% to Portugal and by 56% to Ireland) and to EU countries outside the euro zone (by 17% to \$43 million to the United Kingdom, by 27% to Sweden and by 42% to Greece).

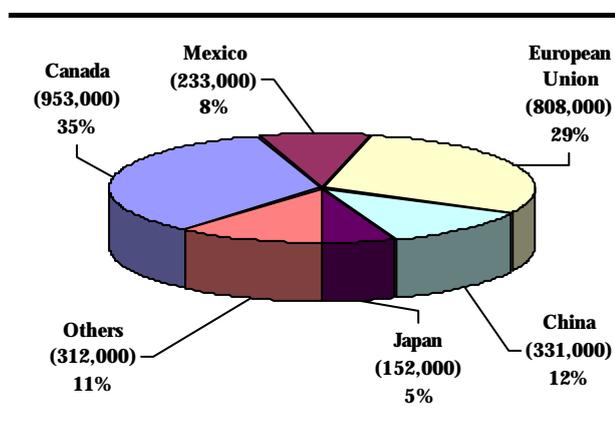
United States exports to Germany in the first 5 months of 2000, the sixth most important market, were down sharply by 20% in value to \$27 million (USDA Foreign Agricultural Service, 2000). Perhaps part of the decline is because of the surplus, low-cost sawnwood processed from the 1999 storm-felled timber. However German sawn hardwood imports are increasingly from central and eastern European countries (hardwoodmarkets.com, June 2000).

Transportation costs are climbing in 2000 due to, among other reasons, higher oil prices. If United States exporters find shipping via Canada to be advantageous, there could be increased difficulty in identifying the true origin of exports from North America and further questions about the volumes, values and trade flows. More sawnwood will be transported kiln dried due to savings of weight – 3 truckloads of dried sawnwood would have the same transport cost as 2 truckloads of green sawnwood (Hardwood Review Export, 2000).

Canadian consumption of sawn hardwood has been falling over the last 5 years, although the drop in 1999 was insignificant, possibly indicating an end to the trend. Canadian production and consumption were 1.1 million m³ and 0.8 million m³ respectively. The

GRAPH 9.3.1

United States sawn hardwood export destinations,
1999
(m³)



Source: USDA Foreign Agricultural Service, 2000.

excess is exported, along with another approximately 1 million m³ in transshipments from the United States.

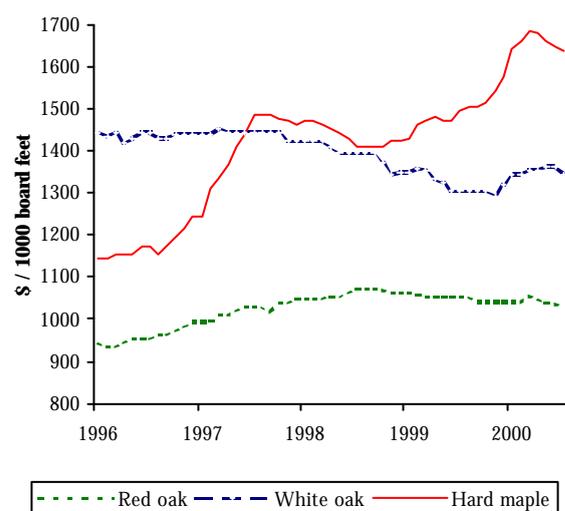
Prices of hard maple sawnwood responded to demand for furniture, cabinetry and flooring and rose strongly in the United States in 1999 (graph 9.3.2). Purchasers predominantly prefer “white” hard maple, which comes only from the sapwood. Larger diameter maples have more sapwood but are lesser in number, hence the rising prices. The 1 common grade of red oak is used in furniture, millwork, turnings, machine carvings and other uses where the longest, defect-free lengths are not needed. From a peak in 1998, the price has been generally falling, partly because new production capacity has produced more than the corresponding domestic demand.

Export markets generally take the highest grades on North American hardwoods, especially in Europe where manufacturing labour costs are high for processing sawnwood into further products. In the case of white oak, one of the most highly demanded species for the European market, the price for the FAS grade, the most defect-free grade, have been generally falling, despite a small rise in early 2000.

Prices for United States cherry climbed higher in 1999 due to the continued harvest moratorium in the Allegheny National Forest, a key source for high-quality cherry logs (Timber & Wood Products, 2000). In spite of the fact that growth exceeds removals by 70% in the

GRAPH 9.3.2

United States sawn hardwood prices, 1996-2000



Note: All kiln-dried, 4/4 (2.5 centimetre) thick. Red oak and hard maple are 1 common grade and white oak is the highest FAS grade.

Source: Hardwood Review, 2000.

United States hardwood resource, some eastern National Forests are coming under pressure to reduce harvests (American Forest and Paper Association, 2000).

In 1999 the exports of several species to Europe expanded significantly, especially ash, up 47%, hard maple, up 18%, walnut, up 44%, cherry, up 3%, and tulipwood, up 6%. In contrast, red oak shipments declined by 35% (American Hardwood Export Council, 2000). The United States also exported 58% more flooring and considerable volumes of flooring manufactured in Europe employ United States species.

9.4 European market developments

In Europe the consumption of sawn hardwood rose by 3.0% in 1999 to reach 18.1 million m³. This is in line with the trend for the last 4 years and it was forecast by the Timber Committee to continue in 2000, although at a slower rate. At 18.1 million m³ in 1999, consumption remains well below the levels at the beginning of the 1990s, i.e. near 22 million m³. As in North America, residential and non residential construction was driving demand for sawnwood for mouldings and millwork, as well as furniture. The barrel industry continues to consume increasing volumes of white oak for European vinicultures as well as exports to the United States, South Africa, Australia and other wine producing countries.

Production of sawnwood rose strongly, by 7.0%, with more than half of the increase coming from Germany, which showed a 33.8% production increase from 1998, to reach 1.6 million m³. France, the largest producer of sawn hardwoods in Europe had little increase. However with the windstorms at the end of 1999, both countries could show increased production in 2000. Based on higher export volumes in the first quarter 2000, production could be assumed to have increased.

Production also increased in a number of central and eastern European countries, among which, Croatia, Estonia, Latvia, Lithuania, Poland and Romania. Most of these countries have also reported increased furniture production and exports, primarily to western Europe. It is important to note that apparent consumption is not always true domestic consumption, especially where sawnwood is processed into value-added products for export, such as mouldings. Production in Turkey continued to climb, by 2.4% to reach 1.9 million m³, a volume which ranks second in Europe behind France and ahead of Germany.

Trade in 1999 was active in Europe, although the 22% increase in exports, of which over a third was from

Belgium and Luxembourg, could not be confirmed.¹ Thus the exact level should be less than reported here. Nevertheless, as only a few European countries reported fewer exports in 1999, e.g. Denmark, and most exported more, it is certain that exports increased by double digits. In the Review "exports" are both within Europe and to destinations outside. Many European exporters have established market share in Asia where beech is still in high demand, not only for sawnwood, but also for logs and veneer.

European imports of sawnwood rose strongly too, by 6.1%, consistent with the trend of higher apparent consumption. Italy represents almost a quarter of Europe's hardwood imports (mostly temperate, but roughly 10% was tropical) and imports rose by almost 5% to a record 2.1 million m³. Early reports in 2000 indicate that both sawnwood and logs from storm damaged timber in France, Germany and Switzerland have been flowing heavily to Italy.

In the United Kingdom, despite greater imports in 1999, stocks were reported to be low in 2000, leading to price volatility (Tropical Timbers, now hardwoodmarkets.com, 2000). United Kingdom imports climbed 25% in 1999, to reach 504,000 m³, but not recovering from the drop in 1998. Tropical sawnwood and roundwood imports together fell by 8% in the United Kingdom in 1999 (Tropical Timbers, 2000). While still small, volumes of sawn sawnwood are being imported from central and eastern European countries, some of which is being transhipped from Russia and Ukraine.

In 1999 tropical sawnwood imports rose strongly, by over 10% to reach 1.6 million m³ in Europe, mainly in the Netherlands. Tropical timber, especially plywood, but also some species of sawnwood, has been priced lower since the Asian economic crisis. While not based on conclusive evidence, some of the increased tropical imports could stem from consumers feeling better about purchasing tropical timber since certification systems have been initiated to ensure sustainable forest management. ITTO, Comtrade and Comext report a continued rise in imports of value-added tropical products. The current fashion in Europe during the summer of 2000 is lawn and garden furniture made from tropical species such as teak.

In 2000 the demand for United States hardwoods continued to be robust due to continued recovery in Asia,

¹ Belgium and Luxembourg responded to the trade questionnaire for 1999, but not for 1998. Thus there is a possibility that the old values are not consistent with the new submission, hence the large jump in European exports. In addition the definition in the questionnaire of "non-coniferous sawnwood" changed slightly, which may also be a factor in this large jump in exports.

sustained exports to China and “bullish” markets in Europe (Timber & Wood Products, July 2000). Demand for furniture (wood and non-wood) rose in the United Kingdom by 14.2% in volume and sales were up by 12.7% during the first quarter 2000 (United Kingdom statistics as reported by TTJ, July 2000). Domestic manufacturers were losing market share to imported furniture which increased by 47% in value and 58% in volume in the first quarter of 2000 compared to the first quarter 1999. United Kingdom furniture exports increased in value by 8% in early 2000 but decreased by 13% in volume. These changes in trade patterns can partly be explained by the relatively strong pound sterling.

As in North America, one of the current, strong demands in Europe for sawn hardwood, specifically in strips or friezes, is for fabrication of wood flooring. Demand for non-allergenic flooring, due to health promotions in countries like the United Kingdom, where approximately 90% of households have some carpeting, have led to the creation of the Healthy Flooring Network (Timber & Wood Products, July 2000). There have been capacity increases in flooring manufacturing in Europe, along with mergers and acquisitions. All of these developments have resulted in increased production of parquet (hardwood and softwood) in Europe (graph 9.4.1). Some 86% of the wood flooring production is some form of laminated wood and 14% is solid wood (L'Echo des Bois, July 2000). Most of the flooring is produced in the Nordic countries, Germany, France and

Italy and it is consumed in Germany, Italy, Spain, France and Austria.

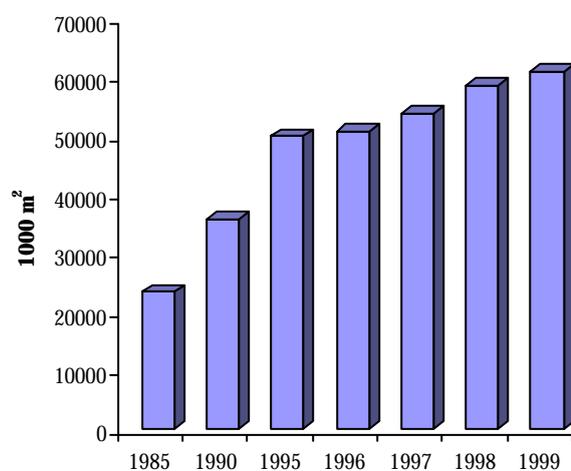
The prices of sawn hardwood in Europe show no correlation between countries when viewed on a macro level. The mix of grades included in the indices disguises the real price changes within the species. Beech sawnwood prices exhibit opposite trends in Germany and France over the past 5 years until 1999 (graph 9.4.2). However since mid 1999 the beech prices were falling in both countries and the drop accelerated in 2000.

The windstorms felled 193 million m³ of roundwood (hardwood and softwood combined) as described in chapter 3, and the price of sawlogs, especially beech, fell by 30 to 40%. However there was not the same effect on sawn hardwood prices. In contrast, some sawnwood prices were rising in 2000. The only species of high-quality sawnwood showing a drop in price was beech, perhaps because of a temporary overproduction to process the sawlogs before the onset of stain (Forêts de France and L'Echo des Bois, June, 2000) (table 9.4.1).

The rise in prices for sawnwood at a potential time of oversupply due to the huge volumes of roundwood available due to the storms is due to continued strength in residential and non-residential construction in Europe. However in mid 2000 there were signs of a slowdown in residential construction as building permits and housing starts fell in France, although the non-residential construction appeared not to have weakened (L'Echo des Bois, June 2000).

GRAPH 9.4.1

Parquet production in Europe, 1985-1999

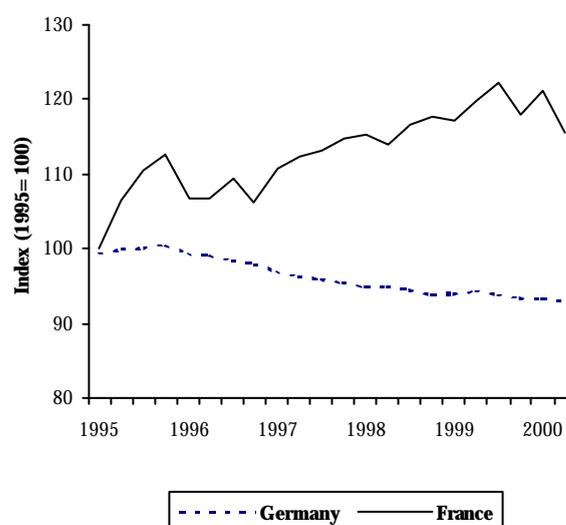


Note: Hardwood and softwood combined

Source: Fédération Européenne de l'Industrie du Parquet, 2000.

GRAPH 9.4.2

French and German beech sawnwood prices, 1995-2000



Sources: Statistisches Bundesamt; Centre d'Etudes de l'Economie du Bois, 2000.

TABLE 9.4.1

Sawn hardwood prices in France, 2000

Species	Price range (French francs per m ³)	Change January to April 2000
Oak	3175-5410	-0.4 to +2.8%
Beech	1715-2380	-3.5 to -4.6%
Poplar	1665	minor

Note: Price varies by quality and size.

Sources: Forêts de France and L'Echo des Bois, June 2000.

The Timber Committee forecast a large increase in exports in 2000, by 3.2%, supported by a 2.2% rise in production in Europe. However as these forecasts were made 3 months before the catastrophic windstorms, the sawnwood production and trade could be much higher in 2000 as suggested by early trade reports.

9.5 Russian Federation market developments

As was the case for softwood, sawn hardwood consumption fell, by 5.8%, erasing the gains made in earlier years. Of the 4.2 million m³ consumed, most is from domestic production as imports are minor. Exports from the Russian Federation are also small, but they increased by 31.7% in 1999 to reach 440,000 m³. The Timber Committee forecast that consumption would begin to recover in 2000, as well as production, and that exports would continue rising.

9.6 Conclusion

Markets for sawn hardwood were active in 1999 with consumption, production and trade at record levels in the ECE region as a whole, but not at highest levels in all countries. Storms felled millions of hardwood trees in France, Germany and Switzerland in December 1999 with a direct impact on roundwood but not sawnwood markets, in 2000. Trade in hardwoods was stronger than forecast in Europe in mid 2000. In North America records were set in 1999 for consumption, production and trade and in mid 2000 the early reports were for even higher volumes in 2000.