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WOOD PROMOTION IN GERMANY – A JOINT INITIATIVE OF FORESTRY AND THE WOOD-BASED INDUSTRY SINCE 1990

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ABSTRACT

The German Timber Sales Promotion Fund Act came into force on 20 December 1990[1]. The Timber Sales Promotion Fund[2], established on the basis of this regulation, meets the statutory task of centrally marketing the sale and use of wood products originating from German forestry enterprises and the wood processing industry (such as sawmills, veneer plants and plywood factories), whilst taking into consideration international trade rules. For the purposes of the Fund, about € 11 million are made available annually that are levied as charges on the enterprises mentioned above (8 per mill of saw log sales).
With this approach, policies at both national and European level have recognised the need for implementing a central marketing tool for the forest and timber sector in order to efficiently support

- a better understanding of multifunctional sustainable forest management (SFM) and
- the sound use of wood as one of the most important renewable raw materials with outstanding ecological benefits.

The mobilisation of existing reserves of raw materials in forests is also a major aim.
An initial image campaign for SFM and wood products (launched in 1994), followed up by a marketing offensive "Pro active timber" in 2001, constitute important elements of the public relations and advertising campaigns for the Fund.
Apart from these principal measures, specific market and marketing investigations, expert advice for timber construction or product research projects number among the major activities of the

[1] German Federal Law Gazette BGBl. I p. 3130
[2] Contact: http://www.holzabsatzfonds.de

Fund. The focus is currently on measures designed to stabilize the market position of timber as a structural and basic material and to expand this position in the long run.
The successful development of this special wood promotion instrument may become an increasingly decisive element in convincing consumers of the manifold advantages of SFM and wood as an ecologically-friendly natural product. It may also become more important to pool existing potentials in small and medium-sized forest and timber enterprises to boost their competitive strength vis-à-vis products made of non-renewable materials.

Key words: wood promotion, Timber Sales Promotion Fund, marketing instruments, competition between wood and non-renewable raw materials

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INTRODUCTION

As an industrialised nation with high resource consumption and as one of the rich countries in the world, Germany bears a particular responsibility to manage its natural resources in a sustainable and socially compatible way.

On the one hand, forests form large-scale, coherent, close-to-nature ecosystems. Especially in areas with few forest cover, they serve as refuges for many species whose non-forest habitats are more or less impaired. On the other hand, it is vital for maintaining the conservation of stability, productivity and functional diversity of forests that the economic viability of forestry enterprises is ensured.

Against this background the German Timber Sales Promotion Fund should not only be regarded as an effective marketing tool for increased wood demand but also as a bridging instrument to close the information gap between public and the whole wood-chain, taking into account ecological, economical and social requirements.

FRAMEWORK CONDITIONS FOR THE SALE OF WOOD

What are reasons for policy makers in a market-based economy to support the joint initiative of the forestry sector by creating the German Timber Sales Promotion Fund Act of 1990? Some aspects are mentioned below, underlining the motivation to support the forestry sector in public information, wood promotion and advertising activities.

- **Unfavourable structures and increasing influence of global competition**

Almost half of Germany's forests is privately-owned, one third is owned by state and one fifth is owned by municipalities. Many of the 1.3 million private owners hold less than 50 hectares of forest area (most of them even below 1 hectare). So forest management is hampered to some extent by unfavourable ownership patterns, small sizes of forests and fragmentation of forest enterprises.

The some 60,000 enterprises of wood processing industry, paper industry and timber trade employ around 700,000 people. The larger ones are concentrated on individual, capital-intensive fields. In spite of the progressing structural changes and a tendency towards larger business units, the wood-based industry as well as the timber trade in Germany are still marked by a comparatively low degree of concentration. So the average forest or sawmill owner is not in the position to finance prmotional campaigns on their own.

Additionally the whole forest sector is under economical pressure. With production periods of up to several hundred years, the forestry sector, compared to other industries, has only limited possibilities of exactly gearing qualities and quantities towards the requirements in an increasingly global market. At the same time, the largely liberalised timber market has no regulating or compensating mechanisms comparable to those in the agricultural sector.

Therefore, market fluctuations and disturbances always have a direct impact on timber prices and thus also directly on the income of forestry enterprises. The given conditions of production make it also more difficult to take measures aimed at a cost reduction. This means e.g. the limited mechanisation possibilities compared to industrial operations, a large number of different work places, the large area per worker, the very diverse working conditions (terrain, climate, structure of stands) and the seasonal fluctuations of the work volume.

Despite considerable annual fluctuations, on an average the nominal proceeds from wood sales have remained almost virtually constant over the past decades. However expenditure has risen continuously, particularly because of higher labour costs. This resulted in a trend of decreasing net returns, partly even causing deficits.

So one main problem of wood promotion is fund raising in a highly fragmented industry structure. But growing requirements in close-to-nature forestry and increasingly tough market conditions of global markets underline the need for action to improve the situation.

- **Make better use of environmental effects of forests and wood products**

The use and application of wood products offer a number of ecological benefits which are of considerable importance in view of resource policy and climate change. If forests are managed in a sustainable way, wood is an extremely favourable raw material. Its utilisation does not lead to a depletion of resources. Besides compared with many other materials, it is extremely versatile due to the diversity of wood species and assortments.

Wood can serve as an example for the implementation of a nearly closed product-cyle, starting with sunlight as main production factor of trees and ending with back-to-nature of the wood fibers or comparably small amounts of ash volumes after energy generation (e.g. recovered wood or wood products at the end of their life-cyle). The whole cycle includes low energy requirements for manufacture and low pollution effects compared to materials originating from fossile or mined resources.

The threat to the global climate by the anthropogenic greenhouse effect is a central issue of national and international environmental policies. The main cause is the rising concentration of carbon dioxide in the atmosphere ensuing especially from the combustion of fossil energy sources and the large-scale destruction of forests worldwide. Countermeasures, such as the intensified use of renewable resources, must therefore tackle these causes.

In spite of their environmental benefits, wood products and bioenergies are severely faced with replacement by competing raw materials, such as concrete, steel, brick, plastics or oil, for decades. In this context it is striking that differently from discussions about certification of wood products, there is evidently no need up to now for wood competitors to certify their products in a similar way!

An offensive strategy to enlighten the general public on the manifold advantages of sustainable forest management and wood as a natural raw material is necessary to influence the competitive climate in favour of wood products.

- **Bridging the information gap in sustainable forest management and wood utilisation**

Additionally some people seem to reject forestry in general, making no difference between sustainable forest management and forest destruction taking place in some regions of the world. Although wood as natural raw material is widely accepted, they believe that forest management measures automatically mean jeopardising the rules of sustainability and that there is not enough raw material in our forests for increased removals. What are the facts?

- Forests as one of the most important natural resources are habitats of high ecological, social and economic significance. They combine ecological functions with recreational and protective effects in the densely populated cultural landscape of Germany. To maintain the manifold functions of forests in the long run, Germany's forest management has been based on the principle of sustainability for centuries, continuously refining towards sustainable management of all forest functions in an increasingly ecosystem-oriented approach.

- Over 90% of the income earned by forestry enterprises is based on the sale of roundwood. So the key market product of forestry is still wood, which also chiefly serves to finance the recreational and protective functions of forests. Therefore the sound and rational use of wood as natural resource is as much matter of concern to society as the conservation and healthy development of the forests.

- In real terms there are far less fellings than regrowth in Germany. Forests cover about one third of the national territory. Despite conversions for construction and settlement, for example, the forest area has been expanding since 1960 by around 500,000 ha to 10.7 million ha today. With an average of 270 m^3/ha (solid cubic metres), Germany even takes a leading place in Europe with respect to its growing stock.

- Whereas current annual fellings in Germany account for only 3.7 m^3/ha, the potential and sustainably usable roundwood availability is 5.7 m^3/ha. Therefore, only about 70% of the felling potential is exhausted. Especially in smaller private and municipal forests, a considerable stock and increment potential is still unused.

Facts like these are important to be efficiently prepared for information of the general public, decision makers and investors as one basic requirement to enlarge wood market's share at the expense of competing materials.

THE GERMAN TIMBER SALES PROMOTION FUND

A central instrument to improve understanding of these connections and to promote the sound use of wood is the Timber Sales Promotion Fund, established on the basis of the Timber Sales Promotion Fund Act. This regulation came into force on 20 December 1990 and meets the statutory task of centrally marketing the sale and use of wood products originating from German forest enterprises and the wood processing industry (such as sawmills, veneer plants and plywood factories), whilst taking into consideration international trade rules.

The Fund aims at

- maintenance and development of wood markets with modern methods and means,
- promoting the utilisation of forest products by increasing public awareness and
- positioning of wood as environmental-friendly and competitive renewable raw material.

With this approach, policies at both national and European level have recognised the need of implementing a central marketing tool for the forest and timber sector in order to efficiently support

- a better understanding of multifunctional sustainable forest management,
- the sound use of wood as one of the most important renewable raw materials and energy sources with outstanding ecological benefits and also
- the mobilisation of steadily growing reserves of raw material in our forests.

For the purposes of the Fund, about € 11 million are made available annually that are levied as charges on forestry enterprises and the wood processing industry, such as sawmills, veneer plants and plywood factories (8 per mill of saw log sales). The charges are collected centrally by the Federal Agency for Agriculture and Food[3], also an institution under public law.

The annual expenditures of the Fund are structured in 5 main areas:

- market surveys and sales promotion (28%),
- specialist advice (23%),
- research and development (23%),
- public relations, media and advertisement (22%),
- trade fairs and exhibitions (4%).

[3] Contact: http://www.ble.de

These activities are primarily designed to maintain existing business relations and establish new links and to form a successful marketing mix.

- **Market surveys for improved sales promotion**

The Fund's work is accompanied by some evaluation work to experience reactions of foresters, wood workers and customers on on major market developments as well as on weak points of marketing action for necessary reactions. Market surveys and polls yield important information on trends associated with wood as a raw material for building construction and other purposes (e.g. Do-it-yourself, furniture, bioenergy). They provide an important basis for constant promotion work and for the development of innovative new timber products. On basis of the results the Fund supports local and regional activities in Germany and abroad.

- **Specialist advice**

In order to increase the use of timber in the construction sector, basic information is published regularly and sent to architects throughout the country. Interested parties can obtain further information and advice from experienced architects and engineers, located in each of the 16 Federal States. Both the general public and the opinion leaders as well as journalists, architects, engineers or prospective builders are addressed in this context.

- **Research and development**

The Fund also promotes research and development in order to support the predominantly small and medium-sized enterprises making up the forest and wood processing sector. The results are published to the trade in order to open new market opportunities. Important subjects are e.g. life-cyle-analyses, building construction techniques, low-energy solutions for wooden houses, timber quality, standardisation rules or energy generation.

- **Public relations, media and advertising**

An initial image campaign for sustainable forest management and wood products (launched in 1994), followed up by a marketing offensive "Pro active timber" in 2001, constitute important basic elements of the general public relations work and advertising campaign of the Fund.
Presenting timber as most important renewable raw material is main objective of the advertising and public relations work on regional and local level. The focus is currently on measures designed to stabilize the market position of timber as a structural and basic material and to expand this position in the long run.
Advertising efforts focus on specific campaigns on television and radio as well as in the print media. The internet has also brought many new and at the same time cheap opportunities for information transfer. The Fund also offers an overall information webside to draw the attention of potential and ecologically-aware timber users to this raw material[4].

- **Trade fairs and exhibitions**

Regional events, exhibitions and trade fairs are used by the Fund to inform the public about the German system of sustainable forest management as well as about timber as suitable raw material for building-construction and other purposes (e.g. the well-known wooden roof construction at

[4] Contact: http://www.infoholz.de

the EXPO 2000 area in Hannover). An actual example is the execution of special campaigns at the International Garden Show in Rostock (April - October 2003)[5]. In addition, the Fund supplies exhibitions systems and campaign materials in support of numerous local events organised by the forest and wood processing industry.

DEVELOPMENTS AND OUTLOOK

In the following some results are presented focussing on one of the most important fields of action - the building sector. This sector includes, in its broadest sense, all conceivable wood products inside and outside a house (including flooring, furniture, garden equipment, fences etc.). As in the past this sector will further on exert a great influence in timber sales. About 2/3 of annual forest cuts are estimated to go towards this economic sector in the form of sawnwood, boards or construction elements.

- **Looking back**

In contrast to the building industry as a whole, prefabricated building construction (dominated by timber) was able to achieve better results over a period of time. German associations and marketing experts speak about a "sector-specific boom" for timber construction. During the past decade (1991 – 2000), overall timber-frame housing construction increased substantially in Germany (artisanal and industrial manufacturing). In this time period the number of annually completed timber houses rose from 8,000 up to 35,000 dwelling units. This development resulted in expanding the market share of timber houses from 7% to about 15%.

On the one hand this is attributed chiefly to the fact that the timber industry had backed the supply of energy-efficient houses at a very early stage. In this area wood is able to make use of its excellent properties in terms of heat protection.

On the other hand inquiries of the Fund (e.g. Survey on Image Profile Wood 1999, Investment Decisions in private House-builiding 2002) point at a large potential in favour of wooden houses. About 40% of customers can imagine to live in wood buildings! However, another result of some polls is that there are many of them changing opinion during the project phase towards competitive materials.

So it is clear that in spite of partially hopeful results of the surveys, there is a lot of challenging work left for marketing and promotion.

- **Looking ahead**

The activities of the Fund are also of vital interest for the forestry sector taking into account that estimations about future developments in Germany's building sector on basis of demographic scenarios indicate a significant downturn of customer demand (beginning in 2010)! Reasons are,

[5] Contact: http://www.iga2003.de

amongst others, increasing numbers of single-households as well as the decline in population. The consequences are quite clear. Market volumes in the building sector will more and more tend to drop with the result of increasingly tough competition and substitution effects.

There is another szenario motivating for intensified wood promotion in Germany. The annual total consumption of wood and wood products (including paper) currently amounts to about 1.1 m3 (roundwood equivalent) per capita. In some regions of the world the respective volume is twice. Because of the steadily growing wood potentials in our forests there is enough space for further action of the Fund. The aim is to prepare the floor for a renaissance of wood in the 21st century.

Against this background the Fund concentrates future action especially on

- securing a high standard of production quality in wood building construction (including voluntary internal/external supervision of the enterprises) and setting up “quality pools”,
- considering the growing importance of modernisation and renovation for wood consumption (at the moment the modernisation sector makes up about 52% of the overall annual construction volume)!
- accelerating the development of innovative construction techniques e.g. in view of timber frame construction or prefabricated houses (also including strategies in raw material combination),
- strengthening promotion and marketing activities taking into account the consumers requirements (e.g. improving customer attendance from plannung until moving into the new house).

Future strategies of the Fund also deal with international cooperation. First steps are to develop a European Wood Magazine and to intensify environmental communication with partners in several european countries. The so-called “SWOT-Study” (Strenghs-Weaknesses-Opportunities-Threats) on competitiveness of the EU forest-based and related industries of the European Commission points to the fact that there is a strong need for wood marketing and promotional action like this. The following extract from this study specificates possible links to this item:

Strengths:	Sustainable and expanding raw material base
	High quality products and services
	Strong environmental performance
Weaknesses:	High input cost factors
	Lack of forest/wood cultural consciousness
	Fragmented structure of forest sector
	Lack of end user market orientation
Opportunities:	Development of trans European Networks
	Expand use of wood
	Promote wood as lifestyle product
	Research and development and kow-how advancement
Threats:	Global competition

CONCLUSION

- The German Timber Sales Promotion Fund will become an increasingly decisive instrument to convince consumers of the manifold benefits of sustainably managed forests and wood as an outstanding renewable source for products and energy.

- In future it will be more important to pool existing potentials in marketing and wood promotion across national border lines to boost competitive strength vis-à-vis products made of non-renewable materials.

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