

Sawn Hardwood Markets 2007-2009

Florian Borlea, *National State Forest Administration -,RNP Romsilva,*

fborlea@rosilva.ro

Constantin Tobescu, *Fordaq Timber Network*

office@forestry.ro



Key features of 2007-2008 sawn hardwood market (1/3)



- The production & demand in 2008 was negatively influenced by housing crisis + exchange rate + fuel prices
- production & consumption fell by 2,1% in UNECE region
- production & consumption in N-Am fell by 6,9% since 2006
- production & consumption in Europe rose by 5,4% (due to a sharp recovery in Romania's production)



Key features of 2007-2008 sawn hardwood market (2/3)



- Record hardwood flooring production and consumption in Europe despite increasing competition with Asian imports



- Dominance of oak (European + American)



- 8,7% sawn hardwoods exports increasing in Russia – global player



Key features of 2007-2008 sawn hardwood market (3/3)



- Romania's challenge: to value its resources
- The impact of China as global market driver increased
- Positive influence of green building initiatives
- Effectiveness of green procurement policies can be increased.



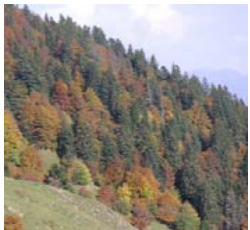
Trends of 2007-2008 sawn hardwood market



- the oak trend (European and to a growing extent, American white) remains dominant throughout UNECE region.
- demand for beech-remains weak in UNECE region, increasing exports of beech logs to China (rising to 5,4 mill. m³ in 2007, from 3.8 million m³, in 2005)
- some producers in Europe and Asia switched to red oak, but it is not clear whether there will be a strong demand for these products.

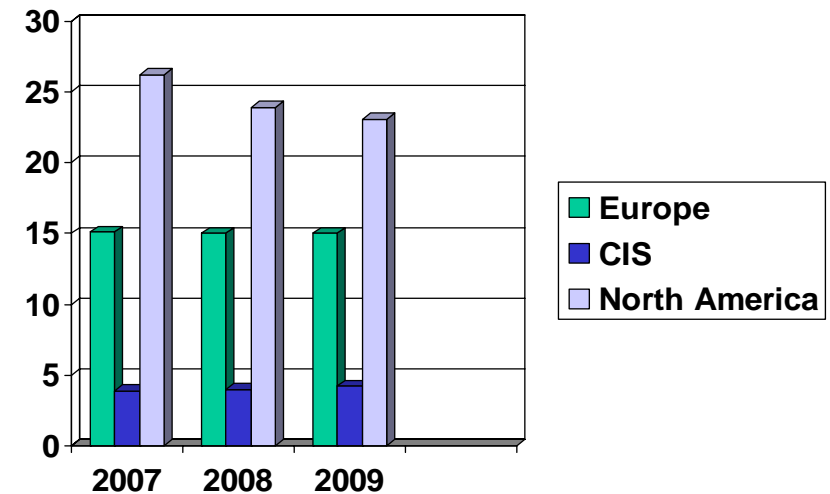


The production & demand of sawn temperate hardwoods in UNECE region

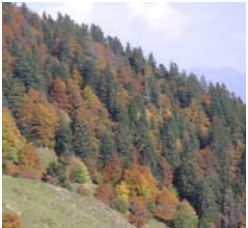


- Sawn hardwood production in 2007 across all three UNECE subregions amounted a total of 47.2 million m³,
- temperate hardwood species remain in high demand throughout the UNECE region and beyond.

Sawn hardwood production:UNECE Region



Europe's sawn hardwood markets: between stability and crisis (1/2)



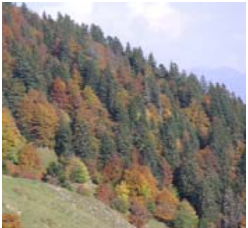
- Stable situation in Europe in 2008: production grew with 5,4 %, consumption grew with 3.7 %; in 2007, Europe was a net importer of 2,079 million mc of sawn hardwood. Europe's resources are important in the global market, while demand for hardwood remains high,
- Increasing beech logs export from Europe (mainly Germany) to China put pressure in the market and opened it for exports from Romania to Western countries,
- Romania's production: 2,00 mill. cm (0,75 mill. cm exported),
- Croatia: a leading supplier of higher quality sawn oak,
- Croatia, Bulgaria, Bosnia Herzegovina and Romania totalise a net export of 1,6 million cm sawn hardwood,
- Turkey's production is also important -2,756 million cm – but not significant as quality and exports.



Europe's sawn hardwood markets: between stability and crisis (2/2)



- In 2007, the consumption markets were driven by two vectors :
 - strong increase in flooring
 - rising interest in hardwood as building and interior finishing material,



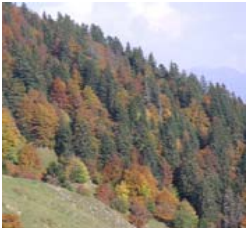
- Italy, France, Spain and Germany apparent consumption stays high and stable in 2007,



- Market drivers pushed to use American white oak and replace European Oak



North American market still huge in spite of the crisis in the housing sector



- A falling production (6,9%) of sawn hardwood in North America: 27.0 million m³ in 2007 (54.3 % of UNECE region),
- Imports decreased with 12,6 % while exports, with 15.4 %, (to 3.551 million m³ , with a net trade of 1.218 million m³ ,
- Export of sawn wood to all destinations (Europe, China, Canada) decreased
- Logs prices stay high due to increased logs export to China (42 %),

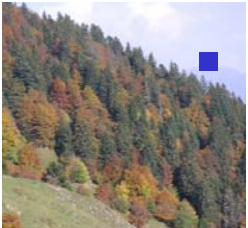


Russia and CIS: growing role on sawn hardwood markets

- Sawn hardwood production reached 4 million m³ in CIS countries,



- Strong disincentive for developing local industries is trade with China: logs imports from Russia- 4.6 mill. cm in 2007 (3.9 mill. cm in 2006),



- Russian production increased yearly in the last 5 years, but it is not evolving rapidly,

- There are no signs of a massive movement of processing industry from China or Europe



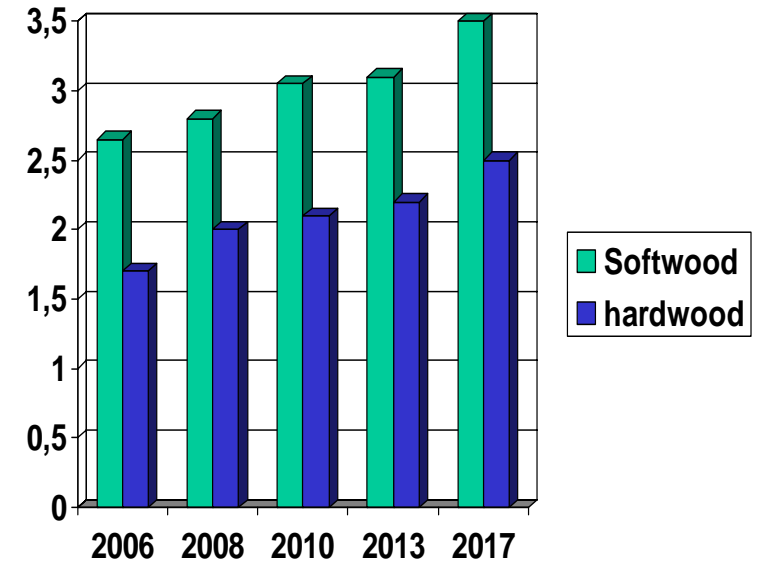
- Major influencing factor in the UNECE region: export tariffs on Russian logs.



Romania's challenge: to value its resources



- Romania's production of sawn hardwood grew by 20.1 % over 2006, to reach 2.0 mill. cm.
- Annual removals: 1.3 % from the standing timber stock (900 mill. cm),
- Forecast: In 2008 and 2009 many small and middle sized sawmills will switch to hardwoods.
- Starting with 2010: big investments to come
- Potential production: 2.1 mill. cm sawn hardwood in 2010 and up to 2.5 mill. cm in 2017



Austro-project:
Romania forest and Forest Industry
Study



UNECE Timber Committee and FAO European Forestry Commission Market
Discussions, Rome, 21-22 October 2008





TIMBER Sawn Hardwoods markets: Forecasts



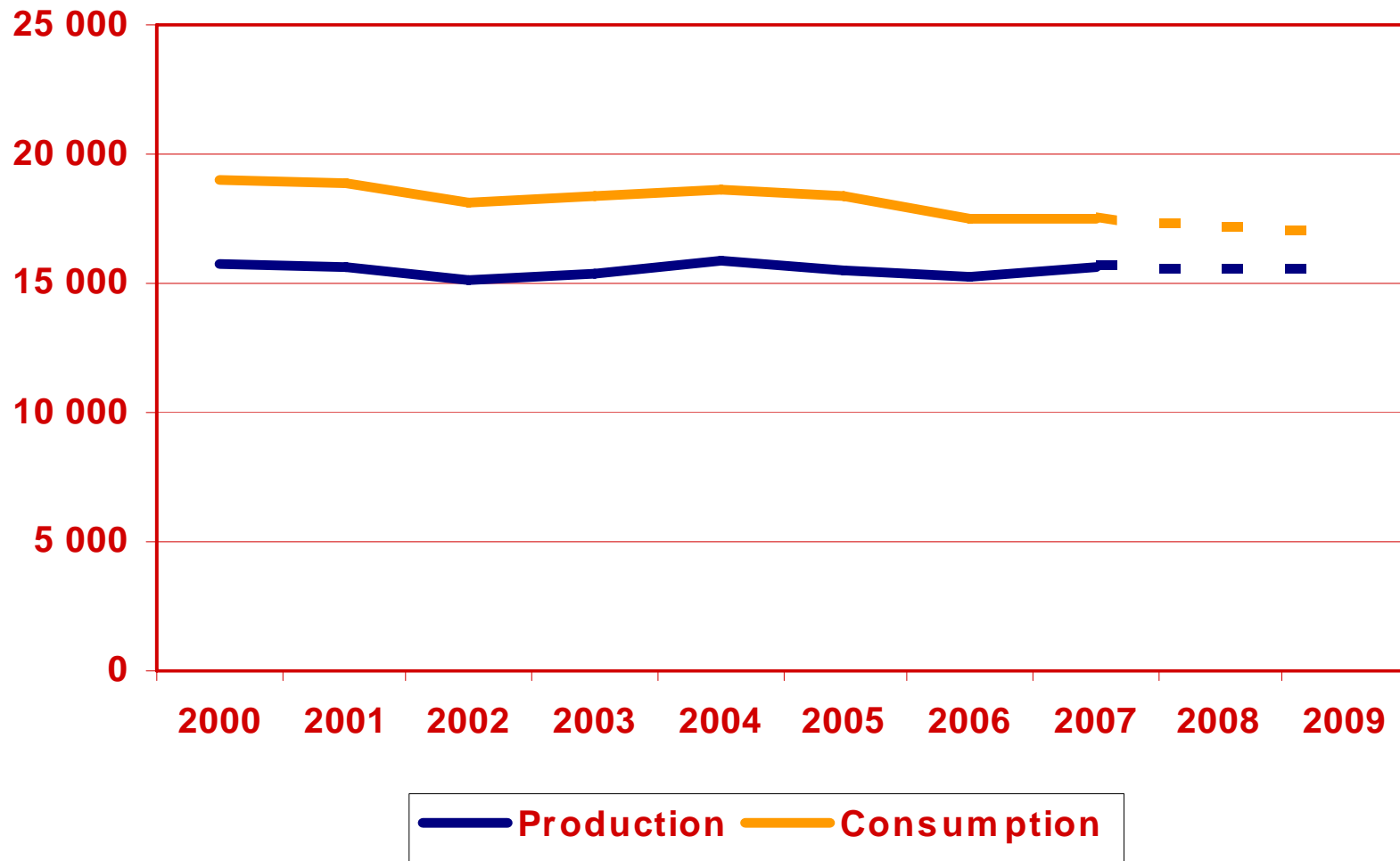
UNECE Timber Committee and FAO European Forestry Commission Market
Discussions, Rome, 21-22 October 2008



Sawn Hardwood - Europe



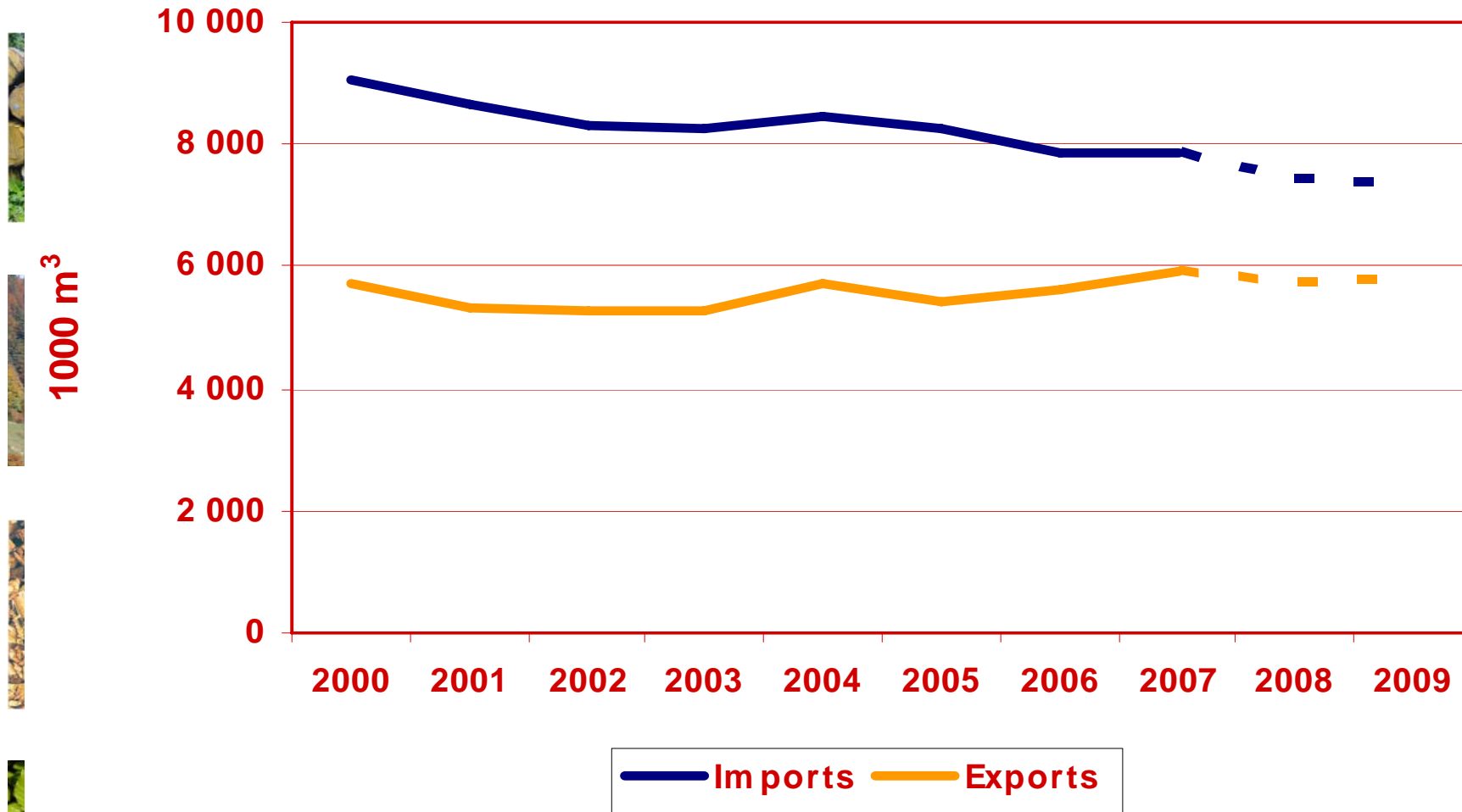
1000 m³



UNECE Timber Committee and FAO European Forestry Commission Market Discussions, Rome, 21-22 October 2008



Sawn Hardwood - Europe



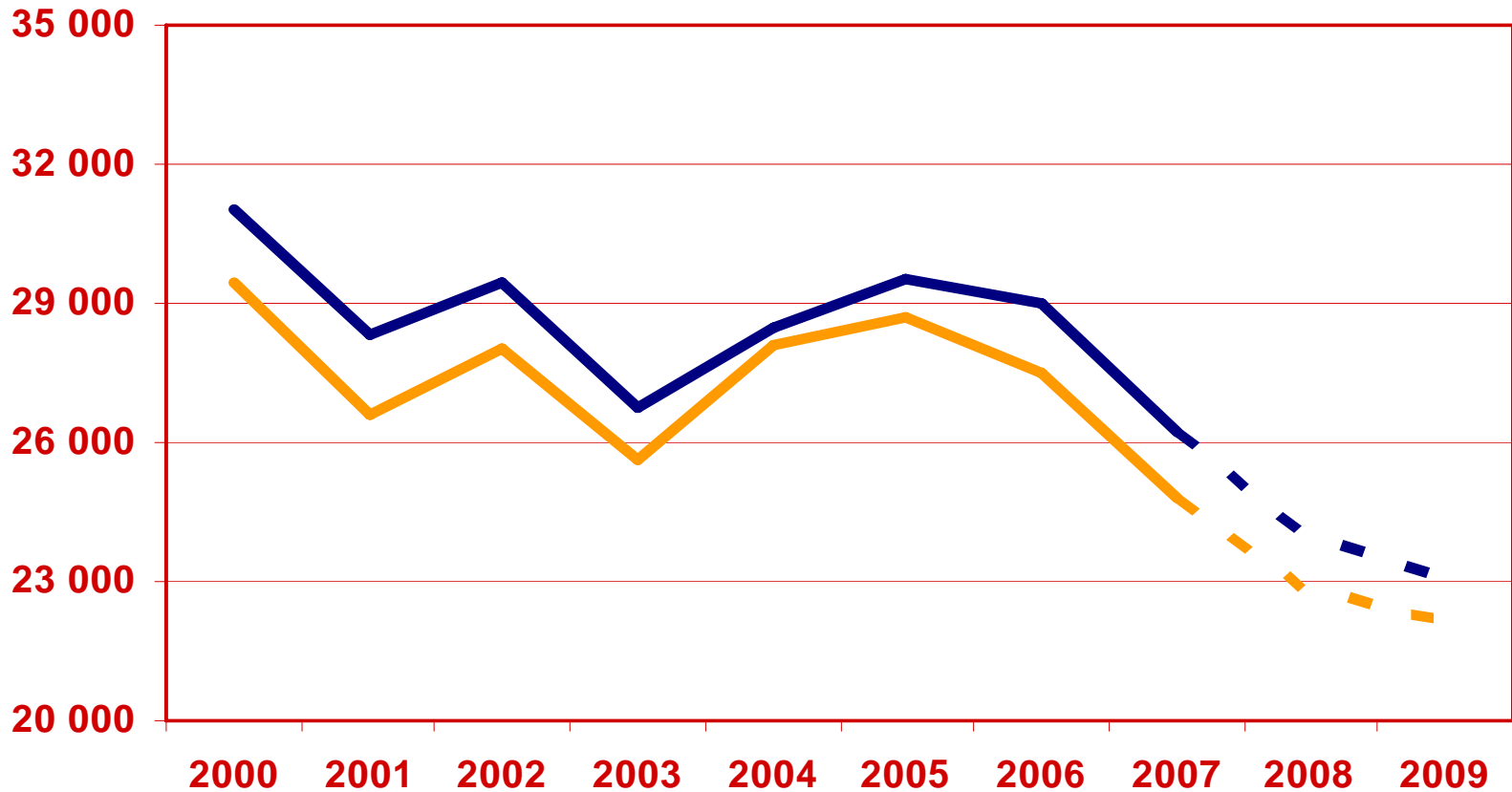
UNECE Timber Committee and FAO European Forestry Commission Market Discussions, Rome, 21-22 October 2008



Sawn Hardwood – North America



1000 m³



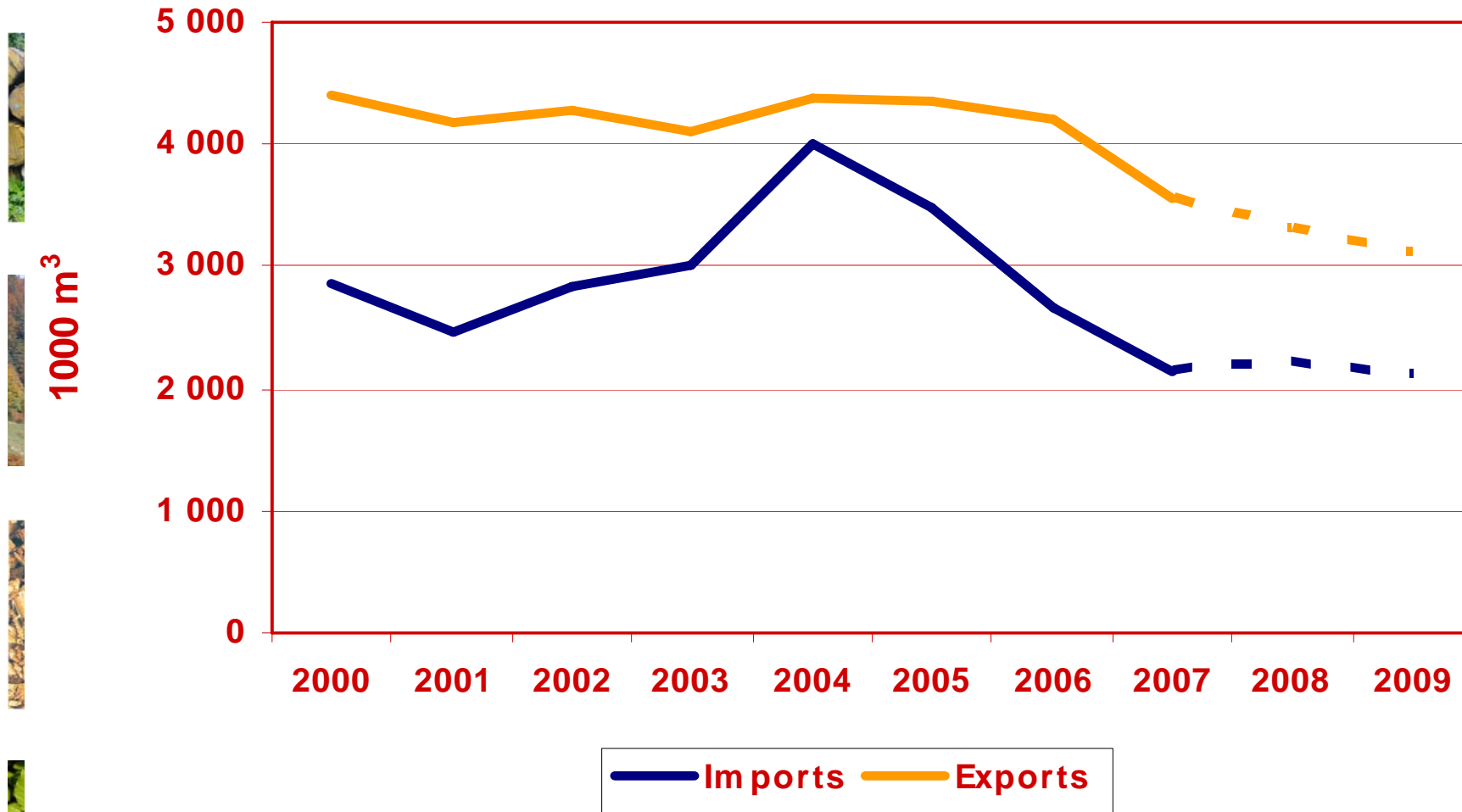
— Production — Consumption



UNECE Timber Committee and FAO European Forestry Commission Market Discussions, Rome, 21-22 October 2008



Sawn Hardwood – North America



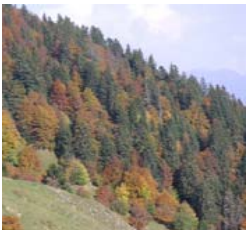
UNECE Timber Committee and FAO European Forestry Commission Market Discussions, Rome, 21-22 October 2008



“Green” policies: increasing impact on the market (1/2)



- Certification and the increasing concern over illegally traded timber change the strategies for fighting illegal logging from voluntary to political decisions,



- In the USA, an amendment to Lacey Act states that it is unlawful to import or trade in timber in contravention of the law in the country of origin.



- World Bank support in the CIS country the implementation of national action plans to fight against illegal logging,
- The influence of green building initiative will grow slowly,



“Green” policies: increasing impact in the market (2/2)



- New EC legislative measures for companies from MS to implement best practices to avoid trading with illegal wood
- Europe is expected to take other further steps forward with FLEGT Licensing System,
- Europe: criteria for public procurement policies, to promote certified wood sources,
- From October 2008, Romania implemented an innovative chain of custody for wood raw material using an integrated informational system at national level,
- Russia's experiment: a system based on registration of wood transport document in fixed check points as certificate of legal provenience in wood industry,





Effectiveness of these policies could change the global market on the next years.



UNECE Timber Committee and FAO European Forestry Commission Market Discussions, Rome, 21-22 October 2008





Thank you!



UNECE Timber Committee and FAO European Forestry Commission Market
Discussions, Rome, 21-22 October 2008

