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MARKET PRESS RELEASE. INTERNATIONAL HARDWOOD CONFERENCE.

On the 28th of October, a successful International Hardwood conference was organised in Lyon by the French National Wood Federation (FNB), the European Organisation of the Sawmill Industry (EOS) and the European Timber Trade Federation (ETTF). This event gathered around 100 industrialists, traders, and experts of the sectors to discuss market trends, with a focus on the shortage of raw material availability (mainly due to the huge appetite for European hardwood logs by Chinese companies and the effects of the war in Ukraine) and impact of skyrocketing energy costs for the hardwood industries. The event was anticipated by two interesting field visits at LBSA, one of the biggest oak sawmills in Europe, and to OGF, number one in Europe for the manufacture of solid wood coffins.

Maria Kiefer-Polz, President of the Hardwood section, presented the point of view of European hardwood producers. The EOS Hardwood members expect a production decline of at least 3% this year following a double-digit increase in 2021. After a good 2021 and a bright first half of the year 2022, demand tended to slow down over the last few months and production was adapted to weakening sales, both in home European markets and in overseas markets (in Asia supply chain disruptions as a consequence of the pandemic are still present). The situation at present is quite challenging with high energy prices taking a toll on the industry, particularly in the more energy-intensive beech sector. Hampered by high inflation and increasing mortgage rates, demand from consumers is now weaker. Stocks at sawmills are high and many producers expect difficult few months ahead. Lack of labour is also reported by many countries. This complicated situation is compounded by increasing export of oak logs towards Asia and China.

The oak logs export issue was also emphasized by David Chavot, managing Director at Margaritelli Fountains, who stressed the need for urgent measures to tackle this leakage of an important raw material that should be processed and transformed in Europe. "30% of the oak harvested in France is exported to Asia, mainly to China without bringing any added value in France. This implies that oak sawmills are actually working at 80% of their capacities".

On behalf of the European Timber Trade Federation, the Hardwood President Ad Wesselink underlined an increase of imports about 15% of temperate sawn hardwood (EU27+UK, compared to the first 5 months in 2021), mainly oak and beech. On a positive trend also the imports of tropical sawn hardwood were reported. At the same time, Wesselink stated about 22,000 tons of oak missing due to the full stops of sawn activities in Russia and Belarus, a worrying increased inflation combined with increased logistic costs. On the bright side, he echoed Mrs Kiefer-Polz in stressing the undeniable recognition of wood as an environmentally friendly construction product – the increased use of wood might compensate the expected slowdown in the construction market.

Michael Snow, giving a presentation from the vantage point of North American producers, reported a slowdown in economic growth in China, with a housing market that is rapidly declining having a direct impact also on the selling of furniture. Snow commented as well that the new deforestation free products Regulation, discussed right now at EU level, "will eliminate American Hardwood from the EU markets, due to the correlated costs implications", connected for instance to the geolocation

requirement. James Xu showed that neither the US nor Europe is the leading hardwood lumber exporter to China because other regions took advantage: China now imports large volumes of wood from Russia and Thailand due to lower costs. At the same time, Mr Xu, stressed that not only costs influence consumers' decisions, but "fashion" is also a key factor. Business opportunities might instead be found on the Indian market, as highlighted by Dr Michael Adams: "The Indian economy grew at a stunning 13,5% year on year in the second quarter of 2022. Growth prospects remain sound and the large companies are continuing to invest while the building material market is expected to grow in the coming 5-6 years".

The European parquet market, as presented by Mr Lorenzo Onofri, was good in 2021 (+6,2% 2021/2020) but already started to decline in 2022 reflecting decreasing consumer confidence (war, energy prices, and lack of affordable oak and birch plywood - mainly coming from Russia). The EU parquet producers (represented at EU level by FEP) together with other associations, is strongly calling the EU for a tool to limit oak logs export outside the EU. Due to the lack of oak and birch plywood, the parquet industry is searching for new sustainable raw material substitutes, while they continue investing in the REAL WOOD initiative to convince the consumers to use real wood flooring and not artificial products that pretend to be made of wood. Sharing the same challenges of the parquet industries, the European furniture sector, as reported by Mr De Jaeger, is expecting a further market slowdown in 2023 with increased challenges for raw material procurements and prices expected to increase.

To conclude, as emphasized by most speakers, the hardwood industries can benefit from the positive environmental value of wood products as increasingly recognized by European policymakers and consumers alike. At the same time, the sector needs to find new markets and opportunities: some hardwood species are under-utilized, and forests will potentially supply more of the species which are 'minor' at present. In this sense, research and the development of standards for new applications of hardwood products will be key for the sector in the coming years.

The next International Hardwood conference will take place in Vienna, Austria, in 2024.

Download the presentations: <https://www.ihc2022.fr/presentations>

The 2022 IHC was an event organised by:



