

Press release



Challenges and potential in focus at International Hardwood Conference

International Hardwood Conference speakers covered a diverse range of topics; from growing pressures of market globalisation, to application of massive US white oak glulam beams in construction.

Organised in association with the European Timber Trade Federation (ETTF) and European Organisation of Sawmill Industries (EOS) by Italian trade federation Fedecomlegno, part of FederlegnoArredo, the event took place in Venice from November 15-17 and attracted a capacity audience of 150, drawn from 17 countries.

Fedecomlegno chairman Alessandro Calcaterra opened with a portrayal of a hardwood industry at a critical point, facing increasing and shifting global demand. “By 2030 Global roundwood consumption is set to rise 60%, making it ever more important where hardwood comes from, how it’s produced (FAO experts forecast one third will come from plantations by then) and where it’s used,” he said.

Looking at the current picture, analyst Rupert Oliver, of Forest Industries Intelligence, said latest statistics indicated 2017 global hardwood imports and exports both stable at \$35 billion, with the industry continuing to show lack of value growth, despite rising world population. Underlying this static picture, however, was migration in the balance of market power, in both log and lumber consumption, principally to Asia and notably China. “China’s rise has been exponential,” said Mr Oliver. “Its 2016 log imports are expected to be 15.4 million tonnes, up from 14.3million in 2015, with lumber imports ahead 12.5% to nine million.”

Focusing on Europe, ETTF President Andreas von Möller described the contraction of its tropical wood imports in recent years as ‘sad’ and at least in part due to specifier misperceptions’ around the material’s legal and sustainable credentials. But, he added, with the exception of an uncertain UK, due to Brexit, European market prospects were generally positive, with most countries’ GDP and construction sectors trending up. This was a picture confirmed in his summary of European hardwood production by EOS Board Member Nicolae Tucunel.

However, a key hardwood market concern in Europe, said EOS President Sampsa Auvinen was raw material availability, principally due to rising emerging economy consumption of European logs. “We must insist on a level timber market playing field,” he said. “Without raw material the European sawmill industry will be forced out of the market.”

European raw material supply was also the theme of Marijan Kavran of the Croatian Wood Cluster, but in his case in terms of Croatia’s export controls to combat oak lace beetle infestation. Backed by EOS, he called for financial and technical support for new phytosanitary measures to eradicate the pest and for current restrictions on market flows in sawn timber and other safe goods, such as debarked and steamed logs to be lifted.

In terms of changing global timber consumption and trade patterns, the key trendsetter, agreed American Hardwood Export Council (AHEC) Executive Director Mike Snow, was

and would continue to be China. His focus was the American hardwood sector's transformation from being a largely US centred business to the world's biggest hardwood lumber exporter, with nearly 50% of its grade timber sold abroad. China had played a critical part in this evolution.

"It has accounted for all our export growth since the 1990s and now buys one in four US hardwood grade boards," said Mr Snow. What was concerning now though, he added, was rising Chinese consumption of US logs, creating potential competition both for US mills' raw material and lumber exports.

Davide Pettenella of Padua University presented his research into the impact on global primary tropical timber trade trends of national and regional market legality regulation. This showed growth in tropical timber consumption in developing countries with less stringent legality controls, and declines in developed countries with stricter import rules. But Mr Pettenella cautioned against surmising simple cause and effect. Other factors, such as emerging countries' economic advance and increasing trade regionalisation were also implicated in changing trade patterns.

In his focus on forest products flows, consultant Pierre Marie Desclos concluded that population growth would further accelerate timber sector regionalisation and sharpen the trade's focus on raw material supply and logistics.

Growing global consumption of hardwood and the increasing significance this lends to sustainable forest management was also the backdrop to the launch of the International Tropical Timber Technical Association's new 'Fair & Precious' branding initiative, said the latter's General Secretary Benoît Jobbé-Duval. The brand is for use by the entire tropical timber supply chain and intended to add commercial market value to sourcing sustainably.

Turning to hardwood use, European Director David Venables described AHEC's work supporting application of US species in engineered and thermally modified form in construction. The recent use of 23m, 4-tonne US white oak glulam beams as the core roof structure of a stand at the Lord's Cricket Ground in London was a key breakthrough. But perhaps even more significant was construction, also in the UK, of the first permanent building in US tulipwood cross laminated timber panels. "CLT production is forecast to reach 1 million m³ next year," said Mr Venables. "Softwood dominates the market, but imagine if hardwood took just a percentage."

Other Conference speakers included Elvio Florian, of Italian hardwood producer and IHC main sponsor Florian Legno, Andreas Kleinschmit von Lengfeld of the European Hardwood Innovation Alliance, Maurizio Riva of Italian hardwood furniture specialist Riva, Joël Lefebvre of Group Lefebvre, Stefano Cora of Cora'Domenico & Figli and CNR Ivalsa researcher Nicola Macchioni.

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For pictures: www.ihc2017.info/en/photogallery/

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**Globalisation, branding and building for the future;
the International Hardwood Conference, Venice, 2017**

Italian hardwood furniture maker Riva has formed a marketing relationship with Lamborghini, branding a new range after the supercar marque and backing it with high-octane promotion (www.riva1920.it)

At the same time, sports stadia architects Populous have incorporated 11 American white oak glulam beams as core structural components of a new stand at the Lord's Cricket Ground in London. At 23m long and four tonnes each, they are thought to be Europe's largest cantilevered engineered timber beams, not to mention a structural application first for white oak.

And in another hardwood twist, the 'Fair and Precious' branding initiative has been launched by the International Tropical Timber Technical Association (ATIBT), underlining the economic, environmental and social value of the tropical sector.

Each of these projects formed a speaker topic at the 2017 International Hardwood Conference, appropriately held in Venice, a city, which CNR Ivalsa researcher Nicola Macchioni explained to the 150-strong, 17-nationality IHC audience, was built on an ingenious foundation system of largely hardwood piles.

With these and other upbeat presentations, the IHC communicated a confident, international hardwood industry that's adapting to market needs.

But the event, organised by Italian trade federation Fedecomlegno in association with the European Timber Trade Federation and European Organisation of Sawmill Industries (EOS), wasn't 100% positivity. It acknowledged too that the sector had obstacles to overcome. Illegal logging and trade remained significant issues and verifying the legality and sustainability of the bona fide industry's products could also prove complex, said speakers. Ensuring raw material supply, given growing worldwide demand, was another challenge.

The consensus was that the hardwood business has exciting opportunities, but operates in an ever faster moving, more competitive market.

Key issues highlighted were globalization and seismic geographical shifts in consumption to emerging markets, notably, although not exclusively, China, or as AHEC Executive Director Mike Snow put it, the '800pound gorilla in the room'.

In his welcome address Fedecomlegno chairman and CEO of Legnonord Spa Alessandro Calcaterra summarized the sector's position.

"Average per capita wood consumption is still just 0.5%, so there's huge growth capacity," he said. "In fact global roundwood demand is forecast to rise 60% by 2030. This makes it ever more critical to address where timber comes from, how it's produced (FAO experts forecasts one third will come from plantations by then) and where it should be used."

EOS president Sampsa Auvinen also highlighted industry challenges. In Europe, he said, the hardwood sector had to contend with a stubborn lack of growth despite economic recovery. In fact sawmill numbers in France, Germany and Belgium alone were down 30% in the last decade. This was partly due to industry concentration in the downturn, but there was also the crucial issue of increasing log exports to emerging economies.

"We have great opportunities to capitalize on hardwood's performance characteristics," said Mr Auvinen. "But, while avoiding protectionism, we must insist on a level international timber procurement playing field. Without raw material the European sawmill industry will be forced out of the market."

In his international market overview, analyst Rupert Oliver of Forest Industries Intelligence said latest statistics showed global hardwood trade static at around \$35 billion, underlining a continuing and 'disappointing' lack of market value growth since the 2000s.

“Since then global population has increased by 1 billion, with 1.4 billion people taken out of poverty, so you’d expect more growth,” he said. “But bar a surge in rosewood trade in 2014, market value has been flat.”

However, underlying this outwardly static picture was a dramatic shift in the balance of hardwood market power, both in terms of log and sawnwood consumption, to Asia.

India had been a hardwood log consumer on the rise, but blocks on teak exports from Myanmar and Malaysian supply issues had seen its transition to more lumber buying. But log imports by China, and to a lesser extent Vietnam and other Asian hardwood product manufacturers, continued their inexorable rise. In fact Chinese imports hit 14.3 million metric tonnes in 2015, with 15.4 million tonnes forecast for 2016.

In sawn hardwood, total global temperate trade was worth around \$6 billion in 2016 and tropical \$4.5 billion, with the US the single leading exporter and Thailand biggest tropical supplier.

China again was the consumer making the headlines with imports this year expected to be nine million tonnes, up from 2016’s eight million and including around 1.5 million tonnes from the US alone.

Mr Oliver concluded that the hardwood sector may struggle near term to grow trade volumes, but had opportunities to increase value. Difficulties to overcome included over reliance on a few species, limitations of current environmental controls to halt illegal trade and industry fragmentation, which limited opportunities for concerted promotion and investment, including in plantation development. But positives were revived interest among specifiers in real wood as opposed to substitutes, development of higher specification engineered and modified hardwood products and emergence of more realistic risk-based assurance of legality and sustainability.

“Latest technology can also better evaluate trade data and reduce sustainability certification cost,” he said.

Mr Snow’s topic was a US hardwood sector in dramatic transformation for the past 10-15 years. The economic and construction crisis of the late 2000s and before that US manufacturing’s migration to lower labour cost countries, saw sawn hardwood output slump. It has since recovered, but is still 4.2 billion bd ft below 1999’s 12.6 billion peak. At the same time, reflecting decline in domestic construction and hardwood manufacturing demand, mills have refocused on industrial lumber for the US market and grade exports.

“In 2005 grade lumber accounted for 59.7% of US output, today that’s 48%,” said Mr Snow. “Moreover, 45% of it is now exported and rising, compared to 17% in 2000.”

China’s role in this evolution has been central, accounting for all US sawn hardwood export growth since 1992, and today buying 25% of the boards America produces.

US exports to China have grown particularly rapidly since the international economic crisis, thanks to the potent combination of contraction in the American domestic market and the rise of China’s new middle class, firing growth in its domestic consumption.

“In 2000 85% of our exports to China were re-exported as finished goods,” said Mr Snow. “Today 80% goes into products for its domestic market.”

Asked which country will be the ‘next China’, Mr Snow’s response is China thanks to accelerating development of its less industrialised western regions. US mills see this as a further lumber market opportunity, however, their growing concern is the accompanying rise in China’s log imports.

“So far logs have gone mainly to finished goods makers processing timber for their requirements,” said Mr Snow. “The concern now is emergence of Chinese mills cutting US logs for the general market.”

The European market described by ETTF and EOS Presidents Andreas von Möller and Nicolae Tucunel is also a blend of challenge and opportunity. Mr von Moller described the EU’s shrinking tropical timber business – with total imports down from 8 million m3 in 2000 to 2 million m3 in 2014 – as ‘sad’. It was partly due, he said, to the recession, but

market misconceptions about its environmental credentials also contributed. While renewed effort was needed to halt this trend, however there were overall European hardwood market positives, notably broad economic and construction recovery. While the UK's outlook may look uncertain due to Brexit, most European economies, and importantly their construction industries, were growing. So far this had led only to hardwood market stability since 2013. "But after recession, stability is not a bad thing," said Mr von Möller.

Mr Tucunel reported forecast 2017 total European hardwood production at 10.8 million m³, imports at 3.4 million, exports 5.7 million and consumption 8.6 million, all roughly on a level with 2016 figures.

Turning to his own country Romania, Mr Tucunel said it remained a leading European hardwood producer, with annual sawn output of 1.7 million m³. But its private sector mills were increasingly hindered by raw material availability due to a harvest decrease from 19 million m³ to 17 million m³, caused in part by "excessive" NGO-driven environmental legislation".

"This has led to mills restricting output, even closing," said Mr Tucunel.

Raw material availability and distribution also formed a core theme for Davide Pettenella of Padua University. He addressed whether national and regional timber legality controls were creating a 'dual market' for tropical timber.

His study compared trends in primary tropical timber product imports by EU states, the USA and Australia, representing developed countries with strict timber market legality regulation, and China, Vietnam and India representing emerging consumers with lighter controls.

This highlighted import swings to the latter. In 2001 of all tropical timber imported by these countries, the developed economies accounted for 63% and 72% by volume and value, the emerging countries 37% and 28%. Today the respective division is 44% and 47% and 56% and 53%.

While legality controls may be implicated in this trend, Mr Pettenella said it was not the exclusive factor. "Emerging countries' economic development and increasing south-south trade are also involved," he said. In fact, his conclusion was that the trade trend influencer to monitor was the latter and other intra-regional trade growth. "It's a phenomenon which should be of concern to policy makers," said Mr Pettenella. "In 1990, there were just 20 regional trade agreements. Today there are 283."

Looking at future forest product supply and flows, consultant Pierre Desclos concluded that rising population could also boost intra-regional consumption.

"For instance, Africa has 15% of the world's forests, but it's forecast to have a third of its population by 2100, so will be consuming most of its own timber."

He agreed that this will increase pressure on the timber industry to both manage the forest resource more sustainably and use wood to its full potential.

Head of the European Hardwood Innovation Alliance Andreas Kleinschmit von Lengefeld described the role of his organization in this. "Working closely with the industry, we're evaluating the potential outcomes of research into areas ranging from forest management systems, to development of new cellulose fibres, and hardwood in smart buildings," he said.

Mr Venables took the topic further, describing US hardwood innovation now gaining market traction. The massive American white oak glulam beams at the Lords Cricket Ground were one example. Perhaps even more significant was development of tulipwood cross laminated timber for structural application. The material first formed the core structure of two global headline grabbing AHEC showcase projects at the London Design Festival; Endless Stair and The Smile. Subsequently the same material was used in a cancer care centre in northern England, the first permanent building constructed in hardwood CLT.

“Architects and engineers are increasingly convinced of hardwood’s structural potential – in fact they’re our best ambassadors for it,” said Mr Venables, “And global CLT production is set to hit 1 million m³ next year. Softwood dominates the sector, but imagine if hardwood took just a small percentage!”

Meanwhile Fair & Precious, explained Mr Jobbé-Duval was a potentially powerful new tool to raise awareness and increase marketability of sustainably sourced tropical hardwood. The brand, commits users across the supply chain to verified sustainability and corporate social responsibility goals in procurement.

“The aim is to advance hardwood sustainability by enhancing its market value,” said Mr Jobbé-Duval.

Hardwood’s other new branding exercise, Riva’s collaboration with Lamborghini, centres on beauty and performance.

“It works because we share a passion for quality and design and a commitment to using the finest raw materials,” said Maurizio Riva.

On another upbeat note, Elvio Florian, Chief Executive of Italian hardwood producer and IHC sponsor Florian Legno, described how through an integrated production line approach, timber companies in developed economies can survive and prosper. Started in 1950, his business now comprises 16 companies, employs 900 people and processes 300,000 m³ of timber annually.