European Organisation of the Sawmill Industry aisbl

THE OAK DAY, LONDON 18 APRIL 2018

On Wednesday 18th April 2018, the Timber Trade Federation (TTF) and the European Organisation of the Sawmill Industry (EOS), held a conference specifically focused on the production and trade of Oak at The Building Centre, London. The event was attended by over 100 delegates from all across Europe.

The TTF Managing Director, David Hopkins, introduced the speakers explaining the commitment of the Federation to collaborate with European partners, such as the EOS, in order to boost international trade and develop high-quality standards.

All presentations and the audio files are available at the following link: https://storify.com/timbertradefed/european-oak-conference-2018

Oak Day: Short summary of the presentations

The first presentation was the one given by EOS. The European Organization of the Sawmill Industry gave a short introduction about its members and activities. It was recalled that EOS is the only Brussels-based Organisation that represents the interests of the primary mechanical wood processing industry. EOS focused his presentation on the relative stagnation of the hardwood market production across Europe over the last 10 years. While the production of sawn hardwood is doing relatively well over the last few months, it was stressed that the total production in the EOS country members is still 20% than before the global economic crisis of 2008-2009. This is due to a number of factors. First of all, some important sales markets have been relatively subdued over the last few years. EOS showed the Eurostat index of manufacturing activities, which in most European countries was in 2017 at the level of 2010. Then, it was emphasized that also the parquet market across Europe remains much weaker than it was a few years back, though there has lately been a recovery. EOS reminded that over 80% of European parquets are out of oak. However, the hardwood sector is negatively impacted not only by weaker sales markets, but also by raw material shortages. Indeed, EOS recalled that several EU commercial partners have enacted log export ban policies primarily to bolster their domestic timber industry. Log export bans have the tendency to lead to market inefficiency and they negatively affecting timber's supply. Additionally, China's flourishing economy, coupled with policy constraints limiting domestic forest production (due to a logging ban), has resulted in skyrocketing forest product imports over the last several years. China's log imports (H.S. code 4403) for 2017 were about 45 million tons, about 5% higher than the 43 million tons in 2016. Exports of logs from the EU to China have soared by 181% in the last 10 years (2016 compared to 2007, source Eurostat). This is affecting, in particular, three European countries: France, Germany, and Belgium. This growing import demand is having major impacts particularly on European oak producers: for several years - in which alone -, European hardwood sawmills have been denouncing a lack of oak (and beech) due to the exports to China. The shortage of raw materials is causing many sawmills to keep production lower than it could be. In some cases, sawmills are forced to close: around 30% of the hardwood sawmill plants have shut down in France, Germany and Belgium in the space of a decade.

Acknowledging this situation - as EOS informed - both the EU Parliament and the European Economic and Social Committee have invited Member States to ensure that “wood supply from the region's forests is sufficient to satisfy, on a sustainable basis, local industries' needs and society's needs”.

Two speakers from Croatia followed the presentation given by EOS: Marijan Kavran, Director of Croatian Wood Cluster, and Martin Kunštek, Managing Director of Slavonski Hrast (Slavonian Oak). Mr Kavran explained the importance of oak products for Croatian exports: “thanks to the high quality of Slavonian oak”, a number of different products are exported abroad. For instance, Croatia is the 4th largest world producer of massive parquet, courtesy mainly of Slavonian oak. Mr Kavran highlighted how some major issues - such as pests control and transport ban - are currently preventing the sector from achieving its full potential. The transport ban of Slavonian oak which is in place since July 2017 is meant to make sure that the pest which is affecting the Slavonian oak in Eastern Croatia does not get widespread elsewhere. However, Mr Kunštek, in his presentation, while also reiterating the points expressed by Mr Kavran, stated that most probabily the government put in place this measure in order to increase employment in the local sawmill industry.

On behalf of the Ukrainian Association of Wood Processors (UADO), Vasyl Masyuk, Editor and publisher of newspaper, gave his contribution to the conference via Skype. He illustrated the state of the forestry and wood processing industry in Ukraine, also showing the measures adopted by Kiev to reduce illegal logging and support sustainable forest management across the country. Overall, the Ukrainian forest surface is growing: the total average increment reaches 35 million m^3 already in 2013. Only in the Western part of the country forests (which are fully in the hands of the state or state-related actors) are certified (FSC schemes). The annual volume of merchantable wood harvested in Ukraine is 15-18 million m3. Coniferous forests occupy 43% of the total territory (35% is Pine). Oak is the second wood species in Ukraine, accounting for over 28% of total Ukrainian forests and followed by beech (9% of the total forest area). The roundwood ban is currently in place until 2027 and it is benefiting local Ukrainian companies. Since 2016, the Ukrainian State Agency of Forest Resources of Ukraine (Derzhlisagentstvo) implemented a unified system for electronic accounting of timber for permanent users. The measure is expected to mitigate risks of fake documents use at timber sales. The unified system assumes a single format for the waybills that will be linked with electronic timber accounting, financial accounting and a certificate of timber origin.

Rafał Gruszczyński, Project Manager and Analyst at the Polish Economic Chamber of the Wood Industry, presented the latest trends in Polish oak wood production, underlining how high prices and scarce material availability are affecting trade with European partners. Mr Gruszczyński emphasized the importance of oak in Polish tradition. Sales of oak sawlogs from state forests (in Poland private actors own only a minor percentage of forest resources) are hovering at slightly more than 500,000 m^3 over the last few years. Prices are on the rise (in 2018 77% more than in 2010). Mr Gruszczyński assumed that the export of roundwood to China is currently not a problem for Poland probably because the timber auctions sale rules are extremely complicated and it is very challenging to take part in them. Exports of oak sawnwood amounted to around 85,000 m3 in 2017: 29% to Slovakia, 29% to Austria, 18% to Germany and 1% to China.

The round of presentations ended with Jean-Francois Guilbert, Managing Director the French Timber. Mr Guilbert remarked how the decreasing availability of oak logs, and the growing market share of exports to China, have been modifying French sawmills' trade dynamics. 23% of sawing logs harvested from French forests were shipped to China in 2017 (up from 7% in 2007). Logs prices are remarkably increasing while production remains on a much lower level than it was 10 years ago. Recently however the main markets for oak sawn timber are doing relatively well (in 2017 the oak sawn production was 615 000 m^3), with the railways sleepers, flooring, stairs, joinery, barrels, furniture, and carpenter sectors all absorbing between 1% and 4% of oak more than 2 years ago. Exports, however, stand out, with an increase of 15%. However, while a better European economic situation is having a positive impact, a general lumber price increase is not compensating for a major raw material increase, which has a detrimental impact on the sawmill sector. Other notable trends include a very high demand in China from the flooring industry and furniture factories looking for substitution species (such as ash).

The Conference also featured a panel discussion where attendees had the chance to address some key points and debate with the speakers. Main topics included: Trade post-Brexit; Oak wood price and availability; Croatian transport ban; Pests control; International co-operation in the sector.

Host David Hopkins of TTF thanked all participants for their attendance and contribution, before bringing the Conference to a close.