



## [Which trends offer opportunities on the European timber market?](#)

The European tropical timber and timber products market shows a healthy recovery from the economic instability that started in 2008. The year 2015 showed a 7% increase in import values of tropical timber, a 5% increase in re-export values and a 9% increase in consumption and processing of tropical timber. Other major trends are substitution with non-tropical timber alternatives, changing consumer preferences and the implementation of the European Union Timber Regulation (EUTR).

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## 1 . Substitution with non-tropical timber alternatives is taking place

There are several innovative products in the market that substitute regular timber products. Although these are a threat to some products (such as decking), tropical timber is still needed for various other, outdoor purposes. Nevertheless, this development means that existing tropical hardwood exporters have to differentiate and think about creative and innovative new products. Please make sure to read our document about [competition](#) to stay informed of all innovative substitution products.

The availability of timber substitutes is increasing, but the threat of substitution is higher when alternative materials are widely available. For instance, composites and treated European timber and bamboo are increasingly replacing tropical hardwood decking. In contrast, timber products

such as garden furniture made of tropical hardwoods are much harder to replace and have retained their popularity.

### Tips:

- Respond to your competition. The threat of substitution can also be a positive driver of change or innovation. For example, the increased popularity of Cross-Laminated Timber and laminated flooring has also increased the share of flooring panels made from inferior woods with a top layer of high-quality timber.
- The threat of substitution can be partly countered by showing that you are a reliable trading partner. Live up to your promises on such matters as order volume and delivery time. Select a few reliable importers and stick to them, as long-term relationships are crucial.

## 2 . The economy is recovering, if slowly

The Gross Domestic Product (GDP) in the European Union is expected to grow by 1.8% in 2016 and by 1.6% in 2017 ([EU Forecast, 2015](#)). Growth for 2017 was tempered in the last quarter of 2016 because of Brexit or “British exit”, the United Kingdom's withdrawal from the European Union.

The economic crisis has had different implications in different European countries. For example, the British market for construction did not suffer significantly during the crisis, making it possible for more people to buy homes and develop the sector for tropical timber. In addition, the country is one of the most sensitive markets with respect to sustainability. Countries in the south of Europe such as Spain, Portugal and Italy were more severely affected and need more time to recover.

The recovery of the European economy will have a significant impact on the European market for timber and timber products, because the construction sector will continue to be positively affected. The consumer sector will also be positively affected, since estimations of consumer confidence are positive for the next year. This is good news for you, as demand will increase.

## 3 . European Union Timber Regulation (EUTR) takes time to implement

The implementation of the European Union Timber Regulation (EUTR) has introduced more stringent requirements for the import of tropical timber into the European market. To ensure sustainability and traceability in the supply chain, importers seek ways to shorten the chain or ask for guarantees in the form of certification. The implementation of the EUTR is still in its infancy, as in many European Union Member States the monitoring of trade in illegal timber is still insufficient.

For much more information about the EUTR and certification, we refer to our [Buyer Requirements](#) study.

## 4 . Tropical timber statistics show a sound increase in import, export and consumption

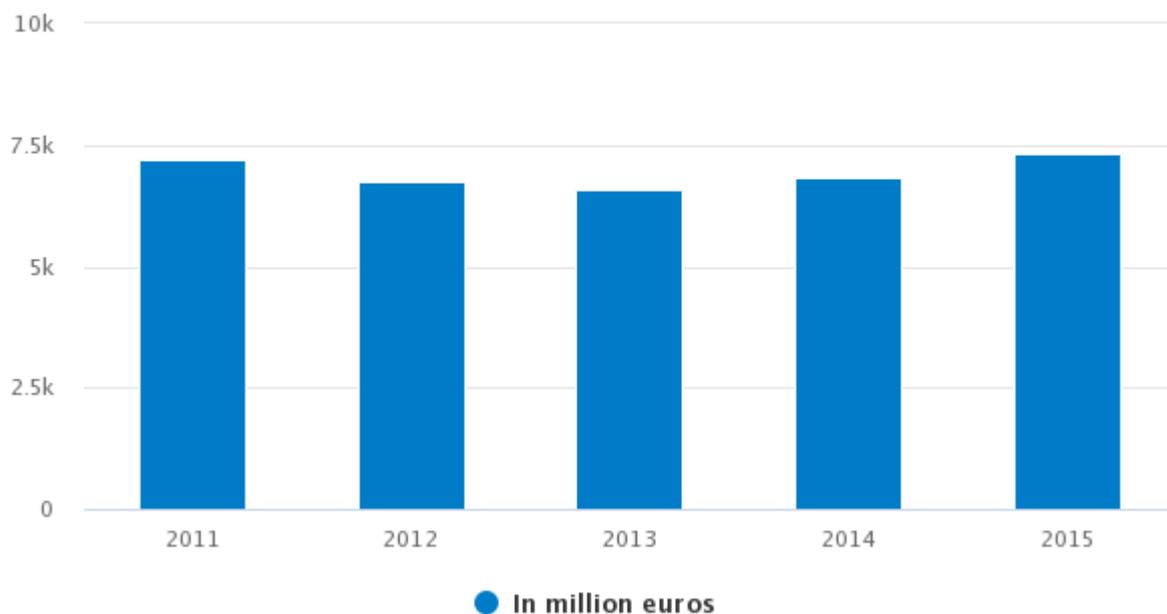
The European tropical timber and timber products market is expected to continue to grow over the next few years in value and perhaps also in volume. The year 2015 showed a healthy 7% increase in import values, a 5% increase in re-export values and a 9% increase in consumption and processing.

Nevertheless, caution is required, because the weakness of the euro in currency exchange values also means that the value of imports has risen more rapidly than the quantity (since the price of

imported products in euros tends to be relatively higher). However, this risk has been partly offset by producers lowering their sales prices and by a steep fall in freight rates during 2015.

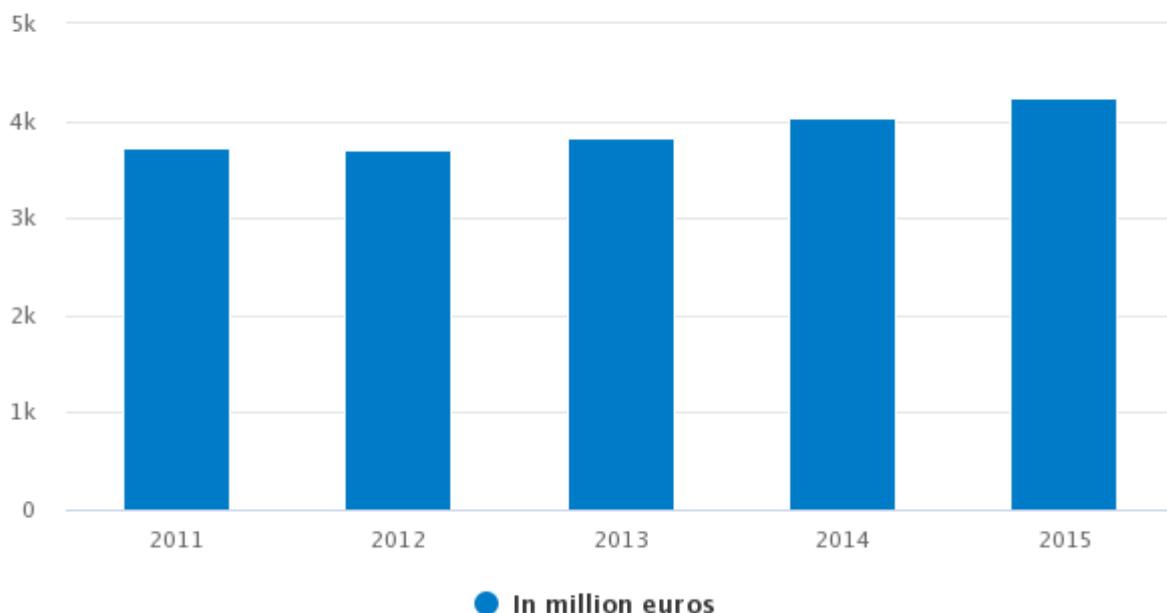
Further analysis of the data also shows that the quantity of European tropical wood imports has increased as well across nearly all product groups, as stated by ITTO in their [April 2016 monthly report](#). The following section provides statistics on the value of trade and consumption of tropical timber in Europe. The figures should be interpreted with caution, however, as they also include intra-European trade. For classification and statistical research, the Harmonized System (HS) is used.

### Chart 1: Imports of tropical timber



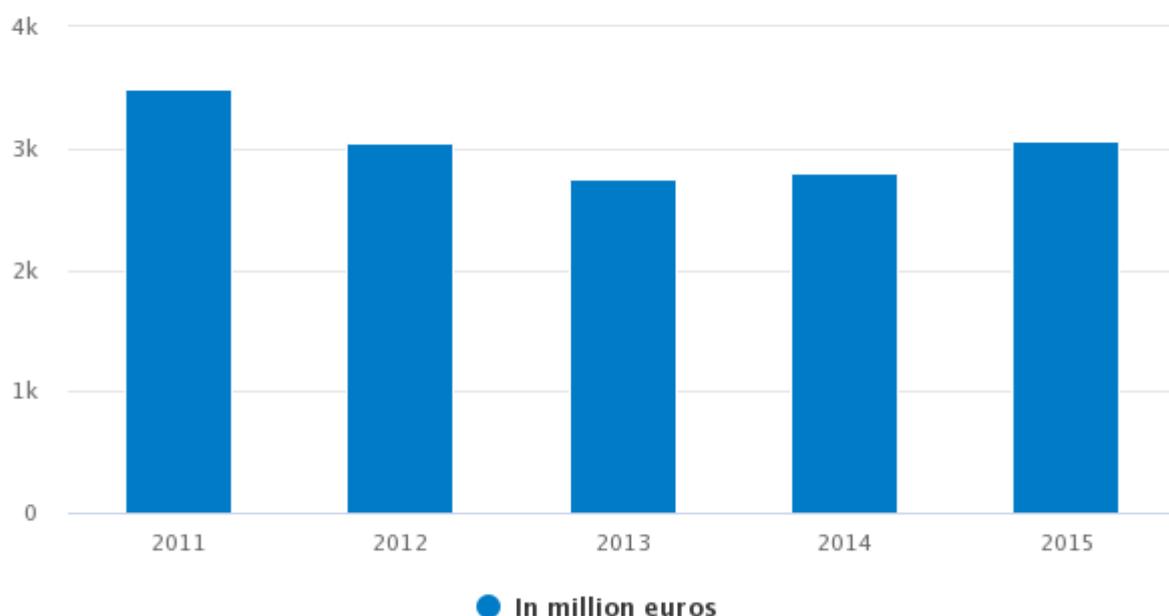
Source: Eurostat, 2016.

### Chart 2: Exports of tropical timber



Source: Eurostat, 2016.

### Chart 3: Consumption and processing of tropical timber



Source:

#### Imports: 7% growth

During the 2011-2015 period, imports destined for Europe increased for the second year in a row, amounting to €7,308 million in 2015 and indicating a 7% growth since 2014. Evidence of economic recovery has translated into a clear growth pattern for import. Germany and the United Kingdom are the largest importers in 2015, responsible for respectively 16% and 15% of the import (€1,185 and €1,126 million). They are followed by France (13%), the Netherlands (12%) and Belgium (11%).

Looking at the recent data, the economic recovery and the positive sentiments in the timber industry in general, it is estimated that the growth trend will continue in 2017.

#### Re-exports: 5% stable growth

It is important to note that no production of tropical timber is taking place in Europe. In effect, the value of exports represents the value of re-exports of tropical timber products among European countries and to other parts of the world. European re-exports follow the same trend as imports and increased again in 2015 to a value of €4,245 million, representing a 5% growth since 2014.

The largest exporters are Belgium (€610 million, or 14% of the total export), Spain (€392 million, 9%), Italy (€364 million, 9%), Germany (€398 million, 9%) and the Netherlands (€231 million, 5%). Since the implementation of the EUTR, Spain appears to have become a trade hub as well, as its export levels were much lower before 2013 (prior to the start of the EUTR). Export will continue to increase in 2017, because it is strongly connected with import levels and trading.

#### Consumption and processing: 9% increase

Consumption and processing is calculated as Imports - Exports, as there are no official Eurostat figures available. Consumption of tropical timber increased gradually between 2013 and 2015. In 2015, the consumption of tropical timber in Europe amounted to nearly €3,064 million, which is almost the same as in 2012 (€3,039 million) and means a 9% growth since 2014.

The largest consumers are the United Kingdom (€1,072 million, or 35% of all consumption), Germany (€786 million, 26%), France (€737 million, 24%), the Netherlands (€612 million, 20%) and Belgium (€181 million, 6%). Consumption is strongly related to economic growth, consumer awareness of deforestation, and illegal timber and substitution by other products. The growth of consumption will continue in the coming years, albeit slowly.

### Tips:

- Some European countries (such as Belgium and the Netherlands) are true trading hubs. You could design strategies that use these countries as entry points for accessing other European countries.
- Europe is attractive in terms of the size of its market, while the signs of growth make it a more promising sector in the years to come. However, be sure that you are successful in your own local and regional market before exporting to Europe, as this reduces risks.

## 5 . Changing consumer preferences are a fact

The use of tropical timber for some products such as flooring and doors depends on consumer preferences and fashion trends, particularly with regard to the appearance of the product. Fashion trends can change very quickly and vary from one European country to another. For example, tropical timber is not considered fashionable in Eastern Europe, where it has only limited use in applications such as doors and window frames.

Interest in tropical timber in most northern European countries does not go beyond importing, processing and exporting it to other countries. These countries are currently moving away from tropical timber towards native species that are more popular in terms of colour and fit in better with present-day fashion trends. Many markets such as flooring and doors, where tropical timber was used until recently for its aesthetic appeal, are now moving towards lighter colours such as oak.

The substitution trend is also driven by the fact that certain tropical species such as teak, *bangkirai* and *merbau* are in limited supply, while other available tropical alternatives such as *ipé* have a different look.

### Tips:

- Tropical timber has various applications. Try to add value to any of your products before exporting them. This strategy will benefit both you and your country's professional image in the timber sector.
- To understand European trends, talk to the buyer's purchase manager and sales manager. They have a better idea of what is happening in their market and are able to help with product development.
- To find out more about product trends, refer to our specific timber [product](#) studies.

## 6 . The value of the euro is still weak, but it depends whether this is an advantage

The euro has recently appreciated against the US dollar from a low of 0.72 euro/US dollar in April 2014 to a high of 0.94 in November 2016. However, we still have a weak euro as of November 2016, which has influenced prices and price competitiveness. A stronger euro means that European buyers pay relatively lower prices for timber from many Asian and other countries that maintain timber prices in US dollars or have currencies linked to the US dollar.

Many West African countries trade in euros, so variation in the value of the euro does not affect price levels. Furthermore, a weaker euro makes Asian timber more expensive for European buyers, who will tend to shift their trade to West Africa. A weak euro will raise the value of most imports, since the price of imported products in euros will be relatively higher. This situation will stimulate companies to export more, which is good for the European economy. The forecast is that the euro will remain weak for at least the year 2017.

### Tip:

- Monitor important developments to understand market dynamics, such as [GDP forecast \(EU\)](#), [Euroconstruct construction forecast](#) and [Oanda currency developments](#).

## 7 . Rise of demand in emerging economies, tropical timber will become scarce in Europe

The fast development of emerging economies is fuelling demand for tropical timber and timber products. In recent years, Brazil, Russia, India and China have developed rapidly, although there was a slowdown in 2015 and 2016 and it remains to be seen whether this development will continue in 2017. In that respect, it is clear that South-South trade is becoming increasingly important, which makes suppliers of tropical timber less dependent on European buyers.

In the long term, the global population will keep rising and the growing importance of other cash crops (such as soy, palm oil or rubber) will put more pressure on tropical forests due to the conversion of forests into agricultural land. Tropical timber will therefore become scarcer and European buyers will have more difficulty finding suppliers. As a result, they will either look for ways to secure supply through establishing long-lasting relationships or try to substitute timber with other products.

Another implication is that European buyers will prefer to do business with partners who can provide them with supply guarantees. Suppliers with their own forests or concessions are therefore preferred.

### Tips:

- If you wish to establish long-lasting relationships, sound contract management and effective logistics are crucial.
- You should try to secure supply and do your best to avoid being cut out of the supply chain. Work together with forest owners to find ways to complement each other and continue to be a valuable partner.

## 8 . Consumer awareness of deforestation, climate change and carbon-neutral operating is rising

Sustainability is high on the consumer agenda, and hence on that of governmental agencies, timber trade federations and large retailers in most European countries. This is especially true in northern and western European countries that are large importers of tropical timber. This increasing awareness is important to understand for producers of added value consumer products such as tropical timber doors, garden furniture, decking, and door and window frames.

All European importers realise that consumers are well aware of the impact of climate change, deforestation, illegal logging and unsustainable forestry. This awareness will only become stronger in the years to come. Most importers see the Forest Stewardship Council ([FSC certification](#)) as a good response to consumer questions. This development means that you also have to work on certification and understand the awareness change of European consumers.

### Tips:

- For suppliers of certified tropical timber rather than conventional tropical timber, consider targeting buyers that have a Chain of Custody (CoC) certificate.
- Look for buyers willing to pay premiums for certified products And target those buyers who are committed to sustainability. You can find them on the [FSC Global Marketplace](#) website.

## 9 . Stricter energy saving requirements are in place

[The European Directive on the energy performance of buildings](#) prescribes increasingly strict energy efficiency requirements for newly constructed buildings. Many northern and western European countries are implementing green building initiatives (GBIs). A widely recognised European example is the [Building Research Establishment Environmental Assessment Method \(BREEAM\)](#).

The European Union legislation is expected to have a significant impact on the use of tropical timber in construction such as doors, window frames and cladding. On the one hand, solid tropical timber has a smaller CO2 footprint than its alternatives (for instance, steel, composites, aluminium or plastics).

On the other hand, solid tropical timber is generally less energy efficient when used (tropical timber is dense and therefore a good conductor, leading to energy loss). This characteristic makes it likely that there will be a shift from using solid tropical timber to more engineered products (for instance, products with thermal breaks) or tropical timber used in combination with other materials. You should be aware of this development when the question comes, or perhaps you could even develop something new on your own.

## 10 . Consumers are spending more on construction, renovation and buying houses

The period of economic recession took the European construction market into a downturn, as fewer parties constructed new homes. Nevertheless, the market for renovations remained steady, although it was also slightly affected by the recession.

Currently, with a slow economic recovery under way, trends in the construction and renovation industry are changing. As new construction activities are scheduled in most countries and people are buying houses again, residential construction is expected to grow by 2.2% in 2017 ([Euroconstruct](#), 2016).

The recovering trend in consumer confidence and spending will affect the construction market significantly, resulting in increased demand for products such as floors, decking, mouldings and doors.

### Tip:

- Try to use the current timber and product shortages to pinpoint interesting opportunities for exporting typical consumer products such as garden furniture and floors.

## 11 . Certification price premiums are under pressure

The price premiums for certified tropical timber and timber products are under pressure, as certification becomes “business as usual”. It used to be common for buyers to pay a 5-30% premium (depending on species, scarcity, quality, country, segment and buyer) for certified timber. According to key sector experts, typical premiums have now fallen to between 1% and 5%.

Some importers predict a drop in the sales of FSC timber in 2017, as buyers consider only legal timber (compliant with the EUTR) to be good enough. This situation would put the margins for FSC certification under even greater pressure, while there is not much you can do about it.

Nevertheless, governments, trade associations, importers and retailers have drafted many policies and taken many initiatives to promote the sourcing of sustainable timber. FSC is still the most widely recognised certification scheme in Europe and most certified tropical forests get their certificate from FSC. If you would like to export to the European Union, compliance with the EUTR is a must and certification with FSC is still a strong advantage.

### Tips:

- Take certification one step at a time. Start with legally verified wood, then controlled wood, then sustainable certification. The website of the [Global Forest & Trade Network](#) (GFTN) provides a roadmap to certification.
- To gain a better understanding of what sustainable forest management involves, refer to the principles and guiding criteria of [FSC](#) and [PEFC](#).
- To find European or local buyers (for instance, importers, processors and retailers) and suppliers of certified timber and timber products, go to the [FSC Global Marketplace](#) and [PEFC database](#).
- If you are a small supplier, it is possible to share costs with others by applying for group certification. More information on this topic is provided by [FSC International](#) and [PEFC](#).

## 12 . Lesser-known species are more widely used

An important part of sustainable forest management schemes is the promotion of Lesser-Known Species (LKS). These are currently widely promoted and more often used in Europe. You can find more information about this topic in our document about [competition](#).

## 13 . Increased tariffs, taxes and log bans in exporting countries

Developing countries are increasingly stimulating their own timber industry to add value by raising tariffs and taxes for log exports. You can find more information about this topic in our document about [competition](#).

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