

What competition do you face on the European timber market?

The European market is the world's largest market for conventional timber products and sustainable tropical timber products. Europe also has the world's strictest market access and buyer requirements. You can expect competition to come from European and Asian companies. However, due to the economic recovery in Europe, opportunities do exist for exporters who know how to identify their competitive advantage within these dynamics.

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1. What are the opportunities and barriers when I try to enter the European market?

Below, we list the most important opportunities and barriers to take into account.

The European Union Timber Regulation (EUTR) might hinder market entry

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 throughout the supply chain, importers seek ways to shorten the chain or ask for guarantees in the form of certification. For much more information about the EUTR and certification, we refer to our [Buyer Requirements](#) study or ITC's [Market Access Map](#).

Added-value products versus primary products: opportunities are there!

Products such as plywood, garden furniture, doors and frames have much more elaborate and detailed technical and design requirements than sawnwood, decking and mouldings. Although the market for added value products is more complex in terms of finding the right buyer and proving supplier competence, it is also a big market with a larger potential profit.

Tip:

Consult our various relevant [studies of specific products](#) for detailed specifications of timber products in Europe.

Economic situation in Europe creates possibilities

The European market is slowly recovering from the economic crisis, while the supplies of timber products are low. As is common in situations of scarce supply, global prices are rising. The weakness of the euro compared with other currencies also means that the value of imports has risen more rapidly than their volume, since the price of imported products in euros tends to be relatively higher.

General tropical sawnwood prices also rose in real terms in 2014 and 2015, but they are now stable (source: ITTO/FSG, September 2016).

Producing countries aim to promote value addition

Market entry for added value products might be more complex, but national governments of producing countries have increasingly taken proactive measures to stimulate the local economy through the manufacturing of value added timber products. These initiatives are presented in the form of support services, such as forest management advice, logistics services and quality control.

In addition, many developing countries including Ghana, Gabon and Burma (Myanmar) have banned the export of logs to encourage local processing into (semi-)finished products. Check the website of the [Forest Legality Alliance for the current status per country](#). This initiative discourages export activities for products with low value addition, while aiming to promote opportunities for value added timber products.

Lesser-known species more widely used

An important part of sustainable forest management schemes is the promotion of lesser-known species. Particularly, as certain timber species are becoming scarce (such as teak, especially when certified), buyers are increasingly open to substituting them with so-called "lesser-known species" – timber species that have similar characteristics but are not (yet) commonly known in the European market.

If the characteristics are accurately communicated, this situation can represent an opportunity for exporters. If technical information does not exist, testing is required. This procedure, however, is often not feasible for small-scale exporters due to expensive technological requirements. It may be feasible through support from industry associations, government agencies and large timber companies.

Tips:

The characteristics of the "lesser-known species" that you introduce to the European market need to be clearly communicated in terms of colour, density, grain, potential defects and main use.

For more information on country-specific "lesser-known species", consult the special website maintained by [FSC Denmark](#), [World Wildlife Foundation](#) (Peruvian tropical timber) and the [ITTO](#) document (Philippine tropical timber).

To increase their buying power, larger importers are becoming even larger and stronger

Merging smaller companies into much larger ones is an increasing trend that has led to a few large players dominating the timber market in Europe. Because each player is responsible for such a large market share, these companies are able to dictate far-reaching demands. As a result of this horizontal consolidation, exporters have fewer alternatives in terms of selling their products and have no choice but to comply with the long list of demands to retain a foothold in the market.

Tips:

Invest in the relationship with your buyer. Be realistic about your supplies (in terms of quality, volumes and prompt delivery to buyers) and continuously aim to improve these aspects.

Find a buyer that matches your capacity.

Small and medium-sized exporters should seek contact with other local companies to become more attractive to larger buyers.

2. What are substitute products in the timber market?

There are several innovative products in the market that substitute regular timber products. Although these may pose a threat to certain products (such as decking), tropical timber is still needed for various other purposes. Nevertheless, this development means that existing tropical hardwood exporters have to differentiate and think about creative and innovative new products. Preferably, these are made from lesser-known species and certified by one of the leading certification schemes.

Thermally Modified Wood ([TMW](#)) is an alternative to chemical treatment that offers many advantages. TMW makes wood more resistant to fungi and other micro-organisms, as well as more durable and less likely to change shape. Technologies to make European softwoods (almost) as strong and moisture resistant as tropical timber are becoming more refined. Depending on the country of origin, this process can be less risky in terms of the environmental impact of harvesting, while also leading to shorter delivery times.

In the market for doors and window frames, windows framed with aluminium and polyvinylchloride (PVC) and frameless glazing systems are being used more often. According to a report from [Forest Industries Intelligence Ltd](#), plastic materials in particular will be an important competitor for timber material in doors and window frames.

Wood Plastic Composite ([WPC](#)) is also a growing market. This material is used as a substitute for timber mainly in garden products, decking and fences. WPC products can also be certified sustainable when made of certified wood dust, even though they consist mainly of glue. WPC is cheaper, looks like wood and can be handled as if it were wood, but it has the durability of plastic. Each piece is knot-free and consistent in size and colour.

Glued laminated timber ([Glulam](#)) or Cross-Laminated Timber (CLT) is becoming more popular as well, particularly in construction work but also in mouldings (in [finger-jointed](#) form). The use of glued laminated/finger-jointed products is good for your raw material efficiency, as it often allows you to use shorter pieces. Make sure that you do not miss our study of [Cross-Laminated Timber](#) to learn more.

In France, companies such as [Neolife](#) and [Silvadeck](#) create composites for terraces and shelves; in Belgium, [Beologic](#) offers wood pellet polymers; in Germany, [Megawood](#) makes composite garden fences, while [Staedtler](#) uses this material to produce pencils. [Ikea](#) of Sweden is producing composite chairs and armchairs, [Lunacomp](#) makes composite corrugated panels and [UPM-ForMi](#) makes composite components for [Puusteli](#) kitchens.

3. How much power do I have as a supplier when negotiating with buyers?

With supply scarcity increasing, buyer power in Europe as a whole is decreasing in the long term (5-10 years), certainly for added value products. Supplier power will thus continue to be strong in added value products, but will be under pressure for primary products due to the vertical consolidation of European importers.

Additionally, growing demand in emerging economies and diminishing resources will make it harder for European buyers to find suppliers. Emerging markets (especially China, India and Brazil), which can pay similar or higher prices, have less stringent buyer requirements and are often located closer to exporters in developing countries. As these economies are becoming more attractive, the number of suppliers choosing Europe as a destination for their products may decrease.

Tips:

Focus on your most important buyers. Identify them by determining the 20% that is responsible for 80% of your turnover (that is, the 80/20 rule).

Long-term contracts will increase. If you wish to establish long-lasting relationships, solid contract management and good logistics are crucial. At the same time, manage expectations: be honest about your supply capability and inform your buyer of possible problems.

Export products where buyer power is low, or target added value speciality markets with innovative products.

For more information, we refer to our [Market Channels and Segments](#) document.

4. Who are my rivals?

Depending on the product that you sell, you can identify your competition. If you sell primary products such as sawnwood, your competition will come from Malaysia, Indonesia and Burma (Myanmar). Some African countries are becoming stronger year by year (including Cameroon, DR Congo and Gabon), while South American countries are focusing more on local or regional markets and added value products.

If you sell added value products, your competition comes from China, Brazil, Indonesia and Vietnam. In general, the import figures for tropical timber products in Europe are increasing for the second year in a row.

To be able to provide detailed information about the competition that you will face, we will need to look at some statistics. For classification of and statistical research on tropical timber in the European Union, the 11 product groups of the Harmonized System (HS) are counted together.

Import into the European Union increases

The total import values into the European Union increased from €32,703 million in 2014 to €34,127 million in 2015. The largest part of the import (71%) is intra-EU trade. This means that countries within the European Union are importing from other EU countries. Of the total import, 16% comes from developing countries (see below for the list) while the remaining 13% comes from the rest of the world.

There are seven major importing countries in the European Union. Germany is by far the largest importer, although it does not buy a significant amount from developing countries. Countries such as France, Belgium and the Netherlands are clearly the frontrunners with this respect. The top-10 of largest importing countries has not changed much over the years.

Figure 1: Tropical timber and timber products imported into the European Union from the three major sources (2011–2015)

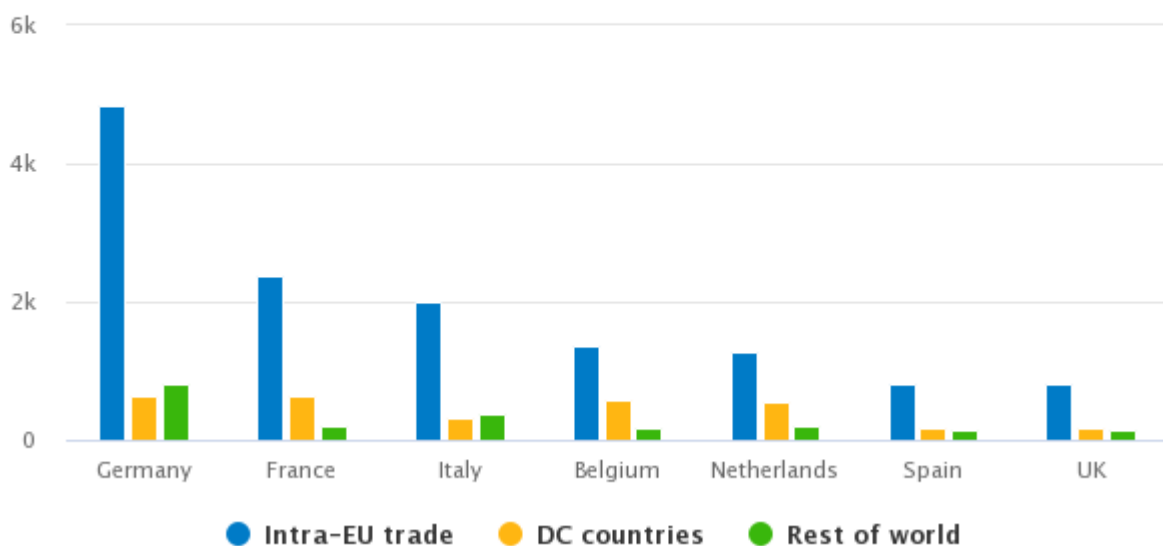
In € million



Source: Eurostat, 2016.

Figure 2: Largest importing countries in the European Union (2015)

In € million



Source: Eurostat, 2016.

Looking at the recent data, the economic recovery and the positive sentiments in the timber industry in general, our estimate is that import will continue to increase during the next years.

Leading supply countries and their market share show little fluctuation

The total import value into the European Union was 34,127 million Euro in 2015. The European Union imported timber from many different countries. The biggest supplier was China (7% of the total European Union import). Traditionally, Brazil and Indonesia are filling up the top three as the biggest suppliers. Their positions remain the same over the years. Almost all top-10 suppliers did see an increase in export (average 10%), when compared

to 2014.

In recent years, several African countries (for instance, Cameroon, Congo, Gabon) have gained a foothold in the European market, at the expense of South American suppliers. This is because African prices are currently lower, due partly to lower labour costs. On the one hand, African countries are increasingly adding value to wood processing activities and, on the other hand, government policies that implement log export restrictions are being enhanced further.

Figure 3: Tropical timber and timber products imported into the European Union

Largest suppliers from developing countries and market share 2015 (in € million)

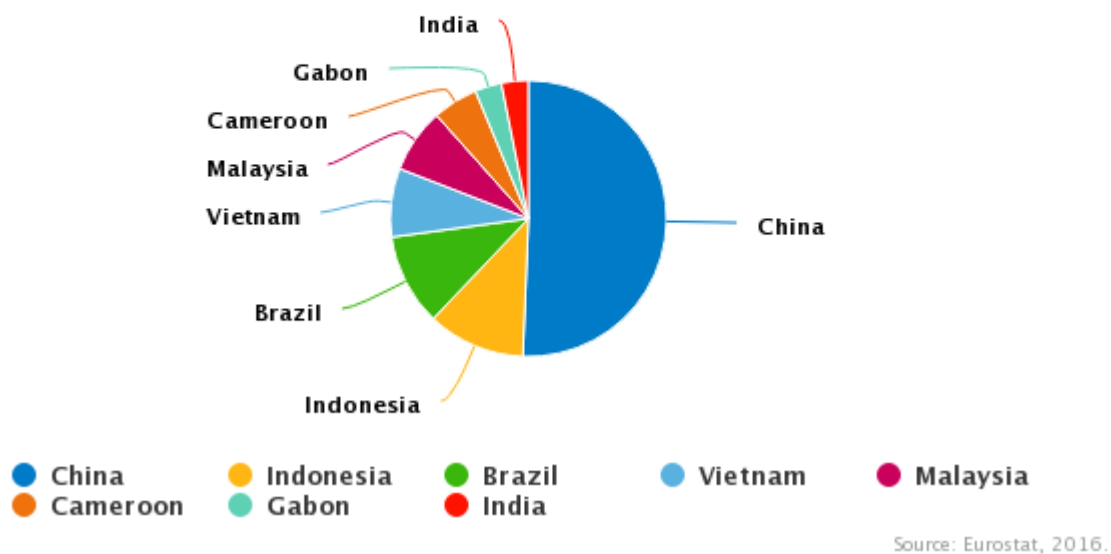


Figure 4: Tropical timber and timber products imported into the European Union

Largest suppliers from other EU countries and market share 2015 (in € million)

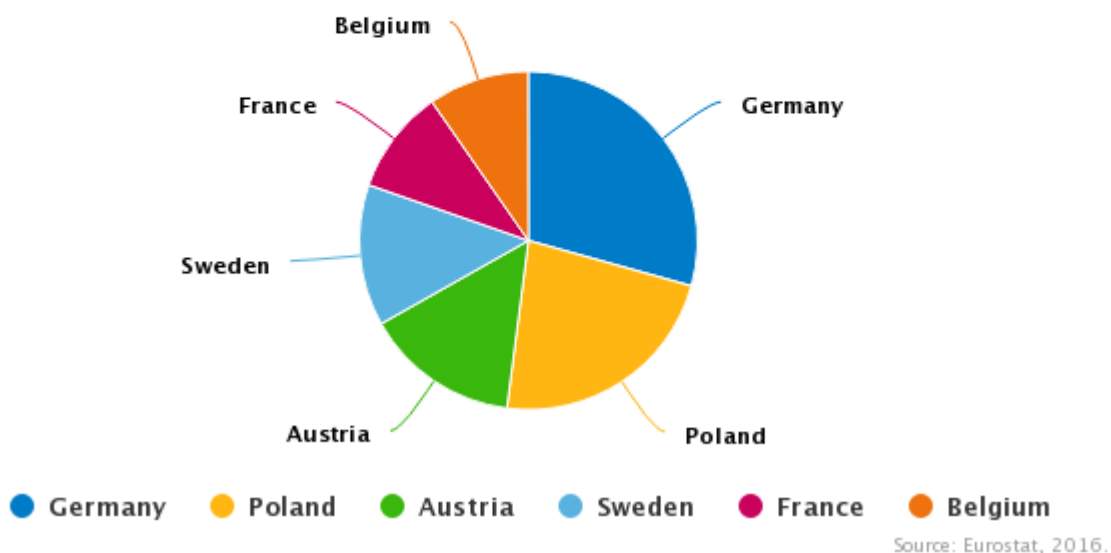
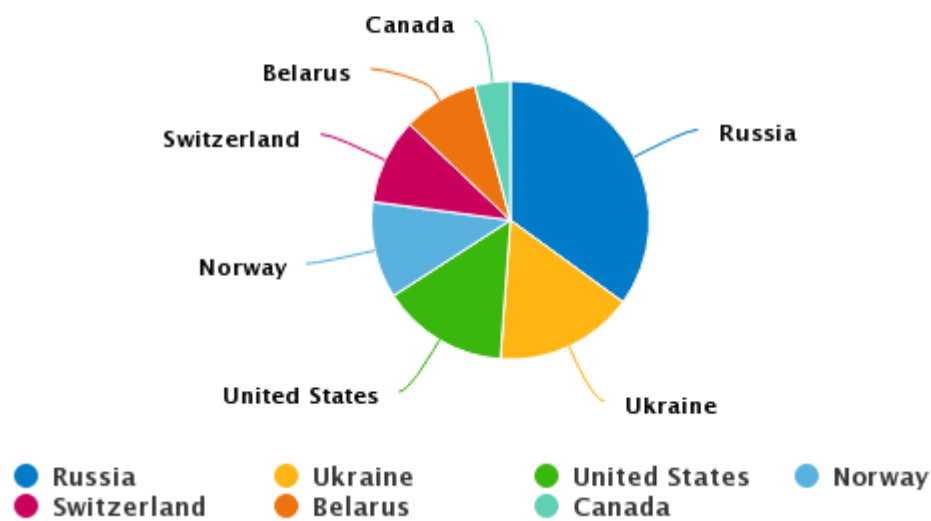


Figure 5: Tropical timber and timber products imported into the European Union

Largest suppliers from the rest of the world and market share 2015 (in € million)



Source: Eurostat, 2016.

Import tariffs

Import tariffs are collected and agreed upon by the European Union as a whole. Customs authorities do not levy import duties on products traded between European Union Member States. However, Value Added Tax (VAT) will be payable. Some products are also subject to excise duty taxes and consumption taxes. All European Union Member States apply the same common customs tariff (CCT).

Tip:

There is one very useful European Union website, EU Customs Tariff ([TARIC](#)), which lists all these tariffs. In the table below, you will find the most common tariffs.


Table 1: Most common import tariffs


Type	Tariffs
Roundwood, stairs, mouldings, cladding, bamboo parts, laminated flooring, wooden furniture	0%
Sawnwood and decking	0–2.5% for most-favoured-nation (MFN) countries (depending on processing method), 0% for developing countries (LDCs)
Veneer	3–6% for MFN countries, 0% for LDCs
Fibre- and particle boards	7% for MFN countries, 0% for LDCs
Plywood	7–10% for MFN countries, 3.5–6.5% for China, 0% for LDCs
Doors, windows and their frames	3% for MFN countries, 0% for LDCs
Solid flooring and all other flooring	3% for MFN countries, 0% for LDCs


Source: European Commission TARIC database.

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