CBI
Ministry of Foreign Affairs

CBI Product Factsheet:

European market for certified tropical timber products, 2015

Introduction

This fact sheet provides an overview of the European market for certified tropical timber products. Despite the economic recession and several years of decreasing imports and consumption, the EU market for tropical timber now remains stable, providing renewed opportunities for exporters in developing countries. Tropical timber continues to be popular amongst many consumers, who appreciate its aesthetic and durability features. Certification is highly important in Northern European countries (e.g. the UK, Belgium and the Netherlands), although it is less important in Southern and Eastern European countries. Nevertheless, the addition of value through certifications will be crucial in order to access the EU market for tropical timber products.

Product Definition

There are many types of '***tropical'*** timber products. For the purposes of this study, a selection of the larger groups has been made (see below). These larger groups can be used to define a representative indication of the major trends.

The figures do not allow the distinction of ***'certified'*** tropical timber products. Only a few countries (primarily Belgium, the UK and the Netherlands) periodically monitor the availability of certified timber in the market. In the remaining 25 EU countries, hardly any data are collected. We must therefore estimate the amount of ***certified*** timber in the market, as compared to the total (see the section on trade statistics below).
Certified timber products (predominantly FSC and PEFC) carry labels signifying that these products originated from forests that meet a verified standard of sustainable forest management (SFM).

The Harmonised System (HS) is used for the classification of tropical timber in the EU. The following HS codes (and product groups) have been taken into account:

- Sawn timber (HS codes 440721–440729 and 44079996).
- Roundwood (440331–440335, 440341, 440349, 44039930 and 44039940).
- Veneer (440831 and 440839)
- Plywood (4412-11,-13,-14,-22,-23,-29,-31,-32 and -92
- Doors & frames (44181010 and 44182010)
- Mouldings & solid floor (440929)

Figure 1: Examples of main product groups in this document

Product Specifications

Specifications depend entirely upon the type of product. Nevertheless, some general specifications are the same for most products.

Leading species in the market:

Many 'lesser-known species' have entered the market in the past decade, thereby becoming 'well-known species'. The following species can be found on the market in various certified tropical timber products (obviously in addition to Meranti, teak and other well-known species):

Acajou, Afromosia, Almendrillo/Cumaru, Angelim Vermelho, Azobi, Badi, Balau, Bangkirai, Belinga, Bibosi, Cedro, Doussies, Eucalyptus, Ipé/Tajibo, Iroko, Jatoba, Kapu, Kaya Batu, Kempas, Keruing, Mara/Mahogany, Marupa, Massarranduba, Morado/Palissander, Mukulungu, Murure, Niove, Okan, Okumé, Padauk, Sapelli, Tatajuba, Verdolago, Yesquero negro/blanco.

Colours:

Consumer preferences vary by country. In general, however, red-brown colours are associated with durability throughout the EU. Lighter colours are not accepted for garden/outdoor purposes, although they are sometimes acceptable for indoor use. In principle, lighter colours are more accepted in Northern EU countries and Eastern Europe, with darker colours being preferred in the Southern countries and the UK.

Types of packaging:

Orders are usually transported and counted by the number of containers (20 ft or 40 ft). Dry Cargo Containers defined as 20'GP (general container), 40'GP and 40'HQ (high cube) are usually used for shipment.

- If the density of your wood product is very high, and the volume of the order is low, it is advisable to use 20'GP **containers**. If the volume is large, it is advisable to use 40'GP containers.
- **Bundled products**: random-length products bundled in average-length bundles.
- **Nested products**: random-length products bundled continuously end-to-end.

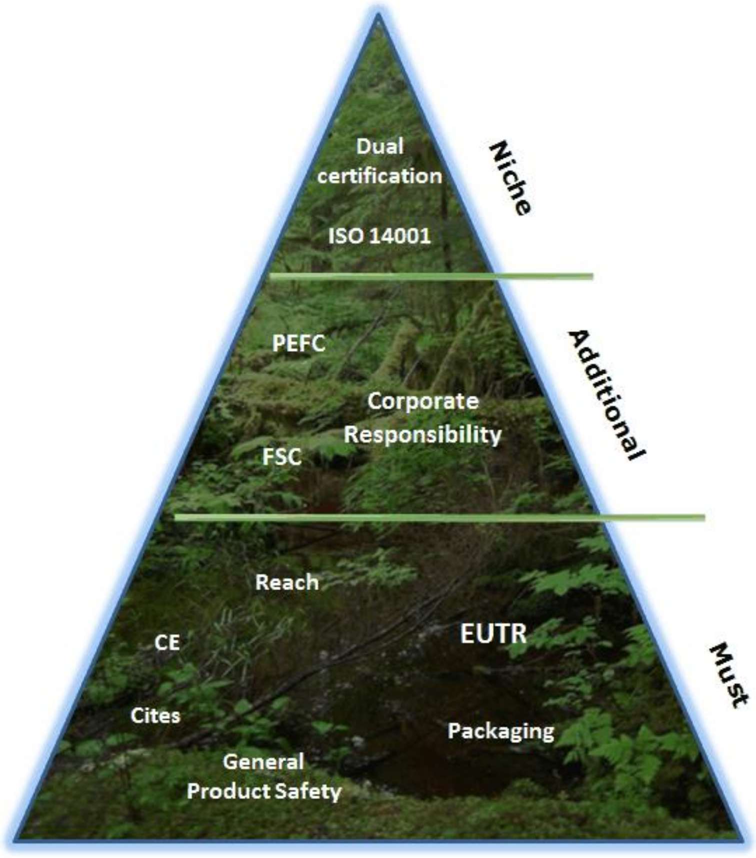
Labelling:

Labels for tropical timber should include the following information: Information describing the timber product, country of harvest, species (common trade name), quantity, details of the supplier (name of company, name of supplier), information on compliance with national legislation and information on sustainability labels.

Buyer Requirements

This section is divided into three parts: requirements that you ***must*** meet in order to be able to export; additional requirements that you ***may*** meet; and niche requirements that you ***can*** meet. Additional details are provided in the more general CBI document on '*Requirements with which your product should comply*'.

Figure 2: Buyer requirements for tropical timber products



Requirements you must meet

General Product Safety and Liability

The General Product Safety Directive applies to all consumer products in the EU. The obligation to comply is primarily the responsibility of the companies in the European Union that place the finished product on the market. In many cases, however, they ask their suppliers to comply with the specified requirements. In addition, all goods marketed in the EU are subject to non-product-specific legislation on liability.

Tip:

- To improve your understanding of reasons for the confiscation of products by EU customs authorities, refer to the EU's RAPEX database. Try to identify the most common forms of non-compliance by suppliers to the EU, and evaluate your own risks. This strategy can serve as a base upon which to correct any supply inconsistencies before accessing the EU market, thus avoiding rejection at the border.

CE marking

Timber products that are permanently incorporated into construction works must be CE marked. The CE mark demonstrates that the products comply with harmonised requirements regarding mechanical resistance, stability, safety in case of fire, hygiene and the environment. Since July 2013, manufacturers of finished construction products have been required to provide a declaration of performance (DoP). The CE requirement applies to you only if you are from a developing country and wish to supply ***finished*** construction products to the EU. As a supplier of ***parts***, you are required to provide your buyers only with information about the essential characteristics of your product.

Tips:

- For an explanation of the essential characteristics of products, refer to Section 1.3 of the Manufacturer's Guideline to the Construction Product Regulation and its Implementation.
- To learn more about the CE marking of construction products, refer to the EU Export Helpdesk.

EU Timber Regulation (EUTR)

All timber imported into the EU is required to come from verifiable legal sources. All EU buyers placing timber or timber products on the market are required to show due diligence. This can be achieved through contracts or separately for each container that is sent. The EUTR also requires operators to trace their products back to the source. Exporters who supply legal timber but who cannot provide well-documented guarantees of legality will thus not be allowed to supply the EU market. The easiest way to prove compliance is through a voluntary legality verification system or regular sustainable forest-management certification (e.g. FSC).
The EUTR is part of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Another element of the plan involves Voluntary Partnership Agreements (VPAs), which are voluntary trade agreements between the EU and timber-exporting countries. Countries that can demonstrate full implementation of their national control schemes are granted EU FLEGT licences, and all timber exported from these countries is considered legal. It is important to note, however, that FLEGT does not prove sustainability or address deforestation; it concerns only legality.
At this time, EU buyers consider sustainability certification **important** and the EUTR **essential**. In the future, consumers are unlikely to purchase products that are less sustainable, once they have been informed about the difference between 'legal' and 'sustainable' (Source: feedback from 17 importers during meetings and an online questionnaire conducted in 2015). From the perspective of developing countries, the provisions of the EUTR are considered complicated and expensive, thus posing a threat to imports from developing countries.

Current state of affairs: The implementation of the EUTR is still in the early stages. In many EU member states, the monitoring of trade in illegal timber is still insufficient. On the supply side, at the time of writing (Jan 2016), nine developing countries were in the final stage of implementation, and nine other countries were still in the negotiation phase. None had reached the FLEGT licensing stage (check EU-EFI for the current status). Since the implementation of EUTR, therefore, no FLEGT-licensed timber has entered the EU market. According to some reports, Indonesia and Ghana were expected to have completely implemented their FLEGT legality-assurance systems in the first half of 2016, but this has been delayed several times. Regardless of these shortcomings, most large professional buyers do comply with the requirements in the EUTR, and most ask their suppliers to prove the legal origin of their timber. Compliance is especially common in Northern and Western EU countries, which are characterised by a strong commitment to legality and sustainability. Even in these regions, however, some buyers (particularly smaller concerns) are less pro-active and not yet fully compliant. Since the implementation of the EUTR, the supply chain for timber has become more transparent. This has led to major improvements in the legality controls and overall environmental and social performance of the timber and forestry industries within this chain. In time, the EU will eventually move towards a stricter implementation of the EUTR.

Tips:

- The implementation of the EUTR has made the EU even less of a market for incidental selling. If you decide to keep selling to the EU market, you should be aware that legality assurance is an essential aspect of trade, along with price and quality. Additional information is provided in the Guidance Document for the EUTR.
- Additional details concerning the control of illegal timber and timber products are available from the EU Export Helpdesk.
- The European Timber Trade Federation and the EU FLEGT facility provide regular updates concerning the status of the implementation of the EUTR.
- When seeking to establish long-term business relationships, suppliers are advised not to wait for the full implementation of the EUTR and FLEGT system, but to be pro-active and ensure full transparency and legal sourcing, in addition to taking measures independently, if necessary.
- The EUTR has been fully implemented in the UK, and inspections are being conducted. Additional information is available here.

The implementation of the EUTR in many European countries, including the UK, has made them less accessible to exports from non-certified sources. In its current state of implementation, the UK has assigned enforcement power to the National Measurement Office (NMO). Additionally, penalties and checks are already being enforced in the UK market. Consequently, there is an increasing shift to European imports of non-tropical timber, while exporters in developing countries are simultaneously focusing on emerging markets with less stringent requirements

CITES

The Convention on International Trade in Endangered Species (CITES) establishes provisions for the international trade of endangered species. If you are supplying endangered timber species listed by CITES, be sure to acquire a CITES permit. The CITES permit ensures compliance with the requirements of the EU Timber Regulation (EUTR), and all timber covered by this permit is regarded as having been legally harvested.

Tip:

- To determine whether your timber species is included in the CITES list, refer to Annexes A, B and C of the CITES Regulations. Be sure to refer to the most recent version of the Regulations (see under consolidated version), as the list is updated regularly.

Chemicals in timber

The preservatives arsenic, creosote and mercury can be used to prevent rot and improve the durability of timber, especially for timber destined for outdoor applications (e.g. decking). The EU does not allow the use of these preservatives, except for application to wood or other products used in industrial installations or as railway sleepers. Additional restrictions apply to timber products treated with certain oils, glues, varnishes and lacquers that may contain harmful substances. For example, painted articles may not be placed on the market if the concentration of cadmium is equal to or greater than 0.1% by weight of the paint on the painted article.

The EU has adopted restrictions on the use of chemicals in processing. The **EU REACH** (Registration, Evaluation and Authorisation of Chemicals) regulation specifies requirements for the use of oils, varnish, lacquer or other products that may contain harmful substances. The import of products treated with certain substances (e.g. arsenic and chrome) is prohibited.

Although this legislation does not apply outside the EU, buyers are increasingly implementing sustainable practices within their own companies and supply chains. They are therefore likely to ask you to comply with these requirements regarding the use of chemicals during processing and production (e.g. volatile organic compounds [VOCs] used in coatings, formaldehyde and Pentachlorophenol).

Tips:

- Ask buyers whether they have specific policies concerning chemicals and what their specific requirements for suppliers are.
- The EU website on reduction of emissions and substitution of solvents provides additional information on reducing VOCs.
- Consult the European Export Helpdesk to determine how REACH affects you.
- To learn more about restrictions on specific substances, refer to Annex XVII of the document entitled Registration, Evaluation and Authorisation of Chemicals (REACH). The EU website also provides additional information on REACH.
- Another useful resource is the CBI document on 'requirements with which your product should comply'.

General requirements on packaging:

In addition, all goods marketed in the EU are subject to non-product-specific legislation on packaging (Directive 94/62/EC). These regulations are intended to introduce measures for reducing the spread of pests associated with packaging materials made of raw wood. All wooden packaging material (mostly pallets) that you use must display the ISPM 15 logo and your unique identification number (if you produce the packaging material yourself). If you do not produce the material yourself, you will need to buy it from a licensed producer in your country. For additional information, consult the CBI document on Buyer requirements.

Additional requirements

Sustainability certification

To market your product as 'certified', you will need to meet and prove compliance with a sustainability label that is recognised by the EU. The standards involved in such labels typically consider three issues:

- Legality – the forest owner/manager holds the legal right to harvest, and the timber is harvested, processed and traded in compliance with relevant international, national and regional laws;
- Environmental sustainability – the forest is managed in a way that preserves the health of the forest for future generations;
- Social sustainability – the timber is harvested, processed and traded in a manner that respects the rights and working conditions of those directly affected.

For many wooden products, including timber garden furniture, certification from the Forest Stewardship Council (FSC) is the most common label. Another popular scheme is the Programme for the Endorsement of Forest Certification (PEFC). Requirements for the FSC and labels consider issues of sustainability in a manner reflecting the three issues indicated above.

Sustainable forest management has become commonplace in the market for non-tropical timber. In addition, the demand-driven commitment towards legality and sustainability has crystallised in the UK market in recent years. For example, in 2010, over 91% of all wood and wood products coming into the UK were certified. The UK market for certified tropical timber is also growing, albeit at a slower pace. In 2010, 16% of all tropical wood imported into the UK was certified. This is confirmed by more recent, general studies on sustainable consumption in countries including the UK, which indicate that demand-driven sustainability requirements are rapidly increasing.

Tips:

- To improve your understanding of the criteria demanded in the market for certified tropical timber, refer to the principles and guiding criteria of the FSC and the PEFC.
- Be aware that any supplier of sustainable certified timber must acquire a CoC certificate. Be sure to target only buyers with CoC certification. Non-certified buyers are not allowed to sell certified timber.
- Learn the requirements for CoC certification. The website of the Global Forest & Trade Network (GFTN) provides a roadmap to certification.
- To find European or local buyers (e.g. importers, processors and retailers) and suppliers of certified timber and timber products, refer to the FSC Global Marketplace and the PEFC database.

Corporate responsibility

Companies are also addressing other issues, in addition to the origin of wood. Buyers in the UK are increasingly paying attention to their corporate responsibilities with regard to the social and environmental impact of their businesses. This also affects traders and processors. Important issues include respect for indigenous rights, owner's rights, environmental performance and respect for labour laws, as well as healthy and safe working conditions. Many European companies in the timber sector have policies addressing these issues. Suppliers may be required to verify that certain policies (e.g. certifications and standards) are in place.

Suppliers can also be asked to abide by codes of conduct that guarantee good practices with regard to health and safety and environmental awareness. They may also be asked to sign supplier declarations to ensure compliance with local laws and regulations, industry minimum standards, the International Labour Organisation (ILO) standards and the UN Conventions.

Tips:

- Investigate possibilities for improving your performance in sustainability. Even if immediate compliance with certifications is beyond your scope, becoming familiar with issues included in these programmes can provide you with an idea of where your focus should be with regard to sustainability. The document entitled Wood processing and furniture making: Cleaner production fact sheet and resource guide provides additional information on these aspects.
- Refer to the fact sheet on health and safety management in the woodworking industry, published by the Building and Wood Workers International Association (BWI).
- Refer to the Less Dust Guide published by the European Federation of Building and Woodworkers to learn how to reduce wood dust in the workplace.
- Ask your EU buyers about their supplier policies with regard to labour standards. Learn how these standards are monitored and/or evaluated.
- Investigate possibilities for implementing sustainability certification for continuous process improvement. Specific examples include ISO 14000 (environment), OHSAS 18001 (health and safety) and SA8000 (labour standards).

Standards Map of the ITC

Consult the International Trade Centre's Standards Map, an online tool that provides comprehensive information on more than 130 voluntary sustainability standards and similar initiatives. It covers such issues as codes of conduct that are relevant to your products, in addition to reviewing the most important features of the selected standards and codes, and providing a side-by-side comparison of the requirements for various standards. It also provides a self-assessment module for evaluating your company's performance against various standard requirements. This tool generates a 'sustainability diagnostic report' for your company, which you can share with the business community. Consult the standards map videos to see how the Standards Map can help you to determine which initiatives may be useful for you.

ITC

Niche requirements

Dual certification (FSC and Fairtrade)

Smallholders and communities often face tough competition in the global timber market. The FSC organisation is working to differentiate products from communities and smallholders in the marketplace. Dual certification from FSC and Fairtrade has been tested. In addition to sustainable forest-management practices (FSC), additional attention is being directed towards on-site social conditions (Fairtrade). Timber with FSC/Fairtrade certification is sold with a Fairtrade premium that adds 10% to the value of wood products from certified smallholder communities. Dual certification is particularly attractive in the UK market, given the high level of consumer recognition for the Fairtrade label (estimated at 72.5%).

FSC www.fsc.org

FAIRTRADE info.fairtrade.net

Tip:

- For additional information regarding dual certification, refer to the FSC website.

ISO certification

The ISO 14001 Environmental Management Systems constitute an international certification scheme addressing aspects of environmental management and providing practical tools for the identification and management of environmental impact and the continuous improvement of environmental performance.

Tip:

- Learn more about ISO certification and the advantages that it could offer you on the [ISO 14001](ISO 14001) website.

Trade and Macro-Economic Statistics

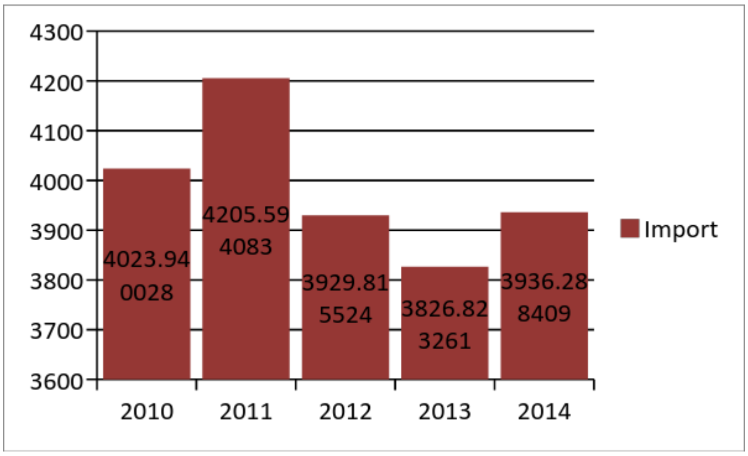
In 2015, the world's certified forest area amounted to almost 450 M ha (183 million FSC and 267 million PEFC). This represents about 11% of the total worldwide forest cover of 4.033 million ha. The majority (90% or 240 million ha) of PEFC-certified forest is located in North America and Europe (primarily in Finland, Norway and Sweden). Most of the FSC-certified forest is located in North America, the CIS sub-region (former Soviet Republic) and Europe (83% or 155 million ha). Altogether, this leaves 55 million ha of certified forests (1.4% of the world's forest cover) in Asia, Africa and Middle and South America. These forests are the origins of ***certified tropical timber***. It has been estimated that this 55 million ha of forest produces around 90 million m3 of tropical timber (in logs) (Source: FSC report). When calculating with an average *recovery rate* (the timber from a log that actually ends up in a product) of 50%, we can assume that *45 million m3 of certified tropical timber* is available for the local and export markets.

The end consumers of these two major certification schemes are found predominantly in the markets in the EU (particularly in the Northern countries) and North America. In some EU countries, the amount of FSC and PEFC timber on the market is very high, while there is less demand in other countries. In general, Northern EU countries are the largest importers, with less demand in the Southern and Eastern European countries. According to various FSC sources, the market share of certified timber and timber products in the EU is approximately 6%–7% on average, although it is much higher in some countries, including the UK (more than 80% of all timber used) and the Netherlands (56% of all imported hardwoods).

The following section provides statistics on the trade and consumption of ***tropical timber*** in the EU. The figures should be interpreted with caution, however, as they also include intra-EU trade[1].

Imports: Fluctuation

Figure 3: Imports of tropical timber, in € million (Source: Eurostat, 2015).

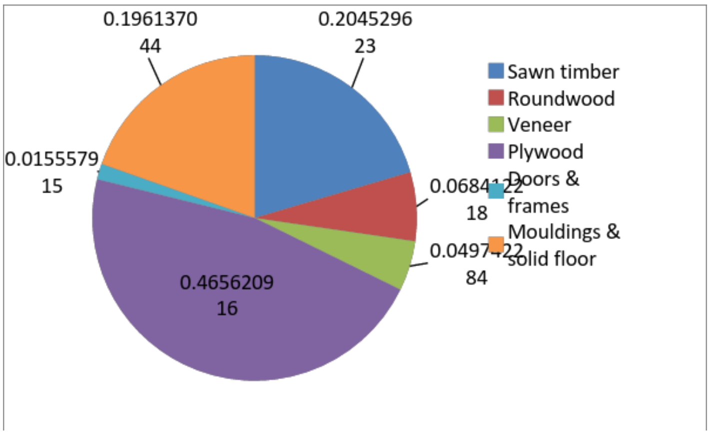


During the 2010–2014 period, imports destined for the EU fluctuated, amounting to €3,936 million in 2014. Evidence of economic recovery has not translated into any clear growth pattern.
Strict implementation of the EUTR might also affect the import of tropical timber, given that most EU countries are now actively blocking the import of illegal timber, as well as of non-verifiable legal timber.

[1]*Figures on intra-EU trade are required only of exporting and importing firms whose trade exceeds a certain value. The threshold, which varies by country, is typically about €100,000. Intra-EU trade is often underestimated by 3%–6%. Trade figures do not make a distinction between certified and non-certified timber.*

The largest importers are as follows: Germany (€638 million), the UK (€564 million), France (€496 million), Belgium (€407 million) and the Netherlands (€400 million).
The following product-level distinctions can be made with regard to imports:

Figure 4: Imports of tropical timber by product group, as a % of total imports (Source: Eurostat, 2015).

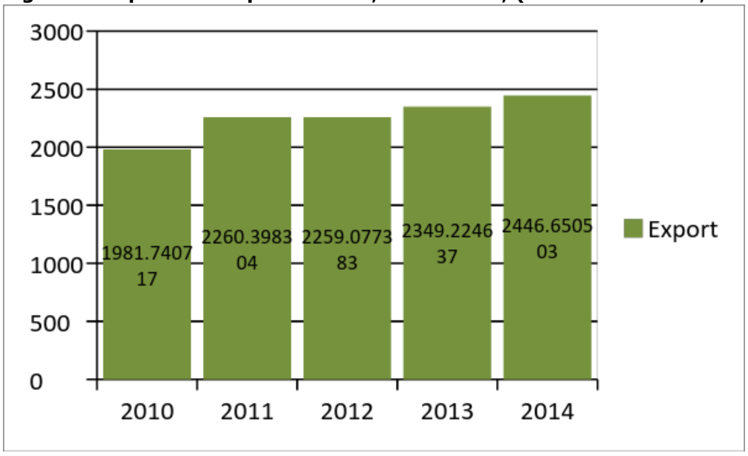


Tip:

- In light of the potentially fierce competition between developing countries, product differentiation is highly recommended. You could therefore add value to your products by focusing on finishing and design as a means of differentiating your products from those of your competitors.

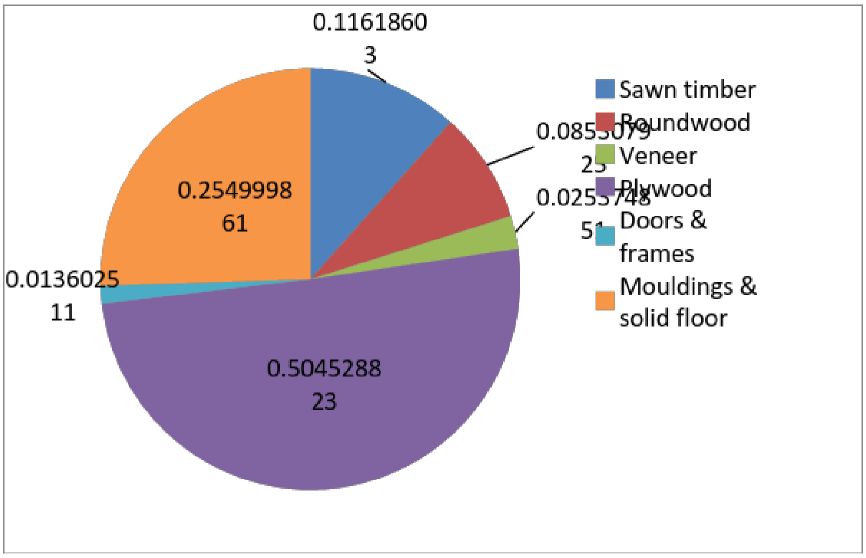
Re-Exports: Stable growth

Figure 5: Exports of tropical timber, in € million, (Source: Eurostat, 2015).



It is important to note that production of tropical timber is not taking place in the EU. The value of exports thus represents the value of ***re-exports*** of tropical timber products to other European countries.
European re-exports followed a trend that differs somewhat from that of imports, having increased again in 2014 to a value of €2,447 million. As consumption has decreased (see below), importers have been generating profits by increasing their exports.
The largest exporters are as follows: Belgium (€292 million), Spain (€260 million), Italy (€228 million), Germany (€225 million) and the Netherlands (€130 million). 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 (i.e. the start of the EUTR).
The following product-level distinctions can be made with regard to exports:

Figure 6: Exports of tropical timber by product group, as a % of total exports (Source: Eurostat, 2015).

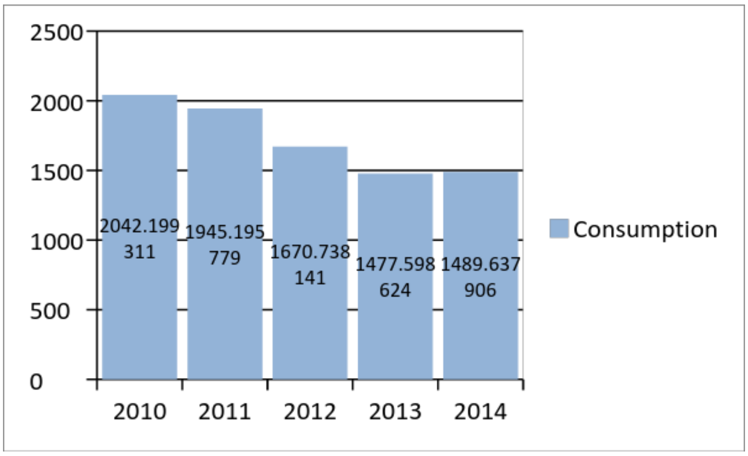


Tip:

- Some EU countries (e.g. Belgium and the Netherlands) are true trading hubs. You could design strategies using these countries as entry points for accessing other European countries.

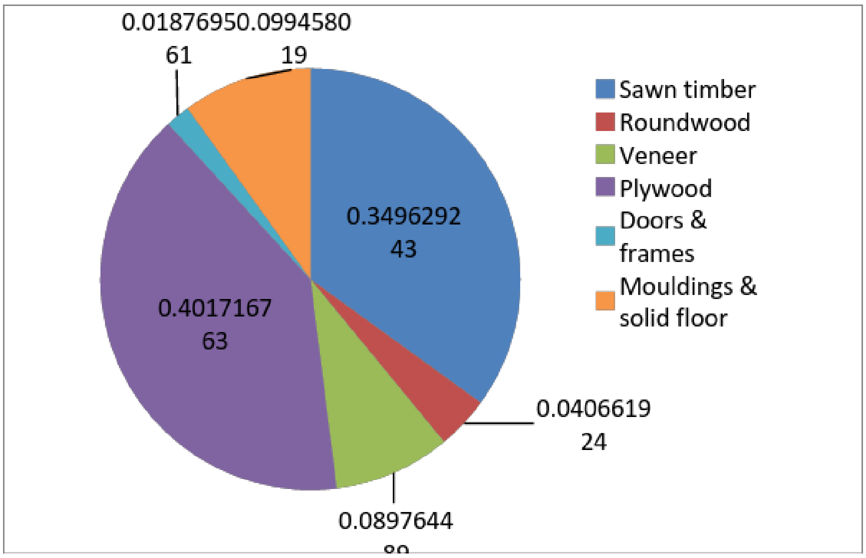
Consumption: Gradual decrease, but stabilising

Figure 7: Consumption of tropical timber, in € million (Consumption is calculated as Imports - Exports), (Source: Eurostat, 2015).



Consumption of tropical timber decreased gradually between 2010 and 2014. In 2014, the consumption of tropical timber in the EU amounted to nearly €1,490 million, which is almost the same as in 2013 (€1,478 million). Consumption has decreased over the years due to various factors, including the economic downturn, increasing consumer awareness concerning the consequences of deforestation (and illegal timber), and substitution by other products (e.g. WPC). Evidence of economic recovery has not translated into growth in demand for tropical wood products.
The largest consumers are as follows: the UK (€533 million), Germany (€413 million), France (€404 million), the Netherlands (€270 million) and Belgium (€116 million).
The following product-level distinctions can be made with regard to imports:

Figure 8: Consumption of tropical timber by product group, as a % of total consumption (Source: Eurostat, 2015).



Tip:

- Be sure to promote your product well. Timber products are often used outdoors. It is therefore important to emphasise qualities regarding such aspects as durability, water resistance and resistance to fungi and insects.

Market Trends

The CBI document on Tropical Timber Trends contains detailed information on trends in the European market for sustainable tropical timber and timber products. The section below provides a brief summary of the most important developments and trends in the EU market.

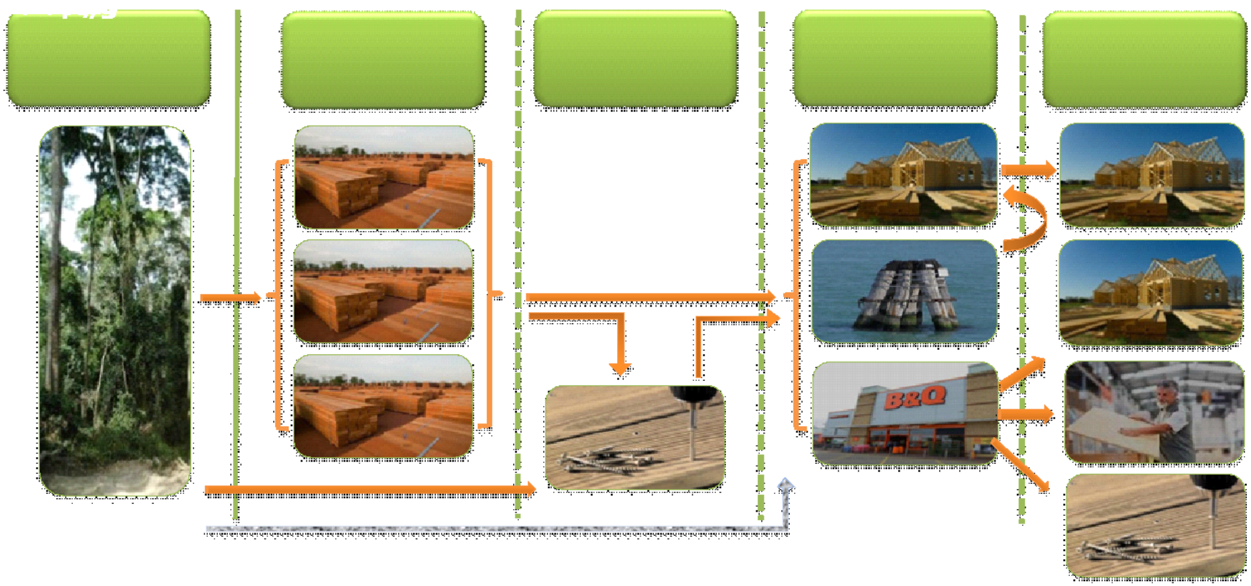
- **Workforce demographics** stimulating outsourcing: Production is slowly moving to Eastern European and developing countries.
- **Consumers slowly returning to construction**: The period of economic recession sent the European construction market into a downturn, as fewer parties were constructing new homes. Nevertheless, the market for renovations remained steady.
- **Consumer awareness** concerning deforestation and climate change: In most European countries that are major importers of tropical timber, sustainability occupies a high place on the agenda of consumers, and thus also on the agenda of governmental agencies, timber-trade federations and large retailers. Traceability systems are also gaining in importance.
- **Substitution** by soft and temperate wood species and non-timber alternatives: The increased availability of thermally and chemically treated softwoods and temperate hardwood means that tropical timber is increasingly being substituted for use in furniture, joinery and garden products (e.g. decking).
- **Greater efficiency in processing**, adding value and innovation: To increase efficiency, there is a trend towards processing techniques that enable the use of timber waste that would otherwise be discarded (e.g. finger jointing, lamination).
- **Economy in recovery**: The GDP in the EU was expected to grow by 1.7% in 2015 and by 2.1% in 2016 (EU Forecast 2015). Nevertheless, the economic crisis has different implications in different EU countries.
- **Increasing demand in emerging economies**: The rapid development of emerging economies is fuelling demand for tropical timber and timber products.
- **Pressure on price premiums**: The price premiums for certified tropical timber and timber products are coming under pressure, as certification becomes 'business as usual'.
- **Lesser-known species in demand**: One important part of sustainable forest management schemes involves the promotion of lesser-known species. The scarcity of well-known/popular tropical timber species offers opportunities for new species.
- **EUTR is meeting expectations only in part**: The implementation of the EUTR is still in the early stages. In many EU member states, the monitoring of trade in illegal timber is still insufficient.

Market Channels and Segments

Exporters of tropical timber and timber products in developing countries usually sell their products to importers and wholesalers/distributors (the role of the agent as an intermediary is decreasing). In recent years most wholesalers/distributors have also become direct importers. Although less common, direct trade with buyers further in the chain (e.g. construction companies, public procurement agents and retailers targeting the consumer market) is an option for some exporters, and it is a growing market channel in the tropical timber sector, in connection with the increasing demands concerning the legality of timber.

Final products are distributed predominantly by retailers to small processors, small contractors and consumers (see Segmentation, Part 2 and Figure 2), either in a finished form (e.g. doors, garden furniture, panels) or in semi-finished form (e.g. veneer, plywood).

Figure 9: Traditional trade structure for tropical timber



Source: Forestry Service Group

Tip:

- For general information about market channels and segments for tropical timber, refer to the Market Channel and Segment document, which is available on the CBI market intelligence platform.

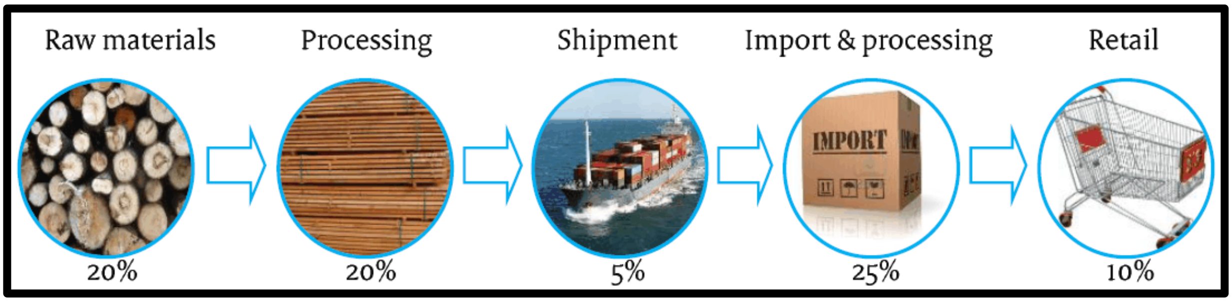
Prices

In the EU, a share of the final value of tropical timber products is added **after import**. Efforts to add value to products **before export** (e.g. by exporting more sophisticated products, sizes that are in demand or better packaging), are likely to attract higher margins.

Tips:

- Factors that influence the price of tropical timber products include the following: availability of species, humidity levels (12%–20%), durability class (density of the timber), quality (occurrence of stains, knots, end shakes, mould, warped boards, insect holes, breaks, repairs), and sustainability certification (FSC, PEFC).
- ***Premiums*** (3-5%) are sometimes paid for timber products in the EU, particularly for those with sustainability certification.

Figure 10: Price breakdown for tropical timber products imported into the EU (excluding VAT, average 20%)(Source: FSG).



Field of Competition

Strict buyer requirements hinder market entry:

Requirements in the area of legality and traceability are regarded as major barriers to exporters in developing countries. Nevertheless, products with less detailed specifications and less sophisticated designs (e.g. decking boards) enter the European market more easily than do other timber products (e.g. garden furniture).

Tip:

- Stay abreast of market-access requirements by following details of developments, as reported by by CBI.

Availability of timber alternatives versus the sustainability of timber:

Alternatives to several tropical timber products are widely available in the European market. The EU market offers wood–plastic composites and thermally and chemically treated European timber that resembles tropical timber. Nevertheless, the technical characteristics and environmental qualities of sustainable timber are difficult to surpass. The threat of substitution is obviously higher when alternative materials are widely available. For example, tropical hardwood decking is increasingly being replaced with composite material, treated (thermally and chemically modified) European timber or bamboo.

Tip:

- The threat of substitution can be a driver for innovation. For example, due to restricted supplies, buyers are becoming increasingly interested in lesser-known species (LKS). This can be an opportunity for exporters in

Vertical consolidation depressing supplier power:

As a result of the decreased availability of tropical timber and increased buyer requirements in the European market, European buyers are working to achieve vertical consolidation in their supply chain. Many importers are replacing some of their suppliers of tropical timber due to legality issues. They can do this by sourcing tropical timber directly in the harvesting countries, thereby weakening the role of the exporter. Vertical consolidation is taking place primarily in the market for sawn timber. This development is creating a need for long-term cooperation between suppliers and importers. As such, EU importers of tropical timber products indicate that they are building relationships with their suppliers in developing countries for many years. In addition, they often visit the exporting companies, making sure that the operations are carried out accordingly.

Tip:

- The stricter requirements of the EU market (e.g. as compared to the Asian market) are creating the need for long-term cooperation. At the same time, working together with other processors and traders will increase your attractiveness as a supplier, while reducing the costs and making it possible to supply larger volumes.

Increased market rivalry:

Sawn tropical timber is not considered a speciality item. This makes it easier to switch between suppliers than would be the case with speciality items (e.g. garden furniture). Market rivalry also depends on the availability of the various timber species, as different timber species can be used for the same application. If the price of one species increases, buyers are likely to switch to a less expensive species.

Tips:

- Add value to your products by improving their quality (e.g. through better drying, more detailed specifications and finishes) and promoting their technical and natural features.
- Because timber prices can change daily, you should maintain contact with your buyers in order to stay abreast of the price developments. For more general information on prices, consult the bi-monthly ITTO tropical timber market reports and the FORDAQ.

Useful resources

- CBI market information: Promising EU export markets.
- European Timber Trade Federation – http://www.ettf.info/
- EU Expanding Exports Helpdesk – http://exporthelp.europa.eu – go to 'trade statistics'.
- Eurostat – http://epp.eurostat.ec.europa.eu/newxtweb – statistical database of the EU.
- Register for the International Trade Statistics site – http://www.trademap.org.

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