

[Get Your Quotation](#)Home: **Global Wood****Industry News & Markets**

## Wood Products Prices in The UK & Holland

01-15th March 2010

### Report from Europe, the UK and Russia

#### **EU economies under stress**

Economic news coverage in Europe in recent weeks has highlighted the challenges faced by Greece as it struggles to finance its huge debts. The problems in Greece are particularly worrying because of the threat posed to the credibility of the euro-zone's financial system of which Greece forms a part.

During February, European leaders signed an agreement supporting Greece which they had hoped would draw a line under the issue. But no sooner had the ink dried on the agreement, more bad news arrived in the form of figures indicating that GDP in the 16-country currency zone rose by just 0.1% in the three months to the end of December compared with the previous quarter.

The only reason for any improvement in GDP at the end of last year was largely down to France, where an increase in consumer spending lifted the economy by 0.6%. France's large and reasonably self-contained economy has been relatively less exposed to the global financial and property-market crises.

France also bucked the downward trend partly because its government plays a dominant role in the economy. French public spending rose by 0.7% in the fourth quarter, after similar increases in the previous two quarters. Nevertheless, the budget deficit in France was still a hefty 8% of GDP in 2010, placing strict limits on the public sector's ability to support the economy in the absence of stronger private consumption.

Elsewhere in Europe, GDP during the last quarter of 2009 was either flat—as in Germany—or falling, as in the UK, Italy and Spain. A key problem throughout Europe is that consumers are not spending enough. In the euro-zone, this problem is compounded by the strong currency which makes it difficult for manufacturers to boost sales in other parts of the world.

Weak export growth is a particular problem in Germany where manufacturers tend to be more heavily dependent on export markets but at least Germany has stronger domestic consumption than most other European countries. German consumers were thriftier during the boom years and are now less indebted. Nevertheless, cold winter weather could have pushed Germany back into recession during the first quarter of 2010.

Prospects for improved consumption are very weak in other European countries. Spain was once a rich source of internal euro-area demand but its consumers are now weighed down by debts accumulated during a long housing boom.

Recent data from the UK indicates that January's cold weather had an adverse impact on consumption, particularly in the timber and wood products markets. Both supply and demand in the housing market came almost to a standstill, while retail sales of furniture and DIY materials took a hit as snowed-in consumers put off shopping for non-essentials.

In the UK there are at least some signs of rising confidence in future market prospects. Some 29% of British furniture makers polled by the Confederation of British Industry in January expected the volume of new orders to increase over the coming three months, although 6% expect output to fall. 12% of furniture makers are more confident about the business outlook than they were three months ago; in October 2009 the figure was -7%.

Confidence among wood and wood product producers, apart from furniture manufacturers, was sharply higher than in the autumn, when 32% of firms said they were less optimistic than in the previous quarter; the corresponding figure on optimism now stands at +14%.

### **Speculative purchasing of hardwoods**

The generally poor economic forecast has been reflected in commentary from European hardwood lumber importers in recent days. While most reckon the worst of the downturn could be over, they are still forecasting tough trading conditions until at least the end of this year.

Analysts report that short supplies, lengthening lead times and rising prices in all the major hardwood producing regions have encouraged some speculative purchasing of hardwood lumber by a few of the larger importers.

The bigger importers, with access to finance, have been

building stock levels and now find themselves in a reasonably strong position, particularly as they can offer mixed loads for quick delivery to the smaller distributors.

On the other hand, some of the larger traders and importers are also suffering severely from their relatively high overheads and are looking for ways to cut these, for example by reducing staff in their sales networks.

### **Rising CIF prices for tropical hardwoods**

European CIF prices for many tropical hardwoods have been rising due both to tightening availability and to rising freight rates. These trends are set to continue. Most mills are reported as still producing at well below capacity and lacking raw materials and other resources to quickly increase supply.

The shipping lines also seem determined to keep pushing freight rates higher. As a result of this some Asian shippers are now incorporating freight clauses into their contracts to avoid the need for new price negotiations. Some are even considering only quoting on an FOB basis.

Euro CIF prices for sapele, sipo and iroko lumber are now around 10% higher than at the end of 2009. US\$ CIF Europe prices for the various meranti lumber types and for bangkirai decking profiles have also experienced around a 10% rise over the same period.

On the other hand, prices for replacing sold out stocks of African whitewood species like ayous/wawa remain stable.

### **Low stock levels in EU**

Despite some increased forward buying, hardwood stocks across Europe remain generally very low. The long lead times between ordering and despatch has meant that gaps in stocks have been generally widening.

Lead times for African hardwoods are now up to 6 months, with no guarantee that products will arrive or that prices will be adhered to. As a result, the intense competition between importers that dampened prices in 2009 for onward sales of existing landed stock of some species, notably sapele, is now less aggressive.

Only the low level of manufacturing and consumption in Europe is preventing lack of supply becoming a more critical problem.

The fear is that when manufacturing does at last begin to pick up, the inability of tropical producers to respond

quickly and to deliver more wood to market may encourage manufacturers to switch to alternative more readily available products.

#### **Gabon log ban impacts EU plywood market**

According to EUWID, the European market for okoume plywood has been slow during the last two months. Merchants are reported to be carrying heavy stocks and enquiry levels are low.

The okoume plywood market, which is focused heavily on France, with lesser volumes destined for the Netherlands and southern Europe, has been badly affected by weak construction activity over the winter months. Nevertheless, there are expectations that improved spring weather will improve demand in April and May.

A critical factor affecting both supply and demand of okoume plywood in recent months has been uncertainty surrounding Gabon's log export regulations. According to EUWID, a surge in buying by European merchants occurred at the end of 2009 due to expectations that the log export ban - scheduled originally for 1 January this year - would lead to supply disruption.

French manufacturers received an upsurge in orders at that time. Meanwhile, mills in Gabon also reported an increase in their European customer base. However, EUWID reports that the upsurge in demand from European merchants has tailed away this year.

The announcement that log exports would continue temporarily was sufficient to reassure merchants that supplies would not suffer immediate disruption. It remains to be seen how the European market will react to these changing circumstances.

Okoume plywood, imported both from Gabon and manufactured in France from imported logs, has been a standard reference product on the French market for many years. It remains popular at the high end of the French and Dutch markets, valued for its consistent quality and its adaptability to a wide range of end-uses.

However, it has also been losing market share mainly because of the introduction of much cheaper alternative plywood (notably from China) and other panel products.

Because of declining consumption and a big reduction in European okoume manufacturing capacity in recent years, the significance of Gabon's log export ban to the European market is considerably less now than it would have been

only a few years ago. The volume of okoume plywood manufactured in Europe is estimated to have declined from around 300,000 m<sup>3</sup> a decade ago to only 95,000 m<sup>3</sup> in 2008.

Meanwhile, mills in Gabon have not yet made much headway to penetrate the European plywood market, volumes rising from only around 20,000m<sup>3</sup> in 2003 to 45,000m<sup>3</sup> in 2008 (with much of this volume destined for Italy rather than France).

To date much more progress has been made by Gabon to develop European export markets for sawn lumber. European imports of sawn lumber from Gabon increased from 20,000m<sup>3</sup> in 2003 to 94,000 m<sup>3</sup> in 2008.

With the large mainly French-owned plywood manufacturers in Gabon pushing product onto the European market, there is every prospect of Gabon becoming a more significant plywood supplier to the European market in the future. But there will be significant hurdles to overcome of which the development of sufficient processing capacity in Gabon will only be the first.

Other hurdles include the need to ensure that product manufactured in Gabon meets tough quality and environmental standards, that products of consistent quality and price are available promptly, and that marketing efforts are stepped up to counter the mounting threat from alternative materials.

#### **Wageningen report on certification**

The Wageningen University and Research Centre (Wageningen UR) in the Netherlands has just published a paper assessing the progress made by FSC to certify natural tropical forest and the impact on forestry practices.

The report says that there are now 10.9 million hectares of FSC certified forest in tropical regions of which 74% are managed natural forests. There are 119 FSC certified FMU, most located in the Americas. About 28% of the certified area is in Bolivia, 16% in Brazil, and another 22% is distributed over 16 different countries. FSC certification has expanded more rapidly in privately owned FMUs than in community or state-owned FMUs.

The report notes that stronger incentives are needed to increase the total area of certified tropical forest, particularly for local communities or indigenous groups. The results indicate strongly that forest management certification improves the working standards of FMU in

the tropics, with about 98% of problems raised in Corrective Action Requests by certification bodies solved within the first five years of certification.

The full report is available at: <http://www.illegallogging.info/uploads/March10Assessingtheprogressforestmgtintropics.pdf>

**The Netherlands Sawnwood Prices**

	US\$ per m <sup>3</sup>
FOB (Rotterdam)	
Sapele KD	925↑
Iroko KD	1073↑
Sipo KD	1088V
DRM Bukit KD	946↑
DRM Seraya KD	953↑
DRM Meranti KD Seraya MTCC cert.	968↑
Merbau KD	1218↑
Sapupira (non FSC) KD	946↑
Sapupira (FSC) KD	1483
Anti-slip decking AD C&F Rotterdam	
Selangan batu	1483↑

**UK Log Prices**

	€ per m <sup>3</sup>
FOB plus commission	
N'Gollon (khaya) 70cm+ LM-C	330-360↑
Ayous (wawa) 80cm+ LM-C	230-240
Sapele 80cm+ LM-C	300-320
Iroko 80cm+ LM-C	310-350↑
African Walnut 80cm+ LM-C	320-350↑

**UK Sawnwood Prices**

	GB Pounds per m <sup>3</sup>
FOB plus Commission	
Framire FAS 25mm	480-490↑
Sipo FAS 25mm	670-690↑
Sapele FAS 25mm	585-595↑
Iroko FAS 25mm	680-700↑
Wawa No.1 C&S 25mm	345-355
CIF plus Commission	
Tulipwood FAS 25mm	280-290↑
Meranti Tembaga Sel/Btr (KD 2"boards)	510-530↑
Balau/Bangkirai Decking	930-980↑
White Oak	555-525↑

**UK Plywood and MDF Prices**

	US\$ per m <sup>3</sup>
Plywood Panels 8x4", CIF	
Brazilian WBP BB/CC 6mm	520-530↑
Malaysian WBP BB/CC 6mm	500-520↑
China (hardwood face, eucalyptus core) 18mm	370-380↑

**Draft versions of EU “Due Diligence” Legislation now available**

As noted in a previous report (ITTO MIS Volume 15 Number 3), the EU Council reached final agreement on its amendments to the draft ‘due diligence’ regulation on 29 January. The Council and the European Parliament, which passed its own amendments to the original proposal last year, will now attempt to reach agreement on the final version of the regulation.

The text of the Council resolution is now available at:

<http://www.illegallogging.info/uploads/st05885re04.en10.pdf>

Parliament's proposed amendments can be accessed at:

<http://www.illegallogging.info/uploads/EPDDamendmentsA601152009EN1.pdf>

Also, a website monitoring progress of the legislation can be viewed at:

<http://www.europarl.europa.eu/oeil/file.jsp?id=5704232&noticeType=null&language=en>

#### Overview of EU Voluntary Partnership Agreements with tropical countries

The European environmental group FERN has published a Forest Watch Special Report offering a brief overview of VPAs and an update on the status of negotiations with Ghana, Republic of Congo, Cameroon, Malaysia, Central African Republic, Liberia, Indonesia, Gabon and Vietnam. This may be accessed at:

<http://www.illegal-logging.info/uploads/VPAupdate.pdf>

---

#### Abbreviations

LM	Loyale Merchant, a grade of log parcel	Cu.m	Cubic Metre
QS	Qualite Superieure	Koku	0.278 Cu.m or 120BF
CI	Choix Industriel	FFR	French Franc
CE	Choix Economique	SQ	Sawmill Quality
CS	Choix Supplimentaire	SSQ	Select Sawmill Quality
FOB	Free-on-Board	FAS	Sawnwood Grade First and Second
KD	Kiln Dry	WBP	Water and Boil Proof
AD	Air Dry	MR	Moisture Resistant
Boule	A Log Sawn Through and Through the boards from one log are bundled together	pc	per piece
		ea	each



BB/CC Grade B faced and Grade C backed  
**Plywood**  
BF Board Foot  
Sq.Ft Square Foot

MBF 1000 Board Feet  
MDF Medium Density Fibreboard  
F.CFA CFA Franc  
 Price has moved up or down

Source: [ITTO](#) Tropical Timber Market Report

---

CopyRight (C) [Global Wood Trade Network](#). All rights reserved.