Supplying France with value-added

France is open to new tropical timber species. But producers need to get organised

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THE FRENCH timber market has an adaptable taste. In less than a generation it has had six different number-one tropical joinery species: African sipo, Philippine lauan, Malaysian and Indonesian dark red meranti, Malaysian white seraya, Brazilian curupixa and, now, Brazilian tauari.

Decked out: Every year in June, hundreds of truckloads of sand are brought into the heart of Paris to create "Paris Plage"—the beach of Paris, along the Seine River, to the delight of young and old—and to the benefit of sellers of tropical timber decking. *Photo: O. Pedersen*

The market is open to new species and products—including the so-called lesser-known species of the tropics—but certain conditions apply. The most important of these are regularity of delivered volume of supply, product quality, specification and appearance, and a competitive price relative to alternatives.

It is clear that the French market is significant for tropical timber producers and one that, if nurtured, could even increase in importance. But it will not look after itself: producers who wish to sell their lesser-known species have work to do.

New homebuilding and home renovation are the main drivers of demand for construction materials, including wood, and France is enjoying its highest level of home construction activity in more than 20 years.

Recognising this, in mid 2005 ITTO commissioned a study of the French timber market. A report was subsequently produced by the authors and presented to the International Tropical Timber Council in November 2005. This article is based on that report. It gives a brief overview of the market and presents a series of recommendations by which ITTO and producers could maintain and increase tropical timber's share of the French timber market.

The French market

New homebuilding and home renovation are the main drivers of demand for construction materials, including wood, and France is enjoying its highest level of home construction activity in more than 20 years. New housing permits issued in the first seven months of 2005 were up 13% on the same period in 2004. Historically low mortgage rates have helped fuel demand for new housing and have also provided a boost to the home renovation sector.

Tropical hardwood is a major beneficiary of this strong demand, but it is not without competition. Nordic softwood imports are performing strongly; major Nordic producers have their own terminals in French ports with their own stocks, marketing staff and distribution systems, driving up their market share across the board in all profitable market segments.

Trends in the tropical timber trade

Sawn softwood imports increased by 50% in volume terms between 1973 and 2003, veneer sheet imports—mainly tropical—almost doubled, and plywood increased slightly. Imports of tropical sawnwood also increased slightly, whereas the import of tropical industrial roundwood decreased by 80%.

In volume terms, the market share of tropical timber decreased during the period as the availability of traditional, popular species declined. Contributing to the decrease, tropical timber prices generally rose strongly, while Nordic softwood prices have declined over the last decade.

In value terms, however, countries exporting tropical timber, particularly when counting China (which exported significant volumes of tropical timber in the period) in that category, overall did better than maintain their market share in the 30 years between 1973 and 2003. Imports of furniture and other secondary processed wood products from tropical countries more than compensated for the reduced value of roundwood imports. Some €500 million worth of furniture containing tropical timber is now imported into France each year.

The cost of transport—the single biggest element of cost for many wood products—has increased dramatically over the last few years; in certain cases, international freight rates have doubled. This has contributed to the ability of the tropical timber industry to manufacture downstream products and its interest in doing so: it is far more cost-effective to transport 1 m^3 of dowelling than 3 m^3 of roundwood.

France's forest and wood industry

The French forest estate has expanded over the last 150 years from 8 million to 16 million hectares. The standing wood volume amounts to about 2 billion m^3, of which 60% is hardwood and 40% softwood. Annual incremental growth totals 90 millon m^3, only two-thirds of which is harvested. Thus, France's standing wood volume continues to increase.

Despite the apparent overabundance of local raw material, however, many sectors of the French forest and downstream industries are suffering a serious lack of profitability. Factories have closed and as many as one-third of related jobs lost. The balance of the wood products' trade is seriously deterioriating: imports (of all timber) are up, exports are down, and the annual deficit is at an all-time high of €3.4 billion; €1 billion of this is attributable to furniture imports and €1 billion to woodwork including sawnwood.

This trend is similar to that in most other high-cost West European countries. France exports high-quality oak logs to China and imports the same wood as finished furniture. Tropical timber producers are among the beneficiaries of this, increasing their sales of value-added products.

France is the only remaining European country with a tropical-hardwood-based plywood industry of any consequence. That situation is changing, however, because French plywood manufacturers are setting up peeling factories in Africa (mainly Gabon). Currently, veneer imports into France are growing strongly and plywood slowly. The French CTBX (*Centre Technique du Bois* Exterior Grade) standard required for all construction plywood represents a non-tariff barrier.

End-use of tropical timber

The vast majority of tropical timber imported into France is used in home construction and home renovation. Builders' joinery represents some 80% of end-use and the remaining 20% of solid tropical timber is used for mouldings, parquet and truckdecks, decking and a range of marine products, etc.

Environmental concerns

Until a few years ago, public awareness of environmental concerns was lower in France and other Latin countries than in northern Europe. But NGOs are now very active in France.

The government has issued a decree establishing guidelines for the public procurement of wood. The objective is to progressively increase the share of wood from producers who are able to demonstrate legal origin and are committed to sustainable forest management from a minimum of 50% by 2007 to 100% by 2010. The decree refers to all wood from all sources.

France also participates in the European Union's forest law enforcement, governance and trade action program, particularly in its role as coordinator for countries in the Congo Basin.

The timber industry and trade prefer that forest certification is not monopolised by a single organisation. Some support the Programme for the Endorsement of Forest Certification Schemes and some the Forest Stewardship Council, but there is general agreement that several schemes must be allowed to compete. Indeed, the wood trade and industry fraternity is unanimous in calling urgently for mutual recognition of all the different schemes.

Promotion

The National Committee for Wood Development (CNDB) is working with trade and industry actors to promote wood. *J'aime le bois* ('I love wood') ran for a decade. That campaign was succeeded first by *Le bois avance* ('wood is advancing') and then by *Le bois—c'est essentiel* ('wood—it's essential'). Television spots on popular channels, advertising in popular magazines, and posters all remind the public that using wood is an ecologically sound act, and that wood is one of the very few renewable building materials. All wood benefits from these campaigns.

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Factors affecting competitiveness

Many ITTO tropical timber producers are battling constraints that have less effect on their counterparts working with softwood and temperate hardwoods. These include distance to market, the high cost of transport, climatic and other factors that hamper logistics, a lack of visibility and investment, and the difficulty and cost of certification.

Fortunately, the inherent natural characteristics of the popular tropical timber species are excellent for a number of end-uses such as parquet, joinery, outdoor decking and other outdoor applications. Many tropical species are available in attractive specifications of high export quality. The durability, stability, workability and attractiveness of many tropical species are superior to those of most competing timbers and other materials.

The possibilities for tropical timber

In this setting, what can tropical timber producers do to capitalise on the opportunities presented by a healthy French economy? We make a number of recommendations that industry and trade associations might wish to consider, including the following four general points as well as recommendations for popular and lesser-known species.

1) **Participate in work to promote simpler and clearer nomenclature:** this will assist in creating better access to the plywood market, among others.
2) **Respect the standards:** producers should work to meet all standards that apply to timber imports. There are several in the European Union.

Tropical logs in France: a popular material for decking.
Photo courtesy Indubois SA

3) **Give full attention to environmental concerns and pursue certification.**
4) **Aim to supply high-quality finished and semi-finished products:** wood-based furniture represents the biggest item by value of tropical timber imports, and semi-finished products are also increasingly important. The reduced cost of transport (per unit value) is only one of the advantages of downstream processing for export.

Popular species

Each of the tropical timber species prominent in the French timber market owes its popularity to its inherent technical and aesthetic characteristics. Producers should take full advantage of these qualities in their marketing efforts.

Recommendation: *employ each species for the purposes/final products for which it is best suited and most appreciated. Listen to the market and deliver quality products that satisfy the client's real needs. This is true for all products: industrial roundwood, sawnwood, veneer, plywood, joinery, mouldings, parquet, decking, furniture and other processed wood products.*

Lesser-known species

In most cases, lesser-known species are simply lesser popular, or secondary, for a number of technical and/or aesthetic reasons related to workability, drying, stability, finishing, durability and appearance, etc. These species fetch low delivered prices when they are sold on the world market either as industrial roundwood or in the form of primary processed products (ie sawnwood or veneer). They compete (often poorly) with a host of other species of tropical and temperate hard- and softwoods, as well as against other building/decorative materials.

With rising energy costs, transportation absorbs much of the value. The producer is left with very low profitability ex-logyard or ex-mill for such species.

Other lesser-known species are not popular because the available volume is low. This often poses a problem for the producer/manufacturer in the country of origin: the volume of fresh logs is insufficient to make a production run in the sawmill, it is difficult to ensure proper kiln-drying, and there is insufficient volume to make a production run in the moulding factory.

However, a number of the lesser-known species can profitably be made into plywood, furniture and other secondary processed wood products. Provided that the producer manufactures them into finished products that satisfy the client's technical and aesthetic requirements, the client is not concerned about the species used, or even if more than one species is used.

Recommendation: *producers should aim to process lesser-known species into finished/semi-finished wood products such as plywood, furniture, joinery, mouldings, decking and other processed wood products prior to export—grouping species if necessary. Seen with the user's eyes, the species from which a sheet of plywood or a piece of furniture is made is unimportant—as long as the product is serviceable and satisfies the intended use. The same is true of mouldings, for certain end-uses, and a number of other secondary processed wood products.*

In some cases, species have technical and/or aesthetic characteristics which are highly attractive to the market, but they are only available in modest quantities.

Recommendation: *producers in the same region should work together to group similar, low-volume but high-value species to ensure economically viable production runs. Heavy hardwoods suitable for decking are a good example of this kind of opportunity.*

The full report on the French timber market can be downloaded at http://www.itto.or.jp/live/PageDisplayHandler?pageId=203.