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INTERNATIONAL SOFTWOOD

Conference 2021

HELSINKI, OCTOBER 13-14

Market development and outlook from
European sawmillers' perspective

*Herbert Jöbstl, President
EOS (European Organization of the Sawmill Industry)*

Pandemic-related economy is characterized by strong demand and disruptions of supply chains, as a result prices for many commodities wildly fluctuate and in many cases reached record levels. Sawn softwood was following this trend.

- The European sawmill industry has seen record demand up until August at very favourable prices.
 - Businesses are producing at full throttle, for many months there was imbalance between demand and supply (also because of cold winter in Northern and Eastern Europe). During summer 2021 market conditions started to normalize.
 - Log prices have rallied and reached record-levels in some instances. Bark-beetle damaged logs were less relevant than previous years.
 - Some challenges in logistics have negatively influenced the supply chain.
 - European sawmills have focused on European markets and United States to take advantage of high prices and deliveries to other markets have declined.
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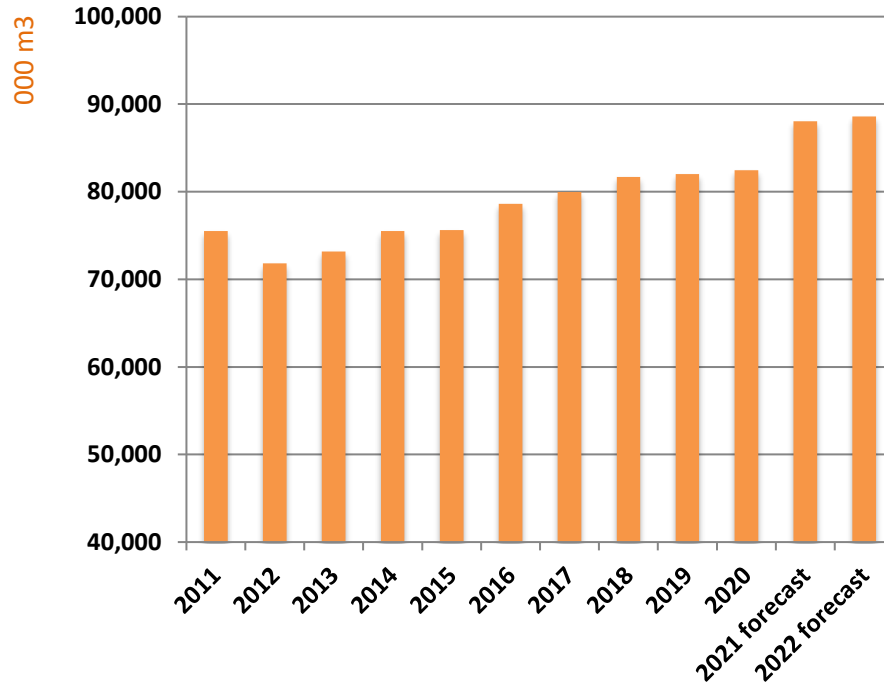
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Production

EOS Production overview

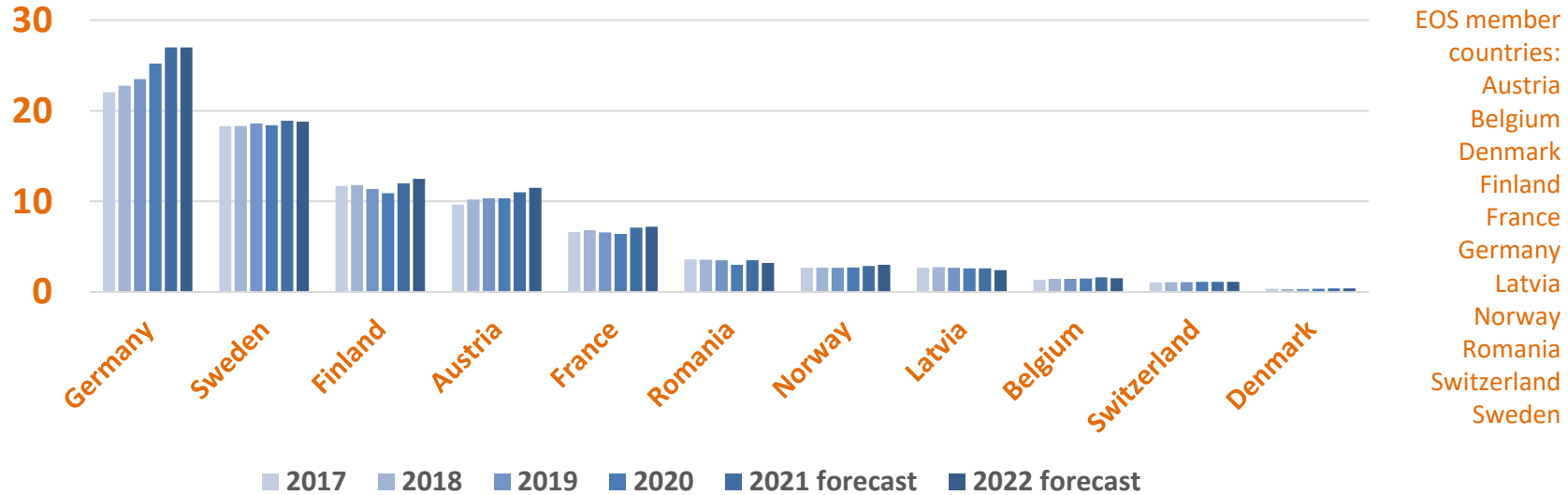


In 2020 sawn softwood production in the EOS member countries grew by 0.5% to 82.5 million m³. This year production is expected to increase by a record 6.8% to over 88 million m³. In 2022 production could further increase by 0.6%



EOS member countries:
Austria
Belgium
Denmark
Finland
France
Germany
Latvia
Norway
Romania
Switzerland
Sweden

EOS Production country by country in million m3





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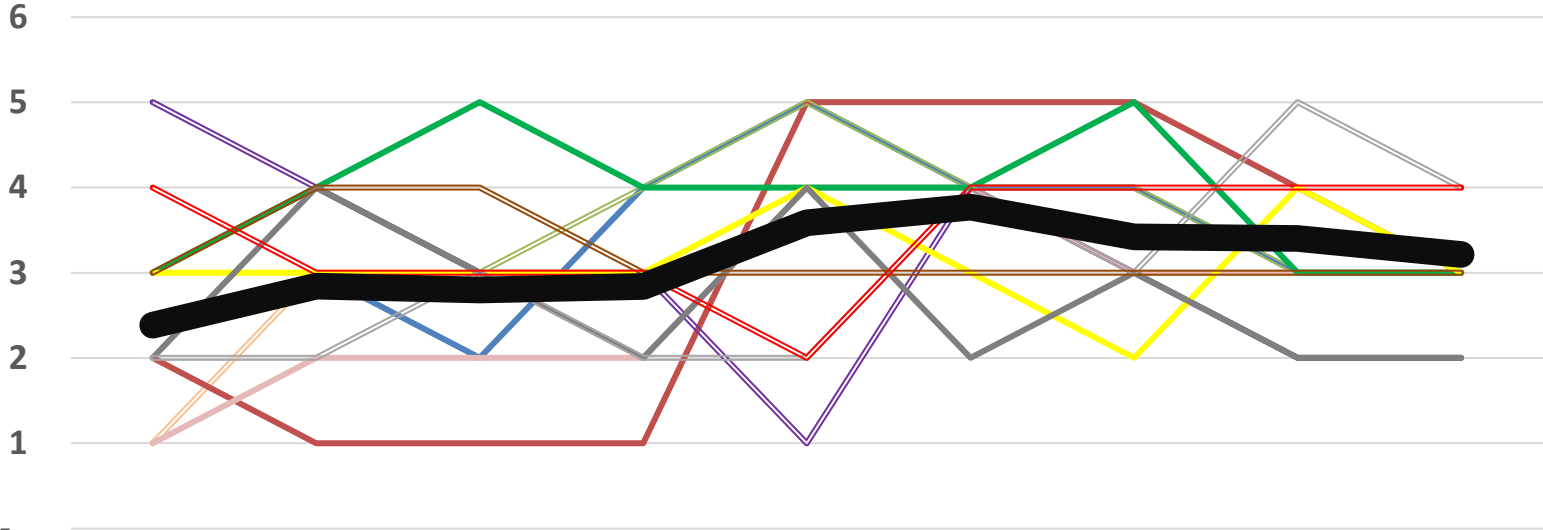
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Raw Materials

Raw material availability index peaked in 2019 but still above normal



2014 2015 2016 2017 2018 2019 2020 2021 2022

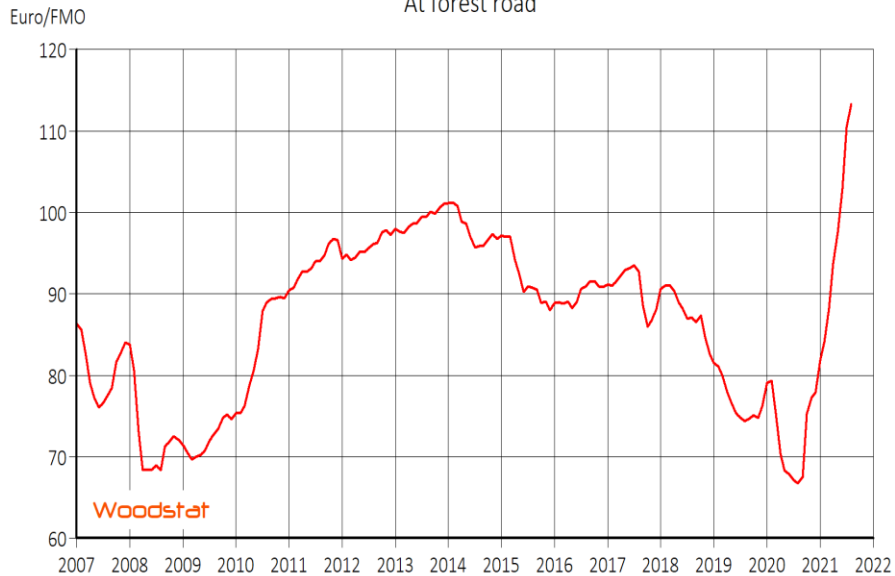
AT BE CH DE DK FR
FI LV NO RO SE Average

1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high

Record high prices of raw materials



AUSTRIA price for spruce sawlogs At forest road

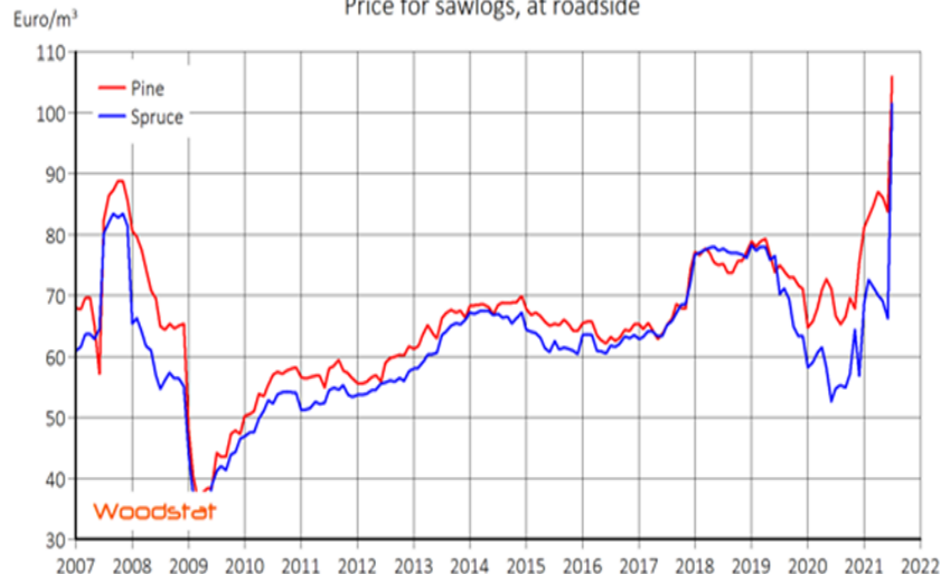


FMO = Festmeter mit Rinde, ohne Rinde gemessen

Source: Statistics Austria

Last observation: Aug

ESTONIA Price for sawlogs, at roadside



Source: RMK

Last observation: Jul



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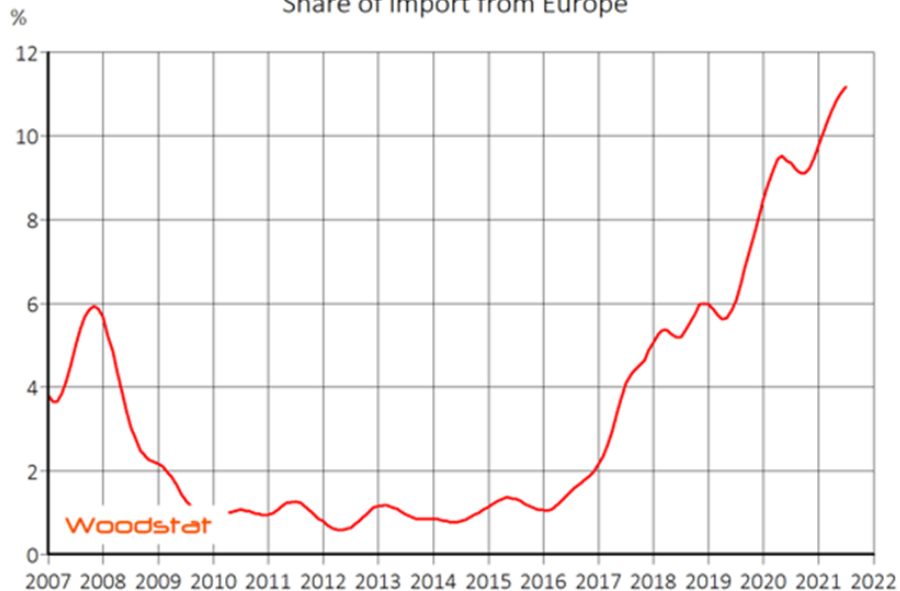
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Export Markets

U.S. softwood lumber import

Share of import from Europe



U.S. import of softwood lumber from leading exporters (1 000 m³)

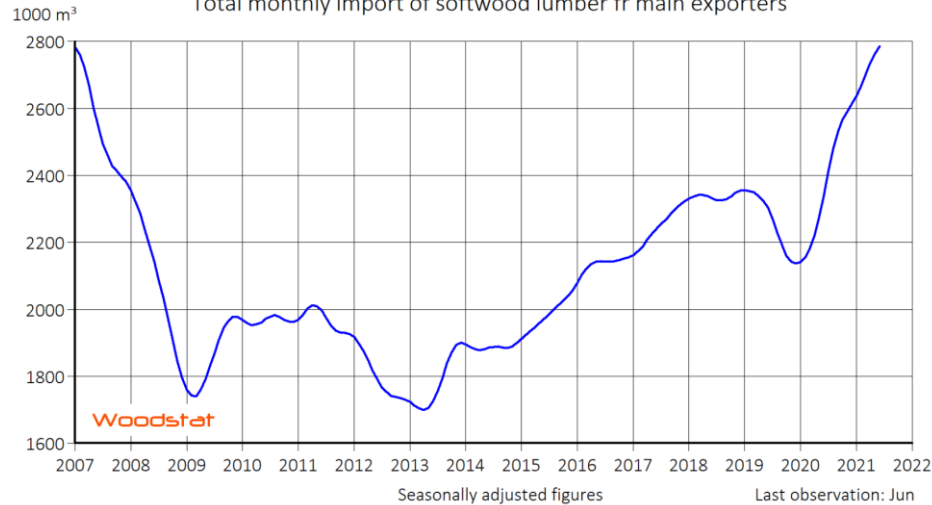
	Jan - Jul 2021	Jan - Jul 2020	2021/2020
Germany	1 125	868	+30%
Sweden	414	401	+3%
Romania	299	100	+199%
Austria	248	169	+47%
Baltics	87	53	+64%
Finland	78	48	+63%
Russia	67	40	+68%
Czech Republics	41	44	-7%
Total Europe	2 359	1 723	+37%
Canada	19 375	16 545	+17%

Europe import



EUROPE main importing countries

Total monthly import of softwood lumber fr main exporters



Source: Eurostat, Russian Customs, Ukraine Statistics, Belstat, USDA, Statistics Canada

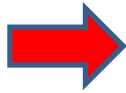
European import of softwood lumber (1 000 m³) from Europe (main export countries) and North America

Importer	Jan - Jun 2021	Jan - Jun 2020	2021/2020
UK	3 758	2 579	+46%
Germany	2 250	1 975	+14%
Italy	2 122	1 679	+26%
Netherlands	1 802	1 576	+14%
France	1 303	1 026	+27%
Belgium	1 081	860	+26%
Estonia	949	739	+28%
Latvia	843	547	+54%
Denmark	741	655	+13%
Lithuania	687	672	+2%
Poland	557	617	-10%
Spain	212	172	+23%
Turkey	162	196	-17%
Total	16 467	13 293	+24%

Chinese imports of softwood lumber are dropping, while softwood logs imports are growing



- China is replacing softwood lumber with imports of softwood logs
- Imports of logs will further grow as a result of Russian logs export ban
- Increasing pressure on European forests? (In 2020, 9.6 million m³ of softwood logs were exported by Germany, 75.4% more than 2019. Of this, 5.9 million to China)



China's import of softwood lumber (1 000 m ³)			
	Jan - Aug 2021	Jan - Aug 2020	2021/2020
Russia	8 743	10 531	-17%
Europe	2 296	3 628	-37%
Canada	950	1 970	-52%
Chile	325	374	-13%
Brazil	214	231	-7%
New Zealand	116	204	-43%
U.S.	93	239	-61%
Argentina	52	79	-34%
Other	163	261	-38%
Total	12 952	17 517	-26%

Europe: Main European exporters

China's import of softwood logs (1 000 m ³)			
	Jan - Aug 2021	Jan - Aug 2020	2021/2020
New Zealand	13 179	9 268	+42%
Europe	10 244	7 260	+41%
Russia	2 604	3 077	-15%
U.S.	2 042	1 516	+35%
Uruguay	1 417	577	+146%
Canada	979	746	+31%
Japan	868	714	+22%
Brazil	608	68	+794%
Argentina	265	275	-4%
Australia	58	2 788	-98%
Other	998	582	+71%
Total	33 262	26 871	+24%

Europe: Main European exporters



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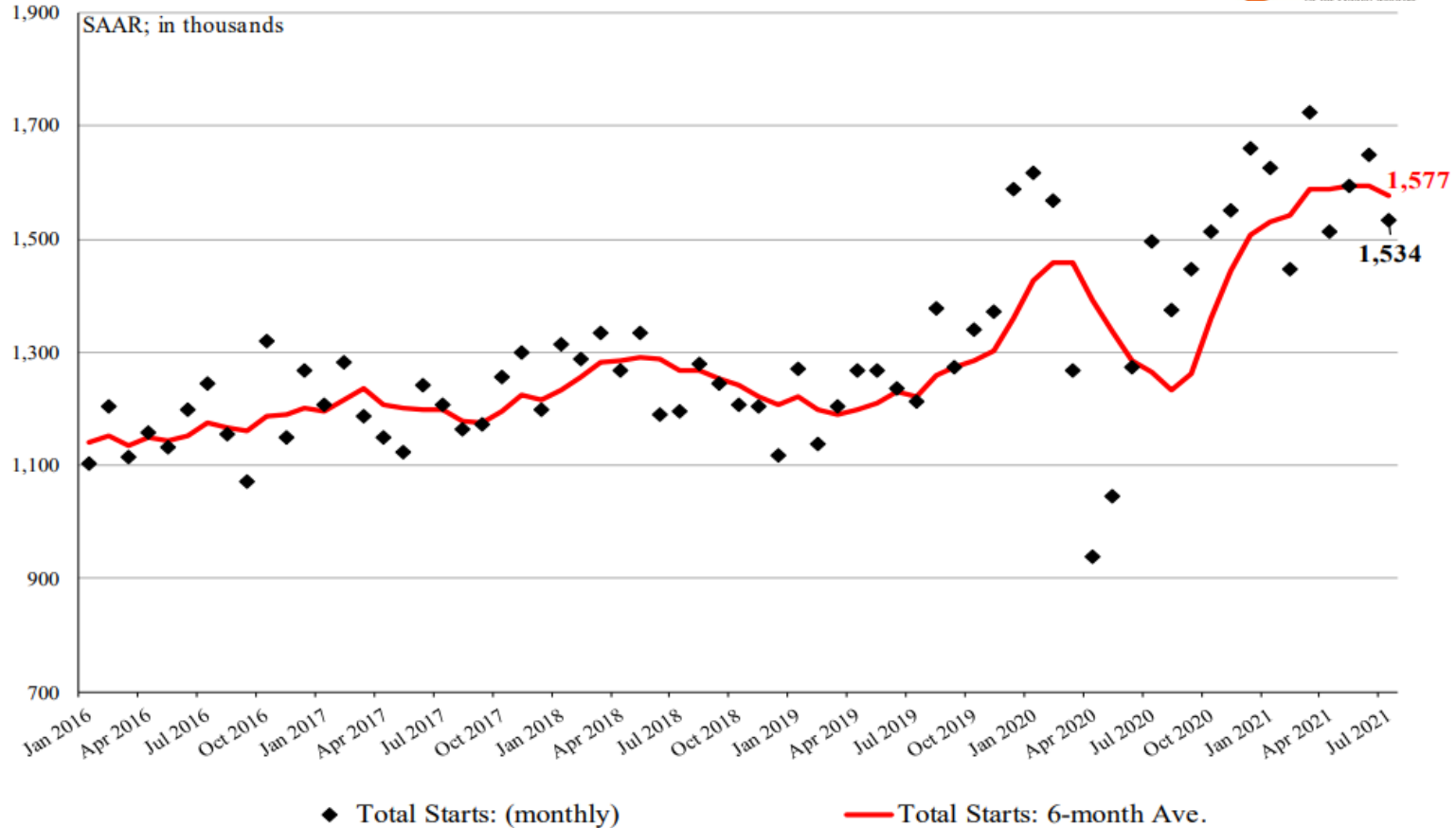
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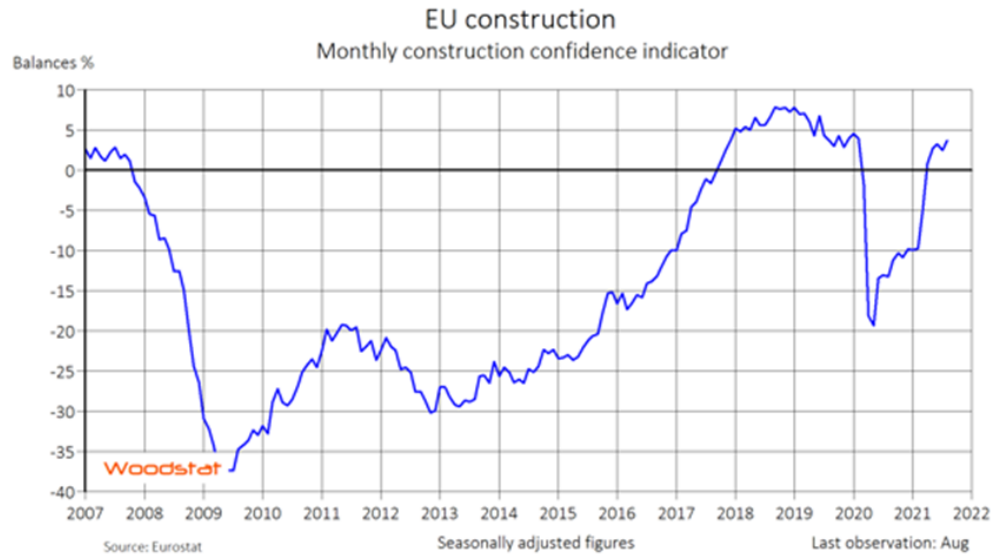
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Construction markets

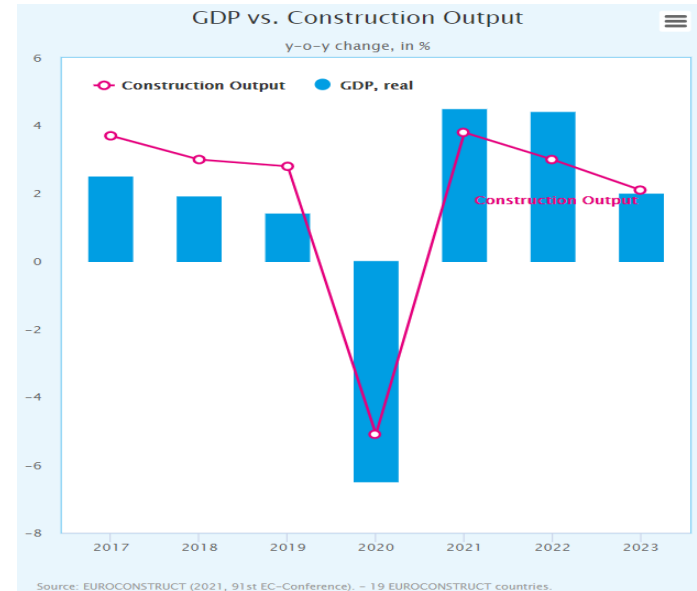
US Housing starts lively



Construction confidence in Europe is good



Outlook for construction remains positive, with a bit of a slowdown

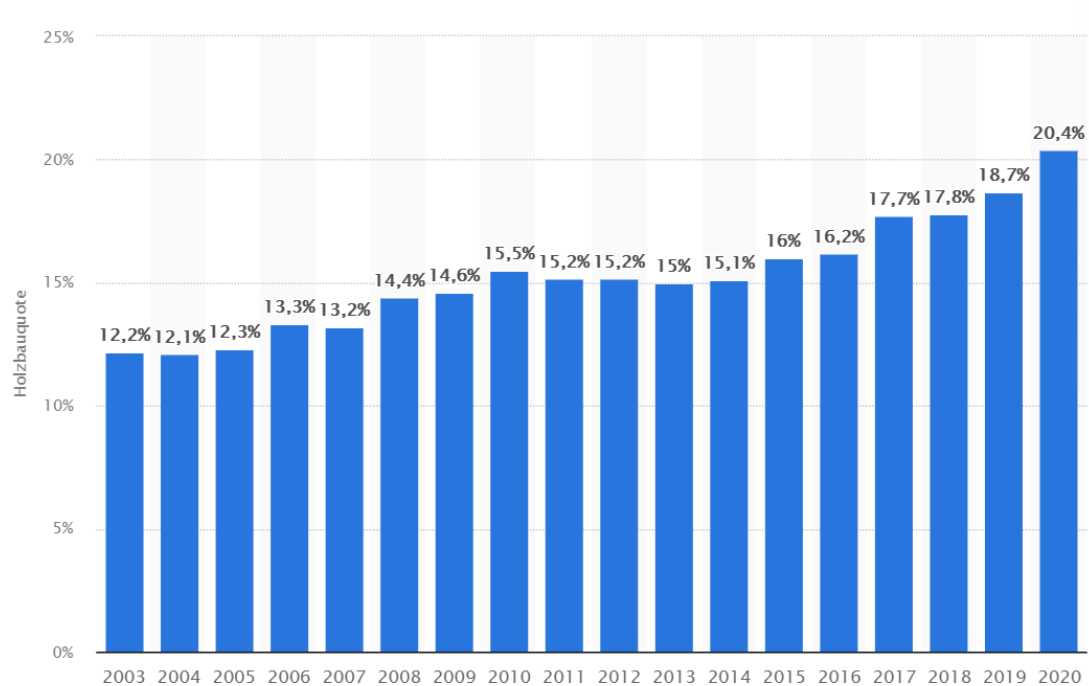


19 Euroconstruct countries

Wood as a building material keeps gaining market share



Share of approved residential buildings in timber construction in all approved residential buildings in Germany from 2003 to 2020



Source: Statista



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Challenges and opportunities

- **Raw materials, raw materials, raw materials!**
 - Raw material prices are at record level in many European countries
 - Russia logs export ban from January 2022 will push China to source more logs from Europe: fair trade needs a level-playing field among all countries
 - Implementation of the EU policies such as LULUCF, biodiversity strategy and forest strategy will have an impact on wood supply reducing forest available for logging activities
 - Forests are today threatened by climate change and the increasing frequency and severity of extreme weather events, leading to large scale forest disturbances
 - Wood production is not distributed equally across forest landscapes and is often concentrated in particular locations or regions → in order to fulfill future demands of wood we need to identify where the resources are under-used and which policies could favour an increased mobilization of the forest resource
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- **Standards**
 - The softwood industry is an European industry. Many businesses source logs and sell sawnwood to other countries. - But standards are often still national, which in some cases can be an obstacle to trade
 - **Attractiveness of our sector**
 - Workforce is aging
 - Lack of skilled workforces
 - We need to improve branding and communication to attract workforce
 - **Logistics/Energy**
 - Increasing fuel costs for transportation
 - Interruptions in supply chains
 - Increasing energy costs
 - **Macroeconomic**
 - Too high inflation could impact interest rates which might trigger slowdown of economy with consequences also for our sector
-

- During the pandemic crisis, the customer base of the sawmill industry became bigger. Will these new clients keep purchasing products even in the future?
 - Wood as building material has many positive properties against other materials
 - Many European sawmills have gained a foothold in the US market and possibilities to use a global sales network
 - Wood products are recognized as a solution to fight climate change globally, in the EU and within EU member states
 - Green jobs: we can attract skills by linking our industry to its positive contribution against climate change (“industry of the future”)
 - European construction markets are forecasted to remain lively in the coming years and wood as a building material is gaining market share
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Thank you for your attention!

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