Roadmap 2010 for the European woodworking industries

Results of Step 1

Roadmap 2010

VISION:

"Wood and wood products to become the leading material in construction and interior solutions by 2010"

Roadmap 2010

study by Timwood AB

Jaakko Pöyry Consulting

Indufor

Building Research Establishment

Roadmap 2010

Where are we today ?

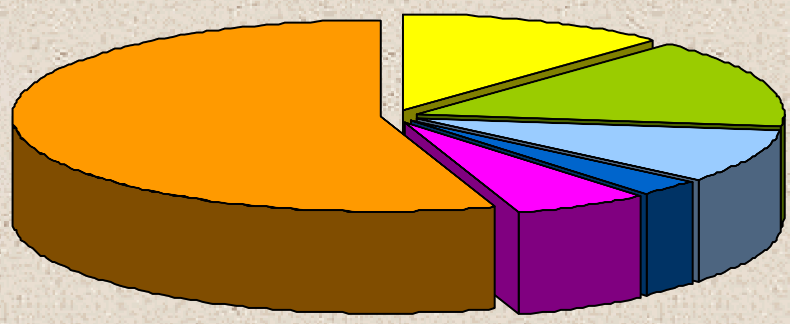
What will normally happen ?

Where do we want to go ?

How are we going to go there ?

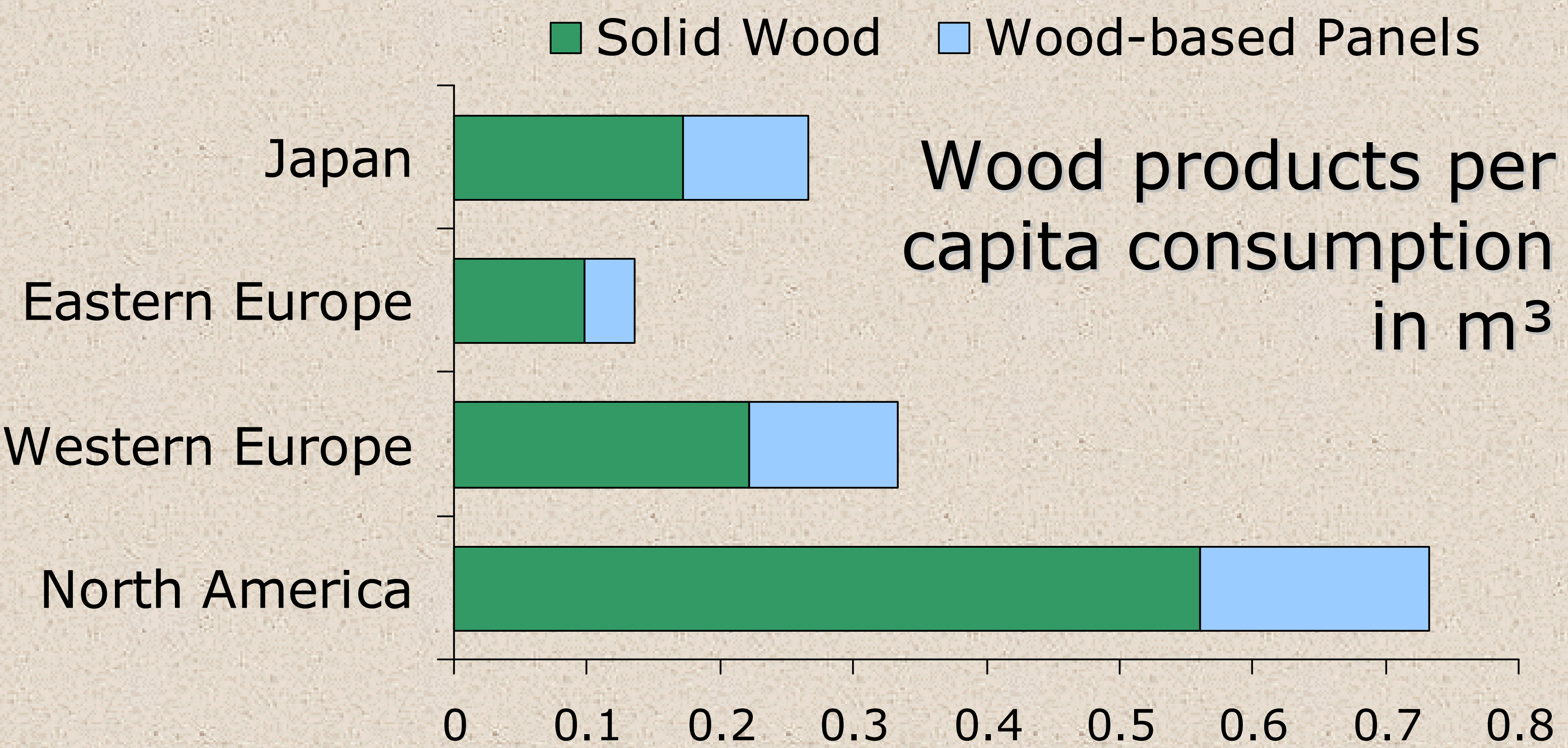
Roadmap 2010 - *Where are we today ?*

Woodworking industries EU turnover 2002



Total: 155 billion EUR

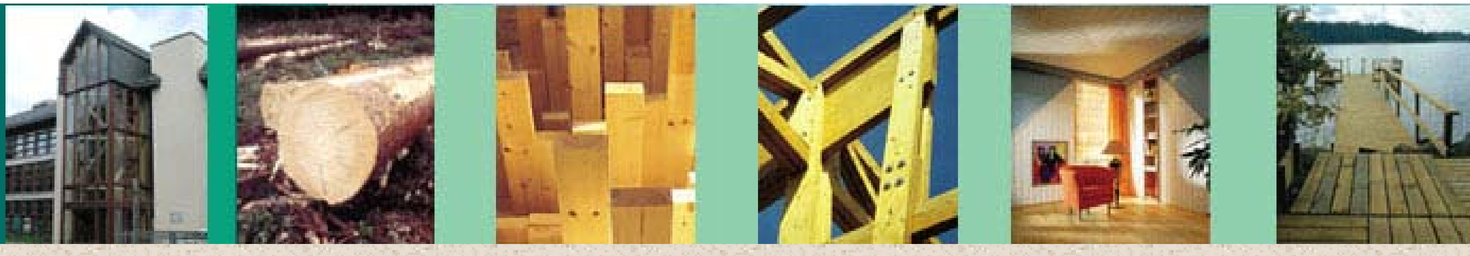
Roadmap 2010 - *Where are we today ?*



Roadmap 2010 - *Where are we today ?*

Wood Supply:

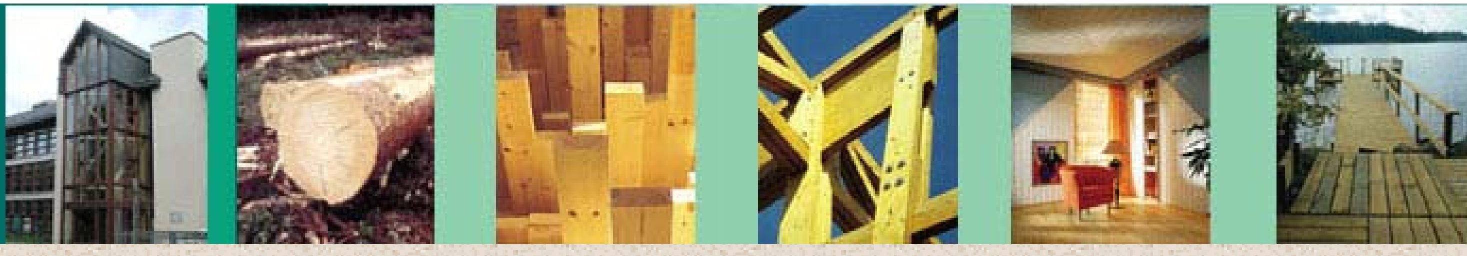
- Forests (can) produce more than what is needed
- Cheaper wood raw materials are used first
- Conflict areas arise
  - Energy vs wood product use (pulp & paper, WBP)
  - Use of wood vs « conservation » of the forests (certification)
  - Recycling vs harvested wood



Roadmap 2010 - *Where are we today ?*

Limitations to the increased use of wood:

- No direct regulatory barriers to enhanced use of wood
- Functional requirements cause limitation (fire, sound insulation, durability …)
- There is not enough (technical) guidance on the use of wood (Eurocodes, standards)
- There is a lack of « competence » on the use of wood (education, training)



Roadmap 2010 - *Where are we today ?*

Wood has a good environmental record:

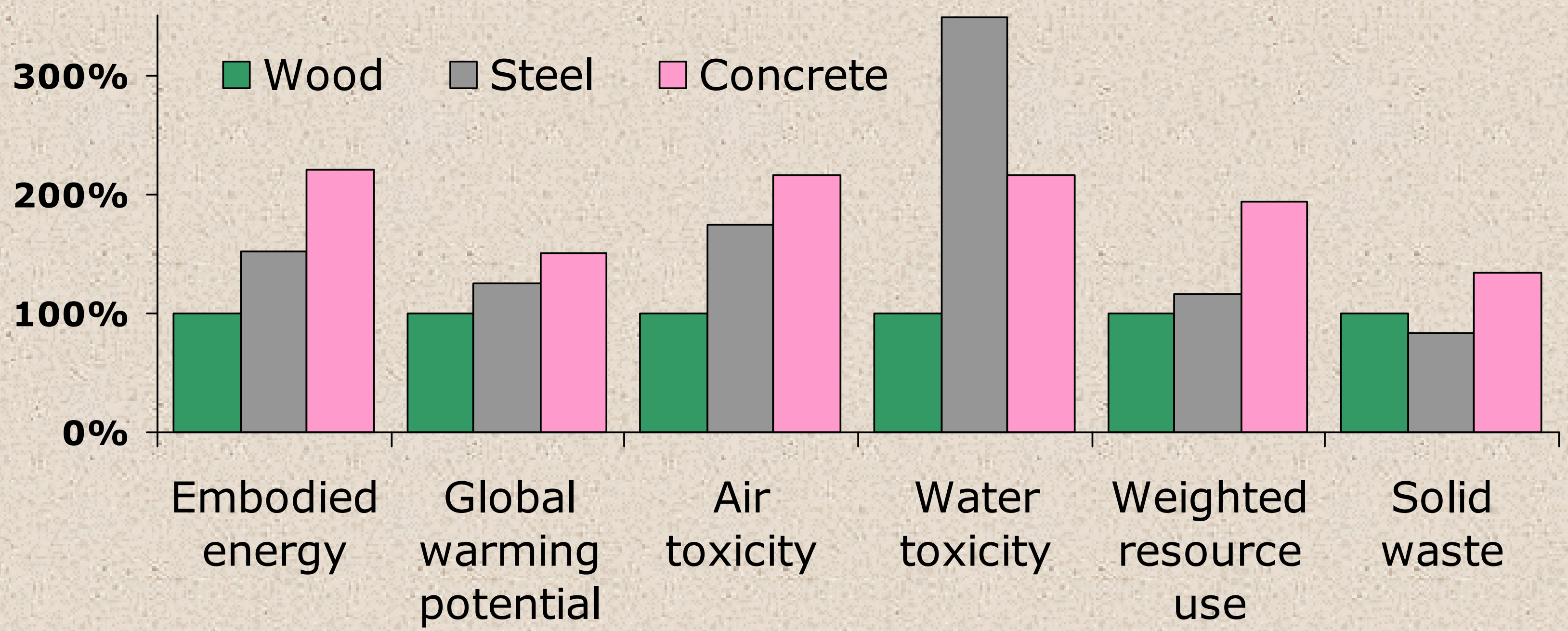
Grown with solar energy, absorbs CO_2 while growing, traps CO_2 until burned or decayed, easy to process, recyclable, bio-degradable …

However: often very diverging interests

- between subsectors
- with the authorities (different policies on national, European and international level)
- with the consumers, NGO’s

Roadmap 2010 - *Where are we today ?*

Environmental impact relative to a typical wood frame house. *Wood outperforms other materials in most cases.*



Roadmap 2010 - *Where are we today ?*

Perception:

- Wood is perceived as environmentally friendly (mostly) and natural
- Wood is not perceived as strong, safe, durable, modern
- Woodworking industry is largely unknown

Promotion:

- Many disperse initiatives on local, regional, national and interregional levels
- Lack of co-ordination, lack of funding compared to other raw materials

Roadmap 2010 - *Where are we today ?*

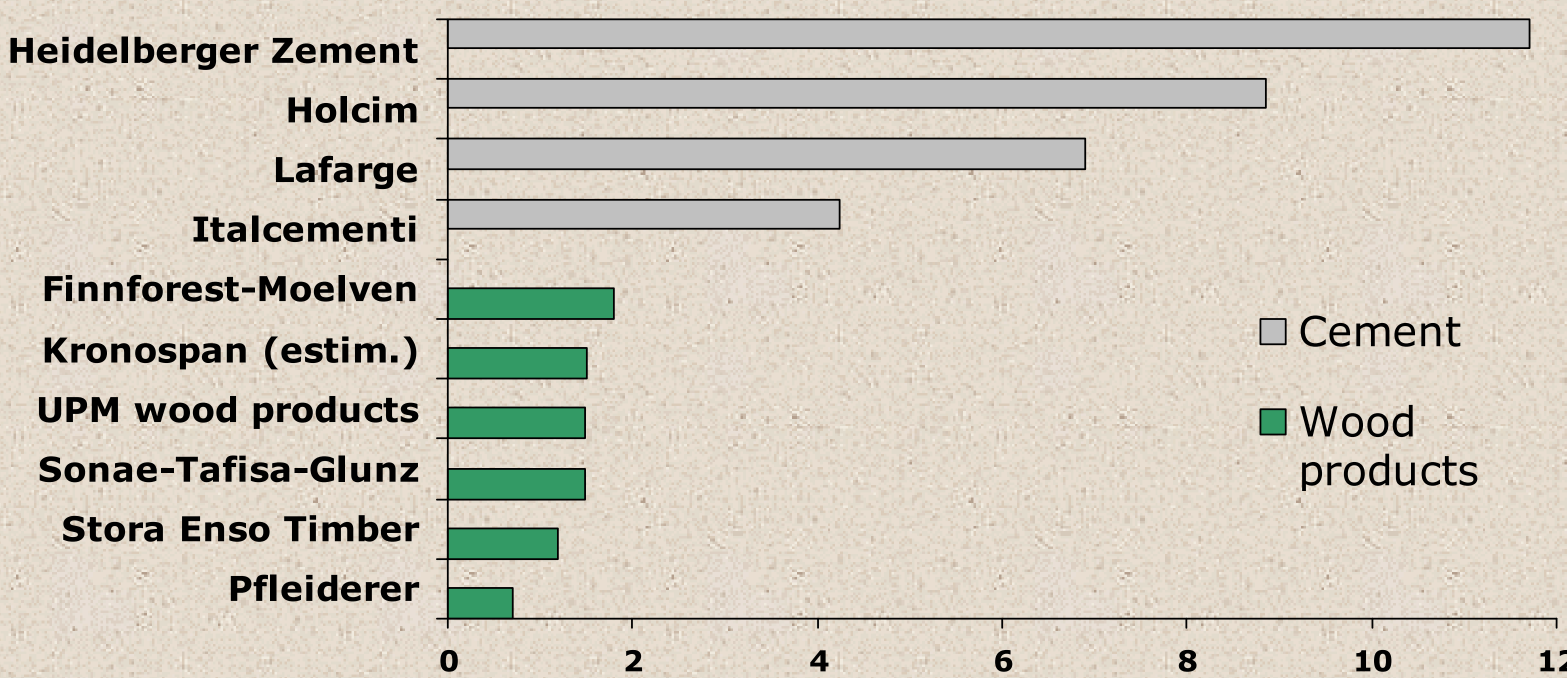
Industry Structure:

- Woodworking industry is partially consolidated, with some large groups but very many small and medium sized companies
- Woodworking companies remain very small compared to steel and concrete industries
- Customers are consolidating more quickly than the suppliers
- Woodworking companies are smaller in Europe than in North America

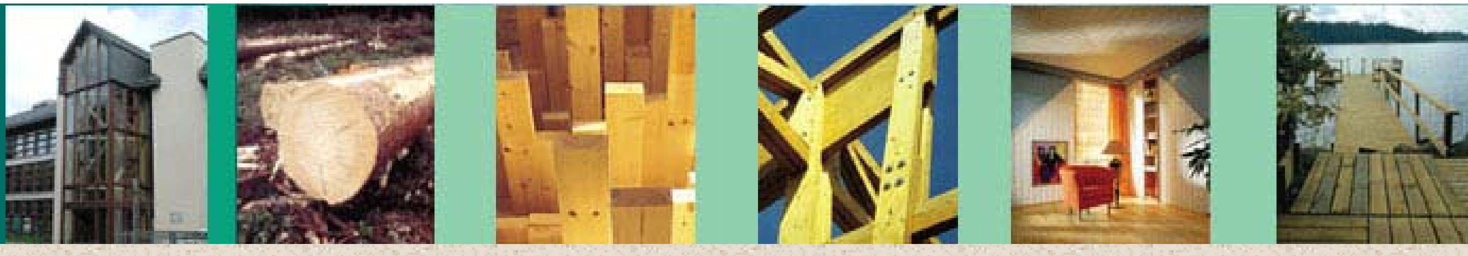
C.E.I. BOIS

Roadmap 2010 - *Where are we today ?*

Sales for leading European wood products and cement producers in 2002 in billion EUR:



Biggest wood company only 1/6th of size of biggest cement company



Roadmap 2010

Where are we today ?

What will normally happen ?

Where do we want to go ?

How are we going to go there ?

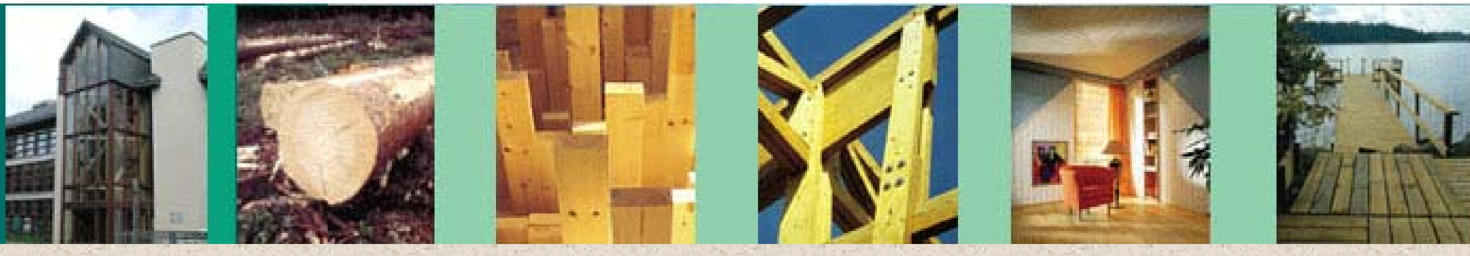
Roadmap 2010 - *What will normally happen?*

Global economic development looks gloomy

- Average GDP change in Europe will be weak, especially in Western Europe

2000-2002	2002-2005	2005-2010
1.5%	2.0%	2.4%

- Population development is flat (0% from 2000-2010), while age 65+ increases its share of total population



Roadmap 2010 - *What will normally happen?*

Global economic development looks gloomy

- Housing starts are flat, occupants per household decreases

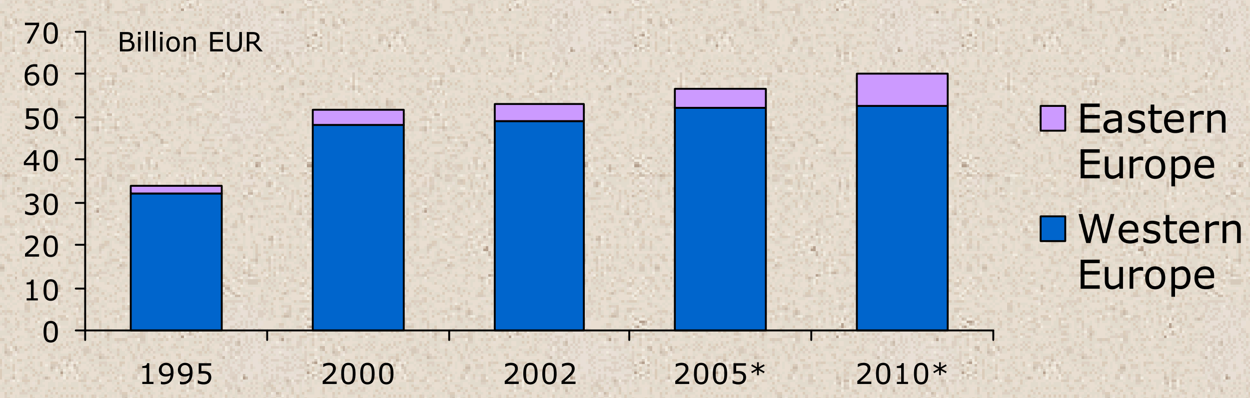
2000-2002	2002-2005	2005-2010
-0.8%	-0.6%	3.4%

- Repair and maintenance show steady but small growth

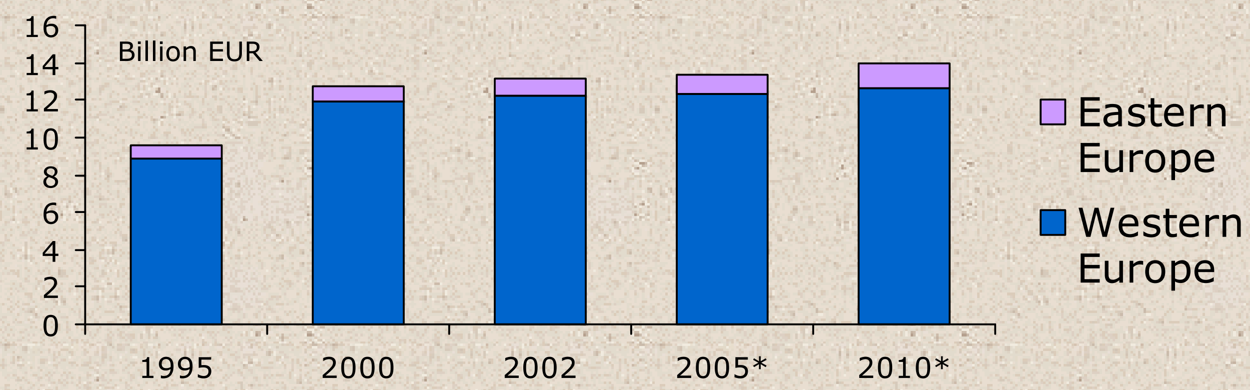
2000-2002	2002-2005	2005-2010
0.1%	1.3%	1.2%

Roadmap 2010 - *What will normally happen?*

- Furniture production remains flat in Western Europe, grows in Eastern Europe

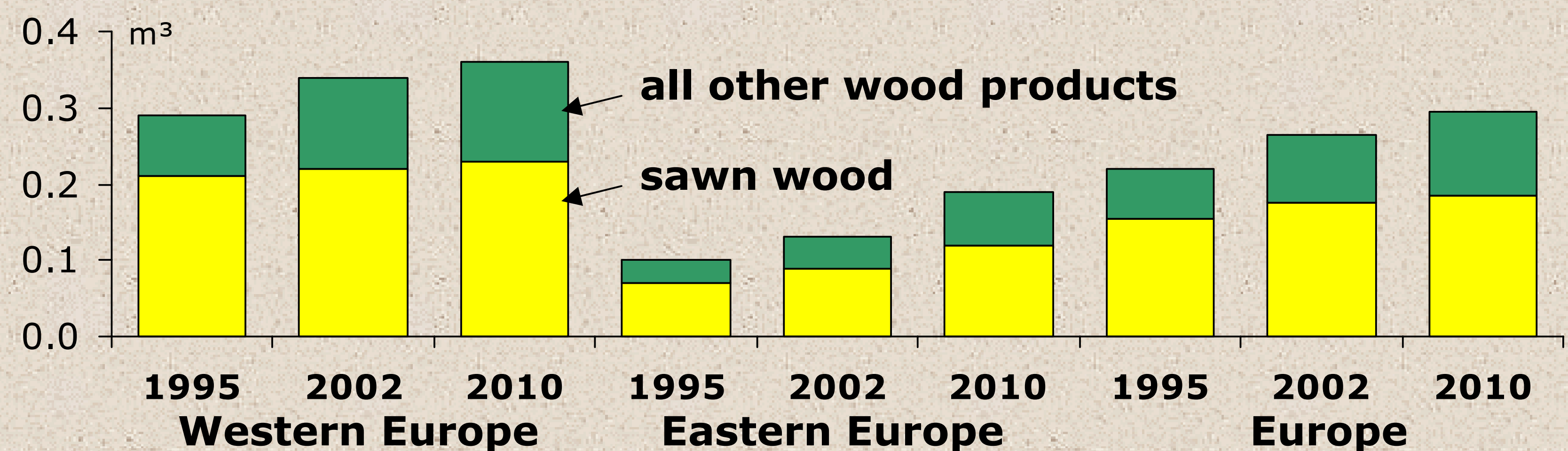


- Joinery production remains flat in Western Europe, grows in Eastern Europe



Roadmap 2010 - *What will normally happen?*

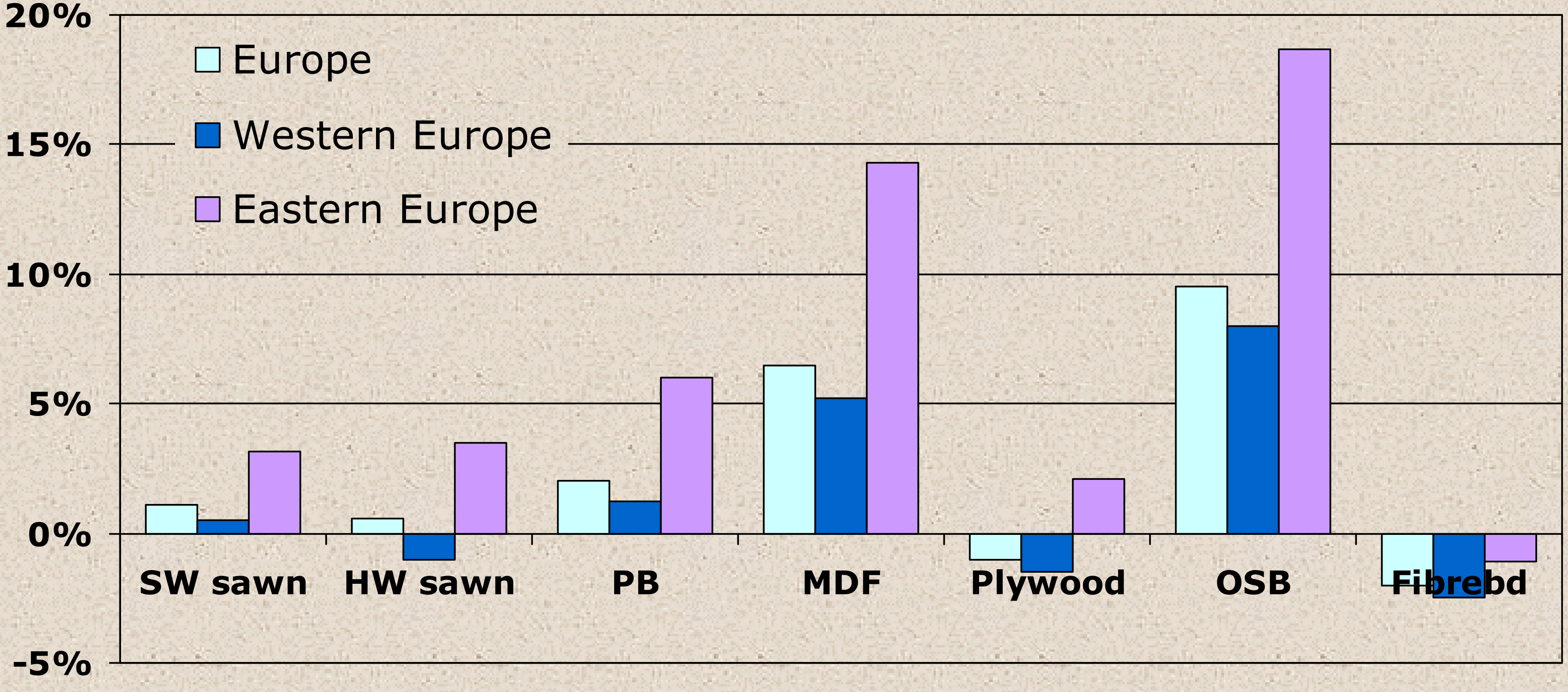
- Per capita consumption will increase slowly



- East.EU per capita consumption expected to grow
  7x faster than Western Europe, but
  1% growth in Western Europe = +1.3 million m³
  1% growth in Eastern Europe = +0.25 million m³

Roadmap 2010 - *What will normally happen?*

Growth rates by primary product line 2002 to 2010



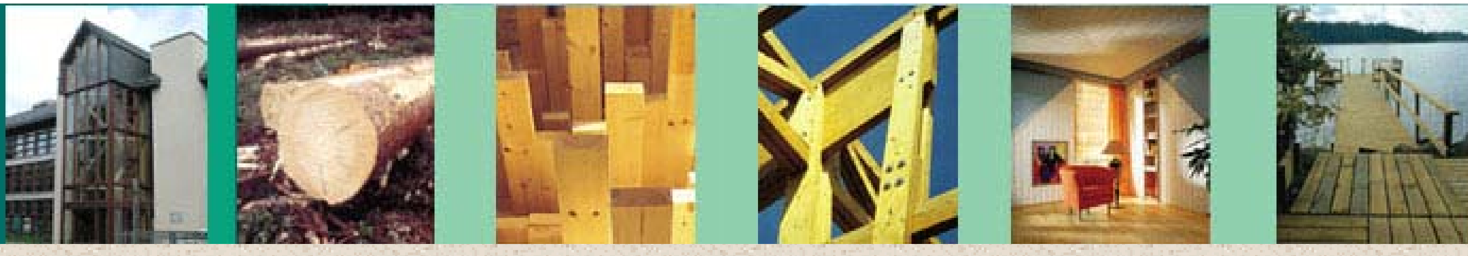
Roadmap 2010 - *What will normally happen?*

Global trade is on the increase

- Strong build-up of EU position in the late 1990s

	LVL	Glulam	SW sawn	Plywood	OSB	MDF	PB
Share of non-European export in total production	**32%**	**21%**	**13%**	**16%**	**8%**	**5%**	**3%**
Equivalent in million m³	**0.04**	**0.4**	**12**	**0.6**	**0.2**	**0.5**	**1**

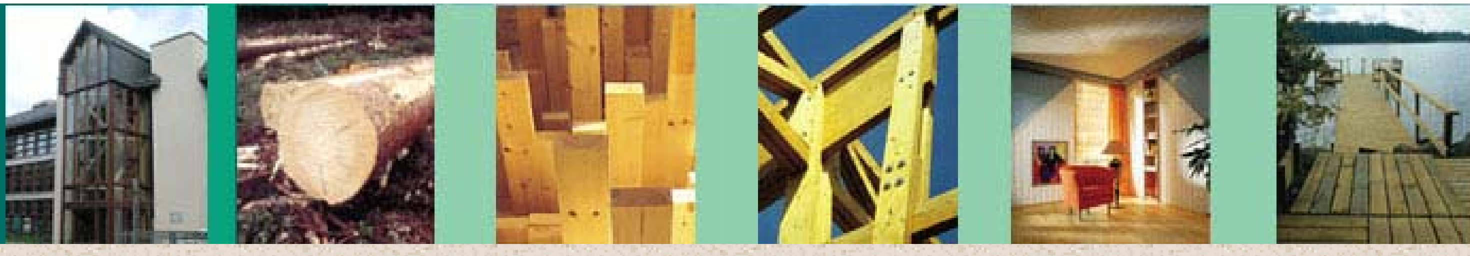
- Concern for the future
  - Currency exchange rates (USD, CAD)
  - Competitiveness vs Russia and South-East Asia
  - European markets could increasingly be satisfied through imports



Roadmap 2010 - *What will normally happen?*

Global trade is on the increase

Quality, service, product development and innovation will be increasingly important



Roadmap 2010

Where are we today ?

What will normally happen ?

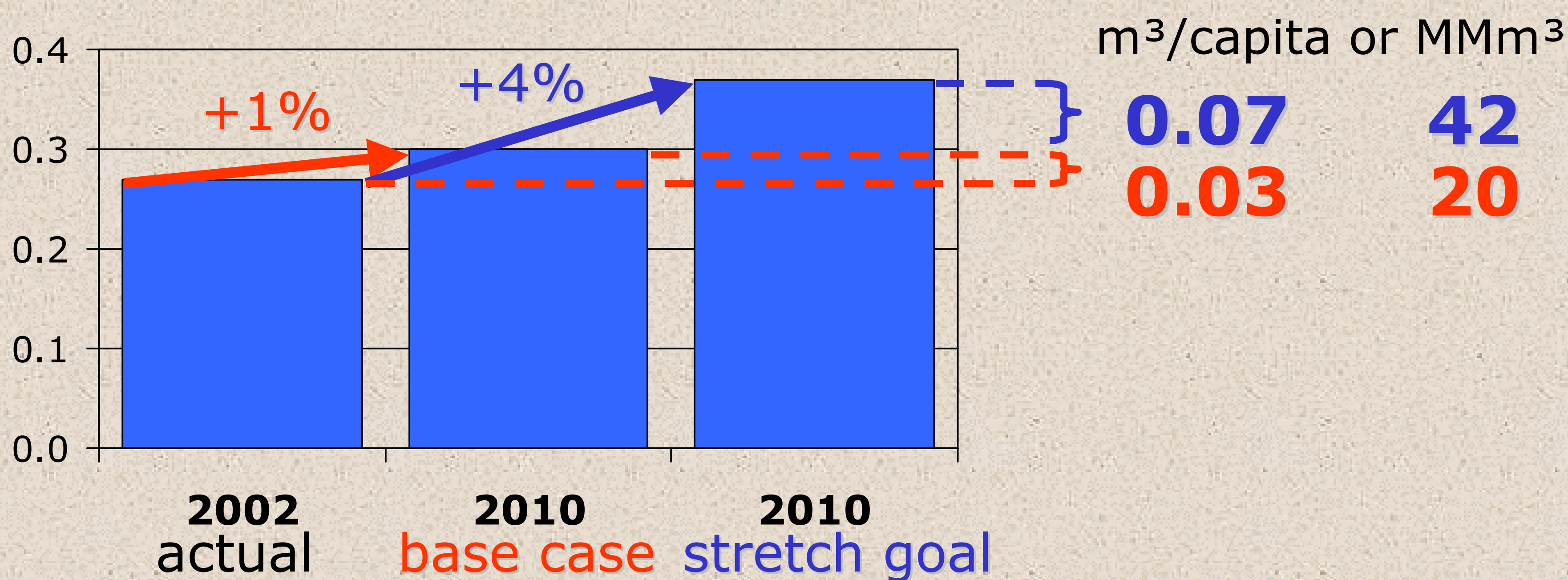
Where do we want to go ?

How are we going to go there ?

Roadmap 2010 – *Where do we want to go?*

Increase demand: Gap Attack !!!

Europe's per capita consumption, all *primary* products

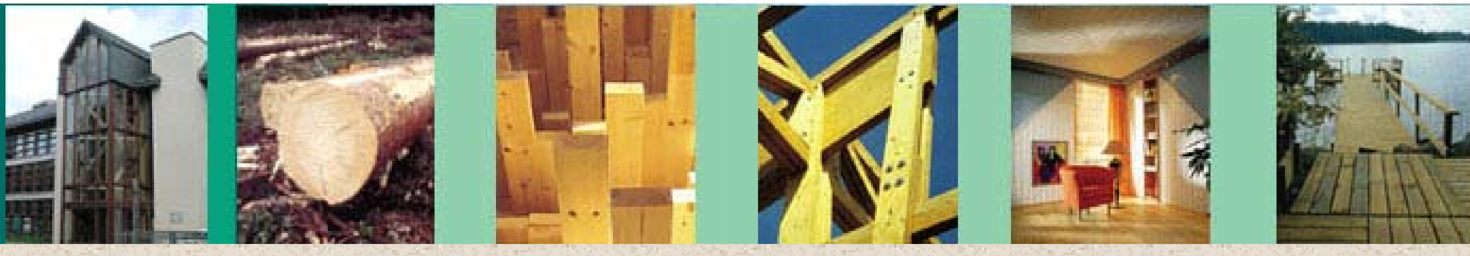


Roadmap 2010 – *Where do we want to go?*

Stretch Goal: Implications for wood products

(Compound Annual Growth Rate)

	Base Case	Stretch Goal
OSB	+10%	+20%
MDF	+6%	+15%
Sawn timber	+1%	+3 to 4%
Plywood	-1%	+1 to 3%
Wood furniture	+1%	+4%



Roadmap 2010 – *Where do we want to go?*

Markets:

- Agressively increase the per capita consumption of wood products in a profitable and (as now) sustainable way
  Develop new markets outside Europe

Wood Supply:

- Balance the usage of wood raw material between various interests in the society

Barriers:

- Overcome weaknesses of wood at technical/educational level

Roadmap 2010 – *Where do we want to go?*

Environment:

- Create an environmental agenda for the woodworking industry with « environment/sustainability » as supporting argument
- Influence public and policy makers

Perception:

- Make wood products the leading material and preferred choice in structural applications, appearance applications, packaging and transport with the public at large

Roadmap 2010 – *Where do we want to go?*

Industry Structure:

- Maintain relative competitiveness of the European production capacity (SME enterprises)

Promotion:

- Effectively promote the interests of the industry

Roadmap 2010 – *Where do we want to go?*

Building with wood:

Goal 2010 = double wood based materials' market share in construction

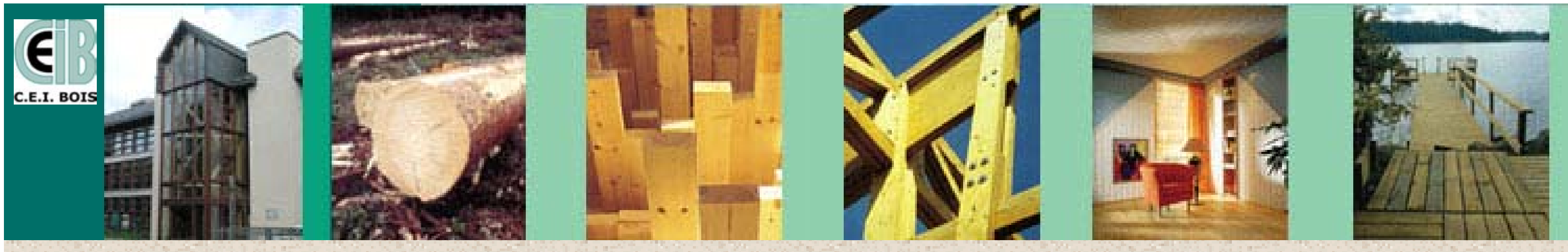
Living with wood:

Goal 2010 = achieve a substantial and sustained change in attitudes towards wood and wood products, leading to an increase in wood consumption

Wood used in Packaging and Transport:

Goal 2010 = target action programme for all market segments to increase wood based products usage

Market share to be measured quantitatively - in value terms !



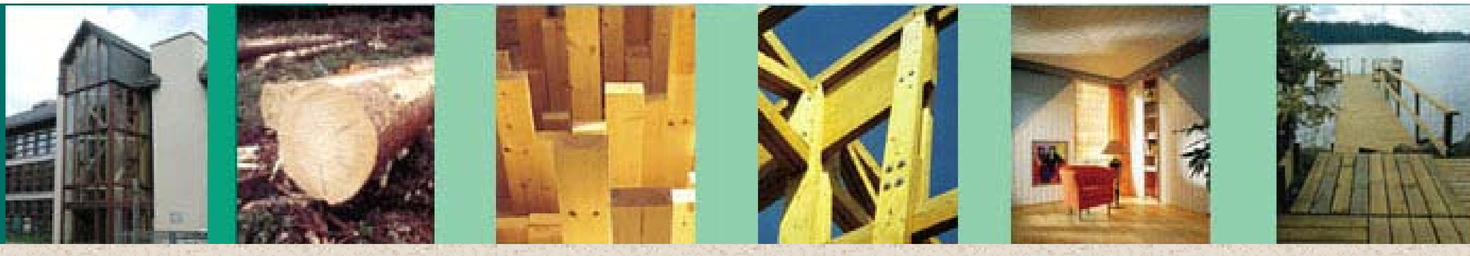
Roadmap 2010

Where are we today ?

What will normally happen ?

Where do we want to go ?

How are we going to go there ?



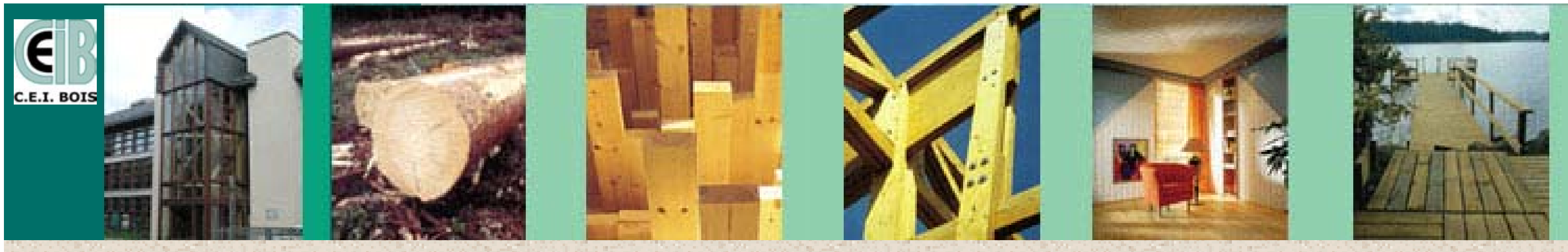
Roadmap 2010 – *How are we going to go there?*

Develop industry endorsed (and government supported) « strategic processes » on:

- **Building with wood**
  - > remove institutional, technical, economic and perceptional limitations
  - > create tools/aids for an enhanced use of wood
  - > involve the whole supply chain
- **Living with wood**
  - > target specific groups (specifiers, architects, designers, customers)
  - > create conditions for a better and increased use of wood-based products in interior uses

Roadmap 2010 – *How are we going to go there?*

- **<u>Wood used in packaging and transport</u>**
  - > create conditions for a better and increased use of wood-based products for packaging and transport purposes, e.g. through increased standardisation and R&D (safety and health)
  - > involve logistics chain in solution development
- **<u>Wood in sustainable development</u>**
  - > start actions to include the concept of «enhanced use of wood» in programmes on environment, climate change, energy, etc
  - > get the message through that wood is the only renewable building material, CO2-sink, recyclable etc.
  - > forge alliances with NGO's and other pressure groups to promote wood on the basis of environmental and energy benchmarking



Roadmap 2010 – *How are we going to go there?*

Foundation for successful implementation:

- Identification of process leaders
- Well defined objectives, action plans and time tables
- Significant staffing/funding
- Support from « Captains of Industry »
- Central co-ordination at CEI-Bois level (1 main support person/action)
- Local implementation (sub-sectorial & national level)

Roadmap 2010 – *Let's take the road together*