MARKET UPDATE

Challenges, but some cautious optimism in UK Covid coping

Hardwood sawmills obviously need to sell lumber from the entire thickness and grade spectrum of the log, both to turn a profit and avoid finished stock build up and associated bottlenecks and overheads. However, one of the most significant impacts of the pandemic has been a slide in demand internationally for industrial and other lower grades. Mills consequently face the choice of finding somewhere to put the non-moving material, cultivating alternative markets for it, or curbing throughput. This was a prominent theme of a London Hardwood Club webinar, featuring speakers from American and European hardwood producers and the UK tropical import sector. The event, which attracted 48 participants, also covered wider pandemic impacts, species supply and demand trends, UK market acceptance of further processed hardwood products and market outlook.

Speaker Dennis Mann, export sales manager at Baillie Lumber, described the North American hardwood sector’s recent challenges, hit first by Chinese trade tariffs, then the impacts of Covid-19 on demand and production. “Lumber exports had already come off their 2017 peak of $2.6 billion, falling to 1.88 billion in 2019 and the forecast for 2020 is $1.68 billion,” he said.

Combined with the effect of the pandemic on domestic demand, this had caused U.S. mill casualties, with two more closing recently. The biggest concerns for the industry now were prospects for lower grades. “Our key challenge is what to do with the centre of the log. Right now, there’s just no home for sleepers, cants, truck deck flooring, pallet timber, or chips for paper mills,” said Mr Mann. “A lot of these products are tied in with transportation of goods and as that’s significantly reduced, so has demand.”

As economies emerge from pandemic lockdown more widely, this industrial lumber logjam should gradually ease, but the timescale was uncertain and, while unresolved, it could cause further problems. In the case of white oak, it also came after Chinese tariffs had already impacted demand for one and two common. “The tariffs accentuated the price difference between white oak and red for Chinese furniture makers, and we saw 65% to 75% of their demand switch to red,” said Mr Mann. Difficulties in moving lower quality material inevitably impact supply of better grades and Mr Mann predicted tightening supply in 1.5-2” and thicker white oak in coming months. “You’re also probably going to see speciality items taking longer,” he said. “Obviously, with less lumber coming over the line overall, there will be less speciality products.” Demand for lower grade tulipwood from South East Asia had also taken a particular hit, but Mr Mann acknowledged it was tough to move the species ‘across the board’.

Turning to the UK, Mr Mann said it had not only remained the U.S. hardwood sector’s biggest European market, and fourth biggest export market overall, it was also among its most consistent. Its annual U.S. imports averaged around $83 million for the last four years, comprising 75-80% white oak, poplar and walnut. One question from a webinar participant was on future supply of ash given the emerald ash borer infestation. Mr Mann responded that there were still areas of pest-free forest, particularly away from roads. “Ten years ago we thought it would all be gone by now,” he said. “Today we estimate there’s still another three to five years supply of viable, unaffected timber.” The U.S. forest was also able to satisfy the UK’s particular appetite.
for higher grade walnut; ‘timber with something special, such as a colour specification or particular width requirement’.

“The U.S. doesn’t produce huge walnut volumes, relative to white oak and poplar, but we can supply the 25-30 containers a month the UK takes, provided specifications are not too crazy!” said Mr Mann. He was also asked about U.S. supply of FSC-certified and said demand for it was mainly from the UK. “FSC requests are 90-95% UK, with inquiries monthly. From elsewhere we’ll get two or three every few months.”

For the European hardwood supply sector, Alex Boisson of Italian-based oak producer Florian Group, said the pandemic had reduced demand internationally and the outlook was uncertain. The Asian market was particularly hard hit and overall the post-pandemic so-called ‘new norm’ had yet to take shape. “Business is moving, but not as we knew it,” he said. “Requests are day to day.”

Florian had faced mill operational challenges due to Covid-19, but its key concern was the three-month shutdown in harvesting in Croatia and Hungary, where it also has mills in addition to those in Italy and France. Resulting tight supply was underpinning log prices, which, Mr Boisson forecast, would lead to lumber price inflation, despite demand levels. He also echoed Mr Mann’s view that it was imperative to develop the market for the ‘central part of the log’. Demand for lower grade European lumber had also been hit by the pandemic, notably in South East Asia and this compounded the effect of deterioration in European raw material quality. “In the last 10-15 years European logs have declined in quality and diameter,” said Mr Boisson. “Previously the resource was yielding 30% A quality logs. Today that’s down to 15-20%. We increasingly need to be creative and find an outlet for lower grades, perhaps through modification, or engineering and new applications. It’s key to how we survive as sawmills.”

On the UK, Mr Boisson said there was more hardwood stock on the ground than elsewhere in Europe, the consequence of ‘excess buying’ prior to lockdown, with importers hedging against anticipated logistical problems. The market, he added, was also historically more resistant than European neighbours to value-added, further processed products. By contrast, German window producers, for instance, tended to use finger-jointed and laminated hardwood exclusively. However, there were signs of UK end users coming around.

“Five years ago, our engineered exports to the UK were zero. Today they comprise 25% of the total,” he said. “We expect the trend to continue and that we’ll be selling less solid, thick lumber to the market.”
Focusing on West African supply, Guy Goodwin of NHG said that, bar a temporary shutdown in Ghana, the pandemic had not to date significantly hit production. Prices for red hardwoods also remained firm, underpinned by renewed buying in China and Vietnam. Mr Goodwin anticipated mills ‘in the tiers below mainstream producers’ being most affected by wider contraction in demand, leading to some price cutting. Cancelled orders had also seen some ‘distressed parcels’ coming on to the market. However, he did not anticipate the tropical price slump and capacity contraction seen after the 2008 economic crash. “Mills learned the lesson from that and became more cautious and reactive to the market situation, so there’s less over-production,” he said. “Also, many concession holders are at the end 25-30-year harvest cycles, so forest being worked is less rich in commercial species. We expect this to keep prices firm, particularly for kiln-dried, certified, EUTR-compliant timber.”

Speaking later, several seminar participants said the UK hardwood market remained ‘some way off the norm’, but that business was picking up. “At the start of the Covid-19 lockdown we were looking at the sharp end of doing very little at this point and in April sales were down 60-65%,” said one importer. “But through May into June we’ve seen renewed activity and we’re now back to around 60% of normal levels.” Another said they had gradually upped activity. “We closed for two or three weeks, but now we’ve got 50% of staff working,” they said. “We don’t see sales returning to 100% in the near future, but we hope to have all our people back by the end of the government furlough programme in October.” Some concern was expressed about potential impacts on U.S. supply caused by the industrial grade bottleneck, but UK expectations were also that this would clear as economies opened up more widely. There were mixed views on market uptake of further processed and engineered hardwoods. “UK end users are conservative. They’re wary of anything new and not particularly fashion-led,” said an importer. “That’s probably one reason why the UK’s American hardwood imports are so consistent.” Another company, however, did see engineered timber further building market share.

Despite challenges, business is starting to pick up again, according to importers.

“We’ve had resistant customers trying it, then wondering why they didn’t introduce it earlier,” they said. “Given pressure on prime grade, and the need to make the most of the resource, it has to be the way to go.” One importer also saw increasing prospects for modified hardwoods to widen applications for less durable material. “We’ve done a number of successful projects in thermally modified U.S. tulipwood, with another significant one in the pipeline,” they said. “We think it’s got a good future.” An importer/distributor said they had also seen an uptick in red oak demand, mentioned in an earlier AHEC market.
report, continue, attributed in part to the price differential with white oak and greater awareness through AHEC promotion. While prospects were looking brighter, however, another participant pleaded for the UK hardwood sector to avoid a scramble for business as lockdown relaxed and not to panic and “give away their timber”!

ACTIVITIES

AHEC role out more webinars as evaluation shows positive impact

May has seen us roll out more webinars to individual practices as well as wider groups of designers and architects. So far, the focus has been on the UK, Spain and Poland with further events planned from June onwards in Germany and Italy as well. This online format works extremely well, and the audiences are keen to ask technical questions, and many are willing to complete evaluation questionnaires. The feedback from the hundreds of professionals that have engaged with us is extremely positive.

Interestingly between 60-75% of participants indicated they were not that familiar with American hardwoods prior to the webinars but that 90% said the information provided had given them a better understanding of the material. 87% indicated they would be willing to consider using a wider range of U.S. hardwood species with 80% positive about using them structurally. The overwhelming majority (85%) said the presentations had positively influenced their opinion of the sustainability and legality of American hardwoods and most importantly nearly half of attendees indicated they were now ‘likely’ or ‘very likely’ to specify these materials in the future.

Connecting on multiple levels - top designers rise to the challenge for AHEC’s new project

Connected is AHEC’s latest creative project, bringing together leading product designers and makers with three of the most abundant U.S. hardwood species. The name works on different levels.

Immediately, the project is about adapting to current circumstances. It is about finding new ways for designers, craftspeople/manufacturers and materials providers to connect and collaborate while we are all to a greater or lesser extent isolated in Covid-19 lockdown. More than this, it is looking at how such approaches may embed longer term. Expectations are that the increase in remote working triggered by the health crisis may not entirely reverse and for many could become a new norm.

Connected aims to underscore too the rising
importance of strengthening the link between the timber sector and creative community. It is ever more appreciated that this is vital to growing and diversifying the application of wood and truly realising its incredible potential in an increasingly low-carbon oriented marketplace. The other connection we are making is equally critical. It is that to maximise the role of the forest and timber in mitigating the other major crisis facing us today, climate change, emphasising the fact we must make the best and most sustainable use of our wood resources.

The designers have been given samples of American red oak, cherry and maple, as well as technical performance information.

Our designers, who are all high profile and internationally renowned, have been hugely enthusiastic about joining Connected and instantly related to what we are aiming to achieve. Eight in eight different European countries and one in Japan have agreed to take part. Their brief is to design home living products, seating and a table, that will ultimately connect as one installation, with their principal palette of materials comprising American red oak, cherry and maple.

Our conversations with the designers have already reinforced our feeling that this is one of the most contemporary and relevant projects AHEC has ever undertaken. They’ve spoken about the importance in the current environment and into the future of making the home a safe space for living and working, and how natural materials can help achieve that. One said that, until now, the home has effectively been a corridor you travel along, spending time with family, eating and sleeping, on your way to work. Now we are spending more time in that corridor, and may continue to do so, so both it and the products within it have to respond and adapt.

Connected also differs from AHEC’s previous projects. Rather than working with a ‘client’ or commissioner, our designers themselves are also the specifier. They are designing products they’d be comfortable living with, in their own home. We think that will result in a different creative emphasis.

The pieces will be fabricated by renowned UK furniture maker Benchmark and both they and the designers are excited about how the process of working together but remotely will develop. We are also working with The Design Museum in London who will host the installation in September, where all the furniture will come together in one creative whole.

We have supplied our designers with some beautiful samples of the various woods and technical performance information. Our experience in previous projects is that when you combine creative minds with knowledge of the raw material you open up whole new design and application perspectives – ones that we in the timber sector alone could not have conceived.

Nine international designers will each design seating and a table for the Connected project. Click here to watch a video introducing the designers.

The designers have been given samples of American red oak, cherry and maple, as well as technical performance information.
For Connected, we have also equipped them with cameras that plug into their smartphones to capture the whole process in a series of video diaries.

Visit connectedbydesign.online and follow #connectedbydesign on Instagram and Twitter to learn more. A short video introducing the designers can be found here.

NEWS ROUND-UP

AHEC collaborate with Wallpaper* to challenge young designers from around the globe

In an exciting new approach, we are planning to run our first ever global design project, in collaboration with the international design and lifestyle magazine Wallpaper*. With their help we will invite some of the best new design graduates from around the world to develop and realise a new product in red oak, maple or cherry.

We therefore have a unique opportunity for all the AHEC offices to work together on the same creative project. Wallpaper* will help us set up an advisory panel of leading designers for the project, who will select the young graduates and act as mentors during the design development phase. It is hoped the project will be launched at the end of June this year and will culminate in an exhibition in Milan next April as part of Milan Design Week. In an ambitious departure from previous projects, we plan to work with multiple workshops from different regions so that this project is connecting with fabricators as well as designers.
PR HIGHLIGHTS

Legacy
American red oak
MAD White | Poland

100,000 circulation

Maggie’s Oldham
American tulipwood
Detail Magazine | Germany

20,000 circulation

Infinity Bench
Multiple American hardwoods
London Design Festival Instagram | UK

292,000 followers

Rapidly-renewable raw material by AHEC

The new centre for cancer patients in Oldham is the next Maggie’s Centre to be opened in Great Britain.

Newsletter: AHEC
Product: Press release laminated timber American tulipwood
Press release: Construction
published 22.02.2018

www.americanhardwood.org

PR HIGHLIGHTS

Maggie’s Oldham
American tulipwood
Detail Magazine | Germany

20,000 circulation

American red oak
Consumer | Spain

310,000 circulation
### EXCHANGE RATES

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