1. INTRODUCTION

1.1 A Market in Transition

The market for wood products in Europe is changing and Canadian suppliers must adapt their products and methods of doing business. The most dramatic change is the European Commission's plant health requirement, which will make kiln-drying of coniferous lumber obligatory. But there are others.

There is a growing market preference for kiln-dried lumber to meet increasingly stringent quality assurance requirements. This, in turn, is part of a move in many quarters toward purchasing products further down the value-added chain. Changes are also taking place in the distribution channels. The traditional chain of agent-importer-manufacturer-wholesaler-retailer is increasingly bypassed in favour of direct import of semi-finished and finished products. There has also been a significant integration and consolidation in the industry in France and the United Kingdom. A number of major players have emerged from this, several of whom are poised to play a significant role throughout Europe.

There is also the Single Market legislation, which will gradually harmonize European codes, standards and regulations. Although these are generally expected to have little effect on Canadian products, the provision that approval for one country will be adequate for all will encourage geographic expansion to new European Community markets.

1.2 Context of this Study

This report describes the evolving European Community (EC) market and recommends measures that Canadian companies must adopt to establish or retain a stable business position. The four leading regional markets are emphasized – France, Germany, Italy and the United Kingdom. These account for more than 75% of the EC sawnwood market, as well as for 75% of coniferous imports and 63% of non-coniferous imports.

The report is concerned with value-added wood products, but includes anything that improves the value of the products supplied. Thus, material that is kiln-dried for improved quality – over and above what is required to meet phyto-sanitary requirements – is included, as is better-graded joinery and square-edged material, and material in metric sizes demanded by the market.

The report is based on a review of past research on market opportunities, an analysis of European market structure and trends, interviews with key actors and observers in the regional markets, and an analysis of opportunities in relation to required investment or operational changes by Canadian mills.

1.3 Related Reports

Many studies have been undertaken in recent years on market potential in Europe for Canadian wood products. Many of these have focused on new or expanded opportunities for value-added wood products, usually in the context of products available or potentially available from a specific province (e.g., Alberta, British Columbia, Ontario). The studies have also been complemented by trade missions to various markets, particularly the United Kingdom, France, Italy and Germany. Some studies are listed below.

- Hardwood Mission to Germany and Italy. External Affairs and International Trade Canada, March 1991.
- Henley International. *European Market Opportunities for Ontario Lumber Products.* Industrial Restructuring Commissioner, Ontario Ministry of Natural Resources and Forestry Canada, June 1990.
- ISTC European Mission. B.C. Wood Specialities Group and Industry, Science and Technology Canada, March 1990.
- Woodbridge Reed & Associates. *Offshore Market Opportunities for Alberta Sawmills.* 1988.