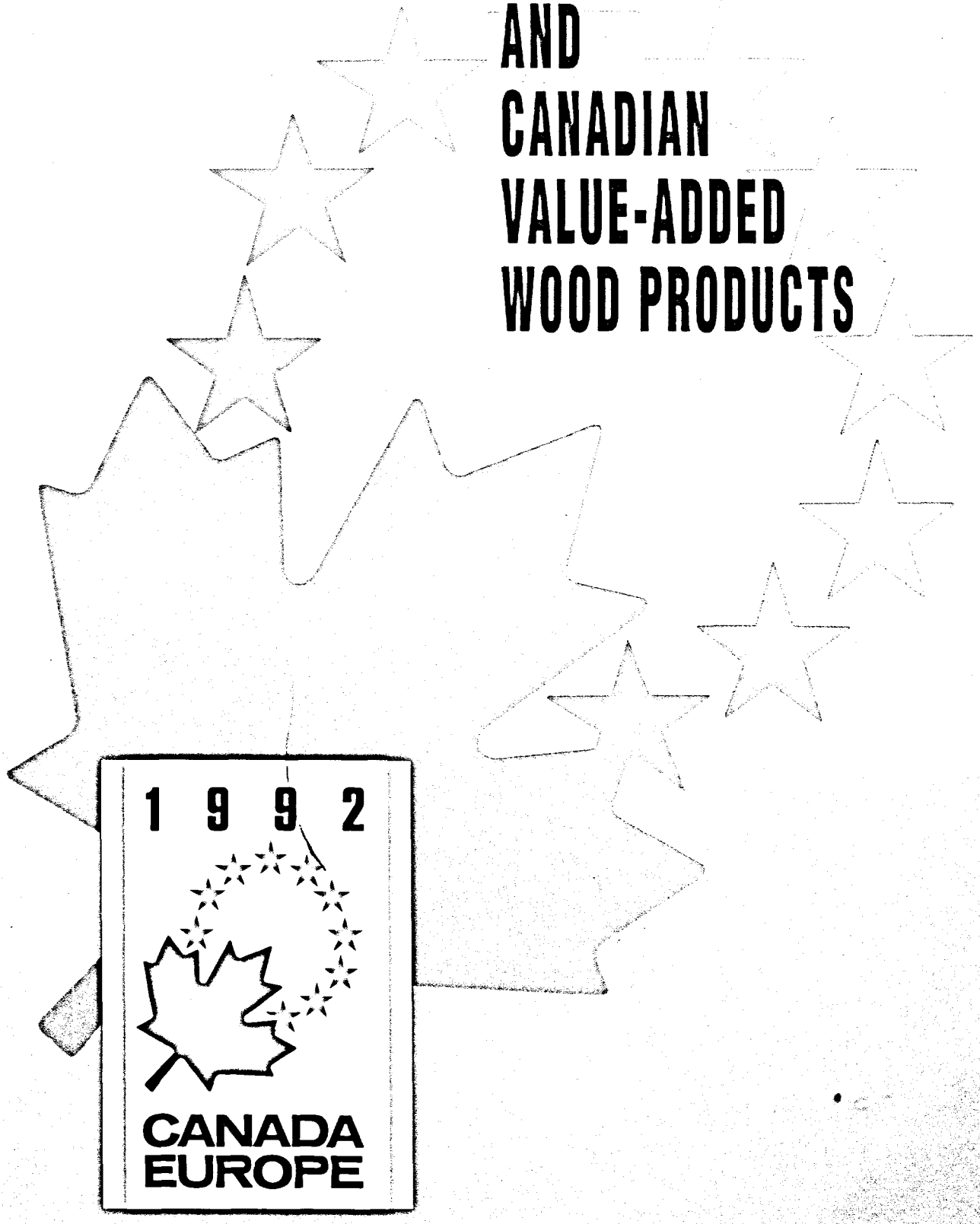
# EUROPE 1992 AND CANADIAN VALUE-ADDED WOOD PRODUCTS




External Affairs and International Trade Canada

Canada

# EUROPE 1992 AND CANADIAN VALUE-ADDED WOOD PRODUCTS

prepared for

European Community Division
External Affairs and International Trade Canada

by

Saican Consultants Inc., Montreal
in collaboration with
Sandwell Inc., Vancouver and SMG Corporate Consultants Inc., Paris

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The opinions expressed in this report are those of the authors and do not necessarily represent the past or current policy of the Government of Canada.



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# FROM THE GOVERNMENT OF CANADA

External Affairs and International Trade Canada (EAITC) is pleased to offer the Canadian forest products industry, as part of the Going Global trade strategy, this comprehensive study on market opportunities in the European Community resulting from the Europe 1992 initiative and the possible means by which Canadian firms can capitalize on them.

Europe 1992 is happening now. The European Community's ambitious Single Market program has already dramatically changed the way Europeans are doing business. The process is irreversible; the pace is rapid and accelerating. If Canadian businesses are to profit from the opportunities that this enormous market will bring, they must be well informed.

After the recent completion of a series of sectoral studies entitled *1992 Implications of a Single European Market*, EAITC conducted a consultative process which included government departments, the provinces and our European embassies to determine which subsectors should be the focus of further study. The result was the selection of value-added wood products, ocean industry, environmental industries, software and telecommunications products and services. All of these studies will be published during the Fall of 1991 and into the Spring of 1992.

We also have tangible programs to introduce you to the European market. These are well-publicized through our CanadExport publications. Our trade officers in the European Community Division of EAITC and at the International Trade Centres in each province would be pleased to respond to your specific questions. Take advantage of these programs. They have been established to benefit you.

Publications that are currently available from the series *1992 Implications of a Single European Market* include: Agriculture and Food Products; Telecommunications and Computers; Automotive Industry; Minerals and Metals; Forest Products; Defence, Aerospace and Transportation; Specialty Chemical Products, New Materials, Pharmaceuticals and Biotechnology; Industrial Products and Services; Financial Services; Fisheries Products; and Professional and Consulting Services – Law and Accounting. Other reports include European Economic and Monetary Union; Company Law; Competition Policy; Standards; Freight Forwarding; 1992 and Related Issues; Intellectual Property; and Moving into Europe – Strategic Partnering.

For more information on publications available, please contact the EAITC InfoExport hotline, 1-800-267-8376.

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# EXECUTIVE SUMMARY

This report describes the evolving European Community market for value-added wood products 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 European Community sawnwood market and for 75% of coniferous imports and 63% of non-coniferous imports.

A broad interpretation is given to the definition of value-added wood products to include 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, 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.

After doing an overview of the European market and of the key characteristics of the four target countries, the report discusses competitor strategies, and the opportunities and requirements for market development. The main conclusions are below.

- *Customers demand higher-valued products.* Canadian exporters will face increasing competition from European and Southern Hemisphere suppliers of lower-end products. Therefore, it is necessary to move into higher-valued products where local and Southern Hemisphere production cannot compete. At the same time, concern for total quality is driving customers to demand better prepared wood products – a trend to which Canadian exporters must respond with higher-valued products.

  There are also marked trends toward increased direct purchase at all stages of the distribution chain, as well as increased 'buy-in' of components, rather than making them. These also offer new opportunities for suppliers of value-added products.

- *Canadian suppliers can compete.* There are definite opportunities for Canadian value-added products in all markets and in a range of end uses, but particularly in the form of upgraded raw materials for the woodworking industry.

- *The market is accessible.* Canadian wood products are welcomed in the market. The markets are transparent and there are no hidden barriers to entry.

  The Single Market legislation should help, rather than hinder, access to European markets for Canadian suppliers. Furthermore, in many cases current commercial requirements exceed the projected standards.

The principal recommendations on how to realize the opportunities are below.

- *Improve offerings.* Timber products are in the mature stage of the product life cycle. To re-enter the growth phase, the offering of wood exporters – that is, the combined package of physical product, service, pricing and financing – must be upgraded.

- *Offer required grading and sizing.* European clients want metric sizing and well-sorted products that meet European industry standards. They are prepared to accept less, but there is a price penalty for this.

- *Create customer loyalty.* The distances involved and the vagaries of exchange rates make it difficult for Canadians to compete consistently on price. It is therefore important to move into offerings that are less sensitive to price and that encourage buyers to be loyal to their suppliers.

The Nordic mills, for example, have developed high-quality and service offerings that result in low price sensitivity and strong customer loyalty. In contrast, the average Canadian supplier of Nordic species has weak client links and has price-sensitive products.

Before making a commitment to Europe, however, exporters must determine the feasibility of serving the European market by:

- *Assessing required production and marketing changes.* Mills that want to serve the European market must adapt their cutting, kilning, grading and marketing methods. This will be easier for some than for others.

- *Assessing the potential payoff.* Adding value does not always mean adding profit. Therefore, each company must assess the potential benefits from making Europe a significant part of their business.

- *Selecting the right partner.* After deciding to enter the European market, the exporter must then devote the necessary resources to the market and choose the right partners. Business is getting too complex to try marketing from Canada. The value-added exporter needs somebody working on the ground in each market.

A number of recommendations are made for action by individual companies, and for joint action by industry and government. The keys to success, however, are commitment and quality.

# 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.

Generally, these studies concentrate on identifying possible market openings, on the acceptability of Canadian species, on required grades and dimensions and on reference prices for currently used products. Identified opportunities range from dimension stock – in metric sizes – to various laminated blanks and components for doors, windows and other joinery products. Opportunities vary for each market, evolve with time and are linked to specific species and wood types.

# 2. OVERVIEW OF THE MARKET

## 2.1 Market Size

### 2.1.1 Importance of the Market

The EC represents a relatively small share of the world sawnwood market, but accounts for a much higher share of imports. In 1988, the EC share was 11% to 12% of the sawnwood market, but imports were equal to 33% for coniferous and 39% for non-coniferous sawnwood. The EC's overall position in the world coniferous and non-coniferous sawnwood trade is illustrated in tables 1 and 2. Although based on 1988 data, these tables reflect the relative importance of the European markets.

In 1988, the target countries selected for this study – France, Germany, Italy and the United Kingdom – accounted in the EC for 79% of the coniferous market and 73% of the non-coniferous market, as indicated in tables 3 and 4. These tables include data for the Eastern Länder of Germany, the former Democratic Republic. The Eastern Länder increase the German market by about 25%.

The four countries accounted for 75% of coniferous imports and 63% of non-coniferous imports. Most significant, the United Kingdom is the clear leader in coniferous imports with a 34% share, and Italy the leader in non-coniferous imports with a 23% share. The importance of France as a hardwood exporter (35% of European exports) should also be noted.

### 2.1.2 Source of Imports

The leading coniferous sawnwood exporters are North America (including Canadian exports to the United States) with 61%, the European Free Trade Association (principally Finland, Sweden and Austria) with 20% and the U.S.S.R. with 10%, as indicated in Table 1. The data are for 1988, and although shares fluctuate from year to year the relative importance of the major sources remains similar. The export situation for non-coniferous sawnwood is very different. Based on 1988 data, the export leaders are Asia with 52%, North America with 21% and the EC with 10%, as indicated in Table 2.

The source of imports in 1988 of coniferous sawnwood to France, Germany, Italy and the United Kingdom are presented in Table 5. Canada's share was 33% for the United Kingdom, 14% for France, 5% for Germany and 2% for Italy. Imports from the U.S.S.R. ranged from 14% to 21%. However, the major market share belonged to Finland and Sweden, collectively representing 44% for France, 45% for Germany, 10% for Italy and 36% for the United Kingdom. In percentage terms, the United States was a close competitor to Canada in Germany (3% of imports) and substantially ahead of Canada in the Italian market with 8%.

The source for hardwood imports in 1988 for the four markets is presented in Table 6. Canada's share was 6% for France, 3% for Germany, 1% for Italy and 5% for the United Kingdom. Since these figures include all hardwood imports, both tropical and temperate, and Canada does not produce and export tropical hardwood, Canada's position as a supplier of temperate hardwood is significantly greater than indicated here.

### 2.1.3 Other Indicators of Market Size

Two indicators of the potential for value-added wood products, and of the extent of the established joinery industry, are the size of the markets for wooden windows and for flooring.

Comparative statistics for window production in 1988 in the four target markets and Spain are presented in Table 7. France, Spain and Italy are at similar levels with 5.3 million, 6.0 million and 7.0 million units respectively, followed by Germany at 9.2 million units and the United Kingdom at 12.7 million. However, the use of wood in windows varies dramatically. It ranges from a low of 16% in Spain to 38% to 45% for the United Kingdom, Germany and France and 58% for Italy. The resulting market, as represented by the production of wooden windows, ranged from 2.4 million units in France to almost 4.0 million in each of Germany and Italy and 4.8 million in the United Kingdom. Spain was far back at 1.0 million.

Data on the flooring market are presented in Table 8. Germany is the largest market (9.2 million $m^2$) and has the largest production (7.6 million $m^2$). France (4.2 million $m^2$), Italy (2.2 million $m^2$) and Spain (2.8 million $m^2$) are also substantial producers. Germany and Italy are also substantial importers.

**Table 1**
**World Market for Coniferous Sawnwood, 1988**
**('000s m³)***

| Country/ Region | Production | Imports | Exports | Market | Share of Total Production | Imports | Exports | Market |
|---|---|---|---|---|---|---|---|---|
| European Community** | 23,244 | 25,270 | 3,105 | 45,409 | 6% | 33% | 4% | 12% |
| European Free Trade Association | 28,811 | 1,980 | 16,171 | 14,620 | 7% | 3% | 20% | 4% |
| Eastern Europe*** | 16,135 | 2,473 | 2,703 | 15,903 | 4% | 3% | 3% | 4% |
| Total Europe (excl. U.S.S.R.) | 68,188 | 29,722 | 21,978 | 75,932 | 18% | 39% | 27% | 20% |
| U.S.S.R. | 90,300 | 110 | 8,091 | 82,319 | 24% | – | 10% | 22% |
| Africa | 2,333 | 2,706 | 108 | 4,931 | <1% | 3% | <1% | 1% |
| North America | 150,444 | 35,099 | 49,314 | 136,229 | 40% | 45% | 61% | 36% |
| South America | 10,899 | 279 | 984 | 10,194 | 3% | – | 1% | 3% |
| Asia | 53,063 | 8,162 | 457 | 60,768 | 14% | 11% | <1% | 16% |
| Oceania | 3,355 | 1,373 | 422 | 4,306 | <1% | 2% | <1% | 1% |
| World | 378,582 | 77,451 | 81,354 | 374,679 | 100% | 100% | 100% | 100% |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

*Numbers may not add up because of rounding.
**Excludes the former East Germany.
***Includes the former East Germany.

**Table 2**
**World Market for Non-Coniferous Sawnwood, 1988**
**('000s m³)***

| Country/ Region | Production | Imports | Exports | Market | Share of Total Production | Share of Total Imports | Share of Total Exports | Share of Total Market |
|---|---|---|---|---|---|---|---|---|
| European Community** | 8,656 | 6,218 | 1,728 | 13,146 | 7% | 39% | 10% | 11% |
| European Free Trade Association | 691 | 435 | 199 | 927 | <1% | 3% | 1% | 1% |
| Eastern Europe*** | 7,046 | 50 | 1,137 | 5,959 | 6% | – | 6% | 5% |
| Total Europe (Excl. U.S.S.R.) | 16,393 | 6,703 | 3,065 | 20,031 | 13% | 42% | 17% | 16% |
| U.S.S.R. | 12,700 | 107 | – | 12,807 | 10% | 1% | – | 10% |
| Africa | 6,157 | 593 | 831 | 5,919 | 5% | 4% | 5% | 5% |
| North America | 21,206 | 1,756 | 3,685 | 19,277 | 17% | 11% | 21% | 16% |
| South America | 15,345 | 211 | 790 | 14,766 | 12% | 1% | 5% | 12% |
| Asia | 50,825 | 6,217 | 9,174 | 47,868 | 41% | 39% | 52% | 39% |
| Oceania | 2,082 | 274 | 37 | 2,319 | 2% | 2% | – | 2% |
| World | 124,708 | 15,861 | 17,582 | 122,987 | 100% | 100% | 100% | 100% |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

*Numbers may not add up because of rounding.
**Excludes the former East Germany.
***Includes the former East Germany.

**Table 3**
**European Community**
**Market for Coniferous Sawnwood, 1988**
**('000s m³)***

| Country/ Region | Production | Imports | Exports | Market | Share of Total Production | Imports | Exports | Market |
|---|---|---|---|---|---|---|---|---|
| France | 6,450 | 2,093 | 237 | 8,306 | 26% | 8% | 8% | 17% |
| Germany** | 10,647 | 4,657 | 1,172 | 14,132 | 42% | 18% | 37% | 29% |
| Italy | 900 | 4,063 | 21 | 4,942 | 4% | 16% | <1% | 10% |
| United Kingdom | 1,653 | 8,883 | 28 | 10,508 | 7% | 34% | <1% | 22% |
| Subtotal | 19,650 | 19,696 | 1,458 | 37,888 | 78% | 75% | 46% | 79% |
| Belgium | 725 | 1,085 | 215 | 1,595 | 3% | 4% | 7% | 3% |
| Denmark | 450 | 1,470 | 91 | 1,829 | 2% | 6% | 3% | 4% |
| Spain | 1,980 | 877 | 210 | 2,656 | 8% | 3% | 7% | 6% |
| Greece | 108 | 473 | 0 | 653 | <1% | 2% | – | 1% |
| Ireland | 294 | 256 | 79 | 471 | 1% | 1% | 3% | 1% |
| Netherlands | 165 | 2,351 | 156 | 2,360 | <1% | 9% | 5% | 5% |
| Portugal | 1,700 | 2 | 970 | 732 | 7% | – | 31% | 2% |
| Subtotal | 5,494 | 6,514 | 1,712 | 10,296 | 22% | 25% | 54% | 21% |
| EC Total | 25,144 | 26,210 | 3,170 | 48,184 | 100% | 100% | 100% | 100% |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

*Numbers may not up add because of rounding.

| **Germany: | Production | Imports | Exports | Market |
|---|---|---|---|---|
| — Western Länder | 8,747 | 3,717 | 1,107 | 11,357 |
| — Eastern Länder | 1,900 | 940 | 65 | 2,775 |

**Table 4**
**European Community**
**Market for Non-Coniferous Sawnwood, 1988**
**('000s m³)***

| Country/ Region | Production | Imports | Exports | Market | Share of Total Production | Imports | Exports | Market |
|---|---|---|---|---|---|---|---|---|
| France | 3,675 | 540 | 611 | 3,604 | 40% | 9% | 35% | 26% |
| Germany** | 2,044 | 969 | 416 | 2,597 | 22% | 16% | 24% | 19% |
| Italy | 1,100 | 1,459 | 59 | 2,500 | 12% | 23% | 3% | 18% |
| United Kingdom | 264 | 969 | 10 | 1,223 | 3% | 16% | <1% | 9% |
| Subtotal | 7,083 | 3,937 | 1,096 | 9,924 | 78% | 63% | 63% | 73% |
| Belgium | 270 | 523 | 119 | 674 | 3% | 8% | 7% | 5% |
| Denmark | 400 | 70 | 172 | 298 | 4% | 1% | 10% | 2% |
| Spain | 610 | 732 | 9 | 1,333 | 7% | 12% | <1% | 10% |
| Greece | 230 | 49 | 3 | 276 | 3% | <1% | – | 2% |
| Ireland | 6 | 58 | 14 | 50 | – | 1% | <1% | <1% |
| Netherlands | 225 | 836 | 281 | 780 | 2% | 13% | 16% | 6% |
| Portugal | 300 | 45 | 34 | 311 | 3% | <1% | 2% | 2% |
| Subtotal | 2,041 | 2,313 | 632 | 3,722 | 22% | 37% | 37% | 27% |
| EC Total | 9,124 | 6,250 | 1,728 | 13,646 | 100% | 100% | 100% | 100% |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

*Numbers may not add up because of rounding.

| **Germany: | Production | Imports | Exports | Market |
|---|---|---|---|---|
| — Western Länder | 1,576 | 937 | 416 | 2,097 |
| — Eastern Länder | 468 | 32 | 0 | 500 |

**Table 5**
**Source of Coniferous Sawnwood Imports, 1988**
**France, Germany, Italy, United Kingdom**
**('000s m³)**

| Exporting Countries | Volume | | | | Market Share | | | |
|---|---|---|---|---|---|---|---|---|
| | France | Germany | Italy | U.K. | France | Germany | Italy | U.K. |
| Canada | 290 | 180 | 90 | 2,930 | 14% | 5% | 2% | 33% |
| U.S.S.R. | 430 | 610 | 600 | 1,230 | 21% | 16% | 14% | 14% |
| Sweden | 310 | 950 | 270 | 1,980 | 15% | 26% | 6% | 22% |
| Finland | 610 | 720 | 150 | 1,200 | 29% | 19% | 4% | 14% |
| United States | 10 | 100 | 340 | 220 | <1% | 3% | 8% | 2% |
| Austria | 10 | 480 | 2,660 | 0 | <1% | 13% | 62% | |
| Czechoslovakia | 20 | 170 | 100 | 240 | <1% | 5% | 2% | 3% |
| Chile | 0 | 20 | 0 | 70 | – | <1% | – | 1% |
| Other | 410 | 490 | 80 | 1,010 | 20% | 13% | 2% | 11% |
| Total | 2,090 | 3,720 | 4,290 | 8,880 | 100% | 100% | 100% | 100% |

Source: Food and Agriculture Organization of the United Nations.

**Table 6**
**Source of Hardwood Imports, 1988**
**France, Germany, Italy, United Kingdom**
**('000s m³)**

| Exporting Countries | Volume | | | | Market Share | | | |
|---|---|---|---|---|---|---|---|---|
| | France | Germany | Italy | U.K. | France | Germany | Italy | U.K. |
| Canada | 30 | 30 | 20 | 50 | 6% | 3% | 1% | 5% |
| United States | 60 | 130 | 140 | 230 | 11% | 14% | 10% | 24% |
| Yugoslavia | 0 | 0 | 510 | 0 | | | 35% | |
| Malaysia | 60 | 110 | 80 | 60 | 11% | 12% | 6% | 6% |
| Indonesia | 60 | 20 | 130 | 110 | 11% | 2% | 9% | 11% |
| Singapore | 0 | 30 | 30 | 50 | | 3% | 2% | 5% |
| Philippines | 50 | 0 | 0 | 190 | 9% | | | 20% |
| Brazil | 20 | 10 | 20 | 100 | 4% | 1% | 1% | 10% |
| Ivory Coast | 90 | 10 | 70 | 10 | 17% | 1% | 5% | 1% |
| Other | 170 | 600 | 460 | 170 | 31% | 64% | 32% | 18% |
| Total | 540 | 940 | 1,460 | 970 | 100% | 100% | 100% | 100% |

Source: Food and Agriculture Organization of the United Nations.

**Table 7**
**Window Production in Selected European Markets, 1988**
**('000s units)**

| Market | Total Windows | Wood Windows Quantity | % |
|---|---|---|---|
| France | 5,300 | 2,385 | 45 |
| Germany | 9,200 | 3,680 | 40 |
| Italy | 7,000 | 4,060 | 58 |
| United Kingdom | 12,700 | 4,826 | 38 |
| Spain | 6,000 | 960 | 16 |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

## 2.2 Single Market Legislation

The Single Market legislation for the EC has and will result in changes affecting standards and regulations. Standards for one country are intended to be acceptable throughout the EC. Eventually, European standards will replace national ones.

Initially, this process of standards harmonization, as it relates to forest products, will focus on fire resistance and on structural and technical products, such as roof trusses and laminates. The size of this task, the harmonization of all member states' standards, will naturally take a number of years to complete. As a result, less critical performance standards, those not having a direct impact on product safety, may not be harmonized for a number of years.

It will also take considerable time for European standards, or those of other countries, to become readily acceptable in the marketplace. That means respecting the particular characteristics and ways of doing business in national markets will continue to be important. In the longer term, however, multi-market companies will play an increasing role, and will accelerate the changes already occurring in national distribution channels. Already, numerous significant investments have been made, particularly by French and U.K. companies, beyond traditional national borders.

## 2.3 Driving Forces

New home construction is not the driving force in the European market that it is in North America because of different construction techniques. However, the renovation market is important and accounts for 50% or more of sales of many value-added wood products. The market for value-added products is, however, shaped by other forces, as discussed below.

**Domestic Timber Supply.** Domestic timber, or timber from neighbouring countries, is increasingly relied on for construction grade lumber. France and Germany have substantial domestic supplies. The United Kingdom is also developing a substantial domestic lumber supply, which is taking over many of the lower-end segments of the market.

**Table 8**
**Parquet Market in Selected European Countries, 1989**
**('000s m²)**

| Country/Region | Production | Imports | Exports | Market | Imports/Market |
|---|---|---|---|---|---|
| Germany | 7,622 | 4,190 | 2,568 | 9,244 | 45% |
| Belgium | 75 | 1,756 | 588 | 1,244 | 141% |
| Spain | 2,800 | 1,240 | 178 | 3,862 | 32% |
| France | 4,210 | 395 | 1,500 | 3,105 | 13% |
| Italy | 2,200 | 3,776 | 913 | 5,063 | 75% |
| Netherlands | 900 | 2,205 | 560 | 2,545 | 87% |

Source: Le Forum européen du négoce du bois, from data of the Food and Agriculture Organization of the United Nations.

**Supplier Proximity.** Italy, and to a lesser extent Germany, buy substantial quantities of construction grade lumber from Austria. Proximity is also a factor in higher grades. Products from Sweden are less than a day away; products from Finland and Norway are only two to three days away. The result of this proximity is that buyers develop close links with their suppliers and tend to make small but frequent orders. Much of the trade from the Nordic countries comes overland by rail or truck, or by sea in small vessels.

The trend toward small, frequent orders puts Canadian suppliers at a disadvantage when competing with Nordic products.

**Just-in-time Systems.** The industry is moving more and more toward just-in-time systems, particularly for value-added products. This increases the logistics burden on Canadian companies.

**Demand for Quality.** Quality, appreciation of species and considering wood as part of the furniture are oft-cited characteristics of the European market. Thus, the European market tends not to use finger-jointed mouldings, and knots are rarely acceptable in door panels – unless a rustic image is sought. Quality is reinforced by the importance of the renovation market, traditionally a more demanding segment.

There are opportunities, however, for low-end products. As fashions change, for example, there is a trend to replace natural wood with painted or melamine surfaces – at least in certain niches. Using plastics combined with wood on windows is also becoming more popular.

**Exchange Rates.** Canadian suppliers, and other suppliers, fall into two segments: the price segment, where competing products are judged almost solely on price, and the species segment, where substitution is less easy and intrinsic qualities come into play.

Products in the price segment are vulnerable to fluctuations in exchange rates. Finland, Norway and Sweden have all pegged their currencies to the European Currency Units, better known as ECUs, thus reducing the vulnerability of their exports to the EC, to movements in exchange rates.

**Consumer Pressures.** Demand for tropical hardwoods has decreased because of pressures from the ecological movement – particularly in Germany – and by export taxes imposed by Asian countries (the Philippines and Indonesia). "Green" labelling has also been used, at least in Germany.

Another consumer-related trend is labelling domestically produced value-added products as "Made in Germany" and "Made in France" in do-it-yourself (DIY) stores in these markets. This may or may not be significant, but does underscore the potential resistance to increasing value-added products that displace domestic production.

**Taste.** A significant segment of the market is driven by fashion. Light-coloured woods are in demand now, as are painted or melamine kitchen cabinets in some market niches. Generally, demand for a number of hardwood species depends on the current fashion.

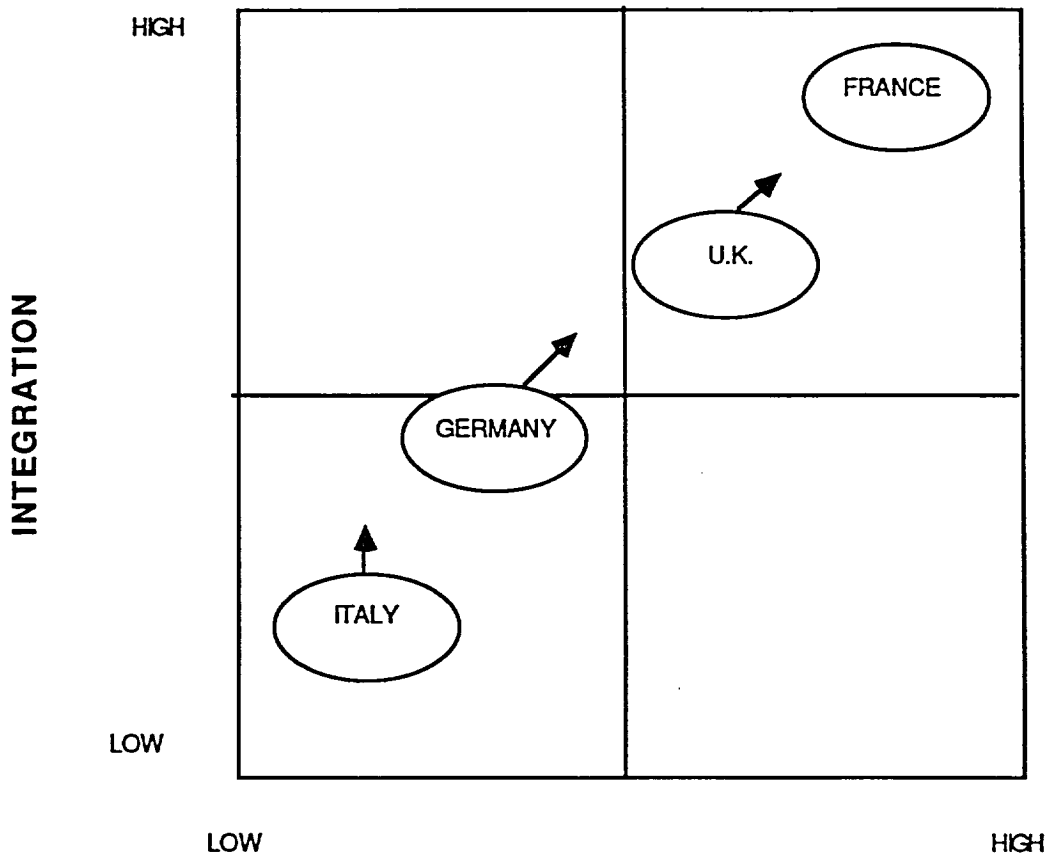
## 2.4 Market Structure

The structure of the wood products marketing system, from importer to end-user, is changing. Such changes concern increasing interest in direct purchase, the growing role of large DIY chains, increased vertical integration and industry consolidation. Changes differ in degree from country to country, but will affect the way successful companies do business.

Chart 1 illustrates the degree of integration and consolidation in the timber trade in Europe. France is the most integrated and has the greatest degree of consolidation. This is demonstrated by the large market share (about 70%) held by three companies – Pinault, Poliet and Becob. Pinault and Poliet are both fully integrated from importing through industrial joinery to retailing. The United Kingdom is also fairly advanced, but the leading companies are not as dominant as Pinault and Poliet in France. However, U.K. companies lead the way in acquisition outside of the home market.

At the other extreme is Italy, where some integration has begun – generally importers acquiring distributors or window manufacturers doing their own importing. This trend will

**Chart 1**
**European Timber Trade:**
**Degree of Integration and Consolidation**




continue. However, there is still little consolidation. The situation in Germany is in flux, but there are definite forces moving for change, both in further integration and consolidation.

However, companies at all levels in the distribution system are responding to market pressures through direct transactions. As one agent said, "Customers, small and large, are getting organized and forming buying groups." As a result, many traditional agents and importers are cut out of transactions and may not have access to the new buyers, who were previously served by intermediaries.

This means that exporters must develop new ways to reach potential clients, which could mean that agents would become redundant. But in the United Kingdom, for example, the pendulum has swung back and there are now indications that buyers encourage the use of agents. However, agents and importers must be able to adjust to the new realities of the marketplace.

The principal characteristics of each of the four markets are discussed in Chapter 3.

## 2.5 Canadian Image

The major Canadian export sales organizations are well known in the market, but they and their smaller brethren are not necessarily well thought of. Although the image is changing, and there are notable exceptions, the European market still feels that Canadian exporters view Europe as a safety net when business is bad in the United States. Europeans also believe that Canadians cannot grade and cannot or will not deliver what is promised.

However, Canadians and their products are welcomed in the marketplace. The following quotes illustrate the views of many in the trade.

- Canadians have the raw material to succeed; but stop doing volume, do quality instead. The wood is magnificent; stop massacring it. [Chief buyer for a large, fully integrated home renovation group, selling Canadian material]

- It is difficult to work with Canadians. For two to three years they are not on the market, then they rush in and break the prices . . . drive prices down. [Agent who would like to deal with Canadians]

- It is difficult to work together; maybe I am wrong but we expect a prompt answer to inquiries. [Agent dealing with Canada]

- We like to work with North Americans, we like their mentality. [Agent representing Canadian and U.S. exporters]

## 2.6 Market Requirements

### 2.6.1 Kiln-Drying

Canadians do not have a very good reputation for kiln-drying sawn timber to desired dryness. Their techniques for drying joinery grades are also generally regarded as poor.

Kiln-drying should be regarded as what the end-use market wants, not just a requirement because of phyto-sanitary regulations. This is underscored by the announcement by the U.K.'s four largest timber purchasing groups of their intention to cease purchasing green sawn timber as of April 1992. As one Canadian trade representative aptly stated, "Kiln-drying is not a service, it is part of the product presentation."

According to the trade, the effect of kiln-drying on price is limited. For example, in Germany it is estimated at about 50 DM/m³ ($30/m³). The major benefit is increased flexibility for end-users, and thus acceptability in the marketplace.

The humidity requirements and preferences vary from market to market. The best general rule, as a starting point, is the practice adopted by the principal competitors for much Canadian lumber – Finland and Sweden.

According to the Swedish and Finnish Timber Council, the generally accepted terminology for humidities for various uses of the wood are:

- Dry, for furniture 6% to 10%
- Dry, for joinery 10% to 15%
- Dry, for lamination 14%
- Dry, for planing 15% to 19%
- Ambient 15% to 23%

The humidity standards used by the Swedish and Finnish Timber Council for determination of dimension, for example, are:

- Sawnwood 20%
- Planing stock 17% (± 2%)
- Flooring stock 8% to 12%
- Joinery stock 8% to 17%

### 2.6.2 Sizes

European users of wood are geared to standard metric sizes. They accept non-standard sizes when price and market conditions are right, or when they have no choice. However, they then have to plane to their standard metric dimensions. This results in a loss, reported by one source to average 2% to 9%, and hence a commensurate price reduction. One source estimated the price reduction for standard coniferous product at about 5%.

Length in imperial is less of a problem, but again, anything that makes the customer's life easier strengthens the business relationship. Perhaps a more telling argument is illustrated by the following remark from one leading agent,

"The new generation does not really understand imperial measure."

Charts 2 and 3 present the most common Swedish and Finnish dimensions (thickness and width) for sawn and planed wood. The sawn dimensions are for both rough cut and dimensioned – lightly planed to dimension on three or four sides. Lengths are standardized in multiples of 30 mm and range from 180 cm to 600 cm. The most common lengths are between 330 cm to 510 cm.

Tolerance applies to 10% of each delivery and is -1 mm on sizes less than 99 mm and -2 mm on larger sizes. For planed wood the dimension tolerance is ±1 mm. Length tolerance is -0 / +5 cm.

**Chart 2**
**Nordic Sizes:**
**Most Common Sizes for Sawn and Dimensioned Lumber**
**(mm at 20% humidity)**

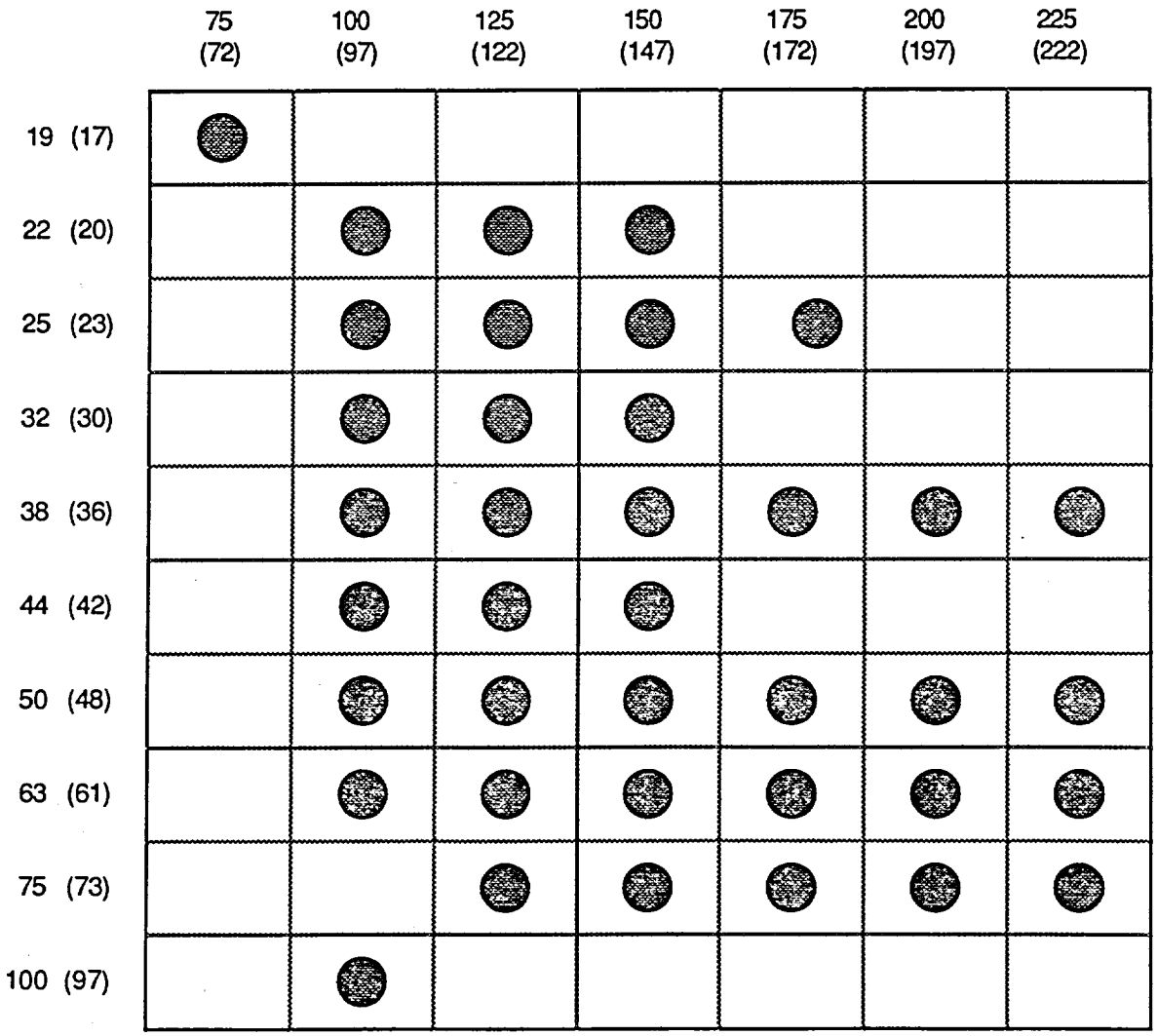
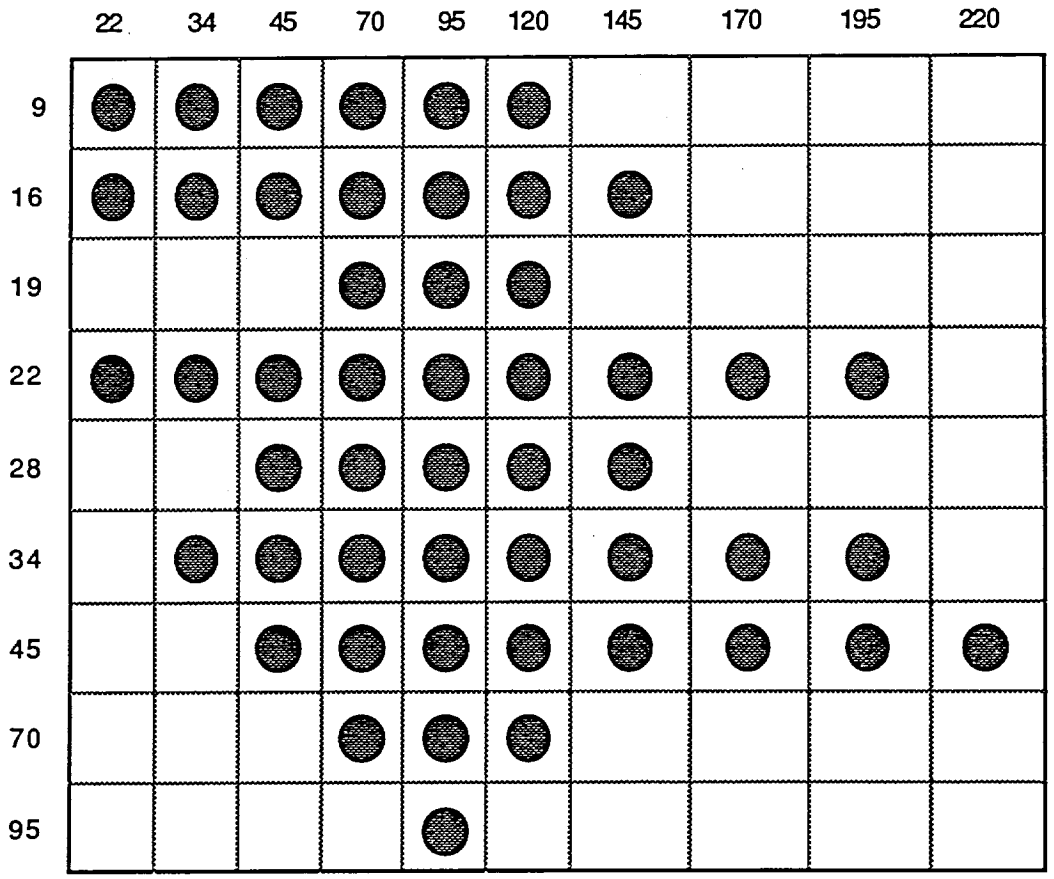


**Chart 3**
**Nordic Sizes:**
**Most Common Sizes for Planed Lumber**
**(mm at 17% humidity)**




There is more flexibility in the provision of non-Nordic species, since there is not the same market dominance. One of the large uptake areas for such products, where size is critical, is windows. Typical dimensions for window joinery for the four target markets are presented in Chart 4.

### 2.6.3 Grading

The Canadian and U.S. grading systems are understood by trade people familiar with North American products, but trade people are clearly much more familiar and at ease with the Nordic standards. The principal exception is obviously the temperate hardwoods, where U.S. standards have become at least a de facto industry norm. Specific grade standards have also been developed by individual exporters to help in product identification. For example, Canadian exporters have established company-specific premium grades for hemlock sold to the German market. Grading in terms of structural properties – mechanical stress grading – is also practised in the United Kingdom (e.g., for roof trusses).

The grading system practised by Finnish and Swedish exporters is the industry standard for Nordic species and those that must compete with them. The system is primarily based on the various appearance attributes of the wood. These include knots (nature, shape, grouping and size), resin, wane and colour. There are six basic grades from which five principal commercial export classes are developed. The combinations that flow from this can be and have been used by exporters who want to differentiate their offerings.

The six basic grades and various appellations are:

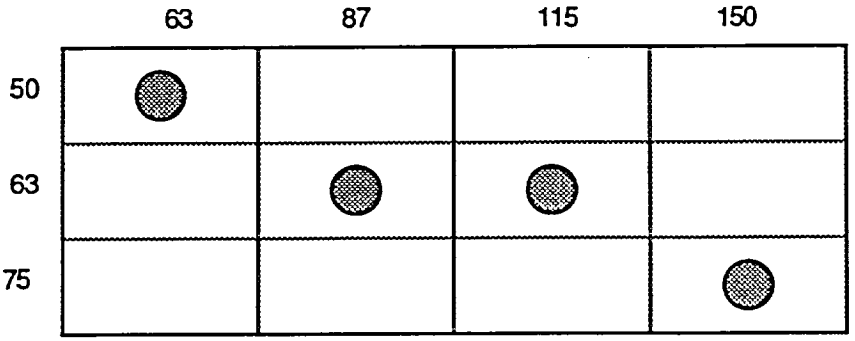
| | |
|---|---|
| I | clears, no knots, premium |
| II | first quality, joinery #1, fine joinery |
| III | joinery #2 |
| IV | standard joinery, planable construction |
| V | construction |
| VI | standard construction, packaging, forming |

The commercial grades that result are:

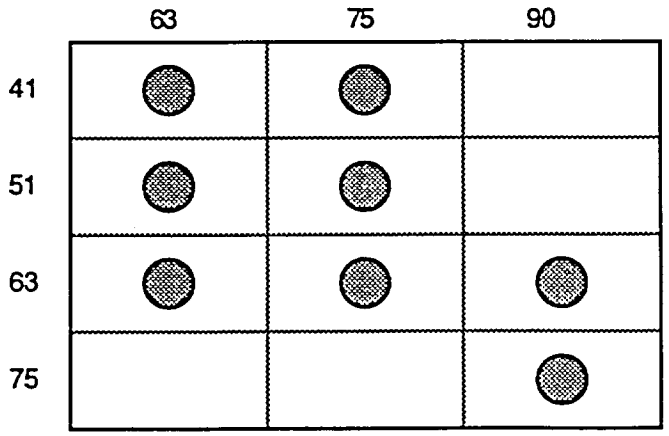
| | |
|---|---|
| Unsorted (U/S) | Grades I–IV inclusive |
| Falls | Grades I–V inclusive |
| Fifths | Grade V |
| Sixths | Grade VI |
| Schaalboards | Grade VI ≤ 25 mm thick and ≤ 125 mm wide |

**Chart 4**
**Typical Window Joinery Sizes***

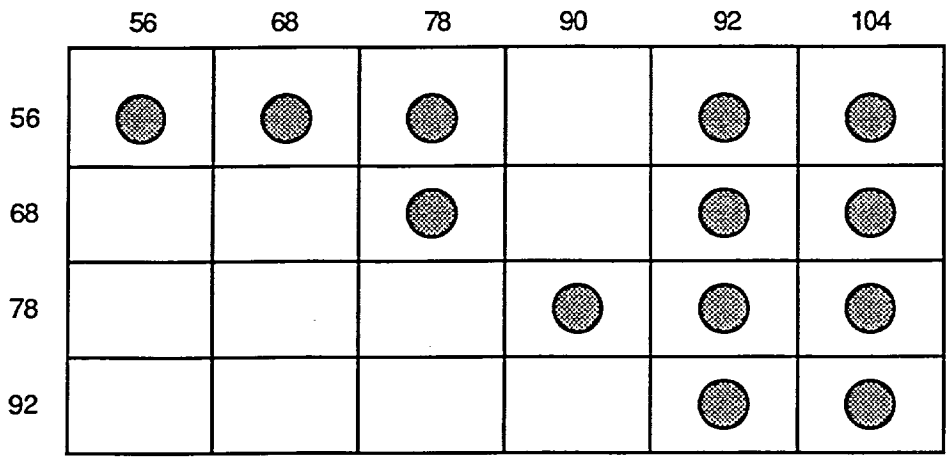
**United Kingdom**
**(rough sizes)**
**(mm)**



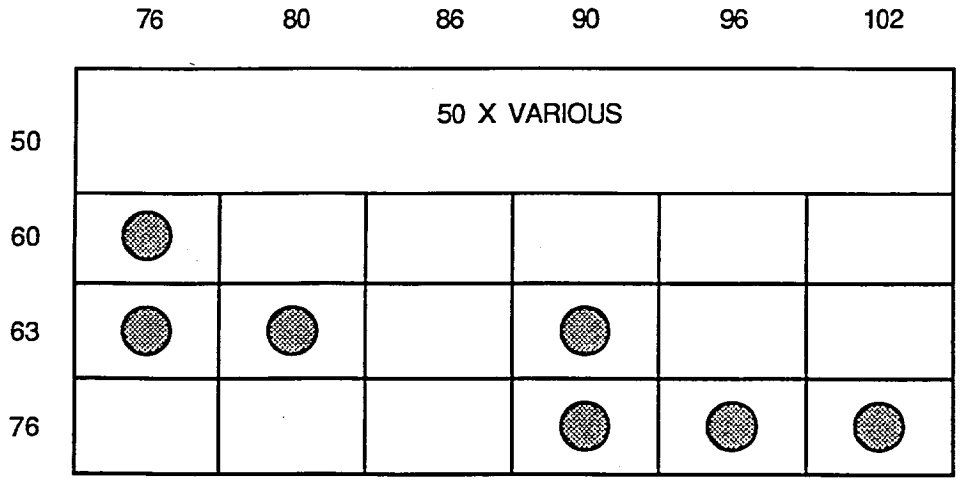

**France**
**(rough sizes)**
**(mm)**



**Germany**
**(finished sizes)**
**(mm)**




**Italy**
**(rough sizes)**
**(mm)**




*Sources: Various ISTC and EAITC Reports.

A comparative, if somewhat subjective, assessment of quality standards among Germany, France and the United Kingdom for windows, roof trusses and mouldings is presented in Table 9. Standards are ranked as high, medium and low for clear surface, knot limits, moisture content (high means tight specification), stable shape, dense grain and accurate measurement. The assessment is compiled from a report on opportunities from Ontario, *European Market Opportunities for Ontario Lumber Products*, Special Advisor on Economic Adjustment, Ontario Ministry of Natural Resources, and Forestry Canada, June 1990. Similar data were not presented for Italy.

### 2.6.4 Wood Type

A comparative assessment of the use of hardwood and softwood in selected applications in France, Germany and the United Kingdom is presented in Table 10. The assessment is compiled from the Henley International report cited above. Similar data were not available for Italy.

**Table 9**
**Comparative Quality Requirements for Selected Products**

**Windows**

| | Clear Surface | Knot Limits | Moist. Content | Stable Shape | Dense Grain | Accurate Measurement |
|---|---|---|---|---|---|---|
| France | H | n/a | H | H | H | M |
| United Kingdom | M | H | M | H | H | M |
| Germany | H | H | H | H | H | H |

**Roof Truss**

| | Clear Surface | Knot Limits | Moist. Content | Stable Shape | Dense Grain | Accurate Measurement |
|---|---|---|---|---|---|---|
| France | L | L | M | M | M | H |
| United Kingdom | L | M | M | H | M | M |
| Germany | M | M | M | H | M | H |

**Mouldings**

| | Clear Surface | Knot Limits | Moist. Content | Stable Shape | Dense Grain | Accurate Measurement |
|---|---|---|---|---|---|---|
| France | H | H | H | H | M | M |
| United Kingdom | H | H | H | H | M | M |
| Germany | H | H | H | H | M | M |

n/a = not available; H = high; M = medium; L = low

Source: Compiled by Saican Consultants Inc. from Henley International, June 1990.

**Table 10**
**Comparative Use of Softwood and Hardwood**
**(percentage)**

| Product | France | | Germany | | U.K. | |
|---|---|---|---|---|---|---|
| | Soft | Hard | Soft | Hard | Soft | Hard |
| Windows | 50 | 50 | 37 | 63 | 86 | 14 |
| Doors | 47 | 53 | 33 | 67 | 84 | 16 |
| Stairs | 20 | 80 | 58 | 42 | 91 | 9 |
| Mouldings | 41 | 59 | 36 | 64 | 83 | 17 |
| Timber Frames | 93 | 7 | 93 | 7 | 98 | 2 |
| Roof Trusses | 100 | – | 100 | – | 100 | – |
| Glue Laminates | 100 | – | 96 | 4 | 100 | – |
| Packaging | 100 | – | 100 | – | 100 | – |

Source: Compiled by Saican Consultants Inc. from Henley International, June 1990.

# 3. MARKET CHARACTERISTICS

## 3.1 France

### 3.1.1 Market Dynamics

France is a significant producer of both hardwood and coniferous timber, chiefly pine. The timber industry in France is now beginning to benefit substantially from the investment made in reforestation since the late 1940s. As indicated in tables 3 and 4, domestic production accounts for more than 75% of coniferous and about 85% of non-coniferous sawnwood demand.

Although most lower-quality coniferous lumber is domestically produced, there is also a significant market for Canadian imports in this category. The market share between French and Canadian wood shifts as exchange rates vary. When rates are unfavourable to Canada, Canadian wood is limited to western France; when rates are good it pushes well into central France, and further east. Some analysts forecast, however, that domestic supplies will satisfy almost all of this market within 10 years.

Currently, most joinery grade wood is imported from Nordic countries. Imports of coniferous sawnwood are about 2 million m³, of which 50% is estimated by one industry source to be "open to competition from Canada." An estimate of the use of softwood lumber imports is presented in Table 11.

The French distribution system, although increasingly centralized, has traditionally worked with relatively small order sizes – vessels from Scandinavia are 1,500 m³ capacity – serving numerous regional ports. This is a disadvantage for Canadian shippers, who are accustomed to larger shipment sizes. A typical import program for value-added products would be up to 10,000 m³ of products, probably starting with 300 to 500 m³ monthly. Of necessity, this means shipping by container by sea.

Some noteworthy aspects of the French market are discussed below.

**Windows.** The window market is growing in France, with strong demand for replacement windows. The growth rate is 7%. However, the share of wooden windows continues to fall and is now at 45%, representing some 2.4 million units, as indicated in Table 7.

**Table 11**
**France: Use of Softwood Lumber Imports, 1989**
**('000 m³)**

| | | |
|---|---|---|
| House Construction/Renovation | | 970 |
| Roof trusses | 310 | |
| Construction carpentry | 300 | |
| Moulding/flooring | 360 | |
| Joinery | | 580 |
| Doors | 150 | |
| Shutters | 200 | |
| Artisan joinery | 230 | |
| Non-housing Construction | | 110 |
| Glue laminates | 110 | |
| Other | | 480 |
| Sales to merchants | 480 | |
| Total | | 2,140 |

Source: Henley International from estimates of Fédération française du commerce du bois, June 1990.

**Timber Houses.** The French market for timber houses in 1990 was estimated at 8,000 to 10,000 units, of which 70% to 80% were used as holiday homes. The trade press also reports that there are good opportunities for timber buildings in the hotel sector, because of a boom in low-priced two-star hotels. The two leading chains in this sector using wood are Formule 1 and Comfortel.

**Shutters.** Insurance companies require shutters for windows on the ground floor and first floor. This has traditionally been a strong and demanding market for imported wood. However, the long-term forecast is for plastics and other non-wood products to increase their share.

**Roof Trusses.** France's specifications and stress rating are not as strict as in the United Kingdom, and do not call for dried wood.

**Flooring.** As indicated in Table 8, France produces most of its domestic requirement (4,210 m²) and is also a substantial exporter. Oak is the reference product in this market, as in many others.

**General Trends.** Generally, the Forum européen du négoce du bois (FENB) reports the following trends for the French market:

- sharp drop in individual home construction and increased non-residential construction;
- growth in renovation;
- increased importance of 'decoration';
- trend toward greater comfort and larger living space;
- construction of verandas for greater usable space; and
- the arrival of the ecology movement.

FENB also reports that demand is growing for the following value-added products:

- parquet floors and panels;
- medium-density fibreboard (MDF);
- prefabricated trusses;
- pre-cut wood blanks; and
- products for decks.

### 3.1.2 Industry Structure

**Principal Trends.** The distribution of wood in France is marked by two phenomena: vertical integration and consolidation. It is estimated that up to 50% of end-user sales are in the hands of two companies, which, together with a third company, account for close to 70% of imports. This integration covers the extremities of the distribution chain (importing and retail/professional sales) as well as intermediate manufacturing.

The restructuring of the industry has grown out of the traditional and highly dispersed distribution pattern of independent agents, importers, intermediate manufacturers, specialist wholesalers and retailers. Each plays a limited role in the chain. Associated with this change in structure is a general move away from the buying chain, toward direct purchase. Thus, many of the large DIY groups deal directly with exporters or their agents. Similarly, the buyer for one of the largest home renovation supply chains deals directly with a number of Canadian exporters, even though the buyer is part of one of the big three integrated groups. This points to the need for more communication between supplier and buyer the further one goes down the value-added chain.

**Sales Outlets.** At the point of sale, the market share breakdown is estimated as follows:

- Pinault 25% to 30%
- Poliet 20% to 25%
- DIY 10% to 15%
- Others 35% to 40%

Generally, the structure is as follows.

- *Small wholesalers operating locally.* Sales range from FF 8 million to FF 15 million. Tendency to specialize in hardwoods. Customers are mostly craftspeople and small construction companies.

- *Average outlet.* Turnover is FF 25 million to 30 million. Either independent or belongs to a wholesaler network.

- *Large wholesaler with several outlets.* Turnover FF 600 million to FF 700 million. This type of wholesaler is disappearing with the emergence of the huge wholesale groups.

- *The major groups deal with all kinds of construction materials.* These include Pinault, Poliet and Becob. These chains tend to serve both professionals and consumers, and offer a full range of products at several price levels. This is the growth segment of the market.

- *DIY chains, for which wood products represent 12% to 15% of sales and where choice is much more limited.* They are estimated to have a market share of about 10% to 15%, but this has declined slightly in recent years.

The leading DIY chain is Castorama, which also controls Obi, another major group. Other leading chains are Leroy-Merlin, Briker (subsidiary of Rallye, a major food merchandiser), Bricaillerie and Bricorama (Euromarché Group).

**Importers.** The import market is dominated by three companies: Pinault, Becob and Poliet. They account for at least 60% and maybe as much as 70% of imports. They dominate the lower end of

the market and hence play a less important role in value-added products and hardwoods. However, because all three are also strong at the wholesale and retail level, they are a major force in the industry.

The estimated market share of softwood imports, in cubic metres, is as follows:

| | |
|---|---|
| • Pinault | 500,000 |
| • Becob | 500,000 |
| • Poliet/Point-P | 200,000 |
| • Iggesund | 100,000 |
| • Schumann | 70,000 |
| • Others | 630,000 |
| Total | 2,000,000 |

Note that Iggesund is part of the Swedish forest product group of the same name.

**Joinery Companies.** Consolidation and integration has led to changes in the structure of joinery companies as well. The Syndicat national des fabricants de menuiserie industrielles, with 32 members, represents the principal manufacturers of doors, windows, shutters, staircases and fencing. However, three of the member firms – Lapeyre, Saferm and Gimm – are members of the Poliet group.

Lapeyre and Gimm are the undisputed leaders of the industry with 1989 sales estimated at FF 1,700 million (Lapeyre) and FF 650 million (Gimm). The next largest company is estimated to have sales of FF 200 million to FF 300 million. Lapeyre now controls six factories that sell solely to corporate outlets. Annual uptake is estimated at 140,000 to 150,000 m³.

**Agents and Sales Offices.** Most companies work with agents, although some, including Seaboard, have their own sales offices. The Swedish and Finnish Timber Council identify 21 leading agents, which are listed in the appendix to this report. Of these, at least three also represent major Canadian exporters – Fletcher Challenge, Westar Timber and Balfour Guthrie.

## 3.2 Germany

### 3.2.1 Market Dynamics

Germany is the largest consumer of coniferous sawnwood in the EC and ranks behind France, but level with Italy, in consumption of non-coniferous products. Domestic production of both sawnwood categories is also high, estimated at 10 million m³ of coniferous and 2 million m³ of non-coniferous in 1988. The short-term supply of domestic wood has also increased significantly because of the large number of storm-felled trees during the winter of 1989-90. The substantial German forests consist mostly of spruce (43%), pine/larch (22%), beech (17%) and oak (9%).

The German import market is the second largest in Europe for both categories of sawnwood. As indicated in tables 3 and 4, in 1988 imports of coniferous were almost 4.7 million m³, representing 33% of the market; imports of non-coniferous sawnwood were about 1 million m³, representing 37% of the market.

The domestic production, supplemented by imports from Austria and Eastern European countries, largely satisfies the lower-quality demand, such as for construction grades. Thus, imports from other countries tend to be of higher quality. As indicated in Table 5, Canada only had a 5% share of coniferous imports in 1988, while 45% were from Finland and Sweden, and 16% from the U.S.S.R. Most of the Canadian imports are reported to be hemlock, spruce and cedar lumber, and semi-finished products for remanufacturing. An estimate of German softwood use is presented in Table 12.

**Table 12**
**Germany: Estimated Softwood Use**

| Uptake Area | Use* | Volume (million m³) |
|---|---|---|
| Construction | 70% | 9.9 |
| Joinery | 20% | 2.8 |
| Packaging | 10% | 1.4 |
| Total | 100% | 14.1 |

*Henley International estimates, June 1990.

Nordic mills are considered to be top class and, as indicated, substantial quantities, generally in higher-end products, are imported. For lower-end wood products, the U.S.S.R. has a major effect on the export market. This segment of the market is driven by price. As one trade source put it, "Russians need hard currency and they cut the price so low that we have to buy." When Russian supplies are used up, German importers look to the Finns and Swedes.

The dynamics of the hardwood market are much more favourable to Canadian wood, particularly since the ecological movement in Germany has successfully reduced imports of tropical hardwoods. Although the Canadian share of imports is now only 3%, as indicated in Table 6, the importance of imports from the United States (14%) indicates the potential for Canada. Most Canadian imports were white oak and hard maple for remanufacturing.

The German wood products industry is moving to just-in-time (JIT) practices that favour increasingly short delivery times. This is a disadvantage for Canada, when compared with shipments from Nordic countries where truck and ferry combinations provide great flexibility. Shipments by sea from Scandinavia are generally in vessels of from 4,000 to 6,000 $m^3$ capacity, but smaller vessels down to 950 $m^3$ are also used. Truck (45 $m^3$) and rail (100 $m^3$) shipments are also very competitive, particularly because of the small order quantities and the importance attached to the JIT delivery concept. The proximity of competing sources also means that freight cost is a critical issue, particularly since much of the German market is far from sea ports. This adds a further cost element that favours shipments from nearby countries such as Sweden and Austria.

Some noteworthy aspects of the German market are discussed below.

**Timber-Frame Construction.** North American style timber-frame construction is infrequently used in Germany, and thus the substantial level of housing starts – 260,000 units in 1990 and rising – does not have the same significance for wood consumption as in Canada. The Canadian Consulate in Düsseldorf estimates that less than 10% of all structures are of a timber-frame construction. Furthermore, the timber construction is of a German type that differs greatly from that used in Canada.

**Windows.** The German market for wooden windows was estimated at 3.7 million units in 1988, which represented a 40% share (see Table 7). The numbers reported in German statistics, based on a standardized 1.3 m x 1.3 m window unit are double the above figure, but the market share of wood is essentially the same. Northern Germany prefers tropical hardwood, whereas southern Germany prefers Canadian wood, or wood against which Canadians can compete. Established Canadian species are hemlock and Douglas fir, which compete with ponderosa pine and meranti. Laminates are common and finger-jointing is sometimes accepted.

**Flooring.** Germany is the largest market for parquet, and also the largest producer. As indicated in Table 8, imports in 1988 were 4.2 million $m^3$, which represented 45% of the market. Although Canadian exports were very low in 1988, the Canadian position has since improved slightly.

**Garden Products.** Western red cedar has begun to generate considerable interest in the market and appears to have good prospects. Chemically treated pine is not liked for environmental reasons.

**Mouldings.** The market for standard mouldings requires JIT deliveries, small quantities, large variety and therefore large stocks. This is difficult to do directly from Canada. Certain highly valued speciality products may, however, be an exception to this rule. Thus, despite the difficulties, several importers and distributors are reported to have tried to find suppliers for high-grade speciality products of hemlock, spruce and cedar.

**General Trends.** Generally, FENB reports the following trends and factors for the German market:

- high living standard;
- strong influence of product standards;
- importance of co-operatives and buying groups;
- pressure from the ecology movement;
- current fashion trends toward light, glass and light colours (and away from wood);
- status as leading DIY market in Europe; and
- high cost of construction.

FENB also made the following assessments for selected value-added products:

- demand is growing strongly for parquet flooring, edge-glued wood, MDF, outdoor wood, quality shelving and bookcases;
- demand is stagnant for panelling, profiles and polyvinyl chloride (PVC) profile products; and
- demand is declining for tropical woods. There are also concerns about disposing of plastic products, which might lead to a modest swing back to wood in some market segments.

### 3.2.2 Industry Structure

**Principal Trends.** The traditional chain of distribution through agents to importers to intermediate manufacturers, specialist wholesalers and retailers is starting to be bypassed as direct purchase becomes more frequent. This increases the number of access channels to the market and forces agents and importers to change their ways of doing business. One of the driving forces in direct purchasing are the many DIY chains and buying groups formed by smaller wholesalers and retailers. This has also led to a number of importers specializing in products for the DIY chains.

In comparison with France and the United Kingdom, however, neither vertical integration nor concentration are very advanced. This is indicated in Chart 1. For example, the typical integration that has occurred is by some importers into profiling. It is also reported that there has been some backward integration by merchants into remanufacturing plants in Sweden and Austria, and that, conversely, Swedish and Finnish export groups have acquired distributors in Germany.

**Sales Outlets.** As in other markets, there are two principal types of sales outlet: the specialized merchants and the home renovation or DIY stores. More and more, the specialized merchants and DIY stores are becoming members of corporate chains or buying groups.

Specialist merchants, in contrast to DIY stores, seek better quality, need as wide a program as possible and, from a sense of 'noblesse oblige', believe that they must have everything in stock. Although traditionally supplied by importers, some wholesalers are regrouping to buy directly. For example, it was reported that 11 medium-sized companies share a logo and import some products jointly. In another case, two large independents, one in central Germany and the other in Bavaria, buy directly from overseas suppliers through agents. This allows them to import in container-sized quantities.

The DIYs are price-driven and generally have lower quality products. The DIYs rushed into the Eastern Länder after reunification and will become very important there, particularly because of the need for renovation. According to many trade sources, dealing with DIYs can be difficult. They press very hard on terms, service and price. Suppliers must be listed and must be prepared to serve all the company's markets. One trade source reports that they dictate price and terms, and since they are driven by the need for high turnover, require the option to drop a product. Dealing with these groups would appear to be very similar to dealing with major chains in North America.

Data for 1988 cited from trade journals estimate industry turnover at between DM 8 billion and DM 11.5 billion ($5.3 billion to $7.7 billion) for all products, including hardware, tools, wood and other construction materials. The number of stores in 1988 was estimated at 1,620, up from 580 in 1980. The number had risen to 1,650 in 1989 and continues to grow. Chains are relatively evenly divided between corporate-owned 'superstores' and either franchise or straight cooperative arrangements. There are about 30 major chains ranging in size from 10 to 186 stores as indicated:

- 100 or more outlets:
  4 groups: OBI (186), Hagebau (113), Co-op/Plaza (106), Interpares (100)

- 45 to 100 outlets:
  6 groups, including Bauhaus (88), Mobau (63), Stinnes (57)

- 10 to 45 outlets:
  20 groups, including Max Bahr (44), Massa (23), Hornbach (22), Wirichs (22)

**Importers.** There are two kinds of importers:

- non-integrated companies that have no production and that deal mainly in joinery sizes and sell to remanufacturers; and
- integrated companies that have their own remanufacturing operations producing such products as planed lumber, mouldings and flooring. Three of the industry leaders in this latter group are Louis Krages, Ostermann & Scheiwe and Brügmann.

The importer's function traditionally included stocking and distribution. This is increasingly being reduced by direct imports, direct shipment and the general trend to JIT practices. As a result, the number of importers is reported to have dropped by one-third over the past 20 years. Some importers have specialized in serving the DIY market. Two of these are Osman Holzsortiment and R.K. Bauprogramm.

Most importers and agents are members of the Verein Deutscher Holzeinfuhrhauser – the Timber Importers Association.

**Joinery.** As indicated by the statistics on the production of parquet and windows, Germany has a large and well established remanufacturing and joinery industry. Unlike France, there is not a great degree of vertical integration. However, numerous importers have acquired remanufacturing operations. The most significant trend in the independent segment of the industry is toward direct purchase, bypassing importers.

Many companies are members of the various industry associations. The German Window Manufacturers Association, for example, is reported to include about 145 companies. Names of some of the significant players in the industry are given below.

- Door and window manufacturers: Rekord-Fenster + Türen, HBI Holz-Bau-Industrie, Kowa Holzbearbeitung, Selnar

- Window manufacturers (Northern Germany): Heinrich Menck, AST-Ahlmann Systemtechnik, Wachtendorf, Hans Schäfer Holzbau, Lanco, Krebbers

- Reman products: Brugmann, Louis Krages, Ostermann & Scheiwe

- Glulam beams: Losberger Holzleimbau, Hansen + Detlefsen, Hüttemann Holz, Holzeimbau Seliger

**Agents and Sales Offices.** The role of agents and importers is changing, and will continue to evolve. As one agent says, "Agents doing traditional sales (to importers) cannot stay alive." However, the complexities of dealing with DIYs and the diversity of buying groups demonstrates the need to work through strong local representation – a role that can be played by agents who have the required customer access.

Choosing an agent depends on the products to be handled and the type of clients to which access is sought. The Canadian Consulate has identified 27 agents; among these agents, three of the leaders, Brath, Gratenau Holz and Jacob Jürgensen, are already representing a number of leading Canadian exporters. It should also be noted that many of the agencies are also representing competitors in Finland, Sweden and the United States.

## 3.3 Italy

### 3.3.1 Market Dynamics

Italy is by far the leading hardwood importer in Europe and ranks with Germany for coniferous sawnwood imports. As indicated in tables 3 and 4, coniferous imports were reported to be 4 million $m^3$ in 1988, representing 82% of the domestic market of almost 5 million $m^3$. Non-coniferous imports were just under 1.5 million $m^3$, or 60% of the market of 2.5 million $m^3$.

The principal coniferous suppliers are Austria and the U.S.S.R., accounting for 62% and 14% respectively, as indicated in Table 5. Most of these imports are low-end products, but quality is generally higher than that of domestic timber in France and Germany. Austria is an integral part of the Italian domestic supply base. Most imports from Austria come overland and serve the northern part of the country, whereas the southern regions are primarily served by sea, with the U.S.S.R. as the leading source.

Because of the geographic dichotomy, the best opportunities for lower-grade Canadian coniferous product are also in the south. However, softwood

is a price market and at current exchange rates it is difficult for Canadians to compete. Until the rise in value of the dollar in mid-1991, however, exporters from the East Coast of Canada could compete in all grades of spruce-pine-fir (S-P-F), for construction and pallet stock, especially from Quebec and Nova Scotia.

Higher-quality coniferous products are supplied mostly from Nordic countries and the U.S.S.R. However, Canada also has a significant and traditional position for Douglas fir and, more recently, for hemlock and lodgepole pine. And Douglas fir is the product of reference for window stock in much of the Italian market. Currently about 60% of Douglas fir and hemlock is kiln-dried, and buyers will pay a premium for this. Some buyers, however, still prefer to do their own drying. In 1988, imports from Finland and Sweden – generally red wood – were equal to those from North America at 10%. Canada's share, however, was only 2%, but Canada is well thought of in this market and has established a much higher-valued position than elsewhere. For example, Council of Forest Industries (COFI) estimates that the average value of West Coast lumber exported to Italy is double that sent to France.

As indicated in Table 6, in 1988 the principal supplier of non-coniferous sawnwood was Yugoslavia. Tropical hardwood accounted for more than 23%, whereas imports from the United States were an impressive 10%. Canada's trade (1%) has been largely concentrated on products produced in Canada from U.S. timber.

In terms of logistics, the proximity of Northern Italy to suppliers in Austria and the Nordic countries is a major factor. Sweden, for example, can supply in two to three days. However, these overland routes are not cheap, which provides ample opportunity for Canadian exporters in the south, and even in the north to a lesser extent.

Some other noteworthy aspects of the Italian market are discussed below.

**Temperate Hardwoods.** The hardwood market has switched over the past decade from tropical to temperate hardwoods. The United States is a major supplier, far exceeding Canada. Total Canadian sales of hardwood for 1990 are reported to have been less than the increase in U.S. business over that year. The leading U.S. exporter to Italy is Bailey, accounting for 50% to 60% of U.S. exports, followed by Weyerhaeuser, which has its own office in Rome, American Lumber (now part of Bailey) and six others.

A limited number of Canadian exporters (four or five) are reported to have established positions in the market, and a larger number of others (perhaps 25) sell on a spot basis. Many of these companies are dealing in wood from the United States.

The leading species, accounting for about 50% to 60% of the market, are white oak and yellow poplar (tulipier). The importance of a number of seasonal species fluctuates with fashion trends. These include alder, red elm, cherry, soft maple and white ash.

Yellow poplar, in particular, has replaced ramin, which was much appreciated, but its market position was probably killed by export taxes. However, it is not considered as good as ramin and other species are being sought. This opens up possible opportunities for Canadian yellow birch, white birch and perhaps even aspen. But these lesser known Canadian species must be promoted in earnest, and industrial manufacturing trials must be conducted by the Italian remanufacturing industry in cooperation with the Canadian trade.

For hardwoods, quality is much more important than price, as demonstrated by the success of at least one Canadian company reported to have the most expensive product, but one that industry appreciates.

**Woodworking.** The country's strength in woodworking industries is supported by the second largest woodworking machinery industry, following Germany's. Italy is also one of the leading producers of furniture. Exports of furniture are very significant – 45% go to France and Germany, and a further 15% to other EC countries. Exports rose in 1989 by 3%.

Although there is an established laminating industry for glulam beams and, more generally as part of an end-product operation such as window production, there is a trend toward concentrating on end-product and buy-in stock, either as 'pre-lam' or as 'components'.

The domestic parquet industry accounts for only 25% of demand, as indicated in Table 8. However, the profiling industry generally remains firmly entrenched, as demonstrated by reports of failed attempts to export panels and panel stock from Scandinavia.

**Windows.** The Italian window market is somewhat similar to that of Germany in designs and concern for quality. There are no standardized sizes, however. As indicated in Table 7, Italy has the highest wood use for windows (58%) of any of the markets reviewed in this study. In 1988, wooden window production was 4.1 million units, only slightly behind that of the United Kingdom.

Window production is automated and therefore standardized colour, length and sizing in a given contract are important.

**Other Features.** There is a strong demand for quality outdoor furniture. The tropical hardwood boycott has had little or no effect in Italy.

### 3.3.2 Industry Structure

**Principal Trends.** The classic distribution system is still strong, but gradually changing. Thus, importers have gradually taken over the distribution function by acquiring wholesalers and, in some cases, small-scale DIY operations. They frequently ship directly to users' yards, and act as brokerage cum clearing houses. However, as indicated in Chart 1, the industry remains essentially unintegrated and diverse in ownership.

Most significant industry actors are members of either Fedecomlegno, the national trade federation that groups together about 550 importers, manufacturers and agents or a separate professional agents' association – Agelegno. The numbers of companies in the trade are: 30 large and 100 small- to medium-sized importers; 100 large- to medium-sized lumber merchants and wholesalers; perhaps 60 well-established agents, of whom 20 to 25 belong to Agelegno.

Generally, the various industry players are in the early process of redefining their roles. Many Austrian and Scandinavian companies deal directly with end-users, but this is mostly because of their proximity. Numerous large manufacturers of furniture, windows and other joinery products import directly, and even importers are bypassing agents to establish their own sources when market conditions are favourable. Some Canadian companies are reported to have struck successful deals this way, especially for higher-quality hardwood material cut and dried to customer's specifications.

**Sales Outlets.** The timber sales trade in Italy is very disparate, even if most importers now have moved downstream into distribution. Because of the ready availability of artisans, the DIY business has not caught on to the same degree as elsewhere in Europe. Thus, a recent study by Frost & Sullivan estimates Italy's DIY market at US$3.6 billion, which is half of that in Germany (US$7.3 billion) and two-thirds of that in the United Kingdom at US$5.2 million and France at US$5.4 million.

As a result, unlike elsewhere in Europe, the DIYs have not yet become a significant factor in the Italian wood products trade. However, DIYs, and the 'superstore' concept in particular, are expected to develop an increasing presence.

Italy has about 100 large- to medium-sized wholesalers and lumber merchants and numerous catalogue operations that have wide coverage. Two leading catalogue operations are Pircher-Oberland SPA, which offers mostly Austrian and Swedish wood products, and UNOPIU, which has a garden furniture catalogue that is reportedly distributed to 6 million households.

**Importers.** In Northern Italy, mostly because of proximity to Austria, shipments can be frequent and small. As a result, importers are also many in number and small in size. In the south, the industry is geared to handle large shipload-sized shipments and so companies tend to be both larger and fewer. Overall, there are about 30 large and 100 small importers, but the industry remains diffused. The largest importer, Fratelli Feltrinelli, is 2.5 times the size of the next largest, Cora, but accounts for only 8% of the market.

Importers are taking the initiative and seeking opportunities for sourcing in the exporting countries. This is probably a reaction to the drive by many of the larger manufacturers to out-source laminates and to bypass intermediaries.

**Joinery Companies.** Italy has about 150,000 manufacturers of joinery, furniture and mouldings. Most are small, but there are a number of large companies. Most of the production is geographically concentrated in the provinces as follows:

- Furniture: in the northeast (Lombardia, Trentino-A. Adige, Veneto, Friuli-V. Giulia) and in the centre (Toscana and Marche)
- Kitchen cabinets: northeast (Trentino-A. Adige, Veneto, Friuli-V. Giulia) and east central (Marche)
- Furniture framing/moulding: west central (Toscana)
- Veneer: north central (Lombardia)

Among the leading furniture companies are Scavolini, Natuzzi Salotti, Snaidero, Dall'agnese and Chateau d'Ax. Leading window companies include Rosada (reportedly the largest), Piceni, Audasso Antonio, Sis and TREP. The industry association is Consorzio Italiano Superlegno Fra I Produttori di Porte e Finestre di Legno.

**Agents and Sales Offices.** The diffusion of the market makes it essential to have some representation in the marketplace if a proactive market development program is to be followed. As mentioned above, Italy has about 60 well-established agencies, of whom 20 to 25 belong to the agents' association, Agelegno.

Most agents represent numerous companies, but prefer an exclusive arrangement. This has proved successful for the larger Canadian exporters and many of the American ones. Others, such as Weyerhaeuser, have their own sales offices.

## 3.4 United Kingdom

### 3.4.1 Market Dynamics

The United Kingdom is a major importer of sawn timber, but also has modest but significant domestic production. Sawn timber production in the United Kingdom is currently about 1.8 million $m^3$ of coniferous and 0.34 million $m^3$ of hardwood, up somewhat from the 1.7 million $m^3$ and 0.26 million $m^3$ indicated for 1988 in Table 3. Oak and beech account for almost 80% of the hardwood sawnwood production.

Coniferous sawnwood imports were reported to be 8.9 million $m^3$ in 1988 and represented 85% of the domestic market of 10.5 million $m^3$. At these levels, the United Kingdom is both the largest importer and the largest coniferous market in Europe, as indicated in Table 3. Hardwood imports were just under 1 million $m^3$, equal to those for Germany, but the total hardwood market is only half of that in Germany. Taking wood and wood products together, total solid wood consumption in sawnwood equivalent has been estimated at about 12.5 million $m^3$.

Little growth is expected in the market in the near future. New housing starts are expected to remain relatively low and similar to the 1991 level. Thus, general estimates indicated that the requirement for sawn timber will likely be down by about 10% in 1991 from that of the previous year.

Domestic production is improving in quality with an increasing proportion of older sawlogs and less thinnings and is thus projected to rise substantially. Allowing for minimal growth in the market for softwood sawn timber of 0.5% a year, the anticipated share of the softwood market supplied by U.K. domestic production would be expected to increase from the current 15% to 17% to 22% by the year 2000 and to almost 35% by 2010. An estimate of softwood consumption by major uptake sector is presented in Table 13.

Canada is the largest single supplier of coniferous sawnwood, with a 33% market share in 1988, as indicated in Table 5. Generally, North America and the Nordic countries each contribute 35% to 36% of coniferous imports. In hardwoods, tropicals account for more than half the market, as indicated in Table 6. North America accounts for almost 30%, with 24% from the United States and 5% from Canada.

Some other noteworthy aspects of the U.K. market are discussed below.

**Windows.** The United Kingdom is by far the largest window producer in Europe, but in 1988 only 38% of the 12.7 million units were made in wood. The wooden window market is thus only

**Table 13**
**Softwood Consumption in the United Kingdom**
**('000s m³)**

| End-Use Sector | Total Consumption | Domestic Supply |
|---|---|---|
| New Housing Construction | 1,370 | 100 |
| New Non-Housing Construction | 2,320 | 150 |
| Civil Engineering | 650 | – |
| Repair/Maintenance/Improvement | 1,860 | 100 |
| Agricultural/Horticultural Bldgs. | 110 | 50 |
| Consumer DIY | 930 | – |
| Fencing | 670 | 640 |
| Furniture | 320 | – |
| Garden Buildings/Equipment | 150 | 100 |
| Mining | 190 | 120 |
| Pallets/Packaging | 1,160 | 570 |
| Portables | 90 | – |
| Scaffolding | 145 | – |
| Shopfitting | 50 | – |
| Transport | 100 | – |
| Other Uses | 355 | 50 |
| Total | 10,470 | 1,880 |

Source: Timber Trade Federation, based on 1989 data and 1990 Sawmill Survey by the Forestry Commission.

slightly larger than those of Italy and Germany at 4.8 million units.

Plastics have taken a large proportion of the window market possibly in association with hardwoods for decorative purposes. This is demonstrated by the relatively low use of wood for windows as indicated above.

**Flooring.** Wood-based panels are expected to increase in use compared with solid wood products. At least one producer has approval for using oriented sandboard (OSB) in sub-flooring and structural applications, and laminated veneered lumber (LVL) is being tested.

**Softwood Consumption.** As estimated by a recent study by the Timber Trade Federation and the 1990 Sawmill Survey by the Forestry Commission, softwood consumption by each of 15 major sectors is presented in Table 9. As noted above, the domestic U.K. production is expected to increase its share of the market steadily over the next 20 years. Home-grown timber is expected to expand most rapidly in the lower-quality end of the market and that the increased production (700,000 m³ by the year 2000) is expected to be absorbed by the pallet/packaging and construction sectors.

From 2000-2010, annual production is expected to increase progressively up to 4.3 million m³. The bulk of this increase will probably be directed into the new housing and non-housing construction sector, as well as the repair, maintenance and improvement sectors, which are currently served by imported structural grades of softwoods.

**Environmental Lobby.** The environmental lobby against tropical hardwoods has significantly affected the market. The volumes of tropical hardwoods as logs and sawn timber appears to have dropped by 25% in 1990. One leading agent close to the tropical hardwood business states that the lobby has definitely affected the trade, mostly because local government will not accept tropical hardwood species. The effect on public demand for the DIY stores has not been that significant. This may not be a true reflection since fashions have changed and the mahoganies have declined in

fashion in favour of the whitewoods. The tropical mahoganies have been replaced mostly by tropical whitewoods, principally ramin from Southeast Asia.

The reported environmental concern in the United Kingdom about Canada's forestry policies and practices has not become a problem yet. It is claimed that most of the agitation has been by Canadian environmental groups coming to Europe and trying to cash in on the tropical rainforest lobby.

**Non-wood Materials in Other Applications.** Competition from alternative materials is increasing in many of the value-added wood product sectors. In mouldings, skirting boards and architraves pre-primed with MDF are gaining acceptance by builders because of lower installation costs and stability. Moulded MDF door skins are also gaining acceptance in the market.

**Timber-Frame Housing.** U.K. builders are notoriously hesitant to adopt new building practices. This is demonstrated by the long period required to establish timber frame as a viable force in the market, and the ease with which the brick building lobby was able to knock it back when it threatened its share of the market, especially in England.

**Kiln-Drying.** Britain's four largest timber purchasing groups, Meyer International, Hunter Timber (Wickes), Harrison and Crossfield, and Travis Perkins have announced their intention to stop purchasing green sawn timber. Officially, this will be effective in April 1992, but in practice may happen sooner.

### 3.4.2 Industry Structure

**Principal Trends.** The substantial British industry has been developed based on large volumes of imported sawn material. A well-developed system of agents, shippers' agents, woodworking industries, timber merchants and retail outlets exists for importing, remanufacturing and distributing solid wood products to the U.K. market.

In recent years, there has been a rationalization of agents and timber companies and today the industry is principally served by a relatively small number of large groups, which tend to cover a range of materials for the construction companies. As indicated in Chart 1, there is extensive vertical integration, but not the same extent of concentration of ownership as in France. The large groups are, however, well entrenched in the builder's merchant and DIY trade.

Another notable feature of the U.K. industry is that they have been much more aggressive than most of their European counterparts about expanding into Europe. A number of major U.K. companies have acquired distribution and wood-product merchandising companies in Central Europe.

**Sales Outlets.** The large integrated merchant groups are a major force in the British market. This position has been achieved largely through a wave of recent mergers, a trend that will probably continue. The four leading companies are: Meyer International, Harrison and Crossfield, Wickes, and Travis Perkins. The first two have more than 200 to 250 branches each. Wickes has about 120 timber and joinery centres in the United Kingdom and a chain of DIY outlets in the United Kingdom, Holland, France and Belgium.

There are also builder merchants in the United Kingdom, estimated at more than 4,000 firms, of which 300 have a turnover exceeding £5 million. It has been noted that British builders tend to be very conservative and once loyalty to one brand is established, are reluctant to change.

The retail DIY market has also grown significantly over the last decade with the replacement of many of the small speciality shops, such as ironmongers and local timber merchants, by large chain store outlets selling a complete range of building, gardening, garden furniture and decorating products to the public and smaller building and renovating contractors. According to a recent report by Frost & Sullivan, the DIY market in the United Kingdom is estimated at about US$5.2 billion annually for all types of products.

**Importers.** As a result of recent mergers and rationalization, there is extensive vertical integration, and only a few major companies specialize solely in importing. The volume of imports handled by the four major integrated

firms is clearly substantial. Given their strength in remanufacturing, and to a lesser extent in joinery, as well as professional and retail sales, they are also major forces in the value-added products segment of the market. Other leading players at the importer level, but also doing at least some manufacturing activity, are Phoenix Timber Group, James Latham and Howarth Timber Group.

Two supplier merchants suggested as good sources for developing hardwoods business by Canadian exporters are Isherwood and H. Venables & Sons.

**Joinery Companies.** The U.K. wood processing industry has generally been modernized over the last decade, with substantial investment. Today, a sizeable proportion of the production is in the large timber companies. The major timber merchants now encompass remanufacturing companies specializing in producing wood mouldings, turnery products, doors, windows, kitchen cabinets and other joinery products.

The joinery manufacturers will resist attempts to bring finished products into the country in competition with their own products. Also, because of the nature of the moulding market, the distance and delivery times required, and the wide diversity of shapes and sizes, we believe that the opportunities for Canadian producers in the machined wood products segment is limited. The opportunity for Canadian suppliers lies in providing suitable feed stock, blanks and component stock to U.K. manufacturers.

The most significant companies and their specialities are: Boulton and Paul (machined wood products), John Carr Group (machined wood products), Aronson Brother (semi-finished products and surfaced particle board), Phoenix Timber (full range of window, joinery and moulding products), James Latham (roof trusses), Howarth Timber Group (window frames and building components), Crosby Serek (doors, windows and kitchen cabinets) and Burbridge (turnery and stair components). The activities of the four large integrated groups are also not to be neglected.

**Agents and Sales Offices.** Most Canadian woods used in the value-added trades are being brought in through shippers' agents such as Noranda Forest Sales (U.K.) Ltd. and Seaboard Sales or agents such as Price & Pierce, UCM Timber and Tradelink, which includes the former Interwil Group.

A number of agents, some of them small, have specialized in value-added products and speciality items. Conversely, some of the larger agents and shippers have reduced their role here, except for kiln-dried lumber.

There is already a fair volume of products handled in continental Europe through agents in the United Kingdom. This could be increased. Tradelink, for example, is expanding by opening a new office in France, in addition to the offices in the United Kingdom, Switzerland and Belgium. Price & Pierce have also taken significant steps to secure good access to Europe for its Canadian clients.

# 4. COMPETITIVE STRATEGIES

## 4.1 Principal Competitors

### 4.1.1 Construction Grades

The term 'construction grade' is used in this report to refer to carcassing or framing timber. In this market sector, domestic production has become a major source of supply, supplemented by products from neighbouring countries. Canada has played a significant role for the lower end of the remaining portion of this market in competition with the Nordic countries and to a lesser extent the U.S.S.R.

In the next decade, increasing proportions of this market segment will be supplied by the resources coming on stream in the United Kingdom and other European countries. These resources will be aimed particularly at the less demanding sectors of the markets, such as fencing, packaging and carcassing. Additional competition will come from new suppliers, such as Chile, New Zealand and some southern African countries.

### 4.1.2 Higher-Valued Coniferous Products

The principal competition in the higher-value products is and will continue to be Sweden, Finland and, to a lesser extent, Norway – one of the first Nordic countries to develop the production of value-added wood products for export to Europe. The timber trade between the Nordic countries and Europe is a longstanding traditional business going back to the last century. Their products are well known and are standards in the markets.

The Scandinavians enjoy proximity to the market and can respond quickly to orders when necessary. This gives them an advantage over Canadians, who require much longer delivery times. Scandinavian grading is also known in the European market and is readily accepted by end-users. Many end-users in continental Europe do not understand Canadian grading.

Currently, the Soviets are selling aggressively to obtain foreign exchange, but the U.S.S.R. is not as serious a competitor in the European market over the longer term. It is also likely that the supply of U.S.S.R. and Scandinavian timber will be drawn into Eastern Europe if the reconstruction programs go ahead as anticipated.

Some small quantities will also likely enter the joinery and shop fitting sectors from local European production and possibly from new suppliers, such as Chile and New Zealand.

Composites, some wood-based and others plastic- and metal-based, are a growing source of competition for wood products. In joinery, the introduction of medium-density fibreboard mouldings, skirting boards and other profiled sections is gaining acceptance in the paint market. Plastic and aluminum, often with wood surrounds, is reported to be gaining ground over wooden windows. Wooden ground floors have been largely replaced by concrete slabs and screed. In the upper floors, flooring board has been replaced by particleboard and more recently by OSB floor panels. MDF is also entering the floor panel market.

### 4.1.3 Hardwoods

Tropical hardwoods are declining in the European markets partially because of diminishing supplies, but mostly because of decreasing acceptance among the institutional and governmental markets. This provides opportunities for temperate hardwoods and softwoods to be used in place of tropical hardwoods. It is interesting to contemplate that about 20 years ago studies were looking for opportunities for tropical hardwoods to substitute for softwoods.

Plantation-grown hardwoods from tropical countries are still relatively unknown in the market. Work is under way to propagate tropical species and grow them using plantation or enrichment techniques. This will be environmentally acceptable to the markets, but will not result in a significant supply of material in the foreseeable future.

An increasing supplier to the European market could be U.S. southern pine lumber and hardwoods. The United States has increased its volume of hardwoods to Italy in the last couple of years and is promoting its softwood more aggressively. Substantial work has been carried

out on the visual and mechanical stress grading of U.S. pine and how it compares with other species and the U.K. grading classes.

## 4.2 Canadian Experiences

### 4.2.1 Canadian Image

Canadians are seen as not attempting to realize the true quality of their species. The general opinion seems to be that much of the Canadian industry is interested in churning out volume at fairly low prices. Canada is still mostly regarded as a raw material supplier and has an opportunist image, whose interest in Europe tends to increase when its markets in the United States drop away. Developing the market for higher-valued products in Europe will require commitment to the market during good and bad market conditions.

Another frequent comment across Europe is that Canadian producers do not offer the products required by the trade, but rather try to sell what they produce and grade for their other markets. Canadian grading standards do not necessarily meet the quality requirements of the end-user and, in some cases, Canadian material is better than what is required. One example was a case where the client's tolerance level for solid knots was higher than that recognized by the Canadian grading.

However, some Canadian companies have made the effort, with considerable success, to modify Canadian grading to suit European requirements. And the image has improved in recent years with some Canadian firms entering the market on a more dedicated basis. But would-be exporters must be aware of the skepticism they will face at first, until they have proven themselves.

With this in mind, it is worth highlighting some Canadian successes, as well as some efforts that have not been so fruitful. Much can be learned about how to approach the European market. Examples of successful market development by non-Canadians are also instructive.

### 4.2.2 Success Stories

There have been a number of Canadian success stories in the development of markets for new species – principally hemlock and lodgepole pine – or higher-valued products. Western red cedar has also gained acceptance for garden furniture and decking, particularly in Germany. The following are examples of the type of success that can be achieved, and of how to develop a higher-valued market position.

**Westar in the United Kingdom.** Westar made a significant impact in the U.K. market when it started supplying timber in metric lengths graded to British standards. It has introduced kiln-dried lodgepole pine as redwood joinery material as a direct replacement of Russian and Scandinavian redwoods. It has also test-marketed scaffolding boards, which are produced to specific dimensions and lengths. The results of these tests are unknown.

**Work Benches in the United Kingdom.** In the United Kingdom, K.C. Irving from New Brunswick has introduced knocked-down softwood work benches for sale in DIY stores. These ready-to-assemble units are shipped in corrugated containers for distribution directly to the retailers.

**Gorman Brothers in Europe.** Gorman Bros. Lumber Ltd. has successfully entered the European market as a major joinery material exporter. In 1990, it accounted for about 30% of the lodgepole joinery material shipped from British Columbia to continental Europe. Gorman noted that much of the wood from Scandinavia being used in Europe for joinery was similar to the lodgepole pine being produced in its mill in the B.C. interior. Gorman investigated consumer requirements in the market and changed its production to suit these requirements. It made a commitment to the market and undertook a trial-and-error process of developing product specifications to satisfy customer needs.

It now cuts to European sizes and grades to more stringent standards. This essentially consists of cutting stock 19 mm, 22 mm and 50 mm full-sized after kilning, graded to Scandinavian grades of I to IV and fifths. Gorman, through Balfour Guthrie, is now exporting joinery materials to the United Kingdom, Italy, Holland, France, Belgium and Germany. Its volume of joinery material is limited by the grade of logs as joinery requires tight live knots and lodgepole can suffer from a high proportion of dead black knots.

**Tolko in the United Kingdom.** Tolko Industries Ltd. has also successfully entered the U.K. market with joinery grade lodgepole pine and spruce from its interior B.C. mills. It has developed expertise in kiln-drying and grading to match the grades I to III joinery material coming from Scandinavia and supply in full metric sizes after kilning of 50 mm x 100 mm, 125 mm, 150 mm and 200 mm. This differs from the normal 38 mm (1 1/2 inch) that is offered by most Canadian mills and is not highly desired in the European metric market.

**Yellow Birch and Hemlock in France.** One leading French integrated importer-manufacturer-retailer currently offers interior doors in hemlock, and kitchen cabinets in both hemlock and yellow birch. Hemlock is identified as such, but yellow birch is advertised as 'nut-like finish' and is stained. The yellow birch program began about three to four years ago and was initiated by the French company, which found sources in collaboration with a wood trader. Uptake is about 2,000 $m^3$/year. Wood is shipped dry, sawn to size, in containers. Hemlock began about 12 years ago, and annual uptake is now about 8,000 $m^3$. Wood is imported sawn, but both dried and green.

**Hemlock in Germany.** Hemlock has been a significant success story. It was first introduced quietly, so as not to alarm suppliers of German spruce and other established products, about 15 years ago. However, the push began 6 1/2 years ago because of the efforts of one Canadian company. It started with three trial loads of hemlock 'clears 85/15'. The company was aiming at profile boards, sauna trims and other niches based on the beauty of the wood, and has since had great success in window blanks. It had to do regrading with customers, but then developed the proper package of quality and format. It became a brand name and had its own grade. This model was later followed by other exporters. Laminated window stock or blanks have also been successfully introduced into Germany.

**OSB in Germany.** Another example comes from an agent working with a Canadian company to introduce OSB. Together the agent and company did the following: articles in trade journals, advertising, promotion and seminars to architects, and samples and tables with technical details on how to use the product. They began at the end of 1990, and hope to be firmly into the market within one to two years, if approval for structural applications is obtained.

**Western Species in Italy.** Hemlock and Douglas fir have attained a substantial market position because of promotional efforts led by COFI. The hemlock market has grown because of the scarcity of Douglas fir. It was introduced as a lower-class substitute and then customers discovered that it was a good altemative to Swedish pine.

Applications are largely in window stock. Sales of lodgepole pine in joinery grade to compete with Scandinavian red pine have also increased substantially. It is primarily used for panelling. Western red cedar has also had some success in panelling but the greatest potential is believed to be in garden fumiture. Sales growth data provided by COFI for these species are presented below in thousand board feet measure (MFBM).

Hemlock and Douglas fir:

| | |
|---|---|
| 1983 | 4,000 MFBM |
| 1990 | 18,500 MFBM |

Lodgepole pine:

| | |
|---|---|
| 1989 | 1,500 MFBM |
| 1990 | 4,500 MFBM |

Western red cedar:

| | |
|---|---|
| 1983 & 1986 | 300 MFBM |
| 1990 | 1,800 MFBM |

**Temperate Hardwoods in Italy.** Much of the Canadian success in Italy has been with marketing U.S.-sourced temperate hardwood timber processed at Canadian mills. Adopting U.S. standards, and granting exclusivity to one agent are also cited as success factors. One eastern Canada exporter, however, has developed an exclusive contract directly with a large Italian importer.

A final important point is demonstrated by one leading agent. His principal in Canada offers hardwood at prices that are significantly higher than those of his competitors, but quality, reliability and service are such that he continues to succeed.

### 4.2.3 Failure Stories

The poor reputation of Canadian exporters, whether justified or not, is a significant constraint to market development. The following examples of unsuccessful market entries were cited by trade sources. Although possibly biased, they can contribute to an understanding of the key market development issues.

**Italy.** Considerable efforts have been made to promote yellow birch, hoping to use it as replacement for Indonesian ramin and beech from Yugoslavia and Romania. The quality, however, was reportedly appalling. Principal problems were: colour change in wood because of the cutting process; poorly kiln-dried, resulting in split ends; improperly cross-cut; and considerable quantity of lower-graded material. In another case, an agent seeking hardwood was unable to obtain other than random widths from a Quebec supplier. The future market will be for fixed widths, although some clients handle random widths at present.

One trade source reported making a trial order from several East Coast companies for white wood. Some negative reports had been received, but full shipment had not yet been evaluated. Some trials of pallet stock had not worked out since sizing was in imperial, rather than metric measure.

Finally, some sources see the reluctance of some exporting companies to grant exclusivity to their agents as part of the reason for lack of long-term success for many exporters.

**Germany.** One agent reports trying white spruce as a trial to replace Nordic spruce. There was a problem with the moisture content. The specifications called for a maximum of 18%, but it arrived at 20% to 22%. Lodgepole pine and ponderosa pine from Canada were also tried, but the buyers were quoted as being "not yet convinced."

There have apparently been some trials with yellow birch, but without much success or failure. The name, however, will mislead European buyers. Birch in Europe is associated with low grade like poplar.

**France.** One importer doing substantial construction grade business from both eastern and western Canada had made several attempts to introduce higher-valued products. The products, and his comments, were as follows:

- roof trusses – "ongoing, but looks difficult in comparison to product from Germany;"
- especia ('northern white wood') for flooring and panelling manufacturer – "acceptable technically, but inadequate sorting;"
- tile laths – "could not be obtained in required sizes and communication with large exporter was difficult;" and
- glulam beams – trials are ongoing.

Another buyer stated that western white spruce might be interesting, and had been tried "but Canadians don't know how to sort, we had to reject 20% of shipment."

**United Kingdom.** Yellow birch was much appreciated by a product developer and could be a success story, but the name hinders its success.

## 4.3 Competitor Strategies

**Specialized Finnish Sawmill.** Paloheimo is a relatively small but innovative exporter from Finland. The company opened a new 150,000 m³ mill 10 years ago and took time to "find out what people need." The result was company-specific grade classes, albeit based on the Nordic rules. The Paloheimo system has three levels: I, II, III; IV + V; and some V + VI.

The company also decided to open its own sales offices staffed by its former agent (a Finn), who is well known in the trade. It sells through importers, however, since importers provide finance and management and bypassing them is therefore not necessarily advantageous. Paloheimo importers are very open about customers and company representatives frequently visit customers with the importer. As part of the strategy, it reduced its customer base, going from 30 buyers to 6 in France. The basis of the business has been excellent grading. As the director of the French marketing operation says, "If the grade is no good, you are stuck with talking price."

The conclusions on the strategy are that during the boom of the 1980s the company had not been as profitable as it would have been if it had sold like other Nordic companies. Now, however, with a severe recession in Finland and a slowdown in Europe, the strategy is paying off. Paloheimo is still in the market and is operating at full capacity while other mills are closed. This has justified the approach.

**U.S. Exporters in Italy.** The promotion of tulipier by U.S. exporters is indicative of how new species should be introduced. Good lessons could also be learned from COFI's experience with hemlock, western red cedar, Douglas fir and lodgepole pine.

The introduction of tulipier started in late 1970s, with advertising in specialist magazines. U.S. exporters had some success since the U.S. dollar was low, worth only 700 lira. When the dollar rose to 2,000 lira, sales fell to virtually nothing and promotion efforts were stopped. In 1986, the U.S. exporters began again with promotion to potential clients. This included: pamphlets written by an Italian expert covering structural characteristics; magazine advertisements; and attendance at trade shows. With the cutback in exports of ramin, and thus the search for a replacement, sales took off.

**Nordic Timber Industry.** The apparent success of the Nordic timber industry in moving 'up-market' has resulted from a conscious effort driven by a combination of limited fibre resource, high labour costs and, at key junctures in time, an overvalued currency. Keep in mind that the timber market in Europe is to the Nordic countries what the U.S. market is to Canada (i.e., the market's requirements shape the industry).

The industry has thus been forced to maximize the return from its resource and to seek ways to strengthen the ties between mill and customer. By upgrading the total offering – product, quality, service, price – the industry has moved away from the price battlefield (lowest price for a given minimum specification). It is now positioned where there are a number of sales arguments in addition to price, and where the customer becomes so used to the offering that it is often not worth shopping around.

A number of the large Nordic timber exporters have acquired distribution operations in Europe. This is also a growing trend among the Nordic paper companies.

**Swedish and Finnish Timber Council.** In Germany, the Swedish and Finnish Timber Council, in collaboration with the German planing mill association, is reportedly promoting profile boards through television and radio advertisements.

The council's success in France is also interesting since despite a long-term presence in the market, there had been little market effect until the current director was hired some years ago. According to trade sources, the French director is very objective and clients listen to him.

# 5. OPPORTUNITIES

## 5.1 Overall Opportunities

### 5.1.1 Framework

Each market in Europe has its distinct characteristics, tastes and structure. This is perhaps best demonstrated by the window market, where there are marked differences in the use of wood, and where there are significant differences in size preferences for joinery stock. The market is evolving, however, in terms of commercial and industrial structure and frequently in terms of fashion and taste. This is reinforced by the increasing, though still limited, expansion of key industry actors beyond national boundaries, and by the growing exports of finished product to neighbouring markets. The ultimate expression of this is the wide presence of Ikea, for example, which offers essentially the same merchandising program in all markets.

Throughout Europe there is surprising similarity in the opportunities for Canadian exporters – either to improve the value realized from their solid wood product sales in Europe or to develop significant market opportunities. These opportunities may differ in degree, but rarely in kind.

The strength of the opportunities are influenced, however, by Canada's overall image and certain competitive realities. First, Canada is at a competitive disadvantage in transport and response time to its principal competitors in Scandinavian and the other European countries. Much of the wood-machined product market comprises speciality items that are small orders with short supply times. Scandinavia can supply an order in one week, whereas it can be two months for Canada to supply a similar order. Second, domestic joinery manufacturers may resist attempts to bring finished products into the country in competition with their own products. This is particularly crucial in the United Kingdom, Germany and France, where there are strong corporate links between importers and joinery manufacturers.

### 5.1.2 Species

The principal Canadian species with potential in higher-value applications are hemlock, lodgepole pine, Douglas fir, yellow birch, aspen, western red cedar, maple and oak.

Hemlock comes across strongly as the Canadian species with the greatest development potential. It has, through the efforts of COFI and Canadian exporters, gained a significant presence in the joinery and turnery products markets in the United Kingdom and Germany, and to a lesser degree in France and Italy. It is accepted as a suitable raw material for windows and window frames and has potential in the furniture industry.

Lodgepole pine is regarded as having substantial potential as joinery grade material in place of Scandinavian redwood. Currently an estimated 50,000 $m^3$ of lodgepole pine is being used by the U.K. joinery industry. This product has had less success to date in other markets. The main problem with lodgepole pine is well known – the high proportion of dead knots, which are not acceptable to the trade. Solid knots are acceptable in many applications, although fashion tastes do not lean toward excessively knotty wood.

Douglas fir has found greatest acceptance in Italy, where it is the reference product for window frames, but markets have also been established in other segments. Further opportunities in window stock will largely be tied to the ability to develop markets for laminates and finger jointing. There are also opportunities in the United Kingdom for doors and door frames.

Yellow birch could find significant opportunities for mouldings and furniture applications with proper market development. One problem raised in several markets is that the name 'birch' does an injustice to the timber. Selling under another, more attractive name should be considered.

Aspen, if adequately prepared, could develop as an alternative raw material to ramin in some markets. The quick-growing and regenerative capacity of aspen could be a benefit for marketing under the green issue. The Bureau de promotion des industries du bois (BPIB) has samples of aspen picture frame mouldings produced in trials in the United Kingdom. This species would need to be developed under a different name because aspen or poplar do not have desirable connotations in the market.

Western red cedar has potential in France, Germany and Italy, particularly as garden furnishings and decking.

Maple and oak offer generally good opportunities because of the current fashion in Europe for light-coloured woods, as opposed to the darker hardwoods such as mahoganies. To some extent, this could be a reaction against tropical hardwoods arising from the environmental lobby. Currently, many of the products on sale to the public are based on ramin and oak as well as softwoods. Oak is being shipped from the United States to Malaysia and Taiwan, where it is manufactured into kitchen cupboard doors and exported to the DIY markets in Britain through an agent.

### 5.1.3 Products

The value-added opportunities that exist for Canadian species are mostly in the form of upgraded raw materials to the woodworking industry. The first step is to realize greater value for the square-edged lumber, which Canada produces as well, if not better, than others. Adding further value can then follow.

Examples of potential value-added opportunities are laminated and finger-jointed window stock, properly sized and graded joinery stocks, and cut-to-size blanks for turnery. For the higher-valued applications, such as joinery stock, Canadian exporters need to modify their grading and sorting to meet the Scandinavian redwood and whitewood grading accepted as the standard in the industry.

On the negative side, Canada is too far removed from the marketplace to effectively supply a significant volume of finished mouldings. Such products compete directly with established industries, require short delivery times and, where opportunities exist, are generally driven by price and hence have low profit margins. Last, bulk profiles of painted mouldings are likely to be increasingly supplied by MDF and other substitute materials.

## 5.2 Some Specifics

The opportunities are legion, and tied very closely to price, timing and marketing efforts. The following specifics help to clarify these opportunities.

### 5.2.1 France

There are opportunities across the range of products, from dimension lumber to laminates and joinery stock. With current commodity-type products, the key factor is price. With value-added products, other arguments such as quality and service can come into play. But, there is little confidence about either of these points at present. Quality, meaning grading, and most particularly respect of grading, must be on par with competitors from Nordic countries. One major disadvantage for Canada is volume of shipment.

Some possible opportunities mentioned in the course of the research for this report were:

- glulam, currently 80% supplied by Nordic countries and the U.S.S.R. – must be kiln-dried to 12% to 14%
- door frames 63 mm x 150 mm x 4.3 m
- shutter stock, to replace Nordic spruce and fir
- dimension stock: must be an assortment of four to five sizes
- tile laths 14 mm x 37 mm
- hemlock veneer
- hemlock, without knots, #2 clear, Douglas fir (for shutters) and western red cedar – all sawn and kiln-dried, and possibly further processed
- parquet flooring and panelling strips could achieve good volume if the logistics can be competitive

### 5.2.2 Germany

Generally, there are good opportunities for various coniferous species for window joinery and panelling, as well as for western red cedar for garden products. In the case of hardwoods, opportunities are also very good for stock for sale to remanufacturers and even furniture makers. However, the range and strength of opportunities are related to exchange rates, with a breakpoint at DM 1.50/dollar. Thus, according to one source, the opportunities are particularly good with a dollar below this point. He claims that below this level, remanufacturing – gluing, moulding, glulam boards – can be done economically in Canada. Another breakpoint is DM 1.20/dollar,

below which there are reportedly opportunities from eastern Canada for high-quality construction grade ≥ 2", which could also be used, if dried, for remanufacturing.

Some specific comments and possible opportunities mentioned in the course of the research for this report were:

- Mouldings are not seriously feasible because of the variety and stock required.
- Laminated products should be acceptable from a technical point of view, but access is probably difficult because of established industry, and requirements for warranties on surface finishing and solidity of laminate, since soundness of laminated blanks must be guaranteed.
- Hemlock and Douglas fir have good acceptance because of the current fashion for light-coloured woods. This also accounts for the apparent success of maple flooring, for example.
- Opportunities are reported for mixed laminate, such as hemlock-spruce-hemlock.
- Lodgepole pine could replace knotty pine from Sweden and Finland, since knots are reportedly 'in' now. Technically and for quality, lodgepole pine and ponderosa pine could compete with U.S.S.R. U/S profiles. However, the price is so low that competition is much more difficult.
- Garden furniture, shingles and shakes could be successful in small quantities at present, mainly in southern Germany.
- Western red cedar is much appreciated because it is environmentally friendly, but at an exchange rate of DM 1.56/dollar, cost is considered by some sources to be too high to get the market excited, despite its uniqueness.
- A special opportunity for spruce and pine of 28 mm x 90 mm in clears was mentioned. Apparently this cannot be acquired from Finland and customers are willing to pay extra.

### 5.2.3 Italy

The position of West Coast species is well established and the market climate is right for growth both in volume and added value. The same applies to temperate hardwoods, although considerable effort is still required for indigenous eastern Canadian species. Italy is the market in Europe that is furthest from the Nordic competition, and therefore should offer good opportunities for Canadian suppliers of Nordic species, who meet market requirements.

The following opportunities were discussed during the course of the research for this report. This is not an exhaustive list, but rather a sampling of the nature and variety of the market.

- Window lamstock and blanks: Opportunities for three lam with option of middle-piece finger-jointed, especially for Douglas fir. Italian importers and joinery companies are actively seeking such materials from North American suppliers.
- Pallet stock in S-P-F cut to size to Europallet or 'centre mark': There is also a possibility for S-P-F construction grades that could be used for cheap joinery, and material that is painted. This should be kiln-dried to 22% to 23%. However, exporters would compete with Austria, South Africa, Chile and Yugoslavia.
- Opportunities for hardwood dimension stock: Opportunities for hardwood components are less evident. In addition to currently used species of temperate hardwoods, hard maple, yellow birch, white birch and possibly aspen could be promoted.
- High-quality garden furniture of western red cedar made to specific Italian design tastes: Attainable volume was estimated by one source at possibly four to five containers per month.

### 5.2.4 United Kingdom

In the last few years the Canadian industry has successfully penetrated the value-added market in cooperation with U.K. industry. There is a broad spectrum of opportunities in upgraded stock for the woodworking industry, such as laminated and finger-jointed window stock, properly sized and graded joinery stock, and cut-to-size blanks for turnery. One unlikely market is mouldings, for which market order, shipment practices and logistical realities are incompatible.

## 5.3 Product Specifications

Product sizing springs from the end-users' wish to have raw material stock as close as possible to their finished dimensions. European buyers are

geared to metric sizes and grades as supplied by Scandinavians, since these are their main suppliers for most products. They also claim that North American or imperial sizes result in additional processing costs. They consequently pay less for the raw material. The same applies for moisture content and quality of kiln-drying.

Quality is a prime consideration, particularly in such products as window blanks. The typical specifications for window blanks, for example, are U/S or clears, vertical grain and a moisture content of 12% to 14%.

When mills are prepared to meet metric sizing as this report suggests, they must undertake their own detailed market investigations to determine the specific needs of potential customers.

# 6. MARKET DEVELOPMENT

## 6.1 A Multi-Dimensional Challenge

Canadian softwood suppliers who wish to sell to Europe will no longer be able to treat it as a convenience market to turn to when the U.S. market slows down.

To acquire and maintain position in the value-added market requires a long-term commitment and investment – not just in plants and equipment, but in promoting species and products, researching the requirements of potential customers and satisfying those requirements.

The specific steps that must be taken to develop and defend a market position in Europe are discussed in this chapter.

## 6.2 Mill Upgrading

### 6.2.1 The Need for Upgrading

Greater value can and should be obtained for the square-edged lumber that Canada produces as well as, if not better, than others. The reaction to Canadian species for joinery and furniture applications, for example, is certainly favourable, particularly for species such as hemlock, lodgepole pine, yellow pine and, to a lesser degree, spruce. European importers and end-users complain, however, that grading is inadequate and improper (i.e., they do not suit the requirements of the customer).

Canadian suppliers who can successfully address the issues of metric sizing, kilning and grading will have the prerequisites for success in Europe. These requirements are possible, as demonstrated by some of the successes described in Chapter 4.

### 6.2.2 Metric Sizing

It must be recognized that supplying the timber sawn to metric sizes as required in Europe is not straightforward. Each company, and possibly each mill, must determine if it can profitably saw to supply a demand from Europe.

The issue is that supplying full metric sizes for a European customer could cause a problem if the quantity ordered dropped, and the Canadian exporter would have a product that does not then meet the sizes that can be sold in the domestic or U.S. markets. The losses incurred to provide the sizes and grades for the European market may make the European market financially unattractive. In an article in *Timber Trade Journal*, Gorman has indicated that, depending on incoming log quality, only about one-fifth or less of its production meets the joinery specification.

### 6.2.3 Kiln-Drying

Kilning in the Canadian industry has often been acquired to reduce transport costs. It is mainly being installed at inland mills. These kilns are primarily designed for high-volume kilning of construction-grade dimension lumber. They do not have the controls and small chamber sizes common in Europe for more controlled drying of joinery and furniture grades.

Because market requirements for moisture level will be more stringent than those required for plant protection purposes, kiln upgrading will be necessary.

### 6.2.4 Grading

The starting point, for conifer producers at least, is to master the grading game as played by Nordic suppliers. Nordic products are the industry standard for species supplied from Finland and Sweden, and all competing or substitution products will be judged against them. However, longer-term success will come from successful efforts to meet customer needs by adapting the grade offerings in favour of Canadian producers.

### 6.2.5 Specialized Facilities

Modern high-capacity, high-productivity mills are not geared to producing and grading boards, as was the case in many of the older mills. The ability to produce and compete in the European market for joinery and furniture grades of sawn products must be assessed mill by mill, and will vary depending on log supply characteristics, mill configuration and equipment, location and, obviously, operating and transportation costs.

The possible answer to further penetration by the Canadian industry may lie in establishing kiln-drying and remanufacturing complexes, drawing

sawn timber from a number of member mills. An example of this type of operation is Trans-Pacific Trading, which began as a supplier of custom sawn materials and has progressed to kiln-dried construction grades to U.K. specifications and graded products.

## 6.3 Marketing and Product Promotion

### 6.3.1 General Requirements

The European industry wants to see industry representatives coming with a good idea of what they want to sell. Exporters to Europe must find out what is required and be prepared to give a long-term commitment on quantities, grades and quality, as well as help promote new products. For value-added products, there is still an interest in dealing through agents but with reference to specific suppliers – producers or mills.

Numerous factors must be considered in developing the European market for higher-valued Canadian products. These are discussed below.

### 6.3.2 Basic Rules

The basic market entry rules are:

- quality – kiln-dried, metric sizes, European grades
- seriousness – don't make promises that you are not prepared to keep
- timeliness – deliver on time
- research – make a well-analysed choice on how to enter the market, and stick with it
- knowledge – understand market needs and take a long-term view

### 6.3.3 Trial Shipments

In most cases there is likely to be a need to introduce trial shipments for promotional purposes, which will incur higher transport and handling costs. It is important that these trials truly reflect the quality of product that can be supplied over the longer term. After a successful introductory period when orders will still be relatively small, supplies could be increased.

### 6.3.4 Quick Response

The ability to respond more quickly to orders will be a factor if competing against supplies of industrial feed stock from Scandinavian producers and possibly from the U.S.S.R. (or the former states of the U.S.S.R.) in the future.

### 6.3.5 Local Representation

Whereas the commodity or construction grade markets are a fax or telex business, the value-added market requires frequent personal contact with customers. Canadian suppliers of value-added products will almost certainly require local representation in the markets. This is even more necessary as direct purchasing expands and the number of potential customers therefore grows.

In most cases this can be done by working through an agent, but with value-added products the agent must have access to the customers that are targeted. The agent's traditional access channel, which is limited to importers, is most probably inadequate. If looking at products such as laminated stock, component stock or components, then fashion and design become factors in the supply and relationships must be established with specific end-users.

Alternatives are a sales office, but this can be expensive. One option is creating an alliance with established manufacturers – for example a remanufacturing plant – to which the exporter would supply certain sizes of joinery stock and through which the exporter would market other products. Note that Italian producers, and perhaps others, are reportedly prepared to invest in lamination and other technically demanding facilities in Canada. They have already done this in Eastern Europe.

### 6.3.6 Trade Fairs

Presenting Canadian species and products at trade fairs is useful in generating general interest in a species and its uses. It is by no means a substitute, however, for learning about market requirements, developing viable offerings and becoming known in the marketplace. In this

connection, perhaps the useful feature of trade fairs is learning about how competitors do business and present their offerings.

Literature provided by the industry has been accused of being too North American in presentation. The same quality of brochures should be produced showing Canadian products in European applications, with comments and use advice by European experts where appropriate.

### 6.3.7 Product Promotion

Many successful exporters have launched promotion campaigns involving both extensive publicity and one-on-one promotion to builders, architects and designers. Frequently, costs for such activities are shared between agents and exporters. The reported consumer-directed television advertising in Germany by the Swedish and Finnish Timber Council, as mentioned in Chapter 4, is possibly a trend to watch.

### 6.3.8 Getting Started

Start small and grow. By their nature, value-added opportunities imply significantly smaller volumes of any one product than do the construction-grade products. Shippers must be prepared to start with relatively small orders – three to four containers a month is frequently mentioned. With determination and time, volumes will grow as more customers come on stream and as customers learn to rely on the supplier.

A consolidated pan-European approach can, of course, help to attain viable export quantities.

## 6.4 Approaching the Market

Keeping in mind the European image of Canadians, would-be exporters are advised to carefully assess the feasibility of making a commitment to Europe before visiting there.

Federal and provincial trade promotion authorities have extensive information, as do many of the trade associations. There is also a commercial officer or trade commissioner specifically designated to monitor the timber industry in many of the European markets. For Italy and Germany, these specialists are located in the consulates in Milan and Düsseldorf, rather than in the embassy.

# 7. CONCLUSIONS

## 7.1 The Opportunity

### 7.1.1 Trend to Higher-Valued Products

The increasing availability of European and Southern Hemisphere supplies of lower-end products will ease Canadian exporters out of this segment. Therefore, kiln-drying is not enough to ensure a continued market presence. It is necessary to move into higher-valued products where local production cannot compete. At the same time, the evolution of the industry is leading to increased direct purchase at all stages of the distribution chain as well as increased 'buy-in' of components, rather than manufacturing. These also offer new opportunities for suppliers of value-added products.

### 7.1.2 Canadian Suppliers Can Compete

There are definite opportunities for Canadian value-added products in all markets and in a range of end-uses, but particularly in the form of upgraded raw materials for the woodworking industry. Examples of potential value-added opportunities are laminated and finger-jointed window stock, properly sized and graded joinery stock, and cut-to-size blanks for turnery. The growth of the DIY market presents enticing opportunities for finished products such as mouldings. To supply such niches, however, requires close links with customers, who have grown to rely on the flexibility offered by the short delivery times from Nordic suppliers and the entrenched domestic industry. Thus, this is not seen as an area with major potential, although there are exceptions.

### 7.1.3 The Market Is Accessible

Canadian wood products are welcomed in the market. The markets are transparent and there are no hidden barriers to entry. The United Kingdom, as the largest importer and the largest user of Canadian products, offers best prospects across the board. U.K. companies can also provide some access to mainland Europe. Opportunities are good in the other markets too, particularly for the non-Nordic species.

The Single Market legislation, the first elements of which come into force on January 1, 1993, should help, rather than hinder, access to European markets for Canadian suppliers. The principal feature of the changes will be that technical approval in one market must be accepted for all others. However, it will take considerable time for commercial practices to adapt to these changes (i.e., it will still be best to have French approval for the French market, and so on).

## 7.2 Realizing the Opportunity

### 7.2.1 Improving Offerings

Timber products are in the mature stage of the product life cycle. Profitability has declined in the traditional solid wood products sector and increased in reconstituted and engineered wood products. The industry must thus strive to re-enter the growth phase. The offering of wood exporters (i.e., the combined package of physical product, service, pricing and financing) must be upgraded.

A recent paper presented at the annual general meeting of the Institute of Wood Science in Britain by Roger Cooper of the University of Wales, Bangor, entitled *Product Innovation in the Timber Industry: The Challenge for the 1990s* outlines how this should be done.

- Improve service, quality and promotion with competitive pricing. This approach involves the least cost and is the one most frequently pursued.

- Look for new uses in existing and new markets for current products. In general, the timber industries have not moved in this direction to any extent over the last 20 years.

- Develop new products and new markets. This involves higher costs and higher risks, especially when entering new markets.

The development of reconstituted board products over the last 30 years is an example of a new product in existing markets that competes with the industry's solid wood products.

In developing new products, the lowest success rates have been found to correspond to the

following factors: 'me too' products with little or no innovative features; poor marketing; and a low technical production requirement. The best product successes have been where there was aggressive marketing of a unique product involving a high level of technical production.

### 7.2.2 Offering Required Grading and Sizing

European clients want metric sizing and well-sorted products that meet European industry standards. They are prepared to accept less, but they expect to pay less when they do.

The effect of meeting the needs of the client is illustrated schematically in Chart 5. The lowest price will be paid for Canadian sizing and run-of-mill grades. Higher price points arise for supply in metric sizes and with grade minimums (e.g., fifths and better) that are respected. Higher prices are also earned for custom cutting and, more important, for ability to supply specific grades (e.g., only fifths).

Canadian suppliers serious about Europe have moved out of the low-priced quadrant – Canadian sizing and run-of-mill grades. Many potential suppliers have not, however, and they remain vulnerable to fluctuations in exchange rates or undercutting by other suppliers.

### 7.2.3 Creating Customer Loyalty

The distances involved and the vagaries of exchange rates make it difficult for Canadians to compete consistently on price. Therefore, it is important to move into offerings that are less sensitive to price and that encourage buyers to be loyal to their suppliers.

For suppliers of species competing with those from Nordic countries, moving to metric sizing is the first step away from 'price only' considerations. The next step up is the ability to match Nordic grading. This will probably not improve price but would build customer loyalty. Supplying special grades or sizes improve both price and loyalty. The customer will be less likely to drop imports because of a sudden strengthening of the dollar, or a weakening of the Swedish Krona.

Nordic mills have developed high-quality and service offerings that result in low price sensitivity and strong customer loyalty. This is illustrated in Chart 6, which presents the position of Canadian suppliers in relation to their competitors.

The best Canadian suppliers of Nordic species are not far behind their Nordic competitors. They are poised to enter the most favourable top-right quadrant – low price-sensitivity and strong customer loyalty. Hemlock and Douglas fir suppliers are partially in the most favourable quadrant, but are still threatened by substitution of tropicals and competition among themselves. Client dependence is therefore not generally as strong as special service and qualities might make them. Temperate hardwood has low price sensitivity, and the objective must be to strengthen client dependence. Some companies have managed this, and are in the top quadrant.

The average Canadian supplier of Nordic species has weak client links and has a price-sensitive product. The supplier is mired in a price war, but one that is difficult to win. European mills have more price-sensitive products than those from Canada, but strong customer loyalty since there is a natural preference to buy local products and since ownership links are frequent. In the case of the U.S.S.R., clients become dependent on the low price.

## 7.3 Determining European Market Feasibility

### 7.3.1 Assessing Production and Marketing Changes

As discussed in Chapter 6, mills that want to serve the European market must adapt their cutting, kilning, grading and marketing methods. While this may be easier for some than for others, a number of general conclusions can be made.

Chart 7 presents the results of a subjective assessment of the ease of entering the European market. For selected products, it compares the extent of changes that must be made to current production practices with the marketing effort required to find long-term markets in Europe.

**Chart 5**
**Price, Grading and Size:**
**Effect of Meeting Client Needs**

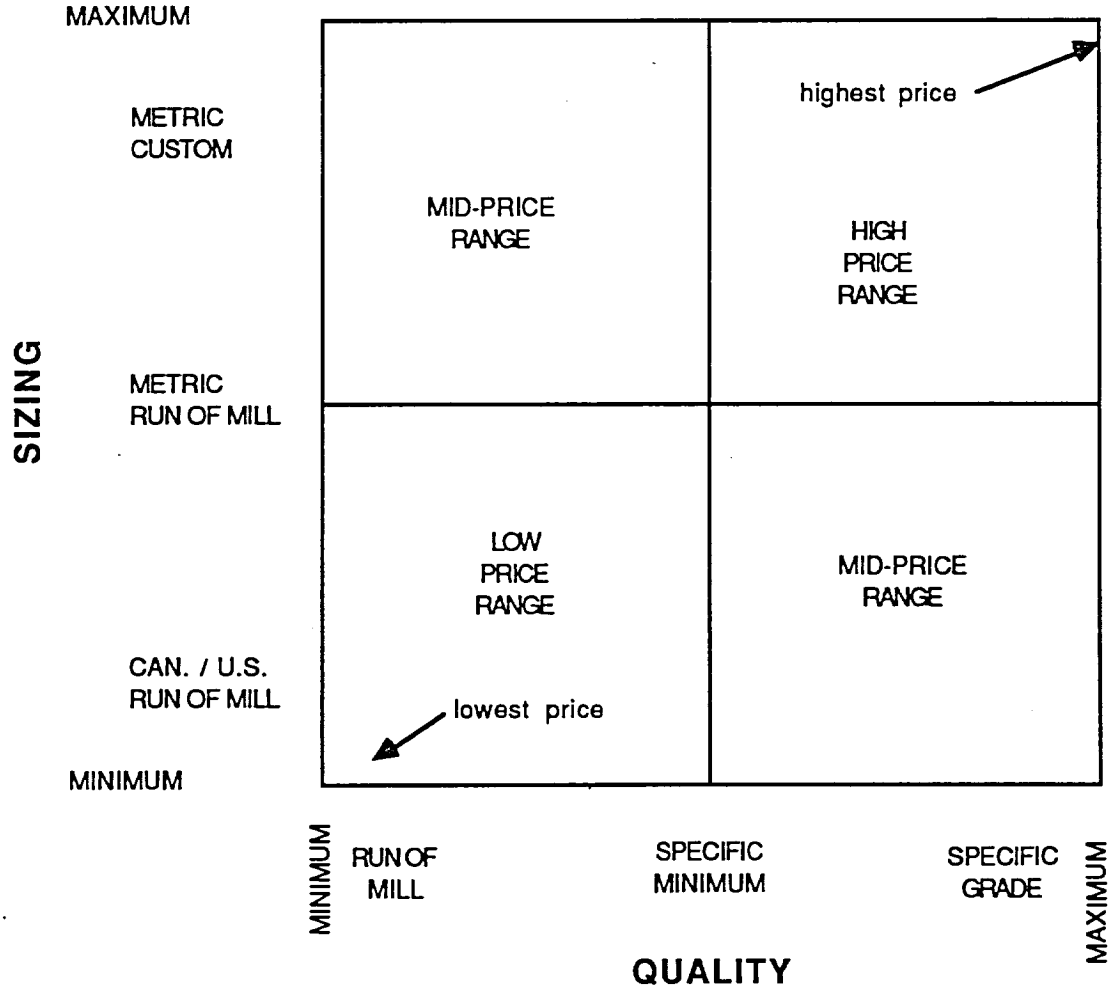


**Chart 6**
**Product Positioning:**
**Price Sensitivity and Customer Loyalty**

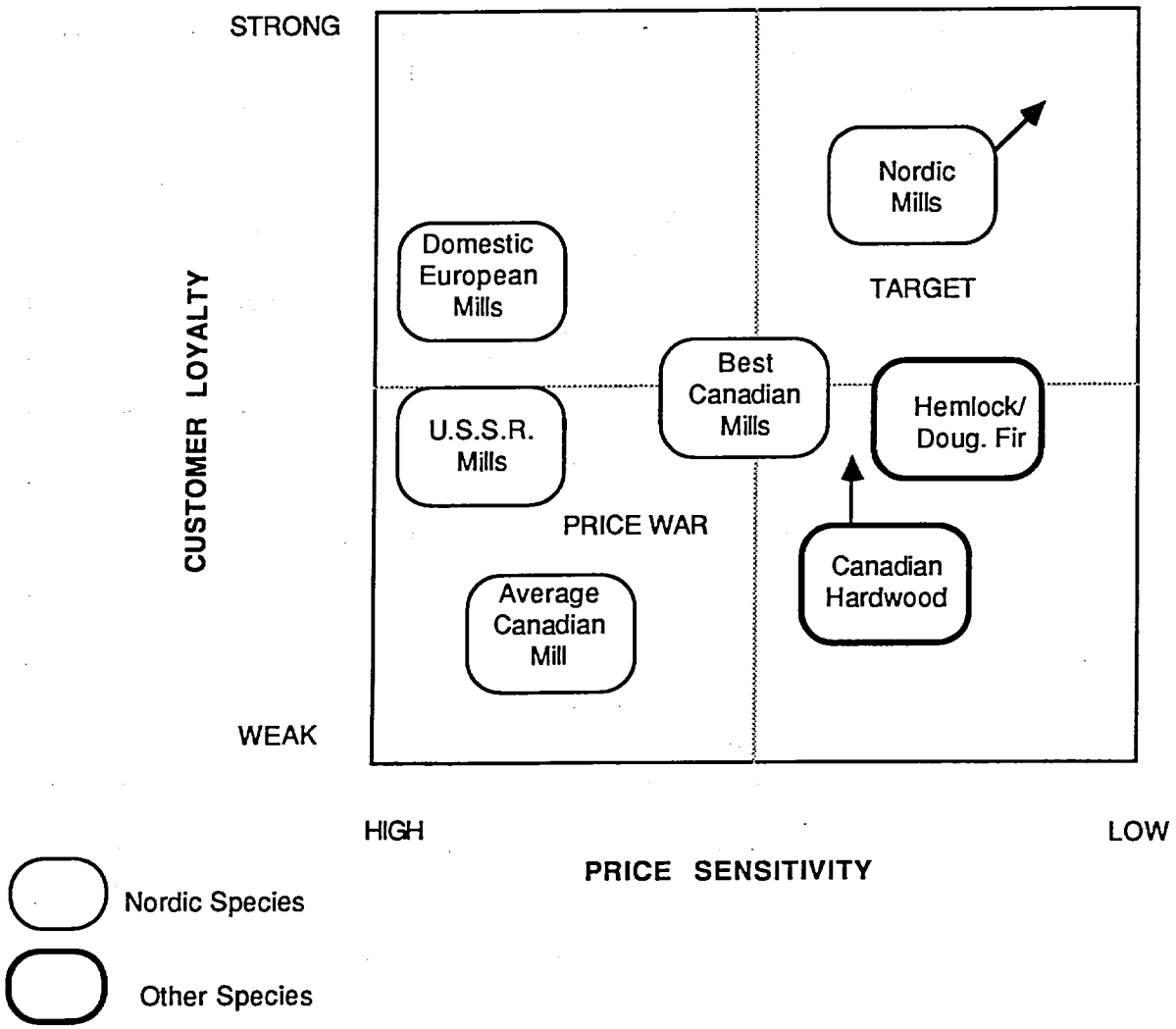
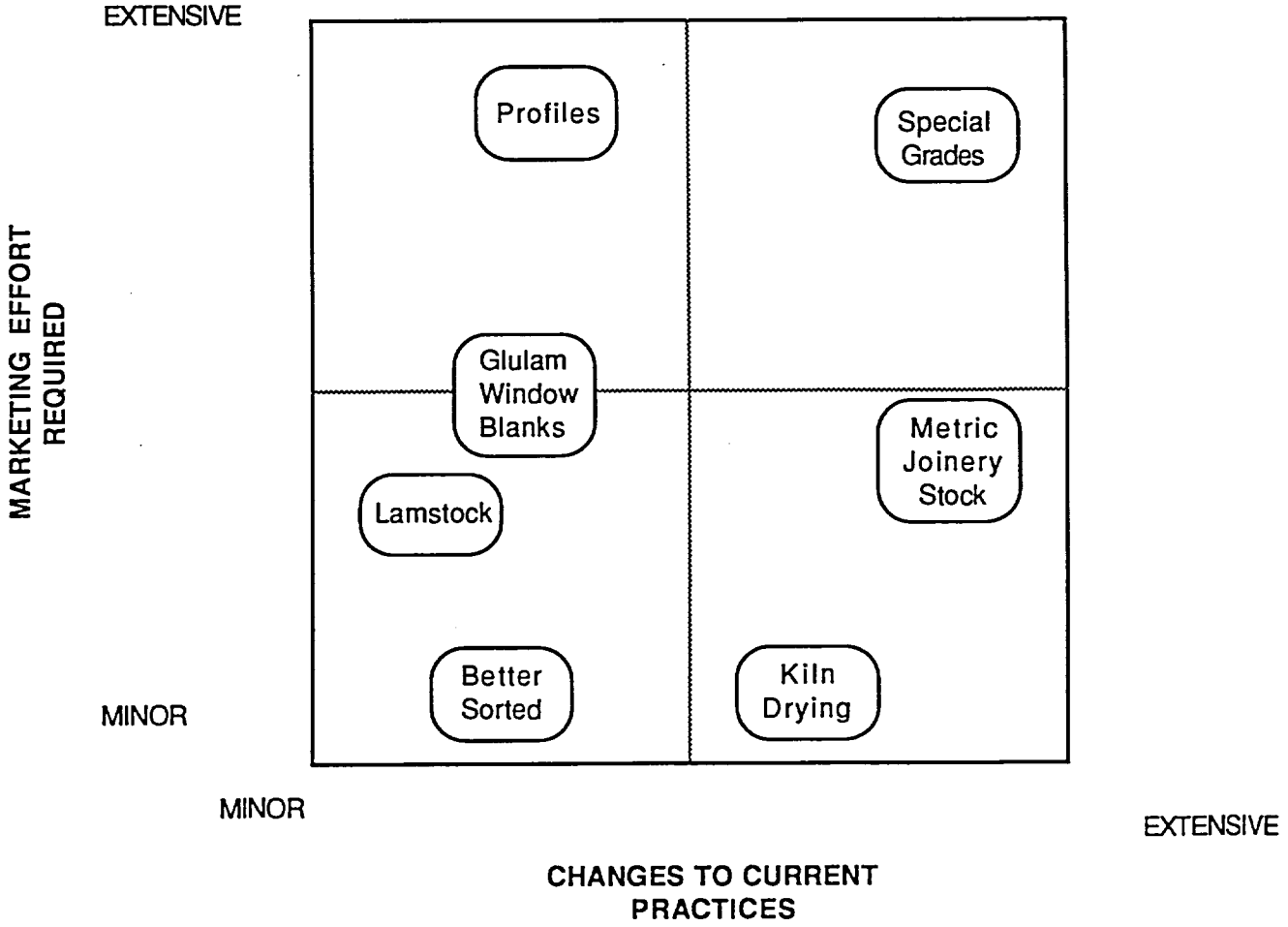


**Chart 7**
**Typical Value-Added Products:**
**Required Production Changes and Marketing Effort**




Definitions:
Better sorted: Better respect of existing standards
Metric joinery: Matches Nordic standards
Special grades: Develop unique grades (thus special product)

The easiest step is better sorting, albeit not to Nordic standards. The next is kiln-drying. Both of these products can currently be marketed. The ability to produce kiln-dried metric joinery stock that matches Nordic grade sorts is much more difficult. On the other hand, it requires only a bit more effort to market. Profiles and glulam are relatively easily produced by those geared to do so, but require extensive marketing. Profiles are the most difficult to market because of the close links that must be forged with customers. Profiles also require extensively developed logistics.

The ranking on the chart is a measure of the ease of accessing the market. Better sorting and lamstock are easiest, followed by kiln-dried lumber and glulam blanks. Profiles and Nordic grading come next. The hardest to achieve are specially graded products.

### 7.3.2 Assessing the Potential Payoff

Adding value does not always mean adding profit. Therefore, each company must assess the potential benefits from making Europe a significant element of their business.

An intuitive and largely subjective assessment of the probable relative returns from the European market is illustrated in Chart 8. The chart positions products in terms of the the expected returns and the ease of access to the market – based on the positioning from Chart 7.

For example, the profile market requires considerable effort, and returns are judged to be unattractive. Prices will be low since main clients will be large DIY groups, and costs will be relatively high for shipping and marketing. Offering kiln-dried products in North American sizes is a price game and will lead to low returns, either because of low price or only sporadic sales.

At the other end of the scale, better sorting requires relatively little effort, yields higher prices and therefore should be very attractive. The same applies to lamstock. Metric joinery stock is not as attractive because of the substantial effect on current production practices. Special grades are difficult to develop, but long-term position in the market is much more secure. Overall, returns are thus judged to be very good.

## 7.4 Market Development

To be successful, exporters must adapt to the needs of the market by adding value to their products. Exporters must then devote the necessary resources to the market and must choose the right partners. Business is getting too complex to try marketing from Canada. The value-added exporter needs somebody working on the ground in each market.

Dealing with value-added products, however, requires a specific, detailed knowledge of products and of customers. Partners must be selected accordingly. The short-term opportunities offered by retailers and manufacturers, who seek to buy directly, may not offer the best long-term strategy, unless the exporter has adequate representation in Europe.

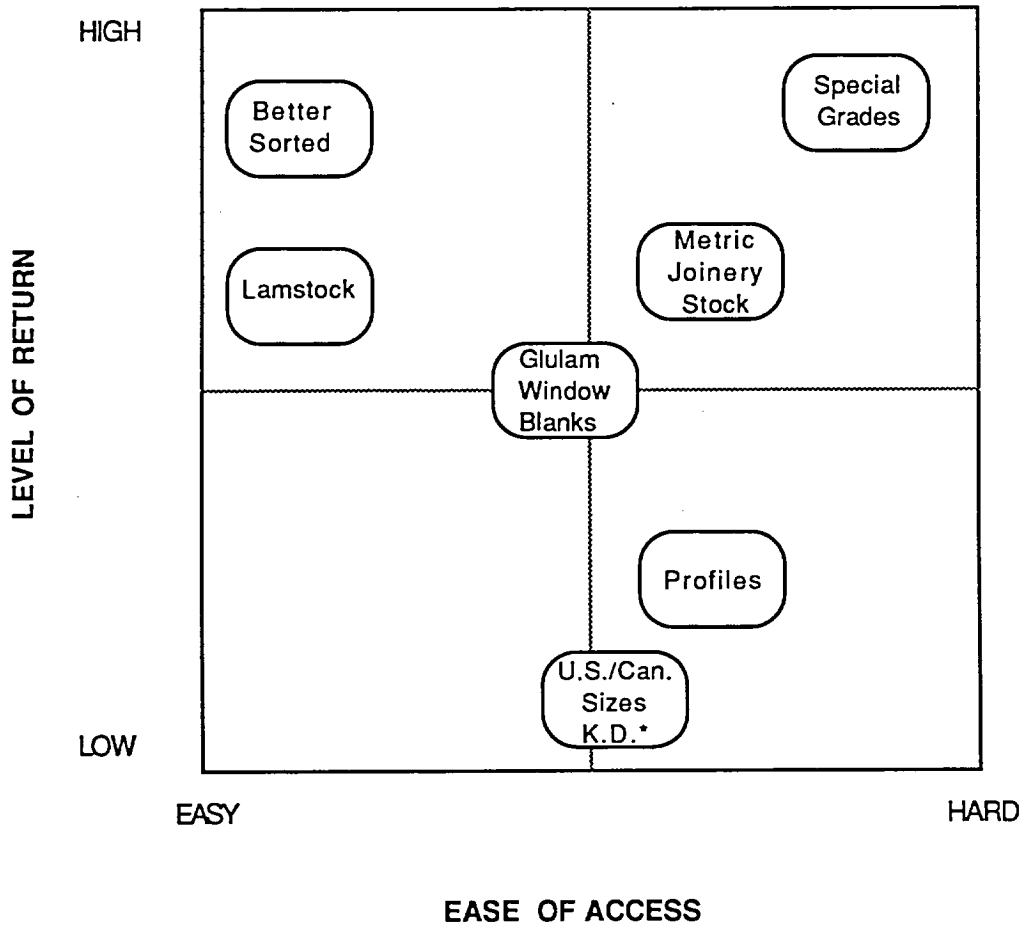
Following these guidelines will help exporters overcome the negative images about commitment, technical skills and, occasionally, Canadian commercial practices.

## 7.5 Additional Measures

One of the biggest impediments to market development in Europe is the poor image of many Canadian mills. Another, when viewed from the European business perspective, is the cut-throat competition among Canadian exporters, which is to the detriment of long-term market position. These aside, some of the strategies that could be followed by industry include:

- expanding the service notion – help customers help their customers;
- strengthening partnerships and alliances in Europe;
- acquiring downstream operations in Europe to ensure market outlets;
- becoming as good at grading as the Scandinavians;
- offering more tightly defined lower-quality grades, thus improving price and value yield;
- developing grade categories that favour Canadian products; and
- encouraging Europeans to invest in Canada.

**Chart 8**
**Potential Returns from European Market**




*K.D. = Kiln-Dried

On a wider plane that might involve several industry representatives, industry associations and governments, possible measures include:

- creating a specialized kiln-drying and remanufacturing facility dedicated to Europe, initially perhaps as a pilot project;
- selling products as part of a Canadian-style homes package;
- teaching the market to appreciate what Canadians do best – adequate quality, relatively low-priced, high recovery products (e.g., finger jointing, pre-painted windows);
- researching the requirements of potential customers; and
- promoting products and species to meet these requirements.

As one importer remarked, "Europeans are keen on quality and exporters must bear this in mind each and every day."

# APPENDIX I
# SELECTED CONTACTS IN EUROPEAN TIMBER TRADE

## FRANCE

### Agents of Selected Canadian Exporters of Coniferous Wood and Plywood

*Macmillan Bloedel Ltd.*

Van Minden Bois
B.P. 37
06021 Nice Cedex
Tel. 33 93 21 28 12
Fax 33 93 21 27 88

*Noranda Forest Sales Inc.*

Van Minden Bois
B.P. 37
06021 Nice Cedex
Tel. 33 93 21 28 12
Fax 33 93 21 27 88

*Seaboard Lumber Sales Ltd.*

Seaboard Europe Ltd.
Z.I. du Port de Nantes-Chevire Amont
44340 Bouguenais
Tel. 33 40 32 05 25

and

3 rue du Palais de Justice
59800 Lille
Tel. 33 20 78 18 58
Fax 33 20 74 24 28

*Fletcher Challenge Canada Ltd.*

Scandibois
27 av. de Wailly
B.P. 28
78290 Croissy sur Seine
Tel. 33 1 39 76 11 92

*Balfour Guthrie Forest Productions Inc.*

Gourdol S.A.
8 rue Montigny
75002 Paris
Tel. 33 1 42 96 16 00
Fax 33 1 42 96 94 25

*Westar Timber Ltd.*

Agence Francaise Berner et Nielsen
2 rue Joseph Sansboeuf
75008 Paris
Tel. 33 1 45 22 84 26
Fax 33 1 43 87 42 66

*Blanchette International*

Konow et Smith
5 rue de Teheran
75008 Paris
Tel. 33 1 45 63 39 29
Fax 33 1 45 63 21 93

### Other Agents

Agibois
79, avenue Raymond Poincaré
75016 Paris
Tel. 33 1 45 53 46 63

A.S.S.I. France
1, rue du Général Foy
75008 Paris
Tel. 33 1 45 22 61 17

Pierre Gage & Cie
63, Grand Rue
93250 Villemomble
Tel. 33 1 48 54 32 32

Société Gauthier
40, quai de Brazza
33100 Bordeaux
Tel. 3356 32 52 52

### Major Distributors of Wood Building Products

Point P
188 Quai de Valmy
75481 Paris Cedex 10

Gedimat
76 rue de Monceau
75008 Paris
Fax 33 1 43 87 03 38

Pinault Distribution
6 avenue Monceau
75008 Paris
Fax 33 1 43 23 93 59

Becob
38 rue Brunel
75017 Paris
Fax 33 1 45 72 48 78

Meridionale des Bois et Materiaux
84 av. de 22 Août 1944
B.P. 472
34505 Beziers
Fax 33 67 62 54 47

Lambert Distribution
2 rue de Port
92000 Nanterre

Dubois Materiaux – Castorama
59813 Lesquin

Menuiseries Lapeyre
2 rue André Karman
B.P. 149
93304 Aubervilliers CEDEX
Fax 33 48 34 41 42

# GERMANY

## Selected Contacts

### Manufacturers of Glulam Beams

Losberger Holzleimbau GmbH & Co. KG
Postfach 12 10
W-7519 Eppingen
Tel. 49 7262 10 11
Fax 49 7262 605 35
Telex 782 425

Hansen & Detlefsen GmbH
Postfach 12 48
W-2250 Husum
Tel. 49 4841 710 66
Fax 49 4841 744 77
Telex 28545

Huttemann Holz GmbH & Co. KG
Postfach 12 61
W-5787 Olsberg 1
Tel. 49 296 220 11
Fax 49 296 237 25
Telex 846 31

Holzleimbau Seliger KG
Mittelweg 10
W-2807 Achim
Tel. 49 4202 700 61
Fax 49 4202 700 64

### Agents

F. W. Barth & Co.
Postfach 10 74 40
2800 Bremen 1
Fax 49 421 3497 50

Axel Berlin
An der Alster 1
2000 Hamburg 1
Fax 49 40 2453 33

Max Cropp
Grossmooring 10
2100 Hamburg 90
Fax 49 40 7732 87

Fischer & Stahling GmbH
Hafenstrabe 39
2000 Webel
Fax 49 4103 827 74

Heinrich Gratenau
Holzagentur GmbH
Postfach 33 02 63
2800 Bremen
Fax 49 421 2530 22

Gratenau Holz KG (GmbH & Co.)
Postfach 10 53 06
2800 Bremen 1
Fax 49 421 329 05 30

Jacob Jurgensen GmbH
Postfach 76 21 29
2000 Hamburg 76
Fax 49 402 279 345

Gerd Kaehlert
Juthornstrabe 74
2000 Hamburg 70
Fax 49 406 525 880

Hans Kaufmann KG
Postfach 30 29
3160 Lehrte 3
Fax 49 5175 7675

Conrad Kohberg
Parkberg 8
2000 Hamburg 65
Telex 2173 708

Rolf Kraas
Emil-Specht-Allee 16
2055 Aumuhle
Fax 49 4104 2804

Gunter H. Kugler
Contrescarpe 53
2800 Bremen 1
Fax 49 421 3208 61

Ludwig Luhrs Holzmakler
Monckebergstrabe 17
2000 Hamburg 1
Fax 49 40 3358 41

J.F. Miller & Sohn
Postach 95 01 29
2103 Hamburg 95
Fax 49 40 7400 03 36

PanTim Holzagentur GmbH
Stofferkamp 1 D
2000 Hamburg 65
Fax 49 40 606 42 82

Sudeck & Co.
Jungfernsteig 38
2000 Hamburg 36
Fax 49 40 3534 99

Wilh. Schauman GmbH
Postfach 10 57 28
2000 Hamburg 1
Fax 49 40 2803 399

Schues & Nordstrom
Neuer Jungfernsteig 7/8
2000 Hamburg 36
Fax 49 40 3515 04

Dieter Schultz
Eggsiedter Weg 18
2224 Hochdonn
Fax 49 482 2055

Jan Fr. Schulzebeer & Co.
Tarpenbekstrabe 98
2000 Hamburg 20
Fax 49 40 4763 41

Stora Timber GmbH & Co. KG (Deutschland)
Schillerstrabe 44
2000 Hamburg 50
Fax 49 40 3890 06 39

Johannes Harald Thaysen
Postfach 73 03 10
2000 Hamburg 73
Fax 49 40 6776 646

Johann D. Voss & Co. GmbH
Kollaustrabe 90 B
2000 Hamburg 61
Fax 49 405 849 04

Wettergen & Co. GmbH
Muhlenkamp 43
2000 Hamburg 60
Fax 49 40 2703 390

Ove M.H. Zell
Postfach 67 02 08
2000 Hamburg 67
Fax 49 40 6033 821

## Do-It-Yourself Chains

Bauhaus GmbH & Co.
Gutenbergstr. 21
D-6800 Mannheim 1
Tel. 49 621 390 51
Telex 463 328

Hagebau GmbH & Co. KG
Celler Str. 47
D-3040 Soltau
Tel. 49 5191 80 20
Telex 924 140
Fax 49 5191 80 21 91

Interpares Bauwa Handels GmbH & Co. KG
Daimlerstr. 5d
D-7500 Karlsruche 21
Tel. 49 721 750 70
Telex 78 26 887
Fax 49 721 75 07 76

Nurnderger Bund AG
Schurmannstr. 30
D-4300 Essen 1
Tel. 49 201 18 930
Telex 857 457
Fax 49 201 1893 297

OBI Heimwerkermarkt KG
Albert-Einstein-str. 7
D-5632 Wermalskirchen 1
Tel. 492196 86 01
Telex 8514 002
Fax 49 2196 86 555

Stinnes AG Baumarkte
Humboldtring 15
D-4330 Mulheim/Rhur 12
Tel. 49 208 49 40
Telex 856 200
Fax 49 208 494 698

Max Bahr Bau-und Heimwerkermarkt
GmbH & Co KG
Hammer Steindamm 7
D-2000 Hamburg 76
Tel. 49 40 20 20 10
Telex 212 689

Massa AG
Heimwerkermarkt
Friedrichstr. 12-15
D-6508 Alzey 1
Tel. 49 6731 49 00
Telex 42 421

Wolfgang Wirichs GmbH & Co KG
Hafestr. 249
D-4150 Krefeld 1
Tel. 49 2151 51 50
Telex 853 410

Hornbach-baumarkt GmbH & Co KG
Giessubel 2-3
D-6741 Bornheim
Tel. 49 6348 601
Telex 453 374

## Manufacturers of Wooden Windows and Doors (*windows only)

Rekord-Fenster & Turen GmbH & Co. KG
Itzehoer Strabe
W-2211 Itzehoe-Dageling
Tel. 49 4821 8400

HBI Holz-Bau-Industrie GmbH & Co. KG
Postfauch 11 62
W-2725 Hemsbunde
Tel. 49 426 6810

Kowa Holzbearbeitung GmbH
Postfach 11 42
W-2849 Goldenstedt
Tel. 49 4444 2266 68

Selnar GmbH
Postfach 12 61
W-8807 Heilbronn
Tel. 49 9872 8090

Heinrich Menck GmbH Fernsterwerk*
Sinstofer Weg 70
W-2100 Hamburg 90
Tel. 49 407 601 060

AST-Ahlmann Systemtechinik GmbH*
Postfach 12 26
W-2300 Kiel
Tel. 49 431 587 10

H. Wachtendorf GmbH, Fensterwerk*
Emil-Heeder-Strabe 3
W-2930 Varel 1
Tel. 49 4451 5197

Hans Schafer Holzbau GmbH*
Postfach 12 08
W-3160 Lehrte
Tel. 49 5132 4084

Lanco Lange Fenster-und Fassadenbau
GmbH* Co. KG Betriebs-KG
Postfach 26 51
W-3400 Gottingen
Tel. 49 551 3850 40

## Manufacturers of Remanufacturing Products

W. Brugmann & Sohn GmbH
Postfach 7 28
4600 Dortmund 1
Tel. 49 231 828 70
Telex 17 2313 39
Fax 49 231 828 71 36

Grimmeisen Holzbau
Bahnhofstr. 53
7086 Neresheim-Elchingen
Tel. 49 7367 71
Telex 7137 97
Fax 49 7367 4557

Louis Krages GmbH & Co.
Postfach 21 01 40
2800 Bremen 21
Tel. 49 421 618 10
Telex 17 4212 100
Fax 49 421 6167 255

Ostermann & Scheiwe GmbH & Co.
Postfach 63 40
Tel. 49 2516 921
Telex 17 25139
Fax 49 251 6922 58

### Importers Specializing in Distribution to DIY Chains

Osman Holzsortiment GmbH & Co. KG
Postfach 11 03 65
W-424900 Oberhausen 11
Tel. 49 208 656 60
Telex 8565 61
Fax 49 208 6566 200

R.K. Bauprogramm GmbH
In der Weide 9
W-6530 Bingen-Sponsheim
Tel. 49 6721 4910
Telex 17 672196
Fax 49 6721 491 40

## ITALY

### Major Lumber Importers

Alfano Michele Legnameria Italiana S.P.A.
Viale Belle Villa 231
00172 Roma
Tel. 39 6 267 86 41
Fax 39 6 228 016
Contact: Mr. Michele Alfano, Director

Ala S.A.S. di Tito Gori
Via Tor Sapienza 197
00155 Roma
Tel. 39 6 228 47 41
Fax 39 6 228 45 52
Contact: Mr. Tito Gori, Managing Director

Cedoor International S.R.L.
Via Ponte Emilio 30
03030 Broccostella (Frosinone)
Tel. 39 776 813 728
Fax 39 776 813 240
Contacts: Mr. Paolo Ferrera, Director
Mrs. Mary Lecce, Director

Breglia A. & G. Soc. Ind. Legno S.P.A.
Via Argine 827
80147 Napoli
Tel. 39 81 756 66 84
Fax 39 81 756 75 82
Contact: Mr. Giuseppe Breglia, President

Feltrinelli G. & C. S.P.A.
C.ne Esterna di Napoli
80022 Arzano (Napoli)
Tel. 39 81 731 53 88
Fax 39 81 731 02 08
Contact: Mr. G. Malacarne, Managing Director

Colella Legnami S.P.A.
Via Argine 268
80147 Napoli
Tel. 39 81 752 00 44
Fax 39 81 752 4331
Contact: Mr. Maurizio Colella, Director

Fratelli Feltrinelli S.P.A.
Via Privata Maria Teresa 11
20123 Milano
Tel. 39 2 875 646
Fax 39 2 804 883
Contact: Mr. F. Giuggioli-Busacca,
Director General

Gardino S.P.A.
Corso Trapani 201
10141 Torino
Tel. 39 11 383 023
39 11 383 034
Fax 39 11 334 090
Contact: Mr. A. Gardino, Managing Director

Cora' Domenico & Figli
36077 Tavernelle Vicentina (Vicenza)
Tel. 39 444 572 105
Fax 39 444 572 173
Contact: Mr. G.F. Cora, Managing Director

T.T.S Italia S.P.A.
Tronchi Tropicali e Segati
Viale Codalunga 4H
35138 Padova
Tel. 39 49 662 022
Fax 39 49 650 556
Contact: Mr. Rossi di Schio, Managing Director

Gardino S.P.A.
Via Pietro Chiesa 11
16149 Genova/Sampierdarena
Tel. 39 10 420 151
Fax 39 10 460 823
Contact: Mr. Paolo Gardino, Managing Director

ICL – Intercontinentale Carinzia Legnami
Via Nuova Valassina 27/31
20033 Desio (Milano)
Tel. 39 362 625 501
Fax 39 362 300 332
Contacts: Mr. E. Scalori, Director
Mr. F. Rizzi, Director

Legno Nord S.P.A.
Strada Udine-Trieste, Km. 6
33040 Pradamano (Udine)
Tel. 39 432 670 151
Fax 39 432 670 155
Contact: Mr. Franco Calcaterra,
Managing Director

Nord Legno S.R.L.
Via Bongiovanni 19
44100 Ferrara
Tel. 39 532 514 53
Fax 39 532 770 445
Contact: Mr. L. Tambini, President

Imola Legno S.P.A.
Via Don Luigi Sturzo
40026 Imola
Tel. 39 542 640 025
Fax 39 542 640 418
Contacts: Mr. Elio Poli, Director
Mr. Enzo Poli, Director

## Lumber Agents

A.L.P.S. S.R.L.
Via Paglietti 1/B
07100 Sassari
Tel. 39 79 295 240
Fax 39 79 299 774

Agenzia Adriatica Legnami S.R.L.
Via Carducci 2
34135 Trieste
Tel. 39 40 361 541
Fax 39 40 610 953

Bechini Pierluigi
Via Maffei 39
50133 Firenze
Tel. 39 55 606 604
Fax 39 55 610 953

Bruno Taviani
Via Orcagna 16
50121 Firenze
Tel. 39 55 676 900
Fax 39 55 669 641

Cugini Italo & C. S.A.S.
Via Giglio 9
41011 Campogalliano (Modena)
Tel. 39 59 561 863
Fax 39 59 565 250

Adriatimber
Via Mazzini 17
34132 Trieste
Tel. 39 40 364 722
Fax 39 40 364 811

Agrifor Italia S.R.L.
Torre 1-Milano San Felice
20090 Segrate (Milano)
Tel. 39 2 753 22 43
Fax 39 2 753 25 27

Broker Legno
Via Farini 21
40124 Bologna
Tel. 39 51 237 172
Fax 39 51 657 0189

Cesarone Legnami S.A.S.
Via Pagano Doria 42
16126 Genova
Tel. 39 10 261 720
Fax 39 10 258 883

Ett Agenzia Legnami S.P.A.
Via Paraguay 2
00198 Roma
Tel. 39 6 844 05 51
Fax 39 6 844 05 55

F. De Campo Rappresentanze
Via Roma 8
10023 Chieri (Torino)
Tel. 39 11 947 29 53
Fax 39 11 942 72 46

Giorgio Pieraccini & C. S.A.S.
Viale Belfiore 50, C.P. 466,
50144 Firenze
Tel. 39 55 332 309
Fax 39 55 368 533

Imexco S.P.A.
Via Della Giustizia 9
20125 Milano
Tel. 39 2 670 95 41
Fax 39 2 669 44 07

Legno Service S.R.L.
Via Orsa Minore 62
95040 San Giovanni Galermo
(Catania)
Tel. 39 95 394 248
Fax 39 95 394 280

Merlinlegno S.R.L.
Via San Vito 62/A
37053 Cerea (Verona)
Tel. 39 442 302 55
Fax 39 442 828 02

Favino Rappresentanze Legnami
Via Puglia
71100 Foggia
Tel. 39 881 200 02
Fax 39 881 788 00

Holzprodukte S.R.L.
Torre 1-Milano San Felice
20090 Segrate (Milano)
Tel. 39 2 753 22 43
Fax 39 2 753 25 27

International Forest Products
Europe S.R.L.
Viale America 93
00144 Roma
Tel. 39 6 591 67 20
Fax 39 6 591 73 47

Medit S.R.L.
Viale Nazario Sauro 8/1
16145 Genova
Tel. 39 10 311 311
Fax 39 10 368 452

Renzo Occhiena
Cascina "La Barosca"
14022 Castelnuovo D.B. (Asti)
Tel. 39 11 987 20 01
Fax 39 11 987 21 01

Viale della Republica 272
5004/Prato (Firenze)
Tel. 39 574 581 704
Fax 39 574 594 632

Sergio Morasso S.A.S.
C. te Lambruschini, Torre A. 9,
16145 Genova
Tel. 39 10 585 827
Fax 39 10 587 403

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50122 Firenze
Tel. 39 55 240 232
Fax 39 55 234 0286

Via San Felice A Ema 23
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Fax 39 55 232 09 27

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Fax 39 95 551 033

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00196 Roma
Tel. 39 51 227 105
Fax 39 51 317 65

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Via Oberdan 10
40126 Bologna
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Fax 39 51 225 165

L.G. Camerini S.R.L.
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# UNITED KINGDOM

## Selected Contacts

### Agents

Churchill & Sim Ltd
St James' House
150 London Rd. East Grinstead
W Sussex RH1 9YD
Tel. 44 342 327 244
Telex 957 215 6
Fax 44 342 3149 86

Price & Pierce
Duke's Court, Duke St, Woking
Surrey GU21 5BH
Tel. 44 483 757 262
Telex 85 9443 Timber G
Fax 44 483 7572 64

Dorman & Briggs
Whitehouse Farm
Gorsley, Ross-on Wye
Herefordshire HR9 7SF
Tel. 44 989 82 744 750

Gill & Robertson Ltd.
7 North Terrace
Newcastle-upon-Tyne,
Tyne & Wear
Tel. 44 91232 1388
Telex 533 87
Fax 44 91 261 6449

Mitchell, Roger (UK) Ltd.
Station House, Milford
Godalming, Surrey
Tel. 44 4868 284 89
Telex 859 005 MITCHL
Fax. 44 483 860 119

Goodwin, Harry & Sons Ltd.
Canal Saymills, Leek, Staffs
ST13 5QG
Tel. 44 538 382 728

Gordon, Watts & Co. Ltd.
109 Kingsway
WC2B 6PP London
Tel. 44 667 535 53
Telex 75387 B/YDAND G
Fax 44 667 521 68

UCM Timber PLC
City House, 5th Floor
190 City Road
London EC1V 2QH
Tel. 44 (71 or 81) 1 253 6622
Telex 264 781
Fax 44 1608 0799

## Semi-Finished Wood

Aronson Bros. PLC
Aro House, Trust Road
Waltham Cross, Hertshire
EN8 7TY
Tel. 44 992 885/00
Telex 311 386/
Fax 44 992 767 899

B.L.P. Group PLC
293 Old Ford Road
London E3 5NP
Tel. 44 (71 or 81) 1980 7411
Telex 896 821
Fax 44 1981 5007

## Marketers and Distributors of Timber

Travis Perkins PLC
Lodge Way House, Lodge Way
Harlestone Road, Northampton
NN5 7UG
Tel. 44 604 524 24
Telex 311 386
Fax 44 604 587 244

Wickes PLC
19-21 Mortimer Street
London W1N 7RJ
Tel. 44 71 1 631 1018
Telex 261 053

Harcos Timber & Building Supplies
20 St. Dunstan's Hill
London EC3R 8LQ
Tel. 44 (71 or 81) 1 626 4333
Telex 885 636
Fax 44 1782 9897

Meyer International PLC
Villiers House, 41-47 Strand
London WC2N5JG
Tel. 44 (71 or 81) 1 839 7766
Telex 27451
Fax 44 1 839 5520

## Machined Wood Products

Boulton & Paul Ltd.
Kings Road
Melton Mowbray
Leicestershire
Tel. 44 664 641 11
Telex 34550
Fax 44 664 612 75

John Carr Group
Watch House Lane
Doncaster, South Yorkshire
DN5 9LR
Tel. 44 302 783 333
Telex 547 160
Fax 44 302 787 383

## Window Frames and Building Components

Howarth Timber Group
East St. Leeds
W York LS9 8DA
Tel. 44 532 4315 63
Fax 44 532 4251 12

## Roof Trusses

Latham, James PLC
Leeside Wharf
Mount Pleasant Hill, Clapton
London LU4 8EW
Tel. 44 1 806 3333
Telex 265 670
Fax 44 1 637 1784

B & Q Retail Ltd.
Norwich House, Nelson Gate
Commercial Road, Southhampton
Telex 703 33 22 54

Texas Home Care Ltd.
Home Charm House
Park Farm, Wellingborough
Fax 44 933 674 352

## Associations

Council of Forest Industries of British Columbia
Tileman House
131-133 Upper Richmond Road
London SW15 2TR
Tel. 44 81 81 88 44 66
Telex 256 95
Fax 44 1789 0148

The Timber Trade Federation
Clareville House
26/27 Oxendon Street
London SW1Y 4El
Tel. 44 71 1 839 1891
Telex 895 4628
Fax 44 1 930 0094

Builders Merchants Federation
15 Soho Square
London W1V5FB
Tel. 44 71 1 439 1753
Fax 44 1 734 2766

Building Research Establishment
Building Research Station
Garston, Watford, Hertshire
WD2 7JR
Tel. 44 23 894 040
Telex 923 220
Fax 44 923 664 010

TRADA
Stocking Lane, Hugbenden Valley
High Wycombe, Buckinghamshire
HP14 4ND
Tel. 44 24 02 3901
Telex 832 92
Fax 44 24 024 5487

Bureau de promotion des industries du bois
Blenheim Court, 7 Beaufort Park
Woodlands, Almondsbury
Bristol BS12 4NE
Tel. 44 454 616 000
Fax 44 454 616 080


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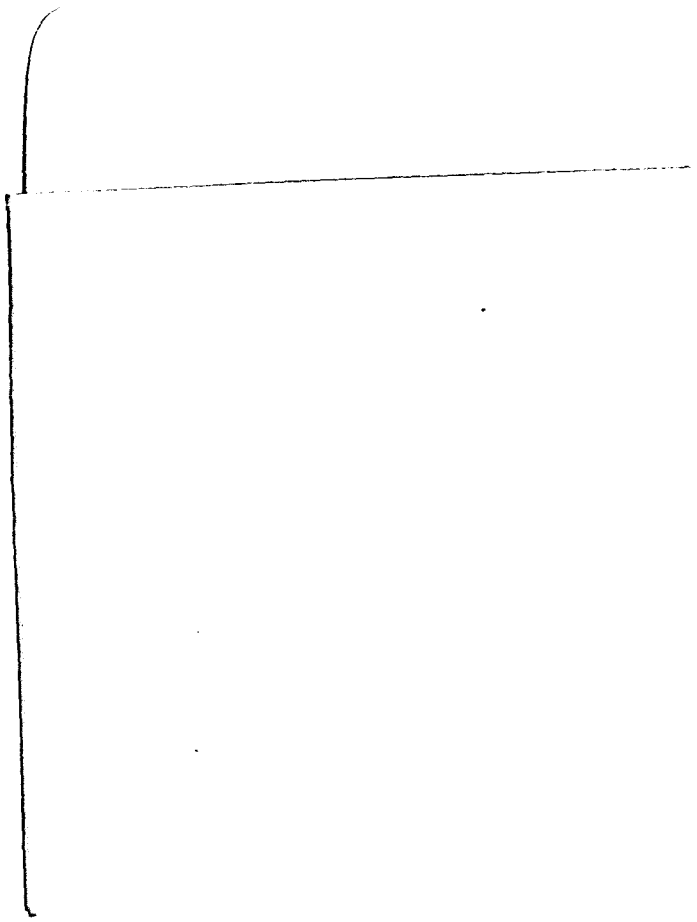

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