

Steady growth in Dutch sustainably sourced timber market share

Growth in Dutch market share of sustainably sourced sawn wood and wood-based panels flattened in 2017, according to the latest study by forest and timber sustainability advisors and analysts Probos, and this trend is seen continuing in later data. But the report, its sixth of the sector, undertaken in 2018 for the Dutch Ministry of Agriculture, Nature and Food Quality (LNV), still showed the share of both sustainably sourced sawn wood and wood-based panels and paper and cardboard placed on the Dutch market reaching 85%.



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The reason statistics for 2017 are only now being released is because studies for the Dutch government must first be reviewed by the House of Representatives. But organisations and businesses still find Probos report figures a useful basis for setting and validating policies, and it also makes them more current by referencing more recent market trends.

Towards 100% sustainable

It is the government's ambition to make sustainably sourced timber the norm on the Dutch market. This is the backdrop to its commissioning market share reports, in order to gauge the current state of trade and where interventions might be needed. Probos's previous studies were undertaken in 2005, 2008, 2011, 2013, and 2015. All of them took the "source approach". This means that volumes of certified wood were determined as they entered the Dutch market. It's a comprehensive analytical process, with every Dutch producer of timber, paper and/or paperboard approached for data, as well as all importers of sawnwood, wood based panels, paper and paperboard. The market share figures in the studies can't be linked directly to the end user, but the consistent approach over the six editions to date means data is comparable and year-on-year trends can be identified.

Sustainably sourced timber

In Probos's market analysis, sustainably sourced timber is defined as timber that meets the Procurement Criteria for Timber of the Dutch government – which currently means within the source approach being either FSC- or PEFC certified. Additional attention is paid to tropical wood with a FLEGT-licence. Indonesia started to FLEGT-licence its

Table 1 The total volume of FSC- and PEFC-certified sawnwood and wood based panels on the Dutch market in 2013 and 2015 (in m³ RWE).

	FSC	PEFC	Total certified	Total market*	Certified as % of total market
2017	3,230,000	1,895,000	5,125,000	6,049,000	84.7%
2015	2,458,000	2,027,000	4,485,000	5,386,000	83.3%

* The figures for the "total market" are based on the annual Probos/CBS production and trade statistics for timber- and paper products, and are the apparent consumption in the period mentioned.

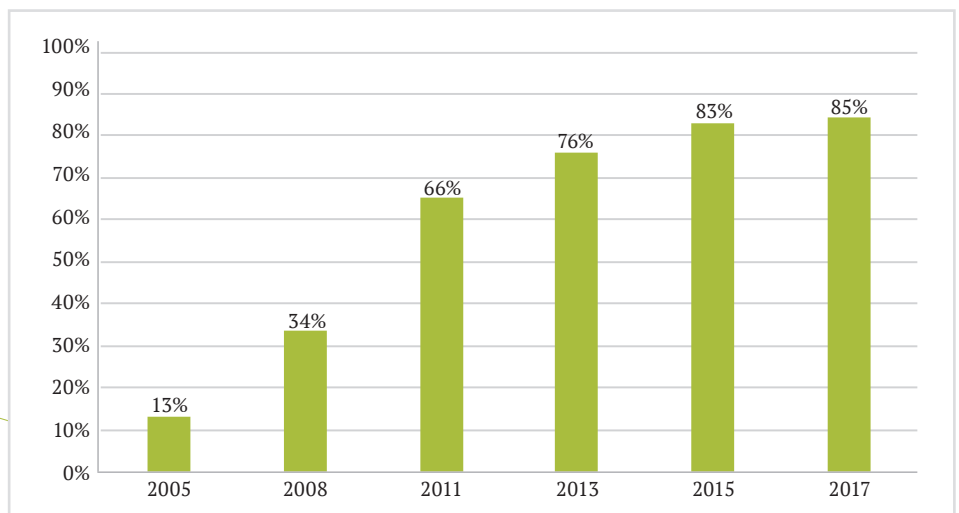


Figure 1 Share (%) of sustainably sourced timber on the Dutch market 2005 - 2017.

timber exports on November 15 2016 and so far remains the only country to do so. FLEGT-licensed timber is exempt further legality assurance due diligence under the EU Timber Regulation (EUTR), so effectively has a "green lane" into the EU. This makes it relevant to monitor the resulting market impact.

2017 Results

In 2017 a total of 5.1 million m³ of roundwood equivalent (RWE¹) sawn wood and wood-based panels brought into the Dutch market was sustainably sourced.

¹ RWE: a roundwood equivalent is the amount of roundwood needed to make a certain amount of a product.

This represented a market share of 84.7% of the total Dutch consumption of sawnwood and wood based panels (table 1), an increase of almost 1.5% on 2015. In absolute terms, the volume of sustainably sourced timber has increased by 650,000 m³ RWE. This growth is mainly the result of economic improvement over the period. But comparing figures over the six Probos reports shows that growth in market share of sustainably sourced timber is on a downward trend (figure 1). This is not surprising, considering the relatively high market shares of 2015 and 2017. Within the volume of sustainably sourced timber on the Dutch market, the share of FSC-certified wood in 2017 was

63% (55% in 2015) and PEFC-certified 37% (45% in 2015). Market shares as a proportion of total Dutch timber consumption are 53.4% for FSC and 31.3% for PEFC.

Growth within product groups

Three of the four primary timber product groups saw growth in market share of sustainably sourced material. Wood based panels and tropical- and temperate sawn hardwood all showed an increase of 4%. This brought the market share of these groups up to 92.5%, 67.1% and 37.7% respectively.

Sustainably sourced market share in sawn softwood has remained constant at about 85%. Sawn softwood represents more than half (54%) of all Dutch timber consumption. Coniferous wood and wood-based panels together represent almost 80% of total timber consumption.

Sawn temperate hardwood

The results show that the share of sustainably sourced material in the sawn temperate hardwood market (37.7%) still lags behind. The packaging industry accounts for two-thirds of its consumption in the Netherlands. Consequently a detailed study was performed to examine the reason for the low market share within this specific sector. The primary cause is reported to be lack of demand from packaging industry clients for FSC- and PEFC-certified products. The sector is characterized by low profit margins, making price the main factor in determining where wood is sourced (country/region/distributor). Certified sustainably sourced timber can be more expensive and limits flexibility, which is why the default for most companies is not to buy

it. The price of raw materials also plays a role in other sectors, but it is more decisive in wood packaging. If this sector did specify certified sustainably sourced material, the latter's market share would increase substantially. The sustainably managed forest source is available. This would also improve the environmental image of wood pallets and packaging, something producers are keen to do.

Sawn tropical hardwood

The origin of sawn tropical hardwood got extra attention in Probos's market analysis. As in 2015, Malaysia was the Netherlands' lead supplier in 2017, accounting for 35% of imports (36% in 2015). It was followed in order of import share by Indonesia (16%) and Gabon and Cameroon (both 14%). When looking at country of origin of sustainably sourced sawn tropical hardwood, about 47% came from Malaysia, followed by Indonesia on 13%, Gabon 11% and Cameroon 7%.

Imports of FLEGT-licensed tropical sawn hardwood and wood-based panels from Indonesia in 2017 amounted to RWE, or nearly 15% of the Netherlands' total consumption of tropical timber products.

Recent developments

Probos also annually monitors the share of sustainably sourced timber products within the trade flows of the members of the Royal Netherlands Timber Trade Association (NTTA). A comparison of NTTA monitoring results in 2017 and 2019 shows growth in market share in sawn softwood, sawn hardwood and wood-based panels. Especially notable is the strong growth in market share

in sawn temperate hardwood, mainly destined for the furniture industry. A different trend is seen in sawn tropical hardwood. Here market share of sustainably sourced material has declined by a few percent. The total import of sawn tropical hardwood actually increased over the period, but the volume with an FSC- or PEFC-certificate is down. This decline has mostly come in PEFC-certified volumes, even though PEFC-certified tropical forest area has increased. It should be noted, however, that some importers, both large and small companies, managed to increase their sustainably sourced market share of tropical hardwood.

Sustainably sourced paper and paperboard

In 2017 approximately 2.5 million tons of sustainably sourced paper and paperboard were placed on the Dutch market. This amounts to a market share of 84.7% (66.7% FSC and 18.0% PEFC, table 2) and represents a significant increase on 2015 (65.6%). Graphics paper and packaging paper and paperboard account for this increase (figure 2). Packaging paper and paperboard is also the most important product group within total paper and paperboard consumption in the Netherlands.

Lots of work to do

The latest Probos study shows that, in total, 85% of both paper and paperboard, and primary timber products on the Dutch market comes from sustainably managed forests. This makes it look like we are almost there in terms of making sustainably sourced material the market norm, but this is far from the truth. The low hanging fruit has been



Table 2 The total volume of FSC- and PEFC-certified paper and paperboard (in tons) on the Dutch market in 2015 and 2017.

	FSC	PEFC	Total	In %
Total			2,914,000	
Total market 2017*				
With certificate 2017	1,942,500	525,700	2,468,200	84.7%
Total market 2015*			2,651,000	
With certificate 2015	1,395,300	344,200	1,739,500	65.6%

* The figures for the "total market" are based on the annual Probos/CBS production and trade statistics for timber- and paper products.

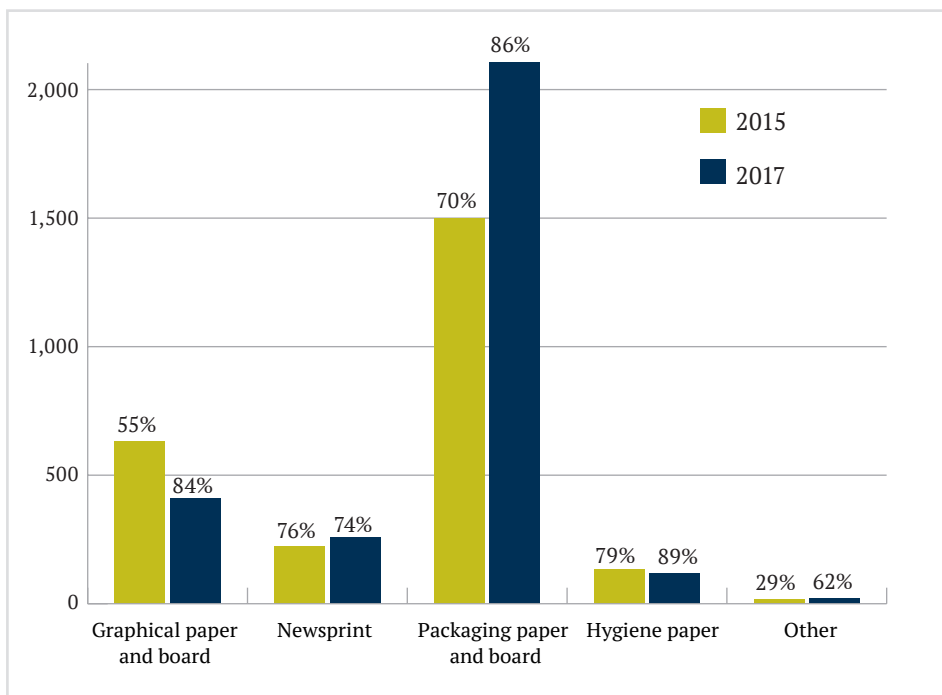


Figure 2 The total volume of paper and paperboard (in 1.000 tons) per product group on the Dutch market in 2015 and 2017. The percentages (%) indicate the market share with a FSC- or PEFC-certificate.

picked a while ago, and critical product groups such as sawn tropical hardwood and temperate hardwood are lagging behind. Achieving the target of 100% sustainably sourced products is feasible, but only when the sector itself chooses to import 100% sustainably sourced and the consumer is willing to buy it. To

reach this goal may mean that certain timber species or assortments become less available, or completely unavailable, so the market should be prepared for and advised on the use of alternatives.

Sourcing 100% sustainable material is in the interests of the sector. Especially

when taking into account that Life Cycle Analyses (LCA) and other environmental assessments base their calculations on use of sustainably sourced timber as the default input. Only then does wood compare favourably to other materials. If the consumer can only choose sustainable, the price difference with non-certified also no longer applies and we are on the right track. And an important stimulus in this context is rigorous enforcement of the EUTR in the EU.

There is no denying that the 'business-case' for sustainable forest management in the tropics remains challenging and that to prevent its market share from further stabilizing or even declining, demand for sustainability sourced timber needs to be stimulated. Forest certification worldwide will also not increase solely due to Dutch demand. That is why international cooperation in this area is critical too. In short, there is work to do!

The authors would like to thank the Federations and companies in the timber and paper sector that contributed to this market analysis. Only with their cooperation can the market analysis deliver usable results and contribute to the ultimate goal, stimulating sustainable forest management worldwide.

The report and all results are downloadable from <https://probos.nl/rapporten-2018> (only in Dutch).

Sander Teeuwen, Jan Oldenburger & Mark van Benthem

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