



71st International
SOFTWOOD CONFERENCE
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CHALLENGING TIMES AMID CONSTRUCTION MARKETS DOWNTURN

On the 12th of October 2023 the 71st edition of the International Softwood Conference was held at the Hilton Vienna Park. The Conference was hosted by the Fachverband der Holzindustrie Österreichs, which co-organized the event with the two usual partners: the European Organization of the Sawmill Industry (EOS) and the European Timber Trade Federation (ETTF).

Vienna, 12th October – The event drew many participants as 333 people attended the Conference in the Austrian capital – a record-breaking audience – coming from over 30 countries all over the world. The conference was opened by a session focused on the availability of raw materials, which was not the main concern for the industry in 2023 but remains a vital question amid a changing forest due to climate change and forest policies playing a bigger role both at state and at European level. Sami Pastila of AFRY showed that the Northern Hemisphere will keep driving the availability of raw materials in the softwood industry, with growth opportunities in the US South. A steady supply is expected in Europe but with regional differences. Silvio Schüler of the BFW – Austrian Forest Research Centre – stated that the growing stocks of conifers in Europe are still high but increasingly subjected to climate risk and long-term availability of softwood resources needs an adapted management. Herbert Jöbstl, President of EOS, emphasized that we do not have to narrowly focus on the availability of logs only, but the industry has to improve efficiency for instance when it comes to logs' yield, and wood reusability and recyclability.

Information-packed sessions about the market trends were followed with attention by the audience. While previous years since the beginning of the pandemic were characterized by extraordinary volatility but good profitability for many sawmills across Europe, in particular 2021, this year the softwood markets have disappointed traders and sawmillers alike on the back of the slowdown already started in the second half of 2022. The downturn can be compared to the one that affected the industry 15 years ago during the global financial crisis.

Having peaked in 2021, the development of softwood production and consumption suggests that in 2023 production will have declined by over 8% in Europe and consumption by around 11% compared with 2022. Speakers at the conference concurred in identifying the reasons that have caused the market to go down.

Herbert Jöbstl and Morten Bergsten, Vice-President and Softwood Chairman of ETTF, delivered similar messages in their presentations from their respective vantage points of producer and user. Production in the sector has been curtailed to accommodate weak demand. The situation is somewhat more

complex in Central Europe than in Scandinavia, particularly in Sweden. Sawn softwood prices have sharply declined from the peaks observed during the previous years. High inflation rates have forced Central Banks to increase interest rates and after more than a decade of relatively low mortgage rates, the latter sharply increased and pose affordability challenges to aspiring homebuyers. Inflation itself dents consumers' savings, deters homebuyers and increases costs for construction firms. This combination of factors has contributed to the downfall of the construction sector, which is key for the softwood business. Sluggish construction markets seem set to remain well into 2024, so at least in the short term the crunch time for the softwood industry is expected to continue. Energy and personnel costs remain high.

When it comes to trade, Mr Bergsten voiced the united message of producers and traders alike – EU sanctions on the Russian and Belarusian wood products should be respected by all players in the woodworking industry: EOS and ETTF strongly condemn the residual imports of such products via third countries.

Overseas exports have functioned as stabilisers for many businesses in H1, with European producers achieving at the end of the summer a 14% market share in the all-important US market amid a decline of Canadian exports to the US. Chinese imports of sawn softwood have increased in H1 but from a very low base in 2022 and the local construction market is also in dire straits. As a result, already during the summer there were signs of an import decline in China. The MENA region is an important outlet for European sawnwood, particularly when markets in other regions are negative.

While there are reasons to be pessimistic about the markets in the coming weeks and months, the Conference also provided some upbeat messages.

Wood as a building material has achieved a good market share in some European countries over the last few years. A promising area is also the renovation market, which is less affected by business cycles than the new built market. Also, the industry is in a better position than during the market downturn of 15 years ago. It was stressed that as a result of the high profitability over the last few years, many sawmills have invested in their businesses and in expanding capacities. The softwood industry is a resilient sector and the long-term market drivers remain favourable with the benefits of using wood to fight climate change increasingly recognized. However, challenges related to policies will also play an important role as emphasized by Silvia Melegari, Secretary General of both EOS and CEI-Bois, in her presentation about the EU Deforestation Regulation, which is expected to significantly increase the administrative requirements related to the compliance of the due diligence requirements.

The International Softwood Conference 2023 was preceded by an extremely interesting visit to a Mayr-Melnhof plant, which is the world's first PEFC-certified cross-laminated timber plant. The high-tech CLT plant has been recently inaugurated and is located in Leoben, Styria. The next edition of the International Softwood conference will take place in Taormina, Italy in October 2024. For more information and the presentations soon to be uploaded, please visit the website <https://isc2023.com/>