

Forest Products: Opportunities And Barriers

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DANZER
Hardwood Excellence.

Danzer: A Global Hardwood Business Managed By The Third Generation



Market Position

- Largest producer of decorative sliced wood worldwide
- Among the large producers of sawn hardwood in North America and Africa

Workforce

- 2500 employees,
- >40 nationalities
- >30 mother tongues

Raw Material Consumption

- 500'000m³ annually

Sales by Region of Origin

- 47% North America
- 28% Africa
- 24% Europe
- 1% Other

Sales

- Sales: 254 Mio. € in 2015
- Delivered to 83 countries
- 210 different species

Operations

- US, Canada
- France, Germany, Czech Republic
- Republic of Congo

Forest management

- 1.2 million hectares forest concessions in Africa (FSC certified)
- 18,000 hectares Danzer forests in the US

Headquarter

- Dornbirn, Austria

Diversity Creates Fragmented Industry Structure

High Raw Material Value, High Yield Loss In Value Chain

Highly fragmented



Highly fragmented



Highly fragmented

Trade
Distribution
Consultants
...

Highly fragmented

Inefficient
local conversion

- Custom-made
- Standard products

Highly fragmented

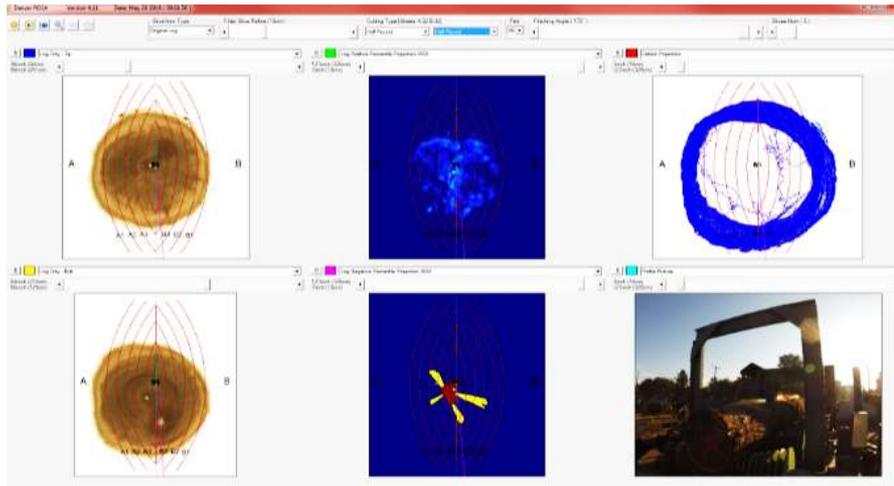


Complexity

Standardization

Complexity

Case Study I: CT Scanning Of Hardwood Logs



Danzer uses CT technology to optimize yield from tree to product

- Daily routine use in Danzer operations in the USA

Danzer made CT scanning globally available via Internet portal and smartphone apps

- Low level of interest from third parties



Case Study II: Light-Weight Board From Veneer Waste



Danzer developed an extremely strong, yet light wood based board

- $<350 \text{ kg/m}^3$
- E-Modulus: $>6'000\text{N/mm}^2$

Many potential partners and customers were contacted

- Everyone is impressed by the idea
- Surprising low level of interest to develop industrial process

Case Study III: New Veneer Designs



Danzer developed several dozens of new veneers and wood designs

- Composites with metal
- Lumber-like look of veneer
- Color-consistent, highly homogenous true veneer
- ...

So far, only custom developed products were successful

- Traditional hardwood users are conservative
- Automotive industry as innovation leader

Case Study IV: *Sliced* Flooring Lamellas



Danzer developed own veneer slicer

- Patent-protected
- Unmatched cutting precision and quality

Proprietary equipment allows to cut hardwood >2.5mm thickness

- Slicing of lamellas for engineered flooring industry
- Substitutes less resource efficient sawing process

A successful “start up” business



Regulators Can Help Hardwood – Mostly In Creating A Supportive Framework

“Inside” the industry

The challenges of hardwood can only be solved by businesses in the industry

- Creative destruction
- Government action cannot change the culture of an industry

Major improvement of yield in value chain conceivable

- More products from the same wood volume

Wood versus other materials

Regulators create the framework

- Often, un-intended consequences result

The less regulation, the better

Where regulation is meaningful, make it smart

- And implement consistently

Always consider impact on wood’s competitiveness

- Often, other materials benefit

Foster Free Trade

Access To Markets And Free Trade Are A Pre-Requisite

Support clear rules for free trade

- Finalize TTIP, TIP, Ceta
- Speed up FLEGT process and grow number of VPAs
- Revive and finalize Doha Round (!)

Do not create incentives and single- purpose market distortions

- Subsidies, specific marketing support, R&D grants, ...

Do not limit access to resources based on non-scientific campaigns

- Many regulatory (and voluntary) initiatives push for a reduction of wood use and access to timber

More and more regulation (ABC, FACTA, data privacy, transfer pricing, product safety regulation, ...) favors large companies

- Compliance is relatively more costly for small businesses

Make Consumers Pay The *Real* Price

Internalize Cost Of "Free" Goods

Stop and prevent all hidden subsidies for non-wood products

- Wood is burdened with regulatory requirements that make it less competitive compared to other materials
- Require similar standards on legality from oil, ore, coal, bauxite, copper, ... like from timber products
- Use scientific approach rather than leaving the field to lobbyists

Incorporate externalities into acquisition cost

- Account for carbon, energy, water and add these costs via taxes
- Incorporate end-of-life cost into pricing



Give Hardwood A Chance To Contribute To Global Challenges

Hardwood Can Support Implementation Of SDGs

Governments must take the lead

- ENGOs contribute, but must not dominate the discourse

Promote wood and hardwood

- Push for wood in public buildings
- Use education at all levels to share the wood message
- Do not close more forestry schools(!)

Wood can contribute substantially to carbon reduction



Support Hardwood As A Tool For Economic Development

If Forests Contribute, They Survive

Keep markets open for timber products from developing countries

- Entry barriers to hardwood production are low, ideal for development
- If timber products feed the local population, there is an incentive to maintain the forests

Consider limiting access to markets for agricultural products produced on former timberland

- All palm oil, soy bean, coffee, ... from illegally clear-cut timberland can enter Western markets without any trade barrier (!)

Allow tropical timber the same market access as species from temperate forests



Foster Trust In Hardwood

Trust Is The Most Efficient Way To Encourage Consumption And Create Consumer Confidence

Consistently implement existing rules

- EUTR: every country does it differently
- Instead of Lacey Act, EUTR: WTO / trade agreement!?

Support all efforts for truth in labelling and avoidance of green-washing

- Substitutes (plastic and others) use brand names making the consumer believe they are buying a natural product
- Life-cycle assessments are political despite their scientific cover

Softwood and hardwood both have to contribute to the wood discourse

- A healthy mix of different forest types are needed: volume producing softwood plantations and value producing natural hardwood forests

Every initiative that helps to “de-criminalize” wood is highly welcome!

Many Things Are Already Working For The Hardwood Industry

To Make It Even Better ...



- ... Foster free trade
- ... Make Consumers pay the real price
- ... Give hardwood a chance to contribute to global challenges
- ... Support hardwood as a tool for economic development
- ... Foster trust in hardwood