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BRISK DEMAND AMID SUPPLY CHALLENGES

On 14 October 2021 the 69th edition of the International Softwood Conference was held for the first time in a hybrid form, at the Clarion hotel in Helsinki and online. The Conference was hosted by Finnish Sawmills Association, 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).

Helsinki, 14th October – After a successful online edition held last year, improvements in the sanitary situation allowed the organizers to hold a physical event in Helsinki. Given the ongoing pandemic, the Conference also took place online to reach as large an audience as possible. The event drew many participants as almost 200 people attended the Conference in Helsinki and about 100 followed it online.

It was another extraordinary year in the softwood market: demand has been unprecedentedly high for most of the year amid a volatile economic context and high uncertainty for the future.

The development of softwood production and consumption suggests that in 2021 there would be a record-high increase in Europe (at the end of the year it will probably be +6/7% vs 2020). The dynamics which took shape in 2020 also continued well into 2021 – with demand driven by a lively DIY sector as well as a strong renovation sector and a resilient construction sector. The outlook for 2022 is for a more moderate growth on top of the high level of 2021 of both production and consumption, but uncertainty is high amid rapidly changing market conditions.

Morten Bergsten, Vice-President and Softwood Chairman of ETTF, Herbert Jöbstl, President of EOS, and Kai Merivuori, managing Director of the Finnish Sawmills Association, delivered similar messages in their presentations from their respective vantage points of user and producers. Overall, they emphasized, the year was characterized by an imbalance between demand and supply which seems to be easing going into Q4 2021. This has driven sawnwood prices up and caused stocks to be at record-low level during the first half of the year.

In order to serve local demand European players this year focused on home European markets. The only overseas market where deliveries of European sawn softwood increased is the United States, which has also seen very high demand and extraordinary volatility of prices.

A reason to be optimistic is the increasing recognition of the potential of wood to mitigate climate change and the rising market share of wood as a building material, as Mr Jöbstl showed in his presentation. The client base of the European sawmill industry became bigger since the start of the pandemic: it will be key for the future success of the industry to retain a few of these new customers.

Sawnwood prices, which for many years were low compared to other building materials, might stabilize at a higher level than in the past: this view was shared from presenters from both sides of the Atlantic. Mr Bergsten stressed that consumption is expected to grow more than production next year, which points to a strong underlying demand. The overall picture for the softwood sector is good.

But there are abundant challenges to the rosy picture depicted above, especially when it comes to the supply of raw materials.

The prices of raw materials, having been subdued for most of 2020, rallied over the last few months and in a few European countries reached record high levels. While the climate benefits of wood have been broadly and scientifically undisputedly recognised, recently proposed EU forest policies seem to be an obstacle to the mobilization of raw materials in the coming years as they are too monothematically focused on the environmental function of the forest, disregarding the economic aspects and supply needs of the sector.

On top of this, a recurrent theme of the International Softwood Conference 2021 was the looming log export ban of Russia (which enters into force in January 2022) which is expected to upend the global softwood logs market and put further pressure on European supply.

While 2021 was a calmer than expected year on the forests' disturbances side, climate change is foreseen to be playing an important role even in the coming years and might take a relevant toll on European forests.

The next edition of the International Softwood conference will take place in Denmark in October 2022. For more information and the presentations soon to be uploaded, please visit the website <https://ettf.info/isc-2021/>