

American Hardwood Export Council European market report

September 2023

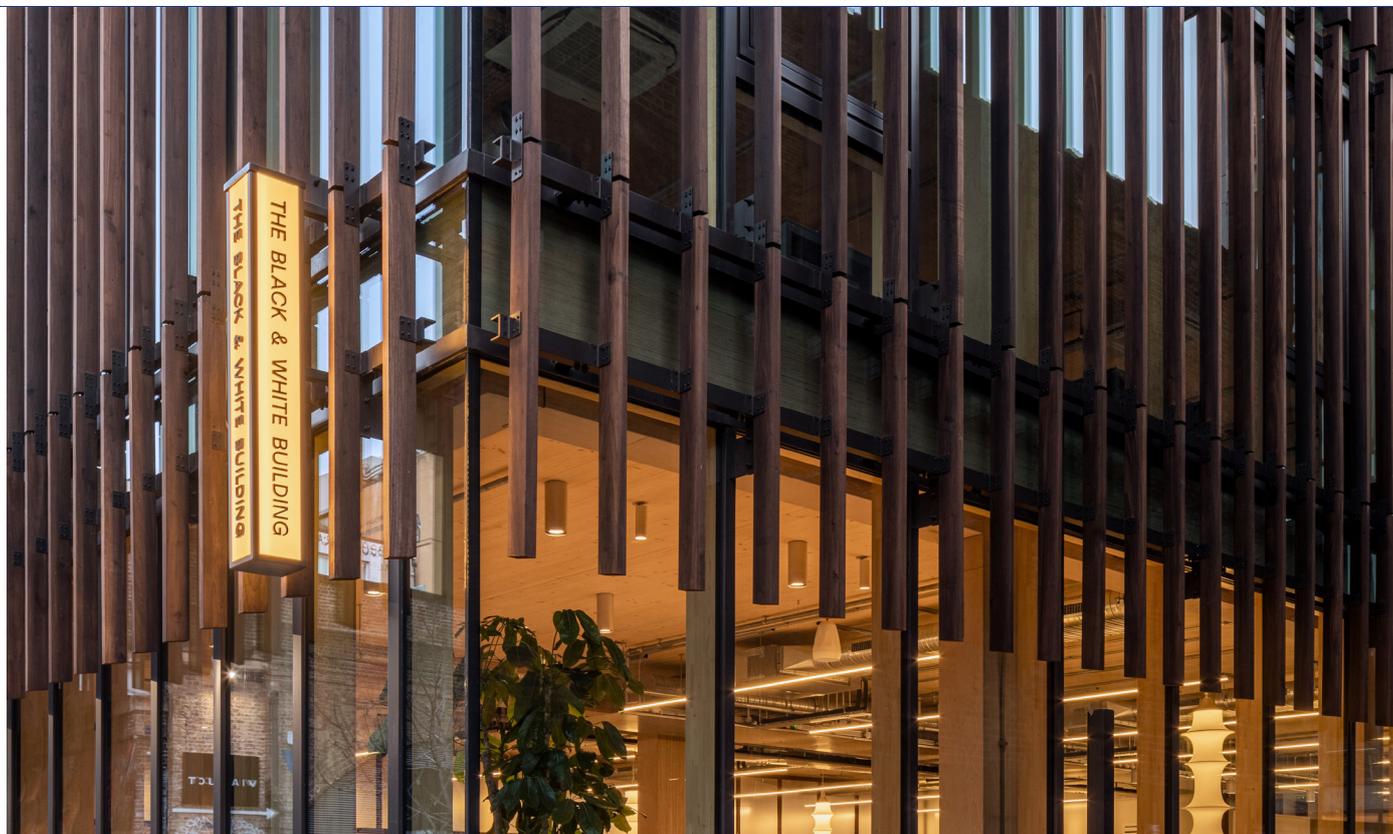


Image: the *Black & White Building*, made using thermally modified American tulipwood, which has been shortlisted for the Wood Awards 2023

MARKET UPDATE



U.S. HARDWOOD EXPORTS TO EUROPE DROP SHARPLY AS DEMAND WEAKENS ACROSS MOST MARKETS

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MARKET UPDATE

U.S. hardwood exports to Europe drop sharply as demand weakens across most markets

The latest USDA data shows that American hardwood lumber shipments to Europe fell by 39% in volume in the first seven months of this year to 186,786m³ compared to the same period last year. It is not just U.S. hardwoods that have been impacted, as reports suggest timber demand in Europe has weakened across the board, as economies have slowed and the war in Ukraine continues to grind on.

According to the European Commission's latest data, economic activity in the EU was subdued in the first half of 2023, driven by weak domestic demand and consumption, due to inflationary pressures from increasing consumer prices for most goods and services. This is despite declining energy prices and an exceptionally strong labour market, which has seen record low unemployment rates, continued expansion of employment, and rising wages. Meanwhile, the sharp slowdown in bank lending shows that monetary policy tightening is working its way through the economy. Survey indicators now point to a further slowing in economic activity in the months ahead.

U.S. hardwood lumber exports have fallen in almost all European markets this year. The UK, the largest

market, was down 40% in volume to 61,181m³, but still accounted for a third of all shipments to Europe for this period. Germany and Italy also saw sharp falls of 48% and 44% respectively. Shipments to Spain fared better, down 19% to 24,475m³ for the January to July period compared to last year, making it the second largest market. The only markets in Europe that didn't see exports fall were Portugal (11,055m³) and Greece (4,547m³), where shipments remained unchanged from last year, and Cyprus, where volumes more than doubled albeit from a relatively low base to 1,476m³.



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The UK, the largest European export market, was down 40% in volume to 61,181m³, but still accounted for a third of all shipments to Europe this year.

Looking at the species mix, not surprisingly, the biggest drop was for white oak, down 48% to 79,054m³ being the main species, but tulipwood, ash and walnut also fell by 30% or more compared to last year. Red oak fared better, falling back 21% to 26,035m³, which is still more than was shipped in the whole of 2020 as it has seen some of the strongest growth in last few years and now seems to be firmly re-established in European markets.

ACTIVITIES

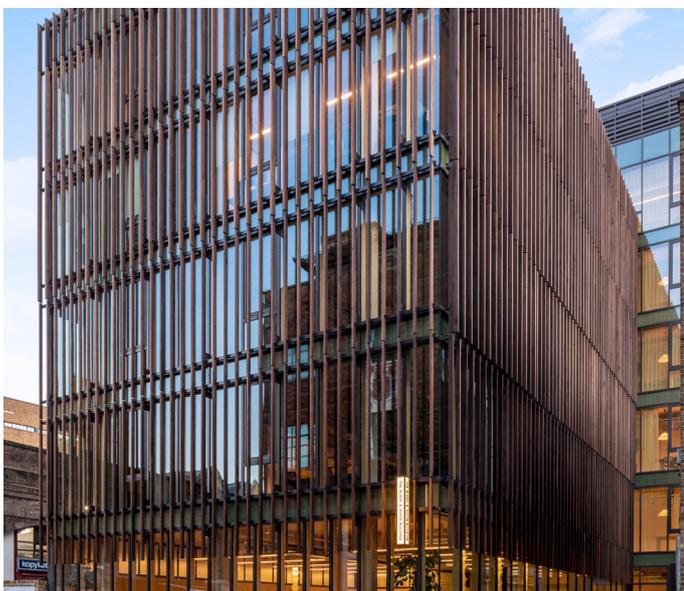
AHEC have prominent presence at the Wood Awards exhibition during London design festival

The Wood Awards, which aims to showcase the finest in wood craftsmanship, unveiled the shortlist for this year's awards at the OXO Tower in London, as part of



London Design Festival 2023. Also, on display at the exhibition were copies of AHEC's guide to sustainable American hardwoods, available for visitors to take away with them, as well as a selection of American hardwood samples for visitors to interact with.

Amongst the shortlisted entries was the *Black & White Building*, designed by Waugh Thistleton Architects for The Office Group. Launched last year, the building features exterior louvres made in thermally modified American tulipwood, which reduce the building's energy consumption by protecting the interior zones from solar gain. Since its launch, the building has also been shortlisted for the 'Low Carbon Project of the Year' category at the 2023 Construction News Awards, and more recently, the 'Workplace Project' of the year at the AJ Awards.



Amongst the Wood Award 2023 shortlisted entries was the *Black & White Building*, designed by Waugh Thistleton Architects using thermally modified American tulipwood.

The winners will be announced this year in November at the annual Wood Awards ceremony held at the Carpenters' Hall in London.

AHEC explores new strategic partnerships in Germany

AHEC were in Munich, Germany in September to build media relationships and plan new design activities for promoting maple, cherry, and red oak. We were supported by AHEC's German communication consultant, Neumann.

AHEC held a meeting with the Editor-in-Chief

of Detail Magazine. Detail is one of the most important architectural magazines in Europe with an international distribution, although most of its readership is in the German speaking DACH region. The meeting explored potential collaborations, including educational seminars and the distribution of AHEC species guides to targeted readers of Detail. The magazine also produces a wood focused issue once a year, which could provide an opportunity for AHEC case studies on American hardwoods.

The AHEC team also met with Karianne Fogelberg, a well-known environmental and design journalist, university teacher, and curator. We discussed the environmental credentials of U.S. hardwoods with the aim of building awareness with a key influencer in the design and sustainability fields, ensuring a deeper understanding of the ecological benefits of using American hardwoods.



Following an initial meeting with Stefan Diez, AHEC is to embark on a potential collaboration with his students at Vienna's top university, challenging them to create stools using underused U.S. hardwood species.

One of the highlights of the trip was a meeting with Stefan Diez and his team. Stefan is one of the most respected designers in Germany, known for his product innovation and sustainable approach to design. The discussion centred on a few exciting potential collaborations, including a project with design students at Vienna's top university, where Stefan teaches, which will start in October. In this project, students will be challenged to create stools using a selection of underused American hardwood species. This trip opened doors for future



collaborations and initiatives that will give AHEC a stronger presence in the DACH region.

NEWS

AHEC Europe are coordinating the development of the Sustainable Hardwood Coalition (SHC) and the response to the European Deforestation Regulation (EUDR), by working with a team of experienced consultants to implement strategies to ensure the U.S. hardwood industry can continue to access global markets.

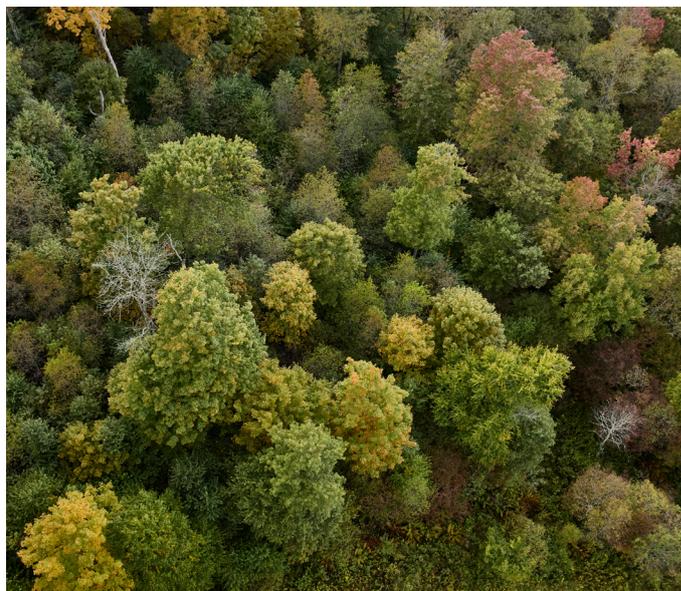
Adaptation of AHEC and SHC strategy in the light of EUDR

The Sustainable Hardwood Coalition (SHC), which has been fully supported by AHEC since its formation in 2022, has adopted a change of strategy in the light of demands for new forms of forest product verification in a very short timescale, following passage of EUDR in July 2023. Rather than attempting to roll out a full suite of standards to demonstrate forest sustainability in the first instance, AHEC/SHC has now adopted a phased approach.

The priority is to implement a set of procedures that will enable U.S. hardwood suppliers to conform to EUDR, including requirements for geolocation to the “plot(s) of land” where harvesting takes place, legal harvesting, and zero risk of deforestation and forest

degradation in accordance with narrow definitions.

In delivering against EUDR, AHEC/SHC aim to exploit the ready availability of good quality property boundary data and satellite data in the U.S., along with the EU’s apparent acknowledgement that operators may provide all “potential” plots of land from which wood *may* have been derived in each consignment.



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These procedures will need to be developed and finalised well before 31 December 2024, the date when EUDR enforcement is scheduled to begin. Once the EUDR conformance procedures are in place, they will be integrated with, and used as a runway for, those U.S. hardwood operators that want to voluntarily commit to the SHC sustainability standards. Development of the latter will remain the long-term objective of SHC, but the new strategy will allow more time to assess the market impact of EUDR and build consensus around the jurisdictional risk-based approach to sustainable forest certification in the non-industrial hardwood sector.

Action plan for the first phase of SHC implementation

- In October 2023, AHEC commissioning of 33 state risk assessments covering the risk of non-conformance to “the relevant legislation of the country of production” - the specification for the legality risk assessment being derived directly from



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definitions used in EUDR.

- Finalization of all 33 legality risk assessments, ideally by the end of 2023 and no later than the first quarter of 2024.
- GIS experts to be commissioned starting in early 2024 for: (a) regular assessment of the risk of deforestation and degradation in line with EUDR definitions using satellite data; and (b) to develop a centralised national database differentiating individual “plots of land” that are “EUDR conformant” from those that are “EUDR non-conformant”.
- A procedure for U.S. hardwood mills supplying hardwood into the EU to be given access to a regularly updated list of geolocations of all “EUDR conformant” and “EUDR non-conformant” plots of land in their supply area.
- Work to develop a globally applicable chain of custody (CoC) standard to deliver U.S. hardwood against the EUDR requirements. The aim is to draft the CoC standard, ideally before the end of 2023, ready for pilot testing as soon as possible in 2024.
- Assessment of the need for and nature of mitigation action by U.S. hardwood mills registered to use the EUDR-conformance system and required by the SHC CoC standard. This will depend on the outcome of the legality risk assessments and satellite monitoring process.
- The CoC standard will be designed to ensure the integrity of data passed through the supply chain from U.S. hardwood mills, through U.S. distributors and exporters and then on to EU operators, both

directly and via distributors and manufacturers in third countries.

- A key component of the SHC CoC standard will be a harmonised framework for downstream traders to amalgamate geolocations from all hardwood transformers and other suppliers of U.S. hardwood products with which they do business.
- An assessment of the extent to which other certification systems may be relied on to satisfy requirements for EUDR conformance – those that can be relied on may be recognised in the SHC CoC standard.
- The product claim of products delivered by operators implementing the SHC CoC standard will be adapted to the scope of the risk assessment procedures and mitigation actions, for example to refer to “Legal and deforestation-free in accordance with EUDR”.

While this technical work is on-going, starting in the last quarter of 2023, AHEC/SHC will also seek additional market feedback to gain a better understanding of how timber procurement policies and practices are likely to evolve and adapt following passage of the EUDR. The aim is to interview a wide range of hardwood product importers, distributors, manufacturers, and retailers, alongside regulators and public procurement officials. Targets for interviews will be both in the EU and in third countries supplying manufactured products containing U.S. hardwoods into the global marketplace.

PRESS HIGHLIGHTS



QUEBRA-CABEÇA

No último Madrid Design Festival, a mostra *Slow Spain: Slow Furniture for Fast Change*, iniciativa do American Hardwood Export Council (AHEC), reuniu produções de 17 estudantes de escolas de design espanholas, mentorados por profissionais locais consagrados, como Inma Bermúdez e Moritz Krefter, Álvaro Catalán de Ocón e Jorge Penadés. Característica em comum, todos os artigos empregam madeiras sustentáveis americanas, como a cerejeira, escolhida para o assento Bondu (*acima*), de Daniela Gonzillez Martínez, que aplicou ainda a técnica de encaixe *chidori*, tradicional na marcenaria japonesa. americanhardwood.org

CASA VOGUE BRASIL

"At the last Madrid Design Festival, the exhibition *Slow Spain: Slow Furniture for Fast Change*, a project of the American Hardwood Export Council (AHEC) brought together 17 students from Spanish design schools, mentored by renowned local professionals, including Inma Bermúdez and Moritz Krefter, Álvaro Catalán de Ocón and Jorge Penadés. All pieces use sustainable American hardwoods, including cherry, chosen for the Bondu seat, by Daniela Gonzillez Martínez, who also applied the *chidori* fitting technique, used in carpentry."

READERSHIP: 266K



TOG'S BLACK & WHITE BUILDING BY WAUGH THISTLETON ARCHITECTS

Design-led workspace specialist TOG has come together with dedicated timber specialists Waugh Thistleton Architects to explore a new approach to workplace design. In The Black & White Building, they have explored an architecture of sufficiency – where every element serves a purpose, nothing is superfluous, and all

and renovation, TOG has worked with Waugh Thistleton Architects to produce a structure that can serve as a model for the office architecture of the future.

A TOWER OF TIMBER

Created using renewable materials and highly innovative construction methods,

Architects – a firm responsible for pioneering timber designs for over a decade, including landmark residential blocks such as Dalston Works and Murray Grove, as well as Vitsoe's Lesmington Spa HQ, TOG and Waugh Thistleton set out to create a building that minimised carbon in both its construction and, once complete,

ARCHITECTURE MAGAZINE

"The louvres are crafted from thermally modified tulipwood, recommended by the American Hardwood Export Council (AHEC). This timber is highly affordable, lightweight, readily replenished, and has minimal environmental impact. Using TMT tulipwood to envelope a must-storey building is very much new territory, but given its effectiveness on the Black & White Building, it is likely that similar applications will be seen in both new-builds and retrofits as a means of reducing carbon consumption and solar gain"



EXCHANGE RATES

	31/05/23	30/06/23	29/08/23	30/09/23
1 EURO = \$	1.07	1.08	1.08	1.1
\$1 = EURO	0.93	0.91	0.92	0.94
£1 Sterling = \$	1.23	1.26	1.25	1.22
\$1 = Danish DKK	6.94	6.83	6.89	7.04
\$1 = Swedish SEK	10.84	10.82	11.01	10.89
\$1 = Czech CZK	22.12	21.76	22.31	23.01
\$1 = Hungarian HUF	345.71	340.81	353.99	368.64
\$1 = Polish Zloty	4.22	4.09	4.13	4.37
\$1 = Russian Rouble	79.46	86.84	95.09	97.11
\$1 = Turkish Lira	20.33	26.03	26.42	27.41

