

Brussels, 25 May 2021

Statement of the European Sawmill Industry regarding the current market situation

The global economic scenario

When the pandemic first emerged in China in January 2020 and then broke out in Europe and the US a few weeks later, nobody could have predicted the extraordinary developments of the global economy. The digitalization of the modern economy has been markedly accelerated as many workers had to work from home.

On the demand side, consumers had to bring to a halt spending for leisure activities. People who were not working for businesses directly impacted by the pandemic have seen their savings soar as overall households saving rates exploded across the world as a percentage of income. On both sides of the Atlantic, the monetary stimulus was unprecedented.

On the supply side, there were many bottlenecks. Supply chain shortages due to temporary closures of production sites, lack of available workers in times of lockdowns, as well as poor availability of containers were all factors which had a negative impact on goods circulation.

Both demand and supply dynamics thus played a role in the remarkable rally of raw material prices over the last few months. The price of many commodities, including, but not limited to, polymers¹, corn, soybeans, cotton, industrial metals² have all sharply increased, reaching in some cases record levels. The rally of sawnwood prices must be analysed against this background.

The European Sawnwood sector

With people forced to spend more time at home, there was a surge in renovation and home improvements which pushed up demand in the DIY sector, both in North America and Europe. The packaging sector also experienced a boom. The European sawmill industry was challenged to increase production to meet very strong demand. Despite an increase in production in 2020 and like in many other industrial sectors, strong demand has pushed up sawnwood prices, particularly in North America. However, in a longer-term perspective, the price of sawnwood has increased less than the price of other building materials. Moreover, logistics seems to be the greater issue to balance offer and demand.

In this context, unprecedented bark-beetle outbreaks in the last three summers across Central Europe have caused an abundance of logs across Europe. Thanks to the efforts and the readiness of the European sawmill industry to process the over-abundant supply of raw materials, damaged logs did not sit too long in the forest but were mostly swiftly processed in the mills.

In spite of these efforts, the European sawmill industry is aware that some customers have a shortage of sawnwood in the last few weeks. The industry is taking very seriously the demands of the European home markets and it is working on solutions. At the same time EOS, the European Organisation of the

¹ <https://www.spglobal.com/platts/en/market-insights/latest-news/petrochemicals/030521-european-polymer-prices-rise-to-record-this-week-on-supply-chain-shortages>

² https://www.eulerhermes.com/en_global/news-insights/economic-insights/Commodities-higher-demand-supply-bottlenecks-but-no-speculation-yet.html

Sawmill Industry, intends to collaborate in an open spirit with organizations representing other interests. Also, EOS gives full support to its national federations in their discussions and exchanges with stakeholders.

Finally, EOS invites all stakeholders and policymakers to reflect on the importance of a stable and sustainable provision of sawn timber for the entire wood industry value chain, in addition to measures to contain pest outbreaks in forests. As demand is foreseen to remain buoyant in the future, policies which preserve the health of our forests, provide benefits to the local and circular economy, and ensure a predictable supply of raw materials to be processed into sawnwood are key for many downstream sectors and for meeting the ambitious decarbonization targets of the European economy.

In this context, the European sawmilling industry continues the vital development of productivity and resource efficiency of its processes in order to meet the increasing demand for wood, the renewable and recyclable construction material.