

NEW WOOD OUTDOORS

Innovative solutions in traditional markets – Europe 2016



BACKGROUND

Wood use in outdoor applications has been growing in popularity in recent years driven by its environmental credentials, improved performance and preference for a natural product. A number of new wood products have entered the market adding to product diversity and creating alternative choices.

- Wood has a number of perceived drawbacks and these perceptions show country differences in overall wood consumption. Typically Scandinavian countries show a greater acceptance of wood as opposed to Southern European counterparts.
- Technologies for wood modification and wood-plastic composite production have been known for a long time, but so far these products have made relatively small inroads in the outdoor wood product market.
- How does the wood get from the forest to the end consumer is a long and complex journey that encompasses harvesting, cutting, treating/preserving, processing and distribution. Ensuring sustainability and transparency of the wood supply chains is becoming more important for consumers, policy makers and other stakeholders.

THE KEY ISSUES

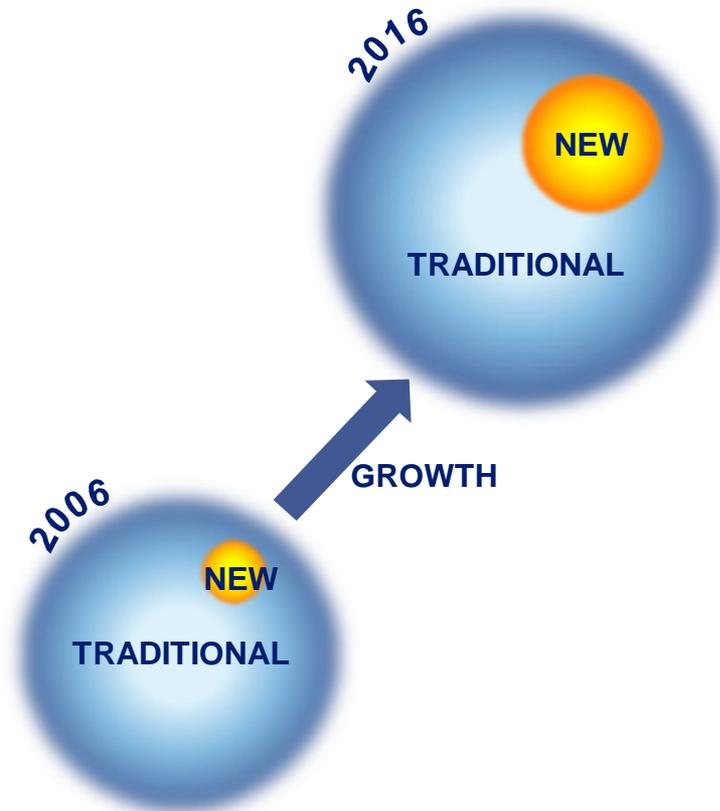
- How is market demand developing?
- What are country specific market drivers?
- Which winning product technologies are emerging?
- How is the manufacturing landscape shaping?
- What is the impact of sustainability on the outdoor wood value chain?

Pöyry is a global consulting and engineering company dedicated to balanced sustainability and responsible business. Our expertise covers the entire wood and sustainable products value chain from procurement to technology, markets and customers. We are also active within the financial sector and have undertaken a number of sector related M&A assignments.

KEY ELEMENTS OF THE REPORT

Demand for new wood products is driven by increasing consumer concerns about types of wood preservatives used and illegal logging of tropical species that are widely used in outdoor applications.

Outdoor wood market



Product scope

- New wood
 - Chemically modified, thermally modified, wood–plastic composites (WPC), bamboo
- Traditional wood
 - Softwoods, temperate hardwoods, tropical timber

Market segments

- Outdoor wood market includes:
 - Cladding/siding
 - Decking (deckboards and support structures)
 - Fencing
 - Other (paving, walling, trellis and garden structures)

Geographical scope

- The report will cover both Western and Eastern Europe. Based on Pöyry's experience and knowledge in this field following largest markets were selected for in-depth analysis:
 - Germany
 - Austria
 - France
 - Sweden
 - UK
 - Spain
 - Italy
 - Netherlands
 - Russia
 - Poland

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PREFACE

NEW WOOD OUTDOORS – INNOVATIVE SOLUTIONS IN TRADITIONAL MARKETS, EUROPE 2016

Pöyry Management Consulting has been working with the wood products industry for almost five decades. In recent years wood use in outdoor applications has been growing in popularity, and new players have entered this market with innovative wood solutions. We have termed this growth market *new wood*. An increasing number of industry players and Pöyry clients are investing in further processing capacity to gain market share with value added products. Including wood modification technologies.

The wood products industry has been facing a number of challenges in recent years, mainly as a result of the “Great Recession”. Overall European demand for solid wood products has fallen since its peak in 2007; however, this varies greatly from country to country, by end-use application and by wood product type. Demand for *new wood* products, such as thermally and chemically modified wood, wood plastic composites and bamboo products, has been growing despite the overall declining market volumes. Although *new wood* remains a niche market, the diversity of new products is increasing year by year.

This report builds on our previous work in the value chain and provides an analysis of cladding, decking, fencing and other outdoor wood product markets in Europe. The report focuses on end markets for new and traditional wood in ready-made or ready-to-install form, including imports of ready made products. Additionally, the report includes an overview of the *new wood* industry structure and business models, as well as a chapter on trends influencing the wood processing industry, and the demand for wood products.

We trust that this report will be an invaluable source of reference for decision-making and strategic planning, and will complement our service offerings in future assignments with our customer base in this value chain.

Pöyry Management Consulting
London, September 2012

GLOSSARY

<i>New wood</i>	For the purposes of this study, it includes thermally and chemically modified wood, wood plastic composites and bamboo strand products for exterior applications. Thermally and chemically modified wood includes both modified softwood and hardwood.
Traditional wood	For the purposes of this study, it includes untreated and treated softwood, temperate hardwood and tropical hardwood.
Treated softwood	For the purposes of this study, it refers to pressure treated and impregnated wood, it excludes pre-painted and coated wood e.g. pre-painted cladding.
Forecast	Assessment of future market growth using Pöyry Business Cycle Assessment methodology.
Outlook	Assessment of future market shares based on the market feedback and expert opinions.
Market value	Market value estimated at distributor prices in analysed countries, and averages were used to estimate the total European market value.
European market volume	The total European market volume was estimated based on sawn wood consumption patterns per capita, compared to consumption characteristics in neighbouring countries, including feedback from interviews, previous Pöyry work and expert opinion.

INTRODUCTION

OBJECTIVES AND METHODOLOGY

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Objectives

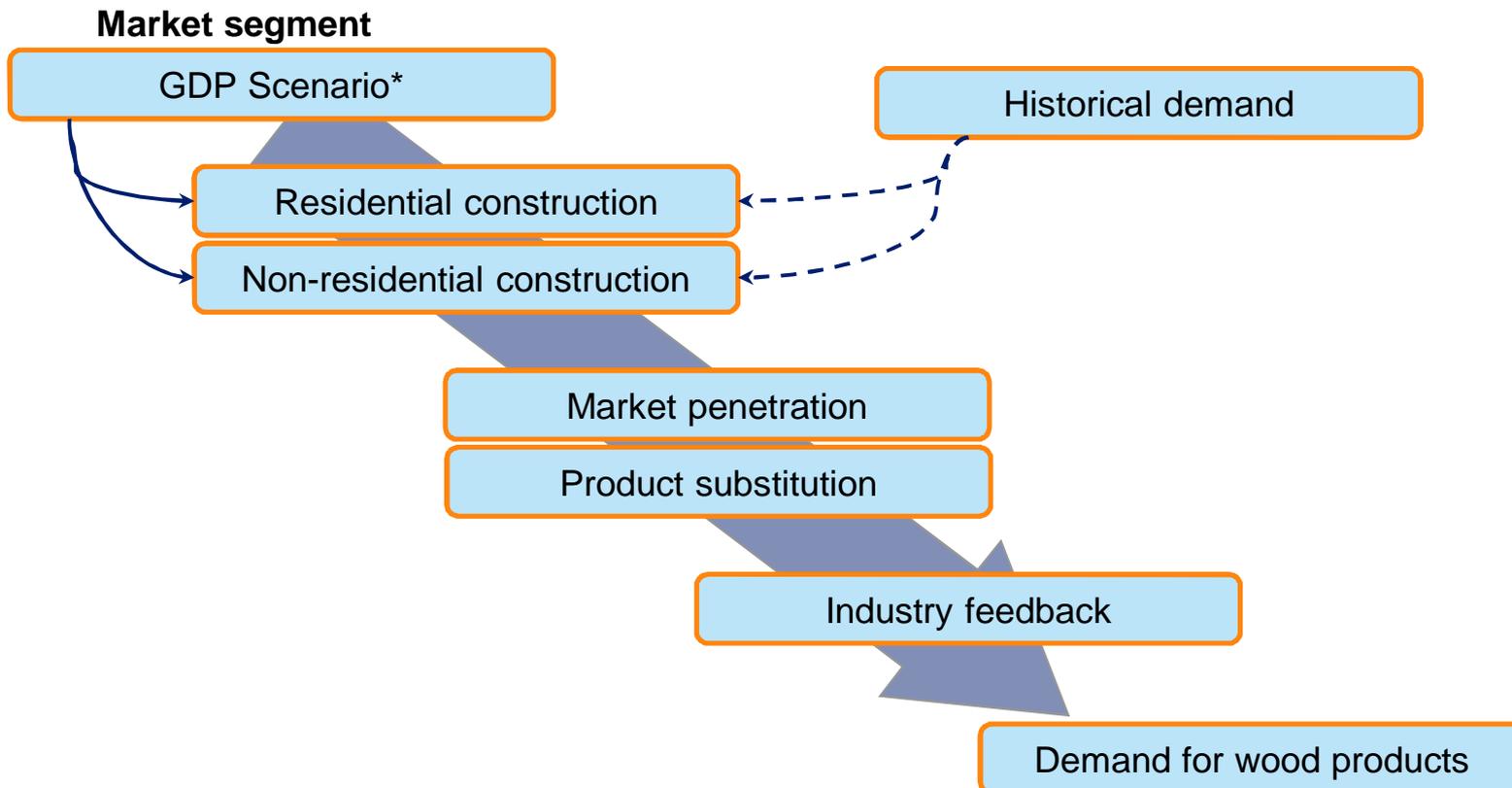
- The principle objective of this report is to provide a comprehensive review of the current and future outdoor wood business for selected end-use applications in Europe.
- This business is well established, yet availability of comprehensive European data remains limited. Pöyry is an authoritative source of reliable analysis, providing a robust basis for strategic decision-making by existing and prospective market participants.

Methodology

- Pöyry has carried out comprehensive primary and secondary research into the European outdoor wood business. The primary research consisted of a large number of discussions with key industry players and participants across the supply chain (outdoor wood and finished product material manufacturers, fabricators, distributors etc.) as well as various industry sources (such as trade associations etc.). In this exercise, we utilised local expertise across our European office network. The outcome was subsequently analysed and reviewed by Pöyry's expert panel.
- Pöyry has provided a 2016 forecast for outdoor wood demand based on our proprietary Business Cycle Assessment (BCA) tool which incorporates the following:
 - National macroeconomic drivers; GDP (IMF economic outlook) and construction output,
 - Comparative historical development of national outdoor wood product supply/demand,
 - End-user demand and trends,
 - Industry views (as expressed in discussions with Pöyry).
- The BCA methodology can be seen on the following page.

BUSINESS CYCLE ASSESSMENT (BCA) METHODOLOGY

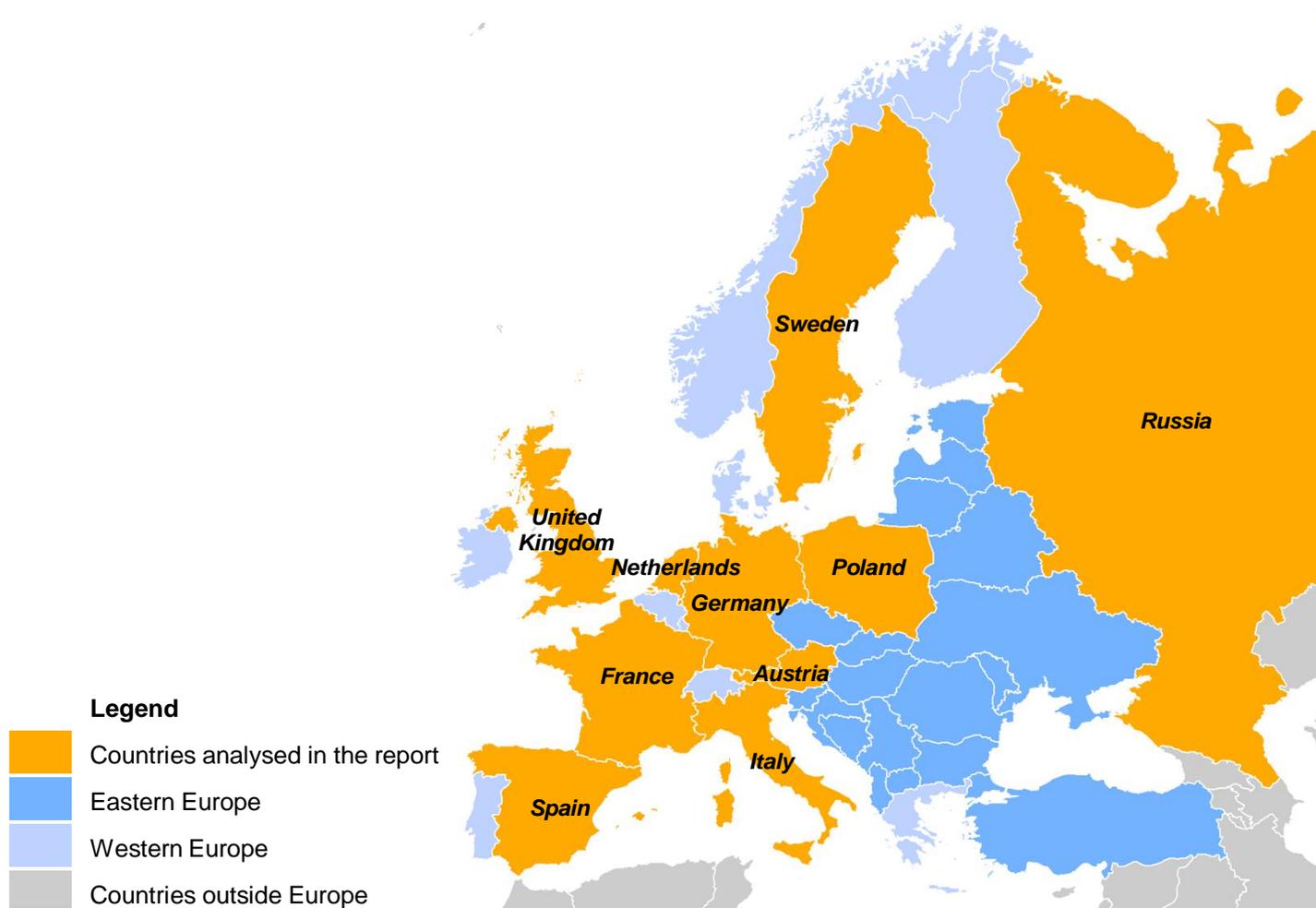
Based on GDP scenario for each country or region, both residential and non-residential construction output are forecast using macroeconomic modeling. This in turn is translated into demand for outdoor wood products and the outcome is outdoor wood product demand outlook per product type and country.



Note * GDP scenarios is based on IMF economic outlook (April 2012)

GEOGRAPHICAL COVERAGE

Main European sawn wood consuming countries selected for the analysis of outdoor wood markets with the focus on *new wood*.



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