

The Dutch market for timber products

Description of the Dutch timber sector

The Dutch market for timber products can be divided in four distinctive segments:

1. **Packaging:** Pallets, crates etc.;
2. **Furniture:** Tables, floors, ceilings etc.;
3. **Construction:** Roofs, bridges, etc
4. **Do It Yourself stores:** Shelves, saw timber, garden houses etc.

The Netherlands are a relatively small market for sawn softwood (2.5 million m³ in 2005), but a big market for sawn hardwood (650,000 m³ in 2005). It is also a small, but growing consumer of wood-based panels. The Netherlands are a large re-exporter of timber products through the port of Rotterdam and are ranked among the leading EU importers of timber and timber products, amounting to approximately € 1.5 billion (or 3.5 million tonnes) in 2004.

The leading suppliers of timber and timber products to The Netherlands are:

Table 1: Share in total value of imports, 2004

Country	Share (%)
Germany*	14.1
Belgium*	13.4
Malaysia	8.4
Sweden	7.5
Finland	7.3
Indonesia	6.8
France	6.6
Russia	5.1
Brazil	4.7
Other	26.1

Source: Eurostat

*: Both Belgium and Germany are large re-exporters of timber products and have relatively little domestic production.

For Latvian exporting companies, one of the most interesting aspects of the Dutch timber sector is the large Do-It-Yourself segment. The DIY-stores in The Netherlands have managed to acquire a large market share by going beyond their main activity of selling building materials. They have evolved into complete activity centres and their services now encompass

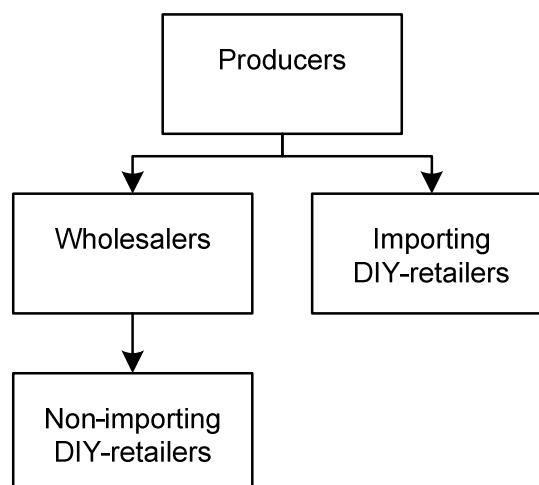
demonstrations of tools, structures and techniques, special theme days, and events targeted at selected customer groups. Sponsoring TV-shows on DIY also contributed to the constant increase in popularity of DIY activities in Dutch households. More than ten percent of timber product sales in The Netherlands are sold through these DIY-stores. Similar DIY store concepts are popular in other EU countries like Belgium, France, and Germany.

DIY retailers in the Netherlands have:

- The best contact with the consumer market, allowing them to quickly adjust their product line when faced with changing consumer demand;
- A constant need to find lower-priced alternative suppliers, given the fierce competition on the Dutch market;
- Experience in working with overseas producers, either through direct imports, or through contacts via an intermediary.

Trade channels / distribution

The two most important trade channels for timber products in the Dutch DIY-sector are depicted in the following (simplified) figure:



A small number of DIY-chains imports directly from overseas manufacturers, while the vast majority of stores uses a wholesaler as intermediary.

As DIY-retailers need to respond quickly to consumer demands and activities of their competitors, a good relationship with their suppliers is of critical importance.

Timber products in DIY stores are mostly sold as **non-brand products**, since consumers are not willing to pay a premium for brand name products. An exception to this though, is the emergence of labels for sustainable forestry management. Consumer awareness of the environmental consequences of buying timber products is high, leading to price premiums on (certified) products manufactured in a sustainable fashion.

Sourcing and outsourcing

The Dutch timber industry has been increasingly internationalised, due to the opening up of markets and the decreased costs of transportation. The costs of raw timber logs and -processing are the main determinants for the price of end products in DIY-stores. Proximity to raw timber resources strongly influences these costs and is therefore an important criterion for the selection of suppliers of timber products. Other determining factors include:

- Physical distance to the market, thus reducing transportation time;
- Reliability of production;
- Volume of possible production;
- The usage of Forest Certification schemes.

For Latvian companies, the biggest chances lie in the market for certified timber, as this is in increasing demand and not many of their competitors are able to produce according to the certification standards.

Timber products entering the Dutch market are bound by a number of legislative restrictions and bans on hazardous substances. For timber construction materials, the EU Construction Products Directive 89/106/EEC should be considered. This Directive specifies the essential requirements related to:

- Mechanical resistance;
- Fire safety;
- Hygiene, health and environmental protection;
- Safety in use;
- Protection against noise;
- Energy efficiency.

In The Netherlands, further specific legislation exists for formaldehyde-containing fibreboard that is used in the construction industry. It is prohibited to market fibreboard in the Netherlands, if the formaldehyde emission of the board exceeds a certain value in a testing room.

In addition, The Netherlands have set stricter legal requirements on the use of Pentachlorophenol (PCP) than the EU. PCP is used to reduce and combat bacteria in timber products, especially in raw material.

Forest certification

Forest Certification is a system of forest inspection plus a means of tracking timber and paper through a "chain-of-custody" - following the raw material through to the finished product. Such systems have been developed to enable producers to prove their business partners and the final consumer that their products have come from forests, which are well managed. This means that they have strict working procedures with respect to several environmental, social and economic principles.

There is a number of organisations that have their own criteria and indicators for sustainable forest management. The leading schemes in the EU are the Pan European Forest Certification Scheme (PEFC) and the scheme of the Forest Stewardship Council (FSC).

The objective of the Forest Stewardship Council (FSC) is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. FSC applies to forests and plantations all over the world and is mainly used for timber and timber products. FSC has also started a full review of its policies and standards for plantations, to further improve global management of plantations.

In The Netherlands, an estimated 6 percent of the timber sold in the DIY stores consists of FSC certified timber, representing 20 percent of total FSC timber sales in The Netherlands. In general, the sales of FSC timber are increasing.

For more information on market opportunities in the Dutch market for timber products, please contact the Latvian Investment and Development Agency.

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