

# A Report on the Current Flooring Industry Situation in Europe Due to the War in Ukraine

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## **Recent Data:**

During the last decade, Russia has become the world's largest birch plywood producer. The product is in great demand in the global markets, including Europe. Over the years, annual imports of Russian birch plywood to Europe have been at the level of 1.5 million m<sup>3</sup>. The main consuming countries are Germany, Poland, and France, followed by the Netherlands, Finland, Italy, and others.

The total European birch plywood market is estimated to be around 2.2 million m<sup>3</sup> with a domestic annual supply of 800-900 000 m<sup>3</sup>. In the light of the sanctions related to the imports of Russian goods to the European markets, discussions on whether the local market will survive without Russian birch plywood are taking place.

The estimated total birch and birch combi plywood capacity has a theoretical potential to produce about the same volume of birch plywood as the imports from Russia, but still much less than the current consumption in Europe.

Overall, the current birch plywood market in Europe of 2.2 million m<sup>3</sup> can be domestically supplied with a maximum of 1.5 million m<sup>3</sup> by full utilization of existing production capacity and re-directing the trade flows currently exported. Thus, about 700 000 m<sup>3</sup> of the market is left for substitution opportunities, new products, developments, as well as new cooperation and trade ties.

### **Trading bans and their effects:**

When EU and UK authorities imposed a ban on wood products from Russia and Belarus, Russian authorities made a similar move by prohibiting exports of these products to the European Union until the end of the year, which has imposed an increasingly tough economic and trade war.

The board of PEFC and FSC has declared that all timber from Russia and Belarus is 'conflict timber' and cannot be used in PEFC and FSC certified products. Russia's relationship with China could see Russia offloading Oak and Plywood products onto China, which will see the market flooded with more engineered Oak flooring that is not PEFC or FSC certified.

- Imports from the Far East could also be illegal due to Russian materials (logs) being used.

- FEP (European Federation of the Parquet Industry) members have also officially called on EU authorities to limit or even ban export of oak raw material to China. Since high demand for wood and supply chains' disruptions are causing increasing difficulty to fill orders for most of its members, the FEP (European Federation of the Parquet Industry) officially called for EU authorities to limit export of raw material and to keep the logs within Europe, as the current situation risks to leave the European companies without work. They also emphasized that the time for creating change within the European parquet industry has arrived – which means promoting innovation, reformatting models, and researching new materials

Both Russia and Ukraine also make up a large percentage of Europe's sawn timber. Therefore, besides Birch Plywood, which is used as backing for engineered flooring, oak is also a raw material affected. Very little Russian Oak will be exported to Europe with the current prohibitions in place. Ukrainian Oak will be increasingly difficult to secure, putting even more pressure on the oak supply. Even when the war ceases, Ukraine will take months, if not years, to recover and start production again.

While many companies had a certain quantity of raw materials for the first couple of months after the ban started, they will eventually have empty stocks, forcing the rest of Europe to source raw materials from former Yugoslavia (Croatia), France or Germany, which are only capable of covering a small proportion of the shortfall.

Although companies are already working in order to cope with the current situation, they are also looking for immediate interventions by national governments and European institutions on how to prevent a critical logs shortage.

Architects and designers say the knock-on effects are being felt across Europe. For projects, which are not delayed or cancelled entirely, they are reporting that costs for solid oak and birch plywood have doubled in the last few months, while the price of structural timber went up by around 20%.

**Available Substitutions:**

There are very few products which can match the unique properties of birch plywood, and this makes alternatives hard to find. Where alternatives do exist, they are limited in terms of availability, so it is unlikely to be significant volumes available.

However, some examples of alternatives may be:

- High quality European Poplar Plywood
- Indonesian and Malaysian Tropical Hardwood Plywood
- Canadian Douglas Fir Plywood Poplar
- Okume (Gaboon) Plywood

According to the NWFA survey, Baltic birch is a highly stable platform, it has a good density to it, and it's very homogenous and predictable. Not all plywood structures that producers will be able to source, will provide those same attributes. Many in the industry have started to look at, or produce, solid core engineered structures, and there are currently several technologies that can be applied to help make this happen. Manufacturers mentioned considering Canadian red pine, domestic plywood, eucalyptus, Malaysian/Southeast Asia/Vietnamese plywood, and solid poplar as options. They categorized viable alternatives as composite wood, domestic hardwood and softwood plywood, Southeast Asian and Western European hardwood plywood, and solid core.

**Impact on Croatian Wood Flooring Manufacturers:**

Russian plywood manufacturers have been the dominant suppliers of plywood to a number of Croatian two-layer parquet manufacturers. Practically all of them have had very serious problems when it comes to production and are in danger of being stopped entirely. Finding alternative solutions is neither quick nor easy. Those who used birch plywood are in search for new suppliers or they are switching on other core materials like soft wood.

Producers are stating that quarterly or multi-month detailed planning no longer works, now they are much shorter due to disruptions and the general level of unpredictability of deliveries.

The most affected are producers in those countries that don't have the primary raw materials at hand in the flooring industry. All of these difficulties only work to further emphasize the long-standing belief that the raw material potential Croatia boasts should be better used.

**Articles and References:**

FEP calls EU authorities to limit this raw material exports

- Can the European Market Survive Without Russian Birch Plywood?

– Indufor ([induforgroup.com](http://induforgroup.com))

- How the Russia/Ukraine conflict is impacting the engineered oak flooring industry

Forté - NZ ([forte.co.nz](http://forte.co.nz))

- Russian Sanctions Problematic for Croatian Wood Floor Manufacturers ([total-croatia-news.com](http://total-croatia-news.com))

- Ukraine war: shock in the wood product value chain to be expected

- Timber Trades Journal Online ([ttjonline.com](http://ttjonline.com))

**News and stories from TRADA**

- Wood Flooring Industry Discusses Impacts of the Russian/Ukrainian Conflict

- Hardwood Floors Magazine

- Industry leaders issue warning on legality of Far East timber imports Construction News Russia to ban wood exports to U.S. and EU until the end of 2022 ([lesprom.com](http://lesprom.com)) “Timber prices going up daily” in Europe due to Ukraine war ([dezeen.com](http://dezeen.com))

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