



[Ulrich van Roje: 'Growth is essential - but with sense and sensibility'](#)

## Sense and sensibility

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In his Wood Futures focus, Ulrich van Roje, managing director of the German sawmill van Roje, urges a measured approach to industry development sensitive to movement in raw material supply

Citius, altius, fortius – faster, higher, stronger. This is the motto of the Olympic Games including, of course, those to be held in London in 2012. But should it also be the motto for the future of the timber and forestry industry?

In wood we have a gift of nature. Enduring, environmentally friendly, CO<sub>2</sub> neutral, it's ecologically the perfect balance. It is the raw material for our times.

But, while I could show you a vision of a flourishing future for everyone in timber and forestry, we must accept that we face major challenges too.

In an increasingly globalised economy, the race for raw materials is on. And stock market turbulence is increasing competition further, driving investors from crisis-riven securities to commodity safe havens. So the whole world wants timber.

The reality is that our future will be dictated by interplay between a 'trinity' of factors: wood supply, lumber demand (the market) and sawmill capacity.

Even though our raw material is renewable, availability is still limited. The trend in Germany is positive. With the largest timber reserves in central Europe (11 million ha), our cut rose from 22 million m<sup>3</sup> in 2000 to 46 million m<sup>3</sup> in 2006 and is expected to reach 50 million m<sup>3</sup> in 2008. But countering this will be Russia's increase in log export duty to 80% in 2009. Europe's mills will feel the impact both in volumes and price.

## Shortage

Our industry also has to cope with the fact that a raw material shortage, as is now impending, can be reversed overnight. Since 1990 European storms alone have dumped 500 million m<sup>3</sup> of wind-thrown timber on the market, resulting in surpluses and sinking prices. And the prediction is that climate change will increase the incidence of such extreme weather.

Market fluctuation has been a norm for the timber-supply chain through history, but the extreme waves from surplus to shortage we're now confronting (and major episodes of insect damage are another growing concern) could take their toll on us all.

The second part of our trinity, the lumber market, is also changing. The key development is a shift in supply and demand due to developing demographics; Europe's population is stagnating while emerging markets are growing fast. At the same time, political and economic power is migrating from the [EU](#), US and Japan to the new heavyweights, Brazil, Russia, India and China.

As this shift develops, more timber products will enter the markets worldwide and it is likely that, to compete, European and American businesses will increasingly consolidate and concentrate on smaller, more innovative segments. Resource efficiency and individualisation will be the watchwords and, of course, 'wood and energy' will be another focus. Success will depend on a holistic approach; integrating product innovation with environmental performance and remaining adaptable in the face of growing pressures from globalisation and the fluctuation in power between buyer and seller.

To illustrate the challenges posed in the third element of our trinity, sawmill capacity and lumber supply, I'll focus on the German industry, Europe's largest. Our mills use state-of-the-art technology and their annual capacity is forecast to rise from 23-25 million m<sup>3</sup> to 30 million m<sup>3</sup> in 2010.

## Drive for growth

A key issue currently, however, is that, thanks in part to state support for several large mill operations, there is an unsustainable drive for growth. The simple maxim is: double the cut equals double the profit. There's little reference to the needs of the market, with the consequence that weakening demand could result in catastrophe for the sector.

This obsession with scale also seems to be shared in Austria and Scandinavia, further heightening the risk of lumber being devalued and sold at a loss.

This drive for capacity, of course, has consequences for raw material supply too. What the storms have spared, we could be threatening to destroy.

I am all for growth and higher productivity. I am also in favour of boosting per capita timber consumption, with the ultimate vision of wood becoming the leading material in construction and interiors.

But sustainable growth demands balance and continuity through the three core elements of the supply chain; sawmilling, raw material supply and lumber market. And, as our industry is shaped by a range of factors which no single sector can control on its own, we must all accept that the rules of the market are laid down by its participants as a whole. Growth is essential – but with sense and sensibility.

So, citius, altius, fortius is better left the motto of the Olympics. Let us take instead a quote from Ghandi: “There is more to life than increasing its speed”.

### **About the author**

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Ulrich van Roje studied jurisprudence in Giessen in Germany.

A solicitor and managing director of the sawmill van Roje by profession, he is also managing director of the enterprises bio.econ and Energiepellets Oberhonnefeld (EPO).

He was president of the Union of Sawmill and Timber Industries of Rhineland-Palatinate for eight years and is a member of different committees of the German timber and sawmill industry. His hobbies are sports and literature.