NEWS RELEASE

European/German Sawmilling Technology is now operating in the U.S. South
Can it revolutionize the U.S. Industry and impact markets?

March 24, 2014 — Vancouver, BC

With one mill now operating in Florida using 100% imported European log merchandising, sawmilling, drying and planing equipment, what does this mean to the U.S. industry and markets? Could a new sawmill processing technology change the industry? The simple answer is: No. However, what has been proven in seven consecutive WOOD MARKETS’ Global Timber/Sawmill Cost Benchmarking Surveys is this: European sawmills have lower processing costs than North American mills due to the differences in technology. So, one European sawmill can certainly change local log markets and impact neighbouring sawmills. And perhaps after a few more mills are in operation, the evidence will then show if these European sawmills can influence regional lumber markets since European sawmilling technology allows for more flexible processing and almost any specified thickness, width and lengths. So, the mid-term answer is: Probably, but time will tell.

So, what is this story all about and what does it mean?

WOOD MARKETS has been visiting European mills since 2000 and we will feature an industry tour in Eastern Austria to visit similar sawmills to the Florida mill as part of its Vienna International Wood Products Industry/Market Conference & Expo in Vienna, Austria on June 17. In Europe, sawmilling technology is different – and very different in some areas. Simply put, European mills serve multiple markets that all require different sizes, lengths, grades and specifications. To be able to produce lumber for these many European and export markets, European sawmilling technology has evolved to be different to North American technology – this has impacted not just costs, but allows for wider product lines, expanded markets and improved margins!

With log costs also very high in Europe (at least double U.S. log costs), the European sawmilling strategy is to reduce fall-down grades of sawnwood and maximize value from the expensive logs. To accomplish, all mills first sort and grade their logs through a log merchandizing line where logs are scanned and typically sorted by diameter class, grade and length. Many mills have 60 to 80 log sorts; some have 160.

Since the logs are sorted into batches of similar diameter, grade and length, the optimum product and market solutions are matched up to these log sorts to maximize value back to the log. These log batches
are run into fixed setworks in the mill, as since the logs are already pre-sized and graded, there is no need for moving and shifting setworks in log break down equipment as is extensively used in North America.

With fixed setworks and using batched logs, European mills can achieve higher lumber production output per hour, day, week, etc., as compared to North American mills. Instead of having a 2 to 3 metre (6-9 foot) gap between logs, European mills can have 0.5 metre (1.5 foot) gap that allows for greater linear production per hour. As well, processing pre-graded logs yields very little low grade lumber from every production run, optimizing value.

The cost advantages of European sawmilling have been documented in WOOD MARKETS bi-annual Global Timber / Sawmill / Lumber Cost Benchmarking Survey since the first issue was released in 2001. In every survey (based on US dollars), European mills continue to have the lowest sawmilling costs in the world (US$/Mbf or US$/m3) no matter what the exchange rate of the euro to the U.S. dollar. And in the current situation with the euro and the Swedish Krona depreciating 19-20% since July 1, 2014, the cost advantages of European mills are becoming ultra-competitive today in export markets, including the U.S. market.

The other key advantage of European sawmilling technology is that mills are extremely flexible – they can essentially cut any size (thickness and width) of lumber that is being requested based on the sorted log inventory. As a result, European mills are extremely versatile in selling to almost any market in the world since they are not constrained by fixed sawing programs or concerns about fall-down grades. As well, European sawmilling technology can easily produce square-edged dimension lumber and studs (i.e., home centre grade) and provide specified lengths (like a truckload of 16-foot) since the mill will take orders from the pre-sorted log (diameter, grade and length).

As a result, customers in Europe as well as in Japan, China, Middle East, North Africa, and also the U.S., have a strong preference in dealing with sawmills that produce lumber with flexible European technology. The answer is quite simple – they can produce lumber to the exact specifications of the customer. And with the lowest sawmilling costs in the world, you can see why European lumber is found all over the world, limited only by market price (which is often a constraint due to the much higher European log prices).

But with a world-class European technology sawmill now operating in Florida, this could become a game changer for the U.S. industry. Logs costs are currently half the price in the U.S. South as compared to parts of Europe. This means that not only will a sawmill featuring European–technology equipment located in the U.S. South be very competitive in the U.S. market, it should be very competitive in a number of key export markets. U.S. South (as well as Canadian SPF) mills have traditionally had restricted export market opportunities due to their inflexible sawmill technology, aside from older headrig mills.

To fully understand and see the differences between European sawmilling technology and that in North America, you really have to see sawmills in operation. WOOD MARKETS is offering this opportunity through its Eastern Austria Industry Tour on June 18 and 19. This is being held in conjunction with WOOD MARKETS’ Vienna International Wood Products/Markets Conference & Expo in Vienna on June 17 as well
as the bi-annual Schweigofer Prize Awards Ceremony and Reception (June 16). There is a second option for an industry tour to visit Holzindustrie Schweigofer’s sawmill operations in Sebes, Romania on June 20 and 21 that also features leading European sawmilling equipment that operates 24/7.

More information on all of these events can be found at:
http://www.woodmarkets.com/conference/global-conferences/

About International WOOD MARKETS Group

International WOOD MARKETS Group (www.woodmarkets.com) comprises wood products industry, market and business consulting services for the global industry. The firm maintains a global data-base and also offers numerous industry or market specific multi-client reports, including its landmark WOOD Markets Monthly International Report. WOOD MARKETS has maintained an office in China since 2005 and also publishes the monthly China Bulletin and has previously released The China Book: Outlook to 2017 and Russia: Industry Competitiveness & Outlook to 2018.

Strategic business assessments matching the timber resource to the global commodity and specialty wood products market, coupled with feasibility analyses of timber processing options, are trademark skills of the firm. Our ability to conduct in-the-field investigations coupled with our global network of contacts and comprehensive data-base delivers strategic results for clients looking to review or expand their domestic or global business and marketing or in evaluating investments.

Other conferences have been organized in China, New Zealand, Australia, Brazil and Vancouver. The next WOOD MARKETS conference is the Global Softwood Log & Lumber Conference, May 7, 2015 in Vancouver B.C.