Key position of timber traders in the chain of end user's quality needs

J.N. Wilkens

PontMeyer NV, Zaandam, The Netherlands
WilkensHout, Wildervank, The Netherlands
wilkensj@xs4all.nl

INTRODUCTION

This paper will reflect the view of the key position of the timber trader in the chain of end user's quality needs. The author retired a few months ago after having worked 42 years in the timber trade and is now part time working as a consultant in the timber branch. He spent the last twenty years purchasing timber and sheet material. His last job was Manager of Strategic Purchasing with PontMeyer, one of the leading, if not THE leading, timber importer in the Netherlands.
This paper will focus on four aspects that are related to the subject of the title: *"Quality",* '*timber traders'* and '*traders in (among others) timber', "end user" and "timber".* The author will give his view on these subjects from the position of a Dutch timber trader. Concerning the aspect *"timber"*, hardwoods will be addressed to in other papers so this paper will focus on softwood.

QUALITY

About 150 years ago Dutch importers were already active in Scandinavia in sourcing timber. Although at that time they mostly imported logs, not sawn timber. Holland, in those days, had hundreds of sawmills all over the country. See Fig 1. The Dutch forests had already disappeared and the main suppliers of timber in those days were Scandinavia, The Baltic, Russia and Germany. Dutch buyers used to send their vessels to Sweden, Norway, Riga, St Petersburg to pick up logs. They gave the captain specific orders regarding the quality of the poles he had to buy.

Figure 1: Traditional Dutch sawmill.

What is "quality"? Is it more than "a degree of excellence" or "relative nature of kind of character" as the Concise Oxford Dictionary wants us to believe? In the authors view it is more than that. It is more than the physical aspects of timber. When we discuss the quality needs of end users, we have to cover more ground. A supplier who delivers good timber too late or at the wrong place does not fulfil the quality requirements of his customer. Or when he advises his customer to buy timber of too high quality for the purpose and the customer finds out….same story..- means bad quality. Or when he delivers good timber for too high a price, something that a customer always finds out, he is not fulfilling the quality needs of his customer. In short: Quality means to fulfil all your obligations concerning the customer requirements.

The last years a new aspect of "quality need" of end user's has come into focus: the Environmental issue. Forests, and from the start in the early nineties the emphasis was put upon tropical rainforests, were threatened in their existence. The wrongdoer was in the first place: the international timber trade. NGO's, other more militant pressure groups, governments, all in their own way and with their own methods, were and still are trying to secure the forests we have on this earth.
The big difference today, compared to that period, is that the timber trade has more and more become a partner in this struggle. It is clear that the trade can only survive if there will remain sufficient sourcing possibilities of timber. Branch organisations, such as the Netherlands Timber Trade Association (NTTA), are very active in this field on national as well as on international level. On a national level the members of the NTTA have committed themselves to a Code of Conduct and to reach the following objectives in 2009

NTTA's objectives: By 2009,

- to know the origin of all (100%) of the timber products that are being imported and traded by NTTA members.
- 75% of all timber imported and traded by NTTA members should originate from proven sustainable managed forests.

The objectives are formulated in NTTA's policy plan *"The roots of timber*". In 2007 42% of the total NTTA import was sustainable produced and presented with a chain of custody (CoC) certificate. The sub goal for softwood is even more ambitious than 75%. All imported softwoods should be sustainable produced. The reported import figures over 2007 show that approximately 60% of all softwood was derived from sustainable managed forest and presented with a chain of custody (CoC) certificate. The figures are promising and it looks like the looks like the sustainable supply isn't the problem. It would surely help if the Dutch consumer would be more willing to buy the certified timber products, instead of only letting price and quality prevail the purchasing decision. And if the Dutch consumer not, or at least not now, engages himself to buy the available, but sometimes more expensive, certified products, what will be the attitude of the Dutch timber traders? They certainly don't want to end up as a museum for certified timber products.

In that respect the Dutch government is setting a good example with their new Public Procurement policy. By 2010 all timber purchases made by our national government should be sustainable and in case supply is lacking 'verified legal timber products' are allowed as well. In order to distinguish non-sustainable- from sustainable timber a new guideline for sustainable forest management and sustainable produced timber- and timber products, was introduced. The so called, *"Timber Procurement Assessment System" (TPAS)* formulates the minimum requirement for public procurement policy for timber and timber products for the Dutch government. The guideline is used by a new installed committee (TPAC) which analyses the compliance of presented SFM standards with the guideline. In the coming months it will become clear which of the existing systems are recognised by the Dutch government as being sustainable. See Fig. 2 for the present existing system over the world.

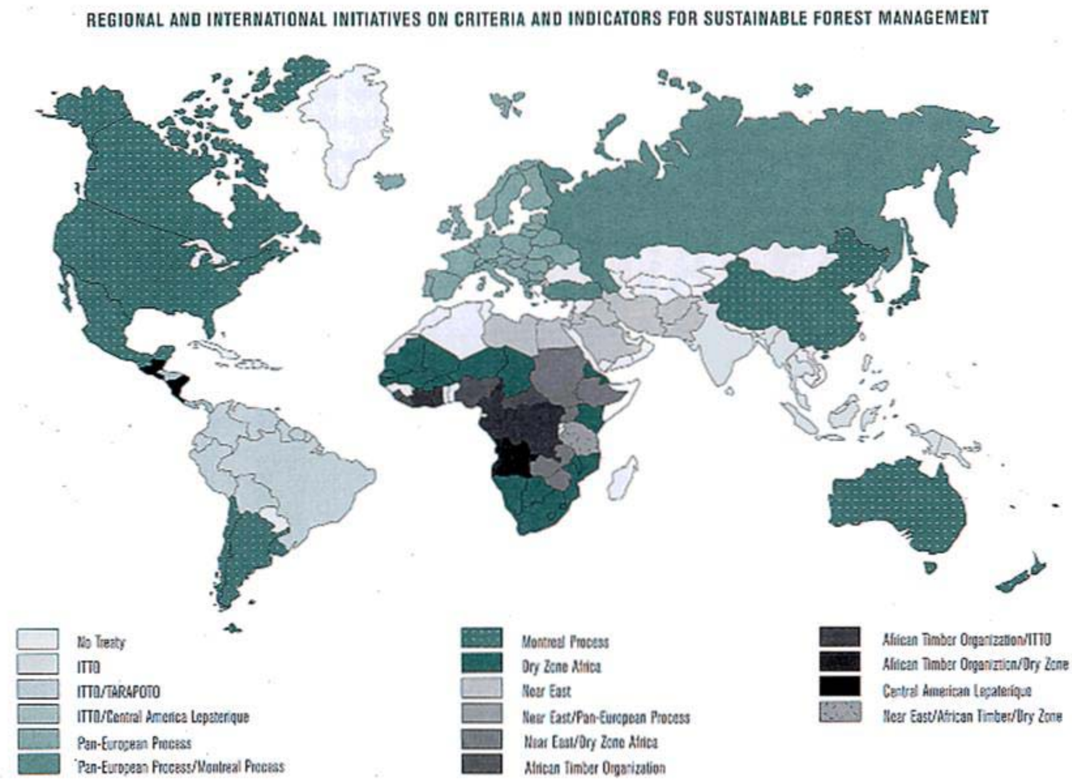

Figure 2: Sustainable forest management certification all over the world

TIMBER TRADERS AND TRADERS IN TIMBER

To understand what is meant by making this difference it is necessary to get a good look into the structure of the timber trade in the Netherlands (see Fig 3). That structure is different from the ones in the UK, France, Germany, Belgium or any other country in the more or less United States of Europe. In Holland we used to have a strict division between agents, importers, retailers and woodworking industries and contractors. Timber was sold by producers through the intermediary of agents to importers. Importers sold it to the retailers and the industry. Retailers in general did not import directly and they sold their timber to the contractors, carpenters and DIY shops. The industry bought from both importers and retailers, but did not import themselves, neither direct nor through agencies. That was before fax and internet.
That has all changed now. The number of agents active in the softwood trade is decreasing drastically, importers and retailers have infiltrated in each other's markets and industries now also buy directly from producers. And producers try to establish direct contacts with groups within- or out of the traditional timber trade, big enough to receive full loads of sawn or planed goods.

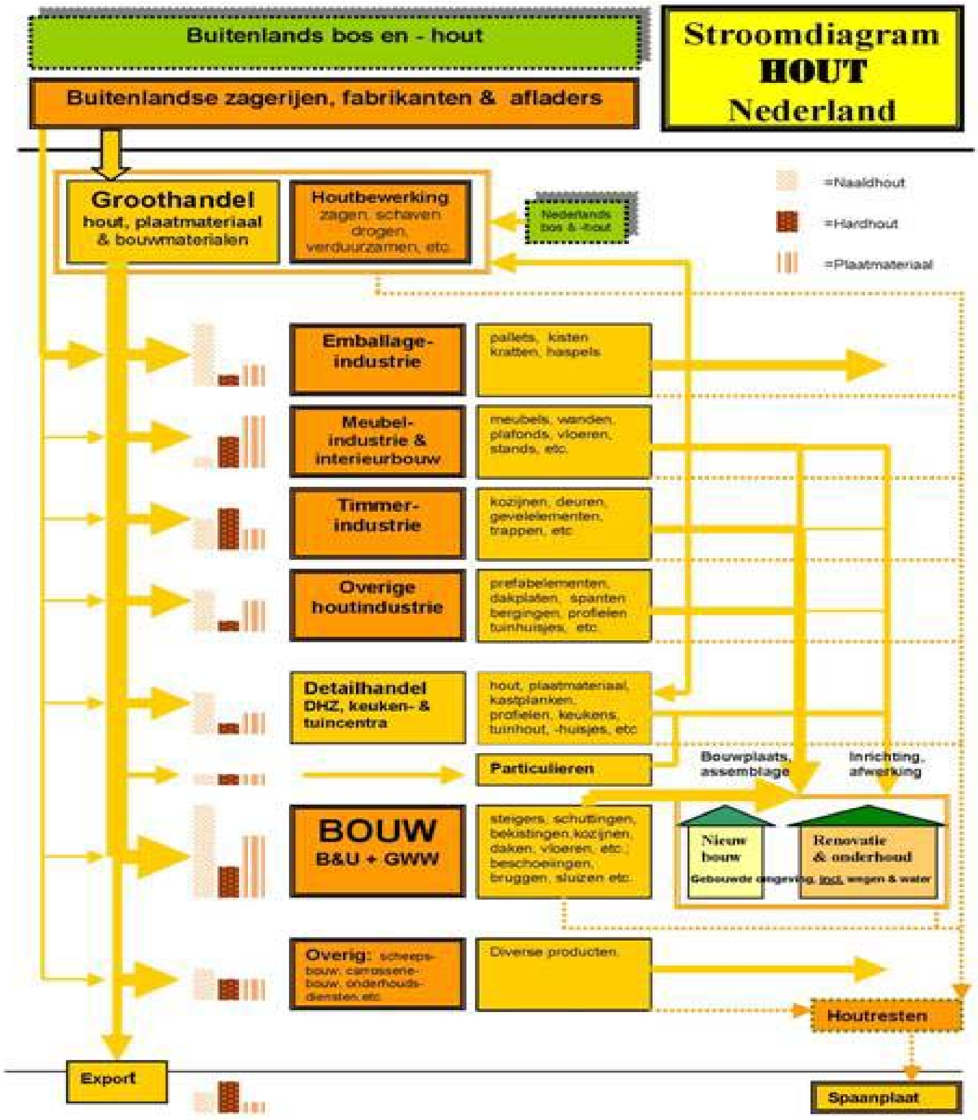

Figure 2: Flow chart showing the complexity of the partners involved in the Dutch Timber Branch

These changes came gradually but irrevocable. There are a number of reasons one can name for these changes. In my opinion there were until recently two major changes: logistics and added value. There is, of course, the impact of the increase in truck transportation at the cost of transport by vessel. An importer used to buy (and pay for) a vessel load of approximately 2.500 m3, but nowadays, with the immense lorry traffic throughout Europe, almost anyone can afford one or more truckloads of only 50 m3 each. The financial threshold for importing timber has almost vanished. In some cases producers are responsible for the stock levels of their customers. IT has opened huge possibilities in the logistic area.

And then producers found out that adding value to the timber could be done much more effective and cheaper on the production site than in the importing countries. So the band saws and the planing machines in the Netherlands became superfluous as far as bulk dimensions, the bigger part of the trade, are concerned. Planing mills from Dutch importers found their way to Asia, Russia and the Baltic. The import of planed softwood increased from 345.000 m3 in 1997 (13% of total softwood import) to 908.000 m3 in 2007 (32% of total softwood import).

The third big change is still under development: The Internet. The massive opportunities of this medium for the timber trade have only just started to unveil. It may take another year or two, but I am convinced that, as soon as the, so far rather traditional Dutch timber trade and building industry, will bring themselves to invest more time and money in this field, the trade will look different again. It will create cost effective operational contact between importers, retailers and end users.

More than one producer tried to pass not only the agent, but also the importer and retailer to do direct business with for example woodworking industries. But they soon found out that this was not that easy. It was hard to check upon the financial credibility of the new customers and damages were done in that area. And, be it that in Holland we use ca 0.3 m3 of sawn timber per capita per annum; it is generally delivered in very small portions to the end-user. The average order size here is round 2, 0 m3. For planed goods even less, no more than half a cubic meter And these 2.5 m3 orders consist often of 2-5 different sizes and lengths. This are not the ideal orders for a producer in Scandinavia or Central Europe. It is better that producers leave this to the local suppliers who have the infrastructure also for this type of orders and concentrate on the production. Here unsorted, fifth or saw falling whitewood is regraded by skilled graders according to the Dutch standards (KVH, Kwaliteitseisen Voor Hout) and the specific wishes of the client. The trader “translates” the producers grades into the grades based on the Dutch norms.

Another option for producers was to respond direct or through agencies to the growing interest in timber products of, let’s call them “non traditional timber traders”. Here can be referred to the traders of building materials, such as bricks, tiles, concrete etc. For this type of companies timber is an attractive additional segment with a relatively high return compared to their traditional bulk products. And no need for investments in expensive machinery or big sheds. Oh no, just every week a few truckloads planed and rough sawn goods, pick-a-pack if need be. The bigger part of this- growing- segment, notably in planed goods consists of runners such as SLS, 2x3”, flooring and laths. And here quality has settled itself on a minimum level accepted by the average buyer. These buyers in general, with the exception of the bigger chains, lack the skilled labour to do the translation to the Dutch norms and they rely fully upon the quality of the goods they receive from their supplier. In general their expectations are higher than the producers’ usual bracking, which can lead to problems.

END USER AND THEIR QUALITY NEEDS

The question that arises is: who is *THE end user* and what is the quality he needs? Is there really only one type of end user? Not in the author’s view. We have different end-users and they have different quality needs. Let’s have a look at a few of these types of end users and their quality needs.

The bigger part of softwood, which is whitewood in the Netherlands, is used in the building- and building related industries. Large quantities are delivered by truck from the trader’s yard directly to the building site. The customer, in this case the building contractor, orders the goods according to his own norms. What timber traders have in stock is graded according to the

producers' grading rules (See Fig. 4 left). In the yard the order picker is "translating" the order into the Dutch norms B, C or D quality and then the goods are on their way. Quality claims are an exception. The customer knows what to expect, the supplier knows what to deliver
Another end-user in our softwood market is the wood-based industry, by which the prefab house producers are meant. This is a different story when talking about quality needs. These companies employ engineers, have a drawing office and they know their business very well, also from a technical point of view. They specify their quality needs and orders very strict. To be able to market their end product, prefab element or even prefab houses, they need product- and quality certificates. These certificates contain a.o. quality requirements for timber according to Dutch strength grading norms and a solid quality handbook. (See Fig. 4 right).

Figure 4: Export grading rules (left) and Dutch grading rules (right)

Just now there is an interesting project running in Europe: CE marking of timber. The purpose of this European directory is to stimulate Euro wide transparency in the trade and use of the timber. Timber for constructional purposes has to be CE marked in future, which includes that every piece has to be machine- or visually strength graded (See Fig. 5). These EU requirements need to be explained to and accepted in the marketplace. In the chain from producer via trade to the end-user, there is only one party close enough to the end-users to make this work and that is the timber trader and no one else.

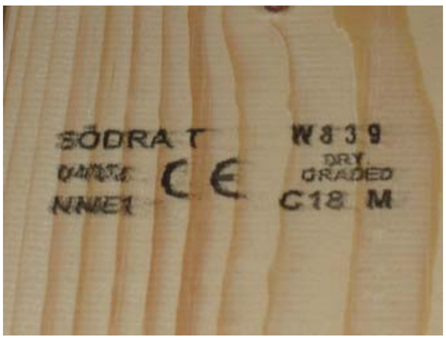

Figure 5: CE –marked timber for structural use

In this section will be explained that this is not an easy job. The trade has to convince the end-user that visual grading is no longer the standard. Architects and structural engineers will base their calculations upon the new CE standards. Standard is the CE stamp with the correct strength grading class for the specific purpose. But…visual grading has been normative for more than a hundred years; the customers have become used to it. And now we have to tell that same customer that he has to pay more for goods (strength grading is not free of charge!) that can have a less good appearance than he was used to, as long as it fits in the right strength class. Some end users want to eat the cake and have it. They want timber graded visually as before in (Dutch) B or C, but with a C18 or C24 stamp on it. And at no extra costs, please!

This really is a challenge and the timber trade can use all the help there is. The more the word already now is spread that CE marking is imperative in construction timber, the smoother the implementation in 2009 will go. Several Dutch importers, and among them, leading companies, will accept only CE marked and thus strength graded items meant for structural end use. They have no other choice, because the Dutch industry is already ordering CE marked goods today, a year before implementation day. The pressure upon suppliers to deliver CE marked goods will grow steadily. The timber trader has to shift his inventory from unmarked goods into CE marked goods before September 2009 and it takes time to achieve that goal.

And then we have an industrial segment were possibly one-third of the Dutch softwood import is involved, but quality wise incomparable with the other end users: the packaging industry where pallets etc. are produced. In the Netherlands it concerns a relatively small group of producers. They either buy from importers or direct from producers. In 90% timber of the lowest qualities is used, both kilned and green. The specification is limited to boards. The timber for export orders has to be treated according to ISPM 15, to avoid fungi and insects.

Then there is a very large group in numbers of end-users: the do-it-yourselves, the hobbyist. For him, CE marking, B. C quality, strength grading C 18, it is all floccinaucinihilipilification.
That does not mean that they are not quality-conscious. They want their 2x 3”or 2 x 4” straight but are not interested in the number and sizes of knots or wane. It is positive that in this sector the short lengths are standard, long lengths don’t fit in the trailer. They are keen upon pricing and more and more environmentally involved. The timber has to be certified: Green label, FSC, Keurhout, or even maybe a fancy “green” name, is what he wants. They don’t want to have long discussions with the neighbours that, by buying uncertified timber, he is helping to destroy the rainforest in Africa.
The DIY shops and -chains are supplied by specialists in this field. There is intensive contact between purchasing departments and suppliers about specifications and prices. The business is so special that the average timber trader avoids this segment.

CONCLUSION

Technicians and scientists may shudder by the commercial approach of the term “Quality”, but without the commercial translation of the technical aspects of timber, from the quality handbooks towards the end user’s needs, their work will be in vain. End users don’t want to read books about the mechanical aspects of timber, the determination of moisture content and distortions. They want the right stuff for their purpose and the trade has to supply that. No more than that, but certainly no less! Timber traders can do that.
Timber traders might be considered, as interpreters. They translate techniques are translated into orders, theory into practice. But the Timber traders cannot do it on their own. Communication is needed with all parties involved to achieve the common goal: to get the right timber for the right price on the right time for the right use. And that is exactly what the Dutch timber traders are doing every day.