

SUMMARY

- Interholco has been developing added value engineered product capability
- Phase one of a capital investment programme to develop IFO's facilities at Ouessou is under way
- The Republic of Congo log export ban has impacted business
- Demand for scantlings is increasing

INTERHOLCO INTO THE FUTURE

The leading tropical hardwood supplier acknowledges market challenges, but is building for exciting times ahead. Mike Jeffree reports

It's been a busy time at Interholco and it's about to get busier.

Against the backdrop of a tighter, more competitive market, the Swiss-based international tropical timber supplier has had to contend with the log export ban in the Republic of Congo, where its subsidiary IFO has its mill and manufacturing plant and manages 1.1 million ha of forest.

The company has also been continuing to develop added value engineered product capability, including in lesser-known timber species, with efforts given added impetus by the block on log exports.

Already renowned for an unwavering stance on sustainability, it has additionally achieved further environmental validation of its operations.

Now it is entering phase one of a major capital investment programme to develop IFO's facilities at Ouessou and further future proof the wider business. The work will run through most of next year.

"Sometimes it's felt like we've been running around like headless chickens! But we're on track and entering an exciting period," said vice-president production and sales Christophe Janssen.

He acknowledged that trade has become more challenging.

"Last year the market was very good – our order books were full 12 months ahead," he said. "But, with the Ukraine crisis and resulting inflation and high interest rates, consumers have lost confidence and we've been affected in many markets. The US

remains busy, and we're still selling well in certain EU markets, notably Belgium and the Netherlands. But elsewhere in Europe it's more difficult due to economic pressures, particularly in the property sector. In France for instance, mortgage approvals are reported down 40-50% this year, and they're lower in Germany too."

The UK market has also been challenging.

"It has the same economic issues as the rest of Europe, but with Brexit making business even more complicated," said Mr Janssen.

He added that, while it's not a key market for Interholco, China has remained quiet since the relaxation of Covid restrictions.

"The Middle East has been less busy too, despite the price of oil, and there's been a big slowdown in the Vietnamese market," he said.

The Republic of Congo log export ban, implemented in January, has also, of course, impacted business.

"Losing that part of our turnover means we have to reorganise and become more focused on value added production," said Mr Janssen. "Making it more challenging was that the government allowed little time to adapt."

Despite the wider market climate, however, Interholco has not curtailed production. The company also now sees glimmers of economic light.

"We're seeing inflation coming down and interest rates stabilising in an increasing number of countries and there's a feeling markets are getting used to or factoring in the Ukraine situation," said Mr Janssen. "Interholco is also adapting successfully. We're focusing more on kiln-dried lumber where there's less competition and better



Above: Species used by Interholco include sapelli, kosipo and bosse

prices than in standard, undried. And by November latest investment in value-added production will have doubled our multi-ply, finger-jointed window and door scantlings capacity. We're also increasing kilning capacity."

The company is clearly confident of a bright future in these engineered components, with customers increasingly won over by their technical benefits.

"Demand for scantlings is increasing and end users who switch to them are very happy with the results," said Mr Janssen.

"They're stable, predictable and enable manufacturers to calculate their yield and costs in a way that's just not possible with rough lumber. They can also have longer lengths on a consistent basis – we supply everything in 5.9m."

These products also provide a route for Interholco to introduce more lesser-known tropical timber, use of which reduces supply stress on traditionally more popular species. Some also see it as making sustainable forest management more economically viable, in that it increases timber yield from a given forest area.

"Customers who buy our scantlings are more concerned with technical performance and yield – and some are achieving 95%. They're less concerned with species," said Mr Janssen. "Timber we're using includes kosipo, sapelli, sipo, bosse, limbali and kanda and we're doing further tests with tali and wenge."

Further underpinning development of the scantlings business, Interholco has received gluing quality certification in France under the FCBA CTB scheme, and the SKH KOMO scheme for the Netherlands, regarded as one of the most demanding of its kind.

"These give customers added confidence in quality and also enable them to get better product insurance," said Mr Janssen.

One market proving more resistant to the value-added trend in tropical timber seems to be the UK. "Overall it seems more conservative and species focused. Potential customers also comment on the higher initial price," said Mr Janssen. "However, we have been getting enquiries and, while it may take time, we're confident demand will grow. It has to be the way forward if joinery end users want to control costs and compete in terms of technical performance predictability with materials like PVC and aluminium."

Next year will see the pace of development at Interholco step up another gear. It says its investment at IFO's Ouesso site will be a "significant sum".

"It will be a major modernisation programme, replacing older equipment with the latest technology," said Mr Janssen.

"We're developing a new line to increase production of boules and bigger dimension beams and other products. We will also develop sawn timber capacity to supply the

increasing requirements of our value-added production."

The scale of the upgrade means it will reduce output next year.

"But customers will see the benefits coming through in 2025 and it will set the foundations for increased industrial, value-added production going forward," said Mr Janssen.

Interholco is a long-term adherent of FSC certification – 100% of timber from its own concessions is FSC certified and 88% of that from outside sources – and in March it gained FSC Eco-systems certification for biodiversity protection. This year it has also been undergoing accreditation to the PEFC-endorsed Pan African Forest Certification scheme.

"Continuous improvement of our environmental performance is part of our DNA and securing PAFC certification is a reflection of this," said Mr Janssen. "FSC and PEFC/PAFC schemes have the same basic rules, but they're also complementary. PEFC follows ISO standards for forestry, a much-needed addition to the socio-environmental safeguards of FSC."

Interholco, he added, had just had its final PEFC audit and was expecting certification to follow imminently.

Since 2017, the company has also been engaged with the Zoological Society of London's (ZSL) international SPOTT analysis programme. Each year this assesses 100 tropical forestry, palm oil and natural rubber companies on public disclosure of 'policies, and practices related to environmental, social and governance (ESG) issues'.

"SPOTT scores companies against sector-specific ESG indicators to benchmark progress and, by tracking transparency, incentivises implementation of corporate best practice," says ZSL. "Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries."

This August, for the seventh year in a row, Interholco was ranked first of the 100 companies involved, scoring 95.2% in assessment against 150 indicators.

"SPOTT does not solely rely on commitments or policies, but also looks at progress and implementation on the ground," says Interholco. "The SPOTT team also comprises actual people with proven expertise and analytical finesse. It is not an AI-compiled scorecard."

The company has become more attuned to the SPOTT process with time, but initially found it "pretty demanding".

"We regularly take the pulse of what is close to the heart of external as well as internal stakeholders. We engage with employees, trade unions, our peers and listen to what is expected of the company

by everyone from indigenous peoples to B2B customers. So we had a number of policies and online documents, reports and procedures we had to go through. SPOTT may not have really changed the way we work, but it's made us more aware of where and how transparency is expected.

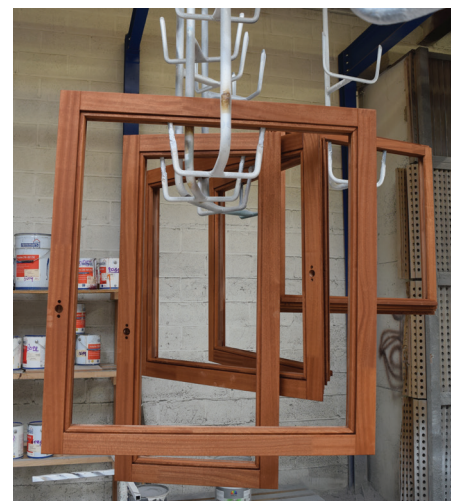
"Obviously we're happy to come first again," said Mr Janssen. "But we value the SPOTT process overall. It makes you ask 'can we do better?'. It also challenges competitors to improve, so it's good for the wider industry."

In terms of environmental compliance the next challenge for the European industry and its suppliers will be the EU Deforestation Regulation (EUDR), which comes into force from 2025. Interholco is sure it can rise to it.

"We're confident we can meet all requirements, including for geolocation details for timber origin, having the advantage that most of our timber comes from our own concession," said Mr Janssen. "Some of the details of implementation are still unknown, such as how the European portal for downloading EUDR information will operate, whether we can give plot information annually, or have to provide it on each invoice. But we don't foresee problems."

Interholco is also optimistic about prospects for the business as a whole.

"Short term it may be more challenging given the state of the market and the development work we're undertaking," said Mr Janssen. "But we're confident wood demand will continue increasing and that, with the investment we're putting in place and our commitments to sustainability, we will be well placed to benefit." ■



Above: Interholco believes that value-added tropical timber has to be the way forward if joinery end users want to control costs and compete in terms of technical performance predictability with materials like PVC and aluminium