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French temperate hardwood imports rise as tropical imports falter

Latest figures this year show that temperate hardwood imports into France have fared better than tropical. In the first quarter of 2000 (January to March) tropical log imports were down (-2%) to 196,107 m³, from 200,745 m³ in 1999. Tropical sawn imports were also down (-8%) from 106,156 m³ to 97,374 m³. However temperate log imports were down only 1% and temperate sawn imports were up over 12% to 56,647 m³ for the first quarter. This result may have been affected by the disruption of the winter storms.

Analysis by Le Commerce du Bois show that imports of temperate hardwood sawn lumber into France have risen from 58,343 m³ in 1985 to 286,600 m³ in 1999. Temperate log imports have also increased from 56,455 m³ in 1985 to 569,900 m³ in 1999 as sawmills supplement their range of species from abroad.

France, a country with 17 million ha of forest cover (being 30% of the land area), is a major hardwood producer. About 61% of its standing timber is hardwood – mainly beech and oak with other species such as ash, cherry, chestnut, and sycamore also available in commercial quantities. But France also has a long tradition of importing hardwoods from former colonies in West Africa into its Atlantic ports of Bordeaux, La Rochelle and Nantes around which many wood processing industries have grown up.

But as one of Europe's most established hardwood consuming countries, French market structure is quite different from most other EU countries in a number of respects. Whereas many are import-dependent, the hardwood trade in France is centred more on domestic sawmills, local merchants and end user industries than on importers. Recently the French timber

trade has consolidated by amalgamating several organisations into one – Le Commerce du Bois, which reflects this merging of functions.

The French government plays an important role. Despite the fact that 75% of the hardwood forest resource is owned privately, the National Office of Forests (ONF) is actively responsible for the majority of log production and sales. This is likely to have significant effect on the beech market when next years cutting licences are issued, following the high level of destruction in last winters storms.

The French economy this year is showing many signs of improvement following a period of unusually high unemployment and slow growth. Today inflation is only 1.3% and unemployment is set to fall below 10%. Real GDP, industrial production and domestic demand are all growing, and France's exports are rising. The government has also been active in stimulating demand by reducing the rate of Value Added Tax on refurbishment projects, which consume hardwood products. The domestic hardwood industry, represented by the Federation National du Bois, and many regional hardwood associations support a campaign to promote oak under the slogan "J'ai choisi le chêne" (I chose oak). Partners in this campaign are the promotional organisation Comité National pour le Développement du Bois and ONF. A further vital contribution to the French hardwood industry and trade is made by Centre Technique du Bois et de l'Ameublement.

French consumers have long shown a preference for solid hardwood joinery, flooring and furniture at all levels of the

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Editorial

2000 – first half

The first half year of this new millennium has shown all the dynamic forces and counter-forces that keep the world hardwood trade on its toes. The year entered with storms that were catastrophic for the French hardwood forest. It was quickly clear that European hardwood prices – far from falling with the glut of wind-blown logs – have in fact held very firm, mainly on the fear of future shortage.

Meanwhile the unrelenting march of the US economy and its dollar has further hiked export prices of American hardwoods, but export volumes have also risen, largely on the back of a recovering Asian economy. At the same time, the comparative weakness of the Euro has undermined European buying of Asian hardwoods, but has driven demand for African hardwoods at a time when supplies from that region are looking particularly uncertain. And the speed at which forest certification schemes are developing and maturing has been breathtaking and hard to follow, even for the most vigilant and well informed.

But, surprisingly, there are also areas of calm – such as the more general stability of hardwood prices around the world, and the firm underlying demand of global markets for hardwood. It is perhaps this latter factor that has provided much-needed confidence to the hardwood industry as it left a turbulent decade behind and entered the new millennium.

And there continues to be steady and unstoppable progress in the development of added value industries in hardwood exporting countries, an issue which threads through this issue and presumably the corporate strategy of every forward thinking producer. hardwoodmarkets.com refers to it in Sabah (p9) and Ghana (p5), and sees the need for it in eastern Europe. “Added value” will be one direction of focus that the UN/ECE Timber Committee meeting in Rome this October will sharpen. Their special paper on the subject is awaited with interest.

Rupert Oliver
Editor

Letters

The following is an extract from a letter received from Manoel Sobral Filho, ITTO Executive Director

I am prompted to write on reading the July Edition of hardwoodmarkets.com in which you feature ITTO's report on its year 2000 Objective. Regarding your call for more collaboration between ITTO and the Forest Stewardship Council (FSC), you may be interested to know that ITTO works closely with a number of environmental non-governmental organisations in the implementation of our program. For example, I am inviting the FSC to participate in a forthcoming expert panel, which will assist the Organisation in the development of a framework for an auditing system for ITTO's criteria and indicators for sustainable forest management.

You noted that ITTO had done nothing to publicise the Poore/Thang report on the progress made towards the Year 2000 Objective. This is not quite true, although we are somewhat limited in the exposure we can give it since it has not yet been

officially accepted by the International Tropical Timber Council. Nevertheless, a press release was prepared at the Lima session of the Council and made available at a press conference held at the end of the session. It is also available on ITTO's website (www.itto.or.jp). The report was given thorough coverage in the latest edition (2000/2) of the ITTO Forest Update. It, too, is available on the ITTO website.

We are currently printing a brochure outlining the role of ITTO. This brochure includes information on the Year 2000 Objective and the report's findings on the progress made.

We appreciate your interest in the work of ITTO. We are aware of the need to improve public understanding of issues surrounding tropical forest management and of the role that ITTO is playing in improving the situation. However, you should appreciate the difficulties of getting the mass media to disseminate information on “nuts-and-bolts” work, which you rightly point out is the work we do.

European Hardwoods

Summer slowdown but firm underlying demand

There are clear signs that beech log supplies will be restricted next logging season. The French forest authorities have indicated that almost no new supplies of beech logs will be made available. Harvesting will be restricted to storm damaged logs that remain standing. In Germany, harvesting will be tightly controlled until the end of September under conditions imposed by the Forest Damages Compensation Act.

At present central European production capacity is fully utilised due to the continuing high availability of wind thrown logs. Production is heavily focused on conversion of beech stored in irrigated yards.

Although now experiencing the usual summer slow-down, underlying demand for European beech remains strong in many markets. French domestic demand remains firm, buoyed by the nation's strong economy. Demand in Spain is firm, with many importers building up stocks in anticipation of supply shortages next year. Lower transport costs mean that Spain usually turns to France for supplies of beech. However Spanish importers are now looking further afield, notably to Germany, as French prices have risen and availability has been constrained in response to firm Chinese demand. The German market for beech is more mixed. Demand from the furniture sector is relatively slack as Ger-

European sawnwood indicative prices			
	May	June	July
Exchange rates			
DM/£	3.13	3.09	3.17
DM/US\$	2.11	2.04	2.12
Northern Germany, DM/m3, C&F, UK Port			
German beech			
Grade: kiln dried, steamed and square edged.			
1"	1750	1750	1750
2"	1800	1800	1800
German oak			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available - French prices are similar to German prices)			

man furniture sales remain subdued. However demand from the German stair building sector is satisfactory. Beech demand in the United Kingdom, Italy and Scandinavia is good.

Demand for both French and German beech in China remains firm, despite recent reports of high stocks. The number of Chinese companies importing beech continues to increase, boosting underlying demand. However there is intense competition between suppliers in France, Germany, the Balkans and Italy (based on Balkan logs) for market share in China. Prices for beech sawnwood exported to China are lower than the last year. Chinese buyers are now seeking the full range of quality specifications for sawn beech including A, AB and C, and

there is increasing demand for square edged.

The process of converting storm felled oak logs began in France in June after being postponed last logging season as operations focused on beech. There continues to be strong demand for oak logs from French stave producers who are encouraging rapid conversion for fear of worm infestation. Firm demand has meant that good oak logs are selling at stable prices, but prices are down around 10% for lower quality logs.

European beech

Recent data on the direction of trade for European beech highlights the growing importance of China and Hong Kong as export markets. Last year, EU countries exports of beech logs and sawn were valued at Euros 328 million and Euros 410 million respectively. Around 52% of logs and sawn by value (total Euros 382 million) were destined for China or Hong Kong. Germany was by far the largest EU exporter of beech logs and sawn, accounting for Euros 317 million, followed by France which exported beech with total value of Euros 170 million. Italy is a significant exporter of sawn beech, with production based on logs imported from the former Yugoslavia. Italy's exports of sawn beech reached a total value of Euros 75.5 million during 1999.

Continued page 4

Western European Beech - Direction of Trade By Value

All Figures millions Euros (1 Euro = US\$0.93 = £0.62) - Source Eurostat/hardwoodmarkets.com

Logs	Germany		France		Denmark		Belgium		Austria		Other EU		Total EU	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Producers:	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr
Importers														
China	68.7	46.1	15.0	19.1	15.3	7.7	6.3	3.7	0.3	0.2	2.5	0.7	108.1	77.5
Hong Kong	33.4	11.4	26.2	6.0	13.1	2.8	7.5	1.2	0.8	0.1	2.1	1.0	83.1	22.5
Italy	6.6	1.8	6.5	3.1	0.1	0.1	2.7	1.1	13.5	5.7	0.1	0.0	29.4	11.8
Germany			15.9	8.3	0.7	0.9	1.9	0.8	2.0	0.4	0.1	0.0	20.6	10.4
Belgium	1.0		12.7	8.4							1.1	0.3	14.8	8.7
Spain	0.2		11.5	3.5		0.1	1.9	0.5			0.1	0.0	13.7	4.1
Sweden	7.8	2.6			3.2	1.0					0.1	0.0	11.1	3.6
Other	23.2	10.0	12.2	5.7	3.3	3.1	7.4	2.2	1.2	0.7	0.4	0.3	47.7	22.0
Total	140.9	71.9	100.0	54.1	35.6	15.7	27.7	9.5	17.8	7.1	6.5	2.3	328.5	160.6
Sawn lumber														
Producers:	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Importers	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr	Year	1st qtr
Hong Kong	44.0	7.6	48.8	9.5	14.4	2.5	10.6	0.9	1.0	0.2	6.0	1.1	124.8	21.8
China	40.9	12.5	8.7	3.2	8.4	3.5	3.0	0.5	0.3		4.5	2.2	65.8	21.9
Spain	20.4	8.4	0.2	0.2	13.9	5.0			0.4	0.1	1.9	0.7	36.8	14.4
Germany			6.5	2.1	6.2	2.0	7.7	1.6	4.0	0.3	0.9	0.3	25.3	6.3
UK	14.9	4.2	0.2		1.3	0.3	0.1		4.1	0.9	0.6	0.1	21.2	5.5
Italy	7.6	2.3			2.2	0.7	8.4	2.3			0.0	0.7	18.2	6.0
Netherlands	9.4	2.9			2.6	0.5	0.1		0.9	0.2	0.8	0.3	13.8	3.9
Other	39.3	10.3	11.1	2.9	20.5	4.8	7.2	2.8	12.1	2.6	13.6	2.3	103.8	25.7
Total	176.5	48.2	75.5	17.9	69.5	19.3	37.1	8.1	22.8	4.3	28.3	7.7	409.7	105.5

Europe cont. from p.3

The impact of the storms in France and Germany had a significant impact on levels of trade during the first quarter of 2000. The value of beech logs exported by EU countries was relatively high, reaching Euros 160 million in the three month period. A large proportion of the excess log production was soaked up by China/Hong Kong. During the first 3 months of 2000, China/Hong Kong imports of beech logs from EU countries were valued at Euros 100 million.

Euro weakness

The buoyancy of demand for European hardwoods is at least partly explained by the weakness of the Euro, which has ensured competitive pricing against dollar-denominated stock, notably from North America. The Euro slid downwards again at the end of July, to an eight week low, despite another string of good economic news from Europe. Latest news includes an upbeat IMF report on the European economy which states that "it is hard to remember a period when the fundamentals have been so good...unemployment has already fallen by more than any recovery since the 1960s." This news led one investment bank, J.P. Morgan, to raise their forecast of second quarter GDP growth for the Euro area to an annualised rate of 5%.

So why the continuing weakness of the Euro? Analysts suggest three contributory factors. First, there is a lingering disbelief in Europe's political will to carry out structural reform. Second, the continuing policy differences which exist within the EU over the role of European institutions have added to a sense of muddle and uncertainty. For example, Denmark's Finance Minister has recently suggested that French plans for a greater political counter-weight to the European Central Bank (ECB) was likely to put off voters in Denmark's September referendum on the single currency. The third reason is simpler. However robust the Euro area's growth, it has still not matched that of America. Yet this could change. Euro-area GDP next year may actually grow faster than America's. Also, with Euro-zone inflation now dangerously high - consumer price inflation rose 2.4% in June, well over the central bank's 2% limit - the ECB is likely to raise interest rates again. Such a move would tend to strengthen the value of the Euro.

African Hardwoods

Firm demand, but supply remains a problem

The weakness of the Euro continues to favour African redwoods on European markets over dollar denominated Asian alternatives. However availability for many African species remains a problem. Few shippers are now offering Sapele for forward shipment before October. Supplies of other important species, including Sipo and Iroko, remain very tight.

Logging throughout West Africa is hindered by heavy rains. The rainy season is now due to run until October. Throughout the region, log stocks at most mills are lower than usual for the time of year. Numerous factors limited harvesting during this year's logging season including tightened government controls over concessions in Cameroon and Ghana, forest resource constraints in the Ivory Coast, and political problems in the Ivory Coast and throughout the Congo basin. Other factors are now contributing to the general picture of limited supplies including the short term closure of many European owned mills during the summer vacation period, and the collapse of a bridge on the rail link between Nkometou and Yaounde in the Cameroon. This latter factor is expected to contribute to continuing disruption of log supplies to Cameroon mills for the next two months. Demand for African sawn lumber remains firm throughout much of the euro-zone in continental Europe, with France particularly buoyant. Spain is one area of uncer-

African logs indicative prices

	May	June	July
Exchange rates			
Fr.F/£	9.53	10.36	10.64
CAR & Congo (Brazzaville)			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
N'gollon			
70+ (20% 60-69)	1600	1600	1600
Bosse 60+	1650	1650	1650
Ayous 70+	na	1200	1200
Sapele			
80+ (20% 70-79)	1950	1950	1950
Sipo			
80+ (20% 70-79)	2500	2500	2500
Gabon			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
Acajou			
70+ (20% 60-69)	1300	1350	1350
Douka			
70+ (15% 60-69)	1350	1350	1350
Sipo			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
Liberia			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	205	200	200
Walnut	200	200	200
Iroko	300	300	300

tainty. Spain's underlying economy remains buoyant, but there are reports that high stocks of Sapele may have built up prior to the summer vacation. There are rumours that a number of long delayed contracts arrived unexpectedly in recent weeks. This may dampen Spanish demand for Sapele in the Autumn.

Demand for African wood in the UK is

African Sawn Indicative Prices

	May	June	July
Exchange rates			
Fr.F/£	10.51	10.36	10.64
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3400	3500	3500
Sipo	4200	4500	4500
Bibolo	2700	2700	2750
N'Gollon	3500	3500	3500
Afrormosia	5600	5600	5600
Iroko	3750	3750	3750
Cote d'Ivoire			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3550	3600	3600
Mahogany	2750	2750	2750
Framire	2050	2050	2050
Samba No.1 C&S	1525	1525	1525
Dimension stock			
Azobe	2500/	2500/	2500/
	2900	2900	2900
Opepe	2100/	2100/	2100/
	2800	2800	2800
Dabema	1950/	1950/	1950/
	2550	2550	2550
Gabon			
Fr. Francs/m3, FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	2250	2250	2250
Okoume KD	2500	2500	2500
Ghana			
Exchange rates			
DM/£	3.42	3.13	3.09
C/£	7409	6915	8561
DM/m3, FOB Takoradi			
Grade: FAS, Air dried (AD) or kilned (KD)			
Size: width 6"+, avg 9", length 6'+, avg 9'			
A.mahogany AD	1100	1100	1100
A.mahogany KD	1250	1250	1250
Emeri AD	760	760	760
Utile KD	1550	1550	1600
Odum AD	na	na	na
Odum KD	1325	1375	1375
Sapele KD	1200	1280	1280
Edinam AD	670	670	670
Edinam KD	850	850	850
Walnut AD	910	910	910
Naingon AD	925	925	925
Danta AD	730	730	730
Danta KD	1000	1000	1000
Wawa AD	530	530	530
Wawa KD	600	600	600
Makore KD	1050	1050	1050

African Hardwoods

described as steady, with reasonable volumes of wood moving through importers yards. However margins are tight and competition intense. While UK stocks of African wood may be sufficient to cover current levels of demand, UK agents speculate that gaps may start appearing in September/October. If so, with the African supply situation as it is, importers may struggle to obtain replacement stock. The Irish market continues to buy reasonable volumes of Iroko, although demand is less buoyant than last year. Now that the supply of fixed length Iroko from Ivory Coast has more or less dried up, Irish importers are turning to random lengths from Cameroon. Supplies from Ghana are very limited. The Ghanaian export trade is now dominated by Wawa, which is currently selling well in South Africa. Far Eastern demand for wawa is described as "patchy". The very limited volumes of kiln dried Iroko from Ghana are readily saleable. Hardly any Utile is now available.

Ghana

Forest sector transformation

Continuing efforts are underway to transform the Ghanaian forest sector, reducing reliance on exports of primary species from natural forests in favour of value added production, secondary species and plantation grown stock. There are reports that a group of Spanish wood processing companies have expressed a desire to collaborate with Ghanaian industrialists to further develop value added processing capacity in Ghana. The overall objective would be to increase total export earnings from the Ghanaian wood sector from US\$180 million to US\$280 million annually within 10 years. The Ghana Government has also raised initial capital of cedi 35 billion (US\$6.3 million) to set up the forest plantation development fund. The money has been derived from the proceeds of export levies on air-dried lumber. The fund aims to provide financial assistance for the development of private commercial forest plantations to supplement industrial timber supply from natural forest. The fund will provide financial assistance in the form of grants, subsidies or loans to growers participating in approved schemes. Ghanaian export data reveals the clear shift towards value added production and lesser known species. In the first 4 months of 2000, the volume of Ghanaian exports of air dried sawn lumber declined by 27%, while the value of these exports declined by 37%. By contrast the volume and value

of all further processed products including kiln dried sawn lumber, veneer and plywood increased. During the four month period, the overall volume of wood products exports increased by over 12.4%, while overall value decreased by 0.6%. The fall in value reflects Ghana's increasing reliance on lower value lesser known species. Ghana's major trading countries during the 4 month period were France, Germany, UK, USA, Italy and Spain.

Economic gloom

The cedi, Ghana's national currency, is in free fall. In January, 3,530 cedis were needed to buy one dollar. Six months on, the rate has nearly doubled to 6,400. The devaluation is threatening living standards and economic growth in a country seen as one of Africa's rare economic successes. All sectors of the economy are suffering. Ghanaian industry is heavily dependent on imported machinery, so profit margins are being shaved. The real value of workers pay is falling weekly as consumer prices have risen. The government blames the country's misfortunes on "external shocks", notably falling international prices for cocoa and the rising price of imported oil. The long term answer is to reduce Ghana's dependence on primary commodities. This is in fact the declared aim of the regime, led by Jerry Rawlings, ever since he took office in 1983. President Rawlings is due to step down next December. The election that month means that political uncertainty is added to Ghana's other problems.

Forest certification

Pan African scheme progresses

Concerted efforts are underway to develop a Pan African Forest Certification Scheme. Advocates of the scheme are also pursuing eventual mutual recognition with other regional forest certification initiatives, including the Pan European Forest Certification Scheme.

Formation of the Pan African Forest Certification Scheme is being driven by 14 of the largest forest sector investors in Africa who are members of the European Foundation for the Preservation of African Forest Resources (EFPFR). The scheme, which began in September 1999, is based on work carried out over the last six years by the Centre for International Forestry Research (CIFOR) and the African Timber Organisation. Drawing on the ITTO Guidelines, CIFOR has developed a set of Prin-

ciples, Criteria and Indicators (PCI) which can be adapted for certification in the 13 ATO member countries. The PCI have already been pilot tested in the Ivory Coast, Ghana, CAR, Cameroon and Gabon.

A Working Group is now being established with support from the Interafrican Forest Industries Association, members of the EFPRA, the European Commission, and French Government. The Group will be working on the further development of the PCI and will consider the establishment of a framework to accredit certifiers in Africa. The aim is to certify the first forest concessions under PAFC in Spring 2001. The European Foundation for the Preservation of African Forest Resources represents 14 industrial groups responsible for the management of 14 million ha of African forest concessions with log production of almost 4 million m³. Of this volume, 2.5 million m³ are processed in Africa.

Gabon

Lope Reserve Agreement

The government of Gabon, in consultation with leading stakeholders, has reached an agreement over the future management of the Lope Reserve. The Lope Reserve is located in the evergreen forest zone of central Gabon, a forest area rich both in biodiversity and commercial timber species, including Okoume and Ozigo. The agreement formulated at two meetings held on 30 June and 11 July puts an end to the legal duality of the Lopé Reserve, which has been authorizing forest harvesting activities in a conservation area. The various parties of the agreement confirmed the principle of permanently withholding the Lopé Reserve from forest harvesting. Towards this objective, Leroy Gabon renounces its forest harvesting activities in 61000 ha of the reserve, while Rougier Gabon hands over 18000 ha. The government, for its part, agreed to modify the limits of the reserve. The eastern flank, particularly rich in Okoumé, but of lesser biodiversity, is being excluded from the reserve and conceded to Leroy Gabon. The mountainous southwestern part, which is of very high biodiversity value, is being integrated into the reserve and excluded from future harvesting concessions. The parties to the agreement are the Gabon Forest Minister, the Chief of the Delegation of the European Union, the Directors of the companies Leroy-Gabon and Rougier-Gabon, and the NGOs WWF-CARPO, WCS and ECOFAC.

North American Hardwoods

Export Markets

Heading for a record year

Very strong US hardwood exports during the first quarter of 2000 have raised expectations that overseas sales may hit a new record level of over 3 million m3 this year. The United States exported nearly 770,000 m3 of hardwood lumber during the first quarter, up 14% on the previous year. Considering longer term trends, US hardwood lumber exports rose consistently between 1990 and 1997 to hit a record level of nearly 2.9 million m3 in 1997, before declining during the Asian crises in 1998 to only 2.5 million m3. This year's figures suggest that the rising trend has resumed. Despite the continuing strength of the US economy, which has tended to constrain availability of wood for exports, there have been very significant increases in US hardwood sales to both Canada and China. Furthermore sales have increased in both Spain and Italy despite the continuing weakness of the Euro. Sales to the UK are also on the rise, a trend encouraged by improvements in the UK's underlying economy. By contrast, sales to Germany have remained sluggish. More recent reports suggest that US hardwood shipments to Europe during the second quarter - while generally better than last year - have been hindered by the weak euro exchange rate. The strength of US

domestic demand has also encouraged many US shippers to withdraw from the European market. European importers have been resistant to the prices for US hardwood lumber on offer. Uncertainty over exchange rates has encouraged European importers to maintain stocks at relatively low levels and to adopt a wait-and-see attitude. Nevertheless attitudes have tended to vary between countries. Spain and Portugal were buying strongly prior to the summer vacations. The UK, which has been less affected by currency fluctuations, has continued to buy steadily - although with no let up in the intensity of price competition. The impact of the weak Euro has been felt most strongly in Belgium, Germany and France, where sales have been less buoyant. Sales of US lumber into Asian markets continued to improve during the second quarter of 2000. Levels of enquiries are increasing in China, Taiwan, Thailand, South Korea and - to a lesser extent - Japan. As in Europe however, Asian buyers have been resistant to the level of US prices and US hardwoods are coming under intense competitive pressure from European beech.

On the supply side, wet weather has meant that some Northern mills are short of logs. However, the major shortfall continues to be in kiln dried stock as the US strong domestic market has soaked up supplies. The changing economics of an increasingly competitive US hardwood industry - which has placed much greater emphasis on the control and rapid turnover of stock - has also meant that mills tend to carry much lower inventories.

The US economy remains strong, but there are signs that recent increases in interest rates are having an impact. House starts are beginning to slow, and consumer confidence is coming off the boil. The Economist's July Poll of Forecasters predicted 4.9% GDP growth in the US this year, marginally down on the 5% predicted in June. Analysts suggest that this trend has led to an easing in the US hardwood lumber market over the last two months and that some species have even experienced a modest price decline. The US hardwood lumber market is expected to continue to cool for the remainder of this year, and possibly into the first quarter of 2001. Nevertheless, in a recent report, AKTRIN, the US furniture industry research organisation, suggested a general price slide in US hardwood prices is unlikely.

■ **Ash** - sales of higher grades of Appalachian Ash to Northern European countries, notably the UK, have been strong. Lower

grades of Appalachian and southern state's Ash have been selling well to flooring plants in China and the Pacific Rim.

■ **Hard maple** - Export sales are fair. European importers have been resisting high prices, but underlying interest in the species amongst furniture manufacturers remains strong. Interest and demand continues to increase in the Far East. Prices have reached a plateau, but no significant price falls are expected since mills are able to adjust supplies of sawn lumber relatively quickly to match levels of demand.

■ **Red oak** - exports to Europe are relatively limited. There are some reports of UK importers switching to buy FAS/1F Red oak from southern states - which is unusual.

US sawn lumber indicative prices

North Appalachian US\$ MBF CIF UK
Grade: KD square edged
Net measure after kilning
NOTE US prices are highly variable depending on quality and point of origin. These prices are shown only to highlight trends over time.

Mar	May	June	July
\$/£			
Red oak			
1"	1850	1885	1885
1.25"	2100	2150	2150
1.5"	2250	2300	2300
2"	2600	2650	2650
White oak			
1"	1580	1600	1600
1.25"	1740	1800	1800
1.5"	2150	2300	2300
2"	2700	2850	2850
Ash			
1"	1390	1390	1390
2"	1820	1835	1835
Tulipwood			
1"	1270	1285	1285
1.25"	1290	1300	1300
1.5"	1310	1320	1320
2"	1330	1340	1340
Cherry			
1"	3640	3675	3675
1.25"	3740	3775	3775
1.5"	3960	3945	3945
2"	4180	4200	4200
Hard Maple			
1"	2970	2970	2950
1.25"	3075	3075	3050
1.5"	3300	3300	3250
2"	3420	3420	3400

US Hardwood Lumber Exports (000s m3) - Source FAS

	1998 Year	1999 Year	1999 Jan -Mar	2000 Jan -Mar
All species				
World	2502.1	2789.7	674.8	768.8
Canada	815.9	953.3	242.4	280.5
Spain	160.3	158.4	35.5	43.5
Mexico	199.8	233.1	55.4	54.5
Italy	180.1	185.3	47.9	58.2
Hong Kong	119.1	145.7	28.6	31.4
Japan	136.7	152.2	36.2	35.4
UK	127.5	124.2	30.4	36.9
China	32.5	75.1	13.4	29.9
Taiwan	115.2	110.3	22.6	24.3
South Korea	32.0	70.5	16.9	15.5
Germany	109.0	88.5	26.1	23.0
Red Oak				
World	559.3	604.6	146.8	161.7
Canada	301.1	352.7	87.6	98.5
Mexico	61.9	63.9	15.4	16.7
Hong Kong	34.4	37.3	8.1	7.0
Taiwan	42.4	36.2	6.6	7.3
UK	8.9	8.9	2.3	1.9
White Oak				
World	564.9	591.0	143.7	160.5
Spain	132.3	130.6	29.3	36.3
Canada	71.6	94.0	24.5	25.5
UK	57.2	48.9	10.6	14.5
Japan	21.2	29.3	7.6	9.7
Italy	26.3	27.0	7.0	7.6
Belgium	38.4	30.0	8.9	7.9
Maple				
World	329.2	385.7	87.5	122.9
Canada	168.4	191.0	46.6	68.6
Mexico	21.0	26.5	5.2	6.7
Germany	10.9	13.9	3.5	6.6
Japan	17.9	17.7	3.6	4.2
UK	9.9	12.4	2.8	4.2
Tulipwood				
World	169.0	203.0	48.8	55.8
Italy	56.5	59.6	15.7	18.3
Mexico	40.9	46.1	9.2	11.9
Japan	17.3	24.1	6.3	4.8
UK	11.8	8.4	2.6	3.0
Hong Kong	12.6	19.3	1.8	6.8
Cherry				
World	136.3	164.9	43.0	51.1
Canada	54.3	72.3	18.3	23.2
Italy	15.7	12.5	3.6	4.1
UK	9.3	11.1	3.6	3.9
France	3.5	6.8	1.7	2.0

N. America cont.

Demand for lower grades of Red oak, both from the Appalachian and southern regions, is firm in the Far East.

■ **White oak** - shipments to Northern Europe have been relatively slow, notably to Germany. However there continues to be firm demand in southern Europe, although the market is intensely competitive. Southern state inventories of kiln dried stock are limited. Demand for lower grades in the Far East is fair to good.

■ **Cherry** - export sales have slowed due to high US pricing, and increased availability of European cherry following the storms in France and Germany last December. High pricing has also encouraged overseas buyers to look for substitutes, for example Alder.

■ **Tulipwood** - Italian demand continues to improve. Lower grades of the species are selling well in China.

■ **Birch** - sales of Birch from the northern US to Europe and the Far East are improving. Production has been hindered by wet weather in the north.

Forest management Mutual Recognition between SFI and Tree Farm System

In a move designed to encourage further co-operation between large industrial forest owners and smaller non-industrial owners in the promotion of good forestry practice in the United States, two of the largest sustainable forestry programs have signed a formal Mutual Recognition Agreement. The Agreement also represents a preliminary step towards eventual international mutual recognition between US and other national sustainable forestry and certification schemes.

The Mutual Recognition Agreement establishes a formal link between the American Forest and Paper Association's Sustainable Forestry Initiative (SFI) and the American Tree Farm System. The former is an independent standard for larger industrial owners. The latter focuses on smaller ownerships. The SFI program encompasses more than 24 million hectares; an additional 10 million hectares are certified under the Tree Farm System. The Agreement acknowledges that the intent, outcome and process of both the SFI program and Tree Farm are substantively equivalent.

Both parties will also work together to achieve international recognition of their respective programs.

Special Report - UK

Tropical hardwood imports continue at historically low levels

Long term data (see below) reveals the huge decline in UK tropical hardwood imports during the 1990s. The trend has particularly affected Far Eastern and Latin American imports. A complex range of factors are behind the trend including forest resource constraints; the shift by tropical countries to further processing; rising prices (e.g. for Brazilian Mahogany); increasing domestic demand in the tropics; substitution by non wood and wood products; marketing failures by tropical producers; and negative environmental campaigns.

First quarter data shows that UK imports of tropical logs and sawn in 2000 are continuing at the historically low levels recorded during 1999. Imports from Malaysia were marginally up on the previous year, while imports from Cameroon were down slightly, reflecting supply problems in the African country. Imports from Ghana were down 32% on the previous year - highlighting the impact of recent measures to curtail Ghanaian log production. Imports from Ivory Coast increased, implying more lively UK demand for Iroko this year.

UK imports of Oak logs and sawn were up 46% of 2000 compared to the same period last year. Imports of Oak (mainly White oak) from the US were up 41%. Imports of sawn Oak from Estonia are increasing. Estonian sawn Oak production may well

UK Hardwood Imports First Quarter 1999-2000 Volume (000s m3)			
Source: UK customs, hardwoodmarkets.com			
	1999 Year	1999 Jan-Mar	2000 Jan-Mar
Tropical hardwood logs and lumber			
Malaysia	66.0	18.8	21.4
Cameroon	40.8	14.9	13.8
Ghana	21.3	6.4	4.3
Brazil	13.7	3.2	4.2
Ivory Coast	12.2	3.5	5.7
Indonesia	6.5	1.3	2.4
Gabon	4.5	1.2	0.5
Guyana	2.9	0.1	0.1
Congo (Braz)	2.4	1.4	0.7
Singapore	2.3	0.5	0.8
Others	5.3	2.1	1.5
Total	177.9	53.4	55.4
Oak logs and lumber*			
USA	48.5	12.2	17.3
Estonia	12.2	2.7	3.7
France	6.7	1.5	1.7
Canada	6.6	1.2	2.3
Germany	2.0	0.4	0.6
Russia	1.1	0.3	0.2
Others	2.6	0.2	1.2
Total	79.7	18.5	27.0

*NB. Beech 1st quarter 2000 volume figures not available at time of compilation

be based on logs imported from the Ukraine/Russia.

Economic conditions in the UK have improved during 2000. The construction sector is reasonably active. Consumer spending has been high. GDP expanded 3% in the 12 months to March 2000, and is expected to hit 3% this year. Sales of furniture have also been relatively buoyant. However, partly owing to the strength of sterling, the main beneficiaries have been overseas manufacturers.

UK Hardwood Logs and Sawn Lumber Imports - 1989 to 1999 Volume (000s m3)

Source: UCBD, UK Customs, hardwoodmarkets.com

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Tropical											
Cameroon	10.8	12.8	10.8	12.1	15.7	35.6	26.4	43.7	48.4	52.7	40.8
Congo Braz	0.6	1.6	1.6	0.8	0.9	0.6	0.9	0.3	0.2	0.4	2.3
Ivory Coast	42.9	42.8	22.2	19.9	18.4	30.5	25.1	16.4	16.9	15.9	12.2
Gabon	4.4	2.6	6.1	4.5	4.7	4	6.8	6.4	9.4	4.2	4.5
Ghana	30.4	46.5	27.1	33.7	39	44.3	34.4	27.4	28.6	27.1	21.3
Zaire	7.7	6.8	7.3	7.7	9.3	13.8	10.7	16.6	4.7	0.3	0
Other Africa	19.3	16.8	6.8	5.1	1.5	3.8	3.5	4.4	4.9	3.3	2.8
Africa	116.1	129.9	81.9	83.8	89.5	132.6	107.8	115.2	113.1	103.9	83.9
Burma	1.1	2	1.3	2.1	1.6	2.7	3.5	1	0.9	0.3	0.3
Indonesia	101.3	42.1	23.3	24	21.4	23.8	25.5	18.2	24.7	3.9	6.5
Malaysia	180.3	211.8	202.4	188	141.7	102	80.7	68.4	72.6	61	66
Philippines	161.3	33.1	27.1	27.1	12.3	7.6	5.7	4.5	3.4	0.6	0.9
Singapore	32.3	26	11.4	8.9	5.9	4.9	4.7	4.3	3.5	2.5	2.3
Other Asia	2.5	2.7	3.5	2.3	3.1	3.1	3.2	2.2	1.9	1.3	1.5
Asia	478.8	317.7	269	252.4	186	144.1	123.3	98.6	107	69.6	77.5
Brazil	100	75.4	60	48.1	51.7	47.8	35.1	24.3	22.1	12.8	13.7
Guyana	2.5	3.1	4.6	3	5.5	4.7	3.9	6.5	8.3	6.4	2.8
Other C/S America	2.2	4.1	2.3	1.6	1.1	0.9	1.7	2.4	3.6	1.1	0.7
Total C/S America	104.7	82.6	66.9	52.7	58.3	53.4	40.7	33.2	34	20.3	17.2
Total Tropical	699.6	530.2	417.8	388.9	333.8	330.1	271.8	247	254.1	193.9	178.6
Temperate (excluding EC)											
East Europe	5.3	3.1	4.4	2.8	2.4	10*	11.3	11.1	8.5	9.6	18.5
Canada	39.6	46.3	37.5	32	33.7	42.5	50.6	44.1	26.5	25	36.6
USA	129.4	142.4	127.2	120.7	120.6	127	110.8	108.9	128.1	123.4	113.1
North America	169	188.7	164.7	152.7	154.3	169.5	161.4	153	154.6	148.4	149.7

NB. East European figures for 1994 provided by UCBD have been amended as they appear to include large volumes of softwood from Latvia, Lithuania and Estonia

Asian Hardwoods

Malaysian sawn lumber High European stocks and continuing weak demand

Demand for Malaysian sawn lumber remains subdued throughout Western Europe. Prices for dollar-denominated Malaysian hardwood species remain uncompetitive against prices for euro-denominated African species. The summer vacations in Europe have added to the general picture of slow demand.

There has been some price weakening for dark red meranti/seraya during July. However, the scope for further price reductions may be restricted by tight margins at Malaysian mills. Malaysian shippers have suggested that lower prices are likely to be temporary and are designed primarily to maintain cash flow and off-load excess stock.

The future development of the European market for Malaysian sawn lumber is heavily dependent on price movements for competing African redwoods and on the

direction of the euro exchange rate. European demand is unlikely to pick up prior to October when constraints on African redwood supply during the African rainy season may filter through as significant shortages in the European hardwood lumber market.

In the UK, sterling prices for kiln dried African Sapele are only around 5% higher than prices for kiln dried stock of Dark red meranti (DRM) from West Malaysia. UK agents speculate that DRM's price advantage would have to increase to 10% over Sapele before a significant number of UK buyers returned to the Malaysian species. At present, UK stocks of DRM are in excess of demand and there is little interest in the forward market. Some importers are now off-loading excess stock at below cost.

On the supply side, in West Malaysia stock levels are high compared with current levels of demand. Domestic production throughout Malaysia has been restricted by government measures to implement sustainable forestry practices. However West Malaysian stocks are being supplemented by shipments from the Indonesian island of Sumatra. Meranti imported from Sumatra tends to be slightly cheaper than the West Malaysian equivalent. UK and German importers have been willing to buy Indonesian stock, but importers elsewhere in Europe have been deterred by the lower density and lighter coloration of Indonesian varieties. On 15 July, the Sabah Timber Industries Association issued a statement announcing implementation of a ban from 1 August on the export of Selangan Batu logs and sawn lumber, including rough sawn and kiln dried. The statement noted that the decision is subject to final confirmation by the Sabah State Cabinet and that the Sabah Forestry Department has been instructed to provide the final definition of products to be included under the ban. The aim of the ban is to ensure that Selangan Batu logs are readily available to Sabah's domestic manufacturing plants, thereby encouraging value added processing in the State. Selangan Batu is widely used for the manufacture of decking, garden furniture and other outdoor landscaping applications. European manufacturers may now have to look to Sarawak as an alternative source.

UK demand for keruing remains weak. Activity in the truck decking sector, previously the most significant UK market for the species, has been very quiet.

Keruing exporters continue to focus on the more buoyant US market.

Stocks of balau decking, which has gained a significant foothold in the UK market, are reported to be relatively high in the UK but underlying demand remains steady.

Solomon Islands

Ethnic conflict hits log trade

The ethnic conflict in the Solomon Islands is impacting on the Southseas log market. Most shippers in the Solomon Islands have ceased all production and shipment since June. Although Solomon Islands log production forms only a relatively small proportion of the overall Southseas log trade, the Islands are a significant supplier to Korea's plywood sector. The total volume of round logs imported by Korea from the Solomon Islands between January and April this year amounted to 38,961 m³, around 70% of which was used for the manufacture of plywood. The conflict has added to problems of Southseas log supplies, which have also been affected by generally poor weather conditions in Papua New Guinea and the Solomon Islands.

Korea

Stalled log market

Korea's hardwood log market remains depressed. Sales during July and August were sluggish and prices for hardwood logs in Korea remain below FOB prices. The situation is unlikely to improve before September due to the onset of the wet season in July and August which slows construction activity. The most recent data for construction activity in Korea, for March 2000, indicated a slight improvement over the previous month. New construction permits in March were recorded at 5,711,568 Sq.m, up 47% over February. However, this figure remains well below the 9,373,269 Sq.m achieved in December 1999 (the highest recorded since 1998).

Indonesia

Log ban to be reinstated?

Indonesia's Forestry and Plantations Minister is lobbying the International Monetary Fund to agree to a total ban on log exports. A meeting was due to be held on 15 July to discuss Indonesia's log export provisions. Indonesia currently imposes a 30% export tax on logs but, under an earlier agreement with the IMF, is required to progressively lower the level of log export

Asian Sawn Lumber Indicative Prices			
	May	June	July
Exchange rates:			
M\$/£	5.64	5.75	5.72
US\$/£	1.48	1.51	1.50
M\$/US\$	3.80	3.80	3.80
Malaysia			
All prices US\$/ton, C&F UK port			
Dark Red Meranti			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'			
1"			870
2"	900	900	890
2.5"	910	910	905
3"	960	960	960
Keruing			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	565	565	568
Kapur			
Grade: Standard & Better GMS			
Size: Width 6"+, avg 7"-8"; Length 16'+			
1"-3" plnd	575	575	575
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	2650/ 3500	2650/ 3500	2650/ 3500
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

Asian Hardwoods

duty. IMF are encouraging Indonesia to liberalise the log export regime so that domestic log prices reflect international market demand. IMF believe that processing efficiency and waste reduction measures may be encouraged by depriving Indonesian mills of a cheap source of domestic logs. However the Indonesian authorities argue that premature moves to liberalise the log market, without adequate controls on harvesting, would only serve to encourage illegal logging in Indonesia. Meanwhile, the Indonesian authorities are continuing their efforts to tighten up concession allocation. The Forestry and Plantations Ministry recently revoked the licenses of two forest concession companies. The Ministry is also reviewing licenses granted to another 14 companies between September 1998 to October 1999.

Sabah

Annual log harvest forecast to fall to 2 million m³

The President of the Sabah Timber Industry Association recently highlighted some of the problems and opportunities of the state's forest sector. In an interview by the Malaysian journal *Maskayu*, Encik Lau identified 3 major issues facing the Sabah industry as resource constraints, the shortage of skilled workers, and problems over shipping. Installed processing capacity in Sabah amounts to 14 million m³ annually, while the state's forests are only capable of generating 5 million m³ of logs annually. Supply is expected to fall to only 2 million m³ by 2005. Lack of domestic supply may be offset to some extent by log imports, by on-going plantation projects, and by improvements in processing efficiency.

Increased value added processing will also be necessary to generate greater income from more limited wood resources. Currently much of Sabah's wood manufacturing capacity is focused on the production of garden furniture. With greater investment in processing plant and training, the state should be able to produce higher volumes of quality furniture.

However, obtaining skilled labour will be a major challenge. A large proportion of Sabah's existing skilled labour force comprises foreign nationals. These workers change jobs regularly and, without proper incentives, may be encouraged to move to neighbouring countries - such as Myanmar and Cambodia - which are also developing timber processing industries.

Sabah faces a significant challenge to develop reliable shipping services. At present most shipments from Sabah have to tranship either in Singapore or West Malaysia. As a result the freight charge may be 25% higher compared with shipments from West Malaysia.

Teak

Crackdown on illegal logging may lead to rising prices

The June issue of [hardwoodmarkets.com](http://www.hardwoodmarkets.com) carried a report on teak markets which suggested that recent price declines may indicate that trade in the species is moving from a low volume niche market into a broader commodity market. The reason cited was the recent liberalisation of the Myanmar teak business and rapid expansion of private mills in the country. The development of these mills had led to a rapid expansion in the availability of teak boards on international markets.

Our report was criticised by European agents involved in the teak business. One agent suggested that teak would not become a commodity item because real availability is limited. He agreed that the development of private sector mills in Myanmar was the cause of current low prices, but noted that much of the price decline was due to "these mills being heavily involved in illegal felling of teak".

Due to primitive transportation methods, the illegal felling usually involves smaller trees not yet due for felling, thereby undermining the future potential of the forest. The Myanmar authorities are now acting to prevent the illegal trade. This may soon lead to more restricted supplies and firming prices. Already there are reports that private mills in Myanmar are pushing through higher prices and that the days of cheap supplies from this source may be numbered.

The Myanmar government recently held up teak exports from the nation's 3 leading ports in order to carry out a full investigation of the contents of containers. An indication of the seriousness of the investigation now underway is the fact that it is being undertaken not by the Myanmar forestry authorities, but by the Myanmar Department of Intelligence. The move seems to reflect the Myanmar government's concern that the illegal trade is costing the State millions of dollars in lost revenue. The investigation has already led to the closure, over the last 4 weeks, of numerous private sector mills in Myanmar. A num-

ber of mill owners are said to have fled the country.

Contacts in Europe point to another important market trend. While solid teak garden furniture is increasingly manufactured in the Far East, new products are being developed which combine teak components with stainless steel. Many of these products are manufactured in Europe. This is opening up new market opportunities for teak exporters to Europe.

Japan

Rising furniture imports

High production costs are hampering development of of Japan's domestic furniture sector, and this is creating new opportunities for exporters of furniture to Japan. The import of furniture components, parts and finished products into Japan has been on the increase since 1995 - with only one brief period of decline in early 1998 due to devaluation of the yen.

Taiwan is the leading exporter of furniture to Japan. However since 1998, it has lost some market share to the United States, Thailand, and China. In part this reflects the recent relocation of furniture factories from Singapore and Taiwan to China.

Vietnam, Indonesia and Malaysia are also becoming increasingly important suppliers of furniture to Japan. Vietnam is benefiting particularly from comparative advantages of low labour and the ready availability of raw materials. Malaysia's strength is in the production of rubberwood furniture.

Wood and rattan furniture are very popular in Japan. Popular wood items include traditional English style furniture, early American and shaker styles from the US, and rustic styles from Spain and the Netherlands. Rattan is seen as a cheap "summer" alternative to wood. Indonesia is the largest exporter of rattan furniture to Japan.

China

Log stocks exceed 1 million m³

In early July, Chinese Customs reported that the stock levels of imported logs throughout China exceeded 1 million m³. High stocks were serving to drive domestic prices down. Local analysts in China report that the main reasons for the rapid increase in log imports this year include liberalisation and expansion of the private wood importing sector; the government's zero-tariff policy on log imports; and the rapid expansion of manufacturing capacity in Western China.

South American Hardwoods

Brazilian sawn lumber

US importers soak up mahogany

The new logging season in the Brazilian Amazon is now underway. Early signs are that the majority of the Mahogany shipped this year will be destined for the United States. US importers are reported to be paying top prices for air dried stock, including both FAS and standard grades. As expected, the volume Brazilian Mahogany produced and shipped this year will be relatively restricted.

ITTO's Market News Service reports that the Brazilian Environment Agency, IBAMA, has again reduced the export quota for Mahogany. The quota has been set at 55,000 m3 this year, down from 62,000 m3 last year. This year's quota comprises 25,000 m3 during the first half of 2000, and 30,000 m3 during the second half of the year. IBAMA also recently concluded a national inventory of *Swietenia macrophylla* (Brazilian Mahogany). It includes data on existing production areas and capacity and on market prices, and sets out goals for the future recovery of the species. The report, prepared by independent consultants, recommends that IBAMA should establish an even more rigorous system of permits for the Brazilian Mahogany trade, both internally and for export, and that all mahogany should derive from forests covered by management plans.

At the end of July, UK agents report that they were still awaiting new season supplies of Mahogany to come through from the major supply region in the state of Para in Northern Brazil. However one UK agent

noted that offers were now coming through from shippers in Southern Brazil. This is stock which has been trucked overland from South Western Brazil for shipment via the port of Paranagua. This year, like last, mahogany will be bought in the UK only by customers with specific end-uses in mind and who are willing to match the high prices paid in the US.

France leading importer

Recently released import data from the leading developed world markets highlights the importance of three countries - France, the United States, and Spain - to Brazil's hardwood export trade. Last year, France

Imports of Brazilian hardwood lumber by developed countries

Year 1999	Volume m3	Value 000s US\$
France	147908	57494
United States	139485	63896
Spain	138616	26154
Portugal	59731	21478
Netherlands	48889	19570
Belgium	21013	8433
Italy	18876	7701
UK	13694	8944
Germany	6155	2568
Denmark	2063	1356

Source: Eurostat, United States FAS

absorbed nearly 150,000 m3 of Brazilian non-coniferous wood (excluding eucalyptus). This wood comprises relatively low value species, including Tauari and Curopixa. These species which require special handling are used widely for interior joinery applications in France. Much of this wood derives from the south eastern fringes of the Amazon basin. Last year Spain absorbed 138,000 m3 of non-coniferous sawn lumber from Brazil. Spain is a leading buyer of Jatoba (also known as Brazilian Cherry). The species is quite difficult to air dry and to mill due to its high density, but is resistant to rot and valued in the flooring industry. It is also used for interior joinery. The United States imported around 140,000 m3 of hardwood lumber from Brazil last year, up 7.5% on the previous year. A proportion of this volume comprised mahogany, but the US is also importing increasing volumes of lower value wood for flooring and other interior applications. A decade ago, the UK was Brazil's largest market for hardwood lumber. However last year, UK imports declined to only 13,694 m3. Exact figures are not available, but it is estimated that only about half this volume comprised Brazilian mahogany. Much of the remainder consisted of cedar and virola.

Forest statistics

Temperate harvests well below sustainable rate

A new UN survey of the world's temperate forest resources indicates that Europe's forest area is expanding by 500,000 hectares a year and that only 60% of annual timber growth is harvested. The report, compiled by the UN Economic Commission for Europe and the UN Food and Agriculture Organisation, covers the temperate and boreal forest resources of 55 countries in eastern and western Europe, the Commonwealth of Independent States (Russia and 11 other former Soviet republics), North America, Australia, Japan and New Zealand.

The report suggests that forested land - defined as 10% tree cover of at least half a hectare - is increasing in almost all the countries surveyed. Forest area is expanding in most countries due both to reforestation programs and to the natural recolonisation of abandoned farmland. A notable exception is Russia where the forest is shrinking by more than 1m hectares annually. Nevertheless "other wooded land" in Russia is expanding by 1.6m hectares a year, while Russia's forests and woodlands, the world's largest, still cover 54% of land area. The average forest cover in Europe is 38% and in North America 39%.

The authors of the report suggest there is substantial scope to increase sustainable fellings in both Europe and the CIS. In Europe, the ratio of fellings to net timber growth is 59% and in the CIS 17%, compared to 79% in North America.

Temperate and boreal forests absorb about as much carbon as is released by tropical deforestation, slowing the speed of climate change, the report says. Moreover, the carbon store provided by these forests is rising.

All the surveyed countries have some protected forests. More than half the forests are "undisturbed by man" but most of these are in remote areas of Russia and Canada. The greatest threats to temperate forests are fire and insects, but defoliation is a big problem, especially in Europe - where the proportion of trees affected has almost doubled in 10 years to 23 per cent in 1997.

The report, *Forest Resources of Europe, CIS, North America, Australia, Japan and New Zealand* is available from UN sales section, Palais des Nations, CH-1211 Geneva 10. Fax +41 22 917 0027, email unpubli@unog.ch, Dollars 150.

Brazilian sawn lumber Indicative prices

	April	May	June
Exchange rates			
\$/£	1.56	1.48	1.51
US\$/m3 C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11", air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1300	1300	1340
2.5"-3" AD	1310	1310	1360
1"-2" KD	1370	1370	1410
2.5"-3" KD	1400	1400	1440
Virola			
1" KD No.1 C&B boards	380	380	380
strips	360	360	360
Cedro			
1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

Plywood

Weak prices continue as Rupiah hits 21 month low

There has been little change in international hardwood plywood markets over recent months. Prices for Indonesian plywood continue to be quoted at INDO96 less 20 to 22. Demand is quiet in the major Asian and European markets.

Log availability in the Far East has improved during the current dry season, although there have been reports that log supplies to Indonesian mills are relatively limited for the time of year. Harvesting levels may have been restricted by a combination of poor weather conditions, continuing socio-political problems, and renewed government efforts to restrict log extraction. A significant volume of Indonesian logs are also being exported to other countries, notably China and Malaysia.

Weakness of the Rupiah has contributed to continuing low prices for Indonesian plywood. The Rupiah hit a 21 month low on July 17, and remained stuck at 8980 to the US\$ at the end of the month - down from 7975 in May 2000 and from 6705 12 months ago.

As widely predicted, efforts by Asian trade associations to impose a new higher price list have failed in the face of market forces. There is little buying by UK importers at present. Stocks are still relatively high and end-user demand is subdued during the summer vacation period.

ITTO's Market News Service reports that the Japanese plywood market "remains motionless and there are no factors to lift prices." Demand in the general distribution channels has cooled and buyers continue to limit purchases to small lots. Some trading firms report that end-user inventories are getting low, but most have adopted a wait-and-see approach. The total supply of plywood to the Japanese market in April from both imports and domestic production was 654,000 m³, 12.5% lower than a year ago. The decline reflected a 19.5% drop in plywood imports to 387,000 m³. One piece of positive news from Japan is that construction orders secured by contractors in May reached Yen 940 billion, up 16% on the same month last year. This represented the first year-on-year rise in two months according to the Japan Federation of Construction Contractors.

Korea's construction sector is usually at its most active during April and May. However, this year activity was lower than many plywood millers and importers had

anticipated. As a result Korean plywood stocks increased and domestic plywood prices declined.

China is one of the few plywood markets which has been comparatively active over recent months. China is thought to consume upwards of 12 million m³ of plywood per year, of which around half is produced domestically in the form of a softwood core with hardwood exterior. China has ambitions to supply a higher proportion of national plywood consumption from domestic mills based on imported logs. Import tariffs are structured with this aim in mind, having been set at 0% for logs and 15% for plywood. However China continues to import sizeable volumes of plywood as many mills are outdated and unable to compete with Indonesian imports despite the favorable tariff regime.

Malaysian plywood remains generally uncompetitive on European markets. Production has been curtailed and now

focuses more on niche markets in the Far East.

Brazilian production is also uncompetitive in Europe, and mills are concentrating on domestic and Caribbean markets. The number of Brazilian manufacturers offering 100% tropical hardwood plywood is falling due to the rising costs and reduced availability of raw material. There is increasing production of "combination" plywoods - for example comprising an Elliotts core with hardwood face.

The Japanese firm, Juken Sangyo Co. plans to build a plywood, LVL and a laminated lumber plant close to Subic Bay in the Philippines. The total investment will amount to almost 5 billion yen. Start-up of the Philippine plant is planned for January next year. It will import KD veneer and lumber from New Zealand to produce plywood, LVL and laminated lumber for re-export.

Exchange rates for one pound sterling and one US dollar

		26-May		30-Jun		28-Jul	
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.4830	0.9993	1.5100	0.9998	1.5033	0.9994
Australia	Aus.\$	2.6080	1.7575	2.5214	1.6656	2.5594	1.7015
Bangladesh	Taka	75.6815	51.0000	77.2064	51.0000	76.7117	51.0000
Belgium	Belgian Fr.	64.6532	43.5683	63.7093	42.0843	65.4485	43.5119
Belize	B\$	2.9234	1.9700	2.9823	1.9700	3.0083	2.0000
Bolivia	Boliviano	9.0521	6.1000	9.2951	6.1400	9.2506	6.1500
Botswana	Pula	7.8787	5.3093	7.7415	5.1138	7.8037	5.1881
Brazil	Real	2.7335	1.8420	2.7310	1.8040	2.6932	1.7905
Fr. Africa*	CFA Fr.	1051.31	708.45	1035.96	684.33	1064.24	707.54
Canada	Canadian \$	2.2303	1.5029	2.2431	1.4817	2.2220	1.4773
Chile	Peso	780.335	525.850	813.694	537.500	836.007	555.800
China	Yuan	12.2828	8.2771	12.5320	8.2782	12.4535	8.2794
Czech Republic	Koruna	58.0559	39.1225	56.2623	37.1650	57.6752	38.3440
Denmark	Danish Krone	12.0037	8.0890	11.7814	7.7824	12.0964	8.0420
Estonia	Kroon	25.0568	16.8852	24.7136	16.3250	25.3869	16.8779
Europe	Euro	1.6027	1.0800	1.5793	1.0432	1.6225	1.0786
Finland	Markka	9.5293	6.4216	9.3902	6.2029	9.6465	6.4133
France	Franc	10.5131	7.0845	10.3596	6.8433	10.6424	7.0754
Germany	D-mark	3.1347	2.1124	3.0889	2.0404	3.1732	2.1097
Ghana	Cedi	6915.23	4660.00	8560.85	5655.00	9965.04	6625.00
Guyana	Guyanese \$	267.853	180.500	273.250	180.500	271.499	180.500
Hong Kong	HK\$	11.5631	7.7921	11.8009	7.7953	11.7297	7.7982
India	Rupee	65.8429	44.3700	67.6275	44.6725	67.4988	44.8750
Indonesia	Rupiah	12635.8	8515.0	13250.0	8752.5	13454.6	8945.0
Irish Republic	Punt	1.2622	0.8506	1.2438	0.8216	1.2778	0.8495
Italy	Lira	3103.28	2091.23	3057.98	2020.00	3141.45	2088.52
Japan	Yen	158.6940	106.9400	160.1730	105.8050	164.9000	109.6300
Kenya	K. Shilling	113.7450	76.6500	117.7020	77.7500	111.7580	74.3000
Korea South	Won	1687.25	1137.00	1687.98	1115.03	1679.76	1116.75
Liberia	Liberian \$	1.4840	1.0000	1.5139	1.0000	1.5042	1.0000
Malaysia	Ringgit	5.6390	3.8000	5.7526	3.8000	5.7158	3.8000
Myanmar	Kyat	9.2747	6.2500	9.4616	6.2500	9.4034	6.2517
Netherlands	Guilder	3.5319	2.3801	3.4804	2.2990	3.5754	2.3770
New Zealand	NZ\$	3.2701	2.2036	3.2159	2.1243	3.2889	2.1865
Nigeria	Naira	152.068	102.475	159.106	105.100	158.989	105.700
Papua NG	Kina	3.5896	2.4190	3.7106	2.4511	3.9741	2.6421
Philippines	Peso	63.5502	42.8250	65.4438	43.2300	67.6116	44.9500
Poland	Zloty	6.7149	4.5250	6.5928	4.3550	6.5378	4.3465
Portugal	Escudo	321.315	216.527	316.624	209.151	325.267	216.246
Romania	Leu	30602.0	20622.0	32305.6	21340.0	32895.8	21870.0
Russia	Rouble	41.9735	28.2850	42.4938	28.0700	41.8455	27.8200
Singapore	Singapore \$	2.5729	1.7338	2.6175	1.7290	2.6090	1.7345
Solomon Islands	Slnm. Is. \$	7.5035	5.0564	7.6547	5.0564	7.6056	5.0564
South Africa	Rand	10.6070	7.1478	10.2639	6.7800	10.4727	6.9625
Spain	Peseta	266.669	179.702	262.776	173.581	269.949	179.469
Sweden	Krona	13.4752	9.0806	13.2780	8.7710	13.7218	9.1226
Taiwan	\$	45.7280	30.8150	46.6266	30.8000	46.6588	31.0200
Tanzania	Shilling	1184.94	798.50	1210.70	799.75	1201.07	798.50
Thailand	Baht	58.0892	39.1450	59.3808	39.2250	62.0989	41.2850
Uganda	New Shilling	2355.77	1587.50	2376.75	1570.00	2440.49	1622.50
U.S.A	US \$	1.4840	1.0000	1.5139	1.0000	1.5042	1.0000
Venezuela	Bolivar	1014.88	683.91	1032.45	682.00	1034.25	687.60
Vietnam	Dong	20897.0	14082.0	21319.6	14083.0	21196.5	14092.0
Zimbabwe	\$	56.6202	38.1550	58.0562	38.3500	57.6842	38.3500

*Cameroon, CAR, Congo, Gabon & Cote d'Ivoire

Special Report - Certification

Progress towards global framework

In March this year we reported on plans by the international forest products sector to develop systems of mutual recognition for forest certification schemes. The underlying aim is to link together into a single global forest certification scheme the variety of different schemes currently being developed at regional and national level around the world. An effective framework for mutual recognition would serve to counter-act the threat of consumer confusion resulting from the simultaneous marketing of different "certified" brands. A single international forest certification framework would also be more cost-effective for industry - one audit would be sufficient for forestry organisations to ensure worldwide market recognition of their sustainable forestry practices.

Over recent weeks there has been a flurry of activity designed to take the process of international mutual recognition forward. At the end of June, an International Forest Industry Roundtable (IFIR) Working Group on Mutual Recognition published a report on the steps that should be taken to develop an "International Mutual Recognition Framework System." IFIR is an international network of forest sector associations linking the leading wood producing nations. The Working Group included forest industry representatives from Europe, the USA, Canada, Brazil, New Zealand, Chile, and Australia. The Working Group formulated a set of Principles with which regional and national forest certification schemes would have to comply for entry into the mutual recognition system. They also agreed a timetable for further work on mutual recognition over the next 6 months including a peer review of their report by independent consultants; the establishment of an expert review panel; and pilot "bilateral" mutual recognition agreements. One such agreement would be between the leading North American forest certification schemes: the US Sustainable Forestry Initiative (SFI), and the Canadian Standards Association scheme.

Also at the end of June, with the support of the European Commission, the Pan European Forest Certification Scheme (PEFC) hosted an international seminar on mutual recognition in Brussels. Attendees included the representatives of forest land owners and industry, forest certification schemes (including PEFC, the Forest

Stewardship Council, SFI and all other leading certification schemes), and the World Bank.

The aim of the seminar was to address the technical aspects of Mutual Recognition Agreements. There were also brief presentations by FSC, PEFC and several other schemes. Finally the seminar broke out into four smaller workshops for the purpose of developing recommendations. Nearly all interests at the seminar agreed that there was a need to limit the numbers of forest certificates in the market place and that mutual recognition was the best way forward. However there were differences over whether mutual recognition should aim to create a low volume high quality certification system rewarding only "elite" forest operations; or a high volume low cost system rewarding commitment to improvement.

FSC supporters took the view that performance standards for forestry should be set relatively high and that certification should reward only the best operators. They noted that their system is already a "lowest-common denominator" and that many environmentalists do not think FSC is strict enough. FSC would only mutually recognise other certification schemes if these could demonstrate "equivalency" with FSC.

However other participants noted that, by pursuing an elitist approach, FSC is unlikely to have a major influence on forestry practice around the world. This fact is reflected in the data. FSC certified forest area, at just under 20 million hectares worldwide, is too small to have had much of an impact. This contrasts with PEFC for example, which has mobilized Europe's 12 million forest owners in support of certification. PEFC has already certified 18 million hectares and PEFC certified area is forecast to increase to 27 million hectares by the end of the year.

While differences of opinion emerged at the seminar, it was widely recognised that there is a need for more cooperation. A key message was to "stop the tribal warfare" which has damaged progress towards certification in all areas of the world.

In a separate meeting, representatives of IFIR and PEFC agreed to work closely on the further development of international mutual recognition procedures. They also agreed another mutual recognition seminar would be held later this year, to be co-hosted by IFIR and the Confederation of European Paper Industries (CEPI).

France cont. from p.1

market. For example France boasts one of the largest joinery manufacturing and distribution companies Lapeyre, which is heavily invested in hardwoods. France is also a major exporter of hardwoods to other European markets as far afield as Spain and Greece. In fact, 64.2% of all French exports in 1999 were made to EU countries. French temperate sawn lumber exports averaged 532,306 m³ per year from 1995 to 1998, whereas log exports have increased by 42% to 1,711 513 m³ in 1998. This would have been likely to increase further as China seeks more and more beech logs, but will be affected by the anticipated reduction in supplies next season.

In the French domestic market business has been reported as buoyant since the improvement in the construction industry and some recovery in the furniture sector.

French Hardwood Imports

Volume (000s m³) - Source LCB

	1998 Year	1999 Year	1999 Jan -Mar	2000 Jan -Mar
Hardwood Logs				
Africa	908.3	849.5	199.0	193.8
Cameroon	208.9	172.1	51.4	16.9
Cent. Afr. Rep	11.3	7.2	2.0	1.6
Congo (Rep - Braz)	66.7	29.0	10.5	6.8
Equatorial Guinea	27.9	58.1	7.1	18.3
Gabon	487.8	473.2	100.0	120.3
Liberia	61.4	74.2	17.2	25.9
Asia	1.9	1.6	0.2	1.3
Europe (tropical)	10.7	10.5	1.3	0.7
Other tropical	0.2	1.4	0.2	0.3
Total Tropical	921.0	862.9	200.7	196.1
Europe (temp)	605.6	530.1	147.0	150.8
Belgium/Lux	151.6	160.8	36.9	31.1
Germany	171.5	147.7	44.9	50.6
Spain	223.5	176.5	54.6	57.6
Other Europe	59.0	45.0	10.6	11.6
North America	49.5	38.8	13.1	7.6
Canada	14.2	4.6	1.4	1.3
USA	35.4	34.2	11.7	6.3
Other temperate	2.9	1.1	0.6	0.0
Total Temperate	658.1	569.9	160.7	158.4
TOTAL LOGS	1579.0	1432.8	361.4	354.5
Hardwood sawn lumber				
South America	228.9	223.8	45.4	37.9
Brazil	225.3	219.1	44.8	37.7
Other S. America	3.5	4.6	0.6	0.1
Africa	158.5	156.4	35.8	38.1
Cameroon	39.1	53.3	10.4	17.3
Congo (Rep - Braz)	20.0	19.2	0.0	0.0
Ghana	40.2	33.2	8.1	7.8
Ivory Coast	41.7	37.4	11.8	7.9
Madagascar	11.5	5.4	0.4	0.7
Other Africa	6.0	7.9	5.3	4.4
Asia	75.8	51.8	17.3	14.0
Indonesia	2.3	7.8	1.2	0.4
Malaysia	62.6	42.5	15.5	13.4
Other Asia	10.9	1.5	0.6	0.2
Europe (tropical)	30.1	33.0	6.8	7.4
Other tropical	0.4	0.9	0.8	0.0
Total Tropical	493.7	465.9	106.2	97.4
Europe (temp)	174.6	175.2	30.9	22.4
Belgium/Lux	29.2	35.4	5.2	6.4
Bosnia	47.7	7.0	0.0	0.0
Germany	33.4	35.4	7.0	5.3
Poland	10.6	15.9	3.8	2.1
Slovakia	12.3	10.4	2.8	0.6
Spain	4.4	13.3	4.8	0.3
Other Europe	36.9	57.8	7.3	7.7
North America	127.4	111.0	19.4	17.8
Canada	36.9	28.0	4.1	4.5
USA	90.5	83.0	15.3	13.3
Other temperate	1.7	0.3	0.1	16.4
Total Temperate	303.7	286.6	50.4	56.6
TOTAL SAWN	797.3	752.5	156.5	154.0

Association Profile - Le Commerce du Bois

Earlier this year, French wood agents, importers and traders amalgamated into one trade association under the banner "Le Commerce du Bois". Le Commerce du Bois is a non-profit professional organisation which, at its foundation, comprised some 180 members distributed throughout France. Le Commerce du Bois links the various sectors of the trade under a single umbrella to ensure clear advocacy of the French trade and industry's views to the public authorities, the market and the general public both in France and abroad.

At national level, Le Commerce du Bois is organised into specialised committees for agents, importers and traders - allowing each sector to concentrate on issues most relevant to their needs. At the same time there is scope for the various sectors to pool resources for cross-sector issues such as standardisation and promotion. Regional groups have also been established to mirror the national framework.

Le Commerce Du Bois is run by a Board of Directors whose members represent all the sectors of the trade. The Board elects the

chairman and appoints executive officers. Le Commerce du Bois is in close contact with all the government and professional bodies connected with forestry and forest-based industries in France including the DERF (Directorate for Rural areas and Forests); CIB (the Interfederal Timber Council); the CNDB (the National Committee for the Development of Timber); the CTBA (Technical Centre for Wood and Furniture); the UIB (Union of Timber Industries); and the FNB (National Timber Federation). Areas of work include technical development, personnel and training, and all issues relating to the development of trade. Wood promotion is a leading priority.

Le Commerce du Bois works in close co-operation with recognised international organisations. For example it has formed partnerships with the American Hardwood Export Council (AHEC), the International Association of Tropical Woods (ATIBT), the International Association of African Forest Industries (IFIA), and the Pan-European Forestry Certification Council

(PEFCC). Members of Le Commerce du Bois actively participate in the "Carrefour International du Bois" trade show held every two years in Nantes.

Le Commerce du Bois distributes information through various media including:

1. A monthly review "Commerce international du bois" that provides analysis of international wood markets, current affairs in producer and consumer countries, and statistical data on the French wood trade.
2. Electronic media, including a website and a software programme "Le bon choix d'un bois exotique" [choosing the right foreign wood] for architects and specifiers
3. Various publications including a brochure on softwoods, and a directory of businesses by area of activity.

**For additional information, contact:
Le Commerce du Bois, 6 avenue de
Saint-Mandé, F-75012 PARIS, France.
Tel: 01 44 75 58 58, Fax: 01 44 75 54 00,
email: lecommercedubois@wanadoo.fr**

Hardwood Events

Date	Event	Venue	Target audience	Contact
2000				
7-12 Aug	XXI IUFRO World Congress 2000 and World Forestry Exhibition	Putra World Trade Center, Kuala Lumpur, Malaysia	Forestry research	FRIM, Kepong, 52109 Kuala Lumpur, Malaysia; Fax 60-3-636 7753
18-20 Sept	Int'l. Woodworking Machinery & Furniture Supply Fair	Georgia World Congress Center, Atlanta, GA	Woodworking & furniture industry	ph. +1 770-246-0608
20-23 Sept	NHLA Annual Convention	Marriot Wardman Park Hotel	American hardwood producers and traders	NHLA Memphis; ph. +1-901-377-1818
6-8 Oct	Euroholz	Messe Stuttgart, Germany	Wood technology	Tel: +49 7 11/25 89-4 48; fax: +49 7 11/25 89-2 75
10 Oct	Joint ECE Timber Committee and FAO European Forestry Commission Session	Rome	Government, timber industry, forest sector	Ed Pepke, UN-ECE & FAO Tel: +41 22 917 2872, Fax: +41 22 917 0041
9-11 Oct	2nd International Wood Markets Conference	Carlton Crest Hotel, Melbourne, Australia	Wood producers and traders	John Stulen; tel +64-7-348 1039; Fax +64-7-348 1420
12-13 Oct	The Value of Forests: International Conference on Forests and Sustainable Development.	Tokyo, Japan.	Forestry sector, ENGOs	Motoyuki Suzuki, UN University, Tokyo Tel 81-3-3499 2811; Fax 81-3-3499 2828
30 Oct-4 Nov	29th Session of the International Tropical Timber Council	Yokohama, Japan.	Government and tropical timber trade	ITTO, Tel: (81-45) 223-1110 Fax: (81-45) 223-1111
2-3 Nov	American Hardwood Convention	Conrad Hotel, Brussels	Hardwood importers and agents	AHEC, London Tel: +44 20 7626 4111
7-9 Nov	International Conference on Timber Plantation Development.	Manila, Philippines	Forestry	Ms Mayumi Ma Quintos, Philippines; Tel 63-2926 2141; Fax 63-2920 8650;
8 -12 Nov	Expomaderas 2000: 3rd International Exhibition of the Timber Industry.	Lima, Peru.	Timber trade and industry	CORMADERA, Lima, Peru; Tel 51-1-242 9179; Fax 242 9180;
Nov 12-14	The 17th Annual Conference on International Forest Products Marketing	Seatac Marriott Hotel, Seattle, WA	Timber trade and industry	CINTRAFOR, Seattle or the US Softwood Export Council
2001				
18-25 April	16th Commonwealth Forestry Conference	Fremantle, Australia	Forestry	Libby Jones, UK Forestry Commission, Tel 44-(0)-131-314 6137; Fax 334 0442;
18-22 May	Interzum	Cologne Fair	Furniture industry	Koln Messe
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe
28 May-2 Jun	30th Session of the International Tropical Timber Council	Abidjan, Côte d'Ivoire.	Government and tropical timber trade	ITTO, Tel: (81-45) 223-1110 Fax: (81-45) 223-1111

Limited beech supplies expected

There are clear signs that Beech log supplies will be restricted next logging season. The French forest authorities have indicated that almost no new supplies of beech logs will be made available. In Germany, harvesting will be tightly controlled until the end of September under conditions imposed by the Forest Damages Compensation Act. Although now experiencing the usual summer slow-down, underlying demand for European beech remains strong in many markets. **Page 3**

China's demand for beech

Recent data on the direction of trade for European beech highlights the growing importance of China and Hong Kong as export markets. Last year, EU countries exports of beech logs and sawn lumber were valued at Euros 328 million and Euros 410 million respectively. Around 52% of logs and sawn by value (total Euros 382 million) were destined for China or Hong Kong. **Pages 3/4**

African wood supplies limited

The weakness of the euro continues to favour African redwoods on European markets over dollar denominated Asian alternatives. However availability for many African species remains a problem. Few shippers are now offering Sapele for forward shipment before October. Supplies of other important species, including Sipo and Iroko, remain very tight. **Page 4**

Malaysian exports subdued

Demand for Malaysian sawn lumber remains subdued throughout Western Europe. The summer vacations in Europe have added to the general picture of slow demand. There has been some price weakening for Dark Red Meranti/Seraya during July. **Page 8**

Euro slides again

The euro slid again at the end of July to an eight week low, despite another string of good economic news from Europe. **Page 4**

Mahogany season underway

The new logging season in the Brazilian Amazon is now underway. Early signs are that the majority of the Mahogany shipped this year will be destined for the United States. US shippers are reported to be paying top prices for air dried stock, including both FAS and standard grades. As expected, the volume Brazilian mahogany produced and shipped this year will be relatively restricted. **Page 12**

Brazil's main export markets

Recently released import data from the leading developed world markets highlights the importance of three countries - France, the United States, and Spain - to Brazil's hardwood export trade. **Page 12**

Record US exports expected

Very strong US hardwood exports during the first quarter of 2000 have raised expectations that overseas sales may hit a new record level of over 3 million m3 this year. This may be achieved despite weakness of the Euro, which has contributed to price resistance amongst European importers, and continuing shortfalls in availability of kiln dried lumber for export as the US strong domestic market has soaked up supplies. **Page 6**

French tropical imports down

Temperate hardwood imports into France this year are faring better than tropical. In the first quarter of 2000 tropical log imports were down (-2%) to 196,107 m3, from 200,745 m3 in 1999. Tropical sawn imports were also down (-8%) from 106,156 m3 to 97,374 m3. Reasons for the decline include the log export ban in Cameroon, weakness of the Euro, and supply problems in Africa. By contrast temperate log imports were down only 1% and temperate sawn imports were up over 12% to 56,647 m3 in the first quarter. This result may have been affected by the disruption of the winter storms. **Page 1/14**

UK oak imports on the rise

First quarter data shows that UK imports of tropical logs and sawn lumber in 2000 are continuing at the historically low levels recorded during 1999. However UK imports of oak logs and sawn showed significant gains. Sales of furniture in the UK have been strong this year. But partly owing to the strength of sterling, the main beneficiaries have been overseas suppliers. The construction sector is reasonably busy. Consumer spending remains relatively high. The last factor is fueling concern over inflation. GDP has been expanding faster than previously thought, adding to concern over overheating. **Page 7**

Plywood prices remain weak as rupiah sinks to 21 month low

There has been little change in international hardwood plywood markets over recent months. Prices for Indonesian plywood continue to be quoted at INDO96 less 20 to 22. Low prices partly reflect weakness of the rupiah, which hit a 21 month low in mid July. Demand is quiet in the major Asian and European markets. **Page 13**

European forests underutilised

A new UN survey of the world's temperate forest resources indicates that Europe's forest area is expanding by 500,000 hectares a year and that only 60% of annual timber growth is harvested. **Page 12**

Forest certification goes global

Over recent weeks there has been a flurry of activity designed to link various national and regional forest certification schemes into a single global framework. An International Forest Industry Roundtable (IFIR) Working Group published a report on the steps that should be taken to develop an "International Mutual Recognition Framework System" for forest certification. The Pan European Forest Certification Scheme (PEFC) also hosted an international seminar on mutual recognition in Brussels. **Page 14**