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EU furniture manufacturers lose ground

An analysis of EU wood furniture trade statistics (pages 10 and 11) suggests that while Italy and Poland are weathering well the storm of global competition, manufacturers elsewhere in Europe are losing ground. Italy remains by far the dominant exporter of wood furniture in the European Union. Italian wood furniture exports during 2003 exceeded 5000 million euros in value, well over twice the level recorded by Poland (2000 million euros), the second largest exporter. Despite mounting international competition and the strong euro, the export value of Italian wood furniture has increased this year. In part this reflects relatively weak furniture sales at home which have forced the Italian industry to look for new export sales. Italy's export sales to the UK, France and Russia have been rising strongly this year. However Italian exports to the US have declined this year, hit by the strength of the euro against the dollar.

Investment in Poland

On-going inward investment in the Polish furniture industry is reflected in rising wood furniture exports. During the first 6 months of 2004, Poland's exports of finished wood furniture increased by 24%. Germany is by far the largest export market, but exports have also been increasing to other countries, including the UK, Netherlands, Sweden, France and Belgium. While both Italy and Poland have succeeded in raising wood furniture export sales this year, the picture elsewhere has been one of decline. This year exports have been falling from all the other large furniture producing countries in the EU – including Germany, Denmark, Belgium, France, Sweden, Spain and the UK. When considered against a background of generally sluggish domestic economic growth and intense global competition, it is clear that the EU furniture manufacturing

sector faces some significant challenges ahead.

The rising tide of global competition in the international furniture sector is very evident from UK import data. UK wood furniture imports have been rising steeply in recent years, a trend which continued strongly in 2004. If current trends continue, the UK may soon overtake Germany as Europe's largest import market for wood furniture. While the strong housing market and reasonably active economy may have led to some improvement in underlying UK furniture consumption in recent times, this growth in imports will also be at the expense of domestic furniture production. UK imports of wood furniture have been rising particularly strongly from China, Italy, Poland and Vietnam during 2004.

Several other European countries have also registered significant increases in wood furniture imports during 2004, including France, Belgium, Sweden, Italy and Spain. But unlike the UK, much of this growth comprises imports from other European countries rather than the Far East. Chinese and other Asian furniture manufacturers have yet to make much of impact in most European wood furniture markets.

Germany largest importer

Germany was the largest European importer both of finished wood furniture and wooden components during 2004. Around one third of wood furniture imported into Germany derives from Poland, with Italy and Denmark also being significant suppliers. Continuing economic uncertainty in Germany is reflected in declining levels of wood furniture imports during 2004.

Eastern Europe has yet to emerge as a significant market for imported wood furniture, a reflection of lower living standards and the existence of significant domestic furni-

□ 10

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Editorial

Asian furniture manufacturers are looking for more sales in Europe. They may find the going difficult.

The rapid decline of mass market furniture manufacturing in the United States in recent years as production facilities moved wholesale to China has prompted fears that the European industry faces a similar fate. The threat seems real and immediate. The strength of the euro against the dollar, combined with the protectionist measures of the US furniture sector, has prompted Asian manufacturers to target the European market in recent months. A key question for the hardwood trade is the extent to which they will succeed.

At present the evidence from the trade data is inconclusive. So far, of all European countries, only the UK seems to have experienced a large and rapid influx of wood furniture from the Far East. The picture elsewhere in Europe is much more complicated.

One important factor has been the recent emergence of manufacturers based in Eastern Europe – notably in Poland – as a major driving force in the European furniture sector. For the time-being, these manufacturers seem to be holding their Far Eastern competitors at bay in the western European market. In this battle they have certain advantages over their Asian counter-parts, including free and direct access to their customers and the ready availability on their

door-step of a significant resource of the European hardwood species so favoured by many European customers.

A second factor is the fragmentation and insularity of the furniture distribution system in certain European countries. For example, the strength of the Italian domestic furniture sector has meant that there are no large chains in the country established to import large quantities of finished furniture. And companies seeking to export to Europe still have to contend with the flexibility, flare for design, and marketing clout of the incumbents. Some of this ability is evident from the Italian export figures for the first half of this year. Despite the strength of the euro, intense competition, and a significant loss of market share in the United States, the overall export value of Italian wood furniture rose by 3% during this period. This reflected significant gains in Italy's market share in the UK and France, and their far-sighted efforts to develop a market for high value furniture amongst Russia's new rich. No-one should underestimate the considerable capabilities of the Asian furniture sector. But Asian manufacturers may find the European furniture market a difficult nut to crack.

Malaysia

It is now the monsoon season in the main producing regions of Malaysia, so new log supplies to sawmills cutting for the European market are restricted. However, demand for European specifications of Malaysian dark red meranti also remains slow. The key Dutch market has been in the doldrums all year; while trading conditions in other north-western European markets have been winding down in anticipation of the Christmas vacation.

Malaysian shippers have been holding prices for meranti-tembaga sawn lumber steady since the beginning of November.

Meranti Sawn Lumber Prices

West Malaysia, MTCC-certified, DRM-tembaga
All prices US\$/ton, C&F UK port, including
5% agents commission
Grade: Select & better GMS; Kiln dried
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'

	Sept	Nov	Dec
1"	870	890	890
2"	900	915	915
2.5"	950	960	960
3"	975	975	975

**Prices quoted are now MTCC certified product.
West Malaysian shippers are increasingly offering
the certified product to the UK as standard.
Non certified product prices are around 3% lower.**

However, UK agents report that availability of meranti-tembaga is noticeably better at the end of 2004 than at the same time last year.

Dutch agents also note that prices for pin-hole no-defect (PHND) specifications of meranti-bukit and meranti-seraya in typical window frame sizes are holding firm despite weak demand.

European importers may be holding off purchases of these meranti specifications in anticipation of price cuts that can occur just in advance of the Chinese New Year holiday period, due in early February 2005. During January, Malaysian mills sometimes reduce prices to off-load remaining stock and generate cash for holiday bonuses.

In contrast, there are reports of rising prices for non-PHND meranti-nemesu and merbau as a reflection of limited supplies. Supply problems for merbau, used widely in the Dutch door and stair sectors, are particularly acute. Most exporters have no stock of this species available. Those few shippers willing to make offers on merbau are quoting for shipments no earlier than the second quarter of 2005.

Africa

African logs

Log production gears up

Log production is just gearing up after the rainy season in the main African supply regions north of the equator. Overall production levels are reported to be low, now much constrained by regulation and high tax levels. Market conditions are quiet, with most log exporters holding prices steady until clearer indications emerge of likely market conditions in the early part of 2005.

Demand for peeler species and high density flooring timbers in China remains subdued, partly a reflection of the dollar-euro exchange rate which has led importers to focus more on Asian and South American hardwoods. High tariffs on Chinese okoume plywood sold into Europe have also encouraged Chinese plywood exporters to substitute okoume for alternative hardwoods, for example bintangor from Sarawak. Clear indications of the future direction of Chinese log demand are unlikely to emerge until after the Chinese New Year in February.

African log demand in Europe is slow and unlikely to improve over the winter months. The European switch from tropical hardwood log imports to sawn lumber imports has progressed rapidly in 2004. But Africa has yet to benefit much from this trend. In the short term, exchange rates are favouring a switch amongst European importers to Asian and South American sawn lumber.

African sawn lumber

Ivory Coast a key concern

The problems in the Ivory Coast are a key concern amongst traders in African sawn lumber. Since the end of the short and brutal civil war in 2002, the country has been split in two, divided between government-held territory in the south and rebel-held territory in the north. Until last month, a fragile ceasefire was held together by a thin line of French peace-keeping troops. But this was shattered in November when Government troops began bombarding rebel territory paving the way for a ground assault to crush the rebel movement. The offensive came to an abrupt halt when nine French peacekeepers were killed in a raid. Paris retaliated by destroying the Ivorian airforce, triggering a wave of violence that sent 9,000 mainly-French expatriates fleeing and left many homes and business in ruins.

Reports in mid December suggest that a fragile peace reigns, backed now by the UN Mission in Cote d'Ivoire (ONUCI) comprising 6000 peace keepers. But there is considerable uncertainty about the future. The UN is talking about sending more troops.

Meanwhile the few remaining European operators in the country that have refrained from selling their facilities at rock-bottom prices to Lebanese businessmen, are now considering their options. The closure of the only school for ex-pat children in the country during December may be considered the last straw for many.

Wood trickles out of Ivory Coast

Wood continues to trickle out of Ivory Coast. The uncertainty has meant that available iroko stocks have been moving a little faster in recent weeks. However, most commentators reckon the species is now considerably over-priced. The reaction of most buyers has been to search out substitutes. Prices for framire also remain firm, but as this is regarded a relatively low quality joinery timber, buyers have been unwilling to follow the upward trend.

Reports suggest that sawmills in the northern Congo region supplying the European market are reasonably active with relatively full order books for the constrained lumber volumes now available. However, some contacts express concern that availability of the entandrophragmas (sapele, sipo) – which dominate production throughout much of the northern Congo region – may exceed

demand as the dry season progresses. Export demand for sapele continues to be hampered by the strength of the euro against the dollar, which has undermined the competitive position of the species relative to Asian and South American redwoods. Sawmills throughout the northern Congo region will continue to be squeezed between high log costs and tax levels on the one hand, and downward price pressure on the other. One reflection of the poor market demand for sapele is that many Cameroon sawmills will now only offer iroko lumber if buyers also agree to take a proportion of sapele and other redwoods.

But the news is not all bad for the entandrophragmas. Shortages in supply of iroko and other West African timbers resulting from the chaos in Ivory Coast may offer a window of opportunity for sawmillers in the Congo basin, encouraging more buyers to switch to sapele. There are also reports that limited supplies of American mahogany and African khaya are encouraging greater interest in sipo in the reproduction furniture market, notably in the United States. With European markets for African primary species generally slow, a key factor influencing price trends during 2005 is likely to be the strength of demand for these timbers in China. China bought reasonably heavily in African hardwoods at the start of 2004, but demand tailed away as the year progressed. Chinese demand remained slow during the last quarter of 2004.

Mixed market for Ghana

Availability of primary species is now very restricted from Ghana. Khaya sawn lumber has been selling well in the United States at high prices, but other Ghanaian business in valuable redwoods remains restricted. However some large Ghanaian producers report strong sales of wawa during the second half of 2004. There was particularly strong demand from South Africa where the economy is booming and where wawa is widely used for mouldings and picture frames. However success in this business is largely confined to the few large Ghanaian operators running their own concessions able to obtain regular supplies. Some of the smaller operators report considerable difficulties obtaining on-time shipments.

Considering other species, azobe sawn lumber prices remain weak, partly reflecting high stock levels of competing South American angelim vermeilho in the Netherlands and rising production of azobe in Gabon. The shortfall in supply of iroko has helped boost demand and prices for izombe FAS in fixed sizes

African indicative prices

	Oct	Nov	Dec
Exchange rates			
US\$/£	1.81	1.89	1.93
Euro/£	1.44	1.43	1.46
All prices include agents commission of 5%			
Sawn lumber			
Cameroon, CAR, Congo (Braz.)			
Euro/m ³ ; FOB			
Grade/size: FAS, air dried, width 6"+, length 6'+			
Sapele	500	470 ^(a)	470
Sipo	550	550	550
N'Gollon	580	580	600
Iroko	680	680	680
Cote d'Ivoire			
Euro/m ³ ; FOB Abidjan			
Grade: FAS			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko AD	680	680	695
Mahogany AD	550	550	575
Framire KD ^(b)			430
Samba KD No.1 C&S ^(b)			325
Ayous KD No.1 C&S ^(b)			340
Dimension stock			
Azobe	430/ 490	430/ 490	440/ 500
Dabema	325/ 375	325/ 375	325/ 375
Gabon			
Euro/m ³ ; FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume KD ^(b)			345

Notes. (a) Prices for sapele quoted in November were too high and have been amended downwards. (b) Price series for certain air dried products have been removed this month and replaced with price series for kiln dried products. This reflects the rising volumes of African kiln dried products supplied direct to the European market, particularly the UK.

Africa

Liberian sanctions likely to be maintained

A new report to the UN Security Council by the five-member Panel of Experts on Liberia holds out little hope for a quick end to the timber sanctions, despite calls for a resumption of trade by Liberia's National Transitional Government (NTGL). The panel was appointed to monitor Security Council sanctions against Liberia imposed in 2001 and reimposed last year, including restrictions on the export of round logs and timber products.

The Panel's report suggests that Liberia is suf-

fering from "widespread financial improprieties by government officials, extremely low economic growth, a high foreign and domestic debt burden" and about 80% unemployment.

The Panel is critical of the NTGL, suggesting that instead of spending its funds on health care, education, water and roads, it has appropriated 52% of the annual budget for Personnel and 15% for security (despite the fact that the UN Mission in Liberia currently bears the major responsibility for security).

One of the few positive comments from the Panel is that the Forestry Development Authority (FDA) has successfully enforced widespread

compliance with sanctions against timber exports, despite security concerns in the field. But the Panel goes on to say that few of the needed reforms have been implemented, and "a growing domestic market (in timber) is being supplied by ex-generals who are hiring ex-combatant labourers." The report calls for a professional management team to run FDA.

The Panel concedes that "sanctions are not a long-term solution for Liberia" and that "they must be lifted as soon as possible." However, this will only happen when controls are in place to ensure the revenues from logging sales are used to benefit the Liberian people.

Plywood

Prices ease upwards after autumn dive

□ C&F North Sea Port prices quoted for Indonesian BB/CC hardwood plywood are now hovering around the INDO96 list price level (that is US\$390 m3 for 18 mm WBP grade). This represents a slight recovery from prices of around INDO96 less 5% reported in November, but are a long way short of the heights of INDO96 + 15% recorded in the summer.

□ The recent slight upturn in Indonesian plywood prices reflects continuing freight rates increases from the Far East to Europe and continuing problems encountered by Indonesian mills to secure adequate log supplies. The Indonesian government sworn in during October 2004 has restated the existing national commitment to tackle illegal logging and to restrict commercial harvesting. The monsoon should also reduce log production in coming months.

□ C&F North Sea Port prices for Brazilian BB/CC grade virola plywood fell dramatically during the third quarter of the year to below US\$300/m3 for 18 mm WBP grade. The rapid slide reflected slowing demand combined with intense competitive pressure from substitute plywood products from China. More recent reports indicate a slight recovery in Brazilian hardwood plywood prices as production has been curtailed and as producers could no longer afford to sell at the lower levels.

□ In early December the EU Council imposed final penalty duties on imports of okoume plywood from China of 66.7%. This was an increase on the provisional rate of duty of 48.5% imposed from May 2004. The duties only apply to product made of veneers 6 mm or less thick with at least one outer layer of okoume classified under HS code 44121310 originating from China.

□ At the same time the Council reduced the rate of duty on 4 Chinese companies granted special exemptions. The 4 companies are: Zhejiang Deren Bamboo-Wood Technologies Co. Ltd (23.5% duty imposed); Nantong Zongyi Plywood Co Ltd (9.6%); Zhonglin Enterprise Co Ltd (6.5%); and Jiaozin Jinlin Lumber Co. Ltd (17%).

□ Imposition of the duties on Chinese okoume plywood has encouraged Chinese manufacturers to diversify the range of plywood products on offer in Europe. Chinese manufacturers are now exporting more plywood faced with poplar (from Chinese plantations) and bintangor (from Sarawak). The latter is becoming established in parts of north-western Europe as a substitute for Indonesian lauan plywood and Brazilian virola plywood. Although questions continue to be raised in the European market over the quality of Chinese plywood products, there are signs that quality is generally improving.

□ C&F North Sea Port prices for Chinese bintangor BB/CC WBP 18 mm bintangor plywood from China currently stand around at

US\$330 to US\$340/m3.

□ The decline in tropical hardwood plywood prices during the second half of 2004 has discouraged forward buying activity in Europe. Many buyers are now sourcing as and when required from existing landed stock. But the European plywood market is prone to rapid swings. The recent lack of forward buying by European importers is prompting some analysts to predict significant shortfalls in landed stock by January or early February next year.

□ The brief boom experienced by Ghanaian plywood mills in the second quarter of 2004 in response to shortages in Brazilian and Asian plywood now seems a distant memory. Margins in the industry are now so tight that some Ghanaian manufacturers are considering suspending plywood production and focusing instead on export of rotary veneers. There are reports of strong export demand for Ghanaian rotary veneers for the production of plywood cores in the United States.

□ Demand for standard grades of European birch plywood has been strong in recent months, with reports of lengthening lead times. Prices have trended upwards during the course of 2004, and this trend is expected to continue into the first quarter of 2004. Demand for Russian birch plywood has been strong both in the domestic market and for export, notably to Germany. UK buyers also report that demand exceeds supply.

Shipping crises

No matter where you are in the world, if you are shipping logs long distances to relatively shallow draught ports, such as those in Asia and the Middle East, today's runaway freight rates and lack of handysize vessel capacity will force you to take some big hits. By late September this year, the daily hire rate for a handysize vessel (the standard log boat) was around \$24,000, roughly 300% higher than a year ago.

Global economies are generally in an expansionary phase and this has, no doubt, contributed to the underlying strength of the dry bulk markets. However, most shipping analysts cite China as the major influencing factor driving shipping markets. The majority of increased economic activity in China has occurred in the steel-using sectors of manufacturing and construction, which

has clearly benefited the larger capsized and panamax shipping sectors. In April this year the Chinese government tightened the economy and curbed investment in key sectors, such as the steel industry and the result was some respite for log shippers, as Chinese iron ore imports fell by 20% and extra handysize capacity was available. However, this was short-lived, as by June dry bulk rates were back where they started and they have continued to rise ever since.

Too many cargoes, too few vessels

Runaway oil prices are also cited as a major influencing factor in the current underlying strength of the global freight market. However, the major reason for the current crisis affecting the international log export trade is the rapidly ageing and shrinking handysize fleet. Of the new dry bulk stock currently on order with Asian shipyards,

only about 7% are handysize. More than half the fleet is over twenty years old – the age at which they are normally sent for scrapping on an Indian beach. However, despite crippling insurance premiums, they are being kept in service because of unprecedented demand.

Handysize boats not being built

Few new handysize log boats are being built, due to economies of scale and low demand from operators. There has been a rush on double-skin oil tankers – to meet new international laws – and dry bulk vessels are just less profitable to operate than bigger ships. However, with more larger capacity vessels coming online in the next few years, there is hope that some pressure will be taken off the handysize fleet. In the meantime, there seem to be few obvious reasons why log freight rates should ease.

North America

US domestic market

Economy remains buoyant

Looking beyond supply issues alone, which continue to affect sales of certain US hardwood species, there is clear evidence that both market and economic conditions in the United States remain favourable for hardwoods. The US Department of Commerce reports that the US economy expanded at a stronger rate than expected during the third quarter of this year, reach-

ing 3.9% and up from the 3.7% forecast for the July-September period. Economic activity in the United States' manufacturing sector grew for the eighteenth consecutive month, while overall activity improved for the thirty-seventh consecutive month. From the same reporting period a year ago, new home sales are up 7.4% and existing home sales increased by 5.6%. Shipments from US residential furniture manufacturers increased by 4% this September from the same month last year, leaving shipments up 6%

from year-to-date 2003.

Meanwhile hardwood buyers have been taking a hard stance in recent weeks to prevent further inventory gains over the holiday period. Many have begun to take additional steps to restructure purchases with the aim of eliminating excess supplies in the chain. These cutbacks have also been accompanied by the expected price reductions for certain items, with volume production of white and red oak being noticeably affected, while green 4/4 oak in the common grades has taken the brunt of the hit. However, most price adjustments so far have been applied unevenly and have largely depended on the buyer/supplier relationship. Thanksgiving gave buyers the excuse to further reduce purchases. It is expected that the same approach will be adopted during the run up to Christmas. One problem that this has presented for producers is that it takes time to slow down production. Some have been hit with overstocking of their own inventories. However, with Christmas approaching, producers have begun to reduce operating schedules and increase downtime.

US hardwood imports

Market penetration continues

The upturn in the US domestic market this year is clearly underlined by the positive growth in imports of hardwoods. During the January to September period, total hardwood sawn lumber imports into the US increased by 19.3% in volume to 218,688m³ and by 31.3% in value to \$467.3 million, as compared to the same period last year. At the same time, hardwood veneer imports into the United States increase by 20.2% in value to \$257.4 million and hardwood plywood imports increased by 55.7% in value to \$1.1 billion.

The most significant increases in hardwood lumber imports into the US during the first three quarters of this year were seen from Latin America and from West Africa. Hardwood lumber shipments from Ecuador, Uruguay and Argentina increased dramatically over the period, placing them amongst the leading hardwood lumber suppliers to the US market. At the same time, however, imports from both Peru and Chile decreased significantly. Imports from Ivory Coast, Ghana and Cameroon also increase substantially during the January to September period, while imports of hardwood lumber from the United States' main tropical suppliers, Malaysia, Indonesia and Brazil also increased.

In hardwood veneer, the most significant increases in imports were seen from Germany, Italy and Spain, but also from China, which is increasing its production of veneer from not only European hardwood logs, but also from American hardwood logs. Imports of West African hardwood veneers were also up during the period. In hardwood plywood, the greatest increase in imports into the US were seen from China, which grew by 171% in the first nine months of 2004, to reach a value of over \$295 million. Other major increases were witnessed in imports of hardwood plywood from Malaysia, Brazil and Russia, the latter being almost entirely accounted from by birch.

	2003 Year	2003 Jan -Sept	2004 Jan -Sept	% chg
Hardwood lumber imports (1000 m³)				
Canada	1064.8	778.0	884.9	13.7
Brazil	146.5	108.8	111.3	2.3
Germany	35.7	25.4	26.0	2.4
Chile	11.3	10.2	5.2	-49.0
Ghana	23.9	18.5	23.0	24.3
China	5.1	4.2	7.4	76.2
Lithuania	4.7	3.5	1.2	-65.7
Peru	47.2	34.9	30.9	-11.5
France	7.7	7.2	2.2	-69.4
Guyana	3.1	1.9	2.6	36.8
Argentina	12.9	3.5	24.3	594.3
Ivory Coast	12.2	8.6	19.0	120.9
Cameroon	14.8	10.9	14.3	31.2
India	4.0	0.4	2.9	625.0
Spain	2.0	0.8	1.3	62.5
Indonesia	17.7	14.5	17.6	21.4
Malaysia	41.1	18.4	23.6	28.3
Bolivia	14.8	11.0	11.5	4.5
Other	114.8	73.9	144.2	95.1
Total	1584.3	1134.8	1353.4	19.3
Hardwood plywood imports (US\$ mill.)				
Indonesia	188.4	150.7	161.1	6.9
Canada	184.4	139.0	159.2	14.5
Malaysia	117.4	92.8	167.5	80.5
Russia	111.0	84.0	120.1	43.0
China	156.4	109.0	295.2	170.8
Brazil	101.2	70.3	107.0	52.2
Germany	13.0	7.6	24.0	215.8
Taiwan	13.1	9.7	16.3	68.0
Ecuador	18.7	13.9	17.5	25.9
Finland	10.9	7.9	10.1	27.8
Guyana	5.1	3.4	5.1	50.0
Italy	7.0	5.3	4.7	-11.3
Ghana	3.9	3.0	2.5	-16.7
Thailand	8.8	7.0	7.9	12.9
Other	33.2	23.7	33.9	43.0
Total	972.5	727.3	1132.1	55.7
Hardwood veneer imports (US\$ mill.)				
Canada	164.5	125.6	154.8	23.2
Brazil	16.2	10.7	9.2	-14.0
Ghana	14.1	10.6	12.3	16.0
Germany	17.2	11.8	19.1	61.9
Italy	18.1	12.2	14.9	22.1
France	5.8	4.1	4.7	14.6
China	11.1	7.5	9.7	29.3
Russia	1.7	1.7	0.6	-64.7
Mexico	3.3	2.4	3.0	25.0
Chile	2.2	2.0	0.3	-85.0
Gabon	3.6	2.8	4.2	50.0
Spain	4.0	2.7	5.5	103.7
Ivory Coast	3.5	1.9	2.7	42.1
Other	23.9	18.1	16.4	-9.4
Total	289.2	214.1	257.4	20.2

US exports

Problems on the horizon

The US dollar's continual slide against the euro and other key currencies has made US goods and services more competitive in many world markets. Although in the short-term this may be a positive factor for US exporters, at the same time, at least a portion of hardwoods and other materials shipped overseas is processed into products that are exported back to the US. In this case, the lower valued dollar can become a problem. Products shipped to the US from the EU and Canada are, for example, competing at lower prices because of the exchange rates. Profit margins are being affected and, ultimately, this could have an impact on manufacturers' exports to the US, the overall demand for the products they produce and the volume of US hardwoods required and shipped for their production.

Sustained export growth in 2004

Overall, exports of US hardwoods have been very strong during the January to September period this year, with hardwood lumber exports increasing by 10.6% in volume to 2.3 million m³ and by 13.7% in value to just under \$1.1 billion as compared to the same period last year. In the same period, US hardwood veneer exports were up by 13.3% to \$346 million, while both US hardwood logs, flooring and moldings were all slightly down as compared to 2003. Further increases were

North America

US Hardwoods Exports January to September 2003 and 2004

	Volume (m3)			Value (\$000)		
	2003	2004	% chg	2003	2004	% chg
World						
Logs	1,656,255	1,586,396	-4.2	363,687	426,209	17.2
Lumber	2,062,723	2,280,829	10.6	961,727	1,093,573	13.7
Veneer	na	na	na	305,364	345,843	13.3
Canada						
Logs	1,180,436	984,433	-16.6	149,790	155,577	3.9
Lumber	783,673	780,292	-0.4	314,444	326,831	3.9
Veneer	na	na	na	107,899	113,377	5.1
EU						
Logs	178,210	199,616	12.0	86,421	98,780	14.3
Italy	63,977	67,244	5.1	18,245	20,629	13.1
Germany	45,374	38,366	-15.4	31,030	28,151	-9.3
Lumber	491,552	508,646	3.5	304,019	334,387	10.0
Spain	121,299	117,968	-2.7	66,824	71,579	7.1
Italy	129,388	137,560	6.3	69,592	73,469	5.6
United Kingdom	70,285	71,272	1.4	51,110	52,583	2.9
Germany	31,851	36,199	13.7	18,594	26,739	43.8
Veneer	na	na	na	116,593	124,943	7.2
Germany	na	na	na	42,646	45,197	6.0
Spain	na	na	na	27,678	30,525	10.3
Italy	na	na	na	18,782	17,462	-7.0
SE Asia						
Logs	40,410	58,418	44.6	18,024	22,703	26.0
Vietnam	7,477	14,784	97.7	3,988	6,856	71.9
Lumber	83,860	97,396	16.1	37,103	48,933	31.9
Vietnam	14,396	34,141	137.2	6,378	16,104	152.5
Veneer	na	na	na	9,295	11,217	20.7
Vietnam	na	na	na	801	1,791	123.6
Greater China						
Logs	145,886	190,025	30.3	66,681	95,939	43.9
China	82,797	123,788	49.5	35,638	58,826	65.1
Hong Kong	46,233	48,702	5.3	22,366	27,720	23.9
Taiwan	16,856	17,545	4.1	8,677	9,293	7.1
Lumber	390,138	505,648	29.6	146,478	191,018	30.4
China	210,128	319,514	52.1	75,802	115,177	51.9
Hong Kong	129,984	115,705	-11.0	52,545	52,916	0.7
Taiwan	50,026	70,429	40.8	18,132	22,924	26.4
Veneer	na	na	na	38,960	55,146	41.5
China	na	na	na	16,979	28,680	68.9
Hong Kong	na	na	na	14,976	16,372	9.3
Taiwan	na	na	na	7,006	10,094	44.1
Japan						
Logs	51,208	71,264	39.2	15,707	18,931	20.5
Lumber	68,467	68,193	-0.4	37,808	36,052	-4.6
Veneer	na	na	na	1,612	2,656	64.8
South Korea						
Logs	25,948	24,248	-6.6	11,107	10,668	-4.0
Lumber	24,469	19,137	-21.8	14,453	12,544	-13.2
Veneer	na	na	na	5,895	2,778	-52.9
Mexico						
Logs	11,900	23,507	97.5	4,403	8,139	84.9
Lumber	135,380	177,542	31.1	54,363	72,261	32.9
Veneer	na	na	na	9,290	14,944	60.9
North Africa and Middle East						
Logs	2,462	3,897	58.3	1,611	2,143	33.0
Lumber	31,288	40,079	28.1	22,180	29,329	32.2
Veneer	na	na	na	3,557	4,834	35.9

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seen in exports hardwood plywood and dimension products, the latter more than trebling to over 300,000m³ as compared to the first nine months of last year.

No sign of slowdown in China

Despite earlier murmurings amongst some US suppliers that business in the direction of China is not as good as it could be, the first nine months of this year have shown a 52% increase in both volume and value for hardwood lumber shipments. January to September sales of US hardwood lumber to China reached a volume of 320,000m³ and a value of just over \$115 million. However, despite a general firming in prices of American hardwood species, exports of hardwood lumber to China have not gained in unit value this year, as compared to 2003 and remain at the \$360.00 per cubic metre mark. This lack of change may well be partly responsible for the slightly less-than-ecstatic attitude to the Chinese market amongst certain US shippers.

US hardwood log and veneer exports to China have also continued to increase significantly since the early part of the year, with logs up by 50% in volume to 124,000m³ and by 65% in value to \$59 million m³, reflecting both an increase ex-US log prices and a change in both species and grades of logs being shipped. In hardwood veneer, a gain of 69% brought the value exported during the first nine months of 2004 to just short of \$29 million.

US hardwood exports to other parts of the Far East have also held firm over the January to September period with lumber shipments to Thailand, the Philippines, Malaysia and Vietnam all recording increases.

European markets mainly busy

European buyers have generally kept fairly active throughout this year so far, and the usual summer slowdown did not really materialise, as importers were forced to continue replenishing stocks during a period of restricted availability and rising prices from most hardwood supply regions. For US exporters, the year has proven to be very fruitful and rising demand for American hardwoods in the Far East and elsewhere has been matched by increased sales to most European Union markets. For Germany, which has shown a complete turnaround this year, in terms of US hardwood lumber imports, the January to September statistics show now signs of a let up, with US hardwood lumber shipments increasing by 13.7% in volume to 36,000m³, as compared to 2003.

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Significant increases in US hardwood lumber imports were in evidence across most other Western European markets, including Italy, France and the UK, but were down to Spain. However, the shortfall in volume of hardwood lumber shipped to Spain this year has been more than made up by the increase in unit value, which rose from \$550.00 per cubic metre to \$606.00 per cubic metre and was entirely due to the significant increase in American white oak prices.

Demand for oak continues to put pressure on supply

The well-documented demand for white oak has seen no let up this year and the January to September export figures underline this clearly. Total American white oak lumber exports reached 417,000m³ in the period, representing a 10.3% increase on the same nine months last year. Unsurprisingly, due to firming prices, the value increase was even higher, at 20.2%, reaching a total of \$242.5 million.

In Europe, demand for white oak continues to exceed supply in middle and upper grades across all thicknesses and the difficulty faced by producers is being able to procure, cut and ship enough white oak to satisfy the existing customer base.

US sawn lumber indicative prices			
North Appalachian USS MBF* CIF- W. Europe			
Grade: FAS/IF, 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.			
*One cubic meter is equivalent to 423.8 BF or 0.4238 MBF			
	Sept	Nov	Dec
\$/£	1.81	1.89	1.93
\$/Euro	1.23	1.32	1.33
Red oak			
1"	1975	2075	2075
1.25"	2175	2275	2275
1.5"	2325	2350	2350
2"	2700	2725	2725
White oak			
1"	1725	1750	1750
1.25"	1900	1900	1900
1.5"	2350	2300	2300
2"	2900	2900	2900
Ash			
1"	1350	1300	1300
2"	1780	1700	1700
Tulipwood			
1"	1000	1075	1075
1.25"	1050	1125	1125
1.5"	1100	1150	1150
2"	1150	1175	1175
Cherry			
1"	3550	3650	3650
1.25"	3700	3775	3775
1.5"	3875	4000	4000
2"	4100	4175	4175
Hard Maple (W. Virginia)			
1"	2450	2675	2675
1.25"	2650	2900	2900
1.5"	2825	3025	3025
2"	3000	3100	3100

American hardwood species notes

□ **Alder:** since May, exports of alder have picked up, as compared to last year, with log supply problems hampering production in the Pacific Northwest. However, January to September exports of alder have gained a 21% increase on the same period in 2003, more than making up for any shortfall earlier on in the year.

□ **Ash:** the downturn in exports during the second half of this year has cut into demand for the common grades, causing some change in pricing for both green and kiln dried stocks. However, industry sources predict that business into China will gain momentum over the coming weeks and months now that final tariff rates have been set on wood bedroom furniture exported to the United States. Contacts say activity involving the upper grades has remained consistent, with orders and shipments running at an even pace with production. Prices are firm in the main and holding.

□ **Basswood:** demand for this species remains in line with production and prices have remained unchanged for some weeks now. No change is forecast for the immediate future and most mills are content to just service their existing customer base.

□ **Cherry:** demand for cherry remains strong and the species remains fashionable and popular for floors, kitchens and cabinets. Buying has been concentrated in the Penn-York area for some months now, as purchasers are eager to continue to obtain a consistent quality. Initially, this placed some pressure on the mills in the area, but recent production increases have ensured that demand can now be met. In export, cherry is still moving well and the first three quarters of this year show an 8% increase in the volume of lumber exported worldwide. This same increase corresponds to a 12% increase in value, taking the total to \$96 million and underlining the extent of firming prices in recent months.

□ **Hard maple:** there is little change in market conditions for this species, although reports indicate that US domestic end-users are showing increasing interest in colour sorted grades, while demand for unsorted is remains stable. Global demand for hard maple has been relatively good so far this year and European demand, although not strong, has been steady.

□ **Soft maple:** no change is reported in the last few weeks for this species and export demand for soft maple continues to rise slowly but surely, as it is increasingly being specified as a substitute for other spe-

cies, notably in the Chinese and Italian furniture industries. Likewise, in the US itself, soft maple is in demand as a hard maple and cherry substitute, where rising prices in these species have created renewed interest in soft maple as a substitute. Furthermore and as with hard maple, demand for colour-selected stock is much higher than for unselected.

□ **Red oak:** overall supply and demand for red oak are well-matched in the US domestic market at present, but some downward adjustments have been made in prices for common grades, thicker stock and higher grades are becoming increasingly saleable. In export, red oak has seen a 2.8% increase in volume leaving the US during the first nine months of the year, but this is mainly accounted for by China, while demand in other markets has generally been sluggish.

□ **White oak:** globally, the first three quarters of 2004 have seen a 10.3% increase in exports of this species. European demand has picked up considerably as compared to the very early part of the year and supplies have begun to match demand. In the US, though, a slackening in demand over the holiday season has led to cut backs in production of this species.

□ **Tulipwood/yellow poplar:** contacts involved in exports report increased activity in the Chinese market now that the US Department of Commerce has settled on tariff rates for imported wooden bedroom furniture. According to reports, the duties are unlikely to have much of an adverse affect on most Chinese manufacturers. Therefore, they are able to proceed with finished-goods production and US shipments with confidence. There are also some indications of increased interest in tulipwood in certain European markets. However, contacts acknowledge that the upcoming holiday season will have a bearing on how much and how rapidly business will advance during the next few weeks. Overall in the January to September period, tulipwood enjoyed a 41% increase in the volume of exports, taking the total up to nearly 239,000m³, as compared to last year.

□ **Walnut:** demand for walnut continues to be strong, both in the US and in export markets. The upcoming holiday season is likely to have a slightly dampening effect, but most industry contacts report a quick return to form in the New Year. Exports of walnut to China more than doubled during the first nine months of 2004, as compared to the previous year.

Europe

European hardwoods

France

The French National Forestry Office, ONF, reported reasonably favourable market conditions for hardwood logs at the end of the autumn auction sales. Demand for oak logs remained strong. While demand for beech logs continued to be very slow, the market was at least reasonably stable this year. Unlike the last four years, the beech market did not suffer disruption from excess supplies of low quality logs stored in irrigated yards since the storms of December 1999, or derived from pest infested stands.

After easing a little in the summer months, prices for most grades of French oak sawn lumber were tending to firm again during the autumn months. This reflected some improved activity both in the domestic market and a strong rise in exports, combined with restricted availability. Meanwhile prices for French beech sawn lumber remained weak during the autumn.

Germany

As elsewhere in Europe, there has been a big shift this year in the emphasis of the German hardwood trade away from beech in favour of oak. Demand for German oak logs exceeded available supply during the autumn, leading to firm prices. Demand was good both from domestic processing plants and overseas buyers. Germany has overtaken France as the leading European exporter of oak logs, with particularly strong growth in exports to China, France, and Poland. In contrast demand for German beech logs and sawn lumber remained slow during the autumn and prices remained soft.

A new stock survey of Germany forests by the Federal government indicates that the sustainable production capacity to 2022 may be considerably higher than previously supposed. A forecast carried out in 1996

had indicated that Germany's forest could produce around 60 million m³ of logs per annum. The new forecast suggests a figure closer to 80 million m³. The higher figure is based on a more accurate assessment of forest growth rates.

Much of the higher production will be concentrated on softwood logs. However, the study suggests that the volume of beech logs available for harvest each year could be increased from current levels of around 7 million m³ up to around 9 million m³. But much of this extra volume is likely to comprise over-mature stands on private lands of relatively low timber quality.

Poland

Poland continues to experience problems in the supply of oak. The weak market for beech has encouraged more mills to switch to oak production. At the same time, domestic demand for oak sawn lumber has continued to increase with expanding capacity in the furniture, parquet flooring and glulam sectors. This has put pressure on available log supplies. Polish mills are having to import higher oak log volumes, primarily from Germany, to maintain production.

Polish oak's performance on export markets has been mixed in recent months. Demand for Polish oak sawn lumber in Germany and other parts of north-western Europe has tended to weaken as prices have risen in response to tight supplies and continuing sluggish demand in key end-use sectors. On the other hand, demand for Polish oak sawn lumber has been strong in parts of southern Europe. There are also reports of rising demand from parquet producers in China and other parts of East Asia.

Prices for Polish beech sawn lumber remain weak and supplies are in excess of demand. Due to the strength of the euro against the dollar, Polish exporters are focusing primarily on expanding export sales in European countries.

Romania

Similar trends have become apparent in the Romanian hardwood sector. Demand for high quality Romanian oak logs has been strong this year, both from domestic sawmills and for export to veneer and sawmills in Central Europe and East Asia. Prices for high quality oak logs at recent state auction sales have been rising. As elsewhere, the recent fashion for oak in Europe has encouraged some Romanian mills to focus more on oak production.

However, the rising oak log price has meant that prices for Romanian oak sawn lumber are becoming less competitive on international markets. As Romanian shippers tend to sell their product in euros, they have suffered this year from the strength of the euro against the dollar.

While oak has become more important in Romania in recent years, this trend can only progress so far in a country where hardwood forest resources are heavily dominated by beech. At present the supply of Romanian beech logs is reasonably well balanced with moderate levels of demand. Domestic demand for Romanian beech sawn lumber has been reasonably good this year, but export demand has remained sluggish.

Ukraine

There are reports of problems emerging in the supply of oak logs in Ukraine. Polish sawmills report that oak log shipments from Ukraine have become increasingly unreliable. Supplies of Ukrainian oak sawn lumber have also become more constrained. In recent years, Western European countries have been importing growing volumes of oak sawn from Ukraine which, due to limited kilning capacity in the country, generally arrives as green lumber.

DomusLegno

Wood and only wood

In November a new trade exhibition exclusively for the wood sector was launched in Turin in Northern Italy. In addition to wood professionals, DomusLegno targets Italian architects and specifiers who are now showing much greater interest in wood products. The show also complements efforts by Italian wood industries to promote their products in the building sector.

DomusLegno effectively means "wood and only wood". The traditional opportunities for wood industries to exhibit their prod-

ucts are mostly available at wood machinery, building/construction events, flooring and furniture shows. At these events wooden products form only one part of the product mix and compete for attention with other materials and increasingly wood effect products such as laminate flooring and foil veneered furniture.

The idea behind DomusLegno was to create an event solely for "real wood" products. As event organiser, Almerico Ribera aptly put it "*the wood sector is usually a guest at other peoples shows, but now we have our own event just about wood*". The

100% wood concept behind DomusLegno may be rare but it is not unique as this thinking has been applied to the successful and now international trade exhibition, Carrefour du Bois held every two years in Nantes in western France.

DomusLegno is a small show with just 128 exhibitors but with an emphasis on attracting quality rather than quantity in terms of visitors. Official figures put the number of visitors at around 5,800 over three days. This strategy appears to have worked well as many of the visitors were key decision-makers.

□ 9

ers from the wood trade and industry as well as the architectural community.

One of Italy's leading hardwood agents felt their participation had been very valuable in terms of generating new enquiries from both existing and potential new customers. The majority of exhibitors were Italian although there were a few German companies promoting wood solutions for the building sector. A number of international wood marketing organisations were also present including: the American Hardwood Export Council (AHEC), Promolengo and Vero Legno from Italy and American softwoods. In conjunction with DomusLegno, leading Italian wood trade magazine, *IL Legno* organised a seminar well attended by visitors to the show. Paulo Gardino presented an appraisal of the current wood distribution structure in Italy and how it has changed. Gardino also made reference to how Italian wood industries are focusing on product design and innovation in order to compete in today's global market. AHEC gave a presentation aimed at architects, which demonstrated how top architects in Europe are increasingly using hardwood not just as decoration but as a key element of design. Speakers from American softwoods and Italian wood importer and distributor Cora completed the programme.

Turin was chosen for the first edition of DomusLegno due to its proximity with Milan and Italy's northern border. Turin has also been chosen to host the winter Olympics in 2006, so there is a programme of infrastructure development and renovation taking place right now. The show organisers plan to hold the next exhibition in Turin 29 September to 2 October 2005.

Flying the flag for real wood

Domuslegno provided an ideal opportunity for the Italian campaign, "Vero Legno", that promotes real wood. This initiative formed nearly 10 years ago is a non-profit organisation designed to help consumers recognise real wood products. It is therefore particularly relevant to the hardwood trade as it is the look of hardwood species that dominate the surfaces of many furniture, flooring and kitchen products. The use of real hardwood surfaces has also been seriously affected in recent years by the growth in wood grain foil and paper veneers.

Vero Legno is a trademark that identifies products that contain real wood and can be used by both artisan craft industries as well as larger mass producers. The campaign currently has a membership of around 240 made up almost entirely of Italian compa-

nies. Each member company pays a membership fee and then contributes an annual amount based on turnover. The funds are used to increase awareness of the trademark through PR, trade shows and advertising. Vero Legno has been successful in the Italian courts in ensuring Italian companies adhere to EU requirements to label their products and not to make false claims about wood finishes.

This campaign is clearly doing an important job to help educate consumers, retailers and architects to help them recognise real wood products. All at a time when wood is more fashionable than it has been for a long time, especially with architects, and natural materials with good environmental credentials are in demand. Although discussions have taken place with other EU countries at the current time Vero Legno remains an Italian affair.

Furniture trends

Solid wood revival

Despite the increasing presence of non-wood furniture in European retailers' windows, solid wood furniture remains popular. Fashions come and go, but demand for solid wood is always present and this is particularly relevant in traditional markets, such as France, where solid oak and cherry remain the favourites and in Spain, which is Europe's largest importer of oak.

Solid hardwood furniture no longer needs to be traditional and with greater design flexibility, manufacturers are keeping solid timber alive. Furthermore, the increasing availability of low-cost materials and manpower in Indonesia, Vietnam, Malaysia and Eastern Europe have made it possible to produce solid hardwood furniture at lower costs than veneered furniture in high-cost economies. European furniture retailers report that in today's market, where style and status reign, some consumers have learned to appreciate solid wood rather than veneered. Solid hardwoods are seen as natural, warm and classy and they offer an endless choice of colour and grain and are individual in a way that other materials are not.

Strong presence in bespoke sector

Demand for solid hardwood furniture is particularly strong in the semi-bespoke market and designer sector. However, in the mass market, solid wood has been losing ground for years. This has been mainly due to cost, but also to technology, which has allowed for laminated products to appear solid, while doing a better job in terms of stability and providing greater panel width. Furthermore,

veneer wrapping is now so advanced that, to the untrained eye, it is almost impossible to see that it is not solid wood.

Oak most desirable species

Oak is by far the most desired species for furniture across Europe and this claim is easily backed up by production, import and export statistics, which show that beech has lost considerable ground to oak in recent years. However, at the very top end of the market, the hottest hardwood species for furniture is walnut, specifically American black walnut, for which demand across Asia's furniture producing centres has picked up dramatically in the last year or so. The move away from cherry to walnut partly reflects a movement back towards darker, exotic species from the very light, Scandinavian look that we were all accustomed to a few years ago. The move is not only in furniture, as European flooring producers have also switched their production to include a greater diversity of darker species and have begun to place far less emphasis on beech.

Many European furniture producers have staked their futures on the fact that there will always be a demand for solid hardwood furniture. Some have even suggested that the next trend will be a recognition of quality and craftsmanship in manufacturing, with consumers regarding cabinet furniture as an investment, rather than a throwaway purchase. Whatever the case, the most important factor for furniture manufacturers to bear in mind is that times change and their furniture ranges must reflect the times in order to remain fashionable and desirable.

Demand for modernity

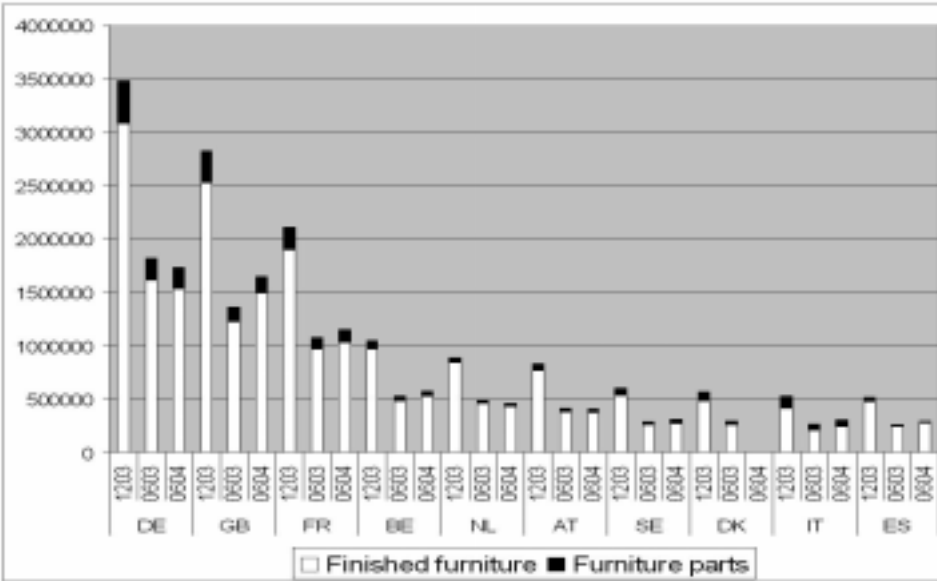
Young people today do not want rustic, but sleek, modern and progressive. Some furniture manufacturers have taken this on board and their production of solid hardwood furniture combines modern, sleek designs with metal and glass. This enables them to create a contemporary, modern look, but without making compromises on quality and craftsmanship. Others prefer to stick to traditional and classic European designs, which sell well in America and Russia.

Fashions are all about trends and design and not about price. In today's style conscious market, it is important for solid hardwood furniture manufacturers not to compromise on price and quality to enlarge their sales in the short-term, but to invest in product development and to try new styles in order to give consumers something to aspire to and to encourage them to enjoy owning real, solid hardwood.

European wood furniture imports

Leading Western European wood furniture importers

Value of imports (000 euro) in 2003 (1203), Jan-Jun 2003 (0603) and Jan-Jun 2004 (0604)



Finished wood furniture imports

Value 000 euros	2003 Year	2003 Jan- Jun	2004 Jan- Jun	03/04 %
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Germany

POLAND	1068.8	552.6	527.4	-4.6
ITALY	339.3	189.5	172.5	-9.0
DENMARK	322.1	160.0	161.0	0.6
CZECH REPUBLIC	130.3	61.8	41.2	-33.2
ROMANIA	111.3	60.6	61.5	1.4
CHINA	88.4	41.3	49.4	19.6
SLOVAKIA	82.9	42.4	46.0	8.4
NETHERLANDS	81.4	43.1	38.1	-11.7
OTHER	860.3	462.8	433.1	-6.4
TOTAL	3082.8	1614.1	1530.1	-5.2

United Kingdom

ITALY	599.4	269.2	342.3	27.1
CHINA	301.7	142.2	221.2	55.6
POLAND	169.1	77.3	110.4	42.8
GERMANY	153.2	72.2	75.5	4.5
DENMARK	141.2	60.2	62.9	4.5
MALAYSIA	123.4	70.9	71.8	1.2
VIETNAM	78.6	45.5	68.8	51.1
INDONESIA	73.1	42.4	49.7	17.2
OTHER	889.5	441.2	491.7	11.4
TOTAL	2529.3	1221.1	1494.2	22.4

France

ITALY	465.0	243.4	268.5	10.3
BELGIUM	264.3	136.9	126.6	-7.6
GERMANY	143.9	68.8	75.0	9.1
SPAIN	142.2	72.0	74.8	3.9
ROMANIA	109.9	53.6	56.6	5.5
BRAZIL	86.7	41.0	37.9	-7.6
INDONESIA	81.8	46.7	46.5	-0.4
POLAND	80.2	37.2	47.9	28.9
OTHER	522.2	265.0	293.3	10.7
TOTAL	1896.3	964.5	1027.1	6.5

Belgium

GERMANY	172.7	82.7	93.5	13.1
NETHERLANDS	172.5	86.2	83.1	-3.7
ITALY	144.4	76.7	78.2	2.0
FRANCE	102.3	50.9	50.8	-0.3
POLAND	72.1	35.3	40.4	14.5
INDONESIA	67.5	40.3	37.6	-6.9
CHINA	26.2	13.3	19.6	47.6
SWEDEN	20.5	10.0	12.0	20.4
OTHER	183.3	90.1	111.2	23.4
TOTAL	961.6	485.5	526.3	8.4

Netherlands

GERMANY	150.1	80.0	72.4	-9.5
POLAND	104.4	55.3	52.5	-5.0
INDONESIA	88.0	45.8	45.8	0.2
BELGIUM	85.1	54.6	36.6	-32.9
ROMANIA	65.8	35.3	32.8	-7.3
ITALY	55.9	31.2	27.0	-13.4
CHINA	46.3	23.2	30.2	30.1
BRAZIL	37.0	17.8	21.9	23.3
OTHER	206.8	114.9	113.0	-1.7
TOTAL	839.4	458.0	432.2	-5.6

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ture industries. The Czech Republic is currently the largest Eastern European importer of wood furniture, with the vast majority derived from neighbouring countries, notably Poland and Germany.

Asian influence

The extent to which Asian wood furniture manufacturers will penetrate the European market in the future remains an open question. The current strength of the euro against the US dollar, combined with the US decision to impose prohibitive import tariffs on Chinese furniture, is encouraging Asian furniture manufacturers to increase

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Wood furniture parts imports

Value 000 euro	2003 Year	2003 Jan- Jun	2004 Jan- Jun	03/04 %
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Germany

ITALY	128.2	58.6	65.8	12.2
POLAND	75.0	43.0	34.8	-19.0
SWEDEN	29.8	19.3	12.3	-36.4
CZECH REPUBLIC	23.9	12.7	13.5	6.1
SLOVAKIA	20.9	11.1	11.1	0.3
AUSTRIA	20.2	10.7	10.5	-1.7
DENMARK	13.6	6.6	4.6	-30.3
RUSSIA	10.7	5.2	8.3	61.2
OTHER	76.9	38.9	38.2	-1.8
TOTAL	399.1	206.1	199.2	-3.4

United Kingdom

ITALY	162.4	83.6	94.6	13.1
AUSTRIA	27.6	2.9	3.3	15.8
DENMARK	18.3	9.4	8.9	-5.4
GERMANY	17.8	8.0	8.1	1.9
SWEDEN	11.8	5.6	7.5	34.0
POLAND	7.6	3.8	4.8	25.5
FRANCE	6.0	2.8	2.1	-25.2
SPAIN	5.1	3.1	1.8	-41.6
OTHER	39.5	20.7	23.6	13.8
TOTAL	296.1	140.0	154.8	10.5

France

ITALY	84.2	44.3	48.1	8.6
GERMANY	20.2	10.4	9.5	-8.6
SPAIN	15.8	7.4	11.6	56.6
SWEDEN	12.7	6.1	7.4	21.7
ROMANIA	12.1	6.1	6.5	5.8
BELGIUM	11.2	6.0	4.8	-19.5
AUSTRIA	9.7	4.3	6.8	58.5
CROATIA	9.4	5.5	6.0	8.0
OTHER	40.6	20.1	23.4	16.2
TOTAL	215.8	110.3	124.1	12.5

Belgium

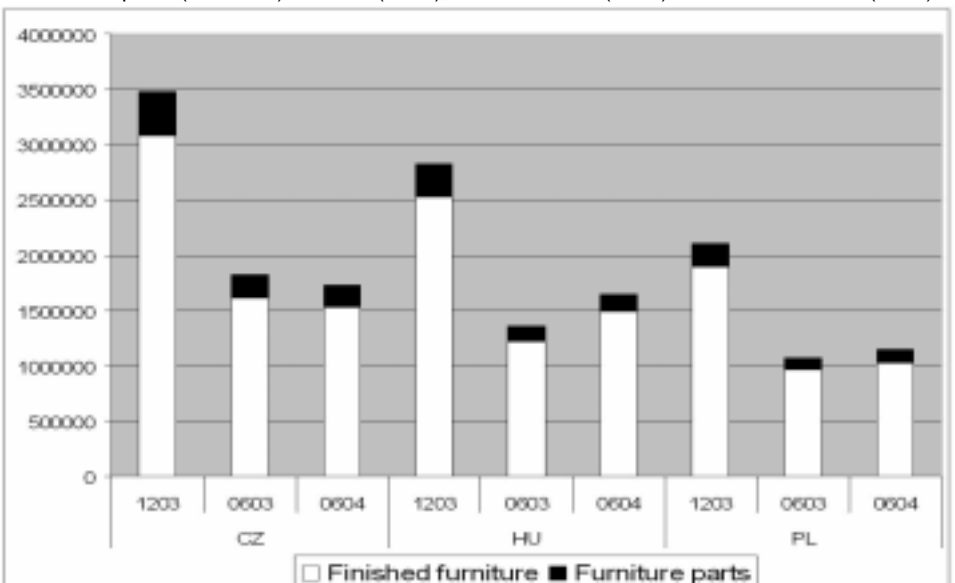
GERMANY	19.9	9.6	10.8	12.0
SWEDEN	15.5	7.6	7.3	-3.3
ITALY	9.2	4.1	5.0	21.3
NETHERLANDS	8.3	4.1	3.7	-9.2
FRANCE	7.8	4.2	4.6	10.5
POLAND	5.0	2.3	2.2	-5.4
AUSTRIA	3.7	1.8	2.3	29.6
CHINA	2.6	1.1	1.8	56.4
OTHER	13.9	6.9	8.3	20.7
TOTAL	85.9	41.7	46.0	10.3

Netherlands

BELGIUM	13.5	11.8	4.4	-62.4
GERMANY	10.5	5.3	5.9	10.4
POLAND	2.2	1.2	1.1	-8.1
CHINA	2.2	1.2	2.2	87.2
ITALY	2.1	1.6	0.9	-46.5
U.K.	2.0	1.0	1.2	10.7
SWEDEN	1.8	1.1	0.9	-24.8
SLOVENIA	1.4	0.9	0.4	-60.9
OTHER	10.6	5.7	6.6	15.5
TOTAL	46.3	29.9	23.4	-21.6

Leading Eastern European wood furniture importers

Value of imports (000 euro) in 2003 (1203), Jan-Jun 2003 (0603) and Jan-Jun 2004 (0604)



European wood furniture exports

Finished wood furniture exports

Value
000 euros

	2003 Year	2003 Jan- Jun	2004 Jan- Jun	03/04 %
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Italy

U.S.A.	840.7	420.4	389.9	-7.3
U.K.	620.1	250.5	336.8	34.4
FRANCE	543.8	281.1	307.6	9.4
GERMANY	501.6	269.9	249.3	-7.6
RUSSIA	227.0	100.7	122.4	21.5
SWITZERLAND	199.6	101.2	92.7	-8.4
BELGIUM	138.6	72.0	73.4	1.9
NETHERLANDS	115.4	58.3	56.7	-2.8
OTHER	1429.3	662.1	665.7	0.5
TOTAL	4616.1	2216.4	2294.5	3.5

Poland

GERMANY	844.6	403.5	494.2	22.5
U.K.	136.2	54.9	81.8	49.0
NETHERLANDS	112.2	54.5	62.3	14.3
SWEDEN	83.7	35.2	38.8	10.1
FRANCE	76.3	31.7	42.0	32.5
BELGIUM	70.8	32.6	37.4	14.6
U.S.A.	66.5	30.1	29.3	-2.6
CZECH REPUBLIC	56.5	20.8	28.2	35.1
OTHER	424.3	167.0	215.4	29.0
TOTAL	1871.0	830.4	1029.3	23.9

Germany

NETHERLANDS	271.2	152.9	134.9	-11.8
SWITZERLAND	270.1	137.5	130.9	-4.8
AUSTRIA	260.3	134.2	131.0	-2.4
U.K.	161.0	73.3	77.2	5.3
FRANCE	138.3	64.9	76.1	17.2
BELGIUM	111.0	57.9	58.0	0.0
LUXEMBOURG	47.3	24.1	25.8	6.7
U.S.A.	47.1	23.0	27.1	18.2
OTHER	311.7	144.3	145.7	1.0
TOTAL	1617.9	812.1	806.7	-0.7

Denmark

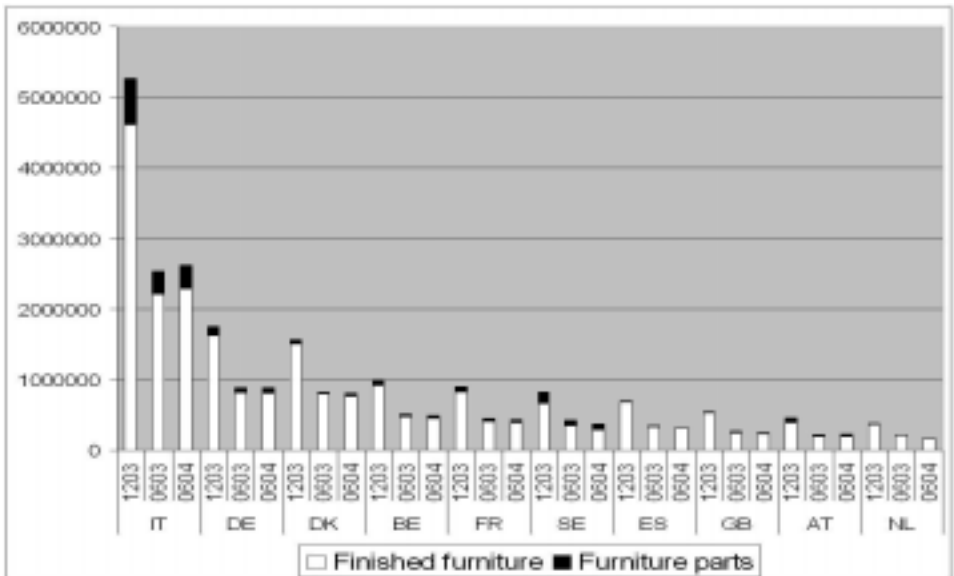
GERMANY	512.0	270.1	236.7	-12.3
U.K.	255.5	137.3	110.6	-19.5
U.S.A.	113.6	64.7	79.3	22.5
FRANCE	109.6	57.6	55.4	-3.8
SWEDEN	106.7	50.2	51.2	1.9
NORWAY	103.7	53.5	64.1	19.9
NETHERLANDS	52.3	27.8	25.4	-8.7
JAPAN	28.9	16.1	15.0	-7.0
OTHER	224.1	119.4	134.1	12.3
TOTAL	1506.2	796.7	771.7	-3.1

Belgium

FRANCE	323.7	171.2	153.7	-10.2
NETHERLANDS	274.7	139.8	134.8	-3.5
U.K.	97.8	52.8	49.5	-6.3
GERMANY	95.1	48.3	47.4	-1.8
U.S.A.	25.2	12.5	11.6	-7.0
LUXEMBOURG	21.2	11.1	11.2	0.2
SPAIN	12.6	7.0	7.3	4.5
SWITZERLAND	12.0	6.7	5.3	-21.3
OTHER	55.8	26.6	26.9	0.9
TOTAL	918.1	476.0	447.7	-5.9

Leading Western European wood furniture exporters

Value of imports (000 euro) in 2003 (1203), Jan-Jun 2003 (0603) and Jan-Jun 2004 (0604)



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their marketing efforts in the EU. As one indicator, the number of Asian companies pre-registering for the Cologne furniture fair in January 2005 is reported to be well up on previous years.

On the other hand, some European analysts remain sceptical of the ability of Asian manufacturers to compete effectively in these markets against the quality, design and marketing skills of European manufacturers. Only time will tell.

Country codes used in the charts: AT - Austria; BE - Belgium; CZ - Czech Republic; DE - Germany; DK - Denmark; ES - Spain; FR - France; GB - United Kingdom; HU - Hungary; IT - Italy; LT - Lithuania; NL - Netherlands; PL - Poland; SE - Sweden; SI - Slovenia.

Wood furniture parts exports

Value
000 euro

	2003 Year	2003 Jan- Jun	2004 Jan- Jun	03/04 %
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Italy

U.K.	235.8	111.9	118.0	5.5
GERMANY	124.5	64.3	63.6	-1.0
FRANCE	80.2	41.4	44.8	8.4
U.S.A.	28.2	13.5	14.2	5.2
DENMARK	17.3	7.3	10.9	49.1
AUSTRIA	15.8	7.6	7.2	-5.1
RUSSIA	15.4	5.8	9.1	57.5
BELGIUM	11.8	5.7	5.7	0.9
OTHER	123.2	58.0	55.6	-4.0
TOTAL	652.2	315.5	329.3	4.4

Poland

GERMANY	49.3	23.1	27.5	18.9
U.K.	9.2	4.0	4.5	12.0
FRANCE	7.2	3.0	3.5	15.4
SWEDEN	7.1	3.1	3.0	-1.6
RUSSIA	5.4	2.2	3.9	80.0
U.S.A.	4.7	1.7	2.5	48.9
UKRAINE	4.5	1.4	1.5	10.7
HUNGARY	4.3	1.5	2.8	83.4
OTHER	34.3	13.7	18.2	32.5
TOTAL	126.0	53.6	67.3	25.5

Germany

FRANCE	21.1	10.5	9.5	-9.6
NETHERLANDS	17.7	9.1	11.4	25.1
U.K.	14.0	6.9	5.8	-15.7
SWITZERLAND	13.4	7.1	6.5	-7.8
AUSTRIA	12.6	6.4	6.7	4.9
BELGIUM	8.3	3.9	4.6	17.7
DENMARK	8.1	3.5	4.3	21.0
ITALY	7.9	3.2	6.1	93.5
OTHER	35.3	18.3	21.2	15.3
TOTAL	138.4	68.8	76.0	10.4

Denmark

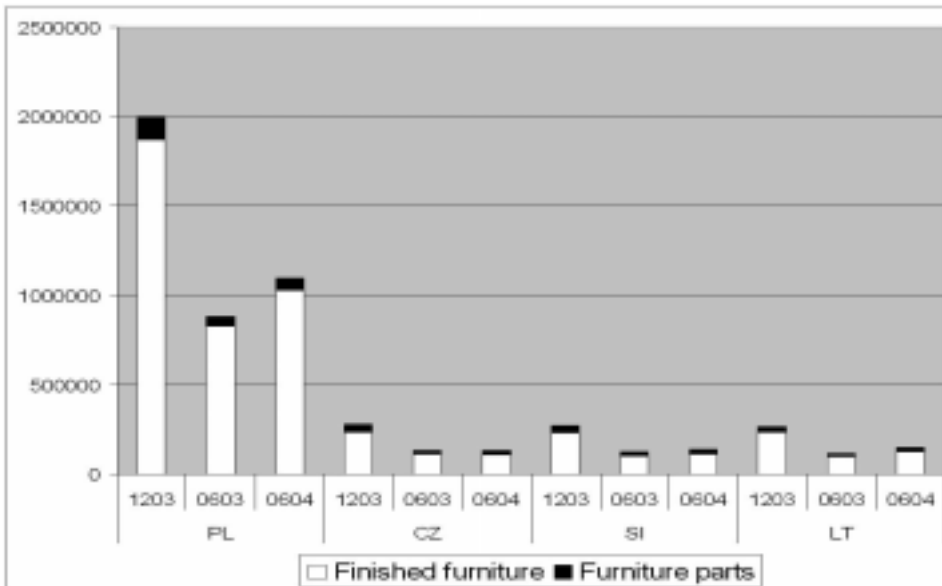
U.K.	27.3	15.1	12.1	-19.7
NORWAY	10.5	5.6	5.1	-8.5
SWEDEN	8.4	3.9	3.9	0.8
GERMANY	5.0	2.9	2.3	-20.3
POLAND	1.7	1.0	0.5	-52.6
NETHERLANDS	1.3	0.9	0.7	-16.8
FRANCE	1.2	0.6	0.8	35.4
IRISH REPUBLIC	1.2	0.6	0.6	11.9
OTHER	5.3	2.8	4.1	48.2
TOTAL	62.0	33.3	30.3	-9.2

Belgium

NETHERLANDS	43.4	21.2	21.6	2.0
FRANCE	10.4	4.8	7.2	48.4
GERMANY	8.9	4.6	4.8	4.8
LUXEMBOURG	3.5	1.7	2.2	31.1
U.K.	2.8	1.7	1.4	-15.3
POLAND	0.7	0.7	0.5	-25.5
SWEDEN	0.6	0.3	0.6	115.3
MALAYSIA	0.5	0.0	0.0	-100.0
OTHER	3.2	1.3	2.1	59.3
TOTAL	74.0	36.3	40.4	11.5

Leading Eastern European wood furniture exporters

Value of imports (000 euro) in 2003 (1203), Jan-Jun 2003 (0603) and Jan-Jun 2004 (0604)



Malaysian prices stable

It is now the monsoon season in the main producing regions of Malaysia, so new log supplies to sawmills cutting for the European market are restricted. However, demand for European specifications of Malaysian dark red meranti also remains slow. The key Dutch market has been in the doldrums all year; while trading conditions in other north-western European markets have been winding down in anticipation of the Christmas vacation. Prices for most species of Asian sawn lumber have been stable in recent weeks. **Page 2**

All quiet on African log markets

Log production is just gearing up after the rainy season in the main African supply regions north of the equator. Overall production levels are reported to be low, now much constrained by regulation and high tax levels. Market conditions are quiet, with most log exporters holding prices steady until clearer indications emerge of likely market conditions in the early part of 2005. **Page 3**

Ivory Coast a key concern

The problems in the Ivory Coast are a key concern amongst traders in African sawn lumber. The instability has led to high prices for iroko and framire sawn lumber and a search for alternatives. Meanwhile sawmills in the northern Congo region are reasonably active with relatively full order books for the constrained lumber volumes now available. Availability of sapele and sipo – which dominate production in the northern Congo – may exceed demand as the dry season progresses. Export demand for sapele continues to be hampered by the strength of the euro against the dollar, which has undermined the competitive position of the species relative to Asian and South American redwoods. **Page 3**

Liberian sanctions maintained

A new report to the UN Security Council by the five-member Panel of Experts on Liberia holds out little hope for a quick end to the timber sanctions. **Page 4**

Plywood prices ease upwards

C&F North Sea Port prices for tropical hardwood plywood fell dramatically after the summer months as EU forward buying slowed and with rising price pressure from Chinese product. But by the end of November, there were signs of prices easing upwards again in response to declining availability. In early November, final tariffs of 66.7% were imposed on EU imports of okoume plywood from China, an increase on the 48.7% preliminary tariff imposed in May. The tariffs are encouraging Chinese plywood exporters to the EU to diversify their product range to include more poplar, bintagor and meranti faced products. **Page 4**

US gears down for XMAS

Both market and economic conditions in the US remain favourable for hardwoods. However, US hardwood buyers have tended to reduce purchasing in recent weeks to prevent inventory gains over the holiday period. These cutbacks have been accompanied by some price reductions in the green lumber market for certain items, with volume production of white and red oak being noticeably affected. **Page 5**

US hardwood exports rise....

The US dollar's continual slide against the euro and other key currencies has made US goods more competitive in many world markets. Overall, exports of US hardwoods have been very strong during the January to September period this year, with hardwood lumber exports increasing by 10.6% in volume to 2.3 million m³ and by 13.7% in value to just under \$1.1 billion as compared to the same period last year. In the same period, US hardwood veneer exports were up by 13.3% to \$346 million. Exports to China have grown by over 50%. **Page 5/6/7**

.....and so do imports

The upturn in the US domestic market this year is underlined by the positive growth in hardwood imports. During the January to September period, total hardwood sawn lumber imports into the US increased by

19.3% in volume to 218,688m³ and by 31.3% in value to \$467.3 million, as compared to the same period last year. **Page 5**

Too little oak, too much beech

Throughout Europe there are reports of continuing strong markets for European oak logs and sawn lumber, while demand for beech continues to decline. Interest in European oak is so strong that it is putting pressure on available supplies. Significant shortfalls in oak logs are reported in parts of Europe. At the same time, Germany reports growing exports of European oak logs to the Far East. A new survey of the German forest resource suggests that it is capable of producing a significantly higher volume of hardwood logs on a sustainable basis than previously thought. The bad news is that much of this extra volume is likely to comprise low grade beech. **Page 8**

Analysis of furniture trends

An analysis of EU wood furniture trade statistics suggests that while Italy and Poland are weathering well the storm of global competition, manufacturers elsewhere in Europe are losing ground. With the exception of Italy, euro-zone manufacturers are struggling to maintain export levels. Meanwhile the impact of Asian furniture manufacturers in Europe is still largely restricted to the UK. However, the strong euro and protectionist measures in the US are encouraging more Asian manufacturers to target their marketing efforts on the EU.

Furniture trade analysis: page 1/10/11

Editorial: page 2

Wood furniture trends: page 9

Wood and only wood

DomusLegno, a new trade show exclusively for the wood industry was launched in Turin during November. The show highlighted the new opportunities for hardwood products that are emerging in the EU, particularly in the construction sector. **Page 8/9**