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Contents

Editorial	2
Africa hardwood market	2,3
Asia	
India	1,4
Malaysian sawn	3
Indonesia	8,9
China	9,10,11
North America	
US domestic market	6
US export trade	6,7
US import trade	7,8
South America	5
European hardwoods	5
Plywood	6

Statistics in this issue

□ India imports	4
By major product, value	
Year 2002, 2003	
□ US hardwood exports	7
Logs, lumber, veneer	
By volume and/or value	
By major destination	
Years 2003, 2004	
□ US hardwood imports	8
Lumber, plywood, veneer	
By volume value	
By source country	
Years 2003, 2004	
□ China exports	10,11
Logs, sawn, plywood, veneer,	
All secondary wood products	
All wood furniture products	
By value and/or volume	
Year 2003, 2004	
□ China imports	11
Logs, sawn, plywood, veneer	
By value and volume, by source country	
Year 2003, 2004	

India: a new giant awakes

The Indian market for new hardwood species is becoming more open, and architects and designers are increasingly looking for new and less-traditional materials and techniques. One major factor driving increased demand for new looks and new wood species is the rising upper-middle class, who are buying and furnishing houses in western styles. Indians travel overseas more now than they have ever done and fashions in Europe and the US are spreading quickly, creating demand for new products. Teak, which is by far the most used hardwood in the country is beginning to lose its importance, as the market wakes up to alternative species. This factor, together with reductions in import tariffs and the overall economic performance of the country could be just what hardwood exporters with designs on India are looking for.

Sustained economic growth

India, the world's largest democracy, is enjoying a period of sustained economic development and growth and has been for some years. GDP growth has averaged 6% since 1990 and India's IT and biotech sectors are now the largest in the world. It is fast-becoming a global leader in the service industry, as more and more European and American banks and other large corporations transfer their call centres and other back-office services there. This has become known as Business Process Outsourcing (BPO) and is a major driving force in the country's overall urban development. The result of all this has been a rapid modernisation of a number of urban centres across the country, whilst the rural areas in between have hardly changed. It is safe to say that India is currently experiencing a construction boom and there are no indications that this situation is going to change in the immediate future. In fact, it seems very likely that the boom will continue unhindered for many years, as India's upcoming middle

classes create a need for modern housing, shopping malls, sports facilities, schools and other public buildings. In addition, the Commonwealth Games are scheduled to take place in Delhi in 2010, which has created a surge in construction activity, including the building of new roads and a metro system, as well as hotels and sports facilities.

Tariff factor losing significance

Following signing up to WTO in the mid 1990s, import duties were lowered, quantitative restrictions were removed, and almost all wood products were placed in the freely-importable category. However, in recognition of the significance of the continued supply of imported logs to its wood-processing industry and following court-ordered restrictions on domestic logging in 1994-95, the Government of India began liberalising wood product imports in 1995. Since then, there has been a gradual decrease in import duties on wood and wood products. For example, until 1995, logs were the only wood product item freely-importable to India with a duty of 15%. Imports of other wood products were only against advanced licences or special import licences. Since 1996, import licensing requirements (quantitative restrictions) have been progressively removed on roundwood, sawn lumber and several value-added products. By April 2000, there were no quantitative restrictions on any import tariff line in the entire forestry sector, with the sole exception of newsprint.

Today, the situation is that logs are subject to a duty of around 5%, while the ad valorem duty payable on lumber is 20% and the duty on veneer and wood-based panels is 40%. The duties were reduced in February/March 2004 and further cuts are planned for February/March 2005, as part of an ongoing commitment to WTO. However, market commentators suggest that the duties

□ 4

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Contacts

By email

editor@hardwoodmarkets.com

By mail

Rupert Oliver,
Forest Industries Intelligence Ltd
19 Raikeswood Drive,
Skipton, North Yorkshire
BD23 1NA,
United Kingdom

By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

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Editorial

The signs are that 2004 was a record year for the global hardwood trade, exceeding even the epic volumes recorded in 2000. In this issue of hardwoodmarkets.com, we report on a massive increase in China's wood products exports, largely sustained by a rise in wood raw material imports. Chinese imports of all logs reached around 27 million m3 last year, while sawn lumber imports hit 6 million m3. The Indian wood products trade looks set to follow a similar path. As manufacturing industries have moved offshore to low cost locations like China and India, wood exports from rich developed countries have been rising. In 2004, United States hardwood lumber exports exceeded 3 million m3 for the first time ever.

There is a positive story behind this huge growth in the international hardwood trade. Thousands of people in China and India are being helped out of poverty through the creation of jobs in new wood processing industries. Globalisation is creating a more efficient industry capable of deliv-

ering better quality wood products at lower cost to the final consumer. Loggers and sawmillers in many parts of the world are benefiting from strong demand for hardwood commodities. And because increased demand has not been matched by rising supply, prices for these commodities have been rising.

But this issue of hardwoodmarkets.com also highlights some of the localised problems associated with rapid growth in the international hardwood trade. Our article on pages 8-9 draws on a new report by EIA/Telapak providing evidence of a huge illegal and unsustainable trade in merbau logs from the Indonesian state of Papua destined for the Chinese flooring sector.

This then is the challenge for the international hardwood sector, to ensure that everywhere the positive benefits of rising trade volume, higher commodity prices and improved industrial efficiency are channelled back into the long-term future of the industry, through increased investment in sustainable forest management.

Africa

African hardwood market Balanced supply and demand

□ Following another slow start to the logging season, production is now reaching "normal" levels in the major timber producing regions north of the equator. As last year, overall levels of sawn lumber production in Africa are expected to be limited this season.

□ Production is expected to be heavily concentrated on the commercially valuable redwoods, particularly sapele and sipo. High tax levels and the strong euro mean that these are the only species that will generate any margin for the producers.

□ Reports from Cameroon indicate that concession charges have been increased by 5% while harvesting is being limited to a maximum of 2500 hectares per concession. Larger concession holders in the country complain that while greater controls are being placed on their legal log harvests, their sales continue to be disrupted by widespread illegal activities of small-scale "savage" sawmills operating in the country.

□ Overall European demand for African sawn lumber remains patchy, undermined by slow economic conditions and the strong euro which has boosted market prospects for South American and Asian alternatives. European on-ground stocks of these competing species are reported to be high compared to current levels of demand.

□ As last year, indications are that forward prices for sapele sawn lumber will remain reasonably stable during the current logging season, as sluggish European demand is balanced by restricted supply.

□ There are some signs that Chinese interest in sapele has been rising, part of a broader trend in China towards imports of a wider range of species. However, trade sta-

tics suggest that the volumes involved are still fairly small, constrained by the strong euro and long lead times.

□ European demand for sipo has been steady but confined. Long-term hopes for this species – yet to be realised – focus on sipo's potential as a swietenia substitute, particularly in the US reproduction furniture market.

□ Iroko sawn lumber prices have stabilised at a high level. There are reports of good demand for iroko in Spain, Italy and Greece.

□ 3

African indicative prices

	Dec	Jan	Feb
Exchange rates			
US\$/£	1.93	1.88	1.91
Euro/£	1.46	1.44	1.46

All prices include agents commission of 5%

Sawn lumber

Cameroon, CAR, Congo (Braz.)

Euro/m3; FOB

Grade/size: FAS, air dried, width 6"+, length 6'+

Sapele	470	460	460
Sipo	550	550	550
N'Gollon	600	600	600
Iroko	680	680	680

Cote d'Ivoire

Euro/m3; FOB Abidjan

Grade: FAS

Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"

Iroko AD	695	695	695
Mahogany AD	575	600	600
Framire KD(b)	430	430	430
Samba KD No.1 C&S	300	300	300
Ayous KD No.1 C&S	340	340	320

Dimension stock

Azobe	440/ 500	440/ 500	440/ 500
Dabema	325/ 375	325/ 375	325/ 375

Gabon

Euro/m3; FOB

Grade and size: FAS, width 6"+, length 6'+

Okoume KD	340	340	340
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Africa

2

UK iroko buyers, who were resistant to the higher price levels, have become more willing to pay in recent weeks.

□ African mahogany prices remain stable and firm. Signs are the US importers would be unwilling to accept any further increase in price, particularly as the quality of material has become more variable.

□ UK demand for framire sawn lumber has remained stable, and prices are steady at a relatively high level. Availability from Ivory Coast has improved since the beginning of the year.

□ Wawa demand remains firm but availability is becoming increasingly difficult, particularly of good quality product. An increasing proportion of the product becoming available from Ghana suffers from stain. Importers have therefore been looking for alternative sources of supply.

□ Mounting public sector pressure for UK importers to demonstrate that wood is from legal sources has encouraged a significant increase in UK buyer interest in independently legally verified African timber. Several importers have just started to offer legally verified supplies and hope to achieve a 10% premium for this product.

□ In early February, three Cameroon timber groups applied for membership of the WWF initiative "Central Africa Forest and Trade Network" (CAFTN). These include: Decolvenaere, a subsidiary of a Belgian company; Transfromation Reef Cameroon, a subsidiary of a Dutch company; and Pallisco S.A. Together these groups manage 500,000 hectares of forest concession in Cameroon, and export around 120,000 m³ of sawn timber, roughly 20% of Cameroon's total exports to European countries. The CAFTN is designed to support companies moving progressively to FSC certification.

□ In another initiative, the Inter-African Forest Industry Association (IFIA) recently announced progress in the development of FORCOMS (Forest Concession Monitoring System for Central Africa). This system of independent and voluntary monitoring of forest concessions is currently in its first operational phase. FORCOMS was initiated by the Global Forest Watch (GFW), World Resources Institute (WRI), World Conservation Union (IUCN), and IFIA. The system aims to inform governments, timber buyers, and civil society of the progress being made by concession holders in the region to implement sustainable forest management plans. WRI-GFW has been undertaking field studies to test monitoring procedures and feasibility of the system in Cameroon, Republic of Congo, and Gabon. So far efforts have been funded by USAID. Further funding is now being sought from the ITTO with the aim of expanding coverage to a wider range of concessions over the next 3 years.

Asia

Malaysian sawn lumber

Prices stable, supply limited

□ CIF North Sea prices for dark red meranti from West Malaysia have held steady over the last few weeks. Limited supply is balanced with only patchy European demand.

□ Supply side activity was limited during February during the Chinese New Year holidays. Many mills were closed for the majority of the month. Very few offers were circulating.

□ Due to limited log supplies and continuing good demand from the Asian market, there were no discounted offers in advance of the Chinese New Year to generate cash flow as in previous years.

□ Reports from the key Dutch market indicate that buying has remained very slow for all types of dark red meranti including bukit or seraya, MTCC certified and uncertified. Dutch landed stocks of dark red meranti are high, particularly in the most important size 3 x 5", encouraging importers to sell at discounted prices. Against this background there is little interest in the forward market.

□ Consumption of meranti-tembaga sawn lumber in the UK has been steady, particularly for MTCC certified material, but the overall market is now confined. UK forward buying of meranti-tembaga has been slow in recent weeks.

□ German demand for meranti sawn lumber remains sluggish, a reflection of underlying slow activity in the construction sector. However meranti has been making ground in the Polish market, where it is now widely used for window frames.

□ Despite slow European demand, trade contacts suggest meranti prices are likely to remain steady for the foreseeable future due to restricted log supplies in Malaysia.

□ Supplies of Malaysian merbau sawn lumber being made available to the European market are extremely limited and insufficient to meet demand. The species remains very popular in the European flooring sector. However merbau prices are now so high that that they meet with resistance in the European market place.

□ Demand for selangan batu decking pro-

files remains steady in Europe and prices are firm on the back of tight supplies. CIF North Sea prices for selangan batu 28mmX145mm decking profiles now stand at around US\$750. Competition from alternative cheaper Brazilian decking profiles, such as massaranduba, garapa, and ipe, remains intense.

□ Contacts visiting Malaysia indicate that significant volumes of hardwood sawn lumber are now being diverted for Tsunami relief operations. Much of the material being diverted is likely to be lower grade, rather than the higher grades typically exported to Europe. However the full effects of this factor on supplies of Far Eastern sawn lumber remain unclear.

□ A recent report by a Malaysian analytical firm - MAYBAN Securities Sdn Bhd - indicates that prices for Malaysian timber products are likely to remain firm during 2005. The report suggests that Malaysian log supplies have now stabilised at around 18 million m³ per year. Meanwhile demand for Malaysian logs is expected to be boosted by a recovery in the Japanese economy - which will increase demand for plywood - and continuing good growth in China and India. At the same time, the report suggests that Indonesian supplies will become more constrained as efforts to improve forest enforcement begin to have an effect. The report said that despite falling log supplies, export earnings from Malaysia's timber industry grew 5%-6% to over RM17bil in 2004 from RM16.3bil the previous year.

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'

	Dec	Jan	Feb
1"	890	910	910
2"	915	935	935
2.5"	960	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.

A steering committee meeting is due in April 2005 to discuss the results of the trials and to finalise the operation and financial structure of the system.

□ IFIA recently highlighted the problems faced by private companies operating in the African tropical timber sector. In a press release, IFIA noted: the rising levels of taxation imposed on legitimate operators; the heightened risks of damaging environmental criticism; the decline in export sales resulting from the strong euro; the continuing political instability; and poor forest enforcement which means high levels of competition from illegal operators. IFIA suggests

these factors have seriously damaged the investment climate, leading some large European investors to withdraw, thereby adding to the poverty of the region. Examples of companies withdrawing or failing in recent years include: in Cameroon, the SIBAF company (under the control of the French Bolloré Group), Coron (Deval Fleury), and SEPC (Thanry); in Ivory Coast, SIFCI (Danzer) and CIB (Mussi Bianchi Fossati); in Gabon, Lutexfo (Talleyra) and SHM (Deval-Fleury); in Congo-Brazzaville: Cristal (Blatt), SIDETRA (Eaux de Madagascar), and Socobois (Wonnemann); and in CAR, SBB (Eaux de Madagascar).

on lumber and veneer will never be dropped completely and may even rest at around 15% for the long-term.

Despite the fact that the Government of India still imposes duties on imported wood products, market commentators argue that it is important not to focus too much on this issue and not to see it as a significant barrier to growth in imports. In fact, in most cases, importers do not cite the tariffs as important at all, as they find ways to work their way around them. Although illegal, under-invoicing and transshipments through countries with which India has free trade agreements (Bangladesh, Bhutan, Nepal & Sri Lanka) are common practice.

Wood imports show promise

The table below, shows a summary of Indian imports of all wood products by value for 2002 and 2003. The figures do not take into account the issue of under-invoicing, so should not be taken at face value, but rather as a relative indication.

What is immediately obvious is the massive overall increase in imports of wood products from 2002 to 2003. With the exception of veneer, imports of all products increased quite considerably, with the greatest increase seen in logs. A reflection of decreasing tariffs, is the increase of 66% seen in sawn lumber imports from 2002 to 2003. At the same time, imports of all wood-based panels increased dramatically, underlining the significance of panels in India's end-user sectors and giving a rise to increased potential for veneer consumption. Although imports of veneer, itself, did not increase substantially during the period, it can be assumed that a high proportion of the logs brought in to the country were destined for domestic veneer production.

Imports of wooden furniture also increased significantly from 2002 to 2003, underlining the development of India's market for imported finished goods and the overall strength of the country's construction sec-

tor and general economic performance.

Although figures for 2004 are not yet available, it is widely thought that they will show even greater increases than in 2003 across all wood products. Furthermore, this growth is expected to last well into the foreseeable future.

Teak dominance wanes

Statistics for India's trade in wood products are extremely unreliable and the mechanism for gathering and interpreting all the information from the many ports dealing with timber around the country is not full proof. Furthermore, under-invoicing of imported goods adds to the cloudiness of the statistics, as values will not always tally with volumes. With this in mind, it is estimated that of the 3 million m3 of imported logs reported in 2003 by the Directorate General of Commercial Intelligence and Statistics, around 2.7 million m3 were accounted for by hardwood. Of this total, around 500,000 m3 were accounted for by imports of teak and around 200,000 m3 by other tropical species, including meranti (light red and dark red), keruing, merbau, selangan batu, afrormosia, obeche and sapele. This leaves approximately 10-20,000 m3 of temperate hardwoods, which are predominantly accounted for by steamed beech from Europe, as well as European maple and sycamore and some ash, walnut, cherry and oak from the US and Canada.

Sawn lumber imports picking up

Despite the tariff issue beginning to lose its significance, a preference for importing logs prevails amongst the hardwood trade. This is partly due to the fact that the duty payable is only 5% and partly due to the fact that India has hundreds of sawmills, operating at very low cost. However, the recent interest in European and North American hardwoods poses a problem for this traditional approach to importing, as most temperate hardwood species are not naturally durable and require specialist kiln-drying, which is not available in India. Not all importers appreciate this, as temperate hardwoods are only beginning to become known, but some larger ones have understood this issue and are beginning to import their temperate hardwoods only as kiln-dried lumber.

India presents a very large market for veneer, as it has a well-developed plywood industry, which produces around 220 million m2 of plywood annually, of which 15-20 million m2 is decorative. There are also two MDF factories in India and a number of blockboard and particle board producers. Hardwood veneer is both imported and sliced domestically and a wide range of tem-

perate hardwood veneer species are known and used. The high tariff payable on imported veneer sheets does not seem to deter importers and high value figured and dyed veneers from Italy are brought into the market in significant volumes. Around \$3.7 million worth of veneers is reported to have been imported in 2003, but this figure needs to be adjusted upwards by about 30-40% to take into account under-invoicing.

Growth in wood processing

It is very difficult to trace exactly where the majority of hardwood is consumed in India. However, of the 50 or so million m3 of logs consumed, it is possible to say that roughly 25% will go into builder's joinery, 25% into construction, 25% into packaging and the remaining quarter will be used in furniture, plywood and other sectors. India's wood-processing industry is growing rapidly and the mechanised sector, i.e. the panel processing industry is estimated to be growing at around 35%, while the rest is growing at around 12%.

With the exception of India's wood-based panel industry, none of its end-user sectors for hardwoods are full mechanized or standardised and there are almost no manufacturers of significant size with large capacity mills. The joinery and furniture sectors, although large, are totally disorganized and fragmented. There are a handful of medium-sized turnkey interior contractors, as there are a handful of medium-sized furniture factories, but nothing on a Western scale and certainly nothing even approaching the scale now seen in China. The vast majority of interior joinery, furniture and kitchens are custom made according to individual client needs by small workshops employing a handful of skilled craftsmen. However, this does not mean that these sectors do not consume much hardwood. In fact, very significant volumes of high quality hardwood species are destined for these workshops.

Developing interest in flooring

Until very recently, wooden flooring was not used in the main, but, like all things in India, the Western fashion has reached the market and is spreading fast. Imports of wooden flooring have increased dramatically in recent months and most of the major Scandinavian producers have sales offices in the market. In addition to this, is the news that an Indian plywood factory has just bought a hardwood flooring line and will be setting up production in the next few months. The majority of its production is thought to be destined for the local market.

India wood imports (US\$ 1000)

	2002	2003	% chg
Logs	361,851	692,582	91.0
Sawn lumber	7,716	12,777	66.0
Veneer	3,587	3,736	4.0
Plywood*	3,810	4,359	14.0
MDF/HDF	11,007	13,555	23.0
Particleboard	7,819	13,740	76.0
Wood furniture	7,280	12,713	75.0
Total	403,070	753,462	87.0

*(incl. veneered plywood)

Source: Federation of Indian Plywood & Panel Industries (FIPPI)

Europe

Beech continues to struggle...

□ After a period of dramatic decline between 2001 and 2003, the market for European beech logs and sawn beech lumber has remained reasonably stable at a very low level over the last 12 months.

□ European domestic demand for beech is constrained by sluggish economic conditions, competition from imports, and the continuing fashion for oak. Export demand is particularly constrained by the strength of the euro against the dollar. Euro prices continue at historically low levels.

□ Recent reports from the German trade journal EUWID indicate that there was some slight improvement in domestic demand for certain specific beech products – including A/B quality waney-edged lumber (boules) – during the opening weeks of 2005. However this trend seems to have been localised and had little impact on overall price trends.

□ The Chinese market for European beech, which blossomed in the late 1990s, is now less significant. Of European countries, only Germany now exports significant volumes of European beech to China (around 250,000 m³ of logs and sawn lumber in 2004). The next largest exporter, Romania, supplied around 65,000 m³ to this market last year.

□ In the UK, C&F prices for European joinery grade beech (2", kiln dried, square-edged) currently stand in the region of 675 to 700 euros/m³. This compares to a level of over 840 euros/m³ in 2002.

...while oak is doing well

□ In contrast, demand for European oak remains firm, boosted by the continuing fashion for oak in the joinery and furniture sectors. European mills have continued to focus on the production of oak at the expense of beech.

□ Nevertheless, there are reports of significant European oak supply problems emerging in some parts of Europe. For example, the large Polish furniture and joinery manufacturing sectors are having difficulty securing adequate volumes of European oak as domestic harvests have become more restricted. European oak supplies from further east in the Ukraine remain erratic. As a result many Polish manufacturers have become more dependent on German oak.

□ Meanwhile the weakening dollar has meant that the price of American white oak sawn lumber is now very competitive in the European market and this product is expanding market share in certain sectors.

□ In the UK, C&F prices for Western European waney-edged oak (prime grade, kiln dried, 50 mm sawn lumber) stand at around 1000 euros/m³. This price has remained more-or-less stable for several years. Prices for the best quality kiln dried and square edged Croatian oak sawn lumber are higher, up to around 1350 euro/m³ C&F for 50 mm sawn lumber.

South America

Nun's murder spurs on drive to regulate Amazonian forestry

The murders on 12 February of U.S.-born nun Dorothy Stang and three rural activists in the northern Brazilian state of Pará has encouraged the Brazilian government to implement new forest protection legislation in the Amazon. Stang had been working closely with poor migrants in Para state to develop sustainable development projects in which of the land would stay as forest. She was murdered by logging and land-grabbing interests who claimed ownership over the land earmarked for these projects. Immediately following the murder, the Brazilian government announced new legislation aimed at protecting a total of 13.4 million hectares of forest, an area four and a half times the size of Belgium, and at strengthening state control over Pará.

The government decided to set up an "integral management cabinet" in Pará and to send in 2,000 troops to bring order into an area plagued by violent conflicts over land rights.

The government also decided to move faster in sending a bill on the administration of public forests to Congress. The new law would regulate the sustainable use of forestry resources on state-owned land, through concessions to companies or local communities. The aim would be to shift away from the current cycle of illegal occupation followed by exploitative logging and deforestation in the region.

The government also proposed another tough measure to ban logging over the next six months on 8.2 million hectares along the BR-163 highway. Plans to pave the road, which crosses the western part of the state of Pará, in the near future have fuelled illegal land-grabbing by speculators, landowners and settlers, and aggravated the tension. However, with continuing fierce opposition to this measure from logging and landowner interests, it is still uncertain whether it will be implemented.

Brazilian economy expands at the fastest rate in a decade

Brazil's economic expansion extended into the fourth quarter, spurring the fastest annual growth in a decade, as lower borrowing costs bolstered spending and exports of commodities, including timber, jumped to record levels. The economy grew 5.2% during 2004, compared with 0.55 percent in 2003. The rebound underscores President Luiz Inacio Lula da Silva's success in boosting confidence in the economy since he took office in January 2003 by narrowing the budget deficit and reducing inflation. Economic growth is poised to slow this year as

interest rates climb and most manufacturers are working at full capacity and are unable to boost production. Economists are now predicting economic growth of around 3.7 percent during 2005.

Brazilian lumber prices rise

Brazilian hardwood prices have been rising in recent months on the back of strong domestic and export demand. Nevertheless, the weakness of the dollar combined with tight hardwood supplies in other parts of the world, mean that prices are still generally competitive on world markets. Brazil is also making a reputation as a key source of FSC certified tropical hardwoods, although supplies remain irregular and volumes are quite restricted.

A number of Brazilian hardwoods have been making headway in the European market in recent times. Marupa, (otherwise known as acajou blanc, caixeta, cedro blanco, paraiba, or tamanquera) has become popular amongst European manufacturers, particularly for the production of drawer sides. It is a light tropical timber valued for consistent straight grain, stability, and clear appearance which has offered a substitute for ramin in certain applications. At the end of February, C&F prices to UK port for kiln dried marupa were being quoted at around US\$630/m³.

Popular decking species

Brazilian species are becoming more popular in the decking sector. Brazilian garapa decking is now being offered into the UK at around US\$700/m³ (net of agent's commission). This is \$100 more than prices being offered around 8 months ago, but is still competitive against Far Eastern alternatives. Angelim pedra, a relatively plain and unattractive but highly durable Brazilian hardwood, is increasingly used as an underdecking material. Prices stand at around US\$500/m³ C&F into the UK.

With supplies of African iroko so tight, there has been some increased interest in Brazilian tatajuba as an alternative, with the reservation that tatajuba is more difficult to process than iroko. Prices are in the region of US\$550 C&F UK port for kiln dried tatajuba sawn lumber.

While prices are competitive, the overall size of the European market for Brazilian hardwoods continues to be constrained by irregular shipping times and concerns over the ability of Brazilian shippers to supply product to customers' specifications.

Brazilian shippers capable of offering FSC certified supplies tend to request large premiums (sometimes over 30%) in order to offset the costs of their investment and the uncertain availability of FSC-certified logs.

Plywood

□ Limited log supplies in the Far East due to wet weather and the slow-down in production over the Chinese New Year in February have encouraged Far-Eastern hardwood plywood exporters to push for higher prices in recent weeks. Prices are variable, but levels of between Indo96 +7 to +10 were being quoted for BB/CC grade Indonesian and Malaysian plywood by end February. This compares to levels around equivalent to the Indo96 list in October/November last year.

□ Plywood shipments out of Indonesia and Malaysia to Europe are currently very difficult. At a time when shipping space is at a premium, much capacity is diverted away from the timber industry towards more lucrative products and markets (such as the Chinese steel trade). Lead times for Far Eastern plywood deliveries to Europe are now very extended, and quoted shipping times have become unreliable.

□ Availability of Malaysian and Indonesian plywood is likely to remain restricted, particularly with reports that significant volumes may be diverted to reconstruction projects in Indonesia in the wake of the Tsunami disaster.

□ Prices for Brazilian virola plywood have fluctuated in recent months. C&F UK Port prices for 18 mm product stood at around US\$335/m³ in November 2004, reached a high of around US\$405/m³ early in 2005, but fell away again to around US\$385/m³ by the end of February 2005.

□ Efforts to sustain increases in Brazilian prices have been hindered by the ready availability of Chinese plywood. Prices for bintangor-faced plywood with poplar core have been static for around 4 months and stand at around \$340/m³ C&F UK Port for BB/CC WBP grade. Chinese manufacturers are now working to extend their product ranges, for example through introduction of new birch-poplar combination products.

□ Concerns continue to be raised in European markets over the quality of Chinese plywood. Questions are being raised over the quality of glues being used, which may not be sufficiently waterproof. The durability of the poplar core is also open to doubt, given that the wood derives from fast-growing plantation trees of relatively low density. On the other hand, fans of the Chinese product argue that buyers have tended to over-specify in the past. They suggest Chinese plywood has a legitimate place in the market, if used selectively to replace Indonesian and Malaysian plywood in less demanding applications.

□ Stocks of Malaysian and Indonesian plywood were reported to be relatively low in the UK and on the water at the end of February. However, significant stocks of Chinese plywood were reported to be available in the UK and on the water.

North America

US domestic market

Housing starts set new records

Overall US market demand for hardwoods remains buoyant, driven by strong activity in the construction sector. An indication of the strength of the construction sector came with the release of US Census Bureau data which showed the highest monthly level of new home starts in January 2005 since February 1984. Construction continues to be boosted by low mortgage rates. Total starts reached 2,159,000 units in January 2005, up nearly 5% on the previous month up nearly 12% on January 2004.

The main downside problem is the severe decline in US furniture and cabinet manufacturing during the last 5 years which has left a gaping hole in demand for some standard items, such as 4/4 common grade red oak and white oak lumber.

The market for hard maple is at the opposite end of the spectrum. While red oak has lost ground in the cabinet sector, maple has been gaining ground to such an extent that demand now exceeds supply. Hard maple prices have therefore continued to firm.

Reports of log supplies vary widely throughout the country and by species. In the southern United States, most large mills report they now have ample supplies of logs. But in the northern states, some mills report that log supplies are inadequate to meet current levels of demand, particularly as the upcoming mud season is expected to reduce harvest levels.

US export trade

An epic year for US hardwoods

The value of exports of hardwood logs, lumber and veneer from the United States all increased in 2004, as compared to the previous year. While US hardwood log exports actually dipped 0.7% in volume, they increased by 16.3% in value to reach \$568 million, reflecting a continuing switch from sawlog to veneer log exports. In hardwood lumber, US exports reached a volume of over 3 million m³ and rose to just under \$1.5 billion in value. At the same time, hardwood veneer shipped from the US rose 11.9% to \$467 million.

Europe: number one destination

At least in value terms, the European Union emerged as the United States' most important export market for hardwood lumber in 2004, surpassing even Canada. Furthermore, this cannot be attributed to the EU's expansion to 25 members, as even without taking into account the ten new countries, the total value of US hardwood lumber exports reached \$447 million. In fact, in 2004, the new members of the EU accounted for only 1.6% of the value of hardwood lumber exports to the EU-25. In terms of volume, US

hardwood lumber shipments to the EU increased by 5.6% to 685,509 m³, meaning that the average price paid for a cubic metre of US hardwood lumber in the EU reached \$662, rising from \$622 per m³ in 2003. This increase reflects both the growth in demand across Europe for white oak, as well as the general firming in US hardwood prices.

Looking at individual markets within the European Union, exports to the UK and Spain held up well - despite a slow start - over the course of 2004, while exports to Italy and Germany saw significant increases. Germany, which in 2003, after years of contraction, began to claw its way back to becoming an important destination for US hardwood lumber saw a 20.8% increase in the volume of imports in 2004, but a massive 45.5% increase in value. This was accounted for by significant increases in Germany's imports of walnut, western red alder and white oak lumber through the course of the year.

In hardwood veneer, US exports to the EU for 2004 increased by a modest 2.6% in value terms, to reach \$168.3 million. Exports to Germany and Spain held firm last year, as compared to 2003, while to Italy, they dropped by 6.6%.

Vietnam shows exponential growth

As Vietnam's furniture industry continues to receive healthy investment from China, it is showing little sign of slowing down as an export destination for hardwood logs, lumber or veneer from the United States. In fact, hardwood log and lumber exports to the market nearly doubled in volume last year, as compared to 2003, while hardwood lumber and veneer exports increased in value by 103% and 101% respectively.

Exports to other Southeast Asian countries were also very strong during 2004, with total US hardwood lumber exports gaining 33% to reach 178,000 m³ and with total US hardwood veneer exports to the region rising by 26% to reach a value of \$17.2 million.

Chinese market strengthening

As expected, exports of US hardwood products to Greater China faced substantial increases during 2004. However, US hardwood log and lumber shipments to Hong Kong were down on the previous year. The greatest increases were seen in the amount of US hardwood logs and veneer being shipped to China. While American hardwood lumber exports to China increased by 39% to a volume of over 419,000 m³, US hardwood log exports rose by 45% to 166,000 m³ and US hardwood veneer exports rose by 73% to \$47.7 million. The unit value of logs being shipped to China in 2004 was quite high at around \$480 per m³, indicating that many were destined for veneer slicing and not for lumber. At the same time, the

□ 7

North America

6□ average unit value of US hardwood lumber exported to China in 2004 was fairly low at around \$350 per m³, reflecting the market's move to importing lower grades. January to December exports of US hardwood logs to Japan picked up by 23% to a volume of 86,000 m³, while exports of lum-

ber dipped slightly, as compared to the previous year. However, the increase in log export volume was not matched by the same increase in value, which was just over 3%, and signals Japan's move to lower priced American species.

In South Korea, a 1% increase was seen in the value of US hardwood logs exported in

2004, but in all other cases, exports decreased. This was particularly relevant in American hardwood veneer, which dropped by around 57% to a value of just \$3.4 million.

Mexican market shifts to hardwood

As Mexican furniture manufacturers continue to move their production from pine to hardwood (principally American red oak), exports from the US have increased substantially. In American hardwood lumber, Mexico imported some 234,000 m³ in 2004, marking a 35% increase on the previous year and placing the market as the United States' third most important single country destination for hardwood lumber. In terms of hardwood veneer from the US, Mexico imports also increased significantly in 2004, rising by 46% to \$20 million.

Exports to Middle East on the rise

After a few years of contraction, following the events of September 2001, the Middle Eastern market for American hardwoods seems to be back on track and exports in 2004 showed substantial growth on the previous year. US hardwood lumber shipments rose by 26% to 55,000 m³ and over half of this volume was destined for Saudi Arabia. In addition, the region's market for US hardwood veneer showed a 33% increase last year, reaching \$6 million, but this does not take into account the very significant amounts of American hardwood veneer reaching the region from Europe and elsewhere.

US import trade

Massive increases recorded

Imports of all hardwood products by the United States increased significantly in 2004, as compared to the previous year. Overall, imports of hardwood lumber last year reached a volume of just over 1.8 million m³, representing a 15% increase on 2003. At the same time, imports of hardwood plywood increased by a staggering 56% to reach around \$1.5 billion and imports of hardwood veneer increased by 16% to a value of \$335.5 million.

Healthy demand for tropical lumber

While US imports of sawn hardwood lumber increased from a number of major supplying nations, many significant suppliers faced weaker demand in 2004. Imports from Brazil saw a 12.6% (equating to around 20,000 m³) increase last year, reflecting the country's re-emergence as one of the world's leading and most competitive hardwood suppliers, while imports from Malaysia were down nearly 23% - a result of firming prices and tightening supplies. At the same time, many hardwood importers in the

US hardwood exports 2003 and 2004

	2003 000 m ³	2004 000 m ³	% chg 03-04	2003 \$ million	2004 \$ million	% chg 03-04
World						
Logs	2168.3	2153.6	-0.7	488.3	568.1	16.3
Lumber	2739.0	3022.1	10.3	1285.5	1457.3	13.4
Veneer	na	na	na	417.6	467.2	11.9
Canada						
Logs	1512.2	1370.1	-9.4	192.3	208.0	8.2
Lumber	1019.3	1046.1	2.6	413.9	432.7	4.5
Veneer	na	na	na	139.5	147.2	5.6
EU						
Logs	242.7	265.8	9.5	117.5	134.3	14.2
Italy	89.0	89.9	1.1	25.5	28.4	11.2
Germany	59.7	51.5	-13.7	41.3	39.1	-5.3
Lumber	649.4	685.5	5.6	404.0	454.1	12.4
Spain	171.3	172.5	0.7	94.0	103.1	9.8
Italy	165.2	176.0	6.5	88.9	97.2	9.3
UK	89.2	91.5	2.5	65.4	67.8	3.6
Germany	40.3	48.6	20.8	24.7	36.0	45.5
Veneer	na	na	na	164.1	168.3	2.6
Germany	na	na	na	60.3	61.4	1.9
Spain	na	na	na	40.5	42.6	5.0
Italy	na	na	na	25.1	23.4	-6.6
SE Asia						
Logs	63.8	90.2	41.4	29.8	37.6	26.4
Vietnam	11.7	21.2	81.5	6.0	9.9	64.5
Lumber	133.8	178.0	33.0	59.9	84.5	41.0
Vietnam	25.6	49.8	94.9	11.3	23.0	103.3
Veneer	na	na	na	13.7	17.2	25.7
Vietnam	na	na	na	1.4	2.9	101.4
Greater China						
Logs	202.4	252.7	24.8	93.7	128.4	37.1
China	114.4	166.1	45.2	49.6	79.4	60.2
Hong Kong	65.9	63.5	-3.7	32.7	36.7	12.2
Taiwan	22.1	23.1	4.5	11.4	12.3	8.1
Lumber	541.6	639.0	18.0	204.9	244.4	19.3
China	301.2	419.4	39.2	109.1	150.9	38.3
Hong Kong	174.3	138.3	-20.7	71.0	65.8	-7.2
Taiwan	66.0	81.3	23.2	24.8	27.7	11.6
Veneer	na	na	na	54.8	83.4	52.1
China	na	na	na	27.5	47.7	73.2
Hong Kong	na	na	na	20.5	21.1	2.9
Taiwan	na	na	na	6.8	14.6	115.6
Japan						
Logs	69.9	85.8	22.9	23.3	24.0	3.2
Lumber	88.5	86.8	-1.9	48.7	47.8	-2.0
Veneer	na	na	na	2.7	3.2	17.7
South Korea						
Logs	34.1	32.3	-5.1	13.7	13.8	1.0
Lumber	33.9	27.4	-19.0	20.3	18.4	-9.4
Veneer	na	na	na	7.8	3.4	-56.9
Mexico						
Logs	22.0	31.9	44.8	7.7	10.9	40.9
Lumber	173.5	233.6	34.7	69.8	96.2	37.8
Veneer	na	na	na	13.8	20.1	46.3
North Africa and Middle East						
Logs	3.8	5.4	42.2	2.6	3.0	16.6
Lumber	43.6	54.7	25.6	30.9	40.5	31.0
Veneer	na	na	na	4.6	6.1	32.7

North America

7

US turned their attention back to Indonesia, which perhaps benefited from supply problems in Malaysia and witnessed an increase of over 22% in its exports to the United States.

Although imports of hardwood lumber from Germany increased by a healthy 23%, the greatest increases were seen in imports from the tropical supply regions of Latin America and West/Central Africa. What appears obvious from the full year hardwood import statistics is that demand for tropical hardwoods is growing in the US. Furthermore, opportunities are being opened up to new tropical hardwood supplying regions and eating into the market share for imported temperate hardwoods. Imports from Peru, which had been steadily increasing through 2003 and the early part of 2004 actually recorded a small decrease over the full twelve months of last year, while Argentina emerged as an important supplying nation. With regard to African suppliers, imports from Ghana held firm, while imports from Cameroon and Ivory Coast jumped up significantly.

Although accounting for only a small proportion of hardwood lumber imports into the US, imports from China increased by nearly 69% to reach just under 9,000 m³. It is likely that a significant proportion of this was accounted for by American species coming back to the US, having been shipped to China in log form.

Soaring hardwood plywood demand

As America's construction boom continued, imports of hardwood plywood into the US registered a 56% increase in value during 2004, as compared to the previous year. China, which was the United States' third most important supplier in 2003, jumped into first place last year and imports increased by a massive 165% to \$415.3 million. Of course, this very significant value increase may not necessarily be equally reflected in the volume of imports, but this should not detract from the fact that China has now emerged as the leading supplier of hardwood plywood to the US.

Other tropical suppliers of hardwood plywood also faced increased demand from the US last year and imports from Malaysia, Indonesia, Thailand in the Far East and Brazil, Ecuador and Guyana in Latin America all increased significantly. At the same time, imports of Russian birch plywood continued to grow in 2004, gaining 48% to a value of \$165 million.

Veneer imports increase steadily

Imports of hardwood veneer in the United States increased by 16% in value to \$335.5 million, but demand was strongest from Europe. While imports from Brazil dropped by around 17% during the course of 2004, im-

ports of hardwood veneer from Germany, Italy, France and Spain all increased. Germany, which supplied \$25.4 million worth of hardwood veneer to the US in 2004, emerged as the country's second most important supplier after Canada. This increase is not purely down to an increase in demand for temperate (European) species, but more a reflection of the difficulty in obtaining veneers from certain developing nations.

US hardwood imports 2003 and 2004

	2003 Jan-Dec	2004 Jan-Dec	% chg
Hardwood lumber (1000 m³)			
Canada	1064.8	1148.0	7.8
Brazil	146.5	165.0	12.6
Germany	35.7	44.1	23.5
Chile	11.3	6.8	-39.8
Ghana	23.9	29.3	22.6
China	5.1	8.6	68.6
Lithuania	4.7	2.0	-57.4
Peru	47.2	46.3	-1.9
France	7.7	3.8	-50.6
Guyana	3.1	4.5	45.2
Argentina	12.9	27.3	111.6
Ivory Coast	12.2	27.4	124.6
Cameroon	14.8	20.5	38.5
India	4.0	3.4	-15.0
Spain	2.0	1.7	-15.0
Indonesia	17.7	22.3	26.0
Malaysia	41.1	31.8	-22.6
Bolivia	14.8	15.3	3.4
Other	114.8	210.4	83.3
Total	1584.3	1818.5	14.8

	2003 Jan-Dec	2004 Jan-Dec	% chg
Hardwood plywood (US\$ million)			
Indonesia	188.4	212.4	12.7
Canada	184.4	210.8	14.3
Malaysia	117.4	206.8	76.1
Russia	111.0	164.7	48.4
China	156.4	415.3	165.5
Brazil	101.2	143.5	41.8
Germany	13.0	29.6	127.7
Taiwan	13.1	21.9	67.2
Ecuador	18.7	23.4	25.1
Finland	10.9	12.9	18.3
Guyana	5.1	6.5	27.5
Italy	7.0	6.4	-8.6
Ghana	3.9	3.0	-23.1
Thailand	8.8	10.8	22.7
Other	33.2	49.0	47.6
Total	972.5	1517.0	56.0

	2003 Jan-Dec	2004 Jan-Dec	% chg
Hardwood veneer (US\$ million)			
Canada	164.5	195.9	19.1
Brazil	16.2	13.5	-16.7
Ghana	14.1	16.0	13.5
Germany	17.2	25.4	47.7
Italy	18.1	21.6	19.3
France	5.8	5.9	1.7
China	11.1	14.0	26.1
Russia	1.7	0.8	-52.9
Mexico	3.3	3.8	15.2
Chile	2.2	0.3	-86.4
Gabon	3.6	5.2	44.4
Spain	4.0	7.4	85.0
Ivory Coast	3.5	3.8	8.6
Other	23.9	21.9	-8.4
Total	289.2	335.5	16.0

STOP PRESS: Wood products import data for all EU countries for the period January-September 2004 is now being made available at www.hardwoodmarkets.com

Indonesia

Uncovered: world's largest timber smuggling operation

A new report suggests that 3.6 million m³ of merbau logs are being smuggled out of the Indonesian state of Papua every year, with the majority destined for the Asian flooring manufacturing sector, particularly in China. The Environmental Investigation Agency, working with the Indonesian NGO Telapak, claims the trade is being organised by powerful syndicates of brokers and fixers, spanning Indonesia, Malaysia, Singapore, India and China. Most of the merbau timber is destined for flooring factories clustered south of Shanghai. EIA/Telapak claim that while the syndicates make a fortune from this trade, local communities in Papua are paid only around \$11/m³ for merbau logs worth around \$240/m³ at point of import into China.

Even if the actual volumes are only a proportion of those cited, this would represent by far the largest flow of illegal hardwood in the world. And the report is convincing, backed by comprehensive evidence collected in the field by EIA/Telapak investigators during 2004.

The report identifies some of the key factors which have led to the explosion of illegal logging in the Indonesian province of Papua since the collapse of the Suharto regime in 1998. Both the political system and the forestry sector in the province have been mired in uncertainty and conflicting laws. Part of the confusion arises out of Indonesia's transition to a democratic system of governance involving greater regional autonomy. This has created grey areas in which the illegal logging business has been able to thrive. In 2001, the Indonesian government passed a law granting special autonomy to Papua, which included greater recognition for traditional land tenure systems and a greater share of the revenue from natural resource exploitation – 80% from forestry. The local authorities therefore have a strong incentive to encourage timber extraction.

Abuse of small-scale concessions

The autonomy law followed close on the heels of another law issued by the Indonesian Federal government in 1999 permitting the allocation of small-scale local concessions of 100 hectares for community forestry. This led to the creation of the KOPERMAS system in Papua through which local communities may obtain permission to log on their traditional lands. Following widespread reports of abuse of licenses throughout the country, this decree was rescinded by the central government in

9

Indonesia

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2002, yet the validity of this action is open to differing legal interpretations. There remain more than 300 KOPERMAS across Papua.

This situation has created great tensions between the forest authorities in Papua and in Jakarta. In October 2001 the Indonesian Ministry of Forestry in Jakarta banned the export of logs from Indonesia, prompting the governor of Papua to immediately issue his own decree permitting the export of merbau logs. Similarly in 2003, the Papua provincial authorities issued logging permits for three million m³, twice the amount authorised by the Jakarta Ministry.

This legal wrangling has come at a time when the Indonesian forest sector has turned increasingly to Papua for wood supplies as commercial stands of timber in Sumatra and Kalimantan have become exhausted. According to EIA, the Indonesian Federal authorities estimate that over seven million m³ of timber is smuggled out of Papua every year, around 70% of the total volume leaving the country "illegally" (i.e. without the sanction of the Federal authorities).

Subversion of community forestry

While the KOPERMAS system was developed with the laudable aim of ensuring local communities receive a greater share of the profits from forestry, in practice the system has been severely abused. EIA claim that large business interests, military personnel and local politicians have subverted the system for their own ends. Local communities ignorant of the real value of their forest assets, have been manipulated and threatened into agreements allowing exploitation of their lands at very low prices. According to EIA, officials from the forestry, military and police have been bribed to turn a blind eye or to actively participate in the trade. Federal enforcement measures have been totally inadequate, with only three trained investigators from the Ministry of Forestry assigned to cover the whole of Papua province.

Key actors in the smuggling syndicates come from a number of countries of the region. EIA suggest that "in Jakarta there are a host of timber brokers offering illegal merbau logs, and influential players who guarantee delivery for a price of around \$50 per cubic meter of timber.... on the ground in Papua are a host of Malaysian companies and individuals who oversee the actual logging.... companies in Singapore act as vital middlemen in the trade - chartering cargo vessels and barges to transport the contraband timber and linking sellers of merbau in Papua with buyers in India.... Brokers in Hong Kong act as a vital bridge to the Chinese mainland."

EIA identify various methods used by the

syndicates to avoid enforcement action. Steel barges rather than large cargo vessels are now regularly used to ship the logs out of Indonesian waters. The barges sail to Labuan in Malaysia or Davao and Mati in the Philippines where logs are transferred to larger vessels. The SKSHH transport documents, required for transportation of all timber out of Indonesia, are regularly faked. Since the export of merbau logs from Indonesia is now illegal, the fake documents often show that timber is destined for sawmills within Indonesia. Documents from neighbouring Papua New Guinea and Malaysia, which do not ban the export of logs are also used to mask the Indonesian origin of merbau log shipments.

"Malaysian" logs from Indonesia

EIA claim that a significant proportion of logs imported into China registered as derived from Malaysia and PNG are actually sourced from Indonesia. [Hardwoodmarkets.com](http://www.hardwoodmarkets.com) own trade data tends to confirm this. During 2004, China registered merbau log imports of 871,215 m³ and 22,678 m³ from Malaysia and Papua New Guinea respectively. Merbau was the second most commonly imported tropical hardwood log species after okoume. Although precise figures are not available, it seems inconceivable that Malaysia could be producing and exporting such a high volume of this species. In recent years, European importers have reported increasing difficulties obtaining any merbau from Malaysia in response to tightening production controls.

Illegal trade an "open secret"

EIA report that it is an open secret at Zhangjiagang port south of Shanghai in China, where most of the logs are off-loaded, that most shipments of "Malaysian" merbau derive from Indonesia. In fact it is easy to tell the difference from the marks on the log ends. Apparently the Chinese customs authorities are careful to take accurate measurements for tax purposes, but ask few questions about the origin of the logs. From Zhangjiagang, the merbau logs are sent on a two hour trip to Nanxun, the main flooring town in China which churns out around 2.5 million square meters of merbau flooring each year. Flooring manufacturers buy their logs from agents in Zhangjiagang acting on behalf of the small coterie of large importing companies. Much of the finished product is destined for the Chinese domestic market, although a significant minority is exported to the west. EIA investigators have found that Chinese flooring manufacturers are generally aware that the merbau comes from Indonesia and Malaysia, but they are unable to provide any more detailed information on the origin of the wood. Most deny knowledge of any restrictions on the trade in merbau.

China

2004 sees huge boost in China's wood trade

China is playing an increasingly important role in the international trade in wood products. On the one hand it is soaking up primary wood products to feed an expanding manufacturing sector; while on the other, it is churning out growing volumes of secondary wood products. While much of the latter is destined for China's growing domestic market, a significant minority is exported. Trade data for the year 2004 indicates that the buoyant world economy significantly accelerated these trends over the last 12 months.

With very few exceptions, China's exports of wood products were rising last year, most by a significant margin. At present, exports of these products are destined for a fairly narrow range of countries, with the USA and Japan the key export markets, followed some way behind by South Korea, Taiwan, Canada and the UK. At present, the UK is the only significant European export market for Chinese wood products.

The only major product that China was exporting less of last year was hardwood sawn lumber, itself an indication of tightening availability of hardwood raw material to Chinese manufacturers. An increasing proportion of hardwood rough sawn lumber is soaked up by Chinese manufacturers, either selling finished product into the domestic market or adding value prior to export.

Plywood exports up 151%

China's plywood exports increased by a huge margin last year, up 151% and 110% by value and volume respectively. With exports of 4.3 million m³ last year, it now seems possible that China may soon be the world's largest plywood exporter, overtaking Indonesia (estimated to have exported around 5.5 million m³ in 2004). There was a massive increase in Chinese plywood exports to the United States, rising from less than 0.4 million m³ in 2003 to over 1.3 million m³ in 2004. Chinese plywood exports to Europe were also rising sharply: increasing to the UK from 45,000 m³ to 153,000 m³; and to Germany from close to zero to around 80,000 m³. This increase occurred despite the EU's decision to impose anti-dumping import tariffs on okoume plywood from China. Chinese manufacturers have simply switched to alternative species for export to the EU.

China's exports of veneers remain relatively restricted, with the vast majority of China's rising veneer production destined for the domestic market. Limited exports are mainly destined for Japan and South Korea.

The trade data demonstrates the increasing role played by China as a supplier of secondary and finished wood products to the global market place. Key trends include:

□ 10

China

China wood exports 2003-2004

	Value US\$ million			Volume 000 m3		
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
Hardwood logs						
JAPAN	2.60	1.69	-35.15	8.29	5.06	-38.97
TAIWAN	0.09	0.14	54.11	0.27	0.43	56.83
OTHER	0.14	0.13	-5.92	0.42	0.66	54.85
TOTAL	2.83	1.96	-30.79	8.98	6.14	-31.66
Sleepers						
JAPAN	2.50	1.88	-24.76	18.34	12.78	-30.32
OTHER	0.35	0.40	14.97	1.73	1.88	9.04
TOTAL	2.85	2.28	-19.88	20.06	14.66	-26.94
Softwood sawn lumber						
JAPAN	72.95	80.86	10.84	134.66	165.34	22.78
SOUTH KOREA	4.95	3.65	-26.16	7.99	7.22	-9.64
TAIWAN	0.70	1.49	112.48	1.81	6.19	242.20
U.S.A.	0.36	1.12	213.49	0.78	4.67	499.87
OTHER	0.38	0.92	145.05	1.28	3.80	196.96
TOTAL	79.34	88.05	10.98	146.52	187.23	27.78
Hardwood sawn lumber						
JAPAN	114.79	92.27	-19.61	212.73	169.26	-20.43
SOUTH KOREA	18.71	10.88	-41.89	88.40	49.77	-43.69
GERMANY	3.73	5.21	39.93	5.01	6.81	35.81
U.S.A.	2.93	3.38	15.05	4.41	5.44	23.45
HONG KONG	2.70	3.18	17.83	13.84	16.39	18.39
TAIWAN	3.66	2.97	-18.75	14.48	11.12	-23.20
VIETNAM	0.79	2.59	227.38	2.55	10.44	309.09
OTHER	7.38	8.17	10.69	16.82	16.12	-4.17
TOTAL	154.68	128.65	-16.83	358.24	285.35	-20.35
Plywood						
U.S.A.	120.27	418.27	247.77	394.50	1323.05	235.38
JAPAN	70.57	103.50	46.66	265.92	346.93	30.47
SOUTH KOREA	54.34	75.92	39.73	293.94	347.91	18.36
TAIWAN	30.25	65.49	116.49	134.67	282.38	109.69
U.K.	12.11	51.72	326.94	45.06	153.25	240.07
HONG KONG	36.52	48.34	32.34	177.72	195.65	10.09
UAE	16.36	36.67	124.08	70.99	153.67	116.46
ISRAEL	28.15	36.15	28.41	117.39	140.94	20.06
SINGAPORE	18.73	32.62	74.12	80.58	141.37	75.44
GERMANY	1.22	31.75	2492.83	4.20	80.72	1824.22
OTHER	107.40	345.52	221.73	457.05	1128.37	146.88
TOTAL	495.94	1245.94	151.23	2042.00	4294.24	110.30

9

□ A 66% increase in the value of China's exports of hardwood mouldings to US\$264 million. This demonstrates the extent to which overseas manufacturers - particularly in Japan, North America, and the UK - have increasingly outsourced production of components to Chinese factories.

□ A 35% increase in the value of China's wood picture frame exports to US\$259 million, with the US taking almost 50%.

□ China's exports of laminated and solid wood parquet flooring increased by 9% in value and 25% in tonnage terms during 2004, to US\$270 million and 214,000 tonnes respectively. The USA and Canada featured as major export destinations.

□ A 58% increase in the value of China's wood door exports to US\$265 million, mainly destined for the USA and Japan.

□ A 7% increase in exports of wooden tableware and kitchenware to US\$305 million. A large proportion comprises chopsticks destined for Japan.

□ China's exports of all types of wooden furniture were on the rise last year, including wooden seating (up 58% at close to US\$1.55 billion); office furniture (up 32% at US\$218 million); kitchen furniture (up 10% at US\$324 million); other wood furniture (up 32% at US\$2 billion); and furniture parts (up 59% at US\$852 million). The USA was by far the leading export market across the full range of wood furniture products. With the exception of the UK, Chinese market penetration in the EU furniture sector remained restricted last year.

Imports rise to feed manufacturing and construction

China's imports of raw timber have been rising to feed China's manufacturing sector and growing domestic demand for construction materials. During 2004, there was a partial switch from imports of hardwood to softwood. This reflects both the generally declining availability of hardwood logs, particularly from South East Asia, and the rising availability of softwood logs from Russia. China's

□ 11

China wood exports 2003-2004

	Value US\$ million			Weight 000 tonnes		
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
Veneer						
JAPAN	32.12	34.55	7.57	21.32	16.88	-20.83
SOUTH KOREA	24.74	22.16	-10.40	9.37	7.19	-23.34
U.S.A.	18.61	19.37	4.11	10.08	12.02	19.23
MALAYSIA	6.15	6.93	12.79	3.96	5.04	27.23
TAIWAN	3.28	5.51	67.80	5.19	7.21	38.94
MEXICO	3.24	4.29	32.67	2.05	2.68	30.51
INDONESIA	2.29	3.17	38.35	1.19	1.51	26.64
HONG KONG	4.07	2.93	-27.94	9.86	12.40	25.75
SPAIN	1.26	2.82	124.25	0.85	0.98	14.31
SINGAPORE	1.49	1.98	32.84	1.85	4.03	117.41
OTHER	13.47	17.18	27.53	14.26	13.27	-6.97
TOTAL	110.70	120.90	9.21	80.00	83.20	4.00
Softwood mouldings						
JAPAN	11.03	10.70	-2.94	10.41	10.82	3.98
SOUTH KOREA	0.67	0.94	39.63	0.74	1.14	53.61
U.S.A.	14.10	0.86	-93.93	10.76	1.39	-87.10
OTHER	3.91	1.61	-58.82	5.13	4.06	-20.81
TOTAL	29.71	14.10	-52.52	27.04	17.41	-35.61
Hardwood mouldings						
U.S.A.	33.76	79.54	135.60	21.92	56.75	158.85
JAPAN	60.45	68.16	12.76	41.95	48.38	15.32
U.K.	15.42	34.73	125.22	10.99	23.95	118.03
CANADA	7.86	22.72	188.89	6.05	16.96	180.49
IRISH REPUBLIC	6.10	17.37	184.87	4.28	12.12	183.25
HONG KONG	6.47	9.82	51.83	8.54	16.14	89.00
SOUTH KOREA	6.70	8.33	24.37	6.56	8.36	27.49
OTHER	21.47	23.10	7.58	18.94	20.92	10.41
TOTAL	158.23	263.77	66.70	119.23	203.58	70.75
Wood panels (excluding plywood)						
SAUDI ARABIA	0.82	24.29	2850.73	2.25	107.11	4661.55
CANADA	0.86	24.13	2703.81	1.05	38.24	3545.70
U.S.A.	7.74	16.26	110.02	7.91	26.67	237.38
JAPAN	2.74	11.28	312.08	3.42	7.51	119.44
SOUTH KOREA	3.21	10.24	219.39	11.73	40.02	241.21
OTHER	25.40	61.36	141.54	61.93	199.55	222.23
TOTAL	40.77	147.55	261.90	88.29	419.11	374.72
Densified wood						
U.S.A.	4.12	9.61	133.32	5.11	14.33	180.55
CANADA	3.32	7.17	115.50	5.20	12.51	140.61
JAPAN	2.02	2.09	3.23	1.77	1.99	11.94
OTHER	7.04	13.28	88.80	10.14	19.85	95.67
TOTAL	16.50	32.14	94.79	22.23	48.68	119.01
Picture frames						
U.S.A.	106.97	120.08	12.25	83.83	87.15	3.96
HONG KONG	14.88	34.94	134.90	13.64	21.23	55.68
JAPAN	9.35	12.58	34.50	5.12	6.34	23.78
NETHERLANDS	10.92	11.58	6.01	14.94	14.54	-2.67
U.K.	6.30	10.23	62.24	5.06	8.00	58.13
GERMANY	5.33	10.18	91.00	4.67	7.60	62.97
OTHER	37.77	59.26	56.90	26.11	37.61	44.06
TOTAL	191.53	258.86	35.15	153.36	182.48	18.98
Windows and their frames						
U.S.A.	16.46	23.16	40.65	8.18	11.02	34.84
U.K.	6.34	9.48	49.46	2.03	3.33	63.48
OTHER	16.25	18.66	14.83	6.22	8.01	28.76
TOTAL	39.06	51.29	31.34	16.43	22.36	36.08
Doors and their frames						
U.S.A.	26.19	77.04	194.13	20.36	60.87	199.01
JAPAN	45.17	70.66	56.44	19.28	29.91	55.13
HONG KONG	46.40	49.65	6.98	47.35	55.73	17.70
SOUTH KOREA	16.25	13.99	-13.94	13.83	12.63	-8.67
CANADA	6.34	12.39	95.36	4.80	9.53	98.70
U.K.	6.19	9.43	52.40	3.89	5.87	50.99
OTHER	20.92	32.26	54.24	14.80	21.12	42.68
TOTAL	167.46	265.41	58.49	124.30	195.66	57.41
Flooring laminates and parquet						
U.S.A.	69.74	94.85	36.01	44.49	64.47	44.93
CANADA	15.41	44.87	191.25	18.42	49.45	168.52
JAPAN	38.74	31.08	-19.78	26.43	20.07	-24.06
U.K.	15.95	18.80	17.88	9.79	11.81	20.70
HONG KONG	10.01	9.64	-3.72	15.33	15.07	-1.71
IRISH REPUBLIC	13.69	8.79	-35.77	8.14	4.71	-42.14
OTHER	83.93	61.87	-26.28	48.35	48.55	0.41
TOTAL	247.46	269.90	9.07	170.94	214.13	25.27
Other Builders Joinery and Carpentry						
JAPAN	74.35	107.98	45.23	47.51	74.49	56.77
U.S.A.	17.57	32.76	86.48	11.08	23.41	111.33
HONG KONG	11.48	10.82	-5.75	17.89	17.67	-1.21
OTHER	17.68	32.26	82.53	29.12	54.62	87.56
TOTAL	121.07	183.82	51.83	105.60	170.19	61.16
Wooden tableware and kitchenware						
JAPAN	172.68	158.94	-7.96	133.32	124.75	-6.42
U.S.A.	33.55	44.77	33.43	25.49	31.19	22.32
SOUTH KOREA	18.19	16.47	-9.47	23.12	20.90	-9.58
TAIWAN	12.66	15.31	20.89	18.80	21.86	16.28
HONG KONG	7.58	10.65	40.44	8.09	10.87	34.41
U.K.	7.35	8.65	17.65	4.96	5.50	10.82
OTHER	32.93	50.80	54.30	21.73	30.02	38.11
TOTAL	284.95	305.59	7.24	235.51	245.08	4.07

China

imports of Russian softwood logs increased by over 17%, from 12.6 million m3 in 2003 to 14.8 million m3 in 2004.

The value of China's hardwood log imports increased by 10.8% last year, a reflection of higher prices rather than increased volume. The volume of hardwood log imports actually fell by 1.5% to 10.28 million m3. Imports registered as sourced from Malaysia were down by 7% at 2.72 million m3. However, recent revelations by EIA/Telapak (see page 8) suggest that a significant part of this volume derives from Indonesia.

Hardwood log imports from Russia rise steeply

China recorded a 23.4% increase in hardwood log imports from Russia last year to 2.2 million m3. Of this volume, 362,000 m3 was composed of ash, 402,000 m3 of oak, and the remainder other hardwoods, with birch likely to dominate. The current level of China's imports of ash and oak from Russia are believed to exceed the long term sustainable harvest of these species in the Russian Far East, so these volumes are unlikely to continue longer term.

China's imports of hardwood logs from Papua New Guinea remained stable last year around 1.37 million m3. Imports from Africa – mainly

okoume for plywood manufacture - were generally declining in response to the strong euro (African hardwoods are usually invoiced in euros). Other factors have been the European tariffs on Chinese okoume plywood, the UN sanctions against Liberia, and log supply problems in Gabon. There was a significant switch in Chinese okoume imports away from Gabon in favour of Congo-Brazzaville last year. There was a marginal recovery in the Chinese market for German hardwood logs last year, with volumes rising 6% to 338,000 m3. German beech log imports have continued to fall (203,000 m3 in 2004), while German oak log imports have been rising (85,000 m3 in 2004). A few years ago China was importing around 150,000 m3 of beech logs from France each year. In 2004, this volume had declined to less than 10,000 m3.

China's imports of hardwood sawn lumber increased 12% by value and 4% by volume during 2004. This was despite a 9% fall in imports from Indonesia, the largest volume supplier, to around 960,000 m3.

While Indonesia remains the largest volume supplier of hardwood sawn lumber to China, the United States became the largest supplier in value terms during 2004. Last year, China's imports of US hardwood sawn lumber increased by 16.3% and 15.4% to US\$211 million and 718,000 m3 respectively. Hardwood sawn lumber imports from Thailand and Brazil have also been rising rapidly. Supply dif-

China wood imports 2003-2004

	Value US\$ million			Volume 000 m3		
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
Softwood logs						
RUSSIA	778.3	1049.9	34.9	12583.8	14760.2	17.3
NEW ZEALAND	127.6	78.8	-38.2	1911.5	834.9	-56.3
OTHER	39.5	37.2	-5.8	524.8	366.8	-30.1
TOTAL	945.4	1165.9	23.3	15020.0	15961.9	6.3

Hardwood logs						
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
MALAYSIA	395.4	417.0	5.5	2924.0	2720.7	-7.0
GABON	205.7	165.9	-19.4	939.9	632.5	-32.7
RUSSIA	190.7	255.6	34.0	1783.9	2201.3	23.4
PNG	154.9	169.4	9.4	1377.8	1314.7	-4.6
EQUAT. GUINEA	95.5	66.7	-30.2	510.8	304.7	-40.4
CONGO REP.	76.9	120.4	56.5	372.8	488.3	31.0
MYANMAR	72.9	97.7	34.0	788.2	995.7	26.3
GERMANY	56.0	59.3	5.9	320.4	338.4	5.6
LIBERIA	41.9	0.0	-100.0	395.1	0.0	-100.0
OTHER	212.6	279.3	31.4	1023.0	1285.6	25.7
TOTAL	1502.5	1631.2	8.6	10435.9	10282.0	-1.5

Softwood sawn lumber						
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
RUSSIA	47.3	78.8	66.6	436.1	648.7	48.7
NEW ZEALAND	38.4	44.7	16.4	195.5	215.5	10.3
CANADA	37.8	55.3	46.2	265.0	343.1	29.5
U.S.A.	16.6	20.3	22.2	54.8	64.1	17.1
CHILE	13.8	21.5	56.1	76.5	113.4	48.1
FINLAND	12.8	15.3	19.7	55.6	72.7	30.9
OTHER	42.5	44.7	5.3	289.9	242.2	-16.5
TOTAL	209.2	280.7	34.2	1373.4	1699.8	23.8

Hardwood sawn lumber						
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
INDONESIA	210.1	207.1	-1.4	1052.2	959.4	-8.8
U.S.A.	181.3	210.8	16.3	622.2	718.3	15.4
THAILAND	135.2	176.0	30.1	671.2	834.6	24.3
BRAZIL	106.0	146.1	37.8	239.2	294.3	23.0
MALAYSIA	87.9	87.3	-0.6	436.1	429.1	-1.6
MYANMAR	35.0	36.2	3.4	190.6	200.5	5.2
CANADA	31.3	34.6	10.5	115.9	96.3	-17.0
GERMANY	27.8	18.3	-34.3	119.4	71.2	-40.4
RUSSIA	24.3	34.6	42.0	125.1	150.4	20.3
ROMANIA	20.1	20.7	2.7	65.4	68.5	4.7
OTHER	122.4	128.4	4.9	501.3	481.4	-4.0
TOTAL	981.4	1099.9	12.1	4138.6	4303.9	4.0

Plywood						
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
INDONESIA	244.7	250.4	2.3	534.4	497.5	-6.9
MALAYSIA	47.7	60.9	27.7	137.5	153.2	11.4
SOUTH KOREA	15.5	21.1	35.9	30.7	38.2	24.5
JAPAN	13.1	11.0	-15.8	20.2	27.3	34.8
OTHER	34.0	40.8	19.8	75.0	83.7	11.6
TOTAL	355.0	384.2	8.2	797.8	799.8	0.3

	Value US\$ million			Weight 000 tonnes		
	2003	2004	% chg 03-04	2003	2004	% chg 03-04
Veneer						
U.S.A.	27.3	37.6	37.7	18.0	21.2	18.2
GERMANY	6.0	10.4	73.4	2.9	4.7	64.5
MALAYSIA	19.1	10.6	-44.6	79.8	31.8	-60.2
TAIWAN	6.4	10.1	58.2	5.6	6.6	16.0
INDONESIA	7.4	6.7	-9.3	23.7	24.5	3.5
CANADA	4.3	5.3	22.5	3.4	2.9	-13.3
OTHER	25.2	29.0	15.0	34.2	23.9	-30.2
TOTAL	95.7	109.7	14.6	167.5	115.6	-31.0

iculties and the strong euro have meant that African shippers still do not feature as significant suppliers of hardwood sawn lumber to China.

Last year, China's imports of plywood remained static at around 800,000 m3, with 500,000 m3 derived from Indonesia. Higher prices are reflected in an 8.2% increase in the value of plywood imports into China.

Switch from imports of rotary veneer to sliced veneer

China's imports of veneer fell away dramatically in tonnage terms last year, down 31% to 115,000 tonnes. However, they increased by nearly 15% in value terms. These diverging trends reflect a significant change in the grade of veneer imported into the country. Last year there was a significant drop in China's imports of rotary veneers for plywood manufacture as the main Malaysian exporters have recognised the increasing competitive threat from China to the Malaysian plywood industry. Malaysia is now restricting exports of rotary veneers and retaining more for domestic plywood producers. Meanwhile China has been importing greater quantities of high value sliced veneer for the furniture sector, notably from the USA, Germany, Taiwan, and Canada.

China furniture exports 2003-2004, US\$ million

	2003	2004	% chg 03-04
Wooden seating			
U.S.A.	471.57	746.66	58.34
U.K.	116.16	192.75	65.94
HONG KONG	144.38	182.87	26.66
JAPAN	53.82	78.48	45.82
CANADA	23.87	66.53	178.72
AUSTRALIA	29.52	59.70	102.22
SOUTH KOREA	20.52	23.79	15.91
OTHER	117.29	197.14	68.08
TOTAL	977.13	1547.94	58.42

Wood office furniture			
	2003	2004	% chg 03-04
U.S.A.	82.47	110.79	34.35
HONG KONG	20.11	26.33	30.91
JAPAN	19.12	18.74	-1.99
OTHER	42.42	62.34	46.97
TOTAL	164.12	218.21	32.95

Wooden kitchen furniture			
	2003	2004	% chg 03-04
U.S.A.	169.45	199.42	17.69
JAPAN	21.59	25.36	17.42
HONG KONG	45.81	19.86	-56.66
GERMANY	8.59	14.20	65.40
U.K.	10.43	11.67	11.87
OTHER	39.13	53.83	37.57
TOTAL	295.01	324.34	9.94

Bedroom furniture (mainly wood)			
	2003	2004	% chg 03-04
U.S.A.	504.27	598.73	18.73
JAPAN	99.80	128.75	29.01
HONG KONG	106.03	127.35	20.10
AUSTRALIA	26.33	45.43	72.53
SAUDI ARABIA	22.24	36.78	65.41
UAE	16.70	27.05	61.98
U.K.	8.25	22.37	171.01
OTHER	93.43	164.87	76.46
TOTAL	877.06	1151.34	31.27

Other wood furniture			
	2003	2004	% chg 03-04
U.S.A.	710.92	963.33	35.50
HONG KONG	315.35	389.31	23.46
JAPAN	161.74	198.95	23.01
U.K.	51.55	70.67	37.09
AUSTRALIA	20.92	34.64	65.57
OTHER	243.22	330.45	35.86
TOTAL	1503.69	1987.35	32.16

Furniture parts (mainly wood)			
	2003	2004	% chg 03-04
U.S.A.	312.13	508.83	63.02
JAPAN	58.16	68.61	17.97
HONG KONG	41.90	48.91	16.72
GERMANY	13.77	24.57	78.42
CANADA	12.10	24.27	100.69
ITALY	11.64	18.91	62.48
SOUTH KOREA	11.19	18.82	68.14
U.K.	7.45	17.97	141.28
OTHER	68.21	121.12	77.56
TOTAL	536.54	852.01	58.80

Prefabricated buildings			
	2003	2004	% chg 03-04
RUSSIA	5.42	13.50	148.97
SUDAN	5.25	10.74	104.67
OTHER	43.39	110.39	154.44
TOTAL	54.06	134.64	149.06

African sawn lumber prices expected to remain stable

Following another slow start to the logging season, production of African sawn lumber is now reaching "normal" levels in the major producing regions north of the equator. As last year, overall levels of sawn lumber production in Africa are expected to be limited this season. European demand remains patchy, undermined by slow economic conditions and the strong euro which has boosted market prospects for South American and Asian alternatives. African prices are expected to remain reasonably stable this year. **Pages 2,3**

Malaysian sawn lumber: some signs of firming prices

US\$ prices for Malaysian sawn lumber have been holding steady over recent weeks, with some signs of firming on the back of limited supply. However European forward buying remains very slow. **Page 3**

Far-East plywood prices rise

Limited log supplies in the Far East due to wet weather and the slow-down in production over the Chinese New Year in February have encouraged Far-Eastern hardwood plywood exporters to push for higher prices in recent weeks. Prices are variable, but levels of between Indo96 +7 to +10 were being quoted for BB/CC grade Indonesian and Malaysian plywood by end February. After rising early in the 2005, Brazilian hardwood plywood prices have fallen back again. Sustained price increases for Brazilian product are being constrained by the ready availability of cheap plywood products from China. Questions continue to be raised over the quality of Chinese products. **Page 6**

Huge growth in China's wood trade during 2004

China is playing an increasingly important role in the international trade in wood products. On the one hand it is soaking up primary wood products to feed an expanding manufacturing sector; while on the other, it is churning out growing volumes of secondary wood products. While much of the

latter is destined for China's growing domestic market, a significant minority is exported. Trade data for the year 2004 indicates that the buoyant world economy significantly accelerated these trends over the last 12 months. **Pages 9,10,11**

Massive illegal trade in merbau

A new report suggests that 3.6 million m³ of merbau logs are being smuggled out of the Indonesian state of Papua every year, with the majority destined for the Asian flooring manufacturing sector, particularly in China. The Environmental Investigation Agency, working with the Indonesian NGO Telapak, claims the trade is being organised by powerful syndicates of brokers and fixers, spanning Indonesia, Malaysia, Singapore, India and China. Most of the merbau timber is destined for flooring factories clustered south of Shanghai. **Pages 8,9**

India flexes its market muscle

India is growing in significance as a market for hardwood products. It is estimated that hardwood log imports now run at around 3 million m³ per year. In response to limited log supply, and as part of the country's WTO commitments, tariffs on sawn lumber and other processed wood products are being progressively reduced. GDP growth has averaged over 6% since the early 1990s. There is an-going construction boom in the country. Meanwhile the market is beginning to diversify away from teak towards a wider range of species. **Pages 1,4**

US hardwood lumber exports at record levels in 2004

For the first time ever, US exports of hardwood lumber exceeded 3 million m³ during 2004. High levels of export were driven by the weak dollar and by the relocation of furniture and cabinet industries to lower cost locations, notably China. **Pages 6,7**

Imbalances in American domestic hardwood market

While the export industry is booming, there are signs of imbalances emerging in the US domestic hardwood market. Demand for

standard hardwood items - notably common grades of red oak - has been undermined by the decline in the US manufacturing sector. Meanwhile imports of hardwood sawn lumber and plywood products have continued to climb at a rapid rate.

Pages 6,7,8

Beech bounces along bottom, signs of oak supply problems

After a period of dramatic decline between 2001 and 2003, the market for European beech has remained reasonably stable over the last 12 months. Prices are steady at historically very low levels. The Chinese market for European beech, which blossomed in the late 1990s, is now less significant. Demand for European oak remains firm, boosted by the continuing fashion for oak in the joinery and furniture sectors. Nevertheless, there are reports of European oak supply problems emerging in parts of Europe. The weak dollar also means mounting competitive pressure from American white oak. **Page 5**

Brazilian prices rise on back of strong demand

Brazilian hardwood prices have been rising in recent months on the back of strong domestic and export demand. Nevertheless, the weakness of the dollar combined with tight hardwood supplies in other parts of the world, mean that prices are still generally competitive on world markets. Brazil is also making a reputation as a key source of FSC certified tropical hardwoods, although supplies remain irregular and volumes are quite restricted. **Page 5**

Murders in the Amazon force government to act

The murders on 12 February of U.S.-born nun Dorothy Stang and three rural activists in the northern Brazilian state of Pará has encouraged the Brazilian government to implement new forest protection legislation in the Amazon. Moves to develop a system of timber extraction based on state-owned concessions have been accelerated. **Page 5**