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Japan's tropical log imports continue to fall

The latest projections released by Japan's Timber Supply and Demand Conference indicate generally falling levels of demand during 2001. Overall imports of logs, lumber and plywood are forecast to fall by 2.3% during 2001 compared with the previous year. Demand for Southsea and African logs is expected to see the highest rate of decline, down 10%, continuing a trend underway since the early 1990s. Japan's domestic plywood production is falling, while Japanese mills are increasingly shifting away from lauan logs in favour of softwood. A wider range of Southsea lumber is now being imported, which means demand for tropical lumber produced in Japan is also declining and is increasingly focused on special sizes and to-order business.

Considering shorter term trends, Japan's tropical log imports reached 2,517,000 m3 between January and October 2000, down 14% on the same period the previous year. The market remained depressed to the end of the year. Demand for hardwood plywood has also been sluggish. The tropical lumber market has been suffering from oversupply, despite a fall in overall levels of import. There is also a noticeable trend away from lumber boards in favour of finger-jointed material, a trend that is expected to continue during 2001. Japan's southsea sawn lumber market is now intensely competitive. It is coming under increased pressure from softwood lumber and Chinese lumber imports. The demand for quality products remains as high as ever, but there is less willingness to pay higher prices.

Continuing economic problems in Japan also underlie the weak market conditions. Following some promising signs of recovery during 2000, Japan's economy is once again faltering. Share prices of Japanese firms have been falling all winter, and the yen has followed them down. On January 10th the yen fell to 117 against the dollar,

its lowest level for 18 months. Household spending is weakening, exports are lower, and businesses are losing faith in their investment plans.

This last factor is particularly worrying for a recovery built over the last 12 months on investment in corporate restructuring. During 2000, corporate restructuring had sent profits sharply higher, making more money available for reinvestment. Now this virtuous cycle appears to be under threat. Jobs and wage cuts may have boosted profits, but they have also dampened consumption.

Continued page 4

000s m3	1999 Est. Cons.	2000 Est. Cons.	2001 Proj. Dmnd.	Proj. % Chng.
North America	9551	9010	8680	-3.7
logs	4986	4710	4530	-3.8
lumber	4565	4300	4150	-3.5
Southseas & Africa	4626	4250	3910	-8.0
plywood logs	3381	2930	2650	-9.6
lumber logs	355	350	300	-14.3
lumber	890	970	960	-1.0
Russia	5880	6250	6200	-0.8
logs	5439	5700	5640	-1.1
lumber	441	550	560	1.8
New Zealand & Chile	2187	2380	2550	7.1
logs	1584	1690	1800	6.5
lumber	603	690	750	8.7
Europe	1859	2145	2345	9.3
logs	10	45	45	0
lumber	1849	2100	2300	9.5
Total Logs	15755	15425	14965	-3.0
Total Lumber	8348	8610	8720	1.3
Total Plywood	4662	4500	4200	-6.7
Grand Total	28765	28535	27885	-2.3

Note: projected domestic plywood production for 2001 is 3.0 million m3; 50% softwood plywood and 50% south sea hardwood plywood

Source: Japan Lumber Reports, Pacific Rim Market Report based on Joint Meeting of Japan Lumber Importers Assns., dealers Assns., and manufacturers Assns. of major imported wood products

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Editorial

The implications of a US downturn

The state of the US economy has, not surprisingly, been occupying leader writers during the opening weeks of 2001. The Federal Reserve's dramatic move on 3rd January to reduce interest rates by half a per-centage point was interpreted by many as an indication that the Fed believed the US was on the brink of recession. The last time the Fed had reduced interest rates between the normal Federal Open Market Committee meetings was during the financial-market panic in the autumn of 1998.

Evidence of a downturn in the US has been mounting. The technology share bubble has deflated. Manufacturing production in the US fell at an annualised rate of 2.1% in the fourth quarter of 2000 compared with the third quarter - the biggest decline since the recession a decade ago. The National Association of Purchasing Managers Index has also fallen to a level that, in the past, has occurred only when the economy as a whole has gone into recession. As economic concerns have mounted, the US dollar has weakened 12% against the euro since October.

The implications of a US downturn for the international hardwood trade would be far-reaching. Already there are reports of a cooling in domestic demand for US hardwoods. This coupled with the weaker dollar has caused a drop in US hardwood prices in Europe, narrowing the price gap that had opened up with European hardwoods. The price position of tropical hardwoods has been equally affected, as prices for dollar-denominated Asian and South American hardwoods have weakened relative to euro-denominated African hardwoods.

A significant economic downturn in America would reduce other countries overall exports, hitting manufacturing activity and filtering through into lower hardwood sales. This problem would be particularly felt in South East Asia where much economic growth during the last two years has been export-led. Indonesia and Thailand, both heavily dependent on US exports, may be hardest hit. Our article on page 1 shows that while Japan has much less exposure to the US, the loss of overseas markets might combine with weaknesses elsewhere in the economy to undermine lingering hopes of a recovery.

But it would be wrong to overplay the gloom. While there seems to have been a collapse of confidence in US boardrooms, it is still too early to talk of recession. There are reasons for optimism. Unemployment in the US is still low while wages are high, both factors which have contributed to still healthy consumer confidence. Single family house starts and sales of existing houses in the US remain strong, and the construction sector should be boosted further by cuts in interest rates. During his first week in office President Bush has been pushing plans to reduce taxes by at least US\$1300 billion over the next 10 years - a measure which would also contribute to improved consumer spending.

Furthermore, while a recession in the US would reduce growth elsewhere, it would not be enough to trigger a global recession. Although economists at HSBC, a bank, expect a recession in the US, they are still predicting world growth of 3.2% and 2.7% in 2001 and 2002 respectively. Prospects in Europe this year seem reasonably good. European policymakers are confident that healthy domestic demand, boosted by lower oil prices, and significant tax cuts in France, Germany and other countries, will largely offset the impact of falling US demand for European exports. Equally, real interest rates remain low in many euro-zone countries. Together these factors have encouraged most analysts to predict that economic growth in the euro-zone should be at least 2.5%. In the Far East, there is continuing confidence that China will remain bouyant throughout 2001. And, as this month's special feature on the Middle East shows, despite the media focus on civil disturbances in Israel and Palestine, and on the possible implications of oil price weakness during 2001, in this region there remain good prospects for increased sales of hardwood.

While 2001 is likely to be a turbulent year, there will be no shortage of opportunity.

Rupert Oliver

African Hardwoods

Supplies disrupted by bureaucratic delays

In the midst of the dry season, regular shipments of sapele from Cameroon are now arriving in Europe. However continuing delays in the issue of new logging licenses in Cameroon have meant that consignments even from the most prompt suppliers are running 6-8 weeks late. The implementation of new regulations governing the allocation of concessions has meant that overall levels of supply this year may be significantly lower than previous years. Stocks of logs at mills are reported to be below levels common at this time of year. Although there may be increased shipments of sapele sawn lumber from the Central African Republic this year, these will not be sufficient to offset supply shortfalls in Cameroon.

In the meantime, there are occasional reports that relatively large stocks have built up in northern European markets. However, sapele is booked well ahead on the forward market with shipment dates of April/May referred to for new contracts. FOB prices for sapele are holding firm for the time being despite the continuing price weakness of Malaysian meranti, a competitor in northern Europe. The price gap is now so wide that at least a partial shift to dark red meranti in northern Europe is widely expected during the first half of 2000. Since sales of sapele are generally invoiced in euros and sales of meranti in dollars, the switch may be more

pronounced if the euro-dollar exchange rate continues to strengthen. However there will be many manufacturers who remain committed to sapele despite the widening price gap with meranti. Many European manufacturers have become accustomed to the particular quality advantages of sapele, while changing suppliers and raw materials is a disruptive process. On balance, while some weakening of African sapele prices may occur over the course of the current logging season, the extent of the decline may be within narrow limits.

Due to past over-exploitation in the Ivory Coast and Ghana, sipo (utile) supplies are now almost exclusively sourced from the forests of Cameroon. Sipo is naturally less abundant in the forests of Cameroon than in the former supply countries. As a result availability is now relatively restricted. Demand and prices for sipo have remained firm as it is well-regarded as an alternative quality redwood to high-cost mahogany.

Iroko demand slower

The market for iroko is mixed. Demand is still reasonably buoyant in Spain, but quieter now in the UK and Ireland. As prices for iroko have remained firm, and as availability has declined, there has been increasing substitution of iroko by framire and sapele. Underlying activity is also slower in Ireland, a leading market for iroko.

Ivory Coast continues to be afflicted by civil unrest. In early January, the government foiled an army coup by rebel soldiers. Export quotas for air dried iroko out of the Ivory Coast are much reduced this year.

The new administration in Ghana is expected to continue the previous government's policies: to reduce lumber exports in favour of adding value; to bring national harvests down to sustainable levels of around 1 million m3 through introduction of tough Timber Utilisation Contracts; and to severely curtail the number of mills. Wawa is the only major natural forest species now being exported in any volume. Due to high export levies on air dried lumber all the volume is now being exported in kiln dried form. Recent price quotes for wawa sawn lumber k.d. delivered to the yard in the UK have been in the region of £215-235/m3.

Ghana's efforts to develop a forest certification scheme will continue this year, although it seems unlikely that the scheme will be fully operational before 2002. The scheme is being developed as a stand-alone national initiative, although consideration is being given to possible links with other international schemes. The Forest Steward-

African logs indicative prices

	Nov	Dec	Jan
Exchange rates			
Fr.F/£	10.95	10.44	10.37
CAR & Congo (Brazzaville)			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
N'gollon			
70+ (20% 60-69)	1600	1600	1500
Bosse 60+	1650	1650	1650
Ayous 70+	1200	1200	1200
Sapele			
80+ (20% 70-79)	1950	1950	1950
Sipo			
80+ (20% 70-79)	2500	2500	2500
Gabon			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
Acajou			
70+ (20% 60-69)	1300	1300	1200
Sipo			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
Liberia			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	200	200	200
Walnut	200	200	200
Iroko	280	280	280

ship Council (FSC) is involved in discussions, while there may also be opportunities for mutual recognition with the Pan European Forest Certification (PEFC) scheme.

Although stocks of African hardwood are relatively high in northern Europe, importers in Holland, Belgium and the UK report reasonably good underlying demand from the manufacturing sector. Demand in Spain during 2001 may not reach the heights of recent years, as some cooling of construction activity is expected, but there is optimism that the joinery sector will remain reasonably busy.

Sanctions against Liberia

Future trade prospects with Liberia are uncertain. The USA and UK are working on a UN resolution that would impose mandatory worldwide sanctions on Liberia until it ceases supporting the Revolutionary United Front (RUF) rebels in Sierra Leone, and ceased its involvement in the RUF's illicit smuggling of diamonds out of Sierra Leone which is funding their war effort. If implemented, the imposition of trade sanctions would clearly have implications for the export of hardwood logs from Liberia. Over the last two years Liberia has emerged as a significant supplier of logs to France (notably niangon), to several southern European countries, and to the Far East.

African Sawn Indicative Prices

	Nov	Dec	Jan
Exchange rates			
Fr.F/£	10.95	10.44	10.37
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3600	3550	3550
Sipo	4500	4500	4400
Bibolo	2750	2750	2700
N'Gollon	3500	3500	3500
Afromosia	5600	5600	5600
Iroko	3700	3700	3700
Cote d'Ivoire			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3650	3650	3650
Mahogany	2750	2750	2750
Framire	2050	2100	2150
Samba No.1 C&S	1525	1525	1525
Dimension stock			
Azobe	2500/ 3000	2500/ 3000	2500/ 3000
Dabema	1950/ 2550	1950/ 2550	1950/ 2550
Gabon			
Fr. Francs/m3, FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	2250	2250	2250
Okoume KD	2500	2500	2500

Asian Hardwoods

Japan *Continued from page 1*

This problem, combined with concerns that the slowing US economy will lead to slumping exports, has in turn weakened investor confidence.

Furthermore, policy options to tackle the downturn seem more limited this time round. Government finances are already straining under the weight of debt following a series of giant public works budgets during the mid and late 1990s. Public opinion seems now to have hardened against spending more on public works to bail out the economy. Nor will the Bank of Japan be enthusiastic about reversing last summer's rash decision to raise interest rates. Short term rates are not far above zero in any case. However, it is not all bleak. The falling yen will help export business for Japanese manufacturers, although domestic industries like construction - so important to wood consumption - will not benefit directly. If America's interest rate cut wards off recession, it seems likely that worries over the economic situation in Japan may ease. Some rare good news also emerged from the housing start data in November. The Ministry of Construction reported that the number of housing starts during the month increased by 2.2% over the same month in 1999, the second consecutive increase. The Ministry now expects total house starts in 2000 to have hit 1,226,000, around the same level as the previous year. Furthermore, the popularity of wooden homes is increasing.

Malaysian sawn timber Stocks moving only slowly

There is little change in the market for Malaysian dark red meranti sawn lumber. Inventory levels remain high in Europe, and some of the largest importers in Holland and Belgium report that stocks are moving only slowly despite weak prices. Importers complain that having bought stocks earlier at higher prices, they are now losing money as forward prices have fallen.

Forward prices for dark red meranti sawn lumber remained very weak in the run-up to the Chinese New Year vacations, as shippers sought to offload remaining stocks. The strengthening of the euro against the dollar served to deepen the price weakening trend, opening up a significant price gap between dark red meranti and sapele, the leading African competitor. There are suggestions that large European trading companies sought to take advantage of the weakening dollar and low prices by buying stock on the forward market speculatively

Asian Sawn Lumber Indicative Prices			
	Nov	Dec	Jan
Exchange rates:			
M\$/£	5.41	5.68	5.54
US\$/£	1.42	1.49	1.46
M\$/US\$	3.80	3.80	3.80
Malaysia			
All prices US\$/ton, C&F UK port			
West Malaysian Dark Red Meranti			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'			
1"	740	730	710
2"	750	740	725
2.5"	760	755	740
3"	785	780	760
Keruing			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	540	540	520
Kapur			
Grade: Standard & Better GMS			
Size: Width 6"+, avg 7"-8"; Length 16'+			
1"-3" plnd	555	555	535
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	2650/ 3500	2650/ 3500	2650/ 3500
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

during the first week of January. However the price difference between sapele and meranti has yet to generate a significant increase in demand for meranti amongst European importers and manufacturers. Relatively high stocks and competitive pricing for sapele on-the-ground in northern Europe may have contributed to the weak market conditions for meranti. Relatively slow activity in the European exterior joinery sector during the winter months may be another contributory factor.

Much now hinges on the rate at which manufacturers in northern Europe are able to soak up existing stocks of meranti, and on the future direction of exchange rates. Market prospects for meranti, which is invoiced in dollars, would improve significantly if the dollar weakened further against the euro. Increases in European demand may also materialise in March/April as exterior joinery activity gathers momentum during the spring.

It seems likely that Malaysian producers, not known for sitting on low prices for long, will be looking to push through increases in forward prices for dark red meranti as soon as possible after the Chinese New Year vacations, which end officially on 31

January. Logging levels are now very low in the midst of the monsoon. Furthermore, due to weak demand many Malaysian mills have shut down for longer than usual at this time of year. Therefore, there may be limited availability on the forward market to replace existing European stocks once these begin to clear.

Keruing prices continue to soften as demand in the United States has slowed, encouraging Malaysian shippers to look for orders in Europe. Kapur is now sold only in small volumes in Europe in special sizes for heavy duty external applications. Prices are similar to those for keruing.

In Japan, weakening of the yen against the dollar and high stocks have contributed to slower buying of Malaysian sawn lumber. Although there was reasonable demand in Japan until mid December 2000, mainly for interior work as construction firms sought to complete projects for the year-end, buying has fallen away since then. Arrivals into Japan and stocks have been falling since October, but supply and demand are not expected to be in balance until March at least. Japanese demand for white seraya dimension stock has been firmer than demand for boards. Demand for tropical sawn lumber in China has also tended to weaken over recent months.

Rubberwood exports allowed

The Malaysian Government has relaxed restrictions on the export of rubberwood sawn lumber following a build up of surpluses over the past 6 months. A ban on exports had been introduced in 1998 to encourage wood furniture manufacturing in Malaysia. Up to a maximum of 150,000 m3 of rubberwood sawn lumber may be exported prior to 21 March 2001. The build-up of surplus rubberwood partly reflects depressed trading conditions for the Malaysian furniture industry.

Korean downturn

A catalogue of gloomy statistics suggest South Korea's economic recovery is faltering. Growth of industrial output in November slowed to 6.4% year-on-year, the slowest rate of growth since February 1999. During the same month operating rates for manufacturers dropped while inventories increased, the rate of growth in exports decelerated, new construction permits fell again (after an encouraging increase in October), and the number of unsold houses rose. Sawn lumber imports during 2000 are expected to be only 80% of 1999 levels due to dull demand in the construction industry.

South American Hardwoods

Sawn timber

Mahogany prices remain firm

The Amazonian region is now well into the rainy season, and log supplies will inevitably tighten until May or June. Shipments of Brazilian mahogany sawn lumber are now drying up, although there may still be some shippers with limited stocks of mahogany still lacking quotas to ship. Problems over quota allocations were a feature of mahogany trade during the last season, often delaying shipments for many months. A number of smaller operators, some of whom have been operating in the mahogany business for many years, had problems obtaining quotas last season and may be forced to quit the mahogany trade altogether.

The vast majority of the Brazilian mahogany shipped during the last season went in air dried form to the United States where demand remained firm. Mahogany remains a very popular wood for furniture manufacturers. With Peru and Bolivia both out the supply equation during the last season, US importers had little choice but to turn to Brazil for mahogany supplies. According to *ITTO's Market News Service* prices for mahogany in the United States increased progressively between February and October 2000 to reach US\$3180/1000 board feet (US\$1350/m³ - air dried, fas, CIF US port) and have remained stable at these levels since then. Taking a long term view, mahogany in the US market is now around 30% higher than in 1996. ITTO notes that "Even under the prevailing subdued business climate, no-one expects that prices for Mahogany will decline noticeably in the foreseeable future, if at all."

Shipments of Brazilian mahogany to the UK,

which takes fas kiln dried material, were very low in historical terms last season reflecting the unwillingness of the UK market to pay the high prices on offer. Problems with quotas may have been a further deterrent. It seems likely that in future the UK mahogany trade will be increasingly concentrated in the hands of a few larger companies.

Brazilian cedar is not readily available and, on European markets, is not competitively priced against alternative redwoods. Only small volumes are being purchased by a limited number of UK importers.

Peruvian export ban eased

The export ban on mahogany and cedar sawn lumber introduced in Peru at the start of the last logging season is being relaxed to some extent. Obtaining export quotas is still difficult but there are reports that the government has granted permission for shipment during February of some lumber bought under old contracts frozen late last summer.

Brazil's domestic market for tropical hardwood is slow, although there is some expectation that demand will improve in February or March. Some analysts are expecting the domestic market to experience a shortfall in supply if demand does improve. Many mills failed to build up sufficient stocks of logs to cover production during the current rainy season.

Guyana January to June - m3			
Source: Guyana Forest Department			
	1999	2000	% chng
Production			
Logs	209,387	129,787	-38
Small Roundwood	6,270	10,979	75
Chainsaw lumber	9,297	14,419	55
Sawmill lumber	6,991	159	-98
Plywood	39,971	51,945	30
Exports			
Logs	34,203	15,867	-54
Small Roundwood	2,065	896	-70
Sawn lumber	11,108	4,317	-61
Plywood	34,742	47,108	36

lumber exports are destined for regional markets in Latin America and the Caribbean. However relatively small volumes of greenheart are exported to European countries for heavy-duty external use, while purpleheart finds a market in Japan. There was also some improvement in Guyana's sawn lumber exports to Asia during the first half of 2000 compared with the previous year. Guyana's plywood exports were 36% higher in 2000 relative to the corresponding period in 1999. Around 50% of the plywood exported went to the U.S.A, 23% went to South America (Suriname and Venezuela), and the remainder to Europe.

Amazonia

Infrastructure projects raise spectre of deforestation

Recent research by a joint U.S.-Brazilian team of biologists reported in the January 19, 2001, issue of the journal *Science* highlights the threat of increased deforestation in Amazonia as a result of planned infrastructure projects under the "Avanca Brasil" (Advance Brazil) program.

The research group, headed by William Laurance of the Smithsonian Tropical Research Institute (STRI) in Panama, conducted what they characterize as the first systematic assessment of the effects of development trends and projects on the region. They developed computer models to integrate current data on deforestation, logging, fires, mining, roads, parks and reserves with information about a host of existing and planned infrastructure projects, including the construction of railroads, highways and hydroelectric dams; the installation of power lines and gas lines; and channeling of rivers. Even under the more optimistic of the two scenarios modeled,

Continued page 6

Brazilian sawn lumber Indicative prices			
	Oct	Dec	Jan
Exchange rates			
\$/£	1.44	1.49	1.46
US\$/m ³ C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11", air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1330	1400	1400
2.5"-3" AD	1350	1420	1420
1"-2" KD	1410	1470	1470
2.5"-3" KD	1440	1500	1500
Virola			
1" KD No.1 C&B boards	380	380	380
strips	380	380	380
Cedro			
1"-1.5" KD	725	725	725
2" KD	750	750	750
2.5"-3" KD	775	775	775

Guyana

Low log production and exports

Log production in Guyana during the first six months of 2000 was 38% down on the same period in 1999 (see table). This was due to heavy rainfall during the review period which hampered logging operations. A 55% increase in "chainsaw lumber" production recorded reflects improved monitoring and data compilation for these operations by the Guyana Forestry Commission rather than an increase in real extraction.

Relatively low log production is reflected in the export figures. Guyana's log exports in the first half of 2000 declined 54% over the same period the previous year. A greater share of Guyana's logs were also diverted for plywood production during the review period.

Most log exports comprise Greenheart and Purpleheart and, during 2000, were destined almost exclusively for Hong Kong. Small roundwood is exported primarily to the USA and to the Latin American/Caribbean market.

A large proportion of Guyana's sawn

S. America

Amazonia Cont. from page 5

the authors claim that "the Brazilian Amazon will be drastically altered by current development schemes and land-use trends over the next 20 years"

The research group suggests that land in the Amazon is cheaply acquired, and much of it is cleared by fire for use as cattle pastures. However the pace of forest conversion may be greatly increased if the dozens of highways, waterways and other projects planned under "Avanca Brasil" go ahead. They speculate that "as much as 42% of the Amazon River basin of Brazil will be seriously damaged or lost altogether in the next two decades if that country's infrastructure development projects go forward as planned."

Under the "Avanca Brasil" program, the Brazilian government is trying to boost the industrial agriculture, timber and mining sectors of the economy with a US\$40 billion investment in infrastructure projects over the years 2000 to 2007. The largest of the international and domestic initiatives to promote rainforest conservation and sustainable development, by contrast, is the program of the G-7 nations funded to the tune of US\$340 million.

The researchers also ran their computer models without the dozens of highways, waterways and other projects planned by Avanca Brasil. Both the predicted rates of deforestation and degradation decreased sharply in the absence of these major projects, while forest fragmentation was greatly reduced.

Sustainable timber extraction

Laurance notes that "no one is suggesting that Brazil forego development in the Amazon, but there are far less destructive ways to exploit the region. Rather than punching many new roads and highways into the remote frontier we are pushing for slower deforestation and more efficient use of existing agricultural lands than cattle ranching." He suggests a more productive approach would be to promote sustainable forestry practices, including production of timber and other high value commodities.

The report also advocates that Brazil capitalize upon the environmental services afforded by the Amazon, including its capacity to absorb and store carbon dioxide. Laurance suggests that under the Kyoto Protocol Brazil could receive carbon-offset revenues of as much as US\$2 billion a year, without sacrificing sovereign control over the Amazon forests

North American Hardwoods

Export markets

Better prospects in Europe

Market prospects for American hardwoods in Europe appear better now than in the second half of last year. At the end of January the euro stood at 92 cents against the dollar, 12% up on the low of 82 cents in October last year. Interest rate cuts in the United States suggest that the dollar should continue to weaken. This will improve the price position of American hardwoods against European alternatives. Following a prolonged period of slow buying, American hardwood inventory levels are relatively low throughout most of Europe. And unlike other areas of the world, there is relatively low exposure of the European economy to developments in the United States. Real interest rates remain relatively low in many euro-zone countries. Most analysts expect steady, if unspectacular, growth this year throughout Europe. Overall construction activity is expected to slow throughout Western Europe during 2001, but should remain reasonably strong.

Nevertheless, for American producers the threat of increased market penetration by Eastern European hardwoods remains real. Availability of good quality square edged oak from this region is still constrained, but has been increasing.

Southern European orders on the rise

Orders for American white oak in Spain have risen since the start of the year. Prospects for this market seem reasonably good during 2001. There are also signs that demand for American tulipwood and cherry is picking up in Italy.

Enquiries from German importers have been increasing, but orders remain limited and there is still great uncertainty over the extent to which American hardwoods will be able to regain market share from European alternatives. Last year many German manufacturers switched to European oak, alder and glulam boards, notably from Poland. To some extent Germany has also switched away from American lumber imports in favour of cherry, walnut and hard maple logs.

Demand for American hardwoods in the UK has been sluggish in the new year, reflecting the general unwillingness of importers to buy as prices start to weaken. UK purchases have focused on covering immediate needs only.

Export demand in Asia has been relatively subdued. In part this reflects the Chinese

New Year holiday season which only ended officially on 31 January. Inventory levels in China are relatively high and it remains to be seen how quickly these will be absorbed once manufacturing activity gets underway after the vacation period. The Chinese market has become increasingly price conscious and competitive over recent months, and this trend is expected to continue. Demand in Japan has been subdued, a reflection of underlying economic problems and the relative weakness of the yen, which has fallen 8% against the dollar since the end of November. Japan's furniture sector is slow, but contacts in Japan suggest demand for ash and oak for fittings may be higher this year than last.

Taiwan market declines

Demand in Taiwan is long term decline due to a shift in manufacturing facilities to mainland China. Thailand and Indonesia increased their purchases of American hardwoods last year, but both countries are heavily dependent on exports of manufactured products to the US so prospects this year may be less promising. As in Europe, the strength of the dollar during 2000 led many Asian buyers to look

US sawn lumber indicative prices

North Appalachian US\$ MBF* CIF- W. Europe
Grade: KD square edged
Net measure after kilning
NOTE US prices are highly variable depending on quality and point of origin. These prices are shown only to highlight trends over time.
*One cubic meter is equivalent to 423.8 BF or 0.4238 MBF

	Nov	Dec	Jan
\$/£	1.42	1.49	1.46
\$/Euro	0.85	0.94	0.92
Red oak			
1"	1925	1925	1900
1.25"	2025	2025	2000
1.5"	2250	2250	2050
2"	2600	2600	2400
White oak			
1"	1575	1575	1525
1.25"	1725	1725	1675
1.5"	2200	2200	2150
2"	2725	2725	2725
Ash			
1"	1375	1375	1325
2"	1700	1700	1700
Tulipwood			
1"	1200	1200	1125
1.25"	1215	1215	1150
1.5"	1225	1225	1225
2"	1245	1245	1245
Cherry			
1"	3550	3550	3550
1.25"	3700	3700	3650
1.5"	3850	3850	3800
2"	4050	4050	4000
Hard Maple			
1"	2750	2750	2750
1.25"	2850	2850	2900
1.5"	3025	3025	3150
2"	3200	3200	3200

North American Hardwoods

for alternatives including local species such as Chinese oak and ash. However availability of these species has been limited and problems have arisen through substandard lengths, widths and improper dry kilning.

Domestic markets

Mixed price signals

Domestic demand for sawn hardwood lumber has slowed since November as the US economy has cooled. There is evidence that slowing demand has led to weakening hardwood lumber prices. For example, ITTO's price index for US domestic rough lumber has declined progressively since May 2000, although due to strong gains prior to May, the index is still above year-ago levels. The situation also varies by species and grade. For example mill gate prices for cherry green lumber have remained relatively high. Prices for dimension lumber have also remained stable, but AKTRIN analysts forecast prices will fall during the first half of this year. Veneer prices have continued to advance, a reflection of the continuing trend towards increased utilisation of veneer in furniture and cabinet production.

Schizophrenic economy

The development of hardwood demand in the United States during 2001 is hard to predict given the schizophrenic state of the economy.

Certainly nobody now doubts that the manufacturing sector is in the grip of a severe downturn. Manufacturing production fell at an annualised rate of 2.1% in the fourth quarter of 2000 compared with the third quarter, the biggest decline since the recession a decade ago. The National Association of Purchasing Manager's index of manufacturing fell in December to its lowest level in ten years. Corporate profits have been falling, while banks have been tightening lending standards, both factors reducing cash available for investment.

One sector of relevance to the hardwood trade where there has been a significant slowdown is the furniture belt of North and South Carolina. Furniture manufacturers in the region have been hit simultaneously by the US economic slowdown and by an influx of competitively priced Asian products. Demand for wood from the sector has slowed significantly, with tulipwood and ash particularly affected. Producers in the region have been seeking to divert stocks to export markets - notably Italy for higher grades of tulipwood.

On the other hand, the US still has nearly full employment and wages continue to rise, both factors which are contributing to healthy levels of consumer confidence. Other factors should combine to further boost confidence including: the Federal Reserve's decision to cut interest rates by half a per-centage point on 3 January with more cust forecast in the near future; a more stable political environment now the election is finally over; and the new administration's commitment to tax cuts. Single family housing starts and home resales are also reasonably strong. Although concerns over the US economy have deepened over recent weeks, on balance, the evidence still points to a soft landing. Many US hardwood suppliers remain optimistic over the likely strength of sales during 2001. Although some cooling of prices is expected, few anticipate a general price collapse.

Poor weather conditions

The impact of slowing domestic demand on prices is being partly mitigated by conditions on the supply side. Weather conditions have been more severe this year than during the previous three winters. All the major hardwood producing regions have felt the effects of heavy snow and rain which has slowed logging. Many mills are reporting log shortages so availability of kiln dried material may tighten as winter progresses. Nevertheless, at the end of January most items for export are still in good supply.

Species Breakdown

■Ash - Demand for northern ash on both domestic and European export markets is generally slow and prices have been weakening, notably in the thinner sizes. Chinese and Japanese demand for southern ash is only fair.

■Hard maple - Mixed signals are emerging from the market. There have been reports of slower demand for higher grades in both Europe and Asia. Some analysts have suggested there are signs of price weakness, particularly for 1" material, partly due to cooling demand and partly to increased hard maple production during the winter season. However prices quoted to this journal at the end of January are, in fact, marginally higher than those quoted in November and December. Demand for lower grades has been reasonable in the US, China and South East Asia.

■Red oak - Demand in Northern Europe is slow. Export markets are generally very price

US hardwood lumber exports			
January to October, 000s m3			
	1999	2000	% chng
Canada	798.9	883.0	10.5
Mexico	197.9	207.1	4.6
Italy	155.2	178.3	14.9
Spain	130.6	148.1	13.4
Hong Kong	119.5	143.7	20.2
China	60.5	114.7	89.5
United Kingdom	103.0	110.0	6.8
Japan	127.7	103.7	-18.8
Taiwan	95.5	82.8	-12.4
Germany	77.2	69.0	-10.6
Belgium-Lux	54.4	45.1	-17.0
Korea	58.6	40.5	-30.9
World Total	2335.8	2527.8	8.2

competitive. Prices for higher grades to European importers have been weakening. Demand for lower grades in China is fair, but there are reports of high inventories. There continues to be good demand for lower grades in Mexico.

■White oak - Price competition has been intense over the last two months, leading to some sign of weakness. However European demand, notably in Spain and particularly in thicker sizes, has picked up since the New Year in response to the strengthening Euro. Demand for dimension wood is stronger than for lumber. Demand for lower grades has been slower in the Far East.

■Tulipwood - US domestic demand has been hit by problems in the furniture belt of North and South Carolina. Producers have been diverting stock to export markets. Italy has increased purchases of the higher grades but at lower prices. Demand in the Far East has been only fair. There is steady demand in Mexico. Prices for thinner sizes have weakened.

■Cherry - Prices for green lumber to US mills has remained high. This factor, coupled with reasonable overseas demand has ensured prices have remained relatively stable. There are some reports of slackening demand in France, but of improving demand for thicker sizes in the Far East.

■Walnut is gaining in popularity in both Europe and China. Demand, particularly for thicker sizes, has been good in the Far East. Supplies were under pressure in autumn last year but are expected to improve during the winter months.

■Other species - Export demand for American beech has been hit by overstocking of beech in China. There continues to be steady demand for yellow birch from Canadian cabinet and flooring manufacturers. Interest in hackberry as a substitute for ash has been increasing in the Far East over recent months.

European hardwoods

European beech

Plagued by impact of storms

Over a year on, the market for European beech continues to feel the effects of the storms that hit France and southern Germany during December 1999. Demand this season both in Europe and China, the major export market, has been subdued due to excess stocks which built up during the course of last year. Severe imbalances have also arisen on the supply side.

There is high availability of low and middle grade logs, stored in irrigated yards since the end of last logging season. Processing this wood is problematic and has been subject to delay, particularly in France. Due to discoloration and quality concerns, most of this material requires steaming followed immediately by kilning. But a shortfall in kilning capacity is delaying the process.

Prices for lower and middle grades of sawn beech in both France and Germany are under pressure due to overstocking. These various problems have encouraged many mills to concentrate on production of alternative species, notably oak and ash.

Meanwhile, in Western Europe, availability of sawn lumber of higher grade "white" unsteamed beech from new season logs is largely restricted to northern Germany. Both

public and private forest owners in France and southern Germany are severely restricting logging of beech during the current season. The shortfall in high grade unsteamed sawn beech encouraged producers in northern Germany to try to force through price increases earlier this year. However these efforts have so far failed in the face of weak demand.

The Chinese market for European beech, both logs and sawn lumber, remained slow during most of January. In part this reflects the Chinese New Year holiday season. But stock levels also remain relatively high, particularly for lower quality material shipped last year. However, in the closing week of January the first reports emerged of increased enquiries from Chinese importers.

China prospects more limited

The long-term prospects for sales of beech sawn lumber to China now seem more limited, as many importers have shifted towards log purchases for sawing in China. Price levels for beech sawn lumber in China have fallen significantly over the last two years - according to the German journal EUWID, CIF prices to China for beech, fsc, kiln dried and edged now stand at around US\$600/m³. At these levels sales margins for many beech sawmillers in Europe are

European sawnwood indicative prices

	Nov	Dec	Jan
Exchange rates			
DM/£	3.26	3.11	3.09
DM/US\$	2.29	2.08	2.12
Euro/£	1.67	1.59	1.58
Euro/US\$	1.17	1.07	1.08

German beech

Northern Germany, DM/m³, C&F, UK Port

Grade: kiln dried, steamed and square edged.

1"	1700	1700	1675
2"	1750	1750	1750

German oak

Northern Germany, DM/m³, C&F, UK Port

Grade: kiln dried, waney edged prime grade*.

1"	1505	1505	1505
2"	1945	1945	1945

*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices

Croatian oak

Northern Italy, Euro/m³, C&F, UK Port

Grade: kiln dried and square edged.

1"		920	920
2"		1400	1400

extremely tight. It seems likely that the trade will now become more rationalised and focused on a much more limited number of committed European exporters with experience and knowledge of the Chinese market. In other major export markets for European beech, demand in Spain has been subdued this season due to over-stocking. Spanish buyers preference is for higher grade beech from new season logs which they are now having to source from Germany.

Buyers of European beech in the UK, who often buy on 6 month on 12 month contracts, have been delaying commitments this year until a clearer picture of the price situation emerges.

Demand in Germany has been sluggish. Buying by the furniture sector has been limited this year due to slow underlying activity and high stocking, particularly of upholstery grades. German stairbuilders have been more active, but demand is coming under pressure from alternative materials.

European oak

Demand still firm

Demand for European oak sawn lumber throughout Western Europe is generally firm. Supply-side conditions are also better balanced than for European beech, partly because storm-felled oak logs are less susceptible to rot, allowing extraction to be spread over a longer period. There are continuing reports of increased volumes of European oak sawn lumber being shipped into Western Europe from Eastern Europe and Russia. Availability of square edged lumber from these sources is improving.

European construction activity forecast to grow

Euroconstruct, the construction industry research organisation, presented forecasts of construction activity throughout Europe at their 50th Conference in Paris, December 6-7 2000. Construction activity in Western Europe was forecast to grow by 2.8% in volume during 2000, only slightly lower than the 3.1% growth recorded during 1999. Growth was particularly strong in Ireland, Spain and Portugal last year. Construction

activity in Germany was particularly weak in Germany. The overall flat growth of construction activity in Western Europe in 2000 can be attributed to the sharp slowing of activity in the new residential market particularly in Germany. Forecasts were confident in Eastern Europe, with the exception of the Slovak Republic, which expects nothing better than stagnation. Euroconstruct expect the West European construction market to experience a dip in 2001. Activity will be stable in Austria, Belgium and France; growth will slow in Finland, Ireland, Italy, the Netherlands, Portugal, Spain and Switzerland; and Germany will post slightly negative growth. Only the United Kingdom and Sweden expect things to improve. Increased public spending in the UK following a government spending review in summer 2000 is expected to boost growth in the UK. However, there is expected to be a drop in new housing starts throughout Western Europe (-0.3% overall), notably in France, Germany and Norway. The markets of Ireland, Spain and Portugal are expected to lose steam after several red-hot years.

Annual growth in value of construction output (%)

	1999	2000	2001(f)	2002(f)
Austria	1.0	2.0	1.0	1.5
Belgium	4.3	4.6	0.8	2.4
Denmark	-7.3	4.4	-3.3	2.9
Finland	5.1	5.7	3.4	1.0
France	6.5	5.9	0.3	1.9
Germany	0.4	-2.5	-0.3	0.9
Ireland	11.6	9.2	6.7	6.1
Italy	5.2	5.6	2.9	1.0
Netherlands	5.3	4.9	2.7	0.6
Norway	4.1	3.0	-5.7	2.1
Portugal	5.1	6.3	4.2	2.5
Spain	8.8	6.5	3.0	2.4
Sweden	2.5	4.0	6.9	3.7
Switzerland	-2.4	1.9	1.4	2.4
UK	0.9	2.4	2.6	2.5
EU-15	3.1	2.8	1.4	1.7
Czech Republic	-9.2	3.1	3.7	5.1
Hungary	6.0	7.0	10.0	10.0
Poland	2.5	2.0	4.0	5.7
Slovak Republic	-26.5	-0.2	10.6	11.3

Special report - Spain

Despite concerns that construction activity may slow during 2001, Spain remains one of Europe's most buoyant hardwood markets.

The Spanish construction industry experienced accelerating growth from 1997 onwards, a trend which continued through the year 2000. New dwelling starts during 2000 should have attained a second consecutive record of 540,000 units. Increased building starts have been fueled by increased withdrawals from people's savings, low interest rates since entry into the euro, and larger public works spending. Timber frame construction is undeveloped, and wood products – including high volumes of hardwoods - are used almost exclusively for doors, windows, parquet and strip flooring. Door production in Spain has seen significant growth over recent years, increasing 21% between 1998 and 1999 to over 9.5 million units. The majority of doors produced in Spain are veneer faced particleboard core flush doors or lacquered MDF core flush doors with solid wood stiles and rails for interior use. However solid wood door production for external use is increasing. African sapele and US white oak are the main hardwood species used for doors.

Wooden window production in Spain amounts to around 9 million units per annum, about 20% of the window market. Current tendencies are for the production of mixed aluminum-wood windows as well as quality windows. Most windows are of softwood, but iroko is used for quality units.

Strip flooring, used principally in single-family homes is another source of demand for hardwoods. Around 30% of all hardwoods used in Spain are for strip flooring. Sapele and iroko are also used for decking.

Furniture sector growth

After several years of significant growth, Spain is now the fourth largest European furniture manufacturing country after Italy, Germany and the U.K. About 20% of Spanish furniture production is exported, primarily to other EU markets, Russia, the United States and some Asian countries. Design and a reasonable price/quality ratio are behind the competitiveness of Spanish furniture. High grades of beech and oak sawn lumber are widely used for furniture. The Spanish market for veneer and veneer logs has also grown dramatically in recent years. Oak, cherry, maple, walnut, ash are amongst the most important species used.

Spain's wood wholesalers and importers are particularly concentrated in Valencia,

Barcelona, Madrid, Andalucia and Galicia. These outlets supply wood manufacturing industries as well as smaller warehouses which in turn supply local joiners and other end-users. Importers are serviced by a network of timber agents. Only large wood manufacturing industries have their own import units, but also frequently buy from wholesalers/importers.

There are about 15 coopers in Spain that make barrels for local use and exports. Barrel makers generally import the wood themselves, although a limited number of sawmills also import oak logs for the production of staves. The Spanish market for oak staves is about 18,000 cubic meters worth US\$27 million.

Rising hardwood imports

The picture of generally buoyant demand in Spain during 2000 is reflected in the import data. During the first six months of 2000, tropical sawn imports were 6% higher than the previous year, while tropical log imports were down only slightly despite export restrictions imposed in Cameroon, formerly the largest supplying country. Spanish importers have been generally successful in finding alternative sources of logs, notably from CAR and Liberia. The import data provides evidence of shifts in supply trends from African countries. Limited availability hardwoods, notably iroko, in the Ivory Coast is probably behind the decline in imports from that source. There seems to have been a shift away from sawn lumber imports from Central African Republic and Congo (Brazzaville) in favour of logs. Imports from Brazil, primarily flooring grade lumber, performed better in the first half of 2000 than the previous year.

Spanish imports of temperate hardwood sawn lumber performed well during the first half of 2000. Oak sawn lumber imports were up 23% on the same period in 1999, with imports from the US and France recording 22% and 42% growth respectively. There may have been some waning in imports from the US during the second half of 2000 due to the weakness of the euro against the dollar. Oak imports from Eastern European countries also increased, but were still comparatively small during the first half of 2000. The first half of 2000 also saw a significant increase in Spanish imports of beech logs and sawn, reflecting the impact of the central European storms in late 1999. Spain's increased purchases of beech during the first six months led to signs of overstocking later in 2000.

Spain Hardwood Imports January to June			
<i>Volume (000s m3) - Source: AEIM</i>			
	1999	2000	% chg
Tropical Logs			
Cameroon	65.47	38.31	-41
Central Afr. Rep.	12.79	21.77	70
Equatorial Guinea	17.41	17.85	3
Gabon	11.89	13.25	11
Liberia	3.38	7.46	121
Congo	3.77	6.03	60
Ivory Coast	2.14	2.10	-2
Guinea	0.00	1.03	
Other Africa	0.04	0.19	368
Europe	4.13	3.80	-8
Asia	0.05	0.20	277
Total	121.08	111.99	-8
Tropical Sawn			
Cameroon	70.03	80.07	14
Ivory Coast	64.52	59.12	-8
Central Afr. Rep.	12.37	8.65	-30
Congo	10.44	5.87	-44
Ghana	4.88	4.17	-14
Rep. Congo	0.00	1.19	
Gabon	1.73	1.12	-35
Eq. Guinea	0.34	0.74	118
Nigeria	0.70	0.56	-20
Other Africa	0.62	1.76	185
Indonesia	0.31	0.19	-40
Malaysia	0.23	0.14	-40
Other Asia	0.15	0.14	-7
Brazil	51.43	55.60	8
Chile	3.07	3.10	1
Other America	1.65	10.45	532
Europe	5.93	9.15	54
Total	228.40	242.00	6
Temperate Logs			
Oak	70.87	75.09	6
France	50.47	48.95	-3
Germany	8.26	10.54	28
USA	7.52	7.10	-6
Ukraine	2.53	6.70	165
Beech	91.68	128.33	40
France	62.37	96.94	55
Belgium	12.22	12.10	-1
Germany	3.12	5.23	68
Ukraine	6.89	3.00	-56
Poland	2.29	2.91	27
Luxembourg	2.81	1.80	-36
Eucalyptus	666.87	617.61	-7
Portugal	268.34	191.92	-28
Uruguay	97.34	173.86	79
Chile	61.86	137.37	122
Argentina	128.94	52.77	-59
Other species	42.23	56.59	34
Total	871.64	877.61	1
Temperate Sawn			
Oak	107.66	131.91	23
USA	78.46	95.83	22
France	13.45	19.14	42
Canada	6.06	3.84	-37
Germany	2.60	3.31	27
Ukraine	2.13	2.57	21
Poland	0.37	1.08	190
Beech	90.09	114.36	27
Germany	48.42	52.21	8
France	27.48	39.37	43
Switzerland	3.54	6.53	84
Romania	1.99	2.70	36
Belgium	1.68	2.63	56
Other species	37.04	39.69	7
Estonia	6.15	11.30	84
France	14.98	9.97	-33
USA	8.82	9.55	8
Canada	2.28	3.17	39
Germany	0.86	1.01	18
Total	234.79	285.95	22

Special report - Middle East

While varying by country, hardwood market prospects in the Middle East region are generally good. In the Eastern Mediterranean, the direction of the peace process has created uncertainty but recent estimates from the Economist suggest that, if a major conflict is avoided, economic growth in the region should remain strong. For example, growth forecasts for Israel and Jordan stand at 4.2% and 4.5% respectively. Oil price movements are a concern in some countries of the Gulf region, including Saudi Arabia, Kuwait, and Oman. These countries benefitted from the three-fold increase in the price of oil between 1998 and 2000, and their future economic prospects will depend to varying degrees on future trends in oil prices - forecast by many analysts to fall during 2001. However population growth in the Gulf region remains very high (100 million estimated to rise to 170 million by 2010), boosting demand for housing and other infra-structure. Meanwhile, the economies of the Gulf states are diversifying, and there has been a substantial increase in tourism. Currently there are 159 four and five star hotels being built in the Gulf region including Egypt. These factors are creating market growth for hardwood furniture, flooring and joinery. This month's special feature considers market prospects in five of the leading hardwood markets of the region: Saudi Arabia, United Arab Emirates, Egypt, Turkey and Israel.

Saudi Arabia

Expansion of hardwood imports

Saudi Arabia went through an unprecedented construction boom during the 1980s which generated huge wood demand primarily for softwood and plywood. The capital city of Riyadh with its current population of around 4 million was built in only two decades. Construction activity slowed during the 1990s, but offices and residences are still being built. The construction industry is still the largest user of imported wood, principally sawn softwood lumber. Residences and buildings in Saudi Arabia are constructed with cinder blocks, concrete and re-bar, but depend on softwood lumber for bracing and column/slab support. Hardwoods are used in finishing (indoor trim, door frames, doors, windows and interiors). Hardwood imports have been increasing at a faster rate than softwood imports, due to an expansion in local manufacturing of furniture, cabinets, doors, and windows.

About 55 countries supply wood and wood products to the Kingdom. Saudi Arabia has been a major buyer of hardwood plywood, notably from Indonesia. Plywood is used for interior partitions, panelling, and many other items.

The US is becoming a more important supplier of hardwood lumber to Saudi Arabia. The Kingdom is now by far the largest Middle Eastern market for US hardwoods. Saudi imports of US hardwood lumber increased by 25% between 1998 and 1999 to over 22,000 m³. This trend continued into 2000. Between January and September 2000 imports were up by 22.7% over the same period in 1999, reaching a volume of 19,926 m³. Red oak is by far the most popular US hardwood in Saudi, where it is used in up-market residences and offices, but interest in other species has been growing.

Trend to lighter hardwood

The growth in demand for US hardwoods partly reflects a growing trend in Saudi Arabia toward light hardwoods for residential and office interiors. The domestic furniture sector is also expanding. In 1998, the United States Foreign Agricultural Service (FAS) noted that locally-manufactured furniture accounted for around 30% of total furniture purchased in the Kingdom, and this percentage was expected to increase substantially. Wooden western style kitchen cabinets were unknown in Saudi Arabia until 15 years ago, but are now found in many newly constructed upmarket villas and demand continues to increase.

Malaysia is the leading supplier of tropical hardwood lumber, notably of meranti, to Saudi Arabia. However imports of Malaysian sawn lumber fell from 49,000 m³ in 1998 to around 42,000 m³ in 1999.

Use of veneers for offices and residential decor has been increasing, although data supplied by FAO suggests that volumes involved are still not substantial. There is some local production of veneers from imported logs. In 1998, the United States FAS reported that there are at least 2 companies in Saudi Arabia with rotary veneer peeler machines which import high quality logs from North America and Africa for veneer.

Wood importers and distributors in Saudi Arabia operate in a variety of ways. In some cases wood importers have offices in supplying countries such as the U.S. or Canada, where representatives purchase, consolidate, and ship to the Kingdom. In other instances, local procurement agents act on behalf of Saudi lumber merchants and arrange consolidated orders from foreign suppliers. Most traders import directly from Europe, but depend on agents for supplies from Africa and the Far East. Major importers have their own distribution network, supplying wood directly to their own factories, other manufacturers, joiners, retailers, and clients in the construction

Indicative Economic and Hardwood Import data for the Middle East Region

	Popul- ation 1999 Millions	GNP/ capita 1999 US\$	Pop. growth 1999 %	% urban pop. %	GDP growth 2001 (a) %	GDP growth 89-99 (b) %	Imports of selected wood products (c)			
							Hardwood sawn m3 (year)	Veneer m3 (year)	Plywood m3 (year)	Hardwood logs m3 (year)
Bahrain	0.7	7640	3.6	92	na	4.2	15100 (98)	300 (98)	17000 (98)	
Egypt	62.4	1390	1.8	45	4.9	4.3	219200 (98)	14000 (98)	293300 (97)	24100 (98)
Iran	63	1760	1.6	61	3.5	4.2	500 (98)	300 (98)	300 (97)	
Israel	6.1	na	2.5	na	4.2	na	44100 (98)	24500 (98)	53000 (98)	111000 (97)
Jordan	4.7	1430	3.1	74	4.5	4.9	64300 (97)	600 (95)	75000 (97)	1100 (97)
Kuwait	1.9	19020	4.6	97	na	2.9	27000 (96)	1500 (96)	68300 (96)	2000 (96)
Lebanon	4.3	3720	1.7	89	1.5	8.3	47200 (97)	3000 (97)	23500 (97)	2800 (97)
Oman	2.3	na	2.5	82	na	6.3	1316 (98)	663 (98)	4753 (97)	484 (98)
Qatar	0.8	na	4.4	92	na	na	6262 (97)	94 (98)	31587 (97)	50 (98)
Saudi Arabia	21.4	6500	3.5	85	2.5	2.2	80400 (98)	3500 (98)	424000 (97)	2800 (98)
Syria	15.7	1010	2.7	54	na	6.3	36300 (97)	2100 (98)	8900 (97)	279 (97)
Turkey	64.3	2900	1.5	74	4.8	4	102000 (99)	8000 (99)	12000 (99)	318000 (99)
UAE	2.8	17870	3.9	85	5.5	3.5	102000 (98)	4900 (98)	271000 (98)	1900 (98)
Yemen	17	350	2.9	24	na	4.8	105836 (98)	0 (97)	60676 (97)	224 (97)

(a) Growth forecasts from The Economist "The World in 2001"

(b) Estimates of long term forecasts from the World Bank

(c) Import data from UN FAO, year for which most recent data available shown in brackets

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sector. Others sell to local lumber merchants. Major ports for wood shipments are Jeddah on the Red Sea and Dammam on the Arabian Gulf. Significant volumes are also transhipped via the United Arab Emirates port of Rashid.

United Arab Emirates Trade centre for the Gulf

The UAE Federation comprises 7 Emirates with a population of 2.8 million. UAE plays an important role as a trade centre in the Persian Gulf. This role is being encouraged through government policy to diversify the economy, reducing dependency on oil revenue, and to transform UAE into a centre for sorting and distributing goods. UAE's role as a trade centre is further encouraged by the multi-ethnic nature of the population, more than two thirds of which are expatriates including nationals from other gulf states, labourers from India and Pakistan, Filipinos and British. The influx has meant that the population has doubled in only twenty years. It has also meant that the country has close trading ties with neighbouring countries. English has become the main business language. Unlike some neighbouring states, including Iran lying directly across the Straits of Hormuz, Dubai is well served by deep water ports.

In terms of per capita income, UAE is one of the wealthiest of the Gulf states. Abu Dhabi is the administrative centre, but Dubai is developing rapidly as a focus for business and tourism. Offices, hotels and luxury apartments are being built at a considerable rate. An estimated 2000 hotel rooms are under construction on Dubai's coastline, and office hotel construction in the centre of Dubai is equally frantic. Tourism is being boosted with the completion of a new airport at Dubai in April 2000.

Demand for lumber and plywood

FAO data indicates that in 1998 and 1999, UAE imported around 100,000 m³ of hardwood sawn lumber and 270,000 m³ of plywood. Malaysia and Indonesia are the leading suppliers of hardwood lumber and plywood respectively. Only limited volumes of hardwood logs and veneer are imported. UAE has few wood processing plants, so lumber must be imported. Up to 30% of the hardwood lumber imported into the country is re-exported to neighbouring countries. According to the Malaysian Timber Council, there are only 17 manufacturing establishments supplying doors, windows and other interior joinery products to the construction sector. Significant volumes of

semi-finished joinery items are therefore imported from Europe.

The hardwood lumber market in UAE is very price sensitive, with importers generally willing to compromise on quality to achieve lower prices. UAE imports significant quantities of lumber shipping dry despite the fact that there is only one importer in UAE with significant kiln capacity.

The construction sector is the leading user of hardwoods in UAE, accounting for around 75% of total volume used according to AHEC. The remaining 25% are used for decorative applications. Growth of the decorative sector has resulted from a massive hotel construction boom. Many of the architects and designers of the hotels were from European and American multi-national firms who brought in western fashions and tended to specify familiar materials. The considerable wealth of the nation has also meant that the highest quality materials are often used for interiors.

Meranti popular for construction

Malaysian meranti and mixed redwoods are the principle species used in the construction sector, while higher grade meranti is also used in the decorative sector. UAE is the largest market for Malaysian sawn lumber in the gulf, although import volumes declined slightly between 1998 and 1999, from 88,000 m³ to 77,000 m³.

By contrast US hardwood lumber exports to UAE saw significant growth between 1998 and 1999, volumes increasing 85% to around 10,500 m³, perhaps reflecting growth in demand for lighter coloured decorative wood. UAE has become a particularly important market for American ash.

According to CSIL, the Italian furniture industry research organisation, the furniture market in the UAE is one of the most promising in the Middle East. Furniture demand has recorded rapid and significant growth. Over the period 1996-99 the average annual increase in the demand for furniture was over 9%. The trend reflects rising demand for homes and apartments, and the development of tourism. A small local furniture industry has developed, comprising 97 manufacturers in 1998, but demand is mainly for imported furniture. In 1999 UAE furniture imports increased 22% on the previous year. The preference of local consumers is predominantly for classic style furniture from Italy, the UK and the USA, although recently consumers' tastes have been refined, becoming oriented more towards modern European designs. Malaysia has also expanded sales of rubberwood furniture over recent years.

Egypt

Furniture sector growth

Egypt has virtually no commercial forest production and therefore has to import all its wood needs. According to the US Foreign Agricultural Service (FAS), in 1999, total lumber imports amounted to 2,667,000 cubic meters, comprising 90% softwoods and 10% hardwoods. Several factors disrupted Egypt's hardwood trade during 1999 and 2000. First, there was a general economic slow down. Second, the nation's central bank instructed the Egyptian banks not to open letters of credit unless importers deposited 100% of the cash value of the imported products. Third, MDF utilization increased in the furniture sector, particularly for low end products, at the expense of hardwoods. Nevertheless, other factors suggest that the long term prospects for hardwoods in Egypt are good.

Hardwood is mostly used in furniture and floor manufacturing in Egypt, with only small quantities used for doors and kitchen manufacturing. Beech lumber accounts for over 80% of total hardwood consumption, while oak accounts for most of the balance. Small quantities of walnut, ash, cherry and maple are imported to supply a niche market for luxury furniture. Romania, Croatia, Yugoslavia and the United States are the main suppliers of hardwoods to Egypt. Romania has been the dominant supplier of beech, accounting for over 95% of supplies.

Increased use of white oak

Egypt has become a significant buyer of US hardwood lumber and veneer. Between 1998 and 1999, the volume of US hardwood lumber imports into Egypt increased by 10% to around 11,000 m³. The dominant species was white oak, comprising around 78% by volume during 1999. However during the first nine months of 2000, US hardwood lumber imports into Egypt were down by 21.4% on the same period the previous year. In the first three quarters of 2000, there was a significant increase in US hardwood veneer import value into Egypt. During this period, US\$1.9 million worth of veneer was exported from the US to Egypt, an increase of over 51% on the previous year. Egypt is now the most important market for American hardwood veneer in the Middle East.

The use of tropical hardwood lumber is very limited in Egypt. The quantities imported have been declining in the last few years, with few small shipments, mostly mahogany, being imported for the manufacture of luxury furniture. Tropical hardwood veneers are also declining due to increased substitution

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by artificial surfaces. However, temperate hardwood veneers, notably walnut, are still preferred over artificial substitutes.

Egypt has the largest population amongst Levant countries (Egypt, Jordan, Lebanon, Libya, and Syria), and one of the fastest growing in the world. This increase is creating demand for new housing. Residential construction is being boosted by government policy to develop at least 13 "new towns" away from the centers of Cairo, Giza, and Alexandria. Furthermore, Egypt is developing 130,000 new hotel rooms over the period 2000-2002, and implementing several infra-structure projects, to cope with rising demand for tourism.

The furniture sector has been growing rapidly over recent years. Domestic demand for furniture was estimated to be around US\$500 million in 1997 and the annual growth rate over the past three years has been 15%. The sector is expected to increase further to keep in line with a rapidly growing population and growing consumption oriented

middle class. Out of roughly 700 Egyptian furniture manufacturers, 550 specialize in the production of wooden furniture. Locally produced furniture is destined primarily for domestic use or the contract sector and is strongly influenced by traditional styles. There is however increasing interest in modern and design furniture. Exports of furniture from Egypt are mainly destined for the EU, the US, and neighbouring Middle Eastern countries. Exports to the EU are increasing particularly rapidly with annual growth of around 28%.

Furniture production, though mostly fragmented and scattered all over the country, has a large concentration in the port city of Damietta. Until recently, beech imports came almost exclusively through Alexandria port. However, several furniture manufacturers recently switched from purchases through traders in Alexandria to direct imports through Damietta. Around 30% of beech imports now come through Damietta.

The majority of hardwood importers are still very price sensitive. However furniture pro-

duction in the up-market sector is growing particularly rapidly and this is creating greater demand for higher quality hardwoods and for kiln dried material. Importers now prefer all wood shipments be kiln dried and cut in metric sizes.

The private sector now imports all of Egypt's lumber needs. Until the end of the 1980's, Societe Commercial De Bois (FABAS), the only remaining public entity in the industry, imported between 70 to 80% of Egypt's wood requirements. However, the company's competitive position faded to zero during the 1990s.

Turkey

Large domestic wood industry

Unlike other countries in the region, Turkey is almost self sufficient in wood supplies. The annual increment of Turkey's forests is around 32.5 million m³ and about 14 million m³ of round wood are harvested each year. A further 3 million m³ of poplar is harvested from agricultural areas. Turkey's domestic forests supply 90% of the nation's total

American hardwoods in the Middle East

The Middle East and North Africa has become an increasingly important destination for US hardwood exports over recent years. Between 1998 and 1999, US hardwood lumber exports to the region increased 16% from 57,562m³ to 66,970 m³, the major markets being Egypt, Israel, Saudi Arabia and United Arab Emirates. Data recently released by the American Hardwood Export Council (AHEC) indicates that the rising trend continued 2000. US hardwood lumber exports to the region reached 53,541 m³ during the first three quarters of 2000, up by 4.2% from 51,399 m³ during the same period in 1999. In terms of species, the countries of the Middle East and North Africa exhibit different preferences (see table).

	1999	2000
Saudi Arabia	16236	19926
UAE	8897	7535
Israel	6434	7395
Egypt	8070	6344
Lebanon	2227	3404
Malta	2479	2640
Jordan	1200	1795
Kuwait	2063	1213
Cyprus	936	916
Qatar	877	631
Morocco	291	470
Syria	768	457
Bahrain	166	324
Turkey	269	246
Oman	486	98
Iran		79
Tunisia		44
Yemen		24

US hardwood veneer exports to the Middle East and North Africa are also rising. Total exports were valued at US\$5.4 million in 1999, an increase of 15% over 1998. During the first 3 quarters of 2000, US veneer exports to the region were running at US\$3.9 million, a 1% increase over the same period of 1999. AHEC is committed to maintaining a marketing presence in the Middle East. During 2001, trade servicing visits are planned for Saudi Arabia, Egypt, Jordan, Lebanon and Kuwait. AHEC will exhibit at INDEX 2001 in Cairo, Egypt from 5-8 May 2001. The show is a spin-off from INDEX in Dubai, which has been running very successfully for the last ten years, and is aimed at the furniture and interiors trade and industry in the North Africa/Levant region. AHEC will also be exhibiting for a second time at INDEX in Dubai in October 2001.

Several AHEC brochures are being translated into Arabic, including the new Grading Guide providing guidelines on the NHLA grading rules, and an amalgamated version of AHEC's species and products brochures. Further information on AHEC's activities, including free on-line ordering of the AHEC brochures is available at www.ahec-europe.org. Further information can also be obtained from: Rod Wiles at: AHEC, 3 St Michael's Alley, London, EC3V 9DS, UK Tel 020 7626 4111, Fax 020 7626 4222, Email rod.wiles@ahec.co.uk

US hardwood lumber exports By Species to Leading Importers January to September - Volume m³

Saudi Arabia	
Red oak	14,454
Maple	1,834
Ash	1,382
White oak	539
Red alder	207
Cherry	180
Tulipwood	67
Walnut	54
Other	1,209
Total	19,926
United Arab Emirates	
Ash	3,603
Cherry	1,203
Maple	981
Red oak	721
White oak	320
Walnut	77
Tulipwood	32
Other	602
Total	7,535
Israel	
Maple	3,419
Cherry	1,680
Red oak	1,218
Walnut	247
Tulipwood	145
White oak	125
Other	561
Total	7,395
Egypt	
White oak	5,251
Ash	456
Cherry	251
Red oak	178
Maple	113
Other	95
Total	6,344

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wood consumption. The Turkish authorities forecast that both domestic wood supply and consumption in Turkey will slowly increase over the next decade.

A large proportion of Turkey's wood imports arrive in log form and is processed domestically. According to FAO, over 300,000 m³ of hardwood logs were imported by Turkey during 1999, a significant proportion of which derived from transition economies in Eastern Europe and Russia, and from Africa. The rising costs of transport has meant that there is a trend towards the import of higher quality logs. Turkey is also playing an increasingly important role as a regional supplier of veneers. Large veneer plants, many Italian owned, are importing hardwood logs from Europe, Africa and the United States. These mills are producing veneers using state-of-the-art Italian machines to supply both the domestic furniture sector and for re-export.

Turkey's economy recovered from a recession in 1999 to record growth of 5.6% in the first quarter and 5.8% in the second quarter of 2000. In part this reflected the success of a government economic stabilization program which brought inflation under control and allowed a cut interest rates.

The construction sector has been in recession since the mid 1990s. However demand in this sector was boosted last year by earthquakes in Turkey during 1999 which encouraged a switch to small wooden houses. Improvements in Turkey's underlying economy are also expected to filter through into the construction sector during 2001.

According to CSIL, the Italian furniture research organisation, over the period 1995-99 Turkish furniture production increased by an average of 5.2% annually, despite a slow down in 1999 when the sector recorded a drop of around 2%. During the same period, Turkey's domestic furniture market recorded significant growth with average rates of 7% annually. The growth trend is expected to continue.

Western furniture styles

Turkey's furniture industry boasts a long tradition of fine craftsmanship dating back to the 19th century. However, industrial production has become more important over the last 20 years, influenced by the need to supply a mass market following western tastes and styles. Although there are now larger and more technologically advanced companies, the sector still features a large number of small companies and labour intensive artisans' workshops specialising in wood carving and handiwork.

The largest Turkish furniture district, Siteler,

Malaysian exports of hardwood sawn lumber to the Middle East				
	Volume - m ³			
	1998 Year	1999 Year	1999 Jan-May	2000 Jan-May
UAE	88168	77192	25535	25128
Yemen	104944	66490	22099	23636
Saudi Arabia	49597	42774	12715	14814
Kuwait	8580	13994	5476	3899
Oman	366	3786	683	3881
Bahrain	13180	12499	3652	2643
Qatar	1603	2380	369	785

is located near Ankara and comprises over 5,000 companies. Istanbul and the region of Bolu-Duzce, which focuses particularly on wood furniture, make up the second district in order of importance. The general growth of the furniture sector in recent years has been accompanied by increasing international trade. Turkish imports and exports of furniture increased significantly over the period 1994-98. Improving export performance reflect both increased supply and improved quality. Furniture imports also increased due to growing domestic demand which is increasingly oriented towards European furniture.

Israel

Market dominated by beech

Like many other countries in the Middle East, Israel has virtually no forest and is wholly reliant on wood imports. Israel has been a significant importer of hardwood logs. According to FAO data around 110,000 m³ of hardwood logs were imported annually during the second half of the 1990s. These logs supply a domestic plywood and wood based panels sector, which in turn services the high demands of Israel's construction and furniture sectors. However over recent years, Israel's domestic wood panel industry has come under pressure as the construction sector has slowed and overseas competition has increased. Many manufacturers are now suffering financial problems, and some have been forced to close.

According to FAO, Israel's hardwood lumber imports were around 44,000 m³ in 1998 and 1999. Beech dominates Israel's hardwood lumber market, with supplies primarily sourced from Romania, Croatia, Slovenia, Bulgaria and, more recently, Bosnia. However imports of US hardwood lumber rose 26% by volume between 1998 and 1999, a trend which continued into 2000. During the first nine months of 2000, Israel's imports of US hardwood lumber reached 7395 m³, up 14.9% on the same period the previous year. A wide range of US hardwood species are now being imported, the most dominant being maple, cherry and red oak.

Limited volumes of tropical hardwood sawn

lumber are imported into Israel including sapele, wenge and wawa from Africa. A requirement for special import licenses from certain Islamic countries has limited Malaysia's impact on Israel's hardwood market. However there are some reports of growing interest in darker tropical woods amongst Israel's furniture manufacturers.

Veneers are a major component of Israel's wood imports. FAO indicate that Israel imported 24,500 m³ of veneer in 1998.

Much of the hardwood sawn lumber and veneer imported into Israel is destined for the furniture sector which comprises a few large companies and many small and medium sized firms. Many of the larger companies use panel products with a veneer covering, while smaller companies tend to rely more on solid timber.

Israel's rate of economic growth slowed during the late 1990s from the boom years earlier in the decade. The economy grew by only 2.2% in both 1998 and 1999, which compares with growth of around 6-8% during the early and mid 1990s when the government massively increased public spending to help absorb nearly 1 million immigrants from the former Soviet Union. Growth rates picked up considerably during 2000, with the Economist indicating a 7.3% increase in GDP in the 12 months prior to the end of the third quarter of 2000. Unlike the economic expansion of the early 1990s, which was led by government spending particularly in the construction sector, growth during the current economic recovery has been led by private-sector investment and growth in hi-tech industries. Growth in the construction sector has not been so rapid during the current recovery. According to the Bank of Israel "*Recovery from the recession was not reflected in the construction industry, which continued contracting in the first half of 2000, albeit more moderately than in 1999. Nevertheless, there were signs that the industry started to recover [in the second half of 2000], and the number of construction companies reporting a rise in the extent of work carried out exceeded those in which it continued to contract.*"

India

Major destination for teak logs

India has long been a potential market for hardwood logs for its plywood, furniture and joinery industries. But the recent logging restrictions on its own forests and the reduction of import tariffs has changed the game altogether and makes India now one of the top destinations for teak logs and a whole range of other tropical and temperate species. Teak, rosewood and walnut grown domestically and imported from many other sources have always been highly prized in a country that until recently has enjoyed a rich range of its own native species, which still feature strongly in Indian consumer taste. Therefore other preferred species are mainly tropical and dark in character. With a population of one billion and a deficit of hardwood India looks mainly to equatorial Africa (Ivory Coast, Cameroon and Nigeria) and the USA for selected species. India also buys any Asian hardwoods from Malaysia, Myanmar and Indonesia that are affordable. Recently the Ghanaian trade with India has been disrupted by Government export regulations intended to stop the export of boulders, documented as sawn lumber. Currently India also buys from South Africa, South America and New Zealand.

India has many ports through which logs pass including many major cities such as Mumbai, Mangalore and Cochin on the west coast and Kandla on the east coast are also centres for log import and trading.

Plywood demand trebled

Indian plywood mills are represented by the Federation of Indian Plywood and Panel Industry in New Delhi. India's demand for plywood, most of which has traditionally been supplied domestically, is said to have trebled over the past three years. With a protective import tariff of 67% the domestic industry continues to supply all grades from utility to decorative, using over 17 million cubic metres of logs per year, which is expected to rise by a further 20% in the next few years and to 25 million cubic metres by 2010 according to the Federation.

High import tariff rates on sawn lumber in the past meant that most importers bought logs rather than lumber, most of which had to be custom cut in one of India's thousands of small saw mills. However that appears to be changing as the Indian Government has restricted cutting of India's now environmentally precious forests and has introduced a programme of tariff reductions on imported wood material.

Russia

A recent report by the Bureau for Regional Oriental Campaigns, FoE Japan and JP&RC California, which received wide coverage in the press, highlights the continuing damage to one of East Asia's most important temperate hardwood resources through illegal logging.

Three simultaneous events – the opening of Asian markets, the privatisation of the Russian timber industry, and the decrease in government subsidies for the Russian Forest Service – have triggered a flurry of small, illegal timber operations. According to the report, illegal logging is flourishing due partly to weak federal legislation, declining budgets, and infighting among numerous federal and regional government agencies. It suggests that, having been deprived of central financing, local districts of the Russian Forest Service (leskhozy) had - until recently - been forced to seek alternative ways of raising funds. To cover their budgets some leskhozy had been abusing rules governing "salvage" or

"sanitary" logging, either cutting themselves or issuing licenses for others to log healthy and commercially valuable ash, Korean pine, and oak forests.

The report suggests that much of the illegally extracted wood is destined for markets in China, Japan and Korea. It is noted for example, that hardwood log exports to China from the Primorsky region of Russia have risen from 212,000 cubic metres in 1995 to 363,000 cubic metres in 1998 and to 450,000 cubic metres for the first three months of 1999. It suggests that ash, prized by the Japanese market, is being over-logged and extracted from along protected river basins, and that high quality oak and ash logs are being exported as pulp logs to Japan.

The report "Plundering Russia's Far Eastern Taiga" includes an extensive analysis of wood trade flows between the Russian Far East and leading regional markets. It also makes recommendations and conclusions to tackle illegal logging and calls for action. Details from www.foejapan.org

Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		17-Nov	29-Dec	26-Jan	17-Nov	29-Dec	26-Jan	17-Nov	29-Dec	26-Jan
Argentina	Peso	1.4222	1.4914	1.4566	0.9940	0.9984	0.9995	0.8522	0.9374	0.9215
Australia	Aus.\$	2.7433	2.6884	2.6826	1.9277	1.7997	1.8408	1.6437	1.6897	1.6971
Bangladesh	Taka	76.9898	80.8147	78.84	54.1000	54.1000	54.1	46.1284	50.7919	49.8775
Belgium	Belgian Fr.	67.3286	64.1847	63.7642	47.3112	42.9674	43.755	40.3399	40.3399	40.3399
Belize	B\$	2.8035	2.9428	2.8709	1.9700	1.9700	1.97	1.6797	1.8495	1.8162
Bolivia	Boliviano	8.9798	9.5006	9.3267	6.3100	6.3600	6.4	5.3803	5.9711	5.9005
Botswana	Pula	7.7217	8.0140	8.0559	5.4259	5.3648	5.5279	4.6265	5.0368	5.0965
Brazil	Real	2.8014	2.9129	2.8782	1.9685	1.9500	1.975	1.6785	1.8308	1.8209
Fr. Africa*	CFA Fr.	1094.8200	1043.69	1036.85	769.3200	698.69	711.49	655.96	655.96	655.96
Canada	Canadian \$	2.2202	2.2437	2.195	1.5601	1.5020	1.5062	1.3303	1.4102	1.3887
Chile	Peso	818.069	857.068	825.633	574.850	573.750	566.550	490.146	538.665	522.331
China	Yuan	11.7789	12.3648	12.0644	8.2769	8.2774	8.2786	7.0573	7.7713	7.6325
Czech Republic	Koruna	57.9743	56.2065	55.0554	40.7380	37.6265	37.779	34.7353	35.3257	34.8304
Denmark	Danish Krone	12.4468	11.8756	11.8005	8.7463	7.9499	8.0975	7.4575	7.4638	7.4655
Estonia	Kroon	26.1116	24.9085	24.7394	18.3484	16.6746	16.9762	15.6448	15.6550	15.6512
Europe	Euro	1.6691	1.5911	1.5807	1.1728	1.0651	1.0847	1	1	1
Finland	Markka	9.9237	9.4602	9.3983	6.9733	6.3330	6.4491	5.9457	5.9457	5.9457
France	Franc	10.9482	10.4369	10.3685	7.6932	6.9869	7.1149	6.5596	6.5596	6.5596
Germany	D-mark	3.2644	3.1120	3.0916	2.2938	2.0833	2.1215	1.9558	1.9558	1.9558
Ghana	Cedi	10374.40	10867.40	10346.90	7290.00	7275.00	7100.00	6215.85	6830.17	6545.87
Guyana	Guyanese \$	256.870	269.631	263.043	180.500	180.500	180.500	153.903	169.462	166.412
Hong Kong	HK\$	11.0994	11.6515	11.3665	7.7995	7.7999	7.7997	6.6502	7.3230	7.1909
India	Rupee	66.5634	69.7306	67.7353	46.7735	46.6800	46.48	39.8814	48.8256	42.8522
Indonesia	Rupiah	13491.0	14452.5	13771.5	9480.0	9675.0	9450.0	8083.1	9083.4	8712.4
Irish Republic	Punt	1.3145	1.2531	1.2449	0.9237	0.8389	0.8543	0.7876	0.7876	0.7876
Italy	Lira	3231.70	3080.79	3060.61	2270.89	2062.39	2100.19	1936.27	1936.27	1936.27
Japan	Yen	154.9330	170.5920	170.475	108.8700	114.2000	116.98	92.8280	107.2170	107.85
Kenya	K. Shilling	111.6420	116.5910	114.762	78.4500	78.0500	78.75	66.8904	73.2773	72.6036
Korea South	Won	1626.60	1889.66	1866.66	1143.00	1265.00	1280.90	974.58	1187.65	1180.93
Liberia	Liberian \$	1.4231	1.4938	1.4573	1	1	1	0.8527	0.9389	0.922
Malaysia	Ringgit	5.4078	5.6765	5.5378	3.8000	3.8000	3.8	3.2401	3.5677	3.5034
Myanmar	Kyat	9.3892	9.7491	9.5382	6.5977	6.5264	6.5451	5.6255	6.1216	6.0343
Netherlands	Guilder	3.6781	3.5064	3.4834	2.5846	2.3473	2.3903	2.2037	2.2037	2.2037
New Zealand	NZ\$	3.5636	3.3758	3.3455	2.5041	2.2599	2.2957	2.1351	2.1217	2.1165
Nigeria	Naira	159.814	164.318	161.760	112.300	110.000	111.000	95.753	103.274	102.337
Papua NG	Kina	4.3858	4.5338	4.5902	3.0819	3.0351	3.1498	2.6277	2.8495	2.904
Philippines	Peso	70.9416	74.6901	72.5008	49.8500	50.0000	49.75	42.5047	46.9425	45.8671
Poland	Zloty	6.5072	6.1732	6.0391	4.5725	4.1325	4.144	3.8988	3.8798	3.8206
Portugal	Escudo	334.611	318.986	316.896	235.128	213.540	217.454	200.482	200.482	200.482
Romania	Leu	35768.2	38726.8	38552.9	25134.0	25925.0	26455.0	21430.0	24339.7	24390.2
Russia	Rouble	39.5892	42.8034	41.3597	27.8190	28.6540	28.381	23.7199	26.9019	26.1659
Singapore	Singapore \$	2.4952	2.5903	2.5477	1.7533	1.7340	1.7482	1.4950	1.6280	1.6118
Solomon Islands	Slmn. Is. \$	7.3432	7.7119	7.5313	5.1600	5.1626	5.168	4.3997	4.8469	4.7646
South Africa	Rand	10.9529	11.3081	11.494	7.6965	7.5700	7.8872	6.5624	7.1071	7.2716
Spain	Peseta	277.704	264.736	263.002	195.140	177.223	180.472	166.386	166.386	166.386
Sweden	Krona	14.4488	14.0948	14.0586	10.1530	9.4355	9.647	8.6570	8.8586	8.8941
Taiwan	\$	45.8829	49.4179	47.4352	32.2415	33.0820	32.55	27.4907	31.0590	30.0095
Tanzania	Shilling	1139.90	1202.51	1173.13	801.00	805.00	805.00	682.97	755.78	742.17
Thailand	Baht	62.8299	64.8011	62.4016	44.1500	43.3800	42.82	37.6446	40.7273	39.4779
Uganda	New Shilling	2632.74	2640.30	2677.79	1850.00	1767.50	1837.50	1577.00	1659.42	1694.09
U.S.A.	US \$	1.4231	1.4938	1.4573	1	1	1	0.8527	0.9389	0.922
Venezuela	Bolivar	988.699	1045.290	1019.820	694.750	699.750	699.800	592.379	656.961	645.181
Vietnam	Dong	20580.9	21681.0	21193.5	14462.0	14514.0	14543.0	12331.0	13626.5	13407.9
Zimbabwe	\$	78.4271	82.3084	80.2973	55.1100	55.1000	55.1	46.9896	51.7307	50.7995

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

Association Profile - AEIM - Spain

Members - 150 Spain

AEIM, The Spanish Timber Importers Association is a non-profit organisation which represents timber importers (110) and agents of foreign companies (40). The main objective is the promotion of business for its members and the defence of their interests by providing a number of services including: a twice monthly newsletter, distribution of enquiries, member information on

its website, and participating at Spain's main timber trade fair - Maderalia. The Association is governed by sixteen members, representing all geographical regions of Spain. The board is headed by a President and three Vice Presidents each representing softwoods, temperate hardwoods and tropical woods. The Association is administered by a full-time Managing Director and participates in the European Hardwood Federation as well as ac-

tively cooperating with other international timber trade organisations. A list of members is published and available from the office in Madrid.

AEIM, Flora 3, 2
28013 Madrid, Spain
Tel (34)91 5479745
Fax (34)91 5473980
Website www.aeim.org

Hardwood Events

Date	Event	Venue	Target audience	Contact
2001				
19-20 Feb	FAO-GTZ-ITTO Seminar on Building Confidence among forest certification schemes	FAO, Rome, Italy	Certifiers, tropical wood industry, ENGOs	gina.phillips@fao.org
26 Feb-1 Mar	International Conference on the Application of Reduced Impact Logging	Kuching, Malaysia	Forestry	Thomas Enters, FAO Asia & Pacific Office Tel 66-2-281 7844; Fax 66-2-280 0445
6-10 Mar	Malaysian International Furniture Fair	Putra, World Trade Centre Kuala Lumpur	Furniture manufacturers Suppliers	Web: www.miff.com.my , Tel: 603 982 2888 Fax: 603 986 1551, info@miff.com.my
14-16 Mar	IWPA 45th Annual Convention	Condado Plaza San Juan, Puerto Rica	Timber trade and industry	IWPA - Tel (703) 820-6696 Fax (703) 820- 8550
4 Apr	Workshop on the impacts of logging on mahogany in Brazil	Oxford, UK	Forestry, timber trade Environmental	Nick Brown, Oxford Forestry Institute nick.brown@plants.ox.ac.uk
18-25 April	16th Commonwealth Forestry Conference	Fremantle, Australia	Forestry	Libby Jones, UK Forestry Commission, Tel 44-(0)-131-314 6137; Fax 334 0442;
18-22 May	Interzum	Cologne Fair	Furniture industry	Koln Messe, www.koelnmesse.de Tel: +49 221 8210 Fax: +49 221 2574
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe, www.Fair.de email ligna@Fair.de
28 May-2 Jun	30th Session of the International Tropical Timber Council	Yaounde, Cameroon.	Government and tropical timber trade	ITTO, Tel: (81-45) 223-1110 Fax: (81-45) 223-1111
7-8 Jun	American Hardwood Export Council Southeast Asia Convention	White Swan Hotel Guangzhou, China	Trade, manufacturers architects, designers	AHEC Washington DC Tel: (202) 463 2720 Fax: (202) 463 2787, www.ahec.org
25-26 Oct	American Hardwood Export Council European Convention	Dublin	Timber trade	AHEC London, Tel (+44) 0207 626 4111 Fax, (+44) 0207626 4222

Paris Salon du Meuble

France, 11-15 Jan 2001

Cologne Furniture Fair

Germany, 15-21 Jan 2001

Hardwoods featured strongly in many product lines of international furniture producers in the first of the major European furniture shows – Salon du Meuble in Paris in January. 1,500 exhibitors from 38 countries displayed their new models to international visitors expected to total 50,000, of which 20% were from overseas. It was noticeable that the trend of European markets continues to favour temperate hardwoods with oak and beech still the leading species in Paris. At the top end of the market, which accounts for about 10% of all furniture, cherry and to a lesser extent maple are also holding their appeal for European manufacturers. The show this year saw greater use of European cherry than ever before. The mood of the show was very positive with many producers reported to be taking orders at an early stage. The European furniture market, which advanced by 12% in imports

last year, is a net importer of finished product much of which is also traded across, but within, EU borders. It is dominated by Germany, with France and UK second and third respectively. The leading furniture exporting country is Italy, which continues also to lead in design and act as trend-setter. This year's Paris show was far less traditional in terms of design and there was clear evidence of the influence of international design and changes in consumer taste towards clean lines and light coloured woods. Not much furniture aimed at European buyers is now made using tropical hardwood, with the exception of a few dark species used to contrast with lighter coloured temperate hardwoods. The progress of substitute materials such as vinyl foils also seems to have slowed down with a renewed emphasis on real wood in both solid and veneer. But the most welcome trend for the American and European hardwood industry was clearly the return to fashion of oak for modern and traditional European furniture.

Following immediately on from the Paris

show, Germany's leading furniture show reflected a similar mood of optimism. 1,617 companies from 49 countries exhibited. Two thirds were foreigners, primarily from other EU countries but including some US and Asian firms. The German furniture sector has entered a period of growth after a lengthy slowdown. In the first 9 months of 2000 sales rose by 2.5% compared to the previous year. Annual sales are running at DM 43 billion (US \$21 billion) and the industry expects to achieve a further increase of 2-3% this year. The living, dining and bedroom sectors are growing as consumer spending expands, whereas kitchen furniture is in decline due to the weak construction sector. There has been some rationalisation as German manufacturers have shifted facilities to low cost Eastern European countries. The German industry now comprises 1,410 plants, 60 fewer than in 1999. German furniture companies have invested over 200 million euros in 120 plants in the east.

Sapele supply lower this year

In the midst of the dry season, there are regular shipments of sapele from Cameroon, and there are reports that relatively large stocks have built up in northern European markets. However continuing delays in the issue of new logging licenses in Cameroon have meant that most consignments are running late. New concession regulations have meant that overall levels of supply this year may be significantly lower than previous years. Stocks of logs at mills are reported to be below levels common at this time of year. **Page 3**

Partial switch to meranti forecast

FOB prices for sapele are holding firm for the time being despite continuing price weakness of Malaysian meranti, a competitor in northern Europe. The price gap is now so wide that at least a partial shift to dark red meranti in northern Europe is widely expected during the first half of 2000. Since sales of sapele are generally invoiced in euros and sales of meranti in dollars, the switch may be more pronounced if the euro-dollar exchange rate continues to strengthen. **Page 3/4**

High meranti inventories

Meranti sawn lumber inventory levels remain high in northern Europe, and some of the largest European importers report that stocks are moving only slowly despite weak prices. Importers complain that having bought stocks earlier at higher prices, they are now losing money as forward prices have fallen. Forward prices for dark red meranti sawn lumber remained very weak in the run-up to the Chinese New Year vacations, as shippers sought to offload remaining stocks. **Page 4**

Liberia prospects uncertain

Future trade prospects with Liberia are uncertain. The USA and UK are working on a UN resolution that would impose mandatory worldwide sanctions on Liberia until it ceases supporting the Revolutionary United Front (RUF) rebels in Sierra Leone.

Over the last two years Liberia has emerged as a significant supplier of logs to France (notably niangon), to several southern European countries, and to the Far East. **Page 3**

Amazonian off-season

The Amazonian region is now well into the rainy season, and log supplies will inevitably tighten until May or June. Shipments of Brazilian mahogany sawn lumber are now drying up. However the export ban on mahogany and cedar sawn lumber introduced in Peru at the start of the last logging season is being relaxed to some extent. **Page 5**

Japan's tropical wood downturn

The latest projections released by Japan's Timber Supply and Demand Conference indicate generally falling levels of demand during 2001. Overall imports of logs, lumber and plywood are forecast to fall by 2.3% during 2001 compared with the previous year. Demand for Southsea and African logs is expected to see the highest rate of decline, down 10%, continuing a trend underway since the early 1990s. **Pages 1/4**

Uncertain US domestic demand

US domestic demand for sawn hardwood lumber has slowed since November as the economy has cooled. Market developments are hard to predict given the schizophrenic state of the US economy. The manufacturing sector, including furniture, is in the grip of a sharp downturn. On the other hand, there are still healthy levels of consumer confidence, which should be boosted further by interest rate cuts and plans by the new administration to cut taxes. Despite talk of recession, the evidence still points to a soft landing in the US. **Pages 6/7, Editorial p.2**

Good American prospects in Europe

Market prospects for American hardwoods in Europe appear better now than in the second half of last year due to the strengthening euro-dollar exchange rate, low inventories, and forecasts of solid economic growth in Europe this year.

Demand for US hardwoods in many Asian countries, which are heavily dependent on exports of manufactured products, will be affected by developments in the US economy. **Pages 6/7**

Beech market turmoil

Over a year on, the market for European beech continues to feel the effects of the central European storms during December 1999. Demand this season both in Europe and China, the major export market, has been subdued due to excess stocks which built up during the course of last year. Severe imbalances have also arisen on the supply side. By contrast, demand for European oak remains firm. **Page 8**

Strong showing at furniture fairs

Hardwoods featured strongly in many product lines of international furniture producers in the first of the major European furniture shows during 2001, the Paris Salon du Meuble and the Cologne International Furniture Fair. The trend of European markets continues to favour temperate hardwoods with oak and beech still leading species. Cherry and to a lesser extent maple are also holding their appeal for European manufacturers. **Page 15**

Middle East special

Hardwood market prospects in the Middle East region are generally good. In the Eastern Mediterranean, the direction of the peace process has created uncertainty but analysts expect that if a major conflict is avoided, economic growth in the region should remain strong. Oil price movements are a concern in some countries of the Gulf region, however population growth is very high boosting demand for housing and other infra-structure. Economies are also diversifying, generating demand for hardwoods in other sectors, notably furniture and tourism. This month's special feature considers market prospects in five of the leading hardwood markets of the region: Saudi Arabia, United Arab Emirates, Egypt, Turkey and Israel. **Pages 10-13**