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**Contents**

Forest certification - mutual recognition	1/8
CEPI comparative study	8
Pan European Forest Certification	9
Industry propose global system	9
FSC - recent developments	9/10
Malaysia and FSC co-operation	10
Sustainable Forestry Initiative	10
Editorial - New era for forest certification	2
African Hardwoods	3
Asian Hardwoods	4/5
Malaysian sawn lumber	4
Asian economy	4
Indonesia	4/5
Myanmar	5
Asian Plywood	5
North American hardwood trade	6/7
US Economy	6
European Hardwoods	11
Eastern European forestry	11
South American Hardwoods	12
FAO global forest resource study	12
China's accession to WTO	13
Papua New Guinea	14
Profile: AF&PA	15
Hardwood Events	15
News summary	16

**Statistics in this issue**

■ Area of FSC certified forest	10
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## Forest certification transformed

The year 2000 saw a major transformation in the forest certification landscape. After half a decade dominated by the Forest Stewardship Council (FSC), the area of forest certified under alternative initiatives overhauled that of the FSC. The certified forest products trade networks, run by the World Wide Fund for Nature (WWF), continued to expand during 2000 - notably in North America. But there are signs that some buying companies are relaxing their exclusive commitment to FSC in recognition of the strides made by other schemes. While this new era of forest certification holds out the promise of more widely available certified forest products, it is also creating a whole new set of challenges. The presence of a wide variety of "sustainable forestry" certification schemes and labels may lead to market confusion and increase the chances of bogus certificates reaching the market. Forest products suppliers may find that customers in different sectors or parts of the world are demanding different labels - raising costs of compliance and creating obstacles to trade.

### International seminar

It was with the intention of tackling these issues that the Confederation of European Paper Industries (CEPI) facilitated a two day international seminar on the "mutual recognition of credible forest certification schemes" in Brussels at the end of November. The seminar brought together 54 individuals representing the leading forest certification schemes; industry, trade and forest owner organisations; interested government organisations including the European Commission and the UN's FAO; and independent experts.

The strength of attendance at the seminar is one indication of the growing level of

support within the forest sector for an international framework for mutual recognition of forest certification schemes. Such a framework would establish international rules and procedures for the development of reciprocal agreements whereby credible forest certification schemes recognise other "equivalent" schemes. Schemes entering into these agreements would then enjoy the shared use of trademarks and labels. Suppliers operating under one national or regional system of forest certification would gain access to markets in other parts of the world. Customers would only have a limited number of labels to contend with.

The Brussels seminar began with two presentations from forest industry organisations that are contributing to the development of an international framework system for mutual recognition. CEPI has been involved in gathering and distributing comparable information on forest certification schemes (see page 8); while the International Forest Industry Roundtable (IFIR) has set out preliminary proposals for an institutional framework for mutual recognition (see page 9). These were followed by two presentations from organisations already operating international forest certification schemes which could conceivably provide an international institutional framework for mutual recognition; the Pan European Forest Certification scheme (PEFC), and the FSC.

### The PEFC model

As PEFC already operates a mutual recognition framework at European level, it is one possible starting point for the development of a global system (see page 9). PEFC Director Ben Gunneberg highlighted at the seminar that PEFC could provide a model for other regional or continental systems

*Continued page 8*

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## **Editorial**

### **A fresh look at forest certification**

Independent forest certification has become a core area of international forest policy debate. It is an idea which has great potential. It has been promoted as a tool both to improve the public image of the forest sector and to bring the enormous power of the market to bear in encouraging progress towards sustainable forest management.

But so far the results of the huge international effort to develop forest certification schemes have been disappointing. Instead of encouraging improvements in forestry in regions where there are serious forest problems, notably the tropics, certification has simply identified better practices where these already exist. Most certification has taken place in western developed countries with stable forest policies and institutions.

Meanwhile, certification's role as a communication tool has been constrained by the lack of availability of certified wood products. The current situation, whereby the vast majority of products are uncertified, tends to undermine the image of wood.

Uncertified wood is now equated with "unsustainable" wood. To take one vivid example, the architects responsible for the design of the Millennium Bridge across the Thames in London originally specified that hardwoods should be used during construction. However, this specification was amended to aluminium when the architects discovered there was insufficient certified wood available. The implication seems to be that aluminium is more environmentally acceptable than uncertified wood.

Forest certification's failure so far partly reflects the rigid attitudes of those promoting it. Most existing systems of forest certification demand standards of forestry performance that reflect best practice norms set by more privileged and wealthier forest owners and managers. Environmental groups have inevitably supported this approach in their advocacy of the highest possible standards of forest management. Equally, big buying organisations in the western world have sought to demonstrate their high moral stature by endorsing the views of environmentalists, and by requiring that their suppliers implement high and consistent standards of forest management.

While there appears to be virtue in demanding the highest possible forestry standards, questions should be raised over the practical effects of an elitist approach to forest certification. There is clear evidence that it is already creating a two tier pattern of trade dividing markets in the western world from those in the tropical developing world. Demand for certified forest products still derives almost exclusively from large corporations based in Europe and North America. On the supply side, only around 3 million hectares of forest land have been independently certified in the developing world, all by the FSC. This contrasts with around 62 million hectares in the developed world including 30 million hectares under the PEFC scheme; 17 million hectares under the FSC; 12 million hectares under the American SFI scheme; and 3 million hectares under the Canadian CSA scheme.

However there are encouraging signs that this imbalance may at last be addressed. This month **hardwoodmarkets.com** includes coverage of a seminar held in Brussels to discuss the development of an "international framework for mutual recognition of credible forest certification schemes". Implicit within mutual recognition is the idea that countries should develop forest certification schemes to reflect national needs and locally agreed definitions of good forest management. Mutual recognition places less emphasis on the absolute level of forestry performance, and instead focuses on the quality of institutional arrangements for forest certification - such as the independence of certifiers and the inclusive nature of participatory processes.

Within an international mutual recognition framework, tropical countries should have scope to develop step-wise certification systems for poorer producers that recognise reasonable progress towards the ultimate goal of sustainable forest management. In the process, certification should become a much more powerful and widespread tool to promote sustainable forest management. These ideas will be explored further at another international seminar to be held in Rome in February, facilitated by FAO, ITTO and GTZ with the aim of providing tropical producers with an opportunity to express their views on forest certification.

Rupert Oliver.

# African Hardwoods

## Weakening dollar opens price gap

The rains have now come to an end in the tropical supplying regions of Africa north of the equator and, in early January, operations are just getting underway following the lengthy Christmas slowdown. Lack of availability is likely to be a persistent problem for the African tropical hardwood trade owing to increased logging controls and limited forest resources in some countries. However, if the dollar continues to weaken against the euro and British pound, it could have a dampening effect on prices.

## Sapele prices less competitive

The weakening dollar has meant that prices for sapele sawn lumber are now significantly higher than prices for Malaysian dark red meranti. Whether this will lead to a downward adjustment in price will depend on availability during the course of the current logging season and the strength of European demand. The last factor will be partly determined by the willingness of European joinery manufacturers, notably in the large Spanish and Portuguese markets, to switch back to the Malaysian *shoreas*. For the time being, the leading shippers in Cameroon are reporting that orders for sapele are booked through until April.

Despite some political tensions, and a close

result, Ghana's presidential election in December was largely peaceful. The election ended in victory for John Kufour of the New Patriotic Party, defeating John Atta Mills of the ruling National Democratic Congress. Although the election marked a defeat for President Jerry Rawlings anointed successor, the change in leadership is unlikely to lead to any swift changes in forest policy. Supplies of primary wood products from Ghana are expected to become more constrained, as the country focuses on valued added products. Most recently the Ghanaian Ministry of Lands Forestry issued a statement in December 2000 noting their concern over the increasing volume of timber species and volumes exported as either air dried or kiln dried boules, despite relatively low financial returns compared with further processed products. As a result the Ministry announced that with the exception of niangon and black ofram, no other species of timber should be allowed for export as boules. Consequently all approved contracts for boules of species other than niangon and black ofram must be completed and shipped by 31 January 2001. The political situation in Ivory Coast has now stabilised after the disruptions during and after last year's elections. However, as current supply problems reflect underlying resource constraints, there is unlikely to be any significant change in the supply situation.

## Shift away from iroko

The move away from iroko by importers in both Ireland and the UK is becoming increasingly evident. The trend is consistent with limited availability of iroko from Ivory Coast and Ghana which has led to rising prices. Iroko is being substituted in joinery applications by other African species including framire and sapele, although it still finds a market in those applications (such as garden furniture) where there are no suitable alternatives.

The rainy season is now underway in Gabon, resulting in much reduced log availability. According to a report from the *Le Commerce International du Bois*, exports by the Gabon parastatal timber export company SNBG are expected to have reached around 1.65 million m3 during 2000. Exports by SNBG, which holds a monopoly over the Gabonese trade in okoume and ozigo to traditional markets primarily in Europe, were considerably higher in 2000 than the previous year. In 1999, SNBG exported 1.19 million m3 of

## African logs indicative prices

	Oct	Nov	Dec
Exchange rates			
Fr.F/£	11.32	10.95	10.44
<b>CAR &amp; Congo (Brazzaville)</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>N'gollon</b>			
70+ (20% 60-69)	1600	1600	1600
<b>Bosse 60+</b>	1650	1650	1650
<b>Ayous 70+</b>	1200	1200	1200
<b>Sapele</b>			
80+ (20% 70-79)	1950	1950	1950
<b>Sipo</b>			
80+ (20% 70-79)	2500	2500	2500
<b>Gabon</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>Acajou</b>			
70+ (20% 60-69)	1300	1300	1300
<b>Sipo</b>			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
<b>Liberia</b>			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
<b>A. mahogany</b>	190	200	200
<b>Walnut</b>	190	200	200
<b>Iroko</b>	280	280	280

timber. During the first 10 months of 2000, SNBG had exported 1.33 million m3 compared with only 0.94 million in the same period of 1999. Although SNBG is actively seeking new outlets and to diversify markets for its wood products, the government's commitment to further processing may lead to a decline in overall export volumes during 2001. The Gabon government has announced that 20% of all wood produced in Gabon during 2001 must be processed prior to export, compared with only 7% during 2000.

## Operations in Congo Basin

Production in the newly privatised forest enterprises of northern Congo (Brazzaville) is reported to be progressing well. Limited volumes of redwoods such as sapele and sipo should be available from this region during 2001. At present, the roads between the northern Congo (Brazzaville) and the port of Douala in Cameroon need maintenance work. In the meantime, some operators in Congo (Brazzaville) are planning to ship wood out of the port of Matadi in the Democratic Republic of Congo (former Zaire). The former Zaire is reported to be more stable politically as the government and rebel forces have reached a stalemate. However the country remains divided between the two factions, and there is still great uncertainty as to whether any timber will be extracted from there this season.

## African Sawn Indicative Prices

	Oct	Nov	Dec
Exchange rates			
Fr.F/£	11.32	10.95	10.44
<b>Cameroon, CAR, Congo (Braz.)</b>			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	3550	3600	3550
<b>Sipo</b>	4500	4500	4500
<b>Bibolo</b>	2750	2750	2750
<b>N'Gollon</b>	3500	3500	3500
<b>Afromosia</b>	5600	5600	5600
<b>Iroko</b>	3700	3700	3700
<b>Cote d'Ivoire</b>			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
<b>Iroko</b>	3650	3650	3650
<b>Mahogany</b>	2750	2750	2750
<b>Framire</b>	2050	2100	2100
<b>Samba No.1 C&amp;S</b>	1525	1525	1525
Dimension stock			
<b>Azobe</b>	2500/ 2900	2500/ 3000	2500/ 3000
<b>Opepe</b>	2100/ 2800	na na	na na
<b>Dabema</b>	1950/ 2550	1950/ 2550	1950/ 2550
<b>Gabon</b>			
Fr. Francs/m3, FOB			
Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	2250	2250	2250
<b>Okoume KD</b>	2500	2500	2500

# Asian Hardwoods

## Malaysian sawn timber

### Turning a corner

The market for Malaysian dark red meranti sawn lumber may be turning a corner. After several months characterised by sluggish demand and sliding prices, two factors have come into play since the beginning of December. First, production has slowed considerably with the onset of the monsoon and lengthy holiday season throughout the Far East. Many mills have curtailed operations and stocks are reported to be relatively low in Malaysia. This situation will not change until at least after the end of the Chinese New Year at the end of January.

Second, the dollar has weakened against the major European currencies, increasing the price differential between dark red meranti and sapele, the leading African alternative. CIF prices to European importers for dark red meranti have fallen by up to 20% over the last 5 months.

Market feedback during December indicated that there was very little buying of Malaysian sawn lumber in all the principal European markets including the Netherlands, Germany and the UK. In the first week of January it is difficult to gain a firm picture of the real market price level, as trading in the main European markets has yet to gain momentum. Trading companies note that stocks on the ground in Europe are still reasonably high, reflecting the very low levels of demand for Malaysian sawn lumber during the closing months of last year. The big question is the extent to which the European joinery sector will be willing to make a fundamental switch from African to Malaysian redwoods now that the relative price position has changed.

### Price rises?

Most contacts suggest that European stocks of dark red meranti should now start to shift reasonably quickly. Given the lack of depth in Malaysian supply and the likely unwillingness of Malaysian exporters to sit on low prices for long, many are forecasting price rises during the early part of 2001. But of course, much will hinge on the direction of exchange rates and the development of demand.

Keruing prices are weak and may remain so. Demand and prices for keruing were propped up during 2000 by demand from the USA and Japan, neither of which now appear particularly buoyant.

The market for yellow balau decking is overcrowded and demand has been slow over recent months.

### Asian Sawn Lumber Indicative Prices

	Oct	Nov	Dec
Exchange rates:			
M\$/£	5.49	5.41	5.68
US\$/£	1.44	1.42	1.49
M\$/US\$	3.80	3.80	3.80
<b>Malaysia</b>			
All prices US\$/ton, C&F UK port			
<b>West Malaysian Dark Red Meranti</b>			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7 7/8"; Length: 8'+ avg 12 1/4'			
1"	770	740	730
2"	775	750	740
2.5"	780	760	755
3"	790	785	780
<b>Keruing</b>			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	555	540	540
<b>Kapur</b>			
Grade: Standard & Better GMS			
Size: Width 6"+, avg 7"-8"; Length 16'+			
1"-3" plnd	565	555	555
<b>Myanmar Teak</b>			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	2650/ 3500	2650/ 3500	2650/ 3500
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

## Asian Economy

### Losing steam

The signs are increasing that Asia's recovery will lose steam during 2001. The region's revival after the financial crises of 1998 has been fueled largely by America's booming economy which has sucked in more imports. In 1999, Asia's emerging economies grew by 7% on average. Now however, growth rates are beginning to slow. After expanding by 7.8% in the first half of this year, the Economist suggests that real GDP is growing by only 3% or so in the fourth quarter. Overall growth may slip by two percentage points in 2001, to only 5.4%. This is a worrying trend, given the on-going weakness of Asian banks and a sharp rise in public debt. To a large extent, the slowdown reflects declining opportunities on export markets. The main source of demand for these exports - particularly for electronic components has been the United States. And even though there is a large volume of intra-regional trade, many supply chains ultimately feed demand from America and Europe.

Slowing export demand will hit some countries much harder than others. India exports only around 13% of GDP and will therefore be little affected. Growth in China is also expected to continue strongly during 2001. Singapore has relatively strong banks, and its government has room for a fiscal stimulus next year. But most other countries are forecast to see a severe slowdown. South Korea, Taiwan, and Thailand are suffering to varying degrees from weak banks or rising levels of public debt. Indonesia and the Philippines are widely expected to be hardest hit.

And yet, such has been the rate of recovery from the Asian crises, even a big slowdown is likely to leave the region one of the fastest growing in the world next year. Realising that prospect might yet spare the region's stockmarkets from further beatings.

## Indonesia

### Mission to tackle illegal logging

The Indonesian Minister of Forestry, Dr Ismail, and ITTO's Executive Director, Dr Sobral, met in Jakarta on 11 December to plan an ITTO mission to the country. A major aim of the mission is to assist in the formulation of an action plan with 'strong measures' to combat illegal logging which is widely acknowledged to be widespread in Indonesia. It includes the taking of timber from designated conservation areas, the over-logging of production forests, the smuggling of timber across national boundaries, and corrupt practices along the trading chain.

Speaking after the meeting Dr Sobral, was keen to emphasise some positive aspects of Indonesian forest policy. He said that Indonesia had made progress in declaring conservation areas in tropical forests, including two large parks on the border with Malaysia on the island of Borneo. Sobral noted that, with funding from the governments of Japan and Switzerland, ITTO is already providing support for the 850,000-hectare Betung Kerihun National Park bordering the Malaysian state of Sarawak. A new project - funded by the governments of Japan and Switzerland and implemented by the Ministry of Forestry in collaboration with the World Wide Fund for Nature Indonesia - has just commenced to strengthen the management of the 1.4 million-hectare Keyan Mentarang National Park on the border with Sabah. Dr Sobral suggested that the strengthening of these

**Continued page 5**

## Asian Economy *cont.*

'transboundary' parks could contribute to combating illegal logging in Indonesia. Perhaps so, but the problems of illegal logging in Indonesia run so deep that much more concerted action will be required. The depth of the problem was recently highlighted in a study by the Indonesia-based Centre for International Forest Research (CIFOR). The study "Wild Logging" by John McCarthy involved an in-depth analysis of the Indonesian illegal logging sector at district level, using the District of South Aceh, on the Island of Sumatra as a model. The paper highlights how illegal logging has become institutionalised and endemic within Indonesia.

## Vested interests in illegal logging

McCarthy describes a vicious circle whereby the whole community gains a vested interest in illegal logging. The process begins with local entrepreneurs who seek accommodations with some local government officials willing to operate outside legal norms. The entrepreneurs then encourage local villagers to provide labour for illegal logging operations, for whom they pay taxes to the local leaders. In this way community members face losing out completely unless they join the logging network. As the control of community leaders over community property comes under challenge, they respond by attempting to ensure the village benefits from the illegal operations. Consequently the community leaders become involved in the wider web of patronage surrounding logging. In the absence of other opportunities, the illegal operations have given impoverished villagers an (unsustainable) survival income. But at the same time they have created a serious obstacle to bio-diversity conservation. Solutions to these problems will take time, requiring a drawn out process of community consultation and consensus building, to develop workable systems of resource regulation. In areas where illegal logging has taken root, there will be a need to find alternative sources of income that do not involve unsustainable forestry practices. But McCarthy's conclusions are grim: "*it will be difficult for project interventions to succeed before widespread environmental damage has occurred. The community may not shift to other activities before logging becomes economically unviable*".

## Myanmar

### Teak exports down

Myanmar exported 217,627 m<sup>3</sup> of teak in the first eight months of this year, 12.6 percent less than the same period of 1999, according to the latest figures released by the country's Central Statistical Organization. During the same period, the country exported 349,363 m<sup>3</sup> of other hardwoods, 10.9 % more than the corresponding period of 1999. Export earning from teak and hardwood totalled US\$160.5 million during the eight-month period. Timber has become Myanmar's second largest export earner after agricultural products. Foreign exchange from the export of timber accounts for about 20% of Myanmar's total export earning. Myanmar's forest covers 50 percent of the country's total land area, a 7-percent reduction compared with 1962. Myanmar currently has plans to increase the reserved and protected public forest areas to 30% from 18.6% respectively. Myanmar has also established 30,375 hectares of forest plantations annually, including 8,100 hectares of teak plantation.

## Plywood

### Indonesia imposes export controls

In a move designed to counter the long term weakness in plywood prices, and to improve quality control over Indonesian plywood, the Indonesian Government and APKINDO have announced their intention to implement a "self-imposed" quota on the export of plywood. In addition, all exporters will have to be registered in order to export plywood.

### Supplies to Japan to be held steady

The plywood working committee, established by Japan, Indonesia and Malaysia, decided last month on plywood supply volumes to Japan during the year 2001. Total volume would be maintained at 7.2 million m<sup>3</sup>, equivalent to the level of supply in 2000. 3 million m<sup>3</sup> would be supplied from Japan's domestic mills; while 2.5 million m<sup>3</sup> and 1.35 million m<sup>3</sup> would be imported from Indonesia and Malaysia respectively. The remaining 350,000 m<sup>3</sup> would be supplied by other countries.

## African forestry

### Vast new protected area

Three Central African nations agreed in December to co-operate in the creation of the Sangha Park, an area protecting more than one million hectares. The agreement between Cameroon, the Republic of Congo and the Central African Republic is being hailed as the first of its kind in Central Africa. It will link the protected zones of Lobeke national park in Cameroon, the Dzanga-Sangha in the Central African Republic, the Nouabale-Ndoki park in the Republic of Congo and the production forests and hunting zones that surround each of those parks. The countries are planning to implement a common management system to counter poaching and regulate logging.

The announcement came during a ministerial meeting also attended by representatives from Chad, Equatorial Guinea and Gabon. Ministers had gathered to agree on ways to implement the Yaounde Declaration, a 12-point resolution signed last year by the six Central African heads of state on the conservation and sustainable management of the forests of the Congo Basin. The six countries agreed to a series of measures, including the creation of a trust fund to implement forest protection programmes, and the establishment of a coordinating body based in Yaounde.

## American hardwoods

### EN structural testing underway

As part of their on-going promotional programme targeted at architects, the American Hardwood Export Council (AHEC) has commissioned the UK's Building Research Establishment to evaluate structurally several commercial American hardwood species including white oak, red oak, ash, and tulipwood.

The aim of the project is to use European approved testing procedures in order to establish strength classes (D ratings) for each species for comparison to EN 338 "Structural Timber - strength classes". EN338 is an important tool for specifiers to establish the most efficient and cost effective way of using timber within structural design. However, at present EN338 only provides technical information for a very limited number of hardwood species, mostly tropical. In the interim, structural design information for 3 key American species including white oak is available in the AHEC publication "Guide to American Hardwoods - Species."

# North American Hardwoods

## US Economy

### Hard or soft landing?

After weeks of distraction over the presidential election, America's attention is focusing once again on the economy. It is clear that underlying worries about the US (and hence the world) economy are intensifying. However there is still great uncertainty over whether the economy will achieve a "hard" or a "soft" landing.

There is now unmistakable evidence of a slowdown. America's GDP growth fell to an annual rate of 2.4% in the third quarter of 2000, its lowest for four years. Durable goods orders fell by 5.6% in October. Company inventories are rising. Rising oil prices and slowing sales are squeezing corporate profits. The plunge in the Nasdaq index for technology shares, which is down 45% from its peak in March 2000, means that American households have seen almost \$2 trillion wiped off their wealth.

### Access to credit more difficult

There are also signs that credit markets are not as liquid as they were as investors flee risk - a factor which is seen as particularly dangerous for an expansion built on investment and easy access to capital. A recent Fed survey found that 44% of banks reported tightening lending standards to firms in November, the highest since November 1990 in the middle of America's last recession.

Nevertheless, few economists are actually predicting a "hard" landing, which would imply a slowdown in year-on-year growth to 1% or less next year. As the *Economist* points out, the latest economic data is still more consistent with a "soft" landing. The *Economist Poll of Forecasters* for December predicts 3% growth during 2001. As Alan Greenspan made plain in a speech during December, an economic slowdown is, after all, what the Fed has been aiming to achieve through progressive interest rate rises over the last 18 months.

### US economic imbalances

Although a soft landing seems likely, it would be unwise to take it for granted. There are so-called "imbalances" inherent to the US economy that could spell trouble during 2001. These include:

- negative net saving - in the 5 years to 1999, rising share prices boosted the wealth of American households by \$410 trillion. These gains encouraged households to save less, pushing the personal saving rate into negative territory for the

first time since the 1930s. Therefore, if share prices continue to fall, the negative impact on consumer spending may be even greater than in the past.

- Debt - meanwhile households have been borrowing at record levels. Private sector debt now stands at 150% of GDP. This has to be serviced out of income, which will become increasingly difficult if profits now start to fall.

- Current-Account Deficit - America will need to borrow from the rest of the world this year some 4.5% of its GDP, up from 1.7% in 1997. The deficit has been easy to finance while growth and investment returns have been higher in the US than elsewhere, but will become more burdensome if growth slows and the dollar weakens. None of these imbalances imply that America is heading for a deep recession. Recessions are usually caused by big policy mistakes unlikely to be repeated by Mr Greenspan. Also, after so many years of growth, the US government has an arsenal of monetary and fiscal policy measures to avoid a possible recession. Interest rates may be cut again to increase liquidity and increase confidence. The new Bush administration may cut taxes to boost the economy. Whatever happens, the US economy looks set for a bumpy ride during 2001.

## American hardwood trade

### A year of two halves

The year 2000 was characterised by two distinct periods for the American hardwood trade. During the first six months of the year, prices continued a long term upward trend. Hardwood supplies were relatively tight and demand was strong both in North America and major export markets. However, during the second half of the year, dollar prices for US hardwoods began to weaken. Demand faltered in the US with the first signs of economic cooling, while the continuing strength of the US dollar impacted on major export markets.

Prospects in 2001 are mixed. US domestic demand is likely to be slower than in 2000, but demand in Europe may pick up again as the euro strengthens and importers take steps to fill gaps in depleted stocks. Demand in the Far East may suffer from slowing economic growth in that region. Japan's economy still looks fragile and the cooling US economy may lead to declining export opportunities for Asian manufacturers. However China, which significantly increased imports of American hardwoods during 2000, may continue to provide new

opportunities, particularly following accession to the WTO in early 2001.

### Slowing export growth

The most recent data for the first 9 months of 2000, indicates that US hardwood sawn lumber exports hit 2.26 million m<sup>3</sup>, 8.2% up on the same period the previous year (2.1 million m<sup>3</sup>). However the data implies a trend towards slowing export sales during the third quarter of 2000. In the three months to September 2000, hardwood sawn lumber exports reached 730,000 m<sup>3</sup>, compared with 760,000 m<sup>3</sup> in the second quarter of 2000, and 770,000 m<sup>3</sup> in the first quarter. It remains to be seen whether US exports last year exceeded the record level of around 2.9 million m<sup>3</sup> achieved in 1997. Despite the weakness of the euro, the volume of US sawn hardwood lumber exports to the EU during the first 9 months of 2000 were up on the same period of 1999. The top 3 markets all increased their purchases compared with the previous year. Exports to Italy, Spain and the UK were up 18.2%, 14.6% and 8% respectively by volume. These gains were partly offset by a 10.7% drop in exports to Germany. Exports of maple and tulipwood to the EU were particularly strong during the nine month period, up 31% and 38% respectively by volume compared with the previous year.

### Difficult trading conditions

Trading conditions for US hardwoods in Europe continued to be difficult throughout the last quarter of 2000. Buying was relatively subdued due to the weakness of the euro. Stock levels of US hardwoods are relatively low in many EU markets. December is also a shortened business month to take into account the Christmas and New Year break. Traditionally this is a time for stock taking and financial year-end for many importers and manufacturers. Trade was therefore seasonally slow throughout the EU. Buying in Spain and Portugal remained relatively more buoyant than other European countries, Germany relatively less buoyant. Prospects for the first quarter of 2001 seem reasonable. Steady, if unspectacular, economic growth is forecast throughout the EU region during 2001. The euro continued to strengthen against the US dollar during December, which may encourage importers to begin rebuilding depleted stocks.

There were significant shifts in the direction of the US hardwood trade in the

# North American Hardwoods

Far East during 2000. US hardwood sawn lumber exports to several countries declined markedly. Export volumes to Japan declined by 18.8% during the first nine months of 2000 compared to the previous year due to weak economic conditions, slow construction activity and the relocation of furniture facilities to lower cost locations in South East Asia. Export volumes to Taiwan also declined by 12.8% as Taiwanese furniture manufacturers relocated to mainland China. Meanwhile exports to China/Hong Kong increased by 43% from 160,600 m3 to 230,200 m3. Sales of US hardwood sawn lumber to Thailand and Malaysia also increased significantly, by 26% and 58% respectively.

## Far East more subdued

As in Europe, there are signs that overall US hardwood exports to the Far East slowed during the last quarter of 2000. A number of factors were responsible including high stocks of European beech in China; financial difficulties amongst Chinese furniture manufacturers stung by the recent collapse of a large US furniture retailer; weakening Asian currencies; and uncertainty over sales prospects during 2001. Exports will be seasonally affected in January and early February during the Moslem Ramadan holiday season and the run up to Chinese New Year.

## American domestic demand

US domestic demand for hardwood sawn lumber remained fairly stable in September and October, but began a downward trend in November. Signs of economic weakening in the United States suggest this trend is likely to continue. Although US housing starts remained fairly stable in September and October, the overall economic outlook in North America points to lower housing starts during the next few months. This would have an immediate negative impact on US domestic demand for flooring, mouldings, stair cases and other joinery items. In the flooring sector, the slowdown in overall demand may be partly offset as hardwood strip flooring has been gaining market share over carpets and other floor coverings.

Signs of a slowdown in the US furniture sector were already apparent last October, with reports that the International Home Furnishings Market in High Point was less hectic than the previous market in April. Sales of US sawn lumber to the furniture sector are also coming under pressure as

manufacturers are buying increasing volumes of wooden parts and finished goods from overseas sources. Furniture manufacturers are now expected to reduce sawn lumber purchases over the coming months. According to ITTO's *Market News Service* furniture plants appear to have adequate stocks of red oak, cherry and ash. However, stocks of hard maple and tulipwood appear to be less abundant and there may be some demand for those species. Sales of low grade lumber for framestocks are likely to be undermined by slowing demand for upholstered furniture. One area of the market has so far bucked the downward trend. Hardwood veneer-log sales have continued strong both in North America and on export markets.

## Supply side trends

The impact of weakening demand may be partly offset by the situation on the supply side. Production of most species tends to slow during the winter months due to the combined effects of the weather; the Thanksgiving, Christmas and New Year holiday periods; and the onset of the hunting season (which pulls more people out of the US lumber industry than any other single activity). There is already deep snow in many parts of the US. Production this year also continues to suffer from the shortage of skilled labour. Meanwhile mills are curtailing production in response to weakening demand for lumber. Nevertheless, such has been the slowdown in US demand that inventories at sawmills continued to rise during December and there is now greater availability of FAS material than any of the previous 3 months.

## Species breakdown

■ **Ash** - export demand in both Europe and Japan was slowing at the end of 2000, although there were some reports of reasonable buying in thicker sizes. Demand from Mexico was also reasonable. Production is being curtailed in response to slower demand.

■ **Tulipwood** - Italy, the main European market, has become intensely competitive. Some producers have withdrawn from the market to concentrate on domestic markets where better prices are available. Demand from China and Mexico has been fair.

■ **Hard maple** - usually there is a seasonal increase in production during the winter months. Stocks of both kilned and green sawn lumber are readily available and the market competitive. Sales of FAS to Europe

## 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

	Oct	Nov	Dec
\$/£	1.44	1.42	1.49
\$/Euro	0.84	0.85	0.94
<b>Red oak</b>			
1"	2000	1925	1925
1.25"	2190	2025	2025
1.5"	2290	2250	2250
2"	2600	2600	2600
<b>White oak</b>			
1"	1600	1575	1575
1.25"	1765	1725	1725
1.5"	2250	2200	2200
2"	2820	2725	2725
<b>Ash</b>			
1"	1390	1375	1375
2"	1775	1700	1700
<b>Tulipwood</b>			
1"	1210	1200	1200
1.25"	1230	1215	1215
1.5"	1240	1225	1225
2"	1265	1245	1245
<b>Cherry</b>			
1"	3700	3550	3550
1.25"	3750	3700	3700
1.5"	3900	3850	3850
2"	4300	4050	4050
<b>Hard Maple</b>			
1"	2900	2750	2750
1.25"	3000	2850	2850
1.5"	3200	3025	3025
2"	3300	3200	3200

were quiet during December. There are some reports of increased interest in lower grades on export markets.

■ **Red oak** - green lumber and kiln dried sawn lumber are readily available. Sales to the Middle East, mainly in lower grades, have been steady. Demand in the Far East has been slowing. The Mexican market for lower grades continues to expand.

■ **White oak** - European demand for FAS/IF grades has been undermined by the dollar-euro exchange rate. Demand from Spain was fair at the end of 2000, but price competition has been intense. Future demand will be heavily dependent on the direction of the euro exchange rate.

■ **Cherry** - strong export demand for cherry veneer logs was in evidence prior to the Christmas vacation. There were some signs of easing European demand for sawn lumber, but demand in the Far East remained firm.

■ **Walnut** - European and Chinese demand for both logs and lumber has been increasing over recent months as Walnut has regained popularity. Production has been rising to meet increased demand, but there are some reports of shortages of FAS/IF in certain sizes (notably 2").

# Special report - forest certification

Continued from page 1

of certification. PEFC may then be willing to work towards mutual recognition with comparable regional initiatives once these are operational. However Gunnerburg was equally keen to stress that much comparative work on forest certification schemes still needs to be done and that there hasn't yet been adequate consultation with stakeholders. The underlying impression was one of caution and unwillingness to move too fast towards recognition of certification schemes outside Europe. Nevertheless, Gunneberg mentioned that PEFC is already having discussions with the Canadian CSA forest certification scheme towards possible mutual recognition.

## Role of FSC

One of the main areas of uncertainty in the debate is the likely role of the FSC. From a marketing perspective, developing the existing FSC framework into an international framework for mutual recognition would have tremendous advantages. The FSC brand has already built up a significant market following. However, to play the role envisaged by forest industry groups like IFIR and CEPI, significant operational changes may be required within FSC. For example, it may have to loosen its strict adherence to the FSC Principles and Criteria, and instead recognise schemes using certification standards based on other international sustainable forestry principles - such as the ITTO Guidelines or Pan European criteria.

Tim Synnott, FSC Executive Director, accepted there was a need for the forest industry to work towards mutual recognition. However, he gave no indication at the seminar that FSC would be prepared to make substantive changes to accommodate the forest industry's call for a more flexible approach. Instead Synnott advocated that mutual recognition was best pursued using the existing FSC framework.

## Great gulf of trust

However, Synnott himself put his finger on the main obstacle to this approach. He noted the "great gulf of trust" that continues to exist between advocates of FSC and forest owner and industry groups in many parts of the world. According to Synnott, the key issue now is how to develop trust. He concluded that if the forest sector could not build trust within its own ranks, there was little hope of building public confidence in the forest sector.

The first day of the seminar tended to reinforce the view that there remain major po-

litical challenges to be resolved before agreement on a single global framework for forest certification scheme may be reached. However, on the second day of the seminar some progress was made in overcoming these challenges.

## Seeking common ground

The second day began with a presentation from Rupert Oliver, Editor of *hardwoodmarkets.com*, comparing four existing frameworks for mutual recognition, including those established by IFIR, CEPI, PEFC and FSC. This analysis demonstrated that, behind the political posturing, the various schemes have much in common. They all specify that certification should demonstrate compliance with forestry standards that are locally appropriate, consistent with legislation and international sustainability principles, and developed through participatory processes. They all require certification schemes to be transparent; and specify that environmental claims should be clear and unambiguous. They all require that forestry audits should be carried out by third party accredited certifiers. The four initiatives even make common reference to existing ISO guides establishing frameworks for third party certification. To be sure, there are some important differences in detail - notably in each framework's handling of stakeholder participation. But after a wide ranging and constructive discussion, it was clear that these differences were not insurmountable.

## Positive conclusions

By the end of the seminar, the moderator, Dr Markku Simula, was able to draw a number of generally positive conclusions:

- there is evidently strong demand for mutual recognition;
- CEPI's work to acquire and provide comparative information on forest certification scheme has provided a useful starting point for mutual recognition. It has also revealed there are many similarities between forest certification schemes.
- there remain differences in understanding of mutual recognition, of whether it should involve recognition of standards-setting bodies, accreditation procedures, chain of custody procedures, or of labels.
- however mutual recognition is already being practiced bilaterally - e.g. between FSC and various national certification schemes - and experience is growing
- IFIR's framework has taken the debate forward and includes many useful elements
- mutual recognition of chain of custody

could be a priority and may be technically simpler than mutual recognition of forest certification. Mutual recognition of chain of custody procedures (e.g. between PEFC and FSC) would serve to ensure that traders and manufacturers need undergo only one audit to supply wood under different labelling schemes.

- there is a need for more detailed guidelines on key issues, notably participation
- there is clear need for broader participation from stakeholders in discussions on mutual recognition. An important opportunity to bring a wider range of participants into the debate would be provided by FAO, ITTO and GTZ who will be jointly hosting an international seminar in Rome on 19/20 February with the aim of building confidence in forest certification amongst producers in the developing world. They are also hoping to ensure good environmentalist participation.

- no far reaching decisions could be made at this stage on the final institutional framework for international mutual recognition. However it was proposed that a "facilitator consortium" should be established bringing representatives from existing mutual recognition initiatives and certification schemes together with independent facilitators. This group would carry on the discussion relating to possible institutional arrangements.

## CEPI takes a lead in the mutual recognition debate

A vital starting point in the development of a framework for mutual recognition is to acquire and make available comparative information on existing forest certification schemes. The Confederation of European Paper Industries (CEPI) has played a leading role in the debate by developing and publishing a "comparative matrix" of these schemes. Kathy Bradley, an independent consultant with UK-based *Forest Industries Intelligence* that has provided technical assistance to the project, explained the background.

CEPI's aims have been; first, to encourage forest certification schemes to demonstrate greater transparency; second, to communicate reliable information on the credibility of forest certification schemes to retailers and other users of paper and timber based products; third, to overcome misconceptions relating to existing certification schemes; and fourth, to facilitate debate on harmonisation and mutual recognition. Building on work undertaken by the UK Paper Federation and Timber Trade Fed-



# Special report - forest certification

eration, CEPI began by developing a set of criteria and indicators to compare forest certification schemes. These criteria considered various issues including the extent of compliance with ISO Guidelines for quality assurance (notably ISO Guides 61 and 62); adherence to the environmental management systems standard ISO14001; commitment to various sustainable forestry principles; participation in standards setting; and transparency of operations. Over the last 18 months, a questionnaire derived from these criteria has been issued to around 40 forest certification schemes world-wide - including PEFC and FSC national initiatives and other non affiliated schemes such as SFI in the United States and the National Timber Certification Council of Malaysia. .

Information from the questionnaires was then summarised into the matrix to provide "at-a-glance" comparisons of forest certification schemes. A copy of the second edition of the matrix is now available at [www.cepi.org](http://www.cepi.org).

CEPI will be progressively refining the matrix based on stakeholder comments. A third edition of the matrix will be published in Spring 2001.

## PEFC becomes the world's largest certification program

Over the last 12 months, the PEFC has become the largest certification program in the world. By the end of December 2000, a total of 32.37 million hectares had been certified by PEFC endorsed schemes.

The structure and operation of PEFC was described at the seminar by PEFC Director Ben Gunneberg. Under PEFC, certification schemes are elaborated at national level. Voting members of the international PEFC Council consist of the governing bodies of national certification schemes. Other organisations can join as non voting members. Currently there are 14 voting member schemes, of which five have been endorsed: Austria, Finland, Germany, Norway and Sweden. At the end of December 2000, the Czech Republic had just submitted a scheme, while the French and Swiss schemes are expected to be submitted within the next few weeks.

Under PEFC rules, national institutional arrangements for certification must comply with PEFC's Technical Document. This requires that certification standards are consistent with the Pan European (formerly Helsinki) sustainability criteria. Certifiers must be recognised by national accreditation services and comply with European

Area certified by PEFC schemes (millions hectares)	
Austrian Forest Certification Scheme	0.55
Finnish Forest Certification Scheme	21.90
German Forest Certification Scheme	3.02
Norwegian Living Forests Scheme	5.60
Swedish Forest Certification Scheme	1.30
<b>TOTAL</b>	<b>32.37</b>

Norms setting out requirements for quality assurance schemes.

National schemes seeking recognition under PEFC are subject to assessment by independent experts appointed by the PEFC Council, and by peer review by the PEFC members.

PEFC has also established rules for environmental claims and product labeling. So far it has issued licenses to use the PEFC logo to ten of the thirteen regions certified to the Finnish Forest Certification Scheme. In addition, six PEFC licences for logo usage on-product have been issued to Finnish forest industry companies following their submission of a certified chain of custody to the Finnish Forest Certification Council. Many more companies are expected to obtain licences for on-product labeling in the next few months.

## International forest industry propose framework for mutual recognition

The International Forest Industry Roundtable (IFIR), has taken a lead in setting out proposals for an "international mutual recognition framework" for forest certification. IFIR, which is a network of industry associations from the world's largest forest products supplying nations, established a working group on mutual recognition in 1999. The Working Group is chaired by James Griffiths, Chief Executive of the New Zealand Forest Industries Council. Griffiths gave a presentation on recent progress to the Brussels seminar. The IFIR Working Group aims to develop and propose a framework for mutual recognition, and to build support for the concept with key stakeholders. The Working Group has involved 25 experts with forestry, environment, governmental and marketing backgrounds, and drawn on the practical experience of CEPI, PEFC and national certification schemes.

It has set out proposals for an international mutual recognition framework comprising four elements:

- criteria and indicators of credible forest certification standards and systems
- a comparative methodology, including a

questionnaire to help determine conformance with IFIR's criteria, possibly backed by site visits

- a glossary defining terms for mutual recognition

- an institutional framework to manage and administer mutual recognition at international level

All the various components are still under development. Various options are under consideration for the institutional framework. One possibility is to establish a council whose membership comprises representatives from the leading certification schemes, linked to an independent expert panel responsible for the provision of comparable information and evaluation of schemes.

IFIR has established the objective of enabling international mutual recognition arrangements between credible schemes to occur before the end of 2001.

## FSC certified forest area expands in Sweden, USA, UK and Bolivia

The most recent data released by the Forest Stewardship Council shows that, over the last 18 months the organisation has certified around 4.1 million hectares of forest land. A number of large forest areas have been newly certified over the last 12 months, but these gains have been partly offset by the withdrawal of other areas from the FSC process. The most significant areas of newly certified forest since August 1999 are:

- 1.1 million hectares of forest land owned by the Swedish Forest Board (a public organisation) and a further 140,000 hectares of Swedish industrial forests;
- more than 1.2 million hectares of United States forest land in various different ownerships – the most notable gains being Cass County Land Department (250,000 hectares), the Irving Woodlands Allagash Timberlands (230,000 hectares), and the New York State Dept. of Environmental Conservation (285,000 hectares).
- around 941,000 hectares of Forest Enterprise state forest plantations in the UK;
- a further 444,000 hectares of Bolivia's tropical rain forest estate;
- around 330,000 hectares of industrial plantation in South Africa;
- around 220,000 hectares of German state owned forests;
- around 200,000 hectares of Ukrainian government woodland;
- a 166,000 hectare tract of privately owned

**Continued page 10**

# Special report - forest certification

Croatian forest;

■146,000 hectares of Fletcher Challenge forests in New Zealand;

Areas which have been withdrawn from the FSC certification program over the last 12 months include 1.2 million hectares of natural woodland in Zambia; and the 191,000 hectare JD Irving Black Brook District in Eastern Canada.

Although western Europe is still host to the largest area of FSC certified forest, the rate of growth has slowed particularly significantly in this region since August 1999 as this region has focused on the alternative PEFC scheme.

Tropical forest management remains under-represented in the FSC system. Bolivia is the only tropical country with a significant area of FSC certified natural tropical forest. However FSC is seeking to rectify this imbalance through co-operation with national forest certification schemes in Malaysia (see below) and Indonesia. FSC

has also established working groups in a range of tropical countries including Mexico; Nicaragua; Colombia; Peru; Ecuador; Brazil, Papua New Guinea; Indonesia; Vietnam; Cameroon; Ghana; and Zimbabwe.

## Malaysian scheme moves closer to formal agreement with FSC

The FSC and the National Timber Certification Council of Malaysia (NTCCM) are to commission and jointly fund a study to compare the Malaysian Criteria and Indicators for Forest Management Certification (MC&I) with the FSC Principles and Criteria. The study will include recommendations to ensure compatibility between the two sets of standards. Two consultants have already been appointed to undertake the study, which is due for completion in January 2001. The decision was made at a two-day

FSC-NTCCM Collaboration Workshop held in Kuala Lumpur during December. The Workshop was jointly organised by the NTCC, FSC, WWF Malaysia, the Tropical Forest Trust and the German Agency for Technical Cooperation (GTZ). There were 180 participants.

NTCCM are now working towards a full formal agreement with FSC that will enable Malaysian certified timber products to carry both the NTCC and FSC labels. The Workshop agreed to set up a national steering committee within the next few weeks to work out a framework of collaboration with FSC. The committee will comprise 24 members, selected from social and environmental NGOs, the timber industry, foresters and the Government.

## SFI enhanced to meet new demands for independent certification

Since its inception in 1996, the Sustainable Forestry Initiative (SFI) has been transformed from a self-regulatory scheme to promote good forestry practice amongst members of the American Forest and Paper Association (AF&PA), into an independent forest certification program open to all US forest owners. Over 29 million hectares of forest land are now enrolled in the scheme in the United States and Canada. Recent enhancements include:

■In 1998, AF&PA introduced a licensing scheme allowing non AF&PA members to enrol in SFI. The licensing program was extended into Canada in 2000. More than 6.8 million ha are now enrolled in the SFI licensing program

■In response to growing market demands for independent certification, the SFI has added a voluntary verification process. Companies now have an option to contract with an independent third-party to conduct certification under SFI. Independent certifiers are required to be accredited by one of the recognised national standards bodies of the USA or Canada. Over 12 million ha have now been 3<sup>rd</sup> party certified to the SFI program standard. It is anticipated that over 22 million ha will have undergone 3<sup>rd</sup> party certification by the end of 2001.

■In a move designed to further demonstrate SFI's independence, management of the scheme was turned over to a multi-stakeholder Sustainable Forestry Board (SFB) during 2000. The SFB is composed of 15 members, 60% of whom must be representative of non-industry interests.

Status of FSC certified forest area in December 2000 - 000s hectares							
	Area in Oct 99	Area in Dec 00	% chng in area	Natural forest	Semi-natural	Plantation	Mixed forest
<b>Africa</b>	<b>1842.9</b>	<b>974.1</b>	<b>-47.1</b>	<b>150.3</b>		<b>822.4</b>	<b>1.5</b>
Namibia	49.0	54.4	11.1	54.4			
South Africa	495.3	828.1	67.2	71.0		755.7	1.5
Zambia	1273.7		-100.0				
Zimbabwe	24.9	91.6	268.6	24.9		66.7	
<b>Asia</b>	<b>130.1</b>	<b>143.4</b>	<b>10.2</b>	<b>55.1</b>		<b>78.3</b>	<b>10.0</b>
Indonesia	62.3	72.3	16.1			62.3	10.0
Malaysia	55.1	55.1	0.0	55.1			
Sri Lanka	12.7	12.7	0.0			12.7	
Japan		3.3	NA			3.3	
<b>Australasia/Oceania</b>	<b>90.9</b>	<b>195.8</b>	<b>115.3</b>	<b>9.8</b>		<b>148.1</b>	<b>38.0</b>
New Zealand	45.0	148.6	230.0	0.6		148.1	
Papua New Guinea	4.3	4.3	0.0	4.3			
Solomon Islands	41.6	42.9	3.1	4.9			38.0
<b>E. Europe</b>	<b>2334.5</b>	<b>3155.8</b>	<b>35.2</b>	<b>2296.7</b>			<b>859.1</b>
Croatia		166.9	NA	166.9			
Czech Republic	10.4	10.4	0.0				10.4
Poland	2324.0	2742.8	18.0	2129.8			612.9
Russia		32.7	NA				32.7
Ukraine		203.0	NA				203.0
<b>Latin America</b>	<b>1380.7</b>	<b>1976.8</b>	<b>43.2</b>	<b>1227.1</b>	<b>86.2</b>	<b>600.4</b>	<b>63.0</b>
Belize	95.8	95.8	0.0	95.8			
Bolivia	440.9	885.0	100.7	855.0			30.0
Brazil	653.3	665.6	1.9	80.6		585.0	
Costa Rica	29.0	40.2	38.3	4.7		14.3	21.1
Guatemala	32.6	100.0	206.6	100.0			
Honduras	18.1	19.9	9.6	19.9			
Mexico	94.9	169.2	78.3	71.1	86.2		11.9
Panama	0.0	1.2	5026.1			1.2	
Paraguay	16.0		-100.0				
<b>N. America</b>	<b>1758.9</b>	<b>2795.2</b>	<b>58.9</b>	<b>2470.8</b>	<b>16.9</b>		<b>307.5</b>
Canada	211.0	30.0	-85.8	28.0			2.0
USA	1547.9	2765.2	78.6	2442.8	16.9		305.5
<b>W. Europe</b>	<b>9002.3</b>	<b>11430.7</b>	<b>27.0</b>	<b>59.7</b>	<b>8802.5</b>	<b>117.3</b>	<b>2451.2</b>
Belgium	4.3	4.3	0.0				4.3
Denmark		0.0	NA	0.0			
France		1.1	NA			1.1	
Germany	23.6	222.2	840.9	2.3	113.5		106.4
Italy	11.0	11.0	0.0	11.0			
Netherlands	69.1	69.1	0.0		20.1		49.0
Sweden	8876.0	10117.5	14.0	20.0	8661.4		1436.1
Switzerland	2.1	47.3	2137.5	4.2	7.3		35.8
United Kingdom	16.2	958.3	5829.8	22.2	0.3		80.5
<b>World Total</b>	<b>16540.2</b>	<b>20671.9</b>	<b>25.0</b>	<b>6269.4</b>	<b>8905.6</b>	<b>1766.5</b>	<b>3730.4</b>

# European hardwoods

## Beech struggles under weight of excess stock

The Western European beech market continued to experience difficult trading conditions during the closing weeks of 2000, afflicted by relatively high stocks and slow sales both in domestic and export markets. This season, significant harvests of new beech logs in Western Europe are limited to Germany, as the French public forest administrations are restricting harvests to stems damaged during the storms of December 1999. French mills are therefore having to look further afield for the best quality new season logs.

The results from the first beech log auctions in Germany suggest prices being offered at these events are marginally lower than the same time last year due to continuing difficulties on export markets and concerns over the quality of logs on offer. Demand for European beech in China remains very subdued due to the continuing presence of high stocks. Chinese importers still have large inventories, while unsold stocks have built up at the ports. Large volumes of wood shipped after the storms during spring 2000 were rejected due to complaints over quality. There are also reports of numerous cases of non payment by Chinese importers. Rising freight rates between Europe and China have added to the difficulties of the trade. Chinese importers have also shifted their attention away from imports of sawn lumber, and now focus on obtaining the best quality beech logs. As a result European beech sawn lumber is subject to even greater competitive price pressure. Furthermore Chinese importers have switched from French suppliers to direct purchases from German forest owners in an effort to obtain top quality new season logs. Chinese demand is unexpected to show any significant upturn

before the end of the Chinese New Year celebrations in late January.

Demand for European beech elsewhere is also subdued. Spanish beech stocks are reported to be relatively high. The German furniture sector remains sluggish, while reports began to emerge of slowing demand from the French furniture sector during the closing months of 2000. There are however some reports of marginal increases in demand from German stairbuilders and glulam board manufacturers.

Some French and German sawmills are still processing the backlog of beech stored in irrigated yards. The huge volume of this wood available has led to a build up in stocks of medium and lower grade. Prices for these grades have been falling.

There is speculation that the current supply situation will lead to strong differentiation between the markets for steamed and unsteamed beech sawn lumber during 2001. Much of the excess stock of storm damaged beech is likely to be steamed to counter problems of discoloration. Prices for steamed goods may therefore weaken. However prices for unsteamed beech may increase due to lack of availability.

## Oak market buoyant

Demand for European oak is more buoyant. European stave producers have been busy, creating strong demand for the best quality oak logs. There continues to be good demand for lower grades of European sawn oak lumber for flooring applications in several European countries. Interest in European sawn lumber has also been stimulated by the relative weakness of the euro against the US dollar, which has encouraged a search for substitutes for American white oak. There are reports of increased enquiries from Spanish importers for German oak, although volumes contracted to date have been relatively restricted.

UK agents report growing interest in Eastern European oak amongst importers, particularly sawn lumber processed in Italy from Croatian logs. Thicker sizes of square edged lumber are reported to be available from this source. This is unusual for Eastern Europe where square edged is generally available only in thinner sizes. Prices for the Croatian product have been competitive in the UK due to the comparative strength of the British pound against the euro.

## Eastern European Forestry Challenge of land restitution

One particularly visible impact of the collapse of the communist regimes in Eastern Europe has been the restitution of land, including forests, to the former private owners. Existing institutional arrangements for forest throughout much of Eastern Europe have been broken up with the aim of re-creating the pre-war ownership structures. In practice this has often led to the creation of very small highly fragmented forest properties. Many of the new owners lack basic knowledge and forest management skills, have little capital, and have lost their emotional ties to their families' forests. The inability of the many new private owners to guarantee proper management is a huge challenge for forest authorities in these countries.

These issues were considered in a study undertaken in early 2000 commissioned by the World Bank/WWF Forest Alliance. The study, which was conducted jointly by two consulting firms - INDUFOR Oy of Finland and ECO-Consult of Germany, provided the basis for a workshop held in Brasov in November 2000. The *Workshop on Forest Restitution and Certification in the Eastern Europe* was attended by 32 participants representing eight countries - Albania, Bulgaria, Croatia, Hungary, Latvia, Lithuania, Romania, Slovakia.

Workshop participants acknowledged the complexity of the restitution process and agreed with the results of the report. They emphasised the importance during land restitution of clear administrative leadership and coherent legal processes, and of the need to establish adequate advisory and support services for new owners. There was agreement that funds need urgently to be allocated to finance capacity building and extension services. Participants at the workshop also saw an expanded role for forest certification. At present, meeting market demand is the basic justification for certification, as exporters have often been pressed by their clients to get their supplies certified. However, certification can also be an instrument for achieving sustainable forest management. However it was noted that certification, if badly planned, could create problems. In particular, certification of state forests may put uncertified private forest owners at a disadvantage, as they lack the necessary resources. The state may therefore have to take special action to support private owners.

European sawnwood indicative prices			
	Oct	Nov	Dec
Exchange rates			
DM/£	3.37	3.26	3.11
DM/US\$	2.34	2.29	2.08
Northern Germany, DM/m3, C&F, UK Port			
<b>German beech</b>			
Grade: kiln dried, steamed and square edged.			
1"	1700	1700	1700
2"	1750	1750	1750
<b>German oak</b>			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available - French prices are similar to German prices			

## No let-up in demand for Brazilian mahogany

The rains started in northern Brazil in early December and new supplies of most tropical timber products from that region will be constrained until May or June. The vast majority of the relatively limited volumes of Brazilian mahogany extracted during the last logging season has been destined for the United States in air dried form. Despite indications that the US economy is cooling, there seems to have been no let up in demand for Brazilian mahogany, and prices continued to rise throughout the season. The intensity of US demand for Brazilian mahogany this season partly reflects the limited availability of comparable products from other sources. Bolivian production has been extremely limited since the introduction of national forestry standards linked to the Forest Stewardship Council; available supplies of African khaya have fallen well short of US demand; while Peru placed a total ban on mahogany exports this season. However in early January there were unconfirmed rumours that these restrictions were about to be eased. The Peruvian authorities may now be prepared to grant quotas for limited exports of mahogany sawn lumber with priority given to shipments destined for the United States.

## Constant bureaucratic delays

Bureaucratic procedures to allocate and obtain export quotas have been a constant problem for the Brazilian mahogany export trade over recent months. Many contracts agreed by UK importers during Spring 2000 at early-season prices never arrived

due to long delays in the allocation of export quotas. By the time quotas were allocated, prices had risen and shippers had a strong incentive not to honour older contracts. The uncertainties may have encouraged more UK importers to move out of the Brazilian mahogany trade altogether. Nevertheless, one UK agent noted that Brazilian mahogany is now being shipped to the UK, albeit in relatively small quantities. Due to cheaper freight rates, many shipments to the UK are now being made via Paranagua in southern Brazil rather than Belem in the north.

## Cedar uncompetitive

UK demand for Brazilian cedar is currently very restricted due to the considerable price differential with competing meranti species. The market has also been disrupted by the availability of plantation cedar from West Africa at a much lower price, although the density and quality of this product is not comparable with Brazilian cedar. There are now only irregular small shipments of Brazilian cedar to the UK to supply a limited number of niche product manufacturers (notably for conservatories). The French journal, *Le Commerce International du Bois* notes that between January and September 2000, France imported 76,000 m<sup>3</sup> of Brazilian sawnwood. This volume is 24% down on the same period last year (100,000 m<sup>3</sup>). The decline reflects shortfalls in production of the species of most interest to French manufacturers (notably tauari used for interior joinery), together with rising prices accentuated by the weakness of the euro which led importers to look for African alternatives (which are mainly denominated in euro-linked currencies).

## Slow domestic market

As is usual at this time of year, Brazil's domestic wood product market has slowed since the end of November. The seasonal slowdown may have been deepened this year by economic instability in Argentina. As a result prices of many species of Brazilian sawn lumber supplied to the domestic market were falling at the end of last year. A potentially significant development for the wood trade in southern Brazil has been a growing trend for furniture manufacturers to import pine lumber from the Misiones region of Argentina.

## Global forest resources Deforestation rate declines... ...but not by much

By the time this journal goes to press, the long awaited United Nations Food and Agriculture Organisation's FAO most recent assessment of the world's forests, carried out once a decade, will have been released on 31 December 2000 (<http://www.fao.org>). Preliminary indications are that the rate of forest loss worldwide has declined somewhat over the last decade; but not by much. During the 1980s, deforestation of an estimated 11.3 million hectares occurred worldwide each year, an area roughly the size of Greece. The FAO now estimates that the annual deforestation rate has fallen by about 10% to 10.2 million hectares a year. The deforestation rate in developing countries, which harbour more than half of all extant forests, was higher (14m hectares lost each year between 1990 and 2000). But this destruction was partly offset by an increase in tree cover in industrialised countries.

As a recent article in *The Economist* points out, these figures are hardly cause for celebration. FAO would be the first to admit that the measurements are uncertain. A scarcity of reliable country data and the difficulty of interpreting satellite imagery complicate the FAO's periodic survey, which began in 1947. The UN exercise is also politically fraught as forests are a capital asset, and member states are not always keen to share information. Indeed, some of the national statistics used by the FAO to compile the current survey are 10 to 20 years old. Even the definition of "forest" is highly contested.

The figures also continue to reveal depressingly high levels of deforestation. Forests will remain under threat so long as global population expands. There is fierce competition between the need for forests as habitat (to preserve biological diversity) and the demand for more crop land, wood fuel, and commercial timber. According to the UN, a billion poor people depend on forests and remnant woodlands for their basic survival.

## International Forest Forum

There are of course a wide variety of international policy initiatives on-going which aim to slow the pace of forest destruction. ITTO has supported numerous projects with the aim of promoting sustainable forestry in the tropics. The Inter-governmental Panel on Forests, which grew out of the UN

**Brazilian sawn lumber  
Indicative prices**

	<u>Sept</u>	<u>Oct</u>	<u>Dec</u>
Exchange rates			
\$/£	1.48	1.44	1.49
US\$/m <sup>3</sup> C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
<b>Mahogany (Swietenia)</b>			
1"-2" AD	1330	1330	1400
2.5"-3" AD	1350	1350	1420
1"-2" KD	1410	1410	1470
2.5"-3" KD	1440	1440	1500
<b>Virola</b>			
1" KD No.1 C&B			
boards	380	380	380
strips	380	380	380
<b>Cedro</b>			
1"-1.5" KD	700	725	725
2" KD	720	750	750
2.5"-3" KD	750	775	775

## Other news

“Earth Summit” held in 1993, was recently relaunched as an international Forum on Forests. The Forum is due to meet for the first time in the new year with the intention of discussing further international policy initiatives. Forest certification has been promoted by organizations like the World Bank and WWF as an important part of the solution. However, as *The Economist* comments “global strategies have less chance of success than local and national initiatives that focus on the elimination of the perverse subsidies that undervalue wood”.

### China

#### WTO accession promises even greater opportunities

On November 15, 1999, the United States and China successfully completed bilateral talks on China’s accession to the World Trade Organization (WTO). Negotiations with other major trade partners had reached the final stages by the end of 2000. Reports in late 2000 suggested that work still needed to be carried out to synthesize all of China’s bilateral agreements into one comprehensive international accord. The WTO would then need to verify that China has undertaken the necessary changes to domestic legislation and is indeed ready for entry. Entry into WTO is expected some time between March and April 2001.

#### Fastest growing wood importer

Until the mid 1990’s, China’s wood products trade was limited due to high tariffs (some in excess of 50 percent) and cumbersome import procedures controlled by government monopolies. However last year, China was Asia’s fastest growing importer of solid wood products and Asia’s largest furniture exporter. China’s total solid wood imports increased by 50 percent in 1999 to \$2.9 billion, making it the second largest Asian importer after Japan. Various factors have encouraged the trend including: rapid economic growth; tightening government controls on domestic wood extraction; moves to increase private sector involvement in the wood trade; liberalization of the real estate market; and reductions in wood tariffs, notably for logs and sawn lumber. China’s anticipated accession to the WTO in 2001 will provide further opportunities for overseas suppliers to access China’s wood products markets. Major changes resulting from China’s entry into WTO include:

- the progressive reduction in Chinese im-

#### China: schedule of tariffs for the importation of selected wood products upon accession to WTO

Product	***Schedule of Implementation***				
	2000	2001	2002	2003	2004
All logs	<b>1</b>				
Oak and beech lumber	<b>1</b>				
Other temperate hardwood lumber	<b>2</b>				
Teak lumber	7	<b>5</b>			
Other tropical hardwood lumber	<b>3</b>				
Tropical hardwood veneer sheets	6	<b>4</b>			
Temperate hardwood veneer sheets	6.3	4.7	<b>3</b>		
Tropical hardwood sheets for plywood	<b>4</b>				
Temperate hardwood sheets for plywood	<b>3</b>				
Hardwood moulding	12.8	10.6	8.4	6.2	<b>4</b>
MDF	15.2	12.4	9.6	6.8	<b>4</b>
Plywood solely of sheets of wood					
Tropical hardwood face	13.5	<b>12</b>			
Temperate hardwood/softwood face	12.8	10.6	8.4	6.2	<b>4</b>

\*\*\*Years in bold indicate the final level at which the tariff will be implemented

port tariff rates for processed wood products. Currently China’s import tariffs on solid wood products average 11%, with tariffs reaching as high as 20%. China’s accession to the World Trade Organization (WTO), however, includes a commitment to reduce the tariff rate to an average of 4 to 7.5% by 2005. Tariff reductions will proceed in stages, and tariffs for many items will fall by as much as 75 percent (see table for schedule of implementation). The lowering of the tariff barrier will tend to make overseas wood products more competitive.

- the continued relaxation of certain non tariff barriers to entry into the Chinese market, most notably government controls over trading rights. Chinese and foreign private companies will have much greater freedom to import and export goods, and to obtain letters of credit for overseas trade.

- There will also be further liberalisation of the general business environment to encourage capital inflow into China. State control over certain sectors, notably transportation, warehousing and retailing, will be progressively relaxed providing greater opportunities for foreign and private companies. This should serve to reduce costs and improve services, further enhancing trade.

- increased access of Chinese wood products to overseas markets. For example, the developed countries are committed to lifting their import tariffs on wood furniture, paper and pulp by 2005.

#### Pressure on plywood producers

The impact of China’s entry into WTO will be felt differently in the various sectors of the wood industry. For instance, in the plywood sector, lower import tariffs will mean

greater competitive pressure is exerted on the many Chinese mills that continue to rely on outdated technology. However, this factor will be partly compensated as China’s plywood sector benefits from lower import duties on veneer. Chinese timber industry experts forecast that plywood and veneer imports will both increase, by around 7.5% and 12% per annum respectively over the next decade.

#### Growth of furniture production

China’s wood furniture industry has already seen rapid growth over the last five years, benefiting from huge increases in domestic demand and from the country’s low labour costs. This last factor suggests that the lifting of import tariffs on furniture into China is unlikely to adversely affect domestic manufacturers. Since 1990, China’s import duties on furniture have fallen progressively from 70% to around 22% without any significant impact on the domestic industry. In fact, over the period 1986 to 1997, China’s furniture output increased from 120 million pieces to 479 million pieces, and average annual increase of 40%. WTO accession will only serve to boost this growth, by providing Chinese manufacturers with even greater opportunities to access overseas markets. There is considerable room for China to increase its market share. In 1998, China exported furniture valued at only US\$2.2 billion, compared with the total world market valued at US\$200 billion. It seems inevitable that China will become an increasingly important player on the global market, particularly as new foreign ventures are established in China bringing with them design skills and market knowledge.



# Association Profile - AF&PA - USA

## Members – 200+ USA

The American Forest & Paper Association is the American national trade association of the forest, paper and wood products industry. It represents member companies engaged in growing, harvesting and processing wood and wood fibre, manufacturing pulp, paper and paperboard products from both virgin and recycled fibre, and producing engineered and traditional wood products. It was founded in 1993 from an amalgamation of NFPA and API, and is based in Washington D.C. It incorporates the American Wood Council. AF&PA works particularly in the

fields of national and international government legislation and against trade barriers, and inaugurated the Sustainable Forestry Initiative (SFI) on 1 January 1996. Over the last four years SFI has been transformed from a self-regulatory scheme to promote good forestry practice amongst AF&PA members, into an independent forest certification program open to all US forest owners. With over 29 million ha currently enrolled, SFI is one of the world's largest sustainable forestry certification systems and is by far the fastest growing SFM program in North America. Forest product industries in the USA represent 7.8% of the national workforce

and this organisation provides a cross-industry voice for about 1.5 million employees.

AF&PA does not make its own membership list available, but offers industry publications on American forest resources and products. Orders can be placed via the association's email [afandpa@tasco1.com](mailto:afandpa@tasco1.com).

**American Forest & Paper Association**  
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**Washington, D.C. 20036, USA**  
**Tel (202) 463 2700**  
**Fax (202) 463 2471**  
**Website [www.info@afandpa.org](http://www.info@afandpa.org)**

## Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2001</b>				
29-31 Jan	1st Regional Meeting of Forestry Assoc. for the Sust. Man. of Tropical Forests	Quito, Ecuador	Forestry Associations & Councils	AIMA, Quito, Ecuador, Tel 593-2-439 559; Fax 593-2-439 560
19-20 Feb	FAO-GTZ-ITTO Seminar on Building Confidence among forest certification schemes	FAO, Rome, Italy	Certifiers, tropical wood industry, ENGOs	<a href="mailto:gina.phillips@fao.org">gina.phillips@fao.org</a>
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: <a href="http://www.miff.com.my">www.miff.com.my</a> , Tel: 603 982 2888 Fax: 603 986 1551, <a href="mailto:info@miff.com.my">info@miff.com.my</a>
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 <a href="mailto:nick.brown@plants.ox.ac.uk">nick.brown@plants.ox.ac.uk</a>
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, <a href="http://www.koelnmesse.de">www.koelnmesse.de</a> Tel: +49 221 8210 Fax: +49 221 2574
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe, <a href="http://www.Fair.de">www.Fair.de</a> email <a href="mailto:ligna@Fair.de">ligna@Fair.de</a>
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, <a href="http://www.ahec.org">www.ahec.org</a>
25-26 Oct	American Hardwood Export Council European Convention	Dublin	Timber trade	AHEC London, Tel (+44) 0207 626 4111 Fax, (+44) 0207626 4222

### ITTO/FAO Expert Consultation on Sustainable Forestry Criteria

An international conference will be staged to assess the contribution that criteria and indicators have made to sustainable forest management and to decide the next steps that should be taken. This was one outcome of an expert consultation co-sponsored by ITTO and hosted by the FAO Forestry Department in Rome on 15-17 November. Experts representing all the processes under way to develop criteria and indicators (C&I) met to review the progress made since the first major international seminar was held in Finland in 1996. C&I are tools for assessing trends in forest condition and forest management. They

define sustainable forest management (SFM), conceptually and on the ground, and provide a framework for evaluating progress towards the SFM goal. ITTO pioneered their development with their 'Criteria for the measurement of tropical forest management', published in 1992, and the follow-up 'Criteria and indicators for the sustainable management of natural tropical forests', published in 1998. ITTO is now developing a program of training workshops throughout the tropics to help ensure implementation of C&I at the operational level.

The proposed conference is to be staged in late 2001 or early 2002 in a developing country, with the theme 'The contribution of criteria

and indicators to sustainable forest management - the way forward'.

### Asian Furniture Shows

During the first two weeks in March both Malaysia and Singapore are host to international furniture shows. The program kicks off March 1 to 5 with the up-market Singapore International Furniture Fair and the associated ASEAN Furniture Show, which showcases some of the world's best furniture. There will be 600 exhibitors and more than 17,000 visitors are expected over the five day show.

The Malaysian International Furniture Fair starts on March 6 in KL and focuses more on local and ASEAN regional products

### **Restricted supplies of sapele**

The rains have now come to an end in the tropical supplying regions of Africa north of the equator and, in early January, operations are just getting underway following the lengthy Christmas slowdown. Lack of availability is likely to be a persistent problem for the African tropical hardwood trade owing to increased logging controls and limited forest resources in some countries. However, if the euro continues to strengthen against the dollar and British pound, it could have a dampening effect on African prices (which are mainly quoted in euros). But, for the time being, the leading shippers in Cameroon are reporting that orders for sapele are booked through until April. **Page 3**

### **Move away from iroko**

The move away from iroko by importers in both Ireland and the UK is becoming increasingly evident. The trend is consistent with limited availability of iroko from Ivory Coast and Ghana which has led to rising prices. Iroko is being substituted in joinery applications by other African species including framire and sapele. **Page 3**

### **Malaysian lumber turns a corner**

The market for Malaysian dark red meranti sawn lumber may be turning a corner. After several months characterised by sluggish demand in Europe and sliding prices, two factors have come into play since the beginning of December. First, production has slowed considerably with the onset of the monsoon and lengthy holiday season throughout the Far East. Second, the weakening dollar has increased the price differential between dark red meranti and sapele. CIF prices to European importers for dark red meranti have fallen by up to 20% over the last 5 months. **Page 4**

### **Indonesia imposes plywood quota**

In a move designed to counter the long term weakness in plywood prices, and to improve quality control over Indonesian plywood, the Indonesian Government and

APKINDO have announced their intention to implement a "self-imposed" quota on the export of plywood.

### **Worries over US economy intensify**

It is clear that underlying worries about the US (and hence the world) economy are intensifying. There is great uncertainty over whether the economy will achieve a "hard" or a "soft" landing. **Page 6**

### **Mixed prospects for US hardwoods**

Slowing US demand and weak currencies in export markets led to sliding prices for American hardwoods during the second half of 2000. Prospects in 2001 are mixed. US domestic demand is likely to be slower than in 2000, but demand in Europe may pick up again as the euro strengthens and importers take steps to fill gaps in depleted stocks. Demand in the Far East during 2000 may suffer from slowing economic growth in that region. Japan's economy still looks fragile and the cooling US economy may lead to declining export opportunities for Asian manufacturers. However China, which significantly increased imports of American hardwoods during 2000, may continue to provide new opportunities, particularly following accession to the WTO in early 2001. **Pages 6/7/13**

### **Signs of Asian slowdown**

The signs are increasing that Asia's recovery will lose steam during 2001. After expanding by 7.8% in the first half of 2000, real GDP grew by only 3% or so in the fourth quarter. Overall growth may slip by two percentage points in 2001, to only 5.4%. To a large extent, the slowdown reflects declining opportunities on export markets, notably in the US. **Page 4**

### **European beech hit by overstocking**

The Western European beech market continued to experience difficult trading conditions during the closing weeks of 2000, afflicted by relatively high stocks and slow sales both in domestic and export markets. **Page 11**

### **European oak more bouyant**

Demand for European oak is more bouyant. European stave producers have been busy, creating strong demand for the best quality oak logs. There continues to be good demand for lower grades of European sawn oak lumber for flooring applications in several European countries. Interest in European sawn lumber has also been stimulated by the relative weakness of the euro against the US dollar, which has encouraged a search for substitutes for American white oak. **Page 11**

### **No let-up in mahogany demand**

The rains started in northern Brazil in early December and new supplies of most tropical timber products from that region will be constrained until May or June. The vast majority of the relatively limited volumes of Brazilian mahogany extracted during the last logging season has been destined for the United States in air dried form. Despite indications that the US economy is cooling, there seems to have been no let up in demand for Brazilian mahogany, and prices continued to rise throughout the season. However trading this year has been marred by bureaucratic delays. **Page 12**

### **Rate of deforestation slows**

FAO's most recent assessment of the world's forests shows that the rate of forest loss worldwide has declined somewhat over the last decade; but not by much. **Page 14**

### **Progress towards global forest certification framework**

Progress towards the development of a global framework system for mutual recognition of forest certification schemes was made at a seminar in Brussels at the end of 2000. Such a framework holds out the promise of much improved supplies of certified wood products, while at the same time minimising confusion amongst consumers. It may also help to rectify the current bias in forest certification towards wealthier forest owners. **Editorial Page 3, reports pages 1/8/9/10**