

<http://www.hardwoodmarkets.com>

**Volume 15
Number 7
July 2000**

Contents

ITTO Objective 2000 Review	1/14
Editorial "Publicity and Sustainability"	2
European Hardwoods	3
African Hardwoods	4
Cameroon audit recommendations	5
Ghana concession restructuring	5
Togo teak plantations	5
Cambodian charges	5
North American Hardwoods	6/7
US economy	7
US Sustainable Forestry Initiative	7
Malaysian sawn lumber	8
Korea	8
Japan	9
Malaysian forestry	9
China	9
Brazilian sawn lumber	10
Amazonian green campaigning	10
Spain	11
FSC Trade Fair & WWF Conference	12/13
Plywood	13
ITTO Meeting Lima	14/15
AHEC Convention, Bangkok	15
News summary	16

Statistics in this issue

Japanese Tropical Log Imports	9
1st Quarter 2000, change on previous year	
Japanese wood products imports	9
Projected demand and first quarter 2000	
Spanish hardwood imports	11
Logs & lumber - 1998, 1999	

New report highlights "very considerable improvement" in tropical forestry

A new report released by the International Tropical Timber Organisation suggests that considerable progress has been made by tropical countries to develop sustainable forestry practices in line with ITTO Objective 2000. The report is co-authored by Duncan Poore who in 1988 authored the groundbreaking book "No Timber Without Trees" which focused international attention on the huge problems of tropical forest management at that time.

In 1988, after one of the most comprehensive reviews of tropical forest management ever undertaken, Poore noted that "it is not yet possible to demonstrate conclusively that any natural tropical forest anywhere has been successfully managed for the sustainable production of timber". At that time, out of a total area of 828 million hectares of productive land, only about 1 million hectares were "demonstrably under sustained yield management for timber production". While this conclusion partly reflected lack of reliable data and the strict definition of "sustainability" applied by Poore, the situation at the end of the 1980s was very far from encouraging. In 1990, ITTO members responded by agreeing to the Year 2000 Objective that all internationally traded tropical timber would derive from sustainably managed forests. So how much has changed over the last 10 years? While acknowledging that his conclusions are based largely on national reports provided by ITTO members rather than field visits, in his new report Poore suggests that "it is possible to record very considerable improvement over the situation recorded in 1988...The most striking advances are in the fields of policy and legislative reform". ITTO can take a large share of the credit. Poore suggests that "ITTO has probably done more in the 15 years of its existence than any other organisation to advance the idea of sustainable tropical forest management". However there have been other contribut-

ing factors. Tropical countries have been spurred on "by the demand in the international market place for timber from sustainably managed sources, by privatisation and trade liberalisation, by greater awareness of environmental and conservation issues and by the need to forge enduring partnerships with local people in resource management." As a result almost all ITTO member countries have developed new policies for their forests, and they have supported these policies by enacting new forest legislation. They have provided the conditions in which further advances towards sustainable forest management have become possible.

Considerable progress has also been made in most countries to establish a permanent forest estate (PFE), an important pre-requisite of sustainable forestry, and much greater attention is now being given to comprehensive land use planning. Whereas in 1988, tropical governments often had little understanding of what sustainable forest management actually meant in the forest, now "the authorities in most countries are fully aware of the quality of management which they should aim to implement. Many are using the ITTO Guidelines and ITTO Criteria and Indicators [of sustainable forest management] to develop national guidelines and national criteria and indicators. Some are going further to develop standards for forest management and investigating the possibility of timber certi-

Continued page 14

The independent monthly journal providing market intelligence for the international hardwood trade and industry

Contacts

By email

rjwoliver@email.msn.com

By mail

Rupert Oliver,
hardwoodmarkets.com Ltd,
19 Raikeswood Drive,
Skipton, North Yorkshire
BD23 1NA,
United Kingdom

By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

Subscriptions

Within UK £103 p.a

Outside UK £115 p.a. or US\$195

p.a or Euro 204 p.a. (includes airmail). Payable in advance.

£ sterling, US\$, and euro cheques should be made out to

hardwoodmarkets.com Ltd

©2000 hardwoodmarkets.com Ltd

All rights reserved

ISSN 0269-980X

Consultancy services are also available.

Particular areas of expertise:

Forest Industry Market Intelligence;

Marketing and Promotion;

Environmental Issues;

Forest Policy and Sustainability;

International Trade Issues.

Contact Rupert Oliver at the address given above for details.

Printed by:
Lamberts Print and Design
Station Road
Settle
North Yorkshire
Tel: 01729 822177

Editorial

Publicity and sustainability

Two events reported in hardwoodmarkets.com this month are of central importance to the international hardwood industry. The first is the publication of a review of progress towards ITTO Objective 2000. The review shows that the Objective has contributed to the complete overhaul of forest policy in leading tropical timber supplying countries. The fact that one of its authors, Duncan Poore, played a leading role to raise alarm bells during the 1980s over unsustainable forestry practices in the tropics, makes the report particularly significant.

But where has any of this been reported? A quick review of trade publications and forest related websites over the last month makes no mention of ITTO's review or of the ITTO Council meeting in Lima where it was discussed. To our knowledge there has been no mention in the national press anywhere. The reason for this lack of interest is fairly obvious. In preparing our own article, we had to wade through a mass of dreary minutes and agendas to get to the crux of the Lima meeting. ITTO held no press conference and issued no press statement. We only made the effort to report the event because - as the only global journal with a sole focus on hardwoods - we are amongst the few that recognise the continuing importance of ITTO Objective 2000.

The second crucial event reported this month, the WWF "Forests For Life Conference and Trade Fair", presents a startling contrast. From this event you're left with the impression that the future of the world's forests rests in the hands of the WWF and the Forest Stewardship Council. There's no faulting the WWF for the professionalism and appeal of their publicity. They booked one of London's premiere venues, packed it with 1000 delegates from every region of the world, including national television and press and representatives of the world's largest retailing chains - who themselves have the ability to influence the buying decisions of literally tens of millions of consumers.

Through their achievement, WWF are succeeding in turning a myth into a reality - that the future of the world's forests - increasingly - does indeed rest in their hands. They have recognised and are exploiting to the full the central role that publicity must play in any endeavour to promote sustainable forestry practices. They are influencing the hearts and minds of millions.

By doing so, the WWF and FSC are taking on a huge responsibility - and they have yet to demonstrate their ability to live up to it. FSC claims it is making rapid progress towards certification in all areas of the world - and yet it cannot even supply B&Q with all its certified wood needs. There is also a huge gap between FSC's publicity - which tends to focus on its role in overcoming tropical deforestation - and real progress by FSC in the tropics. Over 80% of the 20 million hectares so far certified are from the temperate countries. Only a tiny area of tropical forest has been certified and there are no accredited certifying organisations based in the South.

So the situation is this. There is one organisation - the ITTO - which is making considerable strides to encourage sustainable practices in the tropics, but of which few consumers are aware. There is another organisation - FSC - which is playing at best only a marginal role in tropical forestry, but which is increasingly seen by western consumers as the solution to the world's forest problems. The question now must be - where do we go from here? Any rational thinker would realise that the two organisations need to work together. FSC needs ITTO to do all the nuts-and-bolts work to build regulatory frameworks in which independent certification can operate. ITTO needs to encourage greater participation by FSC and the WWF if it is to effectively communicate it's central role in promoting sustainable forestry.

Unfortunately, the debate to date has been far from rational. Environmental groups advocating FSC have been openly critical of ITTO Objective 2000, claiming it is a meaningless government commitment designed somehow to "con" wood consumers. ITTO member governments have railed against FSC as a tool to introduce backdoor boycotts on their products. If this situation continues, neither FSC or ITTO Objective 2000 will ever fulfil their full potential

Rupert Oliver
Editor

European Hardwoods

Fears of restricted beech supplies next year

Markets for European hardwoods continue to thrive. Economic conditions are improving in Europe and the strength of the US dollar contributes to competitive pricing against US alternatives. Prices for quality European hardwood sawn oak and beech remain stable.

With the end of the hardwood log auction season in Germany and France, attention has now turned to supply prospects next season. Fears that last year's storm damage will lead to a shortage of beech logs next year are widespread. There are reports that in some French regions the forest authorities will restrict beech log harvests to storm-damaged beech trees that have been left in the forest with roots attached. Beech harvest volumes will inevitably be limited and millers may have to saw lower quality material. Furthermore, logs from damaged trees may be affected by blue stain.

In an effort to compensate for possible beech shortfalls next season, Chinese importers continued to buy beech logs well into Spring this year. While China's insatiable appetite for beech continues, exporters have met with price resistance and complaints over quality. Chinese buyers have been rejecting parcels of storm-felled beech due to "shake" - irregularities in the wood which only become apparent during planing.

By contrast, European oak log availability may be significantly higher next year. The task of converting much of the storm-felled oak was postponed until next season as harvesting operations focused on more susceptible beech and softwood species.

According to the German journal EUWID, last year's storm damage coupled with continuing strong demand for beech both in Europe and China, led to a significant increase in the availability of beech veneer and saw logs at German auctions this year. At the 78 log auctions held during the 1999/2000 season, beech accounted for 40% of the volume, oak 29% and European maple (Sycamore and Norway maple) 3%. Beech overtook oak as the dominant species for the first time in decades. EUWID's survey of German log auctions indicates that average veneer and saw log prices for beech declined around 8% due to excess production after the storms. More limited harvesting meant oak log prices fell only 4%. Continuing firm demand from European stave producers also boosted prices for high quality oak logs. European maple log prices increased by 4% - reflecting rising demand

for the European species as US Hard maple prices have risen.

Long lead times and bottlenecks in the processing chain - coupled with continuing firm demand from China and within Europe - have meant that subdued log prices have not translated into lower prices for high grade European sawnwood.

In the UK, the recent weakening of sterling against the dollar has meant that buyers of European hardwoods are not getting the bargains available before devaluation, but prices remain attractive. As US prices have continued firm, there are reports of more UK buyers looking for European alternatives. One agent also commented on increasing UK interest in beech from non traditional sources, notably wood sawn in Northern Italy from logs exported from the former Yugoslavia.

String of good economic news

Over the last two months there has been a string of good economic news from Europe. The OECD expects the Euro area, which shares Europe's common currency, to grow by 3.5% this year, its best rate in over a decade. Year-on-year GDP growth continued to strengthen in the first quarter, to 3.3% in both France and Germany, and 4.2% in the Netherlands. Spain's GDP growth may increase by 4% this year and France's by around 4%. The pace of growth has fueled inflationary fears and encouraged the European central bank to raise interest rates on 8 June by half a point to 4.25%. Even the flagging euro managed a small rally.

Market reports presented at a meeting of UCBD, the European hardwood trade association, held on 16 June in Bremen, Germany, confirm the generally positive pic-

ture of market prospects throughout Europe. Some highlights of the reports by country are as follows:

■ **UK:** GDP growth reached 3% in the 12 months to March 2000 and is forecast to hit 2.3% for the full year 2000. More rapid growth is inhibited by high interest rates and government policy to maintain tight spending. Housing starts declined by 2.5% during 1999, but were up 6.3% in the first quarter of 2000. The furniture sector has been more active in 2000 than last year, but the strong pound is undermining exports and has hit profitability. Timber flooring and decking are in good demand. Tight margins in the manufacturing sector and intense competition between importers has put downward pressure on prices.

■ **France:** There is strong growth in the construction sector and good activity in the furniture and flooring sectors. Wood demand in the joinery sector is moderate due to competition from PVC.

■ **Germany:** The construction sector is subdued, but a slight increase in building investment is expected in Western Germany during 2000. The slump in East German construction continues. Furniture industry trade volume is expected to increase 1.5% this year compared with a decline of 1.2% in 1999. Light colours in furniture are still preferred, but darker woods (notably wenge, rosewood and walnut) are regaining popularity. Oak is also regaining importance. The market for US black cherry is brisk. The trend towards Hard maple is so strong that other species are being excluded. Germany's veneer industry is under pressure due to lower costs of processing beech logs in Eastern Europe.

■ **Italy:** The building and renovation sectors grew during 1999 in response to eurozone low interest rates. Rates of growth in the construction sector slowed in April 2000, but this is regarded as a blip rather than a long term trend. Furniture production increased 4.2% in 2000 and is expected to increase again this year. Stocks of dollar denominated hardwood species are now low due to reduced purchasing. The replacement of tropical by temperate hardwoods continues, with a particular focus on European hardwoods.

■ **Denmark:** Domestic markets for furniture are stable, but export markets are difficult. Light species continue to be preferred but darker species are gaining ground. The flooring and DIY sectors are performing well. DIY activity is also high.

European sawnwood indicative prices			
	Apr	May	June
Exchange rates			
DM/£	3.43	3.13	3.09
DM/\$	2.19	2.11	2.04
Northern Germany, DM/m3, C&F, UK Port			
German beech			
Grade: kiln dried, steamed and square edged.			
1"	1750	1750	1750
2"	1800	1800	1800
German oak			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available - French prices are similar to German prices)			

African Hardwoods

Weak euro gives African wood the edge

European demand for African hardwood species continued firm throughout June, boosted by the weakness of the Euro which has ensured prices are competitive against dollar denominated Malaysian and Brazilian species. Agents expect demand to tail off temporarily during the European summer vacation period between mid July and mid August. However contacts recently returning from the region suggest that supplies are becoming increasingly difficult. Although significant volumes of Sapele sawn lumber are now being shipped as the logging season in Cameroon nears its end, supplies available for booking forward are very tight. Forward markets are sold through until September or October. Three factors are likely to ensure further tightening of Sapele supplies over the coming months. First the rainy season has already begun in West Africa. Second, a bridge has collapsed on the crucial rail link between Nkometou and Yaounde and this is expected to severely disrupt the movement of logs in the Cameroon for the next two or three months. Third, under pressure from the World Bank, the Cameroon authorities continue to increase controls on logging. These controls aim to restrict harvests of primary species and to encourage greater exploitation of secondary species. However, the mills can't afford to transport secondary species over the dirt roads and long distances between bush and processing

African logs indicative prices			
	Apr	May	June
Exchange rates Fr.F/£	11.49	9.53	10.36
CAR & Congo (Brazzaville)			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
N'gollon			
70+ (20% 60-69)	1700	1600	1600
Bosse 60+	1650	1650	1650
Ayous 70+	na	na	1200
Sapele			
80+ (20% 70-79)	1950	1950	1950
Sipo			
80+ (20% 70-79)	2500	2500	2500
Gabon			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
Acajou			
70+ (20% 60-69)	1450	1300	1350
Douka			
70+ (15% 60-69)	1350	1350	1350
Sipo			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
Liberia			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	215	205	200
Walnut	215	200	200
Iroko	320	300	300

plant typical of the Cameroon. As a result even mills with their own concessions now suffer from a shortage of logs. Hardwood supplies from Ghana have also been restricted throughout the current logging season. Millers' log stocks are extremely low for the time of year and some mills are reported to have no logs at all in their yards. Ghana currently has 175 operational mills but in the long term there

may only be sufficient supplies to feed 25 of the more efficient. Tight supplies reflect resource limitations and related government efforts to reduce harvesting to 1 million m3 per annum. Ghana's efforts to overhaul the nation's concession system and implement a transparent system of competitive tendering for Timber Utilisation Contracts is now nearing completion. Despite tight supplies, patchy export demand meant that prices for Ghanaian species remained stable during June.

A similar picture of limited supply is apparent in Ivory Coast. Recent visitors to the country report that wood processing companies have been supplementing the limited volumes now available from domestic forests with log volumes transported overland from neighbouring Liberia and Guinea. However volumes are restricted because many mills are unable to afford the prices currently on offer. Political conditions in the Ivory Coast remain uncertain, with news of another attempted coup in late June.

UK agents report that export demand for Iroko was "off a bit" during June. However limited supplies ensured stable prices during the month.

Contacts returning from Liberia paint a depressing picture of a country where corruption is endemic and where the existing administration presides over the dismantling of the remaining forest resource. There are reports that forestry officials have not been paid for months, so their only option is to live on handouts from the companies they are meant to regulate. One contact suggests Asian companies are simply liquidating the forest, selling the best quality logs on the European market and shipping the lower grades to the Far East. The forest remnant is then converted for agriculture.

Market reports presented at the meeting of the European hardwood trade association UCBD in Germany in mid June suggested consistently firm demand for African wood throughout all the major European markets despite recent price increases. Short term interest has been boosted by the weak euro. Reports from Germany and Denmark suggest that darker coloured tropical woods are regaining some popularity in the furniture sector, a trend which also benefits African suppliers.

The French Journal Commerce International du Bois reports continuing strong demand for African wood in France. However importers are becoming increasingly concerned over the serious problems of sup-

African Sawn Indicative Prices

	Apr	May	June
Exchange rates Fr.F/£	11.49	10.51	10.36
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3400	3400	3500
Sipo	4100	4200	4500
Bibolo	2700	2700	2700
N'Gollon	3200	3500	3500
Afrommosia	5500	5600	5600
Iroko	3600	3750	3750
Cote d'Ivoire			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3500	3550	3600
Mahogany	2750	2750	2750
Framire	2100	2050	2050
Samba No.1 C&S	1525	1525	1525
Dimension stock			
Azobe	2500/ 2900	2500/ 2900	2500/ 2900
Opepe	2100/ 2800	2100/ 2800	2100/ 2800
Dabema	1950/ 2550	1950/ 2550	1950/ 2550
Gabon			
Fr. Francs/m3, FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	2150	2250	2250
Okoume KD		2500	2500
Ghana			
Exchange rates			
DM/£	3.42	3.13	3.09
C/£	7409	6915	8561
DM/m3, FOB Takoradi			
Grade: FAS, Air dried (AD) or kilned (KD)			
Size: width 6"+, avg 9", length 6'+, avg 9'			
A.mahogany AD	1100	1100	1100
A.mahogany KD	1250	1250	1250
Emeri AD	760	760	760
Utile KD	1550	1550	1550
Odum AD	na	na	na
Odum KD	1300	1325	1375
Sapele KD	1150	1200	1280
Edinam AD	670	670	670
Edinam KD	850	850	850
Walnut AD	910	910	910
Naington AD	925	925	925
Danta AD	730	730	730
Danta KD	1000	1000	1000
Wawa AD	530	530	530
Wawa KD	600	600	600
Makore KD	1050	1050	1050

African Hardwoods

ply which has led to rising prices for the principal species. The journal notes that this trend has led manufacturers to look at alternative species. For example, Niangon is being substituted for Sapeli. The availability of African logs to French plywood mills, which have relied particularly on okoume from Gabon, is also becoming an increasing problem. This trend is expected to continue as Gabon is now investing heavily in plywood and veneer manufacturing capacity. Three major projects to develop factory facilities are currently underway by the companies Ste Thebault, CEMA, and Leroy. French buyers are also concerned over proliferation of buyers for African wood from the Far East and from Spain, Portugal, Italy and Germany, which is contributing to the rising price trend.

Ghana

Concession restructuring

The Ghana Ministry of Lands and Forestry recently hosted a workshop to discuss forest certification and the reform of Ghanaian forest regulations. During the workshop it was announced that 50 Forest Management Units (FMUs) have been created covering the country's permanent forest estate. Each FMU is approximately 500 square kilometres and lies within one forest district. Off-reserve forest areas are also being consolidated into management units each under a Timber Utilisation Contract. Private companies operating under TUCs will be subject to strict regulations covering social responsibility and environmental impact. Also discussed at the workshop were Ghana's draft forest certification standards which were field tested during the current logging season.

Togo

Leading African teak producer

An Accord was agreed on 30 May between the government of Togo and the Global Timber Trading Company (GTTTC) of the United Arab Emirates. Under the terms of the Accord it was agreed that over the next 5 years, GTTTC would invest a total of CFAFr 2.45 Billion (US\$2.45 million) to create 4000 hectares of new teak plantations. The agreement is intended to confirm Togo's position as Africa's leading producer of plantation teak, with a total area of 6000 hectares.

On signing the Accord, the Togo Environmental Minister deplored the alarming rate of forest degradation in the country which affects around 30,000 hectares a year.

Cameroon

Audit recommends complete overhaul of forest taxation

Last month, hardwoodmarkets.com reported on a recent government audit highlighting significant forest sector problems in Cameroon. The availability of cheap illegally felled logs, coupled with inadequate forest inventory information, may be fueling over-capacity in Cameroon's wood processing sector. The recently introduced log export ban may add to the problem by providing Cameroon wood processors with a cheap source of domestic logs, undermining competition and discouraging efficiency. The government audit recommends that Cameroon should undertake a major reform of forest policy and tax regime. The aim should be to find a better balance between protectionism (to stimulate development of domestic wood processing industries); and free market competition (to encourage efficiency and innovation). The following measures are proposed:

- the Cameroon government should develop a new tax regime to allow limited log exports. Exports of all species should be allowed subject to quota, fixed annually at national level, and based on a bidding system by potential exporters.

- to encourage processing efficiency, export duties on value added products should be suppressed in favour of increased taxes on wood entering processing plants.

- Cameroon should reform import tax and investment regimes to promote further modernisation of Cameroon's wood processing sector.

- concession fees and taxes should be reduced to take account of the extra costs to concessionaires of implementing new environmental standards. The aim would be to ensure that the fiscal regime for forestry operators is realistic and achievable - thereby discouraging illegal practices.

- similarly, there should be a moderate drop in the minimum rate of annual tax on concessions earning between CFA Fr 1500-1300 per hectare. This would alleviate the tax burden on concessions with low production potential.

- Cameroon needs to reform procedures of competitive tendering for concession rights. In particular greater emphasis should be placed on ensuring concessionaires have sufficient resources to manage forests sustainably. Sanctions need to be increased to ensure they provide an effective disincentive to bad practice.

- an Ad Hoc Commission should be es-

tablished to undertake a full economic review of the forest sector and to evaluate the existing system of fiscal incentives. The Commission should include representatives of the forestry profession and an independent observer.

- the Cameroon authorities should acknowledge the failure of existing policy to encourage the development of vertically integrated forestry sector. Allocation of forest concessions in the future should no longer be restricted to operators with their own processing facilities. Instead efforts should focus on introducing an efficient internal market for logs to ensure competition and provide a reliable price formation process.

- An independent mediator should be appointed to help overcome the distrust currently existing between the forest industry and authorities in Cameroon. The mediator should operate outside existing administrative structures. While having no direct powers of sanction, the mediator should investigate possible abuses of power by forestry officials and undertake reviews of the forest administration. It should report directly to parliament and also advise donor agencies.

- to provide a stable environment for industrial development and investment, the Cameroon government should adopt a stability pact with the forest industry. This should take the form of a formal policy document guaranteeing a stable tax environment over a period of 5 years. The document should provide a reference point for the further development of Cameroon's forest tax regime.

Cambodia

Cambodia has filed its first charges against a private company for illegal logging, according to an announcement by Cambodian Forestry Director Ty Sokun ann. The government has accused GAT International Co Ltd of Malaysia of illegally cutting logs worth nearly \$105,000 within its own and another company's concession areas in the Cardomom Mountains in southwest Cambodia. All of GAT's logging activities in the Cardomoms have been suspended. The move follows an investigation by environmental watchdog Global Witness and Cambodian officials.

Note our standard statistical content relating to hardwood imports is subject to review and will be resumed in the August 2000 issue

North American Hardwoods

Export Markets

Concerns over low KD availability for shipment

Improving economic conditions in most European export markets has encouraged some increased buying of North American hardwoods over recent months. However, European importers are concerned by the low availability of kiln dried sawn lumber available for shipment - a factor which reflects continuing strong US domestic demand. European demand is also hampered by the weakness of the euro in relation to the dollar which has fed European perceptions of high prices for North American hardwoods. This has encouraged a search for substitutes and discouraged European importers from purchasing replacement inventory. The European export market is also expected to slow during the European summer vacation period. During June, CIF prices for US hardwoods to European ports remained steady for most species.

Nevertheless, strong economic conditions have meant that sales of North American hardwoods continue to be reasonably buoyant in Southern Europe, notably Spain and Portugal. Demand in Northern Europe has been slower. The performance of individual species on European markets has also been variable. Both Hard maple and Cherry have met with price resistance which is slowing sales. Demand for White oak and Ash continues to improve.

The German trade journal EUWID reports that German demand for US species is steady, with marginally improved buying of White oak. Sales of Tulipwood to German door manufacturers is also developing. Short supplies and high prices for cherry logs, which are imported into Germany for the manufacture of veneer, has slowed sales.

During the opening months of 1999, the UK market for US hardwoods benefitted from the stable sterling-dollar exchange rate. However weakening of sterling in May has led to price increases for UK importers which has impacted on forward buying. Sterling devaluation has intensified the already competitive and price conscious nature of the UK market.

There is some positive news from the UK market. In a recent survey of the joinery industry, the trade journal TTJ Timber and Wood Products reports that architectural joiners in the country "point to the increasing popularity of temperate hardwoods - notably maple, cherry and oak

- in place of the likes of teak and mahogany." Despite high prices for North American hardwoods during the first half of this year, "the customers still want it and so the importers have to supply it - even if it means losing some of their margin."

Demand in Asia has been mixed over recent months. The strength of the dollar and high level of US prices has meant that importers have often refrained from large orders and adopted a wait-and-see approach. North American sales have also been undermined by rising freight rates and tight container space to Asia. US hardwoods are facing increased competition from Euro-

By species, the market position is as follows:

■ **Hard maple:** The logging season is now over for Hard maple and will not resume until the Autumn months. Mills are therefore resorting to logs in irrigated storage. CIF prices to European ports have remained stable at high levels over the last month, although there are some reports of marginal weakening of prices for 2" lumber which may reflect minor improvements in US inventories of good diameter logs. High prices and the strong dollar have meant order quantities in export markets have been reduced, but regular long term buyers in the furniture sector continue to buy steadily - a reflection of Hard maple's continuing popularity. In Europe high US prices is encouraging some substitution by European maple (primarily sycamore and Norway maple) - for example for stairbuilding in Germany.

■ **Cherry:** CIF prices to European ports remained stable at high levels during June. High prices for both cherry veneer logs and sawn lumber are acting as a brake on demand in European export markets. In France, increased availability of European cherry in the wake last year's storms has tended to increase price resistance. However, the underlying popularity of cherry ensures continuing good demand.

■ **Ash:** inventories of Ash in the northern United States have been restricted due to wet weather during the spring months. Sales of FAS grades of Ash to the United Kingdom and Germany are fair. Japanese demand has improved slightly. There is good demand from China and South East Asia for flooring grades. CIF prices to European ports remained flat during June.

■ **White oak:** European export demand is good, with markets Spain and Portugal continuing firm and sales in Germany improving. Demand in Japan remains steady. White oak log production has been good, but there are some reports of bottlenecks in kilning reducing availability of KD lumber. Indicative CIF prices for FAS KD lumber exported to Europe increased slightly. Lower grade White oak is in strong demand from flooring manufacturers in the US.

■ **Red oak:** volumes of FAS shipped from Northern and Appalachian regions of the US have been limited. The species is in strong demand on US domestic markets. Lower grades are selling well in Mexico and the Far East, although the market is highly competitive. Indicative CIF prices for FAS KD lumber exported to Europe were stable during June.

US sawn lumber indicative prices

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

	Mar	Apr	May	June
	\$/£			
Red oak				
1"		1850	1850	1885
1.25"		2100	2100	2150
1.5"		2200	2250	2300
2"		2600	2600	2650
White oak				
1"		1580	1580	1600
1.25"		1740	1740	1800
1.5"		2180	2150	2300
2"		2700	2700	2850
Ash				
1"		1390	1390	1390
2"		1820	1820	1835
Tulipwood				
1"		1290	1270	1285
1.25"		1300	1290	1300
1.5"		1330	1310	1320
2"		1350	1330	1340
Cherry				
1"		3640	3640	3675
1.25"		3740	3740	3775
1.5"		3960	3960	3945
2"		4180	4180	4200
Hard Maple				
1"		3030	2970	2970
1.25"		3075	3075	3075
1.5"		3305	3300	3300
2"		3445	3420	3420

pean beech in Asian markets. Demand in Japan is only fair. Nevertheless there are signs of improvement in the Korean market, and demand in China and Taiwan remains good.

Demand for US hardwoods - notably Red oak and Tulipwood - continues to be firm in Mexico where manufacturers are reported to be busy.

On the production side, trade reports indicate that most North American sawmills are well stocked with logs, although some reports suggest wet weather during spring hampered logging in Northern states. Continuing strong domestic hardwood demand means that few mills have excess inventory of kiln dried lumber.

North American Hardwoods

■ **Tulipwood:** Southern European demand is fair, but is being undermined by the weak euro. Sales to the German door industry are improving. There continues to be strong demand for lower grades from the Far East and Mexico. Indicative CIF prices for FAS KD lumber exported to Europe were stable during June.

■ **Walnut:** export markets for the species are good, although many Italian buyers have adopted a wait-and-see policy due to continuing weakness of the Euro.

US Economy

Where to now?

The performance of United States economy is critical to the international hardwood trade. Over the last eight years and especially following the onset of the Asian financial crises in 1998, the buoyant US economy has acted as a sponge, soaking up a vast volume of wood products and manufactured goods and shoring up prices. Furthermore the stability and wealth generated by the US economy at home has provided US corporations with an essential launching pad for overseas investment which has contributed to the recent economic revival throughout much of South America and the Far East. The continuing economic strength in the United States is mirrored in the high value of the US dollar, a factor which has a very direct impact on the relative competitiveness of hardwoods in all areas of the world.

Much hinges on the future direction of the US economy. So where is it heading? As ever, economists find it impossible to agree. The Bank for International Settlements is amongst the most pessimistic. In mid June it issued a blistering warning of a global economic "hard landing" led by the US. The process could go something like this. Continuing growth at "unsustainable" levels in the US encourages spiralling inflation, forcing the US Treasury to push through further interest rate hikes in an effort to dampen consumer spending. Higher interest rates further increase the value of the US dollar, hitting US exports and flooding domestic markets with cheap imports. Foreign investors into the US decide they are no longer prepared to finance the huge current account deficit. Higher interest rates also increase the cost to US business and consumers of maintaining their existing debts. Weakness in corporate investment or cuts in consumer spending

make shares collapse - feeding a further fall in consumer and business spending. The country spirals into recession

How likely is this scenario? The crucial issue is the success of the US Federal Reserve in manipulating interest rate policy to slow the economy to a "sustainable" level of growth. Most economists reckon that to achieve this, US growth needs to fall from 5.4% in the first quarter of 2000 to a long term rate of between 3.5% and 4%.

Uncertainty over the Fed's ability to engineer a soft landing has been the cause of much soul searching on the part of US investors. Uncertainty has also been fueled by other factors - notably rising oil prices - over which the Fed has no control. Stocks and shares have been on a roller-coaster ride. Market sentiment dipped severely in May as evidence of rising inflation fueled speculation that boom may be soon followed by bust. However, only a few weeks later in mid June there was a feeling of renewed optimism. The Fed's decision to raise interest rates by half a percentage point on 16 May was seen by many investors as a sufficient response. Shares and bond markets rallied and then stabilised. Recently released statistical data has tended to encourage the view that the US may be heading for a soft landing. Clear evidence that the pace of growth is slowing now suggests to many economists that there may be no need for further significant interest rate hikes to control inflation. Evidence comes from a number of sources. Sales of new houses fell 5.8% in April, a rate of decrease more than twice what many experts were predicting. Sales of existing homes fell even faster. In April, consumer spending grew by only 0.4%, the slowest pace since July 1999. Manufacturing output is also slowing. Factory orders fell 4.3% in April to a level below that prevailing at the end of 1999. These figures have encouraged analysts to cut forecasts for GDP growth in the second quarter of 2000. For example Chase Manhattan now expects the economy to grow by 4% in the second quarter, down for their previous estimate of 4.5%.

At first glance, these figures may appear disappointing to hardwood producers accustomed to unrelenting good news about the "US economic miracle". However, if these indications of slowing growth imply a soft landing for the US economy, we all should be thankful.

Sustainable forestry SFI moves to independent verification and pursues mutual recognition

The Sustainable Forestry Initiative (SFI) of the American Forest & Paper Association has moved to independent third party certification and now seeks mutual recognition with other forest certification schemes. A recent delegation of US industry representatives met with the PEFC and members of the International Forest Industry Roundtable (IFIR) to pursue this objective.

"Since the launch of SFI in 1994, it has moved from a voluntary standard for sustainable forest management by members of AF&PA to an internationally recognized, independently verifiable standard. Today SFI covers 22 million hectares of forest, of which so far 12 million ha have been certified by independent third party auditors" said John Heisenbottle of AF&PA.

The SFI has responded to market demands in the USA and overseas, and to research, which indicated a need to increase outside stakeholders and third party certification. In July the SFI will launch its Sustainable Forest Board (SFB), which comprises 60% non-industry NGOs, academicians, and forestry experts. AF&PA representation will be limited to 40%. SFI has also been opened to non-members of AF&PA through outreach training. For example, in 1995 about 35% of raw material delivered to SFI member mills came from independent loggers trained in sustainable forest management, and today the figure is 90%. SFI was originally intended to be a member programme, but has now expanded to involve non-industry forest landowners, through a licensing system.

Speaking at a series of meetings in Europe last month, Marvin Brown, Director of Forest Policy at Willamette Industries, stated that there has been a measurable increase in the value of company forestlands as a direct result of SFI. With him was John Godbee of International Paper, who is now the largest paper producer in the world. Their belief is that their own commitment to sustainable forest management, which they seek to implement in their operations worldwide, will ultimately contribute to international mutual recognition of all credible certification schemes.

More from Rebecca Coleman, AF&PA Tel (202) 463 2700; Fax (202) 463 2787

Asian Hardwoods

Malaysian sawn lumber Unfavourable trading conditions prevail

Trading conditions remain unfavourable for Malaysian shippers. European markets for sawnwood continue to be undermined by the weakness of the euro against the dollar which has given African shippers a competitive price advantage. Rising freight rates to Europe has further eroded margins. Demand for Malaysian sawnwood in Japan and Korea is quiet.

A mixed picture of the supply situation is emerging in Malaysia. Although the logging season is now at its height, domestic log production in both East and West Malaysia has been restricted this year in response to government measures to tighten up harvesting regulations and promote sustainable forestry practices. This partly reflects moves to extend and implement the Malaysian national timber certification scheme throughout all states by the end of this year in line with the country's

commitment to ITTO Objective 2000. Systems for allocating concessions and issuing felling licences are being tightened up. The impact of these measures has been felt particularly in East Malaysia where numerous sawmills without their own concessions have been deprived of logs. Nevertheless, it is reported that in West Malaysia shippers' stocks of sawn lumber are stacking up. A large proportion of these supplies derive from logs shipped from the Indonesian island of Sumatra for processing in West Malaysia. West Malaysian shippers bought heavily early in the log season in anticipation of rising sales in European markets. However these sales have been much lower than anticipated due to unfavourable exchange rates.

Freight rate increases to Europe have added to the difficulties of Malaysian shippers. A rate increase averaging around US\$8 per ton of sawn lumber was introduced at the end of June. Shippers' margins have been hit as the weak euro meant these increases could not be passed on to buyers.

European markets are slowing in the run up to the holiday season between mid July to mid August. Agents in the UK suggest that Meranti stocks are relatively high and are not expecting a significant increase in purchasing at importer level until September at the earliest. Lying outside the Euro zone, the UK has been less affected by the dollar exchange rate. However UK agents report that current sterling costs of importing air dried Sapele from Cameroon and kilning in the UK are only 2% higher than purchasing kiln dried Meranti from West Malaysia. With the differential so tight, manufacturers have tended to favour the quality advantages of the African species.

Similarly, the German trade journal EUWID reported in June that in central Europe meranti stocks are high and that current price levels are hindering sales.

However, there are some rays of light for Malaysian shippers. Confidence in the European economy is improving, which has encouraged some manufacturers to purchase steadily - albeit at reduced levels. Although African prices are more competitive, there are limits to the ability of African shippers to supply the range and quality of goods required by European manufacturers. The situation varies considerably by European country depending on prevailing standards and market preferences. For example, in the

Netherlands window manufacturers are not well placed to shift to African sources as they are heavily dependent on Malaysian shippers ability to supply regular volumes of kiln dried hardwood of relatively high density in precise size specifications. Similarly many large French door and window manufacturers are maintaining their purchases of Dark Red Seraya from quality producers in Sabah, despite comparatively high pricing, as their whole production process and marketing framework is geared towards the Malaysian species.

The combination of consistent buying (albeit at low levels); continued confidence in export market prospects; and uncertainty over the log supply situation, have so far prevented any significant downturn in Malaysian sawn lumber prices. Although there are occasional reports of shippers dropping prices to encourage sales, these are widely interpreted as temporary reductions to maintain cash flow rather than a sustained downward trend. Most agents believe European demand for Malaysian sawnwood will pick up after the vacation period as the African rainy season restricts supplies from that source. However much will hinge on the direction of the euro-dollar exchange rate.

Teak Container backlog in Rangoon

A move by the Myanmar government to tackle irregularities in the teak export business has disrupted shipments from Rangoon. There are reports that a backlog of 400 container loads built up as a result of the authorities' decision to check all loads against official export documentation.

Korea Overstocking continues

Korea's imports of hardwood logs in the first quarter of this year reached 242,703 m3. Despite this volume being well down on levels prevailing in 1997 prior to the onset of the Asian financial crises, overstocking continued to be a problem. Korean importers have been squeezed between weak domestic demand and rising FOB prices. Log purchases have remained weak into the second quarter of 2000, despite some softening of prices for Southsea (notably PNG) logs. In part this weakness is due to Korea's dull domestic plywood manufacturing sector which is coming under increasing pressure from cheap imports.

Asian Sawn Lumber Indicative Prices			
	Apr	May	June
Exchange rates:			
M\$/£	5.94	5.64	5.75
US\$/£	1.56	1.48	1.51
M\$/US\$	3.80	3.80	3.80
Malaysia			
All prices US\$/ton, C&F UK port			
Dark Red Meranti			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'			
1-2"	910	900	900
2.5"	930	910	910
3"	970	960	960
Keruing			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	565*	565*	565
Kapur			
Grade: Standard & Better GMS			
Size: Width 6"+, avg 7"-8"; Length 16'+			
1"-3" plnd	575*	575*	575
* Keruing and Kapur prices previously quoted for April and May were too low and have been amended			
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	2750/ 3700	2650/ 3500	2650/ 3500
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

Asian Hardwoods

Japan

Is the gloom lifting?

Japan's notoriously erratic official statistics suggest that some of the gloom may be lifting. In mid June, the Japanese government made the remarkable claim that the economy had grown by an annualised 10% in the first quarter of 2000. Unfortunately other statistics reveal the continuing depth of Japan's economic problems. Confidence among Japan's small businesses is falling once again. Orders for machinery have sagged. Bankruptcies have also risen sharply, particularly among Japanese construction companies. Bankruptcies in the construction sector comprised nearly a third of total filings in May - the latest month for which data is available. The last statistic is particularly surprising given that Japanese construction companies are the obvious beneficiaries of recent government policy to dig Japan out of recession. A central thrust of this policy is supposed to have been huge increases in public works spending over the last two years. However, other government statistics demonstrate that public works spending has actually been falling since the middle of last year. This may reflect the fact that local governments, which must pay for a proportion of the extra projects that the central government announces, are short of cash and heavily in debt. So they are refusing to pay their share, or cutting in other areas to make up the shortfall. As a result the government has had difficulty

Wood Products Imports to Japan First quarter - 000s m3		
	2000 Proj. Demand	Jan-Mar Imports
North America	9606	2418.3
logs	4996	1237.4
lumber	4610	1180.9
Southseas & Africa	4320	1090.1
logs	3000	847.8
lumber	1000	242.3
Russia	5950	1535
logs	5500	1393.3
lumber	450	142
New Zealand & Chile	2250	509.2
logs	1600	365.4
lumber	650	143.8
Europe	2000	529.4
logs	0	6.5
lumber	2000	522.9
Total Logs	15416	3843.5
Total Lumber	8710	1709
Total Plywood	4200	n/a
Grand Total	28326	

Note: projected domestic plywood production for 2000 is 3 million m3
Source: Pacific Rim Market Report - based on Japan Lumber Importers Assn

lifting overall spending.

Weakness in the construction sector is also apparent from house start data. Despite two reductions in housing loan interest rates by the Government Housing Loan Corporation, housing starts remain flat. Latest figures for April show that housing starts dur-

Japanese Tropical Log Imports First quarter - m3		
	Volume	% Change Jan-Mar 2000/1999
Sabah	64,080	-10.5
Sarawak	461997	2.7
Total Malaysia	526077	0.9
Indonesia	7966	-43.6
Solomon Islands	19999	-65.6
Papua New Guinea	225006	-22.2
Laos	1039	-73.2
Total Southseas	780087	-12.1
Total Africa	67395	64.8

Source: Pacific Rim Market Report - based on Japan Lumber Importers Assn

ing the month were only 0.1% higher than the same month last year at 107,258 units. A substantial increase in housing starts for private sale was offset by a large decrease in house starts for rent and corporate ownership. Looking at longer term trends, the Japan Lumber Journal has reported that housing starts during the financial year April 2000 to March 2001 are expected to reach only 1,205,000 units, compared to 1,226,000 units during the previous financial year. Starts are forecast to fall further to 1,177,000 units during the 2001/2002 financial year.

Trade reports indicate that the Japanese timber business has been slow since the second week of May. Japan's Southsea log market has been particularly depressed during 2000. Latest data for the first quarter of the year indicates that Southsea log imports amounted to 780,087 m3, 12% down on the previous year. The decline in Southsea log imports was partly compensated by a 64% increase in log imports from Africa to 67,395 m3.

Malaysian forestry

Declining log production

At a recent Malaysian Timber Council seminar in KL, Malaysia's Primary Industries Minister Dr Lim noted that log production in Malaysia dropped from 40 million m3 in 1990 to 21.7 million cubic metres in 1998. The decline in log production in Peninsular Malaysia is particularly acute with log production dropping from 12.8 million m3 in 1990 to 5.1 million m3 in 1998. The reduction in log supply has

resulted in a supply-demand imbalance. Peninsular Malaysia has installed capacity of 14.3 million m3 comprising 12.3 million m3 in sawmilling and 2 million m3 in the plywood and veneer sectors. Dr Lim suggested the situation will become more critical as dwindling supplies from the natural forests will be reduced even further as state governments adhere to the National Forest Policy. He also noted that off-shore sources of logs and sawntimber will only be able to supplement the industry's raw material requirements in the short-term. To help overcome these problems, the Malaysian government established the National Committee on Forest Plantation Development to develop a national strategy and action plan to encourage private sector investment in forest plantations.

China

Furniture exports up 24%

Latest statistics issued by Chinese Customs indicate that China's furniture exports last year were valued at US\$2.708 billion, up 23.7% on the previous year and a new record. To improve competitiveness, Chinese furniture enterprises have been importing advanced technical capacity and production lines from Italy and Germany. Chinese furniture manufacturers' trademarks are becoming increasingly acceptable to the international market.

17% forest cover commitment

The recently published 5th National Survey of Chinese Forest Resources showed that these covered 159 million hectares, around 16.5% of land area. China's state forestry administration has announced its intention to maintain at least 17% forest cover in the long term. To realise this, the authorities plan to adopt the following measures:

- a permanent halt to commercial logging in natural forests in the upper and middle reaches of Yangtze river and Yellow River.
- the implementation of a logging quota policy throughout the forest areas of Northeast China and Inner Mongolia, the regions supplying the bulk of China's commercial timber harvest
- a reduction in logging for fuelwood and home use by local farmers;
- tighter control of unlawful logging;
- in the Southern and Western regions of China, where forests serve important social functions, forests will be classified on the basis of major function (production, protection, conservation) and managed accordingly.

South American Hardwoods

Brazilian sawn lumber US importers soak up mahogany

The Brazilian market is currently in transition as forestry operations in the Amazon are restarting with the end of the rains. At the end of June, there is still no availability of new season kiln dried mahogany. Only limited volumes of air dried stock can be obtained. The booming US market is consuming nearly all the available volume. Prices for the species were pushed higher during June.

Over recent years, the whole direction of the Brazilian mahogany export trade has changed. The UK formerly bought all the FAS material kiln dried from Brazil, while the US concentrated on lower grades. However now Brazilian shippers are able to obtain good prices for air dried FAS in the United States. This season, US shippers have moved into the market for mahogany even earlier than last year, buying up much of the available stock. By selling air dried stock to the United States, rather than kiln dried to the UK, Brazilian shippers secure payment 6 weeks earlier and avoid the possible risk of damage during kilning. To secure stock, UK buyers are being asked to pay up front for air dried stock before wood is diverted to the kilns.

Prices for cedar are being maintained against a background of limited availability. Prices are still uncompetitive against alternative Asian and African species including Sapele and Meranti.

The French Journal Commerce International du Bois notes that French stocks of

Brazilian hardwoods are very low. French importers are negotiating contracts for new season supplies with Brazilian shippers at stable prices.

Green campaigns Greenpeace pursue Brazilian plywood

During June, Greenpeace were active criticising illegal logging in the Amazon. Their campaign focused on a single shipment of tropical plywood aboard the vessel M.V. Enif sourced from the Brazilian company Amaplac, a subsidiary of the Malaysian company WTK. Greenpeace occupied the vessel in Tilbury, UK, and later in Hamburg, Germany in an effort to prevent unloading. They also wrote to 22 UK timber companies and several building firms explaining the reasons for their action.

Greenpeace allege that the plywood is manufactured from logs extracted illegally. No specific details are provided in the Greenpeace press release of the information on which these allegations are based. Greenpeace note only that "a Greenpeace investigation in May and June in the area of the Amazon where WTK get their logs uncovered several illegal log rafts".

A number of UK importing companies - identified by Greenpeace as International Plywood, Premier Forest products, and Taylor Maxwell Ltd - responded to the Greenpeace campaign by announcing they would cease purchases from Amaplac until further information was made available. The Greenpeace Campaign received national media coverage in the UK. The Timber Trade Federation responded with a statement that "the Brazilian Environment Agency, IBAMA, has considerably strengthened its enforcement procedures over recent years and is currently carrying out additional checks on a plywood company operating in the Amazon region".

Loggers take direct action

Meanwhile, Greenpeace in Brazil have themselves been the target for direct action from the logging industry. Reuters report that more than 1,000 angry loggers and timber industry workers confronted Greenpeace activists in late June, preventing them from launching an environmental protest in Belem. The workers marched into the port of Belem where a Greenpeace boat was docked and confronted the activists as they disembarked. The workers claim that Greenpeace campaigns were damaging jobs in the Amazonian region. They

blame stricter environmental laws for 3,000 job losses this year alone. Greenpeace has been touring towns in the Brazilian Amazon to denounce "environmental crimes" and have specifically targeted the logging industry.

Rainforest movement criticised

The New York Post published an article in June heavily critical of the rainforest movement and of the numerous celebrities associated with it. The article draws on the views of two ecologists - Patrick Moore and Philip Stott - after a recent fact-finding visit to the Amazon region. Stott is professor of biogeography at London University's School of Oriental and African Studies and editor of the Journal of Biogeography. Moore is a founding member of Greenpeace and now an advocate for the forest industry.

In the article Moore claims that - at best - the save-the-rainforest campaign is misleading and - at worst - a gigantic con. Moore notes that "All these save-the-forests arguments are based on bad science.... They are quite simply wrong. We found that the Amazon rainforest is more than 90 percent intact. We flew over it and met all the environmental authorities. We studied satellite pictures of the entire area."

Stott comments specifically on the environmentalists' claim that rainforests are the "lungs of the earth". This he says is "nonsense; the daftest of all theories." Stott notes that because trees fall down and decay, rainforests actually take in slightly more oxygen than they give out. "The idea of them soaking up carbon dioxide and giving out oxygen is a myth. It's only fast-growing young trees that actually take up carbon dioxide.... In terms of world systems, the rainforests are basically irrelevant. World weather is governed by the oceans - that great system of ocean atmospherics."

The New York Post also noted that a documentary highlighting the inaccuracies of environmental campaigns in the west aimed at "saving the rainforest" was due to be shown on US national TV on 25 June. The documentary was prepared by TV reporter Marc Morano who spent a year investigating the rainforest movement's claims. Details of Marc Morano's documentary may be obtained at the American Investigator website - <http://ai-tv.com>. Copies can be ordered by ringing 1-888-200-TAPE (USA).

**Brazilian sawn lumber
Indicative prices**

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

Special Report - Spain

Demand rides high on the back of bouyant economy

Spain's imports of tropical hardwood logs fell significantly (by 24%) during 1999 in response to increasing controls in African supplying countries. However imports of temperate hardwoods and of tropical sawn lumber continued at the bouyant levels recorded in 1998.

Spain's national economy grew strongly by 3.7% during 1999 benefitting from low interest rates and currency stability within the euro-zone. Investment in the construction sector grew at an exceptionally high rate during 1999 (by 10.2%). Housing starts grew by 12.9%. Renovation activity was up 6%.

Spain generally looks to Africa for her supply of tropical hardwoods. Between 1997 and 1998, Spain's tropical log imports increased from 288,756 m3 to 327,550 m3. However last year tropical log imports fell back to only 247,165 m3 after the Cameroon authorities implemented a log export ban on 1 July 1999. Spain's imports of logs from Gabon also fell back last year due to production constraints. These stemmed from a dispute between Gabon logging interests and SNBG, the parastatal agency with a monopoly over log exports. Gabon also introduced higher export taxes in a move designed to encourage value added processing in the country. Spanish importers efforts to indentify alternative log supplies have met with only limited success. Log imports from the Central African Republic, Congo (Brazzaville) and Liberia increased only marginally last year.

Spain's tropical sawn lumber imports during 1999 were down only slightly on the high levels recorded in 1998. Spain's imports of tropical sawn lumber from Cameroon and Ivory Coast increased consistently during the 1990. Sawn lumber imports from Cameroon rose from only 69,000 m3 in 1993 to 167,000m3 in 1998. Last year these imports declined slightly to 150,801 m3. Sawn lumber imports from Ivory Coast increased consistently during the 1990s, rising from 63,000 m3 in 1993 to 141,000 m3 in 1999.

Since 1994, Spain has been buying increasingly large volumes of sawn lumber from Brazil. Volumes increased from only 4000 m3 in 1993 to over 95,000 m3 in 1998. These levels were maintained during 1999. Increased imports from Brazil coincide with Brazil's efforts to market a wider range of non-mahogany species. Spain has become a significant importer of Brazilian jatoba for example.

Spain's imports of beech logs increased during 1999. Importers shifted a significant part of their purchases away from the traditional suppliers in France due to the increased presence of Chinese buyers on French log markets. Spain also significantly reduced purchases of French oak logs - prices for which were high due to strong demand from stave producers - in favour of more competitively priced German supplies.

Spain's imports of White oak sawn lumber from the US increased significantly (by 10%) during 1999 despite the weak euro, even succeeding in taking market share from French producers - a tribute perhaps to AHEC's marketing efforts in Spain. East European supplies have had little impact on the Spanish market.

Prospects favourable

Prospects for the Spanish market during 2000 continue to be favourable. GDP is forecast to increase by 4.3% this year, higher than average for the euro-zone. The main construction industry association in Spain predicts construction activity will increase by 7% this year. Partiuclarly strong growth in hotel and residential construction is reported in the regions of Cataluna, Valencia, and Alicante.

The Spanish furniture sector is reasonably bouyant, with firm demand at home and improving markets overseas. The flooring sector is very active, with particular growth in parquet. Imports of these products are also increasing. Spanish door manufacturers are active and have succeeded in broadening markets both at home and abroad.

According to a recent UCBD market report, Spanish hardwood stocks are currently moderate, both for tropical and temperate species and consumption is "quite positive". However there are fears that recent increases in interest rates may dampen activity. Hardwood prices on the Spanish market are firm for the main tropical species - Sapele and Iroko. Tropical species prices are generally rising. Prices for US hardwood are stable. There continues to be strong demand for both tropical and temperate hardwoods.

Greenpeace has been very active in Spain recently, campaigning against African and Brazilian hardwood imports. There is increasing interest in forest certification. As elsewhere in Europe, domestic forest owners favour PEFC.

Spanish hardwood imports m3 - Source AEIM

	1998	1999	% Change
Tropical logs			
Cameroon	183166	124020	-32.29%
Central African Republic	22409	26137	16.64%
Equat. Guinea	52581	41176	-21.69%
Gabon	39808	24851	-37.57%
Congo	3486	5006	43.60%
Liberia	6840	8015	17.18%
Ivory Coast	1244	2700	117.04%
Nigeria	16	68	325.00%
Rep. Congo	221	373	68.78%
Other Africa	4078	397	-90.26%
Total Africa	313849	232743	-25.84%
Total Asia	306	79	-74.18%
Other Europe	13395	14343	7.08%
Total	327550	247165	-24.54%
Tropical sawn lumber			
Ivory Coast	138157	141195	2.20%
Cameroon	167654	150801	-10.05%
Central Afr. Rep.	34031	22846	-32.87%
Congo	18477	16792	-9.12%
Ghana	6391	11285	76.58%
Gabon	4352	3367	-22.63%
Nigeria	589	1521	158.23%
Equat. Guinea	412	935	126.94%
Rep. Congo	351	1000	184.90%
Other Africa	1775	1432	-19.32%
Africa	372189	351174	-5.65%
Indonesia	4839	472	-90.25%
Malaysia	260	494	90.00%
India	123	75	-39.02%
China	43	226	425.58%
Other Asia	128	135	5.47%
Asia	5393	1402	-74.00%
Brazil	95560	97727	2.27%
Chile	2812	5041	79.27%
Nicaragua	668	300	-55.09%
Ecuador	305	289	-5.25%
Paraguay	1145	719	-37.21%
Bolivia	111	104	-6.31%
Argentina	140	94	-32.86%
Other America	5385	3961	-26.44%
America	106126	108235	1.99%
Other Europe	6069	9923	63.50%
Total	489777	470734	-3.89%
Oak logs			
France	101293	85949	-15.15%
USA	9186	13001	41.53%
Germany	6776	14596	115.41%
Ukraine	4293	3935	-8.34%
UK	507	321	-36.69%
Russia	1450	302	-79.17%
Other	3515	2375	-32.43%
Total	127020	120479	-5.15%
Beech logs			
France	136214	114143	-16.20%
Ukraine	3188	9265	190.62%
Belgium	7389	22692	207.11%
Germany	8690	7192	-17.24%
Poland	460	4785	940.22%
Russia	1	24	2300.00%
Other	1863	7870	322.44%
Total	157805	165971	5.17%
Oak sawn lumber			
USA	143,069	158,245	0.61%
France	25,246	21,770	-13.77%
Canada	9,318	10,500	12.69%
Poland	1,829	594	-67.52%
Ukraine	3,210	4,131	28.69%
Germany	2,102	4,772	127.02%
Russia	264	189	-28.41%
Other	8,983	8,760	-2.48%
Total	194,021	208,961	7.70%
Beech sawn lumber			
Germany	92,848	86,286	-7.07%
France	56,549	51,771	-8.45%
Romania	5,195	2,860	-44.95%
Bel-Lux.	3,579	3,548	-0.87%
Switzerland	3,886	5,725	47.32%
Poland	3,222	986	-69.40%
Croatia	230	358	55.65%
Other	9,872	11,709	18.61%
Total	175,381	163,243	-6.92%

Special Report - FSC

The Forest Stewardship Council (FSC) is an increasingly influential player in the international forest policy debate. In large part this influence reflects broad support for the scheme by environmental groups and large western retailer chains. It also reflects the professionalism and resources devoted to effective public relations activities, particularly by the World Wide Fund for Nature (WWF). The FSC and WWF can take credit for demonstrating forest certification's value as a communication device and as one tool to promote sustainable forestry practices. However, the promotional rhetoric has tended to outpace the ability of FSC to deliver. Large European retailers are showing signs of frustration at FSC's failure to satisfy their need for commercial volumes of certified wood. These issues came to the fore at the WWF "Forests For Life Conference and Trade Fair for Certified Forest Products" held at the London Arena between 6 and 7 June.

Professional media event fails to dispel doubts

The FSC Trade Fair provided a vivid demonstration of the progress that FSC has made in the 7 years since its launch. The show was impressive for the breadth of products on display and the presence of a number of "big names". Overall, 86 companies had taken stands - a significant increase on last year's event in Mainz, Germany. A wide range of supplying countries and products were represented. Displays included hardwood sawn lumber, semi finished components, and finished products manufactured from a variety of FSC certified material including solid wood, veneer, engineered and paper products. Two of the large Swedish suppliers of FSC certified wood, Assi Doman and SCA had taken stands. UK buying companies included two of the UK's largest hardwood importers - Timbmet and International Timber - and B&Q, the UK's leading DIY retailer.

However the show failed to dispel doubts over the extent to which certified wood has penetrated the mainstream of the hardwood trade - even in the UK which is widely recognised as the world's leading market for FSC certified products. On the hardwood side, North American suppliers were represented only by a combined State of Pennsylvania stand hosting 5 exporting companies. On the tropical side, there was a very strong emphasis on lesser known species. Furthermore, company representatives interviewed by **hardwoodmarkets.com** were of the opinion that few buyers were attending the show. Stands had been booked not with a view to picking up new customers, but rather to "fly the flag" in support of certification. There was a realisation that the bulk of the market for certified wood in the UK is tied up by a few large retailers who are working with a limited number of large producers and manufacturers, notably in Sweden, to obtain supplies of FSC certified product.

The WWF Conference organised to run concurrently with the FSC Trade Fair was a professionally organised and visually

impressive event. It dwarfed other promotional efforts of the forest products industry. To begin, the 1000 delegates attending the Conference were shown a video of forestry operations and wood processing. Hanging on either side of the screen were two large logos of WWF and FSC. The rest of the event was stage-managed to convey a simple message: all the stakeholders in the forest sector - forest owners, government, trade, industry, and environmentalists - are working together towards the common goal of FSC certification. The Conference involved a series of presentations from speakers representing different interests all more or less supportive of FSC certification. There was only limited discussion of the technical and political issues surrounding certification and little time set aside for questions.

Good industry publicity... ...or travesty of truth?

In this age of media spin it may make sense for the forest industry to demonstrate unity in support of a scheme designed to promote sustainable forest management - leaving the technical debate and political differences over the shape of certification to other fora where the international media are not present. From one perspective, the event provided good publicity for the whole timber industry - implying a degree of accord with the green movement that other industries would find hard to match.

On the other hand, such stage-management could be seen as a misrepresentation of real progress made and of the actual degree of consensus reached on forest certification. There is little doubt that both the Conference and Trade Fair will have raised consumer expectations in the United Kingdom over the desirability and availability of FSC certified wood. But the central question remains unanswered - has FSC the ability to deliver?

*More news from the conference
will be covered next month:
FSC in the tropics; and in the USA;
FSC strategy changes*

Mixed response from retailers

Leading retailers in North America and Europe reiterated their support for independent forest certification during the WWF Conference. However, there was also concern over FSC's inability to supply commercial volumes of certified wood. The perceived solution lay in greater cooperation and mutual recognition between FSC and non FSC schemes.

During question time at the Conference, Alan Knight, Head of Sustainability at B&Q, noted that having achieved 80% of their wood supplies from FSC certified sources, B&Q are now struggling to maintain this percentage due to lack of availability. B&Q released a new draft policy during the Conference which notes that "FSC's growth, whilst impressive, is not compatible with even the growth of B&Q let alone the growing demands of certified timber from around the world."

To overcome this problem of lack of supply B&Q "encourage non-FSC schemes to find ways of winning support from environmental groups and the FSC themselves to continue to explore ways of recognising other schemes." In the meantime, B&Q will "develop a method of evaluating different certification schemes. We will use FSC as the best available benchmark."

A similar message came from Ms Suzanne Apple of US retailers Home Depot, whose presentation led the session on markets for certification. She noted that FSC had had many successes but also several "set backs". Ms Apple claimed that Home Depot are the largest seller of lumber in the world, and that they were the first US home improvement retailer to adopt a comprehensive wood purchasing policy. Their policy is to eliminate sales in their stores of all wood supplied "from endangered areas" by the end of 2002. They are also giving preference to certified wood products. Ms Apple noted that FSC had had many successes but also several "set backs". She was particularly concerned over the limited supplies of certified wood. In order

to achieve improved supplies, she urged FSC to “*put politics aside*” and to improve collaboration with other groups. Ms Apple concluded by emphasising the huge power of consumers to drive improvements in forest management. Home Depot was able to “*influence the buying decisions of 30 million consumers every week*”. However, Home Depot are unable to switch on their huge marketing machine in favour of certified wood due to current problems of supply. FSC must take the lead to overcome this problem.

In a video presentation, a representative of France’s (and Europe’s) largest retailing company, Carrefour, said they are committed to “*any certification scheme as long as it is credible*”. Carrefour regarded FSC as the best system, but also emphasised the importance of mutual recognition and partnership between different certification schemes to minimise market confusion. Carrefour’s acceptance of the Finnish Forest Certification Scheme was mentioned, and it was implied that Carrefour would also accept wood certified under the Pan European Forest Certification Scheme.

There was a mixed reaction from WWF on the issue of FSC recognising other certification schemes. Claude Martin, Director General of WWF International, was clearly of the opinion that only FSC would do. He felt retailers should make clear their preference for FSC certified sources and should not endorse alternative schemes. He commented that FSC is working with the Malaysian and LEI schemes towards mutual recognition, but that this would involve “*no watering down of the FSC standard*”. Furthermore Claude Martin believed FSC should not co-operate with the Pan European Forest Certification Scheme which he suggested “*was not easy to reconcile with our aims*”.

However, in summing up the Conference, Stephen Howard of WWF took a more conciliatory line. He acknowledged the growing concerns of retailers over FSC’s failure to seriously address problems of commercial supply. He noted that during the Conference there should have been more discussion of other certification schemes and a greater effort to encourage dialogue. He stressed his view that there should not be competition between different forms of forest certification, but that schemes “*should work together under the FSC umbrella*.”

Plywood

Depressed markets and low prices

International hardwood plywood prices remain at low levels of around INDO96 less 22/23. Trade contacts suggest that efforts by policy makers to reduce production levels and force through higher prices will have little impact in the face of prevailing market conditions. These conditions include weak market demand in Asia; increasing log availability during the dry season in the tropical regions both of the Far East and South America; and the continuing willingness of Indonesian shippers to export at low prices as the Rupiah remains weak and the nation’s economy remains unstable. Trade contacts are strongly of the view that the new higher list prices agreed for the European market by the ASEAN Panel Products Federation (APPF) in May will fail to stick. Prices are not expected to rise at least until October/November when the monsoon in the Far East may begin to disrupt log supplies.

Hardwood plywood shippers in both Malaysia and Brazil are still uncompetitive and sales volumes from both sources in Europe remain very restricted. Brazilian shippers currency advantage has now more or less disappeared as the *real* has regained much of its value against the dollar after last year’s devaluation. Brazilian hardwood ply shippers have therefore reduced production and are concentrating on domestic and Caribbean markets.

Demand in the UK, the leading European market for imported plywood, is currently subdued. Importers are unenthusiastic about buying as the summer vacation period looms and recent statistics relating to the housing market, one benchmark of future plywood demand, suggest high interest rates have taken this off the boil. UK agents comment that the UK plywood import trade is characterised by an excessive number of buyers leading to intense competition. Adding to the problems is the recent increase in UK domestic production of MDF and OSB which has inevitably taken a slice out of plywood’s market share.

Plywood market prospects in Japan are also not favourable. Trade press reports indicate that overall Japanese demand for wood products has been weak since the second week of May due to the depressed construction sector. The most recent data for house starts for May indicates they reached only 100,443, 1.1% down on the same month of last year. Trade contacts report relatively slow buying by Japanese

plywood importers. The Japan Lumber Importers Association forecasts plywood imports this year of only 4.4 million m³ compared to 4.8 million m³ last year.

Meanwhile a row has developed over the level of Malaysian plywood exports to Japan. According to the Japan Lumber Journal producers in Japan, Indonesia and Malaysia reached an agreement last December over the volume that each should supply to the Japanese market. Japan would supply 3 million m³, Indonesia 2.55 million, and Malaysia 1.3 million m³. The aim was to limit supplies and thereby prevent further price weakening. However, the Japan Lumber Journal reports that Malaysia has exceeded the agreed amount (at annualised rates) - exporting 0.537 million m³ in the 4 months from January.

Korean imports of plywood in the first quarter of this year reached 210,200 m³, an increase of 25% over the same period the previous year (167,850 m³). The increase reflects a shift away from domestic production to imported plywood in Korea, rather than any improvement in underlying market demand. The ratio of imported plywood to domestic production increased from 39% in 1998 to 50% in 1999. In the first quarter of 2000 the ratio was 56%. Domestic plywood manufacturers are losing control of the market to importers and are now more heavily influenced by international price trends. Efforts on the part of Korea’s domestic plywood manufacturers to increase prices during the Spring construction sector failed.

Discussion of Malaysian government proposals to develop a tropical plywood futures market, due to take place at the ITTO meeting in May were postponed until the next meeting in November.

New mill in Sarawak

A US\$52.6m plywood and veneer plant has begun operations near Sarikei in Sarawak. The new Rintara plant, which is operated by the Malaysian company Jaya Tiasa Holdings, is one of the most advanced in the country. It uses German machinery and employs 600 people working two shifts a day. Initial output is 200,000m² of veneered plywood per month, but the target is to slice 5 million m² of veneer and manufacture 60,000m³ plywood a year. There are also plans to diversify production into a number of other products, including flooring and laminated veneer lumber. An major aim is to capture niche markets in the high class interior decoration sector and quality furniture industry.

continued from page 1

fication. Most countries are following the logical sequence from idea to implementation. Some are much further advanced than others, but all seem to be moving in the right direction”.

Nevertheless significant problems persist in tropical countries. While government authorities may have developed coherent strategies, Poore suggests that “there is not yet strong evidence that [these] are being acted upon. The strongest reasons for this ... is the shortage of qualified and trained personnel, and of finance. The impression given in [national reports] is that the will to implement is there, the means are lacking.” Poore refers to specific problems. For example illegal logging and poaching are still a problem in many countries. Sustainable harvesting is still hindered in many cases by inadequate information (from growth and yield studies, studies of the ecology of individual species etc.). Poore also suggests that, although national authorities now accept the importance of sustainable forest management “it is necessary to disseminate the message much more widely, especially among concessionaires, the timber industry, forest workers, and the farming and other communities living in

and near the forest.”.

Progress towards sustainable forest management inevitably varies between tropical nations. Poore notes that “from the evidence provided in the [national reports], it would seem that only six countries have established all the conditions which make it likely that they can manage their forest management units sustainably” (see box below). Generally speaking those countries that have made the most progress “are those with good resource endowment, major exports of timber and timber products, and the possibility of establishing a PFE. In other countries it is a major challenge to protect the PFE in the face of mounting population pressure, large demands for forest products and services, and the growing importance of timber production outside the forests.”

Poore’s closing remarks highlight the implications of ITTO’s failure to publicise the achievements of Objective 2000. This failure may itself undermine sustainable forestry in the tropics given the “enormous importance of convincing the public that the sustainable management of forests for timber is possible, and that using the forest is much the most powerful lever to ensure it is not damaged or converted”.

Six tropical countries managing forests sustainably

ITTO’s review of progress towards Objective 2000 identifies 6 countries which “appear to be managing some of their forests sustainably at the forest management unit level”:

■ **Ghana** where “many elements of sustainable management are now in place”. The Permanent Forest Estate (PFE) is established and secure. There are specifications for sustainable management in management plans and these are enforced. Incentives have been established for sustainable forest management, and a process for forest certification is being developed. The review concludes that “the prospects are good, but they have yet to be realised.”

■ **Guyana** where there is a secure PFE and “forest concessions are awarded under stringent conditions and by a penetrating process which require a management plan, an environmental impact assessment and an environmental management plan.”

■ **Indonesia** where “all the key sustainable forest management elements are now in place. The country’s PFE is now secured based on land use priorities identified through local broad based consultation

processes. National forestry standards, a certification body and supporting activities have been institutionalised”. However enforcement remains a major problem.

■ **Malaysia** which “has a system of demarcated PFE complemented by well managed networks of totally protected areas.... Forest management is under control and silvicultural treatments are adequately funded, backed by improved knowledge... Management plan prescriptions are implemented and AAC limits followed.”

■ **Cameroon** which has defined a PFE on the basis of a forest inventory. “Arrangements are being made to respect the interests of local people. A management plan is compulsory.” On the other hand forest inventory and growth data needs to be strengthened for sustainable management.

■ **Myanmar** which has a system of PFE managed under approved working plans. “Criteria and Indicators for sustainable forest management have been drafted and two demonstration sites established. Key steps have taken to develop a certification procedure.”

Lima Meeting 3 critical issues discussed, but no decisions taken

Three critical issues were raised at the meeting of the International Tropical Timber Organisation (ITTO) held in Lima 24-30 May: a review of progress towards the Year 2000 Objective for sustainable forest management; ITTO’s role in the forest certification debate; and ITTO’s failure to adequately publicise its own achievements. But ITTO failed to agree on how to tackle these issues. The main decisions were deferred until the next ITTO meeting in Japan in November.

The highlight of the ITTO meeting was the release of Duncan Poore’s draft report reviewing progress towards the Year 2000 Objective. (see article page 1). Now that the year 2000 is here, the report highlighted the clear need to develop and articulate a 2000+ strategy. Limited progress was made at the Lima meeting. ITTO producer members were mostly unwilling to agree new target dates and suggested the Objective should be redefined as a process rather than a goal. They also stressed their continuing need for funding, particularly for projects demonstrating the role and value Reduced Impact Logging in tropical forests. All that was agreed - following a plea from Duncan Poore - was a statement that “ITTO affirms that it is fully committed to moving as rapidly as possible towards achieving exports of tropical timber and timber products from sustainably managed sources.” The subject will be revisited at the next ITTO Council meeting in Japan in November. Discussion on the vital issue of a communication strategy for ITTO was also postponed until the next meeting

A number of decisions were taken on the future of ITTO. The extension of the legal agreement governing the ITTO’s existence and activities - the ITTA - was agreed in principle. The extension will be for three years until January 2004 and will be confirmed at the November meeting. The US made it clear that there was no guarantee of their agreeing to extend the Agreement beyond this unless significant progress was made.

The ITTO Council also responded to criticism that it is not sufficiently responsive to the views of the private sector and non governmental organisations. The Council approved a decision to form a Trade Advisory Group and a similar body for NGOs. This initiative received particularly

strong backing from the US Government delegation.

Of the wide range of presentations at the meeting, possibly the most significant for the future of the tropical timber trade came from the Indonesian Forestry Minister. His presentation included a call for ITTO to acknowledge the extent of illegal logging in the tropics and to provide assistance to Member Countries to combat the problem. He emphasised that without effective enforcement, ITTO's efforts to promote sustainable forest management would be negated. With regard to Indonesia, he acknowledged the need to reduce processing capacity to better reflect sustainable wood supplies.

Differences over certification

Differences of opinion emerged at the Lima meeting over the role of ITTO in the future development of timber certification. There was strong body of opinion amongst producers, led by the Malaysians, that ITTO should act as a certification and mutual recognition body. However, consumer countries were strongly opposed, arguing that it was for the market to decide the form that forest certification should take. Consumer countries argued that ITTO should focus on the provision of information on forest certification and assistance to producer countries developing certification schemes. No agreement could be reached and further discussion was postponed until November.

Timber certification was also on the agenda of the Market Discussion where ITTO trade delegates are given the opportunity to brief government officials. Delegates discussed the economic implications of certification - noting that while certification adds costs, there is little evidence that consumers are willing to pay. Certification however may be important to ensure continuing market access for tropical timber. It was noted that a major cost of certification is linked with chain of custody auditing from forest to final consumer. This usually requires impractical procedures to physically segregate certified and uncertified logs. Delegates suggested a novel alternative to reduce costs. It may be possible to develop Certified Log Credits (CLC) to work in a similar way to carbon credits.

Thanks to Graham Bruford, UK Timber Trade Federation and Trade Delegate to ITTO Organisation, whose report provided the basis for this article.

Events

AHEC's Asia Convention highlights market rebound

More than 460 delegates from 13 different countries attended AHEC's fifth Southeast Asia Convention in Bangkok, Thailand on June 8 and 9. With the theme of "US Hardwoods - The Quality Choice for Furniture and Interior Design", the convention was designed as a forum to bring together US hardwood suppliers with SE Asian importers and hardwood users. The two-day event included three keynote presentations, two panel discussions led by industry experts, and field visits to two manufacturing facilities near Bangkok. The keynote speakers included Professor Dale Broholm, of the Rhode Island School of Design, who gave a visual presentation on the use of US hardwoods in modern furniture design; Mr. Al Goetzl, President of Seneca Creek Associates who provided the delegates with

an overview of the global market for hardwoods; and Mr. Mark Horne, Chief Inspector of the National Hardwood Lumber Association.

Data provided by AHEC at the Convention demonstrates that the disruption caused by the SE Asian economic crisis to US hardwood exports is a thing of the past. 1999 exports of value-added US hardwood products (lumber, veneer, flooring, molding and plywood), to the region reached \$65.7 million, up nearly 30% from 1998's total of \$51.6 million, and almost reaching the pre-crisis total of \$66.5 of 1997. The first-quarter 2000 figures also reflect the growth trend, as US exports to SE Asia are up 16% compared to the same period in 1999. Exports to mainland China are up even more dramatically, with first quarter 2000 US exports increasing 130% over 1999 levels, which in turn were nearly double the 1998 totals.

Exchange rates for one pound sterling and one US dollar

		4-May		26-May		30-Jun	
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.5622	0.9998	1.4830	0.9993	1.5100	0.9998
Australia	Aus.\$	2.6439	1.6921	2.6080	1.7575	2.5214	1.6656
Bangladesh	Taka	79.6813	50.9960	75.6815	51.0000	77.2064	51.0000
Belgium	Belgian Fr.	70.6714	45.2489	64.6532	43.5683	63.7093	42.0843
Belize	B\$	3.0170	1.9309	2.9234	1.9700	2.9823	1.9700
Bolivia	Boliviano	9.4527	6.0500	9.0521	6.1000	9.2951	6.1400
Botswana	Pula	7.9498	5.0878	7.8787	5.3093	7.7415	5.1138
Brazil	Real	2.8336	1.8135	2.7335	1.8420	2.7310	1.8040
Fr. Africa*	CFA Fr.	2.33	1.49	1.051.31	708.45	1035.96	684.33
Canada	Canadian \$	1149.43	735.63	2.2303	1.5029	2.2431	1.4817
Chile	Peso	806.452	516.129	780.335	525.850	813.694	537.500
China	Yuan	12.9366	8.2802	12.2828	8.2771	12.5320	8.2782
Czech Republic	Koruna	63.6537	40.7384	58.0559	39.1225	56.2623	37.1650
Denmark	Danish Krone	13.0582	8.3577	12.0037	8.0890	11.7814	7.7824
Estonia	Kroon	27.4198	17.5469	25.0568	16.8852	24.7136	16.3250
Europe	Euro	1.7525	1.1216	1.6027	1.0800	1.5793	1.0432
Finland	Markka	10.4395	6.6684	9.5293	6.4216	9.3902	6.2029
France	Franc	11.4956	7.3572	10.5131	7.0845	10.3596	6.8433
Germany	D-mark	3.4276	2.1937	3.1347	2.1124	3.0889	2.0404
Ghana	Cedi	7409.00	4800.00	6915.23	4660.00	8560.85	5655.00
Guyana	Guyanese \$	282.486	180.791	267.853	180.500	273.250	180.500
Hong Kong	HK\$	12.1714	7.7900	11.5631	7.7921	11.8009	7.7953
India	Rupee	68.2128	43.6562	65.8429	44.3700	67.6275	44.6725
Indonesia	Rupiah	12311.0	7975.0	12635.8	8515.0	13250.0	8752.5
Irish Republic	Punt	1.3802	0.8833	1.2622	0.8506	1.2438	0.8216
Italy	Lira	3360.00	2175.00	3103.28	2091.23	3057.98	2020.00
Japan	Yen	170.3578	109.0290	158.6940	106.9400	160.1730	105.8050
Kenya	K. Shilling	116.5501	74.5921	113.7450	76.6500	117.7020	77.7500
Korea South	Won	1715.00	1111.25	1687.25	1117.00	1687.98	1115.03
Liberia	Liberian \$	1.5625	1.0000	1.4840	1.0000	1.5139	1.0000
Malaysia	Ringgit	5.9375	3.8000	5.6390	3.8000	5.7526	3.8000
Myanmar	Kyat	10.6281	6.8020	9.2747	6.2500	9.4616	6.2500
Netherlands	Guilder	3.8619	2.4716	3.5319	2.3801	3.4804	2.2990
New Zealand	NZ\$	3.1836	2.0375	3.2701	2.2036	3.2159	2.1243
Nigeria	Naira	157.480	100.787	152.068	102.475	159.106	105.100
Papua NG	Kina	3.9659	2.5382	3.5896	2.4190	3.7106	2.4511
Philippines	Peso	64.4745	41.2637	63.5502	42.8250	65.4438	43.2300
Poland	Zloty	7.0077	4.4851	6.7149	4.5250	6.5928	4.3550
Portugal	Escudo	350.877	224.561	321.315	216.527	316.624	209.151
Romania	Leu	30433.0	19722.0	30602.0	20622.0	32305.6	21340.0
Russia	Rouble	44.3459	28.3814	41.9735	28.2850	42.4938	28.0700
Singapore	Singapore \$	2.6883	1.7205	2.5729	1.7338	2.6175	1.7290
Solomon Islands	Slmn. Is. \$	7.9120	5.0637	7.5035	5.0564	7.6547	5.0564
South Africa	Rand	10.6872	6.8398	10.6070	7.1478	10.2639	6.7800
Spain	Peseta	291.545	186.589	266.669	179.702	262.776	173.581
Sweden	Krona	14.1423	9.0511	13.4752	9.0806	13.2780	8.7710
Taiwan	\$	47.9616	30.7031	45.7280	30.8150	46.6266	30.8000
Tanzania	Shilling	1250.00	800.00	1184.94	798.50	1210.70	799.75
Thailand	Baht	60.1323	38.4763	58.0892	39.1450	59.3808	39.2250
Uganda	New Shilling	2367.79	1534.29	2355.77	1587.50	2376.75	1570.00
U.S.A	US \$	1.5625	1.0000	1.4840	1.0000	1.5139	1.0000
Venezuala	Bolivar	1043.57	676.00	1014.88	683.91	1032.45	682.00
Vietnam	Dong	21613.0	13989.0	20897.0	14082.0	21319.6	14083.0
Zimbabwe	\$	59.9880	38.4025	56.6202	38.1550	58.0562	38.3500

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

Sourcing problems in Africa

European demand for African hardwoods continued firm throughout June, boosted by the weakness of the Euro which has ensured prices are competitive. Agents expect demand to tail off temporarily during the European summer vacation period between mid July and mid August. However contacts recently returning from Africa suggest that supplies are becoming increasingly difficult. **Page 4**

Malaysia's trading difficulties

Trading conditions remain unfavourable for Malaysian shippers. European markets for sawn lumber continue to be undermined by the weakness of the Euro. Rising freight rates to Europe have further eroded margins. Demand for Malaysian sawnwood in Japan and Korea is quiet. **Page 8**

Mixed Malaysian supply picture

A mixed picture of the supply situation is emerging in Malaysia. Although the logging season is now at its height, domestic log production has been restricted by tightening government regulations. However significant volumes of sawn lumber have stacked up in West Malaysia. A large proportion of these supplies derive from logs shipped from the Indonesian island of Sumatra for processing in West Malaysia. **Page 8**

Concerns over low US availability

Improving economic conditions in European export markets has encouraged some increased buying of North American hardwoods over recent months. However, European importers are concerned by low availability of kiln dried sawn lumber for shipment - a factor which reflects continuing strong US domestic demand. European demand is also hampered by the weakness of the Euro which has fed European perceptions of high prices for North American hardwoods. This has encouraged a search for substitutes and discouraged European importers from purchasing replacement inventory. **Pages 6/7**

European hardwoods thrive

Markets for European hardwoods continue to thrive. Economic conditions are improving in Europe and the strength of the US dollar contributes to competitive pricing. Prices for quality European hardwood sawn oak and beech remain stable. With the end of the hardwood log auction season in Germany and France, attention has now turned to supply prospects next season. Fears that last year's storm damage will lead to a shortage of beech logs next year are widespread. **Page 3**

Brazilian market in transition

The Brazilian market is currently in transition as forestry operations in the Amazon are restarting with the end of the rains. At the end of June, there is still no availability of new season kiln dried mahogany. Only limited volumes of air dried stock can be obtained. The booming US market is consuming nearly all the available volume. Prices for the species were pushed higher during June. **Page 10**

US heads for soft landing

Clear evidence that the pace of US economic growth is slowing after the Federal Reserve raised interest rates in May suggests there may be no need for further interest rate rises to cool inflation. There is growing optimism that the US economy may be heading for a "soft landing". The implications for the international hardwood trade are profound. **Page 7**

ITTO's progress report

A new report released by ITTO suggests that considerable progress has been made by tropical countries to develop sustainable forestry practices in line with ITTO Objective 2000. The report is co-authored by Duncan Poore who in 1988 authored the ground-breaking book "No Timber Without Trees" which focused international attention on the huge problems of tropical forest management at that time.

Page 1 Article, Page 2 Editorial

Spain's ups

Spain's imports of tropical hardwood logs fell significantly (by 24%) during 1999 in response to increasing controls in African supplying countries. However imports of temperate hardwoods and of tropical sawn lumber continued at the buoyant levels recorded in 1998. **Page 11**

Japan's downs

Japan's notoriously erratic official statistics suggest that some of the gloom may be lifting. In mid June, the Japanese government made the remarkable claim that the economy had grown by an annualised 10% in the first quarter of 2000. Unfortunately other statistics reveal the continuing depth of Japan's economic problems. **Page 9**

Britain's stasis

UK's GDP growth reached 3% in the 12 months to March 2000 and is forecast to hit 2.3% for the full year 2000. More rapid growth is inhibited by high interest rates and government policy to maintain tight spending. The furniture sector has been more active in 2000 than last year, but the strong pound is undermining exports and has hit profitability. **Page 3**

WWF puts on a show

The WWF "Forests For Life Conference and Trade Fair for Certified Forest Products" in London provided a vivid illustration of the progress made by FSC over the last 7 years. However it failed to dispel doubts over the ability of FSC to deliver commercial volumes of certified wood. Retailers called for FSC to work more closely with other schemes.

Page 12 Article, Page 2 Editorial

US independence

The Sustainable Forestry Initiative (SFI) of the US AF&PA has moved to independent third party certification and is also seeking mutual recognition with other forest certification schemes. **Page 7**