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## U.S. hardwood exports return to growth despite rising prices

The impact of the weaker dollar and improving global economic conditions are apparent in the first quarter United States hardwood export data. Lumber exports were up 2.6% by volume and 9.6% by value. Log exports were down 2.3% by volume but up 20.1% by value. The big rise in US\$ export values for logs and lumber compared to volumes is partly indicative of the strong growth in dollar prices for American hardwoods over the last 12 months. Dollar prices have moved up in response to shortages in American hardwood supply and strong domestic and overseas demand. US exporters have also taken the opportunity presented by the weak dollar to claw back margins which were eroded between 2000 and 2003.

American hardwood veneer exports increased dramatically during the first quarter of 2004, up 21.3% by volume and 23.4% by value. Veneer exports were up to just about all destinations, partly indicative of the beneficial effects of the weaker dollar this year. It also reflects the shift in US furniture manufacturing facilities to low cost locations, which implies that a larger proportion of American hardwood veneer will have to be exported in future.

American hardwood log and lumber exports to Canada during the first quarter of 2004 were well down on the previous year's level. However this decline was compensated by a significant increase in exports to Mexico and destinations outside North America.

### Strong exports to China

Export growth was particularly strong to the Greater China region. Mainland China, Hong Kong and Taiwan were all importing larger volumes of logs and veneer during the first quarter of 2004. Lumber exports were rising

to mainland China, but continued to fall into Hong Kong and Taiwan.

Strong economic conditions and the development of wood processing facilities notably in flooring and furniture, have meant that the Chinese mainland has been taking more logs of red oak, walnut, cherry, tulipwood and maple. Growth in American lumber exports to China has focused on maple, red oak and a range of secondary species.

### Anti-dumping threat

The Chinese furniture trade may have been boosted in recent months by the threat of anti-dumping duties to be imposed by the U.S. International Trade Commission (ITC) on Chinese wood bedroom furniture imports. Reports suggest that some enterprises serving the American market were working overtime during the first quarter of 2004 to meet orders and many had full order books through to May. Recent anecdotal reports suggest that the strong pace of Chinese demand continued into the second quarter of the year.

In addition to strong exports of Chinese finished products to the United States, the pace of development of markets for these products in Europe has picked up this year. China's domestic hardwood demand has also grown strongly, notably for flooring.

The ITC's decision on US anti-dumping duties has now been delayed until a new deadline of 17 June 2004. In the meantime, some Chinese furniture companies are shifting manufacturing facilities to Vietnam in an effort to circumvent the tariffs. This is helping to boost American hardwood exports to this destination. Exports of American hardwood logs, lumber and veneer to Vietnam were up 246%, 106% and 187% respectively

□ 6

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### **Contacts**

#### **By email**

[editor@hardwoodmarkets.com](mailto:editor@hardwoodmarkets.com)

#### **By mail**

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

#### **By telephone and fax**

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

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## Editorial - upside down world

The hardwood trade has been turned on its head. Clear evidence is emerging of the "reversal of trade". Only a few years ago, it was easy to divide the hardwood world into "tropical producers" and "western consumers". The former supplied raw material for processing in the western world. But that has all changed with the rapid emergence of China and other processing hubs in the developing world. This month we report on rising levels of American hardwood and European oak log exports, much destined for China and Indonesia.

There are other ways in which the hardwood trade has been turned upside down. There is little doubt that it has shifted dramatically from a buyers' market to a sellers' market. Products which only a few months ago seemed readily available and weak in price – such as hardwood plywood, sapele, and meranti sawn lumber - have turned a corner. All these products have posted price gains in the last few weeks.

The turnaround reflects both supply side problems and rising global demand. With improved economic conditions and more stable exchange rates, hardwood buyers have been encouraged to rebuild diminished stock. This at a time when hardwood supplies are restricted in most regions, while shipping costs are rising due to restricted capacity and increased oil prices.

For distributors in western Europe, it may

be difficult to fully appreciate the scale of these changes. How can it be a sellers market when hardwood consumption in this part of the world is so sluggish? But this low consumption is itself symptomatic of the larger global shifts with have led to a decline in manufacturing in high cost locations. Changes on such a scale create winners and losers. Some of the biggest potential losers are wood processors in the west. Some are already turning to politicians for solutions, hoping to manipulate anti-dumping legislation and trade tariffs to protect their industries. Okoume plywood manufacturers in the EU have succeeded in shutting the door to imports from China. Bedroom furniture manufacturers in the US are hoping to shut out competing products from China.

But protectionist solutions can only be short-term and are potentially damaging. More forward-looking western manufacturers are adapting operations so that they exploit both the availability of large pools of cheap labour in the developing world, and their existing reputation and knowledge of western markets. While shifting much of their processing activities to the developing world, they are adapting operations in the west for efficient product distribution, to generate regular feedback from their customer base, and to develop reliable marketing strategies.

Rupert Oliver

## Africa African logs Firming trend

African tropical hardwood log prices have continued to firm in recent months, a response to improved demand from Asian buyers, restricted supplies and increased tax levels in exporting countries.

In recent weeks, FOB log price gains (quoted in euros) have been recorded for **sipo**, **moabi**, **niangon**, **bosse**, **movingui**, **bibolo** and **azobe**. Prices for **sapele** and **iroko**, which strengthened significantly earlier in the year remain unchanged at the higher levels.

Prices for peeler species – including **ayous** and **okoume** - have also been firm due to good demand, especially in China, and restricted supply. According to ITTO, **Gabon's** monthly exports of **okoume** logs are currently at around 40,000 m<sup>3</sup> compared to levels of around 80,000 m<sup>3</sup> to 100,000 m<sup>3</sup> in previous years. One reason for the drop in exports has been an increase in **Gabon's** domestic production of veneer and plywood.

In the first quarter of 2004, **Gabon** exporters bowed to pressure from Chinese buyers to reduce euro prices for **okoume** logs due to the strength of the euro exchange rate. However, euro prices for **okoume** logs have

begun to rise again as Chinese buyers now have only low stocks and as prices for finished plywood have begun to rise.

After some encouraging signs earlier in the year, the European market for African tropical logs is again sluggish, despite relatively low stocks on the ground. However, there are some exceptions. For example European demand for **iroko** logs is in excess of current levels of limited supply. More of the slack in European log markets is now being taken by strong demand in the Far East. Chinese buyers are taking a much wider range of African hardwood species, including redwoods like **sapele** that were previously destined for the European market. There has been some easing in the tight freight situation in recent weeks, partly due to a wider range of smaller charter vessels coming into the market. After a sharp rise earlier in the year, freight rates from Africa to China have moderated slightly in recent weeks, but still remain high.

With the rainy season already underway in some of the main African producing regions north of the equator, and evidence of shortages in tropical log supply elsewhere in the world, indications are that prices for African hardwood logs will continue to firm in coming weeks.

# Africa

## African sawn lumber Prices begin to respond

African sawn lumber prices are now responding to the increased log prices. Prices for some species in limited supply – such as **iroko** and **khaya** – have been firm for some time. Now the firming trend is beginning to extend to the entandrophragmas, notably **sapele** which is the primary species exported from the Congo basin.

While European demand for **sapele** remains sluggish, exporters are being encouraged to push up FOB prices as log supplies have become more difficult and as interest in **sapele** is rising in the Far East.

### China moves into sapele market

There are an increasing number of reports of Chinese buyers purchasing air dried **sapele** sawn lumber. This is a fairly new departure for Chinese buyers who had previously concentrated on secondary species, notably harder species destined for China's thriving flooring industry.

In north western Europe, **sapele** sawn lumber consumption remains subdued. Despite evidence that FOB prices are rising, many importers continue to sell existing landed stocks at below replacement cost in order to encourage sales.

Demand for **sipo/utile** remains subdued, with only a few buyers willing to pay premium prices for the better quality offered by this species over **sapele**.

The European market for **iroko** sawn lumber is much more buoyant, with the limited volumes available selling well at rising prices. Supplies from **Ivory Coast**, traditionally the main supplier, remain restricted. In addition to continuing political problems, there are reports of new government controls on logging in the country. Efforts are now being made to stamp-out logging outside concession areas which formerly provided an important supplementary source of logs in the country.

While overall European demand for **iroko** sawn lumber is in excess of supply, there is still little sign of the large Irish buyers returning in force to the forward market. It seems these buyers are still sitting on reasonable stocks of **iroko** in random sizes and **sapele** sawn lumber after heavy buying last year. Underlying consumption in Ireland also seems to be much slower than in previous years.

### Mixed reports from framire market

There are mixed reports from from key UK market for **framire** sawn lumber. Prices remain stable at reasonably high levels despite the fact that supplies are slightly more plentiful now and demand does not seem as strong as last year. This may partly reflect relatively low prices for dark red meranti sawn lumber in the UK which provides an alternative – although usually more costly - option for general joinery purposes. UK **framire** demand previously focused on thicker stock but there is now more widespread use of thinner stock. There are even reports of shortages in the thinner sizes.

Demand for **wawa** sawn lumber has been disappointing in western Europe, probably explained by the shift in manufacturing facilities to lower cost locations. More **wawa** is now moving into the Far East. South African demand for **wawa** strips is said to be steady.

### Ghana pushes for higher prices

**Wawa** exporters in **Ghana** report that supplies are tight and they are pushing for higher FOB prices, particularly now that it is raining heavily in the main supply regions. In recent months, some of the smaller and medium sized Ghanaian companies have been allocated concessions. Previously only the largest companies had secured concession rights. This holds out promise of more stable – if still restricted - supplies from **Ghana** in the future. However, opening concessions is a time-consuming process and most of the new concession holders were unable to harvest significant quantities of logs before the onset of the rains.

The vast majority of **khaya** sawn lumber continues to be diverted to the United States market, although there are signs of rising interest in this species in China. **Khaya** prices remain firm.

As for logs, indications are that the firming tendency in African sawn lumber prices will continue. In addition to supply restrictions due to the onset of rains in many areas, recent rises in meranti prices may help boost export demand for African redwoods.

## Liberia

### Sanctions likely to last

According to information provided by ATIBT – the Paris-based tropical timber organisation - the sanctions against the Liberian timber industry will be maintained at least until 22 December 2004, and probably for some time thereafter. Lack of funding is hampering the Liberian forest authorities' ability to fulfill pre-conditions established by the UN for the lifting of the sanctions.

On 22 December 2003, the UN agreed under resolution 1521 that the Liberian sanctions would be maintained for at least 12 months subject to various measures. The Liberian government must ensure that the benefits of the timber sector accrue to the Liberian people, and that forestry is undertaken in a manner consistent with internationally accepted environmental standards.

### UN recommendations

These objectives are to be achieved according to recommendations put forward by the UN Sanctions Committee, Liberian Review Committee and Conservation International. These recommendations include: capacity building for the Liberian Forest Development Authority (FDA); moves to improve the sector's transparency and accountability; a review of the concession system; a national forest inventory; a program of forest parks development and protection; and mobilization of technical and financial assistance. The forestry concession system must be revised so that it reflects ITTO sustainability standards.

In January this year, the UN appointed a 5 member "Panel of experts" to conduct a follow-up mission to Liberia to assess the effectiveness of the sanctions and progress being made to reform forestry practices. The group of experts are to report back to the Security Council no later than 30 May 2004. Efforts to reform the forestry sector are being assisted by US and European funding. The biggest project is being run by Flora and Fauna International and Conservation

African indicative prices			
	Mar	Apr	May
Exchange rates			
U\$/£	1.80	1.80	1.80
Euro/£	1.47	1.50	1.49
All prices include agents commission of 5%			
<b>Sawn lumber</b>			
<b>Cameroon, CAR, Congo (Braz.)</b>			
Euro/m3; FOB			
Grade/size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	440	440	470
<b>Sipo</b>	520	520	520
<b>Bibolo</b>	380	380	380
<b>N'Gollon</b>	550	565	565
<b>Iroko</b>	650	650	650
<b>Cote d'Ivoire</b>			
Euro/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
<b>Iroko</b>	650	650	650
<b>Mahogany</b>	500	550	550
<b>Framire</b>	370	370	370
<b>Samba No.1 C&amp;S</b>	275	275	275
Dimension stock			
<b>Azobe</b>	430/ 490	430/ 490	430/ 490
<b>Dabema</b>	320/ 350	325/ 375	325/ 375
<b>Gabon</b>			
Euro/m3; FOB			
Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	310	310	310

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# Africa

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International funded by the European Commission. This project aims to establish the necessary foundations in terms of information, tools and policy environment for effective and sustainable forest and biodiversity management in Liberia. Despite these efforts, it seems unlikely that

sufficient progress will have been made to allow the sanctions to be lifted from December this year. The problems of rehabilitation are immense. For example, it is estimated that at least 175 field technicians are needed to fulfil the recommendations, but only half are available. Filling this gap will be very difficult. The 14 year civil war effectively de-

stroyed all training facilities in the country and caused a massive brain drain. Meanwhile, the Liberian Forestry Development Authority, which in theory is responsible for implementing the reform program, complains that all aid to date has been diverted for use by overseas assessment teams and NGOs.

# Asia

## Malaysian sawn lumber Surer signs of price gains

Surer signs of FOB price gains in **dark red meranti (DRM)** sawn lumber began to emerge in April and early May. The price gains reflect supply constraints and significant increases in **meranti** log prices in the Far East, increases which are widely forecast to be sustained.

Malaysian shippers are now making few offers on all forms of **meranti** sawn lumber – **bukit, seraya, and tembaga** – to the European market. Harvesting levels have fallen in Malaysia, while more logs are being diverted to plywood industry and the booming Chinese market. Malaysian shippers are no longer able to offer any **Indonesian dark red meranti** due to the very strict regulations now imposed by the Malaysian authorities on imports from Indonesia.

### Supplies restricted

Supplies of other Malaysian species are equally restricted. Dutch importers report they are now struggling to obtain **merbau** in typical Dutch sizes. European buyers are struggling to obtain **keruing, Bangkarai/balau** decking prices are firm due to supply restrictions and solid export demand.

The shortfall in Malaysian supplies also extends to **rubberwood**. Growth in demand for this species in the Far East, particularly in China, seems to have overshot the supply capabilities of existing plantations. This is reflected in price rises. One agent noted that C&F prices for **rubberwood S4S** squares supplied to the UK have increased from around US\$420/m<sup>3</sup> to US\$500/m<sup>3</sup> in recent months (inclusive of commission).

### Shipping problems

These problems of supply are compounded by difficulties of obtaining container space. Shipping delays are regularly reported for deliveries to the European market. Freight rates from the Far East are also tending to rise because of high demand for limited container space and rising oil prices. Market sentiment improved a little in the Dutch market during April. Economic indicators showed signs of improvement. The Central Bureau of Statistics published data

indicating that the economy grew by 0.8% in the first quarter of 2004 compared to the same period of 2003. Hardly strong growth, but the first positive trend since 2002.

### Dutch joinery picks up

With the onset of better spring weather, the Dutch joinery mills began to pick up more orders. A few traders began to purchase the limited volumes exporters had on offer. It remains to be seen whether the more positive mood in the Netherlands will be maintained over the summer months when business activity is usually disrupted by the lengthy European vacation period.

The positive market sentiment was dented in May when a few Dutch importers were tempted to sell on their existing stocks at heavily discounted prices in order to maintain cash flow. According to ITTO, some Dutch traders looking for sales dropped prices from around euro 620/625/m<sup>3</sup> for 3x5" **DRM** free delivered in mid April to euro 600/m<sup>3</sup> in mid May.

### UK market slow and steady

The UK **meranti** market has been more stable, although consumption levels are not particularly high. Some of the large trading companies have reasonable landed stocks of **dark red meranti**. However overall stock levels in the UK are probably down on previous years. Very few UK importers now carry significant **meranti** stocks, nor do they speculate on the forward market, preferring to buy limited volumes as the need arises from the larger trading companies.

German importers report limited forward availability of **meranti** sawn lumber and laminated window scantlings. However, the supply situation is not yet problematic as consumption in Germany is weak. Slow construction activity has meant that only restricted volumes are being used in the window sector. C&F Germany prices for **meranti window scantlings** are firm, particularly for high density products.

Between 2002 and 2003, French imports of Malaysian lumber increased from 15000 to 34000 m<sup>3</sup>, mainly due to the weaker dollar and shortfall in supply of African niangon. French imports of Malaysian lumber continued strong during the first quarter of 2004.

## Asian logs and plywood Restricted availability

FOB US\$ prices for Asian tropical hardwood logs have continued to rise. Price rises are being recorded from all the main export locations including Sarawak, Solomon Islands, and Papua New Guinea. Domestic log prices are also reported to be rising in Sabah and Indonesia. Most reports suggest that the rising trend is likely to continue into the future.

Logging operations in Malaysia improved in April, but volumes are still well below levels of previous years. Many Malaysian plywood producers and sawmills have low log inventories and continue to have difficulty securing good-quality logs.

In Indonesia, log supplies to the mills remain relatively restricted, mainly due to tighter control of harvesting operations. Those Indonesian mills without their own concessions are suffering particular shortfalls in log supplies, being forced to purchase logs on the open market at escalating prices.

Ocean freight rates are tending to rise in East Asia. For example, freight rates between Sarawak and Japan are reported to have increased by around US\$2/m<sup>3</sup> in April and are expected to increase again by an equivalent

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Asian Sawn Lumber Indicative Prices			
	Mar	Apr	May
Exchange rates:			
M\$/£	6.83	6.83	6.83
U\$/£	1.80	1.80	1.80
M\$/US\$	3.80	3.80	3.80
<b>Malaysia</b>			
All prices US\$/ton, C&F UK port, including 5% agents commission			
<b>West Malaysian Dark Red Meranti</b>			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'			
1"	790	790	840
2"	810	830	865
2.5"	855	860	885
3"	875	880	900
<b>Myanmar Teak</b>			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	3350/ 3600	3350/ 3600	3350/ 3600

4□ amount in June.

□ Restricted log supplies have impacted heavily on plywood production levels in the Far East. At a joint meeting of the Japan Plywood Manufacturers' Association (JPMA) and Malaysian Plywood Manufacturers' Association (MPMA) held in April, the MPMA stated that plywood manufacturing levels in January-February were 35-40% down on their usual levels.

□ The tight supply situation for Asian hardwood logs and plywood is unlikely to ease in the near future. At the joint JPMA-MPMA meeting it was stated that Malaysian and Indonesian hardwood plywood mills were able to satisfy worldwide demand for around 9.6 million m<sup>3</sup> in 2003. This year Malaysian and Indonesian mills are expected to produce no more than around 7.5 million m<sup>3</sup>. While Malaysian production is expected to remain stable at around 3.5 million m<sup>3</sup>, Indonesian production is forecast to fall from 6.1 million m<sup>3</sup> to only 4 million m<sup>3</sup> due to log supply shortages.

□ Recent meetings between Indonesian and Malaysian plywood manufacturers and their respective trade associations have indicated that most mills now aspire to price levels of between Indo96 +15% and +20% depending on size of order. This is up from prices equivalent to the Indo96 list in early February and Indo96 less 22% 6 months ago.

□ The rapid escalation in CIF log prices in Japan has led to a stand-off in price negotiations between Malaysian log exporters and Japanese plywood mills. Plywood prices have been rising in Japan but at a slower pace than the CIF log price. In mid May, the Japan Lumber Journal reported that price negotiations between Japanese mills and Malaysian exporters had been stalled since April. Japanese plywood mills say they cannot accept higher log prices until Japanese plywood prices have risen further. However, as Japanese tropical log stocks are now quite low, they may be forced to buy at the higher prices just to maintain production.

□ Although Japanese market prices for hardwood plywood have been rising only slowly,

market prospects are improving. Japanese demand for all wood products is reported to have picked up well after a national holiday in early May. Latest figures for Japanese housing starts in March 2004 indicate these were 7% higher than the same month in 2003. In addition a higher proportion of starts comprise wooden housing.

□ In the UK, many plywood importers are now struggling to secure adequate supplies of hardwood plywood. For UK importers, the supply problems in the Far East have been compounded by restricted Brazilian supplies and major shipping problems out of Brazilian ports. Problems will intensify with the introduction of a 48.5% tariff on Chinese plywood imports into the EU from 19 May as an anti-dumping measure.

## Chinese plywood Banished from the EU

Okoume plywood from China imported into the European Union will be subject to a 48.5% duty from 19 May 2004. The measure was agreed at a meeting of the EU Anti-dumping Committee on 12 April 2004 by a majority of EU member states. Only the UK and Austria opposed the measures.

The measure came following pressure from the European plywood federation (FEIC - Federation Europeenne de l'Industrie du Contraplaque) in Brussels. FEIC claimed that the rapid rise in imports of okoume plywood manufactured in China was distorting the European market. Prices for this product were around 30-50% lower than prices for okoume plywood manufactured in Europe, mainly in France. FEIC suggested that Chinese plywood manufacturers were offering product in Europe at below production cost and at prices lower than those on offer in China.

The anti-dumping tariff is initially applicable for a period of 6 months and will apply to okoume plywood from China under the HS Code 44121310. This code includes plywood comprising veneers of 6mm or less with at least one external layer of dark red meranti, light red meranti, white lauan, sipo,

limba, obeche, okoume, acajou d'Afrique, sapele, virola, swietenia, palissandre de para, or palissandre de rose. Partial exemptions to the 48.5% duty have been secured by several Chinese companies that have demonstrated they do not benefit from government subsidy. Duties imposed on plywood are likely to be 12% from Nantong Zhongyi Plywood Co. Ltd.; 23.9% from Zhejiang Deren Bamboo-Wood Technologies Co. Ltd.; 8.5% from Zhonglin Enterprise Co. Ltd; and 18.5% from Jianxing Jinlin Lumber Co. Ltd. Duties will apply to all product imported from 19 May, irrespective of the date on which contracts were agreed.

### UK criticise the decision

The decision to impose the anti-dumping measures was criticized by the UK Timber Trade Federation – whose members import Chinese plywood - as unfair, punitive and technically incorrect. They note that the decision to impose the measures was based largely on a comparison of cost structures for okoume plywood production in Morocco and China. According to the TTF, *“the basis for this decision ignores the fact that the Moroccan board comprises okoume veneers throughout and uses exterior grade glue. The Chinese board comprises a plantation growth poplar core with a thin Okoume face and back veneers and generally lower grade glues. This makes the raw material cost of the Chinese board considerably lower and therefore a direct cost comparison is not valid.”*

### Likey to shift demand to Indonesia

The TTF also dismissed the argument that the Chinese and European panels are like products because technically the Chinese end uses would be different from the European boards due to its glue line, bending strength, density, machining properties, stability and sanding opportunities. In fact, the tariff is more likely to raise demand for Indonesian and Brazilian plywood (the real substitutes) than for European plywood. Nevertheless FEIC maintain that the new tariff will help improve market conditions and boost trade in the European product.

# South America

## Brazilian plywood Room for more price rises

Brazilian hardwood plywood is currently priced at a level equivalent to around INDO96 plus 2%. This is now significantly lower than prices for Indonesian plywood, so there may be scope for further price rises. Price rises reflect low hardwood log stocks

in Brazil at this stage in the rainy season, rising international demand in response to limited availability of alternatives from the Far East, and rising freight costs.

While export demand and prices for Brazilian hardwood plywood have increased, the trade continues to be severely hampered by shipping problems. There is very little shipping space now available for export of Bra-

zilian tropical plywood and lumber. Much of the available space is being utilized for products that offer the shipping companies higher returns. These problems have been compounded by regular strikes by public sector staff and port operators. This has resulted in large quantities of wood products backing up in the Brazilian ports.

□ 6

# South America

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The problems are so bad at Belem in the state of Pará that wood products are being despatched via the Port of Itaqui in the State of Maranhao at extra cost to the shipper. At the Port of Paranaguá in Paraná state, fertilizer exports are being given preference over wood products and there has been a marked fall off in available shipping space. Traders claim that export orders have been cancelled as they go through Paranaguá. Brazilian plywood exporters report that they have yet to feel any impact of new requirements for CE marking in Europe.

## Brazilian exports

The strength of demand for Brazilian wood products is reflected in recent export data. Brazilian exports of most wood products rose

strongly between January-April 2004. This is due to competitive pricing with the weak dollar, strengthening global demand, and short-falls in supply in other exporting countries.

## Brazilian wood products exports, January to April 2003 and 2004

	Value US\$ million			Weight 000 tonnes		
	2003	2004	% chg	2003	2004	% chg
<b>Sawn lumber</b>						
Ipe	22.2	24.7	11.1	49.5	52.2	5.5
Cedro	6.2	7.8	26.5	9.4	11.8	25.3
Virola, mahogany, imbuia, balsa	0.6	0.9	62.3	0.9	1.0	12.1
Other hardwood	84.2	121.0	43.8	262.3	341.5	30.2
<b>Total sawn lumber</b>	<b>113.1</b>	<b>154.4</b>	<b>36.5</b>	<b>322.0</b>	<b>406.5</b>	<b>26.2</b>
<b>Plywood</b>						
Hardwood	57.5	86.7	50.8	126.4	168.5	33.3
Softwood	91.2	153.3	68.0	250.3	319.7	27.7
Not specified	10.0	15.2	52.0	23.6	31.4	33.1
<b>Total plywood</b>	<b>158.7</b>	<b>255.2</b>	<b>60.8</b>	<b>400.3</b>	<b>519.5</b>	<b>29.8</b>
Hardwood veneer	11.3	14.0	23.8	23.7	26.7	12.8
Hardwood profiles	33.3	53.2	59.9	57.0	81.3	42.7
Builders joinery and carpentry	58.7	76.4	30.1	51.8	63.6	22.7
Wooder frames for pictures etc	27.8	33.9	21.9	29.2	30.3	3.7

# North America

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during the first three months of 2004. Elsewhere in South East Asia, American hardwood exports to Malaysia and Indonesia were on the rise during the first quarter of 2004 and were steady into Thailand and the Philippines. However lumber exports to Singapore fell dramatically. Exports were also declining to North East Asia during this period. Overall demand has remained subdued in both Japan and South Korea. Furniture sector activity in both countries has been depressed. However, restrictions on the supply of Asian ash have meant that demand for American ash lumber in Japan and South Korea is up on last year.

## Rising log exports to the EU

American hardwood exports into the EU have been very mixed so far this year. There has been some significant growth in American hardwood log exports, notably to Italy which has been buying rising volumes of walnut, tulipwood and maple in log form. Overall lumber exports to the EU in the first quarter of 2004 were similar to the previous year's level. Exports to the key Spanish market were down nearly 9%. Most of this decline was due to a fall in exports of white oak to Spain, mainly due to lack of availability of this species. However, Spain was importing more tulipwood and cherry lumber during this period. There was also a significant rise in Spanish imports of veneer, which may indicate a continuing switch away from solid lumber to veneer in Spain as a cost-saving device.

After a few poor years, there were signs of a recovery in lumber exports to Germany during the first quarter of 2004. Anecdotal re-

ports suggest that a rising portion of these exports may be making their way into Poland where the furniture sector is thriving.

## More tulipwood to the UK

American hardwood lumber exports to the UK during the first quarter of the year were closely tracking last year's level. Exports of ash, white oak, cherry, and maple were down slightly, but there was a significant increase in exports of tulipwood to the UK market.

Exports of American hardwood to Italy were also very close to last year's level during the first quarter of 2004. But again there were significant shifts in the species mix, with larger volumes of tulipwood, maple, cherry, and ash, but declining volumes of white oak.

Considering other EU markets, American hardwood lumber exports remained weak to the Netherlands and Belgium during the first quarter of the year. However, there was a significant rise in veneer exports to Belgium, destined mainly for Belgium's large veneered panel industry. American hardwood exports to France and Portugal have improved this year, after a disappointing performance in 2003. American hardwood lumber exports to Ireland reached around 5500 m<sup>3</sup> in the first quarter of 2004, exactly equivalent to the previous year's level.

## A suppliers market

Recent anecdotal reports indicate that the improvements in export demand recorded during the first quarter of 2004 continued into the second quarter. Importers have been encouraged to buy in recent weeks due to the relative stability of the dollar

exchange rate. It is more of a supplier's market than last year as availability of some key species and grades of kiln dried lumber is still restricted. Improved economic conditions in the US have contributed to increased competition for available supply. Buyers in export markets are often less willing than domestic buyers to accept increases in prices, and have therefore struggled to obtain adequate volumes.

## US domestic demand Solid economic growth

The US economy continues to perform well. Two strong months of employment growth in March and April suggest that the issue of job creation, which had lagged the otherwise strong economic performance, may now be fading. A group of forecasters surveyed by *The Economist* predicts US GDP growth of 4.7% in 2004 and 3.6% in 2005.

The Federal Reserve held interest rates steady, at 1%, in its May meeting. However, its report made it clear that people should begin preparing themselves for the Fed to raise interest rates, which it has not done since May 2000. The report contributed to a sharp fall in the stock market on expectations of a rate hike this summer.

## Downward pressure on the dollar

Strong consumer demand in the US and higher oil prices have contributed to the continuing rise in the US trade deficit, which reached a record \$45.96 billion in March. *The Economist* predicts that America's widening trade imbalances will put further downward pressure on the dollar.

Sectors important for the hardwood trade

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□ continue to perform well in the United States. Low interest rates are ensuring high levels of activity in the construction sector. Activity is also now being boosted by seasonally warmer and dryer weather conditions.

The latest data from the U.S. Census Bureau indicates a 2.1% dip in total housing starts between March and April 2004, however starts in April 2004 were still up 20.3% compared to April 2003. Building permits, which provide an indication of future activ-

ity, increased 1.4% between March and April 2004. Permits issued in April 2004 were up 11.2% compared to April 2003.

High levels of construction activity are driving good demand for hardwood lumber from US flooring and cabinet manufacturers.

<b>U.S. hardwood exports, January to March 2003 and 2004</b>						
<i>Quantity units: Logs/lumber - 000s m3; veneer - mill m2</i>						
	Quantity 2003	Quantity 2004	% change	\$ million 2003	\$ million 2004	% change
<b>World</b>						
Logs	603.46	589.67	-2.3	133.70	160.56	20.1
Lumber	712.21	730.68	2.6	327.20	358.54	9.6
Veneer	70.79	85.84	21.3	97.00	119.73	23.4
<b>Canada</b>						
Logs	419.21	366.19	-12.6	50.56	52.81	4.4
Lumber	267.97	245.67	-8.3	106.08	108.28	2.1
Veneer	24.88	26.62	7.0	35.64	37.75	5.9
<b>EU</b>						
Logs	68.21	81.48	19.4	33.66	40.24	19.6
Italy	23.83	30.89	29.6	6.74	8.70	29.1
Germany	21.26	16.67	-21.6	15.06	11.90	-21.0
Lumber	169.70	172.84	1.9	103.75	112.92	8.8
Spain	45.77	41.70	-8.9	24.15	26.09	8.1
Italy	46.11	46.68	1.2	24.56	25.78	5.0
United Kingdom	22.56	23.11	2.5	16.75	16.28	-2.8
Germany	9.22	10.59	14.8	5.99	7.90	32.0
Veneer	25.22	31.26	24.0	35.61	45.16	26.8
Germany	10.43	11.30	8.4	21.38	14.65	-31.5
Spain	5.76	7.83	36.0	8.64	12.06	39.6
Italy	3.27	3.73	14.0	6.39	6.89	7.9
<b>SE Asia</b>						
Logs	17.61	17.84	1.3	7.65	8.49	11.0
Vietnam	1.35	4.68	246.6	0.67	2.23	230.2
Lumber	30.64	29.03	-5.2	13.65	13.24	-3.0
Vietnam	4.78	9.87	106.4	2.11	4.67	121.1
Veneer	1.75	2.51	43.9	2.11	3.72	75.9
Vietnam	0.24	0.69	187.3	0.40	0.76	88.9
<b>Greater China</b>						
Logs	49.96	66.80	33.7	22.75	35.48	56.0
China	29.16	40.87	40.2	12.48	20.68	65.7
Hong Kong	14.99	18.80	25.5	7.11	10.96	54.0
Taiwan	5.81	7.12	22.5	3.15	3.84	22.1
Lumber	137.75	159.77	16.0	50.20	62.55	24.6
China	73.42	98.78	34.5	25.28	35.86	41.8
Hong Kong	44.58	42.61	-4.4	17.97	19.22	6.9
Taiwan	19.76	18.38	-6.9	6.95	7.48	7.7
Veneer	10.73	14.66	36.7	12.62	18.62	47.5
China	4.66	7.06	51.5	5.51	9.21	67.1
Hong Kong	3.97	4.49	12.9	4.41	5.99	35.6
Taiwan	2.10	3.10	47.3	2.70	3.43	27.1
<b>Japan</b>						
Logs	26.00	23.48	-9.7	8.02	9.04	12.7
Lumber	24.67	23.26	-5.7	13.64	12.43	-8.8
Veneer	0.27	0.76	185.3	0.41	1.14	178.4
<b>South Korea</b>						
Logs	15.10	10.91	-27.8	4.89	5.09	4.1
Lumber	11.36	8.99	-20.8	5.32	5.94	11.7
Veneer	2.01	1.38	-31.6	2.37	1.50	-36.9
<b>Mexico</b>						
Logs	3.42	9.11	166.5	1.38	3.35	143.4
Lumber	41.31	50.13	21.4	15.33	19.24	25.5
Veneer	1.82	3.43	88.1	2.25	4.16	85.3
<b>North Africa and Middle East</b>						
Logs	0.80	1.19	48.8	0.56	0.73	30.5
Lumber	9.06	11.21	23.8	6.38	8.23	29.0
Veneer	0.72	1.37	89.6	0.86	1.34	56.7

## Furniture sector warms up

Although the US furniture sector is now considerably smaller than a few years ago following the mass migration of manufacturers to the Far East, activity has also been improving in this sector. The Hardwood Market Report (HMR), drawing on data from the American Furniture Manufacturers Association reports that in the first quarter of 2004 the value of wood household furniture shipments increased 6.4% while orders grew 11.2%. Similar results were posted for upholstered household furniture, with shipments and orders increasing 7.1% and 12.1%, respectively.

Using the spring International Home Furnishings Market as an indicator of future activity, HMR suggest that the first quarter's momentum is carrying over into the second quarter. Some of the increased buying activity for wood furniture may reflect possible introduction of tariffs on bedroom furniture imported from China. But probably more significant is the strength of the US housing market and low interest rates.

Meanwhile, solid economic growth is fueling good demand for lower grade hardwood lumber for wooden pallets and cants.

## Improvements on the supply side

There are also reports of improvements on the supply side. Hardwood log supplies, which were very low at the beginning of the year, are beginning to improve. More mills are now reporting that log decks are at least adequate for the time being. However, there are still reports from northern regions of stiff competition for available logs and of inventory shortfalls. And throughout the country, most mills would be happier if decks were higher. More consistent sawmill production during the spring has reduced the strong upward pressure on prices for green lumber, although prices are still generally characterized as "firm". In addition, there are still widespread reports that production of kiln dried lumber in several species and grades is lagging behind demand. Prices are continuing to move up for certain kiln dried items, particularly for #1 Common grade.

Transport remains a problem, with many hardwood mills and distributors reporting difficulties securing truck transport. Transport costs are also rising on the back of increased fuel costs.

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## Species notes

□ **Alder:** exports of alder started slowly during 2004, mainly because North American supplies are restricted. This partly reflects strict controls on harvesting in riparian zones in western United States. Overseas buyers, concentrated in China, now seem to be accepting lower grade material just to maintain supplies.

□ **Ash:** prices for both green and kiln dried lumber continue to strengthen on the back of decent domestic sales and improved export demand. In addition to solid demand from traditional end uses, ash is gaining appeal with buyers as a lower cost alternative to oak in the United States, the Far East and parts of Europe. Demand for ash is being boosted in the Far East now that availability of Asian ash is very restricted. Italy is also

buying more American ash this year. Growing demand has put pressure on existing US stocks.

□ **Basswood:** domestic demand is steady with signs of rising prices despite increased competition from imported species and finished goods.

□ **Birch:** North American domestic demand has been boosted on the back of improved demand for other closed-grain white woods such as hard maple and soft maple. Demand is in excess of available supplies of both green and kiln dried lumber and prices are edging higher. Particularly good prices are available for product selected for good colour and low sap-content.

□ **Cherry:** demand for green lumber continues to focus on established suppliers in the Penn-York region which are renowned for offering consistent quality. Demand and prices for common grades from this region are stable, but are less robust from other parts of the United States. Prices for upper grade cherry are stable. FAS production is restricted by the quality of logs affordable for mills to process into lumber. Available supplies in this grade are fairly well balanced with current levels of demand. The perception of high prices for FAS cherry have put the brakes on export demand. Much cherry shipped to Europe is now in special sorts and wood components. However demand for common grade cherry is reported to be good in China.

□ **Hard maple:** domestic demand is good, particularly for colour-selected stock. The green lumber market is now having to adjust to warmer spring weather requiring extra care in handling to prevent stain. Despite this, domestic demand for green lumber remains high. Hard maple is now popular as a cheaper alternative to cherry in some applications, helping to broaden markets for the species. Demand is closely matched to production and prices are steady to firm across the grades and thicknesses. European buyers are increasingly demanding lumber to be sorted for width, length and colour. There has been consistent demand for common grade hard maple in the Far East.

□ **Soft maple:** domestic demand is still good, particularly for lower grade material which is widely used by manufacturers to create a "rustic" look. Prices for most grades are firm. Product with good colour is in strong demand and achieving good price premiums. Export demand for common grades of soft maple has been im-

proving into China and Italy, partly as an alder substitute.

□ **Red oak:** Prices for green lumber are now stable at high levels. Consistent sawmill production during the spring has allowed buyers to replenish green lumber inventories and now most buying is for replacement purposes only. However prices for kiln dried are still tending to firm as kiln throughput isn't keeping up with demand. Demand for common grades is particularly good in the US flooring sector. Red oak exports are holding up this year despite increased prices, but hardly any is now destined for the EU. Export market interest in common grades of red oak lumber and logs is tending to rise.

□ **White oak:** domestic and export demand is good. Green lumber supplies have improved following good sawmill production in the spring and prices are fairly stable at high levels. However kiln dried prices are continuing to firm as demand is ahead of production. Demand for common grades is good in the domestic flooring sector, although this market prefers red oak. Export markets are strong and also tending to shift more towards common grades, particularly with the growth in demand from China. UK buyers of KD FAS white oak are being told that new orders cannot be shipped before July/August, unusual in a market accustomed to prompt shipments. Spanish imports of white oak lumber were down during the first three months of 2004, partly due to restricted supplies, however white oak veneer imports doubled.

□ **Tulipwood/poplar:** demand for available supplies is patchy and prices are variable across the grades. Suppliers are meeting price resistance, particularly at the upper-end of FAS grade. Exports now form a significant part of total demand for both #1 Common and FAS grades. Overseas sales have been expanding, particularly in common grades to China. Italian imports were up in the first quarter of 2004, but may have slowed moving into the second quarter with signs of price resistance.

□ **Walnut:** Demand for steamed walnut remains high and closely matched to both green and kiln dried production. Prices are holding firm, with some upward movement. Export demand for walnut logs has been extremely good from both Asia and Europe. The rise in log exports is becoming a contentious issue in the US industry.

## US sawn lumber indicative prices

North Appalachian US\$ MBF\* CIF- W. Europe

Grade: FAS/IF, KD square edged

Net measure after kilning

NOTE US prices are highly variable depending on quality and point of origin. These prices are shown only to highlight trends over time.

\*One cubic meter is equivalent to 423.8 BF or 0.4238 MBF

	Feb	Apr	May
\$/£	1.89	1.80	1.80
\$/Euro	1.28	1.20	1.20
<b>Red oak</b>			
1"	2025	1975	1975
1.25"	2150	2175	2175
1.5"	2250	2325	2325
2"	2575	2700	2700
<b>White oak</b>			
1"	1650	1680	1725
1.25"	1860	1875	1900
1.5"	2400	2350	2350
2"	2900	2850	2900
<b>Ash</b>			
1"	1300	1325	1350
2"	1700	1700	1700
<b>Tulipwood</b>			
1"	1075	1025	950
1.25"	1150	1050	975
1.5"	1175	1125	1075
2"	1200	1175	1125
<b>Cherry</b>			
1"	3675	3550	3550
1.25"	3775	3700	3700
1.5"	3925	3875	3875
2"	4200	4100	4100
<b>Hard Maple</b>			
1"	2400	2350	2350
1.25"	2650	2550	2550
1.5"	2775	2725	2725
2"	2925	2900	2900

## European hardwood exports

Key trends in exports of oak and beech between 2001 and 2003 (see tables on page 9):

□ **A decline in French oak log exports.** This reflects reduced availability of good quality oak logs in France following harvesting restrictions in the wake of the December 1999 "hurricane". Buyers have therefore shifted attention to other exporting countries, notably Germany, Austria, and Belgium.

□ **The overall level of trade in European oak lumber continued to rise in 2003,** indicative of the general fashion for oak, and the major shift in furniture manufacturing from Western to Eastern Europe. Western European producers of oak

have therefore been encouraged to export more product.

□ **A rise in German oak log and lumber exports.** With availability restricted in France, many buyers – including French saw and veneer mills – have switched to German supplies.

□ **Far Eastern countries, notably China and Indonesia, have emerged as a significant market for European oak, particularly from Germany.** German oak log exports to China increased from negligible amounts in 2002 to reach 27,300 m3 in 2003. German oak sawn lumber exports to Indonesia hit 20,000 m3 last year. This is a major departure for the European oak

trade which has been insular in the past, focused mainly on local markets.

□ **European beech exports, both logs and lumber, continue to decline.** This partly reflects falling availability since 2000 when huge volumes of beech were thrown onto the market following the December 1999 "hurricane".

□ **The fashion for beech has also tended to wane in recent years, particularly in China/Hong Kong.** Exports of European beech logs and sawn lumber to China fell dramatically last year. Of all EU countries, only Germany is continuing to export significant volumes of beech to China.





# Poland

*Hardwoodmarkets.com visited this year's MEBLE (furniture) and KUCHNIA (kitchen) show held in Poznan 11-14 May. The show provided an opportunity to review the current status of Poland's furniture sector and hardwood market at a crucial time in its history.*

Poland is emerging as a major player in the international furniture scene. The country has attracted a lot of foreign investment drawn by close proximity to the EU market, abundant natural resources and relatively low labour costs. Foreign investment in the Polish furniture industry increased progressively during the 1990s, mainly from Germany. By the end of 2002, foreign investment in the sector exceeded US\$200 million. Now around 50% of Polish furniture production derives from companies that have benefited from overseas investment.

## Dynamic furniture sector

Poland's furniture sector is one of the most dynamic in the Polish economy. While overall industrial production in Poland grew by around 10% between 2002 and 2003, growth in the furniture sector was around 20%. The total value of Polish furniture production increased from US\$2950 million in 2000 to US\$3295 million in 2002. The sector now employs 117,500 people, compared to 900,000 throughout the EU. Polish furniture production accounts for around 1.5% of total world furniture production, and 4.3% of EU furniture production. Poland is the 6th largest furniture producer in the EU.

The Polish furniture sector is heavily oriented towards exports. In recent years, well over 80% of Polish furniture sale value have been exported, with 80% destined for the E.U. In 2002, export sales of furniture reached US\$2887.2 million, up from US\$2505.1 million in 2001 and nearly double the level of 1995 (US\$1543 million). Before accession to the EU, Poland was the largest external supplier of furniture to the EU.

The accession of eight Eastern European countries to the EU from 1 May 2004 is expected to lead to a rise in living standards in the region. Polish furniture manufacturers are keen to exploit their central European location and to diversify export markets throughout Eastern Europe and into Russia. They are also keen to counter the emerging competitive challenge from Asian furniture manufacturers throughout Europe, relying on a strategy based on product innovation and improved product quality.

The Polish Economic Chamber of Furniture Manufacturers launched part of this strategy at the Meble show. They unveiled a

new trademark - "Polish Furniture - Proven Quality" - which will be awarded by the Chamber for products with distinctive quality manufactured by companies recognised for their advanced technology.

## Show participants

There were 550 exhibitors at the show, 80% of which were Polish companies, with only limited numbers of exhibitors from other countries notably Germany, Italy, Spain, Taiwan, and Thailand. In recognition of the emerging potential of the Polish furniture sector as a source of demand for hardwoods, both the American Hardwood Export Council and the Malaysian Timber Council had stands at the show.

In addition, Meble hosted a few wood products suppliers, with a heavy emphasis on veneer manufacturers and distributors, including the German companies Danzer and Fritz Kohl, the Italian company Alpi, and Poland's second largest veneer manufacturer Bracia Mrozik. The strong presence of veneer manufacturers reflects recent trends in the Polish forestry sector. Due to recent rises in hardwood lumber prices in Poland, there has been a shift away from use of solid lumber by Polish manufacturers towards increased use of veneer and paper foils.

Lumber supplying companies at the show included MGJ, Poland's largest hardwood sawmill, and Grabo, a beech producer. German sawmillers Bansmann and Pollmeier were also present, indicative of moves by the German industry to expand sales in Poland following moves by German furniture manufacturers to relocate in the country.

## Undeveloped distribution network

There was very little participation at Meble by Polish wood importing companies, a reflection of the low level of development of effective distribution channels for imported wood in the country. The Polish furniture sector is still heavily dependent on domestic wood supplies, and buys only small quantities of American and tropical hardwood. Where these hardwoods were on display at the show, they were more likely to have been cut from logs imported into western Europe - notably in Germany, Czech Republic and southern Sweden - than to have been imported direct. Only two relatively small companies that import hardwood direct into Poland were present, both focusing mainly on tropical woods.

Judging from the products on display at the show, European oak is used in abundance in the Polish furniture sector. There was also quite a lot of beech on display, but much of this was stained to dark and reddish tints.

European alder was the only other species in widespread use. Pine - formerly a mainstay of the Polish furniture industry - was restricted to a limited range of cheaper lines. Many furniture manufacturers questioned at the show were confident that they could rely heavily on domestic hardwood supplies for the foreseeable future, supplementing when necessary by imports from neighboring European countries, notably Germany, Ukraine, and Sweden. However, some manufacturers recognized the potential for using a wider range of species as a means of diversifying products. American red alder, cherry and walnut were mentioned as species having particular potential.

## New hardwood opportunities

Forest sector trends in Poland indicate that there may be potential to expand sales of a wider range of hardwoods in Poland. No-one doubts that Poland's forests are well managed - the majority are controlled by the State forest authorities and have been FSC certified. However, of the total forest area in Poland (8.9 million hectares), only around 2 million hectares comprise hardwood. The majority is pine, now little used for furniture. In addition, Polish forests have been badly affected by air pollution, forest fires and insect attack. In 2002, only 8.8% of trees in Poland were classified by the state authorities as "healthy".

Polish hardwood sawn lumber production, at around 600,000 m<sup>3</sup> a year, has been declining since 2000. The State forest authorities suggest that imports of hardwood will have to expand to meet emerging demand. During the last 12 months, rising activity in the Polish furniture sector and the strong fashion for oak has led to shortfalls in oak log supplies in Poland. Polish oak log prices have been rising steeply.

## A sign of things to come

A conversation with Lukasz Mrozik representing Bracia Mrozik, Poland's second largest veneer manufacturer, provided a good illustration of where the Polish market may be heading. Bracia Mrozik currently has annual production capacity of 6.5 million m<sup>2</sup>, but this will double to 12-13 million m<sup>2</sup> in October 2004 following new investment. At present the veneer mill is almost entirely dependent on Polish log supplies, with only small volumes derived from Ukraine. However, with the rise in capacity Bracia Mrozik are keen to broaden their raw material base and the range of products they can supply to the Polish furniture sector. They are considering importing hardwood logs both from the tropics and the United States.



## **African log prices firm.....**

African tropical hardwood log prices have continued to firm in recent months, a response to improved demand from Asian buyers, restricted supplies and increased tax levels in exporting countries. **Page 2**

## **...and lumber prices follow**

African sawn lumber prices are now responding to the increased log prices. Prices for some species in limited supply – such as iroko and khaya – have been firm for some time. Now the firming trend is beginning to extend to the entandrophragmas, notably sapele which is the primary species exported from the Congo basin. **Page 3**

## **Liberian sanctions likely to last**

According to information provided by ATIBT – the Paris-based tropical timber organisation - the sanctions against the Liberian timber industry will be maintained at least until 22 December 2004, and probably for some time thereafter. **Page 3/4**

## **Asian plywood prices ascend...**

Recent meetings between Indonesian and Malaysian plywood manufacturers and their respective trade associations have indicated that most mills now aspire to price levels of between Indo96 +15% and +20% depending on size of order. This is up from prices equivalent to the Indo96 list in early February and Indo96 less 22% 6 months ago **Page 5**

## **....and meranti lumber follows**

Surer signs of FOB price gains in dark red meranti (DRM) sawn lumber began to emerge in April and early May. The price gains reflect supply constraints and significant increases in meranti log prices in the Far East, increases which are widely forecast to be sustained. **Page 4**

## **Rising demand for Brazilian wood**

Brazilian hardwood plywood is priced at a level equivalent to around INDO96 plus 2%. This is now significantly lower than prices for Indonesian plywood, so there may be scope for further price rises. Price rises reflect low hardwood log stocks in Brazil at

this stage in the rainy season, rising international demand in response to limited availability of alternatives from the Far East, and rising freight costs. **Pages 5/6**

## **US export demand improving**

The impact of the weaker dollar and improving global economic conditions are apparent in the first quarter United States hardwood export data. Lumber exports were up 2.6% by volume and 9.6% by value. Log exports were down 2.3% by volume but up 20.1% by value. Veneer exports increased particularly dramatically, up 21.3% by volume and 23.4% by value. **Pages 1/6**

## **Good US domestic demand**

Sectors important for the hardwood trade continue to perform well in the US. Low interest rates are ensuring high levels of activity in the construction sector. Activity is also now being boosted by seasonally warmer and dryer weather conditions. There are also reports of improvements on the supply side. More consistent sawmill production during the spring has reduced the strong upward pressure on prices for green lumber. However there are still widespread reports that production of kiln dried lumber in several species and grades is lagging behind demand. Prices for most American hardwood species remain firm. **Pages 6/7**

## **Meble Poland**

Hardwoodmarkets.com visited this year's MEBLE (furniture) and KUCHNIA (kitchen) show held in Poznan 11-14 May. Key facts from the show include: major wood-sector participation from Polish and German lumber and veneer suppliers, the American Hardwood Export Council, and the Malaysian Timber Council; the fashion for oak continues; Polish furniture exports are rising rapidly with efforts being made to diversify markets; there is a noticeable shift towards use of veneers and paper foil in Poland in response to rising domestic lumber prices; Polish forest sector trends are likely to provide new opportunities for imported hardwoods; however Polish distribution channels for imported timber remain under-developed. **Page 10**

## **EU hardwood export highlights**

Key trends in the EU hardwood export data include:

- a decline in French oak log exports;
- an increase in the overall level of trade in European oak lumber;
- a rise in German oak log and lumber exports;
- increasing EU exports of oak logs and lumber to the Far East;
- a continuing decline in European beech exports, both logs and lumber, notably to the Far East. **Pages 8/9**

## **EU hardwood import highlights**

Key trends in the EU-15 hardwood import data between 2001 and 2003 include:

- A 28% decline in tropical log imports since 2001 due to supply constraints and as log processing facilities have shifted out of the European Union;
- The volume of tropical sawn lumber imports increased by over 10% in 2003, while import values declined. This is partly due to exchange rates, as the stronger euro implies lower unit values of hardwood imports. However it may also indicate a partial shift in the grades imported. While less high grade tropical lumber is being used in the EU furniture sector, more lower grade lumber and secondary species are being used for flooring and decking in the EU.
- EU imports of both beech and oak sawn lumber declined last year, partly due to weakness in the EU furniture sector as manufacturing facilities have shifted eastwards. The fall in oak imports partly reflects US supply constraints.
- Significantly more hardwood sawn lumber is being imported from East Europe.
- EU imports of hardwood veneer rose significantly last year, again reflecting the shift in manufacturing facilities to locations outside the EU.
- Plywood imports rebounded last year, with a significant shift away from Indonesian supplies in favour of Brazil, Malaysia, Russia and China.
- EU imports of finished wood furniture and components have increased by over 17% in the last 2 years. **Page 11**