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A vintage year for sliced veneers

2000 may be turning out to be a good year for sliced veneer producers. Steady growth in Europe, especially in the South, improvements in the furniture industry and the gradual recovery of Asian markets have all played a part. The importance of the sliced hardwood veneer industry in terms of extending the resource and adding value to high cost species may not yet be fully appreciated by consumers. However veneer production is pivotal to the hardwood industry and forest owners, for it influences the price and availability of the highest quality logs in many species. As the latest figures show there is a growing demand for veneer quality temperate hardwood logs from a number of established and expanding veneer producing countries.

Veneers' cost benefits

An analysis of the recent price rises of American black cherry and hard maple, for example, will demonstrate the apparent high cost of veneer in popular species, but also the benefit of veneer against the cost of using solid lumber for many applications. The relatively low cost of ocean freight and inland transportation for veneer also ensures it has a global market, and one that is more affected by currency fluctuations than the cost of moving veneer around the world; whereas the freight cost of shipping logs is ultimately less efficient for producers. Currently log movements are growing again but 2000 and 2001 may not be comparable because of the differences in European hardwood supply caused by the storms at the start of this year. Logs were more than plentiful, whereas there are some fears that high quality logs will be much more difficult to obtain over the next six months, especially from France and even Germany, which may give rise to the stronger import demand that is already apparent. Veneer quality logs may become

increasingly scarce in Western Europe in the longer term. Globally there is discernable shift in production towards temperate species and towards veneer and away from lumber use in some markets. There is little doubt, for example, that the available resource of American black cherry could not satisfy world demand of furniture and joinery without the use of veneer. So with no apparent halt to the stumpage prices of cherry in North America the importance of veneer is likely to be enhanced.

A central role for Germany

The starting point of any world overview of sliced hardwood veneer production must inevitably be in Germany, a massive consumer, producer and net exporter, where one company – Danzer in Reutlingen – dominates the industry. With factories and distribution throughout Europe, Africa and North America, Danzer companies - although they compete - have influenced the use of veneer and effectively wielded control over the high quality veneer log market in a number of countries, both temperate and tropical. Germany has imported between 45% and 50% of all sliced hardwood veneer exported worldwide by the USA for the last 10 years. In the first six months of this year Germany imports from the USA, where Danzer appears to control at least one third of production, were worth \$37 million. In Europe, despite the fact that there are many local veneer producers, German companies had dominated the veneer trade with countries such as Spain. Germany exports about 60% of its production. And even though Spain has recently increased domestic veneer production, its direct import of American hardwood veneer, up to \$24 million in the first six months of this year from \$17 million, is bought largely

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Editorial

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Few people would disagree that timber markets all over the world suffer from lack of promotion to encourage greater consumption of this environmentally friendly and renewable material. Many competing materials, such as brick and steel are backed by substantial industry promotion campaigns, yet wood promotion is so often totally inadequate. Meanwhile the timber industry has spent much of its energy defending its very existence.

The implications of the industry's past failures in pro-active promotion extend much further than the profit margins of trading companies. At a recent seminar in London, renowned forestry expert Professor Eberhard Bruenig highlighted the very real threat to the long term existence of natural tropical forests resulting from media and public ignorance of the benefits of managing these forests for high quality wood production (see page 11).

It is therefore encouraging to report a new initiative in the UK, funded by Nordic and British interests, which aims to increase significantly the use of structural and decorative wood through media advertising. The campaign "wood for good." was launched in London in October to coincide with newspaper and magazine advertising and will be followed up with a TV campaign early in the New Year. The funding announced, amounting to £9 million (US\$13 million) over the next three years, is currently assured by a consortium of eight organisations.

Although the primary aim of "wood for good." is to promote softwood, there are bound to be benefits for hardwood as specifiers and consumers are encouraged to turn increasingly to wood for its aesthetic properties. Nor are the themes and ideas of the campaign the sole right of the sponsors who are using well rehearsed, but under-exposed concepts for the use of wood. In effect, any national timber industry in any country, wishing to emulate this campaign with their own funding, could learn some useful lessons.

In the hardwood industry there are a number of associations that are working hard to promote greater use. In the United States, for example, the Hardwood Manufacturers Association based in Pittsburgh have targeted the consuming public for some years through public relations campaigns. The American Hardwood Export Council in Europe, Asia and Mexico have developed a range of activities to promote hardwood to the design professions with multilingual publications that are now available free on the web (see page 15). In France oak producers have long been running a marketing slogan "J'ai choisi le chêne!" to modernise the perception of oak, although its effect is limited by the promotion funding available. These various national efforts have also been the focus of a group of international PR specialists, set up by the UN/ECE timber committee in Geneva, to share experience.

So the international hardwood industry can take heart that a competent wood campaign is now backed by serious money, which should benefit all sectors of the wood industry. It may also be hoped that "wood for good." will share its eventual evaluation with the international wood community and inspire it to fund greater publicity for wood.

Rupert Oliver
Editor

South American Hardwoods

US mahogany trade turns to Brazil as Peru and Bolivia are out of the picture

The dry season in the Brazilian north is now well underway and there are at present no problems of tropical log supply other than those resulting from new regulatory restrictions. The dry season should come to a close around the end of November. Export quotas for new season mahogany in Brazil have been allocated and sawn lumber is being exported almost exclusively in air dried form to US destinations. Overall availability of mahogany is now very restricted following cutbacks in Brazilian production and exports; severely curtailed levels of mahogany harvest in Bolivia as that country has refocused management on FSC certified and lesser known species; and the introduction in Peru during July of an export ban covering both mahogany and cedar sawn lumber. Limited availability has meant that mahogany prices remain very firm. Buyers are increasingly looking at alternatives including african mahogany and cherry.

Other Brazilian wood doing well

While the trade in American mahogany is now very restricted, exports of other tropical sawn lumber from Brazil have been high this year. Eurostat import data indicates relatively high levels of purchase (by value) during the first half of 2000 by the leading European export markets. The European trade in Brazilian hardwoods is now dominated by France, Spain, Portugal and the Netherlands. Exporters are reporting that international demand for Brazilian timber products continues strong. Prices are

Brazilian sawn lumber Indicative prices			
	Aug	Sept	Oct
Exchange rates			
\$/£	1.42	1.48	1.44
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	1330	1330	1330
2.5"-3" AD	1350	1350	1350
1"-2" KD	1410	1410	1410
2.5"-3" KD	1440	1440	1440
Virola			
1" KD No.1 C&B boards	380	380	380
strips	360	380	380
Cedro			
1"-1.5" KD	700	700	725
2" KD	720	720	750
2.5"-3" KD	750	750	775

generally stable, although with a slight firming tendency for some species.

The UK, formerly a large importer of American mahogany and cedar, now barely participates in the Brazilian trade. UK importers are mostly unwilling to pay current high prices for Brazilian mahogany. Due to the strength of the dollar, Brazilian cedar prices are currently uncompetitive on European markets against alternative African redwoods. Brazilian exporters have now found alternative markets for cedar, notably in the United States and Caribbean.

Peruvian export ban

The Peruvian export ban on genuine mahogany and cedar sawn lumber is being maintained. According to the *International Wood Products Association (IWPA)*, the ban, which was introduced under Peru's new Forestry Law signed on 15 July 2000, continues to allow for the exports of manufactured products and components in the two species. The law was adopted in the hope of creating new employment opportunities in Peru - although the industry remains concerned over the potential negative impact on foreign exchange earnings. However some companies are reported already to be adapting to the new regime through inward investment in equipment for value added production.

US importers subject to environmental criticism

Importers in the United States have been hit by renewed environmental criticism over their rising level of mahogany import. The latest source of the criticism is a new report from TRAFFIC, the wildlife trade monitoring program of World Wildlife Fund and IUCN - The World Conservation Union - which suggests that the U.S. now accounts for 60% of the global mahogany trade. The report, "Mahogany Matters: The U.S. Market for Big-Leafed Mahogany and its Implications for the Conservation of the Species," includes an analysis of global trade data and a survey of US mahogany importers. The report suggests that 39% of the American mahogany imported in the U.S. goes to North Carolina. Mississippi is the next largest importer, followed by Florida, Pennsylvania, Louisiana, and California. The report's authors suggest that the scale of the trade is threatening the "commercial existence" of the species. The solutions proposed include increased reliance on FSC certified stock; reconsideration of

Imports of Brazilian hardwood lumber by developed countries

Value (million US\$)	1999 Year	2000 Jan-Jun
France	51.2	35.9
United States	63.9	28.7
Spain	25.8	15.7
Portugal	20.6	12.6
Netherlands	18.8	12.2
Belgium	7.7	6.8
UK	9.6	5.0
Italy	7.1	4.1
Germany	1.6	0.7
Denmark	1.4	0.7

Source: Eurostat, United States FAS

listing the species on Appendix II of CITES; and a proposal that the U.S. government should increase import tariffs on minimally processed mahogany from Latin America (they are currently exempt), while lowering or waiving duties on products of non-threatened tree species. The full TRAFFIC report is available at <http://www.worldwildlife.org/forests/attachments/mahogany.pdf>

Brazilian economy improves

The signals from Brazil's economy continue to be favourable. Inflation, which showed signs of strengthening during August of this year, now appears to be under control and the government's annual inflation target of 6% is now expected to be achieved. This has raised hopes that interest rates can be further reduced and the nation's growth target of 4% can be achieved.

Brazil's Forest Programme

Regulatory changes continue to be introduced in Brazil. The new National Forest Programme was officially announced in October following a national consultation process carried out over the previous 6 months. According to *ITTO's Market News Service*, the programme should help stimulate the development of the tropical timber industry. Early indications are that the programme will lead to the development of a new institutional framework in Brazil, including the creation of a national forest development agency. If so, IBAMA would focus on environmental and regulatory issues, while the new agency would be responsible for supporting the development of the forest sector. Another change may be the establishment of new concession procedures enabling the private sector to exploit existing National Forests.

African Hardwoods

Supply situation increasingly difficult

The market for hardwoods from Western and Central Africa continues to be characterised by limited availability of logs, a heavily booked forward market, and firm demand amongst overseas suppliers. The rainy season continues in the principal tropical supplying regions north of the equator.

European demand for sapele sawn lumber is still firm, boosted by the weakness of the euro which means prices are still competitive against Malaysian meranti, despite recent price falls for the Asian species. However availability of sapele is likely to be a problem in the medium term. Sapele sawn lumber is still being shipped from old contracts but there is very little now on offer in the forward market. Prices remain stable at relatively high levels for the time being.

Restricted iroko availability

The iroko sawn lumber market situation is similar. Availability has been restricted to random sizes only from Cameroon and the Ivory Coast over recent months. Very limited volumes of kiln dried odum/iroko in fixed sizes can be obtained from Ghana, but prices for this material are very high. There are reports that prices quoted by

Ghanaian shippers for kiln dried odum have risen sharply over recent weeks as availability plumbs new depths during the current rainy season. European markets for iroko sawn lumber are less buoyant than in 1999 and early 2000. Fair volumes are being sold to regular buyers in the UK and Ireland, but it seems clear that limited availability has encouraged some buyers to shift to alternative species, notably sapele.

Supply problems in Cameroon

The log supply situation continues to be very difficult in Cameroon due to the combined impact of the rains and increased regulatory control. Cameroon's export restrictions have meant that only less valuable species such as ayous and azobe can now be sold in log form on the international markets. This has reduced the logging companies' income and restricted resources available for new operations and investment. Their position is made worse by strict logging controls now imposed on the best commercial species. Mills without their own forest concessions now face very severe difficulties obtaining a supply of logs, while those with forest concessions are having to cope with reduced supplies. Harvesting licenses are restricted to concessionaires that can demonstrate they have sustainable forest management plans.

Ghanaian log situation critical

Demand for Ghanaian wawa sawn lumber remains steady. Much of the volume is being absorbed in the UK, Germany and France. There are some reports of firming prices in response to limited supplies. A combination of factors, in addition to the still persistent rains, have led to critically poor log supplies in Ghana. Log production is hampered by the high price of fuel and rising interest rates which have pushed up costs. Restrictions resulting from Ghana's determination to cut overall harvests to only 1 million m3 have been compounded this year by continuing delays in the implementation of the new system of Timber Utilisation Contracts (TUC) which replaces the old concession system. Loggers have continued to operate on temporary permits which must be renewed periodically. The log supply situation may improve marginally next logging season when the TUC system is fully implemented. Prices for African redwood logs on international markets remain stable at high levels with supplies currently restricted and demand firm in both Europe and the Far East. Following Cameroon's log export ban,

African logs indicative prices

	Aug	Sept	Oct
Exchange rates Fr.F/£	10.77	10.99	11.32
CAR & Congo (Brazzaville)			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
N'gollon			
70+ (20% 60-69)	1600	1600	1600
Bosse 60+	1650	1650	1650
Ayous 70+	1200	1200	1200
Sapele			
80+ (20% 70-79)	1950	1950	1950
Sipo			
80+ (20% 70-79)	2500	2500	2500
Gabon			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
Acajou			
70+ (20% 60-69)	1300	1300	1300
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	190	190	190
Walnut	190	190	190
Iroko	280	280	280

the international trade in African redwood logs has shifted rapidly to alternative supply countries, notably Congo (Brazzaville), the Central African Republic, Equatorial Guinea and Liberia.

However log exports from at least one of these countries looks set to undergo restriction. In common with other African nation's efforts to move towards value added production, Congo Brazzaville has introduced a new forest code which requires the processing of at least 60% of the nation's log harvest prior to export. Recent investment in the country from the likes of Danzer and Rougier indicate that value added exports will increase in the near future. Congo Brazzaville's transport difficulties continue. Earlier reports of some movement on the railway between Brazzaville and the port at Pointe Noire have not been translated into any real long term improvement. Exports from the north of the country will therefore have to continue via the arduous overland route to Douala in Cameroon.

Unlikely Liberian export ban

French log importers particularly have shifted a significant proportion of their African log purchases to Liberia in West Africa. During the first 6 months of 2000, France imported 72000 m3 of logs from Liberia, 11% higher than the same period in 2000. Much of this volume will have

African Sawn Indicative Prices			
	Aug	Sept	Oct
Exchange rates Fr.F/£	10.77	10.99	11.32
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3550	3550	3550
Sipo	4500	4500	4500
Bibolo	2750	2750	2750
N'Gollon	3500	3500	3500
Afromosia	5600	5600	5600
Iroko	3700	3700	3700
Cote d'Ivoire			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3625	3650	3650
Mahogany	2750	2750	2750
Framire	2050	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	2250	2250	2250
Okoume KD	2500	2500	2500

African Hardwoods

consisted of niangon and framire. Liberia's proposed log export ban from next year remains unconfirmed, but most analysts regard any real move in this direction as unlikely in the near future. Liberia simply does not have the infra-structure to process logs domestically - the nation's wood processing industry was almost completely dismantled during the war years. Huge inward investment would be required - which is unlikely to be forthcoming given Liberia's history of instability and erratic treatment of past investors.

Rising freight rates

While exchange rate movements have tended to improve the competitive position of African tropical hardwoods on international markets, this factor has been partly counter-acted by an 8 to 9% increase in freight rates to European destinations over the last six months.

Liberia

Public relations

The Oriental Timber Corporation (OTC), the Indonesian owned company with exclusive harvesting rights for a large section of Liberia's forests has announced that it intends to plant 200,000 trees during its first reforestation cycle, as a demonstration of its commitment to environmental protection. The announcement followed criticism of the company in a front page story of Liberia's Daily Times captioned: "OTC Depleting Forest Reserves?". The corporation vehemently rejected allegations that it was operating in any protected forest areas and denied that its timber operations involved clear felling of logs as alleged by the paper.

Gabon

SNBG seeks to diversify sales

SNBG, the parastatal organisation which controls much of the exports of okoume and ozigo logs from Gabon, is taking steps to diversify sales away from China and France, which together account for the majority. According to a report from the Pan African News Agency on 10 October, the company had just signed framework agreements with India, Malaysia and Phillipines to which it would export a total of 150,000 m³ of logs over succeeding weeks. The Director of the Company is also visiting Turkey and Egypt to explore business opportunities. SNBG have plans to raise their annual sales of okoume and

ozigo to 1.64 million m³ per year and of other species to 150,000 m³

Meanwhile efforts in Gabon to develop new processing capacity and develop value added industries are continuing. The French journal *Le Commerce International du Bois* reports on the opening in August 2000 of a new sliced veneer plant in the industrial zone of Owendo in Libreville by the company Bois Tranches which is 65% owned by private Gabonese shareholders and 35% by the Canadian company General Woods and Veneers. Financial support for the mill has been provided by the Canadian and Belgian Development Agencies. Veneer production will concentrate on a wide range of woods including khaya, moabi, padouk, kevasingo, and movingi and the product will be distributed via the 31 sales outlets of General Wood and Veneers in America, Asia and Europe.

African politics

Some bad news...

The results of the Ivory Coast presidential election of October 22 have added to the political turmoil now plaguing the nation. The existing military ruler, General Robert Guie, who came to power following a coup 10 months ago, proclaimed himself winner of the elections with 52.72% of the vote, against 41% ascribed to Laurent Gbagbo of the FPI, the leading opposition socialist party. Guei's announcement sparked a popular uprising which has so far resulted in deaths of nine demonstrators and several injured. Guie had already created tension by excluding several candidates from the polls, including one Alassane Ouattara, a popular politician and muslim from the north of the country, who posed a major challenge to the dominance of the southerners. His exclusion led to serious riots earlier in October. Laurent Gbagbo has now called on his supporters to come out onto the streets to demonstrate their opposition to the results announcement. France, the former colonial power, has said that it will not accept the result.

....and some good news

African countries involved in the war in the Democratic Republic of Congo (formerly Zaire) have announced they will return to the positions they held when the peace agreement was signed in Lusaka last year, and would avoid further fighting. Congo's President Kabila has said he would allow the deployment of UN peace keepers in the country.

African Timber Organisation

Promoting sustainable forestry

The 19th Ministerial Conference of the African Timber Organisation was held in Brazzaville in early October. Amongst a number of recommendations, the delegates agreed to work with the International Tropical Timber Organisation in implementing an 'Initiative on Principles, Criteria and Indicators for Sustainable Management of African Forests'. ITTO pioneered the development of guidelines and criteria and indicators for the sustainable management of tropical forests in the 1990s. Through this joint initiative ATO and ITTO are now pressing ahead to ensure these benchmarks are applied in the major African timber producing countries. The initiative will include work to test, verify and apply national level criteria and indicators for sustainable forest management in the field, and workshops to educate African forest operators in the comprehensive use of ITTO's sustainability manuals. The initiative will build on existing ITTO funded projects in both Gabon and Cameroon designed to develop and apply sustainable forestry criteria and indicators.

In addition to providing a basis for the further development of forest policy and regulation in African nations, the development and agreement of sustainability criteria for African countries would provide a solid foundation for the development of a Pan African forest certification scheme. At the meeting, ATO members approved plans to move progressively towards the development of such a scheme as one measure to "prevent the marginalisation of wood exports from Africa". It was noted during the meeting that although Africa is home to one third of the world's tropical forests, it supplies only 10% of the world's timber and earns only 14% of the world's revenue in the sector.

ATO members also discussed during the meeting the organisation's chronic financial problems resulting from huge contribution arrears, estimated at one billion CFA francs (US\$1.5 million).

The 20th Ministerial Conference of ATO will be held in 2002 in Kinshasa in the Democratic Republic of Congo.

Asian Hardwoods

Malaysian sawn timber

Market depressed

The forward market in Europe for Malaysian meranti sawn lumber is still in the doldrums. European importers inventories of meranti remain high and many suggest they have lost out from recent cuts in shippers prices which have undermined the value of existing stocks. Some importers are now selling to manufacturers at below purchase price in an effort to off-load inventory that has been static for some time.

As the dry season in Malaysia is now nearing its end, shippers stocks of dark red meranti sawn lumber - produced primarily to supply the European market - remain high and are moving only slowly. Forward prices, although generally falling, are

variable depending on the immediate needs of individual shippers to maintain cash flow. The excess stock of meranti imported earlier this year by some shippers in Peninsular Malaysia from the Indonesian island of Sumatra - widely regarded as derived mostly from illegal sources - has been a major factor driving recent price cuts. Those shippers dependent on legitimate Malaysian sources have been resisting the downward price pressure.

Despite the price cuts, the strength of the dollar against the euro has meant that prices for sapele valued in euros, are still attractive - although availability of the competing African redwood for forward purchase is very restricted..

The future direction of the market for meranti sawn lumber is difficult to judge. Any significant upturn in market conditions would appear now to hinge on three factors; the rate at which existing stocks can be soaked up by the European manufacturing sector; the direction of the dollar-euro exchange rate; and the real availability of competitively priced alternatives, notably from Africa.

Peninsular Malaysia Exports

During the first six months of 2000, Peninsular Malaysia's exports of sawn wood were up 16% on same period the previous year. Most of this increase is attributable to a 16% increase in exports of lighter hardwoods, notably dark red meranti, much of which will have been sourced ultimately from Sumatra. Exports to the large European buying countries (Netherlands, Belgium, and Germany) recorded the most significant increases.

Asian Economy Rollercoaster ride

Once again South East Asian stockmarkets have taken a dive. Stockmarkets across the region fell during the third quarter of this year, a trend which deepened in October as share prices were driven downwards by troubles in the Middle East, turmoil in the US stockmarket, and concerns over oil price rises. The bad news comes at a time when South East Asia's economies are already showing signs of slowing after their impressive recovery of the past two years. According to the Economist, as many countries have been lax about cleaning up bad debts, a weaker expansion could now generate all sorts of new problems. Pessimists are also concerned about the impact of a potential slowdown in the West,

Asian Sawn Lumber Indicative Prices

	Aug	Sept	Oct
Exchange rates:			
M\$/£	5.40	5.62	5.49
US\$/£	1.42	1.48	1.44
M\$/US\$	3.80	3.80	3.80

Malaysia

All prices US\$/ton, C&F UK port

West Malaysian Dark Red Meranti

Grade: Select & better GMS; Kiln dried

Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'

1"	860	770	770
2"	865	775	775
2.5"	870	780	780
3"	880	800	790

Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3" 560 555 555

Kapur

Grade: Standard & Better GMS

Size: Width 6"+, avg 7"-8"; Length 16'+

1"-3" plnd 570 565 565

Myanmar Teak

US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore

Grade: Air dried boards

Size: Width 6"+ avg 8", Length 6'+ avg 8'

1"	2650/3500	2650/3500	2650/3500
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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.

especially in America, on East Asia's export driven recovery.

For now most analysts remain reasonably optimistic. The Economists October Poll of Forecasters suggests that the region - excluding stagnant Japan and buoyant China - will record real GDP growth of over 7% in 2000. But the average hides some sharp differences. Industrialised economies such as Singapore, South Korea and Hong Kong are growing rapidly. Stragglers such as Indonesia, Thailand and the Philippines are expanding by only 3-5% a year.

Prospects for next year are uncertain. Few analysts predict widespread economic meltdown like that of mid 1997. Asian foreign debt levels are now much more manageable than in 1997, while foreign exchange reserves are higher - which should ensure a degree of protection against external shocks. Some East Asian countries - including China, Hong Kong and Singapore - should be able to shrug off a global slowdown. However, other East Asian economies are still poorly placed to weather a cooling global climate. If demand in the United States cools over the next few months, as many analysts predict,

Peninsular Malaysia Exports Volume (000 m3)			
	1999 Jan-Jun	2000 Jan-Jun	% Change
Export of sawntimber by species			
Merbau	8.6	19.2	58.7
All Heavy Hardwood	16.8	25.6	51.9
Keruing	37.4	30.3	-19.0
Redwood	21.5	9.6	-55.5
Kempas	16.8	15.7	-6.4
Kapur	13.1	8.9	-32.2
All Medium Hardwood	111.7	89.7	-19.7
Meranti, Dark Red	78.9	100.6	27.5
Meranti, Red	29.5	48.8	65.0
Ramin	11.7	20.0	71.7
All Light Hardwood	300.6	383.8	27.7
Softwood/foreign	3.8	3.7	-2.6
Total	433.0	502.8	16.1
Export of sawntimber by destination			
Netherlands	74.6	116.1	55.7
Thailand	106.8	111.4	4.3
Singapore	84.0	69.0	-17.8
Belgium	25.2	34.9	38.5
UAE	23.2	25.3	9.1
Germany	15.6	23.5	50.2
Japan	20.1	22.5	11.8
United Kingdom	12.5	12.3	-1.9
Italy	10.0	11.5	14.9
China	5.7	9.7	70.7
Hong Kong	4.1	7.9	91.0
Yemen	10.0	7.5	-25.1
Saudi Arabia	6.8	6.8	0.5
Others	34.4	44.6	29.4
Total	433.0	502.8	16.1
Export of plywood by destination			
Singapore	47.8	41.0	-14.2
Japan	24.6	21.2	-13.8
United Kingdom	22.2	8.3	-62.5
Others	45.5	36.3	-20.2
Total	140.1	106.9	-23.7
Export of mouldings by destination			
Hong Kong	27.2	40.7	49.7
Japan	19.4	21.5	10.7
Australia	13.9	16.0	14.8
Taiwan	11.7	11.9	1.4
USA	8.9	14.5	64.0
UK	3.0	3.4	15.4
Others	29.7	35.8	20.7
Total	113.8	143.8	26.5
Export of veneer by destination			
Singapore	0.1	1.3	820.1
Others	7.1	0.8	-88.7
Total	7.2	2.2	-69.6

Asian Hardwoods

struggling countries may be hit hard. According to the Economist, the biggest potential victim is Indonesia.

Around the region

Japan

The most recent **Japanese housing start data** for August indicates that these were down 3.8% from a year ago making August the fourth straight month of year on year decline.

Japanese import figures for the period January to June 2000 indicate that Southsea log imports reached only 1.58 million m³, down 10.9% on the same period in 1999, a reflection on Japan's sluggish domestic plywood sector, and on the continuing shift of plywood manufacturers to lower cost softwood logs. However Southsea lumber imports reached 499,000 m³, a 22% increase on the previous year.

South Korea

News from the **South Korean construction sector** continues to be poor. High levels of bankruptcies in the sector have continued this year. Although new construction permits increased between May and August this year, actual new construction starts have been declining. In August, only 56% of new permit issues resulted in starts. The implication is that many businesses are not particularly optimistic about the future of economy and are delaying construction activity. This has led analysts to forecast depressed wood sector activity during the last quarter of 2000.

South Korea's hardwood log imports in August were only 68,389 m³, the lowest this year. Furthermore, restricted demand has meant that hardwood log importers are increasingly downgrading species and quality requirements in an effort to cut costs. Imports of hardwood logs are now mainly from Papua New Guinea and Solomon Islands. Competitive pricing has also encouraged increased interest in ozigo logs from Gabon over recent months. Korean domestic sales prices for logs have collapsed and are currently far below of the cost of imports.

Sabah

The most recent data for **Sabah log exports** indicates that after last year's huge increase in sales to China, volumes have fallen dramatically this year. In the first 5 months of 2000, Sabah exported 190,000 m³ of logs of which 75,000 m³ went to China and

85,000m³ to Japan. During the same period of 1999, Sabah's total log export amounted to 301,000 m³, of which 184,000 m³ was destined for China and 64,000 m³ to Japan.

Forest certification

Forest certification schemes in Indonesia and Malaysia are continuing to develop their links with the Forest Stewardship Council (FSC) to enhance market recognition. Last year **LEI, Indonesia's national forest certification organisation**, agreed a memo of understanding with FSC which, while falling short of a formal mutual recognition agreement, set out a range of activities on which they should cooperate. One outcome of the memo was announced in September 2000 with the publication of a Joint Certification Protocol for certification bodies accredited respectively by LEI and FSC. The Protocol, which is operational for one year, requires that LEI and FSC accredited certifiers work together at all stages of the certification process in Indonesia. It also states that only forest units that pass both the LEI and FSC system requirements will be certified.

Meanwhile Malaysia's timber authorities are planning to meet with FSC officials in Kuala Lumpur in December to discuss the setting up of a **Malaysian FSC national working group**. Malaysia will be one of the first countries in Southeast Asia to try and set up an FSC-recognised national working group. However according to the Director of Malaysia's National Forest Certification Council "it'll be a long process before we can talk of FSC endorsement in Malaysia". The World Wide Fund for Nature is also trying to establish FSC-endorsed working groups in Indonesia, Papua New Guinea, Cambodia and Vietnam.

Asian furniture

According to *ITTO's Market News Service*, **Asia's wood furniture export market** has been depressed for the past 6 months. Prices have been sliding as it is increasingly clear the industry suffers from over-capacity at the low to medium end of the market spectrum. The industry received a further blow recently as the long-awaited orders for Christmas sales in the US failed to materialise. The recent collapse of one large US furniture retailer contributed to the problem. Exporters in the ASEAN region and China were exposed to the extent of some US\$30 - 40 million of furniture products. Many other US retailers have held off buying in anticipation of a large wood furniture auction.

EU imports

Data on the value of hardwoods imported by 8 EU countries during the first half of 2000 are presented on pages 8 and 9. The following trends can be identified:

■ there was a significant increase in the volume of intra-EU trade in beech during the first half of 2000 - a reflection of huge excess production following the storms in France, south Germany and parts of Switzerland during December 1999. High levels of beech imports were registered by Germany, Spain, Italy, and Austria.

■ there is evidence of strong growth in European's use of veneers, boosted by rising production and sales of furniture - notably in Spain and Italy - and by progressive replacement of solid lumber with veneer covered panels. The value of both temperate and tropical log imports by Germany - Europe's leading veneer producer - were high during the first half of 2000. Both Italy and Spain saw strong imports of North American logs - much probably destined for veneers. France, Spain, and Italy also increased imports of finished veneers, notably from Germany and the USA.

■ log imports from Cameroon have fallen significantly following the log export restrictions, but in most cases importers have been successful in finding alternative sources. Tropical log imports have been at relatively high levels in Germany, France, and Italy this year. Log imports have been strong from Congo (Brazzaville), Liberia, the Central African Republic, and Equatorial Guinea (in the case of France). French log imports from Gabon also seem to be recovering their previous strength after a difficult year in 1999.

■ the value of tropical sawn imports in the first half of 2000 have been at high levels for several European countries including France, Italy and Belgium. Imports have been more stable for Germany (at relatively low levels) and Spain (at relatively high levels).

■ there is more evidence of increased market penetration of value added products from low cost locations in EU markets - for example Polish wood furniture in Germany, and Indonesian "continuously shaped wood" in Belgium.

hardwoodmarkets.com presents and reviews hardwood import data for all the countries within the EU on a quarterly basis. Next month the remaining EU countries will be reviewed together with an analysis of overall EU imports from non EU nations.

European hardwoods

European beech

Heavy stocking hits demand

The market for European beech is currently affected by high stocking in Europe and China, the leading export market, and by limited availability of high quality new season logs following the decision by the French Public Forest Administrations to restrict harvests this year to storm damaged beech still attached at the roots.

French and German sawmills built up significant stocks of logs in the aftermath of last year's storms and much activity is currently focused on converting this volume, a process expected to be complete by the end of this year. Buying of logs during the opening auction sales of the French logging season has been subdued. Apart from existing high stocks, French mills and Chinese buyers have had misgivings over the quality of storm damaged logs on offer. Another effect of the storm damage has been to discourage mills to buy wood standing this year, the usual practice in France, as it is very difficult to assess the quality of damaged trees before they are felled. Forest owners are being forced to cut beech and sell at roadside.

In Germany, where undamaged new season logs are available, there has been stronger demand. Chinese buyers have returned to the log market in search of the best quality material. New season quality beech logs are being sold by the German forest authorities at price levels equivalent to last year prior to the storms.

However it seems likely that the Chinese market this season will generally be less lucrative for exporters than last year. There are number of reasons including:

- heavy over-stocking after excess imports in the first half of 2000. Some reports suggest that China's overall stocks of beech logs and sawn may be as high as 500,000

European sawnwood indicative prices			
	Aug	Sept	Oct
Exchange rates			
DM/£	3.21	3.28	3.37
DM/US\$	2.26	2.22	2.34
Northern Germany, DM/m ³ , C&F, UK Port			
German beech			
Grade: kiln dried, steamed and square edged.			
1"	1750	1750	1700
2"	1800	1800	1750
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			

m³. As a result the Chinese have curtailed purchases of beech this season, particularly in sawn form.

- inward investment in new beech processing capacity in China, including facilities for sawing, kilning and steaming. In the short term, this investment has meant that imported sawn beech must now compete with a significant volume of sawn beech produced in China itself. Relatively low production costs in China have meant prices for this material are generally lower than beech processed in Europe. In the longer term, the Chinese beech trade seems set to shift away from beech sawn lumber imports to log imports.

- a considerable increase in the costs of container transport from Europe to China, particularly in response to higher oil prices.

- the growing concern of Chinese buyers to ensure that beech of high quality is supplied at very competitive prices. Chinese buyers are increasingly prone to complain of quality, and have generally been rejecting storm felled beech.

In other export markets, prospects in Spain appear relatively good, although overstocking is constraining sales in the short term. Longer term demand for beech in Spain is likely to be good, boosted by continuing economic buoyancy and the weakness of the euro, which gives European beech a competitive edge. There may be logistical problems supplying beech to Spain this year, particularly from Germany, due to shortages of overland freight space and the rising cost of diesel.

The German market remains relatively depressed due to continuing sluggishness in the furniture sector. There are also reports of increasing competition from glulam in some sectors. This coupled with oversupply have meant that there is some downward pressure on beech sawn lumber prices.

However underlying demand for beech from the manufacturing sector in other European countries remains good, backed by improving economic conditions, the continuing popularity of the species amongst consumers, and current competitive pricing.

France

New role as an exporter?

The impact of the severe storms in France - which felled the equivalent of 3 year's harvest - is immediately apparent from French wood export data for January to May 2000. During this time, the total value of French wood exports increased by 38%

French Wood Products Exports January to May Millions French Francs

Destination	1999	2000
China	54	251
Italy	210	224
Germany	121	199
Belgium	100	163
Portugal	48	64
Japan	7.7	16
India	0.1	2
Others	579	625
Total	1120	1544

compared with the same period in 1999. Although the increase affected exports to a wide range of countries, the growth in sales to China was particularly pronounced. Between January and May 2000, French wood products exports to China were valued at 250 million Francs, a five-fold increase on the same period in 1999. A significant proportion of this value comprised European beech.

The apparent success of the wood industry to expand sales in the immediate aftermath of the storms has encouraged French producers to take steps to develop a long term export marketing strategy.

France has a significant domestic forest resource, currently covering an area of 15 million hectares and forecast to rise to 16 million hectares by 2030. However France is a significant net importer of wood products. France produces around 10 million m³ of sawn lumber, of which only around 1 million m³ is exported. French sawn lumber imports are typically around 3 million m³.

This year the French National Wood Federation has initiated a campaign with the objective of increasing overseas sales of French processed wood, notably sawn lumber. It has established a working group to monitor the state of the Chinese wood market. The group is also considering ways of developing exports of French oak to non-EU destinations. To date sales have focused almost exclusively on regional markets.

Stop press - euro at new low

On 26 October the euro fell again against the dollar, setting a record low for the second consecutive trading session. The slide - which took the euro to a low of US\$ 0.8229 - left the currency 30% below its level at inception in January 1999. The recent slide follows comments by Wim Duisenberg, president of the European Central Bank (ECB), that there is no immediate prospect of international invention to prop up the currency.

Europe cont.

French government authorities are also reported to be supporting moves towards higher exports in a variety of ways. For example, shortly after the storms the Port of Bordeaux Authority announced that for the next two years they would reserve nearly 40,000m² of storage space for wood destined for export. They also announced reduced handling fees for forest owners hit by the storms.

European oak

There are reports of relatively high levels of trade in European oak logs as efforts to clear storm-damaged oak stands, mainly in France, proceeds this year. Uncertainty surrounds the quality of logs, which may have been affected by worm infestation. However due to oak's lengthy drying cycle it will be two years before much of this oak enters the market as sawn lumber. At present French oak sawn lumber prices remain stable to firm, boosted by good domestic and regional demand.

Special report - tropical forestry

Tropical industry should focus on high quality hardwoods

The potential of the world's tropical forests to produce quality hardwood on a sustainable basis exceeds demand substantially. However natural tropical forests are being degraded by timber mining and destroyed by illegal and legal conversion. These problems are compounded by ignorant and politically correct attitudes which deny the potential of tropical forest management for quality hardwoods, and by timber markets which focus on low value products. To overcome these problems the hardwood trade should undertake a 'pro-solid timber campaign' to promote the aesthetic qualities of tropical wood and to overcome misconceptions relating to tropical forestry.

These are key points raised by Professor Eberhard Bruenig in his presentation in September to the London Hardwood Club. Professor Bruenig is a forester with 50 years

experience in the practice of both tropical and temperate forestry. He has a doctorate in forestry science, worked for 10 years in Malaysia, taught in over 20 countries, and published over 250 books and articles. Currently he is an associate member of the Oxford Forestry Institute.

According to Professor Bruenig, worldwide the commercially productive area of Permanent Forest Estate in natural tropical forests amounts to between 150 and 200 million hectares. Through the application of well known systems of timber harvest and production which also integrate environmental protection measures, this area could yield conservatively between 70 to 120 million m³ per year of high quality utility and cabinet grade hardwood. This is much higher than current global demand for high value hardwood lumber, which today stands at perhaps 5-10 million m³ per year.

However, at present the tropical forests production potential is being consistently undermined by timber mining and forest conversion. Furthermore far too much of the tropical wood derived from these operations is being traded as a low quality commodity product in markets which are already oversupplied. Oversupply in the commodity wood sector is set to intensify during the 21st century with the maturation of large areas of tree plantation and increasing production from the American and Russian taiga. Unless these problems are tackled head on, the tropical hardwood resource will soon be gone.

Unfortunately, in Professor Bruenig's opinion, the recent debate over forest certification and sustainable forestry has done nothing to alleviate deforestation and offered little which is new for the tropical forestry profession. Tropical foresters have had little political or media influence in a debate driven largely by mass hysteria and profound ignorance. Powerful institutions like the World Bank have been encouraged to pursue inappropriate policies which set out to separate forest conservation and production functions, and which have sought to ban logging in natural forests.

Now the tropical forest sector must make concerted efforts to rationalise the views of environmental groups and the attitudes of the media and public. The emphasis should be placed on raising awareness of the benefits that derive from the management of tropical forests for timber, and on improving market demand for high quality utility and cabinet grade tropical hardwood.

Exchange rates for one pound sterling and one US dollar

		8-Sept		29-Sept		20-Oct	
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.4223	0.9994	1.4776	0.9994	1.4443	0.9994
Australia	Aus.\$	2.5615	1.7999	2.7301	1.8466	2.7363	1.8934
Bangladesh	Taka	76.8502	54.0000	79.8391	54.0000	78.1827	54.1000
Belgium	Belgian Fr.	66.2624	46.5604	67.5875	45.7136	69.6045	48.1642
Belize	B\$	2.8463	2.0000	2.9274	1.9800	2.8470	1.9700
Bolivia	Boliviano	8.8805	6.2400	9.1519	6.1900	9.0611	6.2700
Botswana	Pula	7.4181	5.2124	7.7755	5.2590	7.8520	5.4333
Brazil	Real	2.5923	1.8215	2.2728	1.8450	2.7219	1.8835
Fr. Africa*	CFA Fr.	1077.48	757.11	1099.03	743.34	1131.82	783.19
Canada	Canadian \$	2.1042	1.4786	2.2246	1.5046	2.1887	1.5145
Chile	Peso	806.143	566.450	833.209	563.550	826.265	571.750
China	Yuan	11.7828	8.2794	12.2417	8.2798	11.9627	8.2778
Czech Republic	Koruna	57.9692	40.7330	59.5813	40.2985	59.9550	41.4870
Denmark	Danish Krone	12.2491	8.6070	12.4996	8.4542	12.8383	8.8837
Estonia	Kroon	25.6967	18.0562	26.2018	17.7219	27.0006	18.6836
Europe	Euro	1.6426	1.1542	1.6755	1.1332	1.7255	1.1940
Finland	Markka	9.7665	6.8626	9.9618	6.7378	10.2591	7.0990
France	Franc	10.7748	7.5711	10.9903	7.4334	11.3182	7.8319
Germany	D-mark	3.2127	2.2574	3.2769	2.2164	3.3747	2.3352
Ghana	Cedi	10531.30	7400.00	10164.80	6875.00	10332.80	7150.00
Guyana	Guyanese \$	259.440	182.300	267.609	181.000	260.850	180.500
Hong Kong	HK\$	11.0987	7.7987	11.5277	7.7969	11.2684	7.7974
India	Rupee	64.9526	45.6400	68.0628	46.0350	66.9899	46.3550
Indonesia	Rupiah	11918.9	8375.0	12973.9	8775.0	12923.0	8942.5
Irish Republic	Punt	1.2937	0.9090	1.3195	0.8925	1.3589	0.9403
Italy	Lira	3180.52	2234.85	3244.12	2194.20	3340.94	2311.83
Japan	Yen	151.0110	106.1100	159.7670	108.0600	157.3840	108.9050
Kenya	K. Shilling	110.6070	77.7200	116.8760	79.0500	114.5640	79.2750
Korea South	Won	1578.27	1109.00	1648.75	1115.15	1633.74	1130.50
Liberia	Liberian \$	1.4232	1.0000	1.4785	1.0000	1.4452	1.0000
Malaysia	Ringgit	5.4080	3.8000	5.6183	3.8000	5.4916	3.8000
Myanmar	Kyat	9.3373	6.5610	9.7346	6.5841	9.5027	6.5756
Netherlands	Guilder	3.6198	2.5435	3.6922	2.4973	3.8024	2.6312
New Zealand	NZ\$	3.3929	2.3841	3.6372	2.4600	3.6061	2.4953
Nigeria	Naira	148.435	104.300	160.713	108.700	155.932	107.900
Papua NG	Kina	3.7958	2.6672	4.0399	2.7324	4.2822	2.9632
Philippines	Peso	64.8246	45.5500	68.3068	46.2000	70.5956	48.8500
Poland	Zloty	6.2868	4.4175	6.7017	4.5328	6.7778	4.6900
Portugal	Escudo	329.312	231.397	335.898	227.188	345.922	239.367
Romania	Leu	33224.9	23346.0	35739.0	24172.5	35630.2	24655.0
Russia	Rouble	39.6789	27.8810	41.0757	27.7820	40.4035	27.9580
Singapore	Singapore \$	2.4706	1.7360	2.5730	1.7403	2.5363	1.7550
Solomon Islands	SImm. Is. \$	7.1960	5.0564	7.6211	5.1546	7.4531	5.1573
South Africa	Rand	10.1075	7.1022	10.6763	7.2210	11.0193	7.6250
Spain	Peseta	273.306	192.043	278.771	188.550	287.091	198.658
Sweden	Krona	13.7242	9.6435	14.2424	9.6330	14.6534	10.1397
Taiwan	\$	44.1960	31.0550	46.3215	31.3300	46.4565	32.1465
Tanzania	Shilling	1138.52	800.00	1182.80	800.00	1150.34	796.00
Thailand	Baht	59.1960	41.5950	62.3854	42.1950	63.1314	43.6850
Uganda	New Shilling	2483.40	1745.00	2705.66	1830.00	2651.85	1835.00
U.S.A	US \$	1.4232	1.0000	1.4785	1.0000	1.4452	1.0000
Venezuela	Bolivar	981.62	689.75	1021.42	690.85	1000.41	692.25
Vietnam	Dong	20114.8	14134.0	21015.4	14214.0	20719.1	14337.0
Zimbabwe	\$	72.7230	51.1000	78.3754	53.0100	79.5556	55.0500

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

North American Hardwoods

The strength of the US dollar is acting as a significant constraint on export sales of American hardwoods - most notably in Europe where the euro remains extremely weak. Although sales to some Asian destinations have been reasonably active, these have not been sufficient to compensate for Europe's slowdown. US domestic demand remains steady for the time being, although there continue to be concerns over the effects of economic cooling as higher interest rates start to bite.

While demand side trends may indicate cooling prices for US hardwoods, these are partly counteracted by factors on the supply side. American exporters, notably in Northern regions, are reporting relatively low log inventories for the time of year due to continuing wet weather. Other factors limiting US inventories include restricted labour availability at a time of low unemployment in the United States, steady US demand during the summer months, and high interest rates which have increased the costs to US millers of maintaining stocks. Unless logging conditions are particularly favourable and demand slows appreciably over the next few weeks, many mills may be struggling to obtain logs before the end of the year.

European sales subdued

The usual autumnal increase in European business has been very subdued this year. The weakness of the euro has encouraged importers to maintain low inventories as a precaution against exchange rate risk. European buyers are therefore placing only occasional orders for mixed container loads to plug holes in stocks. Requests for colour selection and for wood to be cut to specific sizes are increasingly frequent. Prices for FAS grades in most species - with the exception of red oak which is sold primarily in the US - have weakened slightly this month in response to the slowdown on European markets.

Some European countries have been affected more than others by exchange rate problems. The German market has been particularly sluggish, with demand already struggling due to high stocks of European beech after last year's storms, and disappointing activity in the construction sector. Over recent months underlying economic buoyancy in Spain and Portugal has meant that exports to these markets have remained more stable. But even here, reports are now emerging of slowing sales

of American wood. Although outside the euro-zone, the UK market has had its share of currency problems. Sterling again weakened against the dollar at the end of October, and importers are buying for immediate needs only.

The weakness of the euro has clearly strengthened the price position of European hardwoods against US species. There are some reports, for example in recent issues of German trade journal EUWID, of European importers seeking to switch from North American white oak to Eastern European oak. To date the European oak trade has remained restricted and focused largely on localised niche markets. However there has been significant inward investment into the wood processing sectors of several Eastern European countries over the last 5 years, so American hardwoods may soon face stiffer competition.

Asian markets more active

Most South East Asian markets for American hardwoods remain reasonably active. However competition for sales is intense and buyers are highly price sensitive. China remains a buoyant market for both red and white oak, but there are signs of slowing demand for tulipwood. High beech stocks in China are presenting difficulties for sales of American maple. Demand in Japan continues to be sluggish.

US export sales within North America itself are buoyant. Demand in Mexico, notably for red oak, continues firm. In part this reflects economic confidence amid expectations that the nation's newly elected conservative government will boost growth. There are also reports of US manufacturing companies relocating from the southern states to Mexico in a bid to reduce production costs. US hardwood sales to Canada are good, with some of the wood destined for re-export but most supplying firm Canadian domestic markets. Sales to the Gulf are also active.

Species Breakdown

■ **Ash** - Although there is still some interest in FAS material in the UK and Germany, sales are slower than earlier in the year. Buyers are placing greater emphasis on colour selection. The Japanese market is very subdued. US domestic sales are also less buoyant than a few months ago. Lower grades continue to sell well in Mexico and the Far East.

■ **Hard maple** - Sales in Northern Europe have slowed due to high pricing, exchange rate uncertainty, and existing high Euro-

pean beech stocks. Current shortfalls in European demand may also partly reflect buyers perceptions that winter-cut maple is of better quality than summer-cut maple - which if badly handled may be subject to staining and "caramelisation" (discoloration due to sugar crystallisation). If so, European demand may pick up as winter cut maple becomes available. The start of the maple winter harvesting season is now imminent with the arrival of the first snows in Canada and first frosts in New England. Chinese demand may be undermined by high European beech stocks - but there are reports of importers looking for thicker sizes. Lower grades of hard maple are also reported to be selling well to flooring manufacturers in China and Taiwan. US domestic demand remains good.

■ **White oak** - export sales to Europe have generally slowed, particularly to Northern Europe. White oak sales to China have remained reasonably buoyant.

■ **Red oak** - sales to Mexico and the Far East remain steady. There is also good demand from the Middle East, notably Saudi Arabia. Lower grades are selling well in China and Taiwan.

■ **Tulipwood** - demand for high grades remains subdued in Italy and is slowing in Japan and China where inventories are now adequate. Demand in Mexico is steady.

■ **Cherry** - European importers have been

US sawn lumber indicative prices

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

	Aug	Sept	Oct
\$/£	1.42	1.48	1.44
Red oak			
1"	1920	1985	2000
1.25"	2150	2150	2190
1.5"	2300	2250	2290
2"	2630	2630	2600
White oak			
1"	1600	1600	1600
1.25"	1800	1800	1765
1.5"	2300	2300	2250
2"	2860	2900	2820
Ash			
1"	1390	1400	1390
2"	1800	1800	1775
Tulipwood			
1"	1250	1240	1210
1.25"	1270	1270	1230
1.5"	1295	1290	1240
2"	1310	1310	1265
Cherry			
1"	3725	3725	3700
1.25"	3800	3800	3750
1.5"	3945	3950	3900
2"	4340	4350	4300
Hard Maple			
1"	2950	2900	2900
1.25"	3050	3000	3000
1.5"	3250	3150	3200
2"	3400	3350	3300

N. America

increasingly resistant to the high prices on offer for the best grades of American cherry, but there are reports of manufacturers buying a higher proportion of lower grades to cut costs. American stocks of the species are tight due to restricted logging this year, continuing firm domestic demand, and buoyant demand for veneer logs both at home and overseas. The rising price and limited availability of American mahogany is one factor contributing to higher demand for Cherry.

■ **Other species** - Asian manufacturers looking for cheap pale hardwoods are showing greater interest in Birch. There are reports of increased Chinese interest in Basswood. Export demand for American walnut also continues to grow.

US Economy

Slower growth forecast

The US report to the UN ECE Timber Committee meeting in October suggests that while the cooling economy will slow growth in the US wood products sector, there is unlikely to be any significant turnaround in underlying market demand. To summarise major points from the report:

■ Last year US GDP rose at an annual rate of 4.2% and continued to increase strongly in the first quarter of 2000, rising by 4.8%. The current economic expansion, now in its 10th consecutive year, remains strong but is beginning to show signs of slowing.

■ While leading economic indicators have declined, they remain strong. For example real personal consumption expenditures increased 3.0% in the 2nd quarter of 2000 after increasing 8.3% in the 1st quarter.

■ Furniture and fixtures output - a determinant of high-grade hardwood production - rose by 3.4% during 1999, and by 3.7% and 2.4% during the first and second quarters of 2000 respectively.

■ Housing starts should remain strong in 2000, though slightly lower than the high rates of 1999. House starts hit 1.675 million units in 1999 and are forecast to reach 1.593 million units in 2000 and estimated at 1.481 million units in 2001.

■ Investment in non residential building is forecast to hit US\$144.3 billion this year, an increase from US\$143.8 billion last year.

■ Advanced estimates of GDP show a slowdown in economic growth to an annual rate of 4.0% for 2000 as a whole and to 3.5% during 2001. Most analysts predict a "soft landing" for the US economy rather than a serious recession.

Special report - sliced veneers

Continued from page 1

from German-owned companies in the USA. In Asia, where beech logs are now a major item for saw-milling and veneer slicing, German companies have also been very active in selling logs from their own forests and those of Eastern Europe. Italy is perhaps Europe's most independent veneer producer and manufacturer of slicing equipment, and is also a substantial importer, but at about \$9 million in the first half of 2000 it ranks on imports with the UK. In the latter case there is now no sliced production remaining, the market is import dependent, which may explain the Growth of Danzer's UK subsidiary. From this European industry there is a significant export of veneer especially to countries with limited production facilities and as far away as Australia. Danzer is also setting the pace in other markets outside Western Europe with distribution in Eastern Europe and reportedly this year in China. In due course this could encourage the amalgamation of veneer producers, as was presumably the case with the two Swiss manufacturers that formed FSZ Furnierwerke AG.

Impact of new technology

The use of veneer, although threatened by substitute non-wood foils and laminates, has been assisted by the technical improvement of substrate panels such as MDF. Real veneer use in furniture, doors and panelling, which lost market share to substitutes in the 80s and 90s, is showing some signs of recovery as high quality markets demand real wood, and as "wrap around" moulding technology for wood veneer has developed. The growth of engineered parquet flooring markets, particularly in Europe and countries such as Korea, has also recently increased sliced veneer consumption. Its use in kitchen cabinets, office furniture, computer stations and audio units, have all added the warmth of wood to high-tech applications. Promotion of a variety of species has bought about a wider acceptance of hardwood veneer, especially in the flooring market, and such campaigns as "Vero Legno" (real wood) in Italy has made a contribution.

Strengthening prices

This year hardwood veneer prices have generally advanced, with the exception of lower qualities. The recovery of the furniture industry in Europe, the strong American market and the steady financial recovery in Asia including growth in China, have all been important positive influences. However the increased

stumpage prices - the higher cost of raw material, has also squeezed producers' margins and this may worsen if high quality French and German beech logs become scarce and more expensive in the new harvesting season, now underway. In terms of demand, beech is the major species in Europe accounting for 60% of production, whereas red oak is the market leader in the USA. At the top end of the high quality market cherry and maple are key species both in Europe and the US, whereas oak lost much of its position in Europe as it gradually went out of fashion in furniture.

Central and Eastern Europe

In Central and Eastern Europe a number of western producers and traders from Europe and North America have set up operations, which is almost an impossibility for local investors given the huge capital required for both production facilities and material stock. Export statistics from Estonia and Hungary will reveal significant production there, and several Eastern European countries are consuming increased volumes of veneer for their furniture exports. There are reports of upgrading in several Eastern countries such as Romania, and there are already five major veneer plants in Eastern Europe.

Asian recovery

In Asia, Japan remains the major producer and consumer and is now also a significant importer, although most markets are improving on the back of the financial recovery in the region. And the market in China is developing fast as its furniture export industry gathers pace, fuelled by Taiwanese relocation of manufacturing to the mainland. As in Eastern Europe, Asia is benefiting from the flight of furniture manufacturing to lower cost locations.

Veneer Associations

As ever, the USA leads in the world of wood associations in representing the interests of its producers, and in offering services. Recently the Hardwood Plywood & Veneer Association (HPVA) in Reston VA, USA, merged with the Fine Hardwood Veneer Association. This enlarged organisation provides technical assistance, fire testing and supplier information for hardwood veneers, both tropical and temperate. Both the German veneer association Vereinigung Deutscher Furnierwerke (VDF) and the European Veneer Federation have recently relocated to Berlin in order to be closer to Government, alongside other German wood associations (HPVA Fax +1 906 435 2537 VDF Fax +49 30 4863715)

Special report - UK

United Kingdom Wood Products Imports 1999 and First Half 2000

	Value (000s £)			Volume (m3)		
	1999 Year	1999 Jan-Jun	2000 Jan-Jun	1999 Year	1999 Jan-Jun	2000 Jan-Jun
Tropical logs and sawn lumber						
MALAYSIA	22161	9877	13092	66025	32008	35960
CAMEROON	12929	7504	8635	40759	23446	25811
NETHERLANDS	7399	3639	3991	16951	8351	8568
IVORY COAST	4678	2449	4089	12173	6322	11596
BRAZIL	6382	3291	3336	13735	6977	6754
GHANA	7143	3829	3336	21333	11805	10396
INDONESIA	3026	1287	2255	6497	3008	4488
U. S. A.	551	318	1834	1254	676	4247
GERMANY	1567	886	1367	4796	2684	4176
BELGIUM	1155	335	847	3219	977	2190
SINGAPORE	1064	317	840	2183	861	1451
LIBERIA	0	0	248	0	0	1266
GABON	736	275	192	4304	1572	1080
IRISH REPUBLIC	711	414	341	1816	1067	1233
AUSTRALIA	20	0	188	40	0	595
CONGO REPUBLIC	709	434	185	2072	1182	624
FRANCE	834	380	329	2736	1150	1127
PHILIPPINES	357	90	141	922	262	307
ITALY	0	0	128	0	0	318
PAP. NEW GUIN.	181	74	116	608	283	352
PERU	304	75	110	482	137	162
OTHER	4933	3072	1743	18370	12342	4952
TOTAL	76839	38546	47342	220275	115110	127653
Beech logs						
DENMARK	59	0	33	175	0	134
ROMANIA	292	207	25	805	579	77
OTHER	66	22	15	304	84	48
TOTAL	426	229	74	1324	663	263
Oak logs						
CANADA	49	10	78	120	24	133
IRISH REPUBLIC	6	0	47	346	0	E100
FRANCE	79	66	37	240	208	E80
POLAND	64	36	13	91	41	14
OTHER	8	0	28	24	0	82
TOTAL	207	112	205	821	273	803
Other temperate hardwood logs						
U. S. A.	6290	2854	5089	16830	7528	10724
LATVIA	2433	996	1034	22605	8445	10910
CANADA	2114	848	813	3836	1554	1973
ESTONIA	6072	3398	641	52835	28209	6190
RUSSIA	201	167	145	1436	1204	1141
OTHER	813	580	288	2732	3211	1619
TOTAL	17924	8843	8012	100274	50151	32557
Beech sawn lumber						
GERMANY	9251	4585	4650	35735	15815	E16000
DENMARK	851	493	638	4055	1752	E2750
SLOVENIA	37	0	361	80	0	576
FRANCE	395	148	304	2130	522	E1100
ROMANIA	217	129	183	548	329	483
ITALY	69	50	179	108	70	E275
BELGIUM	262	154	154	820	476	E480
U. S. A.	488	70	82	1000	206	135
OTHER	539	155	113	2598	496	427
TOTAL	12111	5784	6665	47074	19666	22226
Oak sawn lumber						
U. S. A.	24673	12338	15510	48498	24452	30087
FRANCE	2687	1677	2902	6457	3461	6310
CANADA	3366	1284	2363	6450	2425	4181
ESTONIA	1264	577	888	12227	5041	9853
NETHERLANDS	628	341	563	706	347	680
GERMANY	542	322	493	2025	892	1458
OTHER	1077	427	565	3221	1215	2174
TOTAL	34237	16964	23284	79584	37833	54743
Other temperate hardwood sawn lumber						
U. S. A.	21103	10350	13481	44535	22090	26494
LATVIA	11744	6132	8435	119279	61136	90795
CANADA	8663	3717	4414	19725	8681	9148
ESTONIA	2215	953	3360	21379	9348	31112
SWEDEN	2546	1416	1114	19552	10724	4596
FINLAND	1317	747	497	7882	4196	1476
DENMARK	157	65	333	721	230	840
SPAIN	755	499	323	1486	724	733
GERMANY	537	272	212	2947	1289	1060
FRANCE	217	162	147	861	507	426
LITHUANIA	70	10	84	694	100	656
RUSSIA	216	201	79	2081	1949	768
OTHER	489	191	265	2598	634	1259
TOTAL	50030	24715	32745	243740	121608	169363
Plywood						
BRAZIL	46364	19423	39305	241430	102340	223385
INDONESIA	59869	34216	28374	253775	151884	121940
FINLAND	26092	13460	12602	92820	50134	36767
MALAYSIA	27837	15880	9697	124893	75567	42113
LATVIA	11004	5361	7268	38917	17294	29297
RUSSIA	16266	7916	7211	83705	40400	37725
CANADA	12740	8167	6863	48725	34139	25361
GERMANY	3996	2584	5455	10990	5652	12967
U. S. A.	4741	4475	5405	22362	21346	29288
BELGIUM	4758	2458	2793	14884	6654	8074
ITALY	3954	2431	2369	10189	5802	6577
GUYANA	2371	1109	2271	10958	5417	10312
ESTONIA	1087	639	1944	6289	3628	10721
FRANCE	7448	3679	1626	18142	9782	4860
CHINA	3442	1844	1555	10293	5635	5827
NORWAY	2999	1433	1487	4214	2038	2996
SOUTH KOREA	10300	8883	1464	60879	52787	8496
OTHER	19135	9774	10944	83858	40563	42731
TOTAL	264404	143732	148634	1137323	631062	659437

NOTE: "E" implies data is estimated due to inconsistencies in data supplied by HM Customs and Excise.

Good start to the year

Import data for the first 6 months of 2000 suggests that the UK hardwood market this year started better than in 1999. Imports of tropical logs and sawn were up 23% by value and 11% by volume over the previous year. Imports from Malaysia, the leading tropical supplying country rose significantly despite the dollar's strength against the euro which has undermined Malaysia's competitive position. This rise however may be partly explained by heavy arrivals of sawn lumber on old contracts - notably from Sabah - during April, May and June of this year. Imports from Cameroon and - perhaps more surprisingly - Ivory Coast also rose significantly, while Ghana's supply difficulties are reflected by declining UK imports. UK importers have taken the plunge in a small way into the erratic Liberian log market this year.

As ever, the UK's temperate hardwood import data needs careful interpretation - being disrupted by HM Customs practice of listing large quantities of very low value logs and sawnwood from Latvia and Estonia as "other hardwood", when in fact the majority is softwood. Nevertheless some trends can be identified, including a notable increase in imports of oak lumber - a trend which has benefitted all the major suppliers including the US and Canada and - from a smaller base - France, Germany and Estonia. Trade contacts suggest the figures for Estonia may be misleading. While there is some evidence for increased imports of sawn oak from Russia, the Ukraine and Poland, little or no oak seems to derive from Estonia. The development of UK markets for European oak is indicative of the impact of the weak euro. However on current evidence this trade seems to be supplementing rather than taking away from demand for American oak. Direct substitution between the two products is not necessarily achievable since there is little square edged European oak available, and it is difficult to compare grades.

The data highlights the huge increase in imports of softwood ply from southern Brazil, a commodity that has been very competitively priced this year. The USA, prior to 1999 the UK's largest plywood supplier, has made some small inroads to regain market share by emphasising the strict quality standards to which their products adhere. On the hardwood ply side, Indonesian imports are 20% down on the relatively high levels of last year, despite continuing low prices as Indonesian producers have dumped excess production on the European market. Low imports of Indonesian imports reflect poor underlying demand for hardwood ply in the UK.

Association Profile - AHEC - International

Members – 130 USA

The American Hardwood Export Council is the leading international trade association for the US hardwood industry, representing the committed exporters among US hardwood companies and all the major US hardwood product trade associations.

Based in Washington D.C., the AHEC operates internationally to promote American hardwood species and products from offices in Europe, Mexico, China,

Korea and Japan providing technical assistance and supplier information. It also runs an extensive range of hardwood PR and advertising activities, including exhibitions, seminars and annual conventions in Europe and Asia.

The association maintains close relationships with other international hardwood organisations and with national importer federations around the world.

AHEC offers free publications on American hardwood species, grading and products, orders for which can be placed via the

association's European website www.ahec-europe.org. The membership brochure gives details of exporters facilities and size, indicating its production by species, and is available from HQ.

American Hardwood Export Council
1111 19th Street, NW, Suite 800
Washington, D.C. 20036, USA
Tel (202) 463 2720; Fax (202) 463 2787
Website www.ahec.org (to contact regional offices)

Hardwood Events

Date	Event	Venue	Target audience	Contact
2000				
30 Oct-4 Nov	29th Session of the International Tropical Timber Council	Yokohama, Japan.	Government and tropical timber trade	ITTO. Tel: (81-45) 223-1110 Fax: (81-45) 223-1111
2-3 Nov	American Hardwood European Convention	Conrad Hotel, Brussels	Hardwood importers and agents	AHEC, London Tel: +44 20 7626 4111
7-9 Nov	International Conference on Timber Plantation Development.	Manila, Philippines	Forestry	Ms Mayumi Ma Quintos, Philippines; Tel 63-2926 2141; Fax 63-2920 8650;
8-12 Nov	Expomaderas 2000: 3rd International Exhibition of the Timber Industry.	Lima, Peru.	Timber trade and industry	CORMADERA, Lima, Peru; Tel 51-1-242 9179; Fax 242 9180;
Nov 12-14	The 17th Annual Conference on International Forest Products Marketing	Seatac Marriott Hotel, Seattle, WA	Timber trade and industry	CINTRAFOR, Seattle or the US Softwood Export Council
2001				
14-16 Mar	IWPA 45th Annual Convention	Condado Plaza San Juan, Puerto Rica	Timber trade and industry	IWPA - Tel (703) 820-6696 Fax (703) 820- 8550
18-25 April	16th Commonwealth Forestry Conference	Fremantle, Australia	Forestry	Libby Jones, UK Forestry Commission, Tel 44-(0)-131-314 6137; Fax 334 0442;
18-22 May	Interzum	Cologne Fair	Furniture industry	Koln Messe, www.koelnmesse.de Tel: +49 221 8210 Fax: +49 221 2574
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe, www.Fair.de email ligna@Fair.de
28 May-2 Jun	30th Session of the International Tropical Timber Council	Abidjan, Côte d'Ivoire.	Government and tropical timber trade	ITTO. Tel: (81-45) 223-1110 Fax: (81-45) 223-1111

NHLA Convention 2000

More than 1350 delegates of the National Hardwood Lumber Association, based in Memphis USA, met in Washington DC in September. Announcing that membership had risen to 2097 this year, outgoing President Bob Owens, handing over to Greg Kitchens, was able to assure the industry that the associations' affairs are in good shape. American hardwood producers and traders who make up this group have enjoyed a long period of strong growth in their domestic market. Keynote speaker was Senator Trent Lott, majority leader of the US Senate, who champions the cause of small businesses. The American hardwood industry, unlike the softwood sector, is almost entirely comprised of small private companies.

One of the most recent developments discussed at a seminar during the convention was the agreement with SFI (Sustainable Forestry Initiative) to licence NHLA members, who are not members of AF&PA, to participate in the scheme for which third party independent certification is now available. Many other meetings were held by hardwood groups during the convention including the American Hardwood Export Council, the International Wood Products Association, the American Walnut Manufacturers Association and the Hardwood Council, which receives funding from NHLA and the Hardwood Manufacturers Association. NHLA runs sixteen week (and also shorter) courses on hardwood grading, which are open to all nationalities. Next years

convention will take place in New Orleans in September. All details from NHLA Fax 1 (901) 382 6419.

INDEX 2000 DUBAI

Hardwood materials and products were well represented in Dubai UAE at INDEX 2000, now the largest furniture and interiors show in the Gulf region. Both the Malaysian Timber Council, who have a regional office in Dubai, and the AHEC exhibited at the show. Earlier this year a new show, Index 2000/Cairo, was launched and will be held again 5 to 8 June 2000. These two exhibitions offer an opportunity to promote hardwood products to a market that is enjoying an economic upswing, evidenced by construction projects now underway and stimulated by the new levels of oil revenue.

Chinese favour German beech logs

The market for European beech is currently affected by high stocking in Europe and China, the leading export market, and by limited availability of high quality new season logs following the decision by the French Public Forest Administrations to restrict harvests this year to storm damaged trees still attached at the roots. Chinese importers are buying high quality new season beech logs from Germany, but are showing little interest in sawn lumber or storm damaged French logs. **Page 10**

Euro's plunge cools US exports

The strength of the US dollar is acting as a significant constraint on export sales of American hardwoods - most notably in Europe where the euro remains extremely weak. Although sales to some Asian destinations have been reasonably active, these have not been sufficient to compensate for Europe's slowdown. US domestic demand remains steady for the time being, although there continue to be concerns over the effects of economic cooling as higher interest rates start to bite. **Pages 12/13**

African prices firm and stable

The market for hardwoods from Western and Central Africa is characterised by limited availability of logs, a heavily booked forward market, and firm demand amongst overseas suppliers. The rainy season continues in the principal tropical supplying regions north of the equator. European demand for sapele sawn lumber is still good, boosted by the weakness of the euro which means prices are competitive against Malaysian meranti, despite recent price falls for the Asian species. However availability of sapele is likely to be a problem. Prices remain stable at high levels. **Pages 4/5**

Big build up of meranti stocks

The forward market in Europe for Malaysian meranti sawn lumber is still in the doldrums. European importers inventories of meranti remain high and

many suggest they have lost out from recent cuts in shippers prices which have undermined the value of existing stocks. Some importers are now selling to manufacturers at below purchase price in an effort to off-load inventory that has been static for some time. As the dry season in Malaysia is now nearing its end, shippers stocks of dark red meranti sawn lumber - produced primarily to supply the European market - remain high and are moving only slowly. Prices are trending downwards. **Pages 6/7**

Mahogany availability restricted

The dry season in the Brazilian north is well underway and there are at present no problems of tropical log supply other than those resulting from new regulatory restrictions. Export quotas for new season Brazilian mahogany have been allocated and sawn lumber is being exported almost exclusively in air dried form to US destinations. Overall availability of mahogany is now restricted following cutbacks in Brazilian production and exports; severely curtailed levels of mahogany harvest in Bolivia as that country has refocused on certified wood; and the introduction in Peru during July of an export ban covering both mahogany and cedar sawn lumber. **Page 3**

Vintage year for veneers

This year is turning out to be a good one for sliced veneer producers. Steady growth in Europe, especially in the South, improvements in the furniture industry and the gradual recovery of Asian markets have all played a part. Veneer production is pivotal to the hardwood industry and forest owners, for it influences the price and availability of the highest quality logs in many species. As the latest figures show there is a growing demand for veneer quality temperate hardwood logs from a number of established and expanding veneer producing countries. **Pages 1/13**

www.woodforgood.com

Timber markets all over the world suffer from lack of promotion to encourage greater consumption. It is therefore encouraging to report a new initiative in the UK, funded by Nordic and British interests, which aims to increase significantly the use of structural and decorative wood through media advertising. The campaign "wood for good" was launched in London in October to coincide with newspaper and magazine advertising and will be followed up with a TV campaign early in the New Year. Funding amounts to US\$13 million over the next three years and is currently assured by a consortium of eight organisations. **Editorial Page 2**

Tropical producers must focus on quality

The implications of the industry's past failures in pro-active promotion extend much further than the profit margins of trading companies. At a seminar in London, renowned forestry expert Professor Eberhard Bruenig highlighted the very real threat to the long term existence of natural tropical forests resulting from media and public ignorance of the benefits of managing these forests for wood. He also stressed the essential need for tropical wood producers to focus on high value products. **Page 11**

EU hardwood import trends

EU hardwood import data for the first half of 2000 reveals four major trends: first, significant growth in intra-EU beech logs and sawn trade following the storms of December 1999; second, strong growth in European's use of veneers; third, European importers have managed to switch effectively from Cameroon log supplies following the export ban, to alternative suppliers in Congo (Braz.), Liberia, Equatorial Guinea, and the CAR; and fourth, the continued trend towards increased EU market penetration of value added products from Asia and Eastern Europe. **Pages 7/8/9**