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Indonesia to maintain log export ban

The Indonesian government will reintroduce a ban on log exports as a measure both to tackle illegal logging in the country and to ease the severe log supply problems of domestic mills, according to a report by ANTARA, Indonesia's national press agency. In announcing the decision, the nation's Junior Forestry Minister Nur Mahmudi Ismail suggested that the International Monetary Fund (IMF), which previously opposed the Indonesian government's decision to ban log exports, has stated that it will no longer interfere in the agricultural and forestry sectors. The IMF has given the government freedom to impose a ban on log exports, partly in view of Indonesia's serious need to address its epidemic environmental problems.

Indonesia's long term ban on the export of logs was lifted in 1998 on the recommendation of the IMF. However, the maintenance of relatively high log export taxes coupled with rising domestic log demand have meant that legal log exports have not been profitable. No tropical hardwood log exports (under code HS. 4403.31 - 4403.35) were officially recorded from Indonesia in 1999. However, a significant portion of the illegally felled logs in Indonesia are exported. Some estimates place illegal harvesting in Indonesia as high as 30 million m³ per year. The Indonesian government argue that the reintroduction of the log ban will help control the illicit trade. Other analysts fear a ban will only serve to shelter inefficient mills from international market forces, encouraging waste and inefficiency.

While illegal cutting is far from under control, the Government of Indonesia (GOI) continues to promote sustainable forest management practices. According to current policy the GOI is attempting to im-

pose a fee on allowable cutting (the resources royalty provision) and to limit log production at an annual allowable cut of 24.0 million cubic meters per annum (the same as in 1999). This policy has led to a decline in the number of active forest concessions from 652 to 422 companies in 1999, most of which are privately owned. On June 7, 2000, the GOI established an Inter Departmental Committee on Forests (IDCF) as a modest step toward addressing deforestation issues. This decree authorizes the IDCF to formulate forest policy and solutions to forest management problems. The committee's ability to cope with both the technical challenges and political problems associated with Indonesian forest management remains unproven.

Independent certification

The Indonesian government is also promoting forest certification as one measure to encourage sustainable practices. The Indonesian government has suggested it would provide incentives for the management of timber companies that have undergone certification through LEI, the Indonesian national forest certification scheme. To date the LEI scheme, which has developed forest certification standards and procedures for independent forest auditing, has been operating on a pilot basis only. However a major move towards full operation was made mid September with the appointment by LEI of four companies to audit Indonesian forestry and issue certificates. The companies are PT TAV International Indonesia (a German joint venture), SGS International Certification Services Indonesia (Swiss joint venture), PT Superintending Company of Indonesia (Sucofindo), and PT Mutuagung Lestari. There is however widespread recognition

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Contacts

By email

rjwoliver@email.msn.com

By mail

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

By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

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Contact Rupert Oliver at the address given above for details.

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Editorial

Hardwood log exports – the future

This month's hardwoodmarkets.com includes two reports which bring back into focus the whole future of hardwood log exports. On page 1, we report on the reintroduction of a log export ban in Indonesia in a move designed to help control illegal logging. On page 7, we refer to recent controversy surrounding the government of Sabah's decision to ban the export of selangan batu logs. Both stories raise important issues regarding the pros and cons of hardwood log exports with important implications for the international hardwood trade.

The main reduction in log exports from south east Asia years ago was driven by the need to create jobs by adding value in producing countries. It was also further accelerated by the uneconomic cost of processing in countries in Europe and the Far East and as log prices rose. Thus hardwood log imports by Japan, Korea, Taiwan and throughout Europe are now a small fraction of what they were.

There are many reasons to applaud this shift in processing capacity to developing countries - notably for the welcome boost in employment opportunities and wealth generation in these countries. However the case for the introduction of log export bans is not clear cut. Log export bans can serve to shelter inefficient firms from the vigours of the international market place and can promote waste and inefficiency. If not accompanied by effective tax regimes and rigorous regulation to control forest management, log export bans can simply undermine the economic value of forest resources and contribute to over-exploitation.

The level of over-exploitation and wastage of Indonesian forest resources during the 1990s, at a time when both log and sawn exports were effectively ruled out through high export levies, serves to illustrate the potentially damaging effects of bans.

There remains a strong case for the continuing international trade in hardwood logs. Such a trade allows logs to be processed in countries possessing a comparative advantage in sawmilling or veneer production. Producing countries benefit as they obtain the best prices for the sale of logs on large international markets. Buying countries may be located closer to end use markets so that they are better placed to adapt production according to customer needs. There will continue to be many countries that need logs for a variety of reasons such as sawing to special dimensions or quarter cutting – and for veneer production both peeled and sliced.

Certain countries may also become an international focus for log imports due to their ability to process wood more competitively. Two examples are China and India, both of which have removed import tariffs on logs as their own domestic forest production has come under pressure, but processing industry costs have remained competitive.

So where will hardwood logs continue to come from and why? Primarily they will be available from countries where processing infrastructure is inadequate, from Croatia to Papua New Guinea. In a few cases they will come from regions able to obtain a premium price that cannot be achieved by processing domestically. So Japanese buyers in Hokkaido are importing Russian and Chinese oak and ash logs.

The present trend is towards a further reduction in log exports, but there remain two significant exceptions; the USA and Europe. With seventy five percent of the hardwood forest privately owned in the United States and constitutional rights that allow freedom to sell legally felled logs to any market, there is little likelihood of the USA restricting hardwood log exports. Meanwhile, there is already talk of China shifting from imports of European beech sawn lumber in favour of beech logs (see page 11). Perhaps temperate hardwood logs will soon be the only ones on offer internationally.

Rupert Oliver
Editor

Special Report - UN ECE Review

Overall sawn hardwood consumption throughout Europe, North America and the Russian Federation increased by 2.2% between 1998 and 1999. A 3% and 2.7% rise in European and North American consumption respectively compensated for a 5% fall in Russian consumption. This is the main conclusion of the newly released UN ECE/FAO Timber Committee Annual Report for 1999/2000. Other highlights include:

■ North American output of sawn hardwood hit a record 33.85 million m3 in 1999, rising from 32.89 million m3 in 1998

■ The United States consumption of sawn hardwoods also hit record highs during 1999, at 32.5 million m3. 90% of this volume was supplied from domestic forests.

■ Nevertheless, the relative strength of the dollar coupled with buoyant demand led to significant growth in US sawn hardwood imports. Imports almost tripled between 1996 and 1999 to hit 1.5 million m3.

■ In 1999, US exports of sawn hardwoods partially made up the ground lost during the 1998 Asian financial crises, reaching 2.79 million m3.

■ The year 2000 looks set to be a record year for US exports, with some forecasts suggesting figures close to 3 million m3.

■ Canadian sawn hardwood exports have increased consistently over the last 3 years, from only 859,000 m3 in 1996 to 1.34 million m3 in 1999. In part this reflects increasing transshipment of US wood products through Canada.

■ Much of the growth in North American exports in 1999 was due to improving business in East Asia.

■ Patterns of trade for North American hardwoods are changing in Asia. Some markets are relatively less important. For example Japan has yet to recover to levels prevailing prior to the Asian crises. However China is emerging as a more significant market for American hardwoods. In the first five months of this year, US exports to China increased by 136% to 56,000 m3.

■ European sawn hardwood consumption rose 3% during 1999 in line with a 4 yearly trend.

■ Rising European consumption was partly satisfied by rising domestic production which increased by 7% between 1998 and 1999 to reach 14.58 million m3. Sawn hardwood production increased significantly in Germany, Romania and Poland. Production in France, the leading European supplier, remained stable.

Production of sawn hardwood, 1996-1999

	million m3				Change 1998/99	
	1996	1997	1998	1999	Volume	%
Europe	12,760	12,704	13,633	14,584	951	7
of which						
France	3,094	2,807	3,023	3,050	27	0.9
Turkey	1,766	1,801	1,889	1,935	46	2.4
Germany	1,144	1,048	1,165	1,559	394	33.8
Italy	900	963	900	900	0	0
Poland	780	900	1,080	1,120	40	3.7
Romania	769	746	744	973	229	30.8
Croatia	484	505	522	519	-3	-0.6
Slovakia	203	266	420	405	-15	-3.6
Czech Republic	305	293	327	333	6	1.8
Other countries	3,315	3,376	3,563	3,790	227	6.4
Russian Federation	4,383	3,925	3,970	3,850	-120	-3
Canada	1,000	835	1,027	1,051	24	2.3
United States	29,650	30,444	31,860	32,804	944	3
North America	30,650	31,279	32,887	33,855	968	2.9

Source: ECE/FAO TIMBER database, 2000

■ Production of European sawn hardwood is expected to show a substantial but temporary increase during 2000 due to the severe storm damage at the end of 1999.

■ European sawn hardwood exports increased from 4.35 million m3 to 5.30 million m3 between 1998 and 1999. In part this reflected particularly strong growth in sales of European beech to East Asia, particularly China.

■ European sawn hardwood imports also increased in 1999 to around 8.7 million m3. Italy, the leading importer, accounts for nearly a quarter of this volume.

■ The Russian Federation remains a relatively self contained market. Most of the 4.2 million m3 of sawn hardwood consumed during 2000 was supplied from domestic mills.

Exports and imports of sawn hardwood, 1996-1999

	1,000 m3				Change 1998/99	
	1996	1997	1998	1999	Volume	%
Exports						
Europe	3,346	3,726	4,352	5,302	950	21.8
of which:						
France	558	576	552	571	19	3.4
Germany	304	365	446	510	64	14.3
Romania	331	325	333	423	90	27
Slovakia	106	195	290	381	91	31.3
Poland	228	296	297	315	18	5.9
Hungary	150	163	250	258	8	3.1
Italy	45	103	125	237	112	89.6
Austria	160	115	110	135	25	22.7
Netherlands	142	123	137	126	-11	-7.9
Slovenia	114	103	106	109	3	2.5
Other countries	1,208	1,363	1,706	2,238	532	31.2
Canada	859	1,003	1,178	1,339	161	13.6
United States	2,692	2,890	2,502	2,790	288	11.5
North America	3,551	3,893	3,680	4,129	449	12.2
Imports						
Europe	6,217	7,339	8,187	8,682	496	6.1
of which:						
Italy	1,576	1,760	2,021	2,120	99	4.9
Germany	553	852	775	859	84	10.8
Netherlands	583	542	605	840	235	38.8
France	535	601	600	640	40	6.6
United Kingdom	575	611	479	504	25	5.1
Portugal	144	161	187	223	36	19.1
Austria	165	192	199	218	19	9.5
Sweden	109	106	123	166	43	35.3
Other countries	1,977	2,514	3,198	3,113	-85	-2.6
Russian Federation	8	46	26	9	-17	-65.4
Canada	928	1,027	954	1,083	130	13.6
United States	518	1,096	1,295	1,496	201	15.5
North America	1,446	2,123	2,249	2,579	331	14.7

Source: ECE/FAO TIMBER database, 2000.

African Hardwoods

African sawn lumber

Firm demand, but supply remains a problem

African supplies are more constrained than usual, even for the time of year. The rainy season is at its height and expected to last until the end of the year. A combination of resource constraints, tightening government controls, transport problems in many areas, and political uncertainty has meant log yards and lumber supplies are relatively short throughout the principal redwood supplying regions this year. The log supply situation in Africa is unlikely to improve at least until January when the rains should start to abate.

Most mills are now sold out until January 2001 for forward shipment of sapele sawn lumber, the most popular redwood on European markets. Although the forward market is tight, reasonable volumes of wood under existing contracts are now being shipped out of Africa. European stocks of sapele lumber are reasonable at present, but continuing strong demand may lead to shortfalls later in the year. European importers are keen to buy sapele sawn lumber at a time when European currencies are relatively weak, giving African woods invoiced in euros a competitive edge over dollar dominated Asian and Brazilian suppliers.

In the UK, underlying demand for sapele sawn lumber is reported to be good. Weakening of sterling against the dollar over recent months has served to deepen sapele's already dominant competitive price position against Malaysian meranti. However agents are concerned about the relatively low prices at which importers are offering sapele sawn lumber to manufacturers. Intense competition for market share coupled with the arrival of stocks bought at lower prices under contracts agreed several months ago has meant that importers are now selling below replacement cost.

Steady volumes of iroko sawn lumber of random size are available from the Cameroon, but supplies are now very restricted from the Ivory Coast. Shortages in the latter primarily reflect resource constraints - although recent political instability may also be a factor. Ghana is now exporting only small volumes of kiln dried odum/iroko at high prices. Demand for iroko in the UK and Ireland is relatively subdued.

Framire gains in popularity

Framire, a species sourced almost exclusively from the Ivory Coast, is an increasingly popular wood in the European joinery sector, much of it being sold direct to manufacturers. It is stained and used for the production of window frames and doors. Availability is said to be reasonable at present. A large part of the species attraction lies in the price, which is significantly lower than Sapele and other African redwoods.

Utile sawn lumber is now very scarce, prices are high but - according to one regional expert - unlikely to rise further.

The Ghanaian supply situation for nearly all species is very difficult and expected to remain so. Ghana currently suffers from severe over-capacity and the government authorities seem determined to rectify the problem by starving mills of logs. The "rationalisation" process is expected to be very painful. It is possible that of Ghana's 170 existing mills, perhaps only 30 will survive.

The Ghanaian government's export strategy is now to focus increasingly on value added, lesser known species, and certified forest products. Prices for sawn lumber from Ghana are now highly variable depending upon the supplier and many species are not readily available. For this reason, hardwoodmarkets.com has suspended

African logs indicative prices

	July	Aug	Sept
Exchange rates Fr.F/£	10.64	10.77	10.99
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)	1350	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	200	190	190
Walnut	200	190	190
Iroko	300	280	280

our regular coverage of Ghanaian prices this month. Wawa is the only species currently sold in any volume from Ghana. Prices for the species are at present fairly firm, backed by tight supplies and relatively good demand in export markets.

Ghana

Export volumes up on last year

For the period January to August 2000, Ghana's cumulative exports of hardwood products hit 327,400 Cu.m. earning the country US\$117.4 million. Compared to the same period last year, this represents a 12% increase in volume but a decrease in value. The fall in value reflects Ghana's increasing reliance on lower value lesser known species. Ghanaian exports have shifted markedly from air dried stock to kiln dried and other value added products as the former are subject to higher export levies.

Liberia

Log ban announced... ...but trade sceptical

The Liberian newspaper *The News* reported on 18 September that President Charles Taylor had announced that, from next year, the export of logs will be banned from Liberia. He indicated that logging companies would have to invest in sawmills if they wished to continue their

African Sawn Indicative Prices

	July	Aug	Sept
Exchange rates Fr.F/£	10.64	10.77	10.99
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3500	3550	3550
Sipo	4500	4500	4500
Bibolo	2750	2750	2750
N'Gollon	3500	3500	3500
Afromosia	5600	5600	5600
Iroko	3750	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	3600	3625	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

operations. The announcement seems to have formed part of a recent publicity drive launched by the Liberian President in an effort to counteract mounting international criticism of his regime. Trade contacts are sceptical that the ban will ever be implemented. To date, President Taylor has demonstrated little interest in managing Liberia's forests with a view to the long term future of the industry or environment.

Gabon

Export recovery continues

During 1999, Gabon's log export volumes partially recovered the ground lost the previous year. In 1998, Gabon's log exports plummeted due to the combination of the Asian financial crises and an internal dispute in Gabon between logging companies and SNBG, the parastatal organisation with a monopoly over okoume and ozigo exports from Gabon. However log export volumes in 1999, at 2.33 million m³, exceeded 1996 levels. Given that logging did not really get underway in Gabon until the second half of 1999, exports this year should be even higher.

A particularly notable feature of Gabon's log exports over recent years has been the growth in sales to China. Last year, China imported 900,000m³ of logs from Gabon, much of this volume focused on okoume.

Another feature of Gabon's log exports over the past 3 years has been the considerable growth in volumes of non-traditional species. During the 1980s and early 90s, Gabon's exports were focused almost exclusively on okoume and smaller volumes of ozigo destined for plywood manufacturing facilities in "traditional" European countries. This trade reflected the relatively high concentration of these species in Gabon's forest together with SNBG's marketing strategy which focused exclusively on European buyers. However, the declining availability of quality logs from other tropical countries, coupled with the expansion of Asian markets during the first half of the 1990s, led to a rapid increase in sales of logs of other species to non traditional markets. Last year Asian countries accounted for more than half of Gabon's log exports.

The trend towards increased sales of non-traditional species, which has intensified this year, may be a mixed blessing for Gabon. On the one hand, it allows concessionaires to generate more income per unit of forest area, and it may take

exploitative pressure off okoume and ozigo. On the other hand, it may lead to excessive opening of the forest canopy and encourage over-exploitation of forest concessions. This is problem that can only be addressed through more effective regulation of forest management on the ground in Gabon.

Meanwhile, the Gabonese government is focusing on the development of domestic processing capacity in an effort to generate more wealth and employment from the exploitation of the nation's forest resources. Fears of increasing restrictions on tropical log exports have also encouraged European wood processing companies to invest in new processing plants in Gabon. Eight such plants are now under construction, most focusing on peeled veneer production. Although creation of these plants presents a long term opportunity for Gabon, there are likely to be short term problems, not least the difficulties of acquiring and training a skilled work force.

SNBG's sales up 100%

For the time being, there are already indications that Gabon's log exports this year will be well up on last year. SNBG exported 716,741 m³ of hardwood logs during the first half of 2000. The figure represents a 100% rise compared to the same period in 1999. In a statement, the company attributed the improvement to aggressive marketing, increased orders from Asian countries, the strength of the US dollar and the revival of growth in Asia and Europe. The statement also noted that

Species	1997	1998	1999	% Chg 1998/99
Okoume	1900.7	1038.9	1562.8	50.4
Ozigo	135.8	48.1	61.0	26.9
S/total	2036.5	1087.0	1623.8	49.4
Padouk	57.3	86.9	79.1	-8.9
Kevazingo	55.5	83.4	75.4	-9.6
Bahia	29.3	57.6	44.7	-22.4
Bilinga	45.4	50.5	29.2	-42.0
Moabi	35.2	39.7	51.0	28.4
Agba	20.3	39.1	40.7	4.0
Iroko	17.8	32.2	25.1	-22.1
Tali	19.0	21.6	14.0	-35.3
Movingui	20.8	19.6	27.8	41.8
Douka	14.6	18.1	22.4	23.4
Igaganga	46.4	18.8	32.2	71.6
Sapeli	5.1	16.0	14.3	-10.9
Niangon	14.4	14.9	8.2	-44.8
Izombe	10.0	14.3	19.3	34.8
Beli	11.7	13.9	21.6	55.0
Ovengkol	9.6	12.7	9.1	-28.0
Awoura	0.6	11.4	6.8	-40.9
Azobe	6.7	11.5	21.6	88.5
Acajou	8.0	10.8	10.3	-4.8
Others	255.1	112.6	161.4	43.3
S/total	683.0	685.6	714.1	4.2
TOTAL	2719.5	1772.6	2337.9	31.9

the supply and movement of logs within Gabon is now satisfactory, although there are a few hitches in railway transportation. In a sign of the changing nature of the Gabon log trade, the statement indicated that exports to European and Mediterranean countries actually decreased 39% due to substitution of domestic poplar logs for plywood manufacture in those markets. By contrast, there was a 36% increase in exports to China.

Destin- ation	Okoume/ Ozigo	Other species	Total 1998	Okoume/ Ozigo	Other species	Total 1999	% Chg 98/99
China	437.3	19.6	456.9	835.5	70.8	906.4	98.4
France	309.9	125.9	435.8	373.9	147.5	521.4	19.7
Japan	7.9	6.9	14.8	31.3	15.2	46.4	214.4
Turkey	48.5	31.5	80.0	46.8	18.9	65.7	-17.8
Philippines	8.7	0.0	8.7	17.5	6.3	23.7	172.0
Israel	53.5	0.5	54.0	73.3	0.8	74.1	37.3
Greece	41.0	22.4	63.4	36.1	22.1	58.1	-8.3
Morocco	85.4	3.2	88.6	85.7	4.9	90.5	2.2
Hong Kong	15.7	107.1	122.8	46.9	64.5	111.5	-9.3
Portugal	4.1	110.0	114.1	1.5	97.4	98.9	-13.3
India	0.0	51.4	51.4	0.0	11.2	11.2	-78.1
Taiwan	0.0	22.2	22.2	0.6	47.0	47.5	113.9
Italy	10.3	73.0	83.3	7.3	56.0	63.3	-24.0
Thailand	0.0	0.0	0.0	2.2	0.0	2.2	na
Algeria	6.4	4.6	11.0	0.0	9.9	9.9	-10.3
Holland	24.1	5.1	29.3	25.6	7.3	33.0	12.6
Germany	6.2	13.5	19.7	6.6	14.0	20.6	4.6
Spain	5.7	32.9	38.5	8.1	14.0	22.1	-42.6
Malaysia	3.0	0.0	3.0	3.8	0.0	3.8	25.3
Korea	6.2	0.2	6.4	9.3	6.0	15.3	139.7
Tunisia	3.4	6.1	9.6	1.7	5.0	6.7	-30.4
Mexico	4.8	0.5	5.3	5.3	0.0	5.3	-0.5
Others	5.0	49.0	53.9	4.9	95.3	100.3	86.0
Total	1087.0	685.6	1772.6	1623.8	714.1	2337.9	31.9

Asian Hardwoods

Indonesia *Continued from page 1*

that certification is no panacea for Indonesian forestry. Certification can only be effective in nations where an effective forest policy and regulatory framework already exist. In Indonesia such a framework seems a long way off. At a recent international seminar in Indonesia to discuss the implementation of forest certification in Indonesia, Adi Warsita Adinegoro, the chairman of the Indonesian Forest Concessionaires, highlighted the many policy challenges facing the Indonesian wood sector before widespread adoption of forest certification can become a reality. He claimed that obtaining certificates from LEI is near impossible due to the continuing degradation of forest conditions in concession areas, mostly due to factors outside the concessionaires control. He noted that the government's failure to control rampant illegal logging and encroachment by local residents were among the problems hampering their efforts to adopt certification standards. Adi said that forest areas, including those held by concessionaires, have become subject to conflicts of land-use and ownership issues, as well as to encroachment and illegal logging. "Existing laws and government policies seem to have no power or capacity against such conflicts," he said. According to Adi, the certification standards imposed on timber companies to obtain the ecolabeling certificates by LEI are too strict and should be reviewed.

Log supply problems

Plywood remains Indonesia's leading hardwood product export, but the industry is increasingly constrained by tightening raw material supplies. Mills are having difficulty obtaining wood supplies due to the illegal felling and subsequent export of the most valuable logs; the extensive forest fires of 1997 and 1998 which undermined the production capacity of Indonesia's forests; and growing reliance on logs sourced from remote mountain areas with poor infrastructure. Uncertain government regulations, the precarious security and political situation, and increasing competition from China and elsewhere have also hampered Indonesia's plywood sector.

Although annual production capacity is around 10.5 million cubic meters, Indonesian plywood production is on a downward trend. Social unrest in Maluku, Aceh and several other provinces has led to the shut down of some plywood mills, of which

there are now only around 100 operational. Over 50% are located in Kalimantan. The plywood industry has been closed to new investment since 1994 to reduce potential for forest over-exploitation and market over-supply. However, there are reports of some renovation and reequipping in order to improve efficiency.

Around 95% of the volume of Indonesian plywood produced is exported. Plywood exports in 1999 declined in volume to 7.8 million m³. Exports in 2000 are expected to decline further to around 7.3 million cubic meters and are forecast at 7.5 million cubic meters in 2001. Domestic consumption of plywood is expected to reach 700,000 cubic meters in 2000, down 4% from 732,000 cubic meters in 1999.

Malaysian sawn lumber European importers hit by weak demand and devaluing stocks

European stocks of Malaysian dark red meranti sawn lumber, the principle export species to Europe, remain high. Importers complain that they have been hit by declining prices on the forward market, which is undermining the value of existing stocks, and by the continuing weakness of the European currencies against the dollar which has rendered prices uncompetitive against alternative African hardwoods.

The supply side picture is mixed. The Malaysian authorities restricted the number of logging licenses issued this year as part of their programme to introduce sustainable forestry practices and a national forest certification scheme. Malaysian harvesting has been at historically low levels this year. However significant volumes of air dried meranti sawn lumber, primarily in thicker sizes, were imported from Sumatra for kilning in Kuala Lumpur earlier this year. The strength of the dollar, coupled with the lower density and lighter coloration of the Sumatran lumber which has put off some buyers, has meant that this stock has been difficult to shift. Peninsular Malaysia shippers are now making very significant price cuts for this wood to maintain cash flow. Prices for stock originating from Malaysian forests, particularly in the thinner sizes, have also fallen but at a slower rate. The future development of the Malaysian sawnwood market in Europe is now heavily dependent on the relative strength of the dollar against European currencies. Shippers and importers holding significant stocks of meranti are now hoping that the dollar will weaken against European currencies,

Asian Sawn Lumber Indicative Prices

	July	Aug	Sept
Exchange rates:			
M\$/£	5.72	5.40	5.62
US\$/£	1.50	1.42	1.48
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"	870	860	770
2"	890	865	775
2.5"	905	870	780
3"	960	880	800

Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	565	560	555
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Kapur

Grade: Standard & Better GMS

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

1"-3" plnd	575	570	565
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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.

rency, thereby improving meranti's competitive price position and lessening the need for further price cuts on the forward market.

East Asian Economy World Bank report points to "remarkable recovery"

A new report by the World Bank suggests that East Asia's economic recovery is gathering force, but also warns that there are continuing structural weaknesses which could, if left unattended, make the region susceptible to another downturn.

According to the Bank's new East Asia and Pacific Regional Brief, East Asia's recovery from the 1997 financial crisis has been "remarkable", with employment and wages rising, poverty falling, and currencies recovering across the region. It also suggests that the combination of Asia's domestic policy reforms to date and strong global growth have diminished risks to the recovery. Positive indicators of recovery include regional growth of 6.9% in 1999, a rate expected to be exceeded this year; employment and labour earnings rising

Asian Hardwoods

and equaling pre-crisis levels; foreign investment on the increase; interest rates at single-digit levels today, and currencies which had fallen as much as 80% having recovered and being traded within a relatively stable band for the past year.

Traditional Asian strengths

The report notes that recovery is being fueled not by speculative investments or short-term foreign borrowing, but by recovery of consumption and exports - benefiting from buoyant overseas markets and strong local savings rates. It also notes the impressiveness of the East Asian recovery in comparison with the "lost decade" suffered by Latin America after their crises in the mid-1980s. The region's rapid rebound attests to the resiliency and traditional strengths of the East Asian economies: high savings rates; a competitive manufacturing sector; an embrace of open trade opportunities, especially within the region; and flexible labour markets.

Nevertheless the report includes words of caution. The risks to recovery have lessened since the beginning of the year, but continue to emanate from political instability and job insecurity and from weakened banks and corporations. The region, burdened with a crisis legacy of skittish investors and heavy public and corporate debt is very dependent on the "virtuous cycle" that growth has unleashed. If demand should suddenly collapse, companies that can now pay their debt and are beginning to invest could quickly go under. Governments that depend on rebounding revenues to service debt might suddenly have to cut back on social spending. Investors who have emerged from the crisis much more fleet-footed might exit. The report concludes that maintaining the pace of growth well into the future is essential.

Japan

Hardwood quality

Despite dramatic reductions in volumes of tropical (south sea) logs imported into Japan over the last ten years (down from 3.4 to 1.1 million m³, according to JLIA) Japan remains a major market for quality hardwoods from all over the world and its own forests. Nonetheless, increased appreciation of European beech in recent years and the continuing development of its markets for American hardwoods have still only transferred about 20% of imports

towards temperate hardwoods. Logs also flow steadily from Russia to sawmills in Hokkaido whereas Chinese hardwoods are shipped mainly as sawn lumber to Japan. Most domestic hardwood stockists in the industrial markets of Honshu still offer domestic hardwoods at a price premium for the method and accuracy of their cutting as well as attention to quality standards. Domestic species are mainly limited to oak (nara), ash (sen) and zelcova. But colours of northern Japanese, Chinese and Russian logs are generally dark and there is still strong demand for light coloured hardwoods, which give continuing opportunities to North American hardwoods such as white ash, yellow poplar (tulipwood), soft/hard maples and basswood, despite their competitive edge being eroded by an ever-higher US Dollar.

Japan's first certified forest

This year has seen the first certified forest in Japan with the award of an FSC certificate in Mie Prefecture for which the maintenance of a minimum level of broadleaved hardwoods is one of several long-established criteria. Other applications for certificates are now in the pipeline and the creation of a Japanese certifying agency is suggested as a possibility in the near future.

However the markets' obsession with quality provides a potential here for misunderstanding if recent press reports are anything to go by. According to *The Daily Yomiuri* newspaper incorporating a special supplement of the *Washington Post* on 8 September, "In the US and Europe, timber carrying the FSC label is considered quality timber and is traded at high prices in the market," (attributed to WWF Japan). Such confusing statements entirely miss the point of certification, which is sustainable forestry. They mislead consumers about quality, which may not be a consequence of sustainable management, and they also fly in the face of accepted research and practice on prices. Certified wood in countries where it is currently sold rarely commands a green premium for producers, although it may enhance the profits and market share of distributors.

If the Japanese market proves to be the exception, by developing higher prices for certified Japanese hardwood, it will more likely be the result of higher quality processing of preferred species, rather than improved forest management for which certificates are issued.

Sabah

Selangan batu ban sends "shockwaves"

In a move designed to promote the expansion of value added processing in Sabah, on 1 August of this year the state government implemented a temporary ban on the export of selangan batu round logs and sawntimber. According to local trade press reports, the ban sent "shockwaves" to round log producers and sawmillers throughout the State. The ban covers exports in log form or as sawn timber (including rough sawn lumber, kiln dried and treated sawn lumber). The government's decision to implement the ban came after lobbying by domestic furniture manufacturers who have had increasing difficulty paying international prices for selangan batu logs. However the Sabah timber industry has been critical of the ban. The Sabah trade journal *Innoprise Market News Scan* (MNS) reflects this mood in a recent article. While commenting that the export ban is well intentioned, MNS suggests the move may be too sudden and far reaching, with damaging implications for the state's wood industry. MNS own survey of Sabah's trade in the species suggests that:

■ there are no more than four garden furniture manufacturers who are significant users of selangan batu in the state. Together these manufacturers require annually around 84,000 m³ of round logs or 32,000 m³ of sawn timber of the species.

In 1999, Sabah exported around 46,000 m³ of selangan batu round logs and 97,000 m³ of selangan batu sawntimber - well in excess of domestic requirements.

■ implementation of the ban will lead to a substantial reduction in state revenue, at least in the short term. Prevailing royalty rates are RM150/m³ (US\$40/m³) for export compared to RM70/m³ (US\$18/m³) for domestic processing.

Ban may lead to oversupply

MNS concludes that in the short term, the export ban may lead to oversupply on the domestic market as manufacturers are unable to absorb volumes previously destined for export. In the medium term, harvesting levels of selangan batu may decline as log producers cut production to match reduced demand. Domestic sawmillers, who have been the major buyers of selangan batu logs, are also expected to restrict production of selangan batu sawn lumber as they focus operations on species that may be sold on the more lucrative international market.

North American Hardwoods

US Hardwood Exports

(000s m3) - Source FAS

	1998 Year	1999 Year	1999 Jan -Jun	2000 Jan -Jun
Hardwood logs (all species)				
World	1,505.2	1,692.9	931.8	1,004.9
Canada	1,085.3	1,240.4	651.5	656.5
Italy	75.6	77.7	48.5	60.7
Germany	48.3	41.9	21.3	59.8
Japan	81.9	91.7	59.8	54.9
Indonesia	43.0	36.9	26.1	27.9
S. Korea	13.0	31.7	20.5	25.2
Spain	17.3	19.2	11.7	15.9
China	7.7	13.2	9.3	14.4
Hong Kong	20.4	17.3	8.6	13.8
Taiwan	23.1	19.5	11.2	12.9
Portugal	14.3	18.1	12.0	7.9
Malaysia	3.9	4.3	3.4	6.3
Bel-Lux	8.8	9.3	7.0	5.8
France	7.8	9.5	5.9	5.6
UK	10.9	7.2	4.6	5.1
Others	43.9	55.0	30.3	32.1
Hardwood lumber (all species)				
World	2502.1	2789.7	1401.2	1534.5
Canada	815.9	953.3	488.3	549.5
Spain	160.3	158.4	77.8	90.5
Mexico	199.8	233.1	113.6	116.9
Italy	180.1	185.3	98.4	112.0
Hong Kong	119.1	145.7	68.1	77.2
Japan	136.7	152.2	77.1	68.9
UK	127.5	124.2	60.6	68.8
China	32.5	75.1	31.7	67.4
Taiwan	115.2	110.3	55.8	48.3
South Korea	32.0	70.5	34.6	24.9
Germany	109.0	88.5	53.4	43.7
Red oak lumber				
World	559.3	604.6	297	322.6
Canada	301.1	352.7	178	194.8
Mexico	61.9	63.9	30.5	38.0
Hong Kong	34.4	37.3	17.4	14.0
Taiwan	42.4	36.2	16.2	13.4
UK	8.9	8.9	4.1	3.9
White oak lumber				
World	564.9	591.0	300.5	311.8
Spain	132.3	130.6	64.4	73.8
Canada	71.6	94.0	49	50.4
UK	57.2	48.9	23.5	26.2
Japan	21.2	29.3	16.1	16.3
Italy	26.3	27.0	14.3	13.8
Belgium	38.4	30.0	16.4	15.0
Tulipwood lumber				
World	169.0	203.0	97.9	128.4
Italy	56.5	59.6	31.8	43.6
Mexico	40.9	46.1	21.1	24.9
Japan	17.3	24.1	12.4	10.7
UK	11.8	8.4	4.3	4.8
Hong Kong	12.6	19.3	5.7	20.5
Cherry lumber				
World	136.3	164.9	84.4	97.4
Canada	54.3	72.3	34.9	43.9
Italy	15.7	12.5	7.3	7.4
UK	9.3	11.1	5.8	7.7
France	3.5	6.8	3.4	3.6
Maple lumber				
World	329.2	385.7	186.8	238
Canada	168.4	191.0	96.1	128.8
Mexico	21.0	26.5	9.6	12.8
Germany	10.9	13.9	7.5	11.1
Japan	17.9	17.7	8.4	8.4
UK	9.9	12.4	6.3	7.8

Export Markets

European demand good....

....but dollar's rise a problem

US hardwood exports have benefited from improving economic conditions in most European countries this year. During the first six months of 2000, American hardwood lumber exports to Spain, Italy and the UK were up 16%, 14% and 13% respectively. By contrast, the relatively sluggish German economy and construction sector meant that US exports to that country declined by 18% over the same period. The relative weakness of European currencies against the dollar has been a problem over more recent months. Nevertheless buying in the southern European markets of Spain, Italy and Portugal has continued relatively firm, and there are some reports of improving business in Germany and Belgium.

Shifting focus in Asia

As Asian markets continue to make progress out of the financial crisis, American hardwood lumber exports to the Pacific rim were up 8% in volume and 6% in value comparing the first six months of 2000 with the same period last year. However the market pattern is changing perceptively. Greater China (China, HK & Taiwan) were up by nearly US\$20 million to US\$81 million. But for the first time Chinese imports of American hardwoods exceeded those of Taiwan partly reflecting the transfer of furniture manufacturing by Taiwanese companies to the mainland. According to US export data, mainland Chinese imports were up 119% in volume, on the previous year. Elsewhere in Asia imports of American hardwoods were down 10 % in Japan and 27% in Korea. However gains were also registered in Malaysia 40%, Thailand 36% and Indonesia 10%, albeit at lower import levels, although the total south east Asian import of 52,000 m3 is not much more than the UK's import of 50,000 m3 from January to June.

Imports of American hardwood logs by the Pacific Rim in the first half-year were also up 20% in volume and 25% in value. China's volume was up by 55% to 14,423 m3 – a mere fraction of its European beech log import. American hardwood logs shipped to Hong Kong, destined for China, were also up by 60%. American decorative veneer imports by both China and Hong Kong were up too. China increased by 79% in value to US\$ 3.4 million and Hong Kong

by 71% to US\$10 million.

Far Eastern export markets have continued firm throughout the summer months, although has been intense competition for orders. *Hardwood Review Export* suggests there are signs of growing interest in white woods in the Far East including ash, birch, hard maple and soft maple. China, Hong Kong, and South Korea have seen steady buying. American suppliers continue to service a relatively high value niche market in Japan, but volumes are smaller than in the past.

Supply side

Relatively low stocks

American hardwood lumber supply and demand are more or less in balance. This is unusual for the time of year, since early fall is often characterised by relatively high stocks as these have built up over the slower summer months. However wet weather this year in the northern United States, Quebec and Eastern Canada have restricted logging this year and mills in these areas have relatively low log decks. Mills may enter the winter season with relatively low lumber stocks, which could lead to supply problems in the last quarter of the year. There are mixed reports of the supply situation in the Appalachian region. The region has experienced very wet weather which has hampered production in many

US sawn lumber indicative prices

North Appalachian US\$ MBF CIF UK

Grade: KD square edged

Net measure after kilning

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

	July	Aug	Sept
\$/£	1.50	1.42	1.48
Red oak			
1"	1885	1920	1985
1.25"	2150	2150	2150
1.5"	2300	2300	2250
2"	2650	2630	2630
White oak			
1"	1600	1600	1600
1.25"	1800	1800	1800
1.5"	2300	2300	2300
2"	2850	2860	2900
Ash			
1"	1390	1390	1400
2"	1835	1800	1800
Tulipwood			
1"	1285	1250	1240
1.25"	1300	1270	1270
1.5"	1320	1295	1290
2"	1340	1310	1310
Cherry			
1"	3675	3725	3725
1.25"	3775	3800	3800
1.5"	3945	3945	3950
2"	4200	4340	4350
Hard Maple			
1"	2950	2950	2900
1.25"	3050	3050	3000
1.5"	3250	3250	3150
2"	3400	3400	3350

North American Hardwoods

areas. However local trade reports indicate reasonable stocks of log and lumber inventories for most species.

Despite relatively buoyant demand for hardwoods in the United States this year, margins and cash flow in the sawmilling sector are coming under intense pressure. A number of factors have contributed including high and rising stumpage prices; recent increases in interest rates; and the rising costs of labour. The last factor reflects low unemployment in the United States, now standing at only 4%, resulting in mills having to offer higher wages and benefits to retain trained employees. There are some reports of mills losing business simply because they have insufficient labour to fulfill orders.

US economy

Expanding at a slower rate

The U.S. economy continued to expand at a moderate pace in August and early this month, but with "further signs of slowing growth" in several parts of the country, according to the Federal Reserve's latest national survey of economic conditions released in mid September. The findings of the survey, conducted by the Fed's 12 regional banks, were in line with other recent economic reports, which have painted a picture of slowing but still solid growth with only modest inflation outside of the energy area. The survey results will be used by Fed officials at a policymaking session Oct. 3, at which they are widely expected to make no change in their target for short-term interest rates.

Other reports indicate that U.S. consumer confidence climbed in September. The Conference Board, a private business group, said its monthly gauge of consumer attitudes climbed to 141.9 in September from a downwardly revised 140.8 in August. The report suggests US consumers are still upbeat. The index, based on a survey of 5,000 U.S. households, is closely monitored by investors and policy makers because consumer spending fuels about two-thirds of the U.S. economy.

While US house starts have fallen, they still remain relatively strong. Also sales of existing houses rose in August at their fastest rate in more than a year, a trend which should feed through into rising hardwood sales as home buyers upgrade fittings and furniture.

A continuing concern for the US economy is the price of high tech shares, which many

Continued page 10 - column 1

United States value of wood products imports						
US\$ millions - Source FAS						
	1997 Year	1998 Year	1999 Year	1999 Jan-Jun	2000 Jan-Jun	1999/2000 % Change
Hardwood Logs	27.0	31.9	33.6	17.4	21.9	25.8
Hardwood Lumber	356.8	398.6	441.3	212.9	249.8	17.3
Hardwood Flooring	75.8	104.8	149.8	70.8	85.8	21.1
Hardwood Moulding	85.1	110.4	130.9	63.3	67.8	7.0
Railroad Ties	7.8	13.0	4.7	1.5	4.7	224.4
Hardwood Veneer	269.8	279.8	299.3	152.3	176.6	16.0
Hardwood Plywood	723.8	685.2	816.8	393.3	412.1	4.8
Builders' Carpentry	901.6	1119.5	1513.4	778.1	736.0	-5.4
Total	12868.6	13290.6	16098.3	7633.1	8211.4	7.6

US Hardwood Imports

There has been a significant increase in market penetration by overseas shippers of hardwood into the United States. US imports of all the principle hardwood products increased significantly between 1997 and 1999. Jan to June data confirms that the trend is continuing, with imports higher this year than the same period last year. Hardwood lumber, flooring, moulding, veneer and plywood imports were up 17%, 21%, 7%, 16% and 5% respectively. The trend reflects the buoyancy of the US economy over the last three years, the comparative strength of the dollar, and the efforts by overseas suppliers to boost exports as their own domestic markets weakened in the aftermath of the Asian financial crises of 1997/98.

Looking specifically at hardwood lumber imports in to the United States, the leading supplier Canada has boosted sales by 15% this year. This continues a rising trend which saw US imports of Canadian hardwood increase by 55% between 1997 and 1999. The United States relies heavily on Latin America for supplies of tropical hardwood lumber, most notably mahogany. The importance of Bolivia as a supplier has declined over recent years due to the that

nation's tightening of forest legislation and its efforts to move exclusively to certified supplies. These measures led to the severe curtailment of Bolivian mahogany harvests. US importers have therefore become more reliant on Brazil and Peru for supplies of mahogany lumber. Firm demand for this product in the US coupled with tightening supplies have led to significant price hikes over recent years. *ITTO's Market News Service* reports that mahogany prices in the US have increased around 7% over the last 5 years.

Demand for Malaysian meranti has been less buoyant, with US imports remaining static in 1998 and 1999. This may reflect supply problems during the period of the Asian crises, and relatively uncompetitive pricing due to the linkage of Malaysian exchange rates with the strong US dollar. However Malaysian wood appears to be performing better in the US this year.

In the aftermath of the Asian crises, US importers were hopeful of a sell off of cheap tropical lumber from Indonesia after that country announced progressive reductions in export taxes on logs and lumber. However, no significant trade in Indonesian lumber ever materialised.

United States volume of hardwood sawn lumber imports						
000s m3 - Source FAS						
	1997 Year	1998 Year	1999 Year	1999 Jan-Jun	2000 Jan-Jun	1999/2000 % Change
Canada	708.5	919.8	1,098.3	538.8	623.8	15.8
Brazil	86.7	129.8	139.5	66.0	73.4	11.2
Peru	30.8	42.7	47.3	24.2	31.3	29.6
Malaysia	51.7	41.3	41.5	19.7	30.1	52.7
Indonesia	21.7	21.9	28.2	12.1	14.7	21.7
Cote d'Ivoire	5.6	5.8	5.6	3.4	9.4	174.2
Bolivia	36.6	23.4	10.7	6.0	8.5	41.5
Chile	2.3	5.8	15.7	11.0	8.2	-25.1
Cameroon	2.6	4.8	6.6	3.2	7.5	132.4
Ecuador	16.3	22.2	18.3	10.8	6.4	-40.3
Ghana	17.8	17.2	15.1	8.0	6.1	-23.7
Germany	10.4	5.1	5.6	4.0	3.5	-10.8
China	1.4	1.4	5.9	3.5	2.8	-20.6
Philippines	6.0	3.5	4.1	2.0	2.4	17.8
Burma	1.5	3.0	6.7	2.9	2.1	-28.0
All Others	65.0	47.5	46.6	23.9	17.1	-28.2
World	1,064.9	1,295.2	1,495.7	739.5	847.4	14.6

N. America

Continued from page 9

economists reckon are over priced, failing to reflect profitability and due for a tumble. A collapse in share prices would undermine consumer confidence in the US.

Species Breakdown

Ash - European sales of higher grades are steady, with some signs of firm demand for thicker sizes. UK demand is solid. Demand for lower grades from China/Hong Kong is relatively good. Japanese demand for higher grades of Ash is only fair and continues at lower levels than in previous years.

Hard maple - demand for higher grades from northern European countries remains good despite relative weakness of the euro, although there is evidence of price resistance. Lower grades are selling reasonably well in the Far East.

White oak - European sales have been undermined by the strength of the dollar, but underlying demand appears sound. Orders have continued to come through from Spain and Portugal. Demand in the UK is also reasonably solid. European demand for dimension and colour sorted stock is improving.

Red oak - exports of higher grades remain limited as these are absorbed primarily by the American domestic market. US demand is focused almost exclusively on 1", prices for which are rising. Sales of lower grades to Mexico are growing strongly. The first reports are emerging of Mexican buyers taking some FAS stock.

Tulipwood - Italy continues to buy solidly. Sales to China and the Far East are said to be reasonable, although there are some reports of overstocking. US production increased during the summer, which tended to ease prices.

Cherry - export demand for veneer and saw logs is very firm. However the strong dollar has slowed export sales of sawn lumber. High prices for FAS cherry lumber also reflect continuing firm demand for the product in the United States.

Other species - With prices relatively high for the traditionally traded species, there are signs of growing interest on export markets for alternatives. Mexican, Korean and Chinese importers have been taking more soft maple. Sales of American birch in Korea and China have also improved. There is some evidence of buyers seeking to replace European beech with American beech. Meanwhile export demand for walnut remains strong

European Hardwoods

European beech

Chinese market overstocked

By the third quarter of this year the market for European beech in China appeared to be thoroughly overstocked.

Following the rapid rise in imports by China, as wood processing industries recently switched to beech, a strong market has developed there, estimated to account for 370,000m3 of logs in 1999.

After the severe storms in France at the New Year, China was able to mop up excess logs thus helping to prop up beech prices, but it is now clear they overbought and new season business will be hard to achieve unless existing stocks are reduced soon. Resale price competition in China is now extremely fierce. There are reports that one of the largest European players holding stock in China has reduced beech lumber prices by 20% in an effort to generate business.

There are signs that the structure of the Chinese beech trade may be changing. Chinese traders believe that the proportion of beech logs will tend to increase as Chinese sawmills learn to cut and dry the species, and as importers seek to reduce import costs.

More than half of China's log imports come from Germany, with France second and Italy acting as broker for Croatian and other eastern European logs. Additionally there are reports of increased sales activity by Eastern European exporting countries such as Romania, who are keen to cash in on this lucrative market, just at a time when many Chinese traders are seeking to reduce inventory.

The European beech supply situation remains uncertain. The logging season is only just getting underway. Early signs are

that harvesting in Northern Germany, which was less affected by last year's storms, will be at normal levels. However reports from France are mixed. The public forest administrations have decided to restrict logging to storm damaged stems that are still attached at the roots. Undamaged stems may be harvested from private forests, but volumes will not compensate for cut backs in sales from public forests.

Low availability and demand for logs

The results of early season beech log auction sales in France suggest low availability of new season logs and slow buying. Buyers have been put off by concerns over the quality of storm damaged logs and by the over-stocking situation in China. Chinese buyers are reported to be rejecting French windblown beech logs and sawn lumber on grounds of quality. French domestic mills also have large stocks of windblown logs from last season which will last at least to the end of the year and which may be difficult to shift due to quality problems. Demand for green beech logs in France is therefore not expected to rise until the new year. In view of the limited volume of undamaged beech stems likely to be harvested in France this year, and the quality concerns over wind damaged stock, larger French mills may also be forced to buy fresh green logs from Germany this year.

In Germany log price negotiations are underway, with reports that the Forest Service are suggesting that prices should rise by 4% to 5%. This is standard practice at this time of year, and the trade are firmly resisting these demands on the grounds that market demand does not merit any increase - particularly in view of the situation in China.

Good long term prospects

Longer term, market prospects for European beech appear sound. There is no let up in the popularity of the species. The Chinese market is large, and traders expect stocks there to be absorbed relatively quickly. European markets seem solid, backed by strengthening economies and a more buoyant construction sector this year. The weakness of the euro continues to provide European beech with a competitive edge on international markets.

European sawnwood indicative prices

	July	Aug	Sept
Exchange rates			
DM/£	3.17	3.21	3.28
DM/US\$	2.12	2.26	2.22
Northern Germany, DM/m3, C&F, UK Port			
German beech			
Grade: kiln dried, steamed and square edged.			
1"	1750	1750	1750
2"	1800	1800	1800
German oak			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available - French prices are similar to German prices			

European Hardwoods

Romania

Recovering from communist mismanagement

Romania's 23 million people occupy a country bordering the Black Sea which is particularly rich in resources. It is host to sizable oil reserves, rich agricultural land, and 6.3 million hectares of productive forest land with abundant stands of beech (31% by area) and oak (18%). However the country remains one of the poorest in Europe, a fact reflecting devastatingly poor economic management under the communist regime that finally collapsed in 1990. The communist regime overloaded the country with excessive and totally inappropriate industrial and construction projects, leaving the economy drained and totally unprepared for the competitive vigours of capitalism. Despite privatisation programmes, Romanian living standards have tended to fall during the 1990s. Manual wages now range from only US\$60 to \$150 monthly and purchasing power is only 25% of levels in 1989. Inflation this year is running at 30%, down from 50% last year. Young talented people are leaving for more stable and lucrative employment in the west.

Significant structural problems

The development of the Romanian wood industry over the last decade has mirrored that of the overall economy. Under the Communist regime, Romania had a significant wood and panels industry, supplying a large domestic furniture sector. It was a major exporter to Russia and other Eastern European countries. However, in the 1990s, the loss of these markets has highlighted significant structural problems. Much of the industry continues to be characterised by outdated technology, poor productivity, and missing distribution structures (which were unnecessary under a centrally planned regime). These problems have been compounded by political instability and delays in the privatisation process.

Between 1995 and 1998, wood production in Romania declined dramatically. There have been severe problems of log supply. Despite forest growth amounting to around 35 million m³ per annum, annual harvesting amounts to only around 10 million m³. The forestry sector lacks capital equipment; forests are often difficult to access; and grading of harvested logs is generally poor. Romanian forests are 94% state owned, and 70% are expected to remain in state hands when the on-going process of forest privatisation is complete.

Romania's furniture and construction sectors have been weak over recent years. In 1998, Romanian furniture production decreased by 40% over the previous year. The furniture sector has struggled to pay prevailing international market prices for wood material and its products have acquired a low quality image. This has resulted in a cash flow crises and general lack of investment. Much of Romania's wood processing capacity remains unutilised. For example, Romanian 18 veneer mills are capable of producing 70 million sq foot each year, but in 1998 output reached only 33 million sq. foot.

Positive signs

In 1999 there were some more positive signs, as inward investment began to feed through into increased output. Hardwood saw and veneer log production increased to 4.8 million m³ compared with the previous year, while hardwood sawn lumber production rose from 740,000 m³ to 970,000 m³. Over the last two years there has been fairly extensive inward investment in the Romanian wood industry. According to EUWID, by March 1999, around US\$5.5 billion of foreign money had flowed into the sector. Foreign firms have been purchasing privatised state companies, and have also invested directly in new manufacturing capacity. The list of foreign investors is led by Dutch companies (1021 firms investing a total of US\$591 million), followed by Germany and the United States. Investments have been in various sectors including furniture manufacture, logging, sawnwood and other timber products. More recently there have been several Romanian companies founded with Chinese partners. The latter have been involved primarily in buying undried sawn beech for kilning in Romania and subsequent shipment to China.

Focus on beech to Asia and Near East

At present, Romania's hardwood export industry focuses on beech in log and sawn form. The quality of beech exceeds that of oak and recent increases in exports to China have raised prices significantly. Romanian shippers tend to invoice in dollars. As a result, while much of the hardwood shipment has focused on Germany and Austria, the current strength of the dollar against the euro is now favouring markets in the Near East, Dubai and Asia. This trend is reinforced by rising freight costs

to Western Europe and by Romania's location on the Black Sea which facilitates shipments to the East.

As with other Eastern European countries, formal trade structures are generally lacking. However European importers note that supplies are reasonably reliable provided regular visits are made by company representatives and efforts are focused on a limited number of personally known companies. The Romanian forest industry is mainly organised by the Romanian Forest Industry Association in Bucharest which has 600 members and provides a useful conduit through which to make contact.

Forest Certification PEFC recognises schemes in Austria and Germany

Forest certification schemes in Germany and Austria have been approved by the Pan European Forest Certification Council (PEFCC) over recent weeks. Both schemes were endorsed with the unanimous agreement of the PEFCC member forums in 14 European countries. So far, five national certification schemes have been recognised by PEFCC (Finland, Sweden, Norway, Germany and Austria) and the total area of PEFC certified forest amounts to just over 20 million hectares. On the simplistic measure of total area of forests certified, PEFC has now overtaken the alternative Forest Stewardship Council (FSC) certification scheme. At present FSC accounts for around 18 million hectares of certified forests globally.

The German PEFC scheme aims to accommodate about 1.5 million woodland owners with an average woodland size of 3.5 hectares. Around 3.5 million of the country's 5.3 million hectares of forest are expected to be independently through PEFC Germany by the end of the year.

The Austrian PEFC scheme is designed to accommodate that nation's 213,000 non industrial forest owners, accounting for 4 million hectares of forest and covering nearly half the land area of Austria.

Meanwhile the FSC is making headway in Ireland. The next large European area to be FSC certified is likely to be the Coillte state forests covering around 347,000 hectares, primarily softwood plantations. FSC also announced during the summer that a small number of Finnish forest owners are now seeking FSC certification – rekindling the debate over the relative merits of FSC and PEFC in Nordic countries.

South American Hardwoods

Brazil

Delay in mahogany export quota

As this journal goes to press, no shipments of new season mahogany sawn lumber from Brazil have been made due to a delay in official approval for the export quota. Timing for this approval is described as "imminent" by regional experts. Once approved, most shipments are expected to be destined for the United States in air dried form. US shippers have been buying up available stocks at high prices this year, including FAS material destined in previous years for the UK. Shipments to the UK this year are expected to be very limited, with sales restricted to buyers willing to pay price premiums for the quality of Brazilian mahogany.

A report from ITTO, suggests that the Brazilian Environment Ministry IBAMA has reduced the export quota for Brazilian mahogany this year. In the first semester of 2000 the quota was 25,000 m³ and in the second semester it will be no more than 30,000 m³. This is a reduction of nearly nine per cent over 1999, when the quota was 62,000 m³. The reduction comes after IBAMA reported that it had completed a national inventory of mahogany stocks in May. The inventory contains data on existing production areas, production capacity, plans for management, and indications of market prices. It also contains the recommendation that permission for export and within-country trade of mahogany should be granted by IBAMA only when the timber is sourced from sustainably managed forests.

UK demand for cedar is steady, although

sales volumes are small as prices remain uncompetitive against other tropical redwoods such as sapele and meranti.

While the UK trade with Brazil is a shadow of its former self, relatively large volumes of Brazilian hardwood sawn lumber continue to be shipped to other European countries. France continues to buy heavily in tauari, which is used extensively for interior joinery applications. Meanwhile flooring species including jatoba and ipe are selling well in Spain, Italy, Greece and North Africa. Both supply and demand for these various species is described as good. Brazil's plantation based industry in the south continues to expand rapidly with significant inward investment in nearly all sectors including sawmilling, reconstituted panels and pulp and paper. Plywood industry investment has been moving more slowly due to subdued prices. New investment in the tropical timber industry is more limited and focused almost exclusively on the secondary processing sector.

Peru

Reports of export bans

US demand for Brazilian mahogany this year may be strengthened by events in neighbouring Peru. There have been reports (at present unconfirmed) that Peru has banned mahogany and cedar exports to all countries following a dispute with one of the leading US companies operating in the region.

News reports emerged over the summer that Peru's President Fujimori had declared an "environmental state of emergency" after loggers working for a US company were alleged to have "irrationally and without authorization extracted mahogany valued at between \$37 million and \$40 million". The US company involved denied all the allegations and seems to have subsequently won a ruling in its favour from the Peruvian Supreme Court. Nevertheless, the event encouraged Fujimori to announce that from now on "the exploitation of resources will take place in a sustainable manner" and to decree that large parts of the Peruvian Amazon will be demarcated as protected areas. His decree affects three Amazon regions. Two are located in the central Peruvian rainforest and cover a combined area of 5.5 million hectares. The other is a 0.8 million hectare swathe of forest in the far northeastern corner of the country near the border with Colombia.

Plywood

Depressing outlook

Indonesian plywood prices have continued to weaken, with quotes for BB/CC grade now standing at around INDO96 less 23% to 25%. The declining trend reflects the strength of the dollar, which has encouraged shippers to drop prices in an effort to maintain sales at a time when demand in all the major markets remains weak.

Malaysian plywood shippers are maintaining a relatively low profile on European markets as they refrain from making sales at price levels prevailing today. Small volumes are being sold to buyers willing to pay higher prices for better quality and reliability from respected Malaysian shippers.

Weak European markets

Trading conditions in the UK are difficult. Importers are complaining of poor margins as they are caught, on the one hand, between rising costs as sterling has weakened against the dollar and freight rates have increased; and, on the other, a retailing sector which due to intense competition has been reluctant to accept higher prices. There is general recognition that the market is too crowded, particularly as underlying demand is under continuous pressure from OSB and MDF. Although UK buyers have not shown much interest in the forward market over recent months, there is a view amongst agents that importers have underbought in hardwood plywood and that gaps may start to appear in stocks during the autumn. If so there is some speculation that there may be increased interest in virola ply from Brazil. While Indonesian mills are willing to undercut Brazilian prices, Indonesian stock will usually take around 8 weeks to arrive. Shipping delays are becoming more common as rising freight costs are forcing shippers to scurry around prior to shipment to ensure capacity is filled. There are also increased reports of quality problems with Indonesian plywood, with some products sold as BB/CC in fact being of lower grade. Market conditions are also poor in Germany. The German journal EUWID reports that the weak construction market, coupled with the weak euro and growing competition from OSB and MDF, are undermining sales of plywood. Importing companies are struggling with high stocks, intense competition for sales, and tight margins.

Demand for tropical plywood in Japan

Brazilian sawn lumber Indicative prices

	<u>June</u>	<u>July</u>	<u>Aug</u>
Exchange rates			
\$/£	1.51	1.50	1.42
US\$/m ³ C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1340	1340	1330
2.5"-3" AD	1360	1360	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	360	380
Cedro			
1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

Plywood

remains dull. Intense competition and lower demand saw import volumes fall quite heavily in the April/May period and they remain well below levels achieved early last year. Japanese traders are suggesting that it will be some time before demand for tropical plywood recovers.

Japanese market transformed

Japan's plywood market is currently undergoing significant change. First, domestic plywood manufacturers are losing market share to imports, notably from Indonesia. Second, plywood is losing market share to other panel products, notably MDF. Plywood's share of Japan's overall wood panel production fell 2.2% to 72.5% compared with the same period last year. Third, production of hardwood plywood is being curtailed in favour of softwood plywood.

Although China's internal market for plywood is huge - China is thought to consume upwards of nine million m³ of plywood a year - opportunities for exporting to China are increasingly limited. The change in tariff structures in favour of log rather than plywood imports has encouraged the rapid development of China's domestic plywood capacity, with much production focused on softwoods with a hardwood surface veneer. At present only around 25% of China's plywood is imported, and this proportion is likely to decline.

ITTO Plywood Analysis Restructuring expected

A recent report by Michael Adams at the International Tropical Timber Organisation looks at the future prospects for the tropical plywood industry. The report notes that lack of any sustained recovery in tropical plywood prices is cause for serious concern. Poor prices have already forced the closure of many tropical hardwood plywood mills and most others are having to sell at close to production cost. Asian prices plummeted during the Asian crises in 1997, steadied by mid 1998, showed signs of recovery in early 1999, but then moved slowly and inexorably down. Today, prices are still some 40% below 1997 levels. Adams asks why plywood prices have been so weak when tropical log and sawn prices have generally recovered losses experienced during the Asian crises. He suggests there is no single answer, a number of factors having combined to undermine plywood's

recovery including:

- weak demand in Japan, Korea and Southeast Asian consumer countries in the face of a continuing flat construction sector in these markets;
- recent changes to import tariff structures in China, favouring log imports over plywood and precipitating a dramatic shift away from imported tropical plywood, the volume falling from over 2 million m³ in 1998 to only 1.15 million m³ last year;
- fears, particularly in Europe, of uncertain supply, especially in relation to log shortages in Indonesia;
- a move towards manufacturing from softwood logs in some consumer countries;
- strong competition from other wood-based panels and an apparent global oversupply; and
- the virtual collapse of Brazilian softwood ply prices in May this year, which has had a domino effect on plywood and other panel

price structures in Europe, where most buyers have become extremely cautious.

Mixed prospects

Adams suggests future prospects for plywood remain mixed. Economic growth both in the Far East and Europe argue in favour of rising demand. However there are signs of over-capacity in the global wood based panel sector which keep driving prices down for commodity plywood. Adams concludes that *"If these negative market conditions for plywood continue for much longer, commercial considerations will inevitably force a restructuring of the sector"*

The full report by Michael Adams, together with other news stories on the current status of the tropical hardwood market are available in the new edition of ITTO's Tropical Forest Update at www.itto.or.jp

		Exchange rates for one pound sterling and one US dollar					
		28-Jul		8-Sept		29-Sept	
		ESTG	US\$	ESTG	US\$	ESTG	US\$
Argentina	Peso	1.5033	0.9994	1.4223	0.9994	1.4776	0.9994
Australia	Aus.\$	2.5594	1.7015	2.5615	1.7999	2.7301	1.8466
Bangladesh	Taka	76.7117	51.0000	76.8502	54.0000	79.8391	54.0000
Belgium	Belgian Fr.	65.4485	43.5119	66.2624	46.5604	67.5875	45.7136
Belize	B\$	3.0083	2.0000	2.8463	2.0000	2.9274	1.9800
Bolivia	Boliviano	9.2506	6.1500	8.8805	6.2400	9.1519	6.1900
Botswana	Pula	7.8037	5.1881	7.4181	5.2124	7.7755	5.2590
Brazil	Real	2.6932	1.7905	2.5923	1.8215	2.7278	1.8450
Fr. Africa*	CFA Fr.	1064.24	707.54	1077.48	757.11	1099.03	743.34
Canada	Canadian \$	2.2220	1.4773	2.1042	1.4786	2.2246	1.5046
Chile	Peso	836.007	555.800	806.143	566.450	833.209	563.550
China	Yuan	12.4535	8.2794	11.7828	8.2794	12.2417	8.2798
Czech Republic	Koruna	57.6752	38.3440	57.9692	40.7330	59.5813	40.2985
Denmark	Denish Krone	12.0964	8.0420	12.2491	8.6070	12.4996	8.4542
Estonia	Kroon	25.3869	16.8779	25.6967	18.0562	26.2018	17.7219
Europe	Euro	1.6225	1.0786	1.6426	1.1542	1.6755	1.1332
Finland	Markka	9.6465	6.4133	9.7665	6.8626	9.9618	6.7378
France	Franc	10.6424	7.0754	10.7748	7.5711	10.9903	7.4334
Germany	D-mark	3.1732	2.1097	3.2127	2.2574	3.2769	2.2164
Ghana	Cedi	9965.04	6625.00	10531.30	7400.00	10164.80	6875.00
Guyana	Guyanese \$	271.499	180.500	259.440	182.300	267.609	181.000
Hong Kong	HK\$	11.7297	7.7982	11.0987	7.7987	11.5277	7.7969
India	Ruppee	67.4988	44.8750	64.9526	45.6400	68.0628	46.0350
Indonesia	Rupiah	13454.6	8945.0	11918.9	8375.0	12973.9	8775.0
Irish Republic	Punt	1.2778	0.8495	1.2937	0.9090	1.3195	0.8925
Italy	Lira	3141.45	2088.52	3180.52	2234.85	3244.12	2194.20
Japan	Yen	164.9000	109.6300	151.0110	106.1100	159.7670	108.0600
Kenya	K. Shilling	111.7580	74.3000	110.6070	77.7200	116.8760	79.0500
Korea South	Won	1679.76	1116.75	1578.27	1109.00	1648.75	1115.15
Liberia	Liberian \$	1.5042	1.0000	1.4232	1.0000	1.4785	1.0000
Malaysia	Ringgit	5.7158	3.8000	5.4080	3.8000	5.6183	3.8000
Myanmar	Kyat	9.4034	6.2517	9.3373	6.5610	9.7346	6.5841
Netherlands	Guilder	3.5754	2.3770	3.6198	2.5435	3.6922	2.4973
New Zealand	NZ\$	3.2889	2.1865	3.3929	2.3841	3.6372	2.4600
Nigeria	Naira	158.989	105.700	148.435	104.300	160.713	108.700
Papua NG	Kina	3.9741	2.6421	3.7958	2.6672	4.0399	2.7324
Philippines	Peso	67.6116	44.9500	64.8246	45.5500	68.3068	46.2000
Poland	Zloty	6.5378	4.3465	6.2868	4.4175	6.7017	4.5328
Portugal	Escudo	325.267	216.246	329.312	231.397	335.898	227.188
Romania	Leu	32895.8	21870.0	33224.9	23346.0	35739.0	24172.5
Russia	Rouble	41.8455	27.8200	39.6789	27.8810	41.0757	27.7820
Singapore	Singapore \$	2.6090	1.7345	2.4706	1.7360	2.5730	1.7403
Solomon Islands	Simm. Is. \$	7.6056	5.0564	7.1960	5.0564	7.6211	5.1546
South Africa	Rand	10.4727	6.9625	10.1075	7.1022	10.6763	7.2210
Spain	Peseta	269.949	179.469	273.306	192.043	278.771	188.550
Sweden	Krona	13.7218	9.1226	13.7242	9.6435	14.2424	9.6330
Taiwan	\$	46.6588	31.0200	44.1960	31.0550	46.3215	31.3300
Tanzania	Shilling	1201.07	798.50	1138.52	800.00	1182.80	800.00
Thailand	Baht	62.0989	41.2850	59.1960	41.5950	62.3854	42.1950
Uganda	New Shilling	2440.49	1622.50	2483.40	1745.00	2705.66	1830.00
U.S.A.	US \$	1.5042	1.0000	1.4232	1.0000	1.4785	1.0000
Venezuela	Bolivar	1034.25	687.60	981.62	689.75	1021.42	690.85
Vietnam	Dong	21196.5	14092.0	20114.8	14134.0	21015.4	14214.0
Zimbabwe	\$	57.6842	38.3500	72.7230	51.1000	78.3754	53.0100

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

Special Report - Teak

Plantation teak offers lessons for the future

A recent report on the changing nature of the teak trade provides important lessons for the tropical hardwood sector as a whole. Over the next few decades, tropical species like teak and mahogany which adapt readily to plantation management are likely to remain important sources of high-quality timber. Those that are less ecologically robust or that perform poorly under intensive plantation regimes are likely to be marginalized as supplies from natural forests become increasingly restricted. In the long term, it is likely that a handful of tropical hardwoods will occupy niches at the high end of solid wood markets, while the range of competing species is likely to be significantly reduced. This is the conclusion of researchers Devendra Pandey and Chris Brown writing in the most recent edition of the FAO journal *Unasylva*.

In their overview of the current extent and nature of the international teak trade, Pandey and Brown note that although the teak trade is relatively unimportant in terms of the volume of world timber production, teak remains one of the most highly regarded species in the "luxury" market for furniture, shipbuilding and decorative building components. As a result the species is of major importance to the forest economies of its main producing countries. Experiences with growing and marketing teak are of considerable relevance to growers of other high-value hardwood species, particularly in the tropics.

During the past 20 years most supplies of teak wood from natural forests have dwindled and increased interest has developed in the establishment of teak forest plantations.

Teak performs well in plantations under favourable conditions. In this characteristic it contrasts with some of the more commercially known and valuable tropical hardwood species. For example, many of the species that make up the timber wealth of the African tropical forest including African mahogany and sapele have proved unsuited to plantations for various reasons including exceedingly slow growth, their inability to grow on cleared land, or

vulnerability to pests and diseases.

Statistics on the historical progress of teak plantation establishment are incomplete, but it is clear that up to 1950 the major area under teak plantation was in Java, Indonesia, with about 300 000 ha. There was a gradual increase in the global area of teak plantations through the 1950s and 1960s to an estimated 900 000 ha in 1970. The pace of teak planting accelerated in the late 1970s, mainly as a result of financial support provided by donor agencies. The total area of teak plantation increased to 1.7 million ha in 1980 and 2.2 million ha in 1990. FAO's most recent estimates suggest that the increase in the global net area of teak plantations has been negligible since 1990. In 1995, about 94% of global teak plantations were in tropical Asia, with India (44%) and Indonesia (31%) accounting for the bulk of the resource.

Trade still dominated by traditional producers

Since teak plantation establishment is relatively recent in most countries outside its natural range, current production of mature teak is largely restricted to the traditional large producers; Myanmar, India and Indonesia. Sri Lanka, Bangladesh, Trinidad and Tobago and a few other countries produce mature roundwood from plantations. Production of immature round-wood from plantation thinnings, mainly for utilization as posts and poles, is more widespread.

Myanmar - the only Asian producer that allows relatively unconstrained export of teak logs - dominates the export trade in this commodity, while China and Thailand are the two largest importers. Côte d'Ivoire and Nigeria are other significant exporters of teak logs. Exports of teak sawn timber are mostly from Myanmar and Indonesia, with Thailand and Côte d'Ivoire also significant exporters. A range of other countries, including Ghana, China, the United Republic of Tanzania and Ecuador, export more modest volumes. All of India's teak production is processed within the country. India is also a significant net importer of teak, including shipments of logs and sawn timber from Africa and Latin America.

Estimated plantation area of teak by subregion, 1995 (1 000 ha)

Subregion	Current area	Annual planting
West Sahelian Africa	4	0
East Sahelian Africa	15	-
Moist West Africa	88	4
Southern Africa	3	0
Tropical Africa	110	4
South Asia	1 099	55
Continental Southeast Asia	302	26
Insular Southeast Asia	706	12
Tropical Asia	2 107	93
Tropical Oceania	3	0
Central America	22	4
Caribbean	8	-
Tropical South America	3	0
Tropical America	33	4
TOTAL	2 253	101

Source: Pandey (1998).

The largest manufacturers of teak products are Indonesia, Thailand, India and China. India produces sawn timber (for construction and decorative uses) and decorative plywood almost exclusively for use in its domestic market. China and Thailand have relatively large teak processing industries based on imported roundwood, while Indonesia processes its own plantation-grown teak. Much of this production is exported to Europe and North America as finished consumer items such as furniture, or as sawn timber, particularly destined for decorative uses, boat building and outdoor applications such as decking. In general, volumes of national imports (and often exports) of teak products are poorly documented or inaccessible.

Policies and legislation ban or severely restrict harvesting in natural forests in all the countries within teak's natural range except Myanmar. Logging in Myanmar is conducted according to the Myanmar Selection System: the Forest Department selects mature trees for harvest and Myanmar Timber Enterprises, a government corporation, is the sole agency responsible for extraction. As a result of Myanmar's long experience with harvesting under this system, teak management is generally well regarded in terms of environmental sustainability.

Elsewhere the focus will continue to be on greater utilization of plantation-grown teak. This process is not being made without difficulty or controversy. Until recently, misgivings over the environmental impacts of teak plantations - particularly controversies regarding possible soil deterioration and erosion in pure teak plantations - rivalled those often associated with eucalypt plantations. Nonetheless, with teak remaining one of the world's most valuable timbers, interest in growing and investing in the species will remain high.

For more information see *Unasylva* Issue 201 on Teak available at the UN FAO website at www.fao.org

Indicative annual production and exports of teak roundwood and sawn timber (1000 m³)

Country	Roundwood production	Roundwood exports	Sawn timber exports
Myanmar	358	179	33
India (a)	250	0	0
Indonesia	750	0	35
Thailand	13	0	5
Other countries (b) (c)	424	135	15
Total	1 795	314	88

(a) This estimate, the most recent for India, dates back to 1970.

(b) A rough estimate based on a range of sources and estimation methods for each country.

(c) "Other countries" production comprises mainly thinnings from immature plantations Source:

Source: Pandey & Brown (2000)

Association Profile - JLIA - Japan

Members 92 - mainly Japan

The Japan Lumber Importers Association was established in 1950 as a general liaison organisation for timber imports between importers and the market. Its 92 members are divided into four sections representing timber supply areas from South Sea, North America, Russia and New Zealand. JLIA also maintains committees formed to deal with current issues such as the environment. The association is well known in international circles for its

representation of Japanese interests and it participates in negotiations with many international bodies. It also holds a strong link with the Japanese Government on trade policy and domestic forestry with the Japanese Forest Agency.

JLIA provides statistical data from its members, and forms a conduit for research and timber standards. This association hosts meetings in Japan for visiting delegations from overseas supply countries. The elected Board of Directors of JLIA, which determines policy implemented by

the permanent Executive Director in Tokyo, is largely made up of officers from the major trading houses in Japan.

For additional information, contact:
Japan Lumber Importers Association
Kushi – Kogyo Bldg
13 –11, Nihonbashi 3 – chome,
Chuo – ku,
Tokyo 103,
JAPAN
Tel (03) 3271 0926
Fax (03) 3271 0928

Hardwood Events

Date	Event	Venue	Target audience	Contact
2000				
10 Oct	Joint ECE Timber Committee and FAO European Forestry Commission Session	Rome	Government, timber industry, forest sector	Ed Pepke, UN-ECE & FAO Tel: +41 22 917 2872, Fax: +41 22 917 0041
9-11 Oct	2nd International Wood Markets Conference	Carlton Crest Hotel, Melbourne, Australia	Wood producers and traders	John Stulen; tel +64-7-348 1039; Fax +64-7-348 1420
12-13 Oct	The Value of Forests: International Conference on Forests and Sustainable Development.	Tokyo, Japan.	Forestry sector, ENGOs	Motoyuki Suzuki, UN University, Tokyo Tel 81-3-3499 2811; Fax 81-3-3499 2828
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 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 Rico	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
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe
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

Announcements

The **American Hardwood Export Council** have launched a website to provide free technical publications on American hardwoods to specifiers, traders and end-users. www.ahec-europe.org provides 5 publications in 8 European languages. Information covers species, products, applications, grading and the American hardwood resource.

The **International Tropical Timber Organisation** has produced a new consumer leaflet on the objectives and role of ITTO. Available from: Alastair Sarre, ITTO Newsletter Editor, tel: +81 45 223 1110; fax: ...1111; email itto@itto.or.jp

Letters

Competition between agents and importers damaging for all

Dear Sir,

Over the past decade we have all witnessed the invasion across the borders of the hardwood trade structure with importers buying direct from agents' suppliers and agents selling direct to importers' customers. Some complacently gloat over it. Most reluctantly acknowledge the development as predictable and inevitable.

I believe the situation has served only to dramatically increase competition for both sides and is the root cause for much of the hardwood trade failing to achieve adequate

profit margins to sustain financial strength for the longer term. For many it has probably ensured that the future is now inherently more insecure, made worse by the drive for market share in some quarters.

It is my view that the environmental issue has guaranteed that the present and the future is one of significantly reduced volume of hardwood available globally and that we must all single handedly focus on pushing up profit margins to realistic levels if we wish to have a future at all.

Kevin Ashby,
 Joint Managing Director
 Lignum International Hardwoods Limited

Africa: supplies tight and demand firm

African supplies are more constrained than usual even for the time of year. The log supply situation is unlikely to improve at least until January when the current rains should start to abate. Most mills are sold out until January 2001 for forward shipment of sapele sawn lumber. Although the forward market is tight, reasonable volumes of wood under existing contracts are being shipped out of Africa. European stocks of sapele are reasonable at present, but continuing strong demand may lead to shortfalls later in the year. **Pages 4/5**

Tough time for Malaysian lumber

European stocks of Malaysian dark red meranti sawn lumber remain high. Importers complain that they have been hit by declining prices on the forward market, which is undermining the value of existing stocks, and by the continuing weakness of the European currencies against the dollar which has rendered prices uncompetitive against alternative African hardwoods. **Page 6**

US hardwood exports rise this year...

US hardwood exports have benefited from improving economic conditions in Asia and most European countries this year. Hardwood logs and lumber exports were up 8% and 9% respectively during the first 6 months of 2000 compared with the same period last year. The direction of trade is shifting however as in Asia China is becoming a more important buyer, while in Europe German demand is relatively depressed. **Page 8**

...and so do US imports

There has been a significant increase in market penetration by overseas shippers of hardwood into the United States. Comparing January to June this year with the same period last year, imports of hardwood lumber, flooring, moulding, veneer and plywood were up 17%, 21%, 7%, 16% and 5% respectively. **Page 9**

Chinese and European markets for beech logs heavily stocked

Heavy buying of beech logs during the spring after last year's storms has meant that China and the continental European market for European beech are heavily stocked. French Forest Administrations have announced that harvesting this year will be restricted to storm damaged logs with their roots still attached. The results of early season beech log auctions in France suggest low availability of new season logs and slow buying. Apart from the overstocking situation, buyers have been put off by concerns over the quality of storm damaged logs. **Page 10**

Mahogany export quotas delayed

As this journal goes to press no shipments of Brazilian mahogany had been made this season due to a delay in approval of the export quota, although approval is imminent. Export quotas this year are expected to be 9% lower than last year. Most Brazilian mahogany is expected to be sold air dried into the US. There are unconfirmed reports of increased restrictions on mahogany exploitation and export in Peru. Meanwhile supply and export demand for other widely traded Amazonian species such as tauari and Jatoba is described as good. **Page 12**

Continuing plywood depression

Indonesian plywood prices have continued to weaken, with quotes for BB/CC grade now standing at INDO96 less 23/25%. The declining trend partly reflects the dollar's strength which has encouraged shippers to drop prices to maintain sales at a time when export markets are weak. **Page 12/13**

Indonesia reintroduces log ban

The Indonesian government will reintroduce a ban on log exports as a measure to tackle illegal logging in the country and to ease the severe log supply problems of domestic mills. **Pages 1/6**

Developed world hardwood consumption on the rise

Overall sawn hardwood consumption throughout Europe, North America and the Russian Federation increased by 2.2% between 1998 and 1999. A 3% and 2.7% rise in European and North American consumption respectively compensated for a 5% fall in Russian consumption. This is the main conclusion of the newly released UN ECE/FAO Timber Committee Annual Report for 1999/2000. **Page 3**

Sabah trade dispute benefit of Selangan batu ban

In a move to promote the expansion of value added processing in Sabah, on 1 August of this year the state government implemented a temporary ban on the export of selangan batu round logs and sawntimber. Local trade sources suggest the ban may do more harm than good. **Page 7**

World Bank describes Asia's "remarkable recovery"

A new World Bank report suggests that East Asia's economic recovery is gathering force, but also warns that there are continuing structural weaknesses which could, if left unattended, make the region susceptible to another downturn. **Page 6**

Hardwood log exports

Increasing numbers of tropical hardwood producing countries are implementing log export bans in an effort to promote value added industries and improve forest regulation. While there are many reasons to applaud this trend, there remains a strong case for a continuing international trade in hardwood logs. **Editorial page 2**

Gabon's log exports booming

There are already indications that Gabon's log exports this year will be well up on last year. SNBG exported 716,741 m3 of hardwood logs during the first half of 2000. The figure represents a 100% rise compared to the same period in 1999. **Page 5**