

Volume 15  
Number 9  
September 2000

## Contents

EU hardwood import review . . . . .	1/10
Editorial - exchange rates . . . . .	2
South American Hardwoods . . . . .	3
Brazil - return to the south. . . . .	3
African Hardwoods. . . . .	4
Central Africa - new log supplies . . . . .	5
Ghana - forest policy . . . . .	5
Malaysian sawn lumber . . . . .	6
Japan . . . . .	6
Korea . . . . .	7
Malaysian trade stats . . . . .	7
China. . . . .	8
North American Hardwoods . . . . .	8/9
US economy . . . . .	9
US retailers' environmental policies . . . . .	9
European Hardwoods. . . . .	11
European construction sector . . . . .	11
European economy . . . . .	11/13
Koreans open up Indonesia. . . . .	14
Deforestation. . . . .	14
Indonesia/Malaysia dispute . . . . .	14
Profile: IWPA . . . . .	15
Hardwood Events . . . . .	15
News summary . . . . .	16

## Statistics in this issue

■ <b>Brazilian production and exports.</b> . . . .	3
Sawn lumber & plywood 1989-98	
■ <b>Congo Brazzaville.</b> . . . .	5
Production & exports 1993-1999	
Wood products exports 1999	
■ <b>Central African Republic</b> . . . . .	5
Log export by species 1999	
■ <b>Malaysian hardwood exports.</b> . . . .	7
Primary products by volume 1997-99	
Logs & sawn by destination 1998-1999	
■ <b>Hardwood primary and wood products imports:</b>	
Ireland, Italy, Netherlands,	
Portugal, Sweden, All EU . . . . .	12/13
Value by source country 1999, Q1 2000	
■ <b>European construction.</b> . . . .	12
% annual growth in output by value	

## Robust growth in European hardwood imports during 2000

This month we review the most recent EU hardwood import data for the full year 1999 and first quarter 2000. Early indications are that the value of EU imports will be up this year for all the principle product groups including tropical and temperate hardwood logs and sawn lumber; veneers; plywood; builders carpentry and joinery; and wooden furniture. Forecasts of whole year imports based only on annualised first quarter data are inevitably crude, taking no account of normal seasonal fluctuations. However other evidence gives credence to predictions of rising European imports of hardwood products this year including: expectations of Europe-wide growth in construction industry activity (page 11); statistical data indicating robust European economic growth (pages 11/13); and anecdotal reports of improved demand from agents and importers in many European countries. The first quarter data suggests the long term trend towards higher wood furniture and components imports into the EU is proceeding apace this year. Over recent years there has been a progressive shift of manufacturing facilities from Western Europe to lower cost locations, most notably in Eastern Europe and the Far East. While this trend has increased levels of competition for European manufacturers, some are themselves seeking to exploit new opportunities presented by sourcing components in finished or semi finished form. European manufacturers may benefit from improved control over costs, insurance of quality; reduced capital investment; and savings in transport (since waste is removed prior to shipping).

■ **Tropical Logs** - The European Union imported tropical logs to the value of Euro 508 million (US\$462 million) during 1999. The leading supplier countries were Cameroon (Euro 192 million), Gabon (Euro 159 million) and Congo Brazzaville (Euro 46 million). Last year, the three leading EU import markets for tropical logs in terms of value were France, Portugal, and Italy. EU tropical log imports were running at slightly higher levels during the first quarter of 2000 than the previous year. The shortfall in EU imports from Cameroon resulting from the log export ban implemented in June 1999, is being partially compensated by rising log imports from Congo Brazzaville and Liberia. Tropical log imports from Gabon were hindered during 1999 by production problems and a dispute between logging interests and SNBG, the parastatal agency with a monopoly over exports of okoume. However the supply situation seems to have improved in Gabon this year.

■ **Temperate Logs** - During 1999, the EU imported from non EU countries beech and oak logs valued at Euro 82 million and 38 million respectively. Most European beech is produced within the EU, however some beech logs cross the border from Switzerland into Italy, while Austria imports notable volumes from Slovakia and the Czech Republic. Italian imports of beech logs in the first quarter of this year were boosted by storm damage in Switzerland. Oak log imports into the EU are relatively insignificant and are sourced primarily from the USA and Hungary.

*Continued page 10*

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

### Contacts

#### By email

rjwoliver@email.msn.com

#### By mail

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

#### By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

### Subscriptions

Within UK £103 p.a

Outside UK £115 p.a. or US\$195  
p.a or Euro 204 p.a. (includes  
airmail). Payable in advance.

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

**hardwoodmarkets.com Ltd**

©2000 hardwoodmarkets.com Ltd  
All rights reserved

### Consultancy services are also available.

Particular areas of expertise:  
Forest Industry Market Intelligence;  
Marketing and Promotion;  
Environmental Issues;  
Forest Policy and Sustainability;  
International Trade Issues.

**Contact Rupert Oliver at the  
address given above for details.**

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

## Editorial

# Exchange rate risk

This month's issue of **hardwoodmarkets.com** highlights the immense influence of shifting exchange rates on international trade. Over recent weeks, the strength of US dollar has resonated throughout the hardwood trade. No sector or region has failed to feel the effects.

In the temperate hardwood sector, US shipments to Central Europe over the summer months stalled as importers became increasingly nervous over the euro-dollar exchange rate which, by the end of August, was close to a record low. On international markets US hardwoods have faced an uphill struggle to compete on price against alternatives, notably European beech.

In the tropical plywood sector, a large part of the explanation for the continuing competitiveness of Indonesian plywood prices lies in the weakness of the rupiah, which means shippers obtain more local currency for the dollars earned on exports. Malaysian competitors are at constant disadvantage as their national currency - the ringgit - has been tied into a fixed exchange rate with the dollar since the onset of the Asian financial crises.

A similar situation prevails in the tropical sawn lumber sector. During recent weeks sales of Malaysian meranti in Europe have pretty much ground to a halt. Malaysian suppliers have been unable to match prices now prevailing for African redwoods, most of which are denominated in European currencies.

The last case is a particularly vivid demonstration of how differential exchange rates can turn traditional market expectations, based on analysis of supply and demand, on their heads. Malaysian prices are uncompetitive despite high European stocks and reasonable forward availability, while African prices are competitive despite mounting evidence of supply problems.

It would be wrong to over-state the importance of fluctuating exchange rates. They are, after all, only one amongst many influences on the international trade in hardwood products. And changing exchange values have always been an issue for hardwood traders. However, recent events highlight how the huge and relatively rapid movements of capital now possible in a globalised economy have contributed to greater volatility. This volatility adds another layer of complexity to the analysis of the hardwood trade and makes reliable predictions of future price movements increasingly difficult. The international hardwood trade has always been risky. The very act of buying stock is to gamble that it's value will not be undermined by currency fluctuations. But the risks associated with each throw of the dice have escalated.

Exchange rates are largely outside the control of the timber industry - but companies can develop strategies to minimise the risk. Importers may shift to Just in Time trading in an effort to limit their own stocks and push currency risks onto suppliers. Shippers may diversify markets to reduce exposure to exchange rate problems in one country or region of the world. Some may try to move out of commodity markets altogether, reducing the emphasis on price in favour of product design and customer service. Companies may merge into larger multi-national corporations better placed to survive financial shocks. In the longer term, the success of companies will largely hinge on their ability to implement such strategies to manage exchange rate risk.

For now, **hardwoodmarkets.com** is keeping a close watch over the relative economic performance of the United States, Europe, and Japan - like, we expect, many others involved in the hardwood trade.

Rupert Oliver  
Editor

# South American Hardwoods

## Brazilian sawn lumber US importers soak up mahogany

The dry season is well underway in northern Brazil. Air dried mahogany sawn lumber has been on offer since mid August. The vast majority produced is being absorbed by the US market at high prices. UK importers, who in previous years became accustomed to importing FAS kiln dried from Brazil, have generally been unwilling to pay prevailing prices this season. Therefore Brazilian exporters have focused on supplying US demand for air dried stock rather than diverting wood to the kilns for the UK market.

The continuing strength of US demand for Brazilian mahogany partly reflects the relative buoyancy of the US economy, but is also an outcome of underlying changes in the South American supply situation. The United States formerly imported significant volumes of mahogany from Bolivia. However, Bolivian government efforts to impose an FSC backed certification system have led to a significant reduction in mahogany harvests. US importers have therefore switched to alternative suppliers, notably in Peru and Brazil.

Meanwhile, further restrictions on the harvest and export of mahogany are being imposed by the Brazilian authorities this year. IBAMA announced in August that, from now on, mahogany exports will only be allowed after field inspections of management plans - a move which is anticipated to lead to lengthy delays in export shipments. Also in August the Brazilian authorities extended for another two years the existing moratorium on new management

Production and exports of Brazilian sawn lumber and plywood 000s m3 - Source ATIBT								
	Production				Exports			
	Sawn lumber			Plywood	Sawn lumber			Plywood
	Hard-wood	Soft-wood	Total		Hard-wood	Soft-wood	Total	
1989	10985	2410	13395	1430	610	80	690	386
1990	10930	2800	13730	1050	724	80	804	300
1991	12200	3500	15700	1120	502	90	592	369
1992	12410	3480	15890	1250	435	140	575	480
1993	12620	3720	16340	1600	484	220	704	813
1994	12830	3780	16610	1900	1061	329	1390	898
1995	13230	3950	17180	1600	915	380	1295	748
1996	13650	4050	17700	1670	859	400	1259	658
1997	14250	4250	18500	1650	941	505	1446	650
1998	14000	4200	18200	1600	787	540	1327	620

plans for mahogany harvesting.

ITTO's Market News Service (MNS) reports internal problems within IBAMA, the national forest agency, which are further disrupting mahogany supplies this year. In Para and Mato Grosso, two of the major timber producing states, IBAMA representatives have been replaced following accusations of corruption. As a result, procedures for the issue of logging licenses and trade authorisations have been disrupted.

### Bouyant demand

With the exception of mahogany, however, the dry season has meant that tropical log supplies in Brazil are now readily available. Export markets for Brazilian tropical sawn lumber are fairly buoyant. ITTO's MNS reports that some shippers are booked through for the next 6 months.

The French trade association, Le Commerce du Bois, suggests that demand in France for Brazilian sawn lumber should be reasonably firm in the second half of the year due to low stocks and a buoyant construction sector. The weakness of the Euro has meant that prices to French importers are around 10% higher than the same time last year. France is the leading European market for Brazilian sawn lumber, focusing mainly on the species tauari and curopixa.

Brazilian domestic demand for all wood products continues to grow as confidence in the nation's economy increases. The construction sector is active, and received a boost recently with the announcement of a further reduction in interest rates.

### Brazilian forest sector

#### Return to the south

Until the 1960s, Brazil's timber industry was based mainly on natural Parana Pine forests in the southern part of the country. Depletion of these resources and increased settlement in the Amazon region led for

several decades to a shift in production to the tropical north. Now increasing environmental restrictions, rising transport costs, and the maturation of softwood plantations are reversing the trend. The Brazilian south is again emerging as a leading supplier of sawn lumber and plywood.

In 1997, 30 years after Brazil first introduced tax incentives for plantations, the nation had established 5 million hectares of new forests in southern Brazil, comprising mainly Elliotts Pine and Eucalyptus.

Between 1989 and 1998, Brazil's production of plantation-grown softwood sawn lumber increased by around 5.1% per year. Tropical hardwood sawn lumber production also increased, but at a lower rate of 2.4% per year. These figures exclude eucalyptus sawn lumber, production of which reached 500,000 m3 by 1998.

In 1989, softwoods accounted for only 12% of total Brazilian exports. By 1998, this figure exceeded 40%.

Between 1995 and 1998, Brazilian plywood production remained stable at 1.6 million m3 per year. During this period, around 60% of the volume (1 million m3) derived from northern tropical hardwood mills. However last year, ITTO's MNS reports that Brazilian plywood production increased to 2.1 million m3. The greatest increase in production involved pine plywood for export (CDX - construction grade). Overall pine plywood production hit 1.1 million m3, actually exceeding production of tropical plywood.

At present Brazil's timber industry is dominated by relatively small low tech operations. There are currently around 10,000 saw mills in the country. Nearly all are small scale, only 1% having production capacity of over 30,000 m3 per year. The future development of the industry is likely to lie in the establishment of new larger mills, mostly based on southern plantation forests. The supply and demand of tropical wood is expected to decline progressively.

Brazilian sawn lumber Indicative prices			
	June	July	Aug
Exchange rates			
\$/£	1.51	1.50	1.42
US\$/m3 C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
<b>Mahogany (Swietenia)</b>			
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
<b>Virola</b>			
1" KD No.1 C&B boards	380	380	380
strips	360	360	380
<b>Cedro</b>			
1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

# African Hardwoods

## Firm demand, but supply remains a problem

Log supplies are very limited throughout central and western Africa, a situation which is only partly due to the current rainy season. Forest resources in some countries are depleted - notably the Ivory Coast and Ghana - while in many countries legislative controls on logging have tightened. Most reputable mills throughout the region supplying sawn redwoods to the European market are now booked out until December or January. Supplies are therefore likely to remain tight even after the end of the rains, which should start to ease off in West Africa during October. In Cameroon, the major source of sawn redwood lumber (notably sapele) to European markets, World Bank inspired controls on logging last season have meant that even mills with logging licenses face a log supply problem. Prices for most African hardwood sawn lumber were relatively stable throughout the summer months. Although availability on the forward market is restricted, demand in Europe has been relatively slow during the vacation period, and there are reports of reasonably healthy stocks of African sawn wood in the leading European markets.

UK agents predict there may be some upward pressure on Sapele prices later in the Autumn when gaps may start to appear in European stocks during a period of limited availability in Africa.

There are reports from Ghana that the log supply situation has become critical for many mills, a problem which is only partly explained by the heavy rains. The Ghanaian authorities have severely curtailed logging this year and have plans to cut the number of mills in the country from current levels of around 150, to only 30. This objective is being achieved simply by starving existing mills of logs - which is proving a very painful process for many in the industry.

## Shifting focus for log supplies

The Cameroon log export ban has led to the complete cessation of exports of Cameroon logs of the primary species - sapele, iroko and sipo. Exports of category 1 and 2 species, notably ayous, azobe and tali, are continuing with payment of the appropriate tax. The central African log trade in primary species now focuses on Congo Brazzaville and the Central African Republic, the logs being freighted overland and shipped out of the Cameroon port of Douala. Log exports from these two countries via Douala are subject to stringent checks by Cameroon customs officials. Furthermore, the rainy season has meant that transport to Douala is difficult.

The German journal EUWID reports that on 5 August a train carrying cement and fuel reached the port of Pointe Noire in the Congo on the railway line from Brazzaville - the first for several months. However only

## African logs indicative prices

	June	July	Aug
Exchange rates Fr.F/£	10.36	10.64	10.77
<b>CAR &amp; Congo (Brazzaville)</b>			
Fr. Francs/m3; FOB Douala Grade: B+ & better (good UK sawing quality) All diameters in cm			
<b>N'gollon</b>			
70+ (20% 60-69)	1600	1600	1600
<b>Bosse 60+</b>	1650	1650	1650
<b>Ayous 70+</b>	1200	1200	1200
<b>Sapele</b>			
80+ (20% 70-79)	1950	1950	1950
<b>Sipo</b>			
80+ (20% 70-79)	2500	2500	2500
<b>Gabon</b>			
Fr. Francs/m3; FOB Douala Grade: B+ & better (good UK sawing quality) All diameters in cm			
<b>Acajou</b>			
70+ (20% 60-69)	1350	1350	1300
<b>Sipo</b>			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
<b>Liberia</b>			
US\$/m3, FOB Liberia Grade: B+ & better (good UK sawing quality) All diameters 60 cm+			
<b>A. mahogany</b>	200	200	190
<b>Walnut</b>	200	200	190
<b>Iroko</b>	300	300	280

a single track of the railway is currently operational. Full operation of the track would lead to considerable savings for logging companies in northern Congo and should increase log export volumes from that region. However, this may still be months away. At present only small volumes of Angolan limba and longhi logs are being shipped from Pointe Noire.

## Liberian prices weaken

Log prices from Liberia, which are denominated in dollars, have fallen back marginally over the summer months in response to the strength of the dollar. France is the leading European importer of Liberian logs, with much of the volume consisting of niangon.

The French trade association "le Commerce du Bois" reports that exports of okoume logs from Gabon have been flowing much more freely this year than in 1999. Demand for the logs in France has been steady, and prices have been firm partly as a result of increased export taxes. The strength of demand for okoume logs has been such that it is often difficult to obtain shipping space for other species. Like many other African countries, Gabon is imposing higher export taxes in an effort to encourage value added processing prior to export. European industrialists have recognised this trend and are actively involved in developing veneer and plywood capacity in Gabon.

## African Sawn Indicative Prices

	June	July	Aug
Exchange rates Fr.F/£	10.36	10.64	10.77
<b>Cameroon, CAR, Congo (Braz.)</b>			
Fr. Francs/m3, FOB Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	3500	3500	3500
<b>Sipo</b>	4500	4500	4500
<b>Bibolo</b>	2700	2750	2750
<b>N'Gollon</b>	3500	3500	3500
<b>Afromosia</b>	5600	5600	5600
<b>Iroko</b>	3750	3750	3700
<b>Cote d'Ivoire</b>			
Fr. Francs/m3; FOB Abidjan Grade: FAS, air dried Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
<b>Iroko</b>	3600	3600	3625
<b>Mahogany</b>	2750	2750	2750
<b>Framire</b>	2050	2050	2050
<b>Samba No.1 C&amp;S</b>	1525	1525	1525
Dimension stock			
<b>Azobe</b>	2500/	2500/	2500/
	2900	2900	2900
<b>Opepe</b>	2100/	2100/	2100/
	2800	2800	2800
<b>Dabema</b>	1950/	1950/	1950/
	2550	2550	2550
<b>Gabon</b>			
Fr. Francs/m3, FOB Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	2250	2250	2250
<b>Okoume KD</b>	2500	2500	2500
<b>Ghana</b>			
Exchange rates			
DM/£	3.13	3.09	3.21
C/£	6915	8561	10531
DM/m3, FOB Takoradi Grade: FAS, Air dried (AD) or kilned (KD) Size: width 6"+, avg 9", length 6'+, avg 9'			
<b>A.mahogany AD</b>	1100	1100	1100
<b>A.mahogany KD</b>	1250	1250	1250
<b>Emeri AD</b>	760	760	760
<b>Utile KD</b>	1550	1600	1600
<b>Odum AD</b>	na	na	na
<b>Odum KD</b>	1375	1375	1375
<b>Sapele KD</b>	1280	1280	1280
<b>Edinam AD</b>	670	670	670
<b>Edinam KD</b>	850	850	850
<b>Walnut AD</b>	910	910	910
<b>Naington AD</b>	925	925	925
<b>Danta AD</b>	730	730	730
<b>Danta KD</b>	1000	1000	1000
<b>Wawa AD</b>	530	530	530
<b>Wawa KD</b>	600	600	600
<b>Makore KD</b>	1050	1050	1050

# African Hardwoods

## Central Africa

### Congo (Brazzaville) and CAR offer supply potential

With the introduction of the Cameroon log export ban in June last year, Congo Brazzaville and the Central African Republic now supply an increasing proportion of tropical logs to the major European markets. This article highlights recent trends in the two countries.

Forestry operations in Congo (Brazzaville) have been disrupted over recent years by two consecutive civil wars. The impact of the internal conflict has been felt in varying ways in the different regions of the country. Forestry operations have contin-

Congo Brazzaville Wood products exports 1997-99				
	1997	1998	1999	% chg 98/99
<b>Via Pointe-Noire</b>				
Logs	194758	139242	57716	-59
Sawntimber	13109	13197	10225	-23
Veneer	41666	48258	16540	-66
Plywood	2613	1106	0	-100
<b>Via Douala</b>				
Logs	62691	133727	145828	9
Sawntimber	24821	45567	51636	13
Veneer	0	0	0	0
Plywood	0	0	0	0
<b>Total Congo</b>				
Logs	257449	272969	203544	-25
Sawntimber	37930	58764	61861	5
Veneer	41666	48258	16540	-66
Plywood	2613	1106	0	-100

Source: ATIBT

ued in the northern part of country, but severe disruption of the country's railway network has meant that logs from this region are now freighted overland to Douala in the Cameroon for export. Log exports from this region increased 10% between 1998 and 1999.

A process of privatisation has been underway in northern Congo which is likely to boost future production levels.. The state enterprises SCBO and Mokabi S.A. have been replaced by the Danzer Group and Rougier Group respectively. The takeovers

are expected to lead to an increase in annual log production in the region of 100,000 m3.

By contrast, the destruction of processing plant and infra-structure - notably railway bridges between Brazzaville and the main port at Pointe Noire - has meant exports from the forests of southern Congo fell 58% between 1998 and 1999. The future recovery of exports from southern Congo is dependent on new investment in transport and processing infra-structure. Existing operators in the region have so far refrained from introducing new capital as they await government support for the process of rehabilitation.

Meanwhile, the nation's forestry Minister is seeking to stimulate further private sector activity by introducing new investors into the region. The most notable of these may be Taman Industries Ltd. - a Malaysian company known as Schimer in Cameroon - which has set out proposals to increase annual log exports from Congo Brazzaville to 700,000 m3 (exceeding previous record export levels of 1980).

#### Potential riches

The Central African Republic has two distinct forest regions. The south western forest region covers 3.5 million hectares, of which 2.7 million hectares are exploitable for timber. This region - concentrated in the areas of Mambere-Kadei, Sangha-Mbaere, Lobaye, and Ombella-M'Poko - covers around 5% of the nation's forest area and is the source of the nation's wood exports. The south eastern forest region is located inland in the Basse Kotto and Mbomou areas and covers around 1.5 million hectares. This region is isolated and undeveloped as a source of commercial timber.

The south western forest region is one of the richest potential sources of timber in Africa, with a high density of ayous, and relatively high proportions of other com-

Central African Republic Log export by species 1999	
Species	Volume m3
Sapeli	62520
Ayous	43918
Aniegre	21656
Iroko	10593
Sipo	9300
Others	5778
<b>Total</b>	<b>153765</b>

Source: ATIBT

mercial species including sapele, sipo, tiam, and kosipo. An inventory of the forest region completed during the 1990s estimates that three major commercial species - limba, sapele, and ayous -together account for 75% of exploitable volume. The potential commercial volume averages 15 m3 per hectare.

Currently nine companies have commercial forestry operations in the country, with concessions totalling 2.9 million hectares. Products are exported primarily in log form, with lesser volumes of rough sawn lumber. A small volume of plywood is also produced. Exports are primarily destined for the EC and other member nations of the Central African Economic and Monetary Community (CEMAC). Most of the sawnwood export is destined for CEMAC members. Log exports have increased from only 41,000 m3 in 1996 to 154,000 m3 in 1999. Source: ATIBT

## Ghana

### Forest policy review

The German consultancy group LUSO has been appointed by the new Chief Executive of the Forestry Commission of Ghana, Mr. S K Appiah, to carry out a wide ranging mid-term review of the Wood Sector Development Programme.

The EU Woodworking Sector Development Programme was launched in January 1999. The overall objective of the programme was to raise the rate of growth of Ghana's economy by stabilising and increasing export revenue through the promotion of exports of value added wood products.

Meanwhile, Ghana's Ministry of Lands and Forestry has launched the second phase of Ghana's Forest Sector Development Project. Three important policy initiatives are involved: to further elaborate the forest certification scheme; to develop greater collaboration both within and outside forest reserves; and to promote private forest plantations. For the latter, the government has raised US\$7.5 million to establish a Forest Plantation Development Fund.

Central African Republic - wood production and export trends - 000s m3								
	1993	1994	1995	1996	1997	1998	1999	% chg 98/99
<b>Production</b>								
Logs	167.7	231.4	243.8	305.4	461	529.6	552.8	4
Sawn Lumber	59.9	38	70.2	60.6	71.9	91.3	78.8	-14
Plywood	1.5	0.3	2.4	1.5	1.4	1.4	1.6	14
<b>Exports</b>								
Logs	43.4	84.2	72.8	41.6	63.9	116.9	153.7	31
Sawn lumber	33.8	37.5	29.9	31.2	47.3	72.2	64	-11
Plywood	0.2	0.3	0.6	0.1	0.1	0.3	0.6	100

Source: ATIBT

# Asian Hardwoods

## Malaysian sawn lumber Meranti prices driven down by weak Euro and slow demand

European imports of sawn lumber from Malaysia have been hit by the weak Euro rate and summer slow down. The weak Euro means that dollar denominated Malaysian prices have been uncompetitive against Euro denominated African redwoods. Demand from importers for Malaysian sawn lumber has been very slow in the UK and Central Europe over the summer. Malaysian exporters have been dropping prices for Dark Red Meranti (DRM) in an effort to stimulate trade and maintain cash flow. Meanwhile European importers have built up excess stocks of DRM. Export market prospects for Malaysian DRM may only improve if availability of Sapele becomes a particular problem, or if the dollar rate weakens significantly during the second half of the year.

Although logs are readily available at this stage of Malaysia's lengthy dry season, Malaysian shippers stocks of DRM sawn

lumber are not high in historical terms. Underlying this fact is the Malaysian governments' efforts to implement stricter logging controls in their drive to sustainable forest management. The introduction of the Malaysian certification system under the control of the National Timber Certification Council by the end of this year is expected to lead to further reductions in log harvests throughout the country. Nevertheless, the weak Euro rate has meant that Malaysian shippers have been unable to shift stocks of DRM sawn lumber for several months now. Also, significant volumes of DRM sawn lumber were imported into West Malaysia from the Indonesian island of Sumatra earlier in the year.

### Widely varying prices

Prices on offer from different West Malaysian shippers vary widely, but there are now clear signs of price weakening. The wide variation in prices is itself a reflection of very slow demand. Although nearly all shippers are sitting on stock they are unable to shift, some are more desperate than others to generate cash flow.

Since much of the wood imported from Sumatra was in thicker sizes, prices for these specifications have fallen more dramatically over recent weeks. Some European buyers have also been deterred from buying Sumatran stock due to its characteristically lower density and lighter coloration.

Demand in the Netherlands, the leading European market for Malaysian sawn lumber, has been mixed during the summer. While the weak Euro and summer season led to a significant slowdown in Dutch buying, sales in Meranti of higher density continued at more reasonable levels. This factor, coupled with low stocks in Malaysia, have ensured that price levels of higher density varieties have been maintained.

Demand for DRM in the UK has been undermined by the weakening of Sterling against the dollar. By the end of August, Sterling stood at a seven year low against the US currency. Sterling has however maintained a position of relative strength against the Euro. As a result Sterling prices for DRM remain uncompetitive against Sapele, the leading African redwood. UK stocks of DRM are high and proving difficult to shift. Nevertheless most importers have been maintaining DRM prices for onward sales to manufacturers in an effort to prevent the devaluation of existing stock. Agents suggest there is little chance of the

UK forward market for DRM picking up until October at the earliest.

Keruing prices continue to be propped up by US demand. UK demand for Keruing is weak due to slow activity in the truck decking sector. Malaysian shippers are choosing to cut the shorter specifications required for the more buoyant US market.

The trade journal EUWID reports that German markets for DRM were very slow during August, even for the time of year. Demand has been severely undermined by the weak Euro, continuing uncertainties over the German economy, rising transport costs from the Far East, and competitive prices for African logs and sawn lumber.

## Japan

### Forecasts of declining imports as economy wobbles

The world's second largest economy continues to look shaky. During the summer, Japan's government defied strong political pressure to raise interest rates for the first time in 10 years. Soon after the announcement, IMF published its annual assessment of the Japanese economy, warning that the recovery was fragile, and urging maintenance of the zero interest rate policy. Japan's industrial production fell unexpectedly for the first time in three months in July. Industrial output, driven by a surge in demand from the information technology boom, had been among the strongest indicators of an economic recovery. While July's industrial output data were weaker than anticipated, a 0.5% fall in retail sales in July on year came as no surprise. Retail sales have fallen for 40 consecutive months and highlight one of the weakest areas in Japan's economy - consumer spending

Activity in the construction sector remains constrained. June housing starts were 113,098 units, 1.2% less than the same month last year and the second straight month of decline. Although starts financed privately are increasing, the gains are insufficient to compensate for significant falls in starts financed by the government's Housing Loan Corporation. The Ministry of Construction forecasts that the trend towards decreasing housing starts will continue for several months.

The long term trend of falling property prices continues in Japan, while the share values for leading construction firms took another tumble in July.

Meanwhile, Japan's Housing Quality Assurance Law introduced in 1999 is impacting on demand for lumber in the

### Asian Sawn Lumber Indicative Prices

	June	July	Aug
Exchange rates:			
M\$/£	5.75	5.72	5.40
US\$/£	1.51	1.50	1.42
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
2"	900	890	865
2.5"	910	905	870
3"	960	960	880

#### Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	565	565	560
-------	-----	-----	-----

#### Kapur

Grade: Standard & Better GMS

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

1"-3" plnd	575	575	570
------------	-----	-----	-----

#### 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
----	---------------	---------------	---------------

*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.*

# Asian Hardwoods

construction sector. An increasing share of the construction market (some reports suggest already around 50%) is being supplied by pre-cut mills that prepare lumber prior to delivery. Pre-cutting reduces the need for on-site carpentry work, contributes to faster rates of construction, ensures precision fitting, and limits waste. Kiln dried lumber is also progressively replacing green lumber in the construction sector as it reduces the likelihood of customer complaints following installation. It is also more acceptable to pre-cut mills which cut to precise specifications and need to minimise risks of warping and shrinkage.

## New import projections

The impact of these various trends is reflected in the most recent projections of Japanese wood products imports released by the nation's Forestry Agency. The projections suggest that total imports of logs, lumber, and plywood will be around 27.9 million m<sup>3</sup>, 3% down on last year. The shift towards kiln dried lumber is tending to benefit European softwoods. Total imports of European lumber are expected to reach 2.1 million m<sup>3</sup>, 13.5% up on last year. European lumber is particularly eating into market share for North American Hemlock and Douglas Fir. Japanese demand for tropical hardwood logs is expected to be less than last year due to continuing weakness in the Japanese plywood sector and the shifting emphasis of plywood mills to softwoods, notably Russian larch.

## Korea

### Construction subdued, other indicators positive

After its impressive recovery from the Asian financial crises 1997-98, South Korea's economy looks set to continue at a buoyant, though slowing pace. The OECD's latest country forecasts predicts GDP growth of 8.5% this year and 6% in 2001. However, much of the recovery has focused on the information technology and telecoms sectors. Construction, which impacts most directly on the timber sector, is struggling to recover. Construction permits have fluctuated over the last few months, but have so far failed to show any consistent upward trend. Nevertheless the production index for timber and furniture businesses both improved slightly in June, recording the best performance since the end of 1997. *Source: ITTO's Market News Service, The Economist*

## Malaysian trade stats

### 25% increase in log exports

The Malaysian Timber Industry Board recently published full year export figures for 1999. The following trends are notable:

■ Overall Malaysian log exports increased by 25%, with a particularly large rise in export volumes from Sabah - up 83% to over 1 million m<sup>3</sup>.

■ Much of the increase in log export volumes is accounted for by a huge increase in log exports to China both from Sabah (up 200%) and Sarawak (up 115%). China's demand for logs during 1999 was fueled by the introduction of zero-tariffs on log imports; the launch of China's Natural Forest Protection Program; the growth of processing industry; and liberalisation of the Chinese importer sector.

■ Overall Malaysian sawn lumber exports remained relatively flat compared with the previous year at 2.7 million m<sup>3</sup>. A decrease in sawn lumber exports from Sarawak as logs were diverted to the Chinese market, was compensated by a significant increase in exports from Peninsular Malaysia.

■ There were clear signs of reviving demand for Malaysian sawn lumber in Far Eastern markets - notably Thailand, the Philippines, and South Korea - as the regional economy improved.

■ There was particularly a significant shift in the structure of Sabah's export trade.

Malaysian exports of hardwood primary products (000s m <sup>3</sup> )				
	1997	1998	1999	% Change
<b>Peninsular Malaysia</b>				
Logs	0	0	0	0.0
Sawn	893	829	974	17.5
Plywood	286	262	281	7.3
Veneer	2	11	10	-3.5
<b>Sabah</b>				
Logs	355	577	1059	83.5
Sawn	866	802	851	6.2
Plywood	1537	1262	942	-25.3
Veneer	171	182	401	120.5
<b>Sarawak</b>				
Logs	6234	5006	5940	18.7
Sawn	1249	1073	963	-10.3
Plywood	1915	2104	2117	0.6
Veneer	573	538	546	1.5
<b>All Malaysia</b>				
Logs	6592	5583	6998	25.3
Sawn	3007	2703	2788	3.1
Plywood	3826	3631	3340	-8.0
Veneer	747	730	957	31.1

Plywood exports declined 25%, while veneer exports increased 120%. Sabah's plywood exporters were hit during 1999 (and into 2000) by rising log prices and fierce price competition from Indonesian plywood manufacturers. With markets for Malaysian plywood so weak, larger volumes of wood were exported in veneer form.

■ Increasing Malaysian exports of veneer were also fueled by the recent growth in China's furniture industry and the emergence of Chinese demand for interior house improvement. Exports of veneer from Sabah to China rose from only 59,000 m<sup>3</sup> in 1998 to 237,900 m<sup>3</sup> in 1999.

Malaysian logs and sawn lumber exports by destination									
000s m <sup>3</sup> - Source MTIB									
	West Malaysia 1998	Sabah 1998	Sarawak 1998	All Malaysia 1998	West Malaysia 1999	Sabah 1999	Sarawak 1999	All Malaysia 1999	% Change 1998/99
<b>Logs by destination</b>									
Japan	0	144	2081	2225	0	212	2072	2284	2.7
China	0	140	601	741	0	420	1288	1708	130.6
Taiwan	0	31	939	970	0	58	862	919	-5.2
India	0	21	719	740	0	11	830	840	13.6
Hong Kong	0	19	371	390	0	0	430	430	10.3
South Korea	0	57	177	235	0	73	321	394	67.9
Indonesia	0	156	1	157	0	253	0	253	61.0
Thailand	0	7	90	96	0	21	68	89	-7.4
Others	0	2	28	29	0	11	69	80	172.1
Total	0	577	5006	5583	0	1059	5940	6998	25.3
<b>Sawn by destination</b>									
Thailand	126	104	129	360	218	119	153	490	36.3
Holland	175	86	7	268	178	88	6	271	1.2
Philippines	1	69	147	216	4	83	183	269	24.5
Japan	40	155	41	237	47	177	36	260	9.8
Singapore	129	18	116	263	172	11	67	249	-5.2
Taiwan	13	52	208	273	6	44	161	212	-22.3
South Korea	5	52	48	105	9	71	64	144	37.1
China	7	25	93	125	14	43	82	140	12.0
Hong Kong	32	59	41	133	10	62	48	120	-9.5
U.A.E	60	1	28	89	56	0	21	77	-12.9
UK	30	31	4	66	28	36	3	68	3.0
Belgium	67	16	2	85	52	11	3	66	-22.8
South Africa	8	36	28	72	11	39	15	66	-9.1
Germany	27	2	6	35	4	1	4	47	33.0
Saudi Arabia	10	21	19	50	16	9	17	43	-13.8
Yemen	24	18	63	105	26	6	0	32	-69.6
France	4	26	6	37	7	18	6	31	-14.5
Australia	14	10	8	32	14	12	4	30	-5.9
Italy	23	0	13	36	24	0	4	29	-20.1
USA	8	1	7	15	8	3	7	17	12.1
Others	26	19	59	104	32	18	78	128	23.0
Total	829	802	1073	2703	974	851	963	2788	3.1

## China

### Evidence of substitution

While Chinese wood imports are expected to grow strongly over the next decade, there is increasing evidence of substitution. According to an ITTO study by the Chinese Academy of Forestry in Beijing, timber is being replaced as a structural material by cement and steel. In urban areas, metal and plastic are edging wood out of markets for doors and window frames.

China's Projected Timber Supply and Demand, 2010	
	million m3
Total demand	360
Domestic supply	180
<b>Potential shortfall</b>	<b>75</b>
Wood based panel substitution	14
Bamboo substitution	27
Residue recovery	27
Total substitution	116
<b>Actual timber shortfall</b>	<b>64</b>
Source: ITTO, Pine Magazine	

Nevertheless the study concludes that the timber trade should benefit from the rapid growth of Chinese demand, liberalisation of China's importing industry and recent reduction in domestic wood production.

China's housing market is growing rapidly, and urban residential floor space is expected to more than double (to 18m<sup>2</sup> per capita) by 2010. In Shanghai, around 200,000 houses are being built every year. Including furniture and joinery, each house consumes about 2.5 m<sup>3</sup> of timber - which adds up to 500,000 m<sup>3</sup> each year.

Increasing personal incomes are stimulating growth in demand for office buildings, guesthouses and hotels.

Meanwhile, China's furniture industry is expanding rapidly, to supply both domestic and export demand. In the first half of this year, China exported furniture to the value of US\$1.81 billion, already 17% higher than the full year figure for 1999.

### Robust hardwood imports

Chinese wood imports continue at high levels, with indications that both log and sawnwood imports will be well up on last year. Hardwoods continue to dominate the trade. During the first 6 months of this year, China imported 6.3 million m<sup>3</sup> of logs, compared with 10.1 million m<sup>3</sup> for the whole of last year. Log imports comprised 54% hardwood and 46% softwood. First half sawn lumber imports this year hit 1.66 million m<sup>3</sup>, compared with 2.2 million m<sup>3</sup> for the whole of last year. Sawn imports comprised 85% hardwood and 15% softwood. Source: Pine Magazine, ITTO

## Export Markets

### Rising export trend continues

This year's rising trend in US hardwood exports continues. The most recently available data indicates that during the first 5 months of 2000, world exports of US hardwood lumber were up over 11% by volume on the same period the previous year. This increase reflects improved economic conditions in Europe and the Far East. Exports to China have grown particularly dramatically, by 136% to reach 56,000m<sup>3</sup> in the first 5 months of 2000, due to the development of new manufacturing capacity.

US trade reports suggest that overall exports have continued seasonally strong during the summer months. Weak demand in Central Europe has been compensated by lively demand in Southern Europe and increased sales to Southeast Asia.

US hardwood lumber exports to Europe increased 11% during the first 5 months of 2000 compared with the same period in 1999. All the major European markets, with the exception of Germany, recorded an increase.

European demand during the summer has been more mixed. The German trade journal, EUWID, reports that Central

European purchases of American hardwoods during August (including Germany, France and the Benelux countries) have been at unusually low levels even for the time of year. The major factor has been the continuing weakness of the Euro which at the end of August was within half a cent of a new record low against the dollar. High prices and reduced availability due to strong US demand in the second quarter of 2000 have also been factors. The August slowdown in Germany was particularly pronounced, EUWID noting that "business in [American] sawn hardwood has come to an almost complete seasonal standstill...New Contracts between shippers and importers are not expected until September or October".

### European fringes busy

By contrast, markets for American hardwoods on the fringes of the Euro-zone, notably Spain, Portugal and Ireland, have continued to be relatively busy. In these markets, the weakness of the Euro has been compensated by the strength of the construction boom - itself a result of relatively low European interest rates. Lying outside the Euro-zone, American hardwood sales to UK importers have been fair for the summer season. However UK market prospects are now looking more shaky as sterling has also weakened, hitting on 30 August it's lowest level against the dollar for seven years.

With shipments slowing to Europe during the summer period, competition amongst US exporters for sales to Southeast Asia intensified. Demand from the huge and expanding Chinese market remains firm, although importers are becoming increasingly price conscious. There have also been reports of Chinese banks reneging on letters of credit. The large volumes of European beech logs exported to China in the Spring following the storms at the end of 1999 implies intense competition for US alternatives - particularly hard maple. There are signs of improved buying of American hardwoods in Japan, although continuing difficulties in the underlying economy mean that demand there is far from buoyant. Demand continues to improve in Thailand, Malaysia, and South Korea.

### Species breakdown

■ **White Oak:** Northern and Central European demand for higher grades of

### US sawn lumber indicative prices

North Appalachian US\$ MBF CIF UK				
Grade: KD square edged				
Net measure after kilning				
NOTE US prices are highly variable depending on quality and point of origin. These prices are shown only to highlight trends over time.				
Mar	June	July	Aug	
\$/£				
<b>Red oak</b>				
1"	1885	1885	1895	
1.25"	2150	2150	2150	
1.5"	2300	2300	2300	
2"	2650	2650	2630	
<b>White oak</b>				
1"	1600	1600	1600	
1.25"	1800	1800	1800	
1.5"	2300	2300	2300	
2"	2850	2850	2860	
<b>Ash</b>				
1"	1390	1390	1390	
2"	1835	1835	1800	
<b>Tulipwood</b>				
1"	1285	1285	1250	
1.25"	1300	1300	1270	
1.5"	1320	1320	1295	
2"	1340	1340	1310	
<b>Cherry</b>				
1"	3675	3675	3725	
1.25"	3775	3775	3800	
1.5"	3945	3945	3945	
2"	4200	4200	4340	
<b>Hard Maple</b>				
1"	2970	2950	2950	
1.25"	3075	3050	3050	
1.5"	3300	3250	3250	
2"	3420	3400	3400	



# North American Hardwoods

white oak has been slow due to the seasonal slowdown and weak Euro rate. There are occasional reports of improved buying in Ireland. Orders from southern Europe, particularly Spain and Portugal, are reported to be good. Lower grades continue to find a ready market in Southeast Asia.

■ **Red Oak:** demand and prices are heavily dependent on US domestic markets. The wet weather conditions in the North have inhibited production this year, and there are reports of shortages in some areas. However concerns over deteriorating business conditions have meant that buyers are more reluctant to pay higher prices. Export demand for lower grades of red oak in Mexico and Southeast Asia is firm.

■ **Hard Maple:** Due to poor weather, production of hard maple was lower than usual this year. Harvesting is now over for the summer season and will not resume until September or October. Export demand for the species has been undermined by high prices, exchange rates, and competition from European beech. However supplies to export markets are relatively limited and most analysts believe prices will remain firm.

■ **Cherry** remains one of the most popular American hardwoods and strong demand in the US has pushed prices to high levels. There is strong demand for the best cherry logs for veneers, which has resulted in lower availability of high grade lumber. Export sales during the summer have been slow due to the high price and weak Euro. Importers have been actively seeking alternatives. Prices for high graded cherry seem to have reached a high plateau

■ **Ash:** demand for the higher grades of northern and Appalachian ash is steady in the UK and other parts of northern Europe. Demand for northern ash is reasonable in Japan. There is steady demand for lower grade ash in Southeast Asia, China, and Mexico.

■ **Tulipwood:** orders from Italy, the major European market for tulipwood, are picking up. Demand in China for lower grades is firm.

■ **Walnut:** there are continuing reports of growing interest in walnut amongst both domestic and overseas buyers. As a result kiln dried lumber prices have been on the rise.

■ **Birch:** both domestic and overseas demand continues to improve. Wet weather in the north has hampered logging and led to restricted availability.

## Hardwood supply Inventories low for time of year

US kiln dried inventories are unusually low for the summer months, a time often characterised by over-production. Low KD inventories partly reflect relatively buoyant US demand during the summer season. The changing economic demands of the US hardwood industry - including rising interest rates which have increased the cost of maintaining inventories - have also increased the emphasis on stock control.

Unusually wet weather during the spring and summer meant that log yards are depleted in the Midwest, New England and Canada. US trade press reports suggest that some Northern mills had to suspend operations to give time to build up inventories to ensure more efficient wood processing.

Some sawmills are suffering from labour shortages and are having difficulties increasing production.

## US domestic market Economy cools - but heads for a soft landing

August has been a happy month for Wall Street traders. Stock prices have been inching back towards their earlier peaks. Investors are confident that the Federal Reserve's recent series of interest rate hikes has halted in the face of mounting evidence that the US economy is slowing to more sustainable rates of growth. As predicted the Fed decided to leave interest rates unchanged at their meeting on 22 August. Furthermore, a rate rise at the next meeting of the interest-setting Open Markets Committee in October seems most unlikely given the Fed's understandable reluctance to face accusations of influencing November's Presidential election.

In almost every traditional sector of the economy, including housing, retailing, road haulage, railways, consumer products and manufacturing, there are signs that the US economy is cooling. However no sector is showing signs of the kind of disastrous implosion that often precedes a recession. This has raised hopes of a "soft landing". During the summer months, US hardwood demand remained relatively buoyant for the time of year. Most hardwood-using industries still have well filled order books. Demand from the furniture sector remains firm and is satisfactory in the kitchen cabinet sector. Most millwork shops still

have several months of orders to fill. Nevertheless, clear evidence of slowing house sales and residential and commercial building activity in response to higher interest rates, has led to expectations of slowing hardwood demand during the second half of 2000. By the end of August reports were beginning to emerge that furniture manufacturers were reducing purchases of green lumber in anticipation of lower orders, while some kitchen cabinet manufacturers are facing growing inventories of finished goods. US flooring sales were very firm during the first half of the year - contributing to rising prices for lower grade oak and hard maple lumber - but flooring manufacturers are expected to reduce purchases of green lumber during the Autumn.

While overall US domestic demand has been buoyant, there are regional variations. Hardwood lumber demand is particularly strong in the southern states, notably for all grades of red oak. Demand in the northern states is also relatively healthy, although now showing signs of slowdown as the economy cools. The lumber business in the Appalachian region has been slower over recent weeks, forcing some sawmills to temporarily cease operations. The effects of falling regional demand in the Appalachians have been compounded by weak European markets during the summer vacation period.

## Environment More retailers commit to forest certification

Two more large US retailers have announced policies to tighten up the environmental requirements placed on suppliers. On 8 August, the US second largest home improvement retailer, announced its intention to phase out wood products sales from "endangered forest" Lowe's will give preference to third party audited forests. Lowe's announced they would draw on information supplied by the the World Resources Institute, a Washington-based research group, who are currently preparing a map of forests and the risks they face. They also endorsed the FSC certification model.

On 24 August, 84 Lumber Company, one of the US largest suppliers of building materials, announced their intention to "*phase out sales of wood from endangered forests during the next three years*" 84 Lumber is now conducting an evaluation of its purchasing policies and procedures.

■ **Tropical Sawn Lumber** - The EU's imports of tropical sawn lumber were valued at Euro 999 million during 1999. Four countries dominate the supply picture: Malaysia (26% by value); Ivory Coast (17%); Cameroon (17%) and Brazil (15%). The largest European market for tropical sawn lumber is the Netherlands, with imports valued at Euro 200 million in 1999, followed by Italy (Euro 174 million), Spain (Euro 158 million), and France (Euro 135 million). The Dutch figures need to be considered in the light of the nation's role as a transport hub with significant volumes transhipped to other European countries. By the end of the first quarter this year, EU imports had reached Euro 283 million, implying relatively firm buying this year. Imports from Malaysia were reasonably strong in the first quarter, lending credence to anecdotal evidence that importers built up sizable stocks of Malaysian sawn lumber early in 2000 which, due to the strength of the dollar, are now proving difficult to shift. EU imports of sawn lumber from Ivory Coast and Ghana are running at slightly lower levels this year due to resource constraints and tightening forest legislation in both countries.

Value of European Wood Product Imports (From Outside the EU) millions Euros			
	1999 Year	2000 1st Qtr	2000 1st Qtr Annualised
Tropical logs	509	133	531
Beech logs	82	30	121
Oak logs	38	13	54
Eucalyptus logs	93	37	146
Other hardwood logs	571	147	586
Tropical sawn lumber	999	321	1282
Beech sawn lumber	241	73	292
Oak sawn lumber	423	121	485
Other hardwood lumber	586	171	683
Planed/sanded lumber	129	31	124
Veneers (a)	588	167	668
Plywood (a)	1052	353	1411
Shaped wood (a, b)	404	118	471
B, J & C (a, c)	1149	320	1280
Wood Furniture (a)	4525	1380	5521

Notes:  
a. Includes products of both hardwood and softwood  
b. "Shaped wood" includes strips and friezes for parquet flooring (unassembled) and other wood which is tongued, grooved, moulded or the like along any of its edges  
c. "BJ&C" includes windows and their frames, doors and their frames, assembled parquet panels, shuttering, shingles, and glulam  
Source: Eurostat, hardwoodmarkets.com

■ **Temperate Sawn Lumber** - Most European beech sawn lumber is produced within the EU. Nevertheless the EU imported beech sawnwood with a total value of Euro 240 million last year from Eastern Europe. Over recent years a significant trade has built up from the former Yugoslavia supplying mainly Italy and Austria. Some of this wood is used for furniture production in the EU, some is re-exported to the Far East. Poland is supplying significant volumes of beech sawn lumber primarily to Northern Europe, while Romanian supplies are focused mainly on the German market.

The USA dominates EU oak sawn lumber import figures, accounting for Euro 271 million of the total Euro 423 million imported during 1999. Oak sawn lumber imports from Croatia have increased over recent years, reaching Euro 37 million in 1999. Croatian supplies are destined primarily for Italy and Austria. EU imports of both beech and oak sawn lumber were relatively robust during the first quarter of 2000. There is evidence of a shift away from Bosnian stock in favour of Croatian and Polish beech.

■ **Plywood** - The EU imported plywood with a total value of Euro 1052 million during 1999, the major suppliers being Indonesia (Euro 302 million), Brazil (Euro 171 million) and Russia (Euro 116 million). The United States is a notable absentee from the list of leading suppliers in 1999, a reflection of high prices in the face of buoyant US domestic demand and the comparative strength of the dollar. Germany and the UK were by far the largest European markets for imported plywood during 1999.

The first quarter data indicates a significant surge in EU imports from Brazil, probably due to rising purchases of Elliotts Pine plywood from plantation stock in southern Brazil.

■ **Veneers** - In 1999, the EU imported veneers to the value of Euro 588 million, the US being the major supplier (Euro 235 million), followed by the Ivory Coast and Ghana (Euro 48 million and 35 million respectively). Demand is closely associated with the furniture sector, with the largest markets being Germany, Italy and Spain. European veneer markets have been strongly influenced this year by the storm damage in December 1999. Supplies of veneer logs have been readily available in

the EU. Stocks of veneers have built up in both France and Germany. Nevertheless imports from outside the EU during the first quarter of the year were relatively strong, with the US and Switzerland increasing market share. The data seems to confirm trade reports that European demand for veneer has been firm this year - boosted by expanding furniture sales and construction activity. Switzerland was itself hit by the storms, and may also have imported significant volumes of veneer logs from neighbouring countries, which may explain rising EU veneer imports from there during the first quarter.

■ **Further processed products** - As European primary wood products imports have tended to decline over recent years, further processed products imports have tended to increase. In terms of value, the EU's imports of further processed products (including both softwood and hardwood) during 1999 amounted to Euro 6079 million, comprising Euro 404 million of "shaped wood" (e.g. strips for parquet flooring, mouldings), Euro 1149 million of "Builders Carpentry and Joinery", and Euro 4526 million of wooden furniture. Amongst the wide range of supplying countries, Poland and Indonesia are particularly significant.

Poland was by far the EU's leading external supplier of wood furniture during 2000. German and other European furniture manufacturers have invested heavily in lower cost production units in Poland over recent years. Most wood furniture manufactured in Poland crosses the border into neighbouring Germany.

Indonesia is the EU largest external supplier of builders carpentry and joinery and of "shaped wood" (e.g. mouldings), and the second largest supplier of wood furniture. Indonesia is a particularly significant supplier of these products to the Netherlands, Belgium, the UK and Spain. Indonesia's shift to value added exports followed on from Indonesia's regime of high export taxes on primary products during the 1990s. The weakness of the rupiah means that Indonesian products are currently very competitive.

With its rapidly expanding furniture sector, China is one country to watch in the EU wood furniture import figures this year. The first quarter data suggests that EU wood furniture imports from China this year are running at noticeably higher levels than in 1999.

# European Hardwoods

## Uncertainty over beech availability

In early September, the European hardwood market is just emerging from the usual summer slowdown. Prices for high quality sawn European beech and oak have remained stable throughout the summer. The major issue now facing the market for European hardwoods is the likely availability of new season beech this year after the devastation wrought during the storms last season, and at what price level?

European hardwood mills are beginning operations again after the vacation period. Activity during the Autumn is expected to focus particularly on the processing of beech logs felled during last years storms and subsequently stored in irrigated yards. This process should be complete by the end of the year.

The storm damage means that extraction of beech logs is expected to be severely curtailed in France this year. The French authorities in many regions are restricting harvests to the removal of wood still attached at the roots. The quality of new season beech logs may therefore be impaired. There is also some speculation that limited log volumes may be translated into rising beech log prices during the winter season.

## Chinese puzzle

One area of uncertainty is the likely level of Chinese demand for beech this season, both in log and sawn form. There are varying views on the current status of Chinese stocks. Chinese importers bought heavily in beech logs during the Spring, soaking up last season's excess production in anticipation of lower availability in the coming season. However there are question marks over the quality of beech logs shipped last season and over the volume of high quality processed beech now available

to Chinese manufacturers.

In the meantime, European exporters report steady sales to China over the summer months, with some referring to downward pressure on prices due to the presence of high log stocks built up in the Spring. Most are optimistic that there will be steady Chinese demand for beech this season.

The German trade journal EUWID reports that there was steady demand at constant prices during the summer for steamed and edged grades of German sawn beech on export markets in the UK, Netherlands and Denmark. However the freighting business to Spain ground to a halt over the summer vacation period. Germany's domestic market for beech was slow during the summer due both to the vacation and continuing uncertainty over the direction of the German economy. The slowdown contributed to downward pressure on price levels for lower grades of beech sawn lumber.

## Oak market stable

The market and prices for higher grades of European oak sawn lumber are expected to remain stable in the second half of 2000. Although large volumes of oak were felled during the storms last season, the wood is less susceptible to rot than beech and has a lengthier drying cycle. As a result supply volumes can be spread over a longer period and may be more easily adjusted to match variations in demand.

The UK has imported relatively high volumes of oak logs from France this year. Much of the volume consists of storm felled material destined for the manufacture of beams. As there is no large producer of quality oak sawn lumber in the UK, the rising log import is unlikely to impact on the UK market for the sawn product.

## Construction sector

### 3% growth forecast this year

New forecasts for the development of the European construction industry were released at the Euroconstruct Conference in Vienna in June. The construction industry throughout the 15 EU states is expected to grow by 3.0% this year. However the rate of growth is forecast to slow during 2001 and 2002 to 1.6% and 1.5% respectively.

The current outlook for the European construction industry during the year 2000 is more optimistic than anticipated earlier this year at the previous Euroconstruct Conference. The construction industry is

Annual growth in construction output % growth by value					
	1998	1999	2000 (f)	2001 (f)	2002 (f)
Austria	4.1	1.5	1	1	1.5
Belgium	3.2	3.7	3.9	1	2.4
Denmark	2.7	-7.3	0.9	1.4	1.8
Finland	11.7	5.1	7.1	2.1	1.6
France	1.9	6.5	5	1	1.4
Germany	-3.9	0	0.5	1	1.7
Ireland	7.3	11	6.7	8.2	2.7
Italy	2.7	5.2	2.6	0.8	0.7
Netherlands	3.2	4.5	3.9	1.8	0.9
Norway	-5	-0.7	6.2	-0.6	-0.6
Portugal	5.9	5.4	4.7	3.8	4
Spain	6.2	8.8	6.6	3	2.4
Sweden	3.4	2.3	4.7	5.6	4.1
Switzerland	-1.2	-1.3	1.2	2.5	2.1
UK	1.7	1	2.7	2.1	0.5
<b>EU -15</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>1.6</b>	<b>1.5</b>

profiting from the general economic upswing in Western Europe. For the first time in ten years, European construction output in 1999 grew more strongly than the overall economy.

According to the Euroconstruct report "These developments are expected to take place against the background of generally favourable conditions. Overall demand is increasing, real wages and disposable income are rising, the employment situation is favourable, inflation is low and interest rates on loans (despite a recent increase) continue to remain considerably below the long-term level."

Nevertheless the rate of construction growth increase is expected to decline in 2001 and 2002 for the following reasons:

1. the after-effects of rises in long term interest rates in 1999.
2. the supply of dwellings is already fully sufficient and the market is showing signs of saturation. Residential units are proving increasingly difficult to sell or rent.
3. due to the great significance of residential construction to the construction industry as a whole (just under 50% by volume), stagnation in residential construction is expected to slow growth throughout the entire industry.

## European economy

### Euro nose dive

The Euro took another dive at the end of August. This time the fall was caused by the release of a much-watched index of business confidence in Germany published by Ifo, a research institute which fell sharply, unexpectedly, and for the second month running. The fear of a slowdown in Europe's largest economy was enough to send the Euro below 90 American cents for the first time in three months.

Continued page 13

European sawnwood indicative prices			
	June	July	Aug
Exchange rates			
DM/£	3.09	3.17	3.21
DM/US\$	2.04	2.12	2.26
Northern Germany, DM/m3, C&F, UK Port			
<b>German beech</b>			
Grade: kiln dried, steamed and square edged.			
1"	1750	1750	1750
2"	1800	1800	1800
<b>German oak</b>			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available - French prices are similar to German prices			





# Other news

## Indonesia

### Koreans in deal to develop pristine forest region

Four South Korean private companies will form a consortium to build a US\$1.7 billion highway network covering the Papua province of Indonesia, formerly known as Irian Jaya, according to the Indonesian business newspaper, *Bisnis Indonesia*. The four companies - Initiative Co Ltd, Dong Ah CVo Ltd, Tong Woo Co Ltd and Chong Buk Co Ltd - signed a memorandum of understanding on the project in early August with the Papua vice governor. The memorandum said the four companies will form a consortium and build a network of highways totalling 11,280 kilometres. Under the deal, the government will not contribute funds but will allow the consortium to sell wood felled to make way for the road network. The consortium will also be compensated with plantation and forestry concessions for a period yet to be

decided. An initial survey will be launched soon and the construction of the highway network, estimated to take 10 years, is projected to start in 2001.

Papua, which has a surface area of 41 million hectares or about 22% of the land surface of Indonesia, is currently served by a network of roads of just over 5,000 kilometres. Communications depend heavily on air and sea transport. Papua hosts the one of the largest expanses of pristine rainforest in Southeast Asia. About 35 million hectares (86%) of the province is under forest. However the most valuable dipterocarp species are generally poorly represented in the region, the forest is more mixed than elsewhere in Indonesia and of generally lower commercial value. Timber species include Bintangor (*Calophyllum* spp.) and Merbau (*Intsia* spp.) in the lowlands and the coniferous species *Agathis* and *Araucaria* in the hills.

## Forest resources

### Deforestation down 10%

Tropical countries continue to suffer deforestation, but the rate is slowing according to the United Nations Food and Agriculture Organization (FAO). Analysis of more than 300 satellite images shows that the rate of deforestation in tropical countries was at least 10% less over the past 10 years compared with the previous decade. Half the satellite images showed a reduced rate of deforestation, but 20% showed an increase, said the FAO study. The results will be published as part of the FAO's Global Forest Resources Assessment 2000, due to be released by the end of the year.

Forests and other wooded lands cover almost one third of the planet, but between 1990 and 1995, 65.1 million hectares (160 million acres) of forests were lost in developing countries alone. At the same time, there is increasing recognition that forests may be the best line of defense against climate change because of their ability to absorb carbon dioxide, the major heat trapping greenhouse gas. A reduction in deforestation and uncontrolled forest fires would increase the capacity of the forests to act as a carbon sink.

The global trade in forest products amounted to \$135 billion in 1997. With between 70 and 100 countries unable to meet their current needs for forest products, this trade is likely to increase, the United Nations Commission on Sustainable Development says. Principal causes of deforestation are large economic development programs involving resettlement, agriculture and infrastructure in Latin America and Asia. Overharvesting of wood, overgrazing, fire, insects, diseases, storms and air pollution add to forest degradation, the FAO study shows.

### Indonesia and Malaysia seek to resolve illegal logging dispute

A joint Malaysian-Indonesian fact finding mission is being established to investigate the trade in illegal timber in border areas. The move aims to resolve a bitter dispute which has arisen between the two countries over the alleged involvement of Malaysian timber companies in illegal logging in Indonesia. Earlier this year, the Indonesian authorities alleged that Malaysian companies were involved in the trade which they claim involves the transfer of at least 100,000 m<sup>3</sup> of logs from Kalimantan into Malaysia each month.

Exchange rates for one pound sterling and one US dollar

		30-Jun		28-Jul		8 - Sep	
		£STG	US\$	£STG	US\$	£STG	US\$
Argentina	Peso	1.5100	0.9998	1.5033	0.9994	1.4223	0.9994
Australia	Aus.\$	2.5214	1.6656	2.5594	1.7015	2.5615	1.7999
Bangladesh	Taka	77.2064	51.0000	76.7117	51.0000	76.8502	54.0000
Belgium	Belgian Fr.	63.7093	42.0843	65.4485	43.5119	66.2624	46.5604
Belize	B\$	2.9823	1.9700	3.0083	2.0000	2.8463	2.0000
Bolivia	Boliviano	9.2951	6.1400	9.2506	6.1500	8.8805	6.2400
Botswana	Pula	7.7415	5.1138	7.8037	5.1881	7.4181	5.2124
Brazil	Real	2.7310	1.8040	2.6932	1.7905	2.5923	1.8215
Fr. Africa*	CFA Fr.	1035.96	684.33	1064.24	707.54	1077.48	757.11
Canada	Canadian \$	2.2431	1.4817	2.2220	1.4773	2.1042	1.4786
Chile	Peso	813.694	537.500	836.007	555.800	806.143	566.450
China	Yuan	12.5320	8.2782	12.4535	8.2794	11.7828	8.2794
Czech Republic	Koruna	56.2623	37.1650	57.6752	38.3440	57.9692	40.7330
Denmark	Danish Krone	11.7814	7.7824	12.0964	8.0420	12.2491	8.6070
Estonia	Kroon	24.7136	16.3250	25.3869	16.8779	25.6967	18.0562
Europe	Euro	1.5793	1.0432	1.6225	1.0786	1.6426	1.1542
Finland	Markka	9.3902	6.2029	9.6465	6.4133	9.7665	6.8626
France	Franc	10.3596	6.8433	10.6424	7.0754	10.7748	7.5711
Germany	D-mark	3.0889	2.0404	3.1732	2.1097	3.2127	2.2574
Ghana	Cedi	8560.85	5655.00	9965.04	6625.00	10531.30	7400.00
Guyana	Guyanese \$	273.250	180.500	271.499	180.500	259.440	182.300
Hong Kong	HK\$	11.8009	7.7953	11.7297	7.7982	11.0987	7.7987
India	Rupee	67.6275	44.6725	67.4988	44.8750	64.9526	45.6400
Indonesia	Rupiah	13250.0	8752.5	13454.6	8945.0	11918.9	8375.0
Irish Republic	Punt	1.2438	0.8216	1.2778	0.8495	1.2937	0.9090
Italy	Lira	3057.98	2020.00	3141.45	2088.52	3180.52	2234.85
Japan	Yen	160.1730	105.8050	164.9000	109.6300	151.0110	106.1100
Kenya	K. Shilling	117.7020	77.7500	111.7580	74.3000	110.6070	77.7200
Korea South	Won	1687.98	1115.03	1679.76	1116.75	1578.27	1109.00
Liberia	Liberian \$	1.5139	1.0000	1.5042	1.0000	1.4232	1.0000
Malaysia	Ringgit	5.7526	3.8000	5.7158	3.8000	5.4080	3.8000
Myanmar	Kyat	9.4616	6.2500	9.4034	6.2517	9.3373	6.5610
Netherlands	Guilder	3.4804	2.2990	3.5754	2.3770	3.6198	2.5435
New Zealand	NZ\$	3.2159	2.1243	3.2889	2.1865	3.3929	2.3841
Nigeria	Naira	159.106	105.100	158.989	105.700	148.435	104.300
Papua NG	Kina	3.7106	2.4511	3.9741	2.6421	3.7958	2.6672
Philippines	Peso	65.4438	43.2300	67.6116	44.9500	64.8246	45.5500
Poland	Zloty	6.5928	4.3550	6.5378	4.3465	6.2868	4.4175
Portugal	Escudo	316.624	209.151	325.267	216.246	329.312	231.397
Romania	Leu	32305.6	21340.0	32895.8	21870.0	33224.9	23346.0
Russia	Rouble	42.4938	28.0700	41.8455	27.8200	39.6789	27.8810
Singapore	Singapore \$	2.6175	1.7290	2.6090	1.7345	2.4706	1.7360
Solomon Islands	Slnm. Is. \$	7.6547	5.0564	7.6056	5.0564	7.1960	5.0564
South Africa	Rand	10.2639	6.7800	10.4727	6.9625	10.1075	7.1022
Spain	Peseta	262.776	173.581	269.949	179.469	273.306	192.043
Sweden	Krona	13.2780	8.7710	13.7218	9.1226	13.7242	9.6435
Taiwan	\$	46.6266	30.8000	46.6588	31.0200	44.1960	31.0550
Tanzania	Shilling	1210.70	799.75	1201.07	798.50	1138.52	800.00
Thailand	Baht	59.3808	39.2250	62.0989	41.2850	59.1960	41.5950
Uganda	New Shilling	2376.75	1570.00	2440.49	1622.50	2483.40	1745.00
U.S.A	US \$	1.5139	1.0000	1.5042	1.0000	1.4232	1.0000
Venezuela	Bolivar	1032.45	682.00	1034.25	687.60	981.62	689.75
Vietnam	Dong	21319.6	14083.0	21196.5	14092.0	20114.8	14134.0
Zimbabwe	\$	58.0562	38.3500	57.6842	38.3500	72.7230	51.1000

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

# Association Profile - IWPA - USA

## Members - 195 worldwide

The International Wood Products Association (formerly the International Hardwood Products Association) was founded in 1956 and now has 195 members globally, of which 95 trade in, and ship, imported wood products in the USA.

Based just outside Washington DC, the association is committed to programmes for the development of imported wood products in the USA, including conservation, market

research and industry standards. IWPA is administered by voting members and is internationally recognised by CITES, IFF, ITTO, Mahogany Working Group, and UNCSD.

IWPA is a member of other international organisations in the international forest products industry, including AF&PA, ATIBT, the Tropical Forest Foundation and the World Forest Institute.

IWPA publishes standards, statistics and its

own membership list, orders for which can be placed via the association's website.

### For additional information, contact:

**IWPA, 4214 King Street,  
West Alexandria, Virginia 22302,  
USA**

**Tel (703) 820-6696;**

**Fax (703) 820- 8550**

**Email [info@iwpawood.org](mailto:info@iwpawood.org)**

**Website [www.iwpawood.org](http://www.iwpawood.org)**

## Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2000</b>				
18-20 Sept	Int'l. Woodworking Machinery & Furniture Supply Fair	Georgia World Congress Center, Atlanta, GA	Woodworking & furniture industry	ph. +1 770-246-0608
20-23 Sept	NHLA Annual Convention	Marriot Wardman Park Hotel	American hardwood producers and traders	NHLA Memphis; ph. +1-901-377-1818
6-8 Oct	Euroholz	Messe Stuttgart, Germany	Wood technology	Tel: +49 7 11/25 89-4 48; fax: +49 7 11/25 89-2 75
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
<b>2001</b>				
14-16 Mar	IWPA 45th Annual Convention	Condado Plaza San Juan, Puerto Rica	Timber trade and industry	IWPA - Tel (703) 820-6696 Fax (703) 820- 8550
18-25 April	16th Commonwealth Forestry Conference	Fremantle, Australia	Forestry	Libby Jones, UK Forestry Commission, Tel 44-(0)-131-314 6137; Fax 334 0442;
18-22 May	Interzum	Cologne Fair	Furniture industry	Koln Messe
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

## Malaysian Timber Marketing Convention (MTMC) - Latest

The MTMC scheduled for 28-29 September 2000 in Kuala Lumpur will include a special session on the timber market in China in recognition of the nation's 1.2 billion potential timber consumers and its impending entry into the WTO. The session will be boosted by the presence of a trade delegation comprising 27 Chinese businessmen. Another session will cover markets in the Middle East, South Africa,

India and Australia. To keep abreast of global issues affecting the trade, the programme dedicates another session to timber certification. The Malaysian Primary Industries Minister will lead an interactive session on issues related to Malaysia's timber industry. MTMC also features a Timber Products Exhibition. More from:

Malaysian Timber Council, London - Tel: +44 (0) 171 222 8188; Fax: +44 (0) 171 222 8884; email: [council@mtc.co.uk](mailto:council@mtc.co.uk)

## Appointment

The Association Technique Internationale des Bois Tropicaux (ATIBT) is seeking a Communication Officer. He/she will be in charge of the association's communication media. Required qualifications include: native English speaker with a good knowledge of French; a University degree in forestry; and computer literacy. The job is based in Paris and a non limited contract is offered. More from ATIBT: Tel.+33 1 43 42 42 00, Fax +33 1 43 42 55 22.

### **EU imports robust this year**

**hardwoodmarkets.com** review of the most recent EU hardwood import data for the full year 1999 and first quarter 2000 indicates that EU imports have been robust this year for all the principle product groups including tropical and temperate hardwood logs and sawn lumber; veneers; plywood; builders carpentry and joinery; and wooden furniture. **Pages 1/10**

### **Uncertainty over beech log supply**

In early September, the European hardwood market is just emerging from the usual summer slowdown. Prices for high quality sawn European beech and oak have remained stable throughout the summer. The major issue now facing the market for European hardwoods is the likely availability of new season beech this year. The storm damage means that extraction of beech logs is expected to be severely curtailed. There is some speculation that limited log volumes may be translated into rising beech log prices during the winter season. However beech stock levels in China are a major area of uncertainty. **Page 11**

### **Euro's nose-dive**

The Euro has taken another nose-dive, largely a response to uncertainty over Germany's economy. The European Central Bank also increased interest rates by a quarter point due to concerns over inflation - particularly on the fringes of the Euro-zone. However other indicators are more positive, suggesting robust economic growth throughout the Euro-zone this year. Construction sector activity is expected to expand by 3%. **Page 11**

### **Malaysian exports hit by falling Euro**

European imports of sawn lumber from Malaysia have been hit by the weak Euro rate and summer slow down. Malaysian exporters have been dropping prices for Dark Red Meranti (DRM) in an effort to stimulate trade and maintain cash flow. Meanwhile European importers have built up excess stocks of DRM. **Page 6**

### **African forward market booked out**

Log supplies are very limited throughout central and western Africa, a situation which is only partly due to the current rainy season. Forest resources in some countries are depleted - notably the Ivory Coast and Ghana - while in many countries legislative controls on logging have tightened. Most reputable mills throughout the region supplying sawn redwoods to the European market are now booked out until December or January. **Page 4**

### **US exports continue to rise**

This year's rising trend in US hardwood exports continues. During the first 5 months of 2000, world exports of US hardwood lumber were up over 11% by volume on the same period the previous year. This increase reflects improved economic conditions in Europe and the Far East. Exports to China grew particularly dramatically, by 136% to reach 56,000m<sup>3</sup>. US exports have continued seasonally strong during the summer months. Weak demand in Central Europe has been compensated by lively demand in Southern Europe and increased sales to Southeast Asia. **Pages 8/9**

### **US economy heads for soft landing**

In almost every traditional sector of the US economy, including housing, retailing, road haulage, railways, consumer products and manufacturing, there are signs that the US economy is cooling. However no sector is showing signs of the kind of disastrous implosion that often precedes a recession, raising hopes of a "soft landing". **Page 9**

### **Mahogany soaked up by US**

The dry season is well underway in northern Brazil. Air dried mahogany sawn lumber has been on offer since mid August. The vast majority is being absorbed by the US market at high prices. Meanwhile further restrictions on the harvest and export of mahogany are being imposed by the Brazilian authorities this year. **Page 3**

### **Japan still looks shaky**

The Japanese economy continues to look shaky. Japan's government raised interest rates for the first time in 10 years during the summer. Soon after, IMF published its annual assessment of the Japanese economy, warning that the recovery was fragile, and urging maintenance of the zero interest rate policy. Projection's of Japanese wood products imports released by the nation's Forestry Agency suggest that total imports of logs, lumber, and plywood will be around 27.9 million m<sup>3</sup>, 3% down on last year. **Page 6**

### **Malaysian imports 1999**

Malaysian logs, sawn and veneer exports increased by 25%, 3% and 31% respectively last year. However plywood exports fell 8%. Sabah's export structure underwent notable changes during 1999. **Page 7**

### **Chinese substitution**

Although Chinese wood imports are expected to grow strongly over the next decade, there is increasing evidence of substitution. According to an ITTO study by the Chinese Academy of Forestry in Beijing, timber is being replaced as a structural material by cement and steel. In urban areas, metal and plastic are edging wood out of markets for doors and window frames. **Page 8**

### **Exchange rate volatility**

The recent strength of the dollar has highlighted the immense influence of shifting exchange rates on international trade. The huge and relatively rapid movements of capital now possible in a globalised economy have contributed to greater volatility in financial markets, with profound implications for the hardwood industry. **Editorial Page 2**

### **Koreans develop roads in Papua**

A Korean consortium is to develop a network of roads throughout Papua, the Indonesian province containing SE Asia's largest intact area of rainforest. **Page 14**