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Contents

European hardwood demand.....	1/10
Editorial.....	2
Africa	
Tropical logs.....	2
Tropical sawn.....	3
Liberia.....	3
Ivory Coast.....	4
CAR.....	4
Ghana.....	4
Asia	
Changing direction of trade.....	5
Japanese trade.....	5
Chinese trade.....	5
Malaysian sawn lumber.....	6
Indonesian trade controls.....	6
Sarawak exports.....	6
Asian logs/Asian plywood.....	6
South America	
Brazilian sawn lumber & decking.....	7
Brazilian plywood.....	7
Peru.....	7
North America	
Domestic demand.....	8
Export demand.....	8/9
Species breakdown.....	9
Europe	
German hardwoods.....	10
French hardwoods.....	10
Beech trade with China.....	10
Polish hardwoods.....	10
Croatian hardwoods.....	10
Romania hardwoods.....	10/11
Yugoslavia.....	11

Statistics in this issue

■ Ghana exports.....	4
By major products and destination, 2002	
■ Chinese imports.....	5
Lumber by destination, 2002	
■ Japan imports.....	5
Tropical hardwood logs, 2002, volume	
Temperate hardwoods, 2002, volume	
■ Peru wood products exports.....	7
By product & destination 2002, volume	
By main product & destination country	

European demand hesitant

Overall European demand for hardwoods remains slow, with national economies in several countries, most notably Germany, looking shaky. German construction activity remains very sluggish. The German Federal Statistical office notes that approvals for residential construction were 5.8% lower in 2002 than in the previous year. As a reflection of the continuing weakness of the market in 2003, total sales by the German building sector in January this year were nearly 17% down on the same month in 2002. German furniture sales in 2002 were down nearly 10% compared to the previous year, with a particularly large fall in domestic sales. Against this background it is little surprising that demand for hardwoods from the German veneer and parquet sectors has remained weak.

Continental Europe very sluggish

Demand for hardwoods in other parts of continental north western Europe is also sluggish. The furniture industry in France, Belgium and the Netherlands continues to suffer, with further bankruptcies predicted for the first half of 2003. The construction industry in all three countries shows little sign of improvement, as financial markets have weakened.

Uncertainty in the U.K.

Hardwood demand in the UK is a little better, propped up by government expenditure designed to improve public services and infra-structure, and by steady residential construction activity on the back of low interest rates. However, commercial construction (offices, retail outlets) - which provides the major driver of demand for high quality hardwoods - remains sluggish. UK furniture production has also been in long term decline. There is therefore a great deal of uncertainty about future prospects which has encouraged most importers to adopt a

wait-and-see approach to purchasing. The most positive reports relate to the hardwood flooring sector which may still have room for expansion. Eastern European hardwoods are also making more inroads into the United Kingdom market. As larger volumes of Eastern European sawn hardwood are becoming available in the desired UK specification (i.e. kiln dried and square edged), purchasing of waney edged lumber from western Europe is in general decline in the UK.

Brighter prospects in the south

Prospects for hardwood sales seem better in south-western Europe than in north-western Europe. The size, diversity and innovative capacity of the Italian wood processing industry seems to have provided some measure of protection against the economic down-turn. Demand for hardwoods has remained more stable in Italy than in some other European countries. The joinery and flooring sectors are fairing better than furniture and kitchen manufacturing. According to information supplied by the American Hardwood Export Council, the Saiedue exhibition held in Bologna during March demonstrated that the oak revival continues, with much of the wood derived from Eastern European sources.

Favorable reports from Spain

Recent reports of hardwood demand in Spain have been favourable. There is confidence that the construction sector will perform quite well during 2003, which is generating demand for joinery and flooring timbers. The furniture industry is struggling to cope with a rising tide of competition and is taking steps to cut costs, which is driving efforts to find lower cost substitutes to high value hardwoods. Spanish demand for European sawn lumber has been improving

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Editorial - uncertain times

Reading this month's issue, it is clear that the prevailing mood is one of uncertainty. Of course the war with Iraq is a factor. But this has come at a time when economic conditions in the western world are already causing concern. For the international hardwood trade, the buoyancy and optimism of the year 2000 seem a distant memory. The emerging trade statistics for the year 2002 indicate that global trading volumes continued the general decline first apparent in 2001. China and a few other countries in the Far East have been notable exceptions. But these markets have their own challenges, not least the rising tide of competition, combined with greater

willingness to substitute and a strong focus on cost-cutting.

But there are positive signs. As this journal goes to press, the indications are that the war in Iraq could be short-lived. If so, it may give the global economy a much needed shot in the arm. The international hardwood industry now seems much leaner than just two years ago. All the signs are that production in many producing countries has been cut right back and is now better balanced with global demand. Excepting plywood, prices for most hardwood products now seem more stable.

Yes, there is uncertainty. But it's just possible the worst is already over.

Africa

African logs

Slow European demand

European demand for African hardwood logs was slow throughout the first three months of 2003, continuing the trend towards declining imports apparent in 2002. All the major European log markets, including France, Italy, Portugal, Spain and Germany have been affected. Demand for African logs in East Asia has also been slow to pick up this year, although the market remains more buoyant than in Europe.

Contacts just returning from Cameroon, suggest that there are reasonable stocks of logs for shipment from Douala port in Cameroon, with all the valuable redwood species derived from Central African Republic and northern Congo. This is to be expected at this time of year when the logging season north of the equator is nearing its end and market demand tends to be seasonally high.

Constraints on supply

Despite these reports, various factors suggest that overall levels of supply of African hardwood logs are restricted compared to previous years. In Cameroon, concessionaires continue to rely on short-term logging permits as the forest authorities, after three years of delay, have still not approved a single long term forest management plan in the country. The issue of logging permits this year has been hindered by bureaucratic problems associated with a change in the financial year, which have compounded longer term problems associated with lack of technical and financial resources.

Political problems are also likely to restrict availability elsewhere. Logs were flowing relatively freely from the Central African

Republic in February and early March, but it remains to be seen what impact the coup of 15 March will have on log availability. Expectations are that supplies of logs from Gabon (mainly okoume and obeche), will remain limited for the foreseeable future due to the financial difficulties of the state-run log marketing organization, the Societe Nationale des Bois du Gabon. Congo (Brazzaville), which has become a more important supplier of logs to international markets over recent years, is also now considering imposing a new levy on log exports. There are rumours that a 15% levy may be imposed as early as April 2003. Supplies from the Democratic Republic of Congo also remain restricted.

Prices remain stable with the balance between limited supply and slow demand being maintained. This stability has been a feature of the export trade in valuable African redwood logs for around 3 years, ever since Cameroon imposed a ban on the export of such logs during 1999.

African sawn lumber

Marginal increase in harvest

Sawmills in West and Central Africa are reported to be reasonably busy with full order books, many mills now taking orders only for July/August shipment. But the fact that mills have sold their existing stock obscures underlying trading problems. Log supply is a problem for many operators, particularly in Cameroon and Ghana. Meanwhile efforts to raise sawn lumber prices are hindered by relatively low prices for Asian and South American alternatives.

Considering individual species, there have been reasonable shipments of sapele sawn lumber from Douala port over recent weeks.

Africa

Availability of this species on the ground in Europe is unlikely to be a problem in the short-term. However many mills are sold well forward, so any rise in demand in the second half of the year could create shortages. Due to on-going political problems in the Ivory Coast, there continue to be reports of shortages of iroko sawn lumber. Lumber from the Ivory Coast is reported to be "trickling out" at well below the usual rate. Shortage of iroko has encouraged Irish importers to switch to sapele lumber. Forward availability of framire is also very restricted, but due to slow consumption in the main UK market, there has yet to be any significant move towards alternative species.

Lack of confidence in the UK

In the UK, agents report reasonable levels of forward purchasing of African sawn lumber during March, which is usual for the time of year. However, there is no great confidence that underlying consumption levels will improve in the UK this year. Business investment has fallen by 10% in the UK over the last 12 months. Until recently the economy was being bolstered by rising house prices which fed through into good consumer confidence. However this "virtuous cycle" is now being undermined by growing uncertainty over the sustainability of recent house price gains and by the war in Iraq. By the end of March some contacts thought that UK stocks of African sawn lumber may already be quite high relative to anticipated levels of demand this year.

Although Spanish demand for hardwood sawn lumber has been recovering over recent months, purchasing of African hardwoods has been sluggish. Due to the recent strengthening of the euro against the dollar, many Spanish importers have switched purchasing attention to dollar-denominated stock, notably American hardwoods.

German trade press reports indicate that the German and Benelux markets for African sawn lumber remain subdued.

Liberia

Renewed call for sanctions

In a renewed effort to encourage the United Nations to impose sanctions on the Liberian timber trade, Global Witness have released a report claiming that the industry is supporting Liberia's illegal arms trade. Global Witness argue that these weapons are being used by the Liberian government in a conscious attempt to destabilise West Africa, through its support of mercenaries in Cote d'Ivoire and Sierra Leone

In the report 'The Usual Suspects: Liberia's

Weapons and Mercenaries in Cote d'Ivoire and Sierra Leone Global Witness claim that: "Arms continue to flow into Liberia on a regular basis, with shipment arriving every two to three weeks from Eastern Europe, usually transiting through Nigeria and Libya. The majority of shipments arrive by sea into Buchanan and Harper ports, which are controlled by the Oriental Timber Company (OTC) and Maryland Wood Processing Industries (MWPI), respectively."

Global Witness allege that the Liberian government's import of weapons is dependent upon the logging industry, from the brokering and financing of arms deals to the off-loading and trans-shipment of weapons upon their entry into Liberia.

Global Witness claim that "the Liberian timber industry continues to provide the Liberian government with the means necessary to maintain its supplies of illegal arms and fighting forces. MWPI, which oversees weapons imports, also stores arms at its headquarters in Harper for Liberian government forces and transports them to its bush camp near the Ivorian border for use by MPIGO and MJP [rebel forces in Cote d'Ivoire]. OTC continues to be active in organising weapons shipments, and has created a 2,500-strong militia force for use by the Liberian government."

Immediate industry response

The Global Witness report prompted an immediate response from the French timber trade association, ATIBT, which maintains that the link between the Liberian arms trade and logging industry remains unproven. In a letter to the United Nations secretariat during March, ATIBT calls for a United Nations mission to Liberia involving UN, NGO and trade representatives. ATIBT propose that the objectives of the mission would be: first to establish whether there is any link between individual firms and the arms trade; and second, if it is proven that there is no such link, to assess training needs for sustainable forest management and local wood industrialisation.

Claims of illegal exports

In addition to alleging a link between the Liberian arms trade and logging industry, the Global Witness report claims that a proportion of logs leaving the country are exported illegally. The report implies that there are large discrepancies between officially reported export volumes and the actual level of trade. According to Global Witness, Liberian exporters will understate the amount of timber shipped, to escape Liberian government taxes, as well as to hide the amount

African indicative prices

	Jan	Feb	Mar
Exchange rates			
US\$/£	1.64	1.60	1.56
Euro/£	1.53	1.45	1.46

All prices include agents commission of 5%

Logs

Liberia

US\$/m ³ , FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	195	195	195
Walnut	195	195	195
Iroko	250	250	250
Kusia (Opepe)	130	130	130

Sawn lumber

Cameroon, CAR, Congo (Braz.)

Euro/m ³ ; FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	505	505	505
Sipo	630	630	630
Bibolo	380	380	380
N'Gollon	535	535	535
Iroko	580	580	580

Cote d'Ivoire

Euro/m ³ ; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	550	550	560
Mahogany	430	430	430
Framire	320	360	380
Samba No.1 C&S	240	240	240
Dimension stock			
Azobe	420/460	420/460	420/460
Dabema	300/390	300/390	300/390

Gabon

Euro/m ³ ; FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	320	320	320
Okoume KD	365	365	365

of money taken for extra-budgetary purchases and corruption. It is also suggested that some importers will also understate imports, to avoid paying domestic import duties on logs brought in.

Global Witness note that China is the largest importing country for Liberian timber. Global Witness observations of activity at the OTC's Buchanan Port indicate that Liberia's total shipments of logs to China over for the seven months from January to July 2002 were around 600,000m³. Around 2 to 3 shipments, each of around 24,000 m³, were being made each month. Therefore, total shipments to China for all the year may be conservatively estimated at around 850,000 m³. However China's official statistics indicate that China imported only 672,000 m³ of Liberian timber for the whole of 2002.

The report claims that Liberia-based Oriental Timber Company is related to the Global Star (Asia) group, which is the sole importer of Liberian logs to China, and which operates a number of logging ships. Global Wit-





ness suggest that OTC and Global Star are leading suppliers to Global Timber Corporation (GTC). GTC is located in the Penglai Industrial Zone, Shandong Province, and is one of the largest timber processors in mainland China, capable of producing over 480,000 m³ of product. According to Global Witness, GTC imports almost 900,000 m³ of logs annually, mainly from West Africa and Liberia. In addition to supplying China's domestic market, GTC exports timber to Japan, Korea, and the US. According to Global Witness, GTC was also a founding member of the World Wildlife Fund (WWF) China Corporate Club.

Ivory Coast

Some positive news

There were some more positive reports from Ivory Coast during March, but the political situation remains tense. In line with a pact concluded in January in Paris by Cote d'Ivoire's main political parties and rebel groups, a government of reconciliation comprising representatives of all factions has been established. The rebel groups, that were initially very reluctant to join the new government, have now said they will take up their posts. French peace keeping troops are being progressively withdrawn and replaced by troops from members of the Economic Community of West African States (ECOWAS). During March there were reports of fighting continuing in western Cote d'Ivoire. However, at the end of the month, representatives of the ECOWAS force were describing the situation as "calm".

Central African Republic

Another coup

The coup on 15 March in which a former army General Bozize deposed President Patasse, seems to have met with little resistance. 50 civilians were killed in associated fighting and looting. Nearly 550 French and other foreigners fled Bangui on French army planes. France deployed 300 troops to help its citizens and other foreigners leave the country. Bozize immediately dissolved the government, suspended the constitution and ordered a dusk-to-dawn curfew to halt looting. The new leader seems to have acquired support in the country. Opposition politicians welcomed the coup. Bozize has been making the right noises to quell international opposition. He has said that he will work with the IMF. To avoid more wars, he says his administration will collect illegal arms. African peacekeepers have set up roadblocks across Bangui and seized weapons in a bid to improve security.

Ghana wood exports: a successful trade policy

Ghana's export data for the year 2002 indicates the continuing success of the country's efforts to shift to value added processing. The overall value of Ghana's wood products declined by only 3.1% from 189.3 million euro in 2001 to 183.4 million euro in 2002. A big fall off in exports of sawn lumber and boules was compensated by a significant rise in exports of rotary veneer, plywood, mouldings and parquet flooring. Resource constraints coupled with sluggish consumption in several key markets – including Germany, Italy and France - placed limits on Ghana's exports of sawn lumber during 2002. Exports of kiln dried wawa lumber, the leading species, fell off dramatically. However exports of Ghanaian khaya lumber to the United States were boosted due to restricted availability of South American mahogany last year.

Only two species – teak and ofram – are now exported in any volume in air dried form, with most of the volume destined for India, Senegal and Saudi Arabia. The USA was a buoyant market for Ghanaian plywood and rotary veneer during 2002.

Sustainable forest management

Amongst African countries, Ghana has played a leading role in promoting sustainable forest management. As a reflection of this, and to provide assurance to buyers of Ghanaian wood products, the Minister of Lands and Forestry in Accra has just issued a statement on the management of the nation's forests. The 3 page document is available from the Ghana Timber Industry Development Division, Unit 4, Granard Business Centre, Bunns Lane, Mill Hill, London NW7 2DZ, email gtedb@btconnect.com.

	2001	2002	% chg 01/02
All products (m3)			
Lumber (KD)	142316	116977	-18
Lumber (AD)	94185	90352	-4
Rotary veneer	78311	81938	5
Plywood	53268	75194	41
Mouldings	33043	54471	65
Sliced veneer	35402	34295	-3
Boules	28556	10502	-63
P/Flooring	2607	3449	32
Furniture parts	3399	2880	-15
Dowels	1192	1263	6
Other	4221	1106	-74
Total	476500	472427	-1

	2001	2002	% chg 01/02
Kiln dried lumber by species (m3)			
Wawa	103009	74408	-28
Odum	11029	9084	-18
Mahogany	6998	9024	29
Koto/Kyere	6794	6623	-3
Ofram	2684	3389	26
Sapele	1579	2307	46
Other	10223	12142	19
Total	142316	116977	-18

	2001	2002	% chg 01/02
Kiln dried lumber by destination (m3)			
Germany	36373	27212	-25
U.K.	14079	13568	-4
U.S.A.	8914	11361	27
Italy	14600	9967	-32
France	19205	9141	-52
Saudi Arabia	3264	8153	150
Belgium	9550	5727	-40
South Africa	4424	5575	26
Ireland	6731	5574	-17
Other	25176	20699	-18
Total	142316	116977	-18

	2001	2002	% chg 01/02
Air dried lumber by species (m3)			
Teak	17248	30193	75
Ofram	25996	25192	-3
Wawa	10768	5161	-52
Papao	4528	4397	-3
Niangon	4514	3177	-30
Other	31130	22232	-29
Total	94184	90352	-4

	2001	2002	% chg 01/02
Air dried lumber by destination (m3)			
India	11031	26110	137
Senegal	21324	21894	3
Saudi Arabia	8620	10997	28
Italy	9691	8368	-14
Germany	9737	5036	-48
France	5933	3097	-48
Netherlands	4117	2260	-45
U.S.A.	5206	2177	-58
U.K.	2256	1292	-43
Spain	3189	670	-79
Other	13080	8451	-35
Total	94184	90352	-4

	2001	2002	% chg 01/02
Sliced Veneer (m2)			
Italy	29998	23321	-22
Spain	7329	8828	20
Germany	4585	5795	26
Belgium	5937	3265	-45
Other	11154	15950	43
Total	59003	57159	-3

	2001	2002	% chg 01/02
Rotary Veneer (m3)			
USA	43022	46155	7
Spain	6839	8495	24
Italy	7912	8429	7
Germany	3422	3931	15
France	3842	1881	-51
Belgium	3173	3889	23
Other	10101	9158	-9
Total	78311	81938	5

	2001	2002	% chg 01/02
Plywood (m3)			
USA	19249	33799	76
Belgium	13376	14776	10
Senegal	1371	4906	258
Italy	5631	3875	-31
Angola	1498	3108	107
Greece	2748	2963	8
France	2649	1817	-31
UK	925	938	1
Other	5821	9012	55
Total	53268	75194	41

Source: Ghana Timber Industry Development Division

Japan's hardwood trade

Tropical logs

Japan's imports of southsea logs during 2002 reached 1,981,500 m³, down 1% on the previous year. Underlying consumption of southsea logs fell more sharply, down 11%. The decline continues a long term trend. Many plywood manufacturers that previously relied on tropical hardwood logs have withdrawn from the market, switching instead to softwood species. Meanwhile the market for logs for the production of tropical lumber in Japan continues to be constrained by lack of sufficient logs of adequate quality at reasonable cost, notably from Sabah. There is currently very little Japanese trade in either of the main tropical species used for lumber production in Japan - melapi and seraya. Tropical lumber has also faced growing competition in Japan from engineered softwoods from the Nordic countries. The smaller market for keruing and kapur logs, used widely for car bodies and machinery bases, has been more stable.

Temperate hardwoods

Japan's temperate hardwood imports have been falling over recent years. Hardwood log imports into Japan from the major exporting nations of North America, China and Russia reached 299,000 m³ in 2002, down 24.7% compared with the previous year. Japan's imports of temperate hardwood sawn lumber fell 15% to 178,000 m³. Over a longer timescale, Japan's temperate hardwood log and lumber imports have

Japan temperate hardwood imports (000s m³)

	2001	2002	% chg 01/02
All logs	397.0	299.0	-24.7
Russia	303.0	225.0	-25.8
United States	65.0	59.0	-9.6
China	27.0	13.4	-50.5
Canada	1.5	1.4	-6.1

All sawn lumber	209.0	178.0	-15
United States	92.0	75.0	-18.8
China	95.0	81.0	-14.8
Canada	15.0	13.8	-7.6
Russia	5.0	8.1	49.7

Japan hardwood log imports (000s m³)

	2000	2001	2002
Southsea logs			
Total import	3034	2000	1982
Sabah	142	17	126
Sarawak	2029	1353	1389
Indonesia	36	164	0
Solomon Islands	79	62	55
PNG	745	404	413
Total demand	3041	2203	1962
For plywood	2752	1973	1766
For lumber	288	230	196
Stock	649	446	465

African logs

Total import	231	225	111
Total demand	234	206	130
For plywood	223	199	123
For lumber	11	7	7
Stock	12	30	11

fallen 43% and 55% respectively since 1997. Imports of oak, the major species imported, have fallen particularly dramatically. Oak log imports reached 104,500 m³ in 2002, down 35% compared to the previous year. Oak lumber imports reached 33,700 m³, down 30%.

China sawn lumber imports

China imported 5,395,000 m³ of sawn lumber in 2002 worth US\$1.156 billion, a year-on-year increase of 33.5% and 17.1% respectively. Of the total imported during 2002, 1.189 million m³ comprised softwood and 4.206 million m³ comprised hardwood. Lower unit values of lumber imported into China during 2002 reflect a slight shift away from hardwoods towards cheaper softwoods. China's lumber imports rose particularly sharply from the USA, Russia and Thailand during the year.

China sawn lumber imports (000 m³)

	2001	2002	% chg 01/02
Indonesia	1218	1420	16.6
Malaysia	428	489	14.3
US	393	627	59.5
Russia	308	552	79.2
Thailand	333	592	77.8
Other	1361	1715	26.0
Total	4041	5395	33.5

East Asia

Shifting direction of trade

The data presented in this journal for China and Japan highlight a major shift in the direction of trade in the Far East. China is soaking up an increasing volume of logs and rough sawn lumber, both hardwood and softwood, that was previously destined for Japan. Huge volumes of Russian logs are crowding remote border checkpoints in the Russian Far East to feed resource-hungry China. The logs that now fill rail carriages bound for China had been feeding the Japanese market. Similarly, Sarawak and Sabah's increasingly restricted log exports, previously destined for Japan, are now being absorbed primarily by China.

A large proportion of wood imported into China stays in the country to supply the rapidly expanding domestic market. But China's huge capacity to absorb timber is also having a major effect on the Japanese

market. Declining availability of Far Eastern hardwoods to Japan, coupled with increased Japanese demand for stable and tightly specified lumber, has opened up new opportunities for alternative suppliers. Early beneficiaries were the Nordic countries, that successfully increased market share in Japan for kiln dried and pre-cut softwood products.

However, the strengthening euro-yen exchange rate is now working against the Europeans, just at a time when manufacturers based in China are themselves seeking to exploit emerging opportunities in Japan. Increasingly, Chinese manufacturers are buying up wood raw material to convert into added value products for the Japanese market. Russia provides much of the raw material, China provides the labour and processing location, and Japan provides the high value market.

And other wood suppliers are hoping to shoulder in on this lucrative trading triangle. For example, as the dollar has weakened, North American shippers are finding that there are opportunities to supply Japan - via China. For example, some North American companies are now shipping "Japan squares" - lumber cut to square metric dimensions for use in traditional Japanese post-and-beam houses - to China. In China, this lumber is notched and shipped back to Japan where it is assembled for house building.

Malaysian sawn lumber A floor under prices

Weak global demand may have led to a slight softening in FOB prices for some grades of dark red meranti sawn lumber over recent weeks. However, limited supply seems to have placed a floor under FOB price levels. Many Malaysian mills are no longer cutting to build stock to supply the European market. So even existing orders are generally taking longer to process. Although there have been reports of some easing in the Malaysian log supply situation over recent weeks, this will take time to filter through as kiln dried sawn lumber. Availability is also restricted as the trade in Indonesian sawn lumber, that in previous years was shipped to Europe via Peninsular Malaysia, is now at a stand-still.

Furthermore, any decline in FOB prices has been more than offset for European buyers by a significant increase in freight rates. Shipping and insurance firms have been taking steps to cover themselves against rising risk and oil prices during the Iraq war.



From 1 April, shippers increased ocean freight rates from Peninsular Malaysia to North Western Europe from US\$1650 to US\$2000 for a 40ft box. The war has also created greater uncertainty over shipping times, with some reports suggesting that the availability of containers in Far Eastern dispatch ports may be limited.

Dutch market very depressed

Forward demand in the important Dutch market is extremely slow. This reflects an economic recession and slow activity in the construction and joinery sectors. Some of the large window manufacturers, which provide the main outlet for meranti in the Netherlands, report sharp falls in activity. Another factor has been the relative weakness of the dollar against the euro over recent months. This has served to devalue meranti stock already on the ground in the Netherlands and encouraged considerable cost cutting by importers desperate for sales. The weakness of this market has meant that few Malaysian mills are now quoting for the most important Dutch dimension (kiln dried, dark red meranti, pin-hole no defect, 3x5").

UK market more stable

In the UK, demand for dark red meranti has remained more stable than in the Netherlands, but at a level which is very far from exciting. Relative weakness of the dollar has meant that meranti is cost competitive against euro-denominated African species and has been picking up steady business as a budget joinery timber. But during March the events in Iraq, coupled with uncertainty over the future direction of the economy, created greater uncertainty in the market. Many importers are refraining from building stocks for the time-being.

Elsewhere, the German and Belgium markets for Malaysian sawn lumber remain very dull. Japanese demand for Malaysian sawn lumber is also sluggish, with buyers becoming increasingly demanding in terms of quality and size specifications.

Indonesia

Lumber export controls

There are reports that the Indonesian government intends to introduce new restrictions on lumber exports from May 2003. According to the Japan Lumber Journal, the measures are designed to prevent exports of S2S, S3S and S4S lumber with over 16% moisture content and with dimensions in excess of 120mm thick and 250mm wide. The measures seem to have been proposed as a result of international pressure on Indone-

Asian Sawn Lumber Indicative Prices			
	Jan	Feb	Mar
Exchange rates:			
M\$/£	6.25	6.10	5.93
US\$/£	1.64	1.60	1.56
M\$/US\$	3.80	3.80	3.80
Malaysia			
All prices US\$/ton, C&F UK port, including 5% agents commission			
West Malaysian Dark Red Meranti			
Grade: Select & better GMS; Kiln dried			
Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'			
1"	790	785	800
2"	830	825	835
2.5"	900	890	910
3"	925	920	940
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	3000/ 3250	3200/ 3400	3200/ 3400
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

sia to find ways of restricting illegal exports. The measures, if implemented in full, may have a significant impact on supplies of bangkarai decking which is never dried below 16% moisture content. Bangkarai decking is probably the most widely used form of tropical hardwood decking in Europe. The Indonesian government is also considering a proposal to only allow wood products exports by companies that possess a manufacturing facility in the country. This too would act as a major constraint on the Indonesian wood products export trade. Meanwhile, in anticipation of tighter controls on domestic log harvests, Indonesia's Forest Industry Revitalization Body (BRIK) has recommended the removal of all duties on wood products imports into Indonesia. The existing 10% duty on imports, combined with a range of other taxes, makes log imports uneconomic.

Sarawak exports

According to the Sarawak Timber Association, the value of timber products exported from Sarawak reached RM5,353 million in 2002, an increase of 7 percent compared to the previous year. Sawlog exports increased by 9% to RM1,646 million and plywood exports reached RM2,508 million, 13% up on 2001. However The value of sawn lumber exports fell slightly to RM818 million last year. In terms of volume, during 2002 Sarawak's log exports reached 4.53 million m³ and plywood exports reached 2.45 million m³ (3.8RM = 1 US\$).

Rebuilding Asian log stocks

Logging conditions are currently mixed in Sarawak, with rain in the west and south, but reasonably dry in the north and east. Weather conditions have also been reasonably fine in Sabah. Harvest levels throughout East Malaysia have been sufficiently good for log stocks to recover over recent weeks. Overall export demand has been weak and there have been reports of weakening in FOB log price levels. In Indonesia, logging conditions have also been reasonable. Plywood mills have been intent on building inventories before central government efforts to restrict harvests begin to bite.

Asian plywood

Prices bump along bottom

Demand for Indonesian and Malaysian plywood remains subdued and prices are weak. Import demand for plywood in Japan has been hit by uncertainty created by the revisions to the Building Standard Law designed to reduce formaldehyde emissions by panel products which are due to be introduced from July 2003. The regulations are expected to result in a big drop in demand for non-JAS certified plywood. In practice this may favour domestically manufactured plywood over plywood imported into Japan. At present Japanese importers are aggressively trying to reduce stocks of non-JAS certified plywood. Prices for non-JAS certified plywood have fallen sharply while prices for JAS certified material have remained stable. Market sentiment in Japan has also been hit by a slowdown in housing starts during January.

The hardwood plywood market in Europe has also been volatile. European importers bought heavily in both Indonesian and Brazilian hardwood plywood at the end of last year as prices began to rise in expectation of declining availability from Indonesia this year. However, availability improved unexpectedly as Brazilian mills responded to the rise in demand by expanding production, and as the much heralded Indonesian government restrictions on harvest levels failed to impact significantly on log supplies to the Indonesian plywood industry. Europe is now over-stocked with hardwood plywood. Many importers have been dumping stock at low prices. Few are interested in purchasing forward when it is cheaper to buy material off the ground.

Prices for Indonesian plywood range from INDO96 - 19 for higher quality, guaranteed delivery and smaller orders, to INDO96 -25 for large orders and lower quality.

South America

Brazil

Restart to mahogany trade?

The rainy season in Amazonia is now nearing its end and more significant volumes of logs should start arriving at the mills during April and May.

There may be some limited mahogany harvesting this year, but not at the start of the season. ITTO has reported that the Brazilian government published a decree on 14 February creating a Mahogany Special Commission and suspending the mahogany harvest for 150 days. During this period no licenses will be issued and no private estate will be allowed to harvest mahogany even if there is a forest management plan. The same decree proposes tax incentives for the forestry sector to promote sustainable development in the Amazon region. The Special Commission has been charged with defining a new sustainable development policy for the sector. Mahogany harvesting will only be allowed following definition of this policy.

Prices for Brazilian hardwood sawn lumber have been stable in Brazilian *real* terms, although there are reports of a slight increase in prices quoted in US dollars. This reflects a strengthening in the value of the *real* on foreign exchange markets.

Domestic prospects improve

Brazilian domestic market prospects have begun to look more healthy. President Lula, who has a history of anti-market sentiment, has been working hard to reassure sceptics that Brazil will pay its debts, curb its budget deficit and tame inflation. So far he seems to be succeeding. The risk premium that investors demand for holding Brazilian debt has dropped sharply. To bring down inflation the central bank has twice increased interest rates this year, to 26.5%. That has helped to boost the *real*. The government has also tightened fiscal policy, helping to insulate Brazil from nerves about war in Iraq. These policies, plus planned structural reforms, may deliver a virtuous circle of lower inflation and interest rates and higher growth. But the pay-off will not be immediate. The government forecasts growth of only 2.8% this year

Decking sales rising slowly

Brazilian ipe decking is reported now to be selling well in the United States. Demand for tatajuba decking has been rising in France where buyers seem content to purchase a species which is heavy and stable and are less concerned over appearance. This is not so much the case in the UK where demand for most Brazilian species remains

restricted despite competitive pricing. Massaranduba is probably the leading Brazilian decking species in the UK where it is selling at around US\$480-500/m³ CIF UK compared to around US\$580-600/m³ for bangkarai or balau decking from the Far East. Prospects for Brazilian decking in European markets will be heavily influenced by events in Indonesia. Efforts to restrict lumber exports from Indonesia could open up new opportunities for Brazilian suppliers. However UK contacts suggest that Brazilian

suppliers will need to pay more attention to the details of size and quality specifications if they are to make a significant impact in this market.

Brazilian hardwood plywood

After rising at the end of last year Brazilian hardwood plywood prices have slumped again. During March, prices quoted to European buyers fell at one point to levels of around K14 less 44. Recent reports suggest a level of around K14 less 40.

Peruvian notes

Mahogany prices weaken

Peruvian mahogany sawn lumber prices are reported to be declining in response to slowing export demand, notably in the United States. As another reason for price weakness, traders also point to a recent decision by IBAMA to authorize exports of mahogany seized in Brazil. Many Peruvian exporters are now holding on to their existing stocks of mahogany until demand and prices rise again.

Concession reallocation

Peru is continuing the process of forest concession allocation this year. The government has announced that it will be allocating further concessions in the Madre de Dios and Ucayali regions. The process of allocating concessions in the Loreto region is also restarting this year after postponement in 2002 due to opposition from local politicians. However forests in the San Martin region continue to be excluded from the process due to political problems. Peru's new concession system allocates forest concessions for a 40 year period. It requires concessionaires to abide by Annual Operating Programs established by the Peruvian forest authorities. These are designed to reduce harvesting levels of the most valuable species (such as mahogany and cedar) and require a wider range of species to be extracted. Alloca-

Peru wood export by destination (US\$ million FOB) Source: SIPEC

	2001	2002	% chng
United States	49.42	70.00	42
Mexico	20.16	24.66	22
Hong Kong	3.09	6.88	123
Dominican Rep.	2.38	4.31	81
Italy	1.44	1.73	20
China	1.52	0.98	-35
Venezuela	3.99	0.97	-76
Puerto Rico	1.22	0.53	-57
Spain	0.26	0.37	43
France	0.20	0.31	51
Others	2.73	2.74	0
Total	86.40	113.48	31

tion of the new concessions will mean less reliance on the transitional system for allocating felling rights referred to as "Operación Bosques 2002-2003". This latter system is due to remain in force only until June 2003.

Wood products exports 2002

The value of Peru's wood products exports increased by over 30% during 2002 to US\$113.5 million. The huge increase was due mainly to a big increase in exports of Peruvian mahogany last year as United States importers switched away from Brazil following IBAMA's ban on the trade. There was also a significant increase in Peruvian exports of flooring products, notably to Hong Kong.

Peru wood product export By destination (US\$ million FOB) Source: SIPEC

	2001	2002	% chng
Mahogany & virola sawn lumber	42.04	65.58	56
Other hardwood sawn lumber	9.64	12.49	30
Small boards of hardwood for parquet	4.64	8.45	82
Wood furniture	5.10	6.06	19
Plywood	6.28	4.74	-24
Bedroom furniture	2.03	2.60	28
Doors and their frames	2.69	2.18	-19
Veneer	3.19	1.69	-47
Plywood	1.71	1.37	-20
Other	9.09	8.29	-9
Total	86.40	113.48	31

North America

U.S. domestic market

Fed highlights uncertainty

Inevitably at such a time, there is a great deal of uncertainty about the future of the American economy. The difficulties of forecasting were emphasized by the Federal Reserve which, in explanation of their decision to leave interest rates unchanged on 19 March, said it could not usefully make a decision until "geopolitical uncertainties" were past.

Pessimists have plenty of fodder to feed the gloom. The U.S. labour market is weak. The level of household borrowing seems unsustainable. The stock market is bouncing along the bottom. And various indices of manufacturing output recorded a steep decline in March. These statistics, coupled with concern over the impact of war in Iraq, have led to a steep fall in consumer confidence. President Bush is pinning much on his efforts to push big tax cuts through Congress to reinvigorate confidence.

House start data raises alarm

One area of uncertainty relevant to the hardwood market is the housing sector. Stoked by low mortgage rates, the housing market boomed through the 2001 recession and a three-year stock market slide. But now the housing industry may be losing some of its shine. The war in Iraq, a worsening job mar-

ket and bad winter weather cut into home sales in February. The number of new housing projects during that month fell by 11%, the sharpest decline in nearly a decade. This has raised questions about whether the housing market - while still in good shape - will continue to provide a prop for the struggling economy.

Poor weather partly to blame

Optimists note that the house start figures do not seem so bad given that weather disrupted or abruptly stopped construction activity throughout much of the country for nearly half of February. Also building permits issued in February were up 0.4% compared to January and up 1.1% compared to February 2002, despite bad weather. Interest rates are still hovering around a four-decade low, and are not expected to change in the near term. Some economists are still suggesting that 2003 could turn out to be the second strongest year ever for home sales (after record sales last year).

For the time-being, most reports indicate that domestic demand for hardwood lumber has remained steady - even "brisk" for certain species and grades. Those sectors heavily dependent on residential construction have been active. According to NOFMA, the American Wood Flooring Manufacturers Association, American solid wood flooring shipments reached 47,342,000 board feet in February. This is virtually unchanged from the same month in 2002, but a good result considering that severe winter weather impeded construction activity. Trade sources remain optimistic about the prospects for continued growth in the flooring market. The Kitchen Cabinet Manufacturers Association reports that cabinet sales in January 2003 increased 8.2% compared to the same month in 2002. A 1.3% decline in stock cabinet sales and a 5.1% drop in custom cabinet sales was off-set by a significant (34%) increase in sales of semi-custom cabinets.

Log availability a concern

The availability of logs remains a concern throughout the American hardwood sector. Low log decks have resulted from rising log costs, lack of availability of logger crews, and severe winter weather in many areas. Now there is great uncertainty about how potentially wet spring weather conditions (the "mud season") may impact future harvests. Sawmill production remains well down on previous years, which has contributed to rising lumber prices. Nevertheless many mills are still finding the price differential between logs and lumber inadequate to generate a reasonable margin.

U.S. export market

Wait and see

The war with Iraq has encouraged buyers in most export markets to adopt a wait-and-see approach. However, there are reports of shortages for certain species and grades of American hardwood in several countries, which has encouraged some prices to edge higher. Overall, there continues to be a general shift in market focus away from traditional Western European markets towards emerging Far Eastern markets, although the former remain critical as an outlet for high grade products.

EU market very patchy

In the EU, sales have been helped by the strength of the euro against the dollar, but overall demand around the continent remains very patchy. Concerns about the war in Iraq have overlaid existing uncertainty about the European economy. Meanwhile, improvement in the availability of Eastern European hardwoods is tending to undermine demand for American hardwoods, particularly in Central Europe and Italy.

Spain has been more buoyant than other EU markets. Importers there have become concerned by apparent shortages of American white oak and have been buying up stocks as they become available. There is good demand for white oak from the Spanish furniture, flooring and wall paneling sectors. Demand for red alder has also been good in the Spanish furniture sector, substituting for more expensive cherry.

Door industry in Portugal

Portugal was a good market for American hardwoods in 2002 despite weak domestic market conditions and rising competition in the furniture sector. Portuguese door manufacturers have been a particularly good source of demand.

Demand in Italy is reasonably healthy, with oak still very much in fashion, although Italian producers are becoming increasingly reliant on Eastern European suppliers for this species. But Italian manufacturers remain reliant on American sources for tulipwood, which is used widely with stain, and for cherry and maple.

North-western Europe sluggish

Market demand in northwestern Europe has been more mixed. In the UK, there was some reasonable trading activity early in the year, but March seems to have been a slow month for most as concerns began to mount over the strength of the economy. Demand for American hardwoods in the UK is now heavily dependent on the commercial joinery

US sawn lumber indicative prices

North Appalachian US\$ MBF* CIF- W. Europe
Grade: FAS/IF, KD square edged
Net measure after kilning
NOTE US prices are highly variable depending on quality and point of origin.
These prices are shown only to highlight trends over time.
*One cubic meter is equivalent to 423.8 BF or 0.4238 MBF

	Jan	Feb	Mar
\$/£	1.64	1.60	1.56
\$/Euro	1.07	1.10	1.07
Red oak			
1"	1900	1900	1920
1.25"	2100	2100	2090
1.5"	2200	2200	2190
2"	2500	2500	2500
White oak			
1"	1550	1550	1560
1.25"	1775	1775	1770
1.5"	2150	2150	2140
2"	2775	2775	2775
Ash			
1"	1200	1200	1200
2"	1550	1550	1580
Tulipwood			
1"	1075	1070	1070
1.25"	1150	1150	1150
1.5"	1175	1175	1175
2"	1225	1225	1225
Cherry			
1"	3500	3475	3475
1.25"	3600	3625	3625
1.5"	3850	3850	3825
2"	4075	4100	4075
Hard Maple			
1"	2300	2350	2300
1.25"	2450	2450	2400
1.5"	2750	2750	2550
2"	2800	2850	2650

North America

sector, which is sluggish at present. Importers are generally maintaining only low stocks of American hardwoods.

In France, Germany and the Benelux countries, forward demand for American hardwoods remains slow despite only limited stocks on the ground. Underlying consumption is weak in these countries and there is intense competition from domestic and Eastern European hardwoods. End using sectors are also looking to cut costs. According to AHEC, there is talk in Belgium of future American hardwood imports being much more restricted long term and limited increasingly to those species for which there are no European alternatives.

Heavy focus on China

In the Far East, the American export industry remains heavily focused on China. The most popular species in China are tulipwood, red oak, white oak, ash, and walnut with much being imported as 4/4 #1 Common lumber. American hardwood sales to China dipped at the end of 2002, but picked up after Chinese New Year in February. However the pace of demand is not as great as many exporters had hoped. There is also intense competition for sales, not only from other American suppliers but also from alternative species derived from Europe and eastern Russia. Chinese buyers generally have little loyalty to any particular supplier or species and are ready to try cheaper alternatives.

Asian flooring sector busy

The Asian flooring sector remains busy, creating demand for #2 common in a range of species, notably red and white oak.

Shipments to Japan have increased slightly since the start of the year, perhaps boosted by the marginal drop in the dollar exchange rate against the yen. The U.S. Dollar is holding at around 120 yen, up from around 126 during much of last year. Japanese buyers are focusing increasingly on specialized products and lengths. There are reports of continuing good demand from Malaysian and Thailand.

Mexico improving

Demand for American hardwoods in Mexico, mainly in common grades, has improved since the start of the year, with signs that manufacturing activity has picked up in the Maquiladora Zone. Inventories of American hardwood in Mexico are reported to be relatively light and although the market is highly competitive, there are some reports of firming prices.

Clearly, the war in Iraq, and its aftermath, may have long term implications for Ameri-

can hardwood demand in the Middle East. But at this time it is almost impossible to predict what this impact will be.

Middle East prospects

During 2002, the Middle East was a growth market for American hardwoods in the sense that the value of direct exports of US hardwood lumber and veneer to the region increased 7% to reach \$44.1 million. This growth was down to a rise in exports in veneer. The value of hardwood lumber exports remained static. In volume terms, US hardwood lumber exports to the Middle East reached 53,686m³ in 2002, an increase of 3% from 51,999m³ in the previous year. Al-

though red oak remains the dominant US export to the Middle East, its prominence was eroded last year as more ash and maple was shipped. Much of the maple comprises soft maple used as a beech substitute. The United Arab Emirates is the leading market for American hardwoods in the Gulf and prospects here look good. Large-scale construction activity is creating good demand for hardwood joinery and furniture products, an increasing volume of which are manufactured domestically. But, as elsewhere, competition from European hardwood exporters – notably in Romania and the Balkans – is increasing in the region.

Species notes

■ **Ash** - Domestic demand for common grades is steady but is variable for higher grades. There is now greater demand for orders to be selected for color, texture and/or length. Common grades of ash have been selling quite well in the Far East, especially China, and southern Europe. Markets for higher grades in Japan and the UK remain patchy. Limited production has ensured that prices for higher grades have been stable, while prices are firming for common grades in some supply regions.

■ **Red oak** – the severe winter hampered log production in many areas, but it is now starting to improve. However the process of rebuilding depleted US stocks will take time and supplies remain tight across most grades and thicknesses. In some areas, prices for green and kiln dried lumber are still tending to firm. Demand for the common grades is buoyant in the domestic strip flooring market. Domestic demand for low grade lumber is also steady for truck trailer flooring, crossties, and other uses. The export market for all grades has been less buoyant, although there are reports of reasonable purchases of 4/4 #1 common by Mexican furniture manufacturers, and of 4/4 #2 common by Far Eastern flooring manufacturers. Saudi Arabia has been buying small volumes of high grade red oak.

■ **White oak** – efforts by suppliers to cut production combined with poor winter weather have led to reduced availability. At the same time demand for white oak has been increasing. There is good domestic demand for lower grades from a range of sectors, including strip flooring, furniture, crossties and truck flooring. Export demand for the common grades has also been increasing. Export demand for common grades in 4/4 has been good from China, the Far East and southern Europe and supplies have been tight. Export demand for the highest kiln dried grades has been more mixed, but has improved since the start of the year.

■ **Tulipwood** – sales and shipments are reasonably well balanced with production, although there are reports in some regions of limited availability. US sawmills are becoming more concerned about the volumes of logs diverted to veneer and chipping plants. Domestic demand

for green lumber is steady. Export demand in Europe has been sluggish, although Italy has picked up since the start of the year. Demand for common grades in China also increased after the Chinese New Year, but demand has not been as buoyant as last year. Prices are generally steady with some firming for selective items.

■ **Soft maple** - domestic demand has been good across the grades, but particularly for those suppliers producing soft maple that is good for color (i.e., "white"). For both green and kiln dried lumber. Efforts are also being made to promote this species for export in both Asia and Europe, and there are some reports of improved demand for all grades of 4/4. Prices are tending to firm.

■ **Hard maple** - demand varies considerably depending on grade, thickness, dryness and colour. Domestic demand for common grades of 4/4 green lumber that is good for colour has been strong, notably in the cabinets sector. By contrast, demand for common grades of unselected green lumber has been much more variable. Domestic demand for higher grades of hard maple is being undermined as manufacturers seek to cut costs, which is leading to some substitution for lower grades and for other species, such as soft maple and birch. Export demand has also been mixed. Shipments of higher grade kiln dried maple to Europe are down on last year. Sales of common grades to the Far East have been only moderate.

■ **Cherry** - domestic demand for the common grades has been good and, in some regions, in excess of supply leading to rising prices. Demand for higher grade lumber, both green and kiln dried, is better balanced with supply. Export demand for high grade kiln dried cherry lumber is generally quiet, with Italy and the UK the lead destinations. Asian furniture and flooring plants have been buying steady volumes of the common grades. There is a lot of interest in export markets for high grade cherry logs.

■ **Walnut** – demand remains good and is absorbing available supply leading to a progressive increase in prices for all grades and thicknesses. The Far East, notably China, is buying good quantities of walnut logs and lumber. European markets have been steady.



over recent weeks. Demand for beech sawn lumber is rising from the furniture and joinery sectors and there are reports of Spanish buyers paying better prices. Eastern European suppliers of sawn beech are beginning to take market share from Western European suppliers in the Spanish market. Veneer demand has also been more buoyant in Spain than in most other European countries.

The Portuguese economy has not been faring well over recent months. The construction sector has been performing poorly, and the furniture sector, coming under the same competitive pressures as elsewhere, has seen a number of bankruptcies. However, the Portuguese door manufacturers – mainly selling to export markets – are still consuming good volumes of veneer and lumber. Eastern European hardwoods are beginning to take share from the dominant North American suppliers to this sector.

France

French mills turn to Germany

In France, the forest authorities significantly reduced extraction of good quality beech and oak logs during the last winter season. This policy reflected continuing efforts to allow the forest to recover from the December 1999 storms. Much of the allowable harvest consisted of lower quality oak logs. Lack of supply of good quality oak logs encouraged many French cask manufacturers and sawmillers to supplement domestic supplies by purchasing in Germany.

Poor year in 2002.

According to the Annual report of the French Federation National du Bois (FNB), French sawmills had a very poor year during 2002. Sales of beech lumber were very weak and oak sales were also down on the previous year. The French domestic market was slow, particularly in the furniture sector. The Chinese market for sawn beech, which in 2001 had been the most important outlet, fell to negligible levels in 2002. These problems were compounded by rising levels of competition from Eastern Europe. Although sales of French oak boules remained reasonably stable, markets for all grades of beech and for edged oak lumber and parquet friezes were intensely competitive. FNB reckons that the difficult trading conditions are likely to continue in the medium term given current evidence of low order books and continuing high stocks despite a significant fall in levels of sawn hardwood production.

German hardwoods: big fall in production

Levels of beech log production in Germany during the most recent winter harvesting season were down between 30% and 50% last year according to the EUWID trade journal. The harvest started late, was disrupted by severe weather at the beginning of 2003, and ended early. The limited harvest reflects the underlying weakness of demand for beech logs and the low prices on offer.

Demand for beech logs from the German sawmilling and veneer sector has remained subdued. Chinese demand for German beech logs was very weak before the Chinese New Year in early February, but showed some signs of strengthening during March. However the price expectations of Chinese importers remain low. Beech

stocks in China are now widely regarded as low. This combined with the low levels of European beech harvest last season has led some traders to predict a possible increase in beech log and lumber prices later in the year.

The decline in German beech extraction was partly offset by an increase in oak production in response to increased demand from French barrel producers. There was also some revival in demand for oak logs from the German sawmilling and veneering sectors during the season. Prices for good quality German oak logs have remained firm. The highest quality cherry and maple logs were also in good demand during the last winter season.

Yugoslavia

Marginal increase in harvest

The industrial log harvest in the Federal Republic of Yugoslavia reached 1.07 million m³ during 2002, a marginal increase on the previous year. Of this total, 715,500 m³ comprised sawlogs and 361,500 m³ comprised veneering and peeling logs. Much of the harvest comprised oak and poplar. Yugoslavian hardwood log exports declined slightly between 2001 and 2002 from 49,000 m³ to 47,000 m³, with a large proportion of exports comprising poplar supplied to Bulgaria and Greece. Smaller volumes of high quality oak and ash logs were destined mainly for Italian buyers.

Polish hardwoods

Weak demand and over-supply

Mirroring market conditions elsewhere in Europe, Polish beech sawn lumber is currently in over-supply, export demand is slow, and prices have been weakening. Polish exporters continue to find beech lumber sales and prices on offer in China particularly disappointing. In an effort to overcome these problems, Polish exporters have been seeking to diversify markets in the Far East. However Polish oak, particularly in higher grades is selling reasonably well at stable to firm prices. Polish sawn oak producers are currently benefiting in Western European markets from the relative weakness of the zloty against the euro. The quality of oak lumber produced in Poland is also rising progressively, although it does not compare to the best quality oak from further south in Croatia. And since much Polish oak derives from large state forests, an increas-

ing proportion may be supplied FSC certified at no great price premium. However, in lower grade oak lumber markets, Polish suppliers face growing competition from Ukrainian producers.

Croatia

Restrictions on log exports

Demand for the best quality Croatian oak logs during the winter season remained very strong, and prices were firming. This trend encouraged the state forest authorities to introduce new regulations to give domestic sawmills first pick of the logs sold at auction. The legislation is likely to create problems for Italian sawmillers that had been buying up good quality logs for conversion into square edged lumber and sale throughout the rest of Europe. The move may encourage greater investment by Italian producers in Croatia's domestic industry.

Beech trade

Big drop in Chinese imports

According to Chinese Customs statistics, China's imports of beech logs fell 47% in value and 20% in volume during 2002. The import volume fell from 634,200 m³ to 507,300 m³, and import value fell from US\$172 million to US\$91 million. Germany was by far the leading exporter of beech logs to China during 2002 (391,800 m³), followed by France (67,900 m³), and Belgium (30,700 m³). Falling demand for beech reflects a move towards species diversification in China. A wider range of hardwood species are now being used in construction and home improvement. North American hardwoods have particularly benefited from this trend, notably walnut, cherry, oak and maple.

Europe

Romania

Making headway

Romania's wood products sector appears at last to be making headway in its efforts to rationalize and improve efficiency and international competitiveness. However the industry is still hampered by supply and infra-structure constraints.

During the communist era, Romania was a leading (although inefficient) supplier of furniture and other wood products to the communist world and to Western Europe. However, with the collapse of the USSR, Romania lost its captive market and became subject to the force of international competition. The domestic furniture industry collapsed. Meanwhile, during the 1990s, the state forest authorities struggled to cope with lack of finance and infra-structure and with new regulatory demands resulting from the privatization of some forest lands.

Halting log exports

Trade liberalization in 1997 also led to a rising tide of log exports between 1998 and 2000, which stifled the development of a domestic wood industry. During this period Romania's exports of hardwood industrial round wood rose from zero to over 300,000 cubic meters. To counter this trend, in 2001 the Romanian government introduced a 6 month log export ban. The immediate effect was to drastically reduce domestic hardwood log prices. For example Romanian oak sawlog prices, which ranged from \$200-\$300/m³ before the ban, fell to only \$80-100/m³. In April 2002, the log export ban was removed, but log exports have continued to be carefully monitored through an export licensing system. This seems to have helped to stabilize the market. After suffering se-

Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		31-Jan	7-Mar	7-Apr	31-Jan	7-Mar	7-Apr	31-Jan	7-Mar	7-Apr
Argentina	Peso	5.301	5.1109	4.5504	3.2250	3.1850	2.9150	3.4621	3.5163	3.1190
Australia	Aus.\$	2.804	2.6103	2.6002	1.7059	1.6267	1.6657	1.8313	1.7959	1.7823
Bangladesh	Taka	95.6634	93.3936	90.8531	58.2000	58.2000	58.1999	62.4777	64.2557	62.2740
Belize	B\$	3.2381	3.1613	3.0753	1.9700	1.9700	1.9700	2.1148	2.1750	2.1079
Bolivia	Boliviano	12.4092	12.1645	11.864	7.5495	7.5805	7.6000	8.1044	8.3693	8.1320
Botswana	Pula	8.9114	8.2781	8.0695	5.4215	5.1587	5.1693	5.8200	5.6954	5.5311
Brazil	Real	5.8023	5.6261	5.0422	3.5300	3.5060	3.2300	3.7895	3.8708	3.4561
Canada	Canadian \$	2.5175	2.352	2.3015	1.5316	1.4657	1.4743	1.6442	1.6182	1.5775
Chile	Peso	1208.690	1212.030	1125.910	735.347	755.299	721.251	789.395	833.888	771.739
China	Yuan	13.6048	13.2826	12.9208	8.2769	8.2773	8.2770	8.8853	9.1386	8.8564
Czech Republic	Koruna	48.201	46.2094	46.3719	29.3247	28.7962	29.7055	31.4800	31.7925	31.7850
Denmark	Danish Krone	11.388	10.7924	10.8348	6.9283	6.7255	6.9407	7.4375	7.4253	7.4266
Estonia	Kroon	23.9558	22.7374	22.8261	14.5743	14.1692	14.6223	15.6455	15.6435	15.6458
Euro-zone (1)	Euro	1.5312	1.4534	1.459	0.9316	0.9057	0.9346	1.0000	1.0000	1.0001
Fr. Africa (2)	CFA Fr.	1004.38	953.41	956.99	611.048	594.14	613.04	655.960	655.96	655.96
Ghana	Cedi	13766.00	13383.20	13112.80	8375.00	8339.99	8399.98	8990.57	9207.77	8987.99
Guyana	Guyanese \$	294.222	287.242	279.428	179.00	179.000	179.000	192.16	197.625	191.530
Hong Kong	HK\$	12.8206	12.5148	12.1753	7.7998	7.7988	7.7994	8.3731	8.6103	8.3454
India	Rupee	78.5746	76.6439	73.9938	47.8035	47.6499	47.4000	51.3170	52.6079	50.7180
Indonesia	Rupiah	14579.6	14257.8	13881.6	8870.0	8885.0	8892.5	9521.9	9809.5	9514.9
Japan	Yen	197.145	186.924	187.459	119.9397	116.485	120.085	128.7553	128.605	128.491
Kenya	K. Shilling	127.839	122.519	118.562	77.7751	76.350	75.950	83.4916	84.294	81.267
Korea South	Won	1913.27	1955.81	1963.72	1164.00	1218.80	1257.95	1249.56	1345.62	1346.00
Liberia	Liberian \$	1.6437	1.6047	1.5611	1.0000	1.0000	1.0000	1.0735	1.1040	1.0700
Malaysia	Ringgit	6.2461	6.0979	5.932	3.8000	3.8000	3.8000	4.0793	4.1954	4.0660
Myanmar	Kyat	10.2515	10.0248	9.6804	6.2368	6.2471	6.2012	6.6952	6.8972	6.6353
New Zealand	NZ\$	3.0201	2.845	2.8926	1.8374	1.775	1.847	1.9724	1.959	1.976
Nigeria	Naira	210.805	208.605	203.405	128.250	128.750	130.300	137.677	142.146	139.421
Papua NG	Kina	6.4592	5.7213	5.7821	3.9297	3.5653	3.7040	4.2185	3.9363	3.9633
Philippines	Peso	88.4722	87.9456	83.0869	53.8250	54.8049	53.2449	57.7811	60.5704	56.9508
Poland	Zloty	6.2856	6.2863	6.3586	3.8241	3.9174	4.0733	4.1051	4.3250	4.3584
Romania	Leu	54439.3	52458.5	53122.5	33119.9	32690.5	34029.9	35554.3	36091.9	36412.1
Russia	Rouble	52.3494	50.6303	48.8238	31.8485	31.5512	31.2762	34.1894	34.8341	33.4656
Singapore	Singapore \$	2.8588	2.784	2.7719	1.7392	1.735	1.776	1.8671	1.915	1.900
Solomon Is.	Slnn. Is. \$	12.4902	11.922	11.6497	7.5988	7.429	7.463	8.1573	8.202	7.985
South Africa	Rand	14.0269	12.7293	12.4319	8.5337	7.9325	7.9638	9.1610	8.7579	8.5213
Sweden	Krona	14.1567	13.3981	13.4177	8.6127	8.3493	8.5953	9.2457	9.2180	9.1970
Taiwan	\$	57.0397	55.5787	54.355	34.7020	34.6349	34.6195	37.2526	38.2367	37.2569
Tanzania	Shilling	1674.93	1698.09	1605.54	1018.999	1039.50	1023.50	1093.896	1147.66	1100.49
Thailand	Baht	70.3011	68.1838	67.2267	42.77	42.49	43.065	45.9136	46.9111	46.0796
Uganda	New Shilling	3079.47	3103.49	3079.17	1873.50	1934.00	1972.50	2011.20	2135.23	2110.57
United Kingdom	£	1.0000	1.00	1.0000	0.6084	0.6232	0.6406	0.6531	0.6880	0.6854
U.S.A.	US \$	1.6437	1.6047	1.5611	1.0000	1.0000	1.0000	1.0735	1.1040	1.0700
Venezuela	Bolivar	3158.780	2564.310	2494.560	1921.75	1597.997	1597.999	2063.00	1764.270	1709.861
Vietnam	Dong	25363.9	24763.7	24122.9	15431.0	15432.0	15453.0	15655.1	17037.7	16534.7
Zimbabwe	\$	90.4036	1322.27	1286.31	55.0000	824.00	824.00	59.0425	909.73	881.68

(1) Belgium, Finland, France, Germany, Greece, Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain. (2) Cameroon, CAR, Congo, Gabon & Cote d'Ivoire

vere shortages in 2000 and early 2001, Romanian hardwood saw mills now report the log stocks are adequate to meet demand. Prospects have also improved for the domestic wood market. Over the last two years, the Romanian furniture industry and construction sector have expanded in tandem with the Romanian economy. Romanian furniture output, increased from \$515 million 1998 to \$630 million in 2001. Output is reckoned to have risen again during 2002 by around 8%, although production still remains about half the 1989 level.

At present domestic demand for forest products in Romania - including construction,

furniture, and all other uses - is estimated at 18 to 20 million cubic meters per year. This exceeds legally sanctioned wood removals which are limited by the National Forest Administration. The allowable cut for 2003 has been set at 16 million m³, equivalent to the 2002 level. The actual harvest is likely to be even lower due to lack of infra-structure. This imbalance constantly creates pressure from the industry to reintroduce restrictions on log exports.

Opportunities for overseas shippers seeking to benefit from rising Romanian demand are uneven since trade agreements grant lower tariffs to wood products imports from the EU, CEFTA, and Israel. *Source: USDA*

Hardwood Events

Date	Event	Venue	Target audience	Contact
2003				
6-9 May	Drema & Meble Show	Posnan, Poland	Furniture, interiors	http://www.drema.pl/en/
12-17 May	34th Session of the International Tropical Timber Organisation	Panama City, Panama	Government, timber trade, NGOs	www.itto.or.jp itto@itto.or.jp
23-27 May	Interzum 2003	Cologne, Germany	Furniture, interiors	www.sleepproducts.org/interzum
26-30 May	Ligna Plus 2003	Hanover, Germany	Timber trade & industry	www.ligna.de
26 May-6 Jun	3rd Session of the United Nations Forum on Forests	Geneva, Switzerland	Government, trade associations, NGOs	unff@un.org www.un.org/esa/sustdev/forests.htm
31 Aug -2 Sept	SPOGA/GAFA Fair	Cologne, Germany	Outdoor furniture & timber products	
21-28 Sep	XII World Forestry Congress	Quebec, Canada	Forestry	www.wfc2003.org
21-24 Oct	Wood-Tech 2003	Brno, Czech Republic	Timber industry	Tel: +420 541 15 32 72 envibrno@bv.cz
3-8 Nov	BATIMAT Fair	Paris, France	Building material suppliers	www.batimat.com/2003date.htm
12-15 -Nov	MADERALIA Fair	Valencia, Spain	Woodworking and wood supplies	http://maderalia.feriavalencia.com/index.jsp

Slow demand for African logs

European demand for African hardwood logs remained slow throughout the first three months of 2003, continuing the trend towards declining imports apparent in 2002. All the major European log markets, including France, Italy, Portugal, Spain and Germany have been affected. Demand for African logs in East Asia has also been slow to pick up this year, but the market remains more buoyant than in Europe **Page 2**

Low logging levels in the Far East

Sawmills in West and Central Africa have been reasonably busy with full order books, many mills now taking orders only for July/August shipment. But this fact obscures underlying trading difficulties. Log supply is a problem for many operators, particularly in Cameroon and Ghana. Meanwhile efforts to raise sawn lumber prices are hindered by relatively low prices for Asian and South American alternatives. **Page 3**

Renewed call for Liberian sanctions

In a renewed effort to encourage the UN to impose sanctions on the Liberian timber trade, the NGO Global Witness has released a report claiming that the industry is supporting the illegal arms trade. **Page 3**

Major shift in East Asian trade

Data presented in this journal highlights a major shift in the direction of trade in the Far East. China is soaking up an increasing volume of logs and rough sawn lumber, both hardwood and softwood, that was previously destined for Japan. Meanwhile Japanese importers are looking to new sources for the supply of semi-finished wood products. **Page 4**

Some recovery in Asian log stocks

Although logging conditions are very mixed in East Malaysia, harvest levels have been sufficiently good for log stocks to recover over recent weeks. Overall export demand for Malaysian logs has been weak and there have been reports of weakening in FOB log price levels. **Page 5**

Rising container rates from Malaysia

Weak global demand may have led to a slight softening in FOB prices for some grades of dark red meranti sawn lumber over recent weeks. However, limited supply seems to have placed a floor under price levels. Furthermore, any decline in FOB prices has been more than offset for overseas buyers by a significant increase in freight rates. **Page 6**

Indonesia controls lumber exports

The Indonesian government intends to introduce new restrictions on lumber exports from May 2003. The measures may have a significant impact on the international market for decking lumber. **Page 6**

Plywood prices down again

Price rises for tropical hardwood plywood introduced at the end of last year have been eradicated in response to weak international demand and excess production. Expected restrictions on Indonesian production have so far failed to bring balance back into the market. **Page 6**

Limited mahogany extraction?

The rainy season in Amazonia is nearing its end and more significant volumes of logs should start arriving at the mills during April and May. There may be some limited mahogany harvesting this year, but not from the start of the season. A Special Commission has been charged with defining a new sustainable development policy for the Brazilian hardwood sector. Mahogany harvesting will only be allowed following definition of this policy. Meanwhile Peruvian mahogany prices have been declining in response to slowing export demand, notably in the United States. **Page 7**

America steady, but clouds gather

American demand for hardwood lumber has remained steady – even “brisk” for certain species and grades. Those sectors heavily dependent on residential construction have been active. However there is rising uncertainty about the future. The availability of logs also remains a concern throughout the American hardwood sector. **Page 8**

Wait and see

The war with Iraq has encouraged overseas buyers of American hardwood in most markets to adopt a wait-and-see approach to buying. However, there are reports of shortages for certain species and grades of American hardwood in several countries, which has encouraged prices for some items to edge higher. **Pages 8,9**

Gloom in Europe

European demand for hardwoods remains slow, with economies in several countries, most notably Germany, still looking shaky and many hardwood buyers pre-occupied with the war in Iraq. **Pages 1 & 10**

European harvests down

Levels of hardwood harvesting in Western Europe were well down during the last winter season. In France the forest authorities reduced sales volumes of high quality logs to provide more time for the forest to recover from the December 1999 storms. German harvests were reduced in response to much reduced demand from domestic saw and veneer mills. Overall demand for beech remains weak. The Chinese market has shown some signs of life, but is well down on previous years. Markets for European oak have been more buoyant. **Page 10**

Poland in over-supply

Mirroring market conditions elsewhere in Europe, demand for Polish beech sawn lumber is currently in over-supply, export demand is slow, and prices have been weakening. **Page 10**

Romania makes headway

Romania's wood products sector appears at last to be making headway in its efforts to rationalize and improve efficiency and international competitiveness. However the industry is still hampered by supply and infra-structure constraints. **Page 11**