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Testing times for American hardwoods

Delegates at the American Hardwood Export Council's ninth European Convention in Dublin acknowledged that trade this year has weakened against a background of global economic uncertainty and rising levels of competition from Eastern Europe. However, many delegates were optimistic about the medium term outlook for American hardwoods, which remained competitive in Europe due to the wide range of species, grades and sizes available, their well established grading rules, and efficient shipment and delivery times. Presentations included overviews of the European veneer sector (see below), flooring sector (page 8), and furniture sector (page 9). Delegates also divided into national working groups to discuss market conditions (pages 7 and 8).

Malte Hermann of the Danzer group in Germany gave an insight into the current status of the European veneer industry and of emerging trends in fashion for different species. He noted that the European veneer market is driven directly by trends in the furniture sector, which accounts for around 57% of veneer production, and indirectly by trends in the construction sector, through this sector's impact on demand for furniture, flooring and cabinets.

The furniture sector in Western Europe is a "mature" market for veneers and is currently undergoing a transformation as manufacturers are seeking to reduce costs by relocating in low wage countries, particularly in Eastern Europe. This has led to major shifts in the quantity and qualities of veneers required in different European countries. Furthermore, intensifying competition resulting from globalisation trends has meant that low cost furniture manufacturers are being forced to consider cheaper substitutes. In one respect this has tended to encourage the use of veneers over panel substrates as a substitute for solid wood. But at the lower end of the sector, it has also led to some substitution of veneers for non-wood foils and laminates.

The market for veneers in Europe is dominated by the German decorative sector. The leading species in this market is European beech (44%), followed some distance behind by American black cherry

(14%), European birch (10%), American hard maple (6%), and oak (4%). Tropical woods together account for 10% of the market.

Hermann characterised market conditions during the second half of this year as "challenging", reflecting weakness in the German construction sector, and uncertainty throughout Europe's furniture sector.

To give an idea of future trends in the demand for different species of hardwood veneer, and incidentally in fashions within the European furniture sector, Hermann reported on the results of a survey of European veneer producers in Europe. Producers were asked to classify hardwoods according to their forecast of popularity next year compared to 2001, and on their perceived ease of availability. The results were as follows:

■ **Hardwoods with rising demand which are easy to obtain:** European white beech; European ash; European birch; European oak; European Chestnut; American white oak; American walnut; American hard maple.

■ **Hardwoods with rising demand which are moderately easy to obtain:** European sycamore.

■ **Hardwoods with rising demand, but which are difficult to obtain:** African anigre; American black cherry.

■ **Hardwoods with steady demand which are easy to obtain:** American red oak.

■ **Hardwoods with steady demand which are**

Continued page 3

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Contacts

By email

rjwoliver@email.msn.com

By mail

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

By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

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Contact Rupert Oliver at the address given above for details.

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Editorial

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This month we are pleased to announce the launch of our Premium Content website. All existing subscribers will have received with this issue a letter allocating a username and password to provide access to the new service. Our aim is to support and enhance the information we already provide to subscribers through our monthly print edition. The following services are now immediately available:

■ full web access to all articles published in the hardwoodmarkets.com print edition;

■ an archive of all articles published in hardwoodmarkets.com and Tropical Timbers since May 1998. This is searchable by both key word and subject category;

■ a databank containing import and export data for all EU countries updated quarterly covering all primary, secondary and further processed wood products. We are able to provide more comprehensive statistical data on the web than in our printed journal.

For example, the web service provides data on softwoods and all panel products, as well as our standard hardwood content;

■ hardwood price series data from May 1998 to the present.

Our web service will be progressively enhanced to provide more extensive statistical coverage, including import and export data for a wider range of countries; a web "chat" facility; extensive links to related websites; and a photo library.

To gain access to these services, browse the web to www.hardwoodmarkets.com and click on any of the links marked with a *P* denoting premium content.

You may also contact us from the website by clicking "contact" and filling out the form. We would welcome any comments you have on the service, particularly suggestions for enhancements.

Rupert Oliver

Africa

African sawn lumber

Supply problems in Cameroon

There continues to be a fine balance in the African sawn lumber market between relatively low levels of international demand and restricted availability for most species and grades. This is serving to maintain price stability. Trading conditions for many African mills are difficult due to low demand, tighter controls on logging, higher taxes, and tight margins. European forward demand for most species of African lumber during the autumn has been down on last year, partly a result of weaker economic conditions in central Europe. European importers stocks of African redwood are widely regarded as adequate. Some European importers suggest that unexpectedly slow sales during the autumn has allowed stock levels to rise to higher than normal levels.

Conditions vary in the major supplying countries of west and central Africa. In Cameroon, the rainy season is only just coming to an end. Lack of infra-structure means that logging is severely restricted in Cameroon during the rains, so log decks are currently low. Availability during the next dry season is likely to remain restricted due to much tighter control of concessions. Some of the larger Cameroon mills may be able to supplement supplies by purchasing

logs from Congo (Brazzaville) and the Central African Republic. Concessionaires in Cameroon are now subject to a fixed concession tax which is putting pressure on margins during this period of low demand. A number of bigger companies invested in large scale sawmilling capacity in Cameroon over recent years, but there are suggestions that business conditions are now so bad in Cameroon that these mills will have difficulty making a viable return on capital. There is now talk in Cameroon of introducing a levy on the export of air dried lumber in line with the government's growing commitment to promotion of downstream industries. However Cameroon's very limited kiln capacity will have to increase substantially if this is to be a viable option.

Improvement in Ghanaian supply

By contrast, in Ghana log availability has improved slightly this logging season compared to last as the Ghanaian authorities have now reallocated concessions under the new Timber Utilisation Contracts. Some of the larger companies are reported to be holding reasonable stocks of logs. However many shippers now complain that they are having difficulty competing on the international market due to the 10% levy imposed on all lumber exports. This levy has tended to strengthen the trend in Ghana

African indicative prices

	Sept	Oct	Nov
Exchange rates			
US\$/£	1.47	1.46	1.43
Fr.F/£	10.59	10.62	10.45
All prices include agents commission of 5%			
Logs			
Liberia			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	190	190	190
Walnut	190	190	190
Iroko	270	270	270
Kusia (Opepe)	120	120	120
Sawn lumber			
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m3, FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3500	3400	3350
Sipo	4400	4400	4300
Bibolo	2600	2600	2600
N'Gollon	3500	3500	3500
Afromosia	5600	5600	5600
Iroko	3550	3550	3550
Cote d'Ivoire			
Fr. Francs/m3, FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3400	3400	3400
Mahogany	2750	2750	2750
Framire	2150	2150	2200
Samba No.1 C&S	1540	1540	1540
Dimension stock			
Azobe	2600/	2600/	2600/
	3000	3000	3000
Dabema	1950/	1950/	1950/
	2550	2550	2550
Gabon			
Fr. Francs/m3, FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	2250	2250	2250
Okoume KD	2500	2500	2500

towards machining of lumber and other further processing prior to export. Shippers are also being encouraged by the Ghanaian authorities to promote a wider range of secondary species and to increase yields through finger jointing.

Reasonable stocks in Ivory Coast

Log stocks at some of the larger mills in the Ivory Coast are also reported to be at reasonable levels, although log diameters are said to be down on previous years. These logs derive partly from Ivory Coast's remaining large concession areas in the east of the country, supplemented by imports notably from Liberia. Although shipments from Abidjan port are reported to be fairly slow at present, this is more a reflection of weak demand in Europe than of low availability.

Considering the major African lumber species, prices for **sapele** are stable, but supplies out of Cameroon have been difficult and subject to delay due to logging

restrictions and poor weather. In the UK, demand for **sapele** from manufacturers has remained reasonably steady, but most importers have been feeding off existing stock, while there is also an increasing tendency to fill gaps by purchasing from landed stocks on the continent, notably in Belgium and the Netherlands. As a result the forward market has been quiet.

Irish iroko demand still weak

Forward orders for **iroko** in Ireland remain weak as stocks that built up earlier in the year have been slow to clear. The Irish economy has lost some of its heat, while there has been a significant shift to **sapele** by Irish importers. There is steady demand for **iroko** from the UK, but this is a less significant market than Ireland for this species. Stocks of kiln dried **iroko** in Ghana, which last year were in short supply, are having difficulty finding a market this year.

Framire, primarily from Ivory Coast, continues to perform well as a cheaper substitute for **iroko** in the UK.

Export demand for Ghanaian **wawa** in Europe, the Far East and South Africa is reported to be reasonably steady and prices are stable.

Sipo/utile is still a popular species in Europe, but availability is relatively confined.

Gabon's sawmillers are now making concerted efforts to export **okoume** lumber to Europe. Several new mills have opened during the last 2 years and, since **okoume** accounts for 70% of wood harvested in Gabon, the mills are having to develop lumber markets for a hardwood better known as a peeler species for plywood manufacture. Exporters are having some success generating **okoume** lumber sales in the Netherlands, but there has been little interest in the UK.

African logs

Export ban on ayous logs

There are reports that Cameroon has added ayous and azobe to the list of some 21 species which may not be exported as logs. A ban on ayous logs will mainly affect Italian importers, although their stocks are reported to be reasonably high at present. A ban on azobe logs would impact most heavily on the Netherlands, and to a lesser extent on Portugal.

Meanwhile, prices for African logs remain stable and significant change is unlikely now until next year. Export markets are difficult and relatively slow due to economic uncertainty, slow lumber sales and weak plywood markets in both Europe and the Far East. However African exporters are

hopeful that the removal of Indonesia as a relatively low cost supplier of logs to the international market will give their sales a lift, particularly in East Asia. Demand for logs for domestic processing in African countries is also brisk, which helps to ensure price stability.

Weakness in the plywood sector has meant that demand for **okoume** logs has been slow in the Far East, particularly in Japan where there is a trend towards use of lower cost logs.

Ghana to allow log imports

In a move which may have a significant impact on West African log markets, Ghana's Forestry Minister has announced that the government will waive import duties on logs. The aim is to help overcome significant short-falls in Ghana's domestic log supplies. The Ghanaian government is also considering waiving Value Added Tax on logs imported for processing. These measures are likely to benefit larger processing mills near the port of Takoradi, but may do little to ease the supply problems of smaller mills in Kumasi which lack capital to enter the international log market and which are located at some distance from the ports.

Veneers *Continued from p. 1*

moderately easy to obtain: European cherry; African sapele; African makore.

■ **Hardwoods with falling demand which are easy to obtain:** European steamed beech; American poplar; American ash.

■ **Hardwoods with falling demand and which are difficult to obtain:** European alder; American red alder; American yellow birch.

Commenting on the results of the survey, Hermann noted that light colours and grain were still likely to continue to dominate in the European veneer sector next year. For example oak in lighter colours is becoming more popular, while white beech is increasingly favoured over steamed beech. American black cherry is continuing to gain in popularity, while demand for European cherry is likely to remain only steady. European cherry is generally unable to compete with American cherry as it is less readily available and tends to be knotty, which conflicts with European manufacturers preference for clear wood.

Amongst tropical species, there was a general view that African anigre was gaining in popularity, partly because of its ability to take stain, and that African wenge was also experiencing a limited revival.

Malaysian sawn lumber

Low offers still emerging

Forward prices for dark red meranti sawn lumber from Malaysia remain weak, a response to low levels of international demand. At end November there are reports of some shippers pushing out relatively low offers in a bid to generate cash flow before the holiday season in the Far East. However, supply side trends suggest these lower prices may be short-lived.

Malaysian stocks of meranti sawn lumber are at low levels, there is very little available for immediate shipment, and mills report that log supplies are increasingly difficult. Many mills have closed, while few of those that are operating are cutting for the European market and are instead producing lumber for China. Logging and lumber production in both Peninsular Malaysia and Sabah has been well down this year on previous years, a response both to limited demand and stricter logging regulations. Logging is now hindered by monsoon rains, and the Muslim Ramadan holiday season is underway. The Indonesian log export ban is also likely to have an indirect impact on availability as mills in both West Malaysia and Sabah had been importing Indonesian logs to supplement domestic supplies. Malaysian mills report that the Indonesian authorities seem determined to make the log export ban stick.

Dutch market very slow

In the Netherlands, demand for merbau and meranti in the popular Dutch size of 3"x5" remains subdued and is not now expected to increase until after the Christmas vacation. The Dutch market has been disrupted by periodic bouts of importers dumping stock at low prices in an effort to generate cash flow, most recently in early November following the 2 week "autumn leave" when schools were shut and many people took a break from work. These cut-price offers have generated sales in the Netherlands, but have also contributed to caution in the forward market. Dutch forward orders for Bangkirai from Indonesia and Selangan Batu from Sabah in "anti slip" decking profiles - 28x145mm, 27 x145mm, 25x145mm - usually pick up in early November, but demand this year has remained stagnant. There are reports of existing high landed stocks of these products at Antwerp port. Good demand for decking usually only develops in the spring, so these stocks may hinder forward orders for several months.

A major factor undermining demand in the Netherlands has been a significant slowdown in the housing sector. House

starts have been falling all year and recent reports indicate that they have now reached their lowest level for several decades. Contributing factors include excess red tape and a skills and labour shortage in the construction sector. Since sales of meranti are quoted and invoiced in dollars, the continuing strength of the dollar against the euro remains an obstacle for meranti on most European markets.

UK stocks adequate for demand

In the UK, underlying demand for meranti from UK manufacturers has been reasonably steady during the autumn months. Stocks on the ground in the UK are well down compared to earlier in the year, but are still adequate to meet current levels of demand. There are reports that there are now less agents and importers actively involved in the meranti trade than in previous years as margins have become tighter. UK importers stocks of keruing are fairly high compared to levels of demand and forward buying is slow. Keruing CNF prices are also weak due to slow buying in the US. UK importers are now winding down for a lengthy holiday season, with many informing agents to ensure that no shipments arrive between 18th December and 4th January.

The downturn in the global economy has led to a decline in container freight rates from Port Kelang to European ports. Many leading European importers of meranti and merbau have taken advantage of the low rates to switch from breakbulk to container shipment, thereby reducing sailing time and reducing damage to stock during transit.

Limited availability of white seraya

Japanese demand for Malaysian lumber remains weak. Between January and August this year, Japanese imports of all tropical lumber, of which Sabah is the dominant supplier, registered 608,500 cubic meters, 8.9% down on the same period last year. Lack of availability of good quality white seraya from Sabah this year has been a particular problem for Japanese importers. This supply problem is likely to intensify following Indonesia's log export ban.

Asian logs and plywood

Restricted log supplies

Supplies of tropical hardwood logs in Asia are now much restricted. Rains have hit Sarawak, the major supplier to the international market, and this has contributed to lower levels of extraction. River levels have also been rising, creating problems for shipment by raft down river, and stocks at exporters yards are falling. Indonesia's announcement of an export ban on logs, effective from 31st October will also have a major impact on the availability of southsea logs on the international market. In Sabah, poor weather has only added to the existing problems of mills that have struggled to secure adequate supplies of logs all year. Many sawn lumber and plywood mills in Sabah had become heavily dependent on log imports from Indonesia and have now been compelled to suspend operations.

Indonesian ban impacts prices

In the short term, Indonesia's announcement of the log export ban had an immediate impact on log prices. Sarawak producers began to behave more bullishly and to look for higher FOB prices. The Japan Lumber Journal reports that there has been a rally in prices for small, super small, swamp and Keruing logs.

In Indonesia itself, the log export ban may help to boost the flagging fortunes of the nation's plywood sector which has had increasing difficulty sourcing hardwood logs of adequate size and quality. Indonesian producers continue to face weak global demand for hardwood plywood, a problem made worse by stiff competition in the Far

Asian Sawn Lumber Indicative Prices			
	Sept	Oct	Nov
Exchange rates:			
M\$/£	5.58	5.56	5.42
US\$/£	1.47	1.46	1.43
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"	700	660	660
2"	710	700	695
2.5"	730	730	720
3"	760	745	740
Keruing			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	520	510	500
Nemesu			
Kiln dried			
2"			860
2.5"			880
3"			890
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6'+ avg 8", Length 6'+ avg 8'			
1"	2850/	2850/	2850
	3500	3500	3500
<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>			

East from manufacturers in China and Korea, which are producing veneers from tropical logs or by combining tropical and softwood veneers to make plywood.

Japan's log imports hit new low

Imports of southsea logs into Japan during September were the lowest for many years at only 112,000 m³. According to the Japan Lumber Journal, there is now widespread talk amongst Japanese traders that the days of producing hardwood plywood in Japan may be coming to an end. At the most recent meeting of the Tokyo Chapter of the Japan Southsea Lumber Conference on October 30, prices for Southsea logs in the Japanese market remained steady at low levels, despite limited supplies.

The level of imported plywood this year, notably from Indonesia and Malaysia, has been a major concern for Japan's domestic plywood producers. Plywood supply in Japan throughout most of 2001 has been in excess of demand.

However by mid November, reports were beginning to emerge that a better balance in Japan's plywood market was being achieved as imports have been falling. Japan's plywood imports declined for a third consecutive month in September to slightly below 400,000 m³.

In addition to curtailing production, Japanese plywood manufacturers have been seeking to maintain margins by purchasing lower quality logs, through improved efficiency, and by maximising veneer recovery.

China' log imports continue to rise

As Japan's demand for hardwood logs declines, China's imports have continued to rise. According to Chinese Customs, imports of logs during the first nine months of 2001 reached 13.28 million m³, an increase of 22.4%, and were valued at US\$ 1.37 billion, up 3.9% on the same period last year. Tropical log imports reached 5.17 million cubic metres (up 17%) and were worth US\$711 million (up 8%). The bulk of the imported logs were from ten countries: Russia (50.3% of the total import), Malaysia (9.4%), Gabon (7.1%), Indonesia (6.8%), Papua New Guinea (5.2%), and lesser amounts from New Zealand, Myanmar, Equatorial Guinea, Germany and France.

Malaise in Asian plywood sector

The extent of the malaise in the plywood sector outside China was highlighted at the 23rd Japan-Korea-Taiwan Plywood Industry Conference held in Korea on 17 October. Hardwood plywood manufacturers in all three countries were concerned about gloomy economic conditions at home and

abroad, and about the growing level of competition from Chinese manufacturers, both in the sourcing of logs and in the sale of finished products. To a large extent, the Taiwanese industry has already moved its operating base to mainland China. As one response, delegates agreed that they would collect and exchange information as quickly as possible on the Chinese wood industry.

China's domestic market Regional shifts in wood sector

Major shifts are underway in China's internal log market. Following implementation of the Natural Forest Protection Program (NFPP), some traditional wood processing regions have gone into decline. For example, nearly 1000 wood processing factories, and 38 timber markets and mills in Chongqing, located in the upper reaches of Yangtze River and Three Gorges Reservoir regions, have closed due to a major reduction log harvest over the last 3 years. The log harvest in this region last year was 650,000 m³, down from 3.84 million m³ in 1997.

Shortfall in hardwood supplies

In northern China, demand for wood products is well in excess of supply in the nation's four major wood producing regions: Heilongjiang Province, Jilin Province, Inner-Mongolia Autonomous Region, and the Da Xing An Ling District. Production in this region is being reduced, while sales of large-diameter logs and sawn lumber of Korean pine, white pine, and larch (the traditional construction timbers) have been strong at good prices. Chinese hardwoods, including ash, elm, oak, and lime are in particularly short supply and prices are high, a trend which is expected to continue.

As some Chinese regions have declined as markets for wood, others have emerged. Demand from the northern Chinese cities of Beijing and Tianjin, always reasonably steady, has grown rapidly this year. As preparations get underway for the Beijing Olympics in 2008, this trend is likely to continue.

Rise of Zhejiang Province

Elsewhere, Zhejiang Province, on China's eastern seaboard south of Shanghai, has emerged as China's leading wood processing region in terms of installed processing capacity. The region is China's major producer of plywood, with output of 3 million m³ per year, around a third of all Chinese production. Plywood production is concentrated in Jiashan County close to Shanghai. There are major fibreboard

facilities centred on Lishui in the south of the province. Dongyang has developed into the biggest decorative mouldings production base in China, accounting for 70% of annual production for the whole of China.

Tokyo furniture fair Switching to imports

The International Furniture Fair Tokyo 2001 (IFFT) took place in mid November, at which 500 furniture manufacturers from 34 countries exhibited, including 72 from Italy and 31 from China. The Japanese market, despite its recent years of depression, remains the most influential in Asia and the IFFT gives an opportunity for furniture retailers to view new collections from all over the world. The furniture makers in Japan suffered an average 13% drop in production per year in 1998 and 1999. Despite the largest group of domestic exhibitors being from Japan, some of the major Japanese manufacturers were not present, either because they feel such an appearance is superfluous to their domestic marketing, but supposedly because many of them fear such an exposure to their competitors risks copying from other parts of Asia. Nevertheless much of the Japanese manufacturing capacity has already moved off-shore and this fair is now mainly an import show.

Problems for rubberwood

One complete pavilion was dedicated to South-east Asia. Some producers seem to be finding less interest in Japan as well as in the upper end of the European markets, for their rubberwood furniture, which has tended to develop a reputation for lower quality that is associated with lower cost. In this they are not helped by China, where many Taiwanese manufacturers are operating – and more recently by Vietnam – both of which offer high value hardwood species at low prices as a result of their labour cost differences. This was also emphasised in Tokyo by some of the American hardwood furniture (particularly cherry and walnut), which is made in Malaysia and successfully selling in Japan. The American Hardwood Export Council (AHEC) was the only generic exhibitor in Tokyo with a groundbreaking exhibit under the title Eco Furniture Design Contest. This regionally based contest produced some superb examples of furniture from a range of Japanese designers using lower grade (number two common) lumber for a market that is now beginning to wake up to its environmental responsibilities.

North America

Domestic market

Glimmers of hope

Recent statistics indicate that there are glimmers of hope for America's economy. The index of leading economic indicators compiled by the Conference Board rose by 0.3% in October after two months of sharp declines. American consumers seem to be regaining confidence. The University of Michigan's survey of consumer sentiment rose in November for a second month in a row. The number of people filing new claims for unemployment benefit fell for a fourth week in mid November, to 427,000, the lowest level since the September 11th attacks. At the same time, the Dow Jones industrial

average rose to close to 10,000, its highest since early September, before falling back a little. Higher stock values should help to boost consumer confidence. So too should falling energy costs, tax cuts and lower interest rates.

A significant factor for the wood sector is that the US construction sector remains reasonably stable. The US Census bureau reports housing starts for October 2001 at a seasonally adjusted annual rate of 1,552,000 units, 1.3% down on September 2001, but 1.6% up on October 2000. Building permits, an indicator of future activity, were less encouraging at a seasonally adjusted rate of 1,473,000 units for October 2001, down

3.6% on September 2001, and down 5.7% on October 2000. U.S. industrial production also fell for the 13th consecutive month in October, dropping 1.1%.

Competition takes its toll

The U.S. market for hardwood lumber remains very competitive. Over the past year, intense competition has taken its toll on US primary and secondary manufacturers. Widespread closures, particularly of smaller operations, has contributed to falling hardwood production and usage. A cloud of uncertainty has hung over many businesses throughout the hardwood trading chain, particularly since September 11th, leading to caution in purchasing and stock holding. Nevertheless the significant reduction in green and kiln dried production apparent since the summer seems now to have brought about a better balance between supply and demand for many items and prices have become more stable.

Log extraction in the fall has been low this year due to low demand, widespread lack of logging operators, and poor weather conditions in some areas. Log extraction and the trade in hardwoods in the U.S. was interrupted in the second half of November by the Thanksgiving holiday period. This, coupled with the hunting season in many regions, encouraged some logging operators and mills to shut down for a week. However there are reports from various parts of the U.S. that there was a slight increase in log extraction during November compared to the previous month.

Canadian economy slides

The Canadian economy, which over recent years has become increasingly integrated with that of the United States, has caught a cold from its neighbour. After several years of strong growth stimulated by America's boom, Canada's economy is now widely assumed to be already in recession. The Canadian dollar has plunged to an all time low against the US dollar, and many economists expect it to weaken further. The Bank of Canada was slow to respond to the risk of recession, but has become more aggressive during the second half of this year. Interest rates have fallen from 5.75% in January to 2.75% in mid November. Cheaper mortgages have served to keep Canada's house sales buoyant. But house construction has weakened considerably, expanding only 0.4% in the second quarter, compared to a staggering 6.5% in the first quarter. The slowing housing market is a bad omen for consumer spending on furniture, which is expected to remain slow.

U.S. Exports

3rd quarter sales disappointing

US lumber exports during the first nine months of 2001 were down 11.3% by volume year on year. The weak export performance

	2000 Year	2000 Jan- Sept	2001 Jan- Sept	% chng
Hardwood logs (1000 m3)				
Canada	1415.0	1039.3	1159.7	11.6
Japan	97.2	72.9	72.2	-1.0
Germany	83.6	67.7	68.5	1.2
Italy	90.8	69.7	64.7	-7.2
China	28.3	18.8	39.9	112.2
Hong Kong	24.5	19.1	26.6	39.3
S. Korea	38.3	27.6	23.7	-14.1
Indonesia	45.2	36.6	18.4	-49.7
Spain	24.3	18.6	16.0	-14.0
Taiwan	20.8	15.7	14.6	-7.0
Other	111.3	84.2	88.3	4.9
Total	1979.3	1470.2	1592.6	8.3

	2000 Year	2000 Jan- Sept	2001 Jan- Sept	% chng
Hardwood lumber (1000 m3)				
Canada	1025.9	787.5	697.5	-11.4
Hong Kong	165.3	127.8	161.0	26.0
Mexico	243.8	175.1	138.6	-20.8
Spain	182.1	133.7	134.0	0.2
Italy	201.4	160.0	126.4	-21.0
China	129.8	102.0	102.3	0.3
UK	121.7	95.9	93.7	-2.3
Japan	118.6	94.9	78.4	-17.4
Taiwan	94.1	72.7	55.3	-23.9
Belgium	52.3	40.3	39.1	-3.0
Germany	77.4	62.6	37.3	-40.4
Thailand	47.6	35.5	35.8	0.8
Portugal	33.0	26.2	23.0	-12.2
S. Korea	47.8	35.9	22.5	-37.3
France	34.2	26.8	22.2	-17.2
Other	323.8	240.7	198.9	-17.4
Total	2898.8	2217.6	1966.0	-11.3

	2000 Year	2000 Jan- Sept	2001 Jan- Sept	% chng
Hardwood veneer (US\$million)				
Canada	120.5	93.0	89.6	-3.6
Germany	71.4	52.1	43.2	-17.2
Spain	43.1	32.2	32.1	-0.2
Italy	17.8	12.8	16.1	26.0
Hong Kong	19.9	15.3	14.1	-8.3
UK	15.4	11.1	10.4	-6.1
Belgium	13.1	10.2	9.1	-10.7
China	7.2	4.9	8.3	70.0
S. Korea	10.0	7.9	6.7	-14.9
Mexico	9.6	6.8	6.4	-4.6
Other	81.2	62.0	52.9	-14.7
Total	409.1	308.3	289.0	-6.3

apparent during the first two quarters of 2001 (when export volumes were down 10.5%) continued into the third quarter.

In Europe, US lumber exports to Germany, and to a lesser extent Italy, continued to weaken during the third quarter. The significant growth in exports to Spain apparent during the first half of the year slowed during the third quarter. However, after a slow start to the year, US lumber exports to the UK and France picked up during the third quarter.

In Asia, there was good growth in US lumber exports to China during the third quarter. However, the significant growth in lumber exports to Hong Kong, apparent in the first half of the year, slowed during the third quarter. Exports to Japan and Taiwan continued to perform poorly during the third quarter.

Hardwood log exports during the first nine months of 2001 were up 8.3% by volume year on year. The strong growth trend in log exports apparent during the first half (when log exports were up 15.7%) slowed during the third quarter of the year. Log exports to Canada, Japan and Germany slowed during this period. However the trend towards increased log purchases by Hong Kong and China continued during the third quarter.

Veneer exports during the first nine months of 2001 were down 6.3% by value year on year. The weak export performance apparent during the first two quarters of 2001 (when export values were down 3.9%) continued into the third quarter. Veneer exports to Canada, Germany and Italy were well down during the third quarter of 2001 compared with the same period in 2000. Veneer exports to Spain held up reasonably well during the third quarter, and began to pick up to Hong Kong and China.

Special report - AHEC European Convention

Market discussions

A highlight of the AHEC European Convention in Dublin was the break-out sessions which allowed delegates to discuss factors influencing American hardwood demand in each European country. A summary of these discussions follows.

France

Trading conditions for American hardwoods remain reasonable. The economy has slowed since the middle of the year, but the construction sector is stable. U.S. hardwood stocks are at "normal" levels. The winter storms of 1999 led to a build up in stocks of lower grade domestic hardwood, but also contributed to a reduction in harvesting last season. Supplies of prime grade French hardwood are becoming short, which may open up opportunities for U.S. hardwoods. However competition from Eastern European hardwoods is increasing and US mills still need to specialise and adapt qualities and specifications more to customer needs. New structural uses of American hardwoods could possibly help in France, although opportunities may be restricted by the tough building codes. Certification is seen primarily as an issue for French forest owners, who are currently promoting PEFC certified wood.

Netherlands

Housing starts are at their lowest level for at least 15 years and inflation is higher than elsewhere in Europe. Demand for American hardwoods is undermined by exporters lack of flexibility in supplying specifications required by the market at competitive prices. For example, short length moulding blanks are cheaper in Eastern Europe. The Government is promoting forest certification in the Netherlands, but the trade won't pay a premium and there is concern over the proliferation of schemes.

Belgium

The economy is slowing, although this is viewed as a "correction" after a record 2000 and recession is unlikely. Demand for American hardwoods has been undermined by the strength of the dollar and a shift in manufacturing to Eastern Europe. There is much reliance on just in time purchasing, except in flooring. Forest certification is accepted by the Belgian trade to be an irreversible trend, but there is "no demand".

Italy

The economy deteriorated during the second half of the year. American hardwood is still used in volume, but there is "enormous" competition from Eastern Europe where prices are nearly 50% less in some cases. Italian manufacturers have invested heavily in Eastern Europe, resulting in improved availability of higher quality products particularly since the end of the war in the Balkans in 1999. Yugoslavian aspen is becoming more popular. Tropical hardwoods, notably light coloured species such as ayous and ramin, also remain very popular. Considering American hardwoods, poplar consumption continues to rise, but white oak is down. There has been a minor increase in the popularity of ash. Overall prices for American hardwoods are down, causing stock devaluation and inventory has been cut. However there will be a need to restock and now there are worries about forward availability of US kiln dried. To keep market share, American hardwoods will need much more promotion. There has been a very high investment from Italy into Eastern Europe and this will result in better quality products. Demand for forest certificates was characterised as "non-existent", and the Italian group felt the environmental issue had been over-estimated.

Greece

Use of veneers is increasing as consumption of panels and doors is on the rise. However the furniture sector is much slower. Just-In-

Time (JIT) ordering from the U.S. is keeping American hardwood inventory at very low levels. The environment is not an issue.

Germany

The economy is struggling and the volume of construction work continues to decrease. Due to lower labour costs, industry is moving more and more production away from Germany and Western Europe towards Eastern Europe. The American hardwood import business in Germany is tougher than ever. Stocks of American hardwood are low and importers are buying small amounts for immediate needs only. US exporters need to be able to supply small volume mixed specifications for prompt shipment. There is a continuous increase in imports from Eastern Europe, where prices are lower and there is less currency risk. At present demand for hard maple is steady, and white oak is up in 1" and 1.25". Demand for red alder is falling but the species is still important. Cherry is up in both logs and lumber. Walnut is also up and price is rising. Tulipwood is sold in northern Germany only. There is only limited demand for other species. U.S. hardwoods still have competitive advantages in terms of quality, size, and reliability of shipment and their prospects would improve if there were a more favourable dollar exchange rate. But in the medium term, the future does not look good for American hardwoods. Demand next year will struggle to maintain even this year's level. On forest certification, German delegates believed there was a need for mutual recognition and that there shouldn't be competing logos. But more important than certification was the need to convince consumers that all American wood was sustainably managed.

Sweden

The market has weakened significantly since April this year, both in the furniture and flooring sector, where a drop of 2-5% is expected for this year. The strength of the US\$ is having a marked effect on imports with substitution of European hardwood species growing.

Iceland

A small but high value market because it has little of its own natural resources. There is a traditional domestic market for wood flooring.

Denmark

The economy is reasonable. Unemployment is low. Flooring is up although furniture is down due mainly to the weak German market.

US sawn lumber indicative prices

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

	Sept	Oct	Nov
\$/£	1.47	1.46	1.43
\$/Euro	0.92	0.90	0.90
Red oak			
1"	1800	1800	1800
1.25"	2000	2030	2000
1.5"	2070	2100	2100
2"	2325	2350	2300
White oak			
1"	1575	1450	1425
1.25"	1700	1765	1700
1.5"	2000	2000	2075
2"	2650	2700	2525
Ash			
1"	1050	1150	1125
2"	1475	1475	1450
Tulipwood			
1"	975	975	975
1.25"	1000	1025	1015
1.5"	1025	1080	1080
2"	1195	1125	1125
Cherry			
1"	3620	3685	3650
1.25"	3725	3800	3750
1.5"	3875	3950	3900
2"	4100	4175	4150
Hard Maple			
1"	2350	2400	2375
1.25"	2575	2525	2500
1.5"	2775	2750	2775
2"	2850	2850	2925

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Market discussions *Cont.*

Austria

The market is steady, although demand in the furniture sector has fallen, partly in response to weak buying in Germany.

Spain

Construction remains buoyant but there are fears of overheating and there may be a slow-down in 2002. The market for flooring has been strong, buoyed by good activity in construction. At present furniture is down but could recover if consumer spending re-focuses on house furnishing when the current construction boom is over. Joinery is strong and prospects look good. The door business is strong, but there is some shift at the lower end towards use of paper laminates in place of real wood. American hardwood stock levels are high, and most importers are now demanding mixed containers at short notice. There are increased hardwood offers from Eastern Europe, where the lumber quality is improved. However very little Eastern European hardwood is offered kiln dried and there is not much spare kiln capacity in Spain. Many buyers therefore still prefer to buy kiln dried US hardwood. Confidence in US suppliers remains high, but there are growing concerns over apparent decline in availability of good quality stock. A major quality issue is sapwood, particularly in white oak. Environmental issues are not a major factor in Spain, although green campaigns have been launched criticising imports of tropical hardwoods. The group felt there was need for more promotion of natural wood characteristics to reach specialised architects and the joinery industries who work with them.

United Kingdom

The impact of September 11th created real uncertainty but the slowdown predates that event. October, traditionally a good month for the hardwood sector in the UK, was slow this year. Nevertheless there are positive aspects to the UK economy. After a long period of good growth, people have money in their pockets and consumer spending is reasonably stable, boosted to some extent by low interest rates. Private sector construction is reasonably active, and rising public spending on schools and hospitals may increase building activity in these sectors. Hardwood flooring demand is still good. However the UK furniture sector is struggling, particularly at the lower end of the market, as competition from imports continues to rise. Stock levels of American

hardwoods are being kept at low levels and purchasing on a JIT basis of mixed containers is now the norm. Competition from Eastern European hardwoods is rising, but it is less of a factor than in other parts of Europe. Red oak demand was good last year but has now slowed this year. White oak still dominates the UK market at 50%. Walnut is also strong and ash has fallen away over the last four years. Tulipwood remains popular as a utility hardwood. The group felt that the hardwood trade would have to work hard to maintain equivalent levels of demand during 2002. The group was sceptical about the value of forest certification. The experience is of low demand and high cost of certification with no premium so no benefits.

Ireland

Although coming off the boil a little this year, the Irish republic remains the fastest growing economy in the European Union. GDP growth, which should hit around 5% during 2001, has been driven by a construction boom. Confidence in the economy and tourism was hit by Foot & Mouth disease and the events of September 11th, but there is still construction work in the pipeline. The recent announcement of weapons de-commissioning in Northern Ireland may also give some confidence for consumption. The switch from Irish Punt to the Euro in January 2002 may cause confusion in the market amongst unprepared consumers.

American hardwood stocks are now on the low-side and some gaps are appearing. Competition from Eastern European oak, beech and sycamore is on the increase where the use of metric measures is also an advantage. Beech is now seen as a joinery wood when formerly it was only used for furniture. There has been a fashion away from tropical hardwoods and American hardwood has been a major beneficiary. The flexibility offered by American hardwoods, that can be shipped on a JIT basis, kiln dried and in mixed species boxes, is seen as an important advantage. American hardwoods now dominate in the internal joinery sector, but tropical wood still leads in the external joinery sector. Little solid wood now being used in the Irish furniture sector. However there is rapid penetration of solid wood in the flooring sector, with Chinese produced flooring making a particular impact. US species are widely used in flooring, especially oak and maple and walnut. Generally, darker timber species and colour tones are getting more popular.

Flooring

Over-capacity in parquet sector

Filip De Jaeger of the European Federation of the Parquet Industry (FEP) provided a statistical overview of the Western European parquet flooring sector, and commented on trends in the industry. Production of parquet flooring in Western European has been rising rapidly over the last 15 years, but continues to fall short of demand which has expanded at an even faster rate (tables 1 and 2). Sweden and Germany are by far the largest producers of parquet flooring in Europe. Germany, Italy and Spain are the largest consumers.

Low per capita consumption

Western Europe consumes only 0.26 m² of parquet floor per inhabitant each year, suggesting there continues to be room for market expansion. There is great variation in Europe and several countries already have significantly higher levels of consumption, notably Austria which consumes 0.6 m² per habitant per year.

There are major shifts in the structure of the parquet sector by type of product. Mosaic flooring, currently accounting for 5% of European production, is losing popularity and is also under pressure from cheap Asian imports. Lamparquet (6-13 mm solid) currently comprises 9% of European production and is maintaining steady market share. Solid parquet (14-23 mm solid) has been increasingly popular and now accounts for 14% of European production. However solid parquet may come under growing pressure from multi-layered products which have been taking a larger slice of the market. Multi-layered parquet is composed of two or more layers of wood or wood-based material – the top layer of which should be solid with minimum diameter of 2.5 mm. This product now accounts for 72% of European production. The popularity of multi-layered laminates reflects their ability to mirror the look and feel of solid wood at a lower price.

Hardwood dominant

The majority of wood species used for parquet manufacture are of hardwood, particularly oak and beech. There has been a trend towards “darker light” hardwoods, following a similar trend in furniture manufacture. New species are also emerging, including bamboo and olive wood, and there has also been a trend towards use of birch which when heat treated gives an “exotic” appearance. The relatively high prices for parquet flooring

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mean that it is often not the first choice during the construction of new homes. However home-owners are increasingly installing parquet as a means of increasing the rental and sale value of existing properties.

Although longer term market prospects remain good, there is evidence that the overall growth trend in the European

parquet flooring market has slowed this year due primarily to reduced construction activity in Germany. Competition in the sector is also intensifying and there is now evidence of overcapacity in European parquet production. There is also rising competition from low wage countries. A process of consolidation through corporate mergers is underway.

European flooring industry in figures (Source FEP)

Table 1: Parquet production & consumption during 2000
1000 m²

	Production	Consumption
Austria	4310	5500
Belgium	550	2550
Switzerland	2729	4075
Germany	11500	24791
Spain	4850	10617
France	6624	7602
Italy	5200	11000
Netherlands	2167	3542
Finland	5400	2137
Norway/Denmark	5680	5000
Sweden	13945	3800
Total FEP	62955	80614
Portugal	na	2000
Great Britain	na	4000
Luxembourg	na	1000
Greece	na	1500
Irish Republic	na	1500
Total W. Europe	na	90614

Table 2: Parquet production vs. Consumption in FEP Countries
1000 m²

	Production	Consumption
1986	25580	26860
1987	26991	30860
1988	29997	33640
1989	34566	39050
1990	35634	44910
1991	35294	47070
1992	37977	52180
1993	40396	52720
1994	44972	57293
1995	49798	61930
1996	50578	64016
1997	53836	63068
1998	58255	66234
1999	60774	74148
2000	62956	80614

Table 3: Parquet production by type versus consumption in FEP countries
1000 m²

	Mosaic parquet	Lam-	Solid layer	Multi-	Total production	Total consumption
1989	7239	4994	2851	19509	34593	39050
1990	6971	5350	3054	20302	35677	44910
1991	7036	5467	2963	19827	35293	47070
1992	6377	5204	2729	23364	37674	52180
1993	6901	4793	2858	25846	40398	52720
1994	6763	5368	3177	29628	44936	57293
1995	6618	5989	5516	31675	49799	61930
1996	5930	6605	5564	31930	50030	64016
1997	5256	6503	5971	36109	53839	63068
1998	4815	5827	6770	40343	57755	66234
1999	3975	6033	8472	42294	60774	74148
2000	3345	5771	9049	44792	62957	80614

Table 4: Wood species used for parquet in FEP countries during 2000

Oak	42.58%
Beech	21.66%
Tropical	13.58%
Maple	9.16%
Ash	2.99%
Cherry	2.50%
Birch	1.99%
Other	1.67%
Chestnut	1.58%
Red Oak	0.99%
Eucalyptus	0.71%
Pine	0.42%
Acacia	0.16%

Table 5: Market share of flooring products in W European countries during 2000

	Consumption mill. M ²	Share %
Textile	889	52.6
Vinyl	250	14.8
Ceramic	223	13.2
Laminate	160	9.5
Parquet	91	5.4
Linoleum	36	2.1
Rubber	21	1.2
Cork	17	1.0
Veneer floor	4	0.2
Total	1691	100

Table 6: Development of consumption of parquet, laminate floorings and cork
million m²

	1995	1996	1997	1998	1999	2000
Parquet	75	79	82	84	86	91
Laminate flooring	45	61	75	90	100	158
Cork	13	14	15	16	17	18
Veneered flooring			1	1.5	3	4

Furniture

Production on the rise

Paolo Gardino, an Italian industry consultant, gave a presentation on the current status of wood products consumption in the European furniture industries. Furniture production in Western Europe is worth about ECU 64 billion accounting for 45% of the world furniture supply. Germany is the leading furniture producer in Europe, followed by Italy and France. Gardino showed that furniture industry production in western European countries rose 15% between 1997 and 2000. This year the rising trend is expected to have continued, although at a slower rate as production is expected to be 1.7% higher than last year. Gardino noted that prospects are now uncertain, particularly since the events of September 11th, so there may be a slight decrease in overall production next year.

Wood use varies by country

By type of product, wood usage in the Western European furniture sector comprises roughly 18% hardwood lumber, 8% softwood lumber, 59% chipboard, 10% MDF, and 5% other panels. However there is considerable variation between countries which has an important bearing on market demand. For example, the French furniture sector is a leading user of hardwood lumber which accounts for around 50% of wood raw material supplied for upper end furniture manufacturing. This contrasts with Germany and Italy, where hardwood lumber accounts for around 28% and 10% respectively of wood raw material supplied to this sector.

Substitution trends generally weak

Gardino stressed that these proportional figures for wood usage by product have remained remarkably stable over the last decade. Substitution trends are generally fairly limited. Although manufacturers are often willing to try new products, there is considerable underlying conservatism and production usually remains unchanged. MDF is an exception, consumption of which has seen rapid growth over the last decade partly due to substitution for other materials. However, as overall production of furniture in Europe has increased, usage of all wood products has also tended to increase.

Gardino highlighted the shift amongst Western European furniture manufacturers away from the purchase of rough sawn lumber and on-site manufacturing in favour of semi-finished components for assembly. Semi-finished components include a wide

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Furniture *Cont.*

range of products from overlaid panels to sets of ready-to-assemble furniture. The strength of the trend towards components varies between countries, with French and Spanish manufacturers being more resistant to the trend than other European countries. Considering non-wood products, Gardino noted that aluminium and steel were currently very much in fashion, while plastic – popular a few years ago – has almost disappeared from the market.

Over-emphasis on price

Gardino noted that wood suppliers often over-emphasise the importance of price as a factor in determining competitiveness in the supply of wood to the furniture sector. Drawing on the results of a survey of furniture manufacturers in eight Western European countries, he identified the factors considered most important by buyers. The survey showed that manufacturers generally regard quality, delivery accuracy and price as the most important and equally significant factors, closely followed by delivery time. However the importance of these factors varies by product, so that cost and technical performance are seen as most important in the sourcing of wood panels, while aesthetic appeal and technical performance are most important in the sourcing of solid lumber.

Less important factors in the choice of wood suppliers included promotion, the range of products available, and environmental issues. There was generally only very limited interest amongst European furniture manufacturers in forest certification. Generally the environment was a more important factor amongst manufacturers supplying the large volume low quality DIY market in the UK, Central European and Nordic countries.

Recommendations

Gardino concluded with a number of suggestions for wood suppliers to the European furniture sector. Suppliers should concentrate on provision of a moderate range of products, making sure that these are of required quality. They should provide an excellent delivery service, particularly as many manufacturers now rely on just-in-time purchasing. Many European manufacturers prefer to buy from companies specialised in supplying the furniture sector. Opportunities to sell direct to manufacturers were restricted as manufacturers often had great respect for traditional trading channels and for existing procedures.

Brazil

Dry season comes to an end

In early December, the dry season in the Amazon region is coming to an end and tropical log extraction will be severely curtailed until March next year. However, most Brazilian mills are reporting that they have sufficient log stocks to continue lumber production for two to three months, implying that availability of many species will not be a significant problem until February or March next year. There are exceptions, for example cedar is a species which must be cut fairly quickly to avoid splitting. Although current availability of cedar is said to be good as the dry season has only just come to an end, supplies may well decline over coming months and prices should remain firm.

Mahogany decision illegal

There is still great uncertainty in the Brazilian mahogany trade. In November, ITTO's Market News Service reported that the Brazilian courts had decided that IBAMA's cancellation of transport and trade permits for mahogany logs and sawn lumber was illegal and that companies should be allowed to trade in the mahogany products that they have in stock. However, at the beginning of December, the Brazilian mahogany trade is still stalled, with no movement allowed either within or out of Brazil as discussions between the trade and Brazilian authorities continue. An unresolved issue, in addition to IBAMA's trade suspension, is the allocation of export

quotas for mahogany. A quota of only 10,000 m³ was issued for the second half of 2001, and this is already used up. It is not yet clear whether any exports of Brazilian mahogany will be allowed before the end of the year, nor how large the export quota will be during the first half of 2002. Against this background of uncertainty, prices for Brazilian mahogany remain very firm.

International demand for other species of Brazilian sawn lumber, notably in the United States, is slow. Under pressure from their overseas buyers, Brazilian exporters allowed US\$ prices for some species to slip during the first 10 months of this year following devaluation of the real (down from 1.97 to the US\$ at end January 2001 to 2.67 on 1 November 2001). During November there was a rebound in the value of the real, which rose to 2.49 against the US dollar by the end of the month. However, weak international demand has meant that Brazilian shippers have been unable to respond by once again pushing up dollar prices.

Domestic market uncertain

Conditions on Brazil's domestic market, which dominate sales of Brazilian hardwood sawn lumber, remain uncertain. Interest rates in Brazil stand at 19%, which although considerably lower than in previous years, are still sufficiently high to put a brake on underlying consumption in Brazil. Overall economic growth in Brazil during 2001 is forecast to be at around 2%

Peruvian wood exports

US\$000	Jan-Sept 2000	Jan-Sept 2001	% chng
By product group			
Sawn lumber of mahogany, virola, imbuia and balsa	36726	28469	-22
Sawn lumber of other tropical species	7075	4940	-30
Plywood	5464	7801	43
Other processed wood products	11449	16239	42
Total	66055	61660	-7
By destination country			
United States	42731	34537	-19
Mexico	11604	15346	32
Venezuela	2347	3280	40
Hong Kong	1151	2043	77
Dominican Republic	2477	1241	-50
Italy	1774	1050	-41
Puerto Rica	443	883	99
China	328	809	147
Japan	270	350	30
United Kingdom	548	295	-46
Others	2383	1827	-23
Total	66055	61660	-6.65

Source: Tropical Forest S.R.L.

S. America

Brazilian sawn lumber Indicative prices

	Sept	Oct	Nov
Exchange rates			
\$/£	1.47	1.46	1.43
US\$/m3 C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1520	1520	1520
2.5"-3" AD	1540	1540	1540
1"-2" KD	1620	1620	1620
2.5"-3" KD	1640	1640	1640
Virola			
1" KD No.1 C&B boards	380	380	380
strips	380	380	380
Cedro			
2" KD	725	725	725
2.5"-3" KD	725	725	725

this year, indicating that the economy will barely grow during the last quarter. The Brazilian furniture sector has slowed. Depending on market conditions, especially on Christmas sales, some Brazilian furniture mills are planning to cease production for 2 to 3 weeks at year end. Nevertheless, recent reports indicate that domestic hardwood demand has, so far, remained reasonably steady.

Brazil's domestic market prospects do not appear too bad. If sustained, the rise in Brazil's currency, coupled with a recent rebound in the Brazilian stockmarket, would mean that Brazil can more easily service its large dollar-linked foreign debt. This would ease a major burden on Brazil's economy. Merrill Lynch, an investment bank, recently updated its forecast for Brazilian economic growth to 1.5% in 2001, and 1.3% in 2002.

Peru

Lumber exports continue to fall

The most recent export data indicates that available supplies of South American mahogany from Peru have fallen this year. Between January and September, Peruvian exports of sawn lumber under the product code covering mahogany, virola, imbuia and balsa – but which in Peru's case will comprise mainly mahogany – fell 22% by value this year compared to last. During the same period, US imports of Peruvian wood products were down 19%. Much of the decrease reflects increased controls on the export of mahogany sawn lumber imposed by the Peruvian authorities this year. Peru's exports of plywood and other further processed products have increased this year in line with the government's policy to develop value-added processing.

Europe

Salon du Meuble

Oak back on top in Brussels

The first of the new season international furniture shows in Europe gave clear evidence this month that temperate hardwood is the wood material for European furniture and that oak is back on top. Tropical hardwoods have all but disappeared with the exception of teak, which is now appearing in some exciting designs for interiors as well as garden and patio furniture.

Belgium furniture makers, who represented half the exhibitors in Brussels, have largely deserted their traditional designs that many held partially responsible for the downturn in the industry's fortunes in recent years. This latest show demonstrated their determination to attract international buyers and limit imports by offering products that meet the tastes of today. And where they are unable to compete, many Belgium distributors are offering their retail customers imported furniture from eastern Europe, particularly Romania, Hungary and Poland, that meets the high production standards required in western European markets. This has been aided by the return to fashion for oak in natural and chalk/oil and clear finishes, produced from both American white oak and oak from within the European Union and eastern Europe.

Cherry favoured

American cherry remains a firm favourite and, perhaps because of the lack of tropical redwoods on offer, there is still a good market for American red alder. There were not many visitors from the Middle East this year, not surprisingly. But many of the 350 exhibitors from 14 countries reported a good level of new business from the 15,000 professional visitors

German beech

Market in the doldrums

Demand for German beech logs during the current logging season remains subdued. German saw millers and veneer manufacturers have reduced production this year. The market for beech logs this year has also been disrupted by the availability of logs from sanitation fellings in Belgian forests suffering from beech disease. Although lower grade markets have been hardest hit, prices for high quality beech logs at the first auction sales this year were down compared to 2000. Advance contracts agreed between German forest owners and large processors have also been at lower

levels than last year.

The German saw milling industry is currently experiencing weak demand both on domestic and export markets. Prices for most grades of sawn beech remain weak. After rising last year, production levels this year are falling again. Slow domestic demand reflects continuing weakness in the construction sector, which has fed through into falling activity for interior finishing and furniture manufacturing. Shifting capacity to lower cost Eastern European locations has also contributed to declining demand from the parquet sectors and furniture sectors. Meanwhile German export sales of sawn beech were down 28% by value during the first half of this year, with a particularly significant fall in sales to China and Hong Kong. The decline partly reflects weakness in China's export market for finished product, and also a continued shift towards log imports in China.

Rising volume of beech log exports

Taking the export volume figures at face value, there appears to have been a significant rise in German beech log exports this year. According to the German trade journal EUWID, between January and August this year, beech log exports reached 806,692 m3, up 8.9% on the same period last year. A major factor was a big increase in exports to Sweden, which hit 267,375 m3, up 61% on the same period the previous year. Sales of German beech logs to China rose marginally to 249,449 m3, up 3.5% on the previous year, but export volumes to Denmark, Italy, and Hong Kong were all down on the previous year. These figures

Continued page 10

European sawnwood indicative prices

	Sept	Oct	Nov
Exchange rates			
DM/£	3.16	3.17	3.12
DM/US\$	2.15	2.16	2.18
Euro/£	1.61	1.62	1.59
Euro/US\$	1.10	1.11	1.12
German beech			
Northern Germany, DM/m3, C&F, UK Port			
Grade: kiln dried, steamed and square edged.			
1"	1425	1425	1425
2"	1425	1425	1425
German oak			
Northern Germany, DM/m3, C&F, UK Port			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
<i>*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices</i>			
Croatian oak			
Northern Italy, Euro/m3, C&F, UK Port			
Grade: kiln dried and square edged.			
1"	920	940	940
2"	1400	1450	1450

Europe

German beech *cont.*

should be considered in the light of variations in the value of logs exported to different buying countries. Sweden (like Denmark) is a big volume buyer of low quality beech logs and in terms of value is a much less significant importer than either China and Hong Kong, which take only good quality veneer and sawing logs. Overall, the value of German beech log exports has been down this year compared to last.

German oak

Good demand from the stave sector

German oak log markets vary widely depending on end-use. Demand from stave manufacturers has been reasonably buoyant and prices are firm. Sales and prices of oak logs to the parquetry sector are steady. However there is uncertainty in the market for sawing grades. In part this reflects existing problems faced by German saw millers finding outlets for rising levels of oak sawn lumber production. There are reports of over-stocking as German domestic demand for oak sawn lumber remains weak. However, German exports of oak sawn lumber have been rising this year. The value of German oak sawn lumber exports reached €20 million during the first half of 2001, twice that of the same period in 2000, with particularly strong growth in exports to Spain (at €3.8 million, nearly ten times the value of the previous year), Belgium, the Netherlands, and France.

French beech

Availability of "white" beech well down

Availability of new season beech logs in France is well down this year due to continuing restrictions on public harvests and slow underlying demand. Many mills continue to carry excess stocks of lower grade beech logs in irrigated yards from storm-damaged stands, and also from sanitation fellings of diseased stands in Northern France. Despite most mills carrying low stocks of new season white beech, demand for new logs at recent auctions has been subdued and there has been pressure on prices.

French oak

High log stocks in lower grades

Prices for green higher grade oak logs in France have been reasonably stable. However, recovery of logs since the storms of December 1999 has meant that oak log stocks, particularly of lower grades, are high, covering up to two years production. Meanwhile French oak saw mills are coming under increased competitive pressure as underlying demand in Europe has weakened, as some mills have switched to oak that previously concentrated on beech, and as availability of European oak from Eastern Europe has also been increasing. Weakening demand in the French parquetry sector has tended to reduce demand for lower grade oak.

Romanian beech

Market reasonably bouyant

By contrast with other European beech suppliers, those in Romania report reasonable levels of trade. Romanian log exports were banned early in the year, and exports now focus of sawn beech. The log ban has improved the availability of good quality beech to Romanian mills. Demand for higher grade Romanian beech is steady in central European countries and prices are stable, although demand has been weakening in Italy since the summer. Medium grade sawn beech from Romania is also making inroads into the Chinese market. Romania's furniture sector is performing reasonably well, creating good domestic demand for sawn beech.

France imports Jan-Jun

Value (euro 000s)	2000	2001	% chg
Tropical Logs			
GABON	54490	60305	11
LIBERIA	19192	16504	-14
EQUAT. GUINEA	9026	4298	-52
CAMEROON	8117	8479	4
CONGO REPUBLIC	3682	4266	16
BELGIUM	514	1099	114
CENT. AFR. REP.	1236	1362	10
OTHER	4073	3909	-4
TOTAL	100330	100222	0
Beech Logs			
GERMANY	2874	1441	-50
BELGIUM	459	376	-18
SWITZERLAND	419	484	16
SPAIN	298	436	46
U.S.A.	258	0	-100
SLOVAKIA	65	0	-100
ROMANIA	70	5	-93
OTHER	160	259	62
TOTAL	4603	3001	-35
Oak Logs			
GERMANY	10973	7384	-33
BELGIUM	849	900	6
ROMANIA	700	288	-59
U.S.A.	454	671	48
SLOVAKIA	437	142	-68
AUSTRIA	150	596	297
SWITZERLAND	186	469	152
OTHER	917	1058	15
TOTAL	14666	11508	-22
Other Hardwood Logs			
U.S.A.	4459	6419	44
BELGIUM	3067	2772	-10
CANADA	1444	1575	9
SPAIN	1117	2013	80
GERMANY	752	1823	142
ITALY	273	117	-57
ROMANIA	124	87	-30
OTHER	774	1586	105
TOTAL	12010	16392	36
Tropical Sawn Lumber			
BRAZIL	45392	58137	28
CAMEROON	18041	20654	14
MALAYSIA	14697	11084	-25
GHANA	9839	6656	-32
IVORY COAST	6796	8294	22
BELGIUM	5760	8595	49
CONGO REPUBLIC	2209	2419	10
INDONESIA	1312	2177	66
GABON	1169	1681	44
NETHERLANDS	1213	913	-25
GERMANY	689	504	-27
OTHER	3744	6255	67
TOTAL	110861	127369	15
Beech Sawn Lumber			
SPAIN	960	728	-24
SLOVAKIA	942	727	-23
POLAND	788	940	19
BOSN. & HERZ.	437	279	-36
SWITZERLAND	597	523	-12
GERMANY	480	347	-28
SLOVENIA	432	390	-10
ITALY	421	474	13
ROMANIA	343	391	14
BELGIUM	193	157	-19
OTHER	625	624	0
TOTAL	6218	5580	-10
Oak Sawn Lumber			
U.S.A.	9246	6832	-26
BELGIUM	2786	2535	-9
CANADA	2528	2307	-9
GERMANY	910	1266	39
ITALY	816	1243	52
UKRAINE	804	1021	27
SLOVAKIA	611	692	13
LITHUANIA	178	1023	475
CROATIA	337	448	33
POLAND	142	502	254
OTHER	1474	3275	122
TOTAL	19832	21144	7
Other Hardwood Sawn			
U.S.A.	10749	9364	-13
CANADA	5670	5130	-10
BELGIUM	2423	1848	-24
GERMANY	2027	1371	-32
POLAND	963	608	-37
NETHERLANDS	897	426	-53
LATVIA	520	1326	155
ITALY	468	610	30
ROMANIA	276	881	219
FINLAND	378	255	-33
OTHER	2491	4414	77
TOTAL	26862	26233	-2
Tropical Veneers			
GABON	5177	11193	116
GHANA	2230	1467	-34
SPAIN	1447	1297	-10
BELGIUM	834	1184	42
EQUAT. GUINEA	948	912	-4
CAMEROON	914	992	9
OTHER	3770	4413	17
TOTAL	15320	21458	40

Value (euro 000s)	1999	2000	% chg
Other Hardwood Veneers			
GERMANY	3972	4567	15
SPAIN	2290	2226	-3
U.S.A.	3248	3734	15
ITALY	2282	3331	46
BELGIUM	2377	1730	-27
SWITZERLAND	1108	839	-24
OTHER	2588	2264	-13
TOTAL	17865	18691	5
Softwood Veneers			
FINLAND	4217	6168	46
PORTUGAL	2594	2033	-22
SPAIN	1720	1922	12
SWEDEN	676	500	-26
U.S.A.	683	633	-7
BRAZIL	236	456	93
OTHER	1370	1365	21
TOTAL	11496	13365	16
Tropical Plywood			
INDONESIA	14770	11037	-25
BELGIUM	6060	7625	26
GABON	3962	2774	-30
IVORY COAST	2618	2636	1
BRAZIL	2634	3968	51
MALAYSIA	1943	1279	-34
OTHER	8073	6925	-14
TOTAL	40060	36244	-10
Other Hardwood Plywood			
FINLAND	9066	9717	7
GERMANY	2697	3277	22
RUSSIA	2554	1459	-43
BELGIUM	2067	2502	21
ITALY	2074	2593	25
SPAIN	890	1198	35
OTHER	5079	5552	9
TOTAL	24427	26298	8
Softwood Plywood			
FINLAND	9009	8223	-9
GERMANY	4164	5403	30
BELGIUM	3660	4010	10
BRAZIL	4283	3846	-10
AUSTRIA	2107	2715	29
U.K.	2073	2765	33
OTHER	11449	13081	14
TOTAL	36745	40043	9
Sleepers			
IVORY COAST	1074	1402	31
CAMEROON	1689	1085	-36
BELGIUM	364	285	-22
GERMANY	58	299	416
OTHER	205	84	-59
TOTAL	3390	3155	-7
Profiled Wood - Softwood			
GERMANY	4088	3807	-7
ITALY	2796	2381	-15
BELGIUM	1434	1211	-16
LUXEMBOURG	216	534	147
OTHER	3116	3953	27
TOTAL	11650	11886	2
Profiled Wood - Hardwood			
ITALY	6980	10671	53
BELGIUM	3481	4793	38
GERMANY	2804	3779	35
POLAND	852	2857	235
OTHER	11989	20475	71
TOTAL	26106	42575	63
Wood windows and frames			
DENMARK	8919	11623	30
POLAND	2128	1420	-33
HUNGARY	1640	0	-100
BELGIUM	1107	1732	56
OTHER	4420	4798	9
TOTAL	18214	19573	7
Wood doors and frames			
BELGIUM	4128	4025	-2
SPAIN	3302	3604	9
GERMANY	1612	1835	14
NETHERLANDS	1438	2014	40
OTHER	8592	7909	-8
TOTAL	19072	19387	2
Parquet Panels			
BELGIUM	15651	18638	19
GERMANY	8701	7947	-9
SWEDEN	4406	3438	-22
ITALY	1688	2240	33
OTHER	6165	8402	36
TOTAL	36611	40665	11
Wooden Furniture			
ITALY	252459	283768	12
BELGIUM	143299	155698	9
GERMANY	89671	91192	2
SPAIN	80756	82912	3
BRAZIL	41423	40027	-3
ROMANIA	40766	53026	30
INDONESIA	43572	47452	9
DENMARK	30994	38342	24
OTHER	284804	289272	2
TOTAL	1007744	1081689	7

Source: Eurostat supplied by BTS and analysed by hardwoodmarkets.com

Spain imports Jan-Jun

Value (euro 000s)	2000	2001	% chg
Tropical Logs			
CAMEROON	6670	4574	-31
CENT. AFR. REP.	5881	7740	32
EQUAT. GUINEA	3126	3341	7
GABON	2718	4212	55
CONGO REPUBLIC	1709	1876	10
LIBERIA	1572	2803	78
FRANCE	975	1555	59
OTHER	2266	2597	15
TOTAL	24917	28698	15
Beech Logs			
FRANCE	9767	4681	-52
GERMANY	1351	1438	6
BELGIUM	1116	1143	2
UKRAINE	590	574	-3
ROMANIA	874	257	-71
POLAND	471	100	-79
SLOVAKIA	142	73	-49
OTHER	372	285	-23
TOTAL	14683	8551	-42
Oak Logs			
FRANCE	8011	6809	-15
GERMANY	2486	3022	22
U.S.A.	1898	2463	30
UKRAINE	1542	1929	25
ROMANIA	199	529	166
PORTUGAL	71	0	-100
POLAND	13	181	1292
OTHER	86	264	207
TOTAL	14306	15197	6
Other Hardwood Logs			
U.S.A.	6512	7812	20
FRANCE	5715	6307	10
POLAND	1099	748	-32
U.K.	279	153	-45
CANADA	272	521	92
ESTONIA	108	0	-100
GEORGIA	158	225	42
OTHER	545	1447	166
TOTAL	14688	17213	17
Tropical Sawn Lumber			
CAMEROON	28047	39676	41
IVORY COAST	27305	34474	26
BRAZIL	17132	18081	6
CENT. AFR. REP.	3220	3132	-3
CONGO REPUBLIC	2206	3505	59
GHANA	1367	1562	14
FRANCE	1054	1110	5
PORTUGAL	1336	383	-71
CHILE	877	256	-71
GERMANY	827	131	-84
GABON	362	658	82
OTHER	3936	4588	17
TOTAL	87669	107556	23
Beech Sawn Lumber			
GERMANY	9979	8659	-13
FRANCE	8105	6100	-25
UKRAINE	1412	1895	34
SWITZERLAND	1306	610	-53
ROMANIA	826	1118	35
BELGIUM	533	472	-11
SLOVENIA	398	919	131
TURKEY	306	0	-100
SLOVAKIA	272	440	62
RUSSIA	212	16	-92
OTHER	1031	2511	144
TOTAL	24380	22740	-7
Oak Sawn Lumber			
U.S.A.	64016	64614	1
FRANCE	4129	5227	27
CANADA	2768	4656	68
BELGIUM	1773	2418	36
GERMANY	1005	1323	32
UKRAINE	755	1011	34
POLAND	297	437	47
CROATIA	449	597	33
HUNGARY	269	395	47
ITALY	242	734	203
OTHER	881	1638	86
TOTAL	76584	83050	8
Other Hardwood Sawn			
U.S.A.	10509	10047	-4
CANADA	3685	3249	-12
FRANCE	2110	2798	33
LATVIA	1191	1285	8
CHILE	976	750	-23
BELGIUM	238	248	4
GERMANY	187	301	61
ROMANIA	105	171	63
LITHUANIA	141	98	-30
POLAND	74	36	-51
OTHER	575	1264	120
TOTAL	19791	20247	2
Tropical Veneers			
IVORY COAST	6354	8417	32
GHANA	2588	3183	23
EQUAT. GUINEA	1401	3146	125
BRAZIL	795	938	18
CAMEROON	951	1079	13
PORTUGAL	706	759	8
OTHER	3015	3057	1
TOTAL	15810	20579	30

Value (euro 000s)	1999	2000	% chg
Other Hardwood Veneers			
U.S.A.	25956	26796	3
GERMANY	8564	7480	-13
ITALY	2596	2672	3
FRANCE	1716	947	-45
U.K.	1517	955	-37
CROATIA	1072	2602	143
OTHER	6285	6882	9
TOTAL	47706	48334	1
Softwood Veneers			
U.S.A.	4288	5123	19
CHILE	1607	1717	7
GERMANY	1309	664	-49
SOUTH AFRICA	561	1328	137
BRAZIL	861	545	-37
AUSTRALIA	409	653	60
OTHER	2597	3413	31
TOTAL	11632	13443	16
Tropical Plywood			
FRANCE	2677	2685	0
FINLAND	793	0	-100
BRAZIL	269	502	87
IVORY COAST	324	299	-8
GERMANY	134	230	72
GABON	241	187	-22
OTHER	408	942	131
TOTAL	4846	4845	0
Other Hardwood Plywood			
FINLAND	6535	29308	348
RUSSIA	1604	1952	22
FRANCE	890	1618	82
GERMANY	623	144	-77
SWEDEN	17	0	-100
LATVIA	138	0	-100
OTHER	166	81	-51
TOTAL	9973	33103	232
Softwood Plywood			
FINLAND	2524	691	-73
AUSTRIA	1396	1976	42
GERMANY	1320	1660	26
FRANCE	922	885	-4
PORTUGAL	635	823	30
POLAND	484	277	-43
OTHER	742	1622	119
TOTAL	8023	7934	-1
Sleepers			
FRANCE	2037	1786	-12
U.S.A.	0	1134	0
BRAZIL	105	162	54
CAMEROON	0	0	0
OTHER	86	235	173
TOTAL	2228	3317	49
Profiled Wood - Softwood			
PORTUGAL	1620	1847	14
ITALY	1267	1246	-2
HONDURAS	426	348	-18
LATVIA	335	118	-65
OTHER	829	1239	49
TOTAL	4477	4798	7
Profiled Wood - Hardwood			
CHINA	4285	4630	8
FRANCE	4526	3934	-13
POLAND	2330	2983	28
INDONESIA	1748	1367	-22
OTHER	12419	19751	59
TOTAL	25308	32665	29
Wood windows and frames			
DENMARK	8115	7045	-13
POLAND	1827	273	-85
FRANCE	243	1643	576
SWITZERLAND	92	1195	1199
OTHER	365	432	18
TOTAL	10642	10588	-1
Wood doors and frames			
PORTUGAL	957	2054	115
U.S.A.	811	595	-27
FRANCE	457	587	28
GERMANY	83	246	196
OTHER	1269	1209	-5
TOTAL	3577	4691	31
Parquet Panels			
SWEDEN	7341	9060	23
DENMARK	2819	2728	-3
INDONESIA	2590	3419	32
BELGIUM	1959	2479	27
OTHER	14312	19985	40
TOTAL	29021	37671	30
Wooden Furniture			
ITALY	35808	36727	3
INDONESIA	25253	28381	12
FRANCE	17593	23445	33
GERMANY	7759	9893	28
CHINA	7710	9054	17
PORTUGAL	8619	8639	0
SWEDEN	5720	5174	-10
DENMARK	4469	5036	13
OTHER	41188	47723	16
TOTAL	154119	174072	13

Source: Eurostat supplied by BTS and analysed by [woodmarkets.com](http://www.woodmarkets.com)

Italy imports Jan-Jun

Value (euro 000s)	2000	2001	% chg
Tropical Logs			
CAMEROON	29141	19642	-33
LIBERIA	10611	11838	12
GABON	7411	8279	12
CONGO REPUBLIC	5191	7973	54
BURMA	2902	2627	-9
NIGERIA	1277	486	-62
IVORY COAST	1551	332	-79
OTHER	3289	6891	110
TOTAL	61373	58068	-5
Beech Logs			
SWITZERLAND	17638	11144	-37
FRANCE	11298	5380	-52
AUSTRIA	7192	6069	-16
GERMANY	3226	2860	-11
CROATIA	2612	2646	1
SLOVENIA	1313	1437	9
BELGIUM	1288	1179	-8
OTHER	1223	990	-19
TOTAL	45790	31705	-31
Oak Logs			
HUNGARY	2215	1693	-24
FRANCE	1443	1415	-2
CROATIA	1165	2310	98
AUSTRIA	552	479	-13
GERMANY	274	347	27
SLOVENIA	242	192	-21
ROMANIA	130	136	5
OTHER	200	283	42
TOTAL	6221	6855	10
Other Hardwood Logs			
FRANCE	22862	20223	-11
U.S.A.	26766	25372	-5
HUNGARY	11494	12225	6
CROATIA	9015	10696	19
AUSTRIA	5815	4309	-26
ROMANIA	3320	3655	10
SLOVENIA	2853	2862	0
OTHER	16136	13561	-16
TOTAL	98061	92903	-5
Tropical Sawn Lumber			
CAMEROON	28094	36839	31
IVORY COAST	29044	34991	20
INDONESIA	9204	3612	-61
MALAYSIA	10318	9531	-8
NIGERIA	9092	6121	-33
GHANA	6327	7414	17
BRAZIL	4499	4939	10
GABON	2624	4897	87
BURMA	2993	2622	-12
CONGO REPUBLIC	909	1267	39
THAILAND	1517	149	-90
OTHER	9957	8716	-12
TOTAL	114578	121098	6
Beech Sawn Lumber			
CROATIA	22735	17242	-24
BOSN. & HERZ.	19913	15357	-23
SLOVENIA	11990	9171	-24
SERB. & MONT.	5374	3619	-33
POLAND	4874	3672	-25
AUSTRIA	4608	4003	-13
ROMANIA	4322	3147	-27
GERMANY	3820	3438	-10
SLOVAKIA	3988	4569	15
ALBANIA	2697	3156	17
OTHER	11412	9037	-21
TOTAL	95733	76411	-20
Oak Sawn Lumber			
CROATIA	13920	16764	20
U.S.A.	11375	8146	-28
FRANCE	4502	4581	2
HUNGARY	2050	3616	76
UKRAINE	1519	1867	23
SLOVENIA	1586	1946	23
ROMANIA	1312	1851	41
AUSTRIA	702	803	14
CANADA	609	325	-47
BOSN. & HERZ.	422	956	127
OTHER	2645	2579	-2
TOTAL	40642	43434	

Spain

Furniture sector slows

There are reports of weakening demand for sawn hardwood from the Spanish furniture sector. Although production remains reasonably high, some manufacturers have reduced output in response to uncertainty over future prospects at home and abroad, and growing competitive pressure from Eastern European and East Asian imports. Spanish furniture producers forecast that sales next year may be down 10 to 15%.

UK

British hardwood demand

Demand for the small volumes of UK domestic hardwood on offer are mixed. Sales of British hardwood have started reasonably well this season, with prices similar to last year. There is still buyer interest in English oak for construction, joinery and flooring. However UK hardwoods across the board are under increasing pressure from lower cost imports, and some traditional outlets for these products, such as mining and upholstery are in long term decline.

New action plan for tropical forests

Members of the International Tropical Timber Council hailed as 'historic' their 31st Session in Yokohama, Japan which concluded on 3 November 2001. This enthusiasm reflected their agreement of the 'Yokohama Action Plan' which charts the International Tropical Timber Organisation (ITTO)'s course over the next five years. The Plan, which spans 2002-2006, was developed after wide consultation between Member governments, environmental non-governmental organizations, the timber trade and industry, and other international organizations. Its aim is to accelerate progress towards achieving exports of tropical timber and timber products from sustainably managed sources and it sets six goals:

- improving transparency of the international timber market;
- promoting tropical timber from sustainably managed sources;
- supporting activities to secure the tropical forest estate;
- promoting the sustainable management of tropical forests;

■ promoting the increased and further processing of tropical timber from sustainable sources;

■ improving industry's efficiency of processing and utilization of tropical timber from sustainable sources.

Tropical hardwood promotion

At the Session, the Council agreed to support a range of projects designed to further these broad objectives. Of particular significance for the hardwood trade, was the announcement that funding will be provided through ITTO for a major tropical hardwood promotional campaign to build a stronger market share for tropical hardwoods in world markets. Also, in response to concerns over profitability in the tropical hardwood plywood trade, the Council agreed to finance a study to analyse the causes of market fluctuations and price instability in this industry. Since the Asian economic financial crisis, tropical plywood has been trading at around 60% of pre-crisis price levels in most markets, especially Japan. Such low prices have led to high levels of unemployment in the plywood manufacturing sectors of many producing countries.

Continued support for forestry

While the tropical hardwood trade is to become a higher priority for ITTO, the organisation will continue to support tropical forest conservation and sustainable development. During the Session, ITTO Member countries pledged US\$8.96 million to fund new work in these areas. Among the projects approved and financed during the session was one designed to support a national forest inventory and forest monitoring program in Bolivia. Another will establish a trans-boundary gorilla sanctuary on the border between Cameroon and Gabon. And another will continue a long-running project in Sarawak to improve timber harvesting practices and to test the feasibility of sustainable forest management. The financial contributions made at this Session by the governments of Japan, Switzerland, the United States, Australia, the Republic of Korea and Sweden bring the total funding provided by the Organization for project and other work to about US\$230 million. ITTO projects are mostly carried out in countries with significant areas of tropical forest with the aim of raising the capacity of such countries to manage their forests on a sustainable basis and to develop a sustainable forest industry and trade.

	Exchange rates									
	One GB pound (£)			One US Dollar (\$)			One Euro			
	29-Sep	1-Nov	30-Nov	29-Sep	1-Nov	30-Nov	29-Sep	1-Nov	30-Nov	
Argentina	Peso	1.4695	1.4581	1.4226	0.9999	0.9965	0.9976	0.9106	0.901	0.8932
Australia	Aus. \$	2.9781	2.8835	2.7419	2.0263	1.9706	1.9227	1.8454	1.7818	1.7215
Bangladesh	Taka	83.6995	83.3293	81.2136	56.95	56.95	56.95	51.8645	51.4914	50.9903
Belgium	Belgian Fr.	65.1011	65.2827	64.2505	44.2955	44.6164	45.0549	40.3399	40.3399	40.3399
Belize	B\$	2.91	2.8825	2.8093	1.98	1.97	1.97	1.7941	1.7812	1.7638
Bolivia	Boliviano	9.911	9.949	9.7399	6.7435	6.7995	6.83	6.1413	6.1478	6.1153
Botswana	Pula	8.8112	9.1336	9.3573	5.9952	6.2422	6.5617	5.4599	5.6439	5.8751
Brazil	Real	3.9249	3.9112	3.6086	2.6705	2.673	2.5305	2.432	2.4168	2.2657
Fr. Africa*	CFA Fr.	1058.60	1061.55	1044.76	720.28	725.50	732.63	655.96	655.96	655.96
Canada	Canadian \$	2.3217	2.3302	2.2413	1.5797	1.5925	1.5717	1.4386	1.4399	1.4072
Chile	Peso	1021.960	1045.680	979.197	695.350	714.650	686.650	633.255	646.151	614.792
China	Yuan	12.1645	12.1108	11.8037	8.2768	8.2769	8.2772	7.5377	7.4836	7.411
Czech Republic	Koruna	54.7244	54.2217	52.811	37.2351	37.0569	37.033	33.91	33.505	33.1575
Denmark	Krone	12.001	12.0527	11.8554	8.165	8.2373	8.3135	7.4359	7.4477	7.4435
Estonia	Kroon	25.255	25.3171	24.9167	17.1838	17.3025	17.4725	15.6493	15.6441	15.644
Europe	Euro	1.6138	1.6184	1.5927	1.0981	1.106	1.1169	1	1	1
Finland	Markka	9.5953	9.6221	9.47	6.5288	6.5761	6.6407	5.9457	5.9457	5.9457
France	Franc	10.586	10.6155	10.4476	7.2028	7.255	7.3263	6.5596	6.5596	6.5596
Germany	D-mark	3.1564	3.1652	3.1151	2.1476	2.1632	2.1844	1.9558	1.9558	1.9558
Ghana	Cedi	10581.90	10461.90	10356.70	7200.00	7150.00	7262.50	6557.06	6464.70	6502.50
Guyana	Guyanese \$	264.546	264.107	257.402	180.000	180.500	180.500	164.381	163.199	161.611
Hong Kong	HK\$	11.4629	11.413	11.1215	7.7995	7.8	7.7988	7.1031	7.0524	6.9827
India	Rupee	70.3252	70.219	68.3506	47.85	47.99	47.93	43.577	43.3902	42.9142
Indonesia	Rupiah	14267.1	15619.7	14923.6	9707.5	10675.0	10465.0	8840.6	9651.8	9369.8
Irish Republic	Punt	1.271	1.2746	1.2544	0.8648	0.871	0.8796	0.7876	0.7876	0.7876
Italy	Lira	3124.78	3133.50	3083.95	2126.13	2141.54	2162.58	1936.27	1936.27	1936.27
Japan	Yen	175.085	177.933	175.575	119.13	121.605	123.12	108.492	109.949	110.236
Kenya	K. Shilling	116.261	115.447	112.587	79.105	78.9	78.95	72.041	71.3375	70.688
Korea South	Won	1924.57	1897.04	1815.29	1309.50	1296.50	1272.95	1192.56	1172.23	1139.74
Liberia	Liberian \$	1.4697	1.4632	1.4261	1	1	1	0.9107	0.9042	0.8954
Malaysia	Ringgit	5.5849	5.5602	5.419	3.8	3.8	3.8	3.4607	3.4358	3.4023
Myanmar	Kyat	9.709	9.7291	9.6334	6.6061	6.6492	6.7553	5.9909	6.0588	6.0484
Netherlands	Guilder	3.5564	3.5663	3.51	2.4198	2.4374	2.4613	2.2037	2.2037	2.2037
New Zealand	NZ\$	3.6129	3.5292	3.4292	2.4582	2.412	2.4047	2.2387	2.1808	2.1531
Nigeria	Naira	165.577	164.844	171.839	112.660	112.660	120.500	102.600	101.862	107.890
Papua NG	Kina	5.2128	5.2268	5.5073	3.5468	3.5722	3.862	3.2301	3.2298	3.4578
Philippines	Peso	75.4692	76.0133	74.0833	51.35	51.95	51.95	46.7645	46.9706	46.5135
Poland	Zloty	6.2118	6.0269	5.7756	4.2266	4.119	4.05	3.8492	3.7242	3.6262
Portugal	Escudo	323.541	324.443	319.314	220.141	221.735	223.915	200.482	200.482	200.482
Romania	Leu	44803.8	45461.6	44974.8	30485.0	31070.0	31538.0	27762.7	28091.9	28237.5
Russia	Rouble	43.3106	43.5492	42.696	29.469	29.763	29.94	26.8374	26.9102	26.8068
Singapore	Singapore \$	2.596	2.6717	2.6113	1.7664	1.826	1.8312	1.6086	1.651	1.6395
Solomon Islands	Slnn. Is. \$	7.9745	8.044	7.9137	5.4259	5.4975	5.5494	4.9414	4.9706	4.9659
South Africa	Rand	13.2387	13.9548	14.6598	9.0078	9.5372	10.28	8.2034	8.6231	9.2042
Spain	Peseta	268.516	269.265	265.008	182.701	184.025	185.834	166.386	166.386	166.386
Sweden	Krona	15.6786	15.4481	15.2365	10.6679	10.5577	10.6844	9.7153	9.5458	9.5663
Taiwan	\$	50.7194	50.5316	49.1488	34.51	34.534	34.465	31.4283	31.2249	30.8582
Tanzania	Shilling	1312.08	1325.66	1309.11	892.75	906.00	918.00	813.03	819.16	821.93
Thailand	Baht	65.3723	65.449	62.5893	44.48	44.73	43.89	40.508	40.4427	39.2969
Uganda	New Shilling	2582.26	2567.92	2454.95	1757.00	1755.00	1721.50	1600.10	1586.79	1541.35
United Kingdom	£	1.0000	1.0000	1.0000	0.6804	0.6834	0.7012	0.6197	0.6179	0.6279
U.S.A.	US \$	1.4697	1.4632	1.4261	1	1	1	0.9107	0.9042	0.8954
Venezuela	Bolivar	1091.840	1087.890	1064.910	742.900	743.500	746.755	676.559	672.236	668.607
Vietnam	Dong	22049.0	22002.1	21486.3	15003.0	15037.0	15067.0	13663.2	13595.7	13490.2
Zimbabwe	\$	81.495	81.1345	79.0746	55.45	55.45	55.45	50.4985	50.1353	49.6473

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

Special report - ITTO Meeting

Continued from page 14

In other decisions made by the Council, forest law enforcement will be strengthened in those member countries requesting assistance. According to ITTO, failures in forest law enforcement and problems of illegal trade in forest products have been the subject of intense debate within the Council. In reaching its decision at this session, the Council recognized that all countries and the ITTO have a role to play in combating activities that undermine sustainable forest management.

The Council stressed the linkage between sustainable forest management and market access for tropical timber products and

recognized the need to promote "adequate access to consumer markets, aiming at a significant increase in the revenues and benefits for governments, forest owners, industry and local communities".

The decision provides resources to assist countries to address unsustainable timber harvesting, forest law enforcement and illegal trade in tropical timber upon request. In addition, the Organization will undertake a study to investigate trade statistics reporting systems in selected countries to identify problems and recommend actions to strengthen these systems and to deal with apparent instances of illegal trade. Another study will report on relevant issues affecting

market access for tropical timber.

In a related decision, the Council expressed its appreciation to the ITTO Mission to Indonesia, which made a wide range of recommendations to strengthen sustainable forest management and control illegal logging in that country. The Council agreed to help publicise the Mission's findings throughout Indonesia and encouraged the government to submit project proposals to implement the recommendations, including those to help curb illegal logging.

Countries will be given assistance to develop credible systems for auditing the implementation of ITTO's criteria for sustainable forest management.

Association Profile - TEDD - Ghana

Key objectives for Ghana's wood industry include developing a stronger export market for added value products, encouraging trade in species other than the traditional and well known, pressing on with efforts to certify products based on its National Forest Standards, and seeking industrial co-operation and resource development required to meet these aims.

The Timber Export Development Division (TEDD) of Ghana's Forestry Commission pursues these objectives through its linkages with Ghana's timber markets worldwide. TEDD was originally the Timber Export Development Board and functioned as a separate entity. Now, as a Division of the Forestry Commission, it is part of a structure offering greater collaborative efforts between it and the Forest Services Division, the Wildlife Division, and the Forest Products Inspection Division. TEDD has an overseas office in London and is headquartered in Takoradi. It provides a flow of information to Ghana timber and wood products exporters through frequent market reports and keeps over-

seas importers, governments and institutions informed of issues relating to the nation's wood sector in the *Ghana Gazette*. It publishes information about species and products and provides monthly wood export statistics.

TEDD is responsible for assisting in market identification and development and an important function is to reassure buyers that Ghana is fully committed to ensuring sustainable forest management. While it is taking longer for tropical countries to offer certification, TEDD argues that this should not be a barrier to trade. Ghana should be given full credit for its progress towards exacting certification standards. TEDD has produced a leaflet summarising progress towards certification. Other work includes promotional activities such as recent seminars in Dublin and Manchester, organising trade delegations, articles for the press and advertising. Current advertising focuses on Ghana's heavy duty species suitable for exterior work in sea defence, river work and decking.

TEDD was instrumental in the setting up in Kumasi of the Wood Industries Training Centre to improve practical management and operational skills.

Ghana exports more than 50 species to some 30 markets in Europe, North America, Africa, the Middle East, and the Far East. It no longer exports logs, and the product range includes kiln dried and air dried sawn lumber, machined profiles and mouldings, flooring, furniture parts and furniture, rotary veneer, sliced veneer, curls veneer, lay-ons, plywood, particleboard and dowels.

Contact points for TEDD:

Unit 4, Granard Business Centre, Bunns Lane, Mill Hill, London NW7 2DZ.
Tel: 020 89069560, Fax: 020 8906 9570,
Email: gtedb@btconnect.com

TEDD, PO Box 515, Takoradi, Ghana
Tel: 031 22921-23, Fax: 031 23339
Cables: TIMBOD

Hardwood Events

Date	Event	Venue	Target audience	Contact
2002				
11-12 Jan	NHLA Convention (Rescheduled)	Peabody Hotel Memphis, Tennessee	American Hardwood	NHLA, Tel: (901) 377 1818 Fax: (901) 382 6419
10-14 Jan	Salon du Meuble	Paris, France	Furniture industry	
14-20 Jan	Internationale Mobelmesse	Cologne, Germany	Furniture industry	
20-23 Jan	Furniture Show	Birmingham, UK	Furniture Industry	
8-12 Feb	India Wood	Bangalore, India	Woodworking & materials	
4-15 Mar	2nd Session of the UN Forum on Forests	San Jose, Costa Rica	Government	www.un.org/esa/sustdev/forests.htm
Apr	8th Brazilian & 2nd Pan-American Forestry Congress	Brasilia, Brazil	Forestry and Timber Trade	sbs@sbs.org.br
25-27 Apr	FSC Forest Products International Conference & Showcase	Atlanta, Georgia, USA	Forestry and Timber Trade	conferencequestions@certifiedwood.org
27 May-1 Jun	32nd Session of the International Tropical Timber Council	Denpasar, Indonesia	Government, trade	Collins Ahadome, ITTO, itto@itto.or.jp

Glimmers of hope in America

There are glimmers of hope for America's economy. The index of leading economic indicators compiled by the Conference Board rose by 0.3% in October after two months of sharp declines. American consumers seem to be regaining confidence. And a significant factor for the wood sector is that the US construction sector remains reasonably stable. The U.S. market for hardwood lumber is very competitive, but the significant reduction in green and kiln dried production apparent since the summer seems now to have brought about a better balance between supply and demand for many items and prices have become more stable. **Page 6**

Sliding American exports

US lumber exports during the first nine months of 2001 were down 11.3% by volume year on year. The weak export performance apparent during the first two quarters of 2001 continued into the third quarter. But exports to some countries performed reasonably well. After a slow start to the year, US lumber exports to the UK and France picked up during the third quarter. There was also good growth in US lumber exports to China during this period. **Page 6**

Irish optimism

Delegates at AHEC's European Convention in Dublin acknowledged that trade this year has weakened but many delegates were optimistic about the medium term outlook for American hardwoods, which remained competitive in Europe due to the wide range of species, grades and sizes available, their well established grading rules, and efficient shipment and delivery times. **Pages 1/7/8**

Oak on top

The first of the new season international furniture shows in Europe gave clear evidence that temperate hardwoods are preferred and that oak is back on top. Tropical hardwoods have all but disappeared with the exception of teak, which is now appearing in some exciting designs for interiors as well as garden and patio furniture. **Page 11**

Romanian beech doing well

Romanian beech lumber is selling reasonably well this year. However demand for French and German hardwood sawn lumber has been hit by slowing economic growth in central Europe. **Pages 11 & 12**

Promotion of tropical hardwoods

ITTO agreed a new action plan for the next five years which includes funding for a major tropical hardwood promotional campaign. **Pages 14 & 15**

Japan's hardwood log imports hit new lows...

Imports of southsea logs into Japan during September were the lowest for many years at only 112,000 m³. **Page 4/5**

...while China's continue to rise

China's imports of logs during the first nine months of 2001 reached 13.28 million m³, an increase of 22.4% on the same period last year, and were valued at US\$ 1.37 billion, up 3.9%. **Page 5**

Meranti prices still on the rocks

Forward prices for meranti sawn lumber remain weak, a response to low levels of international demand. Some shippers have been pushing out relatively low offers in a bid to generate cash flow before the holiday season in the Far East. However, supply side trends suggest these lower prices may be short-lived. **Page 4**

Improved availability from Ghana and Ivory Coast

Prices for African sawn lumber remain reasonably stable despite slow international demand. Log supplies in Cameroon are limited as the rainy season is just coming to an end and due to tightening government controls. However log decks and lumber availability from Ghana and Ivory Coast have improved. **Pages 2 & 3**

Cameroon bans ayous log exports

Cameroon has added ayous and azobe to the list of species which may not be exported as logs. The ban will impact mainly on Italian manufacturers. **Page 3**

Mahogany problems linger on

In early December, the dry season in the Amazon region is coming to an end and tropical log extraction will be severely curtailed until March next year. Uncertainty surrounds the Brazilian mahogany trade, despite a recent court decision that IBAMA's trade suspension was illegal. Meanwhile Peru's exports of mahogany lumber have continued to slide this year. **Pages 10 & 11**

Growth in European furniture production slows

Western European furniture production rose 15% between 1997 and 2000. This year the rising trend is forecast to have continued, but at a slower rate. Hardwood lumber accounts for 18% of wood used in the European furniture sector. Chipboard comprises 59% and MDF 10%. These proportional figures have remained stable over the last decade as substitution trends are generally fairly limited. One exception is MDF which has made significant inroads into the sector. **Pages 9 & 10**

Rapid rise of parquet

Production of parquet flooring in Western Europe has been rising rapidly over the last 15 years, but continues to fall short of demand which has expanded at an even faster rate. However competition in the sector has been intensifying and a process of rationalisation is underway. **Page 9**

Light-colours predominant

A recent survey of European veneer producers suggests that light colours and grain are likely to dominate the European veneer sector next year. Several species are forecast to be in favour: European white beech; European ash; European birch; European oak; European Chestnut; American white oak; American walnut; American hard maple; European sycamore; African anigre; and American black cherry. **Pages 1 & 3**