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## Africa progresses to sustainability

The number of forestry concessions in Central Africa implementing sustainable management plans has increased rapidly over the last few years, according to a report by Dr Bernard Cassagne in the latest newsletter published by ATIBT. But the report also highlights the scale of the remaining challenges.

The move towards development and implementation of sustainable management plans has been led by some of the holders of large commercial concessions. It has been driven by various factors including growing political pressure to implement sustainable practices; increased demand for wood from well managed sources; new regulations imposed by producing countries – often under pressure from large donors; and the increased scarcity of productive forest territory.

Data provided by Dr Cassagne indicates that in the five major timber producing countries of Central Africa (excluding DRC), an area of concessions totalling 15.85 million hectares is now engaged in the process of developing sustainable forest management plans, with much of this area concentrated in Gabon and Congo-Brazzaville. This network of managed concessions is being developed alongside a network of totally protected areas with an area of a little less than 10 million hectares.

Development of sustainable forest management plans in African tropical forest is a lengthy and technically challenging process. The ATIBT is facilitating this process through the publication of guidelines and provision of training courses on forest management planning. Financial support is being provided by the French Agency for Development. Pre-requisites to implementation of sustainable forest management plans in Central African forests include:

■ consistent forest policy and secure land tenure;

■ reliable information on forest ecology to allow effective demarcation of forest into productive and protected areas;

■ and an inventory of timber resources, including data on forest growth, to allow reliable assessment of sustainable harvesting volumes and intensity.

The plans should include operational requirements, set out in an operational manual, to ensure that: each harvestable tree is individually identified; that the network of roads and tracks is planned to reduce forest damage; and that the felling is controlled to minimise waste. There should be training for all personnel. The plans should also include a social section, setting out actions to enhance the welfare of workers and villagers. Dr Cassagne acknowledges that this approach to forestry in the Central Africa has limitations. It is applicable only to the large well capitalised forest concession holders rather than to smaller and community man-

► 2

**Area of forest land in Central Africa\* on which plan for sustainable forest management is being implemented**

Country	Area (has)
Cameroon	900,000
Congo	5,300,000
Gabon	6,700,000
Equatorial New Guinea	50,000
CAR	2,900,000
<b>Total</b>	<b>15,850,000</b>

**Status of forest management plans in Central Africa\***

Preparatory studies completed or underway	7,130,000
Development plan in preparation, work started in the field	7,450,000
Development plan registered and in process of execution	1,270,000
<b>Total</b>	<b>15,850,000</b>

\* excludes DRC

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## Editorial - on log exports

The export of hardwood logs, both from temperate and tropical regions, is an issue that keeps cropping up in this month's issue. Our analysis of U.S. exports during 2002 shows that the temperate log trade between the USA and Asia is growing. Our report on European hardwoods suggests that Chinese demand for European beech logs is rising again. Elsewhere in the world, there is evidence that Russian oak log sales in Japan and Korea have become an important supplement to the local oak supply.

The export of raw logs tends to create anguish amongst sawmillers in the supplying countries. Domestic log prices are forced higher, and local millers often argue, with apparent reason, that income and profits are being exported. Fears such as these have stimulated a campaign by European sawmillers to encourage forest owners to

voluntarily restrict log exports.

But nothing is ever so simple. Restrictions on log exports can be very damaging – in the long term even to those industries they are designed to protect. Our articles on Indonesia illustrate this very well. That country's recent ban on log exports may, by reducing domestic log prices, have played a significant role to encourage another decline in Indonesian plywood prices. The painful conclusion is that log export restrictions may simply prolong the lives of inefficient operators, and undermine trading by the more efficient operators in the process.

Restrictions on log exports can only be effective policy tools if combined with reliable measures to reduce harvesting levels. This may be true of Europe. But in Indonesia, it is the level of harvesting which is the real problem, not the level of log exports.

## Africa



aged forests. However work has started in Gabon to establish suitable management procedures for smaller concession holders. There are also challenges. The costs of developing and implementing management plans are high. The pressure to convert forests for agriculture and commercial cash crops is intense. The existence of a plan is itself no guarantee that a concession will not be converted in mid cycle (after all we talking about several decades). So success is at least as dependent on political will and effective land planning by government agencies as it is on the commitment of commercial forestry operators.

But there are grounds for optimism. Dr Cassagne notes that the process of developing the plans has led to a "formidable exchange" of information between forestry operators, forestry administrations, donors, NGOs, forestry consultants, and researchers. There is growing willingness amongst these groups to work together.

### **IFIA Code of Conduct**

Alongside the efforts of ATIBT to promote sustainable forest planning in Central Africa, the Interafrican Forest Association (IFIA) is promoting a "Code of Conduct for the sustainable management of forest concessions in Central and Western Africa". Eight companies operating in Central Africa became signatories of this Code at the "Conference of the Central African Humid Ecosystems" (CEFDHAC) in June 2002. These companies include: in Gabon, Thanry/C.E.B., Leroy-Gabon, Rougier-Gabon, and

S.B.L.; and in Congo-Brazzaville, C.I.B., I.F.O./Danzer, I.T.B.L/B.T.A, and Mokabi-Rougier.

The Code commits these companies to manage and utilize tropical forest according to sustainability principles as defined through national forest policy and at international level (for example ITTO and ATO). Signatories are required to respect all relevant national laws, including those respecting to taxation, and to implement a sustainable forest management plan. If the signatory works with a sub-contractor, they must make every possible effort to assure that the sub-contractor also respect legislation. Signatories must respect the rights of local communities. They must be attentive to the impact of hunting, and should develop and enforce internal forest company regulations forbidding their employees from poaching and hunting for profit. In the same manner, signatories are committed to persuading their forest subcontractors and haulers to follow suit. Signatories must also elaborate wildlife management plans.

To ensure implementation, IFIA is committed (with the aid of the financial donors) to create a monitoring committee including all the parties concerned with the Code. IFIA is at present negotiating with the World Resources Institute with the aim of auditing and monitoring of the Code.

Underlying uncertainty in relation to forest policy in Cameroon has so far discouraged any uptake of the Code in that country. However IFIA hope that several Cameroonian companies will become signatories before the end of 2003.

## Pan African Certification

In December 2002, the African Timber Organisation – with French government support - arranged a workshop in Gabon to discuss the feasibility of establishing a Pan African Forest Certification scheme. The workshop include representatives of the governments of ATO member countries, together with international organizations and donors, private corporations and NGO's. Delegates agreed that the African countries should start working on a framework for the recognition of national certification frameworks in Africa, a similar approach to that adopted by the Pan European Forest Certification Scheme. Certification should also build on work already carried out by ATO to develop a harmonized standard for African countries. The workshop gave ATO a mandate to draw up terms of reference for the implementation of such a system, to look for the necessary finance, and to facilitate the establishment of national certification working groups.

## African market report Concerns about Ivory Coast

Political problems in the Ivory Coast continue to be a focus of concern for the African hardwood trade. Although there are reports that wood continues to filter out of the country, prospects for the long term supply of Ivory Coast products – notably iroko and framire sawn lumber and various dimension products – remain uncertain. A report issued on 5 March by the African news website [www.allafrica.com](http://www.allafrica.com) paints a depressing picture of the current situation in the country.

*“Attempts to resolve the civil war in Cote d'Ivoire show scant progress. Three rebel factions still hold Ivory Coast's north, and parts of the west. Over a thousand people have died and more than a million have been forced from their homes. The government of President Laurent Gbagbo holds the south of the country and the continuing conflict highlights longstanding political, ethnic and religious tensions. A messy peace process and a negotiated agreement which, at first, provoked street protest and repudiation by key actors like the armed forces loyal to Gbagbo, have given way to a grudging, sullen acceptance that there is no other game in town.*

*Anti-French feeling in the south is running high after the French government brokered the [peace] agreement, even though French troops have played a vital role in underpinning the ceasefire. Sporadic fight-*

*ing flares, nonetheless; rebels and their supporters are impatient about the time it is taking to implement the agreement.*

*Governments in the region and others, including UN Secretary General Kofi Annan, have warned of the danger of 'contagion' - the possibility that the war in Cote d'Ivoire may spill across borders provoking conflict in other currently peaceful countries.”*

Availability of supply from Ivory Coast at present is very patchy. Mills are continuing to operate in some of the quieter southern and eastern parts of the country, but even in these regions production is inhibited by the rising costs of fuel. Production in unstable northern and western parts of the country has more-or-less ground to a halt. Prices for iroko and framire sawn lumber remain firm. The crises in Ivory Coast has encouraged European buyers to look to alternative sources, notably in Cameroon and Ghana, but neither country is in a position to fill the gap in supplies from the Ivory Coast. If prices rise too high, European importers are likely to start looking at substituting for alternative species, although there is little evidence that this trend has yet gathered any pace.

### Supplies confined

In other parts of Africa, most reports suggest that supplies are relatively confined - despite February being the peak dry season in major producing regions north of the equator. Contacts returning from Cameroon report that mills are not well supplied with logs due to various factors including new harvesting restrictions; administrative delays in the issue of logging permits; and underlying limits to forest resources. Supplies of sawn lumber from Cameroon mills are reported to be well booked forward, with most now offering only for July/August shipment. Only relatively low stocks of sapele sawn lumber were observed at the docks in Douala.

### Slow European consumption

Although Cameroon shippers report fairly full order books, most reports suggest that consumption of sapele sawn lumber in the major European markets has been sluggish over recent months. In addition to uncertain economic conditions, strengthening in the euro exchange rate has discouraged buying in those countries – like the UK - that lie outside the euro-zone. Against a background of slow economic growth and subdued construction activity, few European buyers are speculating on forward purchases of sapele at present. Instead most are keeping stocks low, purchasing from

## African indicative prices

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

All prices include agents commission of 5%

### Logs

#### Liberia

US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
<b>A. mahogany</b>	185	195	195
<b>Walnut</b>	185	195	195
<b>Iroko</b>	240	250	250
<b>Kusia (Opepe)</b>	120	130	130

### Sawn lumber

#### Cameroon, CAR, Congo (Braz.)

Euro/m3; FOB			
Grade and size: FAS, air dried, width6"+, length 6'+			
<b>Sapele</b>	515	505	505
<b>Sipo</b>	630	630	630
<b>Bibolo</b>	380	380	380
<b>N'Gollon</b>	535	535	535
<b>Iroko</b>	540	580	580

#### Cote d'Ivoire

Euro/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11'; thickness 1"-2"			
<b>Iroko</b>	520	550	550
<b>Mahogany</b>	420	430	430
<b>Framire</b>	320	320	360
<b>Samba No.1 C&amp;S</b>	240	240	240

#### Dimension stock

<b>Azobe</b>	420/ 460	420/ 460	420/ 460
<b>Dabema</b>	300/ 390	300/ 390	300/ 390

#### Gabon

Euro/m3; FOB			
Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	320	320	320
<b>Okoume KD</b>	365	365	365

existing landed stocks when necessary, and adopting a “wait-and-see” attitude.

### CAR offers potential

The Central African Republic is one of a few Central African countries with significant potential to increase wood exports in future. However this potential depends heavily on political stability, which is far from assured. The country has emerged from a civil war and although now officially “at peace”, tension remains very high. Nevertheless, timber production in CAR has been increasing over recent years. According to a recent ITTO report, harvesting levels have reached 700,000 m3, while annual sawn lumber production levels average 100,000 m3. The most intensively logged species in CAR are sapele 68%, ayous 22%, and sipo 6%, followed some way behind by aniegré, iroko and others. ITTO suggest that CAR could yet increase or even double its sawnwood and log production and export levels without jeopardizing the sustainability of the main production forests located in the south



# Africa

3◀

western portion of the country. ITTO reckon there is particular potential to develop supplies of limba, ayous, and to a lesser degree, kossipo, iroko, and padouk.

## Buyers look to Ghana

Log and lumber supplies in Ghana are restricted – now the usual state of affairs. The long-running disputes surrounding the issue of Timber Utilisation Contracts (long term concession rights) have yet to be resolved, so logging is still being carried out under the terms of short-term logging permits. Wawa lumber prices started the year a little weak, but have firmed up marginally on the back of reasonable demand in several markets including Spain, Italy and South Africa. Wawa demand in the U.K. is quite slow, with prices on offer at between £215-£225/m<sup>3</sup> (kiln dried sawn lumber delivered to the U.K. yard inclusive of commission). The problems in the Ivory Coast have meant that Ghanaian shippers have been picking up more orders for emeri (framire/idigbo) and iroko, although Ghanaian mills are able to offer only very small quantities. Some contacts also suggest there has been a little more demand for Ghanaian koto, which is used as a ramin substitute.

With supplies of South American mahogany now more restricted, demand for Ghanaian khaya has been good with much of the available volume quickly sold in the United States. However, efforts by U.S. manufacturers to cut costs in an increasingly competitive U.S. market have meant that khaya prices are not as firm as last year.

## Good demand for okoume logs

Turning to African log markets, export demand for okoume logs is good in China as plywood manufacturing has increased, but is falling in France as tropical plywood production has declined and economic conditions are subdued. Limited availability of okoume logs from Gabon has led importers to look to Congo-Brazzaville as an alternative source of supply. Prices for high grade okoume logs have remained firm.

Douala port in the Cameroon acts as the major outlet for logs from the Central African Republic and Congo-Brazzaville. Log supplies from these countries are being exported steadily at stable prices. There has been no change in the fine balance between relatively limited African log supply and subdued export demand.

There are rumours that the export ban on logs from Cameroon's forests, currently applied to valuable redwoods, may be extended to azobe/ekki logs. However the timing for this measure is uncertain.

# Asia

## Asian logs and plywood

### Low logging levels

Logging levels were relatively low in the Far East during February, disrupted by the Chinese New Year during the first half of the month, and by the rainy season which started in many parts of Indonesia and Malaysia during January. Nevertheless there are reports that plywood mills in both Malaysia and Indonesia have sufficient log inventories to meet current levels of demand.

### Weak log prices in Indonesia

The Japan Lumber Journal reports that domestic log prices in Indonesia are "weak", due primarily to sluggish global demand for Indonesian plywood and other wood products. But weak domestic prices may also reflect Indonesia's policy to ban log exports. Domestic log prices will inevitably fall when logs can no longer be diverted to high value export markets, unless the export ban is introduced alongside measures to enforce harvesting restrictions. Indonesia's central government has stated that officially sanctioned harvests in commercial concessions during 2003 will be only 6.89 million cubic meters, down 40% from last year. The government has also stated that if efforts to reduce harvests are not effective, Indonesia "will lose all trees from the Sumatran forests in five years and from the Kalimantan forests in 10 years". The government estimates that more than two million hectares of forests land were lost last year because of illegal logging. But weak log prices in Indonesia strongly suggest that the heavily publicised efforts of the Indonesian authorities to curtail log production have yet to be effective.

### Indonesian challenges

The challenges faced by the Indonesian authorities to enforce forestry legislation and impose logging restrictions are immense. Corruption is endemic, while many communities have become heavily dependent on the income derived from the illegal wood harvests. Furthermore, in 1999 the central government handed over many responsibilities for regulation of forest resources to district authorities as part of an attempt to dampen down demands for autonomy from regional separatists. Without the full co-operation of these district authorities, Indonesian logging is likely to continue at unsustainable levels.

Low domestic log prices in Indo-

nesia coupled with sluggish global demand have contributed to weak pricing for Indonesian plywood products. Forward orders for BB/CC grade were being offered to European buyers during February at around Indo96 less 23/24.

### Japanese log imports decline

Total Southsea log imports into Japan during 2002 are unlikely to have exceeded 1.9 million m<sup>3</sup>, even lower than the 2 million m<sup>3</sup> imported during 2001, and a massive fall compared to the levels of over 6 million m<sup>3</sup> prevailing prior to the Asian financial crises in 1998. This reflects various factors including low underlying consumption; a decline in Japanese plywood production; a switch from hardwood to softwood plywood manufacture; product substitution trends in Japan; and lack of availability of good quality tropical hardwood sawing logs, notably from Sabah.

After a very slow start to 2002, Japan's imports of Southsea logs picked up a little during the second half of the year, partly a response to improved availability in the supply countries. Japan's log imports from Sarawak, which account for around 65% of the total volume, were holding steady last year. Imports from Papua New Guinea were tending to rise during the second half of 2002. Imports from Sabah also increased during the second half of 2002, after falling to negligible levels during 2001 and the first half of 2002. The Indonesian export ban meant that Japan imported no logs from Indonesia last year. During 2003, Japanese demand for tropical logs has been slow. Prices for Malaysian logs have remained steady, but prices for Papua New Guinea logs have weakened slightly.

During 2003, demand for Southsea logs from

Chinese imports, 000 m <sup>3</sup>				
Tropical logs				
	2000	2001	2002	% chng
	Jan-Dec	Jan-Dec	Jan-Dec	01/02
Malaysia	2025	1512	2122	40
Indonesia	575	1138	251*	-78
Gabon	1144	1125	1089	-3
Myanmar	565	558	605	9
Liberia	0	124	631	410
PNG	755	972	1128	16
<b>Total</b>	<b>6100</b>	<b>6541</b>	<b>7070</b>	<b>8</b>
Sawn lumber				
	2000	2001	2002	% chng
	Jan-Dec	Jan-Sept	Jan-Sept	01/02
Indonesia	977	964	983	2
Malaysia	536	334	382	14
US	295	308	470	53
Russia	165	232	420	81
Other	1641	1342	1725	29
<b>Total</b>	<b>3614</b>	<b>3180</b>	<b>3980</b>	<b>25</b>

\* Does not include illegal logs. The Chinese authorities suggest that "about 300,000 cubic meters of smuggled or illegal logs are shipped from Indonesia to China and Malaysia each year".

the Japanese plywood industry, the main user, has remained confined. This reflects both slow underlying plywood consumption in Japan and a large increase in tropical hardwood plywood imports during autumn of last year, which led to overstocking and which severely disrupted sales markets.

Overall, Japan's imports of plywood reached 4,988,000 m<sup>3</sup> during 2002, a slight (1.5%) increase compared to 2001. Annual imports from Indonesia increased 1.6% to 2.7 million m<sup>3</sup>, while imports of Malaysian plywood declined 4.1% to 1.76 million m<sup>3</sup>. Imports of Chinese plywood increased considerably (by 115%) from a relatively small base to 270,000 m<sup>3</sup>. Imports were low during the first 6 months of 2002, but imports during September, October and November were up 21%, 24.4% and 15.6% respectively compared to the same months in 2001.

### Japan's plywood production falls

Meanwhile, Japanese domestic plywood production fell last year by 4.5% to 2,752,000 m<sup>3</sup>. Anecdotal reports suggest that Japan's hardwood plywood imports have declined again during 2002. A major factor is the planned introduction of a new Building Standard Law from July 2003 that is expected to severely restrict the use of non-JAS certified plywood in the Japanese building sector. The new regulations are designed to prohibit the use of products that may emit formaldehyde and other chemicals. At present Japanese importers are busy off-loading non-JAS certified plywood at low prices in anticipation of the new restrictions. The new rules may boost prospects for plywood produced in Japan, and also for solid wood products. Indonesian plywood exporters are expected to have greatest difficulty adapting to the new regulations and may well lose market share in Japan this year.

### Chinese log imports rise

China's imports of tropical logs reached 7.07 million m<sup>3</sup> in 2002, an increase of 7.7% compared to 2001. However the share of tropical logs in Chinese imports continues to fall, from 38.8% of all log imports in 2001 to only 29.1% in 2002. This latter trend reflects the much more rapid increase in Chinese imports of softwood logs, notably from Russia.

Last year saw some significant shifts in the source of logs supplied to the Chinese market. There was a massive fall in tropical log imports from Indonesia in response to Indonesia's efforts to halt log exports and clamp down on illegal logging. Log imports from Malaysia – mainly Sarawak – increased again last year after a big decline in 2001 due to supply problems and competition

## Indonesia: devolution hinders efforts to control logging

Many of the problems associated with bringing an end to illegal logging in Indonesia are illustrated with reference to West Papua (the western half of the island of New Guinea). According to a recent article in a newsletter issued by 'Down to Earth' (an NGO based in London - see <http://dte.gn.apc.org/>), this area of Indonesia still hosts significant areas of forest - reckoned to cover over 33 million hectares in 1997 - or over three quarters of the territory's land surface. There are currently 53 large-scale "HPH" logging concessions in West Papua, covering between 11 and 13 million ha, plus hundreds of small-scale concessions issued since 1998. "Down to Earth" claims that most of the large concessions were handed out to well-connected business and military associates during the Suharto era. But the inaccessibility of these areas and the fact that these forests tend to have less commercially valuable timber meant that the pace of logging was slower than in Sumatra, Kalimantan and Sulawesi. Some companies also ran into determined resistance from indigenous landowners. As a result, even with extra tax incentives to encourage logging in West Papua, rates of harvesting have been considerably lower than in other areas. During 2001, apparently 45 of 54 HPHs were active, each cutting an average of 25,000 m<sup>3</sup> of timber per year, just 22% of the cutting target (excluding illegally-felled timber). Log production from West Papua between 1995-2000 was 1.7 million m<sup>3</sup>/year or 37% of the target of 4.5 million m<sup>3</sup>/year. Most logs were sent to other islands for processing. However, "Down to Earth" suggests that logging in West Papua's forests accelerated last year driven in part by the scarcity of timber on eastern islands such as Sumatra and Kalimantan. Logging companies previously operating in these regions are now shifting to West Papua, while Indonesian and Malaysian companies are looking to the region to supplement their log supplies. Merbau is

perhaps the most sought after timber species from the region. The focus of the current timber boom is on the "Bird's Head" region in the west of the territory with much of the business activity going on in the port of Sorong.

However the process is driven not only by the large logging companies. Equally important is recent devolution legislation which significantly reduced central government control over logging operations. Hundreds of small concession permits called IHPHH are now being issued by the district heads in West Papua under the government's decentralisation measures. These measures, introduced in 1999, were designed by the central government to appease Indonesia's regions without inflaming separatism. To achieve this, the central government bypassed the 30 provinces, and handed most of the authority to the 360 or so districts—considered too small to challenge the central government. But many are also too small to cope with tasks like forestry regulation and are rife with corruption.

According to "Down to Earth", the 100 ha IHPHH concessions are supposed to be managed by local communities through co-operatives (Kopermas), but are often manipulated or bought up by timber entrepreneurs with the help of local officials. As there is no supervision or accurate mapping, the IHPHH system has been extremely destructive. Although central government has ordered the district chiefs to stop issuing the licences, this has had little effect. According to regional politicians opposed to the IHPHH system, companies are manipulating the Kopermas scheme by paying people to log as much wood as possible. The practice is hard to stamp out, because many district officials are also involved and profiting from the scheme. "Down to Earth" claim that the rampant corruption in Sorong means that the export ban on raw logs imposed by Jakarta in October 2001 is routinely flouted.

from cheaper Indonesian supplies. Imports from Gabon slipped slightly last year due to supply problems in Gabon. Particularly notable was a huge increase in Chinese log imports from Liberia during 2002, reaching over 600,000 m<sup>3</sup>, up from near zero only two years before. China's log imports from Papua New Guinea have also been increas-

ing over recent years as availability from Malaysia and Indonesia has deteriorated. The latest available data for Chinese sawn lumber imports (both hardwood and softwood) indicates a sharp rise of 25% during the first 9 months of 2002. Major beneficiaries of this trend were the United States (up 53%) and Russia (up 81%).

## Malaysian sawn lumber Not much stock for shipment

After signs of price weakness just prior to the Chinese New Year, prices for Malaysian sawn lumber remained reasonably stable during February. A fine balance has been maintained between relatively low stocks in shippers yards and continuing slow demand in major export markets. Logging is currently restricted due to the monsoon and log stocks at the mills are widely reported to be relatively low for the time of year. There is not much stock for prompt shipment, and most shippers are offering forward contracts for May, June or July shipment.

### Dutch market still quiet

Forward demand in the Netherlands has remained very quiet over recent weeks. Underlying consumption is slow due to uncertainty fueled both by the economic situation and continuing political problems in the country. Dutch GDP growth is not expected to rise much above 0% this year, while unemployment is rising and consumer sentiment falling. The construction sector, the major consumer of Malaysian lumber in the Netherlands, is stagnant. Trading companies are competing intensely for orders

### Asian Sawn Lumber Indicative Prices

	Nov	Jan	Feb
Exchange rates:			
M\$/£	5.91	6.25	6.10
U\$/£	1.56	1.64	1.60
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"	800	790	785
2"	840	830	825
2.5"	920	900	890
3"	930	925	920

### Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	525	525	525
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### Nemesu

Kiln dried

2"	960	960	960
2.5"	980	990	990
3"	990	1000	1000

### Myanmar Teak

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

Grade: Air dried boards

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

1"	3000/ 3250	3000/ 3250	3000 3250
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*Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.*

from the leading joinery mills. Prices for meranti on the ground in the Netherlands continue to be eroded, particularly for dark red meranti in the standard 3x5" PHND specification. The weakening in the dollar-euro exchange rate has contributed to this trend by reducing the relative value of landed stocks compared to stocks on offer in Malaysia. Reports that Malaysian shippers are now holding prices steady and turning down requests for lower prices from some Dutch importers, may help to stabilise the market.

### Mixed reports in the UK

In the U.K., some larger trading companies report reasonable underlying consumption of dark red meranti sawn lumber, stimulated by reasonable activity in the UK construction sector. However this demand is apparently being fed from existing stocks and is not reflected by any increase in forward orders. Activity in the UK meranti market is now mainly concentrated in the hands of a few large importers that are competing intensely on price to gain market share. There has been some speculation in the UK that weakening of the dollar-euro exchange rate may lead to more interest in dark red meranti (invoiced in dollars) compared to African sapele (invoiced in euros). However, by early March there were few signs of any significant shift in the market. UK consumption of keruing is still very slow and importers are well stocked. Forward demand is very limited with most importers unwilling to pay prices currently on offer by Malaysian shippers

### German demand slow

German demand for meranti sawn lumber remained very slow during February. Furthermore, German buyers have also reduced forward purchases of laminated meranti scantlings. Germany uses significant volumes of these scantlings imported mainly from Indonesia for the manufacture of windows. Over recent months forward demand has been hit by slow German construction activity and excess stocking. Recent sharp fluctuations in prices for Indonesian scantlings have also deterred buying. Prices for these scantlings rose sharply during mid 2002, then slumped in the last quarter of 2002. German importers that bought heavily in the third quarter of 2002 saw a significant devaluation of their stocks. However forward prices for Indonesian laminated scantlings now seem to be firming again.

Expectations are that freight rates from Malaysia to Europe will continue to rise this year due to anticipated increases in oil costs.

### Japanese imports decline

Japan's imports of Southsea (mainly Malaysian) sawn lumber during 2002 reached 816,500 m3, a decline of 7% compared to the previous year. The decline was largely due to very low levels of import during the first 6 months of 2002. Imports during the second half of the year were more active. Japanese importers suggest that concerns over "sick house syndrome" together with new building regulations may be contributing to a partial revival in demand for solid wood (both hardwood and softwood) for interior use compared with non-wood and panel product substitutes.

## Malaysian wood exports Patchy performance in 2002

Examination of Malaysian export statistics indicates a patchy performance last year:

■ Data for the first 9 months of 2002 indi-

### Peninsular Malaysia exports

Volume (000 m3)

	2001 Jan-Sept	2002 Jan-Sept	01/02 % Chng
<b>Sawn lumber by species</b>			
Merbau	20.5	19.9	-3.0
<b>All Heavy Hardwood</b>	<b>30.6</b>	<b>28.5</b>	<b>-6.8</b>
Keruing	47.2	50.2	6.3
Redwood	11.0	8.0	-27.8
Kempas	25.5	27.8	8.9
Kapur	14.2	17.4	22.6
<b>All Medium Hardwood</b>	<b>141.6</b>	<b>144.9</b>	<b>2.3</b>
Meranti, Dark Red	85.6	115.2	34.7
Meranti, Red	48.6	57.8	18.8
Ramin	31.3	22.4	-28.3
<b>All Light Hardwood</b>	<b>491.7</b>	<b>537.4</b>	<b>9.3</b>
Softwood/foreign	5.9	5.1	-13.3
<b>Total</b>	<b>669.7</b>	<b>715.9</b>	<b>6.9</b>
<b>Sawn lumber by destination</b>			
<b>Total</b>	<b>669.7</b>	<b>715.9</b>	<b>6.9</b>
Netherlands	109.4	108.2	-1.2
Thailand	167.2	184.3	10.2
Singapore	91.8	77.1	-16.0
Belgium	28.5	34.7	22.0
UAE	26.6	25.8	-3.0
Germany	16.0	22.2	38.7
Japan	33.1	30.4	-8.0
United Kingdom	15.4	17.7	15.5
Italy	17.2	18.8	9.6
China	41.0	32.2	-21.4
Hong Kong	50.3	74.5	47.9
Yemen	8.0	9.3	16.4
Saudi Arabia	8.0	16.8	110.4
<b>Plywood</b>			
<b>Total</b>	<b>167.3</b>	<b>154.2</b>	<b>-7.8</b>
Singapore	55.1	43.8	-20.4
Japan	22.0	9.3	-57.8
United Kingdom	24.2	39.7	64.2
<b>Mouldings</b>			
<b>Total</b>	<b>122.7</b>	<b>139.0</b>	<b>13.3</b>
Hong Kong	13.7	20.3	48.2
Japan	31.8	25.5	-19.7
Australia	16.6	21.7	30.7
Taiwan	7.3	5.4	-25.9
USA	14.8	16.8	13.9
UK	5.5	6.0	7.9
<b>Veneer</b>			
<b>Total</b>	<b>2.4</b>	<b>3.1</b>	<b>28.4</b>
Taiwan	1.1	0.3	-76.5
Singapore	0.2	0.3	24.4
Australia	0.4	0.6	73.4
Japan	0.1	0.3	293.0

cates that exports of **sawn lumber from Peninsular Malaysia** recovered to some extent from the low levels prevailing the previous year. Sales to the leading Dutch market failed to rise above the weak levels of 2001. There were signs of recovery in a number of other European markets, including Belgium, Germany and the UK, although imports remained at historically low levels. Demand from Asian markets was mixed. Exports to China and Singapore were tending to decline, but this was more than offset by rising levels of export to Thailand and Hong Kong.

■ Export data for Sabah is currently only available for the first 6 months of 2002. During this period, **Sabah's log exports** continued to decline, a reflection of resource limitations, tightening harvesting controls and restrictions on log exports. However anecdotal reports, and import data from other countries, indicates that there was a pick-up in Sabah's log exports during the second half of 2002 as logging conditions improved.

■ Limited availability of good quality logs contributed to a decline in **Sabah's sawn lumber and plywood exports** during the first half of 2002. Sabah's plywood mills were also struggling to compete against low priced Indonesian and Brazilian product. However Sabah's plywood mills succeeded in expanding market share in the United States at this time.

■ During the first 6 months of 2002, **Sarawak's log exports** declined 7% compared with the same period the previous year. As in Sabah, exports of logs from Sarawak has been in long term decline in response to tightening harvesting controls and efforts to restrict log exports. Sarawak's log exports to China and India were tending to rise last year, while exports to Japan and Taiwan were tending to decline.

■ **Sarawak's plywood exports** during the first 6 months of 2002 were equivalent to the same period the previous year. A fall in exports to Japan was offset by a rise in exports to the USA, South Korea and Taiwan. **Malaysia's furniture exports** increased rapidly during the late 1990s and into 2000, before suffering a setback in 2001 due to rising competition, notably from China. There were also signs of market fatigue with rubberwood. Data for the first half of 2002 is more encouraging for the Malaysian furniture sector, indicating a return to export growth. Export sales were rising again, notably to the U.S.A, U.K., Australia, Canada and South Korea.

## Sabah exports

Volume (000 m3)

	2001 Jan-June	2002 Jan-June	01/02 % Chng
<b>Logs</b>			
<b>Total</b>	<b>186.4</b>	<b>163.0</b>	<b>-12.6</b>
Indonesia	125.7	89.4	-28.9
Japan	10.7	24.1	125.3
<b>Sawn lumber</b>			
<b>Total</b>	<b>237.4</b>	<b>197.6</b>	<b>-16.8</b>
Thailand	50.2	49.8	-0.7
Netherlands	23.7	17.3	-27.3
Philippines	20.5	11.8	-42.3
Japan	23.3	18.2	-21.6
Taiwan	21.0	16.8	-19.8
South Korea	22.4	13.9	-37.8
Hong Kong	16.1	11.5	-28.3
<b>Plywood</b>			
<b>Total</b>	<b>480.3</b>	<b>444.9</b>	<b>-7.4</b>
Japan	187.4	115.4	-38.4
USA	81.5	111.9	37.3
South Korea	84.3	85.1	0.9
Hong Kong	23.1	6.3	-72.9
Taiwan	43.5	45.8	5.4
<b>Mouldings</b>			
<b>Total</b>	<b>66.2</b>	<b>57.7</b>	<b>-12.7</b>
Japan	22.5	18.6	-17.3
Taiwan	18.6	12.0	-35.1
<b>Veneer</b>			
<b>Total</b>	<b>86.3</b>	<b>61.3</b>	<b>-29.0</b>
China	28.9	0.1	-99.8
South Korea	23.5	34.5	46.7
Taiwan	13.6	9.8	-28.1
Japan	9.5	10.0	5.3

## Sarawak exports

Volume (000 m3)

	2001 Jan-June	2002 Jan-June	01/02 % Chng
<b>Logs</b>			
<b>Total</b>	<b>2172.4</b>	<b>2027.5</b>	<b>-6.7</b>
Japan	681.9	598.2	-12.3
China	433.0	487.8	12.7
Taiwan	318.6	289.5	-9.1
India	371.0	420.6	13.4
Hong Kong	191.4	108.7	-43.2
South Korea	100.2	64.3	-35.9
Thailand	16.9	10.0	-40.8
Vietnam	41.5	32.2	-22.4
<b>Sawn</b>			
<b>Total</b>	<b>527.7</b>	<b>467.9</b>	<b>-11.3</b>
Thailand	127.9	135.3	5.8
Philippines	97.5	72.3	-25.8
Taiwan	67.8	63.2	-6.7
China	45.4	40.6	-10.5
<b>Plywood</b>			
<b>Total</b>	<b>1145.8</b>	<b>1134.6</b>	<b>-1.0</b>
Japan	724.8	641.9	-11.4
USA	78.5	94.1	19.9
South Korea	75.6	122.7	62.2
Taiwan	20.7	60.6	193.0
<b>Veneer</b>			
<b>Total</b>	<b>264.0</b>	<b>234.5</b>	<b>-11.2</b>
Philippines	63.0	37.3	-40.9
China	48.6	24.9	-48.8
Hong Kong	42.4	71.1	67.9
South Korea	41.2	39.1	-5.1
Taiwan	26.1	43.8	67.9

## All Malaysia furniture exports

US\$ millions

	2001 Jan-Sept	2002 Jan-Sept	01/02 % Chng
<b>Total</b>	<b>465.8</b>	<b>513.4</b>	<b>10.2</b>
USA	149.3	184.9	23.9
Japan	71.2	59.6	-16.3
UK	51.6	64.1	24.2
Singapore	32.9	29.2	-11.1
Australia	28.7	32.7	13.9
Canada	14.6	23.3	59.2
South Korea	0.0	11.0	37.9
UAE	0.0	15.7	8.7

## Middle East

### Opportunity despite uncertainty

Given the current uncertainty over future events in the Middle East, it may seem odd to suggest that hardwood market prospects in the region are reasonably good. Certainly the threat of a US-Iraq war and the on-going Arab-Israeli conflict could yet destabilise the whole region. This could lead to a collapse in tourism, a slowdown in inward investment, and a reduction in construction activity. But this is a worst case scenario. An alternative scenario is that the war may be short-lived and that a regime-change in Iraq could help to boost inward investment and intra-regional trade. And irrespective of these political events, there are other factors which are stimulating growth in Middle Eastern demand at the present time.

Particularly important is the dynamism of economy in the United Arab Emirates, a country which has come to act increasingly as the region's economic hub. UAE, and to a lesser extent Bahrain and Qatar, have become centres of high quality custom furniture and joinery manufacture. Several large factories have been established in UAE over recent years capable of producing large volumes of products ranging from standard-sized doors and windows to one-off hand-finished items. The factories are well equipped with modern machinery operated by an increasingly skilled workforce. The factories are benefitting from low local labour costs and good demand for furniture and joinery items resulting from the large numbers of hotels, palaces, offices and commercial centres being constructed. These factories are also exporting an increasing volume of their product outside the Middle East region. Many of the managers are European and commonly British, and hardwoods supplied to these factories are often sourced through sister companies based in Europe.

The American Hardwood Export Council has been particularly active in developing markets for hardwoods in the region. The total volume of North American hardwood lumber exported was probably in the region of 10,000m3 to 12,000m3, including direct U.S. exports, Canadian exports, and exports via Europe. Popular American species include American ash, hard and soft maple, walnut, and white oak. Eastern European hardwood suppliers are also very active in the region.

Source: AHEC

# North America

## Domestic demand

### Falling consumer confidence

The American economy continues to look jittery. Concerns over the threat of war and rising fuel costs have contributed to a sharp decline in consumer confidence. The Conference Board's index declined from 78.8 in January to only 64.0 in February, a nine year low that may herald weaker growth in consumer spending. The University of Michigan's consumer confidence index fell to its lowest level since 1993 in February.

The Bush administration is pinning its hopes on tax cuts for a revival in consumer confidence and the wider economy. In his third budget unveiled on 3 February, Mr Bush called for tax cuts of \$1.3 trillion over the next 10 years, although Congress may well water down these proposals. A panel of forecasters polled by The Economist expects GDP to grow by 2.5% in 2003.

### Housing sector provides prop

The housing sector, boosted by low mortgage rates, continues to provide a prop for U.S. economic activity. In January, housing starts (at an annual rate) rose to a near 17 year high. This builds on good results for 2002. US private housing starts hit 1.705 million during the year, that's 6.4% higher than 2001. Although some economists are predicting a slowdown in the housing mar-

ket, no sure signs of this have yet emerged. Furthermore it is possible that short-term interest rates may be reduced further this year, possibly off-setting any slowdown.

High levels of housing and remodeling activity continue to filter through into steady demand for hardwood products. Wood flooring shipments picked up again in January 2003, rising 3.4% over the same month in 2002, after a slide in December's results (off nearly 9% from December 2001). Demand for flooring remained steady during February. This is despite poor weather conditions in many parts of the States which has hampered building activity.

### Cabinets buoyant

The cabinet sector also remains reasonably buoyant with good growth in demand for "semi-custom" cabinets. These offer consumers more options in terms of styles and species while keeping many of the cost advantages of stock cabinetry. In this sector oak is still significant, while there is also a trend towards hard maple and cherry.

The American furniture sector has seen some benefits from the buoyant housing sector. According to the American Furniture Manufacturers Association, industry shipments of wood household furniture totaled \$10.672 billion during 2002, a decline of 1.8% from shipments of \$10.863 in 2001. However upholstery shipments totaled \$10.928 billion in 2002, an increase of 10.9% over shipments the previous year. In December, AFMA were predicting that overall industry shipments would increase by over 4% during 2003, although recent evidence of declining consumer confidence may have undermined these forecasts. Furthermore, a larger volume of raw material used by the American furniture sector comprises components imported from overseas. In their recent survey of American hardwood market prospects, the Hardwood Market Review forecast that consumption of American hardwoods by the U.S. furniture sector may fall by as much as 8% during 2003.

### Canada wobbles

Last year, the buoyant Canadian economy (GDP grew 3.3%) and construction sector was a major driver of demand for American hardwood products. However, there are indications that this market may lose some of its shine during 2003. In an effort to dampen down inflation, the Bank of Canada raised interest rates three times last year. This policy contributed to an 8.7% fall in Canadian housing starts during January. Meanwhile Canadian factory orders have been sliding since last autumn.

Overall hardwood log supplies in the United States are limited for the time of year. This, linked with steady demand, is driving a slow rise in prices for most products. The situation varies by region and species. In the Appalachian region, reports suggest that kiln dried availability is becoming restricted as wintry wet weather has hampered logging and kilning operations. Secondary manufacturers and resale operations in the region are aggressively pursuing available green lumber. Similarly logging activity in New England and parts of Canada has been limited due to weather conditions, and supplies of green lumber in those areas are also characterized as restricted. In the South, reports regarding log decks are still mixed, though many sawmillers are voicing concerns that they may lose production time in the spring due to lower than desired log inventories. By contrast, logging conditions in the Great Lakes region have been more favorable, resulting in greater availability for some items, notably hard maple.

### Difficult trading conditions

Despite reasonable levels of consumption, trading conditions for many American mills remain difficult. Margins are very tight. The gains resulting from improved lumber pricing have been erased by increased log costs and rising overheads. In an effort to remain competitive, American hardwood distributors are beginning to provide a wider range of products and services. More yards are planing lumber and installing moulding machines. They are also more likely to make additional sorts for width and colour.

## Export demand

### Not breaking any records

As domestic markets have cooled over recent years, and following the big shift in U.S. furniture manufacturing to lower-cost countries, the export market is becoming a more important component of the U.S. hardwood trade. Export market prospects for 2003 are very difficult to judge, given the uncertainty of the effects of a possible US Iraq conflict. Most reports take a conservative view, suggesting that demand during 2003 is likely to be similar to the previous year which, while not setting any records, was marginally better than 2001. American hardwood exports are likely to benefit from weakening in the dollar exchange against other major international currencies, although these benefits may be obscured by a continuous rise in the level of competition. The full benefits may also be deferred until there

### US sawn lumber indicative prices

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

	Nov	Jan	Feb
\$/£	1.56	1.64	1.60
\$/Euro	0.99	1.07	1.10
<b>Red oak</b>			
1"	1880	1900	1900
1.25"	2075	2100	2100
1.5"	2150	2200	2200
2"	2500	2500	2500
<b>White oak</b>			
1"	1450	1550	1550
1.25"	1750	1775	1775
1.5"	2100	2150	2150
2"	2750	2775	2775
<b>Ash</b>			
1"	1050	1200	1200
2"	1560	1550	1550
<b>Tulipwood</b>			
1"	1050	1075	1070
1.25"	1125	1150	1150
1.5"	1150	1175	1175
2"	1225	1225	1225
<b>Cherry</b>			
1"	3425	3500	3475
1.25"	3580	3600	3625
1.5"	3750	3850	3850
2"	4050	4075	4100
<b>Hard Maple</b>			
1"	2350	2300	2350
1.25"	2450	2450	2450
1.5"	2750	2750	2750
2"	2850	2800	2850



# North America

## US hardwood lumber exports

Species by volume (1000s m3)

	2001	2002	% chnge
<b>ASH</b>			
CANADA	35,682	48,610	36.2
UNITED KINGDOM	19,383	16,093	-17.0
HONG KONG	16,557	15,811	-4.5
CHINA	4,102	14,076	243.1
KOREA, SOUTH	3,356	9,904	195.1
JAPAN	11,524	8,606	-25.3
OTHER	40,181	45,931	14.3
<b>TOTAL</b>	<b>130,785</b>	<b>159,031</b>	<b>21.6</b>
<b>CHERRY</b>			
CANADA	74,909	77,717	3.7
HONG KONG	12,882	13,517	4.9
UNITED KINGDOM	11,623	9,276	-20.2
ITALY	11,421	8,634	-24.4
CHINA	3,064	6,514	112.6
SPAIN	4,766	6,102	28.0
FRANCE	5,682	5,042	-11.3
OTHER	35,364	37,678	6.5
<b>TOTAL</b>	<b>159,711</b>	<b>164,480</b>	<b>3.0</b>
<b>RED OAK</b>			
CANADA	326,096	338,266	3.7
MEXICO	49,466	56,490	14.2
CHINA	28,395	32,096	13.0
HONG KONG	37,504	26,258	-30.0
TAIWAN	17,401	18,679	7.3
SAUDI ARABIA	17,879	16,737	-6.4
MALAYSIA	6,274	7,786	24.1
INDONESIA	2,959	5,516	86.4
UNITED KINGDOM	14,882	5,482	-63.2
OTHER	48,162	43,314	-10.1
<b>TOTAL</b>	<b>549,018</b>	<b>550,624</b>	<b>0.3</b>
<b>WHITE OAK</b>			
SPAIN	147,683	133,637	-9.5
CANADA	77,902	89,740	15.2
UNITED KINGDOM	43,784	38,866	-11.2
PORTUGAL	19,825	26,451	33.4
JAPAN	19,856	23,821	20.0
BELGIUM	27,951	20,701	-25.9
ITALY	20,374	20,172	-1.0
VIETNAM	5,549	18,338	230.5
CHINA	7,754	15,421	98.9
SWEDEN	13,397	13,817	3.1
THAILAND	11,053	13,527	22.4
HONG KONG	16,287	12,312	-24.4
GERMANY	15,191	12,191	-19.7
MALAYSIA	9,759	11,168	14.4
SOUTH AFRICA	8,663	10,543	21.7
IRELAND	7,224	9,331	29.2
NETHERLANDS	9,212	8,788	-4.6
FRANCE	10,416	8,629	-17.2
GREECE	5,828	7,863	34.9
KOREA, SOUTH	4,770	6,113	28.2
OTHER	55,897	40,495	-27.6
<b>TOTAL</b>	<b>538,375</b>	<b>541,924</b>	<b>0.7</b>
<b>TULIPWOOD</b>			
ITALY	57,796	57,692	-0.2
HONG KONG	47,161	53,842	14.2
MEXICO	39,128	34,139	-12.8
CHINA	21,376	28,418	32.9
JAPAN	17,158	12,931	-24.6
UNITED KINGDOM	8,377	9,413	12.4
OTHER	33,569	41,940	24.9
<b>TOTAL</b>	<b>224,565</b>	<b>238,375</b>	<b>6.1</b>
<b>RED ALDER</b>			
CHINA	52,612	81,730	55.3
MEXICO	18,964	23,196	22.3
ITALY	24,665	21,624	-12.3
HONG KONG	12,910	17,070	32.2
TAIWAN	18,634	14,093	-24.4
CANADA	5,936	13,201	122.4
SPAIN	7,407	9,096	22.8
THAILAND	6,207	5,172	-16.7
JAPAN	5,833	4,465	-23.5
GERMANY	10,671	2,788	-73.9
OTHER	23,963	18,082	-24.5
<b>TOTAL</b>	<b>187,802</b>	<b>210,517</b>	<b>12.1</b>
<b>WALNUT</b>			
CANADA	18,990	31,050	63.5
HONG KONG	10,199	12,103	18.7
TAIWAN	6,589	7,979	21.1
CHINA	3,354	6,549	95.3
ITALY	6,668	5,560	-16.6
JAPAN	3,139	5,196	65.5
OTHER	11,505	15,697	36.4
<b>TOTAL</b>	<b>60,444</b>	<b>84,134</b>	<b>39.2</b>

## U.S. wood exports

### Shift to Asia

Highlights from the year end data for United States hardwood export trade include:

■ a 4.9% increase in the overall volume of US hardwood lumber exports. Rising exports to Greater China, SE Asia, and South Korea compensated for a decline in exports to the EU, Japan and Mexico.

■ the overall value of sawn lumber exports increased by only 1.2%, indicating a decrease in the unit value of exports compared to the previous year. This reflects increased reliance on Asian countries which generally take lower grade lumber, and also some substitution of higher for lower grades as a cost saving device, notably in the EU and Japan.

■ within the EU, American hardwood exports declined sharply to Belgium, Germany and the U.K., but remained fairly static to Italy and Spain, and increased significantly to Portugal.

■ the huge growth in lumber exports to Greater China was concentrated on mainland China. Exports to Hong Kong and Taiwan remained static.

■ U.S. exports of all primary hardwood products increased to Canada during 2002 in response to solid economic growth.

■ exports of all the main American species increased to the Chinese mainland last year, but there was particularly strong growth in exports of western red alder to this destination.

■ exports of American ash lumber increased sharply last year. A big rise in

exports to Canada, China, and South Korea offset falling exports to traditional markets in Japan and the U.K.

■ exports of American walnut continued to increase to nearly all the major markets during 2002.

■ exports of American hardwood logs rose by 9% during

## US hardwood log exports

By volume (1000s m3)

	2001	2002	% chnge
CANADA	1500.1	1610.8	7.4
MEXICO	7.3	11.6	58.9
EU	259.6	217.7	-16.1
GREATER CHINA	119.3	217.8	82.6
SE ASIA	48.4	54.7	13.0
JAPAN	92.1	84.4	-8.4
SOUTH KOREA	37.3	41.3	10.7
<b>WORLD</b>	<b>2091.3</b>	<b>2272.4</b>	<b>8.7</b>

## US hardwood veneer exports

By volume (million sq meters)

	2001	2002	% chnge
CANADA	89.6	99.7	11.3
MEXICO	7.7	11.5	49.4
EU	118.3	112.4	-5.0
GREATER CHINA	34.9	54.1	55.0
SE ASIA	9.3	10.6	14.0
JAPAN	2.3	2.1	-8.7
SOUTH KOREA	6.2	9.8	58.1
<b>WORLD</b>	<b>284.3</b>	<b>320.4</b>	<b>12.7</b>

2002. Log exports to Greater China increased sharply last year, by over 80%. Exports to Southeast Asia were also rising: to Indonesia by 15% volume and value; to Thailand by 173% in volume and 161% in value (to \$2.8 million), and to Vietnam by 226% to \$4.7 million. In Malaysia during 2002 the import of American hardwood logs was up 10% in value and down 23% in volume indicating a significant upgrading of species and/or grades from the USA.

■ weakness in the EU veneer and sawmilling sectors is reflected by a 16% drop in log exports to this destination.

■ the volume of US veneer exports increased by nearly 13% during 2002. With the recent decline in US furniture manufacturing, larger volumes of US sliced veneers are now being diverted to export markets, notably in China. However U.S. veneer exports to the EU declined slightly last year.

## US hardwood lumber exports by region and main country

	Volume 000s m3			Value (million \$)		
	2001	2002	% chnge	2001	2002	% chnge
<b>CANADA</b>	<b>908.8</b>	<b>969.0</b>	<b>6.6</b>	<b>339.6</b>	<b>360.3</b>	<b>6.1</b>
<b>MEXICO</b>	<b>185.9</b>	<b>172.5</b>	<b>-7.2</b>	<b>69.5</b>	<b>65.6</b>	<b>-5.6</b>
<b>EU</b>	<b>719.9</b>	<b>671.7</b>	<b>-6.7</b>	<b>437.8</b>	<b>398.6</b>	<b>-9.0</b>
Spain	179.3	173.3	-3.3	88.5	88.6	0.1
Italy	163.7	160.8	-1.8	83.2	82.0	-1.4
UK	120.5	103.8	-13.9	89.9	74.1	-17.6
Belgium	51.4	35.4	-31.1	32.5	22.5	-30.8
Portugal	31.4	37.6	19.7	17.7	21.8	23.2
Germany	47.1	32.8	-30.4	34.3	22.2	-35.3
<b>GREATER CHINA</b>	<b>450.8</b>	<b>536.5</b>	<b>19.0</b>	<b>170.5</b>	<b>200.4</b>	<b>17.5</b>
China	160.1	243.6	52.2	59.6	84.3	41.4
Taiwan	74.2	73.1	-1.5	28.1	29.1	3.6
Hong Kong	216.5	219.8	1.5	82.8	86.9	5.0
<b>SE ASIA</b>	<b>98.3</b>	<b>132.5</b>	<b>34.8</b>	<b>43.2</b>	<b>56.5</b>	<b>30.8</b>
Thailand	47.4	63.9	34.8	18.4	24.0	30.4
Malaysia	25.8	35.8	38.8	12.8	16.7	30.5
Vietnam	8.8	26.5	201.1	3.8	11.1	192.1
<b>JAPAN</b>	<b>109.7</b>	<b>93.5</b>	<b>-14.8</b>	<b>61.9</b>	<b>48.3</b>	<b>-22.0</b>
<b>S. KOREA</b>	<b>31.1</b>	<b>40.4</b>	<b>29.9</b>	<b>20.5</b>	<b>24.7</b>	<b>20.5</b>
<b>WORLD</b>	<b>2635.1</b>	<b>2764.8</b>	<b>4.9</b>	<b>1225.6</b>	<b>1240.0</b>	<b>1.2</b>

# North America

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is some resolution of the stand-off in Iraq. Last year's figures suggest a significant drop in American hardwood exports to Northern and Central Europe, with markets in southern Europe remaining more stable. Furniture and joinery manufacturers in the latter are proving to be more resilient in the face of rising competition from imported finished products, notably from Eastern Europe and the Far East. The performance of Central European economies also continues to be dragged down by the effects of very sluggish growth in Germany. Reports this year suggest that these trends have continued. American hardwood demand has remained sluggish in Germany, the UK, the Benelux countries, France, and Scandinavia. However demand has gained momentum in Spain, Portugal, Italy and Greece. Increased buying in Europe, where it has occurred, has been stimulated by the comparatively low levels of stocks in American hardwood lumber combined with the widespread reports of shortages in the supply of kiln dried lumber. Signs of strengthening in the euro value have also helped. Another positive factor has been the continuous lowering of bank interest rates in the euro-zone which although more hesitantly applied than in the U.S., is expected to provide a stimulus to economic growth during 2003. American hardwood export sales to China

during February were fair, but hardly booming despite widespread reports of huge growth in Chinese wood consumption. Forecasts of residential starts at levels in excess of 21 million units during 2003, and of 60% anticipated growth in Chinese demand for wood flooring, have raised expectations of huge growth in demand for lumber. But with economic conditions slowing elsewhere, there is also intense competition for sales to China. This is particularly so given increased availability of alternative temperate hardwoods from Eastern Europe, and persistent problems of over-stocking in Western European hardwoods.

## More alternatives on offer in China

Chinese manufacturers are gaining a reputation for their willingness to switch species on the basis of price. And with exporters in all areas of the world now focusing their marketing efforts on the Chinese market, they are being offered numerous opportunities to use a wide range of species. At the same time, the development of domestic processing capacity in China seems to be encouraging a partial switch to imports of temperate hardwood logs as opposed to hardwood lumber.

Short term factors that will also have slowed sales of American hardwoods to China during February include the Chinese New Year holiday period at the start of the month. Also Chinese furniture exporters may still have

been suffering the after-effects of the port strike in the western United States which led to a build up of excess stocks in finished products at China's manufacturing plants and docks. This has inevitably discouraged purchasing of wood raw material.

Demand elsewhere in the Far East continued to be steady during February, buoyed by the return to economic growth throughout much of the region. Vietnam is now the fastest growing American hardwood export destination on a per-centage basis, but remains small compared to China. There is also steady demand for American hardwoods in Malaysia, Indonesia and Thailand.

Good economic growth linked to a boom in remodeling activity following government efforts to liberalise the housing sector is generating solid demand for American hardwoods in South Korea, although export data suggests that the unit value of lumber used in this market is now lower than in previous years, indicating a shift to cheaper grades and species.

Despite economic problems, Japan is still the world's second largest economy and an important market for hardwood lumber. Decline in furniture manufacturing has meant that demand is now focused more on high quality interior joinery. The market is becoming more specialized and demanding in terms of specification. Unlike other Asian markets demand is focused on high grade lumber.

# Europe

## European beech

### Rise in Chinese log demand

Demand for Western European beech logs has been generally weak during the current logging season due to falling European veneer and lumber production. Forest owners have responded by reducing harvesting levels. In Germany, beech is generally harvested only if already covered by sales contracts. In France, the state forest authorities have tightly restricted new harvests of beech logs ever since the storms of December 1999. This low level of production has helped to stabilise prices for higher grades of new season beech logs in Western Europe. However prices for lower grade logs are still under pressure.

Demand for beech logs in China was weak at the end of last year and throughout January. However, by the end of February reports began to emerge of a slight recovery in demand as Chinese importers returned to the market in an effort to refill depleted stocks prior to the end of the logging season. Meanwhile, Chinese importers stocks of

beech sawn lumber have also been falling over recent months, but this has yet to stimulate any significant increase in orders from European suppliers.

The German market for beech sawn lumber remains very slow, with demand from the furniture, interior joinery and parquet sectors very subdued. German exporters also report relatively slow sales of beech sawn lumber in the U.K., Spain, and Italy.

### Lumber prices remain weak

Despite numerous bankruptcies in the Western European sawmilling sector last year, and efforts by European mills to significantly reduce production this year, prices for most grades of German beech sawn lumber continue to be under pressure.

But there are reports of slightly improved market conditions in France. By curtailing production, many French sawmills have now succeeded in reducing their stocks of beech sawn lumber. French domestic demand has also picked up a little since the start of the year. French exporters also report some improvement in Spanish demand

for beech sawn lumber. This has helped to stabilise prices for higher grades of French beech sawn lumber.

Efforts to curtail beech lumber production are also apparent in parts of Eastern Europe. For example, the German trade journal EUWID reports that Romanian producers have significantly reduced sawn beech production this year, mainly in response to slow buying in China. The Chinese market last year had been buying significant quantities of FAS grade beech lumber from Romania, but this trade has been very slow during 2003. Demand for fixed dimension Romanian beech from Western Europe has also been slow this year. However Romania has had some success expanding sales of low grade beech to the Middle East. Romanian producers are also benefiting from inward investment which is allowing a partial switch from sales of rough sawn timber in favour of higher value wood components for supply to the Western European furniture and interior joinery sectors.

EUWID also reports that Romanian beech

# Europe

log sales to China have deteriorated this year. However, demand for the best quality Romanian beech logs has been good from the veneer sector.

## European oak

### Good log demand for casks

Demand for Western European oak logs has been good, particularly from the French cask sector. There has also been improved demand from the European veneering and sawmilling sector. The French forest authorities have placed significant restrictions on harvests of higher quality oak logs this season in order to allow forests to recover from the after-effects of the December 1999 storms. Many French mills have suffered shortfalls in supplies of good quality oak logs this season, and many are now supplementing domestic supplies by purchasing in Germany. Increased demand coupled with restricted French production has ensured that prices for higher grades of Western European oak logs have been firm during the current logging season.

Demand and prices for higher grades of Western European sawn oak has remained stable over recent weeks. Anecdotal evidence suggests that the influence of Eastern European oak has continued to increase in the Western European market this year. High grade edged oak from Croatia and Bosnia, much of which is converted in Italy, is particularly popular in the UK and parts of southern Europe and has gained a reputation for superior quality. Prices at the Croatian log auctions have been rising this year, a trend which may be reflected in rising prices for Croatian sawn lumber later in the year.

# Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		29-Nov	31-Jan	7-Mar	29-Nov	31-Jan	7-Mar	29-Nov	31-Jan	7-Mar
Argentina	Peso	5.6483	5.301	5.1109	3.6300	3.2250	3.1850	3.6110	3.4621	3.5163
Australia	Aus. \$	2.7717	2.804	2.6103	1.7813	1.7059	1.6267	1.7719	1.8313	1.7959
Bangladesh	Taka	90.0925	95.6634	93.3936	57.9000	58.2000	58.2000	57.5961	62.4777	64.2557
Belize	B\$	3.0653	3.2381	3.1613	1.9700	1.9700	1.9700	1.9596	2.1148	2.1750
Bolivia	Boliviano	11.5447	12.4092	12.1645	7.4195	7.5495	7.5805	7.3805	8.1044	8.3693
Botswana	Pula	9.0047	8.9114	8.2781	5.7871	5.4215	5.1587	5.7567	5.8200	5.6954
Brazil	Real	5.6755	5.8023	5.6261	3.6475	3.5300	3.5060	3.6283	3.7895	3.8708
Canada	Canadian \$	2.4376	2.5175	2.352	1.5666	1.5316	1.4657	1.5584	1.6442	1.6182
Chile	Peso	1095.040	1208.690	1212.030	703.752	735.347	755.299	700.058	789.395	833.888
China	Yuan	12.8794	13.6048	13.2826	8.2772	8.2769	8.2773	8.2338	8.8853	9.1386
Czech Republic	Koruna	48.1856	48.201	46.2094	30.9676	29.3247	28.7962	30.8050	31.4800	31.7925
Denmark	Danish Krone	11.6157	11.388	10.7924	7.4651	6.9283	6.7255	7.4259	7.4375	7.4253
Estonia	Kroon	24.4661	23.9558	22.7374	15.7237	14.5743	14.1692	15.6412	15.6455	15.6435
Euro-zone (1)	Euro	1.5642	1.5312	1.4534	1.0053	0.9316	0.9057	1.0000	1.0000	1.0000
Fr. Africa (2)	CFA Fr.	1026.06	1004.38	953.41	659.421	611.048	594.14	655.960	655.960	655.96
Ghana	Cedi	13031.50	13766.00	13385.20	8374.99	8375.00	8339.99	8331.03	8990.57	9207.77
Guyana	Guyanese \$	278.524	294.222	287.242	179.00	179.00	179.00	178.06	192.16	197.625
Hong Kong	HK\$	12.1347	12.8206	12.5148	7.7986	7.7998	7.7988	7.7577	8.3731	8.6103
India	Rupee	75.1704	78.5746	76.4639	48.3100	47.8035	47.6499	48.0564	51.3170	52.6079
Indonesia	Rupiah	13969.0	14579.6	14257.8	8977.5	8870.0	8885.0	8930.4	9521.9	9809.5
Japan	Yen	190.633	197.145	186.924	122.5146	119.9397	116.485	121.8716	128.7553	128.605
Kenya	K. Shilling	124.216	127.839	122.519	79.8302	77.7751	76.350	79.4112	83.4916	84.294
Korea South	Won	1880.82	1913.27	1955.81	1208.75	1164.00	1218.80	1202.41	1249.56	1345.62
Liberia	Liberian \$	1.556	1.6437	1.6047	1.0000	1.0000	1.0000	0.9947	1.0735	1.1040
Malaysia	Ringgit	5.9128	6.2461	6.0979	3.8000	3.8000	3.8000	3.7800	4.0793	4.1954
Myanmar	Kyat	9.9984	10.2515	10.0248	6.4257	6.2368	6.2471	6.3920	6.6952	6.8972
New Zealand	NZ\$	3.1192	3.0201	2.848	2.0046	1.8374	1.775	1.9941	1.9724	1.959
Nigeria	Naira	200.413	210.805	209.605	123.800	128.250	128.750	128.124	137.677	142.146
Papua NG	Kina	6.4051	6.4592	5.7213	4.1164	3.9297	3.5653	4.0948	4.2185	3.9363
Philippines	Peso	83.2849	88.4722	87.9456	53.5249	53.8250	54.8049	53.2440	57.7811	60.5074
Poland	Zloty	6.2596	6.2856	6.2863	4.0229	3.8241	3.9174	4.0018	4.1051	4.3250
Romania	Leu	52231.0	54439.3	52458.5	33567.4	33119.9	32690.5	33391.2	35554.3	36091.9
Russia	Rouble	49.5621	52.3494	50.6303	31.8522	31.8485	31.5512	31.6850	34.1894	34.8341
Singapore	Singapore \$	2.7484	2.8588	2.784	1.7663	1.7392	1.735	1.7571	1.8671	1.915
Solomon Is.	Slmn. Is. \$	11.8147	12.4902	11.922	7.5930	7.5988	7.429	7.5531	8.1573	8.202
South Africa	Rand	14.4194	14.0269	12.7293	9.2670	8.5337	7.9325	9.2183	9.1610	8.7579
Sweden	Krona	14.1057	14.1567	13.3981	9.0653	8.6127	8.3493	9.0178	9.2457	9.2180
Taiwan	Shilling	54.1955	57.0397	55.5787	34.8300	34.7020	34.6349	34.6472	37.2526	38.2387
Tanzania	Baht	1534.22	1674.93	1688.09	986.001	1018.999	1039.50	980.826	1093.896	1147.66
Thailand	Baht	67.6783	70.3011	68.1838	43.495	42.77	42.49	43.2667	45.9136	46.9111
Uganda	New Shilling	2863.04	3079.47	3103.49	1840.00	1873.50	1934.00	1830.34	2011.20	2135.23
United Kingdom	£	1.0000	1.0000	1.00	0.6427	0.6084	0.6232	0.6393	0.6531	0.6880
U.S.A.	US \$	1.556	1.6437	1.6047	1.0000	1.0000	1.0000	0.9947	1.0735	1.1040
Venezuela	Bolivar	2051.980	3158.780	2564.310	1318.75	1921.75	1597.997	1311.83	2063.00	1764.270
Vietnam	Dong	23936.7	25363.9	24763.7	15383.5	15431.0	15432.0	15302.7	16565.1	17037.7
Zimbabwe	\$	86.2803	90.4036	1322.27	55.4500	55.0000	824.00	55.1589	59.0425	909.73

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

## New grading rules for European hardwoods

The European Sawmilling Organisation (EOS) is working on the development of new grading rules for European hardwoods. According to EUWID, a Working Group comprising German, French, Belgian and Austrian representatives, has begun work to develop grading rules for rough sawn steamed and unsteamed unedged sawn beech. This Working Group plans now to extend this work to edged beech lumber, as well as a wider range of other hardwood species. The

rules will be promoted to all sales markets by the respective national sawmilling associations.

The development of new grading rules forms part of a joint marketing strategy by the European hardwood sawmilling associations to develop new markets for European hardwoods. With domestic markets weak and the Chinese market for beech much reduced, the European hardwood industry is now more determined to diversify sales outlets. Large Western European producers have recently increased their marketing efforts in the United States and the Far East.

# Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2003</b>				
26-28 Mar	World of Wood 2003	New Orleans, USA	Timber trade	www.iwpa.org/convention.html T: +1 703 820 6696, F: +1 703 820 8550
12-17 May	34th Session of the International Tropical Timber Organisation	Panama City, Panama	Government, timber trade, NGOs	www.itto.or.jp itto@itto.or.jp
23-27 May	Interzum 2003	Cologne, Germany	Furniture, interiors	www.sleepproducts.org/interzum
26-30 May	Ligna Plus 2003	Hanover, Germany	Timber trade & industry	www.ligna.de
26 May-6 Jun	3rd Session of the United Nations Forum on Forests	Geneva, Switzerland	Government, trade associations, NGOs	unff@un.org www.un.org/esa/sustdev/forests.htm
31 Aug -2 Sept	SPOGA/GAFA Fair	Cologne, Germany	Outdoor furniture & timber products	
21-28 Sep	XII World Forestry Congress	Quebec, Canada	Forestry	www.wfc2003.org
21-24 Oct	Wood-Tech 2003	Brno, Czech Republic	Timber industry	Tel: +420 541 15 32 72 envibrno@bvv.cz
3-8 Nov	BATIMAT Fair	Paris, France	Building material suppliers	www.batimat.com/2003date.htm
12-15 -Nov	MADERALIA Fair	Valencia, Spain	Woodworking and wood supplies	http://maderalia.feriavalencia.com/index.jsp

### **Ivory Coast a major concern**

Political problems in the Ivory Coast continue to be a focus of concern for the African hardwood trade. Although there are reports that wood continues to filter out of the country, prospects for the long term supply of Ivory Coast products – notably iroko and framire sawn lumber and various dimension products – remain uncertain. In other parts of Africa, most reports suggest that supplies are relatively confined - despite February being the peak dry season in major producing regions north of the equator. Although export demand for African sawn lumber remains subdued, many shippers report that available stocks are well booked forward. **Pages 3-4**

### **Low logging levels in the Far East**

Logging levels were relatively low in the Far East during February, disrupted by the Chinese New Year during the first half of the month, and by the rainy season which started in many parts of Indonesia and Malaysia during January. Nevertheless there are reports that plywood mills in Malaysia and Indonesia have sufficient log stocks to meet current levels of demand. In Indonesia there are even reports of weak log prices, despite reports that the central government intends to reduce officially sanctioned harvests this year. Weak Indonesian log prices reflect the log export ban combined with high levels of illegal logging **Pages 4-5**

### **Devolution hinders Indonesian efforts to curtail logging**

Efforts to halt illegal logging in Indonesia are severely hampered by measures introduced in 1999 to devolve power from the central government to the district authorities. District chiefs are profiting from illegal logging and have little incentive to stamp out the practice. **Page 5**

### **Japan's log imports keep falling**

Total Southsea log imports into Japan during 2002 may not exceed 1.9 million m<sup>3</sup>, even lower than the 2 million m<sup>3</sup> imported during 2001, and a massive fall compared to levels of over 6 million m<sup>3</sup> prevailing prior to the Asian financial crises in 1998. This reflects

low underlying consumption and a switch from hardwood to softwood plywood manufacture. **Pages 4-5**

### **China's log imports keep rising**

China's imports of tropical logs reached 7.07 million m<sup>3</sup> in 2002, an increase of 7.7% compared to 2001. However the share of tropical logs in Chinese imports continues to fall, from 38.8% of all log imports in 2001 to only 29.1% in 2002. This latter trend is due to more rapid increase in imports of softwood logs, notably from Russia. **Page 5**

### **Malaysian balance maintained**

After some signs of price weakness prior to the Chinese New Year, prices for Malaysian sawn lumber remained reasonably stable during February. A fine balance has been maintained between relatively low stocks in shippers yards and continuing slow demand in major export markets. **Page 6**

### **Malaysian exports patchy...**

Malaysia's export statistics indicate a patchy performance last year. There were signs of improving demand for Malaysian sawn lumber, and also for Malaysian furniture. However restricted supplies meant that log exports were tending to decline. Exports of Malaysian plywood were falling to Europe and Japan, but rising to the United States and South Korea. **Page 6-7**

### **UAE provides opportunities**

Despite uncertainty created by the threat of war in the Middle East, the region is still offering opportunities for sales of hardwood lumber. Particularly important has been the dynamism of the United Arab Emirates economy, which has encouraged the establishment of European owned joinery and furniture manufacturing plants in the country. **Page 7**

### **Slow rise in U.S. hardwood prices**

The American economy continues to look jittery. Concerns over the threat of war and rising fuel costs have contributed to a sharp decline in consumer confidence. However the housing sector, boosted by low mortgage rates, continues to provide a prop for U.S. economic activity and for hardwood lumber sales. Meanwhile, hardwood log

supplies in the United States are limited for the time of year. This, linked with steady demand, is driving a slow rise in prices for many hardwood products. **Page 8**

### **US exports rise to Asia**

There was a 4.9% increase in the overall volume of US hardwood lumber exports during 2002. Rising exports to Greater China, SE Asia, and South Korea offset a decline in exports to the EU, Japan and Mexico. Within the EU, exports to Northern and Central European countries declined quite sharply, while exports to Southern European countries were more stable. **Pages 8,9 and 10**

### **Chinese return to beech log market**

European and export demand for beech logs has been slow during the current logging season. However at the end of February, Chinese importers began to take steps to fill gaps in depleted stocks. A big fall in beech log production, particularly in France, has helped to stabilise European beech log prices. Demand for European beech sawn lumber remains subdued and prices for this commodity are under pressure. European oak log markets remain good, particularly for higher grades which are in demand for casks. Demand and prices for higher grades of European sawn oak has remained stable over recent weeks. The influence of Eastern European oak has continued to increase in global markets this year. **Pages 10-11**

### **Sustainability in Africa**

Efforts to promote sustainable forest management in Central Africa are intensifying. The French technical association ATIBT is promoting a set of guidelines for sustainable forest management plans which are now being applied to nearly 16 million hectares of forest in the region. Some of the largest European companies holding forest concession in Gabon and Congo-Brazzaville are also complying with a Code of Conduct, committing them to legal and sustainable sources. And in December 2002, forest sector interests, government organisations, and donor bodies agreed to work together on the development of a Pan African Forest Certification scheme. **Pages 1, 2 and 3**