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## Hardwood furniture in 2001

**T**oday's furniture markets are global and interconnected by the materials they use, the designs they replicate, and the international shows they respond to. Even the fashion for hardwood species and concern for environmental issues, which influence many suppliers, are international these days. Perhaps only levels of consumer demand vary significantly. Anyone unfortunate enough to work in furniture manufacturing in Japan or Germany would be quick to explain the devastating effects that outsourcing can have on their industry. Whereas producers in the Chinese market supplying the growing domestic demand will tell one story and exporters, waiting to ship to an increasingly shaky American market, will tell another.

### Market variation in Europe

In Europe there are great market variations within the region itself. Since the three main international European Spring season shows in Paris, Cologne and Milan, where the new ranges are displayed, there has been little consistency. Paris was followed by the bankruptcy of a leading French producer and Cologne probably produced more hopes than orders. The huge German market is so influential on producers in Eastern Europe, neighbouring Denmark Austria and Italy. In 1999, for example, Germany imported furniture to the value of Euros 3,271,983 (according to Eurostat) of which 58% came from those four countries alone, with Poland accounting for 24%. And recent news has not been good. Many foreign companies dependent on the German market are reporting depressed demand in this new Spring season. That leaves only UK and Canada with apparently undepressed markets out of the traditionally biggest players, according to CSIL the Italian furniture research organisation. The

new producers in China, Mexico, Poland and soon Vietnam all wait anxiously as the US and even global economic news becomes more fragile. And despite CSIL's cautiously optimistic forecast, reported in last month's issue of *hardwoodmarkets.com*, there are increasing fears that furniture markets will be more adversely affected by the downturn in US fortunes and the continuing gloom in Japan.

If the situation is being correctly reported then there has been a significant downturn from the first three quarters of 2,000, which looked to herald a boom result for the full year. Total EU imports, a good measure of consumption, indicated that the annualised figure would be up over 20% on the previous year. Only Austria and Portugal were reporting lower figures within the EU at that stage. Poland, Indonesia and Romania were the largest exporters to EU markets and China was showing a massive increase over 1999.

Since then the three major shows have tested new designs and generally reported good reactions by retailers that are not now being confirmed by manufacturers, especially those dependent on Germany. This has some irony as Interzum, the bi-annual exhibition of suppliers to the furniture industry, takes place this month in Cologne. Machinery and raw material suppliers will be looking for more positive signs than are presently obvious.

### Good prospects in Paris

The Salon du Meuble in Paris did hold some good prospects for hardwoods with the first genuine signs of a return to oak and continued strong demand for American and European cherry despite the price increases of last year. Most notable in Paris was the modernisation of designs in traditional

*Continued box page 11*

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## Editorial

### All change in the furniture trade

Significant changes are underway in the international furniture sector which are having a major impact on the size, direction and structure of the hardwood trade.

*hardwoodmarkets.com* lead article this month suggests that cooling of the US economy has created uncertainty in the global furniture market. However, while overall global demand for furniture may fall this year, it is likely that the level of international trade will continue to rise. Over the last decade, the global trade in furniture has grown much faster than both world GDP and the global production of these products. An explanation lies in the progressive shift of manufacturing facilities from relatively high-cost western countries to lower-cost locations in Eastern Europe, Asia and Latin America.

In Eastern Europe, the Polish furniture sector has attracted large scale inward investment from German, Swedish, and Dutch companies. In 1998 and 1999, \$70 billion in total of foreign finance flowed into Poland's wood processing and furniture sectors. Exports of Polish furniture reached US\$1 billion during the first 6 months of 2000, destined primarily for Germany, Belgium, Sweden and France. In Asia, the Chinese furniture sector is an increasingly formidable competitor to established industries in Europe and North America. In 1999, total Chinese output of furniture surpassed \$12.5 billion, growing by 20% over 1998. Production growth is expected to continue at a rate of 12-15% over the next 10 years. China's furniture sector now comprises more than 50,000 furniture manufacturers and over 5 million employees. Total exports during 2000 exceeded US\$3 billion.

Meanwhile, tropical developing countries are expanding their participation in the trade. Malaysia, Thailand and Brazil have made particular inroads into global furniture markets, exporting US\$911 million, US\$471 million and US\$275 million respectively in 1998.

Furniture manufacturers based in the West now face rising levels of competition from low-priced imports. Many western furniture manufacturers have anticipated this trend, by themselves investing in lower-cost facilities overseas and by increased out-sourcing of components. These factors imply long term decline in the primary hardwood products trade with the western world, and rising trade in semi-finished and finished products.

But as opportunities for the marketing of primary wood products wane in Western Europe and North America, new markets are opening up elsewhere. Many of the countries now entering the international furniture market suffer from a shortage of domestic wood. Past over-exploitation of forests in countries like China, Thailand and Vietnam has meant major reductions in national timber harvests, particularly of high quality hardwoods. And even where reasonable domestic forest resources exist, the new industries are finding it necessary to import hardwood varieties familiar to, and favoured by, their western buyers - such as beech, oak, hard maple and tulipwood.

Another trend linked to globalisation is the increasing influence of larger groups in the furniture sector - an influence often disproportional to their real market share. This too can work strongly in favour of the international hardwood trade. For example, IKEA - originally Swedish but now Dutch-based - is a tremendously influential furniture producer and retailer which has seen phenomenal growth over recent years. IKEA's main influence is at the lower end of the mass furniture market, especially for lower income groups such as students and young couples. IKEA has concentrated on Scandinavian style designs with fresh light colours. To achieve this, IKEA has relied heavily on pine. But IKEA has also been instrumental in developing a mass market for European beech and, perhaps more surprisingly, European birch - regarded in the past a rather ordinary species. And despite all the talk of substitutes, a recent analysis of IKEA's product range has shown that use of synthetic foils is relatively limited. Instead, IKEA is demonstrating the value of real hardwood to its vast customer base - which, according to their website, numbered around 260 million in 33 countries last year.

Rupert Oliver  
Editor

## Market report Slowdown in Northern Europe as stocks build

### Overview

Prices for African sawn lumber remain reasonably stable for the time being as supply and demand influences are finely balanced. One factor arguing in favour of weakening prices is a slowdown in forward buying, notably in Northern Europe, as stocks have built up over recent months and as global economic uncertainty has mounted. However other factors may counter-act this trend. Heavy rains have now hit the major log supplying regions of West and Central Africa, while overall levels of harvest were restricted during the last logging season. Producers in West Africa are also having to deal with rising oil prices and higher freight rates.

Furthermore, despite existing problems of over-stocking, underlying market prospects for African hardwoods still seem reasonably good. Northern European buyers and end users have maintained their support for African hardwoods despite recent lower prices for competing Malaysian meranti. In part this is because African woods are invoiced in euros so there is less price volatility compared with dollar-denominated Malaysian hardwoods. So while buyers are exerting some downward price pressure, shippers expect prices to remain reasonably stable over the coming months.

African Sawn Indicative Prices			
	Feb	Mar	Apr
Exchange rates			
Fr./F/£	10.34	10.55	10.56
<b>Cameroon, CAR, Congo (Braz.)</b>			
Fr. Francs/m3; FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	3500	3500	3450
<b>Sipo</b>	4400	4400	4400
<b>Bibolo</b>	2600	2600	2600
<b>N'Gollon</b>	3500	3500	3500
<b>Afromosia</b>	5600	5600	5600
<b>Iroko</b>	3700	3650	3650
<b>Cote d'Ivoire</b>			
Fr. Francs/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
<b>Iroko</b>	3650	3450	3450
<b>Mahogany</b>	2750	2750	2750
<b>Framire</b>	2150	2150	2150
<b>Samba No.1 C&amp;S</b>	1525	1540	1540
Dimension stock			
<b>Azobe</b>	2500/ 3000	2600/ 3000	2600/ 3000
<b>Dabema</b>	1950/ 2550	1950/ 2550	1950/ 2550
<b>Gabon</b>			
Fr. Francs/m3; FOB			
Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	2250	2250	2250
<b>Okoume KD</b>	2500	2500	2500

### Log markets

Over the last 2 years, the decline in exports of higher value logs following Cameroon's implementation of a ban in mid 1999, has been compensated to some extent by increased production in Northern Congo and the Central African Republic (CAR). Logs of sapele, sipo, anegre and doussie are being exported at steady prices from both countries through Douala port in Cameroon. However the potential for a significant increase in log exports from the Congo basin remains limited. Allocation of concessions in the Central African Republic is tightly controlled and only five major logging companies are operating there. Log export volumes are also restricted by the high costs of transport over the lengthy overland route to Douala.

### Lumber markets

■ **Sapele** lumber prices are currently under some downward pressure as European stocks have mounted. European agents report that stocks are available for shipment, but currently there is only limited interest in the forward market.

■ **Ayous/wawa** – Supplies of wawa from Ghana have been held up over recent weeks due to an on-going dispute between the government and industry over the imposition of a 10% export tax on kiln dried wood. In the UK, wawa is one of the few African species currently not over-stocked, and there are concerns over potential shortages. The German journal EUWID reports that the export ban imposed on Ghanaian wawa boules in January has created difficulties for some central European importers. They complain that wawa is no longer available in larger sizes, and that yields from wawa edged-sawn lumber is lower than from unedged boules. In Italy, trade reports suggest that buyers have returned quite strongly to the purchase of traditional volumes of ayous lumber after a slow winter.

■ **Iroko** – the European market remains slow. The important Irish market still suffers under the weight of excess stocks which arrived during the course of the winter. The Irish economy, which has benefited from significant inward investment by US firms over recent years, is beginning to feel the effects of the US slowdown.

■ **Sipo/utile** – interest in the forward market for sipo amongst European importers has waned to some extent, notably in Germany where concerns over the national economy have increased over recent weeks.

■ **Ekki/azobe** – now sourced mainly from

### African logs indicative prices

	Feb	Mar	Apr
Exchange rates			
Fr./F/£	10.34	10.55	10.56
<b>CAR &amp; Congo (Brazzaville)</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>N'gollon</b>			
70+ (20% 60-69)	1500	1500	1500
<b>Bosse 60+</b>	1650	1650	1650
<b>Ayous 70+</b>	1200	1200	1200
<b>Sapele</b>			
80+ (20% 70-79)	1950	1950	1950
<b>Sipo</b>			
80+ (20% 70-79)	2500	2500	2500
<b>Gabon</b>			
Fr. Francs/m3; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
<b>Acajou</b>			
70+ (20% 60-69)	1200	1200	1200
<b>Sipo</b>			
70-79 (10% 60-69)	2100	2100	2100
80-99cm	2450	2450	2450
<b>Liberia</b>			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
<b>A. mahogany</b>	200	200	200
<b>Walnut</b>	200	200	200
<b>Iroko</b>	280	280	280
<b>Kusia (Opepe)</b>		130	130

Cameroon, where increased controls on logging have tended to restrict overall availability of supplies. However stocks in the Netherlands, the major buying country, are currently adequate and there are some reports of weakening prices. UK interest in ekki, a heavy hardwood used for similar structural applications as Guyanese greenheart, has been boosted over recent years through its use in several high profile millennium construction projects. However UK demand is currently restricted by limited public funding for sea defence works and uncertainty in the construction sector.

### Importing countries

■ **Germany** – demand for both African logs and sawn lumber has slowed in response to sluggish activity in the construction sector, and few importers are signing forward contracts.

■ **Italy** – there are some reports of improving demand after a slow winter. As constraints on log exports from Africa have increased, Italian importers have been shifting increasingly to lumber imports and finished products.

■ **Spain/Portugal** – while there are reports that relatively high stocks of African hardwoods have built up over the course of the recent logging season, underlying demand for African hardwoods remains good.

■ **United Kingdom** – stocks have built up

# Africa

during the course of the current logging season and many importers have therefore put a brake on forward orders. Many importers may be holding back because they believe prices are weakening.

■ **South-East Asia** - as sales to several European destinations have weakened, African exporters have sought to increase shipments to Asia, particularly China. There are currently reports of reasonable demand for logs of anegre and ayous in China. Larger timber groups from Malaysia are now well established in parts of West Africa, and these groups have led an expansion of Far Eastern markets, notably China, but also including Japan and, for lower grade lumber, the Philippines and Thailand.

## Exporting countries

■ **Cameroon** - increased restrictions on the issue of new concession licenses and harvesting rights have created supply problems for many mills – significant numbers of which have closed temporarily. As a result, increased investment in sawmilling capacity has not been reflected by a significant increase in the availability of Cameroon sawn lumber. Despite evidence that there is already over-capacity in the Cameroon processing sector, there are reports that several more sawmills and peeling plants are under construction. Log prices at the mill gate have been increasing - partly because of shortages and rising internal transport costs – squeezing margins as shippers have been unable to pass cost increases to overseas buyers.

■ **Ghana** - an attempt by the Ghana government to extend the 10% export duty currently imposed on air dried lumber to kiln dried has been met with firm resistance from the timber sector. The industry claims that the export duty was imposed without prior consultation and, in a highly competitive export market, will effectively wipe out their margins on the sale of kiln dried. Most shippers have announced they will no longer export lumber until the tax has been rescinded. In an effort to demonstrate the impact on local employment and livelihood of mill closures, one of the largest mills in Takoradi has shut-down in protest, stating it cannot operate under the new tax regime. Meetings between government officials and the timber industry were on-going at the end of April in an effort to resolve the dispute. Efforts by the Ghanaian government to push through price rises on petroleum products, which have been kept at artificially low prices through government subsidies, are

also expected to hit margins in the timber sector. Despite the increasingly difficult trading environment for Ghanaian mills, export performance during the first two months of 2001 was reasonable. Total exports of wood products during this period reached 80,154 m<sup>3</sup> valued at US\$13.5 million, respectively 11.5% and 8.2% higher than the same period last year. Increases were recorded in exports of plywood (+40.6%), furniture parts (+25.0%), processed mouldings (+10.0%), and kiln dried lumber (+9.2%). However significant decreases were recorded in exports of air dried lumber (-16.1%), rotary veneer (-9.0%) and sliced veneer (-7.8%).

■ **Gabon** - port congestion has led to shipping delays and to one shipping line increasing freight charges by around US\$10/m<sup>3</sup>. According to the *UK Timber Trade Journal*, ships are reluctant to wait for slow barging of sinker logs and most are loading only floaters, mainly okoumé, and leaving behind the mixed 'bois diverse' sinkers. SNBG, the state-selling organisation for okoumé and ozigo, is again afflicted by cash flow problems and delaying payments to forestry operators. It has also increased prices for okoumé logs by 1%. Sales of okoumé to the Far East are currently slow, but the outlook in major European markets and in China seems reasonably good.

■ **Liberia** – the row over the imposition of UN sanctions on trade with Liberia continues. Sanctions on Liberia's trade in diamonds are likely to go ahead as a response to the Liberian government's participation in arms and diamond trafficking to finance and supply the rebel movement in neighbouring Sierra Leone. Following resistance from the French and Chinese governments, sanctions have not so far been imposed on the timber trade. However, the governments of neighbouring Guinea and Sierra Leone continue to argue in favour of a more comprehensive sanctions package, noting particularly the important role that income derived from timber plays in supporting the regime of the Liberian President, Charles Taylor, and in funding the arms trade. Environmentalists also continue to express concern over the excessive level of exploitation of Liberia's forests, particularly as the President is now pushing for the introduction of legislation that will provide him with direct and unconditional control over the allocation of forest concessions, and discretion over the use of funds derived from forest exploitation.

# Asia

## Sawn lumber Markets subdued

Since the beginning of 2001, the European market for Malaysian sawn lumber has suffered under the weight of excess stocks built up during the course of last year. By the end of April, there were still few signs of a pick up in either demand or prices. All the major markets, including the Netherlands, Germany, Belgium and the UK report subdued activity.

## Signs of life

There are reports of some limited interest in the forward market in areas of Northern Europe, one agent suggesting that Belgium and Denmark have shown some signs of life, but overall demand is slow. There are still sizeable stocks of meranti available in Northern Europe after enthusiastic purchasing last year. Importers throughout Northern Europe are generally buying from existing landed stocks when needed, rather than turning to the forward market. Most have adopted a very cautious attitude as economic uncertainty in Europe has increased. Many European importers were burnt by stock devaluation as meranti prices plummeted in the second half of 2000, another factor which may have encouraged a more cautious approach this year.

The continuing strength of the dollar against the euro tends also to undermine demand for Malaysian sawn lumber (invoiced in dollars) and favour African species (mainly invoiced in euro-linked currencies).

## Monsoon abates

The monsoon, which is only now beginning to abate, together with very weak demand in Europe and Japan, has meant that log and lumber production levels in the Far East have been severely curtailed. However forward availability from Peninsular Malaysia is reported to be sufficient to meet current very low levels of demand. Shippers are keen to attract orders and may be willing to cut difficult specifications at competitive prices. The financial situation of processors throughout South-east Asia, particularly in Indonesia, has become progressively more difficult since the start of the year. In addition to weak export sales, producers have suffered from economic uncertainty at home, freight increases and rising oil prices, and – in the case of Indonesia – continuing political uncertainty.

Price increases for Malaysian meranti sawn lumber have been widely expected this year, following the price collapse during 2000 and current constraints on supply. However

weak export demand and continuing market disruption resulting from illegal logging in Indonesia - has meant that these increases are being very slow to materialise.

The major Dutch market for Malaysian sawn lumber continues to suffer from indigestion caused by overly enthusiastic purchasing during 2000. Peninsular Malaysia shipped around 38% more graded lumber (mainly dark red meranti) to the Netherlands during the first 9 months of 2000 compared to the corresponding period in 1999, with much of the volume arriving in Autumn and September.

## Partial switch to Africa

There are still no signs that lower C&F prices are encouraging higher levels of trade in the Netherlands. There are indications that recent price volatility has encouraged some Dutch manufacturers to switch to alternative African species including sapele and sipo. However there are some reasons for optimism in the Netherlands. The Dutch building sector is active and expected to remain so throughout 2001.

The UK forward market for dark red meranti is slow due to relatively high stocks and some signs of economic uncertainty.

Construction sector activity and joinery companies have been badly affected by poor weather conditions during winter and early spring. Although sales of purpose-made value added products such as doors are doing reasonably well, sales of wood for joinery applications are down. Mixed reports are emerging from the UK furniture sector. Although the furniture retail trade reported buoyant consumer demand in early 2001, UK production figures suggest a fall of 7.5% between 1999 and 2000.

## Seeking keruing orders

As US demand for keruing has weakened, Malaysian shippers have been looking for more orders in the UK. However the sizes available are not immediately attractive to UK buyers. Much of the keruing available is at 8ft and longer rather than the UK truck flooring specification of 16ft and longer.

Demand for balau decking in the UK is slow. The spring weather which usually encourages demand has yet to generate much interest in the forward market. This may partly reflect the fact that importers still have stocks left over from last season, and signs of economic uncertainty. Hopes that increased public spending on schools would generate demand for merbau flooring have yet to materialise.

## Germany depressed

German meranti sawn lumber imports during 2001 reached 41,000 m<sup>3</sup>, equivalent to the level of import in 1999. Demand for sawn lumber in Germany is currently subdued. Demand for meranti laminate window scantlings, which are widely used in Germany and sourced from both Indonesia and Malaysia, is also extremely weak. Sluggish demand and low prices reflect weakness in the German construction sector, existing high stocks, and competition from alternatives. No improvement is expected in this situation until the end of May at the earliest. Producers of laminated scantlings in Indonesia are currently suffering severe financial difficulties due to weak demand, falling prices, and rising costs. Prices in Germany are no longer viable for Indonesian manufacturers. Some Indonesian manufacturing plants have closed, while others have stopped their scantling manufacturing lines.

Demand for ramin in Italy is reported to be firm. However recent moves by the Indonesian government to ban the trade in this species may severely restrict future availability.

## Teak

### Buried in red tape

Contacts recently returning from Myanmar and Thailand report that the teak trade is active and that global demand remains good. However the trade in teak boards from Myanmar has been seriously disrupted by the introduction of legislation from 1<sup>st</sup> March designed to promote value added processing. The new rules require all boards to be planed on four sides prior to export. Meanwhile, in an effort to tackle corruption, the Myanmar authorities now require all lumber exports to be loaded at the Myanmar Timber Enterprise (MTE) yard. Prior to shipment, all boards must be inspected by three departments - MTE, the Forestry Department, and Customs.

The new rules may be well intentioned - corruption has been a serious problem in the Myanmar teak trade. However, the unwieldy new bureaucracy has meant that, since March, the export of teak boards from Myanmar has ground to a halt.

Furthermore, the new law requiring planing prior to export seems to have been introduced without full consideration of the market implications. Myanmar lacks capacity to undertake the required machining efficiently. At the same time, European traders complain that, far from adding value, the new rules have only made the product less attractive. Overseas buyers prefer to buy rough sawn lumber which may be cut to specific dimensions for their customers in the furniture sector. There seems to be little or no export demand for planed boards, which are generally of smaller size and which will, in any case, have to be re-machined to satisfy customer needs. European importers suggest the extra processing stage in Myanmar is unnecessary and wasteful. Meanwhile, teak log exports continue unchecked, defeating the object of the value-added policy.

### Marginal price rise

These various problems on the supply side, coupled with continuing good international demand for teak boards, has contributed to a marginal increase in FOB prices quoted for air dried teak boards from Myanmar. More significant dollar price increases have been offset by the increasing weakness of the Myanmar currency, the *kyat*, against the dollar on the black market. This has improved margins in Myanmar milling sector which is able to buy more local currency at the same dollar value. Weakness of the *kyat* on the black market reflects Myanmar's recent very poor economic performance.

### Asian Sawn Lumber Indicative Prices

	Feb	Mar	Apr
Exchange rates:			
M/\$£	5.60	5.40	5.46
US/\$£	1.47	1.42	1.44
M\$/US\$	3.80	3.80	3.80

#### Malaysia

All prices US\$/ton, C&F UK port

#### West Malaysian Dark Red Meranti

Grade: Select & better GMS; Kiln dried

Size: Width 6"+ avg 7"/8"; Length: 8'+ avg 12'/14'

1"	715	715	715
2"	735	735	735
2.5"	750	750	750
3"	770	770	770

#### Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	520	520	520
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#### Kapur

Grade: Standard & Better GMS

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

1"-3" plnd	535	535	535
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#### Myanmar Teak

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

Grade: Air dried boards

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

1"	2650/ 3500	2650/ 3500	2750/ 3500
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*Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.*

## Ramin

### Indonesia ban on trade

In response to allegations of widespread illegal logging in the Tanjung Puting National Park in Indonesia, an activity alleged to endanger orangutans and other primates, the Indonesian Minister of Forests, Marzuki Usman, has banned the domestic and export trade in ramin (*Gonystylus* spp). Trade contacts report that the harvesting, transportation, processing and export of ramin from Indonesia is banned from 1 May 2001. Press reports also suggest that Minister Marzuki Usman has appealed for support from importing countries to prevent the import of Indonesian ramin. His ministry has written to the Secretariat of the Convention on International Trade in Endangered Species (CITES) in Switzerland requesting that Indonesian ramin be placed on CITES Appendix 111 with a zero quota. This would enable importing countries to use their domestic CITES legislation to seize Indonesian ramin and would come into effect in mid-July.

### Habitat for primates

The Environmental Investigations Agency (EIA), a UK-based group, claim that illegal logging of ramin has contributed to large-scale destruction of lowland forests in Kalimantan and Sumatra, the major habitat for orangutans. EIA suggest this has led to orangutan numbers plummeting across their range in Indonesia. In Tanjung Puting National Park where about 500 orangutans survive, the environmental group suggests that illegal logging has led to the destruction of large areas of the Park.

Indonesian exports of ramin are destined primarily for Italy. Ramin is a hardwood sourced from swamp forests in Indonesia and Malaysia. It is used for various high value applications including fine furniture, mouldings, picture frames, and window blinds. Indonesian exports of ramin are destined primarily for Italy. A proportion of Malaysian ramin exports are transhipped from Indonesia, and will therefore also be affected by the ban.

## Southsea logs

### Importers resist price increases

Most of the hardwood producing countries are still experiencing monsoon weather and shippers have very low log stocks. However, demand for tropical logs in the Far East is still sluggish, particularly in Japan and South Korea, and importers have been resisting efforts by shippers to raise prices. In Sarawak the main source of Asian tropi-

cal logs, production is gradually recovering as the monsoon eases. However some major shippers still have only limited logs available for shipment.

Contracts for logs exported from Sabah are now relatively limited. Tight controls have been placed on log extraction, including requirements for Environmental Impact Assessments, which have reduced availability to both local and international markets.

Availability of logs from the Solomon Islands is limited due to heavy and continuous rain. Bad weather also continues in Papua New Guinea. This coupled with poor demand has meant many logging camps in PNG have ceased operations. High grade freshly cut logs are in limited supply, although there are high stocks of lower grade (old cut) logs.

### Prices in Japan static at low level

Tropical log prices in Japan remain static at low levels because of stagnant demand from both plywood and lumber mills. Price negotiations between exporters and Japanese mills have become very tough. The weakening yen has aggravated the situation. Although FOB log prices went up slightly in January and February, Japanese importers could not pass these increases onto plywood mills. Following some hard bargaining by importers, many of whom fear further falls in the value of the yen, Sarawak shippers relented and slightly reduced prices to Japan.

Reflecting the pessimism in the market, Japanese log arrivals in February were at a 30-year low of only 130,000 m<sup>3</sup>, 56% down on January.

### Korea remains depressed

Despite low log stocks, Korean buyers appear unconcerned by limited supplies. Weak demand in Korea has meant importers are in no rush to place orders. Korea's construction sector remains depressed, while domestic plywood production has been severely curtailed with some mills operating only 16-17 days per month. Korea's domestic sales prices for tropical logs remain far below the landed log cost, a situation worsened by the strong US dollar. China is increasingly the main driver of demand for tropical Asian logs. Log imports into China have increased significantly over recent years. Evidence of continuing strong economic growth in China suggests that demand this year will remain good. Major changes in the Chinese log import trade are increasingly apparent. There has been diversification of log sources and of the species imported. As the Chinese importing

sector becomes increasingly competitive, and importers acquire experience, the market is likely to become more efficient. There may be less speculative trading, tighter inventory control, and an increasing focus on quality. Imports are likely to focus on smaller consignments of higher grade logs.

## China

### Pest-control measures for imported logs

The Chinese government has issued a joint circular requiring certification that all imports of logs are pest-free, effective July 1. Logs with bark will also require special treatment, including a certificate detailing the method of treatment, including chemicals, temperature and time of treatment. Any logs without pest-free certificates or logs with bark that have not received special treatment will not be allowed to enter the country. If quarantine pests are found in logs, treatment will be undertaken at the importer's expense.

The announcement comes in response to claims by the State Administration of Entry-Exit Inspection and Quarantine (SAIQ) that over 250 species of pests had been detected in imported logs over the past four years. There are numerous details that remain unclear, particularly with respect to the acceptable treatment schedules for imported logs. At present various pre-cautionary treatments are being discussed including the gas treatment of containers, heat treatment, and the debarking of certain species.

### Clarification expected soon

SAIQ has stated that it will address these issues in a supplementary circular to be issued later. At present, government sources say that the July 1 deadline will apply to the date of arrival in China, rather than the date of shipment from the source country. This, however, may change, as SAIQ will take into account the input that it receives from importers and exporters prior to issuing the next circular.

The new regulations could have a substantial effect on trade, though the full impact will not be known until the rules have been clarified.

The new regulations may have more impact on overseas imports than on cross-border trade. The ability of the Chinese government to monitor and enforce requirements on trade over its remote border areas with Russia and Southeast Asia cannot match that of its port facilities. And of course, the regulations will not impact on the illegal cross-border trade, particularly with Russia.

# North America

## North American demand Mixed signals

On April 18<sup>th</sup>, the US Federal Reserve cut interest rates between scheduled meetings by half a percentage point to 4.5%. Stockmarkets, already climbing, went up faster. The Fed was responding to mixed signals from the US economy. In March, the University of Michigan's index of US consumer confidence hit a seven year low, while the Conference Board's index of leading economic indicators fell 0.3% suggesting recession was likely. However industrial production rose 0.4% in March, the first gain in output since September. The Fed itself, when making the rate cut, gave warning that the risks to the American economy remain on the downside.

### Weak furniture sector

In sectors directly relevant to the wood industry, the US furniture industry continues to suffer from weak demand, high inventories of finished goods, and growing competition from imports. Mixed reports are emanating from the construction sector. The U.S. Census Bureau reports housing starts for March 2001 were at a seasonally adjusted annual rate of 1,613,000 units, 1.3% down on February 2001, and 1% down from March 2000. However building permits, often an indicator of future demand, are at a seasonally adjusted rate of 1,615,000 units for March 2001, down -3.6% from February 2001, but up +1.1% from March 2000.

As economic uncertainty has mounted, market conditions for American hardwoods have become increasingly competitive. As demand has fallen, many mills are suffering from high stocks and cash flow problems. This has left little option other than to use price cuts as an incentive to stimulate business. Mills have been seeking to reduce level of output, but so far declining production has not had a significant effect on overall availability of both kiln dried and green lumber. A greater premium is now placed on control of expenditure, inventory management, sales expertise, and production efficiency.

There is much uncertainty amongst US hardwood producers over domestic demand prospects in the near future. However there is still cautious optimism that recent interest rate reductions, coupled with proposed tax cutting measures, will lead to stronger market demand later in the year.

### Canada

During the opening 2 months of this year, US exports of hardwood logs, veneer, and flooring to Canada were up respectively

38%, 16% and 25% compared to the same period the previous year. US lumber exports to Canada were running at the same level as the previous year, while moulding exports were down 32%. The Canadian economy remains reasonably buoyant; growth this year is expected to exceed 3%. However a major concern for the US hardwood trade with Canada has been a fall in demand for hard maple. Exporters in Canada face similar levels of competition on the world market as their U.S. counterparts.

### Mexico

The most recent data available from the US Bureau of Customs indicates that US hardwood lumber exports to Mexico were steady during the opening 2 months of 2001 compared to the same period the previous year. The data supports the views of US exporters who report reasonably consistent buying in Mexico, notably within the Maquiladora Zone. However, ready availability of US hardwoods has ensured that market conditions are extremely competitive, while there are concerns over the impact of the US slowdown on Mexican exports of manufactured goods.

## Export markets

### Mixed signals

As domestic demand has weakened, American producers have intensified their efforts to increase export sales. Competition is intense, and there are factors which continue to constrain export sales, including the continuing strength of the US dollar and mounting economic uncertainty in some major markets, notably Japan and Germany. The restraints placed on export sales are reflected by the most recent figures released by the US Bureau of Customs. In the opening two months of this year, US hardwood lumber exports were down 10.2% by value and 7.3% by volume compared to the previous year. Hardwood moulding exports were down 27% and 29% by volume and value respectively. However veneer exports were running at the same levels as last year, and log exports were considerably higher than in 2000, up 31% and 37% respectively by volume and value.

### European prospects reasonable

Last year, American hardwoods performed reasonably well in Europe, despite the weak euro and high prices. Several factors suggest that underlying demand this year should be reasonably good. Forecasts of economic growth in Europe, although less optimistic than previously, are still positive. High pricing last year meant that stocks of

American hardwoods in many European countries were being kept at low levels – implying that importers would start to buy once prices weakened and the euro strengthened. However, boosting sales of American hardwoods in Europe is proving more difficult than many had anticipated. Although demand for American hardwoods in Europe varies from country to country and sector to sector, overall levels of purchasing are still sluggish. Demand has been slow in Belgium, Germany and the Netherlands since the start of the year.

### Germany disappointing

The German economy continues to disappoint, with recent signs of a slump in the construction sector, and sluggish demand from furniture manufacturers. Demand in the UK is steady, but unexciting. Demand for American hardwoods in Spain and Italy picked up at the start of the year. However recent reports from Spain suggest demand there may have faded again. Buyers throughout Europe are aware of improved availability of American hardwoods, and of intense competition for orders amongst exporters. They perceive the development of a buyers' market. Furthermore they are reluctant to build

### 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

	Feb	Mar	Apr
\$/£	1.47	1.42	1.44
\$/Euro	0.94	0.88	0.89
<b>Red oak</b>			
1"	1875	1850	1825
1.25"	1975	1950	1925
1.5"	2025	2000	1975
2"	2375	2350	2325
<b>White oak</b>			
1"	1500	1475	1450
1.25"	1650	1625	1600
1.5"	2125	2100	2075
2"	2725	2700	2650
<b>Ash</b>			
1"	1300	1250	1225
2"	1675	1650	1625
<b>Tulipwood</b>			
1"	1050	1000	975
1.25"	1100	1050	1025
1.5"	1200	1150	1125
2"	1225	1175	1150
<b>Cherry</b>			
1"	3660	3600	3600
1.25"	3760	3700	3700
1.5"	3900	3800	3800
2"	4065	4000	4000
<b>Hard Maple</b>			
1"	2700	2600	2575
1.25"	2850	2750	2725
1.5"	3100	3000	2975
2"	3150	3050	3025

Continued page 8

# North America

## Export markets - cont.

stocks when prices are generally weakening, as this increases the threat of stock devaluation. European importers therefore continue to rely on just-in-time purchases, despite weakening prices. Relatively slow demand in Europe also reflects the continuing failure of the euro to strengthen against the dollar (see report page 11).

### Competition from European hardwoods

In parts of Europe, the evidence that hardwoods from other parts of the world are taking a larger slice of the market also continues to mount. Recent reports from Belgium and the Netherlands indicate that the furniture industry has partially switched from American oak, maple and cherry to the European equivalents, particularly for furniture grades in short lengths where volumes are readily available. Eastern European oak and ash seem to be making greater headway in the flooring sector. In some countries, notably Spain and Italy, tropical hardwoods also seem to be increasing market penetration in this sector. Italy's imports of beech and oak from the former Yugoslavia continue to rise, and Italian saw millers are seeking to increase sales of sawn oak lumber produced from Balkan logs.

### European cherry trials

Although European cherry is generally regarded as inferior in terms of quality and log girth compared with the American variety, there are reports of increased interest in European cherry amongst manufacturers. As prices of American cherry rose last year, some importers invested time and money to trial suppliers in Eastern Europe, and have been able to secure reasonably high quality and reliable sources of supply.

Nevertheless European hardwoods are still only relatively minor players in the hardwood trade in several major European markets, including the UK and Spain. And in all European markets, American hardwoods maintain a competitive edge by virtue of the sheer volume and diversity of species and grades available, and by the reliability of supply.

### Asia competitive

The market for American hardwoods in Southeast Asia is highly competitive and price sensitive. Market conditions in Japan are particularly difficult due to the chronic problems of the national economy. As in Europe, many importers in the Far East have

adopted a "wait and see" approach to purchases and are covering only short term needs.

China remains a major focus of attention amongst exporters. Hardly surprising when it is considered that, over the last ten years, exports of North American hardwoods to China have increased by nearly 3000 percent. In combination, China and Hong Kong are now the US second largest hardwood export market after Canada. US Bureau of Customs data indicates that there continued to be strong growth in US exports of hardwood logs and lumber to China during the opening 2 months of 2001. However, at present the Chinese market for temperate hardwoods is crowded, with a lot of downward pressure on price. There are also concerns over a possible slowdown in Chinese furniture exports as the US economy cools.

### Chinese economy performs well

Looking longer term, market prospects for American hardwoods in China seem sound. According to official figures, China's domestic economy is performing well. GDP grew 8.1% year-on-year in the first quarter as heavy government spending offset a fall in exports. China's anticipated accession to the WTO later in 2001 may boost domestic manufacturing activity. Recent concerns over the quality of beech supplied to China after the European storms in December may also increase opportunities for alternative American hardwoods.

## Production

### Stocks build despite production problems

Wet weather has hindered log extraction in parts of southern USA over recent weeks. Meanwhile, it is now the "mud season" throughout hardwood producing areas in the North and Appalachian regions, which tends to make log extraction difficult. However most mills indicate log decks are sufficient to make it through this period with little interruption to production. The main production season for hard maple is nearing its end, as staining becomes a problem during the warmer spring weather. Log and lumber stocks of this species have been building up over the winter, particularly as demand has cooled. Kiln cycles are still relatively slow, a factor which has put a brake on availability of some items and which may have prevented more severe price reductions for kiln-dried lumber.

Margins within the American hardwood saw milling sector remain as tight as ever as log prices have remained relatively stable and

lumber prices have weakened. In the face of falling demand, mills are seeking to limit production. Reports of closures, particularly amongst smaller mills, continue to emerge.

## Species breakdown

■**Ash:** demand both in the US and overseas is limited. US domestic demand for ash has been hit by a slowdown in the furniture sector and high finished goods inventories, a situation made worse by increased overseas competition. Demand from other sectors, such as kitchen cabinets has also slowed. Efforts are being made to reduce production but supplies are still in excess of demand, putting downward pressure on prices.

■**Cherry:** Demand for Cherry in the higher grades of kiln dried FAS and IF has weakened both in the US and overseas, which has resulted in some price reduction. More significant price falls have been arrested by a cut in production. Prices for common grades of both kilned and green lumber have weakened more sharply despite continuing efforts to cut production. Inventories of these grades remain high compared to the level of demand.

■**Hard maple:** supplies of hard maple have built up during the winter harvesting season, intensifying competition in a market that is already over-crowded. Efforts to shift stocks, particularly of higher grade white hard maple, before the warmer spring weather arrives have encouraged further price weakness – both for green and kiln dried lumber. Buyers both in the United States and overseas are keeping a close eye on inventories. Mills are currently focusing heavily on selecting and separating FAS and 1F hard maple for colour, which has meant that there is less price pressure on unselected FAS and IF stock. There has been significant weakening in US domestic demand for lower grades over recent weeks.

■**Soft maple:** Efforts by mills to reduce production seem to have prevented supplies from overwhelming the marketplace. There are also reports of reasonably good demand for colour selected stocks of soft maple – although more effort is required now to keep stocks moving. Only relatively modest price reductions for higher grade kiln dried lumber have been reported over recent weeks.

■**Red oak:** As demand for other species has waned, saw millers have focused more attention on red oak production. Green



# South America

lumber is readily available, but lengthy kilning cycles have placed some limits on availability of kiln dried lumber. Despite reasonably consistent buying by established customers, overall levels of demand in both the US and Canada has been weakening. Prices have become more unstable.

■ **White oak:** demand remains generally sluggish both in the US and overseas, and market conditions are very competitive. Efforts are being made to reduce production, while lengthy kilning cycles have constrained supplies of kiln dried lumber. However, availability throughout much of North America is still in excess of demand and pricing has been soft in all grades.

■ **Oak flooring:** sales reported by the National Oak Flooring Manufacturers Association for the first quarter in 2001 are about 5% below the results for the same period in 2000. The fall reflects weakening demand and the recent closure of flooring manufacturing operations. Despite these closures there are reports that primary manufacturers' inventories have been rising, competition remains intense, and prices are under pressure. Meanwhile distributors are keeping a keen eye on inventory levels and buying sparingly. There is some optimism that sales will soon be boosted by the anticipated up-turn in construction activity with the onset of spring. Unlike Europe, the US flooring market continues to show a clear preference for red oak over white oak.

■ **Tulipwood:** the market is highly competitive and prices have been softening, particularly for higher grades. Despite efforts by mills to reduce output, availability of green and kiln dried lumber is more than adequate to meet demand. Some producers are seeking to generate sales through increased sorting by size and colour.

■ **Walnut:** demand for higher grade steamed walnut, both kiln dried and green, is still in excess of supply and prices have been moving higher.

■ **Other species:** prices for Basswood are weakening. Both production and sales are being maintained at very low levels. US demand for Basswood has come under pressure from increased usage of lower priced imported alternatives. Sales and purchasing of hickory remain restricted. Hickory production from established sources is currently in excess of demand, which has led to price weakness.

## Sawn lumber

### Delays to mahogany shipments

There is little change in the South American ("big leafed") mahogany lumber export trade. Heavy rains are still affecting the main producing regions in Brazil, although these are due to end soon. Shipments are currently at very low levels and subject to severe delays due to difficulties of obtaining quotas and other export documentation. Prices for mahogany remain stable at high levels. Shippers are indicating that they may be seeking even higher prices next season – perhaps a reflection of increasing bureaucracy associated with the trade. It remains to be seen whether the market will bear a further increase in price.

South American mahogany lumber has started to move out of Peru after the lull resulting from the government's temporary ban on exports. However signs are that the Peruvian government will, in future, be requiring some form of further processing prior to export in an effort to stimulate domestic industry. The full details of the new regulations remain unclear at this stage.

### Bolivian exports fall

The availability of mahogany for export from Bolivia has been much reduced over recent years as the country has shifted whole-sale to FSC certification. Extensive logging of mahogany is frowned upon under Bolivia's national FSC certification standard. Instead the Brazilian industry has been encouraged to develop markets for FSC-certified secondary species. Recent data suggests that this strategy has yet to pay off in terms of export value. Bolivia's forest products exports in January and February 2001 totalled US\$8.7 million, 41% less than the

same period in 2000. Relative to similar periods in 1998 and 1999, exports were down 50% and 23% respectively.

Export demand for South American mahogany during the next season will be driven by events in the United States.

### US consumes 60% of mahogany

According to the *ITTO Market News Service*, the US presently consumes over 60% of the big-leafed mahogany trade, which is worth about US\$56 million annually. North Carolina alone, with its concentration of furniture producers, accounts for almost 40% of mahogany imports, most of which is of the better grades. Some 43% of this volume comes from Brazil, with Peru supplying about 41% followed by Bolivia at 8% (2000 figures). Between February 2000 and February 2001, mahogany prices in the USA increased by 12.4 percent and during the past five years, have advanced 33%. Prices for kiln-dried mahogany are now at an all time high.

The *ITTO Market News Service* also notes that in Brazil itself, current fashion is undermining demand for mahogany. There is a trend towards lighter coloured hardwoods. Many distributors are no longer interested in handling mahogany. The species is losing market share in Brazil faster than expected, and there are suggestions that this market could disappear in a year or two. However, due to buoyant economic conditions, Brazilian demand for other wood products is strong.

Brazilian exporters of other hardwoods are in optimistic mood. While prices in *reals*, the local currency, are stable, prices in US dollars have declined as a result of the recent devaluation of the real. Exporters report that, for the time-being export demand for sawn lumber is reasonable. Efforts to diversify markets for Brazilian hardwood sawn lumber and to reduce dependence on the US, are beginning to pay off, as exports to the Far East, notably China, are increasing.

### Brazilian investment scheme

The State of Mato Grosso has launched PROMADEIRA, an incentive scheme designed to promote value added investment in the wood sector. Tax breaks will be offered to mills investing in secondary processing capacity. Under the scheme, mills will be required to prove their log supply is from a plantation or a natural forest covered by a sustainable forest management plan. The incentive scheme will be discussed further at a seminar in Cuiaba, Mato Grosso during the third week of July. The model may be expanded to other states.

Brazilian sawn lumber Indicative prices			
	Feb	Mar	Apr
Exchange rates			
\$/£	1.47	1.42	1.44
US\$/m <sup>3</sup> C&F UK Port Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
<b>Mahogany (Swietenia)</b>			
1"-2" AD	1400	1400	1400
2.5"-3" AD	1420	1420	1420
1"-2" KD	1470	1470	1470
2.5"-3" KD	1500	1500	1500
<b>Virola</b>			
1" KD No.1 C&B			
boards	380	380	380
strips	380	380	380
<b>Cedro</b>			
1"-1.5" KD	725	725	725
2" KD	750	750	750
2.5"-3" KD	775	775	775

## Market report

### German beech season finishes early due to weak demand

Beech log production finished early in Germany this year due to low demand. Despite a major reduction in harvests this year, availability of lower and medium quality logs was more than sufficient to meet demand, and there were only occasional reports of supply problems in Germany relating to higher quality logs.

Demand for European beech logs and sawn lumber remains weak in Germany, a reflection of slow activity in both the furniture and construction sector. Domestically sawn beech lumber is also coming under increased pressure from beech sawn in Eastern Europe. By contrast demand for German oak logs has continued reasonably firm during the Spring. In part this reflects mills switching from sawing beech to oak as demand for beech lumber has weakened.

An analysis by the trade journal *EUWID* of the hardwood log auction sales held in Germany during the winter season reveals that: the number of auction sales was significantly lower than during the previous winter season - 37 compared to 43; the total volume of hardwood logs for sale reached 74,000 m<sup>3</sup>, down from 112,500 m<sup>3</sup> the previous season; beech logs comprised 95% of logs for sale during the recent winter season, compared to only 62% the previous year; and average prices for all grades were down 9% on the previous year. Demand and prices for lower grade wood was particularly weak.

European sawnwood indicative prices			
	Feb	Mar	Apr
<b>Exchange rates</b>			
DM/£	3.08	3.15	3.15
DM/US\$	2.09	2.21	2.19
Euro/£	1.58	1.61	1.61
Euro/US\$	1.07	1.13	1.12
<b>German beech</b>			
Northern Germany, DM/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried, steamed and square edged.			
1"	1500	1500	1475
2"	1600	1600	1575
<b>German oak</b>			
Northern Germany, DM/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices			
<b>Croatian oak</b>			
Northern Italy, Euro/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried and square edged.			
1"	920	920	920
2"	1400	1400	1400

### French authorities allow limited hardwood harvest

Production of both beech and oak in France was very limited throughout the winter season as the French forest authorities restricted harvesting to storm damaged trees. This policy led to supply problems for the French saw milling and veneering industry. As a result, towards the end of the winter, the forest authorities relented and made some new season logs available. Problems of supply were particularly apparent in areas not hit by the storms in December 1999. Domestic demand for new season oak logs for veneer and staves and lumber has been particularly firm in France this year. However demand for beech logs stored in irrigated yards since last season has been weak.

### Minor recovery in Chinese demand

In late March there were some signs of a minor recovery in Chinese demand for beech logs. However order volumes are still well down on previous years, while demand focuses heavily on the best quality logs and prices on offer are below shippers' expectations. Chinese importers are buying only new season logs, and have generally been unwilling to accept logs stored in irrigated yards. Shipments of beech logs this year have been much lower than in previous seasons.

Although many Chinese importers still have significant inventories of small diameter and low grade beech logs which are proving difficult to shift, inventories of higher grade logs have fallen significantly since the Chinese New Year. This has raised hopes that demand for high grade material will improve later in the year. However some uncertainty has been created by the Chinese authorities' recent issue of a joint circular requiring certification that all log imports are pest-free, effective 1 July (see article page 6). Introduction of the legislation partly reflects concern that recent beech log imports into China have proven to be prone to pest-infestation.

### Big increase in China's beech import during 2000

According to *ITTO's Market News Service*, during 2000 China imported 880,000 m<sup>3</sup> of European beech logs valued at US\$320 million. China also imported 580,000 m<sup>3</sup> of beech sawn lumber valued at US\$220 million. Imports of both beech logs and sawn lumber were significantly up on 1999. However last year was unusual for the sheer volume of beech available following the severe European storms of December 1999.

*ITTO's Market News Service* suggests that prices for top grade European beech logs in China fell from around 10,000 yuan/m<sup>3</sup> in early 2000 to between 7000-8000 yuan/m<sup>3</sup> at the end of 2000 due to severe over-stocking. Prices in the Shanghai market are reported to have fallen even further since the end of 2000.

### Chinese market matures

The Chinese beech market also seems now to have acquired a new maturity. The last 2 years have seen periods of rapid speculative purchasing, leading to over-stocking and glut. However there are signs that importers are now moderating purchases to better reflect actual demand, and focusing much more on high quality raw material preferred by manufacturers. These trends may moderate the wild price swings experienced over the last two years. There has also been a trend towards increased buying by Chinese importers of lighter tinted - in some cases unsteamed - beech.

In China, European beech is used for joinery and interior decoration in housing and for surfacing plywood. End-uses are fairly narrow, while consumption is influenced by many factors such as taste and availability of cheap substitutes such as decorative paper over a panel substrate. Chinese analysts suggest that, while European beech will maintain a share of the market, it's position as the leading hardwood may be eroded. Some analysts suggest that the supply during 2000 of excess quantities of relatively low quality beech logs, and of steamed beech of variable colour, may have damaged the image of beech in China.

### Good deals on beech lumber

UK demand for European hardwood sawn lumber is steady. Excess stocks and weak demand elsewhere has led to some weakening of beech prices available to UK importers. European exporters seeking to reduce their dependence on the Chinese market are also demonstrating a greater willingness to supply the variety of sizes and grades typically required by UK importers. Demand for European oak in the UK remains steady at stable prices. UK interest in Croatian oak sawn in Italy is reported to be rising.

Spanish importers have not favoured dark-tinted beech lumber produced from logs stored in French irrigated yards. They have preferred lighter coloured new season beech lumber sourced from Germany. Underlying Spanish demand for beech lumber has been undermined by over-stocking, and importers

*Continued page 11*

## Market report - cont.

have been pushing for lower prices. There is steady demand for European oak lumber in the Netherlands and Belgium. High quality European maple and cherry logs and lumber have been in good demand this year. European alder log harvests have been restricted, a reflection of weak German demand this year. There are reports of record prices being offered for the very limited volumes of European walnut available. Demand for European ash is relatively slow.

## Birch

### Increasingly fashionable

It has been noticeable in recent years how much more fashionable birch has become, benefiting from the trend for light coloured hardwoods in interior joinery and furniture in Europe. In the past, birch had been regarded as a rather ordinary species used for plywood and cheap furniture for institutions such as schools. Most birch plywood, and solid material, were manufactured by Russian and Finnish mills and its most valuable property was its strength value. In addition the dense surface of birch produced a fine finish for painting and was considered unsuitable for clear lacquering. One might almost say that birch furniture was the first type of Do-It-Yourself furniture, often supplied unpainted. Later, birch started to appear as a hardwood flooring material and was promoted for its aesthetic values as well as strength and hardwearing qualities. The next indication that its image had completely changed came at some of the recent international furniture exhibitions such as Cologne where clear-finished birch cabinets competed in the new "fresh look" league. Today birch takes its place from IKEA to designer furniture as a quality hardwood.

Birch is a pioneer species in forestry terms rushing in to take the light and space, usually after any clear felling. It is native throughout the northern hemisphere and, except in some countries, is regarded as a nuisance species, usually to be gradually replaced by more valuable hardwoods. Only where its small leaves and ability to survive cold climate and high wind is it allowed to survive, and mature - hence the Russian and Finnish resources in Europe and those in Canada and around the Great lakes.

But like so many temperate hardwoods there is a wide variety of birch which, for the moment at least, is demanded whiter than

white for clear finish furniture. Canadian and American hardwood promotion in the past has focused on the warmth of yellow birch *Betula alleghaniensis* for which supplies are plentiful. The birches of central Europe *Betula pendula* and *pubescens* are rather inconsistent in colour, often not white enough and generally small in girth. So currently the vogue is for the white Finnish birch *Betula spp.* from Finland and Karelia (which the Finns might now like even more to have back from the Russians!).

## Currencies

### The stubborn euro

Most forecasts now suggest that Europe's economy will grow faster than the US economy this year. For example, *The Economist's* latest "poll of forecasters" suggests that American GDP will grow this year by 1.4%, while the euro area is expected to grow by 2.4%. Nevertheless the euro still remains relatively weak against the dollar. After hitting a low of \$0.82 last October, the euro reached \$0.95 in early January, a 25% gain. Since then the euro has fallen back again to \$0.90.

There are plenty of theories to explain the euro's persistent weakness. One is that the markets do not trust the European Central Bank. Critics of the ECB suggest that its recent resistance to interest rate cuts, due to continuing concern over inflation, may jeopardise growth. Another explanation is that the markets remain unconvinced that

reforms in Europe designed to liberalise labour markets and boost productivity have gone far enough. Furthermore, signs of economic weakness in Germany are becoming more evident, and there is concern these may spill over into other areas of Europe. At the end of April, Germany's six leading economic research institutes revised their growth forecasts for this year down from 2.7% to 2.1%.

A simpler explanation is that, in an uncertain global economic climate, the dollar has resumed its traditional role as the safe haven currency. At present, most economists reckon the euro is undervalued and expect a rebound over the next year. One of the most optimistic is Goldman Sachs, which is predicting a rate of \$1.22 in 12 months.

### Powerful impact on trade

The current weakness of the euro, linked with widespread expectations of strengthening later in the year, may be having a powerful impact on the European hardwood trade. Few importers in the euro area will be keen to build inventories in dollar-denominated stock which would devalue if the euro strengthens against the dollar. Hence the continuing focus on just-in-time purchasing amongst European importers involved in the American hardwood trade, and the continuing slow sales of Malaysian sawn lumber. By contrast, euro-zone importers have been encouraged to buy African and European hardwoods, prices for which will be less volatile in the face of changing exchange rates.

## Furniture

### Furniture in 2001

#### cont. from p1

hardwood furniture. 1,500 exhibitors from 38 countries showed that there is a definite growth in interest for traditional European hardwoods and no let up in demand for ever popular beech.

In Cologne the return to oak was confirmed by producers, although confirmation in terms of new business is yet to come. In this case oak was often re-presented with a "chalked" look, which favours light coloured European oak and American white oak. Walnut also appeared to be enjoying a recovery, although it has to be said that Italy has always been loyal to "noce". Cologne is a truly international show with over 60% of the space taken by foreign companies, demonstrating the extent to which Germany depends on imports.

Finally Milan produced a positive show with 175,000 visitors - a record. The continuing use of lighter coloured wood species and return of oak yet again were confirmed. There was perhaps some easing off of cherry, which has been so prominent in Italian furniture fashion at the top end of the market. Tulipwood stained as walnut remains popular and some tropical wood was evident, which follows a year when imports of tropical species have increased.

At all of these European shows, Asian producers were well represented, sometimes just monitoring the trends and new designs. Many cannot have missed the vogue for European birch and some may have been looking for ideas for the large quantities of European beech they have been holding through 2000.

# Special report - UK imports 2000

	Value (£000s)			Volume (m3)		
	1999	2000	% chg	1999	2000	% chg
<b>Tropical hardwood logs &amp; lumber (2)</b>						
MALAYSIA	22950	23874	4	69051	64484	-7
CAMEROON	12788	16731	31	40808	47444	16
IVORY COAST	4656	7206	55	12173	20432	68
GHANA	7182	6663	-7	21332	20431	-4
NETHERLANDS	7455	7329	-2	17646	15816	-10
BRAZIL	6346	4845	-24	13694	10266	-25
INDONESIA	3600	4615	28	9198	9555	4
GERMANY	1619	2502	55	5005	9274	85
U.S.A.	896	3128	249	2231	7117	219
BELGIUM	1431	1777	24	3869	4266	10
SINGAPORE	1189	1657	39	2418	4022	66
GABON	800	501	-37	4498	2869	-36
AUSTRALIA	73	797	994	158	2478	1468
LIBERIA	0	390		0	2081	
FRANCE	917	712	-22	2744	1814	-34
IRISH REPUBLIC	1010	664	-34	2347	1739	-26
GUYANA	921	221	-76	2861	1142	-60
CONGO REP.	800	289	-64	2364	999	-58
BURMA	213	545	156	342	775	127
PHILIPPINES	373	342	-8	957	753	-21
ITALY	34	316	824	90	595	561
PAP. NEW GUIN.	180	184	2	608	562	-8
HONG KONG	122	180	47	160	335	109
CANADA	938	181	-81	6255	334	-95
OTHER	2667	2143	-20	8534	5937	-30
<b>TOTAL</b>	<b>79161</b>	<b>87792</b>	<b>11</b>	<b>229343</b>	<b>235520</b>	<b>3</b>

## Beech logs

FRANCE	8	130	1547	32	329	928
DENMARK	60	71	19	175	229	31
ROMANIA	289	25	-91	805	77	-90
OTHER	69	23	-66	343	73	-79
<b>TOTAL</b>	<b>426</b>	<b>249</b>	<b>-41</b>	<b>1355</b>	<b>708</b>	<b>-48</b>

## Oak logs

FRANCE	79	330	318	240	2770	1054
ROMANIA	6	66	1019	15	160	967
IRISH REPUBLIC	7	47	621	35	443	1166
OTHER	135	77	-43	301	267	-11
<b>TOTAL</b>	<b>226</b>	<b>520</b>	<b>130</b>	<b>591</b>	<b>3640</b>	<b>516</b>

## Other temperate hardwood logs (4)

U.S.A.	6305	8727	38	16830	19604	16
CANADA	2169	1467	-32	3980	3233	-19
RUSSIA	198	166	-16	1436	1316	-8
FRANCE	143	222	56	644	879	36
GERMANY	115	167	45	528	690	31
POLAND	76	82	9	261	510	95
SOUTH AFRICA	49	60	21	237	232	-2
OTHER	173	271	56	1091	1300	19
<b>TOTAL</b>	<b>9228</b>	<b>11161</b>	<b>21</b>	<b>25007</b>	<b>27764</b>	<b>11</b>

## Beech sawn lumber (3) (5)

GERMANY	10074	9523	-5	35488	33500	-6	E
DENMARK	1554	1303	-16	5500	4600	-16	E
FRANCE	962	848	-12	2498	2200	-12	E
ROMANIA	300	294	-2	548	784	43	
BELGIUM	259	227	-12	795	700	-12	E
SLOVENIA	39	415	952	80	651	714	
ITALY	76	389	411	108	600	456	E
IRISH REPUBLIC	16	100	531	91	575	532	E
U.S.A.	697	136	-81	1070	252	-76	
SLOVAKIA	39	31	-19	148	143	-3	
SERB. & MONT.	17	39	126	60	130	117	
RUSSIA	0	39		0	119		
CANADA	195	44	-78	334	78	-77	
OTHER	338	155	-54	1929	287	-85	
<b>TOTAL</b>	<b>14566</b>	<b>13541</b>	<b>-7</b>	<b>48649</b>	<b>44619</b>	<b>-8</b>	

## Oak sawn lumber (5)

U.S.A.	25441	30110	18	52637	59448	13
ESTONIA	1265	2570	103	12227	28599	134
FRANCE	3908	8095	107	8155	17242	111
CANADA	3515	4485	28	6594	8438	28
GERMANY	702	1304	86	2055	3750	82
LATVIA	60	156	157	328	1668	409
NETHERLANDS	627	917	46	706	1229	74
UKRAINE	32	185	475	101	780	672
BELGIUM	215	501	133	281	667	137
RUSSIA	426	179	-58	1088	568	-48
SLOVAKIA	49	131	170	148	243	64
OTHER	461	770	67	1383	2344	69
<b>TOTAL</b>	<b>36700</b>	<b>49401</b>	<b>35</b>	<b>85703</b>	<b>124976</b>	<b>46</b>

## Other temperate hardwood sawn lumber (3) (4) (5)

U.S.A.	21547	23969	11	46164	48948	6	
CANADA	8534	9086	6	19446	16725	-14	
SWEDEN	2649	1898	-28	22727	12000	-47	E
GERMANY	584	577	-1	4183	4500	8	E
FINLAND	1330	849	-36	7882	2731	-65	
DENMARK	200	740	269	721	2430	237	E
LITHUANIA	72	249	248	694	2342	237	
RUSSIA	257	217	-15	2512	2313	-8	
POLAND	68	170	149	186	1138	512	
FRANCE	514	587	14	764	899	18	
SPAIN	754	432	-43	1491	837	-44	
NETHERLANDS	85	275	222	403	650	61	
BELGIUM	51	219	333	138	600	335	E
OTHER	563	296	-47	2646	1348	-49	
<b>TOTAL</b>	<b>37208</b>	<b>39563</b>	<b>10</b>	<b>109957</b>	<b>97461</b>	<b>-11</b>	<b>E</b>

	Value (£000s)			Volume (m3)		
	1999	2000	% chg	1999	2000	% chg
<b>Tropical hardwood veneer</b>						
SOUTH AFRICA	2961	3461	17	2471	4411	79
GHANA	1995	1173	-41	5166	2614	-49
GERMANY	2115	1753	-17	1380	1413	2
U.S.A.	2179	1308	-40	2168	1327	-39
FRANCE	627	993	58	482	650	35
THAILAND	415	634	53	206	500	143
OTHER	3274	1812	-45	3969	2569	-35
<b>TOTAL</b>	<b>13565</b>	<b>11134</b>	<b>-18</b>	<b>15842</b>	<b>13484</b>	<b>-15</b>

## Temperate hardwood veneer

U.S.A.	8875	9907	12	6650	10315	55
GERMANY	5703	7182	26	2718	5588	106
BELGIUM	3679	3123	-15	1144	2066	81
FRANCE	1574	2187	39	706	2012	185
ITALY	955	2547	167	383	1319	244
CANADA	1097	1263	15	826	1014	23
OTHER	3815	2263	-41	8535	3286	-61
<b>TOTAL</b>	<b>25697</b>	<b>28473</b>	<b>11</b>	<b>20962</b>	<b>25600</b>	<b>22</b>

## Coniferous veneer

PORTUGAL	1245	1251	1	7106	7354	3
U.S.A.	3877	3262	-16	3028	3379	12
IRISH REPUBLIC	87	472	445	410	2088	409
GERMANY	2082	1969	-5	2302	1614	-30
ITALY	474	557	17	341	475	39
FRANCE	312	445	43	807	362	-55
OTHER	967	1637	69	3107	3005	-3
<b>TOTAL</b>	<b>9044</b>	<b>9593</b>	<b>6</b>	<b>17101</b>	<b>18277</b>	<b>7</b>

## Tropical hardwood plywood

INDONESIA	47340	46780	-1	206089	191747	-7
BRAZIL	18092	26694	48	77508	123062	59
MALAYSIA	22590	20678	-8	102140	85266	-17
GUYANA	2436	3590	47	11392	15958	40
BURMA	869	2775	219	4284	12949	202
BELGIUM	3963	3981	0	10734	11704	9
OTHER	12035	12183	1	35221	36893	5
<b>TOTAL</b>	<b>107325</b>	<b>116681</b>	<b>9</b>	<b>447368</b>	<b>477579</b>	<b>7</b>

## Temperate hardwood plywood

RUSSIA	12334	9353	-24	62383	48170	-23
FINLAND	14208	13347	-6	28146	31327	11
LATVIA	6779	7229	7	23518	30703	31
GERMANY	1861	8350	349	4432	20208	356
LITHUANIA	1604	2156	34	8814	12836	46
ESTONIA	708	2270	221	4307	12294	185
OTHER	9320	8651	-7	24191	30062	24
<b>TOTAL</b>	<b>46813</b>	<b>51356</b>	<b>10</b>	<b>155791</b>	<b>185600</b>	<b>19</b>

## Coniferous plywood

BRAZIL	27506	47740	74	161795	294430	82
U.S.A.	5690	8435	48	31654	44369	40
FINLAND	12863	10784	-16	59935	40505	-32
CANADA	12061	9789	-19	49072	34915	-29
LATVIA	4065	6980	72	14552	23153	59
FRANCE	7880	6468	-18	15285	12266	-20
OTHER	48787	26908	-45	230707	112385	-51
<b>TOTAL</b>	<b>118851</b>	<b>117104</b>	<b>-1</b>	<b>563000</b>	<b>562023</b>	<b>0</b>

## Sleepers

GERMANY	562	854	52	6153	7054	15
NETHERLANDS	765	569	-26	8027	6634	-17
FRANCE	219	479	119	2757	4865	76
AUSTRALIA	1858	1133	-39	7738	4693	-39
OTHER	730	602	-18	7104	5028	-29
<b>TOTAL</b>	<b>4134</b>	<b>3637</b>	<b>-12</b>	<b>31779</b>	<b>28274</b>	<b>-11</b>

	Value (£000s)		% chg
	1999	2000	

## Profiled wood - coniferous

SWEDEN	6507	8370	29
NETHERLANDS	4024</		

# Special report - UK imports 2000

## Tropical hardwoods

After high levels of import of tropical logs and sawn during the first three quarters of 2000 (up 13% on the previous year by volume), there was a slowdown in the final quarter. Total imports for the full year were up only 3% on 1999.

The slowdown in the closing months of the year particularly affected Malaysian sawn lumber. At the end of the third quarter, UK imports of Malaysian sawn lumber were up 10% on the same period in 1999. However, due to overstocking, Malaysian imports fell significantly from September onwards. Overall UK imports of Malaysian sawn lumber for the full year were actually down 7%.

By contrast UK imports from Cameroon and Ivory Coast remained steady throughout the final quarter of 2000. Overall UK imports from these two countries during 2000 were well up on the previous year.

Signs that Ghana is beginning to fade as

volume supplier to the UK were evident during 2000. Despite good demand for African hardwoods in the UK during 2000, imports from Ghana were 7% down by value and 4% down by volume. Elsewhere in Africa, Liberia emerged as a small supplier of tropical logs to the UK during 2000.

As the UK mahogany trade has declined in importance, imports of hardwood sawn lumber from South America are now very restricted. Overall UK imports of tropical sawn lumber from Brazil reached only 10,000 m<sup>3</sup>, of which perhaps only 4,000 m<sup>3</sup> comprised mahogany. Demand for greenheart from Guyana has also fallen away over recent years. In part this reflects limited UK public spending on large sea and river defence projects, but it may also be due to increased use of African ekki as an alternative to greenheart in structural applications.

## Temperate hardwoods

It appears the UK market for temperate hardwoods was little affected by the severe storms on the European continent in December 1999. There was a marginal increase in beech log imports from France - but the overall volume was still limited. UK imports of beech sawn lumber were actually lower during 2000 than the previous year.

More significant is an apparent shift in the UK market towards oak. UK imports of oak, both logs and lumber, were markedly higher during 2000 than the previous year. The data supports anecdotal evidence that changing fashions have encouraged a return to oak in furniture, flooring, and structural applications. It should be noted that the strength of UK oak lumber imports has been exaggerated by apparent misclassification of low value lumber from Estonia as "oak". However, even with this data removed, the trend towards oak seems clear. US and Canadian oak lumber imports into the UK were up 13% and 28% by volume respectively during 2000. From a smaller base, French oak log and lumber imports rose several-fold.

The data indicates that Eastern Europe has yet to have a major direct impact on the UK market for high quality imported hardwood. Overall import volumes still appear small. However, there were potentially significant increases in temperate hardwood lumber imports from Romania, Slovenia, Ukraine and Poland.

## Veneer

During 2000, UK imports of temperate hardwood veneer were up 22% by volume on the previous year. By contrast tropical hard-

wood veneer imports fell 15% by volume. These trends may partly reflect the continuing shift towards lighter tints in the furniture sector, and also supply short-falls in major tropical producing countries - notably Ghana. All the major countries supplying temperate hardwood veneers to the UK - including USA, Germany, Belgium, France, and Italy - increased their sales last year.

## Plywood

UK imports of Indonesian hardwood plywood during 2000 were 7% down on the previous year, despite low pricing. The decline may reflect supply, shipping and quality problems associated with the Indonesian trade during 2000; problems which allowed Brazilian shippers to grab a larger share of the market. Malaysian exports of hardwood plywood to the UK were well down during 2000, reflecting their inability to compete on price in the UK market.

In the birch plywood market, Finland, Latvia and German suppliers appear to have increased market share at the expense of Russian suppliers. The softwood plywood market was clearly dominated by Brazilian Elliott pine plywood during 2000, imports of which increased by 82%. Nevertheless, US producers did manage to claw back a larger slice of the market during 2000, perhaps a reflection of the US industry's marketing campaign to highlight the quality advantages of their products.

## Further processed products

The import data supports anecdotal evidence of significant growth in the UK hardwood flooring market during 2000. UK imports of profiled wood in hardwood - which includes unassembled blocks and strips for parquet floors - increased 11% by value between 1999 and 2000. Imports of parquet panels increased 13% by value. The UK is buying an increasing amount of parquet panelling from other European countries, notably Belgium, Sweden, Denmark and Germany.

Another trend worth highlighting is that the UK trade in finished wooden products from developing countries seems increasingly to be overtaking the trade in primary wood products. UK imports of wooden doors and frames rose by 16% between 1999 and 2000, the largest suppliers being Indonesia, South Africa, Brazil and Malaysia. UK wood furniture imports rose 21% by value between 1999 and 2000, with particularly strong growth in imports from Malaysia, China, and Poland.

### UK Import Data - Notes

1. Statistics are compiled by [hardwoodmarkets.com](http://hardwoodmarkets.com) from official Eurostat figures. We try to amend anomalies, but it is not always possible to identify them.

2. Due to inconsistencies in Customs interpretation of tropical "logs" (some officials appear to include boules and forms of square edged stock as logs), data for tropical logs and sawn lumber are grouped together. Anecdotal evidence indicates that annual imports of tropical logs into the UK rarely exceed 12000 m<sup>3</sup>, derived almost exclusively from Congo Republic and CAR (via Douala) and from Liberia.

3. In all data, major inconsistencies between values, weights and volumes are reconciled by estimates based on previous performance (marked E). Over recent years, these inconsistencies have been particularly pronounced in relation to temperate hardwood logs and sawn lumber. This data should therefore be treated with caution.

4. Significant volumes of wood classified as "other temperate hardwood" logs and sawn lumber derived from Estonia and Latvia are omitted from these tables as these volumes are assumed to contain large quantities of softwood.

5. Sawn lumber includes rough sawn lumber, planed and sanded lumber, and finger-jointed lumber.

6. Profiled wood is lumber that is continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges or sides. It includes mouldings, and all unassembled blocks, strips and friezes for parquet flooring.

7. "Parquet panels" includes assembled panels for mosaic floors and other applications, including panels composed of two or more layers of wood.

# Special report - Vietnam

*Vietnam's export-oriented wood processing sector may provide new opportunities for the hardwood trade. As the nation's domestic forests have become degraded, the sector has become increasingly dependent on imports.*

Over the last 30 years, Vietnam's forest resources have been seriously degraded by uncontrolled logging and subsistence agriculture. A study by the Asian Development Bank in 1999 found that Vietnam has 10.8 million ha of forested land remaining, of which 9.5 million ha is natural forest and 1.3 million ha is plantation. Natural forest now covers only 28% of the country. Unsustainable forest exploitation has meant a reversal of role for Vietnam, from major wood exporter to an importer of over 1 million m3 of logs and lumber during 2000. Less than half the wood import comes from legal sources. The rest is illegally sourced primarily from neighbouring Laos.

Efforts to protect the nation's remaining forests are now in place. The Vietnamese Government announced it would limit timber

harvests in natural forests to a maximum of 300,000 m3 per year between 1995-2010. There are reports that official harvests may fall further to 200,000 m3 this year.

In another effort to protect Vietnam's forests, in 1997 a ban was instituted on the export of domestic logs and lumber. While imported logs may be exported after minimal processing, domestic wood may only be exported as finished product.

## **Ambitious plantation programme**

An ambitious plantation programme has also been instigated. Industrial wood supply from plantations in 1998 reached 1 million m3, a figure forecast to rise to perhaps 5 million m3 by 2010. Plantation wood in Vietnam is primarily fast growing species - such as eucalyptus - more suitable for pulp and paper than for high value products.

Since the early 1990s, Vietnam has been developing a large-scale export-oriented wood processing industry. Initial investments were in sawmills, but have since diversified into a variety of processing

activities including paper production, and higher value products such as indoor and outdoor furniture for export.

Vietnam's annual demand for industrial large diameter (over 20 cm) logs is forecast to rise from 1999's figure of 1.5 million m3. Given the limits on domestic forests, Vietnam is likely to become an increasingly important market for quality hardwoods. The government is actively encouraging imports by imposing zero to 5% tariffs on wood raw materials. This compares to a 40% tariff on imports of finished products.

Despite lack of raw materials, several factors should encourage continued growth of the wood processing industry. Management in the sector is competent, and there is a surplus of low cost, skilled labour. Recent investment by both domestic and foreign firms has significantly upgraded the equipment base in the industry and land prices are relatively low.

## **Markets in Europe and North Asia**

Vietnam's furniture manufacturers are developing markets in Europe (Germany, Scandinavia, France), North Asia (Japan, Korea, Taiwan and China) and Australia. Exports to the US have been insignificant due to high US tariffs on Vietnamese products. Most furniture is produced from imported logs and lumber. Veneer imports have been limited since few Vietnamese manufacturers have the necessary technology to process sliced veneer.

Although tropical hardwoods have been preferred, some companies are now gaining experience with temperate hardwoods.

Most wood processing enterprises are in the central coastal cities of Quy Nhon and Danang, the highland towns of Pleiku and Kontum and in Ho Chi Minh City. Wood processing companies number in the hundreds, the majority with less than one hundred employees. Several larger processors, employing more than 500, are concentrated in Ho Chi Minh City area.

## **Joint ventures**

Foreign investment in wood processing has been limited to around 80 projects with total capital of US\$165 million. Rather than going through the difficult investment process in Vietnam, many foreign firms prefer to work with Vietnamese manufacturers on a contract basis. This is the case with one Scandinavian producer of garden furniture which exports over 1,000 20 foot containers from Vietnam annually. Other foreign companies seeking to ensure quality control and on time delivery, have established joint ventures in the country.

		<b>Exchange rates</b>								
		<b>One GB pound (£)</b>			<b>One US Dollar (\$)</b>			<b>One Euro</b>		
		02-Mar	30-Mar	27-Apr	02-Mar	30-Mar	27-Apr	02-Mar	30-Mar	27-Apr
Argentina	Peso	1.4735	1.421	1.4357	0.9996	0.9996	0.9993	0.9351	0.8836	0.892
Australia	Aus. \$	2.7877	2.9117	2.8174	1.8911	2.0481	1.961	1.7691	1.8106	1.7503
Bangladesh	Taka	79.7489	76.9114	77.7255	54.1	54.1	54.1	50.6106	47.8245	43.287
Belgium	Belgian Fr.	63.565	64.8747	64.9335	43.1212	45.6334	45.1962	40.3399	40.3399	40.3399
Belize	B\$	2.904	2.8007	2.8303	1.97	1.97	1.97	1.8429	1.7415	1.7583
Bolivia	Boliviano	9.508	9.2123	9.3429	6.45	6.48	6.503	6.034	5.7284	5.8043
Botswana	Pula	8.0289	7.9936	8.0555	5.4466	5.6227	5.607	5.0954	4.9705	5.0045
Brazil	Real	2.9976	3.0807	3.1931	2.0335	2.167	2.2225	1.9024	1.9157	1.9837
Fr. Africa*	CFA Fr.	1033.62	1054.91	1055.87	701.18	742.03	734.93	655.96	655.96	655.96
Canada	Canadian \$	2.282	2.2386	2.2133	1.548	1.5746	1.5405	1.4482	1.392	1.375
Chile	Peso	853.909	845.526	861.661	579.275	594.750	599.750	541.912	525.759	535.307
China	Yuan	12.2029	11.768	11.892	8.2782	8.2777	8.2773	7.7443	7.3175	7.3879
Czech Republic	Koruna	54.9412	55.6846	55.5773	37.271	39.169	38.684	34.867	34.6254	34.5274
Denmark	Danish Krone	11.7637	12.0122	12.0159	7.9802	8.4495	8.3635	7.4655	7.4694	7.4649
Estonia	Kroon	24.6669	25.1686	25.1794	16.7335	17.7038	17.5259	15.6542	15.6502	15.6427
Europe	Euro	1.5758	1.6082	1.6097	1.0689	1.1312	1.1204	1	1	1
Finland	Markka	9.3689	9.5619	9.5706	6.3557	6.726	6.6615	5.9457	5.9457	5.9457
France	Franc	10.3362	10.5491	10.5587	7.0118	7.4203	7.3493	6.5596	6.5596	6.5596
Germany	D-mark	3.0819	3.1454	3.1482	2.0907	2.2125	2.1913	1.9558	1.9558	1.9558
Ghana	Cedi	10797.80	10570.00	10811.20	7325.00	7435.00	7525.00	6852.56	6572.57	6716.45
Guyana	Guyanese \$	266.075	256.608	259.324	180.500	180.500	180.500	168.858	159.562	161.105
Hong Kong	HK\$	11.4981	11.0878	11.2051	7.8001	7.7993	7.7992	7.297	6.8946	6.9612
India	Ruppee	68.612	66.2845	67.3123	46.545	46.625	46.852	43.5429	41.2165	41.8178
Indonesia	Rupiah	14556.7	14810.0	16917.0	9875.0	10417.5	11775.0	9238.1	9209.1	10509.8
Irish Republic	Punt	1.241	1.2666	1.2677	0.8419	0.8909	0.8824	0.7876	0.7876	0.7876
Italy	Lira	3051.05	3113.91	3116.73	2069.77	2190.35	2169.37	1936.27	1936.27	1936.27
Japan	Yen	175.506	178.161	177.842	119.06	125.32	123.785	111.381	110.783	110.484
Kenya	K. Shilling	114.906	110.604	111.431	77.95	77.8	77.56	72.9223	68.7753	69.2262
Korea South	Won	1867.68	1892.22	1905.78	1267.00	1331.00	1326.50	1185.28	1176.60	1183.97
Liberia	Liberian \$	1.4741	1.4217	1.4367	1	1	1	0.9355	0.884	0.892
Malaysia	Ringgit	5.6016	5.4023	5.4595	3.8	3.8	3.8	3.5549	3.3592	3.3917
Myanmar	Kyat	9.7599	9.5445	9.5963	6.6209	6.7137	6.6794	6.1939	5.9349	5.9617
Netherlands	Guilder	3.4725	3.544	3.5472	2.3557	2.4929	2.469	2.2037	2.2037	2.2037
New Zealand	NZ\$	3.3775	3.5146	3.4868	2.2912	2.4722	2.4269	2.1435	2.1854	2.1661
Nigeria	Naira	170.332	174.152	172.045	115.550	122.500	119.750	108.097	108.290	106.883
Papua NG	Kina	4.7632	4.6539	4.195	3.2312	3.2736	2.9199	3.0229	2.8939	2.6062
Philippines	Peso	70.72	70.4073	73.1281	47.975	49.525	50.9	44.8807	43.7802	45.4308
Poland	Zloty	5.878	5.8124	5.7145	3.9875	4.0885	3.9775	3.7303	3.6143	3.5501
Portugal	Escudo	315.907	322.416	322.708	214.305	226.790	224.617	200.482	200.482	200.482
Romania	Leu	39984.2	39220.5	40500.6	27124.5	27588.0	28190.0	25375.0	24387.0	25161.0
Russia	Rouble	42.2831	40.9251	41.6026	28.684	28.787	28.957	26.8339	25.4477	25.8456
Singapore	Singapore \$	2.5794	2.5668	2.6134	1.7498	1.8055	1.819	1.637	1.5961	1.6236
Solomon Islands	Slmn. Is. \$	7.6339	7.4394	7.5895	5.1787	5.2329	5.2826	4.8447	4.6259	4.715
South Africa	Rand	11.4145	11.3875	11.4613	7.7434	8.0101	7.9775	7.2439	7.0809	7.1204
Spain	Peseta	262.180	267.582	267.825	177.858	188.220	186.417	166.386	166.386	166.386
Sweden	Krona	14.2472	14.6707	14.6252	9.665	10.3195	10.1797	9.0416	9.1225	9.0859
Taiwan	\$	47.7056	46.6906	47.3077	32.3625	32.8425	32.928	30.2751	29.0328	29.3899
Tanzania	Shilling	1219.08	1222.62	1280.10	827.00	860.00	891.00	773.66	760.24	795.26
Thailand	Baht	63.9391	63.9672	65.6579	43.375	44.995	45.7005	40.5774	39.7756	40.79
Uganda	New Shilling	2546.51	2537.65	2564.51	1727.50	1785.00	1785.00	1616.08	1577.95	1593.20
United Kingdom	£	1	1	1.0000	0.6784	0.7034	0.6960	0.6346	0.6218	0.6213
U.S.A.	US \$	1.4741	1.4217	1.4367	1	1	1	0.9355	0.884	0.8926
Venezuela	Bolivar	1039.610	1005.460	1022.580	705.250	707.250	711.755	659.762	625.209	635.277
Vietnam	Dong	21462.9	20676.5	20927.0	14560.0	14544.0	14566.0	13620.9	12856.9	13000.9
Zimbabwe	\$	81.1935	78.2334	79.0545	55.08	55.03	55.025	51.5274	48.6465	49.1126

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

# Association Profile - MTC - Malaysia

**Members** – MTC does not have a separate membership list. It represents the interests of all the members of the various timber-based associations with a representative on the Board of Trustees.

The Malaysian Timber Council (MTC) was established in January 1992 to promote the development of the timber-based industry in Malaysia and the marketing of Malaysian timber products.

MTC was formed on the initiative of the Malaysian timber industry and incorporated under the Companies Act 1965 as a company limited by guarantee. The principal objectives of MTC are:

- to promote the trade in and market for Malaysian timber products;
- to promote the development of the Malaysian timber industry through the provision of training facilities, technical services and other activities;
- to augment the supply of raw materials for Malaysian timber processing industries;
- to provide information services to the Malaysian timber trade and industry.

MTC is governed by a Board of Trustees appointed by the Minister of Primary Industries. The Chairman and Board of Trustees determine policy and oversee the management of MTC. The Board has 10 members consisting of a representative each from the five founding members of the Council - the Malaysian Wood Industries Association (MWIA), The Timber

Exporters' Association of Malaysia (TEAM), the Malaysian Panel-Products Manufacturer's Association (MPMA), the Malaysian Wood Moulding And Joinery Council (MWMJC), and the Malaysian Furniture Industry Council (MFIC). Other members comprise representatives from the Ministry of Primary Industries, the Malaysian Timber Industry Board (MTIB), Forestry Department Peninsular Malaysia, Association of Malaysian Bumiputera Timber and Furniture Entrepreneurs (PEKA), and an independent member from the timber industry.

MTC head office is located in Kuala Lumpur, and there are regional offices in London, Shanghai and Dubai.

Current activities undertaken by MTC include participation in key timber, construction and furniture trade fairs. In the first quarter of 2001, MTC participated in the following European fairs - Cologne International Furniture Fair, the BAU trade fair in Munich, Germany, BOUWBEURS 2001 in Utrecht, The Netherlands and SAIEDUE 2001 in Bologna, Italy. The Council also undertakes several market research and promotion missions a year to major and new markets to explore and develop market opportunities for the Malaysian timber industry. A market research visit to Greece, Lebanon and UAE is planned for the later part of this year and visits to the USA and Brazil have also been undertaken in the first quarter of this year.

MTC will be undertaking a Marketing Seminar on 12th June in Kuala Lumpur to update the industry on developments affecting the timber trade. MTC is also active in environmental issues and has a dialogue with various organisations on certification and sustainable development.

MTC is in regular dialogue with timber trade organisations in Europe and other major markets. MTC is responsible for servicing trade enquiries, advertising and promotional activities and the dissemination of relevant information to Malaysian and international audiences.

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## Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2001</b>				
9-13 May	Drema and Meble	Poznan, Poland	Furniture woodworking show	
18-22 May	Interzum	Cologne Fair	Furniture industry	Koln Messe, www.koelnmesse.de Tel: +49 221 8210 Fax: +49 221 2574
21-25 May	Ligna	Hanover Fair	Wood industry	Hanover Messe, www.Fair.de email ligna@Fair.de
28 May-2 Jun	30th Session of the International Tropical Timber Council	Yaounde, Cameroon.	Government and tropical timber trade	ITTO, Tel: (81-45) 223-1110 Fax: (81-45) 223-1111
7-8 Jun	American Hardwood Export Council Southeast Asia Convention	White Swan Hotel Guangzhou, China	Trade, manufacturers architects, designers	AHEC Wash. DC Tel: (202) 463 2720 Fax: (202) 463 2787, www.ahec.org
24-29 Sept	FIM	Valencia, Spain	Furniture industry	
4-5 Oct	ATIBT 50th Anniversary Forum	FAO Headquarters Rome	Tropical forestry, trade and industry	ATIBT, Paris, Tel: +33 143 42 42 00 Fax: +33 1 43 42 55 22, www.atibt.com
1-3 Oct	Tropical Forestry Research in the New Millennium	Kuala Lumpur, Malaysia	Tropical forestry	www.frim.gov.my
25-26 Oct	American Hardwood Export Council European Convention	Dublin	Timber trade	AHEC London, Tel (+44) 0207 626 4111 Fax, (+44) 0207626 4222
5-10 Nov	Batimat	Paris, France	International building industry	
6-10 Nov	Maderalia	Valencia, Spain	Suppliers to the furniture industry	
20-24 Nov	The Fifth Plywood and Tropical Timber International Congress and Expo	Belem, Brazil	Timber and plywood trade	contact WR Sao Paulo email: wrsp@uol.com.br

### **Indonesia bans trade in ramin**

From 1 May, the Indonesian government banned the harvesting, transportation, processing and export of ramin. The Indonesian government has also written to the CITES Secretariat requesting that Indonesian ramin be placed on Appendix III with a zero quota. This would enable importing countries to use domestic CITES legislation to seize Indonesian ramin, and would come into effect in mid-July. **Page 6**

### **Meranti remains depressed**

Since the start of 2001, the European market for Malaysian sawn lumber has suffered from excess stocks built up during 1999. By end April, there were few signs of a pick up in demand or prices. All the major markets, including the Netherlands, Germany, Belgium and the UK, report subdued activity. The monsoon, only now beginning to abate, together with very weak demand in Europe and Japan, has meant that log and lumber production levels in the Far East have been severely curtailed. **Page 5**

### **Teak lumber trade smothered in red tape**

Global demand for teak remains good. However, new rules designed to tackle corruption and promote value added processing have effectively brought the export of teak boards from Myanmar to a halt. **Page 5**

### **African supply and demand finely balanced**

Prices for African sawn lumber remain reasonably stable for the time being as supply and demand are finely balanced. One factor arguing in favour of weakening prices is a slowdown in forward buying, notably in Northern Europe, as stocks have built up and as global economic uncertainty has mounted. However other factors may counter-act this trend. Heavy rains have hit the main African supplying regions, while overall levels of harvest were restricted during the last logging season. **Page 3**

### **Ghanaian dispute**

An attempt by the Ghana government to extend the 10% export duty currently

imposed on air dried lumber to kiln dried has met with firm resistance from the timber sector. Many shippers have announced they will no longer export lumber until the tax has been rescinded. Negotiations to solve the dispute were on-going at the end of April. **Page 4**

### **Slowing production fails to halt US slide**

As economic uncertainty in the US has mounted, market conditions for American hardwoods have become intensely competitive. Many mills are suffering from high stocks and cash flow problems, leaving little option other than to use price cuts as an incentive to stimulate business. Mills have been reducing output, but so far declining production has not had a significant effect on overall availability of both kiln dried and green lumber. A greater premium is now placed on control of expenditure, inventory management, sales expertise, and production efficiency. **Page 7**

### **Constraints on American exports**

As US domestic demand has weakened, American producers have intensified efforts to increase export sales. Competition is intense, and several factors continue to constrain export sales, including the continuing strength of the US dollar and mounting economic uncertainty in some major markets, notably Japan and Germany. The most recent figures released by the US Bureau of Customs indicate that during the opening two months of this year, US hardwood lumber exports were down 10.2% by value and 7.3% by volume compared to the previous year. **Pages 7,8**

### **Chinese buyers slowly return to beech**

Beech log production finished early in Germany this year due to low demand. Production of both beech and oak in France was very limited throughout the winter season as the French forest authorities restricted harvesting to storm damaged trees. Since late March there have been some signs of a minor recovery in Chinese demand for beech logs. However order volumes are still

well down on previous years, while demand focuses heavily on the best quality logs and prices on offer are below shippers' expectations. Last year China imported 880,000 m<sup>3</sup> and 580,000 m<sup>3</sup> of European beech logs and lumber respectively, significantly up on 1999. **Page 10**

### **New phyto-sanitary measures in China**

The Chinese government has issued a joint circular requiring certification that all imports of logs are pest-free, effective July 1. The move may impact heavily on the trade in European beech logs **Page 6**

### **Global furniture slowdown?**

Despite cautiously optimistic forecasts early in 2001 of favourable conditions in the world furniture market, fears are increasing that demand may be badly affected by the downturn in US fortunes and continuing gloom in Japan. Since the three main international European Spring season shows in Paris, Cologne and Milan, where the new ranges are displayed, the news has not been good. Although Paris did hold some good prospects for hardwoods with the first genuine signs of a return to oak, the show was followed by the bankruptcy of a leading French producer. Cologne probably produced more hopes than orders. Many foreign companies dependent on the German furniture market are reporting depressed demand in this new Spring season. There is greater optimism in the Italian furniture sector. Milan produced a positive show with 175,000 visitors - a record. **Pages 1,2,11**

### **US absorbs over 60% of mahogany**

There is little change in the South American mahogany lumber export trade. Heavy rains are still affecting the main producing regions in Brazil, although these are due to end soon. Shipments are currently at very low levels and subject to severe delays due to difficulties of obtaining quotas and other export documentation. Recently released data indicates that the US now absorbs over 60% of the South American mahogany trade, which is worth about US\$56 million annually **Page 9**