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## Universal decline in E.U. imports

**D**uring 2002, there was an almost universal decline in European Union imports of hardwood primary products - including logs, lumber, veneers, and plywood. Meanwhile imports of further processed products - including wooden windows and doors and wooden furniture - continued to rise. There was significant growth in EU imports of a range of hardwood products from Eastern Europe and China. These are the main conclusions of hardwoodmarkets.com own analysis of EU wide value of import data derived from Eurostat (see page 10).

### Tropical hardwood logs

Of the EU's leading tropical log supplying countries - all of which are African - only Congo-Brazzaville increased sales to the E.U. during last year. All the leading European markets imported less tropical hardwood logs during 2002. The value of imports into France reached 157,000 euro (down 13%); into Italy reached 89,000 euro (down 10%); into Portugal reached 75,000 euro (down 12%); and into Germany reached 42,000 euro (down 21%). The sharp decline in E.U. tropical log imports reflects:

- economic problems and falling wood consumption in the EU;
- increased controls on log harvesting and exports in several African countries, combined with continuing efforts to boost investment in domestic wood processing in these countries;
- a decline in the availability of okoume logs from Gabon;
- declining production of okoume plywood by French manufacturers, partly due to rising competition from Chinese okoume plywood manufacturers;
- environmental campaigning on illegal logging, that has undermined European demand particularly for Liberian logs, and Dutch demand for azobe logs;

■ and more diversion of African tropical logs to Asian destinations, notably China.

### Tropical hardwood sawn lumber

The value of EU imports of tropical hardwood lumber declined by 10% between 2002 and 2001. Lumber imports from Africa last year demonstrate the continuing shift in the structure of Africa's wood processing sector. The larger traditional supplying nations were tightening up log supplies and concentrating on upstream processing in line with sustainability objectives. The value of EU imports of sawn lumber declined sharply last year from Cameroon, Ivory Coast and Ghana. Meanwhile less accessible countries with significant forest resources that formerly relied on log exports - notably the Congo Republic and Gabon - saw continued investment in lumber mills. During 2002, the value of EU sawn lumber imports from Congo Republic and Gabon increased 46% and 45% respectively.

The euro value of tropical sawn lumber imports from Malaysia, the largest supplying country during 2002, were 8% down on the relatively low levels recorded the previous year. This reflects both limited availability from Malaysia and the weakness of the Dutch, German and Belgian markets for meranti sawn lumber.

A significant decline in the value of E.U. imports of Brazilian hardwood sawn lumber was due partly to a big fall in demand from the French joinery manufacturing sector. Devaluation of the *real* also led to lower euro prices for Brazilian lumber in 2002.

### Temperate hardwood logs

The E.U. saw a big fall in imports of temperate hardwood logs during 2002. The value of imports of beech and oak logs were down 18% and 16% respectively, due to market weakness in the western European lumber and veneer sectors, and the shifting loca-

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## Editorial

### Are UN sanctions on Liberian timber appropriate?

The news that the UN intends to impose sanctions on the Liberian timber trade is of profound significance. To my knowledge, this is the first time that the international community has decided to boycott the trade in timber from any major producing nation. Bans on log exports are common these days but, until now, they have always been implemented by the government of the exporting country.

The UN sanctions raise very difficult moral issues. Few people outside the Liberian government dispute that the regime of President Taylor is corrupt and a destabilising presence in West Africa. Certain timber companies in Liberia stand accused by NGOs of enriching government officials and of financing the arms trade. But in a country like Liberia it is difficult to see how any industry may operate without, at the very least, giving the appearance of support for the regime. It is easy for people living in countries fortunate enough to have democratically elected governments to take the high moral ground and to dispute the legitimacy of any industry forced to make

concessions to a man like Taylor. But for those people living and working in Liberia, the case against these companies may not be so clear cut.

It is likely that the sanctions will destroy an industry that has been in existence for over 50 years. It is an industry that provides an important source of employment and social infrastructure development in a country where opportunities for both are extremely limited. Qualified workers in the industry will now be forced to leave the country in search of opportunities elsewhere. Unskilled labourers will be unable to find alternative employment. They will be a new source of recruits for the numerous armed factions in Liberia. All foreign investment in the industry will cease.

The outcome of the sanctions may be to make a bad situation worse. The UN are due to review the impact of the sanctions in September 2003. It is to be hoped that this review will be free from external political interference. It should consider, as the overriding priority, the sanctions' effect on the lives of normal Liberians.

## Africa

### Market overview

#### Political problems affect supply

Log producers throughout the major African supply region are having to cope with rising costs associated with progressive increases in harvesting controls and taxes and export duties. Political events are also placing significant restrictions on African log supply in many countries including Liberia, Ivory Coast, Central African Republic, Congo (Brazzaville), and Congo (Kinshasa). However international demand for African hardwood logs remains very sluggish. FOB prices for most species of African tropical log remain static with overseas arguing that prices are as high as they can go for the time being.

Sawmills throughout the region are busy satisfying a backlog of forward orders, but many are suffering from log supply problems. Shortages of certain species affected by the political crises in Ivory Coast – notably iroko and framire – have led to firming FOB prices for these species. However FOB prices for sawn lumber of most other species of sawn lumber have remained static. Underlying consumption of African sawn lumber in the main European markets is still depressed. Exchange rates are another fac-

tor working against price rises for African sawn lumber. The strength of the euro against the US dollar has meant that prices for Asian and South American alternatives – which are generally invoiced in dollars – have become more competitive.

### Supply region news

#### Ivory Coast

Recent reports of the political situation have been slightly more positive. Following months of turmoil, the hoped-for government of national reconciliation is finally in place. Peace keeping forces are being expanded and their existing monitoring role is being extended to include protection for the Government and responsibility for the demobilization and disarmament of militias. The government and rebels have agreed to meet to discuss disarmament following the negotiation of a fresh ceasefire. At the start of May, reports indicated that the ceasefire was holding. However, suspicion between the two sides remains deep and diplomats say the country is still on a knife edge.

For the time being, lumber continues to trickle out of the Ivory Coast mainly to satisfy old contracts. However there are reports that some of the mills in northern parts of



## UN sanctions on the Liberian timber industry

Hoping to stem fighting in West Africa, the U.N. Security Council voted unanimously on 6 May to renew arms and diamond sanctions against Liberia for another 12 months and to impose a new ban on timber exports. With wars in the Ivory Coast as well as Liberia itself, the council adopted a British-drafted resolution that said the Liberian government had not done enough to adhere to sanctions imposed two years ago. At that time the Security Council put an arms embargo, a ban on diamond exports and a travel ban on Liberian President Charles Taylor and his top associates for fueling civil war in neighboring Sierra Leone through a guns-for-gems trade. Since then, however, relative peace has prevailed in Sierra Leone but about 60 percent of Liberia is in the hands of rebels who want to overthrow Taylor, himself a former warlord. The new sanctions on timber exports, which U.N. reports say are used to finance arms and enrich government officials, will begin on July 7 and run for 10 months. They are subject to review on Sept 7 to evaluate their impact on Liberians, many of whom are employed in logging and related industries. From a market perspective, the sanctions will impact most heavily on China and France, the main countries importing Liberian timber. Total shipments of Liberian logs to China during 2002 have been variously

estimated at between 680,000 m<sup>3</sup> to 850,000 m<sup>3</sup>. France imported around 120,000 m<sup>3</sup> of Liberian logs last year.

There are reports of renewed fighting likely to disrupt supplies from Liberia in advance of the July 7 imposition of sanctions. There has been fierce fighting between rebel groups and government forces in Sinoe County. The rebel groups have captured the southeastern port town of Greenville. Greenville, located about 250 km southeast of the capital, Monrovia, is an important port for the export of logs. The Liberian government has recommended that no ships attempt to land at Greenville and should divert to Monrovia. Eight leading companies operating in Sinoe County (including the Oriental Timber Corporation, Freedom Gold, Akari Timber Incorporated, Maryland Wood Processing Industries, and the Inland Logging Company) are reported to have suspended operations in the County. Most of these companies have repatriated staff and withdrawn their equipment from the area. Local press reports suggest the current situation in southeast Liberia has paralyzed the economic and social sectors of Sinoe.

There are also reports of renewed fighting between government forces and rebel groups at Po river, 35 km west of Monrovia.

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the country that were previously closed due to political unrest are operating again.

## Cameroon

Cameroon's existing log export ban on valuable redwood species means that all the valuable redwood logs for export from Douala now derive from Central African Republic and northern Congo. From March 2003, Cameroon extended the log export ban to ayous and azobe logs, although the authorities say existing log stocks can be exported. This extension of the ban is already causing concern to buyers in Italy, the largest importer of ayous logs.

Sawmills in Cameroon are reported to be committed well forward. Existing problems of log supply resulting from increased regulation and bureaucratic delays may be compounded by poor weather. In early May there has already been heavy rain, two months before the usual start of the rainy season

## Central African Republic

Big changes are underway in the Central African Republic forest sector. Local press reports suggest that as much as 1 million

hectares of CAR's commercially exploitable forest – around one third of the total area – were being exploited by 11 companies with direct links to former President Ange-Felix Patasse. Patasse was ousted in a coup on 15 March by the former CAR army chief of staff, Francois Bozize. The new Government announced that all logging companies with close links to Patasse - now in exile in Togo – were no longer authorized to exploit CAR's forest resources.

In early April, the new CAR administration temporarily suspended all harvesting operations by the 11 companies pending judicial investigations into corruption. By the beginning of May, there were signs that these investigations were making headway. The new administration reported that it had recovered US \$2 million owed to the government by the companies. The money was demanded from the companies in order for them to become eligible for new licences to exploit the country's forests.

Hardwood traders report that log and lumber supplies have continued to flow from CAR during this period of uncertainty but at reduced levels and subject to delay.

## Congo (Brazzaville)

A dispute has arisen between shippers and the Congo government that may be disrupting log and lumber supplies. The dispute has arisen from government moves to raise taxes on logging operations. Meanwhile efforts to rebuild infra-structure in the southern part of country - which was most affected by civil war - has been continuing. The rainy season in this part of the country, which is south of the equator, is now coming to an end. Chinese companies are reported to be very active in this area, looking mainly for okoume logs.

## Ghana

Problems of log supply in Ghana are acute. One hardwood trader with experience of the country suggests that "raw material supply is now at it's most critical ever". There is a feeling amongst those dealing with Ghana that, in order to bring the industry back on to a sustainable footing, one or two of the big companies may need to fold. There is much talk of importing wood. Recently there have been reports of trial log shipments arriving from Congo (Brazzaville). But there are doubts over the long term potential of this solution. Log availability from other African sources is increasingly confined. Furthermore margins in the industry are already so tight that buying expensive logs on the international market may not be economically viable.

## Gabon

Log supply this year is likely to be relatively restricted. Government controls and forest tax levels have been rising. The state log marketing organisation, SNBG, is nearly bankrupt and not in a position to pay logging operators. Some producers are now allowed to bypass SNBG and sell okoume and ozigo direct. However all transactions still require SNBG approval, undermining the effectiveness of the liberalisation measure. The area of independently certified forest in Gabon nearly doubled in March 2003 with the announcement by Keurhout, the Dutch trademarking organization, of it's recognition for concessions managed by LeRoy Gabon. Keurhout recognized an independent forest certificate covering 575,000 hectares issued to CFAD (Concession Forestière sous Aménagement Durable), part of LeRoy Gabon, by DNV Certification France. This is the second forest certificate recognized by Keurhout in Gabon. Keurhout also recognizes a certificate covering 615,000 hectares issued by Det Norske Veritas (DNV) Certification France to the Thanry-CEB group based in Libreville.

# Africa

## Hardwood species notes

■ **Sapele** – African mills are committed well forward. However this seems to reflect limited availability rather than good underlying demand. Forward demand for sapele sawn lumber in the two leading European markets – the UK and Spain – is now slow. In part this reflects exchange rates. In the UK, £ sterling has been weakening against the euro leading to apparent price rises for the species. Many UK importers are also continuing to sell at below replacement cost – which seems to indicate either overstocking or a lack of forward planning. FOB prices have been fairly static.

■ **Iroko** – prices increased sharply during April in response to very limited availability due to political problems in the Ivory Coast. Irish importers have been having difficulty obtaining adequate volume. These problems have been compounded by the fact that a shipment of 3000 m3 that ran aground in transit to Ireland earlier in the year has yet to arrive. Shortage of iroko has encouraged some Irish importers to switch to sapele lumber.

■ **Khaya** – underlying consumption in the United States is not as high as last year and there is increased pressure on U.S. manufacturers to cut costs. Prices for competing American mahogany have dipped recently in response to falling demand. However restricted availability of both khaya and American mahogany suggest

that price levels are unlikely to slip too far.

■ **Framire/emeri/idigbo** – recent reports indicate that availability of framire from Ivory Coast, while still restricted, may have improved slightly over recent weeks. Relatively slow underlying consumption in the main UK market – where framire is used as a budget joinery timber - has meant that there has been no sign of a switch away from the species in response to limited supply. This contrasts with Germany where framire has traditionally been used in the windows market in the south of the country. Limited supply is now driving a shift to alternative materials in Germany.

■ **Koto** – limited availability of alternative lumber, notably ramin, may have opened up new opportunities for koto. Demand has picked up a little at a time when the problems in the Ivory Coast have led to limited supply. FOB prices have tended to firm.

■ **Wawa** – there was some increased buying in the UK during April to replenish stocks run down at the turn of the year. Prices for sawn lumber on offer in the UK eased a little at the end of last year, but firmed slightly during the opening months of 2003. German demand for wawa sawn lumber has remained weak. Prices in Germany have been stable over the last quarter. There is steady demand from the South African picture frame business. Demand in the Far East has picked up a little in Hong Kong and China, although volumes shipped to these destinations remain small.

■ **Sipo/utile** - availability of sipo sawn lumber is now so restricted that it is difficult to assess market demand and pricing.

■ **Okoume** - availability of logs from Gabon remains restricted due to the financial problems at SNBG. This has led to increased buyer interest in okoume logs from the Congo Republic. There may also be greater demand for okoume logs following Cameroon's decision to ban exports of ayous logs, for which okoume is a possible alternative. Demand for okoume sawn lumber is tending to rise in several European countries, including Italy, France, Netherlands, Belgium, Spain and Portugal. There is little interest in okoume sawn lumber in the UK and Ireland.

■ **Azobe/ekki** - Cameroon banned exports of azobe logs from March 2003. Log availability will also be curtailed from Liberia following the introduction of UN sanctions from 7 July. The trend amongst European importers to switch to imports of sawn lumber in place of logs is likely to intensify. New supplies of azobe lumber are being opened up. For example ITTO reports that a new joint operation is transporting azobe sawn lumber from the north of the Congo Republic for shipment through Douala port.

# Asia

## Malaysian sawn lumber Limited stocks, low demand

Most reports indicate that Malaysian shippers are carrying only limited stocks to supply the European market. Log prices in Malaysia remain firm and sawmill output is generally low. The flow of Indonesian Bukit into Port Kelang – which in past years supplemented domestic Malaysian supply - has been very restricted this year. There are no signs that sawmills in Peninsular Malaysia would be able to access larger log supply at short notice. The number of spontaneous offers to European buyers from Malaysian mills has tended to fall over recent months.

Nevertheless consumption of meranti is so low in the major European markets that even existing stocks of this species in the common European specifications may be in excess of current demand. FOB prices for dark red meranti vary widely depending on how desperate the particular Malaysian shipper is to generate cash flow. Delivery times are still fairly short for some items.

### Exchange rate impacts

Fluctuations in exchange rate are having an impact on European market demand. In mainland Europe, recent gains in FOB dollar prices for meranti sawn lumber have been off-set by weakening in the dollar-euro exchange rate. Prices in euros for meranti in typical Dutch specifications are marginally cheaper than they were in the last quarter of 2002. Importers not carrying heavy landed stocks will benefit from the lower forward prices. However those importers that bought at the end of last year have seen devaluation of their existing stock. With euro prices continuing to weaken and with consumption levels relatively low, very few mainland European importers seem tempted to build stocks.

In the Netherlands during April there were reports of slight upturn in forward orders for meranti/merbau due partly to limited availability of African species like iroko and afzelia. However consumption of Malaysian sawn lumber in the Netherlands is very quiet for the time of year. Economic conditions are generally weak and construction activity is very slow. Joinery manufacturers continue to struggle. With so few enquiries from end users, importers are tempted to try to grab business by offering lumber at below replacement cost. Existing stocks in the main Dutch specifications (such as meranti 3x5") are said to be sufficient to cover reduced market demand.

In the UK, some importers have been show-



### African indicative prices

	Feb	Mar	Apr
Exchange rates			
US\$/£	1.60	1.56	1.60
Euro/£	1.45	1.46	1.39

All prices include agents commission of 5%

### Sawn lumber

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

Euro/m3; FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	505	505	500
Sipo	630	630	630
Biboto	380	380	380
N'Gollon	535	535	535
Iroko	580	580	580

#### Cote d'Ivoire

Euro/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9'-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	550	560	550
Mahogany	430	430	430
Framire	360	380	400
Samba No.1 C&S	240	240	240
Dimension stock			
Azobe	420/	420/	430/
	460	460	490
Dabema	300/	300/	300/
	390	390	360

#### Gabon

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

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ing more interest in the forward market for meranti over recent weeks. Although demand from end-users is slow, importers stocks are generally very low and some buyers seem tempted by the current weakness of the dollar exchange rate. But the level of purchasing is likely to remain confined. Certainly there is not yet any evidence of U.K. manufacturers being tempted to switch away from African sapele in favour of meranti. This is despite the fact that meranti forward prices quoted to UK buyers are now around 20% less than comparable prices for African sapele lumber.

## Indonesia

### Invisible log sources

A report of a recent visit to Indonesia by Ita Rugge and Andy Roby of the United Kingdom Timber Trade Federation provides an insight into the current problems of log supply in the country. The report suggests that massive expansion in the Indonesian plywood, pulp and paper sectors has meant that demand for wood fibre in the country now exceeds legal supply by 35 to 40 million m<sup>3</sup> per year. Illegal logging fills the gap between demand and legal extraction. Indonesia is moving towards decentralisation, but the provincial and district forest authorities lack capacity and funds to govern effectively. Indonesia is currently implementing a policy to reduce legally sanctioned harvesting levels in natural forest from a level of around 12 million m<sup>3</sup> in 2002, to 6.89 million m<sup>3</sup> in 2003. Installed capacity is far larger

than the sustainable supply level, so the government is trying to downsize industry starting with a process of "mandatory certification". This involves the assessment of forest concession holders by accredited certification companies against a set of sustainability criteria drawn largely from the ITTO criteria. Around 30 Indonesian companies had been assessed by the end of 2002, and a further 100 companies are expected to be assessed during 2003. The Indonesian government plans to use the results to take out the worst run concessionaires and mills.

### Traceability problems

The plywood mills visited by the TTF delegation sourced between 30 and 70% of their logs from their own concessions. The better companies operate good basic log tracking systems (tags and log markings) to manage log flows from their concessions to their mills. Logs supplied from company concessions are supplemented by logs bought on the open market. This wood cannot be traced back to stump. Officially this volume derives from conversion forest (supposedly for plantations or agriculture) or "community forestry". In reality the legality of much this wood is highly dubious.

The TTF representatives visited Indonesia as part of a UK-Indonesia bilateral initiative to eradicate illegally sourced logs from the UK's plywood supply pipeline. The TTF representatives met with a wide range of Indonesian government, company and civil society representatives to explore the feasibility of setting up systems to independently verify the legality of log sources. Contact Ita Rugge at [irugge@ttf.co.uk](mailto:irugge@ttf.co.uk) for a copy of the detailed report or further information.

## China

### Diversity of hardwood markets

China is becoming an increasingly important export market for hardwoods. China's hardwood imports have risen sharply as government moves to restrict domestic hardwood harvests have come at a time of strong economic growth and the rising standard of living. Deregulation and privatization of housing has contributed to a boom in construction and renovation. Chinese manufacturers are exploiting low labour rates to develop export oriented industries supplying wood products and components to the rest of the world. China's entry into the world trade organization has stimulated various trade liberalization measures and the development of a large private wood importing sector. There has been massive growth in the number of joint ventures established in

China over the last 12 months. The Shanghai Industry and Commerce Bureau reports that the number of foreign furniture enterprises investing in Shanghai in 2002 was 2.5 times that of 2001. The value of these investments in 2002 was 4.6 times that of 2001. Investors were mainly from America, Japan, France, Australia and Singapore.

The diversity of potential outlets for hardwood in China is very wide. China's plywood industry is consuming a rising volume of peeler species, notably okoume from Gabon and Congo (Brazzaville). Increasing volumes of decorative hardwoods are being consumed in the residential and commercial interiors sector. Locally produced ash was the leading species in this market in the early 1990s, but subsequently went out of fashion. European beech gained a foothold in the late 1990s, when the euro was weak. However beech is now losing ground to a wider range of hardwoods, notably from the United States.

### Furniture sector needs

China's export-oriented furniture manufacturers have different needs, sourcing hardwoods that appeal to their overseas customers in North America and Europe. Increasing volumes of oak, cherry, and maple are being supplied to this market. Russian birch, which is readily available at low prices, is also widely used in this sector. China's rapidly expanding flooring sector also offers huge potential. China's consumption of solid wood flooring in 2002 reached 90 million m<sup>2</sup>, 5.5% up on the previous year. This figure is forecast to exceed 120 million m<sup>2</sup> in 2003. Chinese flooring manufacturers are looking for heavy duty close grained timbers of uniform colour without pinholes and other blemishes. There are reports that Chinese companies are already investing in Brazilian joint ventures for the long term supply of a wide range of competitively priced Amazonian hardwood species to supply this sector. Although the Chinese market has great potential, supplying China is very demanding. Hardwood suppliers in all areas of the world have identified the country as the world's leading growth market, and are desperately seeking to expand market share. Chinese manufacturers have very precise requirements for colour and quality, but are very focused on ensuring low cost. There is little loyalty to individual suppliers. Domestic market fashions change fairly rapidly, with immense implications for hardwood trade flows. On the other hand, Chinese manufacturers are very open to trying new species if these match their quality expectations.

### Asian Sawm Lumber Indicative Prices

	Feb	Mar	Apr
Exchange rates:			
M\$/£	6.10	5.93	6.09
US\$/£	1.60	1.56	1.60
M\$/US\$	3.80	3.80	3.80

#### Malaysia

All prices US\$/ton, C&F UK port, including 5% agents commission

#### West Malaysian Dark Red Meranti

Grade: Select & better GMS; Kiln dried

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

1"	785	800	800
2"	825	835	835
2.5"	890	910	900
3"	920	940	930

#### Myanmar Teak

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

Grade: Air dried boards

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

1"	3200/ 3400	3200/ 3400	3200/ 3400
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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.*

# Asia

## Malaysia

### New illegal logging measures

Malaysia's Minister of Primary Industries has issued a statement on new measures to be implemented to prevent the illegal import of logs from Indonesia.

In June 2002, the Malaysian government had taken action to ban the importation of logs from Indonesia. This came as a reaction to the move by the Indonesian Government to ban log exports in an effort to tackle illegal logging. According to the Malaysian Ministerial statement, there has been no issuance of import licences for logs from Indonesia since the announcement of the ban. Furthermore, the Malaysian authorities have implemented measures to enforce the new regulation at the various entry points/ports in the country. For example, the Royal Malaysian Customs Department have made a number of seizures involving boats carrying Indonesian logs but falsely declared as coming from other sources such as Solomon Islands. Nevertheless, Indonesian logs have continued to enter Malaysia. The Ministerial statement notes that:

*"unfortunately, some international environmental watchdogs and NGOs continue to focus their attention on Malaysia and accuse us of not taking any action to halt such illegal activities, whilst at the same time continue to label us as the laundering centre for illegal logs. We view this allegation seriously as we do not want the illegal Indonesian logs to jeopardize our effort to implement the Malaysian Timber Certification Council (MTCC) scheme, and to assure our international timber buyers that timber and timber products exported from Malaysia are from legal and sustainable sources.*

*To demonstrate our seriousness in totally curbing the entry of Indonesian logs into Malaysia, we are taking measures to strengthen our enforcement efforts and remove any loophole that exists in implementing the ban. Apart from banning the importation of round logs, we also wish to announce the ban on the importation of squared logs ie. timber measuring more than 60 square inches in size (Large Scantlings and Squares (LSS)), from Indonesia effective from 1 June 2003. We will also ensure that import licences be issued only to importers who can show proof of bona fide export sources, other than Indonesia....we will review this policy after six months to assess its effectiveness in halting the importation of logs from Indonesia."*

# Forest Certification

## Certified area

### Western dominance

Data on the current area of independently certified forests (see table) highlights the huge dominance of certified forest area in Western Europe and North America. In fact, nearly half of all Western European forest land is now certified under one or other scheme. This will amount to an even higher proportion of productive forest land.

However Eastern Europe has been catching up. The strongest recent growth in certified forest area has been on state owned land in Eastern Europe. These areas, which are centrally planned and cover large contiguous areas have proved well adapted to certification under the Forest Stewardship Council (FSC).

With one exception, all certified forest area

outside Europe and North America is under the FSC umbrella. In these regions, much less than 1% of forest land is certified under any scheme. At present the only non-FSC certified forest area in these regions is 2.3 million hectares of forest in Central Africa. However this picture may change fairly rapidly. Over the last 12 months the Pan European Forest Certification (PEFC) scheme has been rapidly expanding membership to certification schemes outside Europe. It has also established a globalisation working group to look at the issues involved in development of the scheme into a worldwide framework. Meanwhile, development work is also progressing on other regional certification initiatives including a Pan African forest certification initiative and a Pan ASEAN scheme.

### Estimated global area of certified forest under different schemes 31 March 2003, million hectares

	FSC	PEFC	SFI	CSA	Other (a)	Total area	% forest area (b)
N. America	5		30.0	15.3	10	60.3	13%
W. Europe	12.4	45.0				57.4	45%
E. Europe	11.1	1.9				13	21%
S. America	3.9					3.9	<1%
Africa	1.2				2.3	3.5	<1%
Australasia	0.7					0.7	<1%
Russia	0.2					0.2	<1%
Asia	0.2					0.2	<1%
<b>All</b>	<b>34.6</b>	<b>46.9</b>	<b>30.0</b>	<b>15.3</b>	<b>12.3</b>	<b>139.2</b>	<b>4%</b>

a) Other in North American refers to the American Tree Farm System. Areas under "other" in Africa include 1.2 million hectares in Gabon recognised by the Dutch Keurhout scheme, and 1.1 million hectares in Congo (Brazzaville). The latter certificate was issued by SGS to CIB and was recognised by Keurhout until 8 August 2002. However Keurhout withdrew this recognition on 8 August 2002 on a technicality raised by Greenpeace.

b) Forest area draws from FAO data and includes both commercial and non-commercial forest land. The proportion of certified commercial forest land will be higher.

## Market demand

### FSC not so dominant

A new high profile study on market demand for certified products shows that there is growing market recognition and acceptance of non-FSC certification schemes. The study by Price Waterhouse Coopers (PwC - now IBM Consulting) looks at the environmental procurement practices of major customers for British Columbian forest products. It involved interviews with 30 customers that had spent over Canadian \$2.1 billion on B.C. forest products in 2001. These included 4 in Japan, 15 in the United States, 6 in Canada, 5 in Europe. Those interviewed included wood traders, construction companies, paper manufacturers, and publishing companies.

The study focused heavily on demand for certified products. It showed that while the

majority of customers interviewed are attempting to shift their purchasing towards certified products, few believe that the Forest Stewardship Council is the only certification scheme that will lead to ecological sustainable harvesting. It also showed that *"over half of the customers interviewed (including many with stringent environmental procurement policies) believe that on the ground there is little difference between the North American certification schemes."* This conclusion is a boost for those groups promoting alternative schemes to the FSC and advocating an international mutual recognition framework.

The study also showed that only a handful of customers are willing to pay a green premium. On long term trends, the study concluded that most customers believe the trend towards increased environmental concern in wood procurement will continue.



# North America

## Supply

### Competition for logs

Throughout the U.S., there is much competition for available logs. Margins in the sawmilling sector are tight as gains in lumber prices this year are being off-set by higher prices for logs. Reports on log decks vary considerably across the country. Although yards in some areas have been able to build log inventory over recent weeks, others are still reporting that they are running hand-to-mouth. Overall log production is well down on normal years. Trade press reports suggest most mills have sufficient log inventories to avoid down time, but few are in a position to develop substantial runs of any one species, moving instead from species to species to keep sawing. Violent storms across the Midwest and Tennessee Valley in early May caused disruption to logging activity through a swathe of the country. It also caused extensive property damage and widespread flooding, in addition to costs of human life.

However the general shift towards seasonally warmer and dryer weather has raised expectations of improved logging activity, greater mill production and shorter drying cycles. There are already reports that log throughput over recent weeks has been sufficient in some areas to improve the balance between supply and demand in the green lumber sector. The urgency to simply obtain volume may be subsiding and more buyers may be adjusting purchases to replacement only. There are signs that the upward momentum in green lumber prices may be tailing off for some species.

## Domestic demand

### Mixed signals

Economic data emerging for the U.S. is mixed. The nation's economy grew at an annualized rate of only 1.4% during the first quarter of 2003 as firms and consumers tightened their belts in anticipation of war. This compares to 1.6% in the fourth quarter of 2002. However in March, consumer spending outperformed dismal forecasts, rising 0.4%. In April, the Conference Board reported a surge in consumer confidence. American share prices have been tending to rise.

On the downside are indications of weak manufacturing activity in the U.S. The ISM index of manufacturing activity fell in April to its lowest level since October 2001 when the economy was in recession. There is growing concern over America's unemployment rate, which rose to 6% in April, a sharp increase from 5.8% in March.

House starts rose by more than expected in March, although much of the rise was due to the poor weather in February. Average figures for the two months suggest that the robust housing market may be cooling.

### Good demand in residential sector

For the time being, activity in residential construction end-use sectors of relevance to hardwoods has remained good. The latest data from the Kitchen Cabinet Manufacturers Association indicates that cabinet sales in February 2003 increased by 11.6% compared to the same month last year. NOFMA, the U.S. Wood Flooring Manufacturers Association, reports solid wood flooring shipments reached 56,136,000 board feet in March, 1.7% up on the same period last year. Solid wood flooring shipments for the first three months of 2003 reached 151,752,000 board feet, 1.8% up on the first quarter of 2002. Growth in this sector is continuing, but at slower rate than in previous months due partly to declining availability of green lumber.

Most reports indicate continuing good domestic demand for American hardwoods. According to some suppliers, obtaining sufficient volume to fill orders is more of a challenge than moving available supply. Some lumber suppliers report they are currently oversold in various species and grades. However market conditions still vary widely depending on species and grade. Demand for green stocks is generally solid, but the kiln dried market is more varied. Demand is generally good for lower and common grade lumber, but more mixed for the higher grades.

## U.S. export statistics

### Shift to east continues

*The most recently available U.S. hardwood trade data – to end February 2003 – indicates that overall levels of export were running at similar levels to last year during this period. A sharp fall in exports to western Europe was offset by a big increase in exports to China and by improved demand in Mexico and Canada.*

Data released by the USDA Foreign Agricultural Service shows that the overall volume of U.S. hardwood lumber exports declined by 1.1% during the first 2 months of 2003 compared to the same period last year. Log exports increased by 2.5% and veneer exports were stable over the same period. Exports to the EU fell dramatically during January and February this year. The decline was almost universal – affecting all product groups and most EU countries. Big falls in lumber exports were recorded to France

(down 48%), Denmark (down 38%), Belgium (down 34%), Spain (down 31%), Portugal (down 23%), Germany (down 22%), the UK (down 14%), and the Netherlands (down 9%). Lumber exports increased to only two EU countries – Greece (up 14%) and Italy (up 11%). Exports to Ireland remained static. During the opening months of this year, a string of poor economic data coupled with the threat of war in the gulf created much uncertainty amongst European buyers. This problem was compounded by the perception of improving availability of Eastern European hardwoods.

### Chinese expansion continues

U.S. exports of hardwood logs and lumber to mainland China increased by 48% and 53% respectively during the opening months of this year. Meanwhile log and lumber exports to Hong Kong declined sharply, by 24% and 16% respectively. This decline predates the onset of panic over the SARS virus, which is likely to have further undermined exports to Hong Kong in more recent months.

Overall log and lumber exports to the coun-

►8

### U.S. hardwood exports January to February

Logs/lumber - 000s m3, veneer - mill m2			
	2002	2003	% chng
<b>World</b>			
Logs	380.1	390.4	2.5
Lumber	460.4	455.4	-1.1
Veneer	45.8	45.9	0.2
<b>Canada</b>			
Logs	268.4	280.1	4.4
Lumber	175.5	176.2	0.4
Veneer	15.2	16.8	10.5
<b>EU</b>			
Logs	42.0	39.4	-6.4
Lumber	123.1	101.3	-17.8
Veneer	16.5	15.4	-6.6
<b>SE Asia</b>			
Logs	8.2	9.1	11.0
Lumber	17.7	18.5	4.4
Veneer	1.7	1.1	-33.6
<b>Greater China</b>			
Logs	30.7	33.3	8.5
Lumber	73.3	89.3	21.9
Veneer	7.0	7.2	2.9
<b>Japan</b>			
Logs	16.8	14.4	-14.4
Lumber	16.7	16.4	-1.9
Veneer	0.5	0.1	-79.0
<b>South Korea</b>			
Logs	10.0	7.1	-29.3
Lumber	6.0	6.5	7.6
Veneer	1.2	1.2	-1.0
<b>Mexico</b>			
Logs	1.6	2.2	41.9
Lumber	24.5	26.5	8.2
Veneer	1.7	1.1	-37.7
<b>North Africa and Middle East</b>			
Logs	0.2	0.6	208.7
Lumber	8.6	5.5	-36.1
Veneer	0.5	0.6	13.7

# North America

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tries of South East Asia increased by 11% and 4.4% respectively during the first two months of 2003. Exports to Thailand and Singapore were tending to rise, while exports to Malaysia and Indonesia were down on the previous year. Exports to Vietnam remained static.

Exports to Japan and South Korea were sluggish during the opening months of 2003.

## Export demand Signs of improving trade

The American hardwood export trade continues to be intensely competitive, but there are signs of improving sales. Economic conditions continue to be sluggish in many key markets, and there is much resistance to higher prices. However this latter factor is offset to some extent by exchange rate fluctuations.

Over recent years, the U.S. dollar has been very strong against other key currencies, hampering exports. This year the dollar has lost ground against both the euro and the Japanese yen. At time of writing, the euro-dollar exchange rate stands at \$1.15, up from \$1.05 in March, and up considerably from the \$0.86 exchange rate of last summer. The dollar is currently trading at about 117 yen, compared with a level of around 130 yen at the same time last year.

Most reports suggest that the war in Iraq had little short-term impact on overseas sales of American hardwood. But at least the relatively swift end to the war has removed another reason for buyer anxiety. Unfortunately this factor has been much overshadowed in China and Hong Kong by the emergence of the SARS virus.

### Good demand for common grades

A few general trends are apparent on international sales markets this year. There is more interest in common grades amongst overseas buyers. This reflects various factors including: the global shift away from high value Western European markets to lower value markets in the Far East; manufacturers efforts to reduce costs; and growth in demand for flooring timbers. Meanwhile log exports are tending to rise – particularly of walnut, cherry, and tulipwood - at the expense of lumber and veneer exports, largely a result of increased processing capacity in low cost locations – notably China. In the lumber sector, there are reports that overseas customers in some high value markets are buying more wood in fixed sizes.

And buyers everywhere are now more likely to demand wood for immediate delivery, and

to choose suppliers on the basis of earliest dispatch date - an indication of how far the trend towards just-in-time ordering has progressed.

During April and early May, European markets for American hardwood remained patchy. Demand for American hardwood lumber in the UK during April picked up a little but is still unexciting. Unlike countries in the euro-zone, the UK has not benefited so much from the weakening dollar. The UK pound has also tended to weaken on international exchange markets over recent weeks. Furthermore construction and refurbishment activity in the UK's commercial sector – which underpins much demand for hardwoods in the UK - has been slow this year. Demand in Ireland, lying within the euro-zone, has been better. Demand in other north-western European countries continued slow during April, despite the strengthening euro. Importers note that the gains resulting from currency fluctuations have been offset by rising FOB prices in response to more restricted supplies and rising costs of American production. There are reports from Germany that the furniture sector has been unable to obtain adequate volumes of western red alder at competitive prices.

### Southern Europe more buoyant

Sales of American hardwood to southern Europe have been more buoyant. Some Spanish importers have been encouraged by the weak dollar to build stocks of white oak. The Italian market has been fair. In Italy, there have been some reports of good demand for tulipwood logs, and of a partial switch from FAS tulipwood to common grades.

Market conditions are very mixed in the Far East. The SARS virus has created great uncertainty in some areas. Hong Kong's economy is reeling from the shock, and economic problems have been mounting in Beijing. Chinese furniture manufacturers say that new orders have slowed as buyers are not traveling after the WHO warning on travel to China. Certain American export marketing activities – including the AHEC SE Asian and Greater China Conventions - have been suspended until later the year. Many company marketing personnel are not traveling to the region until the epidemic is under control.

### Far Eastern furniture problems

In addition to the problems of SARS, the Far Eastern furniture manufacturing sector has come under pressure this year from the general slowdown in the global economy. Furniture export markets have become in-

## US sawn lumber indicative prices

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

	Feb	Mar	Apr
\$/£	1.60	1.56	1.60
\$/Euro	1.10	1.07	1.15
<b>Red oak</b>			
1"	1900	1920	1920
1.25"	2100	2090	2090
1.5"	2200	2190	2190
2"	2500	2500	2500
<b>White oak</b>			
1"	1550	1560	1560
1.25"	1775	1770	1770
1.5"	2150	2140	2140
2"	2775	2775	2775
<b>Ash</b>			
1"	1200	1200	1200
2"	1550	1580	1580
<b>Tulipwood</b>			
1"	1070	1070	1070
1.25"	1150	1150	1150
1.5"	1175	1175	1175
2"	1225	1225	1225
<b>Cherry</b>			
1"	3475	3475	3475
1.25"	3625	3625	3625
1.5"	3850	3825	3825
2"	4100	4075	4075
<b>Hard Maple</b>			
1"	2350	2300	2300
1.25"	2450	2400	2400
1.5"	2750	2550	2550
2"	2850	2650	2650

tensely competitive, prices have been falling and margins have been tightening.

Meanwhile, competition for American hardwoods in the Far East is intense. A rising proportion of Chinese flooring timber is now being derived from South America. Russian birch as a rising competitor in the furniture sector. Hardwood producers from Europe – both East and West – are seeking to expand market share in the region.

On the positive side for American hardwoods is the huge size and potential of China's domestic hardwood market, and – with the exception of Russian birch – the declining availability of hardwoods produced in the East Asia region.

### Reviving Far Eastern demand

Over recent weeks there have been reports of renewed interest in North American hardwoods in China and other parts of Southeast Asia – notably Vietnam. Much buying in the Far East is focused on common grades, with good demand for ash, white oak, red oak, poplar and walnut.

Recent reports indicate that market demand in Mexico have been improving since the start of the year. There is reasonable demand in Canada, especially red and white oak for flooring.



# North America

## Hardwood species notes

■ **White oak** – domestic and export demand is solid. Reductions in production have created a closer balance between supply and demand. In fact availability of certain grades lags behind demand. Domestic demand for lower grades is still good for oak strip flooring and truck trailer flooring. Export demand for common grades has picked up over recent weeks. Demand for higher grades has been less dynamic, although there are signs of improved buying in some export markets. Prices are generally stable to firm.

■ **Red oak** – domestic demand is brisk for both green and kiln dried stocks. Demand is, at minimum, in line with production, though some suppliers report that order files extend well into the future. Some suppliers note that reductions in sawmill production over the late fall and winter months led to shortages of lumber in the kiln drying pipeline. Furthermore, in some areas, production has now been put off in favour of sawing through remaining winter-cut “whitewoods”. There are reports of rising prices for kiln dried red oak, particularly 4/4, in some areas.

■ **Tulipwood** – domestic demand is steady and there are signs of improved export demand. Although tulipwood supplies may be increased fairly rapidly, producers are wary of making more volume available. Availability is therefore restricted and prices are being held steady.

■ **Ash** – domestic demand for common grades is good. Demand for high grades is mixed, although long-term buyers are absorbing steady volumes. Prices are stable in most areas, although there are reports that limited availability in the Appalachian region has contributed to some firming.

■ **Hard maple** – production is now declining as many mills are sawing other species with the onset of warmer weather. But there are still significant volumes moving into the marketplace. Market conditions and prices vary considerably depending on species, grade and supplier. The quality of suppliers handling procedures is a key issue at this time of year to prevent stain. Domestic demand for most grades is generally solid, although there are some reports of mixed markets for higher grade lumber. Some buyers are cutting costs by reducing colour specs beneath NHLA requirements for #1&2 white. However prices for FAS&1F adhering strictly to the NHLA standards have been relatively stable.

■ **Soft maple** – good domestic demand combined with limited availability is leading to rising prices. Manufacturers are using the species as a low cost alternative to hard maple & cherry. Soft maple meeting additional order specifications, notably for colour, is generating price premiums.

■ **Cherry** – most buyers concentrate purchases on preferred suppliers in the Appalachians. Domestic demand and prices for common grades are firm. Demand for FAS&1F is less robust, but still relatively well balanced with available volume. Prices for these grades remain stable.

■ **Walnut** – market demand for most thicknesses and grades is good. Orders and shipments are absorbing production as it develops. Prices are generally firm and edging higher for certain items.

# Europe

## Hardwood logs

### Limited harvest

The main harvesting season for Western European hardwood logs ended in late March/early April. Overall levels of beech log harvesting in both France and Germany were well down on previous years. This was partly due to continuing weak demand, both within the EU and overseas. Beech harvests in France were tightly controlled to allow recovery following the storms of December 1999. Towards the end of the season there was a minor increase in demand for beech logs from China. However overall levels of beech logs shipped to China during the last season were down on previous years. Although beech still maintains an important share of China's interior joinery sector, it's dominance has been eroded by a wide range of alternative hardwood species. Chinese importers are also taking larger volumes of beech from East Europe. Western European demand for oak sawing and veneer logs has been in excess of supply this year. A big fall in French oak harvests has encouraged French cask manufacturers and sawmillers to buy larger quantities of German logs. Western European demand for oak logs has also been encouraged by the shift away from beech in the veneer and sawmilling sector. Western European oak log prices were tending to rise in the spring.

## Hardwood sawn lumber

### Dire trading conditions

Trading conditions in the Western European hardwood sawmilling sector are still very depressed. Margins continue to be eroded as market demand is very weak, while log prices and shipping costs have been rising. Many western European sawmills have had difficulty competing with cask manufacturers to obtain good quality oak logs. Many mills appear to be close to bankruptcy.

Beech sawn lumber production has been much reduced in western Europe this year. There are reports of a marginal improvement in export demand for beech sawn lumber in China and Spain beginning in April. However overall demand for beech sawn lumber is at least as depressed as last year. China is progressively shifting away from beech sawn lumber imports in favour of log imports. In addition to weak domestic demand in central and northern Europe, the strength of the euro has contributed

to slowing exports to the UK, North Africa, North America and Middle East.

Demand for western European oak sawn lumber is slightly better. However it is down on last years levels. Since many mills have switched away from processing beech in favour of oak, there is rising concern of possible over-supply in the European oak sawn lumber sector.

European oak sawn lumber producers are now seeking to diversify markets. For example, during the last 12 months China has begun to import European oak. Unlike European beech which is destined to supply China's domestic market, European oak is being supplied to Chinese furniture companies manufacturing product for export to North America, Europe, and Japan.

### Good UK consumption

In the UK, consumption of European sawn lumber is quite good, particularly for square edged oak lumber. However the strengthening euro-sterling exchange rate is deterring importers from entering the forward market. The number of suppliers of square edged European oak to the UK - both in Eastern and Western Europe - has increased rapidly over recent months. These mills are also offering a wider range of grades at variable prices. In order to boost sales in the UK, a number of German mills now offer square edged oak as well as the usual waney edged lumber. Supplies of square edged oak sawn lumber from Eastern Europe are generally rising, although infra-structure problems mean that this trend is occurring only slowly.

UK prices for the very best Eastern European square edged oak from Croatia or Slovenia is on offer in the UK for a minimum of around 1000 euros/m<sup>3</sup> for 26mm and 1450 euros/m<sup>3</sup> for 50mm (kiln dried, C&F UK port). Although lower prices are being quoted, shippers now tend to adjust downwards the grade of wood supplied to reflect the price.

Difficult trading conditions for beech sawn lumber are reflected in a very wide spread of prices on offer to UK buyers. European beech sawn lumber is on offer in the UK at anywhere between 670 euros/m<sup>3</sup> and 750 euros/m<sup>3</sup> (C&F UK port, kiln dried, steamed, square edged) for 26mm, and between 700 euros/m<sup>3</sup> and 780 euros/m<sup>3</sup> for 50 mm. Prices for large orders will be nearer the bottom end of the range, while prices for mixed trailer loads will be nearer the top end of the range.



# Europe

## Plywood

The euro value of E.U. imports of tropical hardwood plywood fell by over 10% during 2002. Sluggish European consumption led to very low levels of import during the first three quarters of the year. But there was an upturn in imports in the last quarter of 2002 as importers took steps to replenish depleted stocks at a time when forward prices were beginning to firm. The price rises – which were soon reversed – were in expectation of declining availability of Indonesian plywood during 2003 in response to an increase in Brazilian production during the second half of 2002, contributed to a shift in EU imports away from Indonesian products in favour of Brazilian products during 2002. The value of E.U. imports of Chinese tropical hardwood plywood increased from 10 million euro in 2001 to 25 million euro in 2002.

The value of E.U. imports of temperate hardwood plywood – mainly of birch – remained fairly static during 2002. Russian birch plywood gained market share at the expense of the Latvian product.

## Hardwood profiles

The overall value of E.U. imports of “profiled hardwood” remained static during 2002. However the overall figure is likely to mask some potentially significant shifts in trade. The range of products covered under this category is very wide - including unassembled strips and friezes for parquet flooring and other wood “continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces” The import data indicates a signifi-

# Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		7-Mar	7-Apr	9-May	7-Mar	7-Apr	9-May	7-Mar	7-Apr	9-May
Argentina	Peso	5.1109	4.5504	4.4145	3.1850	2.9150	2.7550	3.5163	3.1190	3.1651
Australia	Aus. \$	2.6103	2.6002	2.4878	1.6267	1.6657	1.5526	1.7959	1.7823	1.7837
Bangladesh	Taka	93.3936	90.8531	93.0966	58.2000	58.1999	58.1000	64.2557	62.2740	66.7483
Belize	B\$	3.1613	3.0753	3.1566	1.9700	1.9700	1.9700	2.1750	2.1079	2.2632
Bolivia	Boliviano	12.1845	11.864	12.1927	7.5805	7.6000	7.6003	8.3893	8.1320	8.7419
Botswana	Pula	8.2781	8.0695	7.7241	5.1587	5.1693	4.8205	5.6954	5.5311	5.5380
Brazil	Real	5.6261	5.0422	4.6163	3.5060	3.2300	2.8810	3.8708	3.4561	3.3098
Canada	Canadian \$	2.352	2.3015	2.2281	1.4657	1.4743	1.3905	1.6182	1.5775	1.5975
Chile	Peso	1212.030	1125.910	1113.390	755.299	721.251	694.848	833.888	771.739	798.277
China	Yuan	13.2826	12.9208	13.2623	8.2773	8.2770	8.2768	9.1386	8.8564	9.5088
Czech Republic	Koruna	46.2094	46.3719	43.8856	28.7962	29.7055	27.3883	31.7925	31.7850	31.4650
Denmark	Krone	10.7924	10.8348	10.3556	6.7255	6.9407	6.4628	7.4253	7.4266	7.4247
Estonia	Kroon	22.7374	22.8261	21.8236	14.1692	14.6223	13.6197	15.6435	15.6458	15.6471
Euro-zone (1)	Euro	1.4534	1.459	1.3947	0.9057	0.9346	0.8704	1.0000	1.0000	1.0000
Fr. Africa (2)	CFA Fr.	953.41	956.99	914.89	594.14	613.04	570.97	655.97	655.97	655.97
Ghana	Cedi	13383.20	13112.80	13836.30	8339.99	8389.98	8635.00	9207.77	8987.99	9920.33
Guyana	Guyanese \$	287.242	279.428	286.821	179.000	179.000	179.000	197.625	191.530	205.845
Hong Kong	HK\$	12.5148	12.1753	12.4968	7.7988	7.7994	7.7990	8.6103	8.3454	8.9599
India	Rupee	76.4639	73.9938	75.5989	47.6499	47.4000	47.1800	52.6079	50.7180	54.2028
Indonesia	Rupiah	14257.8	13881.6	13716.1	8885.0	8892.5	8560.0	9809.5	9514.9	9834.1
Japan	Yen	186.924	187.459	187.819	116.485	120.085	117.215	128.605	128.491	134.662
Kenya	K. Shilling	122.519	118.562	112.004	76.350	75.950	69.900	84.294	81.267	80.304
Korea South	Won	1955.81	1963.72	1925.22	1218.80	1257.95	1201.50	1345.62	1346.00	1380.34
Liberia	Liberian \$	1.6047	1.5611	1.6023	1.0000	1.0000	1.0000	1.1040	1.0700	1.1488
Malaysia	Ringgit	6.0979	5.932	6.0889	3.8000	3.8000	3.8000	4.1954	4.0660	4.3656
Myanmar	Kyat	10.0248	9.6804	9.9365	6.2471	6.2012	6.2012	6.8972	6.6353	7.1243
New Zealand	NZ\$	2.848	2.8826	2.7749	1.775	1.847	1.732	1.959	1.976	1.990
Nigeria	Naira	206.605	203.405	208.386	128.750	130.300	130.050	142.146	139.421	149.408
Papua NG	Kina	5.7213	5.7821	5.7747	3.5653	3.7040	3.6039	3.9363	3.9633	4.1403
Philippines	Peso	87.9456	83.0869	83.843	54.8049	53.2249	52.3250	60.5074	56.9508	60.1136
Poland	Zloty	6.2863	6.3586	6.0301	3.9174	4.0733	3.7633	4.3250	4.3584	4.3235
Romania	Leu	52458.5	53122.5	52308.7	32690.9	34029.9	32645.0	36091.9	36412.1	37504.2
Russia	Rouble	50.6303	48.8238	49.8267	31.5512	31.2762	31.0960	34.8341	33.4656	35.7247
Singapore	Singapore \$	2.784	2.7719	2.7912	1.735	1.776	1.742	1.915	1.900	2.001
Solomon Is.	Solmn. Is. \$	11.922	11.6497	11.8719	7.429	7.463	7.409	8.202	7.985	8.512
South Africa	Rand	12.7293	12.4319	11.575	7.9325	7.9638	7.2238	8.7579	8.5213	8.2990
Sweden	Krona	13.3981	13.4177	12.7926	8.3493	8.5953	7.9836	9.2180	9.1970	9.1720
Taiwan	\$	55.5787	54.355	55.6816	34.6349	34.8195	34.7500	38.2387	37.2569	39.9225
Tanzania	Shilling	1668.09	1605.54	1653.63	1039.50	1028.50	1032.00	1147.66	1100.49	1185.62
Thailand	Baht	68.1838	67.2267	68.18	42.49	43.065	42.55	46.9111	46.0796	48.8836
Uganda	New Shilling	3103.49	3079.17	3202.30	1934.00	1972.50	1998.50	2135.23	2110.57	2295.98
United Kingdom	£	1.0000	1.0000	1.0000	0.6232	0.6406	0.6241	0.6880	0.6854	0.7170
U.S.A.	US \$	1.6047	1.5611	1.6023	1.0000	1.0000	1.0000	1.1040	1.0700	1.1488
Venezuela	Bolivar	2564.310	2494.560	2560.560	1597.997	1597.999	1598.003	1764.270	1709.861	1835.867
Vietnam	Dong	24763.7	24122.9	24779.5	15432.0	15453.0	15644.5	17037.7	16534.7	17766.4
Zimbabwe	\$	1322.27	1286.31	1320.34	824.00	824.00	824.00	909.73	881.68	946.66

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

cant fall in the value of E.U. imports of these products from Indonesia and Malaysia, traditionally the main supplying countries. This seems partly to reflect rising competition from China which is increasing its supply of these products to the E.U. Poland is also becoming a more significant supplier to the E.U.

## Further processed products

The trend towards increased E.U. imports of semi-finished and finished wood products continued strongly during 2002. The euro value of E.U. imports of doors, windows, and wood furniture increased by 15%, 5% and 6% respectively. Poland has become

an increasingly important supplier of wooden windows and components to central Europe, notably Germany. In the door sector, South African producers have focused marketing efforts heavily on the United Kingdom, evidently with some success. Wood furniture manufacturers in Poland and Romania continued to extend market share in the E.U. during 2002. There was also a very sharp increase in the value of E.U. imports of wooden furniture from China during 2002, with much destined for the United Kingdom. However the value of wood furniture imports from the other leading Asian supplying countries – Indonesia and Malaysia - remained static.

# Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2003</b>				
23-27 May	Interzum 2003	Cologne, Germany	Furniture, interiors	www.sleepproducts.org/interzum
26-30 May	Ligna Plus 2003	Hanover, Germany	Timber trade & industry	www.ligna.de
26 May-6 Jun	3rd Session of the United Nations Forum on Forests	Geneva, Switzerland	Government, trade associations, NGOs	unff@un.org www.un.org/esa/sustdev/forests.htm
31 Aug -2 Sept	SPOGA/GAFA Fair	Cologne, Germany	Outdoor furniture & timber products	
21-28 Sep	XII World Forestry Congress	Quebec, Canada	Forestry	www.wfc2003.org
21-24 Oct	Wood-Tech 2003	Brno, Czech Republic	Timber industry	Tel: +420 541 15 32 72 emibmo@bw.cz
23-24 Oct	AHEC Europe Convention	Hamburg, Germany	Timber industry	www.ahec-europe.org Tel +44 (0) 207 6264111
3-8 Nov	BATIMAT Fair	Paris, France	Building material suppliers	www.batimat.com/2003date.htm
12-15 Nov	MADERALIA Fair	Valencia, Spain	Woodworking and wood supplies	http://maderalia.feriavalencia.com/index.jsp
1-2 Dec	AHEC Greater China/SE Asia Convention	Ho Chi Minh City Vietnam	Timber industry	www.ahec.org

### **African log supply problems**

African tropical log producers are having to cope with rising costs associated with progressive increases in harvesting controls and taxes. Political events are also placing significant restrictions on African log supply. However international demand for African hardwood logs remains very sluggish. FOB prices for most species of African tropical log remain static. African tropical sawmills are busy satisfying a backlog of forward orders, but many are suffering from log supply problems. Shortages of certain species affected by the political crises in Ivory Coast – notably iroko and framire – have led to firming FOB prices for these species. However FOB prices for sawn lumber of most other species of sawn lumber have remained static. Underlying consumption of African sawn lumber in Europe is still depressed. **Pages 2,3,4**

### **Liberian timber sanctions**

Hoping to stem fighting in West Africa, the U.N. Security Council voted unanimously on 6 May to impose a new ban on timber exports. **Editorial page 2, page 3**

### **Malaysian stocks limited**

Malaysian shippers are carrying only limited stocks to supply the European market. The number of spontaneous offers to European buyers from Malaysian mills has tended to fall over recent months. Nevertheless consumption of meranti is so low in the major European markets that even existing stocks of meranti in the common European specifications may be in excess of current demand. **Pages 4, 5**

### **Malaysia extends log import ban**

The Malaysian government has announced that the existing ban on imports of Indonesian round logs will be extended to include squared logs. **Page 6**

### **China's potential and challenges**

The diversity of potential outlets for hardwood in China is very wide and is expanding. However supplying China is very demanding. Hardwood suppliers in all areas of the world have identified the country as the world's leading growth market, and are

desperately seeking to expand market share. Chinese manufacturers have very precise requirements for colour and quality, but are very focused on ensuring low cost. There is little loyalty to individual suppliers. Domestic market fashions change fairly rapidly, with immense implications for hardwood trade flows. On the other hand, Chinese manufacturers are very open to trying new species if these match their quality expectations. **Page 5**

### **Indonesian log supply problems**

A report of a recent visit to Indonesia by the UK Timber Trade Federation provides an insight into the current problems of log supply in the country. **Page 5**

### **EU imports decline during 2002**

During 2002, there was an almost universal decline in European Union imports of hardwood primary products - including logs, lumber, veneers, and plywood. Meanwhile imports of further processed products – including wooden windows and doors and wooden furniture – continued to rise. There was significant growth in EU imports of a range of hardwood products from Eastern Europe and China. These are the main conclusions of hardwoodmarkets.com own analysis of EU wide value of import data derived from Eurostat **Pages 1, 10,11**

### **American log supplies**

Throughout the U.S., there is much competition for available logs. Margins in the sawmilling sector are tight as gains in lumber prices this year are being off-set by higher prices for logs. Reports on log decks vary considerably across the country. Although yards in some areas have been able to build log inventory over recent weeks, others are still reporting that they are running hand-to-mouth. **Page 7**

### **U.S. domestic demand still good**

Economic data emerging for the U.S. is mixed. But for now, most reports indicate continuing good domestic demand for American hardwoods. Some lumber suppliers report they are currently oversold in various species and grades. Activity in residential construction end-use sectors of relevance to

hardwoods has remained good. **Page 7**

### **Continuing shift in U.S. exports**

The most recently available U.S. hardwood trade data – to end February 2003 – indicates that overall levels of export were running at similar levels to last year during this period. A sharp fall in exports to western Europe was offset by a big increase in exports to China and by improved demand in Mexico and Canada. **Pages 7, 8**

### **U.S. export trade highly competitive**

The American hardwood export trade continues to be intensely competitive. Economic conditions continue to be sluggish in many key markets, and there is much resistance to higher prices. But there are signs of improving sales. **Page 8**

### **EU oak log demand exceeds supply**

Demand for European oak logs has been in excess of supply this year. This is due to French restrictions on harvesting, good demand from the cask sector, and a switch by mills away from processing beech in favour of oak. Chinese demand for European beech logs has picked up a little this year, but is well down on previous years. Beech log demand has remained depressed elsewhere. **Page 9**

### **Depressed EU sawn lumber industry**

Trading conditions in the Western European hardwood sawmilling sector are very depressed. Margins continue to be eroded as market demand is very weak, while log prices and shipping costs have been rising. Many western European sawmills have had difficulty competing with cask manufacturers to obtain good quality oak logs. Many mills appear to be close to bankruptcy. **Page 9**

### **Forest certification news**

Data on the current area of independently certified forests highlights the huge dominance of certified forest area in Western Europe and North America. In other certification news, a new high profile study on market demand for certified products shows that there is growing market recognition and acceptance of non-FSC certification schemes. **Page 6**