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Contents

Indonesia	1/4
Editorial -	2
African hardwood sawn.	2/3
African hardwood logs	3
Liberia	3
Malaysian sawn lumber	4
SE Asian logs	4/5
ITTO Indonesia Mission	5
S. American mahogany sawn lumber	5
N. American walnut	6
N. American domestic demand	6/7
N. American hardwood production	7
N. American hardwood export markets. .	7/8
N. American hardwood species notes.	8
European hardwood logs.	8/9
Western European beech trade.	9
European hardwood sawn lumber	10
United Kingdom hardwood import trade. .	10
German hardwood import trade	10/12
UN Timber Committee Meeting.	12/13
ATIBT Forum	
Tropical forestry	13/14
Tropical timbers.	14/15
Profile: CEI-Bois, Europe.	15
Hardwood Events	15
News summary	16

Statistics in this issue

■ Western European beech trade.	9
Direction of trade by value	
Logs and sawn lumber	
Jan-Jun, 2000 and 2001	
■ Germany, UK, Imports of hardwood	
primary and secondary wood	
products.	11
Value by source country	
Jan-Jun, 2000 & 2001	

Indonesia's uncertain future

Once again, the Indonesian forest sector is in the news. In our Asian log market report (page 4), we comment on the implications of Indonesia's decision to reintroduce a ban on the export of logs. Meanwhile the International Tropical Timber Organisation have just released a report following a wide-ranging expert mission to the country (page 5). In the article below, we look at the process of forestry reform in Indonesia and consider some of the implications for the nation's plywood sector.

Indonesia's forest sector is in a state of uncertainty as it undergoes a wide ranging reform process and as the long term future of the sector is threatened by widespread illegal logging, according to a recent article in Indonesian Business (see www.IBonWEB.com).

Recent reform in Indonesia has led to decentralisation of forest control from central to regional authorities. Although intended as a measure to ensure that local communities receive more of the benefits from forest exploitation, the move has gone hand-in-hand with power abuses by regional administrators in the issue of and transactions involving forestry concessions. This has contributed to instability in the supply of logs to the mills, particularly from outlying regions such as Irian Jaya and Aceh. One impact of the reform process has been to considerably reduce the number of concessionaires and the area of concessions. The number of forest concessions held in Indonesia has dropped from 569 covering a total area of 61.1 million hectares in 1999, to only 356 covering 41.8 million hectares this year. In large part the decrease in concession area reflects the fact that the availability of harvestable stands in Indonesia has diminished markedly over recent years. With the aid of satellite imagery, Indonesia's forestry ministry has produced maps for the islands of Kalimantan, Sulawesi and Sumatra that show intact forest cover loss in the past

12 years to be more than 17 million hectares. This is a quarter of the forest cover that existed on those islands in 1985.

The remaining concessionaires now face major operational difficulties due to social friction, widespread timber looting and regulatory uncertainty. Meanwhile the area made formally available by the Indonesian authorities for harvesting this year is 35% down on the average over the last decade. The dwindling resource is drawing the logging front into increasingly remote areas, pushing up harvesting and logging costs.

Plywood sector struggles

Recent reports from the plywood sector, which dominates wood processing in Indonesia, indicate that manufacturers have been able to secure – for the time being – sufficient quantities of logs to satisfy the subdued levels of demand that have prevailed this year. But longer term prospects do not look good.

The chairman of the Indonesian Association of Wood Panel Producers (Apkindo) Abbas Adhar has said that plywood firms have satisfied their short term needs by finding other sources of logs from small-scale timber estates in the areas surrounding their industrial bases. Abbas notes that nationwide the plywood industry needs around 16 million cubic meters of logs annually to produce an average of 8 million cubic meters of plywood per year. Plywood production during 2000 reached 7.2 million

Continued page 4

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Editorial

Trade constraints back in fashion

Three stories catch the eye in this month's issue. First there is the news that Indonesia has announced that it will reintroduce a ban on the export of logs as a measure to tackle widespread illegal logging. This measure alone, if successfully implemented, is likely to have major repercussions for the tropical log market.

This news takes on added significance when it is considered alongside another event in October. There now seems to be growing pressure within the UN to seek to impose stronger sanctions against the Liberian timber industry, including a possible ban on log exports during 2002, in response to its role as financier of the arms trade with revolutionary forces in neighbouring Sierra Leone (see page 3). So it is possible that next year, the international tropical log market will see the effective removal of two significant supplying countries.

Meanwhile the mahogany lumber trade has once again been plunged into uncertainty following the Brazilian government's announcement that it has suspended all transport and business in mahogany for an unspecified period (see page 5). The mahogany industry has been so diminished over the last decade, that this event may have only little impact on the overall volume of trade in tropical sawn lumber.

More important now is the symbolism attached to this measure. Mahogany is regarded by the wider public to be almost

synonymous with tropical timber, a point not lost on Greenpeace who have widely publicised the announcement as a "success" in their campaign to place a global moratorium on logging in "ancient" forests. There is of course a common theme running through these three stories. Each involves recourse to restraints on the international timber trade as a means of tackling complex social and environmental problems. It would be wrong to suggest that timber trade restraints are never justified. Such restrictions may be appropriate if carefully targeted, if there is clear evidence of a direct link between the trade and a specific social or environmental problem, and if adequate consideration is given to the inevitable negative consequences (including the under-valuation of forest resources, falling domestic log prices, the loss of jobs and declining incomes).

But it is important to emphasise again and again that measures simply to restrain the timber trade are generally a blunt policy instrument and an ineffective response to wider concerns such as corruption, forest destruction and warmongering. Even worse, trade restraining measures are an easy option for policy makers, which may be used as a cover to avoid implementing more difficult direct measures to tackle these problems.

Rupert Oliver
Editor

Africa

African sawn lumber Prices holding steady

■ **Overview:** prices for most commercially significant species are holding reasonably steady despite weakening demand. Inventories both in Africa and Europe are being kept at low levels and are more-or-less in balance with current weak demand. There was a brief upturn in European forward orders immediately after the summer vacation, but this proved short-lived, and the autumn months have been slower than last year. Increased government controls on logging throughout Cameroon and West Africa have contributed to delayed shipments. Trading conditions for many African producers are difficult as margins are squeezed between weak demand for sawn lumber and reasonably firm log prices as harvesting, notably in Cameroon and Ghana, is well down on previous years. The Central African Republic is emerging as a

more significant exporter of sawn lumber, notably of sapele, ayous, sipo and iroko, through Douala port in the Cameroon.

■ **Sapele:** there are some reports of price weakness due to slow demand. In Northern Europe this may also partly reflect continuing price weakness for Asian meranti. Stocks of sapele in the UK are not high and demand from UK manufacturers remains reasonably steady. Most UK buyers have remained shy of the forward market and there is quite a lot of cross trading, with many buyers filling gaps in inventory from stocks on the continent. However there have been occasional reports of UK trading companies making speculative forward purchases of sapele in anticipation of better demand next year. In Southern Europe, the Spanish market is suffering from over-supply and buying has slowed since the start of the year.

■ **Iroko:** Demand in Ireland has been subdued after heavy arrivals during the first

African indicative prices

	Aug	Sept	Oct
Exchange rates			
US\$/£	1.45	1.47	1.46
Fr.F/£	10.39	10.59	10.62

Logs

Liberia

US\$/m3, FOB Liberia
Grade: B+ & better (good UK sawing quality)
All diameters 60 cm+

A. mahogany	190	190	190
Walnut	190	190	190
Iroko	270	270	270
Kusia (Opepe)	120	120	120

Sawn lumber

Cameroon, CAR, Congo (Braz.)

Fr. Francs/m3, FOB
Grade and size: FAS, air dried, width 6"+, length 6'+

Sapele	3500	3500	3400
Sipo	4400	4400	4400
Bibolo	2600	2600	2600
N'Gollon	3500	3500	3500
Afrormosia	5600	5600	5600
Iroko	3600	3550	3550

Cote d'Ivoire

Fr. Francs/m3, FOB Abidjan
Grade: FAS, air dried
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"

Iroko	3400	3400	3400
Mahogany	2750	2750	2750
Framire	2150	2150	2150
Samba No.1 C&S	1540	1540	1540

Dimension stock

Azobe	2600/ 3000	2600/ 3000	2600/ 3000
Dabema	1950/ 2550	1950/ 2550	1950/ 2550

Gabon

Fr. Francs/m3, FOB
Grade and size: FAS, width 6"+, length 6'+

Okoume AD	2250	2250	2250
Okoume KD	2500	2500	2500

quarter of the year. Forward buying is limited to small orders for specific sizes to cover occasional gaps in stock. The UK is buying small volumes on a steady basis. Demand in Spain has been reasonably buoyant during the Autumn, with some reports of supply short-falls. Prices in Spain have been very variable over recent weeks.

■ **Sipo/utile:** prices remain stable, bolstered by limited supplies and stable demand, notably in Spain.

■ **Wawa:** demand and prices in the UK have remained steady. UK buyers tend to focus on wawa stock from the Kumasi region of Ghana which is favoured for its brighter more consistent colour. Demand in Germany, mainly for wawa of lower quality from Takoradi, is off due to weakness in the German construction sector. There are reports of steady demand for wawa in South Africa, while orders from the Far East were picking up at the end of October.

■ **Framire:** the Spanish market continues to

buy steadily. There also continues to be good demand for framire in the UK as a cheap iroko substitute.

■ **Okoume:** sawmillers in Gabon are seeking to expand sales of okoume sawn lumber in Europe, but buyers remain reluctant.

African log markets

Slow second half

Prices for high quality logs of most African species remain reasonably steady despite weakening market prospects. Prices for some species, including iroko, padouk, azobe (ekki), and doussie were boosted for a short period in August as some European importers took steps to fill gaps in depleted stocks, but this trend was not sustained into the autumn. Prices returned to their previous levels. The cooling global economic climate has meant that export markets for African logs have been subdued in both Europe and the Far East during the second half of 2001. Demand for African logs from the Far Eastern plywood industry is particularly weak. It remains to be seen whether Indonesia's efforts to reintroduce a log export ban will be effective, and if so, whether it will boost demand in the Far East for alternative African logs.

Throughout Europe, demand for African logs is weaker than last year. Portuguese demand for iroko logs is well down, which may lead to some softness in prices for this species over coming months. France is showing only moderate demand for their favoured species and prices are stable. The German market is still slow due to weakness in the construction sector. The Dutch market for African logs is now very slow.

Supplies from CAR and Congo

On the supply side, there is steady flow of sapele logs, with smaller volumes of sipo and khaya, being exported from Congo Brazzaville and the Central African Republic via the Cameroon port of Douala.

Sapele log prices remain reasonably stable, although there are reports that sapele is coming under competitive pressure on export markets from Liberian niangon, which is more widely available at lower prices.

Domestic log prices in Cameroon have remained firm as the government has taken steps to boost value added industries and to constrain production. New government controls on logging have meant that many domestic mills, particularly smaller operators, are being deprived of logs. Some mills are being forced to consider purchasing logs from neighboring Congo despite high transport costs.

Stocks of okoume logs in Gabon, which were

high earlier in the year due to the weakness of the Asian and European plywood sectors, have been falling. SNBG, the state run log marketing organisation, has cut-back on purchases and harvesting levels in Gabon have been curtailed. Availability of okoume logs from Equatorial Guinea has increased this year.

Liberia

UN Panel recommends ban on log exports

An independent five-member panel dealing with sanctions against Liberia recommended in October that the UN Security Council extend the arms embargo and rough diamond sanctions on the country, a UN statement said. In a report released at the UN headquarters, the panel said that despite some progress, "a steady flow of new weapons had continued to enter into Liberia in violation of UN sanctions".

According to the panel report, timber production "had also been a source of revenue for sanctions-busting". It recommended that the UN impose a ban on all round log exports from Liberia starting from July 2002 and "strongly encouraged local operators to diversify into wood processing before that date". It also proposed that the Liberian Government should reach agreement with the IMF over commissioning of an independent detailed report on revenue from the timber concessions for the January 2001-July 2002 period.

According to the UN statement, evidence provided by the Expert Panel "shows that extra-budgetary income and arms trade in the region is largely dependent on the Liberian timber industry". This evidence showed that taxes from logging companies that should be going towards the national budget are diverted elsewhere. The expert panel report also documents that several logging companies and individuals are directly involved in sanctions-busting activities – it claims that companies involved in the arms trade produced approximately 86% of total timber production in the first six months of 2000.

UN Secretary-General Kofi Annan appointed the panel of experts in March 2001. Their mandate was, among other things, to investigate violations of the arms embargo and to collect information on the compliance by the government with the demands to cease all direct and indirect import of Sierra Leone rough diamonds and to expel all members of the Revolutionary United Front (RUF) from Liberia.

Indonesia Cont. from page 1

cubic meters and, according to Abbas, "this year will not be much different from last." The Indonesian plywood industry also complains that supplies to their industry were severely disrupted following the Indonesian government's move in 1998, under pressure from the IMF, to reduce the 200% export levy on logs to only 10%. This prompted a massive increase in log exports as concessionaires sought hard currency. Officially this hole has been plugged with reintroduction of the log export ban on 8 October 2001.

Despite this rare piece of good news, the prospects for Indonesia's plywood industry are far from promising. Resource constraints have pushed up the cost of logs and have forced the use of meranti trees of steadily diminishing diameter, as well as other species that are less easy to dry. Indonesia's plywood sector is desperately in need of investment as processing plants, many of which are now 15 to 20 years old, are wearing out and are ill-equipped to handle these types of timber. And plywood is under competitive pressure from other products. Thin MDF is a growing competitor in the thin plywood market. Structural plywood can be replaced with OSB manufactured from small plantation trees.

Although there is a large scale plantation program underway in Indonesia, it will take many years of development, and significant resources, to build a sustainable plantation resource to supply Indonesia's wood processing industry.

Malaysian sawn lumber Dutch market depressed

Market conditions in the leading Dutch market remain very depressed. A brief pick up in forward demand at the end of the summer vacation ground to a halt in September. The tragic events of September 11th in the United States, which undermined confidence, were a contributory factor. However, the Dutch market has been weak all year following over-buying last year. In late September, a price war began in the Netherlands as new shipments arrived from the Far East just when confidence began to ebb. Meranti Bukit was dumped onto the Dutch market at prices well below the prevailing market rate. As a result forward demand ground to a halt as importers adopted a wait and see attitude. However, by the end of October, reports were emerging that dumping of meranti on the Dutch market had ceased.

In the UK market for dark red meranti, which was badly affected by over-stocking earlier in 2001, there now seems to be a better balance between supply and demand. After the problems experienced in the meranti market over the last two years, and due to a partial switch to African sapele, there now seem to be fewer companies actively involved in the UK meranti trade. UK importers remain cautious of the forward market for meranti, waiting for more consistent signals that prices are rising. Nevertheless, UK manufacturers are now reported to be buying steadily at low, but reasonably stable, prices.

Discounted forward prices

Although major production curtailments have meant that meranti supplies in Malaysia are well down on previous years, some producers were offering meranti sales at discounted forward prices in early October in a desperate attempt to attract business and maintain cash flow. However, by the end of October, producers seemed more reluctant to offer discounted prices for most specifications as they anticipate future log shortages. One exception seems to be one inch sawn lumber, for which forward prices remain weak in early November, perhaps reflecting more abundant stocks in

Malaysia. Merbau prices have remained more stable.

In a situation of very low production and weak demand, it is very difficult to predict future price movements. If forward demand remains subdued for a lengthy period, then prices may slide once again. However even a small pick-up in demand may rapidly translate into price rises due to supply short-falls, particularly with the Ramadan holiday season starting on 17 November and the monsoon season just around the corner.

Demand for Malaysian lumber in Japan has been slow this year. The *Japan Lumber Journal* notes that imports of southsea lumber to Japan between January and July reached 528,000 m³, 9.4% down on the same period in 2000. In part the fall reflects serious short-falls in supply of higher grade white seraya lumber due to limited log availability in Sabah. Log availability in Sabah is so restricted that sawmills have been trying to supplement supplies with logs from Indonesia and Sarawak. They have had only limited success as Sarawak production is well down on previous years, while Indonesia is seeking to restrict log exports. While demand has been slow, prices for white seraya to Japanese buyers have firmed slightly in response to restricted supply.

SE Asian logs

Indonesia reintroduces log export ban

The main news from the Asian log market is the announcement by the Indonesian authorities of their intention to reintroduce a ban on log exports. The ban took effect on 8 October after a meeting between Dr. B.C.Y. Freezailah, who was leading an ITTO mission to Indonesia, and the Minister of Forestry, Dr. Prakoso. The ban will continue indefinitely, although it will be kept under review. The log ban is designed to help reduce the level of illegal logging in Indonesia, and to ease the severe log supply problems of Indonesia's plywood industry. If the log ban is effective, it will inevitably have a significant impact on southsea log markets. Official figures from Chinese customs indicate that Indonesia was the third largest supplier of tropical logs to China last year (after Malaysia and Gabon) supplying around 563,000 m³ – although log smuggling may mean that the actual volume was significantly higher. Indonesia has also acted as a significant source of supplementary log supplies to Malaysian mills.

The market for southsea logs in Japan remains very weak due to slow underlying

Asian Sawn Lumber Indicative Prices			
	Aug	Sept	Oct
Exchange rates:			
M\$/£	5.50	5.58	5.56
US\$/£	1.45	1.47	1.46
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 7/8"; Length: 8'+ avg 12'/14'			
1"	680	700	660
2"	690	710	700
2.5"	710	730	730
3"	730	760	745
Keruing			
Grade: Standard & Better GMS			
Size: Random or fixed 16'+			
1"-3"	520	520	510
Kapur			
Grade: Standard & Better GMS			
Size: Width 6"+, avg 7"-8"; Length 16'+			
1"-3" plnd	535	535	525
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6"+ avg 8", Length 6'+ avg 8'			
1"	2850/ 3500	2850/ 3500	2850 3500
<i>Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.</i>			

Asia

demand for plywood and lumber. Consumption of southsea logs in Japan is also in long term decline as Japanese plywood mills have transferred to softwood logs, and as Japanese plywood manufacturers and sawmillers have come under pressure from cheaper imports. While Japanese domestic plywood production this year is well down on previous years, Japan's imports of plywood are equivalent to last year. A further indication of weakness in Japan's domestic plywood industry came with the closure in September of one of Tokyo's leading tropical hardwood plywood mills. The company, which was established in 1946, had produced 10,000 m3 of thin and medium thick lauan plywood every month and registered sales of 6 billion yen at its peak in 1996. Despite slow buying, prices for most species of southsea logs in Japan have been holding steady. Prices are being propped up by a 20% to 30% reduction in harvesting in Sarawak, the major source of southsea logs. However prices for Papua New Guinea logs have suffered a decline as demand in Japan for these species is particularly subdued.

Mission highlights over-capacity in plywood sector

Overcapacity in Indonesia's plywood processing sector is so severe that demand for logs to feed the mills is now more than double the annual allowable cut from natural forests. This is one of the conclusions of a new report issued by the International Tropical Timber Organisation (ITTO) following a recent expert mission to the country. The report also highlighted that the conversion efficiency of most processing facilities in Indonesia is low compared to world standards, reducing the ability of such facilities to compete in the world market now that they are "no longer protected from market forces". This situation has created a strong demand for illegal timber, which, unless corrected, will ultimately "lead to both destruction of the forests and collapse of the industries". The mission, which was authorized by the International Tropical Timber Council in November 2000, reported on a wide range

of issues relevant to forest management in Indonesia. These included ways of minimizing illegal logging and proposals to restructure the forest industry. It found that the most devastating form of illegal logging was that driven by those wanting to convert forest into mainly oil-palm plantations, causing the total destruction of forest biodiversity. Although illegal, the Mission reported, there is often "an implied or misplaced acceptance of the legality of such conversions". Another form of illegal logging is direct timber theft for commercial purposes, which is often conducted "with the backing of rogue elements of the enforcement apparatus (army, navy, police and forestry officials)". The Mission recommended a wide range of measures to improve forest sector regulation in Indonesia. For a copy of the Mission report: Mr. Collins Ahadome, ITTO Information Officer, at itto@itto.or.jp

South America

Mahogany

IBAMA announce suspension of Brazilian mahogany trade

The mahogany sawn lumber market has once again been plunged into uncertainty with the Brazilian government's announcement on 22 October 2001 that it would suspend all transport and business in mahogany for an unspecified period of time. The reason cited in the government statement is that illegal logging - detected during inspections by land, sea and air - is alleged to have taken place in indigenous areas. The suspension will be in place until such time as IBAMA has rechecked stocks at logging sites, sawmills, exporters yards and other commercial installations. The IBAMA announcement coincides with another Greenpeace campaign to halt the trade in all uncertified Brazilian mahogany. The suspension was proclaimed by the environmental group as an outcome of their investigations into corruption in the trade. Greenpeace has simultaneously heightened their campaigns to discredit the mahogany trade in export markets. Mahogany traders find it hard to hide their frustration. UK agents note that shipments this year have already been subject to numerous delays due to a late start to the logging season, the very high level of

scrutiny already imposed by IBAMA this season, and the very low export quota set at 10,000 m3 for the second half of 2001 (which has already been used up).

Mixed reactions

Views differ over the implications of the trade suspension. Some contacts suggest that the terms of this suspension seem more far-reaching than previous IBAMA pronouncements and may reflect a real change in attitude by IBAMA to the long term future of the mahogany trade. However other contacts anticipate that the suspension may be only temporary and that shipments may resume fairly quickly once IBAMA has completed another round of inspections and reallocated the export quota. Certainly Brazil's continuing commitment to the mahogany trade seems evident from their opposition to the listing of *Swietenia macrophylla* under Appendix II of CITES at a recent CITES meeting in Santa Cruz de La Sierra.

Amazonian dry season

This is the dry season in the Amazon region and most mills are working at full capacity. There are reported to be good stocks of mahogany on the ground at Belem which are now awaiting IBAMA clearance for shipment. While new shipments of Brazilian

mahogany sawn lumber were arriving during October, overall supply is still restricted in the United States, now by far the dominant market. New tighter regulations have also meant that mahogany exports from Peru have been more restricted this year. The value of exports of Peruvian wood products to the USA between January and August - the majority comprising mahogany lumber - were down from US\$41.6 million in 2000 to US\$28.9 million this year. Prices for mahogany sawn lumber remain firm.

Brazilian sawn lumber Indicative prices

	Aug	Sept	Oct
Exchange rates			
\$/£	1.45	1.47	1.46
US\$/m3 C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1550	1520	1520
2.5"-3" AD	1570	1540	1540
1"-2" KD	1650	1620	1620
2.5"-3" KD	1670	1640	1640
Virola			
1" KD No.1 C&B			
boards	380	380	380
strips	380	380	380
Cedro			
2" KD	750	725	725
2.5"-3" KD	775	725	725

Walnut revival

This year has seen a strong revival in the fortunes of American Black Walnut (*Juglans nigra*). European imports of American black walnut were up 52% in the first half of this year compared to the same period in 2000. Supplies of European walnut (*Juglans regia*) are limited and nowadays cannot meet the demands of Italian and French manufacturers.

A number of reasons appear to be responsible for the revival. Walnut is finding favour again with designers in joinery projects – as a dark rich-coloured temperate hardwood species. The furniture industry is turning to walnut again for its richness of colour, often used in contrast to other species and perhaps even as an antidote to the light-coloured fashion of recent years. The flooring market is also enjoying a return of fashion to walnut, again frequently as a contrasting hardwood.

Rising demand for walnut panels

Veneer and panel distributors report a noticeable increase in demand for walnut panels, such as backing panels for cabinets, to match the solid wood. The long clear stems of American black walnut tree provide some of the finest material for hardwood veneer in the United States. *Juglans nigra* is generally darker in colour in the heartwood than its European cousin, although colour can vary from region to region in a species so sensitive to soil conditions. It is native to the mid and eastern U.S. – as far west as Kansas – but not the Mississippi valley and delta or the extreme south, and is rare in New England. Much of the veneer quality log production has traditionally come from Indiana, Ohio and Illinois, where the tree has been known to achieve heights of up to 150 feet. Most mature trees on good sites reach 100 to 120 feet, and saw quality logs can be grown in 30 years, especially where they are most abundant, as in Kansas.

Performs well in plantations

Black walnut is normally found scattered throughout the forest, and pure stands are rare unless planted. Being shade intolerant, it lends itself well to plantations, which may be economically viable – given the price it commands domestically and around the world. In recent years grafting and budding techniques of vegetative reproduction have also been quite successful in improving growing stands.

Domestic market

Not all bad news

Most press reports of the U.S. economy over recent months have highlighted the problems. But the news is not all bad.

In the opening days of November, news emerged that the number of US citizens on the dole has hit an 18-year high, and that manufacturing sentiment has dropped to its lowest level since the 1990-91 recession. Meanwhile, personal spending slipped at its fastest pace in 14 years in September, as US consumers reeled from terrorist attacks, and mounting unemployment.

The US Commerce Department said consumer spending fell a seasonally adjusted 1.8 per cent in September after a 0.2 per cent increase in August. The drop was the sharpest since January 1987. For the second straight month income hardly grew, and the savings rate – the amount of after-tax income left unspent – rose to 4.5 per cent, the highest in nearly three years.

GDP shrinks for first time in 8 years

The Department's GDP report showed the US economy shrank for the first time in eight years in the third quarter. However the 0.4 % fall was by no means as bad as some analysts had feared. That report also showed the sharpest drop in US exports and imports in nearly two decades, underscoring twin threats – the stumbling US economy's impact on the global economy, and the impact of global economic weakness on a US recovery.

Even so, investors already appear to be looking past the figures to focus on the possibility of an eventual recovery. Equity prices have risen in part on the belief that more dramatic measures will be taken to resuscitate growth. The Federal Reserve's policy-making open market committee is due to meet in the second week of November to discuss what more, if anything, it should do to arrest this slide. It has already reduced interest rates 4 percentage points to a nine-year low this year and many analysts are expecting another half-point cut. President Bush is pushing for congressional lawmakers to get a fiscal stimulus bill "to my desk before the end of November".

Some good statistics for September

In the aftermath of the terrorist attacks, the appearance of even moderately good economic statistics for the month of September is startling. In fact the housing sector continued to perform well during that month, presumably boosted by low interest rates. U.S. government data indicates that

the seasonally adjusted annual rate for new private housing starts reached 1,574,000 units during September. This is 1.7% higher than the preceding month, and 4.4% higher than in September 2000. Less good were the statistics for building permits for privately owned housing units which reached 1,524,000 units, down 3% on August and 1.6% lower than September 2000.

Cabinet sector still performing well

The continuing strength of the U.S. housing sector has contributed to reasonable performance in the flooring and kitchen cabinet sectors. The National Oak Flooring Manufacturers Association reports solid hardwood flooring shipments reached an estimated 56,137,000 board feet in September 2001, up nearly 4% from the same month last year. Solid hardwood flooring shipments between January and September 2001 reached 432,642,000 board feet, up 1.7% on the same period last year. These figures confirm that the long term trend in the U.S. towards increased use of wood flooring, which began in the early 1980s, has continued into this year.

The U.S. Kitchen Cabinet Manufacturers Association (KCMA) reports an 8.2% increase in cabinet sales for September 2001 over the same month last year. Between January and September 2001, cabinet sales have grown by 5.7% compared to the same period in 2000. KCMA member firms

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

	Aug	Sept	Oct
\$/£	1.45	1.47	1.46
\$/Euro	0.91	0.92	0.90
Red oak			
1"	1850	1800	1800
1.25"	1950	2000	2030
1.5"	2100	2070	2100
2"	2300	2325	2350
White oak			
1"	1550	1575	1450
1.25"	1650	1700	1765
1.5"	2250	2000	2000
2"	2700	2650	2700
Ash			
1"	1200	1050	1150
2"	1475	1475	1475
Tulipwood			
1"	975	975	975
1.25"	1000	1000	1025
1.5"	1075	1025	1080
2"	1125	1195	1125
Cherry			
1"	3620	3620	3685
1.25"	3725	3725	3800
1.5"	3875	3875	3950
2"	4100	4100	4175
Hard Maple			
1"	2375	2350	2400
1.25"	2550	2575	2525
1.5"	2750	2775	2750
2"	2875	2850	2850

North America

represent more than half of the cabinet market.

There are also a few indications that consumer spending on furniture is slowly improving. Fall is traditionally the strongest time of the year for furniture sales. As a result, producers of dimension lumber and components supplying furniture plants may see a slight improvement in trading over the next couple of months. However furniture companies remain cautious and are keeping their lumber inventories low, while overseas furniture manufacturers are also increasingly dominant in the U.S. market. On the other hand, truck flooring sales remain slow as many transport companies have been reluctant to invest in new trucks and trailers. No improvement is expected until the spring of 2002.

Log decks mixed

Mixed reports are emerging of the current status of hardwood log supplies in North America. Some mills say their inventory is adequate, although the species mix is less than ideal. However in some areas there are reports that log decks are less than ideal for the time of year. There are reports that poor weather has hampered logging in the south, while lack of logging operators has become a widespread problem.

Challenging market conditions have forced a reduction in hardwood lumber production throughout North America. Green lumber availability is much reduced and this should eventually impact on available kiln dried stocks. Although stocks of kiln dried material are being reduced, at present buyers are having little difficulty securing the quantities they require.

Throughout the hardwood lumber distribution chain, there are reports that order files are not booked well forward, and that sales are frequently for prompt shipment. However, the general feeling is that while prices are competitive, lumber is still shifting. Even in the Appalachian region, badly hit by weakness in the furniture sector, there are reports of steady sales of both kiln dried and green lumber.

Export markets

Buyers remain cautious

The modest appreciation of the euro against the U.S. dollar has tended to improve the competitive position of American hardwoods in Europe. It remains to be seen whether the full switch to the euro currency during January 2002 will help to boost the European currency. For now, the European trade in American hardwoods labors under a general feeling of economic uncertainty,

Shifting patterns of U.S. supply and demand

An article recently published in the U.S. Hardwood Market Report (see www.hmr.com) describes how, over the last 12 months, the relationship between hardwood supply and demand in the United States has undergone a series of major transformations. The article suggests that at the start of this year, lumber availability in the United States was widely regarded as ample. However, even though demand began to decline, wet winter weather conditions slowed kiln cycles considerably, keeping kiln dried supply and demand in a relatively close balance for several months. On the other hand, many companies experienced a build up of green lumber last winter due to extended kiln schedules. A number of these suppliers chose to sell additional volumes of green lumber in order to free up both cash and yard space, and combined with normal green production, began to effect an imbalance in supply and demand for overall green lumber markets. Warmer weather conditions in the spring and summer allowed for faster air and kiln drying times and ensured that markets for kiln dried lumber became oversupplied as well. Problems of oversupply were compounded during this period by a significant reduction in demand from the furniture industry.

But since mid summer, the supply and demand balance has undergone another transformation. There has been a dramatic

fall in green lumber production in response to slowing demand. A number of companies, particularly smaller green lumber mills, have folded. Others have reduced production time to better coincide with market demand. Prices for green lumber have therefore stabilised, and in some regions strengthened. Kiln dried markets and prices were slower to respond due to the considerable volumes of lumber that went in the kiln drying "pipeline" during the summer, due to weak export markets, and due to faster kiln drying cycles brought on by warm summer weather. However, the imbalances in the kiln dried markets are being gradually ironed out in the fall.

Meanwhile, companies throughout the U.S. hardwood supply chain are now focusing more heavily on inventory management, and are also showing renewed interest in the issue of long term supply. Primary and secondary manufacturers and distributors are no longer carrying substantial inventories on hand. Generally speaking, buyers are limiting purchases to what they need and when they need it. There is less speculative buying and a much greater focus on "core" suppliers, and on specific area locations and selective species and grades. Recent consolidation in the hardwood sector is contributing to improved efficiency in the management of the supply chain

brought on by continued economic weakness in Germany, the escalating war on terrorism and the downturn in the United States. Buyers throughout Europe remain reluctant to build inventory and purchasing tends to be on a "little and often" basis. Increased availability of Eastern European hardwoods also continues to hamper demand for North American lumber. However, AHEC's European Convention held in Dublin at the end of October highlighted that European demand for American hardwoods varies considerably by country:

■ **UK:** buying of American hardwoods has been reasonably steady, but importers are now focusing on reducing stock levels.

■ **Ireland:** economic growth has slowed, but stocks of American hardwood are reported to be low and some gaps are appearing.

■ **Spain:** there have been reports of increased buying of American hardwood lumber during October. However stock levels are moderately high, which has made

importers nervous. Spanish Importers are tending to buy mixed containers on a just-in-time basis.

■ **Italy:** American hardwood lumber is still being used in volume despite slowing economic growth and intense competition from Eastern Europe. Tulipwood consumption continues to rise in Italy, while white oak is tending to fall. Italian importers have been cutting inventories of American hardwoods over recent months, but there will come a point when they need to restock.

■ **Germany:** construction activity is well down this year, while furniture manufacturing is down on previous years due to the relocation of plants to Eastern Europe. The American hardwood import business in Germany is tougher than ever, made worse by increased competition from Eastern European hardwoods. American hardwood stocks are currently low due to restricted consumption.

■ **France:** the economy has cooled during

Continued page 8

North America

Exports *Cont. from page 7*

the second half of 2001, although the building industry has remained stable. French stocks of US hardwood stocks are reported to be normal.

China remains a growth market

Export markets to the Far East are also highly variable by country. China's continued growth as a manufacturing base, a trend which is likely to receive a further boost with the country's accession to the World Trade Organisation later this year or early next, has meant that the country is likely to remain a growth market. Beijing's successful bid for the 2008 Olympics is also likely to lift the economy of Beijing and the entire country. There are reports that Beijing will invest 180 billion yuan into urban construction. Investment in the construction of tourist facilities in Beijing, Tianjing, Qingdao and other cities will also be substantial. Such projects often generate significant demand for high quality hardwoods which, with China's efforts to reduce domestic harvesting, must be satisfied from abroad. There is also likely to be rapid growth in demand for wooden flooring in China, which is expected to encourage investment in wooden flooring manufacture. Considering short-term market conditions, there are expectations that exports of American lumber to China will tend to increase over coming months as landed wood inventories are depleted. However intense competition, particularly from European exporters, is likely to ensure that sales of temperate hardwoods to Chinese importers remain highly price sensitive.

Chinese competition

The growth of China's manufacturing base has been a mixed blessing for other Asian countries, many of which have seen their own furniture industries undermined by Chinese competition. Demand for American hardwoods in Taiwan is well down on previous years, partly due to weakness in the furniture sector. Japan's furniture sector is also finding the going increasingly tough, compounded by Japan's severe economic problems. Nevertheless, there continues to be demand for American hardwoods in Thailand, Malaysia, and increasingly Vietnam – another country which is developing a stronger manufacturing base. Mexican furniture and cabinet manufacturers now face stiff competition from their Asian counterparts. This has raised expectations that demand for American lumber in Mexico may decline in the months ahead.

Species notes

■ **Red oak:** domestic markets vary enormously by species, grade, thickness and location. However reports from green lumber markets are consistently more favourable than reports from the kiln dried sector. Availability of green lumber has been reduced in many areas over recent months due to declining mill production and low log decks. This has encouraged domestic buying of green lumber and taken prices off the bottom. Meanwhile domestic markets for kiln dried lumber remain highly competitive. However, the threat of lower availability later in the year seems to have encouraged many exporters to keep export prices of kiln dried FAS at stable to slightly firmer levels. UK demand for red oak, which was reasonable during 2000, has fallen away this year.

■ **White oak:** export demand for white oak, which during the second half of 2001 year has been generally weaker than last year, showed signs of moderate improvement during October, notably in Spain. Overseas buyers may have been encouraged by reports of reduced supplies in the United States and by the signs that prices had stabilised. Slight weakening of the dollar against the euro may have provided another incentive. The increase in orders has not yet strained existing supplies to the point that buyers have difficulty securing the grades and quantities required. Nor has there yet been an increase in prices for thinner kiln dried stock, although there are some signs of price rises for thicker stock. Domestic markets for white oak remain subdued.

■ **Cherry:** production of FAS grade cherry has been much reduced this year. Weak demand for lower grade cherry has meant that production of all cherry lumber has been curtailed. Low production has ensured a reasonable balance between supply and demand for kiln dried FAS grades and prices have remained firm. Demand for cherry in Germany has picked up slightly.

■ **Hard maple:** most buyers are purchasing only from regular suppliers and purchasing decisions are strongly influenced by quality issues. Domestic demand for FAS grades is reasonably steady and prices have remained stable over recent weeks. Domestic demand for lower grades has been more mixed and prices vary significantly between suppliers. Export demand for kiln dried FAS grades of hard maple has been reasonably steady and prices have been stable.

■ **Ash:** mills are restricting production in response to limited domestic and export demand. Prices remain weak.

■ **Tulipwood:** domestic markets for green lumber of high grade poplar are now more stable as production has been significantly reduced while purchases of green lumber have increased. Prices for these grades have stabilised and begun to rise in some areas. There are also reports that domestic demand for FAS grades of kiln dried tulipwood has improved over recent weeks. Kiln dried stocks are more than adequate to meet demand for the time being. However rising green lumber prices are encouraging suppliers to maintain price levels for kiln dried stock. The important Italian market for tulipwood is buying only slowly as importers are concentrating on reducing stock levels. Demand in the UK, where tulipwood is now a popular general utility hardwood, is steady.

■ **Walnut:** domestic and export demand for higher grades of kd steamed walnut remains good and prices have continued to firm.

Europe

Western European logs

Weak demand in France

In France, demand for hardwood sawing and veneer logs is very weak, a situation which led to the cancellation of many autumn log auction sales of the Office National de Forêt. Existing stocks of oak logs in France for supply to the veneering, sawmilling and stave industries are already well up on previous years. Stocks of beech logs in French irrigated yards, stored since the storms of December 1999 are now much reduced. However, due to restricted harvesting of undamaged stems in France after the storms, availability of new season beech logs is well down on previous years.

Disappointing start to German beech logging season

Forest owners in Germany report a disappointing start to the new beech winter harvesting season. The German hardwood processing industry has been very reluctant to sign log purchasing contracts. Prices for new season beech logs in Germany remain at the low levels prevailing last year. Demand for green oak sawing logs is similar to last year, partly boosted by sawmillers' switching from beech to oak sawn lumber production. As in France, demand for sawing and veneer logs is depressed in Germany due to high stocks of finished products, weakness in the furniture sector and underlying uncertainty over future economic prospects.

Continued page 9

Europe

In addition to weak underlying demand, the European beech log market is being disrupted this year by the onset of a beech disease in the forests of the Walloon region of southern Belgium and its spread into stands in neighbouring regions of France and Germany.

1.3 million m3 of Belgian logs damaged by beech disease

There are reports that around 15% of the beech resources in Walloon have been affected and that the damage extends to around 1.3 million m3 of logs. The beech disease, which is not yet fully understood but thought to be linked to climatic influences, is a complex phenomenon involving primary infestation by various forms of fungi and white rot, followed by

secondary infestation by hardwood bark beetle.

Sanitation fellings are now being undertaken of damaged stands, while harvesting of healthy stands in the region has been curtailed. A significant proportion of the wood from sanitation fellings is destined for low grade applications including firewood, fibrewood and pulpwood. Belgian forest owners have been encouraging European sawmillers to buy infested logs for conversion, but many mills have been reluctant. However some mills in northern France have been purchasing damaged stems as a means of obtaining new season logs which are not readily available from French forests. They report that while the logs have worm holes, they may be

converted for high grade lumber although only in relatively short lengths.

Demand for French beech logs in China continues to be weak. Chinese buyers have made more enquiries about new season beech logs from Germany, but forward contracts are well down on previous years. Price expectations for beech logs in China are low while quality demands have generally been rising. However, encouraged by very low prices, some Chinese importers are reported to have shown interest in Belgian logs from disease infested stands and several containers have been shipped. This has raised concerns that ready availability of cut-price logs from Belgium may weaken Chinese demand for new season beech logs elsewhere in Europe.

European beech trade

Major decline in trade this year

The value of Western European beech trade during the first half of 2001 was well down on the same period in 2000. The value of beech logs exported by EU countries was down 38% during this period, with a particularly significant (66%) fall in the value of French exports. This trend reflects the unusually high level of beech log exports during the first half of 2000 in the wake of the December 1999 storms, and the relatively low levels of beech harvesting during the

2000/2001 winter season. It also reflects high stocking in China and Hong Kong, the major export markets, during the second half of 2000 and first half of 2001. It is notable that while beech log exports from Germany declined during the first of this year, the decline was less pronounced than from France. This partly reflects market preference, particularly in China/Hong Kong, for new season logs from Germany. Despite generally weak market conditions for European beech, Sweden and Denmark actually increased their imports of German beech

logs during the first half of this year.

The value of EU exports of beech sawn lumber was down 30% during the first half of this year compared with the same period in 2000. Beech sawn lumber exports from Germany, France and Italy recorded significant falls due partly to over-stocking in many markets this year. Denmark and Austria were more successful in maintaining levels of lumber export. Denmark exploited reasonable levels of demand in the UK and Sweden. Austria achieved a minor increase in sales of beech sawn lumber to China.

Western European Beech - Direction of Trade By Value - January to June 2000 and 2001

All Figures millions Euros (1 Euro = US\$0.93 = £0.62) - Source Eurostat/hardwoodmarkets.com

Beech logs Producers:	Germany		France		Denmark		Austria		Belgium		Other EU		Total EU	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Importers:														
China	89.7	74.7	40.0	12.4	16.8	10.2	0.3	1.4	8.0	3.2	2.2	3.1	157.0	105.0
Hong Kong	17.7	16.6	16.8	3.3	4.7	1.3	0.1	0.0	2.5	1.0	1.4	0.3	43.2	22.5
Italy	3.2	3.0	7.7	3.8	0.0	0.0	10.2	8.2	2.3	1.3	0.0	0.0	23.4	16.2
Sweden	5.9	7.6	0.0	0.0	1.6	0.8	0.0	0.0	0.0	0.0	0.1	0.0	7.6	8.4
Spain	0.2	0.0	7.8	5.4	0.0	0.0	0.0	0.0	1.0	0.8	0.1	0.2	9.1	6.4
Germany			16.1	2.9	2.6	1.0	0.6	0.8	2.6	0.9	0.1	0.8	22.0	6.4
Denmark	4.8	5.5	0.4	0.0			0.1	0.1	0.0	0.0	0.2	0.2	5.5	5.8
Belgium	0.1	0.3	12.8	4.7	0.0	0.0	0.0	0.0			0.7	0.2	13.6	5.2
Japan	1.5	1.8	0.3	0.2	2.6	1.9	0.0	0.0	0.0	0.0	0.1	0.1	4.5	4.0
Other	11.2	5.9	11.6	5.2	1.8	1.5	0.9	0.7	3.2	1.6	0.7	0.0	29.4	14.9
Total	134.3	115.4	113.5	37.9	30.1	16.7	12.2	11.2	19.6	8.8	5.6	4.8	315.3	194.8
Beech sawn lumber Producers:	Germany		France		Italy		Austria		Denmark		Other EU		Total EU	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Importers:														
China	29.4	17.7	10.4	5.3	9.5	2.9	1.4	3.3	0.2	0.1	2.9	1.2	53.8	30.5
Hong Kong	19.4	11.3	6.8	1.8	22.6	10.9	2.8	2.4	0.3	0.4	1.5	0.2	53.4	27.0
Spain	14.1	9.8	12.3	7.9	0.4	0.8	0.1	0.1	0.1	0.0	1.7	0.9	28.7	19.5
Germany			4.5	3.2	5.4	3.0	4.1	3.8	1.1	0.8	0.3	0.5	15.4	11.3
UK	7.3	6.7	0.7	0.8	0.1	0.4	0.0	0.0	1.7	2.0	0.3	0.4	10.1	10.3
Italy	4.2	3.6	1.1	1.3			5.3	4.3	0.0	0.0	0.1	0.0	10.7	9.2
Netherlands	5.3	3.5	1.1	0.7	0.0	0.0	0.1	0.0	0.4	0.0	0.5	0.9	7.4	5.1
Sweden	1.2	1.4	0.0	0.0	0.0	0.0	0.2	0.2	2.7	3.0	0.0	0.0	4.1	4.6
Belgium	1.0	0.8	3.3	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.9	4.9	3.9
Japan	1.6	1.7		0.1	0.0	0.0	0.4	0.4	0.0	0.0	2.9	1.5	4.9	3.7
Other	18.0	16.4	8.0	7.7	5.9	5.9	3.5	2.7	2.5	3.3	3.4	2.5	95.1	69.0
Total	101.5	72.9	48.2	31.0	43.9	23.9	17.9	17.2	9.0	9.6	14.2	9.0	234.7	163.6

Europe

European sawn lumber

Furniture and parquet sector slows

Demand for European hardwood sawn lumber has weakened in several European countries since the middle of the year as the furniture and parquet flooring sectors have slowed. Stocks of finished products have been on the rise in both Germany and France. Demand for European beech sawn lumber remains subdued. In France, stocks of steamed beech from storm-felled logs are still high. Due to weak demand for beech and more limited availability of good quality beech logs, many Western European mills are concentrating on cutting oak. This has occurred at a time when European oak demand has been weakening, leading to excess supply in some areas.

Beech export demand weak

Export markets for beech sawn lumber also remain weak. In China, demand continues to be well down on previous years and importers are now very price conscious. Spanish buyers usually sign significant contracts for the supply of beech sawn lumber during the autumn. However demand has been slow to pick up this year. This may partly reflect recent reports of a slowdown in Spain's furniture sector. Nevertheless medium-term prospects in Spain seem more favourable than in other parts of Europe, and there is expected to be reasonably steady buying of beech over the coming months. As markets for European hardwood sawn lumber have cooled elsewhere, suppliers from many regions are now competing for sales in Spain. Spain's traditional suppliers of European beech in France are finding the going increasingly tough as they are having to compete against

suppliers in Central and Eastern Europe. Demand for European sawn oak in Spain is reasonably buoyant, boosted by the continuing strength of the dollar which has encouraged a partial switch from American white oak. Oak suppliers in Poland and Ukraine have benefited from this trend.

UK sales reasonably buoyant

A widening range of Eastern European suppliers are also trying to expand sales in the United Kingdom where demand for European hardwoods remains reasonably buoyant. However only a limited number of suppliers have so far been able to satisfy UK requirements for kiln dried sawn lumber in a range of thicknesses. Square edged oak from Croatian forests milled in Italy has been particularly well received in the UK. Reasonable volumes of sawn beech lumber derived from Eastern European logs and kilned in Germany are also entering the UK. Despite weakening demand, prices for high grades of European hardwood sawn lumber to European buyers have remained reasonably stable, but lower grade prices have been weakening. Due to higher production costs, steamed beech prices are traditionally around DM 60/m³ higher than unsteamed prices. However, due to wider availability since the December 1999, prices for high grade steamed beech have been similar to those for unsteamed.

Intense competition

In Eastern Europe, weakening demand in major markets in Europe, China and the Middle East has led to intense competition between hardwood suppliers of logs and sawn lumber to maintain market share.

In Yugoslavia (Serbia & Montenegro), despite a significant reduction in log harvesting and wood processing this year, producers of oak and beech have been affected by over-stocking. Over recent years, Yugoslavian shippers have been developing markets for beech and oak logs and sawn lumber in Italy, Greece, Bulgaria, China, and the Middle East. Increasing volumes of edged sawn lumber are available from Yugoslavia. This year there has been a significant decline in sales to the Middle East, notably Egypt and Israel. This partly reflects political turmoil in the region, and also competition from Romanian exporters. Meanwhile prices on offer in China have been too low for Yugoslavian shippers. This year Yugoslavian producers have focused more on developing new markets in Northern and Central Europe. They have had some success expanding sales to the UK, Belgium, Sweden and Russia.

United Kingdom

One of Europe's strongest markets

Like other industrialised nations, the UK economy has slowed this year. The impact of Sept 11th added to the uncertainty. However the UK economy remains one of the strongest among rich countries. GDP grew at an annual rate of 2.2% in the third quarter. Interest rates are now low, which has kept the housing sector and consumer confidence reasonably steady. Public spending may boost activity in the education and health sectors.

First half data reveals a big fall in imports of tropical hardwood compared with the previous year, notably from Malaysia, due to the high stocks of meranti that built up in the UK during the previous year. Imports of temperate hardwoods, particularly of oak sawn lumber, have held up better this year. Eastern Europe still doesn't feature strongly in the UK hardwood lumber import figures, but imports could be higher than indicated when Eastern European hardwood supplies routed through EU countries for kiln drying is taken into account.

Forward orders at present for most species of hardwood lumber are relatively subdued. Importers are tending to reduce stock levels and are cautious about future prospects. UK imports of tropical plywood were strong during the first half of this year, with good growth in imports from Indonesia and Brazil. Import penetration by overseas furniture manufacturers, notably in Italy and China, increased strongly during the first half of the year. This is putting severe pressure on UK manufacturers. Hardwood flooring demand is still good, partly due to fashion and health fears associated with carpets.

Germany

Declining hardwood imports

German import data for the first half of 2001 tells a grim tale. Imports of nearly all hardwood products were down on the same period the previous year. Only oak logs and profiled hardwood recorded an increase. German imports of tropical hardwood lumber, particularly from Malaysia, have been hard hit this year. On the temperate side, over-stocking led to a big decline in beech log and sawn lumber imports. Lumber imports from North America have continued to come under pressure from Eastern European suppliers which are cheaper and subject to less currency risk.

Germany's construction sector is still in the doldrums. Between January and June 2001,

Continued page 12, column 1

European sawnwood indicative prices			
	Aug	Sept	Oct
Exchange rates			
DM/£	3.10	3.16	3.17
DM/US\$	2.14	2.15	2.16
Euro/£	1.58	1.61	1.62
Euro/US\$	1.10	1.10	1.11
German beech			
Northern Germany, DM/m ³ , C&F, UK Port			
Grade: kiln dried, steamed and square edged.			
1"	1425	1425	1425
2"	1425	1425	1425
German oak			
Northern Germany, DM/m ³ , 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			
Croatian oak			
Northern Italy, Euro/m ³ , C&F, UK Port			
Grade: kiln dried and square edged.			
1"	920	920	940
2"	1400	1400	1450

Special report - UN Timber Committee

A report of the UN/ECE 59th Timber Committee meeting and FAO European Forestry Commission, Geneva – 1st / 4th October 2001.

During the meeting a gloomy assessment of the global economic prospects was given by Dieter Hesse, Acting Director UN/ECE Economic Analysis Division. He stated that this is the first time since the oil shock that the world cyclical downturn has been synchronized across the globe, now worsened by apprehensions following the events in New York and Washington DC.

Globalisation

A keynote presentation "Globalisation of Forest Product Markets" was given by Marc Boutin, Director International Trade, Quebec Lumber Manufacturers Association, which drew much attention and appreciation from the delegates. He said that Globalisation trends are accelerating driven by the free movement of capital, growing concentration of forest products companies and access to forest resources. Factors driving the international trade were emerging economies with commensurate rising consumer demand; investor preference for companies focussing on fewer products and larger scale; and a switch to lower cost fibre from forest plantations.

Decline forecast in many markets

The UN/ECE Timber Committee, which examined the current forest products market situation in 2001 and forecast markets in 2002, found that:

■ Forest products markets in the ECE region, which covers North America, Western and Eastern Europe, were at record high levels in 2000, but forecasts for 2001 were for a decline in many markets, followed by general improvement in 2002. However, the 11 September 2001 terrorist attacks on the United States have cast uncertainty on

Germany *Cont. from page 10*

German furniture industry sales (both in Germany and overseas) were down 0.6% on the same period the previous year, although there signs of a slight pick-up later in the summer. Due to lower labour costs, manufacturers are moving production away from Germany towards Eastern Europe, notably Poland which is becoming an increasingly important furniture supplier to the rest of Europe. Germany's important veneer industry is going through a very difficult patch, with sales volumes declining both at home and abroad.

the forecasts.

■ In light of the economic downturn in 2001, the Timber Committee stated that it is imperative to develop new wood products and to establish new markets to meet consumers' needs.

■ The Committee reasserted the importance for the forest products industry to work internationally to promote the environmental advantages of the sustainable production of wood.

■ Production and trade of value-added products, both temperate and tropical, is increasing, in part due to globalisation effects. Tropical value-added products trade could exceed that of primary products for the first time in 2003.

Europe still affected by wind-throw

The Committee noted that the extensive wind-throw of approximately 200 million m³ from the December 1999 storms is still negatively affecting wood raw materials markets in western Europe. Recent wind-throw damages in Estonia in July 2001 drew attention to the fact that storm damage poses a permanent risk for round-wood markets in Europe and that silvicultural practices may need to be modified to mitigate future storm damage.

European sawn hardwood markets were forecast to decline in 2001 from the record levels of the previous year, then to improve slightly in 2002.

American forecasts over-optimistic

North America produces and consumes 36.6 and 38.3 million m³ respectively of sawn hardwood lumber, twice the volume of Europe. Record levels of production and consumption were reached in 2000. Both production and consumption were forecast by the Committee to remain steady in 2001 and 2002. While imports were forecast to remain steady, exports were forecast to dip slightly in 2001 and recover in 2002. However, there are indications of sharply reduced production levels and demand in North America this year, suggesting these forecasts may be over-optimistic.

Value added products

A discussion paper on secondary processed forest products was also presented to the Timber Committee. This subject is of increasing importance as it was shown that the gap is narrowing in the value of world trade between primary and secondary processed forest products.

ECE country imports of secondary processed hardwood products such as furniture and flooring are increasing.

Hardwood flooring has been a growth market in both Europe and North America through 2000. However in 2001, flooring manufacturing has excess capacity throughout the ECE region and is in oversupply as housing demand slows.

Together, the United States, United Kingdom, Germany, France, and Japan, are responsible for 60% of worldwide imports of secondary-processed wood products. Imports of hardwood furniture are negatively affecting the United States furniture manufacturers, resulting in some plant closures in 2001. One third of United States furniture sales are of imported furniture, of which almost 30% comes from China. Rationalization of furniture manufacturing capacity is also occurring in western Europe.

Tropical timber producers continue to increase the share of further processed products in production at the expense of primary products (sawnwood, plywood, veneer and logs). The International Tropical Timber Organization (ITTO) forecasts that the value of exports of tropical secondary products from ITTO producer countries will exceed primary products after 2003. ITTO forecasts increasing supplies from plantations in the tropics.

China important export market

China is an important export market for the ECE region and temperate species imports increased to approximately the same volume as tropical species in 2000. ITTO expects China to import the greatest volume of primary tropical wood products in the near future. China's increased imports of wood are influenced by the reduction in domestic logging in three major watersheds, as well as the raw material needs of the exporters of wood based products such as furniture. Exports of wood products such as furniture which were increasing by 30% per year until 1999, accelerated in 2000 by a further 45%.

Forest certification demand

The Committee continued to review the markets for certified forest products (CFPs) and the latest developments for certification systems. The area of forests certified in the world is now nearly 90 million hectares, with around 95% being in the ECE region. The area certified has expanded rapidly in the last year as more systems come on stream and more companies have been certified. In Europe, there are now two major systems in operation, the Forest Stewardship Council (FSC) and the Pan European Forest Certification (PEFC).

The main markets for certified products

continue to be in parts of western Europe and North America. However, it was stressed that information on the number of products certified and the volume of wood they represent is still very limited. Final consumers appear to have little awareness of, and interest in certified products, as the main demand for CFPs is from retailers. A smaller, but important contributor to the demand is public procurement by central and local governments.

Continued growth is expected in the area certified and number of certified products sold, as all certification schemes make further progress. Additionally, schemes in some developing countries are likely to be finalized. To date though, CFPs have a very limited share of the market.

There is increasing interest in mutual acceptance or recognition between different certification systems. Some concern was noted that the current conflict between systems in Europe makes it more difficult for consumers to decide whether wood products can be bought with confidence. The result of this conflict is that products from more non-renewable materials such as concrete and steel, may gain market share at the expense of wood, which is a renewable material. Confidence in the instrument of certification could also be impaired. The Committee stressed that certification should not become a trade barrier.

State of the world's forests

The FAO report "State of the World's Forests / 2001" was launched to delegates at the meeting. Copies are available from www.fao.org/forestry. Delegates were also informed that a database of temperate and boreal forest resources in Europe, the CIS, North America, Australia, Japan and New Zealand is available on CD by email from info.timber@unece.org

Marketing now a priority

At the meeting, the Timber Committee established a new "Team of Specialists on Forest Products Markets and Marketing". Dr Chris Gaston, of Canada, was elected by the members as Leader, and Michael Buckley representing the USA, was elected as Deputy Leader. The team will initially work for 2 years.

Notes: The UN/ECE Timber Committee meets annually with 55 member countries from Europe and North America. The Chairman is elected from members on a two-year term and is currently Canada. There is a full time joint secretariat based at the UN in Geneva. All information and publications are posted on: www.unece.org/trade/timber/docs/tc-59/tc-59.htm

Tropical Forestry

ATIBT Forum, Rome

ATIBT held its fiftieth anniversary forum in Rome between the 4-5 of October. The meeting, which was attended by 215 participants from 23 countries, was notable for bringing together a range of experts in tropical forest management together with industry and environmentalists. The Forum highlighted the continuing disagreement between different interests of the best way to handle the huge challenge of promoting sustainable forestry in the tropics. Industry representatives focused on the need for continuing investment in efficient and sustainable forest operations that served to generate income and satisfy the long term economic needs of people in the tropical developing world. Environmentalists – exemplified by Greenpeace who made an unscheduled appearance to criticise the industry for "50 years of forest destruction" - stressed the need for an increase in the size of protected areas and for a moratorium on timber extraction in forests of "high conservation value", and called for wider application of FSC certification.

Huge sale of the challenge

The scale of the challenge facing the tropical forest sector was made clear in the opening presentation by out-going ATIBT President, Dr H. Stoll. He noted that 77 million people are added to the world's population each year, with much of this increase focused on tropical developing countries. This, coupled with widespread poverty, is putting enormous pressure on land use in the tropics. Dr Stoll referred to the World Bank/WWF Alliance plan to have 200 million hectares under sustainable forest management by the year 2005, and noted that ATIBT and its members would be reliable partners in striving to achieve this target. But he also stressed that the same Alliance's other target, to see an additional 50million hectares of forest under complete protection by the year 2005, may well come into conflict with the more immediate needs of people in tropical developing countries. He stressed that western organisations should not hinder the social and economic development of tropical countries by depriving them of the use of one of their most valuable resources. He felt there was a need to undertake socio-economic impact studies before any moves are made to establish more protected areas.

Professor Bruenig, a forestry specialist and fellow of the Oxford Forestry Institute, was critical of ideologically driven policies, often

emanating from the west, designed to conserve tropical forests. He was particularly critical of approaches to forest policy based on the creation of "single function" forests so that certain areas are set aside purely for bio-diversity conservation, while other areas are managed intensively to supply wood products.

Plantations not the answer

Bruenig felt that excluding timber production from natural forests where there is high pressure for land may simply alienate local populations and undermine economic development. Meanwhile the supply of wood products from high intensity plantations tends to create dismal forest landscapes and monotonous forest products. Instead he advocated low intensity and low investment systems of natural forest management which combined production and conservation in the same area of forest. This is an approach to forest management now widely referred to as "reduced impact logging" (RIL), although Professor Bruenig stressed that this is a form of management which dates back in Europe to the days of Charlemagne. He suggested that such management was also widely practiced in tropical forests during the colonial era, and that there is plenty of evidence and experience to confirm that sustainable multi-purpose tropical forest management is technically feasible.

However, Bruenig went on to suggest that over the last 50 years, unsustainable timber mining practices have become the norm throughout much of the tropical region. Restoring conditions for sustainable integrated forestry depends on improving currently dismally low standards of politics, governance and education. Specifically there was a need to build on the range of existing RIL projects, and to extend low intensity multi-purpose natural forest management practices in tropical regions.

WWF outline tropical forests policy

WWF representatives outlined their policy for tropical forestry which combined efforts to tackle illegal logging, to improve the protected area network, and to develop forest certification. Dr Chris Elliott Director of the WWF Forests for Life Programme suggested there is a need for a greater number of effectively managed forest protected areas in ecologically representative networks, linked by corridors and protected by buffer zones. He suggested that responsible private sector actors, NGO's and national governments all

Continued page 14

Special report - ATIBT Forum

Continued from page 13

have a common interest in getting illegal logging under control as fast as possible. On forest certification, Dr Elliott made clear that WWF were aware of the technical challenges still facing many tropical producers in implementing forest certification and recognised that it could not be achieved overnight. As one way of overcoming this problem, WWF hoped to form "producers groups" comprising firms willing to move forwards towards eventual FSC certification. Members of producers groups, while not certified, could at least reassure their wood products customers that they were moving in the right direction. Dr Maharaj Muthoo, former executive director of the FSC, also commented on the problems associated with certification in the tropics. He noted that the overriding problem is poverty, and advocated greater co-operation between the different forest certification systems in order to raise the level of application in the tropics.

Certification not the issue

While forest certification has often been a focus of attention in the tropical forest debate, there was strong feeling amongst

many delegates present at the Forum that it was a relatively minor problem and a distraction from the more fundamental issue of poverty alleviation and forest destruction. This was a point made by Marie Claude Smouts (Director of the International Research and Studies Centre of Politics School) who suggested that certification as it is practised today under the hegemony of the FSC "will not save one hectare of tropical forest." She suggested that certification is a pure market instrument that does not respond to the immediate questions being asked.

Threat to wildlife

Dr Jane Goodall, founder of the Jane Goodall institute gave a heart rendering account of the problems forest wildlife face from the bush-meat trade and illegal hunting. Using her own personal experiences to expose the problem she asked those present to do everything in their power to work together and to help curb the problem. She informed participants that there are only around 200,000 chimpanzees (our closest relative) left in the wild, mostly living in small highly fragmented populations in some 21 different countries throughout Africa. She noted that an overriding problem is that there is very

little tradition of livestock rearing in Central Africa, and many people hunt by tradition and necessity. She stressed that logging is not directly to blame for the bush-meat crisis, but that it is an unfortunate catalyst, due to the opening up of the forest by road creation, and the large often remote logging camps with up to 2000 employees.

Responsibility of individuals

Goodall stressed that loggers needed to protect the whole forest ecosystem, not just the second cut, and that they had to see beyond the trees. She suggested that if the timber industry is to make a contribution to solving the problem "it is something they must want to do as individuals." She stated that the overall problem of forest protection was a social one, and that we could not really hope to save the last remaining fragments of virgin tropical forest if local populations are starving and landless. She concluded by making reference to the terrorist attacks in the USA, suggesting that "this terrible tragedy may remind people of the unfair distribution of wealth around the world."

Tropical Timber ATIBT Technical Work

The ATIBT Forum in Rome provided an opportunity to review the wide range of technical work now being undertaken by ATIBT on behalf of the tropical timber industry. This work is carried out by a series of Commissions covering different issues.

Tropical forest management plans

ATIBT's Commission I "Forests" have recently completed a technical booklet entitled: "Study on the practical management plan for African natural tropical production forests". This work, which is the result of collaboration between tropical forest experts, has as its objective the examination and elaboration of the diverse steps required in the preparation of a tropical forest management plan. The publication has been published and is being distributed free through financial support from members of the European Foundation for the Preservation of the African Forest Resource and the French Ministry of Foreign Affairs.

Use of tropical wood by-products

Under Commission II "Wood and Industry", Mr Christian Sales head of CIRAD's wood programme described technological innovations designed to increase utilisation of wood by-products, sawdust, off-cuts, shavings and wood-flour. He noted that yields derived from conversion of tropical

		Exchange rates								
		One GB pound (£)			One US Dollar (\$)			One Euro		
		24-Aug	29-Sep	1-Nov	24-Aug	29-Sep	1-Nov	24-Aug	29-Sep	1-Nov
Argentina	Peso	1.4448	1.4695	1.4581	0.9989	0.9999	0.9965	0.912	0.9106	0.901
Australia	Aus. \$	2.7296	2.9781	2.8835	1.8871	2.0263	1.9706	1.723	1.8454	1.7818
Bangladesh	Taka	83.385	83.6995	83.3293	57.65	56.95	56.95	52.6345	51.8645	51.4914
Belgium	Belgian Fr.	63.9076	65.1011	65.2827	44.1839	44.2955	44.6164	40.3399	40.3399	40.3399
Belize	B\$	2.8494	2.91	2.8825	1.97	1.98	1.97	1.7986	1.7941	1.7812
Bolivia	Boliviano	9.6981	9.911	9.949	47.12	6.7435	6.7995	43.0206	6.1413	6.1478
Botswana	Pula	8.3151	8.8112	9.1336	5.7488	5.9952	6.2422	5.2487	5.4599	5.6439
Brazil	Real	3.6934	3.9249	3.9112	2.5535	2.6705	2.673	2.3314	2.432	2.4168
Fr. Africa*	CFA Fr.	1039.19	1058.60	1061.55	718.47	720.28	725.50	655.96	655.96	655.96
Canada	Canadian \$	2.228	2.3217	2.3302	1.5404	1.5797	1.5925	1.4064	1.4386	1.4399
Chile	Peso	958.602	1021.960	1045.680	662.750	695.350	714.650	605.091	633.255	646.151
China	Yuan	11.9723	12.1645	12.1108	8.2773	8.2768	8.2769	7.5572	7.5377	7.4836
Czech Republic	Koruna	54.2638	54.7244	54.2217	37.5165	37.2351	37.0569	34.2525	33.91	33.505
Denmark	Danish Krone	11.7937	12.001	12.0527	8.1539	8.165	8.2373	7.4445	7.4359	7.4477
Estonia	Kroon	24.7838	25.255	25.3171	17.1348	17.1838	17.3025	15.6441	15.6493	15.6441
Europe	Euro	1.5843	1.6138	1.6184	1.0953	1.0981	1.106	1	1	1
Finland	Markka	9.4194	9.5953	9.6221	6.5123	6.5288	6.5761	5.9457	5.9457	5.9457
France	Franc	10.3919	10.586	10.6155	7.1847	7.2028	7.255	6.5956	6.5596	6.5596
Germany	D-mark	3.0985	3.1564	3.1652	2.1422	2.1476	2.1632	1.9558	1.9558	1.9558
Ghana	Cedi	10414.10	10581.90	10461.90	7200.00	7200.00	7150.00	6573.63	6557.06	6464.70
Guyana	Guyanese \$	261.075	264.546	264.107	180.500	180.000	180.500	164.797	164.381	163.199
Hong Kong	HK \$	11.2817	11.4629	11.413	7.7998	7.7995	7.8	7.1213	7.1031	7.0524
India	Rupee	68.1544	70.3252	70.219	47.12	47.85	47.99	43.0206	43.577	43.3902
Indonesia	Rupiah	12576.4	14267.1	15619.7	8695.0	9707.5	10675.0	7938.5	8840.6	9651.8
Irish Republic	Punt	1.2477	1.271	1.2746	0.8626	0.8648	0.871	0.7876	0.7876	0.7876
Italy	Lira	3067.49	3124.78	3133.50	2120.78	2126.13	2141.54	1936.27	1936.27	1936.27
Japan	Yen	173.568	175.085	177.933	120	119.13	121.605	109.56	108.492	109.949
Kenya	K. Shilling	114.013	116.261	115.447	78.825	79.105	78.9	71.9673	72.041	71.3375
Korea South	Won	1854.28	1924.57	1897.04	1282.00	1309.50	1296.50	1170.47	1192.56	1172.23
Liberia	Liberian \$	1.4464	1.4697	1.4632	1	1	1	0.913	0.9107	0.9042
Malaysia	Ringgit	5.4963	5.5849	5.5602	3.8	3.8	3.8	3.4694	3.4607	3.4358
Myanmar	Kyat	9.5894	9.709	9.7291	6.6298	6.6061	6.6492	6.1149	5.9909	6.0588
Netherlands	Guilder	3.4912	3.5564	3.5663	2.4137	2.4198	2.4374	2.2037	2.2037	2.2037
New Zealand	NZ\$	3.2989	3.6129	3.5292	2.2808	2.4582	2.412	2.0824	2.2387	2.1808
Nigeria	Naira	163.096	165.577	164.844	112.760	112.660	112.660	102.950	102.600	101.862
Papua NG	Kina	4.798	5.2128	5.2268	3.3172	3.5468	3.5722	3.0286	3.2301	3.2298
Philippines	Peso	73.8388	75.4692	76.0133	51.05	51.35	51.95	46.8007	46.7645	46.9706
Poland	Zloty	6.1156	6.2118	6.0269	4.2282	4.2266	4.119	3.8603	3.8492	3.7242
Portugal	Escudo	317.609	323.541	324.443	219.586	220.141	221.735	200.482	200.482	200.482
Romania	Leu	43149.0	44803.8	45461.6	29832.0	30485.0	31070.0	27236.6	27762.7	28091.9
Russia	Rouble	42.4923	43.3106	43.5492	29.378	29.469	29.763	26.8221	26.8374	26.9102
Singapore	Singapore \$	2.5287	2.596	2.6717	1.7483	1.7664	1.826	1.5962	1.6086	1.651
Solomon Islands	Slnn. Is. \$	7.7555	7.9745	8.044	5.3619	5.4259	5.4975	4.8954	4.9414	4.9706
South Africa	Rand	12.0992	13.2387	13.9548	8.365	9.0078	9.5372	7.6373	8.2034	8.6231
Spain	Peseta	263.593	268.516	269.265	182.241	182.701	184.025	166.386	166.386	166.386
Sweden	Krona	14.8565	15.6786	15.4481	10.2714	10.6679	10.5577	9.3778	9.7153	9.5458
Taiwan	\$	50.0744	50.7194	50.5316	34.62	34.51	34.534	31.6081	31.4283	31.2249
Tanzania	Shilling	1290.19	1312.08	1325.66	892.00	892.75	906.00	814.40	813.03	819.16
Thailand	Baht	64.1913	65.3723	65.449	44.38	44.48	44.73	40.519	40.508	40.4427
Uganda	New Shilling	2545.67	2582.26	2567.92	1760.00	1757.00	1755.00	1606.89	1600.10	1586.79
United Kingdom	£	1	1.0000	1.0000	0.6914	0.6804	0.6834	0.6312	0.6197	0.6179
U.S.A.	US \$	1.4464	1.4697	1.4632	1	1	1	0.913	0.9107	0.9042
Venezuela	Bolivar	1061.660	1091.840	1087.890	734.000	742.900	743.500	670.142	676.559	672.236
Vietnam	Dong	21674.3	22049.0	22002.1	14985.0	15003.0	15037.0	13681.3	13663.2	13595.7
Zimbabwe	\$	80.3476	81.495	81.1345	55.55	55.45	55.45	50.7173	50.4985	50.1353

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

Continued page 15

Special report - ATIBT Forum

Continued from page 14

logs to sawn wood are 40% at best. He described the pros and cons of various methods of increasing the utilisation of by products. For example off-cuts could be used for the production of laminates, which may then be used for applications such as cabinet making. However lamination was dependent on the use of dried material and required investment in kiln capacity. He spoke about new opportunities for the development of composites of wood fibre and uPVC which combined the bio-fragmental properties of wood with the adaptability and long in-use life of plastic. Products such as these should not replace wood in traditional applications, but rather develop markets in areas where wood is currently not being used.

Innovations in kiln drying

Also under Commission II, an Italian kiln manufacturer explained some recent technical innovations in drying. New high ventilating kilns with an improved air flow

of up to 25% on existing models are being introduced which help to keep the colour of dried lumber very light, an important property in the marketing of species like beech. Kilns are also being developed to allow drying and steaming in the same chamber.

Wood terminology study

Commission III "Standards and Rules" presented results of their project on the terminology for sawn and round wood. This reference tool, to be offered in seven languages, is designed to ensure common interpretation of standards. Commission III intends to draw up rules for the classification of veneers which are presently lacking.

In an effort to overcome widespread ignorance in the forest products sector of procedures for maritime timber transportation, Commission IV Transport is to start work on a "Timber Loaders Manual" to act as a reference tool. The booklet will cover all terms/definitions, conditions and legal requirements for the transportation of timber in its many forms

from the forest to the consumer.

The transport commission also highlighted that the terrorist attacks in the USA are likely to have serious financial repercussions for maritime transport. Oil prices may rise and there are likely to be increased insurance premiums imposed on vessels operating in high risk zones. It was noted that freight charges had remained reasonably stable so far, but that shipping companies were following events closely.

Trend towards containers

The continuing long-term trend towards increased use of containerised shipping was highlighted by representatives of Maersk Sealand. The local transformation of logs into semi-finished products in the tropics, coupled with increased investment by distributors in procurement functions, has increased the demand for more efficient and cost effective transportation methods. Maersk forecast that in 5 to 8 years, timber will be the single largest containerised commodity exported from Africa.

Association Profile - CEI-Bois - Europe

Members: national or European trade associations from the woodworking sector in 18 European countries.

The European Confederation of Woodworking Industries - CEI-Bois - was created in 1952 and is the main body representing the European woodworking industries. The tasks of CEI-Bois are strongly influenced by the policy of the European Union and its Member States. These tasks include:

- **Information and consultation:** members are informed about developments at the European level and asked to take a position;
- **Representation and promotion:** CEI-Bois looks after the interests of the woodworking sector in European discussions. It defends

the common positions of its members and actively lobbies to have these positions accepted. CEI-Bois is an official member of the "Forest-based industries committee" of the European Commission.

■ **Co-operation:** by encouraging co-operation between its member organisations, CEI-Bois contributes to a stronger "wood" lobby. Members are asked to actively contribute to the activities of the CEI-Bois working groups. CEI-Bois itself has links with the other players of the European forest-based industries.

CEI-Bois main decision-making body is the General Assembly and decisions are prepared by a Managing Board. Day-to-day management is the responsibility of the

secretariat based in Brussels which is supported in its work by five working groups: International affairs & Enlargement; Environment; Forestry and raw materials; Social affairs; and Technical Affairs. All members are represented on the Managing Board and General Assembly and can work within the working groups.

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Hardwood Events

Date	Event	Venue	Target audience	Contact
2001				
5-10 Nov	Batimat	Paris, France	International building industry	www.batimat.com
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
2002				
11-12 Jan	NHLA Convention (Rescheduled)	Peabody Hotel Memphis, Tennessee	American Hardwood	NHLA, Tel: (901) 377 1818 Fax: (901) 382 6419
April	8th Brazilian & 2nd Pan-American Forestry Congress	Brasilia, Brazil	Forestry and Timber Trade	sbs@sbs.org.br
27 May-1 June	32nd Session of the International Tropical Timber Council	Denpasar, Indonesia	Government, trade	Collins Ahadome, ITTO, itto@itto.or.jp

African sawn prices stable

Prices for most commercially significant species of African tropical logs and sawn lumber are holding reasonably steady. This is despite weakening demand in both Europe and the Far East due to the cooling economic climate. Demand for African logs from the Asian plywood industry is particularly weak. Inventories both in Africa and Europe are being kept at low levels and are more-or-less in balance with current weak demand. On the supply side, logging in Cameroon is well down on previous years due to tightening government restrictions, and this has ensured that domestic log prices have remained firm. Congo Brazzaville and the Central African Republic are exporting a steady flow of sapele logs, with smaller volumes of sipo and khaya, via the Cameroon port of Douala. **Pages 2/3**

UN propose Liberian log ban

An independent panel appointed by the UN recommended in October that the UN Security Council impose a ban on all round log exports from Liberia starting from July 2002 and "*strongly encouraged local operators to diversify into wood processing before that date.*" Liberia has been a significant source of logs for France and China over the last two years. **Page 4**

Malaysian lumber struggles

Forward buying of meranti in Europe has remained very cautious. Although major production curtailments have meant that meranti supplies in Malaysia are well down on previous years, some producers were offering meranti sales at discounted forward prices in early October in a desperate attempt to attract business and maintain cash flow. However, by the end of October, producers seemed more reluctant to offer discounted prices for most specifications as they anticipate future log shortages, particularly as the monsoon is just around the corner and Ramadan begins on 17 November. Sales of Malaysian white seraya to Japan are well down this year. **Page 4**

Indonesian log export ban

The Indonesian authorities have announced the reintroduction of a ban on log exports taking effect on 8 October 2001. The log ban is designed to help reduce the level of illegal logging in Indonesia, and to ease the severe log supply problems of Indonesia's plywood industry. If the log ban is effective, it will have a significant impact on southsea log markets. Indonesia was the third largest supplier of tropical logs to China last year (after Malaysia and Gabon) supplying around 563,000 m³ – although log smuggling may mean that the actual volume was significantly higher. **Pages 4/5**

Problems for European hardwoods

Domestic and export demand for European hardwood sawing and veneer logs is well down this year. Demand for European hardwood sawn lumber has also weakened in several European countries since the middle of the year as the furniture and parquet flooring sectors have slowed. Stocks of finished products have been on the rise in both Germany and France. The European beech market continues to suffer from over-stocking. The appearance of a beech disease in Belgian forests has led to widespread sanitation fellings and raised fears that the market may continue to be over-supplied, particularly for lower grades. Due to weak demand for beech and more limited availability of good quality beech logs, many Western European mills are concentrating on cutting oak. This has occurred at a time when European oak demand has been weakening, leading to excess supply in some areas. Despite these problems, prices for high grade European hardwoods have remained reasonably stable. **Pages 9/10/11**

Some good news from the U.S.

Most press reports of the U.S. economy over recent months have highlighted the problems. But the news is not all bad. The U.S. housing sector continued to perform well during September, presumably boosted

by low interest rates, and this has contributed to reasonable performance in the flooring and kitchen cabinet sectors. Throughout the hardwood lumber distribution chain in the U.S., there are reports that order files are not booked well forward, and that sales are frequently for prompt shipment. However, the general feeling is that while prices are competitive, hardwood lumber is still shifting. **Page 3**

Uncertain mood hits the American export trade

For now, the European trade in American hardwoods labors under a general feeling of economic uncertainty, brought on by continued economic weakness in Germany, the escalating war on terrorism and the downturn in the United States. Buyers throughout Europe remain reluctant to build inventory and purchasing tends to be on a "little and often" basis. However the recent strengthening of the euro against the dollar has tended to improve the competitive position of American hardwoods in Europe. In the Far East, medium-term prospects in China seem good, but demand in Japan and Taiwan remains weak **Pages 2-3**

Mahogany trade suspended

The mahogany sawn lumber market has once again been plunged into uncertainty with the Brazilian government's announcement on 22 October 2001 that it would suspend all transport and business in mahogany for an unspecified period of time. The move was a response to alleged illegal logging in indigenous areas. There are good stocks of mahogany on the ground at Belem only awaiting IBAMA clearance for shipment. While new shipments of Brazilian mahogany sawn lumber were arriving during October, overall supply is still restricted in the United States, now by far the dominant market. New tighter regulations have also meant that mahogany exports from Peru have been more restricted this year. Prices for mahogany remain firm. **Page 5**