

<http://www.hardwoodmarkets.com>

Volume 17  
Number 11  
November 2002

## Contents

AHEC Europe Convention	
European manufacturers views . . . . .	1/8
AHEC's global marketing program . . . .	8/9
Global influences on hardwood trade . . .	9
Editorial - real wood marketing . . . . .	2
African hardwoods	
Supply region news . . . . .	2/3
Log markets . . . . .	3
Species notes . . . . .	3
Malaysian sawn lumber . . . . .	4
Plywood . . . . .	4
South American hardwoods	
Mahogany proposed for CITES listing . .	5
Market notes . . . . .	5
U.S. hardwood production . . . . .	6
N. American export demand . . . . .	6/7
N. American species notes . . . . .	7
European hardwoods . . . . .	10
European vs American oak . . . . .	10/11
Profile: FEBO, Brussels . . . . .	11
Hardwood Events . . . . .	11
News summary . . . . .	12

## Statistics in this issue

■ U.S. exports . . . . .	6
Jan-June 2002, volume	
Logs, lumber, veneer	
By regional destination	

## Cost cutting hits hardwood

One hundred and seventy delegates in Lisbon attended AHEC's tenth European Convention during October. A highlight was a session devoted to reports from the Western European manufacturing sector. These demonstrated the intense competitive pressure this sector is now under, particularly from Eastern Europe. This pressure has proved to be bad news for hardwood suppliers. Efforts by manufacturers to cut costs are leading to increased use of lower priced substitute materials, both wood and non-wood. Where hardwood is used, now mainly in veneer form, quality expectations are very high, including requirements for unblemished color and grain and also for FSC certification - but there is no willingness to pay more.

**Trend away from solid lumber**  
**Fernando Carvalho of the Sonae Industria Group**, a leading European panel producer, highlighted the strong trend in Europe - ongoing now for several years - away from solid lumber in favour of reconstituted wood panels covered with a decorative veneer or, increasingly, non-wood surface materials. This trend has been partly driven by, and partly the cause of strong growth in European production of wood based panels. In 2001, European production (excluding Russia) of wood based panels amounted to 51.5 million m<sup>3</sup> comprising particleboard (69%), MDF (19%), plywood (6%), OSB (3%) and wet process fibreboard (3%). Between 1994 and 2001 there was a significant increase in European production of particleboard (from 26 million m<sup>3</sup> to 31 million m<sup>3</sup>), MDF (from 3.5 million m<sup>3</sup> to 9.5 million m<sup>3</sup>), and OSB (from 0.25 million m<sup>3</sup> to 1.55 million m<sup>3</sup>). Total Europe consumption of surface materials amounted to 4.3 billion m<sup>2</sup> in 1999, the latest year for which data is available. At that time real wood veneers accounted for

only around 18% of total consumption, and probably accounts for even less today. The most common material was low pressure melamine (LPM) which accounted for 51% of the total. Other materials included paper foil (13%), paint (7%), HPL (7%), thermo-plastic (3%) and LBWP (1%).

### Germany the leading consumer

Germany was the leading consumer of decorative surfaces in 1999 (26% total consumption) followed by Italy (14%), Spain (10%), Poland (8%), France (7%) and UK (7%).

Carvalho highlighted laminated flooring as an area of strong demand growth for panels and decorative surfaces over recent years. European consumption of laminated flooring rose from near zero in 1995, to 170 million m<sup>2</sup> in 1999 to 275 million m<sup>2</sup> in 2001.

Although real wood surfaces are taking an increasingly lower share of the market, there is strong demand in Europe for surfaces that have the appearance of wood. Carvalho estimated that about 2.6 billion m<sup>2</sup> of the consumption of surface materials in 1999 - around 60% of the total - were in wood grain pattern (including LPM, HPL, paper foils and real wood veneer). The preference has also been towards lighter temperate hardwoods and away from tropical - due to fashion and the perception of sustainability. In short, consumers are still seeking the naturalness, sustainability, warmth, and performance of wood, although the majority no longer buys the real product!

### Pressures on white oak mounting

**Juan Ramon Iglesias, a leading Spanish hardwood importer and manufacturer**, noted that his company had been a leading buyer and advocate of American white oak in the Spanish manufacturing sector, and hoped this would continue. However pressures on his firm to make changes were

**Continued page 8**

hardwoodmarkets.com

*The independent monthly journal providing market intelligence for the international hardwood trade and industry*

### Contacts

#### By email

rjwoliver@email.msn.com

#### By mail

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

#### By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

### Subscriptions

Within UK £108 p.a

Outside UK £120 p.a. or US\$199 p.a  
or Euro 209 p.a. (includes airmail).

Payable in advance.

Cheques denominated in £ sterling,  
US\$ or Euros should be made out to

**hardwoodmarkets.com Ltd**

©2002 hardwoodmarkets.com Ltd  
All rights reserved

ISSN 1471-6186

### Consultancy services are also available.

Particular areas of expertise:  
Forest Industry Market Intelligence;  
Marketing and Promotion;  
Environmental Issues;  
Forest Policy and Sustainability;  
International Trade Issues.

**Contact Rupert Oliver at the address given above for details.**

Printed by:  
Lamberts Print and Design  
Station Road  
Settle  
North Yorkshire  
Tel: 01729 822177

## Editorial

### Turning the market back to real wood

The AHEC Europe Convention in Lisbon brought into sharp focus the challenges and opportunities facing the international hardwood industry. Particularly striking were the views of Western European manufacturing companies. Globalisation has meant rising competition which in turn has focused manufacturers' attention on cutting costs. Manufacturers are also constantly looking for new ways to differentiate their products.

Manufacturers' demands on raw material suppliers are intense and sometimes contradictory. They want low cost but they also want materials to be adaptable to changes in fashion, to have uniform aesthetic characteristics and good technical performance, to be readily available, and to have broad appeal to the consumer. And oh yes - for wood it's also important to avoid upsetting environmentalists. So it should come with an FSC certificate.

Of course it is particularly difficult for the solid wood industry to match these requirements. By its very nature, wood is variable. The timescales involved in forestry mean it is impossible to manage forests to satisfy the short-term whims of fashion. Meanwhile a rising tide of

environmental legislation is contributing to increased wood production costs so that prices simply cannot fall further.

The inevitable result is that a large swathe of the Western European manufacturing sector has progressively turned it's back on solid wood. Where wood is used, it tends to derive from fast growing plantations capable of providing bland uniform products at relatively low cost - but which also provide bland uniform forest landscapes.

The irony is that consumers clearly love the warmth, naturalness, and unique character of wood. 60% of decorative surfaces consumed in Europe are in wood patterns. Unfortunately only a small proportion of this is real wood.

Depressing perhaps, but this statistic also suggests there is still great potential to expand sales of real wood in western Europe. The challenge is to turn the market back to the natural product. In Lisbon, AHEC representatives identified an important lever. Architects, designers and specifiers have huge influence and are also becoming more inclined to use "natural" products. All that is needed now is sustained and targeted investment in marketing.

## Africa

### Supply region news

#### Ivory Coast creates uncertainty

This month market comment in relation to African sawn lumber focused heavily on the political problems in Ivory Coast. At present the situation is very uncertain. On 17th October a ceasefire was announced between the government forces of Ivory Coast President Laurent Gbagbo. In the week following, Ecowas agreed to send in a regional ceasefire monitoring force by mid November, probably commanded by Senegal. Although the truce was still holding at the end of October, it is a fragile peace and the country that has become extremely volatile.

But West African leaders are desperate to see an end to the Ivorian crisis, in which hundreds have been killed, tens of thousands displaced and the country divided in two. Gbagbo is under great pressure from his peers to find a negotiated settlement and to stop the rebellion spreading across Ivory Coast's borders and destabilizing the whole of West Africa.

In the last week of October, Gbagbo was in

the Togolese capital Lome holding face-to-face negotiations with the Patriotic Movement of Cote d'Ivoire (MPCI) rebels who tried and failed to topple Gbagbo in an attempted coup on September 19. But it seems the high-level Ecowas contact group set up to broker peace has a monumental task to find common ground between the adversaries. Press reports highlight the climate of mutual suspicion, animosity and recrimination that pervade the talks.

#### Timber industry havoc

The rebellion is playing havoc with the timber industry. Many important concessions and some sawmills lie in rebel held territory in the north of the country and have ceased operations. Those lying south of the "war line" are operating under very difficult conditions. Log supplies are limited and a curfew is in place which means that they can only operate one shift a day. Fuel is also very restricted. Very few Ivory Coast shippers are quoting for new contracts and most are concentrating on the supply of existing contracts only.

**Continued page 3**

## African indicative prices

	Aug	Sept	Oct
<b>Exchange rates</b>			
US\$/£	1.55	1.55	1.56
Euro/£	1.58	1.59	1.59
All prices include agents commission of 5%			
<b>Logs</b>			
<b>Liberia</b>			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
<b>A. mahogany</b>	185	185	185
<b>Walnut</b>	185	185	185
<b>Iroko</b>	240	240	240
<b>Kusia (Opepe)</b>	120	120	120
<b>Sawn lumber</b>			
<b>Cameroon, CAR, Congo (Braz.)</b>			
Euro/m3; FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
<b>Sapele</b>	520	520	515
<b>Sipo</b>	640	640	630
<b>Bibolo</b>	400	400	380
<b>N'Gollon</b>	535	535	535
<b>Iroko</b>	530	530	540
<b>Cote d'Ivoire</b>			
Euro/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11", thickness 1"-2"			
<b>Iroko</b>	515	515	520
<b>Mahogany</b>	420	420	420
<b>Framire</b>	315	315	320
<b>Samba No.1 C&amp;S</b>	240	240	240
<b>Dimension stock</b>			
<b>Azobe</b>	400/	400/	420/
	460	460	460
<b>Dabema</b>	300/	300/	300/
	390	390	390
<b>Gabon</b>			
Euro/m3; FOB			
Grade and size: FAS, width 6"+, length 6'+			
<b>Okoume AD</b>	320	320	320
<b>Okoume KD</b>	365	365	365

The crises in Ivory Coast may also affect log and lumber supplies out of South East Liberian ports. Producers in this region are heavily dependent on the Ivory Coast for supplies of spares and fuel.

### More fighting in Liberia

Log production in the north-western timber producing region of Liberia and exports via the port of Monrovia also continue to be affected by conflict. Fighting between Liberian rebels and pro-government forces resumed in Lofa County during the last week of October, only days after the government announced that it was fully in control of the area. Judging from these reports, the only major timber producing region of Liberia not directly affected by conflict is the central region. Production from this region, which is largely controlled by one company, the OTC, is exported via the port of Buchanan. Log exports from another African producing nation are also being affected by conflict. Fighting has broken out in the Central African Republic between government

forces and dissident forces allied to the former CAR army chief of staff, Gen Francois Bozize. As a result traders report that it is increasingly difficult to obtain logs from this source.

### Still raining in Cameroon

In other supplying regions north of the equator, more mundane factors such as government bureaucracy and the weather are restricting production. The rainy season in Cameroon is at its height and is due to last for about another two months. Production is unlikely to gear up before the middle of January. European traders report that few exporters are making new offers at present and that log yards in Cameroon are currently very low.

### Ghanaian mills log starved

Reports from Ghana also indicate that log supplies are very tight and that many mills have little lumber on offer. The financial problems of Ghanaian mills are severe as they are squeezed between limited log supplies, weak export demand and are having to cope with a 7% export tax on lumber.

### DRC production rising

While other supplying countries have descended into conflict, another is just emerging. Although still at a very low level, log production in the Democratic Republic of Congo (DRC - former Zaire) is gradually improving. One European company with interests in the country notes that small volumes of logs are now being transported from north western parts of DRC down river for shipment via Matadi.

Log production in the Congo Republic (Brazzaville) is reported to be steady, with most log and lumber exports comprising valuable redwoods still being shipped via Douala in Cameroon, and smaller volumes via Pointe-Noire and Matadi.

## Log markets

### Okoume sells well in China

Chinese demand for okoume logs from Gabon is good. Financial problems at SNBG, the Gabon state log marketing association, have placed limits on log production in Gabon. These two factors have contributed to price rises for okoume logs. FOB okoume log prices have increased from US\$160 in June to around US\$190. Okoume log exports from Gabon are restricted to 50,000m3 per month.

Prices for logs of valuable African redwood species are generally stable. Quiet European log markets are in balance with limited supplies.

## Species notes

### Demand subdued overall

European demand for African sawn lumber is subdued overall. However this is balanced by the low level of supply and prices are generally stable. Considering individual species:

■ **Sapele** – Forward availability of sapele lumber is limited and FOB prices are firm. However steady volumes have been arriving on old contracts into Europe over recent months and stock levels on the ground in Europe are reasonably high. This coupled with underlying slow demand has led to some price weakness in Europe.

■ **Sipo** – European demand from sipo lumber is steady but only limited volumes are available. Prices remain stable.

■ **Framire** – the situation in Ivory Coast has raised concerns over future availability of framire lumber, particularly as demand in the U.K. remains good and stock levels on the ground in Europe are low. At present it is difficult to place forward contracts for framire. These problems have contributed to a slight in quoted FOB prices. Some contacts suggest there may be further increases later this year if there is no easing of the situation in Ivory Coast.

■ **Iroko** – lumber demand in the important Irish market is steady. The Ivory Coast situation has raised concerns over future availability. European trading companies report they have very little stock on the ground and are having difficulty securing new stocks. As with framire, FOB prices quoted this month from Ivory Coast are slightly higher than last month.

■ **Wawa** – lumber demand in all the leading export markets – Germany, Italy, the U.K. and South Africa – is slow. This is creating handling problems for Ghanaian exporters. Due to the threat of colour deterioration and worm attack even after kiln drying, wawa lumber cannot be produced for stock. Prices are stable at low levels. Due to the 7% export levy, prices have little room to fall as margins are already extremely tight.

■ **Khaya** – U.S. demand for khaya lumber is good and soaking up the limited volumes available at stable prices.

■ **Azobe** – TTJ reports that stocks are high in the Netherlands, and also in the port and on the water from Port Gentil in Gabon. FOB prices for azobe dimension stock from Ivory Coast have risen slightly due to very limited availability.

■ **Okoume** – okoume lumber is selling reasonably well into Italy, but interest is limited elsewhere in Europe.

## Malaysian sawn lumber Prices reach a plateau

After progressive price rises between April and August this year, FOB prices for Malaysia lumber have stabilized at the higher level. The trend towards rising westbound freight rates from the Far East which boosted CNF prices in September and early October seems now to have reached a plateau. This may partly reflect the port strike along the U.S. west coast which may have allowed more containers to be diverted to westbound routes from the Far East. Freight-rates are now stable at around US\$ 1700 for a 40ft container CNF Rotterdam.

### Prices expected to stay firm

Many analysts expect prices for meranti to remain reasonably firm over the next two to three months. This forecast reflects the unusually low unsold stock position of many exporters, generally reduced log availability this season in Malaysia, and high log prices. Many sawmills in Malaysia have been forced to rely on smaller dimension logs this season which has reduced recovery rates. Furthermore supplies will tend to tighten during the coming monsoon period in Malaysia, and over the imminent

Ramadan holiday period and the Chinese New Year early next year.

Although FOB prices for meranti in typical European specifications are stable and quite firm, few European importers seem interested in signing forward contracts at present. There are various reasons. There is the general trend in Europe towards just in time ordering. In turn, this is partly fueled by economic uncertainty in Europe, particularly in Germany and the Netherlands, two crucial markets for Malaysian lumber.

European importers have been further encouraged in their "wait-and-see" attitude by the perception that availability of Malaysian sawn lumber has improved. Whereas two months ago no Malaysian stocks were being offered for prompt shipment, now there is no difficulty ordering stocks for December shipment.

### Importers avoid Xmas arrivals

At the same time few European importers want stocks arriving during December when the Christmas vacation usually leads to a temporary fall in consumption. Some larger European trading companies may also be speculating that there will be cheaper offers available just before the Chinese New Year, which sometimes happens as Malaysian shippers take steps to empty their yards and generate January invoices ahead of the Chinese New Year.

Some economists now forecast that the euro may gain in strength against the dollar as the U.S. economy is still soft. A weaker dollar would tend to help sales of Malaysian lumber in Europe since prices are quoted in dollars and Malaysia's own currency is pegged to the dollar. But as usual economists disagree; some predict the dollar may strengthen over coming months. Either way, the uncertainty encourages importers to be cautious.

### Dutch market very weak

The important Dutch market for meranti bukit and seraya (both pin-hole no defect) remains very weak, while the merbau market has ground to a halt. Weak forward demand is balanced by Malaysian shippers' relatively low unsold stocks of meranti in typical Dutch specifications. Exporters are making few offers for these specifications and CNF prices have remained stable. At the same time few importers are interested in signing forward contracts at current levels. In fact there is a lot of price cutting in the Netherlands, with stocks often off-loaded at below replacement cost, as Dutch importers strive to maintain sales to the stagnant joinery sector. Forecasts of future construc-

tion activity in the Netherlands vary, but most indicate only very weak levels of growth during 2003. There are concerns that the Dutch economy as a whole may be moving towards recession.

### U.K. slow forward buying

Forward buying of dark red meranti in the U.K. is very slow. Meanwhile there are reports of importers selling off existing landed stocks, bought at lower prices earlier in the year, at below replacement cost.

Demand for meranti in the U.K. is very sensitive to its price in relation to sapele since the African species is an important competitor in this market. Current price levels in the UK for kiln dried meranti stock are around 10% lower than prices for equivalent specifications of sapele, and therefore sufficiently low to generate continuing interest amongst U.K. manufacturers. However U.K. manufacturers have a tendency to switch to sapele, the preferred species, if meranti and sapele prices are similar.

### Reasonable prospects in the U.K.

As long as meranti prices do not rise too far or too fast, demand prospects for this species in the U.K. seem reasonable. Forward availability of sapele is fairly confined and sapele FOB prices have remained reasonably firm despite low levels of European consumption. Problems in the Ivory Coast may also restrict availability of framire and iroko, two other important utility hardwoods in the U.K. and Ireland, potentially creating new opportunities for meranti. The U.K. construction and joinery sectors have also remained more active in the U.K. than in many other European countries, buoyed by a strong residential housing market and increased public sector spending.

## Asian Sawn Lumber Indicative Prices

	Aug	Sept	Oct
Exchange rates:			
M\$/£	5.88	5.89	5.91
U\$/£	1.55	1.55	1.56
M\$/US\$	3.80	3.80	3.80

### Malaysia

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

### West Malaysian Dark Red Meranti

Grade: Select & better GMS; Kiln dried

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

1"	800	810	810
2"	850	860	850
2.5"	910	920	920
3"	925	930	930

### Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	520	525	525
-------	-----	-----	-----

### Nemesu

Kiln dried

2"	960	970	960
2.5"	980	990	980
3"	990	1000	990

### Myanmar Teak

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

Grade: Air dried boards

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

1"	2750/ 3250	3000/ 3250	3000/ 3250
----	---------------	---------------	---------------

*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.*

# South America

## Market notes

### Trade looks at other species

■The Brazilian mahogany trade has been stalled this season with only one company exporting small volumes of veneer and no lumber being shifted. Peru is now the only significant supplier of Brazilian mahogany lumber to international markets. Exports of mahogany from Peru have risen this year with most destined for the United States.

■Since the Brazilian cedar trade is intimately linked to the mahogany trade, availability of cedar this year from Brazil has also been more restricted than usual. However international demand also remains restricted. Devaluation of the *real* has meant that export prices have fallen around 10% this year.

■There has been a little more interest in FSC certified Brazilian cedar in the U.K. this year. Prices are usually around 5%-10% more expensive than non certified material, but available supplies are limited.

■The dry season in northern Brazil (which usually runs from around July/August until late November/early December) is currently at its height. Log supply for most other species is therefore not a problem.

■With the mahogany trade stalled and cedar supplies more restricted, the leading species exported from Brazil in lumber form are now probably jatoba, tauri and curapixia. This switch in species emphasis is also reflected in a geographical shift in trade away from Belem in northern Brazil to southern Brazilian ports.

■Jatoba is the leading export species to the U.S. and Spain where it is used mainly for flooring. Demand for jatoba is reported to be good in the United States at present.

■Some of France's largest joinery manufacturing companies purchase significant quantities of tauri lumber each year.

■Tauri prices have been soft for some time, due to slow demand in France and devalu-

## Mahogany

### CITES thinks again

"Big-leafed" mahogany (*swietenia macrophylla*) is again up for discussion for listing under Appendix II of the Convention on International Trade in Endangered Species (CITES). The proposed listing will be considered by CITES signatory states at their meeting in Santiago, Chile in November. The listing has been proposed by Guatemala and Nicaragua, giving it some weight as these are "range" states exporting the species, albeit in low volumes.

*Swietenia macrophylla* is already listed on Appendix III, which requires the issue of a "certificate of origin" by the relevant government authorities prior to export. The move to Appendix II would impose a slightly more stringent requirement for an "export permit" only issued with evidence that the wood is legally obtained.

More important than the change in documentary requirements however is the symbolic impact of an Appendix II listing. Although CITES states that such a listing does not mean that a species is "threatened with extinction", it does amount to an international admission that existing levels of trade are unsustainable.

Such sensitivity has meant endless debates over the pros and cons of listing the species under Appendix II. Environmentalists claim that threats to the species are sufficient to merit CITES listing. These threats, it is argued, derive from tropical deforestation, inadequate natural regeneration, genetic erosion arising from removal of the

best trees, and losses in plantations due to the shoot borer. On the other hand, timber trade associations have tended to resist listing, arguing that there is no scientific justification. Furthermore, since the threat to survival is more closely related to forest conversion than commercial exploitation, they have argued that measures to control the international trade would do little to improve the conservation status of the species.

The new proposal, which can be viewed on the CITES website at [www.cites.org](http://www.cites.org), summarises the scientific case for inclusion. A quick review suggests it does not present much new scientific information gathered since the last proposal to list the species led by Bolivia and the USA in 1997.

The proposal is also interesting in its omission of detailed reference to the conclusions of Dr Ariel Lugo of the International Institute of Tropical Forestry in Puerto Rico who in 1999 undertook a review of the conservation status of big leafed mahogany on behalf of the United States Department for Agriculture. Using much of the same data reviewed in the new CITES proposal, Dr Lugo appears to come to exactly the opposite conclusion; that the species is in no danger of extinction, that there is no evidence that logging causes significant genetic erosion of mahogany, and that active forest management is the best alternative for big leaf mahogany conservation.

Whatever the outcome in Santiago, it seems certain the decision will be politically motivated and will have little to do with science.

ation of the *real*. However the French market for tauri, which was affected by overstocking last year, is better balanced with demand this year.

■Curapixia is also used extensively by French joinery manufacturers. Prospects for this species received a boost recently with the news that a French door manufacturer has switched away from sapele in favour of curapixia. Curapixia is a more challenging species to process than sapele, but it is significantly cheaper.

■Small volumes of other Brazilian species are making headway in European markets, particularly those which are FSC certified. The U.K. is buying steady volumes of marupa, mainly destined for the DIY and moulding sectors. Interest in this species has also received a boost due to problems in the supply of ramin – although overall volume of the Brazilian marupa export trade is still small. Interest in FSC certified

Angelim pedra has increased in the Netherlands amongst public sector procurement officials, most being supplied in standard window sizes (mainly 5"x7"), partly due to current difficulties in the supply of keurhout certified meranti. However Brazilian decking products have yet to make any significant inroads into the European tropical hardwood decking market, which is still dominated by Malaysian suppliers.

■Brazil's domestic market, which absorbs upwards of 90% of the nation's hardwood production, is still weak. There is a great deal of uncertainty over the ability of Brazil's new administration to handle the nation's economic crises. The Brazilian currency, the *real*, has fallen 40% against the dollar this year. This has meant that domestic prices for Brazilian hardwood lumber have been rising even while dollar prices have been falling. This acts as a further constraint on domestic consumption.

### Brazilian Indicative Prices

US\$/m3	Mar	Sept	Oct
<b>Cedro</b>			
C&F UK Port incl commission			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', northern origin			
2" Kiln dried	740	670*	670
2.5"-3" Kiln dried	760	690*	690
<b>Massaranduba</b>			
C&F UK Port including commission			
Decking section			
21 or 28 x 145mm.	535	500	500

\*Note U.K. C&F prices for Brazilian cedar quoted in the October issue of [hardwoodmarkets.com](http://www.hardwoodmarkets.com) overstated the extent of the price fall this year and have been corrected.

# North America

## Hardwood production Mounting problems

Eric Lacey, AHEC Chairman, provided a sobering account of problems in the U.S. hardwood lumber industry at the AHEC Europe Convention in Lisbon during October.

U.S. hardwood lumber production fell as much as 30% between 1999 and 2001 from around 14.5 billion board feet to 10.5 billion board feet. Production during 2002 has not increased noticeably and few have plans to increase production. Despite falling production, lumber prices have generally fallen, or at best held steady over the last two years. During much of 2001 and early 2002, the hardwood lumber industry was unprofitable. Only in recent months has it returned to profitability. Lacey identified 8 factors which have undermined profitability and led to long term alterations in the structure of the industry:

■ Production costs have been rising faster than lumber prices, contributing to lower profitability and driving many producers out of business.

■ There has been a significant shift away from supply of random width lumber in favour of specialty sorts on length, width and colour. Five years ago, only a few species were sorted for colour, now two thirds are regularly colour sorted. This has meant that lumber handling costs have risen and producers now have to keep costly inventories in order to fill orders.

■ Stumpage rates have continued to rise leading to declining availability of logs and green lumber. During a time of weak demand, forest owners have simply decided to refrain from harvesting and to await a market upturn. At the same time, depressed softwood markets have driven many loggers out of business. An increasing number of owners are also now managing hardwood forests for non-timber objectives tending to push log prices higher.

■ Availability of credit to the hardwood lumber industry has declined. In part this reflects changes in the structure of the U.S. banking system which has led to a decline in the number of local banks and an increased focus on investments making a solid rate of return. This has happened at a time when the costs of carrying stock are increasing.

■ There has been an unsustainable rise in U.S. kiln drying capacity. The advent of automated controls has fueled perception that kiln drying is "easy", encouraging lumber producers to invest in kilning in an effort to capture more profit from their wood. The

rise in kilning capacity has led to reduced availability of green lumber to traditional markets and increased competition in the kiln dried market.

■ The availability of substitutes has been rising, including substitute wood products (veneers, laminates, engineered products), substitute species (European beech, Baltic birch, Chilean lenga), and substitute materials (plastic pallets).

■ Export markets have been shifting. Although volumes have been rising, total value has remained steady as markets have become more competitive and overseas buyers have switched to lower valued species and lower grades.

■ Meanwhile the United States has been exporting manufacturing capacity, as many firms have relocated to lower cost locations. In 2001, domestic furniture manufacturers used 1.5 billion board feet less hardwood lumber than in 1999. Although hardwood exports have been rising to some destinations, notably China, this volume has been insufficient to compensate for the decline in domestic consumption. Lacey concluded that many of these trends will intensify over the next few years. Timber and logger availability will remain challenged, costs in the American hardwood processing sector will continue to rise, and margins will be squeezed.

## Export demand Seasonal increase

Reports from the recent AHEC European Convention in Lisbon indicate that overall EU stock levels of American hardwoods are low, that the market in most countries has switched to just in time, and that many importers have adopted a wait-and-see approach during a period of economic uncertainty. The weaker dollar this year has failed to give much of an impetus to European buying of American hardwood. Western European manufacturers face increased competitive pressure from Eastern Europe, while the availability of Eastern European sawn lumber is improving. However market conditions vary by country.

### German market very poor

The German market is in a poor, even dangerous state with many companies close to bankruptcy. Much of the market is being permanently lost to Eastern Europe. There is also greater penetration by Eastern European suppliers of hardwood lumber into the French, Belgian and Dutch markets.

Weakness in the German market is affecting hardwood lumber sales to Scandinavia. Al-

though domestic economies in this region are stable, export sales of Scandinavian products are slow to Germany.

In the UK and Ireland, importers are maintaining low stocks of American hardwood lumber, encouraged by the perception of good availability from U.S. and continental European concentration yards. There is increased competition coming from eastern European suppliers of square edged lumber, although delivery times are still long. In both the U.K. and Ireland tulipwood is being used more widely with stain for joinery applications. U.K. imports of most other species of American hardwood lumber have declined this year. The Irish market has been more stable.

### Italian market more competitive

In Italy, competition from Eastern Europe has greatly intensified and tropical hardwood is widely available so hardwood is very price sensitive. Cherry is still in fashion and white oak is coming back. There is also a return in Italy for traditional classical furniture, which favours wood. Italian stocks are low, especially in tulipwood. Italians at the Convention were generally optimistic about the future.

The economic situation in Greece is

## U.S. hardwood exports January to August

	2001	2002	% chng
<i>Logs/lumber - 000s m3, veneer - mill m2</i>			
<b>World</b>			
Logs	2076.6	2074.8	-0.1
Lumber	1779.4	1897.9	6.7
Veneer	197.5	213.8	8.3
<b>Canada</b>			
Logs	1034.8	1053.9	1.8
Lumber	630.8	648.4	2.8
Veneer	62.1	69.3	11.5
<b>EJ</b>			
Logs	189.1	160.3	-15.2
Lumber	491.6	470.1	-4.4
Veneer	85.1	73.3	-13.9
<b>SE Asia</b>			
Logs	30.2	38.3	26.6
Lumber	64.6	89.1	37.8
Veneer	7.1	7.8	10.3
<b>Greater China</b>			
Logs	72.5	160.1	120.9
Lumber	282.4	383.3	35.7
Veneer	20.8	35.6	71.1
<b>Japan</b>			
Logs	68.4	65.9	-3.7
Lumber	75.6	67.6	-8.2
Veneer	1.5	1.6	3.1
<b>Mexico</b>			
Logs	5.2	7.0	35.3
Lumber	126.1	107.6	-14.6
Veneer	4.9	7.5	51.4

# North America

strained and inflation is 3.5%. However construction in preparation for the 2004 Olympics has boosted demand. Stocks of American hardwood lumber in Greece are normal.

## Spain still speculative market

Unlike other European markets, **Spain** is not just-in-time. Many importers are still speculative buyers and are now carrying high inventories. This means they are sensitive to price changes that may devalue stock. Although Spain has been more buoyant than other European markets this year, there are problems. There are signs of overheating in the construction sector. Industrial output is migrating from Spain, and 25% is estimated to have been lost to eastern Europe. On the other hand, more white oak is being used in

furniture, doors and floors.

The economic slowdown in **Portugal** is affecting demand. Eastern European suppliers are also gearing up rapidly to supply this market. Oak, cherry and beech are the main temperate species in demand.

## Chinese demand remains good

American hardwood exports to **China and South East Asia** were good during the third quarter of 2002. In China underlying demand continues to rise, but competition is intense. There have also been reports of some Chinese buyers putting orders on hold due to concerns over backed up shipments of furniture to the United States. This in turn reflects the lengthy closure of west coast U.S. ports due to a labour dispute. Although the

volume of American hardwood exports to China continues to rise, the unit value of products is declining. There is a noticeable shift towards imports of logs. In the Chinese lumber market, demand for lower priced species like tulipwood and ash is rising while demand for high quality hard maple and cherry is falling.

## Slight pick-up in Japan

Demand in **Japan** is still slow, although there was a slight pick up after the summer vacation. Japanese buyers are said to be becoming even more demanding in terms of quality specifications. Demand in **South Korea** has been fairly good, boosted by a recent increase in residential refurbishment.

## Species notes

■**ASH**: domestic demand is generally slow, with orders dependent on suppliers being able to carry out additional sorting for size, grain and colour. Efforts to cut production have prevented more serious price weakness. There are some reports of a slight pick-up in export demand for high grade ash in Japan and the U.K. China has been buying more common grade ash.

■**SOFT MAPLE**: domestic demand for most grades is either stable or good. In some U.S. regions demand for higher grades of both green and kiln dried stock and for colour sorted stock exceeds supply and prices have been edging higher. Export markets are still limited. Europe has yet to show any real interest in the species, but there has been an increase in demand from the Middle East and Far East.

■**RED OAK**: domestic market conditions vary widely by region, species and grade. Production cut backs over the last 18 months have generally served to keep overall supplies more or less in balance with demand, even creating shortfalls for certain items in some regions. Demand for green lumber and for lower grade lumber is generally stable to firm, but there is more variation in demand for kiln dried and higher grade lumber. However prices for kiln dried FAS&1F in the preferred domestic size (1") are generally stable. Furthermore many mills have reduced production of thicker stock, helping to keep prices for these items stable. Export sales of red oak to Europe are now limited. However sales of lower grades to the Middle East and the Far East have been reasonable. There are reports of improved buying in Mexico.

■**WHITE OAK**: domestic demand for lower grades has been improving, particularly for residential flooring, but also for crossties and truck trailer flooring. Earlier efforts to restrict production have led to shortfalls in supply of lower grade white oak in some areas and prices have been firming. However demand and prices for kiln dried FAS&1F have been more mixed. This is largely due to slow demand from overseas

buyers. Export activity improved slightly during the autumn but has not been boosted as much as expected by the weakened dollar. Amongst European markets, only Spain has remained reasonably buoyant (mainly Sel/Bet and # 1 Common). Exporters of dimension products have been performing better than exporters of random lumber. A fair amount of #2 common has been moving to China and SE Asia.

■**POPLAR**: domestic demand for lower grades has been rising slowly, particularly for green lumber and for higher grades. Production levels are being tightly controlled helping to keep prices stable. Many suppliers are seeking to boost sales by undertaking additional sorts for color and size. Over recent weeks, Chinese buying of kiln dried number 1 common has slowed allowing build up of excess stocks in this grade. Steady volumes of higher grade tulipwood are now moving to Italy, although press pressure is intense.

■**HARD MAPLE**: market conditions throughout the Northern U.S. and Canada are very varied depending on location and grade. Supplies of high grade hard maple, both green and kiln dried, are at seasonally high levels and in excess of demand which is putting some downward pressure on prices in some areas. Good demand for the lower grades is contributing to more stable prices for these grades. In part these trends reflect more focus on cost by buyers, both at home and overseas, which has led to some switching from higher to lower grades. Export sales to both Europe and the Far East are down this year compared to last. However there have been fairly good shipments of lower grades to the Far East over recent weeks, notably for flooring.

■**CHERRY**: the market is heavily concentrated on repeat business, with buyers targeting specific long-term suppliers and areas for production. This focus on a limited number of suppliers is keeping prices firm. Cheaper offers may still be obtained from producers in other areas of the Appalachian region – although most are now making efforts to avoid processing cherry. There has been a trend in parts of Europe to switch away from FAS cherry to common grades as a

cost saving measure.

■**WALNUT**: demand remains firm both at home and overseas, particularly for the higher grades.

■**OTHER SPECIES**: domestic demand for yellow birch is stable and prices are steady. Some yellow birch is also being sold to Japan and China. Far Eastern buyers generally are looking for cheap substitutes for primary species. Aspen orders, mainly in Common grades, have been rising in the Far East. Basswood demand has also been rising strongly in China. Cottonwood is being sold to an increasing number of destinations, but still mainly China, Italy and Mexico.

## US sawn lumber indicative prices

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

	Jun	Aug	Oct
\$/£	1.52	1.55	1.55
\$/Euro	0.99	0.98	0.98
<b>Red oak</b>			
1"	1825	1880	1880
1.25"	2000	2060	2075
1.5"	2025	2100	2150
2"	2475	2500	2500
<b>White oak</b>			
1"	1525	1420	1450
1.25"	1690	1690	1750
1.5"	2060	2060	2100
2"	2725	2725	2750
<b>Ash</b>			
1"	1100	1100	1050
2"	1525	1560	1560
<b>Tulipwood</b>			
1"	1125	1100	1050
1.25"	1170	1150	1125
1.5"	1175	1175	1150
2"	1210	1200	1225
<b>Cherry</b>			
1"	3580	3660	3425
1.25"	3600	3720	3580
1.5"	3775	3870	3750
2"	4075	4175	4050
<b>Hard Maple</b>			
1"	2400	2370	2350
1.25"	2500	2470	2450
1.5"	2650	2630	2750
2"	2875	2840	2850



# Special report - AHEC Europe Convention

## Manufacturers

cont. from page 1

mounting. He emphasized the need for American hardwood suppliers to listen to European manufacturers in order to maintain their market position. He emphasised the considerable pressure on Western European manufacturers to cut costs while at the same time to maintain consistent quality and reliability of service. U.S. hardwood suppliers had to come to the market with "new products" if they were to maintain market share. This requirement extended to environmental certification. Iglesias believed the American hardwood industry needed to adopt FSC certification as soon as possible to avoid loss of market share.

### Changes in the door industry

**Luis Freitas of Vicaima**, a leading European door manufacturer, provided an overview of changes in the door industry impacting on the hardwood sector over the last 20 years. Solid hardwood is no longer used as a raw material either for internal or external doors, so his presentation focused on wood veneers.

During the 1980s the southern European countries and the U.K. preferred dark tropical veneers, notably African sapele. At that time prices were competitive and there were few environmental restrictions. Meanwhile the Central and Northern European countries during the 1980s began to shift towards veneers in lighter species, notably white oak, beech and ash. At the same time there was a shift in these countries to white painted doors, usually on B grade veneers or directly onto hardboard.

### U.K.'s early shift away from veneer

In the first half of the 1990s, dark veneers were still in strong demand in the UK, but there was also a move towards lighter veneers. However the UK market was soon transformed when two important North American door manufacturers took over the largest British firms. This led to strong promotion in the UK market of the typical North American door – the white primed moulded hardboard skin (WPMHS) door. The low price and wide availability of this product led to a sharp decline in market share for the real veneer door.

During the 1990s in Central and Northern Europe, the trend towards lighter coloured temperate hardwood veneers intensified while white painted doors maintained an important share of the market. At the same time, the WPMHS door, now manufactured in the UK, also started to make inroads into

Central and Northern Europe. Manufacturers in this region realized that they were losing market share. They had no facilities to manufacture an equivalent product and veneer prices were too high to compete. Their reaction was to shift to the use of alternative lower cost surface materials including laminates, synthetic foils and fenolic papers. They now had a product that could be produced for the same price as a WPMHS door, but with the additional attraction of a wood design facing. Since then the market in North and Central Europe has come to be dominated by alternative facings, most of which reproduce European and North American species. Real veneer doors, also in temperate hardwoods, now occupy only a high value niche in this region.

### Different trajectory in South

The door market has followed a different trajectory in Southern Europe. The trend towards lighter veneers only began in earnest in the late 1990s. Even now darker veneered doors occupy an important market position, although the trend has been downwards. Alternative non-wood facings also arrived on the scene later than in Northern and Central Europe. Although these facings have become an important part of the Southern European door market, the preference is still for real wood veneer, both in the low quality and high quality market segments.

### Future prospects

Alternative non-wood facings will maintain a large share of the door market in all parts of Europe, particularly in the lower value segment. These products will also compete directly with the WPMHS door, taking market share. The WPMHS door will remain significant only in the U.K. The WPMHS door has made no headway in Southern Europe and is now unlikely to do so. Natural wood veneers are likely to maintain a large share of the market in southern Europe, and a limited but still significant share of the market in central and northern Europe. There is likely to be a continued preference for light colours, although there are signs of brown and honey colours making progress. Real wood veneers will be important in the high value niche market, for example in individual houses, hotels and public buildings. In the higher volume low end market, there may be opportunities to expand sales of real wood veneer, but only in South Europe. According to Freitas this will depend on the wood industry "*increasing the production of low value wood veneer, as well as developing and promoting new species, where the first selling factor is price and availability*".

## Marketing 1

### AHEC's global program

Wood marketing initiatives must be tailored to meet local conditions and adaptive to rapid changes in market demand. This was the main message from Mike Snow, Executive Director of AHEC, in his presentation on AHEC's global marketing program. AHEC has no "global strategy", instead it has a series of national and regional strategies. These are co-ordinated through a series of regional offices in Washington DC, London, Osaka, Hong Kong, Beijing, Seoul, and Mexico City.

### Japan's structural changes

In Japan, AHEC's marketing strategy has had to adapt over recent years to major structural changes in the wood sector. Many manufacturers have shifted off-shore to lower cost locations in East Asia, notably China. Japan's imports of primary hardwood products have been declining. However the country is still one of the world's largest importers of wood furniture. The value of Japanese furniture imports rose from under 200 billion yen in 1991, to a forecast 350 billion yen in 2002. Japanese companies are also now deeply involved through investment in manufacturing in other Asian countries. At the same time environmental issues are becoming increasingly important. Much promotion in Japan therefore is now adapted to influencing decision makers and furniture consumption patterns in Japan. A major focus of promotion is sponsorship of an annual furniture design competition which showcases and rewards innovative use of American hardwoods. AHEC also promotes a positive environmental message using hang tags on American hardwood furniture which provide a link to a website providing information on U.S. hardwood resources.

### Korea's renovation boom

In Korea, much of the traditional market for lumber amongst furniture manufacturers has disappeared due to relocation of facilities to China. Marketing initiatives are now targeted to exploit the emergence of an important residential renovation market. Until recently, the Korean government imposed a cap on the resale value of homes. However this cap has now been removed encouraging more homeowners to invest in improved interior design and better quality fittings. AHEC promotional activities in Korea include demonstration installations of American hardwoods in Korean houses and a design competition for apartment renovation.



# Special report - AHEC Europe Convention

## New focus on China

In China, the situation is very different. China is absorbing a rising volume of American hardwood lumber. The value of U.S. hardwood exports to China increased from under US\$10 million in 1995, to nearly US\$90 million in 2001. Unlike the rapid development of imports into Korea and Taiwan during the 1980s, which was directed to export-oriented manufacturing industries, much of the growth in China's hardwood lumber imports is directed towards the domestic market. The opportunities in this market are considerable. China is becoming increasingly dependent on hardwood imports due to the nation's Natural Forest Protection Plan which places restraints on domestic harvests, particularly of high value hardwoods. At present per capita wood consumption in China is very low (around 0.2 m<sup>3</sup> per year compared to a world average of over 0.6%), so there is great potential to increase.

## Rise of Vietnam

AHEC is also focusing attention on South East Asia. In Vietnam for example, American hardwood log lumber and veneer exports have increased from near zero in 1998 to a projected US\$17 million this year. Labour costs in Vietnam are even lower than in China and there are now anecdotal reports of furniture factories closing in China itself to be relocated to Vietnam – emphasizing the extent to which the furniture sector has become a “moving target”.

A major feature of AHEC's program in Greater China and South East Asia over recent years has been an annual Convention which, in line with the growing importance of China's domestic market, has focused particularly on the use of American hardwood for interior design. During 2003, AHEC will be holding separate Conventions in China and Vietnam.

## But Europe still a priority

Despite the recent outward shift in manufacturing facilities, Western Europe remains a priority for AHEC activities. The EU as a whole is still the largest export market for American hardwoods, absorbing double the volume and three times the value of China. As elsewhere, promotional activities have had to take into account recent structural changes in the industry. There is now a very strong focus on creating awareness and education of architects and specifiers. For the first time this year, AHEC was a lead sponsor of the UK's RIBA awards. Other activities include professional seminars and a wide range of public relations activities aimed at the trade and architectural press.

## Marketing 2

### Crucial importance of architects

Despite a generally gloomy picture painted by some other speakers, AHEC consultant Michael Buckley was determined to be optimistic. Speaking on the theme “Global forces on European hardwood markets”, Buckley emphasized various trends which if properly exploited, should create new opportunities for wood. Buckley made a point of avoiding discussion of the “global economy” – the dry and often overworked analysis of GDP and trade data. In order to float ideas and concepts, he introduced the “global forces” that are impacting on the hardwood industry.

■ **“Controls”** – Buckley noted that the hardwood industry is becoming increasingly subject to external control. For example, environmental groups are seeking power over the sector through the development and promotion of certification schemes in which they are leading stakeholders. The challenge for the industry is to turn these controls to their advantage.

■ **“Fashion developing”** – a fashion for timber is developing amongst European architects. Just the week before the Convention, the Sunday Times, a leading UK national, published an article suggesting that “Timber in architecture is undergoing a bit of a renaissance”.

The Sunday Times article was written in the build-up to the UK's premiere architectural awards ceremony organized by the Royal Institute of British Architects (RIBA). At least two projects receiving RIBA awards were characterized by the extensive and innovative use of wood products: the Downland Gridshell, part of the Weald and Downland Open Air Museum in southern England, which used small dimension English oak finger-jointed and organized into a grid to produce a frame for a large light and elegant building; and the Barnhouse Private Residence in Highgate, London which integrated timber with other materials to blend the building into a historic site.

Buckley emphasized the huge influence of architects in the use of raw materials for construction and joinery, but pointed to the challenges. “*Architects are radical thinkers, you need to work hard to get inside their heads*”. As a profession, architects are also still largely ignorant of the properties and potential of wood. Buckley illustrated this with an anecdote. On receiving their RIBA award, the architects responsible for the Barnhouse Private Residence were

asked which timbers were used during construction. With a shrug, they responded “can't remember”. Educating architects is perhaps the biggest challenge and opportunity for the hardwood sector in mature Western European markets.

■ **“Acceptance increasing”** – architects' growing interest in timber stems from a trend towards “sustainable design” within the profession. The fact that architects perceive wood to be “sustainable” is evidence of growing acceptance of wood's environmental credentials.

As further evidence, Buckley cited the case of a large U.K. hardwood importing company that during the early 1990s was a focus for Greenpeace' “Mahogany is Murder” demonstrations. This same company is now running training courses for the U.K. wood industry on environmental timber procurement with the endorsement of Greenpeace.

■ **“Image improving”** – Buckley spoke about how the image of wood products is improving. In part this reflects a recent proliferation of marketing and public relations initiatives in the wood sector. But a critical fact has been an increase in the level of trust in the industry on environmental issues. This in turn has depended on the provision of reliable information. In the case of American hardwoods the ability to provide 70 years of inventory data to demonstrate that forests are expanding has been a key factor.

■ **“Processing shifting”** – finally Buckley noted the considerable shifts in the location of wood processing capacity over recent years. He commented that freight is now a relatively minor cost on hardwood lumber, so manufacturers now have much greater flexibility to shift location to where other costs, notably labour, are low. In Europe this has led to a very rapid shift in processing location away from Western Europe to Eastern Europe. Figures for Polish furniture sales to IKEA, the giant furniture retailer, illustrate the trend. These sales rose every year between 1994 and 2002 from near zero to an estimated US\$543 million. While clearly significant, Buckley noted that from a marketing perspective the furniture sector has become a moving target: “*the day Polish costs rise too high, IKEA will be looking to alternative countries to supply furniture.*” Of course the hardwood industry needs to continuously analyze shifts in the economic viability of different processing locations, Buckley concluded. But it must also be vigilant in its analysis of trends in fashion, and must seek to influence those people playing a lead role in establishing these trends.

## European hardwoods

### No improvement

In 2001, German hardwood log harvests reached 4.2 million m<sup>3</sup>, down 12% on the previous year according to data released by the German government at the recent meeting of the UN/ECE Timber Committee. The decline partly reflected an adjustment following the December 1999 storms which led to an increase in harvest during 2000. German production of hardwood sawn lumber fell by 6% last year to 1.2 million m<sup>3</sup>. Poor domestic demand, declining overseas sales, and overstocking, particularly in beech, have all played a role.

There has been no improvement in market conditions for German hardwood lumber during 2002. Although levels of production have continued to decline, stocks are being decreased only slowly. This is particularly true of medium quality steamed beech, for which demand is slow and prices soft. At present many German mills are concentrating on cutting oak logs. However the arrival of new season logs may boost activity in the beech processing sector during the closing weeks of the year.

### French beech lumber exports rise

Despite reports of widespread problems in the French sawmilling sector, data for the first half of 2002 indicates that French beech sawn lumber exports actually rose 6% to 133,000 m<sup>3</sup> during the first half of this year due to growth in sales to China, Hong Kong, Morocco, Belgium and Italy. However French exports of beech logs to China, the main market, have been well down this year.

Demand for French beech logs has also been weak in Belgium, Italy and Spain this year. Furthermore French exports of oak sawn lumber declined 9% to 101,000 m<sup>3</sup> in the first 6 months of this year, with a big decline in shipments to all the major EU markets.

### Oak market more competitive

The European market for oak sawn lumber has become increasingly competitive over recent months. Failures in the beech market have led many Western European mills formerly focused on beech to switch to oak. Due to inexperience, a significant proportion of this new oak production has been relatively low quality. The quality of oak logs now being offered from French forests has also been declining, contributing to excess stocks of cheaper oak. Prices for medium and lower grade of European oak have therefore been under pressure.

In contrast, demand for good quality European oak lumber remains good. Quoted prices to U.K. importers for top grade German, French, Croatian and Slovenian oak remain unchanged this month. Some analysts suggest prices for Croatian and Slovenian oak, widely recognized as the very best quality, are likely to firm over coming months due to limited availability of supply. A clearer idea of future price levels for this oak should become apparent in November when the results of Croatia's first log auctions, currently underway, become available.

## Eastern Europe Comparison with U.S.

There is likely to be a protracted period of intensifying competition between Eastern European and North American suppliers of hardwood lumber to the EU market over the next few years. This was the main conclusion of a meeting of the London Hardwood Club following a discussion introduced by the Editor of [hardwoodmarkets.com](http://hardwoodmarkets.com).

Eastern European hardwood lumber suppliers are developing more efficient processing capacity and distribution networks as they seek to develop lucrative overseas sales at a time when domestic consumption is still low. Rising domestic lumber consumption in Eastern Europe may, in time, reduce availability for export, particularly as these countries are developing furniture manufacturing facilities. But for now, EU hardwood importers report that the influence of Eastern European suppliers is tending to increase.

Discussion at the London Hardwood Club meeting focused mainly on the relative mer-

its of American and Eastern European white oak supplies. Considering some of the more important factors:

■ **Availability of stock;** despite recent progress, Eastern European suppliers are still some way behind their American counterparts in terms of distribution networks and availability of supplies. This is particularly true of square edged oak, which is strongly favoured in the U.K. While importers in continental Europe can often obtain waney-edged stock for immediate shipment, U.K. importers usually have to wait several months for square edged stock, particularly in thicker sizes. Square edged oak in thicker sizes is usually available for immediate shipment from U.S. specialist exporters.

■ **Grading rules;** American hardwoods are backed by the NHLA grading rules, which allows importers to source lumber from a wide range of suppliers in the knowledge that there will be consistent interpretation of specifications in lumber transactions. There is no comparable set of rules for Eastern European hardwoods.

■ **Adherence to specification/claims;** Eastern European suppliers are acquiring a reputation for their willingness to follow specifications to the letter. In fact some suppliers regularly supply wood that is better than specified. In contrast, European importers have been critical of some American suppliers who fail to strictly adhere to NHLA grading rules, resulting in regular claims.

■ **Technical/aesthetic qualities;** Both American white oak and Eastern European oak vary enormously depending on precise area of origin. Generally Eastern European oak has a milder texture and is often whiter than the American variety. Croatian and Slovenian oak is exceptionally high quality, often supplied sap free in clear four face grade and able to provide 90% yield for manufacturers. In contrast, American hardwood supplied to FAS grade may only provide 60% yield. But there are doubts over the long-term ability of Eastern Europe's forests to supply the best quality wood.

■ **Size/dimension stock;** American hardwood is generally available in longer lengths than Eastern European hardwood. However Eastern European producers tend to be better adapted to the supply of dimension stock to the European market.

■ **Kiln drying;** European oak is dried to only 12%-15% moisture content, which is preferred in Europe over typical American moisture content of 6% to 8% because it closer to Europe's ambient moisture level. Therefore European oak has a reputation for re-

European sawnwood indicative prices			
	May	Sept	Oct
Exchange rates			
Euro/£	1.57	1.59	1.59
Euro/US\$	1.08	1.02	1.02
<b>German beech</b>			
Northern Germany, Euro/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried, steamed and square edged.			
1"	800	780*	780*
2"	860	840*	840*
<i>*significantly lower offers are currently available for Chinese specifications. These prices are for high grade joinery beech supplied to U.K. specifications</i>			
<b>German oak</b>			
Northern Germany, Euro/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried, waney edged prime grade*.			
1"	780	780	780
2"	995	995	995
<i>*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices</i>			
<b>Croatian &amp; Slovenian oak</b>			
Northern Italy or Slovenia			
Euro/m <sup>3</sup> , C&F, UK Port			
Grade: kiln dried and square edged.			
1"	950-1250	950-1250	950-1250
2"	1300-1600	1300-1600	1300-1600

Continued page 11

# Europe

## U.S. comparison *cont.*

maintaining more stable in use in Europe than American oak.

■ **Price;** it is difficult to make direct comparisons due to differences in grading practices and exchange rate fluctuations. Generally, American white oak can be more competitive in thinner sizes, since most U.S. production is 1". In thicker sizes, European oak can be more competitively priced.

■ **"Rustic" grades;** demand for rustic grades has been rising in the European bespoke joinery and flooring sectors. The preference is for wood with numerous

small but sound defects. These precise characteristics are not covered in the NHLA grading rules and this has tended to restrict use of American white oak.

■ **Marketing support;** the marketing activities of American and European hardwood producers present a stark contrast. American hardwoods are effectively represented in Europe by AHEC. There is no comparable European hardwood marketing organisation. There is a possibility that this may change. In September 2002, European hardwood trade associations met to discuss the possible development of an organisation modelled on AHEC.

## Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		30-Aug	27-Sep	26-Oct	30-Aug	27-Sep	26-Oct	30-Aug	27-Sep	26-Oct
Argentina	Peso	5.6075	5.7827	5.6367	3.625	3.725	3.6250	3.5551	3.6339	3.5424
Australia	Aus. \$	2.8082	2.854	2.805	1.8154	1.8384	1.8039	1.7804	1.7935	1.7628
Bangladesh	Taka	89.4882	89.8064	89.9539	57.85	57.85	57.8500	56.7336	56.4356	56.5310
Belize	B\$	3.0474	3.0582	3.0633	1.97	1.97	1.9700	1.932	1.9218	1.9251
Bolivia	Boliviano	11.2924	11.4094	11.5102	7.3	7.3495	7.4023	7.1591	7.1698	7.2335
Botswana	Pula	9.7106	9.782	9.5455	6.2775	6.3012	6.1388	6.1563	6.1471	5.9988
Brazil	Real	4.6933	5.983	5.9135	3.034	3.854	3.8030	2.9755	3.7598	3.7163
Canada	Canadian \$	2.4132	2.4481	2.4387	1.56	1.577	1.5683	1.5299	1.5384	1.5326
Chile	Peso	1099.07	1161.74	1143.280	710.5	748.35	735.252	696.787	730.05	718.488
China	Yuan	12.8034	12.8336	12.8707	8.2768	8.2669	8.2772	8.1171	8.0648	8.0885
Czech Republic	Koruna	47.8803	48.2127	49.1849	30.9524	31.0569	31.6312	30.355	30.2975	30.9100
Denmark	Danish Krone	11.7122	11.8184	11.8249	7.5715	7.613	7.6047	7.4253	7.4268	7.4313
Estonia	Kroon	24.704	24.9038	24.8962	15.97	16.0421	16.0109	15.6618	15.6499	15.6459
Euro-zone (1)	Euro	1.5774	1.5913	1.5912	1.0197	1.0251	1.0233	1	1	1.0000
Fr. Africa (2)	CFA Fr.	1034.67	1043.83	1043.78	668.87	672.4	671.263	655.96	655.96	655.958
Ghana	Cedi	12839.3	12768.5	12855.60	8300	8225	8267.5	8139.83	8023.9	8079.0
Guyana	Guyanese \$	279.216	277.88	278.336	180.5	179	179.000	177.016	174.62	174.919
Hong Kong	HK\$	12.0658	12.1082	12.1269	7.8	7.7997	7.7989	7.6494	7.609	7.6211
India	Rupee	74.9783	75.0586	75.1974	48.47	48.35	48.3600	47.5346	47.1678	47.2574
Indonesia	Rupiah	13697.8	13998.8	14367.7	8855	9017.51	9240.0	8684.1	8797.04	9029.3
Japan	Yen	183.408	190.961	192.775	118.565	123.0101	123.975	116.277	120.0025	121.148
Kenya	K. Shilling	121.934	122.717	123.696	78.825	79.0498	79.5498	77.3037	77.117	77.7361
Korea South	Won	1859.3	1906.27	1915.31	1201.95	1227.95	1231.8	1178.75	1197.93	1203.7
Liberia	Liberian \$	1.5469	1.5524	1.555	1	1	1.0000	0.9807	0.9755	0.9772
Malaysia	Ringgit	5.8782	5.8991	5.9088	3.8	3.8	3.8000	3.7267	3.7071	3.7134
Myanmar	Kyat	9.892	10.0316	10.0542	6.3947	6.462	6.4659	6.2713	6.304	6.3185
New Zealand	NZ\$	3.3085	3.2999	3.1959	2.1388	2.1257	2.0553	2.0976	2.0737	2.0084
Nigeria	Naira	196.843	196.92	198.179	127.25	126.85	127.450	124.794	123.75	124.545
Papua NG	Kina	6.1892	6.1741	6.9909	4.001	3.9771	4.9959	3.9238	3.8799	4.3934
Philippines	Peso	80.199	81.42	82.6067	51.845	52.45	53.1250	50.8444	51.16	51.9137
Poland	Zloty	6.396	6.4473	6.3092	4.1347	4.1531	4.0575	4.0549	4.0516	3.9650
Romania	Leu	51380.3	51310.7	51927.6	33215	33052.5	33395.0	32574	32244.3	32633.6
Russia	Rouble	48.8933	49.2096	49.3786	31.6073	31.699	31.7557	30.9973	30.924	31.0317
Singapore	Singapore \$	2.7069	2.7626	2.7579	1.7499	1.7796	1.7736	1.7161	1.7361	1.7332
Solomon Is.	Solmn. Is. \$	11.5441	11.2493	11.7889	7.4627	7.2464	7.5815	7.3187	7.0692	7.4087
South Africa	Rand	16.2603	16.36	15.7107	10.5115	10.5385	10.1037	10.3087	10.2808	9.8733
Sweden	Krona	14.5215	14.4749	14.518	9.3874	9.3242	9.3366	9.2063	9.0962	9.1238
Taiwan	\$	52.9736	54.2176	54.1278	34.245	34.925	34.8100	33.5841	34.0711	34.0163
Tanzania	Shilling	1498.95	1508.93	1528.52	969	972	983.003	950.3	948.23	960.590
Thailand	Baht	65.2638	67.3975	67.5237	42.19	43.415	43.4250	41.3758	42.3535	42.4349
Uganda	New Shilling	2795.25	2823.04	2850.22	1807	1818.5	1832.998	1772.13	1774.04	1791.205
United Kingdom	£	1	1	1.0000	0.6465	0.6442	0.6431	0.634	0.6284	0.6284
U.S.A	US \$	1.5469	1.5524	1.555	1	1	1.0000	0.9807	0.9755	0.9772
Venezuela	Bolivar	2183.84	2284.36	2229.040	1411.75	1471.5	1433.512	1384.5	1435.52	1400.828
Vietnam	Dong	23714	23816.1	23889.5	15330	15341.5	15363.5	15034.1	14966.4	15013.2
Zimbabwe	\$	85.7757	86.0807	86.2221	55.45	55.45	55.4501	54.38	54.0943	54.1858

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

# Association: FEBO, Brussels

Participants – Austria (OVHH), Belgium (FNNB), Finland (FTBMA), France (FNBP & LCB), Germany (GDH), UK (TTF), Italy (FNCL), Latvia (LTEA), Luxembourg (HL), Netherlands (NTTA), Sweden (BMG), Switzerland (HWS, VSRH & SFV)

FEBO – The European Timber Trade Association – founded in 1962, is a cooperation of organisations from all over Europe. In addition to the full members, there are a number of co-operating members and observers.

FEBO maintains close contact with EU authorities in Brussels and facilitates cooperation between different European associations of the forestry and timber industry. It represents members on issues such as the removal of trade barriers. FEBO communicates with regular circulars with information and holds educational visits to interesting and innovative timber traders and companies. FEBO co-organises some European trade events such as Branchentag Holz in Weisbaden, Germany. An up to date brochure with details of all participating European associations is available from the secretariat.

FEBO  
Galerie du Centre, Bloc 1, 5 etage  
B-1000 Bruxelles/Brussel, Belgium  
Tel: (32) 22 29 32 60  
Fax: (32) 22 29 32 64  
Email: febo@fnn.be, www.febo.org

# Hardwood Events

Date	Event	Venue	Target audience	Contact
<b>2002</b>				
4-9 Nov	33rd Session of the International Tropical Timber Council	Yokohama, Japan	Government, trade	Collins Ahadome, ITTO, itto@itto.or.jp
3-15 Nov	CITES, 12th Conference of the Parties	Santiago, Chile	Government, trade associations, NGO	CITES Secretariat, Geneva cites@unep.ch, www.cites.org
3-5 Nov	Future Forests Conference	Melbourne, Australia	Forest Industry (mainly Australia)	Tel: 61 2 9983 9330, Fax abacus@abacusconf.com
20-22 Nov	1st Int. Congress of the Solid Wood Products Industry	Belem, Para, Brazil	Timber trade and industry	wrsp@wrsaopaulo.com.br www.wrsaopaula.com.br
27-30 Nov	Tokyo International Furniture Fair	Tokyo, Japan	Furniture Industry & suppliers	
<b>2003</b>				
11-15 Mar	Properties and Utilisation of Tropical Woods	FRIM, Kuala Lumpur Malaysia	Wood technology, trade	Forest Research Institute Malaysia ganks@frim.gov.my
26-28 Mar	World of Wood 2003	New Orleans, USA	Timber trade	www.iwpa.org/convention.html T: +1 703 820 6696, F: +1 703 820 8550
26 May-6 Jun	3rd Session of the United Nations Forum on Forests	Geneva, Switzerland	Government, trade associations, NGOs	unff@un.org www.un.org/esa/sustdev/forests.htm

### **African balance maintained**

European demand for African sawn lumber is subdued overall. However this is balanced by the low level of supply and prices are generally stable. Political problems in the Ivory Coast are creating uncertainty over future supplies of several African lumber species important to European markets including iroko and framire. **Pages 3-4**

### **Okoume log price rises**

Chinese demand for okoume logs from Gabon is good. Financial problems at SNBG, the Gabon state log marketing association, have placed limits on log production in Gabon. These two factors have contributed to price rises for okoume logs. **Page 3**

### **Meranti prices reach a plateau**

After progressive price rises between April and August this year, FOB prices for Malaysian sawn lumber have stabilized at the higher level. However few European importers seem interested in signing forward contracts due to continuing economic uncertainty and a general shift to just-in-time ordering. **Page 4**

### **Plywood prices hold steady**

Indonesian plywood prices are currently holding at around INDO96 less 12 to 15%. Brazilian hardwood plywood prices have also remained stable over recent weeks at these higher levels. Indonesian, Brazilian and European plywood producers are concerned at the level of market penetration by Chinese tropical plywood. **Page 4**

### **Mahogany trade stalled**

The Brazilian mahogany trade has been stalled during the current Brazilian dry season with only one company exporting small volumes of veneer. Peru is now the only significant supplier of Brazilian mahogany lumber to international markets. Exports of mahogany from Peru have risen this year with most destined for the United States. The leading species exported from Brazil in lumber form are now jatoba and

tauri. Demand for jatoba is good in the U.S. Demand for tauri from the French joinery sector is subdued but supplies are in balance with demand. **Page 5**

### **Mahogany considered by CITES**

“Big-leafed” mahogany is again up for discussion for listing under Appendix II of the Convention on International Trade in Endangered Species (CITES). The proposed listing will be considered by CITES signatory states at their meeting in Santiago, Chile in November. **Page 5**

### **Beech still in the doldrums**

Global demand for beech remains confined. Despite falling European production, stocks are being decreased only slowly, particularly of medium quality steamed beech. **Page 10**

### **Oak market mixed**

The European market for oak sawn lumber has become increasingly competitive over recent months. Failures in the beech market have led many Western European mills formerly focused on beech to switch to oak. Due to inexperience, a significant proportion of this new oak production has been relatively low quality. Prices for medium and lower grade of European oak have therefore been under pressure. In contrast, demand for good quality European oak lumber remains good and prices are steady. **Page 10**

### **American oak vs. European oak**

There is likely to be a protracted period of intensifying competition between Eastern European and North American suppliers of oak to the EU market over the next few years. This was the main conclusion of a meeting of the London Hardwood Club following a discussion introduced by the Editor of [hardwoodmarkets.com](http://hardwoodmarkets.com). The relative merits of Eastern European and American white oak were compared. Eastern European suppliers can provide an exceptionally high quality product. However ordering times are still lengthy and availability of the best quality stock is very limited. **Page 10-11**

### **AHEC celebrates 10 years**

One hundred and seventy delegates in Lisbon attended AHEC's tenth European Convention during October. Highlights include:

■ a session devoted to reports by the Western European manufacturing sector. These demonstrated the intense competitive pressure this sector is now under, particularly from Eastern Europe. This pressure has been bad news for hardwood suppliers. Efforts by manufacturers to cut costs are leading to increased use of cheap substitute materials, both wood and non-wood. **Page 1,8**

■ Eric Lacey, AHEC Chairman, provided a sobering account of problems in the U.S. hardwood lumber industry, noting that production fell as much as 30% between 1999 and 2001 from around 14.5 billion board feet to 10.5 billion board feet. Lacey suggested that current trends towards tightening margins in the sector would intensify. **Page 6**

■ European country break-out discussions which suggested that overall EU stock levels of American hardwoods are low, that the market in most EU countries has switched to just in time, and that many importers have adopted a wait-and-see approach during a period of economic uncertainty. The weaker dollar this year has failed to give much of an impetus to European buying of American hardwood. **Page 6**

■ a presentation by the AHEC Executive Director on the organisations global marketing strategy which emphasised the need for marketing initiatives to be tailored to local conditions and adaptive to rapid changes in demand. **Page 8-9**

■ a presentation by AHEC consultant Michael Buckley on the theme “Global forces on European hardwood markets” highlighting that the main opportunity for hardwoods in major western European markets lies in influencing architects. **Page 9**