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New opportunities for American hardwoods in the E.U.

American hardwood exports to Europe have fallen during the last 2 years. Overall hardwood consumption in Europe has not reduced significantly, so the fall in exports indicates that American hardwoods have lost market share. Much of the loss in share has been to European hardwoods. Nevertheless, at the American Hardwood Export Council (AHEC) European Convention held in Hamburg during October, American exporters seemed confident of their ability to turn the market around.

No-one caught this mood better than David Venables, AHEC's European Director, who focused on new opportunities for American hardwood now emerging in Europe. At present, American hardwoods account for only around 5% of total hardwood lumber consumption in the E.U. To Venables, this indicates great potential for growth.

Venables identified a host of factors that are working in favour of American hardwoods in Europe. Wood is becoming more acceptable from an environmental perspective and there is increased interest in wood from sustainable sources. There is an opportunity to exploit the environmental respect for American hardwoods that already exists.

The main opportunity for future market growth is likely to be in the construction sector. There is rising interest in the architectural use of hardwood for innovative, modern and sustainable design.

Opportunities in the E.U. furniture sector may seem more restricted as a significant part of the industry has relocated to low cost locations in East Europe and Asia. But many European manufacturers are responding effectively to the competitive pressure through new design and product innovation. European manufacturers remain global leaders in design and fashion trends. In

recent years these trends have favoured temperate hardwood species. American hardwood exporters can offer a wider variety of these species than any other supplier. So they are well placed to respond to changes in fashion.

Venables was also keen to highlight the continuing importance of the European market to the American hardwood export industry. In 2002, U.S. hardwood lumber exports to the E.U. reached 675,000 m3 and were valued at US\$400 million. The E.U. accounts for 45% of the total value of American hardwood exports to destinations outside North America. Europe is a very high value market. The average unit value of American hardwoods exported to the E.U. during 2002 was US\$600/m3, compared with only US\$375/m3 for China.

AHEC firmly committed to Europe

So AHEC remains firmly committed to marketing of hardwood products in Europe. Much work still needs to be done. Venables noted that European architects and specifiers still lack knowledge of American hardwoods. This is a problem that afflicts all wood products since very few architects have formal wood training. There is also lack of awareness of American hardwood products amongst key manufacturing groups. Despite strong wood understanding, Europe's specialist joinery manufacturers often have significant gaps in their knowledge of American hardwoods. These manufacturers are a key target for marketing since they provide the products that architects and designers specify and have a major influence on the decision making process.

AHEC is addressing these issues through a variety of promotional campaigns. Working through its own staff and an well established network of public relations consultants ► **6**

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Editorial - EU: land of opportunity

We focus on the E.U. market this month, a consequence of the Editor's participation at the AHEC European Convention held in Hamburg during October. No apologies are made for this emphasis. Despite all the talk of the growing influence of China – undoubtedly significant – no-one should lose sight of the pivotal role played by the E.U. in the global hardwood trade. And, as was made amply clear at Hamburg, the opportunities for hardwood market development are as good as ever in the European Union.

The E.U. continues to absorb a huge quantity of hardwood, well in excess of the supply capabilities of domestic hardwood forests. Last year, the EU as a whole imported primary hardwood products (logs, sawn, plywood, veneers) with a total value of almost 6 billion euro. This figure excludes the rising volume of hardwood semi-finished components and finished products imported each year. The E.U. tends to buy higher grade and higher value products. The average unit value of American hardwoods exported to the E.U. during 2002 was US\$600/m³, compared with only US\$375/m³ for China.

And while there has been a trend towards E.U. manufacturing companies relocating facilities to lower cost locations, much innovative design work continues to be undertaken close to the consumer in the E.U.

Meanwhile, new opportunities for hardwoods are emerging in the European construction sector as interest in sustainability is rising and as architects are exploring the potential for hardwood in innovative and modern design.

The global importance of the E.U. hardwood market will magnify with the accession of 10 new members in May 2004. This extension eastward will make the E.U. the world's largest trading block with an internal market of 450 million people. The E.U. will absorb several countries with substantial wood processing capacity. Following accession, living standards in the new Eastern European members are expected to progressively improve. Together these trends have potential to create new demand for hardwood products.

There are serious down-side risks, not least competition from non-wood substitutes and look-alike products; the over-exploitation of hardwood forests in some parts of the world; and the damage to the industries' reputation that this implies.

These issues present a huge challenge to the European hardwood industry. But if tackled successfully, the rewards will be immense.

Rupert Oliver
Managing Editor

Africa

African logs

Euro's strength slows demand

Overall log supplies throughout the major African supply regions are constrained by higher logging taxes in some countries, the removal of Liberia as a source of supply, and poor weather conditions. The rainy season has been prolonged in the northern Congo basin and west Africa. In early November, reports indicate that logging conditions are just beginning to improve in Ghana and Ivory Coast, but rains are persisting in Cameroon. There are also reports that rain is beginning to affect okoume log supply further south in Gabon.

But limited supply continues to be matched by weak demand. Since most African suppliers invoice in euros, the relative strength of the euro against the dollar has undermined demand for African logs. China's currency, the RMB, is tied to the dollar. Therefore Chinese importers have effectively seen a significant rise in African log prices this year. Some reports also suggest high log stocks in China in certain species,

including padouk, andoung, niove and ekop. These factors have led Chinese importers to increase the pressure on African suppliers to drop euro prices. But faced with limited supplies and rising forest taxes, most African shippers have been reluctant.

European demand for African hardwood logs remains subdued due to economic uncertainty throughout the continent. The longer term switch away from European log imports in favour of value-added products has also progressed rapidly this year. In part this trend has been driven by relocation of western European wood processing plants to lower cost countries. Okoume plywood manufactured in the E.U. from African logs has also come under intense pressure from Chinese manufactured product.

Stable prices for most species

The fragile balance between tight supply and weak demand has contributed to stable export prices for many log species. But there are exceptions. Prices for higher grade sapele logs have been sliding, a reflection

of weak demand for sapele sawn lumber combined with the heavy reliance of many Congo basin producers on this species. Some reports suggest weakening prices for doussie logs. In contrast, stronger Asian demand has boosted prices for bubinga logs. Azobe log prices are also said to be firming.

Many log importers previously dependent on Liberian supplies have now switched to alternative species from the Congo basin. However, some manufacturers have been severely affected. Global Timber (Shandon Province), a large Chinese manufacturer of plywood which was heavily dependent on Liberian logs, has announced that it intends to temporarily cease production. ITTO reports that Global had its last delivery of Liberian logs on 5th July, and continued to operate on inventory until the end of October. The company intends to use veneer from Indonesia to resume operations in February 2004. Total production is between 15,000-16,000 m³ per month, with around two thirds destined for the Japanese market.

Meanwhile, ATIBT, the Paris-based tropical timber association has issued a press release calling for the sanctions against Liberian wood products to be lifted as soon as possible, citing the importance of the timber sector to the Liberian economy. The press release notes that the United Nations is again to review the sanctions in early November 2003. ATIBT also renewed its call for the United Nations to send a joint mission to Liberia with NGOs, donors, and ATIBT. The mission would aim to propose mechanisms to ensure effective control over Liberian forest operations, and correct use of funds derived from timber operations.

African sawn lumber

Depressed market

Overall African sawn lumber demand remains depressed, undermined by the strength of the euro on international exchange markets. The market divide identified in earlier reports between the entandrophragmas (sapele, sipo, utile) from Congo basin and various West African species persists. For the entandrophragmas, demand is particularly weak, supply is in excess of demand, and prices have been soft. However, on-going supply problems in Ivory Coast and Ghana coupled with better demand has ensured more consistent pricing for iroko, framire, and khaya. Further details of market demand are provided in the species notes.

African Forest Policy

Law enforcement conference

The Africa Forest Law Enforcement and Governance (AFLEG) Conference, held in Yaounde, Cameroon, from 13 to 16 October 2003, concluded with agreement on a ministerial declaration. After three days of negotiations, 31 African countries and 9 from outside the continent finally reached agreement on a 30-paragraph declaration and a two-page indicative list of actions. Among other commitments,

the declaration recognises the shared responsibility of exporting and importing countries to 'eliminate the illegal exploitation of forest resources and associated trade' and calls for the establishment of regional and sub-regional task forces on forest law enforcement and governance, and for a review of the implementation of actions by the end of 2006. A full report on the Conference can be obtained online at: <http://www.iisd.ca/linkages/sd/sdyao/>

Species notes

■ **Sapele**: sawn lumber prices have continued to weaken. European stocks remain in excess of current levels of limited demand. There are reports of high stocks in Douala sourced from Cameroon and Central African Republic. Some producers have tried to reduce production in an effort to bring supply back in line with demand. However this strategy has been only partially successful due to limited availability of alternative species to Congo Basin mills. Sapele demand is said to be weak in all the leading European markets, undermined both by slow consumption and the strength of the euro which has improved the competitive position of alternatives, notably Asian meranti.

■ **Utile/sipo**: market demand is very limited. In current market conditions few are willing to pay a premium for the better quality offered over sapele.

■ **Iroko/odum**: prices are now stable at a high level. There has been some easing of the iroko supply situation from Ivory Coast. This has taken some of the heat out of the market. There is now no difficulty obtaining random sizes. However iroko in fixed sizes is still rare and readily saleable. Irish importers have filled the gaps in inventory that opened earlier in the year by stocking up on random sizes and by partial substitution for sapele. Spanish and Portuguese demand for iroko has been weak. Recent visitors to Ghana report that commercial odum supplies in the country are now almost depleted.

■ **Framire**: the U.K. market has remained steady, even showing signs of expansion as use of framire has diversified. There is a trend amongst UK buyers to use framire with stain for interior joinery applications as a low cost substitute for sapele. This has generated increased demand for framire in thinner sizes. Previously U.K. buyers tended to prefer thicker stock. While U.K. consumption has been rising, forward sales are being disrupted by some importers selling existing grounded stock at below replacement cost.

■ **Wawa**: overall market demand is very slow. The species is coming under pressure from cheaper substitute materials, including MDF and softwoods. The western European market

may also be shrinking as manufacturers are now more inclined to import semi-finished components from low-cost locations in Eastern Europe and Asia. Some Ghanaian suppliers are seeking to reduce production in response to slow demand.

■ **Ayous**: demand is weak in Italy, the United States and France. African mills have been reducing lumber production in an effort to stabilise prices.

■ **Okoume**: Chinese importers are putting pressure on suppliers to reduce log prices. Faced with limited supplies and rising taxes, shippers have generally been resistant. Some Chinese importers have switched to buying log stocks from Congo (Brazzaville) and Equatorial Guinea. Production of Okoume veneers in Europe is dropping off very quickly as many of the French producers have re-located their veneer mills to Gabon.

African indicative prices

	Aug	Sept	Oct
Exchange rates			
US\$/£	1.58	1.67	1.67
Euro/£	1.44	1.41	1.46
All prices include agents commission of 5%			

Sawn lumber

Cameroon, CAR, Congo (Braz.)

Euro/m ³ ; FOB			
Grade/size: FAS, air dried, width 6"+, length 6'+			
Sapele	480	475	455
Sipo	560	550	545
Bibolo	380	380	380
N'Gollon	535	535	535
Iroko	630	630	630

Cote d'Ivoire

Euro/m ³ ; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	630	630	630
Mahogany	430	430	430
Framire	340	340	340
Samba No.1 C&S	240	240	240
Dimension stock			
Azobe	430/ 490	430/ 490	430/ 490
Dabema	300/ 360	300/ 360	320/ 380

Gabon

Euro/m ³ ; FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	320	320	320

Malaysian sawn lumber Nothing in the supply pipeline

Shippers in West Malaysia that specialize in supplying kiln dried meranti for the export market are reported to be carrying relatively high stocks due to depressed buying in Europe. However there is very little wood further up the supply chain. It has been raining in West Malaysia since mid October and logging has been interrupted. Log extraction in Sabah has been in long term decline. And new regulations and tighter border controls have meant that Malaysian mills are no longer able to supplement supplies with Indonesian logs. The sawmills supplying the independent shippers are reported to be very low on logs.

FOB prices stable, freight rates rise

In recognition of the log supply problem, most exporters are maintaining steady meranti FOB prices. Furthermore, meranti is traded in dollars so export prices are already competitive against euro-traded African species. Exporters seem in no particular hurry to sell in the current market. Few offers are being made and exporters are not willing to commit too far ahead.

C&F Europe price levels are more difficult to judge due to the disruptive effects of freight rate increases and slow buying in Europe. ITTO reports that breakbulk freight rates from Malaysia (Port Kelang or from Sabah main ports) to Rotterdam have jumped by 80 Ringgit (US\$21) per ton. Container freight rates also seem to be rising regularly on a monthly basis. Container

space is limited westbound from Malaysia as more shipping capacity has been diverted to service trade with China in the run-up to Christmas.

Dutch trade depressed

Reports from the Netherlands indicate very low levels of trade in the standard PHND specification and sizes of meranti-bukit and meranti-seraya. The much hoped for autumn pick-up in business did not materialize. Construction activity remains very depressed. Sales prices for existing landed stock in the country continue to be depressed due to intense competition for sales and cost-cutting efforts by end-users. Joinery manufacturers are increasingly prudent in their purchasing and operate strictly hand to mouth. Winter weather is expected to slow construction activity even further and the Christmas holiday season is looming. So there are no signs that this situation will change in the near future.

Increased meranti interest in U.K.

In the U.K., lower prices due to the weak dollar seem to have generated more interest in meranti-tembaga. Underlying consumption from the U.K. building sector has also remained reasonable during the autumn months. But so far these trends have only benefited the limited number of companies with existing stocks of meranti-tembaga on the ground in the U.K. and continental Europe. Merchants and manufacturers are buying small volumes on a regular basis from these companies and keeping a tight control on inventory. A few U.K. importers are reported now to be considering their forward position. But there is still very little willingness to commit to the forward market. The U.K. market for keruing sawn lumber remains depressed.

More in U.K. interest in certification

Increased public sector interest in sustainable timber procurement, combined with intense ENGO campaigning targeting illegal Indonesian wood exports, has encouraged greater U.K. interest in MTCC certified wood. However most buyers have been frustrated by lack of availability.

Elsewhere in Europe, the German meranti market remains quiet. There has been some activity in Belgium, primarily restocking by the larger Belgian importers serving buyers in other parts of Europe.

The Japanese market for Malaysian sawn lumber is mixed. The Japan Lumber Journal reports slow demand for lauan lumber due to limited activity in commercial and public sector construction. However there is growing demand for new JAS-certified laminated

lumber which is increasingly used in residential interior joinery applications.

With the European and Japanese markets depressed, Malaysian shippers are focusing on alternative outlets. Shippers in Sabah suggest that regional markets in South East Asia, notably Thailand, have been offering good prices for several species including meranti-seraya, selangor batu, and kapur.

Asian log supply Near the season's end

It is close to the end of the dry season in log producing regions of South East Asia. While reports from West Malaysia suggest that logging conditions are already deteriorating, recent ITTO reports suggest conditions are better in other regions. Dry conditions still prevail throughout much of Sabah, Sarawak and Indonesia, with the main problem being low river water levels. Logging has continued in recent weeks, although tighter regulations and resource constraints have meant that overall harvests have fallen this year.

FOB prices for certain species of log, including kapur and keruing have remained firm. However there has been some weakness in prices for Sarawak meranti logs as production has tended to overrun demand during the current logging season. In recent weeks some exporters have tried to take advantage of the weak dollar exchange rate to raise dollar prices for meranti logs. But buyers have not been receptive.

China logs and plywood Intense price cutting efforts

Chinese imports of tropical hardwood logs have continued at high levels this year. These imports are feeding both China's rising domestic consumption and an expanding wood processing sector geared towards re-export. However supply is becoming more of a problem due to Indonesia's log export ban and harvesting restrictions in Malaysia. During the first half of 2003, these constraints led to a partial switch by Chinese importers to log supplies from Africa and Oceania, notably Gabon, Congo Brazzaville, Liberia, and Papua New Guinea.

More recently, obstacles have emerged in the supply of African logs to China, notably the U.N. sanctions against Liberia and the strength of the euro in relation to the Chinese RMB. As African logs are invoiced in euros, this has tended to raise import costs. This has occurred at a time when ►5

Asian Sawn Lumber Indicative Prices			
	Aug	Sept	Oct
Exchange rates:			
M\$/£	6.01	6.33	6.35
U\$/£	1.58	1.67	1.67
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	780	780
2"	820	810	810
2.5"	880	860	860
3"	910	900	900
Myanmar Teak			
US\$/50 cu ft, FOB Rangoon/Bangkok/Singapore			
Grade: Air dried boards			
Size: Width 6'+ avg 8", Length 6'+ avg 8'			
1"	na	na	3350/3600
	na	na	
<i>Note the teak board trade was disrupted in Aug-Sept following the sacking of the Forest Minister and much of the team responsible for regulating teak exports. U.S. trade sanctions against Myanmar added to the uncertainty. Trade has now resumed at higher prices due to increased scrutiny of exports by the Myanmar authorities</i>			

4◀ Chinese buyers are focusing very heavily on cutting log import costs as competition in finished products markets has intensified. In the short term these trends may increase Chinese demand for dollar-denominated Asian logs. Chinese importers are also trying new species in an effort to find cheaper alternatives.

Meanwhile China's influence on the international plywood market has continued to rise. Chinese manufacturers are exporting increasing volumes of combi-plywood, comprising a tropical hardwood veneer over several layers of either softwood or hardwood low density timber. Prices on offer are sometimes as much as 20% lower than European okoume plywood. This price differential has encouraged the European Commission to launch a formal enquiry with a view to possible anti-dumping proceedings against Chinese plywood manufacturers.

Japan logs and plywood New standards affect market

In Japan, markets for both tropical logs and plywood have been affected by new and stricter standards on formaldehyde emission levels in plywood. Plywood mills supplying the Japanese market must conform with JAS certification standards which require mills to modify production processes and to pay for external third party verification. This gave a boost to Japan's domestic plywood mills during the second quarter of 2003, increasing demand for imported tropical logs in Japan and reducing demand for imported plywood. Better than expected house start figures also increased demand for plywood. Southsea log arrivals into Japan during the January to July 2003 period reached 1.01 million cubic meters, 6.2% up on the same period the previous year.

However the trend towards increased tropical log imports into Japan is likely to be short-lived. The basic trend in Japan's lauan plywood sector is downward, as it is anticipated that even more mills will switch to softwood in future. There is also expected to be increased substitution of plywood for MDF and OSB. Furthermore, overseas plywood mills have responded to the new demand for JAS certified plywood. JAS certified product is just beginning to arrive from Indonesia, Malaysia and China. Around 40 Indonesian mills are already seeking JAS certification. As Japan's imports of tropical plywood recover, demand for tropical logs in Japan is expected to fall away. The volume of imports of tropical logs for production of lumber in Japan also continues to decline, largely due to lack of availability of

good quality seraya logs from Sabah preferred in this market segment.

Indonesian plywood Prices rise, but prospects dim

In recent weeks, Indonesian tropical plywood mills have raised prices to around INDO96 less 22%, up from around INDO96 less 29% only a few months ago. But these price gains do not seem to indicate any real improvement in the market, and instead represent an effort to absorb escalating costs. Rising freight rates have been an important factor encouraging the price increase in the short term. But longer term factors are also playing a role to increase costs.

Although yet to be effective, government controls on logging have been intensifying. Irrespective of these controls, the dwindling forest resource in Indonesia has meant that logs are having to be sourced from more remote areas, pushing up harvesting and

transport costs. Mills are having to use meranti of steadily declining diameter and other species which are more difficult to peel and dry.

Indonesian mills are also having to comply with new JAS certification requirements in Japan, and from 1 April 2004, with new CE-marking requirements in the E.U. Some importers in the U.K., the main European market, have stated they will cease buying any Indonesian plywood until there is independent verification of legal log supplies.

Meanwhile competition has been intensifying from Chinese mills at a time of relatively slow global demand. And tropical plywood is coming under intense pressure from substitutes, including plantation softwood plywood, MDF and OSB.

A recent article in Asian timbers sums up prospects for the Indonesian tropical plywood sector: "the end of the line for thin panel tropical commodity plywood may be in sight."

Indonesia calls on E.U. to reject Malaysian wood

In an extraordinary outburst, Indonesia's Minister of Forestry Muhammad Prakosa sparked a furious row with Malaysia and effectively admitted that his government had lost control over forest regulation.

Prakosa is reported to have called on the E.U. to reject timber products from Malaysia "as there are indications that most of them are made of logs taken from illicit sources." According to the Jakarta Post, Prakosa made the comments in the sidelines to a media gathering during October.

The Jakarta Post claims Prakosa said that the Indonesian government and the E.U. representative in Jakarta were currently discussing joint measures aimed at preserving Indonesia's severely damaged natural forests. Apparently, Prakosa proposed that the E.U. should include a specific article in its proposed bilateral agreement with Indonesia on Forest Law Enforcement, Governance and Trade (FLEGT) requiring E.U. countries to screen all timber products from Malaysia and reject those suspected of using illegally cut logs from Indonesia. Prakosa said that the "EU is considering our proposal. It is likely to be approved."

Furthermore, the Jakarta Post claims Prakosa said that he had planned to visit Malaysia to talk with the countries' government on possible solutions but he had subsequently dropped the plan. Prakosa said "There will be no bilateral talks with Malaysia and Singapore since they are uncooperative. To date, both countries consider they have the right to legally use the smuggled logs, and blame Indonesia for its lack of preventative efforts...So what we will do instead is to approach buyer countries to reject their products."

The outburst prompted a furious response from Malaysia. Malaysia's Primary Industries Min-

ister issued a formal protest to the Indonesian government. A spokesman for the Malaysian Timber Council suggested that Indonesia "can be accused of trying to snuff out the business of a competitor." The Director of Malaysian Timber Council's London Office, S.K. Tham, commented in a letter to the Timber Trades Journal: "One wonders what the Minister is trying to achieve by making such unsubstantiated and misleading statements. It is also interesting to note that while Minister Prakosa has in the past accused Malaysia, Singapore and China of using illegal logs, he is calling for the E.U. to only reject Malaysian timber products. He has also conveniently neglected to ask the EU to also reject Indonesian timber products that are suspected of containing illegally cut Indonesian wood. Malaysia has sufficient wood resources of its own and its timber industry need not depend on illegal Indonesian logs."

Tham goes on "Malaysia has been repeatedly asking the Indonesian Government to set a date for the bilateral Malaysia-Indonesia Joint Working Group on Forestry for more than four years but to date the Indonesian Government has been unable to respond positively.... Contrary to what Minister Prakosa said, the Malaysian Government has never received any official notice of any previous plans by the Minister to visit Malaysia. Malaysia is always prepared to work with Indonesia to resolve the issue of the illegal trade in Indonesian logs but it needs Indonesia to put aside rhetoric and to set a definite date for constructive discussions between the two countries....Instead of putting the blame on other countries, it will be more productive for Indonesia to seek a solution in consultation and collaboration with its fellow ASEAN members and to focus its efforts on strengthening its own enforcement measures"

Special report - AHEC European Convention

1◀located throughout Europe, it has nurtured relationships with leading designers and the architectural and construction press. It makes the most of large public-sector projects where American hardwoods are used in innovative and creative ways. AHEC creates copy for the architectural press based on these projects. It also targets architects directly through seminars and publications. Most recently it published a glossy brochure "Hardwood References" targeting the architectural profession show-casing the use of American hardwood in a range of projects including the Rome Auditorium, the

French Ministry of Paris, the German Bundestag, and the Salamanca Scenic Arts Centre. In the furniture sector, AHEC has been championing the use of American hardwoods for innovative products, most recently sponsoring design competitions in the U.K. and Spain. AHEC also actively supports technical research work to ensure appropriate recognition for American hardwoods in European structural and durability standards. To ensure progressive improvement in marketing activity, programs are subject to independent evaluation and the attitudes of end-users to American hardwoods are regularly assessed.

hardwood exporters need to look beyond exchange rates and pricing in order to build long term market share.

As expected, a major topic of discussion at the Convention was the level of competition American hardwoods now face from European hardwoods.

Reasons for buying European oak

Several speakers highlighted the reasons for buying European oak over American oak under current market conditions. European hardwood supply continues to improve, particularly as investment has increased in equipment and technology. Furthermore, as European beech markets have remained slow, European sawmills have focused more on their production of oak – increasing the level of direct competition with American white oak. There have also been shifts in fashion that have favored European over American oak. For example, European oak has been well adapted to the fashion for a "character look" in the flooring sector. Despite the weakness of the dollar, prices for European oak can be cost competitive against American oak in the lower grades. 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 remaining more stable in use in Europe than American oak.

Some European oak is very high quality, notably that from Croatia. European suppliers are proving to be extremely flexible and increasingly able to satisfy manufacturers specific needs, for example for dimension material. This contrasts with American suppliers who tend to focus more on the demands of the domestic market than those of their overseas buyers.

Confidence in American hardwoods

Nevertheless, there was confidence from the U.S. side that American hardwoods had strengths that assured them a strong position in the European market. David Venables, AHEC's European Director, noted that American hardwoods are often more price competitive in the upper grades and thinner sizes. U.S. hardwood suppliers can offer longer and wider lengths than their European counter-parts. The United States also has commercial availability of a wide range of species that are either rare or absent in Europe.

While American delegates were concerned about increased use of European hardwood, some Europeans cautioned against

U.S. hardwood exports January to August 2002 and 2003

Logs/lumber - 000s m3, veneer - mill m2			
	2002	2003	% chng
World			
Logs	1539.0	1473.5	-4.3
Lumber	1897.9	1841.4	-3.0
Veneer	213.8	199.9	-6.5
Canada			
Logs	1053.9	1031.6	-2.1
Lumber	648.4	701.8	8.2
Veneer	69.3	66.5	-4.0
EU			
Logs	160.3	160.6	0.2
Italy	54.8	61.7	12.6
Germany	44.9	42.4	-5.6
Lumber	470.1	431.7	-8.2
Spain	122.4	109.9	-10.2
Italy	109.3	116.1	6.2
UK	72.3	63.5	-12.2
Germany	22.3	26.9	20.6
Veneer	73.3	73.1	-0.3
Germany	27.4	29.8	8.8
Spain	20.6	17.2	-16.5
Italy	7.9	9.1	15.2
SE Asia			
Logs	38.3	37.6	-1.8
Lumber	89.1	76.4	-14.3
Veneer	7.8	5.3	-32.1
Greater China			
Logs	160.1	132.4	-17.3
China	69.2	76.4	10.4
Hong Kong	71.6	40.6	-43.3
Taiwan	19.2	15.3	-20.3
Lumber	383.3	344.3	-10.2
China	164.9	185.3	12.4
Hong Kong	169.5	114.7	-32.3
Taiwan	48.9	44.2	-9.6
Veneer	35.6	30.0	-15.7
China	17.2	13.0	-24.4
Hong Kong	11.9	11.4	-4.2
Taiwan	6.5	5.6	-13.8
Japan			
Logs	65.9	50.7	-23.1
Lumber	67.6	63.7	-5.8
Veneer	1.6	0.9	-43.8
South Korea			
Logs	29.1	24.8	-14.8
Lumber	27.4	21.9	-20.1
Veneer	6.5	4.9	-24.6
Mexico			
Logs	7.0	9.8	40.0
Lumber	107.6	122.5	13.8
Veneer	7.5	6.4	-14.7
North Africa and Middle East			
Logs	2.4	2.1	-12.5
Lumber	38.6	26.9	-30.3
Veneer	4.6	3.4	-26.1

Market issues

Currency, competition, fashion

Three inter-related issues played a key role in discussion at the AHEC Convention: the impact of the weaker dollar on trade this year; the growing level of competition for American hardwoods from European hardwoods and from artificial surfaces; and changing fashions for hardwood species.

Impact of exchange rates

There was discussion of the impact of the weaker dollar on American hardwood sales in Europe this year. While there was broad recognition by Conference delegates that the weaker dollar had improved the competitive position of American hardwoods this year, it was clear that exchange rates were not regarded as an over-riding factor in the market.

Delegates emphasised that much of the recent success of Eastern European hardwoods has been as much due to other positive characteristics of product quality, colour and texture as to their price. Furthermore, some of the price benefit accruing to American hardwoods from the weakening dollar has been offset as American suppliers have tended to raise prices in an effort to improve margins.

Volatility as important as rate

Delegates noted that exchange rate volatility is at least as important as the absolute level of exchange rates. The risks associated with exchange rate volatility can discourage buyers from building stocks. And in the long term, manufacturers will prefer supplies from areas that offer consistent pricing. In the euro-zone, these trends tend to give species sold in euros a competitive edge.

One American delegate noted that there is no guarantee that the weak dollar will be maintained in the medium term. American

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over-emphasis on the competition between American and European varieties. Both have their strengths and weaknesses, and may complement each other in the market place. The aim should be to expand the market for all hardwoods, and both American and European hardwoods have an important role to play. This is particularly true as European manufacturers seem increasingly prepared to mix hardwood supplies.

European hardwood species trends

Discussions during the Convention indicated that there is still a strong fashion for oak amongst European furniture and flooring manufacturers. Birch has become very dominant at the lower end of the furniture sector, a fashion driven largely by IKEA. Beech is now less fashionable, although it is still maintains a significant share of both the furniture and flooring sectors. There seems to have been a partial shift away from the blonde look, to slightly darker shades.

Fashion for "contrast wood"

In parts of Europe there has been a fashion to combine contrasting shades and textures of wood. This has contributed to walnut's continuing popularity. Some tropical woods have also benefited, notably wenge which can produce very dark colours when dried slowly.

Cherry continues to have many admirers due to its colour and texture, but high prices

have led to a search for substitutes. The tropical wood aniegre is finding a niche as a cherry substitute.

In addition to competition from alternative hardwoods, delegates also focused on the rising level of competition from non-wood substitutes. There was widespread recognition that there is strong and growing demand amongst European buyers of furniture, flooring and other joinery products for wood finishes. However, artificial surfaces are now so realistic that buyers have difficulty identifying the real thing. Furthermore, European manufacturers have a strong incentive to shift to artificial surfaces as they are cost-competitive and easily adapted to changing fashions

Do "real wood snobs" still exist?

Delegates were sharply split on the question of whether "real wood snobs" were still an important feature of the European market. Delegates from the German veneer industry suggested that there continues to be a strong desire amongst final consumers for the real product. The problem, as they see it, lay with the furniture salesmen that have no incentive to differentiate real wood veneer products from artificial foil products. The German veneer industry is seeking to overcome this problem through promotion of an-product logo for real wood veneer direct to the final customer.

Other delegates were sceptical of these cam-

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

	Aug	Sept	Oct
\$/£	1.58	1.67	1.67
\$/Euro	1.10	1.17	1.14
Red oak			
1"	1950	1950	1925
1.25"	2070	2070	2050
1.5"	2250	2250	2150
2"	2700	2700	2500
White oak			
1"	1500	1500	1475
1.25"	1750	1750	1675
1.5"	2150	2150	2175
2"	2800	2800	2675
Ash			
1"	1100	1100	1100
2"	1500	1500	1525
Tulipwood			
1"	1040	1040	1075
1.25"	1080	1080	1125
1.5"	1100	1100	1150
2"	1120	1120	1175
Cherry			
1"	3650	3650	3600
1.25"	3750	3750	3750
1.5"	3850	3850	3850
2"	3900	3900	4100
Hard Maple			
1"	2300	2300	2425
1.25"	2450	2450	2525
1.5"	2550	2550	2725
2"	2770	2770	2850

aigns, suggesting that many furniture buyers are generally fairly young, at an age when they are starting a family and setting up a home. Their major concern is price. Moreover these consumers are accustomed to modern materials. They do not necessarily equate "real wood" with "high quality". And where they are interested in buying real wood, it is more likely to be for environmental reasons. Supporting this view, one European delegate noted that the Italian wood sector launched a real wood campaign during the 1990s with only mixed results. In the end, there seemed to be consensus that "real wood" marketing campaigns may be successful in certain countries and sectors, if carefully targetted. And an essential ingredient for success in the European market would be to ensure linkage with credible and verifiable claims of sustainable forestry practice.

Proposed hang-tag promotion

This led to a proposal by American delegates that AHEC should look at the potential for an on-product "hang-tag" promotion of American hardwood products in Europe. The aim would be to convey information about the sustainability of American hardwood forests direct to European consumers.

U.S. hardwood supply and domestic demand

The American hardwood trade is still suffering from supply side problems. But the situation is not as bad as last year. This was the main conclusion of an analysis of American hardwood supply and domestic by Eric Lacey of Averitt Hardwoods International in the USA.

Recent increases in American hardwood log and green lumber costs, and in insurance and power supply, have continued to outpace increases in the price of kiln dried lumber. So margins continue to come under pressure. Lumber handling costs in the United States have also tended to increase. There has been a big shift in customer demand away from random widths and lengths to specialty sorts. As a result producers are having to keep costly inventories to fill orders, and shoulder the costs of handling off-cuts. In past those offering specialty sorts could sell on at premium. But now most buyers have come to expect it, and the costs have been pushed back to the producer.

As elsewhere, American hardwood mills

are under growing pressure from substitutes, including alternative wood products and species; engineered products for frame stock, mouldings, and flooring; and alternative materials such as plastics.

There continue to be problems, but improving economic conditions have helped to ease pressure on American hardwood mills. Domestic hardwood markets linked to the residential sector have been quite strong, with improved demand for flooring, kitchen cabinets and flooring. As the U.S. dollar has weakened, American hardwood exporters have been able to ease some of the pressure on margins by raising dollar prices.

Lacey concluded his presentation by commenting on the interaction between red oak and white oak. He noted that U.S. domestic demand for white oak has been rising, and that there has been a partial switch from red to white oak. At present, red oak is more expensive, but there are signs that the price gap may be narrowing as white oak supply is becoming more constrained.

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Market sector analysis

The AHEC European Convention held in Hamburg during October provided an insight into hardwood market prospects in various sectors of the European economy

Furniture sector hit by competition

European wood products manufacturers have been hit hard this year by the rising tide of imports of finished products from Asia and Eastern Europe. This trend was already apparent with the rising level of investment in manufacturing capacity in these regions. But it has become more pronounced this year as the euro has strengthened.

The extent of market penetration by non-EU wood products manufacturers varies by country. Furniture manufacturers in north western European countries have been under pressure for some time – notably in Germany, the U.K., Belgium and Netherlands. Until this year, the trend had been progressing more slowly in Spain. But during the first 6 months of 2003, Spain's wood furniture imports increased by 65% compared to the same period in 2002.

So far, the Italian furniture sector seems to have been more resistant to external competition, at least in their domestic markets. Furniture manufacturers in all E.U. countries have struggled to maintain export sales.

While these trends sometimes seem unavoidable in the face of huge discrepancies in labour costs, delegates at the Convention suggested there are ways for western European manufacturers to defend their corner. Domestic manufacturers are often better placed to respond directly to customer needs and changes in fashion and to provide after-sales support. In some markets, notably Italy, customer loyalty to domestically manufactured product remains high.

Dimension demand continues to rise

Several speakers stressed the continuing trend amongst European manufacturers to buy cut-to-size lumber. In the past, North American exporters were able to sell large quantities of random width and length lumber, leaving their European customers the task of optimizing their waste. Now, end-users are becoming increasingly reliant on supplies of dimension lumber. This trend

tends to give domestic European lumber suppliers a competitive edge as they are better placed to respond quickly to customer needs.

Opportunities in construction sector

With the furniture sector so mobile, the best opportunities for long-term hardwood market development in western Europe lie mainly with the construction sector. There was widespread recognition at the AHEC Convention that architects and specifiers remain the key target for marketing activity. However short-term prospects in the European construction are very patchy. According to Euroconstruct figures, overall growth in the European construction industry stagnated in 2003, rising by just 0.2%. A slow recovery is expected in 2004 (+0.6%) and in 2005 (+1.8%). Although construction activity has slowed in most countries, the overall figures are heavily influenced by a significant recession in construction activity in Germany and Poland.

In the short term, European residential construction demand is generally declining. On the other hand civil engineering is developing positively with growth rates up to 3.2% in 2005 due to continuing public investment. There are also some continuing hot spots where construction growth has remained strong. Construction sector activity remains reasonably buoyant in Spain. Housing starts continue at a high level in the U.K. and Ireland. Greece has been experiencing a construction boom in preparation for the 2004 Olympic games.

Signs of flooring slowdown

Europe's hardwood-flooring sector, which has been a growing product sector for fifteen years, finally slowed in 2001 and 2002. At the Convention, AHEC quoted data for 2002 from the European Federation of the Parquet Industry (FEP) which shows that 2001 saw the first drop in EU production by 1.3% and in consumption by 2.2%. In 2003 FEP forecasts the levelling off of the 2002 market with 0.7% growth in production, which still leaves it behind the peak of 2000. The future of the parquet market is closely linked to the health of the construction market. Despite the recent slowdown in growth, there is still great optimism in the future of the wood flooring market. Fashion trends and health issues associated with the use of carpets continue to favor wood floors. But several speakers expressed concern over the improving quality and look of artificial "wood look" surfaces.

There was also recognition of the increased role played by Asian and Eastern European

Worst recession in E.U. veneer sector since the war

The recent recession in the E.U. veneer sector has been the worst since the second world war, according to Hans-Berthold Hamm, a Danzer Director. The comment was made during a visit to Danzer's veneer production plant at Winsen, close to Hamburg in northern Germany, as part of the AHEC European Convention.

During the visit, Danzer staff suggested that global consumption of sliced veneer has remained reasonably constant over recent years, but there has been a huge shift in the geographical spread of the industry. While consumption and production have been falling in Eastern Europe, both have risen sharply in the Far East, notably in China.

Europe's sliced veneer market is closely allied to the furniture market. Germany has traditionally been the dominant producer and consumer of veneer in Europe. However the eastward shift in furniture manufacturing activity coupled with high production costs in Germany, has led to production capacity being moved to Eastern Europe. Danzer staff also referred to the "IKEA effect". By offering relatively low cost and low quality furniture to a mass market, IKEA has changed the nature of the European furniture sector. The industry has been driven to cut costs, undermining demand for the higher quality veneer products offered by German production

plants. IKEA has also had a huge impact on species trends, notably driving demand for birch.

Meanwhile, the real wood veneer industry has faced growing competition from non-wood foils and paper finishes. The German veneer sector has sought to counter this trend through the introduction of an on-product Real Wood Veneer label.

Winsen is now Danzer's only veneer production plant in Germany. Danzer's main European production is now located in the Czech Republic and in Latvia. Danzer is now importing hardwood logs from a wide range of sources to supply these mills.

Meanwhile the mill at Winsen concentrates heavily on production for high value niche markets. The largest outlet for veneer from the plant is the car industry, with other product directed to the high-end joinery sector. There has also been considerable investment in new technology at the mill to increase the speed, quality and precision of cutting. The work force is experienced and highly trained. The mill provides an advanced custom cutting service, and specializes in satisfying the most demanding specifications. European furniture manufacturers now rarely carry stocks of veneers. Therefore a sophisticated inventory control system has been developed at Winsen to ensure the mill is responsive to industry demand for just-in-time delivery.

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manufacturers in the market. There was a particular focus on the growing availability and quality of Chinese flooring products, including finished solid wood flooring, laminated flooring, and unfinished dimension parts.

There has been a strong trend towards oak in the European flooring sector. This species is thought to account for around 50% of E.U. flooring consumption. Beech is the second most popular species. Tropical woods account for a relatively small share of the market (perhaps 15%), but their share has been rising. The trend in the market has been away from the blonde look towards slightly darker species.

Economic prospects

As long as the U.S. recovery continues, Europe seems poised for a moderate economic upturn in 2004. This was the main conclusion of a presentation on economic prospects at the AHEC European Convention by Dieter Hesse of the UNECE.

Global economic performance has been improving in 2003 as uncertainties related to the Iraq war have diminished and as the U.S.W. has shown signs of recovery. There has been stronger growth in Japan and Asian emerging markets. International equity markets have begun to rally. Oil prices remain volatile but are back at high levels.

The U.S. remains the engine of growth of the global economy. U.S. growth has been boosted by strong government support for tax cuts and steps by the Federal Reserve to lower interest rates. These measures coupled with a thriving housing market have boosted consumer confidence.

U.S. manufacturing output and capacity utilisation rates remain at relatively low levels. But purchasing activity in the manufacturing sector and business activity in non-manufacturing sectors has improved since the beginning of 2003.

U.S. economic conditions are improving, but down side risks remain. These include the weak labour market, the emergence of large public deficits, and high levels of consumer debt.

Disappointing growth in E.U.

Meanwhile, economic performance has been disappointing in western Europe. There is recession in Germany, Italy and the Netherlands. Domestic demand in many euro-zone countries remains weak, despite low interest rates. Exports are restrained by the strong euro. Government efforts to boost growth through lower tax rates are restrained by the Stability and Growth Pact designed to limit budget deficits in the euro-zone.

Impact of the E.U. expansion

On 1 May 2004, the membership of the European Union will expand from 15 to 25 members with the accession of Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Cyprus, Malta, and the Baltic States of Estonia, Latvia, Lithuania. As a result the European Union will become the world's largest trading block, with an internal market of some 450 million persons. This issue was explored at the AHEC Convention in a presentation by Dieter Hesse of the UNECE.

Extension of the E.U. eastwards is expected to bring benefits of growth, peace and security to the new members. It is also expected to complete the radical economic transformation of Eastern European countries that began in 1990 following the collapse of the Soviet Union. It should speed creation of well functioning market economies, and deepen integration with western European markets. The new members will be required to adopt the external tariffs of the European Union. In the short to medium term, these countries are expected to experience an even stronger inflow of foreign direct investment as they exploit comparative advantages of low labour costs, a skilled labour force, and geographical proximity to Europe's huge internal market.

To a large extent the adjustments necessary of the new E.U. members have already been made. Over the last five years, Eastern European governments have focused heavily on modernizing and harmonising national economies, regulations, tariff structures and standards so that they are more aligned with those of the E.U. In one sense, the accession date is only the final step in process that has been on-going now for some time.

But that is not to under-estimate the likely extent of future change. Hesse noted that

in the long term, the new accession countries face the challenge of catching up with EU average for productivity and standards of living. To achieve this, foreign direct investment flows will have to accelerate. Many of the new accession countries will be looking eventually to join the European single currency, which implies even more fundamental economic transformation. They will have to conform with tough conditions to limit government borrowing, and will progressively hand over control over monetary policy to the European Central Bank. But longer term, they should benefit from stable exchange rates, reduced transaction costs, and transparent pricing.

Rod Wiles of AHEC commented on the immediate impact of the accession for the hardwood trade. At present the new accession countries only buy very limited quantities of American hardwood products direct from the United States. Given the rapid growth in wood processing and furniture manufacturing facilities in Eastern Europe, the low level of direct trade may seem surprising. However, Wiles highlighted the growth in the indirect hardwood trade to these countries. Western European hardwood importers, having recognized the potential for market growth in Eastern Europe, have been selling rising quantities of hardwood lumber into Eastern Europe. At present this trade is inhibited by border controls between eastern and western Europe. For example, Wiles noted that on the border between Germany and Poland, it is not unusual to have 700 lorries backed-up for up to 4 days to clear customs. On 1 May 2004, these controls will be removed over-night, greatly reducing transaction costs and providing an immediate boost to trade both ways.

Accounting for a third of euro-zone GDP, the recession in Germany has been a drag on overall European economic performance. Economic problems in Germany have been compounded by the slow pace of tax and labour market reform, and by the economic consequences of unification.

Economic growth in E.U. countries outside the euro-zone has been stronger than in the euro-zone. U.K. growth picked up in the second quarter of 2003, supported by increased private consumption. The Swedish economy has also remained reasonably resilient.

In Eastern Europe, economic growth has maintained relatively strong momentum. Domestic demand has become the mainstay

of economic activity in Eastern Europe with notably strong growth of private consumption. This year Eastern European exports have been dampened by stagnation in western Europe. However this has been partly off-set by re-direction of goods to other markets, for example to Asia and the United States.

Hesse concluded that the short term outlook for Europe is for modest growth in 2003, followed by a moderate cyclical upturn in 2004. Exports are expected to benefit from the improving external economic environment. Growth in Eastern Europe is expected to be stronger than in Western Europe.

Africa finely balanced

Overall log supplies throughout the major African supply regions are constrained by higher logging taxes in some countries, the U.N. sanctions against Liberia, and poor weather conditions. But limited supply continues to be matched by weak demand. Since most African suppliers invoice in euros, the strength of the euro against the dollar has undermined export demand for African logs. The fragile balance between tight supply and weak demand has contributed to stable export prices for many log species. But there are exceptions, for example prices for higher grade sapele logs have been sliding. **Pages 2,3**

African lumber demand depressed

Overall African sawn lumber demand remains depressed, undermined by the strength of the euro. The market divide identified in earlier reports between the entandrophragmas (sapele, sipo, utile) from Congo basin and various West African species persists. For the entandrophragmas, demand is particularly weak, supply is in excess of demand, and prices have been soft. However, on-going supply problems in Ivory Coast and Ghana coupled with better demand has ensured more consistent pricing for iroko, framire, and khaya. **Page 3**

Mixed reports on SE Asian supply

It is close to the end of the dry season in log producing regions of South East Asia. While reports from West Malaysia suggest that logging conditions are already deteriorating, reports suggest conditions are better in Sabah, Sarawak and Indonesia. However tighter regulations and resource constraints have meant that overall harvests have fallen this year. FOB prices for certain Asian log species, including kapur and keruing, have remained firm. However there has been some weakness in prices for Sarawak meranti logs as production has tended to overrun demand towards the end of the logging season. **Page 4**

Meranti pipeline running dry

Shippers in West Malaysia specialising in supply of kiln dried meranti for export are

carrying relatively high stocks due to depressed buying in Europe. But the sawmills supplying the shippers are very low on logs. In recognition of the log supply problem, most exporters are maintaining steady FOB prices for kiln dried meranti seraya, bukit, and tembaga. C&F Europe price levels are more difficult to judge due to slow buying and the disruptive effects of freight rate increases. **Page 4**

Chinese hit supply problems

Chinese imports of tropical hardwood logs have continued at high levels this year. However supply is becoming more of a problem due to resource constraints in Asia, Indonesia's log export ban, and sanctions on Liberian log exports. China has become more reliant on tropical logs from the Congo Basin, but now the strong euro has increased costs. Chinese importers are placing intense pressure on their African suppliers to reduce prices. **Pages 4, 5**

EU launch Chinese plywood enquiry

Chinese manufacturers are exporting increasing volumes of combi-plywood, comprising a tropical hardwood veneer over several layers of either softwood or hardwood low density timber. Prices on offer are sometimes as much as 20% lower than European okoume plywood. This price differential has encouraged the European Commission to launch a formal enquiry with a view to possible anti-dumping proceedings against Chinese plywood manufacturers. **Page 5**

Indonesian plywood price rise

In recent weeks, Indonesian tropical plywood mills have raised prices to around INDO96 less 22%, up from around INDO96 less 29% only a few months ago. But these price gains do not seem to indicate any real improvement in the market, and instead represent an effort to absorb escalating costs. **Page 5**

Indonesia vs. Malaysia

Indonesia's Minister of Forestry Muhammad Prakosa has sparked a row with Malaysia and effectively admitted that his government has lost control over forest

regulation. Prokosa is reported in the Indonesian press to have called on the E.U. to reject timber products from Malaysia "as there are indications that most of them are made of logs taken from illicit sources." His comments prompted a furious response from Malaysia. **Page 5**

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American hardwood exports to Europe have fallen during the last 2 years. Overall hardwood consumption in Europe has not reduced significantly, so the fall in exports indicates that American hardwoods have lost market share. Nevertheless, at the AHEC European Convention held in Hamburg during October, American exporters were confident of their ability to turn the market around. Convention report:

■ Opportunities for American hardwood in Europe: **Pages 1, 6**

■ Market issues for American hardwood in Europe; competition, exchange rates, fashion: **Pages 6,7**

■ American hardwood supply and domestic demand: **Page 7**

■ E.U. market sector analysis: **Pages 8,9**

■ Germany's veneer sector: **Page 8**

■ European economic prospects: **Page 9**

■ Impact of E.U. expansion: **Page 9**

Dutch depression

Dutch domestic hardwood consumption is depressed as the Dutch economy is in the middle of the deepest downturn since the early 1980's. But the increased trend towards just-in-time ordering from Dutch concentration yards has partly off-set the decline in overall hardwood imports. **Pages 10,11**

Patchy Belgian imports

Belgium's hardwood imports have been patchy during the last 18 months due to uncertain economic conditions at home and increased competition in export markets for Belgian finished products. **Pages 12,13**

Danish resilience

Denmark's significant wood processing sector has proved relatively resilient in the face of mounting competition. However the hardwood import trade has not been immune to recent economic fluctuations. **Pages 14,15**