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Demand shifts eastwards

Forest products markets are expected to be stronger in central and Eastern European countries during 2002 and 2003, but weaker in Western Europe and North America. This is the main conclusion of the UN/ECE Timber Committee that met in Geneva during September 2002. The conclusion is based on an analysis of national market reports by government officials from throughout the temperate forest regions, and other consultancy reports.

The UNECE Timber Committee analysed the current market situation in 2002 and forecast markets in 2003 for certified forest products, sawn softwood, sawn hardwood, wood-based panels, paper, paperboard and wood pulp and wood raw materials.

Demand peaked in 2000

With respect to hardwoods, the Committee concluded that sawn lumber markets peaked in 2000 in the UNECE region as a whole. As in other sectors, the hardwood markets in central and eastern Europe generally offer more optimistic forecasts for 2002 and 2003, albeit on smaller volumes.

Early 2002 wind and snow storms felled 3.6 million m³ in Turkey. The resulting increased sawn hardwood production is expected to make Turkey the leading sawn hardwood producer in Europe in 2002 and 2003 at 2.6 million m³. Several countries of central and eastern Europe and the Baltic region are not only exporting sawn lumber, but also other value-added hardwood products including furniture.

Overall in Europe the consumption of sawn hardwood is forecast to decline in 2002 by 2.6%. Only exports showed positive movement, forecast to rise 2.8% in 2002. Predictions for 2003 were near 2002 levels for consumption, production and trade.

North American consumption of sawn

hardwoods fell sharply in 2001 and is forecast to remain near the same level in 2002, although trade is predicted to accelerate. The volume of United States exports in 2002 is forecast to leap 21.9%, to a record 3.2 million m³. Part of the export rise is attributable to the weakened dollar in 2002. The record could be short-lived as a decline of 3.3% is forecast for 2003. At the same time, the United States is forecasting a jump in imports, by 33.4%, to reach an all time high of 1.9 million m³.

Trade of value-added hardwood products is advancing, which is not reflected in the sawnwood statistics. Semi- and fully-machined hardwood components, millwork, joinery and furniture are imported by UNECE region countries, both from tropical and temperate sources, and increasingly from developing countries. China's dynamic markets are directly affecting UNECE exporters and importers. The US is the largest importer of value-added wood products of almost all categories of products. The largest hardwood export market for the US is now China, and some of those exports are re-imported later in the form of furniture. A structural change is occurring as US furniture production is shifted to more cost competitive developing countries.

Tropical wood loses share

Tropical sawn hardwood exporters appear at first glance to have lost market share in Europe in 2002, as imports and consumption are forecast to decline in 2002 and 2003. In contrast, the United States forecasts greater consumption of tropical sawn lumber in 2002, but on a level that is only 10% of Europe's. However, as with temperate hardwoods, value-added products, such as furniture, joinery and profiled wood are making significant inroads.

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Editorial

UN/ECE Timber Committee celebrates its sixtieth meeting - under a bushel.

There can few who do not know of the United Nations these days; with the UN constantly in the news. But many seem not to know of the extent of the work that the UN quietly – perhaps too quietly – undertakes in matters other than trying to keep the peace. This was essentially the theme of Tim Peck, former Director of the Agriculture and Timber Division, speaking at a reception in Geneva for the Timber Committee of the UN/Economic Commission for Europe. Held to mark its 60th meeting at the end of September, delegates from all over North America and from every part of Europe gathered to recognise the work of past stalwarts, many of whom were presented with scrolls.

The three day meeting of the Committee, at which 29 countries and 11 other intergovernmental and non-governmental organisations participated, met to consider market presentations and to produce a timber market forecast and statement. This is now available at www.unece.org/trade/timber

The work includes two “Teams of Specialists” on Markets and Marketing and on Forest Communications, each with projects which are co-ordinated by the Secretariat.

Every year the Timber Committee publishes a “Forest Products Annual Market Review” co-ordinated by the permanent secretariat and written by specialists in subjects ranging from logs, lumber and paper to panels and added value forest products. This year the Review included an opening chapter on policy and special chapters on wood promotion, Chile’s forest products markets, certified forest products and on China’s emergence as the world’s fastest growing market for tropical timber products.

This last subject brings into sharp focus the importance of understanding the dynamics of the international timber trade and its related industries. The UN/ECE’s Timber Committee makes a huge contribution to that understanding with its definitive “Review” that should no longer remain under the bushel.

UN/ECE Report

cont. from page 1

Russian production of sawn hardwood is forecast to rise in 2002 by 8.0%, and in 2003 by 11%, to reach 3 million m³. Consumption is predicted to rise simultaneously as well as exports. The latter could reach 750,000 m³ in 2003.

Focus on certified wood

The Timber Committee focused heavily on forest certification in their statement. They note that forestland certified for sustainable forest management in the UNECE region

increased dramatically in 2002, by 25%. This was mainly due to growth in the U.S. Sustainable Forestry Initiative and the Pan European Forest Certification Scheme. 90% of the world’s certified forests are in the temperate region, as are most of the markets for certified products. Current problems identified for the further development of certification include weak market demand, lack of mutual recognition and lack of chain of custody. Many products from certified forests are being sold without labels.

WWF letter

WWF welcomes your August editorial “Damned Lies and Statistics”, as you rightly highlight the need for more rigorous and consistent data. There needs to be a major overhaul of the way trade data is collected. Is it not time for the timber trade and groups such as WWF to call upon governments to improve reporting procedures?

However until others demonstrate otherwise, WWF estimates based on the most up-to-date data available at the time of analysis offer a rough guide as to the impact of the Governments of the G8 and China timber procurement ([http://](http://www.wwf.org.uk/filelibrary/pdf/g8timberfootprint.pdf)

www.wwf.org.uk/filelibrary/pdf/g8timberfootprint.pdf). The editorial is quite right to point out the limitations of such an analysis. However, quite often it is not the actual numbers but the trend or the message they convey that is important.

The WWF report has been welcomed by governments and the private sector as it provides that “snapshot” of where we are now, as well as recommendations for actions needed with respect to public procurement.

Dr Paul Toyne, Head of Forest Program, World Wide Fund for Nature (WWF)

African indicative prices

	Jun	Aug	Sept
Exchange rates			
US\$/m3, FOB Liberia	1.52	1.55	1.55
Euro/£	1.54	1.58	1.59
All prices include agents commission of 5%			
Logs			
Liberia			
US\$/m3, FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany	185	185	185
Walnut	185	185	185
Iroko	240	240	240
Kusia (Opepe)	120	120	120
Sawn lumber			
Cameroon, CAR, Congo (Braz.)			
Euro/m3; FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	520	520	520
Sipo	620	640	640
Bibolo	400	400	400
N'Gollon	535	535	535
Iroko	520	530	530
Cote d'Ivoire			
Euro/m3; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	510	515	515
Mahogany	420	420	420
Framire	310	315	315
Samba No.1 C&S	240	240	240
Dimension stock			
Azobe	400/	400/	400/
	460	460	460
Dabema	300/	300/	300/
	390	390	390
Gabon			
Euro/m3; FOB			
Grade and size: FAS, width 6"+, length 6'+			
Okoume AD	320	320	320
Okoume KD	365	365	365

Market overview

Fine balance maintained

The fine balance that has characterised the African hardwood trade for many months, between restricted supplies and slow demand, continues. Despite rapid price rises for comparable Asian hardwood species during the summer months, African log and lumber prices have remained stable. Weak underlying demand in Europe has meant that forward orders for both logs and lumber are still slow despite widespread reports of relatively low inventory levels in many parts of the continent. Although demand in China, mainly for logs, has been firm, Chinese buyers are becoming increasingly selective and price conscious. Japanese demand for African logs, mainly okoume for plywood manufacture, has been very slow.

Ivory Coast

Political uncertainty

The political situation in Ivory Coast has deteriorated rapidly over recent weeks. On 19th September, an apparent army protest

over forced retirements rapidly spiralled into an armed rebellion pitching southern supporters of the nation's President Laurent Gbagdo against political rivals to the north. By September 25th, forces loyal to Mr Gbagdo had regained control of Abidjan, the commercial capital, and had begun an attack on the second city, Bouake, where rebels had amassed in strength. The northern town of Korhogo was also under rebel control. The government has now clamped down on the Ivorian press, while French forces, supported by the U.S. army have been airlifting westerners from areas controlled by the rebels. Korhogo and Bouake have been declared war zones, while roadblocks and vehicle searches have been implemented around Abidjan. An emergency meeting of heads of state of the Ecowas regional grouping was convened in Accra, Ghana, at the end of September to discuss possible intervention to prevent a descent into civil war. In the meantime, shipments from Abidjan are likely to be disrupted.

Cameroon

Administrative problems

Log harvesting in Cameroon is currently restricted due to the rains. This year, the Cameroon forest authorities, which still lacks manpower and technical capacity, has also struggled to implement new requirements for the allocation of concessions and forest management planning. Furthermore, administrative problems associated with a switch in the financial year from 1 July to 1 January have meant that no short term concessions or "ventes de coupe" (less than 5000 hectares) are being allocated in the second half of 2002. Many sawmills that failed to acquire their own long term concessions are now closing or are up for sale. Many operators are looking to relocate to northern Congo and Gabon.

Congo-Brazzaville

Struggle to shift to added value

Overall log harvest levels in Congo-Brazzaville during 2002 are not expected to greatly exceed last year's levels of 700,000 m3. Two concessions with annual production capacity of 200,000 m3 are now in the hands of large Malaysian companies. Due to the high costs of overland transport from Congo-Brazzaville to the port of Douala in Cameroon, log exports from the northern part of the country are restricted mainly to commercially valuable redwoods such as sapele and sipo. Despite significant inward investment to rebuild capacity since the end of the nation's civil war, many operators are

struggling to meet the government's requirement that 60% of logs are processed domestically.

Gabon

SNBG in financial difficulty

The Gabon authorities have been tightly controlling production of the major peeler species okoume and ozigo this year in an effort to maintain higher prices. The rainy season is also underway and expected to last to mid December. Furthermore there are reports that changes are being made to forestry laws which will result in greater control over concession operations. The state forestry company, SNBG, is again in financial difficulty with large sums owing to timber companies. This is creating cash flow problems particularly for the smaller logging operators. With increased investment in Gabon's domestic manufacturing sector, more hardwood sawn lumber and rotary veneer is becoming available from the country. Gabon can now offer okoume sawn lumber with a certificate issued by Keurhout, the Dutch environmental labelling initiative.

Angola

An emerging supplier

With tropical log supplies limited elsewhere, international buyers are looking at Angola with renewed interest. Twenty-seven years of civil war in the country formally came to an end in April with the signing of an accord between the government and rebel factions. Angola has abundant forest resources, but nearly three decades of constant fighting has left much of country in ruins. However Italian buyers are already sourcing logs from Angola.

Liberia

Independent audit announced

The Liberian government announced during September that it would allow an independent audit of its timber and maritime revenues. The announcement amounted to a major policy u-turn by Charles Taylor's government, which had previously rejected UN demands to allow the audit.

The announcement came as a response to a UN Security Council panel report issued in early September which suggested that the Liberian Government was still trying to conceal its use of revenue derived from the timber and shipping sectors. The international community has long suspected that revenues from these sectors, among the leading sources of income for

Continued page 4

Liberia *cont. from page 3*

the government, are being diverted for illegitimate uses, notably the illegal arms trade. These allegations have led to calls for UN sanctions on Liberian wood exports.

Although the audit was a direct result of international pressure, the Liberian Finance Minister Charles Bright, who commissioned the audit, presented it as a Liberian Government initiative designed to improve transparency and efficiency in the collection of revenue. He said that the audit would include recommendations for an improved forest tax regime, including the development of a monitoring mechanism and a review of national forestry legislation.

According to the Liberian government, three international accounting companies - Deloitte & Touche, Ernst & Young and KPMG - are reported to have responded to the terms of reference developed by the government, by forwarding technical and financial proposals.

Environmental campaigns

Meanwhile, environmental groups have again stepped up their criticism of Liberia's record of forest management. In September, a local environmental group, the Liberian Forest and Human Rights Campaign (LFHRC), released an investigative report suggesting that indiscriminate and wasteful harvesting is leading to severe forest degradation in Liberia. Mr Silas Siakor, Campaign Coordinator of LFHRC, said on release of the report that "*We are not opposed to logging. What we oppose is the unsustainable practices of some logging companies and the apparent lawlessness that characterizes their operations.*"

Logging off

Meanwhile the U.K. based environmental group, Global Witness, has released a new report, titled "*Logging Off: How the Liberian Timber industry fuels Liberia's humanitarian disaster and threatens Sierra Leone*" which they say exposes the links between Liberia's timber industry and conflict in Sierra Leone. Global Witness claim the report "*details how the United Nations has failed to heed the evidence presented by its own Expert Panels to actively address the destabilising role of the Liberian logging industry.*" Global Witness continue to push the UN to impose a complete embargo on Liberian timber.

Ghana

Log supply problems

Log supply continues to be a significant problem in Ghana. In addition to tight government controls, the rainy season this year has been particularly intense.

During the first 6 months of this year, the overall value of Ghanaian wood product exports fell by 6.6% to euro 93 million compared to the same period last year. The volume of Ghanaian boule exports fell by 77% due to export restrictions introduced in the second quarter of 2001. Due to the slowdown in the global economy, exports

Ghana exports Jan-Jun (000 m3)

	2001	2002	% chng
Boules	23.7	5.4	-77.2
Air dried lumber	45.5	47.2	3.8
Kiln dried lumber	73.4	58.7	-20.0
Planed products	12.7	28.6	125.1
Parquet	1.1	1.7	51.7
Plywood	29.5	36.1	22.1
Sliced veneer	17.6	17.2	-2.3
Rotary veneer	40.6	38.7	-4.6

of sawn lumber and veneers struggled to keep pace with last year's levels. However exports of some value added products increased including plywood, planed products, and parquet.

African species notes

■ **Sapele:** Continental European buying is very subdued and stocks on the ground or already ordered forward are generally sufficient to meet current levels of demand. There is currently little or no speculative purchasing of large stocks. U.K. sapele trading activity increased in early September as importers took steps to refill depleted inventories. However this was not reflected in increased orders for forward shipment from Africa. Most U.K. buyers are now looking for kiln dried stocks, increasingly from intermediate suppliers on the European continent, and the forward market is heavily concentrated in the hands of a few larger importers. There are reports that Spanish stocks of sapele sawn lumber are relatively high. However limited availability of sapele in major supply countries, particularly Cameroon, has encouraged shippers to maintain FOB prices. Rising prices for Malaysian meranti, a major competitor in north European markets, has also encouraged shippers to hold sapele prices steady.

■ **Iroko/odum:** the problems of overstocking that characterised the Irish market during 2001 are past and Ireland's iroko/odum inventories are now better balanced with demand. Irish importers are buying steadily, but overall demand is down compared to previous years as the species is no longer widely used for windows and in general joinery. The Irish are now looking particularly for fixed sizes to supply the staircase and door markets. The U.K. is buying consistent, but relatively small volumes of iroko in random sizes. Demand in continental European markets, including the Netherlands and Belgium remains subdued, but there is reasonable demand in Spain.

■ **Wawa/obeche:** There is steady, but unexciting, demand for wawa at stable prices in the U.K. and South Africa. However demand in other European markets, including

Germany, Spain, Italy and France, is very slow. There are some reports of increased buying in China over recent weeks. However China is now an intensely competitive market with much pressure from alternative species. Margins in the wawa business are very tight in all areas.

■ **Khaya:** demand for khaya in the U.S. is steady. Demand been boosted since Brazil's ban on the trade in mahogany which has led to significant shortfalls in supply of the Brazilian species to the U.S.

■ **Framire:** Ivory Coast framire now occupies an important niche for exterior joinery in the U.K., for which it is stained to improve colour. It has taken over much of the niche formerly occupied by iroko. U.K. demand remained steady during September.

■ **Okoume:** the French market for okoume logs has been weak this year as French plywood manufacturers have come under intense competitive pressure from Chinese manufacturers of okoume plywood. Chinese demand for okoume logs has remained good. In contrast, Japanese demand for okoume logs has been extremely weak. In the 12 months between July 2001 and June 2002, Japan's imports of African logs, mainly okoume for plywood manufacture, reached only 147,000 m3 compared to levels of over 200,000 m3 in 1999 and 2000. However production constraints in Gabon and limited supplies of alternative peeler species in the Far East, have meant that okoume log prices have been stable to firm. European interest in okoume sawn lumber has been rising this year, particularly in Italy. Gabon mills report that order books for the product are fairly full and that prices have remained stable over the summer months.

■ **Sipo/utile:** the species continues to satisfy niche demand in Europe for a high quality redwood. Demand has been slow, but supply constraints have meant that FOB prices have held up reasonably well.

Malaysian sawn lumber Sharp increase in container rates

After the significant price gains during the summer months due to log supply shortages, underlying FOB prices for Malaysian sawn lumber stabilised during September. However CIF prices have continued to increase due to rises in container rates. During September and early October, shipping lines boosted prices to reflect increased demand for containers for shipment to Europe from the Far East, notably China, to supply goods in advance of the Christmas vacation season.

Only a few months ago freight rates Port Kelang to Rotterdam were around US\$900-1000 for a 40 foot container. However current rates are near double that at around US\$1800. With each container holding around 24 tons of sawn lumber, this increase has added about US\$35 a ton since the beginning of July 2002. The increases have encouraged some increased interest in a return to breakbulk shipments from West Malaysia.

Rising freight rates have increased the level of uncertainty for shippers and importers

alike. In the short term it has encouraged importers to avoid forward purchases as most speculate that freight prices should fall again once the "Christmas window" closes. This increased demand for containers is also leading to delays on contracts as container vessels are tending to fill up in China and are bypassing Malaysia on their way to Europe. In some instances Malaysian lumber for European buyers is being held up 2-3 weeks on quay before shipment.

Improved availability

Availability of Malaysian sawn lumber is variously described as "average" to "tight" depending on species and specification. At the end of September, GMS grades of dark red meranti in standard sizes were still being offered officially for October/November shipment, suggesting that shippers now have reasonable stocks available. However, there may be long delays on orders for dimension stock.

Price rises during the summer months for merbau, meranti bukit and seraya in typical Dutch specifications (e.g. pin hole no defect, 3"x7") have contributed to very slow forward buying by Dutch importers. The usual post summer increase in orders has failed to materialise this year. Difficult economic conditions have resulted in reduced consumer spending. The housing sector remains weak and joinery plants are buying little and are operating hand to mouth.

Slow U.K. demand

In the U.K., forward demand for dark red meranti was slow during September. U.K. CIF prices for kiln dried dark red meranti are now similar to those for African kiln dried sapele – the species of choice for many U.K. manufacturers – and are therefore too high to encourage any switch to the Malaysian species.

Prospects for a significant upturn in European demand for Malaysian meranti sawn lumber now seem slim. Autumn has arrived and the winter season is approaching which will tend to slow construction activity.

Forecasting difficult

Future prices are difficult to forecast. Malaysian shippers are often keen to offload available stock and generate cash flow just prior to the Chinese New Year, and this can encourage shippers to offer lower prices at the end of the year. On the other hand, this year has been characterised by unusually rapid log price increases and shortfalls in supply. This factor, coupled with the approaching monsoon which is likely to reduce production even further, may well discourage shippers from offering dis-

counted prices this year.

Many shippers are saying that they are unable to offer keruing sawn lumber due to lack of supply as logs are now being diverted for plywood manufacture. However international demand for keruing lumber is so slow that this has not caused any significant market problems. The level of European trade is so restricted it is difficult to obtain an indicative CIF "market price".

Demand for jelutong from the Italian moulding industry is reported to be good and this is keeping prices firm.

Malaysian decking

Firming prices

European CIF prices for Malaysian decking products firmed over the summer months owing to limited log supplies, rising freight rates, and an increase in demand, notably from Belgium. Prices for balau in typical European decking profiles now stand at around US\$630-640/m³ CIF European port (inclusive of agent's commission). In response to increased uncertainty over delivery times, some European importers are buying decking products all year round. Currently orders are being taken officially for November shipment, although importers are reckoning that due to limited log supply, shipping delays, and the lengthy holiday season beginning towards the end of the year, products may not arrive until March next year.

Asian log markets

Sarawak production recovers

Log production in Sarawak is gradually recovering as weather conditions have improved. However availability is still restricted and there are continuing reports of FOB price increases for certain species.

In Sabah there is only very limited log availability for export due to over-harvesting in previous years.

In Indonesia, government efforts to restrict logging are beginning to bite. In addition smoke pollution from widespread forest fires is now creating short-term logging problems. Furthermore, the Indonesian log export ban seems to have been reasonably effective. Enforcement of the ban is also likely to improve following recent agreements reached between the Indonesian, Malaysian and Chinese governments to cooperate in regulating the trade.

Demand for tropical logs from China continues to keep pace with supply and is playing an important role in keeping prices firm.

Asian Sawn Lumber Indicative Prices

	Jun	Aug	Sept
Exchange rates:			
M\$/£	5.79	5.88	5.89
US\$/£	1.52	1.55	1.55
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"	750	800	810
2"	800	850	860
2.5"	850	910	920
3"	870	925	930

Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	515	520	525
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Nemesu

Kiln dried

2"	930	960	970
2.5"	940	980	990
3"	970	990	1000

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	2750/ 3250	3000/ 3250
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Note private-sector prices for Myanmar teak boards vary considerably from one mill to the next. Prices from the cheapest private mills in Myanmar currently start at the lower end of the range. The most expensive mills, many based in Singapore and Bangkok, are selling boards from best quality teak logs at the top end of the range.

Asia

Logs *cont. from page 5*

In contrast, demand for Asian tropical logs in Japan remains very subdued. Japanese importers have generally adopted a wait and see attitude in the hope that FOB prices will stabilise. Japanese plywood mills are also resisting higher log prices. Japan's imports of tropical logs in the first half of this year totalled 853,439 cubic metres, 27.4% less than the same period of last year. Imports from Sarawak were down 14% to 605,304 cubic metres and imports from PNG totalled 162,636, down 36%. Forecasts provided by the Japan South Sea Lumber Conference indicate that Japanese imports of tropical hardwood logs will continue to decline during the remainder of 2002.

China

Up and up.....

Chinese Customs reports that in the first half of 2002, the total value of furniture exports from mainland China totalled US\$ 2.65 billion, a year-on-year increase of about 33%. This continues a long term trend. China's furniture exports reached US\$ 2.707 billion in 1999, US\$ 3.565 billion in 2000 and US\$ 3.958 billion in 2001. Most analysts forecast that total exports will exceed US\$5 billion this year.

Sharp drop in Indonesian exports forecast

In addition to the log export ban introduced in October last year, the Indonesian government is now planning measures to restrict production and exports of other wood products, according to a report in the Japan Lumber Journal.

At present the Indonesian government officially sanctions logging levels of 27.5 million m³ comprising 22.5 million m³ from permanent production forest and 5 million m³ from forest designated for conversion to other uses. In addition to this, illegal harvests are estimated by various groups to range from at least 10 million m³ to over 30 million m³.

The Megawati government is now implementing a policy designed to tackle illegal logging, prevent further forest conversion and reduce available log supplies from permanent production forest.

Annual production of Indonesian plywood is currently estimated to be in the region of 7 million m³, of which around 6.7 million to 6.8 million m³ are exported. It is estimated that Indonesia's

plywood mills consume around 14 million m³ of logs each year. In addition, Indonesia exports each year around 3 million m³ of logs and 4 million to 5 million m³ of other wooden products (excluding furniture).

Export restrictions

The Indonesian government has indicated that during 2003 total exports of all wood products will be restricted to only 6.48 million m³. It is not clear how this volume will be allocated to logs, plywood and other wood products (it is assumed that the volume excludes finished furniture). But there is no doubt that the quota, if implemented effectively, would lead to a huge reduction in the level of wood products exports from Indonesia. The various measures now being introduced in Indonesia are likely to have wider implications. For example, stricter controls on illegal logging and log export ban, when combined with growing log demand from China's expanding manufacturing sector, may lead to a sustained increase in tropical log prices during 2003.

South America

Brazil

Exchange rate at record low

Brazil's *real* fell to an all time low in the last week of September as Luiz Inacio Lula da Silva of the left-wing Workers Party maintained a strong lead in the polls before the Presidential election on October 6th. Mr da Silva has gone to great lengths to present himself as a centrist, promising to honour Brazil's debts. However the markets have been unimpressed, fearing that he may quickly lose control of the country's precarious finances. An IMF aid package of US\$30 billion announced in August also

failed to soothe Brazil's pre-election jitters. September 24th's record low of 3.78 to the dollar means it has lost almost 40% of its value this year.

Against this background, it comes as no surprise that Brazil's domestic wood market is moving slower than expected for the time of year. Domestic demand has been hit as dollar prices for wood products have risen in local currency terms. In addition international demand for Brazilian furniture has come under pressure due to the cooling global economy.

Falling export prices

On the other hand, the free-falling real has meant that Brazilian producers have been able to offer primary wood products to the international market at competitive prices. Despite global economic weakness, Brazilian wood exports are expected to be higher during 2002 than last year. There are expected to be particularly significant increases in exports of tropical plywood and value added products, including hardwood decking, S4S boards and mouldings (both tropical and pine).

National certification launched

CERFLOR, the Brazilian national forest certification scheme, was officially launched on August 22nd. The scheme currently covers only forest plantations, but work is underway to include natural forests. Development of the scheme has been closely linked to ABNT, the Brazilian national standards institute, and has benefited from financial support from the International Tropical Timber Organisation.

Bolivia

Focus on certification fails to stem decline in exports

Bolivian forest product exports during 2001 reached 68,800 m³ valued at US\$ 85.9 million, down 8% and 28% respectively compared with the previous year, according to Bolivia's Statistical Yearbook of Forest Exports. A total of 278 products were exported, 11 less than the previous year. Bolivia now focuses heavily on the supply of FSC certified and further processed wood products, many comprising so-called lesser known

Continued page 7

Brazilian Indicative Prices

US\$/m³ **Mar** **Sept**

Cedro

C&F UK Port incl commission

Grade & size: FAS, width 6"+ avg 9-10", length 6"+ avg 10-11', northern origin

2" Kiln dried 740 610

2.5"-3" Kiln dried 760 630

Massaranduba

C&F UK Port including commission

Decking section

21 or 28 x 145mm. 535 500

South America

Bolivia *cont. from page 6*

species.

Major export products during 2001 are listed as castana (chestnut making up 32.6% of total value); South American cedar lumber (11.2% of total value); mara lumber (7.4%); mara male doors (5.59%); parquet panels (3.2%); morado laminates (1.97%), oak chairs (1.85%); general furniture (1.81%), ochoó doors (1.7%) lenga chairs (1.67%); oak tables (1.65%); and yesquero doors (1.61%). Exports during 2001 were destined for 45 countries led by the United States (48.2% of total value); the United Kingdom (18.2%); Argentina (7.4%); and Mexico (5.1%). Export values to all three of the major markets declined: the United States down 40%; the United Kingdom down 13% and Argentina down 38%. However exports to Mexico increased by 48%.

Peru

Rising export value

The Peruvian forest sector has gone through many changes during 2002. Producers have had to deal with re-organisation of the concession system, increased restrictions on exports, economic problems at home, and cooling of global hardwood demand. However, Peru's export figures indicate that producers have been successful in expanding overseas sales this year. In the first quarter of 2002, Peruvian timber exports totalled US\$55 million compared to US\$38 million in the same period of 2001, an increase of 58%. The rise reflects the significant restrictions placed on mahogany supplies from Brazil and Bolivia, which have led U.S. importers to focus more attention on Peru. Efforts by Peruvian exporters to expand sales of hardwood products in the Far East are also beginning to pay off.

The FOB value of Peruvian sawn lumber exports more than doubled to almost US\$ 38 million during the first quarter of 2002 compared to the same period the previous year. USA and Mexico were still the main buyers with exports dominated by caoba (mahogany) cedro (Spanish cedar) and virola. The increase in lumber export value partly reflects the significant increase in mahogany prices, driven by the shortfall in Brazilian supply. FOB prices of caoba have increased more than 50% since Dec 2001. Export prices are now so high that domestic market consumption is falling rapidly. Peru's other major wood products for export include wood furniture and furniture components, mouldings and parquet flooring. Hong Kong is now emerging as an important export destination for these products. (Source: ITTO)

North America

Domestic demand

Exchange rate at record low

Economists are sharply divided over the current state of the U.S. economy. The division is well illustrated by a comment from the Economist on 28 September: "*Most economists are still predicting robust U.S. economic growth of 3-3.5% over the next 12 months. Many of these are the same economists who in the late 1990s dismissed the idea that America was experiencing a bubble, and who insisted only last year that the economy was not heading for a recession. They were wrong then and are likely to be wrong again. America's economic downturn is not yet over. A protracted period of slow growth – perhaps even a further slump in output – is likely to expose more financial embarrassment of the Enron and Worldcom sort.*"

Biggest financial bubble ever

The Economist bases this gloomy conclusion on the observation that the current slowdown follows the bursting of the biggest financial bubble in America's history. This is an event, the Economist argues, that has left American consumers dangerously over-exposed to debt. "*Eventually households will need to save more and spend less, which implies several years of slow growth, or even a double-dip recession.*" Perhaps the Economist is being overly pessimistic – it is too early to say. At present, consumers continue to borrow as if little has changed, encouraged by low interest rates and rising house prices.

House construction and remodelling activity has remained high. Housing starts slipped in August from the previous month by slightly more than 2%, but are still 3% higher than August 2001. Building permits also slipped by 2.5% in the same month, but were up nearly 4% on the same month last year.

Dynamic consumer spending

Dynamic consumer spending coupled with strong residential construction have combined to fuel growth in domestic hardwood sales. In fact, the performance by several key hardwood market sectors has far exceeded that of the economy, with some expanding at a nearly double-digit rate. For example U.S. wood flooring sales in the year to August are up 9% on the same period last year. Kitchen cabinet sales in the year to end July 2002 are up a full 11.4% on the same period in 2002.

So far, spending on furniture has also managed to escape the economic downturn. According to AKTRIN, with the exception of a minor contraction of 0.6% in 2001, consumption has been growing every year since 1995. AKTRIN forecast another minor slowdown during the second half of this year, but they expect furniture spending during 2002 to still exceed last year's level by some 4.5%. In value terms, this means that the market size will increase from \$64.0 billion in 2001 to \$ 66.9 billion this year. This level of activity has helped to maintain consistent sales of U.S. hardwoods. A reduction in production over the last 12

months has also helped to ensure that overall inventory levels are now reasonably well balanced with demand. The rise in green lumber prices that became apparent early this year, began to filter through into a steady rise in kiln dried prices from around June/July.

Despite these positive indications, most analysts report that business is not booming. Furthermore uncertainty surrounding the prospects of war is causing disruption. Buyers are generally concentrating on satisfying short-term needs and there is very little speculative purchasing. Margins remain tight throughout the trading chain.

Log decks varied

Most reports indicate that log decks are still varied across the country. Mills in the south report that logs are fairly plentiful at present and that, where there are shortages, these are due more to the economics of the lumber industry than any underlying harvesting problems. Rain has disrupted logging in some parts of the northern United States and Canada. However even in the worst affected areas, few mills report they are in immediate danger of running out of logs.

Canada

Demand for American hardwoods in Canada has increased during the course of 2002, especially from the flooring industry. Canadian flooring plants have been buying increased volumes of white oak, red oak and ash.

Continued page 8

North America

Domestic *cont. from page 7*

Mexico

Hardwood lumber demand in Mexico has been slow this year. The "maquiladoras" manufacturers of furniture and other wood products have been hit hard by the economic slowdown in the United States and rising costs in Mexico. Furthermore, the relatively strong peso and higher wages have made operations in Mexico more expensive than in Malaysia and China.

Export demand Seasonal increase

As usual there has been a seasonal increase in European demand for American hardwoods following the summer vacation period. Some U.S. exporters report that they have reasonable order files for shipments during October. However the overall level of trade remains disappointing. Despite relatively low inventories of American hardwood and a more favourable euro-dollar exchange rate, there has not been a decisive return to buying in the autumn.

Europe sluggish

Europe's sluggish economy coupled with high availability of European hardwoods has meant that most importers are still adopting a wait-and-see approach. In the U.K. agents report there was a brief flurry of increased importer interest in the first week of September, but since then there has been little interest in forward buying. U.K. buyers are as price conscious as ever and there are concerns that many importers are cutting corners on quality. The German and French markets are widely reported to have remained very sluggish during September. Markets in southern Europe – including Spain, Italy and Portugal – picked up during September, but are still down on previous years.

Eastern European inroads

There seems little doubt that suppliers in Eastern Europe are making greater inroads into the Western European market. Until recently, Eastern European suppliers influence was largely restricted to neighbouring countries, notably Germany and Italy. However over the last 12 months, this influence has extended westward into the U.K. and Spain. Increased availability of square-edged oak from Eastern Europe, rather than Europe's traditional waney-edged production, has helped drive the process.

But it is important to keep this trend in perspective. Import volume from Eastern Europe are still low into most Western Euro-

pean countries compared to U.S. volumes. Furthermore, though improvements have been made Eastern European shippers still struggle to match the quality and reliability of U.S. shipments. But the perception of increased availability of European hardwoods may be another factor reducing the enthusiasm of European importers for building stocks in American lumber.

Economic growth in the EU is forecast to remain sluggish for the remainder of this year and the overall outlook for sales is flat.

Chinese market grows

Statistics released by the USDA Foreign Agricultural Service highlight very rapid growth in U.S. shipments to China during the first half of 2002. Import volumes were up 37.3% compared to the same period in 2001. Chinese manufacturers continue to buy large volumes of poplar, red oak and white oak, mostly in common grades of lumber. However there is intense competition for sales, not just from other North American suppliers, but also from producers in other parts of the world. Chinese importers are becoming very critical of quality and can be very quick to make claims. Chinese importers are also switching progressively to logs to supply expanding domestic veneer and sawing capacity. Demand growth is expected to continue, so too is the level of competition.

Japan in doldrums

Demand for North American hardwoods remains subdued with little prospect for improvement in the near future as the economic outlook remains bleak. There are occasional reports of a slight increase in buying over recent weeks to fill gaps in inventories.

Strong demand from SE Asia

Recent reports continue to indicate strong demand growth from some of the smaller South East Asian countries, notably Vietnam but including Malaysia, Thailand, and Indonesia.

Middle East exports increase

Despite anti-American sentiment and a regional grass-roots effort to boycott American goods, U.S. wood exports to the Middle East region grew 22.5% during the first six months of 2002 compared with the first six months of 2001. U.S. wood products exporters have been sheltered from the anti-American sentiment since few U.S. wood products are sold directly to consumers. Instead they are destined for the interior, joinery, and furniture industries.

Veneer

Subdued atmosphere at Berlin meeting

As reported in last month's hardwoodmarket.com issue, the German veneer industry met in Berlin in September in an atmosphere that was best described as subdued. Not only is the German influence in sliced hardwood veneer production reducing, but prospects for a return to German dominance may well not return easily. The dynamics of this industry are changing fast, led by the shift in furniture production to Eastern Europe and to Asia as well as poor demand in Germany.

Delegates at the European Veneer Congress held in Berlin agreed that much of the slicing capacity that has recently closed down in Germany will not return, and that most of this capacity will re-emerge in Eastern Europe. Both the growing export and their local domestic consumption of new furniture and joinery are creating sufficient demand to underwrite the new installations in Eastern Europe. The trade in hardwood veneer in the EU is also reported being severely affected by the poor state of the furniture sector, and this has been reflected by lower exports of US veneer to virtually all EU markets so far this year, compared to 2001.

German exports down 11%

During the first half of 2002 German exports of veneer reached only 41,614 m³, down 11% on the same period the previous year. German veneer imports were also down 10% at 45,254 m³ during this period. Temperate hardwood veneer imports fell by 15%, with deliveries from the USA declining from 19276 m³ to 13096 m³. However imports from Eastern Europe went against this trend, rising 15% to around 10,500 m³ and now accounting for 28% of German veneer imports. Germany's imports of tropical hardwood veneer also rose sharply, partly a response to rising processing capacity in African countries.

Veneer production in Asia is also changing. For example there is no longer any slicing production in Singapore although there are many laminating lines there and elsewhere in Asia. However veneer is chasing the new power of China's fast growing furniture industry and there is every sign that Viet Nam is now emerging as the next hot spot for demand.

The European trade is now waiting to see whether some recent signs of a slight revival in the Asian market for European beech will translate back into firm business in lumber and veneer.

Plywood

Prices for Indonesian plywood now stand at between 10 to 15% below the INDO96 list price, up from levels of 30-35% below the list price that prevailed just a few months ago. Brazilian plywood prices have also followed the upward trend. Price increases have been driven by log shortages in the Far East and by the weakening of the dollar against the Indonesian rupiah which undermined the earning capacity of Indonesian mills in their local currency.

The poor supply situation is reflected in continuing reports of delayed shipments from both Indonesia and Brazil. In the case of Brazil, there are reports of poor availability of containers for shipping plywood cargoes which has meant that some delivery times to European destinations have doubled.

Underlying global consumption of tropical hardwood plywood has been sluggish. However importers in several markets have been encouraged to replenish depleted stocks over recent months in anticipation of further FOB price rises.

While FOB sales prices for plywood have risen sharply, European importers have been having difficulty passing the price increases on to their customers. Although some importers marked up their prices by up to 10%, weak market conditions meant a significant drop in sales volumes. Some importers are still trying to secure higher volume sales by maintaining former price levels.

The higher price of Malaysian and Indonesian plywood has also encouraged buyers in some countries to look for alternatives. Many European importers are now considering increasing their purchases of Chinese okoume plywood. However this has raised questions over the comparative strength and durability of the Chinese product. Some European importers are also looking at the potential for replacing lauan plywood with Russian birch plywood. Recent inward investment has boosted birch plywood capacity in Russia and prices have been falling.

News brief

German species trends

Germany's furniture industry association says that beech, cherry, alder, and birch are the most popular for furniture. There is also growing demand for "bright oak", especially with limewash finish and lacquer.

Europe

EU hardwood imports

Very slow start to the year

Due to the usual short term fluctuations in trading patterns, it is often difficult to get a real feel for annual trends from first quarter results. But this year may be an exception. January to March 2002 import data is very consistent in reporting a very slow start to the year in all eight of the EU's largest hardwood importing countries (pages 10-13). Only two hardwood products made ground. First, in most countries European oak imports held up better than most other products. This was due both to a fashion for oak in the European furniture sector and improvements in the level and quality of supply from Eastern European countries. Second, several countries registered a significant increase in tropical veneer imports. But this seems to reflect a switch away from tropical log imports and a shift to value added processing in African producer countries, rather than an underlying increase in EU consumption. Other highlights from the import data include:

■ **United Kingdom:** the value of imports of nearly all primary wood products was down during the first quarter. Imports of U.S. hardwoods were particularly slow. However imports from European countries were tending to rise. There may be some instances of Eastern European oak substituting for American oak, but most reports suggest this trend has not progressed far in the U.K. U.K imports of European beech were also quite strong in the first quarter due to widespread availability of cheap offers, notably from Germany. U.K. imports of hardwood veneer were particularly slow during the first quarter, perhaps indicating underlying uncertainty in the U.K. manufacturing sector. The import data suggests that U.K. manufacturers are coming under increased pressure from imports. In contrast to primary wood products, U.K. imports of secondary wood products were quite strong in the first quarter. For example, U.K. imports of wooden furniture were up 15% on the same period the previous year, continuing a longer term trend.

■ **France:** imports of nearly all hardwood products were weak during the first quarter of 2002. Tropical veneer was an exception as French plywood manufacturers switched away from tropical log imports in favour of rotary

veneer, notably from Gabon.

■ **Belgium:** particularly striking is a 42% fall in the value of Belgian tropical sawn lumber imports during the first quarter compared to the same period of 2002. Imports from Malaysia were down 65%. This seems indicative of a general slowdown in the North Western European construction sector, and of limited availability of supplies from Malaysia.

■ **Netherlands:** imports of nearly all hardwood products were down during the first quarter, an indication of the nation's weak economy and construction sector. There was a particularly big fall in Dutch imports of Brazilian hardwood, although shipments from Brazil can be erratic so it is perhaps unwise to read too much into this. Dutch imports of European oak held up better than most other species.

■ **Germany:** the value of German imports of nearly all hardwood products declined during the first quarter of 2002. As with several other EU countries, tropical veneer imports increased at the expense of tropical log imports. There was also growth in oak lumber imports from France and Ukraine.

■ **Italy:** Italy was the only EU country to maintain stable levels of tropical log imports during the first quarter of 2002. The continuing fall in log imports from Cameroon was compensated by rising levels of import from Liberia, the Congo Republic, and the Central African Republic. Italian imports of oak logs increased during the same period, notably from Croatia and Slovenia. Italy is developing a trade in square edged oak lumber derived from Eastern European logs. Italian imports of most other hardwood products declined during the first quarter of 2002.

■ **Spain:** the value of imports of nearly all primary wood products declined sharply during the first quarter of 2002 compared to the (bouyant) levels of the previous year. White oak sawn lumber imports from the U.S.A were down nearly 30% compared to the same period in 2001. By contrast imports from Poland and Ukraine were rising - although volumes from these countries are still small. Like other countries, tropical veneer imports were quite strong during the first quarter, while tropical log and sawn lumber imports were weak.

■ **Portugal:** tropical log imports were weak during the first quarter, notably from Gabon. However tropical lumber imports were strong, particularly from Brazil.

European hardwoods

Wave of insolvencies

The critically weak state of the market for European hardwoods has led to a wave of insolvencies in Germany and France over recent months. Companies which focused heavily on the supply of beech logs and lumber to China have been particularly hard hit. Some of these companies signed forward contracts with forest owners for the supply of large quantities of beech logs at fixed prices. However due to weakening Chinese demand and falling sales prices for beech logs and lumber they have been unable to honour their contracts. Many companies have also been hit by bad debts with Chinese importers following widespread disputes over the quality of exported products. Other contributing factors have been continuing weakness of the European, particularly German and French, market for beech; the strengthening euro against the dollar which has undermined export sales; and the tightening of bank credit lines for European hardwood traders.

Companies filing for insolvency include the French Groupe Lefebvre, one the nation's largest hardwood processors; and at least four German companies including HKC Heinrich Kleine Holzgrosshandles Gmbh and HVS Holzgesellschaft mbh. Discussions are underway in an effort to keep the insolvent companies operating, and some may be taken over by other companies.

However the effects are already being felt in both the forest sector and end user markets. The insolvent companies represent significant log buying volume in both France

and Germany. It is now anticipated that harvests of beech logs in Western Europe may be reduced by up to 70% during the 2002/2003 winter season compared to last season in an effort to bring supply back into balance with falling demand.

Over-supply of beech in Chinese specifications

There is also now a lot of beech sawn lumber, often of relatively low quality, in Chinese specifications (50 mm steamed beech in short lengths) being sold at low prices in Europe. The traditional suppliers of high quality beech in European specifications are trying to maintain their prices, but widespread availability of low offers in Chinese specifications is severely disrupting the market.

Long-term German suppliers of beech to the U.K., that are geared up to satisfying typical demand for high quality joinery grade beech in mixed trailer loads and decent lengths, are reported still to be offering 1" kiln dried, steamed and square edged at around 775-800 euros/m³ (including agents commission). However there are reports of some large German shippers off-loading excess stocks of beech in Chinese specifications at prices as low as 600 euros/m³.

Oak market more stable

The market for European oak continues to present a contrast to the beech market. Although prices for lower grades and oak friezes have come under pressure, due partly to a slowdown in the parquet industry, prices for oak boules, edged oak and joinery grades have remained stable over recent months. Due to demand being in excess of limited supply, prices for the very best quality square-edged European oak - which derives from Croatia and Slovenia - have been firm.

European exporters prepare joint marketing strategy

The European hardwood sawmilling industry is developing a joint marketing strategy under the leadership of the German Verband der Deutschen Sage Und Hobelindustrie (VDS) and French Federation National du Bois (FNB). The move comes in response to continuing weak market conditions for European hardwood lumber, particularly beech, in domestic and Asian markets.

Measures being considered as part of the strategy include: voluntary restrictions on exports of beech logs to China in an effort to switch demand back to sawn lumber; development of a set of uniform grading rules for the European hardwood industry in line with rules approved earlier this year by the

European Sawmilling Organisation (EOS) and consistent with the U.S. National Hardwood Lumber Association (NHLA); improved information exchange between European hardwood trade associations; and the possible formation of a joint marketing organisation modelled on the American Hardwood Export Council (AHEC).

EU illegal logging plan Threat of trade barriers

At the World Summit on Sustainable Development in Johannesburg during September, the European Commission released details of a draft EU Action Plan on illegal logging which it intends to finalise before the end of the year.

The plan seems to represent a genuine attempt to get to grips with a significant problem affecting the international wood trade. On the other hand, some of the actions proposed may be inappropriate. If implemented in full, the draft plan would have a major impact on the documentation requirements for wood products imported into the EU. Furthermore, draft proposals for chain of custody auditing may act as a significant non-tariff trade barrier. Measures under consideration include:

- Support for mechanisms for identifying wood products that are legal, the creation of a "legality standard" and a license for such wood products, chain of custody and tracking of wood products to market, and verification of this process by an independent standards body;
- Creation of new EU legislation which will admit to the EU only imported wood products that are covered by a legality license.
- Co-operation and exchange of data between customs authorities;
- Improvement of standards for the financing of wood-producing operations, and due diligence by financing institutions;
- Due diligence and transparency by Export Credit Agencies, in awarding funds for wood-producing operations, environmental and social impact assessments;
- Programmes of co-operation and assistance, to be agreed with wood producing countries, to help upgrade legal structures and administrative practices, capacity-building and training for officials, and the award of legality licences;
- The promotion in the EU of the consumption of only legally produced wood and wood products.

Further information is posted at the Commission's website http://europa.eu.int/comm/external_relations/flegt/intro/

European sawnwood indicative prices

	May	Sept
Exchange rates		
Euro/£	1.57	1.59
Euro/US\$	1.08	1.02

German beech

Northern Germany, Euro/m³, C&F, UK Port
Grade: kiln dried, steamed and square edged.

1"	800	780*
2"	860	840*

*significantly lower offers are currently available for Chinese specifications. These prices are for high grade joinery beech supplied to U.K. specifications

German oak

Northern Germany, Euro/m³, C&F, UK Port
Grade: kiln dried, waney edged prime grade*.

1"	780	780
2"	995	995

*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices

Croatian & Slovenian oak

Northern Italy or Slovenia
Euro/m³, C&F, UK Port
Grade: kiln dried and square edged.

1"	950-1250	950-1250
2"	1300-1600	1300-1600

Europe

Window market

Decline in wood usage

The European window market reached a volume of 76.9 million window units in the year 2001, representing a net ex-works volume of 17.945 million euros. Compared to the year before, the market shrank by 1.7% in terms of quantity and 1.5% in terms of value, according to the latest report from consultants InterConnection. With regard to materials, wood windows were the only product group that encountered a real decline in terms of quantity: 19.9 million wood windows were sold in 2001, 1.7% down on the

previous year. However, there was an increase in market share for wood-metal combinations: 3.9 million units were sold, up 2.8% on the year before. Of other materials, 31.1 million units of PVC and 22.0 million units of metal windows were sold, a rise of 1.6% and 1.7% respectively.

The DACH region (Germany, Austria, Switzerland) is the largest window market in Europe accounting for 30% of units sold in 2001. Weak demand in Germany led to a 10.6% fall in the numbers of units sold in the DACH region last year. In contrast, U.K. demand for window units rose last year.

Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		2-Aug	30-Aug	27-Sep	2-Aug	30-Aug	27-Sep	2-Aug	30-Aug	27-Sep
Argentina	Peso	5.6973	5.6075	5.7827	3.63	3.625	3.7250	3.579	3.5551	3.6339
Australia	Aus. \$	2.92	2.8082	2.8540	1.8605	1.8154	1.8384	1.8328	1.7804	1.7935
Bangladesh	Taka	90.1678	89.4882	89.8064	57.45	57.85	57.8500	56.5941	56.7336	56.4356
Belize	B\$	3.0919	3.0474	3.0582	1.97	1.97	1.9700	1.9406	1.932	1.9218
Bolivia	Boliviano	11.3624	11.2924	11.4094	7.2395	7.3	7.3495	7.1317	7.1591	7.1698
Botswana	Pula	9.6644	9.7106	9.7820	6.1576	6.2775	6.3012	6.0659	6.1563	6.1471
Brazil	Real	4.7085	4.6933	5.9830	3	3.034	3.8540	2.9554	2.9755	3.7598
Canada	Canadian \$	2.4957	2.4132	2.4481	1.5901	1.56	1.5770	1.5664	1.5299	1.5384
Chile	Peso	1094.18	1099.07	1161.74	697.15	710.5	748.35	686.763	696.787	730.05
China	Yuan	12.8905	12.8034	12.8338	8.2768	8.2768	8.2689	8.1535	8.1171	8.0648
Czech Republic	Koruna	48.5341	47.8803	48.2127	30.9233	30.9524	31.0569	30.4625	30.355	30.2975
Denmark	Danish Krone	11.8367	11.7122	11.8184	7.5417	7.5715	7.6130	7.4294	7.4253	7.4268
Estonia	Kroon	24.9289	24.704	24.9038	15.8833	15.97	16.0421	15.6467	15.6618	15.6499
Euro-zone (1)	Euro	1.5933	1.5774	1.5913	1.0151	1.0197	1.0251	1	1	1.0000
Fr. Africa (2)	CFA Fr.	1045.1	1034.67	1043.83	665.88	668.87	672.40	655.96	655.96	655.96
Ghana	Cedi	12687.1	12839.3	12768.50	8083.5	8300	8225.00	7963.08	8139.83	8023.90
Guyana	Guyanese \$	283.295	279.216	277.88	180.5	180.5	179.00	177.811	177.016	174.62
Hong Kong	HK\$	12.2421	12.0658	12.1082	7.8	7.8	7.7997	7.6837	7.6494	7.6090
India	Rupee	76.3248	74.9783	75.0586	48.63	48.47	48.3500	47.9054	47.5346	47.1678
Indonesia	Rupiah	14243.2	13697.8	13998.80	9075	8655	9017.51	8939.8	8684.1	8797.04
Japan	Yen	187.273	183.408	190.9610	119.32	118.565	123.0101	117.542	116.277	120.0025
Kenya	K. Shilling	123.206	121.934	122.7170	78.5	78.825	79.0498	77.3304	77.3037	77.1170
Korea South	Won	1858.92	1859.3	1906.27	1184.4	1201.95	1227.95	1166.75	1178.75	1197.93
Liberia	Liberian \$	1.5695	1.5469	1.5524	1	1	1.0000	0.9851	0.9807	0.9755
Malaysia	Ringgit	5.9641	5.8782	5.8991	3.8	3.8	3.8000	3.7434	3.7267	3.7071
Myanmar	Kyat	10.0365	9.892	10.0316	6.3947	6.3947	6.4620	6.2994	6.2713	6.3040
New Zealand	NZ\$	3.3943	3.3085	3.2999	2.1626	2.1388	2.1257	2.1304	2.0976	2.0737
Nigeria	Naira	207.723	196.843	196.92	132.35	127.25	126.85	130.378	124.794	123.75
Papua NG	Kina	6.2174	6.1892	6.1741	3.9614	4.001	3.9771	3.9024	3.9238	3.8799
Philippines	Peso	80.5076	80.199	81.42	51.295	51.845	52.45	50.5308	50.8444	51.16
Poland	Zloty	6.5833	6.396	6.4473	4.1945	4.1347	4.1531	4.132	4.0549	4.0516
Romania	Leu	51707.2	51380.3	51310.7	32945	33215	33052.5	32454.1	32574	32244.3
Russia	Ruble	49.5683	48.8933	49.2096	31.5823	31.6073	31.6990	31.1117	30.9973	30.9240
Singapore	Singapore \$	2.7514	2.7069	2.7626	1.753	1.7499	1.7796	1.7269	1.7161	1.7361
Solomon Is.	Solmn. Is. \$	11.6173	11.5441	11.2493	7.4019	7.4627	7.2464	7.2862	7.3187	7.0692
South Africa	Rand	16.0619	16.2603	16.3600	10.2338	10.5115	10.5385	10.0813	10.3087	10.2808
Sweden	Krona	15.0322	14.5215	14.4749	9.5777	9.3874	9.3242	9.435	9.2063	9.0962
Taiwan	\$	52.9079	52.9736	54.2176	33.71	34.245	34.9250	33.2077	33.5841	34.0711
Tanzania	Shilling	1503.58	1498.95	1508.93	958	969	972.00	943.73	950.3	948.23
Thailand	Baht	66.1073	65.2638	67.3975	42.12	42.19	43.4150	41.4924	41.3758	42.3535
Uganda	New Shilling	2832.95	2795.25	2823.04	1805	1807	1818.50	1778.11	1772.13	1774.04
United Kingdom	£	1	1	1.0000	0.6371	0.6465	0.6442	0.6277	0.634	0.6284
U.S.A	US \$	1.5695	1.5469	1.5524	1	1	1.0000	0.9851	0.9807	0.9755
Venezuela	Bolivar	2111.76	2193.84	2284.36	1345.5	1411.75	1471.50	1325.45	1384.5	1435.52
Vietnam	Dong	24049.4	23714	23816.1	15323	15330	15341.5	15094.7	15034.1	14966.4
Zimbabwe	\$	87.0288	85.7757	86.0807	55.45	55.45	55.4500	54.6239	54.38	54.0943

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

Hardwood Events

Date	Event	Venue	Target audience	Contact
2002				
24-25 Oct	AHEC European Convention	Lisbon, Portugal	Timber trade	www.ahec-europe.org
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	
2003				
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

Association: UN/ECE Timber Committee, Geneva

Participants - All countries of Europe, former USSR, USA, Canada and Israel

The Timber Committee is a principal subsidiary body of the UN/ECE (United Nations Economic Commission for Europe) based in Geneva. It constitutes a forum for cooperation and consultation between member countries on forestry, forest industry and forest product matters. Its mandate states that it "shall, within the context of sustainable development, provide member countries with the information and services needed for policy and decision making regarding their forest and forest industry sector, including the trade and use of forest products and, when appropriate, formulate recommendations addressed to member Governments and interested organisations."

A list of participating countries and contacts is available from the Secretariat.

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African balance maintained

The fine balance that has characterised the African hardwood trade for many months, between restricted supplies and slow demand, continues. Despite rapid price rises for comparable Asian hardwood species during the summer months, African log and lumber prices have remained stable. **Page 3**

Asia-Europe container rate rise boosts meranti CIF prices

After the significant price gains during the summer months due to log supply shortages, underlying FOB prices for Malaysian sawn lumber stabilised during September. However CIF prices to Europe have continued to increase due to rises in container rates. Forward demand for Malaysian sawn lumber remains very slow in Europe. **Page 5**

Chinese furniture exports up 33%

Chinese Customs reports that in the first half of 2002, the total value of furniture exports from mainland China totaled US\$ 2.65 billion, a year-on-year increase of about 33%. **Page 6**

SE Asian log production recovers

Log production in Sarawak is gradually recovering as weather conditions have improved. However availability of South East Asian logs is still restricted and there are continuing reports of FOB price increases for certain species. **Pages 5-6**

Indonesian exports to fall again

In addition to the log export ban introduced in October last year, the Indonesian government is now planning measures to restrict production and exports of other wood products. During 2003 total exports of all wood products is likely to be restricted to only 6.48 million m³. **Page 6**

Brazilian currency at all time low

Brazil's currency fell to an all time low in the last week of September due to worries over the outcome of the Presidential election in October. Brazilian domestic demand for

wood products has weakened. However lower international prices for these products has helped boost exports. **Page 5**

Bolivian exports down....

A focus on supply of certified products has failed to stem a decline in Bolivian forest product exports. During 2001, exports reached 68,800 m³ valued at US\$ 85.9 million, down 8% and 28% respectively compared to the previous year. **Page 6**

....Peruvian exports up

In the first quarter of 2002, Peruvian timber exports totalled US\$55 million compared to US\$38 million in the same period of 2001, an increase of 58%. The rise reflects the restrictions on mahogany supplies from Brazil and Bolivia, which have led U.S. importers to focus more attention on Peru. Efforts by Peruvian exporters to expand sales of hardwood products in the Far East are also beginning to pay off. **Page 7**

U.S. domestic sales growth

Dynamic consumer spending coupled with strong residential construction have combined to fuel growth in domestic hardwood sales. In fact, the performance by several key hardwood market sectors has far exceeded that of the economy, with some expanding at a nearly double-digit rate. But some economists are fearful that American consumers are overstretched and that the U.S. may be entering a long period of slow growth. **Page 7**

Americans disappointed in Europe

As usual there has been a seasonal increase in European demand for American hardwoods following the summer vacation period. Some U.S. exporters report that they have reasonable order files for shipments during October. However the overall level of European trade remains disappointing. Demand for American hardwoods in the Far East, notably China, has been good. But there is growing competition for sales, not just from other North American suppliers, but also from producers in other parts of the world. **Page 8**

Hardwood plywood price rises

Prices for Indonesian plywood now stand at between 10 to 15% below the INDO96 list price, up from levels of 30-35% below the list price that prevailed just a few months ago. Brazilian plywood prices have also followed the upward trend. Price increases have been driven by log shortages in the Far East and by the weakening of the dollar against the Indonesian rupiah which undermined the earning capacity of Indonesian mills in their local currency. **Page 9**

German veneer industry subdued

The German veneer industry met in Berlin in September in an atmosphere that was best described as subdued. Not only is the German influence in sliced hardwood veneer production reducing, but prospects for a return to German dominance may well not return easily. **Page 8**

EU imports well down

EU import data is very consistent in reporting a very slow start to the year in all eight of the EU's largest hardwood importing countries. Only two hardwood products made any ground; European sawn oak lumber and tropical veneer. **Pages 9-13**

Insolvencies in Western European hardwood sector

The critically weak state of the market for European hardwoods has led to a wave of insolvencies in Germany and France over recent months. Companies which focused heavily on the supply of beech logs and lumber to China have been particularly hard hit. **Page 14**

Eastward shift in demand

The UN/ECE Timber Committee concluded during September that sawn lumber markets peaked in 2000 in temperate regions. Since then, hardwood consumption has been falling in Western Europe and North America. Hardwood markets in central and eastern Europe generally offer more optimistic forecasts for 2002 and 2003, albeit on smaller volumes. **Page 1-2**