

<http://www.hardwoodmarkets.com>

**Volume 16
Number 9
September 2001**

Contents

EU hardwood import report.	1/14/15
Editorial	2
African hardwoods.	2/3/4
Ghana	3
Gabon	3
Cameroon	4
Congo (Kinshasa)	4
Malaysian sawn lumber	4/5
SE Asian logs	5/6
American economy/domestic demand	6/7
N. American export markets	7
American hardwood species notes.	7/8
S. American sawn lumber	8/9
Brazilian wood exports	9
Sustainable forestry	9/10
Protected forest in the Congo	9
Green criticism of FSC.	9/10
Suspension of teak certification	10
N. American schemes join PEFC	10
European hardwoods	10
Profile: Federlegno - Italy	15
Hardwood Events	15
News summary	16

Statistics in this issue

■ Gabon log exports	3
Vol by destination, Years 1999 & 2000	
■ Cameroon log exports	4
Vol by species, By destination, 1997-2000	
■ China wood products imports	5
Vol/Val by product, Jan-Jun 2000 & 2001	
■ Peruvian wood exports	8
Value by product, by species Jan-Jun 2000 & 2001	
■ EU & N. American imports of Brazilian sawn lumber	9
Value by destination country Jan-Mar 2000 & 2001	
■ Brazilian wood products exports	9
Value by Brazilian state Value by destination from Para state 1999 & 2000	
■ EU-wide, Germany, UK, France, Italy, Spain, Imports of hardwood primary and secondary wood products	11/12/13
Value by source country 1st qtr, 2000 & 2001	

Good start to the year for EU trade

Just released first quarter data for the whole of the European Union (table page 11) indicates that the overall value of imports of most hardwood products, with the exception of beech logs and sawn lumber, were either stable or higher than the same period the previous year. This is surprising given the strength of demand last year and anecdotal reports of market weakness this year. However it is likely that there was a more significant slowdown in the second quarter of the year as concerns over the global economy mounted. Close analysis of the first quarter data also indicates that there have been winners and losers this year. Our analysis first considers EU-wide trends by product group. It then considers first quarter imports (tables pages 11-13) and market prospects in the five largest EU economies: France, Germany, Italy, Spain and the UK

■ **Tropical logs** - EU imports from Gabon, the largest supplier, continued to rise during the first quarter of this year, while imports from Cameroon continued to decline.

■ **Tropical sawn lumber** - EU imports of Malaysian sawn lumber fell dramatically, by 20%, compared to the first quarter of 2001 in response to over-stocking. However sawn lumber imports from Brazil and Cameroon were well up on the first quarter of last year, boosted by buoyant demand in France, Spain and Italy.

■ **Temperate hardwood logs** - EU imports were noticeably higher during the first quarter of 2001 than the same period in 2000. This may partly reflect the weakness of the euro against the dollar which meant there were cost advantages to be derived from importing logs and processing in Europe.

■ **Temperate hardwood lumber** - EU imports of sawn lumber from North America remained flat during the first quarter of the year. The data supports anecdotal evidence of increased competition for American

hardwoods from Eastern European producers. For example EU imports of oak sawn from Croatia, the Ukraine, Hungary and Romania were up 27%, 70%, 34% and 79% respectively during the first quarter of 2001 compared to the previous year.

■ **Veneers** - EU imports of tropical veneers were strong during the first quarter of 2001, up 26% on the same period in 2001, perhaps reflecting continuing long term trends towards value added processing in the tropics, and substitution of solid wood by veneer over a panel substrate in the furniture sector. Imports of temperate veneer were also up on the same period during 2000, but to a lesser extent (4%).

■ **Plywood** - EU tropical plywood imports were up 4% on the same period during 2001. Brazil was the major beneficiary with EU imports of Brazilian tropical plywood up 65%. Imports from Indonesia, the leading supplier, were down 13%, partly due to supply problems as increasing volumes of Indonesian logs are exported to processing mills elsewhere in Asia, notably China.

■ **Further processed products** - EU imports of most further processed wood products continued to rise during the first quarter of 2001, implying greater competition for domestic manufacturers. EU imports of wood furniture increased 8% with imports from Romania recording a particularly dramatic increase (up 25%).

France

Slowing after a strong start

French first quarter imports of most hardwood products, with the exception of beech logs and lumber, and of oak logs, were buoyant, building on the good performance of last year. Particular beneficiaries of the growth trend were Brazilian tropical sawn lumber (imports up 28% on the first quarter

Continued page 14

hardwoodmarkets.com

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

Contacts

By email

rjwoliver@email.msn.com

By mail

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

By telephone and fax

Tel: +44 (0)1756 796992

Fax: +44 (0)1756 796992

Subscriptions

Within UK £108 p.a

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

Payable in advance.

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

hardwoodmarkets.com Ltd

©2001 hardwoodmarkets.com Ltd
All rights reserved

ISSN 1471-6186

Consultancy services are also available.

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

Contact Rupert Oliver at the address given above for details.

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

Editorial

Forest vandalism

This month's issue highlights the best and the worst of the tropical timber industry.

To start with the bad news, recent articles in the UK national press (see page 4) allege that the Zimbabwean army and Forestry Commission will undertake logging operations in a 33 million hectare swathe of the Congo basin. It seems that the rights to the forest have been conceded by the Democratic Republic of Congo's government to representatives of President Mugabe in return for military aid against rebels in the east of the country. The operation is expected to take two to three years and to clear the concessions of the most valuable timber.

The repercussions of this operation, if it goes ahead as reported, would be very damaging. It would provide funds for arms to fuel the conflict in Congo. Zimbabwe would have more reason to maintain a military presence in the Congo, contributing to greater instability. A valuable hardwood resource would be degraded and the tropical timber trade may be undermined by over-supply. And the greens are unlikely to pass over

this opportunity to tarnish the name of the whole industry.

It is therefore with some relief that we are able to publish another story this month (page 9) as a tonic to wash the bad taste out of your mouth. In July, Congolaise Industrielle des Bois announced that it would voluntarily give up its lease to a forest concession with an estimated timber value of \$40 million in northern Congo. This was an unselfish act, for which the company received no financial compensation, and reflected a genuine desire to protect a forest of high conservation value.

The C.I.B. story illustrates just how unjust much of the reporting of the tropical timber industry has been over the years, as it has tended to tar all with the same brush. If the tropical timber industry is to throw off its tarnished image, one priority must be to ensure widespread reporting of this and similar positive stories.

Equally important is that the industry is the first to identify and openly condemn blatant acts of vandalism.

Rupert Oliver
Editor

Africa

African log markets Overstocking of okoume

African log markets are differentiated by weather conditions north and south of the equator. In Gabon south of the equator it is still the dry season and logging has been on-going, although many companies have restricted harvesting operations in response to weak demand. Slowing Far Eastern demand for okoume logs, Gabon's major export species, has resulted in over-supply and weakening prices for this commodity. Chinese importers and manufacturers have built up relatively large stocks of tropical logs as global markets for manufactured wooden products have slowed. The situation has been aggravated by the continuing availability to Chinese importers of relatively low priced, apparently illegally harvested, Indonesian logs. European markets for okoume have also slowed, notably in France, due to the summer vacation period and to rising levels of economic uncertainty. SNBG, the state organisation responsible for marketing Gabon's okoume and ozigo logs, has built up unsold stocks of around 250,000 m3. Supplies of African logs of the leading commercial redwood species from countries north of the equator are more in balance with

demand. Prices remain stable. The rainy season usually continues until early October throughout the major producing regions of Cameroon, Central African Republic, northern parts of the Congo, Liberia, Ivory Coast and Ghana. Log supplies of many of the key commercial species were relatively restricted throughout the region even before the end of the last logging season due to tightening government controls and resource constraints. In Cameroon, government controls meant that many companies' logging licenses ran out by the end of April and that harvesting was at relatively low levels during June and July. Harvesting has now ceased throughout much of the region due to the rains and, at the end of August, many mills are still closed for summer vacations and maintenance. There are however reports that Asian companies have continued logging operations in Liberia during the wet season.

African sawn lumber Importers wait and see

Market conditions for sawn lumber of the leading redwood species from West and Central Africa are difficult to judge at this time of year due to lack of activity. Most

African indicative prices

	June	July	Aug
Exchange rates			
US\$/£	1.41	1.43	1.45
Fr./£	10.92	10.73	10.39

Logs

Liberia

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

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

Sawn lumber

Cameroon, CAR, Congo (Braz.)

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

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

Cote d'Ivoire

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

Iroko	3450	3400	3400
Mahogany	2750	2750	2750
Frangire	2150	2150	2150
Samba No.1 C&S	1540	1540	1540

Dimension stock

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

Gabon

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

Okoume AD	2250	2250	2250
Okoume KD	2500	2500	2500

reports suggest that European demand has remained reasonably steady on the ground during the summer, although importers have yet to enter the forward market in any real volume and there has been heavy reliance on purchases from existing landed stock in Europe. Many importers may be waiting to see how the market develops in the first two weeks of September with the end of the summer vacation period before making forward commitments. Prices for all the major commercially traded African redwoods remain stable, propped up by relatively tight supplies. Forward contracts booked now in late August are usually offered for late October early November shipment for air dried and November/December shipment for kiln dried.

Ghana

Export levy issue unresolved

The question of export levies to be imposed by the government on exports of lumber and veneers remains unresolved. Ghana's

Timber Export Development Board recently issued a press release suggesting that a blanket 10% levy will be imposed on both air dried and kiln dried lumber. The duty would be in addition to all existing taxes. However trade contacts suggest that they have yet to receive official confirmation and that negotiations are on-going. There are reports that the measures may be implemented in association with a reduction in import levies on logs. This would reduce risks associated with inward investment in value added processing in Ghana by reducing reliance on limited domestic log resources. It would open up new opportunities for Ghana to import okoume logs from Gabon to supply the nation's plywood industry, or high quality sapele logs from the Congo basin for the production of sliced veneers.

Replanting forest reserves

In other news, ITTO's Market News Service reports that the Forest Services Division (FSD) of the Forestry Commission has started the re-planting of about 1000 hectares of the country's degraded forest reserves under a nation-wide re-forestation programme launched in June this year. The country's forest reserves have been degraded through illegal felling and bushfires. The exercise is now underway in 13 degraded forest reserves in four districts of the Ashanti region. In all about 300 hectares of the affected reserves are to be re-planted this year by the FSD through direct labour. About 5,000 hectares of degraded forests have also been allocated to timber firms, private companies and organisations for re-planting.

Gabon

Recovery continued in 2000

Data published by ATIBT indicates that the year 2000 was a reasonably good one for the Gabon hardwood trade. Gabon's forest production has been rising in recent years and reached 3.5 million m3 during 2000. Gabon's log exports fell dramatically during the Asian financial crises between 1997 and 1998 from 2.7 million m3 to 1.7 million m3. However log exports began to recover in 1999, a trend which continued strongly into 2000 when they reached 2.58 million m3. Last year Gabon benefitted from growing demand from Asiatic markets, notably China, and from good economic conditions in Europe. And as Gabonese shippers quote prices in French Francs, the weakness of the euro against the dollar contributed to competitive pricing for Gabonese logs last year.

Over recent years, there has been a significant reduction in Gabon's reliance on okoume and ozigo exports and diversification in the species exported. This reflects a number of factors including:

- the economics of forest management which mean reduced costs and higher returns from the same area of forest through the marketing of a wider range of species;
- increasing influence of buyers from Asian and other African countries that have been more willing than European buyers to utilise lesser known species;
- growing appreciation in Europe of some species formerly regarded as too hard or too strongly coloured (e.g. Padouk), or with specific usage constraints (e.g. agba)

Volume of Gabon log exports by destination (000s m3)

Destination	1999			2000			% Change
	Okoume	Other Species	Total	Okoume	Other Species	Total	
China	836	71	906	1020	67	1087	20
France	374	148	522	320	183	504	-3
India	0	11	11	12	138	150	1238
Portugal	2	97	99	1	115	116	17
Hong Kong	47	65	111	5	100	105	-6
Morocco	86	5	91	92	3	95	4
Greece	36	22	58	46	25	72	23
Turkey	47	19	66	39	23	61	-6
Italy	7	56	63	5	53	58	-8
Israel	73	1	74	58	0	58	-21
Taiwan	1	47	48	0	56	56	18
Japan	31	15	46	21	21	42	-10
Holland	26	7	33	27	14	41	24
Korea	9	6	15	22	7	29	88
Germany	7	14	21	3	20	22	9
Spain	8	14	22	11	9	20	-11
Philippines	17	6	24	16	4	19	-19
Malaysia	4	0	4	5	5	10	169
Algeria	0	10	10	8	0	8	-14
Mexico	5	0	5	5	0	5	-8
Tunisia	2	5	7	0	5	5	-27
South Africa	0	0	0	0	0	0	0
Others	7	95	102	5	9	14	-86
Total	1624	714	2338	1721	857	2579	10

Africa

Cameroon

Rising value-added exports

At present export data for Cameroon made available by ATIBT covers logs only (see table). This restricts analysis of the Cameroon wood trade since exports of many of the most commercially valuable species (including Sapele, Iroko, Moabi, Sipo, Ceiba) is now banned in log form. This has led to the appearance of new species for export and also a significant increase in exports of further processed products. For example, our own data indicates that the value of EU-wide imports of Cameroon sawn lumber and tropical veneer increased by 71% and 22% respectively between 1999 and 2000.

The export data reveals the rapid decline in Cameroon log exports between 1997 and 2000 as the log trade now concentrates on so-called "first category" species like ayous and azobe that may be exported subject to high rates of duty, and to the wide variety of "second category" species subject to a lower rate of duty. Ayous remains Cameroon's largest log export species, although volumes are in decline from one year to the next. Italy is still the major market for logs (mainly ayous) followed now by China. Last year Asia accounted for 34% of Cameroon log exports.

Cameroon log exports (000s m3)

By Species	1997	1998	1999	2000
Ayous/obeche	570	475	360	311
Azobe/bongossi	107	86	41	50
Frake/limba	221	58	54	47
Tali	137	67	38	38
Eyong	41	23	22	29
Bilinga	31	21	8	15
Naga/ekop naga	95	4	8	13
Even/Ekop	0	0	0	13
Onzabili/angongui	31	6	0	9
Aiele/abel	56	8	6	6
Lotofa/Nkanang	0	0	0	4
Gombe/ekop gombe	18	2	5	2
Others	710	662	439	37
Total	2016	1412	981	576

By Destination	1997	1998	1999	2000
Italy	297	231	172	149
China	276	185	171	138
Turkey	66	54	32	50
Spain	129	152	23	33
Netherlands	62	53	31	32
France	212	207	143	27
Germany	63	72	44	27
India	140	47	22	26
Thailand	35	0	5	21
Portugal	94	147	85	20
Senegal	0	0	0	18
Greece	0	0	0	8
Morocco	0	0	0	7
Japan	201	17	19	5
Taiwan	57	27	10	2
Hong Kong	62	88	75	1
Other	321	131	149	13
Total	2016	1412	981	576

Congo (Kinshasa)

Zimbabwean army to support logging operations

The Observer, a national newspaper in the UK, reports that associates of President Robert Mugabe of Zimbabwe are planning "the biggest ever logging operation in the tropical rainforests of the Democratic Republic of Congo (DRC)." The article suggests that the Zimbabwean army and Forestry Commission will undertake logging operations in a 33 million hectare swathe of the Congo basin. The Observer alleges that rights to the forest have been conceded by the Democratic Republic of Congo's government to representatives of the Zimbabwean president in return for military aid against rebels in the east of the country. The operation is expected to take two to three years and will clear the forest concessions of the most valuable timber. The Observer suggests that the logging revenues are unlikely to benefit the Zimbabwean people and will instead be shared by a small clique of senior generals and politicians. It may also swell the funds of the Zanu-PF party, Mugabe's primary political vehicle which has led the recent crackdown on Mugabe's democratic opposition.

The Observer states that the four forest concessions in question has been granted to Socebo, a Zimbabwe-registered company whose board includes senior Zanu-PF and military figures. The deal was negotiated in 1999 and Socebo was established last year. Socebo is based in Kinshasa and is said to be a subsidiary of another firm called Cosleg (Pvt) Ltd. Cosleg is a joint venture between Operation for Sovereign Legitimacy (Osleg), a company largely controlled by the Zimbabwean military, and Comiex-Congo, a Kinshasa-based firm partly owned by the family of Joseph Kabila, the DRC President.

600,000 m3 per annum

According to the U.K.-based environmental organisation Global Witness, projected annual extraction volumes may be as high as 600,000 m3. Some of the wood may be transported by rail through Zambia and Zimbabwe to the South African port of Durban, while the rest may be carried down the Congo river to the Atlantic coast.

Meanwhile the conflict in the DRC drags on. During August leaders from all the warring factions met in Botswana in a bid to negotiate an end to the fighting. They have agreed to meet again in October, but according to the Observer "few are optimistic that the war will be ended soon"

Asia

Malaysian sawn lumber Hitting bottom?

The market for Malaysian dark red meranti/seraya in Europe may have hit bottom at last. There are reports that the large stocks that built up in North Western Europe during the course of last year have been much reduced. Manufacturers have been buying these stocks steadily, although importers who bought heavily last year when forward prices were at higher levels have been losing money on below-cost sales. Prices on the ground in the UK have been particularly low. There is now talk in the trade of possible increases in forward prices during the second half of the year. At the end of August, shippers are already asking for higher prices, but it is still too early to know whether these will stick. Importers have yet to enter the forward market in any volume. Many are still away on vacation and it is likely that buyers will be cautious after recent problems of over-stocking. There is also continuing uncertainty over the development of European economies during the second half of the year.

Log shortages in Sabah

Conditions on the supply side tend to argue in favour of price rises. There are reports of severe log shortages in Sabah as the issue of logging permits continues to be delayed and operations have been suspended in some forest areas. Many of the big mills formerly supplying seraya to Europe have closed, and those still operational are having problems securing log supplies. Supply problems are so intense in Sabah that some shippers of sawn lumber have switched their operations to Sarawak. However Sarawak's wood industry is more oriented towards the supply of logs to the Far East. While Sarawak has been a significant supplier of keruing and ramin sawn lumber, it is not renowned for the production of meranti sawn lumber of consistent colour and density.

There are reports of occasional consignments of Indonesian meranti sawn lumber being offered for sale. Small volumes are being shipped direct to Europe, but most is smuggled over to West Malaysia for kilning and onward shipment. However Indonesian meranti tends to be available only in shorter lengths and volumes are well down on last year.

So European buyers of Malaysian meranti sawn lumber will have to rely heavily on West Malaysia's own production which has itself been subject to increasingly strict control over recent years.

Malaysian lumber prices will also inevitably

Asian Sawm Lumber Indicative Prices

	Jun	Jul	Aug
Exchange rates:			
M\$/£	5.34	5.43	5.50
U\$/£	1.41	1.43	1.45
M\$/US\$	3.80	3.80	3.80

Malaysia

All prices US\$/ton, C&F UK port

West Malaysian Dark Red Meranti

Grade: Select & better GMS; Kiln dried

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

1"	680	665	680
2"	690	680	690
2.5"	710	700	710
3"	730	720	730

Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

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

Kapur

Grade: Standard & Better GMS

Size: Width 6"+, avg 7"-8"; Length 16'+

1"-3" plnd	535	535	535
------------	-----	-----	-----

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/ 3500	2850/ 3500	2850/ 3500
----	---------------	---------------	---------------

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.

be affected by movements in exchange rate. Since Malaysian sawn lumber prices are quoted in US\$, any increase in price may be partly off-set for European buyers by a weakening in the dollar exchange rate against European currencies during the second half of the year. The recent round of interest rate cuts in the US should limit the attraction of the dollar on international markets. However recent experience suggests that predictions of dollar weakness should never be taken for granted.

SE Asian Logs Depressed all year

Trading conditions for South East Asian logs have been depressed since the start of the year. Despite increasing government controls on logging in some areas – including Sabah and Papua New Guinea – and efforts in Sarawak to reduce production in response to low demand, prices for most species have been static or weakening.

The relaxation of Indonesia's export levies in 1998 combined with the failure of regulatory controls during recent political turmoil and weakening demand for Indonesian plywood, has led to Indonesia emerging as a leading supplier of tropical logs to international markets. Indonesia is now China's leading supplier of tropical

logs. In recent months Japan has also started to source Indonesian logs, including good quality white logs used for production of sawn lumber in Japan, and other mainly redwood species used for plywood.

Indonesian industry alarmed at rising tide of log exports

In Indonesia itself, the domestic wood processing industry has become increasingly alarmed at the rising tide of log exports. The Minister of Forestry, newly appointed in August, is already facing calls from the Indonesian Forestry Community and APKINDO, the plywood exporters association, to impose a moratorium on Indonesian log exports to protect local industry. APKINDO argue that the huge volume of logs exported had contributed to raw material shortages for Indonesia's plywood sector.

Reform of Indonesia's forest sector continues in a series of fits and starts. ITTO's Market News Service reports that the Indonesian government has demanded that timber companies make advance payments amounting to three years' contribution to the reforestation levy. The companies are protesting that this will bankrupt many operators and that all would have great difficulty financing the sums involved. The Minister of Forestry has said the new policy is designed to tackle illegal logging undertaken by 'unscrupulous forest concession holders', although it is not clear how the measure will actually influence illegal operations.

Sarawak faces stiff competition

Trading conditions for log exporters in Sarawak have been difficult this year as competition from other supply sources has mounted. The availability of low priced logs from Indonesia has contributed to reduced demand for Sarawak logs. In response, many shippers in Sarawak have reduced production and some have ceased operations completely. This may have put a floor under prices for some species. On 1 July the Sarawak authorities issued new production quotas, but the share remains unchanged at 60% for the domestic market and 40% for exports.

Sabah hasn't been a significant player in log markets this year. Sabah's authorities have sought to limit log exports, and production is well down on previous years. Trading conditions for Papua New Guinea exporters are also very poor. The PNG Forest Industry Association, Stanis Bai, has gone so far as to suggest that the industry is "on the verge of collapse" due to a number of factors. These include a fall in log prices to a 15-year low and a 40% tax on log exports. PNG's domestic markets for forest products are also shrinking due to the downturn in the economy. Papua New Guinea's log exports have fallen from a peak of around 3.5 million cubic metres in the 1990s to an anticipated export of around 1.5 million m3 this year and perhaps one million m3 next year. Under pressure from the World Bank, the PNG government has also been implementing tighter controls on logging. Since 1999 there has been a moratorium on all new logging permits. Meanwhile existing permits have been expiring. PNG Forest Authority data shows that of about 42 projects still operational at the start of 2000, 25 were due to expire before the end of 2002, leaving just 17 remaining projects. There are currently only 24 logging projects, the lowest level in two decades.

China increasingly dominant

On the market side it is clear that the South East Asian tropical log market is undergoing a major shift in gravity. China is increasingly the dominant market as Japan is in long term decline. China has emerged as the world's leading importer of tropical logs as manufacturers throughout East Asia have relocated to China to exploit lower labour and land costs. China's plywood production increased by 36% last year reaching 9.93 million m3. China's plywood supplies a growing domestic market and is also becoming important as an export commodity as quality has improved. China exported 428,200 m3 of plywood in the first six months of this year, 46% up on the same period last year.

At the same time China has reduced domestic harvesting, particularly of higher grade hardwoods, in response to resource

Continued page 6

	China Wood Products Imports - January to June					
	000s m3			Million US\$		
	2000	2001	% change	2000	2001	% change
Logs	6348	7992	25.9	850	878	3.3
Softwood logs	2944	3872	31.5	175	220	25.9
Tropical logs	1039	1339	28.9	196	225	14.9
Beech logs	558	446	-20	232	132	-43
Sawn lumber	1661	1807	8.8	440	451	2.5
Plywood	505	399	-21	221	166	-25

Source: ITTO

Asia

Asian logs *Cont. from page 5*

constraints. In 2000, implementation of China's "Natural Forest Protection Program" meant that log production reached only 47.24 million cubic metres, down 6.4% on the previous year.

Although imports of tropical logs into China this year have been significantly higher than during 2000, Chinese importers have become less willing to pay higher prices as competition has mounted and export markets for China's plywood and other manufactured products have slowed. Furthermore reports of high stocks of tropical logs have begun to emerge from China over the summer months.

These trends are revealed by import data released by Chinese customs. The volume of tropical log imports was up nearly 30% during the first half of the year compared with the same period in 2000 reaching 1.34 million cubic metres. At US\$225 million the value of tropical logs imports also increased, but to a lesser extent (up 15%).

There were striking changes in the sources of China's tropical logs. Imports from Indonesia increased by 326,000 m³, up some 150%, while imports from Liberia also grew strongly by 177,000 m³, up 229%.

Japanese market in the doldrums

The Japanese market for Southsea logs is in the doldrums and is forecast to remain so during the second half of the year. Despite shippers offering lower FOB prices to Japan, there has been no pick-up in demand from importers over recent weeks. Plywood market conditions, the key determinant of demand for logs in Japan remain very weak. Although deliveries of plywood have increased due to fine summer weather, buying has been restricted to small lots. Arrivals of Southsea logs into Japan were very low in the first half of the year, but there are still no signs of shortages.

At end July, Japan's Forestry Agency announced their estimates of national supply and demand for major timber products during the third and fourth quarters. Demand for Southsea logs is expected to be particularly weak due to a variety of factors including a shift towards softwood in the plywood sector; a reduction in the availability of good quality Asian logs for export; and a shift towards imports of processed products from SE Asian countries. Overall imports of Southsea logs into Japan are expected to be down 23.3 % at 2.33 million m³ this year. Imports of African logs are expected to remain more stable, reaching 240,000 m³, a marginal increase of 2.6 % compared to last year.

North America

Economy

Business investment falls, but consumers still confident

Despite seven interest rate cuts this year, the latest crop of economic statistics from the U.S. does not look good. Business investment, which precipitated the slowdown, is still in the doldrums. Recent profit announcements on Wall Street have been dire. Orders for durable goods dropped by 2% in June. And various closely-watched indices of business purchasing suggest that business confidence remains low.

But the economy was saved from outright recession in the second quarter by consumer demand, linked to a rise in government spending and the continuing strength of residential construction. Looking ahead, many analysts expect government spending to slow in the second half of the year. However the housing market still looks promising, boosted by lower mortgage rates. The U.S. Census Bureau reports that housing starts during July 2001 were at a seasonally adjusted annual rate of 1,672,000 units, up 2.8% on the previous month and up 1.5% on July 2000.

Consumer confidence key issue

The key issue for the rest of the year remains consumer confidence. Weakening stock markets and widespread layoffs will tend to undermine confidence. Set in the balance against these factors are lower energy prices and the much trumpeted \$38 billion tax rebate. The underlying strength of residential construction also implies that consumers will be busy buying new things for their homes, including furniture.

The other North American economies have felt the cold from the U.S.. Mexico's GDP fell for the third consecutive quarter to end June 2001, leaving output flat on a year ago. Canadian real GDP growth reached 4.7% in 2000 and is expected to be around 2.8% this year. However Canada's residential construction remains active. Recent falls in interest rates may boost house starts to marginally higher levels than last year. Canadian consumer spending was also strong in the first quarter, but weakened slightly in the second quarter.

Domestic demand

Green lumber rebound

Trading conditions remain very difficult for the U.S. hardwood lumber industry. Margins are tight and cash flow is a major problem for many mills. These factors have encouraged greater emphasis on stock control, with many millers and secondary

processes running on relatively lean inventories. Long term buyer-seller relationships now have an important role in determining prices and sales.

Contrasting conditions are emerging in the domestic market for kiln dried and green sawn lumber. The market for kiln dried remains intensely competitive and supplies for many items are still in excess of demand. As a result prices for kiln dried are still fairly variable. Because cash flow is a major problem for many mills, those holding stock of kiln dried may still be encouraged to sell at lower prices. However lower offers for higher grades and thicker sizes of kiln dried of particular interest on export markets, are now less common.

Cuts in production begin to bite

Cuts in production are beginning to bite, and are already impacting on the U.S. market for logs and green lumber. The extent of the recent decline in log and lumber production is almost unprecedented in the U.S. hardwood industry. Some sawmills have log inventories less than half the normal volume for this time of the year. Supplies may well tighten further as many loggers have - temporarily or permanently - ceased production. Declining supply is expected to keep log costs relatively high. There are reports of a marginal upturn in sales for green lumber in some areas as buyers have become more concerned over availability.

US sawn lumber indicative prices

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

	Jun	Jul	Aug
\$/£	1.41	1.43	1.45
\$/Euro	0.84	0.87	0.91
Red oak			
1"	1750	1850	1850
1.25"	1850	1950	1950
1.5"	1900	2100	2100
2"	2250	2300	2300
White oak			
1"	1550	1500	1550
1.25"	1650	1600	1650
1.5"	2200	2150	2250
2"	2650	2600	2700
Ash			
1"	1200	1200	1200
2"	1450	1500	1475
Tulipwood			
1"	950	950	975
1.25"	1000	1000	1000
1.5"	1100	1100	1075
2"	1125	1125	1125
Cherry			
1"	3600	3800	3900
1.25"	3700	3900	4000
1.5"	3800	4000	4100
2"	4000	4300	4400
Hard Maple			
1"	2400	2350	2375
1.25"	2550	2525	2550
1.5"	2750	2725	2750
2"	2800	2800	2875

North America

This has led to rising green lumber prices for certain items and this is expected to translate into higher kiln dried prices during September and October.

Forecasts of shortages

Some analysts are now predicting wood supply shortages in the U.S. later this year. These shortages may be more pronounced for the higher grades and thicker sizes. Good quality logs of adequate size are becoming more scarce, and many sawmills are reluctant to produce thicker lumber since it ties up too much production capacity.

U.S. end user demand for hardwoods varies by sector. AKTRIN data suggests that U.S. spending on furniture over the last 12 months has not performed as well as overall consumer spending, which is normal for all durable consumer goods during an economic slump. American spending on furniture peaked in the 2nd quarter of 2000 at US\$ 65.3 billion (retail prices at seasonally adjusted annual rates). Spending on furniture fell to US\$ 63.3 billion in the second quarter of 2001. However AKTRIN analysts believe this may be the low point and that there may be a slow recovery during the second half of the year. Furniture spending may reach US\$ 63.7 billion for the year as whole, not far short of the total US\$64.7 billion last year, itself a gain of 7.3% over the year 2000 figures. AKTRIN forecast that consumption growth will again pick up in 2002 to a rate of 2.2% bringing the total value of the American furniture market to slightly over US\$ 65 billion.

Competition from overseas

However U.S. manufacturers are unlikely to be the major beneficiaries of the slow recovery. Competition from overseas furniture suppliers, notably in China, has been intensifying. The combined effects of slowing demand and overseas competition has led to mass closures in the U.S. furniture sector. This has impacted particularly heavily on hardwood suppliers in the Appalachian region where the furniture sector is concentrated. However the effects have rippled throughout the U.S. as Appalachian suppliers have sort to offload excess stock in other regions.

In other sectors, there is optimism that the continuing strength of residential construction will boost sales for kitchen cabinets during the second half of the year. Domestic demand for strip flooring is also expected to remain reasonably strong and already there are reports of flooring plants increasing purchases of common grades of red oak to satisfy demand.

Export markets Outlook very uncertain

There is still great uncertainty over export market prospects for American hardwoods during the second half of the year. So much depends on economic growth in Europe and Asia, and on the direction of exchange rates, all factors which are in turn partly dependent on events in the U.S..

At present the outlook does not look particularly good. Growth forecasts have been weakening in Europe as concern over the global and German economies has mounted. In Asia, Japan's economy seems to be sinking further into the mire. The South East Asian economies, now heavily dependent on exports, have been hit by slowing demand in their major overseas markets in the USA, Japan and more recently Europe. And governments in South East Asia, which borrowed and spent so heavily to dig themselves out of the Asian crises four years ago, are naturally reluctant now to open the purse strings to boost domestic demand. The Indonesian and Philippine economies are particularly vulnerable.

Intensely competitive conditions

Against this background it seems certain that American hardwood export markets will remain intensely competitive and price sensitive over the next six months. The trend towards just-in-time ordering and tight inventory control is well entrenched and can only intensify during these volatile times. But, as ever, there are positive stories to tell. China, with its huge population and rising wealth, is generating greater domestic demand, even while problems on export markets have mounted. Restrictions on logging of China's forests are feeding through into increasing demand for imports of quality hardwoods. The Chinese have lost some of their affection for beech following quality problems after the European storms in December 1999, and are turning instead to American hardwoods.

Chinese puzzles

The Chinese market is not without its challenges. One problem is that the emphasis on logs has been rising in China at the expense of lumber. And there continue to be reports of reasonably heavy inventories of finished goods destined for export markets which is slowing hardwood demand. But in the medium to long term, Chinese market prospects remain good. It is difficult to judge current market conditions in Europe at a time when many traders are still on vacation, and during a

period of exchange rate volatility. The recent strengthening of the euro, which in mid August hit a five month high by rising above 90 cents against the dollar, will tend to boost prospects for American hardwood lumber. Most analysts suggest that, as buying has been constrained in Europe for so long, inventory levels must be restricted and therefore there should be reasonable buying after the summer vacation. While weakness in the German and French furniture sectors suggests that demand in both countries may remain subdued in the second half, prospects in Spain and the U.K. are reasonable.

Impact of European hardwoods

It is clear that American hardwoods are coming under more intense competitive pressure from European hardwoods. This pressure has intensified over recent months, partly as a response the weakness of the euro-dollar exchange rate, but also due to improved marketing, quality and availability of Eastern European production. Availability has also increased as export markets for European hardwoods have weakened. EU hardwood import data compiled by hardwoodmarkets.com for the first quarter of the year indicates that Eastern European hardwoods are increasingly important competitors to American hardwoods in Italy, Germany and to a lesser extent France, but that they have yet to have a major impact in the U.K. and Spain.

Species notes

■**Ash:** demand both in the U.S. and in the major export markets, the U.K. and Japan, remains slow. Production has been reduced as resale operations in the U.S. are unwilling to speculate on inventory. Some U.S. operations are now seeking to generate sales through increased colour selection. Prices for FAS grades quoted to European buyers remained weak during August.

■**Hard maple:** market conditions are more stable now than earlier in the year. Quality at this time of year - when staining is a problem - is now the key issue for many buyers. Much business is focused on suppliers with a good reputation for handling the species. Demand is holding reasonably steady both on domestic markets and overseas, and this is reflected in more stable pricing. Indicative prices for good quality FAS grade Hard maple offered to European buyers seem to have reached bottom and may have risen slightly over the last month.

Continued page 8

N. America

Species notes *Cont. from page 7*

■ **Cherry:** the market continues to be divided on the basis of grade. Supplies of common grades are still in excess of demand. Domestic markets for these grades have been hit by weakness in U.S. furniture sector. It is uneconomic for mills to cut cherry if there is no market for the lower grade material. As a result supplies of higher grades are relatively restricted and more in balance with demand. Log quality and size issues are also instrumental in reducing availability of FAS material. There are reports that prices quoted for FAS grades of American cherry to European buyers increased during August.

■ **Red oak:** as markets and prices for other species weakened, many U.S. mills transferred operations to red oak which was seen as offering greater consistency in sales and pricing. However problems of excessive over-supply have been moderated by the significant fall in overall U.S. sawmill production. Furthermore much of the new production was concentrated on 1" material of interest to the domestic market, rather than thicker sizes which often go for export. Export markets for FAS material have been very slow during the summer, and prices are highly variable, making it difficult to establish an indicative level.

■ **White oak:** export demand is still limited during the summer vacation period and as importers in the main European markets are still only replacing stock rather than making speculative purchases. However cuts in production seem now to be having an effect and may have encouraged a more bullish attitude amongst exporters. There are some signs that prices quoted for FAS material to European buyers increased during August, particularly in thicker sizes.

■ **Tulipwood:** kiln dried markets are very competitive both on domestic and export markets. Some suppliers continue to make extra sorts by colour, size and grade at no premium in an effort to generate buyer interest. Prices are variable but generally weak. However there are reports from the Appalachian regions that there has been a significant decrease in previously overwhelming supplies of tulipwood green lumber, and that stocks from preferred suppliers are no longer readily available. This has raised hopes that kiln dried prices may have hit bottom.

■ **Walnut:** demand is still steady and prices are firm. There are reports of price increases for steamed kiln dried in thicker sizes.

South America

Sawn lumber market

Mahogany quota well down

Logging is now progressing during the Amazonian dry season. IBAMA, Brazil's environmental agency, eventually released export quotas for Brazilian mahogany and cedar in the second week of August. However the quotas are extremely low and will do little to free up a tight supply situation for these species. The quota allocated for mahogany and cedar over the next 6 months amounts to only 10,000m³ and 7,000m³ respectively, considerably lower than previous years and well below market expectations. There is, in any case, very little Brazilian mahogany available for prompt shipment from Brazil. Nearly all Brazilian mahogany is expected to be soaked up by the US market in air dried form at high prices. Availability of Brazilian mahogany in the U.S. are already patchy and prices there continue to rise.

Importers in the UK have only very limited inventories of mahogany, and there is still interest in acquiring fresh stocks despite very high prices. However the quota allocation implies there will be little on offer to UK buyers over the next 6 months. Prospects for next year are also uncertain, given unconfirmed rumours that Brazil may temporarily suspend mahogany extraction next season in order to undertake a complete overhaul of the regulatory system.

Greater focus on Peru

As Brazil looks set to join the ranks of Bolivia in restricting mahogany supplies, there will be a greater focus on Peru. However traders suggest there is little scope to significantly expand supply from this country, particularly as Peru is increasing controls on mahogany exports. The impact of these controls is revealed in Peruvian trade data

Peruvian wood products exports

US\$000	Jan-Jun 2000	Jan-Jun 2001	% chg
By destination			
United States	29868	21208	-29
Mexico	7742	9151	18
Venezuela	1651	2768	68
Hong Kong	759	1570	107
Italy	1161	992	-15
Dominican Rep.	1913	715	-63
China	82	704	759
Puerto Rico	337	687	104
UK	389	156	-60
Panama	224	94	-58
Others	1663	1797	8
Total	45791	39843	-13
By product			
Sawn lumber	32049	21098	-34
Veneer & plywood	5015	6708	34
Furniture parts	4146	4355	5
Finished wood products	1195	2730	128
Semi-finished wood products	1597	2650	66
Other	1789	2302	29
Total	45791	39843	-13

Source: Tropical Forest S.R.L.

for the first half of the year which shows that there was a significant reduction in wood products exports compared to the first half of 2000. The majority of Peru's exports were of sawn lumber and were exported to the USA. However, new laws requiring further processing of mahogany and cedar in Peru, contributed to a rise in exports of value added products. It is very evident that the Brazilian mahogany trade is being progressively forced into a small volume high value niche market.

Prices of Brazilian cedar sawn lumber remain stable, but supplies are relatively restricted. Shippers are generally not offering buyers the choice of higher grades of cedar and instead are offering sales in mixed parcels which include a range of thickness and lower grades.

Other sawn lumber prices stable

Prices for sawn lumber of other Brazilian hardwoods on international markets have been reasonably stable. Recent devaluation of the *real*, which is down around 25% since the start of the year, has encouraged some importers to push for lower prices. European traders report that demand for Brazilian sawn lumber is still reasonably buoyant in France, Spain and Portugal. Much of the Brazilian lumber supplied to these markets is now of dimension stock.

Import data from the E.U. and the U.S. indicates that demand for Brazilian hardwood sawn lumber was reasonably

Brazilian sawn lumber Indicative prices

	Jun	Jul	Aug
Exchange rates			
\$/£	1.41	1.43	1.45
US\$/m ³ C&F UK Port			
Grade & size: FAS, width 6"+ avg 9-10", length 6'+ avg 10-11', air dried (AD) or kiln dried (KD)			
Mahogany (Swietenia)			
1"-2" AD	1490	1520	1550
2.5"-3" AD	1510	1540	1570
1"-2" KD	1560	1620	1650
2.5"-3" KD	1590	1640	1670
Virola			
1" KD No.1 C&B			
boards	380	380	380
strips	380	380	380
Cedro			
1"-1.5" KD	725	725	725
2" KD	750	750	750
2.5"-3" KD	775	775	775

Continued page 9, col 2

South America

Brazilian wood exports

Amazonian recovery

Last year was a good one for the Amazonian wood export sector. Data released by ATIBT indicates that the value of wood products exported from Amazonia increased by 13% last year, continuing the recovery following the lows of the Asian financial crises which seriously disrupted tropical hardwood markets in 1998. This export performance seems more impressive when it is considered that the dry season began 2 months later than usual last year, while the imposition of new IBAMA regulations also delayed the start of logging operations.

Export data for the state of Para, by far the leading point of departure for Brazilian tropical hardwoods, indicates that shippers benefitted last year from buoyant demand in the two leading export markets, the USA and France; and also from a recovery in several East Asian markets including the Philippines, China and Thailand.

Destination of wood products exports from the state of Para

US\$million	1999 Year	2000 Year	% chng
USA	80.6	95.7	19
France	45.2	56.3	25
Spain	22.8	22.2	-3
Netherlands	17.5	19.6	12
Portugal	18.1	16	-12
Japan	12.7	10.4	-18
Philippines	5.5	9.4	71
UK	11.1	8.3	-25
China	1.7	8.2	382
Dominican Republic	6.9	7.9	14
Guadalope	9.3	6.8	-27
Thailand	2.1	5.1	143
Other	44.1	43.1	-2
Total	277.6	309	11

Value of wood products exports from Brazilian states

US\$million	1997 Year	1998 Year	1999 Year	2000 Year
Acre	0	0	0	0
Amapa	27	38	26	22
Amazonas	38	26	23	19
Maranhao	2	2	2	2
Mato Grosso	37	29	58	78
Para	331	255	278	309
Rondonia	29	29	43	55
Roraima	1	1	1	1
Tocantins	0	0	0	0
Total Amazonia	465	381	431	486
Other States	752	746	960	992
Total Brazil	1218	1127	1391	1478

Imports of Brazilian hardwood sawn lumber by the EU and USA

US\$000	2000 Jan-Mar	2001 Jan-Mar	% Chng
France	24248	30949	28
Netherlands	5850	9572	64
Spain	8240	8329	1
Portugal	6591	6079	-8
UK	3143	4284	36
Belgium	3159	4264	35
Italy	2190	2759	26
Germany	346	866	151
Denmark	268	854	218
Sweden	46	87	90
Ireland	100	31	-69
Finland	59	21	-65
E.U.	54239	68094	26
United States	14907	19882	33

Source: Eurostat, United States FAS

Cont. from page 8

strong during the first quarter of this year. The value of imports into the E.U and U.S.A were up 26% and 33% respectively on the same period during 2000, although this may partly reflect problems with import quotas which delayed shipments at the end of last year.

There has been a slowdown in European

and U.S. demand during the summer vacation period but exporters are confident this is a temporary lull and suggest underlying export demand remains firm. As a result many exporters have resisted requests for lower prices.

Brazilian market slows

Reports from Brazil's domestic market have been less positive. ITTO's Market News Service reports that Brazil's domestic market remains very quiet due to economic problems in Argentina and Brazil's energy crisis, both of which have dented consumer confidence. Sales of Brazilian domestic furniture declined rapidly over the last 3 months. ITTO notes that it is unlikely that the domestic market will improve in the next 3-4 months since consumption is traditionally lower in the third quarter. ITTO suggest that tropical hardwood lumber sold into Brazil's domestic market are in oversupply. This fact, coupled with the *real's* devaluation has led to falling US dollar prices to domestic buyers of around 5%.

Sustainability

Forest protection

CIB give up concession lease

In an unprecedented move during July, the German-owned company Congolaise Industrielle des Bois (C.I.B.) announced that it would voluntarily give up its lease to a tract of tropical forest in the Congo Republic. The Congo government said the land, the 100-square-mile Goualogo Triangle in the remote north, would be added to the adjacent Nouabal-Ndoki National Park. The Triangle is largely untouched because it lies between the Ndoki and Goualogo rivers in forest swampland. Officials of C.I.B. said that once the biological riches in this particular tract were evident, it was clear the land had to be set aside, even though they estimated the timber was worth \$40 million. The decision to set aside the area came after a four-month survey last year of its wood and wildlife by scientists from the Wildlife Conservation Society, the company and the Congo Forestry Ministry.

According to reports from the press conference in New York held to announce the decision, Hinrich L. Stoll, president of C.I.B., said: "there was no compensation to us for this. This decision came from a mutual understanding to give up part of a forest with great value." Mr. Stoll said the decision was part of an intensifying effort to shed the long standing image of tropical loggers as despoilers of fragile ecosystems.

FSC certification

Under fire from greens

The Forest Stewardship Council (FSC) is coming under increasing fire from the radical wing of the environmental movement. Some green groups are now calling for a shift away from certification and sustainable timber production and a return to direct action campaigns, typical of the 1980s and early 1990s, designed to prevent all logging in so-called "old growth" forest and to encourage outright bans on the tropical hardwood industry.

An example of this trend comes from Glen Barry, President of Forests.org, an environmentalist-inspired website providing news on forest issues. He notes in an editorial that "it is rapidly becoming apparent that certification is no panacea, and serious flaws in the principles of forest certification pose real dangers to the World's forests...FSC received the support of many forest conservationists because it was believed that placing value upon forests - tropical forests in particular - would lead to more forest conservation and protection. It was thought that by empowering local people to pursue small, community based "eco-forestry" initiatives, certification would provide an alternative to more destructive land uses. To date, FSC has not lived up to this ideal. Industry and gov-

Continued page 10

Sustainability

ernment are the owners of some 96% of currently certified forests. Non-industrial logging operations are only 34% of the total number of certificates, covering 3% of the certified forest area. It appears that FSC is supporting expansion of industrial scale logging of the world's remaining primary forests.....Failure to respond to these criticisms will lead to widespread withdrawal of support for certified forestry from forest conservationists and their grassroots organizations”

A similar argument was made in a recent article in “The Ecologist” entitled “Seeing the Wood from the Trees” by Nicole Freris and Klemens Laschefski which begins with an extensive critique of the FSC movement. The core argument is that forest certification legitimizes “intensive commercial logging” and that the green community should now reject FSC. The article calls for an end to all schemes for certification of tropical timber from primary forests, and a boycott of tropical timber in western markets.

The environmentalists dissatisfaction with FSC seems to stem largely from FSC's willingness to work with hardwood producers in Indonesia. Much criticism has focused on FSC's award of the first certificate for natural tropical forest management in Indonesia. In April 2001, FSC-accredited certifier SGS Qualifor awarded the company “PT Diamond Raya” certification for a 90,240 hectare concession on the island of Sumatra. However green groups, notably the UK-based Rainforest Foundation, are “demanding that the certificate should be immediately withdrawn” because PT Diamond Raya “failed to take specific measures to protect endangered tigers in the region and has failed to carry out an environmental impact assessment of its activities”. According to the Rainforest Foundation, in March of this year, a coalition of than 140 Indonesian environmental and human rights organizations called on FSC to suspend the certification of logging operations in Indonesia, “until such time as certifications could be carried out reliably.”

FSC suspends teak certificates

The SmartWood program, accredited by the FSC to conduct forest certification, has suspended Perum Perhutani's teak plantation certificates. The suspension affects the forest districts of Cepu, Kebonharjo, Kendal and Madiun on the island of Java, Indonesia. Perum Perhutani, first certified by SmartWood in November 1990, is the principal plantation forestry operation on Java.

The suspension is based on the company's non-compliance with the FSC principles and criteria and the SmartWood standards. The suspension will become effective on October 20. It will affect at least 36 companies that buy teak from Perum Perhutani for use in making FSC certified products such as garden furniture. Perhutani manages about two million hectares of plantations in 54 forest management districts (KPH), mostly in teak. At the time of the certification suspension, the FSC certified districts comprised about five percent of the total area owned by the company.

PEFC Certification

North America climbs on board

In a groundbreaking decision to extend participation in the Pan European Forest Certification (PEFC) scheme beyond Europe, members of the PEFC Council unanimously agreed to accept as full members the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS), and the Canadian Standards Association (CSA). This was one outcome of the 5th General Assembly of the PEFC Council held in Spain during June. The move paves the way towards mutual recognition between PEFC and North American certification schemes.

Other decisions taken at the General Assembly include the endorsement of the Czech national forest scheme as complying with the requirements of the PEFC Council. The Czech scheme joins the five already endorsed schemes in Austria, Finland, Germany, Norway and Sweden. PEFC certified forest area now exceeds 36 million hectares.

Europe

European hardwoods Slow summer

European hardwood markets are quiet, a situation which reflects vacations, high stocks, and underlying economic uncertainty. This situation is common to markets for beech and oak, and for logs, green lumber and kiln dried. Competition is intensifying, particularly as weakening demand on export markets has forced suppliers to increase sales in the EU, and also as Eastern European suppliers are seeking to expand their share of EU markets. Weak market conditions have encouraged many European sawmills to extend summer shutdown periods this year.

Ever since the storms of December 1999, the European beech market has been unstable. French mills continue to carry excess stocks of low quality beech logs in irrigated yards,

Europe

and of lower grade steamed beech lumber derived from these logs. Last season harvesting of beech logs in France was restricted to low quality stems that had been damaged in the storms. Next season, it seems like that availability of new season logs in France will again be severely restricted, thereby reducing production of higher and unsteamed grades of beech lumber. Availability of unsteamed beech lumber from France, which is already restricted, is likely to become even tighter.

Added to the problems of storm damage has been the persistence of a virulent disease, thought to be linked to climatic conditions, which has damaged both Belgian and French beech forests. The German Journal EUWID suggests the disease may have damaged stands totalling 500,000 m³ volume.

Markets for European beech in China have seen a partial recovery since the start of the year as stocks, which were very high in the first quarter, have been progressively reduced. Demand now seems to have stabilised, but at a level well down on previous years. Chinese importers have switched some purchasing away from France and Germany in favour of Eastern European suppliers.

Oak markets are also showing signs of weakness. French auction sales for oak logs during the summer months have been quiet, due to existing high stocks in both the sawing and stave industries. As availability of good quality beech has been restricted, and as demand for beech has weakened, many Western European mills switched to cutting oak, contributing to temporary oversupply and falling prices for lower grades. However prices for high grade kiln dried remain stable for the time being.

European sawnwood indicative prices			
	Jun	Jul	Aug
Exchange rates			
DM/£	3.26	3.20	3.10
DM/US\$	2.32	2.24	2.14
Euro/£	1.67	1.64	1.58
Euro/US\$	1.18	1.15	1.10
German beech			
Northern Germany, DM/m ³ , C&F, UK Port			
Grade: kiln dried, steamed and square edged.			
1"	1475	1425	1425
2"	1575	1525	1425
German oak			
Northern Germany, DM/m ³ , C&F, UK Port			
Grade: kiln dried, waney edged prime grade*.			
1"	1505	1505	1505
2"	1945	1945	1945
*waney edged prices provided as there is very little square edged available from Germany or France - French prices are similar to German prices			
Croatian oak			
Northern Italy, Euro/m ³ , C&F, UK Port			
Grade: kiln dried and square edged.			
1"	920	920	920
2"	1400	1400	1400

Europe

EU imports *Cont. from page 1*

of 2000), and Eastern European hardwood lumber which has been taking market share from American suppliers this year. Anecdotal evidence suggests that the French hardwood market began to lose steam during the second quarter of this year and has been subdued over the summer months. A major factor has been a slowdown in the French furniture sector, but there are also reports of weakening demand in the joinery and flooring sectors. In the flooring sector, French parquet producers are now holding relatively high stocks of oak.

Germany Still struggling

First quarter import data confirms anecdotal evidence of a downturn in Germany this year. The value of imports of hardwood sawn lumber, veneers, and of further processed products were down on the same period last year. However imports of hardwood logs, other than beech, were on the rise. Market conditions remained slow during the second quarter and into the summer. Economic data continues to disappoint: in June manufacturing orders fell by 2.5%, partially re-

versing a 4.6% rise in May, and the number of people unemployed increased for the seventh consecutive month. The construction sector is weak, feeding through into slower demand for doors, stairs and parquet. The furniture industry also weakened during the second quarter of 2001. Data released by the Association of German Furniture Manufacturers indicates that while sales in April of this year were 2% up on the previous year, they suffered a reversal in May, declining by 9% compared to the previous year.

Italy Mixed performance

First quarter import performance was variable. Imports of tropical logs were down 7%, primarily due to a drop in availability from Cameroon. Italy is also shifting away from the import of logs in favour of further processed products from the tropics – a trend reflected in significant growth in imports of tropical veneer, notably from Ivory Coast and Ghana. Beech log imports were well down on the same period in 2000, perhaps not surprising given the exceptional availability of beech logs last year after the storms. By contrast Italy's imports of oak

logs rose in the first quarter, notably from Croatia. Italian saw mills are now developing markets for oak lumber produced from Croatian logs. Of all EU markets for hardwood sawn lumber, Italy continues to provide the clearest evidence of increasing penetration by Eastern European suppliers. During the first quarter of 2001 there was strong growth in Italy's imports of Croatian, Hungarian and Ukrainian oak, while oak imports from North America were well down on the same period in 2000. While Italy's furniture sector continues to lead world markets, there are signs that domestic manufacturers may be coming under increased pressure from imports. Italy's imports of wood furniture during the first quarter were 24% up on the same period in 2001. Prospects in Italy's hardwood market, although still reasonable, deteriorated during the second quarter of the year. Italy's national GDP decreased by 0.1% in the three months to June compared with a first quarter rise of 0.8%. Industrial production in Italy has decreased sharply since the start of the year.

Spain Prospects remain good

First quarter import data indicates that the Spanish market remained one Europe's most buoyant during that period. The value of imports of all hardwood products, excepting only beech logs, were up on the same period during 2000. Imports of primary tropical wood products were up 21% and 16% respectively, with strong growth in imports from the leading African supply countries. Beech lumber imports were also on the rise, with a significant switch to Germany away from France where availability of good quality unsteamed new season beech was limited this year. Unlike Italy and France, Eastern European hardwood producers have yet to make a significant impact on the Spanish market. Spain continued to rely heavily on North American suppliers during the first quarter of the year. Like Italy, there was considerable growth in Spain's imports of tropical veneers during the first quarter, up 41% on the previous year, with the Ivory Coast and Ghana again the main suppliers. As in other European countries, hardwood market prospects have weakened since the end of the first quarter as economic concerns have mounted. Hardwood importers have focused more heavily on reducing stock levels that built up earlier in the year. As usual, demand during the summer months has been slow during the vacation period. Spain's economy has

Exchange rates

		One GB pound (£)			One US Dollar (\$)			One Euro		
		6-Jul	20-Jul	24-Aug	6-Jul	20-Jul	24-Aug	6-Jul	20-Jul	24-Aug
Argentina	Peso	1.406	1.4276	1.4448	0.9998	0.9996	0.9989	0.8443	0.8725	0.912
Australia	Aus. \$	2.7738	2.8221	2.7296	1.9724	1.9759	1.8871	1.6657	1.7247	1.723
Bangladesh	Taka	81.0733	82.3387	83.385	57.65	57.65	57.65	48.6855	50.3199	52.6345
Belgium	Belgian Fr.	67.1759	66.0085	63.9076	47.7678	46.2163	44.1839	40.3399	40.3399	40.3399
Belize	B\$	2.7704	2.8137	2.8494	1.97	1.97	1.97	1.6637	1.7195	1.7986
Bolivia	Boliviano	9.3027	9.485	9.6981	6.615	6.641	47.12	5.5864	5.7966	43.0206
Botswana	Pula	8.0915	8.1966	8.3151	5.7537	5.7389	5.7488	4.8591	5.0092	5.2487
Brazil	Real	3.5158	3.5271	3.6934	2.5	2.4695	2.5535	2.1113	2.1555	2.3314
Fr. Africa*	CFA Fr.	1092.33	1073.35	1039.19	776.74	751.52	718.47	655.96	655.96	655.96
Canada	Canadian \$	2.1338	2.2042	2.228	1.5173	1.5433	1.5404	1.2814	1.347	1.4064
Chile	Peso	910.509	948.001	958.602	647.450	663.750	662.750	546.772	579.354	605.091
China	Yuan	11.6397	11.8214	11.9723	8.2768	8.2768	8.2773	6.9989	7.2244	7.5572
Czech Republic	Koruna	56.8648	55.4585	54.2638	40.45	38.8297	37.5165	34.16	33.8925	34.2525
Denmark	Danish Krone	12.3926	12.1865	11.7937	8.8122	8.5325	8.1539	7.4419	7.4476	7.4445
Estonia	Kroon	26.0586	25.594	24.7838	18.5299	17.9198	17.1348	15.6485	15.6413	15.6441
Europe	Euro	1.6653	1.6363	1.5843	1.1841	1.1457	1.0953	1	1	1
Finland	Markka	9.9012	9.7991	9.4194	7.0406	6.8119	6.5123	5.9457	5.9457	5.9457
France	Franc	10.9233	10.7335	10.3919	7.7674	7.5152	7.1847	6.5596	6.5596	6.5596
Germany	D-mark	3.2569	3.2004	3.0985	2.316	2.2408	2.1422	1.9558	1.9558	1.9558
Ghana	Cedi	10266.00	10461.90	10414.10	7300.00	7325.00	7200.00	6164.87	6393.66	6573.63
Guyana	Guyanese \$	253.837	257.799	261.075	180.500	180.500	180.500	152.432	157.549	164.797
Hong Kong	HK\$	10.96	11.1401	11.2817	7.7999	7.7999	7.7998	6.587	6.8081	7.1213
India	Ruppee	66.2449	67.2992	68.1544	47.12	47.12	47.12	39.7929	41.1287	43.0206
Indonesia	Rupiah	15933.4	15910.7	12576.4	11330.0	11140.0	8695.0	9568.2	9723.6	7938.5
Ireland	Punt	1.3115	1.2887	1.2477	0.9326	0.9023	0.8626	0.7876	0.7876	0.7876
Italy	Lira	3224.37	3168.33	3067.49	2292.80	2218.33	2120.78	1936.27	1936.27	1936.27
Japan	Yen	177.25	175.818	173.568	126.04	123.1	120	106.441	107.448	109.56
Kenya	K. Shilling	110.781	112.696	114.013	78.775	78.905	78.825	66.5255	68.8723	71.9673
Korea South	Won	1823.27	1864.87	1854.28	1296.50	1305.70	1282.00	1094.89	1139.68	1170.47
Liberia	Liberian \$	1.4063	1.4283	1.4464	1	1	1	0.8445	0.8729	0.913
Malaysia	Ringgit	5.344	5.4724	5.4963	3.8	3.8	3.8	3.2091	3.168	3.4694
Myanmar	Kyat	9.6593	9.641	9.5894	6.8686	6.7502	6.6298	5.7692	5.9553	6.1149
Netherlands	Guilder	3.6697	3.609	3.4912	2.6095	2.5248	2.4137	2.2037	2.2037	2.2037
New Zealand	NZ\$	3.4922	3.4989	3.2989	2.4832	2.4498	2.2808	2.0971	2.1383	2.0824
Nigeria	Naira	157.717	160.150	163.096	112.150	112.130	112.760	94.11	97.873	102.950
Papua NG	Kina	4.6486	4.7933	4.798	3.3063	3.3561	3.3172	2.7922	2.9294	3.0286
Philippines	Peso	74.3511	75.9829	73.8388	52.87	53.2	51.05	44.6488	46.4357	46.087
Poland	Zloty	5.885	6.0302	6.1156	4.1848	4.2281	4.2282	3.534	3.6853	3.8603
Portugal	Escudo	338.852	328.050	317.609	237.397	229.827	219.586	200.482	200.482	200.482
Romania	Leu	4107.10	4206.55	43149.0	29205.0	29245.5	29832.0	24663.6	25707.6	27236.6
Russia	Rouble	41.0724	41.8239	42.4923	29.206	29.283	29.378	24.645	25.597	26.8221
Singapore	Singapore \$	2.5704	2.6039	2.5287	1.8278	1.8232	1.7483	1.5436	1.5914	1.5952
Solomon Islands	Solm. Is. \$	7.5362	7.6093	7.7555	5.3562	5.3277	5.3619	4.5233	4.6503	4.8954
South Africa	Rand	11.5362	11.8037	12.0992	8.2033	8.2645	8.365	6.9277	7.2136	7.6373
Spain	Peseta	277.074	272.259	263.583	197.023	190.624	182.241	166.386	166.386	166.386
Sweden	Krona	15.4302	15.189	14.8565	10.8722	10.6347	10.2714	9.266	9.2825	9.3778
Taiwan	\$	48.4752	49.174	50.0744	34.47	34.95	34.62	29.1099	30.5061	31.081
Tanzania	Shilling	1250.20	1272.57	1290.19	889.00	891.00	892.00	750.76	777.71	814.40
Thailand	Baht	63.7827	65.4139	64.1913	45.355	45.8	44.38	38.3023	39.8765	40.519
Uganda	New Shilling	2411.81	2470.87	2545.67	0.7111	0.7002	0.6914	0.6005	0.6111	0.6312
United Kingdom	£	1	1	1	1	1	1	0.8445	0.8729	0.913
U.S.A.	US \$	1.4063	1.4283	1.4464	1	1	1	0.8445	0.8729	0.913
Venezuela	Bolivar	1012.190	1032.630	1061.660	719.755	723.005	734.000	607.833	631.075	670.142
Vietnam	Dong	20901.8	21296.6	21674.3	14863.0	14911.0	14985.0	12551.8	13015.1	13681.3
Zimbabwe	\$	78.0497	79.1965	80.3476	55.5	55.45	55.55	46.8699	48.3997	50.7173

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

Europe

slowed, with *The Economist* forecasting that real GDP this year will reach 2.6% compared with 4.1% last year. However the furniture industry is still reasonably strong and is taking a larger slice of the EU market. According to the Association of Spanish Furniture Manufacturers and Exporters, during the first half of this year Spain's furniture exports were up 18.5% on the same period of 2000 at Euro 796 million. This follows last year's good export performance which was up 15% on 1999. This year major importers of Spanish furniture have been France at Euro 189 million (up 10.8%), Portugal at Euro 109 million (up 22.9%), and Germany at Euro 99million (up 12.2%).

United Kingdom

Tropical imports weaken again

First quarter data reveals a fairly mixed picture of the UK hardwood trade during the period. After last year's minor recovery in UK imports of tropical hardwoods, there has been a reversal this year. Tropical sawn imports were down 20% - a response to high stocking, particularly of Malaysian sawn lumber. However imports of temperate hard-

wood lumber, notably of oak, were strong during the first quarter. Eastern European suppliers have made some inroads into the UK lumber market this year, but their influence is still small compared to North American suppliers. Tropical plywood imports were running at high levels into the UK during the first quarter of the year, with a noticeable switch away from Indonesian suppliers in favour of Brazilian suppliers. Reports from the trade suggest that, while demand for hardwood lumber from manufacturers has been reasonably steady this year, price competition has been intense and margins for many hardwood items have been tight. In part this will reflect the rising level of overseas competition for UK manufacturers. UK imports of most finished wood products continued to rise during the first quarter.

Market prospects during the second half of the year are uncertain. The Bank of England has been more gloomy of recent weeks, predicting weaker economic growth in response to the global slowdown and slowing business investment. Manufacturing output is very weak,

slipping into recession during the second quarter, as exports have weakened and as competition from overseas suppliers has intensified. In response to these concerns the Bank dropped interest rates by a quarter point in early August to 5%. But consumer spending remains relatively buoyant, the housing market is still strong, and the construction sector is reasonably active. The Bank of England reported that mortgage lending surged during May, as consumer confidence reached its highest level since early 2000. The British Retail Consortium reports that furniture sales are 'reasonable'. A more positive story however is emerging from the construction sector. Figures released by Construction Industry Forecasting and Research suggest that the construction sector will outpace the UK economy over the next three years for the first time in more than a decade. It projects that output will accelerate to 2.4% this year and continue rising to 2003, when annual growth is expected to reach 4.1% the strongest rate since 1989. Spending on repair and maintenance is expected to rise particularly rapidly.

Association Profile - Federlegno - Italy

Members: over 2000 companies

Federlegno-Arredo represents the interests of the Italian wood-based industry, from primary processing through to the manufacture of furniture and accessories. Members are divided into 10 product sectors: assArredo (furniture), Assogiocattoli (toys), assoLegno (wood and cork), assoLuce (lighting), assoPannelli (boards), assUfficio (office furnishing), Edilegno (building), Fedecomlegno (timber trade), Specialegno (miscellaneous), and Terziario Legno Arredo (new economy).

Federlegno-Arredo has a staff of 40 employed at the headquarters in Milan and at branch offices in Rome, Mestre and Brussels. It is involved in a wide range of activities to support the Italian wood processing sector including: promotion, both in Italy and abroad; labour relations; economic, scientific and technological research; the development of technical standards and quality certification; vocational training; promotion of international joint ventures for production and trade; and organization of exhibitions

and other events in Italy and abroad. It produces a wide range of technical literature, promotional material and market studies. It has developed a website (currently only in Italian but an English version is planned.)

Federlegno Arredo
 Foro Bonaparte 65
 20121 Milano, Italy
 Tel: +39/02806041
 Fax +39/0280604392
 email: fla@federlegno.it
 Website: www.federlegno.it

Hardwood Events

Date	Event	Venue	Target audience	Contact
2001				
24-29 Sept	FIM	Valencia, Spain	Furniture industry	
4-5 Oct	ATIBT 50th Anniversary Forum	FAO Headquarters Rome	Tropical forestry, trade and industry	ATIBT, Paris, Tel: +33 143 42 42 00 Fax: +33 1 43 42 55 22, www.atibt.com
1-3 Oct	Tropical Forestry Research in the New Millennium	Kuala Lumpur, Malaysia	Tropical forestry	www.frim.gov.my
25-26 Oct	American Hardwood Export Council European Convention	Dublin	Timber trade	AHEC London, Tel (+44) 0207 626 4111 Fax, (+44) 0207626 4222
5-10 Nov	Batimat	Paris, France	International building industry	www.batimat.com
6-10 Nov	Maderalia	Valencia, Spain	Suppliers to the furniture industry	
20-24 Nov	The Fifth Plywood and Tropical Timber International Congress and Expo	Belem, Brazil	Timber and plywood trade	contact WR Sao Paulo email: wrsp@uol.com.br

Okoume markets over-stocked

African log markets are differentiated by weather conditions north and south of the equator. In Gabon south of the equator it is still the dry season and logging has been on-going, although many companies have restricted harvesting operations in response to weak demand, particularly in the Far East. Slowing Far Eastern demand for okoume logs, Gabon's major export species, has resulted in over-supply and weakening prices for this commodity. Supplies of African logs of the leading commercial redwood species from countries north of the equator are more in balance with demand and prices remain stable. **Pages 2 & 3**

African sawn market slow but steady

European demand for African sawn has remained reasonably steady on the ground during the summer, but importers have yet to enter the forward market in any volume and there has been heavy reliance on purchases from existing landed stock. **Page 4**

Mugabe in the Congo

The Observer, a national newspaper in the UK, reports that associates of President Robert Mugabe of Zimbabwe are planning "the biggest ever logging operation in the tropical rainforests of the Democratic Republic of Congo (DRC)." **Pages 2 & 4**

Meranti at bottom?

The market for Malaysian dark red meranti/seraya in Europe may have hit bottom at last. There are reports that the large stocks that built up in North Western Europe during the course of last year have been much reduced. In response to tight supplies, shippers are asking for higher prices, but it is still too early to know whether these will stick. **Page 5**

Depressed Asian log markets

Trading conditions for South East Asian logs have been depressed since the start of the year. Despite increasing government controls on logging in some areas – including Sabah and Papua New Guinea – and ef-

forts in Sarawak to reduce production in response to low demand, prices for most species have been static or weakening. Japan's market remains in the doldrums. China was buying strongly during the first half of the year, but reports of over-stocking began to emerge over the summer. **Pages 5 & 6**

U.S. production cuts begin to bite

Contrasting conditions are emerging in the American markets for kiln dried and green sawn lumber. The market for kiln dried remains intensely competitive and supplies for many items are still in excess of demand. However lower offers for higher grades and thicker sizes of kiln dried of particular interest on export markets, are now less common. Cuts in production are beginning to bite, and are already impacting on the U.S. market for logs and green lumber. This is expected to translate into higher kiln dried prices during the Autumn. **Page 6**

American export markets uncertain

There is still great uncertainty over export demand for American hardwoods during the second half of the year, but markets are likely to remain intensely competitive and price sensitive. **Page 7**

Mahogany quotas very low

Logging is progressing during the Amazonian dry season. IBAMA released export quotas for Brazilian mahogany and cedar in the second week of August which are extremely low and well below market expectations, leading to predictions of further price rises. Export markets for other Brazilian sawn lumber remain reasonably stable, however domestic markets have been hit by economic uncertainty in South America **Pages 8 & 9**

Forest certification under fire

The forest certification movement is coming under increasing fire from radical green groups, many of which are now calling for a return to campaigns aimed at forest preservation and boycotts of all tropical timber products. **Pages 10 & 11**

European hardwood review

First quarter data for the whole of the EU (table page 11) indicates that the overall value of imports of most hardwood products, excepting beech logs and sawn lumber, were stable or higher than the same period the previous year. Perhaps surprising given the strength of demand last year and anecdotal reports of market weakness this year. However it is likely that there was a more significant slowdown in the second quarter of the year as concerns over the global economy mounted. Highlights from specific countries include:

■ French hardwood imports were buoyant during the first quarter, notably tropical sawn from Brazil, but may have slowed since then as the economy has cooled.

■ German hardwood imports were weak during the first quarter, confirming anecdotal evidence of a downturn in the German trade this year. Economic statistics emerging from Germany continue to be disappointing.

■ Italy's first quarter import performance was variable. Imports of tropical logs were down 7%, but oak log imports were up significantly. Of all EU markets, Italy provides the clearest evidence of increasing penetration by Eastern European suppliers. Prospects in Italy's hardwood market, although reasonable, deteriorated during the second quarter of the year. as economic problems have mounted.

■ First quarter import data indicates that the Spanish market remained one Europe's most buoyant during that period. Economic growth has slowed since the start of the year, but Spain's furniture sector is active and taking a larger share of the EU market

■ The UK hardwood trade had a fairly mixed first quarter. Tropical sawn imports were down due to over-stocking, but temperate imports, notably oak, were strong. Tropical plywood imports were also reasonably high, with a noticeable switch from Indonesian to Brazilian suppliers. Economic prospects in the UK have weakened this year, but construction activity is reasonably buoyant.

Pages 1, 11-1