

TROPICAL TIMBERS

an independent publication providing market information

Tropical Timbers to relaunch as **hardwoodmarkets.com**

Some important changes to Tropical Timbers will be made next month. The most immediately obvious will be a change of name - to **hardwoodmarkets.com**. The renamed journal will aim to satisfy readers' demands for a modern information source for the global hardwood trade.

Tropical Timbers readers' survey last year revealed a clear majority in favour of a new name that encompassed temperate as well as tropical hardwoods. The desire for change reflects the evolving nature of the hardwood trade during the 15 years since the launch of Tropical Timbers. The trend towards globalisation means that hardwoods from all areas of the world now compete in the same markets. The divide between tropical and temperate trade flows have become increasingly blurred. The old dichotomy between the tropics as "producer" and the western world as "consumer" is rapidly breaking down. Europe and North America are increasingly selling hardwoods into the rapidly expanding manufacturing sector of the tropical Far East. At the same time, moves to introduce sustainable forestry practices and to encourage value added production in many tropical countries have led to declining trade flows in tropical primary wood products, and increasing sales of components and finished products. The new name gives us much greater scope to explore these crucial trends.

hardwoodmarkets.com is also unashamedly linked to the internet which is revolutionising the way information is gathered, analysed and distributed. We are keen to exploit this potential for our customers' benefit - making the journal and

statistical content readily available for subscribers on-line. The name change coincides with the launch of a website in June 2000.

While these changes are being made, we are committed to maintaining, and where possible building on the existing strengths of Tropical Timbers. Our commitment to high quality factual reporting and independent comment will remain unchanged. The paper journal will continue for the majority of readers who prefer the traditional format. Our unsurpassed coverage of market demand for tropical hardwoods will continue as before. Reflecting the particular importance of the environmental debate for tropical wood, Tropical Timbers has focused heavily on sustainable forestry and certification. In **hardwoodmarkets.com** these issues will remain at centre stage. The analysis of market trends clearly cannot be disassociated from the resource on which the product is based.

And last, but by no means least, for our many loyal UK readers, we will continue to feature regular UK market reports. In fact these will be extended through the regular provision of import data and comment on further processed products. However these reports will be provided alongside more extensive and regular coverage of hardwood imports and demand in other countries.

Inevitably, there will be more to write about. Our emphasis on quality will be the same but - in another change you will notice - **hardwoodmarkets.com** will be 33% thicker.

Rupert Oliver, Editor

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Contents

China	2
UK hardwood imports	2/6/7
Asian Hardwoods.	3
South American Hardwoods.	3
African Hardwoods.	4
North American Hardwoods.	5
Tropical Forest Trust	5
European Hardwoods.	8
Plywood	8
West African forests	8
Ghana	9
France.	9
Western red alder.	10
Peninsular Malaysia	10
Brazil	11
Italy	11
Congo (Brazzaville)	11
India	11
Indonesia.	12

Statistics in this issue

UK hardwood imports	6/7
Outside and inside E.C Dec 1999/1998	
French hardwood imports.	9
Logs and sawn by country, Year 1998/99	
Peninsular Malaysia exports.	8
By species and country, Year 1998/99	

China notes

4 million hectares planted

China is focusing heavily on the establishment of new forest plantations following introduction of the nation's natural forest protection programme in 1998. ITTO's Market News Service reports that 4.053 million ha of forest plantation were established in China during 1999. Of these, 29.7% were for production, 39.4% for protection, 27.4% for tree cash crops, 3.2% for fuelwood and 0.3% for special use.

Russian trade boosts growth

The natural forest protection strategy has also been a major factor encouraging China's recent increase in Russian log imports. This trade has served to stimulate new areas of growth within China's national wood industry. Over the last two years, Mudanjiang City in Heilongjiang province has become the largest point of entry for Russian log imports into China. It is estimated that more than 600,000 m³ of logs came through the city in 1999. In co-operation with the Tielong company of Beijing, the city has set up a huge log market in the province at a cost of 7.8 million yuan. The market is multi-functional and provides information, exhibition space, sales and storage space and transportation. The Russian log trade and wood processing industry have become a new focus for the local economy. Wood processing capacity in the city is over 30,000 m³ per day.

Huge growth in beech imports

China's demand for decorative timbers is rising very rapidly, spurred on by booming domestic demand and growth in sales of Chinese furniture overseas - notably in the United States. For example, China's imports of beech logs increased to 372,200 m³ in 1999, 14 times the volume of previous year. In 1998, China's beech log imports derived from France (32%), Germany (21%) and USA (17%). However, in 1999, Germany had taken over as the largest supplier of beech logs accounting for 203,900 m³ (55%) of the total import.

Improving economy

Official indicators are pointing to sustained economic growth in China this year. According to government figures, foreign investment and industrial output both rebounded in March. Foreign investment rose 10.3%, reversing a steady decline that had slowed economic growth over the past two years. Foreign investment into China during the first 3 months of 2000 hit US\$ 7.14 billion. Exports have also recorded strong gains, jumping sharply in the first three months of 2000. Analysts now predict China's GDP growth rate will reach 7% to 7.5% this year. This year the Chinese government is focusing on raising levels of economic growth in the less industrialised regions of western China through a series of large infra-structure projects.

UK hardwood imports

Another poor year

UK hardwood import data for the full year of 1999 provides little comfort for those concerned about the state of the UK hardwood market. (see pages 6 and 7). Overall logs and sawn imports continued at historically low levels at around 373,000 m³ from outside the EC and 124,000 m³ from other EC countries, down 2% and 8% respectively on the previous year*. A general lack of confidence in future market conditions has encouraged UK hardwood importers to maintain low stocks and rely increasingly on Just-in-Time trading. This trend has tended to contribute to increased price volatility and uncertainty. It has also contributed to an increasing trend for UK importers to buy from landed stocks.

Tropical hardwoods

1999 imports of tropical logs and sawn were down 8% on the year before. Imports of African wood were particularly affected - falling 19%. During the first half of 1999, high stocks coupled with falling forward prices for the species and a weak national economy undermined the market for Sapele - the principal African redwood bought in the UK. However Sapele purchases improved towards the end of 1999. The Cameroon government banned log exports in June 1999, impacting on the relatively small volumes of tropical logs imported into the UK. Increasing limits to forest resources led to reduced UK purchases from Ghana and the Ivory Coast. The civil war in the Democratic Republic of the Congo (formerly Zaire) meant the country was completely removed from the UK supply equation during 1999. UK importers are also steering well clear of the risky Liberian export trade.

UK imports of Brazilian hardwoods remained fairly static at the historically low levels recorded during 1998 (around 13,000 m³). Brazilian hardwoods were uncompetitive against weak Asian and African prices for the duration of 1999. Similarly UK imports of wood from Guyana (principally Greenheart for heavy duty external applications) were well down on 1998 levels at only 2,861 m³.

A limited number of tropical countries marginally increased their exports to the UK during 1999. UK hardwood imports from Malaysia increased by 8% to 66,000 m³, although these levels remain well below those prevailing in the early nineties (for example the UK imported 202,000 m³ of Malaysian sawnwood in 1991). With markets so weak in the Far East, during early 1999 Malaysian shippers sought to expand

** Note this data includes hardwood in the rough and sawn hardwood and excludes wood planed, sanded or finger jointed. It also excludes very large volumes of logs and sawn of "other species of hardwood" sourced from Estonia and Latvia which are assumed to be misclassified softwood - see Note 3 page 7.*

market share in European markets, including the UK, through competitive pricing. UK purchases of Malaysian meranti increased throughout the year as importers rebuilt depleted stocks. Malaysian prices began to firm later in 1999 in response to tightening supplies and firming Far Eastern demand. Importers were further encouraged to buy on the back of a rising market.

Although imports of sawnwood from Indonesia increased significantly between 1998 to 1999 in response to falling export taxes, the country remains only a minor supplier of sawnwood to the UK.

Temperate hardwoods

UK imports of temperate hardwood logs and sawn increased by 4% between 1998 and 1999, but - at only 195,517 m³ - remain well below imports of 234,000 m³ recorded in 1997.

UK markets for US hardwoods were intensely competitive during 1999. During the first quarter of the year, fear of recession and sluggish activity in the construction and furniture sectors led to relatively weak demand. Growing confidence in the economy led to a pick up in demand during the second half of 1999, but overall US hardwood imports into the UK for 1999 were down 8% on the previous year, with the white oak market being particularly affected. Strong US domestic demand, coupled with tightening supplies of some of the more popular species, notably Cherry and Hard Maple, have contributed to difficult trading conditions for US hardwoods in the UK.

The data highlights that Canadian suppliers are selling increasing volumes of hardwood, often of US origin, to the United Kingdom. UK hardwood imports from Canada increased by 46% between 1999 and 1998. In part this is because Canadian hardwood shippers are often more responsive to customers needs than their US counterparts. Canadian shippers are reputed to be willing to follow suppliers' specifications to the letter. For reasons harder to assess, Canadian hardwood shippers also seem able to offer wood at a more competitive price than their US counterparts.

Although Eastern Europe is frequently cited as a potential competitor to North America as a supplier of hardwoods to the UK, the statistics suggest that volumes imported from this region remain low. While Eastern European wood quality is often good, lack of infra-structure and processing capacity has so far restricted a significant expansion in Eastern European supplies. However, Eastern European hardwoods are making some inroads into the UK market. For example, reasonably significant volumes of oak (12,227 m³) were shipped from Estonia in 1999 - this wood may well have been transhipped from Russia or the Ukraine.

UK imports of hardwood from other EC

Asian Hardwoods

Supply and demand finely balanced

The European market for Far Eastern timbers has been very slow during April, failing to pick up after the usual winter slow season. The weakness of the euro has meant that dollar-denominated Asian redwoods are uncompetitive against euro-denominated African redwoods. Throughout the major European markets there are reports of relatively high stocks of Asian redwoods.

Logs have generally become more abundant since the end of the festivities in the Far East in February. One agent notes "there is now too much wood in the pipeline for current levels of demand". However the underlying supply situation remains patchy. Many mills in the Far East have log stocks much lower than is typical for the time of year. This factor, coupled with improving economic signals in Far Eastern markets, has been enough to keep prices relatively stable for the time being. Shippers are generally maintaining forward prices at last month's level - although some may be willing to cut occasional deals for less.

According to Innoprise Market News Scan, heavy rains "literally crippled" logging in Sabah during February. It is still raining intermittently now, making extraction and transport difficult. With poor weather conditions, and increasingly tight controls on logging operations in the state, an increasing number of Sabah suppliers have come to rely on sawnwood imports from

Indonesia. However recent events do not bode well for the long term viability of this source (see Indonesia article - back page). The sawnwood currently exported from Indonesia via Sabah is of relatively high quality, although processing is often crude leading to considerable size variation.

One major Sabah shipper comments that having picked up some good forward orders from continental Europe earlier in the year, which are now being fulfilled, the forward market ground to a halt during April. The usual buyers in continental Europe, who have adequate stocks and are aware that there is now some volume in the supply pipeline, are waiting to see how the euro develops over the coming weeks before making forward commitments.

In a report published in early April, the European trade journal EUWID confirms the continuing supply problems from Far Eastern mills. Importers in central Europe have been affected by delayed shipments from the Far East, by occasional non-fulfilment of hardwood contracts, and by price increases on existing contracts.

The Asian log market is also being affected by patchy availability of supply. While Sabah is afflicted by intermittent rain, Sarawak - the region's major log exporter - has been hit by unusually dry weather in interior areas which is hindering log transportation. Low water levels have meant that log carrying vessels have been stranded at wharfs. Limited supply has contributed to relatively firm FOB log prices from Sarawak, despite weak demand for Southsea logs in both Japan and Korea.

Japan's tropical log market has been hit by overstocking in the plywood sector, and by a shift to softwood logs amongst plywood manufacturers. An indication of the current status of the Japanese tropical log market is provided by the announcement in April that two significant buyers would no longer be active in the sector. Hakodate Plywood Corporation announced it would stop all plywood and LVL production at the end of May and they will cease all trading in August as a result of the unprofitable thin plywood market. The company had been consuming 7,000 m3 of southsea logs monthly. Meanwhile, Tomen Wood Corporation ceased Southsea log trading at the end of March and announced they would focus on softwood logs and lumber trading.

Despite numerous positive reports of rapid economic expansion, the Korean timber trade is still struggling. Many Korean importers that purchased logs early in the Spring in anticipation of growing demand are now suffering from overstocking. Dull consumption and high stocks have again pushed down resale prices in Korea.

The problems in Korea, together with more abundant supplies, have contributed to declining FOB log prices from both the Solomon Islands and Papua New Guinea.

The European market demand for teak boards is very quiet. There is a buyers market, with

supply in excess of demand. The combined effects of the weak euro, high stocks, and the knowledge that there is plenty of wood in the supply pipeline have discouraged importers from buying. At the most recent Rangoon teak log tender sales, volumes offered for sale were down on the previous month - which may partly reflect the underlying weakness of the market. Prices for the best sawing grade of log (SG1) were equivalent to the previous month, ranging from US\$2100 to 2900/hoppus ton, holding up partly due to reasonable buying by the Italians and Japanese. Prices for lower grade logs weakened however, reflecting over-supply in this sector.

South American Hardwoods
Prices expected
to remain high

Heavy rains continue throughout much of the hardwood producing regions of northern Brazil and most mill are short of logs. If weather conditions follow their usual pattern, the rains should abate during May allowing a freer flow of logs. Agents are speculating however that prices for the leading export species will continue at relatively high levels throughout the new logging season. US demand for Brazilian mahogany remains strong. ITTO's Market Service reports that, after months of stability, prices to that market started to strengthen again during April.

Brazilian Cedar is reported to be in good supply, but prices are still too expensive for UK importers compared to the Malaysian meranti alternative. The weakness of the euro has also meant that cedar prices, denominated in dollars, compare unfavourably against African Sapele.

Prospects for Brazil's domestic market continue to improve. GDP growth is now expected to surpass initial projections of around 4% during 2000. Inflation is declining, the fiscal deficit is under control and the international trade balance is improving. Analysts expect Brazil's economy to continue to improve over the coming months.

Asian Sawn Indicative Prices

	Feb	Mar	Apr
Exchange rates:			
M\$/£	6.06	6.06	5.94
US\$/£	1.59	1.60	1.56
M\$/US\$	3.80	3.80	3.80

Malaysia

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

Dark Red Meranti

Grade: Select & better GMS; Kiln dried

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

1"-2"	920	910	910
2.5"	940	930	930
3"	980	970	970

Keruing

Grade: Standard & Better GMS

Size: Random or fixed 16'+

1"-3"	545	540	540
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Kapur

Grade: Standard & Better GMS

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

1"-3" plnd	555	550	550
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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/	2750/	
	3700	3700	

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.

Brazilian sawn indicative prices

	Feb	Mar	Apr
Exchange rates			
\$/£	1.62	1.59	1.56

US\$/m3 C&F UK Port

Grade & size: FAS, width 6"+ avg 9"-10", length 6'+ avg 10"-11', air dried (AD) or kiln dried (KD)

Mahogany (Swietenia)

1"-2" AD	1300	1300	1300
2.5"-3" AD	1310	1310	1310
1"-2" KD	1370	1370	1370
2.5"-3" KD	1400	1400	1400

Virola

1" KD No.1 C&B

boards	380	380	380
strips	360	360	360

Cedro

1"-1.5" KD	700	700	700
2" KD	720	720	720
2.5"-3" KD	750	750	750

African Hardwoods

Sapele prices reach a plateau

The weakness of the euro against the dollar has ensured that African redwoods, usually sold in French Francs or D-marks, have been competitively placed against dollar denominated Asian and South American species. Partly as a result of the problems of buying dollar denominated stock, steady demand for African redwoods and whitewoods is now reported in most of the major European markets including the UK, France, Italy, Spain, and Germany. Relatively low European inventories at the start of the year are now being restocked. However, like other tropical supply sources, African hardwood availability has been patchy.

Nowadays Cameroon is the only large supplier of African sawn redwood, as the Ivory Coast and Ghana have both faced increasing resource constraints. Since the introduction of Cameroon's log export ban in June last year, the country's shift to sawnwood production has progressed well, although with occasional quality problems. Shipping problems hindered exports of Sapele, the principal Cameroon redwood, during the first three months of this year, but wood is now flowing more freely. Shippers are now taking forward orders for August shipments. Due to firm demand and supply shortages, Sapele sawnwood prices have risen progressively over the last 12 months. Since April last year FOB prices for air dried Sapele exported from Douala have risen from FrF2600/m³, to around FrF3400 today. The very small volumes of kiln dried Sapele available from Cameroon are selling at around FFr4300/m³. Agents believe that prices may now have reached a plateau. There has been increasing resistance to higher prices, particularly amongst continental European importers afflicted by the weak currency. European importers seem to

have ceased buying early enough to prevent over-stocking so that prices are now forecast to remain relatively stable. UK and European stocks are more or less in balance with active demand.

European demand for iroko is also reported to be steady. The very limited availability of stock available from Ivory Coast is fetching around FrF 3500/m³ (air dried FOB). The better quality of Cameroon stock mean higher prices, at around FrF 3600-3650 (air dried FOB). The major Irish market for Iroko has had increasing difficulty sourcing special sizes of iroko from Ivory Coast. Although Cameroon iroko stocks are more abundant, shippers there are unwilling to cut special sizes for the Irish market as they are able to command good prices for randoms in other export markets. Irish importers are increasingly switching to Cameroon Sapele to fill the gap. The very limited volume of kiln dried iroko available from Ghana is very saleable even at the relatively high price levels typical of Ghana these days.

Looking at other species, general availability of African redwoods - including sipo/utile, Afrormosia and African mahogany - is very restricted and prices remain firm. The whitewood wawa is the only species coming through in any volume from Ghana. Wawa demand and prices remain steady. Prices for framire, a general joinery wood sourced from the Ivory Coast, rose from their comparatively depressed levels during April.

The French trade journal Commerce International du Bois provides details of the supply situation prevailing in a number of other African countries. Log production in Liberia is increasing and logs of niangon, framire and azobe are now more readily available. However exports

African logs indicative prices

	Feb	Mar	Apr
Exchange rates			
Fr.F/£	10.69	1.60	1.56
CAR & Congo (Brazzaville)			
Fr. Francs/m ³ ; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
N'gollon			
70+ (20% 60-69)	1700	1700	1700
Bosse 60+	1650	1650	1650
Ayous 70+	na	na	na
Sapele			
80+ (20% 70-79)	1950	1950	1950
Sipo			
80+ (20% 70-79)	2450	2500	2500
Gabon			
Fr. Francs/m ³ ; FOB Douala			
Grade: B+ & better (good UK sawing quality)			
All diameters in cm			
Acajou			
70+ (20% 60-69)	1475	1450	1450
Douka			
70+ (15% 60-69)	1350	1350	1350
Sipo			
70-79 (10% 60-69)	2000	2100	2100
80-99cm	2350	2450	2450
Liberia			
US\$/m ³ , FOB Liberia			
Grade: B+ & better (good UK sawing quality)			
All diameters 60 cm+			
A. mahogany		215	215
Walnut		215	215
Iroko		320	320

so far this year are lower than the same period last year. Liberian logs are priced in dollars and therefore not as attractive to European buyers at present. European buyers have also been discouraged by the volatile political situation in Liberia.

In Gabon, the difficulties of obtaining wood apparent in the early months of 2000 have now subsided. Volumes available are still limited, but purchasing opportunities have improved. Total log exports from Gabon of all species are reported to have reached 2.3 million m³ during 1999, a partial recovery from the depressed levels of 1998 (1.77 million m³) resulting from the Asian crises. However supply problems meant that log exports fell short of 1997 levels of 2.7 million m³. Asia now accounts for over half of Gabon's log exports, with China alone taking more than one third of the total volume. In Congo (Brazzaville), production is still slow, with only limited shipments from the North of the country via Douala in the Cameroon. Following moves towards value-added in neighboring countries, Congo (Brazzaville) is currently considering the introduction of a law requiring 60% of the log harvest to be processed in the country. More recently, the German trade journal EUWID reported that small volumes of limba and okoume may soon be available again from the south of the country. There are some hopes that an improving economic and political climate will allow railway traffic to restart on the line between Brazzaville and the port at Pointe Noire, although the timing remains uncertain.

At present only small shipments are flowing from the Democratic Republic of the Congo (formerly Zaire). Suppliers are generally focusing on satisfying outstanding contracts.

African Sawn Indicative Prices

	Feb	Mar	Apr
Exchange rates			
Fr.F/£	10.69	10.94	11.49
Cameroon, CAR, Congo (Braz.)			
Fr. Francs/m ³ , FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Sapele	3300	3400	3400
Sipo	4000	4100	4100
Bibolo	2700	2700	2700
N'Gollon	3200	3200	3200
Afrormosia	5500	5500	5500
Iroko	3550	3550	3600
Cote d'Ivoire			
Fr. Francs/m ³ ; FOB Abidjan			
Grade: FAS, air dried			
Size: width 6"+ avg 9"-10"; length 6'+ avg 10'-11', thickness 1"-2"			
Iroko	3400	3450	3500
Mahogany	2750	2750	2750
Framire	2000	2050	2100
Samba No.1 C&S	1525	1525	1525
Dimension stock			
Azobe	2500/	2500/	2500/
	2900	2900	2900
Opepe	2100/	2100/	2100/
	2600	2800	2800
Dabema	1950/	1950/	1950/
	2550	2550	2550
Gabon			
Fr. Francs/m ³ , FOB			
Grade and size: FAS, air dried, width 6"+, length 6'+			
Okoume	2100	2150	2150
Ghana			
Exchange rates			
DM/£	3.19	3.26	3.42
C/£	5990	6666	7409
DM/m ³ , FOB Takoradi			
Grade: FAS, Air dried (AD) or kilned (KD)			
Size: width 6"+, avg 9", length 6'+, avg 9'			
A.mahogany AD	1100	1100	1100
A.mahogany KD	1250	1250	1250
Emeri AD	760	760	760
Utile KD	1550	1550	1550
Odum AD	na	na	na
Odum KD	1250	1300	1325
Sapele KD	1150	1200	1280
Edinam AD	670	670	670
Edinam KD	850	850	850
Walnut AD	850	910	910
Naingon AD	925	925	925
Danta AD	730	730	730
Danta KD	1000	1000	1000
Wawa AD	510	530	530
Wawa KD	580	600	600
Makore KD	1110	1050	1050

North American Hardwoods

Firm domestic demand impedes export supply

Many of the trends affecting the American hardwood export trade over the last few months are continuing. US log prices remain high and lumber shortages are widespread. Domestic demand is still remarkably strong. Consumer confidence is high. US order backlogs for most wood product manufacturers extend over several months. Furniture sales are good, particularly for higher value products, and manufacturers' inventories of many popular lumber species are on the decline. The booming housing market has created strong demand for joinery woods and flooring.

US exporters also continue to benefit from improving markets in the Far East. In Europe, sales to southern countries have strengthened, but the weakness of the euro against the dollar is putting a brake on demand. Many continental European buyers now prefer to buy from landed stocks - although these are becoming patchy. However, new trends are also emerging. On the supply side, favourable weather conditions meant that stocks of US green logs improved markedly during February and March. Sawmills have been operating at full capacity, although lack of kilning capacity has created a bottleneck in the supply of KD material. Many mills continue to concentrate on kilning thinner specifications which means that there are still shortages in the thicker sizes. But there seems to have been some easing in the overall lumber supply situation during April. Prices may now have reached a high plateau.

Nevertheless some analysts suggest there are reasons to believe the tight supply situation will continue at least until the summer. Higher than anticipated temperatures have led to a rapid thaw in some areas so that heavy mud is now hampering log extraction. Furthermore, as the profitability of hardwood mills has been progressively eroded by rising log prices, mill owners have cut back purchases of green logs in the hope that prices will ease.

Signs of uncertainty in the underlying US economy became apparent in April. Newly released data showed that housing construction plummeted 11.2% in March, the biggest plunge in six years. In February, builders began work on new homes at a seasonally adjusted annual rate of 1.8 million units. However the equivalent figure in March was only 1.6 million units. All parts of the country reported a decrease in housing starts except for the South, where construction was unchanged. A fall in house starts has been expected as a result of the Federal Reserve's efforts to cool the booming economy with five interest rate hikes since June 30. In March, the average interest rate on a 30-year fixed-rate mortgage was 8.24 percent compared with an average 7.04 percent for the same month last year. However, the March performance was much weaker than the 3.9% decline many analysts were anticipating. New building permits, a sign of future construction activity, also declined by 4.5% in March to a seasonally adjusted annual rate of 1.58 million, following

a 6.7% drop the month before.

Meanwhile, an April survey of builders released by the National Association of Home Builders, indicates declining optimism over sales expectations for new single-family homes.

The US stockmarket wobbled badly in mid April, with both the Dow Jones and Nasdaq indexes posting their worst one-day point drops in Wall Street history. The losses seem to have resulted partly from the publication of a government report showing a surge in consumer prices in March, fueling fears of inflation and further interest rate increases. Although stock prices quickly recovered, analysts remain divided over whether the fall represents only a temporary blip, or whether there may be more sinister implications for the US economy.

Prices for Hard maple continued to firm during April. Demand for the species remains high both in North America and on most export markets. In the euro-zone there are reports of buyers backing away from the higher prices. Larger volumes of green Hard maple have become available over recent weeks. However, due to problems of staining during the warmer summer weather, Hard maple production is necessarily seasonal. There is no expectation of any significant easing in prices in the near future. Domestic sales of White oak are only fair - although common and flooring grades are selling well. Southern US shippers report good demand for the species on export markets. Northern US shippers report less buoyant demand. White oak demand in Spain and Portugal is steady, but the weakness of the euro is undermining central European demand. This may be one factor contributing to a slight easing in prices for FAS grades of the species supplied to Europe.

Prices for Red oak are determined primarily by events on the US domestic market. Sales of higher grades to this market remain firm. Large volumes of lower grade Red oak are absorbed by US flooring plants and demand in this market is fair. There is also some growth in demand for lower grade red oak from Mexico and the Far East. Overall, recent increases in production should serve to keep supply and demand more or less in balance - although there are some reports of shortages in the thicker sizes. Prices have remained flat during April.

Cherry prices remain very firm. Increased purchases by veneer manufacturers has reduced the availability of high quality Cherry logs for lumber production. By contrast, supplies of lower-grade Cherry logs - not suitable for veneering - are adequate. The prevailing high prices for the species have met with some resistance from manufacturers both in the US and overseas - and there has been a search for alternatives. Nevertheless, most reports suggest continuing firm demand for the species. American cherry is selling well even in the euro-zone. In the UK, one contact reports manufacturers are still paying premium prices for the best colour-selected material.

Ash prices have continued their firming trend. The species popularity is reviving, particularly as prices for alternative species have hit record levels. Newly introduced furniture ranges in ash have been well received by consumers. Orders for the species from Japan, Korea and the UK continue to increase. The species past poor market performance encouraged many US suppliers to cut back production. As a result supplies are still restricted.

Continuing high prices for Tulipwood reflect firm demand from the buoyant US house finishing market. Italy, the largest European market for tulipwood, is having difficulty obtaining adequate supplies of the species. This partly reflects increasing interest in Tulipwood amongst German and Japanese buyers.

US lumber indicative prices

North Appalachian US\$ MBF CIF UK
Grade: KD square edged
Net measure after kilning

	Feb	Mar	Apr
\$/£	1.59	1.60	1.56
Red oak			
1"	1830	1835	1850
1.25"	2060	2060	2100
1.5"	2225	2225	2200
2"	2610	2610	2600
White oak			
1"	1600	1605	1580
1.25"	1760	1760	1740
1.5"	2220	2220	2180
2"	2770	2770	2700
Ash			
1"	1370	1345	1390
2"	1785	1810	1820
Tulipwood			
1"	1250	1295	1290
1.25"	1260	1305	1300
1.5"	1285	1325	1330
2"	1310	1345	1350
Cherry			
1"	3530	3465	3640
1.25"	3650	3620	3740
1.5"	3830	3810	3960
2"	4160	4160	4180
Hard Maple			
1"	2800	2950	3030
1.25"	2900	3060	3075
1.5"	2950	3250	3305
2"	3250	3365	3445

Tropical Forest Trust

The Tropical Forest Trust (TFT) has just completed its first full year of operation. The Trust's membership includes 16 European companies, primarily involved in sale and manufacture of garden furniture from the Far East. It was established following pressure from environmental groups over their sources of supply. All Trust members are required to set aside a proportion of the production price of their tropical wood products to fund projects to develop FSC certification in tropical supplier countries. Projects that should lead to FSC certification are currently underway in Vietnam and Malaysia. The Trust has also organised certification workshops in Cambodia. However, the Trust acknowledges that "there is still a long way to go. The current levels of FSC certified timber available on the market means that, whilst working towards the day when TFT members will only buy and sell FSC certified products, the short term reality means that non certified products will still have to form part of their stock".

UK HARDWOOD IMPORTS

Another poor year - cont from p 2

countries were down 8% on the previous year. This was due primarily to a fall in imports of low quality hardwood logs from Sweden and Finland. In fact import volumes of quality European sawnwood during 1999 were very similar to levels prevailing in 1998 despite escalating prices. European beech prices were boosted during 1999 by very strong demand from China, while prices for quality oak increased in response to firm demand in France and Spain.

UK hardwood imports from the Netherlands increased slightly during 1999, perhaps reflecting increased UK buying from concentration yards on the continent.

Plywood

Prior to 1999, the United States was the leading supplier of plywood to the United Kingdom. In 1998, the UK imported around 200,000 m³ of softwood ply from the US. However this year, imports struggled to reach 20,000m³. Strong US domestic demand, coupled with extremely weak prices for developing world plywood in the wake of the Asian crises, meant that the US product has been uncompetitive on price. Very weak Asian demand also encouraged Indonesian producers to dump plywood on European markets at give-away prices. Reflecting this trend, UK imports of Indonesian plywood during 1999 increased by 21% over the previous year. Malaysian producers have been unable to compete with their Indonesian counter-parts on price. UK imports of Malaysian plywood were down 22%.

Meanwhile UK imports of Brazilian softwood ply increased rapidly during 1999 in response to rising production capacity in Brazil. During the first half of 1999, South Korea emerged as a significant, but temporary supplier of softwood ply to the United Kingdom. During 1998 and 1999, Korea began manufacturing softwood ply from New Zealand Radiata pine for export to Europe. For the purposes of marketing their product in Europe, Korean manufacturers plagiarised the US CDX rating system. There have been reports of Korean manufacturers misleading customers by marking inferior plywood with inflated CDX ratings.

Veneer

Overall UK imports of veneer were 6% down on the previous year during 1999, at around 32,000 m³. This may partly reflect the weakness of the UK furniture manufacturing sector during 1999 as it has struggled to remain competitive in the face of a strong pound. The strength of sterling has increased the trend towards furniture imports and is

HARDWOOD LOGS AND SAWN FROM OUTSIDE THE EU *Note 2*
(cubic metres)

Country	Species	LOGS				SAWN				TOTAL			
		Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98
BOLIVIA								24	587			24	587
BRAZIL						1051	1030	13735	12820	1051	1030	13735	12820
BURMA				42	30			300	303			342	333
CAMEROON		546	696	C12000	C21000	2279	2027	C28759	C31748	2825	2723	40759	52748
CONGO				292	239			94	2072	233	94	2364	472
GABON		118	52	4304	4092			194	191	118	52	4498	4283
GHANA						1530	1863	21333	27121	1530	1863	21333	27121
GUINEA								77	939	77	77	939	77
GUYANA		24		49		1657	787	2812	6433	1681	787	2861	6433
INDONESIA		89	49	324	301	744	433	6173	3620	833	482	6497	3921
IVORY COAST						1102	1484	12173	15927	1102	1484	12173	15927
LIBERIA					345								345
MALAYSIA				C	C	9081	4805	C66025	C61006	9081	4805	66025	61006
NIGERIA			201	410	925	37	17	283	388	37	218	693	1313
PAPUA N.G.					87	29		608	445	29		608	532
PERU				50		78	36	482	147	78	36	532	147
PHILIPPINES				35		36		922	612	36		957	612
SINGAPORE				149	130	128	122	2183	2385	128	122	2332	2515
TANZANIA		7		32	18			227	268	7		259	286
THAILAND								95	268			95	268
ZAIRE									322				322
ZAMBIA								17				17	
OTHER		9		109	248	94	85	790	447	103	85	899	695
TROPICAL		793	998	17796	27415	17846	12860	160146	165348	18639	13858	177942	192763
AUSTRALIA		137	127	384	250		26	140	373	137	153	524	623
CANADA		185	48	3998	3007	1966	1995	32650	22073	2151	2043	36648	25080
of which	Beech				7	82	25	336	156	82	25	336	163
of which	Birch											67	324
of which	Oak	33			120	26	505	356	6450	5599	538	356	6570
of which	Poplar								444	345			444
of which	Walnut						13	2	472	542	13	2	472
CHILE									167				167
CHINA						44	116	360	363	44	116	360	363
CZECH REP.				95	77			85	59			180	136
CZECH REP.	Beech			54				47	30			101	30
ESTONIA		751	957	9248	11808	1333	657	12380	3686	2084	1614	21628	15494
of which	Birch	751	957	9248	11808					751	957	9248	11808
of which	Oak					1333	657	12227	3686	1333	657	12227	3686
LATVIA		1438	742	9535	6945	291	18	2852	3584	1729	760	12387	10529
of which	Birch	1137	623	8884	6826					1137	623	8884	6826
of which	Oak					16		328	197	16		328	197
of which	Poplar	301	119	651	119	275	18	2524	3387	576	137	3175	3506
LIECHTENSTEIN								319				319	
LITHUANIA				63	207		31	1309	434	31		1372	641
of which	Oak						31	615	227	31		615	227
NORWAY				125	172			450	717			575	889
POLAND		22	15	352	1046	4		311	190	26	15	663	1236
of which	Beech							151	66			151	66
of which	Birch			24	688							24	688
ROMANIA		47	82	862	596	87	43	709	753	134	125	1571	1349
of which	Beech	47	82	805	596	87	43	548	753	134	125	1353	1349
RUSSIA		73	0	1436	3771	81	25	3165	2363	154	305	4601	6134
of which	Birch	73	205	1151	909					73	205	1151	909
of which	Oak				119	50		1062	269	50		1062	388
S. AFRICA		21	25	257	286			221	454	21	25	478	740
SERB. & MONT.					30			22	22	22	22	22	191
of which	Beech				30			22	22	22	22	22	169
SLOVAKIA				58				325	388			383	388
of which	Beech			33				148	71			181	71
of which	Oak							148	317			148	317
SLOVENIA				1		80		126	15	80		127	15
UKRAINE				18		24	27	163	370	24	27	181	370
of which	Oak					24	27	101	370	24	27	101	370
USA		918	856	17783	14169	5741	5817	95287	109277	6659	6673	113070	123446
of which	Beech					173		1000	209	173		1000	209
of which	Oak					2926	2329	48498	57143	2926	2329	48498	57143
of which	Poplar			84	39	489	537	9451	8457	489	537	9535	8496
of which	Walnut					36	28	935	1076	36	28	935	1076
OTHER			280	183		38		245	126	38		428	126
TEMPERATE		3592	3132	44398	42364	9689	8777	151119	145553	13281	11909	195517	187917
AFRICA		692	974	17328	27126	5024	5562	66631	76803	5716	6536	83959	103929
ASIA		94	49	620	548	10065	5561	76936	69221	10159	5610	77556	69769
AUSTR/PACIFIC		141	127	421	250		26	155	389	141	153	576	639
E. EUROPE		2258	1796	20284	20709	1857	798	18497	9640	4115	2594	38781	30349
N. AMERICA		1103	904	21781	17176	7707	7812	127937	131383	8810	8716	149718	148559
RUSSIA		73	280	1436	3771	81	25	3165	2363	154	305	4601	6134
S. AMERICA		24	0	199	27	2801	1853	17175	20270	2825	1853	17374	20297
W. EUROPE		0	0	125	172			769	832			894	1004
TOTAL		4385	4130	62194	69779	27535	21637	311265	310901	31920	25767	373459	380680

SLEEPERS FROM OUTSIDE THE EU
(cubic metres)

	Dec 99	Dec 98	Cum 99	Cum 98
AUSTRALIA	378	495	7738	7934
GUYANA			1003	
NIGERIA			463	36
RUSSIA			198	50
SLOVAKIA			304	74
OTHER	24	0	346	51
TOTAL	402	495	10052	8145

SLEEPERS FROM INSIDE THE EU *Note 3*
(cubic metres)

	Dec 99	Dec 98	Cum 99	Cum 98
BELGIUM	104		615	88
FRANCE	58	319	2757	C5971
GERMANY	155		C6153	2959
NETHERLANDS	188	6	C8027	2549
SWEDEN	284		874	1475
OTHER	64		823	1047
EU TOTAL	853	325	19249	14089

UK HARDWOOD IMPORTS

HARDWOOD LOGS AND SAWN FROM INSIDE THE EU Note 3
(cubic metres)

Country	Species	LOGS				SAWN				TOTAL			
		Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98
BELGIUM				C459	C426	404	46	C4520	C5772	404	46	4979	6198
of which	Beech			186		33	35	C820	C1053	33	35	1006	1053
of which	Oak				230	37	11	269	C48	37	11	269	278
DENMARK		48	7	C180	456	342	89	C4965	C3333	390	96	5145	3789
of which	Beech	48	7	175	342	342	85	C4055	C2919	390	92	4230	3261
FINLAND				C6	4566	647	394	C7917	C5602	647	394	7923	10168
FRANCE		111	29	1676	C1024	638	657	C11400	C12393	749	686	13076	13417
of which	Beech			32	266	35	113	C2130	C1388	35	113	2162	1654
of which	Oak			240		403	475	C6457	C6953	403	475	6697	6953
GERMANY		91	52	C1951	C1774	2382	2253	C44126	C45183	2473	2305	46077	46957
of which	Beech			C51	170	1941	1496	C35735	C33717	1941	1496	35786	33887
of which	Oak				17	146	233	C2025	C2317	146	233	2025	2334
IRELAND		178	12	C784	C216	137	116	C2076	C2822	315	128	2860	3038
of which	Oak	98	2	C346	8			C79	187	98	2	425	195
ITALY		51		97	C155		12	139	C64	51	12	236	219
NETHERLANDS		8	25	410	484	1003	989	C18355	C14721	1011	1014	18765	15205
of which	Oak			8		47	53	706	C591	55	53	714	591
SPAIN				65	122	269	129	1780	C2119	269	129	1845	2241
SWEDEN				273	C2400	8012	798	1716	C21093	798	1989	23493	33878
OTHER				25								25	30
EU TOTAL		487	398	8053	17235	6620	6401	116371	117905	7107	6799	124424	135140

VENEERS FROM OUTSIDE THE EU
(cubic metres)

	Dec 99	Dec 98	Cum 99	Cum 98
BRAZIL	5		30	48
CAMEROON	110		186	99
CONGO		42	36	228
DOM. REP			25	25
EQ. GUINEA	11		11	
GHANA	532	230	5166	3093
INDIA		7	4	7
INDONESIA			32	256
IVORY COAST		15	60	230
MALAYSIA			22	160
SAUDI ARABIA			21	
SINGAPORE		72	35	138
THAILAND	23		215	474
ZAIRE		288	385	2025
TROPICAL	681	654	6228	6783
AUSTRALIA				2
BULGARIA			31	
CANADA	79	45	1189	1014
CHINA	25		161	31
CROATIA			31	
ESTONIA	76	110	1348	261
HUNGARY			124	65
LATVIA		67	774	1628
LITHUANIA			47	
NORWAY			82	
RUSSIA	34		392	543
S. AFRICA	251	121	2475	2007
SLOVENIA		12	343	328
SWITZERLAND	2	10	246	530
USA	396	793	8684	10784
TEMPERATE	863	1158	15927	17193
TOTAL	1544	1812	22155	23976

BLOCKBOARD AND PLYWOOD FROM OUTSIDE THE EU
(cubic metres)

	BLOCKBOARD				PLYWOOD			
	Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98
BRAZIL	84	146	1812	2414	17143	8684	239618	136725
BURMA							6576	
GHANA					23		1445	280
GUYANA					2	46	10958	5757
HONG KONG							251	1839
INDIA					10		1286	259
INDONESIA	143	506	11153	18908	11665	17861	242622	199268
IVORY COAST					109	16	479	16
MALAYSIA			2542	687	5605	8223	122351	156640
SINGAPORE			8	2	195		686	657
SOUTH KOREA							396	60879
THAILAND					377	145	14200	1186
OTHER			107			86	642	241
TROPICAL	227	652	15622	22011	35119	35467	701993	525148
BELARUS							26	2802
CANADA			25		785	2368	48700	54410
CHILE					388	2546	15896	16013
CHINA			153	123	392	221	10140	5326
ESTONIA	2		2		30	185	6287	5226
ISRAEL					42	156	1337	1605
LATVIA		39		192	2754	1909	38917	31330
LITHUANIA	44		125	211	1123	643	11005	10920
MALTA							1007	
MOROCCO							306	478
NORWAY	73		864	150	198	180	3350	3307
POLAND	8		81	180	44	125	2021	2059
RUSSIA					6086	5488	83705	93453
SLOVENIA					79	24	551	607
USA	1		1	353	95	96	22361	203410
OTHER						8	847	493
TEMPERATE	128	39	1251	1366	12050	14247	249404	429577
AFRICA			107		132	408	2757	1471
ASIA	143	506	13856	19821	18276	27012	460888	389283
AUSTR/PACIFIC							37	
E. EUROPE	54	39	208	623	4056	2886	61670	50485
N. AMERICA	1		26	353	880	2464	71061	257820
RUSSIA					6086	5488	83705	93453
S. AMERICA	84	146	1812	2414	17533	11276	266472	158503
W. EUROPE	73	0	864	166	206	180	4807	3710
TOTAL	355	691	16873	23377	47169	49714	951397	954725

BLOCKBOARD AND PLYWOOD FROM INSIDE THE EU Note 3
(cubic metres)

	BLOCKBOARD				PLYWOOD			
	Dec 99	Dec 98	Cum 99	Cum 98	Dec 99	Dec 98	Cum 99	Cum 98
BELGIUM		27	114	134	1078	868	C14770	C13376
DENMARK	63		5889	C334	54	53	C567	934
FINLAND	295	146	C5536	C4600	6140	7019	C87284	C80240
FRANCE		35	C102	72	703	811	C18040	21545
GERMANY	179	153	3977	C1341	409	1190	C7013	7863
IRELAND			C5	24	144	135	C2250	1971
ITALY	95		804	460	631	645	C9385	C9204
NETHERLANDS	5		C145	C1349	5		443	1115
SPAIN			45		604	112	C6022	C4754
SWEDEN		11		384	143	241	C6560	C6148
OTHER							102	29
EU TOTAL	637	372	16617	8698	9911	11074	152436	147179

NOTES

1. Statistics are based on official figures of HM Customs and Excise. We try to amend anomalies, but it is not always possible to identify them. The imports of tropical wood apparently coming from continental Europe may include goods transhipped through a continental port. Boules and forms of square edged stock may be included under 'logs'. Where species are shown as coming from a source where it is known they do not occur, then it is assumed that the wood is wrongly identified and it is classified under "others" for that country. Major inconsistencies between values, weights and volumes are reconciled by estimates based on previous performance.

2. Logs and sawn data for "other" species derived from Estonia (Total cum. 1999 volume 65,011 m3) and Latvia (total cum. 1999 volume 133,036 m3) are omitted from this table as these volumes are assumed to contain large quantities of softwood.

3. HM Customs and Excise Data for trade within the EU is subject to delay. Because of new methods of statistical collection, returns may remain incomplete. Statistics are recorded as received and may be corrected subsequently and marked "C".

VENEERS FROM INSIDE THE EU Note 3
(cubic metres)

	Dec 99	Dec 98	Cum 99	Cum 98
BELGIUM	54	56	C2000	2015
DENMARK	3	42	C556	C722
FINLAND	32	19	757	339
FRANCE	52	4	C1187	C1521
GERMANY	221	222	C4148	C4145
ITALY	13	4	C457	249
NETHERLANDS	58	23	C324	C360
SPAIN	134		C316	C50
OTHER		7	74	668
EU TOTAL	567	377	9819	10069

Another poor year - cont from p 6

also impacting on exports. Comparing the first 7 months of 1999 with the same period in 1998, the overall volume of UK wooden furniture imports from non-EU countries grew by 50%. The volume of UK exports of all wooden furniture to non-EU countries slipped by nearly 21% during the same period.

Veneer imports were also affected by supply problems in the Democratic Republic of Congo (formerly Zaire) led to a significant reduction in imports from there, which were partly compensated by increasing veneer imports from Ghana. Ghana is now the only significant supplier of tropical veneer to the UK. Ghana's veneer production increased during 1999 in response to weakness in the plywood sector which encouraged manufacturers to divert veneer onto international markets.

On the temperate side, Estonia emerged as a significant supplier of veneer to the UK during 1999, apparently displacing more expensive US and French production.

European Hardwoods

Stable prices despite storms

Despite the severe storm damage of last winter, prices for high quality logs and sawn of beech and oak have held up well, buoyed by good demand. The major price impact has been felt on the market for lower grade beech saw logs.

As temperatures are rising, the window of opportunity for removal of beech on the forest floor before staining becomes a significant problem is now very near its end. Harvesting of wind felled beech logs in Germany was all but complete by end March. Most German beech logs are now being sold from the state of Baden-Wuerttemberg. Quality sawing log prices are equivalent to last year, but the market for lower grades has dried up.

C&F prices for kiln dried, steamed and square edged German beech supplied to the UK currently stand at around 1750 DM/m³ for 1" and 1800 DM/m³ for 2"

Work to clear the back-log of beech logs has proceeded more slowly in France than in Germany. According to the European trade journal EUWID, only 30% of French storm-felled beech sawing logs were sold by end March. Transport and lack of irrigation yards for storage have been a major problem. In an effort to off-load excess beech logs, French exporters have been offering parcels at reduced prices in neighbouring countries, including the UK, and to China. Nevertheless high quality beech sawlog prices in France are running at levels only marginally lower than last year. Medium grade saw log prices have fallen by up to 40%. C&F prices for the top sawn grades of beech supplied from France to the UK are running at the same level as German prices.

China was over-stocked with beech earlier in the year. However, after a lull in buying in the immediate aftermath of the storms, China's importers have now returned to the market. Shipments of beech logs from France to Hong Kong/China will continue later than usual (into May) this year, with much being sourced from the storm damaged areas of North Eastern France. This is partly due to problems that have emerged over recent weeks in obtaining container space to China.

Demand for European oak is healthy, benefiting in part from the weakness of the euro against the dollar which has rendered American production less competitive. Sawn wood prices remain firm. C&F UK prices for German sawn oak (waney-edged prime grade) stand at around 1505 DM/m³ for 1" and 1945 DM/m³ for 2" (note prices given are for waney edged as there is very little square edged available - French prices are similar). Much harvesting in the wake of the storm has focused on stain-susceptible beech, and harvests of oak have been much less affected. The long term impact of the December storms may well be greater. With regard to oak - the long lead time between the harvesting, conversion and drying of the species means that storm-felled logs will not translate into 1" kiln dried

sawnwood for at least 12 months, and perhaps 2 years for thicker sizes. Furthermore, the devastation wrought to hardwood stands, particularly of beech across France and throughout the German Rhine valley, implies that future harvests may well be impaired.

Plywood

Indonesian shadow

Indonesia continues to cast a long shadow over the international hardwood plywood trade. Political uncertainty and a weak rupiah have meant that Indonesian shippers have been holding prices at very low levels since August last year. If anything, prices weakened again last month - with some observers reporting levels as low as INDO96 less 22/23. The rupiah weakened during April, and now stands at around 8000 against the US dollar, suggesting there is little likelihood of significant price gains in the near future.

The Indonesian supply situation remains as obscure as ever. The French journal Commerce International de Bois reports that Indonesian plywood manufacturers are operating again at "normal" levels after the holiday season and with the arrival of drier conditions. However agents report that problems are emerging over the quality of Indonesian plywood. This has led to speculation that the quality of Indonesian logs is deteriorating - unusual so early in the logging season. Deteriorating quality is also affecting certain suppliers from Sabah, where there are undoubtedly log supply problems. An increasing number of mills in Sabah are relying on Indonesian log imports. Perhaps the omens are not good for Indonesian log supply. Certainly, longer-term trends suggest that Indonesia is on the verge of a significant log supply problem (see Indonesia article back page).

The UK market for hardwood ply is still over-stocked after heavy arrivals during December and January. There is limited buying only of speciality grades. Importers are aware that agents have a lot of stock on the ground and are holding off purchasing for the time being.

Continuing problems in the large Japanese and Korean markets also argue against significant price gains in the near future. The Japanese plywood market started the year heavily overstocked. Signs of improving conditions during late February and early March allowed manufacturers to push through price increases. However the rising trend proved short-lived and demand has fallen away again.

With Indonesian prices so weak, shippers in both Malaysia and Brazil are uncompetitive and remain out of the picture. Brazilian production is currently impaired by heavy rains in northern tropical regions.

The continuing weakness of international plywood prices is encouraging the Malaysians to pursue their proposal for the establishment of a world futures market in plywood. The proposal is to introduce a trade in "futures contracts" - an agreement to buy or sell a specified amount of plywood at an agreed price on

or before a given date in the future - to operate in parallel with the physical or cash market. The futures market is intended to reduce risks inherent to the plywood trade by protecting buyers and sellers against future price changes and by establishing a visible and transparent price formation process. The Malaysians also believe such a system could increase market liquidity through involvement of non-trade speculators. However traders contacted by Tropical Timbers remain sceptical of the potential for such an exchange. Past experience is not encouraging - particularly the failure of an exchange established in the United States ten years ago for the softwood ply industry. The exchange failed because the softwood ply industry, which is significantly larger than the tropical industry, was too small to be of interest to investors. Furthermore a futures exchange for the tropical industry would only function with the full support of Indonesian producers, which may not be forthcoming. Nevertheless the idea has gained the support of senior figures in the Malaysian trade and of some Indonesian shippers. The Malaysians will be raising the issue at the next ITTO meeting in June.

African forests

A long term view

According to *The Economist*, a new report implies that deforestation in West African countries over recent times may have been considerably less than supposed. Furthermore, deforestation does not necessarily follow on from population growth - the relationship between people and trees is rather more complex.

The Economist reviews an article in the recent issue of *Population and Development Review* by two British academics, Melissa Leach and James Fairhead. Their research suggests that the forest area of Cote d'Ivoire in 1900 probably amounted to no more than 8 million hectares. The usual estimate - based on work 20 years ago - is about 14.5 million hectares. While the loss of forest during this century has been rapid and accelerating, the rate of loss is only about 40% of that commonly supposed.

The two academics also suggest that much of the forest of West Africa is not as ancient as is generally supposed. They argue that large tracts of "undisturbed" forests are actually regrowth on areas that had been intensively cultivated before the slave trade reduced population levels. For example some of the largest forest reserves in Guinea and Sierra Leone were mainly savannah or farmland a century ago.

Furthermore, over a longer time frame, they believe that the increasing humidity of Africa's climate over the last 700 years has meant that areas once too dry for trees are now supporting forests. The presence of people may also have contributed to increasing tree cover. Their fieldwork in Ghana and Guinea found that farmers often suppress brush fires that would otherwise destroy vegetation, they enrich the soil, and deliberately preserve or plant trees for fruit, medicine, shelter or timber.

Ghana notes

Log production down 4%

Ghanaian log production in 1999 amounted 1,102,203 m³ (including 1% illegally produced logs), 4% down on the previous year. However production was 10% in excess of the annual allowable cut established at 1 million m³. 57% of harvested log volume derived from Forest Reserves, while 43% came from "off reserve" areas (cocoa and other farmland).

Much of the harvest comprised Lesser used species (LUS). Wawa accounted for 31% of the volume harvested, Ceiba for 19%, Ofram for 5% and Chenchen for 5%. The remaining 60% was distributed amongst a further 61 species. Ghana is at last making some headway in marketing LUS internationally. According to ITTO's Market News Service, LUS exports in the first three months of 2000 were substantially higher than those for the whole of 1999. They comment that "the target of 25,000 m³ of exports of LUS now seems a real possibility".

Ghana's policy of promoting greater value added exports also seems to be paying off. Total wood product exports during 1999 reached 433,125m³, 4.2% up on the previous year. US\$ export value was 1.7% up on the 1998 figure. Export growth was recorded for curls and peeled veneers, plywood and processed lumber (mouldings, profile boards) and poles. The major export markets in 1999 were Germany, Italy, UK, France, Saudi Arabia, USA, and Ireland.

Certification moves forward

Ghana tested its draft forest certification standards in four forest reserves during March. Two of the teams carrying out the tests were led by international experts in forest certification, and two teams by local experts. All four teams had technical support from the UK's National Resources Institute. The field tests aimed to assess the practical field application of Ghana's forest certification standard - "The Quality Management of the Forests of Ghana: Forest Standards, Principles and Specifications" - first published in March 1999. The tests form part of the Ghana Forest Management Certification Systems Project run jointly by the EU and Dutch Government. The project aims to assist Ghana to establish an independent system of forest certification. The tests involved an evaluation of 8 Principles, 37 criteria and 127 indicators of good forest management in Ghana. Preliminary findings identified a number of changes required to ensure the checklist and standards are easier to use and understand. As a follow up, a national stakeholder workshop took place between 27 -28th April 2000. On finalisation of the checklist and standards, the next phase of the project will be to develop an institutional framework and procedures for certification in Ghana.

France

Imports constrained by restricted supply

There was a significant reduction in French imports of hardwood logs and sawn during 1999. Reasons include difficult supply conditions in the major tropical hardwood producing regions; rising prices for American hardwoods; the weakness of the euro throughout 1999; and the relatively slow pick up in French hardwood demand despite progressively improving economic conditions.

French tropical hardwood log and sawn imports both fell by 6% compared with the previous year. Much of the fall had to do with poor supply conditions in tropical, particularly African countries. France's tropical wood market has for many years been dominated by okoume logs from Gabon supplied to France's large domestic plywood industry. In 1999 okoume log imports were down 18% on the previous year due mainly to production constraints. These stemming from a dispute between Gabon logging interests and SNBG, the parastatal agency with a monopoly over okoume exports from the country. Gabon also introduced higher export taxes in a move designed to encourage value added processing in the country. Log imports from Cameroon were down 17% in response to the Cameroon log export ban imposed from 1 July 1999. The ban contributed to a subsequent increase in French imports of Cameroon sawn

wood. Civil strife and transport problems led to a significant reduction in French log imports from Congo (Brazzaville). Sawnwood imports from Ghana and the Ivory Coast both fell in response to forest resource constraints. To make up some of the short fall in the supply of African logs, French importers have sought out new suppliers in Liberia and Equatorial Guinea.

Brazil continues to be the major supplier of tropical sawnwood to France. Although devaluation of the real in January 1999 tended to improve the competitive position of Brazilian shippers, the difficult economic climate restricted production. French imports from Brazil in 1999 were equivalent to 1998 levels. By contrast sawnwood imports from Malaysia were well down (-32%) on the previous year. This may be in response to rising prices for Malaysian sawntimber from February 1999 onwards.

French imports of North American hardwoods during 1999 were 13% down on the previous year. Demand was depressed by the weakness of the euro against the dollar and by the rising prices for US hardwoods throughout 1999 in response to firm US domestic demand. The French timber industry also focused heavily on the promotion of French oak during 1999, and this may have helped to revive interest in the domestic product at the expense of imports.

French Hardwood Import Volume (000 m³)

Source: *Commerce International du Bois*

	Logs		Sawn		Total	
	1999	1998	1999	1998	1999	1998
South America			223.8	228.9	223.8	228.9
Brazil			219.1	225.3	219.1	225.3
Africa	849.5	908.3	156.4	158.5	1005.8	1066.7
Cameroon	172.1	208.9	53.3	39.1	225.4	248.0
Central African Republic	7.2	11.3			7.2	11.3
Congo (Rep - Braz)	29.0	66.7	19.2	20.0	48.3	86.7
Equatorial Guinea	58.1	27.9			58.1	27.9
Gabon	473.2	487.8			473.2	487.8
Ghana			33.2	40.2	33.2	40.2
Ivory Coast			37.4	41.7	37.4	41.7
Liberia	74.2	61.4			74.2	61.4
Madagascar			5.4	11.5	5.4	11.5
Asia	1.6	1.9	51.8	75.8	53.4	77.7
Indonesia			7.8	2.3	7.8	2.3
Malaysia			42.5	62.6	42.5	62.6
Europe (tropical)	10.5	10.7	33.0	30.1	43.5	40.8
Other tropical	1.4	0.2	0.9	0.4	2.3	0.5
Total Tropical	862.9	921.0	465.9	493.7	1328.8	1414.6
Europe	530.1	605.6	175.2	174.6	705.3	780.2
Belgium/Lux	160.8	151.6	35.4	29.2	196.2	180.8
Bosnia			7.0	47.7	7.0	47.7
Germany	147.7	171.5	35.4	33.4	183.2	204.9
Poland			15.9	10.6	15.9	10.6
Slovakia			10.4	12.3	10.4	12.3
Spain	176.5	223.5	13.3	4.4	189.8	227.9
North America	38.8	49.5	111.0	127.4	149.8	176.9
Canada	4.6	14.2	28.0	36.9	32.6	51.1
USA	34.2	35.4	83.0	90.5	117.2	125.8
Other temperate	1.1	2.9	0.3	1.7	1.4	4.7
Total Temperate	569.9	658.1	286.6	303.7	856.5	961.8
TOTAL	1432.8	1579.0	752.5	797.3	2185.3	2376.4

Western red alder

Loss of market share explained

Export markets for US Western red alder increased rapidly between 1995 and 1998, but have since fallen away. A new study suggests loss of market share is primarily due to the failure of hardwood exporters in the Pacific Northwest (PNW) to focus on customers' needs. Hardwood lumber production in the PNW increased over 200% between 1983 and 1997. Even though western red alder constitutes less than 3% of total US hardwood lumber production, it ranks fourth in total volume and third in total export revenue among all hardwood species exported from the US. From 1994 to 1997, the value of red alder lumber exports increased 73% from \$93 million to \$161 million. The contribution of western red alder to total US hardwood lumber exports increased substantially between 1995 and 1998 to represent 10.3% of total US hardwood lumber exports, up from 6.8% in 1995. This performance is particularly impressive given that commercial hardwood species in the PNW have traditionally been considered a low value by-product of softwood timber stands. Less than 1% of timberlands in the PNW are managed for hardwood production.

However, in 1998 western red alder exports declined substantially with the most significant losses in Germany, Italy, Taiwan and Japan. In response to this trend, the US research organisation, CINTRAFOR, has published a survey of the international competitiveness of the PNW hardwood industry. The survey includes an analysis both of US exporters' views on competitiveness, and of European manufacturers' attitudes to western red alder. PNW hardwood managers regard a firm's reputation and production efficiency as the most important factors affecting competitiveness on international hardwood markets. They also emphasised the particular importance of communicating regularly with customers, maintaining high quality control standards, and delivering products on time. By contrast managers felt that innovation, the development of new products, promotional and marketing activities, and conducting market research, were less important to competitiveness.

CINTRAFOR's interviews with European furniture and panel manufacturers found that the light reddish hue and subdued grain appearance of red alder made it extremely popular in the European furniture industry where natural looking furniture has been fashionable. However since 1998, use of the species has declined for a number of inter-related reasons. Exchange rate fluctuations have been important. European respondents stated that it is difficult for furniture manufacturers, who issue annual furniture prices, to maintain a stable profit margin throughout the year when exchange rates and product prices are unstable. It is now more attractive for these manufacturers to source wood within the euro-zone.

German and Italian panel and furniture manufacturers also reported that red alder supplies and delivery times can be inconsistent. Buyers are frustrated by the fact that they are at the mercy of the US market. US shippers tend to reduce supplies to export markets when US demand is high.

CINTRAFOR conclude that the recent shift in demand away from western red alder in Europe has more to do with factors inherent to the PNW industry itself than to other "external" factors. Even problems associated with fluctuating exchange rates and prices can be reduced by the actions of exporters. Red alder exporters can gain competitive advantage by offering three-month price contracts with manufacturers, since longer-term contracts minimize manufacturer exposure to fluctuating exchange rates and lumber prices. It is recognised, however, that the ability to set longer-term price guarantees is restricted to large companies.

Nor can exporters simply dismiss declining European export markets for red alder as the result of "changing consumer taste". CINTRAFOR note that consumer preference is itself heavily dependent on supply factors. When alder was plentiful and the price was low, manufacturers produced and promoted large quantities of alder products. However European manufacturers started to look for substitutes as alder prices have risen and supply has become inconsistent. They therefore cut back on their promotion of alder furniture and increased promotion of substitutes - which only then fed back into changing consumer taste.

Peninsular Malaysia Asian recovery boosts exports

Peninsular Malaysia's sawnwood exports increased by 18% during 1999 over the previous year, boosted by a recovery in Asian demand. Sales of sawnwood made significant gains in Singapore (up 33%), Thailand (up 73%) and Japan (up 17%). Overall sawnwood exports during 1999 were well in excess of those in 1997 prior to the onset of the Asian crises (893,000 m3).

Sawnwood sales to the European market were more mixed, partly reflecting the weakness of the euro throughout much of 1999 which meant dollar-denominated Malaysian species were relatively uncompetitive against African woods. Nevertheless, improving economic conditions in both Germany and Italy contributed to increasing sawnwood sales there (up 50% and 7% respectively). The Netherlands maintained its leading position as the largest buyer of Peninsular Malaysian sawnwood. The Netherlands tends to prefer sawnwood from Peninsular Malaysia due to the ready availability of kiln dried material sawn to precise size specifications.

Exports of plywood from Peninsular Malaysia were marginally up (by 6%) on the previous year, despite the chaos in international plywood

markets created by Indonesian suppliers low price strategy. Peninsular Malaysia appears to have had some success in diversifying markets for their plywood - with significant growth for example in sales to Australia and Belgium (up 227% and 163% respectively from a very small base).

Mouldings exports recovered to pre-crises levels during 1999, standing at 239,900 m3 compared to 189,700 in 1998 and 215,000 in 1997. Peninsular Malaysia's exports of mouldings to a wide range of markets increased during 1999, a tribute to the state's policies of promoting both value added production and market diversification. Particularly notable was an increase in mouldings exports to Hong Kong (up 66%), compensating for a major reduction in sawnwood exports to that market.

Peninsular Malaysia Exports Volume (000s m3) - Source Maskayu

	1998	1999	98/99 % Chg
Sawntimber by species			
Heavy Hardwood	33.2	40.9	23
o.w. Merbau	25.0	23.6	-6
Medium Hardwood	190.0	240.0	26
o.w. Keruing	64.8	77.2	19
Redwood	38.9	44.0	13
Kempas	24.8	37.3	51
Kapur	14.6	26.0	78
Tualang	18.5	14.6	-21
Light Hardwood	599.3	684.8	14
o.w. Meranti, Dark Red	158.3	180.4	14
Meranti, Red	66.6	82.9	24
Mersawa	13.8	19.1	38
Ramin	11.0	24.4	122
Softwood	0.3	0.2	-27
Foreign	5.9	7.9	33
Total	828.8	973.8	18
Sawntimber by destination			
Netherlands	175.2	177.5	1
Singapore	129.2	171.5	33
Thailand	126.4	218.4	73
Belgium	66.6	52.2	-22
UAE	60.4	56.4	-7
Japan	39.9	46.6	17
Hong Kong	32.1	10.3	-68
United Kingdom	30.2	28.3	-6
Germany	27.5	41.2	50
Yemen	23.5	26.2	11
Italy	22.9	24.4	7
Saudi Arabia	10.3	16.4	59
China	7.1	14.1	98
Others	77.3	90.3	17
World	828.8	973.8	18
Plywood by destination			
Singapore	87.7	95.6	9
Japan	49.5	46.3	-6
United Kingdom	51.4	41.0	-20
Hong Kong	12.1	8.7	-28
Australia	2.6	8.6	227
China	13.4	8.1	-40
Other	45.3	68.4	51
Total	261.9	276.8	6
Mouldings by destination			
Hong Kong	34.2	56.7	66
Japan	31.5	40.7	29
Australia	28.3	29.7	5
Taiwan	20.8	24.4	17
USA	19.2	18.8	-2
UK	6.3	6.0	-4
Others	49.4	63.6	29
Total	189.7	239.9	27
Veneer by destination			
Taiwan	0.2	0.7	195
Singapore	0.4	0.4	-4
Australia	0.2	0.2	-16
Others	9.9	9.1	-8
Total	10.7	10.4	-4

Brazilian forests

Tackling deforestation

International opinion formers have at last woken up to the fact that the most threatened rainforest in Brazil is not located in the Amazon. At the end of April the Economist reported that while 86% of the vast Amazon rainforest is still intact, only about 7% of the Atlantic forest on the eastern seaboard of Brazil has survived. Over the last 500 years, the Atlantic forest has been relentlessly dismantled to make way for cash crops, notably sugar and coffee, and to provide space for the sprawling cities of Rio and Sao Paulo. Recent figures on Atlantic forest loss are not available, but between 1990 and 1995, 500,000 hectares were destroyed, leaving only 8.1 million hectares. As the Economist points out, the forest is suffering the "death of a thousand cuts", as it is continuously parcelled up into smaller lots following the creation of new roads and settlements. The priority now is to preserve corridors linking the remnants, so that species populations have enough space to maintain viable populations.

Nevertheless, recent government data indicates there are reasons for concern over the Amazon. Satellite data reveals that in 1998-99 the area of forest in the Amazon declined by 1.69 million hectares, compared to 1.74 million hectares in 1997-98. The area of forest lost during that year was almost a third more than the year before. The Brazilian Government has taken comfort in the fact that the rate of loss had not increased again. There has been a strengthened police presence in the Amazon over the last 12 months designed to reduce illegal forest clearance. However most analysts believe the marginal reduction in deforestation owes more to Brazil's weak economy during 1999.

Italy

Furniture industry turnover up 3%

CSIL, the Italian-based furniture industry research organisation, reports a 3% increase in the turnover of the Italian furniture industry during 1999 to L34,400 billion at production prices. Italy is the world's largest furniture exporter and third largest furniture producer (after the US and Germany), accounting for 10% of total world production.

Italian furniture exports reached L 14,991 billion in 1999, 1.6% higher than 1999, and accounted for around 20% of total world furniture exports. Italy's exports were boosted in 1999 by increasing demand from the United States. However, the crisis in the Far East and Russia undermined exports to other regions.

Exports to the US are expected to continue to grow during 2000, while demand is also expected to improve in Germany, Poland and other Eastern European countries, and in some Far Eastern markets. Furniture sales to the domestic market are also expected to increase by 5% this year.

Italy's furniture sector is made up of around 35,000 manufacturing companies, of which 90% employ fewer than 10 workers. The success of

Some positive steps are being taken to tackle deforestation in both the Atlantic and Amazon regions. A new environmental law came into force in October which included heavy fines and up to five years' imprisonment for illegal felling. Ibama has taken steps to enforce the regulations. A logging company based in Para was recently fined the equivalent of US\$6.7 million pending an appeal. Furthermore under Brazil's forest code, established in 1996, landowners are required to maintain 80% of Amazon rainforest holdings. Efforts by the farming lobby to encourage the Brazilian Congress to overturn this requirement ran into the sand during April. The environmental lobby continues to push an approach to deforestation based on environmental certification of wood products. This month saw the launch of a Brazilian Buyers' Group pledged to support the trade in FSC certified timber. The group includes about 40 companies from the furniture, packaging, printing, flooring and other industries.

According to the Brazilian government, the major causes of deforestation during the 1990s have been an increase in consumption of basic foodstuffs; the associated expansion of agriculture; the invasion of forest areas by landless people; and an increase in hardwood consumption in Brazil for housing and construction. 90% of the timber extracted from the Amazon goes to domestic markets, so forest certification linked to the new Brazilian Buyers group has the potential to exert influence over one contributory factor in Amazonian deforestation. But much more sophisticated land use policies are required to tackle the principal causes of forest loss in Brazil.

the industry is partly explained by an organisational structure in which small, medium and large plants are linked at district level and effectively work as a single unit. Competition and innovation are enhanced through local networks which link large numbers of specialised production units, professional designers and manufacturers, components suppliers, and other supporting industries. The major furniture producing regions include in northern Italy the classic furniture district of Verona-Padua, the world-renowned Udine chair manufacturing district, the Brianza district and the Treviso-Pordenone district; the Pesaro district in central Italy; and the Bari Matera district in the south where many of the leading upholstered furniture manufacturers are located.

Italy's domestic furniture market is worth more than 11 billion euro, much of the demand focused in the industrial north. There are around 22000 furniture outlets, mainly comprising independent stores, but larger scale retailer chains are becoming increasingly important.

Congo (Brazzaville)

Shift to value added

The Government of Congo (Brazzaville) has given preliminary approval to a law stipulating that 60% of national log production must be processed prior to export. The measure has yet to be formally adopted by the nation's parliament. In line with the announcement, the Rougier Group, through its Congolese subsidiary Mokabi, signed on 4 March a 30 year contract with the Congolese government for the development of industrial processing capacity in the country. Mokabi will invest CFA Fr 5.5 billion and create 214 jobs. In return the company is authorised to harvest wood from a 370,500 ha area in the Likoula region of northern Congo. Meanwhile according to Reuters, the German Congolese company Socobois, one of the largest in the sector, will restart activity in the near future. Socobois was forced to suspend activity in January 1999 at Dolisie in the southern part of the country during the recent civil war.

India

"Engine of growth"

Reports are emerging of significant growth in the Indian wood market. New Zealand based *Pine Magazine* reports that last year India imported about 450,000 m3 of pine logs - mostly from New Zealand, but also from South Africa, Chile and Australia. In just 3 years, the subcontinent has become NZ's number 3 log market, with sales rising from zero to NZ\$27 million (FOB). NZ industry representatives are predicting that Indian imports of NZ pine will rise to 1 million m3 in 2001.

The Indian market is highly price sensitive. As a result pine logs are exported without debarking or antisapstain treatment. Furthermore, most pine lumber produced in India is used without seasoning or treatment.

Almost all radiata exported to India from NZ and Australia enters through the rapidly developing northern port of Kandla. An estimated 400 sawmills cutting pine have sprouted up within a 20 km radius of the port. The mills are small scale, each typically cutting 10 to 50m3 of logs a day. However use of painstaking manual sawing methods means very high recovery rates averaging 90%. About 70% of the pine logs are converted to 3 m long "sleepers". Another 20% are sawn for smaller size lumber. Sleepers are the traditional system of selling timber in India. From Kandla, they are trucked more than 1000 km to the Delhi region and parts of Rajasthan, Punjab and Uttah Pradesh.

India's demand for industrial timber was estimated to be 40 million m3 in the 1990s, but if per capita consumption increases by just 0.01 m3, it would mean an annual increase of 10 million m3. As one indication of the potential of Indian wood markets, EUMABOIS - the powerful 11-nation association representing more than 700 European wood machinery manufacturers - has declared its intention to focus marketing on India and China as the new "engines of growth".

Indonesia Will there be a log supply crises?

Logging in Indonesia over recent years has been well in excess of sustainable levels. In February, Tropical Timbers published a letter from Alistair Fraser, Director of a major forest management project in Indonesia, whose research suggests that logging throughout the country has risen over the last decade from around 50 million m³ to 70 million m³ per year - well over the long term sustainable yield estimated by FAO at around 23 million m³. Furthermore, there has been large scale forest conversion over the last decade, recently estimated at 1.6 million hectares per annum. An estimated 5 million hectares of forest were damaged in fires during 1997/98. A forest area - no matter how large - can only take this form of abuse for so long.

Under pressure from international donors, the Indonesian government is, at last, taking steps to curtail levels of log harvest. It announced in early February that it would set up a new statutory body within 60 days, charged with developing a National Forest Program to ensure forest sector reform. It intends to eradicate illegal sawmills and crack down on illegal logging. It now plans to close heavily indebted wood industry companies controlled by the Indonesian Bank Restructuring Agency. The further development of 'ordinary' plywood mills is to be halted in favour of quality plywood and other manufacturing, notably furniture.

The concession system is also being restructured so that large areas of forest will be placed in the hands of small scale operations. While the wisdom of this policy is questionable, most analysts expect it will reduce log harvests. Already there has been conflict. The Association of Indonesian Forest Concessionaires recently complained that 50 timber companies in Irian Jaya, Kalimantan and Sulawesi halted logging after disputes with local communities. The communities are claiming ownership over concessions and have threatened workers.

Overall it seems inevitable that Indonesian log and plywood production will fall - but when? Much hinges on whether the new Indonesian government can act quickly and effectively to enforce the new forest regime. The omens are not a particularly good. The scale of the challenge facing officials in Indonesia is immense. Restructuring an industrial complex the size of the Indonesian wood sector, with annual processing capacity of 63 million m³, is an immense undertaking. There will be massive job losses in a country where poverty is already a major concern. Unemployment increased from 5.5% in 1998 to 6.3% in August 1999, and underemployment increased from 60% in 1998 to 63% in 1999. These dry figures will hardly do justice to the misery of the workers involved. And quite apart from employment in the formal industrial sector, around 500,000 people in rural

districts rely for much of their meagre income on illegal logging. A crack down on these activities could fuel regional disparities, leading to further discontent and instability.

The Indonesian government is already faced with the threat of a nation coming apart at the seams. On this score, efforts are being made to ameliorate demands from certain states for independence. Two laws are due to come into effect in January 2001 to restructure the constitution so that individual states have greater autonomy. The states are to be given direct control over public services and 40% of state revenues. Jakarta will set guidelines and keep control over certain sensitive issues such as defence and fiscal policy. Although some international observers note the move was essential to prevent the break-up of Indonesia, concerns have been raised over the pace at which the move to decentralise is due to take place.

Some fear administrative chaos. The new laws also imply some delegation of power over forest resources to state authorities. Environmentalists are already suggesting that local officials, hungry for revenue, will continue to allow over-logging. So moves by the Indonesian authorities to restrict logging are likely to take time. But there are reasons for optimism. The arrival of democracy and a government committed to reform has provided new opportunities for Indonesia to confront its forest sector problems. Autonomy for the regions may bolster democracy in a country where many regions are still dominated by corrupt officials and army officers. It could also serve to spread economic development more evenly across Indonesia. With a little arm-twisting by international aid donors, Indonesia's plans for its forests seem genuine. Much may now be achieved through positive encouragement and targeted assistance.

Exchange rates for one pound sterling and one US dollar

		2000 25-Feb	2000 25-Feb	2000 4-Apr	2000 4-Apr	2000 4 May	2000 4 May
Argentina	Peso	1.5936	0.9995	1.5955	0.9999	1.5622	0.9998
Australia	Aus.\$	2.5836	1.6204	2.6297	1.6480	2.6439	1.6921
Bangladesh	Taka	81.317	51	81.3670	50.9944	79.6813	50.9960
Belgium	Belgian Fr.	65.7165	41.2158	67.2948	42.1763	70.6714	45.2489
Belize	B\$	3.1889	2	1.9208	3.0650	3.0170	1.9309
Bolivia	Boliviano	9.6305	6.04	70.9220	6.0201	9.4527	6.0500
Botswana	Pula	7.5424	4.7304	7.7555	4.8603	7.9498	5.0878
Brazil	Real	2.827	1.773	2.7829	1.7440	2.8336	1.8135
Fr. Africa*	CFA Fr.	1068.6	670.2	1098.9011	684.9315	2.3274	1.4895
Canada	Canadian \$	2.3152	1.452	2.3190	1.4533	1149.43	735.63
Chile	Peso	807.509	506.45	806.4516	505.0505	806.4516	516.1290
China	Yuan	13.1998	8.2786	13.2100	8.2788	12.9366	8.2802
Czech Republic	Koruna	57.8547	36.285	60.4230	37.8644	63.6537	40.7384
Denmark	Danish Krone	12.1328	7.6094	12.4239	7.7863	13.0582	8.3577
Estonia	Kroon	25.4894	15.9863	16.3613	26.1097	27.4198	17.5469
Europe	Euro	1.6291	1.0217	1.6686	1.0457	1.7525	1.1216
Finland	Markka	9.686	6.0749	9.9206	6.2170	10.4395	6.6684
France	Franc	10.686	6.702	10.9445	6.8592	11.4956	7.3572
Germany	D-mark	3.1862	1.9983	3.2634	2.0451	3.4276	2.1937
Ghana	Cedi	5990.36	3757	6666.00	4166.00	7409.00	4800.00
Guyana	Guyanese \$	287.479	180.3	286.5330	179.2115	282.4859	180.7910
Hong Kong	HK\$	12.409	7.7826	12.4254	7.7869	12.1714	7.7900
India	Rupee	69.5491	43.6195	69.5894	43.6110	68.2128	43.6562
Indonesia	Rupiah	11719.2	7350	12500.00	7692.31	12311.0	7975.0
Irish Republic	Punt	1.283	0.8047	1.3141	0.8235	1.3802	0.8833
Italy	Lira	3154.32	1978.31	3225.81	2040.81	3360.00	2175.00
Japan	Yen	176.904	110.95	167.2241	104.8218	170.3578	109.0290
Kenya	K. Shilling	117.272	73.55	119.4743	74.9064	116.5501	74.5921
Korea South	Won	1812.09	1136.5	1785.7143	1111.1111	1715.00	1111.25
Liberia	Liberian \$	1.5945	1	1.5957	1.0000	1.5625	1.0000
Malaysia	Ringgit	6.0589	3.8	6.0635	3.8000	5.9375	3.8000
Myanmar	Kyat	9.766	6.125	10.6281	6.6605	10.6281	6.8020
Netherlands	Guilder	3.59	2.2516	3.6770	2.3043	3.8619	2.4716
New Zealand	NZ\$	3.2687	2.05	3.1933	2.0012	3.1836	2.0375
Nigeria	Naira	162.714	102.05	162.0746	101.5228	157.4803	100.7874
Papua NG	Kina	5.0023	3.1373	4.1558	2.6043	3.9659	2.5382
Philippines	Peso	65.2131	40.9	65.6599	41.1523	64.4745	41.2637
Poland	Zloty	6.613	4.1475	6.6256	4.1520	7.0077	4.4851
Portugal	Escudo	326.599	204.835	334.4482	209.6436	350.8772	224.5614
Romania	Leu	30087.3	18870	33333	20000	30433	19722
Russia	Rouble	45.7767	28.71	45.8926	28.7687	44.3459	28.3814
Singapore	Singapore \$	2.7277	1.7107	1.7166	2.7391	2.6883	1.7205
Solomon Islands	Silmn. Is. \$	8.0622	5.0564	8.0665	5.0551	7.9120	5.0637
South Africa	Rand	10.057	6.3075	10.4745	6.5638	10.6872	6.8398
Spain	Peseta	271.054	169.999	277.7778	173.9130	291.5452	186.5889
Sweden	Krona	271.054	169.999	8.6768	13.8447	14.1423	9.0511
Taiwan	\$	49.0453	30.76	48.5909	30.4507	47.9616	30.7031
Tanzania	Shilling	1275.56	800	1265.82	800.00	1250.00	800.00
Thailand	Baht	60.3101	37.825	60.2773	37.7786	60.1323	38.4763
Uganda	New Shilling	2405.23	1508.5	2439.0244	1515.1515	2367.79	1534.29
U.S.A	US \$	1.5945	1	1.5957	1.0000	1.5625	1.0000
Venezuela	Bolivar	1054.77	661.525	1063.83	671.14	1043.57	676.00
Vietnam	Dong	22413.2	14057	25000.00	14285.71	21613.00	13989.00
Zimbabwe	\$	61.3067	38.45	60.9756	38.2117	59.9880	38.4025

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

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